IMPORTANT NOTICE

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

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

Confirmation of your representation: You have accessed the attached document on the basis that you have confirmed your representation to Citigroup Global Markets Inc., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities (Asia Pacific) Limited, Nomura Singapore Limited and Kyobo Securities Co., Ltd. (each an "Initial Purchaser") that (i) either (a) you are outside the United States and, to the extent you purchase the Securities, as defined and described in the attached offering circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act") or (b) you are acting on behalf of, or you are, a qualified institutional buyer ("QIB"), as defined in Rule 144A under the Securities Act, and (ii) you consent to delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

The attached offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Initial Purchasers nor any of their respective directors, officers, employees, representatives, agents or affiliates accept any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

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

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

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

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

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

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities described therein.

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

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

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

Kyobo Life Insurance Co., Ltd.

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

US$500,000,000 5.900% Sustainability Subordinated Capital Securities

The US$500,000,000 5.900% Sustainability Subordinated Capital Securities (the "Securities") are issued by Kyobo Life Insurance Co., Ltd. (the "Issuer"). The Securities confer a right to receive distributions (each a "Distribution") (i) in respect of the period from, and including, June 15, 2022 (the "Issue Date") to, but excluding, June 15, 2027 (the "Initial Reset Date," and such period, the "Initial Rate Period"), 5.900% per annum (the "Initial Distribution Rate"); (ii) in respect of the period from, and including, the Initial Reset Date to, but excluding, June 15, 2032 (the "Step-Up Date"), a rate per annum equal to the sum of the Treasury Rate plus the Initial Spread (the "Initial Reset Distribution Rate"); and (iii) in respect of the period from, and including, the Step-Up Date or each Reset Date thereafter, as the case may be, to, but excluding, the immediately following Reset Date, the applicable Reset Step-Up Distribution Rate. Terms relating to the Securities not otherwise defined have the meanings given to them in "Terms and Conditions of the Securities." Subject to the provisions of the Securities relating to the mandatory cancellation of Distributions (see "Terms and Conditions of the Securities — Distribution — Mandatory cancellation of Distributions on the occurrence of a Capital Deficiency Event"), Distributions shall be payable on the Securities semi-annually in arrears on June 15 and December 15 in each year (each a "Distribution Payment Date") with the first Distribution Payment Date falling on December 15, 2022.

The Issuer may, at its sole discretion, elect to cancel, in whole but not in part, payment of any Distribution otherwise scheduled to be paid on a Distribution Payment Date by giving notice to the Securityholders and the Fiscal Agent at least seven Business Days prior to such Distribution Payment Date. Distributions are non-cumulative. If the Issuer elects not to pay a Distribution or is required not to pay a Distribution, such Distribution will not be due and payable on the relevant Distribution Payment Date. If any Distribution is not paid on a Distribution Payment Date pursuant to and in accordance with the provisions of the Securities, the right of Securityholders to receive such Distribution not paid will be lost, and the Issuer will have no obligation to pay such Distribution, whether or not any amount of Distribution is paid for any future Distribution Period. See "Terms and Conditions of the Securities."

Unless previously redeemed or purchased and cancelled as described below, the Issuer may at its option redeem the Securities, in whole but not in part, at their outstanding principal amount on June 15, 2052 (the "Initial Issuer Redemption Date") and on each date that falls 30, or a multiple of 30, calendar years after the Initial Issuer Redemption Date (each such date together with the Initial Issuer Redemption Date, an "Issuer Redemption Date"); provided that, if the Securities are not redeemed at the option of the Issuer on any Issuer Redemption Date, the Securities will automatically be extended for 30 years from such Issuer Redemption Date. The Issuer may, on the Initial Reset Date and on each Distribution Payment Date thereafter, upon giving a notice of redemption, redeem the Securities, in whole but not in part, at a redemption price equal to the principal amount of the Securities plus any accrued but unpaid Distribution (other than any Distribution which has been cancelled) (the "Optional Redemption Price"); provided that (a) such redemption may not occur within five years of the Issue Date; and (b) either (i) immediately after such redemption (which shall have been decided by the Issuer at its sole discretion and approved by the Financial Supervisory Service of Korea (the "FSS")), the Issuer's Solvency Margin Ratio shall be equal to or greater than 150%; (ii) (A) the Issuer's Solvency Margin Ratio shall be equal to or greater than 100%; (B) prior to such redemption, the Issuer issues or incurs qualifying financing via instruments with a maturity longer than the remaining maturity of the Securities and with more favorable financing terms, including but not limited to a lower interest rate) in an amount not less than the aggregate principal amount of the Securities being redeemed; (C) the Distribution Rate of the Securities shall have been recognized by the FSS as significantly unfavorable to the Issuer due to changes in market conditions since the Issue Date; and (D) the Issuer shall have obtained prior approval from the FSS for such redemption; or (iii) if the conditions in (b)(i) and (b)(ii) are no longer recognized by the FSS as meeting the requirements for an optional redemption by the Issuer of the Securities, the satisfaction of any such conditions as required under the Regulation on Supervision of Insurance Business, the Detailed Enforcement Regulations on Insurance Business Supervision or other successive regulations in effect at the time of such redemption (the conditions set forth in this proviso, collectively, the "Optional Redemption and Purchase Conditions"). In addition, subject to the satisfaction of the Optional Redemption and Purchase Conditions, the Securities may be redeemed (in whole but not in part) at the option of the Issuer upon the occurrence of a Gross-Up Event, Regulatory Event, Accounting Event or Tax Deductibility Event at the Optional Redemption Price. No notice of redemption with respect to a Gross-Up Event, Regulatory Event, Accounting Event or a Tax Deductibility Event shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amount if a payment in respect of the Securities were then payable (in the case of a Gross-Up Event) or the event is otherwise due to take effect (in the case of a Regulatory Event, Accounting Event or Tax Deductibility Event). See "Terms and Conditions of the Securities — Redemption and Purchase."

The Securities are rated "A3" by Moody's Investor Service, Inc. ("Moody's") and "A-" by Fitch Ratings, Inc. ("Fitch"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

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

The Securities will be issued in registered form in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The Securities will be represented on issuance by two or more Global Securities (as defined herein) and it is expected that delivery of the Securities will be made on or about June 15, 2022, in New York, New York through the facilities of The Depository Trust Company ("DTC") against payment therefor in immediately available funds.

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

See "Risk Factors" beginning on page 22 to read about certain risk factors you should consider before investing in the Securities.

Issue Price: 100.000%

Joint Bookrunners and Joint Lead Managers

Citigroup **HSBC** **J.P. Morgan** **Nomura**

Co-Manager

Kyobo Securities

The date of this offering circular is June 8, 2022.

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

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

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

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

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

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

This offering circular does not constitute an offer to sell or the solicitation of an offer to buy any Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this offering circular and the offer or sale of the Securities may be restricted by law in certain jurisdictions. We and the Initial Purchasers do not represent that this offering circular may be lawfully distributed, or that any Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution

or offering. In particular, no action has been taken by us or the Initial Purchasers that would permit a public offering of any Securities or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Securities may be offered or sold, directly or indirectly, and neither this offering circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this offering circular or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this offering circular and the offering and sale of the Securities. In particular, there are restrictions on the distribution of this offering circular and the offer or sale of Securities in the United States of America, the United Kingdom, Hong Kong, Singapore and the Republic of Korea ("Korea"). See "Plan of Distribution" and "Transfer Restrictions."

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this offering circular or confirmed the accuracy or determined the adequacy of the information contained in this offering circular. Any representation to the contrary is unlawful.

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

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

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

In connection with the Offering, any Initial Purchaser (or person(s) on acting on its behalf) may, individually or collectively, subject to all applicable laws, rules and regulations, over-allot Securities or effect transactions that stabilize or maintain the market price of the Securities at a higher level than the Securities might otherwise achieve in the open market for a limited period of time after the issue date. However, there is no assurance that any Initial Purchaser (or person(s) acting on its behalf) will undertake stabilization action. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period. For a description of these activities, see "Plan of Distribution."

The Initial Purchasers make no assurances as to (i) whether the Securities will meet investor criteria and expectations with regard to environmental impact and sustainability performance for any investors, (ii) whether an amount equal to the net proceeds will be used for Eligible Projects (as defined in "Use of Proceeds") or (iii) the characteristics of the Eligible Projects, including their environmental and sustainability criteria.

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. THE SECURITIES HAVE NOT BEEN OFFERED, SOLD OR DELIVERED AND WILL NOT BE OFFERED, SOLD OR DELIVERED,

DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF KOREA AND THE REGULATIONS THEREUNDER), OR TO ANY OTHER PERSON FOR REOFFERING, RESALE OR RE-DELIVERY, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA, EXCEPT AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAWS AND REGULATIONS.

IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE SECURITIES, THE SECURITIES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION (THE ''KOFIA'') AS A QUALIFIED INSTITUTIONAL BUYER, PROVIDED THAT (A) THE SECURITIES ARE DENOMINATED, AND THE PRINCIPAL AND INTEREST PAYMENTS THEREUNDER ARE MADE, IN A CURRENCY OTHER THAN KOREAN WON, (B) THE AMOUNT OF THE SECURITIES ACQUIRED BY SUCH QUALIFIED INSTITUTIONAL BUYERS IN THE PRIMARY MARKET IS LIMITED TO LESS THAN 20 PER CENT. OF THE AGGREGATE ISSUE AMOUNT OF THE SECURITIES, (C) THE SECURITIES ARE LISTED ON ONE OF THE MAJOR OVERSEAS SECURITIES MARKETS DESIGNATED BY THE FINANCIAL SUPERVISORY SERVICE OF KOREA, OR CERTAIN PROCEDURES, SUCH AS REGISTRATION OR REPORT WITH A FOREIGN FINANCIAL INVESTMENT REGULATOR, HAVE BEEN COMPLETED FOR OFFERING OF THE SECURITIES IN A MAJOR OVERSEAS SECURITIES MARKET, (D) THE ONE-YEAR RESTRICTION ON OFFERING, DELIVERING OR SELLING OF SECURITIES TO A KOREAN RESIDENT OTHER THAN A QUALIFIED INSTITUTIONAL BUYER IS EXPRESSLY STATED IN THE SECURITIES, THE RELEVANT UNDERWRITING AGREEMENT, SUBSCRIPTION AGREEMENT, AND THE OFFERING CIRCULAR AND (E) THE ISSUER AND THE INITIAL PURCHASERS SHALL INDIVIDUALLY OR COLLECTIVELY KEEP THE EVIDENCE OF FULFILLMENT OF CONDITIONS (A) THROUGH (D) ABOVE AFTER HAVING TAKEN NECESSARY ACTIONS THEREFOR.

CERTAIN DEFINED TERMS AND CONVENTIONS

Market and statistical data and certain industry forecasts used throughout this offering circular were obtained from internal surveys, market research, publicly available information and industry publications published by various sources, including the Korea Life Insurance Association, the Korea Insurance Development Institute (the "KIDI"), the National Statistics Office of Korea, the Organization for Economic Cooperation and Development (the "OECD") and other third party sources, that we believe are reliable. Such information has been accurately reproduced herein and, as far as we are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither we nor any of the Initial Purchasers makes any representation as to the accuracy or completeness of this information. You should not unduly rely on such market and statistical data and industry forecasts.

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

- "we," "us," "our," "ourselves," "our company" or "the Issuer" refers to Kyobo Life Insurance Co., Ltd. and (except for references to "the Issuer") its consolidated subsidiaries;
- "Corporate Governance Act" refers to the Act on Corporate Governance of Financial Companies;
- "FSC" refers to the Financial Services Commission of Korea;
- "FSCMA" refers to the Financial Investment Services and Capital Markets Act of Korea;
- "FSS" refers to the Financial Supervisory Service of Korea;

- "first year premiums" refers to the amount of premiums received during the first year of a policy, which amount is recognized in a specified year or period in respect of policies sold during such year or period, on a standalone basis;

- "first year regular payment premiums" refers to the amount of non-single payment premiums, principally monthly premiums and including quarterly, semi-annual and annual premiums, recognized in a specified year or period in respect of policies sold during such year or period;

- "first year single payment premiums" refers to the amount of single payment premiums recognized in a specified year or period in respect of policies sold during such year or period;

- "general agencies" refers to large-sized independent insurance sales agencies;

- "Government" refers to the government of the Republic of Korea;

- "gross premiums" refers to the amount of premiums recognized in a specified year or period in respect of policies in force during such year or period, including premiums for our separate accounts;

- "Korea" refers to the Republic of Korea;

- "U.S." or the "United States" refers to the United States of America;

- "U.S. dollars," "US$" or "$" refers to the lawful currency of the United States of America;

- "S$" refers to the lawful currency of Singapore; and

- "Won" or "₩" refers to the lawful currency of the Republic of Korea.

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 U.S. 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 in this offering circular have been made at the Market Average Exchange Rate in effect on March 31, 2022, which was Won 1,210.8 to US$1.00. For historical information regarding the rate of exchange between the Won and U.S. dollars, see "Exchange Rates." No representation is made that the Won or U.S. dollar amounts referred to in this offering circular could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all. On June 8, 2022, the Market Average Exchange Rate in effect was Won 1,257.1 to US$1.00.

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

The information on our website, http://www.kyobo.co.kr, or any website directly or indirectly linked to such website does not form a part of this offering circular and should not be relied upon.

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements as of and for the years ended December 31, 2020 and 2019 ("annual consolidated financial statements for 2020 and 2019") and as of and for the years ended December 31, 2021 and 2020 ("annual consolidated financial statements for 2021 and 2020"), included in this offering circular, have been prepared in accordance with the Korean International Financial Reporting Standards ("K-IFRS"). Our unaudited interim condensed consolidated financial statements as of March 31, 2022 and for the three months ended March 31, 2021 and 2022 ("interim consolidated financial statements") and our unaudited interim condensed separate financial statements as of March 31, 2022 and for the three months ended March 31, 2021 and 2022 included in this offering circular have been prepared in accordance with K-IFRS No. 1034, "Interim Financial Reporting."

As disclosed in Note 2-4-1(3) of the notes to the annual consolidated financial statements for 2021 and 2020 included in this offering circular, there were changes in accounting policies in 2021 related to our evaluation of liability adequacy, which resulted in a retrospective restatement of the consolidated financial statements as of and for the year ended December 31, 2020. The financial information as of and for the year ended December 31, 2020 appearing elsewhere in this offering circular is based on the restated consolidated financial statements as of and for the year ended December 31, 2020 contained in the annual consolidated financial statements for 2021 and 2020. However, the financial information as of and for the year ended December 31, 2020 contained in the annual consolidated financial statements for 2020 and 2019 has not been retrospectively restated.

In addition, our unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2021, our unaudited interim condensed separate financial statements as of and for the three months ended March 31, 2021 and our consolidated financial statements as of and for the year ended December 31, 2019 have not been retrospectively restated to reflect the changes in accounting policies made in 2021, and, therefore, the financial information as of and for the three months ended March 31, 2021 and the financial information as of and for the year ended December 31, 2019 appearing elsewhere in this offering circular, is based on such non-restated unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2021, non-restated unaudited interim condensed separate financial statements as of and for the three months ended March 31, 2021 and non-restated consolidated financial statements as of and for the year ended December 31, 2019. Therefore, the financial information as of and for the year ended December 31, 2019 appearing elsewhere in this offering circular may not be comparable to the financial information as of and for the years ended December 31, 2020 and 2021, and the financial information as of and for the three months ended March 31, 2021 appearing elsewhere in this offering circular may not be comparable to the financial information as of and for the three months ended March 31, 2022.

K-IFRS applied in the preparation of our consolidated financial statements and K-IFRS No. 1034 applied in the preparation of our unaudited interim condensed consolidated financial statements and our unaudited interim condensed separate financial statements differ in certain significant respects from generally accepted accounting principles in other countries, including the United States. We have made no attempt to identify or quantify the impact of these differences. Certain financial information in this offering circular is presented on a standalone basis, which is based on our separate financial statements.

SUMMARY

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

Our Company

We are one of the leading life insurance companies in Korea, offering a broad range of life insurance and investment products to retail customers as well as group life insurance products and retirement pension plans to institutional customers through our established distribution and marketing channels. As of and for the year ended December 31, 2021, we were ranked as the second and third largest Korean life insurance company in terms of gross premiums (including separate account premiums) and asset size, respectively, on a standalone basis, according to the Korea Life Insurance Association. As of March 31, 2022, we had approximately 8.9 million life insurance policies in force and approximately 4.0 million individual policyholders.

We seek to pursue a profit and quality-oriented growth strategy with an emphasis on selling higher-margin life insurance products and improving cost efficiencies. We are strategically focused on product innovation with the objective of increasing the insurance coverage provided to our customers and attracting new business by introducing creative new products and additional services encompassing life insurance, fund and trust products that cater to the evolving investment and protection needs of the rapidly aging Korean population, as well as changes in the regulatory environment. Based on these principles, we have consistently maintained a leading position in the Korean life insurance market in terms of profitability, business profile and financial strength. Among the three largest life insurance companies in Korea in terms of asset size that have historically led the Korean life insurance market, consisting of Samsung Life Insurance Co., Ltd., Hanwha Life Insurance Co., Ltd. and us, we recorded the highest profitability in 2019 and 2020, and the second highest profitability in 2021, as measured by return on equity and return on assets. We are also the first life insurance company in Korea to receive company credit ratings from Moody's and Fitch, and have maintained an A1 rating from Moody's from 2015 to 2022 and an A+ rating from Fitch from 2013 to 2022.

We develop and distribute a comprehensive range of individual and group life insurance products that provide protection against a policyholder's death, disability, illness, accident or other events, as well as annuities and savings insurance products. We also offer variable insurance products and retirement pension plans to address our customers' growing preference for greater investment flexibility. Utilizing our ability to develop innovative products in response to changing customer preferences and the substantial resources we have devoted to analyzing changes in demographic, mortality and investment trends, we offer insurance products and services that cater to individuals' specific needs at various stages of their lives. As of March 31, 2022, 19 of our insurance products had received "exclusive use rights" under Korean financial regulations since 2002, which legally prohibit other life insurance companies from introducing similar products in Korea for a period up to six months, representing the second most number of such rights obtained by a Korean life insurance company during such period.

Leveraging the "Kyobo" brand, which we believe is one of the best-recognized brands in the Korean financial services sector, we have achieved our position as a market leader through our multi-channel distribution and marketing platform led by our extensive financial planner channel. We operate a nationwide distribution channel of 13,905 financial planners as of March 31, 2022, who are our exclusive sales agents. Our financial planner channel is complemented by our 34 "Customer Plazas," which offer comprehensive products and services to our customers and provide training and advisory support to our financial planners, as well as seven "Financial Planning Centers" that target high net worth individuals and other preferred customers. Our distribution and marketing platform also includes bancassurance arrangements with all of the leading commercial banks and many of the securities firms and mutual savings banks in Korea, as well as sales arrangements with individual and general agencies, some of which sell our products on an exclusive basis, in addition to a direct marketing

channel. We believe that the strength of our financial planner channel, which primarily focuses on selling higher-margin protection-type life insurance products, and the complementary activities of our other sales channels that mainly sell annuity and savings insurance products enable us to optimize our distribution and marketing efforts based on customer segmentation and targeted product offerings.

We were incorporated in August 1958 as Daehan Kyoyuk Insurance Co., Ltd. and changed our corporate name to Kyobo Life Insurance Co., Ltd. in April 1995. In addition to our core life insurance operation, we engage in the securities business through Kyobo Securities Co., Ltd., in which we hold a 73.1% interest, and operate Korea's largest chain of bookstores through Kyobo Book Center Co., Ltd., our wholly-owned subsidiary. We established Kyobo Book Center in December 1980, which opened its first store in June 1981. In April 1994, we acquired a controlling interest in Daehan Securities Co., Ltd., Korea's oldest securities company founded in 1949, and changed its corporate name to Kyobo Securities.

We have a stable and diversified ownership structure that consists of a group of global institutional investors in addition to our senior management. Dr. Chang-Jae Shin, our largest shareholder, chairman and chief executive officer since 2000, holds 33.8% of our outstanding common shares. The remainder of our outstanding common shares are primarily owned by investment vehicles or affiliates of various global private equity funds and long-term institutional investors, as well as domestic and foreign financial institutions including globally leading life insurance companies and banks.

Our operating revenues were Won 15,496 billion in 2019, Won 18,645 billion in 2020 and Won 19,715 billion in 2021, and Won 5,782 billion in the first quarter of 2021 and Won 6,428 billion in the first quarter of 2022. We reported profit of Won 667 billion in 2019, Won 478 billion in 2020 and Won 526 billion in 2021, and Won 500 billion in the first quarter of 2021 and Won 280 billion in the first quarter of 2022. We had total assets of Won 128,322 billion and total equity of Won 9,826 billion as of March 31, 2022.

Our headquarters are located at 1, Jong-ro, Jongro-gu, Seoul 03154, Korea, and our website is http://www.kyobo.co.kr.

The Offering

The following is a brief summary of certain terms of the Offering. For a more detailed description of the terms of the Securities, see "Terms and Conditions of the Securities." Capitalized terms used herein and not defined have the meanings given to them in "Terms and Conditions of the Securities."

The Issuer	Kyobo Life Insurance Co., Ltd.
Securities	US$500,000,000 5.900% Sustainability Subordinated Capital Securities. The Securities have not been registered with the U.S. Securities and Exchange Commission (the "SEC"), and are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and inside the United States to qualified institutional buyers as defined under Rule 144A ("QIBs") in reliance on Rule 144A.
Joint Bookrunners and Joint Lead Managers	Citigroup Global Markets Inc., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities (Asia Pacific) Limited and Nomura Singapore Limited.
Co-Manager	Kyobo Securities Co., Ltd.
Issue Date	June 15, 2022.
Initial Issuer Redemption Date	June 15, 2052.
Issuer Redemption Date	Unless previously redeemed or purchased and cancelled, the Issuer may at its option redeem the Securities, in whole but not in part, at their outstanding principal amount on the Initial Issuer Redemption Date and on each date that falls thirty, or a multiple of thirty, calendar years after the Initial Issuer Redemption Date (each such date together with the Initial Issuer Redemption Date, an "Issuer Redemption Date"); *provided* that, if the Securities are not redeemed at the option of the Issuer on any Issuer Redemption Date, the Securities will automatically be extended for 30 years from such Issuer Redemption Date; *provided* further that, if any Issuer Redemption Date would fall on a date that is not a Business Day, it will be postponed to the next Business Day.
Status of the Securities	The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves, *pari passu* with any Parity Obligations of the Issuer and in priority to the claims of holders of Junior Obligations of the Issuer. The rights and claims of the Securityholders are subordinated in the manner described below. The Securityholders will not have the benefit of any security interest. In the event of the Winding-Up of the Issuer, the rights and claims of the Securityholders to payment of principal and any Distribution under the Securities shall rank senior to, and in priority to, the claims of all holders of any present or future Junior Obligations of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future

	senior and subordinated creditors of the Issuer (including, but not limited to, dated subordinated creditors of the Issuer), other than the claims of holders of Parity Obligations of the Issuer. The Securities will rank *pari passu* with Parity Obligations of the Issuer. "Junior Obligations" means (i) any class of the Issuer's share capital (including but not limited to any preference shares) and (ii) any other obligations that rank or are expressed to rank, by their terms or by operation of law, junior to the Securities. "Parity Obligations" means any instrument or security issued, entered into or guaranteed by the Issuer (other than the Securities) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities.
Distributions	Subject to Conditions 4.6 (*Optional cancellation of Distributions*) and 4.7 (*Mandatory cancellation of Distributions on the occurrence of a Capital Deficiency Event*), each Security shall entitle the Securityholder thereof to receive Distributions from and including the Issue Date at the applicable Distribution Rate.
Distribution Payment Dates	Distributions shall be payable on the Securities semi-annually in arrears on June 15 and December 15 in each year with the first Distribution Payment Date falling on December 15, 2022 in respect of the period from, and including, the Issue Date to, but excluding, such first Distribution Payment Date.
Distribution Rate	The Distribution Rate applicable to the Securities shall be: (a) in respect of the period from, and including, the Issue Date to, but excluding, June 15, 2027 (the "Initial Reset Date," and such period, the "Initial Rate Period"), 5.900% per annum (the "Initial Distribution Rate"); (b) in respect of the period from, and including, the Initial Reset Date to, but excluding, June 15, 2032 (the "Step-Up Date"), a rate per annum equal to the sum of the Treasury Rate plus the Initial Spread (the "Initial Reset Distribution Rate"); and (c) in respect of the period from, and including, the Step-Up Date or each Reset Date thereafter, as the case may be, to, but excluding, the immediately following Reset Date, the applicable Reset Step-Up Distribution Rate.
Initial Spread	2.887% per annum.
Optional Cancellation of Distributions	Unless a Compulsory Distribution Payment Event has occurred, the Issuer may elect to cancel, in whole but not in part, payment of any Distribution otherwise scheduled to be paid on a Distribution Payment Date by giving notice to the Securityholders and the Fiscal Agent, as set forth in Condition 4.6 (*Optional cancellation of Distributions*).

	A "Compulsory Distribution Payment Event" will occur if, during the 12-month period ending on the tenth Business Day prior to such Distribution Payment Date, the Issuer has declared, paid or made any dividend, distribution or other payment in respect of, or redeemed or purchased, any Junior Obligations or Parity Obligations (other than any such payment, redemption or purchase that is mandatory pursuant to the terms thereof).
Mandatory Cancellation of Distributions	Notwithstanding that a notice of an optional cancellation may not have been given, if a Capital Deficiency Event subsists as at the tenth Business Day prior to any Distribution Payment Date, any Distribution which has accrued for the relevant Distribution Period will not be due or payable on such Distribution Payment Date and payment of such Distribution will be mandatorily cancelled, in whole but not in part. The Issuer will give notice of the cancellation of a Distribution to the Securityholders in accordance with Condition 11 and to the Fiscal Agent, as further described in Condition 4.7 (*Mandatory cancellation of Distributions on the occurrence of a Capital Deficiency Event*). "Capital Deficiency Event" means, as at the relevant date, (x) the Issuer being designated as an "insolvent financial institution" under subparagraph 2 of Article 2 of the Act on the Structural Improvement of the Financial Industry, as amended or modified from time to time, or (y) either a "management improvement recommendation," a "management improvement requirement" or an "management improvement order" has been issued by the Financial Services Commission of Korea (the "FSC") against the Issuer under the Articles 7-17, 7-18 and 7-19, respectively, or an "emergency measure" is imposed by the FSC against the Issuer under the Article 7-43, of the Regulation on Supervision of Insurance Business, as amended or modified from time to time.
Distributions Non-Cumulative	Distributions are non-cumulative. If the Issuer elects not to pay a Distribution in accordance with Condition 4.6 (*Optional cancellation of Distributions*), or is required not to pay a Distribution in accordance with Condition 4.7 (*Mandatory cancellation of Distributions on the occurrence of a Capital Deficiency Event*), such Distribution will not be due and payable on the relevant Distribution Payment Date and shall not accumulate or be payable at any time thereafter. If any Distribution is not paid on a Distribution Payment Date pursuant to and in accordance with Condition 4.6 or 4.7, the right of Securityholders to receive such Distribution not paid will be lost, and the Issuer will have no obligation to pay such Distribution, whether or not any amount of Distribution is paid for any future Distribution Period and the failure to pay such Distribution shall not constitute a default by the Issuer for any purpose.
Restrictions in the Case of a Payment Limitation	If, on any Distribution Payment Date, payment of a Distribution scheduled to be paid is not made in full pursuant to Condition 4.6 (*Optional cancellation of Distributions*) or 4.7

	(*Mandatory cancellation of Distributions on the occurrence of a Capital Deficiency Event*) or otherwise, the Issuer shall not: (a) declare, pay or make any discretionary dividends, distributions or other payments on, and will procure that no discretionary dividend, distribution or other payment is declared, paid or made on, any of its Junior Obligations or its Parity Obligations save that such restriction shall not apply to payments in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or (b) redeem, reduce, cancel, buy-back or acquire for any consideration on a discretionary basis any of its Junior Obligations or its Parity Obligations (except, in relation to Parity Obligations, where such redemption, reduction cancellation or buy-back is made on a pro rata basis with a pro rata purchase by the Issuer of Securities), save that such restriction shall not apply to an exchange of any of its Parity Obligations for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants, in each case, until the next following Distribution Payment Date on which the Issuer pays in full the Distribution scheduled to be paid on such Distribution Payment Date.
No Claim by Holders for Distributions	No Securityholder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable pursuant to Condition 4.6 (*Optional cancellation of Distributions*) or 4.7 (*Mandatory cancellation of Distributions on the occurrence of a Capital Deficiency Event*). Accordingly, such Distribution shall not accumulate for the benefit of the Securityholders or entitle the Securityholders to any claim in respect thereof against the Issuer.
Redemption at the Option of the Issuer	Subject to the satisfaction of the Optional Redemption and Purchase Conditions, the Issuer may, on the Initial Reset Date and each Distribution Payment Date thereafter, upon giving a notice of redemption, redeem the Securities, in whole but not in part, at a redemption price equal to the principal amount of the Securities plus any accrued but unpaid Distributions to (but excluding) the date of redemption (other than any Distribution which has been cancelled as provided under the provisions set forth in Condition 4.6 or 4.7 (the "Optional Redemption Price"), as set forth in Condition 6.2 (*Optional redemption*).
Redemption for Gross-up Event . .	Subject to the satisfaction of the Optional Redemption and Purchase Conditions, if a Gross-Up Event has occurred and is continuing, the Issuer may, at any time upon giving a notice of redemption, redeem the Securities, in whole but not in part, at the Optional Redemption Price.

	"Gross-Up Event" means, on the occasion of the next payment due under the Securities, the Issuer has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of a relevant jurisdiction or any political subdivision of, or any authority in, or of, a relevant jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective (or in the case of a change in the application or official interpretation, occurs or is being announced) on or after the Issue Date; and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.
Redemption for Regulatory Event	Subject to the satisfaction of the Optional Redemption and Purchase Conditions and upon the occurrence of the Regulatory Event, the Issuer may, at any time upon giving a notice of redemption, redeem the Securities, in whole but not in part, at the Optional Redemption Price. "Regulatory Event" means that, where the Securities have been recognized as regulatory capital of the Issuer in the FSC's calculation of the Issuer's regulatory capital ratios and, at a subsequent time, due a change of law, regulation or interpretation thereof, which change becomes effective (or in the case of a change in the application or official interpretation, occurs or is being announced) after the Issue Date, there is more than an insubstantial risk that the Securities would not, or would no longer, be eligible, in whole or in part, to be included within the regulatory capital ratios of the Issuer.
Redemption for Accounting Event	Subject to the satisfaction of the Optional Redemption and Purchase Conditions and upon the occurrence of the Accounting Event, the Issuer may, at any time upon giving a notice of redemption, redeem the Securities, in whole but not in part, at the Optional Redemption Price. "Accounting Event" means that, as a result of any changes or amendments to, or change in the interpretation of, relevant accounting standards, the full principal amount of the Securities must not or must no longer be recorded as "equity" in the Issuer's financial statements prepared in accordance with such relevant accounting standards.
Redemption for Tax Deductibility Event	Subject to the satisfaction of the Optional Redemption and Purchase Conditions and upon the occurrence of a Tax Deductibility Event, the Issuer may, at any time upon giving a notice of redemption, redeem the Securities, in whole but not in part, at the Optional Redemption Price. "Tax Deductibility Event" means the occurrence of a more than insubstantial increase in the risk that Distributions payable by the Issuer on the Securities are not or will no longer be, deductible by the Issuer, in whole or in part, for Korean (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) tax purposes, as a result of (i) any change (including any officially announced proposed

changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Korea (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the Issue Date (or, in the case of a successor, following the date of succession), or (ii) any administrative decision, judicial decision, administrative action or any other official pronouncement interpreting or applying those law, regulations or rulings that is announced on or after the Issue Date (or, in the case of a successor, following the date of succession), and, in each case, such non-deductibility cannot be avoided by the Issuer through the taking of reasonable measures available to the Issuer.

Optional Redemption and Purchase Conditions . . . . . Any redemption of the Securities at the option of the Issuer (other than on an Issuer Redemption Date) is subject to the following conditions:

(a) such redemption may not occur within five years of the Issue Date; and

(b) either:

(i) immediately after such redemption (which shall have been decided by the Issuer at its sole discretion and approved by the Financial Supervisory Service of Korea (the "FSS")), the Issuer's Solvency Margin Ratio shall be equal to or greater than 150%;

(ii) (A) the Issuer's Solvency Margin Ratio shall be equal to or greater than 100%; (B) prior to such redemption, the Issuer issues or incurs qualifying financing via instruments with stronger capital characteristics (such as shares or instruments with a maturity longer than the remaining maturity of the Securities and with more favorable financing terms, including but not limited to a lower interest rate) in an amount not less than the aggregate principal amount of the Securities to be redeemed; (C) the Distribution Rate of the Securities shall have been recognized by the FSS as significantly unfavorable to the Issuer due to changes in market conditions since the Issue Date; and (D) the Issuer shall have obtained prior approval from the FSS for such redemption; or

(iii) if the conditions in (b)(i) and (b)(ii) are no longer recognized by the FSS as meeting the requirements for an optional redemption by the Issuer of the Securities, the satisfaction of any such conditions as required under the Regulation on Supervision of Insurance Business (as amended or modified from time to time, the "RSIB"), the Detailed Enforcement

	Regulations on Insurance Business Supervision (as amended or modified from time to time, the "Detailed Enforcement Regulations of RSIB") or other successive regulations in effect at the time of such redemption. The Issuer will notify the Securityholders of the Optional Redemption Price as soon as reasonably practicable after it has been determined (and in any event not later than the second Business Day before the date scheduled for redemption). The requirements set forth in clause (b) above and the paragraph immediately above are hereinafter referred to as the "Optional Redemption and Purchase Conditions."
Taxation	All payments (if any) of principal of, premium (if any) on, and Distributions on, the Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer will pay Additional Amounts as may be necessary in order that the net amounts received by the Securityholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Securities in the absence of the withholding or deduction, subject to certain exceptions.
Form and Denomination	The Securities will be issued in registered form in denominations of US$200,000 each and integral multiples of US$1,000 in excess thereof.
Use of Proceeds	The Issuer expects to use an amount equal to the net proceeds from the Offering, which are expected to be approximately US$497,500,000 (net of underwriting discounts and commissions but prior to deducting other offering expenses), to finance or refinance, in whole or in part, new or existing projects that constitute Eligible Projects.
Global Securities	The Securities will be initially represented by one or more global certificates in fully registered form without interest coupons (the "Global Securities"). The Global Securities will be deposited upon issuance with the custodian for The Depository Trust Company ("DTC") and registered in the name of DTC or its nominee. Beneficial interests in the global securities may be held only through DTC (or any successor clearing system that holds global securities) and its participants, including Euroclear Bank, SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream").
Ratings	The Securities are rated "A3" by Moody's and "A-" by Fitch. A rating is not a recommendation to buy, sell or hold the Securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

Governing Law . . . . . The Securities, the Deed of Covenant and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that the provisions of the Securities relating to subordination (Condition 3.2) shall be governed by Korean law.

Listing . . . . . Approval in-principle has been received from the SGX-ST for the listing and quotation of the Securities on the SGX-ST. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

Selling Restrictions . . . . . There are restrictions on the distribution of this offering circular and the making of solicitations pursuant hereto in certain jurisdictions, including, among others, the United States, the United Kingdom, Hong Kong, Singapore and Korea. See “Plan of Distribution” and “Transfer Restrictions.”

Security Codes . . . . .

	CUSIP	ISIN
Rule 144A Securities	501555 AB2	US501555AB29
Regulation S Securities	Y50800 AA2	USY50800AA26

SUMMARY FINANCIAL AND OPERATING DATA

The following tables set forth our summary financial and operating data. Our selected financial data as of and for the years ended December 31, 2019, 2020 and 2021 set forth below has been derived from our annual consolidated financial statements included elsewhere in this offering circular. Our selected financial data as of March 31, 2022 and for the three months ended March 31, 2021 and 2022 set forth below has been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this offering circular. It is important that you read our selected financial and operating data set forth below in conjunction with our financial statements, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other historical financial information appearing elsewhere in this offering circular.

As disclosed elsewhere in this offering circular and in Note 2-4-1(3) of the notes to the annual consolidated financial statements for 2021 and 2020 included in this offering circular, there were changes in accounting policies in 2021 related to our evaluation of liability adequacy, which resulted in a retrospective restatement of the consolidated financial statements as of and for the year ended December 31, 2020. The financial information as of and for the year ended December 31, 2020 appearing elsewhere in this offering circular is based on the restated consolidated financial statements as of and for the year ended December 31, 2020 contained in the annual consolidated financial statements for 2021 and 2020. However, the financial information as of and for the year ended December 31, 2020 contained in the annual consolidated financial statements for 2020 and 2019 has not been retrospectively restated.

In addition, our unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2021, our unaudited interim condensed separate financial statements as of and for the three months ended March 31, 2021 and our consolidated financial statements as of and for the year ended December 31, 2019 have not been retrospectively restated to reflect the changes in accounting policies made in 2021, and, therefore, the financial information as of and for the three months ended March 31, 2021 and the financial information as of and for the year ended December 31, 2019 appearing elsewhere in this offering circular, is based on such non-restated unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2021, non-restated unaudited interim condensed separate financial statements as of and for the three months ended March 31, 2021 and non-restated consolidated financial statements as of and for the year ended December 31, 2019. Therefore, the financial information as of and for the year ended December 31, 2019 appearing elsewhere in this offering circular may not be comparable to the financial information as of and for the years ended December 31, 2020 and 2021, and the financial information as of and for the three months ended March 31, 2021 appearing elsewhere in this offering circular may not be comparable to the financial information as of and for the three months ended March 31, 2022.

Our financial statements included in this offering circular have been prepared in accordance with K-IFRS, which differ in certain significant respects from generally accepted accounting principles in other countries, including the United States.

Summary Statements of Comprehensive Income Data

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019[1]	2020	2021	2021[2]	2022
	(in billions of Won, other than per share data)				
Operating revenues:					
Premium income	₩ 7,582	₩ 9,019	₩ 9,951	₩ 2,499	₩ 2,399
Reinsurance income	124	129	145	34	38
Interest income	2,792	2,739	2,737	675	716
Gain on valuation and disposal of financial instruments	1,649	3,361	2,385	1,100	2,052
Gain on foreign currency transaction	714	538	1,409	651	400
Fee and commission income	292	389	520	141	112
Dividend income	483	564	558	143	162
Rental income	89	83	83	22	21
Separate account commissions earned	792	781	761	205	191
Separate account income	127	148	217	59	78
Other operating income	852	894	949	253	261
Total operating revenue	15,496	18,645	19,715	5,782	6,428
Operating expenses:					
Provision for liabilities under insurance contracts	2,309	3,507	3,519	636	443
Insurance claims paid	6,708	6,982	7,895	1,985	2,160
Reinsurance premium expenses	123	135	150	36	40
Operating and administrative expenses	978	1,046	1,113	257	242
Amortization of deferred acquisition costs	667	645	539	139	130
Asset management expenses	117	121	136	25	22
Interest expenses	315	271	275	78	85
Loss on valuation and disposal of financial instruments	1,843	2,422	3,349	1,353	2,360
Loss on foreign currency transaction	149	1,263	201	108	73
Separate account commissions	21	40	29	14	10
Separate account expenses	127	148	217	59	78
Other operating expenses	1,234	1,381	1,577	412	400
Total operating expenses	14,591	17,961	19,000	5,103	6,043
Operating profit	905	684	715	679	385
Non-operating income	29	18	35	11	14
Non-operating expenses	26	36	26	3	24
Profit before income tax expenses	909	666	724	687	375
Income tax expenses	241	189	198	187	95
Profit	₩ 667	₩ 478	₩ 526	₩ 500	₩ 280
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Gain (loss) on valuation of available-for-sale financial assets	1,332	301	(1,774)	(1,635)	(2,135)
Gain (loss) on valuation of held-to-maturity financial assets	–	–	–	–	1
Gain (loss) on valuation of investments in associates	1	0	0	(0)	0
Gain (loss) on valuation of derivative instruments for hedging	(23)	(147)	36	46	24
Other comprehensive income (loss) from separate accounts	25	29	(69)	(25)	(128)
Foreign currency translation adjustments for foreign operations	0	(0)	0	0	0
Items that will not be reclassified to profit or loss:					
Revaluation gain (loss) of property and equipment	50	(14)	(7)	2	2
Remeasurements on defined benefit liabilities	(10)	13	19	(0)	(0)
Total comprehensive income (loss)	₩ 2,043	₩ 658	₩ (1,269)	₩ (1,112)	₩ (1,957)
Earnings per share (in Won)					
Basic and diluted earnings per share	₩ 5,904	₩ 4,190	₩ 4,497	₩ 4,702	₩ 2,559

Summary Statements of Financial Position Data

	As of December 31,			As of March 31,
	2019[3]	2020	2021	2022
	(in billions of Won)			
Assets				
Cash and due from banks	₩ 2,650	₩ 1,941	₩ 2,897	₩ 2,332
Financial assets designated at fair value through profit or loss	330	332	527	453
Financial assets held for trading	5,766	7,101	7,214	6,758
Derivative assets	494	1,323	462	953
Available-for-sale financial assets	60,086	63,367	60,794	50,638
Held-to-maturity financial assets	–	–	4,554	12,299
Loan receivables	20,763	22,353	23,725	23,768
Other receivables	1,215	1,580	1,398	1,616
Investments in associates and a joint venture	35	36	72	67
Investment properties	1,130	1,095	1,058	1,068
Property and equipment	1,368	1,379	1,415	1,431
Intangible assets	329	296	257	251
Deferred acquisition costs	1,270	1,189	1,158	1,164
Current tax assets	121	130	3	3
Deferred tax assets	9	10	11	143
Other assets	214	199	197	248
Defined benefit assets	–	–	20	–
Separate account assets	20,275	23,373	25,172	25,131
Total assets	₩ 116,053	₩ 125,705	₩ 130,935	₩ 128,322
Liabilities				
Liability under insurance contracts	₩ 71,926	₩ 76,686[4]	₩ 79,287	₩ 79,762
Policyholders' equity adjustments	1,416	1,462	720	158
Financial liabilities designated at fair value through profit or loss	3,113	3,084	3,565	3,471
Financial liabilities held for trading	561	414	117	203
Derivative liabilities	400	607	890	1,650
Borrowings	1,807	2,620	3,542	3,726
Other financial liabilities	2,005	2,884	3,085	2,968
Provisions	25	24	22	22
Defined benefit liabilities	60	28	1	7
Current tax liabilities	33	40	55	132
Deferred tax liabilities	1,345	1,559	878	109
Other liabilities	240	588	770	802
Separate account liabilities	20,738	23,930	26,047	25,485
Total liabilities	103,669	113,925[4]	118,980	118,497
Equity				
Capital stock	103	103	103	103
Hybrid bonds	551	551	1,020	1,020
Capital surplus	373	520	520	515
Capital adjustments	(12)	(12)	(12)	(12)
Accumulated other comprehensive income	3,502	3,712	1,914	(322)
Retained earnings	7,418	6,581[4]	8,052	8,160
Equity attributable to equity holders of the parent company	11,935	11,455[4]	11,597	9,464
Non-controlling interests	449	325	358	361
Total equity	12,385	11,780[4]	11,955	9,826
Total equity and liabilities	₩ 116,053	₩ 125,705	₩ 130,935	₩ 128,322

(1) Our annual consolidated statement of comprehensive income for the year ended December 31, 2019 has not been restated to take into account the effect of the changes in accounting policies described in footnote (4) below, and, therefore, consolidated financial information for 2019 presented above and appearing elsewhere in this offering circular may not be comparable to the consolidated financial information for 2020 and 2021.

(2) Our interim condensed consolidated statement of comprehensive income for the three months ended March 31, 2021 has not been restated to take into account the effect of the changes in accounting policies described in footnote (4) below, and, therefore, consolidated financial information for the three months ended March 31, 2021 presented above and appearing elsewhere in this offering circular may not be comparable to consolidated financial information for the three months ended March 31, 2022.

(3) Our annual consolidated financial statement of financial position as of December 31, 2019 has not been restated to take into account the effect of the changes in accounting policies described in footnote (4) below, and, therefore, consolidated financial information as of December 31, 2019 may not be comparable to consolidated financial information as of December 31, 2020 and 2021 and March 31, 2022.

(4) The standards for evaluation under the liability adequacy test were amended as of December 31, 2021 in accordance with regulations on the supervision of the insurance business, and we have restated our liability under insurance contracts as of December 31, 2020 from Won 75,573 billion to Won 76,686 billion under our annual consolidated financial statements for 2021 and 2020 included in this offering circular. See Note 2-4-1(3) of the notes to our annual consolidated financial statements for 2021 and 2020 for an explanation of the nature of such change in accounting policy and related adjustments to our total liabilities, total equity and retained earnings.

Operating Data (Including Separate Accounts)

	As of or for the Year Ended December 31,			As of or for the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(on a standalone basis) (in billions of Won, except as otherwise indicated)				
Total policies in force (in thousands)	8,890	8,771	8,975	8,856	8,946
Number of new policies sold (in thousands)(1)	867	875	954	318	264
Gross premiums (2)(3)	₩ 12,435	₩ 14,280	₩ 15,808	₩ 3,380	₩ 3,441
First year premiums (3)(4)	2,882	4,403	5,149	1,116	931
First year regular payment premiums	2,581	4,081	4,835	1,019	872
First year single payment premiums	301	322	314	97	59
In-force face amount growth ratio(5)	(2.3)%	(0.6)%	0.3%	(0.4)%	(0.2)%
New policy growth ratio(6)	10.9%	12.3%	12.2%	3.4%	3.0%
Lapse and surrender ratio(7)	8.4%	8.0%	7.2%	2.3%	1.8%
Policy persistency ratio(8):					
13-month	77.8%	80.8%	82.3%	82.2%	83.5%
25-month	63.9%	60.1%	65.2%	62.4%	66.7%
Operating expense ratio(9)	12.5%	11.8%	10.7%	11.5%	11.5%
Risk-based capital adequacy ratio(10)	338.9%	333.4%	266.6%	291.2%	205.0%
Return on equity(11)	4.8%	3.4%	3.6%	16.6%	10.3%
Return on assets (12)	0.5%	0.3%	0.3%	1.7%	0.9%

(1) Does not include separate accounts.

(2) The amount of premiums recognized in a specified period in respect of policies in force during such period, on a standalone basis.

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

(4) The amount of premiums received during the first year of a policy, which amount is recognized in a specified year or period in respect of policies sold during such year or period, on a standalone basis.

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

(6) The ratio of the aggregate face amount of policies sold during the specified period to the aggregate face amount of policies in force at the beginning of such period, on a standalone basis.

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

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

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

(10) Calculated in accordance with the applicable requirements of the FSS. See “Regulation and Supervision – Risk-Based Supervision of Insurance Companies – Risk-Based Capital Adequacy Requirements.” For information regarding our available capital for purposes of calculating our statutory risk-based capital adequacy ratio as of March 31, 2022, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk-Based Capital Adequacy Requirements.”

(11) The ratio of (i) profit for the specified period (annualized for interim periods) to (ii) the average total equity for such period (current period total equity plus previous period total equity divided by two), on a standalone basis.

(12) The ratio of (i) profit for the specified period (annualized for interim periods) to (ii) the average total assets for such period (current period total assets plus previous period total assets divided by two), on a standalone basis.

RISK FACTORS

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

Risks Relating to Our Business

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

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

Historically, the Korean life insurance industry has been dominated by Samsung Life Insurance Co., Ltd., Hanwha Life Insurance Co., Ltd. and us, which together had a combined market share of 45.7% of total gross premiums in 2021, according to data from the Korea Life Insurance Association. We had the second largest market share in the industry with a 13.3% share of total gross premiums in 2021. We also compete with small- to mid-sized domestic life insurance companies, such as Mirae Asset Life Insurance Co., Ltd., Shinhan Life Insurance Co., Ltd., Heungkuk Life Insurance Co., Ltd. and Nonghyup Life Insurance Co., Ltd., as well as Korean affiliates of foreign life insurance companies, such as MetLife Insurance Company of Korea, Ltd. and Tong Yang Life Insurance Co., Ltd., whose parent companies may have greater experience and resources in their respective home markets. Furthermore, in specific areas such as accident and health insurance, savings insurance and variable insurance, our products also compete with those offered by property and casualty insurance companies, commercial banks, securities companies and asset management companies. In addition, risk protection products with insurance features are also sold by the Korea Post through its extensive nationwide branch network. Certain of our competitors are larger in terms of asset size and customer base, have greater financial resources, offer a broader range of products or have access to a more extensive distribution network than we do. Moreover, a number of our competitors are affiliated with large Korean business or financial groups, which may provide a competitive advantage to the extent that they are able to take advantage of such affiliation, including through cross-promotion opportunities and access to the existing customer base of their affiliates.

In recent years, large financial holding companies in Korea and foreign insurance companies, which are significantly larger and may have more resources and synergies than us, have made significant acquisitions of insurance companies, further increasing competition in the market. For example, in 2020, Shinhan Financial Group acquired Orange Life Insurance, while KB Financial Group acquired Prudential Life Insurance Company of Korea. In addition, many of our competitors are increasingly relying on Internet platforms to diversify their marketing efforts, and Korea's leading Internet platform companies are searching for investment opportunities to further expand their presence in the financial industry. We expect that changes in the competitive landscape of the life insurance and property and casualty insurance industries, as well as the broader financial industry generally, will continue. Such changes may significantly increase the customer base and operating scale of some of our competitors. Certain of the financial institutions resulting from these changes may, by virtue of their increased size and business synergies, create greater competition for us. In addition, in February 2021, the FSC announced that it was reviewing proposals to allow financial holding companies to possess more than one license each for a life insurance company and a property and casualty insurance company. If such restriction is lifted, there could be increased competition in the insurance industry.

Regulatory changes and Government policies have also affected, and will continue to affect, the level of competition in the Korean life insurance and securities industries. For example, certain amendments to the Insurance Business Act adopted in 2003 and its related enforcement decree clarified that property and casualty insurance companies may sell products that offer death benefits in the case of death arising from illness, subject to certain limitations on liability. In addition, beginning in 2008, the FSS has permitted limited cross-selling of life insurance and property and casualty insurance products by financial planners working for life insurance or property and casualty insurance companies. See "Regulation and Supervision – Sales – Overlap of Products with General Insurance Companies." Property and casualty insurance companies are currently not permitted to offer certain whole life insurance, term life insurance, annuity or variable insurance products, but future deregulation may further intensify competition with property and casualty insurance companies. In addition, partly in response to Government efforts to encourage the growth of fintech companies, we have seen the entry of companies from the fintech sector into the broader Korean insurance industry. In November 2018, Toss, a mobile consumer financial platform, established a general agency subsidiary. Similarly, in July 2019, Kakao Pay, another mobile consumer financial platform, acquired Inbyu, a general agency start-up, and renamed it as KP Insurance Service. The FSC is currently formulating guidelines related to online platform general agencies. In addition, in June 2021, the revised Enforcement Decree of the Insurance Business Act was implemented, which permits the establishment of insurance companies with minimum capitalization of Won 2 billion to offer short-term insurance products. Such revisions are expected to encourage fintech companies to establish online platform-based insurance companies, which may further increase competition in the insurance industry.

In our securities business, Kyobo Securities competes primarily with mid-sized securities companies, such as Daishin Securities Co., Ltd., Hanwha Securities Co., Ltd., Yuanta Securities Co., Ltd., Hi Investment & Securities Co., Ltd., Hyundai Motor Securities Co., Ltd. and IBK Securities Co., Ltd. In addition, in particular areas such as investment banking and asset management, Kyobo Securities also competes with large securities companies, such as Samsung Securities Co., Ltd., NH Investment & Securities Co., Ltd. and Korea Investment & Securities Co., Ltd., as well as securities companies affiliated with other life insurance companies, such as Mirae Asset Co., Ltd. Kyobo Securities' competition is based on a number of factors, including products and services, innovation, transaction execution, reputation, brand recognition and price.

In our bookstore business, Kyobo Book Center primarily competes with other large-scale bookstore chains, including Youngpoong Bookstore and Bandi & Luni's. Kyobo Book Center also competes with online retailers of books. Competition is based on a number of factors, including breadth and depth of available book content, price, accessibility and attractiveness of stores, brand awareness and reputation.

We intend to continue our efforts to enhance our products and services and sustain our competitiveness, but we cannot guarantee that we will be successful. If we are not able to respond to competitive market conditions in the future, our growth and profitability may decline, which could materially and adversely affect our business, results of operations and financial condition.

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

Pursuant to the risk-based capital adequacy requirements of the Insurance Business Act, insurance companies in Korea are required to maintain a statutory ratio of available capital to required capital of not less than 100%, and the recommended FSS guideline is 150%. Risk-based capital adequacy requirements require insurance companies to hold adequate capital to cover their exposures to interest rate risk, market risk, credit risk and operational risk as well as insurance risk by reflecting such risks in their calculation of required capital. The statutory risk-based capital adequacy ratio for life insurance companies is computed by dividing available capital by required capital. Available capital of an insurance company is computed as the sum of, among other things, capital stock, reserve for policyholder dividends and bad debt allowance after deducting, among other things, deferred acquisition costs, goodwill, and prepaid expenses. Required capital is computed based on the sum of (i) the square root of the sum of the squares of (w) insurance risk amounts, (x) interest rate risk amounts, (y) credit risk amounts and (z) market risk amounts, and (ii) the operating risk amount, with each risk amount being calculated in accordance with the detailed criteria set forth under Article 7-2 of

the Regulation on Supervision of Insurance Business and Article 5-7-3 and Table 22 under the Enforcement Rules of the Regulation on Supervision of Insurance Business.

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

In September 2021, due in part to concerns that the implementation of K-ICS would result in a reduction in risk-based capital adequacy ratio of insurance companies, the FSC discussed certain transitional measures for the gradual implementation of K-ICS. Among the transitional measures, the FSC discussed (i) allowing insurance companies to recognize up to 15% of their total required capital with hybrid capital securities issued before the implementation of K-ICS during the transitional period (hybrid capital securities were previously slated to be recognized as supplemental capital, commonly referred to as Tier II capital, upon the implementation of K-ICS) and (ii) increasing the preparatory time for filings required under K-ICS of quarterly reports from two months to three months and of annual reports from three months to four months. In addition, the FSC discussed providing additional transitional measures to insurance companies which apply for them. Under transitional measures on technical provision, also known as TTP, the FSC discussed allowing insurance companies to gradually accumulate liability reserves during the transitional period corresponding to the increase in insurance liabilities due to the implementation of K-ICS. Similarly, under transitional measures on insurance risk, also known as TIR, the FSC discussed allowing insurance companies to gradually recognize the additional risks required for the calculation of required capital under K-ICS during the transition period.

In December 2021, the FSS issued a tentative plan to implement K-ICS. The tentative plan proposed additional transitional measures, including the grandfathering of Tier II subordinated securities issued before the implementation of K-ICS to continue to be recognized as Tier II capital under K-ICS until the end of 2032, while reaffirming the FSC's existing proposal to allow the grandfathering of 15% of an insurance company's total required capital with hybrid capital securities issued before the implementation of K-ICS. The details of the implementation of K-ICS, including the transitional measures proposed by the FSC and the FSS, as well as their timing and duration, have yet to be finalized and may be further amended or supplemented in the future.

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

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

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

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

Separately, in September 2015, the KASB issued K-IFRS 1109, an accounting standard for financial instruments, which replaced K-IFRS 1039 for annual periods beginning on or after January 1, 2018. Pursuant to applicable exceptions, we have elected to defer the application of K-IFRS 1109 until the annual period beginning on January 1, 2023. Key features of K-IFRS 1109 include (i) classification and measurement of financial assets on the basis of an entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets, (ii) impairment methodology that reflects the "expected credit loss" model for financial assets, as opposed to "incurred losses" (as was the case under K-IFRS 1039) and (iii) expanded scope of hedged items and hedging instruments which qualify for hedge accounting and changes in assessment method for effect of hedging relationships. The impact on our financial statements due to the application of K-IFRS 1109 depends on judgments made by us in applying the new standard, the nature of financial instruments held by us and macroeconomic variables. Any changes in accounting standards, including the implementation of the K-IFRS equivalent of IFRS 17 and K-IFRS 1109, could adversely change our reported results of operations and financial condition. Furthermore, the implementation of such changes could result in significant implementation costs and operational difficulties and affect the comparability of our results of operations and financial condition before and after the implementation of such changes.

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

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

In periods of declining interest rates, we have to reinvest the cash we receive as interest or return of principal on our investments in lower yielding instruments then available. In a declining interest rate environment, we may not be able to find attractive new reinvestment opportunities for our

portfolio of fixed-interest debt securities, a portion of which will mature in the next few years. Moreover, while we are entitled to adjust the base rate applicable to our interest-sensitive life insurance products, which provide benefits determined in accordance with a floating interest crediting rate, we may not be able to do so on a timely basis in periods of declining interest rates because making such adjustments could have a significant adverse effect on our sales and reputation. Furthermore, some of our life insurance products, including fixed annuities, have guaranteed minimum interest or annuity payments, which we are not entitled to reset. Accordingly, our spreads could decrease and potentially become negative.

Conversely, in periods of increasing interest rates, the yields on the assets in our life insurance business' general account may not be sufficient to fund the higher floating interest credit rates necessary to keep our interest-sensitive life insurance products competitive. We therefore may have to accept a lower spread and thus lower profitability or face a decline in sales and greater attrition among existing policyholders. General increases in market interest rates in Korea starting in the second half of 2021 have negatively impacted our results of operations in recent months. Our operating profit decreased by 43.3%, or Won 294 billion, from Won 679 billion in the first quarter of 2021 to Won 385 billion in the first quarter of 2022. We expect our results of operations in the second quarter of 2022 to be negatively impacted by such increases in market interest rates. In addition, in periods of increasing interest rates, the value of our fixed-interest assets may decline, resulting in lower unrealized gains within other comprehensive income in our total equity, which in turn would lower our available capital and our risk-based capital adequacy ratio. Moreover, surrenders and withdrawals of life insurance policies and annuity contracts may increase as policyholders seek to buy products with perceived higher returns. This process may lead to a cash outflow from our life insurance business. Such cash outflows may require us to sell our investment assets at a time when the prices of those assets are lower because of the increase in market interest rates, which may result in realized investment losses. Unanticipated surrenders and withdrawals also may require us to accelerate the amortization of deferred policy acquisition costs, which would increase our current expenses.

In our securities business, changes in interest rates affect the value of Kyobo Securities' proprietary trading investments as well as its customers' portfolios and their investing activities, which in turn may affect the amount of brokerage commissions Kyobo Securities earns from executing buy and sell orders as well as fees it earns from managing assets.

We currently use derivatives to help manage a portion of our interest rate risk, and plan to continue to do so in the future depending on market conditions and the availability of suitable products. However, the derivatives we utilize may not be completely effective at managing such risk. Accordingly, changes in market interest rates may have a material adverse effect on our business, results of operations and financial condition. Many factors affect interest rates, including governmental monetary policies and domestic and international economic and political conditions. Interest rates in Korea have been subject to fluctuations in recent years. The Bank of Korea increased its policy rate to 1.50% in November 2017 and to 1.75% in November 2018 in light of improved growth prospects in Korea and rising interest rate levels globally. However, it lowered the policy rate to 1.50% in July 2019 and further to 1.25% in October 2019 in order to address the slowdown of the global and domestic economy. In March 2020, The Bank of Korea further lowered the policy rate to 0.75%, which was further lowered to 0.50% in May 2020 to address the concerns associated with the ongoing global COVID-19 pandemic. In August 2021, The Bank of Korea raised the policy rate to 0.75%, which was further raised to 1.00% in November 2021, 1.25% in January 2022, 1.50% in April 2022 and 1.75% in May 2022 in response to rising levels of household debt and inflationary pressures. The Bank of Korea may decide to increase its policy rate in the future in order to pre-empt or counteract potential inflationary concerns in the domestic economy or to do the opposite if there are recessionary pressures.

We also seek to manage interest rate risk by matching, to the extent possible, the duration of our interest-bearing liabilities, such as our life insurance policy liabilities, and our interest-earning assets supporting such liabilities, such as our life insurance business' general account investment assets. Matching the duration of our assets to their related liabilities reduces our exposure to changes in interest rates, because the effect of such changes on our interest-earning assets and interest-bearing liabilities will be offset against each other to a certain degree. Historically, the availability of long-term fixed income securities in the Korean financial markets has been limited, which has generally resulted in the average duration of interest-earning assets being shorter than that of interest-bearing

liabilities of Korean life insurance companies, including us. Although such securities are becoming more accessible in the Korean financial markets, our ability to match the duration of our interest-earning assets and interest-bearing liabilities remains limited. In addition, while investing in interest-earning assets outside of Korea may enhance our ability to match the duration of our assets to their related liabilities, the resulting mismatch in currencies may increase our exposure to changes in exchange rates. See "— Investing and trading in overseas securities expose us to additional risks, including risks related to global financial markets and fluctuations in foreign exchange rates."

Earthquakes, tsunamis, floods, severe health epidemics (including the ongoing global COVID-19 pandemic and any possible recurrence of other types of widespread infectious diseases) and other natural calamities could materially adversely affect our business, results of operations or financial condition.

If earthquakes, tsunamis, floods, severe health epidemics or any other natural calamities were to occur in the future in any area where any of our assets or customers are located, our business, results of operations or financial condition could be adversely affected. In addition, natural calamities in areas where our customers are located may cause disruptions in their businesses, which in turn could adversely impact their demand for our products.

In particular, COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 that was first transmitted to humans in November 2019 and has spread globally, has materially and adversely affected the global economy and financial markets since the first quarter of 2020 and has caused disruptions in our business operations.

Risks associated with a prolonged outbreak of COVID-19, which was declared a pandemic in March 2020 by the World Health Organization, or other types of widespread infectious diseases include:

- disruption in the normal operations of our business resulting from contraction of COVID-19 by our employees, which may necessitate our employees to be quarantined and/or our 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 business travel, which may lead to a reduction in labor productivity;

- depreciation of the Won against major foreign currencies;

- an increase in defaults on loan payments from our borrowers who may not be able to meet payment obligations, which may lead to an increase in delinquency ratios and a deterioration in asset quality, resulting in increased charge-offs, higher provisioning and reduced interest and fee income;

- unstable global and Korean financial markets, which may adversely affect our ability to meet our funding needs on a timely and cost-effective basis; and

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

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, our business, financial condition and results of operations may be materially adversely affected.

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

Prior to 1998, like other major insurance companies in Korea, we offered savings insurance policies, fixed annuities and other products with relatively high guaranteed rates of return, primarily as

a result of the then-prevailing high market interest rates. As market interest rates in Korea subsequently decreased, the actual rates of return on our life insurance operations' general account investments intended to support our obligations with respect to such products declined below the assumed rates of return we used in pricing such products. The difference between the guaranteed return rates on such products and market interest rates resulted in a negative spread on such products, which has adversely affected our overall profitability. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our premium reserves, calculated on a standalone basis in accordance with the guidelines of the FSS, for in-force policies with guaranteed rates of return equal to or in excess of 6.0% per annum represented 31.0%, 29.0%, 27.5% and 27.3%, respectively, of our total general account premium reserves. On a standalone basis, our average reserve interest rate, which represents the average rate of return payable on our total in-force policies, declined from 4.69% as of December 31, 2019 to 4.52% as of December 31, 2020 and 4.41% as of December 31, 2021, but increased to 4.44% as of March 31, 2022. When our average reserve interest rate exceeds our average rate of return on our general account investments, it results in a negative spread that negatively affects our profitability and financial condition.

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

The business and performance of our life insurance operations are dependent on the productivity and effectiveness of our distribution and marketing channels.

We have historically relied on our financial planner channel as the primary channel for the distribution and marketing of our life insurance products. Although we have taken steps to diversify our distribution and marketing platform, and our reliance on our financial planner sales force has decreased in the recent past, we expect to continue to depend on our financial planner sales force for a substantial portion of our total life insurance sales. As of March 31, 2022, we had 13,905 financial planners and, on a standalone basis, 28.2%, 19.0%, 17.0% and 21.0% of our first year premiums (including separate account premiums) in 2019, 2020 and 2021 and the first quarter of 2022, respectively, were attributable to products sold through our financial planners. In addition, because of differences in productivity, a relatively small percentage of our financial planners is responsible for a disproportionately high percentage of our life insurance product sales. See "Business — Marketing and Distribution Channels — Financial planners."

We have experienced, and expect to continue to experience, turnover among our financial planners, including experienced financial planners. Significant competition exists in the Korean insurance industry for experienced financial planners with demonstrated ability to successfully sell insurance products. If we are unable to retain, motivate and manage our core group of highly productive financial planners, or if we are unable to recruit and train productive new financial planners, our business and performance could be materially and adversely affected. We compete for financial planners with other life insurance companies primarily on the basis of our reputation, compensation and benefits, product offerings, and training and support services. Competition for financial planners from other life insurance companies, as well as property and casualty insurance companies, large-sized independent insurance sales agencies (referred to as "general agencies") and other institutions may also require us to enhance the compensation of our financial planners, which would increase our operating costs and reduce our profitability. Although we have not had difficulty in attracting and retaining productive financial planners in the recent past, we cannot guarantee that we will continue to be able to do so in the future.

In addition to the financial planner channel, we operate alternative distribution and marketing channels in our life insurance business. In particular, we have entered into bancassurance arrangements with leading commercial banks, securities companies and savings banks in Korea,

pursuant to which they market and distribute our life insurance products through their branches. In addition, we have entered into marketing arrangements with leading individual agencies and general agencies in Korea for the sale of a wide range of our life insurance products. We also utilize our direct marketing channel to distribute our life insurance products through telemarketing and marketing on home shopping television networks, as well as through the Internet. On a standalone basis, first year premiums generated from our bancassurance, agency and direct marketing channels, in the aggregate, represented 23.5%, 47.0%, 49.3% and 61.0% of our first year premiums (including separate account premiums) in 2019, 2020 and 2021 and the first quarter of 2022, respectively.

If we are unable to retain and build on our core group of highly productive financial planners or if we fail to continue to successfully utilize our bancassurance, agency and direct marketing channels to supplement our financial planner channel, our business, results of operations and financial condition could be materially and adversely affected.

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

We hold a significant amount of debt securities, including as part of the general account investment portfolio of our life insurance operations. As of March 31, 2022, Won 35,531 billion of debt securities classified as available-for-sale securities, and we also held Won 12,299 billion of held-to-maturity financial assets consisting primarily of bonds. The market value of these securities could decline significantly due to various factors, including increases in interest rates or a deterioration in the financial condition of any particular issuer or of the Korean or global economy in general. For example, general increases in market interest rates in Korea, which started in the second half of 2021, had a negative impact on the value of our portfolio of debt securities, which in turn reduced unrealized gains in other comprehensive income within our total equity and resulted in a decrease in our risk-based capital adequacy ratio. See "— Changes in interest rates may reduce the profitability of our spread businesses and the return on our investments, as well as negatively impact our risk-based capital adequacy ratio."

Since a significant portion of our debt securities are categorized as available-for-sale financial assets, whose fair values are subject to market value fluctuations on a quarterly basis, any of the above factors individually or in combination could also require us to write down the fair value of these debt securities, resulting in valuation or impairment losses. In addition, a significant deterioration in the value of our debt securities categorized as held-to-maturity financial assets may also result in impairment losses. As a result of adverse global and Korean economic conditions, there has been significant volatility in securities prices in recent years, including the prices of Korean and overseas debt securities we hold, which has resulted in and may lead to further valuation or impairment losses on our investment securities portfolio and other general account investment assets. See "— Adverse conditions and volatility in the Korean economy and financial markets may negatively affect our business and performance."

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

Investing and trading in overseas securities expose us to additional risks, including risks related to global financial markets and fluctuations in foreign exchange rates.

On a standalone basis, the portion of our life insurance business' general account investment assets accounted for by overseas securities was 18.6% as of March 31, 2022. Our securities business also engages in proprietary investing and trading in overseas securities. Investing and trading in

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

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

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

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

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

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

We utilize reinsurance to mitigate some of our insurance risks with respect to various life insurance products. Reinsurance does not relieve us of our direct liability to our policyholders, even when the reinsurer is liable to us. Accordingly, we bear credit risk with respect to our reinsurers. Our aggregate reinsurance premium expenses amounted to Won 123 billion, Won 135 billion and Won 150 billion in 2019, 2020 and 2021, respectively, and Won 36 billion and Won 40 billion in the first three months of 2021 and 2022, respectively. Our reinsurers may be unable or unwilling to pay the reinsurance benefit amounts owed to us currently or in the future or on a timely basis. A reinsurer's insolvency or its inability or unwillingness to make payments under the terms of its reinsurance agreement with us could have an adverse effect on our results of operations, financial condition and cash flows.

In addition, reinsurance may not be available, affordable or adequate to protect us against losses. In general, our reinsurance agreements with our reinsurers do not have a definite term, but some agreements allow for recapture of ceded insurance risk within five to ten years and agreements for new business may be terminated at the end of the year with advance notice of 90 days. Market conditions outside our control determine the availability and cost of reinsurance protection for new life insurance products. Any decrease in the amount of our reinsurance coverage will increase our risk of loss, and any increase in the cost of reinsurance will reduce our profits. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future life insurance policies or result in the assumption of more risk with respect to those policies we issue.

Adverse conditions and volatility in the Korean economy and financial markets may negatively affect our business and performance.

Our business and performance may be adversely affected from time to time by general economic and market conditions in Korea and elsewhere, which are subject to sudden and significant changes. A favorable economic environment is generally characterized by, among other factors, high GDP growth, stable geopolitical conditions, transparent and efficient capital markets, low inflation, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions, which can be caused by difficulties in the financial sector, corporate, political or other scandals that reduce interest or confidence in capital markets, declines in business confidence, increases in inflation, natural disasters or pandemics, outbreaks of hostilities or other geopolitical instability, or a combination of these or other factors, have, in the past adversely affected, and may in the future adversely affect, our business and performance in many ways. See "Risk Factors — Risks Relating to Korea — If economic conditions in Korea deteriorate, our current business and future growth could be materially and adversely affected." In particular, our business relies substantially on sales of life insurance products and investment products and services, as well as books, to retail customers in Korea. Our exposure to retail customers means that we are significantly affected by changes in economic and market conditions that impact individuals in Korea. Increases in unemployment levels or interest rates, declines in real estate or stock prices or other adverse changes in the Korean economy or financial markets that affect retail customers could result in reduced demand for life insurance and investment products and lower market participation levels by individuals, which in turn may have a material adverse effect on our business, results of operations and financial condition.

The Korean economy is closely tied to, and is affected by developments in, the global economy. In recent years, adverse conditions and volatility in the worldwide financial markets and the general weakness of the global economy have contributed to the uncertainty of global economic prospects. Financial markets have experienced significant volatility as a result of, among other things, ongoing concerns about the COVID-19 pandemic, the invasion of Ukraine by Russia and ensuing sanctions against Russia, a slowdown in China's economy and continuing geopolitical and social instability in various parts of the Middle East, as well as the decision by the United Kingdom to exit from the European Union. In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, results of operations and financial condition.

Furthermore, our ability to generate profits on life insurance products depends in part on the returns on the general account investments supporting our obligations under these products, and the

value of specific investments may fluctuate substantially depending on conditions in the global economy generally and particularly in the Korean and U.S. fixed income, real estate and equity markets. Changes in debt or equity price levels, interest rates, real estate prices or other market fluctuations and volatility may affect the value of our investment positions and the nature and level of our investment activities. The value of the Won relative to major foreign currencies in general, and the U.S. dollar, the Euro and the Japanese Yen in particular, has fluctuated widely in recent years. Continued exchange rate volatility may result in foreign exchange losses for us. In addition, in our securities business, changes in stock prices or interest rates affect the value of our customers' portfolios and their investing activities, which in turn may affect the amount of brokerage commissions we earn from executing buy and sell orders as well as fees we earn for managing assets. Changes in financial market or economic conditions may also lead to increases or decreases in the number and size of transactions for which we provide underwriting, merger and acquisition advisory and other services. Fees that we earn for our investment banking services would be directly impacted by the number and size of the transactions in which we participate and would therefore be affected by market upturns or downturns.

As a result of volatile conditions and weakness in the Korean and global economies, as well as factors such as the political scandals and ongoing corporate investigations in Korea, the uncertainty surrounding the global financial markets, fluctuations in oil and commodity prices, interest and exchange rate fluctuations, higher unemployment and lower consumer confidence, the economic outlook in the remainder of 2022 and for the foreseeable future remains uncertain.

We may experience increases in delinquencies in our loan portfolio.

As part of the general account investment activities of our life insurance operations, we offer loans, including policy loans, unsecured credit loans and loans secured by real estate and third party guarantees, to qualified retail and institutional borrowers. In connection with our securities business, we also provide margin loans and various types of other brokers' loans (including non-margin loans that are secured by securities in a customer's account but do not restrict the use of the proceeds of the loan to securities purchases) to qualified retail and institutional investors. On a standalone basis, our loan portfolio increased from Won 19,895 billion as of December 31, 2019 to Won 21,773 billion as of March 31, 2022, of which Won 19,821 billion were classified as neither past due nor impaired as of December 31, 2019 and Won 21,751 billion were classified as neither past due nor impaired as of March 31, 2022. Future growth in our loan portfolio, as well as changes in economic conditions affecting our borrowers, may lead to increasing delinquencies and a deterioration in asset quality, which would require us to increase our loan loss provisions and charge-offs and would adversely affect our results of operations and financial condition.

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

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

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

deteriorate due to sustained weaknesses in the Korean or global financial markets or adverse exchange rate movements, surrenders and withdrawals of such products may increase as policyholders seek to invest in alternative products with perceived higher returns, which could adversely affect our business and performance.

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

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

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

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

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

We engage in derivative transactions for the purpose of hedging our exposures as part of our risk management activities, as well as our proprietary trading and investment activities in our securities business. Derivative contracts create exposure to the instruments or measures underlying such contracts and may lead to unexpected losses. Accordingly, in the event that market measures such as interest rates, exchange rates or securities prices move in directions that we do not anticipate, we may experience losses on such contracts.

We are also party to derivative transactions that require us to deliver to the counterparty the underlying security or other obligation in order to receive payment. In a number of cases, we do not

hold the underlying security or other obligation and may have difficulty obtaining, or be unable to obtain, the underlying security or other obligation through the physical settlement of other transactions. As a result, we are subject to the risk that we may not be able to obtain the security or other obligation within the required contractual time frame for delivery. This could cause us to forfeit the payments due to us under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to us.

Derivative transactions also expose us to the credit risk of transaction counterparties. Derivative contracts and other transactions entered into with third parties are not always confirmed by the counterparties on a timely basis. While the transaction remains unconfirmed, we are subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce the contract.

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

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

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

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

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

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

The growth of electronic commerce and the introduction of new technologies are changing our businesses and presenting us with new competitive challenges. For example, an increasing number of life insurance policies are being sold directly online by small- and mid-sized insurance companies without the use of more traditional distribution channels such as financial planners or general agencies and at a lower cost to customers. Furthermore, securities and derivatives transactions are increasingly occurring electronically, both on our own systems and through other alternative trading systems, and the increased use by our customers of low-cost electronic trading systems has resulted in a reduction in brokerage commissions in our securities business. In addition, our bookstore business faces significant competition from online retailers, some of which may have competitive advantages over us in terms of the range and pricing of merchandise.

We expect that the trend toward growth of electronic transactions will continue, and we have invested significant resources into the development of online and mobile business platforms in recent years. For example, we established Kyobo Life Planet Life Insurance Co., Ltd. ("Kyobo Life Planet"), the first life insurance company in Korea to directly market and sell life insurance products exclusively online, in December 2013 and continuously seek to expand and upgrade our mobile insurance and securities applications and websites. We have also expanded the operations of our online bookstore. However, there is no assurance that our online and mobile business platforms will remain competitive or that they will yield an adequate return on our investments.

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

We face significant legal risks in our businesses, and the volume of claims and the amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions in Korea remain high. We are, and in the future may become, subject to legal and regulatory actions in the ordinary course of our insurance, investing, securities brokerage, investment banking, derivatives sales and trading and other operations. Pending legal and regulatory actions include proceedings relating to aspects of our business and operations that are specific to us and proceedings that are typical of the industries in which we operate. Such legal and regulatory actions against us primarily relate to insurance settlement claims by our customers, commission-related claims by our financial planners and other agents, claims of fraud or other misconduct by our agents and employees, and assessments resulting from periodic tax audits by the National Tax Service.

In the past, some of the litigation and regulatory proceedings to which we became subject, particularly those relating to customer claims in connection with certain misstated or ambiguous terms under our standard life insurance policy contracts, led to significant payments by us. There can be no assurance that we will not face similar issues again in the future, where we may be required to pay claims that were not anticipated at the time we issued our life insurance policies, or that courts and regulatory authorities will agree with our interpretation of the scope of coverage under such policies.

In addition, from time to time we face legal disputes arising out of claims by our customers alleging that our financial planners and other sales agents insufficiently explained our insurance or investment products at the time of sale. We have incurred, and expect to incur in the future, costs or losses relating to such legal disputes with our customers. Although our maximum liability to each customer is normally limited to the amount of insurance premiums, or the price for the investment products, paid by the customer, we cannot provide any assurance that such legal disputes will not have a material adverse effect on our business or cause significant reputational harm.

As a participant in the Korean life insurance and financial services industries, we may continue to experience a high level of legal and regulatory actions related to our business and operations. Our litigation and regulatory matters are subject to many uncertainties, and given their complexity and scope, their outcome cannot be predicted. Legal and regulatory actions may expose us to substantial monetary damages and legal costs, injunctive relief, criminal and civil penalties, sanctions against us, our directors, officers, employees and agents and restrictions on our operations, as well as significant reputational harm. Accordingly, we cannot guarantee that the outcome of current and future legal and regulatory actions relating to us will not have a material adverse impact on our business, reputation, results of operations and financial condition.

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

Our performance depends to a large extent on favorable labor relations with our employees. As of March 31, 2022, 2,383 of our employees were members of our three labor unions, and our relationship with these and other employees is generally governed by a collective bargaining agreement. We negotiate a collective bargaining agreement every two years and annually negotiate a wage agreement. Our collective bargaining agreement expired in March 2022, and we are currently in negotiations with the labor unions. We also operate a Joint Labor-Management Council, which consists of seven of our employees and seven members of our management and discusses employee welfare and benefits issues on an annual basis and more often as necessary. Although we believe that our relations with our employees are generally good, there can be no assurance that new collective bargaining and wage agreements will be negotiated or consultations will take place without discord with our labor unions or on terms satisfactory to us. If we are unable to negotiate successfully with our labor unions, we may become subject to union-initiated work stoppages, including strikes.

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

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

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

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

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

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

The success of our business is dependent to a large extent on our ability to attract and retain key personnel who have in-depth knowledge and understanding of the life insurance and/or securities markets in Korea, including members of our senior management, qualified insurance underwriting personnel, actuaries, information technology specialists, experienced investment and wealth managers

and securities analysts, as well as productive financial planners. We do not carry key personnel insurance for any of these personnel. We compete to attract and retain these key personnel with other life insurance companies and financial institutions, some of which may offer better compensation or benefit arrangements. As the insurance, securities and investment industries continue to expand in Korea and we become subject to increasingly complex regulatory requirements (such as K-ICS) and accounting standards (such as K-IFRS 1117), we expect that competition for these personnel will increase in the future. Although we have not had difficulty in attracting and retaining qualified key personnel in the past, we cannot guarantee that this will continue to be the case. If we were unable to continue to attract and retain key personnel, our business and performance could be materially and adversely affected.

Risks Relating to Government Regulation and Policy

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

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

For example, in March 2021, the Financial Consumer Protection Act, which consolidated existing regulations relating to the sale of financial products and consumer protection stipulated in other laws governing the financial sector, including the Insurance Business Act, became effective. Under the Financial Consumer Protection Act, consumers have the right to withdraw subscriptions, allowing them to receive a refund during a statutory cooling-off period following the execution of the relevant subscription agreement. This right generally applies to all types of financial products, including insurance policies. Consumers also have the right to terminate a contract if the sellers violate the Financial Consumer Protection Act in relation to the sales process. The Financial Consumer Protection Act and other measures that may be implemented by the Government to strengthen consumer protection laws applicable to financial institutions may limit our operational flexibility and cause us to incur significant additional compliance costs, as well as subject us to increased potential liability to our customers, which could adversely affect our business and performance.

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

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

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

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

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

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

Risks Relating to Korea

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

We are incorporated in Korea and substantially all of our operations are conducted in Korea. As a result, we are subject to economic, political, legal and regulatory risks specific to Korea, and our performance and successful fulfillment of our operational strategies are dependent in large part 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 our control, including developments in the global economy.

In particular, the on-going COVID-19 pandemic has had an adverse impact on the Korean economy. Following the Government's announcement of the first confirmed case of COVID-19 in Korea in January 2020, the Government has implemented a number of measures in order to contain the spread of the COVID-19 disease, including a nationwide order for social distancing, implementation of strict self-isolation and quarantine measures for those who may be infected, and the temporary closure of all school and other public facilities. In addition, the Government has undertaken a series of actions to mitigate the adverse impact of the COVID-19 pandemic on the Korean economy, including (i) lowering of The Bank of Korea's policy rates, (ii) execution of a bilateral currency swap agreement with the U.S. Federal Reserve, (iii) provision of loans, guarantees and maturity extensions to eligible financial institutions, small- and medium business enterprises and self-employed business owners facing liquidity crises, and (iv) offering emergency relief payments for those impacted by the COVID-19 pandemic. However, the impact of the COVID-19 pandemic on the Korean economy for the foreseeable future remains highly uncertain.

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

- declines in consumer confidence and a slowdown in consumer spending, including as a result of the ongoing global COVID-19 pandemic;
- adverse conditions or developments 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 deteriorating economic and trade 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 (including fluctuation of the U.S. dollar, the Euro or the Japanese Yen exchange rates or revaluation of the Chinese Yuan), interest rates, inflation rates or stock markets;

- the occurrence of severe health epidemics in Korea or other parts of the world, such as the COVID-19 pandemic;

- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;

- increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;

- hostilities, political or social tensions involving Russia (including the invasion of Ukraine by Russia and ensuing actions that the United States and other countries have taken or may take in the future) and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets;

- a 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 changes 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 programs, 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 or 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 the 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 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 with North Korea could have an adverse effect on us and the market price of the Securities.

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

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

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

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea.

Although bilateral summit meetings were held between the two Koreas 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 tensions affecting the Korean peninsula will not escalate in the future. Any increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea or the United States and North Korea break down or further military hostilities occur, could have a material adverse effect on the Korean economy and on our business, financial condition and results of operations and the market value of the Securities.

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

You should carefully consider the risk factors listed in this section, together with all of the other information included in this offering circular, before you decide to purchase our common shares. As we are a Korean company, there are risks associated with investing in our securities that are not typical for investments in securities of U.S. or European companies. As a Korean company, we operate in a business and cultural environment that is different from that of other countries.

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

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

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

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

Risks Relating to the Securities

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained in this offering circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or interest payments is denominated in a currency different from that of the potential investor;

- understand thoroughly the terms of the Securities and be familiar with the behavior of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

The Securities are subordinated obligations.

The Securities will constitute unsecured and subordinated obligations of our company. In the event of the Winding-Up (as defined in "Terms and Conditions of the Securities") of our company, the rights of holders to receive payments in respect of the Securities will rank senior to the holders of all Junior Obligations (as defined in "Terms and Conditions of the Securities") of our company but junior to the claims of all of our other present and future senior and subordinated creditors, other than the claims holders of Parity Obligations (as defined in "Terms and Conditions of the Securities") of our company. Accordingly, in the event of a Winding-Up of our company, a holder of Securities may not receive a full return of the principal amount of the Securities it holds and may lose a part or all its investment.

Holders of Securities may not receive Distributions if we elect to cancel them or if a Capital Deficiency Event has occurred and is continuing.

We may, at our sole discretion, elect to cancel any scheduled Distributions (as defined in "Terms and Conditions of the Securities") on the Securities for any period of time, unless we have declared, paid or made any dividend, distribution or other payment in respect of, or redeemed or purchased, any Junior Obligations or Parity Obligations (other than any such payment, redemption or purchase that is mandatory pursuant to the terms thereof) during the 12-month period ending on the tenth Business Day (as defined in "Terms and Conditions of the Securities") prior to the scheduled payment date for the applicable Distribution. We note in this regard that, historically, we have made discretionary dividend payments on our common shares (which would constitute Junior Obligations) on an annual basis since 2001. We are not subject to any limits as to the number of times we may thus cancel Distributions on the Securities. In addition, if a Capital Deficiency Event (as defined in "Terms and Conditions of the Securities") with respect to our company has occurred and is continuing on any scheduled payment date for a Distribution on the Securities, the relevant Distribution will not be due and payable and will be cancelled. Subject to certain limited exceptions, in the event of any cancellation of scheduled Distributions on the Securities as described above, we would be restricted from making any discretionary dividend, distribution or other payments on, or any discretionary redemptions or buy-backs of, any of our Junior Obligations (including our common shares) or Parity Obligations until the next following scheduled payment date on which we pay the scheduled Distribution in full.

A Capital Deficiency Event would be triggered upon (i) us becoming designated as an "insolvent financial institution" under subparagraph 2 of Article 2 of the Act on the Structural Improvement of the Financial Industry, as amended or modified from time to time, or (ii) either (1) the

issuance of a management improvement recommendation, a management improvement requirement or a management improvement order, or (2) the imposition of emergency measures, by the FSC against us.

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

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

Article 7-17 of the Regulation on Supervision of Insurance Business provides that the FSC shall issue a management improvement recommendation to an insurance company where:

- its risk-based capital adequacy ratio is 50% or higher but lower than 100%;
- the overall comprehensive risk grade given to the insurance company by the FSS under its Risk Assessment and Application System evaluation is 3 (less than satisfactory) or higher but the risk grade for solvency margin is 4 (deficient) or lower;
- the overall comprehensive risk grade given to the insurance company by the FSS under its Risk Assessment and Application System evaluation is 3 (less than satisfactory) or higher but the risk grade for any two of insurance risk, interest risk or investment risk is 4 (deficient) or lower; or
- the FSS deems it clear that the insurance company would fall under any of the criteria above due to the occurrence of significant financial incidents or non-performing assets.

Article 7-18 of the Regulation on Supervision of Insurance Business provides that the FSC shall issue a management improvement requirement to an insurance company where:

- its risk-based capital adequacy ratio is 0% or higher but lower than 50%;
- the overall comprehensive risk grade given to the insurance company by the FSS under its Risk Assessment and Application System evaluation is 4 (deficient) or lower; or
- the FSS deems it clear that the insurance company would fall under either of the criteria above due to the occurrence of significant financial incidents or non-performing assets.

Article 7-19 of the Regulation on Supervision of Insurance Business provides that the FSC shall issue a management improvement order to an insurance company where:

- the insurance company constitutes an insolvent financial institution under the Act on Structural Improvement of the Financial Industry as described above; or
- its risk-based capital adequacy ratio is lower than 0%.

Article 7-43 of the Regulation on Supervision of Insurance Business provides that the FSC shall impose emergency measures on an insurance company where:

- a drastic deterioration in the liquidity of the insurance company, due to the occurrence of events such as widespread termination of policies by existing policyholders, causes it to

experience, among others, shortages of reserves and assets for payment of insurance claims or an inability to repay its external debts; or

- it becomes impracticable or impossible for the insurance company to conduct normal business operations due to the occurrence of events such as suspension of its business or sales activities, widespread termination of policies by existing policyholders, or a labor dispute.

Under Article 7-43(2) of the Regulation on Supervision of Insurance Business, such emergency measures may include (i) restrictions on acceptance of insurance premiums and provision of loans by the insurance company; (ii) a suspension on payment of all or a part of insurance claims by the insurance company; (iii) a prohibition on repayment of debts by the insurance company; (iv) mandatory dispositions of the insurance company's assets; (v) mandatory suspension of business; (vi) management of the insurance company's assets and operations by a trustee; or (vii) transfer of contracts to a third party.

Historically, we have not been subject to any events that would qualify as a Capital Deficiency Event. In particular, our risk-based capital adequacy ratio has been maintained at a level exceeding 200% since 2007. However, there is no guarantee that we will not be subject to a Capital Deficiency Event in the future.

Any cancellation of Distributions on the Securities as described above will not constitute a default under the Securities for any purpose. Furthermore, Distributions on the Securities are non-cumulative. Accordingly, if any Distribution is cancelled as described above, the right of holders of the Securities to receive such Distribution will be lost, and we will have no further obligation to pay such Distribution.

Any cancellation of a Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the above-described Distribution cancellation provisions of the Securities, the market price of the Securities may be more volatile than the market prices of debt securities on which original issue discount or interest accrues that are not subject to such cancellations and may be more sensitive generally to adverse changes in our business, results of operations or financial condition.

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

As described above, cancellations of scheduled Distributions at our election or upon the occurrence and during the continuation of a Capital Deficiency Event will not constitute a default under the Securities. In addition, the remedies available to holders in the event of other non-payments of the Securities will be limited. Specifically, if we fail to make other payments, including principal payments, in respect of the Securities for a period of ten days or more after the due date for such payment, holders holding 10% or more of the aggregate principal amount of the outstanding Securities may, subject to satisfaction of the relevant requirements of applicable law, institute proceedings for the Winding-Up of our company and/or prove in the Winding-Up of our company and/or claim in the liquidation of our company for the principal amount of the Securities plus any accrued but unpaid Distributions (other than any Distributions which have been cancelled in accordance with the terms of the Securities). See "— The Securities are subordinated obligations."

The Securities have no fixed maturity date and holders have no right to call for redemption of the Securities.

The Securities have a 30-year term which will be automatically extended for additional 30 years on the initial maturity date and each subsequent maturity date unless we elect to redeem the Securities. Accordingly, the Securities have no fixed final maturity date. In addition, holders have no right to call for the redemption of the Securities. Although we may redeem the Securities at our option on June 15, 2027 and on each Distribution Payment Date (as defined in "Terms and Conditions of the Securities") thereafter, or at any time after five years from the Issue Date upon the occurrence of a Gross-Up Event, Regulatory Event, Accounting Event or Tax Deductibility Event (each as defined in "Terms and Conditions of the Securities"), there are limitations on redemption of the Securities, including a requirement to obtain the prior approval of the FSS and satisfaction of certain minimum

solvency margin ratio thresholds, as described under “Terms and Conditions of the Securities — Redemption and Purchase.”

We may redeem the Securities under certain circumstances.

As described above, the Securities may be redeemed at our option (in whole but not in part) on June 15, 2027 and on each Distribution Payment Date thereafter, in each case subject to the satisfaction of certain regulatory conditions. The Securities may also be redeemed at our option (in whole but not in part) at any time after five years from the Issue Date upon the occurrence of a Gross-Up Event, Regulatory Event, Accounting Event or Tax Deductibility Event, in each case subject to the satisfaction of certain regulatory conditions.

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

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

There is no restriction on the amount of securities, guarantees or other liabilities which we may issue or incur and which rank senior to, or pari passu with, the Securities. The issuance of any such securities or the incurrence of any such other liabilities by us may reduce the amount (if any) recoverable by holders of Securities on a Winding-Up of our company and may increase the likelihood of a cancellation of Distributions on the Securities. Further, the terms of such securities or other liabilities may include provisions resulting in our company being required to cancel Distributions on the Securities in circumstances where distributions, interest or other payments on such other securities or liabilities are cancelled. The issuance of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the market price of the Securities and the ability of holders to sell their Securities.

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

The Securities are rated “A3” by Moody’s and “A-” by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure investors that a rating assigned to the Securities will remain for any given period of time or that a rating assigned to the Securities will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of Securities of any such revision, suspension or withdrawal. A revision, suspension, or withdrawal at any time of a rating assigned to the Securities may adversely affect the market price of the Securities.

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

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

An active trading market for the Securities may not develop.

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

We may be or become a passive foreign investment company for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. investors in our Securities.

A non-U.S. corporation will be a passive foreign investment company (a "PFIC"), for any taxable year in which (i) at least 75% of its gross income for the taxable year is passive income or (ii) at least 50% of the value of its assets (generally determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income, as determined for U.S. federal income tax purposes. If we were treated as a PFIC for any taxable year during which a U.S. holder holds the Securities, certain adverse U.S. federal income tax consequences, including additional taxation on gains (if any) and on Distributions by us, and additional reporting requirements could apply to that U.S. holder.

We believe that we were not a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2021. Based on the current and projected composition of our income, valuation of our assets, and activities, we do not currently anticipate becoming a PFIC for our current taxable year or the foreseeable future. However, our PFIC status will depend upon the composition of our income and assets and on the nature of our insurance and other activities, which will change from time to time. Moreover, there is little guidance on how the PFIC rules apply to a non-U.S. insurance company, and it is therefore possible that the U.S. Internal Revenue Service would disagree with the determinations made by us as to how our business activities, income and assets should be classified. Accordingly, there is no assurance that we will not become a PFIC or that the U.S. Internal Revenue Service will not take a position contrary to that described above and assert that we are a PFIC. U.S. holders are urged to consult their own tax advisors regarding our possible status as a PFIC. See "Taxation — Certain United States Income Tax Considerations — Passive Foreign Investment Company."

The Securities may not be a suitable investment for all investors seeking exposure to "sustainable" assets.

An amount equal to the net proceeds from the sale of the Securities will be allocated to finance or refinance, in whole or in part, new or existing projects that fall under the Eligible Project categories. See "Use of Proceeds." While it is our intention to use an amount equal to the net proceeds from the issue of the Securities as described under "Use of Proceeds," there can be no assurance that the relevant projects or uses that are the subject of, or related to, any Eligible Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timing or schedule and that accordingly such proceeds will be totally or partially disbursed for such projects. Any such event of failure by us will not constitute an event of default under the Securities. Our Sustainability Bond Framework and the Second Party Opinion (as defined in "Use of Proceeds") are not incorporated into, and do not form a part of, this Offering Circular.

There is currently no market consensus on what precise attributes are required for a particular project or series of notes to be defined as "sustainable," and therefore no assurance can be provided to potential investors that the selected Eligible Projects will meet the relevant eligibility criteria. Although the Eligible Projects will be selected in accordance with the categories recognized under our Sustainability Bond Framework, and will be developed in accordance with relevant legislation and standards, there can be no guarantee that the projects will deliver the social or environmental benefits as anticipated, or that adverse social or environmental impacts will not occur during the design, construction, commissioning or operation of any such projects. In addition, where any negative impacts are insufficiently mitigated, the projects may become controversial and may be criticized by activist groups or other stakeholders.

The Second Party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risks discussed above and other factors that may affect the value of the Securities. The Second Party Opinion is not a recommendation to buy, sell or hold the Securities and is only current as of the date that the Second Party Opinion was initially issued. In addition, although we have agreed to certain reporting and use of proceeds obligations in connection with certain criteria, our failure to comply with such obligations will not constitute a breach or an event of default under the Securities. A withdrawal of the Second Party Opinion or any failure by us to use an amount equivalent to the net proceeds from the Offering on Eligible Projects or to meet or continue to meet the investment

requirements of certain environmentally-focused investors with respect to the Securities may affect the value of the Securities and may have consequences for certain investors with portfolio mandates to invest in “sustainable” assets.

No assurance can be provided with respect to the suitability of the Second Party Opinion or that the Securities will fulfill the criteria required to qualify as “sustainable” bonds. Each potential purchaser of the Securities should determine for itself the relevance of the information contained in this Offering Circular regarding the use of the net proceeds from the issuance of the Securities and its purchase of Securities should be based upon such investigation as it deems necessary.

Risks Relating to Forward-Looking Statements

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

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

- general economic, business and political conditions;
- adverse trends in regulatory, legislative and judicial developments;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- changes in interest rates;
- our leverage and our ability to meet our debt obligations;
- declines in consumer confidence;
- changes in competitive conditions in the Korean life insurance, securities and book retailing industries; and
- conditions in the financial markets.

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

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

USE OF PROCEEDS

We expect to use an amount equal to the net proceeds from the Offering, which are expected to be approximately US$497,500,000 (net of underwriting discounts and commissions but prior to deducting other offering expenses), to finance or refinance, in whole or in part, new or existing projects relating to (i) renewable energy, (ii) energy efficiency, (iii) pollution prevention and control, (iv) sustainable water and wastewater management, (v) green buildings, (vi) clean transportation, (vii) access to essential services, (viii) affordable housing, (ix) socioeconomic advancement and empowerment, (x) employment generation and (xi) response to health and natural disaster crises (collectively, "Eligible Projects") in accordance with our Sustainability Bond Framework, which is in alignment with the Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Bond Guidelines 2021 published by the International Capital Markets Association.

Examples of Eligible Projects include the following:

- renewable energy: investments or financing related to the construction, development, operation and maintenance of renewable energy production facilities.
- energy efficiency: investments or financing related to acquisition, installation, maintenance, operation, construction and upgrades of projects that reduce energy consumption or loss.
- pollution prevention and control: investments or financing related to the reduction and control of greenhouse gas emissions and harmful particles, soil remediation, waste prevention, waste reduction, waste recycling and emission-efficient waste-to-energy.
- sustainable water and wastewater management: investments or financing related to improving water quality, efficient water use or climate resilience, including sustainable infrastructure for clean and fresh water, wastewater treatment, sustainable urban drainage systems, flooding mitigation and sewer maintenance that meet local CO2 emission regulations.
- green buildings: investments or financing related to the development, construction and maintenance of buildings.
- clean transportation: investments or financing related to vehicles and infrastructure that promote eco-friendly commuting.
- access to essential services: investments or financing that enhance access to essential public, not-for-profit, free or subsidized services.
- affordable housing: investments or financing related to residential construction projects run by government-backed institutions; investments or financing in domestic or overseas nonprofit social housing that provide rental homes to the underserved owing to a lack of quality access to essential goods and services; and investments or financing in public housing projects.
- socioeconomic advancement and empowerment: investments or financing related to providing equitable access to and control over assets, services, resources and opportunities, and equitable participation and integration into society.
- employment generation: investments or financing intended for preventing or alleviating unemployment stemming from socio-economic issues, and investments or financing provided to small- and medium-sized enterprises (including start-ups and venture companies).
- response to health and natural disaster crises: investments or financing aimed at boosting economic growth by supporting areas and vulnerable populations affected by natural disasters or health crises.

Project Evaluation and Selection Process

Under our project evaluation and selection process, Eligible Projects will be screened by our investment departments and then reviewed and selected using the criteria indicated above by our Investment Committee, which is composed of top-level executives such as the Chief Financial Officer, Chief Investment Officer and Chief Risk Officer.

Management of Proceeds

An amount equal to the net proceeds from the Offering will be deposited in our general funding account and earmarked for allocation to Eligible Projects. The allocation of an amount equal to the net

proceeds from the Offering will be monitored and tracked by our investment departments, together with the members of our ESG Management Part, Asset Operations Compliance Part, Capital Management Team, and any other related departments.

Any balance of an amount equal to the net proceeds from the Offering not yet allocated to Eligible Projects will be held in accordance with our internal liquidity management policy and exclusionary policy. The unallocated net proceeds may be temporarily invested in cash, cash equivalents, and other liquid instruments.

Reporting

The reporting will include allocation reporting and impact reporting, which will be published annually and will be publicly available on our website. Allocation reporting will be available to investors within approximately one year from the date of the issuance of the Securities and annually thereafter until an amount equal to the net proceeds from the Offering have been fully allocated. On an annual basis, until full allocation, we will provide impact reporting, whereby, for each category of Eligible Projects, where feasible, we will report on the relevant impact calculation methodologies and assumptions.

DNV Business Assurance Korea Ltd., an external consultant, issued an opinion dated December 16, 2021 (the "Second Party Opinion") regarding our Sustainability Bond Framework's alignment with the Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Bond Guidelines 2021 published by the International Capital Markets Association. The Second Party Opinion and our Sustainability Bond Framework are publicly available on our website: https://www.kyobo.co.kr/webdocs/view.jsp?screenId=SENSMNLM007&menuId=MN2204077&biztype=ci.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the Market Average Exchange Rate. We do not intend to imply that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all.

Period	At End of Period	Average Rate[1]	High	Low
		(Won per US$1.00)		
2017	₩ 1,071.4	₩ 1,130.8	₩ 1,208.5	₩ 1,071.4
2018	1,118.1	1,100.3	1,142.5	1,057.6
2019	1,157.8	1,165.7	1,218.9	1,111.6
2020	1,088.0	1,180.1	1,280.1	1,082.7
2021	1,185.5	1,144.4	1,199.1	1,083.1
2022 (through June 8)	1,257.1	1,225.0	1,286.4	1,185.5
January	1,202.4	1,194.0	1,202.4	1,185.5
February	1,202.7	1,198.3	1,205.7	1,192.1
March	1,210.8	1,221.0	1,241.7	1,203.6
April	1,269.4	1,232.3	1,269.4	1,210.7
May	1,245.8	1,269.9	1,286.4	1,245.8
June (through June 8)	1,257.1	1,247.0	1,257.1	1,238.4

Source: Seoul Money Brokerage Services, Ltd.

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

CAPITALIZATION

The following table sets forth our capitalization (defined as the sum of our long-term borrowings and our total equity) as of March 31, 2022, on an actual basis and adjusted to give effect to the issuance of the Securities offered hereby.

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

Other than as set forth below, there has been no material change in our capitalization since March 31, 2022.

	As of March 31, 2022	
	Actual	As adjusted[1]
	(In billions of Won)	
Long-term borrowings	₩ 3,726	₩ 3,726
Equity:		
Capital stock	103	103
Hybrid bonds	1,020	403[2][3]
Capital surplus	515	515
Capital adjustments	(12)	(12)
Accumulated other comprehensive income	(322)	(322)
Retained earnings	8,160	8,160
Securities to be issued hereby	–	602
Non-controlling interests	361	361
Total equity	9,826	9,810
Total capitalization	₩13,552	₩13,536

(1) Reflects net proceeds of US$497,500,000 (net of underwriting discounts and commissions but prior to deducting other offering expenses) from the Offering translated into Won at Won 1,210.8 to US$1.00, the Market Average Exchange Rate in effect as of March 31, 2022. No representation is made that the Won or U.S. dollar amounts referred to in this offering circular could have been or could be converted into U.S. dollars or Won, as the case may be, or at any particular rate or at all.

(2) We plan to issue in June 2022 a notice of redemption to redeem in whole the aggregate principal amount outstanding of our US$500,000,000 3.95% subordinated capital securities (the "Redemption Securities"), which redemption remains subject to approval by the FSS. The Redemption Securities will be redeemed on July 25, 2022 (the "Redemption Date") at a redemption price equal to 100.00% of the principal amount of the Redemption Securities plus any accrued but unpaid distributions to (but excluding) the Redemption Date (the "Redemption Price"). This offering memorandum is not a notice of redemption with respect to the Redemption Securities.

(3) Reflects the Redemption Price translated into Won at Won 1,210.8 to US$1.00, the Market Average Exchange Rate in effect as of March 31, 2022. No representation is made that the Won or U.S. dollar amounts referred to in this offering circular could have been or could be converted into U.S. dollars or Won, as the case may be, or at any particular rate or at all.

SELECTED FINANCIAL AND OPERATING DATA

The following tables set forth our summary financial and operating data. Our selected financial data as of and for the years ended December 31, 2019, 2020 and 2021 set forth below has been derived from our annual consolidated financial statements included elsewhere in this offering circular. Our selected financial data as of March 31, 2022 and for the three months ended March 31, 2021 and 2022 set forth below has been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this offering circular. It is important that you read our selected financial and operating data set forth below in conjunction with our financial statements, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other historical financial information appearing elsewhere in this offering circular.

As disclosed elsewhere in this offering circular and in Note 2-4-1(3) of the notes to the annual consolidated financial statements for 2021 and 2020 included in this offering circular, there were changes in accounting policies in 2021 related to our evaluation of liability adequacy, which resulted in a retrospective restatement of the consolidated financial statements as of and for the year ended December 31, 2020. The financial information as of and for the year ended December 31, 2020 appearing elsewhere in this offering circular is based on the restated consolidated financial statements as of and for the year ended December 31, 2020 contained in the annual consolidated financial statements for 2021 and 2020. However, the financial information as of and for the year ended December 31, 2020 contained in the annual consolidated financial statements for 2020 and 2019 has not been retrospectively restated.

In addition, our unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2021, our unaudited interim condensed separate financial statements as of and for the three months ended March 31, 2021 and our consolidated financial statements as of and for the year ended December 31, 2019 have not been retrospectively restated to reflect the changes in accounting policies made in 2021, and, therefore, the financial information as of and for the three months ended March 31, 2021 and the financial information as of and for the year ended December 31, 2019 appearing elsewhere in this offering circular, is based on such non-restated unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2021, non-restated unaudited interim condensed separate financial statements as of and for the three months ended March 31, 2021 and non-restated consolidated financial statements as of and for the year ended December 31, 2019. Therefore, the financial information as of and for the year ended December 31, 2019 appearing elsewhere in this offering circular may not be comparable to the financial information as of and for the years ended December 31, 2020 and 2021, and the financial information as of and for the three months ended March 31, 2021 appearing elsewhere in this offering circular may not be comparable to the financial information as of and for the three months ended March 31, 2022.

Our financial statements included in this offering circular have been prepared in accordance with K-IFRS, which differ in certain significant respects from generally accepted accounting principles in other countries, including the United States.

Selected Statements of Comprehensive Income Data

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019[1]	2020	2021	2021[2]	2022
	(in billions of Won, other than per share data)				
Operating revenues:					
Premium income	₩ 7,582	₩ 9,019	₩ 9,951	₩ 2,499	₩ 2,399
Reinsurance income	124	129	145	34	38
Interest income	2,792	2,739	2,737	675	716
Gain on valuation and disposal of financial instruments	1,649	3,361	2,385	1,100	2,052
Gain on foreign currency transaction	714	538	1,409	651	400
Fee and commission income	292	389	520	141	112
Dividend income	483	564	558	143	162
Rental income	89	83	83	22	21
Separate account commissions earned	792	781	761	205	191
Separate account income	127	148	217	59	78
Other operating income	852	894	949	253	261
Total operating revenue	15,496	18,645	19,715	5,782	6,428
Operating expenses:					
Provision for liabilities under insurance contracts	2,309	3,507	3,519	636	443
Insurance claims paid	6,708	6,982	7,895	1,985	2,160
Reinsurance premium expenses	123	135	150	36	40
Operating and administrative expenses	978	1,046	1,113	257	242
Amortization of deferred acquisition costs	667	645	539	139	130
Asset management expenses	117	121	136	25	22
Interest expenses	315	271	275	78	85
Loss on valuation and disposal of financial instruments	1,843	2,422	3,349	1,353	2,360
Loss on foreign currency transaction	149	1,263	201	108	73
Separate account commissions	21	40	29	14	10
Separate account expenses	127	148	217	59	78
Other operating expenses	1,234	1,381	1,577	412	400
Total operating expenses	14,591	17,961	19,000	5,103	6,043
Operating profit	905	684	715	679	385
Non-operating income	29	18	35	11	14
Non-operating expenses	26	36	26	3	24
Profit before income tax expenses	909	666	724	687	375
Income tax expenses	241	189	198	187	95
Profit	₩ 667	₩ 478	₩ 526	₩ 500	₩ 280
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Gain (loss) on valuation of available-for-sale financial assets	1,332	301	(1,774)	(1,635)	(2,135)
Gain (loss) on valuation of held-to-maturity financial assets	–	–	–	–	1
Gain (loss) on valuation of investments in associates	1	0	0	(0)	0
Gain (loss) on valuation of derivative instruments for hedging	(23)	(147)	36	46	24
Other comprehensive income (loss) from separate accounts	25	29	(69)	(25)	(128)
Foreign currency translation adjustments for foreign operations	0	(0)	0	0	0
Items that will not be reclassified to profit or loss:					
Revaluation gain (loss) of property and equipment	50	(14)	(7)	2	2
Remeasurements on defined benefit liabilities	(10)	13	19	(0)	(0)
Total comprehensive income (loss)	₩ 2,043	₩ 658	₩ (1,269)	₩(1,112)	₩(1,957)
Earnings per share (in Won)					
Basic and diluted earnings per share	₩ 5,904	₩ 4,190	₩ 4,497	₩ 4,702	₩ 2,559

Selected Statements of Financial Position Data

	As of December 31,			As of March 31,
	2019[3]	2020	2021	2022
	(in billions of Won)			
Assets				
Cash and due from banks	₩ 2,650	₩ 1,941	₩ 2,897	₩ 2,332
Financial assets designated at fair value through profit or loss	330	332	527	453
Financial assets held for trading	5,766	7,101	7,214	6,758
Derivative assets	494	1,323	462	953
Available-for-sale financial assets	60,086	63,367	60,794	50,638
Held-to-maturity financial assets	–	–	4,554	12,299
Loan receivables	20,763	22,353	23,725	23,768
Other receivables	1,215	1,580	1,398	1,616
Investments in associates and a joint venture	35	36	72	67
Investment properties	1,130	1,095	1,058	1,068
Property and equipment	1,368	1,379	1,415	1,431
Intangible assets	329	296	257	251
Deferred acquisition costs	1,270	1,189	1,158	1,164
Current tax assets	121	130	3	3
Deferred tax assets	9	10	11	143
Other assets	214	199	197	248
Defined benefit assets	–	–	20	–
Separate account assets	20,275	23,373	25,172	25,131
Total assets	₩ 116,053	₩ 125,705	₩ 130,935	₩ 128,322
Liabilities				
Liability under insurance contracts	₩ 71,926	₩ 76,686[4]	₩ 79,287	₩ 79,762
Policyholders' equity adjustments	1,416	1,462	720	158
Financial liabilities designated at fair value through profit or loss	3,113	3,084	3,565	3,471
Financial liabilities held for trading	561	414	117	203
Derivative liabilities	400	607	890	1,650
Borrowings	1,807	2,620	3,542	3,726
Other financial liabilities	2,005	2,884	3,085	2,968
Provisions	25	24	22	22
Defined benefit liabilities	60	28	1	7
Current tax liabilities	33	40	55	132
Deferred tax liabilities	1,345	1,559	878	109
Other liabilities	240	588	770	802
Separate account liabilities	20,738	23,930	26,047	25,485
Total liabilities	103,669	113,925[4]	118,980	118,497
Equity				
Capital stock	103	103	103	103
Hybrid bonds	551	551	1,020	1,020
Capital surplus	373	520	520	515
Capital adjustments	(12)	(12)	(12)	(12)
Accumulated other comprehensive income	3,502	3,712	1,914	(322)
Retained earnings	7,418	6,581[4]	8,052	8,160
Equity attributable to equity holders of the parent company	11,935	11,455[4]	11,597	9,464
Non-controlling interests	449	325	358	361
Total equity	12,385	11,780[4]	11,955	9,826
Total equity and liabilities	₩ 116,053	₩ 125,705	₩ 130,935	₩ 128,322

(1) Our annual consolidated statement of comprehensive income for the year ended December 31, 2019 has not been restated to take into account the effect of the changes in accounting policies described in footnote (4) below, and, therefore, consolidated financial information for 2019 presented above and appearing elsewhere in this offering circular may not be comparable to the consolidated financial information for 2020 and 2021.

(2) Our interim condensed consolidated statement of comprehensive income for the three months ended March 31, 2021 has not been restated to take into account the effect of the changes in accounting policies described in footnote (4) below, and, therefore, consolidated financial information for the three months ended March 31, 2021 presented above and appearing elsewhere in this offering circular may not be comparable to consolidated financial information for the three months ended March 31, 2022.

(3) Our annual consolidated financial statement of financial position as of December 31, 2019 has not been restated to take into account the effect of the changes in accounting policies described in footnote (4) below, and, therefore, consolidated financial information as of December 31, 2019 may not be comparable to consolidated financial information as of December 31, 2020 and 2021 and March 31, 2022.

(4) The standards for evaluation under the liability adequacy test were amended as of December 31, 2021 in accordance with regulations on the supervision of the insurance business, and we have restated our liability under insurance contracts as of December 31, 2020 from Won 75,573 billion to Won 76,686 billion under our annual consolidated financial statements for 2021 and 2020 included in this offering circular. See Note 2-4-1(3) of the notes to our annual consolidated financial statements for 2021 and 2020 for an explanation of the nature of such change in accounting policy and related adjustments to our total liabilities, total equity and retained earnings.

Operating Data (Including Separate Accounts)

	As of or for the Year Ended December 31,			As of or for the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(on a standalone basis) (in billions of Won, except as otherwise indicated)				
Total policies in force (in thousands)	8,890	8,771	8,975	8,856	8,946
Number of new policies sold (in thousands)[1]	867	875	954	318	264
Gross premiums [2][3]	₩ 12,435	₩ 14,280	₩ 15,808	₩ 3,380	₩ 3,441
First year premiums [3][4]	2,882	4,403	5,149	1,116	931
First year regular payment premiums	2,581	4,081	4,835	1,019	872
First year single payment premiums	301	322	314	97	59
In-force face amount growth ratio[5]	(2.3)%	(0.6)%	0.3%	(0.4)%	(0.2)%
New policy growth ratio[6]	10.9%	12.3%	12.2%	3.4%	3.0%
Lapse and surrender ratio[7]	8.4%	8.0%	7.2%	2.3%	1.8%
Policy persistency ratio[8]:					
13-month	77.8%	80.8%	82.3%	82.2%	83.5%
25-month	63.9%	60.1%	65.2%	62.4%	66.7%
Operating expense ratio[9]	12.5%	11.8%	10.7%	11.5%	11.5%
Risk-based capital adequacy ratio[10]	338.9%	333.4%	266.6%	291.2%	205.0%
Return on equity[11]	4.8%	3.4%	3.6%	16.6%	10.3%
Return on assets[12]	0.5%	0.3%	0.3%	1.7%	0.9%

(1) Does not include separate accounts.

(2) The amount of premiums recognized in a specified period in respect of policies in force during such period, on a standalone basis.

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

(4) The amount of premiums received during the first year of a policy, which amount is recognized in a specified year or period in respect of policies sold during such year or period, on a standalone basis.

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

(6) The ratio of the aggregate face amount of policies sold during the specified period to the aggregate face amount of policies in force at the beginning of such period, on a standalone basis.

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

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

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

(10) Calculated in accordance with the applicable requirements of the FSS. See “Regulation and Supervision – Risk-Based Supervision of Insurance Companies – Risk-Based Capital Adequacy Requirements.” For information regarding our available capital for purposes of calculating our statutory risk-based capital adequacy ratio as of March 31, 2022, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk-Based Capital Adequacy Requirements.”

(11) The ratio of (i) profit for the specified period (annualized for interim periods) to (ii) the average total equity for such period (current period total equity plus previous period total equity divided by two), on a standalone basis.

(12) The ratio of (i) profit for the specified period (annualized for interim periods) to (ii) the average total assets for such period (current period total assets plus previous period total assets divided by two), on a standalone basis.

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

The following discussion and analysis of our consolidated financial information as of and for the years ended December 31, 2019, 2020 and 2021 and as of March 31, 2022 and for the three months ended March 31, 2021 and 2022 should be read in conjunction with our audited consolidated annual financial statements and related notes included in this offering circular, which have been prepared in accordance with K-IFRS, and our unaudited interim condensed consolidated financial statements and related notes included in this offering circular, which have been prepared in accordance with K-IFRS No. 1034 "Interim Financial Reporting." K-IFRS differs in certain significant respects from generally accepted accounting principles in other countries, including the United States. The discussion contains forward-looking statements and reflects our current view with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under "Risk Factors" and elsewhere in this offering circular.

It is also important to note that, as disclosed elsewhere in this offering circular, our consolidated financial statements as of and for the year ended December 31, 2019, the unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2021 and the unaudited interim condensed separate financial statements as of and for the three months ended March 31, 2021 have not been restated to reflect the changes in accounting policies made in 2021, and, therefore, the discussion and analysis involving financial information as of and for the year ended December 31, 2019 and as of and for the three months ended March 31, 2021 are based on such non-restated financial statements, which may not be comparable to the financial information as of and for the years ended December 31, 2020 and 2021 and as of and for the three months ended March 31, 2022.

Overview

We are one of the leading life insurance companies in Korea, offering a broad range of life insurance and investment products to retail customers as well as group life insurance products and retirement pension plans to institutional customers through our established distribution and marketing channels. As of and for the year ended December 31, 2021, we were ranked as the second and third largest Korean life insurance company in terms of gross premiums (including separate account premiums) and asset size, respectively, on a standalone basis, according to the Korea Life Insurance Association. As of March 31, 2022, we had approximately 8.9 million life insurance policies in force and approximately 4.0 million individual policyholders.

We seek to pursue a profit and quality-oriented growth strategy with an emphasis on selling higher-margin life insurance products and improving cost efficiencies. We are strategically focused on product innovation with the objective of increasing the insurance coverage provided to our customers and attracting new business by introducing creative new products and additional services encompassing life insurance, fund and trust products that cater to the evolving investment and protection needs of the rapidly aging Korean population, as well as changes in the regulatory environment. Based on these principles, we have consistently maintained a leading position in the Korean life insurance market in terms of profitability, business profile and financial strength.

We develop and distribute a comprehensive range of individual and group life insurance products that provide protection against a policyholder's death, disability, illness, accident or other events, as well as annuities and savings insurance products. We also offer variable insurance products and retirement pension plans to address our customers' growing preference for greater investment flexibility. Utilizing our ability to develop innovative products in response to changing customer preferences and the substantial resources we have devoted to analyzing changes in demographic, mortality and investment trends, we offer insurance products and services that cater to individuals' specific needs at various stages of their lives.

In addition to our core life insurance operations, we engage in the securities business through Kyobo Securities Co., Ltd., in which we hold a 73.1% interest, and operate Korea's largest chain of bookstores through Kyobo Book Center Co., Ltd., our wholly-owned subsidiary, as well as other ancillary businesses and investments through additional consolidated subsidiaries. The assets of our life insurance operations on a standalone basis represented 90.4% of our consolidated total assets as

of March 31, 2022, while the profit from our life insurance operations on a standalone basis represented 75.4% and 92.1% of our consolidated profit for 2021 and the three months ended March 31, 2022, respectively.

Major Factors Affecting Our Results of Operations and Financial Condition

As a Korean life insurance company that also engages in the securities business and operates Korea's leading bookstore chain, our ability to generate operating revenues and income and to sustain our financial condition depends on a variety of factors, including our ability to attract and retain customers for our products and services as well as manage our expenses, including the costs of distributing and administering insurance policies and other products and services and providing customer service. For our life insurance business, such factors also include principally:

- our ability to design and distribute insurance products and services and to introduce new products that gain market acceptance on a timely basis;
- our ability to price, and manage risk on, our insurance products at levels that enable us to earn a margin over the costs of providing benefits and the expense of acquiring customers and administering those products;
- our ability to generate sufficient returns on, and to successfully manage the liquidity, market and credit risk in, our investment portfolio, as well as to manage the rate and duration gap between our interest rate-sensitive assets and liabilities;
- our mortality and morbidity experience; and
- our persistency experience, which affects our ability to recover the cost of acquiring new business over the duration of the relevant insurance contracts.

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

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

Conditions in the Korean Economy

Our business and performance are affected by general economic and market conditions in Korea and elsewhere, and these conditions may change suddenly and dramatically. A favorable business environment is generally characterized by, among other factors, high GDP growth, stable geopolitical conditions, transparent and efficient capital markets, low inflation, high business and investor confidence and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by difficulties in the financial sector, corporate, political or other scandals that reduce interest or confidence in capital markets, declines in business confidence, increases in inflation, natural disasters or pandemics, outbreaks of hostilities or other geopolitical instability, or a combination of these or other factors. In light of the high level of interdependence of the global economy, any major developments in the global economy could affect the Korean economy and financial markets, and in turn our business. In particular, our exposure to retail customers means that we are significantly affected by changes in economic conditions that impact individuals in Korea. Fluctuations in unemployment levels, interest rates, real estate, stock prices or consumer sentiment or other aspects of the Korean economy and financial markets that affect retail customers could result in increases or decreases in demand for life insurance and investment products and market participation levels by individuals, which in turn may affect our business and performance. See "Risk Factors — Risks Relating to Our Business — Adverse conditions and volatility in the Korean economy and financial markets may negatively affect our business and performance."

Furthermore, our ability to make a profit on life insurance products depends in part on the returns on the general account investments supporting our obligations under these products, and the value of specific investments may fluctuate substantially depending on conditions in the global economy generally and particularly in the Korean and U.S. fixed income, real estate and equity markets. In addition, in our securities business, changes in stock prices or interest rates affect the value of our customers' portfolios and their investing activities, which in turn may affect the amount of brokerage commissions we earn from executing buy and sell orders as well as fees we earn for managing assets. Changes in financial or economic conditions may also lead to increases or decreases in the number and size of transactions in which we provide underwriting, merger and acquisition advisory and other services. Any fees that we earn for our investment banking services would be directly impacted by the number and size of the transactions we participate in, and would therefore be affected by market upturns or downturns.

The life insurance industry and the securities industry in Korea are expected to continue growing in the medium to long term as a result of certain key industry fundamentals such as shifting customer demographics, development of distribution channels and increased focus on products with higher yields. However, as a result of volatile conditions and weakness in the Korean and global economies, as well as factors such as the ongoing COVID-19 pandemic, the invasion of Ukraine by Russia and ensuing sanctions against Russia, the uncertainty surrounding the global financial markets, fluctuations in oil and commodity prices, interest and exchange rate fluctuations, higher unemployment and lower consumer confidence, the economic outlook in the remainder of 2022 and for the foreseeable future remains uncertain.

Interest Rates

Our results of operations depend, in part, on our level of net interest income and our effective management of the impact of changing interest rates and varying asset and liability maturities. In particular, changes in market interest rates may affect the level of recognition of gains and losses on investment assets held in our life insurance business' general account investment portfolio, which consist mainly of debt securities. A sustained period of lower interest rates would generally reduce the investment yield of our securities portfolio over time as higher yielding investments mature or are redeemed and proceeds are reinvested in new investments with lower yields. However, declining interest rates would also increase realized and unrealized gains on our existing securities portfolio. Conversely, rising interest rates should over time increase our investment income, but may reduce the market value of our existing securities portfolio. See Note 54-4 of the notes to our annual consolidated financial statements for 2021 and 2020 for an analysis of the interest rate sensitivity of our assets.

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

Interest rates in Korea have been subject to significant fluctuations in recent years. The Bank of Korea increased its policy rate to 1.50% in November 2017 and to 1.75% in November 2018 in light of improved growth prospects in Korea and rising interest rate levels globally. However, it lowered the policy rate to 1.50% in July 2019 and further to 1.25% in October 2019 in order to address the slowdown of the global and domestic economy. In March 2020, The Bank of Korea further lowered the policy rate to 0.75%, which was further lowered to 0.50% in May 2020 to address the concerns associated with the ongoing global COVID-19 pandemic. In August 2021, The Bank of Korea raised the policy rate to 0.75%, which was further raised to 1.00% in November 2021, 1.25% in January 2022, 1.50% in April 2022 and 1.75% in May 2022 in response to rising levels of household debt and inflationary pressures.

Regulatory Environment in the Korean Life Insurance Industry

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

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

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

Mix of Distribution Channels

Our life insurance product offerings, persistency ratios and cost structures vary by distribution channel, and the rebalancing of our distribution channels affects our operating revenues and profitability. Historically, we have relied on our financial planner channel as our primary marketing and distribution channel. However, we have also entered into bancassurance arrangements with Korea’s leading banks. We mainly sell savings insurance products and annuities through our bancassurance channel. We have also entered into marketing arrangements with leading general agencies in Korea, to take advantage of their broad customer base. We mainly sell annuities and savings insurance products through our agency channel, and we plan to expand our distribution of protection-type insurance products through such channel in the future. See “Business — Marketing and Distribution Channels.” We believe that, in general, our bancassurance and agency channels enable us to more efficiently utilize our overhead expenses, as well as allow us to respond more effectively to changes in demand trends relating to different distribution channels of the Korean life insurance industry, which in turn would allow our overall profitability to increase if we are able to continue to increase the volume of our sales through such channels.

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

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount[1]	%	Amount[1]	%
	(in billions of Won, except percentages)									
Financial planners[2]	₩ 814	28.2%	₩ 835	19.0%	₩ 878	17.1%	₩ 238	21.3%	₩ 195	20.9%
Bancassurance	677	23.5	2,069	47.0	2,540	49.3	692	62.0	568	61.0
Agencies	159	5.5	142	3.2	156	3.0	42	3.8	36	3.9
Corporate sales[3]	1,169	40.6	1,301	29.5	1,520	29.5	128	11.5	122	13.1
Direct marketing[4]	63	2.2	56	1.3	56	1.1	16	1.4	11	1.2
Total	₩ 2,882	100.0%	₩4,403	100.0%	₩5,149	100.0%	₩1,116	100.0%	₩ 931	100.0%

(1) For the first quarters of 2021 and 2022, first year premiums comprise the amount of premiums recognized in the specified interim period in respect of policies sold during that period.
(2) Excludes first year premiums attributable to group financial planners who primarily market group life insurance products to institutional customers and financial planners who support our direct marketing channel.
(3) Includes first year premiums attributable to group financial planners.
(4) Includes first year premiums attributable to financial planners who support our direct marketing channel.

The following table sets forth the amounts and percentages of our annualized premium equivalent ("APE") (including APE for our separate accounts) attributable to each distribution channel, on a standalone basis, for the periods indicated. APE for the periods indicated represents our annualized premiums for regular payment premium products sold during the applicable period plus 10% of our premiums for single payment premium products sold during such period.

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount[1]	%	Amount[1]	%
	(in billions of Won, except percentages)									
Financial planners[2]	₩ 774	56.0%	₩ 806	41.6%	₩ 763	40.3%	₩ 199	37.8%	₩ 180	40.1%
Bancassurance	388	28.1	904	46.7	901	47.6	266	50.5	208	46.3
Agencies	125	9.1	134	6.9	133	7.0	36	6.8	37	8.2
Corporate sales[3]	50	3.6	49	2.5	55	2.9	16	3.0	15	3.3
Direct marketing[4]	45	3.3	44	2.3	41	2.2	10	1.9	9	2.0
Total	₩ 1,381	100.0%	₩ 1,937	100.0%	₩1,893	100.0%	₩ 527	100.0%	₩ 449	100.0%

(1) For the first quarters of 2021 and 2022, first year premiums comprise the amount of premiums recognized in the specified interim period in respect of policies sold during that period.
(2) Excludes first year premiums attributable to group financial planners who primarily market group life insurance products to institutional customers and financial planners who support our direct marketing channel.
(3) Includes first year premiums attributable to group financial planners.
(4) Includes first year premiums attributable to financial planners who support our direct marketing channel.

Mix of Products

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

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Gross Premiums		Gross Premiums		Gross Premiums		Gross Premiums		Gross Premiums	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)									
General account [1]										
Individual insurance:										
Protection-type products:										
Whole life insurance	₩ 3,406	27.4%	₩ 3,527	24.7%	₩ 3,639	23.0%	₩ 911	27.0%	₩ 915	26.6%
Other protection-type products [2]	1,037	8.3	1,025	7.2	1,048	6.6	256	7.6	272	7.9
Annuities[3]	1,940	15.6	1,902	13.3	1,903	12.0	469	13.9	448	13.0
Savings insurance	926	7.4	2,248	15.7	2,827	17.9	755	22.3	672	19.5
Group insurance:										
Pure protection	121	1.0	129	0.9	139	0.9	36	1.1	37	1.1
Savings insurance	7	0.1	6	0.0	5	0.0	1	0.0	1	0.0
Subtotal	7,437	59.8	8,837	61.9	9,561	60.5	2,428	71.8	2,345	68.1
Separate accounts [4]										
Individual insurance:										
Variable protection-type products [5]	996	8.0	927	6.5	882	5.6	229	6.8	210	6.1
Variable annuities	1,355	10.9	1,154	8.1	969	6.1	265	7.8	210	6.1
Variable savings insurance [6]	118	0.9	115	0.8	102	0.6	30	0.9	28	0.8
Retirement pensions	2,530	20.3	3,247	22.7	4,295	27.2	428	12.7	648	18.8
Subtotal	4,999	40.2	5,443	38.1	6,248	39.5	952	28.2	1,096	31.9
Total	₩12,435	100.0%	₩14,280	100.0%	₩15,808	100.0%	₩3,380	100.0%	₩3,441	100.0%

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	First Year Premiums		First Year Premiums		First Year Premiums		First Year Premiums[7]		First Year Premiums[7]	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(In billions of Won, except percentages)									
General account [1]										
Individual insurance:										
Protection-type products:										
Whole life insurance	₩ 392	13.6%	₩ 530	12.0%	₩ 532	10.3%	₩ 150	13.4%	₩114	12.2%
Other protection-type products [2]	248	8.6	214	4.9	205	4.0	47	4.2	56	6.0
Annuities[3]	420	14.6	493	11.2	612	11.9	138	12.4	141	15.1
Savings insurance	451	15.6	1,763	40.0	2,143	41.6	614	55.0	471	50.6
Group insurance:										
Pure protection	50	1.7	52	1.2	55	1.1	15	1.3	15	1.6
Savings insurance	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Subtotal	1,561	54.2	3,052	69.3	3,547	68.9	964	86.4	797	85.6
Separate accounts [4]										
Individual insurance:										
Variable protection-type products [5]	51	1.8	21	0.5	26	0.5	10	0.9	4	0.4
Variable annuities	137	4.8	73	1.7	106	2.1	30	2.7	21	2.3
Variable savings insurance [6]	14	0.5	3	0.1	7	0.1	1	0.1	3	0.3
Retirement pensions	1,118	38.8	1,253	28.5	1,463	28.4	111	9.9	106	11.4
Subtotal	1,320	45.8	1,350	30.7	1,602	31.1	152	13.6	134	14.4
Total	₩2,882	100.0%	₩4,403	100.0%	₩5,149	100.0%	₩1,116	100.0%	₩931	100.0%

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	APE		APE		APE		APE[8]		APE[8]	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(In billions of Won, except percentages)									
General account [1]										
Individual insurance:										
Protection-type products:										
Whole life insurance	₩ 324	23.5%	₩ 381	19.7%	₩ 259	13.7%	₩ 60	11.4%	₩ 65	14.5%
Other protection-type products [2]	396	28.7	431	22.3	458	24.2	119	22.6	113	25.2
Annuities[3]	233	16.9	245	12.6	263	13.9	63	12.0	61	13.6
Savings insurance	240	17.4	761	39.3	748	39.5	235	44.6	176	39.2
Group insurance:										
Pure protection	49	3.5	51	2.6	56	3.0	16	3.0	16	3.6
Savings insurance	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Subtotal	1,244	90.1	1,869	96.5	1,784	94.2	493	93.5	431	96.0
Separate accounts [4]										
Individual insurance:										
Variable protection-type products [5]	26	1.9	11	0.6	15	0.8	5	0.9	3	0.7
Variable annuities	105	7.6	53	2.7	85	4.5	27	5.1	14	3.1
Variable savings insurance [6]	6	0.4	3	0.2	10	0.5	3	0.6	1	0.2
Subtotal	137	9.9	68	3.5	109	5.8	34	6.5	18	4.0
Total	₩1,381	100.0%	₩1,937	100.0%	₩1,893	100.0%	₩527	100.0%	₩449	100.0%

(1) Includes the portion of premiums received on variable insurance policies that relates to acquisition and operating costs, which is recognized as premium income in our statements of comprehensive income.

(2) Includes term life insurance, health insurance and children's insurance products.

(3) Includes education insurance products.

(4) Reflects the portion of premiums received on variable insurance policies that relates to benefits based on the performance of the underlying investment assets, which is not included in our statements of comprehensive income.

(5) Includes variable whole life insurance and variable universal whole life insurance.

(6) Includes variable life insurance and variable universal life insurance.

(7) For the first quarters of 2021 and 2022, first year premiums comprise the amount of premiums recognized in the specified interim period in respect of policies sold during that period.

(8) For the first quarters of 2021 and 2022, APE is calculated based on the amount of premiums recognized in the specified interim period in respect of policies sold during that period.

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

In our statements of comprehensive income, interest income, investment income and other income on our retirement pension products that provide fixed-level benefits are recorded as "separate account income," while a corresponding amount of increase in investment contract liabilities, separate account management fees and other expenses on such retirement pension products that provide fixed-level benefits are recorded as "separate account expenses." On the other hand, income and expenses on separate account products, such as variable insurance policies, that provide benefits based on the performance of the underlying investment assets are disclosed in the notes to our financial statements but are generally not recorded in our statements of comprehensive income. See Note 31 of the notes to our unaudited interim condensed consolidated financial statements and Notes 2.3.21 and 31 of the notes to our annual consolidated financial statements for 2021 and 2020. However, the portion of premiums received on variable insurance policies that relates to acquisition and operating costs is recognized as premium income, and such costs are recognized as general account expenses, in our statements of comprehensive income. Furthermore, with respect to variable insurance policies that also provide guaranteed minimum protection, annuity or savings benefits (such as variable whole life insurance policies, variable annuities and variable savings insurance policies), we establish policy reserves in our general account with respect to such guaranteed minimum benefits and record the investment and other assets supporting such benefit obligations as general account assets in our statements of financial position. We also recognize the portion of the premiums received on

variable insurance policies that relates to such guaranteed minimum benefits as "separate account commission earned," and the provisions for policy reserves and insurance claims paid with respect to such guaranteed minimum benefits as general account expenses, in our statements of comprehensive income. In addition, we earn periodic management fees on our management and administration of separate account investment assets, which we record as "separate account commission earned" in our statements of comprehensive income.

Major Components of Our Statements of Comprehensive Income

Operating Revenues

We derive our operating revenues from:

- premium income on life insurance products sold to retail and institutional customers (including the portion of premiums received on variable insurance policies that relates to acquisition and operating costs);
- interest income from our holdings of debt securities and bank deposits, as well as from loans we provided;
- gain on valuation and disposal of financial instruments held by us that relate to our securities business as well as our life insurance business;
- separate account commission earned, which primarily comprises periodic management fees we earn on our management and administration of separate account assets, surrender charges that relate to unamortized deferred acquisition costs of variable insurance policies (which we earn on policies that are surrendered or terminated), as well as the portion of premiums received on variable insurance policies that relates to guaranteed minimum protection, annuity or savings benefits provided under such policies;
- other operating income, which primarily comprises merchandise sales of our bookstore business and, to a lesser extent, miscellaneous sales of our consolidated subsidiaries other than Kyobo Securities and Kyobo Book Center;
- gain on foreign currency transaction, consisting of gains on foreign currency translations and transactions related to our business operations;
- dividend income, primarily from our holdings of beneficiary certificates, overseas securities, equity securities and equity investments;
- fees and commission income, which mainly comprises commissions received for various services offered by Kyobo Securities, including brokerage service commissions, commissions from sales of investment products, underwriting commissions and advisory fees relating to investment banking activities and financial advisory fees, as well as credit placement fees of our life insurance business;
- separate account income (which corresponds to, and offsets, separate account expenses), consisting of interest income, investment income and other income on our retirement pension products that provide fixed-level benefits;
- rental income from properties owned and leased by us; and
- reinsurance income, consisting of claims and commissions received under our ceding arrangements with various reinsurance companies to spread our insurance risk.

Operating Expenses

Our operating expenses consist of:

- insurance claims paid to policyholders, in the form of:
    - insurance benefits, comprising predetermined claims and benefits paid either periodically under annuities, upon the occurrence of covered events under policies that result in the expiration of such policies, such as the death of the insured person under whole life insurance policies or upon the occurrence of covered events such as the diagnosis of covered critical illnesses under health insurance policies;
    - cash surrender amounts paid upon surrender or withdrawal of policies; and
    - dividends on certain participating insurance contracts;
- provision for liabilities under insurance contracts (see "— Critical Accounting Policies — Policy Reserves");
- loss on valuation and disposal of financial instruments, which includes losses on disposal of derivatives, available-for-sale financial assets and trading assets as well as impairment losses on financial assets held by us that relate to our securities business as well as our life insurance business;
- other operating expenses, which relate primarily to expenses of non-life insurance businesses, including cost of sales of merchandise sold by Kyobo Book Center, general and administrative expenses and cost of sales related to services;
- insurance operating expenses, which include policy acquisition costs (other than those that are deferred), as well as various policy maintenance expenses, including wages and salaries, bonuses and benefits for our employees (other than asset management personnel), taxes and dues, office rent expenses, employee benefits expenses and miscellaneous other insurance operating expenses;
- amortization of deferred acquisition costs, which include commissions paid to financial planners and other agents and various other costs to issue and underwrite policies (including promotion expenses and printing and advertising expenses) (see "— Critical Accounting Policies — Deferred Acquisition Costs");
- interest expenses primarily with respect to derivatives and, to a lesser extent, borrowings related to our securities business;
- loss on foreign currency transaction, consisting of losses on foreign currency transactions and translations related to our business operations;
- separate account expenses (which correspond to, and offset, separate account income), consisting of increase in investment contract liabilities, separate account management fees and other expenses on our retirement pension products that provide fixed-level benefits (see "— Major Factors Affecting Our Results of Operations and Financial Condition — Mix of Products");
- investment administrative expenses, which consist primarily of wages and salaries, bonuses and benefits for our asset management personnel, commissions paid in connection with our general account asset management, outsourcing fees related to our investment activities, and related taxes and dues;
- reinsurance premium expenses paid to various reinsurance companies in connection with our ceding arrangements to diversify our insurance risk; and
- separate account commission paid.

Operating Income

Our operating income is our operating revenues less our operating expenses.

Non-Operating Income and Expenses

Our non-operating income consists primarily of gain on valuation of investments in joint ventures and associates, gain on disposal of investment properties and other miscellaneous non-operating income.

Our non-operating expenses consist primarily of donations, impairment of property and equipment and investment properties, loss on disposal of property and equipment and other miscellaneous non-operating expenses.

Income Tax Expenses

Our income tax expense consists of current income tax and deferred income tax reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, other than the portions reflected directly in equity. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the related temporary differences are expected to reverse. See Note 48 of the notes to our annual consolidated financial statements for 2021 and 2020.

Critical Accounting Policies

The preparation of our financial statements requires us to make difficult, complex and subjective judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observation of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. While we believe our estimates and judgments to be reasonable under the circumstances, there can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. In addition, other companies may utilize different accounting policies, which may impact the comparability of our results of operations to those of companies in similar businesses. For a discussion of our significant accounting judgments, estimates and assumptions, see Note 3 of the notes to our annual consolidated financial statements for 2021 and 2020.

Results of Operations – First Quarter of 2021 compared to First Quarter of 2022

The following table presents selected statement of comprehensive income data and changes therein for the first quarter of 2021 and the first quarter of 2022.

	For the three months ended March 31,		Changes 1Q 2021 versus 1Q 2022	
	2021	2022	Amount	%
	(In billions of Won or percentages)			
Operating revenues	₩ 5,782	₩ 6,428	₩ 646	11.2%
Operating expenses	5,103	6,043	940	18.4
Operating profit	679	385	(294)	(43.3)
Non-operating income	11	14	3	25.2
Non-operating expenses	3	24	21	632.3
Profit before income tax expenses	687	375	(312)	(45.4)
Income tax expenses	187	95	(92)	(49.2)
Profit for the period	₩ 500	₩ 280	₩ (220)	(44.0)%

Operating Revenues

The following table presents a breakdown of our operating revenues and changes therein for the first quarter of 2021 and the first quarter of 2022.

	For the three months ended March 31,		Changes 1Q 2021 versus 1Q 2022	
	2021	2022	Amount	%
	(In billions of Won or percentages)			
Premium income	₩ 2,499	₩ 2,399	₩ (101)	(4.0)%
Individual insurance:				
Protection-type products	1,172	1,193	21	1.8
Annuities	482	461	(21)	(4.3)
Savings insurance	809	707	(102)	(12.6)
Group insurance:				
Pure protection	36	37	1	3.2
Savings insurance	1	1	(0)	(5.0)
Reinsurance income	34	38	4	11.7
Interest income	675	716	41	6.0
Gain on valuation and disposal of financial instruments	1,100	2,052	952	86.5
Gain on foreign currency transaction	651	400	(251)	(38.6)
Fees and commission income	141	112	(29)	(20.7)
Dividend income	143	162	19	13.0
Rental income	22	21	(1)	(3.7)
Separate account commission earned	205	191	(14)	(6.9)
Separate account income	59	78	19	32.5
Other operating income	253	261	7	2.9
Total operating revenues	₩ 5,782	₩ 6,428	₩ 646	11.2%

Our operating revenues increased by 11.2%, or Won 646 billion, from Won 5,782 billion in the first quarter of 2021 to Won 6,428 billion in the first quarter of 2022, primarily due to increases in our gain on valuation and disposal of financial instruments and interest income, the impact of which was offset in part by decreases in gain on foreign currency transaction, premium income and fees and commission income.

Gain on valuation and disposal of financial instruments. Our gain on valuation and disposal of financial instruments, which consists primarily of (i) gain on transaction of derivatives, (ii) gain on valuation of derivatives, (iii) gain on disposal of available for sale financial assets primarily related to our life insurance business and (iv) gain on valuation of financial liabilities designated at fair value through profit or loss related to our securities business, increased by 86.5%, or Won 952 billion, from Won 1,100 billion in the first quarter of 2021 to Won 2,052 billion in the first quarter of 2022. Such increase was mainly due to increases in (i) our gain on transaction of derivatives by 380.7%, or Won 679 billion, from Won 178 billion in the first quarter of 2021 to Won 857 billion in the first quarter of 2022 and (ii) our gain on valuation of derivatives by 140.7%, or Won 380 billion, from Won 270 billion in the first quarter of 2021 to Won 650 billion in the first quarter of 2022, the impact of which was partially offset by a decrease in our gain on disposal of available for sale financial assets by 48.2%, or Won 260 billion, from Won 538 billion in the first quarter of 2021 to Won 279 billion in the first quarter of 2022.

Interest income. Our interest income increased by 6.0%, or Won 41 billion, from Won 675 billion in the first quarter of 2021 to Won 716 billion in the first quarter of 2022, primarily as a result of increases in interest income from held-to-maturity financial assets, loan receivables and derivatives, the impact of which was partially offset by a decrease in interest income from held-to-maturity financial assets.

Gain on foreign currency transaction. Our gain on foreign currency transaction (which includes gain on foreign currency translation) decreased by 38.6%, or Won 251 billion, from Won 651 billion in the first quarter of 2021 to Won 400 billion in the first quarter of 2022, as the value of the Won against the U.S. dollar depreciated in the first quarter of 2021 and the first quarter of 2022. In terms of the market average exchange rates announced by Seoul Money Brokerage Services, Ltd., the market average exchange rate, which was Won 1,088.0 to US$1.00 as of December 31, 2020, depreciated during the first quarter of 2021 to an average of Won 1,114.1 to US$1.00 in the first quarter of 2021. In addition, the market average exchange rate, which was Won 1,185.5 to US$1.00 as

of December 31, 2021, depreciated during the first quarter of 2022 to an average of Won 1,205.0 to US$1.00 in the first quarter of 2022. The Won depreciated against the U.S. dollar from Won 1,088.0 to US$1.00 as of December 31, 2020 to Won 1,133.5 to US$1.00 as of March 31, 2021, and further depreciated against the U.S. dollar from Won 1,185.5 to US$1.00 as of December 31, 2021 to Won 1,210.8 as of March 31, 2022.

On a net basis, after adjusting for loss on foreign currency transaction (which includes loss on foreign currency translation), our net gain on foreign currency transaction (which includes net gain on foreign currency translation) decreased by 39.9%, or Won 217 billion, from Won 543 billion in the first quarter of 2021 to Won 326 billion in the first quarter of 2022. Against such net fluctuations, our net loss on valuation of derivatives decreased by 27.7%, or Won 142 billion, from Won 512 billion in the first quarter of 2021 to Won 370 billion in the first quarter of 2022, and our net loss on transaction of derivatives decreased by 79.0%, or Won 131 billion, from Won 166 billion in the first quarter of 2021 to Won 35 billion in the first quarter of 2022.

Premium income. Our premium income decreased by 4.0%, or Won 101 billion, from Won 2,499 billion in the first quarter of 2021 to Won 2,399 billion in the first quarter of 2022, primarily due to decreases in premiums from our savings insurance products and, to a lesser extent, annuities, the impact of which was partially offset by an increase in premium from our protection-type products. Premium income from savings insurance products, which are often sold through our bancassurance channel and offer lower margins, decreased by 12.6%, or Won 102 billion, from Won 809 billion in the first quarter of 2021 to Won 707 billion in the first quarter of 2022. Such decrease was attributable primarily to a decrease in sales of savings insurance products through our bancassurance partner banks, reflecting a decrease in competitiveness of such savings insurance products compared to commercial banks' interest-earning financial products in periods of increasing interest rates. Premium income from our annuities decreased by 4.3%, or Won 21 billion, from Won 482 billion in the first quarter of 2021 to Won 461 billion in the first quarter of 2022. Premium income from our protection-type products increased by 1.8%, or Won 21 billion, from Won 1,172 billion in the first quarter of 2021 to Won 1,193 billion in the first quarter of 2022, which was attributable mainly to the marketing focus of our financial planner channel on sales of higher-margin protection-type insurance products, particularly whole-life insurance products.

Fees and commission income. Our fees and commission income, which consists primarily of fees and commission income from our securities business, decreased by 20.7%, or Won 29 billion, from Won 141 billion in the first quarter of 2021 to Won 112 billion in the first quarter of 2022, mainly due to decreases in brokerage commissions.

Operating Expenses

The following table presents a breakdown of our operating expenses and changes therein for the first quarter of 2021 and the first quarter of 2022.

	For the three months ended March 31,		Changes 1Q 2021 versus 1Q 2022	
	2021	2022	Amount	%
	(In billions of Won or percentages)			
Provision for liabilities under insurance contracts	₩ 636	₩ 443	₩ (193)	(30.3)%
Insurance claims paid	1,985	2,160	174	8.8
Reinsurance premium expenses	36	40	4	11.8
Operating and administrative expenses	257	242	(15)	(5.8)
Amortization of deferred acquisition costs	139	130	(10)	(7.1)
Asset management expenses	25	22	(3)	(12.8)
Interest expenses	78	85	7	8.5
Loss on valuation and disposal of financial instruments	1,353	2,360	1,007	74.4
Loss on foreign currency transaction	108	73	(34)	(31.8)
Separate account commissions	14	10	(4)	(31.4)
Separate account expenses	59	78	19	32.5
Other operating expenses	412	400	(12)	(2.9)
Total operating expenses	₩ 5,103	₩ 6,043	₩ 940	18.4%

Our operating expenses increased by 18.4%, or Won 940 billion, from Won 5,103 billion in the first quarter of 2021 to Won 6,043 billion in the first quarter of 2022, primarily due to increases in loss

on valuation and disposal of financial instruments and insurance claims paid, the impact of which was partially offset by decreases in provision for liabilities under insurance contracts and loss on foreign currency transaction.

Loss on valuation and disposal of financial instruments. Our loss on valuation and disposal of financial instruments, which consists primarily of (i) loss on transaction of derivatives, (ii) loss on valuation of financial assets held for trading related to our securities business, (iii) loss on valuation of derivatives and (iv) loss on valuation of available for sale financial assets primarily related to our life insurance business, increased by 74.4%, or Won 1,007 billion, from Won 1,353 billion in the first quarter of 2021 to Won 2,360 billion in the first quarter of 2022. Such increase was mainly due to increases in (i) our loss on transaction of derivatives by 158.9%, or Won 548 billion, from Won 345 billion in the first quarter of 2021 to Won 892 billion in the first quarter of 2022, (ii) our loss on valuation of financial assets held for trading by 291.2%, or Won 154 billion, from Won 53 billion in the first quarter of 2021 to Won 207 billion in the first quarter of 2022 and (iii) our loss on valuation of derivatives by 30.5%, or Won 238 billion, from Won 782 billion in the first quarter of 2021 to Won 1,021 billion in the first quarter of 2022.

Insurance claims paid. Our insurance claims paid increased by 8.8%, or Won 174 billion, from Won 1,985 billion in the first quarter of 2021 to Won 2,160 billion in the first quarter of 2022, principally as a result of an increase in payments of refunds related to surrenders and withdrawals of savings insurance policies.

Our payments of refunds related to surrenders and withdrawals of insurance policies increased by 7.3%, or Won 124 billion, from Won 1,703 billion in the first quarter of 2021 to Won 1,828 billion in the first quarter of 2022, mainly reflecting the general growth of our business, particularly from higher sales of savings insurance policies in recent years, the impact of which was mitigated by a decrease in the rate of surrenders and withdrawals. Our lapse and surrender ratio decreased from 2.3% in the first quarter of 2021 to 1.8% in the first quarter of 2022. In terms of product category, such increase in payments of refunds was attributable primarily to a 70.4%, or Won 236 billion, increase in payments of refunds on savings insurance policies from Won 335 billion in the first quarter of 2021 to Won 571 billion in the first quarter of 2022, the impact of which was partially offset by a decrease in payments of refunds on protection-type insurance policies by 11.5%, or Won 81 billion, from Won 706 billion in the first quarter of 2021 to Won 625 billion in the first quarter of 2022 and, to a lesser extent, a decrease in payments of refunds on annuities by 4.4%, or Won 28 billion, from Won 640 billion in the first quarter of 2021 to Won 612 billion in the first quarter of 2022.

Our benefit payments increased by 18.4%, or Won 51 billion, from Won 278 billion in the first quarter of 2021 to Won 329 billion in the first quarter of 2022, mainly reflecting an increase in benefit payments on savings insurance policies, which was offset in part by decreases in benefit payments on annuities and protection-type insurance policies.

Provision for liabilities under insurance contracts. Our provision for liabilities under insurance contracts decreased by 30.3%, or Won 193 billion, from Won 636 billion in the first quarter of 2021 to Won 443 billion in the first quarter of 2022, principally as a result of a decrease in provision for premium reserve reflecting an increase in insurance claims paid as described above. Our provision for premium reserves decreased by 35.3%, or Won 317 billion, from Won 897 billion in the first quarter of 2021 to Won 580 billion in the first quarter of 2022, mainly reflecting a decrease in premium reserves related to savings insurance policies.

Loss on foreign currency transaction. Our loss on foreign currency transaction (including loss on foreign currency translation) decreased by 31.8%, or Won 34 billion, from Won 108 billion in the first quarter of 2021 to Won 73 billion in the first quarter of 2022, as the Won depreciated against the Dollar in the first quarter of 2021 and the first quarter of 2022 as described above.

Operating Profit

Due to the factors described above, our operating profit decreased by 43.3%, or Won 294 billion, from Won 679 billion in the first quarter of 2021 to Won 385 billion in the first quarter of 2022. Our operating margin decreased from 11.7% in the first quarter of 2021 to 6.0% in the first quarter of 2022.

Non-operating Income

Our non-operating income increased by 25.2%, or Won 3 billion, from Won 11 billion in the first quarter of 2021 to Won 14 billion in the first quarter of 2022, primarily due to reclassification of income related to termination of leases as non-operating income in 2022.

Non-operating Expenses

Our non-operating expenses increased by 632.3%, or Won 21 billion, from Won 3 billion in the first quarter of 2021 to Won 24 billion in the first quarter of 2022, primarily due to an increase in donations from Won 0.3 billion in the first quarter of 2021 to Won 20 billion in the first quarter of 2022.

Income Tax Expenses

Our income tax expenses decreased by 49.2%, or Won 92 billion, from Won 187 billion in the first quarter of 2021 to Won 95 billion in the first quarter of 2022, primarily as a result of a 45.4%, or Won 312 billion, decrease in our profit before income tax expenses from Won 687 billion in the first quarter of 2021 to Won 375 billion in the first quarter of 2022. See Note 48 of the notes to our interim consolidated financial statements. Our effective tax rate (the ratio of income tax expenses to profit before income taxes) decreased from 27.2% in the first quarter of 2021 to 25.4% in the first quarter of 2022.

Profit for the Period

Due to the factors described above, our profit for the period decreased by 44.0%, or Won 220 billion, from Won 500 billion in the first quarter of 2021 to Won 280 billion in the first quarter of 2022. Our net margin decreased from 8.6% in the first quarter of 2021 to 4.4% in the first quarter of 2022.

Results of Operations – 2020 compared to 2021

The following table presents selected statement of comprehensive income data and changes therein for 2020 and 2021.

	For the year ended December 31,		Changes 2020 versus 2021	
	2020	2021	Amount	%
	(In billions of Won or percentages)			
Operating revenues	₩18,645	₩19,715	₩1,070	5.7%
Operating expenses	17,961	19,000	1,039	5.8
Operating profit	684	715	31	4.5
Non-operating income	18	35	17	96.9
Non-operating expenses	36	26	(9)	(26.3)
Profit before income tax expenses	666	724	58	8.7
Income tax expenses	189	198	10	5.2
Profit for the year	₩ 478	₩ 526	₩ 48	10.0%

Operating Revenues

The following table presents a breakdown of our operating revenues and changes therein for 2020 and 2021.

	For the year ended December 31,		Changes 2020 versus 2021	
	2020	2021	Amount	%
	(In billions of Won or percentages)			
Premium income	₩ 9,019	₩ 9,951	₩ 932	10.3%
Individual insurance:				
Protection-type products	4,566	4,707	141	3.1
Annuities	1,951	1,957	6	0.3
Savings insurance	2,368	3,144	776	32.8
Group insurance:				
Pure protection	129	138	9	7.3
Savings insurance	6	5	(1)	(15.6)
Reinsurance income	129	145	17	12.9
Interest income	2,739	2,737	(2)	(0.1)
Gain on valuation and disposal of financial instruments	3,361	2,385	(976)	(29.0)
Gain on foreign currency transaction	538	1,409	871	161.8
Fees and commission income	389	520	130	33.5
Dividend income	563	558	(6)	(1.0)
Rental income	83	83	(0)	(0.2)
Separate account commission earned	781	761	(20)	(2.5)
Separate account income	148	217	69	46.9
Other operating income	894	949	55	6.2
Total operating revenues	₩18,645	₩19,715	₩1,070	5.7%

Our operating revenues increased by 5.7%, or Won 1,070 billion, from Won 18,645 billion in 2020 to Won 19,715 billion in 2021, primarily due to increases in our premium income, gain on foreign currency transaction and fees and commission income, the impact of which was offset in part by a decrease in gain on valuation an disposal of financial instruments. Our interest income remained relatively constant from 2020 to 2021.

Premium income. Our premium income increased by 10.3%, or Won 932 billion, from Won 9,019 billion in 2020 to Won 9,951 billion in 2021, primarily due to increases in premiums from our savings insurance products and, to a lesser extent, protection-type products. Premium income from savings insurance products, which are often sold through our bancassurance channel and offer lower margins, increased by 32.8%, or Won 776 billion, from Won 2,368 billion in 2020 to Won 3,144 billion in 2021. Such increase was attributable primarily to a decrease in sales of savings insurance products through our bancassurance partner banks, reflecting a decrease in competitiveness of such savings insurance products compared to commercial banks' interest-earning financial products in periods of increasing interest rates. Premium income from our protection-type products increased by 3.1%, or Won 141 billion, from Won 4,566 billion in 2020 to Won 4,707 billion in 2021, which was attributable mainly to the marketing focus of our financial planner channel on sales of higher-margin protection-type insurance products, particularly whole-life insurance products. Premium income from our annuities remained relatively stable in 2021, increasing by 0.3%, or Won 6 billion, from Won 1,951 billion in 2020 to Won 1,957 billion in 2021.

Gain on foreign currency transaction. Our gain on foreign currency transaction (which includes gain on foreign currency translation) increased by 161.8%, or Won 871 billion, from Won 538 billion in 2020 to Won 1,409 billion in 2021, as (i) the average value of the Won against the U.S. dollar depreciated in 2020 but appreciated in 2021 and (ii) the Won appreciated against the U.S. dollar at year end in 2020 but depreciated by year end 2021. In terms of the market average exchange rates announced by Seoul Money Brokerage Services, Ltd., the market average exchange rate, which was Won 1,157.8 to US$1.00 as of December 31, 2019, depreciated during 2020 to an average of Won 1,180.1 to US$1.00 in 2020 but appreciated during 2021 to an average of Won 1,144.4 to US$1.00 in 2021. In addition, the Won appreciated against the U.S. dollar from Won 1,157.8 to US$1.00 as of December 31, 2019 to Won 1,088.0 to US$1.00 as of December 31, 2020, but depreciated to Won 1,185.5 to US$1.00 as of December 31, 2021.

On a net basis, after adjusting for loss on foreign currency transaction (which includes loss on foreign currency translation), we recognized a net loss on foreign currency transaction (which includes

net loss on foreign currency translation) of Won 725 billion in 2020 compared to a net gain on foreign currency transaction (which includes net gain on foreign currency translation) of Won 1,208 billion in 2021. Against such net fluctuations, we recognized a net gain on valuation of derivatives of Won 741 billion in 2020 compared to a net loss on valuation of derivatives of Won 1,034 billion in 2021, as well as a decrease in net loss on transaction of derivatives of 14.0%, or Won 49 billion, from Won 349 billion in 2020 to Won 300 billion in 2021.

Fees and commission income. Our fees and commission income, which consists primarily of fees and commission income from our securities business, increased by 33.5%, or Won 130 billion, from Won 389 billion in 2020 to Won 520 billion in 2021, mainly due to increases in brokerage commissions and, to a lesser extent, merger and acquisition fees.

Gain on valuation and disposal of financial instruments. Our gain on valuation and disposal of financial instruments, which consists primarily of (i) gain on transaction of derivatives, (ii) gain on disposal of available for sale financial assets that primarily relate to our life insurance business and (iii) gain on valuation of derivatives, decreased by 29.0%, or Won 976 billion, from Won 3,361 billion in 2020 to Won 2,385 billion in 2021. Such decrease was mainly due to a decrease in our gain on valuation of derivatives by 63.7%, or Won 815 billion, from Won 1,279 billion in 2020 to Won 464 billion in 2021.

Interest income. Our interest income remained relatively constant in 2021, decreasing by 0.1%, or Won 2 billion, from Won 2,739 billion in 2020 to Won 2,737 billion in 2021, primarily as a result of decreases in interest income from available-for-sale financial assets and cash and due from banks, the impact of which was partially offset by increases in interest income from held-to-maturity financial assets and loans.

Operating Expenses

The following table presents a breakdown of our operating expenses and changes therein for 2020 and 2021.

	For the year ended December 31,		Changes 2020 versus 2021	
	2020	2021	Amount	%
	(In billions of Won or percentages)			
Provision for liabilities under insurance contracts	₩ 3,507	₩ 3,519	₩ 12	0.3%
Insurance claims paid	6,982	7,895	913	13.1
Reinsurance premium expenses	135	150	15	11.3
Operating and administrative expenses	1,046	1,113	68	6.5
Amortization of deferred acquisition costs	645	539	(106)	(16.4)
Asset management expenses	121	136	15	12.2
Interest expenses	271	275	5	1.7
Loss on valuation and disposal of financial instruments	2,422	3,349	928	38.3
Loss on foreign currency transaction	1,263	201	(1,062)	(84.1)
Separate account commissions	40	29	(11)	(28.1)
Separate account expenses	148	217	69	46.6
Other operating expenses	1,381	1,577	195	14.1
Total operating expenses	₩ 17,961	₩ 19,000	₩ 1,039	5.8%

Our operating expenses increased by 5.8%, or Won 1,039 billion, from Won 17,961 billion in 2020 to Won 19,000 billion in 2021, primarily due to increases in loss on valuation and disposal of financial instruments and insurance claims paid, the impact of which was partially offset by decreases in loss on foreign currency transaction and amortization of deferred acquisition costs. Our provision for liabilities under insurance contracts remained relatively constant from 2020 to 2021.

Loss on valuation and disposal of financial instruments. Our loss on valuation and disposal of financial instruments, which consists primarily of (i) loss on valuation of derivatives, (ii) loss on transaction of derivatives and (iii) loss on disposal of available for sale financial assets primarily related to our life insurance business, increased by 38.3%, or Won 928 billion, from Won 2,422 billion in 2020 to Won 3,349 billion in 2021. Such increase was mainly due to an increase in our loss on valuation of derivatives by 178.6%, or Won 960 billion, from Won 538 billion in 2020 to Won 1,498 billion in 2021.

Insurance claims paid. Our insurance claims paid increased by 13.1%, or Won 913 billion, from Won 6,982 billion in 2020 to Won 7,895 billion in 2021, principally as a result of an increase in payments of refunds related to surrenders and withdrawals of savings insurance policies.

Our payments of refunds related to surrenders and withdrawals of insurance policies increased by 14.2%, or Won 843 billion, from Won 5,940 billion in 2020 to Won 6,783 billion in 2021, mainly reflecting the general growth of our business, particularly from higher sales of savings insurance policies in recent years, the impact of which was mitigated by a decrease in the rate of surrenders and withdrawals. Our lapse and surrender ratio decreased from 8.0% in 2020 to 7.2% in 2021. In terms of product category, such increase in payments of refunds was attributable primarily to a 106.5%, or Won 859 billion, increase in payments of refunds on savings insurance policies from Won 806 billion in 2020 to Won 1,665 billion in 2021 and, to a lesser extent, a 1.2%, or Won 29 billion, increase in payments of refunds on annuities from Won 2,325 billion in 2020 to Won 2,354 billion in 2021, the impact of which was partially offset by a decrease in payments of refunds on protection-type insurance policies by 1.5%, or Won 42 billion, from Won 2,726 billion in 2020 to Won 2,685 billion in 2021.

Our benefit payments increased by 7.1%, or Won 73 billion, from Won 1,023 billion in 2020 to Won 1,096 billion in 2021, mainly reflecting an increase in benefit payments on savings insurance policies, which was offset in part by a decrease in benefit payments on protection-type insurance policies.

Loss on foreign currency transaction. Our loss on foreign currency transaction (including loss on foreign currency translation) decreased by 84.1%, or Won 1,062 billion, from Won 1,263 billion in 2020 to Won 201 billion in 2021, as the Won fluctuated against the U.S. dollar in 2020 and 2021 as described above.

Amortization of deferred acquisition costs. Our amortization of deferred acquisition costs decreased by 16.4%, or Won 106 billion, from Won 645 billion in 2020 to Won 539 billion in 2021, primarily due to a decrease in deferred acquisition costs in recent years.

Provision for liabilities under insurance contracts. Our provision for liabilities under insurance contracts remained relatively constant in 2021, increasing by 0.3%, or Won 12 billion, from Won 3,507 billion in 2020 to Won 3,519 billion in 2021.

Operating Profit

Due to the factors described above, our operating profit increased by 4.5%, or Won 31 billion, from Won 684 billion in 2020 to Won 715 billion in 2021. Our operating margin decreased from 3.7% in 2020 to 3.6% in 2021.

Non-operating Income

Our non-operating income increased by 96.9%, or Won 17 billion, from Won 18 billion in 2020 to Won 35 billion in 2021, primarily due to gain of Won 11 billion from restoration construction.

Non-operating Expenses

Our non-operating expenses decreased by 26.3%, or Won 9 billion, from Won 36 billion in 2020 to Won 26 billion in 2021, primarily due to a decrease in impairment loss on intangible assets. We recognized impairment loss on intangible assets of Won 12 billion in 2020 related mainly to impairment loss on goodwill of Kyobo Asset Trust Co., Ltd., compared to Won 0.006 billion in 2021.

Income Tax Expenses

Our income tax expenses increased by 5.2%, or Won 10 billion, from Won 189 billion in 2020 to Won 198 billion in 2021, primarily as a result of an 8.7%, or Won 58 billion, increase in our profit before income tax expenses from Won 666 billion in 2020 to Won 724 billion in 2021. See Note 48 of the notes to our annual consolidated financial statements for 2021 and 2020. Our effective tax rate (the ratio of income tax expenses to profit before income taxes) decreased from 28.3% in 2020 to 27.4% in 2021.

Profit for the Year

Due to the factors described above, our profit for the year increased by 10.0%, or Won 48 billion, from Won 478 billion in 2020 to Won 526 billion in 2021. Our net margin increased from 2.6% in 2020 to 2.7% in 2021.

Results of Operations – 2019 compared to 2020

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

	For the year ended December 31,		Changes 2019 versus 2020	
	2019	2020	Amount	%
	(In billions of Won or percentages)			
Operating revenues	₩ 15,496	₩ 18,645	₩ 3,149	20.3%
Operating expenses	14,591	17,961	3,370	23.1
Operating profit	905	684	(221)	(24.4)
Non-operating income	29	18	(11)	(39.0)
Non-operating expenses	26	36	10	37.2
Profit before income tax expenses	909	666	(242)	(26.6)
Income tax expenses	241	189	(52)	(21.8)
Profit for the year	₩ 667	₩ 478	₩ (190)	(28.4)%

Operating Revenues

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

	For the year ended December 31,		Changes 2019 versus 2020	
	2019	2020	Amount	%
	(In billions of Won or percentages)			
Premium income	₩ 7,582	₩ 9,019	₩ 1,438	19.0%
Individual insurance:				
Protection-type products	4,453	4,566	112	2.5
Annuities	1,980	1,951	(29)	(1.5)
Savings insurance	1,021	2,368	1,347	132.0
Group insurance:				
Pure protection	121	129	8	6.8
Savings insurance	7	6	(1)	(16.1)
Reinsurance income	124	129	5	4.0
Interest income	2,792	2,739	(53)	(1.9)
Gain on valuation and disposal of financial instruments	1,649	3,361	1,713	103.9
Gain on foreign currency transaction	714	538	(176)	(24.6)
Fees and commission income	292	389	98	33.4
Dividend income	483	563	80	16.6
Rental income	89	83	(6)	(7.0)
Separate account commission earned	792	781	(11)	(1.4)
Separate account income	127	148	21	16.5
Other operating income	852	894	42	4.9
Total operating revenues	₩ 15,496	₩ 18,645	₩ 3,149	20.3%

Our operating revenues increased by 20.3%, or Won 3,149 billion, from Won 15,496 billion in 2019 to Won 18,645 billion in 2020, primarily due to increases in our gain on valuation and disposal of financial instruments, premium income, fees and commission income and dividend income, the impact of which was offset in part by decreases in gain on foreign currency transaction and interest income.

Gain on valuation and disposal of financial instruments. Our gain on valuation and disposal of financial instruments, which consists primarily of (i) gain on valuation of derivatives, (ii) gain on disposal of available for sale financial assets that primarily relate to our life insurance business and (iii) gain on transaction of derivatives, increased by 103.9%, or Won 1,713 billion, from Won 1,649 billion in 2019 to Won 3,361 billion in 2020. Such increase was mainly due to increases in (i) our

gain on valuation of derivatives by 165.4%, or Won 797 billion, from Won 482 billion in 2019 to Won 1,279 billion in 2020, (ii) our gain on transaction of derivatives by 143.1%, or Won 582 billion, from Won 407 billion in 2019 to Won 989 billion in 2020, and (iii) gain on disposal of available for sale financial assets by 62.7%, or Won 306 billion, from Won 489 billion in 2019 to Won 795 billion in 2020.

Premium income. Our premium income increased by 19.0%, or Won 1,438 billion, from Won 7,582 billion in 2019 to Won 9,019 billion in 2020, primarily due to increases in premiums from our savings insurance products and, to a lesser extent, protection-type products. Premium income from savings insurance products, which are often sold through our bancassurance channel and offer lower margins, increased by 132.0%, or Won 1,347 billion, from Won 1,021 billion in 2019 to Won 2,368 billion in 2020. Such increase was attributable primarily to an increase in sales of savings insurance products through our bancassurance partner banks, reflecting an increase in competitiveness of such savings insurance products compared to commercial banks' interest-earning financial products in periods of low interest rates. Premium income from our protection-type products increased by 2.5%, or Won 112 billion, from Won 4,453 billion in 2019 to Won 4,566 billion in 2020, which was attributable mainly to the marketing focus of our financial planner channel on sales of higher-margin protection-type insurance products, particularly whole-life insurance products. Premium income from our annuities remained relatively stable in 2021, decreasing by 1.5%, or Won 29 billion, from Won 1,980 billion in 2019 to Won 1,951 billion in 2020.

Fees and commission income. Our fees and commission income, which consists primarily of fees and commission income from our securities business, increased by 33.4%, or Won 98 billion, from Won 292 billion in 2019 to Won 389 billion in 2020, mainly due to increases in brokerage commissions and, to a lesser extent, trust fees.

Dividend income. Our dividend income, which consists primarily of dividends from available for sale financial assets held by our life insurance business, increased by 16.6%, or Won 80 billion, from Won 483 billion in 2019 to Won 563 billion in 2020 mainly due to increases in dividends from beneficiary certificates and overseas securities.

Gain on foreign currency transaction. Our gain on foreign currency transaction (which includes gain on foreign currency translation) decreased by 24.6%, or Won 176 billion, from Won 714 billion in 2019 to Won 538 billion in 2020, as (i) the average value of the Won against the U.S. dollar depreciated in 2019 and 2020 and (ii) the Won depreciated against the U.S. dollar at year end in 2019 but appreciated by year end 2020. In terms of the market average exchange rates announced by Seoul Money Brokerage Services, Ltd., the market average exchange rate, which was Won 1,118.1 to US$1.00 as of December 31, 2018, depreciated during 2019 to an average of Won 1,165.7 to US$1.00 in 2019 and further depreciated during 2020 to an average of Won 1,180.1 to US$1.00 in 2020. In addition, the Won depreciated against the U.S. dollar from Won 1,118.1 to US$1.00 as of December 31, 2018 to Won 1,157.8 to US$1.00 as of December 31, 2019, but appreciated to Won 1,088.0 to US$1.00 as of December 31, 2020.

On a net basis, after adjusting for loss on foreign currency transaction (which includes loss on foreign currency translation), we recognized a net gain on foreign currency transaction (which includes net gain on foreign currency translation) of Won 566 billion in 2019 compared to a net loss on foreign currency transaction (which includes net loss on foreign currency translation) of Won 725 billion in 2020. Against such net fluctuations, we recognized a net loss on valuation of derivatives of Won 150 billion in 2019 compared to a net gain on valuation of derivatives of Won 741 billion in 2020, as well as an increase in net loss on transaction of derivatives of 12.3%, or Won 38 billion, from Won 311 billion in 2019 to Won 349 billion in 2020.

Interest income. Our interest income decreased by 1.9%, or Won 53 billion, from Won 2,792 billion in 2019 to Won 2,739 billion in 2020, primarily as a result of decreases in interest income from available-for-sale financial assets, loans and cash and due from banks, the impact of which was partially offset by an increase in interest income from derivatives related to our securities business.

Operating Expenses

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

	For the year ended December 31,		Changes 2019 versus 2020	
	2019	2020	Amount	%
	(In billions of Won or percentages)			
Provision for liabilities under insurance contracts	₩ 2,309	₩ 3,507	₩ 1,199	51.9%
Insurance claims paid	6,708	6,982	274	4.1
Reinsurance premium expenses	123	135	12	9.5
Operating and administrative expenses	978	1,046	68	7.0
Amortization of deferred acquisition costs	667	645	(22)	(3.3)
Asset management expenses	117	121	4	3.4
Interest expenses	315	271	(44)	(13.9)
Loss on valuation and disposal of financial instruments	1,843	2,422	578	31.4
Loss on foreign currency transaction	149	1,263	1,114	749.5
Separate account commissions	21	40	19	91.3
Separate account expenses	127	148	21	16.5
Other operating expenses	1,234	1,381	147	11.9
Total operating expenses	₩ 14,591	₩ 17,961	₩ 3,370	23.1%

Our operating expenses increased by 23.1%, or Won 3,370 billion, from Won 14,591 billion in 2019 to Won 17,961 billion in 2020, primarily due to increases in provision for liabilities under insurance contracts, loss on foreign currency transaction, loss on valuation and disposal of financial instruments and insurance claims paid, the impact of which was partially offset by a decrease in interest expenses.

Provision for liabilities under insurance contracts. Our provision for liabilities under insurance contracts increased by 51.9%, or Won 1,199 billion, from Won 2,309 billion in 2019 to Won 3,507 billion in 2020, principally as a result of an increase in provision for premium reserves. Our provision for premium reserves increased by 62.6%, or Won 1,305 billion, from Won 2,087 billion in 2019 to Won 3,392 billion in 2020, primarily due to a 2,172.2%, or Won 1,370 billion, increase in provision for premium reserves related to savings insurance policies from Won 63 billion in 2019 to Won 1,433 billion in 2020, mainly reflecting an increase in new issuances of savings insurance policies. On the other hand, provision for premium reserves related to annuities decreased by 16.5%, or Won 98 billion, from Won 593 billion in 2019 to Won 495 billion in 2020, which primarily reflected a corresponding decrease in premium income from annuities.

Loss on foreign currency transaction. Our loss on foreign currency transaction (including loss on foreign currency translation) increased by 749.5%, or Won 1,114 billion, from Won 149 billion in 2019 to Won 1,263 billion in 2020, as the Won fluctuated against the U.S. dollar in 2019 and 2020 as described above.

Loss on valuation and disposal of financial instruments. Our loss on valuation and disposal of financial instruments, which consists primarily of (i) loss on transaction of derivatives, (ii) loss on valuation of derivatives and (iii) loss on disposal of available for sale financial assets primarily related to our life insurance business, increased by 31.4%, or Won 578 billion, from Won 1,843 billion in 2019 to Won 2,422 billion in 2020. Such increase was mainly due to an increase in our loss on transaction of derivatives by 86.4%, or Won 620 billion, from Won 718 billion in 2019 to Won 1,338 billion in 2020.

Insurance claims paid. Our insurance claims paid increased by 4.1%, or Won 274 billion, from Won 6,708 billion in 2019 to Won 6,982 billion in 2020, principally as a result of increase in payments of refunds related to surrenders and withdrawals of insurance policies, which was offset in part by a decrease in benefit payments.

Our payments of refunds related to surrenders and withdrawals of insurance policies increased by 7.4%, or Won 409 billion, from Won 5,531 billion in 2019 to Won 5,940 billion in 2020, mainly reflecting the general growth of our business, particularly from higher sales of savings insurance policies in recent years, which impact was mitigated by a decrease in the rate of surrenders and

withdrawals. Our lapse and surrender ratio decreased from 8.4% in 2019 to 8.0% in 2020. In terms of product category, such increase in payments of refunds was attributable primarily to a 27.1%, or Won 172 billion, increase in payments of refunds on savings insurance policies from Won 634 billion in 2019 to Won 806 billion in 2020 and, to a lesser extent, a 7.1%, or Won 154 billion, increase in payments of refunds on annuities from Won 2,171 billion in 2019 to Won 2,325 billion in 2020. Our payments of refunds on protection-type insurance policies increased to a lesser extent by 3.5%, or Won 92 billion, from Won 2,635 billion in 2019 to Won 2,726 billion in 2020.

Our benefit payments decreased by 11.9%, or Won 138 billion, from Won 1,161 billion in 2019 to Won 1,023 billion in 2020, mainly reflecting decreases in benefit payments on savings insurance policies and pure protection group insurance policies, which was offset in part by increases in benefit payments on annuities and, to a lesser extent, protection-type insurance policies.

Interest expenses. Our interest expenses decreased by 13.9%, or Won 44 billion, from Won 315 billion in 2019 to Won 271 billion in 2020 primarily due to general decrease in interest rates applicable to our borrowings from 2019 to 2020, which was partially offset by an increase in the average balance of our borrowings from 2019 to 2020.

Operating Profit

Due to the factors described above, our operating profit decreased by 24.4%, or Won 221 billion, from Won 905 billion in 2019 to Won 684 billion in 2020. Our operating margin decreased from 5.8% in 2019 to 3.7% in 2020.

Non-operating Income

Our non-operating income decreased by 39.0%, or Won 11 billion, from Won 29 billion in 2019 to Won 18 billion in 2020, primarily due to decreases in gain on valuation of investments in associates and joint ventures and gain on disposal of investments in associates and joint ventures. Our gain on valuation of investments in associates and joint ventures decreased by 56.4%, or Won 8 billion, from Won 14 billion in 2019 to Won 6 billion in 2020 primarily due to reclassification of Kyobo Asset Trust Co., Ltd. from an associate to a subsidiary in 2020. Our gain on disposal of investments in associates and joint ventures decreased by 99.4%, or Won 6 billion, from Won 6 billion in 2019 to Won 0.04 billion in 2020.

Non-operating Expenses

Our non-operating expenses increased by 37.2%, or Won 10 billion, from Won 26 billion in 2019 to Won 36 billion in 2020, primarily due to an increase in impairment loss on intangible assets. We recognized impairment loss on intangible assets of Won 0.05 billion in 2019 compared to Won 12 billion in 2020, which related mainly to impairment loss on goodwill of Kyobo Asset Trust Co., Ltd.

Income Tax Expenses

Our income tax expenses decreased by 21.8%, or Won 52 billion, from Won 241 billion in 2019 to Won 189 billion in 2020, primarily as a result of a 26.6%, or Won 242 billion, decrease in our profit before income tax expenses from Won 909 billion in 2019 to Won 666 billion in 2020. See Note 47 of the notes to our annual consolidated financial statements for 2020 and 2019. Our effective tax rate increased from 26.5% in 2019 to 28.3% in 2020.

Profit for the Year

Due to the factors described above, our profit for the year decreased by 28.4%, or Won 190 billion, from Won 667 billion in 2019 to Won 478 billion in 2020. Our net margin decreased from 4.3% in 2019 to 2.6% in 2020.

Liquidity and Capital Resources

Our principal cash outflows relate to the liabilities associated with our various life insurance products, as well as our general account investment activities, other investment activities related to our

securities business, operating expenses and income taxes. Cash outflows arising from our insurance activities primarily relate to claim and benefit payments under these insurance products, including payments of refunds related to surrenders and withdrawals of policies as well as claim and benefit payments periodically under annuities or upon the occurrence of covered events or the expiration of policies. We also use cash for our dividend payments on our common shares.

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

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

Sources of liquidity to meet unexpected cash outflows are available from our cash and due from banks and our portfolio of financial assets. As of March 31, 2022, the amount of our cash and cash-equivalents was Won 2,332 billion. Our portfolio of financial assets may also provide us with a source of liquidity to meet unexpected cash outflows. As of March 31, 2022, we held Won 50,638 billion of available-for-sale financial assets, Won 12,299 billion of held-to-maturity financial assets and Won 453 billion of financial assets designated at fair value through profit or loss. In addition, excluding our accreting deposits, substantially all of our remaining deposits with banks allow us to withdraw funds on deposit, subject in some cases to a penalty charge. As of March 31, 2022, we held Won 1,169 billion of deposits.

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

Cash Flows

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

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(In billions of Won)				
Net cash provided by (used in) operating activities	₩ 861	₩ 2,095	₩ 2,694	₩ (115)	₩ 326
Net cash used in investing activities	(1,021)	(2,928)	(3,201)	(196)	(603)
Net cash provided by financing activities	38	527	1,157	455	28
Effect of exchange rate fluctuations on cash and cash equivalents held	4	(1)	3	2	(2)
Net increase (decrease) in cash and cash equivalents	(5)	(308)	653	145	(250)
Cash and cash equivalents at beginning of the period	1,074	1,068	761	761	1,414
Cash and cash equivalents at end of the period	1,068	761	1,414	906	1,164

Cash Flows from Operating Activities.

We recorded net cash used in operating activities of Won 115 billion in the first quarter of 2021 compared to net cash provided by operating activities of Won 326 billion in the first quarter of 2022. We

recorded cash outflow related to financial assets held for trading (primarily related to our securities business) of Won 552 billion in the first quarter of 2021 compared to cash inflow related to financial assets held for trading (primarily related to our securities business) of Won 273 billion in the first quarter of 2022, as well as cash outflow related to financial liabilities held for trading (primarily related to our securities business) of Won 235 billion in the first quarter of 2021 compared to cash inflow related to financial liabilities held for trading (primarily related to our securities business) of Won 95 billion in the first quarter of 2022.

Our net cash provided by operating activities increased from Won 2,095 billion in 2020 to Won 2,694 billion in 2021, primarily reflecting a decrease in cash outflow related to financial assets held for trading (primarily related to our securities business) from Won 1,354 billion in 2020 to Won 157 billion in 2021, which was offset in part by a decrease in interest received from Won 2,561 billion in 2020 to Won 2,309 billion in 2021.

Our net cash provided by operating activities increased from Won 861 billion in 2019 to Won 2,095 billion in 2020, primarily reflecting an increase in premium income (net of insurance claims paid) collected from policyholders from Won 874 billion in 2019 to Won 2,037 billion in 2020, as discussed above under "– Results of Operations – 2019 compared to 2020," as well as an increase in interest received from Won 2,269 billion in 2019 to Won 2,561 billion in 2020.

Cash Flows from Investing Activities.

Our net cash used in investing activities increased from Won 196 billion in the first quarter of 2021 to Won 603 billion in the first quarter of 2022. The increase was attributable primarily to net cash used in our acquisition of held-to-maturity financial assets in the first quarter of 2022 primarily to support the insurance policies sold by us compared to no such acquisition in the first quarter of 2021, which was offset in part by net cash used in our acquisition of available-for-sale financial assets in the first quarter of 2021 compared to net cash inflow from disposal of available-for-sale financial assets in the first quarter of 2022. Net cash used in our acquisition of held-to-maturity financial assets was Won 2,411 billion in the first quarter of 2022 compared to no such acquisition in the first quarter of 2021. We recorded net cash use of Won 115 billion in our acquisition of available-for-sale financial assets in the first quarter of 2021 compared to net cash inflow of Won 1,812 billion from disposal of available-for-sale financial assets in the first quarter of 2022.

Our net cash used in investing activities increased from Won 2,928 billion in 2020 to Won 3,201 billion in 2021. The increase was attributable primarily to our acquisition of held-to-maturity financial assets primarily to support the insurance policies sold by us, which was offset in part by net cash used in our acquisition of available-for-sale financial assets in 2020 compared to net cash inflow from disposal of available-for-sale financial assets in 2021. Cash used in our acquisition of held-to-maturity financial assets was Won 4,542 billion in 2021 compared to no such acquisition in 2020. We recorded net cash use of Won 2,842 billion in our acquisition of available-for-sale financial assets in 2020 compared to net cash inflow of Won 1,338 billion from disposal of available-for-sale financial assets in 2021.

Our net cash used in investing activities increased from Won 1,021 billion in 2019 to Won 2,928 billion in 2020. The increase was attributable primarily to an increase in net cash used in our acquisition of available-for-sale financial assets primarily to support the insurance policies sold by us. Net cash used in our acquisition of available-for-sale financial assets increased from Won 743 billion in 2019 to Won 2,842 billion in 2020.

Cash Flows from Financing Activities.

Our net cash provided by financing activities decreased from Won 455 billion in the first quarter of 2021 to Won 28 billion in the first quarter of 2022, primarily due to a decrease in net borrowings. Our net borrowings decreased from Won 589 billion in the first quarter of 2021 to Won 168 billion in the first quarter of 2022.

Our net cash provided by financing activities increased from Won 527 billion in 2020 to Won 1,157 billion in 2021, primarily due to issuance of hybrid bonds in 2021 and a decrease in dividend payments. We issued Won 469 billion of hybrid bonds in 2021 compared to no such issuance in 2020, while our dividend payments decreased from Won 188 billion in 2020 (in respect of 2019) to Won 103 billion in 2021 (in respect of 2020).

Our net cash provided by financing activities increased from Won 38 billion in 2019 to Won 527 billion in 2020, primarily due to an increase in net borrowings, which was offset in in part by an increase in dividend payments. Our net borrowings increased from Won 201 billion in 2019 to Won 805 billion in 2020, while our dividend payments increased from Won 68 billion in 2019 (in respect of 2018) to Won 188 billion in 2020 (in respect of 2019).

Risk-Based Capital Adequacy Requirements

Pursuant to the risk-based capital adequacy requirements of the Insurance Business Act, insurance companies in Korea are required to maintain a statutory ratio of available capital to required capital of not less than 100%, and the recommended FSS guideline is 150%. Risk-based capital adequacy requirements require insurance companies to hold adequate capital to cover their exposures to interest rate risk, market risk, credit risk and operational risk as well as insurance risk by reflecting such risks in their calculation of required capital. K-ICS, a new regulatory solvency regime for insurance companies in Korea announced by the FSC and based on the Insurance Capital Standards developed by the International Association of Insurance Supervisors, is currently scheduled to be implemented for annual periods beginning on or after January 1, 2023. See “Regulation and Supervision — Risk-Based Supervision of Insurance Companies — Risk-Based Capital Adequacy Requirements.” Our risk-based capital adequacy ratio as of March 31, 2022 was 205.0%, compared to 266.6% as of December 31, 2021, 333.4% as of December 31, 2020 and 338.9% as of December 31, 2019.

The following table sets forth our available capital and required capital for purposes of calculating our statutory risk-based capital adequacy ratio as of March 31, 2022, as well as a breakdown of our required capital as of such date for each of the six principal areas of risk.

	As of March 31, 2022
	(in billions of Won, except percentages)
Available capital	₩ 8,854
Required capital	4,318
Risk-based capital adequacy ratio	205.0%
Required capital	₩ 4,318
Interest rate risk	1,709
Insurance risk	646
Credit risk	2,426
Market risk	361
Operational risk	117
Non-insurance company financial risk	145

Contractual Commitments and Off-Balance Sheet Arrangements

In the ordinary course of business, we enter into commercial commitments for various aspects of our operations. The following table sets forth the contractual maturities of our insurance contracts and financial liabilities as of December 31, 2021.

	As of December 31, 2021					
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
	(In billions of Won)					
Liabilities under insurance contracts	₩ 1,010	₩ 406	₩ 1,163	₩ 7,050	₩ 68,494	₩ 78,124
Financial liabilities designated at fair value through profit or loss	433	172	484	988	1,488	3,565
Trading liabilities	–	–	117	–	–	117
Derivative liabilities	109	55	81	440	206	890
Borrowings	2,839	–	300	404	–	3,543
Other financial liabilities	3,018	3	27	178	37	3,264
Total	₩ 7,409	₩ 636	₩ 2,173	₩ 9,059	₩ 70,227	₩ 89,503

In addition, as of March 31, 2022, we had Won 181 billion of off-balance sheet commitments to purchase asset-backed commercial paper, Won 266 billion of off-balance sheet stand-by commitments provided to special purpose companies for their development projects, Won 8,052 billion of off-balance

sheet payment guarantees provided to Korea Housing & Urban Guarantee Corporation and others, and Won 7,606 billion of off-balance sheet loan and investment commitments. See Notes 50.4, 50.5, 50.6 and 50.7 of the notes to our unaudited interim condensed consolidated financial statements. As of March 31, 2022, we had no material off-balance sheet arrangements other than as described above and those relating to our separate accounts.

KOREAN LIFE INSURANCE INDUSTRY

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

Overview

The Korean life insurance market, which has grown steadily over the past decade, recorded total annual premium income of Won 118.8 trillion in 2021 according to the Korea Life Insurance Association. From 2010 to 2021, the aggregate total gross life insurance premiums in Korea (which includes premium income from both general and separate accounts) grew from Won 83.0 trillion to Won 118.8 trillion at a compounded annual growth rate ("CAGR") of 3.3% according to the Korea Life Insurance Association, while Korea's overall nominal gross domestic product ("GDP") grew at a CAGR of 4.1% during the same period according to International Financial Statistics.

Despite significant growth of Korea's life insurance industry over the years, its penetration and density levels still remain lower than those of other developed markets in Asia such as Singapore or Taiwan, among others. Insurance penetration, defined as a country's total premium income as a percentage of its GDP, and insurance density, defined as premium income per capita, are two common metrics for gauging the stage of development of a country's insurance industry. Korea's life insurance penetration rate of 6.2% in 2020 was lower than the penetration rates for Taiwan and Singapore of 16.0% and 9.0%, respectively, according to the OECD. Korea's life insurance density level of US$1,957 in 2020 was also lower than Taiwan's and Singapore's density levels of US$4,529 and US$5,277, respectively, according to the OECD.

The life insurance industry in Korea was composed of 23 registered life insurance providers in 2021, of which 15 were classified as domestic and nine were classified as foreign by the FSS. Market share was concentrated among the three largest domestic insurers by total assets, namely, Samsung Life Insurance Co., Ltd., Hanwha Life Insurance Co., Ltd. and us, which collectively accounted for approximately 56.3% of the market in terms of total assets (on a standalone basis) as of December 31, 2021, according to the Korea Life Insurance Association. The remaining 11 small- to medium-sized domestic insurers and nine foreign insurers accounted for 27.9% and 15.7% of the market, respectively, in terms of total assets as of December 31, 2021, according to the Korea Life Insurance Association.

With respect to total gross premiums of general and separate accounts (on a standalone basis), the three largest domestic insurers collectively accounted for approximately 48.1% of the market in 2021, according to the Korea Life Insurance Association. The remaining small- to medium-sized domestic insurers accounted for 31.3% of the market, while foreign insurers accounted for 20.6% of the market for the same period, according to the Korea Life Insurance Association.

Industry Trends

The growth of life insurance industry in Korea has been driven by certain key industry fundamentals, including, among others, shifting customer demographics and increasing health expenditure as well as the growing need for a private health insurance system.

Korea is among the most rapidly aging OECD economies. In 2000, the proportion of the population aged 65 and over was 7%, while in 2020 such proportion grew to 15.7% and is projected to grow to 43.9% by 2060, according to the National Statistics Office. In addition, life expectancy in Korea has increased at a faster rate in past decades than in developed markets such as the United States and Japan. According to the World Bank, life expectancy in Korea has increased from 71 years in 1990 to 83 years in 2020, while it increased from 75 years to 77 years and 79 years to 85 years in the United States and Japan, respectively, in the same period.

We believe the trend of a rapidly aging population with increasing life expectancy and limited retirement savings has led Koreans to focus more on retirement planning, diversifying away from bank

deposit products and into retirement-oriented insurance products such as annuities and variable products. We also believe the population's increased longevity presents greater opportunities for sales of protection-type products such as health and critical illness insurance.

In addition, Korea had one of the most rapidly increasing health expenditures among the OECD member countries in the past decade, which has been one of the key drivers of the growth in sales of protection-type products in the Korean life insurance industry. According to the OECD, health expenditure per capita in Korea increased at an annual growth of 7.8% between 2015 and 2019, which significantly benefited the private insurance sector. However, despite the continued growth of health expenditure in Korea, its portion of GDP, which increased from 5.0% in 2005 to 8.2% in 2019, still remained at the lowest levels among OECD member countries, which averaged 8.8% in 2019.

Furthermore, the ratio of public health expenditure to total health expenditure in Korea, which was 60% in 2019, remained significantly lower than those of OECD member countries generally, which averaged 71%, according to the OECD. The level of protective coverage provided by the public health insurance system in Korea is more limited with respect to critical illness care compared to other advanced OECD member countries. As a result, there is a growing need for a private health insurance system to compensate for the shortfall in coverage provided by the public health insurance system, which is expected to provide Korean life insurance companies with an opportunity for future business growth in protection-type insurance products.

BUSINESS

We are one of the leading life insurance companies in Korea, offering a broad range of life insurance and investment products to retail customers as well as group life insurance products and retirement pension plans to institutional customers through our established distribution and marketing channels. As of and for the year ended December 31, 2021, we were ranked as the second and third largest Korean life insurance company in terms of gross premiums (including separate account premiums) and asset size, respectively, on a standalone basis, according to the Korea Life Insurance Association. As of March 31, 2022, we had approximately 8.9 million life insurance policies in force and approximately 4.0 million individual policyholders.

We seek to pursue a profit and quality-oriented growth strategy with an emphasis on selling higher-margin life insurance products and improving cost efficiencies. We are strategically focused on product innovation with the objective of increasing the insurance coverage provided to our customers and attracting new business by introducing creative new products and additional services encompassing life insurance, fund and trust products that cater to the evolving investment and protection needs of the rapidly aging Korean population, as well as changes in the regulatory environment. Based on these principles, we have consistently maintained a leading position in the Korean life insurance market in terms of profitability, business profile and financial strength. Among the three largest life insurance companies in Korea in terms of asset size that have historically led the Korean life insurance market, consisting of Samsung Life Insurance Co., Ltd., Hanwha Life Insurance Co., Ltd. and us, we recorded the highest profitability in 2019 and 2020, and the second highest profitability in 2021, as measured by return on equity and return on assets. We are also the first life insurance company in Korea to receive company credit ratings from Moody's and Fitch, and have maintained an A1 rating from Moody's from 2015 to 2022 and an A+ rating from Fitch from 2013 to 2022.

We develop and distribute a comprehensive range of individual and group life insurance products that provide protection against a policyholder's death, disability, illness, accident or other events, as well as annuities and savings insurance products. We also offer variable insurance products and retirement pension plans to address our customers' growing preference for greater investment flexibility. Utilizing our ability to develop innovative products in response to changing customer preferences and the substantial resources we have devoted to analyzing changes in demographic, mortality and investment trends, we offer insurance products and services that cater to individuals' specific needs at various stages of their lives. As of March 31, 2022, 19 of our insurance products had received "exclusive use rights" under Korean financial regulations since 2002, which legally prohibit other life insurance companies from introducing similar products in Korea for a period up to six months, representing the second most number of such rights obtained by a Korean life insurance company during such period.

Leveraging the "Kyobo" brand, which we believe is one of the best-recognized brands in the Korean financial services sector, we have achieved our position as a market leader through our multi-channel distribution and marketing platform led by our extensive financial planner channel. We operate a nationwide distribution channel of 13,905 financial planners as of March 31, 2022, who are our exclusive sales agents. Our financial planner channel is complemented by our 34 "Customer Plazas," which offer comprehensive products and services to our customers and provide training and advisory support to our financial planners, as well as seven "Financial Planning Centers" that target high net worth individuals and other preferred customers. Our distribution and marketing platform also includes bancassurance arrangements with all of the leading commercial banks and many of the securities firms and mutual savings banks in Korea, as well as sales arrangements with individual and general agencies, some of which sell our products on an exclusive basis, in addition to a direct marketing channel. We believe that the strength of our financial planner channel, which primarily focuses on selling higher-margin protection-type life insurance products, and the complementary activities of our other sales channels that mainly sell annuity and savings insurance products enable us to optimize our distribution and marketing efforts based on customer segmentation and targeted product offerings.

We were incorporated in August 1958 as Daehan Kyoyuk Insurance Co., Ltd. and changed our corporate name to Kyobo Life Insurance Co., Ltd. in April 1995. In addition to our core life insurance operation, we engage in the securities business through Kyobo Securities Co., Ltd., in which we hold a 73.1% interest, and operate Korea's largest chain of bookstores through Kyobo Book Center Co., Ltd., our wholly-owned subsidiary. We established Kyobo Book Center in December 1980, which opened its

first store in June 1981. In April 1994, we acquired a controlling interest in Daehan Securities Co., Ltd., Korea's oldest securities company founded in 1949, and changed its corporate name to Kyobo Securities.

We have a stable and diversified ownership structure that consists of a group of global institutional investors in addition to our senior management. Dr. Chang-Jae Shin, who has been serving as our chairman and chief executive officer since 2000, holds 33.8% of our outstanding common shares. The remainder of our outstanding common shares are primarily owned by investment vehicles or affiliates of various global private equity funds and long-term institutional investors, as well as domestic and foreign financial institutions including globally leading life insurance companies and banks.

Our operating revenues were Won 15,496 billion in 2019, Won 18,645 billion in 2020 and Won 19,715 billion in 2021, and Won 5,782 billion in the first quarter of 2021 and Won 6,428 billion in the first quarter of 2022. We reported profit of Won 667 billion in 2019, Won 478 billion in 2020 and Won 526 billion in 2021, and Won 500 billion in the first quarter of 2021 and Won 280 billion in the first quarter of 2022. We had total assets of Won 128,322 billion and total equity of Won 9,826 billion as of March 31, 2022.

Our headquarters are located at 1, Jong-ro, Jongro-gu, Seoul 03154, Korea, and our website is http://www.kyobo.co.kr.

Our Products and Services

We offer a variety of life insurance products, including protection-type products that provide a wide range of protection against a policyholder's death, critical illness or other events, as well as annuities and savings insurance, primarily to retail customers. We also offer retirement pension products and group life insurance products to corporations and institutions. In each of the individual and group life insurance categories, we also offer variable insurance products. In addition, we engage in the sale of third-party fund and trust products.

We manage our risk exposure and profitability by periodically adjusting our policy features and prices to reflect updated actuarial data and seeking to optimize our product mix. From time to time, we supplement our existing products by introducing additional riders and enhanced product features.

The following table sets forth information about our gross premiums by product type (including premiums for our separate accounts), on a standalone basis, for the periods indicated.

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)									
General account [1]										
Individual insurance:										
Protection-type products:										
Whole life insurance	₩ 3,406	27.4%	₩ 3,527	24.7%	₩ 3,639	23.0%	₩ 911	27.0%	₩ 915	26.6%
Other protection-type products [2]	1,037	8.3	1,025	7.2	1,048	6.6	256	7.6	272	7.9
Annuities[3]	1,940	15.6	1,902	13.3	1,903	12.0	469	13.9	448	13.0
Savings insurance	926	7.4	2,248	15.7	2,827	17.9	755	22.3	672	19.5
Group insurance:										
Pure protection	121	1.0	129	0.9	139	0.9	36	1.1	37	1.1
Savings insurance	7	0.1	6	0.0	5	0.0	1	0.0	1	0.0
Subtotal	7,437	59.8	8,837	61.9	9,561	60.5	2,428	71.8	2,345	68.1
Separate accounts [4]										
Individual insurance:										
Variable protection-type products [5]	996	8.0	927	6.5	882	5.6	229	6.8	210	6.1
Variable annuities	1,355	10.9	1,154	8.1	969	6.1	265	7.8	210	6.1
Variable savings insurance [6]	118	0.9	115	0.8	102	0.6	30	0.9	28	0.8
Retirement pensions	2,530	20.3	3,247	22.7	4,295	27.2	428	12.7	648	18.8
Subtotal	4,999	40.2	5,443	38.1	6,248	39.5	952	28.2	1,096	31.9
Total	₩12,435	100.0%	₩14,280	100.0%	₩15,808	100.0%	₩3,380	100.0%	₩3,441	100.0%

(1) Includes the portion of premiums received on variable insurance policies that relates to acquisition and operating costs, which is recognized as premium income in our statements of comprehensive income.
(2) Includes term life insurance, health insurance and children's insurance products.
(3) Includes education insurance products.
(4) Reflects the portion of premiums received on variable insurance policies that relates to benefits based on the performance of the underlying investment assets, which is not included in our statements of comprehensive income.
(5) Includes variable whole life insurance and variable universal whole life insurance.
(6) Includes variable life insurance and variable universal life insurance.

The following table sets forth information about our first year premiums by product type (including first year premiums for our separate accounts), on a standalone basis, for the periods indicated.

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021[7]		2022[7]	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(In billions of Won, except percentages)									
General account [1]										
Individual insurance:										
Protection-type products:										
Whole life insurance	₩ 392	13.6%	₩ 530	12.0%	₩ 532	10.3%	₩ 150	13.4%	₩114	12.2%
Other protection-type products [2]	248	8.6	214	4.9	205	4.0	47	4.2	56	6.0
Annuities[3]	420	14.6	493	11.2	612	11.9	138	12.4	141	15.1
Savings insurance	451	15.6	1,763	40.0	2,143	41.6	614	55.0	471	50.6
Group insurance:										
Pure protection	50	1.7	52	1.2	55	1.1	15	1.3	15	1.6
Savings insurance	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Subtotal	1,561	54.2	3,052	69.3	3,547	68.9	964	86.4	797	85.6
Separate accounts [4]										
Individual insurance:										
Variable protection-type products [5]	51	1.8	21	0.5	26	0.5	10	0.9	4	0.4
Variable annuities	137	4.8	73	1.7	106	2.1	30	2.7	21	2.3
Variable savings insurance [6]	14	0.5	3	0.1	7	0.1	1	0.1	3	0.3
Retirement pensions	1,118	38.8	1,253	28.5	1,463	28.4	111	9.9	106	11.4
Subtotal	1,320	45.8	1,350	30.7	1,602	31.1	152	13.6	134	14.4
Total	₩2,882	100.0%	₩4,403	100.0%	₩5,149	100.0%	₩1,116	100.0%	₩931	100.0%

(1) Includes the portion of premiums received on variable insurance policies that relates to acquisition and operating costs, which is recognized as premium income in our statements of comprehensive income.
(2) Includes term life insurance, health insurance and children's insurance products.
(3) Includes education insurance products.
(4) Reflects the portion of premiums received on variable insurance policies that relates to benefits based on the performance of the underlying investment assets, which is not included in our statements of comprehensive income.
(5) Includes variable whole life insurance and variable universal whole life insurance.
(6) Includes variable life insurance and variable universal life insurance.
(7) For the first quarters of 2021 and 2022, first year premiums comprise the amount of premiums recognized in the specified interim period in respect of policies sold during that period.

The following table sets forth information about our APE by product type (including APE for our separate accounts), on a standalone basis, for the periods indicated. APE for the periods indicated represents our annualized premiums for regular payment premium products sold during the applicable period plus 10% of our premiums for single payment premium products sold during such period.

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021[7]		2022[7]	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(In billions of Won, except percentages)									
General account [1]										
Individual insurance:										
Protection-type products:										
Whole life insurance	₩ 324	23.5%	₩ 381	19.7%	₩ 259	13.7%	₩ 60	11.4%	₩ 65	14.5%
Other protection-type products [2]	396	28.7	431	22.3	458	24.2	119	22.6	113	25.2
Annuities[3]	233	16.9.	245	12.6	263	13.9	63	12.0	61	13.6
Savings insurance	240	17.4	761	39.3	748	39.5	235	44.6	176	39.2
Group insurance: Pure protection	49	3.5	51	2.6	56	3.0	16	3.0	16	3.6
Savings insurance	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Subtotal	1,244	90.1	1,869	96.5	1,784	94.2	493	93.5	431	96.0
Separate accounts [4]										
Individual insurance:										
Variable protection-type products [5]	26	1.9	11	0.6	15	0.8	5	0.9	3	0.7
Variable annuities	105	7.6	53	2.7	85	4.5	27	5.1	14	3.1
Variable savings insurance [6]	6	0.4	3	0.2	10	0.5	3	0.6	1	0.2
Subtotal	137	9.9	68	3.5	109	5.8	34	6.5	18	4.0
Total	₩1,381	100.0%	₩1,937	100.0%	₩1,893	100.0%	₩527	100.0%	₩449	100.0%

(1) Includes the portion of premiums received on variable insurance policies that relates to acquisition and operating costs, which is recognized as premium income in our statements of comprehensive income.
(2) Includes term life insurance, health insurance and children's insurance products.
(3) Includes education insurance products.
(4) Reflects the portion of premiums received on variable insurance policies that relates to benefits based on the performance of the underlying investment assets, which is not included in our statements of comprehensive income.
(5) Includes variable whole life insurance and variable universal whole life insurance.
(6) Includes variable life insurance and variable universal life insurance.
(7) For the first quarters of 2021 and 2022, APE is calculated based on the amount of premiums recognized in the specified interim period in respect of policies sold during that period.

The following table sets forth a breakdown of our first year premiums by single or regular payment type products (including first year premiums for our separate accounts), on a standalone basis, for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(in billions of Won)				
First year regular premiums	₩2,581	₩4,081	₩4,835	₩1,019	₩872
First year single payment premiums	301	322	314	97	59
Total first year premiums	₩2,882	₩4,403	₩5,149	₩1,116	₩931

Individual Life Insurance

We provide a wide range of life insurance products for individuals that provide protection against a policyholder's death, disability, illness, accident or other events, as well as annuities, savings and variable insurance products. We believe that our substantial experience and expertise in product development, supplemented by analysis of consumer market trends and our customer database by our customer relationship management department as well as industry analysis and product research studies conducted by us, enable us to develop products that meet changing market demand.

We seek to optimize our product offering mix by increasing the sales proportion of protection-type life insurance products, which offer a stable source of revenues and enhance our risk-based capital adequacy ratio as they require lower premium reserves than savings or annuity products and

are less exposed to interest rate risk. We also manage our risk exposure and profitability by periodically adjusting our policy features and premiums to reflect updated actuarial data and seeking to optimize the proportion of interest rate-sensitive insurance products in our product offering mix. On many of our products, we provide our policyholders various options to tailor their policies to their needs by integrating specific features into their policies. From time to time, we also supplement our existing products by introducing additional riders and enhanced product features. In addition, we offer family policies insuring two or more family members under one policy, as well as policies developed particularly to address the insurance needs of specific demographic segments, including age-specific products aimed at children and senior citizens and products specifically addressing schoolchildren's education funding needs from grade school to collegiate levels.

Protection-type Products

Whole Life Insurance. Whole life insurance products are our leading protection-type products. Our whole life insurance products provide a guaranteed benefit to the beneficiary upon the death of the insured person, or a cash surrender value upon the early termination of the policy by the policyholder, in each case as predetermined by the contract, in return for periodic payment of fixed premiums over a predetermined period. Premium payments may be required up to a specified age or for a specified period, and are typically level throughout the period.

We offer a wide range of whole life insurance products. We offer interest rate-sensitive whole life insurance policies that provide a death benefit determined in accordance with a floating interest crediting rate. In addition, we offer universal whole life insurance policies that provide flexible premium payment options and an adjustable benefit. Premium payments above the cost of insurance are credited to the cash value of the policy and the cash value is credited with interest each month based on the terms of the policy. We also provide whole life insurance products that cater to customers concerned with the treatment of critical illnesses or the need for long-term care by paying a portion of the guaranteed benefit upon the occurrence of certain specified critical illnesses or other specified events requiring long-term care affecting the insured person and paying the remainder of the guaranteed benefit upon the death of the insured person to a beneficiary designated by the policyholder. Some of our whole life insurance products also permit the policyholder to convert the policy into an annuity, in response to the increasing needs of customers to prepare financially for their retirement years. If the insured person dies without any such critical illnesses or events requiring long-term care, the entire guaranteed benefit is paid to the beneficiary upon the death of such person.

We also offer variable whole life insurance and variable universal whole life insurance products. See "— Variable Insurance Products." Our variable whole life insurance products are designed for customers that are primarily seeking death benefits but with the potential for a higher return than our traditional whole life insurance products. Variable universal whole life insurance products also provide policyholders with the flexibility to adjust premium payments.

Term Life Insurance. Term life insurance products provide a guaranteed benefit to the beneficiary upon the death of the insured person within a specified time period in return for periodic payment of fixed premiums. Specified coverage periods generally range from 10 to 20 years or expire at specified ages. Premiums are typically set as a fixed sum for the coverage period and are generally lower than premiums for whole life insurance products. In their basic form, term life insurance policies function as pure protection products, in that they normally have little or no savings or investment elements and typically expire without value at the end of the coverage period if the insured person is still alive. However, in line with general market demand in Korea, we also offer term life insurance policies that return to the policyholder at expiration the entire amount of the premiums paid by the policyholder throughout the coverage period.

Other Protection-type Insurance. We offer defined health benefit insurance products and medical expense reimbursement insurance products to individuals. Our defined health benefit insurance products include products specifically covering cancer, heart disease, strokes and long-term care, and provide guaranteed payments if an examination, surgical procedure or hospitalization becomes necessary for the insured person due to such covered diseases. We also offer comprehensive defined health benefit insurance products, which we believe are particularly attractive to customers who are comparatively price-sensitive and are seeking to protect against specific combinations of health events. Our medical expense reimbursement insurance products provide for the

reimbursement of a portion of the insured person's outpatient or hospitalization treatment fees and expenses. Our underwriting, policy review and claim adjustment processes are facilitated through a team of supporting personnel with medical training. We offer both pure protection products with no value at the end of the coverage period as well as products that return to the policyholder at expiration a predetermined portion of the premiums paid by the policyholder throughout the coverage period.

We also offer accident insurance products, which provide death, disability and medical expense benefits in the event that the insured person is involved in an accident, in return for periodic payment of fixed premiums over a predetermined period. Typically, a death benefit is paid if the insured person dies as a result of an accident and a disability benefit is paid if the insured person becomes disabled, with the benefit depending on the extent of the disability. If the insured person receives medical treatment as a result of an accident, individual accident insurance policies may also provide for reimbursement of a portion of the medical treatment expenses or a fixed benefit. In addition, we offer various protection-type insurance products tailored for specific demographic segments, including age-specific products aimed at children. Our children's insurance policies generally provide coverage against a child's illness or accident over a long-term coverage period from prior to birth until up to 100 years of age, in return for periodic payment of fixed premiums over a predetermined period. In addition, such policies provide specified living expenses and tuition expenses upon the death of the insured person's parents. Our children's insurance policies may also provide predetermined benefits upon expiration of the coverage period.

Annuities

We offer annuities that are used by our customers to accumulate assets over an accumulation period and then to receive annuity payments in later years. Holders of our annuities pay premiums either in a single payment or on a periodic basis over a predetermined period and receive periodic annuity payments during the payoff period specified in the contract. Typically, the policyholder receives periodic annuity payments if the insured person survives during the payoff period, and the beneficiary designated by the policyholder receives a death benefit if the insured person dies prior to the start of the payoff period. Annuities have become increasingly popular in Korea as both life expectancy and interest in preparing for life after retirement have grown.

Our annuity products include annuities developed specifically for high net worth individuals, as well as immediate annuities designed for retiring customers in the "baby boomer" generation and other differentiated products catering to the evolving needs of our customers. Most of the annuities we currently offer are interest rate-sensitive products that provide benefits determined in accordance with a floating interest crediting rate, some of which also provide a guaranteed rate of minimum annuity payments set currently between 0.50% and 1.25% per annum, depending on the coverage period.

We also offer annuities with variable insurance features. See "— Variable Insurance Products."

Savings Insurance

We offer savings insurance products that provide the policyholder with a guaranteed maturity benefit if the insured person survives a specified maturity date or period stated in the policy, and provide to a beneficiary designated by the policyholder a guaranteed death benefit upon the death of the insured person within the coverage period, in return for periodic payment of premiums. Specified coverage periods range from seven to 20 years or end at specified ages. Premiums are typically set as a fixed sum and are usually required to be paid in a single payment or over a predetermined payment period. Most of the savings insurance policies we currently offer are interest rate-sensitive products that provide benefits determined in accordance with a floating interest crediting rate, with a guaranteed minimum crediting rate set currently between 0.50% and 1.25% per annum, depending on the coverage period.

We also offer variable savings insurance products with variable insurance features, such as variable life insurance products and variable universal life insurance products. See "— Variable Insurance Products."

Variable Insurance Products

Our variable insurance products consist of variable protection-type products (which include variable whole life insurance and variable universal whole life insurance), variable annuities and

variable savings insurance products (which include variable life insurance and variable universal life insurance).

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

Variable insurance products can also be utilized as tax-exempt vehicles for overseas investment, which we believe is an attractive feature for Korean customers. We believe our variable insurance policies are particularly popular as retirement planning instruments due to the breadth of portfolio investment options we make available with respect to such policies and the tax benefits associated with such options.

We are required under the Regulation on Supervision of Insurance Business to maintain separate accounts related to variable insurance policies. These separate accounts are segregated from each other and from our general account. We engage several investment management companies to manage the investment portfolios of our separate accounts. Such investment management companies have the discretion to make their own independent investment decisions. We select such investment management companies competitively on the basis of past investment returns, management costs and other qualitative assessments. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Major Factors Affecting Our Results of Operations and Financial Condition — Mix of Products.”

Retirement Pension Products

We offer retirement pension plans to Korean companies and institutions pursuant to the Korean Employee Retirement Benefit Security Act, as well as plan administrator services and asset management services. According to FSS data, we were the second largest provider of retirement pension products among life insurance companies, and the tenth-largest provider of such products overall among financial institutions, in Korea in 2021. We offer the following two types of retirement pension plans, which are selected by the participating companies:

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

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

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

Group Life Insurance

We provide group life insurance products to our institutional customers, which include some of Korea's leading companies and institutions. Our products include primarily group life insurance plans, which contains elements of both protection-type products and annuity and savings products. From time to time, we bundle our group life insurance products with retirement pension plans in order to more effectively address the overall employee benefit plan needs of our institutional customers, and provide plan administration services as well as ongoing benefit education and advisory services.

Fund and Trust Products and Services

We distribute and sell fund and trust products developed and managed by third parties, as well as by our consolidated subsidiary, Kyobo Securities, to retail customers in Korea. We sell such products primarily through our Customer Plaza network. In addition, some of our financial planners are trained and licensed to advise on and recommend various fund and trust products to our customers, who are then referred to our Customer Plaza employees to finalize their purchase of such products. We aim to provide comprehensive life insurance and wealth management solutions that cover a wide array of investment objectives and dispositions and are designed to attract and retain assets of individuals with varying objectives and to accommodate our customers' changing financial needs.

We believe that our investment-oriented product line-up, focused on long-term returns for retirement income, and our ability to utilize the products and resources of Kyobo Securities, provide us with a competitive advantage over other life insurance companies in respect of sales of fund and trust products. We generate commissions from sales of fund products, which include money market funds, equity funds, fixed income funds and hybrid funds (the assets of which include both fixed income and equity securities) as well as from sales of trust products, which include money market trusts, bank deposit trusts and fixed income investment trusts.

Distribution and Marketing Channels

One of our core competitive strengths is our multi-channel distribution and marketing platform, with one of the largest sales forces and geographical reach among all life insurance companies in Korea. Our financial planner channel consists of 13,905 financial planners (including 63 sales agents of property and casualty insurance companies who have elected to exclusively sell our products from among those offered by life insurance companies and 758 group financial planners who primarily market group insurance products to institutional customers, as well as 462 financial planners who support our direct marketing channel) as of March 31, 2022. Our financial planners provide financial consulting services and sell our products, and this channel has traditionally been our principal distribution channel. We believe that the financial planner channel's importance will continue as product features become more complex and the sales process involves additional steps required by regulation such as suitability tests that require close interaction and consultation between the customer and the financial planner.

In response to the diversification of customers' preferences and needs, we have also supplemented our financial planner channel for individual life insurance products with the following channels:

- ***Bancassurance Channel*** — We have bancassurance arrangements with all of the leading commercial banks and many of the securities firms and mutual savings banks in Korea, pursuant to which they market and distribute our life insurance products through their branches on a non-exclusive basis;

- ***Agency Channel —*** We have entered into marketing arrangements with 37 individual agencies and two general agencies that sell our products on an exclusive basis, as well as 122 general agencies that sell our products on a non-exclusive basis; and

- ***Direct Marketing Channel*** — Our direct marketing channel, which is supported by 462 dedicated financial planners in addition to our employees, distributes our life insurance products through telemarketing and marketing on home shopping television networks, as well as through the Internet. Our wholly-owned subsidiary, Kyobo Life Planet also develops and sells life insurance products exclusively through the online direct marketing channel.

In addition to our multi-channel distribution and marketing platform dedicated to individual life insurance products, we have a sales force of 758 group financial planners who market group life insurance products to institutional customers as well as a dedicated corporate sales force of 62 employees that specifically market retirement pension plans to institutional customers.

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

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount[1]	%	Amount[1]	%
	(in billions of Won, except percentages)									
Financial planners[2]	₩ 814	28.2%	₩ 835	19.0%	₩ 878	17.1%	₩ 238	21.3%	₩ 195	20.9%
Bancassurance	677	23.5	2,069	47.0	2,540	49.3	692	62.0	568	61.0
Agencies	159	5.5	142	3.2	156	3.0	42	3.8	36	3.9
Corporate sales[3]	1,169	40.6	1,301	29.5	1,520	29.5	128	11.5	122	13.1
Direct marketing[4]	63	2.2	56	1.3	56	1.1	16	1.4	11	1.2
Total	₩ 2,882	100.0%	₩ 4,403	100.0%	₩ 5,149	100.0%	₩ 1,116	100.0%	₩ 931	100.0%

(1) For the first quarters of 2021 and 2022, first year premiums comprise the amount of premiums recognized in the specified interim period in respect of policies sold during that period.
(2) Excludes first year premiums attributable to group financial planners who primarily market group life insurance products to institutional customers and financial planners who support our direct marketing channel.
(3) Includes first year premiums attributable to group financial planners.
(4) Includes first year premiums attributable to financial planners who support our direct marketing channel.

The following table sets forth the amounts and percentages of our APE (including APE for our separate accounts) attributable to each distribution channel, on a standalone basis, for the periods indicated. APE for the periods indicated represents our annualized premiums for regular payment premium products sold during the applicable period plus 10% of our premiums for single payment premium products sold during such period.

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount[1]	%	Amount[1]	%
	(in billions of Won, except percentages)									
Financial planners[2]	₩ 774	56.0%	₩ 806	41.6%	₩ 763	40.3%	₩ 199	37.8%	₩ 180	40.1%
Bancassurance	388	28.1	904	46.7	901	47.6	266	50.5	208	46.3
Agencies	125	9.1	134	6.9	133	7.0	36	6.8	37	48.2
Corporate sales[3]	50	3.6	49	2.5	55	2.9	16	3.0	15	3.3
Direct marketing[4]	45	3.3	44	2.3	41	2.2	10	1.9	9	2.0
Total	₩ 1,381	100.0%	₩ 1,937	100.0%	₩ 1,893	100.0%	₩ 527	100.0%	₩ 449	100.0%

(1) For the first quarters of 2021 and 2022, APE is calculated based on the amount of premiums recognized in the specified interim period in respect of policies sold during that period.
(2) Excludes APE attributable to group financial planners who primarily market group life insurance products to institutional customers and financial planners who support our direct marketing channel.
(3) Includes APE attributable to group financial planners.
(4) Includes APE attributable to financial planners who support our direct marketing channel.

We have pursued a comprehensive distribution and marketing strategy to align our existing customer base and target customers with suitable distribution channels and products. Our strategy differentiates distribution and marketing techniques applicable to specific demographic characteristics for certain products, such as gender, age and income, and enhancing up-selling of other age-appropriate products to our existing customers as they grow older. We believe that this strategy will better enable us to leverage our policyholder base to sell new insurance products. We also believe that our multi-channel platform supplementing our core financial planner channel enables us to optimize our distribution and marketing efforts based on customer segmentation and targeted product

offerings. In addition to our marketing efforts through our distribution channels, we engage in promotional and general corporate image advertising on television, printed and outdoor media, and the Internet, including social networking services.

Financial Planner Channel

Traditionally, life insurance sales in Korea have been driven by personal relationships of financial planners, and our financial planner channel continues to constitute the primary distribution channel for our products. We believe that our extensive network of financial planners located throughout Korea enables us to more effectively control distribution of our products and build and maintain long-term relationships with our individual customers. Our financial planners are trained to match customers of varying income levels and demographic segments with specific life insurance and investment products that fit their particular needs, and to customize these products with individualized features.

The following table sets forth certain information relating to our financial planner channel as of the dates or for the periods indicated.

	As of, or for the Year Ended, December 31,			As of, or for the Three Months Ended, March 31,	
	2019	2020	2021	2021	2022
Number of financial planners[1]	14,427	14,530	14,377	14,281	13,905
13th-month retention rate[2]	31.54%	43.48%	41.19%	40.49%	43.70%
Financial planner productivity (in thousands of Won)[3]	₩58,562	₩59,620	₩63,487	₩68,999	₩61,411

(1) Includes sales agents of property and casualty insurance companies who have elected to exclusively sell our products from among those offered by life insurance companies, group financial planners who primarily market group life insurance products to institutional customers and financial planners who support our direct marketing channel.

(2) The percentage of financial planners remaining with us after 12 months of engagement with us.

(3) The ratio of (i) the aggregate amount of first year premiums recognized, on an annualized basis, for policies sold through our financial planner channel (excluding group financial planners and financial planners who support our direct marketing channel) in a specified period to (ii) the monthly average number of our financial planners for such period.

Our financial planners, including group financial planners, enter into standardized agency agreements with us, which typically are for renewable one-year terms and may be terminated by the financial planner at any time and by us upon the occurrence of various events specified in the agreement, including the financial planner's failure to meet our minimum performance standards. A significant portion of our financial planners' compensation consists of commissions for the products they sell and bonuses for outstanding performance, in addition to certain training allowances and initial payments paid at the beginning of their agency relationship with us. Our financial planner compensation structure de-emphasizes upfront commissions in favor of deferred commission payments spread out over the effective period of the relevant insurance policies, which we believe incentivizes our financial planners to provide better customer service and enhances retention of highly productive financial planners. Many of our financial planners also sell non-insurance financial products, including our loan products as well as third-party mutual funds and trust products, in order to enhance their commission income.

In conjunction with our financial planner channel, we also operate the following:

- ***Branch Offices*** – As of March 31, 2022, we maintained a network of 488 branch offices in Korea, at which the operations of our financial planner channel are supported by our branch managers and support staff. While all of our support staff and most of branch managers are our employees, certain branch managers are independent agents engaged by us. Such branch managers generally enter into standardized agency agreements with us and receive performance-based compensation based on the overall performance of the branch office they manage. As of March 31, 2022, we had 903 branch support staff for our financial planner channel.

- ***Customer Plazas*** – In addition to our branch offices, we operate a nationwide network of "Customer Plazas" through which we offer and market a variety of financial products and services, including life insurance products and third-party fund and trust products, as well as financial advisory services relating to tax, real estate, risk assessment and investments. Our Customer Plazas also support the operations of our financial planner

sales force through their advisory services and provide customer support to our existing policyholders. As of March 31, 2022, we had 34 Customer Plazas located throughout Korea, of which 16 were located in the Seoul metropolitan area.

- ***Financial Planning Centers*** – As part of our efforts to target high net worth individuals, we operate "Financial Planning Centers," through which we provide comprehensive and personal wealth management and a wide range of financial planning services to qualified high net worth individuals and other preferred customers recommended by our financial planners. As of March 31, 2022, we had seven Financial Planning Centers located in major metropolitan areas throughout Korea. Services offered at Financial Planning Centers include financial products investment consulting, real estate investment consulting, legal consulting, tax planning, retirement planning and estate transfer planning.

Bancassurance Channel

We have bancassurance agreements with all of the leading commercial banks and many of the securities firms and mutual savings banks in Korea, pursuant to which such financial institutions market and distribute our life insurance products through their branches in return for commission fees. Our bancassurance agreements with banks typically have terms of three years and are renewed automatically at the expiration of such term in the absence of a prior notice not to renew. We typically sell savings insurance products and annuities through our bancassurance channel. We also cater to high net-worth individuals through our partner banks' private banking centers, through which we believe we can upsell our products and efficiently generate higher margins.

We have a dedicated bancassurance sales team that regularly coordinates with our bancassurance partners to implement our distribution efforts for this channel. We provide customized training and sales support to our partner banks in order for their tellers to be knowledgeable about and effectively sell our products. We intend to enhance the operating performance of our bancassurance channel by developing additional products and services tailored for each of our major bancassurance partners and providing them with advanced training and integrated systems support.

The following table sets forth certain information relating to our bancassurance channel as of the dates or for the periods indicated.

	As of, or for the Year Ended, December 31,			As of, or for the Three Months Ended, March 31,	
	2019	2020	2021	2021	2022
Number of partner banks	14	14	15	14	15
Number of partner securities companies	11	11	11	11	11
Number of partner savings banks and cooperatives	67	69	70	70	73
Number of active partner branches [1]	1,186	1,062	729	867	765
Annualized premium equivalent per active branch (in thousands of Won) [2]	₩ 326,833	₩ 851,167	₩ 1,236,454	₩ 306,527	₩272,221

(1) The monthly average number of branches that have sold one or more policies per month.

(2) Calculated by dividing (i) the aggregate amount of first year premiums recognized, on an annualized basis, for policies sold through our bancassurance channel in a specified period by (ii) the monthly average number of active partner branches for such period.

Agency Channel

Insurance agencies are independent insurance brokerage companies that market and distribute a wide range of insurance products in return for commission fees. As of March 31, 2022, we had marketing arrangements with 37 individual agencies and two general agencies that sell our products on an exclusive basis, as well as 122 general agencies that sell our products on a non-exclusive basis. In recent years, the agency channel in Korea has developed into an important distribution channel for insurance products. The products we sell through the agency channel are primarily savings insurance products and annuities, and we plan to expand our distribution of protection-type insurance products through such channel in the future.

The following table sets forth certain information relating to our agency channel as of the dates or for the periods indicated.

	As of, or for the Year Ended, December 31,			As of, or for the Three Months Ended, March 31,	
	2019	2020	2021	2021	2022
Number of individual agencies	39	36	34	35	37
Number of general agencies	139	130	123	124	124
Number of active agency employees [1]	1,186	1,062	729	867	765
Activity ratio[2]	3.3%	3.2%	3.2%	3.2%	3.4%

(1) The monthly average number of agency employees who have sold one or more policies per month.
(2) The ratio of (i) the monthly average number of active agency employees to (ii) the monthly average number of all employees of agencies with which we have marketing arrangements.

Many of the agencies utilized by us are operated by our former employees. We believe that the agencies operated by our former employees are capable of providing higher quality customer service due to their in-depth understanding of our product lines, operations and corporate culture, and play a critical role in supplementing our financial planner channel. We typically provide subsidies for startup costs such as office equipment and furnishing expenses, in return for meeting certain sales targets for our products within a specified period, and offer comprehensive training programs for employees of general agencies to educate them about our products. Our arrangements with agencies typically have terms of one year and are renewed automatically at the expiration of such term in the absence of a prior notice not to renew.

Direct Marketing Channel

We conduct direct marketing efforts through telemarketing as well as marketing on home shopping television networks and the Internet. Our telemarketing operations consist of both out-bound telemarketing consultants and multi-role, or compound, telemarketing consultants. As of March 31, 2022, we operated 20 telemarketing customer centers nationwide with 46 out-bound telemarketing consultants. Out-bound telemarketing consultants utilize our database to solicit applications for new policies over the telephone, while compound telemarketing consultants seek to generate new business by conducting follow-up communications and in-person visits with existing policyholders. We also engage in out-bound in-person solicitation by utilizing our database. We plan to continue to seek a balanced expansion of solicitation activities by our out-bound telemarketing consultants and customer relationship management. We have also entered into marketing arrangements with Korea's leading home shopping television networks to market our insurance products to television viewers.

In response to the proliferation of electronic communication channels and increased usage of the Internet and mobile devices as a means of commercial activity, we have also invested in the development of an online platform to reach existing and prospective customers through our mobile application as well as our dedicated website at www.kyobo.co.kr. In addition, we established Korea's first online life insurance company, Kyobo Life Planet, in 2013, which is a wholly-owned subsidiary of our company. Kyobo Life Planet promotes and sells various types of life insurance products directly through the Internet (including via its proprietary mobile application), which is supported by its call center. We believe that the importance of mobile application and the internet as a marketing and distribution channel will continue to grow in the future, and we plan to continue to invest in enhancing our online platform to meaningfully supplement our more traditional channels.

Corporate Sales

In addition to the above channels that we utilize to market and distribute individual life insurance products, we operate a corporate sales channel for marketing and distributing our group insurance products and retirement pension plans to corporate and institutional clients. As part of our financial planner sales force, we engage 758 group financial planners who market group insurance products principally to small- and medium-sized enterprises with fewer than 300 employees. Group financial planners primarily sell group life insurance plans, which contain elements of both protection-type products and annuity and savings insurance products, as well as group disability insurance and group health insurance plans, including medical expense reimbursement plans and disease-specific plans, which form a part of a company's employee benefit program. Our group financial planners also sell individual life insurance products to employees when opportunities arise during their marketing efforts to institutional clients.

In addition to our group financial planners targeting the group life insurance market, we have a dedicated corporate sales force consisting of 62 employees operating from our headquarters who focus on marketing retirement pension plans to larger institutional clients. We segment the market for such plans into different industry categories and maintain dedicated sales teams with industry knowledge that specialize on each segment. We believe that matching our retirement pension sales teams with different industry segments enables us to build and maintain long-term relationships, which in turn provides us with additional opportunities to sell individual life insurance products to the employees of our institutional clients as well as group insurance products.

Operations

Underwriting and Pricing

Our insurance underwriting involves the evaluation of applications for our insurance policies by a professional staff of underwriters, who determine the type and the amount of risk that we are willing to accept. We have established qualification requirements, review procedures and training programs for the selection and development of our underwriting professionals. We employ detailed and uniform underwriting policies, guidelines and procedures designed to assist our underwriters in assessing and quantifying risks before issuing a policy to qualified applicants.

Primarily in relation to our protection-type insurance policies as well as certain of our annuity and savings products, our underwriters generally evaluate the risk characteristics of each prospective policyholder. Requests for coverage are reviewed on their merits, and generally a policy is not issued unless the particular risk has been examined and approved for underwriting. We have different authorization limits and procedures depending on the amount and type of the policies. If the policy amount exceeds a specified amount, we generally require the applicant to take a variety of underwriting tests, such as medical examinations, electrocardiograms, blood tests, urine tests and chest x-rays, and obtain consumer investigative reports. We also have authorization limits for underwriting personnel depending on their level of qualifications. In order to maintain high standards of underwriting quality and consistency, we regularly engage in internal underwriting audits.

We offer life insurance products denominated in Won, and policy premiums are paid either in a single payment or on a periodic basis. Product pricing on insurance products, which reflects our insurance underwriting standards, is based on the expected payout of benefits, calculated through the use of assumptions for investment returns, mortality, morbidity, expenses and persistency, as well as certain macroeconomic factors such as inflation. Those assumptions include a margin for expected profitability and are based on our own experience and published data from KIDI derived from other Korean life insurance companies. In the event that the assumptions used in the pricing of any of our non-renewable insurance products appear to deviate significantly from our subsequent experience, we stop further sales of such products and seek to replace them with new products having such terms and prices that preserve our intended margins. For renewable insurance products, including most of our health insurance riders, we are usually able to adjust the premiums on the next policy renewal date to reflect deviations from our original pricing assumptions.

We employed 86 actuaries certified in Korea as of March 31, 2022. Our actuaries who are not assigned to the actuarial department are staffed across various departments and provide technical expertise in connection with our business operations, including assisting in new product development and conducting risk management analysis.

Customer Relationship Management

We believe that customer service is one of our strengths, and we devote significant resources to the management, servicing and retention of our existing policyholders through our customer relationship management activities. Our efforts to enhance customer satisfaction levels and loyalty include the operation of a “Lifelong Care Service” program that monitors the needs of our customers throughout the term of their life insurance policies, through which our financial planners regularly remind customers of the coverage they are entitled to receive under their policies and check for any accident or illness that could have been covered by their policies. As a part of the Lifelong Care Service program, our financial planners also strive to identify the additional insurance needs of our customers by analyzing the adequacy of their current coverage level based on each customer’s personal and family situation and providing recommendations to supplement or adjust the customer’s life insurance coverage to better match his or her needs.

We operate Customer Satisfaction Centers, which are telephone call centers that handle various customer relations matters. Such Customer Satisfaction Centers are owned and operated by our consolidated subsidiary, KCA Service Co., Ltd., following its spin-off from us in January 2017. Our automated response system, which is the first in the Korean insurance industry to have adapted voice recognition software for increased convenience of customers, addresses basic policy inquiries and connects our customers to customer service representatives during business hours. Through our customer service representatives, our policyholders may make specific product and service inquiries, file complaints, report claims and update information regarding policyholders and beneficiaries, as well as request policy changes and apply for policy loans and withdrawals. In 2013, we became the first Korean insurance company to establish a dedicated line for customer complaints at our Customer Satisfaction Centers to ensure that our customers can communicate their concerns in an efficient and effective manner. In addition, we operate alternative customer service channels such as our mobile application and our website, which complement our traditional customer service channels. Our customers can make similar inquiries, complaints and service requests, as well as make online payments of premiums and receive payments for certain types of claims, through our mobile application and our website.

We maintain an extensive customer database that we use to segment our customers based primarily on a customer's current policy status, past policy purchases and interactions with our financial planners and personal and family demographics, while ensuring compliance with laws and regulations related to the protection of customer data, including the Personal Information Protection Act. We monitor and analyze such data on a regular basis to understand the reasons for fluctuations in demand from different customer segments, which serves as a basis for our future marketing and product development strategies. We develop analytical models based on such data in order to estimate the likelihood of additional policy purchases or policy surrenders for each customer segment, as well as to enhance our ability to match our distribution channels with potential customers. We also conduct customer satisfaction surveys by engaging external survey experts as well as invite customer panels to participate in both offline and online discussions to further ascertain customer needs and issues.

We also engage in data analysis to identify our most valuable customers. For our most valuable customers who meet certain purchase volume and loyalty criteria, we provide invitations to exclusive promotional events, as well as premium discounts for high-premium products.

Claims Management

We manage the claims we receive from policyholders through our claims management staff located in our headquarters and branch offices. Typically, claims are received by our staff, who make a preliminary examination and forward them to our claims settlement team for further verification. If the claim is valid, the amount payable is calculated and, once approved, is distributed to the policyholder.

We manage our claims management risk through organizational controls and computer systems controls. Our organizational controls include specified authorization limits for various operating levels, periodic and *ad hoc* inspections at all levels of our organization, expense mechanisms linking payout ratios with expenses for our life insurance policies, and requirements that claims examinations above certain monetary thresholds be performed by at least two staff members. We also impose stringent requirements on the qualification and employment of claims management staff. For claims relating to our health insurance products, claim adjustment processes are facilitated through a team of supporting personnel with medical training. Our claims management control procedures are supported by an electronic processing system that is used for the verification and processing of claims.

Billing and Payment

Policyholders make payments through pre-authorized automatic debits from their designated bank account, by wire transfers to our designated bank account, by online payments using their personal accounts on our website, through our mobile application or in person at our branch offices or designated banks. Automatic debits are currently the most common method of collecting premium payments from customers. Substantially all of our policyholders pay monthly premiums through pre-authorized automatic payment methods, and we do not send monthly billing statements to such policyholders. If the balance in the policyholder's designated bank account as of the payment due date is insufficient to cover the premium payment then due, we will continue, after the payment due date, to submit automatic debit requests to the policyholder's bank for the unpaid portion of the premium.

Collection

We consider an insurance policy to be delinquent if payment of the balance of such premium payable under policy is not received on the date on which such payment was first due. Our collection procedures include contacting the customers by mail, electronic mail, phone and mobile text messaging. We discontinue insurance coverage if the policy remains delinquent for two months, following an additional two-week grace period.

We consider policy loans and other loans to be delinquent if payment of the interest or principal of such loan is not received on the date on which such payment was first due. Efforts to collect from customers whose loans are delinquent are primarily made by third-party debt collection service professionals. All legal proceedings related to collection efforts, if necessary, are undertaken by us. With respect to delinquent policy loans that are secured by the cash surrender values of the underlying insurance policies, we send out collection notices by mail, electronic mail, phone and mobile text messaging once the policy loan becomes delinquent, and subsequently terminate the policy loan and the underlying insurance policy and foreclose on the cash surrender value of such policy if the borrower does not respond to the collection notice by the specified response date. With respect to loans other than policy loans, we initially analyze delinquent loans using an internally developed scoring system, and each case is assigned a collection procedure. Our collection procedures for such loans generally include, depending on the type of loan, contacting the customers by phone, sending out overdue payment notices and, if deemed necessary, commencing legal proceedings through our legal team.

Reinsurance

We cede to reinsurance companies portions of the risks we assume under our policies. We have entered into reinsurance agreements with various reinsurance companies, including SCOR, Korean Re, Hannover Re, General Cologne Re, Munich Re, RGA Re and Swiss Re. These reinsurance agreements spread the risk and reduce the effect on us of potential losses. In general, death risks relating to our protection-type life insurance products are primarily reinsured for the total amount of losses. Under our internal reinsurance policy, with respect to individual health, accident and critical illness insurance products, we cede on a “quota share” or percentage basis 15% of the total risk amount of our health insurance policies in force, 10% of the total risk amount of our accident insurance policies in force and 30% of the total risk amount of our critical illness policies in force. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse us for the ceded portion in the event the claim is paid. However, we remain liable to our policyholders for the ceded portion if the reinsurer fails to meet the obligations assumed by it. In general, our reinsurance agreements with our reinsurers do not have a definite term, but some agreements allow for recapture of ceded insurance risk within five to ten years and agreements for new business may be terminated at the end of the year with advance notice of 90 days.

We do not reinsure any policies issued by other insurers.

General Account Investments

We maintain a diversified investment portfolio to generate investment returns to support our insurance liabilities and to enhance shareholder values. As of March 31, 2022, we had Won 88,224 billion of general account investment assets on a standalone basis, of which domestic debt securities and loans accounted for 62.8%. We invest insurance premiums received from our policyholders in domestic bonds (including Government and Government-related bonds, special purpose bonds, corporate bonds and financial institution bonds), loans (including policy loans, unsecured credit loans and loans secured by real estate and other assets), overseas securities (including foreign-currency denominated bonds, beneficiary certificates and structured securities), beneficiary certificates, real property investments and domestic equity securities. Our general account does not include assets of our separate accounts for which the customer assumes risks of ownership. We place our assets relating to our variable insurance products and retirement pension products in separate accounts pursuant to the Regulation on Supervision of Insurance Business.

The following table summarizes information regarding our general account investment assets, on a standalone basis, as of the dates indicated.

	As of December 31,						As of March 31, 2022	
	2019		2020		2021			
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(In billions of Won, except percentages)							
Cash and due from banks	₩ 1,811	2.1%	₩ 918	1.0%	₩ 1,639	1.8%	₩ 1,143	1.3%
Domestic debt securities[1]	31,462	37.2	32,619	36.8	33,975	37.1	33,605	38.1
Domestic equity securities[2]	1,578	1.9	1,993	2.2	2,100	2.3	1,887	2.1
Beneficiary certificates[3]	8,949	10.6	10,954	12.4	11,102	12.1	11,421	12.9
Overseas securities[4]	18,915	22.4	19,393	21.9	18,829	20.6	16,387	18.6
Loans[5]	19,895	23.5	20,715	23.4	21,866	23.9	21,773	24.7
Real property investments[6]	2,012	2.4	1,997	2.3	1,990	2.2	1,985	2.3
Other securities[7]	21	0.0	16	0.0	22	0.0	21	0.0
Total	₩ 84,644	100.0%	₩ 88,605	100.0%	₩ 91,522	100.0%	₩88,224	100.0%

(1) Domestic debt securities as of December 31, 2019 and 2020 include available-for-sale financial assets. Domestic debt securities as of December 31, 2021 include available-for-sale and held-to-maturity financial assets.
(2) Domestic equity securities include available-for-sale financial assets, held-to-maturity financial assets and investments in subsidiaries, associates and joint ventures related to entities domiciled in Korea, the U.S. and Japan.
(3) Beneficiary certificates include available-for-sale financial assets, financial assets held for trading and investments in subsidiaries.
(4) Overseas securities as of December 31, 2019 and 2020 include available-for-sale financial assets. Overseas securities as of December 31, 2021 include available-for-sale and held-to-maturity financial assets.
(5) Net of present value discount, allowance for loan losses and deferred loan origination costs and fees.
(6) Real property investments include land and buildings held as investment assets and real property used in our operations.
(7) Other securities include available-for-sale financial assets.

Management of Investments

Our investment philosophy is to seek stable, long-term growth in the value of our general account assets and to enhance our cash flow pursuant to our asset and liability management policies. We strive to establish a diversified and sound investment portfolio with a long-term perspective that is managed in accordance with our proactive and prudent risk management policies. Accordingly, we design asset mix strategies for our general account to match the characteristics of our insurance products and other obligations, which also reflects our desire to generate stable long-term returns while sustaining adequate solvency levels. We seek to achieve our investment objectives through asset and liability management and longer-term strategic and shorter-term tactical asset allocations within a disciplined risk management framework. Our asset allocation also reflects our desire for broad diversification across asset classes, sectors and issuers. In recent years, we have started to pursue a strategic asset allocation plan with an increased emphasis on alternative and overseas assets compared to previous years. We believe that the size and diversity of our portfolio and our flexible investment strategy enable us to seek out and benefit from attractive investment opportunities.

Our Risk Management Committee approves the investment policy for the general account, which includes investment guidelines, a target asset mix, risk tolerances and performance benchmarks, with support from our Asset Management Council as well as our Asset-Liability Management Council and Risk Management Council. It also reviews performance and risk positions on a quarterly basis. Our Asset Management Council, which comprises our chief financial officer and officers from our Asset Management Division as well as representatives from other divisions, including the Risk Management Team, is responsible for assessing market risks as well as overseeing the investment management process for our general account and has the authority to establish our strategic asset allocation plans and initiate tactical shifts within its investment guidelines and approved exposure ranges.

Our investment guidelines include: (1) performance goals for the investment portfolio; (2) specified asset allocations and investment scope based on regulatory provisions, level of indebtedness and market forecasts; (3) specified goals for investment duration and asset-liability matching requirements based on asset-liability matching strategies; (4) specified authorization levels required for approval of significant investments; and (5) specified risk management policies and prohibitions.

On a standalone basis, the average yield on our investment portfolio, net of management and administrative expenses, was 3.89%, 3.59% and 3.45% in 2019, 2020 and 2021, respectively, and 4.58% and 3.45% in the first three months of 2021 and 2022, respectively.

Cash and Due from Banks

Our deposits consist principally of foreign currency and time deposits and, together with our cash and cash equivalents (primarily consisting of money market deposits and demand deposits) represented, on a standalone basis, 2.1%, 1.0% and 1.8% of our total general account investment assets as of December 31, 2019, 2020 and 2021, respectively, and 1.3% of our total general account investment assets as of March 31, 2022.

We generally make foreign currency, time and other deposits with large Korean commercial banks as well as global banks. The terms of the deposits vary, and we make foreign currency and time and other deposits to obtain higher yields than can ordinarily be obtained with demand deposits.

Domestic Debt Securities

Our holdings of domestic debt securities constitute our largest investment category and represented, on a standalone basis, 37.2%, 36.8% and 37.1% of our total general account investment assets as of December 31, 2019, 2020 and 2021, respectively, and 38.1% of our total general account investment assets as of March 31, 2022. Our domestic debt securities consist primarily of Government and Government-related bonds, special bonds, corporate bonds and financial institution bonds. Government and Government-related bonds are sovereign debt of Korea. Special bonds are bonds issued by companies established pursuant to special Korean laws and regulations (including Government-controlled utility companies and banks established under special Korean laws and regulations). We also selectively invest in corporate bonds of Korean companies whose securities are rated as investment grade, as well as bonds issued by Korean financial institutions. As of March 31, 2022, substantially all of our domestic bond portfolio comprised bonds with a credit rating of A and above as rated by Korean rating agencies.

The following table sets forth the carrying values of our domestic debt securities, on a standalone basis, as of the dates indicated.

	As of December 31,						As of March 31, 2022	
	2019		2020		2021			
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(In billions of Won, except percentages)							
Domestic bonds, available-for-sale:								
Government and public bonds	₩ 18,780	59.7%	₩ 19,936	61.1%	₩ 19,434	57.2%	₩13,517	40.2%
Special bonds	8,800	28.0	8,443	25.9	7,351	21.6	5,872	17.5
Financial institution bonds	921	2.9	984	3.0	932	2.7	848	2.5
Corporate bonds	2,962	9.4	3,255	10.0	2,859	8.4	2,621	7.8
Subtotal	31,462	100.0	32,619	100.0	30,576	90.0	22,858	68.0
Domestic bonds, held to maturity:								
Government and public bonds	–	–	–	–	2,959	8.7	9,469	28.2
Special bonds	–	–	–	–	390	1.1	1,218	3.6
Financial institution bonds	–	–	–	–	50	0.1	–	–
Corporate bonds	–	–	–	–	–	–	60	0.2
Subtotal	–	–	–	–	3,399	10.0	10,748	32.0
Total domestic debt securities	₩ 31,462	100.0%	₩ 32,619	100.0%	₩ 33,975	100.0%	₩33,605	100.0%

The following table shows the contractual maturities of our domestic debt securities, on a standalone basis, as of the dates indicated.

	As of December 31,			As of March 31, 2022
	2019	2020	2021	
	(In billions of Won)			
Due within one year	₩ 526	₩ 1,889	₩ 665	₩ 556
Due within five years	6,598	6,051	5,528	4,663
Due within ten years	7,858	7,696	7,722	7,277
Due after ten years	16,480	16,983	20,061	21,109
Total	₩ 31,462	₩ 32,619	₩ 33,975	₩ 33,605

We maintain monitoring processes for our domestic and overseas debt securities and formally review our holdings of debt securities on a periodic basis to identify potential credit deterioration whether due to ratings downgrades, unexpected price variances or industry or issuer specific concerns. We manage our potential losses in the event of substantial credit deterioration of our debt securities by setting credit exposure limits for corporations and large business groups based on external credit ratings and our internal credit scoring.

In managing our investments in debt securities, we are strategically focused on continuing to adjust the mix of our risk-weighted assets in accordance with the evolving risk-based capital adequacy requirements of the FSS, including by increasing the relative proportion of our investments in long-term Government or Government-related bonds and bonds with high credit ratings.

Beneficiary Certificates

Our holdings of domestic beneficiary certificates, evidencing ownership in investment trusts managed by investment management companies in Korea, represented 10.6%, 12.4% and 12.1% of our total general account investment assets as of December 31, 2019, 2020 and 2021, respectively, and 12.9% of our total general account investment assets as of March 31, 2022, on a standalone basis.

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

	As of December 31,						As of March 31, 2022	
	2019		2020		2021			
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(In billions of Won, except percentages)							
Equity securities type beneficiary certificates	₩ 8,060	90.1%	₩ 9,422	86.0%	₩ 10,526	94.8%	₩11,118	97.3%
Beneficiary certificates in consolidated subsidiaries	127	1.4	121	1.1	64	0.6	61	0.5
Other beneficiary certificates [1]	762	8.5	1,411	12.9	512	4.6	242	2.1
Total beneficiary certificates	₩ 8,949	100.0%	₩ 10,954	100.0%	₩ 11,102	100.0%	₩11,421	100.0%

(1) Comprise money market fund equity securities.

Domestic Equity Securities

Our holdings of domestic equity securities and investments consist of shares of common and preferred stock of listed and unlisted Korean companies and ownership interests in domestic partnerships, as well as ownership interests (other than beneficiary certificates) in our consolidated subsidiaries, associates and jointly controlled entities, and represented, on a standalone basis, 1.9%, 2.2% and 2.3% of our total general account investment assets as of December 31, 2019, 2020 and 2021, respectively, and 2.1% of our total general account investment assets as of March 31, 2022.

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

	As of December 31,						As of March 31, 2022	
	2019		2020		2021			
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(In billions of Won, except percentages)							
Listed shares	₩ 534	33.8%	₩ 705	35.4%	₩ 447	21.3%	₩ 205	10.9%
Unlisted shares	261	16.5	227	11.4	227	10.8	244	12.9
Equity investments	71	4.5	57	2.9	93	4.4	105	5.6
Equity investments in our domestic subsidiaries, jointly controlled entities and associates[1]	713	45.1	1,004	50.4	1,333	63.5	1,333	70.6
Total domestic equity securities	₩ 1,578	100.0%	₩ 1,993	100.0%	₩ 2,100	100.0%	₩ 1,887	100.0%

(1) Excludes ownership interests in certain investment trusts which are valued at fair value and categorized as beneficiary certificates.
(2) Includes ownership interests in certain subsidiaries that are incorporated outside of Korea.

Overseas Securities

Our holdings of overseas securities consist principally of foreign currency-denominated bonds issued by the Government and government agencies and foreign issuers including governments and corporations and, to a less extent, foreign currency-denominated beneficiary certificates and structured securities. Although long-term fixed income securities have become more accessible in Korea in recent years, the availability of such securities in the Korean financial markets has historically been limited, and we have increased our investments in overseas securities in recent years primarily to enhance our ability to match the duration of our interest-earning assets and interest-bearing liabilities. Our overseas securities are primarily denominated in U.S. dollars. We seek to hedge our foreign currency exposure under our overseas securities at the time of investment through currency swap contracts or other derivative instruments. Our holdings of overseas securities represented, on a standalone basis, 22.4%, 21.9% and 20.6% of our total general account investment assets as of December 31, 2019, 2020 and 2021, respectively, and 18.6% of our total general account investment assets as of March 31, 2022.

The following table sets forth the carrying value of our overseas securities, on a standalone basis, as of the dates indicated.

	As of December 31,						As of March 31, 2022	
	2019		2020		2021			
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(In billions of Won, except percentages)							
Bonds	₩ 16,731	88.5%	₩ 16,590	85.5%	₩ 15,593	82.8%	₩ 13,291	81.1%
Beneficiary certificates	2,033	10.7%	2,685	13.8%	3,112	16.5%	2,974	18.1
Structured securities	151	0.8%	118	0.6%	124	0.7%	123	0.8
Equity securities	0	0.0%	0	0.0%	0	0.0%	0	0.0
Total overseas securities	₩ 18,915	100.0%	₩ 19,393	100.0%	₩ 18,829	100.0%	₩ 16,387	100.0%

(1) Excludes ownership interests in certain subsidiaries that are incorporated outside of Korea.

In recent years, we have been selectively increasing our investments in longer-duration treasury and investment grade corporate bonds in the United States and other overseas markets, which we believe have superior credit, duration and yield characteristics compared to domestic bonds, as part of our efforts to strengthen our asset and liability management, diversify our sources of income and enhance the returns of our investment portfolio. Such increase in the amount of our investments in overseas securities may expose us to additional investment risk, including foreign exchange risk. See “Risk Factors — Risks Relating to Our Business — Investing and trading in overseas securities expose us to additional risks, including risks related to global financial markets and fluctuations in foreign exchange rates.”

Loans

We offer various loan products to qualified retail and institutional borrowers, including policy loans to our existing policyholders, unsecured credit loans and loans secured by real estate and other assets. Our loans represented, on a standalone basis, 23.5%, 23.4% and 23.9% of our total general account investment assets as of December 31, 2019, 2020 and 2021, respectively, and 24.7% of our total general account investment assets as of March 31, 2022.

The following table sets forth a breakdown of our loan portfolio, on a standalone basis, as of the dates indicated.

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(In billions of Won)			
Policy loan receivables	₩ 6,411	₩ 6,106	₩ 6,342	₩ 6,303
Loan receivable secured by securities	–	–	20	–
Loan receivables secured by real estate	5,411	5,762	5,609	5,684
Unsecured loan receivables	6,511	7,218	8,433	8,337
Guaranteed loan receivables	1,196	1,292	1,085	1,065
Other loan receivables	439	426	448	458
Total loan receivables	₩ 19,968	₩ 20,804	₩ 21,936	₩ 21,847
Present value discount	(0)	(0)	(0)	(0)
Allowance for loss on loan receivables	(58)	(70)	(43)	(44)
Deferred loan origination costs and fees	(15)	(19)	(27)	(30)
Total loan receivables, net of present value discount, allowance for loss on loan receivables and deferred loan origination costs and fees	₩ 19,895	₩ 20,715	₩ 21,866	₩ 21,773

Policy loans are interest-bearing loans to our policyholders, who may borrow from us up to approximately 50% to 95% of the cash surrender values of their insurance policies depending on the type of policy. Policy loans are secured by the cash surrender value of the policies. Interest rates currently charged on these loans range from 2.82% to 10.5% per annum. We also offer secured and unsecured retail loans. Our secured retail loans are typically secured by real estate and provided to borrowers purchasing properties, with the maximum borrowing amount generally limited to 70% of the value of the collateral. The maturity of retail loans secured by real estate ranges from ten to 40 years. Interest rates currently charged on these loans typically range from 4.66% to 6.16% per annum. We also offer unsecured retail loans of up to Won 70 million and at interest rates currently ranging from 3.84% to 16.00% per annum. The maturity of both unsecured retail loans and retail loans secured by third party guarantees is generally one to five years, and can be extended at the stated maturity date.

Our policyholders are pre-approved for policy loans of up to a predetermined percentage of the cash surrender value of their policies, and may take out such loans at our branch offices and Customer Plazas, through our telephone call centers or through our mobile application or our Internet website. For retail loans other than policy loans, we use an internally developed credit review system to review the creditworthiness of borrowers applying for loans and the accuracy of the information provided by such applicant. Individual borrowers for such loans are asked to visit our headquarters or one of our branch or sales offices for personal identity verification when applying for loans. Our credit review system takes into account information provided by the borrower on their applications, together with transaction history and credit information obtained from internal and external databases. Our internally developed credit review system used for retail loans is fully automated, so that once the information on the application form is input into our system, the system generates an initial approval or rejection based on our eligibility criteria and assigns a credit score, which score is then used to make additional assessments. The amount of the retail loan available to a borrower so approved and debt servicing cost of such loan are based, among other things, on the internally generated credit score of the borrower and the liquidity of the collateral.

We continuously monitor an individual borrower's condition with respect to his or her current debt, collateral and debt service capability. Based on our review, we may adjust the borrower's credit limits, applied interest rates and the credit policies relating to that borrower. We also use an electronic collateral evaluation and monitoring system to continuously review the liquidation value of collateral we hold. Using this system, we seek to assess the actual liquidation value of collateral, determine the recovery rate on our loans and use this information in determining maximum borrowing amounts, as well as in setting our credit risk management and loan policies.

We also provide a variety of loans to institutions, focusing principally on financing of public infrastructure projects, other project financings and loans to real estate investment trusts that are either guaranteed by the Government or municipalities or secured by a security interest in the project or real estate. The maturity of such loans to institutions ranges from 12 months to 30 years. Interest rates currently charged on these loans range from 4.2% to 7.5% per annum.

The following table shows a breakdown of our loan portfolio by contractual maturity dates, on a standalone basis, as of the dates indicated. The loan amounts (excluding policy loan receivables) stated in the table below are before deduction of present value discount and allowance for doubtful accounts and addition of deferred loan origination cost.

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(In billions of Won)			
Due in one year or less	₩ 1,142	₩ 1,300	₩ 1,458	₩ 1,435
Due after one year and through two years	809	1,020	1,261	1,543
Due after two years and through three years	843	1,547	1,607	1,805
Due after three years	10,763	10,833	11,268	10,762
Total loans	₩13,557	₩14,698	₩15,595	₩15,545

Real Property Investments

Our real property investments consist principally of real property held as investment assets, including land and buildings, as well as real property used in our operations. Real property investments represented, on a standalone basis, 2.4%, 2.3% and 2.2% of our total general account investment assets as of December 31, 2019, 2020 and 2021, respectively, and 2.3% of our total general account investment assets as of March 31, 2022.

The following table sets forth the carrying values of our real property investments as of the dates indicated.

	As of December 31,						As of March 31,	
	2019		2020		2021		2022	
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(In billions of Won, except percentages)							
Land	₩ 1,368	68%	₩ 1,367	68%	₩ 1,367	69%	₩ 1,367	69%
Buildings	626	31	613	31	606	30	601	30
Structures	18	1	17	1	17	1	17	1
Construction in progress	0	0	0	0	0	0	0	0
Non-current assets held for sale	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0
Total real property investments	₩ 2,012	100.0%	₩ 1,997	100.0%	₩ 1,990	100.0%	₩ 1,985	100.0%

For additional information regarding our real property investments, including real property held as investment assets and real property used in our operations, see Notes 15 and 16 of the notes to our unaudited interim condensed consolidated financial statements and Notes 15 and 16 of the notes to our annual consolidated financial statements for 2021 and 2020.

Competition

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

Historically, the Korean life insurance industry has been dominated by Samsung Life Insurance Co., Ltd., Hanwha Life Insurance Co., Ltd. and us, which together had a combined market share of 45.7% of total gross premiums in 2021, according to data from the Korea Life Insurance Association. We had the second largest market share in the industry with a 13.3% share of total gross premiums in 2021. We also compete with small- to mid-sized domestic life insurance companies, such as Mirae Asset Life Insurance Co., Ltd., Shinhan Life Insurance Co., Ltd., Heungkuk Life Insurance Co., Ltd. and Nonghyup Life Insurance Co., Ltd., as well as Korean affiliates of foreign life insurance companies,

such as MetLife Insurance Company of Korea, Ltd. and Tong Yang Life Insurance Co., Ltd., whose parent companies may have greater experience and resources in their respective home markets. Furthermore, in specific areas such as accident and health insurance, savings insurance and variable insurance, our products also compete with those offered by property and casualty insurance companies, commercial banks, securities companies and asset management companies. In addition, risk protection products with insurance features are also sold by the Korea Post through its extensive nationwide branch network. Certain of our competitors are larger in terms of asset size and customer base, have greater financial resources, offer a broader range of products or have access to a more extensive distribution network than we do. Moreover, a number of our competitors are affiliated with large Korean business or financial groups, which may provide a competitive advantage to the extent that they are able to take advantage of such affiliation, including through cross-promotion opportunities and access to the existing customer base of their affiliates.

In recent years, large financial holding companies in Korea and foreign insurance companies, which are significantly larger and may have more resources and synergies than us, have made significant acquisitions of insurance companies, further increasing competition in the market. For example, in 2020, Shinhan Financial Group acquired Orange Life Insurance, while KB Financial Group acquired Prudential Life Insurance Company of Korea. In addition, many of our competitors are increasingly relying on Internet platforms to diversify their marketing efforts, and Korea's leading Internet platform companies are searching for investment opportunities to further expand their presence in the financial industry. We expect that changes in the competitive landscape of the life insurance and property and casualty insurance industries, as well as the broader financial industry generally, will continue. Such changes may significantly increase the customer base and operating scale of some of our competitors. Certain of the financial institutions resulting from these changes may, by virtue of their increased size and business synergies, create greater competition for us. In addition, in February 2021, the FSC announced that it was reviewing proposals to allow financial holding companies to possess more than one license each for a life insurance company and a property and casualty insurance company. If such restriction is lifted, there could be increased competition in the insurance industry.

Regulatory changes and Government policies have also affected, and will continue to affect, the level of competition in the Korean life insurance and securities industries. For example, certain amendments to the Insurance Business Act adopted in 2003 and its related enforcement decree clarified that property and casualty insurance companies may sell products that offer death benefits in the case of death arising from illness, subject to certain limitations on liability. In addition, beginning in 2008, the FSS has permitted limited cross-selling of life insurance and property and casualty insurance products by financial planners working for life insurance or property and casualty insurance companies. See "Regulation and Supervision – Sales – Overlap of Products with General Insurance Companies." Property and casualty insurance companies are currently not permitted to offer certain whole life insurance, term life insurance, annuity or variable insurance products, but future deregulation may further intensify competition with property and casualty insurance companies. In addition, partly in response to Government efforts to encourage the growth of fintech companies, we have seen the entry of companies from the fintech sector into the broader Korean insurance industry. In November 2018, Toss, a mobile consumer financial platform, established a general agency subsidiary. Similarly, in July 2019, Kakao Pay, another mobile consumer financial platform, acquired Inbyu, a general agency start-up, and renamed it as KP Insurance Service. The FSC is currently formulating guidelines related to online platform general agencies. In addition, in June 2021, the revised Enforcement Decree of the Insurance Business Act was implemented, which permits the establishment of insurance companies with minimum capitalization of Won 2 billion to offer short-term insurance products. Such revisions are expected to encourage fintech companies to establish online platform-based insurance companies, which may further increase competition in the insurance industry.

In our securities business, Kyobo Securities competes primarily with mid-sized securities companies, such as Daishin Securities Co., Ltd., Hanwha Securities Co., Ltd., Yuanta Securities Co., Ltd., Hi Investment & Securities Co., Ltd., Hyundai Motor Securities Co., Ltd. and IBK Securities Co., Ltd. In addition, in particular areas such as investment banking and asset management, Kyobo Securities also competes with large securities companies, such as Samsung Securities Co., Ltd., NH Investment & Securities Co., Ltd. and Korea Investment & Securities Co., Ltd., as well as securities companies affiliated with other life insurance companies, such as Mirae Asset Co., Ltd. Kyobo

Securities' competition is based on a number of factors, including products and services, innovation, transaction execution, reputation, brand recognition and price.

In our bookstore business, Kyobo Book Center primarily competes with other large-scale bookstore chains, including Youngpoong Bookstore and Bandi & Luni's. Kyobo Book Center also competes with online retailers of books. Competition is based on a number of factors, including breadth and depth of available book content, price, accessibility and attractiveness of stores, brand awareness and reputation.

Information Technology and Operational Systems

Our information technology systems provide support to many aspects of our businesses, including product development, marketing and distribution, customer relationship management, business management, cost control and risk management. We are committed to remaining at the forefront of technological innovation in the Korean life insurance industry, including by seeking opportunities to develop advanced tools that enhance performance of our distribution channel. We intend to continue to make significant investments in our information technology and operational systems through various technology initiatives, including efforts to:

- enhance the effectiveness of our marketing and distribution channels and customer relationship management activities through increased connectivity and sharing of customer information, including through the development of a proprietary comprehensive information technology system;
- improve our product development, actuarial and investment management capabilities;
- enhance our risk management system and information security system;
- improve our disaster recovery system and implement effective business continuation plans to reduce the risk of system failures and the impact such failures may have on our business; and
- promote overall efficiency, productivity and control.

Business continuity and information security are high priorities for us. We continue to enhance and develop contingency plans to provide reasonable assurance of business continuity in the event of disruptions at our critical facilities. The key elements of the program are crisis management, business recovery, systems and data recovery and process improvement. In the area of information security, we have developed and implemented a framework of policies and technology to protect our information assets and those of our policyholders. Safeguards are applied to maintain the confidentiality, integrity and availability of information resources. We maintain a real-time backup system for all our critical information technology and operational systems in Gyeonggi Province, Korea.

Properties

We own buildings and land throughout Korea with an aggregate book value of Won 803 billion as of March 31, 2022, including our headquarters building at 1, Jong-ro, Jongro-gu, Seoul, Korea, and Gangnam Kyobo Life Tower at 465, Gangnam-daero, Seocho-gu, Seoul, Korea. Portions of the properties we own are leased to various tenants on an arm's length basis.

Intellectual Property

We own the "Kyobo" trade name and the Kyobo logo, which are registered in Korea and abroad. The term of these registrations in Korea is generally ten years, and they are renewable for additional ten-year periods indefinitely, so long as the marks are still in use at the time of renewal. We are not aware of any claims of infringement or other challenges to our right to register or use our marks in Korea or in any other jurisdiction. We regard our trademarks and service marks as valuable assets in the marketing of our products and take appropriate action when necessary to protect them.

Insurance

We maintain insurance to cover risks associated with the ordinary operation of our business, including property coverage for our headquarters and branch offices, as well as director and officer liability insurance coverage. We do not maintain business interruption insurance. All of our policies are underwritten with reputable insurance providers. We believe that our insurance coverage is similar in scope to that which is customary for life insurance companies in Korea.

Employees

We had 3,357 full-time employees and 232 contract employees as of March 31, 2022. The following table provides a breakdown of our employees, as of the dates indicated.

As of	Number of Full-time Employees	Number of Contract Employees	Total Number of Employees
December 31, 2019	3,624	198	3,822
December 31, 2020	3,632	210	3,842
December 31, 2021	3,608	231	3,839
March 31, 2022	3,357	232	3,589

In addition, our consolidated subsidiaries collectively had 5,494 employees (including 1,767 contract employees) as of December 31, 2019, 5,441 employees (including 1,618 contract employees) as of December 31, 2020, 5,504 employees (including 1,596 contract employees) as of December 31, 2021 and 5,652 employees (including 1,711 contract employees) as of March 31, 2022.

We provide a wide range of fringe benefits to our employees, including housing and meal subsidies, medical, death and accident insurance, periodic health examinations, educational subsidies for long-term employee's children, special subsidies for significant personal events (such as marriage, birth of children or death of family members) and use of recreational facilities.

We have three labor unions, which had an aggregate of 2,383 members as of March 31, 2022. We also have a Joint Labor-Management Committee, which is comprised of seven members of our employees and seven members of our management and discusses employee welfare and benefits issues on an annual basis and more often as necessary. We have not experienced any strike or other material work stoppage in recent years and consider labor relations with our work force to be good.

Under Korean laws and regulations, we are restricted from terminating a full-time employee except under certain limited circumstances. The term of employment for contract employees is generally one year and is renewable at our option. We have a contract employee performance evaluation system in place, which serves to assess the performance of contract employees who have been employed by us for one year. Based on such evaluation, we may decide to change the status of certain contract employees to full-time employees.

In accordance with the National Pension Act of Korea, we contribute an amount equal to 4.5% of an employee's standard monthly wages, and each employee contributes 4.5% of his or her standard monthly wages, into his or her personal pension account. In addition, in accordance with the Guarantee of Worker's Retirement Benefits Act, we have adopted retirement pension plans for our employees. Contributions under the retirement pension plans are deposited annually into a financial institution, and an employee may elect to receive a monthly pension or a lump-sum amount upon retirement pursuant to either a defined benefit plan or a defined contribution plan. The defined benefit plan guarantees a certain payout at retirement, according to a fixed formula based on the employee's average salary and the number of years for which the employee has been a plan member. For further information regarding our defined benefit plan, see Note 28 of the notes to our unaudited interim condensed consolidated financial statements and Note 28 of the notes to our annual consolidated financial statements for 2021 and 2020.

As of the date of this offering circular, approximately 1.0% of our issued common shares were held by members of our employee stock ownership association. All of our employees are eligible to participate in our employee stock ownership association, which has the right to purchase on behalf of its members up to 20.0% of the shares that we offer publicly in Korea pursuant to the FSCMA. Employees who purchase our shares through our employee stock ownership association will be subject to a one-year lock-up period pursuant to Korean law.

Legal and Regulatory Proceedings

We are subject to certain claims and are a party to certain legal and regulatory proceedings that are incidental to the normal course of our business. The legal proceedings currently pending against us primarily relate to customer claims in connection with insufficient explanation of insurance products, including annuities, at the time of sale, insurance settlement claims by our customers and commission-related claims by our financial planners and other agents. See Note 50 of the notes to our unaudited interim condensed consolidated financial statements and Note 50 of the notes to our annual consolidated financial statements for 2021 and 2020.

Legal Proceedings Related to Shareholders' Agreement

Dr. Chang-Jae Shin, our largest shareholder, chairman and chief executive officer since 2000, has been involved in prolonged legal disputes with some of our shareholders.

In September 2012, certain financial investors comprised of (1) Guardian Holdings Limited, a special purpose corporation ("SPC") established by Affinity Equity Partners, (2) Apfin Investment Pte Ltd., an SPC established by Government of Singapore Investment Corporation, (3) KLIC Holdings Limited, an SPC established by Baring Private Equity Asia, and (4) Hoenir Inc., an SPC established by IMM Private Equity (collectively, the "Affinity Consortium") acquired a combined 24% stake in our company at an aggregate price of approximately Won 1.2 trillion from Daewoo International Corporation and signed a shareholders' agreement (the "SHA") with Dr. Shin that included a put option that the Affinity Consortium could exercise if we did not go public by September 2015.

We did not complete an initial public offering ("IPO") by September 2015 due to regulatory uncertainties and low interest rates that negatively impacted the valuation of life insurance companies in Korea. In October 2018, the Affinity Consortium exercised the put option and submitted an appraisal report that included a valuation of the fair market value ("FMV") of our shares at Won 409,912 per share as determined by Deloitte Anjin LLC ("Deloitte Anjin"). While the SHA required each party to appoint its own appraiser for the determination of FMV of our shares, Dr. Shin did not appoint an appraiser, questioning the validity of the put option clause.

The Affinity Consortium filed for arbitration with the International Chamber of Commerce (the "ICC") International Court of Arbitration in March 2019. In addition, KLI Investors LLC ("KLI"), an SPC established by Affirma Capital that entered into a separate shareholders' agreement with Dr. Shin, also exercised its put option in November 2018 and filed a request for arbitration with the ICC in July 2019, making similar claims as those made by the Affinity Consortium. In September 2021, the ICC ruled that it was valid for the Affinity Consortium to exercise the put option, but stated that there had been no valid determination of FMV pursuant to the SHA and Dr. Shin had no obligation to purchase the shares held by the Affinity Consortium. On February 28, 2022, the Affinity Consortium filed for a second arbitration with the ICC against Dr. Shin. The Affinity Consortium requested Dr. Shin to appoint an appraiser to assess the FMV of our shares and submit a report based on the valuation. The ICC is currently constituting an arbitral tribunal for the second arbitration filed by the Affinity Consortium, and the arbitration proceeding filed by KLI is currently pending. Dr. Shin plans to continue to vigorously defend against the claims of the Affinity Consortium and KLI.

Separate from the ICC arbitrations, in April 2020, we filed a petition with the Seoul Central District Prosecutor's Office accusing Deloitte Anjin for colluding with the Affinity Consortium to inflate the FMV of our outstanding shares in violation of Korea's Certified Public Accountant Act. In January 2021, the prosecutor's office indicted three accountants of Deloitte Anjin and two employees affiliated with the Affinity Consortium on such charges. On February 10, 2022, the Seoul Central District Court acquitted them, ruling that there was not enough evidence to prove that the accountants had failed to exercise professional judgment in collusion with their clients. The prosecutor's office filed for an appeal on February 15, 2022, which matter is currently pending.

Our Consolidated Subsidiaries

In addition to our core life insurance operations, we engage in the securities business through Kyobo Securities, in which we hold a 73.1% interest, and operate Korea's largest chain of bookstores through Kyobo Book Center, our wholly-owned subsidiary.

Kyobo Securities

Kyobo Securities is a mid-sized securities company in Korea that engages in four principal business areas – securities brokerage, investment banking, derivatives sales and trading and proprietary trading – and also provides other financial services such as wealth management. Kyobo Securities has a diversified client base that includes both retail customers and institutional clients. Kyobo Securities was ranked as the thirteenth-largest Korean securities company in terms of asset size as of December 31, 2021 according to data compiled by the FSC.

Kyobo Securities' operating revenues were Won 1,452 billion in 2019, Won 1,767 billion in 2020 and Won 2,248 billion in 2021, and Won 725 billion in the first quarter of 2021 and Won 1,681 billion in the first quarter of 2022. Kyobo Securities recorded net income of Won 83 billion in 2019, Won 104 billion in 2020 and Won 143 billion in 2021, and Won 48 billion in the first quarter of 2021 and Won 25 billion in the first quarter of 2022. Kyobo Securities had total assets of Won 11,484 billion and total equity of Won 12,040 billion as of March 31, 2022.

In recent years, Kyobo Securities has focused on broadening its market presence by offering a wider range of products and services. The following table sets forth a breakdown of Kyobo Securities' operating revenues by business area for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)									
Securities brokerage	₩ 136	9.4%	₩ 201	11.4%	₩ 285	12.7%	₩ 88	12.1%	₩ 62	3.7%
Investment banking	93	6.4	113	6.4	156	6.9	37	5.1	38	2.3
Derivatives sales and trading	1,047	72.1	1,249	70.7	1,605	71.4	537	74.1	1,521	90.5
Proprietary trading	102	7.0	143	8.1	127	5.6	44	6.1	35	2.1
Others	74	5.1	61	3.5	75	3.3	19	2.6	24	1.4
Total	₩ 1,452	100.0%	₩ 1,767	100.0%	₩ 2,248	100.0%	₩ 725	100.0%	₩ 1,681	100.0%

The following table sets forth a breakdown of Kyobo Securities' operating profit (loss) by business area for the periods indicated:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(in billions of Won)				
Securities brokerage	₩ 15	₩ 66	₩ 94	₩ 22	₩ 3
Investment banking	56	79	107	24	28
Derivatives sales and trading	35	20	66	26	69
Proprietary trading	28	25	(7)	(11)	(58)
Others	(24)	(53)	(75)	(2)	(12)
Total	₩ 110	₩ 137	₩ 185	₩ 60	₩ 31

Securities brokerage. Kyobo Securities provides brokerage services and related financing services to retail customers and institutional clients who wish to purchase and sell various types of securities, including stocks and bonds. Kyobo Securities generates brokerage commissions from executing and clearing buy and sell orders of its clients, primarily on the KOSPI or the KOSDAQ. As of March 31, 2022, Kyobo Securities had a total of 456,682 client brokerage accounts. To support its securities brokerage business and other marketing efforts, Kyobo Securities provides research on companies, industries, economies and currencies.

Investment banking. As part of its investment banking business, Kyobo Securities underwrites securities offerings in the Korean securities market, either as lead manager or a member of an underwriting syndicate, and provides mergers and acquisitions and other financial advisory services to a diverse group of corporations and financial institutions in Korea. Kyobo Securities' underwriting activities include public offerings and private placements of a wide range of equity and debt securities and other financial instruments, including common and preferred stock, convertible and exchangeable securities, investment-grade debt, asset-backed securities and real estate-related securities, such as securities of real estate investment trusts. Financial advisory services include

advisory assignments with respect to mergers and acquisitions, divestitures, restructurings and spin-offs.

Derivatives sales and trading. Kyobo Securities offers over-the-counter and exchange-traded derivative products, including futures, forwards, swaps and options, that enable its clients to hedge against market risk exposures. In order to mitigate its exposure with respect to such products, Kyobo Securities typically purchases "back-to-back" derivative products, with identical terms as the other-the-counter derivative product sold, from other financial institutions. In addition, Kyobo Securities engages in derivative transactions in order to hedge against its market risk exposures.

Proprietary trading. Kyobo Securities maintains a multi-strategy proprietary investment business that invests and trades for its own account in order to generate interest and dividend income and capital gains. As of March 31, 2022, Kyobo Securities' proprietary trading portfolio had a total book value of Won 129 billion, representing 1% of its total assets. Kyobo Securities relies on its analytical models to analyze information and make informed trading judgments, and it strives to benefit from perceived disparities in the relative value of assets in the trading markets, including debt, equity and equity-related instruments, and from macroeconomic and issuer-specific trends.

Others. Kyobo Securities provides other services such as wealth management (including operation of cash management accounts and wrap accounts), investment funds management and real estate leasing.

Kyobo Book Center

Kyobo Book Center is the largest retailer of books in Korea. Since the opening of its first bookstore in 1981, Kyobo Book Center has achieved growth by opening additional stores nationwide and continually renovating and remodeling its existing bookstores to optimize its operational scale and performance. Kyobo Book Center currently operates 14 stores located in Seoul, nine stores located in the greater Seoul metropolitan region (not including Seoul), 12 stores located elsewhere in Korea and four additional campus stores located at leading universities in Korea. Kyobo Book Center's flagship store, which is located in the basement of the Kyobo Life Building in central Seoul, is the largest bookstore in Korea in terms of gross selling area as well as number of books offered and sold. In addition, Kyobo Book Center operates Korea's leading online bookstore at www.kyobobook.co.kr.

RISK MANAGEMENT

We believe that effective risk management is a key factor in ensuring our stable long-term growth and profitability, as well as our financial strength and capital adequacy. Accordingly, we have established a comprehensive and integrated risk management infrastructure and policies to monitor, evaluate and manage the principal risks we assume in conducting our business activities, particularly market risk, credit risk, interest rate risk, liquidity risk, insurance risk, variable insurance guarantee risk and non-financial risk. We employ a broad and diversified set of risk monitoring and risk mitigation techniques aimed at assessing and managing these risks in our insurance and securities operations and investment portfolio, in light of changing economic and financial market conditions in Korea and in compliance with the applicable guidelines of the FSS.

We measure potential risks associated with our daily business operations including sales and asset management activities to set the risk limits within our solvency limits which allows us to maintain our management activities in a stable manner. We have also established guidelines to maintain our available capital at a level above the minimum thresholds required by financial authorities even when faced with simultaneous occurrences of multiple risks.

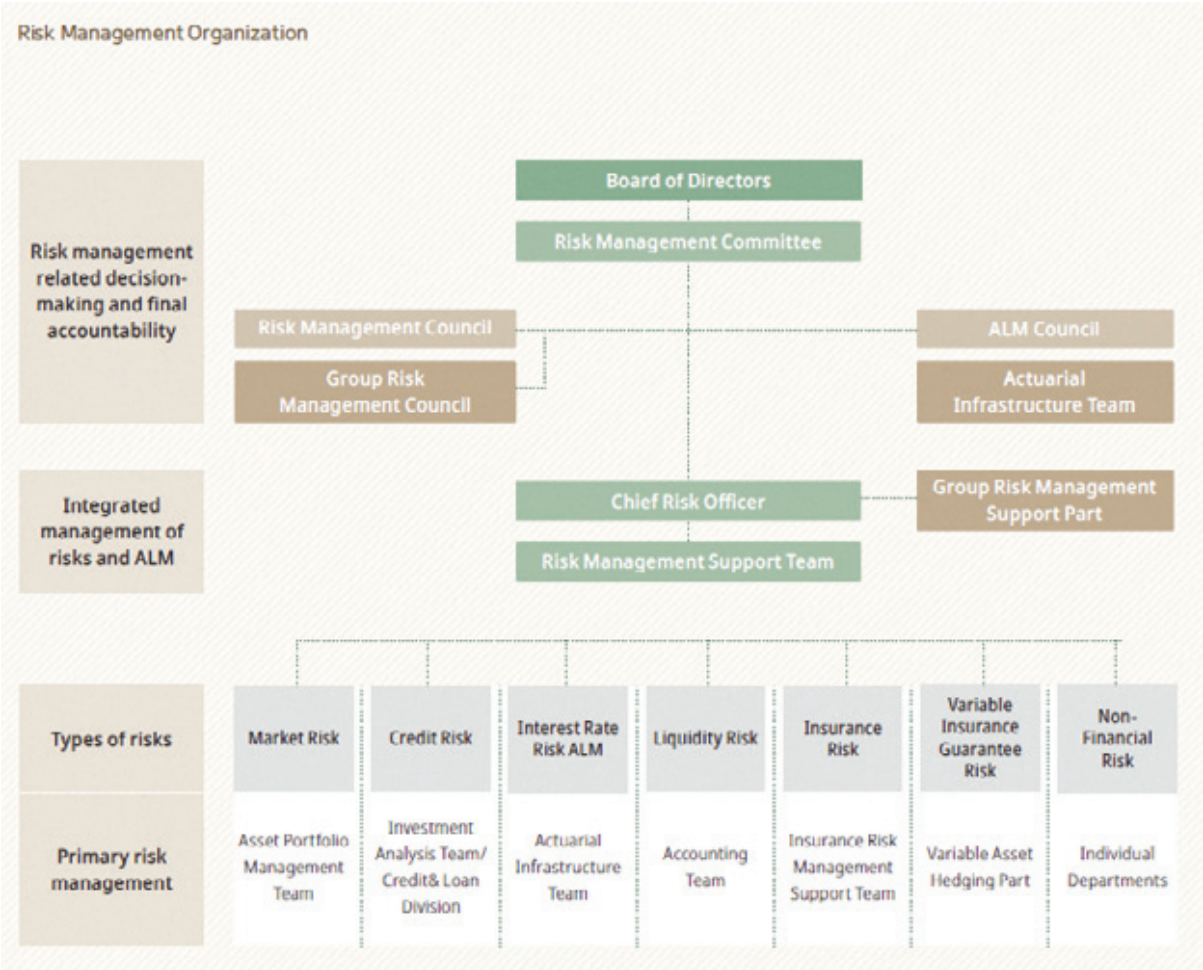
By preemptively managing the principal risks we assume in conducting our business activities, including by accepting, reducing, transferring and avoiding the risks, we try to maintain the risks in compliance with industry guidelines and also conduct adequacy examinations on a regular basis to adjust the limits of all risks.

In an effort to systematically manage our risk exposure, we continue to reinforce our group risk management system while closely monitoring our capital adequacy ratio. Also, we are preparing and taking appropriate measures to adopt K-IFRS 1117 and K-ICS.

Risk Management Infrastructure of Our Life Insurance Operations

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems. Segregation of duties and management oversight are fundamental elements of our risk management process, and we have established a multi-tiered risk management governance structure. Our Risk Management Committee, chaired by Beom-Ha Jee, our outside director, is ultimately responsible for the general oversight of our risk management process, as described below, and reports directly to our board of directors. Our Risk Management Council coordinates the execution of the overall policies and procedures established by the Risk Management Committee, while our Asset-Liability Management Council is responsible for overseeing the management of the strategies and policies regarding our insurance business' general account investment and life insurance product portfolios as well as matching, to the extent possible, the duration of our interest-bearing liabilities and our interest-earning assets supporting such liabilities. At the operational level, our Risk Management Team reports to the Risk Management Council and works closely with other divisions and business units to implement our risk management policies and procedures, while the Actuarial Infrastructure Team supports the Asset-Liability Management Council and works with the Risk Management Team in managing the long-term risks related to the duration of our interest-bearing liabilities, including our life insurance policy liabilities, and our interest-earning assets supporting such liabilities, including our life insurance business' general account investment assets.

The following diagram illustrates our overall risk management infrastructure:



Risk Management Committee

Our Risk Management Committee is responsible for overseeing all risks relating to our operations and advising our board of directors with respect to risk management-related issues. Our board of directors has delegated to the Risk Management Committee the board's authority and responsibility for ensuring effective overall management of the various risks we face in our business activities. The Risk Management Committee currently comprises four members of our board of directors, with the majority consisting of outside directors: Hyo Eun Moon (outside director), Young Joo Lee (outside director), Sung-Sik Hwang (outside director) and Beom-Ha Jee (outside director). The Risk Management Committee meets on a regular basis and periodically reports on company-wide risk management issues to our board of directors as required. The principal activities of the Risk Management Committee include:

- establishing and reviewing our overall risk management policies and procedures and long-term plans relating to our risk management system;
- reviewing risks related to key management strategies, including those relating to our investments, reinsurance policies and new product development;
- determining specific risk tolerance levels and capital allocations for various business activities;
- monitoring, and approving strategies for maintaining, our risk-based capital adequacy and solvency levels;
- establishing criteria for asset quality evaluation and loss provisioning policies; and

- overseeing the operation of our risk management systems and coordinating with the Risk Management Council and the Asset-Liability Management Council to facilitate an integrated risk management workflow.

Risk Management Council

The Risk Management Council supports the Risk Management Committee by setting the agenda to be discussed and resolved by the Risk Management Committee and overseeing the implementation of the decisions of the Risk Management Committee. The Risk Management Council is also responsible for establishing limits for, and monitoring, individual categories of risks and developing solutions when our risk exposures become likely to exceed the applicable limits. The Risk Management Council consists of the chief risk management officer and other senior officers of our company who hold positions of division head or above. The Risk Management Council convenes its meetings on a quarterly basis.

Asset-Liability Management Council

The Asset-Liability Management Council supports the Risk Management Committee by reviewing the overall strategies for our life insurance business' general account investment assets and liabilities under insurance contracts, as well as supervising the management of our life insurance business' general account investment portfolio and life insurance product portfolio, from an asset-liability management perspective. The Asset-Liability Management Council also establishes targets for, and monitors, the duration of our interest-bearing liabilities and our interest-earning assets supporting such liabilities as well as our overall liquidity and sufficiency of reserves on an ongoing basis. The Asset-Liability Management Council consists of seven members, including the senior vice president of investor relations, actuary and accounting, the head of the investment management division, the head of the bancassurance division, the chief risk management officer, the head of the product development and support division, the chief distribution officer and the chief marketing officer. The Asset-Liability Management Council convenes its meetings on a monthly basis**.**

Principal Risks of Our Life Insurance Operations

Market Risk Management

Market risk refers to the risk of changes in the returns on, and market value of, our trading and investing positions due to fluctuations in market factors such as interest rates, stock prices and exchange rates. To a lesser extent, we are also exposed to equity price risk, which arises from exposure of our investment portfolio to changes in prices and volatilities of beneficiary certificates, individual equity securities and equity indices, as well as exchange rate risk, which results from exposure to changes in spot prices, forward prices and volatilities of currencies. See Note 54-6 of the notes to our annual consolidated financial statements for 2021 and 2020 for information regarding our exposure to market risk related to our interest earning assets and interest bearing liabilities as of December 31, 2021 and 2020.

As part of our management of market risk, we use a number of quantitative tools to analyze and manage our exposure to market risk for our long- and short-term financial instruments. These tools include stress testing, which is used as required to assess the general sensitivity of our market risk exposure to abnormal market fluctuations and to project the anticipated change in value of our positions in the event that the market moves in a manner that is outside our normal expectations (assuming that no action is taken during a stress event to change our risk profile), and stop loss processes, which are used to manage our exposure to fluctuations in prices affecting our securities portfolio. We have established and engage in stop loss processes with respect to specified categories of securities.

Sensitivity analysis measures the impact of hypothetical changes in market rates on our profitability and financial condition. See Note 54-6-3 of the notes to our annual consolidated financial statements for 2021 and 2020 for information regarding the estimated effects on our net income and total equity of specified increases and decreases in interest rates, exchange rates and equity prices.

Credit Risk Management

Credit risk represents the loss that we would incur if a counterparty failed to perform its contractual obligations to us or upon a deterioration in the credit quality of a counterparty, including borrowers or other third parties whose securities or other instruments we hold or who reinsure portions of the risks we assume under our life insurance products. Our exposure to credit risk principally arises through our investing, lending and reinsurance ceding activities. See Note 54-5 of the notes to our annual consolidated financial statements for 2021 and 2020 for information regarding our credit risk exposures as of December 31, 2021 and 2020.

Our credit risk management policy objectives are to improve our asset quality, reduce our non-performing assets and minimize our concentration risk through diversified, balanced and risk-weighted investment and reinsurance portfolios. We continually monitor and seek to improve our credit risk-related policies and guidelines to reflect changing risks in our business. To measure and manage our credit exposures, we use a variety of tools, including assessment of counterparty risk. In addition, our credit risk management system monitors credit exposure to individual counterparties and, on an aggregate basis, to counterparties and their affiliates. For example, we apply credit exposure limits for debt securities of large corporations and business groups based on external credit ratings, taking into account other factors such as their size, industry and country of incorporation. Our maximum credit exposure limit for a single corporation varies by credit rating and industry.

Interest Rate Risk Management

Our results of operations depend, in part, on our level of net interest income and our effective management of the impact of changing interest rates and varying asset and liability maturities. In particular, changes in market interest rates may affect the level and timing of recognition of gains and losses on investment assets held in our life insurance business' general account investment portfolio, which consists mainly of debt securities. In addition, some of our life insurance products, principally fixed annuities and savings insurance policies with guaranteed minimum interest or annuity payments, require us to pay fixed rates of return to policyholders and therefore expose us to the risk that changes in interest rates will reduce our "spread," or the difference between the amounts that we are required to pay under the relevant policies and the rate of return we are able to earn on our general account investments intended to support our obligations under the policies. See Note 54-4-3 of the notes to our annual consolidated financial statements for 2021 and 2020 for information regarding our interest rate risk exposure as of December 31, 2021 and 2020.

We seek to manage interest rate risk through adjustments to our asset and liability portfolio mix and terms, such as decreasing the guaranteed level of interest crediting rates applied to our insurance products, and by managing, to the extent possible, the average duration and maturity of our assets and liabilities. We also manage interest rate risk through asset and liability management strategies that seek to match the interest rate sensitivity of the assets to that of the underlying liabilities. We periodically evaluate our interest rate risk exposure and closely monitor any changes to identify the primary factors for such change and to take appropriate remedial measures. The annual interest rate risk limit is set in accordance with our overall business plan and monitored on a regular basis.

Liquidity Risk Management

We manage our liquidity risk through a set of liquidity risk management policies that are intended to maintain liquidity by holding sufficient quantities of assets that can be liquidated to meet actual or potential demands for funds from our policyholders and others. We also manage liquidity by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of external funding we believe we are able to obtain. In addition, we maintain bank facilities in order to prepare for any unexpected temporary insufficiency of liquid assets. The level of such bank facilities is regularly adjusted to reflect changing conditions in the financial markets and volatility in our claims payments.

We closely monitor factors that could affect our liquidity management, including increases in surrender or termination of existing policies or policy benefit payments and decreases in premium payments or investment returns. We periodically evaluate and manage our liquidity risk exposure in

terms of liquidity ratios and liquidity gaps and monitor our short-term liquidity positions on a daily basis. As part of our liquidity risk management process, we use a number of quantitative tools, including stress tests, which are used as necessary to assess the sensitivity of our liquidity risk exposure to abnormal market fluctuations. We also maintain a liquidity contingency plan to prepare for potential funding emergencies such as surges in claims for cash payments by policyholders or bank failures in an economic crisis. Our liquidity contingency plan includes an action plan with respect to funding priorities, roles and responsibilities of our various teams and business units, and establishment of an internal emergency committee. Results of our stress tests are utilized to modify and enhance our liquidity contingency plan on a regular basis.

See Note 54-7-3 of the notes to our annual consolidated financial statements for 2021 and 2020 for information regarding the maturities of our insurance contract and financial liabilities as of December 31, 2021 and 2020.

Insurance Risk Management

We establish and carry, as a liability, policy reserves based on the greater of statutory reserves and actuarial estimates of how much we will need to pay for future life insurance benefits and claims. Insurance risk is the risk of loss arising from our claims experience being different from reserved amounts as a result of variations from the actuarial estimates we used when designing and pricing our life insurance products. Our earnings depend significantly upon the extent to which our actual claims results are consistent with the assumptions used in setting the prices for our life insurance products and establishing our reserves for future policy benefits and claims. To the extent that trends in actual claims results are less favorable than our underlying assumptions used in establishing these reserves, and our total reserves are considered to be inadequate to meet our future contractual obligations as and when they arise, we are exposed to insurance risk. See Note 54-3 of the notes to our annual consolidated financial statements for 2021 and 2020 for information regarding our insurance risk exposure as of December 31, 2021 and 2020.

We develop new life insurance products pursuant to product approval and review procedures that include profitability guidelines based on various ratios and assumptions regarding pricing that are computed at secure and appropriate levels through periodic empirical analysis. We periodically test the adequacy of our policy reserves based on our current estimate liability, determined on the basis of the present value of expected payout of benefits and claims plus expenses, less future gross premiums, calculated through the use of assumptions for investment returns, mortality, morbidity, expenses and persistency, as well as certain macroeconomic factors such as inflation. We seek to manage our exposure to insurance risk by using assumptions that are based on our previous experience and data published by the KIDI, as well as judgments made by our management. We also establish early warning guidelines for our life insurance products by coverage period and discontinue sales or revise policy benefits for products that trigger early warning signs. In addition, we periodically evaluate and manage our maximum insurance risk exposure, and closely monitor changes in such insurance risk exposure to identify the primary factors for such change and to take appropriate remedial measures to minimize our losses in worst-case scenarios. In order to further mitigate our insurance risk, we cede to reinsurance companies portions of the risks we assume under our life insurance products.

Our insurance underwriting process involves the evaluation of policy applications for our life insurance products by a professional staff of underwriters who determine the type and the amount of risk that we are willing to accept. We employ detailed and uniform underwriting policies, guidelines and procedures designed to assist our underwriters in assessing and quantifying risks before issuing a policy to qualified applicants. Our insurance underwriters generally evaluate the risk characteristics of each prospective policyholder. Requests for coverage are reviewed on their merits, and generally a policy is not issued unless the particular risk has been examined and approved for underwriting. If the policy amount exceeds a specified amount, we require the applicant to take a variety of underwriting tests including medical examinations as well as obtain consumer investigative reports. In addition, we have authorization limits for insurance underwriting personnel depending on their level of qualifications. In order to maintain high standards of insurance underwriting quality and consistency, we regularly engage in internal underwriting audits. We also review our claims assessment procedures periodically to further mitigate our insurance risk.

Variable Insurance Guarantee Risk Management

Variable insurance guarantee risk refers to the risk of loss from the value of the underlying assets supporting our variable insurance policies falling below the value of the minimum guaranteed return on our variable insurance policies. We measure and analyze variable insurance guarantee risk through a simulated, probability-based model based on actuarial data and regularly monitor the level of such risk against the relevant limit. We also engage in dynamic hedging activities through the use of derivatives to reduce volatility in our profitability caused by changes in market conditions and to make up for any potential capital losses during economic crises. The results of such analysis are also taken into account in establishing reserves for estimated guarantee liability and monitoring their appropriateness on an on-going basis, as well as for developing new variable insurance products.

Non-Financial Risk Management

Non-financial risk relates to the risk of loss arising from shortcomings or failures in internal processes, personnel or systems, and from external events. Non-financial risk can arise from many factors ranging from routine processing errors to potentially costly incidents arising, for example, from major information technology and operational systems failures, and includes operational (which in turn includes legal and information technology risks), reputational and strategic risks.

We manage non-financial risk through the application of long-standing, but continuously evolving, company-wide control standards, including through:

- the training, supervision and professional development of our employees;
- active participation of and communications with senior management in a continuous process of identifying and mitigating key non-financial risks;
- regular assessment of fundamental risk exposure as prescribed under the Regulation on Supervision of Insurance Business; and
- development and implementation of non-financial risk measurement standards.

Together, we believe these elements contribute to a strong company-wide control culture that serves as the foundation of our efforts to minimize events that create non-financial risk.

Our Risk Management Team is responsible for establishing and implementing a standardized framework to identify, measure, monitor and manage non-financial risk. This framework, which evolves with the changing needs of our businesses and regulatory guidance, takes into account internal and external non-financial risk events, business environment and internal control factors and the ongoing analysis of business-specific risk metrics. While individual business units have direct responsibility for the control and mitigation of non-financial risk, this framework provides a consistent methodology for identifying and monitoring operational risk factors at the business unit and company-wide levels. Such framework includes tools to measure our operational risk on a monthly basis and an annual self-assessment system based on contingency scenarios.

In order to respond more effectively to the changing business environment and to meet new regulatory requirements, we regularly review and upgrade our company-wide information technology systems. The integrity of our information technology systems, and their ability to withstand potential catastrophic events, is crucial to our continuing operations. We have also implemented an information security framework to protect our information assets and those of our policyholders. We conduct threat exposure tests on our information assets on a semi-annual basis, as well as regular testing against simulated cyber-attacks. We also maintain a real-time backup system for all of our critical information technology and operational systems in Gyeonggi Province, Korea.

Preparations for New Regulations

Preparations for K-IFRS 17 and K-ICS

In response to a lack of comparability in the global insurance industry stemming from variations in accounting policies being applied, in May 2017, the IASB issued IFRS 17, a new IFRS

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

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

We are preparing and taking appropriate measures to adopt K-IFRS 1117 and K-ICS, and will closely cooperate with financial authorities and the insurance industry to further improve our capital management systems in light of impending regulatory capital adequacy developments and to fully comply with the latest domestic as well as international standards.

Integrated Supervision System for Financial Conglomerates

The Act on the Supervision of Financial Conglomerates (the "Act") became effective in June 2021. The Act applies to financial conglomerates, which refers to business groups consisting of two or more financial companies (but excluding financial holding companies and their subsidiaries pursuant to the Financial Holding Company Act of Korea), designated by the FSC and is intended to effectively manage risks at the financial conglomerate level which is not subject to the law applicable to the financial industry. The Act requires a financial conglomerate to establish and operate an internal control system and a risk management system and to comply with capital adequacy requirements at the financial conglomerate level. The Act requires the board of directors of the representative financial company of a financial conglomerate to establish, after consultation with member financial companies, an internal control system and a risk management system through resolutions. We, as the representative financial company of the financial conglomerate Kyobo Financial Group, have established and operate an internal control policy and risk management system through which the risks of the Kyobo Financial Group, which mainly includes Kyobo Life Insurance Co., Ltd., Kyobo Securities Co., Ltd., Kyobo Life Planet Life Insurance Co., Ltd., Kyobo AXA Investment Management Co., Ltd. and Kyobo Asset Trust Co., Ltd., are comprehensively and systematically managed.

Own Risk and Solvency Assessment

In preparation for the implementation of K-ICS, the new solvency regime for the Korean insurance industry currently scheduled to be implemented for annual periods beginning on or after January 1, 2023, the FSS requires insurers to adopt an Own Risk and Solvency Assessment ("ORSA") system, a self-developed manual for building enterprise risk management systems. See "Regulation and Supervision — Risk-Based Supervision of Insurance Companies — Risk-Based Capital Adequacy Requirements." As such, we established our ORSA system in 2019 and have conducted an assessment of our own risk and solvency status on an annual basis. The results of such assessments are reported to our board of directors and incorporated in our management policies to improve our risk management capabilities.

Risk Management of Kyobo Securities

Kyobo Securities' Risk Management Committee is responsible for overseeing all risks of Kyobo Securities' business and advising its board of directors with respect to risk management-related issues. The committee consists of the chief executive officer of Kyobo Securities and two non-standing directors. The major activities Kyobo Securities' Risk Management Committee include:

- establishing overall risk management policies in accordance with the directives of the board of directors;
- approving limits for each type of risk and setting limits for integrated risk levels; and
- approving internal regulations and guidelines on risk management.

Kyobo Securities categorizes key areas of risks into credit risk, market risk, interest rate risk, liquidity risk, operating risk, legal risk, reputational risk and systems risk. Its Risk Management Council supports the Risk Management Committee by establishing and managing integrated policies and procedures for risk management, as well as overseeing the activities of its Risk Management Team and the risk management systems of Kyobo Securities. The Risk Management Team, which is in charge of implementing and monitoring the operations of Kyobo Securities' risk management policies and procedures, is supported by individual business units with respect to risk management activities for specific business segments and the Transaction Settlement Team with respect to monitoring accuracy and appropriateness of transaction settlement activities and maintaining accurate recordkeeping.

MANAGEMENT

Board of Directors

Our board of directors has the ultimate responsibility for the administration of our affairs. Our articles of incorporation currently provide for a board of directors consisting of no less than four directors, at least three and a majority of whom must be outside directors. Standing directors are directors who are full-time executive officers of our company, while outside directors are non-standing directors elected from among those persons who do not have a special relationship with us that would interfere with the exercise of their independent judgment. Directors are elected at a general meeting of shareholders by a majority vote of those present or represented so long as the affirmative votes also represent no less than 25% of the issued and outstanding shares with voting rights. Our outside directors are elected from among candidates who meet the qualifications set forth in the Korean Commercial Code and the Corporate Governance Act. The terms of office for standing directors and outside directors are three years and two years, respectively. Upon the expiration of an outside director's term, such outside director may be reappointed for one additional year, but may not be appointed for more than six consecutive years. The term of office for a director will be extended to the close of the annual general meeting of shareholders if the term of office for such director ends before the close of the annual general meeting of shareholders convened with respect to the last fiscal year within such term of office.

The representative director is a director elected by a resolution of our board of directors (which resolution requires the affirmative vote of a majority of our directors present at the relevant board meeting in which a majority of our directors in office are present) and is empowered to make day-to-day business decisions as our chief executive officer. Chang-Jae Shin currently serves as our representative director.

Directors

The table below sets forth our directors, and their ages and positions. The business address of each of our directors, as well as our executive officers, is our registered office at 1, Jong-ro, Jongro-gu, Seoul 03154, Korea.

Name	Year of Birth	Position	End of Current Term	Other Current Positions
Chang-Jae Shin	1953	Chairman; Chief Executive Officer	March 2023	Chairman, Daesan Foundation for Culture
Jung Bum Pyun	1962	Inside Director; Chief Executive Officer	March 2024	None
Beom-Ha Jee	1955	Outside Director	March 2023	Professor, School of Management and Economics at Handong University
Sung-Sik Hwang	1956	Outside Director	March 2023	Business Advisor, Sindoh Co., Ltd.
Chul-Joo Lee	1973	Outside Director	March 2023	Managing Partner, Affinity Equity Partners
Hyo Eun Moon	1967	Outside Director	March 2024	None
Young Joo Lee	1967	Outside Director	March 2024	Director of Human Rights Counseling Department, Seoul National University Human Rights Center
Hari R. Rajan	1977	Non-standing Director	March 2023	Partner and Head of Infrastructure Business, Corsair Capital Partners

Chang-Jae Shin has served as our chairman and chief executive officer since May 2000. Dr. Shin is our largest shareholder and also serves as the chairman of Daesan Foundation. Previously, Dr. Shin served as our president and vice president and a professor in the College of Medicine at Seoul National University. Dr. Shin holds Bachelor of Science, Master of Science and Doctor of Medicine degrees from College of Medicine at Seoul National University.

Jung Bum Pyun has served as our inside director and chief executive officer since March 2021. Previously, Mr. Pyun served as our chief distribution officer. Mr. Pyun holds a Bachelor of Arts degree in Mathematics from Soon Chun Hyang University and Master of Arts and Doctor of Philosophy degrees in Business Administration from Dongguk University.

Beom-Ha Jee has served as our outside director since March 2020. Mr. Jee also serves as a professor at the School of Management and Economics at Handong University. Previously, Mr. Jee served as the president of the Korea FP Society and dean of the Business School at the King's College, New York. Mr. Jee holds Bachelor of Arts and Master of Arts degrees in Business Administration from Seoul National University and a Doctor of Philosophy degree in Managerial Science from the Wharton School at the University of Pennsylvania.

Sung-Sik Hwang has served as our outside director since March 2016. Mr. Hwang also serves as the vice chairman and co-chief executive officer of Shindoh Co., Ltd. Previously, Mr. Hwang served as an executive officer of our company and Kyobo Book Center Co., Ltd and the vice president of Samchully Co., Ltd. Mr. Hwang holds Bachelor of Arts and Master of Arts degrees in Business Administration from Seoul National University and a Doctor of Philosophy degree in Management Engineering from the Korea Advanced Institute of Science and Technology.

Chul-Joo Lee has served as our outside director since March 2021. Mr. Lee also serves as a managing partner of Affinity Equity Partners. Previously, Mr. Lee served as a director of UBS Capital. Mr. Lee holds a Bachelor of Arts degree in Applied Mathematics – Economics from Brown University and a Master of Business Administration degree from Harvard University.

Hyo Eun Moon has served as our outside director since March 2022. Previously, Ms. Mun served as the chief executive officer of Art Ventures and the chief commercial officer and chief executive officer of Daum Services. Ms. Mun holds a Bachelor of Arts degree in French Language and Literature from Ewha Womans University and a Master of Arts degree in media and communication from Korea University.

Young Joo Lee has served as our outside director since March 2022. Ms. Lee also serves as the director of human rights counseling department at the Seoul National University Human Rights Center. Previously, Ms. Lee served as the vice president of the Judicial Research and Training Institute and the director of planning at the Institute of Justice. Ms. Lee holds a Juris Doctor degree from Seoul National University.

Hari R. Rajan has served as our non-standing director since March 2014. Mr. Rajan currently also serves as a partner and head of infrastructure business at Corsair Capital Partners. Previously, Mr. Rajan served as a member of the Emerging Markets Financial Institutions Group at J.P. Morgan Chase & Co. Mr. Rajan holds a Bachelor of Arts degree in Economics and Applied Mathematics from Yale University and a Master of Business Administration degree from the Wharton School at the University of Pennsylvania.

Executive Officers

Our executive officers currently consist of our chief executive officer, executive vice presidents, senior vice presidents and vice presidents. Our chief executive officer is appointed by the board of directors and other executive officers are appointed by the chief executive officer.

Our current executive officers, other than our directors, are as follows:

Name	Year of Birth	Title and Responsibilities	Executive Officer Since
Jin Ho Park	1964	Senior Executive Vice President, Chief Financial Officer and Head of Retirement Pension Consulting Center	2005
Sam Geol Lyoo	1962	Senior Executive Vice President and Chief Investment Officer	2012
Kumjoo Huh	1964	Executive Vice President, Head of New Business and Head of Public Relations	2013
Seoyong Park	1968	Executive Vice President and Head of Bancassurance Division	2013
Ki Ryong Cho	1965	Executive Vice President, Head of Legal Services Division, Compliance Officer and Compliance Program Manager	2020
Dae Kyu Cho	1964	Executive Vice President, Head of Corporation Planning Division and Head of HR Division	2015
Woog Min	1962	Executive Vice President and Head of Audit Team	2015
Hwa Jeong Choi	1964	Executive Vice President and Head of Labor Support Division	2015
Woo Kyung Jang	1974	Executive Vice President and Head of Digital Business Strategy	2021
Mi Young Lee	1972	Executive Vice President and Head of Marketing Planning Division	2022
Jae Myeong Park	1966	Senior Vice President and Head of AM Division	2016
Seong Ju Park	1965	Senior Vice President and Head of Channel Marketing Team	2017
Bac Kyu Choi	1964	Senior Vice President and Head of Gangbuk FP Division	2018
Gyu Sik Cho	1966	Senior Vice President and Chief Marketing Officer	2018
Jong Tae Yi	1968	Senior Vice President and Head of Alternative Investment Division	2018
Young Kyu Youn	1969	Senior Vice President and Head of Insurance Service Division	2018
Chul Lee	1968	Senior Vice President and Head of Digital Transformation Support Division	2019
Kwan Sang Lee	1970	Senior Vice President and Head of Gangnam FP Division	2019
Byung Doo Noh	1966	Senior Vice President and Head of Daegu FP Division	2019
Sung Geun Cho	1966	Senior Vice President, Chief Information Security Officer, Chief Privacy Officer and Credit Information Protection Manager	2020
Gil Hong Cho	1968	Senior Vice President and Head of Group Client Division	2020
Hong Yoo	1967	Senior Vice President, Chief Customer Officer, Head of Customer Care Center and Financial Consumer Protection Manager	2020
Bong Hyun Jeong	1969	Senior Vice President and Head of IT Support Division	2020
Kwang Soo Mun	1970	Senior Vice President and Head of Gyeongin FP Division	2020
Young Dae Son	1969	Senior Vice President and Head of Honam FP Division	2020
Kyoung Bae Kim	1970	Senior Vice President, Head of IR & Actuary & Accounting Division and	2020
Hwi Seong Cho	1969	Senior Vice President and Head of Investment Management Division	2020
Hong Min Chung	1969	Senior Vice President and Head of New Business	2020
Jong Kil Park	1968	Senior Vice President, Chief Risk Officer, Risk Manager and Head of Group Risk Management Part	2020
Hye Ok Kim	1966	Senior Vice President and Head of Direct Marketing Department	2020
Seong Jin Moon	1968	Senior Vice President and Head of Digital Technology Support Division	2020
Jong Hoon Kim	1971	Senior Vice President and Head of Platform Business Division	2021
Jihyun Jo	1979	Senior Vice President and Head of Platform Business Team 1	2021
Woo Chul Jung	1968	Senior Vice President and Head of Busan FP Division	2021
Jae Hyuck Jeong	1971	Senior Vice President and Head of Credit & Loan Division	2021
Kyong Won Noh	1969	Senior Vice President and Head of Financial Management Team	2021
Gyoung Jong Suh	1970	Senior Vice President and Head of Product Development & Support Division	2021
Jun Hyun Kim	1972	Senior Vice President and Head of Joongbu FP Division	2021
Ji Woo Kim	1969	Senior Vice President and Head of Variable Asset Management	2021

Board Practices

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

- Executive Candidate Recommendation Committee;
- Audit Committee;
- Risk Management Committee;
- Management Committee;
- Remuneration Committee; and
- Sustainable ESG Committee.

Executive Candidate Recommendation Committee

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

The Executive Candidate Recommendation Committee currently consists of three directors: Young Joo Lee, Sung-Sik Hwang and Chang-Jae Shin. The Executive Candidate Recommendation Committee holds meetings when candidates for outside directors, Audit Committee members or the representative director need to be recommended or upon the request of a member of the committee.

Audit Committee

Under the Korean Commercial Code, the Corporate Governance Act and our articles of incorporation, we are required to have an Audit Committee consisting of three or more directors, at least two-thirds of whom must be independent directors. Members of the Audit Committee are elected by our shareholders at the general meeting of shareholders. The committee reviews all audit and compliance-related matters and makes recommendations to our board of directors. Our Audit Committee's primary responsibilities include:

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

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

The Audit Committee currently consists of two directors: Chul-Joo Lee and Beom-Ha Jee. Meetings of the Audit Committee are held quarterly, and more often on an *ad hoc* basis if necessary.

Risk Management Committee

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

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

See “Risk Management.” The Risk Management Committee currently consists of four directors: Beom-Ha Jee, Sung-Sik Hwang, Hyo Eun Moon and Young Joo Lee. Meetings of the Risk Management Committee are held every two months, and more often on an *ad hoc* basis if necessary.

Management Committee

The Management Committee deliberates and decides matters delegated by our board of directors with the aim of enhancing professionalism and efficiency in decision-making. Our Management Committee reviews issues relating to our business management, finance and directors that are delegated to the committee by our board of directors pursuant to the committee’s regulations or otherwise from time to time and makes recommendations to our board of directors.

The Management Committee currently consists of four directors: Hyo Eun Moon, Sung-Sik Hwang, Chang-Jae Shin and Jung Bum Pyun. Meetings of the Management Committee are held on an *ad hoc* basis as necessary, upon the request of a member of the committee.

Remuneration Committee

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

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

The Remuneration Committee currently consists of four directors: Hyo Eun Moon, Young Joo Lee, Beom-Ha Jee and Chang-Jae Shin. Meetings of the Remuneration Committee are held at least annually, and more often on an *ad hoc* basis if necessary.

Sustainable ESG Committee

The Sustainable ESG Committee was established in March 2022 to promote ESG management in earnest and internalize company-wide ESG initiatives. The committee falls under our board of directors and acts as the decision-making body that approves ESG strategies, policies and initiatives. The Sustainable ESG Committee currently consists of four directors: Hyo Eun Moon, Young Joo Lee, Beom-Ha Jee and Chang-Jae Shin. Meetings of the Sustainable ESG Committee are held at least annually, and more often on an *ad hoc* basis if necessary.

Compensation of Key Management

Remuneration

The aggregate compensation (including short-term and long-term benefits and retirement benefits) granted to our key management, consisting of our executives and external directors, was Won 28 billion, Won 32 billion and Won 36 billion in 2019, 2020 and 2021, respectively, and Won 16 billion and Won 10 billion in the first quarters of 2021 and 2022, respectively. As of March 31, 2022, there were no loans or stock options granted by us to any of our directors or executive officers.

Interests of Directors and Executive Officers

As of March 31, 2022, there were no outstanding transactions other than in the ordinary course of business undertaken by us in which our directors or executive officers were interested parties.

Certain of our and our affiliated companies' directors and executive officers have direct or beneficial interests in our shares, including our chairman and chief executive officer, Chang-Jae Shin. See "Principal Shareholders." Other than Dr. Shin, other directors and executive officers of our company and our affiliated companies, as a group, held an aggregate of 3,201,215 shares of our outstanding common stock, which represented approximately 3.12% of our issued and outstanding common shares as of such time, and of which 500 shares were held in the name of our employee stock ownership association.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information relating to our shareholder composition as of March 31, 2022.

Shareholder	Number of Common Shares Owned	Percentage of Total Common Shares Outstanding
Chang-Jae Shin.	34,627,370	33.8%
Corsair Korea Investors LLP	10,038,830	9.8
Guardian Holdings Limited.	9,276,250	9.1
Tiger Holdings LP.	7,813,250	7.6
Export-Import Bank of Korea	5,995,005	5.8
KLI Investors LLC	5,460,825	5.3
Hoenir Inc.	5,355,625	5.2
KLIC Holdings Limited	5,355,625	5.2
Apfin Investment Pte Ltd	4,612,500	4.5
In-Jae Shin	2,593,000	2.5
Life Investors of Korea LP	2,361,750	2.3
AXA	2,300,000	2.2
Kyung-Ae Shin	1,750,010	1.7
Young-Ae Shin	1,449,960	1.4
Triumph II Investments (Ireland) Limited	1,100,000	1.1
Meiji Yasuda Life Insurance Company	1,025,000	1.0
Others[1]	1,385,000	1.4

(1) Includes 500 common shares held by our employee stock ownership association.

Other than as set forth in the table above or under “Management — Interests of Directors and Executive Officers,” none of our current directors or executive officers has direct or beneficial interests in our common shares. In addition, other than as set forth in the table above, no other person or entity known by us to be acting in concert, directly or indirectly, jointly or severally, owned more than 5% or more of our outstanding common shares or exercised control or could exercise control over us as of the date hereof.

TERMS AND CONDITIONS OF THE SECURITIES

The following, other than the language in italics, is the text of the Conditions of the Securities which (subject to modification) will be endorsed on each Security in definitive form:

The U.S.$500,000,000 5.900 per cent. Subordinated Capital Securities (the "**Securities**") of Kyobo Life Insurance Co., Ltd. (the "**Issuer**") are issued subject to and with the benefit of an Agency Agreement dated June 15, 2022 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Citibank N.A., London Branch as fiscal agent and transfer agent (the "**Fiscal Agent**", the "**Principal Paying Agent**" and, together with any other paying agents appointed from time to time under the Agency Agreement, the "**Paying Agents**"), Citibank N.A., London Branch as registrar (the "**Registrar**"), Citibank N.A., London Branch as calculation agent (the "**Calculation Agent**") and the other agents named in it (together with the Fiscal Agent, the Registrar, the Calculation Agent and the other Paying Agents, the "**Agents**").

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the holders of the Securities (the "**Securityholders**") at the specified office of each of the Paying Agents. The Securityholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents, the Calculation Agent and the Agents shall include any successor appointed under the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and principal amount

The Securities are issued in registered form in amounts of U.S.$200,000 and multiples of U.S.$1,000 in excess thereof (referred to as a "**principal amount**" of a Security). A certificate (each a "**Certificate**") will be issued to each Securityholder in respect of its registered holding of Securities.

Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Securityholders which the Issuer will procure to be kept by the Registrar.

The Securities are not issuable in bearer form.

1.2 Title

Title to the Securities passes only by registration in the register of Securityholders. The holder of any Security will (except as otherwise required by law) be treated as its absolute owner for all purposes(whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions "**Securityholder**" and (in relation to a Security) "**holder**" means the person in whose name a Security is registered in the register of Securityholders.

2. TRANSFERS OF SECURITIES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Security may be transferred by depositing the Certificate issued in respect of that Security, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents.

For a description of certain restrictions on transfers of interests in the Securities, see "Transfer Restrictions."

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Securities will, within five Business Days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed

on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Security to the address specified in the form of transfer. For the purposes of this Condition, "**Business Day**" shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances, owners of interests in the Securities will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Securities are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement.

Where some but not all of the Securities in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Securities not so transferred will, within five Business Days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Securities not so transferred to the address of such holder appearing on the register of Securityholders or as specified in the form of transfer.

2.3 **Formalities free of charge**

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

2.4 **Closed periods**

No Securityholder may require the transfer of a Security to be registered during the period of 15 days ending on the due date for any payment of principal, premium (if any) or Distribution on that Security.

2.5 **Regulations**

All transfers of Securities and entries on the register of Securityholders will be made subject to the detailed regulations concerning transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Securityholder who requests one.

3. **STATUS**

3.1 **Status**

The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves, *pari passu* with any Parity Obligations of the Issuer and in priority to the claims of holders of Junior Obligations of the Issuer. The rights and claims of the Securityholders are subordinated as described in Condition 3.2.

3.2 **Subordination**

(a) *Subordination*

In the event of the Winding-Up of the Issuer, the rights and claims of the Securityholders to payment of principal and any Distribution under the Securities shall rank senior to, and in priority to, the claims of all holders of any present or future Junior Obligations of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Issuer (including, but not limited to, dated subordinated creditors of the Issuer), other than the claims of holders of Parity Obligations of the Issuer. The Securities will rank *pari passu* with Parity Obligations of the Issuer.

(b) *Set-off*

A Securityholder by its acceptance of a Security or its interest therein thereby agrees that (i) if any payment in respect of that Security is made to the Securityholder and the amount of the

payment exceeds the amount, if any, that should have been paid to the Securityholder upon the proper application of these subordination provisions, the payment of the excess amount will be deemed null and void and the Securityholder (without any agent having any obligation or liability with respect thereto, except that the Fiscal Agent shall return to the Issuer (or, in the event of its Winding-Up, the liquidator or, as appropriate, administrator of the Issuer) in accordance with the instructions provided by the Issuer (or, in the event of its Winding-Up, the liquidator or, as appropriate, administrator of the Issuer), any excess amount which remains held by it at the time of the notice next referred to) will be obliged to return the amount of the excess payment, in accordance with the instructions provided by the Issuer (or, in the event of its Winding-Up, the liquidator or, as appropriate, administrator of the Issuer), within ten days of receiving notice from the Issuer (or, in the event of its Winding-Up, the liquidator or, as appropriate, administrator of the Issuer) of the excess payment, and (ii) the Securityholder will not exercise any right to set off any liabilities of the Issuer under the Security which become so payable (including overdue amounts) against any liabilities of the Securityholder owed to the Issuer unless, until and only in such amount as the liabilities of the Issuer under the Security become payable pursuant to the proper application of these subordination provisions. The Issuer will not exercise any right to set off any liabilities of the Securityholder owed to the Issuer against any liabilities of the Issuer under the Security.

4. DISTRIBUTION

4.1 Distributions

Subject to Conditions 4.6 and 4.7, each Security shall entitle the Securityholder thereof to receive distributions ("**Distributions**" and each a "**Distribution**") from and including, June 15, 2022 (the "**Issue Date**") at the applicable Distribution Rate in accordance with the provisions of this Condition.

4.2 Distribution Rate

The Distribution Rate applicable to the Securities shall be:

(a) in respect of the period from, and including, the Issue Date to, but excluding, June 15, 2027 (the "**Initial Reset Date**" and such period, the "**Initial Rate Period**"), 5.900 per cent. per annum (the "**Initial Distribution Rate**");

(b) in respect of the period from, and including, the Initial Reset Date to, but excluding, June 15, 2032 (the "**Step-Up Date**"), a rate per annum equal to the sum of the Treasury Rate plus the Initial Spread (the "**Initial Reset Distribution Rate**"); and

(c) in respect of the period from, and including, the Step-Up Date or each Reset Date thereafter, as the case may be, to, but excluding, the immediately following Reset Date, the applicable Reset Step-Up Distribution Rate.

Subject to Conditions 4.6 and 4.7, Distributions shall be payable on the Securities semiannually in arrear on June 15 and December 15 in each year (each, a "**Distribution Payment Date**"), with the first Distribution Payment Date falling on December 15, 2022 in respect of the period from, and including, the Issue Date to, but excluding, such first Distribution Payment Date.

If a Distribution is required to be paid in respect of a Security on any date other than a Distribution Payment Date, it shall be calculated by applying the relevant Distribution Rate to the principal amount of such Security, multiplying the product by the Day Count Fraction (as defined below) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

Distributions payable under this Condition 4 will be paid in accordance with Condition 5.

4.3 **Calculation of Distribution Rate**

The Calculation Agent will, on each Reset Determination Date, calculate the applicable Reset Distribution Rate payable in respect of each Security. The Calculation Agent will cause the applicable Reset Distribution Rate determined by it to be notified to the Paying Agents and the Issuer as soon as practicable after such determination but in any event not later than the relevant Reset Date. Notice thereof shall also promptly be given by the Fiscal Agent to the Securityholders.

4.4 **Distribution accrual**

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distributions from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, the right to a Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of the Securities are received by or on behalf of the relevant Securityholder and (ii) the day which is seven days after the Fiscal Agent has notified the Securityholders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Securityholders under these Conditions).

4.5 **Notifications, etc. to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Securityholders.

4.6 **Optional cancellation of Distributions**

Unless a Compulsory Distribution Payment Event has occurred, the Issuer may elect to cancel, in whole but not in part, payment of any Distribution otherwise scheduled to be paid on a Distribution Payment Date by giving notice to the Securityholders in accordance with Condition 11 and to the Fiscal Agent at least seven Business Days prior to such Distribution Payment Date (such notice to be accompanied by a certificate signed by an Authorised Representative of the Issuer stating that no Compulsory Distribution Payment Event has occurred).

In this Condition, a "**Compulsory Distribution Payment Event**" will occur if, during the 12-month period ending on the tenth Business Day prior to such Distribution Payment Date, the Issuer has declared, paid or made any dividend, distribution or other payment in respect of, or redeemed or purchased, any Junior Obligations or Parity Obligations (other than any such payment, redemption or purchase that is mandatory pursuant to the terms thereof).

4.7 **Mandatory cancellation of Distributions on the occurrence of a Capital Deficiency Event**

Notwithstanding Condition 4.6, if a Capital Deficiency Event subsists as at the tenth Business Day prior to any Distribution Payment Date, any Distribution which has accrued for the relevant Distribution Period will not be due or payable on such Distribution Payment Date and payment of such Distribution will be mandatorily cancelled, in whole but not in part. The Issuer will give notice of the cancellation of a Distribution pursuant to this Condition 4.7 to the Securityholders in accordance with Condition 11 and to the Fiscal Agent as soon as possible but not less than seven Business Days prior to the relevant Distribution Payment Date (such notice to be accompanied by a certificate signed by an Authorised Representative of the Issuer stating that a Capital Deficiency Event has occurred).

4.8 **Distributions non-cumulative**

Distributions are non-cumulative. If the Issuer elects not to pay a Distribution in accordance with Condition 4.6, or is required not to pay a Distribution in accordance with Condition 4.7, such Distribution will not be due and payable on the relevant Distribution Payment Date and shall not accumulate or be payable at any time thereafter. If any Distribution is not paid on a

Distribution Payment Date pursuant to and in accordance with Condition 4.6 or 4.7, the right of Securityholders to receive such Distribution not paid will be lost, and the Issuer will have no obligation to pay such Distribution, whether or not any amount of Distribution is paid for any future Distribution Period and the failure to pay such Distribution shall not constitute a default by the Issuer for any purpose.

For the avoidance of doubt, no Securityholder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable pursuant to Condition 4.6 or 4.7. Accordingly, such Distribution shall not accumulate for the benefit of the Securityholders or entitle the Securityholders to any claim in respect thereof against the Issuer.

4.9 **Restrictions in the case of a payment limitation**

If, on any Distribution Payment Date, payment of a Distribution scheduled to be paid is not made in full pursuant to Condition 4.6 or 4.7 or otherwise, the Issuer shall not:

(a) declare, pay or make any discretionary dividends, distributions or other payments on, and will procure that no discretionary dividend, distribution or other payment is declared, paid or made on, any of its Junior Obligations or its Parity Obligations, save that such restriction shall not apply to payments in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(b) redeem, reduce, cancel, buy-back or acquire for any consideration on a discretionary basis any of its Junior Obligations or its Parity Obligations (except, in relation to Parity Obligations, where such redemption, reduction cancellation or buy-back is made on a *pro rata* basis with a *pro rata* purchase by the Issuer of Securities), save that such restriction shall not apply to an exchange of any of its Parity Obligations for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants,

in each case, until the next following Distribution Payment Date on which the Issuer pays in full the Distribution scheduled to be paid on such Distribution Payment Date.

5. **PAYMENTS**

5.1 **Payments in respect of Securities**

(a) Payment of principal, premium (if any) and Distribution will be made by transfer to the registered account of the Securityholder or by U.S. dollar cheque drawn on a bank that processes payments in U.S. dollars mailed to the registered address of the Securityholder if it does not have a registered account. Payments of principal and premium (if any) and payments of Distribution due otherwise than on a Distribution Payment Date will only be made against surrender of the relevant certificate at the specified office of any of the Agents. Distribution on Securities due on a Distribution Payment Date will be paid to the holder shown on the register of Securityholders at the close of business on the date (the "**record date**") being the fifteenth day before the due date for the payment of such Distribution.

(b) For the purposes of this Condition, a Securityholder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the register of Securityholders at the close of business, in the case of principal and premium (if any), on the second Business Day before the due date for payment and, in the case of Distribution, on the relevant record date, and a Securityholder's registered address means its address appearing on the register of Securityholders at that time.

5.2 **Payments subject to applicable laws**

All payments in respect of principal, premium (if any) and Distribution on Securities are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of

payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Securityholders in respect of such payments.

5.3 **Payment on Payment Business Days**

(a) Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Payment Business Day for value the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Payment Business Day preceding the due date for payment or, in the case of a payment of principal and premium (if any) or a payment of Distribution due otherwise than on a Distribution Payment Date, if later, on the Payment Business Day on which the relevant certificate is surrendered at the specified office of an Agent (other than the Calculation Agent).

(b) Securityholders will not be entitled to any Distribution or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Securityholder is late in surrendering its certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

(c) In this Condition, "**Payment Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in Seoul, New York City and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

5.4 **Partial payments**

If the amount of principal, premium (if any) or Distribution which is due on the Securities is not paid in full, the registrar will annotate the register of Securityholders with a record of the amount of principal, premium (if any) or Distribution in fact paid.

5.5 **Agents**

The names of the initial agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any agent and to appoint additional or other agents provided that at all times:

(a) there will be a Fiscal Agent;

(b) there will be a Registrar; and

(c) there will be a Calculation Agent.

Notice of any termination or appointment and of any changes in specified offices shall be given to the Securityholders promptly by the Issuer in accordance with Condition 11.

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer and do not assume any obligations towards, or relationship of agency or trust for or with, any of the Securityholders.

6. **REDEMPTION AND PURCHASE**

6.1 **Issuer redemption and automatic extension**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer may, at its option, redeem the Securities, in whole but not in part, at their outstanding principal

amount on June 15, 2052 (the "**Initial Issuer Redemption Date**") and on each date that falls thirty, or a multiple of thirty, calendar years after the Initial Issuer Redemption Date (each such date together with the Initial Issuer Redemption Date, an "**Issuer Redemption Date**"); *provided* that, if the Securities are not redeemed at the option of the Issuer on any Issuer Redemption Date, the tenor of the Securities will automatically be extended for 30 years from such Issuer Redemption Date; *provided* further that, if any Issuer Redemption Date would fall on a date that is not a Business Day, it will be postponed to the next Business Day.

The Issuer will give an irrevocable notice of its intention to redeem the Securities, not less than 30 nor more than 60 days prior to the relevant Issuer Redemption Date, to the Securityholders in accordance with Condition 11 and to the Fiscal Agent specifying the relevant Issuer Redemption Date, which will be a Business Day.

6.2 **Optional redemption**

The Issuer may, at its option, on the Initial Reset Date and on each Distribution Payment Date thereafter, upon giving notice to the Securityholders in accordance with Condition 11 and to the Fiscal Agent not less than 30 days but no more than 60 days prior to the proposed redemption date, redeem the Securities, in whole but not in part, at a redemption price equal to the principal amount of the Securities plus any accrued but unpaid Distributions to (but excluding) the date of redemption (other than any Distribution which has been cancelled pursuant to the provisions set forth in Condition 4.6 or 4.7) (the "**Optional Redemption Price**"); *provided* that:

(a) such redemption may not occur within five years of the Issue Date; and

(b) either:

(i) immediately after such redemption (which shall have been decided by the Issuer at its sole discretion and approved by the Financial Supervisory Service of Korea (the "**FSS**")), the Issuer's Solvency Margin Ratio shall be equal to or greater than 150%;

(ii) (A) the Issuer's Solvency Margin Ratio shall be equal to or greater than 100%; (B) prior to such redemption, the Issuer issues or incurs qualifying financing via instruments with stronger capital characteristics (such as shares or instruments with a maturity longer than the remaining maturity of the Securities and with more favourable financing terms, including but not limited to a lower interest rate) in an amount not less than the aggregate principal amount of the Securities to be redeemed; (C) the Distribution Rate of the Securities shall have been recognised by the FSS as significantly unfavourable to the Issuer due to changes in market conditions since the Issue Date; and (D) the Issuer shall have obtained prior approval from the FSS for such redemption; or

(iii) if the conditions in 6.2(b)(i) and 6.2(b)(ii) are no longer recognized by the FSS as meeting the requirements for an optional redemption by the Issuer of the Securities, the satisfaction of any such conditions as required under the Regulation on Supervision of Insurance Business (as amended or modified from time to time, the "**RSIB**"), the Detailed Enforcement Regulations on Insurance Business Supervision (as amended or modified from time to time, the "**Detailed Enforcement Regulations of RSIB**") or other successive regulations in effect at the time of such redemption.

The Issuer will notify the Securityholders of the Optional Redemption Price as soon as reasonably practicable after it has been determined (and in any event not later than the second Business Day before the date scheduled for redemption).

The requirements set forth in clause (b) above and the paragraph immediately above are hereinafter referred to as the "**Optional Redemption and Purchase Conditions**."

6.3 **Gross-Up Event redemption**

Subject to the satisfaction of the Optional Redemption and Purchase Conditions, if a Gross-Up Event has occurred and is continuing, the Issuer may, at any time upon giving not less than

30 days' notice to the Securityholders in accordance with Condition 11 and to the Fiscal Agent, redeem the Securities, in whole but not in part, at the Optional Redemption Price.

Prior to giving a notice of redemption pursuant to this Condition 6.3, the Issuer will deliver to the Fiscal Agent (a) a certificate signed by an Authorised Representative of the Issuer stating that the Issuer is entitled to effect such redemption and (b) an opinion of independent tax counsel to the Issuer experienced in such matters to the effect that a Gross-Up Event with respect to Securities has occurred. The delivery of the opinion referred to in (b) will constitute conclusive evidence of the occurrence of a Gross-Up Event.

No notice of redemption with respect to a Gross-Up Event shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amount were a payment in respect of the Securities then payable.

6.4 **Regulatory Event redemption**

Subject to the satisfaction of the Optional Redemption and Purchase Conditions and upon the occurrence of a Regulatory Event, the Issuer may, at any time upon giving not less than 30 days notice to the Securityholders in accordance with Condition 11 and to the Fiscal Agent, redeem the Securities, in whole but not in part, at the Optional Redemption Price.

Prior to giving a notice of redemption pursuant to this Condition 6.4, the Issuer will deliver to the Fiscal Agent (a) a certificate signed by an Authorised Representative of the Issuer stating that the Issuer is entitled to effect such redemption and (b) an opinion of independent legal counsel to the Issuer experienced in such matters to the effect that a Regulatory Event with respect to the Securities has occurred. The delivery of the opinion referred to in (b) will constitute conclusive evidence of the occurrence of a Regulatory Event.

No notice of redemption with respect to a Regulatory Event shall be given earlier than 90 days prior to the earliest date on which the relevant change or amendment to law or regulation or interpretation of the regulatory capital requirements is due to take effect.

6.5 **Accounting Event redemption**

Subject to the satisfaction of the Optional Redemption and Purchase Conditions and upon the occurrence of an Accounting Event, the Issuer may, at any time upon giving not less than 30 days notice to the Securityholders in accordance with Condition 11 and to the Fiscal Agent, redeem the Securities, in whole but not in part, at the Optional Redemption Price.

Prior to giving a notice of redemption pursuant to this Condition 6.5, the Issuer will deliver to the Fiscal Agent (a) a certificate signed by an Authorised Representative of the Issuer stating that the Issuer is entitled to effect such redemption and (b) an opinion of independent auditors to the Issuer to the effect that an Accounting Event with respect to the Securities has occurred. The delivery of the opinion referred to in (b) will constitute conclusive evidence of the occurrence of an Accounting Event.

No notice of redemption with respect to an Accounting Event shall be given earlier than 90 days prior to the earliest date on which the relevant change or amendment to, or change in the interpretation of, relevant accounting standards is due to take effect.

6.6 **Tax Deductibility Event redemption**

Subject to the satisfaction of the Optional Redemption and Purchase Conditions and upon the occurrence of a Tax Deductibility Event, the Issuer may, at any time upon giving not less than 30 days notice to the Securityholders in accordance with Condition 11 and to the Fiscal Agent, redeem the Securities, in whole but not in part, at the Optional Redemption Price.

Prior to giving a notice of redemption pursuant to this Condition 6.6, the Issuer will deliver to the Fiscal Agent (a) a certificate signed by an Authorised Representative of the Issuer stating that the Issuer is entitled to effect such redemption and (b) an opinion of independent tax counsel to the Issuer experienced in such matters to the effect that a Tax Deductibility Event with respect to the Securities has occurred. The delivery of the opinion referred to in (b) will constitute conclusive evidence of the occurrence of a Tax Deductibility Event.

No notice of redemption with respect to a Tax Deductibility Event shall be given earlier than 90 days prior to the earliest date on which the loss of deductibility on Distributions payable on the Securities is due to take effect.

6.7 **No Other Redemption**

The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Conditions 6.1 to 6.6, both inclusive.

6.8 **Purchase and cancellation of Securities**

Subject to satisfaction of the Optional Redemption and Purchase Conditions, the Issuer may after the fifth anniversary of the Issue Date purchase outstanding Securities by tender, in the open market or by private agreement. Any Securities so purchased by the Issuer will be immediately cancelled in accordance with the Agency Agreement and applicable law. The Issuer may make any payment in respect of such purchase as is authorised by applicable law.

6.9 **Notice final**

Upon the expiry of any notice of redemption as is referred to in Condition 6.1, 6.2, 6.3, 6.4, 6.5 and 6.6, the Issuer shall be bound to redeem the Securities to which the notice of redemption refers in accordance with the terms of such Condition.

Once a notice of redemption has been given under any of the provisions described in Condition 6.1, 6.2, 6.3, 6.4, 6.5 or 6.6, no similar notice of redemption may be given under any other options. If at any time the Securities may be redeemed under more than one such option, the Issuer may elect at its sole discretion under which option a notice of redemption is to be given.

The Fiscal Agent shall not be responsible for any failure by the Issuer to obtain the prior written approval of the Governor of the FSS (if required) or to satisfy any Optional Redemption and Purchase Conditions, or be concerned with the contents of any such approval or any notice of redemption.

7. **TAXATION**

All payments (if any) of principal of, and Distribution on, the Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (the "**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Securityholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Securities in the absence of the withholding or deduction, except that no Additional Amounts shall be payable in respect of:

(a) any Taxes that would not have been so imposed or levied but for the existence of any present or former connection between the holder or the beneficial owner of the Security and the Relevant Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Jurisdiction) otherwise than merely by holding such Securities, receiving principal or Distribution in respect thereof or enforcing payments thereon;

(b) any Taxes that would not have been so imposed or levied if the holder or beneficial owner made a declaration of non-residence or any other claim, or filed or satisfied any certification, information or reporting requirement for exemption from, or reduction in the rate of, withholding to which it is entitled, but only to the extent such holder or beneficial owner is legally entitled to provide such certification or documentation;

(c) any Taxes imposed or withheld under Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreements

(including any agreement described in Section 1471(b) of the Code) entered into pursuant thereto and any law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing;

(d) any Security presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to Additional Amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day; or

(e) any combination of items (a) and (d) above.

Any reference in these Conditions to any amounts of principal and Distribution in respect of the Securities will be deemed also to refer to any Additional Amounts which may be payable under this Condition 7. For the purposes of this Condition 7, "holder" shall mean to include any fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over, the holder, if such holder is an estate, nominee, trust, partnership, limited liability company or corporation.

8. PRESCRIPTION

Claims in respect of principal, premium (if any) and Distribution will become prescribed unless made within 10 years (in the case of principal and premium (if any)) and five years (in the case of Distributions) from the Relevant Date.

9. NON-PAYMENT

9.1 Non-payment when due

Notwithstanding any of the provisions below in this Condition 9, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected not to pay it under the provisions set forth in Condition 4.6 or the Issuer is not required to pay it pursuant to Condition 4.7.

9.2 Proceedings for Winding-Up

If (i) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or (ii) the Issuer shall not make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities and Securityholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Securities may, subject to satisfaction of the relevant requirements of applicable law, institute proceedings for the Winding-Up of the Issuer and/or prove in the Winding-Up of the Issuer and/or claim in the liquidation of the Issuer for the principal amount of the Securities plus any accrued but unpaid Distribution (other than any Distribution which has not been paid pursuant to the provisions set forth in Condition 4.6 or 4.7).

9.3 Enforcement

Without prejudice to Condition 9.2, Securityholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Securities may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Securities (other than any payment obligation of the Issuer under or arising from the Securities, including, without limitation, payment of any principal or premium or satisfaction of any Distributions in respect of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

9.4 **Extent of Securityholders' remedy**

No remedy against the Issuer, other than as referred to in this Condition 9, shall be available to the Securityholders, whether for the recovery of amounts owing in respect of the Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities.

10. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. NOTICES

All notices to the Securityholders will be valid if mailed to them at their respective addresses in the register of Securityholders maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication. It is expected that publication will normally be made in the *Asian Wall Street Journal*.

12. MEETINGS OF SECURITYHOLDERS, MODIFICATION, SUBSTITUTION AND VARIATION

12.1 **Meeting of Securityholders**

The Agency Agreement contains provisions for convening meetings of the Securityholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution (as defined in the Agency Agreement) of any of these Conditions or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Securities held or represented by him or them, except that, at any meeting the business of which includes the modification of certain of these Conditions, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than 75 per cent., or at any adjourned meeting not less than a clear majority, of the principal amount of the Securities for the time being outstanding; *provided* that, no modification, amendment or waiver of any Security or the Agency Agreement may, without the consent of each Securityholder affected thereby:

(a) vary or abrogate the rights of such Securityholder relating to the amount of Distribution, or Additional Amounts, or the amount received by such Securityholder upon redemption of the Securities;

(b) change the date of the Initial Reset Date or the Step-Up Date;

(c) change the obligation of the Issuer to pay Additional Amounts;

(d) impair the right to institute suit for the enforcement of any payment with respect to any Security after the date on which such payment is due;

(e) change the place of payment of, or the coin or currency of payment of the principal of, premium (if any) on or Distribution on any Security; or

(f) reduce the above-stated percentage of aggregate principal amount of the Securities outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action;

provided, further, that the term of the Securities will be automatically extended for 30 years on the Initial Issuer Redemption Date or, if applicable, any subsequent Issuer Redemption Date, if they are not redeemed by the Issuer on such Initial Issuer Redemption Date or such subsequent Issuer Redemption Date, as the case may be. An Extraordinary Resolution passed at any meeting of the Securityholders will be binding on all Securityholders, whether or not they are present at the meeting.

12.2 **Modification**

The Fiscal Agent may agree, without the consent of the Securityholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Securityholders. Any modification shall be binding on the Securityholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Securityholders as soon as practicable thereafter in accordance with Condition 11.

12.3 **Substitution or Variation**

The Issuer may (without any requirement for the consent or approval of the Securityholders but subject to Condition 12.4) at any time on giving not less than 30 nor more than 60 days' notice to the Securityholders in accordance with Condition 11 and to the Agents, either:

(a) substitute all, but not some only, of the Securities for; or

(b) vary the terms of the Securities with the effect that they remain or become (as the case may be),

Qualifying Securities if at any time a Gross-Up Event, Regulatory Event. Accounting Event or Tax Deductibility Event has occurred and is continuing (provided that, prior to giving such notice, the Issuer has delivered to the Fiscal Agent: (A) a certificate signed by an Authorised Representative of the Issuer stating that the Issuer would be entitled to effect a redemption in respect of such event pursuant to Condition 6 and (B) in respect of a Gross-Up Event, Regulatory Event, Accounting Event or Tax Deductibility Event, an opinion that such event has occurred as described in Condition 6.3, 6.4, 6.5 or 6.6, respectively). Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities. Any such substitution or variation shall not be permitted if such substitution or variation would itself give rise to a Gross-Up Event, Regulatory Event, Accounting Event or Tax Deductibility Event in relation to the Qualifying Securities.

Notwithstanding the foregoing, should a substitution or variation take place at the option of the Issuer under this Condition 12.3, Conditions 3.2, 4.2, 4.6, 4.7, 4.8, 6.1, 6.2 and 16 will survive to the extent that they are necessary for the Securities to qualify as subordinated capital securities pursuant to Article 7-9 of the RSIB, the Detailed Enforcement Regulations of RSIB or other successive regulations in effect at the time of such substitution or variation.

12.4 **Approval**

Notwithstanding any of the above, no provision of Securities may be amended without the prior written consent of the FSS or other relevant regulatory authorities of Korea (if then required) if such amendment would or may result in Securities not being treated as regulatory capital of the Issuer under applicable regulations.

13. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Securityholders create and issue further securities either having the same terms and conditions as the Securities 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 Securities) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities.

14. GOVERNING LAW AND SUBMISSION TO JURISDICTION

14.1 Governing Law

The Agency Agreement and the Securities, and any non-contractual obligations arising out of or in connection with them, are governed by, and will be construed in accordance with, English law, except that Condition 3.2 is governed by, and will be construed in accordance with, Korean law.

14.2 Jurisdiction of English Courts

(a) Subject to Condition 14.2(c) below, the English courts have jurisdiction to settle any dispute arising out of or in connection with the Securities, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Securities (a "**Dispute**") and accordingly in relation to any Dispute the Issuer submits to the jurisdiction of the English courts.

(b) For the purposes of this Condition 14.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

14.3 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints Kyobo Life London Office at Level 1, Devonshire House, One Mayfair Place, Mayfair, W1J 8AJ, United Kingdom as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

15. RIGHTS OF THIRD PARTIES

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

16. DEFINITIONS

For the purpose of these Conditions (except where otherwise defined) the expression:

(a) "**Accounting Event**" means that, as a result of any changes or amendments to, or change in the interpretation of, relevant accounting standards, the full principal amount of the Securities must not or must no longer be recorded as "equity" in the Issuer's financial statements prepared in accordance with such relevant accounting standards.

(b) "**Authorised Representative**" means, with respect to the Issuer, each officer of the Issuer and any other person duly appointed by such officer pursuant to a power of attorney with specific powers to perform such act on behalf of such officer; provided, however, that such power of attorney is granted in a legal and valid manner pursuant to the Issuer's organisational documents.

(c) "**Business Day**" means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in both Seoul and New York City.

(d) "**Calculation Date**" means, in relation to a Reset Period, the fifth Business Day preceding the Reset Date on which such Reset Period commences.

(e) "**Capital Deficiency Event**" means, as at the relevant date, (x) the Issuer being designated as an "insolvent financial institution" under subparagraph 2 of Article 2 of the Act on the Structural Improvement of the Financial Industry, as amended or modified from time to time ("**ASIFI**"), or (y) either a "management improvement recommendation" a " management improvement requirement" or a " management improvement order" has been issued by the Financial Services Commission of Korea (the "**FSC**") under the Articles 7-17, 7-18 and 7-19, respectively, or an "emergency measure" is imposed by the FSC under the Article 7-43 of the RSIB.

Any terms referred in Condition 16(e) are subject to change upon amendment or modification of the respective laws and regulations. For further information on "insolvent financial institution," "management improvement recommendation," "management improvement requirement," " management improvement order" and "emergency measure" and the abovementioned provisions under ASIFI and RSIB, see "Risk Factors — Risks Relating to the Securities — Holders of Securities may not receive Distributions if we elect to cancel them or if a Capital Deficiency Event has occurred and is continuing" and "Regulation and Supervision of the Korean Life Insurance Industry".

The foregoing statement in italics does not form part of the terms and conditions of the Securities.

(f) "**Comparable Treasury Issue"** means the U.S. Treasury security having a maturity comparable to the Reset Period and selected by an internationally recognised investment banking firm selected by the Issuer that is a primary U.S. government securities dealer as one that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to the Reset Period.

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

(h) "**declare**" and "**declaration**" mean either (i) the approval by the shareholders of the Issuer at a shareholders' meeting of the Issuer's statement of changes in equity included in the annual financial statements or (ii) the approval by the board of directors of the Issuer of an interim or quarterly dividend payment.

(i) "**Distribution Period**" means (i) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Distribution Payment Date and thereafter (ii) each successive period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next succeeding Distribution Payment Date.

(j) "**Distribution Rate**" means the Initial Distribution Rate, the Initial Reset Distribution Rate and/or the Reset Step-Up Distribution Rate, as the case may be.

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

(l) "**Independent Adviser**" means any independent investment bank of international standing appointed by the Issuer at its own expense from time to time for the purposes of carrying out the duties described in these Conditions and in performing such role such entity shall have regard to the interests of the Issuer and the Securityholders alike.

(m) "**Initial Spread**" means 2.887 per cent. per annum.

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

(o) "**London Banking Day**" means any day on which commercial banks are open for business (including dealings in foreign currency deposits) in London the United Kingdom.

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

(q) "**Qualifying Securities**" means, in relation to a substitution or variation of the securities following a Gross-Up Event, Regulatory Event, Accounting Event or Tax Deductibility Event (as the case may be), securities that:

(i) have terms not materially less favourable to an investor than the terms of the Securities (as reasonably determined by an Independent Adviser);

(ii) are issued directly or indirectly by the Issuer;

(iii) shall (or have the benefit of a guarantee that shall) rank *pari passu* with the Securities on a Winding-Up of the Issuer thereof, shall preserve the Securityholders' rights to any payment of accrued and unpaid Distribution (subject to cancellation in accordance with Conditions 4.6 and 4.7) and shall contain terms which provide for the same Distribution Rate, Distribution Payment Dates and redemption events from time to time applying to the Securities, and other terms of such securities are substantially identical (as reasonably determined by an Independent Adviser) to the Securities, save for the modifications or amendments to such terms that are specifically required to be made in order to avoid or resolve the Gross-Up Event, Regulatory Event, Accounting Event or Tax Deductibility Event, as the case may be;

(iv) have been, or will on their issue date be, assigned at least the same equity credit as, or higher equity credit than, the credit rating as that assigned by a Rating Agency to the Securities immediately prior to such substitution or variation (if the Securities are at such time rated); and

(v) are listed on The Stock Exchange of Hong Kong, the Singapore Exchange Securities Trading Limited or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.

(r) "**Rating Agency**" means Moody's Investor Services, Inc. ("**Moody's**") or Fitch Ratings, Inc. ("**Fitch**") (including any of their respective successors to the ratings business, and if Moody's or Fitch has ceased to provide rating services for the Securities, such other ratings agency as may have been appointed by the Issuer at such time, such as Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc).

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

(t) "**Regulatory Event**" means that where the Securities have been recognised as regulatory capital of the Issuer in the FSC's calculation of the Issuer's regulatory capital ratios and at a subsequent time, due to a change of law, regulation or interpretation thereof, which change becomes effective (or in the case of a change in the application or official interpretation, occurs or is being announced) after the Issue Date, there is more than an insubstantial risk that the Securities would not, or would no longer, be eligible, in whole or in part, to be included within the regulatory capital ratios of the Issuer.

(u) "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Securityholders by the Issuer in accordance with Condition 11.

(v) "**Relevant Jurisdiction**" means the Republic of Korea or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal, premium (if any) and Distribution on the Securities.

(w) **"Reset Date**" means the Initial Reset Date, the Step-Up Date and each date that falls five, or a multiple of five, calendar years after the Step-Up Date.

(x) "**Reset Determination Date**" means, in relation to a Reset Period, the second London Banking Day before the commencement of such Reset Period for which the applicable Reset Distribution Rate will apply.

(y) "**Reset Distribution Rate**" means the Initial Reset Distribution Rate or the Reset Step-Up Distribution Rate, as the case may be.

(z) "**Reset Period**" means the period from and including the Initial Reset Date to but excluding the next Reset Date (being the Step-Up Date), and thereafter each successive period from and including a Reset Date to but excluding the next succeeding Reset Date.

(aa) "**Reset Step-Up Distribution Rate**" means, in relation to any Reset Period that commences on or after the Step-Up Date, the Treasury Rate in relation to that Reset Period plus the Initial Spread plus the Step-Up Margin per annum, calculated on the relevant Reset Determination Date.

(bb) "**Solvency Margin Amount**" means (i) the aggregate of paid-in capital, reserves for dividends to policyholders, bad debt allowances, subordinated borrowings and amount of other similar items (as determined and announced by the FSC) *minus* (ii) the aggregate of unamortised deferred acquisition cost, goodwill and amount of other similar items (as determined and announced by the FSC).

(cc) "**Solvency Margin Ratio**" means the ratio obtained by dividing the Solvency Margin Amount by the Standard Solvency Margin Amount. Under the current Korean solvency regulations applicable to insurance companies, the Solvency Margin Ratio corresponds to the risk-based capital adequacy ratio under the risk-based capital regime implemented by the FSS.

(dd) "**Standard Solvency Margin Amount**" means the result produced by converting the risks that may arise while carrying out an insurance business into a certain amount by using the method determined and announced by the FSC.

(ee) "**Step-Up Margin**" means one per cent. per annum.

(ff) "**Tax Deductibility Event**" means the occurrence of a more than insubstantial increase in the risk that Distributions payable by the Issuer on the Securities are not, or will no longer, be deductible by the Issuer, in whole or in part, for Korean (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) tax purposes, as a result of (i) any change (including any officially announced proposed changes in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Korea (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the Issue Date (or, in the case of a successor, following the date of succession), or (ii) any administrative decision, judicial decision, administrative action or any other official pronouncement interpreting or applying those law, regulations or rulings that is announced on or after the Issue Date (or, in the case of a successor, following the

date of succession), and, in each case, such non-deductibility cannot be avoided by the Issuer through the taking of reasonable measures available to the Issuer.

(gg) "**Treasury Rate**" means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate (expressed in per cent. per annum) notified by the Calculation Agent to the Issuer and the Securityholders (in accordance with Condition 12) equal to the yield, under the heading that represents the average for the week immediately prior to the relevant Reset Determination Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System, available on the world-wide-website of the Board of Governors of the Federal Reserve System at http://www.federalreserve.gov/releases/h15/ or any successor site, and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue, or if there is no Comparable Treasury Issue with a maturity date that falls within three months before or after the following Reset Date after such Reset Period, yields for the two published maturities most closely corresponding to such Reset Period will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month). If such release (or any successor release) is not published during the week preceding the relevant Reset Determination Date or does not contain such yields, the Treasury Rate shall be the rate (expressed in per cent. per annum) equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the relevant Reset Determination Date.

(hh) "**Winding-Up**" means a final and effective order or resolution by a competent authority for the bankruptcy, winding up, liquidation or similar proceedings in respect of the Issuer.

THE GLOBAL CERTIFICATE

The Global Certificates contain provisions which apply to the Securities in respect of which the Global Certificates are issued, some of which modify the effect of the Conditions of the Securities. Terms defined in the "Terms and Conditions of the Securities" have the same meaning in the paragraphs below.

General

The Securities will initially be represented by one or more Global Certificates. The Securities sold to QIBs in reliance on Rule 144A will be issued initially in the form of one or more Rule 144A Global Certificates in fully registered form without interest coupons, which will be deposited with Citibank, N.A., London Branch, as custodian for DTC (in such capacity, the "Custodian") and registered in the name of Cede & Co., as nominee of DTC. The Securities sold in offshore transactions in reliance on Regulation S will be initially in the form of one or more Regulation S Global Certificates in fully registered form without interest coupons, which will be deposited with the Custodian and registered in the name of Cede & Co., as nominee of DTC, for the accounts of Euroclear and Clearstream, each of which maintains a U.S. depositary that is a participant in DTC.

Investors may hold their interests in the Global Certificates directly through DTC, Clearstream or Euroclear, as the case may be, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Euroclear and Clearstream will hold interests in the Regulations S Global Certificates on behalf of their participants through DTC. Persons who are not participants in such clearing systems may beneficially own interests in the Global Certificates held by DTC only through participants in such clearing systems or indirect participants (as defined below). Participants include certain securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

So long as the Securities are represented by Global Certificates and such Global Certificates are held by DTC or any other clearing system or by a nominee of DTC or any other clearing system, such clearing system or its nominee will be considered the sole holder of the Securities represented by the applicable Global Certificates for all purposes under the Agency Agreement, including, without limitation, obtaining consents and waivers thereunder, and neither the Fiscal Agent nor we shall be affected by any notice to the contrary. Neither the Fiscal Agent nor we shall have any responsibility or obligation with respect to the accuracy of any records maintained by any clearing system or any participant or indirect participant of such clearing system. The clearing systems will take actions on behalf of their participants (and any such participants will take actions on behalf of any indirect participants) in accordance with their standard procedures. To the extent that any clearing system acts upon the direction of the holders of the beneficial interests in the applicable Global Certificate and such beneficial holders give conflicting instructions, the applicable clearing system may take conflicting actions in accordance with such instructions.

All interests in the Global Certificates, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of their respective systems.

DTC has advised us that it will take any action permitted to be taken by a holder of Securities (including, without limitation, the presentation of Securities for exchange as described below) only at the direction of one or more participants and only in respect of the principal amount of the Securities represented by the Global Certificate as to which such participant or participants has or have given such direction.

Payments

Payment of Distributions and principal on the Global Certificates will be made to Cede & Co., the nominee for DTC, or such other nominee as may be requested by an authorized representative of DTC, as the registered owner of the Global Certificates by wire transfer of immediately available funds. Neither we nor the Principal Paying and Transfer Agent will have any responsibility or liability for any

aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificates by DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest by DTC.

We have been informed by DTC that upon receipt of any payment of Distributions on or the principal of the Global Certificates, DTC will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the Global Certificates as shown on the records of DTC. We expect that payments of Distributions on and principal of the Securities held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream participants or Euroclear participants, as the case may be, in accordance with the relevant system's rules and procedures. Payments by participants to owners of beneficial interests in the Global Certificates held through such participants will be the responsibility of such participants, as is the case with securities held by broker-dealers, either directly or through nominees, for the accounts of customers and registered in "street name."

Cancellation

Cancellation of any Security represented by the Global Certificates following its redemption or purchase by us will be effected by endorsement by or on behalf of the Fiscal Agent of the reduction in the aggregate principal amount of the Securities in the register of Securityholders.

Transfers

The Securities (including beneficial interests in the Global Certificates) will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement and will bear a legend regarding such restrictions as set forth under "Transfer Restrictions." Under certain circumstances, transfers may be made only upon receipt by the Registrar of a written certification (in the form(s) provided in the Agency Agreement).

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules. Transfers between participants in Clearstream and Euroclear ("Clearstream participants" and "Euroclear participants," respectively) will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Securities, cross-market transfers between DTC, on the one hand, and Clearstream participants or Euroclear participants, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be. Any beneficial interest in one of the Global Certificates that is transferred to an entity which takes delivery in the form of an interest in the other Global Certificate will, upon transfer, cease to have an interest in such Global Certificate and receive an interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Certificate for as long as it retains such an interest.

Notices

So long as the Securities are represented by one or more Global Certificates and the Global Certificates are held on behalf of DTC or any other clearing system, notices to Securityholders required by the Terms and Conditions of the Securities may be given by delivery of the relevant notice to DTC or such other clearing system (as the case may be) for communication by it to entitled accountholders.

Individual Securities

If DTC is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by us within 90 days, we will issue individual Securities in certificated, definitive registered form in exchange for the Global Certificates.

Subject to the transfer restrictions set forth on the individual Securities in certificated form, the holder of such individual Securities in certificated form may transfer or exchange such Securities in whole or in part by surrendering them at the specified office of the Registrar. Prior to any proposed

transfer of individual Securities in certificated form (other than pursuant to an effective registration statement), the holder may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation to the Registrar. Upon the transfer, exchange or replacement of individual Securities in certificated form not bearing a legend referred to under "Transfer Restrictions," the Registrar will deliver individual Securities in certificated form that do not bear a legend. Upon the transfer, exchange or replacement of individual Securities in certificated form bearing a legend, or upon specific request for removal of a legend on an individual Security in certificated form, the Registrar will deliver only individual Securities in certificated form that bear such legend or shall refuse to remove such legend, as the case may be, unless there is delivered to us such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by us that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Singapore Paying Agent

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

Miscellaneous

DTC has advised us as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for the physical movement of certificates.

Although DTC, Clearstream and Euroclear have established the foregoing procedures in order to facilitate transfers of interests in the Global Certificates among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the Fiscal Agent will have any responsibility for the performance by DTC, Clearstream and Euroclear, or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

REGULATION AND SUPERVISION OF THE KOREAN LIFE INSURANCE INDUSTRY

Under the Insurance Business Act, a company seeking to engage in the insurance business in Korea is required to obtain business authorizations and licenses from the FSC, and such company is required to comply with the Insurance Business Act and the Corporate Governance Act, and their respective subordinate rules and regulations, in operating its business. These rules and regulations cover, among other things: (i) the requirements for obtaining business authorizations and licenses to operate an insurance company; (ii) the scope of business an insurance company may undertake; (iii) the operations of an insurance company, including its asset management activities; (iv) the operations of a foreign insurance company in Korea; (v) methods of insurance solicitation; (vi) supervision of the insurance business; and (vii) disciplinary actions for violation of the Insurance Business Act, which may include revocation of license, imprisonment, suspension of operations, fines, surcharges and penalties.

The Corporate Governance Act, the Enforcement Decree of the Corporate Governance Act and the Enforcement Rules of the Corporate Governance Act also provide for, among other things: (a) requirements for the directors, officers and certain employees of an insurance company and matters to be observed by them; (b) requirements for obtaining approval to become a large shareholder of an insurance company (defined as (1) the largest shareholder and its specially-related persons; or (2) major shareholders holding 10% or more of the equity interest in, or exercising de facto control over, such entity), and certain on-going eligibility requirements to be met by the largest shareholder; (c) the corporate governance structure of an insurance company, including the requirements for outside directors and committees of the board of directors; and (d) matters relating to the internal control system of an insurance company.

The FSC has the authority to oversee matters involving licenses necessary for, and supervision of, the insurance business. Through the Regulation on Supervision of Insurance Business and the Regulation on Corporate Governance of Financial Companies, the FSC provides detailed criteria for obtaining the authorization necessary to engage in the insurance business, as well as various comprehensive standards required to be met by an insurance company as determined by the FSC. The FSC entrusts the FSS with certain matters pursuant to the Regulation on Supervision of Insurance Business, which are specified under the Detailed Enforcement Regulations on Insurance Supervision. In addition, under the Financial Consumer Protection Act, which was enacted in March 2020 and became effective in March 2021 (with certain provisions relating to internal control under such Act to have become effective in September 2021), insurance companies, as financial instrument distributors, are subject to heightened financial consumers protection measures, including regulations relating to the sale of financial products, including methods of insurance solicitation.

Since an insurance company falls within the scope of a financial institution under the Act on the Structural Improvement of the Financial Industry, special provisions thereunder apply to an insurance company in the event (i) it merges with, or converts into, another financial institution, (ii) it becomes bankrupt or insolvent or is dissolved or (iii) members of its business group acquire shares of another company by more than a certain percentage. In addition, an insurance company that offers and sells investment-type insurance products (such as variable insurance) and manages assets under special accounts for variable insurance policies falls within the scope of a financial investment company under the FSCMA. Such insurance company deemed as a financial investment company is subject to certain provisions under the FSCMA such as regulations on the control of conflicts of interest as well as the establishment and maintenance of firewalls for asset management of special accounts related to variable insurance policies. Furthermore, pursuant to the Foreign Exchange Transactions Act, an insurance company is required to obtain prior approval from the Ministry of Economy and Finance, The Bank of Korea, the FSS or a foreign exchange bank and may have to file subsequent ongoing reports if the company engages in any of the following: (a) a transaction involving a foreign currency; (b) a transaction with a non-resident involving either the Won or a foreign currency; (c) a transaction that requires a payment to be sent abroad; (d) a transaction through which a payment will be received from overseas; and (e) any other transaction prescribed under the Foreign Exchange Transactions Act.

Authorization and License

Criteria for Establishment

Under the Insurance Business Act, an entity seeking authorization to engage in insurance business in Korea must have (i) paid-in capital of not less than Won 30 billion; (ii) sufficient manpower and adequate facilities; (iii) sound and reasonable business plans; and (iv) a large shareholder meeting certain eligibility criteria. If the large shareholder is a financial institution (other than a private equity fund), it is required to meet the following criteria:

- the large shareholder's equity must not be less than 300% of the total amount of investment in the insurance company;
- the financial soundness of the large shareholder must meet certain standards;
- if the large shareholder belongs to a large business group under the Monopoly Regulation and Fair Trade Act, the debt ratio of such group may not exceed 200%;
- the large shareholder must not have been subject to any criminal penalty equivalent to or more severe than a criminal fine during the last five (5) years for violation of certain laws regulating the financial industry, including the Insurance Business Act, the Banking Act, the FSCMA, the Monopoly Regulation and Fair Trade Act and the Punishment of Tax Evaders Act;
- if the large shareholder was a large shareholder or a related party of a financial institution which has been designated as a distressed financial institution pursuant to the Act on the Structural Improvement of the Financial Industry or whose license, registration or approval has been revoked pursuant to certain financial regulations, the large shareholder must have satisfied the standards as declared by the FSC by bearing the economic responsibility resulting from the distress;
- the amount to be invested by the large shareholder must not have been obtained through a loan; and
- the largest shareholder must not have received any administrative sanctions equivalent to or more severe than an institutional warning for the last one year, or a corrective order or business suspension for the last three years.

If the large shareholder is a non-financial institution, foreign corporation or private equity fund, it is required to satisfy a different set of criteria as set forth under the Insurance Business Act and its subordinate regulations.

Eligibility for Becoming an Officer

Anyone (i) incapacitated, declared bankrupt or sentenced to criminal charges; (ii) who was a former officer of a company that had its license or authorization revoked under the applicable law within the preceding five-year period; (iii) who has been sanctioned by the FSC or the FSS pursuant to the Corporate Governance Act, the Insurance Business Act or any other financial or regulations within the preceding five-year period or less, depending on the nature of the sanctions; or (iv) who represents the interest of another person in connection with the asset management of a relevant insurance company, including those who have a special relationship with a person that entered into a credit transaction with a balance of Won 1 billion or more with the relevant insurance company, is restricted from becoming a director, an auditor or an executive officer of an insurance company.

Approval of Large Shareholders

A person seeking to become a large shareholder of an insurance company through acquisition of the company's shares must meet certain criteria as set forth in the Corporate Governance Act and its subordinate regulations, and obtain prior approval from the FSC. Specific criteria differ based on whether or not such large shareholder is a financial institution, a fund, a local or foreign enterprise or individual or a private equity fund.

Ongoing Eligibility Requirements for the Largest Shareholder

Under the Corporate Governance Act, the financial regulators evaluate every two years whether the largest shareholder of a financial institution meets certain ongoing eligibility requirements. If such financial institution becomes aware that its largest shareholder fails to meet any of such requirements, it is required to report such fact to the FSC. Such requirements would not be met if (i) the largest shareholder becomes incapacitated; (ii) the largest shareholder becomes bankrupt; (iii) the largest shareholder receives a penalty equivalent to or more severe than a fine pursuant to the Corporate Governance Act or other financial regulations; (iv) a financial company for which the largest shareholder serves as an officer or an employee is ordered to take a corrective measure or receives an administrative sanction under the Act on the Structural Improvement of the Financial Industry; (v) the largest shareholder as a financial company's officer or employee receives certain disciplinary actions under the Corporate Governance Act or other financial regulations; or (vi) the largest shareholder receives any sanction by the FSC pursuant to the Corporate Governance Act, the Insurance Business Act or other financial regulations.

If the largest shareholder fails to meet any of the above requirements, the FSC may request the financial institution to take measures to prevent any conflict of interest with the largest shareholder (such as restricting such financial institution from dealing with the largest shareholder) or other necessary measures such as publicly disclosing such failure on its website. In addition, if the largest shareholder receives a criminal sanction equivalent to or more severe than imprisonment of one year or longer as a result of its violation of the Corporate Governance Act, the Monopoly Regulation and Fair Trade Act, the Punishment of Tax Evaders Act or other financial regulations, its voting right for shares held in excess of 10% of the issued shares of the financial institution may be restricted by the FSC.

Revocation of License

The FSC may revoke the license to engage in insurance business for any of the following material violations by an insurance company: (i) receiving a license based on false information or using dishonest methods; (ii) violation of any of the terms upon which the license was conditioned; (iii) engaging in business during a suspension period; (iv) failure to comply with a corrective order issued by the FSC; (v) cases specified in the table attached to the Act on Corporate Governance of Financial Companies (limited to where the suspension of the whole business is ordered); (vi) cases prescribed by Article 51 (1) 4 or 5 of the Financial Consumer Protection Act and (vii) cases prescribed by Presidential Decree in the main clause, with the exception of its subparagraphs, of Article 51 (2) of the Financial Consumer Protection Act (limited to where the suspension of the whole business is ordered).

The Financial Consumer Protection Act

The Financial Consumer Protection Act became effective in March 2021 (and certain provisions relating to internal control under such Act became effective in September 2021). The Financial Consumer Protection Act aims to enhance measures to protect financial consumers and to establish a sound market order in the financial product sales and advisory businesses. The Financial Consumer Protection Act consolidates existing regulations relating to the sale of financial products and consumer protection stipulated in other laws governing the financial sector, such as the FSCMA, the Banking Act and the Insurance Business Act, and will be applied to the financial industry on a cross-sectoral basis.

Application of the Financial Consumer Protection Act

All financial products that are classified as (i) deposits, (ii) loans, (iii) investment products or (iv) insurance products are subject to the Financial Consumer Protection Act. These four types of products encompass most of the products covered by the Bank Act, the FSCMA and the Insurance Business Act.

Six Principles Regulating Selling Activities

The Financial Consumer Protection Act consolidates previously scattered regulations regarding financial business operations into six uniform standards that cover the following:

(i) suitability, (ii) appropriateness, (iii) duty to explain, (iv) prohibition of unfair sales practices, (v) prohibition of improper solicitation and (vi) advertisements. Among these six principles, suitability, appropriateness and duty to explain apply only to "general financial consumers," although certain "professional financial consumers" may elect to be treated as "general financial consumers," in which case all six principles would apply to them.

Internal Control Requirements for Consumer Protection

The Financial Consumer Protection Act requires sellers of financial products to have adequate internal control standards to protect consumers. The Enforcement Decree to the Financial Consumer Protection Act sets forth details of certain of the internal control standards as follows:

- establishment of the authority and responsibilities of the decision maker, such as the representative director or a director, in the implementation of internal control measures;

- development of an organizational structure and designation of personnel responsible for consumer protection matters, including the establishment of a financial consumer protection committee;

- implementation of (i) inter-departmental consultation procedures for the development and sale of financial products, (ii) processes for internal deliberations and the incorporation of opinions from independent third party advisers, (iii) standards for vetting advertisements, (iv) mandatory training requirements for officers and employees and implementation of qualification requirements, (v) standards for the prevention of conflicts of interest, (vi) proper management of confidential information, and (vii) disclosure obligations when potential harm to consumers arises; and

- establishment of standards for performance-based compensation of officers and employees in charge of sales of financial products.

Right to Withdraw Subscriptions and Right to Terminate Contracts

Under the Financial Consumer Protection Act, consumers will have the right to withdraw subscriptions, allowing them to receive a refund during a statutory cooling-off period following the execution of the relevant subscription agreement. This right generally applies to all types of financial products with the exception of deposits, although in the case of investment products, the right to withdraw applies only to highly complex funds and trusts. Consumers also have the right to terminate a contract if the sellers violate the Financial Consumer Protection Act in relation to the sales process. The right to terminate contracts applies to long-term contracts but such right must be exercised within the shorter period of (i) one year from the time that the customer becomes aware that the financial product was sold in violation of the regulatory requirements and (ii) five years from the date on which such contracts are made.

Punitive Penalty Surcharges

In case of a violation of the principles regarding the duty to explain, prohibition of unfair sales practices, prohibition of improper solicitation and advertisements, sellers will now be subject to a punitive penalty of up to half the "amount that is the purpose of the contract" (which would be the deposit amount in case of deposit products, loan amount in case of loan products, investment amount in case of investment products, and insurance premium in case of insurance products), depending on the severity of the violation of the Financial Consumer Protection Act.

Sales

Scope of Business of Life Insurance Companies

Under the Insurance Business Act, an insurance company is prohibited from concurrently operating a life insurance business and general insurance business (including property, marine and cargo and liability insurance), provided that an insurance company may concurrently operate a "type three" insurance business (including casualty, disease and health care insurance) and provide

reinsurance to other life insurance companies. However, limited cross-selling of life insurance and general insurance products by insurance sales agents working for life insurance or general insurance companies in Korea is permitted by the FSC. See "— Insurance Solicitation."

Upon approval by the FSC, a life insurance company may operate (i) a life insurance business, (ii) a retirement pension business and (iii) type three insurance businesses. A life insurance company may also operate financial businesses and incidental businesses designated by the Enforcement Decree of the Insurance Business Act, subject to certain conditions, such as submitting reports to the FSC prior to the commencement of the new business. Such activities include:

- securitized assets management business under the Asset-Backed Securitization Act;
- securitized assets management business under the Securitization Companies for Mortgage-Backed Bonds Act;
- credit-backed assets management business under the Korea Housing Finance Corporation Act;
- business of electronic funds transfer under the Electronic Financial Transaction Act;
- MyData business under the Credit Information Use And Protection Act;
- collective investment business, investment advisory business, discretionary investment management business and trust business, investment trading business of collective investment securities, investment brokerage business of collective investment securities under the FSCMA; and
- any ancillary business of the insurance business subject to the conditions that (a) such business does not harm the company's management soundness, obstruct the protection of the policyholders or harm the stability of the financial market, and (b) such business is reported to the FSC at least seven days prior to the commencement of such activities.

Overlap of Products with General Insurance Companies

Under the Insurance Business Act, both life insurance companies and general insurance companies may engage in type three insurance business covering casualty, disease or health care. Life insurance companies are permitted to sell products that cover actual damages arising from casualty and diseases, while general insurance companies are permitted to sell general insurance products that offer death benefits in the case of death arising from illness, subject to certain limitations on liability. As a result, there is no clear distinction between these insurance products offered by life insurance companies and general insurance companies.

Retirement Pension

The Employee Retirement Benefit Security Act, which incorporates the relevant provisions of the Labor Standards Act, provides for a comprehensive retirement benefit system consisting of several different plans available to employers and their employees, in addition to the previous severance system. The purpose of the Employee Retirement Benefit Security Act is to provide employees with stable income after retirement. Under the Employee Retirement Benefit Security Act, such employers are required to adopt at least one of the following retirement benefits plans: (i) a severance payment plan; or (ii) a retirement pension plan in the form of a defined benefit plan or a defined contribution plan. Employers with less than 10 employees may also establish individual retirement pension plans in lieu of one of these plans. For employers that previously maintained a severance payment system, the employer is required to obtain consent from the labor union (if it is organized by the majority of the employees) or the majority of its employees in order to implement a retirement pension plan in the form of a defined benefit plan or a defined contribution plan.

Under the Employee Retirement Benefit Security Act, qualified financial institutions, including life insurance companies, may engage in the retirement pension operation business and are required to be registered with the Ministry of Employment and Labor as a retirement pension operator.

Retirement pension operators are subject to the supervision of the Ministry of Employment and Labor and the FSC. The Employee Retirement Benefit Security Act requires qualified retirement pension operators to carry out their responsibilities in good faith and with due care and to comply with the agreement entered into with the employer in connection with retirement pension management and administration. Qualified retirement pension operators are also required to submit a report on the performance results of the retirement pension accounts to the employer, the Ministry of Employment and Labor and the FSS within three months following the end of each fiscal year.

Variable Life Insurance

Under Article 251(1) of the FSCMA, an insurance company must obtain authorization for collective investment scheme services in order to establish and operate a special account under a variable insurance contract. However, pursuant to Article 77(2) of the FSCMA, which provides in relevant part that an insurance company is deemed to have obtained an authorization of financial investment services for brokerage or dealing pursuant to Article 12 thereof in the case where an insurance company enters into a contract for insurance with investment components or acts as a broker or an agent, an insurance company may sell a variable insurance contract without a separate license. However, in order for an insurance company to sell other collective investment securities, such insurance company must obtain a separate license for dealing or brokerage. Insurance companies engaging in the sale of variable life insurance products are required to maintain separate accounts related to such products.

Under the Financial Consumer Protection Act, insurance companies offering variable financial products may be held liable for damages incurred by their policyholders as a result of their improper solicitation tactics during the sales process of variable financial products, such as misrepresenting profit margins of a fund. With respect to requirements regarding sales of variable financial products, see "— The Financial Consumer Protection Act" and "— Insurance Solicitation."

General Terms of Insurance Policy

Although a standard contract designated by the governor of the FSS is generally used for each insurance product, a modified standard contract may be used after filing a report to the FSC prior to using such contract in the event a standard contract is unsuitable for use due to specific features of a life insurance product. Each insurance contract must be clearly drafted and easy to understand and not violate reasonable expectations of policyholders or public interest. Pursuant to the Regulation of Standardized Contracts Act, if an insurance sales agent fails to deliver to a policyholder an insurance contract and a copy of the written application, or fails to explain to the policyholder any material term of a contract, the insurance company may not claim that any terms of such contract should be enforceable against such policyholder. Furthermore, if an insurance sales agent fails to deliver to a policyholder an insurance contract and a copy of the written application, or fails to explain to the policyholder any material term of a contract, the policyholder may cancel such policy within three months from the date of execution. An unfair insurance contract provision contrary to the good faith principle is deemed null and void.

Insurance Solicitation

The Insurance Business Act limits entities who may engage in insurance solicitation to insurance sales agents, insurance agencies (including those of financial institutions), insurance brokers and officers and employees of an insurance company. Any entity wishing to act as an insurance sales agent, insurance agency (including those of financial institutions) or insurance broker must register with the FSC and report promptly to the FSC the occurrence of certain changes prescribed under the Insurance Business Act.

Any person engaging in insurance solicitation is prohibited from providing special benefits (including, but not limited to, cash over a certain amount and discounts on insurance premiums) in connection with the execution of an insurance contract unless such special benefits are stipulated in the underlying document(s) for such insurance product. In addition, an insurance company is prohibited from entrusting any other person other than those who are eligible under the Insurance Business Act to engage in insurance solicitation or paying any compensation to any ineligible persons for his or her insurance solicitation. The Insurance Business Act and the Enforcement Decree of the

Insurance Business Act also prescribe in detail certain practices that insurance agencies of financial institutions are restricted from engaging in, including, but not limited to including insurance premiums in loan transactions without the prior consent of the borrower.

The Insurance Business Act permits insurance sales agents working for Korean life insurance companies to cross-sell general insurance products of one general insurance company, and insurance sales agents working for Korean general insurance companies are correspondingly permitted to cross-sell the life insurance products of one life insurance company.

Furthermore, under the Financial Consumer Protection Act, when executing a contract for a financial product including an insurance product, conducting other relevant transactions, or providing advisory service, whether a counterparty financial consumer is an ordinary financial consumer or a professional financial consumers should be ascertained and certain information should be obtained when soliciting an ordinary financial consumer to conclude a contract for a certain financial product including variable indemnity products under Article 108 (1) 3 of the Insurance Business Act with confirmation from the ordinary financial consumer and such information should be maintained and managed appropriately and upon request of the ordinary financial consumer provided to the ordinary financial consumer without delay.

The Financial Consumer Protection Act requires an insurance solicitor to obtain certain information before concluding a contract for certain financial products including variable indemnity products under Article 108 (1) 3 of the Insurance Business Act with an ordinary financial consumer without soliciting the ordinary financial consumer to conclude a contract for such financial product, and when the financial product concerned is not appropriate for an ordinary financial consumer in light of the information identified to notify the ordinary financial consumer of the fact and obtain confirmation on the notification.

When soliciting an ordinary financial consumer to conclude a contract or when an ordinary financial consumer requests explanation, an insurance solicitor should explain important matters concerning financial products to the ordinary financial consumer in a manner that the ordinary financial consumer can understand. For example, when soliciting for indemnity products, (i) description of an indemnity product, (ii) insurance premium, (iii) grounds for restriction on the payment of insurance claims and the procedure for payment, (iv) the scope of risk coverage and (v) other matters specified by Presidential Decree of Financial Consumer Protection Act as important for indemnity products, such as the term of risk coverage should be explained. A written explanation necessary for the explanation should be provided to each ordinary financial consumer and confirmation of the consumer understanding the explanation should be obtained. Unfair business activities such as demanding or receiving any benefit in connection with business activities are strictly prohibited under the Financial Consumer Protection Act. Unfair solicitation, such as providing conclusive judgment on any uncertain matter or giving any misleading information, misrepresenting the description of a financial product or knowingly omitting to inform a financial consumer of any matter seriously affecting the value of a financial product, is prohibited by the Financial Consumer Protection Act. When advertising a clear and fair description of the financial product should be given to avoid misleading information and a statement of recommending the reading of the written explanation and terms and conditions of the contract for the financial product concerned before concluding the contract for the financial product and name of the financial product distributor or adviser and the description of the financial product should be included in the advertisement.

Bancassurance

Life insurance companies may use the bancassurance channel only to distribute individual savings-type insurance products, including individual pension, annuity and endowment, credit protection policies and type three insurance covering personal casualty, disease or health care expenses. General insurance companies may utilize the bancassurance channel only with respect to individual pension, long-term savings-type insurance, credit protection policies, residential fire insurance, casualty insurance (excluding group insurance), package insurance and type three insurance covering casualty, disease or health care expenses.

Financial institution insurance agencies are required to engage in the marketing of bancassurance products through in-person meetings with customers in specified locations designated

for such sale. Financial institution insurance agencies are prohibited from engaging in marketing activities by visitation, telemarketing, or marketing through mail or email. In addition, each financial institution is required to staff bancassurance sales personnel, and the number of such personnel is required to be limited to two persons per branch, with an exception for the hiring of an insurance sales agent. Bancassurance sales personnel are prohibited from handling consumer credit transactions or other activities that may result in illegal sales, including cross-selling of loan products with insurance products. Regulators have also instituted criteria for reporting any modification of the underlying terms and conditions of the insurance products that are sold through bancassurance sales channels. For instance, the bancassurance acquisition cost is required to be set within a 50% range of the expected acquisition cost for insurance products not sold through bancassurance sales channels. Commissions payable for the sale of bancassurance products are required to be disclosed on the financial institution's website as well as during in-person sales meetings.

Premium Calculation Method

Under the cash flow pricing system, the costs of insurance products are calculated by using various factors affecting the cash flow of an insurance company, including actual acquisition costs, insurance claim payments and surrender values based on statistics from the company's past experience. Pricing is ultimately decided by adding a certain amount of margin based on marketing strategy, sales volume and market competitiveness. Under the cash flow pricing system, insurance companies are able to calculate insurance premiums specifically tailored for different marketing strategies, types of insurance products and customer characteristics. The cash flow pricing system has facilitated development of additional insurance products and enabled insurance companies to have more flexibility in managing their insurance and actuarial functions.

Products

Basic Documents for Insurance Products

An insurance company must prepare basic documents, which include standard terms and conditions, a business operation manual and a premiums and reserves calculation manual, for an insurance product that it intends to sell and comply with their terms. Where an insurance company intends to prepare a basic document or change any terms thereof, and such action falls under any of the following categories, the insurance company must report such action to the FSC in advance:

- where a new insurance product is introduced or it becomes mandatory to subscribe to an insurance product as a result of an enactment or an amendment of laws or regulations; or

- cases prescribed by Presidential Decree for protection of policyholders.

An insurance company must establish procedures and standards (a "Standard on Management of Basic Documents") to be observed in preparing or changing basic documents and comply with the terms thereunder. The Standard on Management of Basic Documents must include certain provisions required under the Insurance Business Act. Where an insurance company newly establishes or amends its Standard on Management of Basic Documents, the insurance company must report such action to the FSC.

Accounting and Risk Management

Calculation

An insurance company is required to close its books on December 31 of each year and submit, within three months, its financial statements and business report to the FSC in accordance with the specifications prescribed by the FSC.

An insurance company is required to report, for every settlement period and based on the types of insurance contracts, the liability reserve and the catastrophe risk reserve prescribed under the Enforcement Decree of the Insurance Business Act, and account for each of such reserves separately. In order to ensure proper calculation of liability reserve and catastrophe risk reserve, the FSC may establish accounting standards with respect to the assets and expenditure of insurance companies and

any other matters prescribed under the Enforcement Decree of the Insurance Business Act. Other details necessary for the calculation of such reserves are prescribed under ordinances of the Prime Minister, the Regulation on Supervision of Insurance Business and the Detailed Enforcement Regulations on Supervision of Insurance Business.

Risk Management

In order to secure an insurance company's ability to pay insurance claims and assure the soundness of its management, an insurance company is required to meet the following requirements:

- a risk-based capital adequacy ratio (i.e., a solvency ratio) of not less than 100%;
- classification of its assets, including loan portfolio, and corresponding reserves of bad debt allowances; and
- the standards set by the FSC with respect to the risks, liquidity and reinsurance management of insurance companies.

With respect to requirements regarding the risk-based capital adequacy ratio, see "— Risk-Based Supervision of Insurance Companies."

The FSC may take additional necessary measures, such as ordering an insurance company to increase its capital or placing limits on the holding of risky assets, in order to ensure financial soundness of an insurance company.

An insurance company registered to perform foreign exchange work under the Foreign Exchange Transactions Act is also required to separately manage foreign currency assets and liabilities according to maturity terms, as well as maintain the following ratios:

- assets that will mature within three months must not be less than 80% of liabilities that will mature within the same period; and
- with respect to the maturity for foreign currency assets and liabilities, as follows:
    - if the term to maturity is not more than seven days, liabilities may not exceed assets; and
    - if the term to maturity is not more than one month, liabilities may not exceed 10% of assets.

Dividends to Policyholders of Participating Products

Under the Insurance Business Act, life insurance companies that have sold participating life insurance products, which provide a participation feature in the form of dividends to the policyholders, are required to separately account for the gains between participating products and non-participating products and pay dividends to policyholders of participating products only with gains allocated to participating products. At the end of each fiscal year, a life insurance company must first retain policy reserves from its overall income and then allocate the remaining income, if any, as either gains from (i) participating products; (ii) non-participating products; or (iii) capital account. The foregoing (ii) and (iii) are allocated to the shareholders and may be paid out as dividends to shareholders. For (i), at most 10% of such gains may be allocated to shareholders and the remainder must be allocated to the participating policyholders.

When allocating gains, they are classified as mortality gains, expense gains, investment gains or other gains. Mortality gains and expense gains are determined on a policy-by-policy basis, while investment gains are divided between participating products and non-participating products based on the ratio of their respective policy reserves, and other gains are divided between participating products and non-participating products based on the ratio of their respective premium income. However, with respect to investment gains from investment assets, including marketable securities, gains are also allocated to the applicable account, whether participating product, non-participating product or capital

account, based on the ratio of the funds from such source used for the acquisition of investment assets to the company's total assets. The gains that were attributed to participating products as described above, together with the amounts carried forward from the previous year as reserves, may be paid out to participating policyholders as dividends after the end of each fiscal year.

Asset Management

Restrictions on Asset Management

Insurance companies are prohibited from engaging in the following categories of activities: (i) possessing real estate other than business facilities or certain investment projects; (ii) possessing real estate through special accounts; (iii) extending loans for the purpose of speculating in goods or securities; (iv) extending loans to their own officers or employees; (v) extending loans to purchase their own shares; (vi) extending loans to establish political funds; and (vii) committing any act that is prohibited under the Enforcement Decree of the Insurance Business Act as having the potential to greatly undermine the safety of the asset management business.

Subject to certain exceptions, major restrictions relating to management of general account assets by insurance companies are as follows:

- extension of credits to the same individual or corporation: 3% or less of total assets;
- the aggregate amount of bonds and shares issued by the same corporation: 7% or less of total assets;
- the aggregate amount of credits extended to and the bonds and shares issued by the same borrower: 12% or less of total assets;
- the aggregate amount of credits extended in excess of 1% of total assets to the same individual, corporation, borrower or large shareholder (including its specially related parties): 20% or less of total assets;
- extension of credits to large shareholders and certain subsidiaries: 40% or less of shareholder's equity (or, in the event that the amount equivalent to 40% of shareholder's equity is larger than the amount equivalent to 2% of total assets, 2% or less of total assets);
- the aggregate amount of bonds and shares issued by large shareholders and certain subsidiaries: 60% or less of shareholder's equity (or, in the event that the amount equivalent to 60% of shareholder's equity is larger than the amount equivalent to 3% of total assets, 3% or less of total assets);
- extension of credits to the same subsidiary: 10% or less of shareholder's equity;
- holding of permitted real estate: 25% or less of total assets; and
- holding of foreign exchange or foreign real estate: 50% or less of total assets.

Insurance companies are also required to own and manage assets under separate accounts pursuant to certain restrictions and ratios.

If an insurance company acquires (i) beneficiary certificates of an investment trust of which such insurance company is the sole beneficiary or (ii) shares of an investment company of which such insurance company is the sole shareholder, under the FSCMA, the restrictions on asset management described above apply to such insurance company as if it had acquired the asset directly.

Restrictions on Dealings with Large Shareholders

In order to promote transparent asset management of insurance companies, the Insurance Business Act generally prohibits unfair dealings between insurance companies and their large

shareholders, and requires public disclosure of dealings between insurance companies and their large shareholders. When an insurance company extends loans to, or acquires bonds or shares issued by, its large shareholders in excess of the lesser of 0.1% of its shareholder's equity and Won 1 billion, such insurance company must obtain a unanimous resolution from its board of directors.

Restrictions on Equity Investments

Insurance companies are prohibited from holding voting shares or equity interests issued by another company in excess of 15% of the total number of such voting shares or equity interests; *provided that,* such holding shall be permitted upon approval by the FSC and limited to certain subsidiaries engaged in businesses as prescribed in the Insurance Business Act, or, with respect to any subsidiary with close business relationship with the insurance or asset management industry, upon filing a report with or deemed to be approved by the FSC.

Establishment and Operation of Separate Accounts

Insurance companies must establish and operate separate accounts on the balance sheet and income statements relating to variable life insurance policies, retirement pension policies, tax-qualified pension savings products and asset-linked insurance products.

Restrictions on Foreign Exchange Transactions

Major types of foreign currency assets that may be traded by insurance companies are (i) shares listed or to be listed on a foreign securities exchange; (ii) shares of such insurance companies' subsidiaries; (iii) shares, equity interests or beneficiary certificates issued by a foreign fund; (iv) shares of companies mainly engaging in certain insurance-related business which are not listed on a foreign securities exchange; (v) interests in foreign private equity funds; (vi) foreign currency-denominated beneficiary certificates; (vii) credit linked notes, credit linked deposits or synthetic collateralized debt obligations, as long as the underlying assets are assigned a credit rating of investment grade or above for securities of Korean issuers and a credit rating of upper-medium grade (A- or above by Standard & Poor's or an equivalent rating assigned by another credit rating agency) or above for securities of foreign issuers; (viii) securities in foreign currency issued by Korean residents which are assigned a credit rating of investment grade or above or are guaranteed by a financial institution of the same or a higher credit rating; (ix) securities in foreign currency issued by non-residents which are assigned a credit rating of investment grade (BBB- or above by Standard & Poor's or an equivalent rating assigned by another credit rating agency) or above or are guaranteed by a financial institution of the same or a higher credit rating or a non-financial institution with a credit rating of upper-medium grade (A- or above by Standard & Poor's or an equivalent rating assigned by another credit rating agency); (x) securities denominated in foreign currency which are assigned a credit rating of investment grade or above by a credit rating agency designated by local financial regulators pursuant to Basel standards; (xi) permitted real estate located abroad; or (xii) other permitted foreign exchange transactions such as certain instrument of offshore payment, foreign currency deposits, discretionary asset management contract denominated in foreign currency, loans in foreign currency and loans for foreign securities; provided that, if certain foreign currency assets meet the above requirements at the time they were acquired by an insurance company, the insurance company may choose to continue to hold such foreign currency assets in the event that they subsequently fail to meet the above requirements as a result of a downgrade in the relevant credit ratings so long as such continuation is reviewed by an investment committee or a risk management committee of the insurance company pursuant to its internal policies.

Restrictions on Derivatives Trading

Insurance companies are permitted to trade derivatives under the general account if the notional amount is 3% (in the case of over-the-counter derivatives) or the margin deposit is 6% (in the case of exchange-traded derivatives) or less of their total assets. Insurance companies are also permitted to trade derivatives under the separate account if the notional amount is 3% (in the case of over-the-counter derivatives) or the margin deposit is 6% (in the case of exchange-traded derivatives) or less of the assets held under each separate account. Such trade restrictions shall not apply if the derivatives trade is for hedging purposes or falls under the items (i) or (vii) set forth above under "— Restrictions on Foreign Exchange Transactions."

Prohibition on Transactions with Financial Institutions and Companies

Insurance companies are prohibited from engaging in certain transactions with other financial institutions and companies and may not exercise voting rights on any shares acquired through such prohibited transactions. Such prohibited transactions include (i) extending credit to or swapping voting shares with those of other financial institutions or companies in order to avoid the restrictions on the management of assets under the Insurance Business Act and (ii) swapping shares in order to avoid restrictions on acquisition of treasury shares under applicable laws.

Prohibition on Provision of Guarantees

Under the Insurance Business Act, insurance companies are generally prohibited from pledging its assets as a security or a guarantee for repayment of a third party's debt obligations, except for purchasing credit derivative-linked securities or credit-linked deposits or providing guarantees with respect to debt obligations of subsidiaries engaging in the insurance business overseas.

Internal Control

Board Composition

Under the Corporate Governance Act, an insurance company with total assets of not less than Won 5 trillion (Won 2 trillion if such insurance company is publicly listed) as of the end of the latest fiscal year is required to have a board of directors consisting of at least three independent directors, who must constitute a majority (or a quarter in the case of an insurance company with total assets of less than Won 300 billion) of the board of directors. The chairman of such board must be an independent director, failing which the insurance company must publicly disclose such fact and separately appoint a lead independent director. The board of directors must also establish an executive candidate recommendation committee, an audit committee, a risk management committee and a remuneration committee. The majority of the members of such committees must be composed of independent directors, and the chairman of each committee must be an independent director.

Audit Committee

Under the Corporate Governance Act, an insurance company with total assets of not less than Won 5 trillion (Won 2 trillion if such insurance company is publicly listed) as of the end of the latest fiscal year is required to have an audit committee consisting of at least three directors, in which (i) outside directors make up not less than two thirds of the total members and (ii) at least one member is an expert in accounting or finance, such as a certified public accountant.

Risk Management Committee

Under the Corporate Governance Act, a risk management committee is required to review and adopt the following matters: (i) basic policies and strategies for risk management; (ii) level of risk to be taken by the insurance company; (iii) approval of adequate maximum investment volume and permitted loss; (iv) establishment and amendment of risk management standards; and (v) any other matters as prescribed by the FSC.

Internal Control Mechanism

For the purposes of compliance with applicable laws and regulations, sound management of its assets and protection of its policyholders, an insurance company is required to establish internal control procedures and standards in accordance with which its officers and employees are required to perform their duties.

Internal control standards of an insurance company are required to include information concerning the following: (i) a division of duties within, and the organizational structure of, the company; (ii) procedures to be duly observed by the company's officers and employees in performing their duties; (iii) duties to be performed by directors, officers and compliance officers for internal control; (iv) individuals and support groups specializing in internal control; (v) establishment of a system through which information necessary for decision making can be efficiently conveyed;

(vi) procedures and methods by which the company may verify whether its officers and employees adhere to its internal control standards, and penalties on violation of such standards; (vii) procedures and standards employed by a company to prevent its officers and employees from engaging in unfair trade practices; (viii) procedures to be followed when establishing or modifying internal control standards; (ix) procedures for the appointment and removal of a compliance officer; (x) measures and procedures for managing conflicts of interest; (xi) only in the case of a financial holding company, a compliance manual relating to the contents and production of advertisements for insurance products and services; (xii) evaluation and management of requirements for concurrent office positions of officers and employees under the Corporate Governance Act; and (xiii) additional detailed standards as prescribed by the FSC.

In addition, an insurance company must establish a "risk management standard" which sets forth standards and procedures for recognizing, monitoring and controlling risks involved in management of its assets, performance of duties and entering into various transactions.

Compliance Officer and Risk Management Officer

An insurance company is required to designate at least one compliance officer to undertake to check compliance with internal control standards and investigate and report any violation to the audit committee. In addition, an insurance company must designate at least one risk management officer to monitor and manage risks arising out of management of its assets, performance of duties and entering into various transactions.

Each of the compliance officer and the risk management officer is required to perform his or her supervisory duties in good faith and may not undertake any tasks relating to the core function of the insurance business such as management of the company's assets or sale of its insurance products. In case an insurance company has total assets of not less than Won 5 trillion (Won 2 trillion if such insurance company is publicly listed) as of the end of the latest fiscal year, its compliance officer and risk management officer may not in principle be the same person. Appointment of a compliance officer must be approved by a resolution of the board of directors and removal of such compliance officer requires two-thirds of the votes from the members of the board of directors.

Risk-Based Supervision of Insurance Companies

Pursuant to its authority under the Regulation on Supervision of Insurance Business and the Detailed Enforcement Regulations thereof, the FSS has developed a risk-based insurance supervision framework for insurance companies consisting of the following three pillars:

- *risk assessment and application system*, to assess the risk profiles and risk management systems of insurance companies;
- *risk-based capital adequacy requirements*, to require insurance companies to hold adequate capital to cover their risk exposures; and
- *risk-related disclosure requirements*, to strengthen market discipline by expanding public disclosure requirements for insurance companies regarding their risk profiles and risk management systems.

Risk Assessment and Application System ("RAAS")

All insurance companies operating in Korea are subject to periodic risk assessments by the FSS under RAAS. RAAS seeks to comprehensively and systematically assess an insurance company's risks and management weaknesses by evaluating the company's risk exposure, risk control and risk tolerance. Quantitative assessments under RAAS are conducted on a quarterly basis, while qualitative assessments are generally conducted on an annual basis.

The risk exposure of an insurance company is quantitatively assessed by measuring such company's exposure to six specified categories of risks, which consist of insurance risk, interest rate risk (including asset and liability management risk), investment risk (market risk and credit risk), liquidity risk, solvency margin risk and operational risk, as well as such company's profitability level.

The FSS uses 17 quantitative indicators to measure an insurance company's risk exposure across the seven risk categories. Risk control is qualitatively assessed with a focus on the adequacy of an insurance company's risk management systems and internal controls. Risk tolerance is quantitatively assessed by measuring an insurance company's capital adequacy and earnings in order to evaluate its ability to absorb potential losses caused by failures to properly manage risk. An insurance company is given a rating between 1 (strong) and 5 (critically deficient) for each area of risk assessment, as well as an overall comprehensive risk grade ranging from 1 to 5.

If an insurance company receives a rating of 4 or lower for its solvency margin risk or any two of its insurance risk, interest rate risk and investment risk, the FSS may recommend that such insurance company improve its management through, among other things, improvements in operation of organization and human resources, increases or decreases of capital and restrictions on launch of new businesses. For an insurance company that receives an overall comprehensive risk grade of 4 or lower, the FSS may direct such insurance company to implement management improvements through, among other things, branch closures, restrictions on branch openings, requests for executive management changes and partial suspensions of business. Regardless of the overall comprehensive risk grade of an insurer, the FSS also closely monitors on an ongoing basis any specific risk assessment category of such company that is rated 4 or lower in the prior quarterly or semi-annual RAAS assessment.

Risk-Based Capital Adequacy Requirements

Pursuant to the risk-based capital adequacy requirements of the Insurance Business Act, insurance companies in Korea are required to maintain a statutory ratio of available capital to required capital of not less than 100%, and the recommended FSS guideline is 150%. Risk-based capital adequacy requirements require insurance companies to hold adequate capital to cover their exposures to interest rate risk, market risk, credit risk and operational risk as well as insurance risk by reflecting such risks in their calculation of required capital. The statutory risk-based capital adequacy ratio for life insurance companies is computed by dividing available capital by required capital. Available capital of an insurance company is computed as the sum of, among other things, capital stock, reserve for policyholder dividends and bad debt allowance after deducting, among other things, deferred acquisition costs, goodwill, and prepaid expenses. Required capital is computed based on the sum of (i) the square root of the sum of the squares of (w) insurance risk amounts, (x) interest rate risk amounts, (y) credit risk amounts and (z) market risk amounts, and (ii) the operating risk amount, with each risk amount being calculated in accordance with the detailed criteria set forth under Article 7-2 of the Regulation on Supervision of Insurance Business and Article 5-7-3 and Table 22 under the Enforcement Rules of the Regulation on Supervision of Insurance Business.

In July 2018, the FSC first proposed the K-ICS, a new regulatory solvency regime for insurance companies in Korea based on the Insurance Capital Standards developed by the International Association of Insurance Supervisors. The main objective of the Insurance Capital Standards is to enhance global convergence on insurance capital standards, including a common methodology to calculate capital and evaluate solvency positions, to allow comparability of insurance companies globally. K-ICS would (i) measure insurance contract liabilities based on present market value instead of book value, (ii) consider additional risks, such as the risks of longevity, catastrophic mortality events and surrenders, in the calculation of required capital, and (iii) strengthen risk measurement, among other changes. The implementation of K-ICS is expected to result in the general decrease in risk-based capital adequacy ratios of life insurance companies under the expanded scope of risk recognition in the calculation of required capital. The K-ICS is currently scheduled to be implemented for annual periods beginning on or after January 1, 2023.

In September 2021, due in part to concerns that the implementation of K-ICS would result in a reduction in risk-based capital adequacy ratio of insurance companies, the FSC discussed certain transitional measures for the gradual implementation of K-ICS. Among the transitional measures, the FSC discussed (i) allowing insurance companies to recognize up to 15% of their total required capital with hybrid capital securities issued before the implementation of K-ICS during the transitional period (hybrid capital securities were previously slated to be recognized as supplemental capital, commonly referred to as Tier II capital, upon the implementation of K-ICS) and (ii) increasing the preparatory time for filings required under K-ICS of quarterly reports from two months to three months and of annual reports from three months to four months. In addition, the FSC discussed providing additional

transitional measures to insurance companies which apply for them. Under transitional measures on technical provision, also known as TTP, the FSC discussed allowing insurance companies to gradually accumulate liability reserves during the transitional period corresponding to the increase in insurance liabilities due to the implementation of K-ICS. Similarly, under transitional measures on insurance risk, also known as TIR, the FSC discussed allowing insurance companies to gradually recognize the additional risks required for the calculation of required capital under K-ICS during the transition period.

In December 2021, the FSS issued a tentative plan to implement K-ICS. The tentative plan proposed additional transitional measures, including the grandfathering of Tier II subordinated securities issued before the implementation of K-ICS to continue to be recognized as Tier II capital under K-ICS until the end of 2032, while reaffirming the FSC's existing proposal to allow the grandfathering of 15% of an insurance company's total required capital with hybrid capital securities issued before the implementation of K-ICS. The details of the implementation of K-ICS, including the transitional measures proposed by the FSC and the FSS, as well as their timing and duration, have yet to be finalized and may be further amended or supplemented in the future.

Disclosure Requirements

An insurance company is required to disclose the following information within three months of the closing of its books, provided that, any material relating to a quarterly period must be disclosed within two months:

- information relating to finances, profits and losses;
- information relating to financing and management of funds;
- information on corporate structure and personnel;
- management indexes relating to stability, profitability and productivity;
- information relating to risk management, including establishment and management of risk management standards under the Corporate Governance Act;
- any decision to modify accounting standards that may have a material effect; and
- any matter that may have a material effect on the company's related parties.

An insurance company is also required to disclose the details relating to any of the following immediately upon such occurrence:

- measures taken under Article 123(2) of the Insurance Business Act, such as the receipt of an order to increase capital or placing limits on holding of risky assets;
- measures taken under Article 131(1) of the Insurance Business Act to protect the interests of existing policyholders and the insured;
- measures taken under Article 134 of the Insurance Business Act due to an insurance company's failure to comply with the laws and regulations applicable to the insurance business;
- measures taken under Article 10 of the Act on the Structural Improvement of the Financial Industry (timely corrective measures taken by the FSC) or Article 14 of the Act on the Structural Improvement of the Financial Industry (administrative disposition by the FSC);
- information relating to insurance products, such as terms of insurance contracts, business operations manuals, insurance premiums, return premiums and schedule of basic rates;
- emergency measures taken against an insurance company by the FSC; and
- in case of non-listed insurance companies, matters which (i) have a material impact on the financial structure, management environment, assets and liabilities or claims and

obligations of such company; or (ii) involve investment, shareholding relationship, profit and loss structure and other information which may have a material impact on such company's business management.

Restrictions under the Insurance Business Act Applicable to Affiliates and Subsidiaries

Under the Insurance Business Act, insurance companies are prohibited from engaging directly or indirectly in the following acts with any of its large shareholders (including specially related persons): (i) extending any credit for the purpose of assisting such shareholder in making an equity investment in another company; (ii) transferring any assets to such shareholder without receiving any consideration; or (iii) engaging in dealings or exchanges with, extending credit to, or receiving insurance premiums from or executing reinsurance contracts with, such shareholder on terms that are significantly disadvantageous to the insurance company. In addition, in order for an insurance company to extend credit to, or acquire bonds or shares issued by, any of its large shareholders in an amount exceeding the lesser of 0.1% of such company's equity capital and Won 1 billion, prior approval by a unanimous vote of such company's board of directors is required. When calculating such threshold amount, the amount of the shares issued by a large shareholder that the insurance company acquires through transactions on the KRX KOSPI Market, the KRX KOSDAQ Market or analogous stock market located outside of Korea shall not be taken into consideration. Following the consummation of such transaction, the insurance company is required to immediately report the transaction to the FSC and publicly disclose it, including by publication on the company's website.

Insurance companies are prohibited from transferring to, purchasing from or exchanging with their subsidiaries any assets, or extending credit to their subsidiaries, on terms that substantially differ from the prevailing market standards. Insurance companies also may not extend credit that is secured by any shares owned by their subsidiaries, or extend credit in support of any investment made by their subsidiaries in other companies. Insurance companies are also generally prohibited from extending loans to officers or employees of their subsidiaries.

TAXATION

The following summary is based upon the tax laws of Korea and the United States as in effect on the date of this offering circular, and is subject to any change in the tax laws of Korea or the United States that may come into effect after such date. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the Securities. Investors in the Securities are advised to consult their own tax advisers as to the tax consequences under the tax laws of Korea or the United States or any other consequences of the purchase, ownership and disposition of the Securities, including the effect of any national, state or local tax laws.

Korean Taxation

The following discussion only applies to non-resident individuals and non-Korean corporations ("Non-Residents") who do not have a permanent establishment in Korea and for whom the income of the Securities is not effectively connected with a Korean trade or business. Non-Residents that have a permanent establishment in Korea or for whom the income on the Securities is effectively connected with a Korean trade or business should consult their tax advisors with respect to an investment in the Securities.

Tax on Distributions

In principle, interest paid to a Non-Resident by a Korean company is subject to withholding of Korean income tax or corporation tax at the rate of 14% and a local income tax at the rate of 10% of the income tax or corporation tax (raising the total tax rate to 15.4%) unless reduced or exempted by relevant laws or tax treaties. However, the Special Tax Treatment Control Law of Korea (the "STTCL") exempts payments of interest on notes, such as Distributions paid on the Securities, denominated in a foreign currency (excluding payments to a Korean corporation or resident or a permanent establishment of a Non-Resident) from Korean income or corporation tax, provided that the offering of the Securities is deemed to be an overseas issuance under the STTCL.

Tax rates may be reduced or exempted by applicable tax treaties, conventions or agreements between Korea and the country of the recipient of the interest. The relevant tax treaties are summarized below.

Tax upon Redemption due to Gross-Up Event

It is not entirely clear under the Korean tax law whether the payment of the make whole amount by the Issuer in excess of the principal amount and any accrued but unpaid Distributions on such principal amount upon redemption of the Securities in case of a Gross-Up Event will be treated as interest, capital gains or possibly other income. Based on previous rulings from the Korean tax authorities, however, it is likely that such excess portion will be treated as interest, in which case the above discussion on tax on interest would be applicable. Please refer to "— Tax on Capital Gains" below for the tax consequences in case such excess portion will be classified as capital gains. If treated as other income, the excess portion will be subject to Korean withholding tax at the rate of 22% (including local income tax) unless exempt under an applicable Korean tax treaty. In the event such excess portion is subject to Korean withholding tax, the Issuer is obliged to pay additional amounts to ensure that, after the deduction or withholding of such withholding tax, the amount that would otherwise have been received by the Holder of the Securities in respect of the relevant payment in the absence of such deduction or withholding of such withholding tax is received by the Holder of the Securities, subject to certain exceptions as set out in Condition 7 of the "Terms and Conditions of the Securities."

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Securities to other Non-Residents (unless the sale is to the Non-Resident's permanent establishment in Korea). In addition, capital gains earned by Non-Residents from the transfer of the Securities taking place outside of Korea are currently exempt from taxation by virtue of the STTCL, provided that the issuance of the Securities are deemed to be an overseas issuance and foreign currency denominated under the STTCL.

Where a Non-Resident sells Securities in Korea or to the permanent establishment in Korea of a Non-Resident, in the absence of an applicable treaty or any other special tax laws reducing or eliminating capital gains tax, the applicable rate of tax is the lower of 11% (including local income tax) of the gross realization proceeds (the "Gross Realization Proceeds") or, subject to the production of satisfactory evidence of the acquisition cost and transferring expenses of the Securities, 22% (including local income tax) of the gain made. The gain is calculated as the Gross Realization Proceeds less the acquisition cost and direct cost related to the acquisition and transfer. Unless the seller can claim the benefit of an exemption of tax under an applicable treaty and in the absence of the seller producing satisfactory evidence of its acquisition cost and direct cost related to the acquisition and transfer in relation to the Korean securities being sold, the purchaser or any other designated withholding agents of the Securities, as applicable, must withhold an amount equal to 11% (including local income tax) of the Gross Realization Proceeds.

Any withheld tax must be paid no later than the tenth day of the month following the month in which the payment for the purchase of the Securities occurred. Failure to timely transmit the withheld tax to the Korean tax authorities technically subjects the purchaser or the withholding agent to penalties under Korean tax law.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea or resided in Korea for at least 183 days immediately prior to the death and (b) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the tax rates vary from 10% to 50% according to the value of the relevant property and the identity of the persons involved.

Under Korean inheritance and gift tax laws, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned.

At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the holders of the Securities in connection with the issue or transfer of the Securities as long as the relevant documents are executed outside of Korea. No securities transaction tax will be imposed on the transfer of the Securities.

Tax Treaties

As of the date of this offering circular, Korea has tax treaties with over 70 countries including, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, the People's Republic of China, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America under which the rate of withholding tax on interest is reduced, generally to between approximately 5% and 16.5% (including local income tax), and the tax on capital gains is often eliminated. Under the Korea-U.S. Tax Treaty, the rate of withholding tax on interest may not exceed 13.2% (including local income tax) and capital gains generally may not be subject to tax. Each holder of the Securities should consult his or her own tax advisors as to whether he or she is entitled to the benefit of a tax treaty with Korea with respect to any transaction involving the Securities.

In order to claim the benefit of a tax rate reduction or tax exemption available under the applicable tax treaties, a Non-Resident holder should submit to the payer of such Korean source income an application (for reduced withholding tax rate, "application for entitlement to reduced tax rate" and in the case of exemption from withholding tax, "application for exemption" under a tax treaty along with a certificate of the non-resident holder's tax residence issued by a competent authority of the Non-Resident holder's residence country) as the beneficial owner ("BO Application"). Such application should be submitted to the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle (which is

not the beneficial owner of such income) ("OIV"), a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO Application to such OIV, which must submit an OIV report and a schedule of beneficial owners to the withholding agent prior to the payment date of such income. In the case of a tax exemption application, the withholding agent is required to submit such application (together with the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income.

Certain United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a beneficial owner of the Securities that is a citizen or resident of the United States, a domestic corporation or is otherwise subject to U.S. federal income tax on a net income basis in respect of the Securities (a "U.S. holder"), as well as certain considerations (described in "– Information Reporting and Backup Withholding" below) relevant to a Securityholder that is not a U.S. holder. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Securities. In particular, the summary deals only with Securityholders that will acquire Securities as part of the initial offering and will hold them as capital assets. It does not address the tax treatment of Securityholders that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, tax-exempt entities, real estate investment trusts, financial institutions, traders in securities that elect to use the mark-to-market method of accounting for their securities, entities or arrangements that are treated as partnerships for U.S. federal income tax purposes that hold the Securities or partners therein, non-U.S. persons who are individuals present in the United States for 183 days or more within a taxable year, persons whose functional currency is not the U.S. dollar, persons that hedge their exposure in the Securities or will hold the Securities as a position in a "straddle" or "conversion" transaction or as part of a "synthetic security" or other integrated financial transaction, or a person that owns or is deemed to own 10% or more of our voting stock. Moreover, this discussion does not address state, local, or foreign taxes, any tax consequences relating to the alternative minimum tax, the Medicare tax on investment income, the special timing rules prescribed under section 451(b) of the Code (as defined below) or any tax consequences other than U.S. federal income tax consequences (such as the estate or gift tax).

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, in each case as of the date hereof, and the United States – Republic of Korea Income Tax Convention (the "Treaty"), changes to any of which subsequent to the date of this offering circular may affect the tax consequences described herein, possibly with retroactive effect. You should consult your own tax advisors about the tax consequences of the purchase, ownership and disposition of the Securities in light of your particular circumstances, including the tax consequences under state, local, foreign and other tax laws and the possible effects of any changes in applicable tax laws.

Tax Treatment of Payments on the Securities

The Securities will constitute our direct, unsecured and subordinated obligations. However, the Securities will be treated as equity for U.S. federal income tax purposes. Accordingly, Distributions paid on the Securities, including any Korean tax withheld and additional amounts paid in respect thereof, will be treated as distributions on our stock and as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because we do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles, a U.S. holder should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes.

Subject to the discussion below under "– Passive Foreign Investment Company," dividends received by an individual or other non-corporate U.S. holder generally will be subject to taxation at the maximum rate applicable to long-term capital gains if the dividends are "qualified dividend income" and the U.S. holder satisfies certain holding period and other requirements. Dividends paid on the Securities will be treated as qualified dividend income if:

- the Securities are readily tradable on an established securities market in the United States or we are eligible for the benefits of a comprehensive tax treaty with the United States that

the U.S. Treasury determines is satisfactory for purposes of this provision and that includes an exchange of information program; and

- we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a PFIC.

The U.S. Treasury has determined that the Treaty meets the requirements for reduced rates of taxation, and we believe that we are eligible for the benefits of the Treaty. As described under "– Passive Foreign Investment Company," we believe that we should not be treated as a PFIC in 2021 and should not be treated as a PFIC in the current taxable year or in the foreseeable future. Assuming that those conclusions are correct, dividends received or accrued on the Securities will be qualified dividend income if the holder satisfies certain holding period requirements and certain other requirements are met. Securityholders should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

Subject to generally applicable limitations and conditions, Korean withholding tax imposed on the Distributions paid at the appropriate rate applicable to the U.S. holder may be eligible for a credit against such U.S. holder's U.S. federal income tax liability. These generally applicable limitations and conditions include new requirements recently adopted by the U.S. Internal Revenue Service ("IRS") and any Korean tax will need to satisfy these requirements in order to be eligible to be a creditable tax for a U.S. holder. In the case of a U.S. holder that is eligible for, and properly elects, the benefits of the Treaty, the Korean tax may be treated as meeting the new requirements and therefore as a creditable tax. The application of these requirements to the Korean tax on the Distributions is uncertain and we have not determined whether these requirements are met, including requirements applicable to the Treaty. If the Korean tax is not a creditable tax for a U.S. holder or the U.S. holder does not elect to claim a foreign tax credit for any foreign income taxes, the U.S. holder may be able to deduct the Korean tax in computing such U.S. holder's taxable income for U.S. federal income tax purposes. Distributions will constitute income from sources without the United States and, if the withholding tax is a creditable tax for a U.S. holder that elects to claim foreign tax credits, generally will constitute "passive category income" for foreign tax credit purposes.

The availability and calculation of foreign tax credits and deductions for foreign taxes depend upon a U.S. holder's particular circumstances and involve the application of complex rules to those circumstances. U.S. holders should consult their own tax advisors regarding the application of these rules to their particular situations.

Sale, Exchange or Redemption of the Securities

Subject to the discussion below under "– Passive Foreign Investment Company," a U.S. holder will generally recognize capital gain or loss upon the sale, exchange, redemption or other taxable disposition of Securities in an amount equal to the difference between the amount realized on the disposition and the holder's adjusted tax basis in the Securities. A U.S. holder's tax basis in a Security generally will be the price the holder paid for the Security. Long-term capital gains of non-corporate taxpayers are generally taxed at a lower maximum marginal tax rate than the maximum marginal tax rate applicable to ordinary income. Any capital gain or loss will be long term if the Securities have been held for more than one year. The deductibility of capital losses is subject to limitations. Any gain or loss recognized generally will be treated as U.S. source gain or loss. Under the new foreign tax credit requirements recently adopted by the IRS, any Korean tax imposed on the sale or other disposition of the shares generally will not be treated as a creditable tax for U.S. foreign tax credit purposes. If the Korean tax is not a creditable tax, the tax would reduce the amount realized on the sale or other disposition of the shares even if the U.S. Holder has elected to claim a foreign tax credit for other taxes in the same year. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to a sale or other disposition of the shares and any Korean tax imposed on such sale or disposition.

Substitution and Modification of the Securities

The terms of the Securities provide that, in certain circumstances, we may substitute the Securities or modify the terms of the Securities. A substitution or modification of this kind might be treated for U.S. federal income tax purposes as giving rise to a deemed disposition of the Securities by a U.S. holder in exchange for the new substituted or modified Securities. As a result of this deemed

disposition, a U.S. holder could be required to recognize capital gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company

We will be classified as a PFIC in any taxable year in which, after taking into account our gross income and assets (and the income and assets of any subsidiaries pursuant to applicable "look-through rules") either (i) 75% or more of our gross income for the taxable year consists of certain types of "passive income" or (ii) 50% or more of the value of our assets (generally determined on the basis of a quarterly average) is attributable to "passive assets" (i.e., assets that produce or are held for the production of passive income). For this purpose, passive income generally includes dividends, interest, royalties and rents. The PFIC rules specifically exclude from the definition of "passive income" any income derived in the active conduct of an insurance business by a qualifying insurance corporation. This exception is intended to ensure that income derived in the active conduct of an insurance business by a bona fide insurance company is not treated as passive income. A similar exception exists to exclude from the definition of passive income certain "securities income earned by an active dealer or active broker," which are generally licensed securities dealers or securities brokers that engage in securities activities. These securities activities include effecting the purchase and sale of stock, debt instruments and derivatives, effecting transactions in securities for customers as a broker, providing investment banking services and similar financial and investment services.

If we own at least 25% (by value) of the stock of another corporation, for purposes of determining whether we are a PFIC, we will be treated as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income. Accordingly, in determining whether we should be treated as a PFIC, we are treated as owning a proportionate share of the assets and income of Kyobo Securities.

Based on our audited consolidated financial statements for the year ended December 31, 2021, and taking into account current expectations regarding our income, assets and activities, we believe that we were in 2021, and anticipate that we will continue to be, predominantly engaged in an insurance business. As a result, we believe that our income derived and assets held in the active conduct of our insurance business should not be passive income and passive assets. We also believe that the customer activities of Kyobo Securities qualify for the exception for the characterization of certain securities income, and as a result, we believe that a portion of Kyobo Securities' income and assets should be treated as active income and active assets. Based on the foregoing, we believe that we were not a PFIC for 2021 and do not expect to become a PFIC in 2022 or the foreseeable future. However, PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and the value of our active versus passive assets and on the nature of our insurance and other activities, which may change. Moreover, there is little guidance on the circumstances under which a non-U.S. company will be treated as predominantly engaged in an insurance business for purposes of determining PFIC status or the circumstances under which income or assets of a non-U.S. insurance company will be treated as active, and it is therefore possible that the IRS would disagree with the determinations made by us as to how our business activities, income and assets should be classified. Accordingly, there is no assurance that we will not be a PFIC or that the IRS will not take a position contrary to that described above and assert that we are a PFIC for any year a U.S. holder owns the Securities.

If we are a PFIC in any year during which a U.S. holder owns the Securities, the U.S. holder generally will be subject to special rules (regardless of whether we continue to be a PFIC) with respect to its receipt of (i) any "excess Distribution" (generally, any Distribution on the Securities to the extent that it is greater than 125% of the average annual Distributions paid to the U.S. holder in the three preceding taxable years or, if shorter, the U.S. holder's holding period for the Securities) and (ii) any gain realized on the sale or other disposition, including a pledge, of the Securities.

Under these rules (a) the excess Distribution or gain will be allocated ratably over the U.S. holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are a PFIC will be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each such other taxable year. If we are a

PFIC, a U.S. holder generally will be subject to similar rules with respect to distributions to us by, and dispositions by us of equity of, any of our direct or indirect subsidiaries that are also PFICs.

Should we be classified as a PFIC, a U.S. holder should consult its tax adviser regarding the possibility of avoiding the interest charge described above by making a mark-to-market election with respect to the Securities. The election is available only if the Securities are considered "marketable stock" within the meaning of the Code, and there can be no assurances that being listed on the SGX-ST will be sufficient to meet this requirement.

Subject to certain exceptions, a U.S. holder is required to file an annual information return, currently on IRS Form 8621, with respect to each PFIC in which it owns an interest directly or, in some cases, indirectly (including through certain pass-through entities), and the statute of limitations for collections may be suspended if it does not file the form. If we are a PFIC and own an interest in another PFIC, Securityholders would be treated as owning a proportionate amount (by value) of the stock of the other PFIC. However, we do not expect to provide investors in the Securities with the information necessary to comply with reporting obligations with respect to the other PFIC. U.S. holders should consult their own tax advisers regarding the PFIC reporting requirements.

Specified Foreign Financial Assets

Certain U.S. holders that own "specified foreign financial assets" with an aggregate value in excess of US$50,000 on the last day of the taxable year or US$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on IRS Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the Securities) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders who fail to report the required information could be subject to substantial penalties. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Securities, including the application of the rules to their particular circumstances.

Information Reporting and Backup Withholding

Information returns may need to be filed with the IRS with respect to payments made to certain U.S. holders. In addition, certain U.S. holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers and certify that they are not subject to backup withholding or otherwise establish an exemption from backup withholding. Persons holding Securities who are not U.S. holders may be required to comply with applicable certification procedures to establish that they are not U.S. holders in order to avoid the application of the information reporting requirements and backup withholding tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against a U.S. holder's U.S. federal income tax liability, if any, or as a refund, provided the required information is timely furnished to the IRS.

FATCA

Under sections 1471 through 1474 of the U.S. Code, Treasury regulations promulgated thereunder, intergovernmental agreements entered into between the United States and other countries and implementing laws in respect of the foregoing (often referred to as the "Foreign Account Tax Compliance Act" or "FATCA"), investors in the Securities may be required to provide substantial information regarding their identities as well of that of their direct and indirect owners and this information may be reported to the IRS or other relevant tax authorities. In addition, it is possible that "passthru payments," as defined under FATCA, on the Securities may be subject to a withholding tax of 30%. Regulations implementing this rule have not yet been adopted or proposed and the IRS has indicated that any such regulations would not be effective for payments made prior to two years after the date on which final regulations on this issue are published. Holders of the Securities should consult their own tax advisors to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each holder in its particular circumstances.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated as of June 8, 2022 (the "Purchase Agreement") by and among us and Citigroup Global Markets Inc., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities (Asia Pacific) Limited, Nomura Singapore Limited and Kyobo Securities Co., Ltd. (collectively, the "Initial Purchasers"), the Initial Purchasers have agreed to purchase from us, and we have agreed to sell to the Initial Purchasers, the aggregate principal amount of the Securities indicated in the following table:

Initial Purchasers	Principal Amount
Citigroup Global Markets Inc.	US$125,000,000
The Hongkong and Shanghai Banking Corporation Limited	125,000,000
J.P. Morgan Securities (Asia Pacific) Limited	125,000,000
Nomura Singapore Limited	125,000,000
Kyobo Securities Co., Ltd.(1)	–
Total	US$500,000,000

(1) Kyobo Securities Co., Ltd. is our consolidated subsidiary.

The Purchase Agreement provides that the obligation of the Initial Purchasers to take and pay for the Securities is subject to the approval of certain legal matters by its counsel and certain other conditions. The Initial Purchasers have agreed to take and pay for all of the Securities if any are taken. The Initial Purchasers propose to offer the Securities initially at the price indicated on the cover page of this offering circular. After the offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers. The Initial Purchasers may offer and sell the Securities through certain of its affiliates and may provide to such affiliates an opportunity to purchase some of the Securities in the initial offering.

The Securities are a new issue of securities with no established trading market. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Securities on the SGX-ST. We have been advised that the Initial Purchasers presently intend to make a market in the Securities, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Securities, and any such market-making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Securities.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Securities in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Securities originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

The Initial Purchasers and certain of their respective affiliates have in the past and may in the future have performed certain investment banking, commercial/corporate banking and advisory services for us and/or our affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform banking and advisory services for us and/or our affiliates in the ordinary course of business. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Securities.

We have agreed to provide to the Initial Purchasers certain customary fees or discounts for their services in connection with the offering of the Securities and to reimburse the Initial Purchasers for certain out-of-pocket expenses.

Persons who purchase Securities from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page of this offering circular.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any non-Won denominated debt securities outside Korea of our company or our subsidiaries during the period from the date of the Purchase Agreement through and including the date 90 days after the date of the Purchase Agreement, without the prior written consent of the Initial Purchasers.

The Initial Purchasers or certain of their respective affiliates may purchase the Securities and be allocated Securities for asset management and/or proprietary purposes and not with a view to distribution.

The Initial Purchasers or their respective affiliates may purchase the Securities and/or other securities of our company for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities of our company or our subsidiaries or associates at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities).

We expect that delivery of the Securities will be made against payment therefor on or about the closing date specified on the cover page of this offering circular, which will be on or about the fifth business day following the pricing date of the Securities (this settlement cycle is referred to as "T+5"). Under Rule 15c6-l of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Securities on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Securities initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Securities who wish to trade the Securities on the date of pricing or succeeding business day should consult their own legal advisor.

Selling Restrictions

United States of America

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the Securities Act. Accordingly, the Securities are being offered and sold by the Initial Purchasers only (1) in the United States to QIBs pursuant to Rule 144A and (2) outside the United States in reliance upon Regulation S.

United Kingdom

Each Initial Purchaser represents, warrants and undertakes to us and each other Initial Purchaser that:

(a) Financial promotion: it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which section 21(1) of the FSMA does not apply to us; and

(b) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Hong Kong

Each Initial Purchaser has represented and agreed that:

(a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), by means of any document, any Securities

other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Initial Purchaser has acknowledged that this offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act 2001 of Singapore (the "SFA"). Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not offered or sold the Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell the Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

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

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

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

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

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

Korea

Each Initial Purchaser severally but not jointly has represented and agreed that the Securities have not been and will not be registered with the FSC under the FSCMA. Accordingly, each Initial Purchaser severally but not jointly has represented and agreed that the Securities have not been and will not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and the rules and regulations thereunder), or to any others for reoffering, resale or re-delivery, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations. In addition, each Initial Purchaser severally but not jointly has represented and agreed that within one year following the issuance of the Securities, the Securities may not be transferred to any resident of Korea other than a qualified institutional buyer (as defined in the Regulation on Issuance, Public Disclosure, Etc. of Securities of Korea) registered with the KOFIA as a qualified institutional buyer, provided that (a) the Securities are denominated, and the principal and interest payments thereunder are made, in a currency other than Korean Won, (b) the amount of the Securities acquired by such qualified institutional buyers in the primary market is limited to less than 20 per cent. of the aggregate issue amount of the Securities, (c) the Securities are listed on one of the major overseas securities markets designated by the Financial Supervisory Service of Korea, or certain procedures, such as registration or report with a foreign financial investment regulator, have been completed for offering of the Securities in a major overseas securities market, (d) the one-year restriction on offering, delivering or selling of Securities to a Korean resident other than a qualified institutional buyer is expressly stated in the Securities, the relevant underwriting agreement, subscription agreement, and the offering circular and (e) the Issuer and the Initial Purchasers shall individually or collectively keep the evidence of fulfilment of conditions (a) through (d) above after having taken necessary actions therefor.

Each Initial Purchaser severally but not jointly has undertaken to ensure that any securities dealer to which it sells Securities confirms that it is purchasing such Securities as principal and agrees with such Initial Purchaser that it will comply with the restrictions described above.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Securities offered pursuant to this offering circular.

Korea

A registration statement for the offering and sale of the Securities has not been filed under the FSCMA. Each purchaser of the Securities hereunder will be deemed to have represented and agreed as follows:

1. the Securities have not been registered with the FSC under the FSCMA. Accordingly, the Securities have not been and will not be offered, delivered, or sold, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transaction Law of Korea and the regulations thereunder) or to others for re-offering, resale or re-delivery, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, until the expiration of one year after the issuance of the Securities, the Securities may not be transferred to any resident of Korea who is not a qualified institutional buyer as defined in Article 2-2, Paragraph 2, Item 4 of the Regulation on Issuance, Public Disclosure, Etc. of Securities of Korea promulgated by the FSC.

2. it understands that the Securities will, unless otherwise agreed by us, bear a legend substantially to the following effect:

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

   IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE SECURITIES, THE SECURITIES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION (THE ‘‘KOFIA’’) AS A QUALIFIED INSTITUTIONAL BUYER, PROVIDED THAT (A) THE SECURITIES ARE DENOMINATED, AND THE PRINCIPAL AND INTEREST PAYMENTS THEREUNDER ARE MADE, IN A CURRENCY OTHER THAN KOREAN WON, (B) THE AMOUNT OF THE SECURITIES ACQUIRED BY SUCH QUALIFIED INSTITUTIONAL BUYERS IN THE PRIMARY MARKET IS LIMITED TO LESS THAN 20 PER CENT. OF THE AGGREGATE ISSUE AMOUNT OF THE SECURITIES, (C) THE SECURITIES ARE LISTED ON ONE OF THE MAJOR OVERSEAS SECURITIES MARKETS DESIGNATED BY THE FINANCIAL SUPERVISORY SERVICE OF KOREA, OR CERTAIN PROCEDURES, SUCH AS REGISTRATION OR REPORT WITH A FOREIGN FINANCIAL INVESTMENT REGULATOR, HAVE BEEN COMPLETED FOR OFFERING OF THE SECURITIES IN A MAJOR OVERSEAS SECURITIES MARKET, (D) THE ONE-YEAR RESTRICTION ON OFFERING, DELIVERING OR SELLING OF SECURITIES TO A KOREAN RESIDENT OTHER THAN A QUALIFIED INSTITUTIONAL BUYER IS EXPRESSLY STATED IN THE SECURITIES, THE RELEVANT UNDERWRITING AGREEMENT,

SUBSCRIPTION AGREEMENT, AND THE OFFERING CIRCULAR AND (E) THE ISSUER AND THE INITIAL PURCHASERS SHALL INDIVIDUALLY OR COLLECTIVELY KEEP THE EVIDENCE OF FULFILLMENT OF CONDITIONS (A) THROUGH (D) ABOVE AFTER HAVING TAKEN NECESSARY ACTIONS THEREFOR.

United States

The Securities have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or the securities laws of any other jurisdiction. The Securities may not be offered or sold within the United States, except in reliance on Rule 144A to QIBs. The Securities may also be offered and sold in offshore transactions in reliance on Regulation S.

Each purchaser of the Securities hereunder will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulations S under the Securities Act are used in this offering circular as defined in the Securities Act):

(1) it is purchasing the Securities for its own account or an account with respect to which it exercises sole investment discretion, and it and any such account (i) is a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (ii) is purchasing the Securities in an offshore transaction pursuant to Regulation S;

(2) it acknowledges that the Securities have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States except as set forth below;

(3) it understands and agrees that if in the future it decides to sell, pledge or otherwise transfer any Securities or any beneficial interest in any Securities, such Securities may be offered, resold, pledged or transferred only (A)(i) to us, (ii) to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S under the Securities Act, (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available) or (v) pursuant to another exemption from the Securities Act, provided that, as a condition to the registration of the transfer thereof, the Registrar or we may require the delivery of any documents, including an opinion of counsel that it, in its sole discretion, may deem necessary or appropriate to evidence compliance with such exemption, or (B) pursuant to an effective registration statement under the Securities Act, and, in each of such cases in accordance with any applicable securities laws of any state of the United States;

(4) it agrees to, and each subsequent holder is required to, notify any purchaser of the Securities from it of the resale restrictions referred to in clause (3)(A) above, if then applicable;

(5) it understands and agrees that Securities initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Certificates and that Securities initially offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Certificates;

(6) it understands that the Rule 144A Global Certificate(s) will, until the expiration of the applicable holding period with respect to the Securities set forth in Rule 144 of the Securities Act, unless otherwise agreed by us, bear a legend substantially to the following effect:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF KYOBO LIFE INSURANCE CO., LTD. (THE "ISSUER") THAT PRIOR TO THE DATE THAT IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE

LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY, THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(i) TO ISSUER, (ii) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (iii) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (iv) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (v) PURSUANT TO ANOTHER EXEMPTION FROM THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE ISSUER OR THE REGISTRAR MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION, OR (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND, IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER AGREES TO, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE, IF THEN APPLICABLE."

(7) it understands that, unless otherwise agreed by us, the Regulation S Global Certificate(s) will bear a legend substantially to the following effect:

"THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT."

(8) it acknowledges that prior to any proposed transfer of any Securities in certificated form or of beneficial interests in the Global Certificates (other than pursuant to an effective registration statement), the holder of the Securities or the holder of beneficial interests in the Global Certificates, as the case may be, may be required to provide certificates and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Securities and the Agency Agreement; and

(9) it acknowledges that we, the Initial Purchasers, the Fiscal Agent and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of such acknowledgments, representations or warranties deemed to have been made by virtue of its purchase of the Securities is no longer accurate, it shall promptly notify us; and if it is acquiring any Securities as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreement on behalf of each such account.

Each purchaser and subsequent transferee acknowledges and agrees that they will be deemed by such purchase or holding of the Securities (or any beneficial interest therein) that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Securities or any beneficial interest therein constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), plan, individual retirement account or other arrangement subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code") or provisions under any other federal, state, local, non-U.S. or

other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "Similar Laws") or any entity whose underlying assets are considered to include "plan assets" of any such employee benefit plan, plan, account or arrangement or (ii) the purchase and holding of the Securities or any beneficial interest therein by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Laws.

LEGAL MATTERS

Certain legal matters relating to the Offering will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP, our special English counsel, and for the Initial Purchasers by Linklaters LLP, their special English counsel. Certain legal matters relating to the Offering will be passed upon for us and the Initial Purchasers by Shin & Kim LLC, Korean counsel. Cleary Gottlieb Steen & Hamilton LLP and Linklaters LLP may rely as to all matters of Korean law on the opinion of Shin & Kim LLC. Shin & Kim LLC may rely as to all matters of English law on the opinion of Cleary Gottlieb Steen & Hamilton LLP and Linklaters LLP.

INDEPENDENT AUDITORS

Our annual consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021 included in this offering circular have been audited by Ernst & Young Han Young, independent auditors, as stated in its audit report appearing herein. Our unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2021 included in this offering circular have been reviewed by Ernst & Young Han Young, independent auditors, who have reported that they applied limited procedures in accordance with professional standards for review of such information. With respect to our unaudited condensed consolidated and separate interim financial statements as of and for the three months ended March 31, 2022 included herein, Samil PricewaterhouseCoopers have reported that they applied limited procedures in accordance with professional standards for review of such information. However, their separate reports (which contain an emphasis of matter paragraph that describes uncertainty relating to the impact of the COVID-19 pandemic) included herein state that they did not audit and they do not express an opinion on such interim financial information. Accordingly, the degree of reliance on their separate reports on such information should be restricted in light of the limited nature of the review procedures applied.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Securities, we will be required to furnish, upon request of a holder of Securities, to such holder of Securities and any prospective investor designated by such holder of Securities, the information required to be delivered under Rule 144A(d)(4) under the Securities Act unless at the time of the request we are a reporting company under Section 13 or Section 15(d) of the Exchange Act, or included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act (and therefore are required to publish on our website, in English, certain information pursuant to Rule 12g3-2(b) under the Exchange Act). Any such request should be directed to Kyobo Life Insurance Co., Ltd., Attention: Hyun S. Kang (telephone: +82-2-721-3031, fax: +82-721-3358).

You should rely only upon the information provided in this offering circular. We have not authorized anyone to provide you with different information. You should not assume that the information in this offering circular is accurate as of any date other than the date of this offering circular.

ENFORCEMENT OF CIVIL LIABILITIES

We are a corporation with limited liability organized under the laws of Korea. Most of our directors, executive officers and certain other persons named in this offering circular are non-U.S. residents, and all or a significant portion of the assets of our directors, executive officers and certain other persons named in this offering circular and most of our assets are located or registered outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them or against us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. It is uncertain whether liabilities predicated solely on U.S. federal securities laws are enforceable in original actions or in actions for enforcement of judgment in Korean courts.

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Report on Review of Separate Interim Condensed Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Kyobo Life Insurance Co., Ltd.

Reviewed Financial Statements

We have reviewed the accompanying separate interim condensed financial statements of Kyobo Life Insurance Co., Ltd. (the Company). These financial statements consist of the separate interim condensed statement of financial position of the Company as at March 31, 2022, and the related separate interim condensed statements of comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 2022, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate interim condensed financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of separate interim condensed financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these separate interim condensed financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying separate interim condensed financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting.*

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 47 to the separate interim condensed financial statements of the Company, which describes significant accounting estimates and assumptions can be adjusted according to the changes in uncertainty due to Coronavirus disease 2019 ("COVID-19").

Other Matters

The separate interim condensed financial statements of comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 2021, presented herein for comparative purposes, were reviewed by another auditor whose report dated May 14, 2021. Based on their review, nothing has come to their attention that causes them to believe the accompanying financial statements do not present fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea
May 16, 2022

This report is effective as of May 16, 2022, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying separate interim condensed financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Ernst & Young Han Young
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Report on review of interim condensed separate financial statements

The Shareholders and Board of Directors
Kyobo Life Insurance Co., Ltd.

We have reviewed the interim condensed separate financial statements of Kyobo Life Insurance Co., Ltd. (the "Company"), which comprise the interim condensed separate statement of financial position as of March 31, 2021, and the interim condensed separate statements of comprehensive income (loss), interim condensed separate statements of changes in equity and interim condensed separate statements of cash flows for the three-month periods ended March 31, 2021 and 2020, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim condensed separate financial statements

Management is responsible for the preparation and presentation of these interim condensed separate financial statements in accordance with Korean International Financial Reporting Standards ("KIFRS") 1034 *Interim Financial Reporting* and for such internal control as management determines is necessary to enable the preparation of the interim condensed separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim condensed separate financial statements based on our review.

We conducted our review in accordance with the review standards for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Auditing standards ("KGAAS") and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed separate financial statements are not presented, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Building a better working world

Other matter

We have audited the separate statement of financial position of the Company as of December 31, 2020, and the related separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended in accordance with KGAAS (not presented herein), and our report dated March 5, 2021 expressed an unqualified opinion thereon. The accompanying separate statement of financial position as of December 31, 2020, presented for comparative purposes is not different, in all material respects, from the above audited separate statement of financial position.

May 14, 2021

This review report is effective as of May 14, 2021, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed separate financial statements and may result in modification to this review report.

Kyobo Life Insurance Co., Ltd.

Separate interim condensed statements of financial position

As of March 31, 2022 and December 31, 2021

(In won)	*Note*		2022 (Unaudited)	2021
Assets				
Cash and due from banks	5,13,14,43,48	₩	1,142,947,299,761	1,638,709,813,158
Financial assets designated at fair value through profit or loss	6,13,14		803,928,101	867,774,370
Financial assets held for trading	7,13,14		242,150,100,967	512,028,719,284
Derivative assets	13,14,27		165,790,346,354	120,339,526,579
Available-for-sale financial assets	8,13,14,43		49,387,512,621,234	59,566,124,691,389
Held-to-maturity financial assets	9,13,14,43		12,296,865,410,135	4,551,725,208,992
Loans	10,13,14,43,48		21,773,388,159,184	21,865,600,738,002
Other receivables	11,13,14,31,43,48		732,314,766,103	692,332,695,535
Investments in subsidiaries, associates and joint ventures	12,13,14		1,394,596,162,537	1,396,865,060,502
Investment properties	15,48		1,182,966,476,077	1,152,819,677,868
Property and equipment	16,48		896,537,108,373	919,293,723,671
Intangible assets	17,48		158,071,703,234	166,756,953,880
Deferred acquisition costs	18		1,157,100,328,918	1,151,452,275,770
Deferred tax assets			132,390,197,845	-
Other assets	19,31		81,902,484,212	52,142,524,782
Separate account assets	28		25,280,445,497,739	25,362,225,010,716
Total assets		₩	116,025,782,590,774	119,149,284,394,498
Liabilities				
Liabilities under insurance contracts	20	₩	79,135,975,880,371	78,650,496,756,425
Policyholders' equity adjustments	21		141,355,685,701	699,418,492,623
Derivative liabilities	13,14,27		719,443,196,977	535,939,333,898
Other financial liabilities	13,14,23,31,43,48		753,132,144,095	596,687,825,753
Provisions	24		10,733,829,664	10,575,076,550
Current tax liabilities			117,694,023,596	30,454,233,931
Deferred tax liabilities			-	771,405,936,757
Net defined benefit liabilities	25		19,748,478,291	-
Other liabilities	26		639,209,397,629	601,439,901,674
Separate account liabilities	28,48		25,589,626,860,744	26,228,908,712,937
Total liabilities			107,126,919,497,068	108,125,326,270,548
Equity				
Capital stock	29		102,500,000,000	102,500,000,000
Hybrid bonds	29		1,020,053,815,983	1,020,053,815,983
Capital surplus	29		365,936,339,794	365,936,339,794
Capital adjustments	29		(8,994,796,867)	(8,994,796,867)
Accumulated other comprehensive income	29		(373,610,044,917)	1,844,828,259,157
Retained earnings	29		7,792,977,779,713	7,699,634,505,883
Total equity			8,898,863,093,706	11,023,958,123,950
Total liabilities and equity		₩	116,025,782,590,774	119,149,284,394,498

The accompanying notes are an integral part of the separate interim condensed financial statements.

Kyobo Life Insurance Co., Ltd.

Separate interim condensed statements of comprehensive income (loss)

For the three-month periods ended March 31, 2022 and 2021

(In won)	*Note*		2022 (Unaudited)	2021 (Unaudited)
Operating revenues				
Premium income	30,48	₩	2,344,974,605,319	2,428,044,315,978
Reinsurance income	31		37,482,676,773	33,393,397,850
Interest income	13,32,48		606,235,025,654	590,958,964,616
Gain on valuation and disposal of financial instruments	13,33		601,460,049,394	627,463,076,695
Gain on foreign currency transaction	13,43		355,710,510,395	587,425,606,776
Fee and commission income	34,48		8,386,749,275	5,520,873,258
Dividend income	13,35,48		157,200,679,676	140,107,999,642
Rental income	48		23,113,798,457	22,883,494,175
Separate account commissions earned			190,988,959,576	205,175,303,841
Separate account income	28,48		78,361,948,734	60,112,466,286
Other operating income	36		-	9,032,784,481
			4,403,915,003,253	4,710,118,283,598
Operating expenses				
Provision for liabilities under insurance contracts			453,320,579,863	587,855,511,992
Insurance claims paid	37,48		2,094,522,760,710	1,961,447,692,109
Reinsurance premium expenses	31		39,805,902,692	35,696,176,717
Operating and administrative expenses	38,48		260,638,447,240	274,662,164,707
Amortization of deferred acquisition costs	18		129,093,703,750	139,033,150,254
Asset management expenses	39,48		35,860,981,883	38,696,423,554
Interest expenses	13,40,48		33,843,384,691	36,048,981,175
Loss on valuation and disposal of financial instruments	13,41		896,248,091,968	892,304,872,377
Loss on foreign currency transaction	13,43		17,988,685,419	34,419,265,840
Separate account commissions			9,825,772,707	14,316,735,489
Separate account expenses	28,48		78,361,948,734	60,112,466,286
Other operating expenses	42		17,143,652,037	23,138,392,839
			4,066,653,911,694	4,097,731,833,339
Operating profit			337,261,091,559	612,386,450,259
Non-operating income	44,48		24,379,380,779	34,577,651,260
Non-operating expenses	44,48		22,115,413,402	2,020,302,204
Profit before income tax expenses			339,525,058,936	644,943,799,315
Income tax expenses	45		82,069,655,523	168,167,569,411
Profit for the period		₩	257,455,403,413	476,776,229,904

(Continued)

Kyobo Life Insurance Co., Ltd.

Separate interim condensed statements of comprehensive income, continued

For the three-month periods ended March 31, 2022 and 2021

(In won)	*Note*		2022 (Unaudited)	2021 (Unaudited)
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Revaluation of property and equipment	29	₩	1,517,843,588	1,870,144,196
Remeasurements on defined benefit obligation	29		(319,442,155)	(45,366,485)
			1,198,401,433	1,824,777,711
Items that are or may be reclassified subsequently to profit or loss:				
Loss on valuation of available-for-sale financial assets	29		(2,116,343,372,249)	(1,634,125,795,364)
Gain on valuation of held-to-maturity financial assets	29		1,244,644,154	-
Loss on valuation of investments in associates and subsidiaries	29		(293,344,469)	(5,043,660,098)
Gain on valuation of derivative instruments	29		24,089,980,885	46,111,035,138
Other comprehensive loss in separate accounts	29		(128,334,613,828)	(24,640,401,956)
			(2,219,636,705,507)	(1,617,698,822,280)
Other comprehensive income (loss) for the period, net of income tax			(2,218,438,304,074)	(1,615,874,044,569)
Total comprehensive income (loss) for the period		₩	(1,960,982,900,661)	(1,139,097,814,665)
Earnings per share				
Basic and diluted earnings per share		₩	2,411	4,597

The accompanying notes are an integral part of the separate interim condensed financial statements.

Kyobo Life Insurance Co., Ltd.

Separate interim condensed statements of changes in equity

For the three-month periods ended March 31, 2022 and 2021

(In won)		Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
Balance as of January 1, 2021	₩	102,500,000,000	551,437,935,983	365,936,339,794	(8,994,796,867)	3,648,905,126,062	7,434,112,568,097	12,093,897,173,069
Total comprehensive income:		-	-	-	-	(1,615,874,044,569)	476,776,229,904	(1,139,097,814,665)
Profit for the period		-	-	-	-	-	476,776,229,904	476,776,229,904
Other comprehensive income		-	-	-	-	(1,615,874,044,569)	-	(1,615,874,044,569)
Loss on valuation of available-for-sale financial assets		-	-	-	-	(1,634,125,795,364)	-	(1,634,125,795,364)
Loss on valuation of investments in associates and subsidiaries		-	-	-	-	(5,043,660,098)	-	(5,043,660,098)
Gain on valuation of derivative instruments for hedging		-	-	-	-	46,111,035,138	-	46,111,035,138
Other comprehensive loss in separate accounts		-	-	-	-	(24,640,401,956)	-	(24,640,401,956)
Gain on revaluation of property and equipment		-	-	-	-	1,870,144,196	-	1,870,144,196
Remeasurement loss on defined benefit obligation		-	-	-	-	(45,366,485)	-	(45,366,485)
Transactions with owners:		-	-	-	-	-	(108,107,716,250)	(108,107,716,250)
Annual dividends		-	-	-	-	-	(102,500,000,000)	(102,500,000,000)
Payment of hybrid bond dividends		-	-	-	-	-	(5,607,716,250)	(5,607,716,250)
Balance as of March 31, 2021(Unaudited)	₩	102,500,000,000	551,437,935,983	365,936,339,794	(8,994,796,867)	2,033,031,081,493	7,802,781,081,751	10,846,691,642,154

(Continued)

Kyobo Life Insurance Co., Ltd.

Separate interim condensed statements of changes in equity

For the three-month periods ended March 31, 2022 and 2021

(In won)		Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
Balance as of January 1, 2022	₩	102,500,000,000	1,020,053,815,983	365,936,339,794	(8,994,796,867)	1,844,828,259,157	7,699,634,505,883	11,023,958,123,950
Total comprehensive income:		-	-	-	-	(2,218,438,304,074)	257,455,403,413	(1,960,982,900,661)
Profit for the period		-	-	-	-	-	257,455,403,413	257,455,403,413
Other comprehensive loss		-	-	-	-	(2,218,438,304,074)	-	(2,218,438,304,074)
Loss on valuation of available-for-sale financial assets		-	-	-	-	(2,116,343,372,249)	-	(2,116,343,372,249)
Loss on valuation of held-to-maturity financial assets		-	-	-	-	1,244,644,154	-	1,244,644,154
Loss on valuation of investments in associates and subsidiaries		-	-	-	-	(293,344,469)	-	(293,344,469)
Gain on valuation of derivative instruments for hedging		-	-	-	-	24,089,980,885	-	24,089,980,885
Other comprehensive loss in separate accounts		-	-	-	-	(128,334,613,828)	-	(128,334,613,828)
Gain on revaluation of property and equipment		-	-	-	-	1,517,843,588	-	1,517,843,588
Remeasurement loss on defined benefit obligation		-	-	-	-	(319,442,155)	-	(319,442,155)
Transactions with owners:		-	-	-	-	-	(164,112,129,583)	(164,112,129,583)
Annual dividends		-	-	-	-	-	(153,750,000,000)	(153,750,000,000)
Payment of hybrid bond dividends		-	-	-	-	-	(10,362,129,583)	(10,362,129,583)
Balance as of March 31, 2022(Unaudited)	₩	102,500,000,000	1,020,053,815,983	365,936,339,794	(8,994,796,867)	(373,610,044,917)	7,792,977,779,713	8,898,863,093,706

The accompanying notes are an integral part of the separate interim condensed financial statements.

Kyobo Life Insurance Co., Ltd.
Separate interim condensed statements of cash flows
For the three-month periods ended March 31, 2022 and 2021

(In won)	*Note*	2022 (Unaudited)	2021 (Unaudited)
Cash flows from operating activities			
Profit before income tax expenses		₩ 339,525,058,936	644,943,799,315
Adjustments for:			
Interest income		(606,235,025,654)	(590,958,964,616)
Interest expenses		33,843,384,691	36,048,981,175
Dividend income		(170,982,965,808)	(166,415,647,670)
Other adjustments to reconcile profit before income tax for the period to net cash provided by operating activities:			
Loss on valuation of financial assets at fair value through profit or loss		63,846,269	-
Gain on valuation of financial assets held for trading, net		(125,803,685)	(215,139,779)
Gain on disposal of available-for-sale financial assets, net		(198,973,693,865)	(484,149,113,620)
(Reversal of) impairment losses on available-for-sale financial assets		(189,352,324)	23,049,817,812
Loss on valuation of available-for-sale financial assets, net		87,813,907,397	-
Bad debt expenses		2,156,457,221	249,545,539
Gain on foreign currency transaction, net		(291,412,629,603)	(500,086,127,046)
Loss on valuation of derivative, net		238,654,901,208	494,506,049,082
Loss on disposal of derivatives, net		5,641,351,370	9,557,191,813
Loss (gain) on investments in associates, net		14,226,646	(2,606,597,546)
Amortization of deferred acquisition costs		129,093,703,750	139,033,150,254
Depreciation of investment properties		2,626,599,143	2,510,363,092
Loss on disposal of property, equipment and investment properties, net		653,512,864	1,247,620,377
Depreciation of property and equipment		16,490,675,355	17,063,360,232
Gain on disposal of intangible asset		-	(131,000,000)
Amortization of intangible asset		14,308,264,446	13,829,896,862
Provision for insurance contract liabilities		453,320,579,863	587,855,511,992
Reversal of reinsurance assets		(257,972,706)	(776,401,526)
Retirement benefits		11,082,943,911	11,242,245,336
Bad debt expenses on other assets		381,068,256	138,728,310
Gain on cancellation of lease contracts		(13,016,848)	(210,992,389)
Other gain, net		(1,678,113,048)	(2,200,176,290)
		469,651,455,620	309,907,932,505
Changes in operating assets and liabilities:			
Due from banks		218,102,254,018	(13,198,491,547)
Financial assets held for trading		270,004,422,002	269,304,153,811
Loans		102,932,840,226	(324,745,307,781)
Other receivables		(72,147,067,551)	43,774,706,141
Derivative assets		2,854,436,199	62,178,436,962
Deferred acquisition costs		(134,741,756,898)	(115,528,205,609)
Other assets		(30,967,846,324)	(31,146,029,500)
Separate account assets		81,779,512,977	(312,486,694,830)
Liabilities under insurance contracts		32,158,544,083	62,747,252,850
Derivative liabilities		(99,006,355,650)	10,505,481,422
Other financial liabilities		83,422,782,537	(22,350,551,255)
Provisions		(79,299,576)	(272,334,418)
Defined benefit liabilities		8,655,125,221	(2,516,970,915)
Other liabilities		38,707,328,848	115,171,736,931
Separate account liabilities		(816,295,112,645)	(183,445,753,925)
		(314,620,192,533)	(442,008,571,663)

(Continued)

Kyobo Life Insurance Co., Ltd.
Separate interim condensed statements of cash flows
For the three-month periods ended March 31, 2022 and 2021

(In won)	*Note*		2022 (Unaudited)	2021 (Unaudited)
Income tax paid		₩	(59,148,404,850)	(52,719,200,279)
Interest received			565,435,300,710	582,935,101,269
Interest paid			(32,805,387,030)	(34,991,066,164)
Dividends received			152,412,434,542	128,949,855,097
Net cash inflow (outflow) from operating activities			377,075,658,624	415,692,218,969
Cash flows from investing activities:				
Acquisition of available-for-sale financial assets			(4,733,038,388,131)	(5,285,195,031,472)
Disposal of available-for-sale financial assets			6,592,867,483,224	5,177,501,873,248
Acquisition of held-to-maturity financial assets			(2,411,422,461,558)	-
Cash inflows from derivatives held for hedging			29,729,373,954	16,535,111,827
Cash outflows from derivatives held for hedging			(6,593,103,936)	(20,143,670,788)
Proceeds from disposal of investments in associates and subsidiaries			1,779,013,967	33,175,506,157
Dividends of investments in associates and subsidiaries			13,782,286,132	26,307,648,028
Acquisition of property, equipment and investment properties			(2,778,245,190)	(2,938,932,090)
Proceeds from disposal of property, equipment and investment properties			49,000,000	-
Acquisition of intangible assets			(4,195,129,500)	(3,454,054,000)
Proceeds from disposal of intangible assets			-	240,000,000
Increase in leasehold deposits			(7,917,248,572)	(2,499,025,500)
Decrease in leasehold deposits			2,796,479,820	3,058,284,170
Net cash inflow (outflow) from investing activities			(524,940,939,790)	(57,412,290,420)
Cash flows from financing activities:				
Increase in leasehold deposits received			1,258,892,000	1,298,903,700
Decrease in leasehold deposits received			(2,854,294,500)	(2,315,166,020)
Dividends paid			(101,808,945,000)	(102,500,000,000)
Hybrid bonds dividend			(16,140,025,000)	(10,862,500,000)
Reimbursement of lease labilities			(8,758,694,335)	(8,861,558,358)
Net cash inflow (outflow) from financing activities			(128,303,066,835)	(123,240,320,678)
Effect of exchange rate fluctuations on cash and cash equivalents held			(1,491,911,378)	505,718,285
Net increase (decrease) in cash and cash equivalents			(277,660,259,379)	235,545,326,156
Cash and cash equivalents at the beginning of the period			1,155,035,243,427	537,634,661,935
Cash and cash equivalents at the end of the period	5	₩	877,374,984,048	773,179,988,091

The accompanying notes are an integral part of the separate interim condensed financial statement

(In millions of won)

1. Company information

Kyobo Life Insurance Co., Ltd. (the "Company") was established on June 30, 1958, and primarily engages in the life insurance business as permitted by the *Insurance Business Law* of the Republic of Korea. The Company's head office is located at Jongno-ro 1, Jongno-gu, Seoul, the Republic of Korea.

As of March 31, 2022, the Company has 7 Financial Planner (FP) offices, 70 supporting offices, 488 branches in the Republic of Korea and engages in the life insurance business and its related reinsurance contracts. The following table lists the number of currently available insurance products and discontinued but currently effective insurance products as of March 31, 2022.

	Insurance products in effect		
Type	Available	Discontinued	Total
Individual annuity	14	84	98
Pure endowment	19	39	58
Death	39	192	231
Endowment	2	41	43
Group insurance	19	25	44
	93	381	474

The Company's major shareholders and their respective shareholdings as of March 31, 2022 are as follows:

	Number of shares	Ownership (%)
Chang-Jae Shin	34,627,370	33.78
Corsair Korea Investors LLC	10,038,830	9.79
Guardian Holdings Limited	9,276,250	9.05
Tiger Holdings LP	7,813,250	7.62
The Export-Import bank of Korea	5,995,005	5.85
KLI Investors LLC	5,460,825	5.33
KLIC Holdings Limited	5,355,625	5.23
Hoenir Inc.	5,355,625	5.23
Apfin Investment Pte Ltd	4,612,500	4.50
In-Jae Shin	2,593,000	2.53
Life Investors of Korea LP	2,361,750	2.30
AXA	2,300,000	2.24
Kyung-Ae Shin	1,750,010	1.71
Young-Ae Shin	1,449,960	1.41
Triumph Ⅱ Investments (Ireland) Limited	1,100,000	1.07
Meiji Yasuda Life Insurance Company	1,025,000	1.00
Others	1,385,000	1.35
	102,500,000	100.00

(In millions of won)

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The separate interim condensed financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("KIFRS"), as prescribed in the *Act on External Audits of Stock Companies*. These separate interim condensed financial statements were prepared in accordance with KIFRS 1034 *Interim Financial Reporting*. The accompanying separate interim condensed financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's review report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. These interim condensed separate financial statements do not include all of the disclosures required for full annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as of and for the year ended December 31, 2021.

The Company's financial statements are separate financial statements in accordance with KIFRS 1027 *Separate Financial Statements*. The Company applied the cost method or fair value method to investments in subsidiaries and associates in accordance with KIFRS 1027 or KIFRS 1039, respectively. Dividends from a subsidiary or associate are recognized in profit or loss when the right to receive the dividend is established.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements as of and for the year ended December 31, 2021. The following accounting policies are also expected to be adopted in the preparation of the Company's annual separate financial statements as of and for the year ended December 31, 2022.

2.2.1 New standards and interpretations adopted

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022. The Company has not applied early standards, interpretations, and amendments that have been published but have not been implemented. The nature and the impact of each new standard or amendment is described below:

(1) Amendment to KIFRS 1116 *Leases* – Covid-19-Related Rent Concessions

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. However, the Company has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2. Basis of preparation and significant accounting policies, continued

2.2 Significant accounting policies, continued

2.2.1 New standards and interpretations adopted, continued

(2) Amendment to KIFRS 1103 'Business Combination' - Reference to the Conceptual Framework for Financial Reporting

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The Company does not expect that the amendment will have a material impact on the separate financial statements.

(3) Amendment to KIFRS 1016 'Tangible assets' – Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The Company does not expect that the amendment will have a material impact on the separate financial statements.

(4) Amendment to KIFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets' – Onerous Contracts—Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The Company does not expect that the amendment will have a material impact on the separate financial statements.

(5) Annual Improvement to KIFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

-Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters

-Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities

-Korean IFRS 1041 *Agriculture* – Measuring fair value

2. Basis of preparation and significant accounting policies, continued

2.2 Significant accounting policies, continued

2.2.1 New standards and interpretations adopted, continued

(6) Amendments to KIFRS 1107 Financial Instruments: Disclosures, KIFRS 1109 *Financial Instruments*, KIFRS 1039 *Financial Instruments: Recognition and Measurement*, KIFRS 1104 *Insurance Contracts* and KIFRS 1116 *Leases* – Interest Rate Benchmark Reform – (Phase 2)

The amendment provides a temporary waiver to address the impact on financial reporting when the Interbank Loan Rate (IBOR) is replaced by an alternative risk-free reference indicators (RFRs).
The amendments provide a number of practical reliefs including

- Contractual changes, or changes in cash flows that are directly affected by the reforms, are treated as if they were changed to variable interest rates, such as fluctuations in market interest rates.
- Changes required by the interest rate indicator reform allow the hedging designation and hedging documentation to be possible without disrupting the hedging relationship.
- A temporary exemption that is deemed to meet the requirement that financial instruments referencing the RFRs must be separately identifiable if they are designated as hedging elements.

These amendments had no impact on the separate financial statements of the Company. The Company apply the practical expedient in the future when it becomes applicable

The Company applied for the first time the amendment to 'Interest Rate Benchmark Reform Phase 2 -KIFRS 1109, KIFRS 1039, KIFRS 1107, KIFRS 1104 and KIFRS 1116', from the annual period beginning on or after January 1, 2021. The Company applied these amendments retrospectively. In accordance with the transitional provisions permitted in the Phase 2 amendments, the Company has not restated the separate financial statements of the prior period reflecting the application of the amendments, and has not reflected additional disclosures. There is no effect on the amount of the opening balance of equity due from retrospective application.

The Company is exposed to IBOR, which is subject to reform for its financial assets. As of March 31, 2022, the main IBORs exposed are the London Interbank Loan Rate (LIBOR) and CD rates, and the alternative to LIBOR is the Secured Overnight Financing Rate (SOFR), and alternative to CD rates is The Korea Overnight Financing Repo rate (KOFR).

The Company expects that such interest rate benchmark reform shall affect the Company's operation, risk management procedures and the hedge accounting. The Company is primarily exposed to operational risk due to interest rate benchmark reform. This includes, for example, the application of new substitutional provisions with derivative counterparties, the renewal of contractual terms and conditions and the modification of controls related to interest rate benchmark reform. Financial risk is primarily confined to interest rate risk. In a hedging relationship, ineffectiveness may arise due to uncertainty about the timing and methodology of replacement of interest rates related to the hedged items and hedging instrument, or differences in the timing of replacement.

(In millions of won)

2. Basis of preparation and significant accounting policies, continued

2.2 Significant accounting policies, continued

2.2.1 New standards and interpretations adopted, continued

The Company monitors the progress of the conversion from the IBOR to the new interest rate benchmark by reviewing the total amount of contracts that have not yet been converted to an alternative interest rate benchmark and the amount of those contracts that contain an appropriate replacement clause. If the contractual interest is a contract in which interest is indexed to an interest rate benchmark subject to an interest rate benchmark reform, the Company considers the contract to have not been converted to an alternative interest rate benchmark, even if the contract contains an alternative provision to provide for the discontinuation of the IBOR.

The total amount of the contract that has not yet transitioned is as follows:

(In millions of won)

Interest Rate Benchmark	Currencies	Financial assets (*)	Derivatives (*)
CD	KRW	81,253	4,351,500
LIBOR	USD	1,555,750	12,400

(*) Financial assets and derivatives are based on carrying amount and nominal amount, respectively, and if the assets that are incorporated to the beneficiary certificates involve an interest rate benchmark subject to interest rate benchmark reform, the calculation is based on the carrying amount of all beneficiary certificates.

3. Significant accounting judgments, estimates and assumptions

KIFRS requires the use of estimates and assumptions based on management's best judgment regarding the application of accounting policies or matters affecting the reported amounts of assets, liabilities, income, and expenses as of the end of the interim reporting period in preparing interim condensed financial statements.
If the estimates and assumptions based on management's best judgment as of the end of the interim reporting period differ from actual circumstances, these estimates and actual results may differ.

Management's judgments regarding the application of the Company's accounting policies and estimates used in the condensed separate quarterly financial statements are the same as those bases of estimates used in the annual financial statements for the fiscal year ended December 31, 2021, except as described in Note 2.

(In millions of won)

4. Standards issued but not yet effective

The standards and interpretations that are issued, up to the date of issuance of the Company's separate financial statements but not yet effective are disclosed below.

4.1 Amendments to KIFRS 1001 'Presentation of Financial Statements' – Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is evaluating the impact of the amendments on current practice and whether existing loan agreements may require renegotiation.

4.2 KIFRS 1001 'Presentation of Financial Statement' – Accounting policy Disclosure

In order to define and disclose material accounting policies and to provide guidance on how to apply the concept of materiality, International Accounting Standards Practice 2 'Accounting Policy Disclosure' has been amended. These amendments are effective for fiscal year beginning on or after January 1, 2023, and early application is permitted. The Company does not expect the amendment to have a material impact on the separate financial statements.

4.3 KIFRS 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of 'Accounting Estimates'

Accounting estimates has been defined and clarified how to distinguish accounting estimates from changes in accounting policies. These amendments are effective for fiscal year beginning on or after January 1, 2023, and early application is permitted. The Company does not expect the amendment to have a material impact on the separate financial statements.

4.4 KIFRS 1012 'Income Taxes' - Deferred tax on assets and liabilities arising from a single transaction

A transaction that does not generate a taxable temporary difference and a deductible temporary difference has been added to the initial recognition exception for a transaction in which an asset or liability is initially recognized. These amendments are effective for fiscal year beginning on or after January 1, 2023, and early application is permitted. The Company does not expect the amendment to have a material impact on the separate financial statements.

(In millions of won)

4. Standards issued but not yet effective, continued

4.5 KIFRS 1117 Insurance contracts

In 2021, KIFRS 1117 'Insurance Contracts', was published, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once it is effective, KIFRS 1117 will replace KIFRS 1104 Insurance Contracts (KIFRS 1104) that was issued in 2007.

KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

KIFRS 1117 is effective for reporting periods beginning on or after January 1 2023, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. This standard is not applicable to the Company.

4.5.1 Preparation of the adoption of KIFRS 1117

In order to prepare for the adoption of KIFRS 1117, the Company has organized and operated an internal professional workforce which consists of 38 professional employees since September 2016.

In February 2016, the Company requested the accounting firm and actuarial firm to establish an accounting system such as insurance liability assessment system, and in March 2020, the integrated accounting system was first completed, and from June 2021, the KIFRS 1117 upgrade project has been carried out. As of December 2021, system upgrade and consistency check are being carried out, and the Company plans to continuously upgrade the system by 2022 while also establishing an internal control over financial reporting.

In addition, the Company has established an in-house training course related to KIFRS 1117 to provide internal and external training to executives and employees who are related with accounting, actuary, and insurance products, while in-depth trainings course will be prepared in 2022.

4.5.2 Assessment of financial impacts

With the implementation of KIFRS 1117, the financial volatilities are expected in the separate financial statements in 2023, due mainly to changes in the method of assessment of insurance liabilities and revenue recognition, etc.

As a result of evaluating the potential impact of the application of KIFRS 1117 on the separate financial statements based on currently available information as of December 31, 2021, it is expected that the amount of insurance contract liabilities will increase after the enforcement of KIFRS 1117 due mainly to the effect from the high interest rate firm insurance contracts held, etc.

In addition, insurance revenue is expected to decrease as savings type insurance premiums are excluded from insurance revenue when KIFRS 1117 is applied.

(In millions of won)

5. Cash and due from banks

(1) Cash and cash equivalent as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Cash	₩	729	633
Demand deposits		101,912	127,426
MMDA		622,007	967,961
Other deposits		152,727	59,015
	₩	877,375	1,155,035

(2) Due from banks as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Time deposits	₩	102,990	102,990
Other deposits		11,616	265,329
Future transactions deposits		150,966	115,356
	₩	265,572	483,675

(3) Bank deposits with withdrawal restrictions as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021	Details
Demand deposits	₩	111	111	Partially seized, etc.
Other deposits		10	10	Guarantee deposits for checking accounts
Future transactions deposits		150,966	115,356	Future trading
	₩	151,087	115,477	

6. Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Hybrid financial instruments:			
Other embedded derivatives	₩	804	868

7. Financial assets held for trading

Financial assets held for trading as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Equity securities:			
Beneficiary certificates	₩	242,150	512,029

(In millions of won)

8. Available-for-sale financial assets

(1) Available-for-sale financial assets as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Equity securities:			
Listed share	₩	204,669	446,738
Unlisted share		244,201	226,880
Equity investments		105,415	93,097
Beneficiary certificates (*)		11,117,776	10,525,762
Overseas securities		2,973,717	3,111,654
Other securities		20,261	20,938
		14,666,039	14,425,069
Debt securities:			
Government and public bonds		13,516,484	19,433,745
Special bonds		5,872,153	7,350,998
Financial institutions bonds		848,121	931,937
Corporate bonds		2,620,833	2,859,270
Overseas securities		11,863,883	14,565,106
		34,721,474	45,141,056
	₩	49,387,513	59,566,125

(*) Amounts of the Corsair-related fund, which is the major shareholder of the Company, includes ₩196,527 million and ₩192,777 million as of March 31, 2022 and December 31, 2021, respectively. Dividend income recognized from the fund is ₩2,091 million and ₩3,679 million for the three-month period ended March 31, 2022 and 2021, respectively. In addition, the additional acquisition amount is ₩119 million and ₩7,841 million for the three-month period ended March 31, 2022 and 2021, respectively. There is no disposal amount for the three-month period ended March 31, 2022 and the disposal amount was ₩5,640 million for the three-month period ended March 31, 2021.

The fair values of debt securities of available-for-sale financial assets are based on the average prices of base prices on the latest business day, which are provided by Korea Asset Pricing (KAP) and KIS Pricing Inc. The fair values of unlisted stocks and equity investments of which the posted prices are not available in an active market, are calculated based on the appraised values in the appraisal reports of KAP.

(2) Unlisted shares and equity investments were recognized at acquisition costs of ₩10,899 million and ₩10,899 million as of March 31, 2022 and December 31, 2021, respectively, as the fair values cannot be estimated reliably.

(3) Impairment losses on available-for-sale financial assets for the years ended March 31, 2022, and 2021 amounted to ₩737 million and ₩23,976 million, respectively. Reversal of impairment losses on available-for-sale financial assets for years ended March 31, 2022, and 2021 were ₩926 million and ₩926 million, respectively.

(4) Available-for-sale financial assets pledged as collateral as of March 31, 2022 and December 31, 2021 are as follows:

Collateral	Purpose		2022	2021	Counter party
Government and public bonds	Collateral for derivatives	₩	1,055,677	916,101	Credit Suisse Bank, etc.

(In millions of won)

8. Available-for-sale financial assets, continued

(5) As the intention to hold available-for-sale financial assets for the years ended March 31, 2022, the Company reclassified corresponding available-for-sale financial assets as of March 2, 2022. The book value of the reclassified available-for-sale financial assets is ₩5,298,029 million, and for the reclassified held-to-maturity financial assets, interest income is recognized by recalculating the effective interest rate that matches the fair value at the date of reclassification and the expected future cash flows. The effective interest rate calculated as of the reclassification date of the reclassified held-to-maturity financial assets is between 2.594% and 2.909%.

The book value and fair value of the reclassified held-to-maturity financial assets are ₩5,300,946 million and ₩5,018,500 million, and other comprehensive loss on available-for-sale financial assets that would have been recognized without the reclassification was ₩602,437 million.

9. Held-to-maturity financial assets

Held to maturity financial assets as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Debt securities:			
Government and public bonds	₩	9,469,196	2,959,456
Special bonds		1,218,431	390,000
Corporate bonds		60,000	50,000
Overseas securities		1,549,238	1,152,269
	₩	12,296,865	4,551,725

(In millions of won)

10. Loan receivables

(1) Loan receivables as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Policy loan receivables	₩	6,302,557	6,341,550
Loan receivable secured by securities		-	20,000
Loan receivables secured by real estate		5,684,068	5,608,703
Unsecured loan receivables		8,337,143	8,433,118
Guaranteed loan receivables		1,065,199	1,084,559
Other loan receivables		458,142	448,231
		21,847,109	21,936,161
Less: Present value discount		(27)	(37)
Less: Allowance for loss on loan receivables		(43,783)	(43,404)
Less: Deferred loan origination costs and fees		(29,911)	(27,119)
	₩	21,773,388	21,865,601

(2) Changes in allowance for loss on loan receivables for the years ended March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Beginning balance	₩	43,405	69,551
Charge for the year(Reversal), net		2,156	250
Write-off, etc.		(4,692)	(4,334)
Unwinding effect		(129)	(138)
Recovery of bad debts		3,043	3,040
Ending balance	₩	43,783	68,369

(In millions of won)

11. Other receivables

(1) Details of other receivables as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Insurance receivables:			
Premiums transferred automatically	₩	2,315	2,411
Insurance settlement adjustments		3,228	3,213
Reinsurance receivables		37,225	69,448
Other insurance receivables		103	124
		42,871	75,196
Accounts receivables, etc.		160,884	54,180
Guarantee deposits		59,866	54,436
Accrued income		488,399	527,246
Others		71	594
		752,092	711,652
Less: Present value discount		(2,215)	(1,619)
Less: Allowance for other receivables		(17,562)	(17,700)
	₩	732,315	692,333

(2) Changes in allowance for other receivables for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Beginning balance	₩	17,700	20,809
Provision for other receivables, net		381	138
Write-off, etc.		(519)	-
Ending balance	₩	17,562	20,947

(In millions of won)

12. Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures as of March 31, 2022 and December 31, 2021 are summarized as follows:

	Valuation method	Country of domicile	2022 Book value	2022 Owner -ship (%)	2021 Book value	2021 Owner -ship (%)
Subsidiaries:						
Kyobo Securities Co., Ltd.	Cost	Korea	₩ 480,104	73.1	480,104	73.1
Kyobo Book Center Co., Ltd.	Cost	Korea	219,933	100.0	219,933	100.0
Kyobo Info. & Comm. Co., Ltd.	Cost	Korea	53,253	100.0	53,253	100.0
Kyobo Realco Inc.	Cost	Korea	15,985	100.0	15,985	100.0
KCA Claim Adjustment Co., Ltd.	Cost	Korea	2,680	100.0	2,680	100.0
KCA Service	Cost	Korea	10,484	66.7	10,484	66.7
Kyobo Life Planet Life Insurance company	Cost	Korea	185,734	100.0	185,734	100.0
Kyobo Asset Trust Co., Ltd.	Cost	Korea	295,420	100.0	295,420	100.0
Kyobo Life Asset Management Co., Ltd. (USA)	Cost	USA	3,503	100.0	3,503	100.0
Kyobo Life Asset Management Co., Ltd. (Japan)	Cost	Japan	1,118	100.0	1,118	100.0
Kyobo New Technology Investment Association No.1	Cost	Korea	35,000	87.5	35,000	87.5
Consus BTL Private Special Asset Investment Trust1	Fair value	Korea	18,291	57.2	18,930	57.2
Consus Hope BTL Private Special Asset Investment Trust 1	Fair value	Korea	19,417	66.7	20,058	66.7
Consus New Energy Private Special Asset Investment Trust2	Fair value	Korea	9,900	68.8	10,558	68.8
KIAMCO SHIPPING Private Special Asset Investment Trust KX-1	Fair value	Korea	13,868	100.0	14,199	100.0
			1,364,690		1,366,959	
Associates:						
A&D Credit Information Co., Ltd. (*)	Cost	Korea	2,947	19.5	2,947	19.5
Joint ventures:						
Kyobo AXA Investment Management Co., Ltd.	Cost	Korea	26,959	50.0	26,959	50.0
			₩ 1,394,596		1,396,865	

(*) The entities are classified as associates even though the Company holds less than 20% of shares, since members of the Company's Board of Directors are also the members of the entities' board and thus have significant influence over the entities.

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(In millions of won)

13. Classification by categories of financial instruments

(1) The carrying amounts of each category of financial assets and financial liabilities as of March 31, 2022 and December 31, 2021 are summarized as follows:

	2022							
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities recognized by amortized cost	Total
Financial assets:								
Cash and due from banks	₩ -	-	-	1,142,947	-	-	-	1,142,947
Financial assets at fair value through profit or loss	804	-	-	-	-	-	-	804
Financial assets held for trading	242,150	-	-	-	-	-	-	242,150
Derivative assets	55,888	-	-	-	109,902	-	-	165,790
Available-for-sale financial assets	-	49,387,513	-	-	-	-	-	49,387,513
Investments in associates and subsidiaries (*)	-	61,477	-	-	-	-	-	61,477
Held-to-maturity financial assets	-	-	12,296,865	-	-	-	-	12,296,865
Loan receivables	-	-	-	21,773,388	-	-	-	21,773,388
Other receivables	-	-	-	732,315	-	-	-	732,315
	₩ 298,842	49,448,990	12,296,865	23,648,650	109,902	-	-	85,803,249
Financial liabilities:								
Derivative liabilities	₩ -	-	-	-	494,406	225,037	-	719,443
Other financial liabilities	-	-	-	-	-	-	753,132	753,132
	₩ -	-	-	-	494,406	225,037	753,132	1,472,575

(*) The beneficiary certificates are within the scope of consolidation using KIFRS 1039.

(In millions of won)

13. Classification by categories of financial instruments, continued

(1) The carrying amounts of each category of financial assets and financial liabilities as of March 31, 2022 and December 31, 2021 are summarized as follows, continued:

	2021							
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities recognized by amortized cost	Total
Financial assets:								
Cash and due from banks	₩ -	-	-	1,638,710	-	-	-	1,638,710
Financial assets at fair value through profit or loss	868	-	-	-	-	-	-	868
Financial assets held for trading	512,029	-	-	-	-	-	-	512,029
Derivatives	35,030	-	-	-	85,310	-	-	120,340
Available-for-sale financial assets	-	59,566,125	-	-	-	-	-	59,566,125
Investments in associates and subsidiaries (*)	-	63,745	-	-	-	-	-	63,745
Held-to-maturity financial assets	-	-	4,551,725	-	-	-	-	4,551,725
Loan receivables	-	-	-	21,865,601	-	-	-	21,865,601
Other receivables	-	-	-	692,333	-	-	-	692,333
	₩ 547,927	59,629,870	4,551,725	24,196,644	85,310	-	-	89,011,476
Financial liabilities:								
Derivatives liabilities	₩ -	-	-	-	423,432	112,507	-	535,939
Other financial liabilities	-	-	-	-	-	-	596,688	596,688
	₩ -	-	-	-	423,432	112,507	596,688	1,132,627

(*) The beneficiary certificates are within the scope of consolidation using KIFRS 1039.

(In millions of won)

13.Classification by categories of financial instruments, continued

(2) Gains (losses) on categories of financial instruments for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022						
	Net profit or loss						
	Interest income (expense)	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss	Other operating income (*1)	Subtotal	Other comprehensive income (expense) (*2)
Financial assets at fair value through profit or loss	₩ -	-	(64)	-	-	(64)	-
Financial assets held for trading	-	1,669	126	-	15	1,810	-
Available-for-sale financial assets	253,735	198,974	(87,814)	189	447,513	812,597	(2,116,343)
Held-to-maturity financial assets	87,009	-	-	-	30,919	117,928	1,244
Trading purpose derivatives	(4,351)	(228,385)	(68,076)	-	-	(300,812)	-
Hedging purpose derivatives	(8,821)	61,709	(170,579)	-	-	(117,691)	24,090
Loans and receivables	246,302	-	-	(2,538)	16,476	260,240	-
Investments in associates and subsidiaries	-	(14)	-	-	565	551	(293)
Financial liabilities measured at amortized cost	(1,483)	-	-	-	-	(1,483)	-
	₩ 572,391	33,953	(326,407)	(2,349)	495,488	773,076	(2,091,302)

(*1) Including gain or loss from foreign currency transaction and dividend income.
(*2) Amounts adjusted for income tax effect.

(In millions of won)

13. Classification by categories of financial instruments, continued

(2) Gains (losses) on categories of financial instruments for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

	2021						
	Net profit or loss						
	Interest income (expense)	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss	Other operating income (*1)	Subtotal	Other comprehensive income (expense) (*2)
Financial assets held for trading	₩ -	5	215	-	2,741	2,961	-
Available-for-sale financial assets	333,135	484,149	-	(23,050)	667,985	1,462,219	(1,634,126)
Trading purpose derivatives	(3,415)	(221,697)	(108,459)	-	-	(333,571)	-
Hedging purpose derivatives	(8,269)	(9,571)	(386,047)	-	-	(403,887)	46,111
Loans and receivables	235,080	-	-	(388)	22,388	257,080	-
Investments in associates and subsidiaries (*2)	-	2,607	-	-	6,189	8,796	(5,044)
Financial liabilities measured at amortized cost	(1,621)	-	-	-	-	(1,621)	-
	₩ 554,910	255,493	(494,291)	(23,438)	699,303	991,977	(1,593,059)

(*1) Including gain or loss from foreign currency transaction and dividend income.
(*2) Amounts adjusted for income tax effect.

(In millions of won)

14. Fair value of financial assets and liabilities

(1) The book value and fair value of financial assets and liabilities as of March 31, 2022 and December 31, 2021 are as follows:

	2022		2021	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and due from banks	₩ 1,142,947	1,142,947	1,638,710	1,638,710
Financial assets at fair value through profit or loss	804	804	868	868
Financial assets held for trading	242,150	242,150	512,029	512,029
Derivative assets	165,790	165,790	120,340	120,340
Available-for-sale financial assets	49,387,513	49,387,513	59,566,125	59,566,125
Held to maturity financial assets	12,296,865	11,270,350	4,551,725	4,476,706
Loan receivables	21,773,388	21,156,889	21,865,601	21,665,518
Other receivables	732,315	732,243	692,333	692,351
Investments in associates and subsidiaries	61,477	61,477	63,745	63,745
	₩ 85,803,249	84,160,163	89,011,476	88,736,392
Financial liabilities:				
Derivative liabilities	₩ 719,443	719,443	535,939	535,939
Other financial liabilities	753,132	753,090	596,688	597,044
	₩ 1,472,575	1,472,533	1,132,627	1,132,983

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(2) Financial instruments measured at the fair value

The Company classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

The Company recognizes transfers between levels of fair value hierarchy at the end of the reporting period.

Financial instruments measured at fair value as of March 31, 2022 and December 31, 2021 are as follows:

		2022			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at fair value through profit or loss	₩	-	-	804	804
Financial assets held for trading		-	242,150	-	242,150
Available-for-sale financial assets		16,058,531	22,142,634	11,186,347	49,387,513
Derivative assets		-	164,710	1,081	165,790
Investments in associates and subsidiaries		-	-	61,477	61,477
	₩	16,058,531	22,549,494	11,249,709	49,857,734
Financial liabilities:					
Derivative liabilities	₩	-	685,114	34,329	719,443

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at fair value through profit or loss	₩	-	-	868	868
Financial assets held for trading		-	512,029	-	512,029
Available-for-sale financial assets		22,471,792	26,449,635	10,644,698	59,566,125
Derivative assets		-	119,256	1,084	120,340
Investments in associates and subsidiaries		-	-	63,745	63,745
	₩	22,471,792	27,080,920	10,710,395	60,263,107
Financial liabilities:					
Derivative liabilities	₩	-	510,544	25,395	535,939

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(3) Changes in level 3 fair value hierarchy for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022				
		Financial assets designated at fair value through profit or loss	Derivative assets, net.	Available-for-sale financial assets	Investments in subsidiaries and associates	Total
Beginning balance	₩	868	(24,311)	10,644,698	63,745	10,685,000
Purchases		-	-	924,789	-	924,783
Settlements/disposals		-	-	(318,403)	(1,806)	(320,209)
Total income:		(64)	(8,938)	(64,731)	(462)	(74,195)
Profit or loss		(64)	(8,938)	2,491	-	(6,511)
Other comprehensive income (loss)		-	-	(67,222)	(462)	(67,684)
Ending balance	₩	804	(33,249)	11,186,347	61,477	11,215,379

		2021			
		Derivatives, net	Available-for-sale financial assets	Investments in subsidiaries and associates	Total
Beginning balance	₩	33,831	9,559,618	120,589	9,714,038
Purchases/issuance		-	652,787	-	652,787
Settlements/disposals		-	(196,755)	(36,936)	(233,691)
Total income:		(8,002)	(216,811)	(1,892)	(226,705)
Profit or loss		(8,002)	(16,102)	-	(24,104)
Other comprehensive income (loss)		-	(200,709)	(1,892)	(202,601)
Ending balance	₩	25,829	9,798,839	81,761	9,906,429

There was no transfer between level 3 and other levels for the three-month periods ended March 31, 2022 and 2021.

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(4) Total gains or losses for the three-month periods ended March 31, 2022 and 2021 recognized in profit of loss and gains or losses relating to financial instruments in level 3 at the end of the reporting period are presented in the statement of comprehensive income as follows:

		2022	
		Total gains and losses	Losses relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩	(4,081)	(6,511)

		2021	
		Total gains and losses	Losses relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩	(21,543)	(24,104)

(5) Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 as of March 31, 2022 and December 31, 2021 are as follows:

Type of financial instrument	Valuation technique	Input variables
Financial assets:		
Financial assets held for trading	Discounted cash flow	Interest rate, foreign exchange rate, stock price, etc.
Derivative assets	Discounted cash flow, Option pricing model	Interest rate, foreign exchange rate, stock price, etc.
Available-for-sale financial assets	Discounted cash flow, Dividend discount model	Interest rate, foreign exchange rate, stock price, etc.
Financial liabilities:		
Derivative liabilities	Discounted cash flow, Option pricing model	Interest rate, foreign exchange rate, stock price, etc..

(6) There was no transfer between level 1 and level 2 fair value measurement during the three-month periods ended March 31, 2022 and 2021.

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of March 31, 2022 is as follows:

	2022			
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Financial assets designated at fair value through profit or loss	T-F model, Binomial model	Stock price	491,470won	A significant increase in stock price would result in a higher fair value
		Volatility	23.30%	A significant increase in volatility would result in a higher fair value
		Discount rate	22.38%	A significant increase in discount rate would result in a lower fair value
Derivative assets	Binomial model, Discounted cash flow	Stock price	4,455~4,545won	A significant increase in stock price would result in a higher fair value
		Volatility	23.25%~23.71%	A significant increase in volatility would result in a higher fair value
Available-for-sale financial assets	Discounted cash flow, Dividend discount model, Net asset method, etc.	Permanent growth rate	0%~1%	A significant increase in growth rate would result in a higher fair value
		Discount rate	3.05%~26.09%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	-	A significant increase in liquidation value rate would result in a higher fair value
Investments in associates and subsidiaries	Net asset method	The volatility of liquidation value rate	-	A significant increase in liquidation value rate would result in a higher fair value
Financial liabilities:				
Derivative liabilities	Discounted cash flow	Discount rate	-0.54% ~ 1.15%	A significant increase in discount rate would result in a lower fair value

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 are as follows, continued:

	2021			
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Financial assets designated at fair value through profit or loss	T-F model, Binomial model	Stock price	517,347won	A significant increase in stock price would result in a higher fair value
		Volatility	23.00%	A significant increase in volatility would result in a higher fair value
		Discount rate	22.39%	A significant increase in discount rate would result in a lower fair value
Derivative assets	Binomial model, Discounted cash flow	Stock price	4,325~4,413won	A significant increase in stock price would result in a higher fair value
		Volatility	21.81%~22.25%	A significant increase in volatility would result in a higher fair value
Available-for-sale financial assets	Discounted cash flow, Dividend discount model, Net asset method, etc.	Permanent growth rate	-	A significant increase in growth rate would result in a higher fair value
		Discount rate	2.58%~26.57%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	0%~1%	A significant increase in liquidation value rate would result in a higher fair value
Investments in associates and subsidiaries	Net asset method	The volatility of liquidation value rate	0%	A significant increase in liquidation value rate would result in a higher fair value
Financial liabilities:				
Derivative liabilities	Discounted cash flow	Discount rate	-0.58% ~ 0.51%	A significant increase in discount rate would result in a lower fair value

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(8) A sensitivity analysis for value measurement arising from changes in the significant unobservable inputs as of March 31, 2022 and December 31, 2021 are as follows:

	2022			
	Profit or loss		Other comprehensive income	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:				
Financial assets at fair value through profit or loss (*1) ₩	78	(78)	-	-
Derivative assets (*1)	1	(1)	-	-
Available-for-sale financial assets (*2)	-	-	126,146	(119,131)
Investments in associates and subsidiaries (*2)	-	-	599	(599)
Financial liabilities:				
Derivative liabilities (*1)	65,273	(52,650)	-	-

(*1) A change in fair value is calculated by increasing or decreasing stock price (-1%~1%), volatility (-1%~1%) and discount rate (-1%~1%).
(*2) A change in fair value is calculated by increasing or decreasing the correlation of permanent growth rate (-1%~1%), fluctuation rate of liquidation value (-1% ~1%) and discount rate (-1%~1%).

	2021			
	Profit or loss		Other comprehensive income	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:				
Financial assets at fair value through profit or loss (*1) ₩	45	(121)	-	-
Derivative assets (*1)	1	(1)	-	-
Available-for-sale financial assets (*2)	-	-	119,895	(114,220)
Investments in associates and subsidiaries (*2)	-	-	627	(627)
Financial liabilities:				
Derivative liabilities (*1)	77,928	(62,485)	-	-

(*1) A change in fair value is calculated by increasing or decreasing stock price (-1%~1%), volatility (-1%~1%) and discount rate (-1%~1%).
(*2) A change in fair value is calculated by increasing or decreasing the correlation of permanent growth rate (-1%~1%), fluctuation rate of liquidation value (-1% ~1%) and discount rate (-1%~1%).

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(9) The fair value hierarchy of financial instruments which are not measured at fair value in the separate statements of financial position as of March 31, 2022 and December 31, 2021 are as follows:

		2022			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	729	1,142,218	-	1,142,947
Loan receivables		-	-	21,156,889	21,156,889
Other receivables		-	-	732,243	732,243
Held to maturity financial assets		8,704,537	2,565,813	-	11,270,350
	₩	8,705,266	3,708,031	21,889,132	34,302,429
Financial liabilities:					
Other financial liabilities	₩	-	-	753,090	753,090

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	633	1,638,077	-	1,638,710
Loan receivables		-	-	21,665,518	21,665,518
Other receivables		-	-	692,351	692,351
Held to maturity financial assets		2,885,415	1,591,291	-	4,476,706
	₩	2,886,048	3,229,368	22,357,869	28,473,285
Financial liabilities:					
Other financial liabilities	₩	-	-	597,044	597,044

(In millions of won)

15. Investment property

(1) Investment property as of March 31, 2022 and December 31, 2021 are as follows:

		2022			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	856,241	-	(5,886)	850,355
Buildings		528,615	(188,497)	(14,777)	325,341
Structures		11,809	(4,239)	(299)	7,271
	₩	1,396,665	(192,736)	(20,963)	1,182,966

		2021			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	829,247	-	(5,886)	823,361
Buildings		517,555	(182,137)	(13,176)	322,242
Structures		11,569	(4,090)	(262)	7,217
	₩	1,358,371	(186,227)	(19,324)	1,152,820

(2) Changes in investment property for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022				
		Beginning balance	Acquisitions	Depreciation	Others (*)	Ending balance
Land	₩	823,362	-	-	26,993	850,355
Buildings		322,242	27	(2,569)	5,641	325,341
Structures		7,216	-	(58)	112	7,270
	₩	1,152,820	27	(2,627)	32,746	1,182,966

		2021				
		Beginning balance	Acquisitions	Depreciation	Others (*)	Ending balance
Land	₩	808,195	-	-	10,857	819,052
Buildings		317,866	393	(2,454)	4,188	319,993
Structures		7,355	-	(56)	66	7,365
	₩	1,133,416	393	(2,510)	15,111	1,146,410

(*) Others include transfers from property and equipment.

(In millions of won)

15. Investment property, continued

(3) Investment property pledged as collaterals as of March 31, 2022 and December 31, 2021 are as follows:

			2022	2021	Purpose
Woori Bank Gangnam Kyobo Tower, etc.	Book value	₩	53,022	54,660	Establishment of the right to collateral security and hold leasehold
	Maximum credit amount		64,820	67,078	

16. Property and equipment

(1) Property and equipment as of March 31, 2022 and December 31, 2021 are as follows:

		2022			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	521,947	-	(4,862)	517,085
Buildings		468,075	(161,731)	(30,672)	275,672
Structures		16,505	(6,778)	(225)	9,502
Vehicles		1,895	(1,516)	-	379
Equipment		90,974	(68,802)	-	22,172
Right-of-use assets (Real estates)		100,950	(41,268)	-	59,682
Right-of-use assets (Vehicles)		1,376	(367)	-	1,010
Others		12,618	(1,226)	(358)	11,035
	₩	1,214,342	(281,688)	(36,117)	896,537

		2021			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	548,910	-	(4,862)	544,048
Buildings		479,085	(163,331)	(32,273)	283,481
Structures		16,745	(6,787)	(262)	9,696
Vehicles		2,015	(1,565)	-	450
Equipment		88,243	(65,498)	-	22,745
Right-of-use assets (Real estates)		84,416	(37,655)	-	46,761
Right-of-use assets (Vehicles)		1,299	(254)	-	1,045
Others		12,619	(1,193)	(358)	11,068
	₩	1,233,332	(276,283)	(37,755)	919,294

(In millions of won)

16. Property and equipment, continued

(2) Changes in property and equipment for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022					
	Beginning balance	Acquisitions	Disposals/ Termination	Depreciation	Others (*)	Ending balance
Land	₩ 544,048	30	-	-	(26,993)	517,085
Buildings	283,481	18	-	(2,187)	(5,641)	275,672
Structures	9,696	-	-	(81)	(112)	9,502
Vehicles	449	-	(9)	(61)	-	379
Equipment	22,746	2,702	(3)	(3,311)	38	22,172
Right-of-use assets (Real estates)	46,760	25,186	(1,559)	(10,705)	-	59,682
Right-of-use assets (Vehicles)	1,045	77	-	(112)	-	1,010
Others	11,068	-	-	(33)	-	11,035
	₩ 919,294	28,014	(1,572)	(16,491)	(32,708)	896,537

(*) Others include transfers to or from investment properties, advanced payments and others.

	2021					
	Beginning balance	Acquisitions	Disposals/ Termination	Depreciation	Others (*)	Ending balance
Land	₩ 559,177	27	-	-	(10,857)	548,347
Buildings	294,690	265	-	(2,243)	(4,188)	288,524
Structures	10,113	-	-	(83)	(66)	9,964
Vehicles	410	202	-	(68)	-	544
Equipment	27,575	1,952	(25)	(3,581)	-	25,921
Right-of-use assets (Real estates)	57,485	15,071	(7,728)	(11,036)	-	53,792
Right-of-use assets (Vehicles)	64	25	-	(18)	-	71
Others	11,216	-	(3)	(34)	-	11,179
	₩ 960,730	17,542	(7,756)	(17,063)	(15,111)	938,342

(*) Others include transfers to or from investment properties, advanced payments and others.

(In millions of won)

16. Property and equipment, continued

(3) Reserve for revaluation as of March 31, 2022 is as follows:

Revaluation date		Amount
January 1, 1981	₩	165
April 1, 1989		300
April 1, 1999		23,900
		24,365
Deferred tax effect		(19,863)
	₩	4,502

As of April 1, 1999, a certain portion of the Company's property and equipment was revalued in accordance with the *Korean Asset Revaluation Law*. As a result, the revaluation difference amounting to ₩478,550 million was classified as asset revaluation reserve. Out of this amount increment, ₩47,800 million, excluding participating policyholder's equity amounting to ₩430,750 million, was calculated as asset revaluation reserve. The asset revaluation reserve amounting to ₩23,900 million was transferred to capital stock during the year ended December 31, 2002. Out of ₩430,750 million, the amount of ₩64,000 million was transferred to the reserve for special participating policyholders' dividends and was paid during the year ended December 31, 2002, while the amount of ₩63,750 million was transferred to reserve for social contributions in policyholders' equity. The amount of ₩126,438 million, out of the remainder amounting to ₩303,000 million, was used for dividends to policyholders for the year ended December 31, 2001, while the amount of ₩176,562 million was transferred to reserve for participating policyholder's dividends for stabilization. The amount of ₩65,923 million from the Company's reserve for revaluation incurred on April 1, 1989 was reserved for participating policyholder's dividends for stabilization for the year ended December 31, 2021. The amount of ₩164,481 million, a part of reserve for participating policyholder's dividends for stabilization, was used for dividends to policyholders. The reserve for participating policyholder's dividends for stabilization amounts to ₩78,004 million as of March 31, 2022.

(In millions of won)

17. Intangible assets

(1) Intangible assets as of March 31, 2022 and December 31, 2021 are as follows:

	2022		
	Acquisition cost	Accumulated amortization	Book value
Software	₩ 86,755	(53,560)	33,196
Development costs (*)	227,948	(109,999)	117,949
Memberships	6,927	-	6,927
	₩ 321,630	(163,559)	158,072

(*) Amounts of ₩80,729 million of development costs related to the new generation system are included as of March 31, 2022, and the remaining useful life of the development cost is 2.5 years.

	2021		
	Acquisition cost	Accumulated amortization	Book value
Software	₩ 85,169	(50,374)	34,795
Development costs (*)	223,911	(98,876)	125,035
Memberships	6,927	-	6,927
	₩ 316,007	(149,250)	166,757

(*1) Amounts of ₩ 88,310 million of development costs related to the new generation system are included as of December 31, 2021, and the remaining useful life of the development cost is 2.75 years.

(2) Changes in Intangible assets for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022				
	Beginning balance	Acquisitions	Amortization	Others(*)	Ending balance
Software ₩	34,795	1,395	(3,186)	192	33,196
Development costs	125,035	-	(11,123)	4,036	117,949
Memberships	6,927	-	-	-	6,927
₩	166,757	1,395	(14,308)	4,228	158,072

	2021					
	Beginning Balance	Acquisitions	Disposals	Amortization	Others (*)	Ending balance
Software ₩	44,055	306	-	(3,122)	160	41,399
Development costs	157,611	32	-	(10,708)	6,380	153,315
Memberships	7,036	-	(109)	-	-	6,927
₩	208,702	338	(109)	(13,830)	6,540	201,641

(*) Others include transfers from advanced payments.

(In millions of won)

18. Deferred acquisition costs

Changes in deferred acquisition costs for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022					
		Acquisition costs				
	Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩ 1,106,308	189,138	(59,900)	129,238	(124,162)	1,111,384
Group insurance	45,144	6,351	(847)	5,504	(4,932)	45,716
	₩ 1,151,452	195,489	(60,747)	134,742	(129,094)	1,157,100

	2021					
		Acquisition costs				
	Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩ 1,138,926	179,510	(69,215)	110,295	(133,990)	1,115,231
Group insurance	44,210	6,695	(1,462)	5,233	(5,043)	44,400
	₩ 1,183,136	186,205	(70,677)	115,528	(139,033)	1,159,631

19. Other assets

Other assets as of March 31, 2022 and December 31, 2021 are as follows:

	2022	2021
Reinsurance assets	₩ 31,771	31,513
Prepaid expense	35,021	1,767
Advanced payments	14,118	18,816
Others	992	47
	₩ 81,902	52,143

(In millions of won)

20. Liabilities under insurance contracts

(1) Details of liabilities under insurance contracts as of March 31, 2022 and December 31, 2021 are as follows:

	2022				
	Pure endowment	Death	Endowment	Group	Total
Premium reserve	₩ 29,013,601	39,102,133	7,155,049	258,147	75,528,930
Unearned premium reserve	49	597	1	8,937	9,585
Reserve for outstanding claims	1,094,607	802,528	91,035	31,767	2,019,937
Reserve for participating policyholder's dividend	440,671	2,775	2,460	53	445,958
	₩ 30,548,927	39,908,034	7,248,545	298,904	78,004,410
Guarantee reserve					984,943
Dividends reserve for policyholder's income participation					76,637
Reserve for losses on dividend insurance contract					69,986
				₩	79,135,976

	2021				
	Pure endowment	Death	Endowment	Group	Total
Premium reserve	₩ 28,940,960	38,599,242	7,139,638	256,453	74,936,293
Unearned premium reserve	36	650	1	6,653	7,340
Reserve for outstanding claims	1,073,570	808,187	77,146	33,069	1,991,972
Reserve for participating policyholder's dividend	447,082	2,829	2,488	54	452,453
	₩ 30,461,648	39,410,908	7,219,273	296,229	77,388,058
Guarantee reserve					1,122,177
Dividends reserve for policyholder's income participation					72,355
Reserve for losses on dividend insurance contract					67,907
				₩	78,650,497

(In millions of won)

21. Policyholder's equity adjustments

Policyholder's equity adjustments as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Reserve for policyholder dividend stabilization	₩	78,004	78,004
Fund for public projects		99,466	99,466
Gain on valuation of available-for-sale financial assets		(60,662)	401,267
Gain on valuation of held-to-maturity financial assets		(93,969)	-
Gain on valuation of investment in associates and subsidiaries		(9)	62
Gain on revaluation of property and equipment		118,526	120,619
	₩	141,356	699,418

22. Liability adequacy tests (LAT)

The Company concluded that there are no significant changes to the assumptions such as experience rate, etc. since December 31, 2021. Therefore, it did not calculate deficiency (surplus) of liability adequacy as of March 31, 2022.

Major assumptions and calculation methods applied to the calculation of current estimates in relation to the future cash flows for the Liability Adequacy Test as of March 31, 2022 and December 31, 2021 are as follows:

	Rate
Discount rate (*1)	1.02% ~ 10.12%
Risk premium rate (*2)	19.5% ~ 247%
Surrender ratio (*3)	0.5% ~ 63.5%

(*1) Scenario presented by the Financial Supervisory Service
(*2) The ratio of premium paid to risk premium by each product type, channel type, sale period, and lapse of time was calculated based on past empirical statistics of recent 5 years or more.
(*3) The surrender ratio was calculated by the ratio of surrender premium to overdue premium by product type, channel type, payment method and lapse of time based on past empirical statistics of recent 5 years or more.

The operating and administrative expenses were calculated by applying the ratio of actual operating and administrative expenses incurred by each cost driver based on empirical statistics.

(In millions of won)

23. Other financial liabilities

(1) Other financial liabilities as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Insurance payables:			
Dormant policies	₩	31,266	33,534
Insurance settlement adjustments		7,561	7,458
Reinsurance payables		39,806	59,957
		78,633	100,949
Accounts payable		321,362	41,302
Accrued expenses		177,269	293,720
Leasehold deposits received		104,643	106,238
Less: Present value discount		(6,220)	(6,571)
Trust accounts liabilities		23,957	20,603
Lease liabilities (*)		53,488	40,447
	₩	753,132	596,688

(*) Lease liabilities are recognized and measured in accordance with KIFRS 1116 Leases.

(2) Losses relating to lease for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Short-term lease (*)	₩	372	219
Lease for which the underlying asset is of low value (*)		9	9
Interest expense on the lease liability		249	195
	₩	630	423

(*) The Company recognized lease payments as an expense on a straight-line basis over the lease term.

(3) Details of lease payments related to lease liabilities amounted to ₩8,759 million and ₩9,090 million for the three-month periods ended March 31, 2022 and 2021, respectively.

(In millions of won)

24. Provisions

Changes in provisions for the three-month period ended March 31, 2022 and 2021 are as follows:

		2022		
		Provision for restoration cost	Litigation	Total
Beginning balance	₩	10,234	341	10,575
Increase		1,843	-	1,843
Utilized		(79)	-	(79)
(Reversal of) Provision, net		(1,756)	151	(1,605)
Ending balance	₩	10,242	492	10,734

		2021		
		Provision for restoration cost	Litigation	Total
Beginning balance	₩	10,644	534	11,178
Increase		2,489	-	2,489
Utilized		(272)	-	(272)
(Reversal of) Provision, net		(2,239)	114	(2,125)
Ending balance	₩	10,622	648	11,270

(In millions of won)

25. Defined benefit liabilities

(1) The Company operates a defined benefit plan based on compensation for pension of the employees and the period of services rendered. The Company has entrusted the plan assets of defined benefit obligations at Kookmin Banks and others.

Defined benefit plan assets and liabilities as of March 31, 2022 and December 31, 2021 are summarized as follows:

		2022	2021
Present value of defined benefit obligations	₩	213,547	203,479
Fair value of plan assets		(193,799)	(203,909)
Defined benefit liabilities	₩	19,748	(430)

(2) Changes in the present value of defined benefit obligations for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Beginning balances	₩	203,479	227,584
Current service costs		11,085	11,135
Interest expenses		1,160	851
Benefits paid by the plan		(2,177)	(4,189)
Ending balances	₩	213,547	235,381

(3) Changes in the fair value of plan assets for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Beginning balances	₩	203,910	200,836
Interest income		1,162	744
Remeasurements		(441)	(62)
Benefit paid by the plan		(10,832)	(1,673)
Ending balances	₩	193,799	199,845

26. Other liabilities

Other liabilities as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Unearned income	₩	9,243	9,355
Withholdings		49,859	33,757
Value added tax withheld		1,874	1,697
Unearned insurance premium		559,234	538,062
Other liabilities(*)		18,999	18,569
	₩	639,209	601,440

(*) Include the amount that is expected to be paid to the policyholders of immediate pension products.

(In millions of won)

27. Derivatives

(1) Fair values of derivative instruments as of March 31, 2022 and December 31, 2021 are as follows:

		2022		2021	
		Assets	Liabilities	Assets	Liabilities
Hedge related:					
Currency related:					
Currency forwards	₩	20,023	62,788	27,561	60,945
Currency swaps		25,861	319,046	51,551	284,677
		45,884	381,834	79,112	345,622
Interest rate related:					
Interest rate swaps		-	418	38	-
Interest rate forwards		64,018	112,155	6,160	77,810
		64,018	112,573	6,198	77,810
		109,902	494,407	85,310	423,432
Non-hedge related:					
Currency related:					
Currency forwards		17,185	62,840	5,294	31,808
Currency swaps		35,703	161,971	26,326	80,493
		52,888	224,811	31,620	112,301
Equity related:					
Conversion rights		1,081	-	1,083	-
Credit related:					
Credit default swaps		1,919	-	2,327	-
		55,888	224,811	35,030	112,301
Adjustment of credit risk		-	226	-	206
	₩	165,790	719,443	120,340	535,939

(In millions of won)

27. Derivatives, continued

(2) A gain or loss on valuation of derivatives for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022			
	Profit or loss		Accumulated other comprehensive income(*)	
	Gain	Loss	Gain	Loss
Hedge related:				
Currency related:				
Currency forwards	₩ 12,363	35,880	2,188	6,965
Currency swaps	4,952	219,033	61,468	59,255
	17,315	254,913	63,657	66,220
Interest rate related:				
Interest rate swaps	1	1	-	418
Interest rate forwards	67,257	238	121	111,916
	67,258	239	121	112,334
	84,573	255,152	63,778	178,554
Non-hedge related:				
Currency related:				
Currency forwards	17,220	39,881	-	-
Currency swaps	15,692	60,676	-	-
	32,912	100,557	-	-
Equity related:				
Conversion rights	-	3	-	-
Credit related:				
Credit default swaps	-	408	-	-
	32,912	100,968	-	-
Adjustment of credit risk	7	28	-	-
	₩ 117,492	356,147	63,778	178,554

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect.

(In millions of won)

27. Derivatives, continued

(2) A gain or loss on valuation of derivatives for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

	2021			
	Net income		Accumulated other comprehensive income(*)	
	Gain	Loss	Gain	Loss
Hedge related:				
Currency related:				
Currency forwards	₩ 15,507	70,824	1,159	7,172
Currency swaps	20,779	351,509	14,340	143,022
	36,286	422,333	15,499	150,194
Interest rate related:				
Interest rate swaps	-	-	184	-
	36,286	422,333	15,683	150,194
Non-hedge related:				
Currency related:				
Currency forwards	13,905	64,865	-	-
Currency swaps	11,709	70,439	-	-
	25,614	135,304	-	-
Equity related:				
Conversion rights	-	6	-	-
Credit related:				
Credit default swaps	-	130	-	-
	25,614	135,440	-	-
Adjustment of credit risk	1,374	7	-	-
	₩ 63,274	557,780	15,683	150,194

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect

(In millions of won)

27. Derivatives, continued

(3) A gain or loss on hedging instruments and hedged items that apply fair value hedges for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022		2021	
	Gain	Loss	Gain	Loss
Hedged items	₩ 116,377	(48,045)	70,245	(6,678)
Hedging instruments	38,885	(95,438)	17,795	(77,603)

(4) Cash flow hedges

Due to various reasons (i.e. currency swap contracts for cash flow hedges have reached maturity), the effective portion of hedges for the three-month periods ended March 31, 2022 and 2021 realized as gain on valuation of derivative instruments amounted to ₩805 million and ₩1,643 million, respectively, and loss on valuation of derivative instruments amounted to ₩2,904 million and ₩6,353 million, respectively. Meanwhile, the ineffective portion of cash flow hedges recognized as gain or loss for the current reporting period amounted to ₩1 million of loss and ₩1 million of gain, respectively.

In case the transactions subjected to cash flow hedge are not expected to incur anymore, accumulated gain or loss is immediately recognized in the statement of comprehensive income. The maximum expected period during which the Company's cash flows are exposed to fluctuation risk is through September 13, 2029 based on derivative instrument contracts to which cash flow hedges are applied.

28. Separate accounts

(1) Assets and liabilities of separate accounts as of March 31, 2022 and December 31, 2021 are as follows:

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Insurance contract and investment contract with discretionary participating features:				
Retirement insurance	₩ 78,149	78,149	85,981	85,981
Variable life insurance	15,910,322	15,910,322	16,640,985	16,640,985
	15,988,471	15,988,471	16,726,966	16,726,966
Investments contract with no discretionary participating features:				
Retirement insurance	1,642	1,642	1,653	1,653
Retirement pension	9,422,840	9,620,394	9,509,461	9,530,002
	9,424,482	9,622,036	9,511,114	9,531,655
Separate accounts receivable	-	(20,880)	-	(29,712)
Separate accounts payable	(132,508)	-	(875,855)	-
	₩ 25,280,445	25,589,627	25,362,225	26,228,909

(In millions of won)

28. Separate accounts, continued

(2) The statements of financial position of the separate accounts as of March 31, 2022 and December 31, 2021 are as follows:

(a) Insurance contract and investments contract with discretionary participation feature

		2022	2021
Assets:			
Cash and due from banks	₩	341,632	335,682
Financial assets held for trading		14,374,875	15,289,313
Loan receivables		931,657	717,763
Other assets		250,908	311,698
General account credits		89,399	72,510
	₩	15,988,471	16,726,966
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	91,637	137,372
General account debits		12,518	12,182
		104,155	149,554
Reserve for policy holders		15,884,316	16,577,412
	₩	15,988,471	16,726,966

(b) Investments contract with no discretionary participation feature

		2022	2021
Assets:			
Cash and due from banks	₩	381,107	900,039
Financial assets held for trading		430,713	767,464
Available-for-sale financial assets		6,421,378	5,503,818
Loan receivables		2,112,765	1,490,524
Other assets		35,410	45,924
General account credits		43,109	803,345
	₩	9,424,482	9,511,114
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	27,944	31,989
General account debits		8,363	17,530
		36,307	49,519
Reserve for policy holders		9,585,729	9,482,136
Accumulated other comprehensive income		(197,554)	(20,541)
		9,388,175	9,461,595
	₩	9,424,482	9,511,114

(In millions of won)

28. Separate accounts, continued

(3) The statements of income of the separate accounts for the three-month periods ended March 31, 2022 and 2021 are as follows:

(a) Insurance contract and investments contract with discretionary participating feature

		2022		2021	
		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Premium income	₩	-	447,412	-	523,476
Interest income		257	40,184	227	28,161
Dividend income		29	21,394	-	24,431
Gain on securities		27	121,820	59	596,729
Gain on foreign currency transaction		-	3,057	-	1,020
Gain on transaction of derivatives		-	97,012	-	119,365
Other income		638	10,082	221	12,402
	₩	951	740,961	507	1,305,584
Expenses:					
Increase (decrease) in policy reserves	₩	(7,734)	(653,203)	(1,830)	31,676
Insurance claims paid		7,983	295,672	2,108	737,624
Minimum guarantee fee			25,128	-	25,757
Separate account commission		122	146,898	134	158,855
Commission fee		-	9,571	-	11,762
(Reversal of) provision for loan losses		-	(17)	-	8
Loss on securities		580	812,457	95	206,728
Loss on foreign currency transaction		-	2,080	-	602
Loss on transaction of derivatives		-	101,847	-	132,399
Other expenses		-	528	-	173
	₩	951	740,961	507	1,305,584

(In millions of won)

28. Separate accounts, continued

(3) The statements of income of the separate accounts for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

(b) Investments contract with no discretionary participating feature

		2022		2021	
		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Interest income	₩	47,048	174	28,601	94
Dividend income		4,932	92	5,179	65
Gain on securities		9,485	737	13,562	10,402
Gain on foreign currency transaction		266	709	462	752
Gain on transaction of derivatives		792	895	782	189
Other income		14,888	512	11,019	844
	₩	77,411	3,119	59,605	12,346
Expenses:					
Increase (decrease) in policy reserves	₩	43,482	(10,388)	26,469	9,232
Separate account commission		13,801	140	16,410	357
Commission fee		3	157	3	147
Provision for loan losses		353	-	882	-
Loss on securities		7,954	11,368	6,678	1,332
Loss on foreign currency transaction		3	164	89	95
Loss on transaction of derivatives		11,372	1,627	8,178	1,179
Other expenses		443	51	896	4
	₩	77,411	3,119	59,605	12,346

(4) In accordance with the regulations under *Trust Business Act*, the Company separately accounts for the trust assets from the existing assets, and recognizes trust commission fee as operating revenue when receiving trust commission fee. As of March 31, 2022, the total amount of the trust funds under contract with the Company amounts to ₩280,031 million.

(In millions of won)

29. Equity

(1) Equity as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Capital Stock:			
Common stock	₩	102,500	102,500
Hybrid bonds:			
Hybrid bonds		1,020,054	1,020,054
Capital surplus:			
Share premium		359,937	359,937
Asset revaluation surplus		4,502	4,502
Others		1,497	1,497
		365,936	365,936
Capital adjustments:			
Loss on valuation of investments using equity method		(8,995)	(8,995)
Accumulated other comprehensive income, net of tax:			
Gain (loss) on valuation of available-for-sale financial assets		(299,780)	1,420,263
Loss on valuation of derivatives		(83,213)	(107,303)
Gain (loss) on valuation of investment of associates and subsidiaries		(37)	256
Other comprehensive income of separate account		(143,226)	(14,891)
Loss on valuation of held-to-maturity securities		(395,056)	-
Gain on revaluation of property and equipment		523,581	522,063
Remeasurement gain related to defined benefit plan		24,121	24,440
		(373,610)	1,844,828
Retained earnings:			
Legal reserve		51,250	51,250
Other legal reserves		1,096,736	-
Regulatory reserve for loan loss		160,480	119,260
Retained earnings		6,481,512	7,526,125
Voluntary reserve		3,000	3,000
		7,792,978	7,699,635
	₩	8,898,863	11,023,958

(In millions of won, except shares, par value per share and in thousands of USD)

29. Equity, Continued

(2) Capital stock

Capital stock as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Number of authorized shares		300,000,000 shares	300,000,000 shares
Par value per share in won	₩	1,000	1,000
Number of issued common stocks outstanding		102,500,000 shares	102,500,000 shares
Capital stock	₩	102,500	102,500

(3) Hybrid bonds

Hybrid bonds as of March 31, 2022 and December 31, 2021 are as follows:

	Issue date	Maturity date	Interest rate (%)		Issued amount		Amount of KRW equivalent
Overseas hybrid bonds (*1)	July 24, 2017	July 24, 2047	3.95	$	500,000	₩	557,000
Issuance costs (underwriting fees and other direct issuance costs)							(5,562)
						₩	551,438
Domestic hybrid bonds (*2)	September 10, 2021	September 10, 2051	3.72	₩	470,000	₩	470,000
Issuance costs (underwriting fees and other direct issuance costs)							(1,384)
						₩	468,616
						₩	1,020,054

(*1) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and interest rate can be adjusted only once after 10 years from the date of issuance. Upon maturity date, The controlling company has the right to extend the maturity under the same condition.

(*2) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and base interest rate and spreads can be adjusted only once after 5 or 10 years from the date of issuance. Upon maturity date, The controlling company has the right to extend the maturity under the same condition.

(In millions of won)

29. Equity, continued

(4) Accumulated other comprehensive income

Changes in accumulated other comprehensive income for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022							
	Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain (loss) on valuation of investment of associates	Other comprehensive income (expense) of separate account	Gain (loss) on valuation of held-to-maturity securities	Gain (loss) on revaluation of property and equipment	Remeasurement gain (loss) related to defined benefit plan	Total
Beginning balance	₩ 1,420,262	(107,303)	257	(14,892)	-	522,063	24,440	1,844,827
Fair value evaluation	(3,120,399)	35,847	(476)	(172,455)	-	-	(440)	(3,257,923)
Realization of income	(354,888)	(2,619)	-	(4,558)	2,012	-	-	(360,053)
Policyholder's equity adjustment (*)	461,929	-	71	-	93,969	2,094	-	558,063
Deferred income tax effects	652,430	(9,138)	111	48,679	149,849	(576)	121	841,476
Others (classification change)	640,886	-	-	-	(640,886)	-	-	-
Ending balance	₩ (299,780)	(83,213)	(37)	(143,226)	(395,056)	523,581	24,121	(373,610)

(*) Allocation to policyholder's equity adjustment in the reporting period.

(In millions of won)

29. Equity, continued

(4) Accumulated other comprehensive income, continued

Changes in accumulated other comprehensive income for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

		2021						
		Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain (loss) on valuation of investment of associates	Other comprehensive income (expense) of separate account	Gain (loss) on revaluation of property and equipment	Remeasurement gain (loss) related to defined benefit plan	Total
Beginning balance	₩	3,187,826	(143,632)	6,315	54,167	529,876	14,353	3,648,905
Fair value evaluation		(2,190,843)	117,803	(1,893)	(22,817)	-	(62)	(2,097,812)
Realization of income		(648,487)	(54,202)	(6,366)	(11,170)	-	-	(720,225)
Policyholder's equity adjustment (*)		585,363	-	1,303	-	2,397	-	589,063
Deferred income tax effects		619,841	(17,490)	1,913	9,346	(527)	17	613,100
Ending balance	₩	1,553,700	(97,521)	1,272	29,526	531,746	14,308	2,033,031

(*) Allocation to policyholder's equity adjustment in the reporting period.

(In millions of won)

29. Equity, continued

(5) Retained earnings

(a) Legal reserve

Legal reserve is restricted for the dividend to stockholders by law or legislation. According to Commercial Act, the Company is required to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of capital stock. The legal reserve may not be allocated in cash and may be used to reduce a deficit or may be transferred to capital based on the decision of board of directors.

(b) The dividends amounting to ₩153,750 million for the Company's shareholder as of December 31, 2021 were paid on March 30, 2022 (₩102,500 million as of December 31, 2020)

(c) Regulatory reserve for loan losses

When allowances for loan losses based on KIFRS for the assets subject to classification by asset soundness in accordance with Regulations on Supervision of Insurance Business are less than the total of the reserves required by the regulations, the difference is reserved as regulatory reserve for loan losses.

The regulatory reserve for loan losses is, in nature, an arbitrary reserve for retained earnings. When there is unappropriated deficits, regulatory reserve for loan losses are reserved after the deficits are appropriated. When the amount previously reserved for regulatory reserve for loan losses exceeds the amount of regulatory reserve for loan losses to be reserved as of the closing date, the reversal of the excess amount is allowed.

ⅰ) Regulatory reserve for loan losses as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Regulatory reserve for loan losses accumulated	₩	160,480	119,260
To be accumulated		1,579	41,220
Balance	₩	162,059	160,480

ⅱ) Provision for regulatory reserve for loan losses and income adjusted for regulatory reserve for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Profit for the period before legal reserve	₩	257,455	476,776
Hybrid bonds interests		(10,362)	(5,608)
Reversal of provision for regulatory reserve for loan		(1,579)	(3,915)
Income adjusted for regulatory reserve(*)		245,514	467,253

(*) Net income adjusted for regulatory reserve above is non-KIFRS financial information. The adjustment amount is calculated under the assumption that provision for regulatory reserve is reflected on the current net income without considering policyholders' equity adjustment and deferred tax effect.

(In millions of won)

30. Premium income

Premium income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Individual insurance:			
Pure endowment	₩	448,037	468,564
Death		1,187,147	1,167,111
Endowment		671,888	755,437
		2,307,072	2,391,112
Group insurance:			
Pure protection		36,809	35,653
Savings		1,094	1,279
		37,903	36,932
	₩	2,344,975	2,428,044

31. Reinsurance ceded

(1) Reinsurance assets and liabilities as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Reinsurance accounts receivable	₩	37,225	69,448
Reinsurance assets:			
Reserve for unearned premium		6,332	6,160
Reserve for outstanding claims		3,202	3,011
Incurred but not reported		22,237	22,342
		31,771	31,513
	₩	68,996	100,961
Reinsurance accounts payable	₩	39,806	59,957

(In millions of won)

31. Reinsurance ceded, continued

(2) Transactions with reinsurance companies incurred for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022			
	Reinsurance expense	Reinsurance claim revenue	Reinsurance commission revenue	Profit from reinsurance asset
Individual insurance:				
Domestic	₩ 39,061	26,899	9,799	303
Group insurance:				
Domestic	745	527	-	(45)
	₩ 39,806	27,426	9,799	258

	2021			
	Reinsurance expense	Reinsurance claim revenue	Reinsurance commission revenue	Profit from reinsurance asset
Individual insurance:				
Domestic	₩ 35,064	23,205	9,021	643
Group insurance:				
Domestic	632	391	-	133
	₩ 35,696	23,596	9,021	776

(In millions of won)

32. Interest income

Interest income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Cash and due from banks	₩	2,739	3,035
Available-for-sale financial assets		253,735	333,135
Held to maturity financial assets		87,009	-
Loan receivables		243,130	231,480
Derivative instruments		19,189	22,743
Others		433	566
	₩	606,235	590,959

33. Gain on valuation and disposal of financial instruments

Gain on valuation and disposal of financial instruments for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Financial assets held for trading:			
Gain on valuation	₩	134	794
Gain on disposal		1,669	888
Available-for-sale financial assets:			
Reversal of impairment loss		926	926
Gain on disposal		278,392	530,929
Loan receivables:			
Reversal of provision for loss on loan receivable		6	-
Derivatives:			
Gain on valuation		117,492	63,274
Gain on transaction		202,764	30,652
	₩	601,383	627,463

(In millions of won)

34. Fee and commission income

Fee and commission income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Credit placement fees	₩	5,245	1,973
Securities lending and borrowing fees		130	297
Management fees of retirement pension		124	197
Mortgage fees		390	425
Sales commissions on beneficiary certificates		847	720
Others		1,651	1,909
	₩	8,387	5,521

35. Dividend income

Dividend income for the three-month period ended March31, 2022 and 2021 are as follows:

		2022	2021
Financial assets held for trading:			
Beneficiary certificates	₩	15	1,690
Available-for-sale financial assets:			
Equity securities		24,648	24,655
Equity investments		17	42
Beneficiary certificates		109,842	88,627
Overseas securities		22,679	25,094
		157,186	138,418
	₩	157,201	140,108

36. Other operating income

Other operating income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Other operating income	₩	-	9,033

(In millions of won)

37. Insurance claims paid

The Company's insurance claims paid consist of benefit payments, surrenders for insurance and dividend expenses.

(1) Benefit payments for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Individual insurance:			
Pure endowment	₩	51,151	68,788
Death		106,578	117,788
Endowment		149,311	79,621
		307,040	266,197
Group insurance:			
Pure protection		5,354	5,773
Savings		21	196
		5,375	5,969
	₩	312,415	272,166

(2) Surrenders for insurance for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Individual insurance:			
Pure endowment	₩	607,817	636,390
Death		624,056	705,635
Endowment		526,890	320,610
		1,758,763	1,662,635
Group insurance:			
Pure protection		15,534	17,314
Savings		4,550	4,941
		20,084	22,255
	₩	1,778,847	1,684,890

(3) Dividend expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Individual insurance:			
Pure endowment	₩	3,117	4,227
Death		78	102
Endowment		39	44
		3,234	4,373
Group insurance:			
Pure protection		23	19
Savings		4	-
		27	19
	₩	3,261	4,392

(In millions of won)

38. Operating and administrative expenses

Operating and administrative expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Policy acquisition costs:			
Agent commission	₩	115,482	117,310
Branch office operation		11,359	11,999
Sales promotion		14,850	11,935
Advertising expense		244	230
Others		53,554	44,731
		195,489	186,205
Maintenance expenses:			
Wages and salaries		54,423	48,945
Bonuses		9,301	22,485
Employment benefits		13,530	14,856
Retirement benefits		15,456	13,832
Taxes and dues		30,070	26,457
Office rent		7,212	7,031
Depreciation		15,950	16,479
Commission		24,257	24,245
Outsourcing fee		2,206	1,683
Information technology		14,095	13,920
Collection		1,531	1,559
Others		11,860	12,493
		199,891	203,985
Deferred acquisition cost		(134,742)	(115,528)
	₩	260,638	274,662

(In millions of won)

39. Asset management expenses

Asset management expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Wages and salaries	₩	6,301	5,447
Bonuses		1,827	3,117
Retirement benefits		(278)	1,688
Employment benefits		1,247	1,447
Communication		775	679
Repairs and maintenance		665	1,230
Outsourcing fee		12,453	11,554
Commission		7,934	8,884
Information technology		2,855	2,577
Taxes and dues		309	185
Depreciation		541	584
Others		1,232	1,304
	₩	35,861	38,696

40. Interest expenses

Interest expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Derivatives	₩	32,360	34,427
Others		1,483	1,622
	₩	33,843	36,049

(In millions of won)

41. Loss on valuation and disposal of financial instruments

Loss on valuation and disposal of financial instruments for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Financial assets designated at fair value through profit or loss			
Loss on valuation	₩	64	-
Financial assets held for trading:			
Loss on valuation		8	579
Loss on disposal		-	883
Available-for-sale financial assets:			
Loss on valuation(*)		87,814	-
Impairment loss		737	23,976
Loss on disposal		79,418	46,780
Loan receivables:			
Provision for loan losses		2,156	250
Other receivables:			
Provision for other receivables		387	138
Derivatives:			
Loss on valuation		356,147	557,780
Loss on transaction		369,440	261,919
	₩	896,171	892,305

(*) By applying fair value hedge accounting, changes in the fair value of the hedged item are recognized in profit or loss.

42. Other operating expenses

Other operating expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Depreciation of investment properties	₩	2,627	2,510
Amortization of intangible assets		14,308	13,830
Insurance discount		209	293
Loss on cancellation of lease contracts		-	6,505
	₩	17,144	23,138

(In millions of won)

43. Foreign currency translation

(1) Foreign currency denominated assets and liabilities as of March 31, 2022 and December 31, 2021 are as follows:

	2022		2021	
	Amount of foreign currency	Amount of KRW equivalent	Amount of foreign currency	Amount of KRW equivalent
Foreign cash and due from banks:				
USD	102,055	₩ 123,569	60,987	₩ 72,300
EUR	68	92	3,461	4,646
Available-for-sale financial assets:				
USD	10,185,331	12,332,399	12,483,660	14,799,379
EUR	1,488,317	2,010,910	1,759,768	2,362,207
JPY	12,113,936	120,260	11,043,221	113,772
Other	1,469,754	374,032	1,590,511	401,402
Held-to-maturity financial assets				
USD	1,176,453	1,424,449	872,426	1,034,261
Other	137,280	124,789	137,397	118,009
Loan receivable				
USD	160,732	194,615	160,966	190,825
EUR	59,500	80,392	59,500	79,869
Other	173,233	182,066	173,769	176,269
Receivables:				
USD	170,786	206,787	169,969	201,525
EUR	13,070	17,660	11,881	15,948
JPY	2,962	29	18,643	192
Other	20,174	7,221	19,986	5,444
Financial assets total				
USD	11,795,357	₩ 14,281,819	13,748,008	₩ 16,298,290
EUR	1,560,955	2,109,053	1,834,610	2,462,670
JPY	12,116,898	120,289	11,061,864	113,964
Other	1,800,441	688,108	1,921,663	701,124
Financial liabilities:				
USD	-	₩ -	8,558	₩ 10,146

(In millions of won)

43. Foreign currency translation, continued

(2) Gain (loss) on foreign currency transactions for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Gain on foreign currency translation	₩	304,385	530,213
Gain on foreign currency transaction		51,326	57,213
	₩	355,711	587,426
Loss on foreign currency translation	₩	12,972	30,127
Loss on foreign currency transaction		5,017	4,292
	₩	17,989	34,419

44. Non-operating income and expenses

(1) Non-operating income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Disposal of investments in subsidiaries and associates	₩	1	2,620
Dividend of investments in subsidiaries and associates		13,782	26,308
Disposal of Property and equipment		40	-
Disposal of intangible assets		-	131
Miscellaneous gains		7,822	5,519
Others		2,734	-
	₩	24,379	34,578

(2) Non-operating expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Disposal of investments in subsidiaries and associates	₩	14	13
Disposal of investment properties		693	1,248
Donations		19,855	122
Miscellaneous losses		678	634
Others		875	3
	₩	22,115	2,020

(In millions of won)

45. Income tax expenses

(1) Income tax expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Current income tax expenses	₩	155,470	49,850
Origination and reversal of temporary differences		(903,796)	(494,779)
Income tax expense directly recognized in equity		841,477	613,100
Refund of income taxes		(11,081)	(3)
Income tax expenses(*)	₩	82,070	168,168

(*) Income tax expenses were recognized based on the best estimate of the weighted average annual effective tax rate for the entire fiscal year.

(2) Income tax expenses calculated by multiplying net income before tax with the tax rate for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Income before income taxes	₩	339,525	644,944
Income taxes at statutory tax rates		90,779	174,769
Adjustments:			
Effect of tax rate fluctuation, etc.		2,372	(6,598)
Refund of income taxes		(11,081)	(3)
Income tax expenses	₩	82,070	168,168
Effective tax rate		24.17%	26.07%

46. Employee benefits

Details of employee benefits for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Short-term and other long-term employee benefits	₩	71,909	80,056
Post-employment benefits(*)		15,178	15,520

(*) Post-employment benefits include no termination benefits for the three-month periods ended March 31, 2022 (₩ 826 million for the three-month periods ended March 31, 2021), but include ₩ 4,091million and ₩ 3,452million of defined contribution plans for the three-month periods ended March 31, 2022 and 2021, respectively.

(In millions of won)

47. Commitments and contingencies

(1) Pending litigations

The Company has 104 pending litigations in which the Company is a defendant, such as claims for insurance payments and others, and the total legal proceedings amounts to ₩8,603 million as of March 31, 2022. In addition, the Company has 366 pending litigations in which the Company is a plaintiff with total claims of ₩14,060 million. As of the end of the current reporting period, the Company cannot reliably determine the outcome of the pending litigations and has recognized reserves of ₩7,775 million and provisions of ₩332 million for litigations as a defendant and plaintiff, respectively.

The Company is likely to pay additional claims to policyholders of immediate annuity inheritance maturity products as of March 31, 2022. However, the Company cannot reasonably estimate the likelihood of additional premium payable to policyholders and its amount or timing as of March 31, 2022.

The Company accused Deloitte Anjin LLC to PCAOB in violation of the valuation standards to calculate the market value of the Company's outstanding stock related to the put options exercised in accordance with the shareholder's agreement. Also, the Company prosecuted Deloitte Anjin LLC for violating certified public accountant act.

(2) Insurance commitments

The contract amounts under the insurance contracts in the general and separate accounts as of March 31, 2022 are as follows:

	Number of contracts		Total contract amount
General accounts	7,937,235	W	286,092,150
Separate accounts	1,008,913		9,663,392
	8,946,148	W	295,755,543

47. Commitments and contingencies, continued

(3) Reinsurance agreements

The reinsurance agreements of individual and group insurance as of March 31, 2022 are as follows:

Reinsurance method	Reinsurance company	Ceding ratio (%)	Nature of risk
Surplus	SCOR Reinsurance Asia-Pacific	100% of the excess	Risk from excessive contracts
Surplus	SCOR Reinsurance Asia-Pacific	100% of the excess	Risk from excess number of contracts with individuals with high-risk occupations
Surplus	Korean Re	100% of the excess	Kyobo Big Love Guarantee Insurance
Surplus, Quota Share	Munich Re	60% of the excess	Risk from excessive contracts
Surplus, Quota Share	Korean Re	40% of the excess	Risk from excessive contracts
Quota Share	General Cologne Re	10	Individual medical insurance
Quota Share	General Cologne Re	10	Accidental insurance
Quota Share	General Cologne Re	30	CI whole life Reinsurance
Quota Share	General Cologne Re	30	SI Insurance
Quota Share	General Cologne Re	30	Second CI Guarantee reinsurance
Quota Share	Hannover Re	10	CI reinsurance
Quota Share	Hannover Re	10	Direct health insurance
Quota Share	Hannover Re	10 ~ 25	Individual medical Insurance
Quota Share	Hannover Re	30	Kyobo cancer insurance
Quota Share	Hannover Re	80	Facultative reinsurance
Quota Share	Swiss Re	50	Non-par relapse cancer rider
Quota Share	Munich Re	10	CI reinsurance
Quota Share	Munich Re	5~20	Whole life insurance
Quota Share	Munich Re	30	LTC (Silver care insurance)
Quota Share	Munich Re	30	Premier CI Insurance
Quota Share	Munich Re	80	Facultative reinsurance
Quota Share	RGA Re	20	Kyobo cancer insurance
Quota Share	RGA Re	30	Dental Benefits
Quota Share	RGA Re	80	Facultative reinsurance
Quota Share	RGA Re	90	Substandards insurance
Quota Share	SCOR Reinsurance Asia-Pacific	10	Individual medical Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	CI reinsurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	Direct health insurance
Quota Share	SCOR Reinsurance Asia-Pacific	30 ~ 60	Top Class cancer Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	50	Dental & Juvenile Benefits
Quota Share	SCOR Reinsurance Asia-Pacific	80	Facultative reinsurance
Quota Share	Korean Re	10	CI whole life reinsurance
Quota Share	Korean Re	10 ~ 50	SI whole life insurance
Quota Share	Korean Re	15 ~ 25	Individual medical Insurance
Quota Share	Korean Re	30	Kyobo cancer Insurance
Quota Share	Korean Re	50	SI Insurance
Quota Share	Korean Re	50	Dementia Insurance
Quota Share	Korean Re	80	Facultative reinsurance

(In millions of won)

47. Commitments and contingencies, continued

(4) As of March 31, 2022, the Company has bank overdraft facility agreements with Standard Chartered Bank, etc. with a limit of ₩290,000 million.

(5) As of March 31, 2022, the Company is provided with payment guarantee of ₩2,284 million from the Seoul Guarantee Insurance.

(6) Other commitments

Details of other commitments as of March 31, 2022 is as follows:

		Amount
Loan commitments	₩	2,980,319
Investment commitments		4,605,283
	₩	7,585,602

(7) Securities lending and borrowing

Securities lending and borrowing as of March 31, 2022 are as follows:

	Type		Amount	Valuation standard
Securities lent	Debt securities	₩	301,768	Fair value

Securities lending transaction is a transaction that transfers the ownership of the same amount and kind of securities after a certain period of time and continues to be recognized as an asset of the Company because it does not meet the conditions for the removal of transfer of financial assets.

(8) To prevent the spread of Covid-19, various prevention and control measures, including restrictions on travelling, are being implemented worldwide. As a result, the global economy is affected extensively, and it is difficult to predict the duration and intensity of the spread of Covid-19 pandemic. In addition, the Company's valuation of fair value of financial instruments, assessment of the appropriateness of insurance liabilities and others may be affected by Covid-19, and the Company has prepared the interim condensed separate financial statements by reasonably estimating the impact of Covid-19 on the Company. However, as of March 31, 2022, the Company cannot reasonably estimate the ultimate impact on its separate financial position, separate financial performance and separate cash flows due to the future spread of Covid-1

48. Related parties

(1) The related parties As of March 31, 2022 and December 31, 2021 are as follows:

2022	
Related parties	Investor
Subsidiaries	
Kyobo Securities Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Book Center Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Hottracks Co., Ltd.	Kyobo Book Center Co., Ltd.
Kyobo Info. & Comm. Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Dplanex Co., Ltd.	Kyobo Info. & Comm. Co., Ltd.
Kyobo Realco Inc.	Kyobo Life Insurance Co., Ltd.
Jeil Total Management Co., Ltd.	Kyobo Realco Inc.
KCA Claim Adjustment Co., Ltd.	Kyobo Life Insurance Co., Ltd.
KCA Service Co., Ltd.	Kyobo Life Insurance Co., Ltd., KCA Claim Adjustment Co., Ltd.
Kyobo Life Planet Life Insurance Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Fortress Innovation Co., Ltd.	Kyobo Life Planet Life Insurance Co., Ltd.
Kyobo Life Asset Management (America) Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Life Asset Management (Japan) Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Asset Trust Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Consus BTL Private Special Asset Investment Trust 1, Consus Hope BTL Private Special Asset Investment Trust 1, Consus New Energy Private Special Asset Investment Trust 2, KIAMCO Shipping Private Special Asset Investment Trust KX-1, Kyobo New Technology Investment Association No.1	Kyobo Life Insurance Co., Ltd.
Atlantisjisa 1st Co.,Ltd., Districtyangjoo Co.,Ltd., Caba chic 3th Co.,Ltd., H house 1st Co., Ltd., Goeun angol 1st Co., Ltd., Excel stone Park 1st Co., Ltd., Gabriel 3rd Co., Ltd., Excel stone Red 1st Co., Ltd., Double Rich 5th Co., Ltd., Double Rich 1st Co., Ltd., Double Rich 8th Co., Ltd., Atlantis Gogyeong 1st Co., Ltd., Auto Dream 1st Co., Ltd., Gabriel 4th Co., Ltd., K.Hotel 1st Co., Ltd., Gabriel 2nd Co., Ltd., Geobukseom Rich 1st Co., Ltd. , SJ Great 3rd Co., Ltd. , X-Mad 7th Co., Ltd. , K-Muelru 1st Co., Ltd., SJgreat 8th Co., Ltd., Lycos 1st Co., Ltd. , Oblique 5th Co.,Ltd. , SJ Great 7th Co., Ltd., Bright Star 4th Co.,Ltd., I PRO 1st Co., Ltd., Whitewood 5th Co., Ltd., BrightStar 2nd Co., Ltd., Whitewood 5th Co.,Ltd., X-Mad 9th Co., Ltd., Int Green 2nd Co.,Ltd., I-PRO 3rd Co., Ltd., Yangdocube 1st Co.,Ltd., Meta green 3rd Co.,Ltd., Meta green 1st Co.,Ltd., Easy Tree 3rd Co.,Ltd., Meta Green 6th Co.,Ltd., Meta Green 8th Co.,Ltd., The Flex 1st Co.,Ltd., Bright Star 9th Co.,Ltd. ,Int Green 6th Co.,Ltd., Easy Plant 4th Co.,Ltd., Ujureu 2nd Co.,Ltd., The Terrace 1st Co.,Ltd., Bright Star 10th Co.,Ltd., Ujureu 4th Co.,Ltd., Ujureu 5th Co.,Ltd., HW Yeouido 1st Co., Ltd., Dream Smile Suyu 1st Co., Ltd., Pinix Living 1st Co., Ltd., Pinix Living 2nd Co., Ltd., Int Green 9th Co., Ltd., Entrepo JinCheon Co., Ltd., Asan JS 1st Co., Ltd., Easy Plant 7th Co., Ltd., K Singal 1st Co., Ltd., KCQ 3rd Co., Ltd., KCQ 4th Co., Ltd., Stadblue 4th Co., Ltd., Ujureu 7th Co., Ltd., Double Rich 2nd Co., Ltd., K Seongjeong 1st Co., Ltd., Perfectdream 1st Co., Ltd., Perfectdream 2nd Co., Ltd., Dreamgusam Siheung 1st Co., Ltd., Meta Green 4th Co., Ltd.	Kyobo Securities Co., Ltd.
Associates	
A&D Credit Information Co., Ltd.	Kyobo Life Insurance Co., Ltd.

(In millions of won)

48. Related parties, continued

(1) The related parties As of March 31, 2022 and December 31, 2021 are as follows, continued:

2022	
Related parties	Investor
Joint Ventures	
Kyobo AXA Investment Managers Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Others	
Daesan Foundation For Rural Culture & Society, Daesan Foundation For Culture, Kyobo Foundation For Education & Culture	Kyobo Life Insurance Co., Ltd.
Hwa Seong Jung Nam Industrial Complex Development Co., Ltd., Kyobo 9 Special Purpose Acquisition Company, Kyobo 10 Special Purpose Acquisition Company, Kyobo 11 Special Purpose Acquisition Company, Kyobo 12 Special Purpose Acquisition Company, Songsan Industrial Complex Development Co., Ltd., Busan Minlag PFV Inc., Jinjeop2daeto REIT Co., Ltd., Guri Galmae REIT Co., Ltd., Yeoido H2 PFV, Busan Eco Deltacity PFV , Logistech Yangsan Co.,Ltd., Incheon Geomdan 3rd PFV , Hera Park Urban Development PFV Co., Ltd., Hera Park Urban Development AMC Co., Ltd., Incheon youngjong PFV Co., Ltd., Dongdaemoon Urban PFV Co., Ltd., Chungju Bizcore City Co., Ltd., Chungnam Naepo 1st PFV Co., Ltd., Kyobo-NH Healthcare New Technology Investment Association No.1 ,Yangju Heocheon PFV Co., Ltd., Peco City Co., Ltd., Incheon Youngjong 1st PFV Co., Ltd., NH-Kyobo AI Solution New Technology Investment Association, Kyobo-Kiwoom Advanced Materials New Technology Investment Association ,Kyobo-Hanyang ESG New Technology Investment Association ,Kyobo-Axis Future Technology New Technology Investment Association No.1, Changwon Gapo PFV Co., Ltd., Kyobo-YG Ilguimu New Technology Investment Association, KT-KYOBO New Mobility New Technology Investment Association	Kyobo Securities Co., Ltd.
NPC&C Co., Ltd., Marston General Private Real Estate Investment Trust No. 61	Kyobo Book Center Co., Ltd.

(In millions of won)

48. Related parties, continued

(1) The related parties As of March 31, 2022 and December 31, 2021 are as follows, continued:

2021	
Related parties	Investor
Subsidiaries	
Kyobo Securities Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Book Center Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Hottracks Co., Ltd.	Kyobo Book Center Co., Ltd.
Kyobo Info. & Comm. Co., Ltd.	Kyobo Life Insurance Co., Ltd.
The Planics Co.,Ltd.	Kyobo Info. & Comm. Co., Ltd.
Kyobo Realco Inc.	Kyobo Life Insurance Co., Ltd.
Jeil Total Management Co., Ltd.	Kyobo Realco Inc.
Kyobo Hottracks Co., Ltd.	Kyobo Realco Inc.
KCA Claim Adjustment Co., Ltd.	Kyobo Life Insurance Co., Ltd.
KCA Service Co., Ltd.	Kyobo Life Insurance Co., Ltd. KCA Claim Adjustment Co., Ltd.
Kyobo Life Planet Life Insurance Company	Kyobo Life Insurance Co., Ltd.
Kyobo Life Asset Management (America) Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Life Asset Management (Japan) Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Asset Trust Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Consus BTL Private Special Asset Investment Trust 1, Consus Hope BTL Private Special Asset Investment Trust 1, Consus New Energy Private Special Asset Investment Trust 2, KIAMCO Shipping Private Equity Special Asset Investment Trust KX-1,Kyobo Technology Investment Association No. 1 (*1)	Kyobo Life Insurance Co., Ltd.
Jjibest 4th Co., Ltd.,Atlantisjisa 1st Co.,Ltd., Districtyangjoo Co.,Ltd., Caba chic 3th Co.,Ltd., H House 1st Co., Ltd., Goeun Angol 1st Co., Ltd., Excel Stone Park 1st Co., Ltd., Gabriel 3rd Co., Ltd., Excel stone Red 1st Co., Ltd., Double Rich 5th Co., Ltd., Double Rich 1st Co., Ltd., Double Rich 8th Co., Ltd., Atlantis Gogyeong 1st Co., Ltd., Auto Dream 1st Co., Ltd., Gabriel 4th Co., Ltd., K.Hotel 1st Co., Ltd., Gabriel 2nd Co., Ltd., Geobukseom Rich 1st Co., Ltd., SJ Great 3rd Co., Ltd., Suhwa BIT 1st Co., Ltd., X-Mad 7th Co., Ltd., K-Muelru 1st Co., Ltd., SJ Great 8th Co., Ltd., Lycos 1st Co., Ltd., Oblique 5th Co.,Ltd., SJ Great 7th Co., Ltd., Red Max 1th Co., Ltd., Bright Star 4th Co.,Ltd., I PRO 1st Co., Ltd., White wood 5th Co., Ltd., Bright Star 2nd Co., Ltd., White wood 7th Co.,Ltd., X-Mad 9th Co., Ltd., Int Green 2nd Co.,Ltd., I PRO 3rd Co., Ltd., Yangdocube 1st Co.,Ltd., Meta Green 3rd Co.,Ltd., Meta Green 1st Co.,Ltd., Int Green 3rd Co.,Ltd., Easy Tree 3rd Co,Ltd., Meta Green 6th Co.,Ltd., Meta Green 8th Co.,Ltd., Meta Green 9th Co.,Ltd., The Flex 1st Co.,Ltd., Bright Star 9th Co., Ltd., Int Green 6th Co.,Ltd., Easy Plant 4th Co.,Ltd.,Ujureu 2nd Co.,Ltd., The Terrace 1st Co.,Ltd., Bright Star 10th Co.,Ltd., Ujureu 4th Co.,Ltd., Ujureu 5th Co.,Ltd., Dream The Green Yangpyeong 1st Co.,Ltd., Dream The Green Yangpyeong 2nd Co.,Ltd.	Kyobo Securities Co., Ltd.
Associates	
A&D Credit Information Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Joint Ventures	
Kyobo AXA Investment Managers Co., Ltd.	Kyobo Life Insurance Co., Ltd.

(In millions of won)

48. Related parties, continued

(1) The related parties As of March 31, 2022 and December 31, 2021 are as follows, continued:

	2021
Related parties	Investor
Others	
Daesan Foundation For Rural Culture & Society, Daesan Foundation For Culture, Kyobo Foundation For Education & Culture	Kyobo Life Insurance Co., Ltd.
Hwa Seong Jung Nam Industrial Complex Development Co., Ltd., Kyobo 9 Special Purpose Acquisition Company, Kyobo 10 Special Purpose Acquisition Company, Kyobo 11 Special Purpose Acquisition Company, Songsan Industrial Complex Development Co., Ltd., Busan Minlag PFV Inc., Jinjeop2daeto REIT Co., Ltd., Guri Galmae REIT Co., Ltd., Yeoido H2 PFV, Busan Eco Deltacity PFV , Logistech Yangsan Co.,Ltd., Incheon Geomdan 3rd PFV Co., Ltd., Hera Park Urban Development PFV Co., Ltd., Hera Park Urban Development AMC Co., Ltd., Incheon Youngjong PFV Co., Ltd., Dongdaemoon Urban PFV Co., Ltd., Chungju Bizcore City Co., Ltd., Chungnam Naepo 1st PFV Co., Ltd., Kyobo-NH Healthcare New Technology Investment Association No.1 ,Yangju Heocheon PFV Co., Ltd., Peco City Co., Ltd., Incheon Youngjong 1st PFV Co., Ltd., NH-Kyobo AI Solution New Technology Investment Association, Kyobo-Kiwoom Advanced Materials New Technology Investment Association ,Kyobo-Hanyang ESG New Technology Investment Association ,Kyobo-Axis Future Technology New Technology Investment Association No.1, Changwon Gapo PFV Co., Ltd., Kyobo-YG Ilguimu New Technology Investment Association, Kyobo New technology Investment Association No. 1	Kyobo Securities Co., Ltd.
NPC&C Co., Ltd., Marston General Private Real Estate Investment Trust No. 61	Kyobo Book Center Co., Ltd.

(In millions of won)

48. Related parties, continued

(2) Significant balances with the related parties As of March 31, 2022 and December 31, 2021 are as follows:

Related party	Account		2022	2021
Subsidiaries				
Kyobo Securities Co., Ltd.	Accounts receivables	₩	5,205	4,700
	Accounts payable		69,573	957
	Deposits		142,985	137,132
	Leasehold deposits received(*1)		2,822	2,822
	Retirement pension(*2)		11,698	41,695
Kyobo Book Center Co., Ltd.	Accounts receivables		7	196
	Accounts payable		72	283
	Leasehold deposits		994	994
	Leasehold deposits received		16,994	16,994
	Retirement pension(*2)		29,563	61,888
	Lease liabilities		875	990
Kyobo Hottracks Co., Ltd.	Accounts receivables		1	1
	Accounts payable		6	19
	Leasehold deposits received		7,626	7,626
	Retirement pension(*2)		5,251	17,647
Kyobo Info. & Comm Co., Ltd.	Accounts receivables		13	11
	Accounts payable		3,789	4,491
	Leasehold deposits		220	220
	Retirement pension(*2)		9,392	9,596
	Lease liabilities		4,306	4,678
Kyobo Realco Inc.	Accounts receivables		7	5
	Accounts payable		8	3,709
	Leasehold deposits received		119	117
	Retirement pension(*2)		14,048	14,572
	Withholdings		-	2
Jeil Total Management Co., Ltd.	Retirement pension(*2)		450	454
KCA Claim Adjustment Co., Ltd.	Accounts receivables		3	-
	Accounts payable		2,964	4,221
	Leasehold deposits received		435	435
	Retirement pension(*2)		13,090	14,282
KCA Service Co., Ltd.	Accounts receivables		-	2
	Accounts payable		3	3,408
	Retirement pension(*2)		6,445	6,577
Kyobo Life Planet Life Insurance Co., Ltd.	Accounts receivables		1	85
	Leasehold deposits received		1,096	-
	Retirement pension(*2)		2,156	2,643
	Accounts payable		-	16
Kyobo Asset Trust Co., Ltd.	Accounts receivables		-	93
	Accounts payable		-	7
	Leasehold deposits received		3,000	3,000
	Retirement pension(*2)		12,236	12,662
Associates				
A&D Credit Information Co., Ltd.	Accounts payable		672	694
	Retirement pension(*2)		501	550

(In millions of won)

48. Related parties, continued

(2) Significant balances with the related parties as of March 31, 2022 and December 31, 2021 are as follows, continued:

Related party	Account		2022	2021
Joint Ventures				
Kyobo AXA Investment Managers Co., Ltd.	Accounts payable	₩	658	737
	Leasehold deposits received		805	805
Others				
Daesan Foundation For Rural Culture & Society,	Retirement insurance(*2)		-	180
Daesan Foundation For Culture	Leasehold deposits received		1,363	1,363
	Retirement pension(*2)		-	616
Kyobo Foundation For Education & Culture	Retirement pension(*2)		-	583
Key management	Loan receivables		80	144

(*1) About the Leasehold deposits received, the company's land and building are collateralized which amounts to ₩3,669 million.
(*2) Retirement insurance and pension are reserves of policyholders included in separate account liabilities.

(In millions of won)

48. Related parties, continued

(3) Significant transactions with the related parties for the three-month periods ended March 31, 2022 and 2021 are as follows:

Related party	Account		2022 Revenues	2022 Expenses	2021 Revenues	2021 Expenses
Subsidiaries						
Kyobo Securities Co., Ltd.	Premium income(*1)	₩	3	-	6	-
	Interest income		66	-	3	-
	Fee and commission income		1	-	3	-
	Dividend income		4,724	-	14,172	-
	Rental income		59	-	58	-
	Non-operating income		2	-	-	-
	Claims paid(*1)		-	63	-	164
	Fee and commission expense(*2)		-	946	-	1,348
	Non-operating expenses		-	19	-	-
	Operating and Administrative expenses		-	22	-	51
Kyobo Book Center Co., Ltd.	Premium income(*1)		11	-	166	-
	Fee and commission income		1	-	1	-
	Rental income		1,684	-	1,639	-
	Non-operating income		18	-		
	Claims paid(*1)		-	157	-	593
	Operating and Administrative expenses		-	355	-	415
	Asset management expenses		-	281	-	282
	Interest expenses		-	3	-	2
Kyobo Hottracks Co., Ltd.	Premium income(*1)		-	-	36	-
	Fee and commission income		-	-	1	-
	Rental income		851	-	838	-
	Claims paid(*1)		-	29	-	228
	Operating and Administrative expenses		-	187	-	453
	Asset management expenses		-	5	-	18
Kyobo Info. & Comm. Co., Ltd.	Premium income(*1)		8	-	1	-
	Fee and commission income		1	-	1	-
	Claims paid(*1)		2	-	-	-
	Non-operating income		-	51	-	35
	Operating and Administrative expenses		-	7,229	-	6,149
	Asset management expenses		-	1,901	-	1,732
	Interest expense		-	20	-	26

(In millions of won)

48. Related parties, continued

(3) Significant transactions with the related parties for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

Related party	Account	2022 Revenues	2022 Expenses	2021 Revenues	2021 Expenses
Subsidiaries, continued					
Kyobo Realco Inc.	Premium income(*1)	₩ 11	-	11	-
	Fee and commission income	1	-	1	-
	Rental income	53	-	39	-
	Claims paid(*1)	-	85	-	57
	Operating and Administrative expenses	-	79	-	83
	Asset management expenses	-	10,627	-	10,386
Jeil Total Management Co., Ltd.	Claims paid(*1)	-	2	-	2
	Operating and Administrative expenses	-	-	-	5
	Asset management expenses	-	224	-	182
KCA Claim Adjustment Co., Ltd.	Premium income(*1)	11	-	-	-
	Fee and commission income	1	-	1	-
	Rental income	201	-	178	-
	Claims paid(*1)	-	70	-	54
	Operating and Administrative expenses	-	8,884	-	8,739
KCA Service Co., Ltd.	Premium income(*1)	4	-	118	-
	Fee and commission income	-	-	1	-
	Rental income	766	-	777	-
	Claims paid(*1)	-	40	-	22
	Operating and Administrative expenses	-	7,551	-	7,601
	Asset management expenses	-	612	-	616
Kyobo Life Planet Life Insurance Co., Ltd.	Premium income(*1)	2	-	-	-
	Fee and commission income	-	-	1	-
	Rental income	92	-	-	-
	Claims paid(*1)	-	13	-	9
	Operating and Administrative expenses	-	21	-	78
Kyobo Asset Trust Co., Ltd.	Premium income(*1)	8	-	7	-
	Fee and commission income	-	-	1	-
	Rental income	870	-	24	-
	Claims paid(*1)	-	66	-	63

(In millions of won)

48. Related parties, continued

(3) Significant transactions with the related parties for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

Related party	Account	2022 Revenues	2022 Expenses	2021 Revenues	2021 Expenses
Subsidiaries, continued					
Kyobo Life Asset Management (America) Co., Ltd.	Asset management expenses ₩	-	436	-	520
Kyobo Life Asset Management (Japan) Co., Ltd.	Operating and Administrative expenses	-	169	-	180
Consus BTL Private Special Asset Investment Trust 1	Dividend income	106	-	109	-
Consus Hope BTL Private Special Asset Investment Trust1	Dividend income	154	-	158	-
Consus New Energy Private Special Asset Investment Trust2	Dividend income	132	-	162	-
KIAMCO Shipping Private Special Asset Investment TrustKX-1	Dividend income	172	-	175	-
KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust	Dividend income	-	-	5,585	-
Associates					
A&D Credit Information Co., Ltd.	Dividend income	49	-	49	-
	Claims paid(*1)	-	3	-	3
	Operating and Administrative expenses	-	38	-	34
	Asset management expenses	-	1,766	-	1,807
Joint Ventures					
Kyobo AXA Investment Managers Co., Ltd.	Premium income(*1)	2	-	2	-
	Fee and commission income	21	-	25	-
	Dividend income	8,445	-	5,898	-
	Rental income	358	-	357	-
	Asset management expenses	-	662	-	806

(In millions of won)

48. Related parties, continued

(3) Significant transactions with the related parties for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

Related party	Account		2022 Revenues	2022 Expenses	2021 Revenues	2021 Expenses
Others						
Daesan Foundation For Rural Culture & Society	Claims paid(*1)	₩	-	1	-	1
Daesan Foundation For Culture	Premium income(*1)		-	-	4	-
	Rental income		15	-	15	-
	Claims paid(*1)		-	1	-	3
	Operating and Administrative expenses		-	16	-	-
Kyobo Foundation For Education & Culture	Claims paid(*1)		-	1	-	2

(*1) Premium income and claims paid belong to profit or loss in separate accounts.
(*2) Commission in separate accounts for the three-month periods ended March 31, 2022 and 2021 amount to ₩646 million and ₩804 million, respectively.

(4) The assets transaction with the related parties for the three-month periods ended March 31, 2022 and 2021 are summarized as follows:

Related party	Account		2022 Acquisition	2022 Disposition	2021 Acquisition	2021 Disposition
Subsidiaries						
Kyobo Realco Inc.	Buildings	₩	-	-	570	-
Fortress Innovation	Advanced payments		147	-	-	-
Kyobo Info. & Comm. Co., Ltd.	Advanced payments		1,831	-	-	-
	Software		143	-	-	-
	Right-of-use assets		79	-	73	-

(In millions of won)

48. Related parties, continued

(5) The fund transactions with the related parties for the three-month periods ended March 31, 2022 and 2021 are as follows:

Related party		2022		
		Loan transaction		
		Lending	Collection	Collection of investment
Subsidiaries				
Consus BTL Private Special Asset Investment Trust 1	₩	-	-	(446)
Consus Hope BTL Private Special Asset Investment Trust 1		-	-	(570)
Consus New Energy Private Special Asset Investment Trust 2		-	-	(594)
KIAMCO Shipping Private Special Asset Investment Trust KX-1		-	-	(169)
	₩	-	-	(1,779)

Related party		2021		
		Loan transaction		
		Lending	Collection	Collection of investment
Subsidiaries				
Consus BTL Private Special Asset Investment Trust 1	₩	-	-	(448)
Consus Hope BTL Private Special Asset Investment Trust 1		-	-	(489)
Consus New Energy Private Special Asset Investment Trust 2		-	-	(582)
KIAMCO Shipping Private Special Asset Investment Trust KX-1		-	-	(169)
KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust				(35,248)
	₩	-	-	(36,936)

(In millions of won)

48. Related parties, continued

(6) The trading of bonds through related parties for the three-month periods ended March 31, 2022 and 2021 are as follows.

			2022		2021	
			Buy	Sell	Buy	Sell
Kyobo AXA Investment Managers Co., Ltd.	Beneficiary certificates	₩	220,380	226,939	793,959	911,247
Kyobo Securities Co., Ltd.	Bond		2,375,825	722,354	3,311,564	1,129,534
	Stock		356,491	403,725	452,774	740,593
	Beneficiary certificates		952,211	1,151,979	790,739	1,030,982
		₩	3,904,907	2,504,997	5,349,036	3,812,356

(7) The collateral that the company has provided to its related parties as of the three-month period ended March 31, 2022 is as follows:

	2022			
Related party	Collateral		Book value	Purpose
Subsidiaries				
Kyobo Securities Co., Ltd.	Available-for-sale financial assets(*)	₩	111,021	Futures substitute Securities

(*) Amounts of ₩ 6,401 million of the available-for-sale financial assets provided as collateral is included in the separate accounts.

(8) The Company concluded that the key management includes executives and outside directors who have authority and responsibilities for decision making of the business plan, operations and control over the Company. Key management compensation for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Long and short-term employee benefits	₩	5,039	4,966
Retirement benefits		1,512	1,394
	₩	6,551	6,360

(In millions of won)

49. Statements of cash flows

(1) Significant non-cash activities for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022	2021
Changes in valuation gain on available-for-sale financial assets	₩ (2,116,343)	(1,634,126)
Reclassification of held-to-maturity financial assets from available-for-sale financial assets	5,298,029	-
Reclassification of gain or loss on valuation of held-to-maturity financial assets from gain or loss on valuation of available-for-sale financial assets	(640,886)	-
Transfer between investment property and property and equipment	32,746	15,111
Changes in valuation of investments in subsidiaries and associates	(293)	(5,044)
Changes in remeasurements on net defined benefit obligation	(319)	(45)
Reclassification of advanced payments related to acquisition of property and equipment	38	-
Reclassification of advanced payments related to acquisition of intangible assets	4,228	6,540
Changes in policyholders' equity adjustments	(558,063)	(589,063)
Changes in valuation gain on revaluation of property and equipment	1,518	1,870
Changes in valuation gain on derivatives for cash flow hedging purpose	24,090	46,111
Other comprehensive income in separate accounts	(128,335)	(24,641)
Write-off of loan receivables	(4,692)	(4,334)
Changes in right-of-use assets (transfer, acquisition)	25,263	15,095
Changes in right-of-use assets (disposal)	(1,559)	(7,728)
Write-off of other receivables	518	-
Dividends payable of hybrid bond	10,362	-
Accumulation of regulatory reserve for loan losses	41,220	-
Income tax expense directly recognized in equity	841,477	613,100

(In millions of won)

49. Statements of cash flows, continued

(2) Changes in liabilities from financing activities for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022			
		Beginning balance	Cash flows from financing activities	Interest expense, etc.	Ending balance
Leasehold deposits received	₩	99,667	(1,595)	351	98,423
Lease liabilities		40,447	(8,759)	21,800	53,488

		2021			
		Beginning balance	Cash flows from financing activities	Interest expense, etc.	Ending balance
Leasehold deposits received	₩	113,806	(1,016)	(1,022)	111,768
Lease liabilities		49,274	(8,862)	5,607	46,019

50. Operating segments

The Company consists of single operating segment primarily engaging in the insurance business. The information of operating segments is disclosed in the consolidated financial statements in accordance with KIFRS 1108 'Operating Segments'.

Report on Review of Consolidated Interim Condensed Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Kyobo Life Insurance Co., Ltd.

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim condensed financial statements of Kyobo Life Insurance Co., Ltd., Ltd. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim condensed statement of financial position of the Group as at March 31, 2022 and the related consolidated interim condensed statements of comprehensive income , changes in equity and cash flows for the three-month period ended March 31, 2022, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim condensed financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these consolidated interim condensed financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying consolidated interim condensed financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 50 to the consolidated interim condensed financial statements of the Group, which describes significant accounting estimates and assumptions can be adjusted according to the changes in uncertainty due to Coronavirus disease 2019 (“COVID-19”).

Other Matters

The consolidated financial statements of the Group for the year ended December 31, 2021, were audited by another auditor who expressed an unqualified opinion on those statements, not presented herein, on March 11, 2022. The consolidated statement of financial position as at December 31, 2021, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2021

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Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea
May 16, 2022

This report is effective as of May 16, 2022, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim condensed financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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Report on review of interim condensed consolidated financial statements

The Shareholders and Board of Directors
Kyobo Life Insurance Co., Ltd.

We have reviewed the interim condensed consolidated financial statements of Kyobo Life Insurance Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as of March 31, 2021, and the interim condensed consolidated statements of comprehensive income (loss), interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the three-month periods ended March 31, 2021 and 2020, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards ("KIFRS") 1034 *Interim Financial Reporting* and for such internal control as management determines is necessary to enable the preparation of the interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the review standards for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Auditing Standards ("KGAAS") and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

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Other matter

We have audited the consolidated statement of financial position of the Group as of December 31, 2020, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended in accordance with KGAAS (not presented herein), and our report dated March 5, 2021 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of December 31, 2020, presented for comparative purposes is not different, in all material respects, from the above audited consolidated statement of financial position.

May 14, 2021

This review report is effective as of May 14, 2021, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

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Kyobo Life Insurance Co., Ltd. and its subsidiaries

Consolidated Interim condensed statements of financial position

As of March 31, 2022 and December 31, 2021

(In won)	*Note*		2022 (Unaudited)	2021
Assets				
Cash and due from banks	5,13,14,46,54	₩	2,332,369,184,198	2,897,044,192,397
Financial assets designated at fair value through profit or loss	6,13,14		453,456,482,964	526,970,498,303
Financial assets held for trading	7,13,14,46,53		6,757,600,248,368	7,214,309,602,349
Derivative assets	13,14,30		953,031,029,547	461,752,545,264
Available-for-sale financial assets	8,13,14,46,53		50,637,574,711,761	60,794,119,995,826
Held-to-maturity financial assets	9,13,14,46		12,298,691,405,135	4,553,550,393,992
Loan receivables	10,13,14,46,53,54		23,767,542,639,586	23,725,308,922,506
Other receivables	11,13,14,34,46,53		1,615,528,350,287	1,397,655,373,024
Investments in associates and a joint venture	12,53,54		66,587,719,588	71,670,152,838
Investment properties	15		1,068,252,514,300	1,058,099,935,135
Property and equipment	16		1,431,210,039,305	1,414,876,099,291
Intangible assets	17		250,746,539,258	257,351,416,395
Deferred acquisition costs	18		1,163,954,125,630	1,158,428,811,992
Current tax assets			3,254,919,534	2,600,572,314
Deferred tax assets			143,117,895,945	11,486,476,236
Other assets	19,34		248,270,485,473	197,249,529,720
Defined benefit assets	31		-	19,960,970,432
Separate account assets			25,131,121,689,814	25,172,428,654,955
Total assets		₩	128,322,309,980,693	130,934,864,142,969
Liabilities				
Liabilities under insurance contracts	20,54	₩	79,762,306,651,473	79,287,141,125,443
Policyholders' equity adjustments	21,54		158,056,003,568	719,615,616,198
Financial liabilities designated at fair value through profit or loss	13,14,23		3,470,977,974,932	3,564,848,850,228
Financial liabilities held for trading	13,14,24		203,081,962,000	117,483,707,750
Derivative liabilities	13,14,30		1,649,903,352,134	890,411,888,037
Borrowings	13,14,25		3,726,388,460,407	3,541,752,624,582
Other financial liabilities	13,14,26,34,46		2,968,376,563,795	3,084,838,505,261
Provisions	27,50		22,375,269,527	22,223,341,525
Defined benefit liabilities	28		6,995,548,124	1,433,717,690
Current tax liabilities			132,096,758,967	55,245,493,616
Deferred tax liabilities			108,909,659,860	877,940,357,169
Other liabilities	29		802,024,196,995	770,261,962,994
Separate account liabilities	31,54		25,485,297,816,489	26,046,892,940,587
Total liabilities			118,496,790,218,271	118,980,090,131,080
Equity				
Capital stock	32		102,500,000,000	102,500,000,000
Hybrid bonds	32		1,020,053,815,983	1,020,053,815,983
Capital surplus	32		515,313,212,722	520,179,448,547
Capital adjustments	32		(11,992,578,362)	(12,001,961,598)
Accumulated other comprehensive income	32		(321,824,478,668)	1,914,204,928,207
Retained earnings	32		8,160,131,862,875	8,051,586,120,865
Equity attributable to equity holders of the parent company			9,464,181,834,550	11,596,522,352,004
Non-controlling interests	32		361,337,927,872	358,251,659,885
Total equity			9,825,519,762,422	11,954,774,011,889
Total equity and liabilities		W	128,322,309,980,693	130,934,864,142,969

The accompanying notes are an integral part of the consolidated interim condensed financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries

Consolidated interim condensed statements of comprehensive income(loss)

For the three-month periods ended March 31, 2022 and 2021

(In won)	*Note*		2022 (Unaudited)	2021 (Unaudited)
Operating revenues	54			
Premium income	33	₩	2,398,608,700,595	2,499,110,481,846
Reinsurance income	34		38,202,797,188	34,204,254,039
Interest income	13,35		715,657,819,143	674,865,940,333
Gain on valuation and disposal of financial instruments	13,36		2,051,604,197,780	1,099,800,123,369
Gain on foreign currency transaction	13,46		399,681,916,768	650,681,634,405
Fee and commission income	37		112,058,190,211	141,317,796,636
Dividend income	13,38		161,600,870,859	142,987,024,130
Rental income			20,830,931,142	21,622,518,294
Separate account commissions earned			190,988,959,576	205,175,303,841
Separate account income	31		77,738,028,623	58,669,054,004
Other operating income	39		260,659,401,655	253,321,695,381
			6,427,631,813,540	5,781,755,826,278
Operating expenses	54			
Provision for liabilities under insurance contracts			443,006,981,947	635,663,993,749
Insurance claims paid	40		2,159,935,130,530	1,985,469,129,501
Reinsurance premium expenses	34		40,384,391,696	36,105,937,059
Operating and administrative expenses	41		242,420,302,201	257,314,504,904
Amortization of deferred acquisition costs	18		129,601,884,147	139,470,302,897
Asset management expenses	42		21,776,121,693	24,959,799,548
Interest expenses	13,43		84,695,067,430	78,054,712,821
Loss on valuation and disposal of financial instruments	13,44		2,360,383,308,441	1,353,365,148,645
Loss on foreign currency transaction	13,46		73,325,861,989	107,562,372,879
Separate account commissions			9,825,772,707	14,316,735,489
Separate account expenses	31		77,738,028,623	58,669,054,004
Other operating expenses	45		399,943,144,425	411,937,653,138
			6,043,035,995,829	5,102,889,344,634
Operating profit	54		384,595,817,711	678,866,481,644
Non-operating income	47,54		13,921,620,443	11,120,336,908
Non-operating expenses	54		23,801,626,622	3,250,089,517
Profit before income tax expenses	48,54		374,715,811,532	686,736,729,035
Income tax expenses	54		95,056,338,853	186,956,461,799
Profit for the period		₩	279,659,472,679	499,780,267,236

(Continued)

Consolidated interim condensed statements of comprehensive income (loss), continued

For the three-month periods ended March 31, 2022 and 2021

(In won)	*Note*		2022 (Unaudited)	2021 (Unaudited)
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Revaluation of property and equipment		₩	1,629,276,352	1,997,759,980
Remeasurements on defined benefit obligation			(327,157,071)	(58,322,595)
			1,302,119,281	1,939,437,385
Items that are or may be reclassified subsequently to profit or loss:				
Gain (loss) on valuation of available-for-sale financial assets			(2,134,960,922,057)	(1,635,422,901,183)
Gain (loss) on valuation of held-to-maturity financial assets			1,244,644,154	-
Gain (loss) on valuation of investments in associates			8,067,954	(4,870,583)
Gain (loss) on valuation of derivative instruments			24,089,980,885	46,111,035,138
Other comprehensive loss in separate accounts			(128,334,613,828)	(24,640,401,956)
Foreign currency translation adjustments for foreign operations			79,318,561	264,637,953
			(2,237,873,524,331)	(1,613,692,500,631)
Other comprehensive income (loss) for the period, net of income tax			(2,236,571,405,050)	(1,611,753,063,246)
Total comprehensive income (loss) for the period		₩	(1,956,911,932,371)	(1,111,972,796,010)
Profit for the period attributable to:				
Owners of the parent company		₩	272,666,107,657	487,573,657,371
Non-controlling interests			6,993,365,022	12,206,609,865
		₩	279,659,472,679	499,780,267,236
Total comprehensive income (loss) for the period attributable to:				
Owners of the parent company		₩	(1,963,363,299,218)	(1,125,107,487,530)
Non-controlling interests			6,451,366,847	13,134,691,520
		₩	(1,956,911,932,371)	(1,111,972,796,010)
Earnings per share				
Basic and diluted earnings per share		₩	2,559	4,702

The accompanying notes are an integral part of the consolidated interim condensed financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries

Consolidated Interim condensed statements of changes in equity

For the three-month period ended March 31, 2021

(In won)	Equity attributable to equity holders of the parent company							Non -controlling interests	Total Equity
	Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Subtotal		
Balance as of January 1, 2021	102,500,000,000	551,437,935,983	520,373,285,673	(12,031,362,407)	3,712,033,702,127	7,693,333,725,242	12,567,647,286,618	324,698,094,286	12,892,345,380,904
Total comprehensive income:	-	-	-	-	(1,612,681,144,901)	487,573,657,371	(1,125,107,487,530)	13,134,691,520	(1,111,972,796,010)
Profit for the period	-	-	-	-	-	487,573,657,371	487,573,657,371	12,206,609,865	499,780,267,236
Other comprehensive income	-	-	-	-	(1,612,681,144,901)	-	(1,612,681,144,901)	928,081,655	(1,611,753,063,246)
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	-	(1,636,352,255,446)	-	(1,636,352,255,446)	929,354,263	(1,635,422,901,183)
Gain (loss) on valuation of investments in associates	-	-	-	-	(3,597,975)	-	(3,597,975)	(1,272,608)	(4,870,583)
Loss on valuation of derivative instruments for hedging	-	-	-	-	46,111,035,138	-	46,111,035,138	-	46,111,035,138
Other comprehensive loss from separate accounts	-	-	-	-	(24,640,401,956)	-	(24,640,401,956)	-	(24,640,401,956)
Foreign currency translation adjustments for foreign operations	-	-	-	-	264,637,953	-	264,637,953	-	264,637,953
Gain on revaluation of property and equipment	-	-	-	-	1,997,759,980	-	1,997,759,980	-	1,997,759,980
Remeasurement loss on defined benefit obligation	-	-	-	-	(58,322,595)	-	(58,322,595)	-	(58,322,595)
Transactions with shareholders:	-	-	787,094,105	729,808	-	(108,107,716,250)	(107,319,892,337)	(5,524,662,464)	(112,844,554,801)
Annual dividends	-	-	-	-	-	(102,500,000,000)	(102,500,000,000)	(7,344,418,052)	(109,844,418,052)
Acquisition and disposal of investments in subsidiaries	-	-	2,606,597,546	-	-	-	2,606,597,546	-	2,606,597,546
Dividends to hybrid bonds	-	-	-	-	-	(5,607,716,250)	(5,607,716,250)	-	(5,607,716,250)
Compensation expense associated with incentive stock options	-	-	-	729,808	-	-	729,808	252,147	981,955
Unequal dividends paid to subsidiaries			(1,819,503,441)	-	-	-	(1,819,503,441)	1,819,503,441	-
Others:	-	-	-	-	-	(17,751,745)	(17,751,745)	-	(17,751,745)
Balance as of March 31, 2021 (Unaudited)	₩ 102,500,000,000	551,437,935,983	521,160,379,778	(12,030,632,599)	2,099,352,557,226	8,072,781,914,618	11,335,202,155,006	332,308,123,342	11,667,510,278,348

(Continued)

Kyobo Life Insurance Co., Ltd. and its subsidiaries

Consolidated interim condensed consolidated statements of changes in equity, continued

For the three-month period ended March 31, 2022

(In won)	Equity attributable to equity holders of the parent company							Non -controlling interests	Total equity
	Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Subtotal		
Balance as of January 1, 2022	102,500,000,000	1,020,053,815,983	520,179,448,547	(12,001,961,598)	1,914,204,928,207	8,051,586,120,865	11,596,522,352,004	358,251,659,885	11,954,774,011,889
Total comprehensive income:	-	-	-	-	(2,236,029,406,875)	272,666,107,657	(1,963,363,299,218)	6,451,366,848	(1,956,911,932,370)
Profit for the period	-	-	-	-	-	272,666,107,657	272,666,107,657	6,993,365,022	279,659,472,679
Other comprehensive income (loss)	-	-	-	-	(2,236,029,406,875)	-	(2,236,029,406,875)	(541,998,174)	(2,236,571,405,049)
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	-	(2,134,416,620,014)	-	(2,134,416,620,014)	(544,302,043)	(2,134,960,922,057)
Gain (loss) on valuation of Held-to-maturity financial assets					1,244,644,154		1,244,644,154	-	1,244,644,154
Loss on valuation of investments in associates	-	-	-	-	5,764,086	-	5,764,086	2,303,869	8,067,955
Gain on valuation of derivative instruments for hedging	-	-	-	-	24,089,980,885	-	24,089,980,885	-	24,089,980,885
Other comprehensive loss from separate accounts	-	-	-	-	(128,334,613,828)	-	(128,334,613,828)	-	(128,334,613,828)
Foreign currency translation adjustments for foreign operations	-	-	-	-	79,318,561	-	79,318,561	-	79,318,561
Gain on revaluation of property and equipment	-	-	-	-	1,629,276,352	-	1,629,276,352	-	1,629,276,352
Remeasurement loss on defined benefit obligation	-	-	-	-	(327,157,071)	-	(327,157,071)	-	(327,157,071)
Transactions with shareholders:	-	-	(4,866,235,825)	9,383,236	-	(164,112,129,583)	(168,968,982,172)	(3,285,213,430)	(172,254,195,602)
Annual dividends	-	-	-	-	-	(153,750,000,000)	(153,750,000,000)	(8,160,464,500)	(161,910,464,500)
Acquisition and disposal of investments in subsidiaries	-	-	(14,226,649)	-	-	-	(14,226,649)	20,000,000	5,773,351
Dividends to hybrid bonds	-	-	-	-	-	(10,362,129,583)	(10,362,129,583)	-	(10,362,129,583)
Compensation expense associated with incentive stock options	-	-	-	9,383,236	-	-	9,383,236	3,241,894	12,625,130
Unequal dividends paid to subsidiaries	-	-	(4,852,009,176)	-	-	-	(4,852,009,176)	4,852,009,176	-
Others:	-	-	-	-	-	(8,236,064)	(8,236,064)	(79,885,431)	(88,121,495)
Balance as of March 31, 2022 (Unaudited) ₩	102,500,000,000	1,020,053,815,983	515,313,212,722	(11,992,578,362)	(321,824,478,668)	8,160,131,862,875	9,464,181,834,550	361,337,927,872	9,825,519,762,422

The accompanying notes are an integral part of the consolidated interim condensed financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries

Consolidated Interim condensed statements of cash flows

For the three-month periods ended March 31, 2022 and 2021

(In won)	*Note*		2022 (Unaudited)	2021 (Unaudited)
Cash flows from operating activities:				
Profit before income tax expenses		₩	374,715,811,532	686,736,729,035
Adjustments for:				
Interest income			(715,657,819,143)	(674,865,940,333)
Interest expenses			84,695,067,430	78,054,712,821
Dividend income			(161,600,870,859)	(142,987,024,130)
Other adjustments to reconcile profit before income tax for the period to net cash provided by operating activities:				
Loss on valuation of financial assets held for trading, net			205,305,683,606	50,199,414,007
Gain on valuation of financial liabilities held for trading, net			(9,205,553,000)	(40,614,878)
Gain on valuation of financial assets designated at FVTPL, net			(541,559,673)	(380,786,509)
Gain on valuation of financial liabilities designated at FVTPL, net			(208,525,942,331)	(34,781,944,529)
Gain on disposal of available-for-sale financial assets, net			(198,923,151,548)	(491,366,633,171)
Loss on valuation of available-for-sale financial assets, net			87,813,907,397	-
Impairment losses on available-for-sale financial assets			77,647,676	23,326,817,812
Bad debt expenses			400,858,254	638,611,974
Gain on foreign currency transaction, net			(284,006,468,344)	(500,761,492,639)
Loss on valuation of derivatives, net			370,485,716,699	512,245,766,934
Loss on disposal of derivatives, net			5,641,351,370	9,557,191,813
Gain on investments in associates, net			(1,389,600,320)	(1,480,708,591)
Amortization of deferred acquisition costs			129,601,884,147	139,470,302,897
Depreciation of investment properties			2,944,659,129	2,604,116,385
Loss on disposal of property, equipment and investment properties, net			626,815,285	1,343,935,170
Depreciation of property and equipment			25,521,192,977	27,453,349,931
Gain on disposal of intangible assets, net			1,000	(130,995,000)
Amortization of intangible assets			17,158,127,636	16,309,490,719
Impairment losses on intangible assets			28,582	-
Provision for insurance contract liabilities			443,006,981,947	635,663,993,749
Reversal of reinsurance assets			(316,199,119)	(890,295,477)
Retirement benefits			16,931,154,228	17,236,556,015
Bad debt expenses on other assets			794,212,185	368,585,717
Gain on cancellation of lease contracts			(94,750,835)	(194,286,451)
Other gain, net			(1,988,490,944)	(2,219,516,334)
			601,318,506,004	404,170,859,544
Changes in operating assets and liabilities:				
Due from banks			315,926,946,518	(138,518,969,987)
Financial assets designated at FVTPL			74,055,575,012	(13,888,489,011)
Financial assets held for trading			273,087,574,899	(552,556,992,621)
Loans			(38,259,804,748)	(387,334,643,544)
Other receivables			(250,755,036,657)	(207,087,809,930)
Derivative assets			(639,382,044,890)	272,088,975,748
Deferred acquisition costs			(135,127,197,785)	(116,295,507,270)
Other assets			(54,976,705,729)	(49,773,852,151)
Separate account assets			41,306,965,141	(317,016,098,566)
Liabilities under insurance contracts			32,158,544,083	62,747,252,850
Financial liabilities designated at FVTPL			89,735,783,437	498,948,258,744
Financial liabilities held for trading			94,803,807,250	(234,892,415,622)
Derivative liabilities			541,559,246,458	(236,085,757,294)
Other financial liabilities			(185,757,703,135)	357,502,588,926
Provisions			(30,261,872)	(177,960,778)

(Continued)

(In won)	*Note*		2022 (Unaudited)	2021 (Unaudited)
Defined benefit liabilities		₩	8,140,858,780	(2,271,236,105)
Other liabilities			29,175,017,677	139,135,466,093
Separate account liabilities			(738,608,384,550)	(179,907,523,018)
			(542,946,820,111)	(1,105,384,713,536)
Income taxes paid			(73,149,478,746)	(90,585,767,515)
Interest received			689,410,516,142	677,096,761,240
Interest paid			(83,398,085,715)	(76,757,303,732)
Dividends received			152,929,313,563	129,230,967,173
Net cash inflow (outflow) from operating activities			326,316,140,097	(115,290,719,433)
Cash flows from investing activities:				
Acquisition of available-for-sale financial assets			(5,085,123,529,309)	(5,451,484,887,012)
Disposal of available-for-sale financial assets			6,897,210,229,159	5,336,745,314,148
Acquisition of held-to-maturity financial assets			(2,411,422,911,558)	-
Disposal of held-to-maturity financial assets			105,867,040	-
Cash inflows from derivatives held for hedging			29,729,373,954	16,535,111,827
Cash outflows from derivatives held for hedging			(6,593,103,936)	(20,143,670,788)
Acquisition of investments in associates and subsidiaries			(2,010,000,000)	(4,942,570,920)
Dividends from associates and subsidiaries			8,493,750,000	5,946,750,000
Acquisition of property, equipment and investment properties			(18,637,075,041)	(5,014,545,069)
Disposal of property, equipment and investment properties			806,127,048	108,768,515
Acquisition of intangible assets			(9,155,405,313)	(6,158,063,149)
Disposal of intangible assets			2,714,831,532	240,000,000
Increase in leasehold deposits			(9,672,206,736)	(72,568,827,470)
Decrease in leasehold deposits			840,139,122	4,236,671,270
Net cash inflow (outflow) from investing activities			(602,713,914,038)	(196,499,948,648)
Cash flows from financing activities:				
Decrease in non-controlling interest			(8,160,464,500)	(7,344,418,052)
Increase in leasehold deposits received			1,381,162,986	1,660,778,520
Decrease in leasehold deposits received			(3,390,732,700)	(2,859,100,020)
Dividends paid			(101,808,945,000)	(102,500,000,000)
Dividends to hybrid bonds			(16,140,025,000)	(10,862,500,000)
Borrowings, net			167,926,417,621	588,611,076,046
Payment of lease liabilities			(11,636,485,264)	(11,992,940,211)
Net cash inflow (outflow) from financing activities			28,170,928,143	454,712,896,283
Effect of exchange rate fluctuations on cash and cash equivalents held			(1,588,367,482)	2,409,030,175
Net increase (decrease) in cash and cash equivalents			(249,815,213,280)	145,331,258,377
Cash and cash equivalents at the beginning of the period			1,413,604,816,813	760,726,104,393
Cash and cash equivalents at the end of the period	5	₩	1,163,789,603,533	906,057,362,770

The accompanying notes are an integral part of the consolidated interim condensed financial statements.

1. Reporting entity

Kyobo Life Insurance Co., Ltd., the controlling company, and its subsidiaries included in consolidation (collectively referred to as the "Group") are summarized as follows:

(1) Controlling Company

Kyobo Life Insurance Co., Ltd. (the "Company") was established on June 30, 1958, and primarily engages in the life insurance business as permitted by the *Insurance Business Law* of the Republic of Korea. The Group's head office is located at Jongno-ro 1, Jongno-gu, Seoul, the Republic of Korea.

As of March 31, 2022, the Group has 7 Financial Planner (FP) offices, 70 supporting offices and 499 branches in the Republic of Korea and engages in the life insurance business and its related reinsurance contracts. The following table lists the number of currently available insurance products and discontinued but currently effective insurance products as of March 31, 2022.

	Insurance products in effect		
Type	Available	Discontinued	Total
Individual annuity	14	84	98
Pure endowment	19	39	58
Death	39	192	231
Endowment	2	41	43
Group insurance	19	24	44
	93	381	474

(2) Shareholders

The Group's major shareholders and their respective shareholdings as of March 31, 2022 are as follows:

Shareholders	Number of shares	Ownership (%)
Chang-Jae Shin	34,627,370	33.78
Corsair Korea Investors LLC	10,038,830	9.79
Guardian Holdings Limited	9,276,250	9.05
Tiger Holdings LP	7,813,250	7.62
The Export-Import bank of Korea	5,995,005	5.85
KLI Investors LLC	5,460,825	5.33
Hoenir Inc.	5,355,625	5.23
KLIC Holdings Limited	5,355,625	5.23
Apfin Investment Pte Ltd	4,612,500	4.50
In-Jae Shin	2,593,000	2.53
Life Investors of Korea LP	2,361,750	2.30
AXA	2,300,000	2.24
Kyung-Ae Shin	1,750,010	1.71
Young-Ae Shin	1,449,960	1.42
Triumph Ⅱ Investments (Ireland) Limited	1,100,000	1.07
Meiji Yasuda Life Insurance Company	1,025,000	1.00
Others	1,385,000	1.35
	102,500,000	100.00

1. Reporting entity, continued

(3) Subsidiaries

	Location	Reporting date	Ownership (%) 2022	Ownership (%) 2021	Industry
Kyobo Securities Co., Ltd.	Korea	31-Mar	73.10	73.10	Stock brokerage
Kyobo Book Center Co., Ltd.	Korea	31-Mar	100	100	Retail of books and magazines
Kyobo Hottracks Co., Ltd.	Korea	31-Mar	100	100	Retail of stationery
Kyobo Info. & Comm. Co., Ltd.	Korea	31-Mar	100	100	Software advisory and development
The Planics Co.,Ltd.	Korea	31-Mar	100	100	Data processing and data analysis, provision
Kyobo Realco Inc.	Korea	31-Mar	100	100	Non-residential property managements
Jeil Total Management Co., Ltd.	Korea	31-Mar	100	100	Safety and cleaning service
KCA Claim Adjustment Co., Ltd.	Korea	31-Mar	100	100	Service related to insurance and pension
KCA Service Co., Ltd.	Korea	31-Mar	100	100	Service
Kyobo Life Planet Life Insurance Company	Korea	31-Mar	100	100	On-line life insurance
Fortress Innovation Co., Ltd	Korea	31-Mar	60	-	Actuary software development and sales
Kyobo Asset Trust Co., Ltd.	Korea	31-Mar	100	100	Real Estate Trust
Kyobo Life Asset Management (USA) Co., Ltd.	USA	31-Mar	100	100	Asset management
Kyobo Life Asset Management (Japan) Co., Ltd.	Japan	31-Mar	100	100	Asset management
Consus BTL Private Special Asset Investment Trust 1	Korea	31-Mar	57.20	57.20	Beneficiary certificates
Consus Hope BTL Private Special Asset Investment Trust 1	Korea	31-Mar	66.70	66.70	Beneficiary certificates
Consus New Energy Private Special Asset Investment Trust 2	Korea	31-Mar	68.80	68.80	Beneficiary certificates
KIAMCO SHIPPING Private Equity Special Asset Investment Trust KX-No.1	Korea	31-Mar	100	100	Beneficiary certificates
Kyobo new technology Investment Association No. 1(*)	Korea	31-Mar	100	100	Investment association
Atlantisjisa 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Districtyangjoo Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Caba chic 3rd Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
H house 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Goeun angol 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Excel stone park 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Gabriel 3rd Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Exelstonered 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Doublerich 5th Co., Ltd	Korea	31-Mar	-	-	SPC (*1)
Doublerich 1st Co., Ltd	Korea	31-Mar	-	-	SPC (*1)
Doublerich 8th Co., Ltd	Korea	31-Mar	-	-	SPC (*1)

1. Reporting entity, continued

(3) Subsidiaries, continued

	Location	Reporting date	Ownership (%) 2022	Ownership (%) 2021	Industry
Atlantisgogyeong 1st Co., Ltd	Korea	31-Mar	-	-	SPC (*1)
Autodream 1st Co., Ltd	Korea	31-Mar	-	-	SPC (*1)
Gabriel 4th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
K-hotel 1st Co., Ltd	Korea	31-Mar	-	-	SPC (*1)
Gabriel 2nd Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Geobukseom Island Rich 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
SJgreat 3rd Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
X-med 7th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
K Logistics 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
SJgreat 8th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Lycos 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Oblique 5th Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
SJgreat 7th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
BrightStar 4th Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
I-pro 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Whitewood 5th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
BrightStar 2nd Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Whitewood 7th Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
X-med 9th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Intgreen 2nd Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
I-pro 3rd Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Yangdocube 1st Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Metagreen 3rd Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Metagreen 1st Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Easytree 3rd Co,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Metagreen 6th Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Metagreen 8th Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Theflex 1st Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
BrightStar 9th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Intgreen 6th Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Easyplant 4th Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Ujur 2nd Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Theteras 1st Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
BrightStar 10th Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Ujur 4th Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
Ujur 5th Co.,Ltd.	Korea	31-Mar	-	-	SPC (*1)
HW Yeouido 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Dream Smile Suyu 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Pinix Living 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Pinix Living 2nd Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Intgreen 9th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Entrepo JinCheon Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Asan JS 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Easy Plant 7th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
K Singal 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
KCQ 3rd Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
KCQ 4th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Stadblue 4th Co., Ltd	Korea	31-Mar	-	-	SPC (*1)
Ujureu 7th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Doublerich 2nd Co., Ltd.,	Korea	31-Mar	-	-	SPC (*1)
K Seongjeong 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Perfectdream 1st Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Perfectdream 2nd Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)
Dreamgusam Siheung 1st Co., Ltd	Korea	31-Mar	-	-	SPC (*1)
Metagreen 4th Co., Ltd.	Korea	31-Mar	-	-	SPC (*1)

(*1) The Group concluded that it has control over these companies, as it has existing rights that give the Group the ability to direct the relevant activities, and is exposed to variable returns and has the ability to affect the variable returns.

(4) Changes in subsidiaries

Changes in subsidiaries during the three-month period ended March 31, 2022 are as follows:

1) Newly acquired subsidiaries:

Subsidiaries	Reason
HW Yeouido 1st Co., Ltd. Dream Smile Suyu 1st Co., Ltd. Pinix Living 1st Co., Ltd. Pinix Living 2nd Co., Ltd. Intgreen 9th Co., Ltd. Entrepo JinCheon Co., Ltd. Asan JS 1st Co., Ltd. Easy Plant 7th Co., Ltd. K Singal 1st Co., Ltd. KCQ 3rd Co., Ltd. KCQ 4th Co., Ltd. Stadblue 4th Co., Ltd Ujureu 7th Co., Ltd. Doublerich 2nd Co., Ltd., K Seongjeong 1st Co., Ltd. Perfectdream 1st Co., Ltd. Perfectdream 2nd Co., Ltd. Dreamgusam Siheung 1st Co., Ltd Metagreen 4th Co., Ltd.	The Group concluded that it has control over these structured companies for the purpose of investing in real estate-related loans, etc. companies, as it has existing rights that give the Group the ability to direct the relevant activities, and is exposed to variable returns and has the ability to affect the variable returns.
Fortress Innovation Co., Ltd	Included in consolidation due to acquisition of new shares

2) Jjibest 4th Co., Ltd., Suhwa BIT 1st Co., Ltd., Redmax 1th Co., Ltd. Intgreen 3rd Co., Ltd., Metagreen 9th Co., Ltd., DreamthegreenYangpyeong 1st Co., Ltd., DreamthegreenYangpyeong 2nd Co., Ltd. were excluded from consolidation due to the termination of commitment for the three-month period ended March 31, 2022.

(In millions of won)

1. Reporting entity, continued

(5) Financial information of subsidiaries, continued

(a) Financial information of subsidiaries as of and for the three-month period ended March 31, 2022 is as follows:

Company		Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Kyobo Securities Co., Ltd.	₩	12,044,186	10,636,167	1,685,975	27,531	25,420
Kyobo Hottracks Co., Ltd.		40,944	24,819	22,648	568	568
Kyobo Book Center Co., Ltd.		510,706	243,164	225,772	443	443
Kyobo Info. & Comm. Co., Ltd.		85,761	12,313	19,757	1,170	1,170
Kyobo Realco Inc.		74,321	32,504	26,649	1,169	1,169
Jeil Total Management Co., Ltd.		6,693	3,967	5,726	202	202
KCA Claim Adjustment Co., Ltd.		37,116	3,971	9,791	2,093	2,093
KCA Service Co., Ltd.		16,380	5,620	8,277	519	519
Kyobo Life Planet Life Insurance Company		719,599	658,027	59,348	(4,481)	(24,212)
Fortress Innovation Co., Ltd		1,041	629	193	(247)	(247)
Kyobo Asset Trust Co., Ltd.		385,771	57,344	20,416	6,885	7,016
Kyobo Life Asset Management (USA) Co., Ltd.		8,600	1	467	88	68
Kyobo Life Asset Management (Japan) Co., Ltd.		2,149	66	413	207	127
Kyobo new technology Investment Association No. 1.		38,970	1,251	52	(726)	(726)
The Planics		2,753	90	20	(280)	(280)
Consus BTL Private Special Asset Investment Trust 1		32,350	14,059	235	(81)	(81)
Consus Hope BTL Private Special Asset Investment Trust 1		28,926	9,509	456	132	132
Consus New Energy Private Special Asset Investment Trust 2		14,411	4,511	200	70	70
KIAMCO Shipping Private Equity Special Asset Investment Trust KX-No.1		14,039	170	166	11	11
Atlantisjisa 1st Co., Ltd.		8,202	8,214	296	1	1
Districtyangjoo Co.,Ltd.		15,490	15,554	363	(2)	(2)
Caba chic 3rd Co., Ltd.		3,613	3,613	60	-	-
H house 1st Co., Ltd.		2,424	2,414	155	2	2
Goeun angol 1st Co., Ltd.		4,045	4,047	65	-	-
Excel stone park 1st Co., Ltd.		5,131	5,130	108	-	-
Gabriel 3rd Co., Ltd.		4,639	4,639	89	-	-
Exelstonered 1st Co., Ltd.		3,076	3,075	91	-	-
Doublerich 5th Co., Ltd.		1,242	1,242	12	-	-
Doublerich 1st Co., Ltd.		31,000	31,027	617	(3)	(3)
Doublerich 8th Co., Ltd.		12,351	12,351	285	-	-
Atlantisgogyeong 1st Co., Ltd.		9,386	9,388	236	26	26
Autodream 1st Co., Ltd.		12,171	12,218	269	6	6
Gabriel 4th Co., Ltd.		9,279	9,279	227	3	3

(In millions of won)

1. Reporting entity, continued

(5) Financial information of subsidiaries

(a) Financial information of subsidiaries as of and for the three-month period ended March 31, 2022 is as follows, continued:

Company	Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
K-hotel 1st Co., Ltd.	8,288	8,279	202	-	-
Gabriel 2nd Co., Ltd.	5,171	5,181	60	(2)	(2)
Geobukseom Island Rich 1st Co., Ltd.	6,054	6,099	202	5	5
SJgreat 3rd Co., Ltd.	15,506	15,529	327	(1)	(1)
X-med 7th Co., Ltd.	10,152	10,129	675	1	1
K Logistics 1st Co., Ltd.	10,011	10,120	197	32	(16)
SJgreat 8th Co., Ltd.	7,154	7,155	169	-	-
Lycos 1st Co., Ltd.	10,125	10,123	187	-	-
Oblique 5th Co., Ltd.	705	814	-	(13)	(13)
SJgreat 7th Co., Ltd.	1,909	1,912	55	4	4
BrightStar 4th Co., Ltd.	2,626	2,626	67	-	-
I-pro 1st Co., Ltd.	7,812	7,810	139	-	-
Whitewood 5th Co., Ltd.	6,081	6,081	118	-	-
BrightStar 2nd Co., Ltd.	8,227	8,248	173	3	3
Whitewood 7th Co., Ltd.	12,411	12,411	254	-	-
X-med 9th Co., Ltd.	352	400	4	1	1
Intgreen 2nd Co., Ltd.	10,111	10,140	249	27	27
I-pro 3rd Co., Ltd.	6,029	6,027	126	(5)	(5)
Yangdocube 1st Co., Ltd.	30,507	30,507	629	-	-
Metagreen 3rd Co., Ltd.	15,195	15,195	241	-	-
Metagreen 1st Co., Ltd.	9,197	9,197	214	-	-
Easytree 3rd Co, Ltd.	3,161	3,160	48	-	-
Metagreen 6th Co., Ltd.	4,064	4,064	74	-	-
Metagreen 8th Co., Ltd.	5,160	5,160	116	-	-
Theflex 1st Co., Ltd.	12,142	12,149	206	1	1
Brightstar 9th Co., Ltd.	20,150	20,151	311	-	-
Intgreen 6th Co., Ltd.	324	324	10	-	-
Easyplant 4th Co., Ltd	6,084	6,084	348	-	-
Ujur 2nd Co., Ltd	6,082	6,082	118	-	-
Theteras 1st Co., Ltd.	6,469	6,144	128	(27)	(27)
BrightStar 10th Co., Ltd.	5,098	5,098	88	-	-
Ujur 4th Co., Ltd	8,144	8,144	120	-	-
Ujur 5th Co., Ltd	17,435	17,462	194	(26)	(26)
HW Yeouido 1st Co., Ltd.	3,817	4,052	158	(234)	(234)
Dream Smile Suyu 1st Co., Ltd.	94,417	94,210	2,184	206	206
Pinix Living 1st Co., Ltd.	20,448	20,387	192	61	61
Pinix Living 2nd Co., Ltd.	20,481	20,429	212	52	52
Intgreen 9th Co., Ltd.	10,102	10,101	159	1	1
Entrepo JinCheon Co., Ltd.	5,081	5,081	34	-	-
Asan JS 1st Co., Ltd.	3,230	3,230	30	-	-
Easyplant 7th Co., Ltd	1,926	1,926	68	-	-

(In millions of won)

1. Reporting entity, continued

(5) Financial information of subsidiaries

(a) Financial information of subsidiaries as of and for the three-month period ended March 31, 2022 is as follows, continued:

Company	Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
K Singal 1st Co., Ltd.	5,318	5,317	47	1	1
KCQ 3rd Co., Ltd.	1,058	1,057	14	1	1
KCQ 4th Co., Ltd.	1,059	1,058	13	1	1
Stadblue 4th Co., Ltd	1,027	1,028	16	(2)	(2)
Ujureu 7th Co., Ltd.	12,911	12,911	178	-	-
Doublerich 2nd Co., Ltd.,	43,173	43,173	115	-	-
K Seongjeong 1st Co., Ltd.	6,338	6,337	13	1	1
Perfectdream 1st Co., Ltd.	30,793	30,793	16	-	-
Perfectdream 2nd Co., Ltd.	88,419	88,420	149	(1)	(1)
Dreamgusam Siheung 1st Co., Ltd	8,117	8,123	2	(6)	(6)
Metagreen 4th Co., Ltd.	43,144	43,144	119	-	-

(In millions of won)

1. Reporting entity, continued

(5) Financial information of subsidiaries, continued

(b) Financial information of subsidiaries as of and for the year ended December 31, 2021 is as follows:

Company		Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Kyobo Securities Co., Ltd.	₩	11,485,770	10,090,300	2,256,390	141,751	152,146
Kyobo Hottracks Co., Ltd.		45,583	30,025	94,991	(1,243)	(208)
Kyobo Book Center Co., Ltd.		493,506	226,408	792,579	1,178	6,955
Kyobo Info. & Comm. Co., Ltd.		82,484	10,206	62,636	3,585	3,531
Kyobo Realco Inc.		68,456	27,807	119,546	(89)	13
Jeil Total Management Co., Ltd.		4,914	2,389	17,504	148	145
KCA Claim Adjustment Co., Ltd.		36,886	5,835	39,984	3,862	4,121
KCA Service Co., Ltd.		14,714	4,472	33,255	1,230	1,276
Kyobo Life Planet Life Insurance Company		770,629	684,844	410,982	(15,891)	(32,229)
Kyobo Asset Trust Co., Ltd.		386,673	65,262	77,499	23,165	21,938
Kyobo Life Asset Management (USA) Co., Ltd.		8,622	91	2,111	555	1,106
Kyobo Life Asset Management (Japan) Co., Ltd.		2,246	289	1,552	414	373
Kyobo new technology Investment Association No. 1.		39,721	1,275	-	(270)	(270)
The Planics		3,120	177	-	(57)	(57)
Consus BTL Private Special Asset Investment Trust 1		33,141	14,212	409	275	275
Consus Hope BTL Private Special Asset Investment Trust 1		29,800	9,741	831	502	502
Consus New Energy Private Special Asset Investment Trust 2		15,283	4,725	491	449	449
KIAMCO Shipping Private Equity Special Asset Investment Trust KX-No.1		14,375	176	251	294	294
Jjibest 4th Co., Ltd.		7,162	7,163	561	-	-
Atlantisjisa 1st Co., Ltd.		8,226	8,239	877	(10)	(10)
Districtyangjoo Co.,Ltd.		15,432	15,494	1,407	(22)	(22)
Caba chic 3rd Co., Ltd.		3,673	3,673	245	-	-
H house 1st Co., Ltd.		2,547	2,539	901	2	2
Goeun angol 1st Co., Ltd.		4,044	4,046	243	1	1
Excel stone park 1st Co., Ltd.		5,126	5,125	439	-	-
Gabriel 3rd Co., Ltd.		4,634	4,634	360	-	-
Exelstonered 1st Co., Ltd.		3,076	3,075	368	-	-
Doublerich 5th Co., Ltd.		1,257	1,257	210	-	-

(In millions of won)

1. Reporting entity, continued

(5) Financial information of subsidiaries, continued

(b) Financial information of subsidiaries as of and for the year ended December 31, 2021 is as follows, continued:

Company	Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Doublerich 1st Co., Ltd.	30,971	30,995	2,359	(24)	(24)
Doublerich 8th Co., Ltd.	12,340	12,340	1,100	-	-
Atlantisgogyeong 1st Co., Ltd.	9,350	9,377	910	(28)	(28)
Autodream 1st Co., Ltd.	12,164	12,218	1,089	25	25
Gabriel 4th Co., Ltd.	9,222	9,225	720	(3)	(3)
K-hotel 1st Co., Ltd.	8,290	8,281	818	-	-
Gabriel 2nd Co., Ltd.	5,178	5,186	246	2	2
Geobukseom Island Rich 1st Co., Ltd.	6,048	6,098	777	(50)	(50)
SJgreat 3rd Co., Ltd.	15,504	15,526	2,003	(22)	(22)
Suhwa BIT 1st Co., Ltd.	5,175	5,176	686	(1)	(1)
X-med 7th Co., Ltd.	20,617	20,596	1,696	21	21
K Logistics 1st Co., Ltd.	10,026	10,120	601	22	(94)
SJgreat 8th Co., Ltd.	7,153	7,154	529	(1)	(1)
Lycos 1st Co., Ltd.	10,125	10,123	573	3	3
Oblique 5th Co., Ltd.	708	804	-	(96)	(96)
SJgreat 7th Co., Ltd.	1,905	1,912	142	(7)	(7)
Redmax 1th Co., Ltd.	15,384	15,382	675	2	2
BrightStar 4th Co., Ltd.	2,627	2,627	153	-	-
I-pro 1st Co., Ltd.	7,817	7,815	296	2	2
Whitewood 5th Co., Ltd.	6,080	6,080	616	-	-
BrightStar 2nd Co., Ltd.	8,215	8,239	339	(24)	(24)
Whitewood 7th Co., Ltd.	12,402	12,402	559	-	-
X-med 9th Co., Ltd.	350	400	8	(50)	(50)
Intgreen 2nd Co., Ltd.	10,084	10,140	498	(56)	(56)
I-pro 3rd Co., Ltd.	6,160	6,153	249	7	7
Yangdocube 1st Co., Ltd.	30,523	30,523	1,082	-	-
Metagreen 3rd Co., Ltd.	15,192	15,192	379	-	-
Metagreen 1st Co., Ltd.	9,163	9,163	318	-	-
Intgreen 3rd Co., Ltd.	15,161	15,123	368	38	38
Easytree 3rd Co, Ltd.	3,198	3,197	74	1	1
Metagreen 6th Co., Ltd.	4,077	4,077	313	-	-
Metagreen 8th Co., Ltd.	5,172	5,172	226	-	-
Metagreen 9th Co., Ltd.	295	296	-	-	-
Theflex 1st Co., Ltd.	12,141	12,148	204	(7)	(7)
Brightstar 9th Co., Ltd.	20,107	20,107	253	-	-
Intgreen 6th Co., Ltd.	1,848	1,848	24	-	-
Easyplant 4th Co., Ltd	6,083	6,083	270	-	-
Ujur 2nd Co., Ltd	6,080	6,080	167	-	-
Theteras 1st Co., Ltd.	6,476	6,124	463	352	352
BrightStar 10th Co., Ltd.	5,097	5,097	35	-	-
Ujur 4th Co., Ltd	8,115	8,115	25	-	-
Ujur 5th Co., Ltd	15,365	15,365	21	-	-
DreamthegreenYangpyeong 1st Co., Ltd.	37,162	37,264	80	(102)	(102)
DreamthegreenYangpyeong 2nd Co., Ltd.	15,386	15,392	42	(6)	(6)

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated interim condensed financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("KIFRS"), as prescribed in the Act on External Audits of Stock Companies. These consolidated interim condensed financial statements were prepared in accordance with KIFRS 1034 *Interim Financial Reporting*. These consolidated interim condensed financial statements do not include all of the disclosures required for full annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended December 31, 2021.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the consolidated interim condensed financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2021. The following accounting policies are also expected to be adopted in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2022.

2.2.1 New standards and interpretations adopted

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022. The Group has not applied early standards, interpretations, and amendments that have been published but have not been implemented. The nature and the impact of each new standard or amendment is described below:

(1) Amendment to KIFRS 1116 *Leases* – Covid-19-Related Rent Concessions

KIFRS 1116 'Lease' (Revised) – The scope of application of the practical expedient, which makes lessees may not evaluate whether rent discounts, etc., incurred in connection with COVID-19 are changes in lease, has been expanded to reduce or exempt lease payments that affect lease payments to be paid before June 30, 2022. The lessee should consistently apply the practical expedient to contracts of similar characteristics in similar circumstances. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2. Basis of preparation and significant accounting policies, continued

2.2 Significant accounting policies, continued

2.2.1 New standards and interpretations adopted, continued

(2) Amendment to KIFRS 1103 'Business Combination' - Reference to the Conceptual Framework for Financial Reporting

The definition of assets and liabilities to be recognized has been amended to refer to the revised conceptual framework for financial reporting, an exception, however, is added to apply this standard to liabilities and contingent liabilities that are included in the scope of KIFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets' and Interpretation 2121 'Levies' and clarified that contingent assets are not recognized at the acquisition date. The Group does not expect that the amendment will have a material impact on the consolidate financial statements.

(3) Amendment to KIFRS 1016 'Tangible assets' – Proceeds before intended use

An entity is required to recognize in profit or loss, together with the cost of production, revenue from the sale of items produced before the asset is used in the intended manner and is prohibited to deduct from the acquisition cost of tangible assets. The Group does not expect that the amendment will have a material impact on the consolidated financial statements.

(4) Amendment to KIFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets' – Onerous Contracts—Cost of Fulfilling a Contract

The scope of cost of fulfilling a contract is clarified, in identifying onerous contracts, the allocation of incremental costs to fulfill the contract and other costs directly attributable to the performance of the contract. The Group does not expect that the amendment will have a material impact on the consolidated financial statements.

(5) Annual Improvement of KIFRS 2018-2020

The annual improvement of KIFRS 2018-2020 is effective for the year beginning on or after January 1, 2022, and early application is permitted. The Group does not expect that the amendment will have a material impact on the consolidated financial statements.

- KIFRS 1101 ' First-time Adoption of International Financial Reporting Standards' : Subsidiary as a First-time Adopter
- KIFRS 1109 'Financial Instruments': Fees in the '10 per cent' test for Derecognition of Financial Liabilities
- KIFRS 1041 'Agriculture': Fair value Measurement

(In millions of won)

2. Basis of preparation and significant accounting policies, continued

2.2 Significant accounting policies, continued

(6) Amendments to KIFRS 1107 Financial Instruments: Disclosures, KIFRS 1109 *Financial Instruments*, KIFRS 1039 *Financial Instruments: Recognition and Measurement*, KIFRS 1104 *Insurance Contracts* and KIFRS 1116 *Leases* – Interest Rate Benchmark Reform – (Phase 2)

The amendment provides a temporary waiver to address the impact on financial reporting when the Interbank Loan Rate (IBOR) is replaced by an alternative risk-free reference indicators (RFRs).
The amendments provide a number of practical reliefs including

- Contractual changes, or changes in cash flows that are directly affected by the reforms, are treated as if they were changed to variable interest rates, such as fluctuations in market interest rates.
- Changes required by the interest rate indicator reform allow the hedging designation and hedging documentation to be possible without disrupting the hedging relationship.
- A temporary exemption that is deemed to meet the requirement that financial instruments referencing the RFRs must be separately identifiable if they are designated as hedging elements.

The Group applied for the first time the amendment to 'Interest Rate Benchmark Reform Phase 2 -KIFRS 1109, KIFRS 1039, KIFRS 1107, KIFRS 1104 and KIFRS 1116', from the annual period beginning on or after January 1, 2021. The Group applied these amendments retrospectively. In accordance with the transitional provisions permitted in the Phase 2 amendments, the Group has not restated the consolidated financial statements of the prior period reflecting the application of the amendments, and has not reflected additional disclosures. There is no effect on the amount of the opening balance of equity due from retrospective application.

The Group is exposed to IBOR, which is subject to reform for its financial assets. As of March 31, 2022, the main IBORs exposed are the London Interbank Loan Rate (LIBOR) and CD rates, and the alternative to LIBOR is the Secured Overnight Financing Rate (SOFR), and alternative to CD rates is The Korea Overnight Financing Repo rate (KOFR).

The Group expects that such interest rate benchmark reform shall affect the Group's operation, risk management procedures and the hedge accounting. The Group is primarily exposed to operational risk due to interest rate benchmark reform. This includes, for example, the application of new substitutional provisions with derivative counterparties, the renewal of contractual terms and conditions and the modification of controls related to interest rate benchmark reform. Financial risk is primarily confined to interest rate risk. In a hedging relationship, ineffectiveness may arise due to uncertainty about the timing and methodology of replacement of interest rates related to the hedged items and hedging instrument, or differences in the timing of replacement.

The Group monitors the progress of the conversion from the IBOR to the new interest rate benchmark by reviewing the total amount of contracts that have not yet been converted to an alternative interest rate benchmark and the amount of those contracts that contain an appropriate replacement clause. If the contractual interest is a contract in which interest is indexed to an interest rate benchmark subject to an interest rate benchmark reform, the Group considers the contract to have not been converted to an alternative interest rate benchmark, even if the contract contains an alternative provision to provide for the discontinuation of the IBOR.

The total amount of the contract that has not yet transitioned is as follows:

(In millions of won)

Interest Rate Benchmark	Currencies	Financial assets (*)	Derivatives (*)
CD	KRW	81,253	4,351,500
LIBOR	USD	1,555,750	12,400

(*) Financial assets and derivatives are based on carrying amount and nominal amount, respectively, and if the assets that are incorporated to the beneficiary certificates involve an interest rate benchmark subject to interest rate benchmark reform, the calculation is based on the carrying amount of all beneficiary certificates.

(In millions of won)

3. Significant accounting judgments, estimates and assumptions

KIFRS requires the use of estimates and assumptions based on management's best judgment regarding the application of accounting policies or matters affecting the reported amounts of assets, liabilities, income, and expenses as of the end of the interim reporting period in preparing interim condensed financial statements.
If the estimates and assumptions based on management's best judgment as of the end of the interim reporting period differ from actual circumstances, these estimates and actual results may differ.

Management's judgments regarding the application of the Group's accounting policies and estimates used in the condensed consolidated quarterly financial statements are the same as those bases of estimates used in the annual financial statements for the fiscal year ended December 31, 2021, except as described in Note 2.

4. Standards issued but not yet effective

The standards and interpretations that are issued, up to the date of issuance of the Group's consolidated financial statements but not yet effective are disclosed below.

4.1 Amendments to KIFRS 1001 'Presentation of Financial Statements' – Classification of Liabilities as Current or Non-current

Liabilities are classified as current or non-current depending on the substantive rights that exist at the end of the reporting period, and do not take into account the possibility of exercising the right to defer the settlement of liabilities or management's expectations. In addition, the settlement of liabilities includes transfer of own equity instruments, but excludes cases where the option to settle with own equity instruments in a compound financial instrument meets the definition of equity instruments and is recognized separately from liabilities. These amendments are effective for fiscal year beginning on or after January 1, 2023, and early application is permitted. The Group is evaluating the impact of the amendments on current practice and whether existing loan agreements may require renegotiation.

4.2 KIFRS 1001 'Presentation of Financial Statement' – Accounting policy Disclosure

In order to define and disclose material accounting policies and to provide guidance on how to apply the concept of materiality, International Accounting Standards Practice 2 'Accounting Policy Disclosure' has been amended.
These amendments are effective for fiscal year beginning on or after January 1, 2023, and early application is permitted. The Group does not expect the amendment to have a material impact on the consolidated financial statements.

4.3 KIFRS 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of 'Accounting Estimates'

Accounting estimates has been defined and clarified how to distinguish accounting estimates from changes in accounting policies. These amendments are effective for fiscal year beginning on or after January 1, 2023, and early application is permitted. The Group does not expect the amendment to have a material impact on the consolidated financial statements.

4. Standards issued but not yet effective, continued

4.4 KIFRS 1012 'Income Taxes' - Deferred tax on assets and liabilities arising from a single transaction

A transaction that does not generate a taxable temporary difference and a deductible temporary difference has been added to the initial recognition exception for a transaction in which an asset or liability is initially recognized. These amendments are effective for fiscal year beginning on or after January 1, 2023, and early application is permitted. The Group does not expect the amendment to have a material impact on the consolidated financial statements.

4. Standards issued but not yet effective, continued

4.5 KIFRS 1117 Insurance contracts

In 2021, KIFRS 1117 'Insurance Contracts', was published, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once it is effective, KIFRS 1117 will replace KIFRS 1104 Insurance Contracts (KIFRS 1104) that was issued in 2007.

KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

KIFRS 1117 is effective for reporting periods beginning on or after January 1 2023, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. This standard is not applicable to the Group.

4.5.1 Preparation of the adoption of KIFRS 1117

In order to prepare for the adoption of KIFRS 1117, the Group has organized and operated an internal professional workforce which consists of 38 professional employees since September 2016.

In February 2016, the Group requested the accounting firm and actuarial firm to establish an accounting system such as insurance liability assessment system, and in March 2020, the integrated accounting system was first completed, and from June 2021, the KIFRS 1117 upgrade project has been carried out. As of December 2021, system upgrade and consistency check are being carried out, and the Group plans to continuously upgrade the system by 2022 while also establishing an internal control over financial reporting.

In addition, the Group has established an in-house training course related to KIFRS 1117 to provide internal and external training to executives and employees who are related with accounting, actuary, and insurance products, while in-depth trainings course will be prepared in 2022.

4.5.2 Assessment of financial impacts

With the implementation of KIFRS 1117, the financial volatilities are expected in the consolidated financial statements in 2023, due mainly to changes in the method of assessment of insurance liabilities and revenue recognition, etc.

As a result of evaluating the potential impact of the application of KIFRS 1117 on the consolidated financial statements based on currently available information as of March 31, 2022, it is expected that the amount of insurance contract liabilities will increase after the enforcement of KIFRS 1117 due mainly to the effect from the high interest rate firm insurance contracts held, etc.

In addition, insurance revenue is expected to decrease as savings type insurance premiums are excluded from insurance revenue when KIFRS 1117 is applied.

(In millions of won)

5. Cash and due from banks

(1) Cash and cash equivalent as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Cash	₩	1,246	4,659
Current deposits		2,620	17,906
Demand deposits		182,395	248,524
MMDA		758,218	1,068,522
Other deposits		219,311	73,994
	₩	1,163,790	1,413,605

(2) Due from banks as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Time deposits	₩	115,890	118,890
Margin on futures		285,633	215,407
Reserve for claims of customers' deposits		81,733	151,148
Other deposits		685,323	997,994
	₩	1,168,580	1,483,439

(3) Bank deposits that are restricted in use as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021	Details
Demand deposits	W	111	111	Partially seized, etc.
Guarantee deposits for checking accounts		10	17	Guarantee deposits for checking accounts
Time deposits		6,224	2,100	Payment settlement of micro payment etc.
Margin on futures		285,633	215,407	In relation to derivatives transactions
Reserve for claims of customers' deposits		81,733	151,148	Reserve for return of customer deposits
Other deposits		615,073	742,723	Customers' deposits of overseas futures FX margin, deposits for loan transactions, etc.
	₩	988,784	1,111,506	

(In millions of won)

6. Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Hybrid financial instruments:			
Credit linked notes	₩	-	-
Other embedded derivatives		29,731	22,915
		29,731	22,915
Valuation and management of fair value:			
Reserve for claims of customers' deposits (*)		423,725	504,055
	₩	453,456	526,970

(*) Under the *Capital Market and Finance Investment Services Act*, the Group has reserved the amount required by the Financial Services Commission for claims of customers' deposits (trust) to Korea Securities Finance Corporation (KSFC) and its use is restricted.

7. Financial assets held for trading

(1) Financial assets held for trading as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Equity securities:			
Stocks	₩	22,863	34,038
Beneficiary certificates		368,920	656,719
Overseas securities		-	1,561
		391,783	692,318
Debt securities:			
Government and public bonds		1,427,814	1,401,849
Special bonds		742,276	863,451
Financial institutions bonds		1,687,739	1,588,962
Corporate bonds		1,155,651	1,008,289
Overseas securities		1,021,394	1,177,011
Other securities		330,943	482,430
		6,365,817	6,521,992
	₩	6,757,600	7,214,310

(2) Financial assets held for trading that are pledged as collaterals as of March 31, 2022 and December 31, 2021 are as follows:

Purpose		2022	2021	Counter party
Payment of deposit and repurchase agreements, etc.	₩	5,853,849	5,278,396	KSFC, etc.

(In millions of won)

8. Available-for-sale financial assets

(1) Available-for-sale financial assets as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Equity securities:			
Listed share	₩	204,910	446,979
Unlisted share		413,910	380,276
Equity investments		133,516	118,017
Beneficiary certificates(*1)		11,309,298	10,733,735
Overseas securities		2,973,717	3,111,654
Other securities		20,261	20,938
		15,055,612	14,811,599
Debt securities:			
Government and public bonds		13,770,093	19,688,798
Special bonds		5,988,176	7,440,100
Financial institutions bonds		1,049,112	1,113,560
Corporate bonds		2,845,553	3,101,849
Overseas securities		11,863,885	14,565,106
Other securities		14,200	24,120
		35,531,019	45,933,533
Cooperative Fund for default losses (*2)		50,944	48,988
	₩	50,637,575	60,794,120

(*1) Amounts of the Corsair-related fund, which is the major shareholder of the Group, include ₩ 196,527 million and ₩ 192,777 million as of March 31, 2022 and December 31, 2021, respectively. Dividend income recognized from the fund is ₩ 2,091 million and ₩ 3,679 million for the three-month period ended March 31, 2022 and 2021, respectively. In addition, the additional acquisition amount is ₩ 119 million and ₩ 7,841 million for the three-month period ended March 31, 2022 and 2021, respectively. There is no disposal amount for the three-month period ended March 31, 2022 and the disposal amount was ₩ 5,640 million for the three-month period ended March 31, 2021.

(*2) In accordance with article 394 of the Capital Market and Finance Investment Services Act and article 362 of enforcement decree of this Act, the Group reserved basic reserve of ₩1,000 million plus variable reserves as securities market joint funds and derivative market joint funds to compensate for damages from violation of transaction (derivative instrument transaction) in securities market or derivative market. The Group has no free rights to dispose the fund for its profit.

The fair values of domestic currency debt securities and foreign currency debt securities of available-for-sale financial assets are based on the average prices of base prices on the latest business day, which are provided by Korea Asset Pricing (KAP) and KIS Pricing Inc, etc. The fair values of unlisted stocks and investments of which the posted prices are not available in an active market, are calculated based on the appraised values in the appraisal reports of KAP.

(2) Unlisted shares and equity investments were recognized at acquisition costs of ₩ 39,945 million and ₩ 22,140 million as of March 31, 2022 and December 31, 2021, respectively, as the fair value cannot be reliably estimated.

(In millions of won)

8. Available-for-sale financial assets, continued

(3) Impairment losses on available-for-sale financial assets for the three-month periods ended March 31, 2022 and 2021 amounted to ₩ 1,004 million and ₩ 24,253 million, respectively, and the reversal of impairment losses on available-for-sale financial assets for the same periods ended March 31, 2022 and 2021 amounted to ₩ 926 million and ₩ 926 million, respectively,

8. Available-for-sale financial assets, continued

(4) Available-for-sale financial assets pledged as collateral as of March 31, 2022 and December 31, 2021 are as follows:

Collateral	Purpose		2022	2021	Counter party
Government and public bonds, etc.	Collateral for derivatives	₩	983,915	815,282	NH Investment& Securities Co.,Ltd, etc
	Repurchase agreements		258,566	209,349	KSFC, etc.
	Loans for agency funding		133,372	133,069	KSFC
		₩	1,375,853	1,157,700	

(5) The Group reclassified some of its available-for-sale financial assets to held-to-maturity financial assets as of March 31, 2022 due to a change in purpose of holding of available-for-sale financial assets during the year. The carrying amount of the reclassified available-for-sale financial assets is ₩5,298,029 million. The reclassified held-to-maturity financial assets recognize future interest income by recalculating the effective interest rate that matches the fair value at the date of reclassification with the expected future cash flow. The effective interest rate calculated as of the reclassification date of the reclassified held-to-maturity financial assets is 2.594%~2.909%. The book value and fair value of reclassified held-to-maturity financial assets are ₩5,300,946 million and ₩5,018,500 million, respectively, and other comprehensive loss on available-for-sale financial assets that would have been recognized if the assets had not been reclassified is ₩602,437 million.

9. Held-to-maturity financial assets financial assets

		2022	2021
Debt securities:			
Government and public bonds		9,471,022	2,961,281
Special bonds		1,218,431	390,000
Corporate bonds		60,000	50,000
Overseas securities		1,549,238	1,152,269
	₩	12,298,691	4,553,550

(In millions of won)

10. Loan receivables

(1) Loan receivables as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Policy loan receivables	₩	6,319,236	6,358,188
Loan receivables secured by investment securities		795,006	749,320
Loan receivables secured by real estate		6,429,148	6,105,133
Unsecured loan receivables		8,528,268	8,641,166
Guaranteed loan receivables		1,065,199	1,084,559
Other loan receivables		726,695	873,056
		23,863,552s	23,811,422
Less: Present value discount		(13,386)	(4,894)
Less: Allowance for loss on loan receivables		(52,639)	(54,016)
Less: Deferred loan origination costs and fees		(29,984)	(27,203)
	₩	23,767,543	23,725,309

(2) Changes in allowance for loss on loan receivables for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Beginning balance	₩	54,016	78,242
Charge for the period, net		401	639
Write-off, etc.		(4,692)	(4,334)
Unwinding effect		(129)	(138)
Recovery of bad debts		3,043	3,040
Ending balance	₩	52,639	77,449

(In millions of won)

11. Other receivables

(1) Details of other receivables as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Insurance receivables:			
Premiums transferred automatically	₩	2,333	2,425
Insurance settlement adjustments		3,185	3,162
Reinsurance receivables		37,887	70,320
Other insurance receivables		110	144
		43,515	76,051
Accounts receivables, etc.		829,174	540,517
Guarantee deposits		170,293	168,754
Accrued income		547,274	583,092
Others		48,909	59,678
Finance lease receivables		9,607	2,044
		1,648,771	1,430,136
Less: Present value discount		(4,611)	(4,125)
Less: Allowance for other receivables		(28,632)	(28,356)
	₩	1,615,528	1,397,655

(2) Changes in allowance for other receivables for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Beginning balance	₩	28,356	34,150
Provision for other receivables, net		794	369
Write-off, etc.		(518)	(75)
Ending balance	₩	28,632	34,444

(In millions of won)

12. Investments in associates and a joint venture

(1) Investments in associates and a joint venture as of March 31, 2022 and December 31, 2021 are summarized as follows:

	Location	Reporting date	2022 Book value	2022 Owner -ship (%)	2021 Book value	2021 Owner -ship (%)
Associates:						
A&D Credit Information Co., Ltd.(*1)	Korea	Mar. 31, 2022	₩ 3,284	19.50	3,381	19.50
Hwaseong-Jeongnam General Industry Complexes Co., Ltd. (*1, *4)	Korea	Dec. 31, 2021	-	19.00	-	19.00
Songsan Industrial Complex Development Co., Ltd. (*1, *4)	Korea	Dec. 31, 2021	-	15.00	-	15.00
Pusan Millak PFV (*1, *4)	Korea	Mar. 31, 2022	-	5.00	-	5.00
Jinjeop2 REIT Co., Ltd. .(*1)	Korea	Mar. 31, 2022	59	0.13	59	0.13
Guri Galmae REIT Co., Ltd. .(*1)	Korea	Dec. 31, 2021	19	0.03	19	0.03
Yeouido H2 PFV .(*1)	Korea	Mar. 31, 2022	241	5.00	161	5.00
Pusan Eco delta city PFV (*1, *5)	Korea	Mar. 31, 2022	-	-	-	-
Logistec Yangsan Co., Ltd. (*1)	Korea	Mar. 31, 2022	324	19.90	205	19.90
Incheon Gundam 3rd PFV (*1)	Korea	Mar. 31, 2022	-	-	-	-
Hera Park City development PFV (*1, *5)	Korea	Mar. 31, 2022	-	19.50	709	19.50
Hera Park City development AMC (*1)	Korea	Mar. 31, 2022	26	19.50	36	19.50
Incheon Yeongjong PFV (*1, *5)	Korea	Mar. 31, 2022	-	-	-	-
Dongdaemoon Urban PFV (*1, *5)	Korea	Mar. 31, 2022	-	-	-	-
Chungju Biz Core City Co., Ltd. (*1)	Korea	Dec. 31, 2021	-	10.00	-	10.00
Chungnam Naepo 1 PFV (*1, *5)	Korea	Mar. 31, 2022	-	-	-	
Yangjuhoechun PFV (*1, *5)	Korea	Mar. 31, 2022	-	-	-	
Peco-city Co., Ltd. (*1)	Korea	Dec. 31, 2021	15	12.50	15	12.50
Incheon Yeongjong 1st PFV (*1, *5)	Korea	Mar. 31, 2022	-	-	-	
Changwon Gapo PFV(*1, *5)	Korea	Mar. 31, 2022	-	-	-	
Kyobo 9 Special Purpose Acquisition Company (*1)	Korea	Mar. 31, 2022	19	0.26	19	0.26
Kyobo 10 Special Purpose Acquisition Company (*1)	Korea	Mar. 31, 2022	118	1.32	117	1.32
Kyobo 11Special Purpose Acquisition Company (*1)	Korea	Mar. 31, 2022	19	0.23	19	0.23
Kyobo 12Special Purpose Acquisition Company (*1)	Korea	Mar. 31, 2022	21	4.35	-	-
Kyobo NH Healthcare New Technology Investment Association 1st (*2)	Korea	Mar. 31, 2022	2,454	13.89	2,297	13.89
NH Kyobo AI solution New Technology Investment Association (*2)	Korea	Mar. 31, 2022	1,014	8.70	1,042	8.70
Kyobo Kiwoom New Materials & Technology Investment Association (*2)	Korea	Mar. 31, 2022	2,117	12.50	2,212	12.50
Kyobo Hanyang ESG New Technology Investment Association (*2)	Korea	Mar. 31, 2022	1,139	11.76	1,095	11.76
Kyobo Axis Future & New Technology Investment Association 1st (*2)	Korea	Mar. 31, 2022	1,730	9.43	1,985	9.43
Kyobo-YG Ilguimu newTechnology Investment Association(*2)	Korea	Mar. 31, 2022	984	11.49	973	11.49
KB Kyobo New Mobility New Technology Investment Association(*2)	Korea	Mar. 31, 2022	2,312	19.05		
NPC&C Co.Ltd.	Korea	Mar. 31, 2022	2,698	30.70	2,754	30.70
Marston General Private Real Estate Investment Trust No. 61	Korea	Feb. 28, 2022	20,000	32.80	20,000	32.80
			38,593		37,098	

(In millions of won)

12. Investments in associates and a joint venture, continued

(1) Investments in associates and a joint venture as of March 31, 2022 and December 31, 2021 are summarized as follows, continued:

	Location	Reporting date	2022 Book value	2022 Owner-ship (%)	2021 Book value	2021 Owner-ship (%)
Joint venture:						
Kyobo AXA Investment Management Co., Ltd.	Korea	Mar. 31, 2022	27,995	50.00	34,572	50.00
			₩ 66,588		71,670	

(*1) The entities are classified as associates even though the Group holds less than 20% of shares since members of the Group's Board of Directors are also the members of the entities' board and thus have significant influence over the entities.

(*2) The entities are classified as associates even though the Group holds less than 20% of shares. Since the Group can participate in decision-making related to the investees' financial and operating policies as a general manager, and thus has significant influence over the entities.

(*3) The Group discontinued to recognize its shares of profit or loss of the associate as the amount of equity investment fell below zero for the three-month period ended March 31, 2022

(*4) The Group discontinued to recognize its shares of profit or loss of the associate as the amount of equity investment fell below zero as of December 31, 2021.

(*5) The Group invested in preferred stocks issued by an investee company with significant influence and KIFRS 1039 was applied as the financial instrument could not substantially access the profits associated with the stake in the associate.

(In millions of won)

12. Investments in associates and joint ventures, continued

(2) Changes in investments in associates and joint ventures for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022					
	Beginning balance	Acquisition	Gain (loss) on equity-method accounting	Dividend	Changes in equity	Ending balance
Associates:						
A&D Credit Information Co., Ltd.	₩ 3,381	-	(48)	(49)	-	3,284
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	-	-	-	-	-	-
Songsan Industrial Complex Development Co., Ltd.	-	-	-	-	-	-
Pusan Millak PFV	-	-	-	-	-	-
Jinjeop2 REIT Co., Ltd.	59	-	-	-	-	59
Guri Galmae REIT Co., Ltd.	19	-	-	-	-	19
Yeouido H2 PFV .	161	-	80	-	-	241
Logistec Yangsan Co., Ltd.	205	-	119	-	-	324
Hera Park City development PFV	709	-	(709)	-	-	-
Hera Park City development AMC	36	-	(10)	-	-	26
Chungju Biz Core City Co., Ltd.	-	-	-	-	-	-
Peco-city Co., Ltd.	15	-	-	-	-	15
Kyobo 9 Special Purpose Acquisition Company	19	-	-	-	-	19
Kyobo 10 Special Purpose Acquisition Company	117	-	1	-	-	118
Kyobo 11Special Purpose Acquisition Company	19	-	-	-	-	19
Kyobo 12Special Purpose Acquisition Company	-	10	-	-	11	21
Kyobo NH Healthcare New Technology Investment Association 1st	2,297	-	157	-	-	2,454
NH Kyobo AI solution New Technology Investment Association	1,042	-	(28)	-	-	1,014
Kyobo Kiwoom New Materials & Technology Investment Association	2,212	-	(95)	-	-	2,117
Kyobo Hanyang ESG New Technology Investment Association	1,095	-	44	-	-	1,139
Kyobo Axis Future & New Technology Investment Association 1st	1,985	-	(255)	-	-	1,730
Kyobo-YG Ilguimu newTechnology Investment Association	973	-	11	-	-	984
KB Kyobo New Mobility New Technology Investment Association	-	2,000	312	-	-	2,312
NPC&C Co.Ltd.	2,754	-	(56)	-	-	2,698
Marston General Private Real Estate Investment Trust No. 61	20,000	-	-	-	-	20,000
	37,098	2,010	(477)	(49)	11	38,593
Joint ventures:						
Kyobo AXA Investment Management Co., Ltd.	34,572	-	1,868	(8,445)	-	27,995
	₩ 71,670	2,010	1,390	(8,494)	11	66,588

(In millions of won)

12. Investments in associates and joint ventures, continued

(2) Changes in investments in associates and joint ventures for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

	2021					
	Beginning balance	Acquisition	Gain (loss) on equity-method accounting	Dividend	Changes in equity	Ending balance
Associates:						
A&D Credit Information Co., Ltd.	₩ 3,367	-	40	(49)	-	3,358
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	382	-	(382)	-	-	-
Songsan Industrial Complex Development Co., Ltd.	57	-	(57)	-	-	-
Kyobo 9 Special Purpose Acquisition Company	19	-	-	-	-	19
Pusan Millak PFV	-	-	-	-	-	-
Jinjeop2 REIT Co., Ltd.	59	-	-	-	-	59
Kyobo 10 Special Purpose Acquisition Company	117	-	-	-	-	117
Guri Galmae REIT Co., Ltd.	19	-	-	-	-	19
Yeouido H2 PFV .	228	50	(56)	-	-	222
Pusan Eco delta city PFV	-	250	(2)	-	-	248
Logistec Yangsan Co., Ltd.	-	398	(89)	-	(6)	303
Incheon Gundam 3rd PFV	-	250	-	-	-	250
Hera Park City development PFV	-	975	-	-	-	975
Hera Park City development AMC	-	20	-	-	-	20
NPC&C Co.Ltd.	-	3,000	-	-	-	3,000
	4,248	4,943	(546)	(49)	(6)	8,590
Joint ventures:						
Kyobo AXA Investment Management Co., Ltd.	32,012	-	2,027	(5,898)	-	28,141
	₩ 36,260	4,943	1,481	(5,947))	(6)	36,731

(In millions of won)

12. Investments in associates and joint ventures, continued

(3) Accumulated unrecognized change in equity due to discontinued use of the equity method as of March 31, 2022 and December 31, 2021 are as follows:

	2022	
	Unrecognized losses	Accumulated unrecognized losses
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	₩ 163	481
Songsan Industrial Complex Development Co., Ltd.	427	944
Pusan Millak PFV	(642)	582
Hera Park City development PFV	2,245	2,245
	₩ 2,193	4,252

	2021	
	Unrecognized losses	Accumulated unrecognized losses
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	₩ 319	306
Songsan Industrial Complex Development Co., Ltd.	517	517
Pusan Millak PFV	893	1,222
	₩ 1,729	2,045

(In millions of won)

12. Investments in associates and joint ventures, continued

(4) Condensed financial information of the Group's associates and joint ventures as of March 31, 2022 and December 31, 2021 are summarized as follows:

	2022			
	Assets	Liabilities	Operating profit	Net income (loss)
Associates:				
A&D Credit Information Co., Ltd. ₩	24,418	7,575	10,525	(245)
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	19,000	21,534	18,592	(1,099)
Songsan Industrial Complex Development Co., Ltd.	129,785	136,079	30,704	(4,095)
Pusan Millak PFV	70,470	82,099	-	(13,220)
Jinjeop2 REIT Co., Ltd.	44,007	221	-	-
Guri Galmae REIT Co., Ltd.	71,041	392	-	(51)
Yeouido H2 PFV .	61,604	56,780	-	(562)
Logistec Yangsan Co., Ltd.	7,722	6,095	77	6
Hera Park City development PFV	3,490	15,000	4	(132)
Hera Park City development AMC	174	38	135	(34)
Chungju Biz Core City Co., Ltd.	103	103	-	(100)
Peco-city Co., Ltd.	117	-	-	(183)
Kyobo 9 Special Purpose Acquisition Company	8,785	1,600	16	(9)
Kyobo 10 Special Purpose Acquisition Company	9,847	887	39	12
Kyobo 11Special Purpose Acquisition Company	10,818	2,186	29	(2)
Kyobo 12Special Purpose Acquisition Company	2,484	2,011	-	(12)
Kyobo NH Healthcare New Technology Investment Association 1st	17,677	5	1,183	1,136
NH Kyobo AI solution New Technology Investment Association	11,662	-	5	(325)
Kyobo Kiwoom New Materials & Technology Investment Association	16,935	2	1	(764)
Kyobo Hanyang ESG New Technology Investment Association	9,681	2	396	370
Kyobo Axis Future & New Technology Investment Association 1st	18,342	2	1	(2,701)
Kyobo-YG Ilguimu newTechnology Investment Association	8,557	1	136	92
KB Kyobo New Mobility New Technology Investment Association	12,139	-	1,639	1,639
NPC&C Co.Ltd.	2,693	301	584	(1,056)
Marston General Private Real Estate Investment Trust No. 61	32,661	5,751	4	(43)
Joint ventures:				
Kyobo AXA Investment Management Co., Ltd.	86,907	30,918	10,991	3,734

(In millions of won)

12. Investments in associates and joint ventures, continued

(4) Condensed financial information of the Group's associates and joint ventures as of March 31, 2022 and December 31, 2021 are summarized as follows, continued:

	2022			
	Assets	Liabilities	Operating profit	Net income (loss)
Associates:				
A&D Credit Information Co., Ltd. ₩	25,777	8,439	507	322
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	29,914	31,593	292	(243)
Songsan Industrial Complex Development Co., Ltd.	136,474	139,923	12,807	(1,538)
Pusan Millak PFV	96,238	120,683	32,075	(19,711)
Jinjeop2 REIT Co., Ltd.	44,007	212	-	-
Guri Galmae REIT Co., Ltd.	71,041	979	-	-
Yeouido H2 PFV .	50,726	47,514	800	(2,334)
Logistec Yangsan Co., Ltd.	7,128	6,099	256	(942)
Hera Park City development PFV	3,637	-	-	(1,363)
Hera Park City development AMC	204	20	450	83
Chungju Biz Core City Co., Ltd.	103	102	-	(99)
Peco-city Co., Ltd.	117	-	-	(183)
Kyobo 9 Special Purpose Acquisition Company	8,788	1,594	41	(40)
Kyobo 10 Special Purpose Acquisition Company	9,821	873	44	(13)
Kyobo 11Special Purpose Acquisition Company	10,797	2,165	6	(40)
Kyobo NH Healthcare New Technology Investment Association 1st	16,536	-	1	(1,464)
NH Kyobo AI solution New Technology Investment Association	11,987	-	597	487
Kyobo Kiwoom New Materials & Technology Investment Association	17,699	3	1,756	1,696
Kyobo Hanyang ESG New Technology Investment Association	9,310	1	836	808
Kyobo Axis Future & New Technology Investment Association 1st	21,045	3	1	(158)
Kyobo-YG Ilguimu newTechnology Investment Association	8,464	-	-	(236)
NPC&C Co.Ltd.	3,261	743	(803)	(801)
Marston General Private Real Estate Investment Trust No. 61	20,992	5,715	-	(33)
Joint ventures:				
Kyobo AXA Investment Management Co., Ltd.	88,305	19,167	21,965	16,911

(In millions of won)

12. Investments in associates and joint ventures, continued

(5) The market value for associates and joint ventures which are publicly traded as of March 31, 2022 and December 31, 2021 are summarized as follows:

	2022		2021	
	Fair value	Book value	Fair value	Book value
Kyobo 9 Special Purpose Acquisition Company	₩ 21	19	21	19
Kyobo 10 Special Purpose Acquisition Company	149	118	149	117
Kyobo 11 Special Purpose Acquisition Company	21	19	22	19

(In millions of won)

13. Classification by categories of financial instruments

(1) The carrying amounts of each category of financial assets and financial liabilities as of March 31, 2022 and December 31, 2021 are summarized as follows:

	2022							
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Financial assets:								
Cash and due from banks ₩	-	-	-	2,332,369	-	-	-	2,332,369
Financial assets designated at fair value through profit or loss	453,456	-	-	-	-	-	-	453,456
Financial assets held for trading	6,757,600	-	-	-	-	-	-	6,757,600
Derivatives	843,129	-	-	-	109,902	-	-	953,031
Available-for-sale financial assets	-	50,637,575	-	-	-	-	-	50,637,575
Held-to-maturity financial assets	-	-	12,298,691	-	-	-	-	12,298,691
Loan receivables	-	-	-	23,767,543	-	-	-	23,767,543
Other receivables	-	-	-	1,615,528	-	-	-	1,615,528
₩	8,054,185	50,637,575	12,298,691	27,715,440	109,902	-	-	98,815,793
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss ₩	-	-	-	-	-	3,470,978	-	3,470,978
Financial liabilities held for trading	-	-	-	-	-	203,082	-	203,082
Derivatives	-	-	-	-	494,406	1,155,497	-	1,649,903
Borrowings	-	-	-	-	-	-	3,726,388	3,726,388
Other financial liabilities	-	-	-	-	-	-	2,968,377	2,968,377
₩	-	-	-	-	494,406	4,829,557	6,694,765	12,018,728

(In millions of won)

13. Classification by categories of financial instruments, continued

(1) The carrying amounts of each category of financial assets and financial liabilities as of March 31, 2022 and December 31, 2021 are summarized as follows, continued:

	2021							
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Financial assets:								
Cash and due from banks ₩	-	-	-	2,897,044	-	-	-	2,897,044
Financial assets designated at fair value through profit or loss	526,970	-	-	-	-	-	-	526,970
Financial assets held for trading	7,214,310	-	-	-	-	-	-	7,214,310
Derivatives	376,443	-	-	-	85,310	-	-	461,753
Available-for-sale financial assets	-	60,794,120	-	-	-	-	-	60,794,120
Held-to-maturity financial assets	-	-	4,553,550	-	-	-	-	4,553,550
Loan receivables	-	-	-	23,725,309	-	-	-	23,725,309
Other receivables	-	-	-	1,397,655	-	-	-	1,397,655
₩	8,117,723	60,794,120	4,553,550	28,020,008	85,310	-	-	101,570,711
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss ₩	-	-	-	-	-	3,564,849	-	3,564,849
Financial liabilities held for trading	-	-	-	-	-	117,484	-	117,484
Derivatives	-	-	-	-	423,432	466,980	-	890,412
Borrowings	-	-	-	-	-	-	3,541,753	3,541,753
Other financial liabilities	-	-	-	-	-	-	3,084,839	3,084,839
₩	-	-	-	-	423,432	4,149,313	6,626,592	11,199,337

(In millions of won)

13. Classification by categories of financial instruments, continued

(2) Gains (losses) on categories of financial instruments for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022						
	Net profit and loss						Other comprehensive income (expense) (*2)
	Interest income (expense)	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss	Other operating income (expense) (*1)	Subtotal	
Financial assets designated at fair value through profit or loss	₩ -	-	542	-	-	542	-
Financial assets held for trading	35,076	(14,877)	(205,306)	-	22,189	(162,918)	-
Available-for-sale financial assets	258,443	198,923	(87,814)	(78)	451,423	820,897	(2,116,343)
Held-to-maturity financial assets	87,009	-	-	-	30,919	117,928	1,244
Trading purpose derivatives	1,776	(96,677)	(199,907)	-	(735)	(295,543)	-
Hedging purpose derivatives	(8,821)	61,709	(170,579)	-	-	(117,691)	24,090
Loans and receivables	272,491	469	-	(1,195)	19,005	290,770	-
Financial liabilities designated at fair value through profit or loss	-	(14,335)	208,526	-	(24,919)	169,272	-
Financial liabilities held for trading	-	2,434	9,206	-	-	11,640	-
Financial liabilities measured at amortized cost	(15,013)	-	-	-	(9,923)	(24,936)	-
	₩ 630,961	137,646	(445,332)	(1,273)	487,959	809,961	(2,091,009)

(*1) Including gain or loss from foreign currency transaction and dividend income.
(*2) Accumulated other comprehensive income after adjustment for income tax effect.

(In millions of won)

13. Classification by categories of financial instruments, continued

(2) Gains (losses) on categories of financial instruments for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

	2021						
	Net profit and loss						Other comprehensive income (expense) (*2)
	Interest income (expense)	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss	Other operating income (expense) (*1)	Subtotal	
Financial assets designated at fair value through profit or loss	₩ -	(171)	381	-	37	247	-
Financial assets held for trading	30,941	(12,557)	(50,200)	-	40,160	8,344	-
Available-for-sale financial assets	336,378	491,366	-	(23,327)	671,031	1,475,448	(1,635,423)
Trading purpose derivatives	(9,270)	(156,785)	(126,198)	-	1,157	(291,096)	-
Hedging purpose derivatives	(8,269)	(9,571)	(386,048)	-	-	(403,888)	46,111
Loans and receivables	255,076	114	-	(1,007)	25,350	279,533	-
Financial liabilities designated at fair value through profit or loss	-	(29,302)	34,782	-	(32,909)	(27,429)	-
Financial liabilities held for trading	-	14,706	41	-	-	14,747	-
Financial liabilities measured at amortized cost	(8,045)	-	-	-	(18,719)	(26,764)	-
	₩ 596,811	297,800	(527,242)	(24,334)	686,107	1,029,142	(1,589,312)

(*1) Including gain or loss from foreign currency transaction and dividend income.
(*2) Accumulated other comprehensive income after adjustment for income tax effect.

(In millions of won)

14. Fair value of financial assets and liabilities

(1) The book value and fair value of financial assets and liabilities as of March 31, 2022 and December 31, 2021 are as follows:

	2022		2021	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and due from banks	₩ 2,332,369	2,332,369	2,897,044	2,897,044
Financial assets designated at fair value through profit or loss	453,456	453,456	526,970	526,970
Financial assets held for trading	6,757,600	6,757,600	7,214,310	7,214,310
Derivative assets	953,031	953,031	461,753	461,753
Available-for-sale financial assets	50,637,575	50,637,575	60,794,120	60,794,120
Held-to-maturity financial assets	12,298,691	11,272,176	4,553,550	4,478,532
Loan receivables	23,767,543	23,151,043	23,725,309	23,525,226
Other receivables	1,615,528	1,615,457	1,397,655	1,396,973
	₩ 98,815,793	97,172,707	101,570,711	101,294,928
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	₩ 3,470,978	3,470,978	3,564,849	3,564,849
Financial liabilities held for trading	203,082	203,082	117,484	117,484
Derivative liabilities	1,649,903	1,649,903	890,412	890,412
Borrowings	3,726,388	3,726,388	3,541,753	3,541,753
Other financial liabilities	2,968,377	2,968,335	3,084,839	3,084,810
	₩ 12,018,728	12,018,686	11,199,337	11,199,308

(2) Financial instruments measured at the fair value

The Group classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(2) Financial instruments measured at the fair value, continued:

The Group recognizes transfers between levels of fair value hierarchy at the end of the reporting period.

Financial instruments measured at fair value as of March 31, 2022 and December 31, 2021 are as follows:

		2022			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets designated at fair value through profit or loss	₩	-	423,725	29,731	453,456
Financial assets held for trading		1,563,734	5,189,866	4,000	6,757,600
Derivative assets		5,626	887,915	59,490	953,031
Available-for-sale financial assets		16,277,988	22,749,724	11,609,863	50,637,575
	₩	17,847,348	29,251,230	11,703,084	58,801,662
Financial liabilities:					
Financial liabilities designated at fair value through profit or loss	₩	-	-	3,470,978	3,470,978
Financial liabilities held for trading		203,082	-	-	203,082
Derivative liabilities		13,822	1,246,343	389,738	1,649,903
	₩	216,904	1,246,343	3,860,716	5,323,963

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets designated at fair value through profit or loss	₩	-	504,055	22,915	526,970
Financial assets held for trading		1,569,544	5,641,766	3,000	7,214,310
Derivative assets		2,026	397,295	62,432	461,753
Available-for-sale financial assets		22,692,405	27,038,709	11,063,006	60,794,120
	₩	24,263,975	33,581,825	11,151,353	68,997,153
Financial liabilities:					
Financial liabilities designated at fair value through profit or loss	₩	-	-	3,564,849	3,564,849
Financial liabilities held for trading		117,484	-	-	117,484
Derivative liabilities		8,722	697,590	184,100	890,412
	₩	126,206	697,590	3,748,949	4,572,745

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(3) Changes in level 3 fair value hierarchy for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022					
	Financial assets designated at fair value through profit or loss	Financial assets held for trading	Financial liabilities designated at fair value through profit or loss	Derivatives, net	Available-for-sale financial assets	Total
Beginning balance	₩ 22,915	3,000	(3,564,849)	(121,668)	11,063,006	7,402,404
Purchases/issuance	6,880	1,000	616,939	20,062	987,129	1,632,010
Settlements/disposals	-	-	(706,677)	(15,184)	(374,096)	(1,095,957)
Total income:	(64)	-	183,609	(213,457)	(66,176)	(96,088)
Profit or loss	(64)	-	183,609	(213,457)	2,274	(27,638)
Other comprehensive income	-	-	-	-	(68,450)	(68,450)
Ending balance	₩ 29,731	4,000	(3,470,978)	(330,247)	11,609,863	7,842,369

There was no transfer between level 3 and other levels during the three-month period ended March 31, 2022.

	2021					
	Financial assets designated at fair value through profit or loss	Financial assets held for trading	Financial liabilities designated at fair value through profit or loss	Derivatives, net	Available-for-sale financial assets	Total
Beginning balance	₩ 50,295	11,000	(3,083,526)	(65,321)	9,777,949	6,690,397
Purchases/issuance	25	3,500	607,888	-	702,929	1,314,342
Settlements/disposals	(36,278)	-	(1,106,846)	23,002	(223,371)	(1,343,493)
Total income:	-	-	1,883	(72,381)	(212,208)	(282,706)
Profit or loss	-	-	1,883	(72,381)	(16,426)	(86,924)
Other comprehensive income	-	-	-	-	(195,782)	(195,782)
Ending balance	₩ 14,042	14,500	(3,580,601)	(114,700)	10,045,299	6,378,540

There was no transfer between level 3 and other levels during the three-month period ended March 31, 2021.

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(4) Total gains or losses for the three-month periods ended March 31, 2022 and 2021 recognized in profit or loss and gains or losses relating to financial instruments in level 3 at the end of the reporting period are presented in the statement of comprehensive income as follows:

	2022	
	Total losses	Losses relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩ (34,187)	(27,638)

	2021	
	Total losses	Losses relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩ (96,473)	(86,924)

(5) Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 as of March 31, 2022 and December 31, 2021 are as follows:

Type of financial instrument	Valuation technique	Input variables
Financial assets:		
Financial assets designated at fair value through profit or loss	Discounted cash flow	Discount rate
Financial assets held for trading	Discounted cash flow	Interest rate, foreign exchange rate, stock price, etc.
Derivative assets	Discounted cash flow, Option pricing model, Black-Scholes model	Interest rate, foreign exchange rate, stock price, etc.
Available-for-sale financial assets	Discounted cash flow, Dividend discount model	Interest rate, foreign exchange rate, stock price, etc.
Financial liabilities:		
Derivative liabilities	Discounted cash flow, Option pricing model, Black-Scholes model	Interest rate, foreign exchange rate, stock price, etc.

(6) There was no transfer between level 1 and level 2 fair value measurement during the three-month periods ended March 31, 2022 and 2021.

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of March 31, 2022 is as follows:

	2022			
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Financial assets designated at fair value through profit or loss	T-F model, Price formulas, Binomial model, Simulation	Stock price	491,470won	Not standardized but depends on the structure of financial instrument
		The volatility of the underlying asset	0% ~ 99%	
		Discount rate	22.38%	
		Correlations	-0.99 ~ 0.99	
Derivative assets	Price formulas, Simulation,1-factor Gaussian Copular model, Binomial model, Discounted cash flow	The volatility of the underlying asset	0% ~ 99%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. For conversion rights, fair value is increased as the stock price rises. . A significant increase in discount rate would result in a lower fair value, and a significant decrease in discount rate would result in a higher fair value.
		Correlations	-0.99 ~ 0.99	
		Stock price	4,455won ~4,545won	
Available-for-sale financial assets	Discounted cash flow, Dividend discount model, Net asset method, Residual income model, etc.	Permanent growth rate	0% ~ 2.00%	A significant increase in growth rate would result in a higher fair value
		Discount rate	3.05%~26.09%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	0% ~ 1%	A significant increase in liquidation value rate would result in a higher fair value

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 is as follows, continued:

	2021			
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Financial assets designated at fair value through profit or loss	Price formulas, Binomial model, Simulation	Stock price	517,347won	Not standardized but depends on the structure of financial instrument
		The volatility of the underlying asset	0% ~ 99%	
		Discount rate	-22.39%	
		Correlations	-0.99 ~ 0.99	
Derivative assets	Price formulas, Simulation,1-factor Gaussian Copular model, Binomial model, Discounted cash flow	The volatility of the underlying asset	0% ~ 99%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. For conversion rights, fair value is increased as the stock price rises. . A significant increase in discount rate would result in a lower fair value, and a significant decrease in discount rate would result in a higher fair value.
		Correlations	-0.99 ~ 0.99	
		Stock price	4,325won ~4,413won	
Available-for-sale financial assets	Discounted cash flow, Dividend discount model, Net asset method, Residual income model, etc.	Permanent growth rate	0% ~ 2.00%	A significant increase in growth rate would result in a higher fair value
		Discount rate	2.58%~26.57%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	0% ~ 1%	A significant increase in liquidation value rate would result in a higher fair value

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of March 31, 2022 is as follows, continued:

	2022			
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset Correlations	0% ~ 99% -0.99 ~ 0.99	Not standardized but depends on the structure of financial instrument.
Derivative liabilities	Price formulas, Simulation, 1-factor Gaussian Copular model, Discounted cash flow	The volatility of the underlying asset Correlations Discount rate	0% ~ 99% -0.99 ~ 0.99 -0.54%~1.15%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. A significant increase in discount rate would result in a lower fair value and a significant decrease in discount rate would result in a higher fair value.

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 is as follows, continued:

	2021			
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset Correlations	0% ~ 99% -0.99 ~ 0.99	Not standardized but depends on the structure of financial instrument.
Derivative liabilities	Price formulas, Simulation, 1-factor Gaussian Copular model, Discounted cash flow	The volatility of the underlying asset Correlations Discount rate	0% ~ 99% -0.99 ~ 0.99 -0.58%~0.51%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. A significant increase in discount rate would result in a lower fair value and a significant decrease in discount rate would result in a higher fair value.

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(8) A sensitivity analysis for fair value measurement arising from changes in the significant unobservable inputs as of March 31, 2022 and December 31, 2021 are as follows:

	2022			
	Profit or loss		Other comprehensive income	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:	₩			
Financial assets designated at fair value through profit or loss (*1)	78	(78)	-	-
Derivative assets (*1)	3,176	(4,776)	-	-
Available-for-sale financial assets (*2)	-	-	134,259	(124,705)
Investments in associates	-	-	599	(599)
	₩ 3,254	(4,854)	134,858	(125,304)
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss (*1)	₩ 55,843	(6,920)	-	-
Derivative liabilities (*1)	73,489	(96,226)	-	-
	₩ 129,332	(103,146)	-	-

	2021			
	Profit or loss		Other comprehensive income	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:	₩			
Financial assets designated at fair value through profit or loss (*1)	45	(121)	-	-
Derivative assets (*1)	(153)	(556)	-	-
Available-for-sale financial assets (*2)	-	-	108,937	(106,127)
Investments in associates	-	-	627	(627)
	₩ (108)	(677)	109,564	(106,754)
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss (*1)	₩ 31,923	(4,079)	-	-
Derivative liabilities (*1)	85,004	(91,951)	-	-
	₩ 116,927	(96,030)	-	-

(*1) A change in fair value of financial assets and liabilities designated at fair value through profit or loss and derivatives is calculated by increasing or decreasing the correlation of the fluctuation range of underlying assets' price (-10%~10%) and volatility (-10%~10%).

(*2) A change in fair value of available-for-sale financial assets is calculated by increasing or decreasing the correlation of permanent growth rate (0%~1% or -1% ~1%), discount rate (-1%~1%) and liquidation value rate (-1% ~1%).

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(9) The fair value hierarchy of financial instruments which are not measured at fair value in the consolidated statements of financial position as of March 31, 2022 and December 31, 2021 are as follows:

		2022			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	1,246	2,331,123	-	2,332,369
Held-to-maturity financial assets		-	-	23,151,043	23,151,043
Loan receivables		8,706,363	2,565,813	-	11,272,176
Other receivables		-	-	1,615,457	1,615,457
	₩	8,707,609	4,896,936	24,766,500	38,371,045
Financial liabilities:					
Borrowings	₩	-	275	3,726,388	3,726,388
Other financial liabilities		-	-	2,968,335	2,968,335
	₩	-	275	6,694,723	6,694,723

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	4,659	2,892,385	-	2,897,044
Held-to-maturity financial assets		2,887,241	1,591,291	-	4,478,532
Loan receivables		-	-	23,525,226	23,525,226
Other receivables		-	-	1,396,973	1,396,973
	₩	2,891,900	4,483,676	24,922,199	32,297,775
Financial liabilities:					
Borrowings	₩	-	-	3,541,753	3,541,753
Other financial liabilities		-	-	3,084,810	3,084,810
	₩	-	-	6,626,563	6,626,563

(In millions of won)

15. Investment property

(1) Investment property as of March 31, 2022 and December 31, 2021 are as follows:

	2022			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 764,969	-	(6,952)	758,017
Buildings	488,184	(172,804)	(10,695)	304,685
Structures	8,984	(3,179)	(256)	5,549
	₩ 1,262,137	(175,983)	(17,903)	1,068,251

	2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 756,292	-	(6,953)	749,339
Buildings	482,058	(167,993)	(10,816)	303,249
Structures	8,860	(3,090)	(258)	5,512
	₩ 1,247,210	(171,083)	(18,027)	1,058,100

(2) Changes in investment property for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022					
	Beginning balance	Acquisitions	Disposals	Depreciation	Others (*)	Ending balance
Land	₩ 749,340	-	-	-	8,677	758,017
Buildings	303,249	28	-	(2,901)	4,310	304,686
Structures	5,511	-	-	(44)	83	5,550
	₩ 1,058,100	28	-	(2,945)	13,070	1,068,253

	2021					
	Beginning balance	Acquisitions	Disposals	Depreciation	Others (*)	Ending balance
Land	₩ 775,812	-	-	-	5,836	781,648
Buildings	313,004	393	-	(2,559)	3,045	313,883
Structures	5,855	-	-	(45)	60	5,870
	₩ 1,094,671	393	-	(2,604)	8,941	1,101,401

(*) Others include transfers from property and equipment, etc.

(In millions of won)

15. Investment property, continued

(3) Investment property pledged as collaterals as of March 31, 2022 and December 31, 2021 are as follows:

			2022	2021	Purpose
Woori Bank Gangnam Kyobo Tower, etc.	Book value	₩	60,924	62,672	Establishment of the right to collateral security and hold leasehold
	Maximum credit amount		72,722	75,090	

(In millions of won)

16. Property and equipment

(1) Property and equipment as of March 31, 2022 and December 31, 2021 are as follows:

	2022			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 820,036	-	(4,876)	815,160
Buildings	647,292	(232,550)	(34,915)	379,827
Structures	20,311	(7,854)	(269)	12,188
Vehicles	2,517	(1,975)	-	542
Equipment	320,131	(259,772)	-	60,359
Construction in progress	35,598	-	-	35,598
Right-of-use asset (Real estate)	163,469	(61,592)	-	101,877
Right-of-use asset (Vehicles)	3,181	(1,266)	-	1,915
Others	59,300	(35,152)	(405)	23,743
	₩ 2,071,835	(600,161)	(40,465)	1,431,209

	2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 828,684	-	(4,876)	823,808
Buildings	653,368	(231,615)	(34,794)	386,959
Structures	19,454	(7,787)	(266)	11,401
Vehicles	2,560	(2,013)	-	547
Equipment	312,308	(253,494)	-	58,814
Construction in progress	29,301	-	-	29,301
Right-of-use asset (Real estate)	136,945	(58,404)	-	78,541
Right-of-use asset (Vehicles)	3,219	(1,231)	-	1,988
Others	58,260	(34,339)	(404)	23,517
	₩ 2,044,099	(588,883)	(40,340)	1,414,876

(In millions of won)

16. Property and equipment, continued

(2) Changes in property and equipment for the three-month period ended March 31, 2022 is as follows:

	2022					
	Beginning balance	Acquisitions	Disposals/ Termination	Depreciation	Others (*)	Ending balance
Land	₩ 823,808	29	-	-	(8,677)	815,160
Buildings	386,959	25	-	(2,847)	(4,310)	379,827
Structures	11,401	983		(113)	(83)	12,188
Vehicles	547	75	(9)	(71)	-	542
Equipment	58,814	8,772	(5)	(7,288)	67	60,360
Construction in progress	29,301	7,709	-	-	(1,412)	35,598
Right-of-use assets (Real estate)	78,541	37,148	(582)	(13,442)	211	101,876
Right-of-use assets (Vehicles)	1,988	176	-	(263)	14	1,915
Others	23,517	1,017	(689)	(1,498)	1,396	23,743
	₩ 1,414,876	55,934	(1,285)	(25,522)	(12,794)	1,431,209

(*) Others include transfers to or from investment properties, advanced payments and others.

(In millions of won)

16. Property and equipment, continued

(2) Changes in property and equipment for the three-month period ended March 31, 2021 is as follows:

	2021					
	Beginning balance	Acquisitions	Disposals/ Termination	Depreciation	Others (*)	Ending balance
Land	₩ 797,298	27	-	-	(5,835)	791,490
Buildings	387,725	258	-	(3,124)	(3,045)	381,814
Structures	11,613	-	-	(93)	(62)	11,458
Vehicles	503	202	-	(76)	-	629
Equipment	65,432	3,345	(224)	(7,915)	248	60,886
Construction in progress	8,706	473	-	-	(8,617)	562
Right-of-use assets (Real estate)	87,285	19,920	(7,736)	(14,193)	55	85,331
Right-of-use assets (Vehicles)	861	600	(16)	(166)	(55)	1,224
Others	19,277	217	(8)	(1,886)	8,423	26,023
	₩ 1,378,700	25,042	(7,984)	(27,453)	(8,888)	1,359,417

(*) Others include transfers to or from investment properties, advanced payments and others.

(In millions of won)

16. Property and equipment, continued

(3) Reserve for revaluation as of March 31, 2022 is as follows:

Revaluation date		Amount
January 1, 1981	₩	165
April 1, 1989		300
April 1, 1999		23,900
		24,365
Deferred tax effect		(19,863)
	₩	4,502

As of April 1, 1999, a certain portion of the Group's property and equipment was revalued in accordance with the *Korean Asset Revaluation Law*. As a result, the revaluation difference amounting to ₩478,550 million was classified as asset revaluation reserve. Out of this amount, ₩47,800 million, excluding ₩430,750 million, was calculated as asset revaluation reserve. The asset revaluation reserve amounting to ₩23,900 million was transferred to capital stock during the six-month period ended March 31, 2002. Out of ₩430,750 million, the amount of ₩64,000 million was transferred to the reserve for special participating policyholders' dividends and was paid during the year ended March 31, 2002, while the amount of ₩63,750 million was transferred to reserve for social contributions in policyholders' equity. The amount of ₩126,438 million, out of the remainder amounting to ₩303,000 million, was used for dividends to policyholders for the year ended March 31, 2001, while the amount of ₩176,562 million was transferred to reserve for participating policyholder's dividends for stabilization. The amount of ₩65,923 million from the Group's reserve for revaluation incurred on April 1, 1989 will be used for future policyholder's dividend or deficit recovery. The amount of₩164,481 million, a part of reserve for participating policyholder's dividends for stabilization, was used for dividends to policyholders. The reserve for participating policyholder's dividends for stabilization amounts to ₩78,004 million as of March 31, 2022.

(In millions of won)

17. Intangible assets

(1) Intangible assets as of March 31, 2022 and December 31, 2021 are as follows:

	2022			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩ 63,203	-	(13,821)	49,382
Software	127,669	(89,047)	-	38,622
Development costs (*)	298,254	(169,472)	-	128,782
Memberships	14,986	-	(802)	14,184
Customer relationships	25,861	(14,224)	-	11,637
Others	9,535	(1,395)	-	8,140
	₩ 539,508	(274,138)	(14,623)	250,747

(*) Amounts of ₩80,729 million of development costs related to the new generation system are included as of March 31, 2022 and the remaining useful life of the development cost is 2.5 years.

	2021			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩ 61,132	-	(13,821)	47,311
Software	125,809	(85,347)	-	40,462
Development costs (*)	294,329	(157,629)	-	136,700
Memberships	14,698	-	(965)	13,733
Customer relationships	25,862	(12,931)	-	12,931
Others	6,401	(187)	-	6,214
	₩ 528,231	(256,094)	(14,786)	257,351

(*) Amounts of ₩88,310 million of development costs related to the new generation system are included as of December 31, 2021 and the remaining useful life of the development cost is 2.75 years.

(In millions of won)

17. Intangible assets, continued

(2) Changes in intangible assets for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022					
	Beginning balance	Acquisitions	Disposals	Amortization	Others (*)	Ending balance
Goodwill	₩ 47,311	2,071	-	-	-	49,382
Software	40,462	1,665	-	(3,697)	192	38,622
Development costs	136,700	112	-	(12,066)	4,036	128,782
Memberships	13,733	481	(30)	-	-	14,184
Customer relationships	12,931	-	-	(1,294)	-	11,637
Others	6,214	2,029	-	(103)	-	8,140
	₩ 257,351	6,358	(30)	(17,160)	4,228	250,747

(*) Others include transfers from in-process research and development cost of intangible assets, prepayments and others.

	2021					
	Beginning balance	Acquisitions	Disposals	Amortization	Others (*)	Ending balance
Goodwill	₩ 47,311	-	-	-	-	47,311
Software	49,217	907	-	(3,544)	398	46,978
Development costs	163,993	588	-	(11,400)	9,135	162,316
Memberships	13,378	220	(109)	-	-	13,489
Customer relationships	18,103	-	-	(1,293)	-	16,810
Others	4,295	1,329	-	(72)	(310)	5,242
	₩ 296,297	3,044	(109)	(16,309)	9,223	292,146

(*) Others include transfers from in-process research and development cost of intangible assets, prepayments and others.

(In millions of won)

18. Deferred acquisition costs

Changes in deferred acquisition costs for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022					
		Acquisition costs				
	Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩ 1,113,285	188,344	(58,721)	129,623	(124,670)	1,118,238
Group insurance	45,144	6,351	(847)	5,504	(4,932)	45,716
	₩ 1,158,429	194,695	(59,568)	135,127	(129,602)	1,163,954

	2021					
		Acquisition costs				
	Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩ 1,144,405	181,430	(70,368)	111,062	(134,427)	1,121,040
Group insurance	44,282	6,695	(1,462)	5,233	(5,043)	44,472
	₩ 1,188,687	188,125	(71,830)	116,295	(139,470)	1,165,512

19. Other assets

Other assets as of March 31, 2022 and December 31, 2021 are as follows:

	2022	2021
Reinsurance assets	₩ 32,167	31,850
Prepaid expense	47,908	12,116
Advanced payments	44,460	42,922
Inventories	108,808	98,510
Others	14,927	11,852
	₩ 248,270	197,250

(In millions of won)

20. Liabilities under insurance contracts

(1) Details of liabilities under insurance contracts as of March 31, 2022 and December 31, 2021 are as follows:

	2022				
	Pure endowment	Death	Endowment	Group	Total
Premium reserve	₩ 29,208,404	39,148,188	7,532,078	258,147	76,146,816
Unearned premium reserve	49	658	1	8,937	9,646
Reserve for outstanding claims	1,094,985	803,431	97,457	31,767	2,027,639
Reserve for participating policyholder's dividend	440,671	2,775	2,460	53	445,958
	30,744,109	39,955,052	7,631,996	298,904	78,630,059
Guarantee reserve					985,623
Dividends reserve for policyholder's income participation					76,637
Reserve for losses on dividend insurance contract					69,986
					₩ 79,762,305

	2021				
	Pure endowment	Death	Endowment	Group	Total
Premium reserve	₩ 29,126,231	38,641,768	7,542,560	256,453	75,567,012
Unearned premium reserve	36	701	1	6,653	7,391
Reserve for outstanding claims	1,073,946	808,757	81,413	33,069	1,997,185
Reserve for participating policyholder's dividend	447,082	2,829	2,488	54	452,453
	30,647,295	39,454,055	7,626,462	296,229	78,024,041
Guarantee reserve					1,122,838
Dividends reserve for policyholder's income participation					72,355
Reserve for losses on dividend insurance contract					67,907
					₩ 79,287,141

(In millions of won)

21. Policyholder's equity adjustments

Policyholder's equity adjustments as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Reserve for policyholder dividend stabilization	₩	78,003	78,004
Fund for public projects		99,466	99,466
Gain on valuation of available-for-sale financial assets		(52,195)	413,158
Gain on valuation of held-to-maturity financial assets		(93,969)	-
Loss on valuation of investment in associates		7	6
Gain on revaluation of property and equipment		126,743	128,982
	₩	158,056	719,616

22. Liability adequacy tests (LAT)

The Group concluded that there are no significant changes to the assumptions such as experience rate, etc. since December 31, 2021. Therefore, it did not calculate deficiency (surplus) of liability adequacy as of March 31, 2022.

Major assumptions and calculation methods applied to the calculation of current estimates in relation to the future cash flows for the Liability Adequacy Test as of March 31, 2022 and December 31, 2021 are as follows:

	Rate
Discount rate (*1)	-3.39%~19.54%
Risk premium rate (*2)	19.5%~247%
Surrender ratio (*3)	0.3%~63.5%

(*1) Scenario presented by Financial Supervisory Service
(*2) The ratio of premium paid to risk premium by each product type, channel type, sale period, and lapse of time was calculated based on past empirical statistics of recent 5 years or more.
(*3) The surrender ratio was calculated by the ratio of surrender premium to overdue premium by product type, channel type, payment method and lapse of time based on past empirical statistics of recent 5 years or more.

The acquisition cost was calculated by applying the ratio of the actual acquisition cost to the expected acquisition cost for each product group based on empirical statistics of recent 1 year.
Maintenance expense was calculated by applying maintenance expense for each insurance premium and contract based on empirical statics of recent 1 year.

(In millions of won)

23. Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Hybrid financial instruments:			
Equity-linked securities sold	₩	1,073,575	802,432
Derivatives-combined securities sold		280,846	434,163
Derivatives-combined debt sold		1,941,611	2,165,878
Credit risk adjustment		(1,605)	(1,192)
The settled amounts of valuation		176,551	163,568
	₩	3,470,978	3,564,849

24. Financial liabilities held for trading

Financial liabilities held for trading as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Securities sold:			
Equity	₩	99,501	106,426
Government bond and local government bond		103,581	11,058
	₩	203,082	117,484

25. Borrowings

Borrowings as of March 31, 2022 and December 31, 2021 are summarized as follows:

	Creditors		2022	2021
Bonds sold under repurchase agreements	Public offerings, Institutions	₩	2,132,852	2,191,832
Subordinated debt securities issued	Pohang Fusion Tech District etc		5,825	4,525
Borrowings from KSFC	KSFC		126,310	134,088
Borrowings for general purpose	Woori Bank, etc.		575	5,000
Borrowings for equipment	Shinhan Bank, etc.		20,716	15,000
Debentures	Individuals, etc.		1,428,111	1,167,008
Other Borrowings	Individuals, etc.		12,000	24,300
		₩	3,726,388	3,541,753

(In millions of won)

26. Other financial liabilities

(1) Other financial liabilities as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Insurance payables:			
Dormant policies	₩	31,310	33,567
Insurance settlement adjustments		7,526	7,415
Reinsurance payables		40,384	61,067
		79,220	102,049
Accounts payable		967,017	524,161
Accrued expenses		285,318	441,569
Leasehold deposits received		98,236	101,099
Less: Present value discount		(7,352)	(6,514)
Trust accounts liabilities		23,957	20,603
Customers' deposits		1,151,096	1,576,795
Securities deposit received		89,664	90,788
Non-controlling Interests liabilities (*1)		28,866	29,463
Others		151,081	134,037
Lease liabilities (*2)		101,274	70,789
	₩	2,968,377	3,084,839

(*1) The cumulative amount of non-controlling interests in the consolidated beneficiary certificates.
(*2) Lease liabilities are recognized and measured in accordance with KIFRS 1116.

(2) Lease expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Short-term lease expenses (*)	₩	375	244
Lease for which the underlying asset is of low value (*)		132	126
Interest expenses of lease liabilities		529	429
	₩	1,036	799

(*) The Group recognized lease payments as an expense on a straight-line basis over the lease term.

(3) Details of lease payments related to lease liabilities amounted to ₩11,636 million and ₩12,363 million for the three-month periods ended March 31, 2022 and 2021, respectively.

(In millions of won)

27. Provisions

Changes in provisions for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022			
	Provision for restoration cost	Litigation	Others (*1)	Total
Beginning balance	₩ 15,229	341	6,653	22,223
Increase	2,101	-	22	2,123
Utilized	(180)	-	(22)	(202)
(Reversal of) provision, net	(1,829)	151	(91)	(1,769)
Ending balance	₩ 15,321	492	6,562	22,375

(*1) Amounts of refund liability corresponding to the contract liability ₩2,247 million are included.

	2021			
	Provision for restoration cost	Litigation	Others (*1)	Total
Beginning balance	₩ 15,470	534	8,188	24,192
Increase	2,489	-	507	2,996
Utilized	(272)	-	(413)	(685)
Reversal of provision, net	(2,254)	114	-	(2,140)
Ending balance	₩ 15,443	648	8,282	24,363

(*1) Amounts of refund liability corresponding to the contract liability ₩929 million are included.

(In millions of won)

28. Defined benefit liabilities

(1) The Group operates a defined benefit plan based on compensation for pension of the employees and the period of services rendered. The Group has entrusted the plan assets of defined benefit obligations at Kookmin Bank and others.

Defined benefit plan assets and liabilities as of March 31, 2022 and December 31, 2021 are summarized as follows:

		2022	2021
Present value of defined benefit obligations	₩	380,061	367,337
Fair value of plan assets		(373,065)	(385,864)
Defined benefit liabilities	₩	6,996	(18,527)

(2) Changes in the present value of defined benefit obligations for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Beginning balance	₩	367,337	397,317
Current service costs		16,672	17,066
Interest expenses		1,493	1,090
Benefits paid by the plan		(5,441)	(7,184)
Ending balance	₩	380,061	408,289

(3) Changes in the fair value of plan assets for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Beginning balance	₩	385,864	369,310
Interest income		1,334	970
Remeasurements		(451)	(80)
Contributions paid into the plan		855	228
Benefits paid by the plan		(14,437)	(5,141)
Other management costs		(100)	(50)
Ending balance	₩	373,065	365,237

(In millions of won)

29. Other liabilities

Other liabilities as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Advanced receipts	₩	22,754	20,065
Unearned income (*1)		77,337	72,750
Withholdings		84,112	64,430
Value added tax withheld		10,500	12,475
Unearned insurance premium		585,281	578,612
Others(*2)		22,040	21,930
	₩	802,024	770,262

(*1) The Group provided a certain portion of the customer's purchase amounts as points, and the points awarded are accounted as unearned income to be recognized as sales at the time of use of the points in the future and deducted from sales. Amounts of customer loyalty programs are ₩11,912 million and ₩11,421 million as of March 31, 2022 and December 31, 2021, respectively.
(*2) The estimated amount expected to be paid to the contractor of immediate annuity (maturity-inheritance) product in the future is included.

(In millions of won)

30. Derivatives

(1) Fair values of derivative instruments as of March 31, 2022 and December 31, 2021 are as follows:

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Hedge related:				
Currency related:				
Currency forwards	₩ 20,023	62,788	27,561	60,945
Currency swaps	25,861	319,046	51,551	284,677
	45,884	381,834	79,112	345,622
Interest rate related:				
Interest rate swaps	-	418	38	-
Interest rate forwards	64,018	112,155	6,160	77,810
	64,018	112,573	6,198	77,810
	109,902	494,407	85,310	423,432
Non-hedge related:				
Currency related:				
Currency forwards	17,251	65,175	8,574	34,339
Currency swaps	298,028	377,916	151,034	186,595
	315,279	443,091	159,608	220,934
Interest rate related:				
Interest rate swaps	72,432	72,878	34,238	61,093
Interest rate options	74,116	7,832	24,935	-
	146,548	80,710	59,173	61,093
Equity related:				
Preemptive rights	-	-	47	-
Stock index options	-	8,676	-	3,857
Stock warrants	-	8,624	-	7,173
Stock swaps	45,338	14,965	31,175	4,313
Conversion rights	4,934	-	4,821	-
Others	210,118	516,874	9,762	131,545
	260,390	549,139	45,805	146,888
Credit related:				
Credit default swaps	121,798	84,176	112,626	39,017
Commodity related:				
Commodity swaps	315	312	36	35
	844,330	1,157,428	377,248	467,967
Adjustment of credit risk	(1,201)	(1,932)	(805)	(987)
	₩ 953,031	1,649,903	461,753	890,412

(In millions of won)

30. Derivatives, continued

(2) A gain or loss on valuation of derivatives for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022			
	Net income		Accumulated other comprehensive income (*)	
	Gain	Loss	Gain	Loss
Hedge related:				
Currency related:				
Currency forwards	₩ 12,363	35,880	2,188	6,965
Currency swaps	4,952	219,033	61,468	59,225
	17,315	254,913	63,657	66,220
Interest rate related:				
Interest rate swaps	-	-	-	418
Interest rate forwards	67,257	238	121	111,916
	67,257	238	121	112,334
	84,572	255,151	63,778	178,554
Non-hedge related:				
Currency related:				
Currency forwards	17,286	40,880	-	-
Currency swaps	160,852	175,035	-	-
	178,138	215,915	-	-
Interest rate related:				
Interest rate swaps	93,567	64,844	-	-
Interest rate options	49,373	8,024	-	-
	142,940	72,868	-	-
Equity related:				
Preemptive rights	2,304	3,755	-	-
Stock index options	4,214	3,062	-	-
Stock forwards and swaps	4,076	18,827	-	-
Conversion rights	65	97	-	-
Others	209,909	383,454	-	-
	220,568	409,195	-	-
Credit related:				
Credit default swaps	22,749	66,245	-	-
Commodity related:				
Commodity swaps	262	887	-	-
	564,657	765,110	-	-
Adjustment of credit risk	970	424	-	-
	₩ 650,199	1,020,685	63,778	178,554

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect.

(In millions of won)

30. Derivatives, continued

(2) A gain or loss on valuation of derivatives for the three-month periods ended March 31, 2021 and December 31, 2021 are as follows, continued:

	2021			
	Net income		Accumulated other comprehensive income (*)	
	Gain	Loss	Gain	Loss
Hedge related:				
Currency related:				
Currency forwards	₩ 15,506	70,824	1,159	7,172
Currency swaps	20,780	351,510	14,340	143,022
	36,286	422,334	15,499	150,194
Interest rate related:				
Interest rate swaps	-	-	184	-
	36,286	422,334	15,683	150,194
Non-hedge related:				
Currency related:				
Currency forwards	26,718	69,343	-	-
Currency swaps	128,626	165,203	-	-
	155,344	234,546	-	-
Interest rate related:				
Interest rate swaps	53,274	22,939	-	-
Interest rate options	191	-	-	-
	53,465	22,939	-	-
Equity related:				
Preemptive rights	30	-	-	-
Stock index options	357	22	-	-
Stock forwards and swaps	7,991	1,859	-	-
Conversion rights	36	1,857	-	-
Others	8,710	70,360	-	-
	17,124	74,098	-	-
Credit related:				
Credit default swaps	6,397	28,388	-	-
Commodity related:				
Commodity swaps	83	81	-	-
	232,413	360,052	-	-
Adjustment of credit risk	1,470	29	-	-
	₩ 270,169	782,415	15,683	150,194

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect.

(In millions of won)

30. Derivatives, continued

(3) A gain or loss on hedging instruments and hedged items that apply fair value hedges for the three-month periods ended March 31, 2022 and 2021 are as follows:

	2022		2021	
	Gain	Loss	Gain	Loss
Hedged items	₩ 116,377	(48,045)	70,245	(6,678)
Hedging instruments	38,885	(95,438)	17,795	(77,603)

(4) Cash flow hedges

Due to various reasons (i.e. currency swap contracts for cash flow hedges have reached maturity and disposal), the effective portion of hedges for the three-month periods ended March 31, 2022 and 2021 realized as gain on valuation of derivative instruments amounted to ₩805 million and ₩1,643 million, respectively, and loss on valuation of derivative instruments amounted to ₩2,904 million and ₩6,353 million, respectively. Meanwhile, the ineffective portion of cash flow hedges recognized as gain or loss for the current reporting period amounted to W1 million of loss and W1 million of gain, respectively.

In case the transactions subjected to cash flow hedge are not expected to incur anymore, accumulated gain or loss is immediately recognized in the statement of comprehensive income.
The maximum expected period during which the Group's cash flows are exposed to fluctuation risk is through September 13, 2029 based on derivative instrument contracts to which cash flow hedges are applied.

31. Separate accounts

(1) Assets and liabilities of separate accounts as of March 31, 2022 and December 31, 2021 are as follows:

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Insurance contract and investment contract with discretionary participating features:				
Retirement insurance	₩ 78,149	78,149	85,981	85,981
Variable life insurance	15,905,584	15,910,322	16,635,446	16,640,985
	15,983,733	15,988,471	16,721,427	16,726,966
Investments contract with no discretionary participating features:				
Retirement insurance	1,642	1,642	1,653	1,653
Retirement pension	9,278,255	9,516,065	9,325,204	9,347,986
	9,279,897	9,517,707	9,326,857	9,349,639
Separate accounts receivable	-	(20,880)	-	(29,712)
Separate accounts payable	(132,508)	-	(875,855)	-
	₩ 25,131,122	25,485,298	25,172,429	26,046,893

(In millions of won)

31. Separate accounts, continued

(2) The statements of financial position of the separate accounts as of March 31, 2022 and December 31, 2021 are as follows:

(a) Insurance contract and investments contract with discretionary participation feature

		2022	2021
Assets:			
Cash and due from banks	₩	341,632	335,682
Financial assets held for trading		14,374,875	15,289,313
Loan receivables		931,657	717,763
Other assets		250,908	311,698
General account credits		89,399	72,510
Total assets before consolidated adjustments		15,988,471	16,726,966
Consolidated adjustments		(4,738)	(5,539)
Total assets after consolidated adjustments	₩	15,983,733	16,721,427
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	91,637	137,372
General account debits		12,517	12,182
Total liabilities		104,155	149,554
Reserve for policy holders		15,884,316	16,577,412
Total reserve and accumulated other comprehensive income		15,884,316	16,577,412
Total liabilities, reserve and accumulated other comprehensive income	₩	15,988,471	16,726,966

(In millions of won)

31. Separate accounts, continued

(2) The statements of financial position of the separate accounts as of March 31, 2022 and December 31, 2021 are as follows, continued:

(b) Investments contract with no discretionary participation feature

		2022	2021
Assets:			
Cash and due from banks	₩	381,107	900,039
Financial assets held for trading		430,713	767,464
Available-for-sale financial assets		6,421,378	5,503,818
Loan receivables		2,112,765	1,490,524
Other assets		35,411	45,924
General account credits		43,109	803,345
Total assets before consolidated adjustments		9,424,483	9,511,114
Consolidated adjustments		(144,586)	(184,257)
Total assets after consolidated adjustments	₩	9,279,897	9,326,857
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	27,944	31,989
General account debits		8,363	17,530
Total liabilities		36,307	49,519
Reserve for policy holders		9,481,400	9,300,120
Accumulated other comprehensive income		(197,554)	(20,541)
Total reserve and accumulated other comprehensive income		9,283,846	9,279,579
Total liabilities, reserve and accumulated other comprehensive income	₩	9,320,153	9,329,098

(In millions of won)

31. Separate accounts, continued

(3) The statements of income of the separate accounts for the three-month periods ended March 31, 2022 and 2021 are as follows:

(a) Insurance contract and investments contract with discretionary participation feature

		2022		2021	
		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Premium income	₩	-	447,412	-	523,476
Interest income		257	40,184	227	28,161
Dividend income		29	21,394	-	24,431
Gain on securities		27	121,820	59	596,729
Gain on foreign currency transaction		-	3,057	-	1,020
Gain on transaction of derivatives		-	97,012	-	119,365
Other income		638	10,083	221	12,402
	₩	951	740,961	507	1,305,584
Expenses:					
Increase (decrease) in policy reserves	₩	(7,734)	(653,203)	(1,830)	31,676
Insurance claims paid		7,983	295,672	2,108	737,624
Minimum guarantee fee		-	25,128	-	25,757
Separate account commission		122	146,898	134	158,855
Commission fee		-	9,571	-	11,762
(Reversal of) provision for loan losses		-	(17)	-	8
Loss on securities		580	812,457	95	206,728
Loss on foreign currency transaction		-	2,080	-	602
Loss on transaction of derivatives		-	101,847	-	132,399
Other expenses		-	528	-	173
	₩	951	740,961	507	1,305,584

(In millions of won)

31. Separate accounts, continued

(3) The statements of income of the separate accounts for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

(b) Investments contracts with no discretionary participation feature

		2022		2021	
		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Interest income	₩	47,048	174	28,601	94
Dividend income		4,932	92	5,179	65
Gain on securities		9,485	737	13,562	10,402
Gain on foreign currency transaction		266	709	462	752
Gain on transaction of derivatives		792	895	782	189
Other income		14,888	513	11,019	844
		77,411	3,119	59,605	12,346
Consolidated adjustments		(624)	-	(1,443)	-
	₩	76,787	3,119	58,162	12,346
Expenses:					
Increase (decrease) in policy reserves	₩	43,482	(10,388)	26,469	9,232
Separate account commission		13,801	140	16,410	357
Commission fee		3	157	3	147
(Reversal of) Provision for loan losses		353	-	882	-
Loss on securities		7,954	11,368	6,678	1,332
Loss on foreign currency transaction		3	164	89	95
Loss on transaction of derivatives		11,372	1,627	8,178	1,179
Other expenses		443	51	896	4
		77,411	3,119	59,605	12,346
Consolidated adjustments		(624)	-	(1,443)	-
	₩	76,787	3,119	58,162	12,346

(4) In accordance with the regulations under *Trust Business Act*, the Group separately accounts for the trust assets from the existing assets, and recognizes trust commission fee as operating revenue when receiving trust commission fee. As of March 31, 2022, the total amount of the trust funds under contract with the Group amounts to ₩280,031 million.

(In millions of won)

32. Equity

(1) Equity as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Capital stock:			
Common stock	₩	102,500	102,500
Hybrid bonds:			
Hybrid bonds		1,020,054	1,020,054
Capital surplus:			
Share premium		359,937	359,937
Asset revaluation surplus		4,502	4,502
Others		150,874	155,740
		515,313	520,179
Capital adjustments:			
Negative equity changes in equity method adjustments		(15,995)	(15,995)
Others		4,003	3,993
		(11,993)	(12,002)
Accumulated other comprehensive income, net of tax:			
Gain on valuation of available-for-sale financial assets		(269,551)	1,468,566
Gain on valuation of cash flow hedge derivatives		(83,213)	(107,303)
Gain on valuation of investment in associates		31	25
Other comprehensive income of separate account		(143,226)	(14,891)
Gain on valuation of held to maturity financial assets		(395,056)	-
Gain on revaluation of property and equipment		560,163	558,534
Foreign currency translation adjustments for foreign operations		262	182
Remeasurement loss related to defined benefit plan		8,765	9,092
		(321,824)	1,914,205
Retained earnings:			
Legal reserve		51,250	51,250
Appropriate retained earnings other legal reserves		1,096,736	-
Regulatory reserve for loan loss		164,398	122,534
Retained earnings		6,844,748	7,874,802
Voluntary reserve		3,000	3,000
		8,160,132	8,051,586
Non-controlling interests		361,338	358,252
	₩	9,825,520	11,954,774

32. Equity, continued

(2) Capital stock

Capital stock as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Number of authorized shares		300,000,000 shares	300,000,000 shares
Par value per share in won	₩	1,000	1,000
Number of issued common stocks outstanding		102,500,000 shares	102,500,000 shares
Capital stock	₩	102,500	102,500

(3) Hybrid bonds

Hybrid bond as of March 31, 2022 and December 31, 2021 are as follows:

	2022					
	Issue date	Maturity date	Interest rate (%)		Amount in foreign currency	Amount of KRW equivalent
Overseas hybrid bonds (*1)	July 24, 2017	July 24, 2047	3.95	$	500,000	₩ 557,000
Issuance costs (underwriting fees and other direct issuance costs)						(5,562)
						₩ 551,438
Domestic hybrid bonds (*2)	Sept. 10, 2021	Sept. 10, 2051	3.72	₩	470,000	₩ 470,000
Issuance costs (underwriting fees and other direct issuance costs)						(1,384)
						468,616
						₩ 1,020,054

(*1) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and interest rate can be adjusted only once after 10 years from the date of issuance. Upon maturity date, the Group has the unconditional right to extend the maturity under the same condition.

(*2) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and standard interest rate and spread can be adjusted only once after 5 &10 years from the date of issuance. Upon maturity date, the Group has the unconditional right to extend the maturity under the same condition

(In millions of won)

32. Equity, continued

(4) Accumulated other comprehensive income

Changes in accumulated other comprehensive income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022								
		Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain on valuation of investment of associates	Other comprehensive income (expense) of separate account	Gain (loss) on valuation of held to maturity financial assets	Gain on revaluation of property and equipment	Foreign currency translation adjustments for foreign operations	Remeasurement loss related to defined benefit plan	Total
Beginning balance	₩	1,468,566	(107,303)	25	(14,891)	-	558,534	182	9,092	1,914,205
Fair value evaluation		(3,142,982)	35,847	12	(172,455)	-	-	-	(451)	(3,280,030)
Realization of income		(354,851)	(2,619)	-	(4,558)	2,013	-	-	-	(360,015)
Foreign exchange difference		-	-	-	-	-	-	102	-	102
Policyholder's equity adjustment (*)		465,353	-	(1)	-	93,969	2,239	-	-	561,560
Income tax effects		652,934	(9,138)	(3)	48,679	149,849	(609)	(22)	124	841,812
Non-consolidated adjustments		544	-	(2)	-	-	-	-	-	542
Other (reclassification)		640,886	-	-	-	(640,886)	-	-	-	-
Ending balance	₩	(269,551)	(83,213)	31	(143,226)	(395,056)	560,163	262	8,765	(321,824)

(*) Allocation to policyholder's equity adjustment during the reporting period.

(In millions of won)

32. Equity, continued

(4) Accumulated other comprehensive income, continued

Changes in accumulated other comprehensive income for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

	2021							
	Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain on valuation of investment of associates	Other comprehensive income (expense) of separate account	Gain on revaluation of property and equipment	Foreign currency translation adjustments for foreign operations	Remeasurement loss related to defined benefit plan	Total
Beginning balance	₩ 3,245,126	(143,632)	24	54,167	566,034	(317)	(9,369)	3,712,033
Fair value evaluation	(2,190,723)	117,803	(6)	(22,817)	-	-	(80)	(2,095,823)
Realization of income	(648,894)	(54,202)	-	(11,170)	-	-	-	(714,266)
Foreign exchange difference	-	-	-	-	-	265	-	265
Policyholder's equity adjustment (*)	585,618	-	-	-	2,555	-	-	588,173
Income tax effects	618,578	(17,490)	1	9,346	(557)	-	21	609,899
Non-consolidated adjustments	(929)	-	1	-	-	-	-	(928)
Ending balance	₩ 1,608,776	(97,521)	20	29,526	568,032	(52)	(9,428)	2,099,353

(*) Allocation to policyholder's equity adjustment during the reporting period.

(In millions of won)

32. Equity, continued

(5) Retained earnings

(a) Legal reserve

Legal reserve is restricted for the dividend to stockholders by law or legislation. According to article 458 of the Commercial Act, the Group is required to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of capital stock. The legal reserve may not be allocated in cash and may be used to reduce a deficit or may be transferred to capital based on the decision of board of directors.

(b) The dividends amounting to ₩153,750 million for the Group's shareholders as of December 31, 2021 were approved on March 30, 2022 (₩102,500 million as of December 31, 2021).

(c) Regulatory reserve for loan loss

When allowances for loan losses based on KIFRS for the assets subject to classification by asset soundness (such as loan receivables, insurance receivables, receivables, accrued revenue, suspense payments, bills receivables, etc.) in accordance with Regulations on Supervision of Insurance Business are less than the total of the reserves required by the Article 7-4 of Regulations on Supervision of Insurance Business, the difference is reserved as regulatory reserve for loan losses. The limit on regulatory reserve for loan losses is the amount subtracting reserves required by the Insurance Business Act and other laws from retained earnings.

The regulatory reserve for loan losses is, in nature, an arbitrary reserve for retained earnings. When there are unappropriated deficits, regulatory reserve for loan losses are reserved after the deficits are appropriated. When the amount previously reserved for regulatory reserve for loan losses exceeds the amount of regulatory reserve for loan losses to be reserved as of the closing date, the reversal of the excess amount is allowed.

ⅰ) Regulatory reserve for loan losses as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Regulatory reserve for loan losses accumulated	₩	164,398	122,534
To be accumulated		2,780	41,864
Balance	₩	167,178	164,398

(In millions of won)

32. Equity, continued

(5) Retained earnings, continued

(c) Regulatory reserve for loan loss, continued

ii) Provision for regulatory reserve for loan losses and income adjusted for regulatory reserve for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Profit for the period before legal reserve attributable to controlling interests	₩	272,658	487,574
Hybrid bonds interests		(10,362)	(5,608)
Provision (reversal of) for regulatory reserve for loan		(2,780)	(4,393)
Profit adjusted for regulatory reserve (*)	₩	259,516	477,573
Basic earnings per share adjusted for regulatory reserve in won	₩	2,532	4,659

(*) Net income adjusted for regulatory reserve above is non-KIFRS financial information. The adjustment amount is calculated under the assumption that provision for regulatory reserve is reflected in the current period net income without considering policyholders' equity adjustment and deferred tax effect.

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(6) Share-based Payment

(a) Kyobo Securities has a shared-based payment arrangement for its executives and employees as of March 31, 2022 and the share options granted under the arrangement are paid when its own shares are exercised and its details are as follows:

Grant date	The number of options granted	The number of options forfeited	The number of unexercised quantities	The number of exercisable options	Exercise price
2018. 3. 22	690,000	59,865	630,135	630,135	12,000 won
2021. 3. 24	280,000	-	280,000	-	10,000 won

(b) Vesting condition and exercise period of the share-based payment as of March 31, 2022 are as follows:

Grant date	Vesting condition	Exercise period
2018. 3. 22	In case of service for more than 2 years from grant date (2018.3.22 ~ 2020.3.21)	within 5 years from the date two years have passed from grant date (2020.3.22 ~ 2025.3.21)
2021.3. 24	In case of service for more than 2 years from grant date (2021.3.24 ~ 2023.3.23)	within 5 years from the date two years have passed from grant date (2023.3.24 ~ 2028.3.23)

(In millions of won)

32. Equity, continued

(6) Share-based Payment, continued

(c) Kyobo securities used the binomial model to measure the fair value of share options, and inputs used are as follows:

		Grant date: 2018.3.22
Fair value of option per share	₩	1,027 won
Closing price of the day before grant date	₩	9,790 won
Exercise price	₩	12,000 won
Expected volatility (*)		12.17%
Expected exercise period		4.5 years
Expected dividends		-
Risk-free interest rate (return on government bonds)		2.64%

		Grant date: 2021.3.24
Fair value of option per share	₩	433 won
Closing price of the day before grant date	₩	7,550 won
Exercise price	₩	10,000 won
Expected volatility (*)		21.60%
Expected exercise period		4.5 years
Expected dividends		-
Risk-free interest rate (return on government bonds)		1.59%

(*) 120-day index volatility of the KOSPI market to which Kyobo Securities belongs was applied.

(d) Kyobo Securities accounts for the compensation costs as an expense in the period covered by the contract. The details of the reimbursement are as follows:

		2022
Compensation cost, gross	₩	749
Accumulated compensation expense		687
Compensation expense recognized in the current period		(13)
Residual compensation cost to be recognized		50

(In millions of won)

33. Premium income

Premium income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Individual insurance:			
Pure endowment	₩	461,068	481,647
Death		1,192,676	1,171,684
Endowment		706,973	808,976
		2,360,716	2,462,307
Group insurance:			
Pure protection		36,798	35,652
Savings		1,094	1,151
		37,892	36,803
	₩	2,398,609	2,499,110

(In millions of won)

34. Reinsurance ceded

(1) Reinsurance assets and liabilities as of March 31, 2022 and December 31, 2021 are as follows:

		2022	2021
Reinsurance accounts receivable	₩	37,887	70,320
Reinsurance assets:			
Reserve for unearned premium		6,418	6,239
Reserve for outstanding claims		3,202	3,016
Incurred but not reported		22,547	22,595
		32,167	31,850
	₩	70,053	102,170
Reinsurance accounts payable	₩	40,384	61,067

(2) Transactions with reinsurance companies incurred for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022			
		Reinsurance expense	Reinsurance claim revenue	Reinsurance commission revenue	Profit from reinsurance asset
Individual insurance:					
Domestic	₩	39,640	27,561	9,799	361
Group insurance:					
Domestic		745	527	-	(45)
	₩	40,384	28,088	9,799	316

		2021			
		Reinsurance expense	Reinsurance claim revenue	Reinsurance commission revenue	Profit from reinsurance asset
Individual insurance:					
Domestic	₩	35,468	23,897	9,021	757
Group insurance:					
Domestic		633	391	-	133
	₩	36,101	24,288	9,021	890

(In millions of won)

35. Interest income

Interest income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Cash and due from banks	₩	5,886	3,885
Financial assets held for trading		35,076	30,941
Available-for-sale financial assets		258,443	336,378
Held-to-maturity financial assets		87,009	-
Loan receivables		265,140	249,814
Derivatives		62,638	52,471
Others		1,466	1,377
	₩	715,658	674,866

(In millions of won)

36. Gain on valuation and disposal of financial instruments

Gain on valuation and disposal of financial instruments for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Financial assets designated at fair value through profit or loss:			
Gain on valuation	₩	605	381
Financial assets held for trading:			
Gain on valuation		1,288	2,610
Gain on disposal		27,544	29,365
Available-for-sale financial assets:			
Reversal of impairment loss		926	926
Gain on disposal		278,557	538,237
Loan receivables:			
Gain on disposal		471	114
Reversal of bad debt provision		2,000	3
Financial liabilities designated at fair value through profit or loss:			
Gain on valuation		218,652	60,492
Gain on transaction		18	2,081
Financial liabilities held for trading:			
Gain on valuation		11,470	443
Gain on transaction		2,547	16,648
Derivatives:			
Gain on valuation		650,199	270,169
Gain on transaction		857,319	178,331
Other receivables:			
Reversal of bad debt provision		6	-
	₩	2,051,604	1,099,800

(In millions of won)

37. Fee and commission income

Fee and commission income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Brokerage commissions	₩	39,254	77,614
Underwriting commissions		3,583	4,527
Credit placement fees		5,245	1,973
Asset management fees		2,723	4,675
Brokerage commissions on collective investment securities		2,359	1,875
Loan transaction fee		130	297
Retirement pension management fee		121	189
Housing mortgage bond fee		390	425
Merge & acquisition fee		26,174	23,191
Others		32,078	26,552
	₩	112,058	141,318

38. Dividend income

Dividend income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Financial assets held for trading:			
Equity securities	₩	490	24
Beneficiary certificates		15	1,690
		505	1,714
Available-for-sale financial assets:			
Equity securities		28,180	27,248
Equity investments		17	42
Beneficiary certificates		110,186	88,888
Overseas securities		22,713	25,095
		161,096	141,273
	₩	161,601	142,987

(In millions of won)

39. Other operating income

Other operating income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Merchandise sales	₩	231,309	217,347
Product sales		904	864
Other		28,292	25,913
Gain on cancellation of lease contracts		-	6,700
Other operating profits		154	2,498
	₩	260,659	253,322

(In millions of won)

40. Insurance claims paid

The Group's insurance claims paid consist of benefit payments, surrenders for insurance and dividend expenses.

(1) Benefit payments for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Individual insurance:			
Pure endowment	₩	51,154	68,788
Death		107,033	118,589
Endowment		165,530	84,631
		323,717	272,008
Group insurance:			
Pure protection		5,354	5,773
Savings		21	196
		5,375	5,969
	₩	329,092	277,977

(In millions of won)

40. Insurance claims paid, continued

(2) Surrenders for insurance for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Individual insurance:			
Pure endowment	₩	611,717	639,908
Death		625,043	705,950
Endowment		570,738	334,987
		1,807,498	1,680,845
Group insurance:			
Pure protection		15,534	17,314
Savings		4,550	4,941
		20,084	22,255
	₩	1,827,582	1,703,100

(3) Dividend expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Individual insurance:			
Pure endowment	₩	3,117	4,227
Death		78	102
Endowment		39	43
		3,234	4,372
Group insurance:			
Pure protection		23	19
Savings		4	1
		27	20
	₩	3,261	4,392

(In millions of won)

41. Operating and administrative expenses

Operating and administrative expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Policy acquisition costs:			
Agent commission	₩	115,482	117,310
Branch office operation		10,683	11,953
Sales promotion		14,797	11,788
Advertising expense		495	1,202
Others		53,239	44,738
		194,696	186,991
Maintenance expenses:			
Wages and salaries		55,780	51,088
Bonuses		9,301	22,485
Employment benefits		13,874	15,182
Retirement benefits		15,994	14,152
Taxes and dues		30,811	26,997
Office rent		8,047	7,767
Depreciation		15,755	16,417
Commission		9,179	8,564
Outsourcing fee		2,207	1,679
Information technology		8,460	8,143
Collection		1,571	1,604
Others		11,872	12,541
		182,851	186,619
Deferred acquisition cost		(135,127)	(116,295)
	₩	242,420	257,315

(In millions of won)

42. Asset management expenses

Asset management expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Wages and salaries	₩	6,301	5,447
Bonuses		1,827	3,117
Retirement benefits		(278)	1,688
Employment benefits		1,243	1,444
Communication		775	679
Repairs and maintenance		645	1,230
Outsourcing fee		1,854	1,627
Commission		6,878	7,289
Taxes and dues		309	185
Depreciation		541	584
Others		1,681	1,670
	₩	21,776	24,960

43. Interest expenses

Interest expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Borrowings	₩	12,300	5,734
Derivatives		69,682	70,010
Others		2,713	2,311
	₩	84,695	78,055

(In millions of won)

44. Loss on valuation and disposal of financial instruments

Loss on valuation and disposal of financial instruments for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Financial assets designated at fair value through profit or loss:			
Loss on valuation	₩	64	-
Loss on disposal		-	171
Financial assets held for trading:			
Loss on valuation		206,594	52,810
Loss on disposal		42,422	41,922
Available-for-sale financial assets:			
Loss on valuation (*)		87,814	-
Impairment loss		1,004	24,253
Loss on disposal		79,634	46,871
Loan receivables:			
Provision for loan losses		2,401	642
Loss on disposal		2	-
Other receivables:			
(Reversal of) Provision for other receivables		621	157
Financial liabilities designated at fair value through profit or loss:			
Loss on valuation		10,126	25,710
Loss on transaction		14,353	31,383
Financial liabilities held for trading:			
Loss on valuation		2,265	402
Loss on transaction		113	1,942
Derivatives:			
Loss on valuation		1,020,685	782,415
Loss on transaction		892,287	344,687
	₩	2,360,385	1,353,365

(*) By applying fair value hedge accounting, changes in the fair value of the hedged item are recognized in profit or loss.

(In millions of won)

45. Other operating expenses

Other operating expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Depreciation of investment properties	₩	2,711	2,373
Amortization of intangible assets		14,647	14,117
Fees and commission expense		20,749	36,699
Cost of sales-merchandise		168,242	155,473
Cost of sales-products		506	499
Cost of other goods sold		38,900	39,729
General and administrative expenses:			
Employee costs		90,725	89,446
Depreciation		9,053	11,121
Other general expenses		53,407	45,855
Insurance discount		350	396
Loss on cancellation of lease contracts		-	6,505
Others		654	9,725
	₩	399,943	411,938

(In millions of won and in thousands of USD, JPY, EUR and other currencies)

46. Foreign currency translation

(1) Foreign currency denominated assets and liabilities as of March 31, 2022 and December 31, 2021 are as follows:

	2022		2021	
	Amount of foreign currency	Amount of KRW equivalent	Amount of foreign currency	Amount of KRW equivalent
Foreign cash and due from banks				
USD	591,578	₩ 716,283	663,576	₩ 786,669
JPY	876,401	8,700	983,526	10,133
EUR	14,331	19,363	17,690	23,745
Others	46,857	56,736	36,376	43,125
Financial assets at fair value through profit or loss				
USD	826,413	1,000,621	976,300	1,157,403
EUR	15,374	20,773	15,770	21,169
Available-for-sale financial assets				
USD	10,185,331	12,332,399	12,483,660	14,799,379
JPY	12,113,936	120,260	11,043,221	113,772
EUR	1,488,317	2,010,910	1,759,768	2,362,207
Others	1,469,754	374,032	1,590,511	401,402
Held-to-maturity financial assets				
USD	1,176,453	1,424,449	872,426	1,034,260
Others	137,280	124,789	137,397	118,009
Loan receivables				
USD	160,732	194,615	160,966	190,825
EUR	59,500	80,392	59,500	79,869
Others	173,233	182,066	173,769	176,269
Other receivables				
USD	567,039	686,571	445,542	528,190
JPY	55,779	554	30,830	318
EUR	13,572	18,338	12,453	16,716
Others	21,781	9,167	22,365	8,264
Financial assets total				
USD	13,507,546	₩ 16,354,938	15,602,470	₩ 18,496,726
JPY	13,046,116	129,514	12,057,577	124,223
EUR	1,591,094	2,149,776	1,865,181	2,503,706
Others	1,848,905	746,790	1,960,418	747,069
Financial liabilities				
USD	2,094,258	₩ 2,535,728	2,333,203	₩ 2,766,013
JPY	218,141	2,166	349,134	3,597
EUR	2,252	3,043	1,332	1,789
Others	10,072	12,195	9,055	10,735

(In millions of won)

46. Foreign currency translation, continued

(2) Gain (loss) on foreign currency transactions for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Gain on foreign currency translation	₩	338,601	584,024
Gain on foreign currency transaction		61,081	66,658
	₩	399,682	650,682
Loss on foreign currency translation	₩	54,595	83,262
Loss on foreign currency transaction		18,731	24,300
	₩	73,326	107,562

47. Non-operating income and expenses

(1) Non-operating income for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Gain on valuation of investments in associates and joint ventures	₩	2,591	2,068
Gain on disposal of property and equipment		69	32
Gain on disposal of intangible assets		-	131
Miscellaneous gains		8,386	8,889
Others		2,877	-
	₩	13,922	11,120

(2) Non-operating expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Loss on valuation of investments in associates and joint ventures	₩	1,201	587
Loss on disposal of property and equipment		696	1,376
Donations		20,127	302
Miscellaneous losses		909	985
Others		869	-
	₩	23,802	3,250

(In millions of won)

48. Income tax expenses

(1) Income tax expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Current income tax expenses	₩	166,029	67,818
Origination and reversal of temporary differences		(901,964)	(490,803)
Income tax expense (revenue) directly recognized in equity		841,812	609,899
Additional payment (refund) of income taxes		(10,821)	42
Income tax expenses(*)	₩	95,056	186,956

(*) Income tax expenses were recognized based on the best estimate of the weighted average annual effective tax rate for the entire fiscal year.

(2) Income tax expenses calculated by multiplying net income before tax with the tax rate for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Income before income taxes	₩	374,716	686,737
Income taxes at statutory tax rates		102,547	192,364
Adjustments:			
Non-deductible expense (non-taxable income), etc.		3,331	(5,450)
Additional payment (refund) of income taxes		(10,821)	42
Income tax expenses	₩	95,056	186,956
Effective tax rate		25.37%	27.22%

49. Employee benefits

Details of employee benefits for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Short-term and other long-term employee benefits	₩	157,692	153,275
Post-employment benefits (*)		22,656	21,924

(*) Post-employment include ₩368 million and ₩826 million of termination benefits for the three-month periods ended March 31, 2022 and 2021, respectively, and ₩6,131 million and ₩4,974 million of defined contribution plans for the three-month periods ended March 31, 2022 and 2021, respectively.

(In millions of won)

50. Commitments and contingencies

(1) Pending litigations

The Group has 377 pending litigations in which the Group is a defendant, such as claims for insurance payments and others, and the total legal proceedings amounts to ₩252,761 million as of March 31, 2022. In addition, the Group has 486 pending litigations in which the Group is a plaintiff with total claims of ₩43,085 million. As of the end of the current reporting period, the Group cannot reliably determine the outcome of the pending litigations and has recognized reserves of ₩7,775 million and provisions of ₩332 million for litigations as a defendant and plaintiff, respectively.

The Group is likely to pay additional claims to policyholders of immediate annuity inheritance maturity products as of March 31, 2022. However, the Group cannot reasonably estimate the likelihood of additional premium payable to policyholders and its amount or timing as of March 31, 2022.

The Company accused Deloitte Anjin LLC to PCAOB in violation of the valuation standards to calculate the market value of the Company's outstanding stock related to the put options exercised in accordance with the shareholder's agreement. Also, the Company prosecuted Deloitte Anjin LLC for violating certified public accountant act.

(2) Insurance commitments

The contract amounts under the insurance contracts in the general and separate accounts as of March 31, 2022 are as follows:

		Number of contracts		Total contract amount
General accounts	₩	8,149,617	₩	291,955,739
Separate accounts		1,008,913		9,663,392
	₩	9,158,530	₩	301,619,131

50. Commitments and contingencies, continued

(3) Reinsurance agreements

The reinsurance agreements of individual and group insurance as of March 31, 2022 are as follows:

Reinsurance method	Reinsurance company	Ceding ratio (%)	Nature of risk
Surplus	SCOR Reinsurance Asia-Pacific	100	Risk from excessive contracts
Surplus	SCOR Reinsurance Asia-Pacific	100	Risk from excess number of contracts with individuals with high-risk occupations
Surplus	Korean Re	100	Kyobo Big Love Guarantee Insurance
Surplus	Pacific Life Re	Exceeding ₩100 million per person	Mortality (term insurance and whole life, insurance)
Surplus, Quota Share	Munich Re	60	Risk from excessive contracts
Surplus, Quota Share	Korean Re	40	Risk from excessive contracts
Quota Share	General Cologne Re	10	Individual medical insurance
Quota Share	General Cologne Re	10	Accidental insurance
Quota Share	General Cologne Re	30	CI whole life Reinsurance
Quota Share	General Cologne Re	30	SI Insurance
Quota Share	General Cologne Re	30	Second CI Guarantee reinsurance
Quota Share	Hannover Re	10	CI reinsurance
Quota Share	Hannover Re	10	Direct health insurance
Quota Share	Hannover Re	10 ~ 25	Individual medical Insurance
Quota Share	Hannover Re	30	Kyobo cancer insurance
Quota Share	Hannover Re	80	Facultative reinsurance
Quota Share	Swiss Re	50	Re-diagnosis cancer insurance
Quota Share	Swiss Re	80	Target anticancer drug treatment
Quota Share	Munich Re	10	CI reinsurance
Quota Share	Munich Re	5 ~ 20	Whole life insurance
Quota Share	Munich Re	30	LTC (Silver care insurance)
Quota Share	Munich Re	30	Premier CI Insurance
Quota Share	Munich Re	80	Facultative reinsurance
Quota Share	RGA Re	20	Kyobo cancer insurance
Quota Share	RGA Re	30	Dental Benefits
Quota Share	RGA Re	50	Mortality (term insurance and whole life insurance), diagnosis (cancer, insurance for lifestyle disease)
Quota Share	RGA Re	80	Facultative reinsurance
Quota Share	RGA Re	90	Substandards insurance
Quota Share	SCOR Reinsurance Asia-Pacific	10	Individual medical Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	CI reinsurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	Direct health insurance
Quota Share	SCOR Reinsurance Asia-Pacific	30 ~ 60	Top Class cancer Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	50	Dental & Juvenile Benefits
Quota Share	SCOR Reinsurance Asia-Pacific	80	Facultative reinsurance
Quota Share	Korean Re	10	CI whole life reinsurance
Quota Share	Korean Re	10 ~ 50	SI whole life insurance
Quota Share	Korean Re	15 ~ 25	Individual medical Insurance
Quota Share	Korean Re	30	Kyobo cancer Insurance
Quota Share	Korean Re	30	Disability (Let's go M Accidental insurance)
Quota Share	Korean Re	50	SI Insurance
Quota Share	Korean Re	50	Dementia Insurance
Quota Share	Korean Re	50	Mortality (term insurance),injuries (children, accident insurance),hospitalization/surgery, (children insurance), diagnosis (children, accident insurance, M3 cancer insurance, fine dust disease insurance, E women's Health Insurance, B women's Health Insurance,)
Quota Share	Korean Re	80	Facultative reinsurance

(In millions of won)

50. Commitments and contingencies, continued

(4) Purchase commitment of commercial paper

The Group provides ABCP purchase commitments amounting to ₩180,600 million (December 31, 2021: ₩ 180,600 million) to SPC, etc. in relation to developer's project as of March 31, 2022.

		Amounts	Period	Description
Bluedream 19th Co., Ltd.	₩	21,000	2017.11.23~2023.06.21	ABCP purchase commitments
Neoexodium 1st Co., Ltd.		20,200	2018.07.30~2022.05.22	
MKDREAM 5th Co., Ltd.		21,000	2018.11.12~2024.12.20	
ABFT Infra Development Co., Ltd.		23,000	2015.04.30~2022.04.29	
Urban Guarantee Chunan 1st Co., Ltd		19,500	2020.07.22~2024.01.30	
Urban Guarantee Seodaesin 1st Co., Ltd		30,600	2017.11.07~2022.11.30	
Urban Guarantee Namsan 1st Co., Ltd.		45,300	2017.11.30~2022.02.28	
	₩	180,600		

(5) Stand-by commitments

The Group provides guarantee of debts (purchase commitment etc.) of ₩265,608 million (December 31, 2021: ₩224,608 million) to SPC for the developer's projects as of March 31, 2022.

Company	Trade Opponent		Amount	Description
Kyobo Securities Co., Ltd.	Ujur 8th Co., Ltd.	₩	32,000	Debt guarantee
	Jjibest 6th Co., Ltd.		25,000	
	Eco dream 1st Co., Ltd.		29,400	
	DW Yangju 1st Co., Ltd.		27,800	
	Bright Star 6th Co., Ltd.		67,500	
	Whitewood 8th Co., Ltd.		16,000	
	Teureoseuteuhoecheon 1st Co., Ltd.		20,000	
	Dream the First Geomdan 1st Co., Ltd.		12,000	
	Must Hakik 1st Co., Ltd.		10,000	
	Quadverthill Chuncheon 1st Co., Ltd.		5,000	
	Quadverthill Chuncheon 2nd Co., Ltd.		4,000	
	Seaside Yeongjong 1st Co., Ltd.		7,000	
	Doublerich 9th Co., Ltd.		4,000	
	Ujur 1th Co., Ltd.		3,000	
	KCQ 1st Co., Ltd.		1,000	
	KCQ 2th Co., Ltd.		1,000	
Kyobo Asset Trust Co., Ltd	Busan Geumjeong-gu Office		908	Equity guarantee
		₩	265,608	

(In millions of won)

50. Commitments and contingencies, continued

(6) The amounts of payment guarantee provided as of March 31, 2022 are as follows:

		Amount
Seoul Guarantee Insurance	₩	193,649
Korea Specialty Contractor Financial Cooperative		8,364
Korea Software Financial Cooperative		66
Korea Housing & Urban Guarantee Corporation		7,849,782
Others		600
	₩	8,052,461

(In millions of won)

50. Commitments and contingencies, continued

(7) Other commitments as of March 31, 2022 are as follows:

		Amount
Loan commitments	₩	2,980,319
Investment commitments		4,626,122
	₩	7,606,441

(8) Overdraft commitments, etc.

The commitments and guarantees as of March 31, 2022 are as follows:

			Amount	Counter party	Descriptions
Kyobo Life Insurance Co., Ltd.	Overdraft commitments	₩	290,000	Standard Chartered Bank, etc.	Bank overdraft
Kyobo Securities Co., Ltd.	Overdraft commitments		106,000	Woori Bank, etc.	Intra-day credit, Micro payment
	Limit commitments		1,175,000	KSFC	Securities distribution finance, CP issue limit commitments
Kyobo Book Center Co., Ltd.	Overdraft commitments		20,000	Kookmin Bank	Bank overdraft
	Limit commitments		24,000	Shinhan Bank, etc.	Corporate operating loan limit commitments
Kyobo Hottracks Co., Ltd.	Overdraft commitments		4,000	Woori Bank	Bank overdraft
	Limit commitments		15,000	Shinhan Bank, etc.	Corporate operating loan limit commitments
		₩	1,634,000		

(9) Securities lending and borrowing

Securities lending and borrowing as of March 31, 2022 are as follows:

	Type		Amount	Valuation standard
Securities lent	Equity securities	₩	137,440	Fair value
	Debt securities		301,768	Fair value
Securities borrowed	Equity securities		263,022	Fair value
	Debt securities(*)		2,484,943	Fair value

(*) Among debt securities, ₩205,187 million was provided as collateral for the sales of repurchase agreement.

Securities lending transaction is a transaction that transfers the ownership of the same amount and kind of securities after a certain period of time and continues to be recognized as an asset of the Group because it does not meet the conditions for the derecognition of transfer of financial assets.

The Group executes loan transaction and keeps memorandum notes on borrowed securities from KSFC and Korea Securities Depository. The Group accounts for the transaction as financial liabilities designated at fair value through profit or loss when it sells borrowed securities or when it makes a short sale of the borrowed securities.

(In millions of won)

50. Commitments and contingencies, continued

(10) The Group provided tenants with three overdraft checks (issue price of ₩694 million) as collateral for the lease deposit when the group signed lease contracts for buildings owned by Kyobo Securities and transfer contracts for building owned by others as of March 31, 2022.

(11) To prevent the spread of Covid-19, various prevention and control measures, including restrictions on travelling, are being implemented worldwide. As a result, the global economy is affected extensively, and it is difficult to predict the duration and intensity of the spread of Covid-19 pandemic. In addition, the Group's valuation of fair value of financial instruments, assessment of the appropriateness of insurance liabilities and others may be affected by Covid-19, and the Group has prepared the interim condensed consolidated financial statements by reasonably estimating the impact of Covid-19 on the Group. However, as of March 31, 2022, the Group cannot reasonably estimate the ultimate impact on its consolidated financial position, consolidated financial performance and consolidated cash flows due to the future spread of Covid-19.

51. Related parties

(1) The related parties as of March 31, 2022 and 2021 are as follows:

2022	Location
Associates	
A&D Credit Information Co., Ltd., Hwaseong-Jeongnam General Industry Complexes Co., Ltd., Kyobo 9 Special Purpose Acquisition Company, Kyobo 10 Special Purpose Acquisition Company, Kyobo 11 Special Purpose Acquisition Company, Kyobo 12 Special Purpose Acquisition Company, Songsan Industrial Complex Development Co., Ltd., Pusan Millak PFV, Jinjeop2 REIT Co., Ltd.,Guri- Galmae Daeto Development Trust Management Property Investment Company, Yeoido H2 PFV, Pusan Eco delta city PFV , Logistec Yangsan Co.,Ltd. Incheon Gundam 3rd PFV, Hera Park City development PFV, Hera Park City development AMC Co., Ltd.,Incheon Yeongjong PFV,Dongdaemoon Urban PFV,Chungju Biz Core City, Chungnam Naepo 1 PFV, Yangjuhoechun PFV, Peco-city, Incheon Yeongjong 1st PFV, Changwon gapo PFV, Kyobo NH Healthcare New Technology Investment Association 1, NH Kyobo AI solution New Technology Investment Association, Kyobo Kiwoom New Materials & Technology Investment Association, Kyobo Hanyang ESG New Technology Investment Association, Kyobo Axis Future & New Technology Investment Association 1, Kyobo-YG Ilguimu newTechnology Investment Association, KT-KYOBO New Mobility New Technology Investment Association, NPC&C Co., Ltd., Marston General Private Real Estate Investment Trust No. 61	Korea
Joint Ventures	
Kyobo AXA Investment Managers Co., Ltd.	Korea
Others	
Daesan Foundation For Rural Society, Daesan Foundation For Culture, Kyobo Foundation For Education	Korea

51. Related parties, continued

(1) The related parties as of March 31, 2022 and 2021 are as follows, continued:

2021	Location
Associates	
A&D Credit Information Co., Ltd., Hwaseong-Jeongnam General Industry Complexes Co., Ltd.,Kyobo 9 Special Purpose Acquisition Company,Kyobo 10 Special Purpose Acquisition Company,Kyobo 11 Special Purpose Acquisition Company,Songsan Industrial Complex Development Co., Ltd., Pusan Millak PFV, Jinjeop2 REIT Co., Ltd.,Guri- Galmae Daeto Development Trust Management Property Investment Company, Yeoido H2 PFV, Pusan Eco delta city PFV, Logistec Yangsan Co.,Ltd. Incheon Gundam 3rd PFV, Hera Park City development PFV, Hera Park City development AMC Co., Ltd.,Incheon Yeongjong PFV, Dongdaemoon Urban PFV,Chungju Biz Core City, Chungnam Naepo 1 PFV, Yangjuhoechun PFV, Peco-city, Incheon Yeongjong 1st PFV, Changwon gapo PFV, Kyobo NH Healthcare New Technology Investment Association 1, NH Kyobo AI solution New Technology Investment Association, Kyobo Kiwoom New Materials & Technology Investment Association, Kyobo Hanyang ESG New Technology Investment Association, Kyobo Axis Future & New Technology Investment Association 1, Kyobo-YG Ilguimu newTechnology Investment Association, NPC&C Co., Ltd., Marston General Private Real Estate Investment Trust No. 61	Korea
Joint Ventures	
Kyobo AXA Investment Managers Co., Ltd.	Korea
Others	
Daesan Foundation For Rural Society, Daesan Foundation For Culture, Kyobo Foundation For Education	Korea

(In millions of won)

51. Related parties, continued

(2) Significant balances with the related parties as of March 31, 2022 and December 31, 2021 are as follows:

Related party	Account		2022	2021
Associates:				
A&D Credit Information	Accounts payable	₩	672	694
Co., Ltd.	Retirement pension (*)		501	550
Kyobo 9 Special Purpose Acquisition Company	Loan receivables		2,072	2,479
Kyobo 10 Special Purpose Acquisition Company	Loan receivables		1,966	1,947
Kyobo 11 Special Purpose Acquisition Company	Loan receivables		2,117	2,018
Kyobo 12 Special Purpose Acquisition Company	Loan receivables		976	-
Hera Park City development PFV	Deposits		5,000	5,000
Hera Park City development AMC Co., Ltd.	Deposits		100	100
Joint Ventures:				
Kyobo AXA Investment	Accounts payable		658	737
Managers Co., Ltd.	Leasehold deposits received		805	805
	Deposits		491	536
Others:				
Daesan Foundation For Rural Society	Retirement insurance (*)		-	180
Daesan Foundation For	Leasehold deposits received		1,363	1,363
Culture	Retirement pension (*)		-	616
Kyobo Foundation For Education	Retirement pension (*)		-	583
Key management	Loan receivables		80	144

(*) Retirement insurance and pension are reserve for policyholder in separate account liabilities.

(In millions of won)

51. Related parties, continued

(3) Significant transactions with the related parties for the three-month periods ended March 31, 2022 and 2021 are as follows:

Related party	Account	2022 Revenues	2022 Expenses	2021 Revenues	2021 Expenses
Associates:					
A&D Credit Information	Dividend income	₩ 49	-	49	-
	Claims paid (*)	-	3	-	3
	Operating and administrative expenses	-	38	-	34
	Asset management expenses	-	1,766	-	1,807
Yeouido H2 PFV	Commission income	594	-	-	-
Kyobo NH Healthcare New Technology Investment Association 1st	Commission income	30	-	-	-
NH Kyobo AI solution New Technology Investment Association	Commission income	17	-	-	-
Kyobo Kiwoom New Materials & Technology Investment Association	Commission income	28	-	-	-
Kyobo Hanyang ESG New Technology Investment Association	Commission income	15	-	-	-
Kyobo Axis Future & New Technology Investment Association 1st	Commission income	55	-	-	-
KYOBO Ygilguimu New Technology Investment Association	Commission income	13	-	-	-
Kyobo New Technology Investment Association 1st	Commission income	740	-	-	-
Kyobo 9 Special Purpose Acquisition Company	Commission income	36	-	-	-
Kyobo 10 Special Purpose Acquisition Company	Gain on valuation of derivatives	19	-	-	-
Kyobo 11 Special Purpose Acquisition Company	Gain on valuation of derivatives	9	-	-	-
Kyobo 12 Special Purpose Acquisition Company	Gain on valuation of derivatives	14	-	-	-
Joint Ventures:					
Kyobo AXA Investment Managers Co., Ltd.	Premium income (*)	2	-	2	-
	Commission income	246	-	489	-
	Dividend income	8,445	-	5,898	-
	Rental income	358	-	357	-
	Asset management expenses	-	662	-	806

(In millions of won)

51. Related parties, continued

(3) Significant transactions with the related parties for the three-month periods ended March 31, 2022 and 2021 are as follows, continued:

		2022		2021	
Related party	Account	Revenues	Expenses	Revenues	Expenses
Others:					
Daesan Foundation For Rural Culture & Society	Claims paid (*)	-	1	-	1
Daesan Foundation For Culture	Premium income (*)	-	-	4	-
	Rental income	15	-	15	-
	Claims paid (*)	-	1	-	3
	Operating and administrative expenses	-	16	-	-
	Non-operating expenses	-	150	-	150
Kyobo Foundation For Education & Culture	Claims paid (*)	-	1	-	2
	Non-operating expenses	-	6	-	6

(*) Premium income and claims paid belong to profit or loss in separate account.

(In millions of won)

51. Related parties, continued

(4) The financing transactions with the related parties for the three-month periods ended March 31, 2022 and 2021 are as follows:

Related party		2022		
		Loan transaction		Collection of investment
		Lending	Collection	
Kyobo 12 Special Purpose Acquisition Company	₩	990	-	10
KT-KYOBO New Mobility New Technology Investment Association		-	-	2,000

Related party		2021		
		Loan transaction		Collection of investment
		Lending	Collection	
Yeoido H2 PFV	₩	-	-	50
Pusan Eco delta city PFV		-	-	250
Logistec Yangsan Co., Ltd.		-	-	398
Incheon Gundam 3rd PFV		-	-	250
Hera Park City development PFV		-	-	975
Hera Park City development AMC Co., Ltd.		-	-	20

(5) The Group determined that the key management includes executives and external directors who have authority and responsibilities for decision making of the business plan, operations and control over the Group. Key management compensation for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Long and short-term employee benefits	₩	7,720	13,757
Retirement benefits		1,942	1,935
Share-based Payment		13	1
	₩	9,675	15,693

(6) Transactions of securities through major related parties for the three-month periods ended March 31, 2022 and 2021 are as follows:

Related party	Type of securities	2022		2021	
		Buy	Sell	Buy	Sell
Kyobo AXA Investment Management Co., Ltd.	Beneficiary certificates.	220,380	226,939	793,959	911,247

(7) The Group has entered into a trust contract of ₩ 43,069 million with other related parties such as Daesan Foundation For Rural Society as of March 31, 2022.

(In millions of won)

52. Statements of cash flows

(1) Significant non-cash activities for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022	2021
Changes in valuation gain on available-for-sale financial assets	₩	(2,134,417)	(1,636,350)
Reclassification of held-to-maturity financial assets from available-for-sale financial assets		5,298,029	-
Reclassification of gain on held-to-maturity financial assets from gain on available-for-sale financial assets		(640,886)	-
Transfer property and equipment to investment properties		13,070	8,941
Changes in valuation gain on revaluation of property and equipment		1,629	1,998
Changes in valuation loss on derivatives for cash flow hedging purpose		24,090	46,111
Changes in other comprehensive income in associates		6	(4)
Other comprehensive income in separate accounts		(128,335)	(24,641)
Changes in foreign currency translation adjustments for foreign operations		79	265
Changes in remeasurements on defined benefit obligation		(327)	(58)
Write-off and others		(4,692)	(4,334)
Write-off of other receivables, etc.		(518)	(75)
Transfer prepaid expense to property and equipment		91	53
Transfer prepaid expense to intangible assets		6,913	9,224
Transfer from construction in progress		1,722	8,927
Changes in right-of-use assets (transfer, acquisition)		37,324	20,520
Changes in right-of-use assets (disposal)		(582)	(7,752)
Dividends payable of hybrid bond		21,495	-
Regulatory reserve for loan loss		41,864	-
Policyholders' equity adjustments		(561,560)	(588,173)
Income tax expenses reflected in capital		660,347	609,897

(2) Changes in liabilities from financing activities for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022			
		Lease liabilities	Borrowings	Leasehold deposits received	Total
Beginning balance	₩	70,789	3,541,753	94,585	3,707,127
Cash flows from financing activities		(11,636)	167,926	(2,010)	154,280
Interest expense, etc.		42,122	16,709	(1,691)	57,140
Ending balance	₩	101,275	3,726,388	90,884	3,918,547

		2021			
		Lease liabilities	Borrowings	Leasehold deposits received	Total
Beginning balance	₩	78,164	2,619,813	106,992	2,804,969
Cash flows from financing activities		(11,993)	588,611	(1,198)	575,420
Interest expense, etc.		10,023	9,123	(341)	18,805
Ending balance	₩	76,194	3,217,547	105,453	3,399,194

53. Interests in unconsolidated structured entities

(1) The nature, purposes and activities of the unconsolidated structured entities which the Group had interest in as of March 31, 2022, and how these structured entities are financed were summarized as follows:

Nature	Purposes	Activities	Financing methods
Asset securitization	(1) Encashment by transferring securitized assets (2) Investment fee collection by providing credit offering and ABCP purchase commitments to SPC	(1) Carrying out a plan to securitized assets (2) Taking over and collecting securitized assets (3) Issuing and redeeming ABS and ABCP	(1) Issuance of ABS and ABCP
Project financing	(1) Project financing loans for social overhead capital(SOC) and real estate (2) Lending loans to shipbuilding/airplane SPC	(1) Constructing social overhead capital and real estate (2) Manufacturing and purchasing shipbuilding/airplanes	(1) Entering into loan commitments, credit offering and investment commitments (with credit line)
Investment fund	(1) Investment in beneficiary certificates (2) Investment in PEF and cooperatives	(1) Management and operation of fund assets (2) Payment of fund management fees and sharing of profits from asset management	(1) Sales of beneficiary certificates (2) Investment by general managers and limited liability partners

(In millions of won)

53. Interests in unconsolidated structured entities, continued

(2) Total assets of the unconsolidated structured entities, carrying value of equity and maximum exposure to loss related to the Group's interests in unconsolidated structured entities as of March 31, 2022 are as follows:

Type		Asset-backed securitization	Project financing	Investment fund	Total
Total assets of the unconsolidated structured entities	₩	23,066,099	110,337,835	1,129,328,268	1,262,732,202
Carrying value of assets:					
Loan receivables		220,000	8,365,376	3,410	8,588,786
Financial assets held for trading		176,240	16,248	398,318	590,806
Available-for-sale financial assets		2,927,092	11,492,995	3,338,781	17,758,868
Other assets		3,851	27,246	17,151	48,248
	₩	3,327,182	19,901,865	3,757,659	26,986,706
Maximum exposure to loss (*)	₩	3,802,482	25,063,407	3,757,659	32,623,548
Deduction method of maximum exposure		Purchase commitment /Credit offering	Loan commitment /Investment commitment	Loan commitment	

(*) The maximum amounts exposed to losses included investment assets in the consolidated financial statements.

(3) As of March 31, 2022, there was no financial support or any other support provided for consolidated or unconsolidated structured entities without contractual consideration.

(In millions of won)

54. Operating segments

(1) Operating segments consist of insurance segment, securities segment and other segments. Other segments contain retails, property managements and insurance related services, etc.

(2) Details of financial performance of each operating segment including income tax expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

		2022				
		Insurance	Securities	Others	Consolidated adjustments	Total
Operating revenues	₩	4,463,189	1,685,975	341,044	(62,576)	6,427,632
Operating expenses		4,130,620	1,649,540	325,312	(62,436)	6,043,036
Operating profit		332,569	36,435	15,732	(139)	384,596
Non-operating income		24,387	963	477	(11,905)	13,922
Non-operating expenses		22,159	1,373	330	(60)	23,802
Profit before income tax expenses		334,796	36,024	15,879	(11,984)	374,716
Income tax expenses		82,070	8,493	3,410	1,083	95,056
Profit for the period	₩	252,727	27,531	12,469	(13,067)	279,659

		2021				
		Insurance	Securities	Others	Consolidated adjustments	Total
Operating revenues	₩	4,785,455	726,390	322,761	(52,851)	5,781,755
Operating expenses		4,177,422	664,988	313,281	(52,802)	5,102,889
Operating profit		608,033	61,402	9,480	(49)	678,866
Non-operating income		34,590	2,085	1,305	(26,860)	11,120
Non-operating expenses		2,035	632	596	(13)	3,250
Profit before income tax expenses		640,588	62,855	10,189	(26,896)	686,736
Income tax expenses		168,168	15,317	2,687	784	186,956
Profit for the period	₩	472,420	47,538	7,502	(27,680)	499,780

(In millions of won)

54. Operating segments, continued

(3) Details of information on assets and liabilities of each operating segment as of March 31, 2022 is as follows:

		2022				
		Insurance	Securities	Others	Consolidated adjustments	Total
Cash and due from banks	₩	1,155,909	1,088,603	188,410	(100,553)	2,332,369
Securities		62,558,841	7,240,156	348,326	-	70,147,323
Loan receivables		21,824,993	1,820,817	121,732	-	23,767,542
Investments in associates and joint ventures		1,394,596	17,482	56,410	(1,401,900)	66,588
Separate account assets		25,280,445	-	-	(149,324)	25,131,121
Others		4,530,918	1,877,127	585,013	(115,691)	6,877,367
	₩	116,745,702	12,044,185	1,299,891	(1,767,468)	128,322,310
Liabilities under insurance contracts	₩	79,762,307	-	-	-	79,762,307
Policyholders' equity adjustments		141,356	-	-	16,700	158,056
Separate account liabilities		25,589,627	-	-	(104,329)	25,485,298
Others		2,292,286	10,636,167	412,072	(249,396)	13,091,129
	₩	107,785,576	10,636,167	412,072	(337,025)	118,496,790

(In millions of won)

54. Operating segments, continued

(3) Details of information on assets and liabilities of each operating segment as of December 31, 2021 is as follows, continued:

		2021				
		Insurance	Securities	Others	Consolidated adjustments	Total
Cash and due from banks	₩	1,645,387	1,200,848	180,991	(130,182)	2,897,044
Securities		65,323,574	7,388,504	376,872	-	73,088,950
Loan receivables		21,917,156	1,703,339	104,814	-	23,725,309
Investments in associates and joint ventures		1,396,865	15,928	56,465	(1,397,588)	71,670
Separate account assets		25,362,225	-	-	(189,796)	25,172,429
Others		4,275,137	1,178,024	516,827	9,474	5,979,462
	₩	119,920,344	11,486,643	1,235,969	(1,708,092)	130,934,864
Liabilities under insurance contracts	₩	79,287,141	-	-	-	79,287,141
Policyholders' equity adjustments		699,418	-	-	20,198	719,616
Separate account liabilities		26,228,909	-	-	(182,016)	26,046,893
Others		2,595,132	10,091,174	420,463	(180,329)	12,926,440
	₩	108,810,600	10,091,174	420,463	(342,147)	118,980,090

(4) Geographical information

A geographical information is not disclosed as revenues are primarily derived from customers located in the Republic of Korea, and long-term assets, such as property and equipment, are located in the Republic of Korea, where the Group's head office is domiciled.

(5) The Group has no single external customer from which revenues amount to 10 percent or more of the Group's operating revenues for the three-month period ended March 31, 2022.

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Independent auditor's report

The Shareholders and Board of Directors

Kyobo Life Insurance Co., Ltd.

Opinion

We have audited the consolidated financial statements of Kyobo Life Insurance Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements 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.

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 KIFRS, 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.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS 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 KGAAS, 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 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.

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Emphasis of matter

As a matter that does not modify the audit opinion, we draw attention to Note 50 of the consolidated financial statements. As explained in Note 50, various measures and controls, including travel restrictions, have been enforced worldwide in order to contain the spread of COVID-19. As a result, the global economy has been affected extensively, and its duration and severity are difficult to predict. COVID-19 may affect the fair value assessment of financial instruments and the adequacy assessment of insurance liabilities. The Group has prepared the financial statements by reasonably estimating the impact of COVID-19 on the consolidated financial statements for the reporting period ending on December 31, 2021. However, the ultimate impact of the future spread of COVID-19 on the Group's financial position, financial performance and cash flows cannot be reasonably predicted as of the audit report date.

Ernst & Young Han Young

March 11, 2022

This audit report is effective as of March 11, 2022, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

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Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of financial position
As of December 31, 2021 and 2020

(In won)	*Note*		2021	2020	January 1, 2020
Assets					
Cash and due from banks	5,13,14,46,54,56	₩	2,897,044,192,397	1,940,631,132,561	2,649,706,651,253
Financial assets designated at fair value through profit or loss	6,13,14,46,54,56		526,970,498,303	332,196,299,250	329,895,921,195
Financial assets held for trading	7,13,14,46,54		7,214,309,602,349	7,101,067,457,604	5,765,979,270,244
Derivative assets	13,14,30		461,752,545,264	1,323,167,566,062	493,642,281,492
Available-for-sale financial assets	8,13,14,46,54		60,794,119,995,826	63,367,484,801,269	60,085,725,647,672
Held-to-maturity financial assets	9,13,14,46		4,553,550,393,992	-	-
Loan receivables	10,13,14,46,54,56		23,725,308,922,506	22,353,303,173,690	20,762,638,962,873
Other receivables	11,13,14,34,46,54		1,397,655,373,024	1,579,934,187,438	1,214,918,260,393
Investments in associates and a joint venture	12,53,56		71,670,152,838	36,260,388,157	35,223,809,126
Investment properties	15		1,058,099,935,135	1,094,670,808,051	1,129,510,935,144
Property and equipment	16		1,414,876,099,291	1,378,699,946,490	1,367,728,339,602
Intangible assets	17		257,351,416,395	296,297,489,265	328,934,725,156
Deferred acquisition costs	18		1,158,428,811,992	1,188,686,905,574	1,270,428,124,603
Current tax assets	48		2,600,572,314	130,265,834,867	120,897,459,132
Deferred tax assets	48		11,486,476,236	10,161,492,042	9,230,390,429
Other assets	19,34		197,249,529,720	198,927,007,646	213,835,885,227
Defined benefit assets	28		19,960,970,432	-	-
Separate account assets	31,56		25,172,428,654,955	23,372,953,371,011	20,275,132,757,938
Total assets		₩	130,934,864,142,969	125,704,707,860,977	116,053,429,421,479
Liabilities					
Liabilities under insurance contracts	20,54,56	₩	79,287,141,125,443	76,686,195,931,363	73,038,900,332,510
Policyholders' equity adjustments	21,54,56		719,615,616,198	1,461,810,235,679	1,416,461,089,865
Financial liabilities designated at fair value through profit or loss	13,14,23		3,564,848,850,228	3,083,525,917,968	3,113,271,525,323
Financial liabilities held for trading	13,14,24		117,483,707,750	413,808,795,380	561,195,920,920
Derivative liabilities	13,14,30		890,411,888,037	606,577,046,108	400,270,876,781
Borrowings	13,14,25		3,541,752,624,582	2,619,812,532,294	1,806,759,589,499
Other financial liabilities	13,14,26,34,46		3,084,838,505,261	2,883,733,061,656	2,004,856,733,267
Provisions	27,50		22,223,341,525	24,192,457,662	24,583,147,184
Defined benefit liabilities	28		1,433,717,690	28,006,936,585	60,446,322,081
Current tax liabilities	48		55,245,493,616	40,079,819,182	32,549,690,402
Deferred tax liabilities	48		877,940,357,169	1,559,255,352,488	1,344,582,300,541
Other liabilities	29		770,261,962,994	587,808,904,407	239,640,007,410
Separate account liabilities	31,56		26,046,892,940,587	23,930,355,974,084	20,738,136,719,069
Total liabilities			118,980,090,131,080	113,925,162,964,856	104,781,654,254,852
Equity					
Capital stock	32		102,500,000,000	102,500,000,000	102,500,000,000
Hybrid bonds	32		1,020,053,815,983	551,437,935,983	551,437,935,983
Capital surplus	32		520,179,448,547	520,373,285,673	373,283,795,735
Capital adjustments	32		(12,001,961,598)	(12,031,362,407)	(12,081,936,708)
Accumulated other comprehensive income	32		1,914,204,928,207	3,712,033,702,127	3,502,402,691,042
Retained earnings	32		8,051,586,120,865	6,580,533,240,459	6,304,872,773,369
Equity attributable equity holders of the parent company			11,596,522,352,004	11,454,846,801,835	10,822,415,259,421
Non-controlling interests	32		358,251,659,885	324,698,094,286	449,359,907,206

Total equity	11,954,774,011,889	11,779,544,896,121	11,271,775,166,627
Total liabilities and equity	₩ 130,934,864,142,969	125,704,707,860,977	116,053,429,421,479

The accompanying notes are an integral part of the consolidated financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of comprehensive income
For the years ended December 31, 2021 and 2020

(In won)	*Note*		2021	2020
Operating revenues	56			
Premium income	33	₩	9,951,251,048,174	9,019,424,929,963
Reinsurance income	34		145,302,878,081	128,702,944,171
Interest income	13,35		2,736,945,014,846	2,738,707,536,210
Gain on valuation and disposal of financial instruments	13,36		2,385,434,025,595	3,361,296,149,661
Gain on foreign currency transaction	13,46		1,408,978,440,084	538,253,927,693
Fee and commission income	37		519,614,717,861	389,314,910,859
Dividend income	13,38		557,742,747,191	563,606,063,707
Rental income	15		82,841,943,773	82,977,646,959
Separate account commissions earned			761,335,568,932	780,886,269,599
Separate account income	31		216,538,669,319	147,686,098,973
Other operating income	39		949,124,174,355	894,054,922,978
			19,715,109,228,211	18,644,911,400,773
Operating expenses	56			
Provision for liabilities under insurance contracts			3,518,883,856,647	3,507,380,060,614
Insurance claims paid	40		7,895,323,135,455	6,982,062,183,511
Reinsurance premium expenses	34		149,741,120,811	134,552,133,739
Operating and administrative expenses	41		1,113,371,482,045	1,045,654,032,943
Amortization of deferred acquisition costs	18		538,975,343,364	645,068,554,233
Asset management expenses	42		136,254,375,419	121,458,693,599
Interest expenses	13,43		275,402,525,335	270,793,399,585
Loss on valuation and disposal of financial instruments	13,44		3,349,214,547,375	2,421,613,306,381
Loss on foreign currency transaction	13,46		200,644,473,217	1,262,651,004,023
Separate account commissions			29,036,392,475	40,360,281,585
Separate account expenses	31		216,538,669,319	147,686,098,973
Other operating expenses	45		1,576,502,660,278	1,381,352,031,723
			18,999,888,581,740	17,960,631,780,909
Operating profit	56		715,220,646,471	684,279,619,864
Non-operating income	47,56		35,270,093,496	17,916,239,407
Non-operating expenses	47,56		26,400,360,839	35,797,375,286
Profit before income tax expenses	56		724,090,379,128	666,398,483,985
Income tax expenses	48,56		198,375,098,544	188,568,380,574
Profit for the year	56	₩	525,715,280,584	477,830,103,411

(Continued)

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of comprehensive income (loss), continued
For the years ended December 31, 2021 and 2020

(In won)	*Note*		2021	2020
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Revaluation loss of property and equipment		₩	(7,499,945,712)	(14,344,002,448)
Remeasurements on defined benefit liabilities			18,990,023,688	12,574,393,822
			11,490,077,976	(1,769,608,626)
Items that are or may be reclassified subsequently to profit or loss:				
Gain(loss) on valuation of available-for-sale financial assets			(1,774,420,932,986)	300,859,192,643
Gain on valuation of investments in associates			1,153,838	16,177,683
Gain(loss) on valuation of derivative instruments for hedging			36,329,079,300	(146,741,139,758)
Other comprehensive income (loss) from separate accounts			(69,058,152,873)	28,564,225,189
Foreign currency translation adjustments for foreign operations			499,393,270	(426,795,148)
			(1,806,649,459,451)	182,271,660,609
Other comprehensive income (loss) for the year, net of income tax			(1,795,159,381,475)	180,502,051,983
Total comprehensive income (loss) for the year		₩	(1,269,444,100,891)	658,332,155,394
Profit for the year attributable to:				
Owners of the parent company		₩	489,316,350,757	452,201,163,546
Non-controlling interests			36,398,929,827	25,628,939,865
		₩	525,715,280,584	477,830,103,411
Total comprehensive income (loss) for the year attributable to:				
Owners of the parent company		₩	(1,308,512,423,163)	661,832,174,631
Non-controlling interests			39,068,322,272	(3,500,019,237)
		₩	(1,269,444,100,891)	658,332,155,394
Earnings per share				
Basic and diluted earnings per share	52	₩	4,497	4,190

The accompanying notes are an integral part of the consolidated financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of changes in equity
For the years ended December 31, 2021 and 2020

(In won)		Equity attributable to equity holders of the parent company							Non -controlling interests	Total equity
		Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Subtotal		
Balance at January 1, 2020	₩	102,500,000,000	551,437,935,983	373,283,795,735	(12,081,936,708)	3,502,402,691,042	6,304,872,773,369	10,822,415,259,421	449,359,907,206	11,271,775,166,627
Total comprehensive income:		-	-	-	-	209,631,011,085	452,201,163,546	661,832,174,631	(3,500,019,237)	658,332,155,394
Profit for the year		-	-	-	-	-	452,201,163,546	452,201,163,546	25,628,939,865	477,830,103,411
Other comprehensive income:		-	-	-	-	209,631,011,085	-	209,631,011,085	(29,128,959,102)	180,502,051,983
Gain (loss) on valuation of available-for-sale financial assets		-	-	-	-	313,285,624,575	-	313,285,624,575	(12,426,431,932)	300,859,192,643
Gain on valuation of investments in associates		-	-	-	-	14,524,163	-	14,524,163	1,653,520	16,177,683
Loss on valuation of derivative instruments for hedging		-	-	-	-	(146,741,139,758)	-	(146,741,139,758)	-	(146,741,139,758)
Other comprehensive income from separate accounts		-	-	-	-	28,564,225,189	-	28,564,225,189	-	28,564,225,189
Foreign currency translation adjustments for foreign operations		-	-	-	-	(426,795,148)	-	(426,795,148)	-	(426,795,148)
Gain (loss) on revaluation of property and equipment		-	-	-	-	3,609,187,974	-	3,609,187,974	(17,953,190,422)	(14,344,002,448)
Remeasurements gain (loss) on defined benefit liabilities		-	-	-	-	11,325,384,090	-	11,325,384,090	1,249,009,732	12,574,393,822
Transactions with shareholders:		-	-	147,089,489,938	50,574,301	-	(176,485,278,333)	(29,345,214,094)	(121,161,779,416)	(150,506,993,510)
Annual dividends		-	-	-	-	-	(153,750,000,000)	(153,750,000,000)	(6,528,371,600)	(160,278,371,600)
Payment of hybrid bonds dividends		-	-	-	-	-	(22,735,278,333)	(22,735,278,333)	-	(22,735,278,333)
Compensation expense associated with incentive stock options		-	-	-	50,574,301	-	-	50,574,301	44,412,083	94,986,384
Acquisition and disposal of investments in subsidiaries		-	-	147,089,489,938	-	-	-	147,089,489,938	(114,677,819,899)	32,411,670,039
Others:		-	-	-	-	-	(55,418,123)	(55,418,123)	(14,267)	(55,432,390)
Balance at December 31, 2020	₩	102,500,000,000	551,437,935,983	520,373,285,673	(12,031,362,407)	3,712,033,702,127	6,580,533,240,459	11,454,846,801,835	324,698,094,286	11,779,544,896,121

(Continued)

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of changes in equity, continued
For the years ended December 31, 2021 and 2020

(In won)		Equity attributable to equity holders of the parent company								
		Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Subtotal	Non -controlling interests	Total equity
Balance at January 1, 2021	₩	102,500,000,000	551,437,935,983	520,373,285,673	(12,031,362,407)	3,712,033,702,127	6,580,533,240,459	11,454,846,801,835	324,698,094,286	11,779,544,896,121
Retrospective effect of changes in accounting policy		-	-	-	-	-	1,112,800,484,783	1,112,800,484,783	-	1,112,800,484,783
Balance at January 1, 2021 (adjusted)		102,500,000,000	551,437,935,983	520,373,285,673	(12,031,362,407)	3,712,033,702,127	7,693,333,725,242	12,567,647,286,618	324,698,094,286	12,892,345,380,904
Total comprehensive loss:		-	-	-	-	(1,797,828,773,920)	489,316,350,757	(1,308,512,423,163)	39,068,322,272	(1,269,444,100,890)
Profit for the year		-	-	-	-	-	489,316,350,757	489,316,350,757	36,398,929,827	525,715,280,584
Other comprehensive income:		-	-	-	-	(1,797,828,773,920)	-	(1,797,828,773,920)	2,669,392,445	(1,795,159,381,475)
Gain (loss) on valuation of available-for-sale financial assets		-	-	-	-	(1,776,561,882,651)	-	(1,776,561,882,651)	2,140,949,665	(1,774,420,932,986)
Gain on valuation of investments in associates		-	-	-	-	881,039	-	881,039	272,799	1,153,838
Gain on valuation of derivative instruments for hedging		-	-	-	-	36,329,079,300	-	36,329,079,300	-	36,329,079,300
Other comprehensive loss from separate accounts		-	-	-	-	(69,058,152,873)	-	(69,058,152,873)	-	(69,058,152,873)
Foreign currency translation adjustments for foreign operations		-	-	-	-	499,393,270	-	499,393,270	-	499,393,270
Loss on revaluation of property and equipment		-	-	-	-	(7,499,945,712)	-	(7,499,945,712)	-	(7,499,945,712)
Remeasurements gain on defined benefit liabilities		-	-	-	-	18,461,853,707	-	18,461,853,707	528,169,981	18,990,023,688
Transactions with shareholders:		-	468,615,880,000	(193,837,126)	29,400,809	-	(130,921,062,500)	337,530,381,183	(5,514,756,673)	332,015,624,510
Annual dividends		-	-	-	-	-	(102,500,000,000)	(102,500,000,000)	(7,344,418,051)	(109,844,418,051)
Issuance of hybrid bonds		-	468,615,880,000	-	-	-	-	468,615,880,000	-	468,615,880,000
Payment of hybrid bonds dividends		-	-	-	-	-	(28,421,062,500)	(28,421,062,500)	-	(28,421,062,500)
Compensation expense associated with incentive stock options		-	-	-	29,400,809	-	-	29,400,809	10,157,937	39,558,746
Acquisition and disposal of subsidiaries		-	-	1,625,666,315	-	-	-	1,625,666,315	-	1,625,666,315
Disproportionate dividend of investments in subsidiaries		-	-	(1,819,503,441)	-	-	-	(1,819,503,441)	1,819,503,441	-
Others:		-	-	-	-	-	(142,892,634)	(142,892,634)	-	(142,892,634)
Balance at December 31, 2021	₩	102,500,000,000	1,020,053,815,983	520,179,448,547	(12,001,961,598)	1,914,204,928,207	8,051,586,120,865	11,596,522,352,004	358,251,659,885	11,954,774,011,889

The accompanying notes are an integral part of the consolidated financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of cash flows
For the years ended December 31, 2021 and 2020

(In won)	*Note*	2021	2020
Cash flows from operating activities:			
Profit before income tax expenses		₩ 724,090,379,128	666,398,483,985
Adjustments for:			
Interest income		(2,736,945,014,846)	(2,738,707,536,210)
Interest expenses		275,402,525,335	270,793,399,585
Dividend income		(557,742,747,191)	(563,606,063,707)
Other adjustments to reconcile profit before income tax expenses to net cash provided by operating activities:			
Loss (gain) on valuation of financial assets held for trading, net		118,689,460,181	(31,572,767,640)
Loss (gain) on valuation of financial liabilities held for trading, net		160,727,620	(10,720,657,489)
Gain on valuation of financial assets designated at FVTPL, net		(650,643,574)	(1,527,950,113)
Gain on valuation of financial liabilities designated at FVTPL, net		(70,363,470,124)	(38,573,796,515)
Gain on disposal of available-for-sale financial assets, net		(497,254,453,150)	(622,398,986,605)
Gain on valuation of available-for-sale financial assets, net		(24,205,930,471)	-
Impairment losses on available-for-sale financial assets		31,988,786,740	61,445,102,811
Provision for (reversal of) loan losses		(15,249,191,064)	28,346,366,081
Loss (gain) on foreign currency transaction, net		(1,109,810,421,654)	884,037,653,326
Loss (gain) on valuation of derivatives, net		1,033,919,859,766	(741,409,041,349)
Loss on disposal of derivatives, net		22,288,740,921	20,318,932,433
Gain on investments in associates and joint ventures, net		(10,613,925,827)	(5,570,615,092)
Amortization of deferred acquisition costs		538,975,343,364	645,068,554,233
Depreciation of investment properties		7,222,492,276	9,219,581,563
Impairment losses on investment properties		1,113,634	550,252,997
Loss on disposal of property and equipment and investment properties, net		5,868,540,266	5,815,131,518
Depreciation of property and equipment		110,466,127,878	107,842,221,434
Impairment losses on property and equipment		36,328,769	875,486,566
Gain on disposal of intangible assets, net		(131,577,244)	(182,158,860)
Amortization of intangible assets		66,738,562,268	61,100,565,575
Impairment losses on intangible assets		6,316,487	11,976,344,621
Provision for liabilities under insurance contracts		3,518,883,856,647	3,507,380,060,614
Reversal of reinsurance assets		(6,441,455,483)	(2,338,767,875)
Retirement benefits		66,047,117,363	60,923,417,699
(Reversal of) bad debt expenses on other assets		(4,368,935,713)	4,352,059,340
Gain on cancellation of lease contracts		(673,640,793)	(151,240,393)
Other gain, net		(13,760,822,911)	(11,551,270,890)
		3,767,768,906,172	3,943,254,477,990
Changes in operating assets and liabilities:			
Due from banks		(334,693,367,593)	395,168,549,209
Financial assets designated at FVTPL		(194,123,555,479)	(772,427,942)
Financial assets held for trading		(156,844,134,846)	(1,354,367,240,584)
Loan receivables		(1,322,823,870,865)	(1,626,093,263,008)
Other receivables		158,841,941,300	(402,873,527,087)
Derivative assets		471,197,557,931	(358,784,359,408)
Deferred acquisition costs		(508,717,249,782)	(563,327,335,204)
Other assets		9,847,349,775	411,659,999
Separate account assets		(1,799,475,283,944)	(3,097,820,613,073)
Liabilities under insurance contracts		192,062,228,584	136,232,472,988
Financial liabilities designated at FVTPL		472,518,172,430	63,455,750,317
Financial liabilities held for trading		(296,485,815,250)	(136,666,468,051)
Derivative liabilities		(350,660,726,198)	206,908,486,890
Other financial liabilities		269,001,901,341	961,811,937,982
Provisions		(872,581,420)	(4,755,968,677)

(Continued)

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of cash flows, continued
For the years ended December 31, 2021 and 2020

(In won)	*Note*		2021	2020
Defined benefit liabilities		₩	(87,122,133,873)	(78,128,672,685)
Other liabilities			132,281,922,995	342,247,885,423
Separate account liabilities			2,021,284,341,851	3,231,618,186,310
			(1,324,783,303,043)	(2,285,734,946,601)
Income taxes paid			(51,279,818,269)	(57,648,318,955)
Interest received			2,309,373,761,712	2,561,486,404,544
Interest paid			(270,222,104,040)	(264,928,813,474)
Dividends received			557,856,030,849	563,485,393,186
Net cash provided by operating activities			2,693,518,615,807	2,094,792,480,343
Cash flows from investing activities:				
Acquisition of available-for-sale financial assets			(15,386,582,846,883)	(19,491,717,804,116)
Disposal of available-for-sale financial assets			16,724,891,036,902	16,650,075,343,406
Acquisition of held-to-maturity financial assets			(4,542,284,889,357)	-
Cash inflows from derivatives held for hedging			55,504,226,280	88,188,132,065
Cash outflows from derivatives held for hedging			(39,613,342,094)	(40,842,837,954)
Acquisition of investments in associates			(34,000,070,920)	(649,000,000)
Disposal of investments in associates			-	226,000,000
Receipt of dividends from associates and a joint venture			5,946,750,000	4,987,500,000
Acquisition of property and equipment and investment properties			(70,283,646,299)	(47,888,018,051)
Disposal of property and equipment and investment properties			504,335,269	3,637,049,741
Acquisition of intangible assets			(30,540,800,079)	(27,102,135,093)
Disposal of intangible assets			987,091,738	2,178,897,836
Increase in leasehold deposits			(30,258,643,500)	(81,015,099,875)
Decrease in leasehold deposits			89,940,575,590	11,514,647,611
Cash inflows from disposal of subsidiaries			55,145,677,048	-
Net cash used in investing activities			(3,200,644,546,305)	(2,928,407,324,430)
Cash flows from financing activities:				
Decrease in non-controlling interests			(7,344,418,052)	(6,494,554,451)
Issuance of hybrid bonds			468,615,880,000	-
Increase in leasehold deposits received			18,812,611,810	4,175,292,848
Decrease in leasehold deposits received			(29,360,101,236)	(16,217,280,313)
Dividends paid			(102,500,000,000)	(188,377,370,000)
Payment of hybrid bond dividends			(26,599,625,000)	(23,332,650,000)
Increase in borrowings, net			885,351,235,665	804,846,456,249
Payment of lease liabilities			(49,960,491,261)	(46,997,698,966)
Acquisition of interests in subsidiaries with no change in control			(69,075,327)	(8,880,308,095)
Disposal of interests in subsidiaries with no change in control			-	8,215,744,930
Net cash provided by financing activities			1,156,946,016,599	526,937,632,202
Effect of exchange rate fluctuations on cash and cash equivalents held			3,058,626,319	(1,056,319,923)
Net increase (decrease) in cash and cash equivalents			652,878,712,420	(307,733,531,808)
Cash and cash equivalents at the beginning of year			760,726,104,393	1,068,459,636,201
Cash and cash equivalents at the end of year	5	₩	1,413,604,816,813	760,726,104,393

The accompanying notes are an integral part of the consolidated financial statements.

1. Reporting entity

Kyobo Life Insurance Co., Ltd., the controlling company, and its subsidiaries included in consolidation (collectively referred to as the "Group") are summarized as follows:

(1) Controlling Company

Kyobo Life Insurance Co., Ltd. (the "Company") was established on June 30, 1958, and primarily engages in the life insurance business as permitted by the *Insurance Business Law* of the Republic of Korea. The Group's head office is located at Jongno-ro 1, Jongno-gu, Seoul, the Republic of Korea.

As of December 31, 2021, the Group has 7 Financial Planner (FP) offices, 70 supporting offices and 496 branches in the Republic of Korea and engages in the life insurance business and its related reinsurance contracts. The following table lists the number of currently available insurance products and discontinued but currently effective insurance products as of December 31, 2021.

	Insurance products in effect		
Type	Available	Discontinued	Total
Individual annuity	14	84	98
Pure endowment	19	39	58
Death	39	192	231
Endowment	2	41	43
Group insurance	19	25	44
	93	381	474

(2) Shareholders

The Group's major shareholders and their respective shareholdings as of December 31, 2021 are as follows:

Shareholders	Number of shares	Ownership (%)
Chang-Jae Shin	34,627,370	33.78
Corsair Korea Investors LLC	10,038,830	9.79
Guardian Holdings Limited	9,276,250	9.05
Tiger Holdings LP	7,813,250	7.62
The Export-Import bank of Korea	5,995,005	5.85
KLI Investors LLC	5,460,825	5.33
Hoenir Inc.	5,355,625	5.23
KLIC Holdings Limited	5,355,625	5.23
Apfin Investment Pte Ltd	4,612,500	4.50
In-Jae Shin	2,593,000	2.53
Life Investors of Korea LP	2,361,750	2.30
AXA	2,300,000	2.24
Kyung-Ae Shin	1,750,010	1.71
Young-Ae Shin	1,449,960	1.41
Triumph Ⅱ Investments (Ireland) Limited	1,100,000	1.07
Meiji Yasuda Life Insurance Company	1,025,000	1.00
Others	1,385,000	1.36
	102,500,000	100.00

1. Reporting entity, continued

(3) Subsidiaries

	County of domicile	Reporting date	Ownership (%) 2021	Ownership (%) 2020	Industry
Kyobo Securities Co., Ltd.	Korea	31-Dec	73.10	73.10	Stock brokerage
Kyobo Book Center Co., Ltd.	Korea	31-Dec	100	100	Retail of books and magazines
Kyobo Hottracks Co., Ltd.	Korea	31-Dec	100	100	Retail of stationery
Kyobo Info. & Comm. Co., Ltd.	Korea	31-Dec	100	100	Software advisory and development
The Planics Co.,Ltd.	Korea	31-Dec	100	-	Data processing and data analysis, provision
Kyobo Realco Inc.	Korea	31-Dec	100	100	Non-residential property managements
Jeil Total Management Co., Ltd.	Korea	31-Dec	100	100	Safety and cleaning service
KCA Claim Adjustment Co., Ltd.	Korea	31-Dec	100	100	Service related to insurance and pension
KCA Service Co., Ltd.	Korea	31-Dec	100	100	Service
Kyobo Life Planet Life Insurance Company	Korea	31-Dec	100	100	On-line life insurance
Kyobo Asset Trust Co., Ltd.	Korea	31-Dec	100	100	Real Estate Trust
Kyobo Life Asset Management (USA) Co., Ltd.	USA	31-Dec	100	100	Asset management
Kyobo Life Asset Management (Japan) Co., Ltd.	Japan	31-Dec	100	100	Asset management
Consus BTL Private Special Asset Investment Trust 1	Korea	31-Dec	57.20	57.20	Beneficiary certificates
Consus Hope BTL Private Special Asset Investment Trust 1	Korea	31-Dec	66.70	66.70	Beneficiary certificates
Consus New Energy Private Special Asset Investment Trust 2	Korea	31-Dec	68.80	68.80	Beneficiary certificates
KIAMCO SHIPPING Private Equity Special Asset Investment Trust KX-No.1	Korea	31-Dec	100	100	Beneficiary certificates
Kyobo new technology Investment Association No. 1(*)	Korea	31-Dec	100	-	Investment association

1. Reporting entity, continued

(3) Subsidiaries, continued

	County of domicile	Reporting date	Ownership (%) 2021	Ownership (%) 2020	Industry
Jjibest 4th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Atlantisjisa 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Districtyangjoo Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Caba chic 3rd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
H house 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Goeun angol 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Excel stone park 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Gabriel 3rd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Exelstonered 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Doublerich 5th Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Doublerich 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Doublerich 8th Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Atlantisgogyeong 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Autodream 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Gabriel 4th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
K-hotel 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Gabriel 2nd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Geobukseom Island Rich 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
SJgreat 3rd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Suhwa BIT 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
X-med 7th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
K Logistics 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
SJgreat 8th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Lycos 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Oblique 5th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
SJgreat 7th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Redmax 1th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
BrightStar 4th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
I-pro 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Whitewood 5th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
BrightStar 2nd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Whitewood 7th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
X-med 9th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Intgreen 2nd Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
I-pro 3rd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Yangdocube 1st Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Metagreen 3rd Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Metagreen 1st Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Intgreen 3rd Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Easytree 3rd Co,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Metagreen 6th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Metagreen 8th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Metagreen 9th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Theflex 1st Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
BrightStar 9th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Intgreen 6th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Easyplant 4th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Ujur 2nd Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Theteras 1st Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
BrightStar 10th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Ujur 4th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Ujur 5th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
DreamthegreenYangpyeong 1st Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
DreamthegreenYangpyeong 2nd Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)

(*1) The Group concluded that it has control over these companies, as it has existing rights that give the Group the ability to direct the relevant activities, and is exposed to variable returns and has the ability to affect the variable returns.

1. Reporting entity, continued

(4) Changes in subsidiaries

Changes in subsidiaries during the year ended December 31, 2021 are as follows:

1) Newly acquired subsidiaries:

Subsidiaries	Reason
Turtle Island Rich 1st Co., Ltd. SJgreat 3rd Co., Ltd. Oblique 3rd Co., Ltd. SJgreat 6th Co., Ltd. Suhwa BIT 1st Co., Ltd. SJgreat 2nd Co., Ltd. X-med 6th Co., Ltd. X-med 7th Co., Ltd. K Logistics 1st Co., Ltd. Oblique 8th Co., Ltd. SJgreat 8th Co., Ltd., Lycos 1st Co., Ltd. Oblique 5th Co., Ltd. Whitewood 1st Co., Ltd. SJgreat 7th Co., Ltd. Oblique 10th Co., Ltd. Redmax 1th Co., Ltd. Brightstar 3rd Co., Ltd. Brightstar 4th Co., Ltd. I-pro 1st Co., Ltd. Whitewood 5th Co., Ltd. Brightstar 2nd Co., Ltd. Whitewood 7th Co., Ltd. X-med 9th Co., Ltd. Intgreen 2nd Co., Ltd. I-pro 3rd Co., Ltd. Yangdocube 1st Co., Ltd. Metagreen 3rd Co., Ltd. Metagreen 1st Co., Ltd. Intgreen 3rd Co., Ltd. Easytree 3rd Co., Ltd. Metagreen 6th Co., Ltd. Ecoswan Co., Ltd. Metagreen 8th Co., Ltd. Metagreen 9th Co., Ltd. Theflex 1st Co., Ltd. BrightStar 9th Co., Ltd. Intgreen 6th Co.,Ltd. Easyplant 4th Co.,Ltd. Ujur 2nd Co.,Ltd. Theteras 1st Co.,Ltd. BrightStar 10th Co.,Ltd.	The Group concluded that it has control over these structured companies for the purpose of investing in real estate-related loans, etc. companies, as it has existing rights that give the Group the ability to direct the relevant activities, and is exposed to variable returns and has the ability to affect the variable returns.

1. Reporting entity, continued

(4) Changes in subsidiaries, continued

Changes in subsidiaries during the year ended December 31, 2021 are as follows, continued:

1) Newly acquired subsidiaries, continued:

Subsidiaries	Reason
Ujur 4th Co.,Ltd. Ujur 5th Co.,Ltd. DreamthegreenYangpyeong 1st Co.,Ltd. DreamthegreenYangpyeong 2nd Co.,Ltd. Oblique 3rd Co., Ltd. Brightstar 3rd Co., Ltd. Ecoswan Co., Ltd. The Planics Co.,Ltd. Kyobo new technology Investment Association No. 1	The Group concluded that it has control over these structured companies for the purpose of investing in real estate-related loans, etc. companies, as it has existing rights that give the Group the ability to direct the relevant activities, and is exposed to variable returns and has the ability to affect the variable returns.

2) Jjibest 5th Co., Ltd., Mkdream 7th Co.,Ltd., ATLAS 1st Co., Ltd., Panteon K Co.,Ltd., Newpearlcube 1st Co., Ltd., AtlantisBeobwon2 1st Co., Ltd., SJGreat 6th Co.,Ltd, X-med 6th Co.,Ltd.,Bluediamond 6th Co.,Ltd., X-med 3rd Co.,Ltd., Ecopinetree Co.,Ltd,. , SJGreat 2nd Co.,Ltd.,Oblique 8th Co.,Ltd., Whitewood 1st Co.,Ltd., Oblique 10th Co.,Ltd., Mkdream 2nd Co.,Ltd., KD DREAM 1st Co.,Ltd., Caba chic 5rd Co., Ltd., Caba chic 7rd Co., Ltd., Ifdasan 2nd Co., Ltd., Doublerich 4th Co., Ltd., SJgreat 1st Co., Ltd., Exelcocostone Co., Ltd.., Oblique 3rd Co., Ltd., Brightstar 3rd Co., Ltd., Ecoswan Co., Ltd. Were excluded from the related parties due to termination of current commitment obligation, and Kyobo Royal-Class small&minimum selection Specialized Private Equity Investment Trust No. 1,.was resold before maturity and KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust was excluded from the related parties due to sales of shares.

1. Reporting entity, continued

(5) Financial information of subsidiaries

1) Financial information of subsidiaries as of and for the year ended December 31, 2021 is as follows:

Company		Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Kyobo Securities Co., Ltd.	₩	11,485,770	10,090,300	2,256,390	141,751	152,146
Kyobo Hottracks Co., Ltd.		45,583	30,025	94,991	(1,243)	(208)
Kyobo Book Center Co., Ltd.		493,506	226,408	792,579	1,178	6,955
Kyobo Info. & Comm. Co., Ltd.		82,484	10,206	62,636	3,585	3,531
Kyobo Realco Inc.		68,456	27,807	119,546	(89)	13
Jeil Total Management Co., Ltd.		4,914	2,389	17,504	148	145
KCA Claim Adjustment Co., Ltd.		36,886	5,835	39,984	3,862	4,121
KCA Service Co., Ltd.		14,714	4,472	33,255	1,230	1,276
Kyobo Life Planet Life Insurance Company		770,629	684,844	410,982	(15,891)	(32,229)
Kyobo Asset Trust Co., Ltd.		386,673	65,262	77,499	23,165	21,938
Kyobo Life Asset Management (USA) Co., Ltd.		8,622	91	2,111	555	1,106
Kyobo Life Asset Management (Japan) Co., Ltd.		2,246	289	1,552	414	373
Kyobo new technology Investment Association No. 1.		39,721	1,275	-	(270)	(270)
The Planics		3,120	177	-	(57)	(57)
Consus BTL Private Special Asset Investment Trust 1		33,141	14,212	409	275	275
Consus Hope BTL Private Special Asset Investment Trust 1		29,800	9,741	831	502	502
Consus New Energy Private Special Asset Investment Trust 2		15,283	4,725	491	449	449
KIAMCO Shipping Private Equity Special Asset Investment Trust KX-No.1		14,375	176	251	294	294
Jjibest 4th Co., Ltd.		7,162	7,163	561	-	-
Atlantisjisa 1st Co., Ltd.		8,226	8,239	877	(10)	(10)
Districtyangjoo Co.,Ltd.		15,432	15,494	1,407	(22)	(22)
Caba chic 3rd Co., Ltd.		3,673	3,673	245	-	-
H house 1st Co., Ltd.		2,547	2,539	901	2	2
Goeun angol 1st Co., Ltd.		4,044	4,046	243	1	1
Excel stone park 1st Co., Ltd.		5,126	5,125	439	-	-
Gabriel 3rd Co., Ltd.		4,634	4,634	360	-	-

1. Reporting entity, continued

(5) Financial information of subsidiaries, continued

1) Financial information of subsidiaries as of and for the year ended December 31, 2021 is as follows, continued:

Company	Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Exelstonered 1st Co., Ltd.	3,076	3,075	368	-	-
Doublerich 5th Co., Ltd.	1,257	1,257	210	-	-
Doublerich 1st Co., Ltd.	30,971	30,995	2,359	(24)	(24)
Doublerich 8th Co., Ltd.	12,340	12,340	1,100	-	-
Atlantisgogyeong 1st Co., Ltd.	9,350	9,377	910	(28)	(28)
Autodream 1st Co., Ltd.	12,164	12,218	1,089	25	25
Gabriel 4th Co., Ltd.	9,222	9,225	720	(3)	(3)
K-hotel 1st Co., Ltd.	8,290	8,281	818	-	-
Gabriel 2nd Co., Ltd.	5,178	5,186	246	2	2
Geobukseom Island Rich 1st Co., Ltd.	6,048	6,098	777	(50)	(50)
SJgreat 3rd Co., Ltd.	15,504	15,526	2,003	(22)	(22)
Suhwa BIT 1st Co., Ltd.	5,175	5,176	686	(1)	(1)
X-med 7th Co., Ltd.	20,617	20,596	1,696	21	21
K Logistics 1st Co., Ltd.	10,026	10,120	601	22	(94)
SJgreat 8th Co., Ltd.	7,153	7,154	529	(1)	(1)
Lycos 1st Co., Ltd.	10,125	10,123	573	3	3
Oblique 5th Co., Ltd.	708	804	-	(96)	(96)
SJgreat 7th Co., Ltd.	1,905	1,912	142	(7)	(7)
Redmax 1th Co., Ltd.	15,384	15,382	675	2	2
BrightStar 4th Co., Ltd.	2,627	2,627	153	-	-
I-pro 1st Co., Ltd.	7,817	7,815	296	2	2
Whitewood 5th Co., Ltd.	6,080	6,080	616	-	-
BrightStar 2nd Co., Ltd.	8,215	8,239	339	(24)	(24)
Whitewood 7th Co., Ltd.	12,402	12,402	559	-	-
X-med 9th Co., Ltd.	350	400	8	(50)	(50)
Intgreen 2nd Co., Ltd.	10,084	10,140	498	(56)	(56)
I-pro 3rd Co., Ltd.	6,160	6,153	249	7	7
Yangdocube 1st Co., Ltd.	30,523	30,523	1,082	-	-
Metagreen 3rd Co., Ltd.	15,192	15,192	379	-	-
Metagreen 1st Co., Ltd.	9,163	9,163	318	-	-
Intgreen 3rd Co., Ltd.	15,161	15,123	368	38	38
Easytree 3rd Co, Ltd.	3,198	3,197	74	1	1
Metagreen 6th Co., Ltd.	4,077	4,077	313	-	-
Metagreen 8th Co., Ltd.	5,172	5,172	226	-	-
Metagreen 9th Co., Ltd.	295	296	-	-	-
Theflex 1st Co., Ltd.	12,141	12,148	204	(7)	(7)
Brightstar 9th Co., Ltd.	20,107	20,107	253	-	-
Intgreen 6th Co., Ltd.	1,848	1,848	24	-	-
Easyplant 4th Co., Ltd	6,083	6,083	270	-	-
Ujur 2nd Co., Ltd	6,080	6,080	167	-	-
Theteras 1st Co., Ltd.	6,476	6,124	463	352	352
BrightStar 10th Co., Ltd.	5,097	5,097	35	-	-
Ujur 4th Co., Ltd	8,115	8,115	25	-	-
Ujur 5th Co., Ltd	15,365	15,365	21	-	-
DreamthegreenYangpyeong 1st Co., Ltd.	37,162	37,264	80	(102)	(102)
DreamthegreenYangpyeong 2nd Co., Ltd.	15,386	15,392	42	(6)	(6)

1. Reporting entity, continued

(5) Financial information of subsidiaries, continued

2) Financial information of subsidiaries as of and for the year ended December 31, 2020 is as follows:

Company		Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Kyobo Securities Co., Ltd.	₩	10,114,665	8,849,865	1,776,310	101,221	117,933
Kyobo Hottracks Co., Ltd.		45,580	29,814	100,145	(7,766)	(5,263)
Kyobo Book Center Co., Ltd.		323,505	213,337	700,466	2,872	4,025
Kyobo Info. & Comm. Co., Ltd.		75,943	7,196	54,760	2,873	2,405
Kyobo Realco Inc.		103,651	63,016	119,450	4,976	4,368
Jeil Total Management Co., Ltd.		3,511	1,132	17,221	191	171
KCA Claim Adjustment Co., Ltd.		36,304	9,374	37,212	10,492	10,459
KCA Service Co., Ltd.		15,477	6,511	33,412	1,754	2,011
Kyobo Life Planet Life Insurance Company		517,288	399,224	196,663	(13,161)	(17,281)
Kyobo Asset Trust Co., Ltd.		181,634	32,118	58,081	12,152	11,648
Kyobo Life Asset Management (USA) Co., Ltd.		7,608	183	2,983	1,074	768
Kyobo Life Asset Management (Japan) Co., Ltd.		1,783	199	1,397	249	234
Consus BTL Private Special Asset Investment Trust 1		36,229	15,345	1,474	762	762
Consus Hope BTL Private Special Asset Investment Trust 1		33,173	10,527	2,780	1,309	1,309
Consus New Energy Private Special Asset Investment Trust 2		17,900	5,363	1,331	904	904
KIAMCO Shipping Private Equity Special Asset Investment Trust KX-No.1		15,282	4	1,291	1,238	1,238
KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust		57,400	8,155	46,311	3,886	3,886
MKdream 2nd Co., Ltd.		77,715	77,715	4,956	-	-
MKdream 7th Co., Ltd.		8,185	8,186	692	-	-
ATLAS 1st Co., Ltd.		5,099	5,158	400	(11)	(11)
Jjibest 4th Co., Ltd.		8,168	8,168	614	-	-
Atlantisjisa 1st Co., Ltd.		8,355	8,357	904	6	6
Panteon K Co., Ltd.		25,431	25,431	2,210	-	-
Districtyangjoo Co.,Ltd.		15,634	15,674	1,472	(39)	(39)
KD DREAM 1st Co.,Ltd.		15,575	15,574	1,494	-	-
Caba chic 3rd Co., Ltd.		3,597	3,597	623	-	-
H house 1st Co., Ltd.		9,024	9,019	850	5	5
Goeun angol 1st Co., Ltd.		4,043	4,046	259	(3)	(3)
Caba chic 5th Co., Ltd.		3,076	3,076	226	-	-

1. Reporting entity, continued

(5) Financial information of subsidiaries, continued

2) Financial information of subsidiaries as of and for the year ended December 31, 2020 is as follows, continued:

Company	Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Caba chic 7th Co., Ltd.	6,136	6,136	384	-	-
Blue dia 6th Co., Ltd.	60,631	60,631	1,482	-	-
Excel stone park 1st Co., Ltd.	5,127	5,126	272	1	1
Ifdasan 2nd Co., Ltd.	10,131	10,195	440	(64)	(64)
Gabriel 3rd Co., Ltd.	4,634	4,634	527	-	-
Doublerich 4th Co., Ltd.	10,175	10,175	248	-	-
Exelstonered 1st Co., Ltd.	3,077	3,076	93	1	1
Doublerich 5th Co., Ltd.	3,033	3,033	49	-	-
SJgreat 1st Co., Ltd.	8,305	8,305	285	-	-
Newpearlcube 1st Co., Ltd.	1,563	1,563	18	-	-
X-med 3rd Co., Ltd.	6,317	6,339	87	(21)	(21)
Doublerich 1st Co., Ltd.	47,772	47,591	564	181	181
Doublerich 8th Co., Ltd.	12,318	12,318	202	-	-
Atlantisgogyeong 1st Co., Ltd.	9,386	9,385	39	1	1
Autodream 1st Co., Ltd.	12,160	12,238	39	(78)	(78)
Ecopinetree Co., Ltd.	19,345	19,485	2,212	(139)	(139)
Jjibest 5th Co., Ltd.	20,198	20,198	1,097	(4)	(4)
Gabriel 4th Co., Ltd.	9,228	9,229	289	-	-
K-hotel 1st Co., Ltd.	8,291	8,282	308	9	9
Exelcocostone Co., Ltd..	6,139	6,138	429	1	1
AtlantisBeobwon2 1st Co., Ltd.	5,143	5,145	451	(3)	(3)
Gabriel 2nd Co., Ltd.	5,195	5,205	159	(10)	(10)
Kyobo Royal-Class small & medium selection Specialized Private Equity Investment Trust No. 1	4,216	50	324	321	321

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("KIFRS"), as prescribed in the Act on External Audits of Corporations. The accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets designated at fair value through profit or loss, available-for-sale (AFS) financial assets, financial liabilities designated at fair value through profit or loss, retirement benefits that have been measured at fair value. The consolidated financial statements are presented in Korean won (KRW) and all amounts are rounded to the nearest millions, except when otherwise indicated.

The consolidated financial statements as of and for the year ended December 31, 2021 were authorized for issue by the Board of Directors on February 15, 2022. The consolidated financial statements may be revised and authorized at regular general meeting of shareholders scheduled on March 30, 2022.

2.2 Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Group and its subsidiaries. Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

If the investee has less than a majority of the voting rights, the Group considers all facts and circumstances when assessing whether it has power over the investee:
- Contractual arrangements between investors and other voting rights holders
- Rights arising from other contractual arrangements
- Voting rights and potential voting rights of the Group

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. Basis of preparation and significant accounting policies, continued

2.2 Basis of consolidation, continued

If the Group loses control over a subsidiary, the subsidiary's assets (including goodwill), liabilities, non-controlling interests and other items of equity are derecognized on the date of loss of control, and the resulting gain or loss is recognized in profit or loss. Residual investments in previous subsidiaries are recognized at fair value.

2.3 Significant accounting policies

2.3.1 Investment in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group’s investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group’s share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The consolidated financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.1 Investment in associates and a joint venture, continued

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Valuation of investments in associates' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2.3.2 Fair value measurement

The Group measures financial instruments and partial non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.2 Fair value measurement, continued

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.3 Foreign currencies

The Group's consolidated financial statements are presented in Korean won, which is also the Group's functional currency.

(1) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

(2) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Korean won at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.4 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the current income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The estimated useful lives and depreciation methods of the Group's property and equipment are as follows:

Descriptions	Useful lives	Depreciation method
Buildings	50 years	Straight-line
Structures	50 years	Straight-line
Vehicles	5 years	Reducing-balance
Equipment	5 years	Reducing-balance
Others	5 years	Straight-line

2.3.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(1) Group as a lessee

Upon adoption of KIFRS 1116, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.5 Leases, continued

(1) Group as a lessee, continued

1) Right-of-use asset

The Group recognizes the right-of-use asset at the commencement date (i.e. the date on which the underlying asset is available). Right-of-use assets are measured at cost and the Group measures the right-of-use assets applying a cost model after the commencement date. To apply a cost model, the Group measured with deductions of any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The cost of a right-of-use asset includes the amount of the lease liability recognized and the amount of initial direct costs, less any incentives received or lease payments made at or before the commencement date of the lease. The cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis over the earlier of the estimated useful life or the lease term.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use assets are depreciated from the commencement date to the estimated useful life of the underlying asset. The Group performs an impairment review of the right-of-use assets.

Right-of-use assets of the Group are included in property and equipment (See Note 16).

2) Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments over the lease term. Lease payments comprise of fixed lease payments (including in-substance fixed lease payments), variable lease payments that depend on the index or rate, and the amount expected to be paid under the residual value guarantee, excluding the lease incentives to be received. In addition, if the Group is reasonably certain to exercise the purchase option, the exercise price of the purchase option and if the lease term reflects the Group exercising an option to terminate the lease, then the payments of penalties for terminating the lease are included in the lease payments. Fluctuations that do not depend on the index or rate are recognized as an expense for the period in which the event of the lease payment occurs.

In calculating the present value of the lease, the Group uses the incremental borrowing rate at inception if it is not readily possible to determine the implicit interest rate of the lease. The Group increases the carrying amount of the lease liability by reflecting interest on the lease liability after the commencement date of the lease, and reduces the carrying amount of the lease liability by reflecting the lease payments. In addition, the Group shall remeasure the lease liability to reflect the change in the lease, reflect the change in the lease term, or change in the valuation of the underlying asset purchase option.

Lease liabilities of the Group are included in other financial liabilities (See Note 2).

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.5 Leases, continued

(1) Group as a lessee, continued

3) Short-term leases and leases for which the underlying asset is of low value

The Group elects to apply exemptions of recognition for both short-term leases which are a lease term of 12 months or less and without purchase option and leases of low-value assets. The Group recognizes the lease payments associated with short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term.

(2) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The Group recognizes lease payments from operating leases as income on a straight-line basis and initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.6 Investment properties

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as Investment properties. Investment properties is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, Investment properties is carried at depreciated cost less any accumulated impairment losses.

Investment properties is depreciated on a basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

The estimated useful lives and depreciation methods of the Group's investment properties are as follows:

Descriptions	Useful lives	Depreciation method
Buildings	50 years	Straight-line
Structures	50 years	Straight-line

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period and accounted for on a prospective basis in case of the effect of any changes in estimation.

In the event that it is no longer possible to expect future economic benefits through the disposal or use of investment properties, the Group removes them from its consolidated financial statements, and the resulting difference between the disposal amount and the carrying amount is reflected in profit or loss at the time of derecognition. In addition, if the purpose of the asset's use has changed, the Group reclassifies to another account or to Investment properties from another account.

2.3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Descriptions	Useful lives	Amortization method
Software	5 years	Straight-line
Development costs	5 years	Straight-line
Other intangible assets	5 years	Straight-line
Membership	Indefinite	-

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.7 Intangible assets, continued

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate that the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset, the ability to measure reliably the expenditure during development and the ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2.3.8 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

1) Goodwill

Goodwill is tested for impairment annually as of December 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2) Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 at the CGU level and when circumstances indicate that the carrying value may be impaired.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.10 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

2.3.11 Financial instruments – initial recognition and subsequent measurement

(1) Financial assets

1) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement financial assets are classified in four categories as follows :

2) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by KIFRS 1039. The Group has not designated any financial assets at FVTPL.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.11 Financial instruments – initial recognition and subsequent measurement, continued

3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

4) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income as finance costs.

5) Available-for-sale (AFS) financial assets

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at FVTPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of comprehensive income in finance costs. Interest earned while holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.11 Financial instruments – initial recognition and subsequent measurement, continued

6) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(2) Impairment of financial assets

The Group evaluates whether there is objective evidence that a financial asset or group of financial assets is impaired at the end of each reporting period. Only when there is objective evidence of impairment as a result of one or more events (hereinafter referred to as "impairment events") after initial recognition and the impairment event has an effect on the estimated future cash flows of a financial asset or group of financial assets that can be estimated reliably A financial asset or group of financial assets is impaired.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that :
- significant financial difficulties of the issuer or obligor of financial assets
- breach of contract, such as default or delay in payment of interest or principal repayment
- the possibility of borrower bankruptcy or other financial restructuring is high
- observable data indicating that there is a measurable decrease in estimated future cash flows after initial recognition, such as changes in economic conditions in a country or region that are correlated with default on assets included in a group of financial assets.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.11 Financial instruments – initial recognition and subsequent measurement, continued

1) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that impairment has occurred, impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate (the effective interest rate calculated at the time of initial recognition). In this case, future bad debts that have not yet occurred are not included in the projected future cash flows. For floating rate loan receivables, the current effective interest rate is applied as the discount rate for measuring impairment loss.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of comprehensive income. Interest income (recorded as finance income in the consolidated statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.11 Financial instruments – initial recognition and subsequent measurement, continued

(2) Impairment of financial assets, continued

2) Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income – is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.11 Financial instruments – initial recognition and subsequent measurement, continued

(3) Financial liabilities

1) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement of financial liabilities differs based on the classification of financial liabilities.

2) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1039. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

3) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.11 Financial instruments – initial recognition and subsequent measurement, continued

(4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.3.12 Derivative financial instruments and hedge accounting

(1) Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, currency swaps, and interest rate swaps to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The 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 effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.12 Derivative financial instruments and hedge accounting, continued

(1) Initial recognition and subsequent measurement, continued

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

1) Fair value hedges

The change in the fair value of a hedging derivative is recognized in the consolidated statement of comprehensive income as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statement of comprehensive income as finance costs.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

2) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of comprehensive income as other operating expenses. Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

2.3.13 Non-current assets and disposal groups held for sale

The Group classifies non-current assets and disposal groups as held-for-sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities are not depreciated or amortized once classified as held-for-sale or as held for distribution. Also, assets and liabilities classified as held-for-sale or for distribution are presented as separate in the consolidated statement of financial position.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.14 Employee benefits

The Group operates both defined benefit pension plan and defined contribution pension plan, which the Group makes contributions to the separately administered funds, respectively.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring-related costs or redundancy payments

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'operating and administrative expenses' and 'asset management expenses' in consolidated statement of comprehensive income.

(1) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(2) Retirement benefits: defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Group recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in profit and loss when incurred.

If the net amount that is calculated by subtracting the fair value of the plan assets from the present value of the defined benefit pension plans is an asset, the Group measures at lower of an excess contribution to the defined benefit pension plans or the upper limit recognized as an asset that is calculated by using the interest rate of the corporate bonds of a companies with high credit ratings at the end of an annual reporting period.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.14 Employee benefits, continued

(3) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(4) Other benefits for the vested employees

Other benefits for the vested employees who have rendered services for a long-term period of time with regard to considerations for the employees who have rendered services for a long period of time, if the employees' benefits are not expected to be paid within 12 months after the end of an annual reporting period, the Group recognizes the net sum of service costs for long-term services and net interests on net defined benefit liabilities (assets) as a current profit or loss.

(5) Redundancy payments

The Group recognizes an expense for termination benefits when an employee accepts the offer or when a restriction on the Bank's ability to withdraw the offer takes effect. If employees are laid off upon a request from the Group, the Group can give more retirement benefits in comparison to when the employees voluntarily leave the Group. With regard to the redundancy payment that is a difference between the amount that the Group pays to the employee who voluntarily leaves the Group and the amount that the Group pays to the employee who is dismissed by the Group, the Group recognizes the liability and the expense of the redundancy payment earlier of when the Group cannot withdraw a proposal for the redundancy payment or when it recognizes restructuring costs accompanied by the redundancy payment.

2.3.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

2.3.16 Deferred acquisition costs

Acquisition costs arising from long-term contracts, excluding any excess amount over expected acquisition costs, are deferred and amortized over the premium payment period or seven years, whichever is shorter. For cancellations, any unamortized portion is written off immediately.

The Group amortizes an amount that exceeds the difference between net level premium reserve and surrender value level premium reserve.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.17 Classification of insurance contracts

The Group recognizes a contract as an insurance contract if under the contract one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
The Group assesses representative contract's insurance risk of an insurance product considering the claims paid when the insured event occurs or does not occur. If a contract is exposed to financial risk without significant insurance risk, the contract is classified as an investment contract.

Financial risk is the risk of a possible future change in one or more specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of prices or rates, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

The Group applies "KIFRS 1104 *Insurance Contracts*" for insurance contracts and investment contracts with discretionary participation features. Investment contracts with no discretionary participation features are accounted for in accordance with "KIFRS 1039 *Financial Instruments: Recognition and Measurement*".

A contract that was initially qualified as an insurance contract remains to be classified as insurance contract until all rights and obligations are extinguished or expired. However, the Group reclassifies an investment contract to an insurance contract if insurance risk becomes significant.

2.3.18 Insurance contracts liabilities

The Group provides various policy reserves in accordance with the Insurance Business Act, relevant regulations and the terms and conditions in insurance contracts as follows:

(1) Premium reserve

Premium reserve is a liability related to future payment of claims. Premium reserve is calculated by deducting the actuarial present value of future premiums to be received after the reporting date from the actuarial present value of future payment of claims with respect to long-term insurance contracts.

(2) Reserve for unearned premium

Reserve for unearned premium is recognized for the portion of insurance premiums received which do not pertain to the current period.

(3) Guarantee reserve

Guarantee reserve is recorded to guarantee the agreed level of benefit which is independent of investment performance of the separate accounts.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.18 Insurance contracts liabilities, continued

(4) Reserve for outstanding claims

Reserve for outstanding claims is an estimate of loss for insured events that have occurred prior to the date of statement of financial position but for which a fixed value cannot be determined, which includes the following:

- Estimated amount: The expenses to be incurred in the course of settlement of the insured event, such as lawsuit or arbitration (if partial amount is settled, the remainder is recognized)
- Reserve for ineffective contracts: Reserve for ineffective contracts due to default in premium payment (Partial amount of surrender value)
- Unpaid claims: The amount of claims, surrender value and dividend to be paid is determined but not paid yet
- IBNR (Incurred But Not Reported): Estimated amount using a reasonable statistical method considering the Group's experience rate

(5) Reserves for participating policyholder's dividends

Reserves for participating policyholder's dividends comprise reserve for guaranteed dividend, reserve for mortality dividend, reserve for interest dividend, reserve for expense dividend, reserve for long term duration and reserve for revaluation dividends.

The Group calculates each reserve for the participating policyholders' dividends by the methods described below:

- Reserve for guaranteed dividend:
A reserve to compensate for the difference between expected rate of interest and the average interest rate of time deposit for the reporting period. The Group records this reserve only for the contracts which were initiated before October 1, 1997.

- Reserve for mortality dividend:
A reserve to compensate for the difference between expected mortality rate and actual mortality rate. The Group has been recording this reserve only for the contracts which are or are expected to be effective for more than a year as of the reporting date, excluding nonparticipating policies, since 1983.

- Reserve for interest dividend:
A reserve to compensate for the difference between expected interest rate of each insurance product and dividend benchmark rate. The Group has been recording this reserve only for the contracts that are or are expected to be effective for more than a year from the reporting date, excluding nonparticipating policies, since 1987. However, the interest dividends from reserve insurance sold after October 1, 1997 are based on the interest dividends deducted from the expected rate.

- Reserve for expense dividend:
A reserve to compensate for the difference between expected operation expense rate and expense dividend benchmark rate. The Group has been recording this reserve only for the contracts which are or are expected to be effective for more than a year as of the reporting date, excluding nonparticipating policies, since 2001.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.18 Insurance contracts liabilities, continued

(5) Reserves for participating policyholder's dividends, continued

- Reserve for long-term duration dividend:
A reserve for the long-term contracts which is calculated by the following formula:
(Net level premium reserve of prior reporting period - Deferred acquisition costs) * {0.1% + (Number of years passed - 6} * 0.02%)

- The Group has been recording this reserve only for the contracts that remain for more than six years as of the reporting date, excluding nonparticipating policies, since 1987.

- Reserve for revaluation dividends:
A reserve for the participating policy holder's portion of asset revaluation surplus for land and building in accordance with Asset Revaluation Law in 1990. The Group records this reserve only for the contracts that remained for more than two years from March 31, 1989 and more than one year from March 31, 1999, respectively.

(6) Dividend reserve for policyholders' income participation

Dividend reserve for policyholders' income participation refers to the amount to be reserved, in lump sum and depending on the business performance, for the purpose of distributing reserves after paying stockholders as future dividends to policyholders or for additional accumulation as part of policy reserve other than the reserve for policyholders' dividend.

(7) Reserve for losses on dividend insurance contract

In accordance with the Regulation on Supervision of Insurance Business, the Group accumulates reserve for losses of participating insurance contract within 30/100 of policyholders' share in dividend-paying insurance income. A reserve for compensation for losses on dividend-paying insurance contracts accumulated shall be used for replenishing the losses of the participating insurance contract, and the balance after the replenishment shall be used as for the source of policyholders' dividend for individual policyholders, for five fiscal years from the end of the fiscal year when the accumulation is made.

2.3.19 Reinsurance asset

The Group cedes insurance risk by reinsurance agreements with reinsurers. Reinsurance assets represent recoverable amounts due from reinsurance companies.

Reinsurance assets are reviewed for impairment at each reporting date. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss in consolidated statements of comprehensive income.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.20 Liability adequacy test

For all insurance contracts held by the Group to which KIFRS No. 1104 'Insurance Contracts' apply, the Group determines the future cash flows expected to arise from the insurance contracts as of the end of the reporting period, including cash flows from options, guarantees, and claims processing costs. When the current estimate exceeds the book value of insurance contract liabilities, the excess is additionally accumulated as insurance contract liabilities. The subject of the liability adequacy test is the premium reserve, reserve for unearned premium and guarantee reserve, and the premium reserve is the amount obtained by deducting deferred acquisition cost and policy loan under Article 6-3 of Regulation on Supervision of Insurance Business Act from the net premium reserve. However, liabilities assessed using current estimates and liabilities for which payment obligations have been confirmed are excluded.

In addition, the estimation of future cash flow for the assessment of the adequacy of insurance contract liabilities is divided into fixed interest rate dividend insurance, fixed interest rate non-dividend insurance, interest rate linked dividend insurance, interest rate linked non-dividend insurance and variable insurance. The surplus or shortage of insurance contract liabilities for each evaluation unit can be offset at the level of individual insurance companies as a whole.

2.3.21 Separate accounts

The Group carries separate accounts for retirement insurance, retirement pension and variable life insurance products according to the provision in the Korean Insurance Business Law. The separate account assets (liabilities) are stated at net of accounts payable and accounts receivable in general account incurred in the course of transactions between general accounts and separate accounts.

Revenues and expenses of investment-linked type separate account are not presented in the general account statement of operations, while the revenues and expenses of guaranteed-interest type separate account are accounted for in the general account statement of operations in gross amounts as separate account income and separate account expense, respectively.

2.3.22 Trust accounts

The Group obtained the authorization to operate a trust business from the Financial Service Commission and operates its trust business. In accordance with the regulation on trust business, trust estates are recognized as separate accounts and trust fee related to operating, administration and disposal of trust estates is recognized as trust fee in operating revenue.

2.3.23 Policyholders' equity adjustment

Policyholders' equity adjustments consist of reserves for stabilization of participating policyholders' dividends, reserves for social contributions and net gain (loss) from valuation of investment securities. The stabilization reserves for participating policy holders' dividends and reserves for social contributions funds are the amounts reserved for future dividends to participating policyholders and future social contributions through asset revaluation surplus for land and building in accordance with Asset Revaluation Law.

Unrealized holding gains or losses on available-for-sale securities, on held-to-maturity securities and on valuation of investment in associates and subsidiaries are allocated to policyholder's equity adjustment using the current year's ratio of policyholders' equity and shareholders' equity.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.24 Reserves for unpaid life insurance policy benefit

Pursuant to the unrestricted management of reserves for unpaid life insurance policy benefit by Financial Supervisory Services (FSS), the Group pays life insurance policy benefits at the request of a policyholder even if the legitimate obligation to pay has expired.

2.3.25 Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

2.3.26 Recognition of revenue and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group recognizes the income when the followings criteria are met.

(1) Premium income

Premium income is recognized at the time when such premium payment becomes due. If premium income is received before the premium due date, the Group records unearned insurance premium based on fractional period calculation.

(2) Interest income and interest expense

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.26 Recognition of revenue and expenses, continued

(3) Commissions income recognition

The Group applied the following five-step revenue recognition model for the fee income in accordance with KIFRS 1115.

- identify the contracts with a customer.
- identify the performance obligations in the contract
- determine the transaction price
- allocate the transaction price to each performance obligation
- recognize revenue when a performance obligation is satisfied

The Group recognizes its financial service fees and commissions based on its objectives, and in conformity with accounting standards of related financial instruments as below.

a) Fees and commissions earned by performance of meaningful action
Fees and commissions earned by delivering meaningful performances such as negotiating on behalf of third parties' transactions, such as stock or other securities transactions and underwriting of business settlements, or as a consideration for participating in negotiation are recognized as revenue upon completion of the delivery of services.

b) Fees and commissions earned by providing services
Fees and commissions levied as a consideration for providing services for a certain period of time, such as asset management fees, trust fees, guarantee service fees, are recognized as revenue when the service is provided. Also, when it is not probable that a specific loan commitment will be entered into, and when the loan commitment does not fall under the scope of KIFRS1039 Financial instruments: recognition and measurement, related commitment fee is recognized over the commitment period.

c) Fees forming a part of effective interest income of financial instruments
Fees forming a part of effective interest of financial instruments are generally recognized as adjustments to effective interest rates. These fees include costs incurred for activities such as the valuation of the financial status of borrowers, guarantee, collaterals and other commitments, administrative expenditures, and expenditures made for issuance of financial liabilities. However, if the financial instrument is recognized at fair value through profit or loss, related fees and commissions are recognized in profit or loss at the initial recognition of the financial instrument.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.26 Recognition of revenue and expenses, continued

(4) Sale of goods

1) Identify the performance obligations in the contract

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

2) price concession

The Group provides to customer a price concession at the time of sale. In accordance with KIFRS 1115, if consideration payable to a customer is not a payment for a distinct good or service from the customer, the Group accounts for all of the consideration payable to the customer as a reduction of the transaction price.

3) Obligations for returns and refunds

The Group recognizes a refund liability if the Group expects to refund some or all of that consideration to the customer and adjusts revenue for the transferred products. The Group recognizes as an asset for the Group's right to recover products from a customer when the customer exercises a right of return and adjusts cost of sales for any expected costs to recover those products. The amount expected to be refunded to the customer and the amount of the right to recover the goods shall be measured applying the return experience rate based on the past practice.

4) Customer loyalty program

Under the customer loyalty program, the Group provides to customer the points that entitle the customers to future discounted purchases. The Group allocates part of the consideration received to the customer loyalty program and the amount of allocation is measured based on the relative stand-alone selling prices. The amount allocated under the customer loyalty program is deferred and recognized as revenue when the points are used or extinguished.

(5) Rendering of services

Revenue from services rendered is recognized in profit or loss when recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, in proportion to the stage of completion of the transaction at the reporting date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

(6) Dividends

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(7) Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of comprehensive income due to its operating nature.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.27 Current and deferred tax

(1) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.27 Current and deferred tax, continued

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss.

Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 Changes in accounting policies and disclosures

2.4.1 New and amended standards and interpretations adopted

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The nature and the impact of each new standard or amendment is described below:

(1) Amendment to KIFRS 1116 *Leases* – Covid-19-Related Rent Concessions

KIFRS 1116 'Lease' (Revised) - 'Covid-19 related rent concessions, etc., has been announced for the reporting period ended 31 December 2020. This amendment alleviated the application of lease change accounting in KIFRS 1116 'Leases' to lessees for rent discounts, etc. that occurred as a direct result of the global pandemic of COVID-19. As a practical expedient, lessees may not evaluate whether rent discounts, etc., incurred in connection with COVID-19 are changes in lease. The lessee who makes this choice must account for changes in lease payments due to rent concessions, etc., in a manner consistent with the method stipulated in this Standard, unless such changes are lease changes. This practical expedient was scheduled to be applied until June 30, 2021, but the application period of the practical expedient was extended until June 30, 2022 due to the impact of COVID-19. These amendments are effective for annual reporting period beginning on or after 1 April 2021, with early application permitted. Although the Group did not receive a rental fee concession related to COVID-19, the practical expedient method will be applied if there are any applicable cases within the permitted application period.

(2) Amendments to KIFRS 1107 *Financial Instruments: Disclosures*, KIFRS 1109 *Financial Instruments*, KIFRS 1039 *Financial Instruments: Recognition and Measurement*, KIFRS 1104 *Insurance Contracts* and KIFRS 1116 *Leases* – Interest Rate Benchmark Reform – (Phase 2)

The amendment provides a temporary waiver to address the impact on financial reporting when the Interbank Loan Rate (IBOR) is replaced by an alternative risk-free reference indicators (RFRs).

The amendments provide a number of practical reliefs including:

- Contractual changes, or changes in cash flows that are directly affected by the reforms, are treated as if they were changed to variable interest rates, such as fluctuations in market interest rates.
- Changes required by the interest rate indicator reform allow the hedging designation and hedging documentation to be possible without disrupting the hedging relationship.
- A temporary exemption that is deemed to meet the requirement that financial instruments referencing the RFRs must be separately identifiable if they are designated as hedging elements.

This amendment has no effect on the consolidated financial statements of the Group. The Group will use the practical expedient in the future when it becomes applicable.

2. Basis of preparation and significant accounting policies, continued

2.4 Changes in accounting policies and disclosures, continued

2.4.1 New and amended standards and interpretations adopted, continued

(2) Amendments to KIFRS 1107 *Financial Instruments: Disclosures*, KIFRS 1109 *Financial Instruments*, KIFRS 1039 *Financial Instruments: Recognition and Measurement*, KIFRS 1104 *Insurance Contracts* and KIFRS 1116 *Leases* – Interest Rate Benchmark Reform – (Phase 2), continued

The Group applied for the first time the amendment to 'Interest Rate Benchmark Reform Phase 2 - KIFRS 1109, KIFRS 1039, KIFRS 1107, KIFRS 1104 and KIFRS 1116', from the annual period beginning on or after January 1, 2021. The Group applied these amendments retrospectively. In accordance with the transitional provisions permitted in the Phase 2 amendments, the Group has not restated the consolidated financial statements of the prior period reflecting the application of the amendments and has not reflected additional disclosures. There is no effect on the amount of the opening balance of equity due from such retrospective application.

The Group is exposed to IBOR, which is subject to reform for its financial assets. As of December 31, 2021, the main IBORs exposed are the London Interbank Loan Rate (LIBOR) and CD rates, and the alternative to LIBOR is the Sterling Overnight Index Average (SONIA), and CD rates are currently under consideration of improvements in its methodology of calculation.

The Group expects that such interest rate benchmark reform shall affect the Group's operation, risk management procedures and the hedge accounting. The Group is primarily exposed to operational risk due to interest rate benchmark reform. This includes, for example, the application of new substitutional provisions with derivative counterparties, the renewal of contractual terms and conditions and the modification of controls related to interest rate benchmark reform. Financial risk is primarily confined to interest rate risk. In a hedging relationship, ineffectiveness may arise due to uncertainty about the timing and methodology of replacement of interest rates related to the hedged items and hedging instrument, or differences in the timing of replacement.

The Group monitors the progress of the conversion from the IBOR to the new interest rate benchmark by reviewing the total amount of contracts that have not yet been converted to an alternative interest rate benchmark, and the amount of those contracts that contain an appropriate replacement clause. If the contractual interest is a contract in which interest is indexed to an interest rate benchmark subject to an interest rate benchmark reform, the Group considers the contract to have not been converted to an alternative interest rate benchmark, even if the contract contains an alternative provision to provide for the discontinuation of the IBOR.

The total amount of the contract that has not yet transitioned is as follows:

(In millions of won, in millions of USD, in millions of EUR, *in millions of* GBP*)*

Interest Rate Benchmark	Currency	Financial assets (*)	Derivatives (*)
CD	KRW	100,367	4,161,500
LIBOR	USD	1,520,234	11
LIBOR	EUR	631,376	-
LIBOR	GBP	71,461	-

(*) Financial assets and derivatives are based on carrying amount and nominal amount, respectively, and if the assets that are incorporated to the beneficiary certificates involve an interest rate benchmark subject to interest rate benchmark reform, the calculation is based on the carrying amount of all beneficiary certificates.

2. Basis of preparation and significant accounting policies, continued

2.4 Changes in accounting policies and disclosures, continued

2.4.1 New standards and interpretations adopted, continued

(3) Liability adequacy test

1) Nature of accounting policy change
The standards for evaluation on liability adequacy test have been changed as of December 31, 2021 in accordance with regulations on supervision of insurance business, and since the Group believes that the changes in the standards for evaluation provide more reliable and relevant information on the insurance liability adequacy, consolidated financial statements for the previous year were restated by applying a change in accounting policy.

2) Adjustment of financial position and financial performance due to changes in accounting policy
The impact of changes in accounting policies on the Group's consolidated statements of financial position as of December 31, 2021 and 2020 and January 1, 2020 and the consolidated statement of comprehensive income for the years then ended is as follows:

(In millions of won)	December 31, 2021					
	Total assets	Total liabilities	Total equity	Retained earnings	Profit for the year	Earnings per share in won
Before applying accounting policy change	₩ 130,934,864	118,980,090	11,954,774	8,051,586	525,715	4,497
Adjustments:						
Retrospective effect	-	1,112,800	(1,112,800)	(1,112,800)	-	
LAT additional reserve	-	(1,112,800)	1,112,800	1,112,800	-	
After applying accounting policy change	₩ 130,934,864	118,980,090	11,954,774	8,051,586	525,715	4,497

(In millions of won)	December 31, 2020					
	Total assets	Total liabilities	Total equity	Retained earnings	Profit for the year	Earnings per share in won
Before applying accounting policy change	₩ 125,704,708	112,812,363	12,892,345	7,693,333	477,830	4,190
Adjustments:						
Retrospective effect	-	1,112,800	(1,112,800)	(1,112,800)	-	
After applying accounting policy change	₩ 125,704,708	113,925,163	11,779,545	6,580,533	477,830	4,190

(In millions of won)	January 1, 2020					
	Total assets	Total liabilities	Total equity	Retained earnings	Profit for the year	Earnings per share in won
Before applying accounting policy change	₩ 116,053,429	103,668,854	12,384,575	7,417,673	667,493	5,904
Adjustments:						
Retrospective effect	-	1,112,800	(1,112,800)	(1,112,800)	(1,112,800)	
After applying accounting policy change	₩ 116,053,429	104,781,654	11,271,775	6,304,873	(445,307)	(4,950)

3) Detail of adjustments in cash flows
The change in accounting policy has no effect on the statement of cash flow for the years ended December 31, 2021 and 2020.

3. Significant accounting judgments, estimates and assumptions, continued

3.1 Accounting estimates and changes

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(1) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(2) Impairment on loans and receivables

Individual and collective allowance for doubtful accounts is calculated to assess impairment on loans and receivables. When individual allowance for doubtful accounts. When individual allowance for doubtful accounts is calculated, expected recoverable amount is calculated by estimated future cash flows considering borrowers' sales or collateral. In addition, when the collective allowance for doubtful accounts is calculated, default rates, duration of loss and loss rates at bankruptcy are estimated based on historical impairment.

(3) Impairment of non-financial assets

The Group tests non-financial assets for impairment at the end of every reporting period. The intangible assets with goodwill and indefinite useful lives are tested for impairment whenever there is an indication that the intangible asset may be impaired. Other non-financial assets are tested for impairment whenever there is an indication that the carrying value cannot be recovered. The value in use calculation is based on the management's assumption on future expected cash flows generated from CGU or asset. For the calculation of present value of future expected cash flows, adequate discount rate should be chosen.

(4) Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

3. Significant accounting judgments, estimates and assumptions, continued

3.1 Estimates and assumptions, continued

(5) Development costs

Development costs are capitalized in accordance with the accounting policy as mentioned in Note 2.3. Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

(6) Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'A+' rating or above, as set by an internationally acknowledged rating agency. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

(7) Lease period of a contract with options to extend and terminate

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, and any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. If the Group possesses such options, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

(8) Provision for decommissioning

The Group has recognized a provision for decommissioning obligations associated with a leased building. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs.

(9) Income tax

There are different kinds of transactions and calculation methods which make final tax determination uncertain. Based on an estimate of the additional taxes to be imposed, if there is a difference between final tax amount and initially recognized tax amount, the difference will affect current income tax and deferred tax assets and liabilities at the period when such determinations are made.

3. Significant accounting judgments, estimates and assumptions, continued

3.1 Estimates and assumptions, continued

(10) Special Taxation for Facilitation of Investment and Mutually-Beneficial Cooperation

The Group shall pay an additional surtax where the use of corporate earnings on qualifying investments, wage increase and mutually-beneficial cooperation fall below a certain portion of its taxable income for 3 years from 2015. As the Group considers the Special Taxation for Facilitation of Investment and Mutually-Beneficial Cooperation on its undistributed earnings when computing its corporate income tax, the Group's income tax may change arising from changes in investment, wage growth, or mutually-beneficial cooperation.

(11) Liability adequacy test

The Group recognizes the shortfall as its loss by assessing the adequacy of insurance liability. In order to estimate the cash flow anticipated to occur from the current insurance contract, reasonable anticipation of cash inflows including premium income and that of cash outflows including insurance, refund, reserve, expenses etc. is required. For this purpose, scenario presented by Financial Supervisory Service, ratio of risk, ratio of cancellation and expense rate use the presumptions considering the experience of the past and the trend of the future. The long-term insurance uses the discount rate reflecting the past experience and the current market information in order to calculate the future cash flow into the current value. Also, adequacy of individually estimated claims is assessed for reserves by selecting the most adequate model according to the trend of claims paid among various statistical methods. The Group categorizes its insurance products based on characteristics of the products. For insurance products in the same category, the Group applies assumptions for the respective category consistently.

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

4.1 KIFRS 1109 *Financial Instruments*

KIFRS 1109, published on September 25, 2015, is, in principle, effective for annual periods after January 1, 2018. Due to the amendments of KIFRS 1104, 'Insurance Contract', the Group met the qualification for the temporary exemption as of December 31, 2016 which require the ratio of insurance related liabilities to exceed 90% of the total liabilities. As a result, the Group plans to receive temporary exemption from the application of KIFRS 1109 until the fiscal year beginning before January 1, 2023 by meeting the requirements for temporary exemption from the application of KIFRS 1109.

This newly established standard KIFRS 1109 generally requires the entity to apply retrospectively. However, for the classification and measurements of financial instruments, including impairments, the standard provides an exemption from the requirement to restate comparative information. For hedge accounting, this standard shall apply prospectively aside from the accounting for the time value of options and other exceptions.

Main characteristics of KIFRS 1109 are the classification and measurements of financial assets in accordance with the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, impairment model of financial instruments based on expected credit losses, expansion of hedged item and the hedging instrument qualifies for hedge accounting and changes to the methods for assessing hedge effectiveness.

The general effects of this standard based on its main characteristics over the financial statements were as follows:

(1) Classification and measurement of financial assets

The Group shall classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset as shown on the below table when the new standard KIFRS 1109 is adopted. Furthermore, if a hybrid contract contains a host that is an asset within the scope of this standard, an embedded derivative shall not be separated from the host and accounted for financial assets.

	Contractual cash flow characteristics	
Business model objectives	Principal and interest	Others
To collect the contractual cash flows	Measured at amortized cost (*1)	
To collect the contractual cash flows and to sell	Measured at fair value through other comprehensive income (*1)	Fair value through profit or loss(*2)
To sell and others	Measured at fair value through profit or loss	

(*1) The Group may irrevocably designate a financial asset as measured at fair value through profit or loss to eliminate or significantly reduce accounting mismatch.
(*2) The Group may make an irrevocable election for equity instruments held for trading as measured at fair value through other comprehensive income.

4. Standards issued but not yet effective, continued

4.1 KIFRS 1109 *Financial Instruments, continued*

Conditions to measure financial assets at amortized cost or fair value through other comprehensive income under KIFRS 1109 are more stringent than the conditions under KIFRS 1039. As a result, the portion of financial assets measured at fair value through profit or loss will increase which may lead to increases in volatility of profit or loss.

(2) Classification and measurement of financial liabilities

In accordance with the new standard KIFRS 1109, the amount of change in the fair value of the financial liability that is designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, not profit or loss. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, when the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch, the related change in the fair value shall be presented in profit or loss.

As some portion of the changes in fair value of the financial liability that is designated as at fair value through profit or loss, which was recognized as profit or loss under KIFRS 1039, shall be presented as other comprehensive income, the profit or loss related to fair value of financial liability may decrease.

(3) Impairment: Financial assets and contract assets

Under the current standard KIFRS 1039, impairment is recognized based on incurred loss model only when there is an objective evidence of impairment. However, under the new standard KIFRS 1109, impairment is recognized based on expected credit loss impairment model for the debt instruments, lease receivables, contract assets, loan commitments, and financial guarantee contracts measured at amortized cost or financial assets that are measured at fair value through other comprehensive income.

Unlike the current standard KIFRS 1039 which is based on incurred loss model, credit losses may be recognized earlier under KIFRS 1109. As shown below, this standard requires to measure the amount for loss allowance in 3 stages based on the 12-month expected credit losses or lifetime expected credit losses depending on the degree of increase in credit risk of the financial assets since initial recognition.

Stages		Loss allowance
Stage 1	Credit risk has not increased significantly since initial recognition	12-month expected credit losses: the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Credit-impaired	

On the other hand, KIFRS 1109 requires financial assets that are credit-impaired at initial recognition to account for only the cumulative change in lifetime expected losses since the initial recognition as a loss allowance.

4. Standards issued but not yet effective, continued

4.1 KIFRS 1109 Financial Instruments, continued

(4) Hedge accounting

New standard KIFRS 1109 retains the mechanics of hedge accounting (i.e. fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation) of current standard KIFRS 1039. However, this standard mitigated KIFRS 1039 by amending the complex and rule-based requirements related to hedge accounting under KIFRS 1039 to principle-based requirements to align hedge accounting more closely with risk management. Furthermore, this standard expanded the eligible hedged item and the hedging instrument and eased the requirement for the hedge accounting by removing quantitative threshold (80~125%) and changing hedge effectiveness test method.

The Group assessed the financial impact of the initial adoption of KIFRS 1109 by assessing the impact on the consolidated financial statements based on the current circumstances and available information as of December 31, 2021.

1) The fair value at the end of the reporting period and the amount of change in the fair value during that period by group of financial assets as of December 31, 2021 are as follows:

		Fair value at the end of the reporting period	Amount of change in the fair value
Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding	₩	74,761,477	(704,880)
Other financial assets		25,782,927	21,970
	₩	100,544,404	(682,910)

2) For financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding that do not have low credit risk at the end of the reporting period, the fair value and the carrying amount applying KIFRS 1039 (in the case of financial assets measured at amortized cost, before adjusting for any impairment allowances) are ₩71,810,102 million and ₩72,010,245 million, respectively.

3) KIFRS 1109 information for subsidiaries could be obtained from the publicly available individual or separate financial statements of an entity within the Group that has applied KIFRS 1109.

4) The Group is exempted from the particular requirements in KIFRS 1028, so KIFRS 1109 is applied to certain joint venture Kyobo AXA Investment Management Co., Ltd.

4. Standards issued but not yet effective, continued

4.2 Amendments to KIFRS 1001 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current

The amendments to paragraphs 69 ~ 76 of KIFRS 1001 clarify the following requirements for the classification of liabilities as current or non-current.

- The meaning of the right to defer settlement of the liability
- the right to defer settlement of the liability exists at the end of the reporting period only if the entity complies with those conditions at the end of the reporting period.
- The potential to exercise of the right to defer shall not affect the classification of liquidity.
- The terms of the liability do not affect the classification of liquidity only if the embedded derivative of the convertible liability itself is an equity instrument.

Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2023, retrospectively. The Group measures the effect of amendments on practices and whether renegotiation is necessary for preexisting loan commitments.

4.3 Amendments to KIFRS 1103 *Business Combinations* – Reference to the Conceptual Framework for Financial Reporting

The objective of these amendments is to ensure that there is no significant change in requirements when changing 'Framework for the Preparation and Presentation of Financial Statements' issued in 1989 to 'Conceptual Framework for Financial Reporting' issued in March 2018. An exception was added to the recognition principle in KIFRS 1103 to avoid the problem of day 2 gains or losses from liabilities and contingent liabilities that are within the scope of KIFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets' or KIFRS Interpretation 2121 'Levies'. In addition, the guidance on contingent assets in KIFRS 1103 was clarified to ensure that the conceptual framework for financial reporting was not affected. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022, prospectively.

4.4 Amendments to KIFRS 1016 *Property, Plant and Equipment* – Proceeds before Intended Use

The purpose of these amendments is to ensure that the selling value of items which may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management is not deducted from the cost. Instead, the Group shall recognize the proceeds from selling any such items, and the cost of those items, in profit or loss. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022 and the Group shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Group first applies the amendments. Those amendments are not expected to have a significant impact on the Group's financial statements.

4. Standards issued but not yet effective, continued

4.5 Amendments to KIFRS 1037 Provisions, Contingent Liabilities and Contingent – Onerous Contracts—Cost of Fulfilling a Contract

The amendments clarify the costs that an entity should include when assessing whether a contract is an onerous contract or a contract that generates a loss.
The amended Standard applies a "directly related cost approach". Costs that relate directly to a contract consist of the incremental costs of fulfilling that contract such as direct labor and materials and an allocation of other costs that relate directly to fulfilling contracts. General administrative costs are excluded if they are not directly related to the contract and cannot be explicitly charged to the counterparty under the contract.
Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. The Group shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

4.6 Amendments to KIFRS 1008 Accounting Policy, Changes in Accounting Estimates and Errors' Revision - Definition of Accounting Estimates

The amendments clearly distinguish changes in accounting estimates, changes in accounting policies, and correction of accounting errors. The amendments also clarify how an entity uses measurement techniques and inputs to develop accounting estimates. These amendments shall be applied for annual reporting periods beginning on or after January 1, 2023, and shall be applied prospectively to changes in accounting policies and accounting estimates that occur. Early application is permitted. Those amendments are not expected to have a significant impact on the Group’s financial statements.

4.7 Amendments to KIFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policy

The amendments provide requirements and guidance to enable more effective disclosure of the Group 's accounting policies. KIFRS 1001 requires the Group's significant accounting policies to be disclosed. The amendments changed the 'significant' accounting policy to the 'material' accounting policy and added explanations for important accounting policy information. It enables the Group to provide more useful accounting policy information when deciding on accounting policy disclosure.

The amendment to KIFRS 1001 ‘Presentation of Financial Statements’ shall be applied for annual reporting periods beginning on or after January 1, 2023 and early application is permitted. Those amendments are not expected to have a significant impact on the Group’s financial statements.

4.8 Amendments to KIFRS 1012 'Corporate Tax' - Reduction of the scope of exception to initial recognition of deferred tax

The amendments have been amended to solve the problem of different accounting practices for the recognition of deferred income tax liabilities and assets for transactions in which a temporary difference to be added and a temporary difference to be deducted in the same amount are recognized at the same time.

The amendments add the requirement (3) to the proviso of paragraphs 15 and 24 of KIFRS No. 1012 (Exceptions to Initial Recognition of Deferred Tax), and adds the same amount of temporary difference to be added when assets and liabilities are initially recognized in a single transaction. If there is a temporary difference to be deducted, deferred tax liabilities and assets are recognized respectively. The amendments shall be applied for annual reporting periods beginning on or after January 1, 2023 and early application is permitted. Those amendments are not expected to have a significant impact on the Group’s financial statements.

4. Standards issued but not yet effective, continued

4.9 Annual Improvements 2018-2021 Cycle

4.9.1 KIFRS 1101 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a First-time Adopter

A subsidiary that uses the exemption in paragraph D16(1) of KIFRS 1101 First-time Adoption of International Financial Reporting Standards may elect, in its financial statements, to measure cumulative translation differences that would be included in the parent's consolidated financial statements, based on the parent's date of transition to KIFRS. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(1). Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

4.9.2 KIFRS 1109 *Financial Instruments* – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from an existing financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity shall apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which it first applies the amendments. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. the Group will be applied the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which it first applies the amendments. Those amendments are not expected to have a significant impact on the Group's financial statements.

4.9.3 KIFRS 1041 *Agriculture* – Fair Value Measurements

The amendments removed the requirement on paragraph 22 for entities to exclude cash flows for taxation when measuring fair value. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. Those amendments are not expected to have a significant impact on the Group's financial statements.

4. Standards issued but not yet effective, continued

4.10 KIFRS 1117 *Insurance contracts*

In 2021, KIFRS 1117 'Insurance Contracts' was published, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, KIFRS 1117 will replace KIFRS 1104 Insurance Contracts (KIFRS 1104) that was issued in 2007.

KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

KIFRS 1117 is effective for reporting periods beginning on or after January 1 2023, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. This standard is not applicable to the Group.

4.10.1 Preparation of the adoption of KIFRS 1117

In order to prepare for the adoption of KIFRS 1117, the Group has organized and operated an internal professional workforce which consists of 38 professional employees since September 2016.

In February 2016, the Group requested the accounting firm and actuarial firm to establish an accounting system such as insurance liability assessment system, and in March 2020, the integrated accounting system was first completed, and from June 2021, the KIFRS 1117 upgrade project has been carried out. As of December 2021, system upgrade and consistency check are being carried out, and the Group plans to continuously upgrade the system by 2022 while also establishing an internal control over financial reporting.

In addition, the Group has established an in-house training course related to KIFRS 1117 to provide internal and external training to executives and employees who are related with accounting, actuary, and insurance products, while in-depth trainings course will be prepared in 2022.

4. Standards issued but not yet effective, continued

4.10 KIFRS 1117 *Insurance contracts, continued*

4.10.2 Assessment of financial impacts

With the implementation of KIFRS 1117, the financial volatilities are expected within the consolidated financial statements in 2023, due to changes in the method of assessment of insurance liabilities and revenue recognition, etc.

As a result of evaluating the potential impact of the application of KIFRS 1117 on the consolidated financial statements based on currently available information as of December 31, 2021, it is expected that the amount of insurance contract liabilities will increase after the enforcement of KIFRS 1117 due mainly to the effect from the high interest rate firm insurance contracts held, etc.

In addition, insurance revenue is expected to decrease as savings type insurance premiums are excluded from insurance revenue when KIFRS 1117 is applied.

(In millions of won)

5. Cash and due from banks

(1) Cash and cash equivalents as of December 31, 2021 and 2020 are as follows:

		2021	2020
Cash	₩	4,659	1,214
Current deposits		17,906	7,369
Demand deposits		248,524	197,610
MMDA		1,068,522	488,507
Other deposits		73,994	66,026
	₩	1,413,605	760,726

(2) Due from banks as of December 31, 2021 and 2020 are as follows:

		2021	2020
Time deposits	₩	118,890	271,747
Margin on futures		215,407	94,763
Reserve for claims of customers' deposits		151,148	145,000
Other deposits		997,994	668,395
	₩	1,483,439	1,179,905

(3) Bank deposits with withdrawal restrictions as of December 31, 2021 and 2020 are as follows:

		2021	2020	Details
Demand deposits	₩	111	111	Partially seized
Guarantee deposits for checking accounts		17	19	Guarantee deposits for checking accounts
Time deposits		2,100	22,223	Payment settlement of micro payment etc.
Margin on futures		215,407	94,763	In relation to derivatives transactions
Reserve for claims of customers' deposits		151,148	145,000	Reserve for return of customer deposits
Other deposits		742,723	456,928	Customers' deposits of overseas futures FX margin, deposits for loan transactions, etc.
	₩	1,111,506	719,044	

(In millions of won)

6. Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss as of December 31, 2021 and 2020 are as follows:

		2021	2020
Hybrid financial instruments:			
Credit linked notes	₩	-	33,006
Other embedded derivatives		22,915	17,289
		22,915	50,295
Valuation and management of fair value:			
Reserve for claims of customers' deposits (*)		504,055	281,901
	₩	526,970	332,196

(*) Under the *Capital Market and Finance Investment Services Act*, the Group has reserved the amount required by the Financial Services Commission for claims of customers' deposits (trust) to Korea Securities Finance Corporation (KSFC) and its use is restricted.

7. Financial assets held for trading

(1) Financial assets held for trading as of December 31, 2021 and 2020 are as follows:

		2021	2020
Equity securities:			
Stocks	₩	34,038	42,395
Beneficiary certificates		656,719	1,465,934
Overseas securities		1,561	-
		692,318	1,508,329
Debt securities:			
Government and public bonds		1,401,849	1,055,733
Special bonds		863,451	658,464
Financial institutions bonds		1,588,962	1,877,819
Corporate bonds		1,008,289	876,395
Overseas securities		1,177,011	903,488
Other securities		482,430	220,839
		6,521,992	5,592,738
	₩	7,214,310	7,101,067

(2) Financial assets held for trading pledged as collateral as of December 31, 2021 and 2020 are as follows:

Purpose		2021	2020	Counter party
Payment of deposit and repurchase agreements, etc.	₩	5,278,396	4,625,309	KSFC, etc.

(In millions of won)

8. Available-for-sale financial assets

(1) Available-for-sale financial assets as of December 31, 2021 and 2020 are as follows:

		2021	2020
Equity securities:			
Listed shares	₩	446,979	704,761
Unlisted shares		380,276	368,418
Equity investments		118,017	76,940
Beneficiary certificates (*1)		10,733,735	9,465,360
Overseas securities		3,111,654	2,698,444
Other securities		20,938	16,026
		14,811,599	13,329,949
Debt securities:			
Government and public bonds		19,688,798	20,092,656
Special bonds		7,440,100	8,625,300
Financial institutions bonds		1,113,560	1,127,573
Corporate bonds		3,101,849	3,440,241
Overseas securities		14,565,106	16,708,153
Other securities		24,120	-
		45,933,533	49,993,923
Cooperative Fund for default losses (*2)		48,988	43,613
	₩	60,794,120	63,367,485

(*1) The amount about Corsair related fund, the Group's major shareholder, were ₩192,777 million and ₩147,357 million as of December 31, 2021, and 2020 respectively, and dividend income recognized by the Group from the fund were ₩10,515 million and ₩25,327 million as of December 31, 2021 and 2020, respectively. Furthermore, the additional acquisition amount for years ended December 31, 2021 and 2020 were ₩33,771 million and ₩35,231 million, respectively, and disposal for years ended December 31, 2021 and 2020 were amounted to ₩7,653 million and ₩3,665 million, respectively.

(*2) In accordance with article 394 of the Capital Market and Finance Investment Services Act and article 362 of enforcement decree of this Act, the Group reserved basic reserve of ₩1,000 million plus variable reserves as securities market joint funds and derivative market joint funds to compensate for damages from violation of transaction (derivative instrument transaction) in securities market or derivative market. The Group has no free rights to dispose the fund for its profit.

The fair values of domestic currency debt securities and foreign currency debt securities of available-for-sale financial assets are based on the average prices of base prices on the latest business day, which are provided by Korea Asset Pricing (KAP) and KIS Pricing Inc, etc. The fair values of unlisted stocks and investments of which the posted prices are not available in an active market, are calculated based on the appraised values in the appraisal reports of KAP.

(In millions of won)

8. Available-for-sale financial assets, continued

(2) Gain on valuation of available-for-sale financial assets accounted for as accumulated other comprehensive income and policyholder's equity adjustments as of December 31, 2021 and 2020 are as follows:

	2021	2020
Gain on valuation of available-for-sale securities	₩ 2,449,164	5,627,168
Amount allocated to policyholder's equity adjustment	413,158	1,146,269
Amount allocated to deferred tax liabilities	567,440	1,235,773
Amount allocated to accumulated other comprehensive income	1,468,566	3,245,126

(3) Unlisted shares and equity investments were recognized at acquisition costs of ₩22,140 million and ₩19,807 million as of December 31, 2021 and 2020, respectively, as the fair value cannot be reliably estimated.

(4) Impairment losses on available-for-sale financial assets for the years ended December 31, 2021 and 2020 amounted to ₩35,693 million and ₩63,297million, respectively. Reversal of impairment losses on available-for-sale financial assets for years ended December 31, 2021 and 2020 were ₩3,704 million and ₩1,852 million, respectively.

(5) Available-for-sale financial assets pledged as collateral as of December 31, 2021 and 2020 are as follows:

Collateral	Purpose		2021	2020	Counter party
Government and public bonds, etc.	Collateral for derivatives	₩	815,282	228,657	NH Securities, etc
	Repurchase agreements		209,349	260,922	KSFC, etc.
	Loans for agency funding		133,069	119,934	KSFC
		₩	1,157,700	609,513	

(In millions of won)

9. Held-to-maturity financial assets

(1) Held to maturity financial assets as of December 2021 are as follows:

		2021	2020
Debt securities:			
Government and public bonds	₩	2,961,281	-
Special bonds		390,000	-
Corporate bonds		50,000	-
Overseas securities		1,152,269	-
	₩	4,553,550	-

10. Loan receivables

(1) Loan receivables as of December 31, 2021 and 2020 are as follows:

	2021	2020
Policy loan receivables	6,358,188	6,117,135
Loan receivables secured by investment securities	749,320	585,669
Loan receivables secured by real estate	6,105,133	6,214,126
Unsecured loan receivables	8,641,166	7,406,025
Guaranteed loan receivables	1,084,559	1,292,271
Other loan receivables	873,056	840,821
	23,811,422	22,456,047
Less: Present value discount	(4,894)	(4,997)
Less: Allowance for loss on loan receivables	(54,016)	(78,242)
Less: Deferred loan origination costs and fees	(27,203)	(19,505)
₩	23,725,309	22,353,303

(2) Changes in allowance for loss on loan receivables for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	78,242	66,682
Charge for the year, net		(15,249)	28,346
Write-off, etc.		(20,856)	(27,480)
Unwinding effect		(411)	(357)
Recovery of bad debts		12,290	11,051
Ending balance	₩	54,016	78,242

(In millions of won)

10. Loan receivables, continued

(3) Changes in deferred loan origination costs and fees for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	(19,505)	(14,903)
Loan originations		(12,093)	(7,679)
Amortization		4,395	3,077
Ending balance	₩	(27,203)	(19,505)

11. Other receivables

(1) Details of other receivables as of December 31, 2021 and 2020 are as follows:

		2021	2020
Insurance receivables:			
Premiums transferred automatically	₩	2,425	2,800
Insurance settlement adjustments		3,162	2,509
Reinsurance receivables		70,320	65,373
Other insurance receivables		144	9,981
		76,051	80,663
Accounts receivables, etc.		540,517	748,463
Guarantee deposits		168,754	170,089
Accrued income		583,092	563,840
Others		59,678	53,760
Finance lease receivables		2,044	2,692
		1,430,136	1,619,507
Less: Present value discount		(4,125)	(5,423)
Less: Allowance for other receivables		(28,356)	(34,150)
	₩	1,397,655	1,579,934

(2) Changes in allowance for other receivables for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	34,150	31,562
Provision (Reversal) for other receivables, net		(4,369)	4,352
Recovery of bad debts		(3,759)	(54)
Write-off, etc.		2,334	(1,710)
Ending balance	₩	28,356	34,150

(In millions of won)

11. Other receivables, continued

(3) Amounts of gross investment and present value of minimum lease payment of Finance lease receivables as of December 31, 2021 and 2020 are as follows:

		2021	
		Gross investment	Present value of minimum lease payment
Not later than 1 year	₩	3,179	3,065
1 ~5 years		3,664	3,416
Later than 5 years		607	590
Ending balance	₩	7,450	7,071

		2020	
		Gross investment	Present value of minimum lease payment
Not later than 1 year	₩	1,213	1,168
1 ~5 years		1,060	1,039
Ending balance	₩	2,273	2,207

(4) The unrealized interest income of gross investment from finance lease receivable was ₩285million as of December 31, 2021.

(In millions of won)

12. Investments in associates and a joint venture

(1) Investments in associates and a joint venture as of December 31, 2021 and 2020 are summarized as follows:

	Country of domicile	Reporting date		2021 Book value	2021 Owner -ship (%)	2020 Book value	2020 Owner -ship (%)
Associates:							
A&D Credit Information Co., Ltd.(*1)	Korea	Dec. 31, 2021	₩	3,381	19.50	3,367	19.50
Hwaseong-Jeongnam General Industry Complexes Co., Ltd. (*1, *3)	Korea	Sep. 30, 2021		-	19.00	382	19.00
Songsan Industrial Complex Development Co., Ltd. (*1, *3)	Korea	Sep. 30, 2021		-	15.00	57	15.00
Pusan Millak PFV (*1, *4)	Korea	Dec. 31, 2021		-	5.00	-	5.00
Jinjeop2 REIT Co., Ltd. .(*1)	Korea	Dec. 31, 2021		59	0.13	59	0.13
Guri Galmae REIT Co., Ltd. .(*1)	Korea	Dec. 31, 2021		19	0.03	19	0.03
Yeouido H2 PFV .(*1)	Korea	Dec. 31, 2021		161	5.00	228	5.00
Pusan Eco delta city PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Logistec Yangsan Co., Ltd. (*1)	Korea	Dec. 31, 2021		205	19.90	-	-
Incheon Gundam 3rd PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Hera Park City development PFV (*1)	Korea	Dec. 31, 2021		709	19.50	-	-
Hera Park City development AMC (*1)	Korea	Dec. 31, 2021		36	19.50	-	-
Incheon Yeongjong PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Dongdaemoon Urban PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Chungju Biz Core City Co., Ltd. (*1)	Korea	Dec. 31, 2021		-	10.00	-	-
Chungnam Naepo 1 PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Yangjuhoechun PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Peco-city Co., Ltd. (*1)	Korea	Dec. 31, 2021		15	12.50	-	-
Incheon Yeongjong 1st PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Changwon Gapo PFV(*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Kyobo 9 Special Purpose Acquisition Company (*1)	Korea	Dec. 31, 2021		19	0.26	19	0.26
Kyobo 10 Special Purpose Acquisition Company (*1)	Korea	Dec. 31, 2021		117	1.32	117	1.32
Kyobo 11Special Purpose Acquisition Company (*1)	Korea	Dec. 31, 2021		19	4.17	-	-
Kyobo NH Healthcare New Technology Investment Association 1st (*2)	Korea	Dec. 31, 2021		2,297	13.89	-	-
NH Kyobo AI solution New Technology Investment Association (*2)	Korea	Dec. 31, 2021		1,042	8.70	-	-
Kyobo Kiwoom New Materials & Technology Investment Association (*2)	Korea	Dec. 31, 2021		2,212	12.50	-	-
Kyobo Hanyang ESG New Technology Investment Association (*2)	Korea	Dec. 31, 2021		1,095	11.76	-	-
Kyobo Axis Future & New Technology Investment Association 1st (*2)	Korea	Dec. 31, 2021		1,985	9.43	-	-
Kyobo-YG Ilguimu newTechnology Investment Association(*2)	Korea	Dec. 31, 2021		973	11.50	-	-
NPC&C Co.Ltd.	Korea	Dec. 31, 2021		2,754	30.70	-	-
Marston General Private Real Estate Investment Trust No. 61	Korea	Aug. 31, 2021		20,000	32.80	-	-
				37,098		4,248	

(In millions of won)

12. Investments in associates and a joint venture, continued

(1) Investments in associates and a joint venture as of December 31, 2021 and 2020 are summarized as follows, continued:

	Country of domicile	Reporting date	2021 Book value	2021 Owner -ship (%)	2020 Book value	2020 Owner -ship (%)
Joint venture:						
Kyobo AXA Investment Management Co., Ltd.	Korea	Dec. 31, 2021	34,572	50.00	32,012	50.00
			₩ 71,670		36,260	

(*1) The entities are classified as associates even though the Group holds less than 20% of shares since members of the Group's Board of Directors are also the members of the entities' board and thus have significant influence over the entities.
(*2) The entities are classified as associates even though the Group holds less than 20% of shares. Since the Group can participate in decision-making related to the investees' financial and operating policies as a general manager, and thus has significant influence over the entities.
(*3) The entity was excluded from the associates for the year ended December 31, 2021.
(*4) The Group discontinued to recognize its shares of profit or loss of the associate as the amount of equity investment fell below zero for the year ended December 31, 2021.
(*5) The Group invested in preferred stocks issued by an investee company with significant influence and KIFRS 1039 was applied as the financial instrument could not substantially access the profits associated with the stake in the associate.

(In millions of won)

12. Investments in associates and a joint venture, continued

(2) Changes in investments in associates and a joint venture for the years ended December 31, 2021 and 2020 are as follows:

	2021					
	Beginning balance	Acquisition	Gain (loss) on equity-method accounting	Dividend	Changes in equity	Ending balance
Associates:						
A&D Credit Information Co., Ltd.	₩ 3,367	-	63	(49)	-	3,381
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	382	-	(382)	-	-	-
Songsan Industrial Complex Development Co., Ltd.	57	-	(57)	-	-	-
Jinjeop2 REIT Co., Ltd.	59	-	-	-	-	59
Guri Galmae REIT Co., Ltd.	19	-	-	-	-	19
Yeouido H2 PFV	228	50	(116)	-	(1)	161
Logistec Yangsan Co., Ltd.	-	398	(187)	-	(6)	205
Hera Park City development PFV	-	975	(266)	-	-	709
Hera Park City development AMC	-	20	16	-	-	36
Chungju Biz Core City Co., Ltd.	-	10	(10)	-	-	-
Peco-city Co., Ltd.	-	38	(23)	-	-	15
Kyobo 9 Special Purpose Acquisition Company	19	-	-	-	-	19
Kyobo 10 Special Purpose Acquisition Company	117	-	-	-	-	117
Kyobo 11Special Purpose Acquisition Company	-	10	1	-	8	19
Kyobo NH Healthcare New Technology Investment Association 1st	-	2,500	(203)	-	-	2,297
NH Kyobo AI solution New Technology Investment Association	-	1,000	42	-	-	1,042
Kyobo Kiwoom New Materials & Technology Investment Association	-	2,000	212	-	-	2,212
Kyobo Hanyang ESG New Technology Investment Association	-	1,000	95	-	-	1,095
Kyobo Axis Future & New Technology Investment Association 1st	-	2,000	(15)	-	-	1,985
Kyobo-YG Ilguimu new Technology Investment Association	-	1,000	(27)	-	-	973
NPC&C Co.Ltd.	-	3,000	(246)	-	-	2,754
Marston General Private Real Estate Investment Trust No. 61	-	20,000	-	-	-	20,000
	4,248	34,001	(1,103)	(49)	1	37,098
Joint ventures:						
Kyobo AXA Investment Management Co., Ltd.	32,012	-	8,458	(5,898)	-	34,572
	₩ 36,260	34,001	7,355	(5,947)	1	71,670

(In millions of won)

12. Investments in associates and a joint venture, continued

(2) Changes in investments in associates and a joint venture for the years ended December 31, 2021 and 2020 are as follows, continued:

	2020						
	Beginning balance	Acquisition	Disposal/ Reclassification	Gain (loss) on equity-method accounting	Dividend	Changes in equity	Ending balance
Associates:							
A&D Credit Information Co., Ltd.	₩ 3,378	-	-	87	(98)	-	3,367
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	-	-	(171)	553	-	-	382
Kyobo 7 Special Purpose Acquisition Company	20	-	(10)	-	-	(10)	-
Kyobo 8 Special Purpose Acquisition Company	18	-	(10)	-	-	(8)	-
Kyobo 9 Special Purpose Acquisition Company	19	-	-	-	-	-	19
Kyobo 10 Special Purpose Acquisition Company	-	70	-	(1)	-	48	117
Songsan Industrial Complex Development Co., Ltd.	792	-	-	(735)	-	-	57
Pusan Millak PFV	-	250	-	(250)	-	-	-
Jinjeop2 REIT Co., Ltd.	-	59	-	-	-	-	59
Guri Galmae REIT Co., Ltd.	-	19	-	-	-	-	19
Yeouido H 2 PFV	-	250	-	(22)	-	-	228
	4,227	648	(191)	(368)	(98)	30	4,248
Joint ventures:							
Kyobo AXA Investment Management Co., Ltd.	30,997	-	-	5,904	(4,889)	-	32,012
	₩ 35,224	648	(191)	5,536	(4,987)	30	36,260

(In millions of won)

12. Investments in associates and a joint venture, continued

(3) Accumulated unrecognized change in equity due to discontinued use of the equity method as of December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021	
	Unrecognized losses	Accumulated unrecognized losses
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	₩ 319	306
Songsan Industrial Complex Development Co., Ltd.	517	517
Pusan Millak PFV	893	1,222
	₩ 1,729	2,045

	December 31, 2020	
	Unrecognized losses	Accumulated unrecognized losses
Pusan Millak PFV	329	329

(In millions of won)

12. Investments in associates and a joint venture, continued

(4) Condensed financial information of the Group's associates and a joint venture as of December 31, 2021 and December 31, 2020 are summarized as follows:

	2021			
	Assets	Liabilities	Operating profit	Net income (loss)
Associates:				
A&D Credit Information Co., Ltd. ₩	25,777	8,439	507	322
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	29,914	31,593	292	(243)
Songsan Industrial Complex Development Co., Ltd.	136,474	139,923	12,807	(1,538)
Pusan Millak PFV	96,238	120,683	32,075	(19,711)
Jinjeop2 REIT Co., Ltd.	44,007	212	-	-
Guri Galmae REIT Co., Ltd.	71,041	979	-	-
Yeouido H2 PFV	50,726	47,514	800	(2,334)
Logistec Yangsan Co., Ltd.	7,128	6,099	256	(942)
Hera Park City development PFV	3,637	-	-	(1,363)
Hera Park City development AMC	204	20	450	83
Chungju Biz Core City Co., Ltd.	103	102	-	(99)
Peco-city Co., Ltd.	117	-	-	(183)
Kyobo 9 Special Purpose Acquisition Company	8,788	1,594	41	(40)
Kyobo 10 Special Purpose Acquisition Company	9,821	873	44	(13)
Kyobo 11Special Purpose Acquisition Company	10,797	2,165	6	(40)
Kyobo NH Healthcare New Technology Investment Association 1st	16,536	-	1	(1,464)
NH Kyobo AI solution New Technology Investment Association	11,987	-	597	487
Kyobo Kiwoom New Materials & Technology Investment Association	17,699	3	1,756	1,696
Kyobo Hanyang ESG New Technology Investment Association	9,310	1	836	808
Kyobo Axis Future & New Technology Investment Association 1st	21,045	3	1	(158)
Kyobo-YG Ilguimu newTechnology Investment Association	8,464	-	-	(236)
NPC&C Co.Ltd.	3,261	743	(803)	(801)
Marston General Private Real Estate Investment Trust No. 61	20,992	5,715	-	(33)
Joint venture:				
Kyobo AXA Investment Management Co., Ltd.	88,305	19,167	21,965	16,911

(In millions of won)

12. Investments in associates and a joint venture, continued

(4) Condensed financial information of the Group's associates and a joint venture as of December 31, 2021 and December 31, 2020 are summarized as follows, continued:

	2020			
	Assets	Liabilities	Operating profit	Net income (loss)
Associates:				
A&D Credit Information Co., Ltd. ₩	26,868	9,602	43,132	447
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	41,454	39,446	211	(66)
Kyobo 9 Special Purpose Acquisition Company	8,809	1,575	78	(36)
Kyobo 10 Special Purpose Acquisition Company	9,820	859	18	(39)
Songsan Industrial Complex Development Co., Ltd.	188,414	188,032	7	(2,237)
Pusan Millak PFV	73,309	79,880	17,011	(9,731)
Jinjeop2 REIT Co., Ltd.	44,007	212	-	(2)
Guri Galmae REIT Co., Ltd.	71,041	979	-	(639)
Yeouido H 2 PFV	45,944	41,387	101	(443)
Joint venture:				
Kyobo AXA Investment Management Co., Ltd.	73,855	9,831	37,730	11,808

(5) The market value for associates and a joint venture which are publicly traded as of December 31, 2021 and December 31, 2020 are summarized as follows:

	December 31, 2021		December 31, 2020	
	Fair value	Book value	Fair value	Book value
Kyobo 9 Special Purpose Acquisition Company ₩	22	19	20	19
Kyobo 10 Special Purpose Acquisition Company	149	117	145	117
Kyobo 11 Special Purpose Acquisition Company	22	19	-	-

(6) Details of accumulated other comprehensive income for associates and a joint venture allocated to policyholder's equity adjustments and deferred tax liabilities as of December 31, 2021 and 2020 are as follows:

	2021	2020
Gain on valuation of associates ₩	40	39
Amount allocated to policyholder's equity adjustment	6	6
Amount allocated to deferred tax liabilities	9	9
Amount allocated to accumulated other comprehensive income	25	24

(In millions of won)

13. Classification by categories of financial instruments

(1) The carrying amounts of each category of financial assets and financial liabilities as of December 31, 2021 and 2020 are summarized as follows:

	2021							
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Financial assets:								
Cash and due from banks ₩	-	-	-	2,897,044	-	-	-	2,897,044
Financial assets designated at fair value through profit or loss	526,970	-	-	-	-	-	-	526,970
Financial assets held for trading	7,214,310	-	-	-	-	-	-	7,214,310
Derivatives	376,443	-	-	-	85,310	-	-	461,753
Available-for-sale financial assets	-	60,794,120	-	-	-	-	-	60,794,120
Held-to-maturity financial assets	-	-	4,553,550	-	-	-	-	4,553,550
Loan receivables	-	-	-	23,725,309	-	-	-	23,725,309
Other receivables	-	-	-	1,397,655	-	-	-	1,397,655
₩	8,117,723	60,794,120	4,553,550	28,020,008	85,310	-	-	101,570,711
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss ₩	-	-	-	-	-	3,564,849	-	3,564,849
Financial liabilities held for trading	-	-	-	-	-	117,484	-	117,484
Derivatives	-	-	-	-	423,432	466,980	-	890,412
Borrowings	-	-	-	-	-	-	3,541,753	3,541,753
Other financial liabilities	-	-	-	-	-	-	3,084,839	3,084,839
₩	-	-	-	-	423,432	4,149,313	6,626,592	11,199,337

(In millions of won)

13. Classification by categories of financial instruments, continued

(1) The carrying amounts of each category of financial assets and financial liabilities as of December 31, 2021 and 2020 are summarized as follows, continued:

	2020						
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Financial assets:							
Cash and due from banks	₩ -	-	1,940,631	-	-	-	1,940,631
Financial assets designated at fair value through profit or loss	332,196	-	-	-	-	-	332,196
Financial assets held for trading	7,101,067	-	-	-	-	-	7,101,067
Derivatives	525,692	-	-	797,476	-	-	1,323,168
Available-for-sale financial assets	-	63,367,485	-	-	-	-	63,367,485
Loan receivables	-	-	22,353,303	-	-	-	22,353,303
Other receivables	-	-	1,579,934	-	-	-	1,579,934
	₩ 7,958,955	63,367,485	25,873,868	797,476	-	-	97,997,784
Financial liabilities:							
Financial liabilities designated at fair value through profit or loss	₩ -	-	-	-	3,083,526	-	3,083,526
Financial liabilities held for trading	-	-	-	-	413,809	-	413,809
Derivatives	-	-	-	94,234	512,343	-	606,577
Borrowings	-	-	-	-	-	2,619,813	2,619,813
Other financial liabilities	-	-	-	-	-	2,883,733	2,883,733
	₩ -	-	-	94,234	4,009,678	5,503,546	9,607,458

(In millions of won)

13. Classification by categories of financial instruments, continued

(2) Gains (losses) on categories of financial instruments for the year ended December 31, 2021 is as follows:

	2021						
	Net profit and loss						Other comprehensive income(loss) (*2)
	Interest income (expense)	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss	Other operating income (expense) (*1)	Subtotal	
Financial assets designated at fair value through profit or loss	₩ -	(381)	649	-	-	268	-
Financial assets held for trading	135,412	(30,472)	(118,689)	-	81,688	67,939	-
Available-for-sale financial assets	1,318,824	497,255	24,206	(31,989)	1,709,502	3,517,798	(1,774,421)
Held-to-maturity financial assets	39,217	-	-	-	28,450	67,667	-
Trading purpose derivatives	(5,074)	(282,818)	(132,248)	-	2,390	(417,750)	-
Hedging purpose derivatives	(33,055)	(17,662)	(901,672)	-	-	(952,389)	36,329
Loans and receivables	1,047,272	(295)	-	19,618	59,442	1,126,037	-
Financial liabilities designated at fair value through profit or loss	-	(76,811)	70,363	-	(79,168)	(85,616)	-
Financial liabilities held for trading	-	17,224	(161)	-	-	17,063	-
Financial liabilities measured at amortized cost	(41,054)	-	-	-	(36,228)	(77,282)	-
	₩ 2,461,542	106,040	(1,057,552)	(12,371)	1,766,076	3,263,735	(1,738,092)

(*1) Including gain or loss from foreign currency transaction and dividend income.
(*2) Accumulated other comprehensive income after adjustment for income tax effect.

(In millions of won)

13. Classification by categories of financial instruments, continued

(2) Gains (losses) on categories of financial instruments for the year ended December 31, 2020 is as follows, continued:

	2020						
	Net profit and loss						Other comprehensive income(loss) (*2)
	Interest income (expense)	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss	Other operating income (expense) (*1)	Subtotal	
Financial assets designated at fair value through profit or loss	₩ -	-	1,528	-	-	1,528	-
Financial assets held for trading	125,895	36,717	31,573	-	(35,395)	158,790	-
Available-for-sale financial assets	1,365,199	622,399	-	(61,445)	(207,005)	1,719,148	300,859
Trading purpose derivatives	3,477	(320,553)	(12,525)	-	(4,381)	(333,982)	-
Hedging purpose derivatives	(38,821)	(28,681)	753,934	-	-	686,432	(146,741)
Loans and receivables	1,047,151	1,125	-	(32,698)	553	1,016,131	-
Financial liabilities designated at fair value through profit or loss	-	(85,845)	38,574	-	54,628	7,357	-
Financial liabilities held for trading	-	(15,365)	10,721	-	-	(4,644)	-
Financial liabilities measured at amortized cost	(34,986)	-	-	-	30,808	(4,178)	-
	₩ 2,467,915	209,797	823,805	(94,143)	(160,792)	3,246,582	154,118

(*1) Including gain or loss from foreign currency transaction and dividend income.
(*2) Accumulated other comprehensive income after adjustment for income tax effect.

(In millions of won)

14. Fair value of financial assets and liabilities

(1) Book value and fair value of financial assets and liabilities as of December 31, 2021 and 2020 are as follows:

	2021		2020	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and due from banks	₩ 2,897,044	2,897,044	1,940,631	1,940,631
Financial assets designated at fair value through profit or loss	526,970	526,970	332,196	332,196
Financial assets held for trading	7,214,310	7,214,310	7,101,067	7,101,067
Derivative assets	461,753	461,753	1,323,168	1,323,168
Available-for-sale financial assets	60,794,120	60,794,120	63,367,485	63,367,485
Held-to-maturity financial assets	4,553,550	4,478,532		
Loan receivables	23,725,309	23,525,226	22,353,303	22,436,145
Other receivables	1,397,655	1,396,973	1,579,934	1,580,161
	₩ 101,570,711	101,294,928	97,997,784	98,080,853
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	₩ 3,564,849	3,564,849	3,083,526	3,083,526
Financial liabilities held for trading	117,484	117,484	413,809	413,809
Derivative liabilities	890,412	890,412	606,577	606,577
Borrowings	3,541,753	3,541,753	2,619,813	2,619,813
Other financial liabilities	3,084,839	3,084,810	2,883,733	2,884,484
	₩ 11,199,337	11,199,308	9,607,458	9,608,209

(2) Financial instruments measured at the fair value

The Group classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(2) Financial instruments measured at the fair value, continued:

Financial instruments measured at fair value as of December 31, 2021 and 2020 are as follows:

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets designated at fair value through profit or loss	₩ -	504,055	22,915	526,970
Financial assets held for trading	1,569,544	5,641,766	3,000	7,214,310
Derivative assets	2,026	397,295	62,432	461,753
Available-for-sale financial assets	22,692,405	27,038,709	11,063,006	60,794,120
	₩ 24,263,975	33,581,825	11,151,353	68,997,153
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	₩ -	-	3,564,849	3,564,849
Financial liabilities held for trading	117,484	-	-	117,484
Derivative liabilities	8,722	697,590	184,100	890,412
	₩ 126,206	697,590	3,748,949	4,572,745

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets designated at fair value through profit or loss	₩ -	281,901	50,295	332,196
Financial assets held for trading	1,128,550	5,961,517	11,000	7,101,067
Derivative assets	2,704	1,242,669	77,795	1,323,168
Available-for-sale financial assets	24,390,574	29,198,962	9,777,949	63,367,485
	₩ 25,521,828	36,685,049	9,917,039	72,123,916
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	₩ -	-	3,083,526	3,083,526
Financial liabilities held for trading	413,809	-	-	413,809
Derivative liabilities	536	462,925	143,116	606,577
	₩ 414,345	462,925	3,226,642	4,103,912

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(3) Changes in level 3 fair value hierarchy for the years ended December 31, 2021 and 2020 are as follows:

	2021					
	Financial assets designated at fair value through profit or loss (*)	Financial assets held for trading (*)	Financial liabilities designated at fair value through profit or loss	Derivatives, net	Available-for-sale financial assets	Total
Beginning balance ₩	50,295	11,000	(3,083,526)	(65,321)	9,777,949	6,690,397
Purchases/issuance	10,025	3,500	(3,300,122)	127,306	2,745,023	(414,267)
Settlements/disposals	(36,516)	(11,500)	2,826,046	(38,509)	(1,238,539)	1,500,982
Total income:	(889)	-	(7,247)	(145,145)	(221,427)	(374,708)
Profit or loss	(889)	-	(7,247)	(145,145)	(28,406)	(181,687)
Other comprehensive income	-	-	-	-	(193,021)	(193,021)
Ending balance ₩	22,915	3,000	(3,564,849)	(121,669)	11,063,006	7,402,403

	2020					
	Financial assets designated at fair value through profit or loss (*)	Financial assets held for trading (*)	Financial liabilities designated at fair value through profit or loss	Derivatives, net	Available-for-sale financial assets	Total
Beginning balance ₩	50,273	-	(3,113,272)	(96,614)	8,377,805	5,218,192
Purchases/issuance	2,675	11,000	(4,043,786)	4,774	2,080,369	(1,944,968)
Settlements/disposals	(3,200)	-	3,980,331	25,916	(743,978)	3,259,069
Total income:	547	-	93,201	603	63,753	158,104
Profit or loss	547	-	93,201	603	(10,687)	83,664
Other comprehensive income	-	-	-	-	74,440	74,440
Ending balance ₩	50,295	11,000	(3,083,526)	(65,321)	9,777,949	6,690,397

There was no transfer between level 3 and other levels during the years ended December 31, 2021 and 2020.

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(4) Total gains or losses for the years ended December 31, 2021 and 2020 recognized in profit or loss and gains or losses relating to financial instruments in level 3 at the end of the reporting period are presented in the consolidated statement of comprehensive income are as follows:

		2021	
		Total losses	Losses relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩	(235,061)	(181,687)

		2020	
		Total losses	Gains relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩	(17,165)	83,664

(5) Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 as of December 31, 2021 and 2020 are as follows:

Type of financial instrument	Valuation technique	Input variables
Financial assets:		
Financial assets designated at fair value through profit or loss	Discounted cash flow	Discount rate
Financial assets held for trading	Discounted cash flow, Standard price	Interest rate, foreign exchange rate, stock price, etc.
Derivative assets	Discounted cash flow, Option pricing model	Interest rate, foreign exchange rate, stock price, etc.
Available-for-sale financial assets	Discounted cash flow, Dividend discount model	Interest rate, foreign exchange rate, stock price, etc.
Financial liabilities:		
Derivative liabilities	Discounted cash flow, Option pricing model, Black-Scholes model	Interest rate, foreign exchange rate, stock price, etc.

(6) There was no transfer between level 1 and level 2 fair value measurement during the years ended December 31, 2021 and 2020.

14. Fair value of financial assets and liabilities, continued

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 and 2020 are as follows, continued:

December 31, 2021				
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Financial assets designated at fair value through profit or loss	Price formulas, Binomial model, Simulation	Stock price	517,347won	Not standardized but depends on the structure of financial instrument
		The volatility of the underlying asset	0% ~ 99%	
		Discount rate	-22.39%	
		Correlations	-0.99 ~ 0.99	
Derivative assets	Price formulas, Simulation,1-factor Gaussian Copular model, Binomial model, Discounted cash flow	The volatility of the underlying asset	0% ~ 99%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. For conversion rights, fair value is increased as the stock price rises. . A significant increase in discount rate would result in a lower fair value, and a significant decrease in discount rate would result in a higher fair value.
		Correlations	-0.99 ~ 0.99	
		Stock price	4,325won ~4,413won	
Available-for-sale financial assets	Discounted cash flow, Dividend discount model, Net asset method, Residual income model, etc.	Permanent growth rate	0% ~ 2.00%	A significant increase in growth rate would result in a higher fair value
		Discount rate	2.58%~26.57%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	0% ~ 1%	A significant increase in liquidation value rate would result in a higher fair value

14. Fair value of financial assets and liabilities, continued

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 and 2020 are as follows, continued:

December 31, 2020				
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Financial assets designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset	0% ~ 99%	Not standardized but depends on the structure of financial instrument
		Correlations	-0.99 ~ 0.99	
Derivative assets	Price formulas, Simulation, 1-factor Gaussian Copular model, Binomial model, Discounted cash flow	The volatility of the underlying asset	0% ~ 99%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. For conversion rights, fair value is increased as the stock price rises. A significant increase in discount rate would result in a lower fair value, and a significant decrease in discount rate would result in a higher fair value.
		Correlations	-0.99 ~ 0.99	
		Stock price	4,987 won~5,087 won	
		Discount rate	-0.65% ~ -0.17%	
Available-for-sale financial assets	Discounted cash flow, Dividend discount model, Net asset method, Residual income model, etc.	Permanent growth rate	0% ~ 2.00%	A significant increase in growth rate would result in a higher fair value
		Discount rate	1.93%~21.30%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	-	A significant increase in liquidation value rate would result in a higher fair value

14. Fair value of financial assets and liabilities, continued

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 and 2020 are as follows, continued:

December 31, 2021				
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset	0% ~ 99%	Not standardized but depends on the structure of financial instrument.
		Correlations	-0.99 ~ 0.99	
Derivative liabilities	Price formulas, Simulation, 1-factor Gaussian Copular model, Discounted cash flow	The volatility of the underlying asset	0% ~ 99%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. A significant increase in discount rate would result in a lower fair value and a significant decrease in discount rate would result in a higher fair value.
		Correlations	-0.99 ~ 0.99	
		Discount rate	-0.58%~0.51%	

14. Fair value of financial assets and liabilities, continued

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 and 2020 are as follows, continued:

December 31, 2020				
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset	0% ~ 99%	Not standardized but depends on the structure of financial instrument.
		Correlations	-0.99 ~ 0.99	
Derivative liabilities	Price formulas, Simulation, 1-factor Gaussian Copular model	The volatility of the underlying asset	0% ~ 99%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument.
		Correlations	-0.99 ~ 0.99	

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(8) A sensitivity analysis for fair value measurement arising from changes in the significant unobservable inputs as of December 31, 2021 and 2020 are as follows:

	2021			
	Profit or loss		Other comprehensive income	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:				
Financial assets designated at fair value through profit or loss (*1)	45	(121)	-	-
Derivative assets (*1)	(153)	(556)	-	-
Available-for-sale financial assets (*2)	-	-	108,937	(106,127)
Investments in associates	-	-	627	(627)
₩	(108)	(677)	109,564	(106,754)
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss (*1)	31,923	(4,079)	-	-
Derivative liabilities (*1)	85,004	(91,951)	-	-
₩	116,927	(96,030)	-	-

(*1) A change in fair value is calculated by increasing or decreasing the correlation of the fluctuation range of correlations (-10%~10%), volatility (-10%~10%), underlying assets' price (-1%~1%) and discount rate (-1%~1%).
(*2) A change in fair value is calculated by increasing or decreasing the correlation of permanent growth rate (-1% ~1%), discount rate (-1%~1%) and liquidation value rate (-1% ~1%).

	2020			
	Profit or loss		Other comprehensive income	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:				
Derivative assets (*1)	95,323	(76,462)	-	-
Available-for-sale financial assets (*2)	-	-	115,405	(105,092)
₩	95,323	(76,462)	115,405	(105,092)
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss (*1)	2,330	(2,371)	-	-
Derivative liabilities (*1)	4,229	(4,273)	-	-
₩	6,559	(6,644)	-	-

(*1) A change in fair value is calculated by increasing or decreasing the correlation of the fluctuation range of correlations (-10%~10%), volatility (-10%~10%), underlying assets' price (-1%~1%) and discount rate (-1%~1%).
(*2) A change in fair value is calculated by increasing or decreasing the correlation of permanent growth rate (-1% ~1%), discount rate (-1%~1%) and liquidation value rate (-1% ~1%).

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(9) The fair value hierarchy of financial instruments which are not measured at fair value in the consolidated statement of financial position as of December 31, 2021 and 2020 are as follows:

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	4,659	2,892,385	-	2,897,044
Held-to-maturity financial assets		2,887,241	1,591,291	-	4,478,532
Loan receivables		-	-	23,525,226	23,525,226
Other receivables		-	-	1,396,973	1,396,973
	₩	2,891,900	4,483,676	24,922,199	32,297,775
Financial liabilities:					
Borrowings	₩	-	-	3,541,753	3,541,753
Other financial liabilities		-	-	3,084,810	3,084,810
	₩	-	-	6,626,563	6,626,563

		2020			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	1,214	1,939,417	-	1,940,631
Loan receivables		-	-	22,436,145	22,436,145
Other receivables		-	-	1,580,161	1,580,161
	₩	1,214	1,939,417	24,016,306	25,956,937
Financial liabilities:					
Borrowings	₩	-	-	2,619,813	2,619,813
Other financial liabilities		-	-	2,884,484	2,884,484
	₩	-	-	5,504,297	5,504,297

(In millions of won)

14. Fair value of financial assets and liabilities, continued

(10) Offsetting financial assets and financial liabilities

Details of financial assets and financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements as of December 31, 2021 and 2020 are as follows:

	2021					
	Financial assets and liabilities recognized	Offsetting financial assets and liabilities recognized	Financial assets and liabilities recognized after offset	Amount not offsetting in the statements of financial position		Net amounts
				Financial instruments	Cash collateral received	
Financial assets:						
Derivative assets	₩ 461,753	-	461,753	272,187	66,279	123,287
Receivables from KRX	400,373	359,490	40,883	28,414	-	12,469
	₩ 862,126	359,490	502,636	300,601	66,279	135,756
Financial liabilities:						
Securities sold	₩ 117,484	-	117,484	117,484	-	-
Derivative liabilities	890,412	-	890,412	674,537	-	215,875
Bonds sold under repurchase agreements	2,192,662	-	2,192,662	2,192,662	-	-
Payables to KRX	484,914	359,490	125,424	28,414	-	97,010
	₩ 3,685,472	359,490	3,325,982	3,013,097	-	312,885

	2020					
	Financial assets and liabilities recognized	Offsetting financial assets and liabilities recognized	Financial assets and liabilities recognized after offset	Amount not offsetting in the statements of financial position		Net amounts
				Financial instruments	Cash collateral received	
Financial assets:						
Derivative assets	₩ 1,270,047	-	1,270,047	923,700	-	346,347
Receivables from KRX	562,133	538,816	23,317	-	-	23,317
	₩ 1,832,180	538,816	1,293,364	923,700	-	369,664
Financial liabilities:						
Securities sold	₩ 413,809	-	413,809	413,809	-	-
Derivative liabilities	647,846	-	647,846	309,992	-	337,854
Bonds sold under repurchase agreements	1,571,411	-	1,571,411	1,571,411	-	-
Payables to KRX	576,764	538,816	37,948	-	-	37,948
	₩ 3,209,830	538,816	2,671,014	2,295,212	-	375,802

(In millions of won)

15. Investment properties

(1) Investment properties as of December 31, 2021 and 2020 are as follows:

	2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 756,292	-	(6,953)	749,339
Buildings	482,058	(167,993)	(10,816)	303,249
Structures	8,860	(3,090)	(258)	5,512
	₩ 1,247,210	(171,083)	(18,027)	1,058,100

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 782,756	-	(6,944)	775,812
Buildings	487,434	(164,314)	(10,116)	313,004
Structures	9,107	(2,994)	(258)	5,855
	₩ 1,279,297	(167,308)	(17,318)	1,094,671

(2) Changes in Investment properties for the years ended December 31, 2021 and 2020 are as follows:

	2021						
	Beginning balance	Acquisitions	Depreciation	Impairment	Others (*1)	Ending balance
Land	₩ 775,812	-	-	-	(26,473)	749,339
Buildings	313,004	7,707	(7,044)	(1)	(10,417)	303,249
Structures	5,855	-	(178)	-	(165)	5,512
	₩ 1,094,671	7,707	(7,222)	(1)	(37,055)	1,058,100

(*1) Others represent transfers from property and equipment, etc.

	2020						
	Beginning balance	Acquisitions	Disposals	Depreciation	Impairment	Others (*1)	Ending balance
Land	₩ 806,787	-	(1,969)	-	(338)	(28,668)	775,812
Buildings	316,792	1,600	(509)	(9,047)	(212)	4,380	313,004
Structures	5,932	-	-	(173)	-	96	5,855
	₩ 1,129,511	1,600	(2,478)	(9,220)	(550)	(24,192) (28,668)	1,094,671

(*1) Others represent transfers to property and equipment.

(In millions of won)

15. Investment properties, continued

(3) Gain on investment properties for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Rental income	₩	82,842	82,978
Direct operating expenses for investment properties:			
Generated from rental income		40,848	34,142
Not generated from rental income		5,908	3,499

(4) The fair value of investment properties as of December 31, 2021 and 2020 are ₩2,080,794 million and ₩1,863,997 million, respectively. The fair value is estimated by qualified and independent appraiser. The fair value of investment properties is classified as level 3.

Valuation techniques and inputs used in measuring investment properties as of December 31, 2021 are as follows:

Valuation technique	Input variables	Fair value measurement sensitivity to unobservable inputs
Cost approach, sales comparison, income approach	Discount rate, vacancy rate, operating expenses rate, etc.	An increase in discount rate, vacancy rate, operating expenses rate would result in a lower fair value

(5) Investment properties pledged as collateral as of December 31, 2021 and 2020 are as follows:

			2021	2020	Purpose
Woori Bank, etc.	Book value	₩	62,672	82,774	Establishment of the right to collateral security
	Maximum credit amount		75,090	89,927	

(In millions of won)

16. Property and equipment

(1) Property and equipment as of December 31, 2021 and 2020 are as follows:

	2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 828,684	-	(4,876)	823,808
Buildings	653,368	(231,615)	(34,794)	386,959
Structures	19,454	(7,787)	(266)	11,401
Vehicles	2,560	(2,013)	-	547
Equipment	312,308	(253,494)	-	58,814
Construction in progress	29,301	-	-	29,301
Right-of-use asset (Real estate)	136,945	(58,404)	-	78,541
Right-of-use asset (Vehicles)	3,219	(1,231)	-	1,988
Others	58,260	(34,339)	(404)	23,517
	₩ 2,044,099	(588,883)	(40,340)	1,414,876

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 802,182	-	(4,884)	797,298
Buildings	635,641	(212,451)	(35,465)	387,725
Structures	19,206	(7,327)	(266)	11,613
Vehicles	2,758	(2,255)	-	503
Equipment	299,426	(233,994)	-	65,432
Construction in progress	8,706	-	-	8,706
Right-of-use asset (Real estate)	142,546	(55,261)	-	87,285
Right-of-use asset (Vehicles)	1,812	(951)	-	861
Others	51,398	(31,726)	(395)	19,277
	₩ 1,963,675	(543,965)	(41,010)	1,378,700

(In millions of won)

16. Property and equipment, continued

(2) Changes in property and equipment for the years ended December 31, 2021 and 2020 are as follows:

	2021						
	Beginning balance	Acquisitions	Disposals/ Termination	Depreciation	impairments	Others (*1)	Ending balance
Land	₩ 797,298	37	-	-	-	26,473	823,808
Buildings	387,725	4,643	-	(15,807)	(27)	10,425	386,959
Structures	11,613	-	-	(377)	-	165	11,401
Vehicles	503	452	(78)	(330)	-	-	547
Equipment	65,432	24,380	(737)	(31,126)	-	865	58,814
Construction in progress	8,706	30,132	-	-	-	(9,537)	29,301
Right-of-use assets (Real estate)	87,285	82,742	(36,353)	(55,133)	-	-	78,541
Right-of-use assets (Vehicles)	861	2,041	(51)	(863)	-	-	1,988
Others	19,277	2,796	(542)	(6,829)	(9)	8,824	23,517
	₩ 1,378,700	147,223	(37,761)	(110,465)	(36)	37,215	1,414,876

(*1) Others represent transfers to or from investment properties.

(In millions of won)

16. Property and equipment, continued

(2) Changes in property and equipment for the years ended December 31, 2021 and 2020 are as follows, continued:

		2020						
		Beginning balance	Acquisitions	Disposals/ Termination	Depreciation	impairments	Others (*1)	Ending balance
Land	₩	768,952	55	(195)	-	(182)	28,668	797,298
Buildings		401,769	4,305	(106)	(12,734)	(672)	(4,837)	387,725
Structures		12,090	-	-	(381)	-	(96)	11,613
Vehicles		661	157	(24)	(291)	-	-	503
Equipment		72,044	24,779	(386)	(34,908)	-	3,903	65,432
Construction in progress		94	11,216	-	-	-	(2,604)	8,706
Right-of-use assets (Real estate)		94,046	69,266	(22,562)	(53,497)	-	32	87,285
Right-of-use assets (Vehicles)		949	609	(22)	(675)	-	-	861
Others		17,123	6,932	(32)	(5,356)	(22)	632	19,277
	₩	1,367,728	117,319	(23,327)	(107,842)	(876)	25,698	1,378,700

(*1) Others represent transfers to or from investment properties.

(In millions of won)

16. Property and equipment, continued

(3) The changes in asset revaluation of land accounted in other comprehensive income and policyholder's equity adjustments and deferred tax liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Revaluation reserves	₩	907,343	907,343
Amount allocated into policyholder's equity adjustment		128,982	135,266
Deferred tax liabilities		219,827	206,043
Amount allocated into other comprehensive income		558,534	566,034

(4) Reserve for revaluation as of December 31, 2021 is as follows:

Revaluation date		Amount
January 1, 1981	₩	165
April 1, 1989		300
April 1, 1999		23,900
		24,365
Deferred tax effect		(19,863)
	₩	4,502

As of April 1, 1999, a certain portion of the Group's property and equipment was revalued in accordance with the *Korean Asset Revaluation Law*. As a result, the revaluation difference amounting to ₩478,550 million was classified as asset revaluation reserve. Out of this amount, ₩47,800 million, excluding ₩430,750 million, was calculated as asset revaluation reserve. The asset revaluation reserve amounting to ₩23,900 million was transferred to capital stock during the year ended March 31, 2002. Out of ₩430,750 million, the amount of ₩64,000 million was transferred to the reserve for special participating policyholders' dividends and was paid during the year ended March 31, 2002, while the amount of ₩63,750 million was transferred to reserve for social contributions in policyholders' equity. The amount of ₩126,438 million, out of the remainder amounting to ₩303,000 million, was used for dividends to policyholders for the year ended March 31, 2001, while the amount of ₩176,562 million was transferred to reserve for participating policyholder's dividends for stabilization.

The amount of ₩65,923 million from the Group's reserve for revaluation incurred on April 1, 1989 was reserved for participating policyholder's dividends for stabilization for the year ended December 31, 2020. The amount of ₩164,481 million, a part of reserve for participating policyholder's dividends for stabilization, was used for dividends to policyholders. The reserve for participating policyholder's dividends for stabilization amounts to ₩ 78,004 million as of December 31, 2021.

(In millions of won)

17. Intangible assets

(1) Intangible assets as of December 31, 2021 and 2020 are as follows:

	2021			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩ 61,132	-	(13,821)	47,311
Software	125,809	(85,347)	-	40,462
Development costs (*1)	294,329	(157,629)	-	136,700
Memberships	14,698	-	(965)	13,733
Customer relationships	25,862	(12,931)	-	12,931
Others	6,401	(187)	-	6,214
	₩ 528,231	(256,094)	(14,786)	257,351

(*1) ₩88,310 million of development costs relating to the new generation system are included as of December 31, 2021 and the remaining useful life of the development cost is 2.75 years.

	2020			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩ 61,132	-	(13,821)	47,311
Software	120,501	(71,284)	-	49,217
Development costs (*1)	278,174	(114,181)	-	163,993
Memberships	14,394	-	(1,016)	13,378
Customer relationships	25,861	(7,758)	-	18,103
Others	17,329	(13,034)	-	4,295
	₩ 517,391	(206,257)	(14,837)	296,297

(*1) ₩118,631 million of development costs relating to the new generation system are included as of December 31, 2020 and the remaining useful life of the development cost is 3.75 years.

(In millions of won)

17. Intangible assets, continued

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows:

	2021						
	Beginning balance	Acquisitions	Disposals	Amortization	Impairment	Others (*1)	Ending balance
Goodwill	₩ 47,311	-	-	-	-	-	47,311
Software	49,217	5,313	(11)	(14,674)	-	617	40,462
Development cost	163,993	6,333	-	(46,693)	-	13,067	136,700
Memberships	13,378	896	(535)	-	(6)	-	13,733
Customer relationships	18,103	-	-	(5,172)	-	-	12,931
Others	4,295	2,700	-	(199)	-	(582)	6,214
	₩ 296,297	15,242	(546)	(66,738)	(6)	13,102	257,351

(*1) Others include transfers from in-process research and development cost of intangible assets, advanced payments, and others.

	2020						
	Beginning balance	Acquisitions	Disposals	Amortization	Impairment	Others (*1)	Ending balance
Goodwill	₩ 59,375	-	-	-	(12,064)	-	47,311
Software	49,109	8,292	-	(13,170)	-	4,896	49,217
Development cost	177,987	2,453	-	(42,502)	(19)	26,074	163,993
Memberships	15,234	34	(1,997)	-	107	-	13,378
Customer relationships	23,275	-	-	(5,172)	-	-	18,103
Others	3,955	1,954	-	(256)	-	(1,358)	4,295
	₩ 328,935	12,733	(1,997)	(61,100)	(11,976)	29,702	296,297

(*1) Others include transfers from in-process research and development cost of intangible assets, advanced payments, and others.

(In millions of won)

17. Intangible assets, continued

(3) Impairment assessment of goodwill

Management reviews sales performance based on types of products by regions. Management of the Group allocates and manages goodwill by segments (legal entity) as follows:

		Beginning balance	Impairment loss	Ending balance
Kyobo Hottracks Co., Ltd.	₩	7,600	-	7,600
Kyobo Asset Trust Co., Ltd.		39,711	-	39,711
	₩	47,311	-	47,311

Major assumptions, permanent growth rate and discount rate used in the calculation of value in use with regards to significant goodwill allocated to cash generating unit are as follows:

	Kyobo Hottracks Co., Ltd.				
	2022	2023	2024	2025	2026
Operating profit rate	-4.46%	-2.17%	0.04%	2.13%	4.10%
Permanent growth rate					-
Discount rate					12.70%
Recoverable amount of cash-generating unit					24,108

Estimated sales on a yearly basis was calculated by analyzing and reviewing the Group's sales environment and middle and long-term sales plan based on sales results and data predicting future market volumes up to December 2021. Sales costs were estimated based on the past performance results and future business plan. Selling and administrative expenses comprise of expenses related to sales, labor costs, expenses related to labor, fixed expenses, depreciation expenses and amortization expenses on intangible assets. As a result of estimating sales and sales costs, the average yearly operating profit rate for the estimation period was (0.07%), and weighted average capital expenses, calculated by using average beta and liability ratio of the companies in the same industry listed on KOSPI and KOSDAQ, were 12.7%. The Group calculated recoverable amount using the DCF model.

Major assumptions, permanent growth rate and discount rate used in the calculation of value in use with regards to significant goodwill allocated to cash generating unit are as follows:

	Kyobo Asset Trust Co., Ltd.				
	2022	2023	2024	2025	2026
Operating profit rate	36.33%	56.17%	54.07%	55.68%	57.53%
Permanent Growth rate					-
Discount rate					13.9%
Recoverable amount of cash-generating unit					298,534

Operating income was estimated by reflecting past sales trends, external agency forecasts, and expert agency analysis based on the business plan provided by the company subject to impairment assessment. Operating expenses are estimated by dividing into personnel expenses, variable expenses, fixed expenses, amortization expenses for tangible and intangible assets, and bad debt expenses. As a result of the Group's estimation of sales and cost of sales, the average annual operating margin for the estimated period was 51.95%, and the weighted average cost of capital calculated using the average beta and debt ratio of the same industry listed on the KOSPI and KOSDAQ was 13.9%. The Group used the DCF model to calculate the recoverable value.

(In millions of won)

18. Deferred acquisition costs

Changes in deferred acquisition costs for the years ended December 31, 2021 and 2020 are as follows:

	2021					
		Acquisition costs				
	Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩ 1,144,477	744,677	(256,686)	487,991	(519,183)	1,113,285
Group insurance	44,210	26,057	(5,331)	20,726	(19,792)	45,144
	₩ 1,188,687	770,734	(262,017)	508,717	(538,975)	1,158,429

	2020					
		Acquisition costs				
	Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩ 1,229,740	860,335	(320,151)	540,184	(625,447)	1,144,477
Group insurance	40,688	28,835	(5,691)	23,144	(19,622)	44,210
	₩ 1,270,428	889,170	(325,842)	563,328	(645,069)	1,188,687

19. Other assets

(1) Other assets as of December 31, 2021 and 2020 are as follows:

	2021	2020
Reinsurance assets	₩ 31,850	25,409
Prepaid expenses	12,116	8,401
Advanced payments	42,922	20,459
Inventories	98,510	90,779
Others	11,852	53,879
	₩ 197,250	198,927

(In millions of won)

19. Other assets, continued

(2) Inventories as of December 31, 2021 and 2020 are as follows:

		2021	2020
Merchandise	₩	99,001	91,504
Finished goods		849	883
Supplies		409	446
Sub-materials		-	4
Merchandise in transit		1	39
		100,260	92,876
Accumulated impairment loss, merchandise	₩	(1,554)	(1,927)
Accumulated impairment loss, finished goods		(196)	(170)
		(1,750)	(2,097)
	₩	98,510	90,779

(3) The amounts of inventories recognized as an expense which is included in cost of sales for the years ended December 31, 2021 and 2020 are ₩549,376 million and ₩475,532 million, respectively

(4) Contract assets included in other assets as of December 31, 2021 and 2020 are as follows:

		2021	2020
Refund assets (estimated return assets)	₩	2,004	662
Due from customers		3,067	44,133
	₩	5,071	44,795

(In millions of won)

20. Liabilities under insurance contracts

(1) Details of liabilities under insurance contracts as of December 31, 2021 and 2020 are as follows:

	2021				
	Pure endowment	Death	Endowment	Group	Total
Premium reserve	₩ 29,126,231	38,641,768	7,542,560	256,453	75,567,012
Unearned premium reserve	36	701	1	6,653	7,391
Reserve for outstanding claims	1,073,946	808,757	81,413	33,069	1,997,185
Reserve for participating policyholder's dividend	447,082	2,829	2,488	54	452,453
	30,647,295	39,454,055	7,626,462	296,229	78,024,041
Guarantee reserve					1,122,838
Dividends reserve for policyholder's income participation					72,355
Reserve for losses on dividend insurance contract					67,907
					₩ 79,287,141

	2020					
	Pure endowment	Death	Endowment	Group	Others (*)	Total
Premium reserve	₩ 28,568,429	36,785,340	6,361,297	245,062	1,112,801	73,072,929
Unearned premium reserve	69	982	2	7,261	-	8,314
Reserve for outstanding claims	1,014,443	839,480	58,508	36,472	-	1,948,903
Reserve for participating policyholder's dividend	445,912	3,159	2,595	58	-	451,724
	30,028,853	37,628,961	6,422,402	288,853	1,112,801	75,481,870
Guarantee reserve						1,076,162
Dividends reserve for policyholder's income participation						56,829
Reserve for losses on dividend insurance contract						71,335
						₩ 76,686,196

(*) LAT additional reserves were classified as others.

(In millions of won)

20. Liabilities under insurance contracts, continued

(2) Changes in liabilities under insurance contracts for the years ended December 31, 2021 and 2020 are as follows:

	2021		
	Beginning balance	Increase(decrease)	Ending balance
Premium reserve	₩ 73,072,929	2,494,083	75,567,012
Unearned premium reserve	8,314	(923)	7,391
Reserve for outstanding claims	1,948,903	48,282	1,997,185
Reserve for participating policyholder's dividend	451,724	729	452,453
Guarantee reserve	1,076,162	46,676	1,122,838
Dividends reserve for policyholder's income participation	56,829	15,526	72,355
Reserve for losses on dividend insurance contract	71,335	(3,428)	67,907
	₩ 76,686,196	2,600,945	79,287,141

	2020		
	Beginning balance	Increase(decrease)	Ending balance
Premium reserve	₩ 69,680,941	3,391,988	73,072,929
Unearned premium reserve	6,902	1,412	8,314
Reserve for outstanding claims	1,886,667	62,236	1,948,903
Reserve for participating policyholder's dividend	450,637	1,087	451,724
Guarantee reserve	911,430	164,732	1,076,162
Dividends reserve for policyholder's income participation	35,063	21,766	56,829
Reserve for losses on dividend insurance contract	67,261	4,074	71,335
	₩ 73,038,901	3,647,295	76,686,196

(In millions of won)

21. Policyholder's equity adjustments

Policyholder's equity adjustments as of December 31, 2021 and 2020 are as follows:

		2021	2020
Reserve for policyholder dividend stabilization	₩	78,004	80,803
Fund for public projects		99,466	99,466
Gain on valuation of available-for-sale financial assets		413,158	1,146,269
Loss on valuation of investment in associates		6	6
Gain on revaluation of property and equipment		128,982	135,266
	₩	719,616	1,461,810

22. Liability adequacy tests (LAT)

(1) Application of LAT

The Group reviewed the appropriateness of measurement of the premium reserve, unearned premium reserve, and guarantee reserve as the current holding contracts since December 31, 2021. Premium reserve is calculated by deducting unamortized deferred acquisition costs and insurance contract loan from the net level premium reserve applying the Regulation on Supervision of Insurance Business Article 6-3. However, the liabilities using the current estimation and the liabilities for defined payment obligations are exempted from evaluation.

(2) Calculation of LAT

The Group assesses the appropriateness of LAT by calculating a valuation basis using the current values of all future cash flows that may arise from the insurance contracts currently held, and if the valuation basis amount exceeds the book value of a liability reserve, the Group recognizes the difference as an additional amount in the reserve.

(3) The assumptions and calculation methods

The assumptions and calculation methods used in the calculation of current estimates for future cash flows in the Liability Adequacy Test as of December 31, 2021 and 2020 are as follows:

	2021	2020	2019
Discount rate (*1)	-3.39%~19.54%	-3.98%~23.96%	-3.14%~16.74%
Risk premium rate (*2)	19.5% ~ 247%	25%~232.5%	12% ~ 272.5%
Surrender ratio (*3)	0.3% ~ 63.5%	0.3%~70%	0.3%~41%

(*1) Scenario presented by Financial Supervisory Service
(*2) The ratio of premium paid to risk premium by each product type, channel type, sale period, and lapse of time was calculated based on the past empirical statistics of recent 5 years or more.
(*3) The surrender ratio was calculated by the ratio of surrender premium to overdue premium by product type, channel type, payment method and lapse of time based on the past empirical statistics of recent 5 years or more.

Acquisition costs of the operating and administrative expenses are calculated by applying ratio of actual acquisition cost to planned acquisition cost based on past statistics of recent 1 year by product type. Maintenance fee is based on past statistics of recent 1 year by insurance and insurance contracts.

(In millions of won)

22. Liability adequacy tests (LAT), continued

(4) Result of LAT

The results of Liability Adequacy Test as of December 31, 2021 and 2020 are as follows:

	2021		
	Reserve for test	LAT base	Premium surplus (deficit)
Participating:			
Interest rate-fixed	₩ 11,213,809	19,934,029	(8,720,220)
Interest rate-linked	5,852,418	5,741,354	111,064
Non- participating:			
Interest rate-fixed	16,182,009	16,535,468	(353,459)
Interest rate-linked and investments-linked	35,505,187	21,352,583	14,152,604
	₩ 68,753,423	63,563,434	5,189,989

	2020(*1)		
	Reserve for test	LAT base	Premium surplus (deficit)
Participating:			
Interest rate-fixed	₩ 11,143,268	20,945,969	(9,802,701)
Interest rate-linked	5,888,398	5,824,107	64,291
Non- participating:			
Interest rate-fixed	15,947,650	17,629,634	(1,681,984)
Interest rate-linked and investments-linked	32,696,001	20,916,428	11,779,573
	₩ 65,675,317	65,316,138	359,179

	2019(*1)		
	Reserve for test	LAT base	Premium surplus (deficit)
Participating:			
Interest rate-fixed	₩ 11,003,118	20,970,584	(9,967,466)
Interest rate-linked	5,778,145	5,654,807	123,338
Non- participating:			
Interest rate-fixed	15,594,260	17,818,255	(2,223,995)
Interest rate-linked and investments-linked	28,500,883	17,545,559	10,955,324
	₩ 60,876,406	61,989,205	(1,112,799)

(*1) The results have been recalculated in accordance with revised assumption due to revision of the Regulation on Supervision of Insurance Business.

23. Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as of December 31, 2021 and 2020 are as follows:

		2021	2020
Hybrid financial instruments:			
Equity-linked securities sold	₩	802,432	61,789
Derivatives-combined securities sold		434,163	561,705
Derivatives-combined debt sold		2,165,878	2,394,667
Credit risk adjustment		(1,192)	(324)
The settled amounts of valuation		163,568	65,689
	₩	3,564,849	3,083,526

(In millions of won)

24. Financial liabilities held for trading

Financial liabilities held for trading as of December 31, 2021 and 2020 are as follows:

		2021	2020
Securities sold:			
Equity	₩	106,426	2,667
Government bond and local government bond		11,058	411,142
	₩	117,484	413,809

25. Borrowings

Borrowings as of December 31, 2021 and 2020 are summarized as follows:

	Creditors		2021	2020
Bonds sold under repurchase agreements	Public offerings, Institutions	₩	2,191,832	1,569,384
Subordinated debt securities issued	Pohang Fusion Tech District etc		4,525	5,311
Borrowings from KSFC	KSFC		134,088	70,000
Borrowings for general purpose	Woori Bank, etc.		5,000	22,700
Borrowings for equipment	Kookmin Bank, etc.		15,000	15,000
Debentures	Individuals, etc.		1,167,008	833,918
Other Borrowings	Individuals, etc.		24,300	103,500
		₩	3,541,753	2,619,813

(In millions of won)

26. Other financial liabilities

(1) Other financial liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Insurance payables:			
Dormant policies	₩	33,567	35,039
Insurance settlement adjustments		7,415	6,314
Reinsurance payables		61,067	55,794
		102,049	97,147
Accounts payable		524,161	833,912
Accrued expenses		441,569	306,894
Leasehold deposits received		101,099	113,607
Less: Present value discount		(6,514)	(6,615)
Trust accounts liabilities		20,603	11,353
Customers' deposits		1,576,795	1,277,631
Securities deposit received		90,788	26,632
Non-controlling interests liabilities (*1)		29,463	40,167
Others		134,037	104,841
Lease liabilities (*2)		70,789	78,164
	₩	3,084,839	2,883,733

(*1) The cumulative amount of non-controlling interests in the consolidated beneficiary certificates.
(*2) Lease liabilities are recognized and measured in accordance with KIFRS 1116.

(2) Lease expenses for the year ended December 31, 2021 and 2020 are as follows:

		2021	2020
Short-term lease expenses (*1)	₩	1,276	754
Lease of low-value asset expenses (*1)		584	440
Interest expenses of lease liabilities		1,883	2,025
	₩	3,743	3,219

(*1) The lease payments were recognized as an expense on a straight-line basis over the lease term.

(In millions of won)

26. Other financial liabilities, continued

(3) Details of lease liabilities by the maturity according to remaining lease terms as of December 31, 2021 and 2020 are as follows:

	2021		
	Less than 1 year	1 ~ 5 years	More than 5 years
Real estates	₩ 44,534	50,720	19,858
Vehicles	875	1,133	-
	₩ 45,409	51,853	19,858

	2020		
	Less than 1 year	1 ~ 5 years	More than 5 years
Real estates	₩ 39,548	44,355	13,145
Vehicles	487	346	-
	₩ 40,035	44,701	13,145

(4) Details of lease payments related to lease liabilities are ₩51,820 million and ₩ 48,192 million for the year ended December 31, 2021 and 2020, respectively.

27. Provisions

(1) Changes in provisions for years ended December 31, 2021 and 2020 are as follows:

	2021			
	Provision for decommissioning	Litigation	Others (*1)	Total
Beginning balance	₩ 15,470	534	8,188	24,192
Charge for the year	12,377	-	1,573	13,950
Utilized	(2,046)	-	(400)	(2,446)
(Reversal of) provision, net	(10,572)	(193)	(2,708)	(13,473)
Ending balance	₩ 15,229	341	6,653	22,223

(*1) Refund liability of ₩2,247 million corresponding to the contract liability is included.

	2020			
	Provision for decommissioning	Litigation	Others (*1, 2)	Total
Beginning balance	₩ 16,616	849	7,118	24,583
Charge for the year	16,442	-	215	16,657
Utilized	(3,398)	-	(1,573)	(4,971)
(Reversal of) provision, net	(14,190)	(315)	2,428	(12,077)
Ending balance	₩ 15,470	534	8,188	24,192

(*1) Others include premium refund estimation, related to the risk insurance premium of prenatal insurance.
(*2) Amounts of refund liability corresponding to the contract liability ₩929 million are included.

(2) The nature of the provisions and the timing of the expected outflow of economic benefits for years ended December 31, 2021 are as follows:

	2021				
	Less than 1 year	1 ~ 3 years	3 ~ 5 years	More than 5 years	Total
Provision for restoration costs	₩ 6,216	4,122	2,675	2,216	15,229
Litigation	341	-	-	-	341
Other provisions	2,467	754	320	3,112	6,653
	₩ 9,024	4,876	2,995	5,328	22,223

(In millions of won)

28. Defined benefit liabilities (assets)

(1) The Group operates a defined benefit plan based on compensation for pension of the employees and the period of services rendered. The Group has entrusted the plan assets of defined benefit obligations at Kookmin Bank and others.

Defined benefit plan liabilities (assets) as of December 31, 2021 and December 31, 2020 are summarized as follows:

		2021	2020
Present value of defined benefit obligations	₩	367,337	391,337
Fair value of plan assets		(385,864)	(330,891)
Defined benefit liabilities (assets) (*)	₩	(18,527)	28,007

(*) Net defined benefit assets of ₩18,527 million are net defined benefit assets of ₩19,961 million less net defined benefit liabilities of ₩1,434 million as of December 31, 2021.

(2) Changes in the present value of defined benefit obligations for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	397,317	391,337
Current service costs		64,438	60,364
Interest expenses		6,631	7,929
Remeasurements:			
Actuarial gain from changes in financial assumptions		(25,175)	5,829
Effect of changes in demographic assumptions		(2,135)	(10,085)
Experience adjustments		(375)	(10,789)
Benefits paid by the plan		(73,364)	(46,009)
Past service costs		-	(1,259)
Ending balance	₩	367,337	397,317

(3) Changes in the fair value of plan assets for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	369,310	330,891
Interest income		6,099	6,547
Remeasurements		(2,227)	189
Contributions paid into the plan		53,225	68,039
Benefits paid by the plan		(39,467)	(35,919)
Other administrative costs		(1,076)	(437)
Ending balance	₩	385,864	369,310

(In millions of won)

28. Defined benefit liabilities (assets), continued

(4) Plan assets as of December 31, 2021 and 2020 are as follows:

	2021		2020	
	Amount	Ratio (%)	Amount	Ratio (%)
Cash and cash equivalents (*)	₩ 248,544	64.41	240,122	65.02
Equity securities	9,110	2.36	5,253	1.42
Debt securities	58,596	15.19	58,225	15.77
Investment fund	69,614	18.04	65,710	17.79
	₩ 385,864	100.00	369,310	100.00

(*) Cash and cash equivalents include products that guarantee the principal, such as bank deposits, equity-linked, interest rate-linked, and guaranteed interest contract.

(5) Actuarial assumptions as of December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate (*)	0.02%~2.61%	1.50%~2.20%
Future salary increasing rate	0.03%~7.00%	1.50%~5.00%

(*) Considering the timing of the payments of retirement benefits, the Group applied a rate of return of unsecured debenture bonds with a rating of AA+.

(6) Sensitivity analysis

Sensitivity analysis of the present value of defined benefit obligation as of December 31, 2021 is as follows:

	2021	
	1% Point Increase	1% Point Decrease
Discount rate	₩ (23,340)	26,488
Future salary increasing rate	26,830	(24,096)

(7) The weighted average maturity of the defined benefit obligation is 3.89~11.46 years as of December 31, 2021.

(In millions of won)

29. Other liabilities

Other liabilities as of December 31, 2021 and December 31, 2020 are as follows:

		2021	2020
Advances received	₩	20,065	18,477
Unearned income(*1)		72,750	44,407
Withholdings		64,430	95,208
Value added tax withheld		12,475	9,969
Unearned insurance premium(*2)		578,612	419,642
Others		21,930	106
	₩	770,262	587,809

(*) The Group provided a certain portion of the customer's purchase amounts as points, and the points awarded are accounted as deferred revenue to be recognized as sales at the time of use of the points in the future and deducted from sales. Amounts of customer loyalty programs are ₩12,048 million and ₩10,847 million as of December 31, 2021 and December 31, 2020, respectively.
(*2) Others include the amount estimated to be paid in the future to the policyholder of the immediate annuity inheritance maturity type.

30. Derivatives

(1) The notional amounts of derivatives as of December 31, 2021 and 2020 are as follows:

1) Exchange traded

		2021	2020
Interest rate related:			
Interest rate futures	₩	1,858,345	2,222,970
Equity related:			
Stock index futures		803,325	517,995
Stock index options		5,403	216
Overseas index futures		7,772	-
Stock subscription warrants		58	-
		816,558	518,211
Commodity related:			
Overseas commodity futures		5,019	4,731
Other		1,293	-
		6,312	4,731
	₩	2,681,215	2,745,912

(In millions of won)

30. Derivatives, continued

(1) The notional amounts of derivatives as of December 31, 2021 and 2020 are as follows, continued:

2) Over the counter

		2021	2020
Hedge related:			
Currency related:			
Currency forwards	₩	4,437,936	4,106,000
Currency swaps		10,804,662	11,700,761
		15,242,598	15,806,761
Interest rate related:			
Interest rate swaps		12,588	13,167
Interest rate forwards		2,282,081	-
		2,294,669	13,167
		17,537,267	15,819,928
Non-hedge related:			
Currency related:			
Currency forwards		4,012,664	4,405,650
Currency swaps		10,423,019	8,890,497
		14,435,683	13,296,147
Interest rates related:			
Interest rate swaps		23,094,332	16,102,398
Interest rate options		11,064	51,064
		23,105,396	16,153,462
Equity related:			
Stock index options		136,549	71,994
Stock swaps		891,906	57,609
Conversion rights		15,776	15,781
Others		-	493
		1,044,231	145,877
Credit related:			
Credit default swaps		9,599,188	8,868,135
Commodity related:			
Oversea commodity forward		5,019	4,731
		48,189,517	38,468,352
	₩	65,726,784	54,288,280

(In millions of won)

30. Derivatives, continued

(2) Fair values of derivative instruments for hedging as of December 31, 2021 and December 31, 2020 are as follows:

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Hedge related:				
Currency related:				
Currency forwards	₩ 27,561	60,945	150,799	20,449
Currency swaps	51,551	284,677	646,213	73,785
	79,112	345,622	797,012	94,234
Interest rate related:				
Interest rate swaps	38	-	464	-
Interest rate forwards	6,160	77,810	-	-
	6,198	77,810	464	-
	85,310	423,432	797,476	94,234
Non-hedge related:				
Currency related:				
Currency forwards	8,574	34,339	78,482	54,226
Currency swaps	151,034	186,595	272,791	243,216
	159,608	220,934	351,273	297,442
Interest rate related:				
Interest rate swaps	34,238	61,093	26,394	188,670
Interest rate options	24,935	-	-	10,693
	59,173	61,093	26,394	199,363
Equity related:				
Preemptive rights	47	-	28	-
Stock index options	-	3,857	-	53
Stock warrants	-	7,173	-	-
Stock swaps	31,175	4,313	11,072	3,530
Conversion rights	4,821	-	6,841	-
Others	9,762	131,545	6,209	1,960
	45,805	146,888	24,150	5,543
Credit related:				
Credit default swaps	112,626	39,017	124,489	8,479
Commodity related:				
Commodity swaps	36	35	30	30
	377,248	467,967	526,336	510,857
Adjustment of credit risk	(805)	(987)	(644)	1,486
	₩ 461,753	890,412	1,323,168	606,577

30. Derivatives, continued

(3) A gain or loss on valuation of derivatives for years ended December 31, 2021 and 2020 are as follows:

	2021			
	Profit or loss		Accumulated other comprehensive income (*)	
	Gain	Loss	Gain	Loss
Hedge related:				
Currency related:				
Currency forwards	₩ 19,272	102,616	3,237	13,879
Currency swaps	6,572	772,117	22,286	140,819
	25,844	874,733	25,524	154,699
Interest rate related:				
Interest rate swaps	-	-	37	-
Interest rate forwards	4,338	57,122	1,822	20,688
	4,338	57,122	1,860	20,688
	30,182	931,855	27,383	175,387
Non-hedge related:				
Currency related:				
Currency forwards	25,906	44,184	-	-
Currency swaps	253,339	330,689	-	-
	279,245	374,873	-	-
Interest rate related:				
Interest rate swaps	61,846	23,513		
Interest rate options	24,935	-		
	86,781	23,513		
Equity related:				
Stock warrants	4,434	72	-	-
Stock index options	1,761	5,520	-	-
Stock forwards and swaps	1	725	-	-
Conversion rights	1,363	9	-	-
Others	6,342	85,479	-	-
	13,901	91,805	-	-
Credit related:				
Credit default swaps	51,129	75,464	-	-
Commodity related:				
Commodity swaps	83	44	-	-
	431,139	565,699	-	-
Adjustment of credit risk	2,475	162	-	-
	₩ 463,796	1,497,716	27,383	175,387

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect.

(In millions of won)

30. Derivatives, continued

(3) A gain or loss on valuation of derivatives for the years ended December 31, 2021 and 2020 are as follows, continued:

	2020			
	Profit or loss		Accumulated other comprehensive income (*)	
	Gain	Loss	Gain	Loss
Hedge related:				
Currency related:				
Currency forwards	₩ 137,870	19,922	1,010	9,367
Currency swaps	702,739	66,753	13,266	203,485
	840,609	86,675	14,276	212,852
Interest rate related:				
Interest rate swaps	-	-	464	-
	840,609	86,675	14,740	212,852
Non-hedge related:				
Currency related:				
Currency forwards	74,469	54,191	-	-
Currency swaps	267,582	241,081	-	-
	342,051	295,272	-	-
Interest rate related:				
Interest rate swaps	29,958	116,919		
Interest rate options	-	673		
	29,958	117,592		
Equity related:				
Preemptive rights	27	-	-	-
Stock index options	1,039	25	-	-
Stock forwards and swaps	3,014	2,429	-	-
Conversion rights	5,622	159	-	-
	9,702	2,613	-	-
Credit related:				
Credit default swaps	56,159	32,121	-	-
Commodity related:				
Commodity swaps	367	366	-	-
	438,237	447,964	-	-
Adjustment of credit risk	66	2,864	-	-
	₩ 1,278,912	537,503	14,740	212,852

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect.

(In millions of won)

30. Derivatives, continued

(4) A gain or loss on hedging instruments and hedged items that apply fair value hedges for the years ended December 31, 2021 and 2020 are as follows:

	2021		2020	
	Gain	Loss	Gain	Loss
Hedged items	₩ 201,909	(22,130)	77,671	(133,222)
Hedging instruments	60,616	(245,418)	188,831	(140,752)

(5) Cash flow hedges

Due to various reasons (i.e. currency swap contracts for cash flow hedges have reached maturity), the effective portion of hedges for the years ended December 31, 2021 and 2020 realized as gain on valuation of derivative instruments amounted to ₩8,670 million and ₩5,344 million, respectively, and loss on valuation of derivative instruments amounted to ₩29,076 million and ₩9,433 million, respectively. The ineffective portion of cash flow hedges recognized as current gains of ₩2 million and losses of ₩1 millions, respectively, for the years ended December 31, 2021 and 2020.

The maximum expected period during which the Group's cash flows are exposed to fluctuation risk is through September 13, 2029 based on derivative instrument contracts to which cash flow hedges are applied.

31. Separate accounts

(1) Assets and liabilities of separate accounts as of December 31, 2021 and December 31, 2020 are as follows:

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Insurance contract and investment contract with discretionary participating features:				
Retirement insurance	₩ 85,981	85,981	90,119	90,119
Variable life insurance	16,635,446	16,640,985	17,083,562	17,089,883
	16,721,427	16,726,966	17,173,681	17,180,002
Investments contract with no discretionary participating features:				
Retirement insurance	1,653	1,653	1,778	1,773
Retirement pension	9,325,204	9,347,986	6,840,011	6,776,03
	9,326,857	9,349,639	6,841,789	6,777,806
Separate accounts receivable	-	(29,712)	-	(27,452)
Separate accounts payable	(875,855)	-	(642,517)	-
	₩ 25,172,429	26,046,893	23,372,953	23,930,356

(In millions of won)

31. Separate accounts, continued

(2) The statement of financial position of the separate accounts as of December 31, 2021 and December 31, 2020 are as follows:

1) Insurance contract and investments contract with discretionary participation feature

		2021	2020
Assets:			
Cash and due from banks	₩	335,682	218,073
Financial assets held for trading		15,289,313	15,893,357
Loan receivables		717,763	702,818
Other assets		311,698	272,782
General account credits		72,510	92,972
Total assets before consolidated adjustments		16,726,966	17,180,002
Consolidated adjustments		(5,539)	(6,321)
Total assets after consolidated adjustments	₩	16,721,427	17,173,681
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	137,372	54,809
General account debits		12,182	18,797
Total liabilities		149,554	73,606
Reserve for policy holders		16,577,412	17,106,396
Total reserve and accumulated other comprehensive income		16,577,412	17,106,396
Total liabilities, reserve and accumulated other comprehensive income	₩	16,726,966	17,108,002

(In millions of won)

31. Separate accounts, continued

(2) The statement of financial position of the separate accounts as of December 31, 2021 and December 31, 2020 are as follows, continued:

2) Investments contract with no discretionary participation feature

		2021	2020
Assets:			
Cash and due from banks	₩	900,039	930,966
Financial assets held for trading		767,464	647,794
Available-for-sale financial assets		5,503,818	3,812,606
Loan receivables		1,490,524	1,040,779
Other assets		45,924	39,691
General account credits		803,345	549,545
Total assets before consolidated adjustments		9,511,114	7,021,381
Consolidated adjustments		(184,257)	(179,592)
Total assets after consolidated adjustments	₩	9,326,857	6,841,789
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	31,989	7,804
General account debits		17,530	8,655
Total liabilities		49,519	16,459
Reserve for policy holders		9,300,120	6,761,347
Accumulated other comprehensive income		(20,541)	74,713
Total reserve and accumulated other comprehensive income		9,279,579	6,836,060
Total liabilities, reserve and accumulated other comprehensive income	₩	9,329,098	6,852,519

(In millions of won)

31. Separate accounts, continued

(3) The statement of income of the separate accounts for the years ended December 31, 2021 and 2020 are as follows:

1) Insurance contract and investments contract with discretionary participation feature

		2021		2020	
		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Premium income	₩	-	1,952,187	-	2,196,208
Interest income		948	115,990	897	123,477
Dividend income		6	100,504	616	91,487
Gain on securities		493	810,985	412	2,263,885
Gain on foreign currency transaction		-	7,386	-	1,724
Gain on transaction of derivatives		-	370,582	-	514,387
Other income		764	30,614	244	38,913
	₩	2,211	3,388,248	2,169	5,230,081
Expenses:					
Increase (decrease) in policy reserves	₩	(3,974)	(332,948)	(4,775)	1,653,217
Insurance claims paid		5,092	1,913,564	5,889	1,901,870
Minimum guarantee fee		-	102,769	-	95,350
Separate account commission		521	609,065	548	647,389
Commission fee		-	41,543	-	37,008
(Reversal of) provision for losses on loan receivables		(18)	12	23	(8)
Loss on securities		590	671,149	484	431,260
Loss on foreign currency transaction		-	1,770	-	3,083
Loss on transaction of derivatives		-	381,088	-	456,656
Other expenses		-	236	-	4,256
	₩	2,211	3,388,248	2,169	5,230,081

(In millions of won)

31. Separate accounts, continued

(3) The statement of income of the separate accounts for the years ended December 31, 2021 and 2020 are as follows, continued:

2) Investments contracts with no discretionary participation feature

		2021		2020	
		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Interest income	₩	131,637	429	95,919	459
Dividend income		11,081	774	7,582	619
Gain on securities		41,736	18,851	31,837	39,063
Gain on foreign currency transaction		1,063	2,546	195	1,173
Gain on transaction of derivatives		6,481	851	11,704	4,715
Other income		24,034	1,664	2,725	7
		216,032	25,115	149,962	46,036
Consolidated adjustments		(1,704)	-	(4,445)	-
	₩	214,328	25,115	145,517	46,036
Expenses:					
Interest expenses of withholdings	₩	114,131	16,312	95,056	32,466
Separate account commission		36,337	1,126	26,006	1,988
Commission fee		24	531	29	413
Provision for losses on loan receivables		(2,033)	-	3,732	-
Loss on securities		41,200	4,158	10,210	5,012
Loss on foreign currency transaction		365	463	2,005	948
Loss on transaction of derivatives		22,478	2,525	1,918	3,393
Other expenses		3,530	-	11,006	1,816
		216,032	25,115	149,962	46,036
Consolidated adjustments		(1,704)	-	(4,445)	-
	₩	214,328	25,115	145,517	46,036

(4) In accordance with the regulations under *Trust Business Act*, the Group separately accounts for the trust assets from the existing assets, and recognizes trust commission fee as operating revenue when receiving trust commission fee. As of December 31, 2021, the total amount of the trust funds under contract with the Group amounts to ₩ 22,731,767 million.

(In millions of won)

32. Equity

(1) Equity as of December 31, 2021 and December 31, 2020 are as follows:

		2021	2020
Capital stock:			
Common stock	₩	102,500	102,500
Hybrid bonds:			
Hybrid bonds		1,020,054	551,438
Capital surplus:			
Share premium		359,937	359,937
Asset revaluation surplus		4,502	4,502
Others		155,740	155,934
		520,179	520,373
Capital adjustments:			
Negative equity changes in equity method adjustments		(15,995)	(15,995)
Others		3,993	3,964
		(12,002)	(12,031)
Accumulated other comprehensive income, net of tax:			
Gain on valuation of available-for-sale financial assets		1,468,566	3,245,127
Loss on valuation of cash flow hedge derivatives		(107,303)	(143,632)
Gain on valuation of investment in associates		25	24
Other comprehensive income (loss) of separate accounts		(14,891)	54,167
Gain on revaluation of property and equipment		558,534	566,034
Foreign currency translation adjustments for foreign operations		182	(317)
Remeasurement loss related to defined benefit liabilities		9,092	(9,369)
		1,914,205	3,712,034
Retained earnings:			
Legal reserve		51,250	51,250
Regulatory reserve for loan loss		122,534	140,843
Retained earnings		7,874,802	6,385,440
Voluntary reserve		3,000	3,000
		8,051,586	6,580,533
Non-controlling interests		358,252	324,698
	₩	11,954,774	11,779,545

(In millions of won, except shares, par value per share and in thousands of USD)

32. Equity, continued

(2) Capital stock

Capital stock as of December 31, 2021 and 2020 are as follows:

		2021	2020
Number of authorized shares		300,000,000 shares	300,000,000 shares
Par value per share in won	₩	1,000	1,000
Number of issued common stocks outstanding		102,500,000 shares	102,500,000 shares
Capital stock	₩	102,500	102,500

(3) Hybrid bonds

Hybrid bonds as of December 31, 2021 and 2020 are as follows:

	2021						
	Issue date	Maturity date	Interest rate (%)		Amount in foreign currency		Amount of KRW equivalent
Overseas hybrid bonds (*1)	July 24, 2017	July 24, 2047	3.95	$	500,000	₩	557,000
Issuance costs (underwriting fees and other direct issuance costs)							(5,562)
						₩	551,438
Domestic hybrid bonds (*2)	Sept. 10, 2021	Sept. 10, 2051	3.72	₩	470,000	₩	470,000
Issuance costs (underwriting fees and other direct issuance costs)							(1,384)
							468,616
						₩	1,020,054

(*1) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and interest rate can be adjusted only once after 10 years from the date of issuance. Upon maturity date, the Group has the unconditional right to extend the maturity under the same condition.
(*2) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and standard interest rate and spread can be adjusted only once after 5 &10 years from the date of issuance. Upon maturity date, the Group has the unconditional right to extend the maturity under the same condition

	2020						
	Issue date	Maturity date	Interest rate (%)		Amount in foreign currency		Amount of KRW equivalent
Overseas hybrid bonds (*1)	July 24, 2017	July 24, 2047	3.95	$	500,000	₩	557,000
Issuance costs (underwriting fees and other direct issuance costs)							(5,562)
						₩	551,438

(*1) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and interest rate can be adjusted only once after 10 years from the date of issuance. Upon maturity date, the Group has the unconditional right to extend the maturity under the same condition.

32. Equity, continued

(4) Accumulated other comprehensive income

Changes in accumulated other comprehensive income for the years ended December 31, 2021 and 2020 are as follows:

	2021							
	Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain on valuation of investments in associates	Other comprehensive income (expense) of separate account	Gain on revaluation of property and equipment	Foreign currency translation adjustments for foreign operations	Remeasurement gain (loss) related to defined benefit liabilities	Total
Beginning balance	₩ 3,245,126	(143,632)	24	54,167	566,034	(317)	(9,369)	3,712,033
Fair value evaluation	(598,297)	172,489	1	(44,457)	-	-	25,458	(444,806)
Realization to income	(2,577,560)	(122,380)	-	(50,795)	-	-	-	(2,750,735)
Effect of exchange rate difference	-	-	-	-	-	640	-	640
Policyholder's equity adjustment (*)	733,111	-	-	-	6,284	-	-	739,395
Income tax effects	668,327	(13,780)	-	26,194	(13,784)	(141)	(6,469)	660,347
Non-consolidated adjustments	(2,141)	-	-	-	-	-	(528)	(2,669)
Ending balance	₩ 1,468,566	(107,303)	25	(14,891)	558,534	182	9,092	1,914,205

(*) Allocation to policyholder's equity adjustment during the reporting period.

(In millions of won)

32. Equity, continued

(4) Accumulated other comprehensive income, continued

Changes in accumulated other comprehensive income for the years ended December 31, 2021 and 2020 are as follows:

	2020							
	Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain (loss) on valuation of investments in associates	Other comprehensive income (expense) of separate account	Gain (loss) on revaluation of property and equipment	Foreign currency translation adjustments for foreign operations	Remeasurement gain (loss) related to defined benefit liabilities	Total
Beginning balance	₩ 2,931,843	3,109	9	25,602	562,425	110	(20,695)	3,502,403
Fair value evaluation	1,350,440	(107,293)	48	53,130	-	-	15,234	1,311,559
Realization to income	(858,832)	(95,108)	(18)	(13,730)	-	-	-	(967,688)
Effect of exchange rate difference	-	-	-	-	-	(516)	-	(516)
Policyholder's equity adjustment (*)	(52,974)	-	(4)	-	4,745	-	-	(48,233)
Income tax effects	(120,769)	55,660	(6)	(10,835)	(1,005)	58	(4,145)	(81,042)
Non-consolidated adjustments	(4,291)	-	(5)	-	89	-	298	(3,909)
Others	(291)	-	-	-	(220)	31	(61)	(541)
Ending balance	₩ 3,245,126	(143,632)	24	54,167	566,034	(317)	(9,369)	3,712,033

(*) Allocation to policyholder's equity adjustment during the reporting period.

(In millions of won)

32. Equity, continued

(5) Retained earnings

1) Legal reserve

Legal reserve is restricted for the dividend to stockholders by law or legislation. According to the Commercial Act, the Group is required to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of capital stock. The legal reserve may not be allocated in cash and may be used to reduce a deficit or may be transferred to capital based on the decision of board of directors.

2) Regulatory reserve for loan loss

When allowances for loan losses based on KIFRS for the assets subject to classification by asset soundness (such as loan receivables, insurance receivables, receivables, accrued revenue, suspense payments, bills receivables, etc.) in accordance with Regulations on Supervision of Insurance Business are less than the total of the reserves required by the Article 7-4 of Regulations on Supervision of Insurance Business, the difference is reserved as regulatory reserve for loan losses.

The regulatory reserve for loan losses is, in nature, an arbitrary reserve for retained earnings. When there are unappropriated deficits, regulatory reserve for loan losses are reserved after the deficits are appropriated. When the amount previously reserved for regulatory reserve for loan losses exceeds the amount of regulatory reserve for loan losses to be reserved as of the closing date, the reversal of the excess amount is allowed.

i) Regulatory reserve for loan losses as of December 31, 2021 and 2020 are as follows:

		2021	2020
Regulatory reserve for loan losses accumulated	₩	122,534	140,843
To be accumulated		41,864	(18,309)
Balance	₩	164,398	122,534

(In millions of won)

32. Equity, continued

(5) Retained earnings, continued

3) Regulatory reserve for loan loss, continued

ii) Provision for regulatory reserve for loan losses and income adjusted for regulatory reserve for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Profit for the year before legal reserve attributable to controlling interests	₩	489,316	452,201
Hybrid bonds interests		(28,421)	(22,735)
Reversal of regulatory reserve for loan		(41,864)	18,309
Profit adjusted for regulatory reserve (*)		419,031	447,775
Basic earnings per share adjusted for regulatory reserve in won		4,088	4,369

(*) Profit adjusted for regulatory reserve above is non-KIFRS financial information. The adjustment amount is calculated under the assumption that provision for regulatory reserve is reflected in the current period net income without considering policyholders' equity adjustment and deferred tax effect.

(In millions of won)

32. Equity, continued

(6) Share-based payment

1) Kyobo Securities has a shared-based payment arrangement for its executives and employees as of December 31, 2021 and the share options granted under the arrangement are paid when its own shares are exercised and its details are as follows:

Grant date	The number of options granted	The number of options forfeited	The number of unexercised quantities	The number of exercisable options	Exercise price
2018. 3. 22	690,000	59,865	630,135	630,135	12,000 won
2021. 3. 24	280,000	-	280,000	-	10,000 won

2) Vesting condition and exercise period of the share-based payment as of December 31, 2021 are as follows:

Grant date	Vesting condition	Exercise period
2018. 3. 22	In case of service for more than 2 years from grant date (2018.3.22 ~ 2020.3.21)	within 5 years from the date 2 years have passed from grant date (2020.3.22 ~ 2025.3.21)
2021. 3.24	In case of service for more than 2 years from grant date (2021.3.24~ 2023.3.23)	within 5 years from the date two years have passed from grant date (2023.3.24 ~ 2028.3.23)

3) Kyobo securities used the binomial model to measure the fair value of share options, and inputs used are as follows:

		2018. 3. 22	2021. 3.24
Fair value of option per share	₩	1,027 won	433 won
Closing price of the day before grant date	₩	9,790 won	7,550 won
Exercise price	₩	12,000 won	10,000 won
Expected volatility (*)		12.17%	21.60%
Expected exercise period		4.5 years	4.5 years
Expected dividends		-	-
Risk-free interest rate (return on government bonds)		2.64%	1.59%

(*) 120-day index volatility of the KOSPI market to which Kyobo Securities belongs was applied.

4) Kyobo Securities accounts for the compensation costs as an expense in the period covered by the contract. The details of the reimbursement are as follows:

		2021	2020
Compensation cost, gross	₩	749	647
Accumulated compensation expense		647	552
Compensation expense recognized in the current period		40	95
Residual compensation cost to be recognized		62	-

(In millions of won)

33. Premium income

Premium income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Individual insurance:			
Pure endowment	₩	1,957,310	1,951,197
Death		4,706,597	4,565,557
Endowment		3,144,239	2,368,093
		9,808,146	8,884,847
Group insurance:			
Pure protection		138,213	128,785
Savings		4,892	5,793
		143,105	134,578
	₩	9,951,251	9,019,425

(In millions of won)

34. Reinsurance ceded

(1) Reinsurance assets and liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Reinsurance accounts receivable	₩	70,320	65,373
Reinsurance assets:			
Reserve for unearned premium		6,239	5,586
Reserve for outstanding claims		3,016	3,148
Incurred but not reported		22,595	16,675
		31,850	25,409
	₩	102,170	90,782
Reinsurance accounts payable	₩	61,067	55,794

(2) Transactions with reinsurance companies for the years ended December 31, 2021 and 2020 are as follows:

		2021			
		Reinsurance expense	Reinsurance claim revenue	Reinsurance commission revenue	Profit (loss) from reinsurance asset
Individual insurance:					
Domestic	₩	147,043	103,160	33,400	6,219
Group insurance:					
Domestic		2,698	2,301	1	223
	₩	149,741	105,461	33,401	6,442

		2020			
		Reinsurance expense	Reinsurance commission expense	Reinsurance claim revenue	Profit (loss) from reinsurance asset
Individual insurance:					
Domestic	₩	131,931	88,265	35,789	2,740
Group insurance:					
Domestic		2,124	1,812	1	96
	₩	134,055	90,077	35,790	2,836

(In millions of won)

35. Interest income

Interest income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Cash and due from banks	₩	16,418	35,359
Financial assets held for trading		135,412	125,895
Available-for-sale financial assets		1,318,824	1,365,199
Held to maturity financial assets		39,217	-
Loan receivables		1,023,416	1,005,944
Derivatives		196,220	200,463
Others		7,438	5,848
	₩	2,736,945	2,738,708

(In millions of won)

36. Gain on valuation and disposal of financial instruments

Gain on valuation and disposal of financial instruments for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Financial assets designated at fair value through profit or loss:			
Gain on valuation	₩	1,335	1,528
Gain on disposal		-	-
Financial assets held for trading:			
Gain on valuation		5,461	57,865
Gain on disposal		92,145	124,463
Available-for-sale financial assets:			
Reversal of impairment loss		3,704	1,852
Gain on disposal		700,571	795,381
Gain on valuation (*)		43,235	-
Loan receivables:			
Gain on disposal		1,539	1,421
Reversal of loan receivables		15,249	-
Other receivable			
Reversal of loan receivables		4,471	-
Financial liabilities designated at fair value through profit or loss:			
Gain on valuation		89,394	73,683
Gain on transaction		2,725	20,199
Trading liabilities:			
Gain on valuation		525	11,161
Gain on transaction		23,158	5,876
Derivatives:			
Gain on valuation		463,796	1,278,912
Gain on transaction		938,126	988,955
	₩	2,385,434	3,361,296

(*) By applying fair value hedge accounting, changes in the fair value of the hedged item are recognized in profit or loss.

(In millions of won)

37. Fee and commission income

Fee and commission income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Brokerage commissions	₩	239,296	166,364
Underwriting commissions		21,976	23,370
Credit placement fees		7,138	13,076
Asset management fees		17,212	16,341
Brokerage commissions on collective investment securities		8,647	6,820
Merger and acquisition fees		103,011	70,635
Others		122,335	92,709
	₩	519,615	389,315

38. Dividend income

Dividend income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Financial assets held for trading:			
Equity securities	₩	983	369
Beneficiary certificates		5,618	11,878
		6,601	12,247
Available-for-sale financial assets:			
Equity securities		40,058	49,996
Equity investments		1,026	4,539
Beneficiary certificates		377,297	369,839
Overseas securities		132,761	126,985
		551,142	551,359
	₩	557,743	563,606

(In millions of won)

39. Other operating income

(1) Other operating income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Merchandise sales	₩	823,464	729,756
Product sales		1,860	4,067
Other		122,905	126,593
Other operating profits		895	33,639
	₩	949,124	894,055

(2) The classification of revenue recognized into categories and the timing of revenue recognition of merchandise sales, product sales and other sales for the years ended December 31, 2021 and 2020 are as follows:

		2021			
		Book sales and publication	Facility management	Others	Total
At a point in time	₩	772,183	6,646	37,532	816,361
Over time		18,716	111,976	1,176	131,868
	₩	790,899	118,622	38,708	948,229

		2020			
		Book sales and publication	Facility management	Others	Total
At a point in time	₩	673,943	6,533	47,476	727,952
Over time		20,228	112,236	-	132,464
	₩	694,171	118,769	47,476	860,416

(In millions of won)

40. Insurance claims paid

The Group's insurance claims paid consist of benefit payments, surrenders for insurance and dividend expenses.

(1) Benefit payments for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Individual insurance:			
Pure endowment	₩	225,481	182,941
Death		448,462	585,267
Endowment		396,438	217,404
		1,070,381	985,612
Group insurance:			
Pure protection		24,969	37,214
Savings		408	249
		25,377	37,463
	₩	1,095,758	1,023,075

(2) Surrenders for insurance for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Individual insurance:			
Pure endowment	₩	2,353,530	2,324,901
Death		2,684,722	2,726,312
Endowment		1,665,103	806,252
		6,703,355	5,857,465
Group insurance:			
Pure protection		68,149	66,465
Savings		11,049	16,071
		79,198	82,536
	₩	6,782,553	5,940,001

(3) Dividend expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Individual insurance:			
Pure endowment	₩	15,898	17,185
Death		507	851
Endowment		540	744
		16,945	18,780
Group insurance:			
Pure protection		67	204
Savings		-	2
		67	206
	₩	17,012	18,986

(In millions of won)

41. Operating and administrative expenses

Operating and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Policy acquisition costs:			
Agent commission	₩	467,588	520,847
Branch office operation		38,840	53,302
Sales promotion		79,094	105,617
Advertising expense		5,528	6,736
Others		179,684	202,668
		770,734	889,170
Maintenance expenses:			
Wages and salaries		225,925	202,160
Bonuses		97,611	92,929
Employment benefits		63,826	68,264
Severance benefits		105,319	47,182
Taxes and dues		111,593	100,030
Office rent		31,161	29,925
Depreciation		64,684	65,954
Commission		46,759	37,605
Outsourcing fee		6,646	6,314
Information technology		31,449	32,851
Collection		6,417	6,509
Others		66,609	36,403
		851,354	719,812
Deferred acquisition cost		(508,717)	(563,328)
	₩	1,113,371	1,045,654

(In millions of won)

42. Asset management expenses

Asset management expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Wages and salaries	₩	24,495	22,170
Bonuses		10,897	11,014
Severance benefits		11,747	5,521
Employment benefits		6,552	7,203
Communication		2,851	2,435
Repairs and maintenance		5,599	4,284
Outsourcing fee		8,280	9,432
Commission		39,284	34,575
Taxes and dues		17,992	15,326
Depreciation		2,325	2,464
Others		6,232	7,035
	₩	136,254	121,459

43. Interest expenses

Interest expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Borrowings	₩	31,756	25,130
Derivatives		234,349	235,807
Others		9,298	9,856
	₩	275,403	270,793

(In millions of won)

44. Loss on valuation and disposal of financial instruments

Loss on valuation and disposal of financial instruments for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Financial assets designated at fair value through profit or loss:			
Loss on valuation	₩	686	-
Loss on disposal		381	-
Financial assets held for trading:			
Loss on valuation		124,150	26,292
Loss on disposal		122,617	87,746
Available-for-sale financial assets:			
Loss on valuation (*)		19,029	-
Loss on disposal		203,316	172,982
Impairment loss		35,693	63,297
Loan receivables:			
Provision for losses on loan receivables		-	28,346
Loss on disposal		1,834	296
Other receivables:			
Provision for other receivables		-	4,128
Financial liabilities designated at fair value through profit or loss:			
Loss on valuation		19,031	35,109
Loss on transaction		79,536	106,044
Trading liabilities:			
Loss on valuation		686	440
Loss on transaction		5,934	21,241
Derivatives:			
Loss on valuation		1,497,716	537,503
Loss on transaction		1,238,606	1,338,189
	₩	3,349,215	2,421,613

(*) By applying fair value hedge accounting, changes in the fair value of the hedged item are recognized in profit or loss.

(In millions of won)

45. Other operating expenses

Other operating expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Depreciation of investment properties	₩	6,289	8,902
Amortization of intangible assets		57,421	52,497
Fees and commission expense		114,225	64,653
Cost of sales-merchandise		592,650	525,893
Cost of sales-services		159,590	151,222
Cost of sales-products		1,171	2,489
Cost of other goods sold		20,080	20,415
General and administrative expenses:			
Employee costs		374,608	339,451
Depreciation		46,655	43,532
Other general expenses		181,604	157,127
Insurance discount		1,924	1,475
Others		20,286	13,696
	₩	1,576,503	1,381,352

46. Foreign currency translation

(1) Foreign currency denominated assets and liabilities as of December 31, 2021 and 2020 are as follows:

	2021		2020	
	Amount of foreign currency	Amount of KRW equivalent	Amount of foreign currency	Amount of KRW equivalent
Foreign cash and due from banks				
USD	663,576	₩ 786,669	540,894	₩ 588,494
JPY	983,526	10,133	205,751	2,169
EUR	17,690	23,745	8,314	11,126
Others	36,376	43,125	24,534	26,706
Financial assets at fair value through profit or loss				
USD	976,300	1,157,403	828,067	900,937
EUR	15,770	21,169	26,570	35,557
Available-for-sale financial assets				
USD	12,483,660	14,799,379	14,020,135	15,253,907
JPY	11,043,221	113,772	9,696,642	102,224
EUR	1,759,768	2,362,207	2,810,813	3,761,542
Others	1,590,511	401,402	1,877,854	288,924
Held-to-maturity financial assets				
USD	872,426	1,034,260	-	-
Others	137,397	118,009	-	-
Loan receivables				
USD	160,966	190,825	162,122	176,389
EUR	59,500	79,869	59,500	79,625
Others	173,769	176,269	175,500	168,281
Other receivables				
USD	445,542	528,190	463,630	504,429
JPY	30,830	318	27,402	289
EUR	12,453	16,716	19,922	26,660
Others	22,365	8,264	22,140	8,255
Financial assets total				
USD	15,602,470	₩ 18,496,726	16,014,848	₩ 17,424,156
JPY	12,057,577	124,223	9,929,795	104,682
EUR	1,865,181	2,503,706	2,925,119	3,914,510
Others	1,960,418	747,069	2,100,028	492,166
Financial liabilities				
USD	2,333,203	₩ 2,766,013	1,942,129	₩ 2,113,037
JPY	349,134	3,597	74,954	790
EUR	1,332	1,789	169	226
Others	9,055	10,735	2,744	2,986

(In millions of won)

46. Foreign currency translation, continued

(2) Gain on foreign currency transactions for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Gain on foreign currency translation	₩	1,245,249	252,376
Gain on foreign currency transaction		163,729	285,877
	₩	1,408,978	538,253
Loss on foreign currency translation	₩	135,439	1,136,414
Loss on foreign currency transaction		65,205	126,237
	₩	200,644	1,262,651

(In millions of won)

47. Non-operating income and expenses

(1) Non-operating income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Gain on valuation of investments in associates and joint ventures	₩	8,521	5,991
Gain on disposal of investments in associates and joint ventures		3,259	35
Gain on disposal of investment properties		-	456
Gain on disposal of property and equipment		343	146
Gain on disposal of intangible assets		143	209
Reversal of impairment loss on intangible assets		1	111
Miscellaneous gains		10,428	10,968
Others		12,575	-
	₩	35,270	17,916

(2) Non-operating expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Loss on valuation of investments in associates and joint ventures	₩	1,166	455
Impairment loss on investment properties		1	550
Loss on disposal of property and equipment		6,211	6,417
Impairment loss on property and equipment		36	875
Loss on disposal of intangible assets		11	27
Impairment loss on intangible assets		6	12,087
Donations		7,972	8,394
Miscellaneous losses		9,996	6,992
Others		1,001	-
	₩	26,400	35,797

(In millions of won)

48. Income tax expenses

(1) Income tax expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Current income tax expenses	₩	219,866	68,797
Origination and reversal of temporary differences		(682,640)	213,742
Income tax expense directly recognized in equity		660,347	(81,042)
Additional payment (refund) of income taxes		802	(12,929)
Income tax expenses	₩	198,375	188,568

(2) Income tax expenses calculated by multiplying profit before income tax expenses with the tax rate for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Profit before income taxes	₩	724,090	666,398
Income taxes at statutory tax rates		190,768	174,426
Adjustments:			
Difference in tax rate, etc.		6,805	27,071
Additional payment (refund) of income taxes		802	(12,929)
Income tax expenses	₩	198,375	188,568
Effective tax rate		27.40%	28.30%

(In millions of won)

48. Income tax expenses, continued

(2) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities and temporary differences for the years ended December 31, 2021 and 2020 are as follows:

	2021		
	Beginning balance	Increase (decrease)	Ending balance
Deferred tax assets:			
Depreciation	₩ 14,965	(102)	14,863
Loss on valuation of financial assets held for trading	101	15,074	15,175
Impairment loss on financial assets	15,016	7,033	22,049
Valuation losses on assets and liabilities in foreign currency	152,899	(152,899)	-
Taxes and dues	9,461	1,239	10,700
Liability for defined benefit obligations	34,271	(10,769)	23,502
Loss on valuation of derivatives	26,692	61,459	88,151
Accrued bonus expenses	17,549	3,479	21,028
Miscellaneous losses (impairment loss on land)	2,956	-	2,956
Miscellaneous losses (dormant insurance payments)	9,629	(407)	9,222
Minimum policy holder reserves	351,549	24,486	376,035
Contingent liabilities	625	5,153	5,778
Loss on revaluation of land	3,630	-	3,630
Others	808,287	(251,440)	556,847
	1,447,630	(297,694)	1,149,936
Deferred tax liabilities:			
Gain on valuation of financial assets held for trading	(577,671)	239,223	(338,448)
Valuation gains on assets and liabilities in foreign currency	-	(157,607)	(157,607)
Interest income	(61,110)	(4,551)	(65,661)
Allowance related to asset revaluation	(22,514)	-	(22,514)
Gain on valuation of available-for-sale financial assets	(1,239,207)	667,863	(571,344)
Gain on valuation of derivatives	(282,221)	282,221	-
Gain on revaluation of property and equipment	(211,034)	(13,778)	(224,812)
Others	(924,372)	(110,765)	(1,035,137)
	(3,318,129)	902,606	(2,415,523)
Excluded from deferred tax recognition	(321,405)	(77,728)	(399,133)
Deferred tax liabilities, net	₩ (1,549,094)	682,640	(866,454)

(In millions of won)

48. Income tax expenses, continued

(3) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities and temporary differences for the years ended December 31, 2021 and 2020 are as follows, continued:

		2020		
		Beginning balance	Increase (decrease)	Ending balance
Deferred tax assets:				
Depreciation	₩	9,817	5,148	14,965
Loss on valuation of financial assets held for trading		-	101	101
Impairment loss on financial assets		15,945	(929)	15,016
Valuation losses on assets and liabilities in foreign currency		-	152,899	152,899
Taxes and dues		13,650	(4,189)	9,461
Liability for defined benefit obligations		34,796	(525)	34,271
Loss on valuation of derivatives		8,738	17,954	26,692
Accrued bonus expenses		16,133	1,416	17,549
Miscellaneous losses (impairment loss on land)		2,813	143	2,956
Miscellaneous losses (dormant insurance payments)		11,123	(1,494)	9,629
Minimum policy holder reserves		287,061	64,488	351,549
Contingent liabilities		1,073	(448)	625
Loss on revaluation of land		3,630	-	3,630
Others		243,829	564,458	808,287
		648,608	799,022	1,447,630
Deferred tax liabilities:				
Gain on valuation of financial assets held for trading		(196,616)	(381,055)	(577,671)
Valuation gains on assets and liabilities in foreign currency		(114,873)	114,873	-
Interest income		(62,412)	1,302	(61,110)
Allowance related to asset revaluation		(22,514)	-	(22,514)
Gain on valuation of available-for-sale financial assets		(1,104,266)	(134,941)	(1,239,207)
Gain on valuation of derivatives		(23,760)	(258,461)	(282,221)
Gain on valuation of investment in associates		(170)	170	-
Gain on revaluation of property and equipment		(28,098)	(182,936)	(211,034)
Others		(729,879)	(194,493)	(924,372)
		(2,282,588)	(1,035,541)	(3,318,129)
Excluded from deferred tax recognition		(298,628)	22,777	321,405
Deferred tax liabilities, net	₩	(1,335,352)	(213,742)	(1,549,094)

(In millions of won)

48. Income tax expenses, continued

(4) Deferred tax assets and liabilities that were directly charged or credited to equity for the years ended December 31, 2021 and 2020 are as follows:

	2021		2020	
	Amount	Tax effect	Amount	Tax effect
Revaluation reserves	₩ 24,366	(19,863)	24,366	(19,863)
Gain on valuation of available-for-sale financial assets	2,036,006	(567,440)	4,480,899	(1,235,773)
Loss on valuation of hedging instruments	(148,004)	40,701	(198,112)	54,480
Gain on valuation of investments in associates	34	(9)	33	(9)
Accumulated other comprehensive income (expense) in separate account	(20,540)	5,649	74,713	(20,546)
Gain on revaluation of property and equipment	778,361	(219,827)	772,077	(206,043)
Remeasurement gain (loss) related to defined benefit liabilities	13,719	(4,626)	(11,212)	1,843
Foreign currency translation adjustments for foreign operations	512	(330)	(332)	15
	₩ 2,684,454	(765,745)	5,142,432	(1,425,896)

(5) Deferred tax assets and liabilities presented on a gross basis prior to any offsetting as of December 31, 2021 and 2020 are as follows:

	2021	2020
Deferred tax assets	₩ 1,149,936	1,447,630
Deferred tax liabilities	(2,016,390)	(2,996,724)
Deferred tax liabilities, net	₩ (866,454)	(1,549,094)
Current tax assets	₩ 153,826	156,184
Current tax liabilities	(206,471)	(65,998)
Current tax assets, net	₩ (52,645)	90,186

Individual subsidiaries included in consolidation has no legal authority or intention to set off their corporate income tax. Therefore, the deferred tax assets of individual subsidiaries were separated to calculate net amounts above. As of December 31, 2021 and 2020, the Group represented separately in the consolidated financial statements ₩ 11,486 million and ₩ 10,161 million of the deferred tax assets, ₩ 877,940 million and ₩ 1,559,255 million of deferred tax liabilities, ₩ 2,601 million and ₩ 130,266 million of current tax assets and ₩ 55,245 million and ₩ 40,080 million of current tax liabilities as of December 31, 2021 and 2020, respectively.

(In millions of won)

49. Employee benefits

Details of employee benefits for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Short-term and other long-term employee benefits	₩	713,414	641,046
Retirement benefits (*)		140,523	75,062

(*) Retirement benefits include ₩60,242 million and ₩1,535 million of termination benefits for the years ended December 31, 2021 and 2020, respectively, and ₩17,510 million and ₩13,706 million of defined contribution plans for the years ended December 31, 2021 and 2020, respectively.

50. Commitments and contingencies

(1) Pending litigations

The Group has 392 pending litigations in which the Group is a defendant, such as claims for insurance payments and others, and the total legal proceedings amounts to ₩258,542 million as of December 31, 2021. In addition, the Group has 496 pending litigations in which the Group is a plaintiff with total claims of ₩41,957 million. As of the end of the current reporting period, the Group cannot reliably determine the outcome of the pending litigations and has recognized reserves of ₩7,866 million and provisions of ₩341 million for litigations as a defendant and plaintiff, respectively.

There is a possibility of additional payments related to the immediate pension products, which have previously been paid, due to the Financial Supervisory Service's announcement of the application of lump-sum regulation in July 2018. The Group reasonably estimated the additional payment amount as of December 31, 2021 and reflected in the consolidated financial statements.

The Company accused Deloitte Anjin LLC to Public Company Accounting Oversight Board (PCAOB) of violation of the valuation standards to calculate the market value of the Company's outstanding stock related to the put options exercised in accordance with the shareholder's agreement. Also, the Company prosecuted Deloitte Anjin LLC for violating the *Certified Public Accountant Act*.

(2) Insurance commitments

The contract amounts under the insurance contracts in the general and separate accounts as of December 31, 2021 are as follows:

	Number of contracts		Total contract amount
General accounts	8,202,926	₩	292,585,028
Separate accounts	988,979		9,567,945
	9,191,905	₩	302,152,973

50. Commitments and contingencies, continued

(3) Reinsurance agreements

The reinsurance agreements of individual and group insurance as of December 31, 2021 are as follows:

Reinsurance method	Reinsurance company	Ceding ratio (%)	Nature of risk
Surplus	SCOR Reinsurance Asia-Pacific	100	Risk from excessive contracts
Surplus	SCOR Reinsurance Asia-Pacific	100	Risk from excess number of contracts with individuals with high-risk occupations
Surplus	Korean Re	100	Kyobo Big Love Guarantee Insurance
Surplus	Pacific Life Re	Exceeding ₩100 million per person	Mortality (term insurance and whole life, insurance)
Surplus, Quota Share	Munich Re	60	Risk from excessive contracts
Surplus, Quota Share	Korean Re	40	Risk from excessive contracts
Quota Share	General Cologne Re	10	Individual medical insurance
Quota Share	General Cologne Re	10	Accidental insurance
Quota Share	General Cologne Re	30	CI whole life Reinsurance
Quota Share	General Cologne Re	30	SI Insurance
Quota Share	General Cologne Re	30	Second CI Guarantee reinsurance
Quota Share	Hannover Re	10	CI reinsurance
Quota Share	Hannover Re	10	Direct health insurance
Quota Share	Hannover Re	10 ~ 25	Individual medical Insurance
Quota Share	Hannover Re	30	Kyobo cancer insurance
Quota Share	Hannover Re	80	Facultative reinsurance
Quota Share	Swiss Re	50	Re-diagnosis cancer insurance
Quota Share	Swiss Re	80	Target anticancer drug treatment
Quota Share	Munich Re	10	CI reinsurance
Quota Share	Munich Re	5 ~ 20	Whole life insurance
Quota Share	Munich Re	30	LTC (Silver care insurance)
Quota Share	Munich Re	30	Premier CI Insurance
Quota Share	Munich Re	80	Facultative reinsurance
Quota Share	RGA Re	20	Kyobo cancer insurance
Quota Share	RGA Re	30	Dental Benefits
Quota Share	RGA Re	50	Mortality (term insurance and whole life insurance), diagnosis (cancer, insurance for lifestyle disease)
Quota Share	RGA Re	80	Facultative reinsurance
Quota Share	RGA Re	90	Substandards insurance
Quota Share	SCOR Reinsurance Asia-Pacific	10	Individual medical Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	CI reinsurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	Direct health insurance
Quota Share	SCOR Reinsurance Asia-Pacific	30 ~ 60	Top Class cancer Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	50	Dental & Juvenile Benefits
Quota Share	SCOR Reinsurance Asia-Pacific	80	Facultative reinsurance
Quota Share	Korean Re	10	CI whole life reinsurance
Quota Share	Korean Re	10 ~ 50	SI whole life insurance
Quota Share	Korean Re	15 ~ 25	Individual medical Insurance
Quota Share	Korean Re	30	Kyobo cancer Insurance
Quota Share	Korean Re	30	Disability (Let’s go M Accidental insurance)
Quota Share	Korean Re	50	SI Insurance
Quota Share	Korean Re	50	Dementia Insurance
Quota Share	Korean Re	50	Mortality (term insurance),injuries (children, accident insurance),hospitalization/surgery, (children insurance), diagnosis (children, accident insurance, M3 cancer insurance, fine dust disease insurance, E women's Health Insurance, B women's Health Insurance,)
Quota Share	Korean Re	80	Facultative reinsurance

50. Commitments and contingencies, continued

(4) Purchase commitment of commercial paper

The Group provides ABCP purchase commitments amounting to ₩180,600 million (December 31, 2020: ₩196,200 million) as of December 31, 2021.

		Amounts	Period	Description
Bluedream 19th Co., Ltd.	₩	21,000	2017.11.23~2023.06.21	ABCP purchase commitments
Neoexodium 1st Co., Ltd.		20,200	2018.07.30~2024.05.22	
MKDREAM 5th Co., Ltd.		21,000	2018.11.12~2024.12.20	
ABFT Infra Development Co., Ltd.		23,000	2015.04.30~2022.04.29	
Urban Guarantee Chunan 1st Co., Ltd		19,500	2020.07.22~2024.01.15	
Urban Guarantee Seodaesin 1st Co., Ltd		30,600	2017.11.07~2022.11.30	
Urban Guarantee Namsan 1st Co., Ltd.		45,300	2017.11.30~2022.02.28	
	₩	180,600		

(5) Stand-by commitments

The Group provides guarantee of debts (purchase commitment etc.) of ₩224,608 million (December 31, 2020: ₩168,925 million) to SPC for the developer's projects on Songdo International City development as of December 31, 2021.

Company	Trade Opponent		Amount	Description
Kyobo Securities Co., Ltd.	Jjibest 6th Co., Ltd.	₩	25,000	Debt guarantee
	Eco dream 1st Co., Ltd.		29,400	
	DW Yangju 1st Co., Ltd.		27,800	
	Bright Star 6th Co., Ltd.		67,500	
	Whitewood 8th Co., Ltd.		16,000	
	Teureoseuteuhoecheon 1st Co., Ltd.		20,000	
	Dream the First Geomdan 1st Co., Ltd.		12,000	
	Must Hakik 1st Co., Ltd.		10,000	
	Seaside Yeongjong 1st Co., Ltd.		7,000	
	Doublerich 9th Co., Ltd.		4,000	
	Ujur 1th Co., Ltd.		3,000	
	KCQ 1st Co., Ltd.		1,000	
	KCQ 2th Co., Ltd.		1,000	
Kyobo Asset Trust Co., Ltd	Busan Geumjeong-gu Office		908	Equity guarantee
		₩	224,608	

(In millions of won)

50. Commitments and contingencies, continued

(6) Provided with payment guarantee of December 31, 2021 are as follows:

		Amount
Seoul Guarantee Insurance	₩	186,266
Korea Specialty Contractor Financial Cooperative		9,291
Korea Housing & Urban Guarantee Corporation		7,662,070
Others		42,017
	₩	7,899,644

(7) Other commitments as of December 31, 2021 are as follows:

		Amount
Loan commitments	₩	2,991,811
Investment commitments		4,667,992
	₩	7,659,803

(8) Overdraft commitments, etc.

The commitments and guarantees as of December 31, 2021 are as follows:

			Amount	Counter party	Descriptions
Kyobo Life Insurance Co., Ltd.	Overdraft commitments	₩	290,000	Standard Chartered Bank, etc.	Bank overdraft
Kyobo Securities Co., Ltd.	Overdraft commitments		106,000	Woori Bank, etc.	Intra-day credit, Micro payment
	Limit commitments		1,175,000	KSFC	Securities distribution finance, CP issue limit commitments
Kyobo Book Center Co., Ltd.	Overdraft commitments		20,000	Woori Bank	Bank overdraft
	Limit commitments		24,000	Shinhan Bank, etc.	Corporate operating loan limit commitments
Kyobo Hottracks Co., Ltd.	Overdraft commitments		4,500	Woori Bank	Bank overdraft
	Limit commitments		15,000	Shinhan Bank, etc.	Corporate operating loan limit commitments
		₩	1,634,500		

(In millions of won)

50. Commitments and contingencies, continued

(9) Securities lending and borrowing

Securities lending and borrowing as of December 31, 2021 are as follows:

	Type		Amount	Valuation standard
Securities lent	Equity securities	₩	160,187	Fair value
	Debt securities		220,464	Fair value
Securities borrowed	Equity securities		166,194	Fair value
	Debt securities		2,223,783	Fair value

Securities lending transaction is a transaction that transfers the ownership of the same amount and kind of securities after a certain period of time and continues to be recognized as an asset of the Group because it does not meet the conditions for the derecognition of transfer of financial assets.

The Group executes loan transaction and keeps memorandum notes on borrowed securities from KSFC and Korea Securities Depository. The Group accounts for the transaction as financial liabilities designated at fair value through profit or loss when it sells borrowed securities or when it makes a short sale of the borrowed securities.

(10) The Group provided tenants with 3 overdraft checks (issue price of ₩ 694 million) as collateral for the lease deposit when the Group signed lease contracts for buildings owned by Kyobo Securities and sub-lease contracts for building owned by others as of December 31, 2021.

(11) To prevent the spread of Covid-19, a various prevention and control measures, including restrictions on travelling, are being implemented worldwide. As a result, the global economy is affected extensively, and it is difficult to predict the duration and intensity of the spread of Covid-19 pandemic. In addition, the Group's valuation of fair value of financial instruments, assessment of the appropriateness of insurance liabilities and others may be affected by Covid-19, and the Group has prepared the consolidated financial statements by reasonably estimating the impact of Covid-19 on the Group. However, as of December 31, 2021, the Group cannot reasonably estimate the ultimate impact on its consolidated financial position, consolidated financial performance and consolidated cash flows due to the future spread of Covid-19.

(In millions of won)

51. Related parties

(1) The related parties as of December 31, 2021 and 2020 are as follows:

2021	Location
Associates	
A&D Credit Information Co., Ltd., Hwaseong-Jeongnam General Industry Complexes Co., Ltd.,Kyobo 9 Special Purpose Acquisition Company,Kyobo 10 Special Purpose Acquisition Company,Kyobo 11 Special Purpose Acquisition Company (*),Songsan Industrial Complex Development Co., Ltd., Pusan Millak PFV, Jinjeop2 REIT Co., Ltd.,Guri- Galmae Daeto Development Trust Management Property Investment Company, Yeoido H2 PFV, Pusan Eco delta city PFV (*), Logistec Yangsan Co.,Ltd.(*) Incheon Gundam 3rd PFV(*), Hera Park City development PFV(*), Hera Park City development AMC Co., Ltd.(*),Incheon Yeongjong PFV(*),Dongdaemoon Urban PFV(*),Chungju Biz Core City(*) Chungnam Naepo 1 PFV(*), Yangjuhoechun PFV(*), Peco-city(*), Incheon Yeongjong 1st PFV(*), Changwon gapo PFV(*), Kyobo NH Healthcare New Technology Investment Association 1(*), NH Kyobo AI solution New Technology Investment Association(*)Kyobo Kiwoom New Materials & Technology Investment Association(*) Kyobo Hanyang ESG New Technology Investment Association(*), Kyobo Axis Future & New Technology Investment Association 1(*), Kyobo-YG Ilguimu newTechnology Investment Association(*), NPC&C Co., Ltd.(*), Marston General Private Real Estate Investment Trust No. 61(*)	Korea
Joint Venture	
Kyobo AXA Investment Managers Co., Ltd.	Korea
Others	
Daesan Foundation For Rural Society, Daesan Foundation For Culture, Kyobo Foundation For Education	Korea

(*) Kyobo 11 Special Purpose Acquisition Company, Pusan Eco delta city PFV, Logistec Yangsan Co., Ltd, Incheon Gundam 3rd PFV, Hera Park City development PFV, Hera Park City development AMC Co., Ltd, Incheon Yeongjong PFV, Changwon gapo PFV, Dongdaemoon Urban PFV, Chungju Biz Core City, Chungnam Naepo 1 PFV, Yangjuhoechun PFV, Peco-city, Incheon Yeongjong 1st PFV, Kyobo NH Healthcare New Technology Investment Association 1, NH Kyobo AI solution New Technology Investment Association, Kyobo Kiwoom New Materials & Technology Investment Association, Kyobo Hanyang ESG New Technology Investment Association, Kyobo Axis Future & New Technology Investment Association 1, Kyobo-YG Ilguimu newTechnology Investment Association, NPC&C Co., Ltd. and Marston General Private Real Estate Investment Trust No. 61 were included in the related parties for the year ended December 31, 2021.

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(In millions of won)

51. Related parties, continued

(1) The related parties as of December 31, 2021 and 2020 are as follows, continued:

2020	Location
Associates	
A&D Credit Information Co., Ltd.,	Korea
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.,	
Kyobo 9 Special Purpose Acquisition Company,	
Kyobo 10 Special Purpose Acquisition Company (*),	
Songsan Industrial Complex Development Co., Ltd.,	
Pusan Millak PFV (*), Jinjeop2 REIT Co., Ltd., (*)	
Guri- Galmae Daeto Development Trust Management Property Investment Company (*)	
Yeoido H2 PFV (*)	
Joint Venture	
Kyobo AXA Investment Managers Co., Ltd.	Korea
Others	
Daesan Foundation For Rural Society, Daesan Foundation For Culture,	Korea
Kyobo Foundation For Education	

(*) Kyobo 10 Special Purpose Acquisition Company, Pusan Millak PFV, Jinjeop2 REIT Co., Ltd., Guri- Galmae Daeto Development Trust Management Property Investment Company and Yeoido H2 PFV were included in the related parties and Kyobo 7 Special Purpose Acquisition Company and Kyobo 8 Special Purpose Acquisition Company were excluded from related parties for the year ended December 31, 2020.

(In millions of won)

51. Related parties, continued

(2) Significant balances with the related parties as of December 31, 2021 and 2020 are as follows:

Related party	Account		2021	2020
Associates:				
A&D Credit Information Co., Ltd.	Accounts payable	₩	694	725
	Retirement pension (*)		550	713
Kyobo 9 Special Purpose Acquisition Company	Loan receivables		2,479	871
Kyobo 10 Special Purpose Acquisition Company	Loan receivables		1,947	814
Kyobo 11 Special Purpose Acquisition Company	Loan receivables		2,018	-
HeraParkCity development PFV	Deposits		5,000	-
HeraParkCity development AMC Co., Ltd.	Deposits		100	-
Joint Venture:				
Kyobo AXA Investment Managers Co., Ltd.	Accounts Receivable		-	1
	Accounts payable		737	777
	Leasehold deposits received		805	805
	Deposits		536	617
Others:				
Daesan Foundation For Rural Society	Retirement insurance (*)		180	178
Daesan Foundation For Culture	Accounts receivable		-	1
	Leasehold deposits received		1,363	1,363
	Retirement pension (*)		616	642
Kyobo Foundation For Education	Retirement pension (*)		583	517
Key management	Loan receivables		144	151

(*) Retirement insurance and pension are reserve for policyholder in separate account liabilities.

(In millions of won)

51. Related parties, continued

(3) Significant transactions with the related parties for the years ended December 31, 2021 and 2020 are as follows:

Related party	Account	2021 Revenues	2021 Expenses	2020 Revenues	2020 Expenses
Associates:					
A&D Credit Information Co., Ltd.	Premium income (*1)	₩ 17	-	16	-
	Dividend income	49	-	98	-
	Claims paid (*1)	-	11	-	18
	Operating and administrative expenses	-	182	-	188
	Asset management expenses	-	7,472	-	7,424
Kyobo 8 Special Purpose Acquisition Company	Gain on valuation of derivatives	-	-	79	-
Kyobo 9 Special Purpose Acquisition Company	Gain on valuation of derivatives	44	-	-	62
Kyobo 10 Special Purpose Acquisition Company	Gain on valuation of derivatives	57	-	894	-
Kyobo 11 Special Purpose Acquisition Company	Gain on valuation of derivatives	1,118	-	-	-
Yeouido H2 PFV	Commission income	343	-	-	-
Pusan Eco delta city PFV	Commission income	178	-	-	-
Logistec Yangsan Co.,Ltd.	Commission income	30	-	-	-
Incheon Gundam 3rd PFV	Commission income	188	-	-	-
Incheon Yeongjong PFV	Commission income	218	-	-	-
Chungnam Naepo 1 PFV,	Commission income	32	-	-	-
Yangjuhoechun PFV	Commission income	744	-	-	-
Incheon Yeongjong 1st PFV	Commission income	163	-	-	-
Changwon gapo PFV	Commission income	24	-	-	-
Kyobo NH Healthcare New Technology Investment Association 1st	Commission income	67	-	-	-
NH Kyobo AI solution New Technology Investment Association	Commission income	30	-	-	-
Kyobo Kiwoom New Materials & Technology Investment Association	Commission income	40	-	-	-
Kyobo Hanyang ESG New Technology Investment Association	Commission income	19	-	-	-
Kyobo Axis Future & New Technology Investment Association 1st	Commission income	66	-	-	-
KYOBO Ygilguimu New Technology Investment Association	Commission income	9	-	-	-

(In millions of won)

51. Related parties, continued

(3) Significant transactions with the related parties for the years ended December 31, 2021 and 2020 are as follows, continued:

Related party	Account	2021		2020	
		Revenues	Expenses	Revenues	Expenses
Joint Venture:					
Kyobo AXA Investment Managers Co., Ltd.	Premium income (*1)	33	-	28	-
	Commission income	1469	-	1,062	-
	Dividend income	5,898	-	4,890	-
	Rental income	1,429	-	1,428	-
	Non-operating income	1	-	2	-
	Asset management expenses	-	3,117	-	3,362
Others:					
Daesan Foundation For Rural Culture & Society	Premium income (*1)	1	-	1	-
	Rental income	1	-	1	-
	Commission income	46	-	-	-
	Claims paid (*1)	-	2	-	2
	Non-operating expenses	-	731	-	1,104
Daesan Foundation For Culture	Premium income (*1)	4	-	3	-
	Rental income	63	-	3	-
	Commission income	48	-	60	-
	Non-operating income	3	-	-	-
	Claims paid (*1)	-	10	-	12
	Operating and administrative expenses	-	55	-	59
	Non-operating expenses	4	1,206	-	1,338
Kyobo Foundation For Education & Culture	Premium income (*1)	3	-	2	-
	Rental income	1	-	1	-
	Commission income	1	-	-	-
	Claims paid (*1)	-	8	-	9
	Non-operating expenses	-	1,047	-	1,837

(*) Premium income and claims paid belong to profit or loss in separate account.

(In millions of won)

51. Related parties, continued

(4) The financing transactions with the related parties for the years ended December 31, 2021 and 2020 are as follows:

Related party	2021		
	Loan transaction		Collection of investment
	Lending	Collection	
Yeoido H2 PFV.	₩ -	-	50
Pusan Eco delta city PFV,	-	-	250
Logistec Yangsan Co.,Ltd.,	-	-	398
Incheon Gundam 3rd PFV,	-	-	250
Hera Park City development PFV,	-	-	975
Hera Park City development AMC Co., Ltd.,	-	-	20
Incheon Yeongjong PFV,	-	-	250
Dongdaemoon Urban PFV,	-	-	250
Chungju Biz Core City,	-	-	10
Chungnam Naepo 1 PFV,	-	-	250
Yangjuhoechun PFV,	-	-	250
Peco-city,	-	-	38
Incheon Yeongjong 1st PFV,	-	-	250
Changwon gapo PFV	-	-	250
Kyobo 11 Special Purpose Acquisition Company	990	-	10
Kyobo NH Healthcare New Technology Investment Association 1st,	-	-	2,500
NH Kyobo AI solution New Technology Investment Association,	-	-	1,000
Kyobo Kiwoom New Materials & Technology Investment Association,	-	-	2,000
Kyobo Hanyang ESG New Technology Investment Association,	-	-	1,000
Kyobo Axis Future & New Technology Investment Association 1st	-	-	2,000
Kyobo-YG Ilguimu newTechnology Investment Association	-	-	1,000
NPC&C Co., Ltd.	-	-	3,000
Marston General Private Real Estate Investment Trust No. 61	-	-	20,000

(In millions of won)

51. Related parties, continued

(4) The financing transactions with the related parties for the years ended December 31, 2021 and 2020 are as follows, continued:

Related party		2020		
		Loan transaction		Collection of investment
		Lending	Collection	
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	₩	-	-	(171)
Pusan Millak PFV.		-	-	250
Jinjeop2 REIT Co., Ltd.		-	-	59
Guri Galmae REIT Co., Ltd.		-	-	20
Yeoido H2 PFV.		-	-	250
Kyobo 7 Special Purpose Acquisition Company		-	990	-
Kyobo 8 Special Purpose Acquisition Company		-	990	-
Kyobo 10 Special Purpose Acquisition Company		930	-	-

(5) The Group determined that the key management includes executives and external directors who have authority and responsibilities for decision making of the business plan, operations and control over the Group. Key management compensation for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Long and short-term employee benefits	₩	30,417	27,463
Retirement benefits		5,288	4,568
Share-based payment		40	95
	₩	35,745	32,126

(6) Transactions of securities through major related parties for the years ended December 31, 2021 and 2020 are as follows:

Related party	Type of securities	2021		2020	
		Buy	Sell	Buy	Sell
Kyobo AXA Investment Management Co., Ltd.	Beneficiary certificates.	1,982,251	2,938,155	1,548,570	1,547,264

(In millions of won)

52. Earnings per share

Basic earnings per share for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Profit for the year (*1)	₩	489,316	452,201
Dividends to hybrid bonds		(28,421)	(22,735)
Profit available for common stock	₩	460,895	429,466
Weighted average number of common shares outstanding		102,500,000 shares	102,500,000 shares
Earnings per share in won		4,497	4,190

(*1) Profit for the year attributable to the controlling interests

The Group's basic earnings per share and diluted earnings per share are the same since there are no potential diluted shares for the years ended December 31, 2021 and 2020.

(In millions of won)

53. Statement of cash flows

(1) Significant non-cash transactions for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Changes in valuation gain (loss) on available-for-sale financial assets	₩ (1,776,562)	313,283
Transfer between property and equipment and investment property	37,055	33,144
Changes in valuation gain (loss) on revaluation of property and equipment	(7,500)	3,609
Changes in valuation gain (loss) on derivatives for cash flow hedging purpose	36,329	(146,741)
Changes in other comprehensive income of associates	1	15
Changes in other comprehensive income (loss) in separate accounts	(69,058)	28,565
Changes in foreign currency translation adjustments for foreign operations	499	(427)
Remeasurements of defined benefit liabilities	18,462	11,325
Write-off of loan receivables, etc.	(20,856)	(27,481)
Write-off of Other receivables	(1,966)	(1,051)
Transfer from construction in progress	9,848	3,961
Reclassification of advanced payments related to acquisition of property and equipment	152	1,926
Reclassification of advanced payments related to acquisition of intangible assets	13,412	29,704
Changes in right-of-use assets (transfer, acquisition)	84,783	69,875
Changes in right-of-use assets (disposal)	(36,404)	(22,584)
Increase in accounts payable related to acquisition of property, equipment and intangible assets	-	1,581
Regulatory reserve for loan loss	(18,309)	-
Changes in policyholders' equity adjustments	(739,395)	48,232
Income tax expenses reflected in equity	660,347	(81,042)
Replacement from Other provisions to Reserve for outstanding claims	-	800
Retrospective effect of changes in accounting policy	1,112,800	-
Changes in non-controlling interests due to the acquisition of subsidiaries	-	147,806

(In millions of won)

53. Statement of cash flows, continued

(2) Changes in liabilities from financing activities for the years ended December 31, 2021 and 2020 are as follows:

	2021			
	Lease liabilities	Borrowings	Leasehold deposits received	Total
Beginning balance	₩ 78,164	2,619,813	106,992	2,804,969
Cash flows from financing activities	(49,960)	885,351	(10,547)	824,844
Interest expense, etc.	42,585	36,589	(1,860)	77,314
Ending balance	₩ 70,789	3,541,753	94,585	3,707,127

	2020			
	Lease liabilities	Borrowings	Leasehold deposits received	Total
Beginning balance	₩ 91,500	1,806,760	119,803	2,018,063
Cash flows from financing activities	(46,998)	804,846	(12,042)	745,806
Interest expense, etc.	33,662	8,207	(769)	41,100
Ending balance	₩ 78,164	2,619,813	106,992	2,804,969

54. Risk management

54-1) General

(1) Risk management overview

The objective of risk management is to effectively manage and control various uncertainties that prevent the controlling company from achieving its business goal. The controlling company supports its stable business activities by setting the appropriate risk limits to ensure the regulatory capital is maintained above the minimum risk based capital required by the Financial Supervisory Service even in the environment which various risks may actually realize simultaneously, and also comprehensively manages assets and liabilities portfolios to enhance profitability compared to risk. The controlling company's risk management process is as follows:

1) Risk identification and classification

The controlling company identifies risks related to market, credit, interest, insurance, liquidity, operation, strategy, reputation, and variable insurance guarantee as significant risks. Market, credit, interest, insurance, liquidity and variable insurance guarantee risks are classified as financial risks, while operation, strategy, reputation risks are classified as non-financial risks.

2) Risk measurement and management

Market, credit, interest, insurance and operational risks are measured using Value at Risk (VaR) method. Liquidity risk is periodically monitored and managed to ensure liquidity level is adequately maintained by setting the minimum liquidity limit that reflects cash flows and variability for the last 6 months. In addition, variable insurance guarantee risk is periodically measured using a Stress scenario.

The controlling company continues to maintain Asset-Liability Management (ALM) policy to secure long-term stable interest rate margins. In order to consistently improve the asset and liability structure, the product sales mix has been weighted more heavily in favor of investment linked products and floating-rate type policies, while cash flow stability has been strengthened through the increase of long-term fixed-rate interest assets. In addition, constant improvements are being made to the ALM systems.

3) Risk control

To hedge, accept, transfer and mitigate risks, the controlling company sets risk limits at adequate level and monitors if these limits are appropriate and in compliance with the risk management policies and procedures. The risk limits are adjusted as necessary, and a contingency plan is also placed in operation.

In addition, the risk management department provides timely feedbacks and ensures fast and proper decision making process for any important decision making matters.

4) Risk monitoring and reporting

The controlling company monitors various risk factors (e.g. interest rates, stock index, FX rates, etc.), risk quantities by each risk and related monitoring index, and regulatory related index (e.g. solvency margin) on a daily, monthly and quarterly basis using the check list, and if any unusual instances are identified, they are reported to the management and appropriate action is taken.

54. Risk management, continued

54-1) General, continued

(2) Risk management framework

Risk management organization is divided into division in charge of risk management and division managing individual risks.

The controlling company's major risk management organization is as follows.

1) Risk Management Committee

The Risk Management Committee is comprised of three outside directors and has overall responsibility for establishing basic directions and major policies of risk management consistent with management strategies and setting appropriate risk limits for the controlling company.

2) Risk Management Council

The Risk Management Council sets the agenda that will be discussed at the Risk Management Committee, implements strategies established by the Risk Management Committee, sets the limit for each risk factor and prepares suitable solution when risk limit exceeds or may exceed the set limit.

3) Risk Management Team

The controlling company runs the Risk Management Team and a risk management unit for each risk to support the Risk Management Committee and the Risk Management Council. The Risk Management Team who is independent from the business operation departments plans and sees company level of financial and non-financial risk management by preparing risk management policies, regulations.

Risk Management Support Team, in charge of risk management, performs plan-see functions independent from Sales Department (including non-financial risk management) such as establishing risk management policies and plan, regulations and rules, and setting risk limits. Individual risk management departments perform Do functions and operate in 7 teams.

- Insurance risk: insurance risk management support team
- Interest rate: actuary infra team
- Market risk: asset portfolio management team
- Variable insurance guarantee risk: variable hedge part
- Credit risk: investment asset evaluation team/retail credit marketing team
- liquidity risk: accounting team

54. Risk management, continued

54-2) Regulatory capital adequacy

(1) Kyobo Life Insurance

1) Risk Based Capital (RBC)

The controlling company measures, manages and discloses RBC (e.g. Solvency) ratio according to the Regulation on Supervision of Insurance Business to maintain required capital for the solvency margin.

RBC is available capital (e.g. Solvency) divided by required capital (e.g. Solvency Threshold). Available capital represents how capable the controlling company is in paying the liabilities to policy holders, even in cases of unexpected loss or decline in the value of assets. Required capital is the risk amount of the controlling company. This ratio indicates insurance company's financial strength and claim payment ability.

Available capital is comprised of capital, capital surplus and retained earnings. Required capital is computed considering insurance, interest rates, credit, market, operational risks and dispersion effect. In order to calculate risk based capital requirements, the computation is distinguished by insurance, interest, credit, market and operational risks considering the risk diversification effect. When the controlling company sets portfolio strategy, the impact of Risk Based Capital is considered and the internal risk quantity related to insurance, interest, credit, market and operational risks is measured through internal measurement models.

The FSS requires the Risk Based Capital to be maintained above 100% based on consolidated financial statements and for cases that do not meet the requirements, corrective actions will be taken so that financial competitiveness can be maintained.

	Solvency ratio	Remedial action
Improvement recommended	Above 50% and below 100%	-Requires increasing capital stock -Limits new business entering
Improvement required	Above 0% and below 50%	-Requires management replacement -Re-organization of subsidiaries
Improvement commanded	Below 0%	-Suspension of management duties -Insurance business suspension

Non-insurance financial companies or non-insurance companies are exempt from RBC ratio calculation for the consolidated financial statements. No companies subject to consolidation of the Group except for the controlling company have significant impact on RBC ratio calculation. Also, internal transactions between consolidated companies are not significant so that disclosures on risk are partially disclosed by consolidated company.

54. Risk management, continued

54-2) Regulatory capital adequacy, continued

2) Measurement and management

The controlling company sets the total risk limits and guidance as a part of annual business plan to ensure, even though risks are possible, the risk capital (e.g. solvency margin) is greater than minimum required risk based capital on the standard guidelines promulgated by the Financial Supervisory Service. Risk capital is monitored on a monthly basis to maintain at appropriate level against the amount of total risks of the assets. The controlling company reviews acceptability of risk capital under the case of abnormally increased risks by measuring sensitivity and conducting scenario method stress test for significant risk factors with supplementing the limitation of Value at Risk base measurement.

(2) Kyobo Securities

1) Net Capital Ratio (NCR)

In order to prevent inevitable risks arising from operating activities and to minimize investors', customers' and other stakeholder's loss in wealth, Kyobo Securities are at their best in managing their capital. The management of capital adequacy is based on net capital ratio enacted by the FSS. Kyobo Securities reports their net capital ratio results to the FSS at the end of every month.

2) Capital management

The main objective of Kyobo Securities' capital management is to maximize each shareholder's value and maintain its competitive credit rating through main operations of Kyobo Securities. To satisfy the externally imposed capital requirements, Kyobo Securities actively carries out capital management. Kyobo Securities restructures capital according to the change in capital structure, changes in market and risks associated with operating activities. Kyobo Securities may maintain or change the capital structure by adjusting the shareholder's amount of dividend, right issue or through capital reduction. Compared with the prior year, Kyobo Securities have not changed any rules or procedures in their objective to manage their capital.

3) Regulatory capital status

In order to maintain capital adequacy of financial investment firms, the FSS has decided to regulate the net capital ratio at 100%. For security firms that do not meet this requirement at a certain minimum, the FSS will take certain actions accordingly. The actions are as follows:

- Net capital ratio is above 50% but below 100%: recommendation of improvement
- Net capital ratio is above 0% but below 50%: requirement of improvement
- Net capital ratio is below 0%: commandment of improvement

Kyobo Securities follows Net capital ratio stipulated by the FSS.

54. Risk management, continued

54-3) Insurance risk

(1) Overview

Insurance risk is the risk related to the insurance company's main service of contract acquisition and payment of insurance claims. Potential loss from insurance risk is incurred when there is a difference between the insurance premium collected from the policyholders and actual insurance claims paid.

(2) Management of insurance risk

Insurance risk management comprises of acceptance and administration of insurance contracts, calculation and adjustment of premium rate, review and payment of claims, reinsurance and closing accounts. Each insurance component is managed by a department operating for the risk component.

The Risk Management Team and other related departments conduct preemptive risk management when they develop or revise an insurance product. Insurance risk is continuously improved through regularly reviewing experience rate analysis, insurance risk measurement, underwriting and claims inspection process after product selling.

1) Underwriting

The Group reviews and improves the medical underwriting guideline based on the changes of medical environment. The Group reassesses and reinforces underwriting standards through profit and loss analysis over insurance contracts. Consultants are updated with the latest underwriting standards. The Group distributes underwriting manual for consultants to prevent miss-selling. Risk Management Supporting enhances the accuracy of the risk assessment over a subscribed insurance contract. It provides various risk information that are consistent and underwriting that is reasonable.

2) Risk management through reinsurance

The Group cedes an insurance contract to reinsurer if risks of the contract need to be transferred or diversified to ensure claims payment ability and to maintain financial sustainability of the Group. To achieve the objectives of reinsurance activity, the Group runs reinsurance business efficiently by profit-loss analysis, cedes insurance contracts to reliable reinsurer and observes relevant regulations through the internal control system.

(In millions of won)

54. Risk management, continued

54-3) Insurance risk, continued

(2) Management of insurance risk, continued

3) Developing insurance product

When an insurance product is developed or revised, the Group prices insurance premium based on the analysis of expected and actual insurance risk difference and sensitivity to the risk factors. The Group also reviews the appropriateness of the premium and the profitability of the products through the historical loss experience analysis. The Group reviews compliance of risk management policy and appropriateness of expected profit-loss based on experience rate as a part of post selling risk management for a high risk product. Policy and underwriting standard of the product would be revised in line with the result of the review to improve insurance risk.

4) Assessment of claims requests and payment

A standard process for accepting requests and claims payment is enacted to regulate the assessment process of claims requests. The Group pays reasonable benefit using insurance risk management system score, assessment process by types of claims and historical insurance loss experience analysis. The Group monitors deficiency of insurance policy through claim assessment process, and based on that, modifies insurance policies and contracts. The claims payment process is continuously improved reflecting the result of insurance event inspection process monitoring, internal audit and customer complaints etc.

(3) Insurance risk amount

Insurance risk of a life insurance company is measured by insurance premium risk. Reserve risk is managed by liability adequacy test as fluctuation of reserve for life insurance product is insignificant and claims are paid within a short period of time.

Insurance premium risk exposure is insurance risk premium for accidents such as death, disease, etc incurred within a year from December 31, 2021 and December 31, 2020 for all insurance contracts and the claims are to be paid for the next year.

The Group's insurance premium risk exposure and insurance premium risk amounts as of December 31, 2021 and 2020 are as follows:

	2021	
	Exposure	Insurance risk amount
Death	₩ 465,771	78,206
Injury	45,366	33,902
Hospitalization	278,274	29,420
Operation, diagnosis	777,376	413,334
Medical expenses	244,064	79,340
Others	39,813	12,947
	₩ 1,850,664	647,149
Before applying reinsurance ratio	₩	647,149
Possession ratio		92.59%

(In millions of won)

54. Risk management, continued

54-3) Insurance risk, continued

(3) Insurance risk amount, continued

		2020	
		Exposure	Insurance risk amount
Death	₩	471,423	79,169
Injury		46,308	35,185
Hospitalization		282,374	29,867
Operation, diagnosis		756,446	400,199
Medical expenses		221,086	65,974
Others		39,260	13,274
	₩	1,816,897	623,668
Before applying reinsurance ratio	₩		623,668
Possession ratio			93.18%

(4) Credit risk from insurance contracts

1) Overview

Credit risk is the risk of financial loss to the Group due to debtor's bankruptcy or if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the risk amount (the unexpected loss) exceeds the expected loss, and credit risk from insurance contract arising mainly from reinsurer's default risk.

The Group chooses blue chip reinsurance company based on the established standards including major financial indices used to assess the reinsurer for its credit rating, RBC, financial adequacy, ratio of market share etc. The Group regularly monitors if reinsurer's secure operation is maintained to prevent sudden decrease in its credit rating. If the Group finds that transactions with reinsurer are not secure, countermeasures such as contract termination take place.

2) Paid premium for ceded reinsurance based on credit ratings of reinsurer

The Group's ceded reinsurance premium as of December 31, 2021 and 2020 amounted to ₩149,741 million and ₩134,055 million respectively and all the counter parties have credit rating above AA-.

3) Asset details with reinsurers based on credit ratings

The Group's reinsurance receivables as of December 31, 2021 and 2020 amounted to ₩102,170 million and ₩90,782 million, respectively and all the counterparties have credit rating above AA-.

(In millions of won)

54. Risk management, continued

54-3) Insurance risk, continued

(5) Market risk from insurance contracts

1) Overview

Market risk from insurance contracts is the risk that rises from the changes in market prices such as foreign exchange rates, interest rates and equity prices in certain insurance contract such as unit-linked variable or variable interest rate product that produces additional benefits (Guaranteed Minimum Death Benefit (GMDB), Guaranteed Minimum Annuity Benefit (GMAB) etc.) due to the contract term of providing guarantee amount above the contracted value.

2) Management of minimum guarantee risk of unit-linked variable products

The Group uses two types of risk management approaches for minimum guarantee risk of unit-linked variable products. For the passive management, the Group recognizes option and guarantees liability or reserves certain amount of the capital to cover the expected loss. For more active management, the guarantee risk of unit-linked variable products is measured and limited at the product development stage and static and dynamic hedging method or reinsurance can be used to mitigate the risk.

The Guarantee Risk Management task force team establishes optimal guarantee risk management strategy by continuously monitoring guarantee risk and analyzing effectiveness of the risk management strategy.

3) Liabilities of the interest rate-linked product for the minimum interest guarantee risk as of December 31, 2021 and 2020 are as follows:

		2021	2020
Below 0%	₩	70,115	73,143
Over 0% and below 2%		24,613,077	21,077,748
Over 2% and below 3%		5,810,988	6,642,829
Over 3% and below 4%		12,049,366	11,555,316
Over 4%		2,219,157	2,149,773
	₩	44,762,703	41,498,809

The guaranteed minimum interest rate is specified in insurance terms. The Group records the guarantee reserve if the disclosed interest rate is lower than the guaranteed minimum interest rate of the variable products.

(In millions of won)

54. Risk management, continued

54-3) Insurance risk, continued

(5) Market risk from insurance contracts, continued

4) Minimum guarantee risk of unit-linked variable products

Minimum guarantee risk of unit-linked variable products amounts as of December 31, 2021 and 2020 are as follows:

		2021	2020
GMAB	₩	7,791	28,368
GMDB		264,425	269,383
GMWB		132	121
GLWB		17,670	17,301
Other		1,094	1,378
	₩	291,112	316,551

54-4) Interest rate risk

(1) Overview

Interest rate risk is the risk in decrease of net assets incurred from interest rate fluctuation. It arises from the maturity structure and interest rate differences between interest bearing assets and liabilities.

(2) Measurement and management

1) Measurement

The Group measures interest rate risk with both the standard model and the internal model enacted by the Financial Supervisory Service. Interest risk calculation formula was as follows:

Interest rate risk	=	MAX{((interest bearing liabilities' exposure X liabilities' duration – interest bearing assets' exposure X asset duration) X interest rate variance), Risk amount of minimum interest}
Internal model	=	(interest bearing liabilities' exposure X liabilities' duration - interest bearing assets' exposure X asset duration) X interest rate variance

Duration: : Cash flow weighted average maturity or average recovery period of investment amount or price sensitivity to the change of interest.

Risk amount of minimu interest : Fixed interest liabilities X 2.83% + other liabilities X (1.41%~2.83%)

Interest risk amount by Standard model of Financial Supervisory Service RBC system is calculated by multiplying exposure of interest bearing asset and liability by duration. Whereas, the internal model calculates interest risk amount using effective duration calculated from the cash flow considered by the attributes of interest bearing assets and liabilities.
The confidence level of interest risk in internal model applies 99% (the probability of once occurring once in 100 years) as the same with the interest risk in standard model.

(In millions of won)

54. Risk management, continued

54-4) Interest rate risk, continued

(2) Measurement and management, continued

2) Management

Within an Asset Liability Management Framework, the Group is seeking to reduce the duration gap in the mid and long term view by increasing interest bearing asset duration or asset amount or, decreasing liability duration. The Group sets the interest rate risk limit amount considering equity capital, solvency margin and risk management polices etc. and emergency situation scenario test assuming the unexpected abnormal economic crisis is also conducted on a regular basis.

3) Interest risk exposure

Exposure to interest bearing asset and liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Interest bearing asset:			
Due from banks	₩	1,644,754	922,954
Investment securities (*1)		61,487,723	59,150,979
Loan receivables		21,913,473	20,731,006
		85,045,950	80,804,939
Interest bearing liabilities:			
Fixed interest rate contract		29,759,740	29,443,301
Interest rate linked contract		44,762,427	41,498,461
		74,522,167	70,941,762

(*1) Including amounts of debt securities and bond type beneficiary certificate in available-for-sale financial instruments as well as held-to-maturity financial instruments.
(*2) Assessed from the Kyobo Life Insurance Co., Ltd. and Kyobo Life Planet Life Insurance Company.

54. Risk management, continued

54-5) Credit risk

(1) Overview

Credit risk is the risk of financial loss to the Group due to debtor's bankruptcy or if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the risk amount (the unexpected loss) exceeds the expected loss.

(2) Measurement and management

The Group measures credit risk using the standard model and the internal model. The standard model calculates credit risk amount according to the fourth clause of Article 7-2 of the Regulation on Supervision of Insurance Business.

The internal model calculates credit risk amount using VaR calculated from the Group's Credit Risk Management System after reflecting correlation and portfolio distribution effect. For corporate borrower, the Group uses mark-to-market method, and for individual borrower, the Group uses Default Mode (DM) using loan pool.

The Group manages credit risk by setting VaR limit and maximum credit exposure. Compliance with credit risk management policy is monitored by checking the breaches of the VaR limit on a monthly basis, and reviewing the risk tolerance by analysing credit risk amount under normal and stress situation.

The Group sets credit exposure limit for each borrower base on its industry and credit rating. The conformity of this limit is reviewed every month. After the loan initiation, credit review for each significant borrower is performed regularly. The Group revises exposure limit, decreases credit line, collects the loan or increases collateral if any symptom of credit rating drop.

After the loan initiation, credit review for each significant borrower is performed regularly. The Group revises exposure limit, decreases credit line, collects the loan or increases collateral if any symptom of credit rating drop. Appropriate steps, such as collection, are taken when the borrower's credit rating becomes speculative. The Group establishes action plan by reviewing the financial structure and payment ability of the currently or potentially problematic borrowers through designated units (e.g. Investment Asset Analysis Team, Loan Management Team, etc.).

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(3) Maximum exposure to credit risk

The Group's maximum exposure to credit risk as of December 31, 2021 and 2020 are as follows:

		2021	2020
Cash and due from banks (*1)	₩	2,892,385	1,939,417
Financial assets designated at fair value through profit or loss (*2)		526,970	332,196
Financial assets held for trading (*2)		6,521,992	5,592,738
Available-for-sale financial assets (*2)		45,933,533	49,993,923
Loan receivables (*3)		4,553,550	22,377,805
Other receivables (*3)		23,757,406	1,579,794
Derivative assets		1,397,655	1,323,168
	₩	86,045,244	83,139,041
Undrawn loan commitment	₩	2,991,811	3,189,956

(*1) The maximum exposure amounts for cash and due from banks in the consolidated statement of financial position exclude cash on hand without credit risk.
(*2) Financial instruments of equity securities in financial assets designated at fair value through profit or loss, financial assets held-for-trading, and available-for-sale financial assets in the consolidated statement of financial position are excluded.
(*3) The maximum exposure amounts for loans and other receivables are presented as net of allowance.

(4) Impairment information of loan receivables

Past due or impairment information for loan receivables as of December 31, 2021 and 2020 are as follows:

		2021	2020
Neither past due nor impaired	₩	23,695,636	22,334,934
Past due but not impaired		69,819	72,398
Impaired		45,967	48,715
		23,811,422	22,456,047
Less: allowance		(54,016)	(78,242)
	₩	23,757,406	22,377,805

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(5) Credit soundness of loan receivables neither past due nor impaired

Credit soundness of loan receivables that are neither past due nor impaired as of December 31, 2021 and 2020 are as follows:

		2021					
		Policy loan receivables	Loan receivables secured by investment securities	Loan receivables secured by real estate	Call loan receivables, Unsecured loan receivables and guaranteed loan receivables	Other loan receivables	Total
Risk-free	₩	-	-	-	2,712,623	-	2,712,623
AAA		-	-	114,728	1,149,213	65,737	1,329,678
AA+ ~ AA-		-	-	-	915,377	433,859	1,349,236
A+ ~ BBB-		-	-	120,104	474,119	202,467	796,690
BBB- and below		-	20,000	-	-	-	20,000
Unrated		-	-	3,120,623	3,067,129	125,726	6,313,478
Other		6,356,301	719,320	2,715,461	1,346,104	36,745	11,173,931
		6,356,301	739,320	6,070,916	9,664,565	864,534	23,695,636
Less: allowance		-	(245)	(1,561)	(14,419)	(523)	(16,748)
	₩	6,356,301	739,075	6,069,355	9,650,146	864,011	23,678,888
Mitigation of credit risk due to collateral	₩	6,356,301	739,320	2,854,075	51,209	1,223	10,002,128

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(5) Credit soundness of loan receivables neither past due nor impaired, continued

Credit soundness of loan receivables that are neither past due nor impaired as of December 31, 2021 and 2020 are as follows, continued:

		2020					
		Policy loan receivables	Loan receivables secured by investment securities	Loan receivables secured by real estate	Call loan receivables, Unsecured loan receivables and guaranteed loan receivables	Other loan receivables	Total
Risk-free	₩	-	-	-	2,835,660	-	2,835,660
AAA		-	-	121,997	1,288,180	14,711	1,424,888
AA+ ~ AA-		-	-	-	494,910	389,167	884,077
A+ ~ BBB-		-	-	134,667	457,364	410,317	1,002,348
Unrated		-	-	3,764,353	2,377,780	16,051	6,158,184
Other		6,115,616	585,669	2,144,769	1,181,649	2,074	10,029,777
		6,115,616	585,669	6,165,786	8,635,543	832,320	22,334,934
Less: allowance		-	-	(12,433)	(27,282)	(1,962)	(41,677)
	₩	6,115,616	585,669	6,153,353	8,608,261	830,358	22,293,257
Mitigation of credit risk due to collateral	₩	6,115,616	585,669	2,714,524	76,854	1,895	9,494,558

54. Risk management, continued

54-5) Credit risk, continued

(5) Credit soundness of loan receivables neither past due nor impaired, continued

Credit rating above is classified by Risk Based Capital Manual enacted by the FSS. Retail loan included in other is classified by internal credit rating which is rated by Behaviour Scoring System (BSS).

Classification of retail loan receivables as of December 31, 2021 and 2020 are as follows:

		2021	2020
Gilts (Grade1~4)	₩	2,139,080	1,803,739
Normal (Grade5~8)		1,035,964	956,869
Disadvantage (Grade 9~10)		4,544	7,259
Other (i.e. risk free, etc.)		292,830	467,666
	₩	3,472,418	3,235,533

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(6) Aging analysis of loan receivables that were past due but not impaired

Aging analysis of loan receivables that were past due but not impaired as of December 31, 2021 and 2020 are as follows:

		2021					
		Loan receivables secured by investment securities	Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Other loan receivables	Total
Less than 30 days	₩	10,000	30,688	22,732	1,779	47	65,246
31~60 days		-	321	2,163	384	-	2,868
61~90 days		-	22	1,638	18	-	1,678
90 days~		-	-	-	-	27	27
		10,000	31,031	26,533	2,181	74	69,819
Less: allowance		(2,000)	(10)	(2,443)	(2)	-	(4,455)
	₩	8,000	31,021	24,090	2,179	74	65,364
Mitigation of credit risk due to collateral	₩	8,000	31,017	-	2,181	74	41,272

		2020				
		Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Other loan receivables	Total
Less than 30 days	₩	42,378	22,603	2,136	-	67,117
31~60 days		526	2,330	403	-	3,259
61~90 days		129	1,839	-	-	1,968
90 days~		-	-	-	54	54
		43,033	26,772	2,539	54	72,398
Less: allowance		(135)	(2,432)	(3)	-	(2,570)
	₩	42,898	24,340	2,536	54	69,828
Mitigation of credit risk due to collateral	₩	42,903	-	2,539	-	45,442

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(7) Impaired loan receivables

Impaired loan receivables as of December 31, 2021 and 2020 are as follows:

	2021						
	Individual assessing		Collective assessing				
	Unsecured loan receivables	Other loan receivables	Policy loan receivables	Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Total
Impaired	₩ 8,961	8,447	1,887	3,188	20,330	3,154	45,967
Less: allowance	(8,961)	(8,402)	(1,887)	(86)	(13,316)	(161)	(32,813)
	₩ -	45	-	3,102	7,014	2,993	13,154
Mitigation of credit risk due to collateral	₩ -	45	-	3,177	-	3,154	6,376

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(7) Impaired loan receivables, continued

Impaired loan receivables as of December 31, 2021 and 2020 are as follows, continued:

		2020						
		Individual assessing		Collective assessing				
		Unsecured loan receivables	Other loan receivables	Policy loan receivables	Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Total
Impaired	₩	9,099	8,447	1,519	5,307	20,035	4,308	48,715
Less: allowance		(9,093)	(8,402)	(1,519)	(818)	(13,943)	(220)	(33,995)
	₩	6	45	-	4,489	6,092	4,088	14,720
Mitigation of credit risk due to collateral	₩	-	-	-	5,161	-	4,308	9,469

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(8) Risk concentration by industry sector of loan receivables

An analysis of concentration by industry sector of loan receivables as of December 31, 2021 and 2020 are as follows:

	2021						
	Real estate and lease	Whole sale, retail, Transportation and lodging	Finance and insurance	Electricity, gas, stream and water supply	Construction	Others	Total
Policy loan receivables	612	9,351	534	3,150	6,266	6,338,275	6,358,188
Loan receivables secured by investment securities	-	-	-	-	-	749,320	749,320
Loan receivables secured by real estate	1,875,859	59,129	1,752,169	-	-	2,417,978	6,105,135
Unsecured loan receivables	2,075,201	837,065	706,667	1,547,635	1,029,890	2,444,707	8,641,165
Guaranteed loan receivables	602,508	-	-	-	339,983	142,068	1,084,559
Other loan receivables	171,798	93,014	357,400	176,448	2,875	71,520	873,055
₩	4,725,978	998,559	2,816,770	1,727,233	1,379,014	12,163,868	23,811,422

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(8) Risk concentration by industry sector of loan receivables, continued

An analysis of concentration by industry sector of loan receivables as of December 31, 2021 and 2020 are as follows, continued:

	2020						
	Real estate and lease	Whole sale, retail, Transportation and lodging	Finance and insurance	Electricity, gas, stream and water supply	Construction	Others	Total
Policy loan receivables	813	6,447	547	3,916	6,972	6,098,440	6,117,135
Loan receivables secured by investment securities	-	-	-	-	-	585,669	585,669
Loan receivables secured by real estate	2,009,194	51,200	1,840,275	-	-	2,313,457	6,214,126
Unsecured loan receivables	1,568,581	878,011	694,497	1,398,334	666,584	2,200,018	7,406,025
Guaranteed loan receivables	686,420	-	-	-	438,983	166,868	1,292,271
Other loan receivables	187,277	87,074	389,900	124,599	2,875	49,096	840,821
₩	4,452,285	1,022,732	2,925,219	1,526,849	1,115,414	11,413,548	22,456,047

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(9) Credit rating of debt securities

Credit rating of debt securities as of December 31, 2021 and 2020 are as follows:

	2021						
	Government and public bonds	Special bonds	Financial institutions bonds	Corporate bonds	Overseas securities	Other securities	Total
Risk-free	₩ 24,051,928	3,419,292	-	658,192	3,309,213	-	31,438,625
AAA	-	4,625,814	906,475	1,645,554	10,812,355	504,055	18,494,253
AA+ ~ AA-	-	648,445	1,796,047	1,611,614	1,876,758	324,231	6,257,095
A+ ~ BBB-	-	-	-	237,572	835,559	202,367	1,275,498
BBB- and below	-	-	-	6,467	54,528	-	60,995
Unrated	-	-	-	739	5,973	2,867	9,579
	₩ 24,051,928	8,693,551	2,702,522	4,160,138	16,894,386	1,033,520	57,536,045

	2020						
	Government and public bonds	Special bonds	Financial institutions bonds	Corporate bonds	Overseas securities	Other securities	Total
Risk-free	₩ 21,118,683	3,979,429	-	724,925	4,619,332	-	30,442,369
AAA	-	4,839,929	509,080	1,731,615	10,405,831	281,901	17,768,356
AA+ ~ AA-	-	464,405	2,496,312	1,683,030	1,879,502	131,892	6,655,141
A+ ~ BBB-	-	-	-	166,357	679,665	88,949	934,971
BBB- and below	-	-	-	9,982	54,774	-	64,756
Unrated	29,706	-	-	727	5,543	17,288	53,264
	₩ 21,148,389	9,283,763	3,005,392	4,316,636	17,644,647	520,030	55,918,857

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(10) Risk concentration by industry sector of debt securities

An analysis of concentration by industry sector of debt securities as of December 31, 2021 and 2020 are as follows:

	2021						
	Government owned entity	Finance and insurance	Electricity, gas, stream and water supply	Construction	Real estate and lease	Others	Total
Financial assets designated at fair value through profit or loss	₩ -	504,055	-	2,000	20,047	868	526,970
Financial assets held for trading	1,488,126	3,537,050	208,020	-	-	1,288,796	6,521,992
Available-for-sale financial assets	31,386,182	4,085,159	2,538,368	1,611,417	80,566	6,231,841	45,933,533
Held-to-maturity financial assets	3,231,175	20,846	-	250,000	-	1,051,529	4,553,550
	₩ 36,105,483	8,147,110	2,746,388	1,863,417	100,613	8,573,034	57,536,045

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(10) Risk concentration by industry sector of debt securities, continued

An analysis of concentration by industry sector of debt securities as of December 31, 2021 and 2020 are as follows, continued:

	2020						
	Government owned entity	Finance and insurance	Electricity, gas, stream and water supply	Construction	Real estate and lease	Others	Total
Financial assets designated at fair value through profit or loss	₩ -	314,907	-	3,072	14,217	-	332,196
Financial assets held for trading	1,070,962	3,579,671	172,371	9,778	-	759,956	5,592,738
Available-for-sale financial assets	33,343,144	5,309,421	2,918,085	1,747,404	84,512	6,591,357	49,993,923
	₩ 34,414,106	9,203,999	3,090,456	1,760,254	98,729	7,351,313	55,918,857

(In millions of won)

54. Risk management, continued

54-5) Credit risk, continued

(11) Risk concentration by geographic location of debt securities

Risk concentration by geographic location of debt securities as of December 31, 2021 and 2020 are as follows:

	2021						
	Korea	USA	U.K.	France	China	Others	Total
Financial assets designated at fair value through profit or loss	₩ 526,970	-	-	-	-	-	526,970
Financial assets held for trading	6,021,423	209,988	85,913	25,412	-	179,256	6,521,992
Available-for-sale financial assets	34,751,758	8,597,578	280,570	1,081,146	20,106	1,202,375	45,933,533
Held-to-maturity financial assets	3,401,281	845,636	-	-	-	306,633	4,553,550
	₩ 44,701,432	9,653,202	366,483	1,106,558	20,106	1,688,264	57,536,045

	2020						
	Korea	USA	U.K.	France	China	Others	Total
Financial assets designated at fair value through profit or loss	₩ 332,196	-	-	-	-	-	332,196
Financial assets held for trading	5,186,705	119,104	141,384	37,816	-	107,729	5,592,738
Available-for-sale financial assets	36,599,466	9,506,565	292,662	2,018,918	21,502	1,554,810	49,993,923
	₩ 42,118,367	9,625,669	434,046	2,056,734	21,502	1,662,539	55,918,857

(In millions of won)

54. Risk management, continued

54-6) Market risk

(1) Overview

Market risk is the risk that the Group incurs loss due to decrease in asset value caused by changes in market prices such as foreign exchange rates, interest rates and stock prices.

(2) Measurement and management

The Group measures market risk using the standard model and the internal model. The standard model evaluates the market risk according to the fifth clause of Article 7-2 of the Regulation on Supervision of Insurance Business. One-year 99% VaR is utilized for the internal model. The Group mainly uses the delta-normal method that assumes normal distribution return rate and linear valuation. The Group also measures daily VaR based on simulation method as an assistance method.

The market risk limit is set up based on VaR and monitored daily so that it stays below the annual market risk limit. Other than VaR, the sensitivity indices, for instance, the duration and the beta are used as a supplementary market risk measurement. In order to supplement VaR measurement method, loss measurement is conducted under a variety of scenarios covering severe market condition such as IMF or financial economic crisis in 2008. The Group regularly reviews the impact of loss on profit or loss before dividends and RBC ratio and establishes countermeasure plan. In addition, the Group maintains adequate level of risk in holding equities by managing investment limit and foreign exchange translation hedge of asset group that influences market risk.

The Group sets limit per individual asset class by aggregating the exposure per individual asset which can be transferred to each book in order to prevent concentration of operating assets and promote soundness of assets held by the Group.

(3) Group's market risk analysis

Sensitive analysis of foreign exchange rate, interest rate and equity market as of December 31, 2021 and 2020 are as follow:

	2021		
	Risk factor	Income effect (*1)	Capital effect (*2)
Foreign exchange	₩ 100 increase in KRW/USD FX Rate	₩ 52,162	50,921
	₩ 100 decrease in KRW/USD FX Rate	(52,162)	(50,921)
Interest rate	100bp increase	(8,795)	(1,996)
	100bp decrease	8,795	1,996
Stock prices	10% increase in equity index	-	108
	10% decrease in equity index	-	(108)

(*1) Profit before income tax expenses.
(*2) Changes in accumulated other comprehensive income are calculated before adjusting policyholders' equity and allocating the deferred tax.

(In millions of won)

54. Risk management, continued

54-6) Market risk, continued

(3) Group's market risk analysis, continued

Sensitive analysis of foreign exchange rate, interest rate and equity market as of December 31, 2021 and 2020 are as follow, continued:

	2020		
	Risk factor	Income effect (*1)	Capital effect (*2)
Foreign exchange	₩ 100 increase in KRW/USD FX Rate	₩ 46,898	21,589
	₩ 100 decrease in KRW/USD FX Rate	(46,898)	(21,589)
Interest rate	100bp increase	(26,235)	(4,618)
	100bp decrease	26,235	4,618
Stock prices	10% increase in equity index	-	97
	10% decrease in equity index	-	(97)

(*1) Profit before income tax expenses.
(*2) Changes in accumulated other comprehensive income are calculated before adjusting policyholders' equity and allocating the deferred tax.

(4) Market risk analysis of Kyobo Securities

An analysis of VaR for trading portfolio held by Kyobo Securities for the years ended December 31, 2021 and December 31, 2020 are as follows:

	2021			
	Average	Maximum	Minimum	December 31, 2021
Equities	₩ 1,500	3,847	345	3,495
Interest rate	762	1,704	307	792
Foreign exchange	383	1,433	49	307
Portfolio diversification	-	-	-	879
Total VaR	₩ 2,233	4,569	913	3,715

	2020			
	Average	Maximum	Minimum	December 31, 2020
Equities	₩ 1,096	3,243	102	343
Interest rate	853	1,946	196	712
Foreign exchange	552	1,332	148	334
Portfolio diversification	-	-	-	164
Total VaR	₩ 2,164	3,929	418	1,225

54. Risk management, continued

54-7) Liquidity risk

(1) Overview

Liquidity risk is the risk that the Group is unable to meet its payment obligations arising from financial liabilities as they fall due or raise funds with high interest rates and unfavorable disposal of securities to solve the shortage of funds or facing inability to pay due to unexpected cash flows.

(2) Recognition and management

1) Management index of liquidity risk

Liquidity risk is measured by liquidity gap and liquidity ratio. Liquidity ratio is the percentage of the Group's assets convertible to cash with the within 3 months maturities against claims paid for the past three months. This ratio is an indicator that measures the Group's ability to pay off its short-term debt obligations and the Group maintains the ratio as around 150%.

Liquidity gap is the index representing shortage or oversupply of the cash flow within a month, a quarter, half a year, and more than a year. The Group calculates liquidity gap on a monthly or weekly basis and manages supply and demand schedule of the cash flow to ensure this index stays in positive.

2) Management

- Periodic establishment of plans for demand and supply of fund
All cash flow information from financial assets and liability and insurance liability is gathered for liquidity risk management on a monthly or weekly basis to prepare for unforeseen cash flow surplus and deficit. And funds are daily checked if they flow by the schedule and any changes are reflected on the fund schedule.

For the analysis of long-term cash flow projection of insurance liability, the Group utilizes ALM system. The Group prepares for unforeseen cash flow deficit caused by the concentrated number of maturities.

- Maintaining target liquidity fund level
The Group keeps a certain amount of the liquidity fund to prepare for unexpected liquidity deficit. The level of liquidity fund is revised dynamically in line with trend of the financial market status and the volatility of claim payments.

- Liquidity contingency plan
The Group sets a contingency plan to appropriately respond to emergency situation such as the massive claim of the cash payment in an economic crisis.

Liquidity contingency plan defines an action plan regarding the priorities of funding, roles & responsibilities of each department and the form of the emergency committee. Simulated liquidity exercise under various possible scenarios is performed regularly so as to investigate and improve its contingency plans.

(In millions of won)

54. Risk management, continued

54-7) Liquidity risk, continued

(3) Liquidity risk exposure

		2021					
		Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Insurance contracts and financial liabilities:							
Liabilities under insurance contracts	₩	1,010,287	405,703	1,163,306	7,050,439	68,494,444	78,124,179
Financial liabilities designated at fair value through profit or loss (*1)		432,618	171,810	484,121	987,899	1,488,402	3,564,850
Trading liabilities		-	-	117,484	-	-	117,484
Derivative liabilities (*1)		108,593	54,781	81,258	439,532	206,248	890,412
Borrowings		2,839,050	-	300,000	403,533	-	3,542,583
Other financial liabilities (*2)		3,018,194	3,412	27,176	177,528	37,490	3,263,800
	₩	7,408,742	635,706	2,173,345	9,058,931	70,226,584	89,503,308

(*1) Adjustments to Day 1 profit or loss and credit risk adjustments are excluded.
(*2) Lease liabilities are excluded (See Note 25. (3)).

(In millions of won)

54. Risk management, continued

54-7) Liquidity risk, continued

(3) Liquidity risk exposure, continued

	2021					
	Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Commitments:						
Loans commitments (*3)	₩ 2,991,811	-	-	-	-	2,991,811
Equity investment commitments (*3)	4,667,152	-	-	-	840	4,667,992
ABCP purchase commitments (*3)	45,300	23,000	30,600	81,700	-	180,600
Loans purchase commitments, etc. (*3)	-	10,000	48,000	165,700	-	223,700
	₩ 7,704,263	33,000	78,600	247,400	840	8,064,103

(*3) These are the maximum amounts that the Group may pay in future by the contract. As of December 31, 2021, the Group expects that actual payments will be less than the commitment amounts in consideration of past experiences and characteristics of commitment, and it is difficult to reasonably estimate the timing, amounts, and feasibility of actual payment.

(In millions of won)

54. Risk management, continued

54-7) Liquidity risk, continued

(3) Liquidity risk exposure, continued

		2020					
		Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Insurance contracts and financial liabilities:							
Liabilities under insurance contracts	₩	322,291	311,325	659,890	6,685,893	67,518,110	75,497,509
Financial liabilities designated at fair value through profit or loss (*1)		518,333	577,553	798,977	216,586	906,712	3,018,161
Trading liabilities		109,397	-	304,412	-	-	413,809
Derivative liabilities (*1)		88,095	52,259	76,619	269,931	171,720	658,624
Borrowings		2,217,111	-	-	405,311	-	2,622,422
Other financial liabilities (*2)		2,807,670	1,161	11,150	144,021	961	2,964,963
	₩	6,062,897	942,298	1,851,048	7,721,742	68,597,503	85,175,488

(*1) Adjustments to Day 1 profit or loss and credit risk adjustments are excluded.
(*2) Lease liabilities are excluded (See Note 25. (3)).

(In millions of won)

54. Risk management, continued

54-7) Liquidity risk, continued

(3) Liquidity risk exposure, continued

		2020					
		Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Commitments:							
Loans commitments (*3)	₩	3,159,956	-	30,000	-	-	3,189,956
Equity investment commitments (*3)		3,643,940	-	-	-	839	3,644,779
ABCP purchase commitments (*3)		-	38,500	-	157,700	-	196,200
Loans purchase commitments, etc. (*3)		-	27,000	38,000	96,200	5,000	166,200
	₩	6,803,896	65,500	68,000	253,900	5,839	7,197,135

(*3) These are the maximum amounts that the Group may pay in future by the contract. As of December 31, 2020, the Group expects that actual payments will be less than the commitment amounts in consideration of past experiences and characteristics of commitment, and it is difficult to reasonably estimate the timing, amounts, and feasibility of actual payment.

55. Interests in unconsolidated structured entities

(1) The nature, purposes and activities of the unconsolidated structured entities which the Group had interest in as of December 31, 2021, and how these structured entities are financed were summarized as follows:

Nature	Purposes	Activities	Financing methods
Asset securitization	(1) Encashment by transferring securitized assets (2) Investment fee collection by providing credit offering and ABCP purchase commitments to SPC	(1) Carrying out a plan to securitized assets (2) Taking over and collecting securitized assets (3) Issuing and redeeming ABS and ABCP	(1) Issuance of ABS and ABCP
Project financing	(1) Project financing loans for social overhead capital (SOC) and real estate (2) Lending loans to shipbuilding/airplane SPC	(1) Constructing social overhead capital and real estate (2) Manufacturing and purchasing shipbuilding/airplanes	(1) Entering into loan commitments, credit offering and investment commitments (with credit line)
Investment fund	(1) Investment in beneficiary certificates (2) Investment in PEF and cooperatives	(1) Management and operation of fund assets (2) Payment of fund management fees and sharing of profits from asset management	(1) Sales of beneficiary certificates (2) Investment by general managers and limited liability partners

(In millions of won)

55. Interests in unconsolidated structured entities, continued

(2) Total assets of the unconsolidated structured entities, carrying value of equity and maximum exposure to loss related to the Group's interests in unconsolidated structured entities as of December 31, 2021 are as follows:

Type		Asset-backed securitization	Project financing	Investment fund	Total
Total assets of the unconsolidated structured entities	₩	23,802,191	98,944,868	1,055,706,469	1,178,453,528
Carrying value of assets:					
Loan receivables		305,000	8,320,806	53,377	8,679,183
Financial assets held for trading		298,102	-	703,122	1,001,224
Available-for-sale financial assets		2,791,933	10,999,454	3,490,329	17,281,716
Other assets		3,605	27,046	18,944	49,595
	₩	3,398,640	19,347,306	4,265,772	27,011,718
Maximum exposure to loss (*)	₩	3,832,940	24,885,024	4,265,772	32,983,736
Deduction method of maximum exposure		Purchase commitment /Credit offering	Loan commitment /Investment commitment	Loan commitment	

(*) The maximum amounts exposed to losses included investment assets in the consolidated financial statements.

(3) As of December 31, 2021, there was no financial support or any other support provided for consolidated or unconsolidated structured entities without contractual consideration.

(In millions of won)

56. Operating segments

(1) Operating segments consist of insurance segment, securities segment and other segments. Other segments contain retails, property managements and insurance related services, etc.

(2) Information of income and expense for each operating segment for the years ended December 31, 2021 and 2020 are as follows:

		2021				
		Insurance	Securities	Others	Consolidated adjustments	Total
Operating revenues	₩	16,426,157	2,256,390	1,243,640	(211,078)	19,715,109
Operating expenses		15,949,608	2,062,042	1,199,651	(211,412)	18,999,889
Operating profit		476,549	194,348	43,989	335	715,221
Non-operating income		53,751	2,741	4,888	(26,110)	35,270
Non-operating expenses		25,640	1,753	4,642	(5,635)	26,400
Profit before income tax expenses		504,660	195,336	44,235	(20,141)	724,090
Income tax expenses		124,108	53,585	10,238	10,444	198,375
Profit for the year	₩	380,552	141,751	33,997	(30,585)	525,715

		2020				
		Insurance	Securities	Others	Consolidated adjustments	Total
Operating revenues	₩	15,905,590	1,776,310	1,178,316	(215,305)	18,644,911
Operating expenses		15,405,465	1,633,166	1,138,262	(216,261)	17,960,632
Operating profit		500,125	143,144	40,054	956	684,279
Non-operating income		32,343	1,525	10,263	(26,215)	17,916
Non-operating expenses		41,643	1,195	1,104	(8,145)	35,797
Profit before income tax expenses		490,825	143,474	49,213	(17,114)	666,398
Income tax expenses		121,121	42,253	12,246	12,948	188,568
Profit for the year	₩	369,704	101,221	36,967	(30,062)	477,830

(In millions of won)

56. Operating segments, continued

(3) Information of assets and liabilities for each operating segment as of December 31, 2021 and 2020 are as follows:

	2021				
	Insurance	Securities	Others	Consolidated adjustments	Total
Cash and due from banks ₩	1,645,387	1,200,848	180,991	(130,182)	2,897,044
Securities	65,323,574	7,388,504	376,872	-	73,088,950
Loan receivables	21,917,156	1,703,339	104,814	-	23,725,309
Investments in associates and a joint venture	1,396,865	15,928	56,465	(1,397,588)	71,670
Separate account assets	25,362,225	-	-	(189,796)	25,172,429
Others	4,275,137	1,178,024	516,827	9,474	5,979,462
₩	119,920,344	11,486,643	1,235,969	(1,708,092)	130,934,864
Liabilities under insurance contracts ₩	79,287,141	-	-	-	79,287,141
Policyholders' equity adjustments	699,418	-	-	20,198	719,616
Separate account liabilities	26,228,909	-	-	(182,016)	26,046,893
Others	2,595,132	10,091,174	420,463	(180,329)	12,926,440
₩	108,810,600	10,091,174	420,463	(342,147)	118,980,090

(In millions of won)

56. Operating segments, continued

(3) Information of assets and liabilities for each operating segment as of December 31, 2021 and 2020 are as follows, continued:

	2020				
	Insurance	Securities	Others	Consolidated adjustments	Total
Cash and due from banks	₩ 923,646	869,789	193,148	(45,952)	1,940,631
Securities	64,321,721	6,351,853	127,175	-	70,800,749
Loan receivables	20,736,457	1,525,548	91,298	-	22,353,303
Investments in associates and a joint venture	1,124,254	882	30,711	(1,119,587)	36,260
Separate account assets	23,558,866	-	-	(185,913)	23,372,953
Others	5,338,456	1,366,594	512,649	(16,888)	7,200,811
	₩ 116,003,400	10,114,666	954,981	(1,368,340)	125,704,707
Liabilities under insurance contracts	₩ 76,686,196	-	-	-	76,686,196
Policyholders' equity adjustments	1,440,671	-	-	21,139	1,461,810
Separate account liabilities	24,099,219	-	-	(168,863)	23,930,356
Others	2,678,205	8,849,865	402,276	(83,545)	11,846,801
	₩ 104,904,291	8,849,865	402,276	(231,269)	113,925,163

(4) Geographical information
A geographical information is not disclosed as revenues are primarily derived from customers in the Republic of Korea, and long-term assets, such as property and equipment, are located in the Republic of Korea, where the Group's head office is domiciled.

(5) The Group has no single external customer from which revenues amount to 10 percent or more of the Group's operating revenues for the year ended December 31, 2021.

57. Events after the reporting period

Kyobo Life Planet Life Insurance Company acquired a stake in Fortress Innovation(*1), an actuarial software start-up entity, on January 20, 2022 through a resolution of the board of directors on September 24, 2021, for the purpose of fully equipping digital professionals and securing the promotion of digital transformation. The entity participated in the capital increase on February 16, 2022(*2).

(*1) Old stock purchase method, 6,000 shares, stock price 1.98 billion won, value per share 330,000 won.
(*2) Shareholder allocation method, 3,000 shares, stock price 810 million won, value per share 270,000 won.

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Independent auditor's report

The Shareholders and Board of Directors

Kyobo Life Insurance Co., Ltd.

Opinion

We have audited the consolidated financial statements of Kyobo Life Insurance Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements 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.

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 KIFRS, 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.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS 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 KGAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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Emphasis of matter

As a matter that does not modify the audit opinion, we draw attention to Note 49 of the consolidated financial statements. As explained in Note 49, various measures and controls, including travel restrictions, have been enforced worldwide in order to contain the spread of COVID-19. As a result, the global economy has been affected extensively, and its duration and severity are difficult to predict. COVID-19 may affect the fair value assessment of financial instruments and the adequacy assessment of insurance liabilities. The Group has prepared the financial statements by reasonably estimating the impact of COVID-19 on the consolidated financial statements for the reporting period ending on December 31, 2020. However, the ultimate impact of the future spread of COVID-19 on the Group's financial position, financial performance and cash flows cannot be reasonably predicted as of the audit report date.

March 5, 2021

This audit report is effective as of March 5, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

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December 31, 2020 and 2019

(In won)	***Note***		**2020**	**2019**
Assets				
Cash and due from banks	5,12,13,45	₩	1,940,631,132,561	2,649,706,651,253
Financial assets designated at fair value through profit or loss	6,12,13		332,196,299,250	329,895,921,195
Financial assets held for trading	7,12,13		7,101,067,457,604	5,765,979,270,244
Derivative assets	12,13,29		1,323,167,566,062	493,642,281,492
Available-for-sale financial assets	8,12,13,45		63,367,484,801,269	60,085,725,647,672
Loan receivables	9,12,13,45,50		22,353,303,173,690	20,762,638,962,873
Other receivables	10,12,13,33,45		1,579,934,187,438	1,214,918,260,393
Investments in associates and a joint venture	11		36,260,388,157	35,223,809,126
Investment properties	14		1,094,670,808,051	1,129,510,935,144
Property and equipment	15		1,378,699,946,490	1,367,728,339,602
Intangible assets	16		296,297,489,265	328,934,725,156
Deferred acquisition costs	17		1,188,686,905,574	1,270,428,124,603
Current tax assets	47		130,265,834,867	120,897,459,132
Deferred tax assets	47		10,161,492,042	9,230,390,429
Other assets	18		198,927,007,646	213,835,885,227
Separate account assets	30		23,372,953,371,011	20,275,132,757,938
Total assets		₩	125,704,707,860,977	116,053,429,421,479
Liabilities				
Liabilities under insurance contracts	19	₩	75,573,395,446,580	71,926,099,847,727
Policyholders' equity adjustments	20		1,461,810,235,679	1,416,461,089,865
Financial liabilities designated at fair value through profit or loss	12,13,22		3,083,525,917,968	3,113,271,525,323
Financial liabilities held for trading	12,13,23		413,808,795,380	561,195,920,920
Derivative liabilities	12,13,29		606,577,046,108	400,270,876,781
Borrowings	12,13,24		2,619,812,532,294	1,806,759,589,499
Other financial liabilities	12,13,25,45		2,883,733,061,656	2,004,856,733,267
Provisions	26		24,192,457,662	24,583,147,184
Defined benefit liabilities	27		28,006,936,585	60,446,322,081
Current tax liabilities	47		40,079,819,182	32,549,690,402
Deferred tax liabilities	47		1,559,255,352,488	1,344,582,300,541
Other liabilities	28		587,808,904,407	239,640,007,410
Separate account liabilities	30,50		23,930,355,974,084	20,738,136,719,069
Total liabilities			112,812,362,480,073	103,668,853,770,069
Equity				
Capital stock	31		102,500,000,000	102,500,000,000
Hybrid bonds	31		551,437,935,983	551,437,935,983
Capital surplus	31		520,373,285,673	373,283,795,735
Capital adjustments	31		(12,031,362,407)	(12,081,936,708)
Accumulated other comprehensive income	31		3,712,033,702,127	3,502,402,691,042
Retained earnings	31		7,693,333,725,242	7,417,673,258,152
Equity attributable to equity holders of the parent company			12,567,647,286,618	11,935,215,744,204
Non-controlling interests	31		324,698,094,286	449,359,907,206
Total equity			12,892,345,380,904	12,384,575,651,410
Total equity and liabilities		₩	125,704,707,860,977	116,053,429,421,479

The accompanying notes are an integral part of the consolidated financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of comprehensive income
For the years ended December 31, 2020 and 2019

(In won)	***Note***		**2020**	**2019**
Operating revenues				
Premium income	32	₩	9,019,424,929,963	7,581,815,947,243
Reinsurance income	33		128,702,944,171	123,763,263,637
Interest income	34		2,738,707,536,210	2,791,919,917,308
Gain on valuation and disposal of financial instruments	35		3,361,296,149,661	1,648,756,037,917
Gain on foreign currency transaction	45		538,253,927,693	714,317,080,865
Fee and commission income	36,50		389,314,910,859	291,800,739,583
Dividend income	37,50		563,606,063,707	483,252,670,349
Rental income	50		82,977,646,959	89,250,189,079
Separate account commissions earned			780,886,269,599	792,167,454,366
Separate account income	30,50		147,686,098,973	126,789,681,835
Other operating income	38		894,054,922,978	851,976,202,327
			18,644,911,400,773	15,495,809,184,509
Operating expenses				
Provision for liabilities under insurance contracts			3,507,380,060,614	2,308,566,805,721
Insurance claims paid	39		6,982,062,183,511	6,708,417,095,865
Reinsurance premium expenses	33		134,552,133,739	122,928,818,217
Operating and administrative expenses	40,50		1,045,654,032,943	977,639,089,884
Amortization of deferred acquisition costs	17		645,068,554,233	667,180,469,000
Asset management expenses	41,50		121,458,693,599	117,437,109,090
Interest expenses	42		270,793,399,585	314,612,744,619
Loss on valuation and disposal of financial instruments	43		2,421,613,306,381	1,843,291,952,537
Loss on foreign currency transaction	45		1,262,651,004,023	148,627,304,328
Separate account commissions			40,360,281,585	21,097,833,253
Separate account expenses	30,50		147,686,098,973	126,789,681,835
Other operating expenses	44		1,381,352,031,723	1,233,959,782,151
			17,960,631,780,909	14,590,548,686,500
Operating profit			684,279,619,864	905,260,498,009
Non-operating income	46		17,916,239,407	29,353,070,007
Non-operating expenses	46,50		35,797,375,286	26,100,529,911
Profit before income tax expenses			666,398,483,985	908,513,038,105
Income tax expenses	47		188,568,380,574	241,019,556,174
Profit for the year		₩	477,830,103,411	667,493,481,931

(Continued)

Consolidated statements of comprehensive income, continued

For the years ended December 31, 2020 and 2019

(In won)	*Note*		2020	2019
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Revaluation gain (loss) of property and equipment		₩	(14,344,002,448)	50,135,193,768
Remeasurements on defined benefit liabilities			12,574,393,822	(10,184,395,560)
			(1,769,608,626)	39,950,798,208
Items that are or may be reclassified subsequently to profit or loss:				
Gain on valuation of available-for-sale financial assets			300,859,192,643	1,332,106,722,692
Gain on valuation of investments in associates			16,177,683	1,113,767,115
Loss on valuation of derivative instruments for hedging			(146,741,139,758)	(22,660,048,451)
Other comprehensive income from separate accounts			28,564,225,189	24,786,429,684
Foreign currency translation adjustments for foreign operations			(426,795,148)	182,856,272
			182,271,660,609	1,335,529,727,312
Other comprehensive income for the year, net of income tax			180,502,051,983	1,375,480,525,520
Total comprehensive income for the year		₩	658,332,155,394	2,042,974,007,451
Profit for the year attributable to:				
Controlling interests		₩	452,201,163,546	628,183,057,193
Non-controlling interests			25,628,939,865	39,310,424,738
		₩	477,830,103,411	667,493,481,931
Total comprehensive income for the year attributable to:				
Controlling interests		₩	661,832,174,631	2,000,138,700,443
Non-controlling interests			(3,500,019,237)	42,835,307,008
		₩	658,332,155,394	2,042,974,007,451
Earnings per share				
Basic and diluted earnings per share	51	₩	4,190	5,904

The accompanying notes are an integral part of the consolidated financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2020 and 2019

(In won)		Equity attributable to equity holders of the parent company								
		Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance at January 1, 2019	₩	102,500,000,000	551,437,935,983	439,288,686,477	(12,343,291,377)	2,130,447,047,792	6,939,648,483,323	10,150,978,862,198	413,364,426,758	10,564,343,288,956
Effect of initial adoption of KIFRS 1116		-		-	-	-	916,538,070	916,538,070	-	916,538,070
Retrospective effect of changes in accounting policy		-		-	-	-	(24,828,760,695)	(24,828,760,695)	-	(24,828,760,695)
Balance at January 1, 2019 (revised)		102,500,000,000	551,437,935,983	439,288,686,477	(12,343,291,377)	2,130,447,047,792	6,915,736,260,698	10,127,066,639,573	413,364,426,758	10,540,431,066,331
Total comprehensive income:		-	-	-	-	1,371,955,643,250	628,183,057,193	2,000,138,700,443	42,835,307,008	2,042,974,007,451
Profit for the year		-	-	-	-	-	628,183,057,193	628,183,057,193	39,310,424,738	667,493,481,931
Other comprehensive income:		-	-	-	-	1,371,955,643,250	-	1,371,955,643,250	3,524,882,270	1,375,480,525,520
Gain on valuation of available-for-sale financial assets		-	-	-	-	1,328,854,946,854	-	1,328,854,946,854	3,251,775,838	1,332,106,722,692
Gain on valuation of investments in associates		-	-	-	-	1,104,116,775	-	1,104,116,775	9,650,340	1,113,767,115
Loss on valuation of derivative instruments for hedging		-	-	-	-	(22,660,048,451)	-	(22,660,048,451)	-	(22,660,048,451)
Other comprehensive income from separate accounts		-	-	-	-	24,786,429,684	-	24,786,429,684	-	24,786,429,684
Foreign currency translation adjustments for foreign operations		-	-	-	-	182,856,272	-	182,856,272	-	182,856,272
Gain on revaluation of property and equipment		-	-	-	-	50,135,193,768	-	50,135,193,768	-	50,135,193,768
Remeasurements gain (loss) on defined benefit liabilities		-	-	-	-	(10,447,851,652)	-	(10,447,851,652)	263,456,092	(10,184,395,560)
Transactions with shareholders:		-	-	(66,004,890,742)	261,354,669	-	(125,551,278,334)	(191,294,814,407)	(6,839,826,560)	(198,134,640,967)
Annual dividends		-	-	-	-	-	(102,500,000,000)	(102,500,000,000)	(5,712,325,350)	(108,212,325,350)
Payment of hybrid bonds dividends		-	-	-	-	-	(23,051,278,334)	(23,051,278,334)	-	(23,051,278,334)
Compensation expense associated with incentive stock options		-	-	-	165,342,088	-	-	165,342,088	145,196,008	310,538,096
Acquisition and disposal of investments in subsidiaries		-	-	(82,302,940)	96,012,581	-	-	13,709,641	(1,272,697,218)	(1,258,987,577)
Transfer of accumulated reserve for policyholders' dividends		-	-	(65,922,587,802)	-	-	-	(65,922,587,802)	-	(65,922,587,802)
Others:		-	-	-	-	-	(694,781,405)	(694,781,405)	-	(694,781,405)
Balance at December 31, 2019	₩	102,500,000,000	551,437,935,983	373,283,795,735	(12,081,936,708)	3,502,402,691,042	7,417,673,258,152	11,935,215,744,204	449,359,907,206	12,384,575,651,410

(Continued)

Kyobo Life Insurance Co., Ltd. and its subsidiaries

Consolidated statements of changes in equity, continued

For the years ended December 31, 2020 and 2019

(In won)		Equity attributable to equity holders of the parent company								
		Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance at January 1, 2020	₩	102,500,000,000	551,437,935,983	373,283,795,735	(12,081,936,708)	3,502,402,691,042	7,417,673,258,152	11,935,215,744,204	449,359,907,206	12,384,575,651,410
Total comprehensive income:		-	-	-	-	209,631,011,085	452,201,163,546	661,832,174,631	(3,500,019,237)	658,332,155,394
Profit for the year		-	-	-	-	-	452,201,163,546	452,201,163,546	25,628,939,865	477,830,103,411
Other comprehensive income:		-	-	-	-	209,631,011,085	-	209,631,011,085	(29,128,959,102)	180,502,051,983
Gain on valuation of available-for-sale financial assets		-	-	-	-	313,285,624,575	-	313,285,624,575	(12,426,431,932)	300,859,192,643
Gain on valuation of investments in associates		-	-	-	-	14,524,163	-	14,524,163	1,653,520	16,177,683
Loss on valuation of derivative instruments for hedging		-	-	-	-	(146,741,139,758)	-	(146,741,139,758)	-	(146,741,139,758)
Other comprehensive income from separate accounts		-	-	-	-	28,564,225,189	-	28,564,225,189	-	28,564,225,189
Foreign currency translation adjustments for foreign operations		-	-	-	-	(426,795,148)	-	(426,795,148)	-	(426,795,148)
Gain on revaluation of property and equipment		-	-	-	-	3,609,187,974	-	3,609,187,974	(17,953,190,422)	(14,344,002,448)
Remeasurements gain (loss) on defined benefit liabilities		-	-	-	-	11,325,384,090	-	11,325,384,090	1,249,009,732	12,574,393,822
Transactions with shareholders:		-	-	147,089,489,938	50,574,301	-	(176,485,278,333)	(29,345,214,094)	(121,161,779,416)	(150,506,993,510)
Annual dividends		-	-	-	-	-	(153,750,000,000)	(153,750,000,000)	(6,528,371,600)	(160,278,371,600)
Payment of hybrid bonds dividends		-	-	-	-	-	(22,735,278,333)	(22,735,278,333)	-	(22,735,278,333)
Compensation expense associated with incentive stock options		-	-	-	50,574,301	-	-	50,574,301	44,412,083	94,986,384
Acquisition and disposal of investments in subsidiaries		-	-	147,089,489,938	-	-	-	147,089,489,938	(114,677,819,899)	32,411,670,039
Others:		-	-	-	-	-	(55,418,123)	(55,418,123)	(14,267)	(55,432,390)
Balance at December 31, 2020	₩	102,500,000,000	551,437,935,983	520,373,285,673	(12,031,362,407)	3,712,033,702,127	7,693,333,725,242	12,567,647,286,618	324,698,094,286	12,892,345,380,904

The accompanying notes are an integral part of the consolidated financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of cash flows
For the years ended December 31, 2020 and 2019

(In won)	*Note*	2020	2019
Cash flows from operating activities			
Profit before income tax expenses		₩ 2,094,792,480,343	973,343,359,821
Adjustments for:			
Interest income		(2,738,707,536,210)	(2,791,919,917,308)
Interest expenses		270,793,399,585	314,612,744,619
Dividend income		(563,606,063,707)	(483,252,670,349)
Other adjustments to reconcile profit before income tax expenses to net cash provided by operating activities:			
Gain on valuation of financial assets held for trading, net		(31,572,767,640)	(71,527,851,829)
Loss (gain) on valuation of financial liabilities held for trading, net		(10,720,657,489)	10,928,394,465
Gain on valuation of financial assets designated at FVTPL, net		(1,527,950,113)	(826,583,391)
Loss (gain) on valuation of financial liabilities designated at FVTPL, net		(38,573,796,515)	26,282,414,030
Gain on disposal of available-for-sale financial assets, net		(622,398,986,605)	(360,874,061,677)
Impairment losses on available-for-sale financial assets		61,445,102,811	22,226,980,186
Provision for losses on loan receivables		28,346,366,081	21,525,346,696
Loss (gain) on foreign currency transaction, net		884,037,653,326	(458,905,485,316)
Loss (gain) on valuation of derivatives, net		(741,409,041,349)	149,726,577,960
Loss on disposal of derivatives, net		20,318,932,433	28,483,671,885
Gain on investments in associates, net		(5,570,615,092)	(17,758,771,119)
Amortization of deferred acquisition costs		645,068,554,233	667,180,469,000
Depreciation of investment properties		9,219,581,563	9,727,705,052
Impairment losses on investment properties		550,252,997	-
Loss on disposal of property and equipment and investment properties, net		5,815,131,518	1,480,065,417
Depreciation of property and equipment		107,842,221,434	99,694,957,696
Impairment losses on property and equipment		875,486,566	-
Gain on disposal of intangible assets, net		(182,158,860)	(80,901,820)
Amortization of intangible assets		61,100,565,575	21,343,020,627
(Reversal of) Impairment losses on intangible assets		11,976,344,621	(6,845,188)
Gain on disposal of non-current asset held for sale, net		-	(1,619,773,724)
Provision for insurance contract liabilities		3,507,380,060,614	2,308,566,805,721
Reinsurance income		(2,338,767,875)	(1,321,108,140)
Retirement benefits		60,923,417,699	55,369,628,191
Bad debt expenses on other assets		4,352,059,340	(36,950,395)
Loss on cancellation of lease contracts		(151,240,393)	-
Other gains, net		(11,551,270,890)	(7,076,358,305)
		3,943,254,477,990	2,502,501,346,022
Changes in operating assets and liabilities:			
Due from banks		395,168,549,209	(196,958,840,115)
Financial assets designated at FVTPL		(772,427,942)	(68,381,810,955)
Financial assets held for trading		(1,354,367,240,584)	(738,968,597,914)
Loan receivables		(1,626,093,263,008)	(22,605,676,908)
Other receivables		(402,873,527,087)	(165,950,985,196)
Derivative assets		(358,784,359,408)	(9,193,395,642)
Deferred acquisition costs		(563,327,335,204)	(513,906,612,770)
Other assets		411,659,999	(62,419,312,648)
Separate account assets		(3,097,820,613,073)	(1,483,474,214,539)
Liability under insurance contract		136,232,472,988	121,725,421,670
Financial liabilities designated at FVTPL		63,455,750,317	(27,562,017,296)
Financial liabilities held for trading		(136,666,468,051)	66,845,848,895
Derivative liabilities		206,908,486,890	(143,008,920,422)

(Continued)

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of cash flows, continued
For the years ended December 31, 2020 and 2019

(In won)	*Note*		2020	2019
Other financial liabilities		₩	961,811,937,982	293,462,541,912
(Reversal of) Provisions			(4,755,968,677)	39,886,273,983
Defined benefit liabilities			(78,128,672,685)	(58,835,857,657)
Other liabilities			342,247,885,423	27,988,341,787
Separate account liabilities			3,231,618,186,310	1,516,764,903,189
			(2,285,734,946,601)	(1,424,592,910,626)
Income taxes paid			(57,648,318,955)	(498,222,154,348)
Interest received			2,561,486,404,544	2,268,874,437,652
Interest paid			(264,928,813,474)	(306,808,408,032)
Dividends received			563,485,393,186	483,637,854,086
Net cash provided by operating activities			2,081,066,115,938	861,148,496,333
Cash flows from investing activities:				
Acquisition of available-for-sale financial assets			(19,491,717,804,116)	(14,354,789,009,494)
Proceeds from disposal of available-for-sale financial assets			16,650,075,343,406	13,611,880,986,195
Cash inflows from derivatives held for hedging			88,188,132,065	45,755,281,929
Cash outflows from derivatives held for hedging			(40,842,837,954)	(65,439,610,765)
Acquisition of investments in associates and a joint venture			(649,000,000)	(10,000,000)
Proceeds from disposal of investments in associates and a joint venture			226,000,000	4,331,358,184
Receipt of dividends from associates and a joint venture			4,987,500,000	11,830,000,000
Acquisition of property and equipment and investment properties			(47,888,018,051)	(55,362,496,769)
Proceeds from disposal of property and equipment and investment properties			3,637,049,741	7,067,733,797
Acquisition of intangible assets			(27,102,135,093)	(136,317,104,047)
Proceeds from disposal of intangible assets			2,178,897,836	490,311,000
Proceeds from disposal of non-current asset held for sale			-	2,708,506,500
Increase in leasehold deposits			(81,015,099,875)	(11,761,698,347)
Decrease in leasehold deposits			11,514,647,611	29,260,382,684
Cash inflows from business combination			-	4,930,118,226
Cash outflows from business combination			-	(115,445,124,634)
Net cash used in investing activities			(2,928,407,324,430)	(1,020,870,365,541)
Cash flows from financing activities:				
Decrease in non-controlling interest			(6,494,554,451)	(11,675,914,709)
Increase in leasehold deposits received			4,175,292,848	7,348,863,822
Decrease in leasehold deposits received			(16,217,280,313)	(16,611,399,194)
Dividends paid			(188,377,370,000)	(67,872,630,000)
Payment of hybrid bond dividends			(23,332,650,000)	(22,711,512,500)
Borrowings,net			804,846,456,249	200,761,509,387
Payment of lease liabilities			(46,997,698,966)	(50,495,155,987)
Acquisition of interests in subsidiaries with no change in control			(8,880,308,095)	(978,021,000)
Disposal of interests in subsidiaries with no change in control			8,215,744,930	-
Net cash provided by financing activities			526,937,632,202	37,765,739,819
Effect of exchange rate fluctuations on cash and cash equivalents held			(1,056,319,923)	4,305,688,138
Net decrease in cash and cash equivalents			(307,733,531,808)	(5,455,577,763)
Cash and cash equivalents at the beginning of year			1,068,459,636,201	1,073,915,213,964
Cash and cash equivalents at the end of year	5	₩	760,726,104,393	1,068,459,636,201

The accompanying notes are an integral part of the consolidated financial statements.

1. Reporting entity

Kyobo Life Insurance Co., Ltd., the controlling company, and its subsidiaries included in consolidation (collectively referred to as the "Group") are summarized as follows:

(1) Controlling Company

Kyobo Life Insurance Co., Ltd. (the "Company") was established on June 30, 1958, and primarily engages in the life insurance business as permitted by the *Insurance Business Law* of the Republic of Korea. The Group's head office is located at Jongno-ro 1, Jongno-gu, Seoul, the Republic of Korea.

As of December 31, 2020, the Group has 7 Financial Planner (FP) offices, 63 supporting offices and 450 branches in the Republic of Korea and engages in the life insurance business and its related reinsurance contracts. The following table lists the number of currently available insurance products and discontinued but currently effective insurance products as of December 31, 2020.

	Insurance products in effect		
Type	Available	Discontinued	Total
Individual annuity	17	81	98
Pure endowment	16	34	50
Death	37	187	224
Endowment	3	40	43
Group insurance	19	24	43
	92	366	458

(2) Shareholders

The Group's major shareholders and their respective shareholdings as of December 31, 2020 are as follows:

Shareholders	Number of shares	Ownership (%)
Chang-Jae Shin	34,627,370	33.78
Corsair Korea Investors LLC	10,038,830	9.79
Guardian Holdings Limited	9,276,250	9.05
Tiger Holdings LP	7,813,250	7.62
The Export-Import bank of Korea	5,995,005	5.85
KLI Investors LLC	5,460,825	5.33
Hoenir Inc.	5,355,625	5.23
KLIC Holdings Limited	5,355,625	5.23
Apfin Investment Pte Ltd	4,612,500	4.50
In-Jae Shin	2,593,000	2.53
Life Investors of Korea LP	2,361,750	2.30
AXA	2,300,000	2.24
Kyung-Ae Shin	1,750,010	1.71
Young-Ae Shin	1,449,960	1.42
Triumph Ⅱ Investments (Ireland) Limited	1,100,000	1.07
Meiji Yasuda Life Insurance Company	1,025,000	1.00
Others	1,385,000	1.35
	102,500,000	100.00

1. Reporting entity, continued

(3) Subsidiaries

	County of domicile	Reporting date	Ownership (%) 2020	Ownership (%) 2019	Industry
Kyobo Securities Co., Ltd.	Korea	31-Dec	73.1	51.6	Stock brokerage
Kyobo Book Center Co., Ltd.	Korea	31-Dec	100.0	100.0	Retail of books and magazines
Kyobo Hottracks Co., Ltd.	Korea	31-Dec	100.0	100.0	Retail of stationery
Kyobo Info. & Comm. Co., Ltd.	Korea	31-Dec	100.0	100.0	Software advisory and development
Kyobo Realco Inc.	Korea	31-Dec	100.0	100.0	Non-residential property managements
Jeil Total Management Co., Ltd.	Korea	31-Dec	100.0	100.0	Safety and cleaning service
KCA Claim Adjustment Co., Ltd.	Korea	31-Dec	100.0	100.0	Service related to insurance and pension
KCA Service Co., Ltd.	Korea	31-Dec	100.0	100.0	Service
Kyobo Data Center LLC. (*2)	Korea	-	-	100.0	Computers and office equipment leasing
Kyobo Life Planet Life Insurance Company	Korea	31-Dec	100.0	100.0	On-line life insurance
Kyobo Asset Trust Co., Ltd.	Korea	31-Dec	100.0	100.0	Real Estate Trust
Kyobo Life Asset Management (USA) Co., Ltd.	USA	31-Dec	100.0	100.0	Asset management
Kyobo Life Asset Management (Japan) Co., Ltd.	Japan	31-Dec	100.0	100.0	Asset management
Consus BTL Private Special Asset Investment Trust 1	Korea	31-Dec	57.2	57.2	Beneficiary certificates
Consus Hope BTL Private Special Asset Investment Trust 1	Korea	31-Dec	66.7	66.7	Beneficiary certificates
Consus New Energy Private Special Asset Investment Trust 2	Korea	31-Dec	68.8	68.8	Beneficiary certificates
KIAMCO SHIPPING Private Equity Special Asset Investment Trust KX-No.1	Korea	31-Dec	100.0	100.0	Beneficiary certificates
KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust	Korea	31-Dec	86.7	86.7	Beneficiary certificates

1. Reporting entity, continued

(3) Subsidiaries, continued

	County of domicile	Reporting date	Ownership (%) 2020	Ownership (%) 2019	Industry
MKdream 2nd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
MKdream 7th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
ATLAS 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Jjibest 4th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Atlantisjisa 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Panteon K Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Districtyangjoo Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
KD DREAM 1st Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Caba chic 3rd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
H house 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Goeun angol 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Caba chic 5th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Caba chic 7th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Blue dia 6th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Excel stone park 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Ifdasan 2nd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Gabriel 3rd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Doublerich 4th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Exelstonered 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Doublerich 5th Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
SJgreat 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Newpearlcube 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
X-med 3rd Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Doublerich 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Doublerich 8th Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Atlantisgogyeong 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Autodream 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Ecopinetree Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Jjibest 5th Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Gabriel 4th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
K-hotel 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Exelcocostone Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
AtlantisBeobwon2 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Gabriel 2nd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Kyobo Royal-Class small & medium selection Specialized Private Equity Investment Trust No. 1 `	Korea	31-Dec	78.1	-	Collective investment

(*1) The Group concluded that it has control over these companies, as it has existing rights that give the Group the ability to direct the relevant activities, and is exposed to variable returns and has the ability to affect the variable returns.

(*2) Kyobo Info. & Comm. Co., Ltd. merged with Kyobo Data Center LLC for the year ended December 31, 2020.

1. Reporting entity, continued

(4) Changes in subsidiaries

Changes in subsidiaries during the year ended December 31, 2020 are as follows:

1) Newly acquired subsidiaries:

Subsidiaries	Reason
Caba chic 3rd Co., Ltd. Caba chic 5th Co., Ltd. Caba chic 7th Co., Ltd. H house 1st Co., Ltd. Goeun angol 1st Co., Ltd. Jjibest 10th Co., Ltd. Blue dia 6th Co., Ltd. Excel stone park 1st Co., Ltd. Rebuilding Galhyeon Co., Ltd. Ifdasan 2nd Co., Ltd. Gabriel 3rd Co., Ltd. Blue dia 7th Co., Ltd. Doublerich 4th Co., Ltd. Exelstonered 1st Co., Ltd. Doublerich 5th Co., Ltd. SJgreat 1st Co., Ltd. Newpearlcube 1st Co., Ltd. X-med 3rd Co., Ltd. Doublerich 1st Co., Ltd. Doublerich 8th Co., Ltd. Atlantisgogyeong 1st Co., Ltd. Autodream 1st Co., Ltd. Ecopinetree Co., Ltd. Jjibest 5th Co., Ltd. Gabriel 4th Co., Ltd. K-hotel 1st Co., Ltd. Exelcocostone Co., Ltd.. AtlantisBeobwon2 1st Co., Ltd. Gabriel 2nd Co., Ltd. Kyobo Royal-Class small&medium selection Specialized Private Equity Investment Trust No. 1	The Group concluded that it has control over these companies, as it has existing rights that give the Group the ability to direct the relevant activities, and is exposed to variable returns and has the ability to affect the variable returns.

2) KYOBO Data Center LLC, IGIS KORIF Private Equity REIT No. 12, Inbest Gold Harver Co., Ltd., Utopia 18th Co., Ltd., ICTV One 1st Co., Ltd., Atlantis Gimhae Co., Ltd., Metro Yeonsan 1st Co., Ltd., Hommage 7th Co., Ltd., Jjibest 10th Co., Ltd., Rebuilding Galhyeon Co., Ltd., MKdream 8th Co., Ltd., Great-Ingye 1st Co., Ltd., Iprohidden 1st Co., Ltd., Caba chic 4th Co., Ltd., and Blue dia 7th Co., Ltd. were excluded from consolidation due to the termination of commitment for the year ended December 31, 2020.

(In millions of won)

1. Reporting entity, continued

(5) Financial information of subsidiaries

1) Financial information of subsidiaries as of and for the year ended December 31, 2020 is as follows:

Company		Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Kyobo Securities Co., Ltd.	₩	10,114,665	8,849,865	1,776,310	101,221	117,933
Kyobo Hottracks Co., Ltd.		45,580	29,814	100,145	(7,766)	(5,263)
Kyobo Book Center Co., Ltd.		323,505	213,337	700,466	2,872	4,025
Kyobo Info. & Comm. Co., Ltd.		75,943	7,196	54,760	2,873	2,405
Kyobo Realco Inc.		103,651	63,016	119,450	4,976	4,368
Jeil Total Management Co., Ltd.		3,511	1,132	17,221	191	171
KCA Claim Adjustment Co., Ltd.		36,304	9,374	37,212	10,492	10,459
KCA Service Co., Ltd.		15,477	6,511	33,412	1,754	2,011
Kyobo Life Planet Life Insurance Company		517,288	399,224	196,663	(13,161)	(17,281)
Kyobo Asset Trust Co., Ltd.		181,634	32,118	58,081	12,152	11,648
Kyobo Life Asset Management (USA) Co., Ltd.		7,608	183	2,983	1,074	768
Kyobo Life Asset Management (Japan) Co., Ltd.		1,783	199	1,397	249	234
Consus BTL Private Special Asset Investment Trust 1		36,229	15,345	1,474	762	762
Consus Hope BTL Private Special Asset Investment Trust 1		33,173	10,527	2,780	1,309	1,309
Consus New Energy Private Special Asset Investment Trust 2		17,900	5,363	1,331	904	904
KIAMCO Shipping Private Equity Special Asset Investment Trust KX-No.1		15,282	4	1,291	1,238	1,238
KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust		57,400	8,155	46,311	3,886	3,886
MKdream 2nd Co., Ltd.		77,715	77,715	4,956	-	-
MKdream 7th Co., Ltd.		8,185	8,186	692	-	-
ATLAS 1st Co., Ltd.		5,099	5,158	400	(11)	(11)
Jjibest 4th Co., Ltd.		8,168	8,168	614	-	-
Atlantisjisa 1st Co., Ltd.		8,355	8,357	904	6	6
Panteon K Co., Ltd.		25,431	25,431	2,210	-	-
Districtyangjoo Co.,Ltd.		15,634	15,674	1,472	(39)	(39)
KD DREAM 1st Co.,Ltd.		15,575	15,574	1,494	-	-
Caba chic 3rd Co., Ltd.		3,597	3,597	623	-	-
H house 1st Co., Ltd.		9,024	9,019	850	5	5
Goeun angol 1st Co., Ltd.		4,043	4,046	259	(3)	(3)
Caba chic 5th Co., Ltd.		3,076	3,076	226	-	-

(In millions of won)

1. Reporting entity, continued

(5) Financial information of subsidiaries, continued

1) Financial information of subsidiaries as of and for the year ended December 31, 2020 is as follows, continued:

Company	Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Caba chic 7th Co., Ltd.	6,136	6,136	384	-	-
Blue dia 6th Co., Ltd.	60,631	60,631	1,482	-	-
Excel stone park 1st Co., Ltd.	5,127	5,126	272	1	1
Ifdasan 2nd Co., Ltd.	10,131	10,195	440	(64)	(64)
Gabriel 3rd Co., Ltd.	4,634	4,634	527	-	-
Doublerich 4th Co., Ltd.	10,175	10,175	248	-	-
Exelstonered 1st Co., Ltd.	3,077	3,076	93	1	1
Doublerich 5th Co., Ltd.	3,033	3,033	49	-	-
SJgreat 1st Co., Ltd.	8,305	8,305	285	-	-
Newpearlcube 1st Co., Ltd.	1,563	1,563	18	-	-
X-med 3rd Co., Ltd.	6,317	6,339	87	(21)	(21)
Doublerich 1st Co., Ltd.	47,772	47,591	564	181	181
Doublerich 8th Co., Ltd.	12,318	12,318	202	-	-
Atlantisgogyeong 1st Co., Ltd.	9,386	9,385	39	1	1
Autodream 1st Co., Ltd.	12,160	12,238	39	(78)	(78)
Ecopinetree Co., Ltd.	19,345	19,485	2,212	(139)	(139)
Jjibest 5th Co., Ltd.	20,198	20,198	1,097	(4)	(4)
Gabriel 4th Co., Ltd.	9,228	9,229	289	-	-
K-hotel 1st Co., Ltd.	8,291	8,282	308	9	9
Exelcocostone Co., Ltd..	6,139	6,138	429	1	1
AtlantisBeobwon2 1st Co., Ltd.	5,143	5,145	451	(3)	(3)
Gabriel 2nd Co., Ltd.	5,195	5,205	159	(10)	(10)
Kyobo Royal-Class small & medium selection Specialized Private Equity Investment Trust No. 1	4,216	50	324	321	321

(In millions of won)

1. Reporting entity, continued

(5) Financial information of subsidiaries, continued

2) Financial information of subsidiaries as of and for the year ended December 31, 2019 is as follows:

Company		Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Kyobo Securities Co., Ltd.	₩	7,924,166	6,962,929	1,451,797	84,069	91,240
Kyobo Book Center Co., Ltd.		321,314	214,848	609,989	2,738	168
Kyobo Hottracks Co., Ltd.		52,601	41,524	97,083	(3,055)	(2,733)
Kyobo Info. & Comm. Co., Ltd.		21,051	6,629	49,182	3,950	3,503
Kyobo Realco Inc.		106,820	70,553	177,307	4,631	4,143
Jeil Total Management Co., Ltd. (*1)		3,693	1,423	18,677	829	815
KCA Claim Adjustment Co., Ltd.		22,921	6,450	34,651	3,273	2,954
KCA Service Co., Ltd.		11,650	4,695	31,562	1,744	1,532
Kyobo Data Center Co., Ltd.		51,983	630	4,808	2,025	2,025
Kyobo Life Planet Life Insurance Company		309,872	274,105	154,580	(15,119)	(12,481)
Kyobo Asset Trust Co., Ltd. (*2)		158,482	35,911	71,273	26,473	25,820
Kyobo Life Asset Management (USA) Co., Ltd.		6,984	326	3,026	1,175	1,661
Kyobo Life Asset Management (Japan) Co., Ltd.		1,514	165	1,201	122	180
Consus BTL Private Special Asset Investment Trust 1		39,235	28	1,518	1,242	1,242
Consus Hope BTL Private Special Asset Investment Trust 1		36,409	30	2,497	1,290	1,290
Consus New Energy Private Special Asset Investment Trust 2		20,733	23	1,258	1,160	1,160
KIAMCO Shipping Private Equity Special Asset Investment Trust KX-No.1		15,409	5	778	759	759
KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust		54,800	2,521	27,831	7,775	7,775
IGIS KORIF Private Equity REIT No.12		1	-	233	230	230
Inbest Gold Harver Co., Ltd.		10,214	10,148	490	(2)	(2)
Utopia 18th Co., Ltd.		40,177	40,178	1,831	-	-
Atlantis Gimhae Co., Ltd.		7,319	7,319	647	3	3
ICTV One 1st Co., Ltd.		19,479	20,413	2,238	332	332
Metro Yeonsan 1st Co., Ltd.		15,231	15,224	1,409	(12)	(12)
MKdream 2nd Co., Ltd.		77,157	77,157	5,107	-	-
Hommage 7th Co., Ltd.		4,096	4,096	401	-	-
MKdream 7th Co., Ltd.		8,318	8,318	984	-	-
MKdream 8th Co., Ltd.		4,060	4,040	339	19	19
Great-Ingye 1st Co., Ltd.		4,142	4,140	352	2	2

(In millions of won)

1. Reporting entity, continued

(5) Financial information of subsidiaries, continued

2) Financial information of subsidiaries as of and for the year ended December 31, 2019 is as follows, continued:

Company		Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
ATLAS 1st Co., Ltd.	₩	5,108	5,156	580	(49)	(49)
Iprohidden 1st Co., Ltd.		10,157	10,157	538	-	-
Jjibest 4th Co., Ltd.		8,178	8,178	455	-	-
Atlantisjisa 1st Co., Ltd.		8,409	8,418	554	(8)	(8)
Panteon K Co., Ltd.		25,366	25,366	1,057	-	-
Districtyangjoo Co.,Ltd.		15,517	15,517	45	-	-
KD DREAM 1st Co.,Ltd.		15,942	15,941	2,107	-	-
Caba chic 4th Co.,Ltd.		7,716	7,716	44	-	-

(*1) The name of company has been changed from Jeil Safety Service Co., Ltd. to Jeil Total Management Co., Ltd. Kyobo Asset Trust Co., Ltd.

(*2) The name of the company has been changed from Saengbo Real Estate Trust Co., Ltd. to Kyobo Asset Trust Co., Ltd.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("KIFRS"), as prescribed in the Act on External Audits of Corporations.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets designated at fair value through profit or loss, available-for-sale (AFS) financial assets, financial liabilities designated at fair value through profit or loss, retirement benefits that have been measured at fair value. The consolidated financial statements are presented in Korean won (KRW) and all amounts are rounded to the nearest millions, except when otherwise indicated.

The consolidated financial statements as of and for the year ended December 31, 2020 was authorized for issue by the Board of Directors on March 5, 2021.

2.2 Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Group and its subsidiaries. Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

If the investee has less than a majority of the voting rights, the Group considers all facts and circumstances when assessing whether it has power over the investee:
- Contractual arrangements between investors and other voting rights holders
- Rights arising from other contractual arrangements
- Voting rights and potential voting rights of the Group

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. Basis of preparation and significant accounting policies, continued

2.2 Basis of consolidation, continued

If the Group loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2.3 Significant accounting policies

2.3.1 Investment in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The consolidated financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.1 Investment in associates and a joint venture, continued

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Valuation of investments in associates' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2.3.2 Fair value measurement

The Group measures financial instruments and partial non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.2 Fair value measurement, continued

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.3 Foreign currencies

The Group's consolidated financial statements are presented in Korean won, which is also the Group's functional currency.

(1) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

(2) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Korean won at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.4 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the current income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The estimated useful lives and depreciation methods of the Group's property and equipment are as follows:

Descriptions	Useful lives	Depreciation method
Buildings	50 years	Straight-line
Structures	50 years	Straight-line
Vehicles	5 years	Reducing-balance
Equipment	5 years	Reducing-balance
Others	5 years	Straight-line

2.3.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(1) Group as a lessee

Upon adoption of KIFRS 1116, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.5 Leases, continued

(1) Group as a lessee, continued

1) Right-of-use asset

The Group recognizes the right-of-use asset at the commencement date (i.e. the date on which the underlying asset is available). Right-of-use assets are measured at cost and the Group measures the right-of-use assets applying a cost model after the commencement date. To apply a cost model, the Group measured with deductions of any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The cost of a right-of-use asset includes the amount of the lease liability recognized and the amount of initial direct costs, less any incentives received or lease payments made at or before the commencement date of the lease. The cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis over the earlier of the estimated useful life or the lease term.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use assets are depreciated from the commencement date to the estimated useful life of the underlying asset. The Group performs an impairment review of the right-of-use assets.

Right-of-use assets of the Group are included in property and equipment (See Note 15).

2) Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments over the lease term. Lease payments comprise of fixed lease payments (including in-substance fixed lease payments), variable lease payments that depend on the index or rate, and the amount expected to be paid under the residual value guarantee, excluding the lease incentives to be received. In addition, if the Group is reasonably certain to exercise the purchase option, the exercise price of the purchase option and if the lease term reflects the Group exercising an option to terminate the lease, then the payments of penalties for terminating the lease are included in the lease payments. Fluctuations that do not depend on the index or rate are recognized as an expense for the period in which the event of the lease payment occurs.

In calculating the present value of the lease, the Group uses the incremental borrowing rate at inception if it is not readily possible to determine the implicit interest rate of the lease. The Group increases the carrying amount of the lease liability by reflecting interest on the lease liability after the commencement date of the lease, and reduces the carrying amount of the lease liability by reflecting the lease payments. In addition, the Group shall remeasure the lease liability to reflect the change in the lease, reflect the change in the lease term, or change in the valuation of the underlying asset purchase option.

Lease liabilities of the Group are included in other financial liabilities (See Note 25).

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.5 Leases, continued

(1) Group as a lessee, continued

3) Short-term leases and leases for which the underlying asset is of low value

The Group elects to apply exemptions of recognition for both short-term leases which are a lease term of 12 months or less and without purchase option and leases of low-value assets. The Group recognizes the lease payments associated with short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term.

(2) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The Group recognizes lease payments from operating leases as income on a straight-line basis and initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.6 Investment properties

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as Investment properties. Investment properties is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, Investment properties is carried at depreciated cost less any accumulated impairment losses.

Investment properties is depreciated on a basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

The estimated useful lives and depreciation methods of the Group's investment properties are as follows:

Descriptions	Useful lives	Depreciation method
Buildings	50 years	Straight-line
Structures	50 years	Straight-line

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period and accounted for on a prospective basis in case of the effect of any changes in estimation.

In the event that it is no longer possible to expect future economic benefits through the disposal or use of investment properties, the Group removes them from its consolidated financial statements, and the resulting difference between the disposal amount and the carrying amount is reflected in profit or loss at the time of derecognition. In addition, if the purpose of the asset's use has changed, the Group reclassifies to another account or to Investment properties from another account.

2.3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Descriptions	Useful lives	Amortization method
Software	5 years	Straight-line
Development costs	5 years	Straight-line
Other intangible assets	5 years	Straight-line
Membership	Indefinite	-

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.7 Intangible assets, continued

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate that the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset, the ability to measure reliably the expenditure during development and the ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2.3.8 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

1) Goodwill

Goodwill is tested for impairment annually as of December 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2) Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 at the CGU level and when circumstances indicate that the carrying value may be impaired.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.10 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

2.3.11 Financial instruments – initial recognition and subsequent measurement

(1) Financial assets

1) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement financial assets are classified in four categories:

2) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by KIFRS 1039. The Group has not designated any financial assets at FVTPL.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.11 Financial instruments – initial recognition and subsequent measurement, continued

3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

4) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income as finance costs.

5) Available-for-sale (AFS) financial assets

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at FVTPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of comprehensive income in finance costs. Interest earned while holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.11 Financial instruments – initial recognition and subsequent measurement, continued

6) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(2) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.11 Financial instruments – initial recognition and subsequent measurement, continued

(2) Impairment of financial assets, continued

1) Financial assets carried at amortized cost, continued

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of comprehensive income. Interest income (recorded as finance income in the consolidated statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

2) Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income – is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.11 Financial instruments – initial recognition and subsequent measurement, continued

(3) Financial liabilities

1) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement of financial liabilities differs based on the classification of financial liabilities.

2) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1039. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

3) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.11 Financial instruments – initial recognition and subsequent measurement, continued

(4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.3.12 Derivative financial instruments and hedge accounting

(1) Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, currency swaps, and interest rate swaps to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The 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 effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.12 Derivative financial instruments and hedge accounting, continued

(1) Initial recognition and subsequent measurement, continued

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

1) Fair value hedges

The change in the fair value of a hedging derivative is recognized in the consolidated statement of comprehensive income as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statement of comprehensive income as finance costs.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

2) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of comprehensive income as other operating expenses. Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

2.3.13 Non-current assets and disposal groups held for sale

The Group classifies non-current assets and disposal groups as held-for-sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities are not depreciated or amortized once classified as held-for-sale or as held for distribution. Also, assets and liabilities classified as held-for-sale or for distribution are presented as separate in the consolidated statement of financial position.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.14 Employee benefits

The Group operates both defined benefit pension plan and defined contribution pension plan, which the Group makes contributions to the separately administered funds, respectively.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring-related costs or redundancy payments

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'operating and administrative expenses' and 'asset management expenses' in consolidated statement of comprehensive income.

(1) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(2) Retirement benefits: defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Group recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in profit and loss when incurred.

If the net amount that is calculated by subtracting the fair value of the plan assets from the present value of the defined benefit pension plans is an asset, the Group measures at lower of an excess contribution to the defined benefit pension plans or the upper limit recognized as an asset that is calculated by using the interest rate of the corporate bonds of a companies with high credit ratings at the end of an annual reporting period.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.14 Employee benefits, continued

(3) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(4) Other benefits for the vested employees

Other benefits for the vested employees who have rendered services for a long-term period of time with regard to considerations for the employees who have rendered services for a long period of time, if the employees' benefits are not expected to be paid within 12 months after the end of an annual reporting period, the Group recognizes the net sum of service costs for long-term services and net interests on net defined benefit liabilities (assets) as a current profit or loss.

(5) Redundancy payments

The Group recognizes an expense for termination benefits when an employee accepts the offer or when a restriction on the Bank's ability to withdraw the offer takes effect. If employees are laid off upon a request from the Group, the Group can give more retirement benefits in comparison to when the employees voluntarily leave the Group. With regard to the redundancy payment that is a difference between the amount that the Group pays to the employee who voluntarily leaves the Group and the amount that the Group pays to the employee who is dismissed by the Group, the Group recognizes the liability and the expense of the redundancy payment earlier of when the Group cannot withdraw a proposal for the redundancy payment or when it recognizes restructuring costs accompanied by the redundancy payment.

2.3.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

2.3.16 Deferred acquisition costs

Acquisition costs arising from long-term contracts, excluding any excess amount over expected acquisition costs, are deferred and amortized over the premium payment period or seven years, whichever is shorter. For cancellations, any unamortized portion is written off immediately.

The Group amortizes an amount that exceeds the difference between net level premium reserve and surrender value level premium reserve.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.17 Classification of insurance contracts

The Group recognizes a contract as an insurance contract if under the contract one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
The Group assesses representative contract's insurance risk of an insurance product considering the claims paid when the insured event occurs or does not occur. If a contract is exposed to financial risk without significant insurance risk, the contract is classified as an investment contract.

Financial risk is the risk of a possible future change in one or more specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of prices or rates, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

The Group applies "KIFRS 1104 *Insurance Contracts*" for insurance contracts and investment contracts with discretionary participation features. Investment contracts with no discretionary participation features are accounted for in accordance with "KIFRS 1039 *Financial Instruments: Recognition and Measurement*".

A contract that was initially qualified as an insurance contract remains to be classified as insurance contract until all rights and obligations are extinguished or expired. However, the Group reclassifies an investment contract to an insurance contract if insurance risk becomes significant.

2.3.18 Insurance contracts liabilities

The Group provides various policy reserves in accordance with the Insurance Business Act, relevant regulations and the terms and conditions in insurance contracts as follows:

(1) Premium reserve

Premium reserve is a liability related to future payment of claims. Premium reserve is calculated by deducting the actuarial present value of future premiums to be received after the reporting date from the actuarial present value of future payment of claims with respect to long-term insurance contracts.

(2) Reserve for unearned premium

Reserve for unearned premium is recognized for the portion of insurance premiums received which do not pertain to the current period.

(3) Guarantee reserve

Guarantee reserve is recorded to guarantee the agreed level of benefit which is independent of investment performance of the separate accounts.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.18 Insurance contracts liabilities, continued

(4) Reserve for outstanding claims

Reserve for outstanding claims is an estimate of loss for insured events that have occurred prior to the date of statement of financial position but for which a fixed value cannot be determined, which includes the following:

- Estimated amount: The expenses to be incurred in the course of settlement of the insured event, such as lawsuit or arbitration (if partial amount is settled, the remainder is recognized)
- Reserve for ineffective contracts: Reserve for ineffective contracts due to default in premium payment (Partial amount of surrender value)
- Unpaid claims: The amount of claims, surrender value and dividend to be paid is determined but not paid yet
- IBNR (Incurred But Not Reported): Estimated amount using a reasonable statistical method considering the Group's experience rate

(5) Reserves for participating policyholder's dividends

Reserves for participating policyholder's dividends comprise reserve for guaranteed dividend, reserve for mortality dividend, reserve for interest dividend, reserve for expense dividend, reserve for long term duration and reserve for revaluation dividends.

The Group calculates each reserve for the participating policyholders' dividends by the methods described below:

- Reserve for guaranteed dividend:
A reserve to compensate for the difference between expected rate of interest and the average interest rate of time deposit for the reporting period. The Group records this reserve only for the contracts which were initiated before October 1, 1997.

- Reserve for mortality dividend:
A reserve to compensate for the difference between expected mortality rate and actual mortality rate. The Group has been recording this reserve only for the contracts which are or are expected to be effective for more than a year as of the reporting date, excluding nonparticipating policies, since 1983.

- Reserve for interest dividend:
A reserve to compensate for the difference between expected interest rate of each insurance product and dividend benchmark rate. The Group has been recording this reserve only for the contracts that are or are expected to be effective for more than a year from the reporting date, excluding nonparticipating policies, since 1987. However, the interest dividends from reserve insurance sold after October 1, 1997 are based on the interest dividends deducted from the expected rate.

- Reserve for expense dividend:
A reserve to compensate for the difference between expected operation expense rate and expense dividend benchmark rate. The Group has been recording this reserve only for the contracts which are or are expected to be effective for more than a year as of the reporting date, excluding nonparticipating policies, since 2001.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.18 Insurance contracts liabilities, continued

(5) Reserves for participating policyholder's dividends, continued

- Reserve for long-term duration dividend:
A reserve for the long-term contracts which is calculated by the following formula:
(Net level premium reserve of prior reporting period - Deferred acquisition costs) * {0.1% + (Number of years passed - 6} * 0.02%)

- The Group has been recording this reserve only for the contracts that remain for more than six years as of the reporting date, excluding nonparticipating policies, since 1987.

- Reserve for revaluation dividends:
A reserve for the participating policy holder's portion of asset revaluation surplus for land and building in accordance with Asset Revaluation Law in 1990. The Group records this reserve only for the contracts that remained for more than two years from March 31, 1989 and more than one year from March 31, 1999, respectively.

(6) Dividend reserve for policyholders' income participation

Dividend reserve for policyholders' income participation refers to the amount to be reserved, in lump sum and depending on the business performance, for the purpose of distributing reserves after paying stockholders as future dividends to policyholders or for additional accumulation as part of policy reserve other than the reserve for policyholders' dividend.

(7) Reserve for losses on dividend insurance contract

In accordance with the Regulation on Supervision of Insurance Business, the Group accumulates reserve for losses of participating insurance contract within 30/100 of policyholders' share in dividend-paying insurance income. A reserve for compensation for losses on dividend-paying insurance contracts accumulated shall be used for replenishing the losses of the participating insurance contract, and the balance after the replenishment shall be used as for the source of policyholders' dividend for individual policyholders, for five fiscal years from the end of the fiscal year when the accumulation is made.

2.3.19 Reinsurance

The Group cedes insurance risk by reinsurance agreements with reinsurers. Reinsurance assets represent recoverable amounts due from reinsurance companies.

Reinsurance assets are reviewed for impairment at each reporting date. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss in consolidated statements of comprehensive income.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.20 Liability adequacy test

The Group assesses at the end of each reporting period whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire difference shall be recognized in profit or loss.

The Group applies the liability adequacy test that meets specified minimum requirements by KIFRS 1104. The minimum requirements are the following:

- The test considers current estimates of all contractual cash flows, and of related cash flows such as claim handling costs, as well as cash flows resulting from embedded options and guarantees.
- If the test shows that the liability is inadequate, the entire difference is recognized in profit or loss.

2.3.21 Separate accounts

The Group carries separate accounts for retirement insurance, retirement pension and variable life insurance products according to the provision in the Korean Insurance Business Law. The separate account assets (liabilities) are stated at net of accounts payable and accounts receivable in general account incurred in the course of transactions between general accounts and separate accounts.

Revenues and expenses of investment-linked type separate account are not presented in the general account statement of operations, while the revenues and expenses of guaranteed-interest type separate account are accounted for in the general account statement of operations in gross amounts as separate account income and separate account expense, respectively.

2.3.22 Trust accounts

The Group obtained the authorization to operate a trust business from the Financial Service Commission and operates its trust business. In accordance with the regulation on trust business, trust estates are recognized as separate accounts and trust fee related to operating, administration and disposal of trust estates is recognized as trust fee in operating revenue.

2.3.23 Policyholders' equity adjustment

Policyholders' equity adjustments consist of reserves for stabilization of participating policyholders' dividends, reserves for social contributions and net gain (loss) from valuation of investment securities. The stabilization reserves for participating policy holders' dividends and reserves for social contributions funds are the amounts reserved for future dividends to participating policyholders and future social contributions through asset revaluation surplus for land and building in accordance with Asset Revaluation Law.

Unrealized holding gains or losses on available-for-sale securities, on held-to-maturity securities and on valuation of investment in associates and subsidiaries are allocated to policyholder's equity adjustment using the current year's ratio of policyholders' equity and shareholders' equity.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.24 Reserves for unpaid life insurance policy benefit

Pursuant to the unrestricted management of reserves for unpaid life insurance policy benefit by Financial Supervisory Services (FSS), the Group pays life insurance policy benefits at the request of a policyholder even if the legitimate obligation to pay has expired.

2.3.25 Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

2.3.26 Recognition of revenue and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group recognizes the income when the followings criteria are met.

(1) Premium income

Premium income is recognized at the time when such premium payment becomes due. If premium income is received before the premium due date, the Group records unearned insurance premium based on fractional period calculation.

(2) Interest income and interest expense

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.26 Recognition of revenue and expenses, continued

(3) Commissions income recognition

The Group applied the following five-step revenue recognition model for the fee income in accordance with KIFRS 1115.

- identify the contracts with a customer.
- identify the performance obligations in the contract
- determine the transaction price
- allocate the transaction price to each performance obligation
- recognize revenue when a performance obligation is satisfied

The Group recognizes its financial service fees and commissions based on its objectives, and in conformity with accounting standards of related financial instruments as below.

a) Fees and commissions earned by performance of meaningful action
Fees and commissions earned by delivering meaningful performances such as negotiating on behalf of third parties' transactions, such as stock or other securities transactions and underwriting of business settlements, or as a consideration for participating in negotiation are recognized as revenue upon completion of the delivery of services.

b) Fees and commissions earned by providing services
Fees and commissions levied as a consideration for providing services for a certain period of time, such as asset management fees, trust fees, guarantee service fees, are recognized as revenue when the service is provided. Also, when it is not probable that a specific loan commitment will be entered into, and when the loan commitment does not fall under the scope of KIFRS1039 Financial instruments: recognition and measurement, related commitment fee is recognized over the commitment period.

c) Fees forming a part of effective interest income of financial instruments
Fees forming a part of effective interest of financial instruments are generally recognized as adjustments to effective interest rates. These fees include costs incurred for activities such as the valuation of the financial status of borrowers, guarantee, collaterals and other commitments, administrative expenditures, and expenditures made for issuance of financial liabilities. However, if the financial instrument is recognized at fair value through profit or loss, related fees and commissions are recognized in profit or loss at the initial recognition of the financial instrument.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.26 Recognition of revenue and expenses, continued

(4) Sale of goods

1) Identify the performance obligations in the contract

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

2) price concession

The Group provides to customer a price concession at the time of sale. In accordance with KIFRS 1115, if consideration payable to a customer is not a payment for a distinct good or service from the customer, the Group accounts for all of the consideration payable to the customer as a reduction of the transaction price.

3) Obligations for returns and refunds

The Group recognizes a refund liability if the Group expects to refund some or all of that consideration to the customer and adjusts revenue for the transferred products. The Group recognizes as an asset for the Group's right to recover products from a customer when the customer exercises a right of return and adjusts cost of sales for any expected costs to recover those products. The amount expected to be refunded to the customer and the amount of the right to recover the goods shall be measured applying the return experience rate based on the past practice.

4) Customer loyalty program

Under the customer loyalty program, the Group provides to customer the points that entitle the customers to future discounted purchases. The Group allocates part of the consideration received to the customer loyalty program and the amount of allocation is measured based on the relative stand-alone selling prices. The amount allocated under the customer loyalty program is deferred and recognized as revenue when the points are used or extinguished.

(5) Rendering of services

Revenue from services rendered is recognized in profit or loss when recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, in proportion to the stage of completion of the transaction at the reporting date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

(6) Dividends

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(7) Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of comprehensive income due to its operating nature.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.27 Current and deferred tax

(1) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2. Basis of preparation and significant accounting policies, continued

2.3 Significant accounting policies, continued

2.3.27 Current and deferred tax, continued

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss.

Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 Changes in accounting policies and disclosures

2.4.1 New and amended standards and interpretations adopted

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The nature and the impact of each new standard or amendment is described below:

(1) KIFRS 1103 *Business Combinations* – Definition of a Business

The amendment to KIFRS 1103 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

(2) Amendments to KIFRS 1107 *Financial Instruments: Disclosures*, KIFRS 1109 *Financial Instruments*, KIFRS 1039 *Financial Instruments: Recognition and Measurement* – Interest Rate Benchmark Reform

The amendments to KIFRS 1109 and KIFRS 1039 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

2. Basis of preparation and significant accounting policies, continued

2.4 Changes in accounting policies and disclosures, continued

2.4.1 New standards and interpretations adopted, continued

(3) KIFRS 1001 *Presentation of Financial Statements* and 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."
The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

(4) Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

(5) Amendment to KIFRS 1116 *Leases* – Covid-19-Related Rent Concessions

The amendment to KIFRS 1116 *Leases* – COVID-19-related rent concessions alleviates the adoption of KIFRS 1116 for lessees due to the COVID-19 pandemic. Lessees may apply the practical expedient to elect not to assess whether rent concessions arising as a direct consequence of the COVID-19 pandemic constitutes a lease modification, and lessees that makes this election accounts for any change in lease payments resulting from the rent concessions the same way it would account for the change applying this standard if the change were not a lease modification. The amendment may be retrospectively applied to annual reporting periods beginning on or after June 1, 2020 and earlier application is permitted. The amendment had no impact on the consolidated financial statements of the Group as no rent concessions arose in relation to COVID-19.

2. Basis of preparation and significant accounting policies, continued

2.4 Changes in accounting policies and disclosures, continued

2.4.1 New standards and interpretations adopted, continued

(6) Annual Improvements 2015-2017 Cycle

KIFRS 1101 *First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter*

A subsidiary that uses the exemption in paragraph D16(1) of KIFRS 1101 First-time Adoption of International Financial Reporting Standards may elect, in its financial statements, to measure cumulative translation differences that would be included in the parent's consolidated financial statements, based on the parent's date of transition to KIFRS. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(1). Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

KIFRS 1109 *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from an existing financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity shall apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which it first applies the amendments. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. The Group will be applied the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which it first applies the amendments. Those amendments are not expected to have a significant impact on the Group's consolidated financial statements.

KIFRS 1041 *Agriculture – Taxation in Fair Value Measurements*

The amendments removed the requirement on paragraph 22 for entities to exclude cash flows for taxation when measuring fair value. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. Those amendments are not expected to have a significant impact on the Group's consolidated financial statements.

2. Basis of preparation and significant accounting policies, continued

2.4.1 New standards and interpretations adopted, continued

(7) Standards of Guarantee reserve

1) Changes in accounting policies

In accordance with the amendment to the Enforced Regulation on Supervision of Insurance Business, the criteria for assessing the adequacy of Guarantee reserves have been changed for the year ended December 31, 2020. The Group has been restated the comparative information applying changes in accounting policies since the changes in assessment criteria are considered to provide more reliable and relevant information about current estimates of future cash flows.

2) Amount of adjustment for financial position and performance

The impact of changes in accounting policies on the Company's financial performance in the consolidated statement of financial position as of December 31, 2019 and January 1, 2019 and the consolidated statement of comprehensive income for the year then ended is as follows:

	Dec 31, 2019					
	Total assets	Total liabilities	Total equity	Retained earnings	Profit for the year	Earnings per share
Before applying new accounting standards	₩ 116,053,429	103,668,854	12,384,575	7,417,673	642,665	KRW 5,661
Adjustments:						
Retrospective effect (Dec 31, 2018)	-	24,829	(24,829)	(24,829)	-	
Additional reserve by LAT	-	(34,247)	34,247	34,247	34,247	
Deferred tax effect	-	9,418	(9,418)	(9,418)	(9,418)	
After applying new accounting standards	₩ 116,053,429	103,668,854	12,384,575	7,417,673	667,494	KRW 5,904

	Jan 1, 2019			
	Total assets	Total liabilities	Total equity	Retained earnings
Before applying new accounting standards	₩ 108,819,869	98,255,526	10,564,343	6,939,648
KIFRS 1116 Introduction effecct	-	-	917	917
Adjustments:				
Retrospective effect (Dec 31, 2018)	-	-	-	-
Additional reserve by LAT	-	34,247	(34,247)	(34,247)
Deferred tax effect	-	(9,418)	9,418	9,418
After applying new accounting standards	₩ 108,819,869	98,280,355	10,540,431	6,915,736

3) Detail of adjustments in cash flows
The change in accounting policy has no effect on the cash flows as of December 31, 2019 and January 1, 2019.

3. Significant accounting judgments, estimates and assumptions

3.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(1) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(2) Impairment on loans and receivables

Individual and collective allowance for doubtful accounts is calculated to assess impairment on loans and receivables. When individual allowance for doubtful accounts. When individual allowance for doubtful accounts is calculated, expected recoverable amount is calculated by estimated future cash flows considering borrowers' sales or collateral. In addition, when the collective allowance for doubtful accounts is calculated, default rates, duration of loss and loss rates at bankruptcy are estimated based on historical impairment.

(3) Impairment of non-financial assets

The Group tests non-financial assets for impairment at the end of every reporting period. The intangible assets with goodwill and indefinite useful lives are tested for impairment whenever there is an indication that the intangible asset may be impaired. Other non-financial assets are tested for impairment whenever there is an indication that the carrying value cannot be recovered. The value in use calculation is based on the management's assumption on future expected cash flows generated from CGU or asset. For the calculation of present value of future expected cash flows, adequate discount rate should be chosen.

(4) Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

3. Significant accounting judgments, estimates and assumptions, continued

3.1 Estimates and assumptions, continued

(5) Development costs

Development costs are capitalized in accordance with the accounting policy as mentioned in Note 2.3. Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

(6) Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'A+' rating or above, as set by an internationally acknowledged rating agency. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

(7) Significant judgment in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, and any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. If the Group possesses such options, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

(8) Provision for decommissioning

The Group has recognized a provision for decommissioning obligations associated with a leased building. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs.

(9) Income tax

There are different kinds of transactions and calculation methods which make final tax determination uncertain. Based on an estimate of the additional taxes to be imposed, if there is a difference between final tax amount and initially recognized tax amount, the difference will affect current income tax and deferred tax assets and liabilities at the period when such determinations are made.

3. Significant accounting judgments, estimates and assumptions, continued

3.1 Estimates and assumptions, continued

(10) Special Taxation for Facilitation of Investment and Mutually-Beneficial Cooperation

Under the "Special Taxation for Facilitation of Investment and Mutually-Beneficial Cooperation", the Group shall pay additional corporate taxes if a certain portion of the Group's taxable income is not used for qualifying investments, wage increases and mutually-beneficial cooperation. Accordingly, when assessing its corporate income tax for the same period, the Group reflects the tax effects of the "Special Taxation for Facilitation of Investment and Mutually-Beneficial Cooperation". Therefore, income tax to be paid by the Group in future periods may differ depending on the level of investment, wage increases and mutually-beneficial cooperation.

(11) Liability adequacy test

The Group recognizes the shortfall as its loss by assessing the adequacy of insurance liability. In order to estimate the cash flow anticipated to occur from the current insurance contract, reasonable anticipation of cash inflows including premium income and that of cash outflows including insurance, refund, reserve, expenses etc. is required. For this purpose, scenario presented by Financial Supervisory Service, ratio of risk, ratio of cancellation and expense rate use the presumptions considering the experience of the past and the trend of the future. The long-term insurance uses the discount rate reflecting the past experience and the current market information in order to calculate the future cash flow into the current value. Also, adequacy of individually estimated claims is assessed for reserves by selecting the most adequate model according to the trend of claims paid among various statistical methods. The Group categorizes its insurance products based on characteristics of the products. For insurance products in the same category, the Group applies assumptions for the respective category consistently.

4. Standards issued but not yet effective

The standards and interpretations that are issued, up to the date of issuance of the Group's consolidated financial statements but not yet effective are disclosed below.

4.1 KIFRS 1109 *Financial Instruments*

KIFRS 1109, published on September 25, 2015, is, in principle, effective for annual periods after January 1, 2018. Due to the amendments of KIFRS 1104, *'Insurance Contract'*, the Group met the qualification for the temporary exemption as of December 31, 2016 which require the ratio of insurance related liabilities to exceed 90% of the total liabilities. As a result, the Group can be exempted from applying KIFRS 1109 for a limited time until December 31, 2022.

This newly established standard KIFRS 1109 generally requires the entity to apply retrospectively. However, for the classification and measurements of financial instruments, including impairments, the standard provides an exemption from the requirement to restate comparative information. For hedge accounting, this standard shall apply prospectively aside from the accounting for the time value of options and other exceptions.

Main characteristics of KIFRS 1109 are the classification and measurements of financial assets in accordance with the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, impairment model of financial instruments based on expected credit losses, expansion of hedged item and the hedging instrument qualifies for hedge accounting and changes to the methods for assessing hedge effectiveness.

The general effects of this standard based on its main characteristics over the consolidated financial statements were as follows:

4. Standards issued but not yet effective, continued

4.1 KIFRS 1109 *Financial Instruments*, continued

(1) Classification and measurement of financial assets

The Group shall classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset as shown on the below table when the new standard KIFRS 1109 is adopted. Furthermore, if a hybrid contract contains a host that is an asset within the scope of this standard, an embedded derivative shall not be separated from the host and accounted for financial assets.

	Contractual cash flow characteristics	
Business model objectives	Principal and interest	Others
To collect the contractual cash flows	Measured at amortized cost (*1)	
To collect the contractual cash flows and to sell	Measured at fair value through other comprehensive income (*1)	Fair value through profit or loss(*2)
To sell and others	Measured at fair value through profit or loss	

(*1) The Group may irrevocably designate a financial asset as measured at fair value through profit or loss to eliminate or significantly reduce accounting mismatch.
(*2) The Group may make an irrevocable election for equity instruments held for trading as measured at fair value through other comprehensive income.

Conditions to measure financial assets at amortized cost or fair value through other comprehensive income under KIFRS 1109 are more stringent than the conditions under KIFRS 1039. As a result, the portion of financial assets measured at fair value through profit or loss will increase which may lead to increases in volatility of profit or loss.

(2) Classification and measurement of financial liabilities

In accordance with the new standard KIFRS 1109, the amount of change in the fair value of the financial liability that is designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, not profit or loss. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, when the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch, the related change in the fair value shall be presented in profit or loss.

As some portion of the changes in fair value of the financial liability that is designated as at fair value through profit or loss, which was recognized as profit or loss under KIFRS 1039, shall be presented as other comprehensive income, the profit or loss related to fair value of financial liability may decrease.

4. Standards issued but not yet effective, continued

4.1 KIFRS 1109 Financial Instruments, continued

(3) Impairment: Financial assets and contract assets

Under the current standard KIFRS 1039, impairment is recognized based on incurred loss model only when there is an objective evidence of impairment. However, under the new standard KIFRS 1109, impairment is recognized based on expected credit loss impairment model for the debt instruments, lease receivables, contract assets, loan commitments, and financial guarantee contracts measured at amortized cost or financial assets that are measured at fair value through other comprehensive income.

Unlike the current standard KIFRS 1039 which is based on incurred loss model, credit losses may be recognized earlier under KIFRS 1109. As shown below, this standard requires to measure the amount for loss allowance in 3 stages based on the 12-month expected credit losses or lifetime expected credit losses depending on the degree of increase in credit risk of the financial assets since initial recognition.

Stages		Loss allowance
Stage 1	Credit risk has not increased significantly since initial recognition	12-month expected credit losses: the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Credit-impaired	

On the other hand, KIFRS 1109 requires financial assets that are credit-impaired at initial recognition to account for only the cumulative change in lifetime expected losses since the initial recognition as a loss allowance.

4. Standards issued but not yet effective, continued

4.1 KIFRS 1109 Financial Instruments, continued

(4) Hedge accounting

New standard KIFRS 1109 retains the mechanics of hedge accounting (i.e. fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation) of current standard KIFRS 1039. However, this standard mitigated KIFRS 1039 by amending the complex and rule-based requirements related to hedge accounting under KIFRS 1039 to principle-based requirements to align hedge accounting more closely with risk management. Furthermore, this standard expanded the eligible hedged item and the hedging instrument and eased the requirement for the hedge accounting by removing quantitative threshold (80~125%) and changing hedge effectiveness test method.

The Group assessed the financial impact of the initial adoption of KIFRS 1109 by assessing the impact on the consolidated financial statements based on the current circumstances and available information as of December 31, 2019.

1) The fair value at the end of the reporting period and the amount of change in the fair value during that period by group of financial assets as of December 31, 2020 are as follows:

		Fair value at the end of the reporting period	Amount of change in the fair value
Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding	₩	72,899,107	984,351
Other financial assets		24,079,131	701,297
	₩	96,978,238	1,685,648

2) For financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding that do not have low credit risk at the end of the reporting period, the fair value and the carrying amount applying KIFRS 1039 (in the case of financial assets measured at amortized cost, before adjusting for any impairment allowances) are ₩70,321,627 million and ₩70,238,510 million, respectively.

3) KIFRS 1109 information for subsidiaries could be obtained from the publicly available individual or separate financial statements of an entity within the Group that has applied KIFRS 1109.

4) The Group is exempted from the particular requirements in KIFRS 1028, so KIFRS 1109 is applied to certain joint venture Kyobo AXA Investment Management Co., Ltd.

4. Standards issued but not yet effective, continued

4.2 Amendments to KIFRS 1001 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current

In January 2020, the KASB issued amendments to paragraphs 69 to 76 of KIFRS 1001 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022, retrospectively. The Group evaluates the impact of the amendment on the Group and whether existing loan agreements require renegotiation.

4.3 Amendments to KIFRS 1103 *Business Combinations* – Reference to the Conceptual Framework for Financial Reporting

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of KIFRS 1103 was also added to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 or KIFRS 2121 *Levies*, if incurred separately. At the same time, clarifications were made to existing guidance in KIFRS 1103 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

4.4 Amendments to KIFRS 1016 *Property, Plant and Equipment* – Proceeds before Intended Use

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. These amendments are not expected to have a significant impact on the Group' s consolidated financial statements.

4. Standards issued but not yet effective, continued

4.5 Amendments to KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*– Onerous Contracts—Cost of Fulfilling a Contract

The amendments clarify the costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

4.6 Annual Improvements 2018-2020 Cycle

4.6.1 KIFRS 1101 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a First-time Adopter

The amendment permits a subsidiary that elects to apply paragraph D16(1) of KIFRS 1101 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to KIFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(1) of KIFRS 1101. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

4.6.2 KIFRS 1109 *Financial Instruments* – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

4.6.3 KIFRS 1041 *Agriculture* – Taxation in Fair Value Measurements

The amendment removes the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. Those amendments are not expected to have a significant impact on the Group's consolidated financial statements.

(In millions of won)

5. Cash and due from banks

(1) Cash and cash equivalents as of December 31, 2020 and 2019 are as follows:

		2020	2019
Cash	₩	1,214	1,052
Current deposits		7,369	28,743
Demand deposits		197,610	327,310
MMDA		488,507	413,402
Other deposits		66,026	297,953
	₩	760,726	1,068,460

(2) Due from banks as of December 31, 2020 and 2019 are as follows:

		2020	2019
Time deposits	₩	271,747	437,374
Margin on futures		94,763	120,892
Reserve for claims of customers' deposits		145,000	5,000
Other deposits		668,395	1,017,981
	₩	1,179,905	1,581,247

(3) Bank deposits with withdrawal restrictions as of December 31, 2020 and 2019 are as follows:

		2020	2019	Details
Demand deposits	₩	111	20,396	Partially seized
Guarantee deposits for checking accounts		19	19	Guarantee deposits for checking accounts
Time deposits		22,223	63,223	Payment settlement of micro payment etc.
Margin on futures		94,763	120,892	In relation to derivatives transactions
Reserve for claims of customers' deposits		145,000	5,000	Reserve for return of customer deposits
Other deposits		456,928	405,280	Customers' deposits of overseas futures FX margin, deposits for loan transactions, etc.
	₩	719,044	594,645	

(In millions of won)

6. Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

		2020	2019
Hybrid financial instruments:			
Credit linked notes	₩	33,006	35,053
Other embedded derivatives		17,289	15,220
		50,295	50,273
Valuation and management of fair value:			
Reserve for claims of customers' deposits (*)		281,901	279,623
	₩	332,196	329,896

(*) Under the *Capital Market and Finance Investment Services Act*, the Group has reserved the amount required by the Financial Services Commission for claims of customers' deposits (trust) to Korea Securities Finance Corporation (KSFC) and its use is restricted.

7. Financial assets held for trading

(1) Financial assets held for trading as of December 31, 2020 and 2019 are as follows:

		2020	2019
Equity securities:			
Stocks	₩	42,395	5,412
Beneficiary certificates		1,465,934	908,120
		1,508,329	913,532
Debt securities:			
Government and public bonds		1,055,733	976,397
Special bonds		658,464	180,637
Financial institutions bonds		1,877,819	1,724,668
Corporate bonds		876,395	794,203
Overseas securities		903,488	870,045
Other securities		220,839	306,497
		5,592,738	4,852,447
	₩	7,101,067	5,765,979

(2) Financial assets held for trading pledged as collateral as of December 31, 2020 and 2019 are as follows:

Purpose		2020	2019	Counter party
Payment of deposit and repurchase agreements, etc.	₩	4,625,309	3,947,558	KSFC, etc.

(In millions of won)

8. Available-for-sale financial assets

(1) Available-for-sale financial assets as of December 31, 2020 and 2019 are as follows:

		2020	2019
Equity securities:			
Listed shares	₩	704,761	533,945
Unlisted shares		368,418	378,033
Equity investments		76,940	84,616
Beneficiary certificates		9,465,360	8,063,651
Overseas securities		2,698,444	2,045,277
Other securities		16,026	21,129
		13,329,949	11,126,651
Debt securities:			
Government and public bonds		20,092,656	18,883,163
Special bonds		8,625,300	8,910,914
Financial institutions bonds		1,127,573	1,173,228
Corporate bonds		3,440,241	3,072,619
Overseas securities		16,708,153	16,882,059
Other securities		-	242
		49,993,923	48,922,225
Cooperative Fund for default losses (*)		43,613	36,850
	₩	63,367,485	60,085,726

(*) In accordance with article 394 of the Capital Market and Finance Investment Services Act and article 362 of enforcement decree of this Act, the Group reserved basic reserve of ₩1,000 million plus variable reserves as securities market joint funds and derivative market joint funds to compensate for damages from violation of transaction(derivative instrument transaction) in securities market or derivative market. The Group has no free rights to dispose the fund for its profit.

The fair values of domestic currency debt securities and foreign currency debt securities of available-for-sale financial assets are based on the average prices of base prices on the latest business day, which are provided by Korea Asset Pricing (KAP) and KIS Pricing Inc, etc. The fair values of unlisted stocks and investments of which the posted prices are not available in an active market, are calculated based on the appraised values in the appraisal reports of KAP.

(In millions of won)

8. Available-for-sale financial assets, continued

(2) Gain on valuation of available-for-sale financial assets accounted for as accumulated other comprehensive income and policyholder's equity adjustments as of December 31, 2020 and 2019 are as follows:

	2020	2019
Gain on valuation of available-for-sale securities	₩ 5,627,168	5,140,142
Amount allocated to policyholder's equity adjustment	1,146,269	1,093,295
Amount allocated to deferred tax liabilities	1,235,773	1,115,004
Amount allocated to accumulated other comprehensive income	3,245,126	2,931,843

(3) Unlisted shares and equity investments were recognized at acquisition costs of ₩19,807 million and ₩17,078 million as of December 31, 2020 and 2019, respectively, as the fair value cannot be reliably estimated.

(4) Impairment losses on available-for-sale financial assets for the periods ended December 31, 2020 and 2019 amounted to ₩61,445 million and ₩22,227 million, respectively.

(5) Available-for-sale financial assets pledged as collateral as of December 31, 2020 and 2019 are as follows:

Collateral	Purpose		2020	2019	Counter party
Government and public bonds, etc.	Collateral for derivatives	₩	369,757	488,852	Credit Suisse Bank
	Repurchase agreements		260,922	300,233	KSFC, etc.
	Loans for agency funding		119,934	97,799	KSFC, etc.
		₩	750,613	886,884	

(In millions of won)

9. Loan receivables

(1) Loan receivables as of December 31, 2020 and 2019 are as follows:

	2020	2019
Policy loan receivables	6,117,135	6,419,070
Loan receivables secured by investment securities	585,669	383,656
Loan receivables secured by real estate	6,214,126	5,671,360
Unsecured loan receivables	7,406,025	6,694,999
Guaranteed loan receivables	1,292,271	1,195,572
Other loan receivables	840,821	483,152
	22,456,047	20,847,809
Less: Present value discount	(4,997)	(3,585)
Less: Allowance for loss on loan receivables	(78,242)	(66,682)
Less: Deferred loan origination costs and fees	(19,505)	(14,903)
₩	22,353,303	20,762,639

(2) Changes in allowance for loss on loan receivables for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Beginning balance	₩	66,682	57,838
Charge for the year, net		28,346	21,525
Write-off, etc.		(27,480)	(32,980)
Unwinding effect		(357)	(274)
Recovery of bad debts		11,051	20,573
Ending balance	₩	78,242	66,682

(3) Changes in deferred loan origination costs and fees for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Beginning balance	₩	(14,903)	(4,253)
Loan originations		(7,679)	(5,608)
Amortization		3,077	(5,042)
Ending balance	₩	(19,505)	(14,903)

(In millions of won)

10. Other receivables

(1) Details of other receivables as of December 31, 2020 and 2019 are as follows:

		2020	2019
Insurance receivables:			
Premiums transferred automatically	₩	2,800	3,174
Insurance settlement adjustments		2,509	1,313
Reinsurance receivables		65,373	60,922
Other insurance receivables		9,981	14,431
		80,663	79,840
Accounts receivables, etc.		748,463	416,635
Guarantee deposits		170,089	101,195
Accrued income		563,840	593,648
Others		53,760	56,495
Finance lease receivables		2,692	5,885
		1,619,507	1,253,698
Less: Present value discount		(5,423)	(7,218)
Less: Allowance for other receivables		(34,150)	(31,562)
	₩	1,579,934	1,214,918

(2) Changes in allowance for other receivables for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Beginning balance	₩	31,562	41,685
Provision (Reversal) for other receivables, net		4,352	(37)
Write-off, etc.		(1,710)	(10,086)
Recovery of bad debts		(54)	-
Ending balance	₩	34,150	31,562

(In millions of won)

10. Other receivables, continued

(3) Amounts of gross investment and present value of minimum lease payment of Finance lease receivables as of December 31, 2020 and 2019 are as follows:

		2020	
		Gross investment	Present value of minimum lease payment
Not later than 1 year	₩	1,213	1,168
1 ~5 years		1,060	1,039
Ending balance	₩	2,273	2,207

		2019	
		Gross investment	Present value of minimum lease payment
Not later than 1 year	₩	1,538	1,423
1 ~5 years		3,020	2,852
Later than 5 years		708	667
Ending balance	₩	5,266	4,942

(4) The unrealized interest income of gross investment from finance lease receivable was ₩419 million as of December 31, 2020.

(In millions of won)

11. Investments in associates and a joint venture

(1) Investments in associates and a joint venture as of December 31, 2020 and 2019 are summarized as follows:

	Country of domicile	Reporting date		2020 Book value	2020 Owner-ship (%)	2019 Book value	2019 Owner-ship (%)
Associates:							
A&D Credit Information Co., Ltd. (*1)	Korea	Dec. 31, 2020	₩	3,367	19.50	3,378	19.50
Hwaseong-Jeongnam General Industry Complexes Co., Ltd. (*1)	Korea	Sep 30, 2020		382	19.00	-	19.00
Kyobo 7 Special Purpose Acquisition Company (*3)	Korea	-		-	-	20	0.30
Kyobo 8 Special Purpose Acquisition Company (*3)	Korea	-		-	-	18	0.30
Kyobo 9 Special Purpose Acquisition Company (*1)	Korea	Dec. 31, 2020		19	0.26	19	0.30
Kyobo 10 Special Purpose Acquisition Company (*1, 2)	Korea	Dec. 31, 2020		117	1.32	-	-
Songsan Industrial Complex Development Co., Ltd. (*1)	Korea	Sep 30, 2020		57	15.00	792	15.00
Pusan Millak PFV (*1, 2, 4)	Korea	Dec. 31, 2020		-	5.00	-	-
Jinjeop2 REIT Co., Ltd. (*1, 2)	Korea	Dec. 31, 2020		59	0.13	-	-
Guri Galmae REIT Co., Ltd. (*1, 2)	Korea	Dec. 31, 2020		19	0.03	-	-
Yeouido H 2 PFV (*2)	Korea	Dec. 31, 2020		228	5.00	-	-
				4,248		4,227	
Joint ventures:							
Kyobo AXA Investment Management Co., Ltd.	Korea	Dec. 31, 2020		32,012	50.00	30,997	50.00
			₩	36,260		35,224	

(*1) The entities are classified as associates even though the Group holds less than 20% of shares since members of the Group's Board of Directors are also the members of the entities' board and thus have significant influence over the entities.
(*2) The entity was included in the associates for the year ended December 31, 2020.
(*3) The entity was excluded from the associates for the year ended December 31, 2020.
(*4) The Group discontinued to recognize its shares of profit or loss of the associate as the amount of equity investment fell below zero for the year ended December 31, 2020.

(In millions of won)

11. Investments in associates and a joint venture, continued

(2) Changes in investments in associates and a joint venture for the years ended December 31, 2020 and 2019 are as follows:

	2020						
	Beginning balance	Acquisition	Disposal/ Reclassification	Gain (loss) on equity-method accounting	Dividend	Changes in equity	Ending balance
Associates:							
A&D Credit Information Co., Ltd.	₩ 3,378	-	-	87	(98)	-	3,367
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	-	-	(171)	553	-	-	382
Kyobo 7 Special Purpose Acquisition Company	20	-	(10)	-	-	(10)	-
Kyobo 8 Special Purpose Acquisition Company	18	-	(10)	-	-	(8)	-
Kyobo 9 Special Purpose Acquisition Company	19	-	-	-	-	-	19
Kyobo 10 Special Purpose Acquisition Company	-	70	-	(1)	-	48	117
Songsan Industrial Complex Development Co., Ltd.	792	-	-	(735)	-	-	57
Pusan Millak PFV	-	250	-	(250)	-	-	-
Jinjeop2 REIT Co., Ltd.	-	59	-	-	-	-	59
Guri Galmae REIT Co., Ltd.	-	19	-	-	-	-	19
Yeouido H 2 PFV	-	250	-	(22)	-	-	228
	4,227	648	(191)	(368)	(98)	30	4,248
Joint ventures:							
Kyobo AXA Investment Management Co., Ltd.	30,997	-	-	5,904	(4,889)	-	32,012
	₩ 35,224	648	(191)	5,536	(4,987)	30	36,260

(In millions of won)

11. Investments in associates and a joint venture, continued

(2) Changes in investments in associates and a joint venture for the years ended December 31, 2020 and 2019 are as follows, continued:

	2019						
	Beginning balance	Acquisition	Disposal/ Reclassification	Gain (loss) on equity-method accounting	Dividend	Changes in equity	Ending balance
Associates:							
A&D Credit Information Co., Ltd.	₩ 2,833	-	-	545	-	-	3,378
Trus Y 7 REIT Co., Ltd. (*2)	3,579	-	(2,946)	(633)	-	-	-
KoFC Kyobo Hanhwa 2010-6 (*2)	649	-	(1,339)	582	-	108	-
I2S Korea Co., Ltd. (*1)	1,089	-	(1,089)	-	-	-	-
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	738	-	-	(738)	-	-	-
Kyobo 7 Special Purpose Acquisition Company	20	-	-	-	-	-	20
Kyobo 8 Special Purpose Acquisition Company	18	-	-	-	-	-	18
Kyobo 9 Special Purpose Acquisition Company	-	10	-	-	-	9	19
Songsan Industrial Complex Development Co., Ltd.	1,505	-	-	(713)	-	-	792
	10,431	10	(5,374)	(957)	-	117	4,227
Joint ventures:							
Kyobo AXA Investment Management Co., Ltd.	30,977	-	-	4,901	(4,830)	(51)	30,997
Kyobo Asset Trust Co., Ltd. (*3)	55,538	-	(56,243)	8,053	(7,000)	(348)	-
	86,515	-	(56,243)	12,954	(11,830)	(399)	30,997
	₩ 96,946	10	(61,617)	11,997	(11,830)	(282)	35,224

(*1) The entity was classified as non-current assets held-for-sale then disposed for the year ended December 31, 2019.
(*2) The entity was liquidated for the year ended December 31, 2019.
(*3) For the year ended December 31, 2019, the entity was classified as a subsidiary due to the additional acquisition of equity interest, its name has been changed from Saengbo Real Estate Trust Co., Ltd. to Kyobo Asset Trust Co., Ltd.

(In millions of won)

11. Investments in associates and a joint venture, continued

(3) Condensed financial information for investments in associates and a joint venture as of the December 31, 2020 and 2019 are summarized as follows:

	2020				2019			
	Assets	Liabilities	Operating profit	Net income (loss)	Assets	Liabilities	Operating profit	Net income (loss)
Associates:								
A&D Credit Information Co., Ltd.	26,868	9,602	43,132	447	25,019	7,699	39,951	2,793
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	41,454	39,446	211	(66)	54,617	54,714	63,120	8,056
Kyobo 7 Special Purpose Acquisition Company	-	-	-	-	10,004	2,176	142	(24)
Kyobo 8 Special Purpose Acquisition Company	-	-	-	-	7,914	1,102	126	37
Kyobo 9 Special Purpose Acquisition Company	8,809	1,575	78	(36)	8,825	1,555	21	(41)
Kyobo 10 Special Purpose Acquisition Company	9,820	859	18	(39)	-	-	-	-
Songsan Industrial Complex Development Co., Ltd.	188,414	188,032	7	(2,237)	221,701	216,420	8,638	(767)
Pusan Millak PFV	73,309	79,880	17,011	(9,731)	-	-	-	-
Jinjeop2 REIT Co., Ltd.	44,007	212	-	(2)	-	-	-	-
Guri Galmae REIT Co., Ltd.	71,041	979	-	(639)	-	-	-	-
Yeouido H 2 PFV	45,944	41,387	101	(443)	-	-	-	-
Joint ventures:								
Kyobo AXA Investment Management Co., Ltd.	73,855	9,831	37,730	11,808	73,512	11,516	34,796	9,801

(4) Reconciliation of the financial information to the carrying values of its interests in associates and a joint venture as of December 31, 2020 is as follow:

		2020				
		Net assets (a)	Ownership (%) (b)	Interests in the net assets (a) X (b)	Unrecognized losses	Carrying Value
Associates:						
A&D Credit Information Co., Ltd.	₩	17,266	19.50%	3,367	-	3,367
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.		2,008	19.00%	382	-	382
Kyobo 9 Special Purpose Acquisition Company		7,234	0.26%	19	-	19
Kyobo 10 Special Purpose Acquisition Company		8,961	1.32%	117	-	117
Songsan Industrial Complex Development Co., Ltd.		382	15.00%	57	-	57
Pusan Millak PFV		(16,754)	5.00%	(838)	(838)	-
Jinjeop2 REIT Co., Ltd.		43,795	0.13%	59	-	59
Guri Galmae REIT Co., Ltd.		70,062	0.03%	19	-	19
Yeouido H 2 PFV		4,557	5.00%	228	-	228
Joint ventures:						
Kyobo AXA Investment Management Co., Ltd.		64,024	50.00%	32,012	-	32,012

(In millions of won)

11. Investments in associates and a joint venture, continued

(5) The market value for associates and a joint venture which are publicly traded as of December 31, 2020 and 2019 are summarized as follows:

	2020		2019	
	Fair value	Book value	Fair value	Book value
Kyobo 7 Special Purpose Acquisition Company ₩	-	-	20	20
Kyobo 8 Special Purpose Acquisition Company	-	-	21	18
Kyobo 9 Special Purpose Acquisition Company	20	19	20	19
Kyobo 10 Special Purpose Acquisition Company	145	118	-	-

(*) The entity was delisted for the year ended December 31, 2020.

(6) Details of accumulated other comprehensive income for associates and a joint venture allocated to policyholder's equity adjustments and deferred tax liabilities as of December 31, 2020 and 2019 are as follows:

	2020	2019
Gain on valuation of associates ₩	39	14
Amount allocated to policyholder's equity adjustment	6	2
Amount allocated to deferred tax liabilities	9	3
Amount allocated to accumulated other comprehensive income	24	9

(In millions of won)

12. Classification by categories of financial instruments

(1) The carrying amounts of each category of financial assets and financial liabilities as of December 31, 2020 and 2019 are summarized as follows:

	2020						
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Financial assets:							
Cash and due from banks ₩	-	-	1,940,631	-	-	-	1,940,631
Financial assets designated at fair value through profit or loss	332,196	-	-	-	-	-	332,196
Financial assets held for trading	7,101,067	-	-	-	-	-	7,101,067
Derivatives	525,692	-	-	797,476	-	-	1,323,168
Available-for-sale financial assets	-	63,367,485	-	-	-	-	63,367,485
Loan receivables	-	-	22,353,303	-	-	-	22,353,303
Other receivables	-	-	1,579,934	-	-	-	1,579,934
₩	7,958,955	63,367,485	25,873,868	797,476	-	-	97,997,784
Financial liabilities:							
Financial liabilities designated at fair value through profit or loss ₩	-	-	-	-	3,083,526	-	3,083,526
Financial liabilities held for trading	-	-	-	-	413,809	-	413,809
Derivatives	-	-	-	94,234	512,343	-	606,577
Borrowings	-	-	-	-	-	2,619,813	2,619,813
Other financial liabilities	-	-	-	-	-	2,883,733	2,883,733
₩	-	-	-	94,234	4,009,678	5,503,546	9,607,458

(In millions of won)

12. Classification by categories of financial instruments, continued

(1) The carrying amounts of each category of financial assets and financial liabilities as of December 31, 2020 and 2019 are summarized as follows, continued:

		2019						
		Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Financial assets:								
Cash and due from banks	₩	-	-	2,649,707	-	-	-	2,649,707
Financial assets designated at fair value through profit or loss		329,896	-	-	-	-	-	329,896
Financial assets held for trading		5,765,979	-	-	-	-	-	5,765,979
Derivatives		279,966	-	-	213,676	-	-	493,642
Available-for-sale financial assets		-	60,085,726	-	-	-	-	60,085,726
Loan receivables		-	-	20,762,639	-	-	-	20,762,639
Other receivables		-	-	1,214,918	-	-	-	1,214,918
	₩	6,375,841	60,085,726	24,627,264	213,676	-	-	91,302,507
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss	₩	-	-	-	-	3,113,272	-	3,113,272
Financial liabilities held for trading		-	-	-	-	561,196	-	561,196
Derivatives		-	-	-	111,156	289,115	-	400,271
Borrowings		-	-	-	-	-	1,806,760	1,806,760
Other financial liabilities		-	-	-	-	-	2,004,857	2,004,857
	₩	-	-	-	111,156	3,963,583	3,811,617	7,886,356

(In millions of won)

12. Classification by categories of financial instruments, continued

(2) Gains (losses) on categories of financial instruments for the year ended December 31, 2020 is as follows:

	2020						
	Net profit and loss						
	Interest income (expense)	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss	Other operating income (expense) (*)	Subtotal	Other comprehensive income
Financial assets designated at fair value through profit or loss	₩ -	-	1,528	-	-	1,528	-
Financial assets held for trading	125,895	36,717	31,573	-	(35,395)	158,790	-
Available-for-sale financial assets	1,365,199	622,399	-	(61,445)	(207,005)	1,719,148	300,859
Trading purpose derivatives	3,477	(320,553)	(12,525)	-	(4,381)	(333,982)	-
Hedging purpose derivatives	(38,821)	(28,681)	753,934	-	-	686,432	(146,741)
Loans and receivables	1,047,151	1,125	-	(32,698)	553	1,016,131	-
Financial liabilities designated at fair value through profit or loss	-	(85,845)	38,574	-	54,628	7,357	-
Financial liabilities held for trading	-	(15,365)	10,721	-	-	(4,644)	-
Financial liabilities measured at amortized cost	(34,986)	-	-	-	30,808	(4,178)	-
	₩ 2,467,915	209,797	823,805	(94,143)	(160,792)	3,246,582	154,118

(*) Including gain or loss from foreign currency transaction and dividend income.

(In millions of won)

12. Classification by categories of financial instruments, continued

(2) Gains (losses) on categories of financial instruments for the year ended December 31, 2019 is as follows, continued:

	2019						
	Net profit and loss						
	Interest income (expense)	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss	Other operating income (expense) (*)	Subtotal	Other comprehensive income (expense)
Financial assets designated at fair value through profit or loss	₩ -	-	827	-	(8,265)	(7,438)	-
Financial assets held for trading	133,766	43,318	71,528	-	16,911	265,523	-
Available-for-sale financial assets	1,400,985	360,874	-	(22,227)	982,925	2,722,557	1,328,855
Trading purpose derivatives	(60,052)	(299,348)	30,185	-	-	(329,215)	-
Hedging purpose derivatives	(42,428)	(11,527)	(179,911)	-	-	(233,866)	(22,660)
Loans and receivables	1,093,601	(152)	-	(21,488)	57,372	1,129,333	-
Financial liabilities designated at fair value through profit or loss	-	(107,018)	(26,282)	-	-	(133,300)	-
Financial liabilities held for trading	-	(21,645)	(10,928)	-	-	(32,573)	-
Financial liabilities measured at amortized cost	(48,565)	-	-	-	-	(48,565)	-
	₩ 2,477,307	(35,498)	(114,581)	(43,715)	1,048,943	3,332,456	1,306,195

(*) Including gain or loss from foreign currency transaction and dividend income.

(In millions of won)

13. Fair value of financial assets and liabilities

(1) Book value and fair value of financial assets and liabilities as of December 31, 2020 and 2019 are as follows:

	2020		2019	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and due from banks	₩ 1,940,631	1,940,631	2,649,707	2,649,707
Financial assets designated at fair value through profit or loss	332,196	332,196	329,896	329,896
Financial assets held for trading	7,101,067	7,101,067	5,765,979	5,765,979
Derivative assets	1,323,168	1,323,168	493,642	493,642
Available-for-sale financial assets	63,367,485	63,367,485	60,085,726	60,085,726
Loan receivables	22,353,303	22,436,145	20,762,639	20,969,318
Other receivables	1,579,934	1,580,161	1,214,918	1,215,276
	₩ 97,997,784	98,080,853	91,302,507	91,509,544
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	₩ 3,083,526	3,083,526	3,113,272	3,113,272
Financial liabilities held for trading	413,809	413,809	561,196	561,196
Derivative liabilities	606,577	606,577	400,271	400,271
Borrowings	2,619,813	2,619,813	1,806,760	1,806,760
Other financial liabilities	2,883,733	2,884,484	2,004,857	2,005,281
	₩ 9,607,458	9,608,209	7,886,356	7,886,780

(2) Financial instruments measured at the fair value

The Group classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

(In millions of won)

13. Fair value of financial assets and liabilities, continued

(2) Financial instruments measured at the fair value, continued:

Financial instruments measured at fair value as of December 31, 2020 and 2019 are as follows:

		2020			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets designated at fair value through profit or loss	₩	-	281,901	50,295	332,196
Financial assets held for trading		1,128,550	5,961,517	11,000	7,101,067
Derivative assets		2,704	1,242,669	77,795	1,323,168
Available-for-sale financial assets		24,390,574	29,198,962	9,777,949	63,367,485
	₩	25,521,828	36,685,049	9,917,039	72,123,916
Financial liabilities:					
Financial liabilities designated at fair value through profit or loss	₩	-	-	3,083,526	3,083,526
Financial liabilities held for trading		413,809	-	-	413,809
Derivative liabilities		536	462,925	143,116	606,577
	₩	414,345	462,925	3,226,642	4,103,912

		2019			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets designated at fair value through profit or loss	₩	-	279,623	50,273	329,896
Financial assets held for trading		1,123,982	4,641,997	-	5,765,979
Derivative assets		7,068	429,830	56,744	493,642
Available-for-sale financial assets		23,402,012	28,305,909	8,377,805	60,085,726
	₩	24,533,062	33,657,359	8,484,822	66,675,243
Financial liabilities:					
Financial liabilities designated at fair value through profit or loss	₩	-	-	3,113,272	3,113,272
Financial liabilities held for trading		561,196	-	-	561,196
Derivative liabilities		11,472	235,441	153,358	400,271
	₩	572,668	235,441	3,266,630	4,074,739

(In millions of won)

13. Fair value of financial assets and liabilities, continued

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

	2020				
	Financial assets designated at fair value through profit or loss	Financial liabilities designated at fair value through profit or loss	Derivatives, net	Available-for-sale financial assets	Total
Beginning balance	₩ 50,273	(3,113,272)	(96,614)	8,377,805	5,218,192
Purchases/issuance	2,675	(4,043,786)	4,774	2,080,369	(1,955,968)
Settlements/disposals	(3,200)	3,980,331	25,916	(743,978)	3,259,069
Total income:	547	93,201	603	63,753	158,104
Profit or loss	547	93,201	603	(10,687)	83,664
Other comprehensive income	-	-	-	74,440	74,440
Ending balance	₩ 50,295	(3,083,526)	(65,321)	9,777,949	6,679,397

	2019				
	Financial assets designated at fair value through profit or loss	Financial liabilities designated at fair value through profit or loss	Derivatives, net	Available-for-sale financial assets	Total
Beginning balance	₩ 46,867	(3,114,551)	(104,121)	6,292,747	3,120,942
Purchases/issuance	-	(3,016,230)	(235)	2,624,653	(391,812)
Settlements/disposals	(10,368)	3,052,057	18,038	(617,556)	2,442,171
Total income:	1,625	(34,548)	(10,296)	77,719	34,500
Profit or loss	1,625	(34,548)	(32,285)	(4,379)	(69,587)
Other comprehensive income	-	-	21,989	82,098	104,087
Transfer to level 3 (*)	12,149	-	-	242	12,391
Ending balance	W 50,273	(3,113,272)	(96,614)	8,377,805	5,218,192

(*) The Group recognized transfer between levels of the fair value hierarchy for the year ended December 31, 2019.

(In millions of won)

13. Fair value of financial assets and liabilities, continued

(4) Total gains or losses for the years ended December 31, 2020 and 2019 recognized in profit of loss and gains or losses relating to financial instruments in level 3 at the end of the reporting period are presented in the consolidated statement of comprehensive income are as follows:

	2020	
	Total losses	Losses relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩ (17,165)	83,664

	2019	
	Total losses	Gains relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩ (138,963)	(69,587)

(5) Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 as of December 31, 2020 and 2019 are as follows:

Type of financial instrument	Valuation technique	Input variables
Financial assets:		
Financial assets designated at fair value through profit or loss	Discounted cash flow	Discount rate
Financial assets held for trading	Discounted cash flow	Interest rate, foreign exchange rate, stock price, etc.
Derivative assets	Discounted cash flow, Option pricing model, Black-Scholes model	Interest rate, foreign exchange rate, stock price, etc.
Available-for-sale financial assets	Discounted cash flow, Dividend discount model	Interest rate, foreign exchange rate, stock price, etc.
Financial liabilities:		
Derivative liabilities	Discounted cash flow, Option pricing model, Black-Scholes model	Interest rate, foreign exchange rate, stock price, etc.

13. Fair value of financial assets and liabilities, continued

(6) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2020 and 2019 are as follows, continued:

2020				
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Financial assets designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset	0% ~ 99%	Not standardized but depends on the structure of financial instrument
		Correlations	-0.99 ~ 0.99	
Derivative assets	Price formulas, Simulation, 1-factor Gaussian Copular model, Binomial model, Discounted cash flow	The volatility of the underlying asset	0% ~ 99%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. For conversion rights, fair value is increased as the stock price rises.
		Correlations	-0.99 ~ 0.99	
		Stock price	4,987 won ~ 5,087 won	
		Discount rate	-0.65% ~ -0.17%	
Available-for-sale financial assets	Discounted cash flow, Dividend discount model, Net asset method, Residual income model, etc.	Growth rate	0% ~ 2.00%	A significant increase in growth rate would result in a higher fair value
		Discount rate	1.93~21.30%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	-	A significant increase in liquidation value rate would result in a higher fair value

13. Fair value of financial assets and liabilities, continued

(6) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2020 and 2019 are as follows, continued:

	2019			
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Financial assets designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset	0% ~ 99%	Not standardized but depends on the structure of financial instrument
		Correlations	-0.99 ~ 0.99	
Derivative assets	Price formulas, Simulation, 1-factor Gaussian Copular model, Binomial model, Discounted cash flow	The volatility of the underlying asset	0% ~ 99%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. For conversion rights, fair value is increased as the stock price rises.
		Correlations	-0.99 ~ 0.99	
		Stock price	5,693 won ~ 5,809 won	
Available-for-sale financial Assets	Discounted cash flow, Dividend discount model, Net asset method, Residual income model, etc.	Growth rate	1.00% ~ 3.00%	A significant increase in growth rate would result in a higher fair value
		Discount rate	2.14% ~ 17.63%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	-	A significant increase in liquidation value rate would result in a higher fair value

13. Fair value of financial assets and liabilities, continued

(6) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2020 and 2019 are as follows, continued:

2020				
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset Correlations	0% ~ 99% -0.99 ~ 0.99	Not standardized but depends on the structure of financial instrument.
Derivative liabilities	Price formulas, Simulation, 1-factor Gaussian Copular model	The volatility of the underlying asset Correlations	0% ~ 99% -0.99 ~ 0.99	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument.

13. Fair value of financial assets and liabilities, continued

(6) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2020 and 2019 are as follows, continued:

	2019			
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset	0% ~ 99%	Not standardized but depends on the structure of financial instrument.
		Correlations	-0.99 ~ 0.99	
Derivative liabilities	Discounted cash flow, Price formulas, Simulation, 1-factor Gaussian Copular model	The volatility of the underlying asset	0% ~ 99%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument.
		Correlations	-0.99 ~ 0.99	
		Discount rate	-0.48%~0.61%	A significant increase in discount rate would result in a lower fair value

(In millions of won)

13. Fair value of financial assets and liabilities, continued

(7) A sensitivity analysis for fair value measurement arising from changes in the significant unobservable inputs as of December 31, 2020 and 2019 are as follows:

		2020			
		Profit or loss		Other comprehensive income	
		Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:					
Derivative assets (*1)	₩	95,323	(76,462)	-	-
Available-for-sale financial assets (*2)		-	-	115,405	(105,092)
	₩	95,323	(76,462)	115,405	(105,092)
Financial liabilities:					
Financial liabilities designated at fair value through profit or loss (*1)	₩	2,330	(2,371)	-	-
Derivative liabilities (*1)		4,229	(4,273)	-	-
	₩	6,559	(6,644)	-	-

		2019			
		Profit or loss		Other comprehensive income	
		Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:					
Derivative assets (*1)	₩	474	(616)	-	-
Available-for-sale financial assets (*2)		-	-	21,982	(11,396)
	₩	474	(616)	21,982	(11,396)
Financial liabilities:					
Financial liabilities designated at fair value through profit or loss (*1)	₩	8,277	(5,626)	-	-
Derivative liabilities (*1)		5,491	(5,828)	-	-
	₩	13,768	(11,454)	-	-

(*1) A change in fair value of financial assets and liabilities designated at fair value through profit or loss and derivatives is calculated by increasing or decreasing the correlation of the fluctuation range of underlying assets' price (-10%~10%), volatility (-10%~10%), stock price (-1%~1%) and discount rate (-1%~1%).

(*2) A change in fair value of available-for-sale financial assets is calculated by increasing or decreasing the correlation of permanent growth rate (0%~1% or -1% ~1%), discount rate (-1%~1%) and liquidation value rate (-1% ~1%).

(In millions of won)

13. Fair value of financial assets and liabilities, continued

(8) The fair value hierarchy of financial instruments which are not measured at fair value in the consolidated statement of financial position as of December 31, 2020 and 2019 are as follows:

		2020			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	1,214	1,939,417	-	1,940,631
Loan receivables		-	-	22,436,145	22,436,145
Other receivables		-	-	1,580,161	1,580,161
	₩	1,214	1,939,417	24,016,306	25,956,937
Financial liabilities:					
Borrowings	₩	-	-	2,619,813	2,619,813
Other financial liabilities		-	-	2,884,484	2,884,484
	₩	-	-	5,504,297	5,504,297

		2019			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	1,052	2,648,655	-	2,649,707
Loan receivables		-	-	20,969,318	20,969,318
Other receivables		-	-	1,215,276	1,215,276
	₩	1,052	2,648,655	22,184,594	24,834,301
Financial liabilities:					
Borrowings	₩	-	-	1,806,760	1,806,760
Other financial liabilities		-	7,674	1,997,607	2,005,281
	₩	-	7,674	3,804,367	3,812,041

(In millions of won)

13. Fair value of financial assets and liabilities, continued

(9) Offsetting financial assets and financial liabilities

Details of financial assets and financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements as of December 31, 2020 and 2019 are as follows:

	2020					
	Financial assets and liabilities recognized	Offsetting financial assets and liabilities recognized	Financial assets and liabilities recognized after offset	Amount not offsetting in the statements of financial position		
				Financial instruments	Cash collateral received	Net amounts
Financial assets:						
Derivative assets	₩ 1,270,047	-	1,270,047	923,700	-	346,347
Receivables from KRX	562,133	538,816	23,317	-	-	23,317
	₩ 1,832,180	538,816	1,293,364	923,700	-	369,664
Financial liabilities:						
Securities sold	₩ 413,809	-	413,809	413,809	-	-
Derivative liabilities	647,846	-	647,846	309,992	-	337,854
Bonds sold under repurchase agreements	1,571,411	-	1,571,411	1,571,411	-	-
Payables to KRX	576,764	538,816	37,948	-	-	37,948
	₩ 3,209,830	538,816	2,671,014	2,295,212	-	375,802

(In millions of won)

13. Fair value of financial assets and liabilities, continued

(9) Offsetting financial assets and financial liabilities, continued

Details of financial assets and financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements as of December 31, 2020 and 2019 are as follows, continued:

	2019					
	Financial assets and liabilities recognized	Offsetting financial assets and liabilities recognized	Financial assets and liabilities recognized after offset	Amount not offsetting in the statements of financial position		
				Financial instruments	Cash collateral received	Net amounts
Financial assets:						
Derivative assets	₩ 493,642	-	493,642	293,703	7,053	192,886
Receivables from KRX	258,125	171,318	86,807	-	-	86,807
	₩ 751,767	171,318	580,449	293,703	7,053	279,693
Financial liabilities:						
Securities sold	₩ 561,196	-	561,196	561,196	-	-
Derivative liabilities	400,271	-	400,271	245,654	-	154,617
Bonds sold under repurchase agreements	949,282	-	949,282	949,282	-	-
Payables to KRX	239,130	171,318	67,812	-	-	67,812
	₩ 2,149,879	171,318	1,978,561	1,756,132	-	222,429

(In millions of won)

14. Investment properties

(1) Investment properties as of December 31, 2020 and 2019 are as follows:

		2020			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	782,756	-	(6,944)	775,812
Buildings		487,434	(164,314)	(10,116)	313,004
Structures		9,107	(2,994)	(258)	5,855
	₩	1,279,297	(167,308)	(17,318)	1,094,671

		2019			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	813,327	-	(6,540)	806,787
Buildings		477,722	(151,745)	(9,185)	316,792
Structures		8,873	(2,710)	(231)	5,932
	₩	1,299,922	(154,455)	(15,956)	1,129,511

(2) Changes in Investment properties for the years ended December 31, 2020 and 2019 are as follows:

		2020						
		Beginning balance	Acquisitions	Disposals	Depreciation	Others (*)	Impairment	Ending balance
Land	₩	806,787	-	(1,969)	-	(28,668)	(338)	775,812
Buildings		316,792	1,600	(509)	(9,047)	4,380	(212)	313,004
Structures		5,932	-	-	(173)	96	-	5,855
	₩	1,129,511	1,600	(2,478)	(9,220)	(24,192)	(550)	1,094,671

(*) Others represent transfers from property and equipment, etc.

		2019						
		Beginning balance	Increase due to business combination	Acquisitions	Disposals	Depreciation	Others (*)	Ending balance
Land	₩	774,699	202	-	(168)	-	32,054	806,787
Buildings		302,853	211	4,125	(392)	(9,558)	19,553	316,792
Structures		5,908	-	-	(3)	(169)	196	5,932
	₩	1,083,460	413	4,125	(563)	(9,727)	51,803	1,129,511

(*) Others represent transfers to property and equipment.

(In millions of won)

14. Investment properties, continued

(3) Gain on investment properties for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Rental income	₩	82,978	89,250
Direct operating expenses for investment properties:			
Generated from rental income		34,142	30,826
Not generated from rental income		3,499	1,796

(4) The fair value of investment properties as of December 31, 2020 and 2019 are ₩1,863,997 million and ₩1,916,302 million, respectively. The fair value is estimated by qualified and independent appraiser. The fair value of investment properties is classified as level 3.

Valuation techniques and inputs used in measuring investment properties as of December 31, 2020 are as follows:

Valuation technique	Input variables	Fair value measurement sensitivity to unobservable inputs
Cost approach, sales comparison, income approach	Discount rate, vacancy rate, operating expenses rate, etc.	An increase in discount rate, vacancy rate, operating expenses rate would result in a lower fair value

(5) Investment properties pledged as collateral as of December 31, 2020 and 2019 are as follows:

			2020	2019	Purpose
Doosan Heavy Industries & Construction, etc.	Book value	₩	82,774	94,203	Establishment of the right to collateral security
	Maximum credit amount		89,927	103,394	

(In millions of won)

15. Property and equipment

(1) Property and equipment as of December 31, 2020 and 2019 are as follows:

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 802,182	-	(4,884)	797,298
Buildings	635,641	(212,451)	(35,465)	387,725
Structures	19,206	(7,327)	(266)	11,613
Vehicles	2,758	(2,255)	-	503
Equipment	299,426	(233,994)	-	65,432
Construction in progress	8,706	-	-	8,706
Right-of-use asset (Real estate)	142,546	(55,261)	-	87,285
Right-of-use asset (Vehicles)	1,812	(951)	-	861
Others	51,398	(31,726)	(395)	19,277
	₩ 1,963,675	(543,965)	(41,010)	1,378,700

	2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 774,377	-	(5,425)	768,952
Buildings	640,011	(202,632)	(35,610)	401,769
Structures	19,441	(7,057)	(294)	12,090
Vehicles	2,709	(2,048)	-	661
Equipment	366,379	(294,335)	-	72,044
Construction in progress	94	-	-	94
Right-of-use asset (Real estate)	130,106	(36,060)	-	94,046
Right-of-use asset (Vehicles)	1,526	(577)	-	949
Others	43,907	(26,411)	(373)	17,123
	₩ 1,978,550	(569,120)	(41,702)	1,367,728

(In millions of won)

15. Property and equipment, continued

(2) Changes in property and equipment for the years ended December 31, 2020 and 2019 are as follows:

	2019						
	Beginning balance	Acquisitions	Disposals/ Termination	Depreciation	impairments	Others (*)	Ending balance
Land	₩ 768,952	55	(195)	-	(182)	28,668	797,298
Buildings	401,769	4,305	(106)	(12,734)	(672)	(4,837)	387,725
Structures	12,090	-	-	(381)	-	(96)	11,613
Vehicles	661	157	(24)	(291)	-	-	503
Equipment	72,044	24,779	(386)	(34,908)	-	3,903	65,432
Construction in progress	94	11,216	-	-	-	(2,604)	8,706
Right-of-use assets (Real estate)	94,046	69,266	(22,562)	(53,497)	-	32	87,285
Right-of-use assets (Vehicles)	949	609	(22)	(675)	-	-	861
Others	17,123	6,932	(32)	(5,356)	(22)	632	19,277
	₩ 1,367,728	117,319	(23,327)	(107,842)	(876)	25,698	1,378,700

(*) Others represent transfers to or from investment properties.

(In millions of won)

15. Property and equipment, continued

(2) Changes in property and equipment for the years ended December 31, 2020 and 2019 are as follows:

		2020								
		Beginning balance	Increase due to business combination	Transfer	Acquisitions	Disposals/ Termination	Depreciation	Transfer from CIP	Others (*)	Ending balance
Land	₩	776,494	-	-	77	(1,963)	-	26,398	(32,054)	768,952
Buildings		418,847	-	-	5,202	(4,574)	(12,555)	14,755	(19,906)	401,769
Structures		12,690	-	-	-	(19)	(385)	-	(196)	12,090
Vehicles		889	-	-	269	(25)	(472)	-	-	661
Equipment		61,311	1,518	(2,387)	20,879	(914)	(29,248)	1,928	18,957	72,044
Construction in progress		277	-	-	42,952	-	-	(43,135)	-	94
Right-of-use assets (Real estate)		-	9,346	93,715	99,272	(55,890)	(53,799)	-	1,402	94,046
Right-of-use assets (Vehicles)		-	-	683	903	(92)	(634)	-	89	949
Others		18,086	1,285	-	424	(124)	(2,602)	54	-	17,123
	₩	1,288,594	12,149	92,011	169,978	(63,601)	(99,695)	-	(31,708)	1,367,728

(*) Others represent transfers to or from investment properties.

(In millions of won)

15. Property and equipment, continued

(3) The changes in asset revaluation of land accounted in other comprehensive income and policyholder's equity adjustments and deferred tax liabilities as of December 31, 2020 and 2019 are as follows:

		2020	2019
Revaluation reserves	₩	907,343	907,474
Amount allocated into policyholder's equity adjustment		135,266	140,011
Deferred tax liabilities		206,043	205,038
Amount allocated into other comprehensive income		566,034	562,425

(4) Reserve for revaluation as of December 31, 2020 is as follows:

Revaluation date		Amount
January 1, 1981	₩	165
April 1, 1989		300
April 1, 1999		23,900
		24,365
Deferred tax effect		(19,863)
	₩	4,502

As of April 1, 1999, a certain portion of the Group's property and equipment was revalued in accordance with the *Korean Asset Revaluation Law*. As a result, the revaluation difference amounting to ₩478,550 million was classified as asset revaluation reserve. Out of this amount, ₩47,800 million, excluding ₩430,750 million, was calculated as asset revaluation reserve. The asset revaluation reserve amounting to ₩23,900 million was transferred to capital stock during the six-month period ended March 31, 2002. Out of ₩430,750 million, the amount of ₩64,000 million was transferred to the reserve for special participating policyholders' dividends and was paid during the year ended March 31, 2002, while the amount of ₩63,750 million was transferred to reserve for social contributions in policyholders' equity. The amount of ₩126,438 million, out of the remainder amounting to ₩303,000 million, was used for dividends to policyholders for the year ended March 31, 2001, while the amount of ₩176,562 million was transferred to reserve for participating policyholder's dividends for stabilization. The amount of ₩65,923 million from the Group's reserve for revaluation incurred on April 1, 1989 will be used for future policyholder's dividend or deficit recovery. The amount of ₩161,682 million, a part of reserve for participating policyholder's dividends for stabilization, was used for dividends to policyholders. The reserve for participating policyholder's dividends for stabilization amounts to ₩80,803 million as of December 31, 2020.

(In millions of won)

16. Intangible assets

(1) Intangible assets as of December 31, 2020 and 2019 are as follows:

	2020			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩ 61,132	-	(13,821)	47,311
Software	120,501	(71,284)	-	49,217
Development costs (*)	278,174	(114,181)	-	163,993
Memberships	14,394	-	(1,016)	13,378
Customer relationships	25,861	(7,758)	-	18,103
Others	17,329	(13,034)	-	4,295
	₩ 517,391	(206,257)	(14,837)	296,297

(*) ₩118,631 million of development costs relating to the new generation system are included as of December 31, 2020 and the remaining useful life of the development cost is 3.75 years.

	2019			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩ 61,132	-	(1,757)	59,375
Software	169,874	(120,765)	-	49,109
Development costs (*)	319,588	(141,601)	-	177,987
Memberships	16,295	-	(1,061)	15,234
Customer relationships	25,861	(2,586)	-	23,275
Others	15,622	(11,667)	-	3,955
	₩ 608,372	(276,619)	(2,818)	328,935

(*) ₩148,954 million of development costs relating to the new generation system are included as of December 31, 2019 and the remaining useful life of the development cost is 4.91 years.

(In millions of won)

16. Intangible assets, continued

(3) Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows:

		2020						
		Beginning balance	Acquisitions (*1)	Disposals	Impairment	Amortization	Others (*1)	Ending balance
Goodwill	₩	59,375	-	-	(12,064)	-	-	47,311
Software		49,109	8,292	-	-	(13,170)	4,896	49,217
Development cost		177,987	2,453	-	(19)	(42,502)	26,074	163,993
Memberships		15,234	34	(1,997)	107	-	-	13,378
Customer relationships		23,275	-	-	-	(5,172)	-	18,103
Others		3,955	1,954	-	-	(256)	(1,358)	4,295
	₩	328,935	12,733	(1,997)	(11,976)	(61,100)	29,702	296,297

(*1) Others include a reclassification of development costs from development in-progress intangible assets.

		2019							
		Beginning balance	Increase due to business combination	Acquisitions	Disposals	Impairment	Amortization	Others (*1)	Ending balance
Goodwill	₩	7,600	51,775	-	-	-	-	-	59,375
Software		13,232	-	2,390	-	-	(6,188)	39,675	49,109
Development cost		35,752	-	1,451	-	-	(12,399)	153,183	177,987
Memberships		12,861	2,192	580	(409)	10	-	-	15,234
Customer relationships		-	25,861	-		-	(2,586)	-	23,275
Others		3,324	505	1,135	-	(3)	(170)	(836)	3,955
	₩	72,769	80,333	5,556	(409)	7	(21,343)	192,022	328,935

(*1) Includes a reclassification of prepaid expenses.

(In millions of won)

16. Intangible assets, continued

(3) Impairment assessment of goodwill

Management reviews sales performance based on types of products by regions. Management of the Group allocates and manages goodwill by segments (legal entity) as follows:

		Beginning balance	Acquisitions	Ending balance
Kyobo Hottracks Co., Ltd.	₩	7,600	-	7,600
Kyobo Asset Trust Co., Ltd.		51,775	(12,064)	39,711
	₩	59,375	(12,064)	47,311

Major assumptions, permanent growth rate and discount rate used in the calculation of value in use with regards to significant goodwill allocated to cash generating unit are as follows:

	Kyobo Hottracks Co., Ltd.				
	2021	2022	2023	2024	2025
Operating profit rate	-3.40%	1.17%	2.16%	2.77%	3.41%
Permanent growth rate					-
Discount rate					10.7%
Recoverable amount of cash-generating unit					23,730

Estimated sales on a yearly basis was calculated by analyzing and reviewing the Group's sales environment and middle and long-term sales plan based on sales results and data predicting future market volumes up to December 2020. Sales costs were estimated based on the past performance results and future business plan. Selling and administrative expenses comprise of expenses related to sales, labor costs, expenses related to labor, fixed expenses, depreciation expenses and amortization expenses on intangible assets. As a result of estimating sales and sales costs, the average yearly operating profit rate for the estimation period was 1.22%, and weighted average capital expenses, calculated by using average beta and liability ratio of the companies in the same industry listed on KOSPI and KOSDAQ, were 10.7%. The Group calculated recoverable amount using the DCF model.

Major assumptions, permanent growth rate and discount rate used in the calculation of value in use with regards to significant goodwill allocated to cash generating unit are as follows:

	Kyobo Asset Trust Co., Ltd.				
	2021	2022	2023	2024	2025
Operating profit rate	46.23%	46.42%	45.64%	45.17%	45.13%
Permanent Growth rate					-
Discount rate					12.7%
Recoverable amount of cash-generating unit					193,934

Operating income was estimated by reflecting past sales trends, external agency forecasts, and expert agency analysis based on the business plan provided by the company subject to impairment assessment. Operating expenses are estimated by dividing into personnel expenses, variable expenses, fixed expenses, amortization expenses for tangible and intangible assets, and bad debt expenses. As a result of the Group's estimation of sales and cost of sales, the average annual operating margin for the estimated period was 45.72%, and the weighted average cost of capital calculated using the average beta and debt ratio of the same industry listed on the KOSPI and KOSDAQ was 12.7%. The Group used the DCF model to calculate the recoverable value.

(In millions of won)

17. Deferred acquisition costs

Changes in deferred acquisition costs for the years ended December 31, 2020 and 2019 are as follows:

	2020					
		Acquisition costs				
	Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩ 1,229,740	860,335	(320,151)	540,184	(625,519)	1,144,405
Group insurance	40,688	28,835	(5,691)	23,144	(19,550)	44,282
	₩ 1,270,428	889,170	(325,842)	563,328	(645,069)	1,188,687

	2019					
		Acquisition costs				
	Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩ 1,387,762	727,022	(235,024)	491,998	(650,020)	1,229,740
Group insurance	35,940	31,361	(9,453)	21,908	(17,160)	40,688
	₩ 1,423,702	758,383	(244,477)	513,906	(667,180)	1,270,428

18. Other assets

(1) Other assets as of December 31, 2020 and 2019 are as follows:

	2020	2019
Reinsurance assets	₩ 25,409	23,070
Prepaid expenses	8,401	9,767
Advanced payments	20,459	37,729
Inventories	90,779	80,974
Others	53,879	62,296
	₩ 198,927	213,836

(In millions of won)

18. Other assets, continued

(2) Inventories as of December 31, 2020 and 2019 are as follows:

		2020	2019
Merchandise	₩	91,504	83,056
Finished goods		883	959
Supplies		446	582
Sub-materials		4	1
Merchandise in transit		39	-
		92,876	84,598
Accumulated impairment loss, merchandise	₩	(1,927)	(3,449)
Accumulated impairment loss, finished goods		(170)	(175)
		(2,097)	(3,624)
	₩	90,779	80,974

(3) The amounts of inventories recognized as an expense which is included in cost of sales for the years ended December 31, 2020 and 2019 are ₩475,532 million and ₩443,873 million, respectively

(4) Contract assets included in other assets as of December 31, 2020 is as follows:

		2020	2019
Refund assets (estimated return assets)	₩	662	94
Due from customers		44,133	54,345
	₩	44,795	54,439

(In millions of won)

19. Liabilities under insurance contracts

(1) Details of liabilities under insurance contracts as of December 31, 2020 and 2019 are as follows:

	2020				
	Pure endowment	Death	Endowment	Group	Total
Premium reserve	₩ 28,568,429	36,785,340	6,361,297	245,062	71,960,128
Unearned premium reserve	69	982	2	7,261	8,314
Reserve for outstanding claims	1,014,443	839,480	58,508	36,472	1,948,903
Reserve for participating policyholder's dividend	445,912	3,159	2,595	58	451,724
	30,028,853	37,628,961	6,422,402	288,853	74,369,069
Guarantee reserve					1,076,162
Dividends reserve for policyholder's income participation					56,829
Reserve for losses on dividend insurance contract					71,335
				₩	75,573,395

	2019				
	Pure endowment	Death	Endowment	Group	Total
Premium reserve	₩ 28,073,866	35,308,502	4,928,601	257,171	68,568,140
Unearned premium reserve	111	1,074	1	5,716	6,902
Reserve for outstanding claims	946,036	853,925	45,109	41,597	1,886,667
Reserve for participating policyholder's dividend	443,799	3,817	2,855	166	450,637
	29,463,812	36,167,318	4,976,566	304,650	70,912,346
Guarantee reserve					911,430
Dividends reserve for policyholder's income participation					35,063
Reserve for losses on dividend insurance contract					67,261
				₩	71,926,100

(In millions of won)

19. Liabilities under insurance contracts, continued

(2) Changes in liabilities under insurance contracts for the years ended December 31, 2020 and 2019 are as follows:

	2020		
	Beginning balance	Increase(decrease)	Ending balance
Premium reserve ₩	68,568,140	3,391,988	71,960,128
Unearned premium reserve	6,902	1,412	8,314
Reserve for outstanding claims	1,886,667	62,236	1,948,903
Reserve for participating policyholder's dividend	450,637	1,087	451,724
Guarantee reserve	911,430	164,732	1,076,162
Dividends reserve for policyholder's income participation	35,063	21,766	56,829
Reserve for losses on dividend insurance contract	67,261	4,074	71,335
₩	71,926,100	3,647,295	75,573,395

	2019		
	Beginning balance	Increase(decrease)	Ending balance
Premium reserve ₩	66,481,589	2,086,551	68,568,140
Unearned premium reserve	6,877	25	6,902
Reserve for outstanding claims	1,753,962	132,705	1,886,667
Reserve for participating policyholder's dividend	443,378	7,259	450,637
Guarantee reserve	748,683	162,747	911,430
Dividends reserve for policyholder's income participation	28,214	6,849	35,063
Reserve for losses on dividend insurance contract	59,498	7,763	67,261
₩	69,522,201	2,403,899	71,926,100

(In millions of won)

20. Policyholder's equity adjustments

Policyholder's equity adjustments as of December 31, 2020 and 2019 are as follows:

		2020	2019
Reserve for policyholder dividend stabilization	₩	80,803	83,687
Fund for public projects		99,466	99,466
Gain on valuation of available-for-sale financial assets		1,146,269	1,093,295
Loss on valuation of investment in associates		6	2
Gain on revaluation of property and equipment		135,266	140,011
	₩	1,461,810	1,416,461

21. Liability adequacy tests (LAT)

(1) Application of LAT

The Group reviewed the appropriateness of measurement of the premium reserve, unearned premium reserve, and guarantee reserve as the current holding contracts since December 31, 2020. Premium reserve is calculated by deducting unamortized deferred acquisition costs and insurance contract loan from the net level premium reserve applying the Regulation on Supervision of Insurance Business Article 6-3. However, the liabilities using the current estimation and the liabilities for defined payment obligations are exempted from evaluation.

(2) Calculation of LAT

By conducting Liability Adequacy Tests, the Group calculates a valuation basis by estimating all future cash flows that may arise from insurance contracts currently held, and if the value exceeds the book value of a reserve appropriated for the Liability Adequacy Tests, the Group recognizes the difference as an additional amount in the reserve.

(3) The assumptions and calculation methods

The assumptions and calculation methods used in the calculation of current estimates for future cash flows in the Liability Adequacy Test as of December 31, 2020 and 2019 are as follows:

	2020	2019	Jan. 1, 2019
Discount rate (*1)	0.85%~7.17%	1.86%~5.78%	1.26%~5.99%
Risk premium rate (*2)	25%~232.5%	12%~272.5%	12%~279.5%
Surrender ratio (*3)	0.5%~70%	1.5%~41%	1%~59%

(*1) Scenario presented by Financial Supervisory Service
(*2) Ratio of premium paid to risk premium based on past statistics of recent 5 years or more by product type, channel type, time insurance is sold and lapse of time.
(*3) Ratio of earned premium for surrender to earned premium based on past statistics of recent 5 years or more by product type, channel type, payment method type and lapse of time.

Acquisition costs of the operating and administrative expenses are calculated by applying ratio of actual acquisition cost to planned acquisition cost based on past statistics of recent 1 year by product type. Maintenance fee is based on past statistics of recent 1 year by insurance and insurance contracts.

(In millions of won)

21. Liability adequacy tests (LAT), continued

(4) Result of LAT

The results of Liability Adequacy Test as of December 31, 2020 and 2019 are as follows:

		2020		
		Reserve for test	LAT base	Premium surplus (deficit)
Participating:				
Interest rate-fixed	₩	11,143,268	20,034,108	(8,890,840)
Interest rate-linked		5,888,398	5,164,765	723,633
Non- participating:				
Interest rate-fixed		15,914,499	17,316,221	(1,401,722)
Interest rate-linked and investments-linked		32,338,410	19,339,841	12,998,569
	₩	65,284,575	61,854,935	3,429,640

		2019(*)		
		Reserve for test	LAT base	Premium surplus (deficit)
Participating:				
Interest rate-fixed	₩	11,003,118	17,930,515	(6,927,397)
Interest rate-linked		5,778,145	5,572,458	205,687
Non- participating:				
Interest rate-fixed		15,594,259	18,956,937	(3,362,678)
Interest rate-linked and investments-linked		28,500,883	17,394,661	11,106,222
	₩	60,876,405	59,854,571	1,021,834

(*) The results have been recalculated in accordance with revised assumption due to revision of the Regulation on Supervision of Insurance Business.

		Jan. 1, 2019(*)		
		Reserve for test	LAT base	Premium surplus (deficit)
Participating:				
Interest rate-fixed	₩	10,892,662	17,313,113	(6,420,451)
Interest rate-linked		5,538,806	5,288,949	249,857
Non- participating:				
Interest rate-fixed		15,339,547	19,115,691	(3,776,144)
Interest rate-linked and investments-linked		26,684,631	15,236,594	11,448,037
	₩	58,455,646	56,954,347	1,501,299

(*) The results have been recalculated in accordance with revised assumption due to revision of the Regulation on Supervision of Insurance Business.

(In millions of won)

22. Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

		2020	2019
Hybrid financial instruments:			
Equity-linked securities sold	₩	61,789	120,959
Derivatives-combined securities sold		561,705	770,897
Derivatives-combined debt sold		2,394,667	2,221,964
Credit risk adjustment		(324)	-
The settled amounts of valuation		65,689	(548)
	₩	3,083,526	3,113,272

(In millions of won)

23. Financial liabilities held for trading

Financial liabilities held for trading as of December 31, 2020 and 2019 are as follows:

		2020	2019
Securities sold:			
Equity	₩	2,667	73,794
Government bond and local government bond		411,142	487,402
	₩	413,809	561,196

24. Borrowings

Borrowings as of December 31, 2020 and 2019 are summarized as follows:

	Creditors		2020	2019
Call money	Korea Investment Management Co, Ltd., Etc.	₩	-	19,000
Bonds sold under repurchase agreements	Public offerings, Institutions		1,569,384	947,263
Subordinated debt securities issued	New Songdo International City Development Ltd., etc.		5,311	3,299
Borrowings from KSFC	KSFC		70,000	-
Borrowings for general purpose	Woori Bank, etc.		22,700	24,214
Borrowings for equipment	Korea Development Bank, etc.		15,000	33,100
Debentures	Hanwha life Insurance Co, Ltd., etc.		833,918	779,884
Other Borrowings	Hi Investment & Securities, etc		103,500	-
		₩	2,619,813	1,806,760

(In millions of won)

25. Other financial liabilities

(1) Other financial liabilities as of December 31, 2020 and 2019 are as follows:

		2020	2019
Insurance payables:			
Dormant policies	₩	35,039	40,451
Insurance settlement adjustments		6,314	2,119
Reinsurance payables		55,794	50,509
		97,147	93,079
Accounts payable		833,912	530,021
Accrued expenses		306,894	305,479
Leasehold deposits received		113,607	126,395
Less: Present value discount		(6,615)	(6,592)
Trust accounts liabilities		11,353	11,503
Customers' deposits		1,277,631	705,152
Securities deposit received		26,632	13,586
Non-controlling interests liabilities (*1)		40,167	39,228
Others		104,841	95,506
Lease liabilities (*2)		78,164	91,500
	₩	2,883,733	2,004,857

(*1) The cumulative amount of non-controlling interests in the consolidated beneficiary certificates.
(*2) Lease liabilities are recognized and measured in accordance with KIFRS 1116.

(2) Lease expenses for the year ended December 31, 2020 and 2019 are as follows:

		2020	2019
Short-term lease expenses (*)	₩	754	652
Lease of low-value asset expenses (*)		440	360
Interest expenses of lease liabilities		2,025	2,265
	₩	3,219	3,277

(*) The lease payments were recognized as an expense on a straight-line basis over the lease term.

(In millions of won)

25. Other financial liabilities, continued

(3) Details of lease liabilities by the maturity according to remaining lease terms as of December 31, 2020 and 2019 are as follows:

		2020		
		Less than 1 year	1 ~ 5 years	More than 5 years
Real estates	₩	39,548	44,355	13,145
Vehicles		487	346	-
	₩	40,035	44,701	13,145

		2019		
		Less than 1 year	1 ~ 5 years	More than 5 years
Real estates	₩	56,105	68,453	10,260
Vehicles		476	382	-
	₩	56,581	68,835	10,260

(4) Details of lease payments related to lease liabilities are ₩48,192 million and 51,507 million for the year ended December 31, 2020 and 2019, respectively

26. Provisions

(1) Changes in provisions for years ended December 31, 2020 and 2019 are as follows:

		2020			
		Provision for decommissioning	Litigation	Others (*1, 2)	Total
Beginning balance	₩	16,616	849	7,118	24,583
Charge for the year		16,442	-	215	16,657
Utilized		(3,398)	-	(1,573)	(4,971)
(Reversal of) provision, net		(14,190)	(315)	2,428	(12,077)
Ending balance	₩	15,470	534	8,188	24,192

(*1) Others include premium refund estimation, related to the risk insurance premium of prenatal insurance.
(*2) Amounts of refund liability corresponding to the contract liability ₩929 million are included.

		2019			
		Provision for decommissioning	Litigation	Others (*1.2)	Total
Beginning balance	₩	19,547	4,736	6,475	30,758
Increase due to business combination		660	1,634	-	2,294
Charge for the year		3,893	-	-	3,893
Utilized		(676)	(1,923)	290	(2,309)
(Reversal of) provision, net		(6,808)	(3,598)	353	(10,053)
Ending balance	₩	16,616	849	7,118	24,583

(*1) Others include premium refund estimation, related to the risk insurance premium of prenatal insurance
(*2) Amounts of refund liability corresponding to the contract liability ₩131 million are included.

(2) The nature of the provisions and the timing of the expected outflow of economic benefits for years ended December 31, 2020 are as follows:

		2020				
		Less than 1 year	1 ~ 3 years	3 ~ 5 years	More than 5 years	Total
Provision for restoration costs	₩	6,123	6,083	1,478	1,786	15,470
Litigation		534	-	-	-	534
Other provisions		4,101	293	253	3,541	8,188
	₩	10,758	6,376	1,731	5,327	24,192

(In millions of won)

27. Defined benefit liabilities

(1) The Group operates a defined benefit plan based on compensation for pension of the employees and the period of services rendered. The Group has entrusted the plan assets of defined benefit obligations at Kookmin Bank and others.

Defined benefit plan liabilities as of December 31, 2020 and December 31, 2019 are summarized as follows:

		2020	2019
Present value of defined benefit obligations	₩	397,317	391,337
Fair value of plan assets		(369,310)	(330,891)
Recognized liabilities for defined benefit liabilities	₩	28,007	60,446

(2) Changes in the present value of defined benefit obligations for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Beginning balance	₩	391,337	346,245
Increase due to business combination		-	11,770
Current service costs		60,364	53,827
Interest expenses		7,929	8,341
Remeasurements:			
Actuarial gain from changes in financial assumptions		5,829	7,175
Effect of changes in demographic assumptions		(10,085)	(1,310)
Experience adjustments		(10,789)	(367)
Benefits paid by the plan		(46,009)	(33,918)
Past service costs		(1,259)	(426)
Transfer-in from subsidiary		192	-
Transfer-out to subsidiary		(192)	-
Ending balance	₩	397,317	391,337

(3) Changes in the fair value of plan assets for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Beginning balance	₩	330,891	291,887
Increase due to business combination		-	8,395
Interest income		6,547	6,548
Remeasurements		189	(682)
Contributions paid into the plan		68,039	52,605
Benefits paid by the plan		(35,919)	(27,687)
Transfer-in from subsidiary		192	-
Transfer-out to subsidiary		(192)	-
Other administrative costs		(437)	(175)
Ending balance	₩	369,310	330,891

(In millions of won)

27. Defined benefit liabilities, continued

(4) Plan assets as of December 31, 2020 and 2019 are as follows:

		2020		2019	
		Amount	Ratio (%)	Amount	Ratio (%)
Cash and cash equivalents (*)	₩	240,122	65.02%	177,302	53.59%
Equity securities		5,253	1.42%	6,701	2.03%
Debt securities		58,225	15.77%	60,664	18.33%
Property		12	-	11	0.00%
Investment fund		65,710	17.79%	79,702	24.08%
Loan receivables		-	-	4,362	1.32%
Derivatives		-	-	41	0.01%
Other securities		-	-	2,119	0.64%
Other assets		7	-	663	0.20%
	₩	369,310	100.00	330,891	100.00

(*) Cash and cash equivalents include products that guarantee the principal, such as bank deposits, equity-linked, interest rate-linked, and guaranteed interest contract.

(5) Actuarial assumptions as of December 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate (*)	1.50%~2.20%	1.90%~2.70%
Future salary increasing rate	1.50%~5.00%	1.70%~5.50%

(*) Considering the timing of the payments of retirement benefits, the Group applied a rate of return of unsecured debenture bonds with a rating of AA+.

(6) Sensitivity analysis

Sensitivity analysis of the present value of defined benefit obligation as of December 31, 2020 is as follows:

		2020	
		1% Point Increase	1% Point Decrease
Discount rate	₩	(26,476)	30,073
Future salary increasing rate		30,116	(27,053)

(7) The weighted average maturity of the defined benefit obligation is 3.94~10.26 years as of December 31, 2020.

(In millions of won)

28. Other liabilities

Other liabilities as of December 31, 2020 and December 31, 2019 are as follows:

		2020	2019
Advances received	₩	18,477	27,362
Unearned income		44,407	38,486
Withholdings		95,208	48,314
Value added tax withheld		9,969	10,487
Unearned insurance premium		419,642	114,882
Others		106	109
	₩	587,809	239,640

(*) The Group provided a certain portion of the customer's purchase amounts as points, and the points awarded are accounted as deferred revenue to be recognized as sales at the time of use of the points in the future and deducted from sales. Amounts of customer loyalty programs are ₩10,847 million and ₩9,322 million as of December 31, 2020 and December 31, 2019, respectively.

29. Derivatives

(1) The notional amounts of derivatives as of December 31, 2020 and 2019 are as follows:

1) Exchange traded

		2020	2019
Interest rate related:			
Interest rate futures	₩	2,222,970	1,889,705
Equity related:			
Stock index futures		517,995	693,263
Stock index options		216	14,362
Others		-	-
		518,211	707,625
Commodity related:			
Overseas commodity futures		4,731	35,752
	₩	2,745,912	2,633,082

(In millions of won)

29. Derivatives, continued

(1) The notional amounts of derivatives as of December 31, 2020 and 2019 are as follows, continued:

2) Over the counter

		2020	2019
Hedge related:			
Currency related:			
Currency forwards	₩	4,106,000	3,802,229
Currency swaps		11,700,761	10,044,948
		15,806,761	13,847,177
Interest rate related:			
Interest rate swaps		13,167	15,685
		15,819,928	13,862,862
Non-hedge related:			
Currency related:			
Currency forwards		4,405,650	3,540,550
Currency swaps		8,890,497	7,108,908
		13,296,147	10,649,458
Interest rates related:			
Interest rate swaps		16,102,398	12,780,463
Interest rate options		51,064	140,584
		16,153,462	12,921,047
Equity related:			
Stock index options		71,994	32,937
Stock swaps		57,609	92,135
Conversion rights		15,781	8,100
Others		493	493
		145,877	133,665
Credit related:			
Credit default swaps		8,868,135	9,389,809
Commodity related:			
Oversea commodity forward		4,731	35,752
		38,468,352	33,129,731
	₩	54,288,280	46,992,593

(In millions of won)

(2) Fair values of derivative instruments for hedging as of December 31, 2020 and December 31, 2019 are as follows:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Hedge related:				
Currency related:				
Currency forwards	₩ 150,799	20,449	43,566	35,307
Currency swaps	646,213	73,785	170,110	75,604
	797,012	94,234	213,676	110,911
Interest rate related:				
Interest rate swaps	464	-	-	245
	797,476	94,234	213,676	111,156
Non-hedge related:				
Currency related:				
Currency forwards	78,482	54,226	58,866	46,461
Currency swaps	272,791	243,216	46,092	74,497
	351,273	297,442	104,958	120,958
Interest rate related:				
Interest rate swaps	26,394	188,670	5,825	32,252
Interest rate options	-	10,693	1	-
	26,394	199,363	5,826	32,252
Equity related:				
Preemptive rights	28	-	1	-
Stock index options	-	53	3,135	9,027
Stock swaps	11,072	3,530	33,689	240
Conversion rights	6,841	-	4,968	-
Others	6,209	1,960	16,487	116,293
	24,150	5,543	58,280	125,560
Credit related:				
Credit default swaps	124,489	8,479	109,337	9,448
Commodity related:				
Commodity swaps	30	30	1,684	1,684
	526,336	510,857	280,085	289,902
Adjustment of credit risk	(644)	1,486	(119)	(787)
	₩ 1,323,168	606,577	493,642	400,271

(In millions of won)

29. Derivatives, continued

(3) A gain or loss on valuation of derivatives for years ended December 31, 2020 and 2019 are as follows:

	2020			
	Profit or loss		Accumulated other comprehensive income (*)	
	Gain	Loss	Gain	Loss
Hedge related:				
Currency related:				
Currency forwards	₩ 137,870	19,922	1,010	9,367
Currency swaps	702,739	66,753	13,266	203,485
	840,609	86,675	14,276	212,852
Interest rate related:				
Interest rate swaps	-	-	464	-
	840,609	86,675	14,740	212,852
Non-hedge related:				
Currency related:				
Currency forwards	74,469	54,191	-	-
Currency swaps	267,582	241,081	-	-
	342,051	295,272	-	-
Interest rate related:				
Interest rate swaps	29,958	116,919		
Interest rate options	-	673		
	29,958	117,592		
Equity related:				
Preemptive rights	27	-	-	-
Stock index options	1,039	25	-	-
Stock forwards and swaps	3,014	2,429	-	-
Conversion rights	5,622	159	-	-
Others	-	-	-	-
	9,702	2,613	-	-
Credit related:				
Credit default swaps	56,159	32,121	-	-
Commodity related:				
Commodity swaps	367	366	-	-
	438,237	447,964	-	-
Adjustment of credit risk	66	2,864	-	-
	₩ 1,278,912	537,503	14,740	212,852

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect.

(In millions of won)

29. Derivatives, continued

(3) A gain or loss on valuation of derivatives for the years ended December 31, 2020 and 2019 are as follows, continued:

	2019			
	Profit or loss		Accumulated other comprehensive income (*)	
	Gain	Loss	Gain	Loss
Hedge related:				
Currency related:				
Currency forwards	₩ 32,406	33,368	770	11,849
Currency swaps	57,280	236,229	39,154	23,541
	89,686	269,597	39,924	35,390
Interest rate related:				
Interest rate swaps	-	-	-	245
	89,686	269,597	39,924	35,635
Non-hedge related:				
Currency related:				
Currency forwards	67,144	49,558	-	-
Currency swaps	42,960	90,442	-	-
	110,104	140,000	-	-
Interest rate related:				
Interest rate swaps	116,433	51,549	-	-
Interest rate options	316	49	-	-
	116,749	51,598	-	-
Equity related:				
Preemptive rights	-	1	-	-
Stock index options	4,102	5,259	-	-
Stock forwards and swaps	10,531	24,261	-	-
Conversion rights	1,107	219	-	-
Others	48,432	60,773	-	-
	64,172	90,513	-	-
Credit related:				
Credit default swaps	97,915	77,946	-	-
Commodity related:				
Commodity swaps	1,981	1,981	-	-
	390,921	362,038	-	-
Adjustment of credit risk	1,329	27	-	-
	₩ 481,936	631,662	39,924	35,635

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect.

(In millions of won)

29. Derivatives, continued

(4) A gain or loss on hedging instruments and hedged items that apply fair value hedges for the years ended December 31, 2020 and 2019 are as follows:

		2020		2019	
		Gain	Loss	Gain	Loss
Hedged items	₩	77,671	(133,222)	94,824	(11,769)
Hedging instruments		188,831	(140,752)	40,392	(149,562)

(5) Cash flow hedges

Due to various reasons (i.e. currency swap contracts for cash flow hedges have reached maturity), the effective portion of hedges for the years ended December 31, 2020 and 2019 realized as gain on valuation of derivative instruments amounted to ₩5,344 million and ₩15,232 million, respectively, and loss on valuation of derivative instruments amounted to ₩9,433 million and ₩20,204 million, respectively. The ineffective portion of cash flow hedges recognized as current gains of ₩1 million and losses of ₩1 millions, respectively, for the years ended December 31, 2020 and 2019.

The maximum expected period during which the Group's cash flows are exposed to fluctuation risk is through September 13, 2029 based on derivative instrument contracts to which cash flow hedges are applied.

30. Separate accounts

(1) Assets and liabilities of separate accounts as of December 31, 2020 and December 31, 2019 are as follows:

		2020		2019	
		Assets	Liabilities	Assets	Liabilities
Insurance contract and investment contract with discretionary participating features:					
Retirement insurance	₩	90,119	90,119	94,425	94,425
Variable life insurance		17,083,562	17,089,883	15,580,395	15,595,421
		17,173,681	17,180,002	15,674,820	15,689,846
Investments contract with no discretionary participating features:					
Retirement insurance		1,778	1,773	1,828	1,827
Retirement pension		6,840,011	6,776,03	5,132,678	5,098,250
		6,841,789	6,777,806	5,134,506	5,100,077
Separate accounts receivable		-	(27,452)	-	(51,786)
Separate accounts payable		(642,517)	-	(534,193)	-
	₩	23,372,953	23,930,356	20,275,133	20,738,137

(In millions of won)

30. Separate accounts, continued

(2) The statement of financial position of the separate accounts as of December 31, 2020 and December 31, 2019 are as follows:

1) Insurance contract and investments contract with discretionary participation feature

		2020	2019
Assets:			
Cash and due from banks	₩	218,073	354,168
Financial assets held for trading		15,893,357	14,414,072
Loan receivables		702,818	510,053
Other assets		272,782	273,087
General account credits		92,972	138,466
Total assets before consolidated adjustments		17,180,002	15,689,846
Consolidated adjustments		(6,321)	(15,026)
Total assets after consolidated adjustments	₩	17,173,681	15,674,820
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	54,809	47,990
General account debits		18,797	46,870
Total liabilities		73,606	94,860
Reserve for policy holders		17,106,396	15,594,986
Total reserve and accumulated other comprehensive income		17,106,396	15,594,986
Total liabilities, reserve and accumulated other comprehensive income	₩	17,108,002	15,689,846

(In millions of won)

30. Separate accounts, continued

(2) The statement of financial position of the separate accounts as of December 31, 2020 and December 31, 2019 are as follows, continued:

2) Investments contract with no discretionary participation feature

		2020	2019
Assets:			
Cash and due from banks	₩	930,966	629,437
Financial assets held for trading		647,794	452,810
Available-for-sale financial assets		3,812,606	3,045,029
Loan receivables		1,040,779	733,187
Other assets		39,691	32,973
General account credits		549,545	395,727
Total assets before consolidated adjustments		7,021,381	5,289,163
Consolidated adjustments		(179,592)	(154,657)
Total assets after consolidated adjustments	₩	6,841,789	5,134,506
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	7,804	19,999
General account debits		8,655	4,916
Total liabilities		16,459	24,915
Reserve for policy holders		6,761,347	5,075,162
Accumulated other comprehensive income		74,713	35,313
Total reserve and accumulated other comprehensive income		6,836,060	5,110,475
Total liabilities, reserve and accumulated other comprehensive income	₩	6,852,519	5,135,390

(In millions of won)

30. Separate accounts, continued

(3) The statement of income of the separate accounts for the years ended December 31, 2020 and 2019 are as follows:

1) Insurance contract and investments contract with discretionary participation feature

		2020		2019	
		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Premium income	₩	-	2,196,208	-	2,468,599
Interest income		897	123,477	1,615	167,609
Dividend income		616	91,487	171	102,597
Gain on securities		412	2,263,885	205	1,172,111
Gain on foreign currency transaction		-	1,724	-	1,458
Gain on transaction of derivatives		-	514,387	-	199,269
Other income		244	38,913	-	24,694
	₩	2,169	5,230,081	1,991	4,136,337
Expenses:					
Increase (decrease) in policy reserves	₩	(4,775)	1,653,217	(5,975)	1,074,043
Insurance claims paid		5,889	1,901,870	7,245	1,693,787
Minimum guarantee fee		-	95,350	-	90,661
Separate account commission		548	647,389	575	669,608
Commission fee		-	37,008	-	34,744
(Reversal of) provision for losses on loan receivables		23	(8)	-	33
Loss on securities		484	431,260	146	382,345
Loss on foreign currency transaction		-	3,083	-	475
Loss on transaction of derivatives		-	456,656	-	190,427
Other expenses		-	4,256	-	214
	₩	2,169	5,230,081	1,991	4,136,337

(In millions of won)

30. Separate accounts, continued

(3) The statement of income of the separate accounts for the years ended December 31, 2020 and 2019 are as follows, continued:

2) Investments contracts with no discretionary participation feature

		2020		2019	
		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Interest income	₩	95,919	459	94,154	683
Dividend income		7,582	619	4,738	489
Gain on securities		31,837	39,063	16,078	22,971
Gain on foreign currency transaction		195	1,173	6,691	156
Gain on transaction of derivatives		11,704	4,715	696	1,856
Other income		2,725	7	6,308	5
		149,962	46,036	128,665	26,160
Consolidated adjustments		(445)	-	(3,866)	-
	₩	145,517	46,036	124,799	26,160
Expenses:					
Interest expenses of withholdings	₩	95,056	32,466	78,083	19,924
Separate account commission		26,006	1,988	24,599	2,054
Commission fee		29	413	22	357
Provision for losses on loan receivables		3,732	-	543	-
Loss on securities		10,210	5,012	8,602	1,724
Loss on foreign currency transaction		2,005	948	76	167
Loss on transaction of derivatives		1,918	3,393	13,747	873
Other expenses		11,006	1,816	2,993	1,061
		149,962	46,036	128,665	26,160
Consolidated adjustments		(4,445)	-	(3,866)	-
	₩	145,517	46,036	124,799	26,160

(4) In accordance with the regulations under *Trust Business Act*, the Group separately accounts for the trust assets from the existing assets, and recognizes trust commission fee as operating revenue when receiving trust commission fee. As of December 31, 2020, the total amount of the trust funds under contract with the Group amounts to ₩23,349,301 million.

(In millions of won)

31. Equity

(1) Equity as of December 31, 2020 and December 31, 2019 are as follows:

		2020	2019
Capital stock:			
Common stock	₩	102,500	102,500
Hybrid bonds:			
Hybrid bonds		551,438	551,438
Capital surplus:			
Share premium		359,937	359,937
Asset revaluation surplus		4,502	4,502
Others		155,934	8,845
		520,373	373,284
Capital adjustments:			
Negative equity changes in equity method adjustments		(15,995)	(15,995)
Others		3,964	3,913
		(12,031)	(12,082)
Accumulated other comprehensive income, net of tax:			
Gain on valuation of available-for-sale financial assets		3,245,126	2,931,843
Gain (loss) on valuation of cash flow hedge derivatives		(143,632)	3,109
Gain on valuation of investment in associates		24	9
Other comprehensive income of separate accounts		54,167	25,602
Gain on revaluation of property and equipment		566,034	562,425
Foreign currency translation adjustments for foreign operations		(317)	110
Remeasurement loss related to defined benefit liabilities		(9,369)	(20,695)
		3,712,033	3,502,403
Retained earnings:			
Legal reserve		51,250	51,250
Regulatory reserve for loan loss		140,843	128,885
Retained earnings		7,498,241	7,234,538
Voluntary reserve		3,000	3,000
		7,693,334	7,417,673
Non-controlling interests		324,698	449,360
	₩	12,892,345	12,384,576

(In millions of won, except shares, par value per share and in thousands of USD)

31. Equity, continued

(2) Capital stock

Capital stock as of December 31, 2020 and 2019 are as follows:

		2020	2019
Number of authorized shares		300,000,000 shares	300,000,000 shares
Par value per share in won (*)	₩	1,000	1,000
Number of issued common stocks outstanding		102,500,000 shares	102,500,000 shares
Capital stock	₩	102,500	102,500

(3) Hybrid bonds

Hybrid bonds as of December 31, 2020 and 2019 are as follows:

	Issue date	Maturity date	Interest rate (%)	Amount in foreign currency		Amount of KRW equivalent
Overseas hybrid bonds (*)	July 24, 2017	July 24, 2047	3.95	$ 500,000	₩	557,000
Issuance costs (underwriting fees and other direct issuance costs)						(5,562)
					₩	551,438

(*) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and interest rate can be adjusted only once after 10 years from the date of issuance. Upon maturity date, the Group has the unconditional right to extend the maturity under the same condition.

(In millions of won)

31. Equity, continued

(4) Accumulated other comprehensive income

Changes in accumulated other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

	2020							
	Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain (loss) on valuation of investments in associates	Other comprehensive income (expense) of separate account	Gain on revaluation of property and equipment	Foreign currency translation adjustments for foreign operations	Remeasurement gain (loss) related to defined benefit liabilities	Total
Beginning balance	₩ 2,931,843	3,109	9	25,602	562,425	110	(20,695)	3,502,403
Fair value evaluation	1,350,440	(107,293)	48	53,130	-	-	15,234	1,311,559
Realization to income	(858,832)	(95,108)	(18)	(13,730)	-	-	-	(967,688)
Effect of exchange rate difference	-	-	-	-	-	(516)	-	(516)
Policyholder's equity adjustment (*)	(52,974)	-	(4)	-	4,745	-	-	(48,233)
Income tax effects	(120,769)	55,660	(6)	(10,835)	(1,005)	58	(4,145)	(81,042)
Non-consolidated adjustments	(4,291)	-	(5)	-	89	-	298	(3,909)
Others	(291)	-	-	-	(220)	31	(61)	(541)
Ending balance	₩ 3,245,126	(143,632)	24	54,167	566,034	(317)	(9,369)	3,712,033

(*) Allocation to policyholder's equity adjustment during the reporting period.

(In millions of won)

30. Equity, continued

(4) Accumulated other comprehensive income, continued

Changes in accumulated other comprehensive income for the years ended December 31, 2020 and 2019 are as follows, continued:

	2019							
	Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain (loss) on valuation of investments in associates	Other comprehensive income (expense) of separate account	Gain on revaluation of property and equipment	Foreign currency translation adjustments for foreign operations	Remeasurement gain (loss) related to defined benefit liabilities	Total
Beginning balance	₩ 1,602,987	25,770	(1,095)	816	512,289	(73)	(10,247)	2,130,447
Fair value evaluation	2,794,302	231,416	(341)	30,987	-	-	(6,180)	3,050,184
Realization to income	(517,091)	(262,672)	1,666	3,201		-	-	(774,896)
Effect of exchange rate difference	-	-	-	-	-	254	-	254
Policyholder's equity adjustment (*)	(460,842)	-	(226)	-	2,207	-	-	(458,861)
Income tax effects	(484,169)	8,595	37	(9,402)	37,851	(71)	(4,158)	(451,317)
Non-consolidated adjustments	(3,252)	-	(10)	-	-	-	(263)	(3,525)
Others	(92)	-	(22)	-	10,078	-	153	10,117
Ending balance	₩ 2,931,843	3,109	9	25,602	562,425	110	(20,695)	3,502,403

(*) Allocation to policyholder's equity adjustment during the reporting period.

(In millions of won)

31. Equity, continued

(5) Retained earnings

1) Legal reserve

Legal reserve is restricted for the dividend to stockholders by law or legislation. According to the Commercial Act, the Group is required to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of capital stock. The legal reserve may not be allocated in cash and may be used to reduce a deficit or may be transferred to capital based on the decision of board of directors.

2) The dividends amounting to ₩102,500 million for the Group's shareholders as of December 31, 2019 were paid on March 29, 2020 (₩102,500 million as of December 31, 2017).

3) Regulatory reserve for loan loss

When allowances for loan losses based on KIFRS for the assets subject to classification by asset soundness (such as loan receivables, insurance receivables, receivables, accrued revenue, suspense payments, bills receivables, etc.) in accordance with Regulations on Supervision of Insurance Business are less than the total of the reserves required by the Article 7-4 of Regulations on Supervision of Insurance Business, the difference is reserved as regulatory reserve for loan losses. The limit on regulatory reserve for loan losses is the amount subtracting reserves required by the Insurance Business Act and other laws from retained earnings.

The regulatory reserve for loan losses is, in nature, an arbitrary reserve for retained earnings. When there are unappropriated deficits, regulatory reserve for loan losses are reserved after the deficits are appropriated. When the amount previously reserved for regulatory reserve for loan losses exceeds the amount of regulatory reserve for loan losses to be reserved as of the closing date, the reversal of the excess amount is allowed.

ⅰ) Regulatory reserve for loan losses as of December 31, 2020 and 2019 are as follows:

		2020	2019
Regulatory reserve for loan losses accumulated	₩	140,843	128,885
To be accumulated		(18,309)	11,892
Balance	₩	122,534	140,777

(In millions of won)

31. Equity, continued

(5) Retained earnings, continued

3) Regulatory reserve for loan loss, continued

ii) Provision for regulatory reserve for loan losses and income adjusted for regulatory reserve for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Profit for the year before legal reserve attributable to controlling interests	₩	452,201	628,183
Hybrid bonds interests		(22,735)	(23,051)
Reversal of regulatory reserve for loan		(18,309)	(11,892)
Profit adjusted for regulatory reserve (*)		411,157	593,240
Basic earnings per share adjusted for regulatory reserve in won		4,011	5,788

(*) Profit adjusted for regulatory reserve above is non-KIFRS financial information. The adjustment amount is calculated under the assumption that provision for regulatory reserve is reflected in the current period net income without considering policyholders' equity adjustment and deferred tax effect.

(In millions of won)

31. Equity, continued

(6) Share-based payment

1) Kyobo Securities has a shared-based payment arrangement for its executives and employees as of December 31, 2020 and the share options granted under the arrangement are paid when its own shares are exercised and its details are as follows:

Grant date	The number of options granted	The number of options forfeited	The number of unexercised quantities	The number of exercisable options	Exercise price
2018. 3. 22	690,000	59,865	630,135	-	12,000 won

2) Vesting condition and exercise period of the share-based payment as of December 31, 2020 are as follows:

Grant date	Vesting condition	Exercise period
2018. 3. 22	In case of service for more than 2 years from grant date (2018.3.22 ~ 2020.3.21)	within 5 years from the date two years have passed from grant date (2020.3.22 ~ 2025.3.21)

3) Kyobo securities used the binomial model to measure the fair value of share options, and inputs used are as follows:

		Input data
Fair value of option per share	₩	1,027 won
Closing price of the day before grant date	₩	9,790 won
Exercise price	₩	12,000 won
Expected volatility (*)		12.17%
Expected exercise period		4.5 years
Expected dividends		-
Risk-free interest rate (return on government bonds)		2.64%

(*) 120-day index volatility of the KOSPI market to which Kyobo Securities belongs was applied.

4) Kyobo Securities accounts for the compensation costs as an expense in the period covered by the contract. The details of the reimbursement are as follow:

		2020
Compensation cost, gross	₩	647
Accumulated compensation expense		552
Compensation expense recognized in the current period		95
Residual compensation cost to be recognized		-

(In millions of won)

32. Premium income

Premium income for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Individual insurance:			
Pure endowment	₩	1,951,197	1,980,343
Death		4,565,557	4,453,275
Endowment		2,368,093	1,020,751
		8,884,847	7,454,369
Group insurance:			
Pure protection		128,745	120,541
Savings		5,793	6,906
		134,538	127,447
	₩	9,019,385	7,581,816

(In millions of won)

33. Reinsurance ceded

(1) Reinsurance assets and liabilities as of December 31, 2020 and 2019 are as follows:

		2020	2019
Reinsurance accounts receivable	₩	65,373	60,922
Reinsurance assets:			
Reserve for unearned premium		5,586	5,121
Reserve for outstanding claims		3,148	3,011
Incurred but not reported		16,675	14,938
		25,409	23,070
	₩	90,782	83,992
Reinsurance accounts payable	₩	55,794	50,509

(2) Transactions with reinsurance companies for the years ended December 31, 2020 and 2019 are as follows:

		2020				
		Reinsurance expense	Reinsurance claim revenue	Reinsurance commission revenue	Loss from reinsurance asset	Profit from reinsurance asset
Individual insurance:						
Domestic	₩	133,931	88,265	35,789	497	2,243
Group insurance:						
Domestic		2,124	1,812	1	-	96
	₩	136,055	90,077	35,790	497	2,339

		2019				
		Reinsurance expense	Reinsurance commission expense	Reinsurance claim revenue	Reinsurance commission revenue	Profit from reinsurance asset
Individual insurance:						
Domestic	₩	120,947	27	86,705	34,079	1,251
Group insurance:						
Domestic		1,955	-	1,658	-	70
	₩	122,902	27	88,363	34,079	1,321

(In millions of won)

34. Interest income

Interest income for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Cash and due from banks	₩	35,359	51,685
Financial assets held for trading		125,895	133,766
Available-for-sale financial assets		1,365,199	1,400,985
Loan receivables		1,005,944	1,032,257
Derivatives		200,463	163,568
Others		5,848	9,659
	₩	2,738,708	2,791,920

(In millions of won)

35. Gain on valuation and disposal of financial instruments

Gain on valuation and disposal of financial instruments for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Financial assets designated at fair value through profit or loss:			
Gain on valuation	₩	1,528	1,033
Gain on disposal			-
Financial assets held for trading:			
Gain on valuation		57,865	81,758
Gain on disposal		124,463	74,189
Available-for-sale financial assets:			
Reversal of impairment loss		1,852	-
Gain on disposal		795,381	488,787
Loan receivables:			
Gain on disposal		1,421	432
Financial liabilities designated at fair value through profit or loss:			
Gain on valuation		73,683	75,809
Gain on transaction		20,199	28,742
Trading liabilities:			
Gain on valuation		11,161	2,816
Gain on transaction		5,876	6,363
Derivatives:			
Gain on valuation		1,278,912	481,936
Gain on transaction		988,955	406,891
	₩	3,361,296	1,648,756

(In millions of won)

36. Fee and commission income

Fee and commission income for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Brokerage commissions	₩	166,364	105,693
Underwriting commissions		23,370	15,045
Credit placement fees		13,076	11,078
Asset management fees		16,341	22,171
Brokerage commissions on collective investment securities		6,820	6,758
Merger and acquisition fees		70,635	61,523
Others		92,709	69,533
	₩	389,315	291,801

37. Dividend income

Dividend income for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Financial assets held for trading:			
Equity securities	₩	369	1,091
Beneficiary certificates		11,878	11,327
		12,247	12,418
Available-for-sale financial assets:			-
Equity securities		49,996	47,728
Equity investments		4,539	14,878
Beneficiary certificates		369,839	309,641
Overseas securities		126,985	98,588
		551,359	470,845
	₩	563,606	483,253

(In millions of won)

38. Other operating income

(1) Other operating income for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Merchandise sales	₩	729,756	649,585
Product sales		4,067	4,807
Other		126,593	185,816
Other operating profits		33,639	11,768
	₩	894,055	851,976

(2) The classification of revenue recognized into categories and the timing of revenue recognition of merchandise sales, product sales and other sales for the years ended December 31, 2020 and 2019 are as follows:

		2020			
		Book sales and publication	Facility management	Others	Total
At a point in time	₩	673,943	6,533	47,476	727,952
Over time		20,228	112,236	-	132,464
	₩	694,171	118,769	47,476	860,416

		2019			
		Book sales and publication	Facility management	Others	Total
At a point in time	₩	587,702	5,311	52,381	645,394
Over time		22,288	171,996	530	194,814
	₩	609,990	177,307	52,911	840,208

(In millions of won)

39. Insurance claims paid

The Group's insurance claims paid consist of benefit payments, surrenders for insurance and dividend expenses.

(1) Benefit payments for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Individual insurance:			
Pure endowment	₩	182,941	113,839
Death		585,267	580,122
Endowment		217,404	369,565
		985,612	1,063,526
Group insurance:			
Pure protection		37,214	96,787
Savings		249	505
		37,463	97,292
	₩	1,023,075	1,160,818

(2) Surrenders for insurance for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Individual insurance:			
Pure endowment	₩	2,324,901	2,171,013
Death		2,726,312	2,634,772
Endowment		806,252	634,104
		5,857,465	5,439,889
Group insurance:			
Pure protection		66,465	76,601
Savings		16,071	14,196
		82,536	90,797
	₩	5,940,001	5,530,686

(3) Dividend expenses for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Individual insurance:			
Pure endowment	₩	17,185	13,922
Death		851	1,259
Endowment		744	968
		18,780	16,149
Group insurance:			
Pure protection		204	764
Savings		2	-
		206	764
	₩	18,986	16,913

(In millions of won)

40. Operating and administrative expenses

Operating and administrative expenses for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Policy acquisition costs:			
Agent commission	₩	520,847	440,689
Branch office operation		53,302	51,149
Sales promotion		105,617	82,300
Advertising expense		6,736	6,006
Others		202,668	178,239
		889,170	758,383
Maintenance expenses:			
Wages and salaries		202,160	198,229
Bonuses		92,929	100,756
Employment benefits		68,264	61,532
Severance benefits		47,182	42,310
Taxes and dues		100,030	115,748
Office rent		29,925	30,162
Depreciation		65,954	62,588
Commission		37,605	60,655
Information technology		32,851	18,839
Collection		6,509	6,021
Others		36,403	36,322
		719,812	733,162
Deferred acquisition cost		(563,328)	(513,906)
	₩	1,045,654	977,639

(In millions of won)

41. Asset management expenses

Asset management expenses for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Wages and salaries	₩	22,170	22,390
Bonuses		11,014	11,663
Severance benefits		5,521	4,776
Employment benefits		7,203	6,496
Communication		2,435	2,825
Repairs and maintenance		4,284	3,633
Outsourcing fee		9,432	12,614
Commission		34,575	33,323
Taxes and dues		15,326	14,422
Depreciation		2,464	1,052
Others		7,035	4,243
	₩	121,459	117,437

42. Interest expenses

Interest expenses for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Borrowings	₩	25,130	35,830
Derivatives		235,807	266,048
Others		9,856	12,735
	₩	270,793	314,613

(In millions of won)

43. Loss on valuation and disposal of financial instruments

Loss on valuation and disposal of financial instruments for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Financial assets designated at fair value through profit or loss:			
Loss on valuation	₩	-	206
Financial assets held for trading:			
Loss on valuation		26,292	10,230
Loss on disposal		87,746	30,871
Available-for-sale financial assets:			
Impairment loss		63,297	22,227
Loss on disposal		172,982	127,913
Loan receivables:			
Provision for losses on loan receivables		28,346	21,525
Loss on disposal		296	584
Other receivables:			
Provision for other receivables		4,128	705
Financial liabilities designated at fair value through profit or loss:			
Loss on valuation		35,109	102,091
Loss on transaction		106,044	135,760
Trading liabilities:			
Loss on valuation		440	13,744
Loss on transaction		21,241	28,008
Derivatives:			
Loss on valuation		537,503	631,662
Loss on transaction		1,338,189	717,766
	₩	2,421,613	1,843,292

(In millions of won)

44. Other operating expenses

Other operating expenses for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Depreciation of investment properties	₩	8,902	9,241
Amortization of intangible assets		52,497	15,330
Fees and commission expense		64,653	46,121
Cost of sales-merchandise		525,893	439,413
Cost of sales-services		151,222	196,587
Cost of sales-products		2,489	2,772
Cost of other goods sold		20,415	25,418
General and administrative expenses:			
Employee costs		339,451	313,968
Depreciation		43,532	39,260
Other general expenses		157,127	141,624
Insurance discounts		1,475	1,319
Others		13,696	2,907
	₩	1,381,352	1,233,960

45. Foreign currency translation

(1) Foreign currency denominated assets and liabilities as of December 31, 2020 and 2019 are as follows:

	2020		2019	
	Amount of foreign currency	Amount of KRW equivalent	Amount of foreign currency	Amount of KRW equivalent
Foreign cash and due from banks				
USD	540,894	₩ 588,494	1,022,714	₩ 1,184,099
JPY	205,751	2,169	141,018	1,500
EUR	8,314	11,126	10,925	14,174
Others	24,534	26,706	22,594	26,160
Financial assets designated at fair value through profit or loss				
USD	828,067	₩ 900,937	738,421	₩ 854,944
JPY	-	-	501,090	5,329
EUR	26,570	35,557	34,549	44,825
Available-for-sale financial assets				
USD	14,020,135	₩ 15,253,907	12,222,621	₩ 14,151,351
JPY	9,696,642	102,224	9,803,060	104,253
EUR	2,810,813	3,761,542	3,269,550	4,242,012
Others	1,877,854	288,924	2,480,058	429,720
Loan receivables				
USD	162,122	₩ 176,389	163,833	₩ 189,686
EUR	59,500	79,625	59,500	77,197
Others	175,500	168,281	177,088	169,926
Other receivables				
USD	463,630	₩ 504,429	332,001	₩ 384,391
JPY	27,402	289	27,988	298
EUR	19,922	26,660	25,150	32,631
Others	22,140	8,255	23,483	9,404
Financial assets total				
USD	16,014,848	₩ 17,424,156	14,479,590	₩ 16,764,471
JPY	2,925,119	3,914,510	10,473,156	111,380
EUR	9,929,795	104,682	3,399,674	4,410,839
Others	2,100,028	492,166	2,703,223	635,210
Financial liabilities				
USD	1,942,129	₩ 2,113,037	1,242,773	₩ 1,438,883
JPY	74,954	790	17,439	185
EUR	169	226	11,200	14,531
Others	2,744	2,986	6,631	7,677

(In millions of won)

45. Foreign currency translation, continued

(2) Gain on foreign currency transactions for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Gain on foreign currency translation	₩	252,376	563,558
Gain on foreign currency transaction		285,877	150,759
	₩	538,253	714,317
Loss on foreign currency translation	₩	1,136,414	104,653
Loss on foreign currency transaction		126,237	43,974
	₩	1,262,651	148,627

(In millions of won)

46. Non-operating income and expenses

(1) Non-operating income for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Valuation of investments in associates	₩	5,991	13,745
Disposal of investments in associates		35	5,828
Disposal of investment properties		456	109
Disposal of property and equipment		146	1,350
Disposal of intangible assets		209	81
Disposal of non-current asset held for sale		-	1,620
Reversal of impairment loss on intangible assets		111	51
Miscellaneous gains		10,968	6,569
	₩	17,916	29,353

(2) Non-operating expenses for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Valuation of investments in associates	₩	455	1,747
Disposal of investments in associates		-	66
Disposal of investment properties		-	122
Impairment of investment properties		550	-
Disposal of property and equipment		6,417	2,817
Impairment of property and equipment		875	-
Disposal of intangible assets		27	-
Impairment of intangible assets		12,087	45
Donations		8,394	10,233
Miscellaneous losses		6,992	11,071
	₩	35,797	26,101

(In millions of won)

47. Income tax expenses

(1) Income tax expenses for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Current income tax expenses	₩	68,797	69,850
Origination and reversal of temporary differences		213,742	611,734
Income tax expense directly recognized in equity		(81,042)	(451,317)
Additional payment (refund) of income taxes		(12,929)	10,753
Income tax expenses	₩	188,568	241,020

(2) Income tax expenses calculated by multiplying profit before income tax expenses with the tax rate for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Profit before income taxes	₩	666,398	908,513
Income taxes at statutory tax rates		174,426	253,653
Adjustments:			
Non-deductible expense (non-taxable income), etc.		27,071	(23,386)
Additional payment of income taxes		(12,929)	10,753
Income tax expenses	₩	188,568	241,020
Effective tax rate		28.30%	26.53%

47. Income tax expenses, continued

(3) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities and temporary differences for the years ended December 31, 2020 and 2019 are as follows:

	2020		
	Beginning balance	Increase (decrease)	Ending balance
Deferred tax assets:			
Depreciation	₩ 9,817	5,148	14,965
Loss on valuation of financial assets held for trading	-	101	101
Impairment loss on financial assets	15,945	(929)	15,016
Valuation losses on assets and liabilities in foreign currency	-	152,899	152,899
Taxes and dues	13,650	(4,189)	9,461
Liability for defined benefit obligations	34,796	(525)	34,271
Loss on valuation of derivatives	8,738	17,954	26,692
Accrued bonus expenses	16,133	1,416	17,549
Miscellaneous losses (impairment loss on land)	2,813	143	2,956
Miscellaneous losses (dormant insurance payments)	11,123	(1,494)	9,629
Minimum policy holder reserves	287,061	64,488	351,549
Contingent liabilities	1,073	(448)	625
Loss on revaluation of land	3,630	-	3,630
Others	243,829	564,458	808,287
	648,608	799,022	1,447,630
Deferred tax liabilities:			
Gain on valuation of financial assets held for trading	(196,616)	(381,055)	(577,671)
Valuation gains on assets and liabilities in foreign currency	(114,873)	114,873	-
Interest income	(62,412)	1,302	(61,110)
Allowance related to asset revaluation	(22,514)	-	(22,514)
Gain on valuation of available-for-sale financial assets	(1,104,266)	(134,941)	(1,239,207)
Gain on valuation of derivatives	(23,760)	(258,461)	(282,221)
Gain on valuation of investment in associates	(170)	170	-
Gain on revaluation of property and equipment	(28,098)	(182,936)	(211,034)
Others	(729,879)	(194,493)	(924,372)
	(2,282,588)	(1,035,541)	(3,318,129)
Excluded from deferred tax recognition	(298,628)	22,777	321,405
Deferred tax liabilities, net	₩ (1,335,352)	(213,742)	(1,549,094)

(In millions of won)

47. Income tax expenses, continued

(3) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities and temporary differences for the years ended December 31, 2020 and 2019 are as follows, continued:

	2019		
	Beginning balance	Increase (decrease) (*)	Ending balance
Deferred tax assets:			
Depreciation	₩ 11,360	(1,543)	9,817
Loss on valuation of financial assets held for trading	18,756	(18,756)	-
Impairment loss on financial assets	14,280	1,665	15,945
Valuation losses on assets and liabilities in foreign currency	11,361	(11,361)	-
Taxes and dues	13,180	470	13,650
Liability for defined benefit obligations	31,760	3,036	34,796
Loss on valuation of derivatives	1,690	7,048	8,738
Accrued bonus expenses	22,374	(6,241)	16,133
Miscellaneous losses (impairment loss on land)	2,813	-	2,813
Miscellaneous losses (dormant insurance payments)	9,115	2,008	11,123
Minimum policy holder reserves	222,232	64,829	287,061
Contingent liabilities	1,759	(686)	1,073
Loss on revaluation of land	3,852	(222)	3,630
Others	123,522	120,307	243,829
	488,054	160,554	648,608
Deferred tax liabilities:			
Gain on valuation of financial assets held for trading	(9,072)	(187,544)	(196,616)
Valuation gains on assets and liabilities in foreign currency	-	(114,873)	(114,873)
Interest income	(66,512)	4,100	(62,412)
Allowance related to asset revaluation	(22,514)	-	(22,514)
Gain on valuation of available-for-sale financial assets	(618,830)	(485,436)	(1,104,266)
Gain on valuation of derivatives	(25,849)	2,089	(23,760)
Gain on valuation of investment in associates	(21,446)	21,276	(170)
Gain on revaluation of property and equipment	(236,121)	208,023	(28,098)
Others	(475,384)	(254,495)	(729,879)
	(1,475,728)	(806,860)	(2,282,588)
Excluded from deferred tax recognition	(267,503)	(31,125)	(298,628)
Deferred tax liabilities, net	₩ (720,171)	(615,181)	(1,335,352)

(*) Including changes due to business combination.

(In millions of won)

47. Income tax expenses, continued

(4) Deferred tax assets and liabilities that were directly charged or credited to equity for the years ended December 31, 2020 and 2019 are as follows:

	2020		2019	
	Amount	Tax effect	Amount	Tax effect
Revaluation reserves	₩ 24,366	(19,863)	24,366	(19,863)
Gain on valuation of available-for-sale financial assets	4,480,899	(1,235,773)	4,046,847	(1,115,004)
Gain on valuation of hedging instruments	(198,112)	54,480	4,289	(1,180)
Gain on valuation of investments in associates	33	(9)	12	(3)
Accumulated other comprehensive income (expense) in separate account	74,713	(20,546)	35,313	(9,711)
Gain on revaluation of property and equipment	772,077	(206,043)	767,463	(205,038)
Remeasurement gain (loss) related to defined benefit liabilities	(11,212)	1,843	(26,683)	5,988
Foreign currency translation adjustments for foreign operations	(332)	15	153	(43)
	₩ 5,142,432	(1,425,896)	4,851,760	(1,344,854)

(5) Deferred tax assets and liabilities presented on a gross basis prior to any offsetting as of December 31, 2020 and 2019 are as follows:

		2020	2019
Deferred tax assets	₩	1,447,630	648,608
Deferred tax liabilities		(2,996,724)	(1,983,960)
Deferred tax liabilities, net	₩	(1,549,094)	(1,335,352)
Current tax assets	₩	156,184	120,897
Current tax liabilities		(65,998)	(32,550)
Current tax assets, net	₩	90,186	88,347

Meanwhile, individual subsidiaries included in consolidation has no legal authority or intention to set off their corporate income tax. Therefore, the deferred tax assets of individual subsidiaries were separated to calculate net amounts above. As of December 31, 2020 and 2019, the Group represented separately in the consolidated financial statements ₩ 10,161 million and ₩ 9,230 million of the deferred tax assets ,₩ 1,559,255 million and ₩ 1,334,582 million of deferred tax liabilities, ₩ 130,266 million and ₩ 120,897 million of current tax assets and ₩ 40,080 million and ₩ 32,550 million of current tax liabilities as of December 31, 2020 and 2019, respectively.

(In millions of won)

48. Employee benefits

Details of employee benefits for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Short-term and other long-term employee benefits	₩	641,046	632,693
Post-employment benefits (*)		75,062	70,841

(*) Post-employment include ₩1,535 million and ₩2,022 million of termination benefits for the years ended December 31, 2020 and 2019, respectively, and ₩13,706 million and ₩13,627 million of defined contribution plans for the years ended December 31, 2020 and 2019, respectively.

49. Commitments and contingencies

(1) Pending litigations

The Group has 381 pending litigations in which the Group is a defendant, such as claims for insurance payments and others, and the total legal proceedings amounts to ₩216,291 million as of December 31, 2020. In addition, the Group has 587 pending litigations in which the Group is a plaintiff with total claims of ₩43,867 million. As of the end of the current reporting period, the Group cannot reliably determine the outcome of the pending litigations and has recognized reserves of ₩6,420 million and provisions of ₩534 million for litigations as a defendant and plaintiff, respectively.

As of December 31, 2020, in light of a ruling by the Financial Supervisory Service in favor of certain policyholders of immediate payment annuity products against an insurance company in Korea, there is uncertainty as to the Group's obligation for additional payment to the policyholders of the Group's immediate payment annuity products. However, the probability, amount or timing of additional premium payment cannot be reliably estimated as of December 31, 2020.

(2) Insurance commitments

The contract amounts under the insurance contracts in the general and separate accounts as of December 31, 2020 are as follows:

	Number of contracts		Total contract amount
General accounts	8,066,063	₩	292,602,904
Separate accounts	847,892		7,017,825
	8,913,955	₩	299,620,729

49. Commitments and contingencies, continued

(3) Reinsurance agreements

The reinsurance agreements of individual and group insurance as of December 31, 2020 are as follows:

Reinsurance method	Reinsurance company	Ceding ratio (%)	Nature of risk
Surplus	SCOR Reinsurance Asia-Pacific	100	Risk from excessive contracts
Surplus	SCOR Reinsurance Asia-Pacific	100	Risk from excess number of contracts with individuals with high-risk occupations
Surplus	Korean Re	100	Kyobo Big Love Guarantee Insurance
Surplus	Pacific Life Re	Exceeding W100 million per person	Mortality (term insurance and whole life, insurance)
Surplus, Quota Share	Munich Re	60	Risk from excessive contracts
Surplus, Quota Share	Korean Re	40	Risk from excessive contracts
Quota Share	General Cologne Re	10	Individual medical insurance
Quota Share	General Cologne Re	10	Accidental insurance
Quota Share	General Cologne Re	30	CI whole life Reinsurance
Quota Share	General Cologne Re	30	SI Insurance
Quota Share	General Cologne Re	30	Second CI Guarantee reinsurance
Quota Share	Hannover Re	10	CI reinsurance
Quota Share	Hannover Re	10	Direct health insurance
Quota Share	Hannover Re	10 ~ 25	Individual medical Insurance
Quota Share	Hannover Re	30	Kyobo cancer insurance
Quota Share	Hannover Re	80	Facultative reinsurance
Quota Share	Munich Re	10	CI reinsurance
Quota Share	Munich Re	5~20	Whole life insurance
Quota Share	Munich Re	30	LTC (Silver care insurance)
Quota Share	Munich Re	30	Premier CI Insurance
Quota Share	Munich Re	80	Facultative reinsurance
Quota Share	RGA Re	20	Kyobo cancer insurance
Quota Share	RGA Re	30	Dental Benefits
Quota Share	RGA Re	50	Death (term,whole life),Diagnosis(cancer,adult)
Quota Share	RGA Re	80	Facultative reinsurance
Quota Share	RGA Re	90	Substandards insurance
Quota Share	SCOR Reinsurance Asia-Pacific	10	Individual medical Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	CI reinsurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	Direct health insurance
Quota Share	SCOR Reinsurance Asia-Pacific	30 ~ 60	Top Class cancer Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	50	Dental & Juvenile Benefits
Quota Share	SCOR Reinsurance Asia-Pacific	80	Facultative reinsurance
Quota Share	Korean Re	10	CI whole life reinsurance
Quota Share	Korean Re	10 ~ 50	SI whole life insurance
Quota Share	Korean Re	15 ~ 25	Individual medical Insurance
Quota Share	Korean Re	30	Kyobo cancer Insurance
Quota Share	Korean Re	30	Accident insurance
Quota Share	Korean Re	50	SI Insurance
Quota Share	Korean Re	50	Dementia Insurance

49. Commitments and contingencies, continued

(3) Reinsurance agreements, continued

The reinsurance agreements of individual and group insurance as of December 31, 2020 are as follows, continued:

Reinsurance method	Reinsurance company	Ceding ratio (%)	Nature of risk
Quota Share	Korean Re	50	Term insurance
Quota Share	Korean Re	80	Facultative reinsurance
Quota Share	Swiss Re	50	Non-par relapse cancer rider

(4) Purchase commitment of commercial paper

The Group provides ABCP purchase commitments amounting to ₩196,200 million (December 31, 2019: ₩196,400 million) as of December 31, 2020.

		Amount	Period	Description
Bluedream 19th Co., Ltd.	₩	21,000	2017.11.23~2023.06.21	
Neoexodium 1st Co., Ltd.		20,200	2018.07.30~2024.05.22	
MKDREAM 5TH Co., Ltd.		21,000	2018.11.12~2024.12.20	ABCP
ABFT Infra Development Co., Ltd.		23,000	2015.04.30~2022.04.29	purchase
Urban Guarantee Cheonan 1st Co., Ltd		19,500	2020.07.22~2024.01.30	commitments
Urban Guarantee Seodaesin 1st Co., Ltd		38,500	2017.11.07~2021.06.07	
Urban Guarantee Namsan 1st Co., Ltd.		53,000	2017.11.30~2022.02.28	
	₩	196,200		

(5) Stand-by commitments

The Group provides guarantee of debts (purchase commitment etc.) of ₩168,925 million (December 31, 2019: ₩259,545 million) to SPC for the developer's projects on Songdo International City development as of December 31, 2020.

Company	Trade Opponent		Amount	Description
Kyobo Securities Co., Ltd.	Caba chic 9th Co., Ltd.	₩	27,000	Debt
	Blue dia 8th Co., Ltd.		27,000	guarantee
	Bluedia 9 th Co., Ltd.		11,000	
	Jjibest 6th Co., Ltd.		25,000	
	Eco dream 1st Co., Ltd.		29,400	
	DW Yangju 1st Co., Ltd.		27,800	
	Must Hakik 1st Co., Ltd.		10,000	
	FI eco Co., Ltd.		5,000	Equity guarantee
	Doublerich 9th Co., Ltd.		4,000	Debt guarantee
Kyobo Asset Trust Co., Ltd.	Busan Geumjeong-gu Office		2,725	Payment guarantee
		₩	168,925	

(In millions of won)

49. Commitments and contingencies, continued

(6) Provided with payment guarantee of December 31, 2020 are as follows:

		Amount
Seoul Guarantee Insurance	₩	66,845
Korea Specialty Contractor Financial Cooperative		215,516
Korea Software Financial Cooperative		38,762
Korea Housing & Urban Guarantee Corporation		4,591,988
	₩	4,913,111

(7) Other commitments as of December 31, 2020 are as follows:

		Amount
Loan commitments	₩	3,189,956
Investment commitments		3,644,779
	₩	6,834,735

(8) Overdraft commitments, etc.

The commitments and guarantees as of December 31, 2020 are as follows:

			Amount	Counter party	Descriptions
Kyobo Life Insurance Co., Ltd.	Overdraft commitments	₩	290,000	Standard Chartered Bank, etc.	Bank overdraft
Kyobo Securities Co., Ltd.	Overdraft commitments		96,000	Woori Bank, etc.	Intra-day credit, Micro payment
	Limit commitments		960,000	KSFC	Securities distribution finance, CP issue limit commitments
Kyobo Book Center Co., Ltd.	Overdraft commitments		7,300	Kookmin Bank	Bank overdraft
	Limit commitments		10,000	Shinhan Bank, etc.	Corporate operating loan limit commitments
Kyobo Hottracks Co., Ltd.	Overdraft commitments		5,000	Woori Bank	Bank overdraft
	Limit commitments		17,000	Shinhan Bank, etc.	Corporate operating loan limit commitments
		₩	1,385,300		

(In millions of won)

49. Commitments and contingencies, continued

(9) Securities lending and borrowing

Securities lending and borrowing as of December 31, 2020 are as follows:

	Type		Amount	Valuation standard
Securities lent	Equity securities	₩	58,941	Fair value
	Debt securities		987,987	Fair value
Securities borrowed	Equity securities		76,137	Fair value
	Debt securities		2,718,079	Fair value

Securities lending transaction is a transaction that transfers the ownership of the same amount and kind of securities after a certain period of time and continues to be recognized as an asset of the Group because it does not meet the conditions for the derecognition of transfer of financial assets.

The Group executes loan transaction and keeps memorandum notes on borrowed securities from KSFC and Korea Securities Depository. The Group accounts for the transaction as financial liabilities designated at fair value through profit or loss when it sells borrowed securities or when it makes a short sale of the borrowed securities.

(10) The Group provided tenants with 3 overdraft checks (issue price of ₩ 694 million) as collateral for the lease deposit when the Group signed lease contracts for buildings owned by Kyobo Securities and sub-lease contracts for building owned by others as of December 31, 2020.

(11) Various measures and controls, including travel restrictions, have been enforced worldwide in order to contain the spread of COVID-19. As a result, the global economy has been affected extensively, and its duration and severity are difficult to predict. COVID-19 may affect the fair value assessment of financial instruments and the adequacy assessment of insurance liabilities. The Group has prepared the financial statements by reasonably estimating the impact of COVID-19 on the consolidated financial statements for the reporting period ending on December 31, 2020. However, the ultimate impact of the future spread of COVID-19 on the Group's financial position, financial performance and cash flows cannot be reasonably predicted as of December 31, 2020.

(In millions of won)

50. Related parties

(1) The related parties as of December 31, 2020 and 2019 are as follows:

2020	Location
Associates	
A&D Credit Information Co., Ltd.,	Korea
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.,	
Kyobo 9 Special Purpose Acquisition Company,	
Kyobo 10 Special Purpose Acquisition Company (*),	
Songsan Industrial Complex Development Co., Ltd.,	
Pusan Millak PFV (*), Jinjeop2 REIT Co., Ltd., (*)	
Guri- Galmae Daeto Development Trust Management Property Investment Company (*)	
Yeoido H2 PFV (*)	
Joint Ventures	
Kyobo AXA Investment Managers Co., Ltd.	Korea
Others	
Daesan Foundation For Rural Society, Daesan Foundation For Culture,	Korea
Kyobo Foundation For Education	

(*) Kyobo 10 Special Purpose Acquisition Company, Pusan Millak PFV, Jinjeop2 REIT Co., Ltd., Guri- Galmae Daeto Development Trust Management Property Investment Company and Yeoido H2 PFV were included in the related parties and Kyobo 7 Special Purpose Acquisition Company and Kyobo 8 Special Purpose Acquisition Company were excluded from related parties for the year ended December 31, 2020.

2019	Location
Associates	
A&D Credit Information Co., Ltd.,	Korea
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.,	
Kyobo 7 Special Purpose Acquisition Company,	
Kyobo 8 Special Purpose Acquisition Company,	
Kyobo 9 Special Purpose Acquisition Company (*),	
Songsan Industrial Complex Development Co., Ltd.	
Joint Ventures	
Kyobo AXA Investment Managers Co., Ltd.	Korea
Others	
Daesan Foundation For Rural Society, Daesan Foundation For Culture,	Korea
Kyobo Foundation For Education	

(*1) Kyobo 9 Special Purpose Acquisition Company was newly included in the related parties and I2S Korea Co., Ltd., Trus Y 7 REIT Co., Ltd., KoFC KyoboHanhwa2010-6 and Kyobo Asset Trust Co., Ltd. were excluded from the related parties for the year ended December 31, 2019

(In millions of won)

50. Related parties, continued

(2) Significant balances with the related parties as of December 31, 2020 and 2019 are as follows:

Related party	Account		2020	2019
Associates:				
A&D Credit Information Co., Ltd.	Accounts payable	₩	725	663
	Retirement pension (*)		713	871
Kyobo 7 Special Purpose Acquisition Company	Loan receivables		-	833
Kyobo 8 Special Purpose Acquisition Company	Loan receivables		-	833
Kyobo 9 Special Purpose Acquisition Company	Loan receivables		871	871
Kyobo 10 Special Purpose Acquisition Company	Loan receivables		814	-
Joint Ventures:				
Kyobo AXA Investment Managers Co., Ltd.	Accounts payable		777	1,814
	Leasehold deposits received		805	805
	Accounts Receivable		1	-
	Deposits		617	639
Others:				
Daesan Foundation For Rural Society	Retirement insurance (*)		178	175
Daesan Foundation For Culture	Leasehold deposits received		1,363	1,363
	Accounts receivable		1	-
	Retirement pension (*)		642	570
Kyobo Foundation For Education	Retirement pension (*)		517	400
Key management	Loan receivables		151	91

(*) Retirement insurance and pension are reserve for policyholder in separate account liabilities.

(In millions of won)

50. Related parties, continued

(3) Significant transactions with the related parties for the years ended December 31, 2020 and 2019 are as follows:

Related party	Account	2020 Revenues	2020 Expenses	2019 Revenues	2019 Expenses
Associates:					
A&D Credit Information Co., Ltd.	Premium income (*1) ₩	16	-	17	-
	Dividend income	98	-	-	-
	Claims paid (*1)	-	18	-	19
	Operating and administrative expenses	-	188	-	210
	Asset management expenses	-	7,424	-	7,222
Joint Ventures:					
Kyobo AXA Investment Managers Co., Ltd.	Premium income (*1)	28	-	27	-
	Commission income	1,062	-	718	-
	Dividend income	4,890	-	4,830	-
	Rental income	1,428	-	1,392	-
	Sales	2	-	-	-
	Asset management expenses	-	3,362	-	3,622
Others:					
Daesan Foundation For Rural Culture & Society	Premium income (*1)	1	-	1	-
	Rental income	1	-	-	-
	Claims paid (*1)	-	2	-	2
	Non-operating expenses	-	1,104	-	1,443
Daesan Foundation For Culture	Premium income (*1)	3	-	3	-
	Rental income	60	-	58	-
	Sales	-	-	2	-
	Claims paid (*1)	-	12	-	10
	Operating and administrative expenses	-	59	-	59
	Non-operating expenses	-	1,338	-	1,860
Kyobo Foundation For Education & Culture	Premium income (*1)	2	-	3	-
	Rental income	1	-	-	-
	Sales	-	-	3	-
	Claims paid (*1)	-	9	-	8
	Non-operating expenses	-	1,837	-	1,728

(*) Premium income and claims paid belong to profit or loss in separate account.

(In millions of won)

50. Related parties, continued

(4) The financing transactions with the related parties for the years ended December 31, 2020 and 2019 are as follows:

Related party		2020		
		Loan transaction		Collection of investment
		Lending	Collection	
Pusan Millak PFV.	₩	-	-	250
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.		-	-	(171)
Jinjeop2 REIT Co., Ltd.		-	-	59
Guri Galmae REIT Co., Ltd.		-	-	20
Yeoido H2 PFV.		-	-	250
Kyobo 7 Special Purpose Acquisition Company		-	990	-
Kyobo 8 Special Purpose Acquisition Company		-	990	-
Kyobo 10 Special Purpose Acquisition Company		930	-	-

Related party		2019		
		Loan transaction		Collection of investment
		Lending	Collection	
KoFC KyoboHanhwa2010-6	₩	-	-	(1,210)
Kyobo 9 Special Purpose Acquisition Company		990	-	10

(5) The Group determined that the key management includes executives and external directors who have authority and responsibilities for decision making of the business plan, operations and control over the Group. Key management compensation for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Long and short-term employee benefits	₩	27,463	22,842
Retirement benefits		4,568	5,348
Share-based payment		95	311
	₩	32,126	28,501

(In millions of won)

51. Earnings per share

Basic earnings per share for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019 (*2)
Profit for the year (*1)	₩	452,201	628,183
Dividends to hybrid bonds		(22,735)	(23,051)
Profit available for common stock	₩	429,466	605,132
Weighted average number of common shares outstanding		102,500,000 shares	102,500,000 shares
Earnings per share in won		4,190	5,904

(*1) Profit for the year attributable to the controlling interests

The Group's basic earnings per share and diluted earnings per share are the same since there are no potential diluted shares for the years ended December 31, 2020 and 2019.

(In millions of won)

52. Statement of cash flows

(1) Significant non-cash transactions for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Changes in valuation gain on available-for-sale financial assets	₩	313,283	1,328,856
Transfer property and equipment to investment properties		33,144	51,803
Changes in valuation gain on revaluation of property and equipment		3,609	50,136
Changes in valuation loss on derivatives for cash flow hedging purpose		(146,741)	(22,661)
Changes in other comprehensive income in associates		15	1,104
Other comprehensive income in separate accounts		28,565	24,786
Changes in foreign currency translation adjustments for foreign operations		(427)	183
Changes in remeasurements on defined benefit liabilities		11,325	(10,448)
Write-off and others		(27,481)	(32,980)
Write-off of other receivables, etc.		(1,051)	(10,090)
Transfer from construction in progress		3,961	43,135
Transfer prepaid expense to property and equipment		1,926	18,956
Transfer prepaid expense to intangible assets		29,704	192,858
Transfer from non-current asset held for sale		-	1,089
Changes in right-of-use assets (transfer, acquisition)		69,875	203,917
Changes in right-of-use assets (disposal)		(22,584)	(55,982)
Changes in payables due to acquisition of tangible and intangible assets		1,581	-
Changes in policyholders' equity adjustments		48,232	458,861
Income tax expenses reflected in capital		(81,042)	(451,317)
Replacement from other provisions to reserve for outstanding claims		800	-
Changes in non-controlling interests due to the acquisition of subsidiaries		147,806	-

(2) Changes in liabilities from financing activities for the years ended December 31, 2020 and 2019 are as follows:

		2020			
		Lease liabilities	Borrowings	Leasehold deposits received	Total
Beginning balance	₩	91,500	1,806,760	119,803	2,018,063
Cash flows from financing activities		(46,998)	804,846	(12,042)	745,806
Interest expense, etc.		33,662	8,207	(769)	41,100
Ending balance	₩	78,164	2,619,813	106,992	2,804,969

		2019			
		Lease liabilities	Borrowings	Leasehold deposits received	Total
Beginning balance	₩	90,364	1,607,729	128,651	1,826,744
Increase due to business combination		9,465	-	-	9,465
Cash flows from financing activities		(50,495)	200,762	(9,263)	141,004
Interest expense, etc.		42,166	(1,731)	415	40,850
Ending balance	₩	91,500	1,806,760	119,803	2,018,063

53. Risk management

53-1) General

(1) Risk management overview

The objective of risk management is to effectively manage and control various uncertainties that prevent the controlling company from achieving its business goal. The controlling company supports its stable business activities by setting the appropriate risk limits to ensure the risk capital (e.g. solvency margin) is maintained above the minimum risk based capital required by the Financial Supervisory Service even in the environment which various risks may actually realize simultaneously, and also comprehensively manages assets and liabilities portfolios to enhance profitability compared to risk.

The controlling company's risk management process is as follows:

1) Risk identification and classification

The controlling company identifies risks related to market, credit, interest, insurance, liquidity, operation, strategy, reputation, and variable insurance guarantee as significant risks. Market, credit, interest, insurance, liquidity and variable insurance guarantee risks are classified as financial risks, while operation, strategy, reputation risks are classified as non-financial risks.

2) Risk measurement and management

Market, credit, interest, insurance and operational risks are measured using Value at Risk (VaR) method. Liquidity risk is periodically monitored and managed to ensure liquidity level is adequately maintained by setting the minimum liquidity limit that reflects cash flows and variability for the last 6 months. In addition, variable insurance guarantee risk is periodically measured using a simulation method called the Conditional Tailed Expectation (CTE(95) – CTE(70)).

The controlling company continues to maintain Asset-Liability Management (ALM) policy to secure long-term stable interest rate margins. In order to consistently improve the asset and liability structure, the product sales mix has been weighted more heavily in favor of investment linked products and floating-rate type policies, while cash flow stability has been strengthened through the increase of long-term fixed-rate interest assets. In addition, constant improvements are being made to the ALM systems.

3) Risk control

To hedge, accept, transfer and mitigate risks, the controlling company sets risk limits at adequate level and monitors if these limits are appropriate and in compliance with the risk management policies and procedures. The risk limits are adjusted as necessary, and a contingency plan is also placed in operation.

In addition, the risk management department provides timely feedbacks and ensures fast and proper decision making process for any important decision making matters.

4) Risk monitoring and reporting

The controlling company monitors various risk factors (e.g. interest rates, stock index, FX rates, etc.), risk quantities by each risk and related monitoring index, and regulatory related index (e.g. solvency margin) on a daily, monthly and quarterly basis using the check list, and if any unusual instances are identified, they are reported to the management or the Risk Management Committee and appropriate action is taken.

53. Risk management, continued

53-1) General, continued

(2) Risk management framework

Risk management organization is divided into division in charge of risk management and division managing individual risks.

The Risk Management Committee is responsible for the overall establishment of the controlling company's risk management policies that include basic direction of risk management, risk based business strategy, risk limits, risk goal, risk index. Risk limits for each risk and detail implementation for risk management are ruled by the Regulation for the delegation and authorization.

The results of risk monitoring and analysis are regularly reported to the Risk Management Committee with the management plan. Any issues requiring management's attention including performance of insurance risk management are reported to the Risk Management Council.

The controlling company's major risk management organization is as follows.

1) Risk Management Committee

The Risk Management Committee is comprised of one standing director and two outside directors and has overall responsibility for establishing basic directions and major policies of risk management consistent with management strategies and setting appropriate risk limits for the controlling company.

2) Risk Management Council

The Risk Management Council sets the agenda that will be discussed at the Risk Management Committee, implements strategies established by the Risk Management Committee, sets the limit for each risk factor and prepares suitable solution when risk limit exceeds or may exceed the set limit.

3) Risk Management Team

The controlling company runs the Risk Management Team and a risk management unit for each risk to support the Risk Management Committee and the Risk Management Council. The Risk Management Team who is independent from the business operation departments plans and sees company level of financial and non-financial risk management by preparing risk management policies, regulations.

Risk Management Support Team, in charge of risk management, performs plan-see functions independent from Sales Department (including non-financial risk management) such as establishing risk management policies and plan, regulations and rules, and setting risk limits. Individual risk management departments perform Do functions and operate in 7 teams.
- Market risk: asset portfolio management team
- Credit risk: investment asset evaluation team/retail credit marketing team
- Interest rate : actuary infra team
- liquidity risk: risk management support team
- Insurance risk: insurance risk management support team
- Variable insurance guarantee risk: variable hedge part

53. Risk management, continued

53-2) Regulatory capital adequacy

(1) Kyobo Life Insurance

1) Risk Based Capital (RBC)

The controlling company measures, manages and discloses RBC (e.g. Solvency) ratio according to the Regulation on Supervision of Insurance Business to maintain required capital for the solvency margin.

RBC is available capital (e.g. Solvency) divided by required capital (e.g. Solvency Threshold). Available capital represents how capable the controlling company is in paying the liabilities to policy holders, even in cases of unexpected loss or decline in the value of assets. Required capital is the risk amount of the controlling company. This ratio indicates insurance company's financial strength and claim payment ability.

Available capital is comprised of capital, capital surplus and retained earnings. Required capital is computed considering insurance, interest rates, credit, market, operational risks and dispersion effect. In order to calculate risk based capital requirements, the computation is distinguished by insurance, interest, credit, market and operational risks considering the risk diversification effect. When the controlling company sets portfolio strategy, the impact of Risk Based Capital is considered and the internal risk quantity related to insurance, interest, credit, market and operational risks is measured through internal measurement models.

The FSS requires the Risk Based Capital to be maintained above 100% based on consolidated financial statements and for cases that do not meet the requirements, corrective actions will be taken so that financial competitiveness can be maintained.

	Solvency ratio	Remedial action
Improvement recommended	Above 50% and below 100%	-Requires increasing capital stock -Limits new business entering
Improvement required	Above 0% and below 50%	-Requires management replacement -Re-organization of subsidiaries -Suspension of management duties
Improvement commanded	Below 0%	-Insurance business suspension

Non-insurance financial companies or non-insurance companies are exempt from RBC ratio calculation for the consolidated financial statements. No companies subject to consolidation of the Group except for the controlling company have significant impact on RBC ratio calculation. Also, internal transactions between consolidated companies are not significant so that disclosures on risk are partially disclosed by consolidated company.

53. Risk management, continued

53-2) Regulatory capital adequacy, continued

2) Measurement and management

The controlling company sets the total risk limits and guidance as a part of annual business plan to ensure, even though risks are possible, the risk capital (e.g. solvency margin) is greater than minimum required risk based capital on the standard guidelines promulgated by the Financial Supervisory Service. Risk capital is monitored on a monthly basis to maintain at appropriate level against the amount of total risks of the assets. The controlling company reviews acceptability of risk capital under the case of abnormally increased risks by measuring sensitivity and conducting scenario method stress test for significant risk factors with supplementing the limitation of Value at Risk base measurement.

(2) Kyobo Securities

1) Net Capital Ratio (NCR)

In order to prevent inevitable risks arising from operating activities and to minimize investors', customers' and other stakeholder's loss in wealth, Kyobo Securities are at their best in managing their capital. The management of capital adequacy is based on net capital ratio enacted by the FSS. Kyobo Securities reports their net capital ratio results to the FSS at the end of every month.

2) Capital management

The main objective of Kyobo Securities' capital management is to maximize each shareholder's value and maintain its competitive credit rating through main operations of Kyobo Securities. To satisfy the externally imposed capital requirements, Kyobo Securities actively carries out capital management. Kyobo Securities restructures capital according to the change in capital structure, changes in market and risks associated with operating activities. Kyobo Securities may maintain or change the capital structure by adjusting the shareholder's amount of dividend, right issue or through capital reduction. Compared with the prior year, Kyobo Securities have not changed any rules or procedures in their objective to manage their capital.

3) Regulatory capital status

In order to maintain capital adequacy of financial investment firms, the FSS has decided to regulate the net capital ratio at 100%. For security firms that do not meet this requirement at a certain minimum, the FSS will take certain actions accordingly. The actions are as follows:

- Net capital ratio is above 50% but below 100%: recommendation of improvement
- Net capital ratio is above 0% but below 50%: requirement of improvement
- Net capital ratio is below 0%: commandment of improvement

Kyobo Securities follows Net capital ratio stipulated by the FSS.

53. Risk management, continued

53-3) Insurance risk

(1) Overview

Insurance risk is the risk related to the insurance company's main service of contract acquisition and payment of insurance claims. Potential loss from insurance risk is incurred when there is a difference between the insurance premium collected from the policyholders and actual insurance claims paid.

(2) Management of insurance risk

Insurance risk management comprises of acceptance and administration of insurance contracts, calculation and adjustment of premium rate, review and payment of claims, reinsurance and closing accounts. Each insurance component is managed by a department operating for the risk component.

The Risk Management Team and other related departments conduct pre-emptive risk management when they develop or revise an insurance product. Insurance risk is continuously improved through regularly reviewing experience rate analysis, insurance risk measurement, underwriting and claims inspection process after product selling.

1) Underwriting

The Group reviews and improves the medical underwriting guideline based on the changes of medical environment. The Group reassesses and reinforces underwriting standards through profit and loss analysis over insurance contracts. Consultants are updated with the latest underwriting standards. The Group distributes underwriting manual for consultants to prevent miss-selling. Risk Management Supporting enhances the accuracy of the risk assessment over a subscribed insurance contract. It provides various risk information that are consistent and underwriting that is reasonable.

2) Risk management through reinsurance

The Group cedes an insurance contract to reinsurer if risks of the contract need to be transferred or diversified to ensure claims payment ability and to maintain financial sustainability of the Group. To achieve the objectives of reinsurance activity, the Group runs reinsurance business efficiently by profit-loss analysis, cedes insurance contracts to reliable reinsurer and observes relevant regulations through the internal control system.

(In millions of won)

53. Risk management, continued

53-3) Insurance risk, continued

(2) Management of insurance risk, continued

3) Developing insurance product

When an insurance product is developed or revised, the Group prices insurance premium based on the analysis of expected and actual insurance risk difference and sensitivity to the risk factors. The Group also reviews the appropriateness of the premium and the profitability of the products through the historical loss experience analysis. The Group reviews compliance of risk management policy and appropriateness of expected profit-loss based on experience rate as a part of post selling risk management for a high risk product. Policy and underwriting standard of the product would be revised in line with the result of the review to improve insurance risk.

4) Assessment of claims requests and payment

A standard process for accepting requests and claims payment is enacted to regulate the assessment process of claims requests. The Group pays reasonable benefit using insurance risk management system score, assessment process by types of claims and historical insurance loss experience analysis. The Group monitors deficiency of insurance policy through claim assessment process, and based on that, modifies insurance policies and contracts. The claims payment process is continuously improved reflecting the result of insurance event inspection process monitoring, internal audit and customer complaints etc.

(3) Insurance risk amount

Insurance risk of a life insurance company is measured by insurance premium risk. Reserve risk is managed by liability adequacy test as fluctuation of reserve for life insurance product is insignificant and claims are paid within a short period of time.

Insurance premium risk exposure is insurance risk premium for accidents such as death, disease, etc incurred within a year from December 31, 2020 and December 31, 2019 for all insurance contracts and the claims are to be paid for the next year.

The Group's insurance premium risk exposure and insurance premium risk amounts as of December 31, 2020 and 2019 are as follows:

		2020	
		Exposure	Insurance risk amount
Death	₩	471,423	79,169
Injury		46,308	35,185
Hospitalization		282,374	29,867
Operation, diagnosis		756,446	400,199
Medical expenses		221,086	65,974
Others		39,260	13,274
	₩	1,816,897	623,668
Before applying reinsurance ratio	₩		623,668
Possession ratio			93.18%

(In millions of won)

53. Risk management, continued

53-3) Insurance risk, continued

(3) Insurance risk amount, continued

		2019	
		Exposure	Insurance risk amount
Death	₩	484,844	81,477
Injury		49,676	39,233
Hospitalization		288,773	30,594
Operation, diagnosis		737,997	392,100
Medical expenses		194,978	52,524
Others		44,386	15,397
	₩	1,800,654	611,325
Before applying reinsurance ratio	₩		611,325
Possession ratio			93.61%

(4) Credit risk from insurance contracts

1) Overview

Credit risk is the risk of financial loss to the Group due to debtor's bankruptcy or if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the risk amount (the unexpected loss) exceeds the expected loss, and credit risk from insurance contract arising mainly from reinsurer's default risk.

The Group chooses blue chip reinsurance company based on the established standards including major financial indices used to assess the reinsurer for its credit rating, RBC, financial adequacy, ratio of market share etc. The Group regularly monitors if reinsurer's secure operation is maintained to prevent sudden decrease in its credit rating. If the Group finds that transactions with reinsurer are not secure, countermeasures such as contract termination take place.

2) Paid premium for ceded reinsurance based on credit ratings of reinsurer

The Group's ceded reinsurance premium as of December 31, 2020 and 2019 amounted to ₩134,055 million and ₩122,902 million respectively and all the counter parties have credit rating above AA-.

3) Asset details with reinsurers based on credit ratings

The Group's reinsurance receivables as of December 31, 2020 and 2019 amounted to ₩90,782 million and ₩83,992 million, respectively and all the counterparties have credit rating above AA-.

(In millions of won)

53. Risk management, continued

53-3) Insurance risk, continued

(5) Market risk from insurance contracts

1) Overview

Market risk from insurance contracts is the risk that rises from the changes in market prices such as foreign exchange rates, interest rates and equity prices in certain insurance contract such as unit-linked variable or variable interest rate product that produces additional benefits (Guaranteed Minimum Death Benefit (GMDB), Guaranteed Minimum Annuity Benefit (GMAB) etc.) due to the contract term of providing guarantee amount above the contracted value.

2) Management of minimum guarantee risk of unit-linked variable products

The Group uses two types of risk management approaches for minimum guarantee risk of unit-linked variable products. For the passive management, the Group recognizes option and guarantees liability or reserves certain amount of the capital to cover the expected loss. For more active management, the guarantee risk of unit-linked variable products is measured and limited at the product development stage and static and dynamic hedging method or reinsurance can be used to mitigate the risk.

The Guarantee Risk Management task force team establishes optimal guarantee risk management strategy by continuously monitoring guarantee risk and analyzing effectiveness of the risk management strategy.

3) Liabilities of the interest rate-linked product for the minimum interest guarantee risk as of December 31, 2020 and 2019 are as follows:

		2020	2019
Below 0%	₩	73,143	79,402
Over 0% and below 2%		21,077,748	18,325,199
Over 2% and below 3%		6,642,829	6,738,684
Over 3% and below 4%		11,555,316	11,095,923
Over 4%		2,149,773	2,085,922
	₩	41,498,809	38,325,130

The guaranteed minimum interest rate is specified in insurance terms. The Group records the guarantee reserve if the disclosed interest rate is lower than the guaranteed minimum interest rate of the variable products.

(In millions of won)

53. Risk management, continued

53-3) Insurance risk, continued

(5) Market risk from insurance contracts, continued

4) Minimum guarantee risk of unit-linked variable products

Minimum guarantee risk of unit-linked variable products amounts as of December 31, 2020 and 2019 are as follows:

		2020	2019
GMAB	₩	28,368	51,563
GMDB		269,383	301,198
GMWB		121	108
GLWB		17,301	17,860
Other		1,378	1,381
	₩	316,551	372,110

53-4) Interest rate risk

(1) Overview

Interest rate risk is the risk in decrease of net assets incurred from interest rate fluctuation. It arises from the maturity structure and interest rate differences between interest bearing assets and liabilities.

(2) Measurement and management

1) Measurement

The Group measures interest rate risk with both the standard model and the internal model enacted by the Financial Supervisory Service. Interest risk calculation formula was as follows:

Interest rate risk	=	MAX{((interest bearing liabilities' exposure X liabilities' duration – interest bearing assets' exposure X asset duration) X interest rate variance), Risk amount of minimum interest} + Negative interest spread risk
Internal model	=	(interest bearing liabilities' exposure X liabilities' duration - interest bearing assets' exposure X asset duration) X interest rate variance

Duration: : Cash flow weighted average maturity or average recovery period of investment amount or price sensitivity to the change of interest.

Risk amount of minimur interest : Fixed interest liabilities X 2.83% + other liabilities X (1.41%~2.83%)

Interest risk amount by Standard model of Financial Supervisory Service RBC system is calculated by multiplying exposure of interest bearing asset and liability by duration. Whereas, the internal model calculates interest risk amount using effective duration calculated from the cash flow considered by the attributes of interest bearing assets and liabilities.
The confidence level of interest risk in internal model applies 99% (the probability of once occurring once in 100 years) as the same with the interest risk in standard model.

(In millions of won)

53. Risk management, continued

53-4) Interest rate risk, continued

(2) Measurement and management, continued

2) Management

Within an Asset Liability Management Framework, the Group is seeking to reduce the duration gap in the mid and long term view by increasing interest bearing asset duration or asset amount or, decreasing liability duration. The Group sets the interest rate risk limit amount considering equity capital, solvency margin and risk management polices etc. and emergency situation scenario test assuming the unexpected abnormal economic crisis is also conducted on a regular basis.

3) Interest risk exposure

Exposure to interest bearing asset and liabilities as of December 31, 2020 and 2019 are as follows:

		2020	2019
Interest bearing asset:			
Due from banks	₩	922,954	1,814,874
Investment securities (*1)		59,150,979	56,744,504
Loan receivables		20,731,006	19,896,933
		80,804,939	78,456,311
Interest bearing liabilities:			
Fixed interest rate contract		29,443,301	29,228,308
Interest rate linked contract		41,498,461	38,325,130
		70,941,762	67,553,438

(*1) Including amounts of debt securities and bond type beneficiary certificate in available-for-sale financial instruments as well as held-to-maturity financial instruments.
(*2) Assessed from the Kyobo Life Insurance Co., Ltd. and Kyobo Life Planet Life Insurance Company.

53. Risk management, continued

53-5) Credit risk

(1) Overview

Credit risk is the risk of financial loss to the Group due to debtor's bankruptcy or if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the risk amount (the unexpected loss) exceeds the expected loss.

(2) Measurement and management

The Group measures credit risk using the standard model and the internal model. The standard model calculates credit risk amount according to the fourth clause of Article 7-2 of the Regulation on Supervision of Insurance Business.

The internal model calculates credit risk amount using VaR calculated from the Group's Credit Risk Management System after reflecting correlation and portfolio distribution effect. For corporate borrower, the Group uses mark-to-market method, and for individual borrower, the Group uses Default Mode (DM) using loan pool.

The Group manages credit risk by setting VaR limit and maximum credit exposure. Compliance with credit risk management policy is monitored by checking the breaches of the VaR limit on a monthly basis, and reviewing the risk tolerance by analyzing credit risk amount under normal and stress situation.

The Group sets credit exposure limit for each borrower base on its industry and credit rating. The conformity of this limit is reviewed every month. After the loan initiation, credit review for each significant borrower is performed regularly. The Group revises exposure limit, decreases credit line, collects the loan or increases collateral if any symptom of credit rating drop.

After the loan initiation, credit review for each significant borrower is performed regularly. The Group revises exposure limit, decreases credit line, collects the loan or increases collateral if any symptom of credit rating drop. Appropriate steps, such as collection, are taken when the borrower's credit rating becomes speculative. The Group establishes action plan by reviewing the financial structure and payment ability of the currently or potentially problematic borrowers through designated units (e.g. Investment Asset Analysis Team, Loan Management Team, etc.).

(In millions of won)

53. Risk management, continued

53-5) Credit risk, continued

(3) Maximum exposure to credit risk

The Group's maximum exposure to credit risk as of December 31, 2020 and 2019 are as follows:

		2020	2019
Cash and due from banks (*1)	₩	1,939,417	2,648,655
Financial assets designated at fair value through profit or loss (*2)		332,196	329,896
Financial assets held for trading (*2)		5,592,738	4,852,447
Available-for-sale financial assets (*2)		49,993,923	48,922,225
Loan receivables (*3)		22,377,805	20,781,127
Other receivables (*3)		1,579,794	1,214,918
Derivative assets		1,323,168	493,642
	₩	83,139,041	79,242,910
Undrawn loan commitment	₩	3,189,956	3,018,419

(*1) The maximum exposure amounts for cash and due from banks in the consolidated statement of financial position exclude cash on hand without credit risk.
(*2) Financial instruments of equity securities in financial assets designated at fair value through profit or loss, financial assets held-for-trading, and available-for-sale financial assets in the consolidated statement of financial position are excluded.
(*3) The maximum exposure amounts for loans and other receivables are presented as net of allowance.

(4) Impairment information of loan receivables

Past due or impairment information for loan receivables as of December 31, 2020 and 2019 are as follows:

		2020	2019
Neither past due nor impaired	₩	22,334,934	20,692,214
Past due but not impaired		72,398	99,257
Impaired		48,715	56,338
		22,456,047	20,847,809
Less: allowance		(78,242)	(66,682)
	₩	22,377,805	20,781,127

(In millions of won)

53. Risk management, continued

53-5) Credit risk, continued

(5) Credit soundness of loan receivables neither past due nor impaired

Credit soundness of loan receivables that are neither past due nor impaired as of December 31, 2020 and 2019 are as follows:

		2020					
		Policy loan receivables	Loan receivables secured by investment securities	Loan receivables secured by real estate	Call loan receivables, Unsecured loan receivables and guaranteed loan receivables	Other loan receivables	Total
Risk-free	₩	-	-	-	2,835,660	-	2,835,660
AAA		-	-	121,997	1,288,180	14,711	1,424,888
AA+ ~ AA-		-	-	-	494,910	389,167	884,077
A+ ~ BBB-		-	-	134,667	457,364	410,317	1,002,348
Unrated		-	-	3,764,353	2,377,780	16,051	6,158,184
Other		6,115,616	585,669	2,144,769	1,181,649	2,074	10,029,777
		6,115,616	585,669	6,165,786	8,635,543	832,320	22,334,934
Less: allowance		-	-	(12,433)	(27,282)	(1,962)	(41,677)
	₩	6,115,616	585,669	6,153,353	8,608,261	830,358	22,293,257
Mitigation of credit risk due to collateral	₩	6,115,616	585,669	2,714,524	76,854	1,895	9,494,558

(In millions of won)

3. Risk management, continued

53-5) Credit risk, continued

(5) Credit soundness of loan receivables neither past due nor impaired, continued

Credit soundness of loan receivables that are neither past due nor impaired as of December 31, 2020 and 2019 are as follows, continued:

		2019					
		Policy loan receivables	Loan receivables secured by investment securities	Loan receivables secured by real estate	Call loan receivables, Unsecured loan receivables and guaranteed loan receivables	Other loan receivables	Total
Risk-free	₩	-	-	-	2,978,673	-	2,978,673
AAA		-	-	145,513	1,160,180	16,626	1,322,319
AA+ ~ AA-		-	-	-	291,550	229,654	521,204
A+ ~ BBB-		-	-	502,800	549,522	190,529	1,242,851
Unrated		-	-	2,647,857	1,666,280	33,967	4,348,104
Other		6,417,960	383,656	2,310,290	1,164,283	2,874	10,279,063
		6,417,960	383,656	5,606,460	7,810,488	473,650	20,692,214
Less: allowance		-	-	(3,453)	(17,416)	(673)	(21,542)
	₩	6,417,960	383,656	5,603,007	7,793,072	472,977	20,670,672
Mitigation of credit risk due to collateral	₩	6,417,960	383,656	2,445,704	170,077	2,624	9,420,021

53. Risk management, continued

53-5) Credit risk, continued

(5) Credit soundness of loan receivables neither past due nor impaired, continued

Credit rating above is classified by Risk Based Capital Manual enacted by the FSS. Retail loan included in other is classified by internal credit rating which is rated by Behavior Scoring System (BSS).

Classification of retail loan receivables as of December 31, 2020 and 2019 are as follows:

		2020	2019
Gilts (Grade1~4)	₩	1,803,739	2,019,938
Normal (Grade5~8)		956,869	1,156,259
Disadvantage (Grade 9~10)		7,259	11,232
Other (i.e. risk free, etc.)		467,666	227,479
	₩	3,235,533	3,414,908

(In millions of won)

53. Risk management, continued

53-5) Credit risk, continued

(6) Aging analysis of loan receivables that were past due but not impaired

Aging analysis of loan receivables that were past due but not impaired as of December 31, 2020 and 2019 are as follows:

		2020				
		Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Other loan receivables	Total
Less than 30 days	₩	42,378	22,603	2,136	-	67,117
31~60 days		526	2,330	403	-	3,259
61~90 days		129	1,839	-	-	1,968
90 days~		-	-	-	54	54
		43,033	26,772	2,539	54	72,398
Less: allowance		(135)	(2,432)	(3)	-	(2,570)
	₩	42,898	24,340	2,536	54	69,828
Mitigation of credit risk due to collateral	₩	42,903	-	2,539	-	45,442

		2019				
		Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Other loan receivables	Total
Less than 30 days	₩	55,850	29,351	5,221	-	90,422
31~60 days		2,712	2,872	103	-	5,687
61~90 days		658	2,291	144	-	3,093
90 days~		-	-	-	55	55
		59,220	34,514	5,468	55	99,257
Less: allowance		(252)	(3,232)	(7)	-	(3,491)
	₩	58,968	31,282	5,461	55	95,766
Mitigation of credit risk due to collateral	₩	58,968	-	5,464	-	63,730

(In millions of won)

53. Risk management, continued

53-5) Credit risk, continued

(7) Impaired loan receivables

Impaired loan receivables as of December 31, 2020 and 2019 are as follows:

		2020						
		Individual assessing		Collective assessing				
		Unsecured loan receivables	Other loan receivables	Policy loan receivables	Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Total
Impaired	₩	9,099	8,447	1,519	5,307	20,035	4,308	48,715
Less: allowance		(9,093)	(8,402)	(1,519)	(818)	(13,943)	(220)	(33,995)
	₩	6	45	-	4,489	6,092	4,088	14,720
Mitigation of credit risk due to collateral	₩	-	-	-	5,161	-	4,308	9,469

(In millions of won)

53. Risk management, continued

53-5) Credit risk, continued

(7) Impaired loan receivables, continued

Impaired loan receivables as of December 31, 2020 and 2019 are as follows, continued:

		2019						
		Individual assessing		Collective assessing				
		Unsecured loan receivables	Other loan receivables	Policy loan receivables	Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Total
Impaired	₩	14,595	8,447	1,110	5,680	21,326	5,180	56,338
Less: allowance		(14,573)	(8,402)	(1,110)	(1,407)	(15,891)	(265)	(41,648)
	₩	22	45	-	4,273	5,435	4,915	14,690
Mitigation of credit risk due to collateral	₩	22	46	-	5,555	-	5,180	10,803

(In millions of won)

53. Risk management, continued

53-5) Credit risk, continued

(8) Risk concentration by industry sector of loan receivables

An analysis of concentration by industry sector of loan receivables as of December 31, 2020 and 2019 are as follows:

	2020						
	Real estate and lease	Whole sale, retail, Transportation and lodging	Finance and insurance	Electricity, gas, stream and water supply	Construction	Others	Total
Policy loan receivables	813	6,447	547	3,916	6,972	6,098,440	6,117,135
Loan receivables secured by investment securities	-	-	-	-	-	585,669	585,669
Loan receivables secured by real estate	2,009,194	51,200	1,840,275	-	-	2,313,457	6,214,126
Unsecured loan receivables	1,568,581	878,011	694,497	1,398,334	666,584	2,200,018	7,406,025
Guaranteed loan receivables	686,420	-	-	-	438,983	166,868	1,292,271
Other loan receivables	187,277	87,074	389,900	124,599	2,875	49,096	840,821
₩	4,452,285	1,022,732	2,925,219	1,526,849	1,115,414	11,413,548	22,456,047

(In millions of won)

53. Risk management, continued

53-5) Credit risk, continued

(8) Risk concentration by industry sector of loan receivables, continued

An analysis of concentration by industry sector of loan receivables as of December 31, 2020 and 2019 are as follows, continued:

	2019						
	Real estate and lease	Whole sale, retail, Transportation and lodging	Finance and insurance	Electricity, gas, stream and water supply	Construction	Others	Total
Policy loan receivables	754	8,121	515	3,902	7,220	6,398,558	6,419,070
Loan receivables secured by investment securities	-	-	-	-	-	383,656	383,656
Loan receivables secured by real estate	1,612,949	1,200	1,538,157	-	-	2,519,054	5,671,360
Unsecured loan receivables	1,388,014	967,490	416,576	1,807,934	608,141	1,506,844	6,694,999
Guaranteed loan receivables	632,739	-	-	-	392,960	169,873	1,195,572
Other loan receivables	4,303	-	23,082	-	2,875	452,892	483,152
₩	3,638,759	976,811	1,978,330	1,811,836	1,011,196	11,430,877	20,847,809

(In millions of won)

53. Risk management, continued

53-5) Credit risk, continued

(9) Credit rating of debt securities

Credit rating of debt securities as of December 31, 2020 and 2019 are as follows:

		2020						
		Government and public bonds	Special bonds	Financial institutions bonds	Corporate bonds	Overseas securities	Other securities	Total
Risk-free	₩	21,118,683	3,979,429	-	724,925	4,619,332	-	30,442,369
AAA		-	4,839,929	509,080	1,731,615	10,405,831	281,901	17,768,356
AA+ ~ AA-		-	464,405	2,496,312	1,683,030	1,879,502	131,892	6,655,141
A+ ~ BBB-		-	-	-	166,357	679,665	88,949	934,971
BBB- and below		-	-	-	9,982	54,774	-	64,756
Unrated		29,706	-	-	727	5,543	17,288	53,264
	₩	21,148,389	9,283,763	3,005,392	4,316,636	17,644,647	520,030	55,918,857

		2019						
		Government and public bonds	Special bonds	Financial institutions bonds	Corporate bonds	Overseas securities	Other securities	Total
Risk-free	₩	19,859,560	4,247,340	-	-	6,441,921	-	30,548,821
AAA		-	4,422,167	618,313	2,420,755	8,412,574	279,622	16,153,431
AA+ ~ AA-		-	422,044	2,279,583	1,310,883	2,153,632	273,617	6,439,759
A+ ~ BBB-		-	-	-	123,684	673,812	32,881	830,377
BBB- and below		-	-	-	10,803	99,484	-	110,287
Unrated		-	-	-	697	5,734	15,462	21,893
	₩	19,859,560	9,091,551	2,897,896	3,866,822	17,787,157	601,582	54,104,568

(In millions of won)

53. Risk management, continued

53-5) Credit risk, continued

(10) Risk concentration by industry sector of debt securities

An analysis of concentration by industry sector of debt securities as of December 31, 2020 and 2019 are as follows:

		2020						
		Government owned entity	Finance and insurance	Electricity, gas, stream and water supply	Construction	Real estate and lease	Others	Total
Financial assets at fair value through profit or loss	₩	1,070,962	3,894,578	172,371	12,850	14,217	759,956	5,924,934
Available-for-sale financial assets		33,343,144	5,309,421	2,918,085	1,747,404	84,512	6,591,357	49,993,923
	₩	34,414,106	9,203,999	3,090,456	1,760,254	98,729	7,351,313	55,918,857

(In millions of won)

53. Risk management, continued

53-5) Credit risk, continued

(10) Risk concentration by industry sector of debt securities, continued

An analysis of concentration by industry sector of debt securities as of December 31, 2020 and 2019 are as follows, continued:

		2019						
		Government owned entity	Finance and insurance	Electricity, gas, stream and water supply	Construction	Real estate and lease	Others	Total
Financial assets at fair value through profit or loss	₩	976,397	3,643,427	71,770	3,071	12,149	475,529	5,182,343
Available-for-sale financial assets		32,108,650	5,995,208	2,921,443	1,751,234	84,825	6,060,865	48,922,225
	₩	33,085,047	9,638,635	2,993,213	1,754,305	96,974	6,536,394	54,104,568

(In millions of won)

53. Risk management, continued

53-5) Credit risk, continued

(11) Risk concentration by geographic location of debt securities

Risk concentration by geographic location of debt securities as of December 31, 2020 and 2019 are as follows:

		2020						
		Korea	USA	U.K.	France	China	Others	Total
Financial assets at fair value through profit or loss	₩	5,518,901	119,104	141,384	37,816	-	107,729	5,924,934
Available-for-sale financial assets		36,599,466	9,506,565	292,662	2,018,918	21,502	1,554,810	49,993,923
	₩	42,118,367	9,625,669	434,046	2,056,734	21,502	1,662,539	55,918,857

		2019						
		Korea	USA	U.K.	France	China	Others	Total
Financial assets at fair value through profit or loss	₩	4,730,565	131,641	41,419	38,159	-	240,559	5,182,343
Available-for-sale financial assets		35,478,653	7,865,505	543,917	2,262,407	21,849	2,749,894	48,922,225
	₩	40,209,218	7,997,146	585,336	2,300,566	21,849	2,990,453	54,104,568

(In millions of won)

53. Risk management, continued

53-6) Market risk

(1) Overview

Market risk is the risk that the Group incurs loss due to decrease in asset value caused by changes in market prices such as foreign exchange rates, interest rates and stock prices.

(2) Measurement and management

The Group measures market risk using the standard model and the internal model. The standard model evaluates the market risk according to the fifth clause of Article 7-2 of the Regulation on Supervision of Insurance Business. One-year 99% VaR is utilized for the internal model. The Group mainly uses the delta-normal method that assumes normal distribution return rate and linear valuation. The Group also measures daily VaR based on simulation method as an assistance method.

The market risk limit is set up based on VaR and monitored daily so that it stays below the annual market risk limit. Other than VaR, the sensitivity indices, for instance, the duration and the beta are used as a supplementary market risk measurement. In order to supplement VaR measurement method, loss measurement is conducted under a variety of scenarios covering severe market condition such as IMF or financial economic crisis in 2008. The Group regularly reviews the impact of loss on profit or loss before dividends and RBC ratio and establishes countermeasure plan. In addition, the Group maintains adequate level of risk in holding equities by managing investment limit and foreign exchange translation hedge of asset group that influences market risk.

The Group sets limit per individual asset class by aggregating the exposure per individual asset which can be transferred to each book in order to prevent concentration of operating assets and promote soundness of assets held by the Group.

(3) Group's market risk analysis

Sensitive analysis of foreign exchange rate, interest rate and equity market as of December 31, 2020 and 2019 are as follow:

	2020		
	Risk factor	Income effect (*1)	Capital effect (*2)
Foreign exchange	₩ 100 increase in KRW/USD FX Rate	₩ 46,898	21,589
	₩ 100 decrease in KRW/USD FX Rate	(46,898)	(21,589)
Interest rate	100bp increase	(26,235)	(4,618)
	100bp decrease	26,235	4,618
Stock prices	10% increase in equity index	-	97
	10% decrease in equity index	-	(97)

(*1) Profit before income tax expenses.
(*2) Changes in accumulated other comprehensive income are calculated before adjusting policyholders' equity and allocating the deferred tax.

(In millions of won)

53. Risk management, continued

53-6) Market risk, continued

(3) Group's market risk analysis, continued

Sensitive analysis of foreign exchange rate, interest rate and equity market as of December 31, 2020 and 2019 are as follow, continued:

	2019		
	Risk factor	Income effect (*1)	Capital effect (*2)
Foreign exchange	₩ 100 increase in KRW/USD FX Rate	₩ 52,574	8,048
	₩ 100 decrease in KRW/USD FX Rate	(52,574)	(8,048)
Interest rate	100bp increase	(18,496)	(930)
	100bp decrease	18,496	930
Stock prices	10% increase in equity index	-	70
	10% decrease in equity index	-	(70)

(*1) Profit before income tax expenses.
(*2) Changes in accumulated other comprehensive income are calculated before adjusting policyholders' equity and allocating the deferred tax.

(4) Market risk analysis of Kyobo Securities

An analysis of VaR for trading portfolio held by Kyobo Securities for the years ended December 31, 2020 and December 31, 2019 are as follows:

	2020			
	Average	Maximum	Minimum	December 31, 2020
Equities	₩ 1,096	3,243	102	343
Interest rate	853	1,946	196	712
Foreign exchange	552	1,332	148	334
Portfolio diversification	-	-	-	164
Total VaR	₩ 2,164	3,929	418	1,225

	2019			
	Average	Maximum	Minimum	December 31, 2019
Equities	₩ 574	2,108	123	565
Interest rate	469	974	261	312
Foreign exchange	272	542	142	376
Portfolio diversification	-	-	-	274
Total VaR	₩ 1,070	2,722	547	979

53. Risk management, continued

53-7) Liquidity risk

(1) Overview

Liquidity risk is the risk that the Group is unable to meet its payment obligations arising from financial liabilities as they fall due or raise funds with high interest rates and unfavorable disposal of securities to solve the shortage of funds or facing inability to pay due to unexpected cash flows.

(2) Recognition and management

1) Management index of liquidity risk

Liquidity risk is measured by liquidity gap and liquidity ratio. Liquidity ratio is the percentage of the Group's assets convertible to cash with the within 3 months maturities against claims paid for the past three months. This ratio is an indicator that measures the Group's ability to pay off its short-term debt obligations and the Group maintains the ratio as around 150%.

Liquidity gap is the index representing shortage or oversupply of the cash flow within a month, a quarter, half a year, and more than a year. The Group calculates liquidity gap on a monthly or weekly basis and manages supply and demand schedule of the cash flow to ensure this index stays in positive.

2) Management

- Periodic establishment of plans for demand and supply of fund
All cash flow information from financial assets and liability and insurance liability is gathered for liquidity risk management on a monthly or weekly basis to prepare for unforeseen cash flow surplus and deficit. And funds are daily checked if they flow by the schedule and any changes are reflected on the fund schedule.

For the analysis of long-term cash flow projection of insurance liability, the Group utilizes ALM system. The Group prepares for unforeseen cash flow deficit caused by the concentrated number of maturities.

- Maintaining target liquidity fund level
The Group keeps a certain amount of the liquidity fund to prepare for unexpected liquidity deficit. The level of liquidity fund is revised dynamically in line with trend of the financial market status and the volatility of claim payments.

- Liquidity contingency plan
The Group sets a contingency plan to appropriately respond to emergency situation such as the massive claim of the cash payment in an economic crisis.

Liquidity contingency plan defines an action plan regarding the priorities of funding, roles & responsibilities of each department and the form of the emergency committee. Simulated liquidity exercise under various possible scenarios is performed regularly so as to investigate and improve its contingency plans.

(In millions of won)

53. Risk management, continued

53-7) Liquidity risk, continued

(3) Liquidity risk exposure

	2020					
	Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Insurance contracts and financial liabilities:						
Liabilities under insurance contracts	₩ 322,291	311,325	659,890	6,685,893	66,405,310	74,384,709
Financial liabilities designated at fair value through profit or loss (*1)	518,333	577,553	798,977	216,586	906,712	3,018,161
Trading liabilities	109,397	-	304,412	-	-	413,809
Derivative liabilities (*1)	88,095	52,259	76,619	269,931	171,720	658,624
Borrowings	2,217,111	-	-	405,311	-	2,622,422
Other financial liabilities (*2)	2,807,670	1,161	11,150	144,021	961	2,964,963
	₩ 6,062,897	942,298	1,851,048	7,721,742	67,484,703	84,062,688

(*1) Adjustments to Day 1 profit or loss and credit risk adjustments are excluded.
(*2) Lease liabilities are excluded (See Note 25. (3)).

(In millions of won)

53. Risk management, continued

53-7) Liquidity risk, continued

(3) Liquidity risk exposure, continued

	2020					
	Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Commitments:						
Loans commitments (*3) ₩	3,159,956	-	30,000	-	-	3,189,956
Equity investment commitments (*3)	3,643,940	-	-	-	839	3,644,779
ABCP purchase commitments (*3)	-	38,500	-	157,700	-	196,200
Loans purchase commitments, etc. (*3)	-	27,000	38,000	96,200	5,000	166,200
₩	6,803,896	65,500	68,000	253,900	5,839	7,197,135

(*3) These are the maximum amounts that the Group may pay in future by the contract. As of December 31, 2020, the Group expects that actual payments will be less than the commitment amounts in consideration of past experiences and characteristics of commitment, and it is difficult to reasonably estimate the timing, amounts, and feasibility of actual payment.

(In millions of won)

53. Risk management, continued

53-7) Liquidity risk, continued

(3) Liquidity risk exposure, continued

	2019					
	Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Insurance contracts and financial liabilities:						
Liabilities under insurance contracts	₩ 312,797	259,937	603,015	5,297,960	64,181,175	70,654,884
Financial liabilities designated at fair value through profit or loss (*1)	744,505	328,079	626,177	390,807	1,023,703	3,113,271
Trading liabilities	183,854	-	377,342	-	-	561,196
Derivative liabilities (*1)	57,397	69,696	38,451	114,677	180,928	461,149
Borrowings	1,377,676	-	10,000	420,000	-	1,807,676
Other financial liabilities (*2)	1,672,752	17,956	37,393	149,317	44,674	1,922,092
	₩ 4,348,981	675,668	1,692,378	6,372,761	65,430,480	78,520,268

(*1) Adjustments to Day 1 profit or loss and credit risk adjustments are excluded.
(*2) Lease liabilities are excluded (See Note 25. (3)).

(In millions of won)

53. Risk management, continued

53-7) Liquidity risk, continued

(3) Liquidity risk exposure, continued

	2019					
	Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Commitments:						
Loans commitments (*3) ₩	3,018,419	-	-	-	-	3,018,419
Equity investment commitments (*3)	4,149,455	-	-	-	-	4,149,455
ABCP purchase commitments (*3)	-	-	-	196,400	-	196,400
Loans purchase commitments, etc. (*3)	20,000	7,000	76,020	148,800	5,000	256,820
₩	7,187,874	7,000	76,020	345,200	5,000	7,621,094

(*3) These are the maximum amounts that the Group may pay in future by the contract. As of December 31, 2019, the Group expects that actual payments will be less than the commitment amounts in consideration of past experiences and characteristics of commitment, and it is difficult to reasonably estimate the timing, amounts, and feasibility of actual payment.

54. Interests in unconsolidated structured entities

(1) The nature, purposes and activities of the unconsolidated structured entities which the Group had interest in as of December 31, 2020, and how these structured entities are financed were summarized as follows:

Nature	Purposes	Activities	Financing methods
Asset securitization	(1) Encashment by transferring securitized assets (2) Investment fee collection by providing credit offering and ABCP purchase commitments to SPC	(1) Carrying out a plan to securitized assets (2) Taking over and collecting securitized assets (3) Issuing and redeeming ABS and ABCP	(1) Issuance of ABS and ABCP
Project financing	(1) Project financing loans for social overhead capital(SOC) and real estate (2) Lending loans to shipbuilding/airplane SPC	(1) Constructing social overhead capital and real estate (2) Manufacturing and purchasing shipbuilding/airplanes	(1) Entering into loan commitments, credit offering and investment commitments (with credit line)
Investment fund	(1) Investment in beneficiary certificates (2) Investment in PEF and cooperatives	(1) Management and operation of fund assets (2) Payment of fund management fees and sharing of profits from asset management	(1) Sales of beneficiary certificates (2) Investment by general managers and limited liability partners

(In millions of won)

54. Interests in unconsolidated structured entities, continued

(2) Total assets of the unconsolidated structured entities, carrying value of equity and maximum exposure to loss related to the Group's interests in unconsolidated structured entities as of December 31, 2020 are as follows:

Type		Asset-backed securitization	Project financing	Investment fund	Total
Total assets of the unconsolidated structured entities	₩	26,749,375	87,310,009	227,426,748	341,486,132
Carrying value of assets:					
Loan receivables		55,000	7,297,474	2,518	7,354,992
Financial assets held for trading		174,796	-	1,932,930	2,107,726
Available-for-sale financial assets		3,274,412	9,778,822	3,152,046	16,205,280
Other assets		10,877	39,101	6,682	56,660
	₩	3,515,085	17,115,397	5,094,176	25,724,658
Maximum exposure to loss (*)	₩	3,877,485	22,183,267	5,094,177	31,154,929
Deduction method of maximum exposure		Purchase commitment /Credit offering	Loan commitment /Investment commitment	Loan commitment	

(*) The maximum amounts exposed to losses included investment assets in the consolidated financial statements.

(3) As of December 31, 2020, there was no financial support or any other support provided for consolidated or unconsolidated structured entities without contractual consideration.

(In millions of won)

55. Operating segments

(1) Operating segments consist of insurance segment, securities segment and other segments. Other segments contain retails, property managements and insurance related services, etc.

(2) The following tables provide information of income and expense for each operating segment for the years ended December 31, 2020 and 2019:

		2020				
		Insurance	Securities	Others	Consolidated adjustments	Total
Operating revenues	₩	15,905,590	1,776,310	1,178,316	(215,305)	18,644,911
Operating expenses		15,405,465	1,633,166	1,138,262	(216,261)	17,960,632
Operating profit		500,125	143,144	40,054	956	684,279
Non-operating income		32,343	1,525	10,263	(26,215)	17,916
Non-operating expenses		41,643	1,195	1,104	(8,145)	35,797
Profit before income tax expenses		490,825	143,474	49,213	(17,114)	666,398
Income tax expenses		121,121	42,253	12,246	12,948	188,568
Profit for the year	₩	369,704	101,221	36,967	(30,062)	477,830

		2019				
		Insurance	Securities	Others	Consolidated adjustments	Total
Operating revenues	₩	13,136,257	1,462,423	1,103,174	(206,045)	15,495,809
Operating expenses		12,396,536	1,340,354	1,054,165	(200,506)	14,590,549
Operating profit		739,721	122,069	49,009	(5,539)	905,260
Non-operating income		98,619	1,105	527	(70,898)	29,353
Non-operating expenses		37,739	3,044	802	(15,485)	26,100
Profit before income tax expenses		800,601	120,130	48,734	(60,952)	908,513
Income tax expenses		192,694	36,061	10,626	1,639	241,020
Profit for the year	₩	607,907	84,069	38,108	(62,591)	667,493

(In millions of won)

55. Operating segments, continued

(3) The following tables provide information of assets and liabilities for each operating segment as of December 31, 2020 and 2019:

		2020				
		Insurance	Securities	Others	Consolidated adjustments	Total
Cash and due from banks	₩	923,646	869,789	193,148	(45,952)	1,940,631
Securities		64,321,721	6,351,853	127,175	-	70,800,749
Loan receivables		20,736,457	1,525,548	91,298	-	22,353,303
Investments in associates and a joint venture		1,124,254	882	30,711	(1,119,587)	36,260
Separate account assets		23,558,866	-	-	(185,913)	23,372,953
Others		5,338,456	1,366,594	512,649	(16,888)	7,200,811
	₩	116,003,400	10,114,666	954,981	(1,368,340)	125,704,707
Liabilities under insurance contracts	₩	75,573,395	-	-	-	75,573,395
Policyholders' equity adjustments		1,440,671	-	-	21,139	1,461,810
Separate account liabilities		24,099,219	-	-	(168,863)	23,930,356
Others		2,678,205	8,849,865	402,276	(83,545)	11,846,801
	₩	103,791,490	8,849,865	402,276	(231,269)	112,812,362

(In millions of won)

55. Operating segments, continued

(3) The following tables provide information of assets and liabilities for each operating segment as of December 31, 2020 and 2019, continued:

		2019				
		Insurance	Securities	Others	Consolidated adjustments	Total
Cash and due from banks	₩	1,815,238	658,673	186,570	(10,774)	2,649,707
Securities		60,371,374	5,741,354	68,873	-	66,181,601
Loan receivables		19,902,933	729,844	129,862	-	20,762,639
Investments in associates and a joint venture		1,135,475	849	27,903	(1,129,003)	35,224
Separate account assets		20,444,816	-	-	(169,683)	20,275,133
Others		4,829,687	793,447	528,135	(2,144)	6,149,125
	₩	108,499,523	7,924,167	941,343	(1,311,604)	116,053,429
Liabilities under insurance contracts	₩	71,926,100	-	-	-	71,926,100
Policyholders' equity adjustments		1,410,690	-	-	5,771	1,416,461
Separate account liabilities		20,891,910	-	-	(153,773)	20,738,137
Others		2,321,108	6,962,929	427,032	(122,913)	9,588,156
	₩	96,549,808	6,962,929	427,032	(270,915)	103,668,854

(4) Geographical information

Geographical information is not disclosed because revenues are primarily derived from customers in Republic of Korea where head office is located. The Group's long-term assets are also located primarily in Republic of Korea.

(5) The Group has no single external customer from which revenues amount to 10 percent or more of the Group's operating revenues for the year ended December 31, 2020.

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