

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F**

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2021
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.
OR
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____.
Commission file number 000-53445

KB Financial Group Inc.

(Exact name of Registrant as specified in its charter)

KB Financial Group Inc.

(Translation of Registrant's name into English)

The Republic of Korea

(Jurisdiction of incorporation or organization)

26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul 07331, Korea

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(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing one share of Common Stock	KB	New York Stock Exchange
Common Stock, par value ₩5,000 per share	KB	New York Stock Exchange*

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

389,634,335 shares of Common Stock, par value ₩5,000 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act:

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (§ 15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes No

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the Other
International Accounting Standards Board

Auditor Name: KPMG Samjong Accounting Corp.

Auditor Location: Seoul, Korea

Auditor Firm ID: 01357

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (§ 15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes No

* Not for trading, but only in connection with the registration of the American Depositary Shares.

TABLE OF CONTENTS

	PRESENTATION OF FINANCIAL AND OTHER INFORMATION	1
	FORWARD-LOOKING STATEMENTS	2
Item 1.	IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	3
Item 2.	OFFER STATISTICS AND EXPECTED TIMETABLE	3
Item 3.	KEY INFORMATION	3
	Item 3.A. [Reserved]	3
	Item 3.B. Capitalization and Indebtedness	3
	Item 3.C. Reasons for the Offer and Use of Proceeds	3
	Item 3.D. Risk Factors	3
Item 4.	INFORMATION ON THE COMPANY	31
	Item 4.A. History and Development of the Company	31
	Item 4.B. Business Overview	33
	Item 4.C. Organizational Structure	105
	Item 4.D. Property, Plants and Equipment	107
Item 4A.	UNRESOLVED STAFF COMMENTS	108
Item 5.	OPERATING AND FINANCIAL REVIEW AND PROSPECTS	108
	Item 5.A. Operating Results	108
	Item 5.B. Liquidity and Capital Resources	146
	Item 5.C. Research and Development, Patents and Licenses, etc.	151
	Item 5.D. Trend Information	151
	Item 5.E. Critical Accounting Estimates	151
Item 6.	DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	151
	Item 6.A. Directors and Senior Management	151
	Item 6.B. Compensation	157
	Item 6.C. Board Practices	158
	Item 6.D. Employees	160
	Item 6.E. Share Ownership	162
Item 7.	MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	163
	Item 7.A. Major Shareholders	163
	Item 7.B. Related Party Transactions	164
	Item 7.C. Interests of Experts and Counsel	164
Item 8.	FINANCIAL INFORMATION	164
	Item 8.A. Consolidated Statements and Other Financial Information	164
	Item 8.B. Significant Changes	171

Item 9.	THE OFFER AND LISTING	172
	Item 9.A. Offering and Listing Details	172
	Item 9.B. Plan of Distribution	174
	Item 9.C. Markets	174
	Item 9.D. Selling Shareholders	174
	Item 9.E. Dilution	174
	Item 9.F. Expenses of the Issue	174
Item 10.	ADDITIONAL INFORMATION	174
	Item 10.A. Share Capital	174
	Item 10.B. Memorandum and Articles of Association	174
	Item 10.C. Material Contracts	181
	Item 10.D. Exchange Controls	181
	Item 10.E. Taxation	182
	Item 10.F. Dividends and Paying Agents	188
	Item 10.G. Statement by Experts	188
	Item 10.H. Documents on Display	188
	Item 10.I. Subsidiary Information	188
Item 11.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	188
Item 12.	DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	210
Item 13.	DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	211
Item 14.	MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	211
Item 15.	CONTROLS AND PROCEDURES	211
Item 16.	[RESERVED]	213
	Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT	213
	Item 16B. CODE OF ETHICS	213
	Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES	213
	Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	214
	Item 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	214
	Item 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT	214
	Item 16G. CORPORATE GOVERNANCE	214
	Item 16H. MINE SAFETY DISCLOSURE	216
	Item 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS	216

Item 17.	FINANCIAL STATEMENTS	216
Item 18.	FINANCIAL STATEMENTS	216
Item 19.	EXHIBITS	216

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The financial statements included in this annual report are prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. As such, we make an explicit and unreserved statement of compliance with IFRS as issued by the IASB with respect to our consolidated financial statements as of December 31, 2020 and 2021 and for the years ended December 31, 2019, 2020 and 2021 included in this annual report. Unless indicated otherwise, the financial information in this annual report as of and for the years ended December 31, 2019, 2020 and 2021 has been prepared in accordance with IFRS as issued by the IASB, which is not comparable to information prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

Unless expressly stated otherwise, all financial data included in this annual report are presented on a consolidated basis.

In this annual report:

- references to “we,” “us” or “KB Financial Group” are to KB Financial Group Inc. and, unless the context otherwise requires, its subsidiaries;
- references to “Korea” are to the Republic of Korea;
- references to the “government” are to the government of the Republic of Korea;
- references to “Won” or “₩” are to the currency of Korea; and
- references to “U.S. dollars,” “\$” or “US\$” are to United States dollars.

Discrepancies between totals and the sums of the amounts contained in any table may be a result of rounding.

For your convenience, this annual report contains translations of Won amounts into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York for Won in effect on December 31, 2021, which was ₩1,185.5 = US\$1.00.

FORWARD-LOOKING STATEMENTS

The U.S. Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report contains forward-looking statements.

Words and phrases such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "estimate," "expect," "future," "goal," "intend," "may," "objective," "plan," "positioned," "predict," "project," "risk," "seek to," "shall," "should," "will likely result," "will pursue," "plan" and words and terms of similar substance used in connection with any discussion of future operating or financial performance or our expectations, plans, projections or business prospects identify forward-looking statements. In particular, the statements under the headings "Item 3.D. Risk Factors," "Item 5. Operating and Financial Review and Prospects" and "Item 4.B. Business Overview" regarding our financial condition and other future events or prospects are forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of 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 under "Item 3.D. Risk Factors," other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to:

- our ability to successfully implement our strategy;
- future levels of non-performing loans;
- our growth and expansion;
- the adequacy of allowances for credit and investment losses;
- technological changes;
- interest rates;
- investment income;
- availability of funding and liquidity;
- cash flow projections;
- our exposure to market risks; and
- adverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on our income or results of operations could materially differ from those that have been estimated. For example, revenues could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this annual report could include, but are not limited to:

- the occurrence of severe health epidemics (including the ongoing COVID-19 pandemic) in Korea or other parts of the world;
- general economic and political conditions in Korea or other countries that have an impact on our business activities or investments;
- the monetary and interest rate policies of Korea;

- inflation or deflation;
- unanticipated volatility in interest rates;
- foreign exchange rates;
- prices and yields of equity and debt securities;
- the performance of the financial markets in Korea and globally;
- changes in domestic and foreign laws, regulations and taxes;
- changes in competition and the pricing environments in Korea; and
- regional or general changes in asset valuations.

For further discussion of the factors that could cause actual results to differ, see the discussion under “Item 3.D. Risk Factors” contained in this annual report. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this annual report. 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 annual report.

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION

Item 3.A. [Reserved]

Item 3.B. *Capitalization and Indebtedness*

Not applicable.

Item 3.C. *Reasons for the Offer and Use of Proceeds*

Not applicable.

Item 3.D. *Risk Factors*

Risks relating to our retail credit portfolio

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

In recent years, consumer debt has increased significantly in Korea. Our portfolio of retail loans, including mortgage and home equity loans, increased from ₩158,807 billion as of December 31, 2018 to ₩166,307 billion as of December 31, 2019, ₩182,437 billion as of December 31, 2020 and ₩191,641 billion as of December 31,

2021. As of December 31, 2021, our domestic retail loans represented 45.5% of our total lending. Within our retail loan portfolio, the outstanding balance of other consumer loans, which unlike mortgage or home equity loans are often unsecured and therefore tend to carry a higher credit risk, increased from ₩56,200 billion as of December 31, 2018 to ₩71,223 billion as of December 31, 2021; as a percentage of total outstanding retail loans, such balance increased from 35.4% as of December 31, 2018 to 37.2% as of December 31, 2021. The growth of our retail lending business, which generally offers higher margins than other lending activities, has contributed significantly to our interest income and profitability in recent years.

The growth of our retail loan portfolio, together with fluctuating economic conditions in Korea and globally in recent years, especially in light of the ongoing COVID-19 pandemic caused by a new strain of coronavirus, may lead to increases in delinquency levels and a deterioration in asset quality. The amount of our non-performing retail loans (defined as those loans that are past due by 90 days or more) was ₩304 billion as of December 31, 2018, ₩376 billion as of December 31, 2019, ₩306 billion as of December 31, 2020 and ₩259 billion as of December 31, 2021. However, higher delinquencies in our retail loan portfolio in the future will require us to increase our loan loss provisions and charge-offs, which in turn will adversely affect our financial condition and results of operations.

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

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

Under a pre-workout program established by Korean banks for retail borrowers with outstanding short-term debt in default, including us, which has been in operation since April 2009, maturity extensions and/or interest reductions are provided for retail borrowers with total loans of ₩1.5 billion or less (consisting of no more than ₩500 million of unsecured loans and ₩1 billion of secured loans) from two or more financial institutions who are in arrears on their payments for more than 30 days but less than 90 days, and who either have an income in excess of the minimum cost of living or are deemed by the Credit Counseling and Recovery Service, a public service organization that provides debt adjustment services to low-income families in Korea, to have the ability to repay their loans. In addition, in March 2015 and September 2019, in response to increasing levels of consumer debt and amid concerns over the debt-servicing capacity of retail borrowers if interest rates were to rise, the Korean government launched, and requested Korean banks to participate in, mortgage loan refinancing programs aimed at reducing the payment burden on and improving the asset quality of outstanding mortgage loans. Under such refinancing programs, qualified retail borrowers were able to convert their outstanding

non-amortizing floating-rate mortgage loans from Korean commercial banks (including us) into amortizing fixed-rate mortgage loans with lower interest rates. Our participation in such refinancing programs may lead to a decrease in our interest income on our outstanding mortgage loans, as well as in our overall net interest margin. Moreover, our participation in such initiatives led by the Korean government to provide financial support to retail borrowers may lead us to offer credit terms for such borrowers that we would not generally offer, which may have an adverse effect on our results of operations and financial condition.

Our credit card operations may generate losses in the future, which could hurt our financial condition and results of operations.

With respect to our credit card portfolio, our delinquency ratio (which represents the ratio of amounts that are overdue by 30 days or more to total outstanding balances) was 1.25% as of December 31, 2019, which decreased to 1.06% as of December 31, 2020 and 0.91% as of December 31, 2021. In line with industry practice, we have restructured a portion of delinquent credit card account balances (defined as balances overdue by 30 days or more) as loans. As of December 31, 2021, these restructured loans outstanding amounted to ₩112 billion. Because these loans are not treated as being delinquent at the time of conversion or for a period of time thereafter, our delinquency ratios may not fully reflect all delinquent amounts relating to our outstanding loans. Including all restructured loans, outstanding balances overdue by 30 days or more accounted for 1.4% of our credit card receivables (including credit card loans) as of December 31, 2021. Delinquencies may increase in 2022 and in the future as a result of, among other things, adverse economic conditions in Korea, additional government regulations or the inability of Korean consumers to manage increased household debt.

Despite our continuing efforts to sustain and improve our credit card asset quality and performance, we may experience increased delinquencies or deterioration of the asset quality of our credit card portfolio, which would require us to increase our loan loss provisions and charge-offs and adversely affect our overall financial condition and results of operations.

Risks relating to our small- and medium-sized enterprise loan portfolio

We have significant exposure to small- and medium-sized enterprises, and any financial difficulties experienced by these customers may result in a deterioration of our asset quality and have an adverse impact on us.

One of our core businesses is lending to small- and medium-sized enterprises (as defined under “Item 4.B. Business Overview—Corporate Banking—Small- and Medium-sized Enterprise Banking”). Our loans to small- and medium-sized enterprises increased from ₩106,015 billion as of December 31, 2018 to ₩138,627 billion as of December 31, 2021. During that period, non-performing loans (defined as those loans that are past due by 90 days or more) to small- and medium-sized enterprises decreased from ₩267 billion as of December 31, 2018 to ₩204 billion as of December 31, 2019, ₩162 billion as of December 31, 2020 and ₩102 billion as of December 31, 2021. The non-performing loan ratio for such loans decreased from 0.3% as of December 31, 2018 to 0.2% as of December 31, 2019 and 0.1% as of December 31, 2020 and 2021. However, our non-performing loans and non-performing loan ratio may increase in 2022. According to data compiled by the Financial Supervisory Service, the delinquency ratio for Won-currency loans by Korean commercial banks to small- and medium-sized enterprises was 0.3% as of December 31, 2021. The delinquency ratio for Won-currency loans to small- and medium-sized enterprise is calculated as the ratio of (1) the outstanding balance of such loans in respect of which either principal or interest payments are overdue by one month or more to (2) the aggregate outstanding balance of such loans. Our delinquency ratio for such Won currency loans decreased from 0.3% as of December 31, 2018 to 0.1% as of December 31, 2021. However, our delinquency ratio for such Won currency loans may increase in 2022.

The Korean government has historically introduced policies and initiatives intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. For example, the Korean

government requested Korean banks, including us, to establish a “fast track” program to provide liquidity assistance to small- and medium-sized enterprises on an expedited basis since 2008. Since the termination of the “fast track” program in 2016, the Financial Services Commission implemented a swift financial assistance program for small- and medium-sized enterprise borrowers for a period of five years beginning on January 1, 2017, and in December 2021, the expiration of such program was extended to June 2022. Financial institutions participating in such program, including us, have provided financial assistance (including in the form of new loans, extension of maturity on existing obligations and provision of lower interest rates) to small- and medium-sized enterprise borrowers that are experiencing temporary liquidity crises but have a credit rating exceeding a certain threshold. The overall prospects for the Korean economy in 2022 and beyond remain uncertain, and the Korean government may extend or renew existing or past policies and initiatives or introduce new policies or initiatives to encourage Korean banks to provide financial support to small- and medium-sized enterprises. In particular, the ongoing COVID-19 pandemic affecting many countries worldwide, including Korea, has prompted the Korean government in recent months to implement various emergency aid initiatives involving Korean banks, including Kookmin Bank, to provide liquidity assistance to small- and medium-sized enterprise borrowers. See “Other risks relating to our business—The ongoing global pandemic of COVID-19 and any possible recurrence of other types of widespread infectious diseases may adversely affect our business, financial condition or results of operations.” Such initiatives include the provision of new loans to borrowers with low credit ratings, extension of maturity dates for existing loans and suspension of interest payment obligations for an extended period of time. Our participation in such government-led initiatives may lead us to extend credit to small- and medium-sized enterprise borrowers that we would not otherwise extend, or offer terms for such credit that we would not otherwise offer, in the absence of such initiatives. Furthermore, there is no guarantee that the financial condition and liquidity position of our small- and medium-sized enterprise borrowers benefiting from such initiatives will improve sufficiently for them to service their debt on a timely basis, or at all. Accordingly, increases in our exposure to small- and medium-sized enterprise borrowers resulting from such government-led initiatives may have a material adverse effect on our financial condition and results of operations.

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

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

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

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

We have exposure to Korean construction, shipbuilding and shipping companies, and financial difficulties of these companies may have an adverse impact on us.

As of December 31, 2021, we had loans outstanding to construction (most of which are small- and medium-sized enterprises), shipbuilding and shipping companies in the amount of ₩4,606 billion, ₩558 billion and ₩189 billion, or 1.09%, 0.13% and 0.04% of our total loans, respectively. We also have other exposures to Korean construction, shipbuilding and shipping companies, including in the form of guarantees extended on behalf of such companies and debt and equity securities of such companies held by us. In the case of construction companies, such exposures include guarantees provided to us by general contractors with respect to financing extended by us for residential and commercial real estate development projects. In the case of shipbuilding companies, such exposures include refund guarantees extended by us on behalf of shipbuilding companies to cover their obligation to return a portion of the ship order contract amount to customers in the event of performance delays or defaults under shipbuilding contracts.

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

The allowances that we have established against our credit exposures to Korean construction, shipbuilding and shipping companies may not be sufficient to cover all future losses arising from such exposures. If the asset quality of our exposures to such companies declines further, we may incur substantial additional provisions (including in connection with restructurings of such companies) and charge-offs, which could adversely impact our results of operations and financial condition. See “—Risks relating to our large corporate loan portfolio—We have exposure to companies that are currently or may in the future be put in restructuring, and we may suffer losses as a result of additional loan loss provisions required and/or the adoption of restructuring plans with which we do not agree.” Furthermore, although a portion of our credit exposures to construction, shipbuilding and shipping companies are secured by collateral, such collateral may not be sufficient to cover uncollectible amounts in respect of such credit exposures. See “—Other risks relating to our business—A decline in the value of the collateral securing our loans and our inability to realize full collateral value may adversely affect our credit portfolio.”

Risks relating to our financial holding company structure and strategy

We may not succeed in implementing our strategy to take advantage of, or fail to realize the anticipated benefits of, our financial holding company structure.

One of our principal strategies is to take advantage of our financial holding company structure to become a comprehensive financial services provider capable of offering a full range of products and services to our large existing base of retail and corporate banking customers. The continued implementation of these plans may require additional investments of capital, infrastructure, human resources and management attention. This strategy entails certain risks, including the possibility that we may face significant competition from other financial holding companies and more specialized financial institutions in particular segments. If our strategy does not succeed, we may incur losses on our investments and our results of operations and financial condition may suffer.

Furthermore, our success under a financial holding company structure depends on our ability to realize the anticipated synergies, growth opportunities and cost savings from coordinating the businesses of our various subsidiaries. Although we have been integrating certain aspects of our subsidiaries' operations into our financial holding company structure, our subsidiaries will generally continue to operate as independent entities with separate management and staff and our ability to direct our subsidiaries' day-to-day operations may be limited. Some of our major acquisitions include the following:

- In March 2014, we acquired 52.02% of the outstanding shares of KB Capital Co., Ltd. (formerly named Woori Financial Co., Ltd.), a publicly listed Korean consumer finance company, from Woori Finance Holdings Co., Ltd. for ₩280 billion. We conducted a tender offer in May 2017, through which we acquired 5,949,300 shares of KB Capital at ₩27,500 per share, increasing our shareholding in KB Capital to 79.70%. We subsequently acquired the remaining outstanding shares of KB Capital in exchange for 2,269,057 shares of common stock of our company through a comprehensive stock swap effected in July 2017, as a result of which KB Capital became a wholly-owned subsidiary.
- In June 2015, we acquired 19.47% of the outstanding shares of KB Insurance Co., Ltd. (formerly named LIG Insurance Co., Ltd.), a publicly listed Korean non-life insurance company, from a group of individual shareholders for ₩651 billion. In November 2015, we increased our shareholding in KB Insurance to 33.29% by acquiring its treasury shares for ₩231 billion, and in December 2016, we further increased our shareholding in KB Insurance to 39.81% by purchasing new shares of KB Insurance for ₩171 billion in a rights offering. Through a tender offer conducted in May 2017, we acquired 36,237,649 shares of KB Insurance at ₩33,000 per share, increasing our shareholding to 94.30%. We subsequently effected a comprehensive stock swap in July 2017 to acquire the remaining outstanding shares of KB Insurance in exchange for 2,170,943 shares of common stock of our company, as a result of which KB Insurance became a wholly-owned subsidiary.
- In May 2016, we acquired 22.56% of the outstanding shares of Hyundai Securities Co., Ltd., a publicly listed Korean securities firm, from Hyundai Merchant Marine Co., Ltd. and other shareholders for ₩1,242 billion, and further increased our shareholding in Hyundai Securities to 29.62% in June 2016 by acquiring treasury shares of Hyundai Securities for ₩107 billion. In October 2016, we effected a comprehensive stock swap of the outstanding shares of Hyundai Securities for 31,759,844 newly issued shares of common stock of our company, as a result of which Hyundai Securities became a wholly-owned subsidiary. Following such transaction, we merged an existing subsidiary, KB Investment & Securities, with and into Hyundai Securities in December 2016 and changed the name of the surviving entity to KB Securities Co., Ltd.
- In August 2020, we acquired all of the outstanding shares of The Prudential Life Insurance Company of Korea, Ltd., or Prudential Life Insurance, a provider of life insurance services in Korea, from Prudential Financial, Inc. for ₩2.3 trillion, as a result of which Prudential Life Insurance became a wholly-owned subsidiary. In order to maximize synergy effects in our life insurance operations, we

plan to conduct a merger of Prudential Life Insurance and KB Life Insurance Co., Ltd. to be completed by January 2023. The details of such merger, however, have not yet been finalized as of the date of this annual report.

See “Item 5.A. Operating Results—Overview—Acquisitions.”

We may continue to increase our equity interest in our subsidiaries or investees and may also consider acquiring or merging with other financial institutions to achieve more balanced growth and further diversify our revenue base. For example, as part of our continued efforts to expand our businesses abroad, in particular in Southeast Asia, we acquired a 70% stake in PRASAC Microfinance Institution Plc., or PRASAC, a provider of microfinance and deposit-taking services in Cambodia, through Kookmin Bank, in April 2020. Subsequently, in October 2021, we acquired the remaining 30% interest in PRASAC, which increased our ownership of PRASAC to 100%. In addition, through a series of acquisitions from July 2018 to September 2020, we obtained a 67% interest in PT Bank Bukopin TBK of Indonesia, or Bank Bukopin, through Kookmin Bank, and changed its name to PT Bank KB Bukopin, Tbk in February 2021. The integration of our new subsidiaries’ or investees’ separate businesses and operations, as well as those of any companies we may acquire or merge with in the future, under our financial holding company structure could require a significant amount of time, financial resources and management attention. Moreover, that process could disrupt our operations (including our risk management operations) or information technology systems, reduce employee morale, produce unintended inconsistencies in our standards, controls, procedures or policies, and affect our relationships with customers and our ability to retain key personnel. The realization of the anticipated benefits of our financial holding company structure and any mergers or acquisitions we decide to pursue may be blocked, delayed or reduced as a result of many factors, some of which may be outside our control. These factors include:

- difficulties in integrating the diverse activities and operations of our subsidiaries or investees or any companies we may merge with or acquire, including risk management operations and information technology systems, personnel, policies and procedures;
- difficulties in reorganizing or reducing overlapping personnel, branches, networks and administrative functions;
- restrictions under the Financial Holding Company Act and other regulations on transactions between a financial holding company and, or among, its subsidiaries;
- unforeseen contingent risks, including lack of required capital resources, increased tax liabilities or restrictions in our overseas operations, relating to our financial holding company structure;
- unexpected business disruptions;
- failure to attract, develop and retain personnel with necessary expertise;
- loss of customers; and
- labor unrest.

Accordingly, we may not be able to realize the anticipated benefits of our financial holding company structure, and our business, results of operations and financial condition may suffer as a result.

We depend on limited forms of funding to fund our operations at the holding company level.

We are a financial holding company with no significant assets other than the shares of our subsidiaries. Our primary sources of funding and liquidity are dividends from our subsidiaries, direct borrowings and issuances of equity or debt securities at the holding company level. In addition, as a financial holding company, we are required to meet certain minimum financial ratios under Korean law, including with respect to liquidity, leverage and capital adequacy. Our ability to meet our obligations to our direct creditors and employees and our other liquidity needs and regulatory requirements at the holding company level depends on timely and adequate distributions from our subsidiaries and our ability to sell our securities or obtain credit from our lenders.

The ability of our subsidiaries to pay dividends to us depends on their financial condition and operating results. In the future, our subsidiaries may enter into agreements, such as credit agreements with lenders or indentures relating to high-yield or subordinated debt instruments, that impose restrictions on their ability to make distributions to us, and the terms of future obligations and the operation of Korean law could prevent our subsidiaries from making sufficient distributions to us to allow us to make payments on our outstanding obligations. See “—As a financial holding company, we depend on receiving dividends from our subsidiaries to pay dividends on our common stock.” Any delay in receipt of or shortfall in payments to us from our subsidiaries could result in our inability to meet our liquidity needs and regulatory requirements, including minimum liquidity and capital adequacy ratios, and may disrupt our operations at the holding company level.

In addition, creditors of our subsidiaries will generally have claims that are prior to any claims of our creditors with respect to their assets. Furthermore, our inability to sell our securities or obtain funds from our lenders on favorable terms, or at all, could also result in our inability to meet our liquidity needs and regulatory requirements and may disrupt our operations at the holding company level.

As a financial holding company, we depend on receiving dividends from our subsidiaries to pay dividends on our common stock.

Since our principal assets at the holding company level are the shares of our subsidiaries, our ability to pay dividends on our common stock largely depends on dividend payments from those subsidiaries. Those dividend payments are subject to the Korean Commercial Code, the Bank Act and regulatory limitations, generally based on capital levels and retained earnings, imposed by the various regulatory agencies with authority over those entities. For example:

- under the Korean Commercial Code, dividends may only be paid out of distributable income, an amount which is calculated by subtracting the aggregate amount of a company’s paid-in capital and certain mandatory legal reserves as well as certain unrealized profits from its net assets, in each case as of the end of the prior fiscal period;
- under the Bank Act, a bank also must credit at least 10% of its net profit to a legal reserve each time it pays dividends on distributable income until that reserve equals the amount of its total paid-in capital; and
- under the Bank Act and the requirements of the Financial Services Commission, if a bank fails to meet its required capital adequacy ratio or otherwise becomes subject to management improvement measures imposed by the Financial Services Commission, then the Financial Services Commission may restrict the declaration and payment of dividends by that bank.

Our subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. If they fail to do so, they may stop paying or reduce the amount of the dividends they pay to us, which would have an adverse effect on our ability to pay dividends on our common stock.

Although increasing our fee income is an important part of our strategy, we may not be able to do so.

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

We may suffer customer attrition or our net interest margin may decrease as a result of our competition strategy.

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

Risks relating to competition

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

Competition in the Korean financial industry has been and is likely to remain intense. Some of the financial institutions that we compete with have longer operating histories as financial holding companies, greater financial resources or more specialized capabilities than us and our subsidiaries. In the retail and small- and medium-sized enterprise lending business, which has been our traditional core business, competition has increased significantly and is expected to increase further. Most Korean banks have been focusing on retail customers and small- and medium-sized enterprises in recent years, although they have begun to generally increase their exposure to large corporate borrowers. In addition, the profitability of our retail lending and credit card operations may decline as a result of growing market saturation in the retail lending and credit card segments, increased interest rate competition, pressure to lower the fee rates applicable to our credit cards (particularly merchant fee rates) and higher marketing expenses. Intense and increasing competition has made and continues to make it more difficult for us to secure retail, credit card and small- and medium-sized customers with the credit quality and on credit terms necessary to achieve our business objectives in a commercially acceptable manner.

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

In the Korean insurance industry, there has been downward pressure in recent years on margins of insurance products as some of our competitors have sought to obtain or maintain market share by reducing margins and increasing marketing efforts. As the Korean non-life insurance and life insurance sectors continue to mature, they may experience a slowdown in growth as well as a stagnation in market penetration. Due to these and other factors, we believe that competition in the Korean insurance industry will likely remain intense in the future. Sustained or increased competition may lead to decreases in the market share and profitability of our non-life insurance and life insurance businesses.

In addition, we believe that regulatory reforms and the general modernization of business practices in Korea will lead to increased competition among financial institutions in Korea. In the second half of 2015, the Korean government implemented measures to facilitate bank account portability of retail customers by requiring commercial banks to establish systems that allow retail customers to easily switch their bank accounts at one commercial bank to another and automatically transfer the automatic payment settings of their former accounts to

the new ones. Such measures have further intensified competition among financial institutions in Korea. Moreover, in March 2016, the Financial Services Commission introduced an individual savings account scheme in Korea, which enables individuals to efficiently manage a wide range of retail investment vehicles, including cash deposits, funds and securities investment products, from a single integrated account with one financial institution and offers tax benefits on investment returns. Since the scheme backed by the Korean government allows only one individual savings account per person, financial institutions have been competing to retain existing customers and attract new customers since the launch of the individual savings account scheme. Over 30 financial institutions, including banks, securities companies and insurance companies, have registered with the Financial Services Commission to sell their individual savings account products and competition among these financial institutions is expected to remain intense. More recently, in August 2020, amendments to the Credit Information Use and Protection Act established the framework for MyData services in Korea, which allow the collection of customers' personal credit information from credit information providers/users or public institutions upon the customer's request and subject to compliance requirements, so that customers may access such collected personal credit information in whole or in part. As of October 31, 2021, the Financial Services Commission had granted licenses to 45 companies to operate as MyData service providers, 19 of which were fintech firms, and competition between traditional financial institutions and fintech firms is expected to intensify, particularly with respect to asset management services. MyData services are currently offered through several channels including KB Star Banking, our mobile banking application, and Liiv Mate, a MyData-based platform operated by KB Kookmin Card.

Moreover, a number of significant mergers and acquisitions in the financial industry have taken place in Korea in recent years, including Hana Financial Group's acquisition of a controlling interest in Korea Exchange Bank in 2012 and the subsequent merger of Hana Bank into Korea Exchange Bank in 2015. In addition, as part of the Korean government's plans to privatize Woori Finance Holdings Co., Ltd. (the former financial holding company of Woori Bank), certain subsidiaries of Woori Finance Holdings were sold to other financial institutions and Woori Finance Holdings itself was merged into Woori Bank in 2014, which established a new financial holding company, Woori Financial Group Inc., in January 2019. In the insurance sector, China's Anbang Insurance Group acquired controlling interests in Tong Yang Life Insurance Co., Ltd. and Allianz Life Insurance Korea Co., Ltd. in 2015 and 2016, respectively, while Mirae Asset Life Insurance Co., Ltd. acquired PCA Life Insurance Co., Ltd. in 2017. Furthermore, Orange Life Insurance, Ltd. (formerly known as ING Life Insurance Korea, Ltd.) became a wholly-owned subsidiary of Shinhan Financial Group following the acquisition of equity interests by Shinhan Financial Group in February 2019 and January 2020. In the securities sector, in 2016, Mirae Asset Securities Co., Ltd. acquired a 43% interest in KDB Daewoo Securities Co., Ltd., which subsequently merged with and into Mirae Asset Securities to create Mirae Asset Daewoo Securities Co., Ltd., one of the largest securities companies in Korea in terms of capital.

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

Risks relating to our large corporate loan portfolio

We have exposure to chaebols, and, as a result, financial difficulties of chaebols may have an adverse impact on us.

Of our 20 largest corporate exposures (including loans, debt and equity securities and guarantees and acceptances) as of December 31, 2021, ten were to companies that were members of the 32 largest highly-

indebted business groups among *chaebols* in Korea designated as such by the Financial Supervisory Service based on their outstanding exposures. As of that date, the total amount of our exposures to 32 of such largest highly-indebted business groups among *chaebols* was ₩32,088 billion, or 5.3% of our total exposures. If the credit quality of our exposures to *chaebols* declines as a result of financial difficulties they experience or for other reasons, we could require substantial additional loan loss provisions, which would hurt our results of operations and financial condition.

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

We have exposure to companies that are currently or may in the future be put in restructuring, and we may suffer losses as a result of additional loan loss provisions required and/or the adoption of restructuring plans with which we do not agree.

As of December 31, 2021, our loans and guarantees to companies that were in workout, restructuring or rehabilitation amounted to ₩230 billion, or 0.1% of our total loans and guarantees, most of which was classified as impaired. As of the same date, our allowances for credit losses on these loans and guarantees amounted to ₩118 billion, or 51.3% of these loans and guarantees. These allowances may not be sufficient to cover all future losses arising from our exposure to these companies. Furthermore, we have other exposure to such companies, in the form of debt and equity securities of such companies held by us (including equity securities we acquired as a result of debt-to-equity conversions). Our exposures as of December 31, 2021 with respect to such securities of companies in workout, restructuring or rehabilitation amounted to less than ₩1 billion, or less than 0.01% of our total debt securities and equity securities, but may increase in the future. In addition, in the case of borrowers that are or become subject to workout or restructuring, we may be forced to restructure our credits pursuant to restructuring plans approved by other creditor financial institutions of the borrower, or to dispose of our credits to other creditors on unfavorable terms.

In particular, as of December 31, 2021, we had ₩440 billion of outstanding exposures, comprising ₩85 billion of loans, ₩4 billion of debt securities, ₩26 billion of equity securities and ₩325 billion of guarantees (mainly in the form of refund guarantees relating to shipbuilding contracts), to Daewoo Shipbuilding & Marine Engineering Co., Ltd., or DSME, which has been pursuing a voluntary restructuring program. In April 2017, the creditors of DSME agreed on a plan to provide additional financial support to DSME in connection with its voluntary restructuring program, under which the Korea Development Bank and the Export-Import Bank of Korea would provide ₩2.9 trillion of new loans to DSME, on the condition that DSME's other creditors and bondholders agree to a ₩2.9 trillion debt-to-equity swap. The financial support plan required the Korean commercial bank creditors of DSME (including us) to swap 80% of our outstanding unsecured loans into equity of DSME and extend the maturity of the remaining loans for a period of five years. The financial support plan, which is currently scheduled to expire in December 2022, also requires DSME's creditors (including us) to provide additional refund guarantees in connection with future shipbuilding contracts of DSME. The implementation of the financial support plan for DSME has required and may continue to require us to increase our loan loss provisions and recognize write-offs and impairment losses with respect to our exposures to DSME and may therefore have a material adverse impact on our results of operations and financial condition. Furthermore, there is no guarantee that the plan will be successful in ensuring the financial viability of DSME.

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

As of December 31, 2021, our loans and guarantees to our 20 largest borrowers totaled ₩11,960 billion and accounted for 2.8% of our total loans and guarantees. As of that date, our single largest corporate credit exposure was to The Korea Securities Finance Corporation, to which we had outstanding debt securities of ₩5,755 billion

and an additional exposure of ₩59 billion in the form of equity securities. Any deterioration in the financial condition of The Korea Securities Finance Corporation or our other large corporate borrowers, including those in industries particularly affected by the COVID-19 pandemic to which we have exposures such as the transportation, food and beverage, hotel, leisure and shipping industries and certain sectors of the manufacturing industry, may require us to record substantial additional provisions and charge-offs and may have a material adverse impact on our results of operations and financial condition.

Risks relating to our insurance operations

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

We operate our insurance business through KB Insurance Co., Ltd., our non-life insurance subsidiary which became a consolidated subsidiary in May 2017, as well as KB Life Insurance Co., Ltd. and Prudential Life Insurance, our life insurance subsidiaries. With respect to our insurance operations, 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 non-life insurance and life insurance policies. The profitability of our insurance operations depends significantly upon the extent to which our actual claims results are consistent with the assumptions used in setting the prices for our insurance products and establishing the liabilities in our financial statements for our obligations for future insurance policy benefits and claims. We establish the liabilities for obligations for future 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. We also use methods to analyze loss trends with respect to certain risk assumptions relating to natural disasters. These assumptions are based on our previous experience and published data from third party industry sources, 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 and advancements in health care that result in increased life expectancy and early detection of diseases, as well as re-interpretations of our insurance policy terms by Korean regulators or courts. In addition, the occurrence of unexpected catastrophic events in Korea, including pandemics or natural or man-made disasters, 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 insurance policy liabilities will grow to the level we assume prior to payment of benefits or claims. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future.

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

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

Pursuant to the risk-based capital adequacy requirements implemented by the Financial Services Commission, insurance companies in Korea are required to maintain a statutory ratio of available regulatory capital to risk-weighted assets of not less than 100% on a consolidated basis. Furthermore, the Financial Supervisory Service had previously recommended that insurance companies maintain a risk-based capital adequacy ratio of not less than 150%, and its former administrative guidelines had required insurance companies failing to maintain such recommended 150% ratio to submit a capital increase plan. Although the Financial Supervisory Service has since withdrawn such administrative guidelines, we believe that a risk-based capital adequacy ratio of not less than 150% is still considered standard in the Korean insurance industry. Risk-based capital adequacy requirements require insurance companies to hold adequate capital to cover their exposures to interest rate risk, market risk, credit risk and operational risk as well as insurance risk by reflecting such risks in their calculation of risk-weighted assets. As of December 31, 2021, KB Insurance, Prudential Life Insurance and KB Life Insurance had a risk-based capital adequacy ratio of 179.39%, 342.35% and 186.49%, respectively.

The Financial Supervisory Service has announced that it plans to introduce a new regulatory solvency regime for insurance companies by 2022 based on the International Capital Standard developed by the International Association of Insurance Supervisors, which would be similar in substance to the Solvency II Directive of the European Union. The Solvency II Directive, which has been in effect in the European Union since January 1, 2016, is a comprehensive program of regulatory requirements for insurance companies, covering authorization, corporate governance, supervisory reporting, public disclosure and risk assessment and management, as well as solvency. Under the Financial Supervisory Service's planned new solvency regime in Korea, among other things, insurance contract liabilities are expected to be measured based on market value, rather than book value, which would require a number of insurance companies in Korea with a large portfolio of high guaranteed rate of return products to obtain additional capital to meet their capital adequacy requirements. The Financial Supervisory Service has also announced its plans to implement a series of incremental changes to the calculation methodology for the risk-based capital adequacy ratio of insurance companies, as interim measures. Such changes implemented in 2017 included increasing the maximum statutory duration of insurance liabilities recognized for purposes of such calculation, as well as reducing the coefficient applied in calculating interest rate risk and adjusting the methods used to assess the risk of guaranteed benefits of variable insurance policies. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Insurance Companies—Capital Adequacy."

The details of the new solvency regime in Korea have not yet been finalized and may be further amended in the future. Accordingly, there is no guarantee that our insurance subsidiaries will not be required to raise additional capital to sustain their risk-based capital adequacy ratio above the required level in connection with the future implementation of the new solvency regime. Any material deterioration in the risk-based capital adequacy ratio of our insurance subsidiaries, as a result of the implementation of the new solvency regime or otherwise, could change their customers' or business counterparties' perception of their financial health, which in turn could adversely affect their business and profitability. Furthermore, if they grow rapidly or if their asset quality deteriorates in the future, our insurance subsidiaries may be required to raise additional capital, which we may need to provide in whole or in part, to meet their capital adequacy requirements. If we or our insurance subsidiaries are not able to raise any required additional capital, we may be forced to reduce the growth or scale of our insurance operations.

Changes in accounting standards for insurance contracts could adversely impact our reported results of operations and financial condition.

In response to a lack of comparability in the global insurance industry stemming from variations in accounting policies being applied, the IASB issued IFRS 17 (previously referred to as IFRS 4 Phase II), a new

IFRS accounting standard for insurance contracts, in May 2017 with an effective date of January 1, 2021, which was subsequently deferred to January 1, 2022 and again to January 1, 2023, with early adoption permitted. Compliance with such revised accounting standards could significantly affect the way in which we and other operators of insurance businesses in Korea account for insurance policies, annuity contracts and financial instruments and how our financial statements are presented.

IFRS 17 will introduce a fundamentally different approach to current accounting policies 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 the liabilities of our insurance subsidiaries, which would lead to a decrease in the balance of their available capital, which in turn may lower their risk-based capital adequacy ratio, depending on the solvency regime applicable at the time. In addition, under IFRS 17, certain parts of premium income from insurance contracts will be allocated 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 change the presentation of our reported revenue from our insurance operations in our financial statements. In recent years, the IASB issued several amendments to IFRS 17 aimed at simplifying certain requirements and providing additional transition relief for companies subject to IFRS 17.

Given the complexity of IFRS 17 and the significant amount of time and resources that will be required to adopt IFRS 17 accounting, we have established and are in the process of executing an implementation plan, including investments in information technology systems and processes, in order to enhance our financial analysis and impact assessment with respect to our insurance operations. We are also taking other measures to reduce the amount of our statutorily required capital under IFRS 17, including developing new products with improved capital efficiency and strengthening our asset-liability management and our monitoring of interest rate risk. Potential challenges that we may face in terms of implementation of IFRS 17 include:

- interpretation of the requirements and potential operational difficulties when applying such requirements;
- data collection, storage and analysis;
- integration of existing systems and processes with new actuarial systems;
- increased finance, actuarial and risk management coordination;
- implementation of new business strategies in preparation for IFRS 17, including adjusting the duration of interest-earning assets and interest-bearing liabilities and our asset-liability management policies within our insurance operations;
- impact of the transition to a new Korean regulatory solvency regime, which is expected to be implemented around the time of the effective date of IFRS 17; and
- changes to other aspects of our insurance business, such as product design, remuneration policies and business planning.

Accordingly, the implementation of IFRS 17, as well as any other new or revised insurance accounting standards we are required to adopt in the future, could result in significant costs and may have a material adverse effect on our business and our reported results of operations and financial condition.

Other risks relating to our business

The ongoing global pandemic of COVID-19 and any possible recurrence of other types of widespread infectious diseases may adversely affect our business, financial condition or results of operations.

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

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

- an increase in defaults on loan payments from our customers that are particularly affected by the ongoing COVID-19 pandemic (such as those in the transportation, food and beverage, hotel, leisure and shipping industries and certain sectors of the manufacturing industry), who may not be able to meet payment obligations, which may lead to an increase in delinquency ratios and a deterioration in asset quality (see “Item 4.B. Business Overview—Assets and Liabilities—Loan Portfolio—Loan Concentration by Industry”);
- depreciation of the Won against major foreign currencies, which in turn may increase our cost in servicing our foreign currency denominated debt and result in foreign exchange losses;
- disruption in the normal operations of our business resulting from contraction of infectious diseases 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, for example, temporary arrangements for employees to work remotely, which may lead to a reduction in labor productivity; and
- impairments in the fair value of our investments in companies that may be adversely affected by the pandemic.

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

Unfavorable changes in the global financial markets could adversely affect our results of operations and financial condition.

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

- the occurrence of severe health epidemics, such as the ongoing COVID-19 pandemic;
- hostilities, political or social tensions involving Russia (including the invasion of Ukraine by Russia and ensuing actions that the United States and other countries have taken or may take in the future, such as the imposition of sanctions against Russia) and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets;
- a deterioration in economic and trade relations between the United States and its major trading partners, including China;
- increased uncertainties resulting from the United Kingdom’s exit from the European Union;
- financial and social difficulties affecting many countries worldwide, in particular in Latin America and Europe;

- escalations in trade protectionism globally and geopolitical tensions in East Asia and the Middle East;
- the slowdown of economic growth in China and other major emerging market economies;
- interest rate fluctuations as well as perceived or actual changes in policy rates by, or other monetary and fiscal policies set forth by, the U.S. Federal Reserve and other central banks; and
- political and social instability in various countries in the Middle East, including Syria, Iraq and Yemen.

In light of the high level of interdependence of the global economy, unfavorable changes in the global financial markets, including as a result of any of the foregoing developments, could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, financial condition and results of operations.

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

Our business may be materially and adversely affected by legal claims and regulatory actions against us.

We are subject to the risk of legal claims and regulatory actions in the ordinary course of our business, which may expose us to substantial monetary damages and legal costs, injunctive relief, criminal and civil penalties, sanctions against our management and employees and regulatory restrictions on our operations, as well as significant reputational harm. See “Item 8A. Consolidated Statements and Other Financial Information—Legal Proceedings.”

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

Our risk management system may not be effective in mitigating risk and loss.

We seek to monitor and manage our risk exposure through a group-wide risk management platform, encompassing a multi-layered risk management governance structure, reporting and monitoring systems, early warning systems, credit risk management systems for our banking operations and other risk management infrastructure, using a variety of risk management strategies and techniques. See “Item 11. Quantitative and Qualitative Disclosures about Market Risk.” However, such risk management strategies and techniques employed by us and the judgments that accompany their application cannot anticipate the economic and financial outcome in all market environments, and many of our risk management strategies and techniques have a basis in historical market behavior that may limit the effectiveness of such strategies and techniques in times of significant market stress or other unforeseen circumstances. Furthermore, 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 positions due to the activity of such other market participants.

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

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

Given the extensive use of LIBOR across financial markets, the transition away from LIBOR presents various risks and challenges to financial markets and institutions, including us, and in particular, Kookmin Bank, our banking subsidiary. As a commercial bank, Kookmin Bank uses various financial products that reference LIBOR, including, among others, commercial loans, deposits, borrowings and debentures. Kookmin Bank also enters into derivatives contracts in order to address the needs of its corporate clients to hedge their risk exposure as well as the need to hedge its own risk exposure that results from such client contracts. In February 2020, Kookmin Bank assembled a task force team in order to assess, identify, monitor and manage risks that may arise from the potential discontinuation of LIBOR. As of the date of this annual report, Kookmin Bank is continuing to transition to alternative reference rates in order to gradually reduce its exposure to LIBOR. For example, Kookmin Bank has selected the appropriate alternative reference rate and credit spread adjustment for each of its currencies in order to minimize any negative impact the difference between LIBOR and alternative reference rates may have on Kookmin Bank’s profitability. As of the date of this annual report, Kookmin Bank has amended all of its existing agreements in relation to the four currencies (excluding U.S. dollar) for which LIBOR quotation has been discontinued to replace the existing reference rates with alternative reference rates. Among the existing agreements in U.S. dollar, Kookmin Bank has also amended agreements expiring after June 2023 to replace the existing reference rates with alternative reference rates. LIBOR has not been used in any of Kookmin Bank’s new agreements since January 2022.

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

We are generally subject to Korean corporate governance and disclosure standards, which may differ from those in other countries.

Companies in Korea, including us, are subject to corporate governance standards applicable to Korean public companies which may differ in some respects from standards applicable in other countries, including the United States. As a reporting company registered with the U.S. Securities and Exchange Commission and listed on the New York Stock Exchange, we are subject to certain corporate governance standards as mandated by the Sarbanes-Oxley Act of 2002. However, foreign private issuers, including us, are exempt from certain corporate governance requirements under the Sarbanes-Oxley Act or under the rules of the New York Stock Exchange. 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. Such differences in corporate governance standards and less public information could result in corporate governance practices or disclosures that are perceived as less than satisfactory by investors in certain countries.

A decline in the value of the collateral securing our loans and our inability to realize full collateral value may adversely affect our credit portfolio.

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

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

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

As of December 31, 2021, we held debt securities issued by Korean companies and financial institutions (other than those issued by the Bank of Korea, the Korea Development Bank, Korea Housing Finance Corporation, Industrial Bank of Korea and the Export-Import Bank of Korea, which are government-owned or -controlled enterprises or financial institutions) with a total carrying amount of ₩58,008 billion in our trading and investment securities portfolio. The market value of these securities could decline significantly due to various factors, including future increases in interest rates or a deterioration in the financial and economic condition of any particular issuer or of Korea in general. Any of these factors individually or a combination of these factors would require us to write down the fair value of these debt securities, resulting in impairment losses. Because the secondary market for corporate bonds in Korea is not fully developed, the market value of many of these securities as reflected on our statements of financial position is determined by references to suggested prices posted by Korean rating agencies or the Korea Financial Investment Association. These valuations, however, may differ significantly from the actual value that we could realize in the event we elect to sell these securities. As a result, we may not be able to realize the full book value at the time of any such sale of these securities and thus may incur losses.

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

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

If, at any time, the income from our guaranteed trust accounts is not sufficient to pay any guaranteed amount, we will have to cover the shortfall first from the special reserves maintained in these trust accounts, then from our fees from such trust accounts and finally from funds transferred from our general banking operations. As of December 31, 2021, we had ₩112 billion of special reserves in respect of trust accounts for which we provided guarantees of principal. There was no transfer from general banking operations to cover deficiencies in guaranteed trust accounts in 2019, 2020 and 2021. However, we may be required to make transfers from our general banking operations to cover shortfalls, if any, in our guaranteed trust accounts in the future. Such transfers may adversely impact our results of operations.

Our operations have been, and will continue to be, subject to increasing and continually evolving cyber security and other technological risks.

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

Risks relating to liquidity and capital management

Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations.

We meet a significant amount of our funding requirements through short-term funding sources, which consist primarily of customer deposits. As of December 31, 2021, approximately 97.1% of our deposits had maturities of one year or less or were payable on demand. In the past, a substantial proportion of our customer deposits have been rolled over upon maturity. We cannot guarantee, however, that depositors will continue to roll over their deposits in the future. In the event that a substantial number of our short-term deposit customers withdraw their funds or fail to roll over their deposits as higher-yielding investment opportunities emerge, our

liquidity position could be adversely affected. We may also be required to seek more expensive sources of short-term and long-term funding to finance our operations. See “Item 5.B. Liquidity and Capital Resources—Financial Condition—Liquidity.”

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

Under the capital adequacy requirements of the Financial Services Commission, as of December 31, 2021, both we and Kookmin Bank, our banking subsidiary, were required to maintain a total minimum common equity Tier I capital adequacy ratio of 8.0%, Tier I capital adequacy ratio of 9.5% and combined Tier I and Tier II capital adequacy ratio of 11.5%, on a consolidated basis (including applicable additional capital buffers and requirements as described below). As of December 31, 2021, our common equity Tier I capital, Tier I capital and combined Tier I and Tier II capital adequacy ratios were 13.46%, 14.54% and 15.77%, respectively, and Kookmin Bank’s common equity Tier I capital, Tier I capital and combined Tier I and Tier II capital adequacy ratios were 14.70%, 14.98% and 17.47%, respectively, all of which exceeded the minimum levels required by the Financial Services Commission. However, our capital base and capital adequacy ratios may deteriorate in the future if our results of operations or financial condition deteriorates for any reason, including as a result of a deterioration in the asset quality of our retail loans (including credit card balances) and loans to small- and medium-sized enterprises, or if we are not able to deploy our funding into suitably low-risk assets.

The current capital adequacy requirements of the Financial Services Commission are derived from a new set of bank capital measures, referred to as Basel III, which the Basel Committee on Banking Supervision initially introduced in 2009 and began phasing in starting from 2013. Commencing in July 2013, the Financial Services Commission promulgated a series of amended regulations implementing Basel III, pursuant to which Korean banks and bank holding companies were required to maintain a minimum ratio of common equity Tier I capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. The amended regulations also require an additional capital conservation buffer of 2.5% from January 2019, as well as a potential counter-cyclical capital buffer of up to 2.5%, which is determined on a quarterly basis by the Financial Services Commission. Furthermore, we and Kookmin Bank were each designated as a domestic systemically important bank holding company and a domestic systemically important bank, respectively, for 2021 by the Financial Services Commission and were subject to an additional capital requirement of 1.0% in 2021. In July 2021, we and Kookmin Bank were each again designated as a domestic systemically important bank holding company and a domestic systemically important bank, respectively, for 2022, which would again subject us to an additional capital requirement of 1.0% in 2022. All such requirements are in addition to the pre-existing requirement for minimum ratios of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets set forth above. The implementation of Basel III in Korea may have a significant effect on the capital requirements of Korean financial institutions, including us. See “Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Capital Adequacy” and “—Principal Regulations Applicable to Banks—Capital Adequacy.”

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

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

Interest rates in Korea have been subject to significant fluctuations in recent years. After the Bank of Korea reduced its policy rate to 1.50% in 2015 and again to 1.25% in June 2016 amid deflationary concerns and interest rate cuts by central banks around the world, it increased its policy rate to 1.50% in November 2017 and 1.75% in November 2018 in light of improved growth prospects in Korea and rising interest rate levels globally. However, the Bank of Korea again lowered its policy rate to 1.50% in July 2019 and to 1.25% in October 2019 in order to address the sluggishness of the global and domestic economy. Subsequently, the Bank of Korea further lowered its policy rate to 0.75% in March 2020 and to 0.50% in May 2020 in response to deteriorating economic conditions resulting from the COVID-19 pandemic, before increasing its policy rate back to 0.75% in August 2021, 1.00% in November 2021, 1.25% in January 2022 and 1.50% in April 2022, in response to rising levels of household debt and inflation. All else being equal, an increase in interest rates in the future could lead to a decline in the value of our portfolio of debt securities, which generally pay interest based on a fixed rate. A sustained increase in interest rates will also raise our funding costs, while reducing loan demand, especially among retail borrowers. Rising interest rates may therefore require us to re-balance our asset portfolio and our liabilities in order to minimize the risk of potential mismatches and maintain our profitability.

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

Furthermore, in periods of increasing interest rates, the yields on the general account assets of our insurance subsidiaries may not be sufficient to fund the higher floating interest credit rates necessary to keep their interest-sensitive insurance products competitive. They may therefore have to accept a lower spread and thus lower profitability or face a decline in sales and greater attrition among their existing policyholders. In addition, in periods of increasing interest rates, the value of the debt securities and other general account assets of our insurance subsidiaries may decline, resulting in lower unrealized gains within other comprehensive income in their total equity, which in turn would lower their available capital and their risk-based capital adequacy ratio. Moreover, surrenders and withdrawals of insurance policies may increase as policyholders seek to buy products with perceived higher returns. This process may lead to a cash outflow from our insurance subsidiaries. Such cash outflows may require them to sell their 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 investment losses.

Risks relating to government regulation and policy

Strengthening of consumer protection laws applicable to financial institutions could adversely affect our operations.

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

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

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

These and other measures that may be implemented by the Korean 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.

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

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

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

The Financial Services Commission may impose burdensome measures on us if it deems us or one of our subsidiaries to be financially unsound.

If the Financial Services Commission deems our financial condition or the financial condition of our subsidiaries to be unsound, or if we or our subsidiaries fail to meet applicable regulatory standards, such as minimum capital adequacy and liquidity ratios, the Financial Services Commission may order or recommend, among other things:

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

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

Risks relating to Korea

Escalations in tensions with North Korea could have an adverse effect on us and the market value of our ADSs.

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

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. Over the years, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. In response, the Korean 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 Korean 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 Korean government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

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

Unfavorable financial and economic developments in Korea may have an adverse effect on us.

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

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

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

- declines in consumer confidence and a slowdown in consumer spending in the Korean or global economy;
- the occurrence of severe health pandemics, such as the ongoing COVID-19 pandemic, or other severe health epidemics in Korea or other parts of the world, such as the Middle East Respiratory Syndrome outbreak in Korea in 2015;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy, in particular the ongoing trade disputes with Japan;
- adverse conditions or developments in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere, including as a result of deteriorating economic and trade relations

between the United States and China and increased uncertainties resulting from 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, Euro or Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates, inflation rates or stock markets;
- increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;
- a deterioration in the financial condition or performance of small- and medium-sized enterprises and other companies in Korea due to the Korean government's policies to increase minimum wages and limit working hours of employees;
- investigations of large Korean business groups and their senior management for possible misconduct;
- social and labor unrest;
- substantial decreases in the market prices of Korean real estate;
- a decrease in tax revenues or a substantial increase in the Korean government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs, particularly in light of the Korean government's ongoing efforts to provide emergency relief payments to households and emergency loans to corporations in need of funding due to the COVID-19 pandemic, which, together, may lead to an increased government budget deficit;
- financial problems or lack of progress in the restructuring of *chaebols*, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues at certain *chaebols*;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;
- geo-political uncertainty and the risk of further attacks by terrorist groups around the world;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities or political or social tensions involving oil-producing countries in the Middle East (including a potential escalation of hostilities between the United States and Iran) and Northern Africa and any material disruption in the supply of oil or sudden increase in the price of oil;
- increased reliance on exports to service foreign currency borrowings, which could cause friction with Korea's trading partners;
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States; and
- changes in financial regulations in Korea.

Labor unrest in Korea may adversely affect our operations.

Economic difficulties in Korea or increases in corporate reorganizations and bankruptcies could result in layoffs and higher unemployment. Such developments could lead to social unrest and substantially increase

government expenditures for unemployment compensation and other costs for social programs. According to statistics from the Korea National Statistical Office, the unemployment rate increased from 3.8% 2019 to 4.0% in 2020 but decreased to 3.7% in 2021. Increases in unemployment and any resulting labor unrest in the future could adversely affect our operations, as well as the operations of many of our customers and their ability to repay their loans, and could adversely affect the financial condition of Korean companies in general, depressing the price of their securities. These developments would likely have an adverse effect on our financial condition and results of operations.

Risks relating to our common stock and ADSs

We or our major stockholders may sell shares of our common stock or ADSs in the future, and these and other sales may adversely affect the market price of our common stock and ADSs and may dilute your investment and relative ownership in us.

We have no current plans for any public offerings of our common stock, ADSs or securities exchangeable for or convertible into such securities. However, it is possible that we may decide to offer or sell such securities in the future. In addition, our major stockholder, the Korean National Pension Service, held approximately 9.05% of our total issued common stock as of December 31, 2021, which it may sell at any time.

Any future offerings or sales by us of our common stock or ADSs or securities exchangeable for or convertible into such securities, significant sales of our common stock by a major stockholder, or the public perception that an offering or sales may occur, could have an adverse effect on the market price of our common stock and ADSs. Furthermore, any offerings by us in the future of any such securities could have a dilutive impact on your investment and relative ownership interest in us.

Ownership of our common stock is restricted under Korean law.

Under the Financial Holding Company Act, a single stockholder, together with its affiliates, is generally prohibited from owning more than 10.0% of the issued and outstanding shares of voting stock of a bank holding company such as us that controls a nationwide bank, with the exception of certain stockholders that are non-financial business group companies, whose applicable limit has been reduced from 9.0% to 4.0% pursuant to an amendment of the Financial Holding Company Act which became effective from February 14, 2014. To the extent that the total number of shares of our common stock (including those represented by ADSs) that a holder and its affiliates own exceeds the applicable limits, that holder will not be entitled to exercise the voting rights for the excess shares, and the Financial Services Commission may order that holder to dispose of the excess shares within a period of up to six months. Failure to comply with such an order would result in an administrative fine of up to 0.03% of the book value of such shares per day until the date of disposal. Non-financial business group companies can no longer acquire more than 4.0% of the issued and outstanding shares of voting stock of a bank holding company pursuant to the amended Financial Holding Company Act, which grants an exception for non-financial business group companies which, at the time of the enactment of the amended provisions, held more than 4.0% of the shares thereof with the approval of the Financial Services Commission before the amendment. See “Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Restrictions on Ownership of a Financial Holding Company.”

A holder of our ADSs may not be able to exercise dissent and appraisal rights unless it has withdrawn the underlying shares of our common stock and become our direct stockholder.

In some limited circumstances, including the transfer of the whole or any significant part of our business and the merger or consolidation of us with another company, dissenting stockholders have the right to require us to purchase their shares under Korean law. However, holders of our ADSs will not be able to exercise such dissent and appraisal rights if the depositary refuses to do so on their behalf. Our deposit agreement does not require the depositary to take any action in respect of exercising dissent and appraisal rights. In such a situation, holders of our ADSs must withdraw the underlying common stock from the ADS facility (and incur charges

relating to that withdrawal) and become our direct stockholder prior to the record date of the stockholders' meeting at which the relevant transaction is to be approved, in order to exercise dissent and appraisal rights.

A holder of our ADSs may be limited in its ability to deposit or withdraw common stock.

Under the terms of our deposit agreement, holders of common stock may deposit such stock with the depositary's custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the depositary and receive common stock. However, to the extent that a deposit of common stock exceeds the difference between:

- (1) the aggregate number of common shares we have deposited or we have consented to allow to be deposited for the issuance of ADSs (including deposits in connection with offerings of ADSs and stock dividends or other distributions relating to ADSs); and
- (2) the number of shares of common stock on deposit with the custodian for the benefit of the depositary at the time of such proposed deposit,

such common stock will not be accepted for deposit unless:

- (A) our consent with respect to such deposit has been obtained; or
- (B) such consent is no longer required under Korean laws and regulations.

Under the terms of the deposit agreement, no consent is required if the shares of common stock are obtained through a dividend, free distribution, rights offering or reclassification of such stock. We have consented, under the terms of the deposit agreement, to any deposit to the extent that, after the deposit, the number of deposited shares does not exceed such number of shares as we determine from time to time (which number shall at no time be less than 100,000,000 shares), unless the deposit would be prohibited by applicable laws or ownership restrictions or violate our articles of incorporation. We might not consent to the deposit of any additional common stock. As a result, if a holder surrenders ADSs and withdraws common stock, it may not be able to deposit the stock again to obtain ADSs.

A holder of our ADSs will not have preemptive rights in some circumstances.

The Korean Commercial Code and our articles of incorporation require us, with some exceptions, to offer stockholders the right to subscribe for new shares of our common stock in proportion to their existing shareholding ratio whenever new shares are issued. If we offer any rights to subscribe for additional shares of our common stock or any rights of any other nature, to the extent practicable, the depositary may make the rights available to holders of our ADSs or dispose of the rights on behalf of such holders and make the net proceeds available to such holders. The depositary, however, is not required to make available to holders any rights to purchase any additional shares of our common stock unless it timely receives evidence satisfactory to it from us that it may lawfully do so and:

- a registration statement filed by us under the U.S. Securities Act of 1933, as amended, is in effect with respect to those shares; or
- the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act.

Similarly, holders of our common stock located in the United States may not exercise any such rights they receive absent registration or an exemption from the registration requirements under the Securities Act.

We are under no obligation to file any registration statement with the U.S. Securities and Exchange Commission or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, a holder of our ADSs may be unable to participate in our rights offerings and may experience dilution in its holdings. If a registration statement is required for a holder of our ADSs to exercise preemptive rights but is not filed by us or is not

declared effective, the holder will not be able to exercise its preemptive rights for additional ADSs and it will suffer dilution of its equity interest in us. If the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or practicable, it will allow the rights to lapse, in which case the holder will receive no value for these rights.

Dividend payments and the amount a holder of our ADSs may realize upon a sale of its ADSs will be affected by fluctuations in the exchange rate between the U.S. dollar and the Won.

Our common stock is listed on the KRX KOSPI Market of the Korea Exchange and quoted and traded in Won. Cash dividends, if any, in respect of the shares represented by the ADSs will be paid to the depositary in Won and then converted by the depositary into U.S. dollars, subject to certain conditions. Accordingly, fluctuations in the exchange rate between the Won and the U.S. dollar will affect, among other things, the amounts a holder of our ADSs will receive from the depositary in respect of dividends, the U.S. dollar value of the proceeds that it would receive upon sale in Korea of the shares of our common stock obtained upon surrender of ADSs and the secondary market price of ADSs. Such fluctuations will also affect the U.S. dollar value of dividends and sales proceeds received by holders of our common stock.

The market value of an investment in our ADSs may fluctuate due to the volatility of the Korean securities market.

Our common stock is listed on the KRX KOSPI Market, which has a smaller market capitalization and is more volatile than the securities markets in the United States and many European countries. The market value of ADSs may fluctuate in response to the fluctuation of the trading price of shares of our common stock on the KRX KOSPI Market. The KRX KOSPI Market has experienced substantial fluctuations in the prices and volumes of sales of listed securities and the KRX KOSPI Market has prescribed a fixed range in which share prices are permitted to move on a daily basis. The KOSPI was 2,657.1 on April 25, 2022. There is no guarantee that the stock prices of Korean companies will not decline again in the future. Like other securities markets, including those in developed markets, the Korean securities market has experienced problems including market manipulation, insider trading and settlement failures. The recurrence of these or similar problems could have a material adverse effect on the market price and liquidity of the securities of Korean companies, including our common stock and ADSs, in both the domestic and the international markets.

The Korean government has the potential ability to exert substantial influence over many aspects of the private sector business community, and in the past has exerted that influence from time to time. For example, the Korean government has promoted mergers to reduce what it considers excess capacity in a particular industry and has also encouraged private companies to publicly offer their securities. Similar actions in the future could have the effect of depressing or boosting the Korean securities market, whether or not intended to do so. Accordingly, actions by the government, or the perception that such actions are taking place, may take place or has ceased, may cause sudden movements in the market prices of the securities of Korean companies in the future, which may affect the market price and liquidity of our common stock and ADSs.

If the Korean government deems that emergency circumstances are likely to occur, it may restrict holders of our ADSs and the depositary from converting and remitting dividends and other amounts in U.S. dollars.

If the Korean government deems that certain emergency circumstances, including, but not limited to, severe and sudden changes in domestic or overseas economic circumstances, extreme difficulty in stabilizing the balance of payments or implementing currency exchange rate and other macroeconomic policies, have occurred or are likely to occur, it may impose certain restrictions provided for under the Foreign Exchange Transaction Act, including the suspension of payments or requiring prior approval from governmental authorities for any transaction. See “Item 10.D. Exchange Controls—General.”

A holder of our ADSs may not be able to enforce a judgment of a foreign court against us.

We are a corporation with limited liability organized under the laws of Korea. Substantially all of our directors and officers and other persons named in this document reside in Korea, and all or a significant portion of the assets of our directors and officers and other persons named in this document and substantially all of our assets are located in Korea. As a result, it may not be possible for holders of our ADSs to effect service of process within the United States, or to enforce against them or us in the United States judgments obtained in United States courts based on the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the United States federal securities laws.

Item 4. INFORMATION ON THE COMPANY

For certain of the information required by subpart 1400 of Regulation S-K not included in this Item 4, see “Item 8.A. Consolidated Statements and Other Financial Information.”

Item 4.A. History and Development of the Company

Overview

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

Our legal and commercial name is KB Financial Group Inc. Our registered office and principal executive offices are located at 26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul 07331, Korea. Our telephone number is +82-2-2073-7114. Our agent in the United States, Kookmin Bank, New York Branch, is located at 565 Fifth Avenue, 24th Floor, New York, NY 10017. Its telephone number is (212) 697-6100. The address of our English website is <https://www.kbfg.com/Eng/index.jsp>.

The U.S. Securities and Exchange Commission maintains a website (<http://www.sec.gov>), which contains reports, proxy and information statements and other information regarding issuers that file electronically with the U.S. Securities and Exchange Commission.

History of the Former Kookmin Bank

The former Kookmin Bank was established by the Korean government in 1963 under its original name of Citizens National Bank under the Citizens National Bank Act of Korea with majority government ownership. Under this Act, we were limited to providing banking services to the general public and to small- and medium-sized enterprises. In September 1994, we completed our initial public offering in Korea and listed our shares on the KRX KOSPI Market.

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

History of H&CB

H&CB was established by the Korean government in 1967 under the name Korea Housing Finance Corporation. In 1969, Korea Housing Finance Corporation became the Korea Housing Bank pursuant to the

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

Merger of the Former Kookmin Bank and H&CB

Effective November 1, 2001, the former Kookmin Bank and H&CB merged into a new entity named Kookmin Bank. This merger resulted in Kookmin Bank becoming the largest commercial bank in Korea. Kookmin Bank's ADSs were listed on the New York Stock Exchange on November 1, 2001 and its common shares were listed on the KRX KOSPI Market on November 9, 2001.

Establishment of KB Financial Group

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

The purpose of the stock transfer and our establishment as a financial holding company was to reorganize the different businesses of Kookmin Bank and its subsidiaries under a holding company structure, the adoption of which we believed would:

- assist us in creating an integrated system that facilitates the sharing of customer information and the development of integrated products and services by the different businesses within our subsidiaries;
- assist us in expanding our business scope to include new types of business with higher profit margins;
- enhance our ability to pursue strategic investments or reorganizations by way of mergers, acquisitions, spin-offs or other means;
- maximize our management efficiency; and
- further enhance our capacity to expand our overseas operations.

Following the stock transfer, our common stock was listed on the KRX KOSPI Market on October 10, 2008 and our ADSs were listed on the New York Stock Exchange on September 29, 2008.

Item 4.B. Business Overview

Business

We are one of the largest financial holding companies in Korea, in terms of consolidated total assets, and our operations include Kookmin Bank, one of the leading commercial banks in Korea. Our subsidiaries collectively engage in a broad range of businesses, including commercial banking, credit cards, asset management, non-life and life insurance, capital markets activities and international banking and finance. As of December 31, 2021, we had consolidated total assets of ₩664 trillion, consolidated total deposits of ₩372 trillion and consolidated total equity of ₩48 trillion.

As part of our commercial banking activities, we provide credit and related financial services to individuals and small- and medium-sized enterprises and, to a lesser extent, to large corporate customers. We also provide a full range of deposit products and related services to both individuals and enterprises of all sizes. We provide these services predominantly through Kookmin Bank.

By their nature, our core consumer and small- and medium-sized enterprise operations place a high premium on customer access and convenience. Our combined banking network of 914 branches as of December 31, 2021, one of the most extensive in Korea, provides a solid foundation for our business and is a major source of our competitive strength. This network provides us with a large, stable and cost effective funding source, enables us to provide our customers convenient access and gives us the ability to provide the customer attention and service essential to conducting our business, particularly in an increasingly competitive environment. Our branch network is further enhanced by automated banking machines and fixed-line, smartphone and Internet banking. As of December 31, 2021, we had a customer base of approximately 36.3 million retail customers, which represented over one-half of the Korean population.

The following table sets forth the principal components of our lending business as of the dates indicated. As of December 31, 2021, retail loans and credit card loans and receivables accounted for 50.4% of our total loan portfolio:

	As of December 31,			
	2020		2021	
	(in billions of Won, except percentages)			
Retail				
Mortgage and home equity ⁽¹⁾	₩114,144	30.0%	₩120,418	28.6%
Other consumer ⁽²⁾	68,293	18.0	71,223	16.9
Total retail	182,437	48.0	191,641	45.5
Credit card	18,737	4.9	20,768	4.9
Corporate	160,114	42.1	183,522	43.5
Foreign	19,162	5.0	25,654	6.1
Total loans	₩380,450	100.0%	₩421,585	100.0%

⁽¹⁾ Includes ₩5,225 billion and ₩7,644 billion of overdraft loans secured by real estate in connection with home equity loans as of December 31, 2020 and 2021, respectively.

⁽²⁾ Includes ₩9,877 billion and ₩10,956 billion of overdraft loans as of December 31, 2020 and 2021, respectively.

We provide a full range of personal lending products and retail banking services to individual customers, including mortgage loans. We are the largest private sector mortgage lender in Korea.

Lending to small- and medium-sized enterprises is the single largest component of our non-retail credit portfolio and represents a widely diversified exposure to a broad spectrum of the Korean corporate community, both by type of lending and type of customer, with one of the categories being collateralized loans to SOHO

customers that are among the smallest of the small- and medium-sized enterprises. The volume of our loans to small- and medium-sized enterprises requires a customer-oriented approach that is facilitated by our large and geographically diverse branch network.

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

Strategy

Our strategic focus is to become a world-class financial group that ranks among the leaders of the financial industry in Asia and globally. We plan to continue to solidify our market position as Korea's leading financial group, enhance our ability to provide comprehensive financial services to our retail and corporate customers and strengthen our overseas operating platform and network. In addition, we continually strive to achieve our goal of creating "a happier life and a better world" through a customer-centric management philosophy. We believe our strong market position in the commercial banking area in Korea is an important competitive advantage, which will enable us to compete more effectively based on convenient delivery, product breadth and differentiation, and service quality while focusing on our profitability.

The key elements of our strategy are as follows:

Providing comprehensive financial services and maximizing synergies among our subsidiaries through our financial holding company structure

We believe the Korean financial services market has been undergoing and will continue to undergo significant change, resulting from, among other things, fluctuations in the Korean and global economy and the evolving social landscape in Korea, including the acceleration of population aging in Korea, the prevalence of smartphone usage, developments in digital and mobile technologies and the ensuing trend toward high-tech "smart banking" in the banking sector. In the context of such changes, we plan to become a comprehensive financial services provider capable of offering a full range of products and services to our large existing base of retail and corporate customers, as well as a global firm that can effectively compete with leading international financial institutions. To that end, we are continuing to implement specific initiatives including the enhancement of our group-wide integrated customer relationship management system to facilitate the sharing of customer information in accordance with applicable laws and the integration of various customer loyalty programs among our subsidiaries.

We believe our financial holding company structure gives us a competitive advantage over commercial banks and unaffiliated financial services providers by:

- allowing us to offer a more extensive range of financial products and services;
- enabling us to share customer information, which is not permitted outside a financial holding company structure, thereby enhancing our risk management capabilities;
- enhancing our ability to reduce costs in areas such as back-office processing and procurement; and
- enabling us to raise and manage capital on a centralized basis.

Identifying, targeting and marketing to attractive customer segments and providing superior customer value and service to such segments

In recent years, rather than focusing on developing products and services to satisfy the overall needs of the general population, we have increasingly targeted specific market segments in Korea that we expect to generate superior growth and profitability. We will continue to implement a targeted marketing approach that seeks to identify the most attractive customer segments and to develop strategies to build market share in those segments.

In particular, we intend to increase our “wallet share” of superior existing customers by using our advanced customer relationship management technology to better identify and meet the needs of our most creditworthy and high net worth customers, on whom we intend to concentrate our marketing efforts. For example, as part of this strategy, we operate a “priority customer” program called KB Star Club through six of our subsidiaries, Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, Prudential Life Insurance and KB Life Insurance. We select and classify KB Star Club customers based on their transaction history with the six entities and provide such customers with preferential treatment in various areas, including interest rates and transaction fees, depending upon how they are classified. We also provide private banking services, including wealth management services through our exclusive brand “Gold & Wise,” to increase our share of the priority customer market and in turn increase our profitability and strengthen our position in retail banking.

We are also focusing on attracting and retaining creditworthy customers by offering more differentiated fee-based products and services that are tailored to meet their specific needs. The development and marketing of our products and services are, in part, driven by customer segmentation to ensure that we meet the needs of each customer segment. For instance, we continue to develop hybrid financial products with enhanced features, including various deposit products and investment products, for which consumer demand has increased in recent years. We are also focusing on addressing the needs of our customers by providing the highest-quality products and services and developing an open-architecture strategy, which allows us to sell such products through one of the largest branch networks in Korea. In short, we aim to offer our customers a convenient one-stop financial services destination where they can meet their traditional retail and corporate banking requirements, as well as find a broad array of fee-based products and services tailored to address more specific financial needs, including in investment banking, securities brokerage, insurance and wealth management. We believe such differentiated, comprehensive services and cross-selling will not only enhance customer loyalty but also increase profitability.

One of our key customer-related strategies continues to be creating greater value and better service for our customers. We intend to continue improving our customer service, including through:

- *Improved customer relationship management technology.* Management has devoted substantial resources toward development of our customer relationship management system, which is designed to provide our employees with the information needed to continually improve the level of service and incentives offered to our preferred customers. Our integrated customer relationship system allows for better customer management and streamlines our customer reward system. We have also developed state-of-the-art call centers, smartphone applications and online Internet capabilities to provide shorter response times to customers seeking information or to execute transactions. Our goals are to continually focus on improving customer service to satisfy our customers’ needs through continuing efforts to deliver new and improved services and to upgrade our customer relationship management system to provide the best possible service to our customers in the future.
- *Enhanced distribution channels.* We also believe we can improve customer retention and usage rates by increasing the range of products and services we offer and by developing a differentiated, multi-channel distribution network, including branches, ATMs, call centers, smartphone banking and Internet banking. We believe that our leading market position in the commercial banking area in Korea gives us a competitive advantage in developing and enhancing our distribution capabilities.

Focusing on expanding and improving credit quality in our corporate lending business and increasing market share in the corporate financial services market

We plan to focus on corporate lending as one of our core businesses through attracting top-tier corporate customers and providing customized and distinctive products and services to build our position as a leading service provider in the Korean corporate financial market. To increase our market share in providing financial services to the corporate market, we intend to:

- promote a more balanced and strengthened portfolio with respect to our corporate business by developing our large corporate customer base and utilizing our improved credit management operations to better evaluate new large corporate and small- and medium-sized enterprise customers;

- develop and sell more varied corporate financial products, consisting of transactional banking products which provide higher margin and less risk;
- generate more fee income from large corporate customers through business-to-business transactions, foreign exchange transactions and derivative and other investment products, as well as investment banking services;
- strengthen our marketing system based on our accumulated expertise in order to attract top-tier corporate customers;
- focus on enhancing our channel network in order to provide the best service by strengthening our corporate customer management; and
- further develop and train our core professionals with respect to this market, including through programs such as the “Career Development Path.”

Strengthening internal risk management capabilities

We believe that ensuring strong asset quality through effective credit risk management is critical to maintaining stable growth and profitability and risk management will continue to be one of our key focus areas. One of our highest priorities is to improve our asset quality and more effectively price our lending products to take into account inherent credit risk in our portfolio. Our goal is to maintain the soundness of our credit portfolio, profitability and capital base. To this end, we intend to continue to strengthen our internal risk management capabilities by tightening our underwriting and management policies and improving our internal compliance policies. To accomplish this objective, we have undertaken the following initiatives:

- *Strengthening underwriting procedures with advanced credit scoring techniques.* We have centralized our credit management operations into our Credit Management and Analysis Group. Through such centralization, we aim to enhance our credit management expertise and improve our system of checks-and-balances with respect to our credit portfolio. We have also improved our ability to evaluate the credit of our small- and medium-sized enterprise customers through assigning experienced credit officers to our regional credit offices. We also require the same officer to evaluate, review and monitor the outstanding loans and other credits with respect to a customer, which we believe enhances the expertise and improves the efficiency and accountability of such officer, while enabling us to maintain a consistent credit policy. We have also, as a general matter, implemented enhanced credit analysis and scoring techniques, which we believe will enable us to make better-informed decisions about the credit we extend and improve our ability to respond more quickly to incipient credit problems. We are also focusing on enhancing our asset quality through improvement of our early monitoring systems and collection procedures.
- *Improving our internal compliance policy and ensuring strict application in our daily operations.* We have improved our monitoring capabilities with respect to our internal compliance by providing training and educational programs to our management and employees. We have also implemented strict compliance policies to maintain the integrity of our risk management system.

Cultivating a performance-based, customer-oriented culture that emphasizes market best practices

We believe a strong and dedicated workforce is critical to our ability to offer our customers the highest quality financial services and is integral to our goal of maintaining our position as one of Korea’s leading financial services providers. In the past, we have dedicated significant resources to develop and train our core professionals, and we intend to continue to enhance the productivity of our employees, including by regularly sponsoring in-house training and educational programs. We have also been seeking to cultivate a performance-based culture to create a work environment where members of our staff are incentivized to maximize their potential and in which our employees are directly rewarded for superior performance. We intend to maintain a professional workforce whose high quality of customer service reflects our goal to achieve and maintain global best practice standards in all areas of operations.

Retail Banking

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

Lending Activities

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

	As of December 31,			
	2020		2021	
	(in billions of Won, except percentages)			
Retail:				
Mortgage and home equity loans	₩114,144	62.6%	₩120,418	62.8%
Other consumer loans ⁽¹⁾	68,293	37.4	71,223	37.2
Total	₩182,437	100.0%	₩191,641	100.0%

⁽¹⁾ Excludes credit card loans, but includes overdraft loans.

Our retail loans consist of:

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

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

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

Mortgage and Home Equity Lending

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

Private sector mortgage and home equity lending in Korea has expanded substantially in recent years. We provide customers with a number of mortgage and home equity loan products that have flexible features, including terms, repayment schedules, amounts and eligibility for loans, and we offer interest rates on a commercial basis. The maximum term of mortgage loans is 35 years and the majority of our mortgage loans have long-term maturities, which may be renewed. Non-amortizing home equity loans have a maturity of one to five years and home equity loans subject to amortization of principal may have a maximum term of up to 35 years. As of December 31, 2021, we had ₩26,198 billion of amortizing home equity loans, representing 95.2% of our total home equity loans, and ₩1,327 billion of non-amortizing home equity loans, representing 4.8% of our total home equity loans. Any customer is eligible for a mortgage or an individual home equity loan regardless of whether it participates in one of our housing related savings programs and so long as that customer is not barred by regulation from obtaining a loan because of bad credit history. However, customers with whom we frequently transact business and provide us with significant revenue receive preferential interest rates on loans.

As of December 31, 2021, 51.6% of our mortgage loans were secured by residential property which is the subject of the loan, 25.0% of our mortgage loans were guaranteed by the Housing Finance Credit Guarantee Fund, a government housing-related entity, and the remaining 23.4% of our mortgage loans, contrary to general practices in the United States, were unsecured (although the use of proceeds from these loans is restricted to financing of home purchases and some of these loans are guaranteed by a third party). One reason that a relatively high percentage of our mortgage loans are unsecured is that we, along with other Korean banks, provide advance loans to borrowers for the down payment of new housing (particularly apartments) that is in the process of being built. Once construction is completed, which may take several years, these mortgage loans become secured by the new housing purchased by these borrowers. For the year ended December 31, 2021, the average initial loan-to-value ratio of our mortgage loans, which is a measure of the amount of loan exposure to the appraised value of the security collateralizing the loan, was approximately 38.0%. There are three reasons that our loan-to-value ratio is relatively lower (as is the case with other Korean banks) compared to similar ratios in other countries, such as the United States. The first reason is that housing prices are high in Korea relative to average income, so most people cannot afford to borrow an amount equal to the entire value of their collateral and make interest payments on such an amount. The second reason relates to the “*jeonsae*” system, through which people provide a key money deposit while residing in the property prior to its purchase. At the time of purchase, most people use the key money deposit as part of their payment and borrow the remaining amount from Korean banks, which results in a loan that will be for an amount smaller than the appraised value of the property for collateral and assessment purposes. The third reason is that Korean banks discount the appraised value of the borrower’s property for collateral and assessment purposes so that a portion of the appraised value is reserved in order to provide recourse to a renter who lives at the borrower’s property. This is in the event that the borrower’s property is seized by a creditor, and the renter is no longer able to reside at that property. See “Item 3.D. Risk Factors—Other risks relating to our business—A decline in the value of the collateral securing our loans and our inability to realize full collateral value may adversely affect our credit portfolio.”

The following table sets forth our unsecured and secured mortgage loans and home equity loans as of December 31, 2020 and 2021, based on their loan classification categories under IFRS and our internal credit ratings for loans (which are described in Note 4.2.4 of the notes to our consolidated financial statements):

	As of December 31, 2020							
	Stage 1					Stage 2	Stage 3	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5			
	(in billions of Won)							
Mortgage:								
Secured ⁽¹⁾	₩ 77,133	₩1,223	₩ 81	₩ 4	₩ 3	₩5,294	₩151	₩ 83,889
Unsecured	2,800	13	—	—	—	34	3	2,850
Home Equity:								
Secured	24,587	717	160	11	4	1,829	91	27,399
Unsecured	4	2	—	—	—	—	—	6
Total	<u>₩104,524</u>	<u>₩1,955</u>	<u>₩241</u>	<u>₩15</u>	<u>₩ 7</u>	<u>₩7,157</u>	<u>₩245</u>	<u>₩114,144</u>
	As of December 31, 2021							
	Stage 1					Stage 2	Stage 3	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5			
	(in billions of Won)							
Mortgage:								
Secured ⁽¹⁾	₩ 83,737	₩1,299	₩110	₩ 4	₩ 3	₩6,225	₩134	₩ 91,512
Unsecured	1,341	6	—	—	—	31	3	1,381
Home Equity:								
Secured	24,868	732	166	11	1	1,671	71	27,520
Unsecured	4	—	1	—	—	—	—	5
Total	<u>₩109,950</u>	<u>₩2,037</u>	<u>₩277</u>	<u>₩15</u>	<u>₩ 4</u>	<u>₩7,927</u>	<u>₩208</u>	<u>₩120,418</u>

⁽¹⁾ Includes advance loans guaranteed by the Housing Finance Credit Guarantee Fund to borrowers for the down payment of new housing that is in the process of being built.

Our home equity loan portfolio includes loans that are in a second lien position. In addition to the underwriting procedures we perform when we issue home equity loans in general, we perform additional underwriting procedures with respect to home equity loans secured by a second lien to assess and confirm the value and status of any loans secured by security interests on the collateral which would be prior to our security interest under the second lien home equity loan. Under regulations implemented by the Financial Supervisory Service, our home equity loans are subject to maximum loan-to-value ratios (i.e., the ratio of the aggregate principal amount of loans, including first and second lien loans, secured by a particular item of collateral to the appraised value of such collateral) of between 10% and 70%. As such, for home equity loans, we do not lend more than an amount equal to the adjusted collateral value (i.e., the collateral value as discounted by the required loan-to-value ratio) minus the value of any loans secured by security interests on the collateral that are prior to our security interest. Accordingly, in order to ascertain the value of loans secured by security interests on the collateral which would be prior to our security interest and to confirm the status of such loans, we perform additional underwriting procedures including a review of the relevant title and security interest registration documents and bank documents and certificates regarding such loans. In addition, for purposes of calculating debt-to-income ratios applicable to loans secured by certain types of housing under regulations implemented by the Financial Supervisory Service (see “—Supervision and Regulation—Principal Regulations Applicable to Banks—Regulations Relating to Retail Household Loans”), which we apply on a nationwide basis for our home equity loans, we perform additional adjustments in our debt-to-income ratio calculations with respect to second lien home equity loans to account for the value of loans secured by security interests on the collateral that are prior to our security interest.

Following the issuance of a home equity loan, we make use of the Korea Credit Information Services’ database of delinquent borrowers to generally monitor the compliance of our borrowers with their other loan obligations, including the compliance of our second lien borrowers with their first lien loans. If a borrower in

Korea is past due on payments of interest or principal for more than three months on any of its outstanding loans to Korean financial institutions (including mortgage, home equity, other consumer and credit card loans), such borrower is registered on the Korea Credit Information Services' database of delinquent borrowers, which we monitor on a daily basis. The information disclosed by such database, which includes the outstanding loan amount which is past due, the identity of the delinquent borrower and the name of the applicable lending institution for such loan, provides an early warning about such borrower to our loan officers at the branch level, who then closely monitor our outstanding loans to such delinquent borrower and take appropriate preventive and remedial measures (including requiring such borrower to provide additional collateral) as necessary. Upon the occurrence of a default in the first lien position, we treat the second lien home equity loan as part of our potential problem loans or non-performing loans. More specifically, upon learning of the occurrence of a default in the first lien position, we examine our second lien home equity loan to determine whether the loan should be re-classified as "precautionary," "substandard" or "doubtful" according to the asset classification guidelines of the Financial Services Commission. Assuming that such second lien home equity loan is not delinquent, if the outstanding principal amount of the relevant first lien loan is less than ₩15 million, we classify the entire amount of the second lien home equity loan as "precautionary" and closely monitor it as a loan that may potentially become problematic. If the outstanding principal amount of the relevant first lien loan is ₩15 million or more or the borrower is undergoing, or preparing to undergo, foreclosure proceedings with respect to the underlying collateral, we classify the estimated recoverable amount of the second lien home equity loan as "substandard" and the rest of such loan amount as "doubtful."

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

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

As of December 31, 2021, the Market Opportunity Rate was 1.27% for a three-month period, 1.58% for a six-month period and 1.72% for a twelve-month period.

Other Consumer Loans

Other consumer loans are primarily unsecured. However, such loans may be secured by real estate, deposits or securities. As of December 31, 2021, approximately ₩43,578 billion, or 61.2% of our consumer loans (other than mortgage and home equity loans) were unsecured loans (although some of these loans were guaranteed by a third party). Overdraft loans are also classified as other consumer loans, are primarily unsecured and generally have an initial maturity of one year, which is typically extended automatically on an annual basis and may be extended up to a maximum of five years. The amount of overdraft loans as of December 31, 2021 was approximately ₩10,956 billion.

Pricing. The interest rates on our other consumer loans (including overdraft loans) are determined on the same basis as on our mortgage and home equity loans, except that, for unsecured loans, the borrower's credit score as determined during our loan approval process is also taken into account. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Credit Risk Management."

Deposit-taking Activities

Due to our extensive nationwide network of branches, together with our long history of development and our resulting know-how and expertise, as of December 31, 2021, we had the largest number of retail customers and retail deposits among Korean commercial banks. The balance of our deposits from retail customers was ₩209,181 billion and ₩221,429 billion as of December 31, 2020 and 2021, respectively, which constituted 61.8% and 59.5%, respectively, of the balance of our total deposits.

We offer many deposit products that target different segments of our retail customer base, with features tailored to each segment's financial profile, characteristics and needs, including:

- *Demand deposits*, which either do not accrue interest or accrue interest at a lower rate than time deposits. Demand deposits allow the customer to deposit and withdraw funds at any time and, if they are interest bearing, accrue interest at a variable rate depending on the amount of deposit. Retail and corporate demand deposits constituted 48.0% of our total deposits as of December 31, 2021 and paid average interest of 0.15% for 2021.
- *Time deposits*, which generally require the customer to maintain a deposit for a fixed term, during which the deposit accrues interest at a fixed rate or a variable rate based on the KOSPI, or to deposit specified amounts on an installment basis. If the amount of the deposit is withdrawn prior to the end of the fixed term, the customer will be paid a lower interest rate than that originally offered. The term for time deposits typically ranges from one month to three years, and the term for installment savings deposits ranges from six months to five years. Retail and corporate time deposits constituted 41.2% of our total deposits as of December 31, 2021 and paid average interest of 1.20% for 2021. Most installment savings deposits offer fixed interest rates.
- *Certificates of deposit*, the maturities of which typically range from 30 days to 730 days with a required minimum deposit of ₩10 million. Interest rates on certificates of deposit are determined based on the length of the deposit and prevailing market rates. Our certificates of deposit are sold at a discount to their face value, reflecting the interest payable on the certificates of deposit.
- *Foreign currency deposits*, which are available to Korean and foreign residents, non-residents and overseas immigrants. We offer foreign currency demand deposits and time deposits as well as checking accounts in 11 currencies. *Foreign currency demand deposits*, which accrue interest at a variable rate, allow customers to deposit and withdraw funds at any time. *Foreign currency time deposits* generally require customers to maintain the deposit for a fixed term, during which the deposit accrues interest at a fixed rate. If the funds in a foreign currency time deposit are withdrawn prior to the end of the fixed term, the customer will be paid a lower interest rate than that originally offered.

We offer varying interest rates on our deposit products depending upon average funding costs, the rate of return on our interest-earning assets and the interest rates offered by other commercial banks.

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

In 2002, after significant research and planning, we launched private banking operations at Kookmin Bank's headquarters. Shortly thereafter, we launched a comprehensive strategy with respect to customers with higher net worth, which included staffing appropriate representatives, marketing aggressively, establishing IT systems,

selecting appropriate branch locations and readying such branches with the necessary facilities to service such customers. As of December 31, 2021, we operated 21 main private banking centers through Kookmin Bank.

The Monetary Policy Board of the Bank of Korea, or the Monetary Policy Board, imposes a reserve requirement on Won currency deposits of commercial banks based generally on the type of deposit instrument. The reserve requirement is currently up to 7%. See “—Supervision and Regulation—Principal Regulations Applicable to Banks—Liquidity.”

The Depositor Protection Act provides for a deposit insurance system where the Korea Deposit Insurance Corporation guarantees to depositors the repayment of their eligible bank deposits. The deposit insurance system insures up to a total of ₩50 million per depositor per bank. See “—Supervision and Regulation—Principal Regulations Applicable to Banks—Deposit Insurance System.”

Credit Cards

Credit cards are another of our core retail products. We issue most of our credit cards under the “KB Kookmin Card” brand. Our credit card business is operated by our subsidiary, KB Kookmin Card Co., Ltd.

The following table sets forth certain data relating to our credit card operations, on a non-consolidated basis, as of the dates and for the periods indicated:

	As of and for the Year Ended December 31,		
	2019	2020	2021
	(in billions of Won, except number of holders, accounts and percentages)		
Number of credit cardholders (at year end) (thousands)			
General accounts	10,265	10,586	10,879
Corporate accounts	615	550	554
Total	<u>10,880</u>	<u>11,136</u>	<u>11,433</u>
Number of merchants (at year end) (thousands)	2,659	2,743	2,856
Active ratio (at year end) ⁽¹⁾	91.0%	90.4%	90.8%
Credit card fees			
Merchant fees ⁽²⁾	₩ 1,239	₩ 1,302	₩ 1,420
Installment and cash advance fees	492	475	463
Annual membership fees	138	157	169
Other fees	987	982	1,015
Total	<u>₩ 2,856</u>	<u>₩ 2,916</u>	<u>₩ 3,067</u>
Charge volume ⁽³⁾			
General purchase	₩ 77,413	₩ 81,328	₩ 91,313
Installment purchase	19,222	19,321	20,417
Cash advance	9,265	8,591	8,891
Card loan ⁽⁴⁾	6,654	7,184	7,248
Total	<u>₩112,554</u>	<u>₩116,424</u>	<u>₩127,869</u>
Outstanding balance (at year end)			
General purchase	₩ 7,028	₩ 6,732	₩ 7,987
Installment purchase	5,107	5,360	5,842
Cash advance	1,208	1,054	1,153
Card loan ⁽⁴⁾	5,345	5,623	5,821
Total	<u>₩ 18,688</u>	<u>₩ 18,769</u>	<u>₩ 20,803</u>

	As of and for the Year Ended December 31,		
	2019	2020	2021
	(in billions of Won, except number of holders, accounts and percentages)		
Average outstanding balances			
General purchase	₩ 6,748	₩ 6,841	₩ 7,455
Installment purchase	4,905	5,198	5,503
Cash advance	1,210	1,098	1,081
Card loan ⁽⁴⁾	5,107	5,440	5,846
Total	<u>₩17,970</u>	<u>₩18,577</u>	<u>₩19,885</u>
Delinquency ratios (at year end) ⁽⁵⁾			
From 1 month to 3 months	0.56%	0.50%	0.45%
From 3 months to 6 months	0.55	0.46	0.38
Over 6 months	0.14	0.10	0.07
Total	<u>1.25%</u>	<u>1.06%</u>	<u>0.91%</u>
Non-performing loan ratio	0.66%	0.55%	0.47%
Write-offs (gross)	₩ 506	₩ 501	₩ 422
Recoveries ⁽⁶⁾	138	137	136
Net write-offs	<u>₩ 368</u>	<u>₩ 364</u>	<u>₩ 286</u>
Gross write-off ratio ⁽⁷⁾	2.82%	2.70%	2.10%
Net write-off ratio ⁽⁸⁾	2.05%	1.96%	1.42%

- (1) The active ratio represents the ratio of accounts used at least once within the last six months to total accounts as of year-end.
- (2) Merchant fees consist of maintenance fees and costs associated with prepayment by us (on behalf of customers) of sales proceeds to merchants, processing fees relating to sales and membership applications, costs relating to the management of delinquencies and recoveries, provision for loan losses, general variable expenses and other fixed costs that are charged to our member merchants. We typically charge our member merchants fees that range from 0.8% to 2.3%. We offer discounts for member merchants that are small- and medium-sized enterprises pursuant to applicable laws.
- (3) Represents the aggregate cumulative amount charged during the year.
- (4) Card loans consist of loans that are provided on an unsecured basis to cardholders upon prior agreement. Payment on such a loan can be due either in one payment or in installments after a fixed period, in the case of principal payments, and will be due in installments, in the case of interest payments.
- (5) Represents ratio of credit card balances overdue by one month or more to outstanding balance. In line with industry practice, we have restructured a portion of delinquent credit card account balances as loans. As of December 31, 2020 and 2021, these restructured loans amounted to ₩119 billion and ₩112 billion, respectively. Because these restructured loans are not treated as being delinquent at the time of conversion or for a period of time thereafter, our delinquency ratios may not fully reflect all delinquent amounts relating to our outstanding balances.
- (6) Does not include proceeds that we received from sales of our non-performing loans that were written off.
- (7) Represents the ratio of gross write-offs for the year to average outstanding balance for the year. Our charge-off policy is generally to write off balances which have been overdue for four payment cycles or more or which have been classified as expected loss.
- (8) Represents the ratio of net write-offs for the year to average outstanding balances for the year. Our charge-off policy is generally to write off balances which have been overdue for four payment cycles or more or which have been classified as expected loss.

In contrast to the system in the United States and many other countries, where most credit cards are revolving cards that allow outstanding amounts to be rolled over from month to month so long as a required minimum percentage is repaid, credit cardholders in Korea are generally required to pay for their purchases within approximately 14 to 44 days of purchase depending on their payment cycle. However, we also offer revolving payment plans to individuals that allow outstanding amounts to be rolled over to subsequent payment periods. Delinquent accounts (defined as amounts overdue for one day or more) are charged penalty interest and closely monitored. For installment purchases, we charge interest on unpaid installments at rates that vary according to the individual cardholder's membership level, which is based on, among others, transaction history, the length of the cardholder's relationship with us and contribution to our profitability.

We are committed to continuing to enhance our credit card business by strengthening our risk management and maximizing our operational efficiency. In addition, we believe that our extensive branch network, brand recognition and overall size will enable us to cross-sell products such as credit cards to our existing and new customers.

To promote our credit card business, we offer services targeted to various financial profiles and customer requirements and are concentrating on:

- strengthening cross-sales to existing customers and offering integrated financial services;
- offering cards that provide additional benefits such as frequent flyer miles and reward program points that can be redeemed by the customer for complementary services, prizes and cash;
- offering platinum cards, VVIP cards and other prime members' cards, which have a higher credit limit and provide additional services in return for a higher fee;
- acquiring new customers through strategic alliances and cross-marketing with retailers;
- encouraging increased use of credit cards by existing customers through special offers for frequent users;
- introducing new features such as travel services and insurance through alliance partners; and
- developing fraud detection and security systems to prevent the misuse of credit cards.

As of December 31, 2021, we had approximately 11.4 million credit cardholders. Of the credit cards outstanding, approximately 90.8% were active, meaning that they had been used at least once during the previous six months.

Our card revenues consist principally of cash advance fees, merchant fees, credit card installment fees, interest income from credit card loans, annual fees paid by cardholders, interest and fees on late payments and, with respect to revolving payment plans we offer, interest and fees relating to revolving balances.

Under non-exclusive license agreements with overseas financial services corporations, we also issue MasterCard, Visa, American Express, JCB and China UnionPay credit cards.

We issue debit cards and charge merchants commissions in the amount of approximately 1.0% of the amounts purchased using a debit card. We also issue "check cards," which are similar to debit cards except that "check cards" are accepted by all merchants that accept credit cards, and charge merchants commissions that typically range from 0.5% to 1.5%. Much like debit cards, check card purchases are also debited directly from customers' accounts with us.

Corporate Banking

We lend to and take deposits from small- and medium-sized enterprises and, to a lesser extent, large corporate customers. Kookmin Bank, our banking subsidiary, had 405,835 small- and medium-sized enterprise borrowers and 1,854 large corporate borrowers for Won-currency loans as of December 31, 2021. For 2021, we received fee revenue from cash management services offered to corporate customers, which include "firm-banking" services such as inter-account transfers, transfers of funds from various branches and agencies of a company (such as insurance premium payments) to the account of the headquarters of such company and transfers of funds from various customers of a company to the main account of such company, in the amount of ₩111.4 billion. Of our branch network as of December 31, 2021, we had three branches that primarily handled large corporate banking.

The following table sets forth the balances and the percentage of our total corporate lending represented by our small- and medium-sized enterprise business loans and our large corporate business loans as of the dates indicated, estimated based on our internal classifications of corporate borrowers:

	As of December 31,			
	2020		2021	
	(in billions of Won, except percentages)			
Corporate:				
Small- and medium-sized enterprise loans	₩123,066	82.0%	₩136,587	80.3%
Large corporate loans	27,104	18.0	33,592	19.7
Total	₩150,170	100.0%	₩170,179	100.0%

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

The total amount of deposits from our corporate customers amounted to ₩145,760 billion as of December 31, 2021, or 39.2% of our total deposits.

Small- and Medium-sized Enterprise Banking

Our small- and medium-sized enterprise banking business has traditionally been and will remain one of our core businesses because of both our historical development and our accumulated expertise. We believe that we possess the necessary elements to succeed in the small- and medium-sized enterprise market, including our extensive branch network, our credit rating system for credit approval, our marketing capabilities (which we believe have provided us with significant brand loyalty) and our ability to take advantage of economies of scale.

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

Lending Activities

Our principal loan products for our small- and medium-sized enterprise customers are working capital loans and facilities loans. Working capital loans are provided to finance working capital requirements and include notes discounted and trade financing. Facilities loans are provided to finance the purchase of equipment and the establishment of manufacturing assembly plants. As of December 31, 2021, working capital loans and facilities loans accounted for 47.7% and 52.3%, respectively, of our total small- and medium-sized enterprise loans. As of December 31, 2021, Kookmin Bank, our banking subsidiary, had 405,835 small- and medium-sized enterprise customers on the lending side.

Loans to small- and medium-sized enterprises may be secured by real estate or deposits or may be unsecured. As of December 31, 2021, secured loans and guaranteed loans accounted for, in the aggregate, 83.7% of our small- and medium-sized enterprise loans. Among the secured loans, 97.9% were secured by real estate and 2.1% were secured by deposits or securities. Working capital loans generally have a maturity of one year, but may be extended for additional terms of up to one year in length for an aggregate term of five years. Facilities loans have a maximum maturity of 15 years.

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

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

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

A substantial number of our small- and medium-sized enterprise customers are SOHOs, which we currently define to include sole proprietorships and individual business interests. With respect to SOHOs, we apply credit risk evaluation models, which not only use quantitative analysis related to a customer's accounts, personal credit and financial information and due amounts but also require our credit officers to perform a qualitative analysis of each potential SOHO customer. With respect to SOHO loans in excess of ₩1 billion, our credit risk evaluation model also includes a quantitative analysis of the financial statements of the underlying business. We generally lend to SOHOs on a secured basis, although a small portion of our SOHO exposures are unsecured.

Pricing

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

market interest rate. For the Market Opportunity Rate as of December 31, 2021, see “—Retail Banking—Lending Activities—Mortgage and Home Equity Lending—Pricing.”

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

Large Corporate Banking

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

Lending Activities

Our principal loan products for our large corporate customers are working capital loans and facilities loans. As of December 31, 2021, working capital loans and facilities loans accounted for 78.0% and 22.0%, respectively, of our total large corporate loans. We also offer mortgage loans to large corporate clients who build or sell single- or multi-family housing units, as described above under “—Small- and Medium-sized Enterprise Banking—Lending Activities.”

As of December 31, 2021, secured loans and guaranteed loans accounted for, in the aggregate, 36.1% of our large corporate loans. Among the secured loans, 67.3% were secured by real estate and 32.7% were secured by deposits or securities. Working capital loans generally have a maturity of one year, but may be extended for additional terms ranging from three months to one year in length for an aggregate term of five years. Facilities loans have a maximum maturity of 15 years.

In our unsecured lending to large corporate customers, a critical consideration in our policy regarding the extension of such unsecured loans is the borrower’s creditworthiness. We assign each borrower a credit rating based on the judgment of our experts or scores calculated using the appropriate credit rating system, taking into account both financial factors and non-financial factors (such as our perception of a borrower’s reliability, management and operational risk and risk relating to the borrower’s industry). The credit ratings, along with such factors, are key determinants in our lending to large corporate customers. Large corporate customers generally have higher credit ratings due to their higher repayment capability compared to other types of borrowers, such as small- and medium-sized enterprise borrowers. In addition, large corporate borrowers generally are affected to a lesser extent than small- and medium-sized enterprise borrowers by fluctuations in the Korean economy and also maintain more sophisticated financial records. As of December 31, 2021, 91.8% of our large corporate customers had credit ratings of BBB- or above according to the internal credit rating system of Kookmin Bank, compared to 81.0% of our small- and medium-sized enterprise customers. A credit rating of BBB- is assigned to customers whose ability to repay the principal and interest on their outstanding loans is determined by us to be generally satisfactory but nonetheless subject to adverse effects under unfavorable economic conditions or during downturns in the business environment. Based on our internal analysis of historical data, we believe that the probability of default for loans extended to large corporate customers with a credit rating of BBB- or above is between 0.00% and 2.26%.

We monitor the credit status of large corporate borrowers and collect information to adjust our ratings appropriately. We also manage and monitor our large corporate customers through a dedicated Corporate Banking Branch and Kookmin Bank’s Large Corporate Business Department. In addition, Kookmin Bank’s Credit Risk Department manages the exposures to each large corporate customer and conducts in-depth analysis of various economic and industry-related risks that are relevant to large corporate customers.

As of December 31, 2021, in terms of our outstanding loan balance, 33.9% was extended to borrowers in the financial industry, 24.6% of our large corporate loans was extended to borrowers in the manufacturing industry, and 19.6% was extended to borrowers in the service industry.

Pricing

We determine pricing of our large corporate loans in the same way as we determine the pricing of our small- and medium-sized enterprise loans. See “—Small- and Medium-sized Enterprise Banking—Pricing” above. As of December 31, 2021, the Market Opportunity Rate, which is utilized in pricing loans offered by us, was the same for our large corporate loans as for our small- and medium-sized enterprise loans.

Capital Markets Activities and International Banking/Finance

Through our capital markets operations, we invest and trade in debt and equity securities and, to a lesser extent, engage in derivatives and asset securitization transactions and make call loans. We also provide investment banking and securities brokerage services.

Securities Investment and Trading

We invest in and trade securities for our own account in order to maintain adequate sources of liquidity and to generate interest and dividend income and capital gains. As of December 31, 2020 and 2021, our investment portfolio, which consists primarily of financial assets at amortized cost and financial assets at fair value through other comprehensive income and our trading portfolio had a combined total carrying amount of ₩159,774 billion and ₩170,523 billion (including the investment and trading portfolios of our insurance operations) and represented 26.2% and 25.7% of our total assets, respectively.

Our trading and investment portfolios consist primarily of Korean treasury securities and debt securities issued by Korean government agencies, local governments or certain government-invested enterprises and debt securities issued by financial institutions. As of December 31, 2020 and 2021, we held debt securities with a total carrying amount of ₩153,745 billion and ₩163,739 billion, respectively, of which:

- financial assets at amortized cost accounted for ₩36,873 billion and ₩44,476 billion, or 24.0% and 27.2%, respectively;
- debt securities at fair value through other comprehensive income accounted for ₩58,457 billion and ₩56,260 billion, or 38.0% and 34.4%, respectively; and
- debt securities at fair value through profit or loss accounted for ₩58,415 billion and ₩63,003 billion, or 38.0% and 38.4%, respectively.

Of these amounts, debt securities issued by the Korean government and government agencies as of December 31, 2020 and 2021 amounted to:

- ₩17,193 billion and ₩21,448 billion, or 46.6% and 48.2%, respectively, of our financial assets at amortized cost;
- ₩14,735 billion and ₩14,317 billion, or 25.2% and 25.4%, respectively, of our financial assets at fair value through other comprehensive income; and
- ₩9,315 billion and ₩8,294 billion, or 15.9% and 13.2%, respectively, of our debt securities at fair value through profit or loss.

From time to time we also purchase equity securities for our securities portfolios. Our equity securities consist primarily of marketable beneficiary certificates and equities listed on the KRX KOSPI Market, the KRX KOSDAQ Market or the KRX KONEX Market. As of December 31, 2020 and 2021:

- equity securities at fair value through other comprehensive income had a carrying amount of ₩3,075 billion and ₩3,803 billion, or 5.0% and 6.3%, respectively, of our securities at fair value through other comprehensive income portfolio; and
- equity securities at fair value through profit or loss had a carrying amount of ₩2,092 billion and ₩2,419 billion, or 3.5% and 3.7%, respectively, of our securities at fair value through profit or loss portfolio.

Our trading portfolio also includes derivative-linked securities, the underlying assets of which were linked to, among other things, interest rates, exchange rates, stock price indices or credit risks. As of December 31, 2020 and 2021, derivative-linked securities in our trading portfolio had a carrying amount of ₩2,219 billion and ₩1,543 billion, or 3.7% and 2.4% of our trading portfolio, respectively. See “—Derivatives Trading.”

The following tables show, as of the dates indicated, the unrealized gains and losses on financial assets at fair value through other comprehensive income and financial assets at amortized cost within our investment portfolio, and the amortized cost and fair value of the portfolio by type of financial asset:

	As of December 31, 2020			
	Amortized Cost ⁽⁷⁾	Net Unrealized Gain and Loss ⁽⁸⁾	Loss Allowance for Expected Credit Losses ⁽⁹⁾	Fair Value
	(in billions of Won)			
Financial assets at fair value through other comprehensive income:				
Debt securities				
Korean treasury securities and government agencies	₩15,056	₩ (321)	₩—	₩14,735
Financial institutions ⁽¹⁾	23,149	47	2	23,194
Corporate ⁽²⁾	18,657	68	4	18,721
Asset-backed securities ⁽³⁾	1,784	13	1	1,796
Others	10	—	—	10
Subtotal	58,656	(193)	7	58,456
Equity securities	1,739	1,336	—	3,075
Total financial assets at fair value through other comprehensive income	₩60,395	₩ 1,143	₩ 7	₩61,531
Financial assets at amortized cost:				
Korean treasury securities and government agencies	₩17,193	₩ 509	₩—	₩17,702
Financial institutions ⁽⁴⁾	5,679	32	—	5,711
Corporate ⁽⁵⁾	8,182	560	1	8,741
Asset-backed securities ⁽⁶⁾	5,789	54	2	5,841
Others	30	—	—	30
Total financial assets at amortized cost	₩36,873	₩ 1,155	₩ 3	₩38,025

	As of December 31, 2021			
	Amortized Cost ⁽⁷⁾	Net Unrealized Gain and Loss ⁽⁸⁾	Loss Allowance for Expected Credit Losses ⁽⁹⁾	Fair Value
(in billions of Won)				
Financial assets at fair value through other comprehensive income:				
Debt securities				
Korean treasury securities and government agencies	₩15,316	₩ (999)	₩—	₩14,317
Financial institutions ⁽¹⁾	22,022	(89)	4	21,929
Corporate ⁽²⁾	19,350	(356)	8	18,986
Asset-backed securities ⁽³⁾	1,000	(4)	—	996
Others	30	1	—	31
Subtotal	57,718	(1,447)	12	56,259
Equity securities	912	2,891	—	3,803
Total financial assets at fair value through other comprehensive income	₩58,630	₩ 1,444	₩12	₩60,062
Financial assets at amortized cost:				
Korean treasury securities and government agencies	₩21,448	₩ (66)	₩—	₩21,382
Financial institutions ⁽⁴⁾	3,851	4	1	3,854
Corporate ⁽⁵⁾	12,246	104	1	12,349
Asset-backed securities ⁽⁶⁾	6,900	(101)	2	6,797
Others	31	(2)	—	29
Total financial assets at amortized cost	₩44,476	₩ (61)	₩ 4	₩44,411

- (1) Includes debt securities issued by the Bank of Korea, the Korea Development Bank, Industrial Bank of Korea and the Export-Import Bank of Korea in the aggregate amount of ₩16,660 billion as of December 31, 2020 and ₩15,634 billion as of December 31, 2021. These financial institutions are owned or controlled by the Korean government.
- (2) Includes debt securities issued by the Korea Development Bank, Korea Housing Finance Corporation and the Export-Import Bank of Korea in the aggregate amount of ₩818 billion as of December 31, 2020 and ₩737 billion as of December 31, 2021. These entities are owned or controlled by the Korean government.
- (3) Includes mortgage-backed securities issued by Korea Housing Finance Corporation, which have residential mortgage loans as underlying assets, in the amount of ₩1,684 billion as of December 31, 2020 and ₩963 billion as of December 31, 2021. Korea Housing Finance Corporation is owned by the Korean government.
- (4) Includes debt securities issued by the Bank of Korea, the Korea Development Bank, Industrial Bank of Korea and the Export-Import Bank of Korea in the aggregate amount of ₩4,563 billion as of December 31, 2020 and ₩2,530 billion as of December 31, 2021. These financial institutions are owned or controlled by the Korean government.
- (5) Includes debt securities issued by Korea Housing Finance Corporation in the amount of ₩863 billion as of December 31, 2020 and debt securities issued by Korea Housing Finance Corporation and the Korea Development in the aggregate amount of ₩1,057 billion as of December 31, 2021. These entities are owned or controlled by the Korean government.
- (6) Includes mortgage-backed securities issued by Korea Housing Finance Corporation, which have residential mortgage loans as underlying assets, in the amount of ₩5,687 billion as of December 31, 2020 and ₩6,796 billion as of December 31, 2021. Korea Housing Finance Corporation is owned by the Korean government.
- (7) Gross carrying amount before adjusting for loss allowance for expected credit losses in accordance with IFRS 9.
- (8) Net unrealized gain and loss after adjusting for loss allowance for expected credit losses in accordance with IFRS 9.
- (9) Loss allowance for expected credit losses in accordance with IFRS 9.

Derivatives Trading

We engage in derivatives trading, including on behalf of our customers. Our trading volume increased from ₩449,590 billion in 2019 to ₩469,477 billion in 2020 and ₩549,312 billion in 2021. Our net trading revenue from derivatives for the year ended December 31, 2019, 2020 and 2021 was ₩1,116 billion, ₩323 billion and ₩204 billion, respectively.

We provide and trade a range of derivatives products, including:

- interest rate swaps and options, relating to interest rate risks;

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

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

The following shows the estimated fair value of our derivatives as of December 31, 2020 and 2021:

	As of December 31,			
	2020		2021	
	Estimated Fair Value Assets	Estimated Fair Value Liabilities	Estimated Fair Value Assets	Estimated Fair Value Liabilities
	(in billions of Won)			
Foreign exchange derivatives ⁽¹⁾	₩3,818	₩3,485	₩2,436	₩2,403
Interest rate derivatives ⁽¹⁾	1,091	1,183	813	773
Equity derivatives	579	401	433	381
Credit derivatives	19	10	19	7
Commodity derivatives	—	1	—	—
Others	37	144	21	118
Total	₩5,544	₩5,224	₩3,722	₩3,682

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

The following table shows certain information related to our derivatives designated as fair value hedges for the years ended December 31, 2020 and 2021:

	Year Ended December 31,					
	2020			2021		
	Hedging Instruments	Hedged Item	Ineffective Portion	Hedging Instruments	Hedged Item	Ineffective Portion
	(in billions of Won)					
Foreign exchange derivatives	₩97	₩(41)	₩56	₩(175)	₩181	₩ 6
Interest rate derivatives	(8)	14	6	(13)	8	(5)
Total	₩89	₩(27)	₩62	₩(188)	₩189	₩ 1

The following table shows certain information related to our derivatives designated as cash flow hedges for the years ended December 31, 2020 and 2021:

	Year Ended December 31,					
	2020			2021		
	Hedging Instruments	Effective Portion	Ineffective Portion	Hedging Instruments	Effective Portion	Ineffective Portion
	(in billions of Won)					
Foreign exchange derivatives	₩(43)	₩(37)	₩(6)	₩60	₩59	₩ 1
Interest rate derivatives	(12)	(11)	(1)	36	36	—
Total	₩(55)	₩(48)	₩(7)	₩96	₩95	₩ 1

The following table shows certain information related to financial instruments designated as net investment hedges in foreign operations for the years ended December 31, 2020 and 2021:

	Year Ended December 31,					
	2020			2021		
	Hedging instruments	Effective Portion	Ineffective Portion	Hedging instruments	Effective Portion	Ineffective Portion
	(in billions of Won)					
Foreign exchange derivatives ⁽¹⁾	₩89	₩89	₩—	₩(89)	₩(89)	₩—
Total	₩89	₩89	₩—	₩(89)	₩(89)	₩—

⁽¹⁾ Includes the gain (loss) on a non-derivative instrument designated as a hedging instrument.

Asset Securitization Transactions

We are active in the Korean asset-backed securities market. Based on our diverse experience with respect to product development and management capabilities relating to asset securitization, we offer customers a wide range of financial products and participate in various asset securitization transactions, including through our subsidiary KB Securities, to reinforce our position as a leading financial services provider with respect to the asset securitization market. We were involved in asset securitization transactions with an initial aggregate issue amount of ₩8,092 billion in 2019, ₩9,495 billion in 2020 and ₩9,677 billion in 2021, a significant portion of which were public offerings of asset-backed securities.

Call Loans

We make call loans and borrow call money in the short-term money market. Call loans are defined as short-term lending among banks and financial institutions either in Won or in foreign currencies with maturities of 90 days or less. Typically, call loans have maturities of one day. As of December 31, 2021 we had made call loans of ₩5,773 billion and borrowed call money of ₩1,678 billion, compared to ₩4,692 billion and ₩1,180 billion, respectively, as of December 31, 2020.

Investment Banking

We have focused on selectively expanding our investment banking activities in order to increase our fee income and diversify our revenue base. We provide investment banking services primarily through KB Securities and Kookmin Bank. Our principal investment banking services include:

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

In May 2016, we acquired 22.56% of the outstanding shares of Hyundai Securities Co., Ltd., a publicly listed Korean securities firm, and further increased our shareholding in Hyundai Securities to 29.62% in June 2016 by acquiring treasury shares of Hyundai Securities. In October 2016, we effected a comprehensive stock swap of the outstanding shares of Hyundai Securities for newly issued shares of our company, as a result of which Hyundai Securities became a wholly-owned subsidiary. Following such transaction, we merged our existing subsidiary, KB Investment & Securities, with and into Hyundai Securities in December 2016 and changed the name of the surviving entity to KB Securities. Through the acquisition of Hyundai Securities and the

creation of an integrated securities firm, we sought to strengthen our investment banking and securities brokerage capabilities, as well as to achieve economies of scale.

In 2021, we generated investment banking revenues of ₩1,096 billion, consisting of ₩165 billion of interest income and ₩931 billion of non-interest income.

Securities Brokerage

We provide securities brokerage services through KB Securities. Our activities include provision of brokerage services to our retail and corporate customers relating to a wide range of investment products, including stocks, futures, options, equity- and derivative-linked securities and debt instruments, as well as provision of prime brokerage services to hedge funds. In addition, we offer self-directed brokerage services through KB Securities' online and smartphone brokerage platforms.

As of December 31, 2021, KB Securities operated a brokerage network consisting of 108 branches and sub-branches in Korea. In 2021, KB Securities generated commission income of ₩701 billion through its securities brokerage activities.

International Banking and Finance

We engage in various international banking and finance activities, including foreign exchange services and derivatives dealing, import and export-related services, offshore lending, syndicated loans, foreign currency securities investment and non-life insurance. These services are provided primarily to our domestic customers and overseas subsidiaries and affiliates of Korean corporations and, to a limited extent, to local companies and individuals. We also raise foreign currency funds through our international banking and finance operations.

The table below sets forth certain information regarding our foreign currency assets and borrowings:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	(in millions of US\$)	
Total foreign currency assets	US\$51,194	US\$59,424
Foreign currency borrowings:		
Borrowings	12,142	16,122
Debentures	5,627	7,183
Total borrowings	<u>US\$17,769</u>	<u>US\$23,305</u>

The table below sets forth our overseas subsidiaries, branches and representative and liaison offices in operation as of December 31, 2021:

Business Unit ⁽¹⁾	Location
Subsidiaries (21)	
Kookmin Bank Cambodia PLC (including seven branches)	Cambodia
Kookmin Bank (China) Ltd. (including five branches)	China
KB Microfinance Myanmar Co., Ltd. (including 23 branches)	Myanmar
PRASAC Microfinance Institution Plc. (including 182 branches)	Cambodia
PT Bank KB Bukopin, Tbk (including 355 branches)	Indonesia
KB Bank Myanmar Ltd.	Myanmar
KBFG Securities America Inc.	United States
KB Securities Hong Kong Ltd.	Hong Kong
KB Securities Vietnam Joint Stock Company (including three branches)	Vietnam
KB FINA Joint Stock Company	Vietnam
KBFG Insurance (China) Co., Ltd. (including one branch)	China
PT. Kookmin Best Insurance Indonesia (including two branches)	Indonesia
Leading Insurance Services, Inc.	United States
KB Daehan Specialized Bank PLC. (including three branches)	Cambodia
PT. KB Finansia Multi Finance (including 134 branches)	Indonesia
KB J Capital Co., Ltd.	Thailand
KB Asset Management Singapore Pte. Ltd.	Singapore
KBAM Shanghai Advisory Services Co., Ltd.	China
KB KOLAO Leasing Co., Ltd.	Laos
PT Sunindo Kookmin Best Finance	Indonesia
PT KB Data Systems Indonesia	Indonesia
Branches (9)⁽²⁾	
Kookmin Bank, Tokyo Branch	Japan
Kookmin Bank, Auckland Branch	New Zealand
Kookmin Bank, New York Branch	United States
Kookmin Bank, London Branch	United Kingdom
Kookmin Bank, Ho Chi Minh City Branch	Vietnam
Kookmin Bank, Hanoi Branch	Vietnam
Kookmin Bank, Hong Kong Branch	Hong Kong
Kookmin Bank, Gurugram Branch	India
Kookmin Best Insurance Co., Ltd. U.S. Branch	United States
Representative and Liaison Offices (7)	
Kookmin Bank, Yangon Representative Office	Myanmar
KB Securities Shanghai Representative Office	China
KB Insurance, Los Angeles Liaison Office	United States
KB Insurance, Hanoi Liaison Office	Vietnam
KB Insurance, Ho Chi Minh City Liaison Office	Vietnam
KB Kookmin Card, Yangon Representative Office	Myanmar
KB Asset Management, Ho Chi Minh City Representative Office	Vietnam

⁽¹⁾ Does not include subsidiaries and branches in liquidation or dissolution.

⁽²⁾ Kookmin Bank, Singapore Branch was newly established in Singapore in January 2022.

Trustee and Custodian Services Relating to Investment Trusts and Other Functions

We act as a trustee for 106 financial investment companies with a collective investment license, which invest in investment assets using funds raised by the sale of beneficiary certificates of investment trusts to investors. We also act as custodian for 225 financial institutions and as fund administrator for 115 financial

institutions with respect to various investments, as well as acting as settlement agent in connection with such services. We receive a fee for acting in these capacities and generally perform the following functions:

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

For the year ended December 31, 2021, our fee income from our trustee and custodian services was ₩35 billion and revenue collected as a result of administration of the underlying investments was ₩19.7 billion.

Other Businesses

Trust Account Management Services

Money Trust Management Services

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

We currently provide trust account management services for 20 types of money trusts. The maturities of the money trusts we manage vary by the type of the trust. Approximately 3.2% of our money trusts also provide periodic payments of dividends which are added to the assets held in such trusts and not distributed.

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

As of December 31, 2021, the total balance of our money trusts was ₩59,423 billion (as calculated in accordance with Statement of Korea Accounting Standard No. 5004, *Trust Accounts*, and the Enforcement Regulations of Financial Investment Services under the Financial Investment Services and Capital Markets Act, which we refer to as an “SKAS basis”). As for unspecified money trust accounts, we have investment discretion over all money trusts, which are pooled and managed jointly for each type of trust account. Specified money trust accounts are established on behalf of individual customers who direct our investment of trust assets.

The following table shows the balances of our money trusts by type as of the dates indicated. Under IFRS, we consolidate trust accounts for which we guarantee both the repayment of the principal amount and a fixed rate of interest as well as trust accounts for which we guarantee only the repayment of the principal amount.

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	(in billions of Won)	
Principal and interest guaranteed trusts ⁽¹⁾	₩ 0.1	₩ 0.1
Principal guaranteed trusts ⁽¹⁾	3,927	3,874
Performance trusts ⁽¹⁾⁽²⁾	<u>48,663</u>	<u>55,549</u>
Total	<u>₩52,590</u>	<u>₩59,423</u>

⁽¹⁾ Calculated on an SKAS basis.

⁽²⁾ Trusts which are primarily non-guaranteed.

The balance of our money trusts increased 13.0% between December 31, 2020 and December 31, 2021. As of December 31, 2021, the trust assets we managed consisted principally of securities investments and loans from the trust accounts. As of December 31, 2021, on an SKAS basis, our trust accounts had invested in securities in the aggregate amount of ₩26,932 billion, of which ₩18,123 billion was debt securities and derivative-linked securities. Securities investments consist of government-related debt securities, corporate debt securities, including bonds and commercial paper, equity securities, derivative-linked securities and other securities. Loans made by our trust account operations are similar in type to the loans made by our bank account operations. As of December 31, 2021, on an SKAS basis, our trust accounts had made loans in the principal amount of ₩230 billion (excluding loans from the trust accounts to our banking accounts of ₩1,189 billion), which accounted for 0.4% of our money trust assets. Loans by our money trusts are subject to the same credit approval process as loans from our banking accounts. As of December 31, 2021, substantially all loans from our money trust accounts were collateralized or guaranteed.

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

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

If the income from a money trust for which we provide a guarantee is less than the amount of the payments we have guaranteed, we will need to pay the amount of the shortfall with funds from special reserves maintained with respect to trust accounts followed by basic fees from that money trust and funds from our general banking operations. In 2019, 2020 and 2021, we made no payment from our banking accounts to cover shortfalls in our guaranteed trusts. On an SKAS basis, we derived trust fees with regard to trust account management services (including those fees related to property trust management services) of ₩294 billion in 2019, ₩216 billion in 2020 and ₩281 billion in 2021.

Property Trust Management Services

We also offer property trust management services, where we manage non-monetary assets in return for a fee. Non-monetary assets include mostly securities, but can also include other liquid receivables and real estate. Under these arrangements, we render custodial services for the property in question and collect fee income in return.

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

Under IFRS, the property trusts are not consolidated within our financial statements.

Investment Trust Management

Through KB Asset Management and KB Securities, we offer investment trust products to customers and manage the funds invested by them in investment trusts. As of December 31, 2021, KB Asset Management and KB Securities had an aggregate of ₩74,194 billion of investment trust assets under management.

Insurance

Non-Life Insurance

In June 2015, we acquired a 19.47% stake in KB Insurance Co., Ltd. (formerly named LIG Insurance Co., Ltd.), a publicly listed Korean non-life insurance company. In November 2015 and December 2016, we increased our shareholding in KB Insurance to 33.29% and 39.81%, respectively. Through a tender offer conducted in May 2017, we acquired 36,237,649 shares of KB Insurance at ₩33,000 per share, increasing our shareholding to 94.30%. We subsequently effected a comprehensive stock swap in July 2017 to acquire the remaining shares of KB Insurance in exchange for 2,170,943 shares of common stock of our company, as a result of which KB Insurance became a wholly-owned subsidiary. KB Insurance offers a variety of non-life insurance products, including principally the following:

- *Long-term insurance products.* Long-term insurance products are sold to retail customers and provide protection against various types of losses, with specified coverage periods of at least three years and ranging up to 30 years or ending at specified ages. Unlike general property and casualty insurance products, which usually have a coverage period of one year or less and only have pure protection features, substantially all long-term insurance policies in Korea also have an integrated savings feature. KB Insurance offers a broad range of long-term insurance products covering the policyholder's injuries, illnesses, long-term care, disabilities, accidents, property losses or other events.
- *Automobile insurance products.* Automobile insurance products are sold to both retail and institutional customers and generally provide coverage for the following types of losses resulting from the policyholder's ownership or use of an insured automobile: (i) liability to third parties for bodily injuries or death as well as damage to automobiles or other personal property; and (ii) the policyholder's own bodily injuries and automobile damage or theft. KB Insurance's automobile insurance policies typically have a coverage period of one year or less.
- *General property and casualty insurance products.* General property and casualty insurance products are sold to institutional customers and include the following: (i) fire and allied lines insurance policies, providing protective coverage for damage to buildings and facilities and their contents against fire, flood, storm, lightening, explosion, theft and other risks; (ii) marine insurance policies, providing protective coverage for damage to marine vessels and their cargo; and (iii) specialty insurance policies, which cover various other types of specified risks faced by businesses, including liabilities and business interruption.

The following table sets forth certain information regarding the operations of KB Insurance, on a standalone basis, as of the dates or for the periods indicated:

	As of or for the Year Ended December 31,		
	2019	2020	2021
	(in billions of Won, except as otherwise indicated)		
Total policies in force (in thousands)	16,110	17,525	18,522
Number of new policies sold (in thousands)	9,881	10,535	10,604
Gross direct written premiums ⁽¹⁾	₩10,273	₩10,975	₩11,524
Long-term insurance	6,750	7,017	7,233
Automobile insurance	2,207	2,611	2,668
General property and casualty insurance	983	1,074	1,167
Other	333	273	456
Net earned premiums ⁽²⁾	₩ 9,191	₩ 9,577	₩10,298
Loss ratio ⁽³⁾	85.98%	85.50%	84.95%
Risk-based capital adequacy ratio ⁽⁴⁾	182.44%	174.76%	179.39%

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

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

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

(4) Calculated in accordance with the applicable requirements of the Financial Supervisory Service. See “—Regulation and Supervision—Principal Regulations Applicable to Insurance Companies—Capital Adequacy.”

KB Insurance operates a multi-channel distribution platform in Korea, comprising agencies (which are independent insurance brokerage companies), a network of financial consultants, bancassurance arrangements with commercial banks and other financial institutions, direct marketing channels (including home shopping television networks and the Internet) and a corporate sales force.

As of December 31, 2021, KB Insurance had ₩32,944 billion of general account investment assets on a standalone basis, of which domestic debt securities, loans, beneficiary certificates, domestic equity securities and overseas securities accounted for 39.1%, 24.4%, 18.8%, 0.2% and 11.0%, respectively.

Life Insurance

Through KB Life Insurance Co., Ltd. and Prudential Life Insurance, we offer a variety of individual and group life insurance products, including annuities, savings insurance, variable life insurance, whole life insurance and term life insurance as well as health insurance. We utilize our multi-channel distribution platforms to market these products, which includes sales through agencies, financial consultants, telemarketers and bancassurance arrangements with commercial banks and other financial institutions.

KB Life Insurance generated gross premiums (not including separate account premiums) of ₩887 billion in 2019, ₩1,476 billion in 2020 and ₩1,838 billion in 2021 on a standalone basis. As of December 31, 2021, KB Life Insurance had ₩8,709 billion of general account investment assets on a standalone basis, of which domestic debt securities, beneficiary certificates, loans, domestic equity securities and overseas securities accounted for 48.3%, 16.1%, 17.4%, 1.3% and 11.2%, respectively. As of such date, KB Life Insurance’s risk-based capital adequacy ratio was 186.49%.

In August 2020, we acquired all of the outstanding shares of Prudential Life Insurance, a provider of life insurance services in Korea, from Prudential Financial, Inc. for ₩2.3 trillion, as a result of which Prudential Life Insurance became a wholly-owned subsidiary. Prudential Life Insurance generated gross premiums (not

including separate account premiums) of ₩451 billion in 2020 (excluding such amount for the period before Prudential Life Insurance became our consolidated subsidiary) and ₩1,351 billion in 2021, both on a standalone basis. As of December 31, 2021, Prudential Life Insurance had ₩18,131 billion of general account investment assets on a standalone basis, of which domestic debt securities, beneficiary certificates, loans, domestic equity securities and overseas securities accounted for 83.5%, 3.7%, 5.0%, 1.2% and 3.8%, respectively. As of such date, Prudential Life Insurance's risk-based capital adequacy ratio was 342.35%.

In order to maximize synergy effects in our life insurance operations, we plan to conduct a merger of Prudential Life Insurance and KB Life Insurance Co., Ltd. to be completed by January 2023. The details of such merger, however, have not yet been finalized as of the date of this annual report.

For further information regarding our insurance-related assets and liabilities, see Note 38 of the notes to our consolidated financial statements included elsewhere in this annual report.

Bancassurance

Through the bancassurance operations of Kookmin Bank, we offer insurance products of other institutions to retail customers in Korea. We currently market a wide range of bancassurance products and seek to generate additional fee-based revenues by expanding our offering of these products.

Currently, our bancassurance business has alliances with 22 life insurance companies (including our subsidiaries, KB Life Insurance and Prudential Life Insurance) and 11 non-life insurance companies (including our subsidiary, KB Insurance) and offers 91 different products through our branch network. These products are composed of 70 types of life insurance policies, such as annuities, savings insurance and variable life insurance, and 21 types of non-life insurance products. In 2021, our commission income from our bancassurance business amounted to ₩75.3 billion.

Consumer Finance

We provide consumer finance services through KB Capital Co., Ltd. We acquired 52.02% of the outstanding shares of KB Capital (formerly known as Woori Financial Co., Ltd.) in March 2014 for ₩280 billion. We conducted a tender offer in May 2017, through which we acquired 5,949,300 shares of KB Capital at ₩27,500 per share, increasing our shareholding in KB Capital to 79.70%. We subsequently acquired the remaining outstanding shares of KB Capital in exchange for 2,269,057 shares of common stock of our company through a comprehensive stock swap effected in July 2017, as a result of which KB Capital became a wholly-owned subsidiary. KB Capital provides leasing services and installment finance services for various products, including automobiles, heavy machineries and medical equipment, as well as microlending services. We expect KB Capital to continue to expand our customer base by providing a variety of non-banking financial services to retail customers, as well as synergies through coordinated business operations with our other subsidiaries, including Kookmin Bank.

Management of the National Housing and Urban Fund

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

In February 2013, the Ministry of Land, Infrastructure and Transport (formerly the Ministry of Land, Transport and Maritime Affairs) designated us as one of the managers of the National Housing and Urban Fund. In 2021, we received total fees of ₩33 billion for managing the National Housing and Urban Fund, compared to ₩35 billion in 2020 and ₩32 billion in 2019.

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

Distribution Channels

Banking Branch Network

As of December 31, 2021, Kookmin Bank operated a network of 914 branches and sub-branches in Korea, which was one of the largest branch networks among Korean commercial banks. An extensive branch network is important to attracting and maintaining retail customers, who use branches extensively and value convenience. We believe that our extensive branch network in Korea and retail customer base provide us with a source of stable and relatively low cost funding. Approximately 37.3% of our branches and sub-branches are located in Seoul, and approximately 21.0% of our branches are located in the six next largest cities. The following table presents the geographical distribution of our branch network in Korea as of December 31, 2021:

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

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

In order to support our branch network, we have established an extensive network of ATMs, which are located in branches and in unmanned outlets known as “autobanks.” As of December 31, 2021, we had 5,179 ATMs.

We have actively promoted the use of these distribution outlets in order to provide convenient service to customers, as well as to maximize the marketing and sales functions at the branch level, reduce employee costs and improve profitability. The aggregate number of transactions conducted using our ATMs amounted to approximately 372 million in 2019, 295 million in 2020 and 251 million in 2021.

Other Banking Channels

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

	For the Year Ended December 31,		
	2019	2020	2021
Internet banking:			
Number of users ⁽¹⁾	24,165,164	25,313,463	26,415,723
Number of transactions (thousands) ⁽²⁾	8,426,630	14,794,331	18,941,829
Phone banking:			
Number of users ⁽³⁾	5,063,703	5,073,346	5,076,733
Number of transactions (thousands) ⁽²⁾	93,112	76,595	62,835
Smartphone banking:			
Number of users ⁽⁴⁾	15,501,894	16,681,329	17,930,859
Number of transactions (thousands) ⁽²⁾	9,009,727	13,811,431	20,828,944

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

Internet Banking

Our goal is to consolidate our position as a market leader in online banking. Our Internet banking services currently include:

- basic banking services, including fund transfers, balance and transaction inquiries, pre-set automatic transfers, product inquiries, online bill and tax payments and foreign exchange services;
- investment services, including opening deposit accounts and investing in funds;
- processing of loan applications;
- electronic certification services, which permit users to authenticate their identity and transactions on a confidential basis through digital signatures; and
- wealth management and advisory services, including financial planning and real estate information services.

Phone Banking

We offer a variety of phone banking services, including inter-account fund transfers, balance and transaction inquiries, customer service inquiries and bill payments. We also have call centers, which we primarily use to:

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

Smartphone Banking

"KB Star Banking," our mobile banking application for smartphones, allows our customers the flexibility to conduct a variety of financial transactions, including balance and transaction inquiries, fund transfers and asset management, anywhere at any time. It is also intended to act as a hub for all of our finance services, including securities transactions and insurance, by providing our customers with access to the key services offered by a number of our subsidiaries, such as KB Securities and KB Insurance. Our smartphone banking services currently include:

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

We also continue to develop innovative mobile applications that cater to specific customer needs and lifestyles. For example, we offer "Liiv," a mobile banking platform designed to make routine transactions easier

for our customers, including providing easy access to banking services without the additional electronic certification process, foreign currency exchange services with lower fees and functions that allow customers to easily split bills and transfer money, and “Liiv Next,” a finance platform that provides easy-to-use banking services such as wire transfers and electronic payments as well as a variety of non-banking services to customers in younger generations. We also offer a range of other mobile applications, including “Liiv Talk Talk,” our mobile peer-to-peer payment and messaging application, “Liiv M,” a mobile virtual network operator (MVNO) that offers a fusion of finance and mobile services and “KB Real Estate,” our new cloud-based real estate application that provides various information on real properties. We also offer MyData services through several channels including KB Star Banking, our mobile banking application, and Liiv Mate, a MyData-based platform operated by KB Kookmin Card.

Other Channels

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

Distribution Channels for Other Services

Through our non-banking subsidiaries, we operate a network of dedicated branches and other distribution channels through which our customers can access credit card, securities brokerage, insurance and consumer finance products and services. The following table sets forth information regarding the number and geographical distribution of the branches in Korea operated by KB Kookmin Card, KB Securities and KB Insurance as of December 31, 2021:

Area	KB Kookmin Card	KB Securities	KB Insurance
Seoul	7	42	59
Six largest cities (other than Seoul)	8	21	67
Other	11	45	134
Total	26	108	260

Our other non-banking subsidiaries also operate a number of branches in Seoul and other areas. We also provide credit card, securities brokerage, insurance and consumer finance services through dedicated call centers, smartphone applications and Internet websites operated by KB Kookmin Card, KB Securities, KB Insurance, Prudential Life Insurance, KB Life Insurance and KB Capital.

Competition

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

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

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

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

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

Moreover, the Korean financial industry is undergoing significant consolidation. The number of nationwide commercial banks in Korea has decreased from 16 as of December 31, 1997, to six as of December 31, 2021. A number of significant mergers and acquisitions in the financial industry have taken place in Korea in recent years, including Hana Financial Group's acquisition of a controlling interest in Korea Exchange Bank in 2012 and the subsequent merger of Hana Bank into Korea Exchange Bank in 2015. In addition, as part of the Korean government's plans to privatize Woori Finance Holdings Co., Ltd. (the former financial holding company of Woori Bank), certain subsidiaries of Woori Finance Holdings were sold to other financial institutions and Woori Finance Holdings itself was merged into Woori Bank in 2014, which established a new financial holding company, Woori Financial Group Inc., in January 2019. In the insurance sector, China's Anbang Insurance Group acquired controlling interests in Tong Yang Life Insurance Co., Ltd. and Allianz Life Insurance Korea Co., Ltd. in 2015 and 2016, respectively, while Mirae Asset Life Insurance Co., Ltd. acquired PCA Life Insurance Co., Ltd. in 2017. Furthermore, Orange Life Insurance, Ltd. (formerly known as ING Life Insurance Korea, Ltd.) became a wholly-owned subsidiary of Shinhan Financial Group following the acquisition of equity interests by Shinhan Financial Group in February 2019 and January 2020. In the securities sector, in 2016, Mirae Asset Securities Co., Ltd. acquired a 43% interest in KDB Daewoo Securities Co., Ltd., which subsequently merged with and into Mirae Asset Securities to create Mirae Asset Daewoo Securities Co., Ltd., one of the largest securities companies in Korea in terms of capital. We expect that consolidation in the Korean financial industry will continue. The financial institutions resulting from such consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for us. We intend to review potential acquisition opportunities as they arise. We cannot guarantee that we will not be involved in any future mergers or acquisitions.

Information Technology

We regularly implement various IT system-related initiatives and upgrades at the group and subsidiary level. We believe that continuous improvement of our IT systems is crucial in supporting our operations and management and providing high-quality customer service. Accordingly, we continue to upgrade and improve our systems through various activities, including projects to develop next generation banking systems for Kookmin Bank, further strengthen system security and timely develop and implement various new IT systems and services (including group-wide software) that support our business operations and risk management activities.

Our mainframe-based banking and credit card IT systems are designed to ensure continuity of services even where there is a failure of the host data center due to a natural disaster or other accidents by utilizing backup systems in disaster recovery data centers. In addition, through the implementation of Parallel Sysplex, a “multi-CPU system,” our bank and credit card systems are designed and operated to be able to process transactions without material interruption in the event of CPU failure. From 2019 to 2020, we implemented a next-generation credit card IT system that applies an enhanced platform to ensure greater flexibility and versatility, as well as a banking IT system designed to promote digital transformation and innovation in our IT infrastructure. In addition, we implemented new technologies, including Multi Channel Integration and Enterprise Application Integration systems, to standardize our IT system and better manage IT system operational risk.

The integrity of our IT systems, and their ability to withstand potential catastrophic events (such as natural calamities and internal system failures), are crucial to our continuing operations. We currently test our disaster recovery systems on a quarterly basis using a new disaster recovery system that has been implemented to ensure the continuity of our operations. For additional information, see “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Operational Risk Management.”

In 2021, we spent approximately ₩703 billion for our IT system implementation and operations, including expenses related to the construction of new IT systems, implementation of hardware and software technologies and other new systems, as well as related labor costs.

As of December 31, 2021, we employed a total of 2,103 full-time employees in our IT operations.

Assets and Liabilities

The tables below set out selected financial highlights regarding our operations and our assets and liabilities. Except as otherwise indicated, amounts as of and for the years ended December 31, 2019, 2020 and 2021 are presented on a consolidated basis under IFRS.

Certain information with respect to our loan portfolio and the asset quality of our loans is presented below on a basis consistent with certain requirements of the Financial Services Commission applicable to Korean financial institutions, which differs (as described below where applicable) from the presentation of such information in our financial statements prepared in accordance with IFRS, as we believe that such alternative presentation allows us to provide additional details regarding our loan portfolio and the asset quality of our loans which would be helpful to our investors.

Loan Portfolio

As of December 31, 2021, our total loan portfolio was ₩421,585 billion compared to ₩380,450 billion as of December 31, 2020. As of December 31, 2021, 91.1% of our total loans were Won-denominated loans compared to 92.6% as of December 31, 2020.

Loan Types

The following table presents loans by type as of the dates indicated. Except where we specify otherwise, all loan amounts stated below are before deduction of allowances for loan losses. Total loans reflect our loan portfolio, including past due amounts.

	As of December 31,	
	2020	2021
	(in billions of Won)	
Domestic:		
Corporate		
Small- and medium-sized enterprise	₩124,457	₩138,627
Large corporate ⁽¹⁾	35,657	44,895
Retail		
Mortgage and home equity	114,144	120,418
Other consumer	68,293	71,223
Credit cards	18,737	20,768
Total domestic	361,288	395,931
Foreign	19,162	25,654
Total gross loans	₩380,450	₩421,585

⁽¹⁾ Large corporate loans include ₩1,149 billion and ₩703 billion of loans to the Korean government and government related agencies (including the Korea Deposit Insurance Corporation) as of December 31, 2020 and 2021, respectively.

Loan Concentrations

On a consolidated basis, our exposure to any single person (including an individual or an entity) or any single borrower (any single person together with any individual and/or entity that shares the same credit risk with such person) is limited by law to 20% and 25%, respectively, of our “net aggregate equity capital,” as defined under the Enforcement Decree of the Financial Holding Company Act. See “—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Financial Exposure to Any Individual Customer and Major Investor.” In addition, Kookmin Bank’s exposure to any single person or any single borrower is limited by the Bank Act to 20% and 25%, respectively, of its total Tier I and Tier II capital.

Loan Concentration by Industry

The following table presents the aggregate balance of our domestic and foreign corporate loans, by industry concentration, as of December 31, 2020 and 2021:

Industry	As of December 31,			
	2020		2021	
	Amount	%	Amount	%
	(in billions of Won, except percentages)			
Services	₩ 75,932	43.2%	₩ 86,916	42.4%
Manufacturing	45,637	25.9	48,974	23.9
Wholesale and retail	23,099	13.1	26,850	13.1
Financial institutions	15,834	9.0	21,911	10.7
Construction	4,370	2.5	5,654	2.8
Public sector	1,660	0.9	2,071	1.0
Others	9,420	5.4	12,477	6.1
Total	₩175,952	100.0%	₩204,853	100.0%

The COVID-19 pandemic has heavily impacted certain industries, including those in the services sector such as transportation, food and beverage, hotel, leisure and shipping, and those in the manufacturing sector such as automobile transportation equipment manufacturing, automotive component manufacturing, electronic component manufacturing, telecommunications and shipbuilding. There have also been initiatives to suspend the principal and interest payment obligations of certain borrowers for an extended period of time due to COVID-19. See “Item 3.D. Risk Factors—Other risks relating to our business—The ongoing global pandemic of COVID-19 and any possible recurrence of other types of widespread infectious diseases may adversely affect our business, financial condition or results of operations.” The following table presents our exposure and additional provisions recognized for certain industries most impacted by COVID-19, as well as our exposure and additional provisions recognized as of December 31, 2021 in connection with our initiatives to suspend the payment obligations of certain of our borrowers.

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

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

Maturity Analysis

We typically roll over our working capital loans and unsecured consumer loans (other than those payable in installments) after we conduct our normal loan review in accordance with our loan review procedures. Working capital loans may generally be extended on an annual basis for an aggregate term of five years and unsecured consumer loans may generally be extended for another term of up to 12 months for an aggregate term of 10 years.

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

	1 Year or Less	Over 1 Year But Not More Than 5 Years	Over 5 Years But Not More Than 15 Years	Over 15 Years	Total
	(in billions of Won)				
Domestic:					
Corporate					
Small- and medium-sized enterprises	₩ 91,024	₩ 40,600	₩ 5,282	₩ 1,721	₩138,627
Large corporate	26,070	13,232	4,365	1,228	44,895
Total corporate	117,094	53,832	9,647	2,949	183,522
Retail					
Mortgage and home equity	18,585	22,189	8,359	71,285	120,418
Other consumer	43,836	17,228	3,519	6,640	71,223
Total retail	62,421	39,417	11,878	77,925	191,641
Credit cards	17,334	3,259	175	—	20,768
Total domestic	196,849	96,508	21,700	80,874	395,931
Foreign:	8,756	10,440	6,311	147	25,654
Total	<u>₩205,605</u>	<u>₩106,948</u>	<u>₩28,011</u>	<u>₩81,021</u>	<u>₩421,585</u>

Interest Rate Sensitivity

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

	Fixed Rate ⁽¹⁾	Variable or adjustable rates ⁽²⁾	Total
	(in billions of Won)		
Domestic:			
Corporate			
Small- and medium-sized enterprises	₩28,057	₩ 19,466	₩ 47,522
Large corporate	10,160	8,744	18,905
Total corporate	38,217	28,210	66,427
Retail			
Mortgage and home equity	8,015	93,821	101,835
Other consumer	11,074	16,311	27,385
Total retail	19,088	110,132	129,220
Credit cards	3,434	—	3,434
Total domestic	60,739	138,342	199,081
Foreign:	10,527	6,371	16,898
Total	<u>₩71,266</u>	<u>₩144,713</u>	<u>₩215,979</u>

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

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

For additional information regarding our management of interest rate risk, see “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Market Risk Management—Market Risk Management for Non-Trading Activities.”

Credit Exposures to Companies in Workout, Restructuring or Rehabilitation

Workout is a voluntary procedure through which we, together with the borrower and other creditors, seek to restore the borrower's financial stability and viability. Previously, workouts were regulated under a series of Corporate Restructuring Promotion Acts, which last expired on June 30, 2018. In September 2018, the National Assembly of Korea adopted a new Corporate Restructuring Promotion Act, which became effective in October 2018 and is scheduled to expire in October 2023. Under the new Corporate Restructuring Promotion Act, creditors of a financially troubled borrower may participate in a creditors' committee, which is authorized to prohibit such creditors from exercising their rights against the borrower, commence workout procedures and approve or make revisions to a reorganization plan prepared by the lead creditor bank, the borrower and external experts. The composition of the creditors' committee is determined at the initial meeting of the committee by the approval of creditors holding not less than 75% of the borrower's total outstanding debt held by creditors who were notified of the initial meeting of the committee. Although creditors that are not financial institutions or hold less than 1% of the total outstanding debt of the borrower need not be notified of the initial meeting of the creditors' committee, if such creditors wish to participate, they may not be excluded. Any decision of the creditors' committee requires the approval of creditors holding not less than 75% of the total outstanding debt of the borrower. However, if a single creditor holds 75% or more of the borrower's total outstanding debt held by the creditors comprising the creditors' committee, any decision of the creditors' committee requires the approval of not less than 40% of the total number of creditors (including such single creditor) comprising the committee. An additional approval of creditors holding not less than 75% of the secured debt is required with respect to the borrower's debt restructuring. Once approved, any decision made by the creditors' committee is binding on all creditors of the borrower, with the exception of those creditors that were excluded by a resolution of the committee at its initial meeting and those who exercised their right to request that their claims be purchased. Creditors that voted against commencement of workout, approval or revision of the reorganization plan, debt restructuring, granting of new credit, extension of the joint management process or other resolutions of the committee have the right to request the creditors that voted in favor of such matters to purchase their claims at a mutually agreed price. In the event that the parties are not able to agree on the terms of purchase, a coordination committee consisting of experts would determine the terms. The creditors that oppose a decision made by the coordination committee may request a court to change such decision.

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

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

A portion of our loans to and debt securities of corporate customers are currently in workout, restructuring or rehabilitation. As of December 31, 2021, ₩220 billion or 0.1% of our total loans were in workout, restructuring or rehabilitation. This included ₩59 billion of loans to large corporate borrowers and ₩161 billion of loans to small- and medium-sized enterprises.

Provisioning Policy

Under IFRS 9 *Financial Instruments*, or IFRS 9, we establish allowances for credit losses based on expected credit losses instead of incurred losses by assessing changes in expected credit losses and recognizing such changes as impairment loss (or reversal of impairment loss) in profit or loss. According to three stages of credit risk deterioration since initial recognition under IFRS 9, the allowance required to be established with respect to a loan or receivable is (i) the amount of the expected 12-month credit loss for stage 1 loans or receivables and (ii) the expected lifetime credit loss for stages 2 and 3 loans or receivables.

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

We generally consider the following loans to be impaired loans:

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

We regularly evaluate the adequacy of the overall allowances for loan losses and we believe that the allowances for loan losses reflect our best estimate of probable loan losses as of each balance sheet date.

Non-Performing Loans

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

The following table shows, as of the dates indicated, certain details of our total non-performing loan portfolio:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	(in billions of Won, except percentages)	
Total non-performing loans	₩1,108	₩1,458
As a percentage of total loans	0.3%	0.4%

Analysis of Non-Performing Loans

The following table sets forth, as of the dates indicated, our total non-performing loans by type of borrower:

	As of December 31,			
	2020		2021	
	Amount (in billions of Won, except percentages)	%	Amount	%
Domestic:				
Corporate				
Small- and medium sized enterprise	₩ 162	14.6%	₩ 102	7.0%
Large corporate	41	3.7	100	6.9
Total corporate	203	18.3	202	13.9
Retail				
Mortgage and home equity	136	12.3	102	7.0
Other consumer	170	15.3	157	10.8
Total retail	306	27.6	259	17.8
Credit cards	104	9.4	97	6.7
Total domestic	613	55.3	558	38.4
Foreign:	495	44.7	900	61.6
Total non-performing loans	<u>₩1,108</u>	<u>100.0%</u>	<u>₩1,458</u>	<u>100.0%</u>

Top 20 Non-Performing Loans

As of December 31, 2021, our 20 largest non-performing loans accounted for 26.1% of our total non-performing loan portfolio. The following table shows, as of December 31, 2021, certain information regarding our 20 largest non-performing loans:

	Industry	Gross Principal	Allowances for
		Outstanding	Loan Losses ⁽¹⁾
		(in billions of Won)	
Borrower A	Services	₩ 77	₩ 77
Borrower B	Others	64	64
Borrower C	Others	62	62
Borrower D	Services	24	8
Borrower E	Construction	23	23
Borrower F	Construction	22	22
Borrower G	Services	19	2
Borrower H	Manufacturing	17	8
Borrower I	Construction	10	10
Borrower J	Construction	10	10
Borrower K	Manufacturing	8	1
Borrower L	Services	6	4
Borrower M	Services	6	—
Borrower N	Public sector	6	—
Borrower O	Services	5	5
Borrower P	Services	5	—
Borrower Q	Others	4	2
Borrower R	Wholesale and retail	4	3
Borrower S	Wholesale and retail	4	4
Borrower T	Manufacturing	4	4
Total		<u>₩380</u>	<u>₩309</u>

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

Non-Performing Loan Strategy

One of our primary objectives is to prevent our loans from becoming non-performing. Through our corporate credit rating systems, we believe that we have reduced our risks relating to future non-performing loans. Our credit rating systems are designed to prevent our loan officers from extending new loans to borrowers with high credit risks based on the borrower's credit rating. Our early warning system is designed to bring any sudden increase in a borrower's credit risk to the attention of our loan officers, who then closely monitor such loans. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Credit Risk Management—Credit Review and Monitoring."

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

At the same time, we also initiate our non-performing loan management process, which begins with:

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

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

In addition, we use the services of our wholly-owned loan collection subsidiary, KB Credit Information Co., Ltd., which receives payments from recoveries made on charged-off loans and certain loans that are overdue for over three months (28 days on average in the case of credit card loans). KB Credit Information has approximately 133 employees, including legal experts and management employees. The fees that it receives are based on the amounts of non-performing and charged-off loans that are recovered. In 2019, 2020 and 2021, the amount recovered was ₩325 billion, ₩302 billion and ₩257 billion, respectively.

Methods for resolving non-performing loans include the following:

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

In addition, credit card loans that are in arrears for over 28 days on average are transferred to KB Credit Information for collection.

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

In addition to making efforts to collect on these non-performing loans, we also undertake measures to reduce the level of our non-performing loans, which include:

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

We generally expect to suffer a partial loss on loans that we sell or securitize, to the extent such sales and securitizations are recognized under IFRS as sale transactions.

Regulatory Reserve for Credit Losses

If our allowances for credit losses are deemed insufficient for regulatory purposes, we are required to compensate for the difference by recording a regulatory reserve for credit losses, which is segregated within our retained earnings. Regulatory reserve for credit losses are not available for distribution to shareholders as dividends. The level of regulatory reserve for credit losses required to be recorded is equal to the amount by which our allowances for credit losses under IFRS are less than the greater of (x) the amount of expected loss calculated using the internal ratings-based approach under Basel III and as approved by the Financial Supervisory Service and (y) the required amount of credit loss reserve calculated based on standards prescribed by the Financial Services Commission. As of December 31, 2021, our regulatory reserve for credit losses was ₩4,117 billion.

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

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

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

Loan Classifications	Corporate ⁽¹⁾	Consumer	Credit Card Balances ⁽²⁾	Credit Card Loans ⁽³⁾
Normal	0.85% or above	1% or above	1.1% or above	2.5% or above
Precautionary	7% or above	10% or above	40% or above	50% or above
Substandard	20% or above	20% or above	60% or above	65% or above
Doubtful	50% or above	55% or above	75% or above	75% or above
Estimated loss	100%	100%	100%	100%

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

⁽²⁾ Applicable for credit card balances from general purchases.

⁽³⁾ Applicable for cash advances, card loans and revolving credit card assets.

Loan Charge-Offs

Basic Principles

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

Loans To Be Charged Off

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

- loans for which collection is not foreseeable due to insolvency, bankruptcy, compulsory execution, disorganization, dissolution or the shutting down of the business of the debtor;
- loans for which collection is not foreseeable due to the death or disappearance of the debtor;
- loans for which expenses of collection exceed the collectable amount;
- loans on which collection is not possible through legal or any other means;
- payments in arrears in respect of credit cards that have been overdue for a period of six months or more and have been classified as expected loss (excluding instances where there has been partial payment of

the overdue balance, where a related balance is not overdue or where a charge off is not possible due to Korean regulations); and

- the portion of loans classified as “estimated loss,” net of any recovery from collateral, which is deemed to be uncollectible.

Procedure for Charge-off Approval

In order to charge off corporate loans, an application for a charge-off must be submitted to Kookmin Bank’s Credit Management Department promptly after the corporate loan is classified as estimated loss or deemed uncollectible. The Credit Management Department refers the charge-off application to Kookmin Bank’s Channel Audit Department for their review to ensure compliance with our internal procedures for charge-offs. Then, the Credit Management Department, after reviewing the application to confirm that it meets relevant requirements, seeks an approval from the Financial Supervisory Service for our charge-offs, which is typically granted. Once we receive approval from the Financial Supervisory Service, we must also obtain approval from our senior management to charge off those loans.

With respect to credit card balances and unsecured retail loans, we follow a different process to determine which credit card balances and unsecured retail loans should be charged off, based on the length of time those loans or balances are past due. We charge off unsecured retail loans deemed to be uncollectible and credit card balances which have been overdue for a period of six months or more or which have been deemed to be uncollectible under IFRS.

Treatment of Loans Charged Off

Once loans are charged off, we classify them as charged-off loans and remove them from our balance sheet. These loans are managed based on a different set of procedures. We continue our collection efforts in respect of these loans, including through our subsidiary, KB Credit Information, although loans may be charged off before we begin collection efforts in some circumstances.

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

Net Charge-Offs

The following table presents our net charge-offs for each of the years indicated:

	For the Year Ended December 31,								
	2019			2020			2021		
	Average Loans	Net Charge- Offs	Net Charge- Offs/ Average Loans	Average Loans	Net Charge- Offs	Net Charge- Offs/ Average Loans	Average Loans	Net Charge- Offs	Net Charge- Offs/Average Loans
(in billions of Won, except percentages)									
Domestic:									
Corporate									
Small- and medium sized									
enterprise	₩106,742	₩(41)	0.0%	₩121,376	₩ (9)	0.0%	₩129,410	₩(11)	0.0%
Large corporate	34,858	148	0.4	37,132	102	0.3	39,458	100	0.3
Total corporate	141,600	107	0.1	158,508	93	0.1	168,868	89	0.1
Retail									
Mortgage and home equity ..	103,085	2	0.0	110,447	(3)	0.0	116,102	(28)	0.0
Other consumer	58,514	318	0.5	64,220	328	0.5	71,587	234	0.3
Total retail	161,599	320	0.2	174,667	325	0.2	187,689	206	0.1
Credit cards	17,949	371	2.1	18,586	366	2.0	19,923	289	1.5
Total domestic	321,148	798	0.2	351,761	784	0.2	376,480	584	0.2
Foreign:	6,599	—	0.0	14,683	121	0.8	22,580	120	0.5
Total	<u>₩327,747</u>	<u>₩798</u>	0.2%	<u>₩366,444</u>	<u>₩905</u>	0.2%	<u>₩399,060</u>	<u>₩704</u>	0.2%

Investment Portfolio

Investment Policy

We invest in and trade Won-denominated and, to a lesser extent, foreign currency-denominated securities for our own account to:

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

We also invest in and trade such securities as part of the general account investments of our insurance subsidiaries that support their insurance policy liabilities. In making securities investments, we take into account a number of factors, including macroeconomic trends, industry analysis, credit evaluation and maturity in determining whether to make particular investments in securities.

Our investments in securities are also subject to a number of guidelines, including limitations prescribed under the Financial Holding Company Act and the Bank Act. Under these regulations, a bank holding company may not own (i) more than 5% of the total issued and outstanding shares of another finance-related company, (ii) any shares of its affiliates, other than its direct or indirect subsidiaries or (iii) any shares of a non-finance-related company. In addition, Kookmin Bank must limit its investments in equity securities and debt securities with a redemption period of over three years (other than government bonds, the Monetary Stabilization Bonds issued by the Bank of Korea, among others) to 100.0% of its total Tier I and Tier II capital amount (less any capital deductions). Generally, Kookmin Bank is also prohibited from acquiring more than 15.0% of the shares with voting rights issued by any other corporation subject to certain exceptions. Pursuant to the Bank Act, a bank and its trust accounts are prohibited from acquiring the shares of a major shareholder (for the definition of

“major shareholder,” see “—Supervision and Regulation—Principal Regulations Applicable to Banks—Financial Exposure to Any Individual Customer and Major Shareholder”) of that bank in excess of an amount equal to 1% of the sum of the bank’s Tier I and Tier II capital (less any capital deductions). Further information on the regulatory environment governing our investment activities is set out in “—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Liquidity,” “—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Restrictions on Shareholdings in Other Companies,” “—Supervision and Regulation—Principal Regulations Applicable to Banks—Liquidity” and “—Supervision and Regulation—Principal Regulations Applicable to Banks—Restrictions on Shareholdings in Other Companies.”

The following table sets out the definitions of the three categories of securities we hold:

Category	Classification
Financial assets at fair value through profit or loss	Financial assets that are either classified as held for trading, designated by us at fair value through profit or loss upon initial recognition or required to be mandatorily measured at fair value through profit or loss.
Financial assets at fair value through other comprehensive income	Debt instruments held with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and are consistent with representing solely payments of principal and interest on the principal amount outstanding; or Equity instruments not held for trading with the objective of generating a profit from short-term fluctuations in price or dealers’ margin, designated as financial assets at fair value through other comprehensive income.
Financial assets at amortized cost	Financial assets held with a business model whose objective is to hold assets in order to collect contractual cash flows, and are consistent with representing solely payments of principal and interest on the principal amount outstanding.

We also hold limited balances of venture capital securities, non-marketable and restricted equity securities and derivative instruments.

Maturity Analysis

The following table categorizes our debt securities by maturity and weighted average yield as of December 31, 2021:

	Within 1 Year	Weighted Average Yield ⁽¹⁾	Over 1 But within 5 Years	Weighted Average Yield ⁽¹⁾	Over 5 But within 10 Years	Weighted Average Yield ⁽¹⁾	Over 10 Years	Weighted Average Yield ⁽¹⁾	Total	Weighted Average Yield ⁽¹⁾
(in billions of Won, except percentages)										
Financial assets at fair value through other comprehensive income:										
Korean treasury securities and government agencies	₩ 859	1.47%	₩ 5,427	1.85%	₩ 1,098	2.52%	₩ 6,933	2.04%	₩ 14,317	1.97%
Debt securities issued by financial institutions	8,491	1.22	12,847	1.47	383	2.64	208	3.23	21,929	1.41
Corporate debt securities	2,545	2.17	12,786	1.93	1,971	2.92	1,684	3.04	18,986	2.17
Asset-backed securities	646	1.30	280	1.95	31	2.75	39	1.74	996	1.55
Total	₩12,541	1.44%	₩31,340	1.73%	₩ 3,483	2.76%	₩ 8,864	2.26%	₩ 56,228	1.81%
Financial assets at amortized cost:										
Korean treasury securities and government agencies	₩ 295	2.96%	₩ 5,007	1.61%	₩ 7,613	3.48%	₩ 8,533	1.93%	₩ 21,448	2.42%
Debt securities issued by financial institutions	745	1.89	2,410	2.37	274	6.47	422	4.30	3,851	2.78
Corporate debt securities	680	2.57	5,084	2.05	2,279	2.07	4,203	2.96	12,246	2.39
Asset-backed securities	652	2.20	3,294	1.85	2,827	1.91	127	2.41	6,900	1.92
Total	₩ 2,372	2.30%	₩15,795	1.92%	₩12,993	2.95%	₩13,285	2.33%	₩ 44,445	2.37%
Total	₩14,913	1.58%	₩47,135	1.79%	₩16,476	2.91%	₩22,149	2.30%	₩100,673	2.06%

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

Funding

We obtain funding for our lending activities from a variety of sources, both domestic and foreign. Our principal source of funding is customer deposits. In addition, we acquire funding through long-term borrowings (comprising debentures and borrowings), short-term borrowings, including borrowings from the Bank of Korea, and call money.

Our primary funding strategy has been to achieve low-cost funding by increasing the average balances of low-cost retail deposits, in particular demand deposits and time deposits. We also have focused our marketing efforts on higher net worth individuals, who account for a significant portion of the assets in our retail deposit base. Customer deposits accounted for 75.0% of total funding as of December 31, 2020 and 74.9% of total funding as of December 31, 2021.

Our borrowings consist of issuances of debentures and borrowings from financial institutions, the Korean government and government-affiliated funds. The majority of our borrowings is long-term, with maturities ranging from one year to 30 years.

Deposits

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

The following table shows the average balances of our deposits and the average rates paid on our deposits for the periods indicated:

	2019		2020		2021	
	Average Balance ⁽¹⁾	Average Rate Paid	Average Balance ⁽¹⁾	Average Rate Paid	Average Balance ⁽¹⁾	Average Rate Paid
(in billions of Won, except percentages)						
Demand deposits:						
Non-interest bearing	₩ 3,942	—	₩ 4,533	—	₩ 5,263	—
Interest bearing	122,519	0.30%	149,141	0.18%	180,936	0.15%
Time deposits	155,762	1.94	166,275	1.56	158,795	1.20
Certificates of deposit	4,781	1.95	3,636	1.38	3,618	0.86
Average total deposits	<u>₩287,004</u>	<u>1.23%</u>	<u>₩323,585</u>	<u>0.91%</u>	<u>₩348,612</u>	<u>0.65%</u>

⁽¹⁾ Average balances are based on daily balances for our banking, credit card and securities operations and monthly or quarterly balances for our other operations.

For a description of our retail deposit products, see “—Business—Retail Banking—Deposit-Taking Activities.”

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

Our total uninsured deposits, including uninsured deposits at our foreign subsidiaries, amounted to ₩313,969 billion and ₩343,002 billion as of December 31, 2020 and 2021, respectively.

Uninsured Time Deposits

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

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

Supervision and Regulation

Principal Regulations Applicable to Financial Holding Companies

General

The Financial Holding Company Act, last amended on April 20, 2021, regulates Korean financial holding companies and their subsidiaries. The entities that regulate and supervise Korean financial holding companies and their subsidiaries are the Financial Services Commission and the Financial Supervisory Service.

The Financial Services Commission exerts direct control over financial holding companies pursuant to the Financial Holding Company Act. Among other things, the Financial Services Commission approves the establishment of financial holding companies, issues regulations on the capital adequacy of financial holding companies and their subsidiaries, and drafts regulations relating to the supervision of financial holding companies.

Following the instructions and directives of the Financial Services Commission, the Financial Supervisory Service supervises and examines financial holding companies and their subsidiaries. In particular, the Financial Supervisory Service sets requirements relating to Korean financial holding companies' liquidity and capital adequacy ratios and establishes reporting requirements within the authority delegated under the Financial Services Commission regulations. Financial holding companies must submit quarterly reports to the Financial Supervisory Service discussing business performance, financial status and other matters identified in the Enforcement Decree of the Financial Holding Company Act.

Under the Financial Holding Company Act, a financial holding company is a company which primarily engages in controlling its subsidiaries by holding equity stakes in them equal in aggregate to at least 50% of the financial holding company's aggregate assets based on its balance sheet as of the end of the immediately preceding fiscal year. A company is required to obtain approval from the Financial Services Commission to become a financial holding company.

A financial holding company may engage only in controlling the management of its subsidiaries, as well as certain ancillary activities including:

- financially supporting its direct and indirect subsidiaries;
- raising capital necessary for investment in its subsidiaries or providing financial support to its direct and indirect subsidiaries;
- supporting the business of its direct and indirect subsidiaries, including the development and marketing of financial products;
- providing data processing, legal, accounting and other resources and services that have been commissioned by its direct and indirect subsidiaries so as to support their operations; and
- any other businesses exempted from authorization, permission or approval under the applicable laws and regulations.

The Financial Holding Company Act requires every financial holding company (other than a financial holding company that is controlled by another financial holding company) and its subsidiaries to obtain prior approval from the Financial Services Commission before acquiring control of another company or to file a report with the Financial Services Commission within 30 days thereafter in certain cases (including acquiring control of another company whose assets are less than ₩100 billion as of the end of the immediately preceding fiscal year). In addition, the Financial Services Commission must grant permission to liquidate or to merge with any other company before the liquidation or merger. A financial holding company must report to the Financial Services Commission when certain events, including the following, occur:

- when the largest shareholder changes;

- in the case of a bank holding company, when a major investor changes;
- when the shareholding of the controlling shareholder (i.e., the “largest shareholder” or a “principal shareholder,” each as defined in the Financial Holding Company Act) or a person who has a “special relationship” with such controlling shareholder (as defined in the Enforcement Decree of the Financial Holding Company Act) changes by 1% or more of the total issued and outstanding voting shares of the financial holding company;
- when it changes its corporate name;
- when there is a cause for its dissolution; and
- when it or its subsidiaries cease to control any of their respective direct or indirect subsidiaries by disposing of their shares of such direct or indirect subsidiary.

Capital Adequacy

The Financial Holding Company Act does not provide for a minimum paid-in capital requirement related to financial holding companies. However, all financial holding companies are required to maintain a specified level of solvency. In addition, with respect to the allocation of net profit earned in a fiscal term, a financial holding company must set aside in its legal reserve an amount equal to at least 10% of its net income after tax each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital.

A bank holding company, which is a financial holding company controlling banks or other financial institutions conducting banking business as prescribed in the Financial Holding Company Act, is required to maintain a total minimum consolidated capital adequacy ratio of 11.5% (including applicable additional capital buffers and requirements as described below) as of January 1, 2019. “Consolidated capital adequacy ratio” is defined as the ratio of equity capital as a percentage of risk-weighted assets on a consolidated basis, determined in accordance with the Financial Services Commission requirements that have been formulated based on Bank of International Settlements (or BIS) standards. “Equity capital,” as applicable to bank holding companies, is defined as the sum of common equity Tier I capital, additional Tier I capital and Tier II capital less any deductible items, each as defined under the Regulation on the Supervision of Financial Holding Companies. “Risk-weighted assets” is defined as the sum of credit risk-weighted assets and market risk-weighted assets.

Pursuant to regulations promulgated by the Financial Services Commission commencing in 2013 to implement Basel III, Korean bank holding companies were required to maintain a minimum ratio of common equity Tier I capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. The amended regulations also require an additional capital conservation buffer of 2.5% from January 2019, as well as a potential counter-cyclical capital buffer of up to 2.5%, which is determined on a quarterly basis by the Financial Services Commission. Furthermore, we and Kookmin Bank were each designated as a domestic systemically important bank holding company and a domestic systemically important bank, respectively, for 2021 by the Financial Services Commission and were subject to an additional capital requirement of 1.0% in 2021. In July 2021, we and Kookmin Bank were each again designated as a domestic systemically important bank holding company and a domestic systemically important bank, respectively, for 2022, which would again subject us to an additional capital requirement of 1.0% in 2022. All such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets set forth above.

Liquidity

All financial holding companies are required to match the maturities of their assets and liabilities on a non-consolidated basis in accordance with the Financial Holding Company Act in order to ensure liquidity. Financial holding companies must:

- maintain a Won liquidity ratio (defined as Won assets due within one month, including marketable securities, divided by Won liabilities due within one month) of not less than 100% on a non-consolidated basis;
- maintain a foreign currency liquidity ratio (defined as foreign currency liquid assets due within three months divided by foreign currency liabilities due within three months) of not less than 80% on a non-consolidated basis (except that such requirement is not applicable to a financial holding company whose foreign currency liabilities constitute less than 1% of its total assets);
- maintain a ratio of foreign currency liquid assets due within seven days less foreign currency liabilities due within seven days as a percentage of total foreign currency assets of not less than 0% on a non-consolidated basis (except that such requirement is not applicable to a financial holding company whose foreign currency liabilities constitute less than 1% of its total assets);
- maintain a ratio of foreign currency liquid assets due within a month less foreign currency liabilities due within a month as a percentage of total foreign currency assets of not less than negative 10% on a non-consolidated basis (except that such requirement is not applicable to a financial holding company whose foreign currency liabilities constitute less than 1% of its total assets); and
- make quarterly reports regarding their Won liquidity and foreign currency liquidity to the Financial Supervisory Service.

Financial Exposure to Any Individual Customer and Major Investor

Subject to certain exceptions, the aggregate credit (as defined in the Financial Holding Company Act, the Bank Act, the Financial Investment Services and Capital Markets Act, the Insurance Business Act, the Mutual Savings Bank Act and the Specialized Credit Financial Business Act, respectively) of a financial holding company and its direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies, savings banks or specialized credit financial business companies (which we refer to as “Financial Holding Company Total Credit”) to a single group of companies that belong to the same conglomerate as defined in the Monopoly Regulations and Fair Trade Act will not be permitted to exceed 25% of net aggregate equity capital (as defined below).

“Net aggregate equity capital” is defined under the Enforcement Decree of the Financial Holding Company Act as the sum of:

- (1) in case of a financial holding company, the capital amount as defined in Article 24-3(7), Item 2 of the Enforcement Decree of the Financial Holding Company Act;
- (2) in case of a bank, the capital amount as defined in Article 2(1), Item 5 of the Bank Act;
- (3) in case of a merchant bank, the capital amount as defined in Article 342(1) of the Financial Investment Services and Capital Markets Act; and
- (4) in case of a financial investment company, the capital amount as defined in Article 37(3) of the Enforcement Decree of the Financial Investment Services and Capital Markets Act;
- (5) in case of an insurance company, the capital amount as defined in Article 2, Item 15 of the Insurance Business Act;
- (6) in case of a savings bank, the capital amount as defined in Article 2, Item 4 of the Mutual Savings Bank Act; and

- (7) in case of a specialized credit financial business company, the capital amount as defined in Article 2, Item 19 of the Specialized Credit Financial Business Act;

less the sum of:

- (1) the amount of shares of direct and indirect subsidiaries held by the financial holding company;
- (2) the amount of shares that are cross-held by each direct and indirect subsidiary that is a bank, merchant bank, financial investment company, insurance company, savings bank or specialized credit financial business company; and
- (3) the amount of shares of a financial holding company held by such direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies, savings banks or specialized credit financial business companies.

The Financial Holding Company Total Credit to a single individual or judicial person may not exceed 20% of the net aggregate equity capital. In addition, the Financial Holding Company Total Credit to a shareholder holding (together with the persons who have a “special relationship” with the shareholder, as defined in the Enforcement Decree of the Financial Holding Company Act) in aggregate more than 10% of the total issued and outstanding voting shares of a financial holding company generally may not exceed the lesser of (x) 25% of the net aggregate equity capital and (y) the amount of the equity capital of the financial holding company multiplied by the shareholding ratio of the shareholder (together with the persons who have a special relationship with the shareholder).

Further, the total sum of credits (as defined in the Financial Holding Company Act, the Bank Act, the Financial Investment Services and Capital Markets Act, the Insurance Business Act, the Mutual Savings Bank Act and the Specialized Credit Financial Business Act, respectively) of a bank holding company and its direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies, savings banks or specialized credit financial business companies as applicable (“Bank Holding Company Total Credit”) extended to a “major investor” (as defined below) (together with the persons who have a special relationship with that major investor) will not be permitted to exceed the lesser of (x) 25% of the net aggregate equity capital and (y) the amount of the equity capital of the bank holding company multiplied by the shareholding ratio of the major investor, except for certain cases.

“Major investor” is defined as:

- a shareholder holding (together with persons who have a special relationship with that shareholder) in excess of 10% (or in the case of a bank holding company controlling regional banks only, 15%) in the aggregate of the bank holding company’s total issued and outstanding voting shares; or
- a shareholder holding (together with persons who have a special relationship with that shareholder) more than 4% in the aggregate of the total issued and outstanding voting shares of the bank holding company controlling nationwide banks, where the shareholder is the largest shareholder or has actual control over the major business affairs of the bank holding company through, for example, appointment and dismissal of the officers pursuant to the Enforcement Decree of the Financial Holding Company Act.

In addition, the total sum of the Bank Holding Company Total Credit granted to all of a bank holding company’s major investor must not exceed 25% of the bank holding company’s net aggregate equity capital. Furthermore, any bank holding company that, together with its direct and indirect subsidiaries, intends to extend credit to the bank holding company’s major investor in an amount equal to or exceeding the lesser of (x) the amount equivalent to 0.1% of the net aggregate equity capital and (y) ₩5 billion, in any single transaction, must obtain prior unanimous board resolutions and then, immediately after providing the credit, must file a report to the Financial Services Commission and publicly disclose the filing of the report.

Restrictions on Transactions Among Direct and Indirect Subsidiaries and Financial Holding Company

Generally, a direct or indirect subsidiary of a financial holding company may not extend credits (excluding the amount of corporate credit card payments issued by a direct or indirect subsidiary of a financial holding company that is engaged in the banking business) to that financial holding company. In addition, a direct or indirect subsidiary of a financial holding company may not extend credits (excluding the amount of corporate credit card payments issued by a direct or indirect subsidiary of a financial holding company that is engaged in the banking business) to other direct or indirect subsidiaries of the financial holding company in excess of 10% of its capital amount on an individual basis or to those subsidiaries in excess of 20% of its capital amount on an aggregate basis. The subsidiary extending the credit must also obtain an adequate level of collateral depending on the type of such collateral from the other subsidiaries unless the credit is otherwise approved by the Financial Services Commission. The adequate level of collateral for each type of collateral is as follows:

- (1) for deposits and installment savings, obligations of the Korean government or the Bank of Korea, obligations guaranteed by the Korean government or the Bank of Korea, obligations secured by securities issued or guaranteed by the Korean government or the Bank of Korea, 100% of the credit extended;
- (2) for obligations of municipal governments under the Local Autonomy Act, local public enterprise under the Local Public Enterprises Act and investment institutions and other quasi-investment institutions under the Basic Act on the Management of Government-Invested Institution or for obligations guaranteed by, or secured by the securities issued or guaranteed by, the aforementioned entities pursuant to the relevant regulations, 110% of the credit extended; and
- (3) for any property other than those set forth in paragraphs (1) and (2) above, 130% of the credit extended.

Subject to certain exceptions, a direct or indirect subsidiary of a financial holding company is prohibited from owning the shares of any other direct or indirect subsidiaries (other than those directly controlled by that direct or indirect subsidiary) under the common control of the financial holding company.

Subject to certain exceptions, a direct or indirect subsidiary of a financial holding company is also prohibited from owning the shares of the financial holding company controlling that direct or indirect subsidiary. The transfer of certain assets classified as precautionary or below between a financial holding company and its direct or indirect subsidiary or between the direct and indirect subsidiaries of a financial holding company is prohibited except for:

- (1) transfers to a special purpose company, or entrustment with a trust company, for an asset-backed securitization transaction under the Asset-Backed Securitization Act;
- (2) transfers to a mortgage-backed securities issuance company for a mortgage securitization transaction;
- (3) transfers or in-kind contributions to a corporate restructuring vehicle under the Corporate Restructuring Investment Companies Act; and
- (4) transfers to a corporate restructuring company under the Industry Promotion Act.

Disclosure of Management Performance

For the purpose of protecting the depositors and investors in the subsidiaries of financial holding companies, the Financial Services Commission requires financial holding companies to disclose certain material matters including:

- (1) financial condition and profit and loss of the financial holding company and its direct and indirect subsidiaries;
- (2) fund-raising by the financial holding company and its direct and indirect subsidiaries and the appropriation of such funds;

- (3) any sanctions levied on the financial holding company and its direct and indirect subsidiaries under the Financial Holding Company Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry; and
- (4) occurrence of any non-performing assets or financial incident that may have a material adverse effect, or any other event as prescribed in the applicable regulations.

Restrictions on Shareholdings in Other Companies

Generally, a financial holding company may not own (i) more than 5% of the total issued and outstanding shares of another finance-related company, (ii) any shares of its affiliates, other than its direct or indirect subsidiaries or (iii) any shares of a non-finance-related company.

Restrictions on Shareholdings by Direct and Indirect Subsidiaries

Generally, a direct subsidiary of a financial holding company may not control any other company other than, as an indirect subsidiary of the financial holding company:

- financial institutions established in foreign jurisdictions;
- certain financial institutions which are engaged in any business that the direct subsidiary may conduct without any licenses or permits;
- certain financial institutions whose business is related to the business of the direct subsidiary as described by the Enforcement Decree of the Financial Holding Company Act (for example, a bank subsidiary may control only credit information companies, credit card companies and financial investment companies with a dealing, brokerage, collective investment, investment advice, discretionary investment management and/or trust license);
- certain financial institutions whose business is related to the financial business as prescribed by the regulations of the Ministry of Economy and Finance; and
- certain companies which are not financial institutions but whose business is related to the financial business of the financial holding company as prescribed by the Enforcement Decree of the Financial Holding Company Act (for example, a finance-related research company or a finance-related information technology company).

Acquisition of such indirect subsidiaries by direct subsidiaries of a financial holding company requires prior permission from the Financial Services Commission or the submission of a report to the Financial Services Commission, depending on the types of the indirect subsidiaries and the amount of total assets of the indirect subsidiaries.

Subject to certain exceptions, an indirect subsidiary of a financial holding company may not control any other company. If an indirect subsidiary of a financial holding company had control over another company at the time it became such an indirect subsidiary, the indirect subsidiary is required to dispose of its interest in the other company within two years from such time.

Restrictions on Transactions between a Bank Holding Company and its Major Investor

A bank holding company and its direct and indirect subsidiaries may not acquire (including through their respective trust accounts) shares issued by the bank holding company's major investor in excess of 1% of the net aggregate equity capital (as defined above). In addition, if those entities intend to acquire shares issued by that major investor in any single transaction equal to or exceeding the lesser of (x) the amount equivalent to 0.1% of the net aggregate equity capital and (y) ₩5 billion, that entity must obtain prior unanimous board resolutions and then, immediately after the acquisition, file a report to the Financial Services Commission and publicly disclose the filing of the report.

Restrictions on Ownership of a Financial Holding Company

Under the Financial Holding Company Act, a financial institution generally may not control a financial holding company. In addition, any single shareholder and persons who have a special relationship with that shareholder may acquire beneficial ownership of up to 10% of the total issued and outstanding shares with voting rights of a bank holding company that controls nationwide banks or 15% of the total issued and outstanding shares with voting rights of a bank holding company that controls only regional banks, subject to certain exceptions. Among others, the Korean government and the Korea Deposit Insurance Corporation are not subject to this limit. “Non-financial business group companies” (as defined below), however, may not acquire the beneficial ownership of shares of a bank holding company controlling nationwide banks in excess of 4% of that bank holding company’s outstanding voting shares unless they obtain the approval of the Financial Services Commission and agree not to exercise voting rights in respect of shares in excess of the 4% limit, in which case they may acquire beneficial ownership of up to 10%. Any other person (whether a Korean national or a foreign investor) may acquire no more than 10% of total voting shares issued and outstanding of a bank holding company controlling nationwide banks unless they obtain approval from the Financial Services Commission in each instance where the total holding will exceed 10% (or 15% in the case of a bank holding company controlling only regional banks), 25% or 33% of the total voting shares issued and outstanding of that bank holding company controlling nationwide banks.

Furthermore, in the case where a person (including Korean and foreign investors, but excluding certain persons prescribed under the Enforcement Decree of the Financial Holding Company Act) (i) acquires in excess of 4% of the total issued and outstanding voting shares of any bank holding company (other than a bank holding company controlling only regional banks), (ii) becomes the largest shareholder of such bank holding company in which such person has acquired in excess of 4% of the total issued and outstanding voting shares, (iii) changes its shareholding in such bank holding company, in which it has acquired in excess of 4% of the total issued and outstanding voting shares, by 1% or more of the total issued and outstanding voting shares of such bank holding company or (iv) is a private equity fund or an investment purpose company holding in excess of 4% of the total outstanding voting shares of a bank holding company and changes its members or shareholders, such person must file a report on such change with the Financial Services Commission (x) in case of (i) and (iii), by the last day of the month immediately following the month in which such change occurred, or (y) in case of (ii) and (iv), within ten days after the end of the month in which such change occurred.

“Non-financial business group companies” as defined under the Financial Holding Company Act include:

- (1) any same shareholder group where the aggregate net assets of all non-financial business companies belonging to that group equals or exceeds 25% of the aggregate net assets of all members of that group;
- (2) any same shareholder group where the aggregate assets of all non-financial business companies belonging to that group equals or exceeds ₩2 trillion;
- (3) any mutual fund where a same shareholder group identified in (1) or (2) above beneficially owns and/or exercises the voting rights of more than 4% of the total issued and outstanding voting shares of that mutual fund;
- (4) any private equity fund (a) where a person falling under any of items (1) through (3) above is a limited partner holding not less than 10% of the total amount of contributions to the private equity fund, or (b) where a person falling under any of items (1) through (3) above is a general partner, or (c) where the total equity of the private equity fund acquired by each affiliate belonging to several enterprise groups subject to the limitation on mutual investment is 30% or more of the total amount of contributions to the private equity fund; or
- (5) the investment purpose company concerned, where a private equity fund falling under item (4) above acquires or holds stocks in excess of 4% of the stock or equity of such company or exercises *de facto* control over significant managerial matters of such company through appointment or dismissal of executives or in any other manner.

Sharing of Customer Information among Financial Holding Company and its Subsidiaries

Under the Act on Use and Protection of Credit Information, any individual customer's credit information may be disclosed only after obtaining written consent to use that information. In addition, under the Act on Real Name Financial Transactions and Confidentiality, an individual working at a financial institution may not provide or reveal information or data concerning the contents of financial transactions to other persons unless such individual receives a request or consent in writing from the holder of a title deed, except under certain exceptions stipulated in the Act. Under the Financial Holding Company Act, a financial holding company and its direct and indirect subsidiaries, however, may share certain credit information of individual customers among themselves for internal management purposes outlined in the Enforcement Decree of the Financial Holding Company Act (such as credit risk management, internal control and customer analysis), without the customers' written consent, subject to the methods and procedures for provision of such information set forth therein. A subsidiary financial investment company with a dealing and/or brokerage license of a financial holding company may provide that financial holding company and its other direct and indirect subsidiaries information relating to the aggregate amount of cash or securities that a customer of the financial investment company with a dealing and/or brokerage license has deposited, for internal management purposes outlined in the Enforcement Decree of the Financial Holding Company Act, subject to the methods and procedures for provision of such information set forth therein. Certain amendments to the Financial Holding Company Act, which became effective on November 29, 2014, limit the scope of credit information that may be shared without the customers' prior consent and require certain procedures for provision of customer information as prescribed by the Financial Services Commission. Beginning on November 29, 2014, notice must be given to customers at least once a year regarding (i) the provider of customer information, (ii) the recipient of customer information, (iii) the purpose of providing the information and (iv) the categories of the information provided.

Principal Regulations Applicable to Banks

The banking system in Korea is governed by the Bank Act and the Bank of Korea Act of 1950, as amended (the "Bank of Korea Act"). In addition, Korean banks are subject to the regulations and supervision of the Bank of Korea, the Monetary Policy Board of the Bank of Korea, the Financial Services Commission and its executive body, the Financial Supervisory Service.

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

Under the Bank of Korea Act, the Monetary Policy Board's primary responsibilities are to formulate monetary and credit policies and to determine the operations, management and administration of the Bank of Korea.

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

The Financial Supervisory Service, established in January 1999, is subject to the instructions and directives of the Financial Services Commission and carries out supervision and examination of commercial banks. In particular, the Financial Supervisory Service sets requirements both for the prudent control of liquidity and for capital adequacy and establishes reporting requirements pursuant to the authority delegated to it under the Financial Services Commission regulations, pursuant to which banks are required to submit annual reports on

financial performance and shareholdings, regular reports on management strategy and non-performing loans, including write-offs, and management of problem companies and plans for the settlement of bad loans.

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

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

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

Capital Adequacy

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

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

and other capital securities which meet the standards prescribed by the governor of the Financial Supervisory Service under Article 26(2) of the Regulation on the Supervision of the Banking Business.

All banks must meet minimum ratios of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets, determined in accordance with Financial Services Commission requirements that have been formulated based on BIS standards. These requirements were adopted and became effective in 1996, and were amended effective January 1, 2008 upon the implementation by the Financial Supervisory Service of Basel II. Under such requirements, all domestic banks and foreign bank branches are required to meet a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets. Commencing in July 2013, the Financial Services Commission promulgated a series of amended regulations implementing Basel III, pursuant to which Korean banks and bank holding companies were required to maintain a minimum ratio of common equity Tier I capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. The amended regulations also require an additional capital conservation buffer of 2.5% from January 2019, as well as a potential counter-cyclical capital buffer of up to 2.5%, which is determined on a quarterly basis by the Financial Services Commission. Furthermore, we and Kookmin Bank were each designated as a domestic systemically important bank holding company and a domestic systemically important bank, respectively, for 2021 by the Financial Services Commission and were subject to an additional capital requirement of 1.0% in 2021. In July 2021, we and Kookmin Bank were each again designated as a domestic systemically important bank holding company and a domestic systemically important bank, respectively, for 2022, which would again subject us to an additional capital requirement of 1.0% in 2022. All such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets set forth above.

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

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

Liquidity

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

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

In April 2020, in order to encourage financial institutions to provide financial support to companies adversely affected by COVID-19, the Financial Services Commission announced that it would temporarily lower

the required liquidity coverage ratio to 85%, and the required foreign currency liquidity coverage ratio to 70%. Following a series of extensions, the Financial Services Commission announced in March 2022 that a phase-out of measures to lower the liquidity coverage ratio will begin in June 2022 and end by July 2023, with measures to lower the foreign currency liquidity coverage ratio to be completely phased out by June 2022.

The Monetary Policy Board of the Bank of Korea is empowered to fix and alter minimum reserve requirements that banks must maintain against their deposit liabilities. The current minimum reserve ratios are:

- 7% of average balances for Won currency demand deposits outstanding;
- 0% of average balances for Won currency employee asset establishment savings deposits, employee long-term savings deposits, employee house purchase savings deposits, long-term house purchase savings deposits, household long-term savings deposits and employee preferential savings deposits outstanding (with respect to employee-related deposits and household long-term savings deposits, only if such deposits were made prior to February 28, 2013); and
- 2% of average balances for Won currency time deposits, installment savings deposits, mutual installments, housing installments and certificates of deposit outstanding.

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

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

Net Stable Funding Ratio and Leverage Ratio Requirements

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

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

Financial Exposure to Any Individual Customer or Major Shareholder

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

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

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

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

Interest Rates

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

Lending to Small- and Medium-sized Enterprises

In order to obtain funding from the Bank of Korea at concessionary rates for their small- and medium-sized enterprise loans, banks are required to allocate a certain minimum percentage of any quarterly increase in their Won currency lending to small- and medium-sized enterprises. Currently, this minimum percentage is 45% in the

case of nationwide banks and 60% in the case of regional banks. If a bank does not comply with this requirement, the Bank of Korea may:

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

Disclosure of Management Performance

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

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

Restrictions on Lending

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

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

Regulations Relating to Retail Household Loans

The Financial Services Commission has implemented a number of changes in recent years to the regulations relating to retail household lending by banks. Under the currently applicable regulations:

- as to loans secured by housing (including apartments) located nationwide, the loan-to-value ratio (the aggregate principal amount of loans secured by such collateral over the appraised value of the collateral) should not exceed 70%;
- as to loans secured by housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the government, where the price does not exceed ₩900 million (based on the evaluation data of a certified rating institution, for which the detailed standards shall be as determined by the director of the Financial Supervisory Service), the loan-to-value ratio should not exceed 40%, except that such maximum loan-to-value ratio shall be 50% for low-income households that (i) have an annual income of less than ₩80 million (or ₩90 million for first-home buyers), (ii) do not currently own any housing and (iii) are using the loan to purchase low-price housing valued at less than ₩600 million;
- as to any new loans secured by high-priced housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the government, where the price exceeds ₩900 million (based on the evaluation data of a certified rating institution, for which the detailed standards shall be as determined by the director of the Financial Supervisory Service), the loan-to-value ratio should not exceed 40% for the portion of such housing price not exceeding ₩900 million, and should not exceed 20% for the rest of the portion of such housing price exceeding ₩900 million, and no new loans shall be made available for any high-priced housing (including apartments) located in areas of excessive investment or high speculation, where the price exceeds ₩1.5 billion;
- as to any new loans secured by housing (including apartments) located nationwide to be extended to a household that already owns one or more houses, the maximum loan-to-value ratio must be adjusted to 10% lower than the applicable loan-to-value ratio described above;
- any new loans secured by housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the government, extended to a household that already owns one or more houses are not permitted unless otherwise specified by the applicable regulations;
- as to loans secured by housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the government, the borrower's debt-to-income ratio (calculated as (1) the aggregate annual total payment amount of (x) the principal of and interest on loans secured by such housing and existing mortgage and home equity loans and (y) the interest on other borrowings of the borrower over (2) the borrower's annual income) should not exceed 40%, except that such maximum debt-to-income ratio is 50% for low-income households that (i) have an annual income of less than ₩80 million (or ₩90 million for first-home buyers), (ii) do not currently own any housing and (iii) are using the loan to purchase low-price housing valued at less than ₩600 million;
- as to any new loans secured by apartments to be extended to a household that already owns one or more houses but plans to purchase additional houses located in an unregulated Seoul metropolitan area, the maximum debt-to-income ratio must be adjusted to 10% lower than the applicable debt-to-income ratio described above; and
- as to any new loans extended to a household that has already obtained a loan secured by high priced housing (including apartments) located in areas of excessive investment or high speculation, as designated by the government, the borrower's debt-service-ratio (calculated as (1) the aggregate annual total payment amount of the principal of and interest on financial liabilities, including the loans secured by such high-priced housing, divided by (2) the borrower's annual income) should not exceed 40% unless otherwise specified by the applicable regulations.

Restrictions on Investments in Property

A bank may not invest in the following securities in excess of 100% of the sum of the bank's Tier I and Tier II capital (less any capital deductions):

- debt securities (within the meaning of paragraph (3) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years, but excluding government bonds, monetary stabilization bonds issued by the Bank of Korea and bonds within the meaning of item 2, paragraph (6) of Article 11 of the Act on the Structural Improvement of the Financial Industry;
- equity securities, but excluding securities within the meaning of item 1, paragraph (6) of Article 11 of the Act on the Structural Improvement of the Financial Industry;
- derivatives-linked securities (within the meaning of paragraph (7) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years; and
- beneficiary certificates, investment contracts and depositary receipts (within the meaning of paragraph (2) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years.

A bank may possess real estate property only to the extent necessary to conduct its business. The aggregate value of such property may not exceed 60% of the sum of the bank's Tier I and Tier II capital (less any capital deductions). Any property that a bank acquires by exercising its rights as a secured party, or which a bank is prohibited from acquiring under the Bank Act, must be disposed of within three years, unless otherwise specified by the regulations thereunder.

Restrictions on Shareholdings in Other Companies

Under the Bank Act, a bank may not own more than 15% of the shares outstanding with voting rights of another corporation, except where, among other reasons:

- that corporation engages in a category of financial businesses set forth by the Financial Services Commission; or
- the acquisition of such shares by the bank is necessary for the corporate restructuring of such corporation and is approved by the Financial Services Commission.

In the above exceptional cases, the total investment in corporations in which the bank owns more than 15% of the outstanding shares with voting rights may not exceed (i) 20% of the sum of Tier I and Tier II capital (less any capital deductions) or (ii) 30% of the sum of Tier I and Tier II capital (less any capital deductions) where the acquisition satisfies the requirements determined by the Financial Services Commission.

The Bank Act provides that a bank using its bank accounts and its trust accounts is not permitted to acquire the equity securities issued by the major shareholder of such bank in excess of an amount equal to 1% of the sum of Tier I and Tier II capital (less any capital deductions).

Restrictions on Bank Ownership

Under the Bank Act, a single shareholder and persons who have a special relationship with that shareholder generally may acquire beneficial ownership of no more than 10% of a nationwide bank's total issued and outstanding shares with voting rights and no more than 15% of a regional bank's total issued and outstanding shares with voting rights. The Korean government, the Korea Deposit Insurance Corporation and bank holding companies qualifying under the Financial Holding Company Act are not subject to this limit. Pursuant to the Bank Act, non-financial business group companies may not acquire beneficial ownership of shares of a nationwide bank in excess of 4% (or 15% in the case of a regional bank) of that bank's outstanding voting shares,

unless they satisfy certain requirements set forth by the Enforcement Decree of the Bank Act, obtain the approval of the Financial Services Commission and agree not to exercise voting rights in respect of shares in excess of the 4% limit (or the 15% limit in the case of a regional bank), in which case they may acquire beneficial ownership of up to 10% of a nationwide bank's outstanding voting shares. The Bank Act grants an exception for non-financial business group companies which, at the time of the enactment of the amended provisions, held more than 4% of the shares of a bank.

In addition, if a foreign investor, as defined in the Foreign Investment Promotion Act, owns in excess of 4% of a nationwide bank's outstanding voting shares, non-financial business group companies may acquire beneficial ownership of up to 10% (or 15% in the case of a regional bank) of that bank's outstanding voting shares, and in excess of 10% (or 15% in the case of a regional bank), 25% or 33% of that bank's outstanding voting shares with the approval of the Financial Services Commission in each instance, up to the number of shares owned by the foreign investor. Any other person (whether a Korean national or a foreign investor), with the exception of non-financial business group companies described above, may acquire no more than 10% of a nationwide bank's total voting shares issued and outstanding, unless they obtain approval from the Financial Services Commission in each instance where the total holding will exceed 10% (or 15% in the case of regional banks), 25% or 33% of the bank's total voting shares issued and outstanding provided that, in addition to the foregoing threshold shareholding ratios, the Financial Services Commission may, at its discretion, designate a separate and additional threshold shareholding ratio.

Deposit Insurance System

The Depositor Protection Act provides insurance for certain deposits of banks in Korea through a deposit insurance system. Under the Depositor Protection Act, all banks governed by the Bank Act are required to pay an insurance premium to the Korea Deposit Insurance Corporation on a quarterly basis and the rate is determined under the Enforcement Decree to the Depositor Protection Act. If the Korea Deposit Insurance Corporation makes a payment on an insured amount, it will acquire the depositors' claims with respect to that payment amount. The Korea Deposit Insurance Corporation insures a maximum of ₩50 million per individual for deposits and interest in a single financial institution, regardless of when the deposits were made and the size of the deposits.

Restrictions on Foreign Exchange Position

Under the Foreign Exchange Transaction Act of Korea, each of a bank's net overpurchased and oversold positions may not exceed 50% of its shareholder's equity as of the end of the prior month.

Laws and Regulations Governing Other Business Activities

A bank must register with the Ministry of Economy and Finance to enter the foreign exchange business, which is governed by the Foreign Exchange Transaction Act of Korea. A bank must obtain the permission of the Financial Services Commission to enter the securities business, which is governed by regulations under the Financial Investment Services and Capital Markets Act. Under these laws, a bank may engage in the foreign exchange business, securities repurchase business, governmental/public bond underwriting business and governmental bond dealing business, among others.

Trust Business

A bank must obtain approval from the Financial Services Commission to engage in trust businesses. The Trust Act and the Financial Investment Services and Capital Markets Act govern the trust activities of banks, and they are subject to various legal and accounting procedures and requirements, including the following:

- under the Trust Act, assets accepted in trust by a bank in Korea must be segregated from other assets in the accounts of that bank; and

- depositors and other general creditors cannot obtain or assert claims against the assets comprising the trust accounts in the event the bank is liquidated or wound-up.

The bank must make a special reserve of 25% or more of fees from each unspecified money trust account for which a bank guarantees the principal amount and a fixed rate of interest until the total reserve for that account equals 5% of the trust amount.

Under the Financial Investment Services and Capital Markets Act, a bank with a trust business license (such as Kookmin Bank) is permitted to offer both specified money trust account products and unspecified money trust account products. However, pursuant to guidelines from regulatory authorities that discourage the sale of unspecified money trust account products, sales of such products have generally been suspended.

Credit Card Business

General

In order to enter the credit card business, a company must obtain a license from the Financial Services Commission. Credit card businesses are governed by the Specialized Credit Financial Business Act, which sets forth specific requirements with respect to the credit card business as well as generally prohibiting unsound business practices relating to the credit card business which may infringe on the rights of credit card holders or negatively affect the soundness of the credit card industry. Credit card companies, including our wholly-owned subsidiary, KB Kookmin Card Co., Ltd., are regulated by the Financial Services Commission and the Financial Supervisory Service.

Disclosure and Reports

Under the Specialized Credit Financial Business Act and the regulations thereunder, a credit card company is required to disclose on a periodic and on-going basis certain material matters and events. In addition, a credit card company must submit periodic reports with respect to its results of operations to the Governor of the Financial Supervisory Service, in accordance with the guidelines of the Financial Supervisory Service.

Restrictions on Funding

Under the Specialized Credit Financial Business Act and the regulations thereunder, a credit card company must ensure that its total assets do not exceed an amount equal to eight times its equity capital and that the ratio of its adjusted equity capital to its adjusted total assets is not less than 8.0%. However, if a credit card company is unable to comply with such limit upon the occurrence of unavoidable events, such as drastic changes in the domestic and global financial markets, such limit may be adjusted through a resolution of the Financial Services Commission.

Risk of Loss Due to Lost, Stolen, Forged or Altered Credit Cards

Under the Specialized Credit Financial Business Act, a credit card company is liable for any loss arising from the unauthorized use of credit cards or debit cards after it has received notice from the holder of the loss or theft of the card. A credit card company is also responsible for any losses resulting from the use of forged or altered credit cards, debit cards and pre-paid cards. A credit card company may, however, transfer all or part of this latter risk of loss to holders of credit card in the event of willful misconduct or gross negligence by holders of credit card if the terms and conditions of the agreement entered between the credit card company and members of such cards specifically provide for that transfer.

For these purposes, disclosure of a customer's password that is made intentionally or through gross negligence, or the transfer of or giving as collateral of the credit card or debit card, is considered willful

misconduct or gross negligence. However, a disclosure of a cardholder's password that is made under irresistible force or threat to cardholder or his/her relatives' life or health will not be deemed as willful misconduct or negligence of the cardholder.

Each credit card company must institute appropriate measures to fulfill these obligations, such as establishing provisions, purchasing insurance or joining a cooperative association.

Pursuant to the Enforcement Decree to Specialized Credit Financial Business Act, a credit card company will be liable for any losses arising from loss or theft of a credit card (which was not from the holder's willful misconduct or negligence) during the period beginning 60 days before the notice by the holder to the credit card company.

Pursuant to the Specialized Credit Financial Business Act, the Financial Services Commission may either restrict the limit or take other necessary measures against the credit card company with respect to such matters as the maximum limits on the amount per credit card, details of credit card terms and conditions, management of credit card merchants and collection of claims, including the following:

- maximum limits for cash advances on credit cards;
- use restrictions on debit cards with respect to per day or per transaction usage;
- aggregate issuance limits and maximum limits on the amount per card on pre-paid cards; and
- other matters prescribed by the Enforcement Decree to the Specialized Credit Financial Business Act.

Lending Ratio in Ancillary Business

Pursuant to the Enforcement Decree to the Specialized Credit Financial Business Act, a credit card company must maintain an aggregate quarterly average outstanding lending balance to credit cardholders (including cash advances and credit card loans, but excluding restructured loans) no greater than the sum of (i) its aggregate quarterly average outstanding credit card balance arising from the purchase of goods and services and (ii) the aggregate quarterly debit card transaction volume.

Issuance of New Cards and Solicitation of New Cardholders

The Enforcement Decree to the Specialized Credit Financial Business Act establishes the conditions under which a credit card company may issue new cards and solicit new members. New credit cards may be issued only to the following persons:

- persons who are at least 19 years old when they apply for a credit card;
- persons whose capability to pay bills as they come due has been verified using standards established by the credit card company; and
- in the case of minors who are 18 years old, persons who submit documents evidencing employment as of the date of the credit card application, such as an employment certificate, or persons for whom the issuance of a credit card is necessitated by governmental policies, such as financial aid.

In addition, a credit card company may not solicit credit card members by:

- providing economic benefits or promising to provide economic benefits in excess of 10% of the annual credit card fee (in the case of credit cards with annual fees that are less than the average of the annual fees charged by major credit cards in Korea, the annual fee will be deemed to be equal to such average annual fee) in connection with issuing a credit card; provided, however, that providing economic benefits or promising to provide economic benefits not exceeding the amount of the annual credit card fee to an applicant that becomes a credit card member through an online platform is permissible;

- soliciting applicants on roads, public places or along corridors used by the general public;
- soliciting applicants through visits, except those visits made upon prior consent and visits to a business area;
- soliciting applicants through the Internet without verifying whether the applicant is who he or she purports to be, by means of a digital signature (limited, however, to cases where it can be confirmed that the applicant is the person in question by using identifiable information) under the Digital Signature Act; and
- soliciting applicants through pyramid sales methods.

Compliance Rules on Collection of Receivable Claims

Pursuant to Supervisory Regulation on the Specialized Credit Financial Business, a credit card company may not:

- exert violence or threaten violence;
- inform a related party (a guarantor of the debtor, blood relative or fiancé(e) of the debtor, a person living in the same household as the debtor or a person working in the same workplace as the debtor) of the debtor's obligations without just cause;
- provide false information relating to the debtor's obligation to the debtor or his or her related parties;
- threaten to sue or sue the debtor for fraud despite lack of affirmative evidence to establish that the debtor has submitted forged or false documentation with respect to his or her ability to make payment;
- visit or telephone the debtor during late evening hours (between the hours of 9:00 p.m. and 8:00 a.m.); and
- utilize other uncustomary methods to collect the receivables that interfere with the privacy or the peace in the workplace of the debtor or his or her related parties.

Principal Regulations Applicable to Insurance Companies

General

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 Financial Services Commission, and such company is required to comply with the Insurance Business Act and the regulations thereunder. 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 methods of insurance solicitation; (v) the supervision of the insurance business; and (vi) the disciplinary actions for violation of the Insurance Business Act, which may include revocation of a license, imprisonment, suspension of operations, fines, surcharges and penalties.

The Financial Services Commission has the authority to oversee matters involving licenses necessary for, and supervision of, the operation of an insurance business. Pursuant to the Regulation on Supervision of Insurance Business and the Regulation on Corporate Governance of Financial Companies, the Financial Services Commission sets forth 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. The Financial Services Commission entrusts the Financial Supervisory Service with certain matters pursuant to the Regulation on Supervision of Insurance Business, as specified under the Detailed Enforcement Regulations on Insurance Supervision.

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 in excess of a certain percentage. In addition, an insurance company that offers and sells investment-type insurance products, such as variable insurance products, and manages assets under special accounts for variable insurance policies is deemed a financial investment company under the Financial Investment Services and Capital Markets Act. Such insurance company is subject to certain provisions under the Financial Investment Services and Capital Markets Act, 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. In addition, 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 Financial Supervisory Service or a foreign exchange bank and may be required to file periodic 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 an outgoing overseas payment; (d) a transaction that requires receipt of an overseas payment; and (e) any other transaction prescribed under the Foreign Exchange Transactions Act. Furthermore, an insurance company is required to comply with the Act on the Corporate Governance of Financial Companies.

Scope of Business of Insurance Companies

Under the Insurance Business Act, an insurance company is prohibited from concurrently operating a life insurance business and a non-life 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 insurance companies. However, limited cross-selling of life insurance and non-life insurance products by insurance sales agents working for life insurance or non-life insurance companies in Korea is permitted by the Financial Services Commission.

Upon approval by the Financial Services Commission, a life insurance company may operate (i) a life insurance business, (ii) a pension insurance (including retirement insurance) business and (iii) type three insurance businesses, while a non-life insurance company may operate (i) various types of non-life insurance businesses (including property, marine and cargo, automobile, guarantee, reinsurance and certain other enumerated non-life insurance as designated under the Enforcement Decree of the Insurance Business Act as well as liability insurance) and (ii) type three insurance businesses.

Both life insurance and non-life insurance companies may also operate certain financial businesses and incidental businesses designated under the Enforcement Decree of the Insurance Business Act.

Requirements Relating to Insurance Solicitation

The Insurance Business Act limits entities that 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 person or entity wishing to act as an insurance sales agent, insurance agency (including those of financial institutions) or insurance broker must register with the Financial Services Commission and report promptly to the Financial Services Commission the occurrence of certain changes prescribed under the Insurance Business Act.

Insurance brochures used for insurance solicitation must clearly specify the terms required under the Insurance Business Act in an easy-to-understand manner. Where an insurance company or any person engaging in insurance solicitation persuades an ordinary policyholder to enter into an insurance contract, it must explain to such ordinary policyholder about certain critical matters of the insurance contract prescribed by the Financial

Consumer Protection Act, including details of insurance products, insurance premiums (including mutual aid premiums), procedures for payment of insurance proceeds (including mutual aid) and grounds for restricting the payment and coverage scope in a manner the policyholder can easily understand.

Where an insurance company or any person engaging in insurance solicitation advertises an insurance product, it must include the details of such insurance product in such advertisement as prescribed under the Financial Consumer Protection Act and must not engage in any act which, among other things, may lead to a misunderstanding that such insurance product would provide a large amount of insurance proceeds by emphasizing selective terms and conditions of such product or introducing cases where a large amount of insurance proceeds were paid.

In connection with the execution or solicitation of an insurance contract, any person engaging in insurance solicitation must not engage in any act prohibited under the Insurance Business Act and the Financial Consumer Protection Act, including acts of providing a policyholder with false information regarding an insurance product and acts intended to interrupt or prevent a policyholder (including interested parties prescribed by the Enforcement Decree of the Financial Consumer Protection Act) from notifying an insurance company of an important matter relevant to an insurance policy.

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 documents for such insurance product. In addition, an insurance company is prohibited from entrusting any 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 Financial Consumer Protection Act also prescribe in detail certain practices that insurance agencies of financial institutions are restricted from engaging in, including, but not limited to:

- forcing entry into contracts on financial products against the will of the policyholder using a position of advantage; and
- including insurance premiums in loan transactions without the prior consent of the borrower.

The Insurance Business Act permits insurance sales agents working for life insurance companies to cross-sell non-life insurance products of one non-life insurance company, and insurance sales agents working for non-life insurance companies are correspondingly permitted to cross-sell the life insurance products of one life insurance company.

Capital Adequacy

Pursuant to the risk-based capital adequacy requirements implemented by the Financial Services Commission, insurance companies in Korea are required to maintain a statutory ratio of available regulatory capital to risk-weighted assets of not less than 100% on a consolidated basis (although a risk-based capital adequacy ratio of not less than 150% is still considered standard in the Korean insurance industry). Risk based capital adequacy requirements require insurance companies to hold adequate capital to cover their exposures to interest rate risk, market risk, credit risk and operational risk as well as insurance risk by reflecting such risks in their calculation of risk-weighted assets. The statutory risk-based capital adequacy ratio for insurance companies is computed by dividing available capital by required capital. Available capital of an insurance company is computed as the sum of, among other things, capital stock, reserve for policyholder dividends and bad debt allowance after deducting, among other things, deferred acquisition costs, goodwill, and prepaid expenses. Required capital is computed based on the sum of (i) the square root of the sum of the squares of (w) insurance risk amounts, (x) interest rate risk amounts, (y) credit risk amounts and (z) market risk amounts, and (ii) the operating risk amounts, with each risk amount being calculated in accordance with the detailed criteria set forth under the Regulation on Supervision of Insurance Business and the Detailed Enforcement Regulations on Insurance Supervision.

The Financial Supervisory Service has announced that it plans to introduce a new regulatory solvency regime for insurance companies by 2022 based on the International Capital Standard developed by the International Association of Insurance Supervisors, which would be similar in substance to the Solvency II Directive of the European Union. The Solvency II Directive, which has been in effect in the European Union since January 1, 2016, is a comprehensive program of regulatory requirements for insurance companies, covering authorization, corporate governance, supervisory reporting, public disclosure and risk assessment and management, as well as solvency. Under the Financial Supervisory Service's planned new solvency regime in Korea, among other things, insurance contract liabilities are expected to be measured based on market value, rather than book value, which would require a number of insurance companies in Korea with a large portfolio of high guaranteed rate of return products to obtain additional capital to meet their capital adequacy requirements. The Financial Supervisory Service has also announced its plans to implement a series of incremental changes to the calculation methodology for the risk-based capital adequacy ratio of insurance companies, as interim measures. Such changes implemented in 2017 included increasing the maximum statutory duration of insurance liabilities recognized for purposes of such calculation, as well as reducing the coefficient applied in calculating interest rate risk and adjusting the methods used to assess the risk of guaranteed benefits of variable insurance policies. The details of the new solvency regime in Korea have not yet been finalized and are likely to be further amended in the future.

Regulations on Class Actions Regarding Securities

The Law on Class Actions Regarding Securities was enacted as of January 20, 2004 and last amended on May 28, 2013. The Law on Class Actions Regarding Securities governs class actions suits instituted by one or more representative plaintiff(s) on behalf of 50 or more persons who claim to have been damaged in a capital markets transaction involving securities issued by a listed company in Korea.

Applicable causes of action with respect to such suits include:

- claims for damages caused by misleading information contained in a securities statement;
- claims for damages caused by the filing of a misleading business report, semi-annual report, or quarterly report;
- claims for damages caused by insider trading or market manipulation; and
- claims instituted against auditors for damages caused by accounting irregularities.

Any such class action may be instituted upon approval from the presiding court and the outcome of such class action will have a binding effect on all potential plaintiffs who have not joined the action, with the exception of those who have filed an opt out notice with such court.

Financial Investment Services and Capital Markets Act

The Financial Investment Services and Capital Markets Act, which became effective in February 2009, regulates and governs the financial investment business in Korea. The entities that regulate and supervise financial investment companies are the Financial Services Commission, the Financial Supervisory Service and the Securities and Futures Commission.

Under the Financial Investment Services and Capital Markets Act, a company must obtain a license from the Financial Services Commission to commence a financial investment business such as a brokerage business, a dealing business or an underwriting business, or register with the Financial Services Commission to commence a financial investment business such as an investment advisory business or a discretionary investment management business. A bank is permitted to engage in certain types of financial investment business as specified under the Enforcement Decree of the Bank Act. Prior to commencing a financial investment business, a bank must file a report with the Financial Services Commission and apply for a license pursuant to the Financial Investment Services and Capital Markets Act.

Consolidation of Capital Markets-Related Laws

Prior to the effectiveness of the Financial Investment Services and Capital Markets Act, there were separate laws regulating various types of financial institutions depending on the type of financial institution (for example, securities companies, futures companies, trust business companies and asset management companies) and subjecting financial institutions to different licensing and ongoing regulatory requirements (for example, the Korean Securities Exchange Act, the Futures Business Act and the Indirect Investment Asset Management Business Act). By applying one uniform set of rules to the same financial business having the same economic function, the Financial Investment Services and Capital Markets Act attempts to improve and address issues caused by the previous regulatory system under which the same economic function relating to capital markets-related businesses are governed by multiple regulations. To this end, the Financial Investment Services and Capital Markets Act categorizes capital markets-related businesses into six different functions, as follows:

- dealing, trading and underwriting of “financial investment products” (as defined below);
- brokerage of financial investment products;
- establishment of collective investment schemes and the management thereof;
- investment advice;
- discretionary investment management; and
- trusts (together with the five businesses set forth above, the “Financial Investment Businesses”).

Accordingly, all financial businesses relating to financial investment products have been reclassified as one or more of the Financial Investment Businesses described above, and financial institutions are subject to the regulations applicable to their relevant Financial Investment Businesses, regardless of the type of the financial institution. For example, under the Financial Investment Services and Capital Markets Act, derivative businesses conducted by former securities companies and future companies will be subject to the same regulations.

Banking and insurance businesses are not subject to the Financial Investment Services and Capital Markets Act and will continue to be regulated under separate laws. However, they may become subject to the Financial Investment Services and Capital Markets Act if their activities involve any financial investment businesses requiring a license pursuant to the Financial Investment Services and Capital Markets Act.

Comprehensive Definition of Financial Investment Products

In an effort to encompass the various types of securities and derivative products available in the capital markets, the Financial Investment Services and Capital Markets Act sets forth a comprehensive term “financial investment products,” defined to mean all financial products with a risk of loss in the invested amount (in contrast to “deposits,” which are financial products for which the invested amount is protected or preserved). Financial investment products are classified into two major categories: (i) “securities” (financial investment products in which the risk of loss is limited to the invested amount) and (ii) “derivatives” (financial investment products in which the risk of loss may exceed the invested amount). As a result of the general and broad definition of financial investment products, a variety of financial products may be defined as a financial investment product, which would enable Financial Investment Companies (defined below) to handle a broader range of financial products. Under the Financial Investment Services and Capital Markets Act, entities formerly licensed as securities companies, asset management companies, futures companies and other entities engaging in any Financial Investment Business are classified as “Financial Investment Companies.”

New License System and the Conversion of Existing Licenses

Under the Financial Investment Services and Capital Markets Act, Financial Investment Companies are able to choose the type of Financial Investment Business in which to engage (through a “check the box” method set forth in the relevant license application), by specifying the desired (i) Financial Investment Business,

(ii) financial investment product and (iii) target customers to which financial investment products may be sold or distributed (that is, general investors or professional investors). Licenses will be issued under the specific business sub-categories described in the foregoing sentence. For example, it would be possible for a Financial Investment Company to obtain a license to engage in the Financial Investment Business of (i) dealing (ii) over the counter derivatives products (iii) only with sophisticated investors.

Financial institutions that engage in business activities constituting a Financial Investment Business are required to take certain steps, such as renewal of their license or registration, in order to continue engaging in such business activities. Financial institutions that are not licensed Financial Investment Companies are not permitted to engage in any Financial Investment Business, subject to the following exceptions: (i) banks and insurance companies are permitted to engage in certain categories of Financial Investment Business for a period not exceeding six months commencing on the effective date of the Financial Investment Services and Capital Markets Act; and (ii) other financial institutions that engaged in any Financial Investment Business prior to the effective date of the Financial Investment Services and Capital Markets Act (whether in the form of a concurrent business or an incidental business) are permitted to continue such Financial Investment Business for a period not exceeding six months commencing on the effective date of the Financial Investment Services and Capital Markets Act.

Expanded Business Scope of Financial Investment Companies

Under the previous regulatory regime in Korea, it was difficult for a financial institution to explore a new line of business or expand upon its existing line of business. For example, previously a financial institution licensed as a securities company generally was not permitted to engage in the asset management business. In contrast, under the Financial Investment Services and Capital Markets Act, pursuant to the integration of its current businesses involving financial investment products into a single Financial Investment Business, a licensed Financial Investment Company is permitted to engage in all types of Financial Investment Businesses, subject to satisfying relevant regulations (for example, maintaining an adequate “Chinese Wall,” to the extent required). As to incidental businesses (that is, a financial related business which is not a Financial Investment Business), the Financial Investment Services and Capital Markets Act generally allows a Financial Investment Company to freely engage in such incidental businesses by shifting away from the previous positive-list system towards a more comprehensive system. In addition, a Financial Investment Company is permitted to (i) outsource marketing activities by contracting “introducing brokers” that are individuals but not employees of the Financial Investment Company, (ii) engage in foreign exchange businesses related to their Financial Investment Business and (iii) participate in the settlement network, pursuant to an agreement among the settlement network participants.

Improvement in Investor Protection Mechanism

While the Financial Investment Services and Capital Markets Act widens the scope of financial businesses in which financial institutions are permitted to engage, a more rigorous investor-protection mechanism is also imposed upon Financial Investment Companies dealing in financial investment products. The Financial Investment Services and Capital Markets Act distinguishes general investors from sophisticated investors and provides new or enhanced protections to general investors. For instance, the Financial Investment Services and Capital Markets Act expressly provides for a strict know-your-customer rule for general investors and imposes an obligation that Financial Investment Companies should market financial investment products suitable to each general investor, using written explanatory materials. Under the Financial Investment Services and Capital Markets Act, a Financial Investment Company could be liable if a general investor proves (i) damage or losses relating to such general investor’s investment in financial investment products solicited by such Financial Investment Company and (ii) the absence of the requisite written explanatory materials, without having to prove fault or causation. With respect to conflicts of interest between Financial Investment Companies and investors, the Financial Investment Services and Capital Markets Act expressly requires (i) disclosure of any conflict of interest to investors and (ii) mitigation of conflicts of interest to a comfortable level or abstention from the relevant transaction.

Other Changes to Securities / Fund Regulations

The Financial Investment Services and Capital Markets Act changed various securities regulations including those relating to public disclosure, insider trading and proxy contests, which were previously governed by the Korean Securities Exchange Act. For example, the 5% and 10% reporting obligations under the Korean Securities Exchange Act have become more stringent. The Indirect Investment and Asset Management Business Act strictly limited the kind of vehicles that could be utilized under a collective investment scheme, restricting the range of potential vehicles to trusts and corporations, and the type of funds that can be used for investments. However, under the Financial Investment Services and Capital Markets Act, these restrictions have been significantly liberalized, permitting all vehicles that may be created under Korean law, such as limited liability companies or partnerships, to be used for the purpose of collective investments and allowing investment funds to be more flexible as to their investments.

Act on the Corporate Governance of Financial Companies

The Act on the Corporate Governance of Financial Companies, which became effective on August 1, 2016, was enacted to address the need for strengthened regulations on corporate governance of financial institutions and to serve as a uniform set of regulations on corporate governance matters applicable to financial institutions across a variety of industry sectors. It contains several key measures, including (i) eligibility requirements for officers of financial institutions and standards for determining whether officers of financial institutions may hold concurrent positions in other companies, (ii) standards for composition and operation of the board of directors of financial institutions, (iii) standards for establishment, composition and operation of various committees of the board of directors of financial institutions, (iv) regulations on internal control and risk management, (v) requirements and procedures for the approval of a change of major shareholders and (vi) special regulations to protect the rights of minority shareholders of financial institutions.

Financial Consumer Protection Act

The Financial Consumer Protection Act became effective on March 25, 2021, and certain provisions relating to internal control under such Act have become effective on September 25, 2021. The Financial Consumer Protection Act aims to enhance measures to protect financial consumers and to establish a sound market order in the financial product sales and advisory businesses. The Financial Consumer Protection Act consolidates existing regulations relating to the sale of financial products and consumer protection stipulated in other laws governing the financial sector, such as the Financial Investment Services and Capital Markets Act, the Banking Act and the Insurance Business Act, and applies to the financial industry on a cross-sectoral basis.

Application of the Financial Consumer Protection Act

All financial products that are classified as (i) deposits, (ii) loans, (iii) investment products or (iv) insurance products are subject to the Financial Consumer Protection Act. These four types of products encompass most of the products covered by the Bank Act, the Financial Investment Services and Capital Markets Act and the Insurance Business Act. Financial products offered by credit unions, peer-to-peer (P2P) lending firms and registered credit service providers are also regulated by the Financial Consumer Protection Act.

Six Principles Regulating Selling Activities

The Financial Consumer Protection Act consolidates previously scattered regulations regarding financial business operations into six uniform standards that cover the following: (i) suitability, (ii) appropriateness, (iii) duty to explain, (iv) unfair sales practices, (v) improper solicitation and (vi) advertisements. Among these six principles, suitability, appropriateness and duty to explain apply only to “general financial consumers,” although “professional financial consumers” may elect to be treated as “general financial consumers,” in which case all six principles would apply to them.

Internal Control Requirements for Consumer Protection

The Financial Consumer Protection Act requires sellers of financial products to have adequate internal control standards to protect consumers. The Enforcement Decree to the Financial Consumer Protection Act sets forth details of certain of the internal control standards as follows:

- Establishment of the authority and responsibilities of the decision maker, such as the representative director or a director, in the implementation of internal control measures;
- Development of an organizational structure and designation of personnel responsible for consumer protection matters, including the establishment of a financial consumer protection committee;
- Implementation of (i) inter-departmental consultation procedures for the development and sale of financial products, (ii) processes for internal deliberations and the incorporation of opinions from independent third party advisors, (iii) standards for vetting advertisements, (iv) mandatory training requirements for officers and employees and implementation of qualification requirements, (v) standards for the prevention of conflicts of interest, (vi) proper management of confidential information, and (vii) disclosure obligations when potential harm to consumers arises; and
- Establishment of standards for performance-based compensation of officers and employees in charge of sales of financial products.

Right to Withdraw Subscriptions and Right to Terminate Contracts

Under the Financial Consumer Protection Act, consumers have the right to withdraw subscriptions, allowing them to receive a refund during a statutory cooling-off period following the execution of the relevant subscription agreement. This right generally applies to all types of financial products with the exception of deposits, although in the case of investment products, the right to withdraw applies only to highly complex funds and trusts. Consumers also have the right to terminate a contract if the sellers violate the Financial Consumer Protection Act in relation to the sales process. The right to terminate contracts applies to long-term contracts but such right must be exercised within one year from the time that the customer becomes aware that the financial product was sold in violation of the regulatory requirements.

Punitive Penalty Surcharges

In case of a violation of the principles regarding the duty to explain, unfair sales practices, improper solicitation and advertisements, sellers are subject to a punitive penalty of up to half the “amount that is the purpose of the contract” (which would be the deposit amount in case of deposit products, loan amount in case of loan products, investment amount in case of investment products, and insurance premium in case of insurance products), depending on the severity of the violation of the Financial Consumer Protection Act.

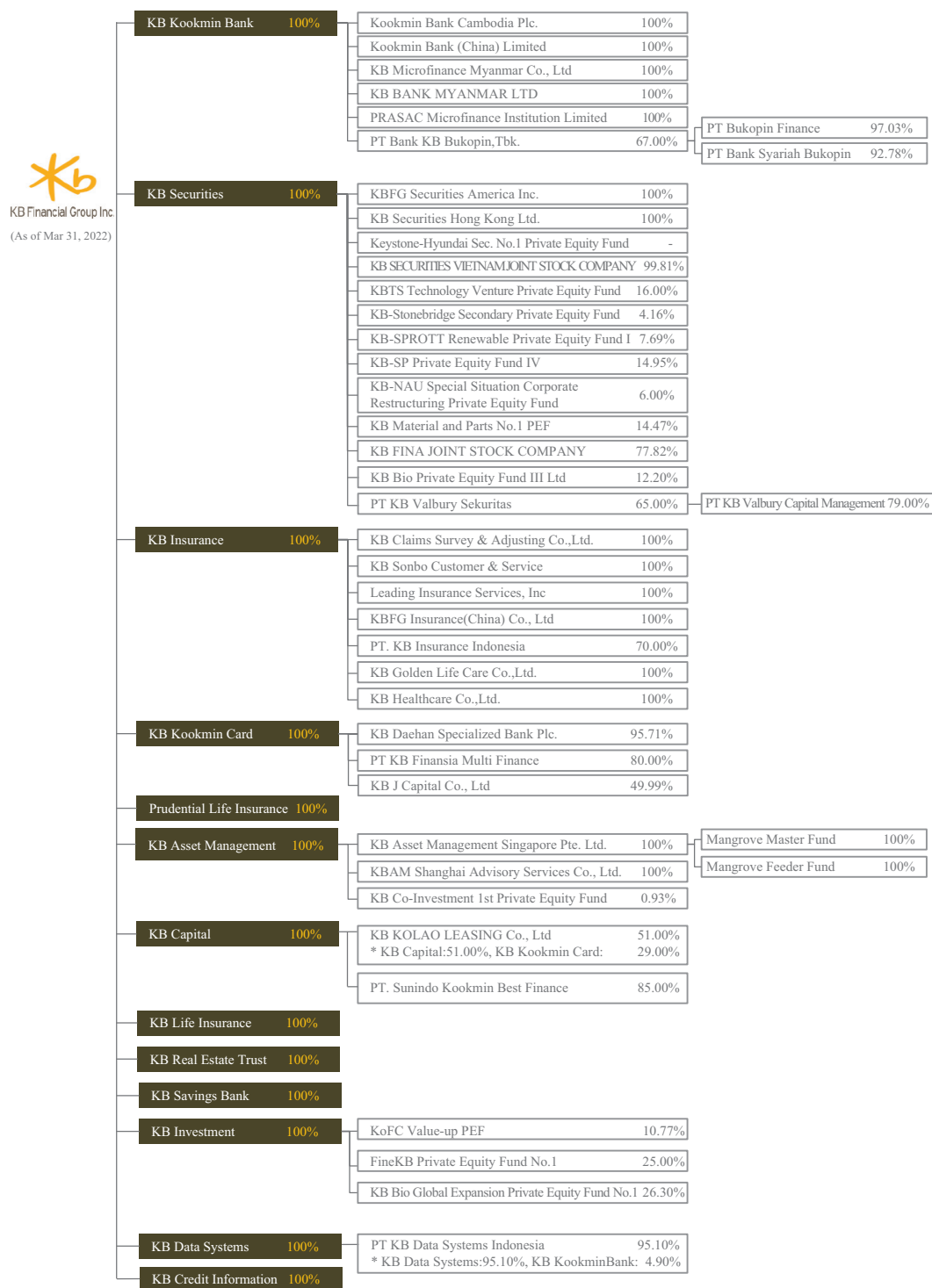
Environment, Social Responsibility and Corporate Governance

As part of our mission to become a “financial service delivering changes,” we are committed to a management philosophy focused on issues relating to the environment, social responsibility and corporate governance (“ESG”). Our ESG strategy is to focus on internalizing ESG values across all of our business operations by developing a climate change risk management system, an inclusive society and a transparent corporate governance structure.

We have also developed the “KB Green Wave 2030” program to fulfill our responsibility as a leading financial group and to become a more trusted company to our stakeholders. Under this program, we plan to increase the total value of our ESG-related products, investments and loans to W50 trillion by 2030. Since 2011, we have published a group-wide sustainability report on our website on an annual basis.

Item 4.C. Organizational Structure

The following chart provides an overview of our structure, including our significant subsidiaries and our ownership of such subsidiaries as of March 31, 2022:



Our largest subsidiary is Kookmin Bank, the assets of which represented approximately 72.8% of our total assets as of December 31, 2021. The following table provides summary information for our operating subsidiaries that are consolidated in our consolidated financial statements as of and for the year ended December 31, 2021, including their consolidated total assets, operating revenue, profit (loss) and total equity:

<u>Subsidiaries</u>	<u>Total Assets</u>	<u>Operating Revenue</u>	<u>Profit (Loss)</u>	<u>Total Equity</u>
	(in millions of Won)			
Kookmin Bank	₩483,564,898	₩26,536,995	₩2,590,764	₩32,888,913
KB Securities Co., Ltd.	55,493,985	8,543,590	594,301	5,485,563
KB Insurance Co., Ltd.	41,472,227	14,131,278	301,836	4,143,273
KB Kookmin Card Co., Ltd.	27,349,561	3,527,354	418,898	4,555,641
KB Life Insurance Co., Ltd.	10,634,562	2,259,301	(46,595)	460,280
Prudential Life Insurance Company of Korea, Ltd.	26,287,116	1,976,122	336,198	2,294,515
KB Asset Management Co., Ltd.	375,739	254,162	79,899	247,150
KB Capital Co., Ltd.	14,529,427	1,634,759	209,899	1,822,217
KB Savings Bank Co., Ltd.	2,601,134	150,028	18,932	262,097
KB Real Estate Trust Co., Ltd.	496,522	168,373	81,480	376,822
KB Investment Co., Ltd.	1,197,720	207,367	55,338	275,481
KB Credit Information Co., Ltd.	28,674	39,909	388	16,371
KB Data Systems Co., Ltd.	44,486	174,819	467	18,575

Further information regarding our subsidiaries is provided below:

- *Kookmin Bank* was established in Korea in 2001 as a result of the merger of the former Kookmin Bank (established in 1963) and H&CB (established in 1967). Kookmin Bank provides a wide range of banking and other financial services to individuals, small- and medium-sized enterprises and large corporations in Korea. As of December 31, 2021, Kookmin Bank was one of the largest commercial banks in Korea based upon total assets (including loans) and deposits. As of December 31, 2021, Kookmin Bank had approximately 36.3 million customers, with 914 branches nationwide.
- *KB Securities Co., Ltd.*, formerly known as Hyundai Securities Co., Ltd., was established in Korea in 1962 to provide various securities brokerage and investment banking services. In 2016, we acquired 100% of the outstanding shares of Hyundai Securities, merged another subsidiary, KB Investment & Securities Co., Ltd., with and into Hyundai Securities and changed the name of the surviving entity to KB Securities Co., Ltd.
- *KB Insurance Co., Ltd.*, formerly known as LIG Insurance Co., Ltd., was established in Korea in January 1959 to provide non-life insurance products. KB Insurance became our wholly-owned subsidiary in July 2017 after a series of stock purchases, a tender offer and a comprehensive stock swap.
- *KB Kookmin Card Co., Ltd.* was established in March 2011 as a separate entity upon the completion of a horizontal spin-off of Kookmin Bank's credit card business, to provide credit card services.
- *KB Life Insurance Co., Ltd.* was established in Korea in April 2004 to provide life insurance and wealth management products primarily through our branch network.
- *Prudential Life Insurance Company of Korea, Ltd.*, formerly a subsidiary of Prudential Financial, Inc., a U.S.-based provider of insurance, investment management and other financial products and services, was established in Korea in 1989. In August 2020, we acquired all of the outstanding shares of Prudential Life Insurance from Prudential Financial, Inc. for ₩2.3 trillion, as a result of which Prudential Life Insurance became a wholly-owned subsidiary.
- *KB Asset Management Co., Ltd.* was established in Korea in April 1988 as a subsidiary of Citizens Investment Trust Company to provide investment advisory services.

- *KB Capital Co., Ltd.*, which provides leasing services and installment finance services, was formerly known as Woori Financial Co., Ltd. and was acquired by us in March 2014. KB Capital became our wholly-owned subsidiary in July 2017 after a tender offer followed by a comprehensive stock swap.
- *KB Savings Bank Co., Ltd.* was established in Korea in January 2012 to provide small-loan finance services. KB Savings Bank was established in connection with our purchase of assets and assumption of liabilities of Jeil Savings Bank in January 2012. We acquired Yehansoul Savings Bank, which provided small-loan finance services, in September 2013 and merged it with KB Savings Bank in January 2014, with KB Savings Bank as the surviving entity.
- *KB Real Estate Trust Co., Ltd.* was established in Korea in December 1996 to provide real estate development and brokerage services by managing trusts related to the real estate industry.
- *KB Investment Co., Ltd.* was established in Korea in March 1990 to invest in and finance small- and medium-sized enterprises.
- *KB Credit Information Co., Ltd.* was established in Korea in October 1999 to collect delinquent loans and to check credit history.
- *KB Data Systems Co., Ltd.* was established in Korea in September 1991 to provide software services to us and other financial institutions.

Item 4.D. Property, Plants and Equipment

Our registered office and corporate headquarters are located at 26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul 07331, Korea. The following table presents information regarding certain of our properties in Korea:

<u>Type of facility/building</u>	<u>Location</u>	<u>Area (square meters)</u>
Registered office and corporate headquarters and Kookmin Bank headquarters #1	26, Gukjegeumyung-ro 8-gil Yeongdeungpo-gu, Seoul 07331	5,354
Kookmin Bank headquarters #2	141, Uisadang-daero, Yeongdeungpo-gu, Seoul 07332	4,727
KB Kookmin Card headquarters building	Jongno-gu, Seoul	3,923
Kookmin Bank training institute	Ilsan	207,560
Kookmin Bank training institute	Daecheon	4,158
Kookmin Bank training institute	Sokcho	15,559
Kookmin Bank training institute	Cheonan	196,649
Kookmin Bank IT center	Gangseo-gu, Seoul	13,116
Kookmin Bank IT center	Yeouido, Seoul	5,928
Kookmin Bank IT center	Yeouido, Seoul	2,006
Kookmin Bank IT center	Gimpo	13,144
Kookmin Bank support center	Seongbuk-gu, Seoul	9,939
KB Securities training institute	Kiheung-gu, Yongin	64,600

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

As of December 31, 2021, we had a countrywide network of 914 banking branches and sub-branches, as well as nine branches and sub-branches and seven representative offices for our other operations including our credit card, securities brokerage, insurance and consumer finance businesses. Approximately one-fifth of these facilities are housed in buildings owned by us, while the remaining branches are leased properties. See “Item 4.B. Business Overview—Capital Markets Activities and International Banking/Finance—International Banking/Finance” for a list of our overseas subsidiaries, branches and representative and liaison offices in operation as of

December 31, 2021. Kookmin Bank, Gurgaon Representative Office in India converted to Kookmin Bank, Gurugram Branch in February 2019 and Kookmin Bank, Hanoi Representative Office was liquidated in September 2020. In December 2020, we established KB Bank Myanmar Ltd., a subsidiary, in Myanmar, and in January 2022, we established Kookmin Bank, Singapore Branch in Singapore. Kookmin Bank, Yangon Representative Office is currently being liquidated. Lease terms are generally from two to three years and seldom exceed five years. We do not own any material properties outside of Korea.

The net carrying amount of all the properties owned by us at December 31, 2021 was ₩4,225 billion.

Item 4A. UNRESOLVED STAFF COMMENTS

We do not have any unresolved comments from the U.S. Securities and Exchange Commission staff regarding our periodic reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Item 5.A. *Operating Results*

Overview

The following discussion is based on our consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. The consolidated financial statements include the accounts of subsidiaries over which substantive control is exercised through majority ownership of voting stock and/or other means. Investments in jointly controlled entities and associates (which are companies over which we have the ability to exercise significant influence) are accounted for by the equity method of accounting.

Trends in the Korean Economy

Our financial position and results of operations have been and will continue to be significantly affected by financial and economic conditions in Korea. In recent years, commercial banks, consumer finance companies and other financial institutions in Korea have made significant investments and engaged in aggressive marketing in retail lending (including mortgage and home equity loans), leading to substantially increased competition in this segment. From the second half of 2016 to 2021, the Korean government introduced various measures to tighten regulations on mortgage and other lending and housing subscription in response to the rapid growth in consumer debt and concerns over speculative investments in real estate in certain areas. Notwithstanding such measures, demand for residential property in certain areas, including Seoul, continued to increase through the end of 2021, and accompanied by an increase in the prices of such residential property, our portfolio of retail loans increased from ₩182,437 billion as of December 31, 2020 to ₩191,641 billion as of December 31, 2021. Nevertheless, a decrease in housing prices as a result of the implementation of such measures, together with the high level of consumer debt and deteriorating domestic and global economic conditions, could result in declines in consumer spending and reduced economic growth, which may lead to increases in delinquency levels of our portfolio of retail loans. In 2021, we recorded charge-offs of ₩411 billion and provision for credit losses of ₩461 billion in respect of our retail loan portfolio, compared to charge-offs of ₩461 billion and provision for credit losses of ₩421 billion in 2020 and charge-offs of ₩443 billion and provision for credit losses of ₩515 billion in 2019. See “Item 3.D. Risk Factors—Risks relating to our retail credit portfolio.”

Our loans to small- and medium-sized enterprises increased from ₩124,457 billion as of December 31, 2020 to ₩138,627 billion as of December 31, 2021. Substantial growth in lending in Korea to small- and medium-sized enterprises in recent years, and financial difficulties experienced by such enterprises as a result of, among other things, adverse changes in economic conditions in Korea and globally (such as the COVID-19 pandemic continuing to affect many countries worldwide, including Korea), may lead to increasing delinquencies

and a deterioration in overall asset quality in the credit exposures of Korean banks to small- and medium-sized enterprises. In 2021, we recorded charge-offs of ₩8 billion in respect of our loans to small- and medium-sized enterprises, compared to charge-offs of ₩14 billion in 2020 and ₩18 billion in 2019. See “Item 3.D. Risk Factors—Risks relating to our small- and medium-sized enterprise loan portfolio—We have significant exposure to small- and medium-sized enterprises, and any financial difficulties experienced by these customers may result in a deterioration of our asset quality and have an adverse impact on us.”

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

- the occurrence of severe health pandemics, such as the global outbreak of the COVID-19 pandemic;
- hostilities, political or social tensions involving Russia (including the invasion of Ukraine by Russia and ensuing actions that the United States and other countries have taken or may take in the future) and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets;
- interest rate fluctuations as well as perceived or actual changes in policy rates by, or other monetary and fiscal policies set forth by, the U.S. Federal Reserve and other central banks;
- financial and social difficulties affecting many countries worldwide, in particular in Latin America and Europe;
- a deterioration in economic and trade relations between the United States and its major trading partners, including China;
- escalations in trade protectionism globally and geopolitical tensions in East Asia and the Middle East;
- the slowdown of economic growth in China and other major emerging market economies;
- increased uncertainties resulting from the United Kingdom’s exit from the European Union; and
- political and social instability in various countries in the Middle East, including Syria, Iraq and Yemen.

In light of the high level of interdependence of the global economy, unfavorable changes in the global financial markets, including as a result of any of the foregoing developments, could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, financial condition and results of operations. In particular, the global outbreak of COVID-19, which was declared a “pandemic” by The World Health Organization in March 2020, has led to significant global economic and financial disruptions, including an adverse impact on international trade and business activities, sharp declines and significant volatility in the financial markets as well as decreases in interest rates worldwide. Although there have been mixed signs of recovery in the domestic and global economy resulting from the availability of COVID-19 vaccinations and gradual normalization of business activities, the extent to which the COVID-19 pandemic continues to impact Korea and its economy will depend on future developments, including the scope and duration of the ongoing COVID-19 pandemic as well as the efficacy of actions taken by governmental authorities, central banks and other third parties around the world in response to the pandemic.

In addition, the interest rates on our interest-earning assets and interest-bearing liabilities, and therefore our net interest income, are affected by The Bank of Korea’s policy rates. The Bank of Korea lowered its policy rate to 1.5% from 1.75% on July 18, 2019 and to 1.25% from 1.5% on October 16, 2019 to address the sluggishness of the global and domestic economy. On March 16, 2020, The Bank of Korea further lowered its policy rate to 0.75% from 1.25%, which was further lowered to 0.5% on May 28, 2020, in response to deteriorating economic conditions resulting from the COVID-19 pandemic. The Bank of Korea raised its policy rate from 0.50% to 0.75% on August 26, 2021, to 1.00% on November 25, 2021, to 1.25% on January 14, 2022 and to 1.50% on April 14, 2022, in response to rising levels of household debt and inflationary pressures.

We are also exposed to adverse changes and volatility in the global and Korean financial markets as a result of our liabilities and assets denominated in foreign currencies and our holdings of trading and investment securities, including structured products. The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has fluctuated widely in recent years and has been subject to significant volatility as a result of the COVID-19 pandemic, and more recently, by the invasion of Ukraine by Russia. A depreciation of the Won will increase our cost in Won of servicing our foreign currency-denominated borrowings, while continued exchange rate volatility may also result in foreign exchange losses for us. Furthermore, as a result of the changes in global and Korean economic, social and political conditions, there has been volatility in securities prices, including the stock prices of Korean and foreign companies in which we hold an interest. Such volatility has resulted in and may lead to further trading and valuation losses on our trading and investment securities portfolio as well as impairment losses on our investments accounted for under the equity method.

As a result of the volatile conditions on the Korean and global economies and financial markets, as well as factors such as fluctuations in oil and commodity prices, interest and exchange rate fluctuations, higher unemployment, lower consumer confidence, stock market volatility, changes in fiscal and monetary policies and continued tensions with North Korea, the economic outlook for the financial services sector in Korea in 2022 and for the foreseeable future remains highly uncertain.

Acquisitions

In recent years, we have engaged in a number of acquisitions, which have affected, and may continue to affect, our results of operations and their comparability from period to period.

From 2014 to 2016, we acquired KB Capital Co., Ltd. (formerly known as Woori Financial Co., Ltd.), KB Insurance Co., Ltd. (formerly known as LIG Insurance Co., Ltd.) and KB Securities Co., Ltd. (formerly known as Hyundai Securities Co., Ltd.). Most recently, in August 2020, we acquired all of the outstanding shares of Prudential Life Insurance.

Changes in Securities Values, Exchange Rates and Interest Rates

Fluctuations of exchange rates, interest rates and stock prices affect, among other things, the demand for our products and services, the value of and rate of return on our assets, the availability and cost of funding and the financial condition of our customers. The following table shows, for the dates indicated, the stock price index of all equities listed on the KRX KOSPI Market as published in the KOSPI, the Won to U.S. dollar exchange rates and benchmark Won borrowing interest rates.

	June 30, 2017	Dec. 28, 2017	June 29, 2018	Dec. 31, 2018	June 28, 2019	Dec. 31, 2019	June 30, 2020	Dec. 31, 2020	June 30, 2021	Dec. 31, 2021
KOSPI	2,391.79	2,467.49 ⁽⁴⁾	2,326.13	2,041.04 ⁽⁵⁾	2,130.62	2,197.67 ⁽⁶⁾	2,108.33	2,873.47 ⁽⁷⁾	3,296.68	2,977.65 ⁽⁸⁾
₩/US\$ exchange rates ⁽¹⁾	₩ 1,143.8	₩ 1,067.4	₩ 1,111.8	₩ 1,112.9	₩ 1,156.8	₩ 1,157.8	₩ 1,200.7	₩ 1,088.0	₩ 1,130.4	₩ 1,188.6
Corporate bond rates ⁽²⁾	2.84%	3.08%	2.93%	2.58%	1.98%	1.99%	1.78%	1.70%	1.99%	2.54%
Treasury bond rates ⁽³⁾	1.70%	2.10%	2.12%	1.82%	1.47%	1.36%	0.85%	0.97%	1.45%	1.80%

(1) Represents the noon buying rate on the dates indicated.

(2) Measured by the yield on three-year Korean corporate bonds rated as A+ by the Korean credit rating agencies.

(3) Measured by the yield on three-year treasury bonds issued by the Ministry of Economy and Finance of Korea.

(4) As of December 28, 2017, the last day of trading for the KRX KOSPI Market in 2017.

(5) As of December 28, 2018, the last day of trading for the KRX KOSPI Market in 2018.

(6) As of December 30, 2019, the last day of trading for the KRX KOSPI Market in 2019.

(7) As of December 30, 2020, the last day of trading for the KRX KOSPI Market in 2020.

(8) As of December 30, 2021, the last day of trading for the KRX KOSPI Market in 2021.

Results of Operations

Net Interest Income

The following table shows, for the periods indicated, the principal components of our net interest income:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won, except percentages)			(%)	
Interest income					
Due from financial institutions					
measured at amortized cost ⁽¹⁾ . . .	₩ 151	₩ 92	₩ 66	(39.1)	(28.3)
Financial instruments at fair value					
through profit or loss ⁽²⁾	704	659	590	(6.4)	(10.5)
Loans ⁽³⁾	12,395	12,380	12,999	(0.1)	5.0
Financial investments (debt					
securities) ⁽⁴⁾	1,389	1,355	1,557	(2.4)	14.9
Total interest income	14,639	14,486	15,211	(1.0)	5.0
Interest expense					
Deposits	3,481	2,917	2,218	(16.2)	(24.0)
Borrowings ⁽⁵⁾	720	661	593	(8.2)	(10.3)
Debentures	1,241	1,186	1,170	(4.4)	(1.3)
Total interest expense	5,442	4,764	3,981	(12.5)	(16.4)
Net interest income	₩ 9,197	₩ 9,722	₩11,230	5.7	15.5
Net interest margin ⁽⁶⁾	2.14%	1.99%	2.07%		

⁽¹⁾ Consists of cash and interest-earning deposits in other banks.

⁽²⁾ Consists of deposits, loans and securities at fair value through profit or loss. For information on interest income arising from such financial instruments, see Note 28 of the notes to our consolidated financial statements included elsewhere in this annual report.

⁽³⁾ Consists of loans measured at amortized cost and others. For information on interest income arising from such loans, see Note 28 of the notes to our consolidated financial statements included elsewhere in this annual report.

⁽⁴⁾ Consists of securities at fair value through other comprehensive income and at amortized cost and loans at fair value through other comprehensive income. For information on interest income arising from such financial instruments, see Note 28 of the notes to our consolidated financial statements included elsewhere in this annual report.

⁽⁵⁾ Consists of borrowings and others. For information on interest expense arising from such borrowings, see Note 28 of the notes to our consolidated financial statements included elsewhere in this annual report.

⁽⁶⁾ The ratio of net interest income to average interest-earning assets. See “Item 8.A. Consolidated Statements and Other Financial Information—Profitability ratios and other data.”

Comparison of 2021 to 2020

Interest income. Interest income increased 5.0% from ₩14,486 billion in 2020 to ₩15,211 billion in 2021, primarily as a result of a 5.0% increase in interest on loans and a 14.9% increase in interest on financial investments, the effect of which was partially offset by a 10.5% decrease in interest on financial instruments at fair value through profit or loss. The average volume of our interest-earning assets increased 10.7% from ₩489,043 billion in 2020 to ₩541,287 billion in 2021, principally due to growth in our loan portfolio and, to a lesser extent, our financial investments portfolio. The effect of such increase was partially offset by a 15 basis point decrease in the average yields on our interest-earning assets from 2.96% in 2020 to 2.81% in 2021, which reflected the lower overall level of interest rates prevailing in Korea in 2021 compared to 2020, as discussed above in “—Overview—Trends in the Korean Economy.”

The 5.0% increase in interest on loans from ₩12,380 billion in 2020 to ₩12,999 billion in 2021 was primarily the result of:

- a 53.8% increase in the average volume of foreign-currency loans from ₩14,683 billion in 2020 to ₩22,580 billion in 2021, which was partially offset by a 36 basis point decrease in the average yields on such loans from 5.51% in 2020 to 5.15% in 2021;

- an 11.5% increase in the average volume of other consumer loans from ₩64,220 billion in 2020 to ₩71,587 billion in 2021, which was partially offset by a 3 basis point decrease in the average yields on such loans from 4.11% in 2020 to 4.08% in 2021; and
- a 7.3% increase in the average volume of mortgage loans from ₩82,765 billion in 2020 to ₩88,769 billion in 2021, which was partially offset by a 9 basis point decrease in the average yields on such loans from 2.61% in 2020 to 2.52% in 2021;

which were partially offset by:

- a 19 basis point decrease in the average yields on home equity loans from 2.84% in 2020 to 2.65% in 2021, which was enhanced by a 1.3% decrease in the average volume of such loans from ₩27,682 billion in 2020 to ₩27,333 billion in 2021; and
- a 20 basis point decrease in the average yields on corporate loans from 2.87% in 2020 to 2.67% in 2021, which was partially offset by a 6.5% increase in the average volume of such loans from ₩158,508 billion in 2020 to ₩168,868 billion in 2021.

The increases in the average volumes of foreign-currency, other consumer, mortgage and corporate loans were attributable primarily to an increase in demand from borrowers in need of financing in light of the ongoing COVID-19 pandemic as well as the low interest environment in 2021. The decrease in the average volume of home equity loans was mainly the result of increased government regulations applicable to such loans, which led to a decrease in demand for such loans. The decreases in the average yields on foreign-currency, other consumer, corporate, home equity and mortgage loans mainly reflected the lower overall level of interest rates prevailing in Korea in 2021 compared to 2020. Overall, the average volume of our loans increased 8.9% from ₩366,444 billion in 2020 to ₩399,060 billion in 2021, while the average yields on our loans decreased by 12 basis points from 3.38% in 2020 to 3.26% in 2021.

Our financial investments portfolio consists of securities and loans measured at fair value through other comprehensive income and securities measured at amortized cost, including debt securities issued by government-owned or -controlled enterprises or financial institutions and debt securities issued by Korean banks and other financial institutions. The 14.9% increase in interest on financial investments from ₩1,355 billion in 2020 to ₩1,557 billion in 2021 was the result of a 21.5% increase in the average volume of financial investments from ₩80,087 billion in 2020 to ₩97,296 billion in 2021, which was partially offset by a 9 basis point decrease in the average yields on financial investments from 1.69% in 2020 to 1.60% in 2021. The increase in the average volume of financial investments was primarily due to an increase in our purchases of government and public bonds as well as corporate bonds. The decrease in average yields on financial investments mainly reflected the lower overall level of interest rates prevailing in Korea in 2021 compared to 2020.

The 10.5% decrease in interest on financial instruments at fair value through profit or loss from ₩659 billion in 2020 to ₩590 billion in 2021 was primarily due to a 32 basis point decrease in the average yields on such financial instruments from 2.18% in 2020 to 1.86% in 2021, which was partially offset by a 4.8% increase in the average volume of such financial instruments from ₩30,232 billion in 2020 to ₩31,670 billion in 2021. The decrease in average yields on such financial instruments mainly reflected the lower overall level of interest rates prevailing in Korea in 2021 compared to 2020. The increase in the average volume of such financial instruments mainly reflected the increased purchases of corporate bonds and other debt securities.

Interest expense. Interest expense decreased 16.4% from ₩4,764 billion in 2020 to ₩3,981 billion in 2021 due to a 24.0% decrease in interest expense on deposits and, to a lesser extent, a 10.3% decrease in interest expense on borrowings and a 1.3% decrease in interest expense on debentures. The average cost of interest-bearing liabilities decreased by 26 basis points from 1.10% in 2020 to 0.84% in 2021, which was driven mainly by the lower overall level of interest rates prevailing in Korea in 2021 compared to 2020. The effect of this decrease was partially offset by a 9.3% increase in the average volume of our interest-bearing liabilities from ₩431,765 billion in 2020 to ₩472,015 billion in 2021, which reflected increases in the average volumes of deposits and, to a lesser extent, borrowings and debentures.

The 24.0% decrease in interest expense on deposits from ₩2,917 billion in 2020 to ₩2,218 billion in 2021 was primarily due to a 36 basis point decrease in the average cost of time deposits from 1.56% in 2020 to 1.20% in 2021, which was enhanced by a 4.5% decrease in the average volume of such deposits from ₩166,275 billion in 2020 to ₩158,795 billion in 2021. The decrease in the average cost of such deposits was principally due to the lower overall level of interest rates prevailing in Korea in 2021 compared to 2020. The decrease in the average volume of such deposits mainly reflected a decrease in customers' demand for such deposits in light of the low interest rate environment in Korea. Overall, the average cost of our deposits decreased by 26 basis points from 0.91% in 2020 to 0.65% in 2021, while the average volume of our deposits increased 7.6% from ₩319,052 billion in 2020 to ₩343,349 billion in 2021.

The 10.3% decrease in interest expense on borrowings from ₩661 billion in 2020 to ₩593 billion in 2021 was principally attributable to a 30 basis point decrease in the average cost of borrowings from 1.24% in 2020 to 0.94% in 2021, which was partially offset by a 17.9% increase in the average volume of borrowings from ₩53,334 billion in 2020 to ₩62,907 billion in 2021. The decrease in the average cost of borrowings mainly reflected the lower overall level of interest rates prevailing in Korea in 2021 compared to 2020, while the increase in the average volume of borrowings was primarily due to our increased use of borrowings to meet our funding needs in light of the lower interest rate environment in Korea.

The 1.3% decrease in interest expense on debentures from ₩1,186 billion in 2020 to ₩1,170 billion in 2021 was primarily due to a 22 basis point decrease in the average cost of debentures from 2.00% in 2020 to 1.78% in 2021, which was mostly offset by a 10.7% increase in the average volume of debentures from ₩59,379 billion in 2020 to ₩65,759 billion in 2021. The decrease in the average cost of debentures mainly reflected the lower overall level of interest rates prevailing in Korea in 2021 compared to 2020, while the increase in the average volume of debentures was principally due to our increased use of debentures to meet our funding needs in light of the lower interest rate environment in Korea.

Net interest margin. Net interest margin represents the ratio of net interest income to average interest-earning assets. Our overall net interest margin increased from 1.99% in 2020 to 2.07% in 2021, as a 15.5% increase in our net interest income from ₩9,722 billion in 2020 to ₩11,230 billion in 2021 outpaced a 10.7% increase in the average volume of our interest-earning assets from ₩489,043 billion in 2020 to ₩541,287 billion in 2021. The increase in interest income was enhanced by a decrease in interest expense, resulting in an increase in net interest income. The growth in average interest-earning assets was largely offset by a 9.3% increase in average interest-bearing liabilities from ₩431,765 billion in 2020 to ₩472,015 billion in 2021. Our net interest spread, which represents the difference between the average yield on our interest-earning assets and the average cost of our interest-bearing liabilities, increased from 1.86% in 2020 to 1.97% in 2021. The increase in our net interest spread reflected a larger decrease in the average cost of interest-bearing liabilities compared to the decrease in the average yield on interest-earning assets between the two periods, primarily due to the earlier adjustment of interest rates on interest-earning assets compared to interest rates on interest-bearing liabilities as interest rates began to rise again in the second half of 2021.

Comparison of 2020 to 2019

Interest income. Interest income decreased 1.0% from ₩14,639 billion in 2019 to ₩14,486 billion in 2020, as a result of a 39.1% decrease in interest on due from financial institutions, a 6.4% decrease in interest on financial instruments at fair value through profit or loss, a 2.4% decrease in interest on financial investments and a 0.1% decrease in interest on loans. The average yields on our interest-earning assets decreased 45 basis points from 3.41% in 2019 to 2.96% in 2020, which mainly reflected an overall decrease in the general level of interest rates in Korea in 2020 compared to 2019. The effect of such decrease was partially offset by a 14.0% increase in the average volume of our interest-earning assets from ₩429,046 billion in 2019 to ₩489,043 billion in 2020, principally due to growth in our loan portfolio and, to a lesser extent, our financial investments portfolio.

Interest on due from financial institutions at fair value through profit or loss consists of interest from cash and interest-bearing deposits in other banks, and the 39.1% decrease in interest on such deposits from

₩151 billion in 2019 to ₩92 billion in 2020 was due to an 70 basis point decrease in the average yields on such deposits from 1.45% in 2019 to 0.75% in 2020, which was partially offset by a 17.7% increase in the average volume of such deposits from ₩10,436 billion in 2019 to ₩12,280 billion in 2020. The decrease in average yields on such deposits mainly reflected the decrease in the general level of interest rates in Korea, and the increase in the average volume of such deposits was primarily due to the additions of PRASAC and Bank Bukopin as subsidiaries of Kookmin Bank in April and September 2020, respectively.

The 2.4% decrease in interest on financial investments from ₩1,389 billion in 2019 to ₩1,355 billion in 2020 was the result of a 49 basis point decrease in the average yields on financial investments from 2.18% in 2019 to 1.69% in 2020, which was partly offset by a 25.7% increase in the average volume of financial investments from ₩63,699 billion in 2019 to ₩80,087 billion in 2020. The decrease in average yields on financial investments mainly reflected the decrease in the general level of interest rates in Korea. The increase in the average volume of financial investments was primarily due to an increase in our purchases of debt securities issued by Korean banks and other financial institutions.

The 6.4% decrease in interest on financial instruments at fair value through profit or loss from ₩704 billion in 2019 to ₩659 billion in 2020 was primarily due to a 41 basis point decrease in the average yields on such financial instruments from 2.59% in 2019 to 2.18% in 2020, which was partially offset by an 11.3% increase in the average volume of such financial instruments from ₩27,164 billion in 2019 to ₩30,232 billion in 2020. The decrease in average yields on such financial instruments mainly reflected the decrease in the general level of interest rates in Korea. The increase in the average volume of such financial instruments mainly reflected our increased purchases of such financial instruments due to an increase in purchases of government-issued debt securities by Kookmin Bank and KB Securities.

The interest on loans remained relatively stable at ₩12,380 billion in 2020 compared to ₩12,395 billion in 2019. This was primarily the result of:

- a 51 basis point decrease in the average yields on corporate loans from 3.38% in 2019 to 2.87% in 2020, which was partly offset by an 11.9% increase in the average volume of such loans from ₩141,600 billion in 2019 to ₩158,508 billion in 2020;
- a 35 basis point decrease in the average yields on home equity loans from 3.19% in 2019 to 2.84% in 2020, which was enhanced by an 8.3% decrease in the average volume of such loans from ₩30,188 billion in 2019 to ₩27,682 billion in 2020;
- a 45 basis point decrease in the average yields on mortgage loans from 3.06% in 2019 to 2.61% in 2020, which was partially offset by a 13.5% increase in the average volume of such loans from ₩72,897 billion in 2019 to ₩82,765 billion in 2020; and
- a 47 basis point decrease in the average yields on other consumer loans from 4.58% in 2019 to 4.11% in 2020, which was partially offset by a 9.8% increase in the average volume of such loans from ₩58,514 billion in 2019 to ₩64,220 billion in 2020;

which were mostly offset by:

- a 122.5% increase in the average volume of foreign-currency loans from ₩6,599 billion in 2019 to ₩14,683 billion in 2020, which was enhanced by a 128 basis point increase in the average yields on such loans from 4.23% in 2019 to 5.51% in 2020.

The decreases in the average yields on home equity, corporate, mortgage and other consumer loans mainly reflected the overall decrease in the general level of interest rates in Korea in 2020 compared to 2019. The increase in the average yields on foreign-currency loans was primarily attributable to the reflection of higher average yields applicable to existing foreign-currency loans of Bank Bukopin and PRASAC, which were acquired by Kookmin Bank in September and April 2020, respectively. The decrease in the average volume of

home equity loans was mainly the result of increased government regulations applicable to such loans, which led to a decrease in demand for such loans. The increases in the average volumes of corporate, mortgage, other consumer loans and foreign-currency loans were attributable primarily to increased demand from borrowers in need of financing in light of the COVID-19 pandemic.

Overall, the average volume of our loans increased 11.8% from ₩327,747 billion in 2019 to ₩366,444 billion in 2020, while the average yields on our loans decreased by 40 basis points from 3.78% in 2019 to 3.38% in 2020.

Interest expense. Interest expense decreased 12.5% from ₩5,442 billion in 2019 to ₩4,764 billion in 2020 due to a 16.2% decrease in interest expense on deposits and, to a lesser extent, an 8.2% decrease in interest expense on borrowings and a 4.4% decrease in interest expense on debentures. The average cost of interest-bearing liabilities decreased by 35 basis points from 1.45% in 2019 to 1.10% in 2020, which was driven mainly by the decrease in the general level of interest rates in Korea in 2020 compared to 2019. The effect of this decrease was partially offset by a 15.4% increase in the average volume of our interest-bearing liabilities from ₩374,114 billion in 2019 to ₩431,765 billion in 2020, which reflected increases in the average volumes of deposits, and, to a lesser extent, borrowings and debentures.

The 16.2% decrease in interest expense on deposits from ₩3,481 billion in 2019 to ₩2,917 billion in 2020 was due to:

- a 38 basis point decrease in the average cost of time deposits from 1.94% in 2019 to 1.56% in 2020, which was partially offset by a 6.7% increase in the average volume of such deposits from ₩155,762 billion in 2019 to ₩166,275 billion in 2020;
- a 12 basis point decrease in the average cost of demand deposits from 0.30% in 2019 to 0.18% in 2020, which was partially offset by a 21.7% increase in the average volume of such deposits from ₩122,519 billion in 2019 to ₩149,141 billion in 2020; and
- a 57 basis point decrease in the average cost of certificates of deposit from 1.95% in 2019 to 1.38% in 2020, which was enhanced by a 23.9% decrease in the average volume of certificates of deposit from ₩4,781 billion in 2019 to ₩3,636 billion in 2020.

The decrease in the average cost of such deposits was principally due to the decrease in the general level of interest rates in Korea in 2020 compared to 2019. The increases in the average volumes of time and demand deposits mainly reflected customers' continuing preference for low-risk products and institutions in Korea in light of the continuing uncertainty in financial markets in 2020 resulting from the COVID-19 pandemic. The decrease in the average volume of certificates of deposit was principally the result of a decline in sales of such products due to our decreased need for such sales in light of capital requirements. Overall, the average cost of our deposits decreased by 32 basis points from 1.23% in 2019 to 0.91% in 2020, while the average volume of our deposits increased 12.7% from ₩283,062 billion in 2019 to ₩319,052 billion in 2020.

The 8.2% decrease in interest expense on borrowings from ₩720 billion in 2019 to ₩661 billion in 2020 was principally attributable to a 63 basis point decrease in the average cost of borrowings from 1.87% in 2019 to 1.24% in 2020, which was partially offset by a 38.6% increase in the average volume of borrowings from ₩38,478 billion in 2019 to ₩53,334 billion in 2020. The decrease in the average cost of borrowings mainly reflected the decrease in the general level of interest rates in Korea in 2020 compared to 2019, while the increase in the average volume of borrowings was primarily due to our increased use of borrowings to meet our funding needs in light of the lower interest rate environment in Korea.

The 4.4% decrease in interest expense on debentures from ₩1,241 billion in 2019 to ₩1,186 billion in 2020 was primarily due to a 36 basis point decrease in the average cost of debentures from 2.36% in 2019 to 2.00% in 2020, which was partially offset by a 12.9% increase in the average volume of debentures from

₩52,574 billion in 2019 to ₩59,379 billion in 2020. The decrease in the average cost of debentures mainly reflected a decrease in interest rates applicable to debentures in 2020 in light of the lower interest rate environment, while the increase in the average volume of debentures was principally due to our increased use of debentures to meet our funding needs in light of the lower interest rate environment in Korea.

Net interest margin. Our overall net interest margin decreased from 2.14% in 2019 to 1.99% in 2020, as a 5.7% increase in our net interest income from ₩9,197 billion in 2019 to ₩9,722 billion in 2020 was outpaced by a 14.4% increase in the average volume of our interest-earning assets from ₩429,046 billion in 2019 to ₩489,043 billion in 2020. The growth in average interest-earning assets outpaced a 15.4% increase in average interest-bearing liabilities from ₩374,114 billion in 2019 to ₩431,765 billion in 2020, while the decrease in interest expense outpaced the decrease in interest income, resulting in an increase in net interest income. However, our net interest spread decreased from 1.96% in 2019 to 1.86% in 2020, which reflected a larger decrease in the average yield on interest-earning assets compared to the decrease in the average cost of interest-bearing liabilities between the two periods, primarily due to the earlier adjustment of interest rates on interest-earning assets compared to interest rates on interest-bearing liabilities in the context of a lower interest rate environment in 2020 compared to 2019.

Provision for Credit Losses

Provision for credit losses includes provision for credit losses of loans, provision for credit losses of unused loan commitments, provision for credit losses of acceptances and guarantees, provision for credit losses of financial guarantee contracts and provision for credit losses of other financial assets, in each case net of reversal of provisions. For a discussion of our credit losses provisioning policy, see “Item 4.B. Business Overview—Assets and Liabilities—Loan Portfolio—Provisioning Policy.”

In accordance with the guidelines of the Financial Supervisory Service, if our allowances and provisions for credit losses are deemed insufficient for regulatory purposes, we compensate for the difference by recording a regulatory reserve for credit losses, which is segregated within retained earnings. See “Item 4.B. Business Overview—Assets and Liabilities—Loan Portfolio—Regulatory Reserve for Credit Losses” and Note 27.5 of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2021 to 2020

Our provision for credit losses increased 13.6% from ₩1,043 billion in 2020 to ₩1,185 billion in 2021, primarily due to an increase in provision for credit losses of loans and a change in provision (reversal) for credit losses of acceptances and guarantees, the effect of which was partially offset by a decrease in provision for credit losses of unused loan commitments.

Our provision for credit losses of loans increased 15.7% from ₩941 billion in 2020 to ₩1,089 billion in 2021, mainly due to increases in provision for credit losses in respect of our corporate loans and, to a lesser extent, our credit card receivables. Such increases mainly reflected our provisioning policy pursuant to which we preemptively accounted for a potential increase in expected credit losses that could result from a deterioration in the overall asset quality of our loan portfolios due to COVID-19, as well as an increase in the volumes of such corporate and credit card loans. Such increases were offset in part by a decrease in provision for credit losses in respect of our retail loans, which resulted from an improvement in the overall asset quality of our retail loans. Our loan write-offs decreased 15.0% from ₩1,285 billion in 2020 to ₩1,092 billion in 2021, due to decreases in write-offs of corporate loans and, to a lesser extent, credit card receivables and retail loans.

Our provision for credit losses of acceptances and guarantees and unused loan commitments decreased 15.8% from ₩76 billion in 2020 to ₩64 billion in 2021, primarily due to an improvement in the overall credit quality of our acceptances and guarantees and unused loan commitments in 2021.

Comparison of 2020 to 2019

Our provision for credit losses increased 55.7% from ₩670 billion in 2019 to ₩1,043 billion in 2020, primarily due to an increase in provision for credit losses of loans and a change in provisions (reversal) for credit losses of unused loan commitments.

Our provision for credit losses of loans increased 43.2% from ₩657 billion in 2019 to ₩941 billion in 2020, mainly due to increases in provision for credit losses in respect of our corporate loans and, to a lesser extent, our retail loans. Such increases resulted primarily from our preemptive measures to account for a potential increase in expected credit losses that could result from a deterioration in the overall asset quality of our corporate and retail loan portfolios due to COVID-19, as well as an increase in the volumes of such corporate and retail loans. Such increases were offset in part by a decrease in provision for loan losses in respect of our credit card receivables, which resulted from an improvement in the overall asset quality of our credit card receivables. Our loan write-offs increased 8.1% from ₩1,189 billion in 2019 to ₩1,285 billion in 2020, primarily due to an increase in write-offs of corporate loans.

Provision (reversal) for credit losses of unused loan commitments changed from a reversal of ₩3 billion in 2019 to a provision of ₩90 billion in 2020, due mainly to our preemptive measures to account for a potential increase in expected credit losses for borrowers severely impacted by COVID-19.

Allowances for Credit Losses of Loans

We establish allowances for credit losses of loans with respect to loans to absorb such losses. We assess individually significant loans on a case-by-case basis and other loans on a collective basis.

Corporate Loans. The following table shows, for the periods indicated, certain information regarding our impaired corporate loans:

	As of December 31,		
	2019	2020	2021
Impaired corporate loans as a percentage of total corporate loans	0.5	1.2	1.1
Allowances for credit losses for corporate loans as a percentage of total corporate loans	0.6	0.9	0.9
Allowances for credit losses for corporate loans as a percentage of impaired corporate loans	116.3	76.4	87.3
Net charge-offs of corporate loans as a percentage of total corporate loans	0.1	0.1	0.1

During 2021, impaired corporate loans as a percentage of total corporate loans decreased due to a decrease in our impaired corporate loans, which mainly reflected an improvement in the overall credit quality of our corporate loans, as well as an increase in our total corporate loans. Allowances for credit losses for corporate loans as a percentage of total corporate loans remained stable, as our allowances for credit losses for corporate loans and our total corporate loans increased. Allowances for credit losses for corporate loans as a percentage of impaired corporate loans increased due to an increase in allowances for credit losses for corporate loans and the decrease in impaired corporate loans.

During 2020, both impaired corporate loans and allowances for credit losses for corporate loans, as a percentage of total corporate loans, decreased primarily due to a decrease in our impaired corporate loans, which mainly reflected our efforts to improve the asset quality of our corporate loan portfolio, as well as an increase in our total corporate loans. Such decrease in our impaired corporate loans outpaced a decrease in allowances for credit losses for corporate loans, which caused the level of allowances for credit losses for corporate loans as a percentage of impaired corporate loans to increase during 2020.

Retail Loans. The following table shows, for the periods indicated, certain information regarding our impaired retail loans:

	As of December 31,		
	2019	2020	2021
		(%)	
Impaired retail loans as a percentage of total retail loans	0.4	0.4	0.4
Allowances for credit losses for retail loans as a percentage of total retail loans	0.4	0.5	0.5
Allowances for credit losses for retail loans as a percentage of impaired retail loans	117.8	124.4	125.9
Net charge-offs of retail loans as a percentage of total retail loans	0.2	0.2	0.1

During 2021, impaired retail loans and allowances for credit losses for retail loans, each as a percentage of total retail loans, remained stable, as our impaired retail loans, allowances for credit losses for retail loans and our total retail loans all increased. Allowances for credit losses for retail loans as a percentage of impaired retail loans increased slightly during 2021, reflecting a rate of increase in allowances for credit losses for retail loans that outpaced the rate of increase in the amount of impaired retail loans.

During 2020, impaired retail loans as a percentage of total retail loans increased as the rate of increase in our impaired retail loans, which reflected our preemptive measures to account for a potential increase in expected credit losses that could result from a deterioration in the overall asset quality of our retail loan portfolio, outpaced the rate of increase in the amount of our total retail loans. Allowances for credit losses for retail loans as a percentage of total retail loans remained constant, while allowances for credit losses for retail loans as a percentage of impaired retail loans decreased during 2020, reflecting a rate of increase in impaired retail loans that outpaced the rate of increase in allowances for credit losses for retail loans.

Credit Card Balances. The following table shows, for the periods indicated, certain information regarding our impaired credit card balances:

	As of December 31,		
	2019	2020	2021
		(%)	
Impaired credit card balances as a percentage of total credit card balances	2.5	2.7	2.5
Allowances for credit losses for credit card balances as a percentage of total credit card balances	4.0	3.7	3.8
Allowances for credit losses for credit card balances as a percentage of impaired credit card balances	155.9	138.5	150.2
Net charge-offs as a percentage of total credit card balances	2.0	2.0	1.5

During 2021, impaired credit card balances as a percentage of total credit card balances decreased as the rate of increase in the amount of our impaired credit card balances was outpaced by the rate of increase in the amount of our total credit card balances. Allowances for credit losses for credit card balances as a percentage of both total credit card balances and impaired credit card balances increased during 2021, as the rate of increase in the amount of our allowances for credit losses for credit card balances outpaced the rates of increases of both our total credit card balances and our impaired credit card balances.

During 2020, impaired credit card balances as a percentage of total credit card balances increased as the rate of increase in our impaired credit card balances outpaced the rate of increase in the amount of our total credit card balances. Allowances for credit losses for credit card balances as a percentage of both total credit card balances and impaired credit card balances decreased during 2020, primarily as a result of an improvement in the asset quality of our existing impaired credit card balances.

Net Fee and Commission Income

The following table shows, for the periods indicated, the components of our net fee and commission income:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Fee and commission income	₩ 3,879	₩ 4,527	₩ 5,324	16.7	17.6
Fee and commission expense	(1,524)	(1,568)	(1,698)	2.9	8.3
Net fee and commission income . . .	<u>₩ 2,355</u>	<u>₩ 2,959</u>	<u>₩ 3,626</u>	25.6	22.5

Comparison of 2021 to 2020

Our net fee and commission income increased 22.5% from ₩2,959 billion in 2020 to ₩3,626 billion in 2021, due to a 17.6% increase in fee and commission income from ₩4,527 billion in 2020 to ₩5,324 billion in 2021, which was offset in part by an 8.3% increase in fee and commission expense from ₩1,568 billion in 2020 to ₩1,698 billion in 2021.

The 17.6% increase in fee and commission income was primarily due to a 41.2% increase in lease fees received from ₩636 billion in 2020 to ₩898 billion in 2021, a 10.8% increase in credit and debit card related fees received from ₩1,378 billion in 2020 to ₩1,527 billion in 2021 and a 44.8% increase in other fees received from ₩315 billion in 2020 to ₩456 billion in 2021. The increase in lease fees received was principally as a result of an increase in automobile lease fees received by KB Capital, the increase in credit and debit card related fees received was primarily attributable to an increase in the volume of credit and debit card transactions in light of the COVID-19 pandemic and the increase in other fees received mainly reflected an increase in investment finance-related commissions received.

The 8.3% increase in fee and commission expense was principally attributable to a 32.8% increase in other fees paid from ₩381 billion in 2020 to ₩506 billion in 2021, primarily due to increases in other miscellaneous fees paid by KB Kookmin Card and KB Securities.

Comparison of 2020 to 2019

Our net fee and commission income increased 25.6% from ₩2,355 billion in 2019 to ₩2,959 billion in 2020, due to a 16.7% increase in fee and commission income from ₩3,879 billion in 2019 to ₩4,527 billion in 2020, which was offset in part by a 2.9% increase in fee and commission expense from ₩1,524 billion in 2019 to ₩1,568 billion in 2020.

The 16.7% increase in fee and commission income was primarily due to a 77.8% increase in commissions received on securities business from ₩446 billion in 2019 to ₩793 billion in 2020, which was enhanced by a 48.6% increase in lease fees received from ₩428 billion in 2019 to ₩636 billion in 2020. The increase in commissions received on securities business mainly reflected an increase in the volume of commission-generating securities instruments sold by KB Securities, and the increase in lease fees was principally as a result of an increase in automobile lease fees received by KB Capital.

The 2.9% increase in fee and commission expense was principally attributable to a 10.8% increase in other fees paid from ₩344 billion in 2019 to ₩381 billion in 2020, a 14.2% increase in outsourcing related fees paid from ₩190 billion in 2019 to ₩217 billion in 2020 and, to a lesser extent, a 31.0% increase in trading activity related fees paid from ₩29 billion in 2019 to ₩38 billion in 2020, which were offset in part by a 4.8% decrease in credit and debit card related fees paid from ₩892 billion in 2019 to ₩849 billion in 2020. The increase in other fees paid was mainly due to an increase in other miscellaneous fees paid by KB Insurance and KB Capital,

the increase in outsourcing related fees paid mainly reflected an increase in advisory and consulting fees relating to various acquisitions paid by us and Kookmin Bank, and the increase in trading activity related fees paid was primarily attributable to an increase in the volume of transactions conducted by KB Securities. The decrease in credit and debit card related fees paid was mainly driven by a decrease in fees paid in connection with sales agents' marketing activities due to COVID-19, which led to a decline in face-to-face meetings between sales agents and potential customers.

Net Insurance Income

The following table shows, for the periods indicated, the components of our net insurance income:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Insurance income	₩ 12,317	₩ 14,387	₩ 16,108	16.8	12.0
Insurance expense	(12,018)	(14,087)	(15,551)	17.2	10.4
Net insurance income	<u>₩ 300</u>	<u>₩ 300</u>	<u>₩ 557</u>	0.0	85.7

Comparison of 2021 to 2020

Our net insurance income increased 85.7% from ₩300 billion in 2020 to ₩557 billion in 2021, due to a 12.0% increase in insurance income from ₩14,387 billion in 2020 to ₩16,108 billion in 2021, which was offset in part by a 10.4% increase in insurance expense from ₩14,087 billion in 2020 to ₩15,551 billion in 2021.

The increase in insurance income was mainly due to a 14.1% increase in premium income from ₩12,873 billion in 2020 to ₩14,684 billion in 2021, which was offset in part by a decrease in income from changes in reinsurance assets from ₩468 billion in 2020 to ₩135 billion in 2021. The increase in premium income was principally due to an increase in the number of new insurance products sold by KB Life Insurance and KB Insurance, as well as the full-year effect of the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020. The decrease in income from changes in reinsurance assets was mainly due to an increase in income from a reinsurance claim in connection with a major fire in 2020, which was not repeated in 2021.

The increase in insurance expense was principally attributable to a 22.7% increase in refunds of surrender value paid from ₩3,286 billion in 2020 to ₩4,032 billion in 2021, which was enhanced by a 9.7% increase in insurance claims paid from ₩5,265 billion in 2020 to ₩5,778 billion in 2021. Such increases were mainly due to an increase in the accumulated number of insurance products sold by KB Life Insurance and KB Insurance, as well as the full-year effect of the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020.

Comparison of 2020 to 2019

Our net insurance income remained stable at ₩300 billion in 2019 and 2020. A 16.8% increase in insurance income from ₩12,317 billion in 2019 to ₩14,387 billion in 2020 was offset by a 17.2% increase in insurance expense from ₩12,018 billion in 2019 to ₩14,087 billion in 2020.

The increase in insurance income was mainly due to a 15.2% increase in premium income from ₩11,173 billion in 2019 to ₩12,873 billion in 2020, which was enhanced by a significant increase in income from change in reinsurance assets from ₩42 billion in 2019 to ₩468 billion in 2020. Such increases were principally as a result of an increase in the number of new insurance products sold by KB Life Insurance and KB Insurance, as well as the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020.

The increase in insurance expense was principally attributable to a 75.2% increase in provision for policy reserve from ₩1,547 billion in 2019 to ₩2,710 billion in 2020, which was enhanced by a 14.5% increase in refunds of surrender value paid from ₩2,871 billion in 2019 to ₩3,286 billion in 2020 and a 4.3% increase in insurance claims paid from ₩5,047 billion in 2019 to ₩5,265 billion in 2020. Such increases were mainly due to an increase in the number of new insurance products sold by KB Insurance and KB Life Insurance.

Net Gains on Financial Instruments at Fair Value through Profit or Loss

The following table shows, for the periods indicated, the components of our net gains on financial instruments at fair value through profit or loss:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Net gains on financial assets at fair value through profit or loss	₩ 974	₩1,302	₩831	33.7	(36.2)
Net gains on derivatives held for trading	1,116	323	204	(71.1)	(36.8)
Net losses on financial liabilities at fair value through profit or loss	(48)	(125)	(8)	160.4	(93.6)
Net losses on financial instruments designated at fair value through profit or loss	(1,398)	(489)	(31)	(65.0)	(93.7)
Net gains on financial instruments at fair value through profit or loss	₩ 644	₩1,011	₩995	57.0	(1.6)

Comparison of 2021 to 2020

Our net gains on financial instruments at fair value through profit or loss decreased 1.6% from ₩1,011 billion in 2020 to ₩995 billion in 2021. Such decrease was primarily attributable to decreases in net gains on financial assets at fair value through profit or loss and net gains on derivatives held for trading, the effects of which were mostly offset by substantial decreases in net losses on financial instruments designated at fair value through profit or loss and net losses on financial liabilities at fair value through profit or loss.

- Our net gains on financial assets at fair value through profit or loss decreased 36.2% from ₩1,302 billion in 2020 to ₩831 billion in 2021, due to a 48.8% decrease in net gains on debt securities held for trading from ₩1,021 billion in 2020 to ₩523 billion in 2021, which was slightly offset by a 9.3% increase in net gains on equity securities held for trading from ₩281 billion in 2020 to ₩307 billion in 2021.
- Our net gains on derivatives held for trading decreased 36.8% from ₩323 billion in 2020 to ₩204 billion in 2021, primarily due to a change from net gains on stock or stock index derivatives held for trading of ₩250 billion in 2020 to net losses on such derivatives of ₩1 billion in 2021, which was enhanced by a 51.4% decrease in net gains on currency derivatives held for trading from ₩144 billion in 2020 to ₩70 billion in 2021. Such effect was partially offset by a change from net losses on interest rate derivatives held for trading of ₩55 billion in 2020 to net gains on such derivatives of ₩151 billion in 2021.
- Our net losses on financial instruments designated at fair value through profit or loss decreased 93.7% from ₩489 billion in 2020 to ₩31 billion in 2021 as a result of a decrease in net losses on financial liabilities designated at fair value through profit or loss. Such decrease was primarily attributable to a

42.7% decrease in losses on financial liabilities designated at fair value through profit or loss from ₩1,143 billion in 2020 to ₩655 billion in 2021.

- Our net losses on financial liabilities at fair value through profit or loss decreased 93.6% from ₩125 billion in 2020 to ₩8 billion in 2021 as a result of a 47.1% decrease in losses on financial liabilities at fair value through profit or loss from ₩153 billion in 2020 to ₩81 billion in 2021 and a 160.7% increase in gains on financial liabilities at fair value through profit or loss from ₩28 billion in 2020 to ₩73 billion in 2021.

Comparison of 2020 to 2019

Our net gains on financial instruments at fair value through profit or loss increased 57.0% from ₩644 billion in 2019 to ₩1,011 billion in 2020. Such increase was primarily attributable to a decrease in net losses on financial instruments designated at fair value through profit or loss and an increase in net gains on financial assets at fair value through profit or loss, the effects of which were partially offset by a decrease in net gains on derivatives held for trading.

- Our net losses on financial instruments designated at fair value through profit or loss decreased 65.0% from ₩1,398 billion in 2019 to ₩489 billion in 2020 as a result of a decrease in net losses on financial liabilities designated at fair value through profit or loss. Such decrease was primarily attributable to a 41.5% decrease in losses from financial liabilities designated at fair value through profit or loss from ₩1,954 billion in 2019 to ₩1,143 billion in 2020.
- Our net gains on financial assets at fair value through profit or loss increased 33.7% from ₩974 billion in 2019 to ₩1,302 billion in 2020, due to a 148.7% increase in net gains on equity securities held for trading from ₩113 billion in 2019 to ₩281 billion in 2020 and an 18.6% increase in net gains on debt securities held for trading from ₩861 billion in 2019 to ₩1,021 billion in 2020.
- Our net gains on derivatives held for trading decreased 71.1% from ₩1,116 billion in 2019 to ₩323 billion in 2020, primarily due to a 75.7% decrease in net gains on stock or stock index derivatives held for trading from ₩1,027 billion in 2019 to ₩250 billion in 2020.

For further information regarding our net gains on financial instruments at fair value through profit or loss, see Note 30 of the notes to our consolidated financial statements included elsewhere in this annual report.

General and Administrative Expenses

The following table shows, for the periods indicated, the components of our general and administrative expenses:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Expenses related to employees	₩3,956	₩4,325	₩4,635	9.3	7.2
Depreciation and amortization	784	875	851	11.6	(2.7)
Other general and administrative expenses	1,531	1,615	1,715	5.5	6.2
General and administrative expenses	₩6,272	₩6,815	₩7,201	8.7	5.7

Comparison of 2021 to 2020

Our general and administrative expenses increased 5.7% from ₩6,815 billion in 2020 to ₩7,201 billion in 2021, primarily as a result of a 7.2% increase in expenses related to employees from ₩4,325 billion in 2020 to

₩4,635 billion in 2021, which was enhanced by a 6.2% increase in other general and administrative expenses from ₩1,615 billion in 2020 to ₩1,715 billion in 2021 and slightly offset by a 2.7% decrease in depreciation and amortization expenses from ₩875 billion in 2020 to ₩851 billion in 2021.

The increase in expenses related to employees was attributable mainly to a 7.8% increase in salaries from ₩2,789 billion in 2020 to ₩3,007 billion in 2021, which was primarily due to the full-year effect of the increase in the number of employees in connection with the addition of PRASAC and Bank Bukopin as consolidated subsidiaries of Kookmin Bank in April and September 2020, respectively. Such increase was enhanced by a 6.5% increase in other employee benefits from ₩871 billion in 2020 to ₩928 billion in 2021, which was primarily driven by an increase in performance-based compensation paid to our employees in 2021, and a 108.2% increase in share-based payments from ₩49 billion in 2020 to ₩102 billion in 2021, which was primarily due to an increase in our share price.

The increase in other general and administrative expenses was attributable mainly to a 12.1% increase in electronic data processing expenses from ₩281 billion in 2020 to ₩315 billion in 2021 and an 8.4% increase in miscellaneous expenses from ₩296 billion in 2020 to ₩321 billion in 2021. Such increases were enhanced by an 8.8% increase in service fees from ₩239 billion in 2020 to ₩260 billion in 2021 and a 65.6% increase in repairs and maintenance expenses from ₩32 billion in 2020 to ₩53 billion in 2021. Such increases were partially offset by an 11.4% decrease in advertising expenses from ₩237 billion in 2020 to ₩210 billion in 2021.

Comparison of 2020 to 2019

Our general and administrative expenses increased 8.7% from ₩6,272 billion in 2019 to ₩6,815 billion in 2020, primarily as a result of a 9.3% increase in expenses related to employees from ₩3,956 billion in 2019 to ₩4,325 billion in 2020, which was enhanced by an 11.6% increase in depreciation and amortization expenses from ₩784 billion in 2019 to ₩875 billion in 2020 and a 5.5% increase in other general and administrative expenses from ₩1,531 billion in 2019 to ₩1,615 billion in 2020.

The increase in expenses related to employees was attributable mainly to a 9.0% increase in salaries from ₩2,558 billion in 2019 to ₩2,789 billion in 2020, which was primarily due to an increase in the number of employees due to the acquisitions of PRASAC, Prudential Life Insurance and Bank Bukopin. Such increase was enhanced by a 50.4% increase in termination benefits from ₩240 billion in 2019 to ₩361 billion in 2020, mainly due to our implementation of an early retirement program in December 2020, and, to a lesser extent, a 2.7% increase in other employee benefits from ₩848 billion in 2019 to ₩871 billion in 2020, which was primarily driven by an increase in performance-based compensation paid to our employees in 2020.

The increase in depreciation and amortization expenses was primarily due to the completion of the construction of a second headquarters building for Kookmin Bank in August 2020.

The increase in other general and administrative expenses was attributable mainly to an 8.9% increase in electronic data processing expenses from ₩258 billion in 2019 to ₩281 billion in 2020 and an 8.8% increase in tax and dues from ₩239 billion in 2019 to ₩260 billion in 2020. Such increases were enhanced by a 4.8% increase in service fees from ₩228 billion in 2019 to ₩239 billion in 2020. Such increases were partially offset by a 42.9% decrease in travel expenses from ₩21 billion in 2019 to ₩12 billion in 2020.

Net Other Operating Expenses

The following table shows, for the periods indicated, the components of our net other operating expenses:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Other operating income	₩ 2,864	₩ 4,757	₩ 4,929	66.1	3.6
Other operating expenses	(3,927)	(6,257)	(6,853)	59.3	9.5
Net other operating expenses	<u>₩(1,063)</u>	<u>₩(1,500)</u>	<u>₩(1,924)</u>	41.1	28.3

Comparison of 2021 to 2020

Our net other operating expenses increased 28.3% from ₩1,500 billion in 2020 to ₩1,924 billion in 2021, as a 9.5% increase in other operating expenses from ₩6,257 billion in 2020 to ₩6,853 billion in 2021 outpaced a 3.6% increase in other operating income from ₩4,757 billion in 2020 to ₩4,929 billion in 2021.

Other operating expenses include principally losses on foreign exchange transactions, losses related to financial assets at amortized cost, losses related to financial instruments at fair value through other comprehensive income and miscellaneous other operating expenses. The 9.5% increase in other operating expenses was mainly the result of a significant increase in losses on financial instruments at fair value through other comprehensive income from ₩19 billion in 2020 to ₩225 billion in 2021, a 42.2% increase in depreciation expenses of operating lease assets from ₩424 billion in 2020 to ₩603 billion in 2021 and a 7.7% increase in miscellaneous other operating expenses from ₩1,510 billion in 2020 to ₩1,626 billion in 2021. The increase in losses on financial instruments at fair value through other comprehensive income was primarily due to an increase in losses relating to the disposal of government and public bonds. The increase in depreciation expenses of operating lease assets mainly reflected an increase in automobile lease assets of KB Capital.

Other operating income includes principally gains on foreign exchange transactions, gains on financial assets at amortized cost, gains on financial instruments at fair value through other comprehensive income and miscellaneous other operating income. The 3.6% increase in other operating income was primarily attributable to a 6.7% increase in gains on foreign exchange transactions from ₩3,635 billion in 2020 to ₩3,878 billion in 2021, which was enhanced by a 27.4% increase in miscellaneous other operating income from ₩592 billion in 2020 to ₩754 billion in 2021. Such increases were offset in part by a 58.4% decrease in gains on financial instruments at fair value through other comprehensive income from ₩305 billion in 2020 to ₩127 billion in 2021. The increase in gains on foreign exchange transactions, which was mainly the result of increased exchange rate volatility, was partially offset by an increase in losses on foreign exchange transactions, which is recorded as part of other operating expenses. On a net basis, our net gains on foreign exchange transactions increased 195.2% from ₩104 billion in 2020 to ₩307 billion in 2021.

Comparison of 2020 to 2019

Our net other operating expenses increased 41.1% from ₩1,063 billion in 2019 to ₩1,500 billion in 2020, as a 59.3% increase in other operating expenses from ₩3,927 billion in 2019 to ₩6,257 billion in 2020 outpaced a 66.1% increase in other operating income from ₩2,864 billion in 2019 to ₩4,757 billion in 2020.

The 59.3% increase in other operating expenses was mainly the result of a 79.2% increase in losses on foreign exchange transactions from ₩1,970 billion in 2019 to ₩3,531 billion in 2020, which was enhanced by a 39.8% increase in other operating expenses from ₩1,920 billion in 2019 to ₩2,684 billion in 2020. The increase in losses on foreign exchange transactions, which was primarily due to higher exchange rate volatility, was partially offset by an increase in gains on foreign exchange transactions, which is recorded as part of other operating income. On a net basis, our net gains on foreign exchange transactions decreased 51.4% from ₩214 billion in 2019 to ₩104 billion in 2020.

The 66.1% increase in other operating income was primarily attributable to a 66.4% increase in gains on foreign exchange transactions from ₩2,184 billion in 2019 to ₩3,635 billion in 2020. The increase in gains on foreign exchange transactions, which was mainly the result of increased exchange rate volatility, was more than offset by an increase in losses on foreign exchange transactions, which is recorded as part of other operating expenses as discussed above.

For further information regarding our net other operating expenses, see Note 31 of the notes to our consolidated financial statements included elsewhere in this annual report.

Net Non-operating Income

The following table shows, for the periods indicated, the components of our net non-operating income:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Share of profit (loss) of associates and joint ventures	₩16	₩(44)	₩ 94	N/M ⁽¹⁾	N/M ⁽¹⁾
Net other non-operating income (expenses)	27	189	(110)	600.0	N/M ⁽¹⁾
Net non-operating income (expenses)	₩43	₩146	₩ (16)	239.5	N/M ⁽¹⁾

⁽¹⁾ "N/M" means not meaningful.

Comparison of 2021 to 2020

Our net non-operating income (expenses) changed from a net income of ₩146 billion in 2020 to net expenses of ₩16 billion in 2021, primarily as a result of a change in net other non-operating income (expenses) from a net income of ₩189 billion in 2020 to net expenses of ₩110 billion in 2021, which was partially offset by a change in share of profit (loss) of associates and joint ventures from a net loss of ₩44 billion in 2020 to a net profit of ₩94 billion in 2021.

The change in net other non-operating income (expenses) from a net income to net expenses was attributable to a 73.2% decrease in other non-operating income from ₩466 billion in 2020 to ₩125 billion in 2021, which was partially offset by a 15.2% decrease in other non-operating expenses from ₩277 billion in 2020 to ₩235 billion in 2021. The decrease in other non-operating income was mainly due to gains on bargain purchase of ₩145 billion recognized in 2020 resulting from the acquisition of Prudential Life Insurance, which was not repeated in 2021, as well as a 91.9% decrease in gains on disposal of property and equipment from ₩111 billion in 2020 to ₩9 billion in 2021, primarily due to a decrease in gains on disposal of investment property held by our consolidated funds. Such decrease was enhanced by a 69.0% decrease in rental income from ₩113 billion in 2020 to ₩35 billion in 2021, primarily due to a decrease in our holdings of investment property that generated rental income. The decrease in other non-operating expenses primarily reflected a 18.8% decrease in miscellaneous other expenses from ₩144 billion in 2020 to ₩117 billion in 2021.

The change in share of profit (loss) of associates and joint ventures from a net loss to a net profit was primarily due to an increase in profit of equity-method investees of Kookmin Bank.

Comparison of 2020 to 2019

Our net non-operating income increased 239.5% from ₩43 billion in 2019 to ₩146 billion in 2020, primarily as a result of a 600.0% increase in net other non-operating income from ₩27 billion in 2019 to

₩189 billion in 2020, which was partially offset by a change in share of profit (loss) of associates and joint ventures from a net profit of ₩16 billion in 2019 to a net loss of ₩44 billion in 2020.

The 600.0% increase in net other non-operating income was attributable to a 123.0% increase in other non-operating income from ₩209 billion in 2019 to ₩466 billion in 2020, which was partly offset by a 52.2% increase in other non-operating expenses from ₩182 billion in 2019 to ₩277 billion in 2020. The increase in other non-operating income was mainly due to gains on a bargain purchase of ₩145 billion recognized in connection with the acquisition of Prudential Life Insurance in 2020. Such increase was enhanced by a 208.3% increase in gains on disposal of property and equipment from ₩36 billion in 2019 to ₩111 billion in 2020. The increase in other non-operating expenses primarily reflected a 121.5% increase in other expenses, which was mainly attributable to an increase in provisions in connection with certain litigations involving KB Securities.

The 375.0% decrease in share of profit of associates and joint ventures was primarily due to a decrease in profit of equity-method investees of Kookmin Bank.

Income Tax Expense

Our income tax expense is calculated by adding or subtracting changes in deferred income tax liabilities and assets to income tax amounts payable for the period. Deferred income tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits, while deferred income tax liabilities are recognized for taxable temporary differences. Temporary differences are those between the carrying values of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income tax assets, including unused tax losses and credits, are recognized only to the extent it is probable that sufficient taxable profit will be available against which such deferred income tax assets can be utilized.

Comparison of 2021 to 2020

Income tax expense increased 34.3% from ₩1,264 billion in 2020 to ₩1,697 billion in 2021, primarily due to a 45.5% increase in income tax payable from ₩1,086 billion in 2020 to ₩1,580 billion in 2021, which was partially offset by a 34.3% decrease in changes in deferred income tax assets and liabilities from ₩327 billion in 2020 to ₩215 billion in 2021 and a 38.3% decrease in income tax recognized directly in equity and others from ₩149 billion in 2020 to ₩92 billion in 2021. The increase in income tax payable was due to a 43.0% increase in current income tax expense from ₩1,099 billion in 2020 to ₩1,572 billion in 2021, which resulted primarily from the increase in our profit before income tax. The decrease in income tax recognized directly in equity and others was primarily attributable to a change in gains or losses on hedging instruments of net investments in foreign operations from net losses of ₩25 billion in 2020 to net gains of ₩26 billion in 2021. Our effective tax rate was 27.9% in 2021 compared to 26.5% in 2020.

Comparison of 2020 to 2019

Income tax expense increased 3.5% from ₩1,221 billion in 2019 to ₩1,264 billion in 2020, due to a 9.5% increase in income tax payable from ₩992 billion in 2019 to ₩1,086 billion in 2020 and a 14.3% increase in changes in deferred income tax assets (and liabilities) from ₩286 billion in 2019 to ₩327 billion in 2020, which were partially offset by a 163.2% increase in income tax recognized directly in equity and others from ₩57 billion in 2019 to ₩149 billion in 2020. The increase in income tax payable was due to a 5.4% increase in current income tax expense from ₩1,043 billion in 2019 to ₩1,099 billion in 2020, which resulted from the increase in our profit before income tax, as well as a 74.5% decrease in adjustments of income tax of prior years recognized in current tax from ₩51 billion in 2019 to ₩13 billion in 2020. The increase in income tax recognized directly in equity and others was primarily attributable to a 584.6% increase in net losses on financial assets at fair value through other comprehensive income from ₩13 billion in 2019 to ₩89 billion in 2020. Our effective tax rate was 26.5% in 2020 compared to 26.9% in 2019.

See Note 34 of the notes to our consolidated financial statements included elsewhere in this annual report.

Profit for the Year

As a result of the factors described above, our profit for the year was ₩4,384 billion in 2021 compared to ₩3,516 billion in 2020 and ₩3,313 billion in 2019.

Results by Principal Business Segment

We compile and analyze financial information for our business segments based upon segment information used by our management for the purposes of resource allocation and performance evaluation. We are organized into seven major business segments: retail banking operations, corporate banking operations, other banking operations, credit card operations, securities operations, life insurance operations and non-life insurance operations.

The following table shows, for the periods indicated, our results of operations by segment:

	Profit ⁽¹⁾ for the Year Ended December 31,			Total Net Operating Revenues ⁽²⁾ for the Year Ended December 31,		
	2019	2020	2021	2019	2020	2021
	(in billions of Won)					
Retail banking operations	₩ 552	₩ 421	₩ 577	₩ 2,980	₩ 2,919	₩ 2,958
Corporate banking operations	1,060	918	1,021	2,376	2,834	3,590
Other banking operations	827	980	940	1,591	1,798	1,585
Credit card operations	317	324	421	1,471	1,538	1,774
Securities operations	258	426	594	1,113	1,448	1,676
Life insurance operations	16	33	290	107	237	631
Non-life insurance operations	234	177	302	1,186	1,027	1,286
Other	182	406	332	608	691	984
Total⁽³⁾	₩3,446	₩3,686	₩4,477	₩11,432	₩12,492	₩14,484

⁽¹⁾ After deduction of income tax allocated to each segment. See Note 5 of the notes to our consolidated financial statements.

⁽²⁾ Represents operating revenue from external customers. See Note 5 of the notes to our consolidated financial statements.

⁽³⁾ Prior to adjustments for consolidation, inter-segment transactions and certain differences in classification under our management reporting system.

Our other banking operations, which include treasury activities, provide funding to our retail banking operations and corporate banking operations and receive funds procured through the financing activities of such segments, such as deposit-taking activities. When our retail banking operations or corporate banking operations engage in an investing activity, such as lending, the relevant amount is recognized as an inter-segment borrowing from the other banking operations. When our retail banking operations or corporate banking operations engage in a financing activity, such as deposit-taking, the relevant amount is recognized as an inter-segment lending to the other banking operations (or as a reduction in inter-segment borrowings from the other banking operations). Generally, for our retail banking operations, the amounts procured from financing activities are greater than the amounts used in investing activities, whereas for our corporate banking operations, the amounts used in investing activities are greater than the amounts procured from financing activities. The cost of borrowing from the other banking operations is calculated by multiplying the average balance of the amounts used in investing activities by the applicable internal funding rate on such inter-segment borrowings, whereas the income from lending to the other banking operations is calculated by multiplying the average balance of the amounts procured from financing activities by the applicable internal funding rate on such inter-segment lendings. The applicable

internal funding rates on inter-segment borrowings tend to be generally higher than the applicable internal funding rates on inter-segment lendings, primarily due to the difference in the maturity structure of interest rates on the amounts used in investing activities and the amounts procured from financing activities. The cost of borrowing from the other banking operations is offset by the income from lending to the other banking operations, and the difference is recorded as expenses related to inter-segment borrowings, within net other operating expenses, for our retail banking operations and corporate banking operations, while a corresponding amount is recorded as income from inter-segment lending, within net other operating income, for our other banking operations.

Retail Banking Operations

This segment consists of retail banking services provided by Kookmin Bank. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩ 4,873	₩ 4,520	₩ 4,438	(7.2)	(1.8)
Interest expense	(1,725)	(1,341)	(896)	(22.3)	(33.2)
Net fee and commission income	472	407	392	(13.8)	(3.7)
Net other operating expenses	(640)	(666)	(975)	4.1	46.4
General and administrative expenses	(1,982)	(2,073)	(2,037)	4.6	(1.7)
Provision for credit losses . . .	(236)	(265)	(126)	12.3	(52.5)
Profit before income tax expense	761	581	795	(23.7)	36.8
Income tax expense	(209)	(160)	(219)	(23.4)	36.9
Profit for the year	₩ 552	₩ 421	₩ 577	(23.7)	37.1

Comparison of 2021 to 2020

Our profit before income tax expense for this segment increased 36.8% from ₩581 billion in 2020 to ₩795 billion in 2021.

Interest income from our retail banking operations decreased 1.8% from ₩4,520 billion in 2020 to ₩4,438 billion in 2021. This decrease was mainly due to decreases in the average yields on mortgage loans, other consumer loans and home equity loans, the effects of which were partially offset by increases in the average volumes of mortgage loans and other consumer loans from 2020 to 2021.

Interest expense for this segment decreased 33.2% from ₩1,341 billion in 2020 to ₩896 billion in 2021. Our largest and most important funding source is deposits from retail customers, which represent more than half of our total deposits. The decrease in interest expense for this segment was mainly due to decreases in the average costs on demand deposits, time deposits and certificates of deposit, the effects of which were enhanced by decreases in the average volumes of time deposits and certificates of deposit and partially offset by an increase in the average volume of demand deposits.

Net fee and commission income attributable to this segment decreased 3.7% from ₩407 billion in 2020 to ₩392 billion in 2021, mainly due to an increase in common fee and commission-related expenses allocated to the retail banking segment.

Net other operating expenses attributable to this segment increased 46.4% from ₩666 billion in 2020 to ₩975 billion in 2021, mainly as a result of an increase in expenses related to inter-segment borrowings and a decrease in gains on sale of loans measured at amortized cost.

General and administrative expenses attributable to this segment decreased 1.7% from ₩2,073 billion in 2020 to ₩2,037 billion in 2021, primarily due to decreases in expenses related to employees and depreciation expenses, which were offset in part by an increase in common general and administrative expenses allocated to the retail banking segment.

Provision for credit losses decreased 52.5% from ₩265 billion in 2020 to ₩126 billion in 2021, mainly due to decreases in provision for credit losses of retail loans and unused retail loan commitments, reflecting an improvement in asset quality of our retail loan portfolio resulting from government policies in support of borrowers adversely impacted by the COVID-19 pandemic in 2021.

Comparison of 2020 to 2019

Our profit before income tax expense for this segment decreased 23.7% from ₩761 billion in 2019 to ₩581 billion in 2020.

Interest income from our retail banking operations decreased 7.2% from ₩4,873 billion in 2019 to ₩4,520 billion in 2020. This decrease was mainly due to decreases in the average yields on mortgage loans, other consumer loans and home equity loans, the effects of which were enhanced by a decrease in the average volume of home equity loans and partially offset by increases in the average volumes of mortgage loans and other consumer loans from 2019 to 2020.

Interest expense for this segment decreased 22.3% from ₩1,725 billion in 2019 to ₩1,341 billion in 2020. The decrease in interest expense for this segment was mainly due to decreases in the average costs on demand deposits, time deposits and certificates of deposit, the effects of which were enhanced by a decrease in the average volume of certificates of deposit and partially offset by increases in the average volumes of demand deposits and time deposits.

Net fee and commission income attributable to this segment decreased 13.8% from ₩472 billion in 2019 to ₩407 billion in 2020, mainly due to a decrease in fees received from specified money trusts.

Net other operating expenses attributable to this segment increased 4.1% from ₩640 billion in 2019 to ₩666 billion in 2020, mainly as a result of increases in expenses related to inter-segment borrowings and foreign exchange transactions, which were partially offset by an increase in gains on sale of loans measured at amortized cost.

General and administrative expenses attributable to this segment increased 4.6% from ₩1,982 billion in 2019 to ₩2,073 billion in 2020, primarily due to an increase in common administrative expenses allocated to the retail banking segment, the effects of which were offset in part by decreases in business promotion expenses and employee compensation and benefits.

Provision for credit losses increased 12.3% from ₩236 billion in 2019 to ₩265 billion in 2020, mainly due to increases in provision for credit losses of retail loans and unused retail loan commitments, resulting from an increase in retail loans and additional provisions due to COVID-19.

Corporate Banking Operations

This segment consists of corporate banking services provided by Kookmin Bank. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩ 4,643	₩ 4,900	₩ 5,318	5.5	8.5
Interest expense	(1,798)	(1,662)	(1,515)	(7.6)	(8.8)
Net fee and commission income	349	363	391	4.0	7.7
Net gains (losses) on financial instruments at fair value through profit or loss	(3)	(52)	29	N/M ⁽¹⁾	N/M ⁽¹⁾
Net other operating expenses	(611)	(537)	(598)	(12.1)	11.4
General and administrative expenses	(1,242)	(1,555)	(1,832)	25.2	17.8
Reversal of (provision for) credit losses	126	(204)	(393)	N/M ⁽¹⁾	92.6
Net other non-operating income (expenses)	—	5	(9)	N/A ⁽²⁾	N/M ⁽¹⁾
Profit before income tax expense	1,464	1,258	1,390	(14.1)	10.5
Income tax expense	(404)	(340)	(369)	(15.8)	8.5
Profit for the year	₩ 1,060	₩ 918	₩ 1,021	(13.4)	11.2

⁽¹⁾ “N/M” means not meaningful.

⁽²⁾ “N/A” means not applicable.

Comparison of 2021 to 2020

Our profit before income tax expense for this segment increased 10.5% from ₩1,258 billion in 2020 to ₩1,390 billion in 2021.

Interest income from our corporate banking operations increased 8.5% from ₩4,900 billion in 2020 to ₩5,318 billion in 2021. This increase was primarily due to the full-year effect of the addition of PRASAC and Bank Bukopin as consolidated subsidiaries of Kookmin Bank in April and September 2020, respectively. Such effect was enhanced by an increase in the average volume of corporate loans of Kookmin Bank, which was partially offset by a decrease the average yields on such loans from 2020 to 2021.

Interest expense for this segment decreased 8.8% from ₩1,662 billion in 2020 to ₩1,515 billion in 2021. This decrease was principally due to a decrease in the average cost of deposits held by corporate customers of Kookmin Bank from 2020 to 2021, which was partially offset by an increase in the average volume of such deposits and the full-year effect of the addition of PRASAC and Bank Bukopin, which became consolidated subsidiaries of Kookmin Bank in April and September 2020, respectively.

Net fee and commission income attributable to this segment increased 7.7% from ₩363 billion in 2020 to ₩391 billion in 2021, primarily due to increases in trust and other fiduciary fees received and foreign currency-related fees received.

Net gains (losses) on financial instruments at fair value through profit or loss attributable to this segment changed from net losses of ₩52 billion in 2020 to net gains of ₩29 billion in 2021, principally as a result of an increase in net gains on currency-related derivatives held by Kookmin Bank’s foreign subsidiaries.

Net other operating expenses attributable to this segment increased 11.4% from ₩537 billion in 2020 to ₩598 billion in 2021, mainly as a result of an increase in losses on foreign exchange transactions of Kookmin Bank’s foreign subsidiaries.

General and administrative expenses attributable to this segment increased 17.8% from ₩1,555 billion in 2020 to ₩1,832 billion in 2021, principally due to an increase in salary expenses resulting from the full-year effect of the additions of PRASAC and Bank Bukopin as consolidated subsidiaries of Kookmin Bank in April and September 2020, respectively, the effects of which were enhanced by an increase in common administrative expenses allocated to the corporate banking segment.

Provision for credit losses attributable to this segment increased 92.6% from ₩204 billion in 2020 to ₩393 billion in 2021, due mainly to an increase in provision for credit losses of foreign-currency loans of Bank Bukopin, which was added as a consolidated subsidiary of Kookmin Bank in September 2020.

Net other non-operating income (expenses) attributable to this segment changed from a net income of ₩5 billion in 2020 to net expenses of ₩9 billion in 2021, mainly due to a decrease in net other non-operating income of Bank Bukopin, which became a consolidated subsidiary of Kookmin Bank in September 2020.

Comparison of 2020 to 2019

Our profit before income tax expense for this segment decreased 14.1% from ₩1,464 billion in 2019 to ₩1,258 billion in 2020.

Interest income from our corporate banking operations increased 5.5% from ₩4,643 billion in 2019 to ₩4,900 billion in 2020. This increase was principally due to the additions of PRASAC and Bank Bukopin as subsidiaries of Kookmin Bank in April and September 2020, respectively, the effects of which were enhanced by an increase in the average volume of corporate loans of Kookmin Bank and partially offset by a decrease in the average yields on such loans from 2019 to 2020.

Interest expense for this segment decreased 7.6% from ₩1,798 billion in 2019 to ₩1,662 billion in 2020. This decrease was principally due to a decrease in the average cost of deposits held by corporate customers of Kookmin Bank from 2019 to 2020, which was partially offset by an increase in the average volume of such deposits and the additions of PRASAC and Bank Bukopin as subsidiaries of Kookmin Bank in April and September 2020, respectively.

Net fee and commission income attributable to this segment increased 4.0% from ₩349 billion in 2019 to ₩363 billion in 2020, primarily due to the additions of PRASAC and Bank Bukopin as subsidiaries of Kookmin Bank in April and September 2020, respectively.

Net losses on financial instruments at fair value through profit or loss attributable to this segment significantly increased from ₩3 billion in 2019 to ₩52 billion in 2020, principally as a result of an increase in net losses on derivatives held for trading by a foreign subsidiary from 2019 to 2020.

Net other operating expenses attributable to this segment decreased 12.1% from ₩611 billion in 2019 to ₩537 billion in 2020, mainly as a result of a decrease in expenses related to inter-segment borrowings, which was enhanced by an increase in net other operating income of Kookmin Bank's foreign subsidiaries.

General and administrative expenses attributable to this segment increased 25.2% from ₩1,242 billion in 2019 to ₩1,555 billion in 2020, principally due to the additions of PRASAC and Bank Bukopin as subsidiaries of Kookmin Bank in April and September 2020, respectively, the effects of which were enhanced by increases in salary and benefits expenses and common administrative expenses allocated to the corporate banking segment.

Reversal of (provision for) credit losses attributable to this segment changed from a net reversal of ₩126 billion in 2019 to a net provision of ₩204 billion in 2020, due mainly to an increase in corporate loans and additional provisions due to COVID-19, which was enhanced by the additions of PRASAC and Bank Bukopin as subsidiaries of Kookmin Bank in April and September 2020, respectively.

Net other non-operating income attributable to this segment increased from nil in 2019 to ₩5 billion in 2020, mainly due to the addition of Bank Bukopin as a subsidiary of Kookmin Bank in September 2020.

Other Banking Operations

This segment primarily consists of Kookmin Bank’s banking operations other than retail and corporate banking operations, including treasury activities and Kookmin Bank’s “back office” administrative operations. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩1,264	₩1,037	₩ 919	(18.0)	(11.4)
Interest expense	(894)	(698)	(534)	(21.9)	(23.5)
Net fee and commission income	312	298	405	(4.5)	35.9
Net gains on financial instruments at fair value through profit or loss	425	297	313	(30.1)	5.4
Net other operating income	651	973	754	49.5	(22.5)
General and administrative expenses	(663)	(574)	(534)	(13.4)	(7.0)
Reversal of (provision for) credit losses	7	(15)	(4)	N/M ⁽¹⁾	(73.3)
Share of profit (loss) of associates and joint ventures	29	(48)	57	N/M ⁽¹⁾	N/M ⁽¹⁾
Net other non-operating income (expenses)	(39)	23	(70)	N/M ⁽¹⁾	N/M ⁽¹⁾
Profit before income tax expense	1,093	1,293	1,306	18.3	1.0
Income tax expense	(266)	(313)	(366)	17.7	16.9
Profit for the year	₩ 827	₩ 980	₩ 940	18.5	(4.1)

⁽¹⁾ “N/M” means not meaningful.

Comparison of 2021 to 2020

Our profit before income tax expense for this segment increased 1.0% from ₩1,293 billion in 2020 to ₩1,306 billion in 2021.

Interest income from our other banking operations decreased 11.4% from ₩1,037 billion in 2020 to ₩919 billion in 2021, mainly due to decreases in the average yields on other banking loans and debt securities in this segment from 2020 to 2021, which were offset in part by increases in the average volumes of such loans and securities.

Interest expense for this segment decreased 23.5% from ₩698 billion in 2020 to ₩534 billion in 2021, primarily due to decreases in the average costs of deposits, borrowings and debentures in this segment, which were partially offset by increases in the average volumes of deposits, borrowings and debentures.

Net fee and commission income attributable to this segment increased 35.9% from ₩298 billion in 2020 to ₩405 billion in 2021, mainly due to an increase in net fee and commission income from our funds and trusts in this segment.

Net gains on financial instruments at fair value through profit or loss attributable to this segment increased 5.4% from ₩297 billion in 2020 to ₩313 billion in 2021, principally as a result of increases in net gains on derivatives held for trading and other financial instruments, which were partially offset by a decrease in net gains on financial instruments including debt and equity securities.

Net other operating income attributable to this segment decreased 22.5% from ₩973 billion in 2020 to ₩754 billion in 2021, mainly as a result of a decrease in net gains on foreign exchange transactions.

General and administrative expenses attributable to this segment decreased 7.0% from ₩574 billion in 2020 to ₩534 billion in 2021, primarily due to a decrease in common administrative expenses allocated to this segment, which was partially offset by increases in sales promotion expenses and advertising expenses.

Provision for credit losses attributable to this segment decreased from ₩15 billion in 2020 to ₩4 billion in 2021, due mainly to decreases in provision for credit losses of foreign-currency loans in this segment.

Share of profit (loss) of associates and joint ventures attributable to this segment changed from a net loss of ₩48 billion in 2020 to a net profit of ₩57 billion in 2021, principally as a result of an increase in gains on disposal of investments in associates and joint ventures in 2021.

Net other non-operating income (expenses) attributable to this segment changed from a net income of ₩23 billion in 2020 to net expenses of ₩70 billion in 2021, primarily due to a decrease in gains on disposal of investment property, which was partially offset by an increase in dividend income from investments in associates and joint ventures.

Comparison of 2020 to 2019

Our profit before income tax expense for this segment increased 18.3% from ₩1,093 billion in 2019 to ₩1,293 billion in 2020.

Interest income from our other banking operations decreased 18.0% from ₩1,264 billion in 2019 to ₩1,037 billion in 2020, mainly due to decreases in the average yields on other banking loans and debt securities in this segment from 2019 to 2020, which were offset in part by increases in the average volumes of such loans and securities.

Interest expense for this segment decreased 21.9% from ₩894 billion in 2019 to ₩698 billion in 2020. This decrease was principally due to decreases in the average costs of demand deposits, time deposits, certificates of deposit, borrowings and debentures in this segment, which were partially offset by increases in the average volumes of such deposits, borrowings and debentures.

Net fee and commission income attributable to this segment decreased 4.5% from ₩312 billion in 2019 to ₩298 billion in 2020, mainly due to an increase in net fee and commission expense from our funds and trusts in this segment.

Net gains on financial instruments at fair value through profit or loss attributable to this segment decreased 30.1% from ₩425 billion in 2019 to ₩297 billion in 2020, principally as a result of a decrease in net gains on derivatives held for trading and a decrease in net gains on financial instruments at fair value through profit or loss attributable to our funds and trusts, which were partially offset by an increase in net gains on short-term securities held for trading.

Net other operating income attributable to this segment increased 49.5% from ₩651 billion in 2019 to ₩973 billion in 2020, mainly as a result of an increase in net gains on foreign exchange translations.

General and administrative expenses attributable to this segment decreased 13.4% from ₩663 billion in 2019 to ₩574 billion in 2020, primarily due to a decrease in common administrative expenses allocated to this segment, which was partially offset by increases in salary and benefit expenses and depreciation expenses.

Reversal of (provision for) credit losses attributable to this segment changed from a net reversal of ₩7 billion in 2019 to a net provision of ₩15 billion in 2020, due mainly to increases in provision for credit losses of receivables and foreign-currency loans in this segment.

Share of profit (loss) of associates and joint ventures attributable to this segment changed from a net profit of ₩29 billion in 2019 to a net loss of ₩48 billion in 2020, principally as a result of losses incurred in connection with our investments in affiliates, including Bank Bukopin, in 2020.

Net other non-operating income (expenses) attributable to this segment changed from a net expenses of ₩39 billion in 2019 to a net income of ₩23 billion in 2020, primarily due to increases in gains on disposal of investment property and other assets held for sale. Such increases were partially offset by a decrease in dividend income from equity method investments.

Credit Card Operations

This segment consists of credit card activities conducted by KB Kookmin Card. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩1,581	₩1,632	₩1,768	3.2	8.3
Interest expense	(351)	(366)	(377)	4.3	3.0
Net fee and commission income	262	400	546	52.7	36.5
Net insurance income	16	13	12	(18.8)	(7.7)
Net gains on financial instruments at fair value through profit or loss	—	6	3	N/A ⁽¹⁾	(50.0)
Net other operating expenses	(247)	(331)	(336)	34.0	1.5
General and administrative expenses	(442)	(515)	(578)	16.5	12.2
Provision for credit losses . . .	(440)	(396)	(465)	(10.0)	17.4
Share of profit of associates and joint ventures	1	1	1	0.0	0.0
Net other non-operating income (expenses)	3	(6)	(7)	N/M ⁽²⁾	16.7
Profit before income tax					
expense	384	438	566	14.1	29.2
Income tax expense	(67)	(114)	(145)	70.1	27.2
Profit for the year	₩ 317	₩ 324	₩ 421	2.2	29.9

⁽¹⁾ "N/A" means not applicable.

⁽²⁾ "N/M" means not meaningful.

Comparison of 2021 to 2020

Our profit before income tax expense for this segment increased 29.2% from ₩438 billion in 2020 to ₩566 billion in 2021.

Interest income from our credit card operations increased 8.3% from ₩1,632 billion in 2020 to ₩1,768 billion in 2021. This increase was primarily due to an increase in the average volume of credit card receivables, which was offset in part by a decrease in the average yields on such receivables.

Interest expense for this segment increased 3.0% from ₩366 billion in 2020 to ₩377 billion in 2021. This increase was primarily due to increases in the average volumes of debentures and borrowings issued by KB Kookmin Card, which were partially offset by decreases in the average costs of such debentures and borrowings.

Net fee and commission income attributable to this segment increased 36.5% from ₩400 billion in 2020 to ₩546 billion in 2021, mainly due to increases in commissions relating to payment gateways received and decreases in credit card commissions paid and other fees paid in Korean Won.

Net insurance income attributable to this segment decreased 7.7% from ₩13 billion in 2020 to ₩12 billion in 2021, which was primarily caused by a decrease in the number of new customers using related services.

Net gains on financial instruments at fair value through profit or loss attributable to this segment decreased 50.0% from ₩6 billion in 2020 to ₩3 billion in 2021, primarily due to decreases in dividend income from equity securities and, to a lesser extent, gains on disposal of investment trust beneficiary certificates.

Net other operating expenses attributable to this segment increased 1.5% from ₩331 billion in 2020 to ₩336 billion in 2021, primarily due to an increase in membership reward program-related expenses, which were offset in part by an increase in net gains on sale of loans at amortized cost.

General and administrative expenses attributable to this segment increased 12.2% from ₩515 billion in 2020 to ₩578 billion in 2021, mainly due to an increase in salary and employee benefit expenses in this segment.

Provision for credit losses attributable to this segment increased 17.4% from ₩396 billion in 2020 to ₩465 billion in 2021, mainly due to increases in provision for card loans and foreign-currency loans.

Share of profit of associates and joint ventures attributable to this segment remained stable at ₩1 billion in 2020 and 2021.

Net other non-operating expenses attributable to this segment increased 16.7% from ₩6 billion in 2020 to ₩7 billion in 2021.

Comparison of 2020 to 2019

Our profit before income tax expense for this segment increased 14.1% from ₩384 billion in 2019 to ₩438 billion in 2020.

Interest income from our credit card operations increased 3.2% from ₩1,581 billion in 2019 to ₩1,632 billion in 2020. This increase was primarily due to an increase in the average volume of credit card receivables, which was offset in part by a decrease in the average yields on such receivables.

Interest expense for this segment increased 4.3% from ₩351 billion in 2019 to ₩366 billion in 2020. This increase was primarily due to increases in the average volumes of debentures and borrowings issued by KB Kookmin Card, which were partially offset by decreases in the average costs of such debentures and borrowings.

Net fee and commission income attributable to this segment increased 52.7% from ₩262 billion in 2019 to ₩400 billion in 2020, mainly due to increases in commissions relating to payment gateways received and a decrease in credit card commissions paid.

Net insurance income attributable to this segment decreased 18.8% from ₩16 billion in 2019 to ₩13 billion in 2020, which was primarily caused by a decrease in the number of customers using related services.

Net gains on financial instruments at fair value through profit or loss attributable to this segment increased from nil to ₩6 billion in 2020, primarily due to increases in dividend income from equity securities and, to a lesser extent, gains on disposal of investment trust beneficiary certificates.

Net other operating expenses attributable to this segment increased 34.0% from ₩247 billion in 2019 to ₩331 billion in 2020, primarily due to increases in membership reward program-related expenses and provisions, which were enhanced by a decrease in net gains on foreign currency transactions.

General and administrative expenses attributable to this segment increased 16.5% from ₩442 billion in 2019 to ₩515 billion in 2020, mainly due to an increase in salary and employee benefit expenses and depreciation and amortization expenses in this segment.

Provision for credit losses decreased 10.0% from ₩440 billion in 2019 to ₩396 billion in 2020, mainly due to decreases in provision for credit losses of cash advances and card loans.

Share of profit of associates and joint ventures attributable to this segment remained stable at ₩1 billion in 2019 and 2020.

Net other non-operating income (expenses) attributable to this segment changed from a net income of ₩3 billion in 2019 to net expenses of ₩6 billion in 2020, primarily due to the recognition of a one-time tax refund in 2019 that was not repeated in 2020.

Securities Operations

This segment consists primarily of securities brokerage, investment banking, securities investment and trading and other capital markets activities conducted by KB Securities, including its predecessor entities. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩ 852	₩ 820	₩ 825	(3.8)	0.6
Interest expense	(322)	(310)	(268)	(3.7)	(13.5)
Net fee and commission income	580	917	1,015	58.1	10.7
Net gains (losses) from financial instruments at fair value					
through profit or loss	(104)	118	123	N/M ⁽¹⁾	4.2
Net other operating income (expenses)	88	(103)	(7)	N/M ⁽¹⁾	(93.2)
General and administrative expenses	(757)	(845)	(855)	11.6	1.2
Provision for credit losses	(14)	(24)	(18)	71.4	(25.0)
Share of profit of associates and joint ventures	—	4	14	N/A ⁽²⁾	250.0
Net other non-operating income (expenses)	31	4	(18)	(87.1)	N/M ⁽¹⁾
Profit before income tax expense	353	582	810	64.9	39.2
Income tax expense	(95)	(156)	(215)	64.2	37.8
Profit for the year	₩ 258	₩ 426	₩ 594	65.1	39.4

(1) "N/M" means not meaningful.

(2) "N/A" means not applicable.

Comparison of 2021 to 2020

Our profit before income tax expense for this segment increased 39.2% from ₩582 billion in 2020 to ₩810 billion in 2021.

Interest income from this segment increased 0.6% from ₩820 billion in 2020 to ₩825 billion in 2021, primarily due to increases in the average volumes of deposits and other interest-earning assets held by KB Securities, which were partially offset by decreases in the average yields on such financial assets.

Interest expense for this segment decreased 13.5% from ₩310 billion in 2020 to ₩268 billion in 2021, principally as a result of decreases in the average costs of bonds sold under repurchase agreements, borrowings and debentures, which were partially offset by increases in the average volumes of borrowings and bonds sold under repurchase agreements.

Net fee and commission income attributable to this segment increased 10.7% from ₩917 billion in 2020 to ₩1,015 billion in 2021, primarily due to increases in securities brokerage commissions received and consulting fees received.

Net gains on financial instruments at fair value through profit or loss attributable to this segment increased 4.2% from ₩118 billion in 2020 to ₩123 billion in 2021, principally due to a decrease in losses on derivative-linked securities at fair value through profit or loss, which was partially offset by a decrease in gains related to derivatives.

Net other operating expenses attributable to this segment decreased 93.2% from ₩103 billion in 2020 to ₩7 billion in 2021, primarily due to a decrease in net losses on foreign currency transactions with respect to foreign currency-denominated assets and liabilities, mainly as a result of increased exchange rate volatility.

General and administrative expenses attributable to this segment increased 1.2% from ₩845 billion in 2020 to ₩855 billion in 2021, primarily due to increases in salaries paid, which were partially offset by decreases in depreciation and amortization expenses and other administrative expenses.

Provision for credit losses decreased 25.0% from ₩24 billion in 2020 to ₩18 billion in 2021, primarily due to a decrease in provision for credit losses of other financial assets, which was partially offset by an increase in provision for credit losses of loans.

Share of profit of associates and joint ventures attributable to this segment increased more than two-fold from ₩4 billion in 2020 to ₩14 billion in 2021, mainly due to an increase in gains on disposal of investments in associates and joint ventures, which was partially offset by a decrease in profit of associates and joint ventures.

Net other non-operating income (expenses) attributable to this segment changed from a net income of ₩4 billion in 2020 to net expenses of ₩18 billion in 2021, mainly due to decreases in gains on disposal of investment property and rental income, which were offset in part by a decrease in other non-operating expenses.

Comparison of 2020 to 2019

Our profit before income tax expense for this segment increased 65.1% from ₩353 billion in 2019 to ₩582 billion in 2020.

Interest income for this segment decreased 3.8% from ₩852 billion in 2019 to ₩820 billion in 2020. This decrease was primarily due to decreases in the average yields on deposits and other government bonds held by KB Securities, which were partially offset by increases in the volumes of such financial assets.

Interest expense for this segment decreased 3.7% from ₩322 billion in 2019 to ₩310 billion in 2020, principally as a result of decreases in the average costs of debentures and bonds sold under repurchase agreements, which were partially offset by an increase in interest expense on other borrowings as well as increases in the average volumes of debentures and bonds sold under repurchase agreements.

Net fee and commission income attributable to this segment increased 58.1% from ₩580 billion in 2019 to ₩917 billion in 2020, primarily due to an increase in securities brokerage commissions received resulting from the high volume of activity in the Korean securities trading market in 2020.

Net gains (losses) from financial instruments at fair value through profit or loss attributable to this segment changed from net losses of ₩104 billion in 2019 to net gains of ₩118 billion in 2020, principally due to a decrease in losses on derivative-linked securities at fair value through profit or loss, which was partially offset by a decrease in gains related to derivatives.

Net other operating income (expenses) attributable to this segment changed from a net income of ₩88 billion in 2019 to net expenses of ₩103 billion in 2020, primarily due to an increase in net losses on foreign currency translation with respect to foreign currency-denominated assets and liabilities, mainly as a result of increased exchange rate volatility.

General and administrative expenses attributable to this segment increased 11.6% from ₩757 billion in 2019 to ₩845 billion in 2020, primarily due to increases in short-term employee benefits and early retirement benefits paid in connection with the re-configuration of the compensation structure of KB Securities, which took place in 2020.

Provision for credit losses increased 71.4% from ₩14 billion in 2019 to ₩24 billion in 2020, primarily due to an increase in provision for credit losses of other financial assets.

Share of profit of associates and joint ventures attributable to this segment increased from nil in 2019 to ₩4 billion in 2020, mainly due to an increase in profit of equity-method investees, which was offset in part by an increase in losses on disposal of equity-method investees.

Net other non-operating income attributable to this segment decreased 87.1% from ₩31 billion in 2019 to ₩4 billion in 2020, mainly due to an increase in other non-operating expenses, which was offset in part by increases in gains on disposal of investment property and rental income.

Life Insurance Operations

This segment consists of the life insurance operations of KB Life Insurance and, from August 2020, those of Prudential Life Insurance. We acquired all of the outstanding shares of Prudential Life Insurance from Prudential Financial, Inc. in August 2020, as a result of which Prudential Life Insurance became our wholly-owned subsidiary. See “—Overview—Acquisitions.” The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩ 159	₩ 261	₩ 524	64.2	100.8
Interest expense	—	—	(4)	N/A ⁽¹⁾	N/A ⁽¹⁾
Net fee and commission expense	(17)	(18)	(27)	5.9	50.0%
Net insurance income (expenses)	(122)	(91)	57	(25.4)	N/M ⁽²⁾
Net gains on financial instruments at fair value through profit or loss	67	71	137	6.0	93.0
Net other operating income (expenses)	(2)	5	(63)	N/M ⁽²⁾	N/M ⁽²⁾
General and administrative expenses	(67)	(152)	(203)	126.9	33.6
Reversal of provision for credit losses	3	—	2	N/A ⁽¹⁾	N/A ⁽¹⁾
Net other non-operating expenses	—	(16)	—	N/A ⁽¹⁾	(100.0)
Profit before income tax expense	21	60	422	185.7	603.3
Income tax expense	(5)	(27) ⁽³⁾	(133) ⁽³⁾	440.0	392.6
Profit for the year	₩ 16	₩ 33	₩ 290	106.3	778.8

⁽¹⁾ “N/A” means not applicable.

⁽²⁾ “N/M” means not meaningful.

⁽³⁾ Represents income tax attributable to KB Life Insurance and Prudential Life Insurance from August 2020.

Comparison of 2021 to 2020

Our profit before income tax expense for this segment increased 603.3% from ₩60 billion in 2020 to ₩422 billion in 2021.

Interest income from this segment increased 100.8% from ₩261 billion in 2020 to ₩524 billion in 2021, primarily due to the additional interest income attributable to the full-year effect of the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020.

Interest expense for this segment increased from nil in 2020 to ₩4 billion in 2021, principally due to interest expense incurred by KB Life Insurance in connection with its issuance of long-term financial debentures in Korean Won in 2021.

Net fee and commission expense attributable to this segment increased 50.0% from ₩18 billion in 2020 to ₩27 billion in 2021, primarily due to increases in trading activity-related fees paid and outsourcing-related fees paid.

Net insurance income (expenses) attributable to this segment changed from net expenses of ₩91 billion in 2020 to a net income of ₩57 billion in 2021, mainly due to the full-year effect of the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020, as well as an increase in life insurance income from KB Life Insurance. Such increases were offset in part by an increase in insurance expenses, which was mainly due to an increase in KB Life Insurance’s insurance expenses and the full-year effect of the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020, as discussed above.

Net gains on financial instruments at fair value through profit or loss attributable to this segment increased 93.0% from ₩71 billion in 2020 to ₩137 billion in 2021, primarily due to the full-year effect of the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020, which consisted mostly of increases in gains on sale of equity securities and dividend income, as well as an increase in dividends received from investment trust beneficiary certificates held by KB Life Insurance.

Net other operating income (expenses) attributable to this segment changed from a net income of ₩5 billion in 2020 to net expenses of ₩63 billion in 2021, principally due to the full-year effect of the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020, which consisted mostly of increases in losses on disposal of debt securities at fair value through other comprehensive income and decreases in gains on disposal of debt securities at fair value through other comprehensive income.

General and administrative expenses attributable to this segment increased 33.6% from ₩152 billion in 2020 to ₩203 billion in 2021, primarily due to the full-year effect of the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020, which consisted mostly of increases in other expenses, depreciation expenses and salary expenses in this segment.

Reversal of credit losses increased from nil in 2020 to ₩2 billion in 2021, mainly due to an increase in reversal of credit losses relating to loans in Korean Won.

Net other non-operating expenses decreased from ₩16 billion in 2020 to nil in 2021, primarily due to the provision for legal proceedings of KB Life Insurance relating to a dispute over the payment of annuities in 2020, which were not repeated in 2021.

Comparison of 2020 to 2019

Our profit before income tax expense for this segment increased 185.7% from ₩21 billion in 2019 to ₩60 billion in 2020.

Interest income for this segment increased 64.2% from ₩159 billion in 2019 to ₩261 billion in 2020, primarily due to the additional interest income attributable to the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020.

Net fee and commission expense attributable to this segment increased 5.9% from ₩17 billion in 2019 to ₩18 billion in 2020, primarily due to the additional expenses attributable to the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020, which were enhanced by an increase in fee expenses related to the trading operations of KB Life Insurance.

Net insurance expenses attributable to this segment decreased 25.4% from ₩122 billion in 2019 to ₩91 billion in 2020, mainly due to an increase in insurance income due to increased new insurance contracts for KB Life Insurance, which was as enhanced by the additional insurance income attributable to the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020. Such increases were offset in part by an increase in insurance expenses, which was mainly due to an increase in KB Life Insurance's insurance expenses and the addition of Prudential Life Insurance as a consolidated subsidiary.

Net gains on financial instruments at fair value through profit or loss attributable to this segment increased 6.0% from ₩67 billion in 2019 to ₩71 billion in 2020, primarily due to an increase in gains relating to investment trust beneficiary certificates, which was partially offset by a decrease in interest from derivative-linked securities and gains on sale of consigned beneficiary certificates.

Net other operating income (expenses) attributable to this segment changed from net expenses of ₩2 billion in 2019 to a net income of ₩5 billion in 2020, principally due to an increase in KB Life Insurance's gains related

to currency forwards and sales of bonds in addition to additional gains from currency forwards attributable to the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020. Such effects were offset in part by an increase in KB Life Insurance's losses on the valuation of securities at amortized cost and additional losses on the valuation of foreign currency-denominated assets and liabilities attributable to the addition of Prudential Life Insurance as a consolidated subsidiary.

General and administrative expenses attributable to this segment increased 126.9% from ₩67 billion in 2019 to ₩152 billion in 2020, primarily due to an increase in salary expenses in this segment, which was enhanced by the addition of salary expenses attributable to the addition of Prudential Life Insurance as a consolidated subsidiary in August 2020.

Reversal of credit losses decreased from ₩3 billion in 2019 to nil in 2020, mainly due to decreases in reversal relating to loans in Korean Won, other financial assets and securities in Korean won.

Net other non-operating expenses increased from nil in 2019 to ₩16 billion in 2020, primarily due to provision for legal proceedings of KB Life Insurance relating to a dispute over the payment of annuities.

Non-Life Insurance Operations

This segment consists of the non-life insurance operations of KB Insurance. The following table shows, for the periods indicated, our income statement data for this segment:

	<u>Year Ended December 31,</u>			<u>Percentage Change</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2020/2019</u>	<u>2021/2020</u>
	<u>(in billions of Won)</u>			<u>(%)</u>	
Income statement data					
Interest income	₩ 618	₩ 617	₩ 635	(0.2)	2.9
Interest expense	(1)	(1)	(10)	0.0	N/M ⁽¹⁾
Net fee and commission expense	(153)	(171)	(173)	11.8	1.2
Net insurance income	415	377	493	(9.2)	30.8
Net gains on financial instruments at fair value through profit or loss	265	259	370	(2.3)	42.9
Net other operating expenses	(13)	(48)	(82)	269.2	70.8
General and administrative expenses	(845)	(811)	(834)	(4.0)	2.8
Reversal of (provision for) credit losses	13	8	(5)	(38.5)	(162.5)
Net other non-operating income	26	16	17	(38.5)	6.3
Profit before income tax expense	<u>325</u>	<u>246</u>	<u>411</u>	(24.3)	67.1
Income tax expense	(92)	(69)	(109)	(25.0)	58.0
Profit for the year	<u>₩ 233</u>	<u>₩ 177</u>	<u>₩ 302</u>	(24.0)	70.6

⁽¹⁾ "N/M" means not meaningful.

Comparison of 2021 to 2020

Our profit before income tax expense for this segment increased 67.1% from ₩246 billion in 2020 to ₩411 billion in 2021.

Interest income attributable to this segment increased 2.9% from ₩617 billion in 2020 to ₩635 billion in 2021, primarily due to an increase in interest income earned on government and public bonds held by KB Insurance. Interest expense attributable to this segment increased significantly from ₩1 billion in 2020 to ₩10 billion in 2021, principally due to interest expense incurred by KB Insurance in connection with its issuance of subordinated fixed rate debentures in 2021.

Net fee and commission expense attributable to this segment increased 1.2% from ₩171 billion in 2020 to ₩173 billion in 2021, mainly due to increases in other fees paid in Korean Won and other outsourcing-related fees paid, which were offset in part by decreases in consulting fees paid and foreign currency-denominated fees paid.

Net insurance income attributable to this segment increased 30.8% from ₩377 billion in 2020 to ₩493 billion in 2021, primarily due to increases in insurance premium income and reinsurance income, which were offset in part by an increase in insurance expenses, mainly reflecting increases in insurance claims paid and refunds of surrender.

Net gains on financial instruments at fair value through profit or loss attributable to this segment increased 42.9% from ₩259 billion in 2020 to ₩370 billion in 2021, primarily as a result of an increase in net gains on beneficiary certificates at fair value through profit or loss, which was offset in part by a decrease in gains on currency-related derivatives.

Net other operating expenses attributable to this segment increased 70.8% from ₩48 billion in 2020 to ₩82 billion in 2021, due mainly to an increase in losses on disposal of debt securities at fair value through other comprehensive income and a decrease in gains on disposal of debt securities at fair value through other comprehensive income, which were offset in part by an increase in gains on fair value hedges.

General and administrative expenses attributable to this segment increased 2.8% from ₩811 billion in 2020 to ₩834 billion in 2021, principally due to increases in employee compensation and retirement benefits, which were partially offset by decreases in other employee benefits and advertising expenses.

Reversal of (provision for) credit losses changed from a reversal of ₩8 billion in 2020 to provision of ₩5 billion in 2021, primarily due to increases in provision for credit losses of other financial assets and foreign-currency loans.

Net other non-operating income attributable to this segment increased 6.3% from ₩16 billion in 2020 to ₩17 billion in 2021, principally due to an increase in gains on disposal of property and equipment, which was offset in part by an increase in management fees paid in connection with investment property.

Comparison of 2020 to 2019

Our profit before income tax expense for this segment decreased 24.3% from ₩325 billion in 2019 to ₩246 billion in 2020.

Interest income attributable to this segment decreased slightly from ₩618 billion in 2019 to ₩617 billion in 2020. Interest expense attributable to this segment remained stable at ₩1 billion in 2019 and 2020.

Net fee and commission expense attributable to this segment increased 11.8% from ₩153 billion in 2019 to ₩171 billion in 2020, mainly due to an increase in payment and outsourcing-related fees paid, which was enhanced by a decrease in fee income from credit-related business.

Net insurance income attributable to this segment decreased 9.2% from ₩415 billion in 2019 to ₩377 billion in 2020, primarily due to an increase in insurance expenses, mainly reflecting an increase in insurance claims paid as well as payments on surrenders and withdrawals made by KB Insurance, which outpaced an increase in insurance income.

Net gains on financial instruments at fair value through profit or loss attributable to this segment decreased 2.3% from ₩265 billion in 2019 to ₩259 billion in 2020, primarily as a result of an increase in losses on securities at fair value through profit or loss, which was partially offset by increases in gains on derivative-linked securities and beneficiary certificates at fair value through profit or loss.

Net other operating expenses attributable to this segment increased 269.2% from ₩13 billion in 2019 to ₩48 billion in 2020, due mainly to an increase in other operating expenses such as losses from other fair value hedges and losses on valuations of foreign currency-denominated assets and liabilities, which was offset in part by an increase in other operating income such as gains on valuations of currency forwards and gains on valuations of foreign currency-denominated assets and liabilities.

General and administrative expenses attributable to this segment decreased 4.0% from ₩845 billion in 2019 to ₩811 billion in 2020, principally due to a decrease in employee compensation and retirement benefits, which was partially offset by increases in other employee benefits in the form of welfare points awarded to employees and electronic data processing expenses.

Reversals of provision for credit losses decreased 38.5% from ₩13 billion in 2019 to ₩8 billion in 2020, primarily due to a decrease in the reversal of credit losses of loans in Korean Won, which was partially offset by a decrease in provision for credit losses of other assets.

Net other non-operating income attributable to this segment decreased 38.5% from ₩26 billion in 2019 to ₩16 billion in 2020, principally due to a decrease in other non-operating income, which was enhanced by an increase in losses on disposal of property and equipment.

Other

“Other” includes the operations of our holding company and all of our subsidiaries that were consolidated under IFRS as issued by the IASB as of December 31, 2021 except Kookmin Bank, KB Kookmin Card, KB Securities, KB Life Insurance, KB Insurance and Prudential Life Insurance, including principally KB Asset Management, KB Real Estate Trust, KB Investment, KB Credit Information, KB Data System, KB Savings Bank and KB Capital. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2019	2020	2021	2020/2019	2021/2020
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩ 688	₩ 727	₩ 817	5.7	12.4
Interest expense	(391)	(412)	(405)	5.4	(1.7)
Net fee and commission income	541	776	1,069	43.4	37.8
Net gains on financial instruments at fair value through profit or loss	138	397	184	187.7	(53.7)
Net other operating expenses	(243)	(472)	(583)	94.2	23.5
General and administrative expenses	(374)	(406)	(438)	8.6	7.9
Provision for credit losses	(128)	(148)	(176)	15.6	18.9
Share of profit of associates and joint ventures	7	1	9	(85.7)	N/M ⁽¹⁾
Net other non-operating income	35	41	2	17.1	(95.1)
Profit before income tax expense	273	504	480	84.6	(4.8)
Income tax expense ⁽²⁾	(90)	(97)	(148)	7.8	52.6
Profit for the year	₩ 182	₩ 406	₩ 332	123.1	(18.2)

⁽¹⁾ “N/M” means not meaningful.

⁽²⁾ Represents income tax attributable to our holding company and all of our subsidiaries that were consolidated under IFRS as issued by the IASB except Kookmin Bank, KB Kookmin Card, KB Securities (including its predecessor entities), KB Life Insurance, KB Insurance and Prudential Life Insurance.

Comparison of 2021 to 2020

Our profit before income tax expense for this segment decreased 4.8% from ₩504 billion in 2020 to ₩480 billion in 2021.

Interest income attributable to this segment increased 12.4% from ₩727 billion in 2020 to ₩817 billion in 2021. This increase was primarily due to increases in the average volumes of loans of KB Capital and, to a lesser extent, KB Savings Bank.

Interest expense attributable to this segment decreased 1.7% from ₩412 billion in 2020 to ₩405 billion in 2021, mainly due to a decrease in the average volume of debentures of our holding company on a separate basis, which was enhanced by a decrease in the average yields of debentures of KB Capital.

Net fee and commission income attributable to this segment increased 37.8% from ₩776 billion in 2020 to ₩1,069 billion in 2021, principally reflecting increases in lease and rental fees received by KB Capital and, to a lesser extent, an increase in the operating lease fees received by our consolidated funds, which were offset in part by increases in other fees paid by KB Capital and our holding company.

Net gains on financial instruments at fair value through profit or loss attributable to this segment decreased 53.7% from ₩397 billion in 2020 to ₩184 billion in 2021, primarily as a result of a decrease in gains on valuations of debt securities of our consolidated funds.

Net other operating expenses attributable to this segment increased 23.5% from ₩472 billion in 2020 to ₩583 billion in 2021, which mainly reflected an increase in depreciation and amortization expenses with respect to leased assets of KB Capital, which were partially offset by gains on valuations of foreign currency-denominated loans held by our consolidated funds.

General and administrative expenses attributable to this segment increased 7.9% from ₩406 billion in 2020 to ₩438 billion in 2021, principally due to an increase in the salary expenses of our holding company, KB Asset Management, KB Real Estate Trust and KB Capital, which was enhanced by an increase in advertisement expenses of KB Capital and fees and commissions paid by our holding company and KB Asset Management.

Provision for credit losses increased 18.9% from ₩148 billion in 2020 to ₩176 billion in 2021, primarily due to an increase in provision for credit losses of private placement bonds of our consolidated funds and a decrease in reversal of credit losses of loans in Korean Won of our consolidated funds, which were enhanced by an increase in provision for credit losses of other financial assets of KB Real Estate Trust.

Share of profit of associates and joint ventures attributable to this segment increased eight-fold from ₩1 billion in 2020 to ₩9 billion in 2021, mainly reflecting an increase in valuation gains on equity-method investments of KB Investment.

Net other non-operating income attributable to this segment decreased 95.1% from ₩41 billion in 2020 to ₩2 billion in 2021, principally reflecting a decrease in the rental income of our consolidated funds.

Comparison of 2020 to 2019

Our profit before income tax expense for this segment increased 84.6% from ₩273 billion in 2019 to ₩504 billion in 2020.

Interest income attributable to this segment increased 5.7% from ₩688 billion in 2019 to ₩727 billion in 2020. This increase was primarily due to increases in the average volumes of loans of KB Capital and, to a lesser extent, KB Savings Bank.

Interest expense attributable to this segment increased 5.4% from ₩391 billion in 2019 to ₩412 billion in 2020, mainly due to increases in the average volumes of debentures of KB Capital and, to a lesser extent, our holding company on a separate basis.

Net fee and commission income attributable to this segment increased 43.4% from ₩541 billion in 2019 to ₩776 billion in 2020, principally reflecting increases in lease and rental fees received by KB Capital and, to a lesser extent, trust fees received by KB Asset Management and KB Real Estate Trust.

Net gains on financial instruments at fair value through profit or loss attributable to this segment increased 187.7% from ₩138 billion in 2019 to ₩397 billion in 2020, primarily as a result of an increase in gains on debt securities by a consolidated fund owned by our holding company.

Net other operating expenses attributable to this segment increased 94.2% from ₩243 billion in 2019 to ₩472 billion in 2020, which mainly reflected an increase in depreciation and amortization expenses with respect to leased assets of KB Capital and, to a lesser extent, an increase in losses on valuations of foreign currency-denominated assets and liabilities of consolidated funds owned by our holding company.

General and administrative expenses attributable to this segment increased 8.6% from ₩374 billion in 2019 to ₩406 billion in 2020, principally due to an increase in the salary expenses of our holding company, KB Asset Management, KB Capital and KB Investment, which was enhanced by an increase in advertisement expenses of KB Capital and KB Savings Bank.

Provision for credit losses increased 15.6% from ₩128 billion in 2019 to ₩148 billion in 2020, primarily due to increases in provision for credit losses of loans in Korean Won of one of our consolidated funds and KB Capital, which were enhanced by an increase in provision for credit losses of other financial assets of KB Real Estate Trust.

Share of profit of associates and joint ventures attributable to this segment decreased 85.7% from ₩7 billion in 2019 to ₩1 billion in 2020, mainly reflecting increases in valuation losses on equity-method investments of KB Investment.

Net other non-operating income attributable to this segment increased 17.1% from ₩35 billion in 2019 to ₩41 billion in 2020, principally reflecting an increase in the rental income of real estate funds included in this segment.

Item 5.B. Liquidity and Capital Resources

Financial Condition

Assets

The following table sets forth, as of the dates indicated, the principal components of our assets:

	As of December 31,		Percentage Change
	2020	2021	2021/2020
	(in billions of Won)		(%)
Cash and due from financial institutions	₩ 25,609	₩ 31,009	21.1
Financial assets at fair value through profit or loss	61,035	66,006	8.1
Derivative financial assets	5,545	3,721	(32.9)
Financial investments	98,695	104,848	6.2
Loans measured at amortized cost:			
Loans to banks	5,577	8,325	49.3
Loans to customers other than banks:			
Loans in Korean Won	317,875	346,954	9.1
Loans in foreign currencies	19,252	24,856	29.1
Domestic import usance bills	2,152	3,311	53.9
Off-shore funding loans	1,204	1,065	(11.5)
Call loans	1,582	902	(43.0)
Bills bought in Korean Won	2	2	0.0
Bills bought in foreign currencies	1,739	2,001	15.1
Guarantee payments under acceptances and guarantees	8	21	162.5
Credit card receivables in Korean Won	18,735	20,766	10.8
Credit card receivables in foreign currencies	63	58	(7.9)
Bonds purchased under repurchase agreements	3,175	4,855	52.9
Privately placed bonds	1,154	759	(34.2)
Factored receivables	—	1	N/A ⁽¹⁾
Lease receivables	1,441	1,292	(10.3)
Loans for installment credit	6,491	6,416	(1.2)
Total loans to customers other than banks	374,873	413,259	10.2
Less:			
Allowances for credit losses	(3,283)	(3,684)	12.2
Total loans measured at amortized cost, net	377,167	417,900	10.8
Property and equipment	5,434	5,240	(3.6)
Other assets ⁽²⁾	37,235	35,171	(5.5)
Total assets	₩610,720	₩663,896	8.7

⁽¹⁾ “N/A” means not applicable.

⁽²⁾ Includes investments in associates and joint ventures, investment properties, intangible assets, net defined benefit assets, current income tax assets, deferred income tax assets, assets held for sale, assets of a disposal group held for sale and miscellaneous other assets.

For further information on our assets, see “Item 4.B. Business Overview—Assets and Liabilities.”

Our total assets increased 8.7% from ₩610,720 billion as of December 31, 2020 to ₩663,896 billion as of December 31, 2021, principally due to a 10.8% increase in loans from ₩377,167 billion as of December 31, 2020 to ₩417,900 billion as of December 31, 2021, a 6.2% increase in financial investments from ₩98,695 billion as of December 31, 2020 to ₩104,848 billion as of December 31, 2021, a 21.1% increase in cash and due from financial institutions from ₩25,609 billion as of December 31, 2020 to ₩31,009 billion as of December 31, 2021 and an 8.1% increase in financial assets at fair value through profit or loss from

₩61,035 billion as of December 31, 2020 to ₩66,006 billion as of December 31, 2021. The increase in loans was mainly due to increases in loans in Korean Won and, to a lesser extent, loans in foreign currencies. The increase in financial investments was primarily attributable to an increase in our debt securities portfolio.

Liabilities and Equity

The following table sets forth, as of the dates indicated, the principal components of our liabilities and our equity:

	As of December 31,		Percentage Change
	2020	2021	2021/2020
	(in billions of Won)		(%)
Liabilities:			
Financial liabilities at fair value through profit or loss	₩ 11,810	₩ 12,089	2.4
Deposits	338,580	372,024	9.9
Borrowings	49,827	56,912	14.2
Debentures	62,761	67,430	7.4
Provisions	715	809	13.1
Insurance liabilities	54,415	57,166	5.1
Other liabilities ⁽¹⁾	49,209	49,172	(0.1)
Total liabilities	567,318	615,602	8.5
Equity:			
Share capital	2,091	2,091	—
Hybrid securities	1,696	2,838	67.3
Capital surplus	16,724	16,940	1.3
Accumulated other comprehensive income	630	1,047	66.2
Accumulated other comprehensive income relating to assets of a disposal group held for sale	—	8	N/ A ⁽²⁾
Retained earnings	22,541	25,673	13.9
Treasury shares	(1,136)	(1,136)	—
Equity attributable to shareholders of the Parent Company	42,545	47,461	11.6
Non-controlling interests	858	833	(2.9)
Total equity	43,402	48,294	11.3
Total liabilities and equity	₩610,720	₩663,896	8.7

⁽¹⁾ Includes derivative financial liabilities, current income tax liabilities, deferred income tax liabilities, net defined benefit liabilities and miscellaneous other liabilities.

⁽²⁾ "N/A" means not applicable.

Our total liabilities increased 8.5% from ₩567,318 billion as of December 31, 2020 to ₩615,602 billion as of December 31, 2021. The increase was primarily due to a 9.9% increase in deposits from ₩338,580 billion as of December 31, 2020 to ₩372,024 billion as of December 31, 2021, and to a lesser extent, a 14.2% increase in borrowings from ₩49,827 billion as of December 31, 2020 to ₩56,912 billion as of December 31, 2021 and a 7.4% increase in debentures from ₩62,761 billion as of December 31, 2020 to ₩67,430 billion as of December 31, 2021. Our deposits increased mainly as a result of increases in demand deposits and, to a lesser extent, time deposits. Our increase in borrowings was primarily attributable to an increase in general borrowings.

Our total equity increased 11.3% from ₩43,402 billion as of December 31, 2020 to ₩48,294 billion as of December 31, 2021. This increase resulted principally from an increase in our retained earnings, which was attributable mainly to the profit we generated in 2021, as well as increased issuances of hybrid securities in 2021 compared to 2020.

Liquidity

Our primary source of funding has historically been and continues to be deposits. Deposits amounted to ₩338,580 billion and ₩372,024 billion as of December 31, 2020 and 2021, which represented approximately 75.0% and 74.9% of our total funding, respectively. We have been able to use customer deposits to finance our operations generally, including meeting a portion of our liquidity requirements. Although the majority of deposits are short-term, it has been our experience that the majority of our depositors generally roll over their deposits at maturity, thus providing us with a stable source of funding. However, in the event that a substantial number of our depositors do not roll over their deposits or otherwise decide to withdraw their deposited funds, we would need to place increased reliance on alternative sources of funding, some of which may be more expensive than customer deposits, in order to finance our operations. See “Item 3.D. Risk Factors—Risks relating to liquidity and capital management—Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations.” In particular, we may increase our utilization of alternative funding sources such as short-term borrowings and cash and cash equivalents (including funds from maturing loans), as well as liquidating our positions in financial assets and using the proceeds to fund parts of our operations, as necessary.

We also obtain funding through debentures and borrowings to meet our liquidity needs. Debentures represented 13.9% and 13.6% of our total funding as of December 31, 2020 and 2021, respectively. Borrowings represented 11.0% and 11.5% of our total funding as of December 31, 2020 and 2021, respectively. For further information on our sources of funding, see “Item 4.B. Business Overview—Assets and Liabilities—Funding.”

The Financial Services Commission of Korea requires each financial holding company in Korea to maintain specific Won and foreign currency liquidity ratios and each bank in Korea to maintain a liquidity coverage ratio and a foreign currency liquidity coverage ratio. These ratios require us and Kookmin Bank to keep the ratio of liquid assets to liquid liabilities above certain minimum levels. For a description of these requirements, see “Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Liquidity” and “Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Banks—Liquidity.”

We are exposed to liquidity risk arising from withdrawals of deposits, payments of insurance contract claims and refunds, and maturities of our debentures and borrowings, as well as the need to fund our lending, trading and investment activities (including our capital expenditures) and the management of our trading positions. The goal of liquidity management is for us to be able, even under adverse conditions, to meet all of our liability repayments on time and fund all investment opportunities. For an explanation of how we manage our liquidity risk, see “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Liquidity Risk Management.” In August 2020, we completed the construction of a second headquarters building for Kookmin Bank in Yeouido, Seoul. Our total capital expenditure for its construction amounted to ₩356.5 billion.

We are a financial holding company, and substantially all of our operations are in our subsidiaries. Accordingly, we rely on distributions from our subsidiaries (as well as associates), direct borrowings and issuances of debt and equity securities to fund our liquidity obligations at the holding company level. We received aggregate dividends of ₩927 billion, ₩1,573 billion and ₩1,618 billion from our subsidiaries and associates in 2019, 2020 and 2021, respectively. See “Item 3.D. Risk Factors—Risks relating to our financial holding company structure and strategy.”

Asset Encumbrance

Part of our future funding and collateral needs are supported by assets readily available and unrestricted. The following table sets forth our assets that are available and those that are encumbered and not available to support our future funding and collateral needs as of December 31, 2021.

	December 31, 2021			
	Assets	Encumbered Asset ⁽¹⁾	Unencumbered Assets	
			Readily Available ⁽²⁾	Other
(in billions of Won)				
On-balance sheet				
Cash and due from financial institutions	₩ 31,009	₩ 2,852	₩26,717	₩ 1,440
Financial assets at fair value through profit or loss	66,006	19,104	17,462	29,440
Derivative financial assets	3,721	—	—	3,721
Loans measured at amortized cost	417,900	12,502	—	405,398
Financial investments	104,848	17,901	43,386	43,561
Investments in associates and joint ventures	449	—	—	449
Property and equipment	5,240	—	—	5,240
Investment property	2,515	1,342	—	1,173
Intangible assets	3,266	—	—	3,266
Net defined benefit assets	100	—	—	100
Current income tax assets	99	—	—	99
Deferred income tax assets	159	—	—	159
Assets held for sale	237	—	—	237
Assets of a disposal group held for sale	172	—	—	172
Other assets	28,175	1,046	—	27,129
Total on-balance sheet	₩663,896	₩54,747	₩87,565	₩521,584
Off-balance sheet				
Fair value of securities accepted as collateral	₩ 6,452	₩ —	₩ 6,452	₩ —
Total off-balance sheet	₩ 6,452	₩ —	₩ 6,452	₩ —

⁽¹⁾ Represent assets that have been pledged as collateral against an existing liability or are otherwise restricted in their use to secure funding.

⁽²⁾ Represent those on- and off-balance sheet assets that are not otherwise encumbered, and which are in freely transferable form.

Commitments and Guarantees

The following table sets forth our commitments and guarantees as of December 31, 2021. These commitments and guarantees are not included within our consolidated statements of financial position.

	Payments Due by Period				
	Total	1 Year or Less	1-3 Years	3-5 Years	More Than 5 Years
	(in billions of Won)				
Financial guarantees ⁽¹⁾	₩ 5,994	₩ 916	₩ 4,998	₩ 33	₩ 47
Confirmed acceptances and guarantees	5,842	3,535	1,857	416	34
Commitments	171,127	127,072	8,833	3,890	31,332
Total	₩182,963	₩131,523	₩15,688	₩4,339	₩31,413

⁽¹⁾ Includes ₩5,354 billion of irrevocable commitments to provide contingent liquidity credit lines to special purpose entities for which we serve as the administrator. See Note 40 of the notes to our consolidated financial statements.

Capital Adequacy

Kookmin Bank is subject to capital adequacy requirements of the Financial Services Commission applicable to Korean banks. The requirements applicable commencing in December 2013 pursuant to amended Financial Services Commission regulations promulgated in July 2013 were formulated based on Basel III, which was first introduced by the Basel Committee on Banking Supervision, Bank for International Settlements in December 2009. Under the amended Financial Services Commission regulations, all banks in Korea are required to maintain certain minimum ratios of common equity Tier I capital, total Tier I capital and total Tier I and Tier II capital to risk-weighted assets. See “Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Banks—Capital Adequacy.”

As of December 31, 2021, Kookmin Bank’s total Tier I and Tier II capital adequacy ratio was 17.47%.

The following table sets forth a summary of Kookmin Bank’s capital and capital adequacy ratios as of December 31, 2020 and 2021, based on applicable regulatory reporting standards.

	As of December 31,	
	2020	2021
	(in billions of Won, except percentages)	
Tier I capital:	₩ 28,234	₩ 30,491
Common equity Tier I capital	27,659	29,917
Paid-in capital	2,022	2,022
Capital reserves	4,808	5,025
Retained earnings	22,243	23,661
Non-controlling interests in consolidated subsidiaries	—	—
Others	(1,414)	(791)
Additional Tier I capital	575	575
Tier II capital:	4,321	5,081
Revaluation reserves	—	—
Allowances for credit losses ⁽¹⁾	337	595
Hybrid debt	—	—
Subordinated debt	3,984	4,486
Valuation gain on financial investments	—	—
Others	—	—
Total core and supplementary capital	₩ 32,555	₩ 35,572
Risk-weighted assets	183,148	203,569
Credit risk:		
On-balance sheet	146,229	171,833
Off-balance sheet	14,588	9,316
Market risk	11,373	10,833
Operational risk	10,958	11,587
Total Tier I and Tier II capital adequacy ratio	17.78%	17.47%
Tier I capital adequacy ratio	15.42%	14.98%
Common equity Tier I capital adequacy ratio	15.10%	14.70%
Tier II capital adequacy ratio	2.36%	2.50%

⁽¹⁾ Under the standardized approach, allowances for credit losses in respect of credits classified as normal or precautionary are used to calculate Tier II capital only to the extent they represent up to 1.25% of credit risk-weighted assets. Under the internal ratings-based approach, allowances for credit losses, less estimated losses, are used to calculate Tier II capital only to the extent they represent up to 0.6% of credit risk-weighted assets.

In addition, we, as a bank holding company, are required to maintain certain minimum capital adequacy ratios pursuant to applicable regulations of the Financial Services Commission. See “Item 4.B. Business

Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Capital Adequacy.”

The following table sets forth a summary of our consolidated capital adequacy ratio as of December 31, 2020 and 2021, based on applicable regulatory reporting standards.

	As of December 31,	
	2020	2021
	(in billions of Won, except percentages)	
Tier I capital		
Common equity Tier I capital	₩ 34,886	₩ 39,144
Additional Tier I capital	2,009	3,161
Total Tier I capital	₩ 36,895	₩ 42,305
Tier II capital	3,184	3,577
Risk-weighted assets	₩262,349	₩290,914
Total Tier I and Tier II capital adequacy ratio	15.28%	15.77%
Tier I capital adequacy ratio	14.06%	14.54%
Common equity Tier I capital adequacy ratio	13.30%	13.46%
Tier II capital adequacy ratio	1.21%	1.23%

Recent Accounting Pronouncements

See Note 2.1 of the notes to our consolidated financial statements for a description of other recent accounting pronouncements under IFRS as issued by the IASB that have been issued but are not yet effective.

Item 5.C. Research and Development, Patents and Licenses, etc.

Not applicable.

Item 5.D. Trend Information

These matters are discussed under Item 5.A. and Item 5.B. above where relevant.

Item 5.E. Critical Accounting Estimates

Not applicable.

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Item 6.A. Directors and Senior Management

Board of Directors

Our board of directors, currently consisting of one executive director, one non-standing director and seven non-executive directors, has the ultimate responsibility for the management of our affairs.

Our articles of incorporation provide that:

- we may have no more than 30 directors;
- the number of executive directors must be less than 50% of the total number of directors; and
- we have five or more non-executive directors.

The term of office for each director is renewable and is subject to the Korean Commercial Code, the Act on the Corporate Governance of Financial Companies and related regulations.

Our board of directors meets on a regular basis to discuss and resolve material corporate matters. Additional extraordinary meetings may also be convened at the request of any director or any committee that serves under the board of directors.

The names and positions of our directors are set forth below. The business address of all of the directors is our registered office at 26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul 07331, Korea.

Executive Director

The table below identifies our executive director as of the date of this annual report:

Name	Date of Birth	Position	Director Since	End of Term
Jong Kyoo Yoon	October 13, 1955	Chairman and Chief Executive Officer	November 21, 2014	November 20, 2023

Our executive director does not have any significant activities outside KB Financial Group.

Jong Kyoo Yoon is our chairman and chief executive officer. He has been an executive director since November 2014. He previously served as the president and chief executive officer of Kookmin Bank, our deputy president, chief finance officer and chief risk management officer, a senior advisor of Kim & Chang, a senior executive vice president, chief financial officer and chief strategic officer of Kookmin Bank and a senior partner of Samil PricewaterhouseCoopers. Mr. Yoon received a B.A. in business administration from Sungkyunkwan University, an M.B.A. from Seoul National University and a Ph.D. in business administration from Sungkyunkwan University.

Non-standing Director

The table below identifies our non-standing director as of the date of this annual report:

Name	Date of Birth	Position	Director Since	End of Term
Jae Keun Lee	May 27, 1966	Non-standing director; President and Chief Executive Officer of Kookmin Bank	March 25, 2022	Annual general meeting of shareholders in 2024

Jae Keun Lee has been a non-standing director since March 2022. He currently serves as the president and chief executive officer of Kookmin Bank. Mr. Lee previously served as a senior executive vice president of the sales group and a senior managing director of the strategy and finance planning group at Kookmin Bank, as well as our chief finance officer. Mr. Lee received a B.A. in mathematics and an M.A. in economics from Sogang University, and an M.B.A. in financial engineering from the Korea Advanced Institute of Science and Technology.

Non-executive Directors

Our non-executive directors are selected based on the candidates' knowledge and experience in diverse areas, such as finance, business management, accounting, laws and regulations, finance and risk management, ESG and consumer protection and digital and information technology. All seven non-executive directors below were nominated by our Non-executive Director Nominating Committee and approved by our shareholders.

The table below identifies our non-executive directors as of the date of this annual report:

<u>Name</u>	<u>Date of Birth</u>	<u>Position</u>	<u>Director Since</u>	<u>Date Term Ends⁽¹⁾</u>
Suk Ho Sonu	September 16, 1951	Chairman of the Board and Non-executive Director	March 23, 2018	March 24, 2023
Myung Hee Choi	February 22, 1952	Non-executive Director	March 23, 2018	March 24, 2023
Kouwhan Jeong	September 30, 1953	Non-executive Director	March 23, 2018	March 24, 2023
Kyung Ho Kim	December 21, 1954	Non-executive Director	March 27, 2019	March 24, 2023
Seon-joo Kwon	November 12, 1956	Non-executive Director	March 20, 2020	March 24, 2023
Gyutaeg Oh	February 20, 1959	Non-executive Director	March 20, 2020	March 24, 2023
Jaehong Choi	August 1, 1962	Non-executive Director	March 25, 2022	March 24, 2024

⁽¹⁾ The date on which each term will end will be the date of the general stockholders' meeting in the relevant year unless otherwise specified.

Suk Ho Sonu has been a non-executive director since March 2018. He is currently an advisor at Korea Institute of Finance. He previously served as a professor at Hongik University School of Business Administration, the dean of Hongik University Graduate School of Business Administration, president of the Korea Money and Finance Association and president of the Korea Finance Association. Mr. Sonu received a B.A. in applied mathematics from Seoul National University, an M.B.A. from the Kellogg School of Management of Northwestern University and a Ph.D. in finance from the Wharton School of the University of Pennsylvania.

Myung Hee Choi has been a non-executive director since March 2018. She is currently a vice president at the Korea Internal Control Assessment Institute. She previously served as an auditor at the Korea Exchange Bank, a director of the Financial Supervisory Service and senior operations officer of Citibank Korea Inc. Ms. Choi received a B.A. in English from Yonsei University.

Kouwhan Jeong has been a non-executive director since March 2018. He is currently the co-president attorney-at-law of Nambujeil Law and Notary Office Inc. He previously served as the chairperson of the Consumer Dispute Settlement Commission of the Korea Consumer Agency, a standing mediator at Korea Medical Dispute Mediation and Arbitration Agency and the branch chief prosecutor at the Bucheon Branch Office of the Incheon District Prosecutor's Office. Mr. Jeong received a B.A. in law from Seoul National University.

Kyung Ho Kim has been a non-executive director since March 2019. He previously served as a professor at Hongik University School of Business Administration, the vice president of Hongik University, a non-executive director of Shinhan Investment Corp., a non-executive director of Citibank Korea Inc., a vice chairman of the Korea Accounting Institute and president of the Korea Association for Government Accounting. Mr. Kim received a B.A. in business administration from Seoul National University and an M.S. and a Ph.D. in management from Purdue University.

Seon-joo Kwon has been a non-executive director since March 2020. She previously served a number of roles at Industrial Bank of Korea, including the chairman and chief executive officer, the head of the risk management division, the head of the credit card business division and the head of the central regional headquarters. She also previously served as a visiting scholar at the Korea Institute of Finance. Ms. Kwon received a B.A. in English from Yonsei University.

Gyutaeg Oh has been a non-executive director since March 2020. He is currently a professor at Chung-Ang University School of Business Administration. He previously served as a member of the Public Funds Oversight Committee of the Financial Services Commission, an assistant professor at the University of Iowa, a non-executive director at Kiwoom Securities Co., Ltd. and a non-executive director at Moa Savings Bank. Mr. Oh received a B.A. in economics from Seoul National University, an M.S. in management science from the

Korea Advanced Institute of Science and Technology and an M.A. and a Ph.D. in economics from Yale University.

Jaehong Choi has been a non-executive director since March 2022. He is currently a professor at Gangneung-Wonju National University Multimedia Engineering. He previously served as a non-executive director at Kakao Corp., an advisor at NHN Japan Corp. and an advisor at eSamsung Japan Corp. Mr. Choi received a B.S., M.S. and Ph.D. in electronic engineering from Hanyang University.

Any director having an interest in a transaction that is subject to approval by the board of directors may not vote at the meeting during which the board approves the transaction.

Executive Officers

The table below identifies our executive officers who are not executive directors as of the date of this annual report:

Name	Date of Birth	Position
Yin Hur	December 19, 1961	Vice Chairman and Head of Retail Customer / Wealth Management & Pension Business / Small & Medium Enterprise Business Units
Dong Cheol Lee	October 4, 1961	Vice Chairman and Head of Global / Insurance Business Units
Jong Hee Yang	June 10, 1961	Vice Chairman and Head of Digital / IT Business Units
Woo Yeul Lee	November 21, 1964	Senior Executive Vice President and Chief Strategy Officer
Pil Kyu Im	March 20, 1964	Senior Executive Vice President and Chief Risk Management Officer
Dong Whan Han	January 30, 1965	Senior Executive Vice President and Head of KB Research
Scott Y. H. Seo	March 26, 1966	Senior Managing Director and Chief Finance Officer
Yeo Woon Yoon	April 7, 1967	Senior Managing Director and Chief Human Resources Officer
Jin Gyu Maeng	January 15, 1966	Senior Managing Director and Head of Audit
Hye Sook Moon	September 8, 1971	Managing Director and Head of ESG Division
Bong Joong Kwon . . .	November 5, 1969	Managing Director and Head of IR
Byung Joo Oh	January 4, 1973	Managing Director, Insurance Business Unit
Hye Ja Suh	September 26, 1966	Managing Director and Chief Compliance Officer
Jeong Rim Park	November 27, 1963	Head of the Capital Market Business Unit
Sung Hyun Kim	August 5, 1963	Head of Corporate and Investment Banking Business Unit
Jin Young Kim	August 5, 1969	Chief Public Relations Officer
Chai Hyun Sung	September 12, 1965	Senior Executive Vice President, Retail Customer Business Unit
Jae Young Choi	June 7, 1967	Senior Managing Director, Wealth Management and Pension Business Unit
Mun Cheol Jeong . . .	August 3, 1968	Senior Managing Director, Small and Medium Enterprise Business Unit
Nam Hoon Cho	June 28, 1968	Senior Managing Director and Chief Global Strategy Officer
Young Suh Cho	February 25, 1971	Chief Digital Platform Officer
Jin Soo Yoon	February 29, 1964	Chief Information Technology Officer
Sung Pyo Jeon	August 20, 1966	Chief Contact Center Officer
Jeong Ha	January 31, 1967	Senior Executive Vice President, Capital Market Business Unit
Sang-Hyeon Woo . . .	February 3, 1964	Senior Executive Vice President, Corporate and Investment Banking Business Unit
Dong Sook Jeon	September 10, 1968	Head of Pension Division
Nam Che Kang	August 11, 1967	Head of Global Division
Chang Hwa Yook . . .	December 11, 1967	Head of Data Division
Chan Yong Park	September 12, 1965	Head of Office of Planning and Coordination
Yoo Shim Hur	April 25, 1973	Head of Digital Contents Center
Joo Hyun Kim	November 15, 1970	Head of Group Cloud Center

None of the executive officers has any significant activities outside KB Financial Group.

Yin Hur is a vice chairman and is in charge of our retail customer business unit, wealth management & pension business unit and small & medium enterprise business unit. He previously served as the President and CEO of Kookmin Bank. Mr. Hur received a B.A. and M.A. in law from Seoul National University.

Dong Cheol Lee is a vice chairman and serves as the head of our global business unit and insurance business unit. He previously served as the chief executive officer of KB Kookmin Card. Mr. Lee received a B.A. in law from Korea University and an L.L.M. from Tulane University Law School.

Jong Hee Yang is a vice chairman and is in charge of our digital business unit and IT business unit. He previously served as the chief executive officer of KB Insurance. Mr. Yang received a B.A. in history from Seoul National University.

Woo Yeul Lee is a senior executive vice president and our chief strategy officer. He previously served as our chief human resources officer and chief information technology officer. Mr. Lee received an M.A. in economics from Korea University.

Pil Kyu Im is a senior executive vice president and our chief risk management officer. He previously served as our chief human resources officer and our chief compliance officer. Mr. Im received an M.A. in economics from Korea University.

Dong Whan Han is a senior executive vice president and the head of KB Research. He previously served as our chief digital platform officer and chief digital innovation officer. Mr. Han received an M.S. in geography from Seoul National University and an M.B.A. from the University of Washington.

Scott Y. H. Seo is a senior managing director and our chief finance officer. He previously served as a senior managing director of the institution sales business unit of KB Securities. Mr. Seo received a B.A. in business administration from Sogang University.

Yeo Woon Yoon is a senior managing director and our chief human resources officer. He previously served as the head of the foreign exchange business division of Kookmin Bank. Mr. Yoon received a B.A. in English literature from Korea University.

Jin Gyu Maeng is a senior managing director and the head of audit. He previously served as the head of our office of planning and coordination. Mr. Maeng received a B.A. in economics from Dongguk University.

Hye Sook Moon is a managing director and the head of our ESG division. She previously served as a general manager of our ESG strategy department. Ms. Moon received an M.A. in economics from Korea University.

Bong Joong Kwon is a managing director and the head of IR. He previously served as the general manager of our IR department. Mr. Kwon received a B.A. in law from Hallym University and an M.B.A. from Yonsei University.

Byung Joo Oh is a managing director in our insurance business unit. He previously served as a general manager of KB Insurance's strategic planning department. Mr. Oh received a B.A. in statistics from Korea University.

Hye Ja Suh is a managing director and our chief compliance officer. She previously served as the head of Kookmin Bank's Sangin-yeok regional head office. Ms. Suh received a B.A. in law from Kyungpook National University.

Jeong Rim Park is the head of our capital market business unit and also serves as the chief executive officer of KB Securities. She previously served as a senior executive vice president of Kookmin Bank and the head of its wealth management group, as well as a senior executive vice president of KB Securities in charge of its wealth management division. Ms. Park received a B.A. in business administration and an M.B.A. from Seoul National University.

Sung Hyun Kim is the head of our corporate and investment banking business unit and also serves as the chief executive officer of KB Securities. He previously served as a senior executive vice president of the investment banking division of KB Securities. Mr. Kim received a B.A. in economics from Yonsei University.

Jin Young Kim is our chief public relations officer. He also serves as a managing director in Kookmin Bank's brand strategy group. He previously served as a general manager of Kookmin Bank's brand strategy department. Mr. Kim received a B.A. in law from Hanyang University and an M.A. in advertising and public relations from Yonsei University.

Chai Hyun Sung is a senior executive vice president and directs our retail customer business unit. He also serves as a senior executive vice president of Kookmin Bank and heads its retail customer group. He previously served as our chief public relations officer, chief human resources officer and as an executive secretary for our company and Kookmin Bank. Mr. Sung received a B.A. in accounting from Jeonbuk National University.

Jae Young Choi is a senior managing director and the head of our wealth management and pension business unit. He also serves as a senior managing director and the head of the wealth management customer group of Kookmin Bank, a senior executive vice president of the wealth management business unit of KB Securities and a senior managing director of the pension business unit of KB Insurance. He previously served as the head of our pension business division and Kookmin Bank's pension business department. Mr. Choi received a B.A. in accounting information from Kookmin University and an M.B.A. from Yonsei University.

Mun Cheol Jeong is a senior managing director and directs our small and medium enterprise business unit. He also serves as a senior managing director of the small and medium enterprise and SOHO customer group at Kookmin Bank. He previously served as our chief public relations officer. Mr. Jeong received a B.A. in business administration from Seoul National University and an M.B.A. from the Korea Advanced Institute of Science and Technology.

Nam Hoon Cho is a senior managing director and our chief global strategy officer. He also serves as a senior managing director of the global business group at Kookmin Bank. He previously served as a managing director of the global business division of KB Securities. Mr. Cho received a B.A. in economics from Sungkyunkwan University.

Young Suh Cho is our chief digital platform officer. He also serves as a senior managing director of Kookmin Bank's digital transformation strategy division. He previously served at Shinhan DS (formerly Shinhan Data System) and Shinhan Financial Group, and as a partner at Bain & Company. Mr. Cho received a B.A. in economics from Seoul National University and an M.B.A. from Columbia University.

Jin Soo Yoon is our chief information technology officer. He also serves as a senior executive vice president of the tech group at Kookmin Bank. He previously served as our chief data officer. Mr. Yoon received a B.S. in computer science from Seoul National University and an M.S. and a Ph.D. from the Korea Advanced Institute of Science and Technology.

Sung Pyo Jeon is our chief contact center officer. He also serves as a senior managing director of Kookmin Bank's smart customer group. He previously headed our future contact center planning department. Mr. Jeon received a B.S. and an M.S. in land administration from Kangwon National University.

Jeong Ha is a senior executive vice president and directs our capital market business unit. He also serves as a senior executive vice president of Kookmin Bank's capital markets group. He previously served as the head of Kookmin Bank's capital markets division. Mr. Ha received a B.A. in business administration from Jeonbuk National University and an M.B.A. from the Korea Advanced Institute of Science and Technology.

Sang-Hyeon Woo is a senior executive vice president and directs our corporate and investment banking business unit. He also serves as a senior executive vice president of Kookmin Bank's corporate investment banking customer group and KB Securities' investment banking business unit. He previously served as the head of Kookmin Bank's investment banking business division. Mr. Woo received a B.A. in business administration and an M.B.A. from Korea University.

Dong Sook Jeon is the head of our pension division. She also serves as the head of the pension business division at Kookmin Bank. She previously served as the head of Kookmin Bank's regional head office. Ms. Jeon received a B.A. in English literature from Myongji University.

Nam Che Kang is the head of our global business division. He also serves as the head of the global growth supporting division at Kookmin Bank. He previously served as a general manager of KB Kookmin Card's global business department. Mr. Kang received a B.A. in business administration from the University of Southern California.

Chang Hwa Yook is the head of our data division. He also serves as the head of the data division of Kookmin Bank. He previously served as our chief data officer. Mr. Yook received a B.S. in economics from Chungnam National University.

Chan Yong Park is the head of the office of planning and coordination. He is also a senior managing director of Kookmin Bank's planning and coordination department. He previously served as the head of Kookmin Bank's shared service division. Mr. Park received a B.A. in business administration from Kwandong University.

Yoo Shim Hur is the head of our digital contents center. She also serves as a managing director of the digital contents center at Kookmin Bank. She previously served as a vice president of SK Broadband. Ms. Hur received a B.A. in mass communication from the Hankuk University of Foreign Studies.

Joo Hyun Kim is the head of our group cloud center. He also serves as the head of the cloud platform department of Kookmin Bank. He previously served as the head of the service technology center at Naver Cloud. Mr. Kim received a B.S. in computer science and statistics from Seoul National University.

Item 6.B. Compensation

The aggregate remuneration paid and benefits-in-kind granted, excluding stock grants, by us and our subsidiaries to our chairman and chief executive officer, our other executive and non-standing directors, our non-executive directors and our executive officers for the year ended December 31, 2021 was ₩20,638 million. For the year ended December 31, 2021, we set aside ₩694 million for allowances for severance and retirement benefits for our chairman and chief executive officer, the other executive directors and our executive officers.

Among those who received total annual compensation exceeding ₩500 million in 2021 at the holding company level, the five highest-paid individuals were as follows:

Name	Position	Total Compensation in 2021 (in millions of Won) ⁽¹⁾	Incentive Compensation for Payment Subsequent to 2021 (number of shares) ⁽²⁾
Jong Kyoo Yoon	Chairman and Chief Executive Officer	₩1,726	24,718
Chang Kwon Lee . . .	Senior Executive Vice President, Chief Strategy Officer and Chief Global Strategy Officer	995	5,741
Pil Kyu Im	Senior Executive Vice President and Chief Risk Management Officer	582	3,583
Jeong Soo Lee	General Manager of Secretariat	573	—
Jieon Kim	Head of Model Validation Unit	567	—

⁽¹⁾ Includes annual salary and performance-based incentive payments paid by the holding company.

⁽²⁾ Consists of performance-based shares expected to be granted by the holding company in the future. The actual payment amount will be determined at the time of payment based on the then-current market price of our common shares.

We do not have service contracts with any of our directors or executive officers providing for benefits upon termination of their employment with us.

In 2008, we established a stock grant plan. Pursuant to this plan, we have entered into performance share agreements with certain of our and our subsidiaries' directors and executive officers, whereby we may grant shares of our common stock (or the equivalent monetary amount based on the market value of such shares) within specified periods as long-term incentive performance shares in accordance with pre-determined performance targets. See "Item 6.E. Share Ownership—Performance Share Agreements." In 2021, we incurred ₩101,935 million of compensation costs relating to stock grants under such agreements. See Note 32.1 of the notes to our consolidated financial statements included elsewhere in this annual report.

Item 6.C. Board Practices

See "Item 6.A. Directors and Senior Management" above for information concerning the terms of office and contractual employment arrangements with our directors and executive officers.

Committees of the Board of Directors

We currently have the following committees that serve under the board:

- the Audit Committee;
- the Risk Management Committee;
- the Evaluation & Compensation Committee;
- the Non-Executive Director Nominating Committee;
- the Audit Committee Member Nominating Committee;
- the CEO Nominating Committee;

- the Subsidiaries' CEO Director Nominating Committee; and
- the ESG Committee.

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

Audit Committee

The committee currently consists of four non-executive directors, Suk Ho Sonu, Myung Hee Choi, Kouwhan Jeong and Kyung Ho Kim. The chairperson of the Audit Committee is Kyung Ho Kim. The committee oversees our financial reporting and approves the appointment of our independent registered public accounting firm. The committee also reviews our financial information, auditor's examinations, key financial statement issues, the plans and evaluation of internal control and the administration of our financial affairs by the board of directors. In connection with the general meetings of stockholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors to each general meeting of stockholders. The committee holds regular meetings every quarter.

Risk Management Committee

The committee currently consists of four non-executive directors, Suk Ho Sonu, Myung Hee Choi, Seon-joo Kwon and Gyutaeg Oh. The chairperson of the committee is Seon-joo Kwon. The Risk Management Committee oversees and makes determinations on all issues relating to our comprehensive risk management function. In order to ensure our stable financial condition and to maximize our profits, the committee monitors our overall risk exposure and reviews our compliance with risk policies and risk limits. In addition, the committee reviews risk and control strategies and policies, evaluates whether each risk is at an adequate level, establishes or abolishes risk management divisions and reviews risk-based capital allocations as well as recovery and resolution plans. The committee holds regular meetings every quarter.

Evaluation & Compensation Committee

The committee currently consists of four non-executive directors, Kouwhan Jeong, Kyung Ho Kim, Seon-joo Kwon and Jaehong Choi. The chairperson of the committee is Jaehong Choi. The Evaluation and Compensation Committee reviews compensation schemes and compensation levels of us and our subsidiaries. The committee is also responsible for deliberating and deciding the compensation of directors, evaluating management's performance and implementing management training programs, as well as deciding and supervising the performance-based annual salary of the president and the executive officers of us and our subsidiaries. The committee holds regular meetings semi-annually.

Non-executive Director Nominating Committee

The committee currently consists of four non-executive directors, Myung Hee Choi, Kyung Ho Kim, Seon-joo Kwon and Gyutaeg Oh. The chairperson of the committee is Myung Hee Choi. The committee is responsible for the management and evaluation of a pool of non-executive director candidates and recommendation of the non-executive director candidates to be nominated at the annual general meeting of shareholders.

Audit Committee Member Nominating Committee

The committee currently consists of all seven of our non-executive directors. The chairperson of the committee is Suk Ho Sonu. The committee oversees the selection of Audit Committee member candidates and recommends them annually sometime prior to the general stockholders meeting. The term of office of its members is from the first meeting of the committee held to nominate the Audit Committee members until the Audit Committee members are appointed.

CEO Nominating Committee

The committee currently consists of all seven of our non-executive directors. The chairperson of the CEO Nominating Committee is Kouwhan Jeong. The committee is responsible for establishing and monitoring procedures for our CEO candidate cultivation and succession program pursuant to our “CEO Succession Regulations,” which cover, among other things, the qualifications of CEO candidates, continued maintenance of the candidate pool and the CEO candidate nomination process. The committee holds regular meetings semi-annually.

Subsidiaries’ CEO Director Nominating Committee

The committee currently consists of one non-standing director, Jae Keun Lee, and three non-executive directors, Kouwhan Jeong, Gyutaeg Oh and Jaehong Choi, together with our chairman and chief executive officer, Jong Kyoo Yoon. The chairperson of the Subsidiaries’ CEO Director Nominating Committee is Jong Kyoo Yoon. The committee is responsible for candidate cultivation and succession programs for chief executive officers of our subsidiaries. The committee holds regular meetings semi-annually.

ESG Committee

The Committee currently consists of all seven of our non-executive directors, one non-standing director, Jae Keun Lee, and our chairman and chief executive officer, Jong Kyoo Yoon. The chairperson of the ESG Committee is Gyutaeg Oh. The committee is responsible for establishing and enforcing strategies and policies relating to non-financial aspects of our business, which consist of the environment, social responsibility and corporate governance, in order to promote sustainable development and enhance our corporate value. The committee also manages ESG-related products and investments and monitors ESG-related global initiatives and community outreach efforts. The committee holds regular meetings semi-annually.

Item 6.D. Employees

As of December 31, 2021, we had a total of 149 full-time employees, excluding 28 executive officers, at our financial holding company.

The following table sets forth information regarding our employees at both our financial holding company and our subsidiaries as of the dates indicated:

		As of December 31,		
		2019	2020	2021
KB Financial Group	Full-time employees ⁽¹⁾	153	154	149
	Contractual employees	—	—	—
	Managerial employees	135	134	133
	Members of Korea Financial Industry Union	—	—	—
Kookmin Bank	Full-time employees ⁽¹⁾	16,413	16,054	15,333
	Contractual employees	1,545	1,728	1,899
	Managerial employees	9,276	9,026	8,474
	Members of Korea Financial Industry Union	14,642	14,266	13,989
Other subsidiaries	Full-time employees ⁽¹⁾	8,777	9,319	9,181
	Contractual employees	1,131	1,062	1,092
	Managerial employees	4,840	5,256	5,190
	Members of Korea Financial Industry Union	5,958	6,565	6,486

⁽¹⁾ Excluding executive officers.

We consider our relations with our employees to be satisfactory. We and our subsidiaries each have a joint labor-management council which serves as a forum for ongoing discussions between our management and

employees. At eight of our subsidiaries, Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, KB Capital, KB Real Estate Trust, KB Data Systems and KB Credit Information, our employees have a labor union. Every year, the unions at Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, KB Capital, KB Real Estate Trust, KB Data Systems and KB Credit Information and their respective managements negotiate and enter into new collective bargaining agreements and negotiate annual wage adjustments.

Our compensation packages consist of base salary and base bonuses. We also provide performance-based compensation to employees and management officers, including those of our subsidiaries, depending on the level of responsibility of the employee or officer and business of the relevant subsidiary. Typically, executive officers, heads of regional headquarters and employees in positions that require professional skills, such as fund managers and dealers, are compensated depending on their individual annual performance evaluation. Also, Kookmin Bank has implemented a profit-sharing system in order to enhance the performance of Kookmin Bank's employees. Under this system, Kookmin Bank pays bonuses to its employees, in addition to the base salary and depending on Kookmin Bank's annual performance.

In January 2016, Kookmin Bank implemented a "mileage stock" program, pursuant to which its employees may receive performance-based cash payments that correspond to the market value of our common shares. The accumulated "miles" of common shares can be exercised for cash during a two-year period commencing on the one-year anniversary of the grant date.

We provide a wide range of benefits to our employees, including our executive directors. Specific benefits provided may vary for each of our subsidiaries but generally include medical insurance, employment insurance, workers compensation, employee and spouse life insurance, free medical examinations, child tuition and fee reimbursement, disabled child financial assistance and reimbursement for medical expenses, and other benefits may be provided depending on the subsidiary.

In accordance with the National Pension Act, we contribute an amount equal to 4.5% of employee wages, and each employee contributes 4.5% of his or her wages, into each employee's personal pension account. In addition, in accordance with the Guarantee of Worker's Retirement Benefits Act, we have adopted a retirement pension plan for our employees. Contributions under the retirement pension plan are deposited annually into a financial institution, and an employee may elect to receive a monthly pension or a lump-sum amount upon retirement. Our retirement pension plans are provided in the form of a defined benefit plan and a defined contribution plan. The defined benefit plan guarantees a certain payout at retirement, according to a fixed formula based on the employee's average salary and the number of years for which the employee has been a plan member. The defined contribution plan, in which the employer's contribution is determined in advance based on one twelfth of an employee's total annual pay, is managed directly by the employees. Under Korean law, we may not terminate the employment of full-time employees except under certain limited circumstances. However, from time to time, we invite our employees to apply for our early retirement programs, which provide for varying amounts of severance pay based on the duration of time an employee has worked for us, along with several other key features. We believe that such programs enhance our productivity and efficiency by improving our labor structure.

In June 2009, we established an employee stock ownership association. All of our employees are eligible to participate in this association. We are not required to, and do not, make cash contributions to this plan. Members of our employee stock ownership association have pre-emptive rights to acquire up to 20% of our shares issued in public offerings by us pursuant to the Financial Investment Services and Capital Markets Act. In August 2009, we offered to members of our employee stock ownership association 6,000,000 of the 30,000,000 new shares of common stock to be issued in our rights offering to our existing shareholders, and the entire amount was subscribed by members of our employee stock ownership association. The employee stock ownership association held 7,682,571 shares of our common stock as of December 31, 2021.

Employees of Kookmin Bank have been eligible to participate in its employee stock ownership association, which will be terminated once all of our common stock held by the association (which the association received

following the transfer of Kookmin Bank shares held by it as a result of the comprehensive stock transfer pursuant to which we were established) have been distributed to the relevant Kookmin Bank employees at the requests of such employees following the expiration of the required holding periods. As of December 31, 2021, such employee stock ownership association held 257,124 shares of our common stock.

In order to develop our next generation of leaders and enhance the operational capability of our employees at each of our subsidiaries, we operate various employee training programs. These programs, which are aimed at cultivating financial specialists with higher levels of management and business skills, developing regional experts for increased global capabilities and enhancing employee loyalty, comprise a number of customized programs such as training courses for employees of different positions, domestic and foreign M.B.A. courses and intensive human resources development programs for high performers to cultivate future leaders. For example, Kookmin Bank offers training programs at its employees' worksites to facilitate access to training, as well as a foreign regional expert training program and a global language training course. We also provide financial and other support for our employees to develop their finance-related knowledge and skills by enrolling in training courses or engaging in self-study programs. The broad spectrum of training programs, combined with the state-of-the-art technologies such as cyber training, satellite broadcasting and mobile-learning, maximizes the level of exposure of the trainees to the contents of the programs. We also believe that our training scheme based on classified training courses and a development evaluation system has facilitated systemic development of employee skills and a spontaneous learning environment.

Item 6.E. Share Ownership

Common Stock

As of March 31, 2022, the persons who are currently our directors or executive officers, as a group, held an aggregate of 84,010 shares of our common stock, representing approximately 0.02% of the issued shares of our common stock as of such date. None of these persons individually held more than 1% of the outstanding shares of our common stock as of such date. The following table presents information regarding our directors and executive officers who beneficially owned our shares as of March 31, 2022:

Name of Executive Officer or Director	Number of Shares of Common Stock
Jong Kyoo Yoon	21,000
Yin Hur	13,506
Suk Ho Sonu	1,300
Jae Keun Lee	119
Dong Cheol Lee	3,325
Jong Hee Yang	914
Woo Yeul Lee	1,511
Pil Kyu Im	1,005
Dong Whan Han	1,100
Scott Y. H. Seo	0
Yeo Woon Yoon	520
Jin Gyu Maeng	951
Hye Sook Moon	652
Bong Joong Kwon	286
Byung Joo Oh	711
Hye Ja Suh	1,254
Jeong Rim Park	3,150
Sung Hyun Kim	15,468
Jin Young Kim	765
Chai Hyun Sung	7,799
Jae Young Choi	698

<u>Name of Executive Officer or Director</u>	<u>Number of Shares of Common Stock</u>
Mun Cheol Jeong	2,349
Nam Hoon Cho	1,000
Young Suh Cho	0
Jin Soo Yoon	100
Sungpyo Jeon	880
Jeong Ha	0
Sang-Hyeon Woo	348
Dong Sook Jeon	1,724
Nam Che Kang	226
Chang Hwa Yook	465
Chan Yong Park	884
Yoo Shim Hur	0
Joo Hyun Kim	0
Total	<u>84,010</u>

Performance Share Agreements

Pursuant to a stock grant plan we established in 2008, we have entered into performance share agreements with certain of our and our subsidiaries' directors and executive officers, pursuant to which we may grant shares of our common stock (or the equivalent monetary amount based on the market value of such shares) within specified periods as long-term incentive performance shares in accordance with pre-determined performance targets. Since January 2010, in accordance with the best practice guidelines for outside directors of banking institutions announced by the Korea Federation of Banks, which have been replaced with the Financial Corporate Governance Code issued by the Financial Services Commission in December 2014, we have not entered into any performance share agreements with our non-executive directors.

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Item 7.A. Major Shareholders

The following table presents information regarding the beneficial ownership of our shares at December 31, 2021 by each person or entity known to us to own beneficially more than 5% of our issued and outstanding shares.

Except as otherwise indicated, each stockholder identified by name has:

- sole voting and investment power with respect to its shares; and
- record and beneficial ownership with respect to its shares.

<u>Beneficial Owner</u>	<u>Number of Shares of Common Stock</u>	<u>Percentage of Total Outstanding Shares of Common Stock (%)⁽¹⁾</u>
Korean National Pension Service	37,626,516	9.05%
BlackRock Fund Advisors	25,050,939 ⁽²⁾	6.02% ⁽²⁾
JP Morgan Chase Bank, N.A. ⁽³⁾	23,929,641	5.76%

⁽¹⁾ Calculated based on 415,807,920 shares of our common stock issued as of December 31, 2021.

⁽²⁾ As of February 26, 2021, based on disclosure made by BlackRock Fund Advisors in a statement of acquisition filing on March 10, 2021.

⁽³⁾ As depositary bank.

Other than as set forth above, no other person or entity known by us to be acting in concert, directly or indirectly, jointly or separately, owned 5.0% or more of the issued shares of our common stock or exercised control or could exercise control over us as of December 31, 2021. None of our major stockholders has different voting rights from our other stockholders.

As of December 31, 2021, there were 389,634,335 shares of common stock outstanding. Of the total outstanding shares, 23,929,641 shares were held in the form of ADSs and 102,048,676 shares were held of record in the form of common stock by residents in the United States. As of December 31, 2021, the number of registered holders of our ADSs was 22 and the number of holders of our common stock in the United States was 665.

Item 7.B. Related Party Transactions

As of December 31, 2021, we had an aggregate of ₩4,595 million in loans outstanding to our executive officers and directors, executive officers and directors of Kookmin Bank and chief executive officers of our other subsidiaries, including family members of such individuals. In addition, as of such date, we had loans outstanding to various companies whose directors or executive officers were serving concurrently as our directors or executive officers. See Note 43 of the notes to our consolidated financial statements included elsewhere in this annual report. All of these loans were made in the ordinary course of business, on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features.

None of our directors or officers have or had any interest in any transactions effected by us that are or were unusual in their nature or conditions or significant to our business which were effected during the current or immediately preceding year or were effected during an earlier year and remain in any respect outstanding or unperformed.

Item 7.C. Interests of Experts and Counsel

Not applicable.

Item 8. FINANCIAL INFORMATION

Item 8.A. Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements” and pages F-1 through F-244.

You should read the following data together with the more detailed information contained in “Item 5. Operating and Financial Review and Prospects” and our consolidated financial statements included elsewhere in this annual report. Historical results do not necessarily predict future results.

Profitability ratios and other data

	As of or for the year Ended December 31,		
	2019	2020	2021
	(Percentages)		
Net interest spread ⁽¹⁾	1.96%	1.86%	1.97%
Net interest margin ⁽²⁾	2.14	1.99	2.07
Efficiency ratio ⁽³⁾	54.86	54.56	49.72
Cost-to-average assets ratio ⁽⁴⁾	1.25	1.19	1.14
Won loans (gross) as a percentage of Won deposits	111.83	112.16	112.81
Total loans (gross) as a percentage of total deposits	111.94	112.37	113.32

- (1) Represents the difference between the yield on average interest-earning assets and cost of average interest-bearing liabilities.
(2) Represents the ratio of net interest income to average interest-earning assets.
(3) Represents the ratio of general and administrative expenses to the sum of net interest income, net fee and commission income, net insurance income, net gain on financial assets and liabilities at fair value through profit or loss and net other operating income.
(4) Represents the ratio of general and administrative expenses to average total assets.

Capital ratios

	As of or for the year Ended December 31,		
	2019	2020	2021
	(Percentages)		
Consolidated capital adequacy ratio of KB Financial Group ⁽¹⁾	14.48%	15.28%	15.77%
Capital adequacy ratios of Kookmin Bank			
Tier I capital adequacy ratio ⁽²⁾	14.68	15.42	14.98
Common equity Tier I capital adequacy ratio ⁽²⁾	14.37	15.10	14.70
Tier II capital adequacy ratio ⁽²⁾	1.17	2.36	2.50
Average stockholders' equity as a percentage of average total assets	7.65	7.14	7.23

- (1) Under applicable guidelines of the Financial Services Commission, we, as a bank holding company, were required to maintain a total minimum consolidated capital adequacy ratio of 11.5% (including applicable additional capital buffers and requirements) as of December 31, 2021. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Capital Adequacy."
(2) Kookmin Bank's capital adequacy ratios are computed in accordance with the guidelines issued by the Financial Services Commission. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Banks—Capital Adequacy."

Credit portfolio ratios and other data

	As of December 31,	
	2020	2021
	(in billions of Won, except percentages)	
Total loans ⁽¹⁾	₩380,450	₩421,585
Total non-performing loans ⁽²⁾	1,108	1,458
Other impaired loans not included in non-performing loans	2,326	2,029
Total of non-performing loans and other impaired loans	3,434	3,487
Total allowances for loan losses	3,283	3,685
Non-performing loans as a percentage of total loans	0.29%	0.35%
Non-performing loans as a percentage of total assets	0.18%	0.22%
Total of non-performing loans and other impaired loans as a percentage of total loans	0.90%	0.83%
Allowances for loan losses as a percentage of total loans	0.86%	0.87%

- (1) Before deduction of allowances for loan losses.
(2) Non-performing loans are defined as those loans, including corporate, retail and other loans, which are past due by 90 days or more.

Selected Statistical Information

Average Balance Sheets and Related Interest

The following table shows our average balances and interest rates for the past three years:

	Year Ended December 31,								
	2019			2020			2021		
	Average Balance ⁽¹⁾	Interest Income ⁽²⁾	Average Yield	Average Balance ⁽¹⁾	Interest Income ⁽²⁾	Average Yield	Average Balance ⁽¹⁾	Interest Income ⁽²⁾	Average Yield
	(in billions of Won, except percentages)								
Assets									
Due from financial institutions measured at amortized cost	₩ 10,436	₩ 151	1.45%	₩ 12,280	₩ 92	0.75%	₩ 13,261	₩ 66	0.50%
Financial instruments at fair value through profit or loss (debt securities) ⁽³⁾	27,164	704	2.59	30,232	659	2.18	31,670	590	1.86
Financial investments (debt securities) ⁽⁴⁾	63,699	1,389	2.18	80,087	1,355	1.69	97,296	1,557	1.60
Loans:									
Corporate	141,600	4,788	3.38	158,508	4,547	2.87	168,868	4,511	2.67
Mortgage	72,897	2,233	3.06	82,765	2,161	2.61	88,769	2,239	2.52
Home equity	30,188	964	3.19	27,682	786	2.84	27,333	723	2.65
Other consumer ⁽⁵⁾	58,514	2,680	4.58	64,220	2,639	4.11	71,587	2,922	4.08
Credit cards ⁽⁶⁾	17,949	1,451	8.08	18,586	1,438	7.74	19,923	1,441	7.23
Foreign ⁽⁷⁾	6,599	279	4.23	14,683	809	5.51	22,580	1,162	5.15
Loans (total)	327,747	12,395	3.78	366,444	12,380	3.38	399,060	12,998	3.26
Total average interest-earning assets	₩429,046	₩14,639	3.41%	₩489,043	₩14,486	2.96%	₩541,287	₩15,211	2.81%
Cash and due from banks	11,681	—	—	13,274	—	—	14,946	—	—
Financial assets at fair value through profit or loss (excluding debt securities):									
Equity securities	5,576	—	—	5,225	—	—	4,443	—	—
Other	18,410	—	—	22,952	—	—	26,566	—	—
Financial assets at fair value through profit or loss (excluding debt securities) (total)	23,986	—	—	28,177	—	—	31,009	—	—
Financial investment (equity securities)	2,598	—	—	2,427	—	—	3,684	—	—
Investment in associates	575	—	—	612	—	—	555	—	—
Derivative financial assets	2,989	—	—	4,189	—	—	3,899	—	—
Premises and equipment	7,398	—	—	8,048	—	—	8,130	—	—
Intangible assets	2,720	—	—	3,000	—	—	3,279	—	—
Allowances for loan losses	(2,714)	—	—	(2,954)	—	—	(3,606)	—	—
Other non-interest-earning assets	21,636	—	—	25,450	—	—	30,851	—	—
Total average non-interest-earning assets	70,869	—	—	82,223	—	—	92,747	—	—
Total average assets	₩499,915	₩14,639	2.93%	₩571,266	₩14,486	2.54%	₩634,034	₩15,211	2.40%

	Year Ended December 31,								
	2019			2020			2021		
	Average Balance ⁽¹⁾	Interest Expense	Average Cost	Average Balance ⁽¹⁾	Interest Expense	Average Cost	Average Balance ⁽¹⁾	Interest Expense	Average Cost
	(in billions of Won, except percentages)								
Liabilities									
Deposits:									
Demand deposits	₩122,519	₩ 370	0.30%	₩149,141	₩ 267	0.18%	₩180,936	₩ 280	0.15%
Time deposits	155,762	3,018	1.94	166,275	2,600	1.56	158,795	1,907	1.20
Certificates of deposit	4,781	93	1.95	3,636	50	1.38	3,618	31	0.86
Deposits (total)	283,062	3,481	1.23	319,052	2,917	0.91	343,349	2,218	0.65
Borrowings:									
Bonds sold under repurchase agreements	10,446	168	1.61	13,975	126	0.9	14,126	105	0.74
Other borrowings ⁽⁸⁾	28,032	552	1.97	39,359	535	1.36	48,781	488	1.00
Borrowings (total)	38,478	720	1.87	53,334	661	1.24	62,907	593	0.94
Debentures	52,574	1,241	2.36	59,379	1,186	2.00	65,759	1,170	1.78
Total average interest-bearing liabilities	₩374,114	₩5,442	1.45%	₩431,765	₩4,764	1.10%	₩472,015	₩3,981	0.84%
Non-interest bearing demand deposits	3,942	—	—	4,533	—	—	5,263	—	—
Derivative financial liabilities	3,334	—	—	4,474	—	—	3,704	—	—
Financial liabilities at fair value through profit or loss	16,861	—	—	13,464	—	—	12,461	—	—
Other non-interest-bearing liabilities	63,169	—	—	75,499	—	—	93,885	—	—
Total average non-interest bearing liabilities	87,306	—	—	97,970	—	—	115,313	—	—
Total average liabilities	461,420	5,442	1.18	529,735	4,764	0.90	587,328	3,981	0.68
Total equity	38,495	—	—	41,531	—	—	46,706	—	—
Total average liabilities and equity	₩499,915	₩5,442	1.09%	₩571,266	₩4,764	0.83%	₩634,034	₩3,981	0.63%

(1) Average balances are based on daily balances for our banking, credit card and securities operations and monthly or quarterly balances for our other operations.

(2) We do not invest in any tax-exempt securities.

(3) Includes deposits and loans at fair value through profit or loss. For information on interest income arising from such financial instruments, see Note 28 of the notes to our consolidated financial statements included elsewhere in this annual report.

(4) Comprises financial assets at fair value through other comprehensive income and at amortized cost (formerly referred to as available-for-sale and held-to-maturity financial assets, respectively), and includes loans at fair value through other comprehensive income. For information on interest income arising from such financial instruments, see Note 28 of the notes to our consolidated financial statements included elsewhere in this annual report. Information related to investment securities classified as financial assets at fair value through other comprehensive income (or available-for-sale financial assets) has been computed using amortized cost, and therefore does not give effect to changes in fair value that are reflected as a component of total equity.

(5) Includes other interest income.

(6) Interest income from credit cards includes principally cash advance fees of ₩217 billion, ₩195 billion and ₩185 billion and interest on credit card loans of ₩716 billion, ₩722 billion and ₩743 billion for the years ended December 31, 2019, 2020 and 2021, respectively, but does not include interchange fees.

(7) Consists primarily of loans from the overseas branches of our subsidiaries to affiliates of large Korean manufacturing companies for trade financing and working capital.

(8) Includes (i) lease-related interest expense pursuant to our adoption of IFRS 16 *Leases* and (ii) other interest expense.

The following table presents our net interest spread, net interest margin, and asset liability ratio for the past three years:

	Year Ended December 31,		
	2019	2020	2021
	(percentages)		
Net interest spread ⁽¹⁾	1.96%	1.86%	1.97%
Net interest margin ⁽²⁾	2.14	1.99	2.07
Average asset liability ratio ⁽³⁾	114.68	113.27	114.68

- (1) The difference between the average rate of interest earned on interest-earning assets and the average rate of interest paid on interest-bearing liabilities.
(2) The ratio of net interest income to average interest-earning assets.
(3) The ratio of average interest-earning assets to average interest-bearing liabilities.

Analysis of Changes in Net Interest Income—Volume and Rate Analysis

The following table provides an analysis of changes in interest income, interest expense and net interest income based on changes in volume and changes in rate for 2019 compared to 2020 and 2020 compared to 2021. Information is provided with respect to: (1) effects attributable to changes in volume (changes in volume multiplied by prior rate) and (2) effects attributable to changes in rate (changes in rate multiplied by prior volume). Changes attributable to the combined impact of changes in rate and volume have been allocated proportionately to the changes due to volume changes and changes due to rate changes.

	2020 vs. 2019 Increase/(Decrease) Due to Change in			2021 vs. 2020 Increase/(Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(in billions of Won)					
Interest-earning assets						
Due from financial institutions measured at						
amortized cost	₩ 23	₩ (82)	₩ (59)	₩ 7	₩ (33)	₩ (26)
Financial instruments at fair value through profit or loss (debt securities) ⁽¹⁾	74	(119)	(45)	30	(99)	(69)
Financial investments (debt securities) ⁽²⁾	315	(349)	(34)	277	(75)	202
Loans:						
Corporate	532	(773)	(241)	289	(325)	(36)
Mortgage	280	(352)	(72)	154	(76)	78
Home equity	(77)	(101)	(178)	(10)	(53)	(63)
Other consumer	248	(289)	(41)	302	(19)	283
Credit cards	50	(63)	(13)	101	(98)	3
Foreign	425	105	530	409	(56)	353
Total interest income	<u>₩1,870</u>	<u>₩(2,023)</u>	<u>₩(153)</u>	<u>₩1,559</u>	<u>₩(834)</u>	<u>₩ 725</u>

	2020 vs. 2019 Increase/(Decrease) Due to Change in			2021 vs. 2020 Increase/(Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(in billions of Won)					
Interest-bearing liabilities						
Deposits:						
Demand deposits	₩ 67	₩(170)	₩(103)	₩ 58	₩ (45)	₩ 13
Time deposits	196	(614)	(418)	(113)	(580)	(693)
Certificates of deposit	(19)	(24)	(43)	0	(19)	(19)

	2020 vs. 2019 Increase/(Decrease) Due to Change in			2021 vs. 2020 Increase/(Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(in billions of Won)					
Borrowings:						
Bonds sold under repurchase agreements	46	(88)	(42)	1	(22)	(21)
Other borrowings	184	(201)	(17)	112	(159)	(47)
Debentures	149	(204)	(55)	121	(137)	(16)
Total interest expense	623	(1,301)	(678)	179	(962)	(783)
Total net interest income	<u>₩1,247</u>	<u>₩ (722)</u>	<u>₩ 525</u>	<u>₩1,380</u>	<u>₩ 128</u>	<u>₩1,508</u>

- (1) Includes deposits and loans at fair value through profit or loss. For information on interest income arising from such financial instruments, see Note 28 of the notes to our consolidated financial statements included elsewhere in this annual report.
- (2) Comprises financial assets at fair value through other comprehensive income and at amortized cost (formerly referred to as available-for-sale and held-to-maturity financial assets, respectively), and includes loans at fair value through other comprehensive income. For information on interest income arising from such financial instruments, see Note 28 of the notes to our consolidated financial statements included elsewhere in this annual report. Information related to investment securities classified as financial assets at fair value through other comprehensive income (or available-for-sale financial assets) has been computed using amortized cost, and therefore does not give effect to changes in fair value that are reflected as a component of total equity.

Legal Proceedings

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

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

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

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

In February 2014, the Financial Services Commission suspended the new credit card issuance and other related activities of KB Kookmin Card for three months from February to May 2014, in response to an incident involving the misappropriation of the personal information of a large number of its customers by an employee of the Korea Credit Bureau in the first half of 2013. Specifically, during such suspension period, KB Kookmin Card was prohibited from engaging in the following activities:

- adding new subscribers for credit cards, prepaid cards and debit cards or issuing such types of cards (except as permitted by the chairman of the Financial Services Commission for public policy purposes);
- providing new or additional credit lines to credit card customers; and
- providing new services through mail order or telemarketing channels or related to travel or insurance products.

In connection with the misappropriation incident, as of December 31, 2021, certain of KB Kookmin Card's customers had filed a total of two lawsuits against KB Kookmin Card with the aggregate amount of claimed damages amounting to approximately ₩0.11 billion. The final outcome of such lawsuits remains uncertain. In addition, KB Kookmin Card could become subject to additional litigation and may incur significant costs relating to the compensation of customers for losses incurred as a result of the fraudulent use of the misappropriated personal information.

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

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

Commencing in December 2019, a number of plaintiffs brought legal action against KB Securities, alleging that they invested in JB Australia NDIS Private Equity Investment Trust No. 1 through KB Securities based on

an offering circular that had made untrue statements of a material fact. The plaintiffs are seeking to terminate the related investment contract on the basis of either breach of contract or mistake, and are demanding ₩135 billion from KB Securities as compensation for the alleged unjust enrichment. In the alternative, they are seeking damages of ₩135 billion from KB Securities for violations of the relevant securities law, among others. As of the date of this annual report, the final outcome of the lawsuits remains uncertain.

Dividends

Dividends must be approved by the stockholders at the annual general meeting of stockholders. Cash dividends may be paid out of retained earnings that have not been appropriated to statutory reserves. See “Item 10.B. Memorandum and Articles of Association—Description of Capital Stock—Dividends and Other Distributions.” In addition to annual dividends, we may declare, and distribute in cash, interim dividends pursuant to board resolutions.

The table below sets forth, for the periods indicated, the dividend per share of common stock and the total amount of dividends declared and paid by us in respect of the years ended December 31, 2019, 2020 and 2021. Except as otherwise noted, the dividends set forth below with respect to each year were paid within 30 days after our annual stockholders meeting, which was held no later than March of the following year.

Fiscal Year	Dividends per Common Share ⁽¹⁾	Total Amount of Cash Dividends Paid
		(in millions of Won)
2019 ⁽²⁾	₩2,210	₩ 861,092
2020 ⁽³⁾	1,770	689,653
2021 ⁽⁴⁾⁽⁵⁾	2,940	1,145,525

⁽¹⁾ Won amounts are expressed in U.S. dollars at the noon buying rate in effect at the end of the relevant periods as quoted by the Federal Reserve Bank of New York in the United States.

⁽²⁾ On February 6, 2020, our board of directors passed a board resolution recommending a cash dividend of ₩2,210 per common share (before dividend tax), representing 44.2% of the par value of each share, for the fiscal year ended December 31, 2019. This resolution was approved and ratified by our stockholders on March 20, 2020.

⁽³⁾ On February 4, 2021, our board of directors passed a board resolution recommending a cash dividend of ₩1,770 per common share (before dividend tax), representing 35.4% of the par value of each share, for the fiscal year ended December 31, 2020. This resolution was approved and ratified by our stockholders on March 26, 2021.

⁽⁴⁾ On February 8, 2022, our board of directors passed a board resolution recommending a cash dividend of ₩2,190 per common share (before dividend tax), representing 43.8% of the par value of each share, for the fiscal year ended December 31, 2021. This resolution was approved and ratified by our stockholders on March 25, 2022.

⁽⁵⁾ Includes interim cash dividend of ₩750 per common share (before dividend tax), representing 15.0% of the par value of each share, declared and paid in 2021.

Future dividends will depend upon our revenues, cash flow, financial condition and other factors. As an owner of ADSs, you will be entitled to receive dividends payable in respect of the shares of common stock represented by such ADSs.

For a description of the tax consequences of dividends paid to our stockholders, see “Item 10.E. Taxation—United States Taxation” and “—Korean Taxation—Taxation of Dividends on Common Shares or ADSs.”

Item 8.B. Significant Changes

Except as disclosed elsewhere in this annual report, there have been no significant changes since the date of our audited financial statements included in this annual report.

Item 9. THE OFFER AND LISTING

Item 9.A. Offering and Listing Details

Principal Trading Market

The principal trading market for our common stock is the KRX KOSPI Market. Our common stock has been listed on the KRX KOSPI Market since October 10, 2008 under the identifying code 105560, and the ADSs have been listed on the New York Stock Exchange under the symbol “KB” since September 29, 2008. The ADSs are identified by the CUSIP number 48241A105.

Restrictions Applicable to ADSs

No Korean governmental approval is necessary for the sale and purchase of our ADSs in the secondary market outside Korea or for the withdrawal of shares of our common stock underlying the ADSs and the delivery inside Korea of shares in connection with the withdrawal, provided that a foreigner who intends to acquire the shares must obtain an investment registration card from the Financial Supervisory Service as described below. The acquisition of the shares by a foreigner must be immediately reported to the governor of the Financial Supervisory Service, either by the foreigner or by his standing proxy in Korea.

Persons who have acquired shares of our common stock as a result of the withdrawal of shares underlying our ADSs may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further Korean governmental approval.

Under current Korean laws and regulations, the depositary is required to obtain our prior consent for the number of shares of our common stock to be deposited in any given proposed deposit that exceeds the difference between:

- (1) the aggregate number of shares of our common stock deposited by us for the issuance of our ADSs (including deposits in connection with the initial issuance and all subsequent offerings of our ADSs and stock dividends or other distributions related to these ADSs); and
- (2) the number of shares of our common stock on deposit with the depositary at the time of such proposed deposit.

We have agreed to grant such consent to the extent that the total number of shares on deposit with the depositary would not exceed 116,583,985 at any time.

Restrictions Applicable to Shares

As a result of amendments to the Foreign Exchange Transaction Act of Korea, the regulations thereunder and Financial Services Commission regulations (which we refer to collectively as the “Investment Rules”), foreigners may invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX KOSPI Market or on the KRX KOSDAQ Market, unless prohibited by specific laws. Foreign investors may trade shares listed on the KRX KOSPI Market or on the KRX KOSDAQ Market only through the KRX KOSPI Market or the KRX KOSDAQ Market, except in limited circumstances, including:

- odd-lot trading of shares;
- acquisition of shares (which we refer to as “Converted Shares”) by exercise of warrants, conversion rights or exchange rights under bonds with warrants, convertible bonds or exchangeable bonds or withdrawal rights under depositary receipts issued outside of Korea by a Korean company;
- acquisition of shares as a result of inheritance, donation, bequest or exercise of stockholders’ rights, including preemptive rights or rights to participate in free distributions and receive dividends;

- over-the-counter transactions between foreigners of a class of shares for which the ceiling on aggregate acquisition by foreigners has been reached or exceeded subject to certain exceptions; and
- sale and purchase of shares at fair value between foreigners who are part of an investor group comprised of foreign companies investing under the control of a common investment manager pursuant to applicable laws or contract.

The Investment Rules require a foreign investor who wishes to invest in shares on the KRX KOSPI Market or the KRX KOSDAQ Market (including Converted Shares) to register its identity with the Financial Supervisory Service prior to making any such investment. The registration requirement does not, however, apply to foreign investors who acquire Converted Shares with the intention of selling such Converted Shares within three months from the date of acquisition. Upon registration, the Financial Supervisory Service will issue to the foreign investor an investment registration card, which must be presented each time the foreign investor opens a brokerage account with a financial investment company with a brokerage license. Foreigners eligible to obtain an investment registration card include foreign nationals who have not been residing in Korea for a consecutive period of six months or more, foreign governments, foreign municipal authorities, foreign public institutions, international financial institutions or similar international organizations, corporations incorporated under foreign laws and any person in any additional category designated by the Enforcement Decree of the Financial Investment Services and Capital Markets Act. All Korean offices of a foreign corporation as a group are treated as a separate foreigner from the offices of the corporation outside Korea for the purpose of investment registration. However, a foreign corporation or depository issuing depository receipts may obtain one or more investment registration cards in its name in certain circumstances as described in the relevant regulations.

Upon a foreign investor's purchase of shares through the KRX KOSPI Market or the KRX KOSDAQ Market, no separate report by the investor is required because the investment registration card system is designed to control and oversee foreign investment through a computer system. However, a foreign investor's acquisition or sale of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market (as discussed above) must be reported by the foreign investor or his standing proxy to the governor of the Financial Supervisory Service at the time of each such acquisition or sale. In particular, if a foreign investor acquires or sells his shares in connection with a tender offer or odd-lot trading of shares, such foreign investor or his standing proxy must ensure that the financial investment company that was engaged to facilitate the transaction reports such transaction to the governor of the Financial Supervisory Service. A foreign investor may appoint a standing proxy from among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing and/or brokerage license (including domestic branches of foreign financial investment companies with such license), financial investment companies with a collective investment license (including domestic branches of foreign financial investment companies with such license) and internationally recognized custodians which will act as a standing proxy to exercise stockholders' rights or perform any matters related to the foregoing activities if the foreign investor does not perform these activities himself. Generally, a foreign investor may not permit any person, other than its standing proxy, to exercise rights relating to his shares or perform any tasks related thereto on his behalf. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the governor of the Financial Supervisory Service in cases deemed inevitable, including by reason of conflict between laws of Korea and the home country of the foreign investor.

The shares of a listed Korean company owned by a foreign investor must be electronically registered in accordance with the Act on Electronic Registration of Stocks, Bonds, Etc. through an eligible custodian in Korea. The same entities eligible to act as a standing proxy are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor may be exempted from complying with the above requirement if (i) acquires shares publicly offered or sold outside Korea for the purpose of listing on an overseas stock exchange or (ii) acquires or disposes of shares through an overseas stock exchange if such shares are simultaneously listed on the Korea Exchange and such overseas stock exchange.

An investment by a foreign investor in 10% or more of the issued and outstanding shares with voting rights of a Korean company is defined as a foreign direct investment under the Foreign Investment Promotion Act of Korea. Generally, a foreign direct investment must be reported to the Ministry of Trade, Industry and Energy of Korea. The acquisition of shares of a Korean company by a foreign investor may also be subject to certain foreign or other shareholding restrictions in the event that the restrictions are prescribed in a specific law that regulates the business of the Korean company. For a description of such restrictions applicable to Korean banks and bank holding companies (such as us), see “Item 4.B. Business Overview—Supervision and Regulation.”

Item 9.B. *Plan of Distribution*

Not applicable.

Item 9.C. *Markets*

See “Item 9.A. Offering and Listing Details.”

Item 9.D. *Selling Shareholders*

Not applicable.

Item 9.E. *Dilution*

Not applicable.

Item 9.F. *Expenses of the Issue*

Not applicable.

Item 10. ADDITIONAL INFORMATION

Item 10.A. *Share Capital*

Not applicable.

Item 10.B. *Memorandum and Articles of Association*

Description of Capital Stock

Set forth below is information relating to our capital stock, including brief summaries of certain provisions of our articles of incorporation, the Korean Commercial Code, Financial Investment Services and Capital Markets Act and certain related laws of Korea, all as currently in effect. The following summaries do not purport to be complete and are subject to the articles of incorporation and the applicable provisions of the Financial Investment Services and Capital Markets Act, the Korean Commercial Code, and certain other related laws of Korea.

As of December 31, 2021, our authorized share capital is 1,000,000,000 shares. Pursuant to our articles of incorporation, we are authorized to issue shares with preferred dividend, non-voting shares, class shares with conversion rights, class shares with redemption rights and shares with a combination of all or any of the foregoing characteristics (which we refer to collectively as “Class Shares”), as well as common shares. Subject to applicable laws and regulations, we are authorized to issue Class Shares up to one-half of all of our issued and outstanding shares.

Under our articles of incorporation, dividends on non-voting shares with preferred dividend are required to be at least 1% per annum of the par value and the board of directors must determine at the time of issuance of such shares the dividend rate, type of distributable properties, method of determining the value of distributable properties and conditions on payment of dividends. Also, we may, pursuant to a resolution of the board of directors, issue such non-voting shares with preferred dividend as redeemable shares that may be redeemed with profits at the relevant shareholder's or our discretion, up to one-half of all of our issued and outstanding shares.

In addition, pursuant to a resolution of the board of directors, we may issue shares that are convertible into common shares or Class Shares at the request of the relevant shareholders, up to 20% of all of our issued and outstanding shares. The period during which a relevant shareholder may make a request for conversion may be determined by a resolution of the board of directors and must be a period between one and ten years from the issue date.

Furthermore, through an amendment of the articles of incorporation, we may create new classes of shares, which may be common shares or Class Shares having additional features as prescribed under the Korean Commercial Code. See “—Voting Rights.”

As of the date of this annual report, 412,352,494 shares of common stock were issued and 352,446,136 shares of common stock were outstanding. No Class Shares are currently outstanding. All of the issued and outstanding shares are fully-paid and non-assessable, and are in registered form. Our authorized but unissued share capital consists of 587,647,506 shares. We may issue the unissued shares without further stockholder approval, subject to a board resolution as provided in the articles of incorporation. See “—Preemptive Rights and Issuances of Additional Shares” and “—Dividends and Other Distributions—Distribution of Free Shares.”

Our articles of incorporation provide that our stockholders may, by special resolution, grant to our and our subsidiaries' officers and employees stock options exercisable for up to 15% of the total number of our issued and outstanding shares. Our board of directors may also grant stock options to officers and employees other than directors exercisable for up to 1% of our issued and outstanding shares, provided that such grant must be approved by a resolution of the subsequent general meeting of stockholders. As of March 31, 2022, none of our officers, directors and employees held options to purchase shares of our common stock.

Share certificates are issued in denominations of one, five, ten, 50, 100, 500, 1,000 and 10,000 shares.

Organization and Register

We are a financial holding company established under the Financial Holding Company Act. We are registered with the commercial registry office of Seoul Central District Court.

Dividends and Other Distributions

Dividends

Dividends are distributed to stockholders in proportion to the number of shares of the relevant class of capital stock owned by each stockholder following approval by the stockholders at an annual general meeting of stockholders. Subject to the requirements of the Korean Commercial Code and other applicable laws and regulations, we expect to pay full annual dividends on newly issued shares for the year in which the new shares are issued.

We declare our dividend annually at the annual general meeting of stockholders, which are held within three months after the end of each fiscal year. Once declared, the annual dividend must be paid to the stockholders of record as of the end of the preceding fiscal year within one month after the annual general meeting unless otherwise resolved thereby. Annual dividends may be distributed either in cash or in shares provided that shares must be distributed at par value and, if the market price of the shares is less than their par value, dividends in shares may not exceed one-half of the total annual dividend (including dividends in shares).

Under the Korean Commercial Code and our articles of incorporation, we do not have an obligation to pay any annual dividend unclaimed for five years from the payment date.

The Financial Holding Company Act and related regulations require that each time a Korean financial holding company pays an annual dividend, it must set aside in its legal reserve to stated capital an amount equal to at least one-tenth of its net income after tax until the amount set aside reaches at least the aggregate amount of its stated capital. Unless it sets aside this amount, a Korean financial holding company may not pay an annual dividend. We intend to set aside allowances for loan losses and reserves for severance pay in addition to this legal reserve.

For information regarding Korean taxes on dividends, see “Item 10.E. Taxation—Korean Taxation.”

Distribution of Free Shares

In addition to permitting dividends in the form of shares to be paid out of retained or current earnings, the Korean Commercial Code permits a company to distribute to its stockholders, in the form of free shares, an amount transferred from the capital surplus or legal reserve to stated capital. These free shares must be distributed pro rata to all stockholders. Our articles of incorporation provide that the types of shares to be distributed to the holders of non-voting shares with preferred dividend will be the same type of non-voting shares with preferred dividend held by such holders.

Preemptive Rights and Issuances of Additional Shares

Unless otherwise provided in the Korean Commercial Code, a company may issue authorized but unissued shares at such times and upon such terms as the board of directors of the company may determine. The company must offer the new shares on uniform terms to all stockholders who have preemptive rights and who are listed on the stockholders’ register as of the applicable record date. Our stockholders will be entitled to subscribe for any newly issued shares in proportion to their existing shareholdings. However, as provided in our articles of incorporation, new shares may be issued to persons other than existing stockholders if such shares are:

(1) publicly offered pursuant to the Financial Investment Services and Capital Markets Act, (2) issued to an employee stock ownership association, (3) issued upon exercise of stock options pursuant to the Financial Investment Services and Capital Markets Act, (4) issued for the issuance of our depositary receipts, (5) issued to certain foreign or domestic financial institutions or institutional investors to raise funds to meet urgent needs for our management or operations or (6) issued primarily to a third party who has contributed to the management of our business, including by providing financing, credit, advanced financing technique, know-how or entering into close business alliances, except that, in the case of issuances of new shares under (1), (4), (5) and (6) above, the number of new shares issued to persons other than existing stockholders may not exceed 50% of our total issued and outstanding capital stock.

Public notice of the preemptive rights to new shares and the transferability thereof must be given not less than two weeks (excluding the period during which the stockholders’ register is closed) prior to the record date. We will notify the stockholders or persons other than existing stockholders, who are entitled to subscribe for newly issued shares of the deadline for subscription at least two weeks prior to the deadline. If such stockholders or persons fail to subscribe on or before such deadline, their preemptive rights will lapse. Our board of directors may determine how to distribute shares in respect of which preemptive rights have not been exercised or where fractions of shares occur.

Under the Financial Investment Services and Capital Markets Act, members of a company’s employee stock ownership association, whether or not they are stockholders, will have a preemptive right, subject to certain exceptions, to subscribe for up to 20% of the shares publicly offered pursuant to the Financial Investment Services and Capital Markets Act. This right is exercisable only to the extent that the total number of shares so acquired and held by such members does not exceed 20% of the total number of shares then issued and outstanding.

Voting Rights

Each outstanding share of our common stock is entitled to one vote per share. However, voting rights with respect to shares of common stock that we hold or any of our subsidiaries holds may not be exercised. Unless stated otherwise in a company's articles of incorporation, the Korean Commercial Code permits holders of an aggregate of 1% or more of the issued and outstanding shares with voting rights to request cumulative voting when electing two or more directors. Our articles of incorporation do not prohibit cumulative voting. The Korean Commercial Code and our articles of incorporation provide that an ordinary resolution may be adopted if approval is obtained from the holders of at least a majority of those shares of common stock present or represented at such meeting and such majority also represents at least one-fourth of the total of our issued and outstanding voting shares. Holders of non-voting shares (other than enfranchised non-voting shares) will not be entitled to vote on any resolution or to receive notice of any general meeting of stockholders unless the agenda of the meeting includes consideration of a resolution on which such holders are entitled to vote. The Korean Commercial Code provides that a company's articles of incorporation may prescribe conditions for the enfranchisement of non-voting shares. For example, if our annual general stockholders' meeting resolves not to pay to holders of non-voting shares with preferred dividend the annual dividend as determined by the board of directors at the time of issuance of such shares, the holders of non-voting shares with preferred dividend will be entitled to exercise voting rights from the general stockholders' meeting following the meeting adopting such resolution to the end of a meeting to declare to pay such dividend with respect to the non-voting shares with preferred dividend. Holders of such enfranchised non-voting shares with preferred dividend will have the same rights as holders of common stock to request, receive notice of, attend and vote at a general meeting of stockholders.

The Korean Commercial Code provides that to amend the articles of incorporation, which is also required for any change to the authorized share capital of the company, and in certain other instances, including removal of a director of a company, dissolution, merger or consolidation of a company, transfer of the whole or a significant part of the business of a company, acquisition of all of the business of any other company, acquisition of a part of the business of any other company having a material effect on the business of the company or issuance of new shares at a price lower than their par value, a special resolution must be adopted by the approval of the holders of at least two-thirds of those shares present or represented at such meeting and such special majority also represents at least one-third of the total issued and outstanding shares with voting rights of the company.

In addition, in the case of amendments to the articles of incorporation or any merger or consolidation of a company or in certain other cases, where the rights or interest of the holders of Class Shares are adversely affected, a resolution must be adopted by a separate meeting of holders of Class Shares. Such a resolution may be adopted if the approval is obtained from stockholders of at least two-thirds of the Class Shares present or represented at such meeting and such shares also represent at least one-third of the total issued and outstanding Class Shares of the company.

A stockholder may exercise his voting rights by proxy given to another stockholder. The proxy must present the power of attorney prior to the start of a meeting of stockholders.

Liquidation Rights

In the event we are liquidated, the assets remaining after the payment of all borrowings, liquidation expenses and taxes will first be distributed to holders of Class Shares which have a preference right in respect of the distribution of residual properties as determined by our board of directors at the time of their issuance, and the residue thereafter will be distributed to the other stockholders in proportion to the number of shares held by them.

General Meetings of Stockholders

There are two types of general meetings of stockholders: annual general meetings and extraordinary general meetings. We are required to convene our annual general meeting within three months after the end of each fiscal

year. Subject to a board resolution or court approval, an extraordinary general meeting of stockholders may be held when necessary or at the request of the holders of an aggregate of 3% or more of our issued and outstanding shares, or the holders of an aggregate of 0.75% or more of our issued and outstanding stock with voting rights, who have held those shares at least for six months, under the Act on the Corporate Governance of Financial Companies and its sub-regulations. Under the Korean Commercial Code, an extraordinary general meeting of stockholders may also be convened at the request of our Audit Committee, subject to a board resolution or court approval. Holders of non-voting shares may be entitled to request a general meeting of stockholders only to the extent the non-voting shares have become enfranchised as described under the section entitled “—Voting Rights” above, hereinafter referred to as “enfranchised non-voting shares.” Meeting agendas will be determined by the board of directors or proposed by holders of an aggregate of 3% or more of the issued and outstanding shares with voting rights, or by holders of an aggregate of 0.1% or more of our issued and outstanding shares with voting rights, who have held those shares for at least six months, by way of a written proposal to the board of directors at least six weeks prior to the meeting, under the Act on the Corporate Governance of Financial Companies and its sub-regulations. Written notices or e-mail notices stating the date, place and agenda of the meeting must be given to the stockholders at least two weeks prior to the date of the general meeting of stockholders. Notice may, however, be given to holders of 1% or less of the total number of issued and outstanding shares which are entitled to vote, either by placing at least two public notices at least two weeks in advance of the meeting in at least two daily newspapers or by placing a notice through the electronic disclosure system operated by the Financial Supervisory Service or the Korea Exchange. Stockholders who are not on the stockholders’ register as of the record date will not be entitled to receive notice of the general meeting of stockholders, and they will not be entitled to attend or vote at such meeting. Holders of enfranchised non-voting shares who are on the stockholders’ register as of the record date will be entitled to receive notice of the general meeting of stockholders and they will be entitled to attend and vote at such meeting. Otherwise, holders of non-voting shares will not be entitled to receive notice of or vote at general meetings of stockholders.

The general meeting of stockholders will be held at our head office, which is our registered head office, or, if necessary, may be held anywhere in the vicinity of our head office.

Rights of Dissenting Stockholders

Pursuant to the Financial Investment Services and Capital Markets Act and the Act on the Improvement of the Structure of the Financial Industry, in certain limited circumstances (including, without limitation, if we transfer all or any significant part of our business, if we acquire a part of the business of any other company and such acquisition has a material effect on our business or if we merge or consolidate with another company), dissenting holders of shares of our common stock and our stock with preferred dividends will have the right to require us to purchase their shares. To exercise such a right, stockholders must submit to us a written notice of their intention to dissent prior to the general meeting of stockholders. Within 20 days (10 days in the case of a stock transfer or exchange for the purposes of establishing a financial holding company or acquiring all issued shares of an existing subsidiary under the Financial Holding Company Act) after the date on which the relevant resolution is passed at such meeting, such dissenting stockholders must request in writing that we purchase their shares. We are obligated to purchase the shares from dissenting stockholders within one month after the end of such request period at a price to be determined by negotiation between the stockholder and us. If we cannot agree on a price with the stockholder through such negotiations, the purchase price will be the arithmetic mean of:

- the weighted average of the closing stock prices on the KRX KOSPI Market for the two-month period prior to the date of the adoption of the relevant board of directors’ resolution;
- the weighted average of the closing stock prices on the KRX KOSPI Market for the one-month period prior to the date of the adoption of the relevant board of directors’ resolution; and
- the weighted average of the closing stock prices on the KRX KOSPI Market for the one-week period prior to the date of the adoption of the relevant board of directors’ resolution.

However, any dissenting stockholder who wishes to contest the purchase price may bring a claim in court.

Required Disclosure of Ownership

Any person whose direct or beneficial ownership of our common stock with voting rights, whether in the form of shares of common stock or ADSs, certificates representing the rights to subscribe for shares or equity-related debt securities including convertible bonds and bonds with warrants (which we refer to collectively as “Equity Securities”), together with the Equity Securities beneficially owned by certain related persons or by any person acting in concert with the person, accounts for 5% or more of the total issued and outstanding shares (Equity Securities of us held by such persons and treasury stock) is required to report the status and purpose (in terms of whether the purpose of the shareholding is to exercise control over our management) of the holdings to the Financial Services Commission and the KRX KOSPI Market within five business days after reaching the 5% ownership interest. In addition, any change in (i) the ownership interest subsequent to the report that equals or exceeds 1% of the total issued and outstanding Equity Securities of us or (ii) the purpose of the shareholding is required to be reported to the Financial Services Commission and the KRX KOSPI Market within five business days from the date of the change.

Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment, an administrative fine of up to 0.001% of the aggregate market value of the total issued and outstanding stock or ₩500 million, whichever is lower, and/or a loss of voting rights with respect to the ownership of Equity Securities exceeding 5% of the total issued and outstanding Equity Securities with respect to which the reporting requirements were violated. Furthermore, the Financial Services Commission may order the disposal of the unreported Equity Securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of our stock accounts for 10% or more of the total issued and outstanding stock (which we refer to as a “major stockholder”) must report the status of his/her shareholding to the Korea Securities and Futures Commission and the KRX KOSPI Market within five days after becoming a major stockholder. In addition, any change in the ownership interest subsequent to the report must be reported to the Korea Securities and Futures Commission and the KRX KOSPI Market within five days of the occurrence of the change, provided that such reporting obligation would not apply if the change in the ownership interest consists of less than 1,000 shares and the amount of such change is less than ₩10 million. Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment.

Other Provisions

Register of Stockholders and Record Dates

We maintain the register of our stockholders at our principal office in Seoul, Korea. We register transfers of shares on the register of stockholders upon presentation of the share certificates.

The record date for annual dividends is December 31. For the purpose of determining the holders of shares entitled to annual dividends, the register of stockholders will be closed for the period beginning from January 1 and ending on January 31. Further, the Korean Commercial Code and our articles of incorporation permit us upon at least two weeks’ public notice to set a record date and/or close the register of stockholders for not more than three months for the purpose of determining the stockholders entitled to certain rights pertaining to the shares. However, in the event that the register of stockholders is closed for the period beginning from January 1 and ending on January 31 for the purpose of determining the holders of shares entitled to attend the annual general meeting of stockholders, the Korean Commercial Code and our articles of incorporation waive the requirement to provide at least two weeks’ public notice. The trading of shares and the delivery of certificates in respect thereof may continue while the register of stockholders is closed. Also, we may distribute dividends to stockholders on a quarterly basis, and the record dates for these quarterly dividends are the end of March, June and September of each year.

Annual Reports

Under the Financial Investment Services and Capital Markets Act, we must file with the Financial Services Commission and the KRX KOSPI Market an annual business report within 90 days after the end of each fiscal year, a half-year business report within 45 days after the end of the first six months of each fiscal year and quarterly business reports within 45 days after the end of the first three months and nine months of each fiscal year, respectively. In addition, in accordance with the Enforcement Decree of the Commercial Act, we must make available our annual business report and audit report to our shareholders by sending such reports electronically or posting them on our website at least one week before the annual general meeting of stockholders. Copies of such business reports will be available for public inspection at the Financial Services Commission and the KRX KOSPI Market.

Transfer of Shares

Under the Korean Commercial Code, the transfer of shares is effected by the delivery of share certificates. The Financial Investment Services and Capital Markets Act provides, however, that in case of a company listed on the KRX KOSPI Market such as us, share transfers can be effected by the book-entry method. In order to assert stockholders' rights against us, the transferee must have his name and address registered on the register of stockholders. For this purpose, stockholders are required to file with us their name, address and seal. Non-resident stockholders must notify us of the name of their proxy in Korea to which our notice can be sent.

Under current Korean regulations, the following entities may act as agents and provide related services for foreign stockholders:

- the Korea Securities Depository;
- internationally recognized foreign custodians;
- financial investment companies with a dealing license (including domestic branches of foreign financial investment companies with such license);
- financial investment companies with a brokerage license (including domestic branches of foreign financial investment companies with such license);
- foreign exchange banks (including domestic branches of foreign banks); and
- financial investment companies with a collective investment license (including domestic branches of foreign financial investment companies with such license).

In addition, foreign stockholders may appoint a standing proxy among the foregoing and generally may not allow any person other than the standing proxy to exercise rights to the acquired shares or perform any tasks related thereto on their behalf. Certain foreign exchange controls and securities regulations apply to the transfer of shares by non-residents or non-Koreans. See "Item 9.A. Offering and Listing Details" and "Item 10.D. Exchange Controls." Except as provided in the Financial Holding Company Act, the ceiling on the aggregate shareholdings of a single stockholder and persons who stand in a special relationship with such stockholder is 10% of our issued and outstanding voting shares. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Restrictions on Ownership of a Financial Holding Company."

Acquisition of Our Shares

Under the Korean Commercial Code, we may acquire our own shares upon a resolution of a general meeting of shareholders by either (i) purchasing them on a stock exchange or (ii) purchasing a number of shares, other than redeemable shares as set forth in Article 345, Paragraph (1) of the Korean Commercial Code, from each shareholder in proportion to their existing shareholding ratio through the methods set forth in the Presidential

Decree, provided that the total purchase price does not exceed the amount of our profit that may be distributed as dividends in respect of the immediately preceding fiscal year.

Additionally, pursuant to the Financial Investment Services and Capital Markets Act and regulations under the Financial Holding Company Act and after submission of certain reports to the Financial Services Commission, we may purchase our own shares on the KRX KOSPI Market or through a tender offer, subject to the restrictions that:

- the aggregate purchase price of such shares may not exceed the total amount available for distribution of dividends at the end of the preceding fiscal year; and
- the purchase of such shares shall meet the risk-weighted capital adequacy ratio requirements prescribed in the regulations under the Financial Holding Company Act based on Bank for International Settlements standards.

Subject to certain limited exceptions, our subsidiaries will not be permitted to acquire our shares pursuant to the Financial Holding Company Act.

Item 10.C. *Material Contracts*

None.

Item 10.D. *Exchange Controls*

General

The Foreign Exchange Transaction Act of Korea and the Enforcement Decree and regulations under that Act and Decree, which we refer to collectively as the “Foreign Exchange Transaction Laws,” regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. Non-residents may invest in Korean securities pursuant to the Foreign Exchange Transaction Laws. The Financial Services Commission has also adopted, pursuant to its authority under the Financial Investment Services and Capital Markets Act, regulations that restrict investment by foreigners in Korean securities and regulate issuance of securities outside Korea by Korean companies.

Under the Foreign Exchange Transaction Laws, (1) if the Korean government deems that it is inevitable due to the outbreak of natural calamities, wars, conflict of arms or grave and sudden changes in domestic or foreign economic circumstances or other situations equivalent thereto, the Ministry of Economy and Finance may temporarily suspend payment, receipt or the whole or part of transactions to which the Foreign Exchange Transaction Laws apply, or impose an obligation to safe-keep, deposit or sell means of payment in or to certain Korean governmental agencies or financial institutions; and (2) if the Korean government deems that international balance of payments and international finance are confronted or are likely to be confronted with serious difficulty or the movement of capital between Korea and abroad brings or is likely to bring about serious obstacles in carrying out its currency policies, exchange rate policies and other macroeconomic policies, the Ministry of Economy and Finance may take measures to require any person who intends to perform capital transactions to obtain permission or to require any person who performs capital transactions to deposit part of the payments received in such transactions at certain Korean governmental agencies or financial institutions, in each case subject to certain limitations.

Restrictions Applicable to Shares

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. No approval is required for remittance into Korea and deposit of foreign

currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a financial investment company with a dealing and/or brokerage license. Funds in the foreign currency account may be remitted abroad without any Korean governmental approval.

Dividends on shares of Korean companies are paid in Won. No Korean governmental approval is required for foreign investors to receive dividends on, or the Won proceeds of the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Won account with the investor's financial investment company with a dealing and/or brokerage license or in his Won account. Funds in the investor's Won account may be transferred to his foreign currency account or withdrawn for local living expenses up to certain limitations. Funds in the Won account may also be used for future investment in shares or for payment of the subscription price of new shares obtained through the exercise of preemptive rights.

Financial investment companies with dealing and/or brokerage licenses are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors' stock investments in Korea. Through these accounts, such financial investment companies may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 10.E. Taxation

United States Taxation

This summary describes certain U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of common shares or ADSs. This summary applies to you only if you hold the common shares or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- an entity treated as a partnership for U.S. federal income tax purposes or a partner in such partnership;
- a person that holds common shares or ADSs that are a hedge or that are hedged against interest rate or currency risks;
- a person that holds common shares or ADSs as part of a straddle or conversion transaction for tax purposes;
- a person whose functional currency for tax purposes is not the U.S. dollar; or
- a person that owns or is deemed to own 10% or more of our stock, measured by voting power or value.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

This summary does not discuss the application of the U.S. federal estate and gift taxes, the Medicare net investment income tax or the alternative minimum tax, or state, local or non-U.S. taxes.

Please consult your own tax advisers concerning the U.S. federal, state, local, and other tax consequences of purchasing, owning, and disposing of common shares or ADSs in your particular circumstances.

For purposes of this summary, you are a “U.S. holder” if you are the beneficial owner of a common share or an ADS and are:

- a citizen or resident of the United States;
- a U.S. domestic corporation; or
- otherwise subject to U.S. federal income tax on a net income basis with respect to income from the common share or ADS.

In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the common shares represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the common share represented by that ADS.

Dividends

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source “passive category” dividend income and will not be eligible for the dividends received deduction. Dividends paid in Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of your receipt of the dividend, in the case of common shares, or the depository’s receipt, in the case of ADSs, regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual with respect to the ADSs will be subject to taxation at reduced rates if the dividends are “qualified dividends.” Dividends paid on the common shares or ADSs will be treated as qualified dividends if (i) the common shares or ADSs 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 (ii) 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 passive foreign investment company as defined for U.S. federal income tax purposes (“PFIC”). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. In addition, the U.S. Treasury has determined that the Korea-United States income tax treaty meets the requirements for reduced rates of taxation, and we believe we are eligible for the benefits of that treaty. Based on our audited financial statements, we believe that we were not a PFIC in our 2020 or 2021 taxable year. In addition, based on our audited financial statements and current expectations regarding our income, assets and activities, we do not anticipate becoming a PFIC for our 2022 taxable year. Therefore, we believe that dividends received by U.S. holders with respect to either common shares or ADSs will be “qualified dividends.” Holders should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

Distributions of additional shares in respect of common shares or ADSs that are made as part of a pro-rata distribution to all of our stockholders generally will not be subject to U.S. federal income tax.

Sale or Other Disposition

For U.S. federal income tax purposes, gain or loss you realize on a sale or other disposition of common shares or ADSs generally will be treated as U.S. source capital gain or loss, and will be long-term capital gain or

loss if the common shares or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at reduced rates.

If a U.S. holder sells or otherwise disposes of our common shares or ADSs in exchange for currency other than U.S. dollars, the amount realized generally will be the U.S. dollar value of the currency received at the spot rate on the date of sale or other disposition (or, if the shares are traded on an established securities market at such time, in the case of cash basis and electing accrual basis U.S. holders, the settlement date). An accrual basis U.S. holder that does not elect to determine the amount realized using the spot exchange rate on the settlement date will recognize foreign currency gain or loss equal to the difference between the U.S. dollar value of the amount received based on the spot exchange rates in effect on the date of the sale or other disposition and the settlement date. If an accrual basis U.S. holder makes the election described in the first sentence of this paragraph, it must be applied consistently from year to year and cannot be revoked without the consent of the Internal Revenue Service, or the IRS. A U.S. holder should consult its own tax advisors regarding the treatment of any foreign currency gain or loss realized with respect to any currency received in a sale or other disposition of the common shares or ADSs.

Foreign Tax Credit Considerations

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits, including the possible adverse impact of failing to take advantage of benefits under the income tax treaty between the United States and Korea. If no such rules apply, you may claim a credit against your U.S. federal income tax liability for Korean taxes withheld from dividends on the common shares or ADSs, so long as you have owned the common shares or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, if you so elect, deduct such Korean taxes in computing your taxable income, subject to generally applicable limitations under U.S. tax law. Such treatment could affect your ability to utilize any available foreign tax credit in respect of such taxes.

Any Korean securities transaction tax or agriculture and fishery special surtax that you pay will not be creditable for foreign tax credit purposes.

Similarly, a U.S. holder will not be able to claim a foreign tax credit against its U.S. federal income tax liability for any Korean inheritance or gift tax imposed in respect of the common shares or ADSs.

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder's expected economic profit is insubstantial.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

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 common shares or ADSs) 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 advisers concerning the application of these rules to their investment in the common shares or ADSs, including the application of the rules to their particular circumstances.

U.S. Information Reporting and Backup Withholding Rules

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the U.S. holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Korean Taxation

The following summary of Korean tax considerations applies to you so long as you are not:

- a resident of Korea;
- a corporation with its head office, principal place of business or place of effective management in Korea; or
- engaged in a trade or business in Korea through a permanent establishment or a fixed base to which the relevant income is attributable or with which the relevant income is effectively connected.

Taxation of Dividends on Common Shares or ADSs

We will deduct Korean withholding tax from dividends paid to you (whether payable in cash or in shares) at a rate of 22.0% (inclusive of local income surtax). If you are a qualified resident and a beneficial owner of the dividends in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. See “—Tax Treaties” below for a discussion on treaty benefits. If we distribute to you free shares representing a transfer of earning surplus or certain capital reserves into paid-in capital, that distribution may be subject to Korean withholding tax.

Taxation of Capital Gains from Transfer of Common Shares or ADSs

As a general rule, capital gains earned by non-residents upon transfer of our common shares or ADSs are subject to Korean withholding tax at the lower of (1) 11.0% (inclusive of local income surtax) of the gross proceeds realized or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the common shares or ADSs, 22.0% (inclusive of local income surtax) of the net realized gain, unless exempt from Korean income taxation under the applicable Korean tax treaty with the non-resident's country of tax residence. See “—Tax Treaties” below for a discussion on treaty benefits. Even if you do not qualify for an exemption under a tax treaty, you will not be subject to the foregoing withholding tax on capital gains if you qualify under the relevant Korean domestic tax law exemptions discussed in the following paragraphs.

In regards to the transfer of our common shares through the Korea Exchange, you will not be subject to the withholding tax on capital gains (as described in the preceding paragraph) if you (1) have no permanent establishment in Korea and (2) did not own or have not owned (together with any shares owned by any person with which you have a certain special relationship) 25% or more of the total issued and outstanding shares, which may include the common shares represented by the ADSs, at any time during the calendar year in which the sale occurs and during the five consecutive calendar years prior to the calendar year in which the sale occurs.

Under Korean tax law, ADSs are viewed as shares of common stock for capital gains tax purposes. Accordingly, capital gains from the sale or disposition of ADSs are taxed (if such sale or disposition constitutes a taxable event) as if such gains are from the sale or disposition of the underlying common shares. Capital gains that you earn (regardless of whether you have a permanent establishment in Korea) from a transfer of ADSs outside of Korea will generally be exempt from Korean income taxation by virtue of the Special Tax Treatment Control Law of Korea, or STTCL, provided that the issuance of the ADSs is deemed to be an overseas issuance under the STTCL. However, if you transfer ADSs after having converted the underlying common shares, such exemption under the STTCL will not apply and you will be required to file a corporate income tax return and pay tax in Korea with respect to any capital gains derived from such transfer unless the purchaser or a financial investment company with a brokerage license, as applicable, withholds and pays such tax.

If you are subject to tax on capital gains with respect to the sale of ADSs, or of our common shares you acquired as a result of a withdrawal, the purchaser or, in the case of the sale of the common shares on the Korea Exchange or through a financial investment company with a brokerage license in Korea, such financial investment company is required to withhold Korean tax on capital gains from the sales price in an amount equal to the lower of (1) 11.0% (inclusive of local income surtax) of the gross realization proceeds or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the common shares or ADSs, 22.0% (inclusive of local income surtax) of the net realized gain, and to make payment of these amounts to the Korean tax authority, unless you establish your entitlement to an exemption under an applicable tax treaty or domestic tax law. See the discussion under “—Tax Treaties” below for an additional explanation on claiming treaty benefits.

Tax Treaties

Korea has entered into a number of income tax treaties with other countries (including the United States), which would reduce or exempt Korean withholding tax on dividends on, and capital gains on transfer of, the common shares or ADSs. For example, under the Korea-United States income tax treaty, reduced rates of Korean withholding tax of 16.5% or 11.0% (depending on your shareholding ratio and inclusive of local income surtax) on dividends and an exemption from Korean withholding tax on capital gains are available to residents of the United States that are beneficial owners of the relevant dividend income or capital gains, subject to certain exceptions. However, under Article 17 (Investment or Holding Companies) of the Korea-United States income tax treaty, such reduced rates and exemption do not apply if (i) you are a United States corporation, (ii) by reason of any special measures, the tax imposed on you by the United States with respect to such dividend income or capital gains is substantially less than the tax generally imposed by the United States on corporate profits and (iii) 25% or more of your capital is held of record or is otherwise determined, after consultation between competent authorities of the United States and Korea, to be owned directly or indirectly by one or more persons who are not individual residents of the United States. Also, under Article 16 (Capital Gains) of the Korea-United States income tax treaty, the exemption on capital gains does not apply if (a) you have a permanent establishment in Korea and any shares of common stock in which you hold an interest and which gives rise to capital gains are effectively connected with such permanent establishment, (b) you are an individual and you maintain a fixed base in Korea for an aggregate of 183 days or more during a given taxable year and your ADSs or common shares giving rise to capital gains are effectively connected with such fixed base or (c) you are an individual and you are present in Korea for an aggregate of 183 days or more during a given taxable year.

You should inquire for yourself whether you are entitled to the benefit of a tax treaty between Korea and the country where you are a resident. It is the responsibility of the party claiming the benefits of an income tax treaty

in respect of dividend payments or capital gains to submit to us, the purchaser or the financial investment company, as applicable, a certificate as to his tax residence. In the absence of sufficient proof, we, the purchaser or the financial investment company, as applicable, must withhold tax at the normal rates. Furthermore, in order for you to claim the benefit of a tax rate reduction or tax exemption on certain Korean source income (such as dividends or capital gains) under an applicable tax treaty, Korean tax law requires you (or your agent) to submit an application (for reduced withholding tax rate, “application for entitlement to reduced tax rate,” and in the case of exemptions from withholding tax, “application for tax exemption,” along with a certificate of your tax residency issued by a competent authority of your country of tax residence, subject to certain exceptions) as the beneficial owner of such Korean source income (“BO application”). For example, a U.S. resident would be required to provide Form 6166 as a certificate of tax residency together with the application for entitlement to reduced tax rate or the application for tax exemption. 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 (and the BO applications collected from each beneficial owner, if such beneficial owner is applying for tax exemption) to the withholding agent prior to the payment date of such income. Effective from January 1, 2022, an OIV is deemed to be a beneficial owner of the Korean source income if (i) under the applicable tax treaty, the OIV bears tax liabilities in the country in which it is established and (ii) the Korean source income is eligible for benefits under the tax treaty. The benefits under a tax treaty between Korea and the country of such OIV’s residence will apply with respect to the relevant income paid to such OIV, subject to certain application requirements as prescribed by the Corporate Income Tax or Individual Income Tax Law. In the case of a tax exemption application, the withholding agent is required to submit such applications (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.

Inheritance Tax and Gift Tax

If you die while holding an ADS or donate an ADS, it is unclear whether, for Korean inheritance tax and gift tax purposes, you will be treated as the owner of the common shares underlying the ADSs. If the tax authority interprets depositary receipts as the underlying share certificates, you may be treated as the owner of the common shares and your heir or the donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance tax or gift tax presently at the rate of 10% to 50%, provided that the value of the ADSs or the common shares is greater than a specified amount.

If you die while holding a common share or donate a common share, your heir or donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance tax or gift tax at the same rate as indicated above.

At present, Korea has not entered into any tax treaty relating to inheritance tax or gift tax.

Securities Transaction Tax

If you transfer our common shares on the Korea Exchange in 2022, you will be subject to securities transaction tax at the rate of 0.08% (with no such securities transaction tax to be imposed on transfers starting January 1, 2023) and an agriculture and fishery special surtax at the rate of 0.15% of the sale price of the common shares. If your transfer of the common shares is not made on the Korea Exchange, subject to certain exceptions, you will be subject to securities transaction tax at the rate of 0.43% if the transfer is made in 2022 (with such rate to be reduced to 0.35% starting January 1, 2023) and will not be subject to an agriculture and fishery special surtax.

Under the Securities Transaction Tax Law, depositary receipts (such as American depositary receipts) constitute share certificates subject to the securities transaction tax. However, the transfer of depositary receipts

listed on the New York Stock Exchange, the Nasdaq Global Market, or other qualified foreign exchanges is exempt from the securities transaction tax.

In principle, the securities transaction tax, if applicable, must be paid by the transferor of the common shares or ADSs. When the transfer is effected through a securities settlement company in Korea, such settlement company is generally required to withhold and pay the tax to the tax authorities. When such transfer is made through a financial investment company only, such financial investment company is required to withhold and pay the tax. Where the transfer is effected by a non-resident without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company, the transferee is required to withhold the securities transaction tax.

Non-reporting or under-reporting of securities transaction tax will generally result in penalties equal to 20% to 60% of the non-reported tax amount or 10% to 60% of under-reported tax amount. Also, a failure to timely pay securities transaction tax will result in a penalty equal to 8.03% per annum of the due but unpaid tax amount. The penalties are imposed on the party responsible for paying the securities transaction tax or, if such tax is required to be withheld, on the party that has the obligation to withhold.

Item 10.F. *Dividends and Paying Agents*

Not applicable.

Item 10.G. *Statement by Experts*

Not applicable.

Item 10.H. *Documents on Display*

We are subject to the information requirements of the Exchange Act, and, in accordance therewith, are required to file reports, including annual reports on Form 20-F, and other information with the U.S. Securities and Exchange Commission. These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. As a foreign private issuer, we are also required to make filings with the Commission by electronic means. Any filings we make electronically will be available to the public over the Internet at the Commission's web site at <http://www.sec.gov>.

Item 10.I. *Subsidiary Information*

Not applicable.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

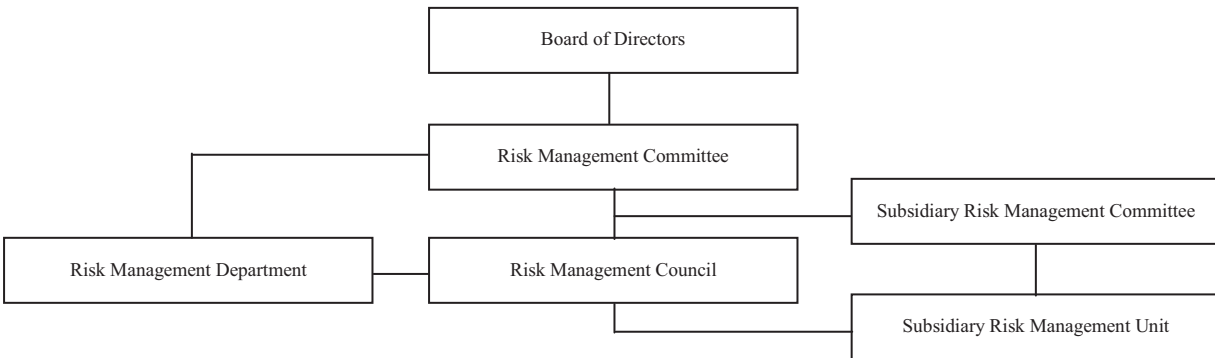
Overview

As a financial services provider, we are exposed to various risks related to our lending and trading businesses, our funding activities and our operating environment, principally through Kookmin Bank, our banking subsidiary. Our goal in risk management is to ensure that we identify, measure, monitor and control the various risks that arise, and that our organization adheres strictly to the policies and procedures which we establish to address these risks. Under our internal regulations pertaining to our consolidated capital adequacy ratio and internal standards for risk appetite and internal capital under Basel III, we identify the following eight separate categories of risk inherent in our business activities: credit risk, market risk, operational risk, interest rate risk, liquidity risk, credit concentration risk, reputation risk and strategic risk. Of these, the principal risks to which we are exposed are credit risk, market risk, liquidity risk and operational risk, and we strive to manage these and other risks within acceptable limits.

Organization

We have a multi-tiered risk management governance structure. Our Risk Management Committee is ultimately responsible for group-wide risk management, and directs our various subordinate risk management entities. The Risk Management Council coordinates the implementation of policies set forth by the Risk Management Committee with the relevant risk management units of our subsidiaries. The Subsidiary Risk Management Committee of each of our subsidiaries, based on the Risk Management Committee's policies, determines risk management strategies and implements risk management policies and guidelines for such subsidiary and directs the activities of the subsidiary's risk management units within the risk guidelines set at the group level. Each Subsidiary Risk Management Committee generally receives inputs from the respective risk management units of such subsidiary, which report to the Risk Management Committee.

The following chart sets out our risk management governance structure as of the date of this annual report:



Risk Management Committee

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

- establishing risk management strategies in accordance with the directives of the board of directors;
- determining our target risk appetite;
- allocating risk capital to each subsidiary and approving our subsidiaries' risk limits;
- reviewing the level of risks we are exposed to and the appropriateness of our risk management policies, systems and operations; and
- reviewing recovery and resolution plans.

Risk Management Council

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

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

Subsidiary Risk Management Committees

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

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

Each Subsidiary Risk Management Committee is comprised of the subsidiary's non-executive directors on its board of directors.

Credit Risk Management

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

We assess and manage all credit exposures. We measure expected losses and internal capital on assets (whether on- or off-balance sheet) that are subject to credit risk management and use expected losses and internal capital as management indicators. We manage credit risk by allocating credit risk internal capital limits. In addition, we control credit concentration risk exposure by applying and managing total exposure limits to prevent excessive risk concentration to particular industries or borrowers. Credit exposures that we assess and manage include loans to borrowers and counterparties, investments in securities, letters of credit, bankers' acceptances, derivatives and commitments. Our risk appetite, which is the ratio of our required internal capital to our estimated available book capital, is approved by the Risk Management Committee once a year. Thereafter, we calculate internal capital every month for all of our subsidiaries and on a holding company level based on attributed internal capital in accordance with the risk appetite as approved by the Risk Management Committee, and measure and report profiles of credit risk on a holding company level and by subsidiary regularly to our senior management, including our Risk Management Committee.

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

Our credit risk management processes include:

- establishing credit policy;
- credit evaluation and approval;

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

Credit Evaluation

With respect to corporate loans, Kookmin Bank evaluates the ability of all loan applicants to repay their borrowings before it approves any loans, except for loans fully guaranteed by letters of guarantee issued by the Credit Guarantee Fund and the Korea Technology Credit Guarantee Fund, for loans fully secured by deposits and for other loans similarly guaranteed or secured. Kookmin Bank assigns each borrower or guarantor a credit rating based on the judgment of its experts or scores calculated using the appropriate credit rating system. Factors that Kookmin Bank considers in assigning credit ratings include both financial factors and non-financial factors, such as its perception of the borrower's ability to meet its payment obligations, risks relating to the industry in which the borrower operates, management and operational risks relating to the borrower, the borrower's financial flexibility and the borrower's level of reliability based on its transaction history. With respect to retail loans, Kookmin Bank assigns credit ratings based on its internal information regarding the borrower that has been accumulated as well as external information gathered from credit bureaus relating to various criteria, such as the borrower's profession, annual income, credit card overdue information and transaction history involving both Kookmin Bank and other financial institutions. The credit rating process differs according to the type, size and characteristics of the borrower.

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

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

Retail Loan Approval Process

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

For mortgage loans and loans secured by real estate, Kookmin Bank evaluates the value of the real estate offered as collateral using a database it has developed that contains information about real estate values

throughout Korea. Kookmin Bank also uses information from a third party provider about the real estate market in Korea, which gives it up-to-date market value information for Korean real estate. In addition, Kookmin Bank's processing center staff employees review the value of real estate provided by the evaluation system to ensure there are no significant discrepancies. Kookmin Bank bases decisions regarding the approval of such loans primarily on the results of its credit scoring systems.

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

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

Unsecured Retail Loans. Kookmin Bank reviews applications for unsecured retail loans in accordance with its credit scoring systems. These automated systems evaluate loan applications and determine an appropriate pricing for the loan. The major benefits of using a credit scoring system are that it yields uniform results regardless of the user and that it can be used effectively by employees who do not necessarily have extensive experience in credit evaluation. The staff of Kookmin Bank's processing centers reviews the results of the credit scoring system based on information input by its branch staff and, if approved, issues the loan.

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

Corporate Loan Approval Process

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

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

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

- *Financial Model.* The financial model uses financial ratios such as stability ratio, profitability ratio and cash flow ratio to make credit determinations.

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

Credit Card Approval Process

We make decisions on all credit card approvals based on the Financial Supervisory Service standard of review for payment ability (such as the occupation and income of the applicant), as well as a combination of KB Kookmin Card's internal application scoring system and a credit scoring system developed by independent credit bureaus.

KB Kookmin Card's application scoring system reflects various credit information, including basic customer information (such as credit history), transaction history with it, if any, delinquency and transaction history with other card companies and financial institutions and credit information provided by Korea Credit Information Services and other credit bureaus. KB Kookmin Card also considers repayment ability, total assets, total outstanding borrowings and the length of the applicant's relationship, if any, and past contribution to our profitability, if any.

The credit scoring system developed by credit bureaus, reflects various sources of information regarding the credit risk of customers, including delinquency and transaction history with other credit card companies and financial institutions.

On the basis of the standard of review for payment ability and the combination of the scores from our application scoring system and the credit scoring system developed by independent credit bureaus, KB Kookmin Card establishes, among other things, the term of any new approvals, initial limits and differentiation of fee rates with respect to its credit cards. KB Kookmin Card's systems allow it to differentiate applicants into groups that receive immediate credit card approval or rejection, or that may require it to further investigate that applicant's credit qualifications. The initial limits of new applicants are based on their estimated disposable income, which is based on their occupation and the value of their personal assets. KB Kookmin Card applies its fee rates to applicants differently according to risk premium and profitability.

Total Exposure Management

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

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

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

Collateral Evaluation and Monitoring System

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

Credit Risk Management and Monitoring

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

Credit Review

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

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

More specifically, Kookmin Bank's Credit Review Department continuously reviews the financial condition of selected borrowers with respect to their current debt, collateral, business, transactions with related parties and debt service capability. Based on such review, Kookmin Bank may adjust the borrower's credit rating, lending policy or asset quality classification of the loan provided to the borrower, depending on the applicable

circumstances. Kookmin Bank also regularly reviews other aspects of the lending process, including industries and regions in which its borrowers operate and the quality of its domestic and overseas assets. Kookmin Bank's industry reviews focus on growth, stability, competition and ability to adapt to a changing environment. Based on the results of a particular industry review, Kookmin Bank may revise the total exposure limit assigned to that industry and lending policy for each company within that industry. When a review takes place, Kookmin Bank may adjust not only the credit ratings of its borrowers based on a variety of factors, but also asset quality classification, credit limits and its credit policies. Credit review results are reported to Kookmin Bank's chief risk management officer and its Risk Management Committee on a quarterly basis.

Kookmin Bank's Credit Review Department also conducts on-site reviews of selected branches that are experiencing increasing delinquency ratios and bad debts. During these visits Kookmin Bank examines the loan processes and recommends improvement plans and appropriate follow-up measures.

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

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

Market Risk Management

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

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

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

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

Market Risk Management for Trading Activities

Our trading activities consist of:

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

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

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

We generally manage our market risk at the portfolio level. To control our exposure to market risk, we use internal capital limits set by Kookmin Bank's Risk Management Committee for Kookmin Bank and at the group level within Kookmin Bank, VaR, position and stop loss limits set by Kookmin Bank's Risk Management Council for Kookmin Bank and at the group level within Kookmin Bank, and VaR, position, stop loss and sensitivity limits (PVBP, Delta, Gamma, Vega) set by Kookmin Bank's Market Risk Management Subcommittee at the department level within Kookmin Bank. We prepared our risk control and management guidelines for derivative trading based on the regulations and guidelines promulgated by the Financial Supervisory Service.

In addition, we have implemented internal processes which include a number of key controls designed to ensure that fair value is measured appropriately, particularly where a fair value model is internally developed and used to price a significant product. See Notes 4.4 and 6 of the notes to our consolidated financial statements. For example, each year, Kookmin Bank's Risk Management Department reviews the existing pricing and valuation models, with a focus on their underlying modeling assumptions and restrictions, to assess the appropriateness of their continued use. In consultation with Kookmin Bank's Trading Department, the Risk Management Department recommends potential valuation models to Kookmin Bank's Fair Value Evaluation Committee. Upon approval by Kookmin Bank's Fair Value Evaluation Committee, the selected valuation models are reported to its Market Risk Management Subcommittee.

We monitor market risk arising from trading activities of our business groups and departments. The market risk measurement model we use for both our Won-denominated trading operations and foreign currency-denominated trading operations is implemented through our integrated market risk management system called Adaptiv, which enables us to generate consistent VaR numbers for all trading activities.

Value at Risk analysis. We use VaR to measure market risk. VaR is a statistically estimated maximum amount of loss that could occur over a given period of time at a given level of confidence. VaR is a commonly

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

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

The following table shows the volume and types of positions held by Kookmin Bank for which the VaR method is used to measure market risk as of December 31, 2020 and 2021.

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

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

The following table shows Kookmin Bank's ten-day HSVaRs (at a 99% confidence level for a ten-day holding period) as of December 31, 2020 and 2021 for interest risk, stock price risk and foreign exchange risk relating to its trading activities. The following figures were calculated on a consolidated basis.

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

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

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

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

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

In 2019, the average, high, low and ending amounts of ten-day HSVaR (at a 99% confidence level for a ten-day holding period) for Kookmin Bank relating to its trading activities were as follows:

	Trading activities VaR for 2019			
	Average	Minimum	Maximum	As of December 31, 2019
	(in billions of Won)			
Interest risk	₩11.2	₩ 1.7	₩ 20.5	₩ 16.6
Stock price risk	3.4	2.4	4.3	3.9
Foreign exchange risk	15.8	11.4	20.7	13.1
Less: diversification				(13.2)
Diversified VaR for overall trading activities	<u>₩17.5</u>	<u>₩ 13.6</u>	<u>₩ 24.8</u>	<u>₩ 20.4</u>

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

- Interest rate risk:
 - General market risk: General market risk relates to the risk of losses from macroscopic events which could have an impact on interest rates, stock prices, exchange rates, and market prices of general commodities. General market interest rate risk of a debt security is calculated on its net position, taking into consideration the remaining maturity and coupon rate.
 - Specific risk: Specific risk relates to the risk of loss from changes in credit risk of issuers of debt securities or equities, excluding changes in general market prices. Specific interest rate risk of a debt security is measured by multiplying the interest rate position appraised based on the market price of such security by the risk-weighted value applicable to the type of debt security, credit rating and the remaining maturity.
- Equity risk: General and specific equity risk are calculated by multiplying the bought or sold position by the relevant risk-weighted values.
- Foreign exchange risk: Foreign exchange risk is measured by multiplying the larger of the absolute values among the net bought or sold positions of each currency by the relevant risk-weighted values.
- Option risk: Option risk is measured using the delta, gamma and vega of the option.

The standardized method is used to measure the market risk of the positions for which the Financial Supervisory Service has not approved the use of the VaR method. In addition, we use the standardized method for positions which are held by certain subsidiaries or for which measuring VaR is difficult due to the lack of daily position data. See Note 4.4.3 of the notes to our consolidated financial statements included elsewhere in this annual report.

The following table shows the volume and types of instruments held by Kookmin Bank for which the standardized method is used to measure its required equity capital as of December 31, 2020 and 2021.

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

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

The following table shows Kookmin Bank's required equity capital measured using the standardized method as of December 31, 2020 and 2021.

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

Back-Testing. We conduct back testing on a daily basis to validate the adequacy of our market risk model. In back testing, we compare both the actual and hypothetical profit and loss with the VaR calculations and analyze any results that fall outside our predetermined confidence interval of 99%. The number of times the actual changes in fair values, earnings or cash flows from the market risk sensitive instruments exceeded the VaR amounts in 2019, 2020 and 2021 was 5, 9 and 2, respectively.

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

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

Interest Risk

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

Foreign Exchange Risk

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

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

The following table shows Kookmin Bank's non-consolidated net open positions at the end of 2020 and 2021. Positive amounts represent long positions and negative amounts represent short positions. The net open positions held by subsidiaries other than Kookmin Bank are not significant.

	As of December 31, ⁽¹⁾	
	2020	2021
	(in millions of US\$)	
Currency:		
U.S. dollars	US\$(676.2)	US\$(783.4)
Japanese Yen	(2.6)	(4.2)
Euro	4.8	7.0
Chinese Renminbi	13.9	50.8
Indonesian IDR	366.5	618.7
Others	71.2	96.7
Total	<u>US\$(222.4)</u>	<u>US\$ (14.4)</u>

⁽¹⁾ Amounts prepared on a non-consolidated basis.

Equity Price Risk

Equity price risk results from our equity derivatives trading portfolio in Won since we do not have any trading exposure to shares denominated in foreign currencies.

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

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

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

Derivative Market Risk

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

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

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

Market Risk Management for Non-Trading Activities

Interest Rate Risk

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

Our principal interest rate risk management objectives are to generate stable net interest revenues and to protect our asset value against interest rate fluctuations. We principally manage this risk for our non-trading activities by analyzing and managing maturity and duration gaps between our interest-earning assets and interest-bearing liabilities. In addition, we use hedging instruments for interest rate risk management for our non-trading assets and liabilities.

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

Interest Rate Gap Analysis. We perform interest rate gap analysis based on interest rate repricing maturities of assets and liabilities. However, for some of our assets and liabilities with either no maturities or unique characteristics, we use or assume certain maturities, including the following examples:

- With respect to asset maturities, we assume remaining maturities of prime rate-linked loans with remaining maturities of over one year to be one year and use the actual maturities for prime rate-linked loans with remaining maturities of less than one year.
- With respect to liability maturities, we use last 120 months' average balance to segregate "non-core" and "core" demand deposits. We assume "non-core" demand deposits to have remaining maturities of one day or less, and we assume "core" demand deposits to have remaining maturities between one month and five years.

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

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

Duration Gap Analysis. We also perform duration gap analysis to measure and manage interest rate risk. Duration gap analysis is a more long-term risk indicator than interest rate gap analysis, as interest rate gap analysis focuses more on accounting income as opposed to the market value of the assets and liabilities. We emphasize duration gap analysis because, in the long run, our principal concern with respect to interest rate fluctuations is the net asset value rather than net interest revenue changes. In 2021, our Won-denominated asset and liability duration gap was positive and it moved between +0.158 years and +0.198 years. Accordingly, our net asset value would have declined (or increased) between ₩615 billion and ₩644 billion if interest rates had increased (or decreased) by one percentage point.

For duration gap analysis we use or assume the same maturities for different assets and liabilities that we use or assume for our interest rate gap analysis.

The following table shows Kookmin Bank's duration gaps and net asset value changes when interest rates decrease by one percentage point as of the specified dates, on a non-consolidated basis.

Won-denominated	Asset Duration	Liability Duration	Duration Gap	Net Asset Value Change
Date	(in years)	(in years)	(in years)	(in billions of Won)
June 30, 2021	1.110	0.998	0.167	₩615
December 31, 2021	1.103	0.984	0.167	644

Foreign currency-denominated	Asset Duration	Liability Duration	Duration Gap	Net Asset Value Change
Date	(in years)	(in years)	(in years)	(in billions of Won)
June 30, 2021	0.988	0.758	0.182	₩77
December 31, 2021	1.025	0.794	0.164	84

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

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

	As of December 31, 2021					
	3 Months or Less	3-6 Months	6-12 Months	1-3 Years	Over 3 Years	Total
	(in billions of Won, except percentages and maturities in years)					
Won-denominated:						
Asset position	₩118,254	₩83,063	₩79,286	₩56,977	₩45,115	₩382,695
Liability position	150,025	45,390	78,345	54,074	45,537	373,371
Gap	(31,771)	37,673	941	2,903	(422)	9,324
Average maturity	0.093	0.365	0.719	1.827	6.472	
Interest rate volatility	0.76%	1.08%	1.38%	1.91%	1.55%	
Amount at risk	58	148	(8)	146	308	652
Foreign currency-denominated:						
Asset position	₩ 31,712	₩ 4,615	₩ 3,828	₩ 3,826	₩ 6,008	₩ 49,989
Liability position	31,382	7,172	5,901	5,748	5,850	56,053
Gap	330	(2,557)	(2,073)	(1,922)	158	(6,062)
Average maturity	0.094	0.372	0.739	1.905	6.698	
Interest rate volatility	0.02%	0.22%	0.47%	0.81%	1.41%	
Amount at risk	0	(3)	(7)	(14)	204	180

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

Recent amendments to the Detailed Regulation on the Supervision of the Banking Business, which became effective in November 2019, require banks, including Kookmin Bank, to adopt the standards of the Interest Rate

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

For additional information, see Note 4.4 of the notes to our consolidated financial statements included elsewhere in this annual report.

Foreign Exchange Risk

We manage foreign exchange rate risk arising from our non-trading operations together with such risks arising from our trading operations. See “—Market Risk Management for Trading Activities—Foreign Exchange Risk” above.

Liquidity Risk Management

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

We maintain liquidity by holding sufficient quantities of assets that can be liquidated to meet actual or potential demands for funds from depositors 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 funds we believe we could raise by issuing securities. We seek to minimize our liquidity costs by managing our liquidity position on a daily basis and by limiting the amount of cash at any time that is not invested in interest-earning assets or securities.

We maintain diverse sources of liquidity to facilitate flexibility in meeting our funding requirements. We fund our operations principally by accepting deposits from retail and corporate depositors, accessing the call loan market (a short-term market for loans with maturities of less than 90 days), issuing debentures and borrowing from the Bank of Korea. We use the majority of funds we raise to extend loans or purchase securities. Generally, deposits are of shorter average maturity than loans or investments.

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

We manage liquidity risk within the limits set on Won and foreign currency accounts in accordance with the regulations of the Financial Services Commission. The Financial Services Commission requires Korean banks, including Kookmin Bank, to maintain a liquidity coverage ratio of not less than 100%. The Financial Services Commission defines the liquidity coverage ratio as the ratio of highly liquid assets to total net cash outflows over a 30-day period. The highly liquid assets and total net cash outflows included in the calculation of the liquid coverage ratio are determined in accordance with the “Standards for Calculation of Liquidity Coverage Ratio” under the Detailed Regulation on the Supervision of the Banking Business. In addition, the Financial Services Commission requires Korean banks, including Kookmin Bank, to maintain a foreign currency liquidity coverage

ratio of not less than 80%. In April 2020, in order to encourage financial institutions to provide financial support to companies adversely affected by COVID-19, the Financial Services Commission announced that it would temporarily lower the required liquidity coverage ratio to 85%, and the required foreign currency liquidity coverage ratio to 70%. Following a series of extensions, the Financial Services Commission announced in March 2022 that a phase-out of measures to lower the liquidity coverage ratio will begin in June 2022 and end by July 2023, with measures to lower the foreign currency liquidity coverage ratio to be completely phased out by June 2022.

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

The following table shows Kookmin Bank's liquidity coverage ratio and foreign currency liquidity coverage ratio on an average balance basis for the month of December 2021 in accordance with Financial Services Commission regulations:

Liquidity coverage ratio:	30 Days or Less
	(in billions of Won, except percentages)
Highly liquid assets (A)	₩66,117
Cash outflows (B)	89,280
Cash inflows (C)	17,839
Total net cash outflows (D = B-C)	71,441
Liquidity coverage ratio (A/D)	92.55%
Minimum limit	85%
Foreign currency liquidity coverage ratio:	30 Days or Less
	(in millions of US\$, except percentages)
Highly liquid assets (A)	US\$ 4,496
Cash outflows (B)	12,371
Cash inflows (C)	8,212
Total net cash outflows (D = B-C)	4,160
Liquidity coverage ratio (A/D)	108.09%
Minimum limit	70%

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

Operational Risk Management

Overall Status

There is no complete consensus on the definition of operational risk in the banking industry. We define operational risk broadly to include all financial and non-financial risks, other than credit risk, market risk, interest rate risk and liquidity risk, that may arise from our operations that could negatively impact our capital, including the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events as defined under Basel II. Our operational risk management objectives include not only satisfying regulatory requirements, but also providing internal support through the growth of a strong risk management culture,

reinforcement of internal controls, improvement of work processes and provision of timely feedback to management members and staff throughout the group.

Each of our subsidiaries manages operational risks related to its own business, and we regularly monitor them. Kookmin Bank, our banking subsidiary, uses an operational risk management framework meeting the Basel II Advanced Measurement Approach, or AMA, under which Kookmin Bank:

- calculates its operational risk VaR on a quarterly basis using the “loss distribution approach VaR” and “scenario based VaR” methodology;
- monitors operational risk in terms of Key Risk Indicators, or KRIs, using tolerance levels for each indicator;
- executes integrated compliance and operational risk Control Self Assessments, or CSAs, that enhance the effect on internal controls, which Kookmin Bank employees are able to access and use for process improvement;
- collects and analyzes internal and external loss data;
- conducts scenario analyses to evaluate exposure to high-severity events;
- manages certain insurance-related activities relating to insurance strategies established to mitigate operational risk;
- examines operational risks arising in connection with the development of, changes in or discontinuance of products, policies or systems;
- uses a detailed business continuity plan covering all of its operations and locations to prepare against unexpected events, including an alternate back-up site for use in disaster events as well as annual full-scale testing of such site;
- refines bank-wide operational risk policies and procedures;
- provides appropriate training and support to business line operational risk managers; and
- reports overall operational risk status to our senior management.

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

Internal Control

To monitor and control operational risks, we maintain a system of comprehensive policies and have put in place a control framework designed to provide a stable and well-managed operational environment throughout

our organization. We have in place a prescribed leave policy for employees in certain high-risk categories to safeguard against fraud and to check for weaknesses in internal controls. In addition, we maintain an external whistleblower “ombudsman” channel to encourage whistleblowing and voluntary reporting of fraudulent behavior.

Each of our subsidiaries establishes its own internal control system in accordance with the group-level internal control principles. Our Compliance Supporting Department is responsible for monitoring and advising our subsidiaries regarding their internal control systems. Our Audit Committee, which consists of four non-executive directors, is an independent authority that evaluates the effectiveness and efficiency of our group-wide internal control systems and business processes and monitors our subsidiaries’ compliance with such systems and processes, as well as reviews the reliability of our financial statements to secure the transparency and stability of our management (including through the activities of our independent auditors). In particular, we have established group-wide internal guidelines with respect to our subsidiaries’ reporting requirements. Our subsidiaries review their operations and their level of compliance with internal control systems and business processes on a periodic basis and, as part of this process, they are required to report any problems discovered and any remedial actions taken to our chief compliance officer, who is responsible for reporting to our Audit Committee. Based on the results of these reports, or on an ad hoc basis in response to any problem or potential problem that it identifies, the Audit Committee may direct a subsidiary to conduct an audit of its operations or, if it chooses to do so, conduct its own audit of those operations. The Audit Committee interacts on a regular basis with our Audit Department, Compliance Supporting Department and our independent auditors. In carrying out these duties, the Audit Committee ultimately protects our property for the benefit of our shareholders, investors and customers by independently monitoring our management.

Our Audit Department supports our Audit Committee in monitoring our accounting and business operations and overseeing the management of our subsidiaries’ internal control systems by performing the following activities:

- general audits, which include full-scale audits of the overall operations performed according to an annual audit plan, and sectional audits of selected operations; and
- special audits of troubled or weak operations, which are performed when our Audit Committee or executive officer responsible for audits deems it necessary or pursuant to requests by our board, executive officers or supervisory authorities, such as the Financial Supervisory Service.

The Financial Supervisory Service periodically conducts a general examination of our operations. It also performs specific audits on particular aspects of our operations, such as risk management, credit monitoring and liquidity, as the need arises. We and our subsidiaries have in the past been subject to, and expect in the future to be subject to, the receipt of warning notices or the imposition of penalties in connection with our or our subsidiaries’ failure to comply with the applicable laws or rules, regulations and guidelines of the Financial Supervisory Service. For example, in June 2019, the Financial Supervisory Service conducted a comprehensive annual inspection of overall operations at our company, Kookmin Bank and KB Securities, and imposed an administrative fine of ₩12 million on our company for certain alleged deficiencies, which have since been cured. Subsequently, in November 2020, the Financial Supervisory Service conducted a risk management evaluation of our company and Kookmin Bank, the result of which was deemed satisfactory. Most recently, in June 2021, the Financial Supervisory Service conducted a comprehensive annual inspection of overall operations at our company and Kookmin Bank, the result of which has not been announced as of the date of this annual report.

Kookmin Bank’s Audit Department is the execution body for its audit committee and supports Kookmin Bank’s management objectives by auditing the operations of its branches using a risk analysis system and reviewing the operations of its headquarters and subsidiaries through the use of “risk-based audit” in accordance with the “business measurement process” audit methodology, which requires that the Audit Department evaluate the risk and process of its business units and concentrate its audit capacity with respect to high risk areas.

As a result of recent regulatory trends, Kookmin Bank's Audit Department is continuing its efforts to establish an advanced audit system and value-added internal audit by introducing risk-based audit techniques.

Our Compliance Supporting Department operates a compliance system to ensure that all of our employees comply with the relevant laws and regulations. This system's main function is to establish and manage our compliance program, educate employees and management and improve our internal control process.

Legal Risk

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

IT System Operational Risk

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

We currently test our disaster recovery systems on a quarterly basis, with the comprehensive testing covering our branches and the main IT center's disaster recovery system, and our Infrastructure Platform Department monitoring all of our computerized network processes and IT systems. In addition, we monitor and report on any unusual delays or irregularities reported by our branches. Moreover, Kookmin Bank's Information Security Platform Department is responsible for the daily monitoring of its information security system. Our business operations regularly conduct IT security inspections with respect to such operations and have implemented measures to identify and respond collectively to security breach attempts, such as hacking attempts. Furthermore, KB Kookmin Card and Kookmin Bank have each established technical as well as management-related standards governing information protection under which they operate their businesses.

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

At KB Kookmin Card, we have taken steps to strengthen its information security infrastructure by implementing a solution to prevent attacks on its website and a security system to prevent unauthorized access to local networks and information. As part of its efforts to strengthen its operational processes and procedures for customer information protection and to ensure compliance with relevant laws and regulations, KB Kookmin Card

continually conducts annual status reviews, monthly information security inspections, information protection training for its employees and officers and mock training sessions for responding to malicious e-mails.

In 2009, Kookmin Bank obtained ISO 27001 certification, which relates to information security. In 2011, Kookmin Bank also obtained ISO 20000 certification, which relates to IT service management, and BS 25999 certification, which relates to business continuity management. Kookmin Bank is the first Korean bank to have obtained all three such international certifications. In addition, between 2013 and 2021, we, Kookmin Bank, KB Insurance and KB Life Insurance obtained ISMS certification, which relates to information security management, and KB Securities and KB Kookmin Card obtained ISMS-P certification, which relates to personal information in addition to information security management. In 2017, KB Kookmin Card obtained PCI DSS certification, which relates to protection of credit card data.

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

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Fees and Charges

Under the terms of the deposit agreement, as a holder of our ADSs, you are required to pay the following service fees to the depositary:

Services	Fees
Issuance of ADSs	Up to \$5.00 per 100 ADSs (or portion thereof) issued
Delivery of deposited shares against surrender of ADSs	Up to \$5.00 per 100 ADSs (or portion thereof) surrendered
Distribution of cash dividends or other cash distributions	Up to \$0.02 per ADS held
Transfer of ADSs, combination and split-up of American depositary receipts or interchange of certificated and uncertificated ADSs	Up to \$1.50 per American depositary receipt transferred
Distribution or sale of securities pursuant to stock dividends, free stock distributions, exercise of rights or any other non-cash distributions	A fee equivalent to the fee that would be payable if securities distributed or sold, as the case may be, had been shares and such shares had been deposited for issuance of ADSs
Depositary Services	Up to \$0.02 per ADS (or portion thereof) held on the applicable record date(s) established by the depositary

As a holder of our ADSs, you are also responsible for paying certain fees and expenses incurred by the depositary and certain taxes and governmental charges such as:

- Fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in Korea (*i.e.*, upon deposit and withdrawal of shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities (*i.e.*, when shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of shares on deposit or other deposited securities.

Depository fees payable upon the issuance and surrender of ADSs are typically paid to the depository by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository and by the brokers (on behalf of their clients) delivering the ADSs to the depository for surrender. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository to the holders of record of ADSs as of the applicable ADS record date.

The depository fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depository charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depository sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via the Depository Trust Company, or DTC), the depository generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depository.

In the event of refusal to pay the depository fees, the depository may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees from any distribution to be made to such holder of ADSs.

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depository. You will receive prior notice of such changes.

Fees and Payments from the Depository to Us

In 2021, we received the following payments from the depository:

Reimbursement of listing fees:	\$ 71,000
Reimbursement of SEC filing fees:	\$ 39,542
Reimbursement of expenses related to our investor relations activities (investor conferences and investor relations agency fees, etc.) and legal fees (expenses related to the preparation of our Form 20-F for fiscal year 2020):	\$541,491

In addition, as part of its service to us, the depository waives its fees for the standard costs and operating expenses associated with the administration of the ADS facility.

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

Item 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have evaluated, with the participation of our chief executive officer and chief finance officer, the effectiveness of our disclosure controls and procedures as of December 31, 2021. There are inherent limitations

to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief finance officer concluded that our disclosure controls and procedures as of December 31, 2021 were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief finance officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and chief finance officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as issued by the IASB, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by KPMG Samjong Accounting Corp., an independent registered public accounting firm, as stated in its report included herein, which expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2021.

Attestation Report of the Registered Public Accounting Firm

The attestation report of our independent registered public accounting firm is included in Item 18 of this Form 20-F.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [RESERVED]

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Kyung Ho Kim, Suk Ho Sonu and Myung Hee Choi, our non-executive directors and members of our Audit Committee, qualify as “audit committee financial experts” and are independent within the meaning of this Item 16A.

Item 16B. CODE OF ETHICS

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act. Our code of ethics applies to our chief executive officer and chief finance officer, as well as to our non-executive directors, non-standing directors and other officers and employees. Our code of ethics is available on our website at <https://www.kbfg.com/Eng/about/ethics.htm>. If we amend the provisions of our code of ethics that apply to our chief executive officer and chief finance officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Non-audit Fees

The following table sets forth the fees billed to us by independent registered public accounting firm KPMG Samjong Accounting Corp. during the fiscal year ended December 31, 2020 and 2021:

	Year Ended December 31,	
	2020	2021
	(in millions of Won)	
Audit fees	₩ 11,713	₩ 12,459
Audit-related fees	275	561
Tax fees	—	220
Total fees	₩ 11,988	₩ 13,240

Audit fees in the above table are the aggregate fees billed by KPMG Samjong Accounting Corp. in connection with:

- the audits of our annual financial statements and the review of our interim financial statements;
- the audits of our special purpose entities in connection with the Financial Investment Services and Capital Markets Act; and
- our financial debenture offering services.

Audit-related fees in the above table are the aggregate fees billed by KPMG Samjong Accounting Corp. in connection with due diligence services rendered in the ordinary course of our business.

Tax fees in the above table are fees billed or expected to be billed by KPMG Samjong Accounting Corp. in connection with tax audit-related services performed for KB Capital Co., Ltd.

Audit Committee Pre-Approval Policies and Procedures

Our Audit Committee pre-approves the engagement of our independent auditors for audit services with respect to our financial statements. Our Audit Committee has implemented a policy regarding pre-approval of certain other services provided by our independent auditors to our subsidiaries that the Audit Committee has

deemed as not affecting their independence. Under this policy, pre-approvals for the following services to our subsidiaries have been granted by our Audit Committee to each of our subsidiaries' audit committees: (i) services related to the audit of financial statements prepared in accordance with IFRS as adopted by Korea and internal controls under Korean laws and regulations; (ii) general tax services; (iii) issuance of comfort letters in connection with offering of securities; and (iv) educational services provided to employees.

Any other audit or permitted non-audit service must be pre-approved by the Audit Committee on a case-by-case basis. Our Audit Committee did not pre-approve any non-audit services under the *de minimis* exception of Rule 2.01(c)(7)(i)(C) of Regulation S-X as promulgated by the Securities and Exchange Commission.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Item 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Neither we nor any "affiliated purchaser," as defined in Rule 10b-18(a)(3) of the Exchange Act, purchased any of our equity securities during the period covered by this annual report.

Item 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

Item 16G. CORPORATE GOVERNANCE

Differences in Corporate Governance Practices

Pursuant to the rules of the New York Stock Exchange applicable to foreign private issuers like us that are listed on the New York Stock Exchange, we are required to disclose significant differences between the New York Stock Exchange's corporate governance standards and those that we follow under Korean law and in accordance with our own internal procedures. The following is a summary of such significant differences:

NYSE Corporate Governance Standards

KB Financial Group

Director Independence

Listed companies must have a majority of independent directors.

The majority of our board of directors is independent (as defined in accordance with the New York Stock Exchange's standards), as seven out of nine directors are non-executive directors.

Executive Session

Non-management directors must meet in regularly scheduled executive sessions without management. Independent directors should meet alone in an executive session at least once a year.

Our non-executive directors hold executive sessions as needed in accordance with the Regulation of the Board of Directors.

Nomination/Corporate Governance Committee

A nomination/corporate governance committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities (including development of corporate governance guidelines) and annual performance evaluation of the committee.

We maintain a Non-executive Director Nominating Committee composed of four non-executive directors.

We maintain a CEO Nominating Committee composed of all seven of our non-executive directors.

Compensation Committee

A compensation committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities and annual performance evaluation of the committee. The charter must be made available on the company's website. In addition, in accordance with the U.S. Securities and Exchange Commission rules adopted pursuant to Section 952 of the Dodd-Frank Act, the New York Stock Exchange listing standards were amended to expand the factors relevant in determining whether a committee member has a relationship with the company that will materially affect that member's duties to the compensation committee.

Additionally, the committee may obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining that adviser's independence from management.

Audit Committee

Listed companies must have an audit committee that satisfies the independence and other requirements of Rule 10A-3 under the Exchange Act. All members must be independent. The committee must have a charter addressing the committee's purpose, an annual performance evaluation of the committee, and the duties and responsibilities of the committee. The charter must be made available on the company's website.

Audit Committee Additional Requirements

Listed companies must have an audit committee that is composed of at least three directors.

Shareholder Approval of Equity Compensation Plan

Listed companies must allow its shareholders to exercise their voting rights with respect to any material revision to the company's equity compensation plan.

Corporate Governance Guidelines

Listed companies must adopt and disclose corporate governance guidelines.

We maintain an Evaluation and Compensation Committee composed of four non-executive directors.

We maintain an Audit Committee composed of four non-executive directors. Accordingly, we are in compliance with Rule 10A-3 under the Exchange Act.

Our Audit Committee has four members, as described above.

We currently have two equity compensation plans: (i) performance share agreements with certain of our directors and executive officers and (ii) an employee stock ownership plan, or ESOP. Matters related to the performance share agreements or ESOP are not subject to shareholders' approval under Korean law.

Our Articles of Incorporation provide that our stockholders may, by special resolution, grant stock options to officers, directors and employees. All material matters related to stock options are provided in our Articles of Incorporation, and any amendments to the Articles of Incorporation are subject to shareholders' approval.

We have adopted corporate governance standards, the Korean-language version of which is available on our website.

Item 16H. MINE SAFETY DISCLOSURE

Not applicable.

Item 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

Item 17. FINANCIAL STATEMENTS

Not applicable.

Item 18. FINANCIAL STATEMENTS

Reference is made to Item 19(a) for a list of all financial statements filed as part of this annual report.

Item 19. EXHIBITS

(a) List of Financial Statements:

	<u>Page</u>
Audited consolidated financial statements of KB Financial Group Inc. and subsidiaries, prepared in accordance with IFRS as issued by the IASB	
Report of independent registered public accounting firm	F-1
Consolidated statements of financial position as of December 31, 2020 and 2021	F-6
Consolidated statements of comprehensive income for the years ended December 31, 2019, 2020 and 2021	F-7
Consolidated statements of changes in equity for the years ended December 31, 2019, 2020 and 2021	F-10
Consolidated statements of cash flows for the years ended December 31, 2019, 2020 and 2021	F-14
Notes to consolidated financial statements	F-16

(b) Exhibits

Pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, KB Financial Group has filed certain agreements as exhibits to this Annual Report on Form 20-F. These agreements may contain representations and warranties made by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to such agreements if those statements turn out to be inaccurate, (ii) may have been qualified by disclosures that were made to such other party or parties and that either have been reflected in the company’s filings or are not required to be disclosed in those filings, (iii) may apply materiality standards different from what may be viewed as material to investors and (iv) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments. Accordingly, these representations and warranties may not describe KB Financial Group’s actual state of affairs at the date of this annual report.

<u>Number</u>	<u>Description</u>
1.1 ⁽¹⁾	Articles of Incorporation of KB Financial Group (translation in English).
2.1 ⁽²⁾	Form of Share Certificate of KB Financial Group’s common stock, par value ₩5,000 per share (translation in English).
2.2 ⁽³⁾	Form of Fifth Amended and Restated Deposit Agreement among KB Financial Group, JPMorgan Chase Bank, N.A., as depositary, and all owners and holders from time to time of American depositary receipts issued thereunder, evidencing American depositary shares, including the form of American depositary receipt.
2.3 ⁽⁴⁾	Description of KB Financial Group’s Capital Stock.

Number	Description
2.4 ⁽⁵⁾	Description of KB Financial Group’s American Depositary Shares.
8.1 ⁽⁶⁾	List of subsidiaries of KB Financial Group.
11.1 ⁽⁷⁾	Code of Ethics.
12.1	Section 302 certifications.
13.1	Section 906 certifications.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (Embedded within Inline XBRL Document).

- (1) Incorporated by reference to exhibit 1.1 to the registrant’s filing on Form 20-F (No. 000-53445) filed on April 24, 2020 (<https://www.sec.gov/Archives/edgar/data/1445930/000119312520118233/d862752dex24.htm>)
- (2) Incorporated by reference to the registrant’s filing on Form 20-F (No. 000-53445), filed on June 15, 2009 (<https://www.sec.gov/Archives/edgar/data/1445930/000095012309013901/h03411exv2w1.htm>).
- (3) Incorporated by reference to the registrant’s filing on Form F-6 (No. 333—208008), filed on November 13, 2015 (https://www.sec.gov/Archives/edgar/data/1445930/000119380515001876/e614274_ex99-a.htm).
- (4) Incorporated by reference to “Item 10.B. Memorandum and Articles of Association—Description of Capital Stock” of this annual report.
- (5) Incorporated by reference to exhibit 2.4 to the registrant’s filing on Form 20-F (No. 000-53445) filed on April 24, 2020 (<https://www.sec.gov/Archives/edgar/data/1445930/000119312520118233/d862752dex24.htm>).
- (6) Incorporated by reference to Note 41 of the consolidated financial statements of the registrant included in this annual report.
- (7) Incorporated by reference to the registrant’s filing on Form 20-F (No. 000-53445), filed on April 28, 2016 (<https://www.sec.gov/Archives/edgar/data/1445930/000119312516561071/d181570dex111.htm>).

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

KB FINANCIAL GROUP INC.
(Registrant)

/s/ Jong Kyoo Yoon

(Signature)

Jong Kyoo Yoon
Chairman and Chief Executive Officer

(Name and Title)

Date: April 27, 2022

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
KB Financial Group Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated statements of financial position of KB Financial Group Inc. and its subsidiaries (“the Group”) as of December 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes (collectively, the consolidated financial statements). We also have audited the Group’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021 based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited the adjustments to the 2019 consolidated financial statements to retrospectively reflect International Financial Reporting Interpretation Committee (“IFRIC”) agenda decision regarding Attributing Retirement Benefit to Periods of Services in May 2021, as described in Note 2.1.2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 consolidated financial statements taken as a whole.

Basis for Opinions

The Group’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying “Management’s Annual Report on Internal Control Over Financial Reporting.” Our responsibility is to express an opinion on the Group’s consolidated financial statements and an opinion on the Group’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall

presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

(i) Assessment of the allowance for credit losses for loans

As discussed in Notes 3.6, 4.2, 10, and 11 to the consolidated financial statements, the Group recognized an allowance for credit losses using the Expected Credit Loss (ECL) impairment model for loans at amortized cost amounting to KRW 3,684,055 million as of December 31, 2021. A lifetime ECL is recognized for those loans that have experienced a Significant Increase in Credit Risk (SICR) since initial recognition or are credit impaired, otherwise a 12-month ECL is recognized. The Group measures ECL allowances on an individual basis for individually significant corporate loans which are credit impaired and for those which have experienced a SICR and demonstrate certain other high risk indicators (for example, debt restructuring). The individual assessment involves judgment by the Group in estimating the future cash flows, including the value of related collateral. The allowance for credit losses for other loans are measured on a collective basis. For these loans, the Group measures ECL based on its estimates of the Probability of Default (PD), the Loss Given Default (LGD) and the Exposure at Default (EAD) as well as the impact of Forward-Looking Information (FLI). For the corporate loans measured on a collective basis, one of the relevant inputs for determining PD is the internal credit risk rating of the borrower. The internal credit risk rating of the borrower is defined by the Group using quantitative and qualitative factors.

We identified the assessment of the allowance for credit losses for loans as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment

was involved to evaluate the Group's estimates of future cash flows, including from the sale of collateral, for the corporate loans with ECL measured on an individual basis. In addition, a high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved to evaluate the Group's estimates and judgments with respect to the measurement of ECL on a collective basis. This included the analysis of the qualitative factors considered in determining the internal credit risk ratings of corporate loans, the calculation of 12 month and lifetime PD, the calculation of LGD and the evaluation of FLI incorporated in the measurement of collective ECL.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to: (i) the estimation of future cash flows for individually assessed corporate loans, including controls over the work of external valuation professionals engaged by the Group to assess the future cash flows together with the value of collateral; (ii) the validation of the models used to determine the inputs to the collective ECL calculation and the impact of FLI; (iii) the assessment of quantitative and qualitative factors in the process of determining the internal credit risk rating of the loans, including the review of internal credit risk ratings performed by an independent department with access to the same qualitative information; and (iv) the completeness and accuracy of data used in the determination of the credit risk ratings. We assessed the estimates of future cash flows expected from collateral on a sample of individually assessed corporate loans by: (i) comparing assumptions made with information obtained from internal and external sources; and (ii) assessing the reliability of information used in the estimates, including the qualification of external valuation professionals engaged by the Group. We involved credit risk and information technology professionals with specialized skills and knowledge who assisted in: (i) evaluating the methodology and key judgments used in determining the PD and LGD parameters; (ii) evaluating how FLI was incorporated in the collective ECL model; and (iii) checking the accuracy of the calculation of PDs, and a sample of LGDs. We evaluated whether, for a sample of corporate loans with ECL measured on a collective basis, Group policy was applied in the internal credit risk rating process.

(ii) Assessment of the measurement of fair value of certain level 3 derivatives and level 3 derivative-linked securities

As discussed in Notes 3.3.2 and 6.1.2 to the consolidated financial statements, as of December 31, 2021 the Group has level 3 derivative assets and liabilities of KRW 210,005 million and KRW 174,600 million, respectively, level 3 debt securities at fair value through profit or loss of KRW 11,555,588 million and level 3 financial liabilities designated at fair value through profit or loss of KRW 7,817,514 million, which include derivatives and derivative-linked securities measured using internally developed valuation models. Level 3 financial instruments are those for which the determination of the fair value requires the use of one or more significant inputs which are not based on observable market data. To measure the fair value of certain of these level 3 derivatives and derivative-linked securities, the Group uses internally developed valuation models, such as discounted cash flow models and option models, which use various inputs and assumptions depending on the nature of the financial instruments.

We identified the assessment of the measurement of fair value of the level 3 derivatives and the level 3 derivative-linked securities that are valued using internally developed valuation models as a critical audit matter. Subjective auditor judgment was required to evaluate the models used by the Group to estimate the fair value of these level 3 financial instruments. In addition, assessing the significant inputs to the models which were not directly observable in financial markets, such as volatility of underlying assets, correlations, regression coefficients and discount rates, required subjective auditor judgment.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the measurement of fair value of the level 3 derivatives and derivative-linked securities that are valued using internally developed valuation models. This included controls related to: (i) the development, validation and changes in the models used to value these financial instruments; (ii) the development and application of the significant unobservable

inputs and assumptions used in the measurement of fair values; and (iii) the monitoring of changes to these inputs and assumptions. We involved valuation professionals with specialized skills and knowledge, who assisted in: (i) evaluating the valuation techniques and significant unobservable inputs for a selection of the level 3 derivatives and derivative-linked securities that are valued using internally developed valuation models; and (ii) developing models and significant unobservable inputs independently for a selection of these financial instruments and comparing the resulting fair value estimates to the Group's fair value measurements.

/s/ KPMG Samjong Accounting Corp.

We have served as the Group's auditor since 2019.

Seoul, Korea
April 27, 2022

Report of Independent Registered Public Accounting Firm

To the shareholders and board of directors of
KB Financial Group Inc.:

Opinion on the Financial Statements

We have audited the consolidated statement of comprehensive income, changes in equity and cash flows of KB Financial Group Inc. and its subsidiaries (the “Company”) for the year ended December 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”), before the effects of the adjustments to retrospectively reflect the International Financial Reporting Interpretation Committee (“IFRIC”) agenda decision regarding Attributing Retirement Benefit to Periods of Services in May 2021 described in Note 2.1.2. In our opinion, the consolidated financial statements, before the effects of the adjustments to retrospectively reflect the International Financial Reporting Interpretation Committee (“IFRIC”) agenda decision regarding Attributing Retirement Benefit to Periods of Services in May 2021 described in Note 2.1.2, present fairly, in all material respects, the results of the Company’s operations and its cash flows for the year ended December 31, 2019 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (the 2019 financial statements before the effects of the adjustments discussed in Note 2.1.2 are not presented herein).

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively reflect International Financial Reporting Interpretation Committee (“IFRIC”) agenda decision regarding Attributing Retirement Benefit to Periods of Services in May 2021 described in Note 2.1.2 and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements, before the effects of the adjustments described above, based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements, before the effects of the adjustments described above, in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Samil PricewaterhouseCoopers
Seoul, Korea
April 24, 2020

We served as the Company’s auditor from 2008 to 2020.

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2021

	<u>Dec. 31 2020</u>	<u>Dec. 31 2021</u>	<u>Dec. 31 2021</u>
	(In millions of Korean won)		Translation into U.S. dollars (Note 3) (In thousands)
ASSETS			
Cash and due from financial institutions	₩ 25,608,842	₩ 31,009,374	US\$ 26,157,211
Financial assets at fair value through profit or loss	61,035,455	66,005,815	55,677,617
Derivative financial assets	5,545,385	3,721,370	3,139,072
Loans measured at amortized cost	377,166,984	417,900,273	352,509,720
Financial investments	98,695,426	104,847,871	88,441,899
Investments in associates and joint ventures	771,435	448,718	378,505
Property and equipment	5,433,554	5,239,898	4,419,990
Investment property	2,533,539	2,514,944	2,121,420
Intangible assets	3,351,133	3,266,357	2,755,257
Net defined benefit assets	50,597	100,083	84,423
Current income tax assets	109,772	98,798	83,339
Deferred income tax assets	65,058	159,093	134,199
Assets held for sale	197,727	237,318	200,184
Assets of a disposal group held for sale	—	171,749	144,875
Other assets	30,155,037	28,174,173	23,765,646
Total assets	<u>610,719,944</u>	<u>663,895,834</u>	<u>560,013,357</u>
LIABILITIES			
Financial liabilities at fair value through profit or loss	11,810,058	12,088,980	10,197,368
Derivative financial liabilities	5,222,897	3,682,258	3,106,080
Deposits	338,580,220	372,023,918	313,811,825
Borrowings	49,827,156	56,912,374	48,007,064
Debentures	62,760,687	67,430,188	56,879,113
Provisions	714,903	808,604	682,078
Net defined benefit liabilities	239,567	225,521	190,233
Current income tax liabilities	764,981	662,672	558,981
Deferred income tax liabilities	1,177,799	1,470,981	1,240,811
Insurance liabilities	54,415,296	57,165,936	48,220,950
Other liabilities	41,804,023	43,130,482	36,381,680
Total liabilities	<u>567,317,587</u>	<u>615,601,914</u>	<u>519,276,183</u>
TOTAL EQUITY			
Share capital	2,090,558	2,090,558	1,763,440
Hybrid securities	1,695,988	2,838,221	2,394,113
Capital surplus	16,723,589	16,940,231	14,289,524
Accumulated other comprehensive income	630,011	1,047,274	883,403
Accumulated other comprehensive income relating to assets of a disposal group held for sale	—	7,671	6,471
Retained earnings	22,540,616	25,672,815	21,655,685
Treasury shares	(1,136,188)	(1,136,188)	(958,404)
Equity attributable to shareholders of the Parent Company	<u>42,544,574</u>	<u>47,460,582</u>	<u>40,034,232</u>
Non-controlling interests	857,783	833,338	702,942
Total equity	<u>43,402,357</u>	<u>48,293,920</u>	<u>40,737,174</u>
Total liabilities and equity	<u>₩610,719,944</u>	<u>₩663,895,834</u>	<u>US\$560,013,357</u>

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

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED December 31, 2019, 2020 and 2021

	2019	2020	2021	2021
	(In millions of Korean won, except per share amounts)			Translation into U.S. dollars (Note 3) (In thousands, except per share amounts)
Interest income	₩ 14,639,187	₩ 14,485,747	₩ 15,210,878	US\$ 12,830,770
Interest income from financial instruments at fair value through other comprehensive income and amortized cost	13,935,124	13,826,382	14,620,490	12,332,762
Interest income from financial instruments at fair value through profit or loss	704,063	659,365	590,388	498,008
Interest expense	(5,442,400)	(4,763,473)	(3,981,306)	(3,358,335)
Net interest income	9,196,787	9,722,274	11,229,572	9,472,435
Fee and commission income	3,879,247	4,527,024	5,323,606	4,490,600
Fee and commission expense	(1,524,243)	(1,568,085)	(1,698,023)	(1,432,327)
Net fee and commission income	2,355,004	2,958,939	3,625,583	3,058,273
Insurance income	12,317,182	14,386,640	16,107,858	13,587,396
Insurance expense	(12,017,670)	(14,086,647)	(15,551,147)	(13,117,796)
Net insurance income	299,512	299,993	556,711	469,600
Net gains on financial instruments at fair value through profit or loss before applying overlay approach	912,187	1,221,610	1,160,981	979,318
Losses on overlay adjustments	(268,315)	(210,244)	(165,677)	(139,753)
Net gains on financial instruments at fair value through profit or loss	643,872	1,011,366	995,304	839,565
Net other operating expenses	(1,063,324)	(1,499,930)	(1,923,567)	(1,622,579)
General and administrative expenses	(6,271,805)	(6,814,812)	(7,200,853)	(6,074,106)
Operating income before provision for credit losses	5,160,046	5,677,830	7,282,750	6,143,188
Provision for credit losses	(670,185)	(1,043,498)	(1,185,133)	(999,691)
Net operating income	4,489,861	4,634,332	6,097,617	5,143,497
Share of profit (loss) of associates and joint ventures	16,451	(43,750)	93,526	78,892
Net other non-operating income (expenses)	26,886	189,390	(109,537)	(92,397)
Net non-operating income (expenses)	43,337	145,640	(16,011)	(13,505)
Profit before income tax expense	4,533,198	4,779,972	6,081,606	5,129,992
Income tax expense	(1,220,570)	(1,264,394)	(1,697,225)	(1,431,653)
Profit for the year	₩ 3,312,628	₩ 3,515,578	₩ 4,384,381	US\$ 3,698,339

(Continued)

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED December 31, 2019, 2020 and 2021

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>
	(In millions of Korean won, except per share amounts)			Translation into U.S. dollars (Note 3) (In thousands, except per share amounts)
Items that will not be reclassified to profit or loss				
Remeasurements of net defined benefit liabilities	₩ (54,523)	₩ (13,434)	₩ (45,510)	US\$ (38,389)
Share of other comprehensive income (loss) of associates and joint ventures	(105)	(1)	51	43
Gains (losses) on equity securities at fair value through other comprehensive income	(17,329)	822,140	903,398	762,040
Fair value changes on financial liabilities designated at fair value through profit or loss due to own credit risk	(11,372)	8,819	13,715	11,569
	<u>(83,329)</u>	<u>817,524</u>	<u>871,654</u>	<u>735,263</u>
Items that may be reclassified subsequently to profit or loss				
Currency translation differences	37,861	(187,283)	255,907	215,864
Gains (losses) on debt securities at fair value through other comprehensive income	35,490	(356,572)	(924,698)	(780,007)
Shares of other comprehensive income (loss) of associates and joint ventures	7,800	(6,846)	498	420
Gains (losses) on cash flow hedging instruments	(33,182)	(1,264)	20,864	17,599
Gains (losses) on hedging instruments of net investments in foreign operations . .	(8,900)	64,269	(57,935)	(48,870)
Other comprehensive income (loss) arising from separate account	3,364	(9,683)	(63,814)	(53,829)
Gains on overlay adjustment	194,223	152,125	120,282	101,461
	<u>236,656</u>	<u>(345,254)</u>	<u>(648,896)</u>	<u>(547,362)</u>
Other comprehensive income for the year, net of tax	<u>153,327</u>	<u>472,270</u>	<u>222,758</u>	<u>187,901</u>
Total comprehensive income for the year . . .	<u><u>3,465,955</u></u>	<u><u>3,987,848</u></u>	<u><u>4,607,139</u></u>	<u><u>3,886,240</u></u>

(Continued)

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED December 31, 2019, 2020 and 2021

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>
	(In millions of Korean won, except per share amounts)			Translation into U.S. dollars (Note 3) (In thousands, except per share amounts)
Profit attributable to:				
Shareholders of the Parent Company	3,311,257	3,468,448	4,409,543	3,719,564
Non-controlling interests	1,371	47,130	(25,162)	(21,225)
	<u>3,312,628</u>	<u>3,515,578</u>	<u>4,384,381</u>	<u>3,698,339</u>
Total comprehensive income for the year attributable to:				
Shareholders of the Parent Company	3,464,300	3,966,361	4,610,549	3,889,117
Non-controlling interests	1,655	21,487	(3,410)	(2,877)
	<u>₩ 3,465,955</u>	<u>₩ 3,987,848</u>	<u>₩ 4,607,139</u>	<u>US\$ 3,886,240</u>
Earnings per share				
Basic earnings per share	₩ 8,449	₩ 8,843	₩ 11,134	US\$ 9.39
Diluted earnings per share	8,387	8,730	10,890	9.19

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

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED December 31, 2019, 2020 and 2021

	Equity attributable to shareholders of the Parent Company							Total equity
	Share capital	Hybrid securities	Capital surplus	Accumulated other comprehensive income	Retained earnings	Treasury shares	Non-controlling interests	
				(In millions of Korean won)				
Balance as of January 1, 2019	₩2,090,558	₩ —	₩17,121,660	₩ 177,806	₩17,282,441	₩ (968,549)	₩ 9,111	₩35,713,027
Effect of accounting policy change	—	—	—	19,419	10,499	—	—	29,918
Restated balance after accounting policy change	2,090,558	—	17,121,660	197,225	17,292,940	(968,549)	9,111	35,742,945
Comprehensive income for the year								
Profit for the year	—	—	—	—	3,311,257	—	1,371	3,312,628
Remeasurements of net defined benefit liabilities	—	—	—	(54,523)	—	—	—	(54,523)
Currency translation differences	—	—	—	37,577	—	—	284	37,861
Gains (losses) on financial instruments at fair value through other comprehensive income and transfer to retained earnings	—	—	—	36,637	(18,476)	—	—	18,161
Share of other comprehensive income of associates and joint ventures	—	—	—	7,695	—	—	—	7,695
Losses on cash flow hedging instruments	—	—	—	(33,182)	—	—	—	(33,182)
Losses on hedging instruments of net investments in foreign operations	—	—	—	(8,900)	—	—	—	(8,900)
Other comprehensive income arising from separate account	—	—	—	3,364	—	—	—	3,364
Fair value changes of financial liabilities designated at fair value through profit or loss due to own credit risk	—	—	—	(11,372)	—	—	—	(11,372)
Gains on overlay adjustments	—	—	—	194,223	—	—	—	194,223
Total comprehensive income for the year	—	—	—	171,519	3,292,781	—	1,655	3,465,955
Transactions with shareholders								
Annual dividends paid to shareholders of the Parent Company	—	—	—	—	(759,736)	—	—	(759,736)
Acquisition and retirement of treasury shares	—	—	—	—	(100,000)	(167,639)	—	(267,639)
Issuance of hybrid securities	—	399,205	—	—	—	—	574,580	973,785
Dividends on hybrid securities	—	—	—	—	(6,513)	—	—	(6,513)
Others	—	—	1,117	—	—	—	61	1,178
Total transactions with shareholders	—	399,205	1,117	—	(866,249)	(167,639)	574,641	(58,925)
Balance as of December 31, 2019	₩2,090,558	₩ 399,205	₩17,122,777	₩ 368,744	₩19,719,472	₩(1,136,188)	₩585,407	₩39,149,975

(Continued)

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED December 31, 2019, 2020 and 2021

	Equity attributable to shareholders of the Parent Company							Total equity
	Share capital	Hybrid securities	Capital surplus	Accumulated other comprehensive income	Retained earnings	Treasury shares	Non-controlling interests	
	(In millions of Korean won)							
Balance as of January 1, 2020	₩2,090,558	₩ 399,205	₩17,122,777	₩ 368,744	₩19,719,472	₩(1,136,188)	₩585,407	₩39,149,975
Comprehensive income for the year								
Profit for the year	—	—	—	—	3,468,448	—	47,130	3,515,578
Remeasurements of net defined benefit liabilities	—	—	—	(13,145)	—	—	(289)	(13,434)
Currency translation differences	—	—	—	(162,906)	—	—	(24,377)	(187,283)
Gains (losses) on financial instruments at fair value through other comprehensive income and transfer to retained earnings	—	—	—	229,899	236,648	—	(979)	465,568
Share of other comprehensive loss of associates and joint ventures	—	—	—	(6,847)	—	—	—	(6,847)
Losses on cash flow hedging instruments	—	—	—	(1,264)	—	—	—	(1,264)
Gains on hedging instruments of net investments in foreign operations	—	—	—	64,269	—	—	—	64,269
Other comprehensive loss arising from separate account	—	—	—	(9,683)	—	—	—	(9,683)
Fair value changes of financial liabilities designated at fair value through profit or loss due to own credit risk	—	—	—	8,819	—	—	—	8,819
Gains on overlay adjustments	—	—	—	152,125	—	—	—	152,125
Total comprehensive income for the year	—	—	—	261,267	3,705,096	—	21,485	3,987,848
Transactions with shareholders								
Annual dividends paid to shareholders of the Parent Company	—	—	—	—	(861,092)	—	—	(861,092)
Issuance of hybrid securities	—	1,296,783	—	—	—	—	—	1,296,783
Dividends on hybrid securities	—	—	—	—	(22,860)	—	(25,658)	(48,518)
Non-controlling interests changes in business combination	—	—	—	—	—	—	247,008	247,008
Others	—	—	(399,188)	—	—	—	29,541	(369,647)
Total transactions with shareholders	—	1,296,783	(399,188)	—	(883,952)	—	250,891	264,534
Balance as of December 31, 2020	₩2,090,558	₩1,695,988	₩16,723,589	₩ 630,011	₩22,540,616	₩(1,136,188)	₩857,783	₩43,402,357

(Continued)

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED December 31, 2019, 2020 and 2021

Equity attributable to shareholders of the Parent Company									
	Share capital	Hybrid securities	Capital surplus	Accumulated other comprehensive income	Accumulated other comprehensive income relating to assets of a disposal group held for sale	Retained earnings	Treasury shares	Non-controlling interests	Total equity
(In millions of Korean won)									
Balance as of January 1, 2021	₩ 2,090,558	₩ 1,695,988	₩ 16,723,589	₩ 630,011	₩ —	₩ 22,540,616	₩ (1,136,188)	₩ 857,783	₩ 43,402,357
Comprehensive income for the year									
Profit for the year	—	—	—	—	—	4,409,543	—	(25,162)	4,384,381
Remeasurements of net defined benefit liabilities	—	—	—	(45,742)	—	—	—	232	(45,510)
Currency translation differences	—	—	—	241,273	—	—	—	14,634	255,907
Gains (losses) on financial instruments at fair value through other comprehensive income and transfer to retained earnings	—	—	—	201,697	—	(223,928)	—	931	(21,300)
Share of other comprehensive income of associates and joint ventures	—	—	—	549	—	—	—	—	549
Gains on cash flow hedging instruments	—	—	—	20,864	—	—	—	—	20,864
Losses on hedging instruments of net investments in foreign operations	—	—	—	(57,935)	—	—	—	—	(57,935)
Other comprehensive loss arising from separate account	—	—	—	(63,814)	—	—	—	—	(63,814)
Fair value changes of financial liabilities designated at fair value through profit or loss due to own credit risk	—	—	—	13,715	—	—	—	—	13,715
Gains on overlay adjustments	—	—	—	120,282	—	—	—	—	120,282
Transfer within equity	—	—	—	(7,671)	7,671	—	—	—	—
Total comprehensive income for the year	—	—	—	423,218	7,671	4,185,615	—	(9,365)	4,607,139
Transactions with shareholders									
Annual dividends paid to shareholders of the Parent Company	—	—	—	—	—	(689,653)	—	—	(689,653)
Quarterly dividends paid to shareholders of the Parent Company	—	—	—	—	—	(292,226)	—	—	(292,226)
Issuance of hybrid securities	—	1,142,233	—	—	—	—	—	—	1,142,233
Dividends on hybrid securities	—	—	—	—	—	(71,537)	—	(24,145)	(95,682)
Non-controlling interests changes in business combination	—	—	—	—	—	—	—	1,994	1,994
Transactions with non-controlling interests	—	—	216,853	(5,955)	—	—	—	(18,306)	192,592
Others	—	—	(211)	—	—	—	—	25,377	25,166
Total transactions with shareholders	—	1,142,233	216,642	(5,955)	—	(1,053,416)	—	(15,080)	284,424
Balance as of December 31, 2021	₩ 2,090,558	₩ 2,838,221	₩ 16,940,231	₩ 1,047,274	₩ 7,671	₩ 25,672,815	₩ (1,136,188)	₩ 833,338	₩ 48,293,920

(Continued)

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED December 31, 2019, 2020 and 2021

Equity attributable to shareholders of the Parent Company									
	Share capital	Hybrid securities	Capital surplus	Accumulated other comprehensive income	Accumulated other comprehensive income relating to assets of a disposal group held for sale	Retained earnings	Treasury shares	Non-controlling interests	Total equity
Translation into U.S. dollars (Note 3) (In thousands)									
Balance as of January 1, 2021	US\$1,763,440	US\$1,430,610	US\$14,106,781	US\$ 531,431	US\$ —	US\$19,013,594	US\$ (958,404)	US\$ 723,562	US\$36,611,014
Comprehensive income for the year									
Profit for the year	—	—	—	—	—	3,719,564	—	(21,225)	3,698,339
Remeasurements of net defined benefit liabilities	—	—	—	(38,585)	—	—	—	196	(38,389)
Currency translation differences	—	—	—	203,520	—	—	—	12,344	215,864
Gains (losses) on financial instruments at fair value through other comprehensive income and transfer to retained earnings	—	—	—	170,137	—	(188,889)	—	785	(17,967)
Share of other comprehensive income of associates and joint ventures	—	—	—	463	—	—	—	—	463
Gains on cash flow hedging instruments	—	—	—	17,599	—	—	—	—	17,599
Losses on hedging instruments of net investments in foreign operations	—	—	—	(48,870)	—	—	—	—	(48,870)
Other comprehensive loss arising from separate account	—	—	—	(53,829)	—	—	—	—	(53,829)
Fair value changes of financial liabilities designated at fair value through profit or loss due to own credit risk	—	—	—	11,569	—	—	—	—	11,569
Gains on overlay adjustments	—	—	—	101,461	—	—	—	—	101,461
Transfer within equity	—	—	—	(6,471)	6,471	—	—	—	—
Total comprehensive income for the year	—	—	—	356,994	6,471	3,530,675	—	(7,900)	3,886,240
Transactions with shareholders									
Annual dividends paid to shareholders of the Parent Company	—	—	—	—	—	(581,740)	—	—	(581,740)
Quarterly dividends paid to shareholders of the Parent Company	—	—	—	—	—	(246,500)	—	—	(246,500)
Issuance of hybrid securities	—	963,503	—	—	—	—	—	—	963,503
Dividends on hybrid securities	—	—	—	—	—	(60,344)	—	(20,367)	(80,711)
Non-controlling interests changes in business combination	—	—	—	—	—	—	—	1,682	1,682
Transactions with non-controlling interests	—	—	182,921	(5,022)	—	—	—	(15,441)	162,458
Others	—	—	(178)	—	—	—	—	21,406	21,228
Total transactions with shareholders	—	963,503	182,743	(5,022)	—	(888,584)	—	(12,720)	239,920
Balance as of December 31, 2021	US\$1,763,440	US\$2,394,113	US\$14,289,524	US\$ 883,403	US\$ 6,471	US\$21,655,685	US\$ (958,404)	US\$ 702,942	US\$40,737,174

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

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED December 31, 2019, 2020 and 2021

	2019	2020	2021	2021
	(In millions of Korean won)			Translation into U.S. dollars (Note 3) (In thousands)
Cash flows from operating activities:				
Profit for the year	₩ 3,312,628	₩ 3,515,578	₩ 4,384,381	US\$ 3,698,339
Adjustment for non-cash items				
Net gains on financial assets at fair value through profit or loss	(438,567)	(566,447)	(274,515)	(231,561)
Net losses (gains) on derivative financial instruments for hedging purposes	(3,835)	(52,696)	213,996	180,511
Adjustment of fair value of derivative financial instruments	282	(3,198)	—	—
Provision for credit losses	670,185	1,043,498	1,185,133	999,691
Net losses (gains) on financial investments	(206,192)	(278,805)	97,813	82,508
Share of loss (profit) of associates and joint ventures	(16,451)	43,750	(93,526)	(78,892)
Depreciation and amortization expense	784,431	874,911	850,614	717,515
Depreciation and amortization expense on VOBA	192,459	173,866	156,074	131,653
Other net losses (gains) on property and equipment/intangible assets	(33,238)	(124,218)	1,974	1,665
Share-based payments	49,418	49,364	101,935	85,985
Provision for policy reserves	1,546,271	2,709,818	2,761,135	2,329,089
Post-employment benefits	232,701	235,231	237,315	200,181
Net interest income	313,550	458,210	256,736	216,564
Gains on foreign currency translation	(74,488)	(116,786)	(665,282)	(561,183)
Gain on a bargain purchase	—	(145,067)	(288)	(243)
Other expenses	390,074	524,742	721,459	608,569
	<u>3,406,600</u>	<u>4,826,173</u>	<u>5,550,573</u>	<u>4,682,052</u>
Changes in operating assets and liabilities				
Financial asset at fair value through profit or loss	(916,415)	(7,139,647)	(6,149,781)	(5,187,500)
Derivative financial instruments	(644,342)	(38,376)	39,343	33,187
Loans measured at fair value through other comprehensive income	15,536	81,803	(24,618)	(20,766)
Loans measured at amortized cost	(21,681,258)	(31,126,636)	(41,457,544)	(34,970,514)
Current income tax assets	(9,091)	(54,539)	10,581	8,925
Deferred income tax assets	803	(15,108)	(92,967)	(78,420)
Other assets	(3,668,385)	(9,126,046)	(3,724,562)	(3,141,764)
Financial liabilities at fair value through profit or loss	(77,231)	(3,247,108)	759,989	641,071
Deposits	28,480,993	27,381,662	32,497,922	27,412,840
Current income tax liabilities	(266,204)	323,313	(102,273)	(86,270)
Deferred income tax liabilities	234,992	(125,066)	294,130	248,106
Other liabilities	1,212,080	3,216,600	1,314,561	1,108,866
	<u>2,681,478</u>	<u>(19,869,148)</u>	<u>(16,635,219)</u>	<u>(14,032,239)</u>
Net cash inflow (outflow) from operating activities	<u>₩ 9,400,706</u>	<u>₩ (11,540,694)</u>	<u>₩ (6,700,265)</u>	<u>US\$ (5,651,848)</u>

(Continued)

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED December 31, 2019, 2020 and 2021

	2019	2020	2021	2021
	(In millions of Korean won)			Translation into U.S. dollars (Note 3) (In thousands)
Cash flows from investing activities:				
Net cash flows from derivative financial instruments for hedging purposes	₩ (206,680)	₩ (64,177)	₩ 427	US\$ 360
Disposal of financial asset at fair value through profit or loss	11,364,615	14,169,758	13,788,604	11,631,045
Acquisition of financial asset at fair value through profit or loss	(12,359,886)	(13,923,371)	(12,298,792)	(10,374,350)
Disposal of financial investments	69,489,132	83,143,443	50,825,909	42,872,973
Acquisition of financial investments	(79,083,472)	(92,206,817)	(56,633,996)	(47,772,245)
Disposal of investments in associates and joint ventures	26,185	210,266	678,636	572,447
Acquisition of investments in associates and joint ventures	(92,200)	(515,342)	(261,881)	(220,903)
Disposal of property and equipment	12,786	6,465	7,016	5,918
Acquisition of property and equipment	(608,736)	(424,862)	(286,613)	(241,765)
Disposal of investment property	94,207	646,263	177,033	149,332
Acquisition of investment property	(806,088)	(53,196)	(118,961)	(100,347)
Disposal of intangible assets	14,694	14,303	8,203	6,919
Acquisition of intangible assets	(333,557)	(182,859)	(191,696)	(161,701)
Net cash flows from changes in ownership of subsidiaries	91,592	(1,951,245)	374,992	316,316
Others	62,984	142,961	75,105	63,353
Net cash outflow from investing activities	(12,334,424)	(10,988,410)	(3,856,014)	(3,252,648)
Cash flows from financing activities:				
Net cash flows from derivative financial instruments for hedging purposes	(28,631)	(16,202)	5,870	4,952
Net increase in borrowings	5,027,313	10,683,659	7,321,582	6,175,944
Increase in debentures	93,655,747	119,705,016	121,767,039	102,713,656
Decrease in debentures	(96,145,669)	(107,760,800)	(117,509,585)	(99,122,383)
Increase (decrease) in other payables to trust accounts	(68,648)	2,326,495	(509,106)	(429,444)
Dividends paid to shareholders of the Parent Company	(759,736)	(861,092)	(981,879)	(828,240)
Dividends paid on hybrid securities	(6,513)	(22,860)	(71,537)	(60,344)
Acquisition of treasury shares	(274,317)	—	—	—
Issuance of hybrid securities	399,205	1,296,783	1,142,233	963,503
Increase (decrease) in non-controlling interests	574,580	(25,658)	(24,145)	(20,367)
Redemption of principal elements of lease payments	(229,750)	(235,498)	(253,248)	(213,621)
Others	134,027	172,433	(65,826)	(55,526)
Net cash inflow from financing activities	2,277,608	25,262,276	10,821,398	9,128,130
Effect of exchange rate changes on cash and cash equivalents	137,019	(171,805)	158,249	133,488
Net increase (decrease) in cash and cash equivalents	(519,091)	2,561,367	423,368	357,122
Cash and cash equivalents at the beginning of the year	6,642,816	6,123,725	8,685,092	7,326,100
Cash and cash equivalents at the end of the year	₩ 6,123,725	₩ 8,685,092	₩ 9,108,460	US\$ 7,683,222

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

1. The Parent Company

KB Financial Group Inc. (the “Parent Company”) was incorporated on September 29, 2008, under the Financial Holding Companies Act of Korea. KB Financial Group Inc. and its subsidiaries (the “Group”) derive substantially all of their revenue and income from providing a broad range of banking and related financial services to consumers and corporations. The Parent Company’s main business purpose is to control subsidiaries that engage in the financial business or subsidiaries closely related to the financial business through the stock ownership. The Parent Company’s headquarter is located at 26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul. In 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd. and KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd. The Group established KB Savings Bank Co., Ltd. in January 2012, acquired Yehansoul Savings Bank Co., Ltd. in September 2013, and KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in January 2014. In March 2014, the Group acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. Meanwhile, the Group included LIG Insurance Co., Ltd. as an associate and changed the name to KB Insurance Co., Ltd. in June 2015, and KB Insurance Co., Ltd. became one of the subsidiaries through a tender offer in May 2017. Also, the Group included Hyundai Securities Co., Ltd. as an associate in June 2016 and included as a subsidiary in October 2016 by comprehensive exchange of shares. Hyundai Securities Co., Ltd. merged with KB Investment & Securities Co., Ltd. in December 2016 and changed its name to KB Securities Co., Ltd. in January 2017. In August 2020, the Group acquired Prudential Life Insurance Company of Korea Ltd., which was classified as a subsidiary.

The Parent Company’s share capital as of December 31, 2021, is ₩ 2,090,558 million. The Parent Company has been listed on the Korea Exchange (“KRX”) since October 10, 2008, and on the New York Stock Exchange (“NYSE”) for its American Depositary Shares (“ADS”) since September 29, 2008. Number of shares authorized in its Articles of Incorporation is 1,000 million.

2. Basis of Preparation

2.1 Application of IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”). IFRS are the standards and related interpretations issued by the International Accounting Standards Board (“IASB”).

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. Management also needs to exercise judgment in applying the Group’s accounting policies. The areas that require a more complex and higher level of judgment or areas that require significant assumptions and estimations are disclosed in Note 2.4.

2.1.1 The Group has applied the following amended standards for the first time for its annual reporting period commencing January 1, 2021.

- *Amendments to IFRS No.16 Leases – Practical Expedient for COVID-19-Related Rent Exemption, Concessions, Suspension*

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. These amendments do not have a significant impact on the consolidated financial statements.

- *Amendments to IFRS No.9 Financial Instruments, IAS No.39 Financial Instruments: Recognition and Measurement, IFRS No.7 Financial Instruments: Disclosure, IFRS No.4 Insurance Contracts, and IFRS No.16 Leases – Interest Rate Benchmark Reform*

In relation to interest rate benchmark reform, the amendments provide a practical expedient allowing entities to change the effective interest rate instead of changing the carrying amount and apply hedge accounting

without discontinuance although the interest rate benchmark is replaced in hedging relationship. These amendments do not have a significant impact on the consolidated financial statements.

2.1.2 The Group has changed the following accounting policy for its annual reporting period commencing January 1, 2021.

- *IAS No.19 Employee Benefits – Attributing Retirement Benefit to Periods of Services*

The Group maintains defined benefit plan which pays a lump sum retirement benefit to employees who retire at a specific age before the mandatory retirement age and meet required minimum service periods as of retirement date. For the periods prior to the year beginning on January 1, 2021, the Group attributed the retirement benefit of this plan from the date the employee starts working with the Group until the retirement date, regardless of minimum service periods. However, from 2021, the Group retrospectively applied the accounting policy in accordance with the International Financial Reporting Interpretation Committee (“IFRIC”) agenda decision in May 2021, which requires attribution of the retirement benefit over the minimum service periods just before the retirement date. The restated comparative consolidated financial statements reflect adjustments resulting from the retrospective application.

The effects of this change in accounting policy to the consolidated statements of financial position as of January 1, 2020, December 31, 2020 and 2021 and to the consolidated statements of comprehensive income for the years ended December 31, 2019, 2020 and 2021, are as follows:

2.1.2.1 Effects on consolidated statements of financial position

	January 1, 2020	December 31, 2020	December 31, 2021
	(In millions of Korean won)		
Increase in net defined benefit assets	₩ 25,019	₩ 47,752	₩ 46,420
Decrease in net defined benefit liabilities	17,258	8,659	—
Increase in deferred income tax liabilities	11,627	15,513	12,766
Increase in accumulated other comprehensive income	20,723	17,674	11,034
Increase in retained earnings	9,927	23,224	22,620

2.1.2.2 Effects on consolidated statements of comprehensive income

	2019	2020	2021
	(In millions of Korean won, except for per share amounts)		
Increase (decrease) in general and administrative expenses	₩ 788	₩ (18,340)	₩ 833
Increase (decrease) in income tax expense	(217)	5,043	(229)
Increase (decrease) in other comprehensive income	1,304	(3,049)	(6,640)
Increase (decrease) in basic earnings per share	(2)	34	(2)
Increase (decrease) in diluted earnings per share	(2)	33	(2)

2.1.3 The following new and amended standards have been published that are not mandatory for December 31, 2021 reporting period and have not been adopted by the Group.

- *Amendments to IFRS No.16 Leases – COVID-19-Related Rent Concessions, etc. beyond June 30, 2021*

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before 30 June 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendments should be applied

for annual reporting periods beginning on or after April 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- *Amendments to IFRS No.3 Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities to qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS No.37 *Provisions, Contingent Liabilities and Contingent Assets*, and IFRIC No.21 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- *Amendments to IAS No.16 Property, Plant and Equipment – Proceeds Before Intended Use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- *Amendments to IAS No.37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts: Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- *Amendments to IAS No.1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise the right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- *Issuance of IFRS No.17 Insurance Contracts*

- (a) Major changes in accounting policy

IFRS No.17 *Insurance Contracts* will replace IFRS No.4 *Insurance Contracts*. This standard requires an entity to estimate future cash flows of an insurance contract and measure insurance liabilities using discount rates applied with assumptions and risks at the measurement date and recognize insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual reporting period. In

addition, investment components (refunds due to termination and maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and net insurance income and net investment income are presented separately to enable users of the information to understand the sources of net income. This standard should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied IFRS No.9 *Financial Instruments*. The Group is scheduled to apply this standard for annual reporting period beginning on January 1, 2023. If the Group prepares consolidated financial statements by applying IFRS No.17, the following parts are expected to make significant differences with the current consolidated financial statements. It does not mean to include all differences that are arising in the future and can be changed based on the future additional analysis results.

(Measurement of Insurance liabilities, etc.)

Under IFRS No.17, the Group estimates all cash flows from insurance contracts and measures the insurance liabilities using discount rate that reflects assumptions and risks at the reporting date.

In details, the Group identifies a portfolio of insurance contracts that comprises contracts exposed to similar risks and managed together, then separates the contracts with similar profitability within the portfolio as groups of insurance contracts. The groups of insurance contracts are measured as the sum of the estimate of future cash flows (including cash flows related to policy loans and reflecting time value of money, etc.), risk adjustment, and the contractual service margin. With the adoption of IFRS No.17, account of the contractual service margin will be introduced, which means unearned profit that would be recognized by providing insurance service in the future.

Meanwhile, reinsurance contracts mean insurance contracts issued by a reinsurance company to compensate claims arising from original insurance contracts issued by other insurance companies. The groups of insurance contracts also apply assumptions consistent with the groups of original insurance contracts when estimating the present value of future cash flows for the groups of insurance contracts ceded.

(Recognition and measurement of financial performance)

Under IFRS No.17, the Group recognizes insurance revenue on an accrual basis for services (insurance coverage) provided to the policyholder by each annual reporting period, excluding investment component (refunds due to termination and maturity) to be paid to the policyholder regardless of the insured event. In addition, net insurance income and net investment income are presented separately to enable users of the information to understand the sources of net income.

The Group also includes the time value of money, financial risk and effects of their fluctuations related to the group of insurance contracts and the Group should select accounting policy whether the insurance finance income or expenses for the periods are divided to profit or loss, or other comprehensive income.

(Accounting policy for transition of insurance contracts)

Under transition requirements of IFRS No.17, the Group shall adjust the original cost-based measurement to current measurement by applying the fully retrospective approach, modified retrospective approach or fair value approach, for the group of insurance contracts issued before the transition date (the beginning of the annual reporting period immediately preceding initial application date of January 1, 2022).

In principle, the Group shall identify, recognize and measure each group of insurance contracts as if IFRS No.17 had always applied before the transition date. If this method is impracticable, the Group can apply the modified retrospective approach or the fair value approach. However, the fair value approach can be applied even though it is possible to apply the fully retrospective approach for the group of insurance contracts with direct participation features that meet specific requirements.

Meanwhile, the modified retrospective approach is a way to obtain results very close to the fully retrospective approach by using all reasonable and supportable information available without undue cost or effort. The fair value approach is a way to measure group of insurance contracts using fair value measurements based on IFRS No.13 *Fair Value Measurements*. When applying the fair value approach, contractual service margin or loss component of the liability for remaining coverage at the transition date are measured as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

Key changes in accounting policies expected by adopting IFRS No.17 are as follows:

	IFRS No.4	IFRS No.17
Insurance liability measurement	Measure at cost using the past information	Measure at current value using information at the reporting date Need to choose transition method to adjust the existing group of insurance contracts to current measurement at the transition date (among the fully retrospective approach, modified retrospective approach or fair value approach)
Recognition of insurance revenue	Apply cash basis to recognize the received premium as insurance revenue Include investment component, such as refunds due to termination and maturity, to insurance revenue	Recognize revenue by reflecting services provided to the policyholder by each annual reporting period (accrual basis) Exclude investment component (refunds due to termination and maturity) from insurance revenue Net insurance income and net investment income (financial income) are presented separately
Deferred acquisition cost	Recognize deferred acquisition cost as a separate asset Estimate insurance liability based on net insurance premium (excluding administration expenses)	Do not recognize deferred acquisition cost as a separate asset Estimate insurance liability based on operating insurance premium (including administration expenses)

(b) Status of preparation for IFRS No.17 adoption

In order for the Group to smoothly adopt IFRS No.17, it is necessary to prepare a separate implementation department, implement an accounting system, train executives and employees, and analyze financial impact and etc.

Above all, for the adequacy of insurance liability evaluation, the stability of the accounting system and the conformity of system calculations must be secured, and accounting policies and actuarial assumptions must be established reasonably and applied consistently every period. For this, the Group needs to verify the system continually, and prepare various internal control procedures. In particular, the Group shall implement and comply with an internal control over financial reporting suitable for the changed accounting environment so that reliable accounting information can be prepared and disclosed after the adoption of the new accounting standard.

The adoption of IFRS No.17 will not only change accounting standard, but will also affect insurance product development, sales strategies, and long-term business strategies. Accordingly, it is necessary for the Group to re-establish various business strategies after the adoption of the new accounting standard, provide continual training for related executives and employees and report preparations for adoption and future plans to management.

The detailed preparations for adoption and future plans are as follows:

(KB Insurance Co., Ltd.)

Key activity	Progress (at the reporting date)	Future plan
Implementation department	(Feb. 2017) Organize the implementation department of IFRS No.17 (Apr. 2018) Expand the implementation department of IFRS No.17 (currently, total 14 personnel who are fully in charge of)	Continuous operation of the implementation department
Implementation of accounting system	(Feb. 2017) Start implementation of the integrated actuarial system (Jun. 2018) Complete implementation of the system (Sep. 2018) Start implementation of the accounting system (Nov. 2020) Complete implementation of the system Currently, pilot operation	Stabilization of the system (dual closing) Implementation of the internal control over financial reporting
Training for executives and employees	Prepare and implement training for executives/head of departments and employees in related departments	Plan to expand training target
Reporting to management	Report implementation of the system, financial effects, etc.	Report issues in relation to the dual closing

(Prudential Life Insurance Company of Korea Ltd.)

Key activity	Progress (at the reporting date)	Future plan
Implementation department	(Apr. 2016) Organize the implementation department of IFRS No.17 (currently, total 10 personnel who are fully in charge of)	Continuous operation of the implementation department
Implementation of accounting system	(Nov. 2017) Start implementation of the integrated actuarial system (Nov. 2018) Complete implementation of the system (Nov. 2020) Start implementation of the accounting system (Dec. 2021) Complete implementation of the system	Advancement of the system (dual closing) Implementation of the internal control over financial reporting
Training for executives and employees	Implement training for employees	Expansion of training target etc.
Reporting to management	Report the implementation of the system, financial effect of insurance supervisory accounting for adoption of IFRS No.17	Report issues in relation to dual closing

(KB Life Insurance Co., Ltd)

Key activity	Progress (at the reporting date)	Future plan
Implementation department	(Jul. 2018) Organize the responsive team for IFRS No.17 (Mar. 2019) Organize and operate TF for IFRS No.17	Progress works in relation to transition to new accounting standards Supplement personnel who are fully in charge of, etc.
Implementation of accounting system	(Mar. 2019) Start implementation of the accounting system (Dec. 2020) Complete implementation of the system Currently, pilot operation	Stabilization of the system (dual closing) Implementation of internal control over financial reporting
Training for executives and employees	Prepare and implement training for executives/head of departments and employees in related departments (total 20 trainings) (Nov. 2020) Open online training (Dec. 2021) Implement non-face-to-face training	Plan to increase training courses and expand training target
Reporting to management	Report implementation of the system, financial effects, etc.	Report issues in relation to the dual closing and financial effect

(c) Financial effect evaluation

As the adoption of IFRS No.17 changes the measurement method of insurance liability and insurance revenue recognition, financial volatility is expected to occur in the consolidated financial statements for 2023.

In 2021, the Group carried out continual system conformity verification and stabilization, and preparation for dual closing in 2022. Accordingly, in 2021, the preliminary and potential impact of the adoption of IFRS No.17 are disclosed, and detailed results of financial impact will be disclosed in the annual consolidated financial statements for 2022.

The Group is currently analyzing the impact of the measurement of insurance contract liabilities after the adoption of IFRS No.17 due to changes in the insurance liability measurement method and revenue recognition method.

As of December 31, 2021, the Group has a total insurance contract liabilities of ₩ 57,165,936 million, and savings type insurance accounts for 28% (₩ 4,467,242 million) of the total insurance premium income.

- *Amendments to IAS No.1 Presentation of Financial Statements – Accounting Policy Disclosure*

The amendments require an entity to define and disclose their material accounting policy information. IFRS Practice Statement 2 *Making Materiality Judgements* was amended to explain and demonstrate how to apply the concept of materiality. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- *Amendments to IAS No.8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

The amendments introduce the definition of accounting estimates and clarify how to distinguish changes in accounting estimates from changes in accounting policies. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- *Amendments to IAS No.12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

The amendments narrow the scope of the deferred tax recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- *Annual improvements to IFRS 2018-2020*

Annual improvements of IFRS 2018-2020 Cycle should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- IFRS No.1 *First-time Adoption of International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- IFRS No.9 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- IFRS No.16 *Leases* – Lease incentives
- IAS No.41 *Agriculture* – Measuring fair value

2.2 Measurement Basis

The consolidated financial statements have been prepared based on the historical cost accounting model unless otherwise specified.

2.3 Functional and Presentation Currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are presented in Korean won, which is the Parent Company’s functional and presentation currency.

2.4 Critical Accounting Estimates

The Group applies accounting policies and uses judgements, accounting estimates, and assumptions that may have a significant impact on the assets (liabilities) and incomes (expenses) in preparing the consolidated financial statements. Management’s estimates of outcomes may differ from actual outcomes if management’s estimates and assumptions based on management’s best judgment are different from the actual environment.

Estimates and underlying assumptions are continually evaluated, and changes in accounting estimates are recognized in the period in which the estimates are changed and in any future periods affected.

Uncertainties in estimates and assumptions with significant risks that may result in material adjustments to the consolidated financial statements are as follows:

2.4.1 Income taxes

As the income taxes on the Group’s taxable income is calculated by applying the tax laws of various countries and the decisions of tax authorities, there is uncertainty in calculating the final tax effect.

If a certain portion of the taxable income is not used for investments, wages, etc. in accordance with the Korean regulation called ‘Special Taxation for Facilitation of Investment and Mutually-beneficial Cooperation’, the Group is liable to pay additional income tax calculated based on the tax laws. Therefore, the effect of recirculation of corporate income should be reflected in current and deferred income tax. As the Group’s income tax is dependent on the actual investments, wages, etc. per each year, there are uncertainties in measuring the final tax effects during the period when the tax law is applied.

2.4.2 Fair value of financial instruments

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

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

2.4.3 Allowances and provisions for credit losses

The Group recognizes and measures allowances for credit losses of debt instruments measured at amortized cost, debt instruments measured at fair value through other comprehensive income, and lease receivables. Also, the Group recognizes and measures provisions for credit losses of acceptances and guarantees, and unused loan commitments. Accuracy of allowances and provisions for credit losses is dependent upon estimation of expected cash flows of the borrower subject to individual assessment of impairment, and upon assumptions and variables of model used in collective assessment of impairment and estimation of provisions for credit losses of acceptances and guarantees, and unused loan commitments.

2.4.4 Net defined benefit liability

The present value of the net defined benefit liability is affected by changes in the various factors determined by the actuarial method.

2.4.5 Impairment of goodwill

The recoverable amounts of cash-generating units are determined based on value-in-use calculations to test whether impairment of goodwill has occurred.

2.4.6 Estimated claims for Incurred But Not Reported (“IBNR”)

An amount of IBNR is the total sum of estimated insurance claims that shall be paid for accidents that occurred but have not been reported to the Group and estimated insurance claims that shall be additionally paid upon resumption of payment claims. The Group calculates IBNR by applying statistical methods in risk units prescribed in Detailed Regulations on Supervision of Insurance Business, and records IBNR in reserve for outstanding claims of insurance liability. IBNR based on statistical methods requires significant accounting estimates in determining the application methodology for each accident year (PLDM, ILDM, BFM, and others) and determining the loss development factor.

2.4.7 Assessment of expected credit losses of financial instruments related to COVID-19

The proliferation of COVID-19 in 2021 negatively affected the global economy, despite various forms of government support policy. Accordingly, the Group was provided with various economic forecasting scenarios from KB Research, assuming macroeconomic changes due to the level of COVID-19 pandemic. The Group reviewed the possibilities of each scenario comprehensively, updated the forward-looking information, and reflected its effect on expected credit losses through the statistical method. In addition, for financial assets in risky industries vulnerable to the impact of COVID-19, the Group measured expected credit losses using a conservative scenario comparing to the forecasted forward-looking information and reflected credit risk that will increase in the future, such as by expanding the scope of loans subject to lifetime expected credit losses (non-impaired). The Group will continue to monitor the impact of COVID-19 on the expected credit losses by comprehensively considering the duration of the impact on the entire economy and the government's policies.

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

For the comparative purpose, certain information in the notes for the years ended December 31, 2019 and 2020 have been reclassified to conform to the presentation for the year ended December 31, 2021.

3.1 Consolidation

3.1.1 Subsidiaries

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

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). The difference between fair value of any consideration paid and carrying amount of the subsidiary's net assets attributable to the additional interests acquired, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group loses control, any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost, with the resulting difference recognized in profit or loss. This fair value will be the fair value on initial recognition of a financial asset in accordance with IFRS No.9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. In addition, all amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for on

the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Therefore, amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Group accounts for each business combination by applying the acquisition method. The consideration transferred is measured at fair value, and identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are initially measured at acquisition-date fair values. For each business combination, the Group measures non-controlling interests in the acquiree that entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation at either (a) fair value or (b) the proportionate share in the recognized amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed in the periods in which the costs are incurred.

In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be reclassified as profit or loss, or retained earnings, on the same basis as would be required if the Group had directly disposed of the previously held equity interest.

The Group applies the book-value method to account for business combinations of entities under common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book value on the consolidated financial statements of the Group. In addition, the difference between (a) the sum of consolidated net book value of the assets and liabilities transferred and accumulated other comprehensive income and (b) the consideration paid, is recognized as capital surplus.

3.1.2 Associates and joint ventures

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

Joint ventures are investments in which the Group has joint control over economic activities pursuant to contractual arrangement. Decisions about strategic financial and operating policies require unanimous consent of the parties sharing control.

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

If associates or joint ventures use accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associates or joint ventures' accounting policies conform to those of the Group when the associates or joint ventures' financial statements are used by the Group in applying the equity method.

If the Group's share of losses of associates and joint ventures equals or exceeds its interest in the associates (including long-term interests that, in substance, form part of the Group's net investment in the associates), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

The Group determines at each reporting period whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying amount and recognizes the amount as non-operating expenses in the consolidated statement of comprehensive income.

3.1.3 Structured entity

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. When the Group decides whether it has power over the structured entities in which the Group has interests, it considers factors such as the purpose, the form, the substantive ability to direct the relevant activities of a structured entity, the nature of its relationship with a structured entity, and the amount of exposure to variable returns.

3.1.4 Funds management

The Group manages and operates trust assets, collective investment, and other funds on behalf of investors. These trusts and funds are not consolidated, except for trusts and funds over which the Group has control.

3.1.5 Intragroup transactions

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

3.2 Foreign Currency

3.2.1 Foreign currency transactions

A foreign currency transaction is recorded, at initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate which is the spot exchange rate at the end of the reporting period. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was measured and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Except for the exchange differences for the net investment in a foreign operation and the financial liability designated as a hedging instrument of net investment, exchange differences arising on the settlement of monetary items or on translating monetary items are recognized in profit or loss. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income, conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

3.2.2 Foreign operations

The results and financial position of a foreign operation, whose functional currency differs from the Group's presentation currency, are translated into the Group's presentation currency based on the following procedures.

If the functional currency of a foreign operation is not the currency of a hyperinflationary economy, assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the end of the reporting period, income and expenses for each statement of comprehensive income

presented (including comparatives) are translated using the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and are translated into the presentation currency at the closing rate.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized. On the partial disposal of a subsidiary that includes a foreign operation, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

3.2.3 Translation of the net investment in a foreign operation

A monetary item that is receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the Group's net investment in that foreign operation, then foreign currency difference arising from that monetary item is recognized in the other comprehensive income and shall be reclassified to profit or loss on disposal of the net investment.

3.3 Recognition and Measurement of Financial Instruments

3.3.1 Initial recognition

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

For financial reporting purpose, the Group classifies (a) financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, or financial assets at amortized cost and (b) financial liabilities as financial liabilities at fair value through profit or loss, or other financial liabilities. These classifications are based on the business model for managing financial instruments and the contractual cash flow characteristics of the financial instrument at initial recognition.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received) in an arm's length transaction.

3.3.2 Subsequent measurement

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

3.3.2.1 Amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

3.3.2.2 Fair value

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

If there is no active market for a financial instrument, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, referencing the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models.

The Group uses valuation models that are commonly used by market participants and customized for the Group to determine fair values of common over-the-counter ("OTC") derivatives such as options, interest rate swaps, and currency swaps which are based on the inputs observable in markets. However, for some complex financial instruments that require fair value measurement by valuation techniques based on certain assumptions because some or all inputs used in the model are not observable in the market, the Group uses internal valuation models developed from general valuation models or valuation results from independent external valuation institutions.

In addition, the fair value information recognized in the consolidated statement of financial position is classified into the following fair value hierarchy, reflecting the significance of the input variables used in the fair value measurement.

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 : Unobservable inputs for the asset or liability

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

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

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

The Group uses valuation technique which maximizes the use of market inputs and minimizes the use of entity-specific inputs. It incorporates all factors that market participants would consider in pricing the asset or

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

3.3.3 Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the consolidated statement of financial position. The derecognition criteria for financial assets and financial liabilities are as follows:

3.3.3.1 Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial assets expire or the Group transfers substantially all the risks and rewards of ownership of the financial asset, or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group has not retained control. Therefore, if the Group does not transfer substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

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

The Group writes off a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. In general, the Group considers write-off when it is determined that the debtor does not have sufficient funds or income to cover the principal and interest. The write-off decision is made in accordance with internal regulations. After the write-off, the Group can continue to collect the written-off loans according to the internal policy. Recovered amounts from financial assets previously written-off are recognized in profit or loss.

3.3.3.2 Derecognition of financial liabilities

A financial liability is derecognized from the consolidated statement of financial position when it is extinguished (i.e., the obligation specified in the contract is discharged, canceled or expires).

3.3.4 Offsetting

A financial asset and a financial liability are offset, and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on a future event and must be legally enforceable in the normal course of business, the event of default, and the event of insolvency or bankruptcy of the Group and all of the counterparties.

3.4 Cash and Due from Financial Institutions

Cash and due from financial institutions include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and due from financial institutions. Cash and due from financial institutions are measured at amortized cost.

3.5 Non-derivative Financial Assets

3.5.1 Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss unless they are classified as financial assets at amortized cost or at fair value through other comprehensive income.

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an ‘accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in fair value are recognized in profit or loss. Interest income using the effective interest method and dividend income from financial assets at fair value through profit or loss are also recognized in profit or loss.

3.5.2 Financial assets at fair value through other comprehensive income

The Group classifies below financial assets as financial assets at fair value through other comprehensive income:

- Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the assets’ cash flows represent solely payments of principal and interest on the principal amount outstanding and;
- Equity instruments that are not held for short-term trading but held for strategic investment, and designated as financial assets at fair value through other comprehensive income

After initial recognition, a financial asset at fair value through other comprehensive income is measured at fair value. Gains or losses arising from a change in fair value, other than dividend income, interest income calculated using the effective interest method and exchange differences arising on monetary items which are recognized directly in profit or loss, are recognized in other comprehensive income in equity.

When the financial assets at fair value through other comprehensive income is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. However, cumulative gain or loss of equity instruments designated at fair value through other comprehensive income is reclassified to retained earnings not to profit or loss at disposal.

A financial asset at fair value through other comprehensive income denominated in foreign currency is translated at the closing rate. Exchange differences resulting from changes in amortized cost are recognized in profit or loss, and other changes are recognized in equity.

3.5.3 Financial assets at amortized cost

A financial asset, which is held within the business model whose objective is achieved by collecting contractual cash flows, and where the assets’ cash flows represent solely payments of principal and interest on the principal amount outstanding, is classified as a financial asset at amortized cost. After initial recognition, a financial asset at amortized cost is measured at amortized cost using the effective interest method and interest income is calculated using the effective interest method.

3.6 Expected Credit Losses of Financial Assets (Debt Instruments)

The Group recognizes loss allowances for expected credit losses at the end of the reporting period for financial assets at amortized cost and fair value through other comprehensive income except for financial assets at fair value through profit or loss.

Expected credit losses are estimated at present value of probability-weighted amount that is determined by evaluating a range of possible outcomes. The Group measures expected credit losses by reflecting all reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

The approaches of measuring expected credit losses in accordance with IFRS are as follows:

- General approach: for financial assets and unused loan commitments not subject to the below 2 approaches
- Simplified approach: for trade receivables, contract assets, and lease receivables
- Credit-impaired approach: for financial assets that are credit-impaired at the time of acquisition

Application of general approach is differentiated depending on whether credit risk has increased significantly after initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures loss allowances for that financial instrument at an amount equal to 12-month expected credit losses, whereas if the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures loss allowances for a financial instrument at an amount equal to the lifetime expected credit losses. Lifetime is the period until the contractual maturity date of financial instruments and means the expected life.

The Group assesses whether the credit risk has increased significantly using the following criteria, and if one or more of the following criteria are met, it is deemed as significant increase in credit risk. Criterion of more than 30 days past due is applied to all subsidiaries, and other criteria are applied selectively considering specific indicators of each subsidiary or additionally considering specific indicators of each subsidiary. If the contractual cash flows of a financial asset have been renegotiated or modified, the Group assesses whether the credit risk has increased significantly using the same following criteria.

- More than 30 days past due
- Decline in credit rating at the end of the reporting period by certain notches or more compared to the time of initial recognition
- Subsequent managing ratings below certain level in the early warning system
- Debt restructuring (except for impaired financial assets) and
- Credit delinquency information of Korea Federation of Banks, etc.

Under simplified approach, the Group always measures loss allowances at an amount equal to lifetime expected credit losses. Under credit-impaired approach, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as loss allowances at the end of the reporting period. In assessing credit impairment, the Group uses definition of default as in the new Basel Accord which rules calculation of Capital Adequacy Ratio.

The Group generally considers the loan to be credit-impaired if one or more of the following criteria are met:

- 90 days or more past due

- Legal proceedings related to collection
- A borrower registered on the credit management list of Korea Federation of Banks
- A corporate borrower with the credit rating C and D
- Refinancing and
- Debt restructuring, etc.

3.6.1 Forward-looking information

The Group uses forward-looking information, when determining whether credit risk has increased significantly and measuring expected credit losses.

The Group assumes that the risk components have a constant correlation with the economic cycle and uses statistical methodologies to estimate the relation between key macroeconomic variables and risk components for the expected credit losses.

The correlation between the major macroeconomic variables and the credit risk are as follows:

<u>Key macroeconomic variables</u>	<u>Correlation between the major macroeconomic variables and the credit risk</u>
Domestic GDP growth rate	(-)
Composite stock index	(-)
Rate of change of construction investment	(-)
Rate of change of housing transaction price index	(-)
Interest rate spread	(+)
Private consumption growth rate	(-)
Change of call rate compared to the previous year (%p)	(+)
Rate of change of household loan	(-)

Forward-looking information used in calculation of expected credit losses is based on the macroeconomic forecasts utilized by management of the Group for its business plan considering reliable external agency's forecasts and others. The forward-looking information is generated by KB Research with a comprehensive approach to capture the possibility of various economic forecast scenarios that are derived from the internal and external viewpoints of the macroeconomic situation. The Group determines the macroeconomic variables to be used in forecasting future conditions of the economy, considering the direction of the forecast scenario and the significant relationship between macroeconomic variables and time series data. And there are some changes compared to the macroeconomic variables used in the previous year.

In order to reflect additional credit risk for financial assets whose industries are highly affected by COVID-19, the Group measures expected credit losses using a conservative scenario compared to the forecasted forward-looking information.

3.6.2 Measuring expected credit losses on financial assets at amortized cost

The expected credit losses of financial assets at amortized cost are measured as present value of the difference between the contractual cash flows to be received and the cash flows expected to be received. The Group estimates expected future cash flows for financial assets that are individually significant. The Group selects the individually significant financial assets by comprehensively considering quantitative and qualitative factors (such as debt restructuring or negative net assets, etc.) among financial assets with the credit risk has increased significantly or credit-impaired (individual assessment of impairment).

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

3.6.2.1 Individual assessment of impairment

Individual assessment of impairment losses is performed using management's best estimate on the present value of expected future cash flows. The Group uses all the available information including financial condition of the borrower such as operating cash flow and net realizable value of any collateral held.

3.6.2.2 Collective assessment of impairment

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

The lifetime expected credit losses are measured by applying the PD to the carrying amount calculated by deducting the expected principal repayment amount from the carrying amount as of the reporting date and the LGD adjusted to reflect changes in the carrying amount.

3.6.3 Measuring expected credit losses on financial assets at fair value through other comprehensive income

The Group measures expected credit losses on financial assets at fair value through other comprehensive income in a manner that is consistent with the requirements that are applicable to financial assets at amortized cost. However, loss allowances are recognized in other comprehensive income. Upon disposal or repayment of financial assets at fair value through other comprehensive income, the amount of loss allowances is reclassified from other comprehensive income to profit or loss.

3.7 Derivative Financial Instruments

The Group enters into numerous derivative financial instrument contracts such as currency forwards, interest rate swaps, currency swaps, and others for trading purposes or to manage its interest rate risk, currency risk, and others. The Group's derivative financial instruments business focuses on addressing the needs of the Group's corporate clients to hedge their risk exposure and to hedge the Group's risk exposure that results from such client contracts. These derivative financial instruments are presented as derivative financial instruments in the consolidated financial statements irrespective of transaction purpose and subsequent measurement requirement.

The Group designates certain derivative financial instruments as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) and the risk of changes in cash flow (cash flow hedge). The Group designates certain derivative and non-derivative financial instruments as hedging instruments to hedge the currency risk of the net investment in a foreign operation (hedge of net investment).

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

Derivative financial instruments are initially recognized at fair value. After initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below.

3.7.1 Derivative financial instruments held for trading

All derivative financial instruments, except for derivatives that are designated and qualify for hedge accounting, are measured at fair value. Gains or losses arising from changes in fair value are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

3.7.2 Derivative financial instruments for fair value hedges

If derivative financial instruments are designated and qualify for fair value hedges, changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the hedged risk are recognized in profit or loss as part of other operating income or expenses. If the hedged items are equity instruments for which the Group has elected to present changes in fair value in other comprehensive income, changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the hedged risk are recognized in other comprehensive income.

Fair value hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedging relationship ceases to meet the qualifying criteria. Once fair value hedge accounting is discontinued, the adjustment to the carrying amount of a hedged item is amortized to profit or loss by the maturity of the financial instrument using the effective interest method.

3.7.3 Derivative financial instruments for cash flow hedges

The effective portion of changes in fair value of derivative financial instruments that are designated and qualify for cash flow hedges is recognized in other comprehensive income, limited to the cumulative change in fair value (present value) of the hedged item (the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge. The ineffective portion is recognized in profit or loss as other operating income or expenses. The associated gains or losses that were previously recognized in other comprehensive income are reclassified from equity to profit or loss (other operating income or expenses) as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. Cash flow hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedging relationship ceases to meet the qualifying criteria. When the cash flow hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that have been recognized in other comprehensive income are reclassified to profit or loss over the period in which the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gains or losses that have been recognized in other comprehensive income are immediately reclassified to profit or loss.

3.7.4 Derivative and non-derivative financial instruments designated for net investments hedges

If derivative and non-derivative financial instruments are designated and qualify for the net investment hedge, the effective portion of changes in fair value of the hedging instrument is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss as other operating income or expenses. The cumulative gains or losses on the hedging instrument relating to the effective portion of the hedge that have been accumulated in other comprehensive income will be reclassified from other comprehensive income to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation.

3.7.5 Embedded derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if, (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and (c) the hybrid contract contains a host that is not a financial asset and is not designated as at fair value through profit or loss. Gains or losses arising from a change in fair value of an embedded derivative separated from the host contract are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

3.7.6 Day one gains or losses

If the Group uses a valuation technique that incorporates unobservable inputs for the fair value of the OTC derivatives at initial recognition, there may be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the difference is not recognized in profit or loss but deferred and amortized using the straight-line method over the life of the financial instrument. If the fair value is subsequently determined using observable inputs, the remaining deferred amount is recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss or other operating income or expenses.

3.8 Property and Equipment

3.8.1 Recognition and measurement

Property and equipment that qualify for recognition as an asset are measured at cost and subsequently carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. When part of an item of property and equipment has a useful life different from that of the entire asset, it is recognized as a separate asset.

3.8.2 Depreciation

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

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

The depreciation method and estimated useful life of property and equipment are as follows:

<u>Property and equipment</u>	<u>Depreciation method</u>	<u>Estimated useful life</u>
Buildings	Straight-line	20~40 years
Leasehold improvements	Declining-balance/ Straight-line	4~15 years
Equipment and vehicles	Declining-balance/ Straight-line	3~15 years

The residual value, the useful life, and the depreciation method applied to an asset are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

3.9 Investment Properties

3.9.1 Recognition and measurement

Properties held to earn rentals or for capital appreciation or both are classified as investment properties. Investment properties are measured initially at their cost and subsequently the cost model is used.

3.9.2 Depreciation

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

The depreciation method and estimated useful life of investment properties are as follows:

<u>Investment properties</u>	<u>Depreciation method</u>	<u>Estimated useful life</u>
Buildings	Straight-line	20~40 years

The residual value, the useful life, and the depreciation method applied to an asset are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

3.10 Intangible Assets

Intangible assets are measured initially at cost and subsequently carried at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets, except for goodwill and membership rights, are amortized using the straight-line or declining-balance method with no residual value over their estimated useful life since the assets are available for use.

<u>Intangible assets</u>	<u>Amortization method</u>	<u>Estimated useful life</u>
Industrial property rights	Straight-line	3 ~ 19 years
Software	Straight-line	3 ~ 5 years
Value of business acquired	Declining-balance	30, 60 years
Others	Straight-line / Declining-balance	1 ~ 13 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Where an intangible asset is not being amortized because its useful life is indefinite, the Group carries out a review in each accounting period to confirm whether events and circumstances still support an indefinite useful life assessment. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

3.10.1 Value of business acquired (“VOBA”)

In the case of acquisition of insurance company, the Group recognizes the difference amount as VOBA in intangible assets, if the fair value of the acquired insurance liability is less than the carrying amount based on the acquiree's accounting policy. In the opposite case, the difference amount is recognized as negative VOBA and

included in premium reserve. VOBA is an estimated present value of profits inherent in the future cash flow of insurance contracts at the acquisition date. VOBA is amortized over the above estimated useful life using declining balance method, and the amortization is recognized as insurance expense.

3.10.2 Goodwill

3.10.2.1 Recognition and measurement

Goodwill related to business combinations before January 1, 2010, is stated at its carrying amount, which was recognized under the Group's previous accounting policy, prior to the transition to IFRS.

Goodwill acquired from business combinations after January 1, 2010, is initially measured as the excess of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, the difference is recognized in profit or loss.

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

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

3.10.2.2 Additional acquisitions of non-controlling interests

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

3.10.2.3 Subsequent measurement

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

3.10.3 Subsequent expenditures

Subsequent expenditures are capitalized only when they enhance values of the assets. Internally generated intangible assets, such as goodwill and trade name, are not recognized as assets but expensed as incurred.

3.11 Impairment of Non-financial Assets

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

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that is expected to benefit from the synergies of the combination. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in a subsequent period. The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or may have decreased, and an impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

3.12 Non-current Assets Held for Sale

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. A non-current asset (or disposal group) classified as held for sale is measured at the lower of (a) its carrying amount measured in accordance with the applicable IFRS, immediately before the initial classification of the asset (or disposal group) as held for sale and (b) fair value less costs to sell.

A non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale is not depreciated (or amortized).

Impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Gain is recognized for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized.

3.13 Financial Liabilities

The Group classifies financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

3.13.1 Financial liabilities at fair value through profit or loss

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

In relation to securities lending or borrowing transactions, when the Group borrows securities from the Korea Securities Depository and others, these transactions are managed as off-balance sheet items. The borrowed securities are treated as financial liabilities at fair value through profit or loss when they are sold. Changes in fair value at the end of the reporting period and difference between carrying amount at redemption and purchased amount are recognized in profit or loss.

In addition, the change in fair value of the financial liability designated at fair value through profit or loss that is attributable to change in the credit risk of that liability, the Group presents this change in other comprehensive income, and does not recycle this to profit or loss in accordance with IFRS No.9. However, if this treatment creates or enlarges an accounting mismatch, the Group recognizes this change in profit or loss.

3.13.2 Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities include deposits, borrowings, debentures, and others. At initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. After initial recognition, other financial liabilities are measured at amortized cost, and its interest expense is recognized, using the effective interest method.

When an asset is sold under repurchase agreement, the Group continues to recognize the asset with the amount sold being accounted for as borrowings. The Group derecognizes a financial liability from the consolidated statement of financial position only when it is extinguished (i.e., when the obligation specified in the contract is discharged, canceled or expires).

3.14 Insurance Contracts

KB Insurance Co., Ltd., KB Life Insurance Co., Ltd., and Prudential Life Insurance Company of Korea Ltd., the subsidiaries of the Group, issue insurance contracts.

Insurance contracts are defined as “a contract under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder”. A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Such a contract that does not contain significant insurance risk is classified as an investment contract and is within the scope of IFRS No.9 *Financial Instruments* to the extent that it gives rise to a financial asset or financial liability, except if the investment contract contains a Discretionary Participation Features (DPF). If the contract has a DPF, the contract is subject to IFRS No.4 *Insurance Contracts*. The Group recognizes assets and liabilities relating to insurance contracts as other assets and insurance liabilities in the consolidated statement of financial position, and income and expense relating to insurance contracts as insurance income and expenses in the consolidated statement of comprehensive income, respectively.

3.14.1 Insurance premiums

The Group recognizes collected premiums as revenue on the due date of collection of premiums from insurance contracts and the collected premium which is not earned at the end of the reporting period is recognized as unearned premium.

3.14.2 Insurance liabilities

The Group recognizes a liability for future claims, refunds, dividends to policyholders, and related expenses as follows:

3.14.2.1 Premium reserve

The Group accumulates the amount calculated based on the net insurance premium already received for future claim payments for insurance contracts maintained at the end of the reporting period. It is calculated as the greater of the amount using standard interest rate and standard risk ratio defined by director of the Financial Supervisory Services and the amount using the basic ratios that have been used in premium calculation.

3.14.2.2 Reserve for outstanding claims

When the insured event has occurred before the end of the reporting period, but the claim amount is not confirmed, reserve for outstanding claims is calculated based on the estimated amount to be paid.

3.14.2.3 Unearned premium reserve

Unearned premium reserve is the premium which is to be allocated to the following period among the premium which is due before the end of the reporting period.

3.14.2.4 Reserve for dividend to policyholders

Reserve for dividend to policyholders including dividend of interest rate differential, rate of risk differential, and business expenses differential is recognized for the purpose of provisioning for policyholders' dividends in the future in accordance with statutes or insurance terms and conditions.

3.14.3 Liability adequacy test ("LAT")

The Group conducts a liability adequacy test for all contracts to which IFRS No.4 *Insurance Contracts* apply, in consideration of current estimates of all cash inflows and cash outflows from the insurance contracts at the end of the reporting period including options, guarantees, claims handling costs, and policy loans. If the assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognized in profit or loss.

Future cash flows from long-term insurance are discounted at interest rate scenario, which is a risk-free rate scenario adjusted by liquidity premium, whereas future cash flows from general insurance are not discounted to present value. In the case of insurance premium and unearned premium reserve, all future cash flows such as payment of claims, administration expenses, and premium received from policyholders are considered for the liability adequacy test. And in the case of reserve for outstanding claims, the adequacy of individually estimated claims is evaluated by applying models among various statistical methods that are considered appropriate for claim development trend.

3.14.4 Deferred acquisition costs

The Group recognizes acquisition cost incurred by the long-term insurance contract as an asset and amortizes it evenly over the premium payment period. If the premium payment period exceeds seven years, the amortization period shall be seven years. If the insurance contract is surrendered or lapsed due to payment overdue, the remaining balances of deferred acquisition cost are fully amortized in the period in which the contract is surrendered or lapsed.

3.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Inevitable risks and uncertainties surrounding related events and circumstances are considered in measuring the best estimate of the provisions, and where the effect of the time value of money is material, the amount of provisions is the present value of the expenditures expected to be required to settle the obligation.

Provisions for confirmed and unconfirmed acceptances and guarantees, and unused credit lines of consumer and corporate loans are recognized using a valuation model that applies the credit conversion factor, PD, and LGD.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as provisions.

3.16 Financial Guarantee Contracts

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value and classified as other liabilities and are amortized over the contractual term. After initial recognition, financial guarantee contracts are measured at the higher of:

- The amount determined in accordance with IFRS No.9 *Financial Instruments* and
- The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with IFRS No.15 *Revenue from Contracts with Customers*.

3.17 Equity Instrument Issued by the Group

An equity instrument is any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

3.17.1 Ordinary shares

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

3.17.2 Hybrid securities

The financial instruments can be classified as either financial liabilities or equity in accordance with the terms of the contract. The Group classifies hybrid securities as an equity if the Group has the unconditional right to avoid any contractual obligation to deliver cash or another financial asset in relation to the financial

instruments. However, hybrid securities issued by subsidiaries are classified as non-controlling interests, dividends are recognized in the consolidated statement of comprehensive income as profit attributable to non-controlling interests.

3.17.3 Treasury shares

If the Group acquires its own equity instruments, these are accounted for as treasury shares and are deducted directly from equity. No gains or losses are recognized in profit or loss on the purchase, sale, issue or retirement of own equity instruments. If an entity within the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

3.17.4 Compound financial instruments

A compound financial instrument is classified as a financial liability or an equity instrument depending on the substance of the contractual arrangement of such financial instrument. The liability component of the compound financial instrument is measured at fair value of the similar liability without conversion option at initial recognition and subsequently measured at amortized cost using effective interest method until it is extinguished by conversion or matured. Equity component is initially measured at fair value of compound financial instrument in its entirety less fair value of liability component net of tax effect, and it is not remeasured subsequently.

3.18 Revenue Recognition

The Group recognizes revenues in accordance with the following steps determined in accordance with IFRS No.15 *Revenue from Contracts with Customers*.

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

3.18.1 Interest income and expense

Interest income and expense on debt securities at fair value through profit or loss (excluding beneficiary certificates, equity investments, and other debt instruments), loans, financial instruments at amortized cost, and debt securities at fair value through other comprehensive income are recognized in the consolidated statement of comprehensive income using the effective interest method in accordance with IFRS No.9 *Financial Instruments*. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

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

Interest income on impaired financial assets is recognized using the interest rate used to discount the expected cash flows for the purpose of measuring the impairment loss.

Interest income on debt securities at fair value through profit or loss is also classified as interest income in the consolidated statement of comprehensive income.

3.18.2 Fee and commission income

The Group recognizes financial service fees in accordance with the purpose of charging the fees and the accounting standards of the financial instrument related to the fees earned.

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

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

3.18.2.2 Fees related to performance obligations satisfied over time

If the control of a good or service is transferred over time, the Group recognizes revenue related to performance obligations over the period of performance obligations. Fees charged in return for the services for a certain period of time, such as asset management fees, consignment business fees, etc. are recognized over the period of performance obligations.

3.18.2.3 Fees related to performance obligations satisfied at a point in time

Fees earned at a point in time are recognized as revenue when a customer obtains controls of a promised good or service and the Group satisfies a performance obligation.

Commission on negotiation or participation in negotiation for the third party such as trading stocks or other securities, arranging merger and acquisition of business, is recognized as revenue when the transaction has been completed.

If the Group arranges a syndicated loan but does not participate in the syndicated loan or participates in the syndicated loan with the same effective profit as other participants, a syndication arrangement fee is recognized as revenue at the completion of the syndication service.

3.18.3 Net gains or losses on financial instruments at fair value through profit or loss

Net gains or losses on financial instruments at fair value through profit or loss (including changes in fair value, dividends, and gains or losses from foreign currency translation) include gains or losses on financial instruments as follows:

- Gains or losses relating to financial instruments at fair value through profit or loss (excluding interest income using the effective interest rate method)
- Gains or losses relating to derivative financial instruments for trading (including derivative financial instruments for hedging purpose but do not qualify for hedge accounting)

3.18.4 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income is recognized as net gains or losses on financial instruments at fair value through profit or loss or other operating income depending on the classification of equity securities.

3.19 Employee Compensation and Benefits

3.19.1 Post-employment benefits

3.19.1.1 Defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as post-employment benefits for the period.

3.19.1.2 Defined benefit plans

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

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

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from the introduction or changes to a defined benefit plan. Such past service cost is immediately recognized as an expense for the period.

3.19.2 Short-term employee benefits

Short-term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense for the period.

The expected cost of profit-sharing and bonus payments is recognized as liabilities when the Group has a present legal or constructive obligation to make payments as a result of past events, such as service rendered by employees, and a reliable estimate of the obligation can be made.

3.19.3 Share-based payment

The Group provides its executives and employees with stock grants, mileage stock, and long-term share-based payments programs. When stock grants are exercised, the Group can either select to distribute newly issued shares or treasury shares or compensate in cash based on the share price. When mileage stock and long-term share-based payments are exercised, the Group pays the amount equivalent to share price of KB Financial Group Inc. in cash.

For a share-based payment transaction in which the terms of the arrangement provide the Group with the choice of whether to settle in cash or by issuing equity instruments, the Group accounts for the transaction in accordance with the requirements applying to cash-settled share-based payment transactions because the Group determines that it has a present obligation to settle in cash based on a past practice and a stated policy of settling in cash. Therefore, the Group measures the liability incurred as consideration for the service received at fair value and recognizes related expense and accrued expense over the vesting periods. For mileage stock and long-term share-based payments program, the Group accounts for the transaction in accordance with the requirements applying to cash-settled share-based payment transactions, which are recognized as expense and accrued expenses at the time of vesting.

Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss as share-based payments.

3.19.4 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognizes a liability and expense for termination benefits at the earlier of the following dates; when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring that is within the scope of IAS No.37 and involves the payment of termination benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, then the termination benefits are discounted to present value.

3.20 Income Tax Expense

Income tax expense comprises current tax expense and deferred income tax expense. Current and deferred income tax are recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from (a) a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity and (b) a business combination.

3.20.1 Current income tax

Current income tax is the amount of income tax payable (recoverable) in respect of the taxable profit (tax loss) for a period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation, or expense that is not deductible in determining taxable profit (loss). Current income tax liabilities for the current and prior periods are measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Group offsets current income tax assets and current income tax liabilities if, and only if, the Group (a) has a legally enforceable right to set off the recognized amounts and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.20.2 Deferred income tax

Deferred income tax is recognized, using the asset-liability method, on temporary differences arising between the tax-based amount of assets and liabilities and their carrying amount in the financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting nor taxable profit or loss.

The Group recognizes a deferred income tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Group reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred income tax assets and deferred income tax liabilities if, and only if the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

3.20.3 Uncertain tax positions

Uncertain tax positions arise from tax treatments applied by the Group which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, such as a claim for rectification, a claim for a refund related to additional tax or a tax investigation by the tax authorities. The Group recognizes its uncertain tax positions in the consolidated financial statements in accordance with IAS No.12 and IFRIC No.23. The income tax asset is recognized if a tax refund is probable for taxes levied by the tax authority, and the amount to be paid as a result of the tax investigation and others is recognized as the current tax payable. However, penalty tax and additional refund on tax are regarded as penalty or interest and are accounted for in accordance with IAS No.37.

3.21 Earnings per Share

The Group calculates basic earnings per share amounts and diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the Parent Company and presents them in the consolidated statement of comprehensive income. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary equity holders of the Parent Company and weighted average number of shares outstanding, taking into account all potential dilution effects, such as exchangeable bonds and share-based payments given to employees.

3.22 Lease

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

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

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

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

The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

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

However, the Group can elect not to apply the requirements of IFRS No.16 to short-term lease (lease that, at the commencement date, has a lease term of 12 months or less) and leases for which the underlying asset is of low value (for example, underlying leased asset under USD 5,000).

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

For sale and leaseback transactions, the Group applies the requirements of IFRS No.15 *Revenue from Contracts with Customers*, to determine whether the transfer of an asset is accounted for as a sale of that asset.

3.23 Operating Segments

The Group identifies its operating segments based on internal reports which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

Segment information includes items which are directly attributable and can be allocated to the segment on a reasonable basis.

3.24 Overlay Approach

The Group applies the overlay approach in accordance with IFRS No.4 and a financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met:

- It is measured at fair value through profit or loss applying IFRS No.9 but would not have been measured at fair value through profit or loss in its entirety applying IAS No.39 and
- It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS No.4.

The Group reclassifies between profit or loss and other comprehensive income, and the amount reclassified is equal to the difference between:

- The amount reported in profit or loss for the designated financial assets applying IFRS No.9 and
- The amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied IAS No.39.

The Group is permitted to apply the overlay approach either at initial recognition or it may subsequently designate financial assets that newly meet criterion of not being held in respect of an activity that is unconnected with insurance contract, having previously not met that criterion.

The Group continues to apply the overlay approach to a designated financial asset until that financial asset is derecognized. However, the Group de-designates a financial asset when the financial asset no longer meets the criterion. In this case, the Group reclassifies from accumulated other comprehensive income to profit or loss as a reclassification adjustment any balance relating to that financial asset.

At the beginning of any annual period, the Group may stop applying the overlay approach to all designated financial assets, and cannot subsequently apply the overlay approach, if it stops using this approach because it is no longer an insurer.

3.25 United States dollar amounts

The Group operates primarily in Korea and its official accounting records are maintained in Korean won. The U.S. dollar amounts are provided herein as supplementary information solely for the convenience of the reader. Korean won amounts are expressed in U.S. dollars at the rate of ₩1,185.50 to U.S. \$1.00, the U.S. Federal Reserve Bank of New York buying exchange rate in effect at noon, December 31, 2021. Such convenience translation into US dollars should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

4. Financial Risk Management

4.1 Summary

4.1.1 Overview of financial risk management policy

The financial risks that the Group is exposed to are credit risk, market risk, liquidity risk, operational risk, and others.

This note regarding financial risk management provides information about the risks that the Group is exposed to and about its objectives, policies, risk assessment and management procedures, and capital management. Additional quantitative information is disclosed throughout the consolidated financial statements.

The Group's risk management system focuses on efficiently supporting long-term strategy and management decisions of the Group by increasing risk transparency, preventing risk transfer between subsidiaries and preemptive response to rapidly changing financial environments. Credit risk, market risk, operational risk, interest rate risk, insurance risk, liquidity risk, credit concentration risk, strategy risk, and reputation risk are recognized as the Group's significant risks and measured and managed by quantifying them in the form of internal capital or Value at Risk ("VaR") using statistical methods.

4.1.2 Risk management organization

4.1.2.1 Risk Management Committee

The Risk Management Committee, as the ultimate decision-making body, deals with risk-related issues, such as establishing risk management strategies in accordance with the strategic direction determined by the board of directors, determining the affordable level of risk appetite, reviewing the level of risk and the status of risk management activities, approving the application of risk management systems, methodologies, and major improvements, and establishing and approving risk management policies and procedures to timely recognize, measure, monitor, and control risks arising from various transactions by the Group.

4.1.2.2 Risk Management Council

The Risk Management Council is responsible for consulting on matters delegated by the Risk Management Committee and requests for review by the Management Executive Committee, consulting on details of each subsidiary's risk management policies and procedures, monitoring the Group's risk management status, and establishing and implementing necessary measures.

4.1.2.3 Risk Management Department

The Risk Management Department performs the Group's risk management detailed policies, procedures, and business processes, and is responsible for calculating the Group's risk-weighted assets, monitoring and managing internal capital limits.

4.2 Credit Risk

4.2.1 Overview of credit risk

Credit risk is the risk of loss from the portfolio of assets held due to the counterparty's default, breach of contract, and deterioration of credit quality. For risk management purposes, the Group manages all factors of credit risk exposure, such as default risk of individual borrowers, country risk, and risk of specific sectors in an integrated way.

4.2.2 Credit risk management

The Group measures the expected loss and internal capital for the assets subject to credit risk management, including on-balance and off-balance assets, and uses them as management indicators. The Group allocates and manages credit risk internal capital limits.

In addition, to prevent excessive concentration of exposures by borrower and industry, the total exposure limit at the Group level is introduced, applied, and managed to control the credit concentration risk.

All of the Kookmin Bank's loan customers (individuals and corporates) are assigned a credit rating and managed by a comprehensive internal credit evaluation system. For individuals, the credit rating is evaluated by utilizing personal information, income and job information, asset information, and bank transaction information. For corporates, the credit rating is evaluated by analyzing and utilizing financial and non-financial information which measures current and future corporate value and ability to repay the debt. Also, the extent to which corporates have the ability to meet debt obligations is comprehensively considered.

The credit rating, once assigned, serves as the fundamental instrument in Kookmin Bank's credit risk management, and is applied in a wide range of credit risk management processes, including credit approval, credit limit management, loan pricing, and assessment of allowances for credit losses. For corporates, Kookmin Bank conducts a regular credit evaluation at least once a year, and the review and supervision departments regularly validate the adequacy of credit ratings to manage credit risks.

KB Kookmin Card Co., Ltd.'s credit scoring system is divided into Application Scoring System ("ASS") and Behavior Scoring System ("BSS"). For applications that meet the eligibility criteria for card issuance, the card will be issued only if the ASS credit rating is above the standard. KB Kookmin Card Co., Ltd.'s internal information, external information from the credit bureau company and others, and personal information on the application are used to calculate the ASS credit rating. The BSS, which is recalculated on a weekly basis, predicts the delinquency probability of cardholders, and utilizes it to monitor cardholders and portfolio risk.

In order to establish a credit risk management system, the Group manages credit risk by forming a separate risk management organization. In particular, independently of the Sales Group, the Credit Management & Analysis Group of Kookmin Bank, a subsidiary, is in charge of loan policy, loan system, credit rating, credit analysis, follow-up management, and corporate restructuring. The Risk Management Group of Kookmin Bank is responsible for establishing policies on credit risk management, measuring and limiting internal capital of credit risk, setting credit limits, credit review, and verification of credit rating models.

4.2.3 Maximum exposure to credit risk

The Group's maximum exposures to credit risk without consideration of collateral values in relation to financial instruments other than equity securities as of December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
	(In millions of Korean won)	
Financial assets		
Due from financial institutions measured at amortized cost*	₩ 22,720,091	₩ 28,362,387
Financial assets at fair value through profit or loss:		
Due from financial institutions measured at fair value		
through profit or loss	100,094	200,742
Securities measured at fair value through profit or loss . . .	58,415,100	63,002,692
Loans measured at fair value through profit or loss	337,983	269,296
Financial instruments indexed to the price of gold	89,965	113,622
Derivatives	5,545,385	3,721,370
Loans measured at amortized cost*	377,166,984	417,900,273
Financial investments:		
Securities measured at fair value through other comprehensive		
income	58,456,889	56,259,511
Securities measured at amortized cost*	36,870,229	44,471,628
Loans measured at fair value through other comprehensive		
income	293,409	313,604
Other financial assets*	14,167,689	10,755,350
	<u>574,163,818</u>	<u>625,370,475</u>
Off-balance sheet items		
Acceptances and guarantees contracts	8,548,928	10,199,689
Financial guarantee contracts	4,964,468	6,892,464
Commitments	159,133,983	170,218,143
	<u>172,647,379</u>	<u>187,310,296</u>
	<u>₩ 746,811,197</u>	<u>₩ 812,680,771</u>

* After netting of allowance

4.2.4 Credit risk of loans

The Group maintains allowances for loan losses associated with credit risk of loans to manage its credit risk.

The Group assesses expected credit losses and recognizes loss allowances of financial assets at amortized cost and financial assets at fair value through other comprehensive income. Financial assets at fair value through profit or loss are excluded. Expected credit losses are a probability-weighted estimate of possible credit losses occurring in a certain range by reflecting reasonable and supportable information that is reasonably available at the end of the reporting period without undue cost or effort, including information about past events, current conditions, and forecasts of future economic conditions. The Group measures the expected credit losses of loans classified as financial assets at amortized cost, by deducting allowances for credit losses. The expected credit losses of loans classified as financial assets at fair value through other comprehensive income are presented in other comprehensive income in the consolidated financial statements.

4.2.4.1 Credit risk exposure

Credit qualities of loans as of December 31, 2020 and 2021, are as follows:

	December 31, 2020				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
	(In millions of Korean won)				
Loans measured at amortized cost*					
Corporate					
Grade 1	₩ 93,033,311	₩ 4,646,801	₩ 7,042	₩ —	₩ 97,687,154
Grade 2	61,701,031	7,060,916	7,817	—	68,769,764
Grade 3	2,702,369	2,507,455	3,055	—	5,212,879
Grade 4	611,743	1,085,704	8,562	—	1,706,009
Grade 5	18,792	394,935	2,162,732	—	2,576,459
	<u>158,067,246</u>	<u>15,695,811</u>	<u>2,189,208</u>	<u>—</u>	<u>175,952,265</u>
Retail					
Grade 1	163,261,012	3,536,290	6,789	—	166,804,091
Grade 2	8,828,445	4,197,409	34,896	—	13,060,750
Grade 3	2,519,004	1,322,878	9,012	—	3,850,894
Grade 4	225,262	402,881	8,352	—	636,495
Grade 5	39,466	636,361	672,397	—	1,348,224
	<u>174,873,189</u>	<u>10,095,819</u>	<u>731,446</u>	<u>—</u>	<u>185,700,454</u>
Credit card					
Grade 1	8,210,540	412,555	—	—	8,623,095
Grade 2	5,831,625	708,405	—	—	6,540,030
Grade 3	1,526,382	1,216,434	—	—	2,742,816
Grade 4	16,978	247,241	—	—	264,219
Grade 5	2,101	118,907	506,462	—	627,470
	<u>15,587,626</u>	<u>2,703,542</u>	<u>506,462</u>	<u>—</u>	<u>18,797,630</u>
	<u>348,528,061</u>	<u>28,495,172</u>	<u>3,427,116</u>	<u>—</u>	<u>380,450,349</u>
Loans measured at fair value through other comprehensive income					
Corporate					
Grade 1	235,469	—	—	—	235,469
Grade 2	57,940	—	—	—	57,940
Grade 3	—	—	—	—	—
Grade 4	—	—	—	—	—
Grade 5	—	—	—	—	—
	<u>293,409</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>293,409</u>
	<u>293,409</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>293,409</u>
	<u>₩348,821,470</u>	<u>₩28,495,172</u>	<u>₩3,427,116</u>	<u>₩ —</u>	<u>₩380,743,758</u>

December 31, 2021

	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
(In millions of Korean won)					
Loans measured at amortized cost*					
Corporate					
Grade 1	₩111,284,284	₩ 5,345,956	₩ 3,705	₩ —	₩116,633,945
Grade 2	68,050,042	7,847,126	4,338	—	75,901,506
Grade 3	5,323,745	2,850,266	2,949	—	8,176,960
Grade 4	586,857	1,037,461	7,570	—	1,631,888
Grade 5	12,877	352,046	2,143,708	—	2,508,631
	<u>185,257,805</u>	<u>17,432,855</u>	<u>2,162,270</u>	<u>—</u>	<u>204,852,930</u>
Retail					
Grade 1	170,810,128	4,593,302	11,609	—	175,415,039
Grade 2	9,093,868	4,209,451	35,097	—	13,338,416
Grade 3	3,410,624	1,414,439	23,467	—	4,848,530
Grade 4	235,150	400,029	17,998	—	653,177
Grade 5	495,987	445,588	710,341	—	1,651,916
	<u>184,045,757</u>	<u>11,062,809</u>	<u>798,512</u>	<u>—</u>	<u>195,907,078</u>
Credit card					
Grade 1	10,640,412	1,113,400	—	—	11,753,812
Grade 2	3,919,053	1,027,546	—	—	4,946,599
Grade 3	1,360,908	1,412,951	—	—	2,773,859
Grade 4	82,565	608,250	—	—	690,815
Grade 5	1,267	130,712	527,256	—	659,235
	<u>16,004,205</u>	<u>4,292,859</u>	<u>527,256</u>	<u>—</u>	<u>20,824,320</u>
	<u>385,307,767</u>	<u>32,788,523</u>	<u>3,488,038</u>	<u>—</u>	<u>421,584,328</u>
Loans measured at fair value through other comprehensive income					
Corporate					
Grade 1	233,868	—	—	—	233,868
Grade 2	79,736	—	—	—	79,736
Grade 3	—	—	—	—	—
Grade 4	—	—	—	—	—
Grade 5	—	—	—	—	—
	<u>313,604</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>313,604</u>
	<u>313,604</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>313,604</u>
	<u>₩385,621,371</u>	<u>₩32,788,523</u>	<u>₩3,488,038</u>	<u>₩ —</u>	<u>₩421,897,932</u>

* Before netting of allowance

Credit qualities of loans graded according to internal credit ratings as of December 31, 2020 and 2021, are as follows:

	Range of probability of default (%)	Retail	Corporate
Grade 1	0.0 ~ 1.0	1 ~ 5 grade	AAA ~ BBB+
Grade 2	1.0 ~ 5.0	6 ~ 8 grade	BBB ~ BB
Grade 3	5.0 ~ 15.0	9 ~ 10 grade	BB- ~ B
Grade 4	15.0 ~ 30.0	11 grade	B- ~ CCC
Grade 5	30.0 ~	12 grade or under	CC or under

4.2.4.2 Quantification of the extent to which collateral and other credit enhancements mitigate credit risk of loans as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-impaired	Impaired	
		(In millions of Korean won)		
Guarantees	₩ 79,088,720	₩ 5,732,814	₩ 187,512	₩ 85,009,046
Deposits and savings	5,210,681	149,745	67,047	5,427,473
Property and equipment	11,607,675	808,476	120,471	12,536,622
Real estate	170,171,707	12,836,286	1,836,865	184,844,858
	<u>₩266,078,783</u>	<u>₩ 19,527,321</u>	<u>₩ 2,211,895</u>	<u>₩287,817,999</u>
	December 31, 2021			
	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-impaired	Impaired	
		(In millions of Korean won)		
Guarantees	₩ 90,696,507	₩ 6,604,758	₩ 396,097	₩ 97,697,362
Deposits and savings	5,723,090	98,389	79,229	5,900,708
Property and equipment	13,205,822	597,251	319,697	14,122,770
Real estate	182,139,890	13,736,634	1,990,847	197,867,371
	<u>₩291,765,309</u>	<u>₩ 21,037,032</u>	<u>₩ 2,785,870</u>	<u>₩315,588,211</u>

4.2.5 Credit risk of securities

Credit qualities of securities exposed to credit risk other than equity securities among financial investments as of December 31, 2020 and 2021, are as follows:

	December 31, 2020				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
	(In millions of Korean won)				
Securities measured at amortized cost*					
Grade 1	₩ 36,467,719	₩ —	₩ —	₩ —	₩ 36,467,719
Grade 2	359,551	—	—	—	359,551
Grade 3	38,847	7,061	—	—	45,908
Grade 4	—	—	—	—	—
Grade 5	—	—	—	—	—
	<u>36,866,117</u>	<u>7,061</u>	<u>—</u>	<u>—</u>	<u>36,873,178</u>
Securities measured at fair value through other comprehensive income					
Grade 1	54,576,777	—	—	—	54,576,777
Grade 2	3,746,200	—	—	—	3,746,200
Grade 3	126,391	—	—	—	126,391
Grade 4	7,521	—	—	—	7,521
Grade 5	—	—	—	—	—
	<u>58,456,889</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>58,456,889</u>
	<u>₩ 95,323,006</u>	<u>₩ 7,061</u>	<u>₩ —</u>	<u>₩ —</u>	<u>₩ 95,330,067</u>
	December 31, 2021				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
	(In millions of Korean won)				
Securities measured at amortized cost*					
Grade 1	₩ 43,427,028	₩ —	₩ —	₩ —	₩ 43,427,028
Grade 2	1,039,757	—	—	—	1,039,757
Grade 3	1,371	7,641	—	—	9,012
Grade 4	—	—	—	—	—
Grade 5	—	—	—	—	—
	<u>44,468,156</u>	<u>7,641</u>	<u>—</u>	<u>—</u>	<u>44,475,797</u>
Securities measured at fair value through other comprehensive income					
Grade 1	51,490,960	—	—	—	51,490,960
Grade 2	4,682,582	—	—	—	4,682,582
Grade 3	42,861	3,973	—	—	46,834
Grade 4	39,135	—	—	—	39,135
Grade 5	—	—	—	—	—
	<u>56,255,538</u>	<u>3,973</u>	<u>—</u>	<u>—</u>	<u>56,259,511</u>
	<u>₩100,723,694</u>	<u>₩ 11,614</u>	<u>₩ —</u>	<u>₩ —</u>	<u>₩100,735,308</u>

* Before netting of allowance

Credit qualities of securities other than equity securities, according to the credit ratings by external credit rating agencies as of December 31, 2020 and 2021, are as follows:

Credit quality	Domestic				Foreign		
	KIS	NICE P&I	KAP	FnPricing Inc.	S&P	Fitch-IBCA	Moody's
Grade 1	AA0 to AAA	AA0 to AAA	AA0 to AAA	AA0 to AAA	A- to AAA	A- to AAA	A3 to Aaa
Grade 2	A- to AA-	A- to AA-	A- to AA-	A- to AA-	BBB- to BBB+	BBB- to BBB+	Baa3 to Baa1
Grade 3	BBB0 to BBB+	BBB0 to BBB+	BBB0 to BBB+	BBB0 to BBB+	BB to BB+	BB to BB+	Ba2 to Ba1
Grade 4	BB0 to BBB-	BB0 to BBB-	BB0 to BBB-	BB0 to BBB-	B+ to BB-	B+ to BB-	B1 to Ba3
Grade 5	BB- or under	BB- or under	BB- or under	BB- or under	B or under	B or under	B2 or under

Credit qualities of debt securities denominated in Korean won are based on the lowest credit rating by the domestic credit rating agencies above, and those denominated in foreign currencies are based on the lowest credit rating by the foreign credit rating agencies above.

4.2.6 Credit risk of due from financial institutions

Credit qualities of due from financial institutions as of December 31, 2020 and 2021, are as follows:

	December 31, 2020						Total
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses			
		Non-impaired	Impaired				
(In millions of Korean won)							
Due from financial institutions measured at amortized cost*							
Grade 1	₩ 21,437,207	₩ —	₩ —	₩ —	₩ —	₩ —	₩21,437,207
Grade 2	334,371	—	—	—	—	—	334,371
Grade 3	445,732	13,099	—	—	—	—	458,831
Grade 4	479,142	—	—	—	—	—	479,142
Grade 5	13,520	—	283	—	—	—	13,803
	<u>₩ 22,709,972</u>	<u>₩ 13,099</u>	<u>₩ 283</u>	<u>₩ —</u>	<u>₩ —</u>	<u>₩ —</u>	<u>₩22,723,354</u>
	December 31, 2021						Total
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses			
		Non-impaired	Impaired				
(In millions of Korean won)							
Due from financial institutions measured at amortized cost*							
Grade 1	₩ 26,548,145	₩ —	₩ —	₩ —	₩ —	₩ —	₩26,548,145
Grade 2	1,305,539	—	—	—	—	—	1,305,539
Grade 3	61,177	—	—	—	—	—	61,177
Grade 4	439,511	—	—	—	—	—	439,511
Grade 5	10,984	—	—	—	—	—	10,984
	<u>₩ 28,365,356</u>	<u>₩ —</u>	<u>₩ —</u>	<u>₩ —</u>	<u>₩ —</u>	<u>₩ —</u>	<u>₩28,365,356</u>

* Before netting of allowance

The classification criteria of the credit qualities of due from financial institutions as of December 31, 2020 and 2021, are the same as the criteria for securities other than equity securities.

4.2.7 Credit risk mitigation of derivative financial instruments

Quantification of the extent to which collateral mitigates credit risk of derivative financial instruments as of December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
	(In millions of Korean won)	
Deposits, savings, securities, and others	₩ 1,651,322	₩ 834,175

4.2.8 Credit risk concentration analysis

4.2.8.1 Classifications of loans by country as of December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020 *</u>						
	<u>Retail</u>	<u>Corporate</u>	<u>Credit card</u>	<u>Total</u>	<u>%</u>	<u>Allowances</u>	<u>Carrying amount</u>
	(In millions of Korean won)						
Korea	₩182,344,832	₩160,385,598	₩18,734,570	₩361,465,000	94.85	₩(2,433,702)	₩359,031,298
Europe	—	2,042,979	—	2,042,979	0.54	(11,141)	2,031,838
China	—	4,518,737	654	4,519,391	1.19	(20,489)	4,498,902
Japan	94	923,354	10	923,458	0.24	(1,249)	922,209
United States	—	1,962,377	—	1,962,377	0.51	(21,489)	1,940,888
Cambodia	1,444,906	2,280,180	—	3,725,086	0.98	(89,652)	3,635,434
Indonesia	1,483,345	3,637,351	60,959	5,181,655	1.36	(699,947)	4,481,708
Others	427,276	833,080	1,437	1,261,793	0.33	(5,694)	1,256,099
	<u>₩185,700,453</u>	<u>₩176,583,656</u>	<u>₩18,797,630</u>	<u>₩381,081,739</u>	<u>100.00</u>	<u>₩(3,283,363)</u>	<u>₩377,798,376</u>

	<u>December 31, 2021 *</u>						
	<u>Retail</u>	<u>Corporate</u>	<u>Credit card</u>	<u>Total</u>	<u>%</u>	<u>Allowances</u>	<u>Carrying amount</u>
	(In millions of Korean won)						
Korea	₩191,601,232	₩183,222,201	₩20,766,535	₩395,589,968	93.70	₩(2,653,256)	₩392,936,712
Europe	—	2,673,817	—	2,673,817	0.63	(29,015)	2,644,802
China	34,982	6,743,756	327	6,779,065	1.61	(34,316)	6,744,749
Japan	86	1,039,453	8	1,039,547	0.25	(2,227)	1,037,320
United States	—	3,555,723	—	3,555,723	0.84	(28,113)	3,527,610
Cambodia	1,985,808	3,115,992	—	5,101,800	1.21	(70,660)	5,031,140
Indonesia	1,666,850	3,710,586	55,520	5,432,956	1.29	(841,145)	4,591,811
Others	618,120	1,374,302	1,930	1,994,352	0.47	(25,323)	1,969,029
	<u>₩195,907,078</u>	<u>₩205,435,830</u>	<u>₩20,824,320</u>	<u>₩422,167,228</u>	<u>100.00</u>	<u>₩(3,684,055)</u>	<u>₩418,483,173</u>

* Amount includes loans measured at fair value through profit or loss, other comprehensive income, and amortized cost.

4.2.8.2 Classifications of corporate loans by industry as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Loans	%	Allowances	Carrying amount
	(In millions of Korean won)			
Financial institutions	₩ 16,044,243	9.09	₩ (20,987)	₩ 16,023,256
Manufacturing	45,884,606	25.98	(473,360)	45,411,246
Service	76,001,877	43.04	(385,093)	75,616,784
Wholesale and retail	23,129,457	13.10	(241,021)	22,888,436
Construction	4,397,814	2.49	(190,819)	4,206,995
Public sector	1,660,370	0.94	(74,839)	1,585,531
Others	9,465,289	5.36	(285,660)	9,179,629
	<u>₩176,583,656</u>	<u>100.00</u>	<u>₩(1,671,779)</u>	<u>₩174,911,877</u>

	December 31, 2021			
	Loans	%	Allowances	Carrying amount
	(In millions of Korean won)			
Financial institutions	₩ 22,059,895	10.74	₩ (32,856)	₩ 22,027,039
Manufacturing	49,149,918	23.92	(510,762)	48,639,156
Service	86,926,095	42.31	(450,272)	86,475,823
Wholesale and retail	26,862,247	13.08	(257,541)	26,604,706
Construction	5,683,471	2.77	(228,803)	5,454,668
Public sector	2,070,960	1.01	(95,053)	1,975,907
Others	12,683,244	6.17	(311,629)	12,371,615
	<u>₩205,435,830</u>	<u>100.00</u>	<u>₩(1,886,916)</u>	<u>₩203,548,914</u>

4.2.8.3 Classifications of retail loans and credit card receivables as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Loans	%	Allowances	Carrying amount
	(In millions of Korean won)			
Housing loan	₩ 87,312,052	42.70	₩ (61,155)	₩ 87,250,897
General loan	98,388,401	48.11	(848,933)	97,539,468
Credit card	18,797,630	9.19	(701,496)	18,096,134
	<u>₩204,498,083</u>	<u>100.00</u>	<u>₩(1,611,584)</u>	<u>₩202,886,499</u>

	December 31, 2021			
	Loans	%	Allowances	Carrying amount
	(In millions of Korean won)			
Housing loan	₩ 93,695,479	43.23	₩ (71,424)	₩ 93,624,055
General loan	102,211,599	47.16	(933,571)	101,278,028
Credit card	20,824,320	9.61	(792,144)	20,032,176
	<u>₩216,731,398</u>	<u>100.00</u>	<u>₩(1,797,139)</u>	<u>₩214,934,259</u>

4.2.8.4 Classifications of due from financial institutions, securities other than equity securities, and derivative financial assets by industry as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Amount	%	Allowances	Carrying amount
(In millions of Korean won)				
Due from financial institutions measured at amortized cost				
Finance and insurance	₩ 22,723,354	100.00	₩ (3,263)	₩ 22,720,091
	<u>22,723,354</u>	<u>100.00</u>	<u>(3,263)</u>	<u>22,720,091</u>
Due from financial institutions measured at fair value through profit or loss				
Finance and insurance	100,094	100.00	—	100,094
	<u>100,094</u>	<u>100.00</u>	<u>—</u>	<u>100,094</u>
Securities measured at fair value through profit or loss				
Government and government funded institutions . . .	16,902,284	28.94	—	16,902,284
Finance and insurance	34,244,398	58.62	—	34,244,398
Others	7,268,418	12.44	—	7,268,418
	<u>58,415,100</u>	<u>100.00</u>	<u>—</u>	<u>58,415,100</u>
Derivative financial assets				
Government and government funded institutions . . .	44,670	0.81	—	44,670
Finance and insurance	4,925,535	88.82	—	4,925,535
Others	575,180	10.37	—	575,180
	<u>5,545,385</u>	<u>100.00</u>	<u>—</u>	<u>5,545,385</u>
Securities measured at fair value through other comprehensive income				
Government and government funded institutions . . .	26,205,864	44.83	—	26,205,864
Finance and insurance	24,847,602	42.51	—	24,847,602
Others	7,403,423	12.66	—	7,403,423
	<u>58,456,889</u>	<u>100.00</u>	<u>—</u>	<u>58,456,889</u>
Securities measured at amortized cost				
Government and government funded institutions . . .	24,018,884	65.14	(30)	24,018,854
Finance and insurance	11,019,911	29.89	(2,475)	11,017,436
Others	1,834,383	4.97	(445)	1,833,938
	<u>36,873,178</u>	<u>100.00</u>	<u>(2,950)</u>	<u>36,870,228</u>
	<u>₩182,114,000</u>		<u>₩ (6,213)</u>	<u>₩182,107,787</u>

	December 31, 2021			
	Amount	%	Allowances	Carrying amount
(In millions of Korean won)				
Due from financial institutions measured at amortized cost				
Finance and insurance	₩ 28,365,356	100.00	₩ (2,969)	₩ 28,362,387
	<u>28,365,356</u>	<u>100.00</u>	<u>(2,969)</u>	<u>28,362,387</u>
Due from financial institutions measured at fair value through profit or loss				
Finance and insurance	200,742	100.00	—	200,742
	<u>200,742</u>	<u>100.00</u>	<u>—</u>	<u>200,742</u>
Securities measured at fair value through profit or loss				
Government and government funded institutions . . .	16,101,187	25.56	—	16,101,187
Finance and insurance	35,025,800	55.59	—	35,025,800
Others	11,875,705	18.85	—	11,875,705
	<u>63,002,692</u>	<u>100.00</u>	<u>—</u>	<u>63,002,692</u>
Derivative financial assets				
Government and government funded institutions . . .	6,985	0.19	—	6,985
Finance and insurance	3,554,783	95.52	—	3,554,783
Others	159,602	4.29	—	159,602
	<u>3,721,370</u>	<u>100.00</u>	<u>—</u>	<u>3,721,370</u>
Securities measured at fair value through other comprehensive income				
Government and government funded institutions . . .	24,609,458	43.74	—	24,609,458
Finance and insurance	22,669,379	40.29	—	22,669,379
Others	8,980,674	15.97	—	8,980,674
	<u>56,259,511</u>	<u>100.00</u>	<u>—</u>	<u>56,259,511</u>
Securities measured at amortized cost				
Government and government funded institutions . . .	31,996,180	71.94	(34)	31,996,146
Finance and insurance	10,450,497	23.50	(3,337)	10,447,160
Others	2,029,120	4.56	(798)	2,028,322
	<u>44,475,797</u>	<u>100.00</u>	<u>(4,169)</u>	<u>44,471,628</u>
	<u>₩196,025,468</u>		<u>₩ (7,138)</u>	<u>₩196,018,330</u>

4.2.8.5 Classifications of due from financial institutions, securities other than equity securities, and derivative financial assets by country as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Amount	%	Allowances	Carrying amount
(In millions of Korean won)				
Due from financial institutions measured at amortized cost				
Korea	₩ 16,535,849	72.78	₩ (607)	₩ 16,535,242
United States	2,030,614	8.94	(283)	2,030,331
Others	4,156,891	18.28	(2,373)	4,154,518
	<u>22,723,354</u>	<u>100.00</u>	<u>(3,263)</u>	<u>22,720,091</u>
Due from financial institutions measured at fair value through profit or loss				
Korea	100,094	100.00	—	100,094
	<u>100,094</u>	<u>100.00</u>	<u>—</u>	<u>100,094</u>
Securities measured at fair value through profit or loss				
Korea	53,991,978	92.43	—	53,991,978
United States	2,370,538	4.06	—	2,370,538
Others	2,052,584	3.51	—	2,052,584
	<u>58,415,100</u>	<u>100.00</u>	<u>—</u>	<u>58,415,100</u>
Derivative financial assets				
Korea	2,885,214	52.03	—	2,885,214
United States	706,866	12.75	—	706,866
Others	1,953,305	35.22	—	1,953,305
	<u>5,545,385</u>	<u>100.00</u>	<u>—</u>	<u>5,545,385</u>
Securities measured at fair value through other comprehensive income				
Korea	54,786,461	93.72	—	54,786,461
United States	942,151	1.61	—	942,151
Others	2,728,277	4.67	—	2,728,277
	<u>58,456,889</u>	<u>100.00</u>	<u>—</u>	<u>58,456,889</u>
Securities measured at amortized cost				
Korea	34,545,872	93.69	(2,283)	34,543,589
United States	1,049,387	2.85	(241)	1,049,146
Others	1,277,919	3.46	(426)	1,277,493
	<u>36,873,178</u>	<u>100.00</u>	<u>(2,950)</u>	<u>36,870,228</u>
	<u>₩182,114,000</u>		<u>₩ (6,213)</u>	<u>₩182,107,787</u>

	December 31, 2021			
	Amount	%	Allowances	Carrying amount
(In millions of Korean won)				
Due from financial institutions measured at amortized cost				
Korea	₩ 21,051,229	74.21	₩ (574)	₩ 21,050,655
United States	2,875,884	10.14	(136)	2,875,748
Others	4,438,243	15.65	(2,259)	4,435,984
	<u>28,365,356</u>	<u>100.00</u>	<u>(2,969)</u>	<u>28,362,387</u>
Due from financial institutions measured at fair value through profit or loss				
Korea	200,742	100.00	—	200,742
	<u>200,742</u>	<u>100.00</u>	<u>—</u>	<u>200,742</u>
Securities measured at fair value through profit or loss				
Korea	56,920,225	90.35	—	56,920,225
United States	3,334,888	5.29	—	3,334,888
Others	2,747,579	4.36	—	2,747,579
	<u>63,002,692</u>	<u>100.00</u>	<u>—</u>	<u>63,002,692</u>
Derivative financial assets				
Korea	1,639,657	44.06	—	1,639,657
United States	753,896	20.26	—	753,896
France	370,787	9.96	—	370,787
Singapore	117,964	3.17	—	117,964
Japan	96,438	2.59	—	96,438
Others	742,628	19.96	—	742,628
	<u>3,721,370</u>	<u>100.00</u>	<u>—</u>	<u>3,721,370</u>
Securities measured at fair value through other comprehensive income				
Korea	51,484,332	91.51	—	51,484,332
United States	1,417,898	2.52	—	1,417,898
Others	3,357,281	5.97	—	3,357,281
	<u>56,259,511</u>	<u>100.00</u>	<u>—</u>	<u>56,259,511</u>
Securities measured at amortized cost				
Korea	41,912,154	94.24	(3,183)	41,908,971
United States	1,188,427	2.67	(466)	1,187,961
Others	1,375,216	3.09	(520)	1,374,696
	<u>44,475,797</u>	<u>100.00</u>	<u>(4,169)</u>	<u>44,471,628</u>
	<u>₩196,025,468</u>		<u>₩ (7,138)</u>	<u>₩196,018,330</u>

Due from financial institutions, financial instruments at fair value through profit or loss linked to gold price, and derivative financial instruments are mostly related to the finance and insurance industry with high credit ratings.

4.3 Liquidity Risk

4.3.1 Overview of liquidity risk

Liquidity risk is a risk that the Group becomes insolvent due to the mismatch between the inflow and outflow of funds, unexpected cash outflows, or a risk of loss due to financing funds at a high interest rate or disposing of securities at an unfavorable price due to lack of available funds. The Group manages its liquidity risk through analysis of the contractual maturity of interest-bearing assets and liabilities, assets and liabilities related to the other inflows and outflows of funds, and off-balance sheet items related to the inflows and outflows of funds such as currency derivative instruments and others.

4.3.2 Liquidity risk management and indicator

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

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

4.3.3 Analysis of remaining contractual maturity of financial liabilities

The cash flows disclosed in the maturity analysis are undiscounted contractual amounts including principal and future interest payments; as such, amounts in the table below do not match with those in the consolidated statements of financial position which are based on discounted cash flows. The future interest payments for floating-rate liabilities are calculated on the assumption that the current interest rate is the same until maturity.

4.3.3.1 Remaining contractual maturity of financial liabilities other than derivatives held for cash flow hedge, and off-balance sheet items as of December 31, 2020 and 2021, are as follows:

	December 31, 2020						Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
(In millions of Korean won)							
Financial liabilities							
Financial liabilities at fair value through profit or loss ¹	₩ 2,025,952	₩ —	₩ —	₩ —	₩ —	₩ —	₩ 2,025,952
Financial liabilities designated at fair value through profit or loss ¹	9,784,107	—	—	—	—	—	9,784,107
Derivatives held for trading ¹	5,014,072	—	—	—	—	—	5,014,072
Derivatives held for hedging ²	—	3,123	4,120	62,147	35,198	109	104,697
Deposits ³	182,111,594	17,207,360	28,485,765	99,879,946	12,133,364	1,664,509	341,482,538
Borrowings	9,333,894	17,730,230	4,923,897	9,617,100	7,616,809	938,374	50,160,304
Debtentures	18,105	2,806,105	6,769,859	14,330,686	35,512,544	6,241,226	65,678,525
Lease liabilities	205	22,372	40,376	152,084	332,033	44,882	591,952
Other financial liabilities	217,866	24,153,880	208,745	329,291	748,593	215,447	25,873,822
	₩208,505,795	₩61,923,070	₩40,432,762	₩124,371,254	₩56,378,541	₩9,104,547	₩500,715,969
Off-balance sheet items							
Commitments ⁴	₩159,133,983	₩ —	₩ —	₩ —	₩ —	₩ —	₩159,133,983
Acceptances and guarantees contracts	8,548,928	—	—	—	—	—	8,548,928
Financial guarantee contracts ⁵	4,964,468	—	—	—	—	—	4,964,468
	₩172,647,379	₩ —	₩ —	₩ —	₩ —	₩ —	₩172,647,379
December 31, 2021							
(In millions of Korean won)							
Financial liabilities							
Financial liabilities at fair value through profit or loss ¹	₩ 2,939,584	₩ —	₩ —	₩ —	₩ —	₩ —	₩ 2,939,584
Financial liabilities designated at fair value through profit or loss ¹	9,149,396	—	—	—	—	—	9,149,396
Derivatives held for trading ¹	3,509,789	—	—	—	—	—	3,509,789
Derivatives held for hedging ²	—	11,355	9,993	31,135	31,640	1,423	85,546
Deposits ³	204,616,202	16,556,213	31,123,968	111,140,222	10,157,238	1,329,120	374,922,963
Borrowings	8,504,084	17,807,785	5,825,350	13,861,238	10,380,171	1,003,369	57,381,997
Debtentures	14,528	3,438,621	5,318,699	20,496,869	34,863,044	6,509,966	70,641,727
Lease liabilities	139	23,387	42,406	157,536	334,359	50,555	608,382
Other financial liabilities	217,874	22,953,515	203,897	354,876	934,389	372,745	25,037,296
	₩228,951,596	₩60,790,876	₩42,524,313	₩146,041,876	₩56,700,841	₩9,267,178	₩544,276,680
Off-balance sheet items							
Commitments ⁴	₩170,218,143	₩ —	₩ —	₩ —	₩ —	₩ —	₩170,218,143
Acceptances and guarantees contracts	10,199,689	—	—	—	—	—	10,199,689
Financial guarantee contracts ⁵	6,892,464	—	—	—	—	—	6,892,464
	₩187,310,296	₩ —	₩ —	₩ —	₩ —	₩ —	₩187,310,296

¹ Financial liabilities measured or designated at fair value through profit or loss and derivatives held for trading are not managed by contractual maturity because they are expected to be traded or redeemed before maturity. Therefore, the carrying amounts of those financial instruments are included in the 'On demand' category.

² Cash flows of derivatives held for hedging are shown at net amount of cash inflows and outflows by remaining contractual maturity.

³ Deposits that are contractually repayable on demand or on short notice are included in the 'On demand' category.

⁴ Commitments are included in the 'On demand' category because payments can be requested at any time.

⁵ Cash flows under financial guarantee contracts are classified based on the earliest period that the contract can be executed.

4.3.3.2 Contractual cash flows of derivatives held for cash flow hedge as of December 31, 2020 and 2021, are as follows:

	December 31, 2020					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	(In millions of Korean won)					
Cash flow to be received (paid) of net-settled derivatives	₩ (1,082)	₩ (5,569)	₩ (15,132)	₩ (25,354)	₩ 290	₩ (46,847)
Cash flow to be received of gross-settled derivatives	85,064	220,339	517,929	2,289,277	—	3,112,609
Cash flow to be paid of gross-settled derivatives	(88,952)	(221,261)	(523,442)	(1,616,530)	—	(2,450,185)
	December 31, 2021					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	(In millions of Korean won)					
Cash flow to be received (paid) of net-settled derivatives	₩ (102)	₩ (2,647)	₩ (252)	₩ 24,812	₩ (11)	₩ 21,800
Cash flow to be received of gross-settled derivatives	126,429	325,664	619,100	2,084,618	—	3,155,811
Cash flow to be paid of gross-settled derivatives	(130,919)	(329,546)	(630,023)	(1,428,759)	—	(2,519,247)

4.4 Market Risk

4.4.1 Concept

Market risk refers to risks that can result in losses due to changes in market factors such as interest rate, stock price, and foreign exchange rate, etc., which arise from securities, derivatives, and others. The most significant risks associated with trading positions are interest rate risk, currency risk, and additional risks include stock price risk. The non-trading position is also exposed to interest rate risk. The Group manages the market risks by dividing them into those arising from the trading position and those arising from the non-trading position. The above market risks are measured and managed by each subsidiary.

4.4.2 Risk management

The Group sets and monitors internal capital limits for market risk and interest rate risk to manage the risks of trading and non-trading positions. In order to manage market risk efficiently, the Group maintains risk management systems and procedures such as trading policies and procedures, market risk management guidelines for trading positions, and interest rate risk management guidelines for non-trading positions. The entire process is carried out through consultation with the Risk Management Council and approval by the Risk Management Committee of the Group.

In the case of Kookmin Bank, a major subsidiary, the Risk Management Council establishes and enforces overall market risk management policies for market risk management and decides to establish position limits, loss limits, VaR limits, and approves non-standard new products. In addition, the Market Risk Management Subcommittee, chaired by Chief Risk Officer (“CRO”), is a practical decision-making body for market risk management and determines position limits, loss limits, VaR limits, sensitivity limits, and scenario loss limits for each department of the business group.

Kookmin Bank’s Asset-Liability Management Committee (“ALCO”) determines interest rate and commission operating standards and Asset Liability Management (“ALM”) operation policies and enacts and revises relevant guidelines. The Risk Management Committee and the Risk Management Council monitor the establishment and enforcement of ALM risk management policies and enact and revise ALM risk management guidelines. Interest rate risk limits are set based on future asset and liability positions and expected interest rate volatility, which reflect annual business plans. The ALM Department and the Risk Management Department regularly measure and monitor interest rate risk and report the status and limit of interest rate risk including changes in Economic Value of Equity (“ΔEVE”), changes in Net Interest Income (“ΔNII”), and duration gap to the ALCO and the Risk Management Council on a monthly basis, and to the Risk Management Committee on a quarterly basis. To ensure the adequacy of interest rate risk and liquidity risk management, the Risk Management Department assigns the limits, monitors and reviews the procedures and tasks of ALM operations conducted by the ALM department, and reports related matters to the management independently.

Kookmin Bank is closely monitoring the outputs of various industry groups and markets that manage the transition to the new interest rate benchmark, including announcements by LIBOR regulation authority and various consultative bodies related to the transition to alternative interest rate. In response to these announcements, Kookmin Bank has completed most of the transition and replacement plans according to LIBOR transition programs and plans consisting of major business areas such as finance, accounting, tax, legal, IT, and risk. The program is under the control of the CFO and related matters are reported to the board of directors and consultative bodies with senior management as members. Kookmin Bank continues its efforts as a market participant to actively express opinions so that the index interest rate benchmark reform can be carried out in the direction of minimizing the financial and non-financial impacts and operational risks and minimizing confusion among stakeholders.

Details of financial instruments that have not been converted to alternative interest rate benchmark as of December 31, 2021, are as follows:

	<u>December 31, 2021</u>	
	<u>Exposure amount*</u>	
	<u>USD LIBOR</u>	<u>Others</u>
	(In millions of Korean won)	
Measured at fair value:		
Financial assets at fair value through profit or loss	₩ 4,695	₩ —
Financial liabilities designated at fair value through profit or loss	92,833	—
Financial investments	231,702	—
Measured at amortized cost:		
Loans	3,734,401	55,800
Borrowings and debentures	867,731	—
Others:		
Derivative financial instruments	1,398,607	—

* Financial instruments to be expired before transition to alternative interest rate benchmark are excluded, and non-derivative financial instruments are the carrying amount and others are the nominal amount.

4.4.3 Trading position

4.4.3.1 Definition of a trading position

The trading position, which is subject to market risk management, is the trading position defined in “Trading Policy and Guidelines” and the basic requirements for the trading position are as follows:

- The target position has no restrictions on the sale, and the daily fair value assessment should be made, and the embedded significant risk can be hedged in the market.

- The trading position classification criteria should be clearly defined in the Trading Policy and Guidelines, and the trading position should be managed by a separate trading department.
- The target position must be operated according to the documented trading strategy and the management of position limit must be carried out.
- The specialized dealer or operating department shall have the authority to execute the transaction without prior approval from the Risk Management Department, etc. within the predetermined limits of the target position.
- The target positions should be periodically reported to management for risk management of the Group.

4.4.3.2 Observation method of market risk arising from trading positions

Subsidiaries of the Group measure market risk by calculating VaR through the market risk management system for all trading positions. Generally, the Group manages market risk arising from trading positions at the portfolio level. In addition, the Group controls and manages the risk of derivative financial instrument transactions in accordance with the Financial Supervisory Service regulations and guidelines.

4.4.3.3 VaR

(a) VaR

Kookmin Bank, a major subsidiary, uses the risk-based valuation method (VaR) to measure the market risk of the trading position. Kookmin Bank uses the 10-day VaR, which represents the maximum amount of possible loss of 10 business days based on the historical simulation model of the full valuation method. The distribution of value changes in the portfolio is estimated based on data from the past 250 business days, and 10-day VaR is calculated by the difference between the value of the portfolio at a 99% confidence level of distribution of value changes in the portfolio and the current market value.

VaR is a commonly used market risk measurement technique. However, this approach has some limitations. VaR estimates possible losses under a certain confidence level based on historical market change data. However, since past market changes cannot reflect all future conditions and circumstances, the timing and magnitude of actual losses may vary depending on assumptions in the calculation process. If one day or ten days of the holding period which is generally used for the normal period of liquidating the position, is not sufficient or too long, the VaR result may underestimate or overestimate the potential loss.

When a subsidiary with a trading position measures market risk for trading position, it uses an internal model (VaR) for general risk and a standard method for individual risks. Standard method is used if the internal model is not authorized for certain market risk. Therefore, disclosed market risk VaR does not reflect the market risk for individual risks and for some positions. In addition, non-bank subsidiaries use the same standard method as the regulatory capital calculation method in order to enhance the effectiveness of market risk VaR management (improving the link with regulatory capital).

(b) Back-Testing

To verify the appropriateness of the VaR model, back-testing is performed by comparing actual and hypothetical gains and losses with the VaR calculation results.

(c) Stress Testing

The Group carries out stress testing of the trading and available-for-sale portfolio to reflect changes in individual risk factors such as interest rate, stock price, foreign exchange rate, and implied volatility of

derivatives that have a significant impact on portfolio value in a crisis. The Group carries out stress testing through historical and hypothetical scenarios. This stress testing is carried out at least once a year.

Ten-day VaR at a 99% confidence level of interest rate risk, stock price risk, and currency risk for trading positions of Kookmin Bank for the years ended December 31, 2020 and 2021, are as follows:

Kookmin Bank

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
	(In millions of Korean won)			
Interest rate risk	₩ 59,147	₩ 9,588	₩105,983	₩ 50,795
Stock price risk	15,379	3,787	24,821	24,821
Currency risk	36,281	5,302	67,766	49,338
Diversification effect				(7,320)
Total VaR	<u>₩105,428</u>	<u>₩ 14,225</u>	<u>₩158,798</u>	<u>₩117,634</u>

	2021			
	Average	Minimum	Maximum	Dec. 31, 2021
	(In millions of Korean won)			
Interest rate risk	₩ 20,051	₩ 6,372	₩ 55,670	₩ 16,534
Stock price risk	9,067	4,537	24,824	5,513
Currency risk	27,886	17,820	49,264	21,522
Diversification effect				(13,039)
Total VaR	<u>₩ 40,915</u>	<u>₩ 15,986</u>	<u>₩115,347</u>	<u>₩ 30,530</u>

Meanwhile, the positions which are not measured by VaR as of December 31, 2020 and 2021 and required equity capital of non-bank subsidiaries using the standard method for the years ended December 31, 2020 and 2021, are as follows:

Kookmin Bank

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Interest rate risk	₩ 40,290	₩ 25,432
Stock price risk	7,088	6
Currency risk	23,938	46,173
	<u>₩ 71,316</u>	<u>₩ 71,611</u>

KB Securities Co., Ltd.

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
	(In millions of Korean won)			
Interest rate risk	₩656,651	₩ 575,053	₩ 755,704	₩ 755,704
Stock price risk	267,186	213,639	317,478	213,639
Currency risk	15,113	8,759	21,907	10,588
Commodity risk	18	1	56	18
	<u>₩938,968</u>	<u>₩ 797,452</u>	<u>₩1,095,145</u>	<u>₩ 979,949</u>

	2021			Dec. 31, 2021
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Interest rate risk	₩724,482	₩ 657,094	₩ 821,864	₩ 821,864
Stock price risk	249,320	207,425	299,221	278,356
Currency risk	14,275	6,808	22,543	22,543
Commodity risk	88	3	210	19
	<u>₩988,165</u>	<u>₩ 871,330</u>	<u>₩1,143,838</u>	<u>₩1,122,782</u>

KB Insurance Co., Ltd.

	2020			Dec. 31, 2020
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Interest rate risk	₩ 5,682	₩ 2,850	₩ 7,652	₩ 7,055
Currency risk	26,529	23,491	29,339	28,891
	<u>₩ 32,211</u>	<u>₩ 26,341</u>	<u>₩ 36,991</u>	<u>₩ 35,946</u>

	2021			Dec. 31, 2021
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Interest rate risk	₩ 5,445	₩ 3,854	₩ 6,553	₩ 5,906
Currency risk	34,560	28,035	40,853	40,853
	<u>₩ 40,005</u>	<u>₩ 31,889</u>	<u>₩ 47,406</u>	<u>₩ 46,759</u>

KB Kookmin Card Co., Ltd.

	2020			Dec. 31, 2020
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Currency risk	₩ 2,712	₩ 169	₩ 7,861	₩ 7,546

	2021			Dec. 31, 2021
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Currency risk	₩ 13,029	₩ 7,744	₩ 16,094	₩ 15,637

Prudential Life Insurance Company of Korea Ltd.

	2020			Dec. 31, 2020
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Currency risk	₩ 7,977	₩ 7,977	₩ 7,977	₩ 7,977

	2021			Dec. 31, 2021
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Currency risk	₩ 4,676	₩ 1,337	₩ 7,211	₩ 6,963

KB Asset Management Co., Ltd.

	2020			Dec. 31, 2020
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Interest rate risk	₩ 1,298	₩ —	₩ 2,589	₩ —
Stock price risk	3,382	—	9,484	—
Currency risk	812	1,208	1,523	1,141
	<u>₩ 5,492</u>	<u>₩ 1,208</u>	<u>₩ 13,596</u>	<u>₩ 1,141</u>

	2021			Dec. 31, 2021
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Currency risk	₩ 2,151	₩ 1,053	₩ 3,085	₩ 2,405

KB Capital Co., Ltd.

	2020			Dec. 31, 2020
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Currency risk	₩ 810	₩ 297	₩ 1,315	₩ 896

	2021			Dec. 31, 2021
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Currency risk	₩ 1,121	₩ 867	₩ 1,280	₩ 1,280

KB Life Insurance Co., Ltd.

	2020			Dec. 31, 2020
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Interest rate risk	₩ 3,054	₩ 1,784	₩ 4,389	₩ 2,743

	2021			Dec. 31, 2021
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Interest rate risk	₩ 2,095	₩ 1,072	₩ 2,932	₩ 1,072
Currency risk	4,216	1,725	6,651	6,378
	<u>₩ 6,311</u>	<u>₩ 2,797</u>	<u>₩ 9,583</u>	<u>₩ 7,450</u>

KB Real Estate Trust Co., Ltd.

	2020			Dec. 31, 2020
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Stock price risk	₩ 399	₩ —	₩ 435	₩ —

	2021			Dec. 31, 2021
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Stock price risk	₩ —	₩ —	₩ —	₩ —

KB Investment Co., Ltd.

	2020			Dec. 31, 2020
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Stock price risk	₩ 1,153	₩ —	₩ 7,588	₩ 6,253
Currency risk	11,864	10,167	12,625	11,655
	<u>₩ 13,017</u>	<u>₩ 10,167</u>	<u>₩ 20,213</u>	<u>₩ 17,908</u>

	2021			Dec. 31, 2021
	Average	Minimum	Maximum	
	(In millions of Korean won)			
Stock price risk	₩ 5,114	₩ 3,518	₩ 10,518	₩ 10,518
Currency risk	13,706	11,269	18,452	18,301
	<u>₩ 18,820</u>	<u>₩ 14,787</u>	<u>₩ 28,970</u>	<u>₩ 28,819</u>

4.4.3.4 Details of risk factors

(a) Interest rate risk

Interest rate risk for trading positions usually arises from debt securities denominated in Korean won. The Group’s trading strategy is to gain short-term trading gains from interest rate fluctuations. The Group manages interest rate risk associated with trading accounts using VaR and sensitivity analysis (Price Value of a Basis Point: PVBP).

(b) Stock price risk

Stock price risk occurs mainly in trading stocks denominated in Korean won. The portfolio of trading stocks denominated in Korean won consists of stocks listed on the exchange and derivatives linked to stocks and is managed by strict distributed investment limits.

(c) Currency risk

Currency risk arises from holding assets and liabilities which are denominated in foreign currency, and currency-related derivatives. Most of the net foreign currency exposures occur in the US dollars and the Chinese Yuan. The Group also manages net foreign exchange exposures across trading and non-trading portfolios by setting a net foreign currency exposure limit at the same time setting a loss limit.

4.4.4 Non-trading position (Interest Rate Risk of Banking Book (“IRRBB”))

4.4.4.1 Qualitative disclosure

(a) Definition of interest rate risk for risk management and measurement purposes

Interest rate risk is a change in equity and earnings due to the changes in value of interest-sensitive assets and liabilities, etc., and is measured by Δ EVE and Δ NIIL.

(b) Overall interest rate risk management and mitigation strategy

The interest rate risk management department establishes and sets interest rate risk management policies and limit once a year by a resolution of the Risk Management Council considering the mid to long-term management strategy and macroeconomic status. The interest rate risk management department analyzes interest rate risk crisis situations assuming abnormal interest rate fluctuations and reports the results to the Risk Management Council and observes changes in interest rate risk and compliance with risk limits to devise timely countermeasures and reports the management status regularly and frequently to the Risk Management Council.

The interest rate risk model adequacy test is carried out regularly at least once a year by the verification department independent of the management department.

(c) Specific methodologies used to calculate interest rate risk measurement cycles and sensitivity

In order to measure the sensitivity of the economic value and earnings to changes in interest rates, the Group calculates monthly interest rate gap and duration gap for assets and liabilities.

(d) Interest rate shock and stress scenarios used to estimate changes in the economic value and in earnings

The Group calculates Δ EVE by applying following six interest rate shock and stress scenarios, and Δ NII by applying parallel shock up and parallel shock down scenarios.

- Scenario 1 : Parallel shock up
- Scenario 2 : Parallel shock down
- Scenario 3 : Steepener shock (short rates down and long rates up)
- Scenario 4 : Flattener shock (short rates up and long rates down)
- Scenario 5 : Short rates shock up
- Scenario 6 : Short rates shock down

(e) Key modeling assumptions used separately

The Group calculates interest rate risk for internal management purpose, assuming a historical-simulation based on interest rate volatility during the past financial crisis (FY2008-FY2009), distribution of assets/liabilities portfolio, and 27 interest rate gaps considering management strategy direction.

(f) Interest rate risk hedging methodology and related accounting

Subsidiaries which are subject to interest rate risk measurement hedges interest rate risk through back-to-back interest rate swap transactions, which are the same as interest payment cash flows and officially document and manage the risk management strategy for hedge accounting, risk management objectives, hedging relationship, and assessment method for hedge effectiveness.

(g) Key modeling and parametric assumptions used in calculating Δ EVE and Δ NII

Subsidiaries which are subject to interest rate risk measurement calculate interest rate risk, including all cash flow of interest-sensitive assets and liabilities, and off-balance sheet items. The main assumptions of the IRRBB standard method for calculating Δ EVE, Δ NII are as follows:

(Classification of time buckets of cash flows (19 buckets in total))

	Time bucket intervals (D:Day M:Months Y:Years t ^{cf} :Repricing date)							
Short-term rates	1D (0.0028Y)	1D < t ^{cf} ≤1M (0.0417Y)	1M < t ^{cf} ≤3M (0.1667Y)	3M < t ^{cf} ≤6M (0.375Y)	6M < t ^{cf} ≤9M (0.625Y)	9M < t ^{cf} ≤1Y (0.875Y)	1Y < t ^{cf} ≤1.5Y (1.25Y)	1.5Y < t ^{cf} ≤2Y (1.75Y)
Medium-term rates	2Y < t ^{cf} ≤3Y (2.5Y)	3Y < t ^{cf} ≤4Y (3.5Y)	4Y < t ^{cf} ≤5Y (4.5Y)	5Y < t ^{cf} ≤6Y (5.5Y)	6Y < t ^{cf} ≤7Y (6.5Y)			
Long-term rates	7Y < t ^{cf} ≤8Y (7.5Y)	8Y < t ^{cf} ≤9Y (8.5Y)	9Y < t ^{cf} ≤10Y (9.5Y)	10Y < t ^{cf} ≤15Y (12.5Y)	15Y < t ^{cf} ≤20Y (17.5Y)	t ^{cf} > 20Y (25Y)		

* The number in brackets is the time bucket's midpoint.

(Caps on core deposit and average maturity by category for non-maturity deposits)

	<u>Cap on proportion of core deposits (%)</u>	<u>Cap on average maturity of core deposits (years)</u>
Retail/transactional	90	5
Retail/non-transactional	70	4.5
Wholesale	50	4

4.4.4.2 Quantitative disclosure

The average repricing maturity of non-maturity deposits is 2.5 years for core deposits, 1 day for non-core deposits, and the longest repricing maturity is five years.

(a) Kookmin Bank

Δ EVE is calculated by applying six interest rate shock and stress scenarios, and Δ NII is calculated by applying parallel shock up and parallel shock down scenarios. Results as of December 31, 2020 and 2021 are as follows:

	<u>December 31, 2020</u>		<u>December 31, 2021</u>	
	<u>ΔEVE</u>	<u>ΔNII</u>	<u>ΔEVE</u>	<u>ΔNII</u>
	(In millions of Korean won)			
Scenario 1 (Parallel shock up)	₩ 544,087	₩ 415,339	₩ 936,965	₩ 564,771
Scenario 2 (Parallel shock down)	—	—	—	—
Scenario 3 (Short rates down, long rates up)	245,337		273,951	
Scenario 4 (Short rates up, long rates down)	423,673		311,497	
Scenario 5 (Short rates shock up)	466,220		568,246	
Scenario 6 (Short rates shock down)	480,246		345,987	
Maximum out of six scenarios	544,087	415,339	936,965	564,771
Basic capital	28,234,310		30,491,173	

(b) Non-bank subsidiaries

Δ EVE is maximum out of six interest rate shock and stress scenarios, and Δ NII is maximum of parallel shock up and parallel shock down scenarios. Results as of December 31, 2020 and 2021 are as follows:

	<u>December 31, 2020</u>		<u>December 31, 2021</u>	
	<u>ΔEVE</u>	<u>ΔNII</u>	<u>ΔEVE</u>	<u>ΔNII</u>
	(In millions of Korean won)			
KB Securities Co., Ltd.	₩ 134,136	₩ 469,043	₩ 173,199	₩ 272,676
KB Insurance Co., Ltd.	730,313	38,697	939,720	37,119
KB Kookmin Card Co., Ltd.	283,780	135,628	93,232	225,581
Prudential Life Insurance Company of Korea Ltd.	497,798	14,434	611,930	24,135
KB Capital Co., Ltd.	108,306	26,166	105,728	41,112
KB Life Insurance Co., Ltd.	48,879	35,071	143,393	33,942
KB Savings Bank Co., Ltd.	25,878	499	20,077	786

4.4.5 Financial assets and liabilities denominated in foreign currencies

Details of financial instruments denominated in foreign currencies and translated into Korean won as of December 31, 2020 and 2021, are as follows:

	December 31, 2020						
	USD	JPY	EUR	GBP	CNY	Others	Total
	(In millions of Korean won)						
Financial assets							
Cash and due from financial institutions	₩ 4,482,459	₩ 583,545	₩ 558,793	₩ 113,586	₩ 878,798	₩1,152,515	₩ 7,769,696
Financial assets at fair value through profit or loss	5,464,176	39,817	508,587	30,030	6,046	177,545	6,226,201
Derivatives held for trading	339,190	18,061	41,834	1,774	4,344	9,724	414,927
Derivatives held for hedging	112,431	—	—	—	—	—	112,431
Loans measured at amortized cost	18,783,163	565,918	1,387,089	259,787	1,617,715	5,597,016	28,210,688
Financial assets at fair value through other comprehensive income	5,446,539	5,271	35,478	—	342,804	224,801	6,054,893
Financial assets at amortized cost	1,660,713	—	300,315	—	108,594	537,966	2,607,588
Other financial assets	2,747,958	50,573	231,435	20,162	122,642	353,707	3,526,477
	<u>₩39,036,629</u>	<u>₩1,263,185</u>	<u>₩3,063,531</u>	<u>₩ 425,339</u>	<u>₩3,080,943</u>	<u>₩8,053,274</u>	<u>₩54,922,901</u>
Financial liabilities							
Financial liabilities at fair value through profit or loss	₩ 1,267,690	₩ —	₩ —	₩ —	₩ —	₩ —	₩ 1,267,690
Derivatives held for trading	497,975	21,221	84,712	1,817	42,023	36,625	684,373
Derivatives held for hedging	139,528	—	—	—	—	14,050	153,578
Deposits	16,441,107	933,268	991,872	66,440	1,755,272	4,331,641	24,519,600
Borrowings	10,068,379	485,618	402,802	501,716	439	1,728,281	13,187,235
Debentures	5,135,667	—	666,873	—	—	308,675	6,111,215
Other financial liabilities	3,407,300	38,979	98,093	9,911	51,331	237,281	3,842,895
	<u>₩36,957,646</u>	<u>₩1,479,086</u>	<u>₩2,244,352</u>	<u>₩ 579,884</u>	<u>₩1,849,065</u>	<u>₩6,656,553</u>	<u>₩49,766,586</u>
Off-balance sheet items	<u>₩14,991,859</u>	<u>₩ 32,200</u>	<u>₩ 248,007</u>	<u>₩ 741</u>	<u>₩ 253,472</u>	<u>₩ 906,502</u>	<u>₩16,432,781</u>
	December 31, 2021						
	USD	JPY	EUR	GBP	CNY	Others	Total
	(In millions of Korean won)						
Financial assets							
Cash and due from financial institutions	₩ 6,995,653	₩ 420,964	₩ 482,144	₩ 96,951	₩ 570,186	₩1,646,253	₩10,212,151
Financial assets at fair value through profit or loss	7,217,843	12,047	514,047	11,024	16,113	261,029	8,032,103
Derivatives held for trading	222,759	221	44,384	534	5,549	21,762	295,209
Derivatives held for hedging	104,091	—	—	—	—	4,541	108,632
Loans measured at amortized cost	26,605,737	597,413	1,777,967	234,612	1,774,589	6,518,650	37,508,968
Financial assets at fair value through other comprehensive income	6,604,010	5,152	121,573	6,272	536,747	405,391	7,679,145
Financial assets at amortized cost	2,267,233	—	300,856	—	48,435	710,950	3,327,474
Other financial assets	1,893,691	37,036	100,041	7,082	69,307	252,337	2,359,494
	<u>₩51,911,017</u>	<u>₩1,072,833</u>	<u>₩3,341,012</u>	<u>₩ 356,475</u>	<u>₩3,020,926</u>	<u>₩9,820,913</u>	<u>₩69,523,176</u>
Financial liabilities							
Financial liabilities at fair value through profit or loss	₩ 1,496,712	₩ —	₩ —	₩ —	₩ —	₩ —	₩ 1,496,712
Derivatives held for trading	376,230	6,099	61,941	19,833	18,223	117,217	599,543
Derivatives held for hedging	42,470	—	—	—	—	—	42,470
Deposits	21,324,104	900,044	1,873,026	106,456	1,943,015	5,402,000	31,548,645
Borrowings	15,597,440	456,029	386,023	496,084	—	2,176,532	19,112,108
Debentures	6,366,475	—	1,338,391	—	102,443	708,353	8,515,662
Other financial liabilities	1,834,429	23,158	140,779	16,543	93,933	211,516	2,320,358
	<u>₩47,037,860</u>	<u>₩1,385,330</u>	<u>₩3,800,160</u>	<u>₩ 638,916</u>	<u>₩2,157,614</u>	<u>₩8,615,618</u>	<u>₩63,635,498</u>
Off-balance sheet items	<u>₩19,149,581</u>	<u>₩ 353</u>	<u>₩ 262,116</u>	<u>₩ 2,991</u>	<u>₩ 250,239</u>	<u>₩ 844,384</u>	<u>₩20,509,664</u>

4.5 Operational Risk

4.5.1 Concept

Operational risk of the Group refers to the risk of loss that may occur due to improper or incorrect internal procedures, personnel, systems or external events. Operational risk management plays a role in enhancing the stability and soundness of financial institutions by managing the appropriate level of capital and supplementing the internal control system.

4.5.2 Risk management

The purpose of operational risk management is not only to comply with supervisory and regulatory requirements, but also to spread risk management culture, strengthen internal control, improve processes, and provide timely feedback to management and all employees. The Parent Company manages the Group's overall operational risk, and each subsidiary establishes and implements operational risk management policies according to its own risk level and implements and operates related systems. The Group Risk Management Committee establishes and allocates risk capital of operational risk for each subsidiary, and subsidiaries manage operational risks at an appropriate level within the allocated risk capital.

4.6 Capital Management

The Group complies with the capital adequacy standard established by the financial supervisory authority. This capital adequacy standard is based on Basel III revised by Basel Committee on Banking Supervision in Bank for International Settlements ("BIS") in June 2011 and was implemented in Korea in December 2013. According to this standard, the Group is required to maintain a minimum capital adequacy ratio to risk-weighted assets (Common Equity Tier 1 Capital ratio of 8.0%, Tier 1 Capital ratio of 9.5%, and Total Capital ratio of 11.5%) as of December 31, 2021.

The Group's capital is classified into three categories in accordance with the Detailed Regulations on Supervision of Financial Holding Companies as follows:

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital is the first to take losses of the Group and is the last to be compensated in liquidation of the Group and not repaid except for liquidation. It includes capital, capital surplus, retained earnings, non-controlling interests of the consolidated subsidiaries, accumulated other comprehensive income, and other capital surplus, etc.
- Additional Tier 1 Capital: Additional Tier 1 Capital includes capital, capital surplus, etc. related to the issuance of capital securities of a permanent nature that meets the conditional capital securities requirements.
- Tier 2 Capital: Tier 2 Capital means capital that can compensate for losses of the Group upon liquidation, including (a) the amount of subordinated bonds with maturity of not less than 5 years that meet the conditional capital securities requirements, and (b) the allowances for credit losses accumulated on the loans which are classified as normal or precautionary in accordance with Regulations on Supervision of Financial Holding Companies, and others.

The risk-weighted assets are the magnitude of the amount of risk inherent in the total asset held by the Group. The Group calculates risk-weighted assets by each risk (credit risk, market risk, and operational risk) based on the Detailed Regulations on Supervision of Financial Holding Companies and uses them to calculate capital adequacy ratio.

The Group evaluates and manages capital adequacy through separate internal policies. The evaluation of capital adequacy compares the size of available capital (the amount of capital actually available) to the size of

internal capital (the amount of capital required to cover all the significant risks faced by the Group under its target credit rating), which monitors financial soundness and provides a risk-adjusted performance measurement basis.

Internal capital refers to the capital required to prevent the insolvency from future unexpected losses. The Group operates a system to measure, allocate, and manage internal capital to major subsidiaries by risk type.

4.6 Capital Management

The Risk Management Committee of the Group determines the risk appetite of the Group, allocates internal capital by risk type and major subsidiaries, and major subsidiaries operate capital efficiently within the range of the allocated internal capital. The Risk Management Department of the Group monitors internal capital limit management and reports it to management and the Risk Management Committee. If the limit of internal capital is expected to be exceeded due to new businesses or business expansion, the Group's capital adequacy management is carried out through review and approval by the Risk Management Committee in advance.

Details of the Group's capital adequacy ratio in accordance with Basel III requirements as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Total Capital:	₩ 40,080,136	₩ 45,882,765
Tier 1 Capital	36,895,778	42,305,442
Common Equity Tier 1 Capital	34,886,283	39,144,259
Additional Tier 1 Capital	2,009,495	3,161,183
Tier 2 Capital	3,184,358	3,577,323
Risk-Weighted Assets:	262,349,242	290,913,570
Total Capital ratio (%):	15.28	15.77
Tier 1 Capital ratio (%)	14.06	14.54
Common Equity Tier 1 Capital ratio (%)	13.30	13.46

5. Segment Information

5.1 Overall Segment Information and Business Segments

The Group classifies reporting segments based on the nature of the products and services provided, the type of customer, and the Group's management organization.

Banking business	Corporate banking	Loans, deposit products, and other related financial services to large, small and medium-sized enterprises and SOHOs
	Retail banking	Loans, deposit products, and other related financial services to individuals and households
	Other banking services	Trading activities in securities and derivatives, funding, and other supporting activities
Securities business		Investment banking, brokerage services, and other supporting activities
Non-life insurance business		Non-life insurance and other supporting activities
Credit card business		Credit sale, cash advance, card loan, and other supporting activities
Life insurance business		Life insurance and other supporting activities

Financial information by business segment as of and for the years ended December 31, 2020 and 2021, are as follows:

	2020										
	Banking business										
	Corporate banking	Retail banking	Other banking services	Sub-total	Securities	Non-life insurance	Credit card	Life insurance	Others	Consolidation adjustments	Total
	(In millions of Korean won)										
Net operating revenues from external customers	₩ 2,833,601	₩ 2,918,826	₩ 1,797,921	₩ 7,550,348	₩ 1,448,409	₩ 1,027,269	₩ 1,538,230	₩ 237,416	₩ 690,970	₩ —	₩ 12,492,642
Intersegment net operating revenues (expenses)	178,199	—	108,118	286,317	(6,366)	5,976	(183,480)	(9,655)	324,910	(417,702)	—
Net interest income	3,011,800	2,918,826	1,906,039	7,836,665	1,442,043	1,033,245	1,354,750	227,761	1,015,880	(417,702)	12,492,642
Interest income	3,238,002	3,178,280	338,484	6,754,766	510,566	615,951	1,265,703	260,925	314,832	(469)	9,722,274
Interest expense	4,899,943	4,519,579	1,036,643	10,456,165	820,100	616,852	1,631,520	261,056	726,668	(26,614)	14,485,747
Net fee and commission income (expenses)	(1,661,941)	(1,341,299)	(698,159)	(3,701,399)	(309,534)	(901)	(365,817)	(131)	(411,836)	26,145	(4,763,473)
Fee and commission income	363,459	406,603	297,860	1,067,922	916,758	(171,220)	400,485	(18,059)	776,282	(13,229)	2,958,939
Fee and commission expense	480,190	529,178	440,319	1,449,687	1,037,545	8,571	1,485,718	98	871,499	(326,094)	4,527,024
Net insurance income (expenses)	(116,731)	(122,575)	(142,459)	(381,765)	(120,787)	(179,791)	(1,085,233)	(18,157)	(95,217)	312,865	(1,568,085)
Insurance income	—	—	—	—	—	376,827	13,283	(91,410)	—	1,293	299,993
Insurance expense	—	—	—	—	—	12,367,894	23,989	2,026,052	—	(31,295)	14,386,640
Net gains (losses) on financial instruments at fair value through profit or loss	(52,493)	—	296,676	244,183	117,792	259,274	5,904	71,350	396,626	(83,763)	1,011,366
Net other operating income (expenses)	(537,168)	(666,057)	973,019	(230,206)	(103,073)	(47,587)	(330,625)	4,955	(471,860)	(321,534)	(1,499,930)
General and administrative expenses	₩ (1,555,089)	₩ (2,072,515)	₩ (573,742)	₩ (4,201,346)	₩ (844,503)	₩ (810,923)	₩ (514,845)	₩ (152,271)	₩ (405,530)	₩ 114,606	₩ (6,814,812)
Operating income before provision for credit losses	1,456,711	846,311	1,332,297	3,635,319	597,540	222,322	839,905	75,490	610,350	(303,096)	5,677,830
Reversal (provision) of credit losses	(204,302)	(264,943)	(14,937)	(484,182)	(23,827)	7,569	(396,376)	472	(148,127)	973	(1,043,498)
Net operating income	1,252,409	581,368	1,317,360	3,151,137	573,713	229,891	443,529	75,962	462,223	(302,123)	4,634,332
Share of profit (loss) of associates and joint ventures	—	—	(48,158)	(48,158)	3,598	(42)	1,127	1	553	(829)	(43,750)
Net other non-operating income (expenses)	5,490	—	23,354	28,844	4,472	16,142	(6,636)	(16,270)	40,927	121,911	189,390
Segment profit before income tax expense	1,257,899	581,368	1,292,556	3,131,823	581,783	245,991	438,020	59,693	503,703	(181,041)	4,779,972
Income tax expense	(339,728)	(159,876)	(312,700)	(812,304)	(156,135)	(68,821)	(114,027)	(27,167)	(97,268)	11,328	(1,264,394)
Profit for the year	₩ 918,171	₩ 421,492	₩ 979,856	₩ 2,319,519	₩ 425,648	₩ 177,170	₩ 323,993	₩ 32,526	₩ 406,435	₩ (169,713)	₩ 3,515,578
Profit attributable to shareholders of the Parent Company	917,956	421,492	958,747	2,298,195	425,622	177,181	324,662	32,526	404,381	(194,119)	3,468,448
Profit (loss) attributable to non-controlling interests	215	—	21,109	21,324	26	(11)	(669)	—	2,054	24,406	47,130
Total assets*	164,323,181	161,330,053	112,790,880	438,444,114	57,570,654	39,125,869	24,071,645	35,546,572	47,408,052	(31,446,962)	610,719,944
Total liabilities*	167,236,387	176,571,944	64,227,709	408,036,040	52,516,488	35,093,312	19,789,959	32,524,518	21,598,232	(2,240,962)	567,317,587

	Banking business							Total			
	Corporate banking			Retail banking		Other banking services					
	Corporate banking	Retail banking	Other banking services	Sub-total	Securities	Non-life insurance	Credit card		Life insurance	Others	Consolidation adjustments
	(In millions of Korean won)										
Net operating revenues from external customers	₩ 3,589,404	₩ 2,958,198	₩ 1,585,192	₩ 8,132,794	₩ 1,675,977	₩ 1,285,593	₩ 1,773,989	₩ 631,065	₩ 984,185	₩ —	₩ 14,483,603
Intersegment net operating revenues (expenses)	34,771	—	271,887	306,658	11,002	(53,017)	(158,545)	(7,273)	98,215	(197,040)	—
Net interest income	3,624,175	2,958,198	1,857,079	8,439,452	1,686,979	1,232,576	1,615,444	623,792	1,082,400	(197,040)	14,483,603
Interest income	3,802,477	3,541,539	384,460	7,728,476	556,386	625,228	1,390,753	519,609	411,874	(2,754)	11,229,572
Interest expense	5,317,800	4,437,930	918,631	10,674,361	824,775	634,816	1,768,215	523,882	816,515	(31,686)	15,210,878
Net fee and commission income	(1,515,323)	(896,391)	(534,171)	(2,945,885)	(268,389)	(9,588)	(377,462)	(4,273)	(404,641)	28,932	(3,981,306)
(expenses)	390,619	392,060	405,202	1,187,881	1,014,801	(173,348)	546,022	(26,895)	1,068,648	8,474	3,625,583
Fee and commission income	534,749	535,530	516,665	1,586,944	1,201,670	10,418	1,644,806	433	1,187,661	(308,326)	5,323,606
Fee and commission expense	(144,130)	(143,470)	(111,463)	(399,063)	(186,869)	(183,766)	(1,098,784)	(27,328)	(119,013)	316,800	(1,698,023)
Net insurance income	—	—	—	—	—	493,271	11,589	56,871	—	(5,020)	556,711
Insurance income	—	—	—	—	—	12,722,178	21,711	3,406,145	—	(42,176)	16,107,858
Insurance expense	—	—	—	—	—	(12,228,907)	(10,122)	(3,349,274)	—	37,156	(15,551,147)
Net gains on financial instruments at fair value through profit or loss	29,407	—	313,427	342,834	123,183	369,864	3,431	137,343	184,467	(165,818)	995,304
Net other operating income (expenses)	(598,328)	(975,401)	753,990	(819,739)	(7,391)	(82,439)	(336,351)	(63,136)	(582,589)	(31,922)	(1,923,567)
General and administrative expenses	₩ (1,831,948)	₩ (2,036,855)	₩ (533,928)	₩ (4,402,731)	₩ (855,142)	₩ (833,597)	₩ (577,734)	₩ (203,198)	₩ (438,170)	₩ 109,719	₩ (7,200,853)
Operating income before provision for credit losses	1,792,227	921,343	1,323,151	4,036,721	831,837	398,979	1,037,710	420,594	644,230	(87,321)	7,282,750
Reversal (provision) of credit losses	(392,956)	(125,876)	(3,896)	(522,728)	(18,438)	(5,476)	(465,342)	1,677	(175,568)	742	(1,185,133)
Net operating income	1,399,271	795,467	1,319,255	3,513,993	813,399	393,503	572,368	422,271	468,662	(86,579)	6,097,617
Share of profit (loss) of associates and joint ventures	—	—	57,156	57,156	14,484	(143)	785	—	9,411	11,833	93,526
Net other non-operating income (expenses)	(9,237)	—	(70,368)	(79,605)	(18,307)	17,446	(7,378)	(158)	2,408	(23,943)	(109,537)
Segment profit before income tax expense	1,390,034	795,467	1,306,043	3,491,544	809,576	410,806	565,775	422,113	480,481	(98,689)	6,081,606
Income tax expense	(368,577)	(218,753)	(366,185)	(953,515)	(215,424)	(108,715)	(144,611)	(132,510)	(148,044)	5,594	(1,697,225)
Profit for the year	₩ 1,021,457	₩ 576,714	₩ 939,858	₩ 2,538,029	₩ 594,152	₩ 302,091	₩ 421,164	₩ 289,603	₩ 332,437	₩ (93,095)	₩ 4,384,381
Profit attributable to shareholders of the Parent Company	1,022,699	576,714	991,351	2,590,764	594,301	301,836	418,898	289,603	330,563	(116,422)	4,409,543
Profit (loss) attributable to non-controlling interests	(1,242)	—	(51,493)	(52,735)	(149)	255	2,266	—	1,874	23,327	(25,162)
Total assets*	189,310,448	169,513,344	124,741,106	483,564,898	55,493,984	41,472,227	27,349,561	36,921,678	52,929,567	(33,836,081)	663,895,834
Total liabilities*	197,834,530	180,815,013	72,026,442	450,675,985	50,008,422	37,328,955	22,793,919	34,166,882	23,191,051	(2,563,300)	615,601,914

* Assets and liabilities of the reporting segments are amounts before intersegment transactions.

5.2 Services and Geographical Segments

5.2.1 Services information

Net operating revenues from external customers by service for the years ended December 31, 2019, 2020 and 2021, are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	(In millions of Korean won)		
Banking service	₩ 6,946,626	₩ 7,550,348	₩ 8,132,794
Securities service	1,113,200	1,448,409	1,675,977
Non-life insurance service	1,185,600	1,027,269	1,285,593
Credit card service	1,470,910	1,538,230	1,773,989
Life insurance service	107,404	237,416	631,065
Others	608,111	690,970	984,185
	<u>₩11,431,851</u>	<u>₩12,492,642</u>	<u>₩14,483,603</u>

5.2.2 Geographical information

Geographical net operating revenues from external customers for the years ended December 31, 2019, 2020 and 2021, and major non-current assets as of December 31, 2020 and 2021, are as follows:

	<u>Net operating revenues from external customers</u>			<u>Major non-current assets</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
	(In millions of Korean won)				
Domestic	₩11,142,264	₩11,891,540	₩13,525,769	₩10,216,017	₩ 9,853,970
United States	72,945	114,044	112,388	45,353	45,530
New Zealand	6,946	3,554	12,857	2,385	1,932
China	109,574	84,821	127,939	13,971	21,416
Cambodia	19,534	250,426	410,482	32,354	35,668
United Kingdom	10,037	28,681	29,764	81,879	86,361
Indonesia	—	44,392	166,683	387,237	437,088
Others	70,551	75,184	97,721	51,288	20,446
Consolidation adjustments	—	—	—	487,742	518,788
	<u>₩11,431,851</u>	<u>₩12,492,642</u>	<u>₩14,483,603</u>	<u>₩11,318,226</u>	<u>₩11,021,199</u>

6. Financial Assets and Financial Liabilities

6.1 Classification and Fair Value of Financial Instruments

6.1.1 Carrying amount and fair value of financial assets and liabilities by category as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	
	Carrying amount	Fair value
(In millions of Korean won)		
Financial assets		
Cash and due from financial institutions	₩ 25,608,842	₩ 25,612,273
Financial assets at fair value through profit or loss:	61,035,455	61,035,455
Due from financial institutions	100,094	100,094
Debt securities	58,415,100	58,415,100
Equity securities	2,092,313	2,092,313
Loans	337,983	337,983
Others	89,965	89,965
Derivatives held for trading	5,210,512	5,210,512
Derivatives held for hedging	334,873	334,873
Loans measured at amortized cost	377,166,984	378,791,808
Securities measured at amortized cost	36,870,229	38,026,073
Financial assets at fair value through other comprehensive income:	61,825,197	61,825,197
Debt securities	58,456,889	58,456,889
Equity securities	3,074,899	3,074,899
Loans	293,409	293,409
Other financial assets	14,167,689	14,167,689
	<u>₩582,219,781</u>	<u>₩585,003,880</u>
Financial liabilities		
Financial liabilities at fair value through profit or loss	₩ 2,025,951	₩ 2,025,951
Financial liabilities designated at fair value through profit or loss	9,784,107	9,784,107
Derivatives held for trading	5,014,072	5,014,072
Derivatives held for hedging	208,825	208,825
Deposits	338,580,220	338,833,784
Borrowings	49,827,156	50,081,900
Debentures	62,760,687	63,189,132
Other financial liabilities	28,612,288	28,612,288
	<u>₩496,813,306</u>	<u>₩497,750,059</u>

	December 31, 2021	
	Carrying amount	Fair value
	(In millions of Korean won)	
Financial assets		
Cash and due from financial institutions	₩ 31,009,374	₩ 31,081,231
Financial assets at fair value through profit or loss:	66,005,815	66,005,815
Due from financial institutions	200,742	200,742
Debt securities	63,002,692	63,002,692
Equity securities	2,419,463	2,419,463
Loans	269,296	269,296
Others	113,622	113,622
Derivatives held for trading	3,532,542	3,532,542
Derivatives held for hedging	188,828	188,828
Loans measured at amortized cost	417,900,273	417,775,260
Securities measured at amortized cost	44,471,628	44,392,419
Financial assets at fair value through other comprehensive income:	60,376,243	60,376,243
Debt securities	56,259,511	56,259,511
Equity securities	3,803,128	3,803,128
Loans	313,604	313,604
Other financial assets	10,755,350	10,755,350
	<u>₩634,240,053</u>	<u>₩634,107,688</u>
Financial liabilities		
Financial liabilities at fair value through profit or loss	₩ 2,939,584	₩ 2,939,584
Financial liabilities designated at fair value through profit or loss	9,149,396	9,149,396
Derivatives held for trading	3,509,789	3,509,789
Derivatives held for hedging	172,469	172,469
Deposits	372,023,918	371,936,631
Borrowings	56,912,374	56,805,938
Debentures	67,430,188	67,288,409
Other financial liabilities	29,494,402	29,494,402
	<u>₩541,632,120</u>	<u>₩541,296,618</u>

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Group discloses the fair value of each class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is a quoted price in an active market.

Methods of determining fair value of financial instruments are as follows:

Cash and due from financial institutions	Fair value of cash is same as carrying amount. Carrying amount of demand deposit and settlement deposit is a reasonable approximation of fair value because these financial instruments do not have a fixed maturity and are receivable on demand. Fair value of general deposit is measured using Discounted Cash Flow (“DCF”) Model.
Securities	Fair value of securities and others that are traded in an active market is determined using the quoted prices. If there is no quoted price, fair value is determined using external professional valuation institutions. The institutions use one or more valuation techniques that are deemed appropriate considering the characteristics of the financial instruments among DCF Model, Free Cash Flow to Equity Model, Comparable Company Analysis, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method.
Loans measured at amortized cost	Fair value of loans is determined using DCF Model discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
Derivatives and financial instruments at fair value through profit or loss	Fair value of exchange traded derivatives is determined using quoted price in an active market, and fair value of OTC derivatives is determined using valuation techniques. The Group uses internally developed valuation models that are widely used by market participants to determine fair value of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including Finite Difference Method (“FDM”), MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, Closed Form, and Tree Model or valuation results from independent external professional valuation institutions.
Deposits	Carrying amount of demand deposits is a reasonable approximation of fair value because they do not have a fixed maturity and are payable on demand. Fair value of time deposits is determined using DCF Model discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
Borrowings	Carrying amount of overdrafts in foreign currency is a reasonable approximation of fair value because they do not have a fixed maturity and are payable on demand. Fair value of other borrowings is determined using DCF Model.
Debentures	Fair value is determined using valuation results of external professional valuation institutions, which are calculated using market inputs.
Other financial assets and other financial liabilities	Carrying amount is a reasonable approximation of fair value because other financial assets and other financial liabilities are temporary accounts used for other various transactions and their maturities are relatively short or not defined.

6.1.2 Fair value hierarchy

The Group believes that valuation techniques used for measuring the fair value of financial instruments are reasonable and that the fair value recognized in the consolidated statement of financial position is appropriate. However, the fair value of the financial instruments recognized in the consolidated statement of financial position may be different if other valuation techniques or assumptions are used. Additionally, as there are a variety of

valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

The Group classifies and discloses fair value of the financial instruments into the three fair value levels as follows:

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The fair values are based on unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy.

6.1.2.1 Fair value hierarchy of financial assets and liabilities at fair value in the consolidated statements of financial position

Fair value hierarchy of financial assets and liabilities at fair value in the consolidated statements of financial position as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
	(In millions of Korean won)			
Financial assets				
Financial assets at fair value through profit or loss:	₩14,508,028	₩35,298,665	₩11,228,762	₩ 61,035,455
Due from financial institutions	—	10,011	90,083	100,094
Debt securities	13,316,819	34,580,168	10,518,113	58,415,100
Equity securities	1,101,244	409,259	581,810	2,092,313
Loans	—	299,227	38,756	337,983
Others	89,965	—	—	89,965
Derivatives held for trading	90,459	4,678,185	441,868	5,210,512
Derivatives held for hedging	—	334,873	—	334,873
Financial assets at fair value through other comprehensive income:	18,731,801	40,645,505	2,447,891	61,825,197
Debt securities	18,147,167	40,309,722	—	58,456,889
Equity securities	584,634	70,357	2,419,908	3,074,899
Loans	—	265,426	27,983	293,409
	<u>₩33,330,288</u>	<u>₩80,957,228</u>	<u>₩14,118,521</u>	<u>₩128,406,037</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss	₩ 2,025,951	₩ —	₩ —	₩ 2,025,951
Financial liabilities designated at fair value through profit or loss	1,040	581,636	9,201,431	9,784,107
Derivatives held for trading	204,470	4,668,155	141,447	5,014,072
Derivatives held for hedging	—	208,825	—	208,825
	<u>₩ 2,231,461</u>	<u>₩ 5,458,616</u>	<u>₩ 9,342,878</u>	<u>₩ 17,032,955</u>

	December 31, 2021			
	Fair value hierarchy			
	Level 1	Level 2	Level 3*	Total
	(In millions of Korean won)			
Financial assets				
Financial assets at fair value through profit or loss:	₩13,108,985	₩40,205,783	₩12,691,047	₩ 66,005,815
Due from financial institutions	—	128,726	72,016	200,742
Debt securities	12,146,181	39,300,923	11,555,588	63,002,692
Equity securities	849,182	600,768	969,513	2,419,463
Loans	—	175,366	93,930	269,296
Others	113,622	—	—	113,622
Derivatives held for trading	81,408	3,241,129	210,005	3,532,542
Derivatives held for hedging	—	188,828	—	188,828
Financial assets at fair value through other comprehensive income:	20,027,158	38,900,548	1,448,537	60,376,243
Debt securities	17,706,456	38,553,055	—	56,259,511
Equity securities	2,320,702	47,859	1,434,567	3,803,128
Loans	—	299,634	13,970	313,604
	<u>₩33,217,551</u>	<u>₩82,536,288</u>	<u>₩14,349,589</u>	<u>₩130,103,428</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss	₩ 2,939,584	₩ —	₩ —	₩ 2,939,584
Financial liabilities designated at fair value through profit or loss	36,938	1,294,944	7,817,514	9,149,396
Derivatives held for trading	211,132	3,124,057	174,600	3,509,789
Derivatives held for hedging	—	172,469	—	172,469
	<u>₩ 3,187,654</u>	<u>₩ 4,591,470</u>	<u>₩ 7,992,114</u>	<u>₩ 15,771,238</u>

* Includes KB Securities Co., Ltd.'s OTC derivatives consisting of ₩ 128,083 million of financial assets at fair value through profit or loss (debt instruments), ₩ 7,817,514 million of financial liabilities designated at fair value through profit or loss, ₩ 209,809 million of derivative financial assets, and ₩ 168,464 million of derivative financial liabilities.

Valuation techniques and inputs of financial assets and liabilities classified as Level 2 and measured at fair value in the consolidated statements of financial position as of December 31, 2020 and 2021, are as follows:

		December 31, 2020		
		Fair value	Valuation techniques	Inputs
		(In millions of Korean won)		
Financial assets				
Financial assets at fair value through profit or loss:				
	₩35,298,665			
Due from financial institutions . . .	10,011	DCF Model		Projected cash flow, Discount rate
Debt securities	34,580,168	DCF Model, Closed Form, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, Net Asset Value Method, and others		Projected cash flow, Fair value of underlying asset, Dividend yield, Price of underlying asset, Interest rate, Discount rate, Volatility, Correlation coefficient, and others
Equity securities	409,259	DCF Model		Interest rate, Discount rate, and others
Loans	299,227	DCF Model		Interest rate, Discount rate, and others
Derivatives held for trading	4,678,185	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, and others		Discount rate, Underlying asset index, Volatility, Interest rate, Stock price, Foreign exchange rate, Dividend yield, and others
Derivatives held for hedging	334,873	DCF Model, Closed Form, FDM, and others		Discount rate, Volatility, Foreign exchange rate, and others
Financial assets at fair value through other comprehensive income:				
	40,645,505			
Debt securities	40,309,722	DCF Model, Market Value Approach		Discount rate, Volatility, and others
Equity securities	70,357	DCF Model		Interest rate, Discount rate, and others
Loans	265,426	DCF Model		Discount rate, Volatility, and others
	<u>₩80,957,228</u>			
Financial liabilities				
Financial liabilities designated at fair value through profit or loss				
	₩ 581,636	DCF Model, Closed Form, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, Binomial Model, and others		Price of underlying asset, Interest rate, Dividend yield, Volatility, Discount rate, and others
Derivatives held for trading	4,668,155	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, and others		Discount rate, Underlying asset index, Volatility, Interest rate, Stock price, Foreign exchange rate, Dividend yield, and others
Derivatives held for hedging	208,825	DCF Model, Closed Form, FDM, and others		Discount rate, Foreign exchange rate, and others
	<u>₩ 5,458,616</u>			

December 31, 2021

	Fair value	Valuation techniques	Inputs
(In millions of Korean won)			
Financial assets			
Financial assets at fair value through profit or loss:			
	₩40,205,783		
Due from financial institutions	128,726	DCF Model, Hull and White Model	Projected cash flow, Discount rate, Volatility, Correlation coefficient
Debt securities	39,300,923	DCF Model, Hull and White Model, Closed Form, MonteCarlo Simulation, Black-Scholes Model, Net Asset Value Method, Binomial Model, and others	Projected cash flow, Fair value of underlying asset, Dividend yield, Price of underlying asset, Interest rate, Discount rate, Volatility, Correlation coefficient, and others
Equity securities	600,768	DCF Model	Interest rate, Discount rate, and others
Loans	175,366	DCF Model	Interest rate, Discount rate, and others
Derivatives held for trading	3,241,129	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, Binomial Model, and others	Interest rate, Price of underlying asset, Foreign exchange rate, Credit spread, Discount rate, Volatility, and others
Derivatives held for hedging	188,828	DCF Model, Closed Form, FDM	Projected cash flow, Discount rate, Forward foreign exchange rate, Volatility, Foreign exchange rate, and others
Financial assets at fair value through other comprehensive income:			
	38,900,548		
Debt securities	38,553,055	DCF Model, Market Value Approach, Option Model	Underlying asset index, Interest rate, Discount rate, and others
Equity securities	47,859	DCF Model	Discount rate
Loans	299,634	DCF Model	Discount rate
	<u>₩82,536,288</u>		
Financial liabilities			
Financial liabilities designated at fair value through profit or loss			
	₩ 1,294,944		
Derivatives held for trading	3,124,057	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, Binomial Model, and others	Price of underlying asset, Interest rate, Dividend yield, Volatility, Discount rate
Derivatives held for hedging	172,469	DCF Model, Closed Form, FDM	Interest rate, Price of underlying asset, Foreign exchange rate, Credit spread, Discount rate, Volatility, and others
	<u>₩ 4,591,470</u>		Projected cash flow, Discount rate, Forward foreign exchange rate, Volatility, Foreign exchange rate, and others

6.1.2.2 Fair value hierarchy of financial assets and liabilities whose fair value is disclosed

Fair value hierarchy of financial assets and liabilities whose fair value is disclosed as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
	(In millions of Korean won)			
Financial assets				
Cash and due from financial institutions ¹	₩ 3,362,096	₩ 19,573,075	₩ 2,677,102	₩ 25,612,273
Loans measured at amortized cost	—	271,241	378,520,567	378,791,808
Securities measured at amortized cost	19,438,941	18,584,264	2,868	38,026,073
Other financial assets ²	—	—	14,167,689	14,167,689
	<u>₩22,801,037</u>	<u>₩ 38,428,580</u>	<u>₩395,368,226</u>	<u>₩456,597,843</u>
Financial liabilities				
Deposits ¹	₩ —	₩181,472,846	₩157,360,938	₩338,833,784
Borrowings ³	—	1,149,734	48,932,166	50,081,900
Debentures	—	57,916,235	5,272,897	63,189,132
Other financial liabilities ²	—	—	28,612,288	28,612,288
	<u>₩ —</u>	<u>₩240,538,815</u>	<u>₩240,178,289</u>	<u>₩480,717,104</u>
	December 31, 2021			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean won)			
Financial assets				
Cash and due from financial institutions ¹	₩ 3,330,920	₩ 25,791,556	₩ 1,958,755	₩ 31,081,231
Loans measured at amortized cost	—	260,101	417,515,159	417,775,260
Securities measured at amortized cost ²	18,263,895	26,125,391	3,133	44,392,419
Other financial assets ²	—	—	10,755,350	10,755,350
	<u>₩21,594,815</u>	<u>₩ 52,177,048</u>	<u>₩430,232,397</u>	<u>₩504,004,260</u>
Financial liabilities				
Deposits ¹	₩ —	₩204,299,174	₩167,637,457	₩371,936,631
Borrowings ³	—	3,137,427	53,668,511	56,805,938
Debentures	—	60,824,743	6,463,666	67,288,409
Other financial liabilities ²	—	—	29,494,402	29,494,402
	<u>₩ —</u>	<u>₩268,261,344</u>	<u>₩257,264,036</u>	<u>₩525,525,380</u>

¹ The amounts included in Level 2 are the carrying amounts which are reasonable approximations of fair value.

² The amounts included in Level 3 are the carrying amounts which are reasonable approximations of fair value.

³ Borrowings of ₩ 292 million and ₩ 2,143 million included in Level 2 are the carrying amounts which are reasonable approximations of fair value as of December 31, 2020 and 2021, respectively.

For financial assets and liabilities whose carrying amount is a reasonable approximation of fair value, valuation techniques and inputs are not disclosed.

Valuation techniques and inputs of financial assets and liabilities classified as Level 2, and whose fair value is disclosed as of December 31, 2020 and 2021, are as follows:

				December 31, 2020		
				Fair value	Valuation techniques	Inputs
				(In millions of Korean won)		
Financial assets						
Loans measured at amortized cost	₩	271,241		DCF Model	Discount rate	
Securities measured at amortized cost		18,584,264	DCF Model, MonteCarlo Simulation	Discount rate, Interest rate		
				₩18,855,505		
Financial liabilities						
Borrowings	₩	1,149,442	DCF Model	Discount rate		
Debentures		57,916,235	DCF Model	Discount rate		
				₩59,065,677		
				December 31, 2021		
				Fair value	Valuation techniques	Inputs
				(In millions of Korean won)		
Financial assets						
Loans measured at amortized cost	₩	260,101	DCF Model	Discount rate		
Securities measured at amortized cost		26,125,391	DCF Model, MonteCarlo Simulation	Discount rate, Interest rate		
				₩26,385,492		
Financial liabilities						
Borrowings	₩	3,135,284	DCF Model	Discount rate		
Debentures		60,824,743	DCF Model	Discount rate		
				₩63,960,027		

Valuation techniques and inputs of financial assets and liabilities classified as Level 3, and whose fair value is disclosed as of December 31, 2020 and 2021, are as follows:

December 31, 2020			
Fair value	Valuation techniques	Inputs	
(In millions of Korean won)			
Financial assets			
Cash and due from financial institutions	₩ 2,677,102	DCF Model	Credit spread, Other spread, Interest rate
Loans measured at amortized cost	378,520,567	DCF Model	Credit spread, Other spread, Prepayment rate, Interest rate
Securities measured at amortized cost	2,868	DCF Model	Interest rate
	<u>₩381,200,537</u>		
Financial liabilities			
Deposits	₩157,360,938	DCF Model	Other spread, Prepayment rate, Interest rate
Borrowings	48,932,166	DCF Model	Other spread, Interest rate
Debentures	5,272,897	DCF Model	Other spread, Interest rate
	<u>₩211,566,001</u>		
December 31, 2021			
Fair value	Valuation techniques	Inputs	
(In millions of Korean won)			
Financial assets			
Cash and due from financial institutions	₩ 1,958,755	DCF Model	Credit spread, Other spread, Interest rate
Loans measured at amortized cost	417,515,159	DCF Model	Credit spread, Other spread, Prepayment rate, Interest rate
	<u>₩419,473,914</u>		
Financial liabilities			
Deposits	₩167,637,457	DCF Model	Other spread, Prepayment rate, Interest rate
Borrowings	53,668,511	DCF Model	Other spread, Interest rate
Debentures	6,463,666	DCF Model	Other spread, Interest rate
	<u>₩227,769,634</u>		

6.2 Disclosure of Fair Value Hierarchy Level 3

6.2.1 Valuation policy and process of Level 3 fair value

The Group uses external, independent and qualified valuation service in addition to internal valuation models to determine the fair value of financial instruments at the end of every reporting period.

If the changes in situation and events which cause transfers between the fair value hierarchy level for a financial asset or liability occur, the Group's policy is to recognize such transfers as having occurred at the beginning of the reporting period.

6.2.2.2 In relation to changes in financial instruments classified as Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and total gains or losses recognized in profit or loss from financial instruments held at the end of the reporting period for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019			2020		
	Net losses on financial instruments at fair value through profit or loss	Other operating income	Net interest income	Net gains on financial instruments at fair value through profit or loss	Other operating expenses	Net interest income
	(In millions of Korean won)					
Total gains (losses) recognized in profit or loss for the period	₩ (489,703) ₩	1,388 ₩	22 ₩	₩ 70,251 ₩	(56,329) ₩	—
Total gains (losses) recognized in profit or loss from financial instruments held at the end of the reporting period	(37,668)	1,331	—	129,824	(60,884)	—
	2021					
	Net gains on financial instruments at fair value through profit or loss	Other operating income	Net interest income			
	(In millions of Korean won)					
Total gains recognized in profit or loss for the period	₩	256,167 ₩	86,236 ₩			—
Total gains recognized in profit or loss from financial instruments held at the end of the reporting period		126,516	85,256			—

6.2.3 Sensitivity analysis of changes in unobservable inputs

6.2.3.1 Information about fair value measurements using unobservable inputs as of December 31, 2020 and 2021, are as follows:

		December 31, 2020			
	Fair value (In millions of Korean won)	Valuation techniques	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets at fair value through profit or loss:					
Due from financial institutions . . . ₩	90,083	MonteCarlo Simulation	Volatility of underlying asset	19.40 ~ 36.76	The higher the volatility of underlying asset, the higher the fair value fluctuation
Debt securities	10,518,113	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model, Option Model, Binomial Model, Net Asset Value Method, Income Approach, Market Value Approach, and others	Correlation coefficient	12.27	The higher the correlation coefficient, the higher the fair value fluctuation
			Growth rate	0.00 ~ 2.00	The higher the growth rate, the higher the fair value
			Volatility	8.00 ~ 179.75	The higher the volatility, the higher the fair value fluctuation
			Discount rate	0.00 ~ 21.37	The lower the discount rate, the higher the fair value
			Recovery rate	40	The higher the recovery rate, the higher the fair value
			Correlation coefficient between underlying assets	-61.12 ~ 100.00	The higher the correlation coefficient, the higher the fair value fluctuation
			Liquidation value	0.00	The higher the liquidation value, the higher the fair value
			Rate of real estate price fluctuation	0.00	The higher the sale price of real estate, the higher the fair value
Equity securities	581,810	Income Approach, Market Value Approach, Asset Value Approach, DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method, Dividend Discount Model, Usage of Past Transactions, Binomial Model, and others	Growth rate	0.00 ~ 1.10	The higher the growth rate, the higher the fair value
			Discount rate	0.60 ~ 18.67	The lower the discount rate, the higher the fair value
			Liquidation value	0.00	The higher the liquidation value, the higher the fair value
Loans	38,756	Binomial Model, DCF Model	Volatility of stock price	0.00	The higher the volatility, the higher the fair value fluctuation
			Discount rate	7.86	The lower the discount rate, the higher the fair value

December 31, 2020

	Fair value (In millions of Korean won)	Valuation techniques	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Derivatives held for trading:					
Stock and index	382,337	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model, Binomial Model	Volatility of underlying asset Correlation coefficient between underlying assets	20.00 ~ 72.00 -61.12 ~ 89.01	The higher the volatility, the higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation
Currency, interest rate, and others	59,531	DCF Model, Hull and White Model	Volatility Correlation coefficient between underlying assets	0.00 ~ 68.00 -50.48 ~ 90.95	The higher the volatility, the higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation
Financial assets at fair value through other comprehensive income:					
Equity securities	2,419,908	Risk Adjusted Discount Rate Method, IMV Model, DCF Model, Comparable Company Analysis, Dividend Discount Model, Option Model, Net Asset Value Method, Market Value Approach, One Factor Hull and White Model, and others	Growth rate Discount rate Volatility	0.00 ~ 2.00 7.60 ~ 19.67 22.11 ~ 24.16	The higher the growth rate, the higher the fair value The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation
Loans	27,983	DCF Model	Discount rate	2.21 ~ 4.21	The lower the discount rate, the higher the fair value

₩14,118,521

December 31, 2020

	Fair value (In millions of Korean won)	Valuation techniques	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial liabilities					
Financial liabilities designated at fair value through profit or loss:					
Derivative-linked securities	₩ 9,201,431	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model	Volatility of underlying asset Correlation coefficient between underlying assets	1.00 ~ 72.00 -61.12 ~ 90.95	The higher the volatility, the higher the fair value fluctuation The higher the absolute value of correlation coefficient, the higher the fair value fluctuation
Derivatives held for trading:	60,291	DCF Model, Closed Form, FDM, MonteCarlo	Volatility	20.00 ~ 68.00	The higher the volatility, the higher the fair value fluctuation
Stock and index		Simulation, Hull and White Model, Black-Scholes Model, Binomial Model	Correlation coefficient between underlying assets	-61.12 ~ 90.95	The higher the correlation coefficient, the higher the fair value fluctuation
Others	81,156	MonteCarlo Simulation, Hull and White Model, DCF Model, Closed Form	Volatility Discount rate Correlation coefficient between underlying assets	21.00 ~ 68.00 1.15 ~ 1.29 -50.48 ~ 90.95	The higher the volatility, the higher the fair value fluctuation The higher the discount rate, the lower the fair value The higher the absolute value of correlation coefficient, the higher the fair value fluctuation
	<u>₩ 9,342,878</u>				

December 31, 2021

	Fair value (In millions of Korean won)	Valuation techniques	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets at fair value through profit or loss:					
Due from financial institutions	₩ 72,016	MonteCarlo Simulation, Hull and White Model	Volatility of underlying asset	14.30 ~ 39.66	The higher the volatility of underlying asset, the higher the fair value fluctuation
			Correlation coefficient	-3.36	The higher the correlation coefficient, the higher the fair value fluctuation
Debt securities	11,555,588	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model, Option Model, Binomial Model, Net Asset Value Method, Milestone Method, Income Approach, Market Value Approach, and others	Growth rate	0.00 ~ 2.00	The higher the growth rate, the higher the fair value
			Volatility	13.87 ~ 58.39	The higher the volatility, the higher the fair value fluctuation
			Discount rate	0.60 ~ 21.37	The lower the discount rate, the higher the fair value
			Stock price	18.87 ~ 19.48	The higher the stock price, the higher the fair value
			Correlation coefficient between underlying assets	-60.35 ~ 100.00	The higher the correlation coefficient, the higher the fair value fluctuation
			Liquidation value	-1.00 ~ 1.00	The higher the liquidation value, the higher the fair value
			Recovery rate	40	The higher the recovery rate, the higher the fair value
Equity securities	969,513	Income Approach, Market Value Approach, Asset Value Approach, DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method, Dividend Discount Model, Usage of Past Transactions, Binomial Model, and others	Rate of real estate price fluctuation	-1.00 ~ 1.00	The higher the sale price of real estate, the higher the fair value
			Growth rate	0.50 ~ 2.00	The higher the growth rate, the higher the fair value
			Discount rate	8.80 ~ 24.60	The lower the discount rate, the higher the fair value
			Stock price	23.36 ~ 25.49	The higher the stock price, the higher the fair value
Loans	93,930	DCF Model	Discount rate	8.21	The lower the discount rate, the higher the fair value

December 31, 2021

	Fair value (In millions of Korean won)	Valuation techniques	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Derivatives held for trading:					
Stock and index	₩ 184,165	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model, Binomial Model	Volatility of underlying asset Correlation coefficient Stock price	15.07 ~ 80.58 -60.35 ~ 88.17 -10.00 ~ 10.00	The higher the volatility, the higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation The higher the stock price, the higher the fair value
Currency, interest rate, and others	25,840	DCF Model, Hull and White Model, MonteCarlo Simulation, Closed Form	Volatility Correlation coefficient	2.67 ~ 81.32 -48.31 ~ 90.16	The higher the volatility, the higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation
Financial assets at fair value through other comprehensive income:					
Equity securities	1,434,567	Risk Adjusted Discount Rate Method, IMV Model, DCF Model, Comparable Company Analysis, Dividend Discount Model, Net Asset Value Method, Market Value Approach, Hull and White Model, and others	Growth rate Discount rate Volatility	0.00 ~ 2.00 8.80 ~ 18.02 23.36 ~ 31.65	The higher the growth rate, the higher the fair value The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation
Loans	13,970	DCF Model	Discount rate	2.87 ~ 4.87	The lower the discount rate, the higher the fair value
	₩ 14,349,589				

December 31, 2021

	Fair value (In millions of Korean won)	Valuation techniques	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial liabilities					
Financial liabilities designated at fair value through profit or loss:					
Derivative-linked securities	₩ 7,817,514	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model	Volatility of underlying asset Correlation coefficient between underlying assets	1.00 ~ 81.32 -60.35 ~ 90.16	The higher the volatility, the higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation
Derivatives held for trading:					
Stock and index	92,757	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model, Binomial Model	Volatility of underlying asset Correlation coefficient between underlying assets Discount rate	15.07 ~ 80.58 -60.35 ~ 88.17 1.46 ~ 2.83	The higher the volatility, the higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation The lower the discount rate, the higher the fair value
Others	81,843	DCF Model, Hull and White Model, MonteCarlo Simulation, Closed Form	Volatility of underlying asset Correlation coefficient between underlying assets	5.29 ~ 53.57 -48.31 ~ 90.16	The higher the volatility, the higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation
	<u>₩ 7,992,114</u>				

6.2.3.2 Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in fair value of financial instruments which are affected by unobservable parameters, using a statistical technique. When the fair value is affected by more than one input parameter, the amounts represent the most favorable or most unfavorable outcome. Level 3 financial instruments subject to sensitivity analysis are (a) equity-related derivatives, currency-related derivatives, and interest rate related derivatives whose fair value changes are recognized in profit or loss, (b) financial liabilities designated at fair value through profit or loss, and (c) due from financial institutions, debt securities (including beneficiary certificates), equity securities, and loans whose fair value changes are recognized in profit or loss or other comprehensive income or loss. If the overlay approach is applied in accordance with IFRS No.4, changes in fair value of financial assets at fair value through profit or loss are recognized in other comprehensive income.

Results of the sensitivity analysis of changes in unobservable inputs as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Profit or loss		Other comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
	(In millions of Korean won)			
Financial assets				
Financial assets at fair value through profit or loss: ¹				
Due from financial institutions	₩ 2	₩ (2)	₩ 199	₩ (222)
Debt securities ⁴	35,790	(12,826)	2,123	(2,122)
Equity securities ³	16,125	(8,275)	973	(744)
Loans ⁵	3,316	(2,952)	—	—
Derivatives held for trading ²	22,783	(25,013)	—	—
Financial assets at fair value through other comprehensive income:				
Equity securities ³	—	—	120,652	(73,434)
Loans ⁶	—	—	534	(518)
	<u>₩ 78,016</u>	<u>₩ (49,068)</u>	<u>₩ 124,481</u>	<u>₩ (77,040)</u>
Financial liabilities				
Financial liabilities designated at fair value through profit or loss ¹	₩ 46,859	₩ (42,995)	₩ —	₩ —
Derivatives held for trading ²	7,255	(7,139)	—	—
	<u>₩ 54,114</u>	<u>₩ (50,134)</u>	<u>₩ —</u>	<u>₩ —</u>

	December 31, 2021			
	Profit or loss		Other comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
	(In millions of Korean won)			
Financial assets				
Financial assets at fair value through profit or loss: ¹				
Due from financial institutions	₩ —	₩ —	₩ 19	₩ (18)
Debt securities ⁴	13,149	(12,562)	1,458	(1,402)
Equity securities ³	11,259	(8,192)	1,049	(813)
Loans ⁵	3,062	(2,742)	—	—
Derivatives held for trading ²	19,328	(20,005)	—	—
Financial assets at fair value through other comprehensive income:				
Equity securities ³	6,495	(5,145)	95,599	(71,171)
Loans ⁶	—	—	133	(131)
	<u>₩ 53,293</u>	<u>₩ (48,646)</u>	<u>₩ 98,258</u>	<u>₩ (73,535)</u>
Financial liabilities				
Financial liabilities designated at fair value through profit or loss ¹	₩ 78,355	₩ (82,797)	₩ 78,356	₩ (82,797)
Derivatives held for trading ²	31,310	(29,309)	31,114	(29,105)
	<u>₩ 109,665</u>	<u>₩ (112,106)</u>	<u>₩ 109,470</u>	<u>₩ (111,902)</u>

¹ For financial instruments at fair value through profit or loss, changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate, recovery rate, liquidation value by $\pm 1\%$ and volatility of underlying asset, growth rate by $\pm 1\%$ or $\pm 10\%$ and correlation coefficient by $\pm 10\%$.

² For derivative financial instruments, changes in fair value are calculated by shifting principal unobservable input parameters such as price of underlying asset and volatility by $\pm 10\%$.

³ For equity securities, changes in fair value are calculated by shifting principal unobservable input parameters such as correlation between discount rate ($-1\% \sim 1\%$) and growth rate ($-1\% \sim 1\%$) or correlation between liquidation value ($-1\% \sim 1\%$) and discount rate ($-1\% \sim 1\%$).

⁴ For beneficiary certificates, it is practically impossible to analyze sensitivity of changes in unobservable inputs. However, for beneficiary certificates whose underlying assets are real estates, changes in fair value are calculated by shifting rate of real estate price fluctuation by $-1\% \sim 1\%$, and for beneficiary certificates whose underlying assets are equity investments, changes in fair value are calculated by shifting principal unobservable input parameters such as liquidation value by $-1\% \sim 1\%$ and discount rate by $-1\% \sim 1\%$. There is no significant correlation among major unobservable inputs.

⁵ For loans, changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate by $-1\% \sim 1\%$.

⁶ For loans measured at fair value through other comprehensive income, changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate and growth rate by $\pm 1\%$.

6.2.4 Day one gains or losses

When the Group measures the fair value of OTC derivatives using inputs that are not based on observable market data, there could be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price, and the difference is not recognized in profit or loss but deferred and amortized using the straight-line method over the life of the financial instrument. When the fair value of the financial instruments is subsequently determined using observable market inputs, the remaining deferred amount is recognized in profit or loss.

Changes in deferred day one gains or losses for the years ended December 31, 2020 and 2021, are as follows:

	2020	2021
	(In millions of Korean won)	
Balance at the beginning of the year	₩ 45,767	₩ 61,393
New transactions	166,555	166,443
Changes during the year	(150,929)	(150,628)
Balance at the end of the year	<u>₩ 61,393</u>	<u>₩ 77,208</u>

6.3 Carrying Amount of Financial Instruments by Category

Financial assets and liabilities are measured at fair value or amortized cost. Carrying amount of financial assets and liabilities by category as of December 31, 2020 and 2021, are as follows:

	December 31, 2020					
	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
	(In millions of Korean won)					
Financial assets						
Cash and due from financial institutions	₩ —	₩ —	₩ —	₩ 25,608,842	₩ —	₩ 25,608,842
Financial assets at fair value through profit or loss	61,035,455	—	—	—	—	61,035,455
Derivative financial assets	5,210,512	—	—	—	334,873	5,545,385
Loans measured at amortized cost	—	—	—	377,166,984	—	377,166,984
Financial investments	—	58,750,298	3,074,899	36,870,229	—	98,695,426
Other financial assets	—	—	—	14,167,689	—	14,167,689
	<u>₩66,245,967</u>	<u>₩ 58,750,298</u>	<u>₩ 3,074,899</u>	<u>₩453,813,744</u>	<u>₩ 334,873</u>	<u>₩582,219,781</u>

	December 31, 2020					
	Financial instruments at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total	
	(In millions of Korean won)					
Financial liabilities						
Financial liabilities at fair value through profit or loss	₩2,025,951	₩ 9,784,107	₩ —	₩ —	₩ —	₩ 11,810,058
Derivative financial liabilities	5,014,072	—	—	208,825	—	5,222,897
Deposits	—	—	338,580,220	—	—	338,580,220
Borrowings	—	—	49,827,156	—	—	49,827,156
Debentures	—	—	62,760,687	—	—	62,760,687
Other financial liabilities	—	—	28,612,288	—	—	28,612,288
	<u>₩7,040,023</u>	<u>₩ 9,784,107</u>	<u>₩479,780,351</u>	<u>₩ 208,825</u>	<u>₩ —</u>	<u>₩496,813,306</u>

December 31, 2021

	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
(In millions of Korean won)						
Financial assets						
Cash and due from financial institutions	₩ —	₩ —	₩ —	₩ 31,009,374	₩ —	₩ 31,009,374
Financial assets at fair value through profit or loss	66,005,815	—	—	—	—	66,005,815
Derivative financial assets	3,532,542	—	—	—	188,828	3,721,370
Loans measured at amortized cost	—	—	—	417,900,273	—	417,900,273
Financial investments	—	56,573,115	3,803,128	44,471,628	—	104,847,871
Other financial assets	—	—	—	10,755,350	—	10,755,350
	<u>₩69,538,357</u>	<u>₩ 56,573,115</u>	<u>₩ 3,803,128</u>	<u>₩504,136,625</u>	<u>₩ 188,828</u>	<u>₩634,240,053</u>

December 31, 2021

	Financial instruments at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
(In millions of Korean won)					
Financial liabilities					
Financial liabilities at fair value through profit or loss	₩2,939,584	₩ 9,149,396	₩ —	₩ —	₩ 12,088,980
Derivative financial liabilities	3,509,789	—	—	172,469	3,682,258
Deposits	—	—	372,023,918	—	372,023,918
Borrowings	—	—	56,912,374	—	56,912,374
Debentures	—	—	67,430,188	—	67,430,188
Other financial liabilities	—	—	29,494,402	—	29,494,402
	<u>₩6,449,373</u>	<u>₩ 9,149,396</u>	<u>₩525,860,882</u>	<u>₩ 172,469</u>	<u>₩541,632,120</u>

6.4 Transfer of Financial Assets

6.4.1 Transferred financial assets that are derecognized in their entirety

The Group transferred loans and other financial assets to companies specialized in asset-backed securitization and derecognized them from the consolidated financial statement, while the maximum exposure to loss (carrying amount) from its continuing involvement and fair value of its continuing involvement of the derecognized financial assets as of December 31, 2020 and 2021, are as follows:

December 31, 2020				
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement	Fair value of continuing involvement
(In millions of Korean won)				
Discovery 2 nd Securitization Specialty Co., Ltd.	Subordinated bond	Financial assets at fair value through profit or loss . . .	₩ 5,190	₩ 5,190
FK 1411 ABS Ltd.	Subordinated bond	Financial assets at fair value through profit or loss . . .	1,062	1,062
AP 3B ABS Ltd.	Subordinated bond	Financial assets at fair value through profit or loss . . .	646	646
AP 4D ABS Ltd.	Subordinated bond	Financial assets at fair value through profit or loss . . .	6,304	6,304
			<u>₩ 13,202</u>	<u>₩ 13,202</u>
December 31, 2021				
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement	Fair value of continuing involvement
(In millions of Korean won)				
Discovery 2 nd Securitization Specialty Co., Ltd.	Subordinated bond	Financial assets at fair value through profit or loss . . .	₩ 5,189	₩ 5,189
AP 4D ABS Ltd.	Subordinated bond	Financial assets at fair value through profit or loss . . .	5,463	5,463
			<u>₩ 10,652</u>	<u>₩ 10,652</u>

6.4.2 Transferred financial assets that are not derecognized in their entirety

The Group issued securitized debentures using loans as underlying assets. Details of underlying assets and senior debentures in relation to securitization as of December 31, 2020 and 2021, are as follows:

December 31, 2020				
	Carrying amount of underlying assets	Fair value of underlying assets	Carrying amount of senior debentures	Fair value of senior debentures
(In millions of Korean won)				
KB Kookmin Card 4 th Securitization Co., Ltd. ¹ . .	₩ 490,465	₩ 488,251	₩ 219,419	₩ 226,401
KB Kookmin Card 5 th Securitization Co., Ltd. ¹ . .	476,523	474,481	299,838	304,914
KB Kookmin Card 6 th Securitization Co., Ltd. ¹ . .	701,360	698,421	434,492	472,861
KB Kookmin Card 7 th Securitization Co., Ltd. ¹ . .	924,159	919,775	553,711	591,609
KB Auto Second Asset Securitization Specialty Co., Ltd. ²	307,270	308,861	249,689	250,306
	<u>₩ 2,899,777</u>	<u>₩ 2,889,789</u>	<u>₩ 1,757,149</u>	<u>₩ 1,846,091</u>

	December 31, 2021			
	Carrying amount of underlying assets	Fair value of underlying assets	Carrying amount of senior debentures	Fair value of senior debentures
	(In millions of Korean won)			
KB Kookmin Card 5 th Securitization Co., Ltd. ¹ . .	₩ 492,108	₩ 490,113	₩ 299,881	₩ 302,564
KB Kookmin Card 6 th Securitization Co., Ltd. ¹ . .	726,803	723,835	474,000	474,766
KB Kookmin Card 7 th Securitization Co., Ltd. ¹ . .	948,129	943,689	598,180	596,272
KB Kookmin Card 8 th Securitization Co., Ltd. ¹ . .	545,750	543,982	299,844	306,264
KB Auto Second Asset Securitization Specialty Co., Ltd. ²	129,867	129,385	59,968	59,935
	<u>₩ 2,842,657</u>	<u>₩ 2,831,004</u>	<u>₩ 1,731,873</u>	<u>₩ 1,739,801</u>

¹ The Group has an obligation to early redeem the securitized debentures in the event of situations prescribed by the asset securitization contract, such as the remaining balance of the eligible underlying assets in trust-type asset securitization is below the solvency ratio (minimum ratio: 104.5%) of the beneficiary interest in the trust. To avoid such early redemption, the Group entrusts credit card accounts and deposits in addition to the previously entrusted credit card accounts.

² The Group has an obligation to early redeem the securitized debentures in the event of situations prescribed by the asset securitization contract, such as when the trusted assets do not meet the eligibility requirements.

6.4.3 Bonds sold under repurchase agreements and loaned securities

The Group continues to recognize the financial assets related to bonds sold under repurchase agreements and securities lending transactions in the consolidated statement of financial position since those transactions are not qualified for derecognition even though the Group transfers the financial assets. Bonds sold under repurchase agreements are sold on the condition that they will be repurchased at a fixed price and loaned securities will be returned at the expiration of the loan period. Thus, the Group retains substantially all the risks and rewards of ownership of the financial assets.

The carrying amount of transferred assets and related liabilities as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	
	Carrying amount of transferred assets	Carrying amount of related liabilities
	(In millions of Korean won)	
Bonds sold under repurchase agreements*	₩ 13,994,352	₩ 13,398,140
Loaned securities:		
Government and public bonds	1,831,673	—
Stock	19,811	—
	<u>₩ 15,845,836</u>	<u>₩ 13,398,140</u>
	December 31, 2021	
	Carrying amount of transferred assets	Carrying amount of related liabilities
	(In millions of Korean won)	
Bonds sold under repurchase agreements*	₩ 11,273,036	₩ 10,978,971
Loaned securities:		
Government and public bonds	1,035,736	—
Stock	253	—
	<u>₩ 12,309,025</u>	<u>₩ 10,978,971</u>

* Bonds sold under repurchase agreements using borrowed securities as collateral amount to ₩ 2,147,975 million and ₩ 2,050,635 million as of December 31, 2020 and 2021, respectively.

6.4.4 Purchase commitments of securitized debentures

The Group provided additional credit enhancement, such as purchase commitments, for the underlying assets of subsidiaries established for asset-backed securitization. Details of carrying amounts of the underlying assets and the associated liabilities as of December 31, 2020 and 2021, are as follows:

		December 31, 2020	December 31, 2021
		(In millions of Korean won)	
Underlying assets	Financial assets at fair value through profit or loss	₩ 180,180	₩ 289,188
	Loans measured at amortized cost*	3,272,228	3,724,204
		<u>₩3,452,408</u>	<u>₩4,013,392</u>
Associated liabilities	Debentures	₩3,450,505	₩4,010,436

* Before netting of allowance

6.5 Offsetting Financial Assets and Financial Liabilities

The Group enters into International Swaps and Derivatives Association (“ISDA”) master netting agreements and other similar arrangements with the Group’s OTC derivative and spot exchange counterparties. Similar netting agreements are also entered into with the Group’s (a) sales or purchases of bonds under repurchase agreements and (b) securities lending and borrowing transactions, etc. Pursuant to these agreements, in the event of default by one party, contracts are to be terminated and receivables and payables are to be offset. Domestic exchange settlement debits and domestic exchange settlement credits are recognized in its net settlement balance in the consolidated statement of financial position because the Group has the legal right of offset and settles in net amount.

6.5.1 Details of financial assets subject to enforceable master netting agreements or similar arrangements as of December 31, 2020 and 2021, are as follows:

December 31, 2020						
Gross assets	Gross liabilities offset	Net amount in the statement of financial position	Non-offsetting amount		Net amount	
			Financial instruments	Cash collateral		
(In millions of Korean won)						
Derivatives held for trading and derivative-linked securities	₩ 5,425,708	₩ —	₩ 5,425,708			
Derivatives held for hedging	334,874	—	334,874	₩ (3,940,729)	₩(263,564)	₩1,556,289
Unsettled spot exchange receivable	3,435,657	—	3,435,657	(3,434,222)	—	1,435
Bonds purchased under repurchase agreements	3,600,447	—	3,600,447	(3,600,447)	—	—
Domestic exchange settlement debits	37,549,292	(36,823,836)	725,456	—	—	725,456
Other financial instruments	4,560,879	(4,474,909)	85,970	—	—	85,970
	<u>₩54,906,857</u>	<u>₩(41,298,745)</u>	<u>₩13,608,112</u>	<u>₩(10,975,398)</u>	<u>₩(263,564)</u>	<u>₩2,369,150</u>
December 31, 2021						
Gross assets	Gross liabilities offset	Net amount in the statement of financial position	Non-offsetting amount		Net amount	
			Financial instruments	Cash collateral		
(In millions of Korean won)						
Derivatives held for trading and derivative-linked securities	₩ 3,673,348	₩ —	₩ 3,673,348			
Derivatives held for hedging	188,828	—	188,828	₩ (2,352,365)	₩(235,749)	₩1,274,062
Unsettled spot exchange receivable	2,384,503	—	2,384,503	(2,380,556)	—	3,947
Bonds purchased under repurchase agreements	5,955,194	—	5,955,194	(5,955,194)	—	—
Domestic exchange settlement debits	43,497,849	(42,482,911)	1,014,938	—	—	1,014,938
Other financial instruments	2,341,992	(2,327,904)	14,088	(3,209)	—	10,879
	<u>₩58,041,714</u>	<u>₩(44,810,815)</u>	<u>₩13,230,899</u>	<u>₩(10,691,324)</u>	<u>₩(235,749)</u>	<u>₩2,303,826</u>

6.5.2 Details of financial liabilities subject to enforceable master netting agreements or similar arrangements as of December 31, 2020 and 2021, are as follows:

December 31, 2020						
Gross liabilities	Gross assets offset	Net amount in the statement of financial position	Non-offsetting amount		Net amount	
			Financial instruments	Cash collateral		
(In millions of Korean won)						
Derivatives held for trading and derivative-linked securities	₩ 5,300,028	₩ —	₩ 5,300,028			
Derivatives held for hedging	208,825	—	208,825	₩ (3,365,443)	₩ (77,324)	₩2,066,086
Unsettled spot exchange payable	3,434,887	—	3,434,887	(3,434,222)	—	665
Bonds sold under repurchase agreements*	16,329,799	(11,800)	16,317,999	(16,317,999)	—	—
Securities borrowing agreements	1,934,736	—	1,934,736	(1,934,736)	—	—
Domestic exchange settlement credits	37,757,164	(36,823,835)	933,329	(933,329)	—	—
Other financial instruments	4,764,991	(4,474,909)	290,082	—	—	290,082
	<u>₩69,730,430</u>	<u>₩(41,310,544)</u>	<u>₩28,419,886</u>	<u>₩(25,985,729)</u>	<u>₩ (77,324)</u>	<u>₩2,356,833</u>
December 31, 2021						
Gross liabilities	Gross assets offset	Net amount in the statement of financial position	Non-offsetting amount		Net amount	
			Financial instruments	Cash collateral		
(In millions of Korean won)						
Derivatives held for trading and derivative-linked securities	₩ 4,132,915	₩ —	₩ 4,132,915			
Derivatives held for hedging	172,470	—	172,470	₩ (3,069,591)	₩ (75,253)	₩1,160,541
Unsettled spot exchange payable	2,383,399	—	2,383,399	(2,380,556)	—	2,843
Bonds sold under repurchase agreements*	14,372,761	—	14,372,761	(14,372,761)	—	—
Securities borrowing agreements	2,826,885	—	2,826,885	(2,826,885)	—	—
Domestic exchange settlement credits	47,608,341	(42,482,911)	5,125,430	(5,125,430)	—	—
Other financial instruments	2,738,984	(2,327,904)	411,080	(3,209)	—	407,871
	<u>₩74,235,755</u>	<u>₩(44,810,815)</u>	<u>₩29,424,940</u>	<u>₩(27,778,432)</u>	<u>₩ (75,253)</u>	<u>₩1,571,255</u>

* Includes bonds sold under repurchase agreements to customers.

7. Due from Financial Institutions Measured at Amortized Cost

7.1 Details of due from financial institutions as of December 31, 2020 and 2021, are as follows:

		<u>Financial institutions</u>	<u>Interest rate (%) as of December 31, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
		<u>(In millions of Korean won)</u>			
Due from financial institutions in Korean won	Due from the Bank of Korea	The Bank of Korea	0.00 ~ 0.97	₩11,242,803	₩15,317,033
	Due from banks	Hana Bank and others	0.00 ~ 5.20	3,692,044	3,390,521
	Due from others	Korea Securities Finance Corporation and others	0.00 ~ 1.98	753,581	686,236
				<u>15,688,428</u>	<u>19,393,790</u>
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	The Bank of Korea and others	0.00 ~ 4.00	4,215,918	6,329,310
	Time deposits in foreign currencies	Bank of Communications Co., Ltd. and others	0.00 ~ 6.10	739,637	587,782
	Due from others	Societe Generale (Paris) and others	0.00 ~ 6.50	2,079,371	2,054,474
				<u>7,034,926</u>	<u>8,971,566</u>
				<u>₩22,723,354</u>	<u>₩28,365,356</u>

* Before netting of allowance

7.2 Details of restricted due from financial institutions as of December 31, 2020 and 2021, are as follows:

		<u>Financial institutions</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>	<u>Reasons of restriction</u>
		<u>(In millions of Korean won)</u>			
Due from financial institutions in Korean won	Due from the Bank of Korea	The Bank of Korea	₩11,242,803	₩15,317,033	Bank of Korea Act
	Due from banks	Shinhan Bank and others	772,986	803,445	Net settlement and others
	Due from others	NH Investment & Securities Co., Ltd. and others	545,457	528,642	Derivatives margin account and others
			<u>12,561,246</u>	<u>16,649,120</u>	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Indonesia and others	1,097,729	2,262,610	Indonesian law and others
	Time deposits in foreign currencies	Bank of Communications Co., Ltd. and others	46,428	68,588	Bank Act of the State of New York and others
	Due from others	Societe Generale (Paris) and others	1,597,960	1,774,388	Derivatives margin account and others
			<u>2,742,117</u>	<u>4,105,586</u>	
			<u>₩15,303,363</u>	<u>₩20,754,706</u>	

* Before netting of allowance

7.3 Changes in allowances for credit losses of due from financial institutions for the years ended December 31, 2020 and 2021, are as follows:

	2020		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
	(In millions of Korean won)		
Beginning	₩ 3,164	₩ 1,188	₩ 360
Transfer between stages:			
Transfer to 12-month expected credit losses	—	—	—
Transfer to lifetime expected credit losses	—	—	—
Impairment	—	—	—
Reversal of credit losses	(416)	(1,128)	—
Business combination	154	—	—
Others	45	(26)	(78)
Ending	₩ 2,947	₩ 34	₩ 282
	2021		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
	(In millions of Korean won)		
Beginning	₩ 2,947	₩ 34	₩ 282
Transfer between stages:			
Transfer to 12-month expected credit losses	—	—	—
Transfer to lifetime expected credit losses	—	—	—
Impairment	—	—	—
Reversal of credit losses	(51)	(35)	(282)
Others	73	1	—
Ending	₩ 2,969	₩ —	₩ —

8. Assets Pledged as Collateral

8.1 Details of assets pledged as collateral as of December 31, 2020 and 2021, are as follows:

Assets pledged	Pledgee	December 31, 2020	
		Carrying amount (In millions of Korean won)	Reasons of pledge
Due from financial institutions	Korea Federation of Savings Banks and others	₩ 1,293,930	Borrowings from bank and others
Financial assets at fair value through profit or loss	The Korea Securities Depository and others	10,733,047	Repurchase agreements
	The Korea Securities Depository and others	7,009,580	Securities borrowing transactions
	Samsung Futures Inc. and others	730,774	Derivatives transactions
		<u>18,473,401</u>	
Financial assets at fair value through other comprehensive income	The Korea Securities Depository and others	2,216,165	Repurchase agreements
	The Korea Securities Depository and others	1,322,998	Securities borrowing transactions
	The Bank of Korea	2,837,452	Borrowings from the Bank of Korea
	The Bank of Korea	1,610,691	Settlement risk of the Bank of Korea
	Samsung Futures Inc. and others	270,089	Derivatives transactions
		<u>8,257,395</u>	
Securities measured at amortized cost	The Korea Securities Depository and others	664,438	Repurchase agreements
	The Bank of Korea	4,295,149	Borrowings from the Bank of Korea
	The Bank of Korea	3,677,922	Settlement risk of the Bank of Korea
	Samsung Futures Inc. and others	103,748	Derivatives transactions
	Others	598,187	Others
		<u>9,339,444</u>	
Mortgage loans	Others	<u>10,699,721</u>	Covered bond
Real estate	LGIM COMMERCIAL LENDING Ltd. and others . . .	1,480,942	Borrowings from bank and others
		<u>₩ 49,544,833</u>	

Assets pledged	Pledgee	December 31, 2021	
		Carrying amount	Reasons of pledge
		(In millions of Korean won)	
Due from financial institutions	Shinhan Banks and others	₩ 1,163,138	Borrowings from bank and others
Financial assets at fair value through profit or loss	The Korea Securities Depository and others	8,689,639	Repurchase agreements
	The Korea Securities Depository and others	9,294,924	Securities borrowing transactions
	Samsung Futures Inc. and others	1,039,656	Derivatives transactions
		<u>19,024,219</u>	
Financial assets at fair value through other comprehensive income	The Korea Securities Depository and others	2,048,029	Repurchase agreements
	The Korea Securities Depository and others	1,523,593	Securities borrowing transactions
	The Bank of Korea	2,843,426	Borrowings from the Bank of Korea
	The Bank of Korea	1,249,049	Settlement risk of the Bank of Korea
	Samsung Futures Inc. and others	709,390	Derivatives transactions
		<u>8,373,487</u>	
Securities measured at amortized cost	The Korea Securities Depository and others	494,973	Repurchase agreements
	The Bank of Korea	4,847,855	Borrowings from the Bank of Korea
	The Bank of Korea	3,948,622	Settlement risk of the Bank of Korea
	Samsung Futures Inc. and others	144,014	Derivatives transactions
	Others	268,767	Others
		<u>9,704,231</u>	
Loans	Others	<u>9,659,575</u>	Covered bond and others
Real estate	LGIM COMMERCIAL LENDING Ltd. and others . . .	1,598,553	Borrowings from bank and others
		<u>₩ 49,523,203</u>	

In addition, the Group provided ₩ 4,680,816 million and ₩ 6,165,555 million of debt securities among its borrowed securities and other assets held as collateral to Korea Securities Finance Corporation and others as collateral as of December 31, 2020 and 2021, respectively.

8.2 Fair value of collateral available to sell or repledge, and collateral sold or repledged, regardless of debtor's default as of December 31, 2020 and 2021, are as follows:

	December 31, 2020		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
	(In millions of Korean won)		
Securities	₩ 3,732,013	₩ —	₩3,732,013
	December 31, 2021		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
	(In millions of Korean won)		
Securities	₩ 6,451,850	₩ —	₩6,451,850

9. Derivative Financial Instruments and Hedge Accounting

The Group's derivative operations focus on addressing the needs of the Group's corporate clients to hedge their risk exposure and hedging the Group's risk exposure that results from such client contracts. The Group also engages in derivative trading activities to hedge the interest rate risk and currency risk arising from the Group's own assets and liabilities. In addition, the Group engages in proprietary trading of derivatives within the predetermined transaction limit.

The Group provides and trades a range of derivative financial instruments, including:

- Interest rate swaps relating to interest rate risk in Korean won
- Cross-currency swaps, forwards, and options relating to currency risk
- Stock index options linked with the Korea Composite Stock Price Index ("KOSPI")

In particular, the Group applies fair value hedge accounting using interest rate swaps, currency forwards, and others to hedge the risk of changes in fair value due to the changes in interest rate and foreign exchange rate of structured debentures in Korean won, debentures in foreign currencies, structured deposits in foreign currencies, and others. The Group applies cash flow hedge accounting using interest rate swaps, currency swaps, and others to hedge the risk of changes in cash flows of floating rate debt securities in Korean won, borrowings in foreign currencies, group of loans measured at amortized cost, and others. In addition, the Group applies net investments in foreign operations hedge accounting by designating debentures in foreign currencies and cross currency forwards as hedging instruments to hedge the currency risk of net investments in foreign operations.

9.1 Details of derivative financial instruments held for trading as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			December 31, 2021		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
	(In millions of Korean won)					
Interest rate						
Forwards	₩ 1,824,000	₩ 50,580	₩ 107,218	₩ 4,037,717	₩ 140,126	₩ 126,610
Futures*	4,540,235	43	1,834	6,479,692	1,903	2,464
Swaps	300,105,350	631,917	682,401	334,721,395	354,686	397,046
Options	14,779,000	248,437	302,134	12,547,000	176,274	199,567
	<u>321,248,585</u>	<u>930,977</u>	<u>1,093,587</u>	<u>357,785,804</u>	<u>672,989</u>	<u>725,687</u>
Currency						
Forwards	78,255,991	1,712,560	1,986,239	105,509,405	1,296,083	934,944
Futures*	376,281	158	695	361,791	464	877
Swaps	49,756,478	1,897,636	1,349,919	65,028,025	1,082,873	1,331,597
Options	2,377,775	33,421	28,012	1,885,064	7,643	11,044
	<u>130,766,525</u>	<u>3,643,775</u>	<u>3,364,865</u>	<u>172,784,285</u>	<u>2,387,063</u>	<u>2,278,462</u>
Stock and index						
Futures*	1,027,347	20,061	2,246	1,612,965	14,338	6,530
Swaps	5,434,057	423,297	123,242	5,207,198	322,888	132,619
Options	6,482,510	135,805	275,282	7,617,703	95,338	241,371
	<u>12,943,914</u>	<u>579,163</u>	<u>400,770</u>	<u>14,437,866</u>	<u>432,564</u>	<u>380,520</u>
Credit						
Swaps	3,015,782	19,395	9,700	2,602,382	18,979	7,409
	<u>3,015,782</u>	<u>19,395</u>	<u>9,700</u>	<u>2,602,382</u>	<u>18,979</u>	<u>7,409</u>
Commodity						
Futures*	11,609	151	81	6,370	43	82
Swaps	13,923	268	991	—	—	—
	<u>25,532</u>	<u>419</u>	<u>1,072</u>	<u>6,370</u>	<u>43</u>	<u>82</u>
Others	<u>1,476,310</u>	<u>36,783</u>	<u>144,076</u>	<u>1,695,540</u>	<u>20,904</u>	<u>117,629</u>
	<u>₩469,476,648</u>	<u>₩5,210,512</u>	<u>₩5,014,070</u>	<u>₩549,312,247</u>	<u>₩3,532,542</u>	<u>₩3,509,789</u>

* Gains or losses arising from some daily mark-to-market futures are reflected in the margin accounts.

9.2 Average price conditions of future nominal cash flows by type of hedge accounting as of December 31, 2020 and 2021, are as follows:

	December 31, 2020						Total
	1 year	2 years	3 years	4 years	5 years	Over 5 years	
(In millions of Korean won)							
Fair value hedge							
Nominal amount of the hedging instrument ..	₩5,266,994	₩1,083,877	₩ 512,608	₩ 620,788	₩1,462,964	₩2,442,692	₩11,389,923
Average price condition (%)	0.76	0.81	1.00	1.07	1.21	1.14	0.97
Average price condition (USD/KRW)	1,160.33	1,115.45	1,151.50	—	—	—	1,157.28
Average price condition (EUR/KRW)	1,353.28	—	1,366.30	—	—	—	1,353.36
Average price condition (AUD/KRW)	835.43	—	—	—	—	—	835.43
Average price condition (GBP/KRW)	1,546.54	—	—	—	—	—	1,546.54
Cash flow hedge							
Nominal amount of the hedging instrument ..	₩2,568,922	₩1,767,357	₩1,277,053	₩ 166,643	₩ 509,940	₩ 100,000	₩ 6,389,915
Average price condition (%)	0.83	1.66	2.48	2.00	1.63	1.67	1.36
Average price condition (USD/KRW)	1,113.33	1,160.46	1,181.36	1,128.30	1,142.05	—	1,152.37
Average price condition (EUR/KRW)	1,306.76	1,312.75	1,321.00	—	1,340.64	—	1,312.93
Average price condition (AUD/KRW)	837.00	—	—	—	—	—	837.00
Average price condition (SGD/KRW)	831.49	—	866.14	—	—	—	858.33
Hedge of net investments in foreign operations							
Nominal amount of the hedging instrument ..	₩ 217,274	₩ 26,683	₩ —	₩ —	₩ —	₩ —	₩ 243,957
Average price condition (USD/KRW)	1,111.45	—	—	—	—	—	1,111.45
Average price condition (GBP/KRW)	—	1,465.26	—	—	—	—	1,465.26

December 31, 2021

	1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
(In millions of Korean won)							
Fair value hedge							
Nominal amount of the hedging instrument ..	₩2,223,113	₩1,423,760	₩ 967,376	₩2,153,200	₩1,428,673	₩2,419,230	₩10,615,352
Average price condition (%)	0.94	1.23	1.04	1.16	1.06	1.39	1.18
Average price condition (USD/KRW)	1,144.74	1,154.78	1,169.72	—	—	—	1,150.30
Average price condition (EUR/KRW)	1,359.59	1,363.95	1,394.84	—	1,458.92	—	1,409.23
Average price condition (AUD/KRW)	859.41	—	—	—	—	—	859.41
Average price condition (GBP/KRW)	1,554.65	—	—	1,620.05	—	—	1,557.47
Cash flow hedge							
Nominal amount of the hedging instrument ..	₩4,150,546	₩1,763,372	₩ 322,735	₩ 641,733	₩ 580,128	₩ 150,000	₩ 7,608,514
Average price condition (%)	1.01	1.51	2.06	1.87	1.84	2.12	1.21
Average price condition (USD/KRW)	1,159.92	1,178.13	1,145.05	1,139.40	1,123.13	—	1,152.89
Average price condition (EUR/KRW)	1,312.75	1,321.00	1,364.00	1,374.73	—	—	1,351.76
Average price condition (AUD/KRW)	—	—	856.40	851.50	—	—	853.40
Average price condition (SGD/KRW)	—	866.14	—	—	—	—	866.14
Hedge of net investments in foreign operations							
Nominal amount of the hedging instrument ..	₩ 91,636	₩ —	₩ —	₩ —	₩ —	₩ —	₩ 91,636
Average price condition (USD/KRW)	1,071.00	—	—	—	—	—	1,071.00
Average price condition (GBP/KRW)	1,465.26	—	—	—	—	—	1,465.26

9.3 Fair Value Hedge

9.3.1 Details of fair value hedged items as of December 31, 2020 and 2021 and changes in fair value for the years ended December 31, 2020 and 2021, are as follows:

		December 31, 2020				2020
		Carrying amount		Accumulated amount of hedge adjustments		Changes in fair value
		Assets	Liabilities	Assets	Liabilities	
(In millions of Korean won)						
Hedge accounting						
Interest rate	Debt securities in Korean won	₩ 1,001,957	₩ —	₩ 5,888	₩ —	₩ 402
	Debt securities in foreign currencies	2,712,980	—	62,922	—	42,382
	Deposits in foreign currencies	—	121,768	—	2,088	(4,491)
	Debentures in Korean won	—	3,623,161	—	(6,839)	27,909
	Debentures in foreign currencies	—	1,985,333	—	81,333	(37,438)
			<u>3,714,937</u>	<u>5,730,262</u>	<u>68,810</u>	<u>76,582</u>
Currency	Debt securities in foreign currencies	2,669,410	—	310,745	—	(40,710)
		<u>2,669,410</u>	<u>—</u>	<u>310,745</u>	<u>—</u>	<u>(40,710)</u>
		<u>₩ 6,384,347</u>	<u>₩ 5,730,262</u>	<u>₩ 379,555</u>	<u>₩ 76,582</u>	<u>₩ (11,946)</u>
		December 31, 2021				2021
		Carrying amount		Accumulated amount of hedge adjustments		Changes in fair value
		Assets	Liabilities	Assets	Liabilities	
(In millions of Korean won)						
Hedge accounting						
Interest rate	Debt securities in Korean won	₩ 1,627,228	₩ —	₩ (20,272)	₩ —	₩ (26,247)
	Debt securities in foreign currencies	3,567,662	—	(22,384)	—	(71,246)
	Deposits in foreign currencies	—	93,521	—	(1,319)	3,222
	Debentures in Korean won	—	2,470,123	—	(79,877)	70,308
	Debentures in foreign currencies	—	1,154,178	—	27,953	45,132
			<u>5,194,890</u>	<u>3,717,822</u>	<u>(42,656)</u>	<u>(53,243)</u>
Currency	Debt securities in foreign currencies	2,443,893	—	133,268	—	180,676
		<u>2,443,893</u>	<u>—</u>	<u>133,268</u>	<u>—</u>	<u>180,676</u>
		<u>₩ 7,638,783</u>	<u>₩ 3,717,822</u>	<u>₩ 90,612</u>	<u>₩ (53,243)</u>	<u>₩ 201,845</u>

9.3.2 Details of derivative instruments designated as fair value hedge as of December 31, 2020 and 2021 and changes in fair value for the years ended December 31, 2020 and 2021, are as follows:

	December 31, 2020			2020
	Notional amount	Assets	Liabilities	Changes in fair value
	(In millions of Korean won)			
Interest rate				
Swaps	₩ 9,217,731	₩158,914	₩ 51,842	₩ (23,022)
Currency				
Forwards	2,172,192	128,038	2,616	97,394
	₩ 11,389,923	₩286,952	₩ 54,458	₩ 74,372
	December 31, 2021			2021
	Notional amount	Assets	Liabilities	Changes in fair value
	(In millions of Korean won)			
Interest rate				
Swaps	₩ 8,910,139	₩127,290	₩ 38,253	₩ (33,227)
Currency				
Forwards	1,705,213	2,436	54,855	(174,707)
	₩ 10,615,352	₩129,726	₩ 93,108	₩(207,934)

9.3.3 Details of hedge ineffectiveness recognized in profit or loss on derivative instruments designated as fair value hedge for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Hedge accounting			
Interest rate	₩ 2,753	₩ 5,742	₩ (12,058)
Currency	(13,239)	56,684	5,969
	₩ (10,486)	₩ 62,426	₩ (6,089)

9.3.4 Gains or losses on fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Gains (losses) on hedging instruments	₩ 34,070	₩ 89,179	₩ (187,364)
Gains (losses) on hedged items attributable to the hedged risk	(44,655)	(26,899)	188,556
	₩ (10,585)	₩ 62,280	₩ 1,192

9.4 Cash Flow Hedge

9.4.1 Details of cash flow hedged items as of December 31, 2020 and 2021 and changes in fair value for the years ended December 31, 2020 and 2021, are as follows:

	Cash flow hedge reserve		Changes in fair value	
	December 31, 2020	December 31, 2021	2020	2021
	(In millions of Korean won)			
Hedge accounting				
Interest rate risk	₩ (22,439)	₩ 4,864	₩ 12,172	₩ (36,428)
Currency risk	(6,158)	(12,597)	1,065	12,605
	<u>₩ (28,597)</u>	<u>₩ (7,733)</u>	<u>₩ 13,237</u>	<u>₩ (23,823)</u>

9.4.2 Details of derivative instruments designated as cash flow hedge as of December 31, 2020 and 2021 and changes in fair value for the years ended December 31, 2020 and 2021, are as follows:

	December 31, 2020			2020
	Notional amount	Assets	Liabilities	Changes in fair value
	(In millions of Korean won)			
Interest rate				
Swaps	₩ 3,532,480	₩ 1,286	₩ 37,120	₩ (11,940)
Currency				
Swaps	2,857,435	40,835	116,124	(43,300)
	<u>₩ 6,389,915</u>	<u>₩ 42,121</u>	<u>₩ 153,244</u>	<u>₩ (55,240)</u>
	December 31, 2021			2021
	Notional amount	Assets	Liabilities	Changes in fair value
	(In millions of Korean won)			
Interest rate				
Swaps	₩ 4,553,250	₩ 12,575	₩ 9,532	₩ 36,164
Currency				
Swaps	3,055,264	46,527	61,331	60,327
	<u>₩ 7,608,514</u>	<u>₩ 59,102</u>	<u>₩ 70,863</u>	<u>₩ 96,491</u>

9.4.3 Gains or losses on cash flow hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Gains (losses) on hedging instruments:	₩(64,531)	₩(55,240)	₩ 96,491
Effective portion of gains (losses) on cash flow hedging instruments (recognized in other comprehensive income or loss)	(65,323)	(48,034)	95,478
Ineffective portion of gains (losses) on cash flow hedging instruments (recognized in profit or loss)	792	(7,206)	1,013

9.4.4 Amounts recognized in other comprehensive income (loss) and reclassified from equity to profit or loss related to derivative instruments designated as cash allow hedge for the years ended December 31, 2019, 2020 and 2021, are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	(In millions of Korean won)		
Other comprehensive income (loss)	₩(65,323)	₩(48,034)	₩ 95,478
Reclassification to profit or loss	21,604	39,190	(53,080)
Income tax effect	10,537	7,580	(21,534)
	<u>₩(33,182)</u>	<u>₩ (1,264)</u>	<u>₩ 20,864</u>

9.5 Hedge of Net Investments in Foreign Operations

9.5.1 Details of net investments in foreign operations hedged items as of December 31, 2020 and 2021 and changes in fair value for the years ended December 31, 2020 and 2021, are as follows:

	<u>Foreign currency translation reserve</u>		<u>Changes in fair value</u>	
	<u>December 31, 2020</u>	<u>December 31, 2021</u>	<u>2020</u>	<u>2021</u>
	(In millions of Korean won)			

Hedge accounting

Currency risk	₩ 22,278	₩ (35,658)	₩(88,769)	₩88,729
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9.5.2 Details of financial instruments designated as hedge of net investments in foreign operations as of December 31, 2020 and 2021 and changes in fair value for the years ended December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020</u>			<u>2020</u>
	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Changes in fair value</u>
	(In millions of Korean won)			
Currency				
Forwards	₩ 243,957	₩ 5,800	₩ 1,125	₩ 14,406
Debentures in foreign currencies	842,112	—	842,112	74,363
	<u>₩1,086,069</u>	<u>₩ 5,800</u>	<u>₩ 843,237</u>	<u>₩ 88,769</u>
	<u>December 31, 2021</u>			<u>2021</u>
	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Changes in fair value</u>
	(In millions of Korean won)			
Currency				
Forwards	₩ 91,636	₩ —	₩ 8,498	₩ (8,494)
Debentures in foreign currencies	1,273,227	—	1,273,227	(80,235)
	<u>₩1,364,863</u>	<u>₩ —</u>	<u>₩1,281,725</u>	<u>₩(88,729)</u>

9.5.3 Fair value of non-derivative financial instruments designated as hedge of net investments in foreign operations as of December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
	(In millions of Korean won)	
Debentures in foreign currencies	₩ 852,570	₩ 1,275,291

9.5.4 Gains or losses on net investments in foreign operations hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2019, 2020 and 2021, are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	(In millions of Korean won)		
Gains (losses) on hedging instruments:	₩ (13,410)	₩ 88,769	₩ (88,729)
Effective portion of gains (losses) on hedge of net investments in foreign operations (recognized in other comprehensive income or loss)	(13,410)	88,769	(88,729)
Ineffective portion of gains (losses) on hedge of net investments in foreign operations (recognized in profit or loss)	—	—	—

9.5.5 Effective portion of gains or losses on net investments in foreign operations hedging instruments recognized in other comprehensive income (loss) for the years ended December 31, 2019, 2020 and 2021, are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	(In millions of Korean won)		
Other comprehensive income (loss)	₩ (13,410)	₩ 88,769	₩ (88,729)
Reclassification to profit or loss	1,316	—	5,195
Income tax effect	3,194	(24,500)	25,599
	<u>₩ (8,900)</u>	<u>₩ 64,269</u>	<u>₩ (57,935)</u>

9.6 Interest Rate Benchmark Reform

The USD LIBOR interest rate will be replaced by the Secured Overnight Financing Rate (“SOFR”) based on actual transactions. In the case of KRW, the Korean government bond/monetary stabilization bond RP rate has been finally decided as the Risk-Free Reference Rate (“RFR”) and will replace the Certificate of Deposit (“CD”) rate in the mid to long-term. Within the corresponding hedging relationship of related significant interest rate benchmark, the Group assumed that the spread to be changed on the RFR basis including SOFR would be similar to that included in the interest rate swap used as a hedging instrument, and no other changes were assumed.

Details of the Group’s exposure to hedging relationships related to the interest rate benchmark reform as of December 31, 2021, are as follows:

<u>Interest rate benchmark</u>	<u>Currency</u>	<u>December 31, 2021</u>		
		<u>Carrying amount of non-derivative assets</u>	<u>Carrying amount of non-derivative liabilities</u>	<u>Notional amount of hedging instruments</u>
(In millions of Korean won and millions of US dollars)				
CD#3M	KRW	3,123,388	2,470,123	5,690,000
USD#LIBOR#3M	USD	2,695	2,829	5,511
USD#LIBOR#6M	USD	224	—	225

10. Loans Measured at Amortized Cost

10.1 Details of loans as of December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
	(In millions of Korean won)	
Loans measured at amortized cost	₩ 379,734,020	₩ 420,910,259
Deferred loan origination fees and costs	716,327	674,069
Less: Allowances for credit losses	(3,283,363)	(3,684,055)
	<u>₩ 377,166,984</u>	<u>₩ 417,900,273</u>

10.2 Details of loans to banks as of December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
	(In millions of Korean won)	
Loans measured at amortized cost	₩ 5,577,728	₩ 8,325,177
Less: Allowances for credit losses	(682)	(443)
	<u>₩ 5,577,046</u>	<u>₩ 8,324,734</u>

10.3 Details of loan types and customer types of loans to customers other than banks as of December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020</u>			
	<u>Retail</u>	<u>Corporate</u>	<u>Credit card</u>	<u>Total</u>
	(In millions of Korean won)			
Loans in Korean won	₩175,062,187	₩142,812,751	₩ —	₩317,874,938
Loans in foreign currencies	3,092,630	16,159,722	—	19,252,352
Domestic import usance bills	—	2,152,059	—	2,152,059
Off-shore funding loans	—	1,203,737	—	1,203,737
Call loans	—	1,582,251	—	1,582,251
Bills bought in Korean won	—	1,620	—	1,620
Bills bought in foreign currencies	—	1,739,262	—	1,739,262
Guarantee payments under acceptances and guarantees	10	8,011	—	8,021
Credit card receivables in Korean won	—	—	18,734,560	18,734,560
Credit card receivables in foreign currencies	—	—	63,071	63,071
Bonds purchased under repurchase agreements	—	3,175,080	—	3,175,080
Privately placed bonds	—	1,154,162	—	1,154,162
Factored receivables	104	3	—	107
Lease receivables	1,105,001	335,582	—	1,440,583
Loans for installment credit	6,440,521	50,295	—	6,490,816
	<u>185,700,453</u>	<u>170,374,535</u>	<u>18,797,631</u>	<u>374,872,619</u>
Proportion (%)	49.54	45.45	5.01	100.00
Less: Allowances for credit losses	(910,088)	(1,671,098)	(701,495)	(3,282,681)
	<u>₩184,790,365</u>	<u>₩168,703,437</u>	<u>₩18,096,136</u>	<u>₩371,589,938</u>

	December 31, 2021			
	Retail	Corporate	Credit card	Total
	(In millions of Korean won)			
Loans in Korean won	₩184,872,384	₩162,081,901	₩ —	₩346,954,285
Loans in foreign currencies	3,990,253	20,865,495	—	24,855,748
Domestic import usance bills	—	3,311,142	—	3,311,142
Off-shore funding loans	—	1,064,623	—	1,064,623
Call loans	—	902,301	—	902,301
Bills bought in Korean won	—	2,209	—	2,209
Bills bought in foreign currencies	—	2,001,046	—	2,001,046
Guarantee payments under acceptances and guarantees	7	20,773	—	20,780
Credit card receivables in Korean won	—	—	20,766,340	20,766,340
Credit card receivables in foreign currencies	—	—	57,980	57,980
Bonds purchased under repurchase agreements	—	4,855,194	—	4,855,194
Privately placed bonds	—	758,557	—	758,557
Factored receivables	113	458	—	571
Lease receivables	778,425	513,714	—	1,292,139
Loans for installment credit	6,265,896	150,340	—	6,416,236
	<u>195,907,078</u>	<u>196,527,753</u>	<u>20,824,320</u>	<u>413,259,151</u>
Proportion (%)	47.40	47.56	5.04	100.00
Less: Allowances for credit losses	(1,004,995)	(1,886,473)	(792,144)	(3,683,612)
	<u>₩194,902,083</u>	<u>₩194,641,280</u>	<u>₩20,032,176</u>	<u>₩409,575,539</u>

10.4 Changes in deferred loan origination fees and costs for the years ended December 31, 2020 and 2021, are as follows:

	2020					
	Beginning	Increase	Decrease	Business combination	Others	Ending
	(In millions of Korean won)					
Deferred loan origination costs						
Loans in Korean won	₩645,305	₩502,044	₩(473,392)	₩ —	₩ —	₩673,957
Others ¹	96,378	53,345	(63,509)	9,376	—	95,590
	<u>741,683</u>	<u>555,389</u>	<u>(536,901)</u>	<u>9,376</u>	<u>—</u>	<u>769,547</u>
Deferred loan origination fees						
Loans in Korean won	8,600	6,681	(6,133)	—	—	9,148
Others ²	4,813	21,636	(26,396)	48,117	(4,098)	44,072
	<u>13,413</u>	<u>28,317</u>	<u>(32,529)</u>	<u>48,117</u>	<u>(4,098)</u>	<u>53,220</u>
	<u>₩728,270</u>	<u>₩527,072</u>	<u>₩(504,372)</u>	<u>₩ (38,741)</u>	<u>₩ 4,098</u>	<u>₩716,327</u>

	2021				Ending
	Beginning	Increase	Decrease	Others	
	(In millions of Korean won)				
Deferred loan origination costs					
Loans in Korean won	₩673,957	₩418,732	₩(424,785)	₩ —	₩667,904
Others ¹	95,590	44,728	(63,619)	(4)	76,695
	<u>769,547</u>	<u>463,460</u>	<u>(488,404)</u>	<u>(4)</u>	<u>744,599</u>
Deferred loan origination fees					
Loans in Korean won	9,148	11,909	(3,556)	—	17,501
Others ²	44,072	32,667	(27,332)	3,622	53,029
	<u>53,220</u>	<u>44,576</u>	<u>(30,888)</u>	<u>3,622</u>	<u>70,530</u>
	<u>₩716,327</u>	<u>₩418,884</u>	<u>₩(457,516)</u>	<u>₩(3,626)</u>	<u>₩674,069</u>

¹ Includes deferred loan origination costs related to credit card receivables, loans for installment credit, and finance lease receivables.

² Includes deferred loan origination fees related to loans in foreign currencies executed by PT Bank KB Bukopin Tbk and PRASAC Microfinance Institution Plc.

11. Allowances for Credit Losses

11.1 Changes in allowances for credit losses measured at amortized cost for the years ended December 31, 2020 and 2021, are as follows:

	2020								
	Retail			Corporate			Credit card		
	12-month expected credit losses	Lifetime expected credit losses	Impaired	12-month expected credit losses	Lifetime expected credit losses	Impaired	12-month expected credit losses	Lifetime expected credit losses	Impaired
Beginning	₩278,380	₩ 224,905	₩ 208,037	₩215,069	₩ 290,310	₩ 451,607	₩209,651	₩ 266,183	₩ 263,874
Transfer between stages:									
Transfer to 12-month expected credit losses	123,666	(121,970)	(1,696)	119,723	(111,708)	(8,015)	48,959	(47,611)	(1,348)
Transfer to lifetime expected credit losses	(91,410)	182,076	(90,666)	(56,655)	146,690	(90,035)	(25,227)	26,379	(1,152)
Impairment	(3,301)	(131,852)	135,153	(3,365)	(48,773)	52,138	(2,273)	(13,657)	15,930
Write-offs	—	(5)	(460,734)	—	(1)	(321,583)	—	—	(502,275)
Sales	(1,561)	(99)	(1,131)	(8)	—	(21,069)	—	—	—
Provision (reversal) for credit losses ^{1,2}	49,459	78,413	428,220	(2,059)	113,335	180,162	(26,042)	2,925	496,162
Business combination	50,664	9,545	53,532	99,824	24,303	668,426	89	—	4,409
Others (exchange differences, etc.)	(2,092)	(435)	(5,010)	(3,747)	(3,219)	(19,570)	—	—	(13,481)
Ending ³	₩403,805	₩ 240,578	₩ 265,705	₩368,782	₩ 410,937	₩ 892,061	₩205,157	₩ 234,219	₩ 262,119

2021

	Retail			Corporate			Credit card		
	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses
	Non-impaired	Impaired		Non-impaired	Impaired		Non-impaired	Impaired	
Beginning	₩403,805	₩240,578	₩265,705	₩368,782	₩410,937	₩892,061	₩234,219	₩262,119	
Transfer between stages:									
Transfer to 12-month expected credit losses	125,634	(120,132)	(5,502)	133,798	(71,772)	(62,026)	(44,858)	(1,080)	
Transfer to lifetime expected credit losses	(97,040)	115,427	(18,387)	(71,902)	92,245	(20,343)	35,846	(1,638)	
Impairment	(6,312)	(49,244)	55,556	(2,942)	(42,158)	45,100	(12,580)	14,808	
Write-offs	—	12	(411,083)	—	(3)	(239,815)	—	(440,721)	
Sales	(1,112)	(53)	(3,592)	(179)	—	(16,257)	—	—	
Provision (reversal) for credit losses ^{1,2}	40,616	52,528	397,492	14,299	88,230	338,746	110,022	474,041	
Business combination	8,315	2,223	7,194	—	—	1,654	—	—	
Others (exchange differences, etc.)	77	532	1,758	5,942	675	21,844	42	(13,202)	
Ending ³	₩473,983	₩241,871	₩289,141	₩447,798	₩478,154	₩960,964	₩322,649	₩294,327	

¹ Provision for credit losses in the consolidated statements of comprehensive income also includes provision (reversal) for credit losses of due from financial institutions (Note 7.3), provision (reversal) for credit losses of financial investments (Note 12.5), provision (reversal) for credit losses of unused commitments, acceptances and guarantees (Note 24.2), provision (reversal) for credit losses of financial guarantee contracts (Note 24.3), and provision (reversal) for credit losses of other financial assets (Note 19.2).

² Includes ₩379,179 million and ₩387,860 million of collections from written-off loans for the years ended December 31, 2020 and 2021, respectively.

³ Includes additional allowances of ₩43,777 million and ₩50,360 million for industries and borrowers which are highly affected by COVID-19 and ₩29,861 million and ₩53,490 million due to expanding the scope of the loans subject to lifetime expected credit losses (non-impaired) as of December 31, 2020 and 2021, respectively. Includes additional allowances of ₩23,325 million due to expanding the scope of the loans subject to individual assessment as of December 31, 2020.

The Group manages the written-off loans that their legal extinctive prescriptions have not been completed, and that have not been collected. The balances of those loans are ₩10,566,603 million and ₩9,945,130 million as of December 31, 2020 and 2021, respectively.

11.2 Changes in gross carrying amount of loans for the years ended December 31, 2020 and 2021, are as follows:

	2020		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
(In millions of Korean won)			
Beginning	₩316,377,009	₩ 23,814,108	₩ 1,900,958
Transfer between stages:			
Transfer to 12-month expected credit losses	26,751,021	(26,629,210)	(121,811)
Transfer to lifetime expected credit losses (non-impaired)	(33,475,491)	34,603,648	(1,128,157)
Transfer to lifetime expected credit losses (impaired)	(596,861)	(2,287,196)	2,884,057
Write-offs	—	(6)	(1,284,592)
Sales	(4,324,146)	(20,907)	(200,182)
Business combination	7,029,580	570,710	1,711,823
Net increase (decrease) (execution, repayment, and others)	36,757,668	(1,546,945)	(334,731)
Ending	<u>₩348,518,780</u>	<u>₩ 28,504,202</u>	<u>₩ 3,427,365</u>
	2021		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
(In millions of Korean won)			
Beginning	₩348,518,780	₩ 28,504,202	₩ 3,427,365
Transfer between stages:			
Transfer to 12-month expected credit losses	31,046,440	(30,615,747)	(430,693)
Transfer to lifetime expected credit losses (non-impaired)	(36,815,970)	37,276,737	(460,767)
Transfer to lifetime expected credit losses (impaired)	(668,120)	(1,486,835)	2,154,955
Write-offs	—	9	(1,091,619)
Sales	(2,892,774)	(8,541)	(151,714)
Business combination	116,067	3,924	12,808
Net increase (decrease) (execution, repayment, and others)	46,013,068	(895,012)	27,765
Ending	<u>₩385,317,491</u>	<u>₩ 32,778,737</u>	<u>₩ 3,488,100</u>

12. Financial Assets at Fair Value through Profit or Loss and Financial Investments

12.1 Details of financial assets at fair value through profit or loss and financial investments as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Financial assets at fair value through profit or loss		
Debt securities:		
Government and public bonds	₩ 9,315,317	₩ 8,294,084
Financial bonds	17,897,348	16,887,594
Corporate bonds	3,997,753	5,433,010
Asset-backed securities	236,130	197,865
Beneficiary certificates	14,200,802	15,849,129
Derivative-linked securities	2,218,502	1,543,188
Other debt securities	10,549,248	14,797,822
Equity securities:		
Stocks	1,632,619	1,804,507
Other equity securities	459,694	614,956
Loans:		
Privately placed bonds	212,021	230,006
Other loans	125,962	39,290
Due from financial institutions:		
Other due from financial institutions	100,094	200,742
Others	89,965	113,622
	<u>₩61,035,455</u>	<u>₩ 66,005,815</u>
Financial investments		
Financial assets at fair value through other comprehensive income		
Debt securities:		
Government and public bonds	₩14,735,340	₩ 14,317,477
Financial bonds	23,194,387	21,928,735
Corporate bonds	18,721,327	18,986,005
Asset-backed securities	1,795,840	996,428
Other debt securities	9,995	30,866
Equity securities:		
Stocks	2,852,158	3,588,415
Equity investments	37,602	27,211
Other equity securities	185,139	187,502
Loans:		
Privately placed bonds	265,426	299,634
Other loans	27,983	13,970
	<u>61,825,197</u>	<u>60,376,243</u>
Financial assets at amortized cost		
Debt securities:		
Government and public bonds	17,193,289	21,447,622
Financial bonds	5,678,949	3,850,954
Corporate bonds	8,181,961	12,246,441
Asset-backed securities	5,788,587	6,899,675
Other debt securities	30,392	31,105
Less: Allowances for credit losses	(2,949)	(4,169)
	<u>36,870,229</u>	<u>44,471,628</u>
	<u>₩98,695,426</u>	<u>₩104,847,871</u>

12.2 Dividend income from equity securities designated at fair value through other comprehensive income for the years ended December 31, 2020 and 2021, are as follows:

	2020		2021	
	From the equity securities derecognized	From the equity securities held	From the equity securities derecognized	From the equity securities held
	(In millions of Korean won)			
Equity securities measured at fair value through other comprehensive income:				
Stocks Listed	₩ 7,000	₩ 11,843	₩ 7,106	₩ 300
Unlisted	—	22,241	372	19,035
Equity investments	—	285	—	114
Other equity securities	—	3,755	—	6,877
	<u>₩ 7,000</u>	<u>₩ 38,124</u>	<u>₩ 7,478</u>	<u>₩ 26,326</u>

12.3 Derecognized equity securities measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2021, are as follows:

	2020		2021	
	Disposal price	Accumulated other comprehensive income as of disposal date	Disposal price	Accumulated other comprehensive income (loss) as of disposal date
	(In millions of Korean won)			
Equity securities measured at fair value through other comprehensive income:				
Stocks Listed	₩ 516,883	₩ 326,394	₩ 575,288	₩ (313,427)
Unlisted	13	13	5,577	4,559
Equity investments	3	3	—	—
	<u>₩ 516,899</u>	<u>₩ 326,410</u>	<u>₩ 580,865</u>	<u>₩ (308,868)</u>

12.4 Provision (reversal) for credit losses of financial investments for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019		
	Provision	Reversal	Total
	(In millions of Korean won)		
Securities measured at fair value through other comprehensive income	₩1,537	₩(1,144)	₩ 393
Loans measured at fair value through other comprehensive income	170	(982)	(812)
Securities measured at amortized cost	216	(280)	(64)
	<u>₩1,923</u>	<u>₩(2,406)</u>	<u>₩ (483)</u>
	2020		
	(In millions of Korean won)		
Securities measured at fair value through other comprehensive income	₩4,297	₩ (229)	₩4,068
Loans measured at fair value through other comprehensive income	202	(316)	(114)
Securities measured at amortized cost	1,916	(636)	1,280
	<u>₩6,415</u>	<u>₩(1,181)</u>	<u>₩5,234</u>

	2021		
	Provision	Reversal	Total
	(In millions of Korean won)		
Securities measured at fair value through other comprehensive income	₩7,466	₩ (385)	₩7,081
Loans measured at fair value through other comprehensive income	237	(15)	222
Securities measured at amortized cost	1,892	(691)	1,201
	<u>₩9,595</u>	<u>₩(1,091)</u>	<u>₩8,504</u>

12.5 Changes in allowances for credit losses of financial investments for the years ended December 31, 2020 and 2021, are as follows:

	2020				
	12-month expected credit losses	Lifetime expected credit losses			
		Non-impaired	Impaired		
	(In millions of Korean won)				
Beginning	₩ 5,370	₩ —	₩ —	₩ —	₩ —
Transfer between stages:					
Transfer to 12-month expected credit losses	—	—	—	—	—
Transfer to lifetime expected credit losses	—	—	—	—	—
Sales	(589)	—	—	—	—
Provision for credit losses	5,195	39	—	—	—
Others	(68)	—	—	—	73
Ending	<u>₩ 9,908</u>	<u>₩ 39</u>	<u>₩ —</u>	<u>₩ 73</u>	<u>₩ —</u>

	2021				
	12-month expected credit losses	Lifetime expected credit losses			
		Non-impaired	Impaired		
	(In millions of Korean won)				
Beginning	₩ 9,908	₩ 39	₩ 73	₩ —	₩ —
Transfer between stages:					
Transfer to 12-month expected credit losses	—	—	—	—	—
Transfer to lifetime expected credit losses	—	—	—	—	—
Sales	(1,568)	(4)	—	—	—
Provision (reversal) for credit losses	8,512	(11)	3	—	—
Others	(32)	4	—	—	—
Ending	<u>₩ 16,820</u>	<u>₩ 28</u>	<u>₩ 76</u>	<u>₩ —</u>	<u>₩ —</u>

13. Investments in Associates and Joint Ventures

13.1 Details of investments in associates and joint ventures as of December 31, 2020 and 2021, are as follows:

	December 31, 2020				Industry	Location
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount		
(In millions of Korean won)						
KB Pre IPO Secondary Venture Fund No.1 ¹	15.19	₩ 551	₩ 1,279	₩ 1,279	Investment finance	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	142,799	141,359	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund ²	66.66	13,601	16,042	16,042	Investment finance	Korea
KB Star Office Private Real Estate Master Fund No.1	21.05	20,000	20,413	20,066	Investment finance	Korea
Balhae Infrastructure Company ¹	12.61	106,107	106,624	106,624	Investment finance	Korea
Aju Good Technology Venture Fund ...	38.46	17,113	21,351	21,348	Investment finance	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	18,713	16,144	Auto loans	Korea
Incheon Bridge Co., Ltd. ¹	14.99	9,158	(18,100)	—	Operation of highways and related facilities	Korea
Big Dipper Co., Ltd.	25.14	440	(5)	—	Research, consulting, and big data	Korea
Paycoms Co., Ltd. ³	11.70	800	72	198	System software publishing	Korea
Food Factory Co., Ltd. ⁴	22.22	1,000	632	1,281	Farm product distribution	Korea
KBSP Private Equity Fund No.4 ¹	14.95	6,100	5,950	5,950	Investment finance	Korea
KB Private Equity Fund No.3 ¹	15.69	—	94	94	Investment finance	Korea
Korea Credit Bureau Co., Ltd. ¹	9.00	4,500	7,153	7,153	Credit information	Korea
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2 ...	25.00	9,739	9,845	9,845	Investment finance	Korea
Keystone-Hyundai Securities No.1 Private Equity Fund ¹	4.49	1,908	1,556	1,556	Investment finance	Korea
KB Social Impact Investment Fund ...	30.00	3,000	2,874	2,874	Investment finance	Korea
KB-Solidus Global Healthcare Fund ² ...	43.33	48,677	45,516	46,213	Investment finance	Korea
POSCO-KB Shipbuilding Fund	31.25	10,375	12,895	12,895	Investment finance	Korea
KB-TS Technology Venture Private Equity Fund ²	56.00	16,576	17,630	17,630	Investment finance	Korea
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund ²	42.55	26,050	27,513	26,763	Investment finance	Korea
KB-SJ Tourism Venture Fund ¹	18.52	4,500	4,133	4,133	Investment finance	Korea
UNION Media Commerce Fund	28.99	1,000	960	960	Investment	Korea
KB-Stonebridge Secondary Private Equity Fund ¹	14.56	14,308	16,636	16,636	Investment finance	Korea
KB SPROTT Renewable Private Equity Fund No.1 ²	37.69	5,795	5,049	5,049	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund ² ...	44.29	17,416	16,999	16,999	Investment finance	Korea
WJ Private Equity Fund No.1	26.95	10,000	9,711	9,711	Investment finance	Korea
All Together Korea Fund No.2 ⁵	99.99	10,000	10,023	10,023	Asset management	Korea
KB-NAU Special Situation Corporate Restructuring Private Equity Fund ¹ ..	12.00	5,700	5,611	5,611	Asset management	Korea
JR Global REIT	26.07	215,854	215,854	215,854	Real estate management	Korea
Project Vanilla Co., Ltd.	49.00	2,450	2,151	2,151	Investment finance	Korea
December & Company Inc. ¹	17.63	24,849	24,402	24,402	Investment finance	Korea
2020 KB Fintech Renaissance Fund ¹ ...	5.05	550	547	547	Investment finance	Korea
KB Material and Parts No.1 PEF ¹	14.47	3,400	3,371	3,371	Investment finance	Korea
FineKB Private Equity Fund No.1	25.00	—	—	—	Investment finance	Korea
Others		2,475	1,004	674		
		<u>₩ 737,672</u>	<u>₩ 757,297</u>	<u>₩ 771,435</u>		

December 31, 2021						
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
(In millions of Korean won)						
KB Pre IPO Secondary Venture Fund No.1 ¹	15.19	₩ 259	₩ 1,622	₩ 1,622	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund ²	66.66	8,801	11,789	11,789	Investment finance	Korea
KB Star Office Private Real Estate Master Fund No.1	21.05	20,000	26,240	26,240	Investment finance	Korea
Balhae Infrastructure Company ¹	12.61	105,924	99,785	99,785	Investment finance	Korea
Aju Good Technology Venture Fund	38.46	12,343	22,921	22,921	Investment finance	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	19,835	18,222	Auto loans	Korea
Incheon Bridge Co., Ltd. ¹	14.99	9,158	(19,481)	—	Operation of highways and related facilities	Korea
Big Dipper Co., Ltd.	25.14	440	(147)	—	Research, consulting, and big data	Korea
Paycoms Co., Ltd. ³	11.05	800	181	525	System software publishing	Korea
Food Factory Co., Ltd. ⁴	22.22	1,000	633	1,320	Farm product distribution	Korea
KBSP Private Equity Fund No.4 ¹	14.95	6,100	5,628	5,628	Investment finance	Korea
Korea Credit Bureau Co., Ltd. ¹	9.00	4,500	4,497	4,497	Credit information	Korea
KB Social Impact Investment Fund	30.00	4,500	4,282	4,282	Investment finance	Korea
KB-Solidus Global Healthcare Fund ²	43.33	45,557	48,201	48,898	Investment finance	Korea
POSCO-KB Shipbuilding Fund	31.25	2,776	5,413	5,413	Investment finance	Korea
KB-TS Technology Venture Private Equity Fund ²	56.00	14,280	16,828	16,828	Investment finance	Korea
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund ²	42.55	25,250	29,669	28,919	Investment finance	Korea
KB-SJ Tourism Venture Fund ¹	18.52	4,999	4,146	4,146	Investment finance	Korea
UNION Media Commerce Fund	28.99	1,000	959	959	Investment finance	Korea
KB-Stonebridge Secondary Private Equity Fund ¹	14.56	21,641	21,948	21,948	Investment finance	Korea
KB SPROTT Renewable Private Equity Fund No.1 ²	37.69	5,795	4,680	4,680	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund ²	44.29	21,375	20,972	20,972	Investment finance	Korea
WJ Private Equity Fund No.1	26.95	10,000	9,604	9,604	Investment finance	Korea
All Together Korea Fund No.2 ⁵	99.99	10,000	10,070	10,070	Asset management	Korea
KB-NAU Special Situation Corporate Restructuring Private Equity Fund ¹	12.00	13,392	15,254	15,254	Asset management	Korea
Project Vanilla Co., Ltd.	49.00	2,450	525	525	Investment finance	Korea
December & Company Inc. ¹	16.78	25,330	9,054	21,388	Investment finance	Korea
2020 KB Fintech Renaissance Fund ¹	5.05	550	618	618	Investment finance	Korea
KB Material and Parts No.1 PEF ¹	14.47	3,400	3,343	3,343	Investment finance	Korea
FineKB Private Equity Fund No.1	25.00	8,375	8,067	8,067	Investment finance	Korea
KB Bio Private Equity No.3 Ltd. ¹	12.20	10,000	9,950	9,950	Investment finance	Korea
G payment Joint Stock Company	43.84	9,029	3,175	9,350	Investment advisory and securities trading	Vietnam
498 Seventh Owners LLC ⁶	49.90	166,851	—	—	Real estate investment	United States
Smart Korea KB Future9-Sejong Venture Fund	38.46	1,000	962	962	Investment finance	Korea
KB-KTB Technology Venture Fund ²	50.50	5,600	5,503	5,554	Investment finance	Korea
KB-SOLIDUS Healthcare Investment Fund ²	88.23	1,800	1,800	1,800	Investment finance	Korea
Paramark KB Fund No.1	20.69	2,040	1,850	1,850	Investment finance	Korea
Others		2,475	81	789		
		<u>₩ 598,590</u>	<u>₩ 410,457</u>	<u>₩ 448,718</u>		

¹ As of December 31, 2020 and 2021, the Group can exercise significant influence on the decision-making processes of the associate's financial and business policies through participation in governing bodies.

² In order to direct relevant activities, it is necessary to obtain the consent of the two co-operative members; the Group has applied the equity method as the Group cannot control the investee by itself.

- ³ The ownership of Paycoms Co., Ltd. would be 22.96% and 21.84% as of December 31, 2020 and 2021, respectively, considering the potential voting rights of convertible bonds.
- ⁴ The ownership of Food Factory Co., Ltd. would be 30.00% and 30.00% as of December 31, 2020 and 2021, respectively, considering the potential voting rights of convertible bonds.
- ⁵ As of December 31, 2020 and 2021, the Group participates in the investment management committee but cannot exercise control.
- ⁶ The investment was classified as assets of a disposal group held for sale as of December 31, 2021.

In accordance with IAS No.28 *Investments in Associates and Joint Ventures*, the Group elected an exemption from applying the equity method for 41 companies including Banksalad Co., Ltd., and classified them as financial assets at fair value through profit or loss.

Although the Group holds 20% or more of the ownership, investment trusts with limited influence on related activities according to trust contracts, and companies with limited influence on related activities due to bankruptcy and corporate rehabilitation proceedings are excluded from associates.

13.2 Condensed financial information, adjustments to the carrying amount, and dividend from major investments in associates and joint ventures as of and for the years ended December 31, 2020 and 2021, are as follows:

	December 31, 2020 *						
	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains (losses) and others	Consolidated carrying amount
	(In millions of Korean won)						
KB Pre IPO Secondary Venture Fund							
No.1	₩ 8,423	₩ 3	₩ 5,940	₩ 8,420	₩ 1,279	₩ —	₩ 1,279
KB GwS Private Securities Investment Trust	534,764	741	425,814	534,023	142,799	(1,440)	141,359
KB-KDBC Pre-IPO New Technology Business Investment Fund	24,655	592	20,400	24,063	16,042	—	16,042
KB Star Office Private Real Estate Master Fund No.1	231,018	122,298	95,000	108,720	20,413	(347)	20,066
Balhae Infrastructure Company	847,758	1,870	841,784	845,888	106,624	—	106,624
Aju Good Technology Venture Fund	57,776	2,265	44,500	55,511	21,351	(3)	21,348
SY Auto Capital Co., Ltd.	89,462	51,272	20,000	38,190	18,713	(2,569)	16,144
Incheon Bridge Co., Ltd.	579,386	700,133	61,096	(120,747)	(18,100)	18,100	—
Big Dipper Co., Ltd.	285	306	1,750	(21)	(5)	5	—
Paycoms Co., Ltd.	2,690	2,073	855	617	72	126	198
Food Factory Co., Ltd.	7,613	4,767	450	2,846	632	649	1,281
KBSP Private Equity Fund No.4	39,795	—	40,800	39,795	5,950	—	5,950
KB Private Equity Fund No.3	1,132	533	—	599	94	—	94
Korea Credit Bureau Co., Ltd.	117,077	37,599	10,000	79,478	7,153	—	7,153
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	42,585	3,205	38,960	39,380	9,845	—	9,845
Keystone-Hyundai Securities No.1 Private Equity Fund	178,848	132,123	42,837	46,725	1,556	—	1,556
KB Social Impact Investment Fund	9,585	4	10,000	9,581	2,874	—	2,874
KB-Solidus Global Healthcare Fund	106,215	1,179	75,600	105,036	45,516	697	46,213
POSCO-KB Shipbuilding Fund	41,807	541	33,200	41,266	12,895	—	12,895
KB-TS Technology Venture Private Equity Fund	34,972	3,490	29,600	31,482	17,630	—	17,630
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	64,968	313	62,980	64,655	27,513	(750)	26,763
KB-SJ Tourism Venture Fund	22,327	6	24,300	22,321	4,133	—	4,133
UNION Media Commerce Fund	3,318	7	3,450	3,311	960	—	960
KB-Stonebridge Secondary Private Equity Fund	114,712	496	98,235	114,216	16,636	—	16,636
KB SPROTT Renewable Private Equity Fund No.1	13,896	497	15,376	13,399	5,049	—	5,049

December 31, 2020 *

	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains (losses) and others	Consolidated carrying amount
	(In millions of Korean won)						
KB-UTC Inno-Tech Venture Fund	38,585	207	39,319	38,378	16,999	—	16,999
WJ Private Equity Fund No.1	36,197	170	37,100	36,027	9,711	—	9,711
All Together Korea Fund No.2	10,025	1	10,001	10,024	10,023	—	10,023
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	47,607	850	47,500	46,757	5,611	—	5,611
JR Global REIT	1,859,214	1,043,068	165,600	816,146	215,854	—	215,854
Project Vanilla Co., Ltd.	4,445	132	5,000	4,313	2,151	—	2,151
December & Company Inc.	68,173	3,305	35,441	64,868	24,402	—	24,402
2020 KB Fintech Renaissance Fund	10,841	5	10,900	10,836	547	—	547
KB Material and Parts No.1 PEF	23,296	—	23,500	23,296	3,371	—	3,371
FineKB Private Equity Fund No.1	—	77	—	(77)	—	—	—

2020*

	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	Dividends
	(In millions of Korean won)				
KB Pre IPO Secondary Venture Fund No.1	₩ 1,942	₩ 1,053	₩ —	₩ 1,053	₩ —
KB GwS Private Securities Investment Trust	48,501	47,520	—	47,520	9,525
KB-KDBC Pre-IPO New Technology Business Investment Fund	5,151	4,421	—	4,421	—
KB Star Office Private Real Estate Master Fund No.1	2,392	1,076	—	1,076	—
Balhae Infrastructure Company	63,781	89,757	—	89,757	6,973
Aju Good Technology Venture Fund	8,685	2,815	—	2,815	—
SY Auto Capital Co., Ltd.	17,404	2,057	(49)	2,008	—
Incheon Bridge Co., Ltd.	70,345	(23,200)	—	(23,200)	—
Big Dipper Co., Ltd.	942	(305)	—	(305)	—
Paycoms Co., Ltd.	1,391	505	—	505	—
Food Factory Co., Ltd.	9,282	407	—	407	—
KBSP Private Equity Fund No.4	2	306	—	306	—
KB Private Equity Fund No.3	—	15,442	—	15,442	2,082
Korea Credit Bureau Co., Ltd.	107,810	13,391	—	13,391	89
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	1,629	626	—	626	—
Keystone-Hyundai Securities No.1 Private Equity Fund	16,586	(1,536)	—	(1,536)	—
KB Social Impact Investment Fund	8	(301)	—	(301)	—
KB-Solidus Global Healthcare Fund	6,435	(12,655)	—	(12,655)	—
POSCO-KB Shipbuilding Fund	12,842	10,154	—	10,154	—
KB-TS Technology Venture Private Equity Fund	5,342	4,051	—	4,051	—
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	5,257	3,013	—	3,013	—
KB-SJ Tourism Venture Fund	—	(689)	—	(689)	—
UNION Media Commerce Fund	—	(3)	—	(3)	—
KB-Stonebridge Secondary Private Equity Fund	20,068	17,842	—	17,842	—
KB SPROTT Renewable Private Equity Fund No.1	1	(991)	—	(991)	—
KB-UTC Inno-Tech Venture Fund	—	(866)	—	(866)	—
WJ Private Equity Fund No.1	2	(1,073)	—	(1,073)	—
All Together Korea Fund No.2	187	150	—	150	—
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	2,901	(743)	—	(743)	—
JR Global REIT	—	—	—	—	—
Project Vanilla Co., Ltd.	—	(611)	—	(611)	—
December & Company Inc.	756	(2,469)	—	(2,469)	—
2020 KB Fintech Renaissance Fund	1	(64)	—	(64)	—
KB Material and Parts No.1 PEF	—	(204)	—	(204)	—
FineKB Private Equity Fund No.1	—	(77)	—	(77)	—

December 31, 2021*

	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains (losses) and others	Consolidated carrying amount
(In millions of Korean won)							
KB Pre IPO Secondary Venture Fund No.1	₩ 10,678	₩ 3	₩ 4,015	₩ 10,675	₩ 1,622	₩ —	₩ 1,622
KB-KDBC Pre-IPO New Technology Business Investment Fund	18,069	385	13,200	17,684	11,789	—	11,789
KB Star Office Private Real Estate Master Fund No.1	247,259	122,620	95,000	124,639	26,240	—	26,240
Balhae Infrastructure Company	853,961	62,336	840,323	791,625	99,785	—	99,785
Aju Good Technology Venture Fund	64,303	4,703	32,100	59,600	22,921	—	22,921
SY Auto Capital Co., Ltd.	88,144	47,665	20,000	40,479	19,835	(1,613)	18,222
Incheon Bridge Co., Ltd.	560,570	690,530	61,096	(129,960)	(19,481)	19,481	—
Big Dipper Co., Ltd.	143	748	1,750	(605)	(147)	147	—
Paycoms Co., Ltd.	3,597	1,960	855	1,637	181	344	525
Food Factory Co., Ltd.	8,332	5,482	450	2,850	633	687	1,320
KBSP Private Equity Fund No.4	37,646	5	40,800	37,641	5,628	—	5,628
Korea Credit Bureau Co., Ltd.	128,297	78,328	10,000	49,969	4,497	—	4,497
KB Social Impact Investment Fund	14,431	157	15,000	14,274	4,282	—	4,282
KB-Solidus Global Healthcare Fund	112,358	1,126	68,400	111,232	48,201	697	48,898
POSCO-KB Shipbuilding Fund	17,754	432	8,880	17,322	5,413	—	5,413
KB-TS Technology Venture Private Equity Fund	35,279	5,228	25,500	30,051	16,828	—	16,828
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	69,943	221	61,100	69,722	29,669	(750)	28,919
KB-SJ Tourism Venture Fund	22,947	557	27,000	22,390	4,146	—	4,146
UNION Media Commerce Fund	3,318	10	3,450	3,308	959	—	959
KB-Stonebridge Secondary Private Equity Fund	151,004	316	148,587	150,688	21,948	—	21,948
KB SPROTT Renewable Private Equity Fund No.1	13,886	1,467	15,376	12,419	4,680	—	4,680
KB-UTC Inno-Tech Venture Fund	47,848	497	48,260	47,351	20,972	—	20,972
WJ Private Equity Fund No.1	35,799	170	37,100	35,629	9,604	—	9,604
All Together Korea Fund No.2	10,073	1	10,002	10,072	10,070	—	10,070
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	127,960	844	111,600	127,116	15,254	—	15,254
Project Vanilla Co., Ltd.	1,283	211	5,000	1,072	525	—	525
December & Company Inc.	71,219	17,276	37,241	53,943	9,054	12,334	21,388
2020 KB Fintech Renaissance Fund	12,252	5	10,900	12,247	618	—	618
KB Material and Parts No.1 PEF	23,104	—	23,500	23,104	3,343	—	3,343
FineKB Private Equity Fund No.1	32,583	315	33,500	32,268	8,067	—	8,067
KB Bio Private Equity No.3 Ltd.	81,691	101	82,000	81,590	9,950	—	9,950
G payment Joint Stock Company	7,797	557	2,950	7,240	3,175	6,175	9,350
Smart Korea KB Future9-Sejong Venture Fund	2,581	81	2,600	2,500	962	—	962
KB-KTB Technology Venture Fund	11,008	101	11,000	10,907	5,503	51	5,554
KB-SOLIDUS Healthcare Investment Fund	2,040	—	2,040	2,040	1,800	—	1,800
Paramark KB Fund No.1	8,943	3	9,860	8,940	1,850	—	1,850

	2021*				
	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	Dividends
	(In millions of Korean won)				
KB Pre IPO Secondary Venture Fund No.1	₩ 4,594	₩ 4,180	₩ —	₩ 4,180	₩ —
KB-KDBC Pre-IPO New Technology Business Investment Fund	530	120	—	120	—
KB Star Office Private Real Estate Master Fund No.1	18	(127)	—	(127)	963
Balhae Infrastructure Company	97,833	19,559	—	19,559	9,121
Aju Good Technology Venture Fund	22,486	15,407	—	15,407	—
SY Auto Capital Co., Ltd.	14,316	2,193	104	2,297	—
Incheon Bridge Co., Ltd.	84,068	(16,219)	—	(16,219)	—
Big Dipper Co., Ltd.	939	(583)	—	(583)	—
Paycoms Co., Ltd.	1,515	857	—	857	—
Food Factory Co., Ltd.	8,853	354	—	354	—
KBSP Private Equity Fund No.4	(1,358)	(2,154)	—	(2,154)	—
Korea Credit Bureau Co., Ltd.	128,150	(27,327)	—	(27,327)	90
KB Social Impact Investment Fund	7	(306)	—	(306)	—
KB-Solidus Global Healthcare Fund	18,782	13,396	—	13,396	—
POSCO-KB Shipbuilding Fund	1,880	376	—	376	—
KB-TS Technology Venture Private Equity Fund	2,094	(1,151)	—	(1,151)	—
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	14,244	8,495	—	8,495	—
KB-SJ Tourism Venture Fund	170	(2,631)	—	(2,631)	—
UNION Media Commerce Fund	—	(3)	—	(3)	—
KB-Stonebridge Secondary Private Equity Fund	55,572	54,053	—	54,053	9,895
KB SPROTT Renewable Private Equity Fund No.1	—	(983)	—	(983)	—
KB-UTC Inno-Tech Venture Fund	1,080	32	—	32	—
WJ Private Equity Fund No.1	291	(398)	—	(398)	—
All Together Korea Fund No.2	53	47	—	47	—
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	20,594	16,252	—	16,252	—
Project Vanilla Co., Ltd.	—	(3,231)	—	(3,231)	—
December & Company Inc.	3,982	(20,767)	—	(20,767)	—
2020 KB Fintech Renaissance Fund	1,566	1,411	—	1,411	—
KB Material and Parts No.1 PEF	451	42	—	42	34
FineKB Private Equity Fund No.1	2	(1,155)	—	(1,155)	—
KB Bio Private Equity No.3 Ltd.	4	(410)	—	(410)	—
G payment Joint Stock Company	819	(762)	—	(762)	—
Smart Korea KB Future9-Sejong Venture Fund	2	(100)	—	(100)	—
KB-KTB Technology Venture Fund	8	(93)	—	(93)	—
KB-SOLIDUS Healthcare Investment Fund	—	—	—	—	—
Paramark KB Fund No.1	—	(920)	—	(920)	—

* The condensed financial information of the associates and joint ventures is adjusted to reflect adjustments, such as fair value adjustments recognized at the time of acquisition and adjustments for differences in accounting policies.

13.3 Changes in carrying amount of investments in associates and joint ventures for the years ended December 31, 2020 and 2021, are as follows:

	2020 ¹						
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity- method accounting	Other compre- hensive income (loss)	Ending
	(In millions of Korean won)						
KB Pre IPO Secondary Venture Fund No.1	₩ 1,705	₩ —	₩ (586)	₩ —	₩ 160	₩ —	₩ 1,279
KB GwS Private Securities Investment Trust	136,168	—	—	(9,525)	14,716	—	141,359
KB-KDBC Pre-IPO New Technology Business Investment Fund	18,988	—	(6,399)	—	3,453	—	16,042
KB Star Office Private Real Estate Master Fund No.1	19,839	—	—	—	227	—	20,066
PT Bank KB Bukopin Tbk ²	121,381	43,909	(54,069)	—	(107,258)	(3,963)	—
Balhae Infrastructure Company	101,391	893	—	(6,973)	11,313	—	106,624
Aju Good Technology Venture Fund	23,016	—	(2,885)	—	1,217	—	21,348
SY Auto Capital Co., Ltd.	12,725	—	—	—	3,422	(3)	16,144
Incheon Bridge Co., Ltd.	—	—	—	—	—	—	—
Big Dipper Co., Ltd.	125	—	—	—	(125)	—	—
Paycoms Co., Ltd.	45	—	—	—	153	—	198
Food Factory Co., Ltd.	1,000	—	—	—	247	34	1,281
KBSP Private Equity Fund No.4	5,904	—	—	—	46	—	5,950
KB Private Equity Fund No.3	7,754	—	(8,000)	(2,082)	2,422	—	94
Korea Credit Bureau Co., Ltd.	5,991	—	—	(89)	1,251	—	7,153
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	13,616	—	(3,231)	—	(540)	—	9,845
Keystone-Hyundai Securities No.1 Private Equity Fund	1,625	—	—	—	(69)	—	1,556
KB Social Impact Investment Fund	1,465	1,500	—	—	(91)	—	2,874
KB-Solidus Global Healthcare Fund	45,718	10,920	(4,940)	—	(5,485)	—	46,213
POSCO-KB Shipbuilding Fund	6,847	5,000	(2,125)	—	3,173	—	12,895
KB-TS Technology Venture Private Equity Fund	19,731	2,240	(5,488)	—	1,232	(85)	17,630
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	19,752	8,000	(3,200)	—	2,211	—	26,763
KB-SJ Tourism Venture Fund	2,761	1,500	—	—	(128)	—	4,133
UNION Media Commerce Fund	961	—	—	—	(1)	—	960
KB-Stonebridge Secondary Private Equity Fund	4,944	9,093	—	—	2,599	—	16,636
KB SPROTT Renewable Private Equity Fund No.1	1,295	4,128	—	—	(374)	—	5,049
KB-UTC Inno-Tech Venture Fund	417	16,966	—	—	(384)	—	16,999
WJ Private Equity Fund No.1	—	10,000	—	—	(289)	—	9,711
All Together Korea Fund No.2	—	100,000	(90,000)	—	150	(127)	10,023
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	—	5,700	—	—	(89)	—	5,611
JR Global REIT	—	219,493	(3,639)	—	—	—	215,854
Project Vanilla Co., Ltd.	—	2,450	—	—	(299)	—	2,151
December & Company Inc.	—	30,000	(5,151)	—	(447)	—	24,402
2020 KB Fintech Renaissance Fund	—	550	—	—	(3)	—	547
KB Material and Parts No.1 PEF	—	3,400	—	—	(29)	—	3,371
FineKB Private Equity Fund No.1	—	—	—	—	—	—	—
Others	23,076	40,000	(61,862)	—	(899)	359	674
	<u>₩598,240</u>	<u>₩ 515,742</u>	<u>₩(251,575)</u>	<u>₩ (18,669)</u>	<u>₩ (68,518)</u>	<u>₩(3,785)</u>	<u>₩771,435</u>

2021¹

	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income (loss)	Ending
(In millions of Korean won)							
KB Pre IPO Secondary Venture Fund No.1	₩ 1,279	₩ —	₩ (292)	₩ —	₩ 635	₩ —	₩ 1,622
KB GwS Private Securities Investment Trust	141,359	—	(141,359)	—	—	—	—
KB-KDBC Pre-IPO New Technology Business Investment Fund	16,042	—	(4,800)	—	547	—	11,789
KB Star Office Private Real Estate Master Fund No.1	20,066	—	—	(963)	7,137	—	26,240
Balhae Infrastructure Company	106,624	280	(463)	(9,121)	2,465	—	99,785
Aju Good Technology Venture Fund	21,348	—	(4,770)	—	6,343	—	22,921
SY Auto Capital Co., Ltd.	16,144	—	—	—	2,027	51	18,222
Incheon Bridge Co., Ltd.	—	—	—	—	—	—	—
Big Dipper Co., Ltd.	—	—	—	—	—	—	—
Paycoms Co., Ltd.	198	—	—	—	327	—	525
Food Factory Co., Ltd.	1,281	—	—	—	7	32	1,320
KBSP Private Equity Fund No.4	5,950	—	—	—	(322)	—	5,628
KB Private Equity Fund No.3	94	—	(13)	(81)	—	—	—
Korea Credit Bureau Co., Ltd.	7,153	—	—	(90)	(2,566)	—	4,497
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	9,845	—	(9,725)	(2,120)	2,000	—	—
Keystone-Hyundai Securities No.1 Private Equity Fund	1,556	—	(1,044)	(512)	—	—	—
KB Social Impact Investment Fund	2,874	1,500	—	—	(92)	—	4,282
KB-Solidus Global Healthcare Fund	46,213	—	(3,120)	—	5,805	—	48,898
POSCO-KB Shipbuilding Fund	12,895	—	(7,599)	—	117	—	5,413
KB-TS Technology Venture Private Equity Fund	17,630	3,080	(5,376)	—	1,494	—	16,828
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	26,763	10,000	(10,800)	—	2,956	—	28,919
KB-SJ Tourism Venture Fund	4,133	499	—	—	(486)	—	4,146
UNION Media Commerce Fund	960	—	—	—	(1)	—	959
KB-Stonebridge Secondary Private Equity Fund	16,636	13,257	(5,924)	(9,895)	7,874	—	21,948
KB SPROTT Renewable Private Equity Fund No.1	5,049	—	—	—	(369)	—	4,680
KB-UTC Inno-Tech Venture Fund	16,999	5,085	(1,126)	—	14	—	20,972
WJ Private Equity Fund No.1	9,711	—	—	—	(107)	—	9,604
All Together Korea Fund No.2	10,023	—	—	—	47	—	10,070
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	5,611	7,692	—	—	1,951	—	15,254
JR Global REIT	215,854	—	(209,250)	(6,604)	—	—	—
Project Vanilla Co., Ltd.	2,151	—	—	—	(1,626)	—	525
December & Company Inc.	24,402	481	—	—	(3,507)	12	21,388
2020 KB Fintech Renaissance Fund	547	—	—	—	71	—	618
KB Material and Parts No.1 PEF	3,371	—	—	(34)	6	—	3,343
FineKB Private Equity Fund No.1	—	8,375	—	—	(308)	—	8,067
KB Bio Private Equity No.3 Ltd.	—	10,000	—	—	(50)	—	9,950
K The 15th REIT Co., Ltd.	—	8,600	(8,600)	—	—	—	—
G payment Joint Stock Company	—	9,684	—	—	(334)	—	9,350
498 Seventh Owners LLC ³	—	172,907	(169,424)	(3,483)	—	—	—
Smart Korea KB Future9-Sejong Venture Fund	—	1,000	—	—	(38)	—	962
KB-KTB Technology Venture Fund	—	5,601	—	—	(47)	—	5,554
KB-SOLIDUS Healthcare Investment Fund	—	1,800	—	—	—	—	1,800
Paramark KB Fund No.1	—	2,040	—	—	(190)	—	1,850
Others	674	—	—	—	(303)	418	789
	<u>₩771,435</u>	<u>₩ 261,881</u>	<u>₩(583,685)</u>	<u>₩(32,903)</u>	<u>₩ 31,477</u>	<u>₩ 513</u>	<u>₩448,718</u>

¹ Gains on disposal of investments in associates and joint ventures amount to ₩ 24,768 million ₩ 62,048 million for the years ended December 31, 2020 and 2021, respectively.

² The investment was reclassified from associates to subsidiaries during the year ended December 31, 2020 due to additional share purchase.

³ The investment was classified as assets of a disposal group held for sale as of December 31, 2021.

13.4 Unrecognized share of losses of investments in associates and joint ventures due to the discontinuation of recognizing share of losses, for the years ended December 31, 2020 and 2021, and accumulated amount of unrecognized losses as of December 31, 2020 and 2021, are as follows:

	Unrecognized losses for the period		Accumulated unrecognized losses	
	2020	2021	December 31, 2020	December 31, 2021
	(In millions of Korean won)			
DSMETAL Co., Ltd.	₩ —	₩ 38	₩ 65	₩ 103
Incheon Bridge Co., Ltd.	3,354	1,381	18,100	19,481
Jungdong Steel Co., Ltd.	—	—	489	489
DPAPS Co., Ltd.	19	—	358	—
Shinla Construction Co., Ltd.	—	—	183	183
Jaeyang Industry Co., Ltd.	—	—	30	30
Terra Corporation	—	—	14	14
Jungdo Co., Ltd.	151	239	312	551
Jinseung Tech Co., Ltd.	—	12	21	33
Korea NM Tech Co., Ltd.	—	—	28	28
Chongil Machine & Tools Co., Ltd.	—	49	19	68
Skydigital Inc.	—	68	106	174
Imt Technology Co., Ltd.	3	(3)	3	—
Jo Yang Industrial Co., Ltd.	96	9	96	105
IDTECK Co., Ltd.	216	(72)	216	144
MJT&I Corp.	—	152	—	152
Dae-A Leisure Co., Ltd.	—	202	—	202
Il-Kwang Electronic Materials Co., Ltd.	—	160	—	160
Inter Shipping Co., Ltd.	—	117	—	117
	<u>₩3,839</u>	<u>₩2,352</u>	<u>₩ 20,040</u>	<u>₩ 22,034</u>

14. Property and Equipment, and Investment Properties

14.1 Property and Equipment

14.1.1 Details of property and equipment as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
	(In millions of Korean won)			
Land	₩2,611,604	₩ —	₩ (1,018)	₩2,610,586
Buildings	2,607,957	(830,516)	(5,859)	1,771,582
Leasehold improvements	929,120	(833,293)	—	95,827
Equipment and vehicles	2,040,100	(1,699,442)	—	340,658
Construction in-progress	44,190	—	—	44,190
Right-of-use assets	1,094,876	(524,165)	—	570,711
	<u>₩9,327,847</u>	<u>₩(3,887,416)</u>	<u>₩ (6,877)</u>	<u>₩5,433,554</u>

	December 31, 2021			Carrying amount
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	
	(In millions of Korean won)			
Land	₩2,548,185	₩ —	₩ (4)	₩2,548,181
Buildings	2,534,134	(851,730)	(5,747)	1,676,657
Leasehold improvements	977,853	(889,602)	—	88,251
Equipment and vehicles	2,093,461	(1,782,278)	—	311,183
Construction in-progress	39,579	—	—	39,579
Right-of-use assets	1,301,864	(725,817)	—	576,047
	<u>₩9,495,076</u>	<u>₩(4,249,427)</u>	<u>₩ (5,751)</u>	<u>₩5,239,898</u>

14.1.2 Changes in property and equipment for the years ended December 31, 2020 and 2021, are as follows:

	2020							Ending
	Beginning	Acquisition	Transfer ¹	Disposal	Depreciation ²	Business combination	Others	
	(In millions of Korean won)							
Land	₩2,430,794	₩ 6,475	₩(116,264)	₩ (2,578)	₩ —	₩ 295,421	₩ (3,262)	₩2,610,586
Buildings	1,502,923	43,592	190,917	(4,442)	(61,339)	100,984	(1,053)	1,771,582
Leasehold improvements	116,124	13,348	34,596	(574)	(73,394)	5,087	640	95,827
Equipment and vehicles	380,353	161,515	3,705	(1,990)	(221,697)	19,873	(1,101)	340,658
Construction in-progress	86,303	229,927	(291,336)	—	—	20,022	(726)	44,190
Right-of-use assets	550,880	426,405	53	(203,376)	(272,686)	55,656	13,779	570,711
	<u>₩5,067,377</u>	<u>₩881,262</u>	<u>₩(178,329)</u>	<u>₩(212,960)</u>	<u>₩ (629,116)</u>	<u>₩ 497,043</u>	<u>₩ 8,277</u>	<u>₩5,433,554</u>

	2021							Ending
	Beginning	Acquisition	Transfer ¹	Disposal	Depreciation ²	Business combination	Others	
	(In millions of Korean won)							
Land	₩2,610,586	₩ 1,106	₩ (81,690)	₩ (11,399)	₩ —	₩ —	₩ 29,578	₩2,548,181
Buildings	1,771,582	2,412	(79,802)	6,213	(69,118)	—	45,370	1,676,657
Leasehold improvements	95,827	13,079	40,148	(891)	(61,294)	—	1,382	88,251
Equipment and vehicles	340,658	153,459	2,488	(1,819)	(187,918)	537	3,778	311,183
Construction in-progress	44,190	129,682	(99,763)	(8,435)	—	—	(26,095)	39,579
Right-of-use assets	570,711	614,069	(9)	(324,104)	(288,980)	20	4,340	576,047
	<u>₩5,433,554</u>	<u>₩913,807</u>	<u>₩(218,628)</u>	<u>₩(340,435)</u>	<u>₩ (607,310)</u>	<u>₩ 557</u>	<u>₩ 58,353</u>	<u>₩5,239,898</u>

¹ Includes transfers with investment properties and assets held for sale.

² Includes depreciation expenses amounting to ₩ 123 million and ₩ 196 million recorded as other operating expenses and others for the years ended December 31, 2020 and 2021, respectively.

14.1.3 Changes in accumulated impairment losses of property and equipment for the years ended December 31, 2020 and 2021, are as follows:

	2020				
	<u>Beginning</u>	<u>Impairment</u>	<u>Reversal</u>	<u>Disposal and others</u>	<u>Ending</u>
	(In millions of Korean won)				
Accumulated impairment losses of property and equipment	₩(6,877)	₩ (12)	₩ —	₩ 12	₩(6,877)
Accumulated impairment losses of right-of-use assets	(1,178)	—	—	1,178	—
	<u>₩(8,055)</u>	<u>₩ (12)</u>	<u>₩ —</u>	<u>₩ 1,190</u>	<u>₩(6,877)</u>
	2021				
	<u>Beginning</u>	<u>Impairment</u>	<u>Reversal</u>	<u>Disposal and others</u>	<u>Ending</u>
	(In millions of Korean won)				
Accumulated impairment losses of property and equipment	₩(6,877)	₩ —	₩ —	₩ 1,126	₩(5,751)

14.2 Investment Properties

14.2.1 Details of investment properties as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment losses</u>	<u>Carrying amount</u>
	(In millions of Korean won)			
Land	₩1,568,508	₩ —	₩ (410)	₩1,568,098
Buildings	1,092,737	(122,833)	(4,463)	965,441
	<u>₩2,661,245</u>	<u>₩(122,833)</u>	<u>₩ (4,873)</u>	<u>₩2,533,539</u>
	December 31, 2021			
	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment losses</u>	<u>Carrying amount</u>
	(In millions of Korean won)			
Land	₩1,577,800	₩ —	₩ (447)	₩1,577,353
Buildings	1,089,761	(147,307)	(4,863)	937,591
	<u>₩2,667,561</u>	<u>₩(147,307)</u>	<u>₩ (5,310)</u>	<u>₩2,514,944</u>

14.2.2 Valuation techniques and inputs used to measure the fair value of investment properties as of December 31, 2021, are as follows:

	December 31, 2021		
	Fair value (In millions of Korean won)	Valuation techniques	Inputs
Land and buildings	₩ 124,021	Cost approach method	- Price per square meter - Replacement cost
	1,118,793	Market comparison method	- Price per square meter
	1,236,638	Discounted cash flow method	- Prospective rental market growth rate - Period of vacancy - Rental ratio - Discount rate and others
	232,950	Income approach method	- Discount rate - Capitalization rate - Vacancy rate

Fair value of investment properties amounts to ₩ 2,712,653 million and ₩ 2,712,402 million as of December 31, 2020 and 2021, respectively. Investment properties are measured by qualified independent appraisers with recent experience in valuing similar properties in the same area. In addition, all investment properties are classified as Level 3 in accordance with fair value hierarchy in Note 6.1.2.

Rental income from above investment properties amounts to ₩ 157,652 million and ₩ 123,313 million for the years ended December 31, 2020 and 2021, respectively.

14.2.3 Changes in investment properties for the years ended December 31, 2020 and 2021, are as follows:

	2020							
	Beginning	Acquisition	Transfer*	Disposal	Depreciation	Business combination	Others	Ending
	(In millions of Korean won)							
Land	₩1,537,240	₩ 34,529	₩61,383	₩(167,015)	₩ —	₩106,944	₩ (4,983)	₩1,568,098
Buildings	1,290,748	18,667	37,694	(378,332)	(38,717)	42,169	(6,788)	965,441
	<u>₩2,827,988</u>	<u>₩ 53,196</u>	<u>₩99,077</u>	<u>₩(545,347)</u>	<u>₩ (38,717)</u>	<u>₩149,113</u>	<u>₩(11,771)</u>	<u>₩2,533,539</u>
	2021							
	Beginning	Acquisition	Transfer*	Disposal	Depreciation	Others	Ending	
	(In millions of Korean won)							
Land	₩1,568,098	₩ 28,568	₩22,410	₩ (63,546)	₩ —	₩21,823	₩1,577,353	
Buildings	965,441	90,393	1,802	(112,159)	(28,933)	21,047	937,591	
	<u>₩2,533,539</u>	<u>₩118,961</u>	<u>₩24,212</u>	<u>₩(175,705)</u>	<u>₩ (28,933)</u>	<u>₩42,870</u>	<u>₩2,514,944</u>	

* Includes transfers with property and equipment and assets held for sale.

15. Intangible Assets

15.1 Details of intangible assets as of December 31, 2020 and 2021, are as follows:

	December 31, 2020				
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Others	Carrying amount
	(In millions of Korean won)				
Goodwill	₩ 887,259	₩ —	₩ (70,517)	₩(53,160)	₩ 763,582
Other intangible assets	4,928,003	(2,304,188)	(36,264)	—	2,587,551
	<u>₩5,815,262</u>	<u>₩(2,304,188)</u>	<u>₩(106,781)</u>	<u>₩(53,160)</u>	<u>₩3,351,133</u>
	December 31, 2021				
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Others	Carrying amount
	(In millions of Korean won)				
Goodwill	₩ 887,259	₩ —	₩ (70,517)	₩(10,335)	₩ 806,407
Other intangible assets	5,227,231	(2,732,394)	(34,887)	—	2,459,950
	<u>₩6,114,490</u>	<u>₩(2,732,394)</u>	<u>₩(105,404)</u>	<u>₩(10,335)</u>	<u>₩3,266,357</u>

15.2 Details of goodwill as of December 31, 2020 and 2021, are as follows:

	December 31, 2020		December 31, 2021	
	Acquisition cost	Carrying amount *	Acquisition cost	Carrying amount *
	(In millions of Korean won)			
Housing & Commercial Bank	₩ 65,288	₩ 65,288	₩ 65,288	₩ 65,288
Kookmin Bank Cambodia Plc.	1,202	—	1,202	—
KB Securities Co., Ltd.	70,265	58,889	70,265	58,889
KB Capital Co., Ltd.	79,609	79,609	79,609	79,609
KB Savings Bank Co., Ltd.	115,343	57,404	115,343	57,404
KB Securities Vietnam Joint Stock Company	13,092	12,234	13,092	13,533
KB Daehan Specialized Bank Plc.	1,515	1,470	1,515	1,601
PRASAC Microfinance Institution Plc.	396,942	356,570	396,942	388,524
PT Sunindo Kookmin Best Finance	2,963	2,963	2,963	2,894
PT Bank KB Bukopin Tbk	89,220	80,002	89,220	85,893
PT. KB Finansia Multi Finance	51,820	49,153	51,820	52,772
	<u>₩887,259</u>	<u>₩763,582</u>	<u>₩887,259</u>	<u>₩806,407</u>

* Includes the effect of exchange differences and others.

15.3 Changes in accumulated impairment losses of goodwill for the years ended December 31, 2020 and 2021, are as follows:

	2020			
	Beginning	Impairment	Others	Ending
	(In millions of Korean won)			
Accumulated impairment losses of goodwill	₩(70,517)	₩ —	₩ —	₩(70,517)
	2021			
	Beginning	Impairment	Others	Ending
	(In millions of Korean won)			
Accumulated impairment losses of goodwill	₩(70,517)	₩ —	₩ —	₩(70,517)

15.4 Details of goodwill allocation to cash-generating units and related information for impairment testing as of December 31, 2021 are as follows:

		December 31, 2021			
		Carrying amount of goodwill	Recoverable amount exceeding carrying amount	Discount rate (%)	Permanent growth rate (%)
		(In millions of Korean won)			
Housing & Commercial Bank	Retail banking	₩ 49,315	₩ 5,767,992	18.57	1.00
	Corporate banking	15,973	2,004,756	18.96	1.00
KB Securities Co., Ltd.		58,889	1,369,331	21.27	1.00
KB Capital Co., Ltd.		79,609	204,215	24.01	1.00
KB Savings Bank Co., Ltd. and Yehansoul Savings Bank Co., Ltd.		57,404	542,790	14.37	1.00
KB Securities Vietnam Joint Stock Company		13,533	35,525	22.09	1.00
KB Daehan Specialized Bank Plc.		1,601	20,186	23.23	1.00
PT Bank KB Bukopin Tbk		85,893	175,872	17.30	3.00
PRASAC Microfinance Institution Plc.		388,524	247,992	23.02	3.00
PT Sunindo Kookmin Best Finance		2,894	574	18.96	0.00
PT. KB Finansia Multi Finance		52,772	49,744	17.57	1.00
		<u>₩806,407</u>	<u>₩ 10,418,977</u>		

For impairment testing, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination, and cash-generating units consist of an operating segment or units which are not larger than an operating segment.

Cash-generating units to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit including the goodwill with the recoverable amount of the unit.

The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is the amount obtainable from the disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. If it is difficult to measure the amount obtainable from the disposal of the cash-generating unit, the disposal amount of a similar cash-generating unit in the past transaction is used by reflecting the characteristics of the cash-generating unit to be measured. If it is not possible to obtain reliable information to measure the fair value less costs of disposal, the Group uses the asset's value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The estimated future cash flows are based on the most recent financial budget approved by management with maximum period of 5 years. In relation to subsequent cash flows, it is assumed that cash flows will grow at a certain permanent growth rate. The key assumptions used for the estimation of the future cash flows are based on the market size and the Group's market share. The discount rate is a pre-tax rate that reflects assumptions regarding risk-free interest rate, market risk premium, and the risks specific to the cash-generating unit.

15.5 Details of intangible assets other than goodwill as of December 31, 2020 and 2021, are as follows:

December 31, 2020				
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
(In millions of Korean won)				
Industrial property rights	₩ 6,222	₩ (2,936)	₩ (940)	₩ 2,346
Software	1,800,686	(1,225,173)	(2,326)	573,187
Other intangible assets	690,665	(285,893)	(32,998)	371,774
VOBA	2,395,291	(759,672)	—	1,635,619
Right-of-use assets	35,139	(30,514)	—	4,625
	<u>₩4,928,003</u>	<u>₩(2,304,188)</u>	<u>₩ (36,264)</u>	<u>₩2,587,551</u>
December 31, 2021				
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
(In millions of Korean won)				
Industrial property rights	₩ 3,056	₩ (1,953)	₩ —	₩ 1,103
Software	1,996,646	(1,417,705)	—	578,941
Other intangible assets	797,107	(365,473)	(34,887)	396,747
VOBA	2,395,291	(915,746)	—	1,479,545
Right-of-use assets	35,131	(31,517)	—	3,614
	<u>₩5,227,231</u>	<u>₩(2,732,394)</u>	<u>₩ (34,887)</u>	<u>₩2,459,950</u>

15.6 Changes in intangible assets other than goodwill for the years ended December 31, 2020 and 2021, are as follows:

2020							
	Beginning	Acquisition & transfer	Disposal	Amortization ¹	Business combination	Others	Ending
(In millions of Korean won)							
Industrial property rights	₩ 2,853	₩ 116	₩ (147)	₩ (476)	₩ —	₩ —	₩ 2,346
Software	373,519	340,045	(4,444)	(153,876)	18,252	(309)	573,187
Other intangible assets ²	266,517	63,743	(9,527)	(47,948)	106,445	(7,456)	371,774
VOBA	1,809,485	—	—	(173,866)	—	—	1,635,619
Right-of-use assets	9,698	—	—	(5,026)	—	(47)	4,625
	<u>₩2,462,072</u>	<u>₩ 403,904</u>	<u>₩(14,118)</u>	<u>₩ (381,192)</u>	<u>₩124,697</u>	<u>₩(7,812)</u>	<u>₩2,587,551</u>
2021							
	Beginning	Acquisition & transfer	Disposal	Amortization ¹	Business combination	Others	Ending
(In millions of Korean won)							
Industrial property rights	₩ 2,346	₩ 207	₩ (1,080)	₩ (370)	₩ —	₩ —	₩ 1,103
Software	573,187	219,128	(838)	(216,073)	8,742	(5,205)	578,941
Other intangible assets ²	371,774	100,460	(16,907)	(59,761)	—	1,181	396,747
VOBA	1,635,619	—	—	(156,074)	—	—	1,479,545
Right-of-use assets	4,625	—	—	(1,012)	—	1	3,614
	<u>₩2,587,551</u>	<u>₩ 319,795</u>	<u>₩(18,825)</u>	<u>₩ (433,290)</u>	<u>₩ 8,742</u>	<u>₩(4,023)</u>	<u>₩2,459,950</u>

- ¹ Includes ₩ 173,992 million and ₩ 189,791 million recorded as insurance expenses and other operating expenses for the years ended December 31, 2020 and 2021, respectively.
- ² Impairment losses for membership right with indefinite useful life among other intangible assets are recognized when its recoverable amount is lower than its carrying amount, and reversal of impairment losses are recognized when its recoverable amount is higher than its carrying amount.

15.7 Changes in accumulated impairment losses of other intangible assets for the years ended December 31, 2020 and 2021, are as follows:

	2020				Ending
	Beginning	Impairment	Reversal	Disposal and others	
	(In millions of Korean won)				
Accumulated impairment losses of other intangible assets	₩(31,652)	₩ (9,312)	₩3,669	₩ 1,031	₩(36,264)

	2021				Ending
	Beginning	Impairment	Reversal	Disposal and others	
	(In millions of Korean won)				
Accumulated impairment losses of other intangible assets	₩(36,264)	₩ (5,306)	₩2,939	₩ 3,744	₩(34,887)

16. Lease

16.1 The Group as a Lessee

16.1.1 Amounts recognized in the consolidated statements of financial position related to lease as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Right-of-use property and equipment:*		
Real estate	₩ 537,392	₩ 544,075
Vehicles	16,218	18,416
Others	17,101	13,556
	<u>570,711</u>	<u>576,047</u>
Right-of-use intangible assets*	4,626	3,614
	<u>₩ 575,337</u>	<u>₩ 579,661</u>
Lease liabilities*	₩ 559,113	₩ 578,808

* Included in property and equipment, intangible assets, and other liabilities.

16.1.2 Amounts recognized in the consolidated statements of comprehensive income related to lease for the years ended December 31, 2020 and 2021, are as follows:

	<u>2020</u>	<u>2021</u>
	(In millions of Korean won)	
Depreciation and amortization of right-of-use assets:		
Real estate	₩246,058	₩262,240
Vehicles	15,286	17,796
Others	11,342	8,944
Intangible assets	5,026	1,012
	<u>₩277,712</u>	<u>₩289,992</u>
Interest expenses on the lease liabilities	₩ 13,492	₩ 14,678
Expense relating to short-term lease	6,169	5,920
Expense relating to lease of low-value assets that are not short-term lease	7,130	8,434
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	438	262

Total cash outflows for lease for the years ended December 31, 2020 and 2021 are ₩ 245,151 million and ₩ 267,864 million, respectively.

16.2 The Group as a Lessor

16.2.1 The Group as a finance lessor

16.2.1.1 Gross investment in the lease and present value of minimum lease payments as of December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020</u>		<u>December 31, 2021</u>	
	<u>Gross investment in the lease</u>	<u>Present value of minimum lease payments</u>	<u>Gross investment in the lease</u>	<u>Present value of minimum lease payments</u>
	(In millions of Korean won)			
Up to 1 year	₩ 579,968	₩354,588	₩ 559,569	₩379,439
1-5 years	958,125	551,777	808,256	540,219
	<u>₩1,538,093</u>	<u>₩906,365</u>	<u>₩1,367,825</u>	<u>₩919,658</u>

16.2.1.2 Unearned finance income on finance lease as of December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
	(In millions of Korean won)	
Gross investment in the lease	₩1,538,093	₩1,367,825
Net investment in the lease:		
Present value of minimum lease payments	906,365	919,658
Present value of unguaranteed residual value	496,969	349,478
	<u>1,403,334</u>	<u>1,269,136</u>
Unearned finance income	<u>₩ 134,759</u>	<u>₩ 98,689</u>

16.2.2 The Group as an operating lessor

Future minimum lease payments to be received from the non-cancellable lease contracts as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Minimum lease payments to be received:		
Up to 1 year	₩ 792,935	₩ 918,640
1-5 years	1,727,498	1,797,551
Over 5 years	84,733	299,984
	<u>₩2,605,166</u>	<u>₩3,016,175</u>

17. Deferred Income Tax Assets and Liabilities

17.1 Details of deferred income tax assets and liabilities as of December 31, 2020 and 2021, are as follows:

	December 31, 2020		
	Assets	Liabilities	Net amount
	(In millions of Korean won)		
Other provisions	₩ 149,259	₩ —	₩ 149,259
Allowances for credit losses	26,496	(3,356)	23,140
Impairment losses of property and equipment	3,992	(1,889)	2,103
Share-based payments	17,718	—	17,718
Provisions for acceptances and guarantees	17,046	—	17,046
Gains or losses on valuation of derivatives	20,645	(223,482)	(202,837)
Present value discount	17,058	(3,041)	14,017
Gains or losses on fair value hedge	21,060	—	21,060
Accrued interest	—	(125,835)	(125,835)
Deferred loan origination fees and costs	7,224	(226,821)	(219,597)
Advanced depreciation provision	—	(1,703)	(1,703)
Gains or losses on revaluation	338	(319,698)	(319,360)
Investments in subsidiaries and others	38,164	(111,589)	(73,425)
Gains or losses on valuation of security investment	73,857	(1,232,689)	(1,158,832)
Defined benefit liabilities	590,633	—	590,633
Accrued expenses	334,900	—	334,900
Retirement insurance expense	—	(541,317)	(541,317)
Adjustments to the prepaid contributions	—	(28,261)	(28,261)
Derivative-linked securities	78,202	(30,881)	47,321
Others	1,081,691	(740,462)	341,229
	<u>2,478,283</u>	<u>(3,591,024)</u>	<u>(1,112,741)</u>
Offsetting of deferred income tax assets and liabilities	(2,413,225)	2,413,225	—
	<u>₩ 65,058</u>	<u>₩(1,177,799)</u>	<u>₩(1,112,741)</u>

	December 31, 2021		
	Assets	Liabilities	Net amount
	(In millions of Korean won)		
Other provisions	₩ 178,027	₩ —	₩ 178,027
Allowances for credit losses	28,770	(3,008)	25,762
Impairment losses of property and equipment	9,198	(1,833)	7,365
Share-based payments	24,249	—	24,249
Provisions for acceptances and guarantees	33,091	—	33,091
Gains or losses on valuation of derivatives	41,289	(139,281)	(97,992)
Present value discount	14,254	(5,929)	8,325
Gains or losses on fair value hedge	—	(14,642)	(14,642)
Accrued interest	—	(140,852)	(140,852)
Deferred loan origination fees and costs	10,473	(223,170)	(212,697)
Advanced depreciation provision	—	(1,703)	(1,703)
Gains or losses on revaluation	—	(318,539)	(318,539)
Investments in subsidiaries and others	42,547	(159,411)	(116,864)
Gains or losses on valuation of security investment	104,168	(1,192,004)	(1,087,836)
Defined benefit liabilities	608,471	—	608,471
Accrued expenses	281,983	—	281,983
Retirement insurance expense	—	(573,895)	(573,895)
Adjustments to the prepaid contributions	—	(29,273)	(29,273)
Derivative-linked securities	2,241	(46,895)	(44,654)
Others*	1,031,411	(871,625)	159,786
	<u>2,410,172</u>	<u>(3,722,060)</u>	<u>(1,311,888)</u>
Offsetting of deferred income tax assets and liabilities	(2,251,079)	2,251,079	—
	<u>₩ 159,093</u>	<u>₩(1,470,981)</u>	<u>₩(1,311,888)</u>

* Includes Purchase Price Allocation (“PPA”) amount arising from the acquisition of Prudential Life Insurance Company of Korea Ltd., KB Insurance Co., Ltd., and others.

17.2 Unrecognized Deferred Income Tax Assets

17.2.1 No deferred income tax assets have been recognized for the deductible temporary differences of ₩ 372,410 million associated with investments in subsidiaries and others as of December 31, 2021, because it is not probable that these temporary differences will reverse in the foreseeable future.

17.2.2 No deferred income tax assets have been recognized for the deductible temporary differences of ₩ 107,067 million associated with others as of December 31, 2021, due to the uncertainty that these temporary differences will be realized in the future.

17.3 Unrecognized Deferred Income Tax Liabilities

17.3.1 No deferred income tax liabilities have been recognized for the taxable temporary differences of ₩ 404,147 million associated with investments in subsidiaries and others as of December 31, 2021, due to the following reasons:

- The Group is able to control the timing of the reversal of the temporary differences.
- It is probable that these temporary differences will not reverse in the foreseeable future.

17.3.2 No deferred income tax liabilities have been recognized as of December 31, 2021, for the taxable temporary differences of ₩ 65,288 million related to the initial recognition of goodwill arising from the merger of Housing and Commercial Bank in 2001.

17.4 Changes in cumulative temporary differences for the years ended December 31, 2020 and 2021, are as follows:

	2020				
	Beginning	Business combination	Decrease	Increase	Ending
	(In millions of Korean won)				
Deductible temporary differences					
Gains or losses on fair value hedge	₩ 44,085	₩ —	₩ 44,085	₩ 76,583	₩ 76,583
Other provisions	424,383	6,383	426,457	540,396	544,705
Allowances for credit losses	2,018	105,505	96,885	83,111	93,749
Impairment losses of property and equipment	15,985	—	9,658	8,189	14,516
Deferred loan origination fees and costs	1,930	35,863	15,098	3,574	26,269
Share-based payments	63,092	5	55,601	54,589	62,085
Provisions for acceptances and guarantees	76,214	—	76,214	61,984	61,984
Gains or losses on valuation of derivatives	186,035	5,201	191,236	76,238	76,238
Present value discount	29,978	—	29,732	61,783	62,029
Investments in subsidiaries and others	185,380	—	47,034	232,655	371,001
Gains or losses on valuation of security investment	136,236	—	136,070	251,524	251,690
Defined benefit liabilities	2,118,942	94,105	227,010	313,122	2,299,159
Accrued expenses	911,599	75,498	911,599	1,144,785	1,220,283
Derivative-linked securities	477,307	—	477,307	284,370	284,370
Others*	1,669,025	2,068,207	1,170,462	1,081,994	3,648,764
	<u>6,342,209</u>	<u>2,390,767</u>	<u>3,914,448</u>	<u>4,274,897</u>	<u>9,093,425</u>
Unrecognized deferred income tax assets					
Other provisions	4,788				3,054
Investments in subsidiaries and others	67,645				242,875
Others	125,158				75,831
	<u>6,144,618</u>				<u>8,771,665</u>
Tax rate (%)	27.5				27.5
Total deferred income tax assets	<u>₩ 1,703,764</u>				<u>₩ 2,478,283</u>
Taxable temporary differences					
Accrued interest	₩ (401,337)	₩ (168,859)	₩ (394,255)	₩ (281,685)	₩ (457,626)
Allowances for credit losses	(11,877)	—	(11,877)	(12,203)	(12,203)
Impairment losses of property and equipment	(4,163)	—	(111)	117	(3,935)
Deferred loan origination fees and costs	(752,178)	—	(752,178)	(820,223)	(820,223)
Advanced depreciation provision	(6,192)	—	—	—	(6,192)
Gains or losses on valuation of derivatives	(576,743)	—	(576,743)	(812,662)	(812,662)
Present value discount	(15,278)	—	(15,278)	(10,916)	(10,916)
Goodwill arising from the merger	(65,288)	—	—	—	(65,288)
Gains or losses on revaluation	(1,197,566)	—	(80,036)	(45,008)	(1,162,538)
Investments in subsidiaries and others	(419,055)	—	(70,188)	(297,809)	(646,676)
Gains or losses on valuation of security investment	(906,790)	(3,060,750)	(899,660)	(1,358,042)	(4,425,922)
Retirement insurance expense	(1,775,740)	(61,789)	(162,764)	(288,296)	(1,963,061)
Adjustments to the prepaid contributions	(83,262)	—	(83,262)	(102,768)	(102,768)
Derivative-linked securities	(125,947)	—	(125,947)	(112,293)	(112,293)
Others*	(2,793,848)	(1,613)	(1,644,815)	(1,555,740)	(2,706,386)
	<u>(9,135,264)</u>	<u>(3,293,011)</u>	<u>(4,817,114)</u>	<u>(5,697,528)</u>	<u>(13,308,689)</u>
Unrecognized deferred income tax liabilities					
Goodwill arising from the merger	(65,288)				(65,288)
Investments in subsidiaries and others	(68,836)				(260,739)
Others	(1,247)				(1,042)
	<u>(8,999,893)</u>				<u>(12,981,620)</u>
Tax rate (%)	27.5				27.5
Total deferred income tax liabilities	<u>₩(2,489,587)</u>				<u>₩ (3,591,024)</u>

2021

	Beginning	Decrease	Increase	Ending
	(In millions of Korean won)			
Deductible temporary differences				
Gains or losses on fair value hedge	₩ 76,583	₩ 76,583	₩ —	₩ —
Other provisions	544,705	527,058	631,800	649,447
Allowances for credit losses	93,749	69,023	75,452	100,178
Impairment losses of property and equipment	14,516	4,361	23,290	33,445
Deferred loan origination fees and costs	26,269	13,719	25,536	38,086
Share-based payments	62,085	55,002	78,225	85,308
Provisions for acceptances and guarantees	61,984	61,984	120,332	120,332
Gains or losses on valuation of derivatives	76,238	76,238	149,817	149,817
Present value discount	62,029	61,783	51,586	51,832
Investments in subsidiaries and others	371,001	203,470	346,809	514,340
Gains or losses on valuation of security investment	251,690	252,497	368,886	368,079
Defined benefit liabilities	2,299,159	315,719	393,189	2,376,629
Accrued expenses	1,220,283	1,220,283	1,026,651	1,026,651
Derivative-linked securities	284,370	284,370	8,147	8,147
Others*	3,648,764	554,628	100,539	3,194,675
	<u>9,093,425</u>	<u>3,776,718</u>	<u>3,400,259</u>	<u>8,716,966</u>
Unrecognized deferred income tax assets				
Other provisions	3,054			404
Investments in subsidiaries and others	242,875			372,410
Others	75,831			107,067
	<u>8,771,665</u>			<u>8,237,085</u>
Tax rate (%)	27.5			27.5
Total deferred income tax assets	<u>₩ 2,478,283</u>			<u>₩ 2,410,172</u>
Taxable temporary differences				
Gains or losses on fair value hedge	₩ —	₩ —	₩ (53,243)	₩ (53,243)
Accrued interest	(457,626)	(442,101)	(496,663)	(512,188)
Allowances for credit losses	(12,203)	(12,203)	(10,939)	(10,939)
Impairment losses of property and equipment	(3,935)	(204)	—	(3,731)
Deferred loan origination fees and costs	(820,223)	(820,223)	(802,237)	(802,237)
Advanced depreciation provision	(6,192)	—	—	(6,192)
Gains or losses on valuation of derivatives	(812,662)	(804,383)	(498,197)	(506,476)
Present value discount	(10,916)	(10,916)	(21,469)	(21,469)
Goodwill arising from the merger	(65,288)	—	—	(65,288)
Gains or losses on revaluation	(1,162,538)	(48,981)	(44,765)	(1,158,322)
Investments in subsidiaries and others	(646,676)	(150,480)	(468,334)	(964,530)
Gains or losses on valuation of security investment	(4,425,922)	(2,552,447)	(2,394,100)	(4,267,575)
Retirement insurance expense	(1,963,061)	(228,784)	(346,368)	(2,080,645)
Adjustments to the prepaid contributions	(102,768)	(102,768)	(106,446)	(106,446)
Derivative-linked securities	(112,293)	(112,293)	(170,526)	(170,526)
Others*	(2,706,386)	(1,819,652)	(2,208,579)	(3,095,313)
	<u>(13,308,689)</u>	<u>(7,105,435)</u>	<u>(7,621,866)</u>	<u>(13,825,120)</u>
Unrecognized deferred income tax liabilities				
Goodwill arising from the merger	(65,288)			(65,288)
Investments in subsidiaries and others	(260,739)			(404,147)
Others	(1,042)			(446)
	<u>(12,981,620)</u>			<u>(13,355,239)</u>
Tax rate (%)	27.5			27.5
Total deferred income tax liabilities	<u>₩ (3,591,024)</u>			<u>₩ (3,722,060)</u>

* Includes PPA amount arising from the acquisition of Prudential Life Insurance Company of Korea Ltd., KB Insurance Co., Ltd., and others.

18. Assets Held for Sale and Assets of a Disposal Group Held for Sale

18.1 Assets Held for Sale

18.1.1 Details of assets held for sale as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Acquisition cost*	Accumulated impairment losses	Carrying amount	Fair value less costs to sell
	(In millions of Korean won)			
Land held for sale	₩ 80,740	₩ (16,169)	₩ 64,571	₩ 68,321
Buildings held for sale	152,426	(24,887)	127,539	134,247
Other assets held for sale	10,676	(5,059)	5,617	5,801
	<u>₩243,842</u>	<u>₩ (46,115)</u>	<u>₩197,727</u>	<u>₩ 208,369</u>

	December 31, 2021			
	Acquisition cost*	Accumulated impairment losses	Carrying amount	Fair value less costs to sell
	(In millions of Korean won)			
Land held for sale	₩115,099	₩ (16,528)	₩ 98,571	₩ 135,192
Buildings held for sale	170,892	(36,923)	133,969	149,569
Other assets held for sale	10,142	(5,364)	4,778	4,778
	<u>₩296,133</u>	<u>₩ (58,815)</u>	<u>₩237,318</u>	<u>₩ 289,539</u>

* Acquisition cost of buildings held for sale is net of accumulated depreciation amount immediately before the initial classification of the assets as held for sale.

18.1.2 Valuation techniques and inputs used to measure the fair value of assets held for sale as of December 31, 2021 are as follows:

	December 31, 2021				
	Fair value	Valuation techniques ¹	Unobservable inputs ²	Estimated range of unobservable inputs (%)	Effect of unobservable inputs to fair value
	(In millions of Korean won)				
Land and buildings	₩289,539	Market comparison approach model and others	Adjustment index	0.68 ~ 1.95	Fair value increases as the adjustment index rises

¹ The appraisal value is adjusted by the adjustment ratio in the event the public sale is unsuccessful.

² Adjustment index is calculated using the time factor correction or local factors or individual factors.

Among assets held for sale, real estate was measured by independent appraisers with professional qualifications and recent experience in evaluating similar properties in the area of the property to be assessed. All assets held for sale are classified as Level 3 in accordance with fair value hierarchy in Note 6.1.2.

18.1.3 Changes in accumulated impairment losses of assets held for sale for the years ended December 31, 2020 and 2021, are as follows:

	2020					
	<u>Beginning</u>	<u>Provision</u>	<u>Reversal</u>	<u>Business combination</u>	<u>Others</u>	<u>Ending</u>
	(In millions of Korean won)					
Accumulated impairment losses of assets held for sale	₩(2,782)	₩(11,593)	₩ —	₩ (45,433)	₩13,693	₩(46,115)
	2021					
	<u>Beginning</u>	<u>Provision</u>	<u>Reversal</u>	<u>Others</u>	<u>Ending</u>	
	(In millions of Korean won)					
Accumulated impairment losses of assets held for sale	₩(46,115)	₩(15,490)	₩ —	₩2,790	₩(58,815)	

18.1.4 As of December 31, 2021, assets held for sale consist of 16 real estates of closed offices and 861 foreclosure assets on loans of PT Bank KB Bukopin Tbk, which were determined to sell by management, but not yet sold as of December 31, 2021. Negotiation with buyers is in process for the one closed office and the remaining 876 assets are also being actively marketed.

18.2 Assets of a Disposal Group Held for Sale

The Group decided to sell all of its shares in 498 Seventh KOR Holdco LP held by Hanwha US Equity Strategy Private Real Estate Fund No.3, which is a subsidiary and 498 Seventh KOR LLC held by 498 Seventh KOR Holdco LP. The Group classified assets of 498 Seventh KOR Holdco LP and 498 Seventh KOR LLC as assets of a disposal group held for sale, and classified currency translation differences as accumulated other comprehensive income relating to assets of a disposal group held for sale and has entered into a share transfer contract with JR REIT No.28 and is in the process of selling it accordingly as of December 31, 2021.

18.2.1 There is no liabilities of a disposal group held for sale and details of assets of a disposal group held for sale as of December 31, 2021 are as follows:

	December 31, 2021		
	<u>498 seventh Holdco LP</u>	<u>498 seventh KOR LLC</u>	<u>Total</u>
	(In millions of Korean won)		
Cash	₩ 556	₩ 512	₩ 1,068
Investments in associates	—	169,424	169,424
Other assets	—	1,257	1,257
	<u>₩ 556</u>	<u>₩ 171,193</u>	<u>₩171,749</u>

Assets of a disposal group held for sale are measured at the lower of its carrying amount and fair value less costs to sell. There is no impairment loss recognized as the fair value less costs to sell exceeds the carrying amount as of December 31, 2021.

18.2.2 Details of accumulated other comprehensive income relating to assets of a disposal group held for sale as of December 31, 2021 are as follows:

	December 31, 2021	
	(In millions of Korean won)	
Currency translation differences	₩	7,671

19. Other Assets

19.1 Details of other assets as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Other financial assets		
Other receivables	₩10,628,272	₩ 6,732,917
Accrued income	1,726,651	1,916,667
Guarantee deposits	1,099,618	1,035,522
Domestic exchange settlement debits	722,616	1,014,938
Others	117,330	204,940
Less: Allowances for credit losses	(119,762)	(143,205)
Less: Present value discount	(7,036)	(6,429)
	<u>14,167,689</u>	<u>10,755,350</u>
Other non-financial assets		
Other receivables	1,091	1,764
Prepaid expenses	254,152	254,990
Guarantee deposits	3,906	7,268
Insurance assets	2,376,679	2,924,698
Separate account assets	10,210,047	10,556,935
Others	3,158,993	3,689,340
Less: Allowances for credit losses	(17,520)	(16,172)
	<u>15,987,348</u>	<u>17,418,823</u>
	<u>₩30,155,037</u>	<u>₩28,174,173</u>

19.2 Changes in allowances for credit losses of other assets for the years ended December 31, 2020 and 2021, are as follows:

	2020		
	Other financial assets	Other non-financial assets	Total
	(In millions of Korean won)		
Beginning	₩104,629	₩24,235	₩128,864
Write-offs	(6,517)	(8,503)	(15,020)
Provision	22,153	1,726	23,879
Business combination	7,946	59	8,005
Others	(8,449)	3	(8,446)
Ending	<u>₩119,762</u>	<u>₩17,520</u>	<u>₩137,282</u>
	2021		
	Other financial assets	Other non-financial assets	Total
	(In millions of Korean won)		
Beginning	₩119,762	₩17,520	₩137,282
Write-offs	(3,504)	(380)	(3,884)
Provision (reversal)	25,387	(447)	24,940
Business combination	227	—	227
Others	1,333	(521)	812
Ending	<u>₩143,205</u>	<u>₩16,172</u>	<u>₩159,377</u>

20. Financial Liabilities at Fair Value through Profit or Loss

20.1 Details of financial liabilities at fair value through profit or loss and financial liabilities designated at fair value through profit or loss as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Financial liabilities at fair value through profit or loss		
Borrowed securities sold	₩ 1,934,735	₩ 2,826,885
Others	91,216	112,699
	<u>2,025,951</u>	<u>2,939,584</u>
Financial liabilities designated at fair value through profit or loss		
Derivative-linked securities	9,784,107	9,149,396
	<u>9,784,107</u>	<u>9,149,396</u>
	<u>₩11,810,058</u>	<u>₩ 12,088,980</u>

20.2 Difference between the amount contractually required to pay at maturity and carrying amount of financial liabilities designated at fair value through profit or loss as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Amount contractually required to pay at maturity	₩ 9,583,186	₩ 8,957,602
Carrying amount	9,784,107	9,149,396
Difference	<u>₩ (200,921)</u>	<u>₩ (191,794)</u>

21. Deposits

Details of deposits as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Demand deposits		
Demand deposits in Korean won	₩162,155,728	₩180,560,022
Demand deposits in foreign currencies	14,473,832	15,955,246
	<u>176,629,560</u>	<u>196,515,268</u>
Time deposits		
Time deposits in Korean won	149,435,968	155,799,563
	<u>149,435,968</u>	<u>155,799,563</u>
Time deposits in foreign currencies	10,043,679	15,594,718
Fair value adjustments of fair value hedged time deposits in foreign currencies	2,089	(1,319)
	<u>10,045,768</u>	<u>15,593,399</u>
	<u>159,481,736</u>	<u>171,392,962</u>
Certificates of deposits	2,468,924	4,115,688
	<u>₩338,580,220</u>	<u>₩372,023,918</u>

22. Borrowings

22.1 Details of borrowings as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
General borrowings	₩32,312,859	₩40,859,845
Bonds sold under repurchase agreements and others	16,334,365	14,374,863
Call money	1,179,932	1,677,666
	<u>₩49,827,156</u>	<u>₩56,912,374</u>

22.2 Details of general borrowings as of December 31, 2020 and 2021, are as follows:

		Lenders	Interest rate (%) as of December 31, 2021	December 31, 2020	December 31, 2021
		(In millions of Korean won)			
Borrowings in Korean won	Borrowings from the Bank of Korea	The Bank of Korea	0.25	₩ 6,463,267	₩ 7,131,019
	Borrowings from the government	SEMAS and others	0.00 ~ 2.70	2,675,568	2,683,056
	Borrowings from banks	Shinhan Bank and others	1.70 ~ 5.30	137,952	171,482
	Borrowings from non-banking financial institutions	Korea Securities Finance Corporation and others	0.20 ~ 4.74	2,203,702	1,935,906
	Other borrowings	The Korea Development Bank and others	0.00 ~ 4.90	9,717,382	13,292,759
				<u>21,197,871</u>	<u>25,214,222</u>
Borrowings in foreign currencies	Due to banks	Hana Bank and others	—	292	2,143
	Borrowings from banks	Central Bank of Uzbekistan and others	0.00 ~ 13.50	9,839,110	13,396,379
	Borrowings from other financial institutions	The Export-Import Bank of Korea and others	0.60 ~ 1.36	23,827	24,867
	Other borrowings	Bank of New York Mellon and others	0.00 ~ 2.80	1,251,759	2,222,234
				<u>11,114,988</u>	<u>15,645,623</u>
				<u>₩32,312,859</u>	<u>₩40,859,845</u>

22.3 Details of bonds sold under repurchase agreements and others as of December 31, 2020 and 2021, are as follows:

		Lenders	Interest rate (%) as of December 31, 2021	December 31, 2020	December 31, 2021
		(In millions of Korean won)			
Bonds sold under repurchase agreements	Individuals, groups, and corporations		0.00~9.75	₩16,329,799	₩14,372,761
Bills sold	Counter sale		0.20~2.00	4,566	2,102
				<u>₩16,334,365</u>	<u>₩14,374,863</u>

22.4 Details of call money as of December 31, 2020 and 2021, are as follows:

	Lenders	Interest rate (%) as of December 31, 2021	December 31,	December 31,
			2020	2021
(In millions of Korean won)				
Call money in Korean won	The Export-Import Bank of Korea and others	1.52	₩ 510,000	₩ 40,000
Call money in foreign currencies	Bank Mandiri and others	0.00~4.25	669,932	1,637,666
			<u>₩1,179,932</u>	<u>₩1,677,666</u>

23. Debentures

23.1 Details of debentures as of December 31, 2020 and 2021, are as follows:

	Interest rate (%) as of December 31, 2021	December 31,	December 31,
		2020	2021
(In millions of Korean won)			
Debentures in Korean won			
Structured debentures	5.65 ~ 8.62	₩ 1,960	₩ 910
Exchangeable bonds*	0.00	240,000	240,000
Subordinated fixed rate debentures	2.02 ~ 7.86	4,834,407	6,241,957
Fixed rate debentures	0.80 ~ 13.70	47,229,619	44,124,235
Floating rate debentures	1.24 ~ 2.57	3,190,000	6,893,782
		<u>55,495,986</u>	<u>57,500,884</u>
Fair value adjustments of fair value hedged debentures in			
Korean won		(6,839)	(79,877)
Less: Discount on debentures in Korean won		(32,028)	(38,976)
Less: Adjustment for exchange right of exchangeable bonds			
in Korean won		(14,957)	(11,719)
		<u>55,442,162</u>	<u>57,370,312</u>
Debentures in foreign currencies			
Floating rate debentures	0.37 ~ 1.46	2,232,938	2,749,174
Fixed rate debentures	0.05 ~ 12.00	5,030,580	7,312,966
		<u>7,263,518</u>	<u>10,062,140</u>
Fair value adjustments of fair value hedged debentures in			
foreign currencies		81,333	27,953
Less: Discount on debentures in foreign currencies		(26,326)	(30,217)
		<u>7,318,525</u>	<u>10,059,876</u>
		<u>₩62,760,687</u>	<u>₩67,430,188</u>

* Fair value of the liability component of exchangeable bonds is calculated by using market interest rate of bonds under the same conditions without the exchange right. The residual amount after deducting the liability component from the issuance amount, represents the value of the exchange right and is recorded in equity. Shares to be exchanged are 5 million treasury shares of KB Financial Group Inc. with the exchange price of ₩ 48,000. Exercise period for exchange right is from the 60th day of the issuance date to 10 days before the maturity date.

23.2 Changes in debentures based on par value for the years ended December 31, 2020 and 2021, are as follows:

	2020					
	Beginning	Issue	Repayment	Business combination	Others	Ending
	(In millions of Korean won)					
Debentures in Korean won						
Structured debentures	₩ 33,310	₩ —	₩ (1,350)	₩ —	₩ (30,000)	₩ 1,960
Exchangeable bonds	—	240,000	—	—	—	240,000
Subordinated fixed rate debentures	3,386,590	2,150,000	(702,183)	—	—	4,834,407
Fixed rate debentures	40,596,755	111,677,084	(105,044,220)	—	—	47,229,619
Floating rate debentures	1,580,000	2,010,000	(400,000)	—	—	3,190,000
	<u>45,596,655</u>	<u>116,077,084</u>	<u>(106,147,753)</u>	<u>—</u>	<u>(30,000)</u>	<u>55,495,986</u>
Debentures in foreign currencies						
Floating rate debentures	2,227,607	823,478	(675,075)	—	(143,072)	2,232,938
Fixed rate debentures	3,094,196	2,909,967	(937,972)	277,087	(312,698)	5,030,580
	<u>5,321,803</u>	<u>3,733,445</u>	<u>(1,613,047)</u>	<u>277,087</u>	<u>(455,770)</u>	<u>7,263,518</u>
	<u>₩50,918,458</u>	<u>₩119,810,529</u>	<u>₩(107,760,800)</u>	<u>₩277,087</u>	<u>₩(485,770)</u>	<u>₩62,759,504</u>
	2021					
	Beginning	Issue	Repayment	Others	Ending	
	(In millions of Korean won)					
Debentures in Korean won						
Structured debentures	₩ 1,960	₩ —	₩ (1,050)	₩ —	₩ 910	
Exchangeable bonds	240,000	—	—	—	240,000	
Subordinated fixed rate debentures	4,834,407	1,409,000	(1,450)	—	6,241,957	
Fixed rate debentures	47,229,619	110,295,448	(113,400,832)	—	44,124,235	
Floating rate debentures	3,190,000	6,085,064	(2,381,282)	—	6,893,782	
	<u>55,495,986</u>	<u>117,789,512</u>	<u>(115,784,614)</u>	<u>—</u>	<u>57,500,884</u>	
Debentures in foreign currencies						
Floating rate debentures	2,232,938	810,920	(500,901)	206,217	2,749,174	
Fixed rate debentures	5,030,580	3,195,539	(1,224,070)	310,917	7,312,966	
	<u>7,263,518</u>	<u>4,006,459</u>	<u>(1,724,971)</u>	<u>517,134</u>	<u>10,062,140</u>	
	<u>₩62,759,504</u>	<u>₩121,795,971</u>	<u>₩(117,509,585)</u>	<u>₩517,134</u>	<u>₩67,563,024</u>	

24. Provisions

24.1 Details of provisions as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Provisions for credit losses of unused loan commitments	₩ 298,753	₩ 308,640
Provisions for credit losses of acceptances and guarantees	62,254	121,104
Provisions for credit losses of financial guarantee contracts	6,348	5,351
Provisions for restoration costs	151,696	152,186
Others *	195,852	221,323
	<u>₩ 714,903</u>	<u>₩ 808,604</u>

* Includes provisions for redemption-suspended funds.

24.2 Changes in provisions for credit losses of unused loan commitments, and acceptances and guarantees for the years ended December 31, 2020 and 2021, are as follows:

	2020					
	Provisions for credit losses of unused loan commitments			Provisions for credit losses of acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non- impaired	Impaired		Non- impaired	Impaired
	(In millions of Korean won)					
Beginning	₩127,297	₩ 71,464	₩ 9,387	₩ 24,961	₩ 36,012	₩16,786
Transfer between stages:						
Transfer to 12-month expected credit losses ...	23,318	(21,694)	(1,624)	194	(191)	(3)
Transfer to lifetime expected credit losses	(13,431)	15,991	(2,560)	(486)	486	—
Impairment	(304)	(3,474)	3,778	(5)	(461)	466
Provision (reversal) for credit losses	24,583	65,449	(412)	9,482	(20,389)	(2,734)
Business combination	19,426	—	—	—	—	—
Others (exchange differences, etc.)	(18,168)	(273)	—	(1,058)	(619)	(187)
Ending*	<u>₩162,721</u>	<u>₩127,463</u>	<u>₩ 8,569</u>	<u>₩ 33,088</u>	<u>₩ 14,838</u>	<u>₩14,328</u>

2021

	Provisions for credit losses of unused loan commitments			Provisions for credit losses of acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired
	(In millions of Korean won)					
Beginning	₩162,721	₩127,463	₩ 8,569	₩ 33,088	₩14,838	₩14,328
Transfer between stages:						
Transfer to 12-month expected credit losses	38,831	(37,595)	(1,236)	3,958	(203)	(3,755)
Transfer to lifetime expected credit losses	(27,308)	28,203	(895)	(3,973)	3,982	(9)
Impairment	(457)	(1,002)	1,459	(10)	(85)	95
Provision (reversal) for credit losses	(22,543)	29,145	127	(7,425)	64,178	711
Business combination	813	—	—	—	—	—
Others (exchange differences, etc.)	1,940	405	—	1,759	(540)	167
Ending*	<u>₩153,997</u>	<u>₩146,619</u>	<u>₩ 8,024</u>	<u>₩ 27,397</u>	<u>₩82,170</u>	<u>₩11,537</u>

* Includes additional provisions of ₩ 14,974 million and ₩ 15,664 million for industries and borrowers which are highly affected by COVID-19 and ₩ 28,385 million and ₩ 33,393 million due to expanding the scope of the loans subject to lifetime expected credit losses (non-impaired) as of December 31, 2020 and 2021, respectively.

24.3 Changes in provisions for credit losses of financial guarantee contracts for the years ended December 31, 2020 and 2021, are as follows:

	2020	2021
	(In millions of Korean won)	
Beginning	₩ 6,063	₩ 6,348
Provision (reversal)	280	(830)
Others	5	(167)
Ending	<u>₩ 6,348</u>	<u>₩ 5,351</u>

24.4 Changes in provisions for restoration costs for the years ended December 31, 2020 and 2021, are as follows:

	2020	2021
	(In millions of Korean won)	
Beginning	₩120,340	₩151,696
Provision	14,192	11,350
Reversal	(2,010)	(2,075)
Used	(9,469)	(15,739)
Unwinding of discount	2,372	1,589
Effect of changes in discount rate	23,886	5,365
Business combination	2,385	—
Ending	<u>₩151,696</u>	<u>₩152,186</u>

Provisions for restoration costs are the present value of estimated costs to be incurred for the restoration of the leased properties. The expenditure of the restoration cost will be incurred at the end of each lease contract,

and the lease period is used to reasonably estimate the time of expenditure. Also, the average restoration expense based on actual three-year historical data and three-year historical average inflation rate are used to estimate the present value of estimated costs.

24.5 Changes in other provisions for the years ended December 31, 2020 and 2021, are as follows:

	2020				
	Membership rewards program	Dormant accounts	Litigations	Others	Total
	(In millions of Korean won)				
Beginning	₩ 14,669	₩ 3,579	₩28,690	₩ 68,681	₩ 115,619
Increase	76,138	2,607	19,186	89,361	187,292
Decrease	(71,306)	(3,179)	(9,725)	(28,173)	(112,383)
Business combination	—	—	2,366	2,958	5,324
Ending	₩ 19,501	₩ 3,007	₩40,517	₩132,827	₩ 195,852
	2021				
	Membership rewards program	Dormant accounts	Litigations	Others	Total
	(In millions of Korean won)				
Beginning	₩ 19,501	₩ 3,007	₩40,517	₩132,827	₩ 195,852
Increase	77,384	3,429	18,670	71,972	171,455
Decrease	(73,983)	(3,374)	(4,190)	(64,614)	(146,161)
Others	—	—	171	6	177
Ending	₩ 22,902	₩ 3,062	₩55,168	₩140,191	₩ 221,323

25. Net Defined Benefit Liabilities

25.1 Defined Benefit Plan

The Group operates defined benefit plans which have the following characteristics:

- The Group has the obligation to pay the agreed benefits to all its current and former employees.
- The Group assumes actuarial risk (that benefits will cost more than expected) and investment risk.

The net defined benefit liabilities recognized in the consolidated statement of financial position are calculated by the independent actuary in accordance with actuarial valuation method. The defined benefit obligation is calculated using the projected unit credit method. Assumptions based on market data and historical data such as discount rate, future salary increase rate, mortality, and consumer price index are used which are updated annually.

Actuarial assumptions may differ from actual results, due to changes in the market conditions, economic trends, and mortality trends which may affect net defined benefit liabilities and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period incurred through other comprehensive income.

25.2 Changes in net defined benefit liabilities for the years ended December 31, 2020 and 2021, are as follows:

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean won)		
Beginning	₩ 2,299,476	₩ (2,088,710)	₩ 210,766
Current service cost	233,273	—	233,273
Past service cost	(16,197)	—	(16,197)
Gains on settlement	(1,912)	—	(1,912)
Interest expense (income)	46,178	(41,435)	4,743
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	(9,611)	—	(9,611)
Actuarial gains and losses by changes in financial assumptions	4,995	—	4,995
Actuarial gains and losses by experience adjustments ..	16,292	—	16,292
Return on plan assets (excluding amounts included in interest income)	—	6,308	6,308
Contributions by the Group	—	(268,918)	(268,918)
Contributions by the employees	—	(248)	(248)
Payments from plans (settlement)	(8,162)	8,162	—
Payments from plans (benefit payments)	(148,468)	144,546	(3,922)
Payments from the Group	(34,361)	—	(34,361)
Transfer in	9,673	(9,027)	646
Transfer out	(8,635)	8,635	—
Effect of exchange differences	(724)	5	(719)
Effect of business acquisition and disposal	110,080	(62,271)	47,809
Others	26	—	26
Ending*	<u>₩ 2,491,923</u>	<u>₩ (2,302,953)</u>	<u>₩ 188,970</u>

	2021		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean won)		
Beginning	₩ 2,491,923	₩ (2,302,953)	₩ 188,970
Current service cost	241,448	—	241,448
Past service cost	451	—	451
Gains on settlement	(4,311)	—	(4,311)
Interest expense (income)	47,481	(44,560)	2,921
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	27,611	—	27,611
Actuarial gains and losses by changes in financial assumptions	52,684	—	52,684
Actuarial gains and losses by experience adjustments	(24,592)	—	(24,592)
Return on plan assets (excluding amounts included in interest income)	—	9,438	9,438
Contributions by the Group	—	(319,601)	(319,601)
Contributions by the employees	—	(17,574)	(17,574)
Payments from plans (settlement)	(6,961)	6,944	(17)
Payments from plans (benefit payments)	(221,276)	221,274	(2)
Payments from the Group	(34,242)	—	(34,242)
Transfer in	9,854	(9,292)	562
Transfer out	(9,292)	9,292	—
Effect of exchange differences	1,670	(47)	1,623
Effect of business acquisition and disposal	21	—	21
Others	48	—	48
Ending*	<u>₩ 2,572,517</u>	<u>₩ (2,447,079)</u>	<u>₩ 125,438</u>

* The net defined benefit liabilities of ₩ 188,970 million is calculated by subtracting ₩ 50,597 million of net defined benefit assets from ₩ 239,567 million of net defined benefit liabilities as of December 31, 2020. The net defined benefit liabilities of ₩ 125,438 million is calculated by subtracting ₩ 100,083 million of net defined benefit assets from ₩ 225,521 million of net defined benefit liabilities as of December 31, 2021.

25.3 Details of net defined benefit liabilities as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Present value of defined benefit obligation	₩ 2,491,923	₩ 2,572,517
Fair value of plan assets	(2,302,953)	(2,447,079)
Net defined benefit liabilities	<u>₩ 188,970</u>	<u>₩ 125,438</u>

25.4 Details of post-employment benefits recognized in profit or loss for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Current service cost	₩227,576	₩233,273	₩241,448
Past service cost	2,276	(16,197)	451
Net interest expense on net defined benefit liabilities	5,545	4,743	2,921
Gains on settlement	—	(1,912)	(4,311)
Post-employment benefits *	<u>₩235,397</u>	<u>₩219,907</u>	<u>₩240,509</u>

* Includes post-employment benefits amounting to ₩ 2,575 million and ₩ 2,840 million recognized as other operating expenses and ₩ 121 million and ₩ 176 million recognized as prepayment for the years ended December 31, 2019 and 2020, and post-employment benefits amounting to ₩ 3,194 million recognized as other operating expenses for the year ended December 31, 2021.

25.5 Details of remeasurements of net defined benefit liabilities recognized in other comprehensive income (loss) for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	₩(11,116)	₩ (6,308)	₩ (9,438)
Actuarial gains and losses	(64,083)	(11,676)	(55,703)
Income tax effect	20,676	4,949	18,638
Effect of exchange differences	—	(399)	993
Remeasurements after income tax expense	<u>₩(54,523)</u>	<u>₩(13,434)</u>	<u>₩(45,510)</u>

25.6 Details of fair value of plan assets as of December 31, 2020 and 2021, are as follows:

	December 31, 2020		
	Assets quoted in an active market	Assets not quoted in an active market	Total
	(In millions of Korean won)		
Cash and due from financial institutions	₩ —	₩2,299,500	₩2,299,500
Derivative instruments	—	1,930	1,930
Investment fund	—	1,523	1,523
	<u>₩ —</u>	<u>₩2,302,953</u>	<u>₩2,302,953</u>
	December 31, 2021		
	Assets quoted in an active market	Assets not quoted in an active market	Total
	(In millions of Korean won)		
Cash and due from financial institutions	₩ —	₩2,441,324	₩2,441,324
Derivative instruments	—	3,427	3,427
Investment fund	—	2,328	2,328
	<u>₩ —</u>	<u>₩2,447,079</u>	<u>₩2,447,079</u>

25.7 Details of significant actuarial assumptions used as of December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Discount rate (%)	0.90~2.00	1.80~2.70
Salary increase rate (%)	0.00~7.50	0.00~7.50
Turnover rate (%)	0.00~50.00	0.00~50.00

Mortality assumptions are based on the experience-based mortality table issued by Korea Insurance Development Institute in 2019.

25.8 Results of sensitivity analysis of significant actuarial assumptions as of December 31, 2021, are as follows:

	<u>Changes in assumptions</u>	<u>Effect on defined benefit obligation</u>	
		<u>Increase in assumptions</u>	<u>Decrease in assumptions</u>
Discount rate	0.5%p	4.24% decrease	4.56% increase
Salary increase rate	0.5%p	4.27% increase	4.02% decrease
Turnover rate	0.5%p	0.37% decrease	0.38% increase

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in significant actuarial assumptions is calculated using the same projected unit credit method used in calculating the defined benefit obligation recognized in the consolidated statement of financial position.

25.9 Expected maturity analysis of undiscounted pension benefit payments (including expected future benefit) as of December 31, 2021, are as follows:

	<u>Up to 1 year</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>5~10 years</u>	<u>Over 10 years</u>	<u>Total</u>
	(In millions of Korean won)					
Pension benefits *	₩ 89,554	₩177,777	₩709,744	₩1,466,517	₩ 5,258,052	₩7,701,644

* Amount determined under the promotion compensation type defined contribution plan is excluded.

The weighted average duration of the defined benefit obligation is 1 ~ 11 years.

25.10 Reasonable estimation of expected contribution to plan assets for the next annual reporting period after December 31, 2021 is ₩ 224,658 million.

26. Other Liabilities

Details of other liabilities as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Other financial liabilities		
Other payables	₩14,247,067	₩11,175,682
Prepaid card and debit card payables	31,184	33,972
Accrued expenses	2,787,360	2,620,819
Financial guarantee contracts liabilities	49,286	52,603
Deposits for letter of guarantees and others	1,103,876	1,093,680
Domestic exchange settlement credits	938,039	5,125,430
Foreign exchange settlement credits	134,678	169,264
Due to trust accounts	7,542,955	7,033,849
Liabilities incurred from agency relationships	765,844	739,276
Account for agency business	400,507	423,798
Dividend payables	478	474
Lease liabilities	559,113	578,808
Others	51,901	446,747
	<u>28,612,288</u>	<u>29,494,402</u>
Other non-financial liabilities		
Other payables	386,094	348,003
Unearned revenue	669,908	656,375
Accrued expenses	815,941	956,461
Deferred revenue on credit card points	211,815	214,053
Withholding taxes	180,092	164,333
Separate account liabilities	10,701,404	11,071,159
Others	226,481	225,696
	<u>13,191,735</u>	<u>13,636,080</u>
	<u>₩41,804,023</u>	<u>₩43,130,482</u>

27. Equity

27.1 Share Capital

27.1.1 Details of share capital as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
<u>Type of share</u>	<u>Ordinary share</u>	<u>Ordinary share</u>
	(In millions of Korean won and in number of shares)	
Number of authorized shares	1,000,000,000	1,000,000,000
Par value per share (In Korean won)	₩ 5,000	₩ 5,000
Number of issued shares	415,807,920	415,807,920
Share capital	₩ 2,090,558	₩ 2,090,558

27.1.2 Changes in outstanding shares for the years ended December 31, 2020 and 2021, are as follows:

	2020	2021
	(In number of shares)	
Beginning	389,634,335	389,634,335
Increase	—	—
Decrease	—	—
Ending	<u>389,634,335</u>	<u>389,634,335</u>

27.2 Hybrid Securities

Details of hybrid securities classified as equity as of December 31, 2020 and 2021, are as follows:

Hybrid securities	Issuance date	Maturity	Interest rate (%) as of December 31, 2021	December 31, 2020	December 31, 2021
(In millions of Korean won)					
The 1-1 st	May 2, 2019	Perpetual bond	3.23	₩ 349,309	₩ 349,309
The 1-2 nd	May 2, 2019	Perpetual bond	3.44	49,896	49,896
The 2-1 st	May 8, 2020	Perpetual bond	3.30	324,099	324,099
The 2-2 nd	May 8, 2020	Perpetual bond	3.43	74,812	74,812
The 3-1 st	Jul. 14, 2020	Perpetual bond	3.17	369,099	369,099
The 3-2 nd	Jul. 14, 2020	Perpetual bond	3.38	29,922	29,922
The 4-1 st	Oct. 20, 2020	Perpetual bond	3.00	433,996	433,996
The 4-2 nd	Oct. 20, 2020	Perpetual bond	3.28	64,855	64,855
The 5-1 st	Feb. 19, 2021	Perpetual bond	2.67	—	419,071
The 5-2 nd	Feb. 19, 2021	Perpetual bond	2.87	—	59,862
The 5-3 rd	Feb. 19, 2021	Perpetual bond	3.28	—	119,727
The 6-1 st	May 28, 2021	Perpetual bond	3.20	—	165,563
The 6-2 nd	May 28, 2021	Perpetual bond	3.60	—	109,708
The 7-1 st	Oct. 8, 2021	Perpetual bond	3.57	—	208,468
The 7-2 nd	Oct. 8, 2021	Perpetual bond	3.80	—	59,834
				<u>₩1,695,988</u>	<u>₩2,838,221</u>

The above hybrid securities are early redeemable by the Group after 5 or 7 or 10 years from the issuance date. On the other hand, hybrid securities of ₩ 574,580 million issued by Kookmin Bank are recognized as non-controlling interests and are early redeemable after 5 years from the issuance date and each interest payment date thereafter.

27.3 Capital Surplus

Details of capital surplus as of December 31, 2020 and 2021, are as follows

	December 31, 2020	December 31, 2021
(In millions of Korean won)		
Paid-in capital in excess of par value	₩13,190,274	₩13,190,274
Losses on sales of treasury shares	(481,332)	(481,332)
Other capital surplus	4,002,714	4,219,356
Consideration for exchange right of exchangeable bonds	11,933	11,933
	<u>₩16,723,589</u>	<u>₩16,940,231</u>

27.4 Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Remeasurements of net defined benefit liabilities	₩ (282,650)	₩ (328,392)
Currency translation differences	(131,113)	96,534
Gains on financial instruments at fair value through other comprehensive income	717,230	918,927
Share of other comprehensive loss of associates and joint ventures	(3,529)	(2,980)
Losses on cash flow hedging instruments	(28,597)	(7,733)
Gains (losses) on hedging instruments of net investments in foreign operations	22,277	(35,658)
Other comprehensive income (loss) arising from separate account	8,698	(55,116)
Fair value changes of financial liabilities designated at fair value through profit or loss due to own credit risk	(11,507)	2,208
Gains on overlay adjustment	339,202	459,484
Assets of a disposal group held for sale	—	7,671
	<u>₩ 630,011</u>	<u>₩ 1,054,945</u>

27.5 Retained Earnings

Details of retained earnings as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Legal reserves ¹	₩ 557,405	₩ 695,347
Voluntary reserves	982,000	982,000
Unappropriated retained earnings ²	21,001,211	23,995,468
	<u>₩22,540,616</u>	<u>₩25,672,815</u>

¹ With respect to the allocation of net profit earned in a fiscal term, the Parent Company must set aside in its legal reserve an amount equal to at least 10% of its profit after tax as reported in the financial statements, each time it pays dividends on its net profits earned until its legal reserve reaches the aggregate amount of its paid-in capital in accordance with Article 53 of the Financial Holding Company Act. This reserve is not available for the payment of cash dividends, but may be transferred to share capital, or used to reduce accumulated deficit.

² Retained earnings restricted for dividend at subsidiaries level pursuant to laws and regulations amounts to ₩ 4,116,579 million as of December 31, 2021.

27.6 Treasury Shares

Changes in treasury shares for the years ended December 31, 2020 and 2021, are as follows:

	2020			
	Beginning	Acquisition	Disposal	Ending
	(In millions of Korean won and in number of shares)			
Number of treasury shares *	26,173,585	—	—	26,173,585
Carrying amount	₩ 1,136,188	₩ —	₩ —	₩ 1,136,188
	2021			
	Beginning	Acquisition	Disposal	Ending
	(In millions of Korean won and in number of shares)			
Number of treasury shares *	26,173,585	—	—	26,173,585
Carrying amount	₩ 1,136,188	₩ —	₩ —	₩ 1,136,188

* 5 million treasury shares are deposited at the Korea Securities Depository for the exchange of exchangeable bonds.

28. Net Interest Income

Details of interest income, interest expense, and net interest income for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Interest income			
Due from financial institutions measured at fair value through profit or loss	₩ 2,685	₩ 649	₩ 1,723
Securities measured at fair value through profit or loss	668,377	647,840	579,128
Loans measured at fair value through profit or loss	33,001	10,876	9,537
Securities measured at fair value through other comprehensive income	774,864	719,434	784,980
Loans measured at fair value through other comprehensive income	14,708	7,899	4,618
Due from financial institutions measured at amortized cost	150,635	92,155	66,375
Securities measured at amortized cost	599,519	627,201	765,656
Loans measured at amortized cost	12,247,493	12,177,822	12,745,780
Others	147,905	201,871	253,081
	<u>14,639,187</u>	<u>14,485,747</u>	<u>15,210,878</u>
Interest expense			
Deposits	3,481,121	2,916,794	2,218,556
Borrowings	596,425	572,946	510,385
Debentures	1,240,566	1,186,310	1,169,708
Others	124,288	87,423	82,657
	<u>5,442,400</u>	<u>4,763,473</u>	<u>3,981,306</u>
Net interest income	<u>₩ 9,196,787</u>	<u>₩ 9,722,274</u>	<u>₩ 11,229,572</u>

Interest income recognized on impaired loans is ₩ 54,033 million, ₩ 56,606 million and ₩ 52,638 million for the years ended December 31, 2019, 2020 and 2021, respectively.

29. Net Fee and Commission Income

Details of fee and commission income, fee and commission expense, and net fee and commission income for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Fee and commission income			
Banking activity fees	₩ 214,512	₩ 189,100	₩ 178,412
Lending activity fees	83,916	91,663	82,184
Credit card and debit card related fees	1,316,636	1,378,450	1,526,911
Agent activity fees	172,211	196,518	205,206
Trust and other fiduciary fees	388,352	331,827	408,834
Fund management related fees	153,798	154,612	178,090
Acceptances and guarantees fees	48,122	54,108	49,782
Foreign currency related fees	134,145	173,313	245,299
Securities agency fees	145,846	172,097	174,709
Other business account commission on consignment	36,813	40,461	39,178
Commissions received on securities business	445,987	793,278	881,407
Lease fees	428,195	636,301	897,983
Others	310,714	315,296	455,611
	<u>3,879,247</u>	<u>4,527,024</u>	<u>5,323,606</u>
Fee and commission expense			
Trading activity related fees *	28,869	38,497	54,857
Lending activity fees	26,040	33,444	42,981
Credit card and debit card related fees	892,391	848,823	831,724
Outsourcing related fees	190,312	216,962	210,480
Foreign currency related fees	42,902	49,435	51,931
Others	343,729	380,924	506,050
	<u>1,524,243</u>	<u>1,568,085</u>	<u>1,698,023</u>
Net fee and commission income	<u>₩2,355,004</u>	<u>₩2,958,939</u>	<u>₩3,625,583</u>

* Fees from financial instruments at fair value through profit or loss

30. Net Gains or Losses on Financial Instruments at Fair Value through Profit or Loss

30.1 Net Gains or Losses on Financial Instruments at Fair Value through Profit or Loss

Net gains or losses on financial instruments at fair value through profit or loss include dividend income, gains or losses arising from changes in fair value, and gains or losses arising from sales and redemptions. Details of net gains or losses on financial instruments at fair value through profit or loss for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Gains on financial instruments at fair value through profit or loss			
Financial assets at fair value through profit or loss:			
Debt securities	₩ 1,613,946	₩ 2,061,505	₩ 1,804,112
Equity securities	428,646	725,072	733,823
	<u>2,042,592</u>	<u>2,786,577</u>	<u>2,537,935</u>
Derivatives held for trading:			
Interest rate	2,685,998	2,632,246	4,820,712
Currency	5,251,597	8,335,594	7,492,806
Stock or stock index	2,612,422	2,808,284	1,603,501
Credit	41,548	28,434	20,147
Commodity	15,240	18,097	21,864
Others	212,731	231,901	145,879
	<u>10,819,536</u>	<u>14,054,556</u>	<u>14,104,909</u>
Financial liabilities at fair value through profit or loss	46,750	28,160	72,585
Other financial instruments	5,811	689	6,753
	<u>12,914,689</u>	<u>16,869,982</u>	<u>16,722,182</u>
Losses on financial instruments at fair value through profit or loss			
Financial assets at fair value through profit or loss:			
Debt securities	752,999	1,040,285	1,280,960
Equity securities	315,743	444,554	426,431
	<u>1,068,742</u>	<u>1,484,839</u>	<u>1,707,391</u>
Derivatives held for trading:			
Interest rate	2,758,205	2,687,114	4,669,893
Currency	5,118,095	8,191,456	7,422,604
Stock or stock index	1,585,086	2,558,205	1,604,027
Credit	42,172	19,213	14,051
Commodity	9,437	21,797	14,815
Others	190,979	253,406	175,411
	<u>9,703,974</u>	<u>13,731,191</u>	<u>13,900,801</u>
Financial liabilities at fair value through profit or loss	94,426	153,227	80,790
Other financial instruments	5,704	116	6,839
	<u>10,872,846</u>	<u>15,369,373</u>	<u>15,695,821</u>
Net gains on financial instruments at fair value through profit or loss	<u>₩ 2,041,843</u>	<u>₩ 1,500,609</u>	<u>₩ 1,026,361</u>

30.2 Net Gains or Losses on Financial Instruments Designated at Fair Value through Profit or Loss

Net gains or losses on financial instruments designated at fair value through profit or loss include gains or losses arising from changes in fair value, and gains or losses arising from sales and redemptions. Details of net gains or losses on financial instruments designated at fair value through profit or loss for the years ended December 31, 2019, 2020 and 2021, are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	(In millions of Korean won)		
Gains on financial instruments designated at fair value through profit or loss			
Financial liabilities designated at fair value through profit or loss	₩ 555,749	₩ 654,045	₩623,929
	<u>555,749</u>	<u>654,045</u>	<u>623,929</u>
Losses on financial instruments designated at fair value through profit or loss			
Financial liabilities designated at fair value through profit or loss	1,953,720	1,143,288	654,986
	<u>1,953,720</u>	<u>1,143,288</u>	<u>654,986</u>
Net losses on financial instruments designated at fair value through profit or loss	<u>₩(1,397,971)</u>	<u>₩ (489,243)</u>	<u>₩(31,057)</u>

31. Net Other Operating Income and Expenses

Details of other operating income and expenses for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Other operating income			
Gains on financial instruments at fair value through other comprehensive income:			
Gains on redemption of financial instruments at fair value through other comprehensive income	₩ 796	₩ 351	₩ 2
Gains on disposal of financial instruments at fair value through other comprehensive income	222,371	304,217	126,710
	<u>223,167</u>	<u>304,568</u>	<u>126,712</u>
Gains on financial assets at amortized cost:			
Gains on sale of loans measured at amortized cost	80,746	180,038	136,620
Gains on redemption of securities measured at amortized cost	—	—	126
Gains on disposal of securities measured at amortized cost	—	229	41
	<u>80,746</u>	<u>180,267</u>	<u>136,787</u>
Gains on loans measured at fair value through other comprehensive income:			
Gains on sale of loans measured at fair value through other comprehensive income	—	—	226
	<u>—</u>	<u>—</u>	<u>226</u>
Gains on foreign exchange transactions	2,183,703	3,634,987	3,878,089
Dividend income	54,768	45,125	33,805
Others	321,244	591,798	753,575
	<u>2,863,628</u>	<u>4,756,745</u>	<u>4,929,194</u>
Other operating expenses			
Losses on financial instruments at fair value through other comprehensive income:			
Losses on redemption of financial instruments at fair value through other comprehensive income	—	320	2,172
Losses on disposal of financial instruments at fair value through other comprehensive income	16,975	19,159	222,512
	<u>16,975</u>	<u>19,479</u>	<u>224,684</u>
Losses on financial assets at amortized cost:			
Losses on sale of loans measured at amortized cost	19,439	16,061	14,669
Losses on redemption of securities measured at amortized cost	—	—	6
Losses on disposal of securities measured at amortized cost	—	6,513	2
	<u>19,439</u>	<u>22,574</u>	<u>14,677</u>
Losses on foreign exchange transactions	1,970,294	3,530,618	3,570,783
Deposit insurance fee	469,015	507,621	550,677
Credit guarantee fund fee	213,911	242,216	263,297
Depreciation expenses of operating lease assets	247,374	423,684	602,908
Others	989,944	1,510,483	1,625,735
	<u>3,926,952</u>	<u>6,256,675</u>	<u>6,852,761</u>
Net other operating expenses	<u>₩(1,063,324)</u>	<u>₩(1,499,930)</u>	<u>₩(1,923,567)</u>

32. General and Administrative Expenses

32.1 Details of general and administrative expenses for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Expenses related to employee			
Employee benefits—salaries	₩2,557,821	₩2,789,201	₩3,007,439
Employee benefits—others	848,421	871,014	927,665
Post-employment benefits—defined benefit plans	232,701	216,891	237,315
Post-employment benefits—defined contribution plans	27,924	37,328	37,731
Termination benefits	239,790	361,098	322,970
Share-based payments	49,418	49,364	101,935
	<u>3,956,075</u>	<u>4,324,896</u>	<u>4,635,055</u>
Depreciation and amortization	<u>784,431</u>	<u>874,911</u>	<u>850,614</u>
Other general and administrative expenses			
Rental expense	109,745	116,325	112,902
Tax and dues	238,670	260,071	268,383
Communication	48,749	53,596	60,221
Electricity and utilities	29,161	32,298	36,565
Publication	15,136	13,988	13,417
Repairs and maintenance	23,947	32,448	53,218
Vehicle	11,537	14,314	16,901
Travel	21,452	12,251	13,271
Training	31,451	27,610	34,056
Service fees	227,631	238,787	260,298
Electronic data processing expenses	258,456	280,773	314,511
Advertising	228,826	236,618	210,187
Others	286,538	295,926	321,254
	<u>1,531,299</u>	<u>1,615,005</u>	<u>1,715,184</u>
	<u>₩6,271,805</u>	<u>₩6,814,812</u>	<u>₩7,200,853</u>

32.2 Share-based Payments

32.2.1 Stock grants

The Group changed the scheme of share-based payments awarded to executives and employees from stock options to stock grants in November 2007. The stock grants award program is an incentive plan that sets, on grant date, the maximum number of shares that can be awarded. Actual shares to be granted is determined in accordance with achievement of pre-set performance targets over the vesting period.

32.2.1.1 Details of stock grants linked to long-term performance as of December 31, 2021, are as follows:

	Grant date	Number of granted shares ¹ (In number of shares)	Vesting conditions ²
KB Financial Group Inc.			
Series 22	Apr. 1, 2019	3,278	Services fulfillment, market performance ³ 30%, and non-market performance ⁴ 70%
Series 23	May 27, 2019	1,436	Services fulfillment, market performance ³ 30%, and non-market performance ⁴ 70%
Series 25	Jan. 1, 2020	36,103	Services fulfillment, market performance ³ 0~30%, and non-market performance ⁴ 70~100%
Series 27	Jun. 16, 2020	184	Services fulfillment, market performance ³ 30%, and non-market performance ⁴ 70%
Series 28	Nov. 21, 2020	68,135	Services fulfillment, market performance ³ 35%, and non-market performance ⁵ 65%
Series 29	Jan. 1, 2021	94,120	Services fulfillment, market performance ³ 0~30%, and non-market performance ⁴ 70~100%
Series 30	Apr. 1, 2021	3,069	Services fulfillment, market performance ³ 30%, and non-market performance ⁴ 70%
Series 31	May 27, 2021	1,344	Services fulfillment, market performance ³ 30%, and non-market performance ⁴ 70%
Series 32	Aug. 20, 2021	125	Services fulfillment, market performance ³ 30%, and non-market performance ⁴ 70%
Deferred grant in 2015		5,303	Satisfied
Deferred grant in 2016		6,119	Satisfied
Deferred grant in 2017		2,249	Satisfied
Deferred grant in 2018		3,863	Satisfied
Deferred grant in 2019		15,189	Satisfied
Deferred grant in 2020		45,661	Satisfied
		<u>286,178</u>	
Kookmin Bank			
Series 76	Apr. 1, 2019	5,765	Services fulfillment, market performance ³ 30~50%, and non-market performance ⁴ 50~70%
Series 77	May 27, 2019	4,396	Services fulfillment, market performance ³ 30~50%, and non-market performance ⁴ 50~70%
Series 78	Nov. 21, 2019	36,443	Services fulfillment, market performance ³ 30%, and non-market performance ⁶ 70%
Series 79	Jan. 1, 2020	223,517	Services fulfillment, market performance ³ 0~50%, and non-market performance ⁴ 50~100%
Series 80	Mar. 1, 2020	7,943	Services fulfillment, market performance ³ 30~50%, and non-market performance ⁴ 50~70%
Series 81	Jan. 1, 2021	234,366	Services fulfillment, market performance ³ 0~30%, and non-market performance ⁴ 70~100%

	Grant date	Number of granted shares ¹ (In number of shares)	Vesting conditions ²
Series 82	Mar. 1, 2021	18,202	Services fulfillment, market performance ³ 0~30%, and non-market performance ⁴ 70~100%
Series 83	Apr. 1, 2021	7,871	Services fulfillment, market performance ³ 0~30%, and non-market performance ⁴ 70~100%
Series 84	May 27, 2021	4,032	Services fulfillment, market performance ³ 0~30%, and non-market performance ⁴ 70~100%
Deferred grant in 2015		760	Satisfied
Deferred grant in 2016		12,671	Satisfied
Deferred grant in 2017		9,763	Satisfied
Deferred grant in 2018		33,916	Satisfied
Deferred grant in 2019		66,067	Satisfied
Deferred grant in 2020		80,634	Satisfied
		<u>746,346</u>	
Other subsidiaries			
Stock granted in 2010		106	Services fulfillment, market performance ³ 0~50%, and non-market performance ⁴ 50~100%
Stock granted in 2011		146	
Stock granted in 2012		420	
Stock granted in 2013		544	
Stock granted in 2014		1,028	
Stock granted in 2015		2,602	
Stock granted in 2016		5,713	
Stock granted in 2017		17,820	
Stock granted in 2018		62,610	
Stock granted in 2019		76,872	
Stock granted in 2020		375,558	
Stock granted in 2021		425,583	
		<u>969,002</u>	
		<u>2,001,526</u>	

¹ Granted shares represent the total number of shares initially granted to executives and employees who have residual shares as of December 31, 2021 (Deferred grants are residual shares vested as of December 31, 2021).

² Executives and employees were given the right of choice about the timing of the deferred payment (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted shares is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

³ Relative TSR (Total Shareholder Return): [(Fair value at the end of the contract—Fair value at the beginning of the contract) + (Total amount of dividend per share paid during the contract period)] / Fair value at the beginning of the contract

⁴ Performance results of company and employee

⁵ EPS (Earnings Per Share), Asset Quality, HCROI (Human Capital Return on Investment), Profit from non-banking segments

⁶ EPS, Asset Quality

32.2.1.2 Details of stock grants linked to short-term performance as of December 31, 2021, are as follows:

	<u>Estimated number of vested shares*</u>	<u>Vesting conditions</u>
	(In number of shares)	
KB Financial Group Inc.		
Stock granted in 2015	5,352	Satisfied
Stock granted in 2016	5,409	Satisfied
Stock granted in 2017	2,489	Satisfied
Stock granted in 2018	7,400	Satisfied
Stock granted in 2019	18,692	Satisfied
Stock granted in 2020	34,658	Satisfied
Stock granted in 2021	34,965	Proportional to service period
Kookmin Bank		
Stock granted in 2015	5,019	Satisfied
Stock granted in 2016	12,867	Satisfied
Stock granted in 2017	3,862	Satisfied
Stock granted in 2018	38,067	Satisfied
Stock granted in 2019	83,778	Satisfied
Stock granted in 2020	135,336	Satisfied
Stock granted in 2021	109,561	Proportional to service period
Other subsidiaries		
Stock granted in 2015	7,777	Satisfied
Stock granted in 2016	34,345	Satisfied
Stock granted in 2017	58,052	Satisfied
Stock granted in 2018	226,242	Satisfied
Stock granted in 2019	408,353	Satisfied
Stock granted in 2020	606,891	Satisfied
Stock granted in 2021	267,649	Proportional to service period
	<u>2,106,764</u>	

* Executives and employees were given the right of choice about the timing of the deferred payment (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted shares is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

32.2.1.3 Stock grants are measured at fair value using the MonteCarlo simulation model and assumptions used in measuring the fair value as of December 31, 2021, are as follows:

	Risk-free rate (%)	Fair value (market performance condition)	Fair value (non-market performance condition)
		(In Korean won)	
Linked to long-term performance			
(KB Financial Group Inc.)			
Series 22	1.35	50,023~56,379	50,023~56,379
Series 23	1.35	50,023~56,379	50,023~56,379
Series 25	1.35	50,023~56,379	50,023~56,379
Series 27	1.35	—	48,344~51,523
Series 28	1.35	43,391~47,774	46,978~51,724
Series 29	1.35	48,344~56,379	48,344~56,379
Series 30	1.35	46,800~51,523	46,800~51,523
Series 31	1.35	46,800~51,523	46,800~51,523
Series 32	1.35	50,023~56,379	50,023~56,379
Deferred grant in 2015	1.35	—	48,344~56,379
Deferred grant in 2016	1.35	—	51,523~56,379
Deferred grant in 2017	1.35	—	53,308~56,379
Deferred grant in 2018	1.35	—	51,523~56,379
Deferred grant in 2019	1.35	—	53,308~56,379
Deferred grant in 2020	1.35	—	48,344~56,379
(Kookmin Bank)			
Series 76	1.35	50,023~56,379	50,023~56,379
Series 77	1.35	50,023~56,379	50,023~56,379
Series 78	1.35	49,885~56,223	50,023~56,379
Series 79	1.35	50,023~56,379	50,023~56,379
Series 80	1.35	48,344~53,308	48,344~53,308
Series 81	1.35	48,344~56,379	48,344~56,379
Series 82	1.35	46,800~51,523	46,800~51,523
Series 83	1.35	46,800~51,523	46,800~51,523
Series 84	1.35	46,800~51,523	46,800~51,523
Grant deferred in 2015	1.35	—	56,379~56,379
Grant deferred in 2016	1.35	—	47,153~56,379
Grant deferred in 2017	1.35	—	51,523~56,379
Grant deferred in 2018	1.35	—	51,523~56,379
Grant deferred in 2019	1.35	—	45,096~56,379
Grant deferred in 2020	1.35	—	51,523~56,379
(Other subsidiaries)			
Stock granted in 2010	1.35	—	53,308~53,308
Stock granted in 2011	1.35	—	53,308~53,308
Stock granted in 2012	1.35	—	51,523~53,308
Stock granted in 2013	1.35	—	51,523~53,308
Stock granted in 2014	1.35	—	51,523~51,523
Stock granted in 2015	1.35	—	46,800~56,379
Stock granted in 2016	1.35	—	46,436~56,502
Stock granted in 2017	1.35	—	45,096~61,294
Stock granted in 2018	1.35	—	45,096~56,502
Stock granted in 2019	1.35	46,800~56,502	45,096~56,502
Stock granted in 2020	1.35	48,344~56,502	45,096~56,502
Stock granted in 2021	1.35	46,800~56,379	46,800~56,502

	<u>Risk-free rate (%)</u>	<u>Fair value (market performance condition)</u>	<u>Fair value (non-market performance condition)</u>
		(In Korean won)	
Linked to short-term performance			
(KB Financial Group Inc.)			
Stock granted in 2015	1.35	—	48,344~56,379
Stock granted in 2016	1.35	—	45,304~56,379
Stock granted in 2017	1.35	—	51,523~56,379
Stock granted in 2018	1.35	—	51,523~56,379
Stock granted in 2019	1.35	—	53,308~56,379
Stock granted in 2020	1.35	—	48,344~56,379
Stock granted in 2021	1.35	—	50,023~53,308
(Kookmin Bank)			
Stock granted in 2015	1.35	—	47,153~56,379
Stock granted in 2016	1.35	—	47,153~56,379
Stock granted in 2017	1.35	—	51,523~56,379
Stock granted in 2018	1.35	—	51,523~56,379
Stock granted in 2019	1.35	—	53,308~56,379
Stock granted in 2020	1.35	—	51,523~56,379
Stock granted in 2021	1.35	—	50,023~54,229
(Other subsidiaries)			
Stock granted in 2015	1.35	—	46,800~56,502
Stock granted in 2016	1.35	—	46,800~56,502
Stock granted in 2017	1.35	—	45,096~56,502
Stock granted in 2018	1.35	—	45,096~56,502
Stock granted in 2019	1.35	—	45,096~56,502
Stock granted in 2020	1.35	—	46,800~56,502
Stock granted in 2021	1.35	—	46,800~54,649

The Group uses the volatility of the stock price over the previous year as the expected volatility, and uses the arithmetic mean of the price-dividend ratio of one year before, two years before, and three years before the base year as the dividend yield and uses one-year risk-free rate of Korea Treasury Bond in order to measure the fair value.

32.2.1.4 The accrued expenses for share-based payments related to stock grants are ₩135,327 million and ₩193,023 million as of December 31, 2020 and 2021, respectively, and the compensation costs amounting to ₩48,712 million and ₩101,897 million were recognized for the years ended December 31, 2020 and 2021, respectively.

32.2.2 Mileage stock

32.2.2.1 Details of mileage stock as of December 31, 2021, are as follows:

<u>Grant date</u>		<u>Number of granted shares¹</u>	<u>Expected exercise period (years)²</u>	<u>Remaining shares</u>
		(In number of shares)		
<i>Stock granted in 2019</i>	Jan. 11, 2019	26,580	0.00~0.03	14,907
	Apr. 1, 2019	167	0.00~0.25	73
	Apr. 18, 2019	105	0.00~0.29	45
	Apr. 22, 2019	33	0.00~0.30	17
	Jul. 1, 2019	109	0.00~0.50	87
	Aug. 29, 2019	39	0.00~0.66	35
	Sep. 2, 2019	50	0.00~0.67	28
	Nov. 1, 2019	119	0.00~0.83	71
	Nov. 8, 2019	14	0.00~0.85	6
	Dec. 5, 2019	56	0.00~0.93	43
	Dec. 6, 2019	84	0.00~0.93	82
	Dec. 31, 2019	87	0.00~1.00	65
	<i>Stock granted in 2020</i>	Jan. 18, 2020	28,645	0.00~1.05
May 12, 2020		46	0.00~1.36	44
Jun. 30, 2020		206	0.00~1.50	206
Aug. 26, 2020		40	0.00~1.65	40
Oct. 29, 2020		160	0.00~1.83	160
Nov. 6, 2020		45	0.00~1.85	37
Nov. 30, 2020		35	0.00~1.92	34
Dec. 2, 2020		57	0.00~1.92	53
Dec. 4, 2020		154	0.00~1.93	141
Dec. 30, 2020		88	0.00~2.00	86
<i>Stock granted in 2021</i>	Jan. 15, 2021	28,156	0.00~2.04	26,708
	Apr. 1, 2021	89	0.00~2.26	89
	Jul. 1, 2021	54	0.00~2.50	54
	Jul. 2, 2021	11	0.00~2.50	11
	Jul. 27, 2021	70	0.00~2.57	70
	Nov. 1, 2021	71	0.00~2.84	71
	Nov. 16, 2021	53	0.00~2.88	53
	Dec. 3, 2021	91	0.00~2.92	91
	Dec. 6, 2021	87	0.00~2.93	87
	Dec. 30, 2021	76	0.00~3.00	76
		85,677		63,005

¹ Mileage stock is exercisable for two years after one year from the grant date at the closing price of the end of the previous month. However, mileage stock can be exercised at the closing price of the end of the previous month on the date of occurrence of retirement or transfer despite a one-year grace period.

² Assessed based on the stock price as of December 31, 2021. These shares are vested immediately at grant date.

32.2.2.2 The accrued expenses for share-based payments related to mileage stock are ₩ 2,862 million and ₩ 3,465 million as of December 31, 2020 and 2021, respectively. The compensation costs amounting to ₩ 1,086 million and ₩ 2,116 million were recognized as expenses for the years ended December 31, 2020 and 2021, respectively.

32.2.3 Long-term share-based payments

The Group calculates the short-term performance bonus of executives of Prudential Life Insurance Company of Korea Ltd. based on the result of performance evaluation as of the grant date and defers the bonus for three years and pays it in cash reflecting the stock price of KB Financial Group Inc. at that time.

32.2.3.1 Details of long-term share-based payments as of December 31, 2021, are as follows:

	<u>Grant date</u>	<u>Vested shares</u>	<u>Expected exercise period (years)</u> (In number of shares)	<u>Vesting condition</u>
Granted in 2020	2020	13,402	2.00	Services fulfillment

32.2.3.2 Long-term share-based payments are measured at fair value using the MonteCarlo simulation model and assumptions used in measuring the fair value as of December 31, 2021, are as follows:

	<u>Risk-free rate (%)</u>	<u>Fair value (market performance condition)</u> (In Korean won)	<u>Fair value (non-market performance condition)</u>
Granted in 2020	1.35	—	51,523

The Group uses the volatility of the stock price over the previous year as the expected volatility, and uses the arithmetic mean of the price-dividend ratio of one year before, two years before, and three years before the base year as the dividend yield and uses one-year risk-free rate of Korea Treasury Bond in order to measure the fair value.

32.2.3.3 The accrued expenses for long-term share-based payments are ₩ 652 million and ₩ 690 million as of December 31, 2020 and 2021, respectively. The compensation costs amounting to ₩ 652 million and ₩ 38 million were recognized as expenses for the years ended December 31, 2020 and 2021, respectively.

33. Net Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2019, 2020 and 2021, are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	(In millions of Korean won)		
Other non-operating income			
Gains on disposal of property and equipment	₩ 35,747	₩111,132	₩ 9,045
Rental income	85,720	113,075	34,791
Gains on a bargain purchase	—	145,067	288
Gain on sales of disposal group held for sale	2,731	—	—
Others	84,793	96,931	81,210
	<u>208,991</u>	<u>466,205</u>	<u>125,334</u>
Other non-operating expenses			
Losses on disposal of property and equipment	8,587	11,945	6,552
Donation	102,711	113,083	103,647
Restoration costs	2,902	5,043	3,436
Management cost for written-off loans	3,382	3,018	4,054
Others	64,523	143,726	117,182
	<u>182,105</u>	<u>276,815</u>	<u>234,871</u>
Net other non-operating income (expenses)	<u>₩ 26,886</u>	<u>₩189,390</u>	<u>₩(109,537)</u>

34. Income Tax Expense

34.1 Details of income tax expense for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Income tax payable			
Current income tax expense	₩1,043,047	₩1,099,171	₩1,571,947
Adjustments of income tax of prior years recognized in current tax	(51,130)	(13,434)	7,952
	<u>991,917</u>	<u>1,085,737</u>	<u>1,579,899</u>
Changes in deferred income tax assets and liabilities*	<u>286,099</u>	<u>326,918</u>	<u>214,660</u>
Income tax recognized directly in equity and others			
Remeasurements of net defined benefit liabilities	20,676	4,949	18,638
Currency translation differences	(5,714)	14,988	(15,675)
Net gains or losses on financial assets at fair value through other comprehensive income	(13,168)	(88,907)	(71,421)
Share of other comprehensive income or loss of associates and joint ventures	(3,147)	2,976	(7)
Gains or losses on cash flow hedging instruments	10,537	7,580	(21,534)
Gains or losses on hedging instruments of net investments in foreign operations	3,194	(24,500)	25,599
Other comprehensive income or loss arising from separate account	(1,301)	3,671	24,206
Fair value changes of financial liabilities designated at fair value through profit or loss due to own credit risk	4,294	(3,350)	(5,202)
Net gains or losses on overlay adjustment	(72,817)	(61,637)	(46,834)
Consideration for exchange right of exchangeable bonds	—	(4,526)	—
	<u>(57,446)</u>	<u>(148,756)</u>	<u>(92,230)</u>
Others	<u>—</u>	<u>495</u>	<u>(5,104)</u>
Income tax expense	<u>₩1,220,570</u>	<u>₩1,264,394</u>	<u>₩1,697,225</u>

* Effect of business combination is excluded.

34.2 Analysis of the relationship between net profit before income tax expense and income tax expense for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019		2020		2021	
	Tax rate (%)	Amount	Tax rate (%)	Amount	Tax rate (%)	Amount
	(In millions of Korean won)					
Profit before income tax expense		₩4,533,198		₩4,779,972		₩6,081,606
Income tax at the applicable tax rate*	27.27	1,236,267	27.28	1,304,130	27.33	1,662,080
Non-taxable income	(0.52)	(23,601)	(1.55)	(73,855)	(0.67)	(40,708)
Non-deductible expenses	0.42	19,086	0.35	16,541	0.42	25,739
Tax credit and tax exemption	(0.01)	(627)	(0.08)	(4,016)	(0.01)	(361)
Temporary difference for which no deferred tax is recognized	(0.11)	(4,860)	0.47	22,189	0.08	5,065
Changes in recognition and measurement of deferred tax	—	(100)	0.24	11,616	0.10	5,997
Income tax refund for tax of prior years	(0.20)	(9,105)	(0.46)	(22,139)	(0.23)	(13,953)
Income tax expense of overseas branches	0.11	5,004	0.23	10,739	0.31	18,571
Others	(0.03)	(1,494)	(0.02)	(811)	0.57	34,795
Average effective tax rate and income tax expense	26.93	<u>₩1,220,570</u>	26.45	<u>₩1,264,394</u>	27.90	<u>₩1,697,225</u>

* Applicable income tax rate for ₩ 200 million and below is 11%, for over ₩ 200 million to ₩ 20 billion is 22%, for over ₩ 20 billion to ₩ 300 billion is 24.2% and for over ₩ 300 billion is 27.5% for the years ended December 31, 2019, 2020 and 2021.

35. Dividends

The annual dividends paid to the shareholders of the Parent Company in 2020 and 2021 were ₩ 861,092 million (₩ 2,210 per share) and ₩ 689,653 million (₩ 1,770 per share), respectively. Meanwhile, the quarterly dividends of ₩ 292,226 million (₩ 750 per share) with dividends record date of June 30, 2021 were paid on August 6, 2021 according to the resolution of the board of directors on July 22, 2021. The annual dividends to the shareholders of the Parent Company for the year ended December 31, 2021, amounting to ₩ 853,299 million (₩ 2,190 per share) is to be proposed at the general shareholders' meeting scheduled for March 25, 2022. The Group's consolidated financial statements as of and for the year ended December 31, 2021, do not reflect this dividend payable.

36. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2020 and 2021, are as follows:

	2020					
	<u>Beginning</u>	<u>Changes except for reclassification</u>	<u>Reclassification to profit or loss</u>	<u>Transfer within equity</u>	<u>Tax effect</u>	<u>Ending</u>
	(In millions of Korean won)					
Remeasurements of net defined benefit liabilities	₩(269,505)	₩ (18,094)	₩ —	₩ —	₩ 4,949	₩(282,650)
Currency translation differences	31,793	(177,894)	—	—	14,988	(131,113)
Gains on financial instruments at fair value through other comprehensive income	487,331	757,236	(112,020)	(326,410)	(88,907)	717,230
Share of other comprehensive income (loss) of associates and joint ventures	3,318	(3,923)	(5,900)	—	2,976	(3,529)
Losses on cash flow hedging instruments	(27,333)	(48,034)	39,190	—	7,580	(28,597)
Gains (losses) on hedging instruments of net investments in foreign operations	(41,992)	88,769	—	—	(24,500)	22,277
Other comprehensive income arising from separate account	18,381	2,834	(16,188)	—	3,671	8,698
Fair value changes of financial liabilities designated at fair value through profit or loss due to own credit risk	(20,326)	12,169	—	—	(3,350)	(11,507)
Gains on overlay adjustment	187,077	248,688	(34,926)	—	(61,637)	339,202
	<u>₩ 368,744</u>	<u>₩ 861,751</u>	<u>₩ (129,844)</u>	<u>₩(326,410)</u>	<u>₩(144,230)</u>	<u>₩ 630,011</u>

2021

	Beginning	Changes except for reclassification	Reclassification to profit or loss (In millions of Korean won)	Transfer within equity	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩(282,650)	₩ (64,380)	₩ —	₩ —	₩ 18,638	₩ (328,392)
Currency translation differences	(131,113)	248,998	1,995	(7,671)	(15,675)	96,534
Gains on financial instruments at fair value through other comprehensive income	717,230	(62,043)	20,537	314,624	(71,421)	918,927
Share of other comprehensive income (loss) of associates and joint ventures	(3,529)	3,276	(2,720)	—	(7)	(2,980)
Losses on cash flow hedging instruments	(28,597)	95,478	(53,080)	—	(21,534)	(7,733)
Gains (losses) on hedging instruments of net investments in foreign operations	22,277	(88,729)	5,195	—	25,599	(35,658)
Other comprehensive income (loss) arising from separate account . .	8,698	(81,601)	(6,419)	—	24,206	(55,116)
Fair value changes of financial liabilities designated at fair value through profit or loss due to own credit risk	(11,507)	18,917	—	—	(5,202)	2,208
Gains on overlay adjustment	339,202	257,574	(90,458)	—	(46,834)	459,484
Assets of a disposal group held for sale	—	—	—	7,671	—	7,671
	<u>₩ 630,011</u>	<u>₩ 327,490</u>	<u>₩ (124,950)</u>	<u>₩314,624</u>	<u>₩(92,230)</u>	<u>₩1,054,945</u>

37. Earnings per Share

37.1 Basic Earnings per Share

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding.

37.1.1 Weighted average number of ordinary shares outstanding

	2019		2020		2021	
	Number of shares	Accumulated number of shares	Number of shares	Accumulated number of shares	Number of shares	Accumulated number of shares
	(In number of shares)					
Number of issued ordinary shares . . .	415,807,920	152,564,638,665	415,807,920	152,185,698,720	415,807,920	151,769,890,800
Number of treasury shares	(26,173,585)	(9,801,574,522)	(26,173,585)	(9,579,532,110)	(26,173,585)	(9,553,358,525)
Average number of ordinary shares outstanding	389,634,335	142,763,064,143	389,634,335	142,606,166,610	389,634,335	142,216,532,275
Number of days		365		366		365
Weighted average number of ordinary shares outstanding		391,131,683		389,634,335		389,634,335

37.1.2 Basic earnings per share

	2019	2020	2021
	(In Korean won and in number of shares)		
Profit attributable to shareholders of the Parent Company	₩3,311,255,938,055	₩3,468,447,701,501	₩4,409,543,288,213
Deduction: Dividends on hybrid securities	(6,512,500,000)	(22,859,500,000)	(71,537,500,000)
Profit attributable to ordinary equity holders of the Parent Company (A)	3,304,743,438,055	3,445,588,201,501	4,338,005,788,213
Weighted average number of ordinary shares outstanding (B)	391,131,683	389,634,335	389,634,335
Basic earnings per share (A/B)	₩ 8,449	₩ 8,843	₩ 11,134

37.2 Diluted Earnings per Share

Diluted earnings per share is calculated through increasing the weighted average number of ordinary shares outstanding by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares such as stock grants and ordinary share exchange right of exchangeable bonds.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price for the year) based on the monetary value of stock grants. The number of shares calculated above is compared with the number of shares that would have been issued assuming the settlement of stock grants.

Exchangeable bonds are included in potential ordinary shares from the exercisable date of the exchange right, and interest expense after tax for the period is added to profit for diluted earnings per share.

37.2.1 Adjusted profit for diluted earnings per share

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	(In Korean won)		
Profit attributable to shareholders of the Parent Company	₩3,311,255,938,055	₩3,468,447,701,501	₩4,409,543,288,213
Deduction: Dividends on hybrid securities	(6,512,500,000)	(22,859,500,000)	(71,537,500,000)
Profit attributable to ordinary equity holders of the Parent Company	3,304,743,438,055	3,445,588,201,501	4,338,005,788,213
Adjustments: Interest expense on exchangeable bonds	—	798,012,332	2,347,186,871
Adjusted profit for diluted earnings per share	<u>₩3,304,743,438,055</u>	<u>₩3,446,386,213,833</u>	<u>₩4,340,352,975,084</u>

37.2.2 Weighted average number of ordinary shares outstanding for diluted earnings per share

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	(In number of shares)		
Weighted average number of ordinary shares outstanding	391,131,683	389,634,335	389,634,335
Adjustment:			
Stock grants	2,890,513	3,416,737	3,945,208
Exchangeable bonds	—	1,707,650	5,000,000
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	<u>394,022,196</u>	<u>394,758,722</u>	<u>398,579,543</u>

37.2.3 Diluted earnings per share

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	(In Korean won and in number of shares)		
Adjusted profit for diluted earnings per share	₩3,304,743,438,055	₩3,446,386,213,833	₩4,340,352,975,084
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	394,022,196	394,758,722	398,579,543
Diluted earnings per share	<u>₩ 8,387</u>	<u>₩ 8,730</u>	<u>₩ 10,890</u>

38. Insurance Contracts

38.1 Insurance Assets

38.1.1 Details of deferred acquisition costs included in other assets as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Non-life insurance	₩ 965,683	₩1,230,375
Life insurance	205,289	345,831
	<u>₩1,170,972</u>	<u>₩1,576,206</u>

38.1.2 Changes in deferred acquisition costs included in other assets for the years ended December 31, 2020 and 2021, are as follows:

	2020			
	Beginning	Increase	Amortization	Ending
	(In millions of Korean won)			
Non-life insurance	₩ 786,626	₩ 872,811	₩(693,754)	₩ 965,683
Life insurance	134,739	144,429	(73,879)	205,289
	<u>₩ 921,365</u>	<u>₩1,017,240</u>	<u>₩(767,633)</u>	<u>₩1,170,972</u>
	2021			
	Beginning	Increase	Amortization	Ending
	(In millions of Korean won)			
Non-life insurance	₩ 965,683	₩ 965,735	₩(701,043)	₩1,230,375
Life insurance	205,289	258,653	(118,111)	345,831
	<u>₩1,170,972</u>	<u>₩1,224,388</u>	<u>₩(819,154)</u>	<u>₩1,576,206</u>

38.1.3 Details of reinsurance assets included in other assets as of December 31, 2020 and 2021, are as follows:

		<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2021</u>
		(In millions of Korean won)	
Non-life insurance	Reserve for outstanding claims:		
	General insurance	₩ 732,579	₩ 879,936
	Automobile insurance	14,916	16,989
	Long-term insurance	156,234	178,531
	Unearned premium reserve:		
	General insurance	285,634	262,020
	Automobile insurance	10,870	5,575
		<u>1,200,233</u>	<u>1,343,051</u>
Life insurance	Reserve for outstanding claims	2,081	2,169
	Unearned premium reserve	951	985
		<u>3,032</u>	<u>3,154</u>
Others	Reserve for outstanding claims	2,427	2,103
	Unearned premium reserve	895	620
		<u>3,322</u>	<u>2,723</u>
Total reinsurance assets		1,206,587	1,348,928
Less: Allowances for impairment losses		(879)	(436)
		<u>₩1,205,708</u>	<u>₩1,348,492</u>

38.1.4 Changes in reinsurance assets included in other assets for the years ended December 31, 2020 and 2021, are as follows:

		2020			
		Beginning	Net increase (decrease)	Business combination	Ending
		(In millions of Korean won)			
Non-life insurance	Reserve for outstanding claims:				
	General insurance	₩361,065	₩371,514	₩ —	₩ 732,579
	Automobile insurance	16,555	(1,639)	—	14,916
	Long-term insurance	130,758	25,476	—	156,234
	Unearned premium reserve:				
	General insurance	208,820	76,814	—	285,634
Automobile insurance	19,952	(9,082)	—	10,870	
		<u>737,150</u>	<u>463,083</u>	<u>—</u>	<u>1,200,233</u>
Life insurance	Reserve for outstanding claims	1,639	(564)	1,006	2,081
	Unearned premium reserve	408	(27)	570	951
		<u>2,047</u>	<u>(591)</u>	<u>1,576</u>	<u>3,032</u>
Others	Reserve for outstanding claims	2,563	(136)	—	2,427
	Unearned premium reserve	844	51	—	895
		<u>3,407</u>	<u>(85)</u>	<u>—</u>	<u>3,322</u>
Total reinsurance assets	742,604	462,407	1,576	1,206,587	
Less: Allowances for impairment losses	(1,953)	1,074	—	(879)	
		<u>₩740,651</u>	<u>₩463,481</u>	<u>₩1,576</u>	<u>₩1,205,708</u>
		2021			
		Beginning	Net increase (decrease)	Ending	
		(In millions of Korean won)			
Non-life insurance	Reserve for outstanding claims:				
	General insurance	₩ 732,579	₩147,357	₩ 879,936	
	Automobile insurance	14,916	2,073	16,989	
	Long-term insurance	156,234	22,297	178,531	
	Unearned premium reserve:				
	General insurance	285,634	(23,614)	262,020	
Automobile insurance	10,870	(5,295)	5,575		
		<u>1,200,233</u>	<u>142,818</u>	<u>1,343,051</u>	
Life insurance	Reserve for outstanding claims	2,081	88	2,169	
	Unearned premium reserve	951	34	985	
		<u>3,032</u>	<u>122</u>	<u>3,154</u>	
Others	Reserve for outstanding claims	2,427	(324)	2,103	
	Unearned premium reserve	895	(275)	620	
		<u>3,322</u>	<u>(599)</u>	<u>2,723</u>	
Total reinsurance assets	1,206,587	142,341	1,348,928		
Less: Allowances for impairment losses	(879)	443	(436)		
		<u>₩1,205,708</u>	<u>₩142,784</u>	<u>₩1,348,492</u>	

38.2 Insurance Liabilities

38.2.1 Details of insurance liabilities by insurance type as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Non-life insurance	Life insurance	Others	Total
	(In millions of Korean won)			
Premium reserve*	₩24,990,530	₩23,264,955	₩ —	₩48,255,485
Reserve for outstanding claims	2,885,006	252,883	2,426	3,140,315
Unearned premium reserve	1,859,367	9,450	896	1,869,713
Reserve for dividend to policyholders	129,660	41,024	—	170,684
Reserve for distribution of earnings to policyholders	51,292	5,009	—	56,301
Reserve for loss compensation on participating insurance	20,090	6,818	—	26,908
Guarantee reserve	—	895,890	—	895,890
	<u>₩29,935,945</u>	<u>₩24,476,029</u>	<u>₩3,322</u>	<u>₩54,415,296</u>
	December 31, 2021			
	Non-life insurance	Life insurance	Others	Total
	(In millions of Korean won)			
Premium reserve*	₩26,086,004	₩24,363,509	₩ —	₩50,449,513
Reserve for outstanding claims	3,378,427	259,848	2,102	3,640,377
Unearned premium reserve	1,909,327	9,358	622	1,919,307
Reserve for dividend to policyholders	122,025	40,960	—	162,985
Reserve for distribution of earnings to policyholders	63,093	4,857	—	67,950
Reserve for loss compensation on participating insurance	24,790	6,108	—	30,898
Guarantee reserve	—	894,906	—	894,906
	<u>₩31,583,666</u>	<u>₩25,579,546</u>	<u>₩2,724</u>	<u>₩57,165,936</u>

* Includes negative VOBA amounting to ₩2,698,010 million and ₩2,390,985 million as of December 31, 2020 and 2021, respectively.

38.2.2 Changes in insurance liabilities for the years ended December 31, 2020 and 2021, are as follows:

	2020			
	Beginning	Net increase (decrease) ¹	Business combination	Ending
	(In millions of Korean won)			
Non-life insurance				
General insurance	₩ 1,064,913	₩ 503,828	₩ —	₩ 1,568,741
Automobile insurance	1,623,846	274,026	—	1,897,872
Long-term insurance	25,006,078	1,356,401	—	26,362,479
Long-term investment contract	108,938	(2,085)	—	106,853
Life insurance				
Pure endowment insurance	5,236,128	318,109	2,016,112	7,570,349
Death insurance	642,963	404,456	14,658,632	15,706,051
Endowment insurance	1,270,855	(156,688)	74,132	1,188,299
Group insurance and others ²	9,555	(2,238)	4,013	11,330
Others	3,407	(85)	—	3,322
	<u>₩34,966,683</u>	<u>₩2,695,724</u>	<u>₩16,752,889</u>	<u>₩54,415,296</u>

		2021		
		Beginning	Net increase (decrease) ¹	Ending
		(In millions of Korean won)		
Non-life insurance	General insurance	₩ 1,568,741	₩ 222,543	₩ 1,791,284
	Automobile insurance	1,897,872	127,693	2,025,565
	Long-term insurance	26,362,479	1,373,257	27,735,736
	Long-term investment contract	106,853	(75,772)	31,081
Life insurance	Pure endowment insurance	7,570,349	436,999	8,007,348
	Death insurance	15,706,051	810,366	16,516,417
	Endowment insurance	1,188,299	(142,962)	1,045,337
	Group insurance and others ²	11,330	(886)	10,444
Others		3,322	(598)	2,724
		<u>₩54,415,296</u>	<u>₩2,750,640</u>	<u>₩57,165,936</u>

¹ Includes exchange differences effect and decrease in liabilities related to investment contracts.

² Includes reserve for distribution of earnings to policyholders and reserve for loss compensation on participating insurance.

38.3 Liability Adequacy Test

According to the revision of the Detailed Regulations on Supervision of Insurance Business, the criteria for the insurance liability adequacy test were changed, and the Group accounted for the change as a change in accounting policy because it provided reliable and more relevant information about current estimates of future cash flows. This change in accounting policy has no effect on the consolidated financial statements, but comparative notes have been restated.

38.3.1 KB Insurance Co., Ltd.

Assumptions and calculation basis for the insurance liability adequacy test of KB Insurance Co., Ltd. as of December 31, 2020 and 2021, are as follows:

	Assumptions (%)		Calculation basis
	December 31, 2020	December 31, 2021	
Long-term insurance			
Discount rate	-3.98~23.96	-3.39~19.54	Calculated by applying an interest rate scenario which is a risk-free rate scenario adjusted by liquidity premium presented by director of the Financial Supervisory Service
Expense ratio	6.46	6.25	Calculated using future expense plan based on the recent one-year experience statistics
Lapse ratio	1.48~35.44	1.49~35.98	Calculated based on the recent five-year experience statistics
Risk ratio	11.9~1,055.2	7.4~1,143.8	Calculated by ratio of insurance claim payments to risk premiums based on the recent seven-year experience statistics
General insurance			
Lapse ratio	1.1	0.9	Ratio of surrender value to direct insurance premiums by type of contracts for the preceding five years

	Assumptions (%)		Calculation basis
	December 31, 2020	December 31, 2021	
Sales cost ratio	6.5	6.3	Ratio of sales cost to direct insurance premiums by type of contracts for the preceding year (applicable only to unpaid premiums)
Maintenance cost ratio . . .	10.7	10.5	Ratio of maintenance cost to earned premiums by type of contracts for the preceding year
Claim survey cost ratio . .	4.7	4.7	Ratio of claim survey cost to insurance claim payments by type of contracts for the preceding three years
Loss ratio	71.0	78.5	Ratio of final loss incurred to earned premiums by type of contracts for the preceding five years
Automobile insurance			
Lapse ratio	4.6	4.7	Ratio of surrender value to direct insurance premiums by type of contracts for the preceding five years
Sales cost ratio	8.1	7.6	Ratio of sales cost to direct insurance premiums by type of contracts for the preceding year (applicable only to unpaid premiums)
Maintenance cost ratio . . .	9.0	8.8	Ratio of maintenance cost to earned premiums by type of collaterals for the preceding year
Claim survey cost ratio . .	8.4	8.1	Ratio of claim survey cost to insurance claim payments by type of collaterals for the preceding three years
Loss ratio	78.2	78.2	Ratio of final loss incurred to earned premiums by type of collaterals for the preceding five years

Results of the insurance liability adequacy test of KB Insurance Co., Ltd. as of December 31, 2020 and 2021, are as follows:

	December 31, 2020		
	Recognized liabilities*	Estimated adequate liabilities	Surplus (shortfall)
	(In millions of Korean won)		
General insurance	₩ 461,227	₩ 391,040	₩ 70,187
Automobile insurance	1,363,104	1,290,439	72,665
Long-term insurance	20,892,077	13,671,990	7,220,087
	<u>₩22,716,408</u>	<u>₩ 15,353,469</u>	<u>₩7,362,939</u>
	December 31, 2021		
	Recognized liabilities*	Estimated adequate liabilities	Surplus (shortfall)
	(In millions of Korean won)		
General insurance	₩ 465,812	₩ 437,555	₩ 28,257
Automobile insurance	1,401,462	1,322,026	79,436
Long-term insurance	21,812,939	14,277,162	7,535,777
	<u>₩23,680,213</u>	<u>₩ 16,036,743</u>	<u>₩7,643,470</u>

* In the case of long-term insurance, premium reserve and unearned premium reserve are recognized; the premium reserve is the amount of subtracting deferred acquisition costs and insurance contract loans from the net insurance premium reserve in accordance with Article 6-3 of the Regulations on Supervision of Insurance Business.

As a result of the liability adequacy test, the Group did not set additional reserve as it shows net surplus. As such, there was no amount recorded as a result of the liability adequacy test as of December 31, 2021.

38.3.2 KB Life Insurance Co., Ltd.

Assumptions and calculation basis for the insurance liability adequacy test of KB Life Insurance Co., Ltd. as of December 31, 2020 and 2021, are as follows:

	Assumptions (%)		Calculation basis
	December 31, 2020	December 31, 2021	
Lapse ratio	0~65.50	0~65.57	Ratio of canceled premiums to premiums by product group, method of payment, channel, and elapsed period, based on the recent five-year experience statistics
Loss ratio	24~156	22~162	Ratio of number of accidents to the number of holding contracts, by collateral, gender, and elapsed period, based on the recent seven-year experience statistics
Discount rate	-3.62~23.48	-3.39~19.54	Estimated investment yield based on the interest rate scenario provided by the Financial Supervisory Service adjusted by risk spread

Indirect costs included in administration expenses were calculated by applying the unit cost based on the experience statistics of the actual executed costs over the past year according to the expense allocations standard set by the Detailed Regulations on Supervision of Insurance Business. Direct costs such as acquisition cost were calculated based on estimates of future expense according to the Group's internal policies such as solicitation commission policy.

The insurance liability adequacy test of KB Life Insurance Co., Ltd. is performed by contract type such as interest rate type and dividend type. Results of the insurance liability adequacy test as of December 31, 2020 and 2021, are as follows:

		December 31, 2020		
		Recognized liabilities	Estimated adequate liabilities	Surplus (shortfall)
		(In millions of Korean won)		
Fixed interest type	Participating	₩ 30,447	₩ 57,162	₩ (26,715)
	Non-participating	395,766	66,380	329,386
Variable interest type	Participating	970,376	1,010,383	(40,007)
	Non-participating	5,508,172	5,275,939	232,233
Variable type		(26,685)	(125,530)	98,845
Total		<u>₩6,878,076</u>	<u>₩ 6,284,334</u>	<u>₩593,742</u>

		December 31, 2021		
		Recognized liabilities	Estimated adequate liabilities	Surplus (shortfall)
		(In millions of Korean won)		
Fixed interest type	Participating	₩ 30,828	₩ 51,443	₩ (20,615)
	Non-participating	664,569	5,876	658,693
Variable interest type	Participating	896,754	913,067	(16,313)
	Non-participating	5,754,214	5,263,775	490,439
Variable type		(7,822)	(101,418)	93,596
Total		<u>₩7,338,543</u>	<u>₩ 6,132,743</u>	<u>₩1,205,800</u>

As a result of the liability adequacy test, the Group did not set additional reserve as it shows net surplus. As such, there was no amount recorded as a result of the liability adequacy test as of December 31, 2021.

38.3.3 Prudential Life Insurance Company of Korea Ltd.

Assumptions and calculation basis for the insurance liability adequacy test of Prudential Life Insurance Company of Korea Ltd. as of December 31, 2020 and 2021, are as follows:

	Assumptions (%)		Calculation basis
	December 31, 2020	December 31, 2021	
Discount rate	-3.98~23.96	-3.39~19.54	Calculated by applying an interest rate scenario which is a risk-free rate scenario adjusted by liquidity premium presented by the Financial Supervisory Service
Lapse ratio	2~28	1~26	Calculated based on the amount of insurance coverage by elapsed period based on the recent five-year experience statistics
Risk ratio	21~312	28~545	Calculated by ratio of insurance claim payments to risk premiums by elapsed period based on the recent five-year experience statistics

The insurance liability adequacy test of Prudential Life Insurance Company of Korea Ltd. is performed by contract type such as interest rate type and dividend type. Results of the insurance liability adequacy test as of December 31, 2020 and 2021, are as follows:

		Surplus (shortfall)	
		December 31, 2020	December 31, 2021
(In millions of Korean won)			
Fixed interest type	Participating	₩ (14,701)	₩ (7,687)
	Non-participating	(865,083)	787,200
Variable interest type	Non-participating	100,825	128,963
Variable type		1,584,469	1,278,620
		₩ 805,510	₩ 2,187,096

As a result of the liability adequacy test, the Group did not set additional reserve as it shows net surplus. As such, there was no amount recorded as a result of the liability adequacy test as of December 31, 2021.

38.4 Net Insurance Income

Details of insurance income and insurance expenses for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Insurance income			
Premium income	₩11,173,367	₩12,872,727	₩14,684,383
Reinsurance income	850,871	823,500	990,437
Reversal of policy reserve	993	85	599
Separate account income	216,429	216,485	286,967
Income from changes in reinsurance assets	42,432	467,729	135,159
Other insurance income	33,090	6,114	10,313
	12,317,182	14,386,640	16,107,858
Insurance expenses			
Insurance claims paid	5,046,772	5,264,829	5,777,899
Dividend expenses	9,902	11,661	14,038
Refunds of surrender value	2,870,543	3,286,150	4,032,209
Reinsurance expenses	1,018,007	1,127,304	1,163,056
Provision for policy reserve	1,547,264	2,709,903	2,761,735
Separate account expenses	139,810	113,703	112,180
Administration expenses	453,016	563,085	644,947
Amortization of deferred acquisition costs	679,279	767,633	819,154
Expenses from changes in reinsurance assets	314	163	—
Claim survey expenses paid	52,123	58,873	60,234
Other insurance expenses	200,640	183,343	165,695
	12,017,670	14,086,647	15,551,147
Net insurance income	₩ 299,512	₩ 299,993	₩ 556,711

38.5 Risk Management of KB Insurance Co., Ltd.

38.5.1 Overview of insurance risk

Insurance risk is the risk that arises from a primary operation of insurance companies that is associated with underwriting of insurance contracts and payment of claims and is classified as insurance price risk and reserves risk. Insurance price risk is the risk of loss that might occur when the actual risk exceeds the expected risk ratio or expected expense ratio set at the time of calculating insurance premium, that is, the possibility of loss due to the differences between actual payment of claims and premiums received from policyholders. Reserve risk means the risk of not being able to cover actual claim payments in the future due to a lack of reserve accumulated at the time of assessment.

38.5.2 Purposes, policies, and procedures to manage risk arising from insurance contracts

The risks associated with insurance contracts that the Group faces are insurance actuarial risk and underwriting risk. Each risk occurs due to insurance contract's pricing and conditions of underwriting. In order to minimize the possibility of acquiring a bad contract, the Group has established and operated detailed underwriting guidelines and underwriting procedures by insurance type that specify detailed underwriting conditions according to the type of risk covered through pre-analysis of insured property. In addition, the Group is making efforts to reduce insurance actuarial risk by follow-up measures such as adjustments of premium rate,

changes of sales conditions, termination of selling specific product, development of new product, and others through comparing and analyzing the expected risk level at the date of pricing and actual risk level after the acceptance. The Group has prepared a process to minimize management risk other than insurance actuarial risk and underwriting risk by operating a committee that shares opinions on underwriting policies and premium rate policies and decides important matters.

In addition, by establishing a reinsurance operating strategy according to the reinsurance operating standards, the Group is preparing for the possibility of incurring high claim expenses at once due to unexpected catastrophic accidents while maintaining an appropriate holding level considering the solvency of the Group. The Group supports the protection and stable interests of policyholders, and comprehensively manages risks to maximize corporate value in the mid to long term.

38.5.3 Exposure to insurance price risk

According to Risk Based Capital (“RBC”) standard, exposure to insurance price risk is measured as the risk retained premium for all insurance contracts based on the track record for one year up to reference date of calculation. The risk retained premium is measured by adding assumed risk reinsurance premium to direct risk premium and deducting ceded risk reinsurance premium.

The Group’s exposure to insurance price risk as of December 31, 2020 and 2021, as follows:

	December 31, 2020			Total
	Direct risk premium	Assumed risk reinsurance premium	Ceded risk reinsurance premium	
	(In millions of Korean won)			
General	₩1,088,791	₩ 79,429	₩ (663,750)	₩ 504,470
Automobile	2,491,412	—	(21,433)	2,469,979
Long-term	2,803,532	—	(415,439)	2,388,093
	<u>₩6,383,735</u>	<u>₩ 79,429</u>	<u>₩(1,100,622)</u>	<u>₩5,362,542</u>
	December 31, 2021			
	Direct risk premium	Assumed risk reinsurance premium	Ceded risk reinsurance premium	Total
	(In millions of Korean won)			
General	₩1,161,427	₩ 93,191	₩ (630,231)	₩ 624,387
Automobile	2,538,277	—	(13,683)	2,524,594
Long-term	3,128,821	—	(462,261)	2,666,560
	<u>₩6,828,525</u>	<u>₩ 93,191</u>	<u>₩(1,106,175)</u>	<u>₩5,815,541</u>

38.5.4 Concentration of insurance risk

The Group is selling various insurance contracts such as general non-life insurances (fire, maritime, injury, technology, liability, package, title, guarantee, and other special type insurances), automobile insurances (for private use, for business use, for commercial use, bicycle, and others), long-term insurances (long-term non-life, property damage, injury, driver, savings, illness, nursing, and pension), and others. The Group’s risk is distributed through reinsurance, joint acceptance, and sales of diversified insurance products. In addition, insurances such as storm and flood insurance, which have a very low probability of occurrence but cover severe levels of risk, are controlled through acceptance limit and joint acquisition.

38.5.5 Claims development tables

The Group verifies and evaluates the adequacy of reserve for outstanding claims for general, automobile, and long-term insurance with two or more methods, including paid loss development trend and incurred loss development trend. If the individually estimated claims are insufficient, the Group recognizes additional reserves. Claims development tables as of December 31, 2020 and 2021, are as follows:

<2020>

General Insurance

Accident year	Development year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
(In millions of Korean won)					
Estimate of gross ultimate claims (A)					
2016.1.1 ~ 2016.12.31	₩145,618	₩ 167,818	₩ 171,206	₩ 178,265	₩ 180,160
2017.1.1 ~ 2017.12.31	168,409	200,699	204,368	206,201	—
2018.1.1 ~ 2018.12.31	200,968	241,474	246,871	—	—
2019.1.1 ~ 2019.12.31	219,881	263,849	—	—	—
2020.1.1 ~ 2020.12.31	232,622	—	—	—	—
	<u>967,498</u>	<u>873,840</u>	<u>622,445</u>	<u>384,466</u>	<u>180,160</u>
Gross cumulative claim payments (B)					
2016.1.1 ~ 2016.12.31	108,098	151,282	162,059	170,353	175,063
2017.1.1 ~ 2017.12.31	132,430	184,333	193,780	199,225	—
2018.1.1 ~ 2018.12.31	153,770	217,955	235,900	—	—
2019.1.1 ~ 2019.12.31	185,645	246,397	—	—	—
2020.1.1 ~ 2020.12.31	167,129	—	—	—	—
	<u>747,072</u>	<u>799,967</u>	<u>591,739</u>	<u>369,578</u>	<u>175,063</u>
Difference (A-B)	<u>₩220,426</u>	<u>₩ 73,873</u>	<u>₩ 30,706</u>	<u>₩ 14,888</u>	<u>₩ 5,097</u>

Automobile Insurance

Accident year	Development year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
(In millions of Korean won)							
Estimate of gross ultimate claims (A)							
2014.1.1 ~ 2014.12.31	₩ 1,174,611	₩ 1,193,833	₩ 1,205,524	₩ 1,212,025	₩ 1,212,162	₩ 1,214,524	₩ 1,217,006
2015.1.1 ~ 2015.12.31	1,227,106	1,245,780	1,256,058	1,263,044	1,267,142	1,271,001	—
2016.1.1 ~ 2016.12.31	1,276,939	1,281,381	1,287,728	1,294,735	1,299,964	—	—
2017.1.1 ~ 2017.12.31	1,342,998	1,348,828	1,358,867	1,368,016	—	—	—
2018.1.1 ~ 2018.12.31	1,468,784	1,471,807	1,481,509	—	—	—	—
2019.1.1 ~ 2019.12.31	1,591,793	1,620,609	—	—	—	—	—
2020.1.1 ~ 2020.12.31	1,624,341	—	—	—	—	—	—
	<u>9,706,572</u>	<u>8,162,238</u>	<u>6,589,686</u>	<u>5,137,820</u>	<u>3,779,268</u>	<u>2,485,525</u>	<u>1,217,006</u>

Accident year	Development year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
(In millions of Korean won)							
Gross cumulative claim payments (B)							
2014.1.1 ~ 2014.12.31 ...	969,211	1,150,462	1,180,953	1,196,387	1,204,580	1,208,421	1,210,632
2015.1.1 ~ 2015.12.31 ...	1,020,975	1,198,241	1,228,357	1,245,779	1,254,187	1,261,995	—
2016.1.1 ~ 2016.12.31 ...	1,052,830	1,235,656	1,264,651	1,282,346	1,288,754	—	—
2017.1.1 ~ 2017.12.31 ...	1,104,158	1,306,235	1,335,962	1,350,174	—	—	—
2018.1.1 ~ 2018.12.31 ...	1,224,820	1,428,973	1,456,532	—	—	—	—
2019.1.1 ~ 2019.12.31 ...	1,332,849	1,570,194	—	—	—	—	—
2020.1.1 ~ 2020.12.31 ...	1,353,799	—	—	—	—	—	—
	8,058,642	7,889,761	6,466,455	5,074,686	3,747,521	2,470,416	1,210,632
Difference (A-B)	₩ 1,647,930	₩ 272,477	₩ 123,231	₩ 63,134	₩ 31,747	₩ 15,109	₩ 6,374

Long-term Insurance

Accident year	Development year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
(In millions of Korean won)							
Estimate of gross ultimate claims (A)							
2014.1.1 ~ 2014.12.31 ...	₩ 789,088	₩ 1,083,049	₩ 1,114,820	₩ 1,119,206	₩ 1,122,191	₩ 1,123,240	₩ 1,124,628
2015.1.1 ~ 2015.12.31 ...	885,476	1,219,394	1,256,051	1,266,881	1,270,967	1,273,615	—
2016.1.1 ~ 2016.12.31 ...	1,064,744	1,437,573	1,485,839	1,500,403	1,506,889	—	—
2017.1.1 ~ 2017.12.31 ...	1,184,224	1,614,903	1,670,929	1,689,768	—	—	—
2018.1.1 ~ 2018.12.31 ...	1,372,706	1,881,046	1,941,497	—	—	—	—
2019.1.1 ~ 2019.12.31 ...	1,626,481	2,229,830	—	—	—	—	—
2020.1.1 ~ 2020.12.31 ...	1,818,316	—	—	—	—	—	—
	8,741,035	9,465,795	7,469,136	5,576,258	3,900,047	2,396,855	1,124,628
Gross cumulative claim payments (B)							
2014.1.1 ~ 2014.12.31 ...	744,944	1,065,792	1,104,468	1,114,341	1,119,531	1,122,378	1,123,868
2015.1.1 ~ 2015.12.31 ...	836,471	1,205,130	1,248,475	1,262,528	1,269,557	1,272,648	—
2016.1.1 ~ 2016.12.31 ...	1,017,243	1,424,948	1,477,415	1,496,556	1,503,841	—	—
2017.1.1 ~ 2017.12.31 ...	1,130,868	1,599,227	1,662,978	1,683,997	—	—	—
2018.1.1 ~ 2018.12.31 ...	1,319,613	1,868,434	1,933,543	—	—	—	—
2019.1.1 ~ 2019.12.31 ...	1,574,696	2,211,717	—	—	—	—	—
2020.1.1 ~ 2020.12.31 ...	1,749,647	—	—	—	—	—	—
	8,373,482	9,375,248	7,426,879	5,557,422	3,892,929	2,395,026	1,123,868
Difference (A-B)	₩ 367,553	₩ 90,547	₩ 42,257	₩ 18,836	₩ 7,118	₩ 1,829	₩ 760

<2021>

General Insurance

Accident year	Development year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
(In millions of Korean won)					
Estimate of gross ultimate claims (A)					
2017.1.1 ~ 2017.12.31	₩ 169,234	₩ 201,406	₩ 205,075	₩ 206,856	₩ 207,252
2018.1.1 ~ 2018.12.31	200,968	241,471	246,499	250,083	—
2019.1.1 ~ 2019.12.31	219,419	263,105	267,687	—	—
2020.1.1 ~ 2020.12.31	232,622	273,531	—	—	—
2021.1.1 ~ 2021.12.31	290,480	—	—	—	—
	<u>1,112,723</u>	<u>979,513</u>	<u>719,261</u>	<u>456,939</u>	<u>207,252</u>
Gross cumulative claim payments (B)					
2017.1.1 ~ 2017.12.31	133,254	185,107	194,511	199,926	202,548
2018.1.1 ~ 2018.12.31	153,770	217,955	235,900	240,171	—
2019.1.1 ~ 2019.12.31	185,645	246,397	258,465	—	—
2020.1.1 ~ 2020.12.31	167,129	244,074	—	—	—
2021.1.1 ~ 2021.12.31	236,265	—	—	—	—
	<u>876,063</u>	<u>893,533</u>	<u>688,876</u>	<u>440,097</u>	<u>202,548</u>
Difference(A-B)	<u>₩ 236,660</u>	<u>₩ 85,980</u>	<u>₩ 30,385</u>	<u>₩ 16,842</u>	<u>₩ 4,704</u>

Automobile Insurance

Accident year	Development year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
(In millions of Korean won)							
Estimate of gross ultimate claims (A)							
2015.1.1 ~ 2015.12.31	₩ 1,227,107	₩ 1,245,781	₩ 1,256,059	₩ 1,263,044	₩ 1,267,142	₩ 1,271,000	₩ 1,282,673
2016.1.1 ~ 2016.12.31	1,276,939	1,281,381	1,287,728	1,294,735	1,299,964	1,309,221	—
2017.1.1 ~ 2017.12.31	1,342,998	1,348,828	1,358,867	1,368,016	1,371,619	—	—
2018.1.1 ~ 2018.12.31	1,468,784	1,471,807	1,481,509	1,488,890	—	—	—
2019.1.1 ~ 2019.12.31	1,591,793	1,620,609	1,635,704	—	—	—	—
2020.1.1 ~ 2020.12.31	1,624,341	1,632,626	—	—	—	—	—
2021.1.1 ~ 2021.12.31	1,750,508	—	—	—	—	—	—
	<u>10,282,470</u>	<u>8,601,032</u>	<u>7,019,867</u>	<u>5,414,685</u>	<u>3,938,725</u>	<u>2,580,221</u>	<u>1,282,673</u>
Gross cumulative claim payments(B)							
2015.1.1 ~ 2015.12.31	1,020,975	1,198,240	1,228,357	1,245,780	1,254,186	1,261,995	1,264,247
2016.1.1 ~ 2016.12.31	1,052,830	1,235,656	1,264,651	1,282,346	1,288,754	1,291,380	—
2017.1.1 ~ 2017.12.31	1,104,158	1,306,235	1,335,962	1,350,174	1,357,903	—	—
2018.1.1 ~ 2018.12.31	1,224,820	1,428,973	1,456,532	1,471,379	—	—	—
2019.1.1 ~ 2019.12.31	1,332,849	1,570,194	1,598,956	—	—	—	—
2020.1.1 ~ 2020.12.31	1,353,799	1,570,730	—	—	—	—	—
2021.1.1 ~ 2021.12.31	1,445,877	—	—	—	—	—	—
	<u>8,535,308</u>	<u>8,310,028</u>	<u>6,884,458</u>	<u>5,349,679</u>	<u>3,900,843</u>	<u>2,553,375</u>	<u>1,264,247</u>
Difference(A-B)	<u>₩ 1,747,162</u>	<u>₩ 291,004</u>	<u>₩ 135,409</u>	<u>₩ 65,006</u>	<u>₩ 37,882</u>	<u>₩ 26,846</u>	<u>₩ 18,426</u>

Long-term Insurance

Accident year	Development year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
(In millions of Korean won)							
Estimate of gross ultimate claims (A)							
2015.1.1 ~ 2015.12.31 ...	₩ 885,476	₩ 1,219,394	₩ 1,256,051	₩ 1,266,881	₩ 1,270,967	₩ 1,273,615	₩ 1,275,520
2016.1.1 ~ 2016.12.31 ...	1,064,744	1,437,574	1,485,839	1,500,403	1,506,889	1,510,197	—
2017.1.1 ~ 2017.12.31 ...	1,184,224	1,614,903	1,670,929	1,689,768	1,695,477	—	—
2018.1.1 ~ 2018.12.31 ...	1,372,706	1,881,046	1,941,497	1,965,983	—	—	—
2019.1.1 ~ 2019.12.31 ...	1,626,481	2,229,830	2,297,861	—	—	—	—
2020.1.1 ~ 2020.12.31 ...	1,818,316	2,442,633	—	—	—	—	—
2021.1.1 ~ 2021.12.31 ...	2,124,582	—	—	—	—	—	—
	<u>10,076,529</u>	<u>10,825,380</u>	<u>8,652,177</u>	<u>6,423,035</u>	<u>4,473,333</u>	<u>2,783,812</u>	<u>1,275,520</u>
Gross cumulative claim payments(B)							
2015.1.1 ~ 2015.12.31 ...	836,472	1,205,130	1,248,475	1,262,528	1,269,557	1,272,648	1,274,908
2016.1.1 ~ 2016.12.31 ...	1,017,243	1,424,948	1,477,415	1,496,556	1,503,841	1,507,284	—
2017.1.1 ~ 2017.12.31 ...	1,130,868	1,599,227	1,662,978	1,683,997	1,692,323	—	—
2018.1.1 ~ 2018.12.31 ...	1,319,613	1,868,434	1,933,543	1,958,256	—	—	—
2019.1.1 ~ 2019.12.31 ...	1,574,696	2,211,717	2,288,023	—	—	—	—
2020.1.1 ~ 2020.12.31 ...	1,749,647	2,426,351	—	—	—	—	—
2021.1.1 ~ 2021.12.31 ...	2,057,154	—	—	—	—	—	—
	<u>9,685,693</u>	<u>10,735,807</u>	<u>8,610,434</u>	<u>6,401,337</u>	<u>4,465,721</u>	<u>2,779,932</u>	<u>1,274,908</u>
Difference(A-B)	<u>₩ 390,836</u>	<u>₩ 89,573</u>	<u>₩ 41,743</u>	<u>₩ 21,698</u>	<u>₩ 7,612</u>	<u>₩ 3,880</u>	<u>₩ 612</u>

38.5.6 Sensitivity analysis of insurance risk

The Group manages insurance risk by performing sensitivity analysis based on lapse ratio, loss ratio, expense ratio, discount rate, and others which are considered to have significant influence on future cash flow, timing, and uncertainty. Sensitivity analysis of insurance liabilities was conducted only in the unfavorable direction where additional insurance liabilities could be reserved as the surplus was sufficient as a result of the insurance liability adequacy test.

	December 31, 2020				
	Assumption change	Effect on			
		Base amount of LAT	Insurance liabilities	Profit before tax	Equity
(In millions of Korean won)					
Lapse ratio	+10%	₩ 351,205	₩ —	₩ —	₩ —
Loss ratio	+10%	5,203,896	—	—	—
Expense ratio	+10%	388,406	—	—	—
Discount rate	-0.5%p	2,097,400	—	—	—
	December 31, 2021				
	Assumption change	Effect on			
		Base amount of LAT	Insurance liabilities	Profit before tax	Equity

(In millions of Korean won)

Lapse ratio	+10%	₩ 337,969	₩ —	₩ —	₩ —
Loss ratio	+10%	6,065,429	—	—	—
Expense ratio	+10%	503,132	—	—	—
Discount rate	-0.5%p	1,985,421	—	—	—

38.5.7 Liquidity risk of insurance contracts

Liquidity risk arising from insurance contracts arises from the increase in refunds at maturity caused by concentrations of maturity, the excessive increase in surrender values caused by unexpected mass cancellation, and the increase in payments of claims caused by major accidents. The Group manages payment of refunds at maturity by analyzing remaining maturity of insurance contracts.

Maturity structure of premium reserve as of December 31, 2020 and 2021, as follows:

	December 31, 2020*					
	Up to 1 year	1-5 years	5-10 years	10-20 years	Over 20 years	Total
	(In millions of Korean won)					
Long-term insurance non-participating:						
Fixed interest type	₩ 70,782	₩ 191,570	₩ 78,092	₩ 51,216	₩ 175,387	₩ 567,047
Variable interest type . . .	663,210	2,304,298	1,937,621	845,404	14,716,753	20,467,286
	<u>733,992</u>	<u>2,495,868</u>	<u>2,015,713</u>	<u>896,620</u>	<u>14,892,140</u>	<u>21,034,333</u>
Annuity:						
Fixed interest type	5	717	2,203	3,817	738	7,480
Variable interest type . . .	242	83,568	390,516	1,301,383	2,195,244	3,970,953
	<u>247</u>	<u>84,285</u>	<u>392,719</u>	<u>1,305,200</u>	<u>2,195,982</u>	<u>3,978,433</u>
Total:						
Fixed interest type	70,787	192,287	80,295	55,033	176,125	574,527
Variable interest type . . .	663,452	2,387,866	2,328,137	2,146,787	16,911,997	24,438,239
	<u>₩ 734,239</u>	<u>₩ 2,580,153</u>	<u>₩ 2,408,432</u>	<u>₩ 2,201,820</u>	<u>₩ 17,088,122</u>	<u>₩ 25,012,766</u>
	(In millions of Korean won)					
Long-term insurance non-participating:						
Fixed interest type	₩ 121,988	₩ 64,730	₩ 77,880	₩ 59,042	₩ 324,259	₩ 647,899
Variable interest type . . .	959,348	1,958,267	1,536,690	919,726	16,123,312	21,497,343
	<u>1,081,336</u>	<u>2,022,997</u>	<u>1,614,570</u>	<u>978,768</u>	<u>16,447,571</u>	<u>22,145,242</u>
Annuity:						
Fixed interest type	—	820	2,134	3,813	532	7,299
Variable interest type . . .	252	103,419	407,556	1,324,916	2,121,076	3,957,219
	<u>252</u>	<u>104,239</u>	<u>409,690</u>	<u>1,328,729</u>	<u>2,121,608</u>	<u>3,964,518</u>
Total:						
Fixed interest type	121,988	65,550	80,014	62,855	324,791	655,198
Variable interest type . . .	959,600	2,061,686	1,944,246	2,244,642	18,244,388	25,454,562
	<u>₩ 1,081,588</u>	<u>₩ 2,127,236</u>	<u>₩ 2,024,260</u>	<u>₩ 2,307,497</u>	<u>₩ 18,569,179</u>	<u>₩ 26,109,760</u>

* Includes long-term investment contracts liabilities classified as investment contracts amounting to ₩106,853 million and ₩31,081 million, as of December 31, 2020 and 2021, respectively.

38.5.8 Credit risk of insurance contract

Credit risk of an insurance contract refers to economic losses in which the reinsurer, the counterparty, is unable to fulfil its contract obligations due to a decline in credit ratings or default or others. Through an internal review, only the insurers rated BBB- or higher of S&P rating or corresponding rating are selected as reinsurance companies.

Concentration and credit ratings for top three reinsurance companies as of December 31, 2021, are as follows:

<u>Reinsurance company</u>	<u>Ratio</u>	<u>Credit rating</u>
KOREAN RE	38.65%	AA
MUNICH RE	5.75%	AAA
ALLIANZGLOBAL	5.67%	AAA

Exposures to credit risk related to reinsurance as of December 31, 2020 and 2021 as follows:

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
	<u>(In millions of Korean won)</u>	
Reinsurance assets ¹	₩1,199,354	₩1,342,615
Receivables from reinsurers ²	252,064	377,619
	<u>₩1,451,418</u>	<u>₩1,720,234</u>

¹ Net carrying amount after impairment losses

² Net carrying amount after allowances for credit losses

38.5.9 Interest rate risk of insurance contract

Interest rate risk exposure from the Group's insurance contracts is the risk of unexpected losses due to the fluctuations of net interest income or net assets arising from changes in interest rate and it is managed to minimize unexpected losses. The Group calculates exposure to interest-bearing assets and interest-bearing liabilities for long-term, non-life insurance contracts. Liabilities exposure is premium reserve less surrender charge plus unearned premium reserve. Assets exposure is interest-bearing assets and assets that generate only fees without interest income are excluded from interest-bearing assets. Exposures to interest rate risk as of December 31, 2020 and 2021, are as follows:

38.5.9.1 Exposure to interest rate risk

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
	<u>(In millions of Korean won)</u>	
Interest-bearing liabilities		
Fixed interest rate type	₩ 501,147	₩ 489,399
Variable interest rate type	23,213,667	24,246,760
	<u>₩23,714,814</u>	<u>₩24,736,159</u>
Interest-bearing assets		
Due from financial institutions measured at amortized cost and cash equivalents	₩ 160,249	₩ 81,806
Financial assets at fair value through profit or loss	3,823,603	3,863,978
Financial assets at fair value through other comprehensive income	3,983,567	4,488,443
Securities measured at amortized cost	8,700,196	8,514,272
Loans measured at amortized cost	6,271,484	6,433,839
	<u>₩22,939,099</u>	<u>₩23,382,338</u>

38.5.9.2 Measurement and recognition method

Duration is used to measure interest rate risk within a risk-based solvency test. The internal model system is utilized to manage interest rate risk internally. In addition, the Risk Management Committee sets asset allocation strategies every year to manage interest rate risk.

38.5.9.3 Sensitivity to changes in interest rate

Interest rate sensitivity is measured and managed by duration. Generally, when interest rate rises, the value and duration of assets and liabilities decrease, and when interest rate falls, the value and duration of assets and liabilities increase. If the duration of assets is shorter than that of liabilities, interest rate risk increases since the incremental portion of liabilities exceeds that of assets when interest rate falls.

38.5.9.4 Negative margin risk control

In order to manage negative margin risk between interest expenses on liabilities and investment income on invested assets, the Group determines the applied interest rate for premium calculation, the minimum guaranteed interest rate, and the disclosed interest rate by fully considering the market interest rate and the Group's investment yield. It is set in accordance with the interest rate guideline set by the risk management department every year, and the set applicable interest rate and minimum guaranteed interest rate are determined with the approval of the Risk Management Committee.

38.6 Risk Management of KB Life Insurance Co., Ltd.

38.6.1 Overview of insurance risk

Insurance risk is the risk that arises from a primary operation of insurance companies that is associated with underwriting of insurance contracts and payment of claims and refers to the possibility of losses that may occur because the risk at the time of claim payment is greater than the risk expected at the time of underwriting. Insurance risk can be divided into insurance price risk and policy reserve risk.

Insurance price risk is the possibility of loss due to the differences between actual payment of claims and premiums received from policyholders. Policy reserve risk is possibility of loss due to the differences between policy reserve and actual claims to be paid in the future. Therefore, losses are recognized if actual claims are more than policy reserve.

Life insurance company measures only insurance price risk under RBC requirement because life insurance claim payments are mainly in a fixed amount with less volatility and the period from insured event to claim payments is not long, therefore benefit of measurement of policy reserve risk is low.

38.6.2 Concentration of insurance risk and reinsurance policy

The Group is using reinsurance to mitigate the concentration of insurance risk and increase capital management efficiency using advanced techniques. The reinsurance guidelines are operated separately into individual contracts and group contracts, and reinsurance is ceded through the following process:

- (a) In the decision-making process of launching a new product, the Group decides on ceding reinsurance. Subsequently, the Group selects the reinsurer through bidding, and decides whether to reinsure or not through agreements with the relevant departments, and final approval by executive of department in charge.
- (b) The reinsurance department analyzes the object of reinsurance, the maximum limit of reinsurance, and the loss ratio through consultation with the relevant departments.

38.6.3 Characteristic and exposure to insurance price risk

The exposure to insurance price risk is measured as the risk retained premium for all insurance contracts based on the track record for one year up to reference date of calculation. The risk retained premium is measured by adding assumed risk reinsurance premium to direct risk premium and deducting ceded risk reinsurance premium. If the risk retained premium is less than zero, the exposure to insurance price risk is measured as zero.

Insurance risk of a life insurance company is mainly measured by insurance price risk. Policy reserve risk is managed by liability adequacy test because the life insurance claim payments are mainly in a fixed amount with less volatility and the period from insured event to claim payments is not long. Insurance price risk is managed through insurance risk management regulation established by the Risk Management Committee.

Maximum exposures to insurance price risk as of December 31, 2020 and 2021, are as follows:

	December 31, 2020		December 31, 2021	
	Before reinsurance mitigation	After reinsurance mitigation	Before reinsurance mitigation	After reinsurance mitigation
	(In millions of Korean won)			
Death	₩ 13,509	₩ 10,409	₩ 14,977	₩ 11,976
Disability	672	349	586	296
Hospitalization	1,213	787	1,124	730
Operation and diagnosis	4,809	1,783	5,088	1,110
Actual medical expense	1,095	23	1,194	262
Others	1,045	474	972	316
	<u>₩ 22,343</u>	<u>₩ 13,825</u>	<u>₩ 23,941</u>	<u>₩ 14,690</u>

Average ratios of claims paid to risk premium received for the preceding three years based on exposure before risk mitigation as of December 31, 2020 and 2021, are 65.1% and 63.0%, respectively.

Exposures to market risk arising from embedded derivatives included in host insurance contracts as of December 31, 2020 and 2021, are as follows:

	December 31, 2020		December 31, 2021	
	Policyholders' reserve*	Guarantee reserve	Policyholders' reserve*	Guarantee reserve
	(In millions of Korean won)			
Variable annuity	₩ 490,551	₩ 2,782	₩ 611,283	₩ 3,014
Variable universal	90,337	2,515	78,689	2,768
Variable saving	720,197	504	556,196	393
	<u>₩1,301,085</u>	<u>₩ 5,801</u>	<u>₩1,246,168</u>	<u>₩ 6,175</u>

* Excludes the amount of the lapsed insurance reserve.

38.6.4 Assumptions used in measuring insurance liabilities

The Group continues to apply estimated ratio defined in the premium and policy reserve calculation manual, as prescribed by the Insurance Business Act and the Regulations on Supervision of Insurance Business when measuring insurance liabilities at every reporting period. However, in the case of variable interest type insurance, adjusted interest rate reflecting the external index interest rate according to Article 6-12 of the Regulations on Supervision of Insurance Business and disclosed interest rate reflecting the rate of return on managed assets stated in the premium and policy reserve calculation manual are used.

Reserve amount should be equal to or more than the standard reserve which is calculated using the standard interest rate and standard risk ratio as prescribed by the Enforcement Rules of the Insurance Business Act and the Regulations on Supervision of Insurance Business.

38.6.5 Maturity structure of premium reserve and unearned premium reserve as of December 31, 2020 and 2021, as follows:

	December 31, 2020						Total
	Up to 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	
	(In millions of Korean won)						
Premium reserve . . .	₩739,485	₩350,639	₩605,931	₩412,563	₩451,074	₩4,770,046	₩7,329,738
Unearned premium reserve	162	—	23	1	—	6,291	6,477
	December 31, 2021						Total
	Up to 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	
	(In millions of Korean won)						
Premium reserve . . .	₩651,638	₩285,623	₩578,102	₩386,515	₩545,270	₩5,403,252	₩7,850,400
Unearned premium reserve	156	—	24	—	—	5,763	5,943

38.6.6 Sensitivity analysis of insurance risk

The Group manages insurance risk by performing sensitivity analysis based on lapse ratio, claim ratio, expense ratio, discount rate, and others which are considered to have significant influence on future cash flow, timing, and uncertainty. Sensitivity analysis of insurance liabilities was conducted only in the unfavorable direction where additional insurance liabilities could be reserved as the surplus was sufficient as a result of the insurance liability adequacy test.

	December 31, 2020				
	Assumption change	Effect on			
Base amount of LAT		Insurance liabilities	Profit before tax	Equity	
	(In millions of Korean won)				
Lapse ratio	+10% ₩ 51,370	₩ —	₩ —	₩ —	₩ —
Claim ratio	+10% 31,020	—	—	—	—
Expense ratio	+10% 33,616	—	—	—	—
Discount rate	-0.5%p 511,913	—	—	—	—
	December 31, 2021				
	Effect on				
Assumption change	Base amount of LAT	Insurance liabilities	Profit before tax	Equity	
	(In millions of Korean won)				
Lapse ratio	+10% ₩ 82,811	₩ —	₩ —	₩ —	₩ —
Claim ratio	+10% 50,899	—	—	—	—
Expense ratio	+10% 53,511	—	—	—	—
Discount rate	-0.5%p 482,638	—	—	—	—

38.7 Risk Management of Prudential Life Insurance Company of Korea Ltd.

38.7.1 Overview of insurance risk

Insurance risk is the risk that arises from a primary operation of insurance companies that is associated with underwriting of insurance contracts and payment of claims and refers to the possibility of losses that may occur because the risk at the time of claim payment is greater than the risk expected at the time of underwriting. Insurance risk can be divided into insurance price risk and policy reserve risk.

Insurance price risk is the possibility of loss due to the differences between actual payment of claims and premiums received from policyholders.

Policy reserve risk is possibility of loss due to the differences between policy reserve and actual claims to be paid in the future. Therefore, losses are recognized if actual claims are more than policy reserve.

Life insurance company measures mainly insurance price risk and manages policy reserve risk using liability adequacy test because life insurance claim payments are mainly in a fixed amount with less volatility and the period from insured event to claim payments is not long.

38.7.2 Insurance risk management

The Group considers insurance risk inherent in products from the time of product development and continues to measure and mitigate insurance risk in various ways after launch. Insurance risk related to death and illness are mitigated through reinsurance, and the Group selects an appropriate reinsurer based on credit risk and determines the appropriate level of insurance risk exposure for each reinsurer prior to entering into a contract with the reinsurer. The Group manages insurance risk through voluntary reinsurance for the amount in excess of the predetermined insurance risk retention limit.

In addition, the Group monitors the loss ratio, effect of selection, and others every quarter, measures risks through an internal model, and reports the results to the Risk Management Committee.

38.7.3 Exposure to insurance price risk

The exposure to insurance price risk is measured as the risk retained premium for all insurance contracts based on the track record for one year up to reference date of calculation. The risk retained premium is measured by adding assumed risk reinsurance premium to direct risk premium and deducting ceded risk reinsurance premium. If the risk retained premium is less than zero, the exposure to insurance price risk is measured as zero.

Maximum exposures to insurance price risk as of December 31, 2020 and 2021, are as follows:

	December 31, 2020		December 31, 2021	
	Before reinsurance mitigation	After reinsurance mitigation	Before reinsurance mitigation	After reinsurance mitigation
	(In millions of Korean won)			
Death	₩ 244,975	₩ 240,121	₩ 253,325	₩ 250,045
Disability	10,485	9,964	10,331	10,230
Hospitalization	33,321	33,321	34,194	34,194
Operation and diagnosis	77,820	76,530	81,429	79,850
	<u>₩ 366,601</u>	<u>₩ 359,936</u>	<u>₩ 379,279</u>	<u>₩ 374,319</u>

38.7.4 Details of the ceded reinsurance premiums by credit rating of reinsurer for the years ended December 31, 2020 and 2021, are as follows:

	2020		2021	
	Ceded reinsurance premium	Proportion (%)	Ceded reinsurance premium	Proportion (%)
	(In millions of Korean won)			
AA- or higher	₩ 6,444	100.00	₩ 5,223	100.00
A+ ~ A-	—	—	—	—
BBB+ or lower	—	—	—	—
Others	—	—	—	—
	<u>₩ 6,444</u>	<u>100.00</u>	<u>₩ 5,223</u>	<u>100.00</u>

38.7.5 Assumptions used in measuring insurance liabilities

The Group continues to apply estimated ratio defined in the premium and policy reserve calculation manual, as prescribed by the Insurance Business Act and the Regulations on Supervision of Insurance Business when measuring insurance liabilities at every reporting period. However, in the case of variable interest type insurance, adjusted interest rate reflecting the external index interest rate according to Article 6-12 of the Regulations on Supervision of Insurance Business and disclosed interest rate reflecting the rate of return on managed assets stated in the premium and policy reserve calculation manual are used.

Reserve amount should be equal to or more than the standard reserve which is calculated using the standard interest rate and standard risk ratio as prescribed by the Enforcement Rules of the Insurance Business Act and the Regulations on Supervision of Insurance Business.

38.7.6 Liquidity risk of insurance contracts

Liquidity risk arising from insurance contracts arises from the increase in refunds at maturity caused by concentrations of maturity, the excessive increase in surrender values caused by unexpected mass cancellation, and the increase in payments of claims caused by major accidents. The Group manages payment of refunds at maturity by analyzing remaining maturity of insurance contracts.

Maturity structure of premium reserve and unearned premium reserve as of December 31, 2020 and 2021, are as follows:

	December 31, 2020						Total
	Up to 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	
	(In millions of Korean won)						
Premium reserve . . .	₩48,807	₩37,502	₩139,973	₩215,470	₩418,684	₩12,376,772	₩13,237,208
Unearned premium reserve	31	16	58	51	77	3,633	3,866
	December 31, 2021						Total
	Up to 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	
	(In millions of Korean won)						
Premium reserve . . .	₩39,578	₩40,894	₩154,062	₩237,021	₩528,373	₩13,122,197	₩14,122,125
Unearned premium reserve	31	15	50	51	65	4,092	4,304

38.7.7 Sensitivity analysis of insurance risk

The Group manages insurance risk by performing sensitivity analysis based on lapse ratio, claim ratio, expense ratio, discount rate, and others which are considered to have significant influence on future cash flow, timing, and uncertainty. Sensitivity analysis of insurance liabilities was conducted only in the unfavorable direction where additional insurance liabilities could be reserved as the surplus was sufficient as a result of the insurance liability adequacy test.

	December 31, 2020				
	Assumption change	Effect on			
		Base amount of LAT	Insurance liabilities	Profit before tax	Equity
(In millions of Korean won)					
Lapse ratio	+10%	₩ 158,219	₩ —	₩ —	₩ —
Claim ratio	+10%	719,689	—	—	—
Expense ratio	+10%	213,675	—	—	—
Discount rate	-0.5%p	1,687,116	—	—	—

	December 31, 2021				
	Assumption change	Effect on			
		Base amount of LAT	Insurance liabilities	Profit before tax	Equity
(In millions of Korean won)					
Lapse ratio	+10%	₩ 114,427	₩ —	₩ —	₩ —
Claim ratio	+10%	571,446	—	—	—
Expense ratio	+10%	157,924	—	—	—
Discount rate	-0.5%p	1,563,571	—	—	—

38.8 Application of the Overlay Approach

Upon initial application of IFRS No.9, the Group applied the overlay approach in accordance with IFRS No.4.

38.8.1 Details of financial assets subject to the overlay approach as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
(In millions of Korean won)		
Financial assets at fair value through profit or loss:		
Due from financial institutions	₩ 70,312	₩ 80,179
Debt securities	7,363,457	8,023,999
Equity securities	305,337	239,426
	<u>₩7,739,106</u>	<u>₩8,343,604</u>

38.8.2 Changes in net gains on overlay adjustment for the years ended December 31, 2020 and 2021, are as follows:

	2020	2021
(In millions of Korean won)		
Beginning	₩ 187,077	₩ 339,202
Recognition of other comprehensive income due to acquisition and valuation	177,500	185,906
Reclassification to profit or loss due to disposal	(25,375)	(65,624)
Ending	<u>₩ 339,202</u>	<u>₩ 459,484</u>

39. Statement of Cash Flows

39.1 Details of cash and cash equivalents as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Cash	₩ 2,560,970	₩ 2,496,941
Checks issued by other banks	327,781	150,047
Due from the Bank of Korea	12,340,532	17,579,643
Due from other financial institutions	10,379,559	10,782,743
	<u>25,608,842</u>	<u>31,009,374</u>
Due from financial institutions measured at fair value through profit or loss ...	100,094	200,743
	<u>25,708,936</u>	<u>31,210,117</u>
Deduction:		
Restricted due from financial institutions	(15,303,363)	(20,754,706)
Due from financial institutions with original maturities over three months	(1,720,481)	(1,346,951)
	<u>(17,023,844)</u>	<u>(22,101,657)</u>
	<u>₩ 8,685,092</u>	<u>₩ 9,108,460</u>

39.2 Significant non-cash transactions for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021
	(In millions of Korean won)		
Write-offs of loans	₩1,188,584	₩1,283,071	₩1,086,296
Changes in financial investments due to debt-for-equity swap	104,815	13,820	327
Changes in accumulated other comprehensive income from valuation of financial instruments at fair value through other comprehensive income	35,490	496,159	507,175
Changes in accumulated other comprehensive income from valuation of investments in associates	7,695	(6,978)	165
Reclassification to assets of a disposal group held for sale	—	—	171,749

39.3 Cash inflows and outflows from income tax, interest, and dividends for the years ended December 31, 2019, 2020 and 2021, are as follows:

	Activities	2019	2020	2021
		(In millions of Korean won)		
Income tax paid	Operating	₩ 1,223,084	₩ 1,119,252	₩ 1,586,750
Interest received	Operating	14,936,705	14,986,532	15,152,796
Interest paid	Operating	5,365,595	5,266,158	4,062,469
Dividends received	Operating	185,846	187,699	290,089
Dividends paid	Financing	766,249	883,952	1,053,416

39.4 Changes in liabilities arising from financing activities for the years ended December 31, 2020 and 2021, are as follows:

		2020						
		Non-cash changes						
Beginning	Net cash flows	Acquisition (disposal)	Exchange differences	Changes in fair value	Subsidiaries	Others	Ending	
(In millions of Korean won)								
Derivatives held for hedging * . . .	₩ 187,101	₩ (16,202)	—	₩(102,347)	₩ 10,553	₩ 1,166	₩(137,467)	₩ (57,196)
Borrowings . . .	88,754,443	22,627,875	—	(217,461)	(591,619)	2,131,517	(116,912)	112,587,843
Due to trust accounts . . .	5,216,460	2,326,495	—	—	—	—	—	7,542,955
Non-controlling interests	585,407	(25,658)	—	250,904	—	—	47,130	857,783
Others	868,556	(63,065)	236,860	11	—	—	(23,287)	1,019,075
	<u>₩ 95,611,967</u>	<u>₩24,849,445</u>	<u>₩236,860</u>	<u>₩ (68,893)</u>	<u>₩(581,066)</u>	<u>₩2,132,683</u>	<u>₩(230,536)</u>	<u>₩121,950,460</u>
		2021						
		Non-cash changes						
Beginning	Net cash flows	Acquisition (disposal)	Exchange differences	Changes in fair value	Subsidiaries	Others	Ending	
(In millions of Korean won)								
Derivatives held for hedging * . . .	₩ (57,196)	₩ 5,870	—	₩ 246,352	₩ (70,225)	—	₩(150,084)	₩ (25,283)
Borrowings . . .	112,587,843	11,579,036	—	630,913	(115,440)	(329,512)	(10,278)	124,342,562
Due to trust accounts . . .	7,542,955	(509,106)	—	—	—	—	—	7,033,849
Non-controlling interests	857,783	(24,145)	—	—	—	1,994	(2,294)	833,338
Others	1,019,075	(319,074)	166,336	119	—	—	119,398	985,854
	<u>₩121,950,460</u>	<u>₩10,732,581</u>	<u>₩166,336</u>	<u>₩ 877,384</u>	<u>₩(185,665)</u>	<u>₩ (327,518)</u>	<u>₩ (43,258)</u>	<u>₩133,170,320</u>

* Derivatives held for hedging purposes are the net amount after offsetting liabilities and assets.

39.5 The net cash flow associated with the changes in the subsidiaries for the years ended December 31, 2020 and 2021 are ₩ 1,951,245 million of cash outflow and ₩ 374,992 million of cash inflow, respectively.

40. Contingent Liabilities and Commitments

40.1 Details of acceptances and guarantees as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Confirmed acceptances and guarantees		
Confirmed acceptances and guarantees in Korean won:		
Acceptances and guarantees for KB purchasing loan	₩ 144,457	₩ 136,914
Others	1,048,848	817,470
	<u>1,193,305</u>	<u>954,384</u>
Confirmed acceptances and guarantees in foreign currencies:		
Acceptances of letter of credit	221,422	523,037
Letter of guarantees	45,693	83,089
Bid bond	72,037	18,874
Performance bond	703,826	855,247
Refund guarantees	801,445	874,173
Others	3,072,099	2,505,353
	<u>4,916,522</u>	<u>4,859,773</u>
Financial guarantee contracts:		
Acceptances and guarantees for issuance of debentures	10,040	5,040
Acceptances and guarantees for mortgage	89,302	51,053
Overseas debt guarantees	410,470	428,109
International financing guarantees in foreign currencies	197,097	132,114
Others	50,950	50,950
	<u>757,859</u>	<u>667,266</u>
	<u>6,867,686</u>	<u>6,481,423</u>
Unconfirmed acceptances and guarantees		
Guarantees of letter of credit	2,094,989	3,551,767
Refund guarantees	344,112	833,765
	<u>2,439,101</u>	<u>4,385,532</u>
	<u>₩9,306,787</u>	<u>₩10,866,955</u>

40.2 Credit qualities of acceptances and guarantees as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-impaired	Impaired	
(In millions of Korean won)				
Confirmed acceptances and guarantees				
Grade 1	₩ 4,377,798	₩ 1,119	₩ —	₩ 4,378,917
Grade 2	2,269,455	47,438	—	2,316,893
Grade 3	27,588	85,321	—	112,909
Grade 4	14,925	33,440	501	48,866
Grade 5	—	453	9,648	10,101
	<u>6,689,766</u>	<u>167,771</u>	<u>10,149</u>	<u>6,867,686</u>
Unconfirmed acceptances and guarantees				
Grade 1	1,422,528	771	—	1,423,299
Grade 2	912,209	28,506	—	940,715
Grade 3	11,399	23,069	—	34,468
Grade 4	2,369	29,934	—	32,303
Grade 5	—	589	7,727	8,316
	<u>2,348,505</u>	<u>82,869</u>	<u>7,727</u>	<u>2,439,101</u>
	<u>₩ 9,038,271</u>	<u>₩ 250,640</u>	<u>₩ 17,876</u>	<u>₩ 9,306,787</u>
December 31, 2021				
	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-impaired	Impaired	
(In millions of Korean won)				
Confirmed acceptances and guarantees				
Grade 1	₩ 4,532,747	₩ 838	₩ —	₩ 4,533,585
Grade 2	1,594,714	32,567	—	1,627,281
Grade 3	105,691	46,174	—	151,865
Grade 4	7,722	149,785	214	157,721
Grade 5	—	774	10,197	10,971
	<u>6,240,874</u>	<u>230,138</u>	<u>10,411</u>	<u>6,481,423</u>
Unconfirmed acceptances and guarantees				
Grade 1	3,083,636	3,391	—	3,087,027
Grade 2	998,204	39,224	—	1,037,428
Grade 3	12,039	34,797	—	46,836
Grade 4	11,925	195,794	—	207,719
Grade 5	—	138	6,384	6,522
	<u>4,105,804</u>	<u>273,344</u>	<u>6,384</u>	<u>4,385,532</u>
	<u>₩ 10,346,678</u>	<u>₩ 503,482</u>	<u>₩ 16,795</u>	<u>₩ 10,866,955</u>

40.3 Classifications of acceptances and guarantees by counterparty as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
	(In millions of Korean won)			
Large companies	₩5,538,003	₩1,770,235	₩ 7,308,238	78.53
Small and medium-sized companies	695,860	459,487	1,155,347	12.41
Public sector and others	633,823	209,379	843,202	9.06
	<u>₩6,867,686</u>	<u>₩2,439,101</u>	<u>₩ 9,306,787</u>	<u>100.00</u>

	December 31, 2021			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
	(In millions of Korean won)			
Large companies	₩5,431,921	₩3,377,150	₩ 8,809,071	81.06
Small and medium-sized companies	820,327	657,073	1,477,400	13.60
Public sector and others	229,175	351,309	580,484	5.34
	<u>₩6,481,423</u>	<u>₩4,385,532</u>	<u>₩10,866,955</u>	<u>100.00</u>

40.4 Classifications of acceptances and guarantees by industry as of December 31, 2020 and 2021, are as follows:

	December 31, 2020			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
	(In millions of Korean won)			
Financial institutions	₩ 632,947	₩ 5,871	₩ 638,818	6.86
Manufacturing	2,992,319	1,285,530	4,277,849	45.96
Service	920,352	89,457	1,009,809	10.85
Wholesale and retail	1,086,772	891,619	1,978,391	21.26
Construction	411,601	14,488	426,089	4.58
Public sector	104,925	103,285	208,210	2.24
Others	718,770	48,851	767,621	8.25
	<u>₩6,867,686</u>	<u>₩2,439,101</u>	<u>₩ 9,306,787</u>	<u>100.00</u>

	December 31, 2021			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
	(In millions of Korean won)			
Financial institutions	₩ 385,761	₩ 10,114	₩ 395,875	3.64
Manufacturing	2,742,224	2,979,232	5,721,456	52.65
Service	676,440	38,920	715,360	6.58
Wholesale and retail	1,603,085	999,416	2,602,501	23.95
Construction	317,946	38,260	356,206	3.28
Public sector	28,257	99,841	128,098	1.18
Others	727,710	219,749	947,459	8.72
	<u>₩6,481,423</u>	<u>₩4,385,532</u>	<u>₩10,866,955</u>	<u>100.00</u>

40.5 Details of commitments as of December 31, 2020 and 2021, are as follows:

	December 31, 2020	December 31, 2021
(In millions of Korean won)		
Commitments		
Corporate loan commitments	₩ 40,253,100	₩ 45,767,502
Retail loan commitments	46,450,857	47,080,416
Credit line of credit cards	65,325,863	70,534,719
Purchase of other securities	7,104,163	6,835,506
	<u>159,133,983</u>	<u>170,218,143</u>
Financial guarantee contracts		
Credit line	3,522,809	5,729,798
Purchase of securities	683,800	495,400
	<u>4,206,609</u>	<u>6,225,198</u>
	<u>₩163,340,592</u>	<u>₩176,443,341</u>

40.6 Other Matters (including litigation)

a) The Group has 126 pending lawsuits as a plaintiff (excluding simple lawsuits related to the collection or management of loans), with aggregate claims amount of ₩578,033 million, and 264 pending lawsuits as a defendant (excluding simple lawsuits related to the collection or management of loans) with aggregate claims amount of ₩533,573 million, which arose in the normal course of the business, as of December 31, 2021. Details of major pending lawsuits in which the Group is a defendant are as follows:

(In number of cases, in millions of Korean won)

Company	Lawsuits	No. of cases	Amount	Description of the lawsuits	Status of the lawsuits
Kookmin Bank	Request for a return of redemption amount	1	₩ 48,068	Kookmin Bank invested the assets entrusted by OO Asset Management and OO Investment Trust Management in the Fairfield Sentry Limited, and Fairfield Sentry Limited reinvested the assets in Bernard L. Madoff Investment Securities LLC managed by Bernard Madoff (Bernard L. Madoff Investment Securities LLC is in the liquidation process due to Ponzi scheme fraud-related losses). Bankruptcy trustee of Bernard L. Madoff Investment Securities LLC filed a lawsuit against Kookmin Bank seeking to return the amount of redemptions received by Kookmin Bank through Fairfield Sentry Limited.	Application for dismissal by the defendant has been denied, and further proceedings are scheduled. [Related litigation is in progress at the New York Southern District Federal Bankruptcy Court (10-3777) at the written complaint review stage]

<u>Company</u>	<u>Lawsuits</u>	<u>No. of cases</u>	<u>Amount</u>	<u>Description of the lawsuits</u>	<u>Status of the lawsuits</u>
	Confirm the absence of debt	1	96,200	Galamat-Art LLP is a joint guarantor of the PF loan for the ‘Kazakhstan Almaty City Complex Development Project’ in which Kookmin Bank Co., Ltd. participated as a lender. OO Bank, the agent bank of the lending group, filed a provisional seizure and a lawsuit on the merits of the guarantee debt to the local court against Galamat-Art LLP. And Galamat-Art LLP filed a counterclaim against the lenders, including Kookmin Bank, to confirm the absence of debt denying the joint guarantee obligation.	Decision in the first trial on December 29, 2021. Won both lawsuits on the merits and counterclaim. Galamat-Art LLP lodged an appeal.
KB Securities Co., Ltd.	Request for a return of transaction amount (Australian fund)	1	100,000	The plaintiffs OOOO Securities and OOOO Life Insurance filed lawsuits, claiming that the KB Securities Co., Ltd. provided false information on major matters in the product description while selling JB Australia NDIS Private Fund No.1 (on April 25, 2019, plaintiffs invested ₩50 billion each) (a) (Primary claim) requesting KB Securities Co., Ltd. to return unjust enrichment of ₩100 billion for cancelation of sales contracts of beneficiary certificates due to an error or termination of the contract due to default, (b) (Secondary claim) requesting for compensation for damages in investments amounting to ₩100 billion due to violation of the investor protection obligation and fraudulent transactions of KB Securities Co., Ltd. and OOO Asset Management.	First trial is in progress (The 4th pleading is scheduled for March 22, 2022).

b) Kookmin Bank has entered into an agreement with PT Bosowa Corporindo, a major shareholder of PT Bank KB Bukopin Tbk. Under this agreement, Kookmin Bank and PT Bosowa Corporindo have a right of first refusal and a tag-along right. In addition, Kookmin Bank can exercise its drag-along right for two years from the time three years have elapsed since the acquisition date (July 27, 2018) in certain cases, such as violation of the agreement between shareholders.

c) In June 2013, KB Kookmin Card Co., Ltd. had an accident in which cardholders’ personal information was stolen (hereinafter referred to as “accident”) due to illegal activities by employees of personal credit information company in charge of development of the system upgrading to prevent fraudulent use of credit card. As a result, KB Kookmin Card Co., Ltd. was notified by the Financial Services Commission of the suspension of some new business for 3 months as of February 16, 2014. In respect of the accident, the Group faces 2 legal claims filed as a defendant, with an aggregate claim amount of ₩108 million as of December 31, 2020 and 2021. The Group takes out the personal information protection liability insurance as of December 31, 2021.

d) As of December 31, 2021, the Group is not able to dispose, transfer or collateralize the shares or rights of shares of KB KOLAO Leasing Co., Ltd. (“joint-venture lease company”) to a third party without the written consent of both KB Kookmin Card Co., Ltd. and LVMC Holdings (formerly Kolao Holdings), for five years (the restriction period for the disposal of its equity) after February 8, 2017. However, KB Kookmin Card Co., Ltd. and KB Capital Co., Ltd. may transfer all or part of their shares in the joint-venture lease company to affiliates of KB Financial Group Inc. who agree to comply with all the terms and conditions of this agreement on the establishment and operation of the joint-venture lease company and agree to succeed their responsibility for the joint-venture lease company. Meanwhile, KB KOLAO Leasing Co., Ltd. is selling LVMC Holdings (formerly Kolao Holdings) allied receivables that are overdue by three months or more to Lanexang Leasing Co., Ltd. in accordance with the agreement.

e) As of December 31, 2021, KB Capital Co., Ltd. and PT Sunindo Primasura are required to hold the shares of PT Sunindo Kookmin Best Finance for five years after May 18, 2020, when the purchase of shares was completed. If one party is going to sell all or part of the shares, provide them as collateral, trade or dispose of them, it should give the opportunity to exercise preemption to the other party by providing written proposal including transfer price, payment method, and others. Meanwhile, the shareholders of PT Sunindo Kookmin Best Finance shall cause PT Sunindo Kookmin Best Finance, starting on the first financial year after the third year with distributable profits, whether continuous or cumulative, to pay the dividend to the shareholders in the maximum amount of 20% from net profit after tax in the respective financial year.

f) KB Securities Co., Ltd., as a sales agency, sold ₩326,500 million of private equity funds and trusts, which loans to corporations (borrower) that invest in apartment rental businesses for the disabled in Australia, to individuals and institutional investors. However, management of the fund is impossible due to the breach of contract by local borrowers in Australia, therefore there is a possibility of losses of principal to these funds subscribers. In this regard, there are three lawsuits in which the Group is a defendant as of December 31, 2021. There is a possibility that additional lawsuits will be filed in the future, but the magnitude and final outcome of the lawsuit are unpredictable.

g) In relation to Lime Asset Management, KB Securities Co., Ltd. has a PIS (Portfolio Index Swap) contract, as of December 31, 2021, associated with ‘Lime Thetis Qualified Investor Private Investment Trust No.2’ and ‘Lime Pluto FI Qualified Investor Private Investment Trust No.D-1’ whose redemption were suspended during the fourth quarter of 2019. The notional amount of the underlying assets of the PIS contract is ₩191,500 million. Meanwhile, the Group sold ₩68,100 million of feeder funds of aforementioned redemption-suspended funds. On October 20, 2020, Lime Asset Management’s license as a fund manager was revoked by the Financial Supervisory Service’s sanctions review committee, and most of its redemption-suspended funds and normal funds have been transferred to Wellbridge Asset Management (the bridge management company) to continue to collect and distribute investments. It is difficult to predict whether and when the aforementioned redemption-suspended funds will be redeemed. In this regard, KB Securities Co., Ltd. faces one claim filed as a defendant as of December 31, 2021. The Group has accounted for the estimated loss due to the possibility of additional lawsuits in the future as a provision for litigations.

h) The proliferation of COVID-19 has had a negative impact on the global economy, which may have an impact on the expected credit losses and potential impairment of assets in a particular portfolio, and it could negatively affect the revenue generation capability of the Group as follows:

- There is a possibility of uncertainty about the credit risk of a borrower that could be affected by COVID-19.
- Uncertainty may arise about forward-looking macroeconomic information related to expected credit losses.

- Korean won may depreciate against major foreign currencies. This may result in an increase in principal and interest payments on liabilities denominated in foreign currencies, and losses on foreign exchange transactions.
- A significant decrease in the fair value of the Group's investment in an entity that could be affected by COVID-19 pandemic can occur.

Meanwhile, the impact on expected credit losses related to COVID-19 is described in Note 11.1 Changes in allowances for credit losses of loans and Note 24.2 Changes in provisions for credit losses of unused loan commitments, and acceptances and guarantees.

41. Subsidiaries

41.1 Details of major consolidated subsidiaries as of December 31, 2021, are as follows:

Investor	Investee	Ownership (%)	Location	Date of financial statements	Industry
KB Financial Group Inc.	Kookmin Bank	100.00	Korea	Dec. 31	Banking and foreign exchange transaction
	KB Securities Co., Ltd.	100.00	Korea	Dec. 31	Financial investment
	KB Insurance Co., Ltd.	100.00	Korea	Dec. 31	Non-life insurance
	KB Kookmin Card Co., Ltd.	100.00	Korea	Dec. 31	Credit card and installment financing
	Prudential Life Insurance Company of Korea Ltd.	100.00	Korea	Dec. 31	Life insurance
	KB Asset Management Co., Ltd.	100.00	Korea	Dec. 31	Collective investment and advisory
	KB Capital Co., Ltd.	100.00	Korea	Dec. 31	Financial Leasing
	KB Life Insurance Co., Ltd.	100.00	Korea	Dec. 31	Life insurance
	KB Real Estate Trust Co., Ltd.	100.00	Korea	Dec. 31	Real estate trust management
	KB Savings Bank Co., Ltd.	100.00	Korea	Dec. 31	Savings banking
	KB Investment Co., Ltd.	100.00	Korea	Dec. 31	Capital investment
	KB Data System Co., Ltd.	100.00	Korea	Dec. 31	Software advisory, development, and supply
	KB Credit Information Co., Ltd.	100.00	Korea	Dec. 31	Collection of receivables or credit investigation
Kookmin Bank	Kookmin Bank Cambodia Plc.	100.00	Cambodia	Dec. 31	Banking and foreign exchange transaction
	Kookmin Bank (China) Ltd.	100.00	China	Dec. 31	Banking and foreign exchange transaction
	KB Microfinance Myanmar Co., Ltd.	100.00	Myanmar	Dec. 31	Microfinance services
	PRASAC Microfinance Institution Plc.	100.00	Cambodia	Dec. 31	Microfinance services
	PT Bank KB Bukopin Tbk	67.00	Indonesia	Dec. 31	Banking and foreign exchange transaction
	PT Bank Syariah Bukopin	92.78	Indonesia	Dec. 31	Banking
	PT Bukopin Finance	97.03	Indonesia	Dec. 31	Installment financing
KB Bank Myanmar Co., Ltd.	100.00	Myanmar	Dec. 31	Banking and foreign exchange transaction	
KB Securities Co., Ltd.	KBFG Securities America Inc.	100.00	United States	Dec. 31	Investment advisory and securities trading
	KB Securities Hong Kong Ltd.	100.00	China	Dec. 31	Investment advisory and securities trading
	KB Securities Vietnam Joint Stock Company	99.70	Vietnam	Dec. 31	Investment advisory and securities trading
	KB FINA Joint Stock Company	77.82	Vietnam	Dec. 31	Investment advisory and securities trading

Investor	Investee	Ownership (%)	Location	Date of financial statements	Industry
KB Insurance Co., Ltd.	Leading Insurance Services, Inc.	100.00	United States	Dec. 31	Management service
	KBFG Insurance(China) Co., Ltd.	100.00	China	Dec. 31	Non-life insurance
	PT. KB Insurance Indonesia	70.00	Indonesia	Dec. 31	Non-life insurance
	KB Claims Survey & Adjusting	100.00	Korea	Dec. 31	Claim service
	KB Sonbo CNS	100.00	Korea	Dec. 31	Management service
	KB Golden Life Care Co., Ltd.	100.00	Korea	Dec. 31	Service
	KB Healthcare Co., Ltd.	100.00	Korea	Dec. 31	Information and communication
KB Kookmin Card Co., Ltd.	KB Daehan Specialized Bank Plc.	95.71	Cambodia	Dec. 31	Auto Installment finance
	PT. KB Finansia Multi Finance	80.00	Indonesia	Dec. 31	Auto Installment finance
	KB J Capital Co., Ltd.	49.99	Thailand	Dec. 31	Service
KB Capital Co., Ltd.	PT Sunindo Kookmin Best Finance	85.00	Indonesia	Dec. 31	Auto Installment finance
KB Kookmin Card Co., Ltd., KB Capital Co., Ltd.	KB KOLAO Leasing Co., Ltd.	80.00	Laos	Dec. 31	Auto Installment finance
Kookmin Bank, KB Data System Co., Ltd.	PT KB Data Systems Indonesia	100.00	Indonesia	Dec. 31	Service
KB Asset Management Co., Ltd.	KBAM Shanghai Advisory Services Co., Ltd.	100.00	China	Dec. 31	General advisory

41.2 Details of consolidated structured entities as of December 31, 2021, are as follows:

	Consolidated structured entities	Reasons for consolidation
Trusts	Kookmin Bank (development trust) and 10 others	The Group controls the trust because it has power to determine management performance of the trust and is significantly exposed to variable returns that absorb losses through the guarantees of payment of principal, or payment of principal and fixed rate of return.

	<u>Consolidated structured entities</u>	<u>Reasons for consolidation</u>
Asset-backed securitization	MS Sejong 4th Co., Ltd. and 125 others	The Group controls these investees because it has power over relevant activities in the event of default, is significantly exposed to variable returns by providing lines of credit, ABCP purchase commitments or acquisition of subordinated debt and has ability to affect those returns through its power.
Investment funds and others	KB Global Platform Fund and 166 others	Funds are consolidated if the Group, as a collective investor or operating manager (member), etc., can manage fund assets on behalf of other investors, or dismiss the collective investor and operating manager, and is substantially exposed to significant variable returns or has such rights.

If the Group holds more than half of the ownership interests but does not have the power over relevant activities of structured entities in accordance with agreements with trust and other related parties, those structured entities are excluded from the consolidation.

41.3 Condensed financial information of major subsidiaries as of and for the years ended December 31, 2020 and 2021, are as follows:

	<u>December 31, 2020</u>			<u>2020</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Operating revenue</u>	<u>Profit (loss) attributable to shareholders of the Parent Company</u>	<u>Total comprehensive income (loss) attributable to shareholders of the Parent Company</u>
	(In millions of Korean won)					
Kookmin Bank ¹	₩438,444,114	₩408,036,040	₩30,408,074	₩24,519,818	₩ 2,298,195	₩ 2,905,953
KB Securities Co., Ltd. ^{1,2}	57,570,654	52,516,488	5,054,166	10,040,497	425,622	449,507
KB Insurance Co., Ltd. ^{1,2}	39,125,869	35,093,312	4,032,557	13,735,778	177,181	139,290
KB Kookmin Card Co., Ltd. ¹	24,071,644	19,789,958	4,281,686	3,210,581	324,662	308,148
Prudential Life Insurance Company of Korea Ltd. ²	25,121,656	22,681,729	2,439,927	656,062	55,711	(31,718)
KB Asset Management Co., Ltd. ¹	335,601	112,522	223,079	191,427	57,317	57,802
KB Capital Co., Ltd. ^{1,2}	12,823,748	11,392,177	1,431,571	1,300,378	141,646	139,949
KB Life Insurance Co., Ltd.	10,424,916	9,842,789	582,127	1,897,859	(23,185)	(33,210)
KB Real Estate Trust Co., Ltd. ¹	437,619	108,096	329,523	139,070	66,874	66,718
KB Savings Bank Co., Ltd.	1,883,720	1,658,116	225,604	104,397	17,305	16,197
KB Investment Co., Ltd. ¹	848,693	618,552	230,141	128,014	15,387	15,390
KB Data System Co., Ltd.	40,347	23,024	17,323	149,966	(1,729)	(3,367)
KB Credit Information Co., Ltd.	27,711	11,773	15,938	39,767	1,132	1,040

	December 31, 2021			2021		
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) attributable to shareholders of the Parent Company	Total comprehensive income (loss) attributable to shareholders of the Parent Company
	(In millions of Korean won)					
Kookmin Bank ¹	₩483,564,898	₩450,675,985	₩32,888,913	₩26,536,995	₩ 2,590,764	₩ 3,265,921
KB Securities Co., Ltd. ^{1,2}	55,493,985	50,008,422	5,485,563	8,543,590	594,301	628,112
KB Insurance Co., Ltd. ^{1,2}	41,472,227	37,328,954	4,143,273	14,131,278	301,836	107,240
KB Kookmin Card Co., Ltd. ¹	27,349,561	22,793,920	4,555,641	3,527,354	418,898	442,873
Prudential Life Insurance Company of Korea Ltd. ²	26,287,116	23,992,601	2,294,515	1,976,122	336,198	54,587
KB Asset Management Co., Ltd. ¹	375,739	128,589	247,150	254,162	79,899	79,071
KB Capital Co., Ltd. ^{1,2}	14,529,427	12,707,210	1,822,217	1,634,759	209,899	209,719
KB Life Insurance Co., Ltd.	10,634,562	10,174,282	460,280	2,259,301	(46,595)	(121,847)
KB Real Estate Trust Co., Ltd.	496,522	119,700	376,822	168,373	81,480	82,299
KB Savings Bank Co., Ltd.	2,601,134	2,339,037	262,097	150,028	18,932	22,526
KB Investment Co., Ltd. ¹	1,197,720	922,239	275,481	207,367	55,338	55,340
KB Data System Co., Ltd. ¹	44,486	25,911	18,575	174,819	467	1,105
KB Credit Information Co., Ltd. . . .	28,674	12,303	16,371	39,909	388	434

¹ Financial information is based on its consolidated financial statements.

² Includes fair value adjustments arising from the acquisition.

41.4 The Characteristics of Risks Associated with Consolidated Structured Entities

The terms of contractual arrangements to provide financial support to consolidated structured entities are as follows:

41.4.1 The Group has provided payment guarantees of ₩4,512,760 million to K plus 1st L.L.C and other consolidated structured entities.

41.4.2 The Group has provided capital commitment to 31 consolidated structured entities including KB Sinansan Line Private Special Asset Fund (SOC). The unexecuted amount of the capital commitment is ₩1,642,214 million. Based on the capital commitment, the Group is subject to increase its investment upon the request of the asset management company or the additional agreement among investors.

41.4.3 The Group has provided the guarantees of payment of principal, or principal and fixed rate of return in case the operating results of the trusts are less than the guaranteed principal, or principal and fixed rate of return.

41.5 Changes in Subsidiaries

41.5.1 Subsidiaries newly included in consolidation for the year ended December 31, 2021, are as follows:

<u>Company</u>	<u>Reasons of obtaining control</u>
PT KB Data Systems Indonesia and 15 others	Holds more than half of the ownership interests
Able Guwall 1st Co., Ltd. and 71 others	Holds the power in the event of default and is exposed to significant variable returns by providing lines of credit, ABCP purchase commitments or acquisition of subordinated debt
KB Global Private Real Estate Debt Fund No.11 and 33 others	Holds the power to determine the operation of the funds and is exposed to variable returns by holding significant amount of ownership interests
KB Global Commerce Private Equity Investment Fund and 4 others	Holds the power as a general partner and is exposed to variable returns by holding significant amount of ownership interests

41.5.2 Subsidiaries excluded from consolidation for the year ended December 31, 2021, are as follows:

<u>Company</u>	<u>Reasons of losing control</u>
Able Hana Co., Ltd. and 72 others	Termination of the commitments
KB SAUDI SEPCO II Private Special Asset Fund and 22 others	Liquidation
Aquila Global Real Assets Fund No.1 LP and 5 others	Disposal
KB Global ESG Securities Feeder Fund (Equity) and 8 others	Decrease in ownership interests to less than majority

42. Unconsolidated Structured Entities

42.1 Nature, purpose, and activities of the unconsolidated structured entities and how the structured entities are financed, are as follows:

<u>Nature</u>	<u>Purpose</u>	<u>Activity</u>	<u>Method of financing</u>
Structured financing	Granting PF loans to SOC and real estate	Construction of SOC and real estate	Loan commitments through credit line, providing credit line, and investment agreements
	Granting loans to ships/aircrafts SPC	Building ships, construction and purchase of aircrafts	
Investment funds	Investment in beneficiary certificates	Management of fund assets	Sales of beneficiary certificate instruments
	Investment in PEF and partnerships	Payment of fund fees and allocation of fund profits	Investment from general partners and limited partners
Trusts	Management of financial trusts;	Management of trusted financial assets	Sales of trusted financial assets
	—Development trust	Payment of trust fees and allocation of trust profits.	
	—General unspecified money trust		
	—Trust whose principal is not guaranteed		
—Other trusts			
Asset-backed securitization	Early cash generation through transfer of securitized assets	Fulfillment of asset-backed securitization plan	Issuance of ABS and ABCP based on securitized assets
	Fees earned through services to SPC, such as providing lines of credit and ABCP purchase commitments	Purchase and collection of securitized assets Issuance and repayment of ABS and ABCP	

42.2 Details of scale of unconsolidated structured entities and nature of the risks associated with the Group's interests in unconsolidated structured entities as of December 31, 2020 and 2021, are as follows:

	December 31, 2020				
	Structured financing	Investment funds	Trusts	Asset-backed securitization and others	Total
	(In millions of Korean won)				
Total assets of unconsolidated structured entities	₩ 56,200,300	₩285,528,467	₩1,984,006	₩ 116,115,027	₩459,827,800
Carrying amount in the financial statements					
Assets:					
Financial assets at fair value through profit or loss . . .	₩ 164,996	₩ 11,151,958	₩ —	₩ 2,308,917	₩ 13,625,871
Derivative financial assets	—	—	—	3,005	3,005
Loans measured at amortized cost	4,655,337	379,727	262,382	1,080,824	6,378,270
Financial investments	—	—	—	7,849,054	7,849,054
Investments in associates	—	396,953	—	—	396,953
Other assets	2,572	3,257	91,297	16,363	113,489
	<u>₩ 4,822,905</u>	<u>₩ 11,931,895</u>	<u>₩ 353,679</u>	<u>₩ 11,258,163</u>	<u>₩ 28,366,642</u>
Liabilities:					
Deposits	₩ 612,023	₩ 26,839	₩ —	₩ 344,221	₩ 983,083
Derivative financial liabilities	—	—	—	1,307	1,307
Other liabilities	8,422	97	1	13,736	22,256
	<u>₩ 620,445</u>	<u>₩ 26,936</u>	<u>₩ 1</u>	<u>₩ 359,264</u>	<u>₩ 1,006,646</u>
Maximum exposure *					
Assets held	₩ 4,822,905	₩ 11,931,895	₩ 353,679	₩ 11,258,163	₩ 28,366,642
Purchase and investment commitments	—	5,650,847	—	761,200	6,412,047
Unused credit	1,322,414	—	18,287	3,020,084	4,360,785
Acceptances and guarantees and loan commitments	883,342	16,650	—	684,257	1,584,249
	<u>₩ 7,028,661</u>	<u>₩ 17,599,392</u>	<u>₩ 371,966</u>	<u>₩ 15,723,704</u>	<u>₩ 40,723,723</u>
Methods of determining the maximum exposure	Loan commitments / investment agreements / purchase commitments and acceptances and guarantees	Investments / loans and Investment agreements	Trust paying dividends by results: Total amount of trust exposure	Providing credit lines/ purchase commitments/ loan commitments and acceptances and guarantees	

December 31, 2021

	Structured financing	Investment funds	Trusts	Asset-backed securitization and others	Total
	(In millions of Korean won)				
Total assets of unconsolidated structured entities	₩ 89,647,771	₩416,401,893	₩3,005,720	₩ 144,897,727	₩653,953,111
Carrying amount in the financial statements					
Assets:					
Financial assets at fair value through profit or loss . . .	₩ 126,086	₩ 13,340,292	₩ 90,348	₩ 3,602,631	₩ 17,159,357
Derivative financial assets	—	—	—	181	181
Loans measured at amortized cost	8,290,514	479,452	265,173	1,194,705	10,229,844
Financial investments	—	—	—	8,084,101	8,084,101
Investments in associates	—	292,315	—	—	292,315
Other assets	2,496	3,111	119,630	15,638	140,875
	<u>₩ 8,419,096</u>	<u>₩ 14,115,170</u>	<u>₩ 475,151</u>	<u>₩ 12,897,256</u>	<u>₩ 35,906,673</u>
Liabilities:					
Deposits	₩ 650,834	₩ 58,348	₩ —	₩ 330,592	₩ 1,039,774
Derivative financial liabilities	—	—	—	437	437
Other liabilities	8,196	289	—	32,179	40,664
	<u>₩ 659,030</u>	<u>₩ 58,637</u>	<u>₩ —</u>	<u>₩ 363,208</u>	<u>₩ 1,080,875</u>
Maximum exposure *					
Assets held	₩ 8,419,096	₩ 14,115,170	₩ 475,151	₩ 12,897,256	₩ 35,906,673
Purchase and investment commitments	—	6,131,739	131,102	499,682	6,762,523
Unused credit	855,322	—	—	4,990,797	5,846,119
Acceptances and guarantees and loan commitments	1,544,394	—	15,890	496,284	2,056,568
	<u>₩ 10,818,812</u>	<u>₩ 20,246,909</u>	<u>₩ 622,143</u>	<u>₩ 18,884,019</u>	<u>₩ 50,571,883</u>
Methods of determining the maximum exposure	Loan commitments / investment agreements / purchase commitments and acceptances and guarantees	Investments / loans and Investment agreements	Trust paying dividends by results: Total amount of trust exposure	Providing credit lines/ purchase commitments/ loan commitments and acceptances and guarantees	

* Maximum exposure includes the asset amounts, after deducting loss (provisions for credit losses, impairment losses, and others), recognized in the consolidated financial statements of the Group.

43. Related Party Transactions

According to IAS No.24, the Group includes investments in associates, key management personnel (including family members), and post-employment benefit plans of the Group and its related party companies in the scope of related parties. The Group discloses balances (receivables and payables) and other amounts arising from transactions with related parties in the notes to the consolidated financial statements. Refer to Note 13 for details of investments in associates and joint ventures.

43.1 Details of significant profit or loss arising from transactions with related parties for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019	2020	2021	
	(In millions of Korean won)			
Associates and joint ventures				
Balhae Infrastructure Company	Fee and commission income	₩6,743	₩6,817	₩5,689
Korea Credit Bureau Co., Ltd.	Interest expense	21	7	6
	Fee and commission income	1,056	957	910
	Insurance income	3	5	4
	Fee and commission expense	2,541	3,280	4,256
	Other operating expenses	—	1	11
KB GwS Private Securities Investment Trust *	Fee and commission income	851	853	146
Incheon Bridge Co., Ltd.	Interest income	8,612	4,345	4,069
	Interest expense	483	334	158
	Fee and commission income	—	23	22
	Fee and commission expense	7	6	6
	Insurance income	284	279	230
	Gains on financial instruments at fair value through profit or loss	4,975	899	—
	Losses on financial instruments at fair value through profit or loss	—	—	1,374
	Reversal of credit losses	5	—	444
	Provision for credit losses	1	472	1
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	Fee and commission income	178	12	—
Aju Good Technology Venture Fund	Interest expense	22	18	27
KB Star Office Private Real Estate Master Fund No.1	Interest income	370	371	370
	Interest expense	208	61	5
	Fee and commission income	435	436	435
RAND Bio Science Co., Ltd.	Interest expense	5	11	—
	Other non-operating expenses	843	—	—
SY Auto Capital Co., Ltd.	Interest income	1,016	1,097	941
	Interest expense	1	2	—
	Fee and commission income	34	39	88
	Fee and commission expense	389	132	15
	Insurance income	32	40	42
	Other operating income	689	1,709	710
	Other operating expenses	288	121	64
	Reversal of credit losses	13	17	11

		2019	2020	2021	
		(In millions of Korean won)			
Food Factory Co., Ltd.	Interest income	41	52	70	
	Interest expense	—	12	5	
	Insurance income	4	5	9	
	Fee and commission expense	12	4	2	
	Gains on financial instruments at fair value through profit or loss	60	72	—	
	Losses on financial instruments at fair value through profit or loss	—	—	1	
	Reversal of credit losses	—	—	6	
	Provision for credit losses	1	8	—	
	KB Pre IPO Secondary Venture Fund No.1	Interest expense	7	3	1
		Fee and commission income	110	110	110
Built On Co., Ltd. *	Interest income	1	—	—	
	Insurance income	1	—	—	
KB Private Equity Fund No.3 *	Fee and commission income	480	463	—	
Wise Asset Management Co., Ltd. * Acts Co., Ltd.	Interest expense	2	—	—	
	Interest income	1	1	—	
Dongjo Co., Ltd. A-PRO Co., Ltd. *	Insurance income	1	—	1	
	Interest income	30	—	—	
POSCO-KB Shipbuilding Fund Dae-A Leisure Co., Ltd. Paycoms Co., Ltd.	Insurance income	2	1	1	
	Interest income	19	7	—	
	Interest expense	4	1	—	
	Fee and commission expense	17	—	—	
	Insurance income	4	1	—	
	Provision for credit losses	—	1	—	
	Fee and commission income	490	387	213	
Big Dipper Co., Ltd. KB-KDBC Pre-IPO New Technology Business Investment Fund	Interest expense	8	7	2	
	Interest income	10	10	10	
KB-TS Technology Venture Private Equity Fund	Insurance income	1	—	—	
	Gains on financial instruments at fair value through profit or loss	125	69	42	
KB-SJ Tourism Venture Fund JLK Inspection Co., Ltd. *	Fee and commission expense	—	768	655	
	Interest expense	58	23	1	
TESTIAN Inc. * Banksalad Co., Ltd.	Fee and commission income	449	300	190	
	Fee and commission income	730	126	285	
Banksalad Co., Ltd.	Fee and commission income	422	338	279	
	Interest expense	1	—	—	
Banksalad Co., Ltd.	Interest income	3	—	—	
	Gains on financial instruments at fair value through profit or loss	—	1,636	613	
Banksalad Co., Ltd.	Losses on financial instruments at fair value through profit or loss	—	—	663	
	Fee and commission income	39	36	36	
Banksalad Co., Ltd.	Fee and commission expense	—	5	48	

		2019	2020	2021
		(In millions of Korean won)		
Iwon Alloy Co., Ltd.	Insurance income	2	1	—
Bioprotect Ltd.	Gains on financial instruments at fair value through profit or loss	—	—	293
	Losses on financial instruments at fair value through profit or loss	—	216	—
RMGP Bio-Pharma Investment Fund, L.P.	Fee and commission income	—	27	38
	Other non-operating income	33	—	—
	Gains on financial instruments at fair value through profit or loss	947	—	531
	Losses on financial instruments at fair value through profit or loss	2,120	489	2,373
RMGP Bio-Pharma Investment, L.P.	Losses on financial instruments at fair value through profit or loss	—	1	—
KB-MDI Centauri Fund LP	Fee and commission income	—	308	401
	Gains on financial instruments at fair value through profit or loss	—	—	551
	Losses on financial instruments at fair value through profit or loss	—	322	284
Hibiscus Fund LP	Fee and commission income	—	—	372
	Gains on financial instruments at fair value through profit or loss	—	—	113
RMG-KB BioAccess Fund L.P.	Fee and commission income	—	—	57
	Gains on financial instruments at fair value through profit or loss	—	—	5
S&E Bio Co., Ltd.	Interest expense	—	1	1
Contents First Inc.	Interest expense	—	14	83
December & Company Inc.	Interest expense	—	1	—
	Insurance income	—	—	109
GENINUS Inc.	Interest expense	—	70	29
	Gains on financial instruments at fair value through profit or loss	—	—	4,009
	Provision for credit losses	—	—	6
Wyatt Corp.	Gains on financial instruments at fair value through profit or loss	136	—	—
	Insurance income	50	63	87
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Interest expense	89	40	17
	Fee and commission income	735	734	514
Spark Biopharma Inc.	Interest expense	59	—	7
Skydigital Inc.	Fee and commission income	—	4	3
KB No.9 Special Purpose Acquisition Company *	Interest expense	(23)	—	—
KB No.10 Special Purpose Acquisition Company *	Interest expense	18	—	—
	Gains on financial instruments at fair value through profit or loss	3,066	—	—

		<u>2019</u>	<u>2020</u>	<u>2021</u>
		(In millions of Korean won)		
KB No.11 Special Purpose Acquisition Company *	Interest expense	9	—	—
	Gains on financial instruments at fair value through profit or loss	118	—	—
KB No.17 Special Purpose Acquisition Company	Fee and commission income	175	—	—
	Gains on financial instruments at fair value through profit or loss	1,384	4	—
	Losses on financial instruments at fair value through profit or loss	—	—	1,388
KB No.18 Special Purpose Acquisition Company	Interest expense	28	25	14
	Fee and commission income	263	—	—
	Gains on financial instruments at fair value through profit or loss	1,898	84	8
KB No.19 Special Purpose Acquisition Company	Interest expense	28	31	20
	Fee and commission income	150	—	—
	Gains on financial instruments at fair value through profit or loss	1,044	11	36
KB No.20 Special Purpose Acquisition Company	Interest expense	8	13	9
	Fee and commission income	—	210	—
	Gains on financial instruments at fair value through profit or loss	—	1,568	68
KB SPROTT Renewable Private Equity Fund No.1	Interest expense	3	25	15
	Fee and commission income	490	488	487
KB-Stonebridge Secondary Private Equity Fund	Fee and commission income	1,444	1,442	550
	Interest income	—	6	18
COSES GT Co., Ltd.	Interest expense	—	—	1
	Losses on financial instruments at fair value through profit or loss	5	—	—
	Provision for credit losses	—	4	—
	Reversal of credit losses	—	—	3
	Insurance income	—	—	1
IDTECK Co., Ltd.	Interest expense	—	—	1
Mantisco Co., Ltd.	Interest expense	—	—	1
SuperNGine Co., Ltd.	Interest expense	—	—	1
Desilo Inc.	Interest income	—	—	1
	Provision for credit losses	—	—	2
Turing Co., Ltd.	Interest expense	—	—	1
IGGYMOB Co., Ltd.	Interest expense	—	—	1
WJ Private Equity Fund No.1	Fee and commission income	—	5	7
	Interest income	—	2	5
UPRISE, Inc.	Interest expense	—	—	1
	Provision for credit losses	—	1	—
	Reversal of credit losses	—	—	1
CWhy Inc.	Losses on financial instruments at fair value through profit or loss	—	2,000	—
	Insurance income	3	—	—

		2019	2020	2021
		(In millions of Korean won)		
Stratio, Inc.	Interest expense	1	—	—
NEXELON Inc. *	Interest expense	2	—	—
CellinCells Co., Ltd.	Interest expense	19	4	—
Bomapp Inc.	Fee and commission expense	—	9	5
	Interest expense	1	—	—
	Insurance income	1	8	—
	Losses on financial instruments at fair value through profit or loss	—	—	1,980
KB Social Impact Investment Fund	Fee and commission income	121	300	300
KB-UTC Inno-Tech Venture Fund	Fee and commission income	—	371	471
KBSP Private Equity Fund No.4	Fee and commission income	—	480	389
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	Fee and commission income	—	237	1,198
JR Global REIT *	Fee and commission income	—	6,210	—
IGIS No.371 Professional Investors' Real Estate Investment Company *	Fee and commission income	—	200	—
Koreit Tower Real Estate Investment Trust Company *	Fee and commission income	—	2,852	—
2020 KB Fintech Renaissance Fund	Fee and commission income	—	60	147
KB Material and Parts No.1 PEF	Fee and commission income	—	63	353
FineKB Private Equity Fund No.1	Fee and commission income	—	38	540
Paramark KB Fund No.1	Fee and commission income	—	—	100
KB Bio Private Equity No.3 Ltd.	Fee and commission income	—	—	324
K The 15th REIT Co., Ltd. *	Fee and commission income	—	—	500
	Insurance income	—	—	1
Bluepointpartners Inc.	Gains on financial instruments at fair value through profit or loss	—	—	846
	Losses on financial instruments at fair value through profit or loss	—	68	—
KB-Solidus Global Healthcare Fund	Fee and commission income	81	777	167
SwatchOn Inc.	Fee and commission income	—	9	8
	Interest expense	—	47	10
Gomi corporation Inc.	Interest income	—	—	19
	Interest expense	—	—	1
	Provision for credit losses	—	—	13
BNF Corporation Ltd. *	Interest income	7	401	—
	Fee and commission income	—	2	—
	Gains on financial instruments at fair value through profit or loss	158	—	—
	Provision for credit losses	1	8	—
KB Cape No.1 Private Equity Fund	Fee and commission income	97	144	144
	Losses on financial instruments at fair value through profit or loss	—	—	69
ALS Co., Ltd. *	Interest income	194	—	—
Keystone-Hyundai Securities No.1 Private Equity Fund *	Fee and commission income	90	115	43
MJT&I Corp.	Insurance income	1	—	—
Others				
Retirement pension	Fee and commission income	939	1,077	1,338
	Interest expense	4	3	9

* Excluded from the Group's related party as of December 31, 2021.

Meanwhile, the Group purchased installment financial assets, etc. from SY Auto Capital Co., Ltd. amounting to ₩1,504,217 million and ₩878,690 million for the years ended December 31, 2020 and 2021, respectively.

43.2 Details of significant outstanding balances of receivables and payables arising from transactions with related parties as of December 31, 2020 and 2021, are as follows:

		December 31, 2020	December 31, 2021
		(In millions of Korean won)	
Associates and joint ventures			
Balhae Infrastructure Company	Other assets	₩ 1,733	₩ 1,427
Korea Credit Bureau Co., Ltd.	Loans measured at amortized cost (gross amount)	36	36
	Deposits	19,982	10,200
	Insurance liabilities	1	1
	Other liabilities	623	—
KB GwS Private Securities Investment Trust *	Other assets	641	—
Incheon Bridge Co., Ltd.	Financial assets at fair value through profit or loss	38,756	37,382
	Loans measured at amortized cost (gross amount)	133,002	114,107
	Allowances for credit losses	202	26
	Other assets	545	423
	Deposits	39,520	35,487
	Provisions	292	24
	Insurance liabilities	109	79
	Other liabilities	205	99
Jungdo Co., Ltd.	Deposits	4	4
Dongjo Co., Ltd.	Insurance liabilities	1	—
Dae-A Leisure Co., Ltd.	Deposits	636	17
	Other liabilities	21	—
Aju Good Technology Venture Fund	Deposits	3,093	6,286
	Other liabilities	1	10
KB Star Office Private Real Estate Master Fund No.1	Loans measured at amortized cost (gross amount)	10,000	10,000
	Allowances for credit losses	5	5
	Other assets	137	138
	Deposits	4,255	2,578
	Other liabilities	24	—
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits	8,097	1,524
	Other liabilities	1	—
WJ Private Equity Fund No.1	Other assets	2	2
	Deposits	349	260
KB Cape No.1 Private Equity Fund	Financial assets at fair value through profit or loss	2,000	1,591
	Other assets	144	73

		December 31, 2020	December 31, 2021
		(In millions of Korean won)	
RAND Bio Science Co., Ltd.	Deposits	693	443
	Loans measured at amortized cost (gross amount)	1	1
SY Auto Capital Co., Ltd.	Loans measured at amortized cost (gross amount)	40,060	40,074
	Allowances for credit losses	57	68
	Other assets	65	630
	Deposits	6	17
	Insurance liabilities	13	14
	Other liabilities	76	36
Food Factory Co., Ltd.	Financial assets at fair value through profit or loss	662	663
	Loans measured at amortized cost (gross amount)	3,210	3,553
	Allowances for credit losses	8	4
	Other assets	3	2
	Deposits	1,555	839
	Provisions	2	—
	Insurance liabilities	5	8
	Other liabilities	9	6
KB Pre IPO Secondary Venture Fund No.1	Deposits	629	103
Acts Co., Ltd.	Deposits	18	154
	Insurance liabilities	1	2
	Other liabilities	100	100
POSCO-KB Shipbuilding Fund	Other assets	264	213
Paycoms Co., Ltd.	Other assets	1	1
	Financial assets at fair value through profit or loss	1,226	1,269
	Deposits	1	1
Big Dipper Co., Ltd.	Loans measured at amortized cost (gross amount)	4	17
	Deposits	1	—
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	923	904
Iwon Alloy Co., Ltd.	Insurance liabilities	—	1
RMGP Bio-Pharma Investment Fund, L.P.	Financial assets at fair value through profit or loss	4,250	5,423
	Other liabilities	71	79
RMGP Bio-Pharma Investment, L.P.	Financial assets at fair value through profit or loss	9	14
Wyatt Corp.	Financial assets at fair value through profit or loss	6,000	6,000
	Deposits	1	1
	Insurance liabilities	39	94
Skydigital Inc.	Deposits	15	85
Banksalad Co., Ltd.	Financial assets at fair value through profit or loss	9,141	9,090

		December 31, 2020	December 31, 2021
		(In millions of Korean won)	
Spark Biopharma Inc.	Loans measured at amortized cost (gross amount)	—	17
	Financial assets at fair value through profit or loss	—	4,950
	Deposits	—	6,015
	Other liabilities	—	3
UPRISE, Inc.	Financial assets at fair value through profit or loss	250	1,250
	Loans measured at amortized cost (gross amount)	500	—
	Allowances for credit losses	1	—
	Deposits	11	4,001
Stratio, Inc.	Financial assets at fair value through profit or loss	1,000	1,000
	Deposits	13	—
Honest Fund, Inc.	Financial assets at fair value through profit or loss	3,999	3,999
	Deposits	2,000	2,000
CellinCells Co., Ltd.	Loans measured at amortized cost (gross amount)	24	6
	Deposits	260	38
	Deposits	2	1
	Financial assets at fair value through profit or loss	2,687	1,301
KB No.17 Special Purpose Acquisition Company	Deposits	1,711	1,687
	Other liabilities	23	12
	Financial assets at fair value through profit or loss	3,873	3,881
KB No.18 Special Purpose Acquisition Company	Deposits	2,101	2,077
	Other liabilities	19	12
	Financial assets at fair value through profit or loss	2,055	2,091
KB No.19 Special Purpose Acquisition Company	Deposits	1,053	1,013
	Other liabilities	3	5
	Financial assets at fair value through profit or loss	3,067	3,135
KB No.20 Special Purpose Acquisition Company	Deposits	1,716	1,681
	Other liabilities	1	3
	Financial assets at fair value through profit or loss	4,930	4,930
COSES GT Co., Ltd.	Loans measured at amortized cost (gross amount)	500	515
	Allowances for credit losses	4	2
	Other assets	1	1
	Deposits	292	1,939
	Insurance liabilities	1	—
	Financial assets at fair value through profit or loss	4,930	4,930

		December 31, 2020	December 31, 2021
		(In millions of Korean won)	
IDTECK Co., Ltd.	Insurance liabilities	—	1
Bomapp Inc.	Financial assets at fair value through profit or loss	1,999	19
	Insurance liabilities	2	—
Channel Corporation	Financial assets at fair value through profit or loss	4,551	14,551
MitoImmune Therapeutics	Financial assets at fair value through profit or loss	5,000	7,000
KB-Solidus Global Healthcare Fund	Other assets	707	620
Bioprotect Ltd.	Financial assets at fair value through profit or loss	3,264	3,557
Gomi corporation Inc.	Financial assets at fair value through profit or loss	500	2,500
	Loans measured at amortized cost (gross amount)	9	2,233
	Allowances for credit losses	—	12
	Other assets	—	4
	Deposits	37	3,188
	Other liabilities	—	1
Copin Communications, Inc.	Financial assets at fair value through profit or loss	1,500	4,801
Go2joy Co., Ltd.	Financial assets at fair value through profit or loss	1,200	1,200
ClavisTherapeutics, Inc.	Financial assets at fair value through profit or loss	2,000	2,000
S&E Bio Co., Ltd.	Financial assets at fair value through profit or loss	2,000	2,000
	Deposits	1,142	263
Bluepointpartners Inc.	Financial assets at fair value through profit or loss	1,432	2,278
4N Inc.	Financial assets at fair value through profit or loss	200	200
	Deposits	76	39
Xenohelix Co., Ltd.	Financial assets at fair value through profit or loss	2,100	2,100
Contents First Inc.	Financial assets at fair value through profit or loss	6,146	7,277
	Deposits	1,823	12,650
	Other liabilities	7	57
KB-MDI Centauri Fund LP	Financial assets at fair value through profit or loss	4,280	9,633
	Other assets	308	104
OKXE Inc.	Financial assets at fair value through profit or loss	800	800

		December 31, 2020	December 31, 2021
		(In millions of Korean won)	
GENINUS Inc.	Financial assets at fair value through profit or loss	5,599	5,855
	Loans measured at amortized cost (gross amount)	—	17
	Allowances for credit losses	—	6
	Deposits	13,630	34,415
	Other liabilities	15	2
Mantisco Co., Ltd.	Loans measured at amortized cost (gross amount)	—	1
	Financial assets at fair value through profit or loss	—	3,000
	Deposits	—	386
IMBiologics Corp.	Loans measured at amortized cost (gross amount)	—	4
	Financial assets at fair value through profit or loss	—	5,000
SuperNGine Co., Ltd.	Loans measured at amortized cost (gross amount)	—	2
	Deposits	—	944
	Financial assets at fair value through profit or loss	—	1,996
Desilo Inc.	Financial assets at fair value through profit or loss	—	3,168
	Loans measured at amortized cost (gross amount)	—	301
	Allowances for credit losses	—	2
	Deposits	—	168
Turing Co., Ltd.	Financial assets at fair value through profit or loss	—	3,000
	Deposits	—	1,054
IGGYMOB Co., Ltd.	Financial assets at fair value through profit or loss	—	5,000
	Loans measured at amortized cost (gross amount)	—	6
	Deposits	—	2,938
FineKB Private Equity Fund No.1	Other assets	38	153
Paramark KB Fund No.1	Other liabilities	—	200
Neomio Corp. *	Deposits	535	—
December & Company Inc.	Deposits	1	1
	Insurance liabilities	—	10
KB Social Impact Investment Fund	Other assets	—	150
	Checkmate Therapeutics Inc.	Financial assets at fair value through profit or loss	—
G1 Playground Co., Ltd.	Financial assets at fair value through profit or loss	—	1,000
	Deposits	—	354
	Pin Therapeutics Inc.	Financial assets at fair value through profit or loss	—

		<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2021</u>
		(In millions of Korean won)	
Hibiscus Fund LP	Financial assets at fair value through profit or loss	—	4,731
	Other assets	—	251
RMG-KB BioAccess Fund L.P.	Financial assets at fair value through profit or loss	—	353
RMG-KB BP Management Ltd.	Financial assets at fair value through profit or loss	—	7
SwatchOn Inc.	Financial assets at fair value through profit or loss	3,345	3,345
	Loans measured at amortized cost (gross amount)	59	73
	Provisions	1	—
	Deposits	3,947	686
	Other liabilities	40	—
Key management personnel	Loans measured at amortized cost (gross amount)	5,153	4,591
	Allowances for credit losses	2	2
	Other assets	5	4
	Deposits	17,167	16,996
	Provisions	—	1
	Insurance liabilities	2,501	2,471
	Other liabilities	371	345
Others			
Retirement pension	Other assets	295	369
	Other liabilities	10,600	5,014

* Excluded from the Group's related party as of December 31, 2021, therefore, the remaining outstanding balances with those entities are not disclosed.

43.3 Details of significant lending transactions with related parties for the years ended December 31, 2020 and 2021, are as follows:

	2020			
	Beginning	Loan	Collection	Ending
	(In millions of Korean won)			
Associates and joint ventures				
Korea Credit Bureau Co., Ltd.	₩ 43	₩ 36	₩ (43)	₩ 36
Incheon Bridge Co., Ltd.	185,564	901	(14,707)	171,758
Carlife Co., Ltd.	—	22	(22)	—
KB Star Office Private Real Estate Master Fund No.1	10,000	—	—	10,000
KB Cape No.1 Private Equity Fund	2,000	—	—	2,000
RAND Bio Science Co., Ltd.	1	1	(1)	1
SY Auto Capital Co., Ltd.	41,990	11,310	(13,240)	40,060
Food Factory Co., Ltd.	2,582	1,314	(24)	3,872
Acts Co., Ltd.	—	74	(74)	—
Paycoms Co., Ltd.	1,157	69	—	1,226
Big Dipper Co., Ltd.	11	4	(11)	4
A-PRO Co., Ltd.*	2,019	2,000	(4,019)	—
RMGP Bio-Pharma Investment Fund, L.P.	3,419	831	—	4,250
RMGP Bio-Pharma Investment, L.P.	8	1	—	9
Wyatt Corp.	6,000	—	—	6,000
Banksalad Co., Ltd.	7,504	1,637	—	9,141
UPRISE, Inc.	250	500	—	750
Stratio, Inc.	1,000	—	—	1,000
Honest Fund, Inc.	3,999	—	—	3,999
CellinCells Co., Ltd.	2,004	24	(4)	2,024
KB No.17 Special Purpose Acquisition Company	2,683	4	—	2,687
KB No.18 Special Purpose Acquisition Company	3,786	87	—	3,873
KB No.19 Special Purpose Acquisition Company	2,043	12	—	2,055
KB No.20 Special Purpose Acquisition Company	1,499	1,568	—	3,067
COSES GT Co., Ltd.	2,930	2,500	—	5,430
CWhy Inc.	2,000	—	(2,000)	—
Bomapp Inc.	1,999	—	—	1,999
Channel Corporation	2,000	2,551	—	4,551
MitoImmune Therapeutics	5,000	—	—	5,000
Bioprotect Ltd.	—	3,264	—	3,264
Gomi corporation Inc.	—	509	—	509
Copin Communications, Inc.	—	1,500	—	1,500
Go2joy Co., Ltd.	—	1,200	—	1,200
ClavisTherapeutics, Inc.	—	2,000	—	2,000
S&E bio Co., Ltd.	—	2,000	—	2,000
Bluepointpartners Inc.	—	1,432	—	1,432
4N Inc.	—	200	—	200
Xenohelix Co., Ltd.	—	2,100	—	2,100
Contents First Inc.	—	6,146	—	6,146
KB-MDI Centauri Fund LP	—	4,280	—	4,280
SwatchOn Inc.	1,845	1,559	—	3,404
OKXE Inc.	—	800	—	800
GENINUS Inc.	—	5,599	—	5,599
BNF Corporation Ltd.*	3,659	1,000	(4,659)	—
Key management personnel	3,538	5,141	(3,526)	5,153

2021

	Beginning	Loan	Collection	Ending
	(In millions of Korean won)			
Associates and joint ventures				
Korea Credit Bureau Co., Ltd.	₩ 36	₩ 36	₩ (36)	₩ 36
Incheon Bridge Co., Ltd.	171,758	7	(20,276)	151,489
KB Star Office Private Real Estate Master Fund No.1	10,000	—	—	10,000
KB Cape No.1 Private Equity Fund	2,000	—	(409)	1,591
RAND Bio Science Co., Ltd.	1	1	(1)	1
SY Auto Capital Co., Ltd.	40,060	74	(60)	40,074
Food Factory Co., Ltd.	3,872	397	(53)	4,216
Paycoms Co., Ltd.	1,226	43	—	1,269
Big Dipper Co., Ltd.	4	17	(4)	17
RMGP Bio-Pharma Investment Fund, L.P.	4,250	1,173	—	5,423
RMGP Bio-Pharma Investment, L.P.	9	5	—	14
Wyatt Corp.	6,000	—	—	6,000
Banksalad Co., Ltd.	9,141	—	(51)	9,090
UPRISE, Inc.	750	1,000	(500)	1,250
Stratio, Inc.	1,000	—	—	1,000
Honest Fund, Inc.	3,999	—	—	3,999
CellinCells Co., Ltd.	2,024	6	(24)	2,006
KB No.17 Special Purpose Acquisition Company	2,687	—	(1,386)	1,301
KB No.18 Special Purpose Acquisition Company	3,873	8	—	3,881
KB No.19 Special Purpose Acquisition Company	2,055	36	—	2,091
KB No.20 Special Purpose Acquisition Company	3,067	68	—	3,135
COSES GT Co., Ltd.	5,430	15	—	5,445
Bomapp Inc.	1,999	—	(1,980)	19
Channel Corporation	4,551	10,000	—	14,551
MitoImmune Therapeutics	5,000	2,000	—	7,000
Bioprotect Ltd.	3,264	293	—	3,557
Gomi corporation Inc.	509	4,233	(9)	4,733
Copin Communications, Inc.	1,500	3,301	—	4,801
Go2joy Co., Ltd.	1,200	—	—	1,200
ClavisTherapeutics, Inc.	2,000	—	—	2,000
S&E Bio Co., Ltd.	2,000	—	—	2,000
Bluepointpartners Inc.	1,432	846	—	2,278
4N Inc.	200	—	—	200
Xenohelix Co., Ltd.	2,100	—	—	2,100
Contents First Inc.	6,146	1,131	—	7,277
KB-MDI Centauri Fund LP	4,280	5,353	—	9,633
SwatchOn Inc.	3,404	73	(59)	3,418
OKXE Inc.	800	—	—	800
GENINUS Inc.	5,599	273	—	5,872
Checkmate Therapeutics Inc.	—	2,200	—	2,200
Mantisco Co., Ltd.	—	3,001	—	3,001
IMBiologics Corp.	—	5,004	—	5,004
Spark Biopharma Inc.	—	4,967	—	4,967
G1 Playground Co., Ltd.	—	1,000	—	1,000
Pin Therapeutics Inc.	—	3,000	—	3,000
Hibiscus Fund LP	—	4,731	—	4,731
SuperNGine Co., Ltd.	—	1,998	—	1,998

	2021			Ending
	Beginning	Loan	Collection	
	(In millions of Korean won)			
Desilo Inc.	—	3,469	—	3,469
RMG-KB BioAccess Fund L.P.	—	353	—	353
RMG-KB BP Management Ltd.	—	7	—	7
IGGYMOB Co., Ltd.	—	5,006	—	5,006
Turing Co., Ltd.	—	3,000	—	3,000
Key management personnel	5,153	3,421	(3,983)	4,591

* Excluded from the Group's related party as of December 31, 2021.

43.4 Details of significant borrowing transactions with related parties for the years ended December 31, 2020 and 2021, are as follows:

	2020				Ending
	Beginning	Borrowing	Repayment	Others ¹	
	(In millions of Korean won)				
Associates and joint ventures					
Korea Credit Bureau Co., Ltd.	₩17,966	₩ 1,000	₩ —	₩ 1,016	₩19,982
Incheon Bridge Co., Ltd.	45,447	20,000	(21,260)	(4,667)	39,520
Jungdo Co., Ltd.	4	—	—	—	4
Dae-A Leisure Co., Ltd.	753	—	—	(117)	636
Computerlife Co., Ltd.	1	—	—	(1)	—
Skydigital Inc.	25	—	—	(10)	15
Jo Yang Industrial Co., Ltd.	2	—	—	—	2
Aju Good Technology Venture Fund	5,456	1,442	—	(3,805)	3,093
KB-KDBC Pre-IPO New Technology Business Investment Fund	7,054	1,500	(6,500)	(1,131)	923
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	13,118	—	—	(5,021)	8,097
Neomio Corp. ²	—	—	—	535	535
WJ Private Equity Fund No.1	—	—	—	349	349
KB Star Office Private Real Estate Master Fund No.1	8,293	2,117	(5,630)	(525)	4,255
SY Auto Capital Co., Ltd.	8	—	—	(2)	6
KB No.17 Special Purpose Acquisition Company ..	1,742	1,525	(1,500)	(56)	1,711
KB No.18 Special Purpose Acquisition Company ..	2,140	2,063	(2,100)	(2)	2,101
KB No.19 Special Purpose Acquisition Company ..	1,093	1,000	(1,000)	(40)	1,053
KB No.20 Special Purpose Acquisition Company ..	1,984	1,522	(1,500)	(290)	1,716
RAND Bio Science Co., Ltd.	4,452	2,250	(3,750)	(2,259)	693
Wise Asset Management Co., Ltd.	21	—	—	(21)	—
Food Factory Co., Ltd.	1,073	1,503	(1,003)	(18)	1,555
Acts Co., Ltd.	1	—	—	17	18
Paycoms Co., Ltd.	1	—	—	—	1
Big Dipper Co., Ltd.	6	—	—	(5)	1
A-PRO Co., Ltd. ²	3,201	—	—	(3,201)	—
Wyatt Corp.	—	—	—	1	1
Stratio, Inc.	726	—	—	(713)	13
UPRISE, Inc.	—	—	—	11	11
CellinCells Co., Ltd.	1,545	—	—	(1,285)	260
COSES GT Co., Ltd.	—	—	—	292	292
SwatchOn Inc.	395	7,002	(3,801)	351	3,947

	2020				
	Beginning	Borrowing	Repayment	Others ¹	Ending
	(In millions of Korean won)				
BNF Corporation Ltd. ²	947	—	—	(947)	—
Gomi corporation Inc.	—	—	—	37	37
S&E bio Co., Ltd.	—	—	—	1,142	1,142
KB IGen Private Equity Fund No.1 ²	147	—	—	(147)	—
KB Pre IPO Secondary Venture Fund No.1	2,955	—	—	(2,326)	629
4N Inc.	—	—	—	76	76
Contents First Inc.	—	4,000	(3,000)	823	1,823
December & Company Inc.	—	—	—	1	1
GENINUS Inc.	—	—	—	13,630	13,630
Key management personnel	15,338	21,319	(20,410)	920	17,167
	2021				
	Beginning	Borrowing	Repayment	Others ¹	Ending
	(In millions of Korean won)				
Associates and joint ventures					
Korea Credit Bureau Co., Ltd.	₩ 19,982	₩ —	₩ (1,000)	₩ (8,782)	₩ 10,200
Incheon Bridge Co., Ltd.	39,520	15,000	(20,000)	967	35,487
Jungdo Co., Ltd.	4	—	—	—	4
Dae-A Leisure Co., Ltd.	636	—	(479)	(140)	17
Skydigital Inc.	15	—	—	70	85
Jo Yang Industrial Co., Ltd.	2	—	—	(1)	1
Aju Good Technology Venture Fund	3,093	3,840	(1,442)	795	6,286
KB-KDBC Pre-IPO New Technology Business Investment Fund	923	—	—	(19)	904
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	8,097	—	—	(6,573)	1,524
Neomio Corp. ²	535	—	—	(535)	—
WJ Private Equity Fund No.1	349	—	—	(89)	260
KB Star Office Private Real Estate Master Fund No.1	4,255	—	(1,770)	93	2,578
SY Auto Capital Co., Ltd.	6	—	—	11	17
KB No.17 Special Purpose Acquisition Company ...	1,711	1,546	(1,525)	(45)	1,687
KB No.18 Special Purpose Acquisition Company ...	2,101	2,016	(2,063)	23	2,077
KB No.19 Special Purpose Acquisition Company ...	1,053	1,000	(1,000)	(40)	1,013
KB No.20 Special Purpose Acquisition Company ...	1,716	1,534	(1,522)	(47)	1,681
RAND Bio Science Co., Ltd.	693	—	(400)	150	443
Food Factory Co., Ltd.	1,555	507	(500)	(723)	839
Acts Co., Ltd.	18	—	—	136	154
Paycoms Co., Ltd.	1	—	—	—	1
Big Dipper Co., Ltd.	1	—	—	(1)	—
Wyatt Corp.	1	—	—	—	1
Stratio, Inc.	13	—	—	(13)	—
UPRISE, Inc.	11	—	—	3,990	4,001
CellinCells Co., Ltd.	260	—	—	(222)	38
COSES GT Co., Ltd.	292	—	—	1,647	1,939
SwatchOn Inc.	3,947	200	(3,501)	40	686
Gomi corporation Inc.	37	—	—	3,151	3,188
S&E Bio Co., Ltd.	1,142	—	—	(879)	263
KB Pre IPO Secondary Venture Fund No.1	629	—	—	(526)	103

	2021				
	<u>Beginning</u>	<u>Borrowing</u>	<u>Repayment</u>	<u>Others¹</u>	<u>Ending</u>
	(In millions of Korean won)				
4N Inc.	76	—	—	(37)	39
Contents First Inc.	1,823	20,000	(11,000)	1,827	12,650
December & Company Inc.	1	—	—	—	1
GENINUS Inc.	13,630	—	(5,000)	25,785	34,415
Mantisco Co., Ltd.	—	—	—	386	386
Spark Biopharma Inc.	—	1,000	(3,000)	8,015	6,015
G1 Playground Co., Ltd.	—	—	—	354	354
SuperNGine Co., Ltd.	—	—	—	944	944
Desilo Inc.	—	—	—	168	168
Turing Co., Ltd.	—	—	—	1,054	1,054
IGGYMOB Co., Ltd.	—	—	—	2,938	2,938
Key management personnel	17,167	16,574	(16,994)	249	16,996

¹ Transactions between related parties, such as settlements arising from operating activities and deposits, are expressed in net amount.

² Excluded from the Group's related party as of December 31, 2021.

43.5 Details of significant investment and withdrawal transactions with related parties for the years ended December 31, 2020 and 2021, are as follows:

	2020		2021	
	Equity investment and others	Withdrawal and others	Equity investment and others	Withdrawal and others
(In millions of Korean won)				
Balhae Infrastructure Company	₩ 894	₩ 6,973	₩ 279	₩ 9,584
KB GwS Private Securities Investment Trust*	—	9,523	—	188,836
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	—	3,230	—	11,860
POSCO-KB Shipbuilding Fund	5,000	2,125	—	7,600
KB Pre IPO Secondary Venture Fund No.1	—	585	—	292
KB-KDBC Pre-IPO New Technology Business Investment Fund	—	6,400	—	4,800
KB-SJ Tourism Venture Fund	1,500	—	500	—
Korea Credit Bureau Co., Ltd.	—	90	—	90
KB-UTC Inno-Tech Venture Fund	16,965	—	5,085	1,125
KB-Solidus Global Healthcare Fund	10,920	4,940	—	3,120
KB-Stonebridge Secondary Private Equity Fund	9,093	—	13,258	11,578
WJ Private Equity Fund No.1	10,000	—	—	—
All Together Korea Fund No.2	100,000	90,127	—	—
KB Star Office Private Real Estate Master Fund No.1	—	1,273	—	1,246
KB SPROTT Renewable Private Equity Fund No.1	4,129	—	—	—
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	5,700	—	7,692	—
JR Global REIT*	219,493	3,639	—	65,025
KB Bio Private Equity No.3 Ltd.	—	—	10,000	—
K The 15th REIT Co., Ltd.*	—	—	8,600	8,600
IGIS No.371 Professional Investors' Real Estate Investment Company*	10,000	10,000	—	—
Koreit Tower Real Estate Investment Trust Company*	30,000	30,000	—	—
Project Vanilla Co., Ltd.	2,450	—	—	—
December & Company Inc.	30,000	—	—	—
KB Social Impact Investment Fund	1,500	—	1,500	—
2020 KB Fintech Renaissance Fund	550	—	—	—
KB Material and Parts No.1 PEF	3,400	—	—	—
KB Private Equity Fund No.3*	—	8,000	—	—
KB-TS Technology Venture Private Equity Fund	2,240	5,488	3,080	5,376
Keystone-Hyundai Securities No.1 Private Equity Fund*	—	—	—	1,925
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	8,000	3,200	10,000	10,800
Aju Good Technology Venture Fund	—	2,885	—	4,769
G payment Joint Stock Company	—	—	9,029	—
498 Seventh Owners LLC	—	—	166,851	—
KB-KTB Technology Venture Fund	—	—	5,600	—
KB-SOLIDUS Healthcare Investment Fund	—	—	1,800	—
Paramark KB Fund No.1	—	—	2,040	—
FineKB Private Equity Fund No.1	—	—	8,375	—

* Excluded from the Group's related party as of December 31, 2021.

43.6 Unused commitments provided to related parties as of December 31, 2020 and 2021, are as follows:

		December 31, 2020	December 31, 2021
(In millions of Korean won or in a US Dollar or Malaysian ringgit)			
Associates and joint ventures			
Balhae Infrastructure Company	Purchase of securities	₩ 6,433	₩ 6,154
Korea Credit Bureau Co., Ltd.	Unused lines of credit for credit card	564	565
Incheon Bridge Co., Ltd.	Loan commitments in Korean won	20,000	20,000
	Unused lines of credit for credit card	98	93
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	Commitments on loss absorption priority	14,980	10,000
SY Auto Capital Co., Ltd.	Unused lines of credit for credit card	90	98
Food Factory Co., Ltd.	Loan commitments in Korean won	388	—
	Unused lines of credit for credit card	73	82
KB No.17 Special Purpose Acquisition Company	Unused lines of credit for credit card	441	—
KB No.18 Special Purpose Acquisition Company	Unused lines of credit for credit card	15	15
KB No.19 Special Purpose Acquisition Company	Unused lines of credit for credit card	—	1
CellinCells Co., Ltd.	Unused lines of credit for credit card	—	18
RAND Bio Science Co., Ltd.	Unused lines of credit for credit card	24	24
Big Dipper Co., Ltd.	Unused lines of credit for credit card	96	43
SwatchOn Inc.	Unused lines of credit for credit card	7	127
Gomi corporation Inc.	Unused lines of credit for credit card	—	2
COSES GT Co., Ltd.	Unused lines of credit for credit card	—	15
GENINUS Inc.	Unused lines of credit for credit card	—	43
Spark Biopharma Inc.	Unused lines of credit for credit card	—	33
Mantisco Co., Ltd.	Unused lines of credit for credit card	—	29
IMBiologics Corp.	Unused lines of credit for credit card	—	18
SuperNGine Co., Ltd.	Unused lines of credit for credit card	—	18
IGGYMOB Co., Ltd.	Unused lines of credit for credit card	—	14
KB Pre IPO Secondary Venture Fund No.1	Commitments on loss absorption priority	1,671	1,671
KB-TS Technology Venture Private Equity Fund	Purchase of securities	3,696	616
KB-SJ Tourism Venture Fund	Purchase of securities	500	—
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Purchase of securities	10,000	—
KB SPROTT Renewable Private Equity Fund No.1	Purchase of securities	18,704	18,704
KB-Stonebridge Secondary Private Equity Fund	Purchase of securities	18,837	5,579
KB Social Impact Investment Fund	Purchase of securities	1,500	—
KB-UTC Inno-Tech Venture Fund	Purchase of securities	5,085	—
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	Purchase of securities	24,300	16,608
All Together Korea Fund No.2	Purchase of securities	990,000	—
KB-KTB Technology Venture Fund	Purchase of securities	—	22,400
KB-SOLIDUS Healthcare Investment Fund	Purchase of securities	—	88,200
KB Co-Investment Private Equity Fund No.1	Purchase of securities	—	20,000
FineKB Private Equity Fund No.1	Purchase of securities	25,000	16,625
KB-Solidus Global Healthcare Fund	Purchase of securities	2,120	2,120
	Commitments on loss absorption priority	—	4,500

		December 31, 2020	December 31, 2021
		(In millions of Korean won or in a US Dollar or Malaysian ringgit)	
Paramark KB Fund No.1	Purchase of securities	—	27,960
RMGP Bio-Pharma Investment Fund, L.P.	Purchase of securities	USD 7,796,423	USD 5,169,932
RMGP Bio-Pharma Investment, L.P.	Purchase of securities	USD 17,132	USD 12,615
KB-MDI Centauri Fund LP	Purchase of securities	USD 13,537,500	USD 6,622,923
Hibiscus Fund LP	Purchase of securities	—	MYR 33,333,333
RMG-KB BP Management Ltd.	Purchase of securities	—	USD 616,170
RMG-KB BioAccess Fund L.P.	Purchase of securities	—	USD 29,702,324
Key management personnel	Loan commitments in Korean won	1,760	2,018

43.7 Details of compensation to key management personnel for the years ended December 31, 2019, 2020 and 2021, are as follows:

	2019			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
	(In millions of Korean won)			
Registered directors (executive)	₩ 8,540	₩ 425	₩ 7,434	₩16,399
Registered directors (non-executive)	1,030	—	—	1,030
Non-registered directors	9,157	360	7,510	17,027
	<u>₩ 18,727</u>	<u>₩ 785</u>	<u>₩ 14,944</u>	<u>₩34,456</u>
	2020			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
	(In millions of Korean won)			
Registered directors (executive)	₩ 8,111	₩ 672	₩ 6,369	₩15,152
Registered directors (non-executive)	1,133	—	—	1,133
Non-registered directors	10,782	396	6,934	18,112
	<u>₩ 20,026</u>	<u>₩ 1,068</u>	<u>₩ 13,303</u>	<u>₩34,397</u>
	2021			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
	(In millions of Korean won)			
Registered directors (executive)	₩ 8,152	₩ 966	₩ 11,655	₩20,773
Registered directors (non-executive)	1,061	—	—	1,061
Non-registered directors	12,820	466	14,424	27,710
	<u>₩ 22,033</u>	<u>₩ 1,432</u>	<u>₩ 26,079</u>	<u>₩49,544</u>

43.8 Details of collateral provided by related parties as of December 31, 2020 and 2021, are as follows:

	Assets held as collateral	December 31, 2020	December 31, 2021
	(In millions of Korean won)		
Associates			
KB Star Office Private Real Estate Master Fund No.1	Real estate	₩13,000	₩13,000
Key management personnel	Time deposits and others	213	745
	Real estate	4,356	5,176

As of December 31, 2021, Incheon Bridge Co., Ltd., a related party, provides fund management account, civil engineering works insurance, and management and operations rights as senior collateral amounting to ₩611,000 million to the project financing group consisting of the Group and 5 other institutions, and as subordinated collateral amounting to ₩384,800 million to subordinated debt holders consisting of the Group and 2 other institutions. Also, it provides certificate of credit guarantee amounting to ₩400,000 million as collateral to the project financing group consisting of the Group and 5 other institutions.

44. Events after the reporting period

3,455,426 treasury shares were retired on February 14, 2022 in accordance with the resolution of the board of directors on February 8, 2022.

45. Approval of Issuance of the Consolidated Financial Statements

The Group's consolidated financial statements as of and for the year ended December 31, 2021 was certified by management on April 27, 2022.

46. Parent Company Information

The following tables present the Parent Company Only financial information:

Condensed Statements of Financial Position

	December 31, 2020	December 31, 2021
	(In millions of Korean won)	
Assets		
Cash and due from financial institutions	₩ 23,084	₩ 608,076
Financial assets at fair value through profit or loss	474,262	440,760
Loans at amortized cost	179,542	249,128
Investments in subsidiaries*		
Banking subsidiaries	14,821,721	14,821,721
Nonbanking subsidiaries.	11,698,159	11,919,717
Other assets	911,723	831,977
Total assets	<u>₩28,108,491</u>	<u>₩28,871,379</u>
Liabilities and shareholders' equity		
Borrowings	₩ 100,000	₩ —
Debentures	6,128,043	5,552,791
Other liabilities	894,828	805,614
Shareholders' equity	20,985,620	22,512,974
Total liabilities and shareholders' equity	<u>₩28,108,491</u>	<u>₩28,871,379</u>

* Investments in subsidiaries were accounted at cost method in accordance with IAS No.27.

Condensed Statements of Comprehensive Income

	2019	2020	2021
	(In millions of Korean won)		
Income			
Dividends from subsidiaries	₩926,934	₩1,573,411	₩1,617,949
Interest from subsidiaries	3,618	3,519	7,566
Other income	22,709	22,749	31,284
Total income	<u>953,261</u>	<u>1,599,679</u>	<u>1,656,799</u>
Expense			
Interest expense	126,065	132,437	120,469
Non-interest expense	80,355	87,876	99,745
Total expense	<u>206,420</u>	<u>220,313</u>	<u>220,214</u>
Profit before income tax expense	746,841	1,379,366	1,436,585
Income tax benefit (expense)	(854)	49	2,281
Profit for the year	<u>745,987</u>	<u>1,379,415</u>	<u>1,438,866</u>
Other comprehensive loss for the year, net of tax	(520)	(368)	(298)
Total comprehensive income for the year	<u>₩745,467</u>	<u>₩1,379,047</u>	<u>₩1,438,568</u>

Condensed Statements of Cash Flows

	2019	2020	2021
	(In millions of Korean won)		
Operating activities			
Net income	₩745,987	₩1,379,415	₩1,438,866
Reconciliation of net income to net cash provided by operating activities:			
Other operating activities, net	(274)	9,930	(92,785)
Net cash inflow from operating activities	<u>745,713</u>	<u>1,389,345</u>	<u>1,346,081</u>
Investing activities			
Net payments to subsidiaries	(100,000)	(2,347,543)	(219,268)
Other investing activities, net	(200,609)	(146,477)	(39,477)
Net cash outflow from investing activities	<u>(300,609)</u>	<u>(2,494,020)</u>	<u>(258,745)</u>
Financing activities			
Net increase (decrease) in borrowings	(298,321)	100,000	(100,000)
Increases in debentures	1,037,656	1,537,091	389,405
Repayments of debentures and lease liabilities	(868,723)	(940,610)	(970,535)
Issuance of hybrid securities	399,085	1,296,693	1,142,203
Cash dividends paid	(766,249)	(883,952)	(1,053,417)
Acquisition of treasury shares	(274,317)	—	—
Net cash inflow (outflow) from financing activities	<u>(770,869)</u>	<u>1,109,222</u>	<u>(592,344)</u>
Net increase (decrease) in cash and cash equivalents	<u>(325,765)</u>	<u>4,547</u>	<u>494,992</u>
Cash and cash equivalents as of January 1	<u>344,299</u>	<u>18,534</u>	<u>23,081</u>
Cash and cash equivalents as of December 31	<u>₩ 18,534</u>	<u>₩ 23,081</u>	<u>₩ 518,073</u>

I, Jong Kyoo Yoon, certify that:

1. I have reviewed this annual report on Form 20-F of KB Financial Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 27, 2022

/s/ Jong Kyoo Yoon

Jong Kyoo Yoon
Chairman and
Chief Executive Officer

I, Scott Y. H. Seo, certify that:

1. I have reviewed this annual report on Form 20-F of KB Financial Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 27, 2022

/s/ Scott Y. H. Seo

Scott Y. H. Seo
Senior Managing Director and
Chief Finance Officer

Certification

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsection (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of KB Financial Group Inc., a corporation organized under the laws of the Republic of Korea (the “Company”), does hereby certify, to such officer’s knowledge, that:

The annual report on Form 20-F for the year ended December 31, 2021 (the “Form 20-F”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: April 27, 2022

/s/ Jong Kyoo Yoon

**Jong Kyoo Yoon
Chairman and
Chief Executive Officer**

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to KB Financial Group Inc. and will be retained by KB Financial Group Inc. and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

Certification

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsection (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of KB Financial Group Inc., a corporation organized under the laws of the Republic of Korea (the “Company”), does hereby certify, to such officer’s knowledge, that:

The annual report on Form 20-F for the year ended December 31, 2021 (the “Form 20-F”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: April 27, 2022

/s/ Scott Y. H. Seo

Scott Y. H. Seo
Senior Managing Director and
Chief Finance Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to KB Financial Group Inc. and will be retained by KB Financial Group Inc. and furnished to the U.S. Securities and Exchange Commission or its staff upon request.