ANNUAL REPORT 2021

2021 KYOBO Life

KYOBO Life

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Prologue

We will become the leading financial company delivering value in art and culture.

Kyobo Life was founded in 1958 on the basis of its founder Yong-ho Shin's extraordinary belief in building a foundation for national economic independence through youth education in a land ravaged by the Korean War. For the past 63 years since its foundation, the company ceaselessly overcame numerous crises and challenges with innovations and has soundly grown into a large financial company, now highly esteemed at home and abroad.

However, the era where we can survive through a series of multiple innovations take place has come with the continued spread of COVID-19 last year, the advent of the so-called untact age, and big techs' advancement into the insurance industry. Amid such a harsh management landscape, Kyobo Life has established Vision 2025 “to become the leading financial company delivering value in art and culture” based on its corporate strategy on the premises of digital transformation, aiming to reinforce the traditional insurance industry which focuses on its face-to-face distribution channel as well as secure a basis for growth.

Vision 2025 under which 'culture' refers to 'art and culture' aims to help many people who feel exhausted from their everyday life have comfort, hopes, and energy to live for tomorrow. This demonstrates the company's will to evolve into a leading company that creates customer experience and value encompassing both culture and finance since Kyobo Life, which has pursued a single path for the past 63 years, is now committed to entering a new field of cultural business.

Accordingly, Kyobo Life has made new attempts to create a digital ecosystem based on its management policy of 'laying a foundation for success in the digital era', such as obtaining a financial MyData license, planning a two-sided platform, designing a digital customer journey, laying the groundwork for CVC investment. In addition, we have put efforts in various ways to strengthen our competence in the insurance industry by, for example, forging partnerships with fintech companies.

In order to achieve Vision 2025, Kyobo Life will not be complacent but unceasingly learn and innovate to expand customer coverage, the intrinsic value of life insurance, and become a company that takes initiative in generating unique customer value in the fields of culture and finance.

CEO Message

Dear customers, investors, government agencies, and local community members,

Over this past year, we have experienced the turmoil caused by the prolonged COVID-19 pandemic. Although severely challenging circumstances still exist, I hope all those active in the economy are able to overcome these difficulties and regain their vitality and vibrance.

I would like to present Kyobo Life's major achievements in 2021 followed by an outline of our key management goals for 2022.

The Year In Review

Kyobo Life, which has focused on life insurance for the past 63 years, established Vision 2025 "to become the leading financial company delivering value in art and culture". Based on its corporate strategy launched in Spring 2021 and premised on digital transformation with the aim of extending its business field into 'culture' and to evolving into a leading company that creates unique customer experiences and value in terms of culture as well as finance.

Despite an uneasy business landscape stemming from the COVID-19 pandemic, prolonged economic stagnation, and heightened volatility in financial markets, Kyobo Life, under its management objective of "laying a foundation for success in the digital era", focused on flexible management which strengthens profit generation by enhancing the competitiveness of the insurance business and building a foundation for future growth.

We have made a company-wide effort to preemptively respond to the introduction of a new accounting standard, IFRS17, and a new solvency regulation, K-ICS. In addition, we have maintained the industry-best global credit ratings, including an A1 grade from Moody's for seven consecutive years and an A+ grade from Fitch for nine years in a row. Kyobo Life has also earned the Consumer-Centered Management (CCM) certificate for eight consecutive years and has been ranked first in the life insurance sector in the Korea Sustainability Index for 12 years in a row.

As a result, Kyobo Life recorded total assets of KRW 131 trillion, a net income of KRW 489.3 billion, and ROE of 4.25% on a consolidated basis in FY2021. The Risk-Based Capital (RBC) ratio, which is a key measure of the financial soundness for life insurers, was 266.6% thanks to continuous profit generation.

Insurance Business

Amid the accelerating digital transformation across the entire insurance industry, demographic changes caused by low fertility and population aging are slowing the life insurance industry's growth while big tech or platform companies' advancement into the insurance business is reorganizing the market's competition structure. To actively respond to such changes, Kyobo Life has innovated the core processes of its insurance business and provided various products and services for family protection that meet the needs of its target customers. In the meantime, we were also very active in serving the third party insurance market for health, injury, and nursing care.

Moreover, Kyobo Life has further strengthened our support for non-face-to-face sales activities by establishing a video consultation system and a mobile subscription system for insurance sales. We are currently working on the integration of digital channels to provide an emotionally satisfactory customer experience both on and off-line.

Such distinctive marketing activities have enabled us to make meaningful achievements in each field of insurance sales such as insurance subscription and coverage persistency.

Asset Management

In 2021, the global stock market grew in general thanks to economic recovery and strong performance of enterprises, but at the same time, its volatility appeared to be heightened with the emergence of COVID-19 variants and concerns over inflation.

In the bond market, interest rates showed an increase overall on the back of economic recovery and expectations for normalization of monetary policy, but towards the end of the year, the volatility of interest rates significantly intensified due to concerns over tapering, etc.

In the midst of an uncertain environment for investment, Kyobo Life has made an effort to defend the recurring yield from decreasing with an active expansion of high-yield assets that are relatively low risk, including policy loans, credit loans, and alternative investments. Meanwhile we have also diversified sources for non-recurring profits by securing disposal gain on alternative investments and stocks. In addition, we preemptively prepared for regulatory changes such as the introduction of K-ICS by expanding asset duration and consistently minimizing mismatching of cash flow between assets and liabilities.

Finally, we continuously strove to improve the qualitative structure of retail loans by strengthening our management on default rates in an attempt to address the risk of household debts.

As a consequence, Kyobo Life achieved a satisfactory yield of 3.45% from operating assets in 2021.

Management Support

In terms of management support, we focused on digital transformation for sustainable growth, securing new growth engines via customer experience innovation by utilizing digital technology.

We endeavored first to create a digital environment in which our data-based competitiveness in the insurance business is enhanced. Second, we built upon customer value by acquiring an official financial MyData license, an insurance industry first, developing a 'customer profile-based future behavior prediction system', and building a cloud-based big data system, among other things.

We also endeavored to secure new growth engines to build our foundation for the future by implementing an in-house venture incubating program and raising a CVC fund named 'The First Kyobo New Technology Investment Association Fund'.

In addition, we actively promoted the digitalization of our insurance business processes with the implementation of an e-document service that allows customers to access paperless insurance services at our Customer PLAZA portal.

The Year Ahead

With this year's management landscape remaining unpredictable, the Bank of Korea forecasts an economic growth rate of 3% for this year on the premise that successful pandemic measures and a smooth supply of vaccines and treatments will allow us to get back to life as usual.

Even so, we will pay sharp attention to market trends to quickly respond to factors that intensify uncertainties in the financial market such as prolonged inflation, Fed's tapering, and interest rate hike which still exist.

Amid the expected stagnation of the life insurance industry's growth as compared to 2021, the Financial Consumer Protection Act and regulation on insurance sales commission have taken effect in earnest and IFRS 17 and K-ICS will be introduced in 2023, all of which will have a significant impact on insurers' management. Furthermore, big tech and platform enterprises are diving not only into the financial industry but also the healthcare business where insurers can secure their future growth engines. Against this backdrop, the financial authorities are expected to introduce regulations to prevent a monopoly or oligopoly of platform companies, to induce fair competition, and ease related systems. This will present new opportunities to insurance players so that they can expand their business areas.

The management environment requires fundamental innovation across all aspects of Kyobo Life's business activities.

Therefore, we will continue innovating all our businesses to ensure we provide not only essential life insurance products such as whole life insurance, CI insurance, and pension insurance but also insurance products and services that fully reflect digital-based lifestyles and changes in the preferences of various generations and even non-insurance services.

Accordingly, Kyobo Life has set the 2022 management directive as “laying a foundation for success in and racing to meet the challenge of the digital era”. This demonstrates our commitment to providing a unique experience and value to our customers in the fields of art, culture, and finance as promptly as possible by accelerating the implementation of our corporate strategy, taking into account both external and internal management environments such as rapid digital transformation and slowdown of the life insurance industry's growth.

Under this management directive, the following major initiatives will be put into practice.

First, we will strengthen our organizational capacity by securing digitally skilled talent.

Second, we will expansively provide an emotionally sensitive customer experience based on digital solutions.

Third, we will establish a business ecosystem that secures new growth engines.

Fourth, we will focus on building a foundation to succeed in two-sided platforms.

Fifth, we will strengthen the growth of our insurance business by securing new customers.

Sixth, (for the reduction of negative spread) we will strengthen profit generation by advancing asset management.

Seventh, we will practice advanced consumer protection and prepare a foundation for ESG business management.

With the goal of continuing to grow into a digital enterprise that promptly responds to changes to the market, technology, and customers, we will ceaselessly learn and evolve. Your continued interest and support for Kyobo Life in our groundbreaking efforts to make great strides as a leading company that generates unique customer value through tireless innovation is sincerely appreciated.

Thank you for your continued faith in Kyobo Life.

March, 2022

Chairman & CEO Chang Jae Shin

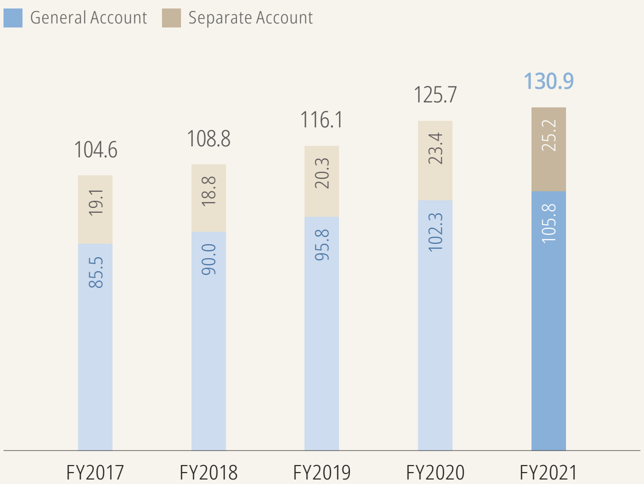
Financial Highlights

(Based on Consolidated Statements)

Growth

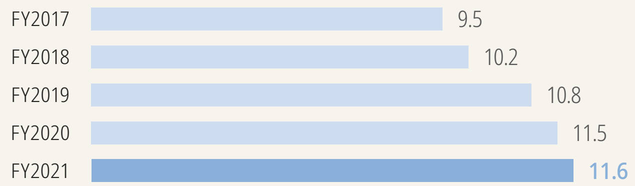
Total Assets

(Unit: KRW Tn)



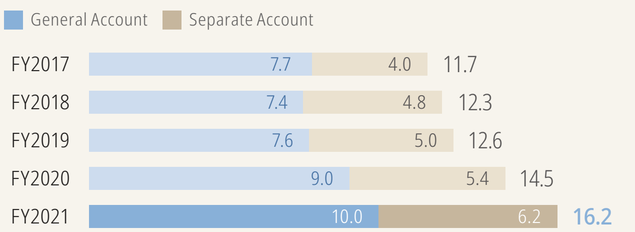
Total Shareholders' Equity (Controlling Interests)

(Unit: KRW Tn)



Premium Income

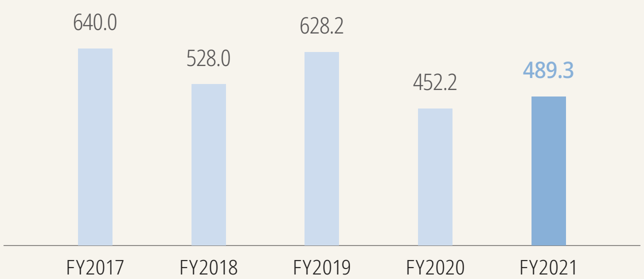
(Unit: KRW Tn)



Profitability

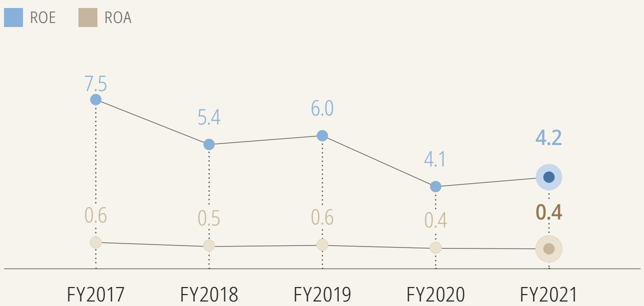
Net Income (Controlling Interests)

(Unit: KRW Bn)



Profitability

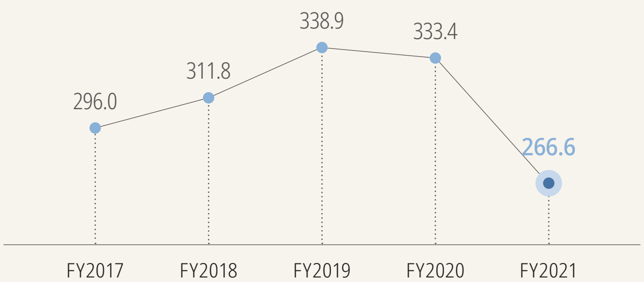
(Unit: %)



Stability

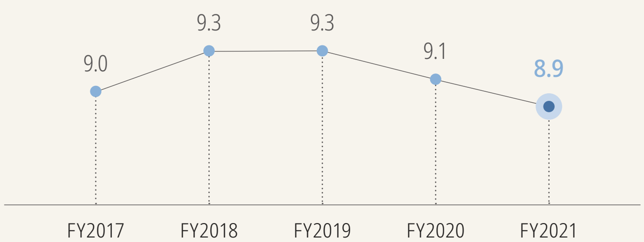
RBC Ratio

(Unit: %)



Equity to Asset Ratio

(Unit: %)



Key Figures

Summary of Income Statement

(Unit: KRW Bn)

	FY2017	FY2018	FY2019	FY2020	FY2021
Operating Revenues	15,353.0	14,671.0	15,495.8	18,644.9	19,715.1
Operating Expenses	14,395.1	13,863.9	14,590.5	17,960.6	18,999.9
Operating Profit	957.9	807.1	905.3	684.3	715.2
Non-operating Profit	-20.5	-23.4	3.3	-17.9	8.9
Profit Before Tax	937.4	783.6	908.5	666.4	724.1
Income Tax Expense	263.4	219.3	241.0	188.6	198.4
Net Income	674.0	564.4	667.5	477.8	525.7
Net Income attributable to Controlling Interests	640.0	528.0	628.2	452.2	489.3

Summary of Statement of Financial Position

(Unit: KRW Bn)

	FY2017	FY2018	FY2019	FY2020	FY2021
Total Assets	**104,564.7**	**108,819.9**	**116,053.4**	**125,704.7**	**130,934.9**
Cash and Deposits	1,563.8	2,383.2	2,649.7	1,940.6	2,897.0
Securities	58,411.7	61,079.9	66,181.6	70,800.7	73,089.0
Loans	18,781.4	20,720.0	20,762.6	22,353.3	23,725.3
Investment in Associates	92.3	96.9	35.2	36.3	71.7
Investment Property	1,102.5	1,083.5	1,129.5	1,094.7	1,058.1
Property and Equipment	1,299.3	1,288.6	1,367.7	1,378.7	1,414.9
Intangible Assets	50.8	72.8	328.9	296.3	257.4
Other Assets	4,204.1	3,303.3	3,323.0	4,431.1	3,249.1
Separate Account Assets	19,058.7	18,791.7	20,275.1	23,373.0	25,172.4
Total Liabilities	**94,711.6**	**98,255.5**	**104,781.7**	**113,925.2**	**118,980.1**
Policy Reserve	66,713.3	69,488.0	73,038.9	76,686.2	79,287.1
Policyholder's Equity Adjustment	736.8	894.8	1,416.5	1,461.8	719.6
Other Liabilities	7,784.3	8,617.2	9,588.2	11,846.8	12,926.4
Separate Account Liabilities	19,477.3	19,255.6	20,738.1	23,930.4	26,046.9
Total Shareholders' Equity	**9,853.0**	**10,564.3**	**11,271.8**	**11,779.5**	**11,954.8**
Total Shareholders' Equity attributable to Controlling Interests	**9,455.8**	**10,151.0**	**10,822.4**	**11,454.8**	**11,596.5**

*Reflecting changes in financial statements in FY2019 and FY2020, which were rewritten due to changes in accounting policies

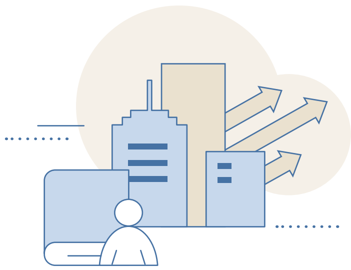
Financial Ratio

Based on Separate Statements

	FY2017	FY2018	FY2019	FY2020	FY2021
Ratio of New Business	10.2%	11.0%	10.9%	12.3%	12.2%
Increase Ratio of Business in Force	-2.1%	-1.0%	-2.3%	-0.6%	0.3%
Ratio of Lapses and Surrenders	8.2%	7.7%	8.6%	8.1%	7.2%
Ratio of Claims Paid	81.0%	74.0%	84.0%	73.5%	73.1%
13th Month Persistency Rate	78.7%	78.8%	77.8%	80.8%	82.3%
13th Month Retention Rate	41.1%	36.4%	31.5%	43.5%	41.2%
Ratio of Operating Expeses (before deferral)	13.5%	13.0%	12.5%	11.8%	10.7%

FY2021 at a Glance

Proclaimed **'Vision 2025'** towards the leading financial company delivering value in art and culture



In 2021, Kyobo Life proclaimed Vision 2025 'to become the leading financial company delivering value in art and culture' which shows our will for bold innovations breaking out the existing practices by taking another step into a new area of culture business beyond the insurance industry it has been dedicated for long.

Under the future vision' to become the leading financial company delivering value in art and culture', the core purpose states as follow: 'To holistically enrich everyone's lives through financial, intellectual and cultural growth'.

From the starting point, Kyobo Life is struggling intensely to live up to its vision. We are improving the entire areas of the traditional insurance industry including subscription, persistency, benefits payment, products, and services while seeking two-sided platform-centered new businesses with speed.

We hope you look forward to Kyobo Life's new business year, which will accelerate its effort to create a whole new world, achieve its new milestone, Vision 2025.

Promote **'laying a foundation for success in a digital era'**

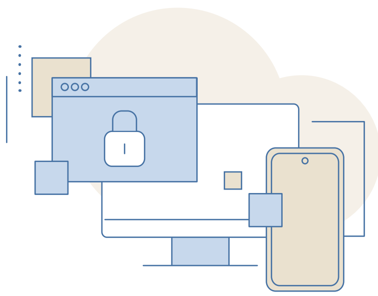
Kyobo Life has made multifaceted efforts to create a digital ecosystem such as a transition into a digital climate and two-sided platform planning under its management policy of 'laying a foundation to succeed in a digital era' on the basis of its corporate strategy on the premises of digital transition.

In supporting insurance sales, the profitability of the traditional insurance business was improved and the core business processes of the existing insurance business were digitalized to enhance customer convenience, thus accelerating digitalization that elevates customer value.

In order to secure future growth engines, a variety of attempts were made, which include two-sided platform planning, the opening of Innovation Lab where innovations are turned into reality, the launch of open innovation platform named Innostage, to spread a challenging and creative culture for innovation. We also implemented an in-house venture cultivation program to explore new businesses.

Moreover, we set and put in place “Kyobo Work Smart”, a standard which Kyobo Life's employees are required to observe and that supports the creation of a departmental culture unique to Kyobo Life where innovation can flourish.

Kyobo Life will continue to pursue its 'corporate strategy on the premises of digital transformation to innovate the existing business' and give impetus to secure new drives for growth.

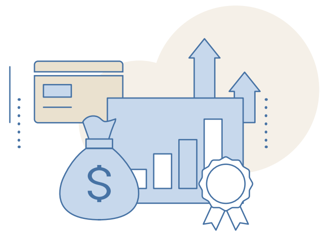


Unshakable capability with **the highest credit rating** proved

It has been two years since the COVID-19 pandemic swept the world. Kyobo Life proved its unshakable capabilities to the market in the prolonged unstable global economy and market environment.

While the credit ratings of many advanced countries and blue-chip companies sharply declined last year, and the recovery is still weak, Kyobo Life was able to maintain best global credit ratings in the industry with an A1 grade from Moody's for seven consecutive years and A+ from Fitch for nine consecutive years.

This is attributable to our outstanding profitability and capital adequacy, and excellent risk management capabilities amidst the crisis being highly recognized. In particular, as the credit rating of insurers lies in their ability to pay insurance claims, this has great meaning at customer contact points in that high credit ratings mean we can keep our promise to provide coverage to customers under any circumstances.



Sustainability management shined brighter in the ESG era, ranking 1st for 12 consecutive years

Kyobo Life was ranked first in the life insurance sector in the Sustainability Index for 12 consecutive years at the 2021 Korea Sustainability Competition hosted by the Korean Standards Association. The 'Korea Sustainability Index' is based on the seven core themes and major ESG issues of ISO 26000, a global standard that shows how proactively and strategically a company is responding to the economic, social, and environmental impacts of its decision-making and management activities. This is an official indicator that shows the level of corporate social responsibility fulfillment and sustainability management capabilities.

As ESG management, which refers to the environment, society, and governance, has become a trend, the significance of this achievement is even greater.

Last May, Kyobo Life and its financial affiliates declared “coal phase-out financing” and are committed to transition into green finance and carbon neutral economy. In the meantime, we became the first domestic insurer to issue ESG hybrid in Korea, expanding our eco-friendly investment.

Kyobo Life is working tirelessly to practice ESG management, including establishing a dedicated organization in the best position in the sustainability management in the industry and holding an ESG council meeting to discuss major policy directions.

Going forward, Kyobo Life will continue to practice ESG management which contributes to our society, not for the sake of being the best in the industry, with a sense of deeper sincerity.

HONESTY & INTEGRITY

01.

CORPORATE SOCIAL RESPONSIBILITY

Vision

In the Digital Age, We Will Become a Leader of Innovation.

Kyobo Life has established Vision 2025 "to become the leading financial company delivering value in art and culture" based on Kyobo Group's corporate strategy, "DBS (Digital Transformation Based Strategy)" on the premises of digital transformation to actively respond to the changing business environment. For the past 63 years, evolving as a dedicated life insurer, Kyobo Life will become a leading company that provides unique customer experience and value encompassing culture and finance by entering new businesses of art and culture and finance other than insurance.

Vision 2025

To become the leading financial company delivering value in art & culture by 2025

Tenacity and Creativity

We will always innovate, starting over again if at first we do not succeed.

Honesty and Integrity

We will always be honest and sincere in every respect.

Customer-Oriented

We will always put our customers first in our thoughts and actions.

FY2022 Management Directive

2nd year of DBS : **Laying a foundation for success in and racing to meet the challenge of the digital era**

In celebration of the 2nd year of DBS, we will accelerate the speed of implementing key tasks and promptly secure company-wide digital competence to successfully promote DBS. From this perspective, Kyobo Life has set our 2022 management directive as **"2nd Year of DBS: Laying a foundation for success in and racing to meet the challenge of the digital era"**. To this end, we will consistently carry out the following major initiatives.

01. We will strengthen our organizational capacity by securing digitally skilled talent

02. We will expansively provide an emotionally sensitive customer experience based on digital solutions

03. We will establish a business ecosystem that secures new growth engines

04. We will focus on building a foundation to succeed in two-sided platforms

05. We will strengthen the growth of our insurance business by securing new customers

06. (For the reduction of negative spread) We will strengthen profit generation by advancing asset management

07. We will practice advanced consumer protection and prepare a foundation for ESG business management

Corporate History

We Have Been Growing Together with a Variety of Stakeholders

1958 - 1996

Aug. 07, 1958	Established Daehan Kyoyuk Insurance Co., Ltd. (current Kyobo Life Insurance Co., Ltd.)
Sep. 21, 1964	Received a presidential citation on the 1st "Savings day"
Sep. 25, 1969	Founder, Yong-Ho Shin, received the 'Order of civil merit'
Nov. 15, 1979	Established Kyobo Real Estate Management Co., Ltd. (current Kyobo Realco, Inc.)
Jul. 30, 1980	Moved Head office to 1, Jongno-1ga, Jongno-gu, Seoul
Dec. 24, 1980	Established Kyobo Book Centre Co., Ltd.
Jun. 27, 1983	Founder, Yong-Ho Shin, received the 'Founder's award' from the International Insurance Society ("IIS")
Jun. 01, 1987	Grand opening of Kye Seong Won (HRD training center)
Apr. 01, 1994	Acquired Daehan Securities and renamed it to Kyobo Securities Co., Ltd.
Apr. 03, 1995	Renamed Daehan Education Insurance Co., Ltd. to Kyobo Life Co., Ltd.
Aug. 02, 1995	Acquired Korea Computing Information Co., Ltd. and renamed it to Kyobo Information & Communication Co., Ltd.
Jul. 08, 1996	Founder, Yong-Ho Shin, became a laureate of the Insurance Hall of fame by the International Insurance Institute ("IIS")
Aug. 06, 1996	Founder, Yong-Ho Shin, became the first entrepreneur to receive "Geum-gwan order of culture merit"

1997 - 2010

Jul. 15, 1997	IIS established 'Shin Research Award', in the honor of the founder, Yong-Ho Shin
Dec. 08, 1998	Established Saengbo Real Estate Trust Co., Ltd.
Dec. 01, 2001	Proclaimed "Kyobo Vision 2010" and unveiled new Corporate Identity (CI)
Feb. 28, 2002	Established A&D Credit Information Co., Ltd.
Jul. 05, 2002	Established Kyobo Insurance Investigation Co., Ltd (current KCA Claim Adjustment Co., Ltd.)
Dec. 11, 2002	Established Kyobo Dasomi, a special unit dedicated to community service
Jun. 24, 2003	Received the grand prize from the "Corporate ethics award" by Korean Ethics Studies Association
Nov. 17, 2004	Ranked #1 in the 'Korean customer satisfaction management award' for the 5th consecutive year and inducted into the Hall of fame by Korea Management Association
Jul. 11, 2007	Received CCMS (Consumer complaints management system) Certificate for the first time in the industry
Dec. 21, 2007	Obtained approval for trust business and subsequently commenced business
Jan. 08, 2008	Launching of Korea's first social enterprise "Dasomi Foundation"
May 19, 2008	Received a presidential citation for the "Best family-friendly company"
Jul. 31, 2008	Obtained "A2 (stable)" credit rating from Moody's Investors Service
Aug. 28, 2008	Established a joint venture with AXA Group, "Kyobo AXA Investment Managers Co., Ltd."
Nov. 09, 2009	Won the award "Best life insurance company in Asia of 2009" at the Asia Insurance Industry Awards
Sep. 01, 2010	Joined the UN Global Compact, an international pact for corporate social responsibility

2011 - 2019

Apr. 15, 2011	Proclaimed "Kyobo Vision 2015"
Oct. 28, 2012	Chairman & CEO, Chang Jae Shin, received the "Personality of the Year Award 2012" at the Asia Insurance Industry Awards
Oct. 11, 2013	Received the "Consumer grand prize of 2013" by Korean Society of Consumer Studies
Nov. 05, 2013	Obtained "A+ (stable)" credit rating from Fitch Ratings
Dec. 02, 2013	Established "Kyobo Life Planet Life Insurance Company"
Aug. 20, 2014	Chairman & CEO, Chang Jae Shin, received the "29th KASBA CEO Grand Prix" from the Korean Academic Society of Business Administration
Dec. 07, 2015	Credit rating upgraded to "A1 (stable)" by Moody's Investors Service
Jan. 08, 2016	Proclaimed "Kyobo Vision 2020"
Feb. 18, 2016	Received the "12^{th} transparency award" by the Five Economic Organizations in Korea
Nov. 30, 2017	Chairman & CEO, Chang Jae Shin, was awarded the highest French order of merit named 'Légion d'Honneur'
Dec. 01, 2017	Received the "Fair Trade Commissioner's Citation" at the "22^{nd} consumer rights day awards" by Korea Fair Trade Commission
Jul. 26, 2018	Received "Presidential award" at the "18^{th} Korea digital management innovation awards" by Korea Knowledge Information Center
Oct. 24, 2018	Chairman & CEO, Chang Jae Shin, received "Eungwan order of culture merit"
Oct. 18, 2019	Topped the Korean Sustainability Index (KSI) in the life insurance division for ten consecutive years nominated and was inducted into the Hall of fame
Oct. 18, 2019	Chairman & CEO, Chang Jae Shin, received the "1st Korean sustainability management CEO award"
Oct. 29, 2019	Received "Technology initiative of the year" at the 2019 Asia Insurance Industry Awards
Dec. 12, 2019	Chairman & CEO, Chang-Jae Shin, received the Humane Entrepreneurship Award by the International Council of Small Business
Dec. 12, 2019	Inducted into the Hall of fame for Consumer Centered Management (CCM)
Dec. 17, 2019	Received "citation from the superintendent of the Financial Supervisory Board" for being a high-performing institute in financial consumer protection

2020 - 2021

Mar. 03, 2020	Received the "Tower for the high-income taxpayer (KRW 400 billion)" on the 54^{th} Taxpayers Day
Oct. 16, 2020	Topped the KSI in the life insurance division for eleven consecutive years
Oct. 22, 2020	Received the Grand prize at the 7^{th} Korean Reading Management Best Workplace Certification Awards ('Minister's award' by the Ministry of Culture, Sports and Tourism)
Dec. 10, 2020	Received the Minister's commendation from the Ministry of Science and ICT at the 2020 Korea ICT Innovation Awards
Dec. 31, 2020	Nominated as the best institution on the financial consumer protection from the Assessment of performance by the Financial Supervisory Service
Apr. 28, 2021	Proclaimed "Kyobo Vision 2025"
Apr. 29, 2021	Maintained an 'A+' credit rating from Fitch Ratings for nine consecutive years
Apr. 30, 2021	Maintained an 'A1' credit rating from Moody's Investors Service for seven consecutive years
Jul. 01, 2021	Certified CCM for eight consecutive years
Nov. 30, 2021	Nominated as Korea's best KCPI company by KMAC

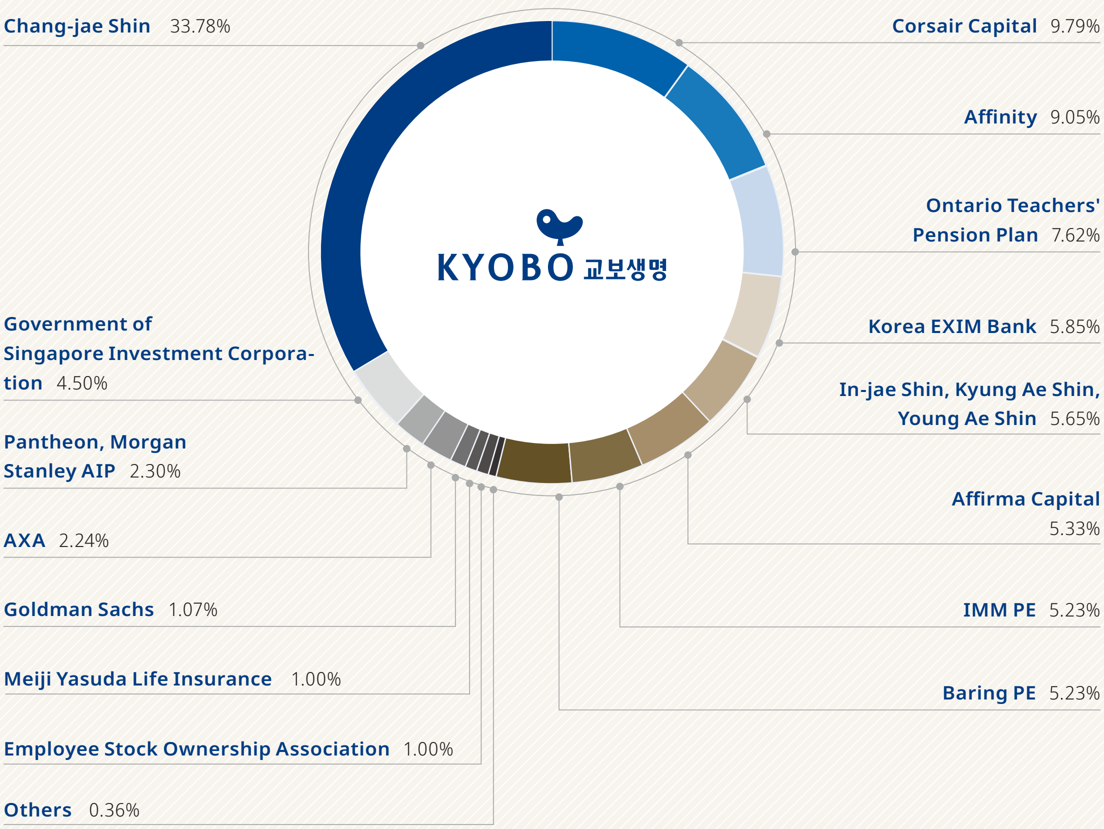
Transparent Management

We maintain a lucid shareholding structure and a transparent decision-making system

Shareholding Structure

Kyobo Life maintains a stable management system with a transparent and lucid equity structure with shareholder Mr. Chang-jae Shin holding 33.78% of the total shares. Corsair Capital, Affirma Capital, and AXA became shareholders through a paid-in capital increase and secondary offering in 2007. Some investors including Ontario Teachers' Pension Plan (OTPP) and Affinity became shareholders by acquiring shares held by Daewoo International and Korea Asset Management Corporation (KAMCO) in 2012. Pantheon and Morgan Stanley AIP acquired a part of shares held by OTPP and became a new shareholder in 2017.

Shareholding Structure



(As of Feb. 28, 2022)

The Board of Directors

As a final decision-making body that reviews and approves major corporate policies, the Board of Directors consists of three internal directors, five outside directors, who have expertise in finance, management, accounting, and law, and one non-standing director. The outside directors, who comprise the majority of the Board, play a supervising role to ensure transparent management while balancing interests between the company and its stakeholders. In addition, all businesses except those related to the shareholders' general meeting and unique to the Board and its directors have been delegated to committees under the Board to enhance the efficiency of decision making.

Audit Committee

Comprised of three outside directors, the Audit Committee functions independently from the Board of Directors and other executive bodies, responsible for evaluating and improving the appropriateness of the internal control system and business performance. The Committee establishes a variety of internal auditing plans including general and special audits, evaluates execution results, and makes suggestions on follow-up and corrective measures.

Executive Recommendation Committee

The Executive Recommendation Committee aims to enhance management transparency by nominating candidates for various positions including a representative director who possesses integrity, capabilities, leadership, and managerial competence required for a CEO of an insurer, outside directors who are independent but have competence and expertise required for the company's strategic goals, and auditors with capabilities and expertise to conduct the overall supervision including independent audits on the directors and management.

Risk Management Committee

The Risk Management Committee establishes fundamental directives and main policies for risk management and approves major managerial strategies of the company in consideration of various risks. It also conducts regular risk analysis, establishes risk management plan, and monitors risk management. Kyobo Life established the Risk Management Committee within the Board of Directors to report the results and manages risks in a preemptive and systematic manner.

Remuneration Committee

The Remuneration Committee designs the remuneration scheme for the executives and employees who are responsible for making major decisions on the corporate management and performing tasks that significantly affect risks to harmonize the company's performance with its risk structure. Specifically, the Remuneration Committee operates the remuneration system fairly in a way that can prevent the management level from excessive risk-taking for the sake of higher remuneration.

Management Committee

The Management Committee makes overall management decisions on short to long-term management directives and business plans, undertaking of new businesses, and disposal/transfer of major assets, and reports the outcomes to the Board of Directors.

Board of Directors

Chairman & CEO	Chang Jae Shin
President & CEO	Your-Hyun Yun, Jung Bum Pyun
Outside Director	Joong Hyo Lee
Outside Director	Beom-Ha Jee
Outside Director	Soon-Suk Kim
Outside Director	Sung-Sik Hwang
Outside Director	Chul-Joo Lee
Non-standing Director	Hari R. Rajan

(As of Feb. 28, 2022)

Management

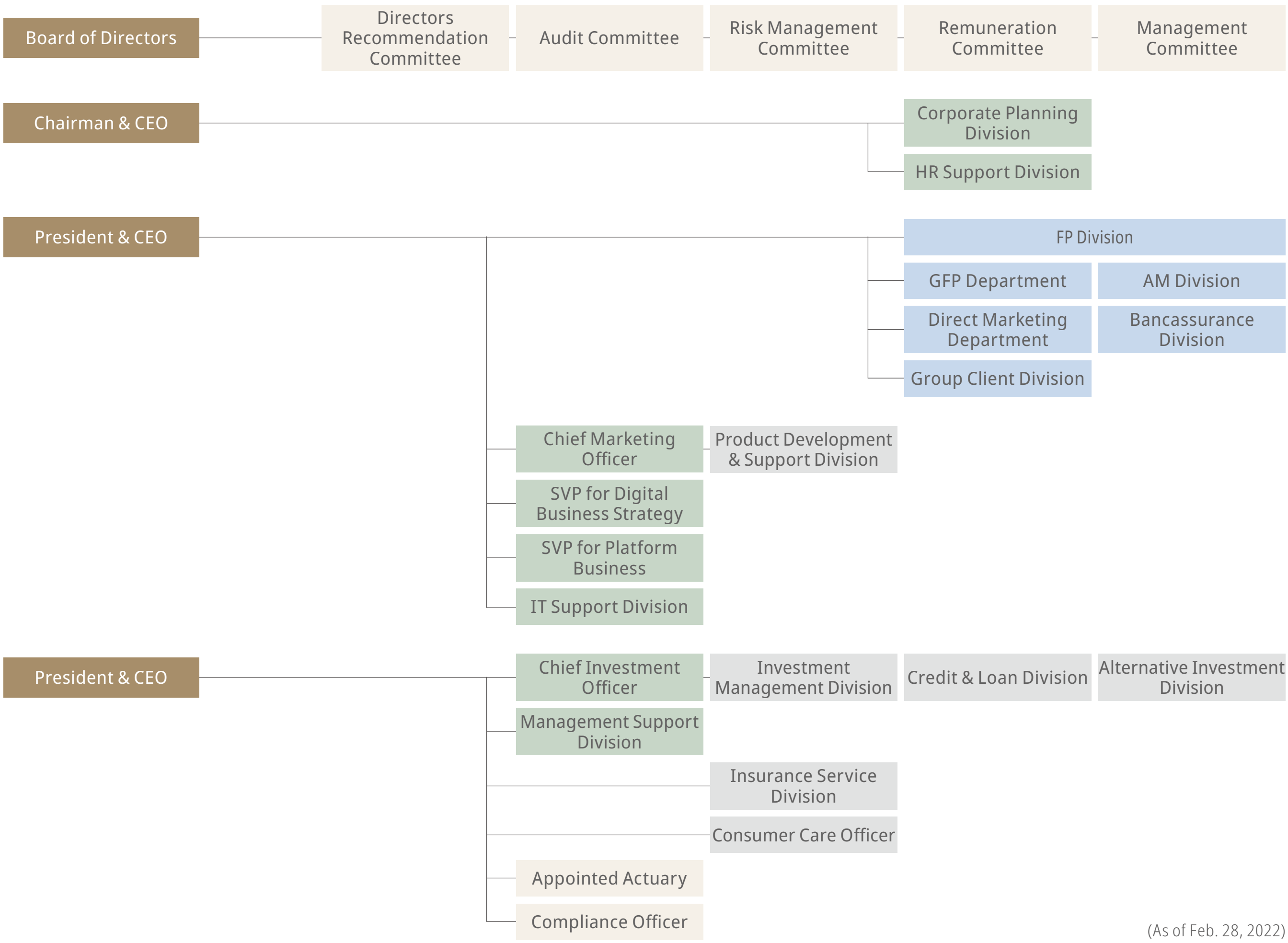
Senior Executive Vice President (SEVP)	
Jin Ho Park	Chief Financial Officer / Head of Retirement Pension Consulting Center
Sam Geol Lyoo	Chief Financial Officer
Chang Gi Kwon	Head of IT Support Division

Executive Vice President (EVP)	
Kumjoo Huh	Head of New Business/ Head of Public Relations
Seoyong Park	Head of Bancassurance Division
Ki Ryong Cho	Head of Legal Services Division/ Compliance Officer / Compliance Program Manager
Dae Kyu Cho	Head of Corporate Planning Division/ Head of HR Division/ Head of Governance Management TF
Woog Min	Head of Audit Team
Hwa Jeong Choi	Head of Labor Support Division
Woo Kyung Chang	Head of Digital Business Strategy

Senior Vice President (SVP)			
Jae Myeong Park	Head of AM Division	Young Dae Son	Head of Honam FP Division
Seong Ju Park	Head of Channel Marketing Support Division/ Head of Channel Marketing Team	Kyoung Bae Kim	Head of IR & Actuary & Accounting Division/ Internal Accounting Manager
Bac Kyu Choi	Head of Gangbuk FP Division	Hwi Seong Cho	Head of Investment Management Division
Gyu Sik Cho	Chief Marketing Officer	Hong Min Chung	Head of New Business Division
Jong Tae Yi	Head of Alternative Investment Division	Jong Kil Park	Chief Risk Officer / Risk Manager/ Head of Group Risk Management Part
Young Kyu Youn	Head of Insurance Service Division	Hye Ok Kim	Head of Direct Marketing Department
Chul Lee	Head of Digital Transformation Support Division	Seong Jin Moon	Head of Digital Technology Support Division
Kwan Sang Lee	Head of Gangnam FP Division	Jong Hoon Kim	Head of Platform Business Division
Byung Doo Noh	Head of Daegu FP Division	Ji Hyun Jo	Head of Platform Business Team 1
Sung Geun Cho	Chief Information Security Officer (CISO)/ Chief Privacy Officer (CPO)/ Credit Information Protection Manager	Woo Chul Jung	Head of Busan FP Division
Gil Hong Cho	Head of Group Client Division	Jae Hyuck Jeong	Head of Credit & Loan Division
Hong Yoo	Chief Customer Officer (CCO)/ Head of Customer Care Center/ Financial Consumer Protection Manager	Kyong Won Noh	Head of Financial Management Team
Bong Hyun Jeong	Head of IT Support Division	Gyoung Jong Suh	Head of Product Development & Support Division
Kwang Soo Mun	Head of Gyeongin FP Division	Jun Hyun Kim	Head of Joongbu FP Division
		Ji Woo Kim	Head of Variable Asset Management

(As of Feb. 28, 2022)

Organization Chart



(As of Feb. 28, 2022)

Overview of the Affiliates

Kyobo Securities Co., Ltd.	73.1%
Kyobo Lifeplanet Life Insurance Co., Ltd.	100%
Kyobo Information and Communication Co., Ltd.	100%
Kyobo Asset Trust Co., Ltd.	100%
Kyobo AXA Investment Managers Co., Ltd.	50%
Kyobo Book Centre Co., Ltd.	100%
Kyobo Realco Co., Ltd.	100%
KCA Claim Adjustment Co., Ltd.	100%
Kyobo Life Asset Management Co., Ltd. (America)	100%
Kyobo Life Asset Management Co., Ltd. (Japan)	100%
Kyobo Customer Communication Agency Co., Ltd.	66.7%
A&D Credit Information Co., Ltd.	19.5%

(As of Feb. 28, 2022)

Sustainable Management

We Pursue Long-Term Mutual Growth with All Stakeholders

Promotion of Sustainable Management

Kyobo Life has set up a sustainable management philosophy of pursuing mutual growth with all stakeholders and stated it in the preface of its articles of association to express its will for sustainable management (or ESG management). We became the first Korean insurer to join the UN Global Compact in 2010 and have published the Sustainability Management Report for the first time as a life insurance player since 2011, sharing our performance and efforts in the field of ESG with stakeholders every year. With such effort recognized, we became the first financial institution to be elected to the Korean Sustainability Index (KSI) Hall of Fame in 2019, and ranked the 1st in the life insurance industry in 2021 as well for twelve consecutive years, proving our outstanding level of sustainability compared to other competitors in the field.

The Company, as an enterprise in pursuit of long-term mutual growth with its stakeholders, sets the basics for the Company's management as below.

<The Preface of Kyobo Life's Articles of Association>

Sustainable Management System

Sustainable Management Philosophy	Pursuit of Mutual Growth with All Stakeholders					
Stakeholders	Customers	Consultants	Employees	Investors	Partners	Gov't and Local Communities
For Stakeholders: Commitments	Provide optimum insurance coverage	Succeed together with its consultants	Grow together with its employees	Be attractive to investors	Pursue win-win cooperation with its partners	Grow together with the gov't and local communities
Principles	1. We will take heed of the voice of customers and manage the company from their perspective.	3. We will respect and trust our consultants as business partners.	6. We will maintain a cheerful corporate culture of joy, pride, and trust.	9. We will continue generating outstanding results through good growth.	11. We will grow together with our partners through fair transactions.	13. We will observe the tax law and related regulations to fulfill our duty of tax cooperation.
	2. We will enhance service quality from insurance subscription and persistency to benefits payment.	4. We will establish fair standards, and support our consultants to engage in their sales and service activities with ease.	7. We will provide equal opportunities and reward according to fair evaluations.	10. We will enhance the company's value through preemptive risk management on finance and non-finance.	12. We will support our business partners to create a sustainable financial ecosystem.	14. We will exercise our social and environmental responsibility to the fullest as a corporate citizen.
		5. We will support our consultants to grow as insurance experts.	8. We will support our employees to grow and develop into insurance experts.			
KPI	· Persistency Rate (13th month) · Customer Satisfaction Level · Market Share	· Consultant Satisfaction Level · Consultant Retention Rate (13th month)	· Training Hours per Employee	· ROE · RBC · Total Assets · Proportion of SRI	· Number of Partners which Signed under the Clean Contract System · Investment Amount in Digital Strategy	· Tax · Social Contribution Rate/Amount · Energy Consumption

Activities in Pursuit of Sustainable Management

Kyobo Life has been making company-wide efforts to lay a foundation for ESG management primarily handled by an ESG-dedicated unit since April 2021. Based on indicators and disclosure standards of ESG evaluation institutions at home and abroad, we have drawn up and been implementing improvement tasks in Environment (E), Society (S), and Governance (G), respectively. Also, to pursue advanced ESG management activities, we have completed joining global initiatives, Principles for Sustainable Insurance (PSI) and Taskforce on Climate-related Financial Disclosures (TCFD). Kyobo Life will continue its effort to grow jointly with all stakeholders by promoting ESG management with sincerity instead of focusing on short-term achievements.

E Environment

Kyobo Life is making an effort to protect the environment for generations to come. The introduction of an electronic subscription and document system has reduced the consumption of papers generated in the process of handling customer care businesses including subscription and loans while reinforcing our information security. In addition, to respond to climate change risks and join in the transition to a low-carbon economy, we and our financial affiliates have declared coal phase-out finance to cease investment in the construction of new coal-fired power plants and joined the Carbon Disclosure Project (CDP), a global environmental initiative in May 2021.
In September 2021, Kyobo Life issued a ESG hybrid bond to the value of KRW 470 billion in pursuit of a sustainable future. Furthermore, to generate long-term stable revenue, a sustainable investment policy has been devised to ensure ESG is considered in the process of making investment decisions, based on which we will expand investment.

S Society

Kyobo Life has acquired the Consumer-Centered Management (CCM) certificate for eight consecutive years as it has systematically established a system and governance for consumer protection and its achievement on innovating customer value through consumer-centered management has been recognized. In addition, we are working hard to preemptively have the information security system in place and to elevate the level of our data security. Since 2007, we have been granted the ISO 27001 certificate from an external organization every year. Based on our management philosophy that “the values pursued by mankind should be respected and realized”, we have set the 2022 human rights policy with our managerial emphasis on humanistic values. With this, we will create a culture in which human rights are respected.

G Governance

Kyobo Life is striving to build a transparent governance system to ensure sustainable growth and balanced promotion of stakeholders' interests and rights. To do this, the business progress at the management level is reported to the Board of Directors, the majority of which consists of external directors to ensure that all decisions are rational. Moreover, we publish and disclose an 'Annual Report on the Governance and Reward System'.
In 2022, we will have well-organized ESG governance in place by newly launching the 'Sustainable ESG Committee' and the 'ESG Working-level Consultative Group' under the Board of Directors to enhance the power of ESG management execution.

Kyobo Life's Sustainable Investment Principles

Kyobo Life makes efforts to observe the following six principles to provide stakeholders with stable profits from the long-term perspective through asset management and to secure the company's competitiveness.

- Kyobo Life actively considers risks and opportunities in relation to Environment, Society, and Governance (ESG) in the process of decision-making for long-term mutual development between the company's stakeholders.
- Kyobo Life, in accordance with the investment process, restricts investment in areas that would have a negative impact or be sensitive from the ESG perspective. Moreover, as per our Statement on Coal Phase-out Finance, we do not finance projects on the construction of new coal-fired power plants.
- Kyobo Life tries to expand investments and participation in fields necessary for social responsibility and environmental protection.
- Kyobo Life continues mutual cooperation between trade counterparts, customers, and stakeholders when implementing sustainable investment policy.
- Kyobo Life consistently strives to raise its employees' awareness of sustainable management related to asset management and to enhance managerial competence.
- Kyobo Life transparently discloses the status and direction of sustainable investment and tries to faithfully report the ESG policy and its results.

Community Relations

We Create a Healthy Society, the World Where We Live Together

Kyobo Life respects the precious values pursued by mankind and strives to help people realize such values. Most of the CSR activities by Kyobo Life are with 'Kyobo Dasomi Volunteers' launched in December 2002. They focus on helping our neighbors overcome hardships and our youth become mature human beings with healthy minds and bodies who could practice continued self-growth and compassion.

Healthy Life Sharing with Others

Wow Dasomi Project for the Hearing-Impaired

“Wow Dasomi Project for the Hearing-Impaired” supports children with congenital hearing impairment to enable them to recover through timely treatment. We cover the cost of a hearing test and expenses to implant artificial cochlear aids and sponsor language rehabilitation therapy for a year. Most children who receive treatment are able to grow healthy and attend regular schools instead of special-education school and grow healthy. We will actively support the Wow Dasomi Project so that the children can continue to pursue their dreams without being affected by their disabilities.

Kyobo Life Cup Youth Athletic Competition

In order to cultivate the youth of wisdom, virtue, and health, Kyobo Life has held the annual 'Kyobo Life Cup Youth Athletic Competition' since 1985 which is the one and only private comprehensive youth sports competition held in Korea. The competition, whose main events include track and field, swimming, judo, table tennis, gymnastics, ice sports, and tennis, is co-hosted with local governments every year in major cities across the nation, contributing to the promotion of the local economy.

Ties of Love

The 'Ties of Love' program sponsors underprivileged children including child-headed families, children from single-parent households, and abandoned children. It aims to help them learn and grow in a healthier environment. The 'Fund of Love' is raised by a portion of our employees' voluntary donation from their monthly payroll and the company's subsidy is also added. This donation is delivered in accordance with the procedure to ensure it is spent on raising children. Kyobo Life will continue its support so that more children are able to enjoy happiness.

Creating Dreams and Hopes Together

Kyobo Dream Makers

ICT Future Talent Cultivation Project

We support economic independence by providing training courses on drones, webtoons (designers and writers), 3D printing operations, and coding with a high level of technology utilization in the 4th industrial era, as well as academic career support through the acquisition of nationally recognized certifications.

ICT Experience and Education Project

The ICT Experience and Education Project provides youth with an opportunity for a new cultural experience such as coding, drones, 3D pens, autonomous RC cars, design tools. With this, the youth grow into creative talents suited for the digital age.

Let's Make an Impact on the World! Up!

It is a new social contribution project to select and cultivate impact enterprises that provide digital-based education and services to the marginalized children and youth, the key players of the future.

> **What is an impact enterprise?** | This refers to a key economic agent with the power of growth and financial soundness, which supports the underprivileged by leveraging products and services.

Aims of Let's Make an Impact on the World! Up!

❶ To provide marginalized youth, the key to our future with ICT-based digital services and an opportunity to acquire technology
❷ To explore and cultivate impact enterprises that provide ICT-based services;
❸ To build a new social contribution frame that overcomes financial limitations.

Children Support Project

This project helps children away from home who are not adequately prepared for independent living to set out in the world. The employees' volunteer work offers education of humanism, emotion, and finance at an early age, and multiple programs to enable them to lead healthy lives after they enter society. In particular, finance education allows preschool children to gain knowledge on basic finance such as the value of money and types of finance while delivering education and consultation on areas required for economic activities after they are released from children shelters as middle and high school students. We will provide more careful support to ensure those who need to leave children's shelters settle down well as a members of the society.

The Youth's Independent Living Support Project

In order to help the youth who needs to live on their own after they leave institutions or foster home to be prepared for potential economic difficulties, we provide education on financial independence. Experts in the finance field carry out mentoring on finance education while mentoring on independence education is provided by seniors who received Kyobo Life's Hope Dasom Scholarship. Each student's level of understanding of finance and their income and expense are identified to provide mentoring service in the form of consulting. In addition, we sponsor expenses for activities to become financially independent and offer opportunities to experience financial products such as savings and funds. With such opportunities, youth who are preparing for their futures will be able to overcome fears regarding financial independence and become independent with the right knowledge and experience.

Kyobo Leadership Program for Youth, 'CHANGE'

"CHANGE" aims to provide experience, build character, and foster wisdom. The ideal candidates of the CHANGE program are sincere individuals, leaders who are considerate of others and try to achieve a common goal pursued by the team with creativity and the ability you overcome challenge. With programs named “I CHANGE” and “WE CHANGE”, youth are able to broaden the scope of consideration from individuals to society. Moreover, as they engage in discussion and presentation by teams, their capabilities for communication and relationship building improve. We will put forth effort to make a positive influence on our youth, the hope of our future society.

Kyobo Scholarship Program for the Youth

Kyobo Life selects fourteen outstanding athletes (top two per discipline) from the Kyobo Life Cup Youth Athletic Competition to support with a scholarship worth of KRW 2 million every year and a mentoring program for six years from 7th to 12th grade. Kyobo Life serves as a foundation to nurture future talented athletes and help them grow into leading all-round players in society. We will continue to extend support and holistic education to ensure our children become sports leaders who spread a positive influence on society.

Grand Tour of Asia for College Students

Kyobo life provides college students with opportunities for overseas trips, which are designed to serve as stepping stones for them to grow into global talent by learning and experiencing the histories and cultures of other Asian countries. This program is aimed at developing leadership and followership of college students, the key players of the future by helping them set their vision and goals. It takes them to Asian countries including China, Japan, Vietnam, and Mongolia to allow participants to understand, feel, and experience the culture and histories of Asian countries. They will also be able to develop a spirit of challenge and creativity through exchanges with local people and local lectures. We will offer the youth an opportunity to make great dreams and visions by experiencing a broader world.

A Beautiful Life of Sharing Together

Kyobo Dasomi Volunteer Team

In order to practice happy sharing while paying attention to and taking care of our neighbors in need, a total of 182 volunteer groups comprised of Kyobo employees and consultants are undertaking various activities. In connection with welfare facilities in local communities, we carry out volunteer activities on a regular basis, showing our warmhearted love to the neighbors. We will create a local program suitable for the local community so that the hand of sharing can reach more places.

One Branch-One School Financial Education

In order to contribute to narrowing the gap in financial understanding between students in various regions and reducing the blind spot in financial education, Kyobo Life has set up sisterhood relationships with nearby elementary, middle, and high schools to provide various types of financial education. These educational programs are implemented based on real-life case-oriented materials and gamified teaching aids, and experiences, field trips, and career counseling are also provided. We will provide a variety of programs so that people can gain a proper understanding and knowledge of finance from an early age.

Social Contribution Project for Global Society

Kyobo Dasomi Global Volunteers

The Dasomi Global Volunteer, consisting of Kyobo Life's employees, has undertaken volunteer activities since 2011 to help the less developed countries like Vietnam and Laos with better educational and housing environments. We participated in the process of building educational facilities and Habitats for Humanity and planted seeds to help homes in impoverished farming communities achieve economic independence. In addition, we tried to give the children in rural areas good memories by hosting events including athletic meets and photoshoots for the graduation yearbook. We will improve the educational environment so that the children can continue their learning while providing comfortable shelters known as 'House of Love'.

Build Schools and Improve Educational Environment

This project aims to build and support educational infrastructure, to help areas lacking in education in Myanmar, Vietnam, Laos, and Indonesia seize better opportunities for learning under pleasant educational surroundings by constructing school buildings and educational facilities so that the people can shape their dreams for the future.

Dasomi Business of Global Trees with Hopes for Economic Independence

Kyobo Life provides the underprivileged farmers in Vietnam with grapefruit seeds, agricultural materials, and regular training on cultivation techniques to help them build a foundation for economic independence and increase income. Kyobo Life is committed to extending unwavering support to farming families overseas so that a virtuous cycle is created, in which they can become economically independent and practice sharing.

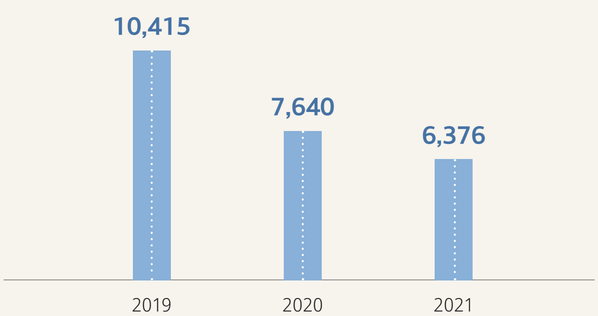
Beautiful Companions Walking Together

Kyobo Life facilitates the professional and efficient operation of public welfare projects through its public foundations.

Daesan Agriculture Foundation

Daesan Agriculture Foundation, as the first public welfare foundation in Korea dedicated to rural support, hosts 'Daesan Agriculture Awards,' which is one of the most prestigious agriculture awards. It also carries out training programs for agricultural talent of the next generation and conducts practical agricultural research projects led by farmers. With many public welfare projects including farm experiences, town and village exchanges, and local cultural events we elevate and understand agricultural value contribute to bringing urban and rural communities together and building a happy and sustainable society.

Kyobo Life Employees who Participated in Volunteer work



Daesan Culture Foundation

The Foundation implements cultural projects of public interest to support cultural development, the globalization of Korean literature, cultivation of the youth, and cultural education. These projects include the hosting of awards, namely Daesan Literary Awards for College Students and Daesan Literary Awards for the Youth, supporting research, publication, and translation of Korean and international literature, and holding the Seoul International Forum for Literature along with various reading campaigns.

Kyobo Education Foundation

The Kyobo Foundation for Education is an educationally specialized foundation established in 1997 with a contribution from Kyobo Life. In an effort to contribute to 'national education' and 'culture of humanity', the Foundation runs a number of educational businesses including 'Kyobo Education Awards', personality training, leadership training, and life insurance education and sincerely pursues its own sustainable growth of itself.

CUSTOMER-ORIENTED

"We will always put our customers first in our thoughts and actions."

02.

INTANGIBLE VALUE DRIVERS

Customer

We Give the Highest Priority to Our Customers and Always Strive to Innovate Customer Value

Kyobo Life always thinks from the perspective of our customers and aspires to become a company that provides optimal insurance coverage. Based on a truthful understanding of our customers, we put our best efforts toward sharpening our competitive edge on products and distribution channels to provide 'financial soundness' and 'psychological stability' beyond our customers' expectations throughout the entire cycle of life insurance from subscription, and persistency to payment. In addition, we focus on creating intrinsic value of life insurance so that all are able to contribute to helping each other overcome difficulties in the future and pursue their own precious dreams for life with great confidence.

Implementation of 'Lifelong Care Service' to Keep Our Promise on Insurance Coverage for Customers

Kyobo Life offers 'Lifelong Care Service' based on the philosophy of 'placing priority on existing customers over the new ones'. This is a part of Kyobo Life's efforts to 'co-exist' with its customers by satisfying their expectations based on customer-centric management and actively responding to the changes in the market. Every consultant regularly visits its customers to remind them of the coverages from their existing policies and help them file any unclaimed benefits. Also, they monitor any changes to customer needs and/or financial positions to check necessary coverage and help them keep the coverage in top shape. As a result, we have provided 'Lifelong Care Service' to about 2.31 million customers over the last eleven years. These efforts from Kyobo Life have become a benchmark to other companies for spreading a culture that focuses on building trust with customers and is oriented in persistency throughout the industry.

Point-of-Contact Channels and Advanced IT Systems Based on New Digital Technologies for Greater Customer Value

Kyobo Life offers its customers a variety of services through customer plazas and customer centers in order to serve them better in handling diverse financial tasks with convenience and speed. We have also constructed advanced IT systems using new digital technologies to offer real-time services for subscription, persistency, and payment via the company website and mobile application. Specifically, Kyobo Life has built a mobile system accessible by smartphones and tablet PCs to support our sales operation so that our consultants can provide one-stop insurance services without any space or time constraints. In addition, we have developed services for smart coverage analysis and illness prediction by utilizing the schemes of scraping and big data to provide an unprecedented type of digital service.

Practice Industry Leading Consumer Protection

In line with the full-fledged implementation of the Financial Consumer Protection Act, Kyobo Life has set internal control standards which our employees and consultants should comply with when dealing with customers. We operate VOC Town Meetings and a Consumer Protection Working-group Council to improve systems and processes so that the voices of customers collected through various channels are recognized as gifts and thoroughly reviewed to provide necessary services in a timely manner. In addition, critical voices of customers are elevated to the Consumer Protection Committee to be reflected in products and services based on prompt decision making by the management.

In the sales field, 'Removing Mis-selling Consulting' is carried out by an oversight body of customer protection so that the Financial Consumer Protection Act is well understood and the 'six restrictions on sales activities' are faithfully implemented. The removing mis-selling consulting scheme is used to understand the Financial Consumer Protection Act, to provide case-oriented education for preventing customer complaints in advance, to support tailored consultation by listening to complaints arising from the sales field, and to come up with improvement measures. Through removing mis-selling consulting, the importance of complying with laws and subscription process is normalized to enhance our capabilities for consumer protection.

With our continuous efforts to protect consumers, Kyobo Life has been nominated to the Hall of Fame of the Consumer-Centered Management (CCM) certificate system hosted by the Fair Trade Commission (FTC) and acquired the certificate for eight consecutive years. In 2021, we were selected as an excellent company in consumer protection and awarded a commendation from the Fair Trade Commissioner. In addition, we were selected as an excellent company in the 1st Korea Financial Consumer Protection Index (KCPI) by receiving an excellent grade as a result of the consumer perception survey on each insurance subscription stage hosted by the Korea Management Association Consulting (KMAC). In recognition of our contribution to protecting consumer rights and interests by implementing multi-faceted measures for consumer protection, we were selected as an excellent company in the 2021 Consumer Rights and Interests Awards from a non-profit consumer group (Consumer Watch) registered at the FTC.

In order to maintain our current status as an industry leader in consumer protection practices, Kyobo Life will practice consumer protection by improving the speed and accuracy of complaint prevention and follow-up measures with consumer-oriented business process innovation, and will increase customer value to make sure consumer-centered management is truly attained.

With the attitude that all innovation starts with our customers, we will continue to strive to play a leading role in enhancing consumer confidence in insurance by extending VOC management support.

Upgraded Comprehensive Financial Planning Advisory Service

Kyobo Life constructed Kyobo Asset Management System (KAMS) to provide customized comprehensive financial solutions aligned with the life cycle and economic cyclicality in the era of low growth and low-interest rates. With KAMS, we also provide customized wealth management services including multiplication, protection, and succession of consumer assets by cooperating with wealth managers and advisory groups equipped with a wide array of experience and expertise from a long-term perspective that reaches down to the young generation. Moreover, for the wealthy and middle class, we provide differentiated seminars on asset management, real estate, tax, and labor service. In consideration of the increase in preference for untact services brought about by the COVID-19 pandemic, we implement webinars on asset management and video conferences for consultation services.

Kyobo Life's comprehensive asset management service allows us to provide individual customers with optimal coverage planning for their family, health, and retirement according to their financial purposes. For corporate customers, we conduct analyses on their corporate and financial status and review the adequacy of management and shareholding composition to provide specialized services including consultations to address various issues (wages, retirement payment, dividends, and compensation for bereaved families, etc.) and succession plans of family businesses.

In 2021 alone, Kyobo Life provided 10,525 rounds of consultation to 6,235 customers and held 355 asset management seminars, proving our continued efforts toward providing upgraded financial planning advisory service.

'DA-Win Service' to Help Partners Grow and Succeed

Kyobo Life provides a CSV program called the DA-Win Service, which stands for the mutual growth of Kyobo and its corporate clients to practice our management philosophy of sharing by providing our corporate clients with our know-how for customer satisfaction.

As a customized corporate training program, DA-win service provides lectures on how to improve customer satisfaction quality, organizational activation for employee satisfaction, and compulsory education.

Since 2005, around 18,600 corporate clients including public institutions, medical institutions, and general corporations have provided DA-Win service to 1.12 million customers. With this, Kyobo Life's management philosophy to prioritize our customers and support their success has been shared.

Humanities Website 'Read, Walk, and Feel in Gwanghwamun' for Digital Communication with Our Customers

In order to provide a differentiated customer experiences by utilizing an evolving digital environment, Kyobo Life operates a website with humanities content called 'Read, Walk, and Feel in Gwanghawmun', which reflects the company's brand philosophy of 'respecting human values'. The website includes a variety of videos and lectures to allow customers to enjoy humanities-related content in a fun way and provide lending service for steady sellers in humanities through a digital library, through collaboration with Kyobo Book Center. Recently, Kyobo Life launched on-offline integrative experience contents called “The Mission” . This project in corporates new digital technologies such as realistic metaverse and augmented reality (AR) to help our customers enjoy a first-hand experience. As of 2021, around 41,000 customers visit the website per month and Kyobo Life plans to expand this bond of sympathy through humanities with our customers even further by tapping into new digital technologies.

Brand

The Brand of Kyobo Life Realizes the Value of Respecting Human Values

A human being is the most important matter on earth and the very reason for Kyobo Life's existence. All products and services offered by Kyobo Life are deeply rooted in a respect towards values pursued by human beings. On the basis of a true understanding of human nature, the brand of Kyobo Life fulfills its mission of helping people overcome future hardships through mutual support, allowing them to pursue their dreams with confidence.

Corporate Brand

Our Pledge to Customers

On the basis of the brand philosophy of respecting human values, Kyobo Life's brand platform consists of its vision that the precious values pursued by mankind must be respected and realized, a mission that defines its roles and means, and a pledge that represents the values and benefits the brand aims to deliver to the society and customers. In order to effectively deliver a brand platform, Kyobo Life has a system in place to express its brand with visual, linguistic, auditory, spatial, and environmental means.

Practice of Brand Promises through Systematic Brand Management

Kyobo Life has played a leading role in establishing its management infrastructure including a brand strategy and brand management system (regulations, policies, etc.) since 2003 to enhance the brand value. On this basis, we have developed products and services that meet our brand promise and have continuously undertaken communications with our customers to keep practicing our brand promise. As a result, Kyobo Life has been recognized with a high brand value worth KRW 1.348 trillion from a credible global brand rating agency (as of the 2021 Best Korea Brands announcement by Interbrand).

FP Brand

Kyobo Life launches a new personal brand for our financial planners. While many companies focus on untact channels utilizing digital technologies, such technologies will not be able to replace the role of financial planners who can comfort customers and sometimes become friends to whom they lay bare their hearts.

To overcome the limitations posed by untact channels, Kyobo Life has launched our FP brand in reflection of our commitment to improve the competitive edge of our financial platform through emotional communication at the point-of-contact with customers and to build stronger rapport between customers and financial planners.

Kyobo Life's Brand Platform and Expressional System

Brand Philosophy

Respecting Human Values

Brand Vision

The precious values pursued by mankind must be respected and realized.

Brand Mission

Based on the right understanding of human beings, we make the best effort to help all people overcome the hardships so that they can realize their values pursued for life.

Brand Pledge

Emotional aspect

· Cheering and encouraging

· Understanding customers well and actively taking care of them

Functional aspect

· Reliable

· Equipped with World-class Professionalism

Brand Expression System

Visual	Linguistic	Auditory	Spatial and Environmental
Wordmark	Name	Company song	Sculpture
Logo type	Slogan	Image song	Signboard
Exclusive colors	Introduction	Logo song	Landscape Architecture
Character	Declaration	Title music	Interior Design
	Core message		

FP Brand

KYOBO

Faithful Companion by Your Side
Kyobo Life FP

We present you with the blooming path.
We design a life you always wanted.
We make your everyday life pleasant.
We protect you as a friend.
Kyobo Life FP, a companion standing by your side

Kyobo Life's FP Brand to Become 'A Faithful Friend by Customers' Side'

The FB brand consists of three target images that correspond to customers' expectations based on our own unique strengths and differentiated points of financial planners, the brand concept that financial planners to aim for, and the brand slogan of the ultimate impression that our financial planners want to leave on customers. In addition, we have created design features such as wordmark and motif to effectively promote our FB brand.

FP Brand System and Its Visual Expression

Target Image

Basic Image	Special Image	Leading Image
Be Personalized & Specialized	Be First in Promise	Be Insightful

Brand Concept

Smart Friend

We are smart friends for life who shape our customers' journey of life to be filled with growth and enrichment.

Brand Slogan

Faithful Companion by Your Side, Kyobo Life FP

Kyobo Life's financial planners are someone who our customers can always trust and rely on.
We are at the closest reach to the lives of our customers.
We are the ones who give the sincerest faith and trust to our customers.

FB Brand Wordmark

든든한 내편하나 교보생명FP

FP Brand Design Concept and Motif

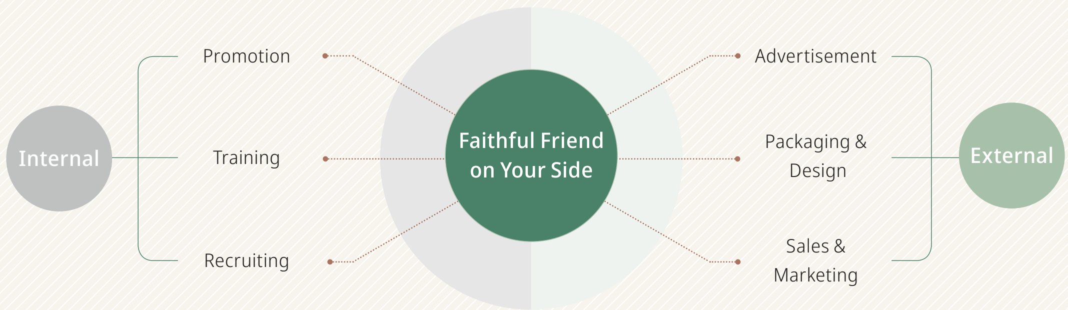
Connecting Hands

It visualizes Kyobo Life's FPs walking hand in hand as partners with its customers.

Implementation of Coherent Brand Communications for Positive and Differentiated FP Brand Awareness

Kyobo Life continues to implement communications so that the FP image of a 'faithful companion by your side' is consistently delivered at the various points of contact including advertisements and publicity campaigns, and our financial planners can reach our customers more easily to become Kyobo Life's financial planners chosen by customers. Moreover, in-house campaigns, which provide emotional motivation for our financial planners to challenge new areas and stand on the side of our customers', are supporting self-initiated change and growth of our financial planners.

FP Brand Communication Activities



FP Brand In-house Campaigns


Let's do the Band


Life Body Challenge

FP Activities Goods Package FP Brand Kit

People

We Aim for Mutual Growth with All of Our Employees

Kyobo Life aims to achieve its vision of mutual growth between the company and all of its employees. We are striving to make the company the 'most desirable workplace' by securing talented people, rewarding them for their achievements, and creating a corporate culture to encourage their growth.
We will continue our efforts to achieve the goal of becoming the best company to work for by aligning our corporate vision with employees' individual goals and forging a win-win relationship between the company and its employees.

HR Vision

Strengthening the Job-Oriented HR Management System

Kyobo Life has strengthened a job-oriented HR management system throughout the entire HR system including personnel, promotion, evaluation, and reward management. Since 2016, we have been hiring candidates suitable for respective jobs and the organization with our selective recruiting system which focuses more on job requirements. In 2020, we reorganized our remuneration system to be more job-oriented by extending our job-based pay system. Moreover, in 2021, to build a foundation for talent management to secure our competitiveness in the future insurance industry, we improved our job system with a focus on the digital sector.

Kyobo Life is committed to reinforcing our fair and objective 'job-oriented HR management system' even further.

Strengthening the Performance Management System to Anchor the High-Performance Culture

Kyobo Life clearly states performance accountability for each job of our executives and the heads of business units. In addition, we have struggle to implement the field-oriented 'High-Performance Work System (HPWS)' so that our employees clearly identify their visions, strategies, accountability, and performance targets, and voluntarily immerse themselves in their jobs to maximize performance.

Strengthening Key Talent Management to Secure Future Corporate Competitiveness

Kyobo Life clearly recognizes that core talent management is a prerequisite to organizational competitiveness. In 2005, a system to select and train core talent was established, and since 2006 “Kyobo Leader Session” has been utilized by executives, the heads and directors of business units in charge, and the HR department to select and manage candidates who will become heads of business units. In addition, in 2021, we started to motivate professional personnel in core jobs including products, actuarial work, risks, asset management, and digital areas to contribute to the company's performance.

We are increasing the opportunities for discovering and nurturing internal and external talent by implementing external recruitment from time to time when specialized manpower is needed in core job fields. When hiring executives, we try to minimize management risks by reinforcing the competencies of executive candidates through the 'Management Executive Candidate Cultivation Course'.

Securing Digital Talent and Strengthening Organizational Capabilities

Kyobo Life works hard to secure digital talent and strengthen organizational capabilities to embody new customer values with digital technologies.

By continuously hiring outstanding digital experts to implant new digital technologies and competence to perform jobs, we are spreading a creative and innovative corporate culture, and supporting our incumbent talent to grow into digital experts with well-organized cultivation programs.

In addition, we have introduced and operated a new HR system suited to the digital age, providing various growth paths to our employees.

Supporting Optimal Personal Development Through Digital and Untact Means

As the year 2021 marks the first year of DBS implementation, we have established KYOBO Digital School, a digital talent cultivation system to support the development of all employees' systemic and professional digital capabilities by providing special lectures on digital insights, basic and advanced data analysis courses, and RPA analysis design courses.

In addition, through learning platforms such as Bookstagram and Kyobo LABS which are suited to the digital and untact environment, our employees can engage in mutual learning at any time in the workplace. Also, we provide new training programs and contents that reflect the needs of our employees and current trends, including in-house job video content production, job training operation using Webex, metaverse-based virtual training center establishment, opening and operating mini-classes, and selecting and operating Kyobo Creators. We will continuously provide opportunities for our employees to enhance their digital competency, to experience new learnings, and to grow by extending support for competency development with a focus on workplace learning through which 'we work to learn and learn to work' along with the digital talent cultivation system.

Establishing Advanced Labor-Management Relation and Operating a Welfare System that Meets the Needs of Employees

Kyobo Life complies with the laws and principles between labor and management and facilitates communications to build an advanced labor-management relationship. Through the regular labor-management council, we aim to achieve sustainable growth of the company and improve the quality of our employees' lives, and based on conversation and cooperation, we aim for a labor-management relationship based on mutual respect and trust. As a result, we became the first financial company to be nominated as the 'Company with Excellent Labor-Management Culture' by the government for three consecutive years and also received a Presidential Citation as the 'Best Family-Friendly Company' and the 'Transparent Management Grand Prize Award', which is given to a company that has built a co-prosperous labor-management culture by the five major business associations in Korea. In addition, we operate a welfare system and an in-house labor welfare fund to meet the diverse needs of our employees. Also, we are making efforts to run our welfare system in a rational and efficient manner through an annual survey on satisfaction and listening to the opinions of beneficiary employees. In the future, Kyobo Life will maintain and develop stable and cooperative win-win labor-management relations, and continue to improve the working environment and welfare system to enhance performance and improve the quality of life through the immersion of employees in their jobs.

Innovation

We pursue Digital Innovation for a Customer Experience and New Growth Engines

The advancement of digital technologies such as big data, AI, and the cloud has accelerated the digital transformation of financial service. Accordingly, Kyobo Life is focusing on innovating on the customer experience and securing new growth engines, which utilize digital technologies for sustainable growth. We will remain committed to providing customers with new value in the upcoming digital age.

Innovating Customer Experience and Improving Work Process with Digital Technologies

Continued Promotion of Digitalization

Kyobo Life is consistently promoting digitalization to enhance customers' convenience. The COVID-19 pandemic urged us to establish a video consultation system and a smartphone subscription system for those customers who want to have non-face-to-face consultations. At Customer Plaza, we offer an e-document service so that customers can have access to insurance, service, and other paperless businesses. Apart from that, efforts were made to increase customer convenience in various ways, such as by implementing the Ministry of the Interior and Safety's electronic certificate service and launching mobile insurance vouchers that facilitate accessibility of insurance. In the future, we will undertake multiple projects to expand customer experience by advancing chatbots and voice-bots for customers utilizing AI technology, improving insurance subscription, persistency, and VOC for customer convenience, integrating the contact point between the digital and customers, and integrating digital channels to build a foundation for an open marketplace.

Furthermore, we are actively supporting the improvement of work efficiency with digitalization. In particular, a work automation system, Robotic Process Automation (RPA) has been introduced, automating repetitive work in a consistent way. A total of 50 businesses were automated in 2020, and 103 in 2021, reducing over 90,000 working hours annually, which eventually improved the work efficiency of employees. In addition, we are actively utilizing digital technologies to increase work efficiency with the implementation of advancement projects. For example, AI technology has been applied to Optical Character Recognition (OCR) to decipher various documents.

Create Data-based Customer Value

Kyobo Life, for the first time in the insurance industry, acquired an official license for a personal credit information management business and is preparing to launch its MyData service representing the insurance industry from January 2022. As a companion who helps our customers manage leading financial lives based on their understating of finance, we plan to provide MyData Service presenting our identity in the fields of finance, health, education, art and culture, in particular. Kyobo Life, through its MyData service, will secure future prime customers while enhancing our competitiveness in the insurance industry with the use of data. In recognition of such efforts, we were granted a Presidential Award in the innovative finance field from Korea Life Insurance Association at the 2021 Global Financial Expo.

In addition, Kyobo Life has signed an MOU with banks, card companies, security corporations, general insurers, and credit rating companies to build a financial data dam in an attempt to generate a higher level of customer value with high quality binding data. Through internal and external data analyses, a 'customer profile-based life event prediction system' was developed to provide customized service to our customers, while guaranteeing opportunities for a face-to-face meetings for consultants, enhancing our competitive edge in the insurance industry. In addition, Ocean, a cloud-based big data system, and a BI Visualization portal which manages and analyzes data were established to create a digital environment that supports data-based decision-making throughout the business in general. In the future, through a variety of internal and external data, we will enhance our understanding of our customers to increase customer value with tailored products and services that only Kyobo Life can deliver.

Challenging and Creative Corporate Culture Innovation

Opening of Innovation Lab where Imagination Becomes Reality

In November 2021, Kyobo Life opened an “Innovation Lab” through which existing business is innovated based on research and experiments on innovation, and potentials for new products and services as well as business models are sought. The innovation Lab performs a variety of roles, including market sensing to explore tasks for innovation and task performance, SPRINT, design-thinking methodology-based research, and supporting education to strengthen the digital competency of our employees. With this, we will cultivate the talent with flexible thinking and work know-how and continuously achieve digital innovation by creating an agile and horizontal corporate culture.

Kyobo In-house Venture of Challenge and Innovation

Kyobo Life operates an in-house venture scheme which spreads a courageous and creative corporate culture and supports our employees to challenge themselves with innovative ideas. This year, a total of 142 ideas were proposed, 9 of which were chosen in the final selection and these have been going through the in-house venture commercialization program. After the year-long commercialization program, the selected teams will deliver a final presentation on their business plans. They will be given opportunities for commercialization and spin-off. With this, new businesses based on innovative ideas are discovered, leading to the spread of a challenging and creative corporate culture within Kyobo Life. We will work hard to nurture in-house innovators with the operation of in-house ventures, encourage a courageous spirit to ensure a culture of challenge seeking and innovation is rooted in Kyobo Life.

Securing Growth Engines for the Future

Kyobo Life is making multi-faceted efforts to build a future foundation. Internally, we are promoting the establishment of a two-sided platform that allows our customers to have new experiences in art, culture, and investment. Information on new customers introduced through this platform will be utilized for various marketing campaigns.

In addition, Kyobo Life is actively creating an open innovation ecosystem. In order to support innovative start-ups, Corporate Venture Capital (CVC), a type of corporate-led venture capital was promoted, and we took the first step by raising the first Kyobo New Technology Investment Association fund in November 2021. In addition, Innostage, an open innovation program, is seeking and collaborating with promising start-ups with outstanding technologies and ideas. Many promising startups have been discovered and collaborating with Kyobo Life, including Tictoccroc, which provides new experiences for the customers of Kyobo Edu Care and Kyobo Book Centre with child care service, and Jejememe, which received the grand prize at Google Play Store's App of the Year and Best Hidden Gems. Kyobo Life has built a cooperative win-win model and has been awarded Korea's Win-Win Management Leader Award in the field of Innovation Best Practice at the Management Grand Awards 2021. We will actively explore, collaborate with, and invest in start-ups with great promise, expanding Kyobo Life's open innovation ecosystem.

Won Win-Win Management Leader Award

TENACITY & CREATIVITY

“We will always innovate, starting over again if at first we do not succeed.”

03.

MARKET & STRATEGY

Insurance Business

We will Pursue Innovations in Products and Distribution Channels with Digital Transformation

The essence of life insurance lies in practicing the love of mankind by mutual support so that everyone can overcome hardships they may face in the future. Kyobo Life takes a sense of great pride in its mission as it lives up to our essence and spirit, making our best efforts to provide differentiated products and services. In order to provide peace of mind and financial security beyond customer expectations, we are actively promoting innovations in our products and distribution channels, especially with accelerated customer-centered digital innovations. We will create a world where no one is discouraged by unexpected hardships but instead able to achieve their precious dreams.

Insurance Market in 2021

In 2021, we did our best to overcome the uncertainty surrounding the insurance industry, which was brought by the stagnation of the real economy along with the continued difficulties posed by COVID19.

Competition in the insurance market has heated up as the competitive composition with the inclusion of non-life insurance, General Agencies (GA), and other financial sectors became more diversified and big tech companies entered the finance industry. Also, the vigorous development of health insurance products including health insurance, insurance for the aged, and insurance for the sick has intensified the competition in protection-type products.

In addition, COVID-19 has turned our customers towards non-face-to-face interactions, thus accelerating digital transition throughout the financial industry.

In the meantime, the financial authorities tighten regulations on financial soundness, and consumer protection policy to improve the transparency and accountability in managing financial institutions.

Business Performance of Kyobo Life in 2021

In 2021, we tried to create customer value with innovative products and new services, and reinforce our system to protect consumer rights and interests.

We placed our focus on customers between ages of 35 to 59 with high potential for marketing effect, and also strengthened our marketing strategy for wealthy customers and customers with illness, who were relatively less regarded.

To this end, various products and services that covering family livelihood in line with the needs for protection by each target customer sector were provided. Moreover, according to market trends, we actively addressed the third insurance market related to health, and care. The subscription for protection type insurance, particularly for products to protect family livelihood was expanded to increase covered assets of customers. We secured new customers by tapping into various customer contact points with culture and sports marketing, our website, and the Kare app, etc. A customer base was also expanded by providing services including health management and online care and culture service for insurance persistency.

In order to strengthen our competence for insurance sales, we recruited qualified financial planners to expand the distribution channels, and enhanced cultivation system of newly recruited financial planners to provide optimal coverage plan and persistency services for customers.

Insurance Market Outlook for 2022

The life insurance industry is expected to see an improvement in growth conditions with the upgraded face-to-face channel along with the "living with COVID-19 scheme". However, the heightened volatility of the financial market, and accelerated digital transition throughout the industry, pose uncertainties in the insurance industry. Amid continued tightening of financial soundness-related regulations by financial authorities, a new international accounting standard for insurance contracts (IFRS 17) and a new solvency regulation (K-ICS) are scheduled to be introduced in 2023, while the financial authorities are continuously reinforcing consumer protection policies to better protect consumer rights and interests as well as the level of transparency and responsibility in the management of financial companies.

Demographical changes due to the rapidly aging population and an increase in single households and changing customer and market trends are expected to downsize the death insurance market, which has been the traditional life insurance market. However, the expansion of the coverage scope of illness and health-related insurance and insurance for the sick is expected to maintain the demand for protection type insurance. Accordingly, insurers are likely to continue to put their effort to generate demand for such insurance by developing new types of products in reflection of new benefits.

In conjunction with such developments, the full-fledged launch of MyData service seems likely to intensify the competition between traditional financial companies and big techs/fin-techs more than ever. Hence, 2022 will be the year of change and innovation.

Insurance Business Strategies for Kyobo Life in 2022

Deviating from our previous sales activities which were solely geared towards the sales of insurance, we will preemptively discover values that customers want and transit to customer-centered marketing activities.

By offering products and services meeting the needs of customers, Kyobo Life's value will be delivered to our customers while generating profits.

To this end, we will subdivide customers, and exercise customer-oriented marketing that addresses the needs of each customer group. Also, in line with the market trends, we will actively serve the third insurance market for health, injury, and care. Meanwhile, our marketing competitiveness will be strengthened by integrating digital channels, and implementing video consultations for insurance sales and a MyData project so that our customers can have unique customer experience. In order to secure our competence for insurance sales, we will strengthen training system and improve marketing capabilities for distribution channels. In addition, we will build a growth-oriented sales culture by promoting corporate culture innovation.

Asset Management

We will Create Continued Stable Investment Profits with Long-Term Perspective to Comply with the Principles of Asset Management for Life Insurers

The basic principle of asset management at Kyobo Life is to create a steady, continuous stream of profits by building an optimum asset portfolio that complies with all constraints related to asset management, such as risk limits, and duration targets. By adhering to an Asset Liability Management (ALM) strategy in consideration of the long-term nature of life insurance products, we have produced steady profits driven by Strategic Asset Allocation (SAA) with a long-term perspective, and surplus earnings utilizing Tactical Asset Allocation (TAA) with a short-term perspective by actively responding to volatility in the financial market.

Financial Market in 2021

The 2021 global economy showed a strong recovery trend after the unprecedented economic stagnation caused by COVID-19. The world economy grew by 5%, resulting from the mass distribution of COVID-19 vaccines, accommodative monetary policy, and expansionary fiscal policy, mainly in advanced countries such as the United States. This is a rapid recovery even when considering the base effect of the negative 3.8% economic growth rate in 2020.

The volatility in the global financial market appeared to be exacerbated, affected by a combination of COVID-19 developments including the emergence of variant viruses, normalization of monetary policy, and concerns over inflation. The bond market saw an increase in interest rates overall as expectations for economic recovery and the normalizing monetary policy grew. While the United States froze the base interest rate, its volatility was further heightened with a rapid increase of interest rates stemming from tapering concerns. The stock market steadily grew thanks to the strong performance of enterprises as well as an economic recovery in general.

Korea's economy achieved a high growth rate of 4% in 2021, following the previous year in which recorded the highest economic growth rate among OCED member countries. The overall interest rates of the domestic bond market increased with the base interest rate raising by 0.50%p twice, but the long and short-term spread narrowed due to a relatively large increase in the short-term bond yield compared to the long-term bond yield. Korea's stock market performed relatively poorly compared to global stock prices, reflecting concerns over the semiconductor industry, etc.

Kyobo Life's Asset Management Performance in 2021

In terms of asset management in 2021, Kyobo Life managed to achieve respectable results in both profitability and risk management as we actively capitalized on favorable conditions of the financial market. As for profitability, we defended our recurring yield from declining by actively expanding assets with high profits compared to risks such as insurance policy loans, credit loans, and alternative investments. In addition, through gain on sales of alternative investment assets and stocks, sources of

non-recurring profits became diversified. Our variable insurance assets surpassed the benchmark as a result of flexible adjustments in the composition of stocks and bonds portfolios.

With respect to risk management, we were able to preemptively respond to the regulatory changes including K-ICS as we continued to increase our asset duration and minimize mismatching cash flow of our assets and liabilities. Furthermore, in preparation for increasing household debt risk due to a rise in interest rates, we consistently strived to improve the qualitative structure of retail loan assets with strengthened delinquency rate management.

2022 Financial Market Outlook

The 2022 global economy is expected to continue to expand, outperforming potential growth rates mainly in advanced countries as the supply of COVID-19 treatment and favorable policy conditions continue. Nevertheless, concerns about continued inflation, a sudden shift to monetary policy tightening, and elections in major countries are expected to act as external risk factors. In the global bond market, interest rates are expected to rise in line with the normalization of monetary policy, such as the end of the US Fed's tapering and base interest rate hikes. The global stock market is expected to remain differentiated by country, industry, and company while volatility increases in accordance with the timing and speed of monetary policy transition.

The domestic economy is expected to see a growth rate of around 3% thanks to the improvement of COVID-19 conditions and the recovery of domestic demand based on private consumption. However, in the process of economic normalization, COVID-19 uncertainty, supply bottlenecks, and prolonged inflation are likely to constrain economic growth. With an overall rise in interest rates following a faster rate hike than the US, the domestic bond market is expected to show an upward trend in the first half and a downward trend in the second half. Amid uncertainties arising from the normalization of US monetary policy, the domestic stock market is expected to continue its upward trend due to the recovery of industries, especially the semiconductor industry, and the normalization of supply shortages.

2022 Kyobo Life Asset Management Strategy

In 2022, factors for both risk and opportunity are predicted to co-exist with changing policies. In terms of asset management, such factors will be fully taken into account to promote profit generation while also focusing on risk management.

First, we will narrow the negative spread and diversify Kyobo Group's source of profit by benchmarking global insurers. European insurers which introduced SolvencyII are maintaining the spread system despite the sharp decline in interest rates by enhancing profitability through reducing interest rate risk and expanding credit and market risk. They are also diversifying revenue sources by actively collaborating with asset management affiliates.

Second, we will closely respond to the new solvency scheme (K-ICS) in 2023 through flexible duration management taking advantage of rising interest rates, and minimizing mismatching cash flow of assets and liabilities.

Third, to improve the quality of investment income, we will continue to diversify sources for non-recurring profits. To this end, we will promote the active management of securities and gradually expand alternative equity investment.

Fourth, efforts will also be made to enhance the external credibility of asset management by strengthening the capability to generate future profits through the expansion of investment in new growth industries and systematization of ESG investment strategies.

Lastly, we will build a flexible and challenging corporate culture suitable for the digital age.

Risk Management

Kyobo Life Maximizes Corporate Value with Thorough and Strategic Risk Management

Risk management is one of the core areas of competitiveness for insurance companies. Kyobo Life makes vigorous efforts in quantifying risk factors and establishing an integrated management system over various risks to reinforce stability and reduce or eliminate business uncertainties in advance. In an effort to systematically manage company-wide risks, we continue to reinforce our group risk management system while managing our capital adequacy ratio. Also, we are smoothly preparing relevant systems and infrastructure in order to cope with the upcoming implementation of IFRS17 and K-ICS in 2023. Kyobo Life will not change its policies in terms of developing various measures to reduce required capital while expanding available capital. We believe that such thorough risk management has not only served as a foundation to increase corporate value for the mid to long-term, but also has created new business opportunities, while being true to the essence of life insurance.

Strategic Risk Management to Maximize Corporate Value

In order to acquire and maintain its financial soundness, Kyobo Life sets limits on risks that may affect its capital and monitors if they are within the limits. In addition, to enhance our mid to long-term corporate value, the ALM policy which considers both assets and liabilities has been adopted. In particular, we are conducting risk control assessments for each business unit by incorporating company-wide non-financial risks including operational, strategic, and reputational risks to build and improve corresponding systems and infrastructure so that the company-wide risk management system performs well.

Systematic Risk Management for Management Stability

Kyobo Life measures potential risks involved with daily business operations including sales activities and asset management to set the risk limits within its solvency limits which are acceptable for the company to stably maintain management activities. We have also established guidelines to maintain the available capital at a level above the regulated minimum required by financial authorities even when facing a simultaneous break-out of multiple risks.

In the meantime, by leveraging the preemptive risk management techniques, including acceptance, reduction, transfer, and avoidance of risk, we try to maintain risks within the limits and appropriate levels compared to the guidelines, and conduct adequacy examinations on a regular basis to adjust limits for all risks, both individual and overall, if necessary.

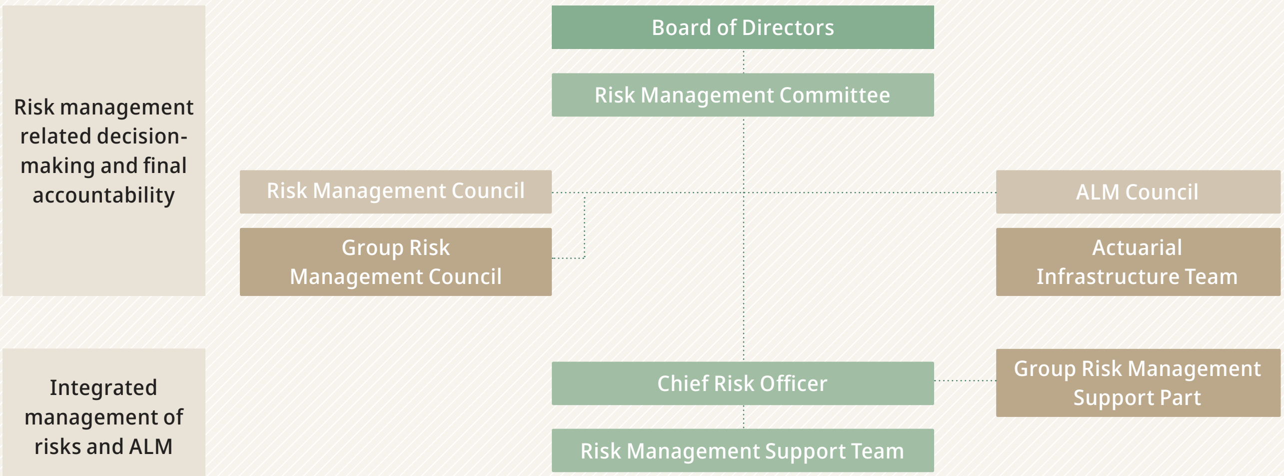
In addition, Kyobo Life has a preemptive risk management system in place to prevent or reduce potential losses caused by rapid changes in the financial market. Our risk management system captures changing risks and copes with them accordingly through prior risk review by the risk management team for important decision making, prior and phased risk limit management, review and adjustment of the adequacy of risk limits, setting and management of loss limits of securities, and regular monitoring on various risk factors.

In an effort to ensure business resilience even at the worst times, Kyobo Life has also devised various scenarios by risk type and prepared contingency plans, and conducted simulation trainings on a regular basis to review the appropriateness of such plans.

Risk Management System

Kyobo Life classifies risks into those related to market, credit, interest rate, liquidity, insurance, variable insurance guarantee, and non-financial areas, and manages these systemically by establishing management strategies customized for each risk.

Risk Management Organization



Types of risks	Market Risk	Credit Risk	Interest Rate Risk ALM	Liquidity Risk	Insurance Risk	Variable Insurance Guarantee Risk	Non-Financial Risk
Primary risk management	Asset Portfolio Management Team	Investment Analysis Team/ Credit& Loan Division	Actuarial Infrastructure Team	Accounting Team	Insurance Risk Management Support Team	Variable Asset Hedging Part	Individual Departments

Market and Credit Risks

We have established asset portfolios, taking into account risk limits to ensure that potential asset losses caused by changes to the financial environment are managed at a level the company can withstand. In managing assets, we regularly monitor if market and credit risks limits, risky assets limits, loss limits of securities and derivatives and transaction limits by lender, group, and industry are observed. To prevent assets from being distressed, stemming from risk occurrence including changes in interest rates, stock prices, and foreign exchange rates, weakening of households' capabilities to repay debt, decreases of holding asset collateral value, etc., we have also established and put in place a system which monitors various risk factors at all times. At the same time, we continue to improve the personal and corporate credit rating models to manage credit risks of transaction counterparts in a sophisticated way.

Interest Rate Risk

In order to minimize the variance of net asset values incurred by interest rate fluctuations, Kyobo Life has adopted a strategy to consistently narrow the asset-liability duration gap, which increases the asset duration by setting the duration target and enhancing our position on long-term bonds while decreasing the liability duration by increasing a proportion of interest-linked products. In addition, according to the company's business plan, we have set a limit for annual interest rate risk and built a regular monitoring and review system so that our policy to minimize interest rate risk remains fully performed.

Insurance Risk

We prevent potential losses with regular analyses on the mortality margin and set and manage a mortality margin target to improve our corporate value. Kyobo life, through mid to long-term insurance risk management strategies in all business units of the company, tries to maintain the mortality/morbidity gain in a stable way and strengthen its insurance risk management system. Moreover, we set insurance risk limits in consideration of our business plan, and maintain insurance risk at an adequate level in relation to our available capital by measuring it and reviewing its adequacy on a regular basis. We are also working hard to continuously upgrade our underwriting standard and strengthen the insurance claims screening to make our insurance risk management system stronger to prevent payment of fraud benefits.

Liquidity Risk

The minimum liquidity limit is established and managed to avoid unexpected liquidity shortages, resulting from unavoidable payments for insurance claims or policy loans. In addition, we set and monitor a liquidity management index including liquidity gap, liquidity ratio, and gross profit margin ratio. Specifically, in preparation for possible bank runs that may occur because of drastic changes in the financial market, we review and supplement our contingency plans by conducting simulation training based on liquidity crisis scenarios every year.

Variable Insurance Guarantee Risk

In order to minimize the potential loss caused by the minimum guarantee option of variable insurance products, we have set its risk limit and regularly monitor the status to compare it against its limit. Kyobo Life also executes dynamic hedging using derivatives to reduce volatility in profit and loss due to changes to market conditions and to make up for any potential capital losses during the crisis. Apart from that, in order to prevent potential loss and changes to the variable insurance guarantee reserve, we efficiently manage the variable insurance guarantee risk by regularly examining the appropriateness of variable insurance guarantee options and guarantee costs, and by reflecting the results of these examinations in our insurance products.

Non-Financial Risk

To achieve company-wide management goals, Kyobo Life has set a standard scenario that includes all non-financial risks such as changes to business conditions, legal risks, operational risks for each business unit and department to implement scenario-based self-assessments on business environmental changes and risk control. We have also developed and put in place key risk indicators for timely monitoring and response.

ALM Policy for Long-Term Risk Management

Kyobo Life promotes Asset-Liability Management (ALM) policy to maintain interest rate risk at a stable level amidst the volatile financial environment and to secure a long-term, stable spread gain. We maintain our product portfolio focused on interest-linked products in the liability segment to continue to restructure our liabilities. In the asset segment, we maintain an asset portfolio with which we can enlarge the scale and duration of interest-bearing assets and increase the investment yield. Furthermore, our efforts are being focused on improving our ALM system by, for example, increasing the accuracy of the calculation of cash flow from assets and liabilities.

Kyobo Life's Preparations for New Regulations

Preparations for IFRS 17 and K-ICS

In response to the upcoming introduction of the new international accounting standard for insurance contracts (IFRS 17) and the new solvency system (K-ICS), we are systematically bracing our infrastructure and system. Kyobo Life will make consistent efforts to minimize a potential shock that the new systems may bring about and to enhance our financial soundness by closely cooperating with financial authorities and the insurance industry.

Integrated Supervision System for Financial Conglomerates

As the Act on the Supervision of Financial Conglomerates which is intended to effectively manage risks at the financial conglomerate level, came into effect in June 2021, Kyobo Life has established and run a risk management system through which the risks of Kyobo Financial Group* are comprehensively and systematically managed.

* Major affiliated financial companies of Kyobo Financial Group: Kyobo Life, Kyobo Securities, Kyobo Life Planet Life Insurance, Kyobo AXA Asset Management, Kyobo Asset Trust

ORSA System

The supervisory authority introduced the Own Risk and Solvency Assessment (ORSA), a system for insurers to assess their own risk and solvency as part of advancing an insurer risk management system in 2017. Accordingly, Kyobo Life introduced ORSA in 2019 and has conducted its own assessment every year. The results are reported to the Board of Director and incorporated into our management policies to improve our risk management.

FINANCIAL SECTION

04.

FINANCIAL SECTION

Management's Discussion and Analysis

I. Introduction

Management's Discussion and Analysis contains the past performance of Kyobo Life, forward-looking statements with respect to changes in the economic environment, the outlook of the life insurance industry, and Kyobo Life's goals and strategies for the upcoming years. These statements are inevitably influenced by unpredictable external factors, which may cause the actual economic environment or performance of Kyobo Life to differ from the projections stated or implied herein. Thus, readers are cautiously encouraged to consider these possibilities in understanding the content of Management's Discussion and Analysis.

The fiscal year of Kyobo Life commences on January 1st and ends on December 31st. Thus, in this document, "Fiscal Year 2021" or "FY2021" refers to a period from January 1, 2021 to December 31, 2021, and the same applies to other years.

Two types of accounting standards, Generally Accepted Accounting Principles (GAAP) and the Statutory Accounting Principles (SAP), are applied to life insurance companies in Korea. Despite the differences in operating profits arising from the distinct classifications of operating and non-operating activities, pre-tax income is identical whether the figure is based on GAAP or SAP. Management's Discussion and Analysis of Kyobo Life's FY2021 Annual Report is based on SAP, under which revenues and expenses related to each activity (investment and insurance) are distinguished.

II. Key Financial Performance Overview

1. Growth

Despite a challenging business landscape due to the shrinkage of face-to-face sales activities caused by COVID-19, the entrance of big tech and platform companies into the insurance business, and increased volatility in the financial market, Kyobo Life has seen steady growth backed by the implementation of differentiated marketing activities, preemptive and proactive asset management strategy, and thorough risk management. Total assets at the end of FY2021 rose by 3.2% year-on-year to KRW 119.1 trillion, and premium income in FY2021 recorded KRW 15.8 trillion, an increase of 10.7% year-on-year, which was aided by Kyobo Life's customer-centric digital innovation, the development of products satisfying various customer needs, and actively serving the third insurance market.

2. Profitability

Amid sluggish growth in the life insurance market due to difficulties in face-to-face sales activities and demographic changes caused by an aging population, competition has intensified as the industry focuses on the sales of protection-type insurance in preparation for the introduction of K-ICS and IFRS17. Even under such a challenging management environment, Kyobo Life's net income for FY2021 increased by 3.5% year-on-year to KRW 396.4 billion through a profitability-oriented product strategy, and by defending investment yields from decreasing, taking advantage of the volatilities in financial markets.

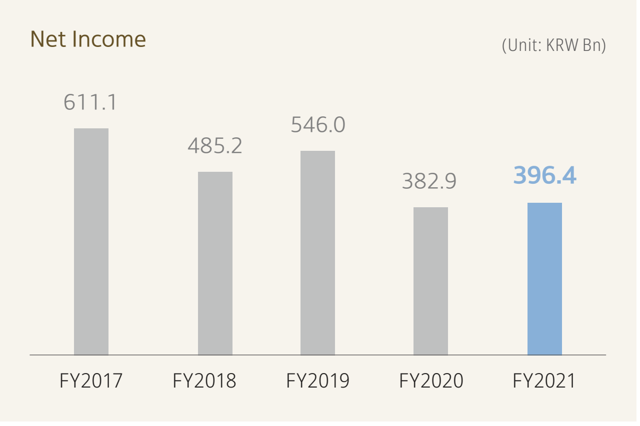
Growth Indicators

(Unit: KRW bn)

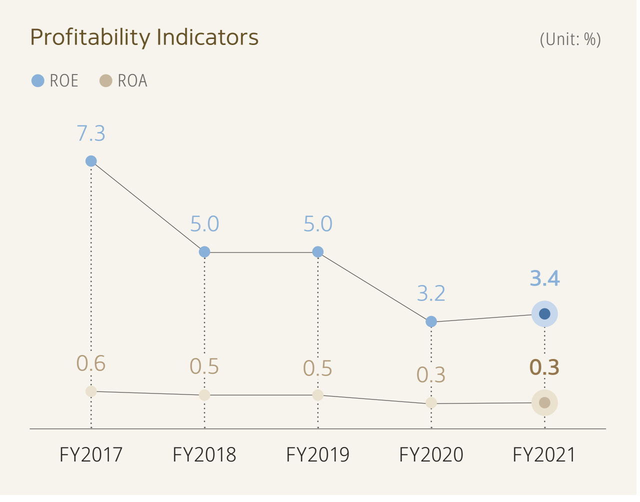
	FY2017	FY2018	FY2019	FY2020	FY2021
Total Assets	97,791.9	101,488.2	107,893.5	115,486.1	119,149.3
Total Capital	9,351.4	10,003.4	11,689.2	12,093.9	11,024.0
Premium Income	11,621.3	12,168.3	12,435.5	14,280.0	15,808.3
General Accounts	7,613.9	7,334.0	7,436.7	8,836.6	9,560.7
Separate Accounts	4,007.4	4,834.3	4,998.8	5,443.4	6,247.6

* Retroactive effect of accounting policy change (LAT) not reflected

* Total capital in FY2019 and FY2020 is KRW10,592.5 Bn and KRW10,997.2 Bn respectively when reflecting the retroactive effect



ROE in FY2021 is 3.4%, up 0.2%p year-on-year.



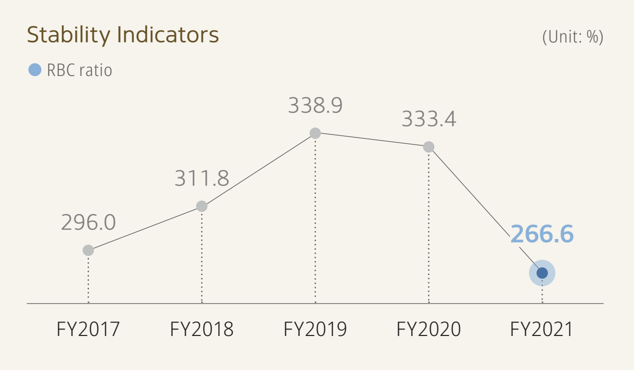
* ROE = Net income / {(Beginning equity capital + Ending equity capital) / 2} × 100
* ROA = Net income / {(Beginning equity assets + Ending equity assets) / 2} × 100
* Retroactive effect of accounting policy change (LAT) not reflected

3. Stability (Financial Soundness)

In order to reduce and eliminate business uncertainties in advance and enhance management stability, Kyobo Life makes vigorous efforts to quantify risk factors and establish integrated control over various risks. Kyobo Life has managed its RBC ratio efficiently since the introduction of the RBC system by continuously generating net income, improving asset-liability structures, minimizing the mismatch of cash flow between assets and liabilities, and thorough risk management.

Kyobo Life's RBC ratio at the end of FY2021 showed a 66.8%p decrease from the previous year to 266.6%, which was mainly attributable to a drop in available capital due to a decrease in the valuation gain on securities, resulting from rising interest rates, intensified credit risk caused by the expansion of alternative investments for increasing investment yield, and heightened market risk as a result of a strengthened standard regarding short-term currency hedging and newly adopted rollover risk. However, Kyobo Life still maintains an industry-leading financial soundness.

The financial authorities are strengthening the regulation on financial soundness, and the international accounting standard for insurance contracts (IFRS17) based on mark-to-market approaches to liabilities, and a new solvency system (K-ICS) will come into effect in 2023. In order to cope with these regulatory changes, Kyobo Life has placed a dedicated unit in operation in 2015. Kyobo Life will remain committed to maintaining its financial soundness indicators by continuously generating profits and through active risk management.



* RBC Ratio = Solvency margin / RBC total risk × 100
* Based on consolidated financial statements

III. Insurance Business Analysis

1. Premium Income

Competition in the insurance market in 2021 was further heightened as the competition structure became more complicated with the involvement of non-life insurers, general agencies(GA), and other financial sectors, and insurers put an emphasis on sales of protection-type insurance in preparation for tightened regulations on financial soundness from financial authorities. Under the uneasy management environment stemming from the shrinkage of face-to-face sales activities, economic slowdown, and stagnated growth in the life insurance industry, we strengthened our support for consultants' non-face-to-face sales activities and created customer value with innovative products and unprecedented services. Thanks to such efforts, premium income from savings insurance increased by 23.2% year-on-year, resulting from increased liquidity in the market, while premium income from corporate pensions grew by 32.3% year-on-year, supported by the provision of various corporate pension products and the industry's best financial soundness.

Accordingly, Kyobo Life's premium income for FY2021 recorded KRW 15.8 trillion, up 10.7% from the previous year.

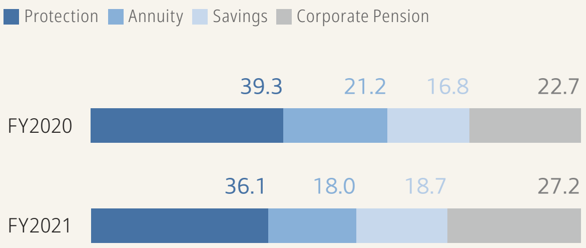
Premium Income by Product

(Unit: KRW bn)

	FY2020	FY2021	Change
Protection	5,607.6	5,708.0	1.8%
Annuity	3,023.6	2,846.7	-5.8%
Savings	2,401.6	2,958.1	23.2%
Corporate Pension	3,247.2	4,295.4	32.3%
Total	**14,280.0**	**15,808.3**	**10.7%**

Composition of Premium Income by Product

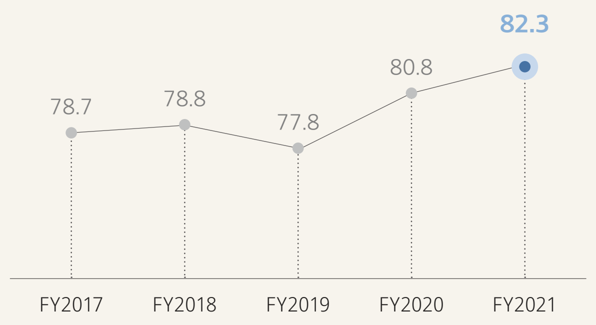
(Unit: %)



Despite difficulties in the economic environment, through efforts to enhance the retention rate of new consultants who have completed Kyobo Life's long-term cultivation program, to settle a culture of removing mis-selling, and to expand the share of products with high persistency, our persistency ratio in the 13th month increased by 1.5%p year-on-year.

Persistency Ratio in the 13th month

(Unit: %)



* 13th month Persistency Ratio = Persisted contract amount in the 13th month / Total subscribed contract amount in the 13th monthX100 (Overdue twice, accumulation basis)

2. New business

Total Annualized Premium Equivalent (APE) in FY2021 recorded KRW 1.9 trillion. The prolonged COVID-19 pandemic and the depressed protection-type insurance market led to a decline in the APE of whole life products and critical illness (CI) products by 32.2% and 22.0%, respectively. As a result, the weight of protection-type products in APE fell by 41.2%, down 3.6%p year-on-year.

However, Kyobo Life's strategy of focusing on the sales of protection-type products, including whole life and CI insurance to be committed to providing optimal customer coverage, which is the essence of life insurance will remain unchanged.

APE by Product

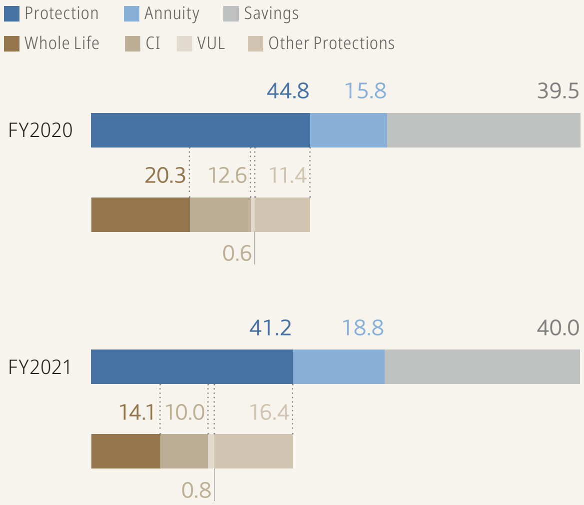
(Unit: KRW Bn)

	FY2020	FY2021	Change
Protection	867.2	780.1	-10.0%
Whole Life	392.4	266.1	-32.2%
CI	243.2	189.8	-22.0%
VUL	11.4	14.6	28.6%
Other Protections	220.2	309.7	40.6%
Annuity	305.2	355.3	16.4%
Savings	764.3	757.6	-0.9%
Total	**1,936.7**	**1,893.0**	**-2.3%**

* Excluding Corporate Pension

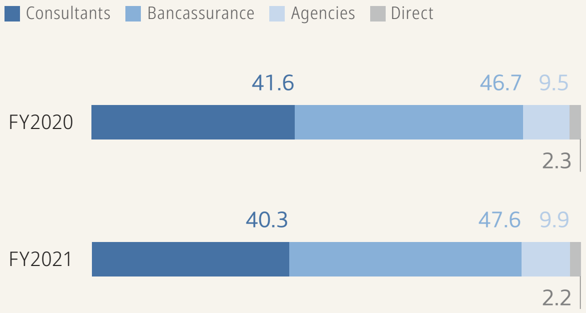
Composition of APE by Product

(Unit: %)



Composition of APE by Channel

(Unit: %)



* Excluding Corporate Pension

3. Sales by Channel

In order to meet the various needs of customers, Kyobo Life has provided differentiated products and services through a number of channels including consultants (its main sales channel), Bancassurance, agencies, direct channel, and corporate sales channel.

The proportion of the consultant channel, in terms of new business APE, fell by 1.3%p, which is attributable to a decline in the sales of whole life and CI products from the consultant channel as a result of the weakening market for protection-type insurance.

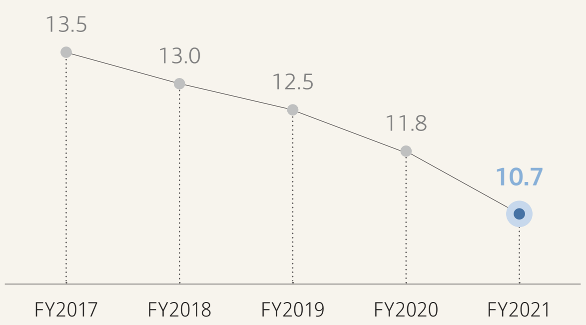
In 2022, Kyobo Life plans to strengthen its competitive edge in its consultant channel by supporting untact sales activities, strengthening capabilities for financial planning based on life planning and customer/market-centered marketing strategy, and providing various training programs, which could help improve their digital competency.

4. Insurance Operating Expenses

For the past several years, Kyobo Life has steadily executed profit-oriented management to attain expense efficiency. The operating expenses ratio in FY2021 dropped by 1.1%p to 10.7% year-on-year thanks to the efforts to improve efficiency in branches and reduce overhead costs as well as to an increase in premium income.

Insurance Operating Expense Ratio

(Unit: %)



* Insurance Operating Expenses Ratio = Operating Expenses before deferral/ Premium Income × 100, including Separate Accounts

Actual expenses in FY2021 showed an increase of 0.9% from the previous year and recorded KRW 1.7 trillion, mainly stemming from an increase in maintenance costs by KRW 134.8 billion year-on-year, as a result of a rise in severance pay and depreciation costs.

Insurance Operating Expenses

(Unit: KRW Bn)

	FY2020	FY2021	Change
Insurance Operating Expenses	1,119.5	1,188.5	6.2%
Acquisition Costs	888.1	767.6	-13.6%
Maintenance Costs	791.5	926.3	17.0%
Deferred Acquisition Costs	560.0	505.4	-9.7%
Actual Insurance Operating Expenses	1,679.5	1,693.9	0.9%

* Insurance Operating Expenses = Acquisition Costs + Maintenance Costs – Deferred Acquisition Costs

* Actual Insurance Operating Expenses = Acquisition Costs + Maintenance Costs

In FY 2021, as an increase in the use of medical services which had showed a decrease in the previous year and the sluggish economy brought about by COVID-19 led to a surge on surrenders and early withdrawals, claims payments went up by 12.2% to KRW 7.8 trillion.

An increase in provisions for the policy reserve reduced by 3.9% compared to the previous year to KRW 3.2 trillion as an increase in provisions for the minimum guarantee reserves for variable products reduced due to interest rate hikes. In order to analyze expenses for insurance sales, it is desirable to take into account both claims payments and provisions for the policy reserve. When we analyzed expenses for insurance sales in FY2021 using the aforementioned method, the sum of claims payment and provisions for the policy reserve increased by 6.9% from the previous year.

Claims Paid & Increase in Policy Reserve

(Unit: KRW Bn)

	FY2020	FY2021	Change
Claims Paid	6,914.4	7,761.0	12.2%
Insurance Claims	1,014.9	1,063.3	4.8%
Refunds	5,880.5	6,680.7	13.6%
Dividends	19.0	17.0	-10.4%
Increase in Policy Reserve	3,392.3	3,259.6	-3.9%
Claims Paid + Increase in Policy Reserve	10,306.7	11,020.6	6.9%

IV. Asset Management Analysis

1. Asset Portfolio

Kyobo Life maintains its asset management policy from the long-term perspective which involves managing an optimal asset portfolio based on a strategy suited for the nature of long-term insurance products, namely asset-liability management (ALM) strategy, and the constant generation of stable profits.

Operating assets of Kyobo Life at the end of FY2021 increased by 3.3% to KRW 91.5 trillion from the end of FY2020. In order to strengthen its asset management from the ALM perspective as well as its business resilience against regulatory changes, Kyobo Life was actively engaged in rebalancing its bonds by replacing short-term bonds with long-term bonds, while increasing the purchase of domestic bonds whose yields were comparatively higher than that of overseas bonds in the face of interest rate hikes. In addition, in order to defend the recurring yield from decreasing, Kyobo Life expanded policy loans, credit loans, and alternative investments, which have relatively higher investment yields compared to associated risks.

Asset Portfolio

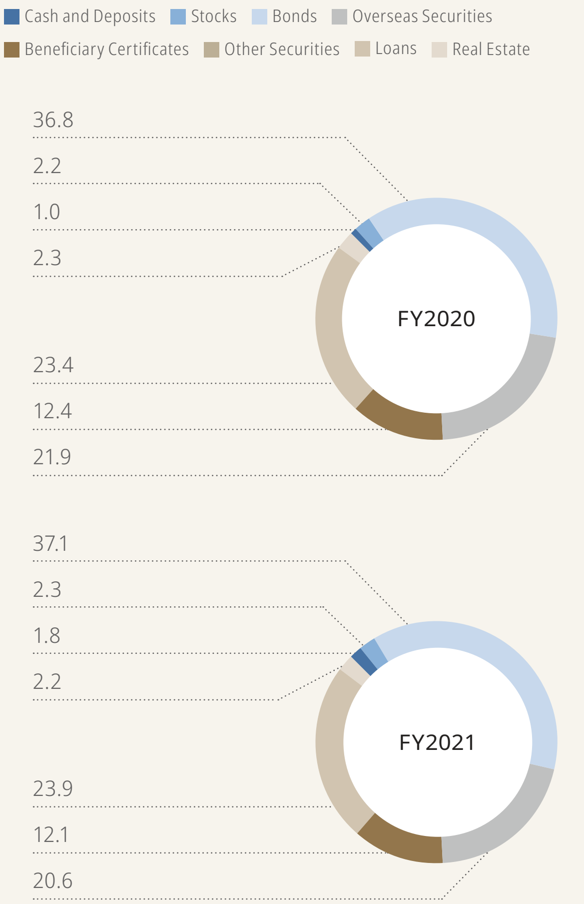
(Unit: KRW Bn)

	FY2020	FY2021	Change
Operating Assets	88,605.2	91,522.0	3.3%
Cash and Deposits	917.9	1,638.7	78.5%
Stocks	1,992.6	2,099.8	5.4%
Bonds	32,619.1	33,975.4	4.2%
Overseas Securities	19,392.9	18,829.0	-2.9%
Beneficiary Certificates	10,954.1	11,101.5	1.3%
Other Securities	16.0	21.8	36.1%
Loans	20,715.2	21,865.6	5.6%
Real Estate	1,997.4	1,990.0	-0.4%
Non-operating Assets	3,322.1	2,265.1	-31.8%
Deferred Acquisition Costs	1,183.1	1,151.5	-2.7%
Derivative Instruments	972.3	120.3	-87.6%
Other Non-operating Assets	1,166.6	993.3	-14.9%
General Account Assets	91,927.2	93,787.1	2.0%

In terms of the composition of operating assets by asset type at the end of FY2021, domestic bonds, which accounted for the greatest proportion, slightly grew from the previous year to 37.1%. The proportion of overseas securities fell by 1.3%p year-on-year due to risk reduction and disposal of overseas bonds utilizing market volatility. Meanwhile, the proportion of cash and deposits increased by 0.8%p from the previous year due to an increase in premium income from corporate pensions at the year-end.

Composition of Operating Asset Portfolio

(Unit: %)



2. Investment Income

Investment income in FY2021 recorded KRW 3.06 trillion, an increase by 0.2% compared to the previous year. In terms of recurring investment income, dividend income mainly from alternative investments increased by KRW 1.7 billion year-on-year. On the other hand, disposal gains decreased by KRW 120.8 billion or 19.5% year-on-year, while non-recurring investment income rose by KRW 25.5 billion or 9.5% from the previous year on the back of an increase in valuation gains and a reduced loss from derivative products thanks to a rise in the exchange rate.

Investment Income

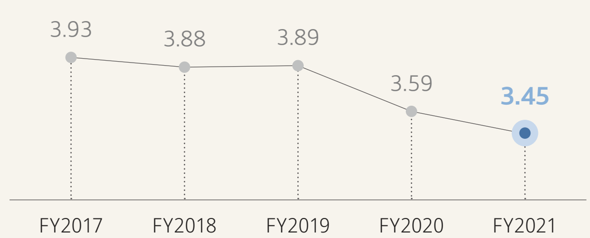
(Unit: KRW Bn)

	FY2020	FY2021	Change
Recurring Investment Income	2,781.9	2,762.7	-0.7%
Interest Income	2,413.7	2,352.0	-2.6%
Dividend Income	584.6	586.4	0.3%
Rental Income	88.3	88.8	0.6%
Commissions Income	20.7	17.7	-14.4%
Investment Administration Expense	173.0	189.9	9.8%
Interest Expense	152.5	92.3	-39.5%
Non-recurring Investment Income	269.9	295.4	9.5%
Gain/Loss on Disposition	620.3	499.5	-19.5%
Gain/Loss on Valuation	-3.2	24.1	-
Gain/Loss on Impairment	-81.9	-37.3	54.4%
Gain/Loss on Derivative Instruments	-231.2	-204.0	11.8%
Others	-34.0	13.1	-
Investment Income	3,051.8	3,058.1	0.2%

Under the heightened volatility in the financial market as a result of various factors including normalization of monetary policy and inflation, Kyobo Life actively adjusted its operating asset portfolio in order to defend the recurring yield from decreasing, expanded its investment with high yields, and made an effort to secure additional profits by taking advantage of the volatility in the financial market. With such efforts, we were able to achieve an increase in investment income by KRW 6.3 billion from the previous year, but ROI decreased by 0.14%p to 3.45% year-on-year due to an increase in operating assets.

Return on Investment

(Unit: %)



* Return on Investment = Investment income / {(beginning operating asset + Ending operating asset – Investment income) / 2} ×100

3. Domestic Bonds

Kyobo Life was actively engaged in rebalancing its bonds by replacing short-term bonds with long-term bonds for asset management with an ALM perspective and strengthening resilience against regulatory changes.

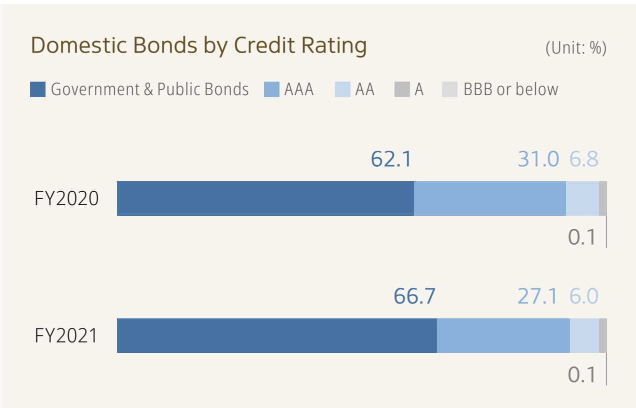
At the end of FY2021, total domestic bonds held by Kyobo Life amounted to KRW 34.0 trillion, showing an increase of 4.2% from the previous year. This is because, in the face of rising interest rates, we increased the purchase of domestic long-term bonds with relatively higher yields as an increase in interest rates was reflected prior to those of overseas bonds.

Investment in Domestic Bonds

(Unit: KRW Bn)

	FY2020	FY2021	Change
Trading Bonds	0.0	0.0	-
Available-for-Sale Bonds	32,619.1	30,575.9	-6.3%
Held-to-Maturity Bonds	0.0	3,399.5	-
Total	32,619.1	33,975.4	4.2%

As of the end of FY2021, available-for-sale bonds took up 90% of domestic bonds. In regard to their credit ratings, 99.98% of domestic bonds were government and public bonds, and bonds with A or higher credit ratings.



4. Overseas Securities

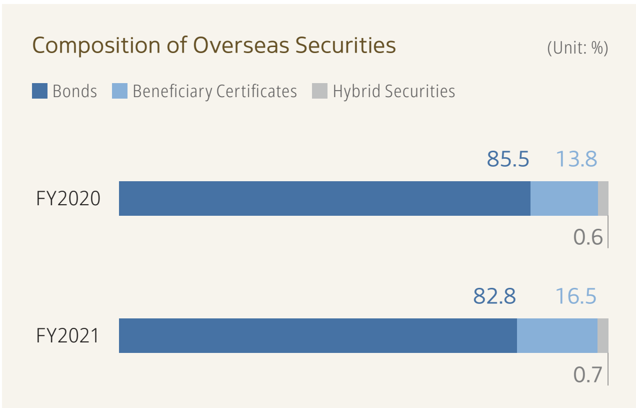
Kyobo Life diversifies investment regions and currencies to reduce risks in overseas securities investments. At the end of FY2021, Kyobo Life held KRW 18.8 trillion worth of investments in overseas securities, a decrease by KRW 536.9 billion or 2.9% from the previous year. However, as a result of the continued expansion of investment in overseas beneficiary certificates with relatively high returns in overseas securities, overseas beneficiary certificates increased by KRW 426.9 billion or 15.9% compared to the previous year.

Investment in Overseas Securities

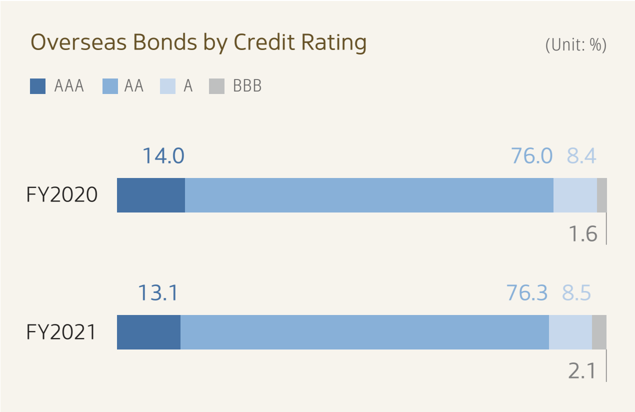
(Unit: KRW Bn)

	FY2020	FY2021	Change
Bonds	16,589.8	15,593.5	-6.0%
Beneficiary Certificates	2,684.8	3,111.7	15.9%
Hybrid Securities	118.4	123.9	4.7%
Total	19,392.9	18,829.0	-2.9%
Total (USD Mn)	**17,824.4**	**15,882.8**	**-10.9%**

At the end of FY2021, proportion of bonds in the total overseas securities declined by 2.7%p year-on-year to 82.8% and foreign beneficiary certificates accounted for 16.5%, up by 2.7%p from the previous year.



At the end of FY2021, all of the overseas bonds held by Kyobo Life were investment-grade bonds, 97.9% of which were rated "A" or higher.



5. Loan Asset Management

In FY2021, in regard to loans, Kyobo Life focused on expanding policy loans with higher yields compared to risks, and retail and corporate loans centered on prime customers. Moreover, in preparation for the realization of potential risks arising from rising interest rates and regulations on loans, we continue to strengthen our management on borrowers with financial fragility, while improving the qualitative structure of retail loans.

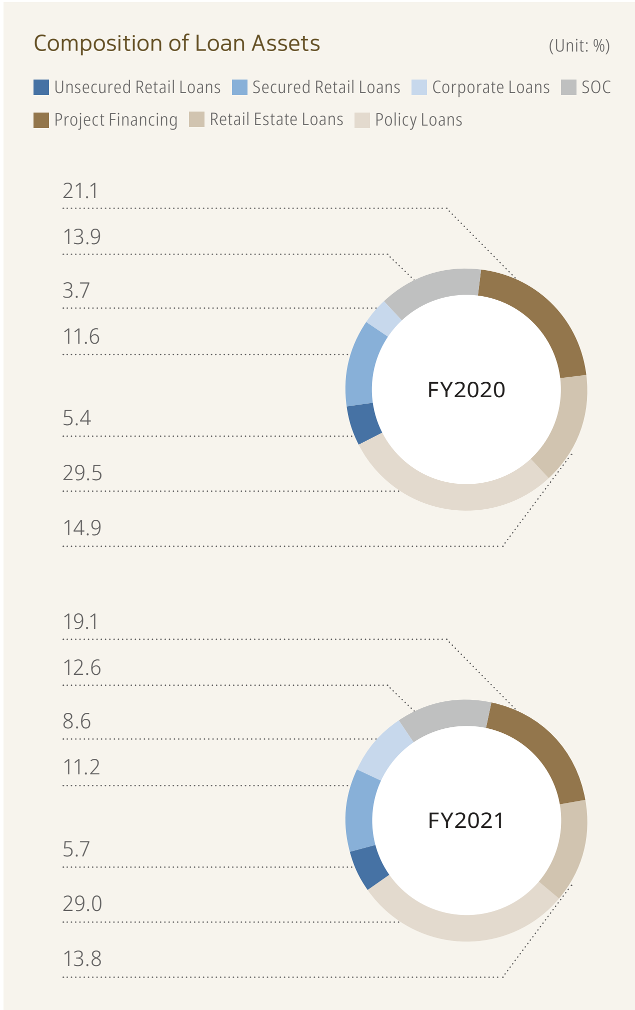
Kyobo Life held loan assets worth KRW 21.9 trillion at the end of FY2021, an increase of 5.6% year-on-year, which was mainly attributable to the expansion of corporate loans and unsecured retail loans for prime customers to bridge up the negative spread. Corporate loans and unsecured retail loans increased by KRW 1.1 trillion (146.1%) and KRW 135.9 billion (12.2%), respectively.

Loan Asset Breakdown

(Unit: KRW Bn)

	FY2020	FY2021	Change
Unsecured Retail Loans	1,117.7	1,253.6	12.2%
Secured Retail Loans	2,400.4	2,455.2	2.3%
Corporate Loans	760.4	1,871.5	146.1%
SOC	2,872.4	2,753.2	-4.1%
Project Financing	4,368.2	4,184.1	-4.2%
Retail Estate Loans	3,091.8	3,008.2	-2.7%
Policy Loans	6,104.3	6,339.7	3.9%
Total	**20,715.2**	**21,865.6**	**5.6%**

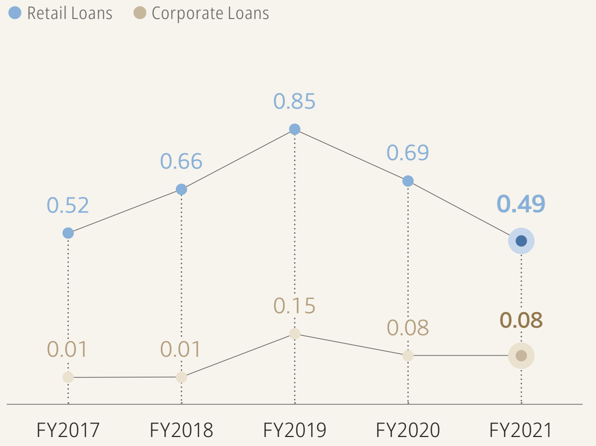
In terms of the composition of loans for FY2021, policy loans took up the greatest proportion of 29%, while corporate loans accounted for 8.6%, an increase by 4.9%p from the previous year.



In preparation for the realization of the household debt risk, Kyobo Life has been strengthening its management and risk monitoring against borrowers with financial fragility since FY2017. Accordingly, there was a drop in the delinquency ratio of Kyobo Life's retail loans by 0.2%p year-on-year.

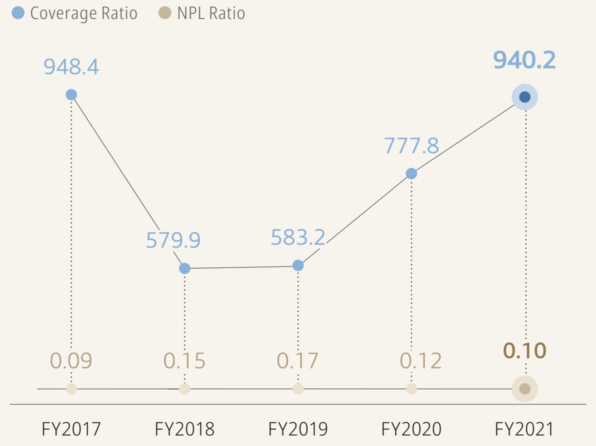
Kyobo Life has consistently pursued a preemptive management policy and improved the financial soundness of its loan assets. In particular, Kyobo Life signed a Memorandum of Understanding (MOU) with Korea Asset Management Corporation and concluded a sale of real estate loans with long-term delinquency to both support borrowers with financial fragility and reduce loans for bad quality assets to maintain its Non-Performing Loan (NPL) ratio.

Delinquency Ratio on Loan Assets (Unit: %)



* Delinquency Ratio = Amount delinquent for a month or longer / Loan assets = × 100 (exc. policy loans)

Adequacy Ratio of Loan Assets (Unit: %)



* NPL Ratio = (Non-performing loan assets / Total loan assets) × 100
* Coverage Ratio = (Total allowance / Non-performing loan assets) × 100

APPENDIX

Kyobo Life Insurance Co., Ltd.
and its subsidiaries

Consolidated financial statements

for the years ended December 31, 2021 and 2020
with the independent auditor's report

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Independent auditor's report

The Shareholders and Board of Directors

Kyobo Life Insurance Co., Ltd.

Opinion

We have audited the consolidated financial statements of Kyobo Life Insurance Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

Basis for opinion

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Emphasis of matter

As a matter that does not modify the audit opinion, we draw attention to Note 50 of the consolidated financial statements. As explained in Note 50, various measures and controls, including travel restrictions, have been enforced worldwide in order to contain the spread of COVID-19. As a result, the global economy has been affected extensively, and its duration and severity are difficult to predict. COVID-19 may affect the fair value assessment of financial instruments and the adequacy assessment of insurance liabilities. The Group has prepared the financial statements by reasonably estimating the impact of COVID-19 on the consolidated financial statements for the reporting period ending on December 31, 2021. However, the ultimate impact of the future spread of COVID-19 on the Group's financial position, financial performance and cash flows cannot be reasonably predicted as of the audit report date.

March 11, 2022

This audit report is effective as of March 11, 2022, the independent auditor’s report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor’s report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

Kyobo Life Insurance Co., Ltd.
and its subsidiaries
Consolidated financial statements
for the years ended December 31, 2021 and 2020

"The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group."

Your-Hyun Yun
Chief Executive Officer
Kyobo Life Insurance Co., Ltd.

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(Contact) 1588-1001

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of financial position
As of December 31, 2021 and 2020

(In won)	*Note*		2021	2020	January 1, 2020
Assets					
Cash and due from banks	5,13,14,46,54,56	₩	2,897,044,192,397	1,940,631,132,561	2,649,706,651,253
Financial assets designated at fair value through profit or loss	6,13,14,46,54,56		526,970,498,303	332,196,299,250	329,895,921,195
Financial assets held for trading	7,13,14,46,54		7,214,309,602,349	7,101,067,457,604	5,765,979,270,244
Derivative assets	13,14,30		461,752,545,264	1,323,167,566,062	493,642,281,492
Available-for-sale financial assets	8,13,14,46,54		60,794,119,995,826	63,367,484,801,269	60,085,725,647,672
Held-to-maturity financial assets	9,13,14,46		4,553,550,393,992	-	-
Loan receivables	10,13,14,46,54,56		23,725,308,922,506	22,353,303,173,690	20,762,638,962,873
Other receivables	11,13,14,34,46,54		1,397,655,373,024	1,579,934,187,438	1,214,918,260,393
Investments in associates and a joint venture	12,53,56		71,670,152,838	36,260,388,157	35,223,809,126
Investment properties	15		1,058,099,935,135	1,094,670,808,051	1,129,510,935,144
Property and equipment	16		1,414,876,099,291	1,378,699,946,490	1,367,728,339,602
Intangible assets	17		257,351,416,395	296,297,489,265	328,934,725,156
Deferred acquisition costs	18		1,158,428,811,992	1,188,686,905,574	1,270,428,124,603
Current tax assets	48		2,600,572,314	130,265,834,867	120,897,459,132
Deferred tax assets	48		11,486,476,236	10,161,492,042	9,230,390,429
Other assets	19,34		197,249,529,720	198,927,007,646	213,835,885,227
Defined benefit assets	28		19,960,970,432	-	-
Separate account assets	31,56		25,172,428,654,955	23,372,953,371,011	20,275,132,757,938
Total assets		₩	130,934,864,142,969	125,704,707,860,977	116,053,429,421,479
Liabilities					
Liabilities under insurance contracts	20,54,56	₩	79,287,141,125,443	76,686,195,931,363	73,038,900,332,510
Policyholders' equity adjustments	21,54,56		719,615,616,198	1,461,810,235,679	1,416,461,089,865
Financial liabilities designated at fair value through profit or loss	13,14,23		3,564,848,850,228	3,083,525,917,968	3,113,271,525,323
Financial liabilities held for trading	13,14,24		117,483,707,750	413,808,795,380	561,195,920,920
Derivative liabilities	13,14,30		890,411,888,037	606,577,046,108	400,270,876,781
Borrowings	13,14,25		3,541,752,624,582	2,619,812,532,294	1,806,759,589,499
Other financial liabilities	13,14,26,34,46		3,084,838,505,261	2,883,733,061,656	2,004,856,733,267
Provisions	27,50		22,223,341,525	24,192,457,662	24,583,147,184
Defined benefit liabilities	28		1,433,717,690	28,006,936,585	60,446,322,081
Current tax liabilities	48		55,245,493,616	40,079,819,182	32,549,690,402
Deferred tax liabilities	48		877,940,357,169	1,559,255,352,488	1,344,582,300,541
Other liabilities	29		770,261,962,994	587,808,904,407	239,640,007,410
Separate account liabilities	31,56		26,046,892,940,587	23,930,355,974,084	20,738,136,719,069
Total liabilities			118,980,090,131,080	113,925,162,964,856	104,781,654,254,852
Equity					
Capital stock	32		102,500,000,000	102,500,000,000	102,500,000,000
Hybrid bonds	32		1,020,053,815,983	551,437,935,983	551,437,935,983
Capital surplus	32		520,179,448,547	520,373,285,673	373,283,795,735
Capital adjustments	32		(12,001,961,598)	(12,031,362,407)	(12,081,936,708)
Accumulated other comprehensive income	32		1,914,204,928,207	3,712,033,702,127	3,502,402,691,042
Retained earnings	32		8,051,586,120,865	6,580,533,240,459	6,304,872,773,369
Equity attributable equity holders of the parent company			11,596,522,352,004	11,454,846,801,835	10,822,415,259,421
Non-controlling interests	32		358,251,659,885	324,698,094,286	449,359,907,206

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of financial position
As of December 31, 2021 and 2020

Total equity	11,954,774,011,889	11,779,544,896,121	11,271,775,166,627
Total liabilities and equity	₩ 130,934,864,142,969	125,704,707,860,977	116,053,429,421,479

The accompanying notes are an integral part of the consolidated financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of comprehensive income
For the years ended December 31, 2021 and 2020

(In won)	*Note*		2021	2020
Operating revenues	56			
Premium income	33	₩	9,951,251,048,174	9,019,424,929,963
Reinsurance income	34		145,302,878,081	128,702,944,171
Interest income	13,35		2,736,945,014,846	2,738,707,536,210
Gain on valuation and disposal of financial instruments	13,36		2,385,434,025,595	3,361,296,149,661
Gain on foreign currency transaction	13,46		1,408,978,440,084	538,253,927,693
Fee and commission income	37		519,614,717,861	389,314,910,859
Dividend income	13,38		557,742,747,191	563,606,063,707
Rental income	15		82,841,943,773	82,977,646,959
Separate account commissions earned			761,335,568,932	780,886,269,599
Separate account income	31		216,538,669,319	147,686,098,973
Other operating income	39		949,124,174,355	894,054,922,978
			19,715,109,228,211	18,644,911,400,773
Operating expenses	56			
Provision for liabilities under insurance contracts			3,518,883,856,647	3,507,380,060,614
Insurance claims paid	40		7,895,323,135,455	6,982,062,183,511
Reinsurance premium expenses	34		149,741,120,811	134,552,133,739
Operating and administrative expenses	41		1,113,371,482,045	1,045,654,032,943
Amortization of deferred acquisition costs	18		538,975,343,364	645,068,554,233
Asset management expenses	42		136,254,375,419	121,458,693,599
Interest expenses	13,43		275,402,525,335	270,793,399,585
Loss on valuation and disposal of financial instruments	13,44		3,349,214,547,375	2,421,613,306,381
Loss on foreign currency transaction	13,46		200,644,473,217	1,262,651,004,023
Separate account commissions			29,036,392,475	40,360,281,585
Separate account expenses	31		216,538,669,319	147,686,098,973
Other operating expenses	45		1,576,502,660,278	1,381,352,031,723
			18,999,888,581,740	17,960,631,780,909
Operating profit	56		715,220,646,471	684,279,619,864
Non-operating income	47,56		35,270,093,496	17,916,239,407
Non-operating expenses	47,56		26,400,360,839	35,797,375,286
Profit before income tax expenses	56		724,090,379,128	666,398,483,985
Income tax expenses	48,56		198,375,098,544	188,568,380,574
Profit for the year	56	₩	525,715,280,584	477,830,103,411

(Continued)

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of comprehensive income (loss), continued
For the years ended December 31, 2021 and 2020

(In won)	*Note*		2021	2020
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Revaluation loss of property and equipment		₩	(7,499,945,712)	(14,344,002,448)
Remeasurements on defined benefit liabilities			18,990,023,688	12,574,393,822
			11,490,077,976	(1,769,608,626)
Items that are or may be reclassified subsequently to profit or loss:				
Gain(loss) on valuation of available-for-sale financial assets			(1,774,420,932,986)	300,859,192,643
Gain on valuation of investments in associates			1,153,838	16,177,683
Gain(loss) on valuation of derivative instruments for hedging			36,329,079,300	(146,741,139,758)
Other comprehensive income (loss) from separate accounts			(69,058,152,873)	28,564,225,189
Foreign currency translation adjustments for foreign operations			499,393,270	(426,795,148)
			(1,806,649,459,451)	182,271,660,609
Other comprehensive income (loss) for the year, net of income tax			(1,795,159,381,475)	180,502,051,983
Total comprehensive income (loss) for the year		₩	(1,269,444,100,891)	658,332,155,394
Profit for the year attributable to:				
Owners of the parent company		₩	489,316,350,757	452,201,163,546
Non-controlling interests			36,398,929,827	25,628,939,865
		₩	525,715,280,584	477,830,103,411
Total comprehensive income (loss) for the year attributable to:				
Owners of the parent company		₩	(1,308,512,423,163)	661,832,174,631
Non-controlling interests			39,068,322,272	(3,500,019,237)
		₩	(1,269,444,100,891)	658,332,155,394
Earnings per share				
Basic and diluted earnings per share	52	₩	4,497	4,190

The accompanying notes are an integral part of the consolidated financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of changes in equity
For the years ended December 31, 2021 and 2020

(In won)		Equity attributable to equity holders of the parent company								
		Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Subtotal	Non -controlling interests	Total equity
Balance at January 1, 2020	₩	102,500,000,000	551,437,935,983	373,283,795,735	(12,081,936,708)	3,502,402,691,042	6,304,872,773,369	10,822,415,259,421	449,359,907,206	11,271,775,166,627
Total comprehensive income:		-	-	-	-	209,631,011,085	452,201,163,546	661,832,174,631	(3,500,019,237)	658,332,155,394
Profit for the year		-	-	-	-	-	452,201,163,546	452,201,163,546	25,628,939,865	477,830,103,411
Other comprehensive income:		-	-	-	-	209,631,011,085	-	209,631,011,085	(29,128,959,102)	180,502,051,983
Gain (loss) on valuation of available-for-sale financial assets		-	-	-	-	313,285,624,575	-	313,285,624,575	(12,426,431,932)	300,859,192,643
Gain on valuation of investments in associates		-	-	-	-	14,524,163	-	14,524,163	1,653,520	16,177,683
Loss on valuation of derivative instruments for hedging		-	-	-	-	(146,741,139,758)	-	(146,741,139,758)	-	(146,741,139,758)
Other comprehensive income from separate accounts		-	-	-	-	28,564,225,189	-	28,564,225,189	-	28,564,225,189
Foreign currency translation adjustments for foreign operations		-	-	-	-	(426,795,148)	-	(426,795,148)	-	(426,795,148)
Gain (loss) on revaluation of property and equipment		-	-	-	-	3,609,187,974	-	3,609,187,974	(17,953,190,422)	(14,344,002,448)
Remeasurements gain (loss) on defined benefit liabilities		-	-	-	-	11,325,384,090	-	11,325,384,090	1,249,009,732	12,574,393,822
Transactions with shareholders:		-	-	147,089,489,938	50,574,301	-	(176,485,278,333)	(29,345,214,094)	(121,161,779,416)	(150,506,993,510)
Annual dividends		-	-	-	-	-	(153,750,000,000)	(153,750,000,000)	(6,528,371,600)	(160,278,371,600)
Payment of hybrid bonds dividends		-	-	-	-	-	(22,735,278,333)	(22,735,278,333)	-	(22,735,278,333)
Compensation expense associated with incentive stock options		-	-	-	50,574,301	-	-	50,574,301	44,412,083	94,986,384
Acquisition and disposal of investments in subsidiaries		-	-	147,089,489,938	-	-	-	147,089,489,938	(114,677,819,899)	32,411,670,039
Others:		-	-	-	-	-	(55,418,123)	(55,418,123)	(14,267)	(55,432,390)
Balance at December 31, 2020	₩	102,500,000,000	551,437,935,983	520,373,285,673	(12,031,362,407)	3,712,033,702,127	6,580,533,240,459	11,454,846,801,835	324,698,094,286	11,779,544,896,121

(Continued)

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of changes in equity, continued
For the years ended December 31, 2021 and 2020

(In won)		Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Subtotal	Non -controlling interests	Total equity
		Equity attributable to equity holders of the parent company								
Balance at January 1, 2021	₩	102,500,000,000	551,437,935,983	520,373,285,673	(12,031,362,407)	3,712,033,702,127	6,580,533,240,459	11,454,846,801,835	324,698,094,286	11,779,544,896,121
Retrospective effect of changes in accounting policy		-	-	-	-	-	1,112,800,484,783	1,112,800,484,783	-	1,112,800,484,783
Balance at January 1, 2021 (adjusted)		102,500,000,000	551,437,935,983	520,373,285,673	(12,031,362,407)	3,712,033,702,127	7,693,333,725,242	12,567,647,286,618	324,698,094,286	12,892,345,380,904
Total comprehensive loss:		-	-	-	-	(1,797,828,773,920)	489,316,350,757	(1,308,512,423,163)	39,068,322,272	(1,269,444,100,890)
Profit for the year		-	-	-	-	-	489,316,350,757	489,316,350,757	36,398,929,827	525,715,280,584
Other comprehensive income:		-	-	-	-	(1,797,828,773,920)	-	(1,797,828,773,920)	2,669,392,445	(1,795,159,381,475)
Gain (loss) on valuation of available-for-sale financial assets		-	-	-	-	(1,776,561,882,651)	-	(1,776,561,882,651)	2,140,949,665	(1,774,420,932,986)
Gain on valuation of investments in associates		-	-	-	-	881,039	-	881,039	272,799	1,153,838
Gain on valuation of derivative instruments for hedging		-	-	-	-	36,329,079,300	-	36,329,079,300	-	36,329,079,300
Other comprehensive loss from separate accounts		-	-	-	-	(69,058,152,873)	-	(69,058,152,873)	-	(69,058,152,873)
Foreign currency translation adjustments for foreign operations		-	-	-	-	499,393,270	-	499,393,270	-	499,393,270
Loss on revaluation of property and equipment		-	-	-	-	(7,499,945,712)	-	(7,499,945,712)	-	(7,499,945,712)
Remeasurements gain on defined benefit liabilities		-	-	-	-	18,461,853,707	-	18,461,853,707	528,169,981	18,990,023,688
Transactions with shareholders:		-	468,615,880,000	(193,837,126)	29,400,809	-	(130,921,062,500)	337,530,381,183	(5,514,756,673)	332,015,624,510
Annual dividends		-	-	-	-	-	(102,500,000,000)	(102,500,000,000)	(7,344,418,051)	(109,844,418,051)
Issuance of hybrid bonds		-	468,615,880,000	-	-	-	-	468,615,880,000	-	468,615,880,000
Payment of hybrid bonds dividends		-	-	-	-	-	(28,421,062,500)	(28,421,062,500)	-	(28,421,062,500)
Compensation expense associated with incentive stock options		-	-	-	29,400,809	-	-	29,400,809	10,157,937	39,558,746
Acquisition and disposal of subsidiaries		-	-	1,625,666,315	-	-	-	1,625,666,315	-	1,625,666,315
Disproportionate dividend of investments in subsidiaries		-	-	(1,819,503,441)	-	-	-	(1,819,503,441)	1,819,503,441	-
Others:		-	-	-	-	-	(142,892,634)	(142,892,634)	-	(142,892,634)
Balance at December 31, 2021	₩	102,500,000,000	1,020,053,815,983	520,179,448,547	(12,001,961,598)	1,914,204,928,207	8,051,586,120,865	11,596,522,352,004	358,251,659,885	11,954,774,011,889

The accompanying notes are an integral part of the consolidated financial statements.

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of cash flows
For the years ended December 31, 2021 and 2020

(In won)	*Note*		2021	2020
Cash flows from operating activities:				
Profit before income tax expenses		₩	724,090,379,128	666,398,483,985
Adjustments for:				
Interest income			(2,736,945,014,846)	(2,738,707,536,210)
Interest expenses			275,402,525,335	270,793,399,585
Dividend income			(557,742,747,191)	(563,606,063,707)
Other adjustments to reconcile profit before income tax expenses to net cash provided by operating activities:				
Loss (gain) on valuation of financial assets held for trading, net			118,689,460,181	(31,572,767,640)
Loss (gain) on valuation of financial liabilities held for trading, net			160,727,620	(10,720,657,489)
Gain on valuation of financial assets designated at FVTPL, net			(650,643,574)	(1,527,950,113)
Gain on valuation of financial liabilities designated at FVTPL, net			(70,363,470,124)	(38,573,796,515)
Gain on disposal of available-for-sale financial assets, net			(497,254,453,150)	(622,398,986,605)
Gain on valuation of available-for-sale financial assets, net			(24,205,930,471)	-
Impairment losses on available-for-sale financial assets			31,988,786,740	61,445,102,811
Provision for (reversal of) loan losses			(15,249,191,064)	28,346,366,081
Loss (gain) on foreign currency transaction, net			(1,109,810,421,654)	884,037,653,326
Loss (gain) on valuation of derivatives, net			1,033,919,859,766	(741,409,041,349)
Loss on disposal of derivatives, net			22,288,740,921	20,318,932,433
Gain on investments in associates and joint ventures, net			(10,613,925,827)	(5,570,615,092)
Amortization of deferred acquisition costs			538,975,343,364	645,068,554,233
Depreciation of investment properties			7,222,492,276	9,219,581,563
Impairment losses on investment properties			1,113,634	550,252,997
Loss on disposal of property and equipment and investment properties, net			5,868,540,266	5,815,131,518
Depreciation of property and equipment			110,466,127,878	107,842,221,434
Impairment losses on property and equipment			36,328,769	875,486,566
Gain on disposal of intangible assets, net			(131,577,244)	(182,158,860)
Amortization of intangible assets			66,738,562,268	61,100,565,575
Impairment losses on intangible assets			6,316,487	11,976,344,621
Provision for liabilities under insurance contracts			3,518,883,856,647	3,507,380,060,614
Reversal of reinsurance assets			(6,441,455,483)	(2,338,767,875)
Retirement benefits			66,047,117,363	60,923,417,699
(Reversal of) bad debt expenses on other assets			(4,368,935,713)	4,352,059,340
Gain on cancellation of lease contracts			(673,640,793)	(151,240,393)
Other gain, net			(13,760,822,911)	(11,551,270,890)
			3,767,768,906,172	3,943,254,477,990
Changes in operating assets and liabilities:				
Due from banks			(334,693,367,593)	395,168,549,209
Financial assets designated at FVTPL			(194,123,555,479)	(772,427,942)
Financial assets held for trading			(156,844,134,846)	(1,354,367,240,584)
Loan receivables			(1,322,823,870,865)	(1,626,093,263,008)
Other receivables			158,841,941,300	(402,873,527,087)
Derivative assets			471,197,557,931	(358,784,359,408)
Deferred acquisition costs			(508,717,249,782)	(563,327,335,204)
Other assets			9,847,349,775	411,659,999
Separate account assets			(1,799,475,283,944)	(3,097,820,613,073)
Liabilities under insurance contracts			192,062,228,584	136,232,472,988
Financial liabilities designated at FVTPL			472,518,172,430	63,455,750,317
Financial liabilities held for trading			(296,485,815,250)	(136,666,468,051)
Derivative liabilities			(350,660,726,198)	206,908,486,890
Other financial liabilities			269,001,901,341	961,811,937,982
Provisions			(872,581,420)	(4,755,968,677)

(Continued)

Kyobo Life Insurance Co., Ltd. and its subsidiaries
Consolidated statements of cash flows, continued
For the years ended December 31, 2021 and 2020

(In won)	*Note*		2021	2020
Defined benefit liabilities		₩	(87,122,133,873)	(78,128,672,685)
Other liabilities			132,281,922,995	342,247,885,423
Separate account liabilities			2,021,284,341,851	3,231,618,186,310
			(1,324,783,303,043)	(2,285,734,946,601)
Income taxes paid			(51,279,818,269)	(57,648,318,955)
Interest received			2,309,373,761,712	2,561,486,404,544
Interest paid			(270,222,104,040)	(264,928,813,474)
Dividends received			557,856,030,849	563,485,393,186
Net cash provided by operating activities			2,693,518,615,807	2,094,792,480,343
Cash flows from investing activities:				
Acquisition of available-for-sale financial assets			(15,386,582,846,883)	(19,491,717,804,116)
Disposal of available-for-sale financial assets			16,724,891,036,902	16,650,075,343,406
Acquisition of held-to-maturity financial assets			(4,542,284,889,357)	-
Cash inflows from derivatives held for hedging			55,504,226,280	88,188,132,065
Cash outflows from derivatives held for hedging			(39,613,342,094)	(40,842,837,954)
Acquisition of investments in associates			(34,000,070,920)	(649,000,000)
Disposal of investments in associates			-	226,000,000
Receipt of dividends from associates and a joint venture			5,946,750,000	4,987,500,000
Acquisition of property and equipment and investment properties			(70,283,646,299)	(47,888,018,051)
Disposal of property and equipment and investment properties			504,335,269	3,637,049,741
Acquisition of intangible assets			(30,540,800,079)	(27,102,135,093)
Disposal of intangible assets			987,091,738	2,178,897,836
Increase in leasehold deposits			(30,258,643,500)	(81,015,099,875)
Decrease in leasehold deposits			89,940,575,590	11,514,647,611
Cash inflows from disposal of subsidiaries			55,145,677,048	-
Net cash used in investing activities			(3,200,644,546,305)	(2,928,407,324,430)
Cash flows from financing activities:				
Decrease in non-controlling interests			(7,344,418,052)	(6,494,554,451)
Issuance of hybrid bonds			468,615,880,000	-
Increase in leasehold deposits received			18,812,611,810	4,175,292,848
Decrease in leasehold deposits received			(29,360,101,236)	(16,217,280,313)
Dividends paid			(102,500,000,000)	(188,377,370,000)
Payment of hybrid bond dividends			(26,599,625,000)	(23,332,650,000)
Increase in borrowings, net			885,351,235,665	804,846,456,249
Payment of lease liabilities			(49,960,491,261)	(46,997,698,966)
Acquisition of interests in subsidiaries with no change in control			(69,075,327)	(8,880,308,095)
Disposal of interests in subsidiaries with no change in control			-	8,215,744,930
Net cash provided by financing activities			1,156,946,016,599	526,937,632,202
Effect of exchange rate fluctuations on cash and cash equivalents held			3,058,626,319	(1,056,319,923)
Net increase (decrease) in cash and cash equivalents			652,878,712,420	(307,733,531,808)
Cash and cash equivalents at the beginning of year			760,726,104,393	1,068,459,636,201
Cash and cash equivalents at the end of year	5	₩	1,413,604,816,813	760,726,104,393

The accompanying notes are an integral part of the consolidated financial statements.

1. Reporting entity

Kyobo Life Insurance Co., Ltd., the controlling company, and its subsidiaries included in consolidation (collectively referred to as the "Group") are summarized as follows:

(1) Controlling Company

Kyobo Life Insurance Co., Ltd. (the "Company") was established on June 30, 1958, and primarily engages in the life insurance business as permitted by the *Insurance Business Law* of the Republic of Korea. The Group's head office is located at Jongno-ro 1, Jongno-gu, Seoul, the Republic of Korea.

As of December 31, 2021, the Group has 7 Financial Planner (FP) offices, 70 supporting offices and 496 branches in the Republic of Korea and engages in the life insurance business and its related reinsurance contracts. The following table lists the number of currently available insurance products and discontinued but currently effective insurance products as of December 31, 2021.

	Insurance products in effect		
Type	Available	Discontinued	Total
Individual annuity	14	84	98
Pure endowment	19	39	58
Death	39	192	231
Endowment	2	41	43
Group insurance	19	25	44
	93	381	474

(2) Shareholders

The Group's major shareholders and their respective shareholdings as of December 31, 2021 are as follows:

Shareholders	Number of shares	Ownership (%)
Chang-Jae Shin	34,627,370	33.78
Corsair Korea Investors LLC	10,038,830	9.79
Guardian Holdings Limited	9,276,250	9.05
Tiger Holdings LP	7,813,250	7.62
The Export-Import bank of Korea	5,995,005	5.85
KLI Investors LLC	5,460,825	5.33
Hoenir Inc.	5,355,625	5.23
KLIC Holdings Limited	5,355,625	5.23
Apfin Investment Pte Ltd	4,612,500	4.50
In-Jae Shin	2,593,000	2.53
Life Investors of Korea LP	2,361,750	2.30
AXA	2,300,000	2.24
Kyung-Ae Shin	1,750,010	1.71
Young-Ae Shin	1,449,960	1.41
TriumphⅡInvestments (Ireland) Limited	1,100,000	1.07
Meiji Yasuda Life Insurance Company	1,025,000	1.00
Others	1,385,000	1.36
	102,500,000	100.00

(3) Subsidiaries

	County of domicile	Reporting date	Ownership (%) 2021	2020	Industry
Kyobo Securities Co., Ltd.	Korea	31-Dec	73.10	73.10	Stock brokerage
Kyobo Book Center Co., Ltd.	Korea	31-Dec	100	100	Retail of books and magazines
Kyobo Hottracks Co., Ltd.	Korea	31-Dec	100	100	Retail of stationery
Kyobo Info. & Comm. Co., Ltd.	Korea	31-Dec	100	100	Software advisory and development
The Planics Co.,Ltd.	Korea	31-Dec	100	-	Data processing and data analysis, provision
Kyobo Realco Inc.	Korea	31-Dec	100	100	Non-residential property managements
Jeil Total Management Co., Ltd.	Korea	31-Dec	100	100	Safety and cleaning service
KCA Claim Adjustment Co., Ltd.	Korea	31-Dec	100	100	Service related to insurance and pension
KCA Service Co., Ltd.	Korea	31-Dec	100	100	Service
Kyobo Life Planet Life Insurance Company	Korea	31-Dec	100	100	On-line life insurance
Kyobo Asset Trust Co., Ltd.	Korea	31-Dec	100	100	Real Estate Trust
Kyobo Life Asset Management (USA) Co., Ltd.	USA	31-Dec	100	100	Asset management
Kyobo Life Asset Management (Japan) Co., Ltd.	Japan	31-Dec	100	100	Asset management
Consus BTL Private Special Asset Investment Trust 1	Korea	31-Dec	57.20	57.20	Beneficiary certificates
Consus Hope BTL Private Special Asset Investment Trust 1	Korea	31-Dec	66.70	66.70	Beneficiary certificates
Consus New Energy Private Special Asset Investment Trust 2	Korea	31-Dec	68.80	68.80	Beneficiary certificates
KIAMCO SHIPPING Private Equity Special Asset Investment Trust KX-No.1	Korea	31-Dec	100	100	Beneficiary certificates
Kyobo new technology Investment Association No. 1(*)	Korea	31-Dec	100	-	Investment association

	County of domicile	Reporting date	Ownership (%) 2021	2020	Industry
Jjibest 4th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Atlantisjisa 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Districtyangjoo Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Caba chic 3rd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
H house 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Goeun angol 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Excel stone park 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Gabriel 3rd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Exelstonered 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Doublerich 5th Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Doublerich 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Doublerich 8th Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Atlantisgogyeong 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Autodream 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Gabriel 4th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
K-hotel 1st Co., Ltd	Korea	31-Dec	-	-	SPC (*1)
Gabriel 2nd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Geobukseom Island Rich 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
SJgreat 3rd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Suhwa BIT 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
X-med 7th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
K Logistics 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
SJgreat 8th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Lycos 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Oblique 5th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
SJgreat 7th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Redmax 1th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
BrightStar 4th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
I-pro 1st Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Whitewood 5th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
BrightStar 2nd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Whitewood 7th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
X-med 9th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Intgreen 2nd Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
I-pro 3rd Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Yangdocube 1st Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Metagreen 3rd Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Metagreen 1st Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Intgreen 3rd Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Easytree 3rd Co,Ltd.	Korea	31-Dec	-	-	SPC (*1)

Metagreen 6th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Metagreen 8th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Metagreen 9th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Theflex 1st Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
BrightStar 9th Co., Ltd.	Korea	31-Dec	-	-	SPC (*1)
Intgreen 6th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Easyplant 4th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Ujur 2nd Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Theteras 1st Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
BrightStar 10th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Ujur 4th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
Ujur 5th Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
DreamthegreenYangpyeong 1st Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)
DreamthegreenYangpyeong 2nd Co.,Ltd.	Korea	31-Dec	-	-	SPC (*1)

(*1) The Group concluded that it has control over these companies, as it has existing rights that give the Group the ability to direct the relevant activities, and is exposed to variable returns and has the ability to affect the variable returns.

(4) Changes in subsidiaries

Changes in subsidiaries during the year ended December 31, 2021 are as follows:

1) Newly acquired subsidiaries:

Subsidiaries	Reason
Turtle Island Rich 1st Co., Ltd.	
SJgreat 3rd Co., Ltd.	
Oblique 3rd Co., Ltd.	
SJgreat 6th Co., Ltd.	
Suhwa BIT 1st Co., Ltd.	
SJgreat 2nd Co., Ltd.	
X-med 6th Co., Ltd.	
X-med 7th Co., Ltd.	
K Logistics 1st Co., Ltd.	
Oblique 8th Co., Ltd.	
SJgreat 8th Co., Ltd.,	
Lycos 1st Co., Ltd.	
Oblique 5th Co., Ltd.	
Whitewood 1st Co., Ltd.	
SJgreat 7th Co., Ltd.	
Oblique 10th Co., Ltd.	The Group concluded that it has control over these structured companies for the purpose of investing in real estate-related loans, etc. companies, as it has existing rights that give the Group the ability to direct the relevant activities, and is exposed to variable returns and has the ability to affect the variable returns.
Redmax 1th Co., Ltd.	
Brightstar 3rd Co., Ltd.	
Brightstar 4th Co., Ltd.	
I-pro 1st Co., Ltd.	
Whitewood 5th Co., Ltd.	
Brightstar 2nd Co., Ltd.	
Whitewood 7th Co., Ltd.	
X-med 9th Co., Ltd.	
Intgreen 2nd Co., Ltd.	
I-pro 3rd Co., Ltd.	
Yangdocube 1st Co., Ltd.	
Metagreen 3rd Co., Ltd.	
Metagreen 1st Co., Ltd.	
Intgreen 3rd Co., Ltd.	
Easytree 3rd Co., Ltd.	
Metagreen 6th Co., Ltd.	
Ecoswan Co., Ltd.	
Metagreen 8th Co., Ltd.	

Subsidiaries	Reason
Metagreen 9th Co., Ltd.	
Theflex 1st Co., Ltd.	
BrightStar 9th Co., Ltd.	
Intgreen 6th Co.,Ltd.	
Easyplant 4th Co.,Ltd.	
Ujur 2nd Co.,Ltd.	
Theteras 1st Co.,Ltd.	
BrightStar 10th Co.,Ltd.	

Changes in subsidiaries during the year ended December 31, 2021 are as follows, continued:

1) Newly acquired subsidiaries, continued:

Subsidiaries	Reason
Ujur 4th Co.,Ltd. Ujur 5th Co.,Ltd. DreamthegreenYangpyeong 1st Co.,Ltd. DreamthegreenYangpyeong 2nd Co.,Ltd. Oblique 3rd Co., Ltd. Brightstar 3rd Co., Ltd. Ecoswan Co., Ltd. The Planics Co.,Ltd. Kyobo new technology Investment Association No. 1	The Group concluded that it has control over these structured companies for the purpose of investing in real estate-related loans, etc. companies, as it has existing rights that give the Group the ability to direct the relevant activities, and is exposed to variable returns and has the ability to affect the variable returns.

2) Jjibest 5th Co., Ltd., Mkdream 7th Co.,Ltd., ATLAS 1st Co., Ltd., Panteon K Co.,Ltd., Newpearlcube 1st Co., Ltd., AtlantisBeobwon2 1st Co., Ltd., SJGreat 6th Co.,Ltd, X-med 6th Co.,Ltd.,Bluediamond 6th Co.,Ltd., X-med 3rd Co.,Ltd., Ecopinetree Co.,Ltd,. , SJGreat 2nd Co.,Ltd.,Oblique 8th Co.,Ltd., Whitewood 1st Co.,Ltd., Oblique 10th Co.,Ltd., Mkdream 2nd Co.,Ltd., KD DREAM 1st Co.,Ltd., Caba chic 5rd Co., Ltd., Caba chic 7rd Co., Ltd., Ifdasan 2nd Co., Ltd., Doublerich 4th Co., Ltd., SJgreat 1st Co., Ltd., Exelcocostone Co., Ltd.., Oblique 3rd Co., Ltd., Brightstar 3rd Co., Ltd., Ecoswan Co., Ltd. Were excluded from the related parties due to termination of current commitment obligation, and Kyobo Royal-Class small&minimum selection Specialized Private Equity Investment Trust No. 1,.was resold before maturity and KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust was excluded from the related parties due to sales of shares.

(In millions of won)

(5) Financial information of subsidiaries

1) Financial information of subsidiaries as of and for the year ended December 31, 2021 is as follows:

Company		Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Kyobo Securities Co., Ltd.	₩	11,485,770	10,090,300	2,256,390	141,751	152,146
Kyobo Hottracks Co., Ltd.		45,583	30,025	94,991	(1,243)	(208)
Kyobo Book Center Co., Ltd.		493,506	226,408	792,579	1,178	6,955
Kyobo Info. & Comm. Co., Ltd.		82,484	10,206	62,636	3,585	3,531
Kyobo Realco Inc.		68,456	27,807	119,546	(89)	13
Jeil Total Management Co., Ltd.		4,914	2,389	17,504	148	145
KCA Claim Adjustment Co., Ltd.		36,886	5,835	39,984	3,862	4,121
KCA Service Co., Ltd.		14,714	4,472	33,255	1,230	1,276
Kyobo Life Planet Life Insurance Company		770,629	684,844	410,982	(15,891)	(32,229)
Kyobo Asset Trust Co., Ltd.		386,673	65,262	77,499	23,165	21,938
Kyobo Life Asset Management (USA) Co., Ltd.		8,622	91	2,111	555	1,106
Kyobo Life Asset Management (Japan) Co., Ltd.		2,246	289	1,552	414	373
Kyobo new technology Investment Association No. 1.		39,721	1,275	-	(270)	(270)
The Planics		3,120	177	-	(57)	(57)
Consus BTL Private Special Asset Investment Trust 1		33,141	14,212	409	275	275
Consus Hope BTL Private Special Asset Investment Trust 1		29,800	9,741	831	502	502
Consus New Energy Private Special Asset Investment Trust 2		15,283	4,725	491	449	449
KIAMCO Shipping Private Equity Special Asset Investment Trust KX-No.1		14,375	176	251	294	294
Jjibest 4th Co., Ltd.		7,162	7,163	561	-	-
Atlantisjisa 1st Co., Ltd.		8,226	8,239	877	(10)	(10)
Districtyangjoo Co.,Ltd.		15,432	15,494	1,407	(22)	(22)
Caba chic 3rd Co., Ltd.		3,673	3,673	245	-	-
H house 1st Co., Ltd.		2,547	2,539	901	2	2
Goeun angol 1st Co., Ltd.		4,044	4,046	243	1	1
Excel stone park 1st Co., Ltd.		5,126	5,125	439	-	-
Gabriel 3rd Co., Ltd.		4,634	4,634	360	-	-
Exelstonered 1st Co., Ltd.		3,076	3,075	368	-	-
Doublerich 5th Co., Ltd.		1,257	1,257	210	-	-
Doublerich 1st Co., Ltd.		30,971	30,995	2,359	(24)	(24)
Doublerich 8th Co., Ltd.		12,340	12,340	1,100	-	-
Atlantisgogyeong 1st Co., Ltd.		9,350	9,377	910	(28)	(28)
Autodream 1st Co., Ltd.		12,164	12,218	1,089	25	25
Gabriel 4th Co., Ltd.		9,222	9,225	720	(3)	(3)
K-hotel 1st Co., Ltd.		8,290	8,281	818	-	-
Gabriel 2nd Co., Ltd.		5,178	5,186	246	2	2
Geobukseom Island Rich 1st Co., Ltd.		6,048	6,098	777	(50)	(50)
SJgreat 3rd Co., Ltd.		15,504	15,526	2,003	(22)	(22)
Suhwa BIT 1st Co., Ltd.		5,175	5,176	686	(1)	(1)
X-med 7th Co., Ltd.		20,617	20,596	1,696	21	21
K Logistics 1st Co., Ltd.		10,026	10,120	601	22	(94)
SJgreat 8th Co., Ltd.		7,153	7,154	529	(1)	(1)
Lycos 1st Co., Ltd.		10,125	10,123	573	3	3
Oblique 5th Co., Ltd.		708	804	-	(96)	(96)
SJgreat 7th Co., Ltd.		1,905	1,912	142	(7)	(7)
Redmax 1th Co., Ltd.		15,384	15,382	675	2	2
BrightStar 4th Co., Ltd.		2,627	2,627	153	-	-
I-pro 1st Co., Ltd.		7,817	7,815	296	2	2
Whitewood 5th Co., Ltd.		6,080	6,080	616	-	-

(In millions of won)

BrightStar 2nd Co., Ltd.	8,215	8,239	339	(24)	(24)
Whitewood 7th Co., Ltd.	12,402	12,402	559	-	-
X-med 9th Co., Ltd.	350	400	8	(50)	(50)
Intgreen 2nd Co., Ltd.	10,084	10,140	498	(56)	(56)
I-pro 3rd Co., Ltd.	6,160	6,153	249	7	7
Yangdocube 1st Co., Ltd.	30,523	30,523	1,082	-	-
Metagreen 3rd Co., Ltd.	15,192	15,192	379	-	-
Metagreen 1st Co., Ltd.	9,163	9,163	318	-	-
Intgreen 3rd Co., Ltd.	15,161	15,123	368	38	38
Easytree 3rd Co, Ltd.	3,198	3,197	74	1	1
Metagreen 6th Co., Ltd.	4,077	4,077	313	-	-
Metagreen 8th Co., Ltd.	5,172	5,172	226	-	-
Metagreen 9th Co., Ltd.	295	296	-	-	-
Theflex 1st Co., Ltd.	12,141	12,148	204	(7)	(7)
Brightstar 9th Co., Ltd.	20,107	20,107	253	-	-
Intgreen 6th Co., Ltd.	1,848	1,848	24	-	-
Easyplant 4th Co., Ltd	6,083	6,083	270	-	-
Ujur 2nd Co., Ltd	6,080	6,080	167	-	-
Theteras 1st Co., Ltd.	6,476	6,124	463	352	352
BrightStar 10th Co., Ltd.	5,097	5,097	35	-	-
Ujur 4th Co., Ltd	8,115	8,115	25	-	-
Ujur 5th Co., Ltd	15,365	15,365	21	-	-
DreamthegreenYangpyeong 1st Co., Ltd.	37,162	37,264	80	(102)	(102)
DreamthegreenYangpyeong 2nd Co., Ltd.	15,386	15,392	42	(6)	(6)

2) Financial information of subsidiaries as of and for the year ended December 31, 2020 is as follows:

Company		Assets	Liabilities	Revenue	Net profit or loss	Total comprehensive income (loss)
Kyobo Securities Co., Ltd.	₩	10,114,665	8,849,865	1,776,310	101,221	117,933
Kyobo Hottracks Co., Ltd.		45,580	29,814	100,145	(7,766)	(5,263)
Kyobo Book Center Co., Ltd.		323,505	213,337	700,466	2,872	4,025
Kyobo Info. & Comm. Co., Ltd.		75,943	7,196	54,760	2,873	2,405
Kyobo Realco Inc.		103,651	63,016	119,450	4,976	4,368
Jeil Total Management Co., Ltd.		3,511	1,132	17,221	191	171
KCA Claim Adjustment Co., Ltd.		36,304	9,374	37,212	10,492	10,459
KCA Service Co., Ltd.		15,477	6,511	33,412	1,754	2,011
Kyobo Life Planet Life Insurance Company		517,288	399,224	196,663	(13,161)	(17,281)
Kyobo Asset Trust Co., Ltd.		181,634	32,118	58,081	12,152	11,648
Kyobo Life Asset Management (USA) Co., Ltd.		7,608	183	2,983	1,074	768
Kyobo Life Asset Management (Japan) Co., Ltd.		1,783	199	1,397	249	234
Consus BTL Private Special Asset Investment Trust 1		36,229	15,345	1,474	762	762
Consus Hope BTL Private Special Asset Investment Trust 1		33,173	10,527	2,780	1,309	1,309
Consus New Energy Private Special Asset Investment Trust 2		17,900	5,363	1,331	904	904
KIAMCO Shipping Private Equity Special Asset Investment Trust KX-No.1		15,282	4	1,291	1,238	1,238
KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust		57,400	8,155	46,311	3,886	3,886

(In millions of won)

MKdream 2nd Co., Ltd.	77,715	77,715	4,956	-	-
MKdream 7th Co., Ltd.	8,185	8,186	692	-	-
ATLAS 1st Co., Ltd.	5,099	5,158	400	(11)	(11)
Jjibest 4th Co., Ltd.	8,168	8,168	614	-	-
Atlantisjisa 1st Co., Ltd.	8,355	8,357	904	6	6
Panteon K Co., Ltd.	25,431	25,431	2,210	-	-
Districtyangjoo Co.,Ltd.	15,634	15,674	1,472	(39)	(39)
KD DREAM 1st Co.,Ltd.	15,575	15,574	1,494	-	-
Caba chic 3rd Co., Ltd.	3,597	3,597	623	-	-
H house 1st Co., Ltd.	9,024	9,019	850	5	5
Goeun angol 1st Co., Ltd.	4,043	4,046	259	(3)	(3)
Caba chic 5th Co., Ltd.	3,076	3,076	226	-	-
Caba chic 7th Co., Ltd.	6,136	6,136	384	-	-
Blue dia 6th Co., Ltd.	60,631	60,631	1,482	-	-
Excel stone park 1st Co., Ltd.	5,127	5,126	272	1	1
Ifdasan 2nd Co., Ltd.	10,131	10,195	440	(64)	(64)
Gabriel 3rd Co., Ltd.	4,634	4,634	527	-	-
Doublerich 4th Co., Ltd.	10,175	10,175	248	-	-
Exelstonered 1st Co., Ltd.	3,077	3,076	93	1	1
Doublerich 5th Co., Ltd.	3,033	3,033	49	-	-
SJgreat 1st Co., Ltd.	8,305	8,305	285	-	-
Newpearlcube 1st Co., Ltd.	1,563	1,563	18	-	-
X-med 3rd Co., Ltd.	6,317	6,339	87	(21)	(21)
Doublerich 1st Co., Ltd.	47,772	47,591	564	181	181
Doublerich 8th Co., Ltd.	12,318	12,318	202	-	-
Atlantisgogyeong 1st Co., Ltd.	9,386	9,385	39	1	1
Autodream 1st Co., Ltd.	12,160	12,238	39	(78)	(78)
Ecopinetree Co., Ltd.	19,345	19,485	2,212	(139)	(139)
Jjibest 5th Co., Ltd.	20,198	20,198	1,097	(4)	(4)
Gabriel 4th Co., Ltd.	9,228	9,229	289	-	-
K-hotel 1st Co., Ltd.	8,291	8,282	308	9	9
Exelcocostone Co., Ltd..	6,139	6,138	429	1	1
AtlantisBeobwon2 1st Co., Ltd.	5,143	5,145	451	(3)	(3)
Gabriel 2nd Co., Ltd.	5,195	5,205	159	(10)	(10)
Kyobo Royal-Class small & medium selection Specialized Private Equity Investment Trust No. 1	4,216	50	324	321	321

(In millions of won)

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("KIFRS"), as prescribed in the Act on External Audits of Corporations. The accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets designated at fair value through profit or loss, available-for-sale (AFS) financial assets, financial liabilities designated at fair value through profit or loss, retirement benefits that have been measured at fair value. The consolidated financial statements are presented in Korean won (KRW) and all amounts are rounded to the nearest millions, except when otherwise indicated.

The consolidated financial statements as of and for the year ended December 31, 2021 will be authorized for issue by the Board of Directors on March 11, 2022.

2.2 Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

If the investee has less than a majority of the voting rights, the Group considers all facts and circumstances when assessing whether it has power over the investee:

- Contractual arrangements between investors and other voting rights holders
- Rights arising from other contractual arrangements
- Voting rights and potential voting rights of the Group

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(In millions of won)

2. Basis of preparation and significant accounting policies, continued

2.2 Basis of consolidation, continued

If the Group loses control over a subsidiary, the subsidiary's assets (including goodwill), liabilities, non-controlling interests and other items of equity are derecognized on the date of loss of control, and the resulting gain or loss is recognized in profit or loss. Residual investments in previous subsidiaries are recognized at fair value.

2.3 Significant accounting policies

2.3.1 Investment in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group’s investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group’s share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The consolidated financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as ‘Valuation of investments in associates’ in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2.3.2 Fair value measurement

The Group measures financial instruments and partial non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

2. Basis of preparation and significant accounting policies, continued

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.3 Foreign currencies

The Group's consolidated financial statements are presented in Korean won, which is also the Group's functional currency.

(1) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

(2) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Korean won at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

2.3.4 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the current income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The estimated useful lives and depreciation methods of the Group's property and equipment are as follows:

Descriptions	Useful lives	Depreciation method
Buildings	50 years	Straight-line
Structures	50 years	Straight-line
Vehicles	5 years	Reducing-balance
Equipment	5 years	Reducing-balance
Others	5 years	Straight-line

2.3.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(1) Group as a lessee

Upon adoption of KIFRS 1116, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

1) Right-of-use asset

The Group recognizes the right-of-use asset at the commencement date (i.e. the date on which the underlying asset is available). Right-of-use assets are measured at cost and the Group measures the right-of-use assets applying a cost model after the commencement date. To apply a cost model, the Group measured with deductions of any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The cost of a right-of-use asset includes the amount of the lease liability recognized and the amount of initial direct costs, less any incentives received or lease payments made at or before the commencement date of the lease. The cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis over the earlier of the estimated useful life or the lease term.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use assets are depreciated from the commencement date to the estimated useful life of the underlying asset. The Group performs an impairment review of the right-of-use assets.

Right-of-use assets of the Group are included in property and equipment (See Note 16).

2) Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments over the lease term. Lease payments comprise of fixed lease payments (including in-substance fixed lease payments), variable lease payments that depend on the index or rate, and the amount expected to be paid under the residual value guarantee, excluding the lease incentives to be received. In addition, if the Group is reasonably certain to exercise the purchase option, the exercise price of the purchase option and if the lease term reflects the Group exercising an option to terminate the lease, then the payments of penalties for terminating the lease are included in the lease payments. Fluctuations that do not depend on the index or rate are recognized as an expense for the period in which the event of the lease payment occurs.

In calculating the present value of the lease, the Group uses the incremental borrowing rate at inception if it is not readily possible to determine the implicit interest rate of the lease. The Group increases the carrying amount of the lease liability by reflecting interest on the lease liability after the commencement date of the lease, and reduces the carrying amount of the lease liability by reflecting the lease payments. In addition, the Group shall remeasure the lease liability to reflect the change in the lease, reflect the change in the lease term, or change in the valuation of the underlying asset purchase option.

Lease liabilities of the Group are included in other financial liabilities (See Note 2).

3) Short-term leases and leases for which the underlying asset is of low value

The Group elects to apply exemptions of recognition for both short-term leases which are a lease term of 12 months or less and without purchase option and leases of low-value assets. The Group recognizes the lease payments associated with short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term.

(2) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The Group recognizes lease payments from operating leases as income on a straight-line basis and initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.3.6 Investment properties

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as Investment properties. Investment properties is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, Investment properties is carried at depreciated cost less any accumulated impairment losses.

Investment properties is depreciated on a basis over estimated useful lives that appropriately reflect the pattern in which the asset’s future economic benefits are expected to be consumed.

The estimated useful lives and depreciation methods of the Group’s investment properties are as follows:

Descriptions	Useful lives	Depreciation method
Buildings	50 years	Straight-line
Structures	50 years	Straight-line

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period and accounted for on a prospective basis in case of the effect of any changes in estimation.

In the event that it is no longer possible to expect future economic benefits through the disposal or use of investment properties, the Group removes them from its consolidated financial statements, and the resulting difference between the disposal amount and the carrying amount is reflected in profit or loss at the time of derecognition. In addition, if the purpose of the asset’s use has changed, the Group reclassifies to another account or to Investment properties from another account.

2.3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Descriptions	Useful lives	Amortization method
Software	5 years	Straight-line
Development costs	5 years	Straight-line
Other intangible assets	5 years	Straight-line
Membership	Indefinite	-

2. Basis of preparation and significant accounting policies, continued

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate that the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset, the ability to measure reliably the expenditure during development and the ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2.3.8 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.3.9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

1) Goodwill

Goodwill is tested for impairment annually as of December 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2) Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 at the CGU level and when circumstances indicate that the carrying value may be impaired.

(In millions of won)

2. Basis of preparation and significant accounting policies, continued

2.3.10 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

2.3.11 Financial instruments – initial recognition and subsequent measurement

(1) Financial assets

1) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement financial assets are classified in four categories as follows :

2) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by KIFRS 1039. The Group has not designated any financial assets at FVTPL.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL.

(In millions of won)

2. Basis of preparation and significant accounting policies, continued

3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

4) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income as finance costs.

5) Available-for-sale (AFS) financial assets

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at FVTPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of comprehensive income in finance costs. Interest earned while holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

6) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(2) Impairment of financial assets

The Group evaluates whether there is objective evidence that a financial asset or group of financial assets is impaired at the end of each reporting period. Only when there is objective evidence of impairment as a result of one or more events (hereinafter referred to as "impairment events") after initial recognition and the impairment event has an effect on the estimated future cash flows of a financial asset or group of financial assets that can be estimated reliably A financial asset or group of financial assets is impaired.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that :

- significant financial difficulties of the issuer or obligor of financial assets
- breach of contract, such as default or delay in payment of interest or principal repayment
- the possibility of borrower bankruptcy or other financial restructuring is high
- observable data indicating that there is a measurable decrease in estimated future cash flows after initial recognition, such as changes in economic conditions in a country or region that are correlated with default on assets included in a group of financial assets.

1) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that impairment has occurred, impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate (the effective interest rate calculated at the time of initial recognition). In this case, future bad debts that have not yet occurred are not included in the projected future cash flows. For floating rate loan receivables, the current effective interest rate is applied as the discount rate for measuring impairment loss.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of comprehensive income. Interest income (recorded as finance income in the consolidated statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

2) Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income – is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

(3) Financial liabilities

1) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement of financial liabilities differs based on the classification of financial liabilities.

2) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1039. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

3) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

(In millions of won)

(4) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.3.12 Derivative financial instruments and hedge accounting

(1) Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as forward currency contracts, currency swaps, and interest rate swaps to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.
For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.
Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:
1) Fair value hedges
The change in the fair value of a hedging derivative is recognized in the consolidated statement of comprehensive income as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statement of comprehensive income as finance costs.
For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.
If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.
When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.
2) Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of comprehensive income as other operating expenses. Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.
When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

2.3.13 Non-current assets and disposal groups held for sale

The Group classifies non-current assets and disposal groups as held-for-sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities are not depreciated or amortized once classified as held-for-sale or as held for distribution. Also, assets and liabilities classified as held-for-sale or for distribution are presented as separate in the consolidated statement of financial position.

2.3.14 Employee benefits

The Group operates both defined benefit pension plan and defined contribution pension plan, which the Group makes contributions to the separately administered funds, respectively.
The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.
Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring-related costs or redundancy payments

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'operating and administrative expenses' and 'asset management expenses' in consolidated statement of comprehensive income.
(1) Retirement benefits: defined contribution plans
When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
(2) Retirement benefits: defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.
The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Group recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in profit and loss when incurred.
If the net amount that is calculated by subtracting the fair value of the plan assets from the present value of the defined benefit pension plans is an asset, the Group measures at lower of an excess contribution to the defined benefit pension plans or the upper limit recognized as an asset that is calculated by using the interest rate of the corporate bonds of a companies with high credit ratings at the end of an annual reporting period.
(3) Short-term employee benefits
Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.
(4) Other benefits for the vested employees
Other benefits for the vested employees who have rendered services for a long-term period of time with regard to considerations for the employees who have rendered services for a long period of time, if the employees' benefits are not expected to be paid within 12 months after the end of an annual reporting period, the Group

recognizes the net sum of service costs for long-term services and net interests on net defined benefit liabilities (assets) as a current profit or loss.

(5) Redundancy payments

The Group recognizes an expense for termination benefits when an employee accepts the offer or when
a restriction on the Bank's ability to withdraw the offer takes effect. If employees are laid off upon a request from the Group, the Group can give more retirement benefits in comparison to when the employees voluntarily leave the Group. With regard to the redundancy payment that is a difference between the amount that the Group pays to the employee who voluntarily leaves the Group and the amount that the Group pays to the employee who is dismissed by the Group, the Group recognizes the liability and the expense of the redundancy payment earlier of when the Group cannot withdraw a proposal for the redundancy payment or when it recognizes restructuring costs accompanied by the redundancy payment.

2.3.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

2.3.16 Deferred acquisition costs

Acquisition costs arising from long-term contracts, excluding any excess amount over expected acquisition costs, are deferred and amortized over the premium payment period or seven years, whichever is shorter. For cancellations, any unamortized portion is written off immediately.

The Group amortizes an amount that exceeds the difference between net level premium reserve and surrender value level premium reserve.

2.3.17 Classification of insurance contracts

The Group recognizes a contract as an insurance contract if under the contract one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The Group assesses representative contract's insurance risk of an insurance product considering the claims paid when the insured event occurs or does not occur. If a contract is exposed to financial risk without significant insurance risk, the contract is classified as an investment contract.

Financial risk is the risk of a possible future change in one or more specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of prices or rates, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

The Group applies "KIFRS 1104 *Insurance Contracts*" for insurance contracts and investment contracts with discretionary participation features. Investment contracts with no discretionary participation features are accounted for in accordance with "KIFRS 1039 *Financial Instruments: Recognition and Measurement*".

A contract that was initially qualified as an insurance contract remains to be classified as insurance contract until all rights and obligations are extinguished or expired. However, the Group reclassifies an investment contract to an insurance contract if insurance risk becomes significant.

2.3.18 Insurance contracts liabilities

The Group provides various policy reserves in accordance with the Insurance Business Act, relevant regulations and the terms and conditions in insurance contracts as follows:

(1) Premium reserve

Premium reserve is a liability related to future payment of claims. Premium reserve is calculated by deducting the actuarial present value of future premiums to be received after the reporting date from the actuarial present value of future payment of claims with respect to long-term insurance contracts.

(2) Reserve for unearned premium

Reserve for unearned premium is recognized for the portion of insurance premiums received which do not pertain to the current period.

(3) Guarantee reserve

Guarantee reserve is recorded to guarantee the agreed level of benefit which is independent of investment performance of the separate accounts.

(4) Reserve for outstanding claims

Reserve for outstanding claims is an estimate of loss for insured events that have occurred prior to the date of statement of financial position but for which a fixed value cannot be determined, which includes the following:

- Estimated amount: The expenses to be incurred in the course of settlement of the insured event, such as lawsuit or arbitration (if partial amount is settled, the remainder is recognized)
- Reserve for ineffective contracts: Reserve for ineffective contracts due to default in premium payment (Partial amount of surrender value)
- Unpaid claims: The amount of claims, surrender value and dividend to be paid is determined but not paid yet
- IBNR (Incurred But Not Reported): Estimated amount using a reasonable statistical method considering the Group's experience rate

(5) Reserves for participating policyholder's dividends

Reserves for participating policyholder's dividends comprise reserve for guaranteed dividend, reserve for mortality dividend, reserve for interest dividend, reserve for expense dividend, reserve for long term duration and reserve for revaluation dividends.

The Group calculates each reserve for the participating policyholders' dividends by the methods described below:

- Reserve for guaranteed dividend:

A reserve to compensate for the difference between expected rate of interest and the average interest rate of time deposit for the reporting period. The Group records this reserve only for the contracts which were initiated before October 1, 1997.

- Reserve for mortality dividend:

A reserve to compensate for the difference between expected mortality rate and actual mortality rate. The Group has been recording this reserve only for the contracts which are or are expected to be effective for more than a year as of the reporting date, excluding nonparticipating policies, since 1983.

- Reserve for interest dividend:

A reserve to compensate for the difference between expected interest rate of each insurance product and dividend benchmark rate. The Group has been recording this reserve only for the contracts that are or are expected to be effective for more than a year from the reporting date, excluding nonparticipating policies, since 1987. However, the interest dividends from reserve insurance sold after October 1, 1997 are based on the interest dividends deducted from the expected rate.

- Reserve for expense dividend:

A reserve to compensate for the difference between expected operation expense rate and expense dividend benchmark rate. The Group has been recording this reserve only for the contracts which are or are expected to be effective for more than a year as of the reporting date, excluding nonparticipating policies, since 2001.

- Reserve for long-term duration dividend:

A reserve for the long-term contracts which is calculated by the following formula:

(Net level premium reserve of prior reporting period - Deferred acquisition costs) * {0.1% + (Number of years passed - 6} * 0.02%)

- The Group has been recording this reserve only for the contracts that remain for more than six years as of the reporting date, excluding nonparticipating policies, since 1987.

- Reserve for revaluation dividends:

A reserve for the participating policy holder's portion of asset revaluation surplus for land and building in accordance with Asset Revaluation Law in 1990. The Group records this reserve only for the contracts that remained for more than two years from March 31, 1989 and more than one year from March 31, 1999, respectively.

(6) Dividend reserve for policyholders' income participation

Dividend reserve for policyholders' income participation refers to the amount to be reserved, in lump sum and depending on the business performance, for the purpose of distributing reserves after paying stockholders as future dividends to policyholders or for additional accumulation as part of policy reserve other than the reserve for policyholders' dividend.

(7) Reserve for losses on dividend insurance contract

(In millions of won)

In accordance with the Regulation on Supervision of Insurance Business, the Group accumulates reserve for losses of participating insurance contract within 30/100 of policyholders' share in dividend-paying insurance income. A reserve for compensation for losses on dividend-paying insurance contracts accumulated shall be used for replenishing the losses of the participating insurance contract, and the balance after the replenishment shall be used as for the source of policyholders' dividend for individual policyholders, for five fiscal years from the end of the fiscal year when the accumulation is made.

2.3.19 Reinsurance asset

The Group cedes insurance risk by reinsurance agreements with reinsurers. Reinsurance assets represent recoverable amounts due from reinsurance companies. Reinsurance assets are reviewed for impairment at each reporting date. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss in consolidated statements of comprehensive income.

2.3.20 Liability adequacy test

For all insurance contracts held by the Group to which KIFRS No. 1104 'Insurance Contracts' apply, the Group determines the future cash flows expected to arise from the insurance contracts as of the end of the reporting period, including cash flows from options, guarantees, and claims processing costs. When the current estimate exceeds the book value of insurance contract liabilities, the excess is additionally accumulated as insurance contract liabilities. The subject of the liability adequacy test is the premium reserve, reserve for unearned premium and guarantee reserve, and the premium reserve is the amount obtained by deducting deferred acquisition cost and policy loan under Article 6-3 of Regulation on Supervision of Insurance Business Act from the net premium reserve. However, liabilities assessed using current estimates and liabilities for which payment obligations have been confirmed are excluded.

In addition, the estimation of future cash flow for the assessment of the adequacy of insurance contract liabilities is divided into fixed interest rate dividend insurance, fixed interest rate non-dividend insurance, interest rate linked dividend insurance, interest rate linked non-dividend insurance and variable insurance. The surplus or shortage of insurance contract liabilities for each evaluation unit can be offset at the level of individual insurance companies as a whole.

2.3.21 Separate accounts

The Group carries separate accounts for retirement insurance, retirement pension and variable life insurance products according to the provision in the Korean Insurance Business Law. The separate account assets (liabilities) are stated at net of accounts payable and accounts receivable in general account incurred in the course of transactions between general accounts and separate accounts.

Revenues and expenses of investment-linked type separate account are not presented in the general account statement of operations, while the revenues and expenses of guaranteed-interest type separate account are accounted for in the general account statement of operations in gross amounts as separate account income and separate account expense, respectively.

2.3.22 Trust accounts

The Group obtained the authorization to operate a trust business from the Financial Service Commission and operates its trust business. In accordance with the regulation on trust business, trust estates are recognized as separate accounts and trust fee related to operating, administration and disposal of trust estates is recognized as trust fee in operating revenue.

2.3.23 Policyholders' equity adjustment

Policyholders' equity adjustments consist of reserves for stabilization of participating policyholders' dividends, reserves for social contributions and net gain (loss) from valuation of investment securities. The stabilization reserves for participating policy holders' dividends and reserves for social contributions funds are the amounts reserved for future dividends to participating policyholders and future social contributions through asset revaluation surplus for land and building in accordance with Asset Revaluation Law.

Unrealized holding gains or losses on available-for-sale securities, on held-to-maturity securities and on valuation of investment in associates and subsidiaries are allocated to policyholder's equity adjustment using the current year's ratio of policyholders' equity and shareholders' equity.

2.3.24 Reserves for unpaid life insurance policy benefit

Pursuant to the unrestricted management of reserves for unpaid life insurance policy benefit by Financial Supervisory Services (FSS), the Group pays life insurance policy benefits at the request of a policyholder even if the legitimate obligation to pay has expired.

2.3.25 Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

2.3.26 Recognition of revenue and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group recognizes the income when the followings criteria are met.

(1) Premium income

Premium income is recognized at the time when such premium payment becomes due. If premium income is received before the premium due date, the Group records unearned insurance premium based on fractional period calculation.

(2) Interest income and interest expense

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

(3) Commissions income recognition

The Group applied the following five-step revenue recognition model for the fee income in accordance with KIFRS 1115.

- identify the contracts with a customer.
- identify the performance obligations in the contract
- determine the transaction price
- allocate the transaction price to each performance obligation
- recognize revenue when a performance obligation is satisfied

The Group recognizes its financial service fees and commissions based on its objectives, and in conformity with accounting standards of related financial instruments as below.

a) Fees and commissions earned by performance of meaningful action

Fees and commissions earned by delivering meaningful performances such as negotiating on behalf of third parties' transactions, such as stock or other securities transactions and underwriting of business settlements, or as a consideration for participating in negotiation are recognized as revenue upon completion of the delivery of services.

b) Fees and commissions earned by providing services

Fees and commissions levied as a consideration for providing services for a certain period of time, such as asset management fees, trust fees, guarantee service fees, are recognized as revenue when the service is provided. Also, when it is not probable that a specific loan commitment will be entered into, and when the loan commitment does not fall under the scope of KIFRS1039 Financial instruments: recognition and measurement, related commitment fee is recognized over the commitment period.

c) Fees forming a part of effective interest income of financial instruments

Fees forming a part of effective interest of financial instruments are generally recognized as adjustments to effective interest rates. These fees include costs incurred for activities such as the valuation of the financial status of borrowers, guarantee, collaterals and other commitments, administrative expenditures, and expenditures made for issuance of financial liabilities. However, if the financial instrument is recognized at fair value through profit or loss, related fees and commissions are recognized in profit or loss at the initial recognition of the financial instrument.

(4) Sale of goods

1) Identify the performance obligations in the contract

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

2) price concession

The Group provides to customer a price concession at the time of sale. In accordance with KIFRS 1115, if consideration payable to a customer is not a payment for a distinct good or service from the customer, the Group accounts for all of the consideration payable to the customer as a reduction of the transaction price.

3) Obligations for returns and refunds

The Group recognizes a refund liability if the Group expects to refund some or all of that consideration to the customer and adjusts revenue for the transferred products. The Group recognizes as an asset for the Group's right to recover products from a customer when the customer exercises a right of return and adjusts cost of sales for any expected costs to recover those products. The amount expected to be refunded to the customer and the amount of the right to recover the goods shall be measured applying the return experience rate based on the past practice.

4) Customer loyalty program

Under the customer loyalty program, the Group provides to customer the points that entitle the customers to future discounted purchases. The Group allocates part of the consideration received to the customer loyalty program and the amount of allocation is measured based on the relative stand-alone selling prices. The amount allocated under the customer loyalty program is deferred and recognized as revenue when the points are used or extinguished.

(5) Rendering of services

Revenue from services rendered is recognized in profit or loss when recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, in proportion to the stage of completion of the transaction at the reporting date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

(6) Dividends

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(7) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of comprehensive income due to its operating nature.

2.3.27 Current and deferred tax

(1) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss.

Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 Changes in accounting policies and disclosures

2.4.1 New and amended standards and interpretations adopted

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The nature and the impact of each new standard or amendment is described below:

(1) Amendment to KIFRS 1116 *Leases* – Covid-19-Related Rent Concessions

KIFRS 1116 'Lease' (Revised) - 'Covid-19 related rent concessions, etc., has been announced for the reporting period ended 31 December 2020. This amendment alleviated the application of lease change accounting in KIFRS 1116 'Leases' to lessees for rent discounts, etc. that occurred as a direct result of the global pandemic of COVID-19. As a practical expedient, lessees may not evaluate whether rent discounts, etc., incurred in connection with COVID-19 are changes in lease. The lessee who makes this choice must account for changes in lease payments due to rent concessions, etc., in a manner consistent with the method stipulated in this Standard, unless such changes are lease changes. This practical expedient was scheduled to be applied until June 30, 2021, but the application period of the practical expedient was extended until June 30, 2022 due to the impact of COVID-19. These amendments are effective for annual reporting period beginning on or after 1 April 2021, with early application permitted. Although the Group did not receive a rental fee concession related to COVID-19, the practical expedient method will be applied if there are any applicable cases within the permitted application period.

(2) Amendments to KIFRS 1107 *Financial Instruments: Disclosures*, KIFRS 1109 *Financial Instruments*, KIFRS 1039 *Financial Instruments: Recognition and Measurement*, KIFRS 1104 *Insurance Contracts* and KIFRS 1116 *Leases* – Interest Rate Benchmark Reform – (Phase 2)

The amendment provides a temporary waiver to address the impact on financial reporting when the Interbank Loan Rate (IBOR) is replaced by an alternative risk-free reference indicators (RFRs).

The amendments provide a number of practical reliefs including:

- Contractual changes, or changes in cash flows that are directly affected by the reforms, are treated as if they were changed to variable interest rates, such as fluctuations in market interest rates.
- Changes required by the interest rate indicator reform allow the hedging designation and hedging documentation to be possible without disrupting the hedging relationship.
- A temporary exemption that is deemed to meet the requirement that financial instruments referencing the RFRs must be separately identifiable if they are designated as hedging elements.

This amendment has no effect on the consolidated financial statements of the Group. The Group will use the practical expedient in the future when it becomes applicable.

The Group applied for the first time the amendment to 'Interest Rate Benchmark Reform Phase 2 - KIFRS 1109, KIFRS 1039, KIFRS 1107, KIFRS 1104 and KIFRS 1116', from the annual period beginning on or after January 1, 2021. The Group applied these amendments retrospectively. In accordance with the transitional provisions permitted in the Phase 2 amendments, the Group has not restated the consolidated financial statements of the prior period reflecting the application of the amendments and has not reflected additional disclosures. There is no effect on the amount of the opening balance of equity due from such retrospective application.

The Group is exposed to IBOR, which is subject to reform for its financial assets. As of December 31, 2021, the main IBORs exposed are the London Interbank Loan Rate (LIBOR) and CD rates, and the alternative to LIBOR is the Sterling Overnight Index Average (SONIA), and CD rates are currently under consideration of improvements in its methodology of calculation.

The Group expects that such interest rate benchmark reform shall affect the Group's operation, risk management procedures and the hedge accounting. The Group is primarily exposed to operational risk due to interest rate benchmark reform. This includes, for example, the application of new substitutional provisions with derivative counterparties, the renewal of contractual terms and conditions and the modification of controls related to interest rate benchmark reform. Financial risk is primarily confined to interest rate risk. In a hedging relationship, ineffectiveness may arise due to uncertainty about the timing and methodology of replacement of interest rates related to the hedged items and hedging instrument, or differences in the timing of replacement.

The Group monitors the progress of the conversion from the IBOR to the new interest rate benchmark by reviewing the total amount of contracts that have not yet been converted to an alternative interest rate benchmark, and the amount of those contracts that contain an appropriate replacement clause. If the contractual interest is a contract in which interest is indexed to an interest rate benchmark subject to an interest rate benchmark reform, the Group considers the contract to have not been converted to an alternative interest rate benchmark, even if the contract contains an alternative provision to provide for the discontinuation of the IBOR.

The total amount of the contract that has not yet transitioned is as follows:

(In millions of won, in millions of USD, in millions of EUR, *in millions of* GBP*)*

Interest Rate Benchmark	Currency	Financial assets (*)	Derivatives (*)
CD	KRW	100,367	4,161,500
LIBOR	USD	1,520,234	11
LIBOR	EUR	631,376	-
LIBOR	GBP	71,461	-

(*) Financial assets and derivatives are based on carrying amount and nominal amount, respectively, and if the assets that are incorporated to the beneficiary certificates involve an interest rate benchmark subject to interest rate benchmark reform, the calculation is based on the carrying amount of all beneficiary certificates.

(2) Liability adequacy test

1) Nature of accounting policy change

The standards for evaluation on liability adequacy test have been changed as of December 31, 2021 in accordance with regulations on supervision of insurance business, and since the Group believes that the changes in the standards for evaluation provide more reliable and relevant information on the insurance liability adequacy, consolidated financial statements for the previous year were restated by applying a change in accounting policy.

2) Adjustment of financial position and financial performance due to changes in accounting policy

The impact of changes in accounting policies on the Group's consolidated statements of financial position as of December 31, 2021 and 2020 and January 1, 2020 and the consolidated statement of comprehensive income for the years then ended is as follows:

(In millions of won)		December 31, 2021					
		Total assets	Total liabilities	Total equity	Retained earnings	Profit for the year	Earnings per share in won
Before applying accounting policy change	₩	130,934,864	118,980,090	11,954,774	8,051,586	525,715	4,497
Adjustments:							
Retrospective effect		-	1,112,800	(1,112,800)	(1,112,800)	-	
LAT additional reserve		-	(1,112,800)	1,112,800	1,112,800	-	
After applying accounting policy change	₩	130,934,864	118,980,090	11,954,774	8,051,586	525,715	4,497

(In millions of won)

(In millions of won)		December 31, 2020					
		Total assets	Total liabilities	Total equity	Retained earnings	Profit for the year	Earnings per share in won
Before applying accounting policy change	₩	125,704,708	112,812,363	12,892,345	7,693,333	477,830	4,190
Adjustments:							
Retrospective effect		-	1,112,800	(1,112,800)	(1,112,800)	-	
After applying accounting policy change	₩	125,704,708	113,925,163	11,779,545	6,580,533	477,830	4,190

(In millions of won)		January 1, 2020					
		Total assets	Total liabilities	Total equity	Retained earnings	Profit for the year	Earnings per share in won
Before applying accounting policy change	₩	116,053,429	103,668,854	12,384,575	7,417,673	667,493	5,904
Adjustments:							
Retrospective effect		-	1,112,800	(1,112,800)	(1,112,800)	(1,112,800)	
After applying accounting policy change	₩	116,053,429	104,781,654	11,271,775	6,304,873	(445,307)	(4,950)

3) Detail of adjustments in cash flows

The change in accounting policy has no effect on the statement of cash flow for the years ended December 31, 2021 and 2020.

3.1 Accounting estimates and changes

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(1) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(2) Impairment on loans and receivables

Individual and collective allowance for doubtful accounts is calculated to assess impairment on loans and receivables. When individual allowance for doubtful accounts. When individual allowance for doubtful accounts is calculated, expected recoverable amount is calculated by estimated future cash flows considering borrowers' sales or collateral. In addition, when the collective allowance for doubtful accounts is calculated, default rates, duration of loss and loss rates at bankruptcy are estimated based on historical impairment.

(3) Impairment of non-financial assets

The Group tests non-financial assets for impairment at the end of every reporting period. The intangible assets with goodwill and indefinite useful lives are tested for impairment whenever there is an indication that the intangible asset may be impaired. Other non-financial assets are tested for impairment whenever there is an indication that the carrying value cannot be recovered. The value in use calculation is based on the management's assumption on future expected cash flows generated from CGU or asset. For the calculation of present value of future expected cash flows, adequate discount rate should be chosen.

(4) Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(5) Development costs

Development costs are capitalized in accordance with the accounting policy as mentioned in Note 2.3. Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

(6) Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'A+' rating or above, as set by an internationally acknowledged rating agency. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

(7) Lease period of a contract with options to extend and terminate

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, and any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. If the Group possesses such options, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

(8) Provision for decommissioning

The Group has recognized a provision for decommissioning obligations associated with a leased building. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs.

(9) Income tax

There are different kinds of transactions and calculation methods which make final tax determination uncertain. Based on an estimate of the additional taxes to be imposed, if there is a difference between final tax amount and initially recognized tax amount, the difference will affect current income tax and deferred tax assets and liabilities at the period when such determinations are made.

(In millions of won)

(10) Special Taxation for Facilitation of Investment and Mutually-Beneficial Cooperation

The Group shall pay an additional surtax where the use of corporate earnings on qualifying investments, wage increase and mutually-beneficial cooperation fall below a certain portion of its taxable income for 3 years from 2015. As the Group considers the Special Taxation for Facilitation of Investment and Mutually-Beneficial Cooperation on its undistributed earnings when computing its corporate income tax, the Group's income tax may change arising from changes in investment, wage growth, or mutually-beneficial cooperation.

(11) Liability adequacy test

The Group recognizes the shortfall as its loss by assessing the adequacy of insurance liability. In order to estimate the cash flow anticipated to occur from the current insurance contract, reasonable anticipation of cash inflows including premium income and that of cash outflows including insurance, refund, reserve, expenses etc. is required. For this purpose, scenario presented by Financial Supervisory Service, ratio of risk, ratio of cancellation and expense rate use the presumptions considering the experience of the past and the trend of the future. The long-term insurance uses the discount rate reflecting the past experience and the current market information in order to calculate the future cash flow into the current value. Also, adequacy of individually estimated claims is assessed for reserves by selecting the most adequate model according to the trend of claims paid among various statistical methods. The Group categorizes its insurance products based on characteristics of the products. For insurance products in the same category, the Group applies assumptions for the respective category consistently.

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

4.1 KIFRS 1109 *Financial Instruments*

KIFRS 1109, published on September 25, 2015, is, in principle, effective for annual periods after January 1, 2018. Due to the amendments of KIFRS 1104, 'Insurance Contract', the Group met the qualification for the temporary exemption as of December 31, 2016 which require the ratio of insurance related liabilities to exceed 90% of the total liabilities. As a result, the Group plans to receive temporary exemption from the application of KIFRS 1109 until the fiscal year beginning before January 1, 2023 by meeting the requirements for temporary exemption from the application of KIFRS 1109.

This newly established standard KIFRS 1109 generally requires the entity to apply retrospectively. However, for the classification and measurements of financial instruments, including impairments, the standard provides an exemption from the requirement to restate comparative information. For hedge accounting, this standard shall apply prospectively aside from the accounting for the time value of options and other exceptions.

Main characteristics of KIFRS 1109 are the classification and measurements of financial assets in accordance with the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, impairment model of financial instruments based on expected credit losses, expansion of hedged item and the hedging instrument qualifies for hedge accounting and changes to the methods for assessing hedge effectiveness.

The general effects of this standard based on its main characteristics over the financial statements were as follows:

(1) Classification and measurement of financial assets

The Group shall classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset as shown on the below table when the new standard KIFRS 1109 is adopted. Furthermore, if a hybrid contract contains a host that is an asset within the scope of this standard, an embedded derivative shall not be separated from the host and accounted for financial assets.

	Contractual cash flow characteristics	
Business model objectives	Principal and interest	Others
To collect the contractual cash flows	Measured at amortized cost (*1)	Fair value through profit or loss(*2)
To collect the contractual cash flows and to sell	Measured at fair value through other comprehensive income (*1)	
To sell and others	Measured at fair value through profit or loss	

(*1) The Group may irrevocably designate a financial asset as measured at fair value through profit or loss to eliminate or significantly reduce accounting mismatch.
(*2) The Group may make an irrevocable election for equity instruments held for trading as measured at fair value through other comprehensive income.

Conditions to measure financial assets at amortized cost or fair value through other comprehensive income under KIFRS 1109 are more stringent than the conditions under KIFRS 1039. As a result, the portion of financial assets measured at fair value through profit or loss will increase which may lead to increases in volatility of profit or loss.

(2) Classification and measurement of financial liabilities

In accordance with the new standard KIFRS 1109, the amount of change in the fair value of the financial liability that is designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, not profit or loss. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, when the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch, the related change in the fair value shall be presented in profit or loss.

As some portion of the changes in fair value of the financial liability that is designated as at fair value through profit or loss, which was recognized as profit or loss under KIFRS 1039, shall be presented as other comprehensive income, the profit or loss related to fair value of financial liability may decrease.

(3) Impairment: Financial assets and contract assets

Under the current standard KIFRS 1039, impairment is recognized based on incurred loss model only when there is an objective evidence of impairment. However, under the new standard KIFRS 1109, impairment is recognized based on expected credit loss impairment model for the debt instruments, lease receivables, contract assets, loan commitments, and financial guarantee contracts measured at amortized cost or financial assets that are measured at fair value through other comprehensive income.

Unlike the current standard KIFRS 1039 which is based on incurred loss model, credit losses may be recognized earlier under KIFRS 1109. As shown below, this standard requires to measure the amount for loss allowance in 3 stages based on the 12-month expected credit losses or lifetime expected credit losses depending on the degree of increase in credit risk of the financial assets since initial recognition.

Stages		Loss allowance
Stage 1	Credit risk has not increased significantly since initial recognition	12-month expected credit losses: the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Credit-impaired	

On the other hand, KIFRS 1109 requires financial assets that are credit-impaired at initial recognition to account for only the cumulative change in lifetime expected losses since the initial recognition as a loss allowance.

(4) Hedge accounting

New standard KIFRS 1109 retains the mechanics of hedge accounting (i.e. fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation) of current standard KIFRS 1039. However, this standard mitigated KIFRS 1039 by amending the complex and rule-based requirements related to hedge accounting under KIFRS 1039 to principle-based requirements to align hedge accounting more closely with risk management. Furthermore, this standard expanded the eligible hedged item and the hedging instrument and eased the requirement for the hedge accounting by removing quantitative threshold (80~125%) and changing hedge effectiveness test method.

(In millions of won)

The Group assessed the financial impact of the initial adoption of KIFRS 1109 by assessing the impact on the consolidated financial statements based on the current circumstances and available information as of December 31, 2021.

1) The fair value at the end of the reporting period and the amount of change in the fair value during that period by group of financial assets as of December 31, 2021 are as follows:

		Fair value at the end of the reporting period	Amount of change in the fair value
Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding	₩	74,761,477	(704,880)
Other financial assets		25,782,927	21,970
	₩	100,544,404	(682,910)

2) For financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding that do not have low credit risk at the end of the reporting period, the fair value and the carrying amount applying KIFRS 1039 (in the case of financial assets measured at amortized cost, before adjusting for any impairment allowances) are ₩71,810,102 million and ₩72,010,245 million, respectively.

3) KIFRS 1109 information for subsidiaries could be obtained from the publicly available individual or separate financial statements of an entity within the Group that has applied KIFRS 1109.

4) The Group is exempted from the particular requirements in KIFRS 1028, so KIFRS 1109 is applied to certain joint venture Kyobo AXA Investment Management Co., Ltd.

4.2 Amendments to KIFRS 1001 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current

The amendments to paragraphs 69 ~ 76 of KIFRS 1001 clarify the following requirements for the classification of liabilities as current or non-current.

- The meaning of the right to defer settlement of the liability
- the right to defer settlement of the liability exists at the end of the reporting period only if the entity complies with those conditions at the end of the reporting period.
- The potential to exercise of the right to defer shall not affect the classification of liquidity.
- The terms of the liability do not affect the classification of liquidity only if the embedded derivative of the convertible liability itself is an equity instrument.

Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2023, retrospectively. The Group measures the effect of amendments on practices and whether renegotiation is necessary for preexisting loan commitments.

4.3 Amendments to KIFRS 1103 *Business Combinations* – Reference to the Conceptual Framework for Financial Reporting

The objective of these amendments is to ensure that there is no significant change in requirements when changing ‘Framework for the Preparation and Presentation of Financial Statements’ issued in 1989 to ‘Conceptual Framework for Financial Reporting’ issued in March 2018. An exception was added to the recognition principle in KIFRS 1103 to avoid the problem of day 2 gains or losses from liabilities and contingent liabilities that are within the scope of KIFRS 1037 ‘Provisions, Contingent Liabilities and Contingent Assets’ or KIFRS Interpretation 2121 ‘Levies’. In addition, the guidance on contingent assets in KIFRS 1103 was clarified to ensure that the conceptual framework for financial reporting was not affected. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022, prospectively.

4.4 Amendments to KIFRS 1016 *Property, Plant and Equipment* – Proceeds before Intended Use

The purpose of these amendments is to ensure that the selling value of items which may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management is not deducted from the cost. Instead, the Group shall recognize the proceeds from selling any such items, and the cost of those items, in profit or loss. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022 and the Group shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Group first applies the amendments. Those amendments are not expected to have a significant impact on the Group’s financial statements.

4.5 Amendments to KIFRS 1037 Provisions, Contingent Liabilities and Contingent – Onerous Contracts—Cost of Fulfilling a Contract

The amendments clarify the costs that an entity should include when assessing whether a contract is an onerous contract or a contract that generates a loss.

The amended Standard applies a "directly related cost approach". Costs that relate directly to a contract consist of the incremental costs of fulfilling that contract such as direct labor and materials and an allocation of other costs that relate directly to fulfilling contracts. General administrative costs are excluded if they are not directly related to the contract and cannot be explicitly charged to the counterparty under the contract.

Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. The Group shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

4.6 Amendments to KIFRS 1008 Accounting Policy, Changes in Accounting Estimates and Errors' Revision - Definition of Accounting Estimates

The amendments clearly distinguish changes in accounting estimates, changes in accounting policies, and correction of accounting errors. The amendments also clarify how an entity uses measurement techniques and inputs to develop accounting estimates. These amendments shall be applied for annual reporting periods beginning on or after January 1, 2023, and shall be applied prospectively to changes in accounting policies and accounting estimates that occur. Early application is permitted. Those amendments are not expected to have a significant impact on the Group’s financial statements.

4.7 Amendments to KIFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policy

The amendments provide requirements and guidance to enable more effective disclosure of the Group 's accounting policies. KIFRS 1001 requires the Group's significant accounting policies to be disclosed. The amendments changed the 'significant' accounting policy to the 'material' accounting policy and added explanations for important accounting policy information. It enables the Group to provide more useful accounting policy information when deciding on accounting policy disclosure.

The amendment to KIFRS 1001 ‘Presentation of Financial Statements’ shall be applied for annual reporting periods beginning on or after January 1, 2023 and early application is permitted. Those amendments are not expected to have a significant impact on the Group’s financial statements.

4.8 Amendments to KIFRS 1012 'Corporate Tax' - Reduction of the scope of exception to initial recognition of deferred tax

The amendments have been amended to solve the problem of different accounting practices for the recognition of deferred income tax liabilities and assets for transactions in which a temporary difference to be added and a temporary difference to be deducted in the same amount are recognized at the same time.

The amendments add the requirement (3) to the proviso of paragraphs 15 and 24 of KIFRS No. 1012 (Exceptions to Initial Recognition of Deferred Tax), and adds the same amount of temporary difference to be added when assets and liabilities are initially recognized in a single transaction. If there is a temporary difference to be deducted, deferred tax liabilities and assets are recognized respectively. The amendments shall be applied for annual reporting periods beginning on or after January 1, 2023 and early application is permitted. Those amendments are not expected to have a significant impact on the Group’s financial statements.

4.9 Annual Improvements 2018-2021 Cycle

4.9.1 KIFRS 1101 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a First-time Adopter

A subsidiary that uses the exemption in paragraph D16(1) of KIFRS 1101 First-time Adoption of International Financial Reporting Standards may elect, in its financial statements, to measure cumulative translation differences that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to KIFRS. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(1). Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

(In millions of won)

4.9.2 KIFRS 1109 *Financial Instruments* – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from an existing financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity shall apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which it first applies the amendments. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. the Group will be applied the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which it first applies the amendments. Those amendments are not expected to have a significant impact on the Group's financial statements.

4.9.3 KIFRS 1041 *Agriculture* – Fair Value Measurements

The amendments removed the requirement on paragraph 22 for entities to exclude cash flows for taxation when measuring fair value. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. Those amendments are not expected to have a significant impact on the Group's financial statements.

4.10 KIFRS 1117 *Insurance contracts*

In 2021, KIFRS 1117 'Insurance Contracts' was published, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, KIFRS 1117 will replace KIFRS 1104 Insurance Contracts (KIFRS 1104) that was issued in 2007.

KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

KIFRS 1117 is effective for reporting periods beginning on or after January 1 2023, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. This standard is not applicable to the Group.

4.10.1 Preparation of the adoption of KIFRS 1117

In order to prepare for the adoption of KIFRS 1117, the Group has organized and operated an internal professional workforce which consists of 38 professional employees since September 2016.

In February 2016, the Group requested the accounting firm and actuarial firm to establish an accounting system such as insurance liability assessment system, and in March 2020, the integrated accounting system was first completed, and from June 2021, the KIFRS 1117 upgrade project has been carried out. As of December 2021, system upgrade and consistency check are being carried out, and the Group plans to continuously upgrade the system by 2022 while also establishing an internal control over financial reporting.

In addition, the Group has established an in-house training course related to KIFRS 1117 to provide internal and external training to executives and employees who are related with accounting, actuary, and insurance products, while in-depth trainings course will be prepared in 2022.

4.10.2 Assessment of financial impacts

With the implementation of KIFRS 1117, the financial volatilities are expected within the consolidated financial statements in 2023, due to changes in the method of assessment of insurance liabilities and revenue recognition, etc.

As a result of evaluating the potential impact of the application of KIFRS 1117 on the consolidated financial statements based on currently available information as of December 31, 2021, it is expected that the amount of insurance contract liabilities will increase after the enforcement of KIFRS 1117 due mainly to the effect from the high interest rate firm insurance contracts held, etc.

In addition, insurance revenue is expected to decrease as savings type insurance premiums are excluded from insurance revenue when KIFRS 1117 is applied.

5. Cash and due from banks

(1) Cash and cash equivalents as of December 31, 2021 and 2020 are as follows:

		2021	2020
Cash	₩	4,659	1,214
Current deposits		17,906	7,369
Demand deposits		248,524	197,610
MMDA		1,068,522	488,507
Other deposits		73,994	66,026
	₩	1,413,605	760,726

(2) Due from banks as of December 31, 2021 and 2020 are as follows:

		2021	2020
Time deposits	₩	118,890	271,747
Margin on futures		215,407	94,763
Reserve for claims of customers' deposits		151,148	145,000
Other deposits		997,994	668,395
	₩	1,483,439	1,179,905

(3) Bank deposits with withdrawal restrictions as of December 31, 2021 and 2020 are as follows:

		2021	2020	Details
Demand deposits	₩	111	111	Partially seized
Guarantee deposits for checking accounts		17	19	Guarantee deposits for checking accounts

(In millions of won)

		2021	2020	
Time deposits		2,100	22,223	Payment settlement of micro payment etc.
Margin on futures		215,407	94,763	In relation to derivatives transactions
Reserve for claims of customers' deposits		151,148	145,000	Reserve for return of customer deposits
Other deposits		742,723	456,928	Customers' deposits of overseas futures FX margin, deposits for loan transactions, etc.
	₩	1,111,506	719,044	

6. Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss as of December 31, 2021 and 2020 are as follows:

		2021	2020
Hybrid financial instruments:			
Credit linked notes	₩	-	33,006
Other embedded derivatives		22,915	17,289
		22,915	50,295
Valuation and management of fair value:			
Reserve for claims of customers' deposits (*)		504,055	281,901
	₩	526,970	332,196

(*) Under the *Capital Market and Finance Investment Services Act*, the Group has reserved the amount required by the Financial Services Commission for claims of customers' deposits (trust) to Korea Securities Finance Corporation (KSFC) and its use is restricted.

7. Financial assets held for trading

(1) Financial assets held for trading as of December 31, 2021 and 2020 are as follows:

		2021	2020
Equity securities:			
Stocks	₩	34,038	42,395
Beneficiary certificates		656,719	1,465,934
Overseas securities		1,561	-
		692,318	1,508,329
Debt securities:			
Government and public bonds		1,401,849	1,055,733
Special bonds		863,451	658,464
Financial institutions bonds		1,588,962	1,877,819
Corporate bonds		1,008,289	876,395
Overseas securities		1,177,011	903,488
Other securities		482,430	220,839
		6,521,992	5,592,738
	₩	7,214,310	7,101,067

(2) Financial assets held for trading pledged as collateral as of December 31, 2021 and 2020 are as follows:

Purpose		2021	2020	Counter party
Payment of deposit and repurchase agreements etc.	₩	5,278,396	4,625,309	KSFC, etc.

(In millions of won)

8. Available-for-sale financial assets

(1) Available-for-sale financial assets as of December 31, 2021 and 2020 are as follows:

		2021	2020
Equity securities:			
Listed shares	₩	446,979	704,761
Unlisted shares		380,276	368,418
Equity investments		118,017	76,940
Beneficiary certificates (*1)		10,733,735	9,465,360
Overseas securities		3,111,654	2,698,444
Other securities		20,938	16,026
		14,811,599	13,329,949
Debt securities:			
Government and public bonds		19,688,798	20,092,656
Special bonds		7,440,100	8,625,300
Financial institutions bonds		1,113,560	1,127,573
Corporate bonds		3,101,849	3,440,241
Overseas securities		14,565,106	16,708,153
Other securities		24,120	-
		45,933,533	49,993,923
Cooperative Fund for default losses (*2)		48,988	43,613
	₩	60,794,120	63,367,485

(*1) The amount about Corsair related fund, the Group's major shareholder, were ₩192,777 million and ₩147,357 million as of December 31, 2021, and 2020 respectively, and dividend income recognized by the Group from the fund were ₩10,515 million and ₩25,327 million as of December 31, 2021 and 2020, respectively. Furthermore, the additional acquisition amount for years ended December 31, 2021 and 2020 were ₩33,771 million and ₩35,231 million, respectively, and disposal for years ended December 31, 2021 and 2020 were amounted to ₩8,865 million and ₩3,665 million, respectively.

(*2) In accordance with article 394 of the Capital Market and Finance Investment Services Act and article 362 of enforcement decree of this Act, the Group reserved basic reserve of ₩1,000 million plus variable reserves as securities market joint funds and derivative market joint funds to compensate for damages from violation of transaction (derivative instrument transaction) in securities market or derivative market. The Group has no free rights to dispose the fund for its profit.

The fair values of domestic currency debt securities and foreign currency debt securities of available-for-sale financial assets are based on the average prices of base prices on the latest business day, which are provided by Korea Asset Pricing (KAP) and KIS Pricing Inc, etc. The fair values of unlisted stocks and investments of which the posted prices are not available in an active market, are calculated based on the appraised values in the appraisal reports of KAP.

(2) Gain on valuation of available-for-sale financial assets accounted for as accumulated other comprehensive income and policyholder's equity adjustments as of December 31, 2021 and 2020 are as follows:

		2021	2020
Gain on valuation of available-for-sale securities	₩	2,449,164	5,627,168
Amount allocated to policyholder's equity adjustment		413,158	1,146,269
Amount allocated to deferred tax liabilities		567,440	1,235,773
Amount allocated to accumulated other comprehensive income		1,468,566	3,245,126

(3) Unlisted shares and equity investments were recognized at acquisition costs of ₩22,140 million and ₩19,807 million as of December 31, 2021 and 2020, respectively, as the fair value cannot be reliably estimated.

(4) Impairment losses on available-for-sale financial assets for the years ended December 31, 2021 and 2020 amounted to ₩35,693 million and ₩63,297million, respectively. Reversal of impairment losses on available-for-sale financial assets for years ended December 31, 2021 and 2020 were ₩3,704 million and ₩1,852 million, respectively.

(5) Available-for-sale financial assets pledged as collateral as of December 31, 2021 and 2020 are as follows:

Collateral	Purpose		2021	2020	Counter party
Government and public bonds, etc.	Collateral for derivatives	₩	815,282	228,657	NH Securities, etc
	Repurchase agreements		209,349	260,922	KSFC, etc.
	Loans for agency funding		133,069	119,934	KSFC
		₩	1,157,700	609,513	

(In millions of won)

9. Held-to-maturity financial assets

(1) Held to maturity financial assets as of December 2021 are as follows:

		2021	2020
Debt securities:			
Government and public bonds	₩	2,961,281	-
Special bonds		390,000	-
Corporate bonds		50,000	-
Overseas securities		1,152,269	-
	₩	4,553,550	-

10. Loan receivables

(1) Loan receivables as of December 31, 2021 and 2020 are as follows:

		2021	2020
Policy loan receivables		6,358,188	6,117,135
Loan receivables secured by investment securities		749,320	585,669
Loan receivables secured by real estate		6,105,133	6,214,126
Unsecured loan receivables		8,641,166	7,406,025
Guaranteed loan receivables		1,084,559	1,292,271
Other loan receivables		873,056	840,821
		23,811,422	22,456,047
Less: Present value discount		(4,894)	(4,997)
Less: Allowance for loss on loan receivables		(54,016)	(78,242)
Less: Deferred loan origination costs and fees		(27,203)	(19,505)
	₩	23,725,309	22,353,303

(2) Changes in allowance for loss on loan receivables for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	78,242	66,682
Charge for the year, net		(15,249)	28,346
Write-off, etc.		(20,856)	(27,480)
Unwinding effect		(411)	(357)
Recovery of bad debts		12,290	11,051
Ending balance	₩	54,016	78,242

(3) Changes in deferred loan origination costs and fees for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	(19,505)	(14,903)
Loan originations		(12,093)	(7,679)
Amortization		4,395	3,077
Ending balance	₩	(27,203)	(19,505)

11. Other receivables

(1) Details of other receivables as of December 31, 2021 and 2020 are as follows:

		2021	2020
Insurance receivables:			
Premiums transferred automatically	₩	2,425	2,800
Insurance settlement adjustments		3,162	2,509
Reinsurance receivables		70,320	65,373
Other insurance receivables		144	9,981
		76,051	80,663
Accounts receivables, etc.		540,517	748,463
Guarantee deposits		168,754	170,089
Accrued income		583,092	563,840
Others		59,678	53,760
Finance lease receivables		2,044	2,692
		1,430,136	1,619,507
Less: Present value discount		(4,125)	(5,423)
Less: Allowance for other receivables		(28,356)	(34,150)

(In millions of won)

	₩	1,397,655	1,579,934

(2) Changes in allowance for other receivables for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	34,150	31,562
Provision (Reversal) for other receivables, net		(4,369)	4,352
Recovery of bad debts		(3,759)	(54)
Write-off, etc.		2,334	(1,710)
Ending balance	₩	28,356	34,150

(3) Amounts of gross investment and present value of minimum lease payment of Finance lease receivables as of December 31, 2021 and 2020 are as follows:

		2021	
		Gross investment	Present value of minimum lease payment
Not later than 1 year	₩	3,179	3,065
1 ~5 years		3,664	3,416
Later than 5 years		607	590
Ending balance	₩	7,450	7,071

		2020	
		Gross investment	Present value of minimum lease payment
Not later than 1 year	₩	1,213	1,168
1 ~5 years		1,060	1,039
Ending balance	₩	2,273	2,207

(4) The unrealized interest income of gross investment from finance lease receivable was ₩285million as of December 31, 2021.

(In millions of won)

12. Investments in associates and a joint venture

(1) Investments in associates and a joint venture as of December 31, 2021 and 2020 are summarized as follows:

	Country of domicile	Reporting date		2021 Book value	2021 Owner -ship (%)	2020 Book value	2020 Owner -ship (%)
Associates:							
A&D Credit Information Co., Ltd.(*1)	Korea	Dec. 31, 2021	₩	3,381	19.50	3,367	19.50
Hwaseong-Jeongnam General Industry Complexes Co., Ltd. (*1, *3)	Korea	Sep. 30, 2021		-	19.00	382	19.00
Songsan Industrial Complex Development Co., Ltd. (*1, *3)	Korea	Sep. 30, 2021		-	15.00	57	15.00
Pusan Millak PFV (*1, *4)	Korea	Dec. 31, 2021		-	5.00	-	5.00
Jinjeop2 REIT Co., Ltd. .(*1)	Korea	Dec. 31, 2021		59	0.13	59	0.13
Guri Galmae REIT Co., Ltd. .(*1)	Korea	Dec. 31, 2021		19	0.03	19	0.03
Yeouido H2 PFV .(*1)	Korea	Dec. 31, 2021		161	5.00	228	5.00
Pusan Eco delta city PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Logistec Yangsan Co., Ltd. (*1)	Korea	Dec. 31, 2021		205	19.90	-	-
Incheon Gundam 3rd PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Hera Park City development PFV (*1)	Korea	Dec. 31, 2021		709	19.50	-	-
Hera Park City development AMC (*1)	Korea	Dec. 31, 2021		36	19.50	-	-
Incheon Yeongjong PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Dongdaemoon Urban PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Chungju Biz Core City Co., Ltd. (*1)	Korea	Dec. 31, 2021		-	10.00	-	-
Chungnam Naepo 1 PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Yangjuhoechun PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Peco-city Co., Ltd. (*1)	Korea	Dec. 31, 2021		15	12.50	-	-
Incheon Yeongjong 1st PFV (*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Changwon Gapo PFV(*1, *5)	Korea	Dec. 31, 2021		-	5.00	-	-
Kyobo 9 Special Purpose Acquisition Company (*1)	Korea	Dec. 31, 2021		19	0.26	19	0.26
Kyobo 10 Special Purpose Acquisition Company (*1)	Korea	Dec. 31, 2021		117	1.32	117	1.32
Kyobo 11Special Purpose Acquisition Company (*1)	Korea	Dec. 31, 2021		19	4.17	-	-
Kyobo NH Healthcare New Technology Investment Association 1st (*2)	Korea	Dec. 31, 2021		2,297	13.89	-	-
NH Kyobo AI solution New Technology Investment Association (*2)	Korea	Dec. 31, 2021		1,042	8.70	-	-
Kyobo Kiwoom New Materials & Technology Investment Association (*2)	Korea	Dec. 31, 2021		2,212	12.50	-	-
Kyobo Hanyang ESG New Technology Investment Association (*2)	Korea	Dec. 31, 2021		1,095	11.76	-	-
Kyobo Axis Future & New Technology Investment Association 1st (*2)	Korea	Dec. 31, 2021		1,985	9.43	-	-
Kyobo-YG Ilguimu newTechnology Investment Association(*2)	Korea	Dec. 31, 2021		973	11.50	-	-
NPC&C Co.Ltd.	Korea	Dec. 31, 2021		2,754	30.70	-	-
Marston General Private Real Estate Investment Trust No. 61	Korea	Aug. 31, 2021		20,000	32.80	-	-
				37,098		4,248	

	Country of domicile	Reporting date		2021 Book value	2021 Owner -ship (%)	2020 Book value	2020 Owner -ship (%)
Joint venture:							
Kyobo AXA Investment Management Co., Ltd.	Korea	Dec. 31, 2021		34,572	50.00	32,012	50.00
			₩	71,670		36,260	

(*1) The entities are classified as associates even though the Group holds less than 20% of shares since members of the Group's Board of Directors are also the members of the entities' board and thus have significant influence over the entities.

(*2) The entities are classified as associates even though the Group holds less than 20% of shares. Since the Group can participate in decision-making related to the investees' financial and operating policies as a general manager, and thus has significant influence over the entities.

(*3) The entity was excluded from the associates for the year ended December 31, 2021.

(*4) The Group discontinued to recognize its shares of profit or loss of the associate as the amount of equity investment fell below zero for the year ended December 31, 2021.

(In millions of won)

(*5) The Group invested in preferred stocks issued by an investee company with significant influence and KIFRS 1039 was applied as the financial instrument could not substantially access the profits associated with the stake in the associate.

(In millions of won)

12. Investments in associates and a joint venture, continued

(2) Changes in investments in associates and a joint venture for the years ended December 31, 2021 and 2020 are as follows:

		2021					
		Beginning balance	Acquisition	Gain (loss) on equity-method accounting	Dividend	Changes in equity	Ending balance
Associates:							
A&D Credit Information Co., Ltd.	₩	3,367	-	63	(49)	-	3,381
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.		382	-	(382)	-	-	-
Songsan Industrial Complex Development Co., Ltd.		57	-	(57)	-	-	-
Jinjeop2 REIT Co., Ltd.		59	-	-	-	-	59
Guri Galmae REIT Co., Ltd.		19	-	-	-	-	19
Yeouido H2 PFV		228	50	(116)	-	(1)	161
Logistec Yangsan Co., Ltd.		-	398	(187)	-	(6)	205
Hera Park City development PFV		-	975	(266)	-	-	709
Hera Park City development AMC		-	20	16	-	-	36
Chungju Biz Core City Co., Ltd.		-	10	(10)	-	-	-
Peco-city Co., Ltd.		-	38	(23)	-	-	15
Kyobo 9 Special Purpose Acquisition Company		19	-	-	-	-	19
Kyobo 10 Special Purpose Acquisition Company		117	-	-	-	-	117
Kyobo 11Special Purpose Acquisition Company		-	10	1	-	8	19
Kyobo NH Healthcare New Technology Investment Association 1st		-	2,500	(203)	-	-	2,297
NH Kyobo AI solution New Technology Investment Association		-	1,000	42	-	-	1,042
Kyobo Kiwoom New Materials & Technology Investment Association		-	2,000	212	-	-	2,212
Kyobo Hanyang ESG New Technology Investment Association		-	1,000	95	-	-	1,095
Kyobo Axis Future & New Technology Investment Association 1st		-	2,000	(15)	-	-	1,985
Kyobo-YG Ilguimu new Technology Investment Association		-	1,000	(27)	-	-	973
NPC&C Co.Ltd.		-	3,000	(246)	-	-	2,754
Marston General Private Real Estate Investment Trust No. 61		-	20,000	-	-	-	20,000
		4,248	34,001	(1,103)	(49)	1	37,098
Joint ventures:							
Kyobo AXA Investment Management Co., Ltd.		32,012	-	8,458	(5,898)	-	34,572
	₩	36,260	34,001	7,355	(5,947)	1	71,670

(In millions of won)

12. Investments in associates and a joint venture, continued

(2) Changes in investments in associates and a joint venture for the years ended December 31, 2021 and 2020 are as follows, continued:

		2020						
		Beginning balance	Acquisition	Disposal/ Reclassification	Gain (loss) on equity-method accounting	Dividend	Changes in equity	Ending balance
Associates:								
A&D Credit Information Co., Ltd.	₩	3,378	-	-	87	(98)	-	3,367
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.		-	-	(171)	553	-	-	382
Kyobo 7 Special Purpose Acquisition Company		20	-	(10)	-	-	(10)	-
Kyobo 8 Special Purpose Acquisition Company		18	-	(10)	-	-	(8)	-
Kyobo 9 Special Purpose Acquisition Company		19	-	-	-	-	-	19
Kyobo 10 Special Purpose Acquisition Company		-	70	-	(1)	-	48	117
Songsan Industrial Complex Development Co., Ltd.		792	-	-	(735)	-	-	57
Pusan Millak PFV		-	250	-	(250)	-	-	-
Jinjeop2 REIT Co., Ltd.		-	59	-	-	-	-	59
Guri Galmae REIT Co., Ltd.		-	19	-	-	-	-	19
Yeouido H 2 PFV		-	250	-	(22)	-	-	228
		4,227	648	(191)	(368)	(98)	30	4,248
Joint ventures:								
Kyobo AXA Investment Management Co., Ltd.		30,997	-	-	5,904	(4,889)	-	32,012
	₩	35,224	648	(191)	5,536	(4,987)	30	36,260

(In millions of won)

(3) Accumulated unrecognized change in equity due to discontinued use of the equity method as of December 31, 2021 and December 31, 2020 are as follows:

		December 31, 2021	
		Unrecognized losses	Accumulated unrecognized losses
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	₩	319	306
Songsan Industrial Complex Development Co., Ltd.		517	517
Pusan Millak PFV		893	1,222
	₩	1,729	2,045

	December 31, 2020	
	Unrecognized losses	Accumulated unrecognized losses
Pusan Millak PFV	329	329

(4) Condensed financial information of the Group's associates and a joint venture as of December 31, 2021 and December 31, 2020 are summarized as follows:

		2021			
		Assets	Liabilities	Operating profit	Net income (loss)
Associates:					
A&D Credit Information Co., Ltd.	₩	25,777	8,439	507	322
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.		29,914	31,593	292	(243)
Songsan Industrial Complex Development Co., Ltd.		136,474	139,923	12,807	(1,538)
Pusan Millak PFV		96,238	120,683	32,075	(19,711)
Jinjeop2 REIT Co., Ltd.		44,007	212	-	-
Guri Galmae REIT Co., Ltd.		71,041	979	-	-
Yeouido H2 PFV		50,726	47,514	800	(2,334)
Logistec Yangsan Co., Ltd.		7,128	6,099	256	(942)
Hera Park City development PFV		3,637	-	-	(1,363)
Hera Park City development AMC		204	20	450	83
Chungju Biz Core City Co., Ltd.		103	102	-	(99)
Peco-city Co., Ltd.		117	-	-	(183)
Kyobo 9 Special Purpose Acquisition Company		8,788	1,594	41	(40)
Kyobo 10 Special Purpose Acquisition Company		9,821	873	44	(13)
Kyobo 11Special Purpose Acquisition Company		10,797	2,165	6	(40)
Kyobo NH Healthcare New Technology Investment Association 1st		16,536	-	1	(1,464)
NH Kyobo AI solution New Technology Investment Association		11,987	-	597	487
Kyobo Kiwoom New Materials & Technology Investment Association		17,699	3	1,756	1,696
Kyobo Hanyang ESG New Technology Investment Association		9,310	1	836	808
Kyobo Axis Future & New Technology Investment Association 1st		21,045	3	1	(158)
Kyobo-YG Ilguimu newTechnology Investment Association		8,464	-	-	(236)
NPC&C Co.Ltd.		3,261	743	(803)	(801)
Marston General Private Real Estate Investment Trust No. 61		20,992	5,715	-	(33)
Joint venture:					
Kyobo AXA Investment Management Co., Ltd.		88,305	19,167	21,965	16,911

(In millions of won)

(4) Condensed financial information of the Group's associates and a joint venture as of December 31, 2021 and December 31, 2020 are summarized as follows, continued:

		2020			
		Assets	Liabilities	Operating profit	Net income (loss)
Associates:					
A&D Credit Information Co., Ltd.	₩	26,868	9,602	43,132	447
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.		41,454	39,446	211	(66)
Kyobo 9 Special Purpose Acquisition Company		8,809	1,575	78	(36)
Kyobo 10 Special Purpose Acquisition Company		9,820	859	18	(39)
Songsan Industrial Complex Development Co., Ltd.		188,414	188,032	7	(2,237)
Pusan Millak PFV		73,309	79,880	17,011	(9,731)
Jinjeop2 REIT Co., Ltd.		44,007	212	-	(2)
Guri Galmae REIT Co., Ltd.		71,041	979	-	(639)
Yeouido H 2 PFV		45,944	41,387	101	(443)
Joint venture:					
Kyobo AXA Investment Management Co., Ltd.		73,855	9,831	37,730	11,808

(5) The market value for associates and a joint venture which are publicly traded as of December 31, 2021 and December 31, 2020 are summarized as follows:

		December 31, 2021		December 31, 2020	
		Fair value	Book value	Fair value	Book value
Kyobo 9 Special Purpose Acquisition Company	₩	22	19	20	19
Kyobo 10 Special Purpose Acquisition Company		149	117	145	117
Kyobo 11 Special Purpose Acquisition Company		22	19	-	-

(6) Details of accumulated other comprehensive income for associates and a joint venture allocated to policyholder's equity adjustments and deferred tax liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Gain on valuation of associates	₩	40	39
Amount allocated to policyholder's equity adjustment		6	6
Amount allocated to deferred tax liabilities		9	9
Amount allocated to accumulated other comprehensive income		25	24

(In millions of won)

13. Classification by categories of financial instruments

(1) The carrying amounts of each category of financial assets and financial liabilities as of December 31, 2021 and 2020 are summarized as follows:

		2021							
		Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Financial assets:									
Cash and due from banks	₩	-	-	-	2,897,044	-	-	-	2,897,044
Financial assets designated at fair value through profit or loss		526,970	-	-	-	-	-	-	526,970
Financial assets held for trading		7,214,310	-	-	-	-	-	-	7,214,310
Derivatives		376,443	-	-	-	85,310	-	-	461,753
Available-for-sale financial assets		-	60,794,120	-	-	-	-	-	60,794,120
Held-to-maturity financial assets		-	-	4,553,550	-	-	-	-	4,553,550
Loan receivables		-	-	-	23,725,309	-	-	-	23,725,309
Other receivables		-	-	-	1,397,655	-	-	-	1,397,655
	₩	8,117,723	60,794,120	4,553,550	28,020,008	85,310	-	-	101,570,711
Financial liabilities:									
Financial liabilities designated at fair value through profit or loss	₩	-	-	-	-	-	3,564,849	-	3,564,849
Financial liabilities held for trading		-	-	-	-	-	117,484	-	117,484
Derivatives		-	-	-	-	423,432	466,980	-	890,412
Borrowings		-	-	-	-	-	-	3,541,753	3,541,753
Other financial liabilities		-	-	-	-	-	-	3,084,839	3,084,839
	₩	-	-	-	-	423,432	4,149,313	6,626,592	11,199,337

(In millions of won)

		2020						
		Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Financial assets:								
Cash and due from banks	₩	-	-	1,940,631	-	-	-	1,940,631
Financial assets designated at fair value through profit or loss		332,196	-	-	-	-	-	332,196
Financial assets held for trading		7,101,067	-	-	-	-	-	7,101,067
Derivatives		525,692	-	-	797,476	-	-	1,323,168
Available-for-sale financial assets		-	63,367,485	-	-	-	-	63,367,485
Loan receivables		-	-	22,353,303	-	-	-	22,353,303
Other receivables		-	-	1,579,934	-	-	-	1,579,934
	₩	7,958,955	63,367,485	25,873,868	797,476	-	-	97,997,784
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss	₩	-	-	-	-	3,083,526	-	3,083,526
Financial liabilities held for trading		-	-	-	-	413,809	-	413,809
Derivatives		-	-	-	94,234	512,343	-	606,577
Borrowings		-	-	-	-	-	2,619,813	2,619,813
Other financial liabilities		-	-	-	-	-	2,883,733	2,883,733
	₩	-	-	-	94,234	4,009,678	5,503,546	9,607,458

(In millions of won)

(2) Gains (losses) on categories of financial instruments for the year ended December 31, 2021 is as follows:

		2021						
		Net profit and loss						Other comprehensive income(loss) (*2)
		Interest income (expense)	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss	Other operating income (expense) (*1)	Subtotal	
Financial assets designated at fair value through profit or loss	₩	-	(381)	649	-	-	268	-
Financial assets held for trading		135,412	(30,472)	(118,689)	-	81,688	67,939	-
Available-for-sale financial assets		1,318,824	497,255	24,206	(31,989)	1,709,502	3,517,798	(1,774,421)
Held-to-maturity financial assets		39,217	-	-	-	28,450	67,667	-
Trading purpose derivatives		(5,074)	(282,818)	(132,248)	-	2,390	(417,750)	-
Hedging purpose derivatives		(33,055)	(17,662)	(901,672)	-	-	(952,389)	36,329
Loans and receivables		1,047,272	(295)	-	19,618	59,442	1,126,037	-
Financial liabilities designated at fair value through profit or loss		-	(76,811)	70,363	-	(79,168)	(85,616)	-
Financial liabilities held for trading		-	17,224	(161)	-	-	17,063	-
Financial liabilities measured at amortized cost		(41,054)	-	-	-	(36,228)	(77,282)	-
	₩	2,461,542	106,040	(1,057,552)	(12,371)	1,766,076	3,263,735	(1,738,092)

(*1) Including gain or loss from foreign currency transaction and dividend income.
(*2) Accumulated other comprehensive income after adjustment for income tax effect.

(In millions of won)

		2020						
		Net profit and loss						Other comprehensive income(loss) (*2)
		Interest income (expense)	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss	Other operating income (expense) (*1)	Subtotal	
Financial assets designated at fair value through profit or loss	₩	-	-	1,528	-	-	1,528	-
Financial assets held for trading		125,895	36,717	31,573	-	(35,395)	158,790	-
Available-for-sale financial assets		1,365,199	622,399	-	(61,445)	(207,005)	1,719,148	300,859
Trading purpose derivatives		3,477	(320,553)	(12,525)	-	(4,381)	(333,982)	-
Hedging purpose derivatives		(38,821)	(28,681)	753,934	-	-	686,432	(146,741)
Loans and receivables		1,047,151	1,125	-	(32,698)	553	1,016,131	-
Financial liabilities designated at fair value through profit or loss		-	(85,845)	38,574	-	54,628	7,357	-
Financial liabilities held for trading		-	(15,365)	10,721	-	-	(4,644)	-
Financial liabilities measured at amortized cost		(34,986)	-	-	-	30,808	(4,178)	-
	₩	2,467,915	209,797	823,805	(94,143)	(160,792)	3,246,582	154,118

(*1) Including gain or loss from foreign currency transaction and dividend income.
(*2) Accumulated other comprehensive income after adjustment for income tax effect.

(In millions of won)

14. Fair value of financial assets and liabilities

(1) Book value and fair value of financial assets and liabilities as of December 31, 2021 and 2020 are as follows:

		2021		2020	
		Book value	Fair value	Book value	Fair value
Financial assets:					
Cash and due from banks	₩	2,897,044	2,897,044	1,940,631	1,940,631
Financial assets designated at fair value through profit or loss		526,970	526,970	332,196	332,196
Financial assets held for trading		7,214,310	7,214,310	7,101,067	7,101,067
Derivative assets		461,753	461,753	1,323,168	1,323,168
Available-for-sale financial assets		60,794,120	60,794,120	63,367,485	63,367,485
Held-to-maturity financial assets		4,553,550	4,478,532		
Loan receivables		23,725,309	23,525,226	22,353,303	22,436,145
Other receivables		1,397,655	1,396,973	1,579,934	1,580,161
	₩	101,570,711	101,294,928	97,997,784	98,080,853
Financial liabilities:					
Financial liabilities designated at fair value through profit or loss	₩	3,564,849	3,564,849	3,083,526	3,083,526
Financial liabilities held for trading		117,484	117,484	413,809	413,809
Derivative liabilities		890,412	890,412	606,577	606,577
Borrowings		3,541,753	3,541,753	2,619,813	2,619,813
Other financial liabilities		3,084,839	3,084,810	2,883,733	2,884,484
	₩	11,199,337	11,199,308	9,607,458	9,608,209

(2) Financial instruments measured at the fair value

The Group classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

Financial instruments measured at fair value as of December 31, 2021 and 2020 are as follows:

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets designated at fair value through profit or loss	₩	-	504,055	22,915	526,970
Financial assets held for trading		1,569,544	5,641,766	3,000	7,214,310
Derivative assets		2,026	397,295	62,432	461,753
Available-for-sale financial assets		22,692,405	27,038,709	11,063,006	60,794,120
	₩	24,263,975	33,581,825	11,151,353	68,997,153
Financial liabilities:					
Financial liabilities designated at fair value through profit or loss	₩	-	-	3,564,849	3,564,849
Financial liabilities held for trading		117,484	-	-	117,484
Derivative liabilities		8,722	697,590	184,100	890,412
	₩	126,206	697,590	3,748,949	4,572,745

		2020			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets designated at fair value through profit or loss	₩	-	281,901	50,295	332,196
Financial assets held for trading		1,128,550	5,961,517	11,000	7,101,067
Derivative assets		2,704	1,242,669	77,795	1,323,168
Available-for-sale financial assets		24,390,574	29,198,962	9,777,949	63,367,485
	₩	25,521,828	36,685,049	9,917,039	72,123,916
Financial liabilities:					
Financial liabilities designated at fair value through profit or loss	₩	-	-	3,083,526	3,083,526
Financial liabilities held for trading		413,809	-	-	413,809

(In millions of won)

Derivative liabilities		536	462,925	143,116	606,577
	₩	414,345	462,925	3,226,642	4,103,912

(3) Changes in level 3 fair value hierarchy for the years ended December 31, 2021 and 2020 are as follows:

		2021					
		Financial assets designated at fair value through profit or loss (*)	Financial assets held for trading (*)	Financial liabilities designated at fair value through profit or loss	Derivatives, net	Available-for-sale financial assets	Total
Beginning balance	₩	50,295	11,000	(3,083,526)	(65,321)	9,777,949	6,690,397
Purchases/issuance		10,025	3,500	(3,300,122)	127,306	2,745,023	(414,267)
Settlements/disposals		(36,516)	(11,500)	2,826,046	(38,509)	(1,238,539)	1,500,982
Total income:		(889)	-	(7,247)	(145,145)	(221,427)	(374,708)
Profit or loss		(889)	-	(7,247)	(145,145)	(28,406)	(181,687)
Other comprehensive income		-	-	-	-	(193,021)	(193,021)
Ending balance	₩	22,915	3,000	(3,564,849)	(121,669)	11,063,006	7,402,403

		2020					
		Financial assets designated at fair value through profit or loss (*)	Financial assets held for trading (*)	Financial liabilities designated at fair value through profit or loss	Derivatives, net	Available-for-sale financial assets	Total
Beginning balance	₩	50,273	-	(3,113,272)	(96,614)	8,377,805	5,218,192
Purchases/issuance		2,675	11,000	(4,043,786)	4,774	2,080,369	(1,944,968)
Settlements/disposals		(3,200)	-	3,980,331	25,916	(743,978)	3,259,069
Total income:		547	-	93,201	603	63,753	158,104
Profit or loss		547	-	93,201	603	(10,687)	83,664
Other comprehensive income		-	-	-	-	74,440	74,440
Ending balance	₩	50,295	11,000	(3,083,526)	(65,321)	9,777,949	6,690,397

There was no transfer between level 3 and other levels during the years ended December 31, 2021 and 2020.

(4) Total gains or losses for the years ended December 31, 2021 and 2020 recognized in profit or loss and gains or losses relating to financial instruments in level 3 at the end of the reporting period are presented in the consolidated statement of comprehensive income are as follows:

		2021	
		Total losses	Losses relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩	(235,061)	(181,687)

		2020	
		Total losses	Gains relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩	(17,165)	83,664

(5) Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 as of December 31, 2021 and 2020 are as follows:

Type of financial instrument	Valuation technique	Input variables
Financial assets:		
Financial assets designated at fair value through profit or loss	Discounted cash flow	Discount rate
Financial assets held for trading	Discounted cash flow, Standard price	Interest rate, foreign exchange rate, stock price, etc.
Derivative assets	Discounted cash flow, Option pricing model	Interest rate, foreign exchange rate, stock price, etc.
Available-for-sale financial assets	Discounted cash flow, Dividend discount model	Interest rate, foreign exchange rate, stock price, etc.
Financial liabilities:		
Derivative liabilities	Discounted cash flow, Option pricing model, Black-Scholes model	Interest rate, foreign exchange rate, stock price, etc.

(6) There was no transfer between level 1 and level 2 fair value measurement during the years ended December 31, 2021 and 2020.

(In millions of won)

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 and 2020 are as follows, continued:

December 31, 2021

Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Financial assets designated at fair value through profit or loss	Price formulas, Binomial model, Simulation	Stock price The volatility of the underlying asset Discount rate Correlations	517,347won 0% ~ 99% -22.39% -0.99 ~ 0.99	Not standardized but depends on the structure of financial instrument
Derivative assets	Price formulas, Simulation,1-factor Gaussian Copular model, Binomial model, Discounted cash flow	The volatility of the underlying asset Correlations Stock price	0% ~ 99% -0.99 ~ 0.99 4,325won ~4,413won	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. For conversion rights, fair value is increased as the stock price rises. . A significant increase in discount rate would result in a lower fair value, and a significant decrease in discount rate would result in a higher fair value.
Available-for-sale financial assets	Discounted cash flow, Dividend discount model, Net asset method, Residual income model, etc.	Permanent growth rate	0% ~ 2.00%	A significant increase in growth rate would result in a higher fair value
		Discount rate	2.58%~26.57%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	0% ~ 1%	A significant increase in liquidation value rate would result in a higher fair value

December 31, 2020

Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Financial assets designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset Correlations	0% ~ 99% -0.99 ~ 0.99	Not standardized but depends on the structure of financial instrument
Derivative assets	Price formulas, Simulation, 1-factor Gaussian Copular model, Binomial model, Discounted cash flow	The volatility of the underlying asset Correlations Stock price Discount rate	0% ~ 99% -0.99 ~ 0.99 4,987 won~5,087 won -0.65% ~ -0.17%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. For conversion rights, fair value is increased as the stock price rises. A significant increase in discount rate would result in a lower fair value, and a significant decrease in discount rate would result in a higher fair value.
Available-for-sale financial assets	Discounted cash flow, Dividend discount model, Net asset method, Residual income model, etc.	Permanent growth rate	0% ~ 2.00%	A significant increase in growth rate would result in a higher fair value
		Discount rate	1.93%~21.30%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	-	A significant increase in liquidation value rate would result in a higher fair value

(In millions of won)

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 and 2020 are as follows, continued:

December 31, 2021

Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset	0% ~ 99%	Not standardized but depends on the structure of financial instrument.
		Correlations	-0.99 ~ 0.99	
Derivative liabilities	Price formulas, Simulation, 1-factor Gaussian Copular model, Discounted cash flow	The volatility of the underlying asset	0% ~ 99%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument. A significant increase in discount rate would result in a lower fair value and a significant decrease in discount rate would result in a higher fair value.
		Correlations	-0.99 ~ 0.99	
		Discount rate	-0.58%~0.51%	

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 and 2020 are as follows, continued:

December 31, 2020

Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	Price formulas, Simulation	The volatility of the underlying asset	0% ~ 99%	Not standardized but depends on the structure of financial instrument.
		Correlations	-0.99 ~ 0.99	
Derivative liabilities	Price formulas, Simulation, 1-factor Gaussian Copular model	The volatility of the underlying asset	0% ~ 99%	For CDS, increase in correlation coefficient would result in a lower fair value. For ELW, increase in volatility would result in higher fair value. Stock derivative option is not standardized but depends on the structure of financial instrument.
		Correlations	-0.99 ~ 0.99	

(8) A sensitivity analysis for fair value measurement arising from changes in the significant unobservable inputs as of December 31, 2021 and 2020 are as follows:

		2021			
		Profit or loss		Other comprehensive income	
		Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:	₩				
Financial assets designated at fair value through profit or loss (*1)		45	(121)	-	-
Derivative assets (*1)		(153)	(556)	-	-
Available-for-sale financial assets (*2)		-	-	108,937	(106,127)
Investments in associates		-	-	627	(627)
	₩	(108)	(677)	109,564	(106,754)
Financial liabilities:					
Financial liabilities designated at fair value through profit or loss (*1)	₩	31,923	(4,079)	-	-
Derivative liabilities (*1)		85,004	(91,951)	-	-
	₩	116,927	(96,030)	-	-

(In millions of won)

(*1) A change in fair value is calculated by increasing or decreasing the correlation of the fluctuation range of correlations (-10%~10%), volatility (-10%~10%), underlying assets' price (-1%~1%) and discount rate (-1%~1%).
(*2) A change in fair value is calculated by increasing or decreasing the correlation of permanent growth rate (-1% ~1%), discount rate (-1%~1%) and liquidation value rate (-1% ~1%).

		2020			
		Profit or loss		Other comprehensive income	
		Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:					
Derivative assets (*1)	₩	95,323	(76,462)	-	-
Available-for-sale financial assets (*2)		-	-	115,405	(105,092)
	₩	95,323	(76,462)	115,405	(105,092)
Financial liabilities:					
Financial liabilities designated at fair value through profit or loss (*1)	₩	2,330	(2,371)	-	-
Derivative liabilities (*1)		4,229	(4,273)	-	-
	₩	6,559	(6,644)	-	-

(*1) A change in fair value is calculated by increasing or decreasing the correlation of the fluctuation range of correlations (-10%~10%), volatility (-10%~10%), underlying assets' price (-1%~1%) and discount rate (-1%~1%).
(*2) A change in fair value is calculated by increasing or decreasing the correlation of permanent growth rate (-1% ~1%), discount rate (-1%~1%) and liquidation value rate (-1% ~1%).

(9) The fair value hierarchy of financial instruments which are not measured at fair value in the consolidated statement of financial position as of December 31, 2021 and 2020 are as follows:

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	4,659	2,892,385	-	2,897,044
Held-to-maturity financial assets		2,887,241	1,591,291	-	4,478,532
Loan receivables		-	-	23,525,226	23,525,226
Other receivables		-	-	1,396,973	1,396,973
	₩	2,891,900	4,483,676	24,922,199	32,297,775
Financial liabilities:					
Borrowings	₩	-	-	3,541,753	3,541,753
Other financial liabilities		-	-	3,084,810	3,084,810
	₩	-	-	6,626,563	6,626,563

		2020			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	1,214	1,939,417	-	1,940,631
Loan receivables		-	-	22,436,145	22,436,145
Other receivables		-	-	1,580,161	1,580,161
	₩	1,214	1,939,417	24,016,306	25,956,937
Financial liabilities:					
Borrowings	₩	-	-	2,619,813	2,619,813
Other financial liabilities		-	-	2,884,484	2,884,484
	₩	-	-	5,504,297	5,504,297

(In millions of won)

(10) Offsetting financial assets and financial liabilities

Details of financial assets and financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements as of December 31, 2021 and 2020 are as follows:

		2021					
					Amount not offsetting in the statements of financial position		
		Financial assets and liabilities recognized	Offsetting financial assets and liabilities recognized	Financial assets and liabilities recognized after offset	Financial instruments	Cash collateral received	Net amounts
Financial assets:							
Derivative assets	₩	461,753	-	461,753	272,187	66,279	123,287
Receivables from KRX		400,373	359,490	40,883	28,414	-	12,469
	₩	862,126	359,490	502,636	300,601	66,279	135,756
Financial liabilities:							
Securities sold	₩	117,484	-	117,484	117,484	-	-
Derivative liabilities		890,412	-	890,412	674,537	-	215,875
Bonds sold under repurchase agreements		2,192,662	-	2,192,662	2,192,662	-	-
Payables to KRX		484,914	359,490	125,424	28,414	-	97,010
	₩	3,685,472	359,490	3,325,982	3,013,097	-	312,885

		2020					
					Amount not offsetting in the statements of financial position		
		Financial assets and liabilities recognized	Offsetting financial assets and liabilities recognized	Financial assets and liabilities recognized after offset	Financial instruments	Cash collateral received	Net amounts
Financial assets:							
Derivative assets	₩	1,270,047	-	1,270,047	923,700	-	346,347
Receivables from KRX		562,133	538,816	23,317	-	-	23,317
	₩	1,832,180	538,816	1,293,364	923,700	-	369,664
Financial liabilities:							
Securities sold	₩	413,809	-	413,809	413,809	-	-
Derivative liabilities		647,846	-	647,846	309,992	-	337,854
Bonds sold under repurchase agreements		1,571,411	-	1,571,411	1,571,411	-	-
Payables to KRX		576,764	538,816	37,948	-	-	37,948
	₩	3,209,830	538,816	2,671,014	2,295,212	-	375,802

15. Investment properties

(1) Investment properties as of December 31, 2021 and 2020 are as follows:

		2021			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	756,292	-	(6,953)	749,339
Buildings		482,058	(167,993)	(10,816)	303,249
Structures		8,860	(3,090)	(258)	5,512
	₩	1,247,210	(171,083)	(18,027)	1,058,100

		2020			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	782,756	-	(6,944)	775,812
Buildings		487,434	(164,314)	(10,116)	313,004
Structures		9,107	(2,994)	(258)	5,855
	₩	1,279,297	(167,308)	(17,318)	1,094,671

(2) Changes in Investment properties for the years ended December 31, 2021 and 2020 are as follows:

		2021					
		Beginning balance	Acquisitions	Depreciation	Impairment	Others (*1)	Ending balance
Land	₩	775,812	-	-	-	(26,473)	749,339
Buildings		313,004	7,707	(7,044)	(1)	(10,417)	303,249
Structures		5,855	-	(178)	-	(165)	5,512

(In millions of won)

₩	1,094,671	7,707	(7,222)	(1)	(37,055)	1,058,100

(*1) Others represent transfers from property and equipment, etc.

		2020						
		Beginning balance	Acquisitions	Disposals	Depreciation	Impairment	Others (*1)	Ending balance
Land	₩	806,787	-	(1,969)	-	(338)	(28,668)	775,812
Buildings		316,792	1,600	(509)	(9,047)	(212)	4,380	313,004
Structures		5,932	-	-	(173)	-	96	5,855
	₩	1,129,511	1,600	(2,478)	(9,220)	(550)	(24,192) (28,668)	1,094,671

(*1) Others represent transfers to property and equipment.

(3) Gain on investment properties for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Rental income	₩	82,842	82,978
Direct operating expenses for investment properties:			
Generated from rental income		40,848	34,142
Not generated from rental income		5,908	3,499

(4) The fair value of investment properties as of December 31, 2021 and 2020 are ₩2,080,794 million and ₩1,863,997 million, respectively. The fair value is estimated by qualified and independent appraiser. The fair value of investment properties is classified as level 3.

Valuation techniques and inputs used in measuring investment properties as of December 31, 2021 are as follows:

Valuation technique	Input variables	Fair value measurement sensitivity to unobservable inputs
Cost approach, sales comparison, income approach	Discount rate, vacancy rate, operating expenses rate, etc.	An increase in discount rate, vacancy rate, operating expenses rate would result in a lower fair value

(5) Investment properties pledged as collateral as of December 31, 2021 and 2020 are as follows:

			2021	2020	Purpose
Woori Bank, etc.	Book value	₩	62,672	82,774	Establishment of the right to collateral security
	Maximum credit amount		75,090	89,927	

16. Property and equipment

(1) Property and equipment as of December 31, 2021 and 2020 are as follows:

		2021			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	828,684	-	(4,876)	823,808
Buildings		653,368	(231,615)	(34,794)	386,959
Structures		19,454	(7,787)	(266)	11,401
Vehicles		2,560	(2,013)	-	547
Equipment		312,308	(253,494)	-	58,814
Construction in progress		29,301	-	-	29,301
Right-of-use asset (Real estate)		136,945	(58,404)	-	78,541
Right-of-use asset (Vehicles)		3,219	(1,231)	-	1,988
Others		58,260	(34,339)	(404)	23,517
	₩	2,044,099	(588,883)	(40,340)	1,414,876

		2020			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	802,182	-	(4,884)	797,298
Buildings		635,641	(212,451)	(35,465)	387,725
Structures		19,206	(7,327)	(266)	11,613
Vehicles		2,758	(2,255)	-	503
Equipment		299,426	(233,994)	-	65,432
Construction in progress		8,706	-	-	8,706

(In millions of won)

Right-of-use asset (Real estate)		142,546	(55,261)	-	87,285
Right-of-use asset (Vehicles)		1,812	(951)	-	861
Others		51,398	(31,726)	(395)	19,277
	₩	1,963,675	(543,965)	(41,010)	1,378,700

(In millions of won)

(2) Changes in property and equipment for the years ended December 31, 2021 and 2020 are as follows:

		2021						
		Beginning balance	Acquisitions	Disposals/ Termination	Depreciation	impairments	Others (*1)	Ending balance
Land	₩	797,298	37	-	-	-	26,473	823,808
Buildings		387,725	4,643	-	(15,807)	(27)	10,425	386,959
Structures		11,613	-	-	(377)	-	165	11,401
Vehicles		503	452	(78)	(330)	-	-	547
Equipment		65,432	24,380	(737)	(31,126)	-	865	58,814
Construction in progress		8,706	30,132	-	-	-	(9,537)	29,301
Right-of-use assets (Real estate)		87,285	82,742	(36,353)	(55,133)	-	-	78,541
Right-of-use assets (Vehicles)		861	2,041	(51)	(863)	-	-	1,988
Others		19,277	2,796	(542)	(6,829)	(9)	8,824	23,517
	₩	1,378,700	147,223	(37,761)	(110,465)	(36)	37,215	1,414,876

(*1) Others represent transfers to or from investment properties.

(2) Changes in property and equipment for the years ended December 31, 2021 and 2020 are as follows, continued:

		2020						
		Beginning balance	Acquisitions	Disposals/ Termination	Depreciation	impairments	Others (*1)	Ending balance
Land	₩	768,952	55	(195)	-	(182)	28,668	797,298
Buildings		401,769	4,305	(106)	(12,734)	(672)	(4,837)	387,725
Structures		12,090	-	-	(381)	-	(96)	11,613
Vehicles		661	157	(24)	(291)	-	-	503
Equipment		72,044	24,779	(386)	(34,908)	-	3,903	65,432
Construction in progress		94	11,216	-	-	-	(2,604)	8,706
Right-of-use assets (Real estate)		94,046	69,266	(22,562)	(53,497)	-	32	87,285
Right-of-use assets (Vehicles)		949	609	(22)	(675)	-	-	861
Others		17,123	6,932	(32)	(5,356)	(22)	632	19,277
	₩	1,367,728	117,319	(23,327)	(107,842)	(876)	25,698	1,378,700

(*1) Others represent transfers to or from investment properties.

(In millions of won)

(3) The changes in asset revaluation of land accounted in other comprehensive income and policyholder's equity adjustments and deferred tax liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Revaluation reserves	₩	907,343	907,343
Amount allocated into policyholder's equity adjustment		128,982	135,266
Deferred tax liabilities		219,827	206,043
Amount allocated into other comprehensive income		558,534	566,034

(4) Reserve for revaluation as of December 31, 2021 is as follows:

Revaluation date		Amount
January 1, 1981	₩	165
April 1, 1989		300
April 1, 1999		23,900
		24,365
Deferred tax effect		(19,863)
	₩	4,502

As of April 1, 1999, a certain portion of the Group's property and equipment was revalued in accordance with the *Korean Asset Revaluation Law*. As a result, the revaluation difference amounting to ₩478,550 million was classified as asset revaluation reserve. Out of this amount, ₩47,800 million, excluding ₩430,750 million, was calculated as asset revaluation reserve. The asset revaluation reserve amounting to ₩23,900 million was transferred to capital stock during the year ended March 31, 2002. Out of ₩430,750 million, the amount of ₩64,000 million was transferred to the reserve for special participating policyholders' dividends and was paid during the year ended March 31, 2002, while the amount of ₩63,750 million was transferred to reserve for social contributions in policyholders' equity. The amount of ₩126,438 million, out of the remainder amounting to ₩303,000 million, was used for dividends to policyholders for the year ended March 31, 2001, while the amount of ₩176,562 million was transferred to reserve for participating policyholder's dividends for stabilization.
The amount of ₩65,923 million from the Group's reserve for revaluation incurred on April 1, 1989 was reserved for participating policyholder's dividends for stabilization for the year ended December 31, 2020. The amount of ₩164,481 million, a part of reserve for participating policyholder's dividends for stabilization, was used for dividends to policyholders. The reserve for participating policyholder's dividends for stabilization amounts to ₩ 78,004 million as of December 31, 2021.

17. Intangible assets

(1) Intangible assets as of December 31, 2021 and 2020 are as follows:

		2021			
		Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩	61,132	-	(13,821)	47,311
Software		125,809	(85,347)	-	40,462
Development costs (*1)		294,329	(157,629)	-	136,700
Memberships		14,698	-	(965)	13,733
Customer relationships		25,862	(12,931)	-	12,931
Others		6,401	(187)	-	6,214
	₩	528,231	(256,094)	(14,786)	257,351

(*1) ₩88,310 million of development costs relating to the new generation system are included as of December 31, 2021 and the remaining useful life of the development cost is 2.75 years.

		2020			
		Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩	61,132	-	(13,821)	47,311
Software		120,501	(71,284)	-	49,217
Development costs (*1)		278,174	(114,181)	-	163,993
Memberships		14,394	-	(1,016)	13,378
Customer relationships		25,861	(7,758)	-	18,103
Others		17,329	(13,034)	-	4,295
	₩	517,391	(206,257)	(14,837)	296,297

(*1) ₩118,631 million of development costs relating to the new generation system are included as of December 31, 2020 and the remaining useful life of the development cost is 3.75 years.

(In millions of won)

17. Intangible assets, continued

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows:

2021

		Beginning balance	Acquisitions	Disposals	Amortization	Impairment	Others (*1)	Ending balance
Goodwill	₩	47,311	-	-	-	-	-	47,311
Software		49,217	5,313	(11)	(14,674)	-	617	40,462
Development cost		163,993	6,333	-	(46,693)	-	13,067	136,700
Memberships		13,378	896	(535)	-	(6)	-	13,733
Customer relationships		18,103	-	-	(5,172)	-	-	12,931
Others		4,295	2,700	-	(199)	-	(582)	6,214
	₩	296,297	15,242	(546)	(66,738)	(6)	13,102	257,351

(*1) Others include transfers from in-process research and development cost of intangible assets, advanced payments, and others.

2020

		Beginning balance	Acquisitions	Disposals	Amortization	Impairment	Others (*1)	Ending balance
Goodwill	₩	59,375	-	-	-	(12,064)	-	47,311
Software		49,109	8,292	-	(13,170)	-	4,896	49,217
Development cost		177,987	2,453	-	(42,502)	(19)	26,074	163,993
Memberships		15,234	34	(1,997)	-	107	-	13,378
Customer relationships		23,275	-	-	(5,172)	-	-	18,103
Others		3,955	1,954	-	(256)	-	(1,358)	4,295
	₩	328,935	12,733	(1,997)	(61,100)	(11,976)	29,702	296,297

(*1) Others include transfers from in-process research and development cost of intangible assets, advanced payments, and others.

17. Intangible assets, continued

(3) Impairment assessment of goodwill

Management reviews sales performance based on types of products by regions. Management of the Group allocates and manages goodwill by segments (legal entity) as follows:

		Beginning balance	Impairment loss	Ending balance
Kyobo Hottracks Co., Ltd.	₩	7,600	-	7,600
Kyobo Asset Trust Co., Ltd.		39,711	-	39,711
	₩	47,311	-	47,311

Major assumptions, permanent growth rate and discount rate used in the calculation of value in use with regards to significant goodwill allocated to cash generating unit are as follows:

	Kyobo Hottracks Co., Ltd.				
	2022	2023	2024	2025	2026
Operating profit rate	-4.46%	-2.17%	0.04%	2.13%	4.10%
Permanent growth rate					-
Discount rate					12.70%
Recoverable amount of cash-generating unit					24,108

Estimated sales on a yearly basis was calculated by analyzing and reviewing the Group’s sales environment and middle and long-term sales plan based on sales results and data predicting future market volumes up to December 2021. Sales costs were estimated based on the past performance results and future business plan. Selling and administrative expenses comprise of expenses related to sales, labor costs, expenses related to labor, fixed expenses, depreciation expenses and amortization expenses on intangible assets. As a result of estimating sales and sales costs, the average yearly operating profit rate for the estimation period was (0.07%), and weighted average capital expenses, calculated by using average beta and liability ratio of the companies in the same industry listed on KOSPI and KOSDAQ, were 12.7%. The Group calculated recoverable amount using the DCF model.

Major assumptions, permanent growth rate and discount rate used in the calculation of value in use with regards to significant goodwill allocated to cash generating unit are as follows:

	Kyobo Asset Trust Co., Ltd.				
	2022	2023	2024	2025	2026
Operating profit rate	36.33%	56.17%	54.07%	55.68%	57.53%
Permanent Growth rate					-
Discount rate					13.9%
Recoverable amount of cash-generating unit					298,534

Operating income was estimated by reflecting past sales trends, external agency forecasts, and expert agency analysis based on the business plan provided by the company subject to impairment assessment. Operating expenses are estimated by dividing into personnel expenses, variable expenses, fixed expenses, amortization expenses for tangible and intangible assets, and bad debt expenses. As a result of the Group's estimation of sales and cost of sales, the average annual operating margin for the estimated period was 51.95%, and the weighted average cost of capital calculated using the average beta and debt ratio of the same industry listed on the KOSPI and KOSDAQ was 13.9%. The Group used the DCF model to calculate the recoverable value.

18. Deferred acquisition costs

Changes in deferred acquisition costs for the years ended December 31, 2021 and 2020 are as follows:

		2021					
			Acquisition costs				
		Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩	1,144,477	744,677	(256,686)	487,991	(519,183)	1,113,285
Group insurance		44,210	26,057	(5,331)	20,726	(19,792)	45,144
	₩	1,188,687	770,734	(262,017)	508,717	(538,975)	1,158,429

		2020					
			Acquisition costs				
		Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩	1,229,740	860,335	(320,151)	540,184	(625,447)	1,144,477
Group insurance		40,688	28,835	(5,691)	23,144	(19,622)	44,210
	₩	1,270,428	889,170	(325,842)	563,328	(645,069)	1,188,687

19. Other assets

(1) Other assets as of December 31, 2021 and 2020 are as follows:

		2021	2020
Reinsurance assets	₩	31,850	25,409
Prepaid expenses		12,116	8,401
Advanced payments		42,922	20,459
Inventories		98,510	90,779
Others		11,852	53,879
	₩	197,250	198,927

(2) Inventories as of December 31, 2021 and 2020 are as follows:

		2021	2020
Merchandise	₩	99,001	91,504
Finished goods		849	883
Supplies		409	446
Sub-materials		-	4
Merchandise in transit		1	39
		100,260	92,876
Accumulated impairment loss, merchandise	₩	(1,554)	(1,927)
Accumulated impairment loss, finished goods		(196)	(170)
		(1,750)	(2,097)
	₩	98,510	90,779

(3) The amounts of inventories recognized as an expense which is included in cost of sales for the years ended December 31, 2021 and 2020 are ₩549,376 million and ₩475,532 million, respectively

(4) Contract assets included in other assets as of December 31, 2021 and 2020 are as follows:

		2021	2020
Refund assets (estimated return assets)	₩	2,004	662
Due from customers		3,067	44,133
	₩	5,071	44,795

20. Liabilities under insurance contracts

(1) Details of liabilities under insurance contracts as of December 31, 2021 and 2020 are as follows:

		2021				
		Pure endowment	Death	Endowment	Group	Total
Premium reserve	₩	29,126,231	38,641,768	7,542,560	256,453	75,567,012
Unearned premium reserve		36	701	1	6,653	7,391
Reserve for outstanding claims		1,073,946	808,757	81,413	33,069	1,997,185
Reserve for participating policyholder’s dividend		447,082	2,829	2,488	54	452,453
		30,647,295	39,454,055	7,626,462	296,229	78,024,041
Guarantee reserve						1,122,838
Dividends reserve for policyholder’s income participation						72,355
Reserve for losses on dividend insurance contract						67,907
					₩	79,287,141

		2020					
		Pure endowment	Death	Endowment	Group	Others (*)	Total
Premium reserve	₩	28,568,429	36,785,340	6,361,297	245,062	1,112,801	73,072,929
Unearned premium reserve		69	982	2	7,261	-	8,314
Reserve for outstanding claims		1,014,443	839,480	58,508	36,472	-	1,948,903
Reserve for participating policyholder’s dividend		445,912	3,159	2,595	58	-	451,724
		30,028,853	37,628,961	6,422,402	288,853	1,112,801	75,481,870
Guarantee reserve							1,076,162
Dividends reserve for policyholder’s income participation							56,829
Reserve for losses on dividend insurance contract							71,335
						₩	76,686,196

(*) LAT additional reserves were classified as others.

(2) Changes in liabilities under insurance contracts for the years ended December 31, 2021 and 2020 are as follows:

		2021		
		Beginning balance	Increase(decrease)	Ending balance
Premium reserve	₩	73,072,929	2,494,083	75,567,012
Unearned premium reserve		8,314	(923)	7,391
Reserve for outstanding claims		1,948,903	48,282	1,997,185
Reserve for participating policyholder’s dividend		451,724	729	452,453
Guarantee reserve		1,076,162	46,676	1,122,838
Dividends reserve for policyholder’s income participation		56,829	15,526	72,355
Reserve for losses on dividend insurance contract		71,335	(3,428)	67,907

	₩	76,686,196	2,600,945	79,287,141

		2020		
		Beginning balance	Increase(decrease)	Ending balance
Premium reserve	₩	69,680,941	3,391,988	73,072,929
Unearned premium reserve		6,902	1,412	8,314
Reserve for outstanding claims		1,886,667	62,236	1,948,903
Reserve for participating policyholder's dividend		450,637	1,087	451,724
Guarantee reserve		911,430	164,732	1,076,162
Dividends reserve for policyholder's income participation		35,063	21,766	56,829
Reserve for losses on dividend insurance contract		67,261	4,074	71,335
	₩	73,038,901	3,647,295	76,686,196

21. Policyholder's equity adjustments

Policyholder's equity adjustments as of December 31, 2021 and 2020 are as follows:

		2021	2020
Reserve for policyholder dividend stabilization	₩	78,004	80,803
Fund for public projects		99,466	99,466
Gain on valuation of available-for-sale financial assets		413,158	1,146,269
Loss on valuation of investment in associates		6	6
Gain on revaluation of property and equipment		128,982	135,266
	₩	719,616	1,461,810

22. Liability adequacy tests (LAT)

(1) Application of LAT

The Group reviewed the appropriateness of measurement of the premium reserve, unearned premium reserve, and guarantee reserve as the current holding contracts since December 31, 2021. Premium reserve is calculated by deducting unamortized deferred acquisition costs and insurance contract loan from the net level premium reserve applying the Regulation on Supervision of Insurance Business Article 6-3. However, the liabilities using the current estimation and the liabilities for defined payment obligations are exempted from evaluation.

(2) Calculation of LAT

The Group assesses the appropriateness of LAT by calculating a valuation basis using the current values of all future cash flows that may arise from the insurance contracts currently held, and if the valuation basis amount exceeds the book value of a liability reserve, the Group recognizes the difference as an additional amount in the reserve.

(3) The assumptions and calculation methods

The assumptions and calculation methods used in the calculation of current estimates for future cash flows in the Liability Adequacy Test as of December 31, 2021 and 2020 are as follows:

	2021	2020	2019
Discount rate (*1)	-3.39%~19.54%	-3.98%~23.96%	-3.14%~16.74%
Risk premium rate (*2)	19.5% ~ 247%	25%~232.5%	12% ~ 272.5%
Surrender ratio (*3)	0.3% ~ 63.5%	0.3%~70%	0.3%~41%

(*1) Scenario presented by Financial Supervisory Service
(*2) The ratio of premium paid to risk premium by each product type, channel type, sale period, and lapse of time was calculated based on the past empirical statistics of recent 5 years or more.
(*3) The surrender ratio was calculated by the ratio of surrender premium to overdue premium by product type, channel type, payment method and lapse of time based on the past empirical statistics of recent 5 years or more.

Acquisition costs of the operating and administrative expenses are calculated by applying ratio of actual acquisition cost to planned acquisition cost based on past statistics of recent 1 year by product type. Maintenance fee is based on past statistics of recent 1 year by insurance and insurance contracts.

(In millions of won, except shares, par value per share and in thousands of USD)

(4) Result of LAT

The results of Liability Adequacy Test as of December 31, 2021 and 2020 are as follows:

		2021		
		Reserve for test	LAT base	Premium surplus (deficit)
Participating:				
Interest rate-fixed	₩	11,213,809	19,934,029	(8,720,220)
Interest rate-linked		5,852,418	5,741,354	111,064
Non- participating:				
Interest rate-fixed		16,182,009	16,535,468	(353,459)
Interest rate-linked and investments-linked		35,505,187	21,352,583	14,152,604
	₩	68,753,423	63,563,434	5,189,989

		2020(*1)		
		Reserve for test	LAT base	Premium surplus (deficit)
Participating:				
Interest rate-fixed	₩	11,143,268	20,945,969	(9,802,701)
Interest rate-linked		5,888,398	5,824,107	64,291
Non- participating:				
Interest rate-fixed		15,947,650	17,629,634	(1,681,984)
Interest rate-linked and investments-linked		32,696,001	20,916,428	11,779,573
	₩	65,675,317	65,316,138	359,179

		2019(*1)		
		Reserve for test	LAT base	Premium surplus (deficit)
Participating:				
Interest rate-fixed	₩	11,003,118	20,970,584	(9,967,466)
Interest rate-linked		5,778,145	5,654,807	123,338
Non- participating:				
Interest rate-fixed		15,594,260	17,818,255	(2,223,995)
Interest rate-linked and investments-linked		28,500,883	17,545,559	10,955,324
	₩	60,876,406	61,989,205	(1,112,799)

(*1) The results have been recalculated in accordance with revised assumption due to revision of the Regulation on Supervision of Insurance Business.

23. Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as of December 31, 2021 and 2020 are as follows:

		2021	2020
Hybrid financial instruments:			
Equity-linked securities sold	₩	802,432	61,789
Derivatives-combined securities sold		434,163	561,705
Derivatives-combined debt sold		2,165,878	2,394,667
Credit risk adjustment		(1,192)	(324)
The settled amounts of valuation		163,568	65,689
	₩	3,564,849	3,083,526

(In millions of won, except shares, par value per share and in thousands of USD)

24. Financial liabilities held for trading

Financial liabilities held for trading as of December 31, 2021 and 2020 are as follows:

		2021	2020
Securities sold:			
Equity	₩	106,426	2,667
Government bond and local government bond		11,058	411,142
	₩	117,484	413,809

25. Borrowings

Borrowings as of December 31, 2021 and 2020 are summarized as follows:

	Creditors		2021	2020
Bonds sold under repurchase agreements	Public offerings, Institutions	₩	2,191,832	1,569,384
Subordinated debt securities issued	Pohang Fusion Tech District etc		4,525	5,311
Borrowings from KSFC	KSFC		134,088	70,000
Borrowings for general purpose	Woori Bank, etc.		5,000	22,700
Borrowings for equipment	Kookmin Bank, etc.		15,000	15,000
Debentures	Individuals, etc.		1,167,008	833,918
Other Borrowings	Individuals, etc.		24,300	103,500
		₩	3,541,753	2,619,813

26. Other financial liabilities

(1) Other financial liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Insurance payables:			
Dormant policies	₩	33,567	35,039
Insurance settlement adjustments		7,415	6,314
Reinsurance payables		61,067	55,794
		102,049	97,147
Accounts payable		524,161	833,912
Accrued expenses		441,569	306,894
Leasehold deposits received		101,099	113,607
Less: Present value discount		(6,514)	(6,615)
Trust accounts liabilities		20,603	11,353
Customers' deposits		1,576,795	1,277,631
Securities deposit received		90,788	26,632
Non-controlling interests liabilities (*1)		29,463	40,167
Others		134,037	104,841
Lease liabilities (*2)		70,789	78,164
	₩	3,084,839	2,883,733

(*1) The cumulative amount of non-controlling interests in the consolidated beneficiary certificates.
(*2) Lease liabilities are recognized and measured in accordance with KIFRS 1116.

(2) Lease expenses for the year ended December 31, 2021 and 2020 are as follows:

		2021	2020
Short-term lease expenses (*1)	₩	1,276	754
Lease of low-value asset expenses (*1)		584	440
Interest expenses of lease liabilities		1,883	2,025
	₩	3,743	3,219

(*1) The lease payments were recognized as an expense on a straight-line basis over the lease term.

(3) Details of lease liabilities by the maturity according to remaining lease terms as of December 31, 2021 and 2020 are as follows:

		2021		
		Less than 1 year	1 ~ 5 years	More than 5 years
Real estates	₩	44,534	50,720	19,858

(In millions of won, except shares, par value per share and in thousands of USD)

Vehicles		875	1,133	-
	₩	45,409	51,853	19,858

		2020		
		Less than 1 year	1 ~ 5 years	More than 5 years
Real estates	₩	39,548	44,355	13,145
Vehicles		487	346	-
	₩	40,035	44,701	13,145

(4) Details of lease payments related to lease liabilities are ₩51,820 million and ₩ 48,192 million for the year ended December 31, 2021 and 2020, respectively.

27. Provisions

(1) Changes in provisions for years ended December 31, 2021 and 2020 are as follows:

		2021			
		Provision for decommissioning	Litigation	Others (*1)	Total
Beginning balance	₩	15,470	534	8,188	24,192
Charge for the year		12,377	-	1,573	13,950
Utilized		(2,046)	-	(400)	(2,446)
(Reversal of) provision, net		(10,572)	(193)	(2,708)	(13,473)
Ending balance	₩	15,229	341	6,653	22,223

(*1) Refund liability of ₩2,247 million corresponding to the contract liability is included.

		2020			
		Provision for decommissioning	Litigation	Others (*1, 2)	Total
Beginning balance	₩	16,616	849	7,118	24,583
Charge for the year		16,442	-	215	16,657
Utilized		(3,398)	-	(1,573)	(4,971)
(Reversal of) provision, net		(14,190)	(315)	2,428	(12,077)
Ending balance	₩	15,470	534	8,188	24,192

(*1) Others include premium refund estimation, related to the risk insurance premium of prenatal insurance.
(*2) Amounts of refund liability corresponding to the contract liability ₩929 million are included.

(2) The nature of the provisions and the timing of the expected outflow of economic benefits for years ended December 31, 2021 are as follows:

		2021				
		Less than 1 year	1 ~ 3 years	3 ~ 5 years	More than 5 years	Total
Provision for restoration costs	₩	6,216	4,122	2,675	2,216	15,229
Litigation		341	-	-	-	341
Other provisions		2,467	754	320	3,112	6,653
	₩	9,024	4,876	2,995	5,328	22,223

28. Defined benefit liabilities (assets)

(1) The Group operates a defined benefit plan based on compensation for pension of the employees and the period of services rendered. The Group has entrusted the plan assets of defined benefit obligations at Kookmin Bank and others.

Defined benefit plan liabilities (assets) as of December 31, 2021 and December 31, 2020 are summarized as follows:

		2021	2020
Present value of defined benefit obligations	₩	367,337	391,337
Fair value of plan assets		(385,864)	(330,891)
Defined benefit liabilities (assets) (*)	₩	(18,527)	28,007

(*) Net defined benefit assets of ₩18,527 million are net defined benefit assets of ₩19,961 million less net defined benefit liabilities of ₩1,434 million as of December 31, 2021.

(In millions of won, except shares, par value per share and in thousands of USD)

(2) Changes in the present value of defined benefit obligations for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	397,317	391,337
Current service costs		64,438	60,364
Interest expenses		6,631	7,929
Remeasurements:			
Actuarial gain from changes in financial assumptions		(25,175)	5,829
Effect of changes in demographic assumptions		(2,135)	(10,085)
Experience adjustments		(375)	(10,789)
Benefits paid by the plan		(73,364)	(46,009)
Past service costs		-	(1,259)
Ending balance	₩	367,337	397,317

(3) Changes in the fair value of plan assets for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	369,310	330,891
Interest income		6,099	6,547
Remeasurements		(2,227)	189
Contributions paid into the plan		53,225	68,039
Benefits paid by the plan		(39,467)	(35,919)
Other administrative costs		(1,076)	(437)
Ending balance	₩	385,864	369,310

(4) Plan assets as of December 31, 2021 and 2020 are as follows:

		2021		2020	
		Amount	Ratio (%)	Amount	Ratio (%)
Cash and cash equivalents (*)	₩	248,544	64.41	240,122	65.02
Equity securities		9,110	2.36	5,253	1.42
Debt securities		58,596	15.19	58,225	15.77
Investment fund		69,614	18.04	65,710	17.79
	₩	385,864	100.00	369,310	100.00

(*) Cash and cash equivalents include products that guarantee the principal, such as bank deposits, equity-linked, interest rate-linked, and guaranteed interest contract.

(5) Actuarial assumptions as of December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate (*)	0.02%~2.61%	1.50%~2.20%
Future salary increasing rate	0.03%~7.00%	1.50%~5.00%

(*) Considering the timing of the payments of retirement benefits, the Group applied a rate of return of unsecured debenture bonds with a rating of AA+.

(6) Sensitivity analysis
Sensitivity analysis of the present value of defined benefit obligation as of December 31, 2021 is as follows:

		2021	
		1% Point Increase	1% Point Decrease
Discount rate	₩	(23,340)	26,488
Future salary increasing rate		26,830	(24,096)

(7) The weighted average maturity of the defined benefit obligation is 3.89~11.46 years as of December 31, 2021.

(In millions of won, except shares, par value per share and in thousands of USD)

29. Other liabilities

Other liabilities as of December 31, 2021 and December 31, 2020 are as follows:

		2021	2020
Advances received	₩	20,065	18,477
Unearned income(*1)		72,750	44,407
Withholdings		64,430	95,208
Value added tax withheld		12,475	9,969
Unearned insurance premium(*2)		578,612	419,642
Others		21,930	106
	₩	770,262	587,809

(*) The Group provided a certain portion of the customer's purchase amounts as points, and the points awarded are accounted as deferred revenue to be recognized as sales at the time of use of the points in the future and deducted from sales. Amounts of customer loyalty programs are ₩12,048 million and ₩10,847 million as of December 31, 2021 and December 31, 2020, respectively.

(*2) Others include the amount estimated to be paid in the future to the policyholder of the immediate annuity inheritance maturity type.

30. Derivatives

(1) The notional amounts of derivatives as of December 31, 2021 and 2020 are as follows:

1) Exchange traded

		2021	2020
Interest rate related:			
Interest rate futures	₩	1,858,345	2,222,970
Equity related:			
Stock index futures		803,325	517,995
Stock index options		5,403	216
Overseas index futures		7,772	-
Stock subscription warrants		58	-
		816,558	518,211
Commodity related:			
Overseas commodity futures		5,019	4,731
Other		1,293	-
		6,312	4,731
	₩	2,681,215	2,745,912

2) Over the counter

		2021	2020
Hedge related:			
Currency related:			
Currency forwards	₩	4,437,936	4,106,000
Currency swaps		10,804,662	11,700,761
		15,242,598	15,806,761
Interest rate related:			
Interest rate swaps		12,588	13,167
Interest rate forwards		2,282,081	-
		2,294,669	13,167
		17,537,267	15,819,928
Non-hedge related:			
Currency related:			
Currency forwards		4,012,664	4,405,650
Currency swaps		10,423,019	8,890,497
		14,435,683	13,296,147
Interest rates related:			
Interest rate swaps		23,094,332	16,102,398
Interest rate options		11,064	51,064
		23,105,396	16,153,462
Equity related:			
Stock index options		136,549	71,994
Stock swaps		891,906	57,609
Conversion rights		15,776	15,781
Others		-	493
		1,044,231	145,877
Credit related:			
Credit default swaps		9,599,188	8,868,135

(In millions of won, except shares, par value per share and in thousands of USD)

Commodity related:			
Oversea commodity forward		5,019	4,731
		48,189,517	38,468,352
	₩	65,726,784	54,288,280

30. Derivatives, continued

(2) Fair values of derivative instruments for hedging as of December 31, 2021 and December 31, 2020 are as follows:

		2021		2020	
		Assets	Liabilities	Assets	Liabilities
Hedge related:					
Currency related:					
Currency forwards	₩	27,561	60,945	150,799	20,449
Currency swaps		51,551	284,677	646,213	73,785
		79,112	345,622	797,012	94,234
Interest rate related:					
Interest rate swaps		38	-	464	-
Interest rate forwards		6,160	77,810	-	-
		6,198	77,810	464	-
		85,310	423,432	797,476	94,234
Non-hedge related:					
Currency related:					
Currency forwards		8,574	34,339	78,482	54,226
Currency swaps		151,034	186,595	272,791	243,216
		159,608	220,934	351,273	297,442
Interest rate related:					
Interest rate swaps		34,238	61,093	26,394	188,670
Interest rate options		24,935	-	-	10,693
		59,173	61,093	26,394	199,363
Equity related:					
Preemptive rights		47	-	28	-
Stock index options		-	3,857	-	53
Stock warrants		-	7,173	-	-
Stock swaps		31,175	4,313	11,072	3,530
Conversion rights		4,821	-	6,841	-
Others		9,762	131,545	6,209	1,960
		45,805	146,888	24,150	5,543
Credit related:					
Credit default swaps		112,626	39,017	124,489	8,479
Commodity related:					
Commodity swaps		36	35	30	30
		377,248	467,967	526,336	510,857
Adjustment of credit risk		(805)	(987)	(644)	1,486
	₩	461,753	890,412	1,323,168	606,577

(In millions of won, except shares, par value per share and in thousands of USD)

30. Derivatives, continued

(3) A gain or loss on valuation of derivatives for years ended December 31, 2021 and 2020 are as follows:

		2021			
		Profit or loss		Accumulated other comprehensive income (*)	
		Gain	Loss	Gain	Loss
Hedge related:					
Currency related:					
Currency forwards	₩	19,272	102,616	3,237	13,879
Currency swaps		6,572	772,117	22,286	140,819
		25,844	874,733	25,524	154,699
Interest rate related:					
Interest rate swaps		-	-	37	-
Interest rate forwards		4,338	57,122	1,822	20,688
		4,338	57,122	1,860	20,688
		30,182	931,855	27,383	175,387
Non-hedge related:					
Currency related:					
Currency forwards		25,906	44,184	-	-
Currency swaps		253,339	330,689	-	-
		279,245	374,873	-	-
Interest rate related:					
Interest rate swaps		61,846	23,513		
Interest rate options		24,935	-		
		86,781	23,513		
Equity related:					
Stock warrants		4,434	72	-	-
Stock index options		1,761	5,520	-	-
Stock forwards and swaps		1	725	-	-
Conversion rights		1,363	9	-	-
Others		6,342	85,479	-	-
		13,901	91,805	-	-
Credit related:					
Credit default swaps		51,129	75,464	-	-
Commodity related:					
Commodity swaps		83	44	-	-
		431,139	565,699	-	-
Adjustment of credit risk		2,475	162	-	-
	₩	463,796	1,497,716	27,383	175,387

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect.

(In millions of won, except shares, par value per share and in thousands of USD)

30. Derivatives, continued

(3) A gain or loss on valuation of derivatives for the years ended December 31, 2021 and 2020 are as follows, continued:

		2020			
		Profit or loss		Accumulated other comprehensive income (*)	
		Gain	Loss	Gain	Loss
Hedge related:					
Currency related:					
Currency forwards	₩	137,870	19,922	1,010	9,367
Currency swaps		702,739	66,753	13,266	203,485
		840,609	86,675	14,276	212,852
Interest rate related:					
Interest rate swaps		-	-	464	-
		840,609	86,675	14,740	212,852
Non-hedge related:					
Currency related:					
Currency forwards		74,469	54,191	-	-
Currency swaps		267,582	241,081	-	-
		342,051	295,272	-	-
Interest rate related:					
Interest rate swaps		29,958	116,919		
Interest rate options		-	673		
		29,958	117,592		
Equity related:					
Preemptive rights		27	-	-	-
Stock index options		1,039	25	-	-
Stock forwards and swaps		3,014	2,429	-	-
Conversion rights		5,622	159	-	-
		9,702	2,613	-	-
Credit related:					
Credit default swaps		56,159	32,121	-	-
Commodity related:					
Commodity swaps		367	366	-	-
		438,237	447,964	-	-
Adjustment of credit risk		66	2,864	-	-
	₩	1,278,912	537,503	14,740	212,852

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect.

(4) A gain or loss on hedging instruments and hedged items that apply fair value hedges for the years ended December 31, 2021 and 2020 are as follows:

		2021		2020	
		Gain	Loss	Gain	Loss
Hedged items	₩	201,909	(22,130)	77,671	(133,222)
Hedging instruments		60,616	(245,418)	188,831	(140,752)

(5) Cash flow hedges

Due to various reasons (i.e. currency swap contracts for cash flow hedges have reached maturity), the effective portion of hedges for the years ended December 31, 2021 and 2020 realized as gain on valuation of derivative instruments amounted to ₩8,670 million and ₩5,344 million, respectively, and loss on valuation of derivative instruments amounted to ₩29,076 million and ₩9,433 million, respectively. The ineffective portion of cash flow hedges recognized as current gains of ₩2 million and losses of ₩1 millions, respectively, for the years ended December 31, 2021 and 2020.

The maximum expected period during which the Group's cash flows are exposed to fluctuation risk is through September 13, 2029 based on derivative instrument contracts to which cash flow hedges are applied.

31. Separate accounts

(1) Assets and liabilities of separate accounts as of December 31, 2021 and December 31, 2020 are as follows:

		2021		2020	
		Assets	Liabilities	Assets	Liabilities
Insurance contract and investment contract with discretionary participating features:					
Retirement insurance	₩	85,981	85,981	90,119	90,119
Variable life insurance		16,635,446	16,640,985	17,083,562	17,089,883
		16,721,427	16,726,966	17,173,681	17,180,002

(In millions of won, except shares, par value per share and in thousands of USD)

Investments contract with no discretionary participating features:					
Retirement insurance		1,653	1,653	1,778	1,773
Retirement pension		9,325,204	9,347,986	6,840,011	6,776,03
		9,326,857	9,349,639	6,841,789	6,777,806
Separate accounts receivable		-	(29,712)	-	(27,452)
Separate accounts payable		(875,855)	-	(642,517)	-
	₩	25,172,429	26,046,893	23,372,953	23,930,356

(2) The statement of financial position of the separate accounts as of December 31, 2021 and December 31, 2020 are as follows:
1) Insurance contract and investments contract with discretionary participation feature

		2021	2020
Assets:			
Cash and due from banks	₩	335,682	218,073
Financial assets held for trading		15,289,313	15,893,357
Loan receivables		717,763	702,818
Other assets		311,698	272,782
General account credits		72,510	92,972
Total assets before consolidated adjustments		16,726,966	17,180,002
Consolidated adjustments		(5,539)	(6,321)
Total assets after consolidated adjustments	₩	16,721,427	17,173,681
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	137,372	54,809
General account debits		12,182	18,797
Total liabilities		149,554	73,606
Reserve for policy holders		16,577,412	17,106,396
Total reserve and accumulated other comprehensive income		16,577,412	17,106,396
Total liabilities, reserve and accumulated other comprehensive income	₩	16,726,966	17,108,002

2) Investments contract with no discretionary participation feature

		2021	2020
Assets:			
Cash and due from banks	₩	900,039	930,966
Financial assets held for trading		767,464	647,794
Available-for-sale financial assets		5,503,818	3,812,606
Loan receivables		1,490,524	1,040,779
Other assets		45,924	39,691
General account credits		803,345	549,545
Total assets before consolidated adjustments		9,511,114	7,021,381
Consolidated adjustments		(184,257)	(179,592)
Total assets after consolidated adjustments	₩	9,326,857	6,841,789
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	31,989	7,804
General account debits		17,530	8,655
Total liabilities		49,519	16,459
Reserve for policy holders		9,300,120	6,761,347
Accumulated other comprehensive income		(20,541)	74,713
Total reserve and accumulated other comprehensive income		9,279,579	6,836,060
Total liabilities, reserve and accumulated other comprehensive income	₩	9,329,098	6,852,519

(In millions of won, except shares, par value per share and in thousands of USD)

1. Separate accounts, continued

(3) The statement of income of the separate accounts for the years ended December 31, 2021 and 2020 are as follows:

1) Insurance contract and investments contract with discretionary participation feature

		2021		2020	
		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Premium income	₩	-	1,952,187	-	2,196,208
Interest income		948	115,990	897	123,477
Dividend income		6	100,504	616	91,487
Gain on securities		493	810,985	412	2,263,885
Gain on foreign currency transaction		-	7,386	-	1,724
Gain on transaction of derivatives		-	370,582	-	514,387
Other income		764	30,614	244	38,913
	₩	2,211	3,388,248	2,169	5,230,081
Expenses:					
Increase (decrease) in policy reserves	₩	(3,974)	(332,948)	(4,775)	1,653,217
Insurance claims paid		5,092	1,913,564	5,889	1,901,870
Minimum guarantee fee		-	102,769	-	95,350
Separate account commission		521	609,065	548	647,389
Commission fee		-	41,543	- `	37,008
(Reversal of) provision for losses on loan receivables		(18)	12	23	(8)
Loss on securities		590	671,149	484	431,260
Loss on foreign currency transaction		-	1,770	-	3,083
Loss on transaction of derivatives		-	381,088	-	456,656
Other expenses		-	236	-	4,256
	₩	2,211	3,388,248	2,169	5,230,081

2) Investments contracts with no discretionary participation feature

		2021		2020	
		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Interest income	₩	131,637	429	95,919	459
Dividend income		11,081	774	7,582	619
Gain on securities		41,736	18,851	31,837	39,063
Gain on foreign currency transaction		1,063	2,546	195	1,173
Gain on transaction of derivatives		6,481	851	11,704	4,715
Other income		24,034	1,664	2,725	7
		216,032	25,115	149,962	46,036
Consolidated adjustments		(1,704)	-	(4,445)	-
	₩	214,328	25,115	145,517	46,036
Expenses:					
Interest expenses of withholdings	₩	114,131	16,312	95,056	32,466
Separate account commission		36,337	1,126	26,006	1,988
Commission fee		24	531	29	413
Provision for losses on loan receivables		(2,033)	-	3,732	-
Loss on securities		41,200	4,158	10,210	5,012
Loss on foreign currency transaction		365	463	2,005	948
Loss on transaction of derivatives		22,478	2,525	1,918	3,393
Other expenses		3,530	-	11,006	1,816

(In millions of won, except shares, par value per share and in thousands of USD)

		216,032	25,115	149,962	46,036
Consolidated adjustments		(1,704)	-	(4,445)	-
	₩	214,328	25,115	145,517	46,036

(4) In accordance with the regulations under *Trust Business Act*, the Group separately accounts for the trust assets from the existing assets, and recognizes trust commission fee as operating revenue when receiving trust commission fee. As of December 31, 2021, the total amount of the trust funds under contract with the Group amounts to ₩ 22,731,767 million.

32. Equity

(1) Equity as of December 31, 2021 and December 31, 2020 are as follows:

		2021	2020
Capital stock:			
Common stock	₩	102,500	102,500
Hybrid bonds:			
Hybrid bonds		1,020,054	551,438
Capital surplus:			
Share premium		359,937	359,937
Asset revaluation surplus		4,502	4,502
Others		155,740	155,934
		520,179	520,373
Capital adjustments:			
Negative equity changes in equity method adjustments		(15,995)	(15,995)
Others		3,993	3,964
		(12,002)	(12,031)
Accumulated other comprehensive income, net of tax:			
Gain on valuation of available-for-sale financial assets		1,468,566	3,245,127
Loss on valuation of cash flow hedge derivatives		(107,303)	(143,632)
Gain on valuation of investment in associates		25	24
Other comprehensive income (loss) of separate accounts		(14,891)	54,167
Gain on revaluation of property and equipment		558,534	566,034
Foreign currency translation adjustments for foreign operations		182	(317)
Remeasurement loss related to defined benefit liabilities		9,092	(9,369)
		1,914,205	3,712,034
Retained earnings:			
Legal reserve		51,250	51,250
Regulatory reserve for loan loss		122,534	140,843
Retained earnings		7,874,802	6,385,440
Voluntary reserve		3,000	3,000
		8,051,586	6,580,533
Non-controlling interests		358,252	324,698
	₩	11,954,774	11,779,545

(2) Capital stock

Capital stock as of December 31, 2021 and 2020 are as follows:

		2021	2020
Number of authorized shares		300,000,000 shares	300,000,000 shares
Par value per share in won	₩	1,000	1,000
Number of issued common stocks outstanding		102,500,000 shares	102,500,000 shares
Capital stock	₩	102,500	102,500

(3) Hybrid bonds

Hybrid bonds as of December 31, 2021 and 2020 are as follows:

	2021						
	Issue date	Maturity date	Interest rate (%)		Amount in foreign currency		Amount of KRW equivalent
Overseas hybrid bonds (*1)	July 24, 2017	July 24, 2047	3.95	$	500,000	₩	557,000
Issuance costs (underwriting fees and other direct issuance costs)							(5,562)
						₩	551,438
Domestic hybrid bonds (*2)	Sept. 10, 2021	Sept. 10, 2051	3.72	₩	470,000	₩	470,000
Issuance costs (underwriting fees and other direct issuance costs)							(1,384)
							468,616
						₩	1,020,054

(In millions of won, except shares, par value per share and in thousands of USD)

(*1) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and interest rate can be adjusted only once after 10 years from the date of issuance. Upon maturity date, the Group has the unconditional right to extend the maturity under the same condition.
(*2) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and standard interest rate and spread can be adjusted only once after 5 &10 years from the date of issuance. Upon maturity date, the Group has the unconditional right to extend the maturity under the same condition

	2020						
	Issue date	Maturity date	Interest rate (%)		Amount in foreign currency		Amount of KRW equivalent
Overseas hybrid bonds (*1)	July 24, 2017	July 24, 2047	3.95	$	500,000	₩	557,000
Issuance costs (underwriting fees and other direct issuance costs)							(5,562)
						₩	551,438

(*1) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and interest rate can be adjusted only once after 10 years from the date of issuance. Upon maturity date, the Group has the unconditional right to extend the maturity under the same condition.

(In millions of won)

32. Equity, continued

(4) Accumulated other comprehensive income

Changes in accumulated other comprehensive income for the years ended December 31, 2021 and 2020 are as follows:

2021		Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain on valuation of investments in associates	Other comprehensive income (expense) of separate account	Gain on revaluation of property and equipment	Foreign currency translation adjustments for foreign operations	Remeasurement gain (loss) related to defined benefit liabilities	Total
Beginning balance	₩	3,245,126	(143,632)	24	54,167	566,034	(317)	(9,369)	3,712,033
Fair value evaluation		(598,297)	172,489	1	(44,457)	-	-	25,458	(444,806)
Realization to income		(2,577,560)	(122,380)	-	(50,795)	-	-	-	(2,750,735)
Effect of exchange rate difference		-	-	-	-	-	640	-	640
Policyholder's equity adjustment (*)		733,111	-	-	-	6,284	-	-	739,395
Income tax effects		668,327	(13,780)	-	26,194	(13,784)	(141)	(6,469)	660,347
Non-consolidated adjustments		(2,141)	-	-	-	-	-	(528)	(2,669)
Ending balance	₩	1,468,566	(107,303)	25	(14,891)	558,534	182	9,092	1,914,205

(*) Allocation to policyholder's equity adjustment during the reporting period.

Changes in accumulated other comprehensive income for the years ended December 31, 2021 and 2020 are as follows:

2020		Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain (loss) on valuation of investments in associates	Other comprehensive income (expense) of separate account	Gain (loss) on revaluation of property and equipment	Foreign currency translation adjustments for foreign operations	Remeasurement gain (loss) related to defined benefit liabilities	Total
Beginning balance	₩	2,931,843	3,109	9	25,602	562,425	110	(20,695)	3,502,403
Fair value evaluation		1,350,440	(107,293)	48	53,130	-	-	15,234	1,311,559
Realization to income		(858,832)	(95,108)	(18)	(13,730)	-	-	-	(967,688)
Effect of exchange rate difference		-	-	-	-	-	(516)	-	(516)
Policyholder's equity adjustment (*)		(52,974)	-	(4)	-	4,745	-	-	(48,233)
Income tax effects		(120,769)	55,660	(6)	(10,835)	(1,005)	58	(4,145)	(81,042)
Non-consolidated adjustments		(4,291)	-	(5)	-	89	-	298	(3,909)
Others		(291)	-	-	-	(220)	31	(61)	(541)
Ending balance	₩	3,245,126	(143,632)	24	54,167	566,034	(317)	(9,369)	3,712,033

(*) Allocation to policyholder's equity adjustment during the reporting period.

(In millions of won)

(5) Retained earnings

1) Legal reserve

Legal reserve is restricted for the dividend to stockholders by law or legislation. According to the Commercial Act, the Group is required to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of capital stock. The legal reserve may not be allocated in cash and may be used to reduce a deficit or may be transferred to capital based on the decision of board of directors.

2) Regulatory reserve for loan loss

When allowances for loan losses based on KIFRS for the assets subject to classification by asset soundness (such as loan receivables, insurance receivables, receivables, accrued revenue, suspense payments, bills receivables, etc.) in accordance with Regulations on Supervision of Insurance Business are less than the total of the reserves required by the Article 7-4 of Regulations on Supervision of Insurance Business, the difference is reserved as regulatory reserve for loan losses. The regulatory reserve for loan losses is, in nature, an arbitrary reserve for retained earnings. When there are unappropriated deficits, regulatory reserve for loan losses are reserved after the deficits are appropriated. When the amount previously reserved for regulatory reserve for loan losses exceeds the amount of regulatory reserve for loan losses to be reserved as of the closing date, the reversal of the excess amount is allowed.

i) Regulatory reserve for loan losses as of December 31, 2021 and 2020 are as follows:

		2021	2020
Regulatory reserve for loan losses accumulated	₩	122,534	140,843
To be accumulated		41,864	(18,309)
Balance	₩	164,398	122,534

3) Regulatory reserve for loan loss, continued

ii) Provision for regulatory reserve for loan losses and income adjusted for regulatory reserve for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Profit for the year before legal reserve attributable to controlling interests	₩	489,316	452,201
Hybrid bonds interests		(28,421)	(22,735)
Reversal of regulatory reserve for loan		(41,864)	18,309
Profit adjusted for regulatory reserve (*)		419,031	447,775
Basic earnings per share adjusted for regulatory reserve in won		4,088	4,369

(*) Profit adjusted for regulatory reserve above is non-KIFRS financial information. The adjustment amount is calculated under the assumption that provision for regulatory reserve is reflected in the current period net income without considering policyholders' equity adjustment and deferred tax effect.

(6) Share-based payment

1) Kyobo Securities has a shared-based payment arrangement for its executives and employees as of December 31, 2021 and the share options granted under the arrangement are paid when its own shares are exercised and its details are as follows:

Grant date	The number of options granted	The number of options forfeited	The number of unexercised quantities	The number of exercisable options	Exercise price
2018. 3. 22	690,000	59,865	630,135	630,135	12,000 won
2021. 3. 24	280,000	-	280,000	-	10,000 won

2) Vesting condition and exercise period of the share-based payment as of December 31, 2021 are as follows:

Grant date	Vesting condition	Exercise period
2018. 3. 22	In case of service for more than 2 years from grant date (2018.3.22 ~ 2020.3.21)	within 5 years from the date 2 years have passed from grant date (2020.3.22 ~ 2025.3.21)
2021. 3.24	In case of service for more than 2 years from grant date (2021.3.24~ 2023.3.23)	within 5 years from the date two years have passed from grant date (2023.3.24 ~ 2028.3.23)

3) Kyobo securities used the binomial model to measure the fair value of share options, and inputs used are as follows:

		2018. 3. 22	2021. 3.24
Fair value of option per share	₩	1,027 won	433 won
Closing price of the day before grant date	₩	9,790 won	7,550 won
Exercise price	₩	12,000 won	10,000 won
Expected volatility (*)		12.17%	21.60%
Expected exercise period		4.5 years	4.5 years
Expected dividends		-	-
Risk-free interest rate (return on government bonds)		2.64%	1.59%

(*) 120-day index volatility of the KOSPI market to which Kyobo Securities belongs was applied.

4) Kyobo Securities accounts for the compensation costs as an expense in the period covered by the contract. The details of the reimbursement are as follows:

		2021	2020
Compensation cost, gross	₩	749	647
Accumulated compensation expense		647	552
Compensation expense recognized in the current period		40	95
Residual compensation cost to be recognized		62	-

(In millions of won)

33. Premium income

Premium income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Individual insurance:			
Pure endowment	₩	1,957,310	1,951,197
Death		4,706,597	4,565,557
Endowment		3,144,239	2,368,093
		9,808,146	8,884,847
Group insurance:			
Pure protection		138,213	128,785
Savings		4,892	5,793
		143,105	134,578
	₩	9,951,251	9,019,425

34. Reinsurance ceded

(1) Reinsurance assets and liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Reinsurance accounts receivable	₩	70,320	65,373
Reinsurance assets:			
Reserve for unearned premium		6,239	5,586
Reserve for outstanding claims		3,016	3,148
Incurred but not reported		22,595	16,675
		31,850	25,409
	₩	102,170	90,782
Reinsurance accounts payable	₩	61,067	55,794

(2) Transactions with reinsurance companies for the years ended December 31, 2021 and 2020 are as follows:

		2021			
		Reinsurance expense	Reinsurance claim revenue	Reinsurance commission revenue	Profit (loss) from reinsurance asset
Individual insurance:					
Domestic	₩	147,043	103,160	33,400	6,219
Group insurance:					
Domestic		2,698	2,301	1	223
	₩	149,741	105,461	33,401	6,442

		2020			
		Reinsurance expense	Reinsurance commission expense	Reinsurance claim revenue	Profit (loss) from reinsurance asset
Individual insurance:					
Domestic	₩	131,931	88,265	35,789	2,740
Group insurance:					
Domestic		2,124	1,812	1	96

(In millions of won)

₩	134,055	90,077	35,790	2,836

35. Interest income

Interest income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Cash and due from banks	₩	16,418	35,359
Financial assets held for trading		135,412	125,895
Available-for-sale financial assets		1,318,824	1,365,199
Held to maturity financial assets		39,217	-
Loan receivables		1,023,416	1,005,944
Derivatives		196,220	200,463
Others		7,438	5,848
	₩	2,736,945	2,738,708

36. Gain on valuation and disposal of financial instruments

Gain on valuation and disposal of financial instruments for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Financial assets designated at fair value through profit or loss:			
Gain on valuation	₩	1,335	1,528
Gain on disposal		-	-
Financial assets held for trading:			
Gain on valuation		5,461	57,865
Gain on disposal		92,145	124,463
Available-for-sale financial assets:			
Reversal of impairment loss		3,704	1,852
Gain on disposal		700,571	795,381
Gain on valuation (*)		43,235	-
Loan receivables:			
Gain on disposal		1,539	1,421
Reversal of loan receivables		15,249	-
Other receivable			
Reversal of loan receivables		4,471	-
Financial liabilities designated at fair value through profit or loss:			
Gain on valuation		89,394	73,683
Gain on transaction		2,725	20,199
Trading liabilities:			
Gain on valuation		525	11,161
Gain on transaction		23,158	5,876
Derivatives:			
Gain on valuation		463,796	1,278,912
Gain on transaction		938,126	988,955
	₩	2,385,434	3,361,296

(*) By applying fair value hedge accounting, changes in the fair value of the hedged item are recognized in profit or loss.

37. Fee and commission income

Fee and commission income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Brokerage commissions	₩	239,296	166,364
Underwriting commissions		21,976	23,370
Credit placement fees		7,138	13,076
Asset management fees		17,212	16,341
Brokerage commissions on collective investment securities		8,647	6,820
Merger and acquisition fees		103,011	70,635
Others		122,335	92,709
	₩	519,615	389,315

38. Dividend income

Dividend income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Financial assets held for trading:			
Equity securities	₩	983	369
Beneficiary certificates		5,618	11,878

(In millions of won)

		6,601	12,247
Available-for-sale financial assets:			
Equity securities		40,058	49,996
Equity investments		1,026	4,539
Beneficiary certificates		377,297	369,839
Overseas securities		132,761	126,985
		551,142	551,359
	₩	557,743	563,606

39. Other operating income

(1) Other operating income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Merchandise sales	₩	823,464	729,756
Product sales		1,860	4,067
Other		122,905	126,593
Other operating profits		895	33,639
	₩	949,124	894,055

(2) The classification of revenue recognized into categories and the timing of revenue recognition of merchandise sales, product sales and other sales for the years ended December 31, 2021 and 2020 are as follows:

		2021			
		Book sales and publication	Facility management	Others	Total
At a point in time	₩	772,183	6,646	37,532	816,361
Over time		18,716	111,976	1,176	131,868
	₩	790,899	118,622	38,708	948,229

		2020			
		Book sales and publication	Facility management	Others	Total
At a point in time	₩	673,943	6,533	47,476	727,952
Over time		20,228	112,236	-	132,464
	₩	694,171	118,769	47,476	860,416

40. Insurance claims paid

The Group's insurance claims paid consist of benefit payments, surrenders for insurance and dividend expenses.

(1) Benefit payments for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Individual insurance:			
Pure endowment	₩	225,481	182,941
Death		448,462	585,267
Endowment		396,438	217,404
		1,070,381	985,612
Group insurance:			
Pure protection		24,969	37,214
Savings		408	249
		25,377	37,463
	₩	1,095,758	1,023,075

(2) Surrenders for insurance for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Individual insurance:			
Pure endowment	₩	2,353,530	2,324,901
Death		2,684,722	2,726,312
Endowment		1,665,103	806,252
		6,703,355	5,857,465
Group insurance:			
Pure protection		68,149	66,465
Savings		11,049	16,071
		79,198	82,536
	₩	6,782,553	5,940,001

(3) Dividend expenses for the years ended December 31, 2021 and 2020 are as follows:

(In millions of won)

		2021	2020
Individual insurance:			
Pure endowment	₩	15,898	17,185
Death		507	851
Endowment		540	744
		16,945	18,780
Group insurance:			
Pure protection		67	204
Savings		-	2
		67	206
	₩	17,012	18,986

41. Operating and administrative expenses

Operating and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Policy acquisition costs:			
Agent commission	₩	467,588	520,847
Branch office operation		38,840	53,302
Sales promotion		79,094	105,617
Advertising expense		5,528	6,736
Others		179,684	202,668
		770,734	889,170
Maintenance expenses:			
Wages and salaries		225,925	202,160
Bonuses		97,611	92,929
Employment benefits		63,826	68,264
Severance benefits		105,319	47,182
Taxes and dues		111,593	100,030
Office rent		31,161	29,925
Depreciation		64,684	65,954
Commission		46,759	37,605
Outsourcing fee		6,646	6,314
Information technology		31,449	32,851
Collection		6,417	6,509
Others		66,609	36,403
		851,354	719,812
Deferred acquisition cost		(508,717)	(563,328)
	₩	1,113,371	1,045,654

42. Asset management expenses

Asset management expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Wages and salaries	₩	24,495	22,170
Bonuses		10,897	11,014
Severance benefits		11,747	5,521
Employment benefits		6,552	7,203
Communication		2,851	2,435
Repairs and maintenance		5,599	4,284
Outsourcing fee		8,280	9,432
Commission		39,284	34,575
Taxes and dues		17,992	15,326
Depreciation		2,325	2,464
Others		6,232	7,035
	₩	136,254	121,459

43. Interest expenses

Interest expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Borrowings	₩	31,756	25,130
Derivatives		234,349	235,807
Others		9,298	9,856

(In millions of won)

	₩	275,403	270,793

44. Loss on valuation and disposal of financial instruments

Loss on valuation and disposal of financial instruments for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Financial assets designated at fair value through profit or loss:			
Loss on valuation	₩	686	-
Loss on disposal		381	-
Financial assets held for trading:			
Loss on valuation		124,150	26,292
Loss on disposal		122,617	87,746
Available-for-sale financial assets:			
Loss on valuation (*)		19,029	-
Loss on disposal		203,316	172,982
Impairment loss		35,693	63,297
Loan receivables:			
Provision for losses on loan receivables		-	28,346
Loss on disposal		1,834	296
Other receivables:			
Provision for other receivables		-	4,128
Financial liabilities designated at fair value through profit or loss:			
Loss on valuation		19,031	35,109
Loss on transaction		79,536	106,044
Trading liabilities:			
Loss on valuation		686	440
Loss on transaction		5,934	21,241
Derivatives:			
Loss on valuation		1,497,716	537,503
Loss on transaction		1,238,606	1,338,189
	₩	3,349,215	2,421,613

(*) By applying fair value hedge accounting, changes in the fair value of the hedged item are recognized in profit or loss.

45. Other operating expenses

Other operating expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Depreciation of investment properties	₩	6,289	8,902
Amortization of intangible assets		57,421	52,497
Fees and commission expense		114,225	64,653
Cost of sales-merchandise		592,650	525,893
Cost of sales-services		159,590	151,222
Cost of sales-products		1,171	2,489
Cost of other goods sold		20,080	20,415
General and administrative expenses:			
Employee costs		374,608	339,451
Depreciation		46,655	43,532
Other general expenses		181,604	157,127
Insurance discount		1,924	1,475
Others		20,286	13,696
	₩	1,576,503	1,381,352

(In millions of won)

46. Foreign currency translation

(1) Foreign currency denominated assets and liabilities as of December 31, 2021 and 2020 are as follows:

	2021			2020		
	Amount of foreign currency		Amount of KRW equivalent	Amount of foreign currency		Amount of KRW equivalent
Foreign cash and due from banks						
USD	663,576	₩	786,669	540,894	₩	588,494
JPY	983,526		10,133	205,751		2,169
EUR	17,690		23,745	8,314		11,126
Others	36,376		43,125	24,534		26,706
Financial assets at fair value through profit or loss						
USD	976,300		1,157,403	828,067		900,937
EUR	15,770		21,169	26,570		35,557
Available-for-sale financial assets						
USD	12,483,660		14,799,379	14,020,135		15,253,907
JPY	11,043,221		113,772	9,696,642		102,224
EUR	1,759,768		2,362,207	2,810,813		3,761,542
Others	1,590,511		401,402	1,877,854		288,924
Held-to-maturity financial assets						
USD	872,426		1,034,260	-		-
Others	137,397		118,009	-		-
Loan receivables						
USD	160,966		190,825	162,122		176,389
EUR	59,500		79,869	59,500		79,625
Others	173,769		176,269	175,500		168,281
Other receivables						
USD	445,542		528,190	463,630		504,429
JPY	30,830		318	27,402		289
EUR	12,453		16,716	19,922		26,660
Others	22,365		8,264	22,140		8,255
Financial assets total						
USD	15,602,470	₩	18,496,726	16,014,848	₩	17,424,156
JPY	12,057,577		124,223	9,929,795		104,682
EUR	1,865,181		2,503,706	2,925,119		3,914,510
Others	1,960,418		747,069	2,100,028		492,166
Financial liabilities						
USD	2,333,203	₩	2,766,013	1,942,129	₩	2,113,037
JPY	349,134		3,597	74,954		790
EUR	1,332		1,789	169		226
Others	9,055		10,735	2,744		2,986

(2) Gain on foreign currency transactions for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Gain on foreign currency translation	₩	1,245,249	252,376
Gain on foreign currency transaction		163,729	285,877
	₩	1,408,978	538,253
Loss on foreign currency translation	₩	135,439	1,136,414
Loss on foreign currency transaction		65,205	126,237
	₩	200,644	1,262,651

(In millions of won)

47. Non-operating income and expenses

(1) Non-operating income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Gain on valuation of investments in associates and joint ventures	₩	8,521	5,991
Gain on disposal of investments in associates and joint ventures		3,259	35
Gain on disposal of investment properties		-	456
Gain on disposal of property and equipment		343	146
Gain on disposal of intangible assets		143	209
Reversal of impairment loss on intangible assets		1	111
Miscellaneous gains		10,428	10,968
Others		12,575	-
	₩	35,270	17,916

(2) Non-operating expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Loss on valuation of investments in associates and joint ventures	₩	1,166	455
Impairment loss on investment properties		1	550
Loss on disposal of property and equipment		6,211	6,417
Impairment loss on property and equipment		36	875
Loss on disposal of intangible assets		11	27
Impairment loss on intangible assets		6	12,087
Donations		7,972	8,394
Miscellaneous losses		9,996	6,992
Others		1,001	-
	₩	26,400	35,797

48. Income tax expenses

(1) Income tax expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Current income tax expenses	₩	219,866	68,797
Origination and reversal of temporary differences		(682,640)	213,742
Income tax expense directly recognized in equity		660,347	(81,042)
Additional payment (refund) of income taxes		802	(12,929)
Income tax expenses	₩	198,375	188,568

(2) Income tax expenses calculated by multiplying profit before income tax expenses with the tax rate for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Profit before income taxes	₩	724,090	666,398
Income taxes at statutory tax rates		190,768	174,426
Adjustments:			
Difference in tax rate, etc.		6,805	27,071
Additional payment (refund) of income taxes		802	(12,929)
Income tax expenses	₩	198,375	188,568
Effective tax rate		27.40%	28.30%

(In millions of won)

48. Income tax expenses, continued

(2) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities and temporary differences for the years ended December 31, 2021 and 2020 are as follows:

		2021		
		Beginning balance	Increase (decrease)	Ending balance
Deferred tax assets:				
Depreciation	₩	14,965	(102)	14,863
Loss on valuation of financial assets held for trading		101	15,074	15,175
Impairment loss on financial assets		15,016	7,033	22,049
Valuation losses on assets and liabilities in foreign currency		152,899	(152,899)	-
Taxes and dues		9,461	1,239	10,700
Liability for defined benefit obligations		34,271	(10,769)	23,502
Loss on valuation of derivatives		26,692	61,459	88,151
Accrued bonus expenses		17,549	3,479	21,028
Miscellaneous losses (impairment loss on land)		2,956	-	2,956
Miscellaneous losses (dormant insurance payments)		9,629	(407)	9,222
Minimum policy holder reserves		351,549	24,486	376,035
Contingent liabilities		625	5,153	5,778
Loss on revaluation of land		3,630	-	3,630
Others		808,287	(251,440)	556,847
		1,447,630	(297,694)	1,149,936
Deferred tax liabilities:				
Gain on valuation of financial assets held for trading		(577,671)	239,223	(338,448)
Valuation gains on assets and liabilities in foreign currency		-	(157,607)	(157,607)
Interest income		(61,110)	(4,551)	(65,661)
Allowance related to asset revaluation		(22,514)	-	(22,514)
Gain on valuation of available-for-sale financial assets		(1,239,207)	667,863	(571,344)
Gain on valuation of derivatives		(282,221)	282,221	-
Gain on revaluation of property and equipment		(211,034)	(13,778)	(224,812)
Others		(924,372)	(110,765)	(1,035,137)
		(3,318,129)	902,606	(2,415,523)
Excluded from deferred tax recognition		(321,405)	(77,728)	(399,133)
Deferred tax liabilities, net	₩	(1,549,094)	682,640	(866,454)

(3) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities and temporary differences for the years ended December 31, 2021 and 2020 are as follows, continued:

		2020		
		Beginning balance	Increase (decrease)	Ending balance
Deferred tax assets:				
Depreciation	₩	9,817	5,148	14,965
Loss on valuation of financial assets held for trading		-	101	101
Impairment loss on financial assets		15,945	(929)	15,016
Valuation losses on assets and liabilities in foreign currency		-	152,899	152,899
Taxes and dues		13,650	(4,189)	9,461
Liability for defined benefit obligations		34,796	(525)	34,271
Loss on valuation of derivatives		8,738	17,954	26,692
Accrued bonus expenses		16,133	1,416	17,549
Miscellaneous losses (impairment loss on land)		2,813	143	2,956
Miscellaneous losses (dormant insurance payments)		11,123	(1,494)	9,629
Minimum policy holder reserves		287,061	64,488	351,549
Contingent liabilities		1,073	(448)	625
Loss on revaluation of land		3,630	-	3,630
Others		243,829	564,458	808,287
		648,608	799,022	1,447,630
Deferred tax liabilities:				
Gain on valuation of financial assets held for trading		(196,616)	(381,055)	(577,671)
Valuation gains on assets and liabilities in foreign currency		(114,873)	114,873	-
Interest income		(62,412)	1,302	(61,110)
Allowance related to asset revaluation		(22,514)	-	(22,514)
Gain on valuation of available-for-sale financial assets		(1,104,266)	(134,941)	(1,239,207)
Gain on valuation of derivatives		(23,760)	(258,461)	(282,221)

(In millions of won)

Gain on valuation of investment in associates		(170)	170	-
Gain on revaluation of property and equipment		(28,098)	(182,936)	(211,034)
Others		(729,879)	(194,493)	(924,372)
		(2,282,588)	(1,035,541)	(3,318,129)
Excluded from deferred tax recognition		(298,628)	22,777	321,405
Deferred tax liabilities, net	₩	(1,335,352)	(213,742)	(1,549,094)

(4) Deferred tax assets and liabilities that were directly charged or credited to equity for the years ended December 31, 2021 and 2020 are as follows:

		2021		2020	
		Amount	Tax effect	Amount	Tax effect
Revaluation reserves	₩	24,366	(19,863)	24,366	(19,863)
Gain on valuation of available-for-sale financial assets		2,036,006	(567,440)	4,480,899	(1,235,773)
Loss on valuation of hedging instruments		(148,004)	40,701	(198,112)	54,480
Gain on valuation of investments in associates		34	(9)	33	(9)
Accumulated other comprehensive income (expense) in separate account		(20,540)	5,649	74,713	(20,546)
Gain on revaluation of property and equipment		778,361	(219,827)	772,077	(206,043)
Remeasurement gain (loss) related to defined benefit liabilities		13,719	(4,626)	(11,212)	1,843
Foreign currency translation adjustments for foreign operations		512	(330)	(332)	15
	₩	2,684,454	(765,745)	5,142,432	(1,425,896)

(5) Deferred tax assets and liabilities presented on a gross basis prior to any offsetting as of December 31, 2021 and 2020 are as follows:

		2021	2020
Deferred tax assets	₩	1,149,936	1,447,630
Deferred tax liabilities		(2,016,390)	(2,996,724)
Deferred tax liabilities, net	₩	(866,454)	(1,549,094)
Current tax assets	₩	153,826	156,184
Current tax liabilities		(206,471)	(65,998)
Current tax assets, net	₩	(52,645)	90,186

Individual subsidiaries included in consolidation has no legal authority or intention to set off their corporate income tax. Therefore, the deferred tax assets of individual subsidiaries were separated to calculate net amounts above. As of December 31, 2021 and 2020, the Group represented separately in the consolidated financial statements ₩ 11,486 million and ₩ 10,161 million of the deferred tax assets, ₩ 877,940 million and ₩ 1,559,255 million of deferred tax liabilities, ₩ 2,601 million and ₩ 130,266 million of current tax assets and ₩ 55,245 million and ₩ 40,080 million of current tax liabilities as of December 31, 2021 and 2020, respectively.

49. Employee benefits

Details of employee benefits for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Short-term and other long-term employee benefits	₩	713,414	641,046
Retirement benefits (*)		140,523	75,062

(*) Retirement benefits include ₩60,242 million and ₩1,535 million of termination benefits for the years ended December 31, 2021 and 2020, respectively, and ₩17,510 million and ₩13,706 million of defined contribution plans for the years ended December 31, 2021 and 2020, respectively.

50. Commitments and contingencies

(1) Pending litigations

The Group has 392 pending litigations in which the Group is a defendant, such as claims for insurance payments and others, and the total legal proceedings amounts to ₩258,542 million as of December 31, 2021. In addition, the Group has 496 pending litigations in which the Group is a plaintiff with total claims of ₩41,957 million. As of the end of the current reporting period, the Group cannot reliably determine the outcome of the pending litigations and has recognized reserves of ₩7,866 million and provisions of ₩341 million for litigations as a defendant and plaintiff, respectively.

There is a possibility of additional payments related to the immediate pension products, which have previously been paid, due to the Financial Supervisory Service's announcement of the application of lump-sum regulation in July 2018. The Group reasonably estimated the additional payment amount as of December 31, 2021 and reflected in the consolidated financial statements.

The Company accused Deloitte Anjin LLC to Public Company Accounting Oversight Board (PCAOB) of violation of the valuation standards to calculate the market value of the Company's outstanding stock related to the put options exercised in accordance with the shareholder's agreement. Also, the Company prosecuted Deloitte Anjin LLC for violating the *Certified Public Accountant Act*.

(2) Insurance commitments

The contract amounts under the insurance contracts in the general and separate accounts as of December 31, 2021 are as follows:

(In millions of won)

	Number of contracts		Total contract amount
General accounts	8,202,926	₩	292,585,028
Separate accounts	988,979		9,567,945
	9,191,905	₩	302,152,973

(3) Reinsurance agreements
The reinsurance agreements of individual and group insurance as of December 31, 2021 are as follows:

Reinsurance method	Reinsurance company	Ceding ratio (%)	Nature of risk
Surplus	SCOR Reinsurance Asia-Pacific	100	Risk from excessive contracts
Surplus	SCOR Reinsurance Asia-Pacific	100	Risk from excess number of contracts with individuals with high-risk occupations
Surplus	Korean Re	100	Kyobo Big Love Guarantee Insurance
Surplus	Pacific Life Re	Exceeding ₩100 million per person	Mortality (term insurance and whole life, insurance)
Surplus, Quota Share	Munich Re	60	Risk from excessive contracts
Surplus, Quota Share	Korean Re	40	Risk from excessive contracts
Quota Share	General Cologne Re	10	Individual medical insurance
Quota Share	General Cologne Re	10	Accidental insurance
Quota Share	General Cologne Re	30	CI whole life Reinsurance
Quota Share	General Cologne Re	30	SI Insurance
Quota Share	General Cologne Re	30	Second CI Guarantee reinsurance
Quota Share	Hannover Re	10	CI reinsurance
Quota Share	Hannover Re	10	Direct health insurance
Quota Share	Hannover Re	10 ~ 25	Individual medical Insurance
Quota Share	Hannover Re	30	Kyobo cancer insurance
Quota Share	Hannover Re	80	Facultative reinsurance
Quota Share	Swiss Re	50	Re-diagnosis cancer insurance
Quota Share	Swiss Re	80	Target anticancer drug treatment
Quota Share	Munich Re	10	CI reinsurance
Quota Share	Munich Re	5 ~ 20	Whole life insurance
Quota Share	Munich Re	30	LTC (Silver care insurance)
Quota Share	Munich Re	30	Premier CI Insurance
Quota Share	Munich Re	80	Facultative reinsurance
Quota Share	RGA Re	20	Kyobo cancer insurance
Quota Share	RGA Re	30	Dental Benefits
Quota Share	RGA Re	50	Mortality (term insurance and whole life insurance), diagnosis (cancer, insurance for lifestyle disease)
Quota Share	RGA Re	80	Facultative reinsurance
Quota Share	RGA Re	90	Substandards insurance
Quota Share	SCOR Reinsurance Asia-Pacific	10	Individual medical Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	CI reinsurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	Direct health insurance
Quota Share	SCOR Reinsurance Asia-Pacific	30 ~ 60	Top Class cancer Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	50	Dental & Juvenile Benefits
Quota Share	SCOR Reinsurance Asia-Pacific	80	Facultative reinsurance
Quota Share	Korean Re	10	CI whole life reinsurance
Quota Share	Korean Re	10 ~ 50	SI whole life insurance
Quota Share	Korean Re	15 ~ 25	Individual medical Insurance
Quota Share	Korean Re	30	Kyobo cancer Insurance
Quota Share	Korean Re	30	Disability (Let's go M Accidental insurance)
Quota Share	Korean Re	50	SI Insurance
Quota Share	Korean Re	50	Dementia Insurance
Quota Share	Korean Re	50	Mortality (term insurance),injuries (children, accident insurance),hospitalization/surgery, (children insurance), diagnosis (children, accident insurance, M3 cancer insurance, fine dust disease insurance, E women's Health Insurance, B women's Health Insurance,)
Quota Share	Korean Re	80	Facultative reinsurance

(4) Purchase commitment of commercial paper
The Group provides ABCP purchase commitments amounting to ₩180,600 million (December 31, 2020: ₩196,200 million) as of December 31, 2021.

		Amounts	Period	Description
Bluedream 19th Co., Ltd.	₩	21,000	2017.11.23~2023.06.21	ABCP purchase commitments
Neoexodium 1st Co., Ltd.		20,200	2018.07.30~2024.05.22	
MKDREAM 5th Co., Ltd.		21,000	2018.11.12~2024.12.20	
ABFT Infra Development Co., Ltd.		23,000	2015.04.30~2022.04.29	
Urban Guarantee Chunan 1st Co., Ltd		19,500	2020.07.22~2024.01.15	
Urban Guarantee Seodaesin 1st Co., Ltd		30,600	2017.11.07~2022.11.30	
Urban Guarantee Namsan 1st Co., Ltd.		45,300	2017.11.30~2022.02.28	
	₩	180,600		

(5) Stand-by commitments

(In millions of won)

The Group provides guarantee of debts (purchase commitment etc.) of ₩224,608 million (December 31, 2020: ₩168,925 million) to SPC for the developer's projects on Songdo International City development as of December 31, 2021.

Company	Trade Opponent		Amount	Description
Kyobo Securities Co., Ltd.	Jjibest 6th Co., Ltd.	₩	25,000	Debt guarantee
	Eco dream 1st Co., Ltd.		29,400	
	DW Yangju 1st Co., Ltd.		27,800	
	Bright Star 6th Co., Ltd.		67,500	
	Whitewood 8th Co., Ltd.		16,000	
	Teureoseuteuhoecheon 1st Co., Ltd.		20,000	
	Dream the First Geomdan 1st Co., Ltd.		12,000	
	Must Hakik 1st Co., Ltd.		10,000	
	Seaside Yeongjong 1st Co., Ltd.		7,000	
	Doublerich 9th Co., Ltd.		4,000	
	Ujur 1th Co., Ltd.		3,000	
	KCQ 1st Co., Ltd.		1,000	
	KCQ 2th Co., Ltd.		1,000	
Kyobo Asset Trust Co., Ltd	Busan Geumjeong-gu Office		908	Equity guarantee
		₩	224,608	

(6) Provided with payment guarantee of December 31, 2021 are as follows:

		Amount
Seoul Guarantee Insurance	₩	186,266
Korea Specialty Contractor Financial Cooperative		9,291
Korea Housing & Urban Guarantee Corporation		7,662,070
Others		42,017
	₩	7,899,644

(7) Other commitments as of December 31, 2021 are as follows:

		Amount
Loan commitments	₩	2,991,811
Investment commitments		4,667,992
	₩	7,659,803

(8) Overdraft commitments, etc.
The commitments and guarantees as of December 31, 2021 are as follows:

			Amount	Counter party	Descriptions
Kyobo Life Insurance Co., Ltd.	Overdraft commitments	₩	290,000	Standard Chartered Bank, etc.	Bank overdraft
Kyobo Securities Co., Ltd.	Overdraft commitments		106,000	Woori Bank, etc.	Intra-day credit, Micro payment
	Limit commitments		1,175,000	KSFC	Securities distribution finance, CP issue limit commitments
Kyobo Book Center Co., Ltd.	Overdraft commitments		20,000	Woori Bank	Bank overdraft
	Limit commitments		24,000	Shinhan Bank, etc.	Corporate operating loan limit commitments
Kyobo Hottracks Co., Ltd .	Overdraft commitments		4,500	Woori Bank	Bank overdraft
	Limit commitments		15,000	Shinhan Bank, etc.	Corporate operating loan limit commitments
		₩	1,634,500		

(9) Securities lending and borrowing
Securities lending and borrowing as of December 31, 2021 are as follows:

	Type		Amount	Valuation standard
Securities lent	Equity securities	₩	160,187	Fair value
	Debt securities		220,464	Fair value
Securities borrowed	Equity securities		166,194	Fair value
	Debt securities		2,223,783	Fair value

Securities lending transaction is a transaction that transfers the ownership of the same amount and kind of securities after a certain period of time and continues to be recognized as an asset of the Group because it does not meet the conditions for the derecognition of transfer of financial assets.
The Group executes loan transaction and keeps memorandum notes on borrowed securities from KSFC and Korea Securities Depository. The Group accounts for the transaction as financial liabilities designated at fair value through profit or loss when it sells borrowed securities or when it makes a short sale of the borrowed securities.
(10) The Group provided tenants with 3 overdraft checks (issue price of ₩ 694 million) as collateral for the lease deposit when the Group signed lease contracts for buildings owned by Kyobo Securities and sub-lease contracts for building owned by others as of December 31, 2021.
(11) To prevent the spread of Covid-19, a various prevention and control measures, including restrictions on travelling, are being implemented worldwide. As a result, the global economy is affected extensively, and it is difficult to predict the duration and intensity of the spread of Covid-19 pandemic. In addition, the

(In millions of won)

Group's valuation of fair value of financial instruments, assessment of the appropriateness of insurance liabilities and others may be affected by Covid-19, and the Group has prepared the consolidated financial statements by reasonably estimating the impact of Covid-19 on the Group. However, as of December 31, 2021, the Group cannot reasonably estimate the ultimate impact on its consolidated financial position, consolidated financial performance and consolidated cash flows due to the future spread of Covid-19.

51. Related parties

(1) The related parties as of December 31, 2021 and 2020 are as follows:

2021	Location
Associates	
A&D Credit Information Co., Ltd., Hwaseong-Jeongnam General Industry Complexes Co., Ltd.,Kyobo 9 Special Purpose Acquisition Company,Kyobo 10 Special Purpose Acquisition Company,Kyobo 11 Special Purpose Acquisition Company (*),Songsan Industrial Complex Development Co., Ltd., Pusan Millak PFV, Jinjeop2 REIT Co., Ltd.,Guri- Galmae Daeto Development Trust Management Property Investment Company, Yeoido H2 PFV, Pusan Eco delta city PFV (*), Logistec Yangsan Co.,Ltd.(*) Incheon Gundam 3rd PFV(*), Hera Park City development PFV(*), Hera Park City development AMC Co., Ltd.(*),Incheon Yeongjong PFV(*),Dongdaemoon Urban PFV(*),Chungju Biz Core City(*) Chungnam Naepo 1 PFV(*), Yangjuhoechun PFV(*), Peco-city(*), Incheon Yeongjong 1st PFV(*), Changwon gapo PFV(*), Kyobo NH Healthcare New Technology Investment Association 1(*), NH Kyobo AI solution New Technology Investment Association(*)Kyobo Kiwoom New Materials & Technology Investment Association(*) Kyobo Hanyang ESG New Technology Investment Association(*), Kyobo Axis Future & New Technology Investment Association 1(*), Kyobo-YG Ilguimu newTechnology Investment Association(*), NPC&C Co., Ltd.(*), Marston General Private Real Estate Investment Trust No. 61(*)	Korea
Joint Venture	
Kyobo AXA Investment Managers Co., Ltd.	Korea
Others	
Daesan Foundation For Rural Society, Daesan Foundation For Culture, Kyobo Foundation For Education	Korea

(*) Kyobo 11 Special Purpose Acquisition Company, Pusan Eco delta city PFV, Logistec Yangsan Co., Ltd, Incheon Gundam 3rd PFV, Hera Park City development PFV, Hera Park City development AMC Co., Ltd, Incheon Yeongjong PFV, Changwon gapo PFV, Dongdaemoon Urban PFV, Chungju Biz Core City, Chungnam Naepo 1 PFV, Yangjuhoechun PFV, Peco-city, Incheon Yeongjong 1st PFV, Kyobo NH Healthcare New Technology Investment Association 1, NH Kyobo AI solution New Technology Investment Association, Kyobo Kiwoom New Materials & Technology Investment Association, Kyobo Hanyang ESG New Technology Investment Association, Kyobo Axis Future & New Technology Investment Association 1, Kyobo-YG Ilguimu newTechnology Investment Association, NPC&C Co., Ltd. and Marston General Private Real Estate Investment Trust No. 61 were included in the related parties for the year ended December 31, 2021.

(1) The related parties as of December 31, 2021 and 2020 are as follows, continued:

2020	Location
Associates	
A&D Credit Information Co., Ltd., Hwaseong-Jeongnam General Industry Complexes Co., Ltd., Kyobo 9 Special Purpose Acquisition Company, Kyobo 10 Special Purpose Acquisition Company (*), Songsan Industrial Complex Development Co., Ltd., Pusan Millak PFV (*), Jinjeop2 REIT Co., Ltd., (*) Guri- Galmae Daeto Development Trust Management Property Investment Company (*) Yeoido H2 PFV (*)	Korea
Joint Venture	
Kyobo AXA Investment Managers Co., Ltd.	Korea
Others	
Daesan Foundation For Rural Society, Daesan Foundation For Culture, Kyobo Foundation For Education	Korea

(*) Kyobo 10 Special Purpose Acquisition Company, Pusan Millak PFV, Jinjeop2 REIT Co., Ltd., Guri- Galmae Daeto Development Trust Management Property Investment Company and Yeoido H2 PFV were included in the related parties and Kyobo 7 Special Purpose Acquisition Company and Kyobo 8 Special Purpose Acquisition Company were excluded from related parties for the year ended December 31, 2020.

(2) Significant balances with the related parties as of December 31, 2021 and 2020 are as follows:

Related party	Account		2021	2020
Associates:				
A&D Credit Information	Accounts payable	₩	694	725
Co., Ltd.	Retirement pension (*)		550	713
Kyobo 9 Special Purpose Acquisition Company	Loan receivables		2,479	871
Kyobo 10 Special Purpose Acquisition Company	Loan receivables		1,947	814
Kyobo 11 Special Purpose Acquisition Company	Loan receivables		2,018	-
HeraParkCity development PFV	Deposits		5,000	-
HeraParkCity development AMC Co., Ltd.	Deposits		100	-

(In millions of won)

Joint Venture:			
Kyobo AXA Investment Managers Co., Ltd.	Accounts Receivable	-	1
	Accounts payable	737	777
	Leasehold deposits received	805	805
	Deposits	536	617
Others:			
Daesan Foundation For Rural Society	Retirement insurance (*)	180	178
Daesan Foundation For Culture	Accounts receivable	-	1
	Leasehold deposits received	1,363	1,363
	Retirement pension (*)	616	642
Kyobo Foundation For Education	Retirement pension (*)	583	517
Key management	Loan receivables	144	151

(*) Retirement insurance and pension are reserve for policyholder in separate account liabilities.

(3) Significant transactions with the related parties for the years ended December 31, 2021 and 2020 are as follows:

Related party	Account		2021 Revenues	2021 Expenses	2020 Revenues	2020 Expenses
Associates:						
A&D Credit Information Co., Ltd.	Premium income (*1)	₩	17	-	16	-
	Dividend income		49	-	98	-
	Claims paid (*1)		-	11	-	18
	Operating and administrative expenses		-	182	-	188
	Asset management expenses		-	7,472	-	7,424
Kyobo 8 Special Purpose Acquisition Company	Gain on valuation of derivatives		-	-	79	-
Kyobo 9 Special Purpose Acquisition Company	Gain on valuation of derivatives		44	-	-	62
Kyobo 10 Special Purpose Acquisition Company	Gain on valuation of derivatives		57	-	894	-
Kyobo 11 Special Purpose Acquisition Company	Gain on valuation of derivatives		1,118	-	-	-
Yeouido H2 PFV	Commission income		343	-	-	-
Pusan Eco delta city PFV	Commission income		178	-	-	-
Logistec Yangsan Co.,Ltd.	Commission income		30	-	-	-
Incheon Gundam 3rd PFV	Commission income		188	-	-	-
Incheon Yeongjong PFV	Commission income		218	-	-	-
Chungnam Naepo 1 PFV,	Commission income		32	-	-	-
Yangjuhoechun PFV	Commission income		744	-	-	-
Incheon Yeongjong 1st PFV	Commission income		163	-	-	-
Changwon gapo PFV	Commission income		24	-	-	-
Kyobo NH Healthcare New Technology Investment Association 1st	Commission income		67	-	-	-
NH Kyobo AI solution New Technology Investment Association	Commission income		30	-	-	-
Kyobo Kiwoom New Materials & Technology Investment Association	Commission income		40	-	-	-
Kyobo Hanyang ESG New Technology Investment Association	Commission income		19	-	-	-
Kyobo Axis Future & New Technology Investment Association 1st	Commission income		66	-	-	-
KYOBO Ygilguimu New Technology Investment Association	Commission income		9	-	-	-

Related party	Account	2021 Revenues	2021 Expenses	2020 Revenues	2020 Expenses
Joint Venture:					
Kyobo AXA Investment Managers Co., Ltd.	Premium income (*1)	33	-	28	-
	Commission income	1469	-	1,062	-
	Dividend income	5,898	-	4,890	-
	Rental income	1,429	-	1,428	-
	Non-operating income	1	-	2	-
	Asset management expenses	-	3,117	-	3,362

(In millions of won)

Others:					
Daesan Foundation For	Premium income (*1)	1	-	1	-
Rural Culture & Society	Rental income	1	-	1	-
	Commission income	46	-	-	-
	Claims paid (*1)	-	2	-	2
	Non-operating expenses	-	731	-	1,104
Daesan Foundation For	Premium income (*1)	4	-	3	-
Culture	Rental income	63	-	3	-
	Commission income	48	-	60	-
	Non-operating income	3	-	-	-
	Claims paid (*1)	-	10	-	12
	Operating and administrative expenses	-	55	-	59
	Non-operating expenses	4	1,206	-	1,338
Kyobo Foundation For	Premium income (*1)	3	-	2	-
Education & Culture	Rental income	1	-	1	-
	Commission income	1	-	-	-
	Claims paid (*1)	-	8	-	9
	Non-operating expenses	-	1,047	-	1,837

(*) Premium income and claims paid belong to profit or loss in separate account.

(4) The financing transactions with the related parties for the years ended December 31, 2021 and 2020 are as follows:

		2021		
		Loan transaction		
Related party		Lending	Collection	Collection of investment
Yeoido H2 PFV.	₩	-	-	50
Pusan Eco delta city PFV,		-	-	250
Logistec Yangsan Co.,Ltd.,		-	-	398
Incheon Gundam 3rd PFV,		-	-	250
Hera Park City development PFV,		-	-	975
Hera Park City development AMC Co., Ltd.,		-	-	20
Incheon Yeongjong PFV,		-	-	250
Dongdaemoon Urban PFV,		-	-	250
Chungju Biz Core City,		-	-	10
Chungnam Naepo 1 PFV,		-	-	250
Yangjuhoechun PFV,		-	-	250
Peco-city,		-	-	38
Incheon Yeongjong 1st PFV,		-	-	250
Changwon gapo PFV		-	-	250
Kyobo 11 Special Purpose Acquisition Company		990	-	10
Kyobo NH Healthcare New Technology Investment Association 1st,		-	-	2,500
NH Kyobo AI solution New Technology Investment Association,		-	-	1,000
Kyobo Kiwoom New Materials & Technology Investment Association,		-	-	2,000
Kyobo Hanyang ESG New Technology Investment Association,		-	-	1,000
Kyobo Axis Future & New Technology Investment Association 1st		-	-	2,000
Kyobo-YG Ilguimu newTechnology Investment Association		-	-	1,000
NPC&C Co., Ltd.		-	-	3,000
Marston General Private Real Estate Investment Trust No. 61		-	-	20,000
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.	₩	-	-	(171)
Pusan Millak PFV.		-	-	250
Jinjeop2 REIT Co., Ltd.		-	-	59
Guri Galmae REIT Co., Ltd.		-	-	20
Yeoido H2 PFV.		-	-	250
Kyobo 7 Special Purpose Acquisition Company		-	990	-
Kyobo 8 Special Purpose Acquisition Company		-	990	-
Kyobo 10 Special Purpose Acquisition Company		930	-	-

(5) The Group determined that the key management includes executives and external directors who have authority and responsibilities for decision making of the business plan, operations and control over the Group. Key management compensation for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Long and short-term employee benefits	₩	30,417	27,463
Retirement benefits		5,288	4,568
Share-based payment		40	95

(In millions of won)

₩	35,745	32,126

(6) Transactions of securities through major related parties for the years ended December 31, 2021 and 2020 are as follows:

Related party	Type of securities	2021 Buy	2021 Sell	2020 Buy	2020 Sell
Kyobo AXA Investment Management Co., Ltd.	Beneficiary certificates.	1,982,251	2,938,155	1,548,570	1,547,264

52. Earnings per share

Basic earnings per share for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Profit for the year (*1)	₩	489,316	452,201
Dividends to hybrid bonds		(28,421)	(22,735)
Profit available for common stock	₩	460,895	429,466
Weighted average number of common shares outstanding		102,500,000 shares	102,500,000 shares
Earnings per share in won		4,497	4,190

(*1) Profit for the year attributable to the controlling interests

The Group's basic earnings per share and diluted earnings per share are the same since there are no potential diluted shares for the years ended December 31, 2021 and 2020.

53. Statement of cash flows

(1) Significant non-cash transactions for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Changes in valuation gain (loss) on available-for-sale financial assets	₩	(1,776,562)	313,283
Transfer between property and equipment and investment property		37,055	33,144
Changes in valuation gain (loss) on revaluation of property and equipment		(7,500)	3,609
Changes in valuation gain (loss) on derivatives for cash flow hedging purpose		36,329	(146,741)
Changes in other comprehensive income of associates		1	15
Changes in other comprehensive income (loss) in separate accounts		(69,058)	28,565
Changes in foreign currency translation adjustments for foreign operations		499	(427)
Remeasurements of defined benefit liabilities		18,462	11,325
Write-off of loan receivables, etc.		(20,856)	(27,481)
Write-off of Other receivables		(1,966)	(1,051)
Transfer from construction in progress		9,848	3,961
Reclassification of advanced payments related to acquisition of property and equipment		152	1,926
Reclassification of advanced payments related to acquisition of intangible assets		13,412	29,704
Changes in right-of-use assets (transfer, acquisition)		84,783	69,875
Changes in right-of-use assets (disposal)		(36,404)	(22,584)
Increase in accounts payable related to acquisition of property, equipment and intangible assets		-	1,581
Regulatory reserve for loan loss		(18,309)	-
Changes in policyholders' equity adjustments		(739,395)	48,232
Income tax expenses reflected in equity		660,347	(81,042)
Replacement from Other provisions to Reserve for outstanding claims		-	800
Retrospective effect of changes in accounting policy		1,112,800	-
Changes in non-controlling interests due to the acquisition of subsidiaries		-	147,806

(2) Changes in liabilities from financing activities for the years ended December 31, 2021 and 2020 are as follows:

2021		Lease liabilities	Borrowings	Leasehold deposits received	Total
Beginning balance	₩	78,164	2,619,813	106,992	2,804,969
Cash flows from financing activities		(49,960)	885,351	(10,547)	824,844
Interest expense, etc.		42,585	36,589	(1,860)	77,314
Ending balance	₩	70,789	3,541,753	94,585	3,707,127

2020		Lease liabilities	Borrowings	Leasehold deposits received	Total
Beginning balance	₩	91,500	1,806,760	119,803	2,018,063
Cash flows from financing activities		(46,998)	804,846	(12,042)	745,806
Interest expense, etc.		33,662	8,207	(769)	41,100
Ending balance	₩	78,164	2,619,813	106,992	2,804,969

(In millions of won)

54. Risk management

54-1) General

(1) Risk management overview

The objective of risk management is to effectively manage and control various uncertainties that prevent the controlling company from achieving its business goal. The controlling company supports its stable business activities by setting the appropriate risk limits to ensure the regulatory capital is maintained above the minimum risk based capital required by the Financial Supervisory Service even in the environment which various risks may actually realize simultaneously, and also comprehensively manages assets and liabilities portfolios to enhance profitability compared to risk. The controlling company's risk management process is as follows:

1) Risk identification and classification

The controlling company identifies risks related to market, credit, interest, insurance, liquidity, operation, strategy, reputation, and variable insurance guarantee as significant risks. Market, credit, interest, insurance, liquidity and variable insurance guarantee risks are classified as financial risks, while operation, strategy, reputation risks are classified as non-financial risks.

2) Risk measurement and management

Market, credit, interest, insurance and operational risks are measured using Value at Risk (VaR) method. Liquidity risk is periodically monitored and managed to ensure liquidity level is adequately maintained by setting the minimum liquidity limit that reflects cash flows and variability for the last 6 months. In addition, variable insurance guarantee risk is periodically measured using a Stress scenario.

The controlling company continues to maintain Asset-Liability Management (ALM) policy to secure long-term stable interest rate margins. In order to consistently improve the asset and liability structure, the product sales mix has been weighted more heavily in favor of investment linked products and floating-rate type policies, while cash flow stability has been strengthened through the increase of long-term fixed-rate interest assets. In addition, constant improvements are being made to the ALM systems.

3) Risk control

To hedge, accept, transfer and mitigate risks, the controlling company sets risk limits at adequate level and monitors if these limits are appropriate and in compliance with the risk management policies and procedures. The risk limits are adjusted as necessary, and a contingency plan is also placed in operation.

In addition, the risk management department provides timely feedbacks and ensures fast and proper decision making process for any important decision making matters.

4) Risk monitoring and reporting

The controlling company monitors various risk factors (e.g. interest rates, stock index, FX rates, etc.), risk quantities by each risk and related monitoring index, and regulatory related index (e.g. solvency margin) on a daily, monthly and quarterly basis using the check list, and if any unusual instances are identified, they are reported to the management and appropriate action is taken.

(2) Risk management framework

Risk management organization is divided into division in charge of risk management and division managing individual risks.

The controlling company's major risk management organization is as follows.

1) Risk Management Committee

The Risk Management Committee is comprised of three outside directors and has overall responsibility for establishing basic directions and major policies of risk management consistent with management strategies and setting appropriate risk limits for the controlling company.

2) Risk Management Council

The Risk Management Council sets the agenda that will be discussed at the Risk Management Committee, implements strategies established by the Risk Management Committee, sets the limit for each risk factor and prepares suitable solution when risk limit exceeds or may exceed the set limit.

3) Risk Management Team

The controlling company runs the Risk Management Team and a risk management unit for each risk to support the Risk Management Committee and the Risk Management Council. The Risk Management Team who is independent from the business operation departments plans and sees company level of financial and non-financial risk management by preparing risk management policies, regulations.

Risk Management Support Team, in charge of risk management, performs plan-see functions independent from Sales Department (including non-financial risk management) such as establishing risk management policies and plan, regulations and rules, and setting risk limits. Individual risk management departments perform Do functions and operate in 7 teams.

- Insurance risk: insurance risk management support team
- Interest rate: actuary infra team
- Market risk: asset portfolio management team
- Variable insurance guarantee risk: variable hedge part
- Credit risk: investment asset evaluation team/retail credit marketing team
- liquidity risk: accounting team

54-2) Regulatory capital adequacy

(1) Kyobo Life Insurance

1) Risk Based Capital (RBC)

The controlling company measures, manages and discloses RBC (e.g. Solvency) ratio according to the Regulation on Supervision of Insurance Business to maintain required capital for the solvency margin.

RBC is available capital (e.g. Solvency) divided by required capital (e.g. Solvency Threshold). Available capital represents how capable the controlling company is in paying the liabilities to policy holders, even in cases of unexpected loss or decline in the value of assets. Required capital is the risk amount of the controlling company. This ratio indicates insurance company's financial strength and claim payment ability.

Available capital is comprised of capital, capital surplus and retained earnings. Required capital is computed considering insurance, interest rates, credit, market, operational risks and dispersion effect. In order to calculate risk based capital requirements, the computation is distinguished by insurance, interest, credit, market and operational risks considering the risk diversification effect. When the controlling company sets portfolio strategy, the impact of Risk Based Capital is considered and the internal risk quantity related to insurance, interest, credit, market and operational risks is measured through internal measurement models.

The FSS requires the Risk Based Capital to be maintained above 100% based on consolidated financial statements and for cases that do not meet the requirements, corrective actions will be taken so that financial competitiveness can be maintained.

	Solvency ratio	Remedial action
Improvement recommended	Above 50% and below 100%	-Requires increasing capital stock -Limits new business entering
Improvement required	Above 0% and below 50%	-Requires management replacement -Re-organization of subsidiaries
Improvement commanded	Below 0%	-Suspension of management duties -Insurance business suspension

Non-insurance financial companies or non-insurance companies are exempt from RBC ratio calculation for the consolidated financial statements. No companies subject to consolidation of the Group except for the controlling company have significant impact on RBC ratio calculation. Also, internal transactions between consolidated companies are not significant so that disclosures on risk are partially disclosed by consolidated company.

2) Measurement and management

The controlling company sets the total risk limits and guidance as a part of annual business plan to ensure, even though risks are possible, the risk capital (e.g. solvency margin) is greater than minimum required risk based capital on the standard guidelines promulgated by the Financial Supervisory Service. Risk capital is monitored

(In millions of won)

on a monthly basis to maintain at appropriate level against the amount of total risks of the assets. The controlling company reviews acceptability of risk capital under the case of abnormally increased risks by measuring sensitivity and conducting scenario method stress test for significant risk factors with supplementing the limitation of Value at Risk base measurement.

(2) Kyobo Securities

1) Net Capital Ratio (NCR)

In order to prevent inevitable risks arising from operating activities and to minimize investors', customers' and other stakeholder's loss in wealth, Kyobo Securities are at their best in managing their capital. The management of capital adequacy is based on net capital ratio enacted by the FSS. Kyobo Securities reports their net capital ratio results to the FSS at the end of every month.

2) Capital management

The main objective of Kyobo Securities' capital management is to maximize each shareholder's value and maintain its competitive credit rating through main operations of Kyobo Securities. To satisfy the externally imposed capital requirements, Kyobo Securities actively carries out capital management. Kyobo Securities restructures capital according to the change in capital structure, changes in market and risks associated with operating activities. Kyobo Securities may maintain or change the capital structure by adjusting the shareholder's amount of dividend, right issue or through capital reduction. Compared with the prior year, Kyobo Securities have not changed any rules or procedures in their objective to manage their capital.

3) Regulatory capital status

In order to maintain capital adequacy of financial investment firms, the FSS has decided to regulate the net capital ratio at 100%. For security firms that do not meet this requirement at a certain minimum, the FSS will take certain actions accordingly. The actions are as follows:

- Net capital ratio is above 50% but below 100%: recommendation of improvement
- Net capital ratio is above 0% but below 50%: requirement of improvement
- Net capital ratio is below 0%: commandment of improvement

Kyobo Securities follows Net capital ratio stipulated by the FSS.

54-3) Insurance risk

(1) Overview

Insurance risk is the risk related to the insurance company's main service of contract acquisition and payment of insurance claims. Potential loss from insurance risk is incurred when there is a difference between the insurance premium collected from the policyholders and actual insurance claims paid.

(2) Management of insurance risk

Insurance risk management comprises of acceptance and administration of insurance contracts, calculation and adjustment of premium rate, review and payment of claims, reinsurance and closing accounts. Each insurance component is managed by a department operating for the risk component.

The Risk Management Team and other related departments conduct preemptive risk management when they develop or revise an insurance product. Insurance risk is continuously improved through regularly reviewing experience rate analysis, insurance risk measurement, underwriting and claims inspection process after product selling.

1) Underwriting

The Group reviews and improves the medical underwriting guideline based on the changes of medical environment. The Group reassesses and reinforces underwriting standards through profit and loss analysis over insurance contracts. Consultants are updated with the latest underwriting standards. The Group distributes underwriting manual for consultants to prevent miss-selling. Risk Management Supporting enhances the accuracy of the risk assessment over a subscribed insurance contract. It provides various risk information that are consistent and underwriting that is reasonable.

2) Risk management through reinsurance

The Group cedes an insurance contract to reinsurer if risks of the contract need to be transferred or diversified to ensure claims payment ability and to maintain financial sustainability of the Group. To achieve the objectives of reinsurance activity, the Group runs reinsurance business efficiently by profit-loss analysis, cedes insurance contracts to reliable reinsurer and observes relevant regulations through the internal control system.

3) Developing insurance product

When an insurance product is developed or revised, the Group prices insurance premium based on the analysis of expected and actual insurance risk difference and sensitivity to the risk factors. The Group also reviews the appropriateness of the premium and the profitability of the products through the historical loss experience analysis. The Group reviews compliance of risk management policy and appropriateness of expected profit-loss based on experience rate as a part of post selling risk management for a high risk product. Policy and underwriting standard of the product would be revised in line with the result of the review to improve insurance risk.

4) Assessment of claims requests and payment

A standard process for accepting requests and claims payment is enacted to regulate the assessment process of claims requests. The Group pays reasonable benefit using insurance risk management system score, assessment process by types of claims and historical insurance loss experience analysis. The Group monitors deficiency of insurance policy through claim assessment process, and based on that, modifies insurance policies and contracts. The claims payment process is continuously improved reflecting the result of insurance event inspection process monitoring, internal audit and customer complaints etc.

(3) Insurance risk amount

Insurance risk of a life insurance company is measured by insurance premium risk. Reserve risk is managed by liability adequacy test as fluctuation of reserve for life insurance product is insignificant and claims are paid within a short period of time.

Insurance premium risk exposure is insurance risk premium for accidents such as death, disease, etc incurred within a year from December 31, 2021 and December 31, 2020 for all insurance contracts and the claims are to be paid for the next year.

The Group's insurance premium risk exposure and insurance premium risk amounts as of December 31, 2021 and 2020 are as follows:

		2021	
		Exposure	Insurance risk amount
Death	₩	465,771	78,206
Injury		45,366	33,902
Hospitalization		278,274	29,420
Operation, diagnosis		777,376	413,334
Medical expenses		244,064	79,340
Others		39,813	12,947
	₩	1,850,664	647,149
Before applying reinsurance ratio	₩		647,149
Possession ratio			92.59%

(In millions of won)

		2020	
		Exposure	Insurance risk amount
Death	₩	471,423	79,169
Injury		46,308	35,185
Hospitalization		282,374	29,867
Operation, diagnosis		756,446	400,199
Medical expenses		221,086	65,974
Others		39,260	13,274
	₩	1,816,897	623,668
Before applying reinsurance ratio	₩		623,668
Possession ratio			93.18%

(4) Credit risk from insurance contracts
1) Overview
Credit risk is the risk of financial loss to the Group due to debtor's bankruptcy or if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the risk amount (the unexpected loss) exceeds the expected loss, and credit risk from insurance contract arising mainly from reinsurer's default risk. The Group chooses blue chip reinsurance company based on the established standards including major financial indices used to assess the reinsurer for its credit rating, RBC, financial adequacy, ratio of market share etc. The Group regularly monitors if reinsurer's secure operation is maintained to prevent sudden decrease in its credit rating. If the Group finds that transactions with reinsurer are not secure, countermeasures such as contract termination take place.
2) Paid premium for ceded reinsurance based on credit ratings of reinsurer
The Group's ceded reinsurance premium as of December 31, 2021 and 2020 amounted to ₩149,741 million and ₩134,055 million respectively and all the counter parties have credit rating above AA-.
3) Asset details with reinsurers based on credit ratings
The Group's reinsurance receivables as of December 31, 2021 and 2020 amounted to ₩102,170 million and ₩90,782 million, respectively and all the counterparties have credit rating above AA-.
(5) Market risk from insurance contracts
1) Overview
Market risk from insurance contracts is the risk that rises from the changes in market prices such as foreign exchange rates, interest rates and equity prices in certain insurance contract such as unit-linked variable or variable interest rate product that produces additional benefits (Guaranteed Minimum Death Benefit (GMDB), Guaranteed Minimum Annuity Benefit (GMAB) etc.) due to the contract term of providing guarantee amount above the contracted value.
2) Management of minimum guarantee risk of unit-linked variable products
The Group uses two types of risk management approaches for minimum guarantee risk of unit-linked variable products. For the passive management, the Group recognizes option and guarantees liability or reserves certain amount of the capital to cover the expected loss. For more active management, the guarantee risk of unit-linked variable products is measured and limited at the product development stage and static and dynamic hedging method or reinsurance can be used to mitigate the risk.
The Guarantee Risk Management task force team establishes optimal guarantee risk management strategy by continuously monitoring guarantee risk and analyzing effectiveness of the risk management strategy.
3) Liabilities of the interest rate-linked product for the minimum interest guarantee risk as of December 31, 2021 and 2020 are as follows:

		2021	2020
Below 0%	₩	70,115	73,143
Over 0% and below 2%		24,613,077	21,077,748
Over 2% and below 3%		5,810,988	6,642,829
Over 3% and below 4%		12,049,366	11,555,316
Over 4%		2,219,157	2,149,773
	₩	44,762,703	41,498,809

The guaranteed minimum interest rate is specified in insurance terms. The Group records the guarantee reserve if the disclosed interest rate is lower than the guaranteed minimum interest rate of the variable products.
4) Minimum guarantee risk of unit-linked variable products
Minimum guarantee risk of unit-linked variable products amounts as of December 31, 2021 and 2020 are as follows:

		2021	2020
GMAB	₩	7,791	28,368
GMDB		264,425	269,383
GMWB		132	121
GLWB		17,670	17,301
Other		1,094	1,378
	₩	291,112	316,551

54-4) Interest rate risk

(In millions of won)

(1) Overview
Interest rate risk is the risk in decrease of net assets incurred from interest rate fluctuation. It arises from the maturity structure and interest rate differences between interest bearing assets and liabilities.
(2) Measurement and management
1) Measurement
The Group measures interest rate risk with both the standard model and the internal model enacted by the Financial Supervisory Service. Interest risk calculation formula was as follows:

Interest rate risk	=	MAX{((interest bearing liabilities' exposure X liabilities' duration – interest bearing assets' exposure X asset duration) X interest rate variance), Risk amount of minimum interest}
Internal model	=	(interest bearing liabilities' exposure X liabilities' duration - interest bearing assets' exposure X asset duration) X interest rate variance

Duration:	:	Cash flow weighted average maturity or average recovery period of investment amount or price sensitivity to the change of interest.
Risk amount of minimum interest	:	Fixed interest liabilities X 2.83% + other liabilities X (1.41%~2.83%)

Interest risk amount by Standard model of Financial Supervisory Service RBC system is calculated by multiplying exposure of interest bearing asset and liability by duration. Whereas, the internal model calculates interest risk amount using effective duration calculated from the cash flow considered by the attributes of interest bearing assets and liabilities.
The confidence level of interest risk in internal model applies 99% (the probability of once occurring once in 100 years) as the same with the interest risk in standard model.
2) Management
Within an Asset Liability Management Framework, the Group is seeking to reduce the duration gap in the mid and long term view by increasing interest bearing asset duration or asset amount or, decreasing liability duration. The Group sets the interest rate risk limit amount considering equity capital, solvency margin and risk management polices etc. and emergency situation scenario test assuming the unexpected abnormal economic crisis is also conducted on a regular basis.
3) Interest risk exposure
Exposure to interest bearing asset and liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Interest bearing asset:			
Due from banks	₩	1,644,754	922,954
Investment securities (*1)		61,487,723	59,150,979
Loan receivables		21,913,473	20,731,006
		85,045,950	80,804,939
Interest bearing liabilities:			
Fixed interest rate contract		29,759,740	29,443,301
Interest rate linked contract		44,762,427	41,498,461
		74,522,167	70,941,762

(*1) Including amounts of debt securities and bond type beneficiary certificate in available-for-sale financial instruments as well as held-to-maturity financial instruments.
(*2) Assessed from the Kyobo Life Insurance Co., Ltd. and Kyobo Life Planet Life Insurance Company.

54-5) Credit risk

(1) Overview
Credit risk is the risk of financial loss to the Group due to debtor's bankruptcy or if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the risk amount (the unexpected loss) exceeds the expected loss.
(2) Measurement and management
The Group measures credit risk using the standard model and the internal model. The standard model calculates credit risk amount according to the fourth clause of Article 7-2 of the Regulation on Supervision of Insurance Business.
The internal model calculates credit risk amount using VaR calculated from the Group's Credit Risk Management System after reflecting correlation and portfolio distribution effect. For corporate borrower, the Group uses mark-to-market method, and for individual borrower, the Group uses Default Mode (DM) using loan pool.
The Group manages credit risk by setting VaR limit and maximum credit exposure. Compliance with credit risk management policy is monitored by checking the breaches of the VaR limit on a monthly basis, and reviewing the risk tolerance by analysing credit risk amount under normal and stress situation.
The Group sets credit exposure limit for each borrower base on its industry and credit rating. The conformity of this limit is reviewed every month. After the loan initiation, credit review for each significant borrower is performed regularly. The Group revises exposure limit, decreases credit line, collects the loan or increases collateral if any symptom of credit rating drop.
After the loan initiation, credit review for each significant borrower is performed regularly. The Group revises exposure limit, decreases credit line, collects the loan or increases collateral if any symptom of credit rating drop. Appropriate steps, such as collection, are taken when the borrower's credit rating becomes speculative. The Group establishes action plan by reviewing the financial structure and payment ability of the currently or potentially problematic borrowers through designated units (e.g. Investment Asset Analysis Team, Loan Management Team, etc.).
(3) Maximum exposure to credit risk
The Group's maximum exposure to credit risk as of December 31, 2021 and 2020 are as follows:

		2021	2020
Cash and due from banks (*1)	₩	2,892,385	1,939,417
Financial assets designated at fair value through profit or loss (*2)		526,970	332,196
Financial assets held for trading (*2)		6,521,992	5,592,738
Available-for-sale financial assets (*2)		45,933,533	49,993,923
Loan receivables (*3)		4,553,550	22,377,805
Other receivables (*3)		23,757,406	1,579,794

(In millions of won)

Derivative assets		1,397,655	1,323,168
	₩	86,045,244	83,139,041
Undrawn loan commitment	₩	2,991,811	3,189,956

(*1) The maximum exposure amounts for cash and due from banks in the consolidated statement of financial position exclude cash on hand without credit risk.
(*2) Financial instruments of equity securities in financial assets designated at fair value through profit or loss, financial assets held-for-trading, and available-for-sale financial assets in the consolidated statement of financial position are excluded.
(*3) The maximum exposure amounts for loans and other receivables are presented as net of allowance.

(4) Impairment information of loan receivables
Past due or impairment information for loan receivables as of December 31, 2021 and 2020 are as follows:

		2021	2020
Neither past due nor impaired	₩	23,695,636	22,334,934
Past due but not impaired		69,819	72,398
Impaired		45,967	48,715
		23,811,422	22,456,047
Less: allowance		(54,016)	(78,242)
	₩	23,757,406	22,377,805

(In millions of won)

(5) Credit soundness of loan receivables neither past due nor impaired

Credit soundness of loan receivables that are neither past due nor impaired as of December 31, 2021 and 2020 are as follows:

2021		Policy loan receivables	Loan receivables secured by investment securities	Loan receivables secured by real estate	Call loan receivables, Unsecured loan receivables and guaranteed loan receivables	Other loan receivables	Total
Risk-free	₩	-	-	-	2,712,623	-	2,712,623
AAA		-	-	114,728	1,149,213	65,737	1,329,678
AA+ ~ AA-		-	-	-	915,377	433,859	1,349,236
A+ ~ BBB-		-	-	120,104	474,119	202,467	796,690
BBB- and below		-	20,000	-	-	-	20,000
Unrated		-	-	3,120,623	3,067,129	125,726	6,313,478
Other		6,356,301	719,320	2,715,461	1,346,104	36,745	11,173,931
		6,356,301	739,320	6,070,916	9,664,565	864,534	23,695,636
Less: allowance		-	(245)	(1,561)	(14,419)	(523)	(16,748)
	₩	6,356,301	739,075	6,069,355	9,650,146	864,011	23,678,888
Mitigation of credit risk due to collateral	₩	6,356,301	739,320	2,854,075	51,209	1,223	10,002,128

Credit soundness of loan receivables that are neither past due nor impaired as of December 31, 2021 and 2020 are as follows, continued:

2020		Policy loan receivables	Loan receivables secured by investment securities	Loan receivables secured by real estate	Call loan receivables, Unsecured loan receivables and guaranteed loan receivables	Other loan receivables	Total
Risk-free	₩	-	-	-	2,835,660	-	2,835,660
AAA		-	-	121,997	1,288,180	14,711	1,424,888
AA+ ~ AA-		-	-	-	494,910	389,167	884,077
A+ ~ BBB-		-	-	134,667	457,364	410,317	1,002,348
Unrated		-	-	3,764,353	2,377,780	16,051	6,158,184
Other		6,115,616	585,669	2,144,769	1,181,649	2,074	10,029,777
		6,115,616	585,669	6,165,786	8,635,543	832,320	22,334,934
Less: allowance		-	-	(12,433)	(27,282)	(1,962)	(41,677)
	₩	6,115,616	585,669	6,153,353	8,608,261	830,358	22,293,257
Mitigation of credit risk due to collateral	₩	6,115,616	585,669	2,714,524	76,854	1,895	9,494,558

(In millions of won)

Credit rating above is classified by Risk Based Capital Manual enacted by the FSS. Retail loan included in other is classified by internal credit rating which is rated by Behaviour Scoring System (BSS).
Classification of retail loan receivables as of December 31, 2021 and 2020 are as follows:

		2021	2020
Gilts (Grade1~4)	₩	2,139,080	1,803,739
Normal (Grade5~8)		1,035,964	956,869
Disadvantage (Grade 9~10)		4,544	7,259
Other (i.e. risk free, etc.)		292,830	467,666
	₩	3,472,418	3,235,533

(6) Aging analysis of loan receivables that were past due but not impaired
Aging analysis of loan receivables that were past due but not impaired as of December 31, 2021 and 2020 are as follows:

		2021					
		Loan receivables secured by investment securities	Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Other loan receivables	Total
Less than 30 days	₩	10,000	30,688	22,732	1,779	47	65,246
31~60 days		-	321	2,163	384	-	2,868
61~90 days		-	22	1,638	18	-	1,678
90 days~		-	-	-	-	27	27
		10,000	31,031	26,533	2,181	74	69,819
Less: allowance		(2,000)	(10)	(2,443)	(2)	-	(4,455)
	₩	8,000	31,021	24,090	2,179	74	65,364
Mitigation of credit risk due to collateral	₩	8,000	31,017	-	2,181	74	41,272

		2020				
		Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Other loan receivables	Total
Less than 30 days	₩	42,378	22,603	2,136	-	67,117
31~60 days		526	2,330	403	-	3,259
61~90 days		129	1,839	-	-	1,968
90 days~		-	-	-	54	54
		43,033	26,772	2,539	54	72,398
Less: allowance		(135)	(2,432)	(3)	-	(2,570)
	₩	42,898	24,340	2,536	54	69,828
Mitigation of credit risk due to collateral	₩	42,903	-	2,539	-	45,442

(In millions of won)

(7) Impaired loan receivables
Impaired loan receivables as of December 31, 2021 and 2020 are as follows:

		2021						
		Individual assessing		Collective assessing				
		Unsecured loan receivables	Other loan receivables	Policy loan receivables	Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Total
Impaired	₩	8,961	8,447	1,887	3,188	20,330	3,154	45,967
Less: allowance		(8,961)	(8,402)	(1,887)	(86)	(13,316)	(161)	(32,813)
	₩	-	45	-	3,102	7,014	2,993	13,154
Mitigation of credit risk due to collateral	₩	-	45	-	3,177	-	3,154	6,376

		2020						
		Individual assessing		Collective assessing				
		Unsecured loan receivables	Other loan receivables	Policy loan receivables	Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Total
Impaired	₩	9,099	8,447	1,519	5,307	20,035	4,308	48,715
Less: allowance		(9,093)	(8,402)	(1,519)	(818)	(13,943)	(220)	(33,995)
	₩	6	45	-	4,489	6,092	4,088	14,720
Mitigation of credit risk due to collateral	₩	-	-	-	5,161	-	4,308	9,469

(In millions of won)

(8) Risk concentration by industry sector of loan receivables

An analysis of concentration by industry sector of loan receivables as of December 31, 2021 and 2020 are as follows:

2021		Real estate and lease	Whole sale, retail, Transportation and lodging	Finance and insurance	Electricity, gas, stream and water supply	Construction	Others	Total
Policy loan receivables		612	9,351	534	3,150	6,266	6,338,275	6,358,188
Loan receivables secured by investment securities		-	-	-	-	-	749,320	749,320
Loan receivables secured by real estate		1,875,859	59,129	1,752,169	-	-	2,417,978	6,105,135
Unsecured loan receivables		2,075,201	837,065	706,667	1,547,635	1,029,890	2,444,707	8,641,165
Guaranteed loan receivables		602,508	-	-	-	339,983	142,068	1,084,559
Other loan receivables		171,798	93,014	357,400	176,448	2,875	71,520	873,055
	₩	4,725,978	998,559	2,816,770	1,727,233	1,379,014	12,163,868	23,811,422

2020		Real estate and lease	Whole sale, retail, Transportation and lodging	Finance and insurance	Electricity, gas, stream and water supply	Construction	Others	Total
Policy loan receivables		813	6,447	547	3,916	6,972	6,098,440	6,117,135
Loan receivables secured by investment securities		-	-	-	-	-	585,669	585,669
Loan receivables secured by real estate		2,009,194	51,200	1,840,275	-	-	2,313,457	6,214,126
Unsecured loan receivables		1,568,581	878,011	694,497	1,398,334	666,584	2,200,018	7,406,025
Guaranteed loan receivables		686,420	-	-	-	438,983	166,868	1,292,271
Other loan receivables		187,277	87,074	389,900	124,599	2,875	49,096	840,821
	₩	4,452,285	1,022,732	2,925,219	1,526,849	1,115,414	11,413,548	22,456,047

(In millions of won)

(9) Credit rating of debt securities

Credit rating of debt securities as of December 31, 2021 and 2020 are as follows:

	2021							
		Government and public bonds	Special bonds	Financial institutions bonds	Corporate bonds	Overseas securities	Other securities	Total
Risk-free	₩	24,051,928	3,419,292	-	658,192	3,309,213	-	31,438,625
AAA		-	4,625,814	906,475	1,645,554	10,812,355	504,055	18,494,253
AA+ ~ AA-		-	648,445	1,796,047	1,611,614	1,876,758	324,231	6,257,095
A+ ~ BBB-		-	-	-	237,572	835,559	202,367	1,275,498
BBB- and below		-	-	-	6,467	54,528	-	60,995
Unrated		-	-	-	739	5,973	2,867	9,579
	₩	24,051,928	8,693,551	2,702,522	4,160,138	16,894,386	1,033,520	57,536,045

	2020							
		Government and public bonds	Special bonds	Financial institutions bonds	Corporate bonds	Overseas securities	Other securities	Total
Risk-free	₩	21,118,683	3,979,429	-	724,925	4,619,332	-	30,442,369
AAA		-	4,839,929	509,080	1,731,615	10,405,831	281,901	17,768,356
AA+ ~ AA-		-	464,405	2,496,312	1,683,030	1,879,502	131,892	6,655,141
A+ ~ BBB-		-	-	-	166,357	679,665	88,949	934,971
BBB- and below		-	-	-	9,982	54,774	-	64,756
Unrated		29,706	-	-	727	5,543	17,288	53,264
	₩	21,148,389	9,283,763	3,005,392	4,316,636	17,644,647	520,030	55,918,857

(In millions of won)

(10) Risk concentration by industry sector of debt securities

An analysis of concentration by industry sector of debt securities as of December 31, 2021 and 2020 are as follows:

		2021						
		Government owned entity	Finance and insurance	Electricity, gas, stream and water supply	Construction	Real estate and lease	Others	Total
Financial assets designated at fair value through profit or loss	₩	-	504,055	-	2,000	20,047	868	526,970
Financial assets held for trading		1,488,126	3,537,050	208,020	-	-	1,288,796	6,521,992
Available-for-sale financial assets		31,386,182	4,085,159	2,538,368	1,611,417	80,566	6,231,841	45,933,533
Held-to-maturity financial assets		3,231,175	20,846	-	250,000	-	1,051,529	4,553,550
	₩	36,105,483	8,147,110	2,746,388	1,863,417	100,613	8,573,034	57,536,045

		2020						
		Government owned entity	Finance and insurance	Electricity, gas, stream and water supply	Construction	Real estate and lease	Others	Total
Financial assets designated at fair value through profit or loss	₩	-	314,907	-	3,072	14,217	-	332,196
Financial assets held for trading		1,070,962	3,579,671	172,371	9,778	-	759,956	5,592,738
Available-for-sale financial assets		33,343,144	5,309,421	2,918,085	1,747,404	84,512	6,591,357	49,993,923
	₩	34,414,106	9,203,999	3,090,456	1,760,254	98,729	7,351,313	55,918,857

(In millions of won)

(11) Risk concentration by geographic location of debt securities

Risk concentration by geographic location of debt securities as of December 31, 2021 and 2020 are as follows:

		2021						
		Korea	USA	U.K.	France	China	Others	Total
Financial assets designated at fair value through profit or loss	₩	526,970	-	-	-	-	-	526,970
Financial assets held for trading		6,021,423	209,988	85,913	25,412	-	179,256	6,521,992
Available-for-sale financial assets		34,751,758	8,597,578	280,570	1,081,146	20,106	1,202,375	45,933,533
Held-to-maturity financial assets		3,401,281	845,636	-	-	-	306,633	4,553,550
	₩	44,701,432	9,653,202	366,483	1,106,558	20,106	1,688,264	57,536,045

		2020						
		Korea	USA	U.K.	France	China	Others	Total
Financial assets designated at fair value through profit or loss	₩	332,196	-	-	-	-	-	332,196
Financial assets held for trading		5,186,705	119,104	141,384	37,816	-	107,729	5,592,738
Available-for-sale financial assets		36,599,466	9,506,565	292,662	2,018,918	21,502	1,554,810	49,993,923
	₩	42,118,367	9,625,669	434,046	2,056,734	21,502	1,662,539	55,918,857

(In millions of won)

54-6) Market risk

(1) Overview

Market risk is the risk that the Group incurs loss due to decrease in asset value caused by changes in market prices such as foreign exchange rates, interest rates and stock prices.

(2) Measurement and management

The Group measures market risk using the standard model and the internal model. The standard model evaluates the market risk according to the fifth clause of Article 7-2 of the Regulation on Supervision of Insurance Business. One-year 99% VaR is utilized for the internal model. The Group mainly uses the delta-normal method that assumes normal distribution return rate and linear valuation. The Group also measures daily VaR based on simulation method as an assistance method.

The market risk limit is set up based on VaR and monitored daily so that it stays below the annual market risk limit. Other than VaR, the sensitivity indices, for instance, the duration and the beta are used as a supplementary market risk measurement. In order to supplement VaR measurement method, loss measurement is conducted under a variety of scenarios covering severe market condition such as IMF or financial economic crisis in 2008. The Group regularly reviews the impact of loss on profit or loss before dividends and RBC ratio and establishes countermeasure plan. In addition, the Group maintains adequate level of risk in holding equities by managing investment limit and foreign exchange translation hedge of asset group that influences market risk.

The Group sets limit per individual asset class by aggregating the exposure per individual asset which can be transferred to each book in order to prevent concentration of operating assets and promote soundness of assets held by the Group.

(3) Group’s market risk analysis

Sensitive analysis of foreign exchange rate, interest rate and equity market as of December 31, 2021 and 2020 are as follow:

	2021			
	Risk factor		Income effect (*1)	Capital effect (*2)
Foreign exchange	₩ 100 increase in KRW/USD FX Rate	₩	52,162	50,921
	₩ 100 decrease in KRW/USD FX Rate		(52,162)	(50,921)
Interest rate	100bp increase		(8,795)	(1,996)
	100bp decrease		8,795	1,996
Stock prices	10% increase in equity index		-	108
	10% decrease in equity index		-	(108)

(*1) Profit before income tax expenses.
(*2) Changes in accumulated other comprehensive income are calculated before adjusting policyholders' equity and allocating the deferred tax.

Sensitive analysis of foreign exchange rate, interest rate and equity market as of December 31, 2021 and 2020 are as follow, continued:

	2020			
	Risk factor		Income effect (*1)	Capital effect (*2)
Foreign exchange	₩ 100 increase in KRW/USD FX Rate	₩	46,898	21,589
	₩ 100 decrease in KRW/USD FX Rate		(46,898)	(21,589)
Interest rate	100bp increase		(26,235)	(4,618)
	100bp decrease		26,235	4,618
Stock prices	10% increase in equity index		-	97
	10% decrease in equity index		-	(97)

(*1) Profit before income tax expenses.
(*2) Changes in accumulated other comprehensive income are calculated before adjusting policyholders' equity and allocating the deferred tax.

(4) Market risk analysis of Kyobo Securities

An analysis of VaR for trading portfolio held by Kyobo Securities for the years ended December 31, 2021 and December 31, 2020 are as follows:

		2021			
		Average	Maximum	Minimum	December 31, 2021
Equities	₩	1,500	3,847	345	3,495
Interest rate		762	1,704	307	792
Foreign exchange		383	1,433	49	307
Portfolio diversification		-	-	-	879
Total VaR	₩	2,233	4,569	913	3,715

		2020			
		Average	Maximum	Minimum	December 31, 2020
Equities	₩	1,096	3,243	102	343
Interest rate		853	1,946	196	712
Foreign exchange		552	1,332	148	334
Portfolio diversification		-	-	-	164
Total VaR	₩	2,164	3,929	418	1,225

54-7) Liquidity risk

(1) Overview

Liquidity risk is the risk that the Group is unable to meet its payment obligations arising from financial liabilities as they fall due or raise funds with high interest rates and unfavorable disposal of securities to solve the shortage of funds or facing inability to pay due to unexpected cash flows.

(2) Recognition and management

1) Management index of liquidity risk

Liquidity risk is measured by liquidity gap and liquidity ratio. Liquidity ratio is the percentage of the Group's assets convertible to cash with the within 3 months maturities against claims paid for the past three months. This ratio is an indicator that measures the Group's ability to pay off its short-term debt obligations and the Group maintains the ratio as around 150%.

Liquidity gap is the index representing shortage or oversupply of the cash flow within a month, a quarter, half a year, and more than a year. The Group calculates liquidity gap on a monthly or weekly basis and manages supply and demand schedule of the cash flow to ensure this index stays in positive.

2) Management

- Periodic establishment of plans for demand and supply of fund

All cash flow information from financial assets and liability and insurance liability is gathered for liquidity risk management on a monthly or weekly basis to prepare for unforeseen cash flow surplus and deficit. And funds are daily checked if they flow by the schedule and any changes are reflected on the fund schedule.

For the analysis of long-term cash flow projection of insurance liability, the Group utilizes ALM system. The Group prepares for unforeseen cash flow deficit caused by the concentrated number of maturities.

- Maintaining target liquidity fund level

The Group keeps a certain amount of the liquidity fund to prepare for unexpected liquidity deficit. The level of liquidity fund is revised dynamically in line with trend of the financial market status and the volatility of claim payments.

- Liquidity contingency plan

The Group sets a contingency plan to appropriately respond to emergency situation such as the massive claim of the cash payment in an economic crisis.

Liquidity contingency plan defines an action plan regarding the priorities of funding, roles & responsibilities of each department and the form of the emergency committee. Simulated liquidity exercise under various possible scenarios is performed regularly so as to investigate and improve its contingency plans.

(In millions of won)

(3) Liquidity risk exposure

		2021					
		Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Insurance contracts and financial liabilities:							
Liabilities under insurance contracts	₩	1,010,287	405,703	1,163,306	7,050,439	68,494,444	78,124,179
Financial liabilities designated at fair value through profit or loss (*1)		432,618	171,810	484,121	987,899	1,488,402	3,564,850
Trading liabilities		-	-	117,484	-	-	117,484
Derivative liabilities (*1)		108,593	54,781	81,258	439,532	206,248	890,412
Borrowings		2,839,050	-	300,000	403,533	-	3,542,583
Other financial liabilities (*2)		3,018,194	3,412	27,176	177,528	37,490	3,263,800
	₩	7,408,742	635,706	2,173,345	9,058,931	70,226,584	89,503,308

(*1) Adjustments to Day 1 profit or loss and credit risk adjustments are excluded.
(*2) Lease liabilities are excluded (See Note 25. (3)).

		2021					
		Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Commitments:							
Loans commitments (*3)	₩	2,991,811	-	-	-	-	2,991,811
Equity investment commitments (*3)		4,667,152	-	-	-	840	4,667,992
ABCP purchase commitments (*3)		45,300	23,000	30,600	81,700	-	180,600
Loans purchase commitments, etc. (*3)		-	10,000	48,000	165,700	-	223,700
	₩	7,704,263	33,000	78,600	247,400	840	8,064,103

(*3) These are the maximum amounts that the Group may pay in future by the contract. As of December 31, 2021, the Group expects that actual payments will be less than the commitment amounts in consideration of past experiences and characteristics of commitment, and it is difficult to reasonably estimate the timing, amounts, and feasibility of actual payment.

(In millions of won)

		2020					
		Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Insurance contracts and financial liabilities:							
Liabilities under insurance contracts	₩	322,291	311,325	659,890	6,685,893	67,518,110	75,497,509
Financial liabilities designated at fair value through profit or loss (*1)		518,333	577,553	798,977	216,586	906,712	3,018,161
Trading liabilities		109,397	-	304,412	-	-	413,809
Derivative liabilities (*1)		88,095	52,259	76,619	269,931	171,720	658,624
Borrowings		2,217,111	-	-	405,311	-	2,622,422
Other financial liabilities (*2)		2,807,670	1,161	11,150	144,021	961	2,964,963
	₩	6,062,897	942,298	1,851,048	7,721,742	68,597,503	85,175,488

(*1) Adjustments to Day 1 profit or loss and credit risk adjustments are excluded.
(*2) Lease liabilities are excluded (See Note 25. (3)).

		2020					
		Less than 3 months	3~6 months	6 months~1 year	1~5 years	More than 5 years	Total
Commitments:							
Loans commitments (*3)	₩	3,159,956	-	30,000	-	-	3,189,956
Equity investment commitments (*3)		3,643,940	-	-	-	839	3,644,779
ABCP purchase commitments (*3)		-	38,500	-	157,700	-	196,200
Loans purchase commitments, etc. (*3)		-	27,000	38,000	96,200	5,000	166,200
	₩	6,803,896	65,500	68,000	253,900	5,839	7,197,135

(*3) These are the maximum amounts that the Group may pay in future by the contract. As of December 31, 2020, the Group expects that actual payments will be less than the commitment amounts in consideration of past experiences and characteristics of commitment, and it is difficult to reasonably estimate the timing, amounts, and feasibility of actual payment.

(In millions of won)

55. Interests in unconsolidated structured entities

(1) The nature, purposes and activities of the unconsolidated structured entities which the Group had interest in as of December 31, 2021, and how these structured entities are financed were summarized as follows:

Nature	Purposes	Activities	Financing methods
Asset securitization	(1) Encashment by transferring securitized assets (2) Investment fee collection by providing credit offering and ABCP purchase commitments to SPC	(1) Carrying out a plan to securitized assets (2) Taking over and collecting securitized assets (3) Issuing and redeeming ABS and ABCP	(1) Issuance of ABS and ABCP
Project financing	(1) Project financing loans for social overhead capital (SOC) and real estate (2) Lending loans to shipbuilding/airplane SPC	(1) Constructing social overhead capital and real estate (2) Manufacturing and purchasing shipbuilding/airplanes	(1) Entering into loan commitments, credit offering and investment commitments (with credit line)
Investment fund	(1) Investment in beneficiary certificates (2) Investment in PEF and cooperatives	(1) Management and operation of fund assets (2) Payment of fund management fees and sharing of profits from asset management	(1) Sales of beneficiary certificates (2) Investment by general managers and limited liability partners

(2) Total assets of the unconsolidated structured entities, carrying value of equity and maximum exposure to loss related to the Group's interests in unconsolidated structured entities as of December 31, 2021 are as follows:

Type		Asset-backed securitization	Project financing	Investment fund	Total
Total assets of the unconsolidated structured entities	₩	23,802,191	98,944,868	1,055,706,469	1,178,453,528
Carrying value of assets:					
Loan receivables		305,000	8,320,806	53,377	8,679,183
Financial assets held for trading		298,102	-	703,122	1,001,224
Available-for-sale financial assets		2,791,933	10,999,454	3,490,329	17,281,716
Other assets		3,605	27,046	18,944	49,595
	₩	3,398,640	19,347,306	4,265,772	27,011,718
Maximum exposure to loss (*)	₩	3,832,940	24,885,024	4,265,772	32,983,736
Deduction method of maximum exposure		Purchase commitment /Credit offering	Loan commitment /Investment commitment	Loan commitment	

(*) The maximum amounts exposed to losses included investment assets in the consolidated financial statements.

(3) As of December 31, 2021, there was no financial support or any other support provided for consolidated or unconsolidated structured entities without contractual consideration.

56. Operating segments

(1) Operating segments consist of insurance segment, securities segment and other segments. Other segments contain retails, property managements and insurance related services, etc.
(2) Information of income and expense for each operating segment for the years ended December 31, 2021 and 2020 are as follows:

		2021				
		Insurance	Securities	Others	Consolidated adjustments	Total
Operating revenues	₩	16,426,157	2,256,390	1,243,640	(211,078)	19,715,109
Operating expenses		15,949,608	2,062,042	1,199,651	(211,412)	18,999,889
Operating profit		476,549	194,348	43,989	335	715,221
Non-operating income		53,751	2,741	4,888	(26,110)	35,270
Non-operating expenses		25,640	1,753	4,642	(5,635)	26,400
Profit before income tax expenses		504,660	195,336	44,235	(20,141)	724,090
Income tax expenses		124,108	53,585	10,238	10,444	198,375
Profit for the year	₩	380,552	141,751	33,997	(30,585)	525,715

2020

(In millions of won)

		Insurance	Securities	Others	Consolidated adjustments	Total
Operating revenues	₩	15,905,590	1,776,310	1,178,316	(215,305)	18,644,911
Operating expenses		15,405,465	1,633,166	1,138,262	(216,261)	17,960,632
Operating profit		500,125	143,144	40,054	956	684,279
Non-operating income		32,343	1,525	10,263	(26,215)	17,916
Non-operating expenses		41,643	1,195	1,104	(8,145)	35,797
Profit before income tax expenses		490,825	143,474	49,213	(17,114)	666,398
Income tax expenses		121,121	42,253	12,246	12,948	188,568
Profit for the year	₩	369,704	101,221	36,967	(30,062)	477,830

(3) Information of assets and liabilities for each operating segment as of December 31, 2021 and 2020 are as follows:

		2021				
		Insurance	Securities	Others	Consolidated adjustments	Total
Cash and due from banks	₩	1,645,387	1,200,848	180,991	(130,182)	2,897,044
Securities		65,323,574	7,388,504	376,872	-	73,088,950
Loan receivables		21,917,156	1,703,339	104,814	-	23,725,309
Investments in associates and a joint venture		1,396,865	15,928	56,465	(1,397,588)	71,670
Separate account assets		25,362,225	-	-	(189,796)	25,172,429
Others		4,275,137	1,178,024	516,827	9,474	5,979,462
	₩	119,920,344	11,486,643	1,235,969	(1,708,092)	130,934,864
Liabilities under insurance contracts	₩	79,287,141	-	-	-	79,287,141
Policyholders' equity adjustments		699,418	-	-	20,198	719,616
Separate account liabilities		26,228,909	-	-	(182,016)	26,046,893
Others		2,595,132	10,091,174	420,463	(180,329)	12,926,440
	₩	108,810,600	10,091,174	420,463	(342,147)	118,980,090

		2020				
		Insurance	Securities	Others	Consolidated adjustments	Total
Cash and due from banks	₩	923,646	869,789	193,148	(45,952)	1,940,631
Securities		64,321,721	6,351,853	127,175	-	70,800,749
Loan receivables		20,736,457	1,525,548	91,298	-	22,353,303
Investments in associates and a joint venture		1,124,254	882	30,711	(1,119,587)	36,260
Separate account assets		23,558,866	-	-	(185,913)	23,372,953
Others		5,338,456	1,366,594	512,649	(16,888)	7,200,811
	₩	116,003,400	10,114,666	954,981	(1,368,340)	125,704,707
Liabilities under insurance contracts	₩	76,686,196	-	-	-	76,686,196
Policyholders' equity adjustments		1,440,671	-	-	21,139	1,461,810
Separate account liabilities		24,099,219	-	-	(168,863)	23,930,356
Others		2,678,205	8,849,865	402,276	(83,545)	11,846,801
	₩	104,904,291	8,849,865	402,276	(231,269)	113,925,163

(In millions of won)

(4) Geographical information

A geographical information is not disclosed as revenues are primarily derived from customers in the Republic of Korea, and long-term assets, such as property and equipment, are located in the Republic of Korea, where the Group's head office is domiciled.

(5) The Group has no single external customer from which revenues amount to 10 percent or more of the Group's operating revenues for the year ended December 31, 2021.

57. Events after the reporting period

Kyobo Life Planet Life Insurance Company acquired a stake in Fortress Innovation(*1), an actuarial software start-up entity, on January 20, 2022 through a resolution of the board of directors on September 24, 2021, for the purpose of fully equipping digital professionals and securing the promotion of digital transformation. The entity participated in the capital increase on February 16, 2022(*2).

(*1) Old stock purchase method, 6,000 shares, stock price 1.98 billion won, value per share 330,000 won.

(*2) Shareholder allocation method, 3,000 shares, stock price 810 million won, value per share 270,000 won.

Kyobo Life Insurance Co., Ltd.

Separate financial statements

for the years ended December 31, 2021 and 2020
with the independent auditor's report

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Independent auditor's report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Kyobo Life Insurance Co., Ltd.

Opinion

We have audited the separate financial statements of Kyobo Life Insurance Co., Ltd. (the "Company"), which comprise the separate statements of financial position as of December 31, 2021 and 2020, and the separate statements of comprehensive income (loss), separate statements of changes in equity and cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2021 and 2020, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the separate financial statements

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Emphasis of matter

As a matter that does not modify the audit opinion, we draw attention to Note 47 of the separate financial statements. As explained in Note 47, various measures and controls, including travel restrictions, have been enforced worldwide in order to contain the spread of COVID-19. As a result, the global economy has been affected extensively, and its duration and severity are difficult to predict. COVID-19 may affect the fair value assessment of financial instruments and the adequacy assessment of insurance liabilities. The Company has prepared the financial statements by reasonably estimating the impact of COVID-19 on the separate financial statements for the reporting period ending on December 31, 2021. However, the ultimate impact of the future spread of COVID-19 on the Company's financial position, financial performance and cash flows cannot be reasonably predicted as of the audit report date.

March 11, 2022

This audit report is effective as of March 11, 2022, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

Kyobo Life Insurance Co., Ltd.

Separate financial statements

for the years ended December 31, 2021 and 2020

“The accompanying separate financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company.”

Your-Hyun Yun
Chief Executive Officer
Kyobo Life Insurance Co., Ltd.

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Kyobo Life Insurance Co., Ltd.
Separate statements of financial position
As of December 31, 2021 and 2020

(In won)	*Note*		2021	2020	January 1, 2020
Assets					
Cash and due from banks	5,13,14,43,48	₩	1,638,709,813,158	917,899,123,254	1,810,554,044,080
Financial assets designated at fair value through profit or loss	6,13,14		867,774,370	-	-
Financial assets held for trading	7,13,14		512,028,719,284	1,411,457,569,849	761,914,126,065
Derivative assets	13,14,27		120,339,526,579	972,315,237,446	278,771,496,144
Available-for-sale financial assets	8,13,14,43		59,566,124,691,389	62,438,988,082,453	59,323,229,712,794
Held-to-maturity financial assets	9,13,14,43		4,551,725,208,992	-	-
Loans	10,13,14,43,48		21,865,600,738,002	20,715,185,199,058	19,895,093,034,651
Other receivables	11,13,14,31,43,48		692,332,695,535	695,534,209,318	764,959,246,761
Investments in subsidiaries, associates and joint ventures	12,13,14		1,396,865,060,502	1,124,254,370,095	840,473,649,909
Investment properties	15,48		1,152,819,677,868	1,133,416,029,528	1,163,028,831,414
Property and equipment	16,48		919,293,723,671	960,729,746,790	950,527,593,271
Intangible assets	17,48		166,756,953,880	208,701,579,869	226,206,869,349
Deferred acquisition costs	18		1,151,452,275,770	1,183,136,418,637	1,266,882,050,882
Current tax assets	45		-	128,842,890,439	120,060,226,272
Other assets	19,31		52,142,524,782	36,785,616,017	46,971,858,430
Separate account assets	28		25,362,225,010,716	23,558,866,019,110	20,444,816,137,621
Total assets		₩	119,149,284,394,498	115,486,112,091,863	107,893,488,877,643
Liabilities					
Liabilities under insurance contracts	20	₩	78,650,496,756,425	76,292,766,233,856	72,760,541,818,157
Policyholders' equity adjustments	21		699,418,492,623	1,440,670,787,317	1,397,527,214,780
Derivative liabilities	13,14,27		535,939,333,898	153,208,560,964	170,797,929,384
Other financial liabilities	13,14,23,31,43,48		596,687,825,753	546,806,740,406	612,405,022,369
Provisions	24		10,575,076,550	11,178,014,546	13,435,578,959
Current tax liabilities	45		30,454,233,931	-	-
Deferred tax liabilities	45		771,405,936,757	1,467,880,825,284	1,257,835,119,946
Net defined benefit liabilities	25		-	26,747,959,026	47,960,939,256
Other liabilities	25,26		601,439,901,674	450,472,489,205	148,601,715,751
Separate account liabilities	28,48		26,228,908,712,937	24,099,218,914,767	20,891,909,930,468
Total liabilities			108,125,326,270,548	104,488,950,525,371	97,301,015,269,070
Equity					
Capital stock	29		102,500,000,000	102,500,000,000	102,500,000,000
Hybrid bonds	29		1,020,053,815,983	551,437,935,983	551,437,935,983
Capital surplus	29		365,936,339,794	365,936,339,794	365,936,339,794
Capital adjustments	29		(8,994,796,867)	(8,994,796,867)	(8,994,796,867)
Accumulated other comprehensive income	29		1,844,828,259,157	3,648,905,126,062	3,450,596,773,019
Retained earnings	29		7,699,634,505,883	6,337,376,961,520	6,130,997,356,644
Total equity			11,023,958,123,950	10,997,161,566,492	10,592,473,608,573
Total liabilities and equity		₩	119,149,284,394,498	115,486,112,091,863	107,893,488,877,643

The accompanying notes are an integral part of the separate financial statements.

Kyobo Life Insurance Co., Ltd.
Separate statements of comprehensive income
For the years ended December 31, 2021 and 2020

(In won)	*Note*		2021	2020
Operating revenues				
Premium income	30,48	₩	9,560,669,431,813	8,836,624,650,125
Reinsurance income	31		143,456,810,510	127,475,063,040
Interest income	13,32,48		2,351,997,169,901	2,413,723,433,597
Gain on valuation and disposal of financial instruments	13,33		1,082,997,008,831	2,353,236,774,839
Gain on foreign currency transaction	13,43		1,250,280,754,960	342,603,235,902
Fee and commission Income	34,48		22,809,217,432	25,919,538,474
Dividend income	13,35,48		551,726,428,238	560,953,231,433
Rental income	15, 48		88,829,486,894	88,309,341,449
Separate account commissions earned			761,335,558,932	780,886,269,599
Separate account income	28,48		218,242,857,260	152,131,028,432
Other operating income	36		-	27,064,431,770
			16,032,344,724,771	15,708,926,998,660
Operating expenses				
Provision for liabilities under insurance contracts			3,259,604,306,930	3,392,308,877,460
Insurance claims paid	37,48		7,760,961,378,641	6,914,353,095,170
Reinsurance premium expenses	31		147,848,039,562	132,833,784,279
Operating and administrative expenses	38,48		1,188,458,228,050	1,119,527,134,142
Amortization of deferred acquisition costs	18		537,128,900,964	643,761,173,598
Asset management expenses	39,48		189,949,137,412	172,961,750,354
Interest expenses	13,40,48		92,281,925,232	152,532,756,501
Loss on valuation and disposal of financial instruments	13,41		2,003,241,360,571	1,310,747,167,518
Loss on foreign currency transaction	13,43		26,843,258,505	1,088,980,790,398
Separate account commissions			29,036,382,475	40,360,281,585
Separate account expenses	28,48		218,242,857,260	152,131,028,432
Other operating expenses	42		86,341,092,104	75,142,618,029
			15,539,936,867,706	15,195,640,457,466
Operating profit			492,407,857,065	513,286,541,194
Non-operating income	44,48		53,712,975,776	32,298,934,239
Non-operating expenses	44,48		25,569,808,609	41,600,065,714
Profit before income tax expenses			520,551,024,232	503,985,409,719
Income tax expenses	45		124,108,023,946	121,120,526,510
Profit for the year		₩	396,443,000,286	382,864,883,209

(Continued)

Kyobo Life Insurance Co., Ltd.

Separate statements of comprehensive income (loss), continued

For the years ended December 31, 2021 and 2020

(In won)	*Note*		2021	2020
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Revaluation of property and equipment	29	₩	(7,813,138,308)	3,458,316,656
Remeasurements on defined benefit liabilities	29		10,087,382,322	10,498,824,391
			2,274,244,014	13,957,141,047
Items that are or may be reclassified subsequently to profit or loss:				
Gain (loss) on valuation of available-for-sale financial assets	29		(1,767,563,114,063)	304,504,764,389
Loss on valuation of investments in associates and subsidiaries	29		(6,058,923,283)	(1,976,637,824)
Gain (loss) on valuation of derivative instruments	29		36,329,079,300	(146,741,139,758)
Other comprehensive income (loss) from separate accounts	29		(69,058,152,873)	28,564,225,189
			(1,806,351,110,919)	184,351,211,996
Other comprehensive income (loss) for the year, net of income tax			(1,804,076,866,905)	198,308,353,043
Total comprehensive income (loss) for the year		₩	(1,407,633,866,619)	581,173,236,252
Earnings per share				
Basic and diluted earnings per share	49	₩	3,590	3,513

The accompanying notes are an integral part of the separate financial statements.

Kyobo Life Insurance Co., Ltd.
Separate statements of changes in equity
For the years ended December 31, 2021 and 2020

(In won)		Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
Balance as of January 1, 2020	₩	102,500,000,000	551,437,935,983	365,936,339,794	(8,994,796,867)	3,450,596,773,019	6,130,997,356,644	10,592,473,608,573
Total comprehensive income:		-	-	-	-	198,308,353,043	382,864,883,209	581,173,236,252
Profit for the year		-	-	-	-	-	382,864,883,209	382,864,883,209
Other comprehensive income		-	-	-	-	198,308,353,043	-	198,308,353,043
Gain on valuation of available-for-sale financial assets		-	-	-	-	304,504,764,389	-	304,504,764,389
Loss on valuation of investments in associates and subsidiaries		-	-	-	-	(1,976,637,824)	-	(1,976,637,824)
Loss on valuation of derivative instruments for hedging		-	-	-	-	(146,741,139,758)	-	(146,741,139,758)
Other comprehensive gain in separate accounts		-	-	-	-	28,564,225,189	-	28,564,225,189
Gain on revaluation of property and equipment		-	-	-	-	3,458,316,656	-	3,458,316,656
Remeasurement gain on defined benefit liabilities		-	-	-	-	10,498,824,391	-	10,498,824,391
Transactions with owners:		-	-	-	-	-	(176,485,278,333)	(176,485,278,333)
Annual dividends		-	-	-	-	-	(153,750,000,000)	(153,750,000,000)
Payment of hybrid bond dividends		-	-	-	-	-	(22,735,278,333)	(22,735,278,333)
Balance as of December 31, 2020	₩	102,500,000,000	551,437,935,983	365,936,339,794	(8,994,796,867)	3,648,905,126,062	6,337,376,961,520	10,997,161,566,492

(Continued)

Kyobo Life Insurance Co., Ltd.
Separate statements of changes in equity, continued
For the years ended December 31, 2021 and 2020

(In won)		Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
Balance as of January 1, 2021	₩	102,500,000,000	551,437,935,983	365,936,339,794	(8,994,796,867)	3,648,905,126,062	6,337,376,961,520	12,093,897,173,069
Retrospective effect in accordance with change in policy		-	-	-	-	-	1,096,735,606,577	1,096,735,606,577
Balance as of January 1, 2021 (adjusted)		102,500,000,000	551,437,935,983	365,936,339,794	(8,994,796,867)	3,648,905,126,062	7,434,112,568,097	12,093,897,173,069
Total comprehensive income:		-	-	-	-	(1,804,076,866,905)	396,443,000,286	(1,407,633,866,619)
Profit for the year		-	-	-	-	-	396,443,000,286	396,443,000,286
Other comprehensive income		-	-	-	-	(1,804,076,866,905)	-	(1,804,076,866,905)
Loss on valuation of available-for-sale financial assets		-	-	-	-	(1,767,563,114,063)	-	(1,767,563,114,063)
Loss on valuation of investments in associates and subsidiaries		-	-	-	-	(6,058,923,283)	-	(6,058,923,283)
Gain on valuation of derivative instruments for hedging		-	-	-	-	36,329,079,300	-	36,329,079,300
Other comprehensive loss in separate accounts		-	-	-	-	(69,058,152,873)	-	(69,058,152,873)
Loss on revaluation of property and equipment		-	-	-	-	(7,813,138,308)	-	(7,813,138,308)
Remeasurements of defined benefit liabilities		-	-	-	-	10,087,382,322	-	10,087,382,322
Transactions with owners:		-	468,615,880,000	-	-	-	(130,921,062,500)	337,694,817,500
Annual dividends		-	-	-	-	-	(102,500,000,000)	(102,500,000,000)
Issuance of hybrid bond		-	468,615,880,000	-	-	-	-	468,615,880,000
Payment of hybrid bond dividends		-	-	-	-	-	(28,421,062,500)	(28,421,062,500)
Balance as of December 31, 2021	₩	102,500,000,000	1,020,053,815,983	365,936,339,794	(8,994,796,867)	1,844,828,259,157	7,699,634,505,883	11,023,958,123,950

The accompanying notes are an integral part of the separate financial statements.

Kyobo Life Insurance Co., Ltd.
Separate statements of cash flows
For the years ended December 31, 2021 and 2020

(In won)	*Note*		2021	2020
Cash flows from operating activities				
Profit before income tax expenses		₩	520,551,024,232	503,985,409,719
Adjustments for:				
Interest income			(2,351,997,169,901)	(2,413,723,433,597)
Interest expenses			92,281,925,232	152,532,756,501
Dividend income			(586,373,286,056)	(584,639,747,217)
Other adjustments to reconcile profit before income tax expenses to net cash provided by operating activities:				
Loss on valuation of financial assets at fair value through profit or loss			132,171,904	-
Gain on valuation of financial assets held for trading, net			(28,719,284)	3,230,545,678
Gain on disposal of available-for-sale financial assets, net			(494,493,074,992)	(619,394,288,946)
Impairment losses on available-for-sale financial assets			31,718,786,740	60,304,102,811
Gain on valuation of available-for-sale financial assets, net			(24,205,930,471)	-
Provision for (reversal of) for loan losses			(17,169,846,071)	28,258,121,893
Loss (gain) on foreign currency transaction, net			(1,113,321,016,537)	887,391,138,292
Loss (gain) on valuation of derivative, net			1,044,499,746,920	(851,866,431,421)
Loss on disposal of derivatives, net			22,288,740,921	20,318,932,433
Loss on investments in subsidiaries, associates and joint ventures, net			2,566,352,870	20,208,668,804
Amortization of deferred acquisition costs			537,128,900,964	643,761,173,598
Depreciation of investment properties			10,222,464,877	9,763,450,450
Impairment losses on investment properties			1,113,634	535,704,956
Loss on disposal of property and equipment and investment properties, net			5,006,629,527	6,173,228,763
Depreciation of property and equipment			67,428,400,735	68,158,197,071
Impairment losses on property and equipment			36,328,769	890,034,607
Gain on disposal of intangible assets			(121,375,000)	(20,500,000)
Amortization of intangible asset			56,103,669,889	51,818,876,007
Provision for liabilities under insurance contracts			3,259,604,306,930	3,392,308,877,460
Reversal of reinsurance assets			(6,285,852,557)	(2,434,259,594)
Retirement benefits			44,968,979,078	41,421,614,428
Bad debt expenses on other assets			(1,119,704,171)	1,205,961,700
Gain on cancellation of lease contracts			(344,556,625)	(158,551,674)
Other gain, net			(10,967,723,343)	(14,844,827,599)
			3,413,648,794,707	3,747,029,769,717
Changes in operating assets and liabilities:				
Due from banks			(98,496,575,899)	519,643,558,755
Financial assets at fair value through profit or loss			(999,946,274)	-
Financial assets held for trading			899,457,569,849	(647,981,339,323)
Loans			(1,102,892,617,940)	(853,950,883,972)
Other receivables			12,756,730,639	(37,853,194,725)
Derivative assets			570,385,104,060	234,560,597,739
Deferred acquisition costs			(505,444,758,097)	(560,015,541,353)
Other assets			(4,461,779,208)	(4,215,483,450)
Separate account assets			(1,803,358,991,606)	(3,114,049,881,489)
Liabilities under insurance contracts			192,062,228,584	136,232,472,988
Derivative liabilities			(368,248,917,389)	(363,893,074,664)
Other financial liabilities			78,634,044,068	(9,393,430,236)
Provisions			(1,189,569,316)	(3,849,505,296)
Defined benefit liabilities			(58,233,508,025)	(48,153,457,567)
Other liabilities			140,930,910,404	449,088,387,858
Separate account liabilities			2,034,437,173,518	3,246,707,915,594
			(14,662,902,632)	(1,057,122,859,141)

(Continued)

Kyobo Life Insurance Co., Ltd.
Separate statements of cash flows, continued
For the years ended December 31, 2021 and 2020

(In won)	*Note*		2021	2020
Income taxes refund (paid)		₩	11,911,306,152	(145,917,024,726)
Interest received			1,927,981,419,960	2,240,104,842,690
Interest paid			(88,274,906,543)	(147,670,332,680)
Dividends received			551,849,632,238	560,859,878,273
Net cash provided by operating activities			3,476,915,837,389	2,855,439,259,539
Cash flows from investing activities:				
Acquisition of available-for-sale financial assets			(13,084,404,499,005)	(18,860,581,785,351)
Disposal of available-for-sale financial assets			14,746,908,032,842	16,166,398,439,078
Acquisition of held-to-maturity financial assets			(4,542,283,609,357)	-
Cash inflows from derivatives held for hedging			55,504,226,280	88,188,132,065
Cash outflows from derivatives held for hedging			(39,613,342,094)	(40,842,837,954)
Acquisition of investments in associates and subsidiaries			(335,000,318,641)	(313,572,527,556)
Disposal of investments in associates and subsidiaries			49,906,276,899	6,259,902,419
Dividends of investments in associates and subsidiaries			34,646,857,818	23,686,515,784
Acquisition of property and equipment and investment properties			(22,531,329,066)	(19,804,716,500)
Disposal of property and equipment and investment properties			241,740,000	37,200,000
Acquisition of intangible assets			(18,848,970,600)	(19,720,181,070)
Disposal of intangible assets			240,000,000	390,000,000
Increase in leasehold deposits			(6,488,628,700)	(6,373,105,752)
Decrease in leasehold deposits			10,907,607,257	9,951,754,824
Net cash used in investing activities			(3,150,815,956,367)	(2,965,983,210,013)
Cash flows from financing activities:				
Increase in leasehold deposits received			14,985,544,780	1,967,684,900
Decrease in leasehold deposits received			(27,935,603,836)	(13,494,008,173)
Dividends paid			(102,500,000,000)	(188,377,370,000)
Issuance of hybrid bond			468,615,880,000	-
Payment of hybrid bond dividends			(26,599,625,000)	(23,332,650,000)
Payment of lease liabilities			(35,299,786,550)	(35,322,662,645)
Net cash provided by (used in) financing activities			291,266,409,394	(258,559,005,918)
Effect of exchange rate fluctuations on cash and cash equivalents held			34,291,076	(309,494,700)
Net increase (decrease) in cash and cash equivalents			617,400,581,492	(369,412,451,092)
Cash and cash equivalents at the beginning of year			537,634,661,935	907,047,113,027
Cash and cash equivalents at the end of year	5	₩	1,155,035,243,427	537,634,661,935

The accompanying notes are an integral part of the separate financial statements.

1. Company information

Kyobo Life Insurance Co., Ltd. (the "Company") was established on June 30, 1958, and primarily engages in the life insurance business as permitted by the *Insurance Business Law* of the Republic of Korea. The Company's head office is located at Jongno-ro 1, Jongno-gu, Seoul, the Republic of Korea.

As of December 31, 2021, the Company has 7 Financial Planner (FP) offices, 70 supporting offices, 496 branches in the Republic of Korea and engages in the life insurance business and its related reinsurance contracts. The following table lists the number of currently available insurance products and discontinued but currently effective insurance products as of December 31, 2021.

	Insurance products in effect		
Type	Available	Discontinued	Total
Individual annuity	14	84	98
Pure endowment	19	39	58
Death	39	192	231
Endowment	2	41	43
Group insurance	19	25	44
	93	381	474

The Company's major shareholders and their respective shareholdings as of December 31, 2021 are as follows:

Shareholders	Number of shares	Ownership (%)
Chang-Jae Shin	34,627,370	33.78
Corsair Korea Investors LLC	10,038,830	9.79
Guardian Holdings Limited	9,276,250	9.05
Tiger Holdings LP	7,813,250	7.62
The Export-Import bank of Korea	5,995,005	5.85
KLI Investors LLC	5,460,825	5.33
KLIC Holdings Limited	5,355,625	5.23
Hoenir Inc.	5,355,625	5.23
Apfin Investment Pte Ltd	4,612,500	4.50
In-Jae Shin	2,593,000	2.53
Life Investors of Korea LP	2,361,750	2.30
AXA	2,300,000	2.24
Kyung-Ae Shin	1,750,010	1.71
Young-Ae Shin	1,449,960	1.41
Triumph Ⅱ Investments (Ireland) Limited	1,100,000	1.07
Meiji Yasuda Life Insurance Company	1,025,000	1.00
Others	1,385,000	1.36
	102,500,000	100.00

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The separate financial statements have been prepared in accordance with the Korean International Financial Reporting Standards ("KIFRS"), as prescribed in *the Act on External Audits of Stock Companies, Etc. in the Republic of Korea.* The accompanying separate financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The separate financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets designated at fair value through profit or loss, available-for-sale (AFS) financial assets, financial liabilities designated at fair value through profit or loss, retirement benefits that have been measured at fair value. The separate financial statements are presented in Korean won (KRW) and all amounts are rounded to the nearest millions, except when otherwise indicated.

The separate financial statements as of and for the year ended December 31, 2021 were authorised for issue by the Board of Directors on March 11, 2022.

2.2 Significant accounting policies

2.2.1 Subsidiaries and associates in the separate financial statements

These separate financial statements are prepared and presented in accordance with KIFRS 1027 Separate Financial Statements. The Company applied the cost method or fair value method to investments in subsidiaries and associates in accordance with KIFRS 1027 or KIFRS 1039. Dividends from a subsidiary are recognized in profit or loss when the right to receive the dividend is established.

2.2.2 Fair value measurement

The Company measures financial instruments, including derivative instruments, and partial non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(In millions of won)

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.2.3 Foreign currencies

The Company's separate financial statements are presented in Korean won, which is the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

2.2.4 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The estimated useful lives and depreciation methods of the Company's property and equipment are as follows:

Descriptions	Useful lives	Depreciation method
Buildings	50 years	Straight-line
Structures	50 years	Straight-line
Vehicles	5 years	Declining-balance
Equipment	5 years	Declining-balance
Others	5 years	Straight-line

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the current income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.2.5 Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

2.2.5.1 The Company as a lessee

Upon adoption of KIFRS 1116, the company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- Right-of-use asset

The company recognizes the right-of-use asset at the commencement date (i.e. the date on which the underlying asset is available). Right-of-use assets are measured at cost and the company measures the right-of-use assets applying a cost model after the commencement date. To apply a cost model, the company measured with deductions of any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The cost of a right-of-use asset includes the amount of the lease liability recognized and the amount of initial direct costs, less any incentives received or lease payments made at or before the commencement date of the lease. The cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis over the earlier of the estimated useful life or the lease term.

If the lease transfers ownership of the underlying asset to the company by the end of the lease term or if the cost of the right-of-use asset reflects that the company will exercise a purchase option, the right-of-use assets are depreciated from the commencement date to the estimated useful life of the underlying asset. The company performs an impairment review of the right-of-use assets.

Right-of-use assets of the company are included in property and equipment (See Note 16).

- Lease liability

At the commencement date, the company measures the lease liability at the present value of the lease payments over the lease term. Lease payments comprise of fixed lease payments (including in-substance fixed lease payments), variable lease payments that depend on the index or rate, and the amount expected to be paid under the residual value guarantee, excluding the lease incentives to be received. In addition, if the company is reasonably certain to exercise the purchase option, the exercise price of the purchase option and if the lease term reflects the company exercising an option to terminate the lease, then the payments of penalties for terminating the lease are included in the lease payments. Fluctuations that do not depend on the index or rate are recognized as an expense for the period in which the event of the lease payment occurs.

In calculating the present value of the lease, the company uses the incremental borrowing rate at inception if it is not readily possible to determine the implicit interest rate of the lease. The company increases the carrying amount of the lease liability by reflecting interest on the lease liability after the commencement date of the lease, and reduces the carrying amount of the lease liability by reflecting the lease payments. In addition, the company shall remeasure the lease liability to reflect the change in the lease, reflect the change in the lease term, or change in the valuation of the underlying asset purchase option.

Lease liabilities of the company are included in other financial liabilities (See Note 23).

- Short-term leases and leases for which the underlying asset is of low value

The company elects to apply exemptions of recognition for both short-term leases which are a lease term of 12 months or less and without purchase option and leases of low-value assets. The company recognizes the lease payments associated with short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term.

2.2.5.2 The Company as a lessor

Leases in which the company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The company recognizes lease payments from operating leases as income on a straight-line basis and initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Conditional rent is recognized as revenue when the rent is received.

2.2.6 Investment properties

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Investment property are depreciated on a basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

The estimated useful lives and depreciation methods of the Company's investment properties are as follows:

Descriptions	Useful lives	Depreciation method
Buildings	50 years	Straight-line
Structures	50 years	Straight-line

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period and accounted for on a prospective basis in case of the effect of any changes in estimation.

In the event that it is no longer possible to expect future economic benefits through the disposal or use of investment properties, the Company removes them from its financial statements, and the resulting difference between the disposal amount and the carrying amount is reflected in profit or loss at the time of derecognition. In addition, if the purpose of the asset's use has changed, the Company reclassifies to another account or to an investment property from another account.

2.2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Descriptions	Useful lives	Amortization method
Software	5 years	Straight-line
Development costs	5 years	Straight-line
Membership	Indefinite	-

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate that the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset, the ability to measure reliably the expenditure during development and the ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2.2.8 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 at the CGU level
and when circumstances indicate that the carrying value may be impaired.

2.2.9 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the separate statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

2.2.10 Financial instruments – initial recognition and subsequent measurement

(In millions of won)

(1) Financial assets

1) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

For purposes of subsequent measurement financial assets are classified in four categories:

2) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by KIFRS 1039. The Company has not designated any financial assets at FVTPL.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL.

3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

4) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income as finance costs.

5) Available-for-sale (AFS) financial assets

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of comprehensive income in finance costs. Interest earned while holding AFS financial investments is reported as interest income using the EIR method.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

6) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's separate statement of financial position) when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(2) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of comprehensive income. Interest income (recorded as finance income in the statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

(In millions of won)

2) Available-for-sale (AFS) financial investments

For AFS financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

(3) Financial liabilities

1) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, derivative financial instruments.

Subsequent measurement of financial liabilities differs based on the classification of financial liabilities.

2) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1039. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in Profit or loss. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in KIFRS 1039 are satisfied. The Company has not designated any financial liability as at FVTPL.

3) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the Derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in Profit or loss.

(4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the separate statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.2.11 Derivative financial instruments and hedge accounting

(1) Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, currency swaps, and interest rate swaps to hedge its foreign currency risks, interest rate risks respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

1) Fair value hedges

The change in the fair value of a hedging derivative is recognized in the statement of comprehensive income as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of comprehensive income as finance costs.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

2) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of comprehensive income as other operating expenses. Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

2.2.12 Non-current assets and disposal groups held for sale

The Company classifies non-current assets and disposal groups as held-for-sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities are not depreciated or amortized once classified as held-for-sale or as held for distribution. Also, assets and liabilities classified as held-for-sale or for distribution are presented as separate items in the statement of financial position.

2.2.13 Employee benefits

The Company operates both defined benefit pension plan and defined contribution pension plan, which the Company makes contributions to the separately administered funds, respectively.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes restructuring-related costs or redundancy payments

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under 'operating and administrative expenses' and 'asset management expenses' in separate statement of comprehensive income.

(1) Retirement benefits: defined contribution plans

When an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Company recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(2) Retirement benefits: defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Company recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in profit and loss when incurred.

If the net amount that is calculated by subtracting the fair value of the plan assets from the present value of the defined benefit pension plans is an asset, the Company measures at lower of an excess contribution to the defined benefit pension plans or the upper limit recognized as an asset that is calculated by using the interest rate of the corporate bonds of companies with high credit ratings at the end of an annual reporting period.

(3) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(4) Other benefits for the vested employees

Other benefits for the vested employees who have rendered services for a long-term period of time with regard to considerations for the employees who have rendered services for a long period of time, if the employees' benefits are not expected to be paid within 12 months after the end of an annual reporting period, the Company recognizes the net sum of service costs for long-term services and net interests on net defined benefit liabilities (assets) as a current profit or loss.

(5) Redundancy payments

The Company recognizes an expense for termination benefits when an employee accepts the offer or when a restriction on the Bank's ability to withdraw the offer takes effect. If employees are laid off upon a request from the Company, the Company can give more retirement benefits in comparison to when the employees voluntarily leave the Company. With regard to the redundancy payment that is a difference between the amount that the Company pays to the employee who voluntarily leaves the Company and the amount that the Company pays to the employee who is dismissed by the Company, the Company recognizes the liability and the expense of the redundancy payment earlier of when the Company cannot withdraw a proposal for the redundancy payment or when it recognizes restructuring costs accompanied by the redundancy payment.

2.2.14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

2.2.15 Deferred acquisition costs

Acquisition costs arising from long-term contracts, excluding any excess amount over expected acquisition costs, are deferred and amortized over the premium payment period or seven years, whichever is shorter. For cancellations, any unamortized portion is written off immediately.

The Company amortizes an amount that exceeds the difference between net level premium reserve and surrender value level premium reserve.

2.2.16 Classification of insurance contracts

The Company recognizes a contract as an insurance contract if under the contract one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The Company assesses representative contract's insurance risk of an insurance product considering the claims paid when the insured event occurs or does not occur. If a contract is exposed to financial risk without significant insurance risk, the contract is classified as an investment contract.

Financial risk is the risk of a possible future change in one or more specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of prices or rates, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

The Company applies "KIFRS 1104 Insurance Contracts" for insurance contracts and investment contracts with discretionary participation features. Investment contracts with no discretionary participation features are accounted for in accordance with "KIFRS 1039 Financial Instruments: Recognition and Measurement".

A contract that was initially qualified as an insurance contract remains to be classified as insurance contract until all rights and obligations are extinguished or expired. However, the Company reclassifies an investment contract to an insurance contract if insurance risk becomes significant.

2.2.17 Insurance contracts liabilities

The Company provides various policy reserves in accordance with the Insurance Business Act, relevant regulations and the terms and conditions in insurance contracts as follows:

(1) Premium reserve

Premium reserve is a liability related future payment of claims. Premium reserve is calculated by deducting the actuarial present value of future premiums to be received after the reporting date from the actuarial present value of future payment of claims with respect to long-term insurance contracts.

(2) Reserve for unearned premium

Reserve for unearned premium is recognized for the portion of insurance premiums received which do not pertain to the current period.

(3) Guarantee reserve

Guarantee reserve is recorded in order to guarantee the agreed level of benefit which is independent of investment performance of the separate accounts.

(4) Reserve for outstanding claims

Reserve for outstanding claims is an estimate of loss for insured events that have occurred prior to the date of statement of financial position but for which a fixed value cannot be determined, which includes the following:

- Estimated amount: The expenses to be incurred in the course of settlement of the insured event, such as lawsuit or arbitration (if partial amount is settled, the remainder is recognized.)
- Reserve for ineffective contracts: Reserve for ineffective contracts due to default in premium payment (Partial amount of surrender value)
- Unpaid claims: The amount of claims, surrender value and dividend to be paid is determined but not paid yet
- IBNR (Incurred But Not Reported): Estimated amount using a reasonable statistical method considering the Company's experience rate

(5) Reserves for participating policyholder's dividends

Reserves for participating policyholder's dividends comprise reserve for guaranteed dividend, reserve for mortality dividend, reserve for interest dividend, reserve for expense dividend, reserve for long term duration and reserve for revaluation dividends.

The Company calculates each reserve for the participating policyholders' dividends by the methods described below:

- Reserve for guaranteed dividend:

A reserve to compensate for the difference between expected rate of interest and the average interest rate of time deposit for the reporting period. The Company records this reserve only for the contracts which were initiated before October 1, 1997.

- Reserve for mortality dividend:

A reserve to compensate for the difference between expected mortality rate and actual mortality rate. The Company has been recording this reserve only for the contracts which are or are expected to be effective for more than a year as of the reporting date, excluding nonparticipating policies, since 1983.

- Reserve for interest dividend:

A reserve to compensate for the difference between expected interest rate of each insurance product and dividend benchmark rate. The Company has been recording this reserve only for the contracts that are or are expected to be effective for more than a year from the reporting date, excluding nonparticipating policies, since 1987. However, the interest dividends from reserve insurance sold after October 1, 1997 are based on the interest dividends deducted from the expected rate.

- Reserve for expense dividend:

A reserve to compensate for the difference between expected operation expense rate and expense dividend benchmark rate. The Company has been recording this reserve only for the contracts which are or are expected to be effective for more than a year as of the reporting date, excluding nonparticipating policies, since 2001.

- Reserve for long-term duration dividend:

A reserve for the long-term contracts which is calculated by the following formula:

(Net level premium reserve of prior reporting period - Deferred acquisition costs) * {0.1% + (Number of years passed - 6} * 0.02%)

The Company has been recording this reserve only for the contracts that remain for more than six years as of the reporting date, excluding nonparticipating policies, since 1987.

- Reserve for revaluation dividends:

A reserve for the participating policy holder's portion of asset revaluation surplus for land and building in accordance with Asset Revaluation Law in 1990. The Company records this reserve only for the contracts that remained for more than two years from March 31, 1989 and more than one year from March 31, 1999, respectively.

(6) Dividend reserve for policyholders' income participation

Dividend reserve for policyholders' income participation refers to the amount to be reserved, in lump sum and depending on the business performance, for the purpose of distributing reserves after paying stockholders as future dividends to policyholders or for additional accumulation as part of policy reserve other than the reserve for policyholders' dividend.

(7) Reserve for losses on dividend insurance contract

In accordance with the Regulation on Supervision of Insurance Business, the Company accumulates reserve for losses of participating insurance contract within 30/100 of policyholders' share in dividend-paying insurance income. A reserve for compensation for losses on dividend-paying insurance contracts accumulated shall be used for replenishing the losses of the participating insurance contract, and the balance after the replenishment shall be used as for the source of policyholders' dividend for individual policyholders, for five fiscal years from the end of the fiscal year when the accumulation is made.

2.2.18 Reinsurance asset

The Company cedes insurance risk by reinsurance agreements with reinsurers. Reinsurance assets represent recoverable amounts due from reinsurance companies.

Reinsurance assets are reviewed for impairment at each reporting date. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in profit or loss in separate statements of comprehensive income.

2.2.19 Liability adequacy test

For all insurance contracts held by the Company to which K-IFRS No. 1104 'Insurance Contracts' apply, the Company determines the future cash flows expected to arise from the insurance contracts as of the end of the reporting period, including cash flows from options, guarantees, and claims processing costs. When the current estimate exceeds the book value of insurance contract liabilities, the excess is additionally accumulated as insurance contract liabilities. The subject of the liability adequacy test is the premium reserve, reserve for unearned premium and guarantee reserve, and the premium reserve is the amount obtained by deducting deferred acquisition cost and policy loan under Article 6-3 of Regulation on Supervision of Insurance Business Act from the net premium reserve. However, liabilities assessed using current estimates and liabilities for which payment obligations have been confirmed are excluded.

In addition, the estimation of future cash flow for the assessment of the adequacy of insurance contract liabilities is divided into fixed interest rate dividend insurance, fixed interest rate non-dividend insurance, interest rate linked dividend insurance, interest rate linked non-dividend insurance and variable insurance. The surplus or shortage of insurance contract liabilities for each evaluation unit can be offset at the level of individual insurance companies as a whole.

2.2.20 Separate accounts

The Company carries separate accounts for retirement insurance, retirement pension and variable life insurance products according to the provision in the Korean Insurance Business Law. The separate account assets (liabilities) are stated at net of accounts payable and accounts receivable in general account incurred in the course of transactions between general accounts and separate accounts.

Revenues and expenses of investment-linked type separate account are not presented in the general account statement of operations, while the revenues and expenses of guaranteed-interest type separate account are accounted for in the general account statement of operations in gross amounts as separate account income and separate account expense, respectively.

2.2.21 Trust accounts

The Company obtained the authorization to operate a trust business from the Financial Service Commission and operates its trust business. In accordance with the regulation on trust business, trust estates are recognized as separate accounts and trust fee related to operating, administration and disposal of trust estates is recognized as trust fee in operating revenue.

2.2.22 Policyholders' equity adjustment

Policyholders' equity adjustments consist of reserves for stabilization of participating policyholders' dividends, reserves for social contributions and net gain (loss) from valuation of investment securities. The stabilization reserves for participating policy holders' dividends and reserves for social contributions funds are the amounts reserved for future dividends to participating policyholders and future social contributions through asset revaluation surplus for land and building in accordance with Asset Revaluation Law. Unrealized holding gains or losses on available-for-sale securities, on held-to-maturity securities and on valuation of investment in associates and subsidiaries are allocated to policyholder's equity adjustment using the current year's ratio of policyholders' equity and shareholders' equity.

2.2.23 Reserves for unpaid life insurance policy benefit

Pursuant to the unrestricted management of reserves for unpaid life insurance policy benefit by Financial Supervisory Services (FSS), the Company pays life insurance policy benefits at the request of a policyholder even if the legitimate obligation to pay has expired.

2.2.24 Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Company repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Company acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

2.2.25 Recognition of revenue and expenses

(In millions of won)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.
The Company recognizes the income when the followings criteria are met.
(1) Premium income
Premium income is recognized at the time when such premium payment becomes due. If premium income is received before the premium due date, the Company records unearned insurance premium based on fractional period calculation.
(2) Interest income and interest expense
For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.
(3) Fee and commission

The company applied the following five-step revenue recognition model for the fee income in accordance with KIFRS 1115.

- identify the contracts with a customer.
- identify the performance obligations in the contract
- determine the transaction price
- allocate the transaction price to each performance obligation
- recognize revenue when a performance obligation is satisfied

The company recognizes its financial service fees and commissions based on its objectives, and in conformity with accounting standards of related financial instruments as below.

a) Fees and commissions earned by performance of meaningful action

   Fees and commissions earned by delivering meaningful performances such as negotiating on behalf of third parties' transactions, such as stock or other securities transactions and underwriting of business settlements, or as a consideration for participating in negotiation are recognized as revenue upon completion of the delivery of services.

b) Fees and commissions earned by providing services

   Fees and commissions levied as a consideration for providing services for a certain period of time, such as asset management fees, trust fees, guarantee service fees, are recognized as revenue when the service is provided. Also, when it is not probable that a specific loan commitment will be entered into, and when the loan commitment does not fall under the scope of KIFRS No.1039 Financial instruments: recognition and measurement, related commitment fee is recognized over the commitment period.

c) Fees forming a part of effective interest income of financial instruments

   Fees forming a part of effective interest of financial instruments are generally recognized as adjustments to effective interest rates. These fees include costs incurred for activities such as the valuation of the financial status of borrowers, guarantee, collaterals and other commitments, administrative expenditures, and expenditures made for issuance of financial liabilities. However, if the financial instrument is recognized at fair value through profit or loss, related fees and commissions are recognized in profit or loss at the initial recognition of the financial instrument.

(4) Dividends
Revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.
(5) Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature.

2.2.26 Current and deferred tax

(1) Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.
Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.
(2) Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.
Deferred tax liabilities are recognized for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3 Changes in accounting policies and disclosures

2.3.1 New and amended standards and interpretations adopted

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Company has not early adopted any other standards, interpretations or amendments that have been issued but not yet effective. The nature and the impact of each new standard or amendment is described below:

(1) Amendment to KIFRS 1116 *Leases* – Covid-19-Related Rent Concessions

KIFRS 1116 'Lease' (Revised) - 'Covid-19 related rent concessions, etc., has been announced for the reporting period ended 31 December 2020. This amendment alleviated the application of lease change accounting in KIFRS 1116 'Leases' to lessees for rent discounts, etc. that occurred as a direct result of the global pandemic of COVID-19. As a practical expedient, lessees may not evaluate whether rent discounts, etc., incurred in connection with COVID-19 are changes in lease. The lessee who makes this choice must account for changes in lease payments due to rent concessions, etc., in a manner consistent with the method stipulated in this Standard, unless such changes are lease changes. This practical expedient was scheduled to be applied until June 30, 2021, but the application period of the practical expedient was extended until June 30, 2022 due to the impact of COVID-19. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Company has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

(2) Amendments to KIFRS 1107 Financial Instruments: Disclosures, KIFRS 1109 *Financial Instruments*, KIFRS 1039 *Financial Instruments: Recognition and Measurement*, KIFRS 1104 *Insurance Contracts* and KIFRS 1116 *Leases* – Interest Rate Benchmark Reform – (Phase 2)

The amendment provides a temporary waiver to address the impact on financial reporting when the Interbank Loan Rate (IBOR) is replaced by an alternative risk-free reference indicators (RFRs).
The amendments provide a number of practical reliefs including

- Contractual changes, or changes in cash flows that are directly affected by the reforms, are treated as if they were changed to variable interest rates, such as fluctuations in market interest rates.
- Changes required by the interest rate indicator reform allow the hedging designation and hedging documentation to be possible without disrupting the hedging relationship.
- A temporary exemption that is deemed to meet the requirement that financial instruments referencing the RFRs must be separately identifiable if they are designated as hedging elements.

2.3 Changes in accounting policies and disclosures, continued

2.3.1 New and amended standards and interpretations adopted, continued

The Company applied for the first time the amendment to 'Interest Rate Benchmark Reform Phase 2 -KIFRS 1109, KIFRS 1039, KIFRS 1107, KIFRS 1104 and KIFRS 1116', from the annual period beginning on or after January 1, 2021. The Company applied these amendments retrospectively. In accordance with the transitional provisions permitted in the Phase 2 amendments, the Company has not restated the separate financial statements of the prior period reflecting the application of the amendments, and has not reflected additional disclosures. There is no effect on the amount of the opening balance of equity due from retrospective application.
The Company is exposed to IBOR, which is subject to reform for its financial assets. As of December, 30, 2021, the main IBORs exposed are the London Interbank Loan Rate (LIBOR) and CD rates, and the alternative to LIBOR is the Sterling Overnight Index Average (SONIA), and CD rates are currently under consideration of improvements in its methodology of calculation.
The Company expects that such interest rate benchmark reform shall affect the Company's operation, risk management procedures and the hedge accounting. The Company is primarily exposed to operational risk due to interest rate benchmark reform. This includes, for example, the application of new substitutional provisions with derivative counterparties, the renewal of contractual terms and conditions and the modification of controls related to interest rate benchmark reform. Financial risk is primarily confined to interest rate risk. In a hedging relationship, ineffectiveness may arise due to uncertainty about the timing and methodology of replacement of interest rates related to the hedged items and hedging instrument, or differences in the timing of replacement.
The Company monitors the progress of the conversion from the IBOR to the new interest rate benchmark by reviewing the total amount of contracts that have not yet been converted to an alternative interest rate benchmark and the amount of those contracts that contain an appropriate replacement clause. If the contractual interest is a contract in which interest is indexed to an interest rate benchmark subject to an interest rate benchmark reform, the Company considers the contract to have not been converted to an alternative interest rate benchmark, even if the contract contains an alternative provision to provide for the discontinuation of the IBOR.
The total amount of the contract that has not yet transitioned is as follows:

(In millions of won, in millions of USD, in millions of EUR, in millions of GBP)

Interest Rate Benchmark	Currencies	Financial assets (*)	Derivatives (*)
CD	KRW	100,367	4,161,500
LIBOR	USD	1,520,234	11
LIBOR	EUR	631,376	-
LIBOR	GBP	71,461	-

(*) Financial assets and derivatives are based on carrying amount and nominal amount, respectively, and if the assets that are incorporated to the beneficiary certificates involve an interest rate benchmark subject to interest rate benchmark reform, the calculation is based on the carrying amount of all beneficiary certificates.

(3) Liability adequacy test

1) Nature of accounting policy change

The standards for evaluation on liability adequacy test have been changed as of December 31 2021 in accordance with regulations on supervision of insurance business, and since the Company believes that the changes in the standards for evaluation provide more reliable and relevant information on the insurance liability adequacy, separate financial statements for the previous year were restated by applying a change in accounting policy.

2) Adjustment of financial position and financial performance due to changes in accounting policy

The impact of changes in accounting policies on the Company's separate statements of financial position as of December 31, 2021 and 2020 and January 1, 2020 and the separate statement of comprehensive income for the years then ended is as follows:

(In millions of won)		December 31, 2021					
		Total assets	Total liabilities	Total equity	Retained earnings	Profit for the year	Earnings per share in won
Before applying accounting policy change	₩	119,149,284	108,125,326	11,023,958	7,699,635	396,443	3,590
Adjustments:							
Retrospective effect		-	1,096,736	(1,096,736)	(1,096,736)	-	-

(In millions of won)

LAT additional reserve		-	(1,096,736)	1,096,736	1,096,736	-	-
After applying accounting policy change	₩	119,149,284	108,125,326	11,023,958	7,699,635	396,443	3,590

(In millions of won)		December 31, 2020					
		Total assets	Total liabilities	Total equity	Retained earnings	Profit for the year	Earnings per share in won
Before applying accounting policy change	₩	115,486,112	103,392,215	12,093,897	7,434,113	382,865	3,513
Adjustments:							
Retrospective effect		-	1,096,736	(1,096,736)	(1,096,736)	-	-
After applying accounting policy change	₩	115,486,112	104,488,951	10,997,161	6,337,377	382,865	3,513

(In millions of won)		January 31, 2020					
		Total assets	Total liabilities	Total equity	Retained earnings	Profit for the year	Earnings per share in won
Before applying accounting policy change	₩	107,893,489	96,204,280	11,689,209	7,227,733	546,010	5,102
Adjustments:							
Retrospective effect		-	1,096,736	(1,096,736)	(1,096,736)	(1,096,736)	-
After applying accounting policy change	₩	107,893,489	97,301,016	10,592,473	6,130,997	(550,726)	(5,598)

3) Detail of adjustments in cash flows
The change in accounting policy has no effect on the statement of cash flow for the years ended December 31, 2021 and 2020.

3. Significant accounting judgments, estimates and assumptions

3.1 Estimates and changes

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(1) Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(2) Impairment losses on available-for-sale equity investments
When the Company assesses whether there is any indication that available-for-sale equity investments may be impaired, it considers the duration and degrees of decline in the fair value below the cost. When the decline in fair value below the cost of available-for-sale equity investments is significant or prolonged, the Company reclassifies the accumulated valuation loss on fair value previously recognized in equity to current loss. Starting from this year, the Company has applied new standards of determining the impairment loss of AFS equity investments as 'significant' or 'prolonged' when the decline in fair value below the cost of the equity investments is more than 50% and prolonged for more than 1 year. These changes are reasonable considering the local regulations and economic situation.

(3) Impairment on loans and receivables
Individual and collective allowance for doubtful accounts is calculated to assess impairment on loans and receivables. When individual allowance for doubtful accounts. When individual allowance for doubtful accounts is calculated, expected recoverable amount is calculated by estimated future cash flows considering borrowers' sales or collateral. In addition, when the collective allowance for doubtful accounts is calculated, default rates, duration of loss and loss rates at bankruptcy are estimated based on historical impairment.

(4) Impairment of non-financial assets
The Company tests non-financial assets for impairment at the end of every reporting period. The intangible assets with goodwill and indefinite useful lives are tested for impairment whenever there is an indication that the intangible asset may be impaired. Other non-financial assets are tested for impairment whenever there is an indication that the carrying value cannot be recovered. The value in use calculation is based on the management's assumption on future expected cash flows generated from CGU or asset. For the calculation of present value of future expected cash flows, adequate discount rate should be chosen.

(5) Development costs
Development costs are capitalized in accordance with the accounting policy as mentioned in Note 2.2. Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

(6) Defined benefit plans
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.
In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'A+' rating or above, as set by an internationally acknowledged rating agency. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

(7) Lease period of a contract with options to extend and terminate
The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, and any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. In assessing whether the company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the company consider all relevant facts and circumstances

(In millions of won)

that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. If the company possesses such options, the company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. After the commencement date, the company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

(8) Provision for decommissioning

The Company has recognized a provision for decommissioning obligations associated with a leased building. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs.

(9) Income tax

There are different kinds of transactions and calculation methods which make final tax determination uncertain. Based on an estimate of the additional taxes to be imposed, if there is a difference between final tax amount and initially recognized tax amount, the difference will affect current income tax and deferred tax assets and liabilities at the period when such determinations is made.

(10) Special Taxation for Facilitation of Investment and Mutually-Beneficial Cooperation

The Company shall pay an additional surtax where the use of corporate earnings on qualifying investments, wage increase and mutually-beneficial cooperation fall below a certain portion of its taxable income for 3 years from 2015. As the Company considers the Special Taxation for Facilitation of Investment and Mutually-Beneficial Cooperation on its undistributed earnings when computing its corporate income tax, the Company's income tax may change arising from changes in investment, wage growth, or mutually-beneficial cooperation.

(11) Liability adequacy test

The Company recognizes the shortfall as its loss by assessing the adequacy of insurance liability. In order to estimate the cash flow anticipated to occur from the current insurance contract, reasonable anticipation of cash inflows including premium income and that of cash outflows including insurance, refund, reserve, expenses etc. is required. For this purpose, scenario presented by Financial Supervisory Service, ratio of risk, ratio of cancellation and expense rate use the presumptions considering the experience of the past and the trend of the future. The long-term insurance uses the discount rate reflecting the past experience and the current market information in order to calculate the future cash flow into the current value. Also, adequacy of individually estimated claims is assessed for reserves by selecting the most adequate model according to the trend of claims paid among various statistical methods. The Company categorizes its insurance products based on characteristics of the products. For insurance products in the same category, the Company applies assumptions for the respective category consistently.

4. Standards issued but not yet effective

The standards and interpretations that are issued, up to the date of issuance of the Company's separate financial statements but not yet effective are disclosed below.

4.1 KIFRS 1109 Financial Instruments

KIFRS 1109, published on September 25, 2015, is, in principle, effective for annual periods after January 1, 2018. Due to the amendments of KIFRS 1104, 'Insurance Contract', the Company met the qualification for the temporary exemption as of December 31, 2016 which require the ratio of insurance related liabilities to exceed 90% of the total liabilities. As a result, the Company plans to receive temporary exemption from the application of KIFRS 1109 until the fiscal year beginning before January 1, 2023 by meeting the requirements for temporary exemption from the application of KIFRS 1109.

This newly established standard KIFRS 1109 generally requires the entity to apply retrospectively. However, for the classification and measurements of financial instruments, including impairments, the standard provides an exemption from the requirement to restate comparative information. For hedge accounting, this standard shall apply prospectively aside from the accounting for the time value of options and other exceptions.

Main characteristics of KIFRS 1109 are the classification and measurements of financial assets in accordance with the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, impairment model of financial instruments based on expected credit losses, expansion of hedged item and the hedging instrument qualifies for hedge accounting and changes to the methods for assessing hedge effectiveness.

The general effects of this standard based on its main characteristics over the financial statements were as follows:

(1) Classification and measurement of financial assets

The Company shall classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset as shown on the below table when the new standard KIFRS 1109 is adopted. Furthermore, if a hybrid contract contains a host that is an asset within the scope of this standard, an embedded derivative shall not be separated from the host and accounted for financial assets.

	Contractual cash flow characteristics	
Business model objectives	Principal and interest	Others
To collect the contractual cash flows	Measured at amortized cost (*1)	Fair value through profit or loss (*2)
To collect the contractual cash flows and to sell	Measured at fair value through other comprehensive income (*1)	
To sell and others	Measured at fair value through profit or loss	

(*1) The Company may irrevocably designate a financial asset as measured at fair value through profit or loss to eliminate or significantly reduce accounting mismatch.
(*2) The Company may make an irrevocable election for equity instruments held for trading as measured at fair value through other comprehensive income.

Conditions to measure financial assets at amortized cost or fair value through other comprehensive income under KIFRS 1109 are more stringent than the conditions under KIFRS No. 1039. As a result, the portion of financial assets measured at fair value through profit or loss will increase which may lead to increases in volatility of profit or loss.

(2) Classification and measurement of financial liabilities

In accordance with the new standard KIFRS No. 1109, the amount of change in the fair value of the financial liability that is designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, not profit or loss. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, when the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch, the related change in the fair value shall be presented in profit or loss.

As some portion of the changes in fair value of the financial liability that is designated as at fair value through profit or loss, which was recognized as profit or loss under KIFRS No. 1039, shall be presented as other comprehensive income, the profit or loss related to fair value of financial liability may decrease.

(3) Impairment: Financial assets and contract assets

Under the current standard KIFRS 1039, impairment is recognized based on incurred loss model only when there is an objective evidence of impairment. However, under the new standard KIFRS 1109, impairment is recognized based on expected credit loss impairment model for the debt instruments, lease receivables, contract assets, loan commitments, and financial guarantee contracts measured at amortized cost or financial assets that are measured at fair value through other comprehensive income.

Unlike the current standard KIFRS No. 1039 which is based on incurred loss model, credit losses may be recognized earlier under KIFRS 1109. As shown below, this standard requires to measure the amount for loss allowance in 3 stages based on the 12-month expected credit losses or lifetime expected credit losses depending on the degree of increase in credit risk of the financial assets since initial recognition.

Stages		Loss allowance
Stage 1	Credit risk has not increased significantly since initial recognition	12-month expected credit losses: the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(In millions of won)

Stage 2	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Credit-impaired	

On the other hand, KIFRS 1109 requires financial assets that are credit-impaired at initial recognition to account for only the cumulative change in lifetime expected losses since initial recognition as a loss allowance.

(4) Hedge accounting

New standard KIFRS 1109 retains the mechanics of hedge accounting (i.e. fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation) of current standard KIFRS 1039. However, this standard mitigated KIFRS 1039 by amending the complex and rule-based requirements related to hedge accounting under KIFRS 1039 to principle-based requirements to align hedge accounting more closely with risk management. Furthermore, this standard expanded the eligible hedged item and the hedging instrument and eased the requirement for the hedge accounting by removing quantitative threshold (80~125%) and changing hedge effectiveness test method.

In accordance with the transition for hedge accounting, when an entity first applied KIFRS No. 1109, it may choose as its accounting policy to continue to apply the hedge accounting under KIFRS No. 1039.

The Company assessed the financial impact of the adoption of KIFRS No. 1109 by assessing the impact on the financial statements based on the current circumstances and available information as of December 31, 2021.

1) The fair value at the end of the reporting period and the amount of change in the fair value during that period by group of financial assets as of December 31, 2021 are as follows:

(In millions of won)		Fair value at the end of the reporting period	Amount of change in the fair value
Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding	₩	71,177,473	(706,082)
Other financial assets		17,746,733	135,700
	₩	88,924,206	(570,382)

2) For financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding that do not have low credit risk at the end of the reporting period, the fair value and the carrying amount applying KIFRS 1039 (in the case of financial assets measured at amortized cost, before adjusting for any impairment allowances) are ₩71,171,005 million and ₩71,371,147 million, respectively.

4.2 Amendments to KIFRS 1001 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendments to paragraphs 69 ~ 76 of KIFRS 1001 clarify the following requirements for the classification of liabilities as current or non-current.

- The meaning of the right to defer settlement of the liability
- the right to defer settlement of the liability exists at the end of the reporting period only if the entity complies with those conditions at the end of the reporting period.
- The potential to exercise of the right to defer shall not affect the classification of liquidity.
- The terms of the liability do not affect the classification of liquidity only if the embedded derivative of the convertible liability itself is an equity instrument.

Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022, retrospectively. The Company measures the effect of amendments on practices and whether renegotiation is necessary for preexisting loan commitments.

4.3 Amendments to KIFRS 1103 Business Combinations – Reference to the Conceptual Framework for Financial Reporting

The objective of these amendments is to ensure that there is no significant change in requirements when changing ‘Framework for the Preparation and Presentation of Financial Statements’ issued in 1989 to ‘Conceptual Framework for Financial Reporting’ issued in March 2018. An exception was added to the recognition principle in KIFRS 1103 to avoid the problem of day 2 gains or losses from liabilities and contingent liabilities that are within the scope of KIFRS 1037 ‘Provisions, Contingent Liabilities and Contingent Assets’ or KIFRS Interpretation 2121 ‘Levies’. In addition, the guidance on contingent assets in KIFRS 1103 was clarified to ensure that the conceptual framework for financial reporting was not affected. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022, prospectively.

4.4 Amendments to KIFRS 1016 Property, Plant and Equipment – Proceeds before Intended Use

The purpose of these amendments is to ensure that the selling value of items which may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management is not deducted from the cost. Instead, the Company shall recognize the proceeds from selling any such items, and the cost of those items, in profit or loss. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022 and the Company shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. Those amendments are not expected to have a significant impact on the Company’s separate financial statements.

4.5 Amendments to KIFRS 1037 Provisions, Contingent Liabilities and Contingent – Onerous Contracts—Cost of Fulfilling a Contract

The amendments clarify the costs that an entity should include when assessing whether a contract is an onerous contract or a contract that generates a loss.

The amended Standard applies a "directly related cost approach". Costs that relate directly to a contract consist of the incremental costs of fulfilling that contract such as direct labor and materials and an allocation of other costs that relate directly to fulfilling contracts. General administrative costs are excluded if they are not directly related to the contract and cannot be explicitly charged to the counterparty under the contract.

Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. The Company shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

4.6 Amendments to KIFRS 1008 Accounting Policy, Changes in Accounting Estimates and Errors' Revision - Definition of Accounting Estimates

The amendments clearly distinguish changes in accounting estimates, changes in accounting policies, and correction of accounting errors. The amendments also clarify how an entity uses measurement techniques and inputs to develop accounting estimates. These amendments shall be applied for annual reporting periods beginning on or after January 1, 2023, and shall be applied prospectively to changes in accounting policies and accounting estimates that occur. Early application is permitted. Those amendments are not expected to have a significant impact on the Company’s separate financial statements.

4.7 Amendments to KIFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policy

The amendments provide requirements and guidance to enable more effective disclosure of the Company's accounting policies. KIFRS 1001 requires the Company's significant accounting policies to be disclosed. The amendments changed the 'significant' accounting policy to the 'material' accounting policy and added explanations for important accounting policy information. It enables the Company to provide more useful accounting policy information when deciding on accounting policy disclosure.

The amendment to KIFRS 1001 ‘Presentation of Financial Statements’ shall be applied for annual reporting periods beginning on or after January 1, 2023 and early application is permitted. Those amendments are not expected to have a significant impact on the Company’s separate financial statements.

4.8 Amendments to KIFRS 1012 'Corporate Tax' - Reduction of the scope of exception to initial recognition of deferred tax

The amendments have been amended to solve the problem of different accounting practices for the recognition of deferred income tax liabilities and assets for transactions in which a temporary difference to be added and a temporary difference to be deducted in the same amount are recognized at the same time.

(In millions of won)

The amendments add the requirement (3) to the proviso of paragraphs 15 and 24 of KIFRS No. 1012 (Exceptions to Initial Recognition of Deferred Tax), and adds the same amount of temporary difference to be added when assets and liabilities are initially recognized in a single transaction. If there is a temporary difference to be deducted, deferred tax liabilities and assets are recognized respectively. The amendments shall be applied for annual reporting periods beginning on or after January 1, 2023 and early application is permitted. Those amendments are not expected to have a significant impact on the Company's separate financial statements.

4.9 Annual Improvements 2018-2021 Cycle

4.9.1 KIFRS 1101 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter

A subsidiary that uses the exemption in paragraph D16(1) of KIFRS 1101 First-time Adoption of International Financial Reporting Standards may elect, in its financial statements, to measure cumulative translation differences that would be included in the parent's consolidated financial statements, based on the parent's date of transition to KIFRS. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(1). Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

4.9.2 KIFRS 1109 Financial Instruments – Fees in the '10 percent' Test for Derecognition of Financial Liabilities

The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from an existing financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity shall apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which it first applies the amendments. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. The Company will be applied the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which it first applies the amendments. Those amendments are not expected to have a significant impact on the Company's separate financial statements.

4.9.3 KIFRS 1041 Agriculture – Fair Value Measurements

The amendments removed the requirement on paragraph 22 for entities to exclude cash flows for taxation when measuring fair value. Those amendments shall be applied for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. Those amendments are not expected to have a significant impact on the Company's separate financial statements.

4.10 KIFRS 1117 Insurance contracts

In 2021, KIFRS 1117 'Insurance Contracts', was published, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, KIFRS 1117 will replace KIFRS 1104 Insurance Contracts (KIFRS 1104) that was issued in 2007.

KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

KIFRS 1117 is effective for reporting periods beginning on or after January 1 2023, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. This standard is not applicable to the Company.

4.10.1 Preparation of the adoption of KIFRS 1117

In order to prepare for the adoption of KIFRS 1117, the Company has organized and operated an internal professional workforce which consists of 38 professional employees since September 2016.

In February 2016, the Company requested the accounting firm and actuarial firm to establish an accounting system such as insurance liability assessment system, and in March 2020, the integrated accounting system was first completed, and from June 2021, the KIFRS 1117 upgrade project has been carried out. As of December 2021, system upgrade and consistency check are being carried out, and the Company plans to continuously upgrade the system by 2022 while also establishing an internal control over financial reporting.

In addition, the Company has established an in-house training course related to KIFRS 1117 to provide internal and external training to executives and employees who are related with accounting, actuary, and insurance products, while in-depth trainings course will be prepared in 2022.

4.10.2 Assessment of financial impacts

With the implementation of KIFRS 1117, the financial volatilities are expected in the separate financial statements in 2023, due mainly to changes in the method of assessment of insurance liabilities and revenue recognition, etc.

As a result of evaluating the potential impact of the application of KIFRS 1117 on the separate financial statements based on currently available information as of December 31, 2021, it is expected that the amount of insurance contract liabilities will increase after the enforcement of KIFRS 1117 due mainly to the effect from the high interest rate firm insurance contracts held, etc.

In addition, insurance revenue is expected to decrease as savings type insurance premiums are excluded from insurance revenue when KIFRS 1117 is applied.

5. Cash and due from banks

(1) Cash and cash equivalent as of December 31, 2021 and 2020 are as follows:

		2021	2020
Cash	₩	633	692
Demand deposits		127,426	87,265
MMDA		967,961	400,000
Other deposits		59,015	49,678
	₩	1,155,035	537,635

(2) Due from banks as of December 31, 2021 and 2020 are as follows:

		2021	2020
Time deposits	₩	102,990	252,990
Other deposits		265,329	68,082
Future transactions deposits		115,356	59,192
	₩	483,675	380,264

(3) Bank deposits with withdrawal restrictions as of December 31, 2021 and 2020 are as follows:

		2021	2020	Details
Demand deposits	₩	111	111	Partially seized
Other deposits		10	10	Guarantee deposits for checking accounts
Future transactions deposits		115,356	59,192	Future trading
	₩	115,477	59,313	

(In millions of won)

6. Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss as of December 31, 2021 and 2020 are as follows:

		2021	2020
Hybrid financial instruments:			
Other embedded derivatives (*)	₩	868	-

7. Financial assets held for trading

Financial assets held for trading as of December 31, 2021 and 2020 are as follows:

		2021	2020
Equity securities:			
Beneficiary certificates	₩	512,029	1,411,458

8. Available-for-sale financial assets

(1) Available-for-sale financial assets as of December 31, 2021 and 2020 are as follows:

		2021	2020
Equity securities:			
Listed share	₩	446,738	704,520
Unlisted share		226,880	227,226
Equity investments		93,097	57,175
Beneficiary certificates(*1)		10,525,762	9,422,028
Overseas securities		3,111,654	2,684,751
Other securities		20,938	16,026
		14,425,069	13,111,726
Debt securities:			
Government and public bonds		19,433,745	19,936,229
Special bonds		7,350,998	8,443,119
Financial institutions bonds		931,937	984,350
Corporate bonds		2,859,270	3,255,412
Overseas securities		14,565,106	16,708,152
		45,141,056	49,327,262
	₩	59,566,125	62,438,988

(*1) The amount about Corsair related fund, the Company's major shareholder, were ₩192,777 million and ₩147,357 million as of December 31, 2021, and 2020 respectively, and dividend income recognized by the Company from the fund were ₩10,515 million and ₩25,327 million as of December 31, 2021 and 2020, respectively. Furthermore, the additional acquisition amount for years ended December 31, 2021 and 2020 were ₩33,771 million and ₩35,231 million, respectively, and disposal for years ended December 31, 2021 and 2020 were amounted to ₩8,865 million and ₩3,665 million, respectively.

The fair values of domestic currency debt securities and foreign currency debt securities of available-for-sale financial assets are based on the average prices of base prices on the latest business day, which are provided by Korea Asset Pricing (KAP) and KIS Pricing Inc. The fair values of unlisted stocks and investments of which the posted prices are not available in an active market, are calculated based on the appraised values in the appraisal reports of KAP.

(2) Gain on valuation of available-for-sale financial assets accounted for as accumulated other comprehensive income and policyholder's equity adjustments as of December 31, 2021 and 2020, are as follows:

		2021	2020
Gain on valuation of available-for-sale securities	₩	2,360,249	5,529,277
Amount allocated to Policyholder's equity adjustment		401,267	1,132,276
Amount allocated to deferred tax liabilities		538,720	1,209,175
Amount allocated to accumulated other comprehensive income		1,420,262	3,187,826

(3) Unlisted shares and equity investments were recognized at acquisition costs of ₩10,899 million and ₩10,899 million as of December 31, 2021 and 2020, respectively, as the fair values cannot be estimated reliably.

(4) Impairment losses on available-for-sale financial assets for the years ended December 31, 2021 and 2020 amounted to ₩35,423 million and ₩62,156 million, respectively. Reversal of impairment losses on available-for-sale financial assets for years ended December 31, 2021 and 2020 were ₩3,704 million and ₩1,852 million, respectively.

(5) Available-for-sale financial assets pledged as collateral as of December 31, 2021 and 2020 are as follows:

Collateral	Purpose		2021	2020	Counter party
Government and public bonds	Collateral for derivatives	₩	916,101	369,757	Credit Suisse Bank, etc.

9. Held-to-maturity financial assets

(1) Held to maturity financial assets as of December 31, 2021 and 2020 are as follows:

		2021	2020
Debt securities:			
Government and public bonds	₩	2,959,456	-
Special bonds		390,000	-
Corporate bonds		50,000	-
Overseas securities		1,152,269	-
	₩	4,551,725	-

(In millions of won)

10. Loan receivables

(1) Loan receivables as of December 31, 2021 and 2020 are as follows:

		2021	2020
Policy loan receivables	₩	6,341,550	6,105,849
Loan receivable secured by securities		20,000	-
Loan receivables secured by real estate		5,608,703	5,761,626
Unsecured loan receivables		8,433,118	7,218,373
Guaranteed loan receivables		1,084,559	1,292,271
Other loan receivables		448,231	426,191
		21,936,161	20,804,310
Less: Present value discount		(37)	(83)
Less: Allowance for loss on loan receivables		(43,404)	(69,551)
Less: Deferred loan origination costs and fees		(27,119)	(19,491)
	₩	21,865,601	20,715,185

(2) Changes in allowance for loss on loan receivables for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	69,551	58,079
Charge for the year(Reversal), net		(17,170)	28,258
Write-off, etc.		(20,856)	(27,480)
Unwinding effect		(411)	(357)
Recovery of bad debts		12,290	11,051
Ending balance	₩	43,404	69,551

(3) Changes in deferred loan origination costs and fees for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	(19,491)	(14,903)
Loan originations		(12,123)	(7,679)
Amortization		4,495	3,091
Ending balance	₩	(27,119)	(19,491)

11. Other receivables

(1) Details of other receivables as of December 31, 2021 and 2020 are as follows:

		2021	2020
Insurance receivables:			
Premiums transferred automatically	₩	2,411	2,788
Insurance settlement adjustments		3,213	2,550
Reinsurance receivables		69,448	64,601
Other insurance receivables		124	9,923
		75,196	79,862
Accounts receivables		54,180	61,695
Guarantee deposits		54,436	58,618
Accrued income		527,246	517,573
Others		594	639
		711,652	718,387
Less: Present value discount		(1,619)	(2,044)
Less: Allowance for other receivables		(17,700)	(20,809)
	₩	692,333	695,534

(2) Changes in allowance for other receivables for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	₩	20,809	20,611
(Reversal of) provision for other receivables, net		(1,120)	1,206
others		(1,989)	(1,008)

(In millions of won)

Ending balance	₩	17,700	20,809

12. Investments in associates and subsidiaries and joint ventures

(1) Investments in associates and subsidiaries and joint ventures as of December 31, 2021 and 2020 are summarized as follows:

	Valuation method	Country of domicile		2021 Book value	2021 Owner -ship (%)	2020 Book value	2020 Owner -ship (%)
Subsidiaries:							
Kyobo Securities Co., Ltd.	Cost	Korea	₩	480,104	73.1	480,104	73.1
Kyobo Book Center Co., Ltd.	Cost	Korea		219,933	100.0	69,933	100.0
Kyobo Info. & Comm. Co., Ltd	Cost	Korea		53,253	100.0	53,253	100.0
Kyobo Realco Inc.	Cost	Korea		15,985	100.0	15,985	100.0
KCA Claim Adjustment Co., Ltd.	Cost	Korea		2,680	100.0	2,680	100.0
KCA Service Co., Ltd.	Cost	Korea		10,484	66.7	10,484	66.7
Kyobo Life Planet Life Insurance company (*1)	Cost	Korea		185,734	100.0	191,279	100.0
Kyobo Asset Trust Co., Ltd.	Cost	Korea		295,420	100.0	145,420	100.0
Kyobo Life Asset Management Co., Ltd.(USA)	Cost	USA		3,503	100.0	3,503	100.0
Kyobo Life Asset Management Co., Ltd.(Japan)	Cost	Japan		1,118	100.0	1,118	100.0
Kyobo New Technology Investment Association No.1 (*2)	Cost	Korea		35,000	87.5%	-	-
Consus BTL Private Special Asset Investment Trust1	Fair value	Korea		18,930	57.2	20,884	57.2
Consus Hope BTL Private Special Asset Investment Trust 1	Fair value	Korea		20,058	66.7	22,647	66.7
Consus New Energy Private Special Asset Investment Trust2	Fair value	Korea		10,558	68.8	12,537	68.8
KIAMCO SHIPPING Private Special Asset Investment Trust KX-1	Fair value	Korea		14,199	100.0	15,278	100.0
KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust (*3)	Fair value	Korea		-	-	49,243	86.7
				1,366,959		1,094,348	
Associates:							
A&D Credit Information Co., Ltd. (*4)	Cost	Korea		2,947	19.5	2,947	19.5
Joint ventures:							
Kyobo AXA Investment Management Co., Ltd.	Cost	Korea		26,959	50.0	26,959	50.0
			₩	1,396,865		1,124,254	

(*1) Impairment loss was recognized during the year ended December 31, 2021.
(*2) The entity was included due to the acquisition of equity interests during the year ended December 31, 2021.
(*3) The entity was excluded due to the disposal of equity interests during the year ended December 31, 2021.
(*4) The entities are classified as associates even though the Company holds less than 20% of shares, since members of the Company's Board of Directors are also the members of the entities' board and thus have significant influence over the entities.

(2) Details of accumulated other comprehensive income for associates and subsidiaries allocated to policyholder's equity adjustments and deferred tax liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Gain on valuation of associates and subsidiaries	₩	416	10,332
Amount allocated to policyholder's equity adjustment		62	1,622
Amount allocated to deferred tax liabilities		98	2,395
Amount allocated to accumulated other comprehensive income		256	6,315

(In millions of won)

13. Classification by categories of financial instruments

(1) The carrying amounts of each category of financial assets and financial liabilities as of December 31, 2021 and 2020 are summarized as follows:

		2021							
		Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities recognized by amortized cost	Total
Financial assets:									
Cash and due from banks	₩	-	-	-	1,638,710	-	-	-	1,638,710
Financial assets at fair value through profit or loss		868	-	-	-	-	-	-	868
Financial assets held for trading		512,029	-	-	-	-	-	-	512,029
Derivatives		35,030	-	-	-	85,310	-	-	120,340
Available-for-sale financial assets		-	59,566,125	-	-	-	-	-	59,566,125
Investments in associates and subsidiaries (*)		-	63,745	-	-	-	-	-	63,745
Held-to-maturity financial assets		-	-	4,551,725	-	-	-	-	4,551,725
Loan receivables		-	-	-	21,865,601	-	-	-	21,865,601
Other receivables		-	-	-	692,333	-	-	-	692,333
	₩	547,927	59,629,870	4,551,725	24,196,644	85,310	-	-	89,011,476
Financial liabilities:									
Derivatives liabilities	₩	-	-	-	-	423,432	112,507	-	535,939
Other financial liabilities		-	-	-	-	-	-	596,688	596,688
	₩	-	-	-	-	423,432	112,507	596,688	1,132,627

(*) The beneficiary certificates are within the scope of consolidation using KIFRS 1039.

(In millions of won)

13. Classification by categories of financial instruments, continued

(1) The carrying amounts of each category of financial assets and financial liabilities as of December 31, 2021 and 2020 are summarized as follows, continued:

2020		Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Hedging purpose derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities recognized by amortized cost	Total
Financial assets:								
Cash and due from banks	₩	-	-	917,899	-	-	-	917,899
Financial assets held for trading		1,411,458	-	-	-	-	-	1,411,458
Derivatives		174,838	-	-	797,477	-	-	972,315
Available-for-sale financial assets		-	62,438,988	-	-	-	-	62,438,988
Loan receivables		-	-	20,715,185	-	-	-	20,715,185
Other receivables		-	-	695,534	-	-	-	695,534
Investments in associates and subsidiaries (*)		-	120,589	-	-	-	-	120,589
	₩	1,586,296	62,559,577	22,328,618	797,477	-	-	87,271,968
Financial liabilities:								
Derivatives	₩	-	-	-	94,234	58,975	-	153,209
Other financial liabilities		-	-	-	-	-	546,807	546,807
	₩	-	-	-	94,234	58,975	546,807	700,016

(*) The beneficiary certificates are within the scope of consolidation using KIFRS 1039.**13. Classification by categories of financial instruments, continued**

(2) Gains (losses) on categories of financial instruments for the year ended December 31, 2021 is as follows:

2021		Net profit and loss						
		Interest income	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss (reversal)	Other operating income (*1)	Subtotal	Other comprehensive income (expense) (*2)
Financial assets at fair value through profit or loss	₩	-	-	(132)	-	-	(132)	-
Financial assets held for trading		-	1,980	29	-	5,618	7,627	-
Available-for-sale financial assets		1,303,032	494,493	24,206	(31,719)	1,704,467	3,494,479	(1,767,563)
Held-to-maturity financial assets		39,184	-	-	-	28,450	67,634	-
Trading purpose derivatives		(3,477)	(365,287)	(142,828)	-	-	(511,592)	-
Hedging purpose derivatives		(33,055)	(17,662)	(901,672)	-	-	(952,389)	36,329
Loans and receivables		959,923	58	-	18,290	36,628	1,014,899	-
Financial liabilities measured at amortized cost		(5,892)	-	-	-	-	(5,892)	-
Investments in associates and subsidiaries		-	2,979	-	-	14,528	17,507	(6,059)
	₩	2,259,715	116,561	(1,020,397)	(13,429)	1,789,691	3,132,141	(1,737,293)

(*1) Including gain or loss from foreign currency transaction and dividend income.
(*2) Represents the amount after adjustment for income tax effect.

(In millions of won)

		2020						
		Net profit and loss						
		Interest income (expense)	Gain (loss) on disposal	Gain (loss) on valuation	Impairment loss	Other operating income(expense) (*)	Subtotal	Other comprehensive income(expense) (*2)
Financial assets held for trading	₩	-	681	(3,231)	-	19,881	17,331	-
Available-for-sale financial assets		1,352,861	619,394	-	(60,304)	(205,028)	1,706,923	304,505
Trading purpose derivatives		(21,600)	(308,040)	97,932	-	-	(231,708)	-
Hedging purpose derivatives		(38,821)	(28,681)	753,934	-	-	686,432	(146,741)
Loans and receivables		975,846	269	-	(29,464)	(278)	946,373	-
Investments in associates and subsidiaries		-	(52)	-	-	11,265	11,213	(1,977)
Financial liabilities measured at amortized cost		(7,096)	-	-	-	-	(7,096)	-
	₩	2,261,190	283,571	848,635	(89,768)	(174,160)	3,129,468	155,787

(*) Including gain or loss from foreign currency transaction and dividend income.
(*2) Represents the amount after adjustment for income tax effect.

(In millions of won)

14. Fair value of financial assets and liabilities

(1) Book value and fair value of financial assets and liabilities as of December 31, 2021 and 2020 are as follows:

		2021		2020	
		Book value	Fair value	Book value	Fair value
Financial assets:					
Cash and due from banks	₩	1,638,710	1,638,710	917,899	917,899
Financial assets at fair value through profit or loss		868	868	-	-
Financial assets held for trading		512,029	512,029	1,411,458	1,411,458
Derivative assets		120,340	120,340	972,315	972,315
Available-for-sale financial assets		59,566,125	59,566,125	62,438,988	62,438,988
Held to maturity financial assets		4,551,725	4,476,706	-	-
Loan receivables		21,865,601	21,665,518	20,715,185	20,798,027
Other receivables		692,333	692,351	695,534	695,761
Investments in associates and subsidiaries(*1)		63,745	63,745	120,589	120,589
	₩	89,011,476	88,736,392	87,271,968	87,355,037
Financial liabilities:					
Derivative liabilities	₩	535,939	535,939	153,209	153,209
Other financial liabilities		596,688	597,044	546,807	547,558
	₩	1,132,627	1,132,983	700,016	700,767

(*1) The beneficiary certificates are within the scope of consolidation using KIFRS 1039.

(2) Financial instruments measured at the fair value

The Company classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

The Company recognizes the transfer between the level of the fair value hierarchy at the end of each reporting period.

Financial instruments measured at fair value as of December 31, 2021 and 2020 are as follows:

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at fair value through profit or loss	₩	-	-	868	868
Financial assets held for trading		-	512,029	-	512,029
Available-for-sale financial assets		22,471,792	26,449,635	10,644,698	59,566,125
Derivative assets		-	119,256	1,084	120,340
Investments in associates and subsidiaries		-	-	63,745	63,745
	₩	22,471,792	27,080,920	10,710,395	60,263,107
Financial liabilities:					
Derivative liabilities	₩	-	510,544	25,395	535,939

		2020			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets held for trading	₩	-	1,411,458	-	1,411,458
Derivative assets		-	938,484	33,831	972,315
Available-for-sale financial assets		24,263,853	28,615,517	9,559,618	62,438,988
Investments in associates and subsidiaries		-	-	120,589	120,589
	₩	24,263,853	30,965,459	9,714,038	64,943,350
Financial liabilities:					
Derivative liabilities	₩	-	153,209	-	153,209

(In millions of won)

(3) Changes in level 3 fair value hierarchy for the years ended December 31, 2021 and 2020 are as follows:

		2021				
		Financial assets designated at fair value through profit or loss	Derivative assets, net.	Available-for-sale financial assets	Investments in subsidiaries and associates	Total
Beginning balance	₩	-	33,831	9,559,618	120,589	9,714,038
Purchases		1,000	-	2,468,505	-	2,469,505
Settlements/disposals		-	-	(1,150,288)	(55,904)	(1,206,192)
Total income:		(132)	(58,142)	(233,137)	(940)	(292,351)
Profit or loss		(132)	(58,142)	(27,502)	-	(85,776)
Other comprehensive income (loss)		-	-	(205,635)	(940)	(206,575)
Ending balance	₩	868	(24,311)	10,644,698	63,745	10,685,000

		2020			
		Derivatives, net	Available-for-sale financial assets	Investments in subsidiaries and associates	Total
Beginning balance	₩	(25,510)	8,209,379	127,136	8,311,005
Purchases		-	2,040,892	3,089	2,043,981
Settlements/disposals		13,669	(731,038)	(6,339)	(723,708)
Total income:		45,672	40,385	(3,297)	82,760
Profit or loss		45,672	(11,253)	-	34,419
Other comprehensive income (loss)		-	51,638	(3,297)	48,341
Ending balance	₩	33,831	9,559,618	120,589	9,714,038

There was no transfer between level 3 and other levels for the years ended December 31, 2021 and 2020.

(4) Total gains or losses for the years ended December 31, 2021 and 2020 recognized in profit of loss and gains or losses relating to financial instruments in level 3 at the end of the reporting period are presented in the statement of comprehensive income as follows:

		2021	
		Total gains and losses	Losses relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩	(82,165)	(85,776)

		2020	
		Total gains and losses	Losses relating to financial instruments held at the end of the reporting period
Recognized in profit or loss relating to financial instruments in level 3	₩	32,966	34,419

(5) Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 as of December 31, 2021 and 2020 are as follows:

Type of financial instrument	Valuation technique	Input variables
Financial assets:		
Financial assets held for trading	Discounted cash flow	Interest rate, foreign exchange rate, stock price, etc.
Derivative assets	Discounted cash flow, Option pricing model	Interest rate, foreign exchange rate, stock price, etc.
Available-for-sale financial assets	Discounted cash flow, Dividend discount model	Interest rate, foreign exchange rate, stock price, etc.
Financial liabilities:		
Derivative liabilities	Discounted cash flow, Option pricing model	Interest rate, foreign exchange rate, stock price, etc.

(6) There was no transfer between level 1 and level 2 for the years ended December 31, 2021 and 2020.

(In millions of won)

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 and 2020 are as follows:

2021				
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Financial assets at fair value through profit or loss	Binomial model	Stock price	517,347won	A significant increase in stock price would result in a higher fair value
		Volatility	23.00%	A significant increase in volatility would result in a higher fair value
		Discount rate	-22.39%	A significant increase in discount rate would result in a lower fair value
Derivative assets	Binomial model, Discounted cash flow	Stock price	4,325~4,413won	A significant increase in stock price would result in a higher fair value
		Volatility	21.81%~22.25%	A significant increase in volatility would result in a higher fair value
Available-for-sale financial assets	Discounted cash flow, Dividend discount model, Net asset method, etc.	Permanent growth rate	0%	A significant increase in growth rate would result in a higher fair value
		Discount rate	2.58%~26.57%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	0%~1%	A significant increase in liquidation value rate would result in a higher fair value
Investments in associates and subsidiaries	Net asset method	The volatility of liquidation value rate	0%	A significant increase in liquidation value rate would result in a higher fair value
Financial liabilities:				
Derivative liabilities	Discounted cash flow	Discount rate	-0.58% ~ 0.51%	A significant increase in discount rate would result in a lower fair value

(7) Information about significant unobservable inputs in measuring financial instruments categorized within level 3 as of December 31, 2021 and 2020 are as follows, continued:

2020				
Type of financial instrument	Valuation technique	Input variables	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Financial assets:				
Derivative assets	Binomial model, Discounted cash flow	Stock price	4,987~5,087won	A significant increase in stock price would result in a higher fair value
		Volatility	38.56~39.34%	A significant increase in volatility would result in a higher fair value
		Discount rate	-0.65~-0.17%	A significant increase in discount rate would result in a lower fair value
Available-for-sale financial assets	Discounted cash flow, Dividend discount model, Net asset method, etc.	Permanent growth rate	0%	A significant increase in growth rate would result in a higher fair value
		Discount rate	1.93~21.30%	A significant increase in discount rate would result in a lower fair value
		The volatility of liquidation value rate	0%	A significant increase in liquidation value rate would result in a higher fair value
Investments in associates and subsidiaries	Net asset method	The volatility of liquidation value rate	0%	A significant increase in liquidation value rate would result in a higher fair value

(In millions of won)

(8) A sensitivity analysis for value measurement arising from changes in the significant unobservable inputs as of December 31, 2021 and 2020 are as follows:

		2021			
		Profit or loss		Other comprehensive income	
		Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:					
Financial assets at fair value through profit or loss (*1)	₩	45	(121)	-	-
Derivative assets (*1)		1	(1)	-	-
Available-for-sale financial assets (*2)		-	-	119,895	(114,220)
Investments in associates and subsidiaries (*2)		-	-	627	(627)
Financial liabilities:					
Derivative liabilities (*1)		77,928	(62,485)	-	-

(*1) A change in fair value is calculated by increasing or decreasing stock price (-1%~1%), volatility (-1%~1%) and discount rate (-1%~1%).
(*2) A change in fair value is calculated by increasing or decreasing the correlation of permanent growth rate (-1%~1%), fluctuation rate of liquidation value (-1% ~1%) and discount rate (-1%~1%).

		2020			
		Profit or loss		Other comprehensive income	
		Favorable change	Unfavorable change	Favorable change	Unfavorable change
Derivative assets (*1)	₩	95,353	(75,640)	-	-
Available-for-sale financial assets (*2)		-	-	107,789	(100,005)
Derivative liabilities (*2)		-	-	996	(996)

(*1) A change in fair value is calculated by increasing or decreasing the correlation of permanent growth rate (0%~1%), discount rate (-1%~1%) and fluctuation rate of liquidation value (-1% ~1%).
(*2) A change in fair value is calculated by increasing or decreasing discount rate (-1%~1%).

(9) The fair value hierarchy of financial instruments which are not measured at fair value in the separate statement of financial position as of December 31, 2021 and 2020 are as follows:

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	633	1,638,077	-	1,638,710
Loan receivables		-	-	21,665,518	21,665,518
Other receivables Loan receivables		-	-	692,351	692,351
Held to maturity financial assets		2,885,415	1,591,291	-	4,476,706
	₩	2,886,048	3,229,368	22,357,869	28,473,285
Financial liabilities:					
Other financial liabilities	₩	-	-	597,044	597,044

		2020			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	₩	692	917,207	-	917,899
Loan receivables		-	-	20,798,027	20,798,027
Other receivables		-	-	695,761	695,761
	₩	692	917,207	21,493,788	22,411,687
Financial liabilities:					
Other financial liabilities	₩	-	-	547,558	547,558

(10) Offsetting financial assets and financial liabilities
Details of financial assets and financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements as of December 31, 2021 and 2020 are as follows:

		2021					
					Amount not offsetting in the statements of financial position		
		Financial assets and liabilities recognized	Offsetting financial assets and liabilities recognized	Financial assets and liabilities recognized after offset	Financial instruments	Cash collateral received	Net amounts
Financial assets:							
Derivative assets	₩	120,340	-	120,340	110,961	-	9,379
Financial liabilities:							
Derivative liabilities	₩	535,939	-	535,939	513,310	-	22,629

2020			
Financial assets and liabilities recognized	Offsetting financial assets and liabilities	Financial assets and liabilities recognized	Amount not offsetting in the statements of financial position

(In millions of won, except shares, par value per share and in thousands of USD)

		recognized	after offset	Financial instruments	Cash collateral received	Net amounts
Financial assets:						
Derivative assets	₩ 972,315	-	972,315	752,606	-	219,709
Financial liabilities:						
Derivative liabilities	₩ 153,209	-	153,209	138,898	-	14,311

15. Investment properties

(1) Investment properties as of December 31, 2021 and 2020 are as follows:

	2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 829,247	-	(5,886)	823,361
Buildings	517,555	(182,137)	(13,176)	322,242
Structures	11,569	(4,090)	(262)	7,217
	₩ 1,358,371	(186,227)	(19,324)	1,152,820

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 814,072	-	(5,877)	808,195
Buildings	498,795	(168,452)	(12,477)	317,866
Structures	11,434	(3,818)	(261)	7,355
	₩ 1,324,301	(172,270)	(18,615)	1,133,416

(2) Changes in investment properties for the years ended December 31, 2021 and 2020 are as follows:

	2021					
	Beginning balance	Acquisitions	Disposal	Depreciation	Others (*)	Ending balance
Land	₩ 808,195	-	-	-	15,166	823,361
Buildings	317,866	7,703	(1)	(9,995)	6,669	322,242
Structures	7,355	-	-	(227)	89	7,217
	₩ 1,133,416	7,703	(1)	(10,222)	21,924	1,152,820

	2020					
	Beginning balance	Acquisitions	Disposal	Depreciation	Others (*)	Ending balance
Land	₩ 834,657	-	(338)	-	(26,124)	808,195
Buildings	320,893	1,476	(198)	(9,543)	5,238	317,866
Structures	7,479	-	-	(220)	96	7,355
	₩ 1,163,029	1,476	(536)	(9,763)	(20,790)	1,133,416

(*) Others represent transfers from property and equipment.

(3) Gain on investment properties for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Rentals	₩ 88,829	88,309
Direct operating expenses for investment property:		
Generated rental income	32,858	28,761
Not generated rental income	5,908	3,179

(4) The fair value of investment properties as of December 31, 2021 and 2020 are W1,895,591 million and W1,667,337 million, respectively. The fair value is estimated by qualified and independent appraiser. The fair value of investment properties is classified as level 3.

Valuation techniques and inputs used in measuring investment properties as of December 31, 2021 are as follows:

Valuation technique	Input variables	Fair value measurement sensitivity to unobservable inputs
Cost approach, sales comparison, income approach	Discount rate, vacancy rate, operating expenses rate, etc.	An increase in discount rate, vacancy rate, operating expenses rate would result in a lower fair value

(5) Investment properties pledged as collaterals as of December 31, 2021 and 2020 are as follows:

		2021	2020	Purpose
Woori Bank Co., Ltd., etc.	Book value	₩ 54,660	74,218	Establishment of the right to collateral security
	Maximum credit amount	67,078	86,268	

(In millions of won, except shares, par value per share and in thousands of USD)

16. Property and equipment

(1) Property and equipment as of December 31, 2021 and 2020 are as follows:

		2021			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	548,910	-	(4,862)	544,048
Buildings		479,085	(163,331)	(32,273)	283,481
Structures		16,745	(6,787)	(262)	9,696
Vehicles		2,015	(1,565)	-	450
Equipment		88,243	(65,498)	-	22,745
Right-of-use assets (Real estates)		84,416	(37,655)	-	46,761
Right-of-use assets (Vehicles)		1,299	(254)	-	1,045
Others		12,619	(1,193)	(358)	11,068
	₩	1,233,332	(276,283)	(37,755)	919,294

		2020			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	564,048	-	(4,871)	559,177
Buildings		485,746	(158,111)	(32,945)	294,690
Structures		16,879	(6,504)	(262)	10,113
Vehicles		2,243	(1,833)	-	410
Equipment		81,505	(53,930)	-	27,575
Right-of-use assets (Real estates)		90,104	(32,619)	-	57,485
Right-of-use assets (Vehicles)		243	(179)	-	64
Others		12,624	(1,060)	(348)	11,216
	₩	1,253,392	(254,236)	(38,426)	960,730

(2) Changes in property and equipment for the years ended December 31, 2021 and 2020 are as follows:

		2021						
		Beginning balance	Acquisitions	Impairment	Disposals/ Cancellation	Depreciation	Others (*)	Ending balance
Land	₩	559,177	37	-	-		(15,166)	544,048
Buildings		294,690	4,379	(27)	-	(8,892)	(6,669)	283,481
Structures		10,113	-	-	-	(328)	(89)	9,696
Vehicles		410	413	-	(73)	(300)	-	450
Equipment		27,575	9,862	-	(174)	(14,618)	100	22,745
Right-of-use assets (Real estates)		57,485	51,973	-	(19,760)	(42,937)	-	46,761
Right-of-use assets (Vehicles)		64	1,217	-	(15)	(221)	-	1,045
Others		11,216	-	(10)	(6)	(132)	-	11,068
	₩	960,730	67,881	(37)	(20,028)	(67,428)	(21,824)	919,294

		2020						
		Beginning balance	Acquisitions	Impairment	Disposals/ Cancellation	Depreciation	Others (*)	Ending balance
Land	₩	533,180	55	(182)	-	-	26,124	559,177
Buildings		305,521	4,274	(687)	-	(9,180)	(5,238)	294,690
Structures		10,545	-	-	-	(336)	(96)	10,113
Vehicles		568	124	-	(24)	(258)	-	410
Equipment		28,094	13,813	-	(264)	(15,993)	1,925	27,575

(In millions of won, except shares, par value per share and in thousands of USD)

Right-of-use assets (Real estates)		61,074	59,282	-	(20,703)	(42,168)	-	57,485
Right-of-use assets (Vehicles)		154	-	-	-	(90)	-	64
Others		11,392	10	(21)	(32)	(133)	-	11,216
	₩	950,528	77,558	(890)	(21,023)	(68,158)	22,715	960,730

(*) Others include transfers to or from investment properties, advanced payments and others.

(3) The changes in asset revaluation of land accounted in other comprehensive income and policyholder's equity adjustments and deferred tax liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Revaluation reserves	₩	840,706	840,707
Amount allocated into policyholder's equity adjustment		120,619	126,504
Deferred tax liabilities		198,024	184,327
Amount allocated into other comprehensive income		522,063	529,876

(4) Reserve for revaluation as of December 31, 2021 is as follows:

Revaluation date		Amount
January 1, 1981	₩	165
April 1, 1989		300
April 1, 1999		23,900
		24,365
Deferred tax effect		(19,863)
	₩	4,502

As of April 1, 1999, a certain portion of the Company's property and equipment was revalued in accordance with the *Korean Asset Revaluation Law*. As a result, the revaluation difference amounting to ₩478,550 million was classified as asset revaluation reserve. Out of this amount increment, ₩47,800 million, excluding participating policyholder's equity amounting to ₩430,750 million, was calculated as asset revaluation reserve. The asset revaluation reserve amounting to ₩23,900 million was transferred to capital stock during the year ended December 31, 2002. Out of ₩430,750 million, the amount of ₩64,000 million was transferred to the reserve for special participating policyholders' dividends and was paid during the year ended December 31, 2002, while the amount of ₩63,750 million was transferred to reserve for social contributions in policyholders' equity. The amount of ₩126,438 million, out of the remainder amounting to ₩303,000 million, was used for dividends to policyholders for the year ended December 31, 2001, while the amount of ₩176,562 million was transferred to reserve for participating policyholder's dividends for stabilization.

The amount of ₩65,923 million from the Company's reserve for revaluation incurred on April 1, 1989 was reserved for participating policyholder's dividends for stabilization for the year ended December 31, 2021. The amount of ₩164,481 million, a part of reserve for participating policyholder's dividends for stabilization, was used for dividends to policyholders. The reserve for participating policyholder's dividends for stabilization amounts to ₩78,004 million as of December 31, 2021.

17. Intangible assets

(1) Intangible assets as of December 31, 2021 and 2020 are as follows:

		2021		
		Acquisition cost	Accumulated amortization	Book value
Software	₩	85,169	(50,374)	34,795
Development costs(*1)		223,911	(98,876)	125,035
Memberships		6,927	-	6,927
	₩	316,007	(149,250)	166,757

(*1) Amounts of ₩ 88,310 million of development costs related to the new generation system are included as of December 31, 2021, and the remaining useful life of the development cost is 2.75 years.

		2020		
		Acquisition cost	Accumulated amortization	Book value
Software	₩	81,797	(37,742)	44,055
Development costs(*1)		213,057	(55,446)	157,611
Memberships		7,036	-	7,036
	₩	301,890	(93,188)	208,702

(*1) Development costs of ₩118,631 million related to the new generation system are included as of December 31, 2020, and the remaining useful life of the development cost is 3.75 years.

(2) Changes in Intangible assets for the years ended December 31, 2021 and 2020 are as follows:

		2021					
		Beginning Balance	Acquisitions	Disposals	Amortization	Others (*1)	Ending balance
Software	₩	44,055	3,263	(10)	(12,673)	160	34,795
Development costs		157,611	287	-	(43,431)	10,568	125,035
Memberships		7,036	-	(109)	-	-	6,927
	₩	208,702	3,550	(119)	(56,104)	10,728	166,757

(*1) Others represent transfers to Development costs from intangible assets under development.

2020

(In millions of won, except shares, par value per share and in thousands of USD)

		Beginning Balance	Acquisitions	Disposals	Amortization	Others (*1)	Ending balance
Software	₩	46,652	4,625	-	(11,850)	4,628	44,055
Development costs		172,150	355	-	(39,969)	25,075	157,611
Memberships		7,405	-	(369)	-	-	7,036
	₩	226,207	4,980	(369)	(51,819)	29,703	208,702

(*1) Others represent transfers to Development costs from intangible assets under development.

18. Deferred acquisition costs

Changes in deferred acquisition costs for the years ended December 31, 2021 and 2020 are as follows:

		2021					
			Acquisition costs				
		Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩	1,138,926	741,589	(256,870)	484,719	(517,337)	1,106,308
Group insurance		44,210	26,057	(5,331)	20,726	(19,792)	45,144
	₩	1,183,136	767,646	(262,201)	505,445	(537,129)	1,151,452

		2020					
			Acquisition costs				
		Beginning balance	Total generated acquisition cost	Immediately expensed amount	Deferred amount	Amortization of deferred acquisition costs	Ending balance
Individual insurance	₩	1,226,194	859,253	(322,382)	536,871	(624,139)	1,138,926
Group insurance		40,688	28,835	(5,691)	23,144	(19,622)	44,210
	₩	1,266,882	888,088	(328,073)	560,015	(643,761)	1,183,136

19. Other assets

Other assets as of December 31, 2021 and 2020 are as follows:

		2021	2020
Reinsurance assets	₩	31,513	25,227
Prepaid expense		1,767	1,807
Advanced payments		18,816	7,808
Others		47	1,944
	₩	52,143	36,786

20. Liabilities under insurance contracts

(1) Details of liabilities under insurance contracts as of December 31, 2021 and 2020 are as follows:

		2021				
		Pure endowment	Death	Endowment	Group	Total
Premium reserve	₩	28,940,960	38,599,242	7,139,638	256,453	74,936,293
Unearned premium reserve		36	650	1	6,653	7,340
Reserve for outstanding claims		1,073,570	808,187	77,146	33,069	1,991,972
Reserve for participating policyholder's dividend		447,082	2,829	2,488	54	452,453
	₩	30,461,648	39,410,908	7,219,273	296,229	77,388,058
Guarantee reserve						1,122,177
Dividends reserve for policyholder's income participation						72,355
Reserve for losses on dividend insurance contract						67,907

(In millions of won, except shares, par value per share and in thousands of USD)

W	78,650,497

		2020					
		Pure endowment	Death	Endowment	Group	Others(*1)	Total
Premium reserve	₩	28,424,267	36,756,136	6,159,386	245,062	1,096,736	72,681,587
Unearned premium reserve		69	920	2	7,261	-	8,252
Reserve for outstanding claims		1,014,154	839,144	57,260	36,472	-	1,947,030
Reserve for participating policyholder's dividend		445,912	3,158	2,595	58	-	451,723
	₩	29,884,402	37,599,358	6,219,243	288,853	1,096,736	75,088,592
Guarantee reserve							1,076,010
Dividends reserve for policyholder's income participation							56,830
Reserve for losses on dividend insurance contract							71,335
						₩	76,292,767

(*1) Additional reserves of liability adequacy test were classified as others.

(2) Changes in liabilities under insurance contracts for the years ended December 31, 2021 and 2020 are as follows:

		2021		
		Beginning balance	Increase(decrease)	Ending balance
Premium reserve	₩	72,681,587	2,254,706	74,936,293
Unearned premium reserve		8,252	(912)	7,340
Reserve for outstanding claims		1,947,030	44,942	1,991,972
Reserve for participating policyholder's dividend		451,723	730	452,453
Guarantee reserve		1,076,010	46,167	1,122,177
Dividends reserve for policyholder's income participation		56,830	15,525	72,355
Reserve for losses on dividend insurance contract		71,335	(3,428)	67,907
	₩	76,292,767	2,357,730	78,650,497

		2020		
		Beginning balance	Increase(decrease)	Ending balance
Premium reserve	₩	69,404,130	3,277,457	72,681,587
Unearned premium reserve		6,855	1,397	8,252
Reserve for outstanding claims		1,885,264	61,766	1,947,030
Reserve for participating policyholder's dividend		450,637	1,086	451,723
Guarantee reserve		911,331	164,679	1,076,010
Dividends reserve for policyholder's income participation		35,063	21,767	56,830
Reserve for losses on dividend insurance contract		67,261	4,074	71,335
	₩	72,760,541	3,532,226	76,292,767

(In millions of won, except shares, par value per share and in thousands of USD)

21. Policyholder's equity adjustments

Policyholder's equity adjustments December 31, 2021 and 2020 are as follows:

		2021	2020
Reserve for policyholder dividend stabilization	₩	78,004	80,803
Fund for public projects		99,466	99,466
Gain on valuation of available-for-sale financial assets		401,267	1,132,276
Gain on valuation of investment in associates and subsidiaries		62	1,622
Gain on revaluation of property and equipment		120,619	126,504
	₩	699,418	1,440,671

22. Liability adequacy tests (LAT)

(1) Application of LAT

Liability Adequacy Tests were performed on the premium reserve, reserve for unearned premium and guarantee reserve as of December 31, 2021. The premium reserve considered the amount of net premium reserve less deferred acquisition costs, where appropriate, in accordance with Article 6-3 of Regulation on Supervision of Insurance Business Act. However, the liabilities using the current estimation and the liabilities for defined payment obligations are exempted from evaluation.

(2) Calculation of LAT

In conducting Liability Adequacy Tests, the Company calculates a valuation basis by estimating all future cash flows that may arise from insurance contracts currently held, and if the value exceeds the book value of a reserve appropriated for the Liability Adequacy Tests, the Company recognizes the difference as an additional amount in the reserve.

(3) The assumptions and calculation methods

The assumptions and calculation methods used in the calculation of current estimates for future cash flows in the Liability Adequacy Tests as of December 31, 2021, December 31, 2020 and January 1, 2020 are as follows:

	December 31, 2021	December 31, 2020	January 1, 2020
Discount rate (*1)	1.02%~10.12%	0.85% ~ 7.17%	1.87%~5.78%
Risk premium rate (*2)	19.5% ~ 247%	25% ~ 232.5%	12%~272.5%
Surrender ratio (*3)	0.5% ~ 63.5%	0.5% ~ 70%	1.5%~41%

(*1) Scenario presented by Financial Supervisory Service

(*2) Ratio of premium paid to risk premium based on past statistics of recent 5 years or more by product type, channel type, time of sale and lapse of time.

(*3) The surrender ratio was calculated by the ratio of surrender premium to overdue premium by product type, channel type, payment method, payment status and lapse of time based on the past empirical statistics of recent 5 years or more.

Acquisition costs of the operating and administrative expenses are calculated by applying ratio of actual acquisition cost to planned acquisition cost based on past statistics of recent 1 year by product type. Maintenance fee is based on past statistics of recent 1 year by insurance and insurance contracts.

(4) Result of LAT

The result of LAT as of December 31, 2021 and 2020 and January 1, 2020 are as follows:

		December 31, 2021		
		Reserve for test	LAT base	Premium surplus (deficit)
Participating:				
Interest rate-fixed	₩	11,213,809	19,934,029	(8,720,220)
Interest rate-linked		5,852,418	5,741,354	111,064
Non- participating:				
Interest rate-fixed		16,153,079	16,520,899	(367,820)
Interest rate-linked and investment-linked		34,926,825	20,796,775	14,130,050
	₩	68,146,131	62,993,057	5,153,074

		December 31, 2020		
		Reserve for test	LAT base	Premium surplus (deficit)
Participating (*):				
Interest rate-fixed	₩	11,143,268	20,945,969	(9,802,701)
Interest rate-linked		5,888,398	5,824,107	64,291
Non- participating (*):				
Interest rate-fixed		15,895,818	17,579,098	(1,683,280)
Interest rate-linked and investment-linked		31,998,477	20,241,368	11,757,109
	₩	64,925,961	64,590,542	335,419

(*) The results have been recalculated in accordance with revised assumption due to revision of the Regulation on Supervision of Insurance Business.

		January 1, 2020		
		Reserve for test	LAT base	Premium surplus (deficit)
Participating (*):				
Interest rate-fixed	₩	11,003,118	20,970,584	(9,967,466)
Interest rate-linked		5,778,145	5,654,807	123,338
Non- participating (*):				
Interest rate-fixed		15,581,995	17,798,755	(2,216,760)

(In millions of won, except shares, par value per share and in thousands of USD)

Interest rate-linked and investment-linked		28,263,645	17,299,491	10,964,154
	₩	60,626,903	61,723,637	(1,096,734)

(*) The results have been recalculated in accordance with revised assumption due to revision of the Regulation on Supervision of Insurance Business.

23. Other financial liabilities

(1) Other financial liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Insurance payables:			
Dormant policies	₩	33,534	35,014
Insurance settlement adjustments		7,458	6,351
Reinsurance payables		59,957	55,028
		100,949	96,393
Accounts payable		41,302	95,070
Accrued expenses		293,720	180,911
Leasehold deposits received		106,238	119,188
Less: Present value discount		(6,571)	(5,382)
Trust accounts liabilities		20,603	11,353
Lease liabilities (*)		40,447	49,274
	₩	596,688	546,807

(*) Lease liabilities are recognized and measured in accordance with KIFRS 1116 Leases.

(2) Losses relating to lease for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Short-term lease (*)	₩	1,229	624
Lease of low-value asset expenses (*)		36	41
Interest expense on the lease liability		761	1,031
	₩	2,026	1,696

(*) The Company recognized lease payments as an expense on a straight-line basis over the lease term.

(3) Details of Lease liabilities by maturity according to remaining lease terms as of December 31, 2021 and 2020 are as follows:

		2021	
		Less than 1 year	1 ~ 5 years
Real estates	₩	22,221	17,987
Vehicles		429	645
	₩	22,650	18,632

		2020	
		Less than 1 year	1 ~ 5 years
Real estates	₩	28,135	22,397
Vehicles		39	21
	₩	28,174	22,418

(4) Details of lease payments related to lease liabilities amounted to ₩36,565 million and ₩35,988 million for the year ended December 31, 2021 and 2020, respectively.

24. Provisions

(1) Changes in provisions for the years ended December 31, 2021 and 2020 are as follows:

		2021		
		Provision for restoration cost	Litigation	Total
Beginning balance	₩	10,644	534	11,178
Charge for the period		11,260	-	11,260
Utilized		(1,196)	-	(1,196)
Provision (reversal), net		(10,474)	(193)	(10,667)
Ending balance	₩	10,234	341	10,575

(In millions of won, except shares, par value per share and in thousands of USD)

		2020			
		Provision for restoration costs	Litigation	Others (*)	Total
Beginning balance	₩	11,787	849	800	13,436
Increase		16,370	-	-	16,370
Utilized		(3,303)	-	-	(3,303)
Provision (reversal), net		(14,210)	(315)	(800)	(15,325)
Ending balance	₩	10,644	534	-	11,178

(*) Others include premium refund estimation, related to the risk insurance premium of prenatal insurance.

(2) The nature of the provisions and the timing of the expected outflow of economic benefits are as follows:

		2021			
		Less than 1 year	1 ~ 3 years	3 ~ 5 years	Total
Provision for restoration costs	₩	5,498	3,324	1,412	10,234
Litigation		341	-	-	341
	₩	5,839	3,324	1,412	10,575

25. Defined benefit liabilities

(1) The Company operates a defined benefit plan based on compensation of pension for the employees and the period of services rendered. The Company has trusted the plan assets of defined benefit obligations at Kookmin Banks and others.
Defined benefit plan liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Present value of defined benefit obligations	₩	203,479	227,584
Fair value of plan assets		(203,909)	(200,836)
Defined benefit liabilities	₩	(430)	26,748

(2) Changes in the present value of defined benefit obligations for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balances	₩	227,584	223,167
Current service costs		44,541	40,366
Interest expenses		3,402	4,706
Remeasurements:		(13,894)	(15,015)
Actual gain from change in financial assumptions		(12,174)	5,157
Effect of changes in demographic assumptions		-	(10,756)
Experience adjustments		(1,720)	(9,416)
Benefits paid by the plan		(58,154)	(25,640)
Ending balances	₩	203,479	227,584

(3) Changes in the fair value of plan assets for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Beginning balances	₩	200,836	175,206
Interest income		2,974	3,650
Remeasurements		19	(534)
Benefit paid by the company		25,000	40,000
Benefit paid by the plan		(24,920)	(17,486)
Ending balances	₩	203,909	200,836

(In millions of won, except shares, par value per share and in thousands of USD)

25. Defined benefit liabilities, continued

(4) Plan assets as of December 31, 2021 and 2020 are as follows:

		2021		2020	
		Amount	Ratio (%)	Amount	Ratio (%)
Cash and cash equivalent (*)	₩	203,879	99.99%	200,813	99.99%
Debt securities		29	0.01%	16	0.01%
Beneficiary certificates		1	0.00	7	0.00
	₩	203,909	100.00%	200,836	100.00%

(*) Cash and cash equivalents include products that guarantee the principal, such as bank deposits, equity-linked, interest rate-linked, and guaranteed interest contract.

(5) Actuarial assumptions as of December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate (*)	2.40%	1.60%
Future salary increasing rate	1.30% +advancement rate	1.50% +advancement rate

(*) Considering the timing of the payments of retirement benefits, the Company applied a rate of return of unsecured debenture bonds with a rating of AA+.

(6) Sensitivity analysis

Sensitivity analysis of the present value of defined benefit obligation as of December 31, 2021 is as follows:

		2021	
		1% Point increase	1% Point decrease
Discount rate	₩	(10,870)	12,110
Future salary increasing rate		12,425	(11,364)

(7) The weighted average maturity of the defined benefit obligation is 5.42 years as of December 31, 2021.

(8) Defined benefit assets as of December 31, 2021 are included in other liabilities.

26. Other liabilities

Other liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Unearned income	₩	9,355	7,491
Withholdings		33,757	36,603
Value added tax withheld		1,697	1,615
Unearned insurance premium		538,062	404,763
Other liabilities(*1)		18,569	-
	₩	601,440	450,472

(*1) Include the amount that is expected to be paid to the policyholders of immediate pension products.

27. Derivatives

(1) The notional amounts of derivatives as of December 31, 2021 and 2020 are as follows:

		2021	2020
Hedge related:			
Currency related:			
Currency forwards	₩	4,437,936	4,106,000
Currency swaps		10,804,662	11,700,761
		15,242,598	15,806,761
Interest rate related:			
Interest rate swaps		12,588	13,167
Interest rate option		2,282,081	-
		2,294,669	13,167
Equity related:			
Stock index futures		202,053	-
Overseas index futures		7,772	-
		209,825	-
	₩	17,747,092	15,819,928
Non-hedge related:			
Currency related:			
Currency forwards		2,999,124	3,221,540
Currency swaps		3,357,784	2,393,805
		6,356,908	5,615,345

(In millions of won, except shares, par value per share and in thousands of USD)

Equity related:			
Conversion rights		866	866
Stock index futures		387,646	378,679
		388,512	379,545
Credit related:			
Credit default swaps		118,550	108,800
Interest rate related			
Interest rate futures		731,671	752,379
Interest rate swap		4,161,500	3,331,500
		4,893,171	4,083,879
		11,757,141	10,187,569
	₩	29,504,233	26,007,497

(2) Fair values of derivative instruments for hedging as of December 31, 2021 and 2020 are as follows:

		2021		2020	
		Assets	Liabilities	Assets	Liabilities
Hedge related:					
Currency related:					
Currency forwards	₩	27,561	60,945	150,799	20,449
Currency swaps		51,551	284,677	646,213	73,785
		79,112	345,622	797,012	94,234
Interest rate related:					
Interest rate swaps		38	-	464	-
Interest rate option		6,160	77,810	-	-
		6,198	77,810	464	-
		85,310	423,432	797,476	94,234
Non-hedge related:					
Currency related:					
Currency forwards		5,294	31,808	67,390	25,382
Currency swaps		26,326	80,493	103,329	31,089
		31,620	112,301	170,719	56,471
Equity related:					
Conversion rights		1,083	-	971	-
Credit related:					
Credit default swaps		2,327	-	3,149	-
		35,030	112,301	174,839	56,471
Adjustment of credit risk		-	206	-	2,504
	₩	120,340	535,939	972,315	153,209

(3) Gain or loss on valuation of derivatives for the years ended December 31, 2021 and 2020 are as follows:

		2021			
		Profit or loss		Accumulated other comprehensive income(*)	
		Gain	Loss	Gain	Loss
Hedge related:					
Currency related:					
Currency forwards	₩	19,272	102,616	3,237	13,879
Currency swaps		6,573	772,117	22,287	140,820
		25,845	874,733	25,524	154,699
Interest rate related:					
Interest rate swaps		-	-	37	-
Interest rate forwards		4,338	57,122	1,822	20,688
		4,338	57,122	1,859	20,688
		30,183	931,855	27,383	175,387
Non-hedge related:					
Currency related:					

(In millions of won, except shares, par value per share and in thousands of USD)

Currency forwards		22,626	41,652	-	-
Currency swaps		21,952	147,342	-	-
		44,578	188,994	-	-
Equity related:					
Conversion rights		111	-	-	-
Credit related:					
Credit default swaps		1	822	-	-
		44,690	189,816	-	-
Adjustment of credit risk		2,299	1	-	-
	₩	77,172	1,121,672	27,383	175,387

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect.

(3) Gain or loss on valuation of derivatives for the years ended December 31, 2021 and 2020 are as follows, continued:

		2020			
		Profit or loss		Accumulated other comprehensive income(*)	
		Gain	Loss	Gain	Loss
Hedge related:					
Currency related:					
Currency forwards	₩	137,870	19,922	1,010	9,367
Currency swaps		702,739	66,753	13,266	203,485
		840,609	86,675	14,276	212,852
Interest rate related:					
Interest rate swaps		-	-	464	-
		840,609	86,675	14,740	212,852
Non-hedge related:					
Currency related:					
Currency forwards		63,377	25,347	-	-
Currency swaps		99,618	36,502	-	-
		162,995	61,849	-	-
Equity related:					
Conversion rights		75	-	-	-
Credit related:					
Credit default swaps		-	951	-	-
		163,070	62,800	-	-
Adjustment of credit risk		2	2,340	-	-
	₩	1,003,681	151,815	14,740	212,852

(*) Accumulated other comprehensive income from cash flow hedge before adjustment for income tax effect.

(4) Gain or loss on hedging instruments and hedged items that apply fair value hedges for the years ended December 31, 2021 and 2020 are as follows:

		2021		2020	
		Gain	Loss	Gain	Loss
Hedged items	₩	201,909	(22,130)	77,671	(133,222)
Hedging instruments		60,616	(245,418)	188,831	(140,752)

(5) Cash flow hedges
Due to various reasons (i.e. currency swap contracts for cash flow hedges have reached maturity), the effective portion of hedges for the years ended December 31, 2021 and 2020 realized as gain on valuation of derivative instruments amounted to ₩8,670 million and ₩5,344 million, respectively, and loss on valuation of derivative instruments amounted to ₩29,076 million and ₩9,433 million, respectively. Meanwhile, the ineffective portion of cash flow hedges recognized as gain or loss for the current reporting period amounted to ₩2 million of gain and ₩1 million of loss, respectively.
In case the transactions subjected to cash flow hedge are not expected to incur anymore, accumulated gain or loss is immediately recognized in the statement of comprehensive income. The maximum expected period during which the Company's cash flows are exposed to fluctuation risk is through September 13, 2029 based on derivative instrument contracts to which cash flow hedges are applied.

28. Separate accounts

(1) Assets and liabilities of separate accounts as of December 31, 2021 and December 31, 2020 are as follows:

		December 31, 2021		December 31, 2020	
		Assets	Liabilities	Assets	Liabilities
Insurance contract and investment contract with discretionary participating features:					
Retirement insurance	₩	85,981	85,981	90,119	90,119
Variable life insurance		16,640,985	16,640,985	17,089,883	17,089,883
		16,726,966	16,726,966	17,180,002	17,180,002

(In millions of won, except shares, par value per share and in thousands of USD)

Investments contract with no discretionary participating features:					
Retirement insurance		1,653	1,653	1,778	1,773
Retirement pension		9,509,461	9,530,002	7,019,603	6,944,896
		9,511,114	9,531,655	7,021,381	6,946,669
Separate accounts receivable		-	(29,712)	-	(27,452)
Separate accounts payable		(875,855)	-	(642,517)	-
	₩	25,362,225	26,228,909	23,558,866	24,099,219

(1) The statement of financial position of the separate accounts as of December 31, 2021 and December 31, 2020 are as follows:
(a) Insurance contract and investments contract with discretionary participation feature

		December 31, 2021	December 31, 2020
Assets:			
Cash and due from banks	₩	335,682	218,073
Financial assets held for trading		15,289,313	15,893,357
Loan receivables		717,763	702,818
Other assets		311,698	272,782
General account credits		72,510	92,972
Total assets	₩	16,726,966	17,180,002
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	137,372	54,809
General account debits		12,182	18,797
Total liabilities		149,554	73,606
Reserve for policy holders		16,577,412	17,106,396
Total reserve and accumulated other comprehensive income		16,577,412	17,106,396
Total liabilities, reserve and accumulated other comprehensive income	₩	16,726,966	17,180,002

(b) Investments contract with no discretionary participation feature

		December 31, 2021	December 31, 2020
Assets:			
Cash and due from banks	₩	900,039	930,966
Financial assets held for trading		767,164	647,794
Available-for-sale financial assets		5,503,818	3,812,606
Loan receivables		1,490,524	1,040,779
Other assets		45,924	39,691
General account credits		803,345	549,545
Total assets	₩	9,511,114	7,021,381
Liabilities, reserve and accumulated other comprehensive income:			
Other liabilities	₩	31,989	7,804
General account debits		17,530	8,655
Total liabilities		49,519	16,459
Reserve for policy holders		9,482,136	6,930,210
Accumulated other comprehensive income		(20,541)	74,712
Total reserve and accumulated other comprehensive income		9,461,595	7,004,922
Total liabilities, reserve and accumulated other comprehensive income	₩	9,511,114	7,021,381

(3) The statement of income of the separate accounts for the years ended December 31, 2021 and 2020 are as follows:
(a) Insurance contract and investments contract with discretionary participating feature

2021	2020

(In millions of won, except shares, par value per share and in thousands of USD)

		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Premium income	₩	-	1,952,187	-	2,196,208
Interest income		948	115,990	897	123,477
Dividend income		6	100,504	616	91,487
Gain on securities		493	810,985	412	2,263,885
Gain on foreign currency transaction		-	7,386	-	1,724
Gain on transaction of derivatives		-	370,582	-	514,387
Other income		764	30,614	244	38,913
	₩	2,211	3,388,248	2,169	5,230,081
Expenses:					
Increase (decrease) in policy reserves	₩	(3,974)	(332,948)	(4,775)	1,653,217
Insurance claims paid		5,092	1,913,564	5,889	1,901,870
Minimum guarantee fee		-	102,769	-	95,350
Separate account commission		521	609,065	548	647,389
Commission fee		-	41,543	-	37,008
(Reversal of) provision for loss on loan receivables		(18)	12	23	(8)
Loss on securities		590	671,149	484	431,260
Loss on foreign currency transaction		-	1,770	-	3,083
Loss on transaction of derivatives		-	381,088	-	456,656
Other expenses		-	236	-	4,256
	₩	2,211	3,388,248	2,169	5,230,081

(3) The statement of income of the separate accounts for the years ended December 31, 2021 and 2020 are as follows, continued:
(b) Investments contract with no discretionary participating feature

		2021		2020	
		Guaranteed interest contracts	Investment linked contracts	Guaranteed interest contracts	Investment linked contracts
Revenues:					
Interest income	₩	131,637	429	95,919	459
Dividend income		11,081	774	7,582	619
Gain on securities		41,736	18,851	31,837	39,063
Gain on foreign currency transaction		1,063	2,546	195	1,173
Gain on transaction of derivatives		6,481	851	11,704	4,715
Other income		24,034	1,664	2,725	7
	₩	216,032	25,115	149,962	46,036
Expenses:					
Interest expense on withholdings	₩	114,131	16,312	95,056	32,466
Separate account commission		36,337	1,126	26,006	1,988
Commission fee		24	531	29	413
(Reversal of) provision for loan losses		(2,033)	-	3,732	-
Loss on securities		41,200	4,158	10,210	5,012
Loss on foreign currency transaction		365	463	2,005	948
Loss on transaction of derivatives		22,478	2,525	1,918	3,393
Other expenses		3,530	-	11,006	1,816
	₩	216,032	25,115	149,962	46,036

(4) In accordance with the regulations under *Trust Business Act*, the Company separately accounts for the trust assets from the existing assets and recognizes trust commission fee as operating revenue when receiving trust commission fee. As of December 31, 2021, the total amount of the trust funds under contract with the Company amounts to ₩523,336 million.

29. Equity

(1) Equity as of December 31, 2021 and December 31, 2020 are as follows:

		December 31, 2021	December 31, 2020
Capital Stock:			
Common stock	₩	102,500	102,500
Hybrid bonds:			
Hybrid bonds		1,020,054	551,438
Capital surplus:			
Share premium		359,937	359,937
Asset revaluation surplus		4,502	4,502
Others		1,497	1,497
		365,936	365,936

(In millions of won, except shares, par value per share and in thousands of USD)

Capital adjustments:			
Negative equity changes in equity method adjustments		(8,995)	(8,995)
Accumulated other comprehensive income, net of tax:			
Gain on valuation of available-for-sale financial assets		1,420,263	3,187,826
Loss on valuation of cash flow hedge derivatives		(107,303)	(143,632)
Gain on valuation of investment of associates and subsidiaries		256	6,315
Other comprehensive income of separate account		(14,891)	54,167
Gain on revaluation of property and equipment		522,063	529,876
Remeasurement gain related to defined benefit plan		24,440	14,353
		1,844,828	3,648,905
Retained earnings:			
Legal reserve		51,250	51,250
Regulatory reserve for loan loss		119,260	139,140
Retained earnings		7,526,125	6,143,987
Voluntary reserve		3,000	3,000
		7,699,635	6,337,377
	₩	11,023,958	10,997,162

(2) Capital stock

Capital stock as of December 31, 2021 and December 31, 2020 are as follows:

		December 31, 2021	December 31, 2020
Number of authorized shares		300,000,000 shares	300,000,000 shares
Par value per share in won	₩	1,000	1,000
Number of common stocks issued and outstanding		102,500,000 shares	102,500,000 shares
Capital stock in won	₩	102,500	102,500

(3) Hybrid bonds

Hybrid bonds as of December 31, 2021 and 2020 are as follows:

2021

	Issue date	Maturity date	Interest rate (%)		Issued amount		Amount of KRW equivalent
Overseas hybrid bonds (*1)	July 24, 2017	July 24, 2047	3.95	$	500,000	₩	557,000
Issuance costs (underwriting fees and other direct issuance costs)							(5,562)
						₩	551,438
Domestic hybrid bonds (*2)	September 10, 2021	September 10, 2051	3.72	₩	470,000	₩	470,000
Issuance costs (underwriting fees and other direct issuance costs)							(1,384)
						₩	468,616
						₩	1,020,054

(*1) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and interest rate can be adjusted only once after 10 years from the date of issuance. Upon maturity date, the Company has the right to extend the maturity under the same condition.

(*2) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and base interest rate and spreads can be adjusted only once after 5 or 10 years from the date of issuance. Upon maturity date, the Company has the right to extend the maturity under the same condition.

2020

	Issue date	Maturity date	Interest rate (%)		Issued amount		Amount of KRW equivalent
Overseas hybrid bonds (*1)	July 24, 2017	July 24, 2047	3.95	$	500,000	₩	557,000
Issuance costs (underwriting fees and other direct issuance costs)							(5,562)
						₩	551,438

(*1) Hybrid bonds above can be redeemed early after 5 years from the date of issuance and interest rate can be adjusted only once after 10 years from the date of issuance. Upon maturity date, the Company has the right to extend the maturity under the same condition.

(In millions of won)

(4) Accumulated other comprehensive income

Changes in accumulated other comprehensive income for the years ended December 31, 2021 and 2020 are as follows:

		2021						
		Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain (loss) on valuation of investments in associates and subsidiaries	Other comprehensive income (loss) of separate account	Gain (loss) on revaluation of property and equipment	Remeasurement gain (loss) related to defined benefit liabilities	Total
Beginning balance	₩	3,187,826	(143,632)	6,315	54,167	529,876	14,353	3,648,905
Fair value evaluation		(593,546)	172,489	(940)	(44,457)	-	13,914	(452,540)
Realization of income		(2,575,483)	(122,380)	(8,977)	(50,795)	-	-	(2,757,635)
Policyholder's equity adjustment (*)		731,009	-	1,560	-	5,885	-	738,454
Deferred income tax effects		670,457	(13,780)	2,298	26,194	(13,698)	(3,827)	667,644
Ending balance	₩	1,420,263	(107,303)	256	(14,891)	522,063	24,440	1,844,828

(*) Represents the amount of other comprehensive income allocated to policyholder's equity adjustment in the reporting period.

Changes in accumulated other comprehensive income for the years ended December 31, 2021 and 2020 are as follows, continued:

		2020						
		Gain (loss) on valuation of available-for-sale financial assets	Gain (loss) on valuation of derivatives	Gain (loss) on valuation of investments in associates and subsidiaries	Other comprehensive income (loss) of separate account	Gain on revaluation of property and equipment	Remeasurement gain (loss) related to defined benefit liabilities	Total
Beginning balance	₩	2,883,321	3,110	8,292	25,602	526,418	3,854	3,450,597
Fair value evaluation		1,328,260	(107,294)	(3,298)	53,130	-	14,481	1,285,279
Realization of income		(857,196)	(95,108)	(26)	(13,730)	-	-	(966,060)
Policyholder's equity adjustment(*)		(51,058)	-	597	-	4,433	-	(46,028)
Deferred income tax effects		(115,501)	55,660	750	(10,835)	(975)	(3,982)	(74,883)
Ending balance	₩	3,187,826	(143,632)	6,315	54,167	529,876	14,353	3,648,905

(*) Allocation to policyholder's equity adjustment in the reporting period.

(In millions of won)

(5) Retained earnings

(a) Legal reserve

Legal reserve is restricted for the dividend to stockholders by law or legislation. According to article 458 of the Commercial Act, the Company is required to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of capital stock. The legal reserve may not be allocated in cash and may be used to reduce a deficit or may be transferred to capital based on the decision of board of directors.

(b) Dividend

ⅰ) Details of dividends recognized as distributions to common stockholders for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Number of shares	₩	102,500,000	102,500,000
Par value per share in Korean won in unit		1,000	1,000
Dividend rate per share		150%	100%
Dividend per share in Korean won in unit		1,500	1,000

ⅱ) Dividend payout ratio for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Dividend per share in Korean won in unit	₩	153,750	102,500
Profit for the year		396,443	382,865
Dividend rate per share		38.78%	26.77%

(c) Appropriation of retained earnings

Separate statements of appropriation of retained earnings for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Unappropriated retained earnings:			
Balance at beginning of year	₩	6,061,367	6,880,593
Net income		396,443	382,865
Dividends to hybrid bonds		(28,421)	(22,735)
Effect of changes in accounting policies		1,096,736	(1,096,736)
		7,526,125	6,143,987
Appropriation of retained earnings:			
Regulatory reserve for loss on loan receivables		41,220	(19,880)
Dividends		153,750	102,500
Dividends in cash			
Dividend amount per share (rate):			
December 31, 2021: 1,500 won (150%)			
December 31, 2020: 1,000 won (100%)			
Regulatory reserve for financial soundness		1,096,736	-
Unappropriated retained earnings to be carried over to subsequent year	₩	6,234,419	6,061,367

(d) Regulatory reserve for loan losses

When allowances for loan losses based on KIFRS for the assets subject to classification by asset soundness (such as loans, insurance receivables, receivables, accrued revenue, suspense payments, bills receivables, etc.) in accordance with Regulations on Supervision of Insurance Business are less than the total of the reserves required by the Article 7-4 of Regulations on Supervision of Insurance Business, the difference is reserved as regulatory reserve for loan losses. The limit on regulatory reserve for loan losses is the amount subtracting reserves required by the Insurance Business Act and other laws from retained earnings.

The regulatory reserve for loan losses is, in nature, an arbitrary reserve for retained earnings. When there is unappropriated deficits, regulatory reserve for loan losses are reserved after the deficits are appropriated. When the amount previously reserved for regulatory reserve for loan losses exceeds the amount of regulatory reserve for loan losses to be reserved as of the closing date, the reversal of the excess amount is allowed.

ⅰ) Regulatory reserve for loan losses as of December 31, 2021 and December 31, 2020 are as follows:

		December 31, 2021	December 31, 2020
Regulatory reserve for loan losses accumulated	₩	119,260	139,140
To be accumulated (reversed)		41,220	(19,880)
Balance	₩	160,480	119,260

ⅱ) Provision for regulatory reserve for loan losses and income adjusted for regulatory reserve for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Profit for the period before legal reserve	₩	396,443	382,865
Hybrid bonds interests		(28,421)	(22,735)
Provision (reversal of) for regulatory reserve for loan		(41,220)	19,880
Profit adjusted for regulatory reserve(*)		326,802	380,010
Income adjusted for regulatory reserve per share in won		3,188	3,707

(*) Profit adjusted for regulatory reserve above is non-KIFRS financial information. The adjustment amount is calculated under the assumption that provision for regulatory reserve is reflected on the current net income without considering policyholders' equity adjustment and deferred tax effect.

(In millions of won)

30. Premium income

Premium income for the three-month and nine-month periods ended December 31, 2021 and 2020 are as follows:

		2021	2020
Individual insurance:			
Pure endowment	₩	1,903,410	1,901,950
Death		4,686,510	4,551,342
Endowment		2,826,723	2,248,114
		9,416,643	8,701,406
Group insurance:			
Pure protection		139,134	129,426
Savings		4,892	5,793
		144,026	135,219
	₩	9,560,669	8,836,625

31. Reinsurance ceded

(1) Reinsurance assets and liabilities as of December 31, 2021 and December 31, 2020 are as follows:

		December 31, 2021	December 31, 2020
Reinsurance accounts receivable	₩	69,448	64,601
Reinsurance assets:			
Reserve for unearned premium		6,160	5,535
Reserve for outstanding claims		3,011	3,148
Incurred but not reported		22,342	16,544
		31,513	25,227
	₩	100,961	89,828
Reinsurance accounts payable	₩	59,957	55,028

(2) Transactions with reinsurance companies incurred for the years ended December 31, 2021 and 2020 are as follows:

		2021			
		Reinsurance expense	Reinsurance claim revenue	Reinsurance commission revenue	Profit from reinsurance asset
Individual insurance:					
Domestic	₩	145,150	101,632	33,238	6,063
Group insurance:					
Domestic		2,698	2,301	-	223
	₩	147,848	103,933	33,238	6,286

		2020			
		Reinsurance expense	Reinsurance claim revenue	Reinsurance commission revenue	Profit from reinsurance asset
Individual insurance:					
Domestic	₩	130,710	87,541	35,688	2,338
Group insurance:					
Domestic		2,124	1,812	-	96
	₩	132,834	89,353	35,688	2,434

32. Interest income

Interest income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Cash and due from banks	₩	10,776	25,168
Available-for-sale financial assets		1,303,032	1,352,861
Loan receivables		947,097	948,625
Held to maturity financial assets		39,184	-
Others		51,908	87,069
	₩	2,351,997	2,413,723

(In millions of won)

33. Gain on valuation and disposal of financial instruments

Gain on valuation and disposal of financial instruments for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Financial assets held for trading:			
Gain on valuation	₩	29	432
Gain on disposal		6,236	6,350
Available-for-sale financial assets:			
Gain on valuation (*1)		43,235	-
Reversal of impairment loss		3,704	1,852
Gain on disposal		697,142	792,323
Loan receivables:			
Gain on disposal		133	561
Reversal of provision for loss on loan receivable		17,170	-
Derivatives:			
Gain on valuation		77,172	1,003,681
Gain on transaction		237,056	548,038
Other Receivables:			
Reversal of provision for loss on loan receivables		1,120	-
	₩	1,082,997	2,353,237

(*1) The change in the fair value of a hedging is included in profit or loss in accordance with the adoption of the fair value hedge accounting.

34. Fee and commission income

Fee and commission income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Credit placement fees	₩	7,138	13,076
Securities lending and borrowing fees		674	1,073
Retirement pension management fee		242	247
Housing mortgage bond fees		1,605	2,067
Sales commissions on beneficiary certificates		3,235	2,331
Others		9,915	7,126
	₩	22,809	25,920

35. Dividend income

Dividend income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Financial assets held for trading:			
Beneficiary certificates	₩	5,618	11,878
Available-for-sale financial assets:			
Equity securities	₩	36,844	47,767
Equity investments		1,026	4,539
Beneficiary certificates		375,483	369,784
Overseas securities		132,755	126,985
	₩	551,726	560,953

36. Other operating income

Other operating income for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Other operating income	₩	-	27,064

37. Insurance claims paid

The Company's insurance claims paid consist of benefit payments, surrenders for insurance and dividend expenses.

(1) Benefit payments for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Individual insurance:			
Pure endowment	₩	225,469	182,936
Death		447,169	584,737
Endowment		365,251	209,727
		1,037,889	977,400
Group insurance:			
Pure protection		24,969	37,214
Savings		407	248
		25,376	37,462
	₩	1,063,265	1,014,862

(In millions of won)

(2) Surrenders for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Individual insurance:			
Pure endowment	₩	2,339,623	2,315,032
Death		2,682,590	2,724,893
Endowment		1,579,273	758,045
		6,601,486	5,797,970
Group insurance:			
Pure protection		68,149	66,465
Savings		11,049	16,070
		79,198	82,535
	₩	6,680,684	5,880,505

(3) Dividend expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Individual insurance:			
Pure endowment	₩	15,898	17,185
Death		507	851
Endowment		540	744
		16,945	18,780
Group insurance:			
Pure protection		67	204
Savings		-	2
		67	206
	₩	17,012	18,986

38. Operating and administrative expenses

Operating and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Policy acquisition costs:			
Agent commission	₩	467,588	520,847
Branch office operation		38,931	53,480
Sales promotion		79,620	109,174
Advertising expense		1,136	1,157
Others		180,371	203,430
		767,646	888,088
Maintenance expenses:			
Wages and salaries		217,174	195,667
Bonuses		97,611	92,929
Employee welfare		61,732	66,390
Retirement benefits		104,584	46,521
Taxes and dues		110,454	99,275
Office rent		27,668	27,569
Depreciation		65,103	65,694
Commission		111,089	99,417
Outsourcing fee		6,648	6,860
Information technology		58,186	54,578
Collection		6,240	6,315
Others		59,768	30,239
		926,257	791,454
Deferred acquisition cost		(505,445)	(560,015)
	₩	1,188,458	1,119,527

39. Asset management expenses

Asset management expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Wages and salaries	₩	24,495	22,170
Bonuses		10,897	11,014
Retirement benefits		11,747	5,521
Employment benefits		6,562	7,221
Communication		2,851	2,435
Repairs and maintenance		5,599	4,334
Outsourcing fee		47,445	46,724
Commission		44,835	39,935
Information technology		9,853	10,711
Taxes and dues		17,992	15,326

(In millions of won)

Depreciation		2,325	2,464
Others		5,348	5,107
	₩	189,949	172,962

40. Interest expenses

Interest expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Derivatives	₩	86,390	145,437
Others		5,892	7,096
	₩	92,282	152,533

41. Loss on valuation and disposal of financial instruments

Loss on valuation and disposal of financial instruments for years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Financial assets designated at fair value through profit or loss	₩		
Loss on valuation		132	-
Financial assets held for trading:			
Loss on valuation		-	3,663
Loss on disposal		4,256	5,669
Available-for-sale financial assets:			
Loss on valuation (*1)		19,029	-
Loss on disposal		202,649	172,929
Impairment loss		35,423	62,156
Loan receivables:			
Loss on disposal		75	292
Provision for loss on loan receivables		-	28,258
Derivatives:			
Loss on valuation		620,005	884,759
Loss on disposal		1,121,672	151,815
Other receivables:			
Provision for other receivables		-	1,206
	₩	2,003,241	1,310,747

(*1) The change in the fair value of a hedging is included in profit or loss in accordance with the adoption of fair value hedge accounting.

42. Other operating expenses

Other operating expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Depreciation of investment properties	₩	10,222	9,763
Amortization of intangible assets		56,104	51,819
Insurance discount		1,015	1,216
Loss on cancellation of lease contracts		-	12,345
Others		19,000	-
	₩	86,341	75,143

43. Foreign currency translation

(1) Foreign currency denominated assets and liabilities as of December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021			December 31, 2020		
	Amount of foreign currency		Amount of KRW equivalent	Amount of foreign currency		Amount of KRW equivalent
Foreign cash and due from banks:						
USD	60,987	₩	72,300	60,844	₩	66,198
EUR	3,461		4,646	-		-
Available-for-sale financial assets:						
USD	12,483,660		14,799,379	14,020,135		15,253,905
EUR	1,759,768		2,362,207	2,810,813		3,761,542
JPY	11,043,221		113,772	8,397,530		88,532
Other	1,590,511		401,402	1,877,854		288,924
Held-to-maturity financial assets						

(In millions of won)

USD	872,426	1,034,261	-	-
Other	137,397	118,009	-	-
Loan receivables				
USD	160,966	190,825	162,122	176,389
EUR	59,500	79,869	59,500	79,625
Other	173,769	176,269	175,500	168,281
Receivables:				
USD	169,969	201,525	166,199	180,825
EUR	11,881	15,948	19,002	25,429
JPY	18,643	192	18,643	197
Other	19,986	5,444	17,855	3,594
Total				
USD	13,748,008	₩ 16,298,290	14,409,300	₩ 15,677,317
EUR	1,834,610	2,462,670	2,889,315	3,866,596
JPY	11,061,864	113,964	8,416,173	88,729
Other	1,921,663	701,124	2,071,209	460,799
Financial liabilities:				
USD	8,558	10,146	8,558	9,311

(2) Gain (loss) on foreign currency transactions for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Gain on foreign currency translation	₩ 1,131,918	114,695
Gain on foreign currency transaction	118,362	227,908
	₩ 1,250,280	342,603
Loss on foreign currency translation	₩ 18,597	1,002,087
Loss on foreign currency transaction	8,246	86,894
	₩ 26,843	1,088,981

44. Non-operating income and expenses

(1) Non-operating income for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Disposal of investments in subsidiaries and associates	₩ 3,034	1
Dividend of investments in subsidiaries and associates	34,647	23,687
Disposal of property and equipment	169	13
Disposal of Intangible assets	131	21
Miscellaneous gains	3,571	8,577
Gain from lease termination	1,166	-
Gain from restoration construction	10,777	-
Others	218	-
	₩ 53,713	32,299

(2) Non-operating expenses for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Disposal of investments in subsidiaries and associates	₩ 56	52
Impairment of investment in subsidiaries and associates	5,545	20,157
Impairment loss of investment properties	1	536
Disposal of property and equipment	5,176	6,186
Impairment loss of property and equipment	36	890
Disposal of intangible assets	10	-
Donations	7,275	7,410
Miscellaneous losses	6,635	6,296
Others	15	73
Loss from lease termination	821	-

(In millions of won)

	₩	25,570	41,600

45. Income tax expenses

(1) Income tax expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Current income tax expenses	₩	152,286	-
Origination and reversal of temporary differences		(696,475)	210,046
Income tax expense directly recognized in equity		667,644	(74,883)
Additional payment (refund) of income taxes		653	(14,042)
Income tax expenses	₩	124,108	121,121

(2) Income tax expenses calculated by multiplying Profit before income with the expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Income before income taxes	₩	520,551	503,985
Income taxes at statutory tax rates		132,788	128,235
Adjustments:			
Effect of tax rate fluctuation, etc.		(9,333)	6,928
Additional payment (refund) of income taxes		653	(14,042)
Income tax expenses	₩	124,108	121,121
Effective tax rate		23.84%	24.03%

(3) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities and temporary differences for the years ended December 31, 2021 is as follows:

		2021		
		Beginning balance	Increase (decrease)	Ending balance
Deferred tax assets:				
Depreciation	₩	10,756	(213)	10,543
Impairment loss on available-for-sale financial assets		13,397	7,029	20,426
Valuation losses on assets and liabilities in foreign currency		152,899	(152,899)	-
Taxes and dues		9,461	1,239	10,700
Liability for defined benefit obligations		13,539	(10,145)	3,394
Gain (Loss) on valuation of derivatives		-	81,703	81,703
Accrued bonus expenses		12,293	1,437	13,730
Miscellaneous losses (impairment loss on land)		2,956	-	2,956
Miscellaneous losses (dormant insurance payments)		9,629	(407)	9,222
Minimum policy holder reserves		351,549	24,486	376,035
Contingent liabilities		625	5,153	5,778
Loss on revaluation of land		3,630	-	3,630
Gain (Loss) on valuation of derivatives (other comprehensive income)		54,481	(13,780)	40,701
Others		729,951	(242,525)	487,426
		1,365,166	(298,922)	1,066,244
Deferred tax liabilities:				
Gain on valuation of financial assets held for trading		(570,698)	232,250	(338,448)
Interest income		(54,874)	(3,461)	(58,335)
Valuation gains on assets and liabilities in foreign currency		-	(157,607)	(157,607)
Allowance related to asset revaluation		(22,514)	-	(22,514)
Gain on valuation of available-for-sale financial assets		(1,209,175)	670,455	(538,720)
Gain (Loss) on valuation of derivatives (other comprehensive income)		(282,221)	282,221	-
Gain on revaluation of property and equipment		(184,327)	(13,697)	(198,024)
Others		(766,770)	(156,363)	(923,133)
		(3,090,579)	853,798	(2,236,781)
Excluded from Deferred tax recognition		257,532	141,599	399,131
Deferred tax assets(liabilities)	₩	(1,467,881)	696,475	(771,406)

(3) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities and temporary differences for the years ended December 31, 2020 is as follows:

(In millions of won)

		2020		
		Beginning balance	Increase (decrease)	Ending balance
Deferred tax assets:				
Depreciation	₩	9,727	1,029	10,756
Impairment loss on available-for-sale financial assets		13,866	(469)	13,397
Valuation losses on assets and liabilities in foreign currency		-	152,899	152,899
Taxes and dues		13,650	(4,189)	9,461
Liability for defined benefit obligations		15,228	(1,689)	13,539
Accrued bonus expenses		11,642	651	12,293
Miscellaneous losses (impairment loss on land)		2,813	143	2,956
Miscellaneous losses (dormant insurance payments)		11,123	(1,494)	9,629
Minimum policy holder reserves		287,061	64,488	351,549
Contingent liabilities		1,073	(448)	625
Loss on revaluation of land		3,630	-	3,630
Gain (Loss) on valuation of derivatives		-	54,481	54,481
Others		480,501	249,450	729,951
		850,314	514,852	1,365,166
Deferred tax liabilities:				
Gain on valuation of financial assets held for trading		(179,232)	(391,466)	(570,698)
Interest income		(56,593)	1,719	(54,874)
Valuation gains on assets and liabilities in foreign currency		(114,873)	114,873	-
Allowance related to asset revaluation		(22,514)	-	(22,514)
Gain on valuation of available-for-sale financial assets		(1,093,673)	(115,502)	(1,209,175)
Gain (Loss) on valuation of derivatives		(23,760)	(258,461)	(282,221)
Gain on revaluation of property and equipment		(183,352)	(975)	(184,327)
Others		(687,702)	(79,068)	(766,770)
		(2,361,699)	(728,880)	(3,090,579)
Excluded from Deferred tax recognition		253,550	3,982	257,532
Deferred tax assets(liabilities)	₩	(1,257,835)	(210,046)	(1,467,881)

(4) Deferred tax assets and liabilities that were directly charged or credited to equity for the years ended December 31, 2021 and 2020 are as follows:

		2021		2020	
		Amount	Tax effect	Amount	Tax effect
Revaluation reserves	₩	24,366	(19,863)	24,366	(19,863)
Gain on valuation of available-for-sale financial assets		1,958,983	(538,720)	4,397,001	(1,209,175)
Gain (Loss) on valuation of hedging instruments		(148,004)	40,701	(198,112)	54,480
Gain on valuation of investments in subsidiaries and associates		354	(98)	8,710	(2,395)
Accumulated other comprehensive income in separate account		(20,540)	5,649	74,713	(20,546)
Gain on revaluation of property and equipment		720,087	(198,024)	714,203	(184,327)
Remeasurement gain related to defined benefit liabilities		33,710	(9,270)	19,797	(5,444)
	₩	2,568,956	(719,625)	5,040,678	(1,387,270)

(5) Deferred tax assets and liabilities presented on a gross basis prior to any offsetting as of December 31, 2021 and 2020 are as follows:

		2021	2020
Deferred tax assets	₩	1,066,244	1,365,166
Deferred tax liabilities		(1,837,650)	(2,833,047)
Deferred tax liabilities, net	₩	(771,406)	(1,467,881)
Current tax assets	₩	121,834	128,843
Current tax liabilities		(152,288)	-
Current tax liabilities, net	₩	(30,454)	128,843

(In millions of won)

46. Employee benefits

Details of employee benefits for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Short-term and other long-term employee benefits	₩	350,329	322,032
Post-employment benefits (*)		116,331	52,042

(*) Post-employment include ₩59,913 million and ₩1,211 million of termination benefits for the years ended December 31, 2021 and 2020, respectively, and ₩ 11,449 million and ₩9,410 million of defined contribution plans for the years ended December 31, 2021 and 2020, respectively.

47. Commitments and contingencies

(1) Pending litigations

There are 100 litigations in which the Company is named including the ones for the payment of insurance claims with claimed amount amounting to ₩8,797 million as of December 31, 2021. Furthermore, there are 383 litigations where the Company is the plaintiff with claimed amount amounting to ₩12,596 million. The outcome of litigations cannot be predicted as of December 31, 2021. The Company has recognized a provision of ₩7,866 million for the payment of above insurance claim, and provisions of ₩341 million for the payment of the other claims.

There is a possibility of additional payments related to the immediate pension products, which have previously ben paid, due to the Financial Supervisory Service's announcement of the application of regulation in July 2018. As of December 31, 2021, the Company has included the reasonable estimates of additional payments and reflected in the separate financial statements.

The Company accused Deloitte Anjin LLC to Public Company Accounting Oversight Board (PCAOB) of violation of the valuation standards to calculate the market `value of the Company's outstanding stock related to the put options exercised in accordance with the shareholder's agreement. Also, the Company prosecuted Deloitte Anjin LLC for violating the *Certified Public Accountant Act.*

(2) Insurance commitments

The contract amounts under the insurance contracts in the general and separate accounts as of December 31, 2021 are as follows:

	Number of contracts		Total contract amount
General accounts	7,986,035	₩	286,766,988
Separate accounts	988,979		9,567,945
	8,975,014	₩	296,334,933

(3) Reinsurance agreements

The reinsurance agreements of individual and group insurance as of December 31, 2021 are as follows:

Reinsurance method	Reinsurance company	Ceding ratio (%)	Nature of risk
Surplus	SCOR Reinsurance Asia-Pacific	100	Risk from excessive contracts
Surplus	SCOR Reinsurance Asia-Pacific	100	Risk from excess number of contracts with individuals with high-risk occupations
Surplus	Korean Re	100	Kyobo Big Love Guarantee Insurance
Surplus, Quota Share	Munich Re	60	Risk from excessive contracts
Surplus, Quota Share	Korean Re	40	Risk from excessive contracts
Quota Share	General Cologne Re	10	Individual medical insurance
Quota Share	General Cologne Re	10	Accidental insurance
Quota Share	General Cologne Re	30	CI whole life Reinsurance
Quota Share	General Cologne Re	30	SI Insurance
Quota Share	General Cologne Re	30	Second CI Guarantee reinsurance
Quota Share	Hannover Re	10	CI reinsurance
Quota Share	Hannover Re	10	Direct health insurance
Quota Share	Hannover Re	10 ~ 25	Individual medical Insurance
Quota Share	Hannover Re	30	Kyobo cancer insurance
Quota Share	Hannover Re	80	Facultative reinsurance
Quota Share	Swiss Re	50	Non-par relapse cancer rider
Quota Share	Swiss Re	80	Target anticancer drug treatment
Quota Share	Munich Re	10	CI reinsurance
Quota Share	Munich Re	5 ~ 20	Whole life Insurance
Quota Share	Munich Re	30	LTC (Silver care insurance)
Quota Share	Munich Re	30	Premier CI Insurance
Quota Share	Munich Re	80	Facultative reinsurance
Quota Share	RGA Re	20	Kyobo cancer insurance
Quota Share	RGA Re	30	Dental Benefits
Quota Share	RGA Re	80	Facultative reinsurance
Quota Share	RGA Re	90	Substandards insurance
Quota Share	SCOR Reinsurance Asia-Pacific	10	Individual medical Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	CI reinsurance
Quota Share	SCOR Reinsurance Asia-Pacific	15	Direct health insurance
Quota Share	SCOR Reinsurance Asia-Pacific	30 ~ 60	Top Class cancer Insurance
Quota Share	SCOR Reinsurance Asia-Pacific	50	Dental & Juvenile Benefits
Quota Share	SCOR Reinsurance Asia-Pacific	80	Facultative reinsurance
Quota Share	Korean Re	10	CI whole life reinsurance
Quota Share	Korean Re	10 ~ 50	SI whole life insurance
Quota Share	Korean Re	15 ~ 25	Individual medical Insurance
Quota Share	Korean Re	30	Kyobo cancer Insurance
Quota Share	Korean Re	50	Dementia Insurance
Quota Share	Korean Re	50	SI Insurance

(In millions of won)

Quota Share	Korean Re	80	Facultative reinsurance

(4) As of December 31, 2021, the Company has bank overdraft facility agreements with Standard Chartered Bank, etc. with a limit of ₩290,000 million.
(5) As of December 31, 2021, the Company is provided with payment guarantee of ₩3,190 million from the Seoul Guarantee Insurance.
(6) Other commitments
Other commitments as of December 31, 2021 are as follows:

		Amount
Loan commitments	W	2,991,811
Investment commitments		4,667,152
	W	7,658,963

(7) Securities lending and borrowing
Securities lending and borrowing as of December 31, 2021 are as follows:

	Type		Amount	Valuation standard
Securities lent	Debt securities	₩	198,690	Fair value

Securities lending transaction is a transaction that transfers the ownership of the same amount and kind of securities after a certain period of time and continues to be recognized as an asset of the Company because it does not meet the conditions for the removal of transfer of financial assets.

(8) To prevent the spread of Covid-19, various prevention and control measures, including restrictions on travelling, are being implemented worldwide. As a result, the global economy is affected extensively, and it is difficult to predict the duration and intensity of the spread of Covid-19 pandemic. In addition, the Company's valuation of fair value of financial instruments, assessment of the appropriateness of insurance liabilities and others may be affected by Covid-19, and the Company has prepared the separate financial statements by reasonably estimating the impact of Covid-19 on the Company. However, as of December 31, 2021, the Company cannot reasonably estimate the ultimate impact on its separate financial position, separate financial performance and separate cash flows due to the future spread of Covid-19.

48. Related parties

(1) The related parties as of December 31, 2021 and 2020 are as follows:

2021	
Related parties	Investor
Subsidiaries	
Kyobo Securities Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Book Center Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Hottracks Co., Ltd.	Kyobo Book Center Co., Ltd.
Kyobo Info. & Comm. Co., Ltd.	Kyobo Life Insurance Co., Ltd.
The Planics Co.,Ltd.	Kyobo Info. & Comm. Co., Ltd.
Kyobo Hottracks Co., Ltd.	Kyobo Realco Inc.
KCA Claim Adjustment Co., Ltd.	Kyobo Life Insurance Co., Ltd.
KCA Service Co., Ltd.	Kyobo Life Insurance Co., Ltd. KCA Claim Adjustment Co., Ltd.
Kyobo Life Planet Life Insurance Company	Kyobo Life Insurance Co., Ltd.
Kyobo Life Asset Management (America) Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Life Asset Management (Japan) Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Asset Trust Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Consus BTL Private Special Asset Investment Trust 1, Consus Hope BTL Private Special Asset Investment Trust 1, Consus New Energy Private Special Asset Investment Trust 2, KIAMCO Shipping Private Equity Special Asset Investment Trust KX-1,Kyobo Technology Investment Association No. 1 (*1)	Kyobo Life Insurance Co., Ltd.
Jjibest 4th Co., Ltd.,Atlantisjisa 1st Co.,Ltd., Districtyangjoo Co.,Ltd., Caba chic 3th Co.,Ltd., H house 1st Co., Ltd., Goeun angol 1st Co., Ltd., Excel stone park 1st Co., Ltd., Gabriel 3rd Co., Ltd., Exelstonered 1st Co., Ltd., Doublerich 5th Co., Ltd., Doublerich 1st Co., Ltd., Doublerich 8th Co., Ltd., Atlantisgogyeong 1st Co., Ltd., Autodream 1st Co., Ltd., Gabriel 4th Co., Ltd., K-hotel 1st Co., Ltd., Gabriel 2nd Co., Ltd., Geobukseom Island Rich 1st Co., Ltd. (*), SJgreat 3rd Co., Ltd. (*), Suhwa BIT 1st Co., Ltd. (*), X-med 7th Co., Ltd. (*), K Logistics 1st Co., Ltd. (*), SJgreat 8th Co., Ltd. (*), Lycos 1st Co., Ltd. (*), Oblique 5th Co.,Ltd. (*), SJgreat 7th Co., Ltd. (*), Redmax 1th Co., Ltd. (*), BrightStar 4th Co.,Ltd. (*), I-pro 1st Co., Ltd. (*), Whitewood 5th Co., Ltd. (*), BrightStar 2nd Co., Ltd. (*), Whitewood 7th Co.,Ltd. (*), X-med 9th Co., Ltd. (*), Intgreen 2nd Co.,Ltd.(*), I-pro 3rd Co., Ltd. (*), Yangdocube 1st Co.,Ltd.(*), Metagreen 3rd Co.,Ltd.(*), Metagreen 1st Co.,Ltd.(*), Intgreen 3rd Co.,Ltd.(*), Easytree 3rd Co,Ltd.(*), Metagreen 6th Co.,Ltd.(*), Metagreen 8th Co.,Ltd.(*), Metagreen 9th Co.,Ltd.(*), Theflex 1st Co.,Ltd.(*),BrightStar 9th Co., Ltd. (*),Intgreen 6th Co.,Ltd.(*),Easyplant 4th Co.,Ltd.(*),Ujur 2nd Co.,Ltd.(*),Theteras 1st Co.,Ltd.(*), BrightStar 10th Co.,Ltd. (*),Ujur 4th Co.,Ltd.(*), Ujur 5th Co.,Ltd.(*),DreamthegreenYangpyeong 1st Co.,Ltd.(*), DreamthegreenYangpyeong 2nd Co.,Ltd.(*)	Kyobo Securities Co., Ltd.
Associates	
A&D Credit Information Co., Ltd.,	Kyobo Life Insurance Co., Ltd.

(In millions of won)

Related parties	Investor
Joint Ventures	
Kyobo AXA Investment Managers Co., Ltd.,	Kyobo Life Insurance Co., Ltd.
Others	
Daesan Foundation For Rural Culture & Society, Daesan Foundation For Culture, Kyobo Foundation For Education & Culture	Kyobo Life Insurance Co., Ltd.
Hwaseong-Jeongnam General Industry Complexes Co., Ltd., Kyobo 9 Special Purpose Acquisition Company, Kyobo 10 Special Purpose Acquisition Company, Kyobo 11 Special Purpose Acquisition Company(*), Songsan Industrial Complex Development Co., Ltd., Pusan Millak PFV, Jinjeop2 REIT Co., Ltd., Guri Galmae REIT Co., Ltd., Yeoido H2 PFV, Pusan Eco delta city PFV (*), Logistec Yangsan Co.,Ltd.(*), Incheon Gumdan 3rd PFV (*), Hera Park City development PFV (*), Hera Park City development AMC Co., Ltd.(*), Incheon youngjong PFV(*), Dongdaemoon Urban PFV(*), Chungju Biz Core City (*), Chungnam Naepo 1 PFV (*), Kyobo NH Healthcare New Technology Investment Association No.1 (*),Yangjuhoechun PFV(*), Pecocity(*),Incheon Younfjong 1st PFV (*),NH-Kyobo AI Solution New Technology Investment Association(*),Kyobo-Kiwoom New Materials & Technology Investment Association (*),Kyobo-Hanyang ESG New Technology Investment Association (*),Kyobo-Axis Future Technology New Technology Investment Association No.1(*), Changwon Gapo PFV(*), Kyobo-YG Ilguimu newTechnology Investment Association(*), Kyobo new technology Investment Association No. 1(*)	Kyobo Securities Co., Ltd.
NPC&C Co., Ltd.(*), Marston General Private Real Estate Investment Trust No. 61	Kyobo Book Center Co., Ltd.

(*) Turtle Island Rich 1st Co.,Ltd., SJgreat 3rd Co., Ltd., SJgreat 6th Co., Ltd., Suhwa BIT 1st Co., Ltd., SJgreat 2nd Co., Ltd., X-med 6th Co., Ltd., X-med 7th Co., Ltd., K Logistics 1st Co., Ltd., Oblique 8th Co., Ltd., SJgreat 8th Co., Ltd., Lycos 1st Co., Ltd., Oblique 5th Co.,Ltd., Whitewood 1st Co., Ltd., SJgreat 7th Co., Ltd., Oblique 10th Co.,Ltd., Redmax 1th Co., Ltd., Brightstar 4th Co., Ltd., I-pro 1st Co., Ltd., Whitewood 5th Co., Ltd., Brightstar 2nd Co., Ltd., Whitewood 7th Co.,Ltd., X-med 9th Co.,Ltd., Intgreen 2nd Co.,Ltd., I-pro 3rd Co., Ltd., Yangdocube 1st Co.,Ltd., Metagreen 3rd Co.,Ltd., Metagreen 1st Co.,Ltd., Intgreen 3rd Co.,Ltd., Easytree 3rd Co.,Ltd., Metagreen 6th Co.,Ltd., Metagreen 8th Co.,Ltd., Metagreen 9th Co.,Ltd., Theflex 1st Co.,Ltd., Kyobo 11 Special Purpose Acquisition Company, Pusan Eco delta city PFV, Logistec Yangsan Co.,Ltd., Incheon Gumdan 3rd PFV, Hera Park City development PFV, Hera Park City development AMC Co., Ltd., Incheon Yeongjong PFV, Dongdaemoon Urban PFV, Chungju Biz Core City, Chungnam Naepo 1 PFV, Yangjuhoechun PFV, Peco-city, Incheon Yeongjong 1st PFV, Kyobo NH Healthcare New Technology Investment Association 1st, NH Kyobo AI solution New Technology Investment Association, Kyobo Kiwoom New Materials & Technology Investment Association, Kyobo Hanyang ESG New Technology Investment Association, Kyobo Axis Future & New Technology Investment Association 1st ,NPC&C Co., Ltd.,Brightstar 9th Co.,Ltd.,Intgreen 6th Co.,Ltd.,Easyplant 4th Co.,Ltd., Ujur 2nd Co.,Ltd., Theteras 1st Co.,Ltd., BrightStar 10th Co.,Ltd.,Ujur 4th Co.,Ltd., Ujur 5th Co.,Ltd.,DreamthegreenYangpyeong 1st Co.,Ltd, DreamthegreenYangpyeong 2nd Co.,Ltd., Changwon Gapo PFV, Kyobo-YG Ilguimu newTechnology Investment Association, Kyobo new technology Investment Association No. 1., The Planics Co., Ltd., Marston General Private Real Estate Investment Trust No. 61, Oblique 3rd Co.,Ltd., BrightStar 3rd Co., Ltd., Ecoswan Co., Ltd. were included in the related parties and Mkdream 7th Co.,Ltd., ATLAS 1st Co., Ltd., Panteon K Co.,Ltd., Newpearlcube 1st Co., Ltd., Jjibest 5th Co., Ltd., AtlantisBeobwon2 1st Co., Ltd., SJGreat 6th Co.,Ltd, X-med 6th Co.,Ltd.,Bluediamond 6th Co.,Ltd., X-med 3rd Co.,Ltd.,Ecopinetree Co.,Ltd,. Kyobo Royal-Class small&minimum selection Specialized Private Equity Investment Trust No. 1, SJGreat 2nd Co.,Ltd., Oblique 8th Co.,Ltd., Whitewood 1st Co.,Ltd., Oblique 10th Co.,Ltd.,KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust, MKdream 2nd Co.,Ltd.,KDdream 1st Co.,Ltd., Caba chic 5th Co.,Ltd., Caba chic 7th Co.,Ltd., Ifdasan 2nd Co., Ltd., Doublerich 4th Co., Ltd., SJgreat 1st Co., Ltd., Exelcocostone Co., Ltd., Oblique 3rd Co.,Ltd., BrightStar 3rd Co., Ltd., Ecoswan Co., Ltd.were excluded from the related parties for the nine-month period ended December 31, 2021.

2020

Related parties	Investor
Subsidiaries	
Kyobo Securities Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Book Center Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Hottracks Co., Ltd.	Kyobo Book Center Co., Ltd.
Kyobo Info. & Comm. Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Realco Inc.	Kyobo Life Insurance Co., Ltd.
Jeil Total Management Co., Ltd.	Kyobo Realco Inc.
KCA Claim Adjustment Co., Ltd.	Kyobo Life Insurance Co., Ltd.
KCA Service Co., Ltd.	Kyobo Life Insurance Co., Ltd. KCA Claim Adjustment Co., Ltd.
Kyobo Life Planet Life Insurance Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Asset Trust Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Life Asset Management (America) Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Kyobo Life Asset Management (Japan) Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Consus BTL Private Special Asset Investment Trust 1, Consus Hope BTL,Private Special Asset Investment Trust 1, Consus New Energy Private Special Asset Investment Trust2, KIAMCO Shipping Private Special Asset Investment TrustKX-1, KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust	Kyobo Life Insurance Co., Ltd.
Mkdream 2nd Co., Ltd., Mkdream 7th Co., Ltd., Atlas 1st Co., Ltd., Jjibest 4th Co., Ltd., Atlantisjisa 1st Co., Panteon K Co., Ltd., Districtyangjoo Co.,Ltd., KD DREAM 1st Co.,Ltd., Caba chic 3rd Co.,Ltd. (*1), Caba chic 5th Co.,Ltd. (*1), Caba chic 7th Co.,Ltd. (*1), H house 1st Co., Ltd.(*1), Goeunangol 1st Co., Ltd. (*1), Bluedia 6 th Co., Ltd.(*1), Exelstonepark 1st Co., Ltd.(*1), If-dasan 2nd Co., Ltd. (*1), Gabriel 3rd Co., Ltd.(*1), Doublerich 4th Co., Ltd. (*1), Exelstonered 1st Co., Ltd. (*1), Doublerich 5th Co., Ltd. (*1), SJgreat 1st Co., Ltd. (*1), Newpearlcube 1st Co., Ltd. (*1), X-med 3rd Co., Ltd. (*1), Doublerich 1st Co., Ltd. (*1), Doublerich 8th Co., Ltd. (*1), Atlantisgogyeong 1st Co., Ltd. (*1), Autodream 1st Co., Ltd. (*1), Ecopinetree Co., Ltd. (*1), Jjibest	Kyobo Securities Co., Ltd.

5th Co., Ltd. (*1), Gabriel 4th Co., Ltd. (*1), K-hotel 1st Co., Ltd.(*1), Exelcocostone Co., Ltd. (*1), AtlantisBeobwon2 1st Co., Ltd. (*1), Gabriel 2nd Co., Ltd. (*1), Kyobo Royal-Class small & minimum selection Specialized Private Equity Investment Trust No. 1 (*1)	Kyobo Securities Co., Ltd.
Associates	
A&D Credit Information Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Joint Ventures	
Kyobo AXA Investment Managers Co., Ltd.	Kyobo Life Insurance Co., Ltd.
Others	
Daesan Foundation For Rural Culture & Society, Daesan Foundation For Culture, Kyobo Foundation For Education & Culture	Kyobo Life Insurance Co., Ltd.
Hwaseong-Jeongnam General Industry Complexes Co., Ltd.,Kyobo 9 Special Purpose Acquisition Company, Kyobo 10 Special Purpose Acquisition Company (*1),Songsan Industrial Complex Developtment Co., Ltd.,Pusan Millak PFV (*1), Jinjeop2 REIT Co., Ltd. (*1),Guri-Galmae Daeto Development Trust Management Property Investment Company (*1), YeouidoH2 PFV (*1)	Kyobo Securities Co., Ltd.

(*1) Caba chic 3rd Co., Ltd., Caba chic 5th Co., Ltd., Caba chic 7th Co., Ltd., H house 1st Co., Ltd., Goeunangol 1st Co., Ltd., Jjibest 10th Co., Ltd., Bluedia 6 th Co., Ltd., Bluedia 7 th Co., Ltd., Exelstonepark 1st Co., Ltd., Rebuilding-Galhyeon Co., Ltd., If-dasan 2nd Co., Ltd., Gabriel 3rd Co., Ltd., Doublerich 4th Co., Ltd., Exelstonered 1st Co., Ltd., Doublerich 5th Co., Ltd., SJgreat 1st Co., Ltd., Newpearlcube 1st Co., Ltd., X-med 3rd Co., Ltd., Doublerich 1st Co., Ltd., Doublerich 8th Co., Ltd., Atlantisgogyeong 1st Co., Ltd., Autodream 1st Co., Ltd., Ecopinetree Co., Ltd., Jjibest 5th Co., Ltd., Gabriel 4th Co., Ltd., K-hotel 1st Co., Ltd., Exelcocostone Co., Ltd., AtlantisBeobwon2 1st Co., Ltd., Gabriel 2nd Co., Ltd., Kyobo Royal-Class smaoll&minimum selection Specialized Private Equity Investment Trust No. 1, Kyobo 10 Special Purpose Acquisition Company, Pusan Millak PFV, Jinjeop2 REIT Co., Ltd., Guri- Galmae Daeto Development Trust Management Property Investment Company, YeouidoH2PFV were newly included in the related parties for the years ended December 31, 2021. On the other hand Kyobo Data Center Co., Ltd., IGIS KORIF Private Special Real estate Investment Trust12, Inbest Gold Harver Co., Ltd., Utopia 18th Co., Ltd., ICTV One 1st Co., Ltd., Hommage 7th Co., Ltd., Mkdream 8th Co., Ltd., Great-Ingye 1st Co., Ltd., Atlantis Gimhae Co., Ltd., Metro-yeonsan 1st Co., Ltd., Iprohidden 1st Co., Ltd., Jjibest 10th Co., Ltd., Caba chic 4st Co., Ltd., Bluedia 7th Co., Ltd., Rebuilding-Galhyeon Co., Ltd., Kyobo 7 Special Purpose Acquisition Company, Kyobo 8 Special Purpose Acquisition Company, were excluded from related parties for the year ended December 31, 2021.

(2) Significant balances with the related parties as of December 31, 2021 and 2020 are as follows:

Related party	Account		2021	2020
Subsidiaries				
Kyobo Securities Co., Ltd.	Accounts receivables	₩	4,700	453
	Accounts payable		957	1,788
	Deposits		137,132	60,800
	Leasehold deposits received (*1)		2,822	2,878
	Retirement pension (*2)		41,695	36,889
Kyobo Book Center Co., Ltd.	Accounts receivables		196	9
	Accounts payable		283	57
	Leasehold deposits		994	994
	Leasehold deposits received		16,994	16,603
	Retirement pension (*2)		61,888	55,992
	Lease liabilities		990	1,423
Kyobo Hottracks Co., Ltd.	Accounts receivables		1	2
	Accounts payable		19	395
	Leasehold deposits received		7,626	7,687
	Retirement pension (*2)		17,647	19,337
Kyobo Info. & Comm Co., Ltd.	Accounts receivables		11	1
	Accounts payable		4,491	2,411
	Leasehold deposits		220	170
	Retirement pension (*2)		9,596	8,097
	Lease liabilities		4,678	5,786
Kyobo Realco Inc.	Accounts receivables		5	49
	Accounts payable		3,709	970
	Leasehold deposits received		117	85
	Retirement pension (*2)		14,572	14,261

(In millions of won)

	Withholdings		2	-
Jeil Total Management Co., Ltd.	Retirement pension (*2)		454	388
KCA Claim Adjustment	Accounts receivables		-	6
Co., Ltd.	Accounts payable		4,221	3,265
.	Leasehold deposits received		435	358
	Retirement pension (*2)		14,282	13,069
KCA Service Co., Ltd.	Accounts receivables		2	8
	Accounts payable		3,408	1,042
	Retirement pension (*2)		6,577	5,271
Kyobo Life Planet Life	Accounts receivables		85	4
Insurance Co., Ltd.	Retirement pension (*2)		2,643	2,236
	Accounts payable		16	3
Kyobo Asset Trust Co., Ltd	Accounts receivables		93	1
	Accounts payable		7	2
	Leasehold deposits received		3,000	236
	Retirement pension (*2)		12,662	13,323

(2) Significant balances with the related parties as of December 31, 2021 and 2020 are as follows, continued:

Related party	Account		2021	2020
Associates				
A&D Credit Information	Accounts payable	₩	694	725
Co., Ltd.	Retirement pension (*2)		550	713
Joint Ventures				
Kyobo AXA Investment	Accounts payable	₩	737	777
Managers Co., Ltd.	Leasehold deposits received		805	805
	Accounts receivables		-	1
Others				
Daesan Foundation For Rural Culture & Society	Retirement insurance (*2)	₩	180	178
Daesan Foundation For	Leasehold deposits received		1,363	1,363
Culture	Accounts receivables		-	1
	Retirement pension (*2)		616	642
Kyobo Foundation For Education & Culture	Retirement pension (*2)		583	517
Key management	Loan receivables		144	151

(*1) About the Leasehold deposits received, the company's land and building are collateralized which amounts to W4,003 million.
(*2) Retirement insurance and pension are reserves of policyholders included in separate account liabilities.

(3) Significant transactions with the related parties for the years ended December 31, 2021 and 2020 are as follows:

			2021		2020	
Related party	Account		Revenues	Expenses	Revenues	Expenses
Subsidiaries						
Kyobo Securities Co., Ltd.	Premium income (*1)	₩	327	-	306	-
	Interest income		29	-	-	-
	Fee and commission income		1,548	-	9	-
	Dividend income		14,172	-	7,434	-
	Rental income		231	-	223	-
	Claims paid (*1)		-	624	-	761
	Operating and Administrative Expenses		-	133	-	154
	Fee and commission expense (*2)		-	4,635	-	4,508
Kyobo Book Center	Premium income (*1)		634	-	243	-

(In millions of won)

Co., Ltd.	Fee and commission income	140	-	1	-
	Rental income	6,613	-	6,248	-
	Non-operating income	218	-	39	-
	Claims paid (*1)	-	-	-	1,478
	Operating and Administrative expenses	-	1,501	-	1,828
	Asset management expenses	-	1,529	-	1,042
	Interest expenses	-	18	-	19
Kyobo Hottracks Co., Ltd.	Premium income (*1)	311	-	121	-
	Fee and commission income	21	-	1	-
	Rental income	3,327	-	3,215	-
	Claims paid (*1)	-	-	-	605
	Operating and Administrative expenses	-	1,576	-	4,591
	Asset management expenses	-	71	-	32
Kyobo Info. & Comm.	Premium income (*1)	80 ¤	-	71 ¤	-
Co., Ltd.	Fee and commission income	25	-	1	-
	Claims paid (*1)	-	136	-	138
	Operating and Administrative expenses	-	29,455	-	23,313
	Asset management expenses	-	6,642	-	7,161
	Interest expenses	-	97	-	120
Kyobo Realco Inc.	Premium income (*1)	₩ 152	-	167	-
	Fee and commission income	232	-	1	-
	Rental income	185	-	147	-
	Claims paid (*1)	-	227	-	263
	Operating and Administrative expenses	-	318	-	935
	Asset management expenses	-	40,279	-	37,387
Jeil Total Management Co., Ltd.	Premium income (*1)	21	-	20	-
	Claims paid (*1)	-	6	-	8
	Operating and Administrative expenses	-	5	-	-
	Asset management expenses	-	772	-	-
KCA Claim Adjustment	Premium income (*1)	121	-	123	-
Co., Ltd.	Fee and commission income	1	-	1	-
	Rental income	753	-	608	-
	Claims paid (*1)	-	210	-	246
	Operating and Administrative expenses	-	36,261	-	33,423
KCA Service Co., Ltd.	Premium income (*1)	259	-	130	-
	Fee and commission income	1	-	1	-
	Rental income	3,108	-	3,098	-
	Claims paid (*1)	-	87	-	81
	Operating and Administrative expenses	-	30,806	-	30,813
	Asset management expenses	-	2,407	-	2,501
Kyobo Data Center Co., Ltd.(*3)	Operating and Administrative expenses	-	-	-	259
	Asset management expenses	-	-	-	519
	Interest expenses	-	-	-	-
Kyobo Life Planet Life Insurance Co., Ltd.	Premium income (*1)	28	-	27	-
	Rental income	1	-	-	-
	Fee and commission income	77	-	1	37 -
	Non-operating income	1	-	-	-
	Claims paid (*1)	-	35	-	37
	Operating and Administrative expenses	-	174	-	218

	Asset management expenses		-	1	-	-
Kyobo Asset Trust Co., Ltd.	Premium income (*1)		118	-	91	-
	Fee and commission income		77	-	1	-
	Rental income		1,092	-	-	-
	Claims paid (*1)			248	-	173

Related party	Account		2021 Revenues	2021 Expenses	2020 Revenues	2020 Expenses
Subsidiaries, continued						
Kyobo Life Asset Management (America) Co., Ltd.	Asset management expenses	₩	-	1,994	-	2,862
Kyobo Life Asset Management (Japan) Co., Ltd.	Operating and Administrative expenses		-	714	-	748
Consus BTL Private Special Asset Investment Trust 1	Dividend income		441	-	659	-
Consus Hope BTL Private Special Asset Investment Trust1	Dividend income		644	-	744	-
Consus New Energy Private Special Asset Investment Trust2	Dividend income		621	-	725	-
KIAMCO Shipping Private Special Asset Investment TrustKX-1	Dividend income		712	-	735	-
KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust	Dividend income		12,110	-	8,372	-
				-		
Associates				-		
A&D Credit Information	Premium income (*1)	₩	17	-	16	-
Co., Ltd.	Dividend income		49	-	98	-
	Claims paid (*1)		-	11	-	18
	Operating and Administrative expenses		-	182	-	188
	Asset management expenses		-	7,472	-	7,424
Joint Ventures						
Kyobo AXA Investment	Premium income (*1)	₩	33	-	28	-
Managers Co., Ltd.	Fee and commission income		115	-	96	-
	Dividend income		5,898	-	4,890	-
	Rental income		1,429	-	1,428	-
	Asset management expenses		-	3,117	-	3,362

Related party	Account		2021 Revenues	2021 Expenses	2020 Revenues	2020 Expenses
Others						
Daesan Foundation For	Premium income (*1)	₩	1	-	1	-
Rural Culture & Society	Rental income		1	-	1	-
	Claims paid (*1)		-	2	-	2
	Non-operating expenses		-	731	-	1,094
Daesan Foundation For	Premium income (*1)		4	-	3	-
Culture	Rental income		63	-	60	-
	Claims paid (*1)		-	10	-	12
	Operating and administrative expenses		-	55	-	59
	Non-operating expenses		-	1,056	-	1,165
Kyobo Foundation For	Premium income (*1)		3	-	2	-
Education & Culture	Rental income		1	-	1	-
	Claims paid (*1)		-	8	-	9

(In millions of won)

Non-operating expenses	-	1,041	-	1,821

(*1) Premium income and claims paid belong to profit or loss in separate accounts.
(*2) Commission in separate accounts for the years ended December 31, 2021 and 2020 amount to ₩2,794 million and ₩ 2,588 million, respectively.
(*3) The entity was merged with Kyobo Info. & Comm. Co., Ltd. for the year ended December 31, 2020 and the transactions as of December 31, 2021 presented have occurred before the merger.

(4) The assets transaction with the related parties for the years ended December 31, 2021 and 2020 are summarized as follows:

Related party	Account		2021		2020	
			Acquisition	Disposition	Acquisition	Disposition
Kyobo Realco Inc.	Buildings	₩	9,769	-	5,062	-
Kyobo Book Center Co., Ltd.	Right-of-use assets		386	-	1,276	-
Kyobo Info. & Comm. Co., Ltd.	Equipment		-	-	18	-
	Software		26	-	285	-
	Development cost		-	-	2,864	-
	Right-of-use assets		443	-	31	-
	Prepayments		1,831	-	-	-
Double rich 1st Co., Ltd.	Loan receivables (*1)		-	-	8,500	-

(*1) Loan receivables are presented as before allowance, and the related allowance amounted to ₩ 47 million.

(5) The fund transactions with the related parties for the years ended December 31, 2021 and 2020 are as follows:

Related party		2021 Loan transaction		
		Lending	Collection	Collection of investment
Subsidiaries				
Kyobo Asset Trust Co., Ltd.	₩	-	-	150,000
Kyobo Book Center Co., Ltd.		-	-	150,000
Kyobo New technology Investment Association No.1		-	-	35,000
Consus BTL Private Special Asset Investment Trust 1		-	-	(1,791)
Consus Hope BTL Private Special Asset Investment Trust1		-	-	(2,320)
Consus New Energy Private Special Asset Investment Trust2		-	-	(1,856)
KIAMCO Shipping Private Special Asset Investment TrustKX-1		-	-	(692)
KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust.		-	-	(49,245)
	₩	-	-	279,096

Related party		2020 Loan transaction		
		Lending	Collection	Collection of investment
Subsidiaries				
Kyobo Securities Co., Ltd.	₩	-	-	200,000
Kyobo Life Planet Life Insurance Co., Ltd.		-	-	100,000
Consus BTL Private Special Asset Investment Trust 1		-	-	(1,660)
Consus Hope BTL Private Special Asset Investment Trust1		-	-	(2,145)
Consus New Energy Private Special Asset Investment Trust2		-	-	(1,897)
KIAMCO Shipping Private Special Asset Investment TrustKX-1		-	-	(636)
KIAMCO Kirishima Solar Energy Private Equity Special Asset Investment Trust.		-	-	3,089
	₩	-	-	296,751

(In millions of won)

(6) Details of pledged collateral with the related parties for the years ended December 31, 2021 and 2020 are as follows:

		2021		2020	
		Buy	Sell	Buy	Sell
Kyobo AXA Investment					
Managers Co., Ltd.	Beneficiary certificates	1,982,251	2,938,155	1,548,570	1,547,264
Kyobo Securities Co., Ltd.	Bond	8,612,820	3,575,593	6,223,678	3,091,276
	Stock	1,744,139	2,095,181	1,591,051	1,689,293
	Beneficiary certificates	2,597,021	3,258,788	2,017,134	2,064,194
		14,936,231	11,867,717	11,380,433	8,392,027

(7) Details of collateral that the Company has provided to its related parties as of December 31, 2021 are as follows:

	2021			
Related party	Collateral		Book value	Purpose
Subsidiaries				
Kyobo Securities Co., Ltd.	Available-for-sale financial asset(*)	₩	144,204	Futures substitute Securities

(*) Amounts of ₩6,847 million of the available-for-sale financial assets provided as collateral is included in the separate accounts.

(8) The Company concluded that the key management includes executives and outside directors who have authority and responsibilities for decision making of the business plan, operations and control over the Company. Key management compensation for for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Long and short-term employee benefits	₩	11,050	9,550
Retirement benefits		3,192	2,667
	₩	14,242	12,217

49. Earnings per share

Basic earnings per share for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Profit for the year	₩	396,443	382,865
Dividends to hybrid bonds		(28,421)	(22,735)
Profit available for common stock	₩	368,022	360,130
Weighted average number of common shares outstanding		102,500,000	102,500,000
Earnings per share in won		3,590	3,513

The Company’s basic earnings per share and diluted earnings per share are the same since there are no potential diluted shares for the years ended December 31, 2021 and 2020.

50. Statement of cash flows

(1) Significant non-cash activities for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Changes in valuation gain on available-for-sale financial assets	₩	(1,767,563)	304,505
Other comprehensive income in associates and subsidiaries		(6,059)	(1,977)
Changes in valuation loss on derivatives for cash flow hedging purpose		36,329	(146,741)
Other comprehensive income in separate accounts		(69,058)	28,564
Changes in valuation gain on revaluation of property and equipment		(7,813)	3,458
Remeasurements on defined benefit liabilities		10,087	10,499
Income tax expense directly recognized in equity		667,644	(74,884)
Changes in policyholders' equity adjustments		(738,454)	46,028
Write-off of Loans		(20,856)	(28,105)
Write-off of Other receivables		(1,989)	(1,008)
Transfer between investment properties and property and equipment		21,924	31,458
Changes in right-of-use assets (transfer, acquisition)		53,190	59,282
Changes in right-of-use assets (disposal)		(19,775)	(20,703)
Replacement from Prepayment to Property and equipment		99	1,926
Replacement from Prepayment to Intangible assets		10,727	29,704
Replacement from Other provisions to Reserve for outstanding claims		-	800
Retrospective effect in accordance with change in policy		1,096,736	-

(2) Changes in liabilities from financing activities for the years ended December 31, 2021 and 2020 are as follows:

		2021			
		Beginning balance	Cash flows from financing activities	Interest expense, etc.	Ending balance
Leasehold deposits received	₩	113,806	(12,950)	(1,189)	99,667
Lease liabilities		49,274	(35,300)	26,473	40,447

		2020			
		Beginning balance	Cash flows from financing activities	Interest expense, etc.	Ending balance
Leasehold deposits received	₩	126,105	(11,526)	(773)	113,806

(In millions of won)

Lease liabilities	57,698	(35,323)	26,899	49,274

51. Risk management

51-1) General

(1) Risk management overview

The objective of risk management is to effectively manage and control various uncertainties that prevent the Company from achieving its business goal. The Company supports its stable business activities by setting the appropriate risk limits to ensure the regulatory capital is maintained above the minimum risk based capital required by the Financial Supervisory Service even in the environment which various risks may actually realize simultaneously, and also comprehensively manages assets and liabilities portfolios to enhance profitability compared to risk. The Company's risk management process is as follows:

1) Risk identification and classification

The Company identifies risks related to market, credit, interest, insurance, liquidity, operation, strategy, reputation, and variable insurance guarantee as significant risks. Market, credit, interest, insurance, liquidity and variable insurance guarantee risks are classified as financial risks, while operation, strategy, reputation risks are classified as non-financial risks.

2) Risk measurement and management

Market, credit, interest, insurance and operational risks are measured using Value at Risk (VaR) method. Liquidity risk is periodically monitored and managed to ensure liquidity level is adequately maintained by setting the minimum liquidity limit that reflects cash flows and variability for the last 6 months. In addition, variable insurance guarantee risk is periodically measured using a Stress scenario.

The Company continues to maintain Asset-Liability Management (ALM) policy to secure long-term stable interest rate margins. In order to consistently improve the asset and liability structure, the product sales mix has been weighted more heavily in favor of investment linked products and floating-rate type policies, while cash flow stability has been strengthened through the increase of long-term fixed-rate interest assets. In addition, constant improvements are being made to the ALM systems.

3) Risk control

To hedge, accept, transfer and mitigate risks, the Company sets risk limits at adequate level and monitors if these limits are appropriate and in compliance with the risk management policies and procedures. The risk limits are adjusted as necessary, and a contingency plan is also placed in operation.

In addition, the risk management department provides timely feedbacks and ensures fast and proper decision making process for any important decision making matters.

4) Risk monitoring and reporting

The Company monitors various risk factors (e.g. interest rates, stock index, FX rates, etc.), risk quantities by each risk and related monitoring index, and regulatory related index (e.g. solvency margin) on a daily, monthly and quarterly basis using the check list, and if any unusual instances are identified, they are reported to the management and appropriate action is taken.

(2) Risk management framework

Risk management organization is divided into division in charge of risk management and division managing individual risks.

The Company's major risk management organization is as follows.

1) Risk Management Committee

The Risk Management Committee is comprised of three outside directors and has overall responsibility for establishing basic directions and major policies of risk management consistent with management strategies and setting appropriate risk limits for the Company.

2) Risk Management Council

The Risk Management Council sets the agenda that will be discussed at the Risk Management Committee, implements strategies established by the Risk Management Committee, sets the limit for each risk factor and prepares suitable solution when risk limit exceeds or may exceed the set limit.

3) Risk Management Team

The Company runs the Risk Management Team and a risk management unit for each risk to support the Risk Management Committee and the Risk Management Council. The Risk Management Team who is independent from the business operation departments plans and sees company level of financial and non-financial risk management by preparing risk management policies, regulations.

Risk Management Support Team, in charge of risk management, performs plan-see functions independent from Sales Department (including non-financial risk management) such as establishing risk management policies and plan, regulations and rules, and setting risk limits. Individual risk management departments perform Do functions and operate in 7 teams.

- Market risk: asset portfolio management team
- Credit risk: investment asset evaluation team/retail credit marketing team
- Interest rate: actuary infra team
- liquidity risk: accounting team
- Insurance risk: insurance risk management support team
- Variable insurance guarantee risk: variable hedge part

51-2) Regulatory capital adequacy

(1) Risk Based Capital (RBC)

The Company measures, manages and discloses RBC (e.g. Solvency) ratio according to the Regulation on Supervision of Insurance Business to maintain required capital for the solvency margin.

RBC is available capital (e.g. Solvency) divided by required capital (e.g. Solvency Threshold). Available capital represents how capable the Company is in paying the liabilities to policy holders, even in cases of unexpected loss or decline in the value of assets. Required capital is the risk amount of the Company. This ratio indicates insurance Company's financial strength and claim payment ability.

Available capital is comprised of capital, capital surplus and retained earnings. Required capital is computed considering insurance, interest rates, credit, market, operational risks and dispersion effect. In order to calculate risk based capital requirements, the computation is distinguished by insurance, interest, credit, market and operational risks considering the risk diversification effect. When the Company sets portfolio strategy, the impact of Risk Based Capital is considered and the internal risk quantity related to insurance, interest, credit, market and operational risks is measured through internal measurement models.

The FSS requires the Risk Based Capital to be maintained above 100% based on consolidated financial statements and for cases that do not meet the requirements, corrective actions will be taken so that financial competitiveness can be maintained.

	Solvency ratio	Remedial action
Improvement recommended	Above 50% and below 100%	-Requires increasing capital stock -Limits new business entering
Improvement required	Above 0% and below 50%	-Requires management replacement -Re-organization of subsidiaries
Improvement commanded	Below 0%	-Suspension of management duties -Insurance business suspension

(In millions of won)

(2) Measurement and management
The Company sets the total risk limits and guidance as a part of annual business plan to ensure, even though risks are possible, the risk capital (e.g. solvency margin) is greater than minimum required risk based capital on the standard guidelines promulgated by the Financial Supervisory Service. Risk capital is monitored on a monthly basis to maintain at appropriate level against the amount of total risks of the assets. The Company reviews acceptability of risk capital under the case of abnormally increased risks by conducting scenario method stress test for significant risk factors with supplementing the limitation of Value at Risk base measurement.

51-3) Insurance risk

(1) Overview
Insurance risk is the risk related to the insurance company's main service of contract acquisition and payment of insurance claims. Potential loss from insurance risk is incurred when there is a difference between the insurance premium collected from the policyholders and actual insurance claims paid.

(2) Management of insurance risk
Insurance risk management comprises of acceptance and administration of insurance contracts, calculation and adjustment of premium rate, review and payment of claims, reinsurance and closing accounts. Each insurance component is managed by a department operating for the risk component.
The Risk Management Team and other related departments conduct pre-emptive risk management when they develop or revise an insurance product. Insurance risk is continuously improved through regularly reviewing experience rate analysis, insurance risk measurement, underwriting and claims inspection process after product selling.

1) Underwriting
The Company reviews and improves the medical underwriting guideline based on the changes of medical environment. The Company reassesses and reinforces underwriting standards through profit and loss analysis over insurance contracts. Consultants are updated with the latest underwriting standards. The Company distributes underwriting manual for consultants to prevent miss-selling. Risk Management Supporting enhances the accuracy of the risk assessment over a subscribed insurance contract. It provides various risk information that are consistent and underwriting that is reasonable.

2) Risk management through reinsurance
The Company cedes an insurance contract to reinsurer if risks of the contract need to be transferred or diversified to ensure claims payment ability and to maintain financial sustainability of the Company. To achieve the objectives of reinsurance activity, the Company runs reinsurance business efficiently by profit-loss analysis, cedes insurance contracts to reliable reinsurer and observes relevant regulations through the internal control system.

3) Developing insurance product
When an insurance product is developed or revised, the Company prices insurance premium based on the analysis of expected and actual insurance risk difference and sensitivity to the risk factors. The Company also reviews the appropriateness of the premium and the profitability of the products through the historical loss experience analysis. The Company reviews compliance of risk management policy and appropriateness of expected profit-loss based on experience rate as a part of post selling risk management for a high risk product. Policy and underwriting standard of the product would be revised in line with the result of the review to improve insurance risk.

4) Assessment of claims requests and payment
A standard process for accepting requests and claims payment is enacted to regulate the assessment process of claims requests. The Company pays reasonable benefit using insurance risk management system score, assessment process by types of claims and historical insurance loss experience analysis. The Company monitors deficiency of insurance policy through claim assessment process, and based on that, modifies insurance policies and contracts. The claims payment process is continuously improved reflecting the result of insurance event inspection process monitoring, internal audit and customer complaints etc.

(3) Insurance risk amount
Insurance risk of a life insurance company is measured by insurance premium risk. Reserve risk is managed by liability adequacy test as fluctuation of reserve for life insurance product is insignificant and claims are paid within a short period of time.
Insurance premium risk exposure is insurance risk premium for accidents such as death, disease, etc incurred within as of December 31, 2021 and 2020 for all insurance contracts and the claims are to be paid for the next year.
The Company's insurance premium risk exposure and insurance premium risk amounts as of December 31, 2021 and 2020 are as follows:

		2021	
		Exposure	Insurance risk amount
Death	₩	464,747	78,000
Injury		45,354	33,893
Hospitalization		278,196	29,412
Operation, diagnosis		776,543	412,881
Medical expenses		244,064	79,340
Others		39,775	12,935
	₩	1,848,679	646,461
Before applying reinsurance ratio	₩		646,461
Possession ratio			92.59%

		2020	
		Exposure	Insurance risk amount
Death	₩	470,712	79,048
Injury		46,299	35,178
Hospitalization		282,335	29,863
Operation, diagnosis		755,980	399,980
Medical expenses		221,086	65,974
Others		39,236	13,267
	₩	1,815,648	623,310
Before applying reinsurance ratio	₩		623,310
Possession ratio			93.18%

(4) Credit risk from insurance contracts

(In millions of won)

1) Overview
Credit risk is the risk of financial loss to the Company due to debtor's bankruptcy or if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the risk amount (the unexpected loss) exceeds the expected loss, and credit risk from insurance contract arising mainly from reinsurer's default risk. The Company chooses blue chip reinsurance company based on the established standards including major financial indices used to assess the reinsurer for its credit rating, RBC, financial adequacy, ratio of market share etc. The Company regularly monitors if reinsurer's secure operation is maintained to prevent sudden decrease in its credit rating. If the Company finds that transactions with reinsurer are not secure, countermeasures such as contract termination take place.
2) Paid premium for ceded reinsurance based on credit ratings of reinsurer
The Company's ceded reinsurance premium for the years ended December 31, 2021 and 2020 amounted to ₩147,848 million and ₩132,834 million respectively and all the counter parties have credit rating above AA-.
3) Asset details with reinsurers based on credit ratings
The Company's reinsurance receivables as of December 31, 2021 and 2020 amounted to ₩100,961million and ₩89,828 million, respectively and all the counterparties have credit rating above AA-.
(5) Market risk from insurance contracts
1) Overview
Market risk from insurance contracts is the risk that rises from the changes in market prices such as foreign exchange rates, interest rates and equity prices in certain insurance contract such as unit-linked variable or variable interest rate product that produces additional benefits (Guaranteed Minimum Death Benefit (GMDB), Guaranteed Minimum Annuity Benefit (GMAB) etc.) due to the contract term of providing guarantee amount above the contracted value.
2) Management of minimum guarantee risk of unit-linked variable products
The Company uses two types of risk management approaches for minimum guarantee risk of unit-linked variable products. For the passive management, the Company recognizes option and guarantees liability or reserves certain amount of the capital to cover the expected loss. For more active management, the guarantee risk of unit-linked variable products is measured and limited at the product development stage and static and dynamic hedging method or reinsurance can be used to mitigate the risk.
The Guarantee Risk Management task force team establishes optimal guarantee risk management strategy by continuously monitoring guarantee risk and analyzing effectiveness of the risk management strategy.
3) Liabilities of the interest rate-linked product for the minimum interest guarantee risk as of December 31, 2021 and 2020 are as follows:
`

		2021	2020
Below 0%	₩	70,115	73,143
Over 0% and below 2%		24,022,089	20,744,546
Over 2% and below 3%		5,807,965	6,625,347
Over 3% and below 4%		12,049,346	11,555,297
Over 4%		2,219,157	2,149,773
	₩	44,168,672	41,148,106

The guaranteed minimum interest rate is specified in insurance terms. The Company records the guarantee reserve if the disclosed interest rate is lower than the guaranteed minimum interest rate of the variable products.
4) Minimum guarantee risk of unit-linked variable products
Minimum guarantee risk of unit-linked variable products amounts as of December 31, 2021 and 2020 are as follows:

		2021	2020
GMAB	₩	7,791	28,368
GMDB		264,425	269,383
GMWB		132	121
GLWB		17,670	17,301
Other		1,095	1,378
	₩	291,113	316,551

51-4) Interest rate risk
(1) Overview
Interest rate risk is the risk in decrease of net assets incurred from interest rate fluctuation. It arises from the maturity structure and interest rate differences between interest bearing assets and liabilities.
(2) Measurement and management
1) Measurement
The Company measures interest rate risk with both the standard model and the internal model enacted by the Financial Supervisory Service. Interest risk calculation formula was as follows:

Interest rate risk	=	MAX{((interest bearing liabilities' exposure X liabilities' duration – interest bearing assets' exposure X asset duration) X interest rate variance), Risk amount of minimum interest} + Negative interest spread risk
Internal model	=	(interest bearing liabilities' exposure X liabilities' duration - interest bearing assets' exposure X asset duration) X interest rate variance

Duration:	:	Cash flow weighted average maturity or average recovery period of investment amount or price sensitivity to the change of interest.
Risk amount of minimum interest	:	Fixed interest liabilities X 2.83% + other liabilities X (1.41%~2.83%)

Interest risk amount by Standard model of Financial Supervisory Service RBC system is calculated by multiplying exposure of interest bearing asset and liability by duration. Whereas, the internal model calculates interest risk amount using effective duration calculated from the cash flow considered by the attributes of interest

(In millions of won)

bearing assets and liabilities.
The confidence level of interest risk in internal model applies 99% (the probability of once occurring once in 100 years) as the same with the interest risk in standard model.
2) Management
Within an Asset Liability Management Framework, the Company is seeking to reduce the duration gap in the mid and long term view by increasing interest bearing asset duration or asset amount or, decreasing liability duration. The Company sets the interest rate risk limit amount considering equity capital, solvency margin and risk management polices etc. and emergency situation scenario test assuming the unexpected abnormal economic crisis is also conducted on a regular basis.
3) Interest risk exposure
Exposure to interest bearing asset and liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Interest bearing asset:			
Due from banks	₩	1,638,077	917,207
Investment securities (*)		60,216,293	58,780,482
Loan receivables		21,861,918	20,709,734
Interest rate derivatives		750,000	-
		84,466,288	80,407,423
Interest bearing liabilities:			
Fixed interest rate contract	₩	29,731,219	29,424,303
Interest rate linked contract		44,168,672	41,148,106
		73,899,891	70,572,409

(*) Including debt securities and bond type beneficiary certificate in available-for-sale financial instruments.

51-5) Credit risk

(1) Overview
Credit risk is the risk of financial loss to the Company due to debtor's bankruptcy or if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the risk amount (the unexpected loss) exceeds the expected loss.
(2) Measurement and management
The Company measures credit risk using the standard model and the internal model. The standard model calculates credit risk amount according to the fourth clause of Article 7-2 of the Regulation on Supervision of Insurance Business.
The internal model calculates credit risk amount using VaR (Value at Risk) calculated from the Company's Credit Risk Management System after reflecting correlation and portfolio distribution effect. For corporate borrower, the Company uses mark-to-market method, and for individual borrower, the Company uses Default Mode (DM) using loan pool.
The Company manages credit risk by setting VaR limit and maximum credit exposure. Compliance with credit risk management policy is monitored by checking the breaches of the VaR limit on a monthly basis, and reviewing the risk tolerance by analyzing credit risk amount under normal and stress situation.
The Company sets credit exposure limit for each borrower base on its industry and credit rating. The conformity of this limit is reviewed every month. After the loan initiation, credit review for each significant borrower is performed regularly. The Company revises exposure limit, decreases credit line, collects the loan or increases collateral if any symptom of credit rating drop.
Appropriate steps, such as collection, are taken when the borrower's credit rating becomes speculative. The Company establishes action plan by reviewing the financial structure and payment ability of the currently or potentially problematic borrowers through the designated a unit (e.g. Investment Analysis Team, Loan Management Team).
(3) Maximum exposure to credit risk
The Company's maximum exposure to credit risk as of December 31, 2021 and 2020 are as follows:

		2021	2020
Cash and due from banks (*1)	₩	1,638,077	917,207
Financial assets designated at fair value through profit or loss		868	-
Available-for-sale financial assets (*2)		45,141,056	49,327,262
Held to maturity financial assets		4,551,725	-
Loan receivables (*3)		21,892,757	20,734,759
Other receivables (*3)		692,333	695,534
Derivative assets		120,340	972,315
	₩	74,037,156	72,647,077
Undrawn loan commitment		2,991,811	3,159,956

(*1) The maximum exposure amounts for cash and due from banks in the statement of financial position exclude cash on hand without credit risk.
(*2) Financial instruments of equity securities in available-for-sale financial assets in the statement of financial position are excluded.
(*3) The maximum exposure amounts for loans and other receivables are presented as net of allowance.

(4) Impairment information of loan receivables
Past due or impairment information for loan receivables as of December 31, 2021 and 2020 are as follows:

		2021	2020
Neither past due nor impaired	₩	21,838,850	20,691,835
Past due but not impaired		59,791	72,345

(In millions of won)

Impaired		37,520	40,130
		21,936,161	20,804,310
Less: allowance		(43,404)	(69,551)
	₩	21,892,757	20,734,759

(5) Credit soundness of loan receivables neither past due nor impaired

Credit soundness of loan receivables that are neither past due nor impaired as of December 31, 2021 and 2020 are as follows:

2021

		Policy loan receivables	Loan receivables Secured by Securities	Loan receivables Secured by real estate	Unsecured loan receivables and guaranteed loan receivables	Other loan receivables	Total
Risk-free	₩	-	-	-	2,712,623	-	2,712,623
AAA		-	-	114,728	1,081,563	15,737	1,212,028
AA+ ~ AA-		-	-	-	915,377	233,558	1,148,935
A+ ~ BBB-		-	-	120,104	450,371	197,668	768,143
BBB- and below		-	20,000	-	-	-	20,000
Unrated		-	-	3,095,623	3,067,129	-	6,162,752
Other		6,339,663	-	2,244,029	1,229,454	1,223	9,814,369
		6,339,663	20,000	5,574,484	9,456,517	448,186	21,838,850
Less: allowance		-	(245)	(1,561)	(14,404)	(330)	(16,540)
	₩	6,339,663	19,755	5,572,923	9,442,113	447,856	21,822,310
Mitigation of credit risk due to collateral	₩	6,339,663	20,000	2,357,645	51,209	1,223	8,769,740

2020

		Policy loan receivables	Loan receivables Secured by real estate	Unsecured loan receivables and guaranteed loan receivables	Other loan receivables	Total
Risk-free	₩	-	-	2,835,660	-	2,835,660
AAA		-	121,997	1,288,180	14,711	1,424,888
AA+ ~ AA-		-	-	494,910	222,467	717,377
A+ ~ BBB-		-	134,667	457,364	187,117	779,148
Unrated		-	3,311,853	2,277,539	-	5,589,392
Other		6,104,330	2,144,769	1,094,376	1,895	9,345,370
		6,104,330	5,713,286	8,448,029	426,190	20,691,835
Less: allowance		-	(12,433)	(27,146)	(1,942)	(41,521)
	₩	6,104,330	5,700,853	8,420,883	424,248	20,650,314
Mitigation of credit risk due to collateral	₩	6,104,330	2,262,024	76,854	1,894	8,445,102

Credit rating above is classified by Risk Based Capital Manual enacted by the FSS. Retail loan included in other is classified by internal credit rating which is rated by Behavior Scoring System (BSS).

Classification of retail loan as of December 31, 2021 and 2020 are as follows:

		2021	2020
Gilts (Grade1~4)	₩	2,139,080	1,803,739
Normal (Grade5~8)		1,035,964	956,869
Disadvantage (Grade 9~10)		4,544	7,259
Other (i.e. risk free, etc.)		292,830	467,666

(In millions of won)

	₩	3,472,418	3,235,533

(6) Aging analysis of loan receivables that were past due but not impaired

Aging analysis of loan receivables that were past due but not impaired as of December 31, 2021 and 2020 are as follows:

		2021				
		Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Other loan receivables	Total
Less than 30 days	₩	30,688	22,732	1,779	47	55,246
31~60 days		320	2,163	384	-	2,867
61~90 days		22	1,638	18	-	1,678
		31,030	26,533	2,181	47	59,791
Less: allowance		(10)	(2,443)	(2)	-	(2,455)
	₩	31,020	24,090	2,179	47	57,336
Mitigation of credit risk due to collateral	₩	31,017	-	2,181	47	33,245

		2020			
		Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Total
Less than 30 days	₩	42,379	22,604	2,136	67,119
31~60 days		526	2,330	403	3,259
61~90 days		129	1,838	-	1,967
		43,034	26,772	2,539	72,345
Less: allowance		(135)	(2,432)	(2)	(2,569)
	₩	42,899	24,340	2,537	69,776
Mitigation of credit risk due to collateral	₩	42,903	-	2,539	45,442

(7) Impaired loan receivables

Impaired loan receivables as of December 31, 2021 and 2020 are as follows:

		2021					
		Individual assessing	Collective assessing				
		Unsecured loan receivables	Policy loan receivables	Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Total
Impaired	₩	8,961	1,887	3,188	20,330	3,154	37,520
Less: allowance		(8,961)	(1,887)	(86)	(13,314)	(161)	(24,409)
	₩	-	-	3,102	7,016	2,993	13,111
Mitigation of credit risk due to collateral	₩	-	-	3,177	-	3,154	6,331

		2020					
		Individual assessing	Collective assessing				
		Unsecured loan receivables	Policy loan receivables	Loan receivables secured by real estate	Unsecured loan receivables	Guaranteed loan receivables	Total
Impaired	₩	8,961	1,519	5,307	20,035	4,308	40,130
Less: allowance		(8,961)	(1,519)	(818)	(13,943)	(220)	(25,461)

(In millions of won)

	₩	-	-	4,489	6,092	4,088	14,669
Mitigation of credit risk due to collateral	₩	-	-	5,161	-	4,308	9,469

(In millions of won)

(8) Risk concentration by industry sector of loan receivables
An analysis of concentration by industry sector of loan receivables as of December 31, 2021 and 2020 are as follows:

		2021						
		Real estate and lease	Whole sale, retail, Transportation & lodging	Finance and insurance	Electricity, gas, stream and water supply	Construction	Others	Total
Policy loan receivables	₩	612	9,351	534	3,150	6,266	6,321,637	6,341,550
Loan receivables secured by securities		-	-	-	-	-	20,000	20,000
Loan receivables secured by real estate		1,404,428	59,129	1,752,169	-	-	2,392,977	5,608,703
Unsecured loan receivables		2,075,201	823,318	706,667	1,534,119	1,029,890	2,263,923	8,433,118
Guaranteed loan receivables		602,508	-	-	-	339,983	142,068	1,084,559
Other loan receivables		144,069	93,014	-	176,448	-	34,700	448,231
	₩	4,226,818	984,812	2,459,370	1,713,717	1,376,139	11,175,305	21,936,161

		2020						
		Real estate and lease	Whole sale, retail, Transportation & lodging	Finance and insurance	Electricity, gas, stream and water supply	Construction	Others	Total
Policy loan receivables	₩	813	6,447	547	3,916	6,972	6,087,154	6,105,849
Loan receivables secured by real estate		1,556,694	51,200	1,840,275	-	-	2,313,457	5,761,626
Unsecured loan receivables		1,568,581	863,594	694,497	1,382,026	666,584	2,043,091	7,218,373
Guaranteed loan receivables		686,420	-	-	-	438,983	166,868	1,292,271
Other loan receivables		181,941	87,074	-	124,599	-	32,577	426,191
	₩	3,994,449	1,008,315	2,535,319	1,510,541	1,112,539	10,643,147	20,804,310

(9) Credit rating of debt securities
Credit rating of debt securities as of December 31, 2021 and 2020 are as follows:

		2021						
		Government and public bonds	Special bonds	Financial institutions bonds	Corporate bonds	Overseas securities	Other Securities	Total
Risk-free	₩	22,393,201	3,368,426	-	658,192	3,309,213	-	29,729,032
AAA		-	3,945,656	83,390	1,426,094	10,680,029	-	16,135,169
AA+ ~ AA-		-	426,916	848,547	768,078	1,455,276	-	3,498,817
A+ ~ BBB-		-	-	-	49,701	266,882	-	316,583
BBB- and below		-	-	-	6,467	1	-	6,468
Unrated		-	-	-	738	5,974	868	7,580
	₩	22,393,201	7,740,998	931,937	2,909,270	15,717,375	868	49,693,649

2020

(In millions of won)

		Government and public bonds	Special bonds	Financial institutions bonds	Corporate bonds	Overseas securities	Total
Risk-free	₩	19,936,229	3,806,416	-	724,925	4,619,332	29,086,902
AAA		-	4,225,216	96,398	1,581,874	10,364,528	16,268,016
AA+ ~ AA-		-	411,487	887,952	917,505	1,503,033	3,719,977
A+ ~ BBB-		-	-	-	20,399	215,715	236,114
BBB- and below		-	-	-	9,982	1	9,983
Unrated		-	-	-	727	5,543	6,270
	₩	19,936,229	8,443,119	984,350	3,255,412	16,708,152	49,327,262

(10) Risk concentration by industry sector of debt securities
An analysis of concentration by industry sector of debt securities as of December 31, 2021 and 2020 are as follows:

2021

		Government owned entity	Finance and insurance	Electricity, gas, stream and water supply	Construction	Real estate and lease	Others	Total
Financial assets designated at fair value through profit or loss	₩	-	-	-	-	-	868	868
Available-for-sale financial assets		31,131,129	3,638,313	2,509,021	1,601,330	80,566	6,180,697	45,141,056
Held-to-maturity financial assets		3,229,350	20,846	-	250,000	-	1,051,529	4,551,725
	₩	34,360,479	3,659,159	2,509,021	1,851,330	80,566	7,233,094	49,693,649

2020

		Government owned entity	Finance and insurance	Electricity, gas, stream and water supply	Construction	Real estate and lease	Others	Total
Available-for-sale financial assets	₩	33,185,616	4,866,122	2,887,806	1,731,808	84,512	6,571,398	49,327,262

(11) Risk concentration by geographic location of debt securities
Risk concentration by geographic location of debt securities as of December 31, 2021 and 2020 are as follows:

2021

		Korea	USA	U.K.	France	China	Others	Total
Financial assets designated at fair value through profit or loss	₩	868	-	-	-	-	-	868
Available-for-sale financial assets		31,131,129	3,638,313	2,509,021	1,601,330	80,566	6,180,697	45,141,056
Held-to-maturity financial assets		3,229,350	20,846	-	250,000	-	1,051,529	4,551,725
	₩	34,361,347	3,659,159	2,509,021	1,851,330	80,566	7,232,226	49,693,649

(In millions of won)

	2020						
	Korea	USA	U.K.	France	China	Others	Total
Available-for-sale financial assets	₩ 35,934,694	9,504,675	292,662	2,018,918	21,502	1,554,811	49,327,262

51-6) Market risk

(1) Overview

Market risk is the risk that the Company incurs loss due to decrease in asset value caused by changes in market prices such as foreign exchange rates, interest rates and stock prices.

(2) Measurement and management

The Company measures market risk using the standard model and the internal model. The standard model evaluates the market risk according to the fifth clause of Article 7-2 of the Regulation on Supervision of Insurance Business. One-year 99% VaR is utilized for the internal model. The Company mainly uses the delta-normal method that assumes normal distribution return rate and linear valuation. The Company also measures daily VaR based on simulation method as an assistance method. The market risk limit is set up based on VaR and monitored daily so that it stays below the annual market risk limit. Other than VaR, the sensitivity indices, for instance, the duration and the beta are used as a supplementary market risk measurement. In order to supplement VaR measurement method, loss measurement is conducted under a variety of scenarios covering severe market condition such as IMF or financial economic crisis in 2008. The Company regularly reviews the impact of loss on profit or loss before dividends and RBC ratio and establishes countermeasure plan. In addition, the Company maintains adequate level of risk in holding equities by managing investment limit and foreign exchange translation hedge of asset group that influences market risk.

(3) Sensitivity analysis of risk factors such as interest rate

Sensitive analysis of foreign exchange rate, interest rate and equity market as of December 31, 2021 and 2020 are as follow:

	2021			
	Risk factor		Income effect (*1)	Capital effect (*2)
Foreign exchange	₩ 100 increase in KRW/USD FX Rate	₩	52,162	50,921
	₩ 100 decrease in KRW/USD FX Rate		(52,162)	(50,921)
Interest rate	100bp increase		(8,795)	(1,996)
	100bp decrease		8,795	1,996
Stock prices	10% increase in equity index		-	108
	10% decrease in equity index		-	(108)

	2020			
	Risk factor		Income effect (*1)	Capital effect (*2)
Foreign exchange	₩ 100 increase in KRW/USD FX Rate	₩	46,898	21,589
	₩ 100 decrease in KRW/USD FX Rate		(46,898)	(21,589)
Interest rate	100bp increase		(26,235)	(4,618)
	100bp decrease		26,235	4,618
Stock prices	10% increase in equity index		-	97
	10% decrease in equity index		-	(97)

(*1) Profit before income tax expenses.

(*2) Changes in accumulated other comprehensive income are calculated before adjusting policyholders' equity and allocating the deferred tax.

51-7) Liquidity risk

(1) Overview

Liquidity risk is the risk that the Company is unable to meet its payment obligations arising from financial liabilities as they fall due or raise funds with high interest rates and unfavorable disposal of securities to solve the shortage of funds or facing inability to pay due to unexpected cash flows.

(2) Recognition and management

1) Management index of liquidity risk

Liquidity risk is measured by liquidity gap and liquidity ratio. Liquidity ratio is the percentage of the Company's assets convertible to cash with the within 3 months maturities against claims paid for the past three months. This ratio measures the Company's appropriateness of its current asset volume. The Company maintains its liquidity ratio around 150% for the past 1 year which is grade 1 rating recognized by Financial Supervisory Services.

Liquidity gap is the index representing shortage or oversupply of the cash flow within a month, a quarter, half a year, and more than a year. The Company calculates liquidity gap on a monthly or weekly basis and manages supply and demand schedule of the cash flow to ensure this index stays in positive.

2) Management

Regular monitoring of funds supply and demand schedule

All cash flow information from financial assets and liability and insurance liability is gathered for liquidity risk management on a monthly or weekly basis to prepare for unforeseen cash flow surplus and deficit. And funds are daily checked if they flow by the schedule and any changes are reflected on the fund schedule. For the analysis of long-term cash flow projection of insurance liability, the Company utilizes ALM system. The Company prepares for unforeseen cash flow deficit caused by the concentrated number of maturities.

Maintaining target liquidity fund level

The Company keeps a certain amount of the liquidity fund to prepare for unexpected liquidity deficit. The level of liquidity fund is revised dynamically in line with trend of the financial market status and the volatility of claim payments.

Liquidity Contingency Plan

The Company sets a contingency plan to appropriately respond to emergency situation such as the massive claim of the cash payment in an economic crisis.

Liquidity contingency plan defines an action plan regarding the priorities of funding, roles & responsibilities of each department and the form of the emergency committee. Simulated liquidity exercise under various possible scenarios is performed regularly so as to investigate and improve its contingency plans.

(3) Liquidity risk exposure

		2021					
		Less than 3 months	3~6 months	6 months~ 1 year	1~5 years	More than 5 years	Total
Insurance contracts and financial liabilities:							
Liabilities under insurance contracts	W	373,643	405,703	1,163,306	7,050,439	68,494,445	77,487,536
Derivative liabilities		92,819	40,341	54,993	306,710	41,076	535,939
Other financial Liabilities (*1)		369,880	3,333	9,707	175,977	3,915	562,812
	W	836,342	449,377	1,228,006	7,533,126	68,539,436	78,586,287
Commitments:							
Loan receivables commitments (*2)		2,991,811	-	-	-	-	2,991,811
Equity investment commitments (*2)		4,667,152	-	-	-	-	4,667,152
	W	7,658,963	-	-	-	-	7,658,963

(*1) Lease liabilities are excluded (See Note 23. (3)).
(*2) These are the maximum amounts that the Company may pay in future by the contract. As of December 31, 2021, the Company expects that actual payments will be less than the commitment amounts in consideration of past experiences and characteristics of commitment, and it is difficult to reasonably estimate the timing, amounts, and feasibility of actual payment.

		2020					
		Less than 3 months	3~6 months	6 months~ 1 year	1~5 years	More than 5 years	Total
Insurance contracts and financial liabilities:							
Liabilities under insurance contracts	₩	313,440	305,476	629,082	6,594,121	67,267,511	75,109,630
Derivative liabilities		10,947	26,207	7,981	91,797	16,277	153,209
Other financial Liabilities (*1)		345,622	1,161	11,150	144,021	961	502,915
	₩	670,009	332,844	648,213	6,829,939	67,284,749	75,765,754
Commitments:							
Loan receivables commitments (*2)		3,159,956	-	-	-	-	3,159,956
Equity investment commitments (*2)		3,643,940	-	-	-	-	3,643,940
	₩	6,803,896	-	-	-	-	6,803,896

(*1) Lease liabilities are excluded (See Note 23. (3)).
(*2) These are the maximum amounts that the Company may pay in future by the contract. As of December 31, 2020, the Company expects that actual payments will be less than the commitment amounts in consideration of past experiences and characteristics of commitment, and it is difficult to reasonably estimate the timing, amounts, and feasibility of actual payment.

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Independent Auditors' Review Report on Internal Control Over Financial Reporting

English translation of a Report Originally Issued in Korean

The Chief Executive Officer
Kyobo Life Insurance Co., Ltd.

We have reviewed the accompanying management's report on the operations of the internal control over financial reporting (the "ICFR") of Kyobo Life Insurance Co., Ltd. (the "Company") as of December 31, 2021. The Company's management is responsible for the effective design and operations of its ICFR, including the reporting and its operations. Our responsibility is to review management's ICFR report and issue a report based on our review. The management's report on the operations of the ICFR of the Company states, "Based on the assessment of the operations of the ICFR as of December 31, 2021, no material weakness, in any material respects, has been identified for the standpoint of the Best Practice Guideline for ICFR"

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain assurance of a less than an audit as to management's report on the operations of the ICFR. Our review include the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company's ICFR consists of an establishment of related policies and organization to ensure that is designed to provide reliability in preparation of financial statements and financial reporting for external purposes in accordance with Korean International Financial Reporting Standards ("KIFRS"). However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of management's report on the operations of the ICFR, nothing has come to our attention that causes us to believe that the management's report referred to above is not presented fairly, in all material respects, in accordance with the Best Practice Guideline for ICFR.

We conducted our review of the ICFR in place as of December 31, 2021, and we did not review the ICFR subsequent to December 31, 2021. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

March 11, 2022

Notice to Readers

This report is annexed in relation to the audit of the financial statements as of December 31, 2021.

(In millions of won)

Internal Control over Financial Reporting Operating Status Report

To the Shareholders, Board of Directors, and Audit Committee of Kyobo Life Insurance Co.,Ltd.

We, as the Chief Operating Officer and the Internal Accounting Manager of Kyobo Life Insurance Co., Ltd. ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting("ICFR") for the year ending December 31, 2021 .

Design and operation of ICFR is the responsibility of the Company's management, including the Chief Operating Officer and the Internal Accounting Manager(collectively, "We", "Our" or "Us").
We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors of frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.
We used the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' established by the Operating Committee of Internal Control over Financial Reporting in Korea (the "ICFR Committee") as the criteria for design and operation of the Company's ICFR.
And we conducted an evaluation of ICFR based on the 'Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting' established by the ICFR Committee.

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2021 , in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify the this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

March 4, 2022

Your Hyun Yun
COO (Chief Operating Officer)
Kyoung Bae Kim
Internal Accounting Manager

Business Network

Global Business Organizations

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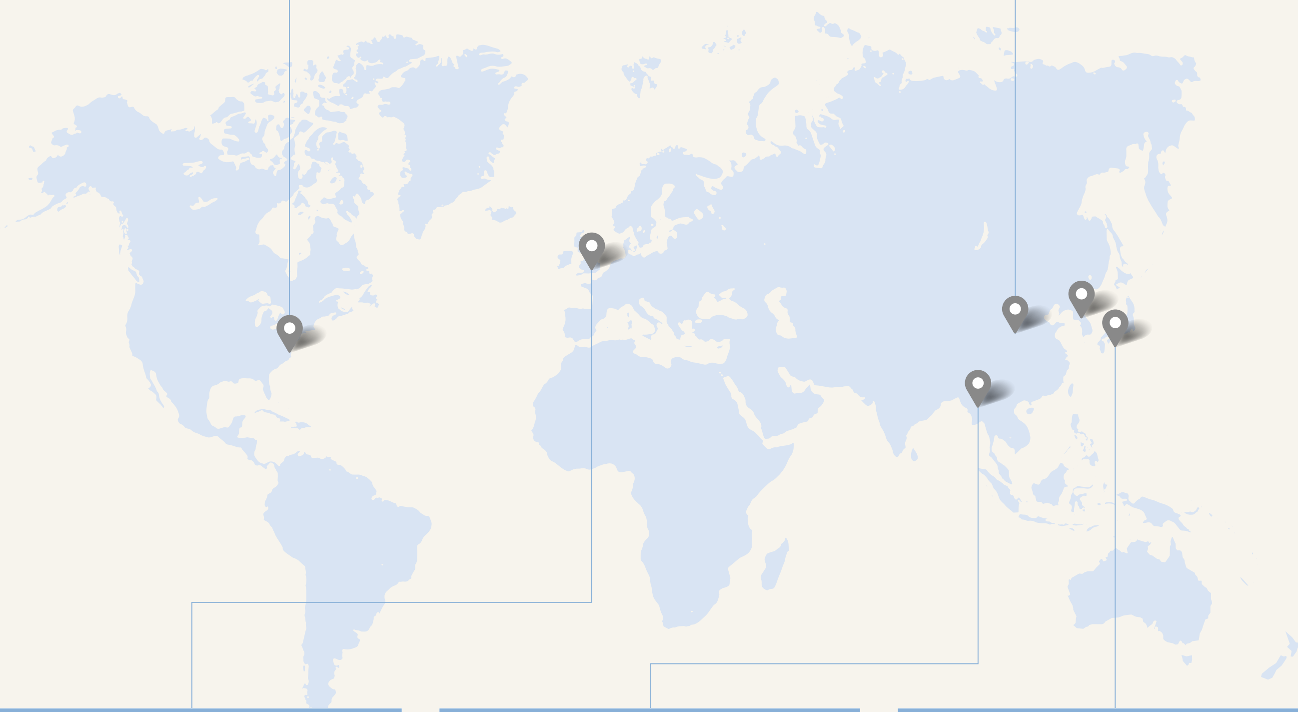

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KYOBO LIFE ASSET MANAGEMENT CO., LTD. (JAPAN)

KYOBO LIFE ASSET MANAGEMENT (JAPAN) CO., Ltd.
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OFFICE Tel : 81-3-6206-1398

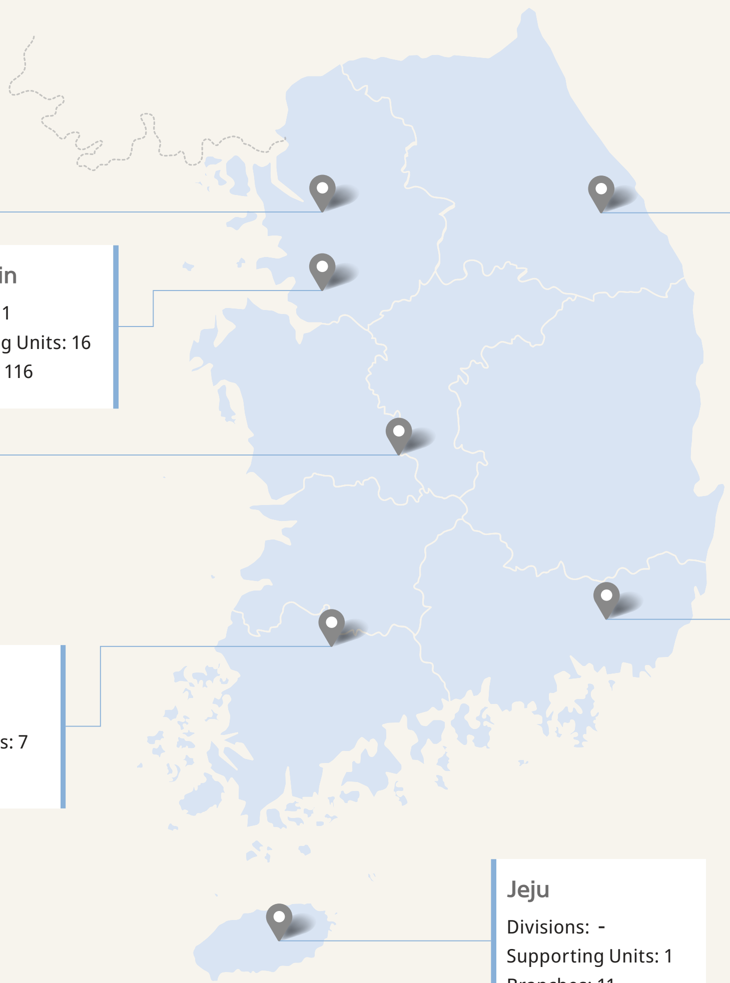
(As of Feb. 28, 2022)

Domestic Business Organizations

Total

Divisions	Supporting Units	Branches
7	70	488

FP Divisions	Supporting Units			Branches		
	FP	GFP	Direct	FP	GFP	Direct
7	62	5	3	439	30	19



Seoul
Divisions: 2
Supporting Units: 20
Branches: 128

Gangwon
Divisions: -
Supporting Units: 2
Branches: 13

Gyeongin
Divisions: 1
Supporting Units: 16
Branches: 116

Joongbu
Divisions: 1
Supporting Units: 5
Branches: 43

Youngnam
Divisions: 2
Supporting Units: 19
Branches: 133

Honam
Divisions: 1
Supporting Units: 7
Branches: 44

Jeju
Divisions: -
Supporting Units: 1
Branches: 11

(As of Feb. 28, 2022)