

Ensuring Better Life for All

Annual Report
2020



CONTENTS

INTRODUCTION

- 003 R.E.N.E.W. 2021
- 008 CEO Message
- 010 Company Profile
- 011 Financial Highlights
- 012 Shareholder Information
- 013 Vision & Strategy
- 014 Corporate Governance
- 016 Awards & Recognitions

CORE COMPETENCY

- 018 Risk Management
- 020 Digital Transformation
- 022 Global Business
- 023 Global Network
- 024 ESG Leadership
- 026 Social Contribution

MANAGEMENT'S DISCUSSION & ANALYSIS

- 028 Management's
Discussion & Analysis

OPERATION REVIEW

- 032 KB Kookmin Bank
- 036 KB Securities
- 037 KB Insurance
- 038 KB Kookmin Card
- 039 Prudential Life Insurance
- 040 KB Asset Management
- 040 KB Capital
- 041 KB Life Insurance
- 041 KB Real Estate Trust
- 042 KB Savings Bank
- 042 KB Investment
- 043 KB Data Systems
- 043 KB Credit Information

FINANCIAL SECTION

- 045 Consolidated Financial Statements
- 144 Separate Financial Statements

APPENDIX

- 178 Company Directory
- 178 Global Network
- 181 Disclaimer

Delivering more convenience and better benefit to customers

Korea's leading financial group, KB Financial Group ceaselessly explore diverse avenues of innovation in developing products and services that will help change the world for the better.

In 2020, KB Financial Group solidified its position as a leading financial group with a diversified and balanced business portfolio, proactively responding to changes in financial business environment preemptively. We also made significant progress in our global business for securing growth engines for the future.

In terms of financial performance in 2020, KB Financial Group's total assets amounted to KRW 610.7 trillion, up by KRW 92.7 billion stemming mostly from solid growth in bank loans and acquisition of Prudential Life Insurance and Prasac Microfinance in Cambodia. Group Net income for 2020 posted 3,455 billion, increased by 4.3% from the previous year increasing core earnings, pursuing inorganic growth through M&A, and preemptively reinforcing risk management. KB Financial Group set an industry record by exceeding a KRW 3 trillion mark in net income for four years in a row.

The Korean economy is entering into New Normal, characterized by low rate and low growth. Proactively responding to the coming paradigm shift in the financial market where opportunity and crisis coexist, KB Financial Group will stay focused on strengthening competitive advantages implementing the 'R.E.N.E.W. 2021' strategy.

'R.E.N.E.W.' stands for the initiatives to be taken in 2021 as follows:

- Reinforce the Core** Reinforce the core competitive advantages
- Expansion of Global & New Biz** Expanding global and new business for new growth drivers
- No. 1 Platform** No.1 customer-centric financial platform innovation
- ESG Leadership** ESG leadership internalization through expansion toward sustainable management structure
- World Class Talents & Culture** World-class talents and culture through the Up-skill & Re-skill

In 2021, KB Financial Group will focus on strengthening the core competitive advantages of its key operations, bolstering non-financial businesses such as auto, real estate, healthcare as well as financial business, thereby securing future growth engine, with the goal of becoming a No.1 financial platform company that stays sustainable and is most customer-friendly through digital innovation.

R.E.N.E.W. 2021



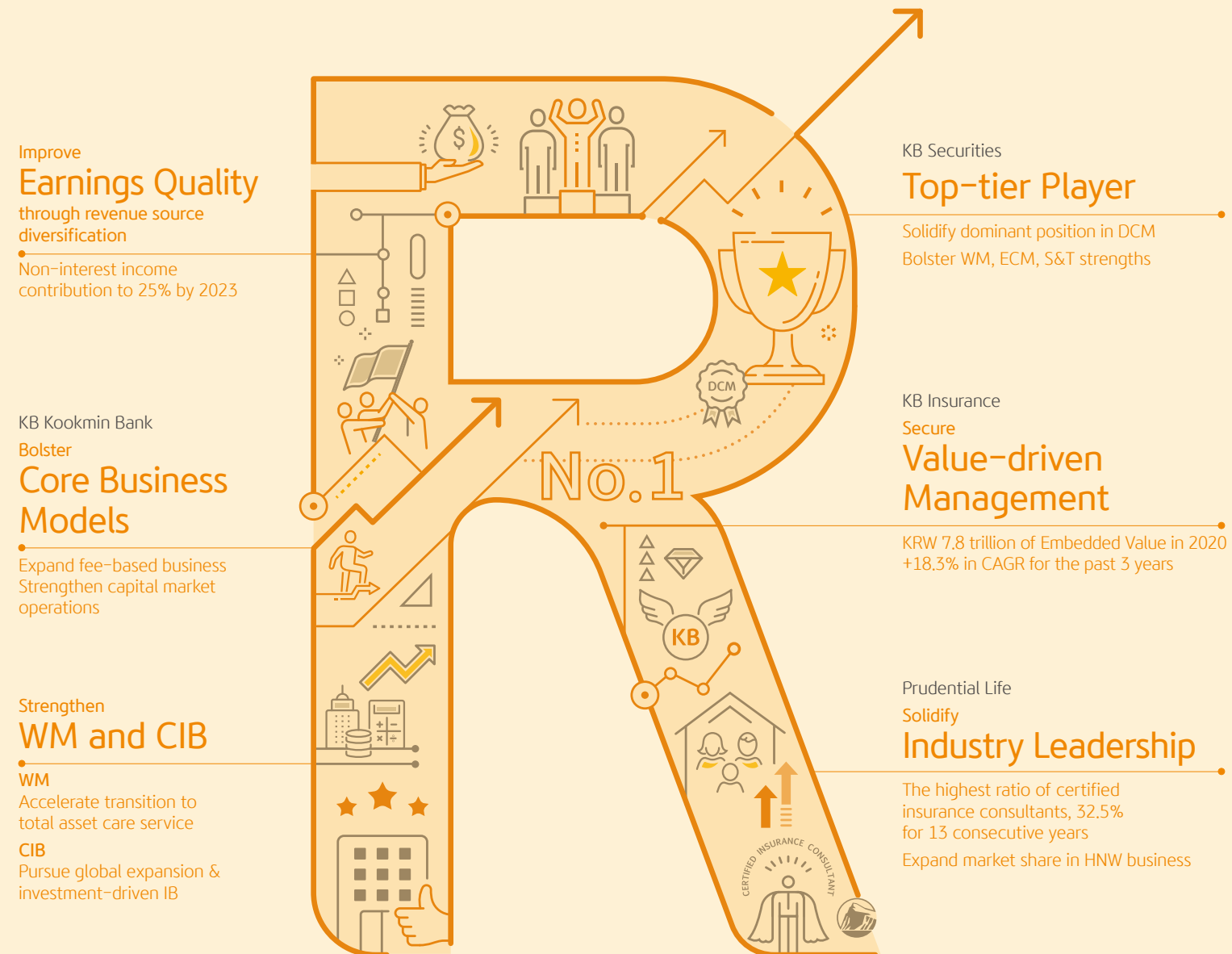
Reference page

Website link

KB Financial Group publishes its annual report every year in English in its efforts to better communicate with its stakeholders at home and abroad. KB Financial Group 2020 Annual Report, in particular, is published as an interactive PDF, allowing readers to move quickly and easily to pages in the report, and including shortcuts to related web pages, for more effective stakeholder communication in digital environment.

Reinforce the Core

KB Financial Group will become a solid No. 1 in banking and a top-tier player in non-banking. To this end, we will diversify our revenue base and bolster inherent competitive advantages by strengthening the core business models as well as the overall competitiveness of its key subsidiaries, KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, Prudential Life.



Expansion of Global & New Biz

KB Financial Group will strengthen its global business with a two-track strategy of expanding into the Southeast Asian and advanced markets; and will secure new growth drivers based on the 'Beyond Finance' management philosophy of growing not only traditional banking, but also non-financial platforms including auto, real estate, healthcare, telecommunication.

☰ Reference page P. 022

Broaden Global Operation

Net profit from global operation contribution to 10% by 2023

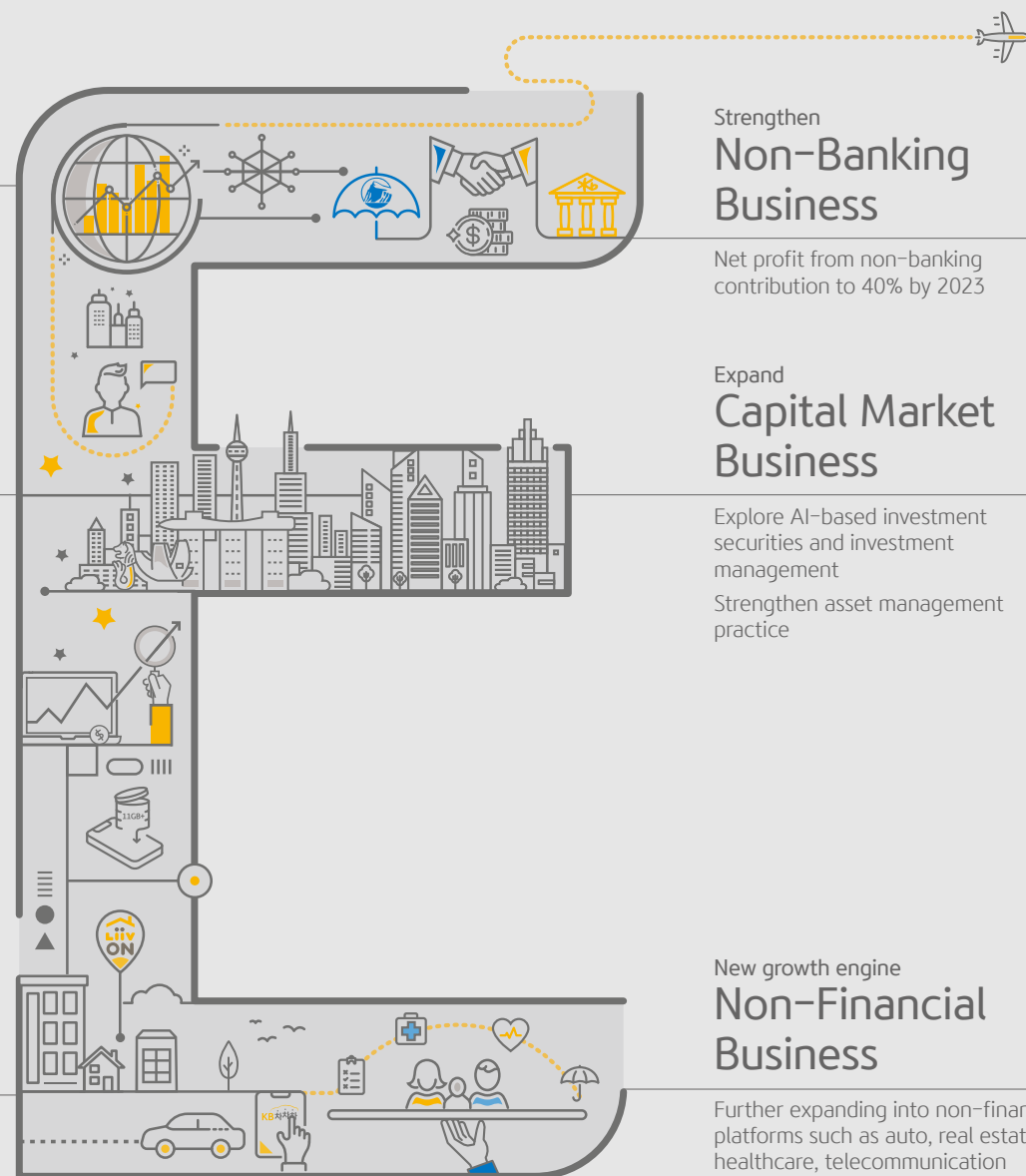
Indonesia Comprehensive Financial Group

Growing into a comprehensive financial service provider on synergies among bank, insurance, credit card and capital businesses, in Indonesia

- **Banking** (PT Bank Bukopin)
- **Micro Finance** (PT KB Finansia Multi Finance, PT Sunindo Kookmin Best Finance)
- **Insurance** (PT KB Insurance Indonesia)

Accelerate Inroads to Cambodia

Convert Prasac Microfinance, into a leading commercial bank by 2023



Strengthen Non-Banking Business

Net profit from non-banking contribution to 40% by 2023

Expand Capital Market Business

Explore AI-based investment securities and investment management
Strengthen asset management practice

New growth engine Non-Financial Business

Further expanding into non-financial platforms such as auto, real estate, healthcare, telecommunication in terms of 3Ts.

*3Ts : Traffic Time-Sharing Transaction

Global Network



No.1 Platform

KB Financial Group will transform into a most trusted 'No.1 financial platform' through customer-centric bold innovation initiatives on the strengths of incomparable advantages—one stop financial services, extensive customer base, efficient channels and trailblazing digital innovations.

☰ Reference page P. 020

KB's top 3 key apps-centered Digital Platform Transformation

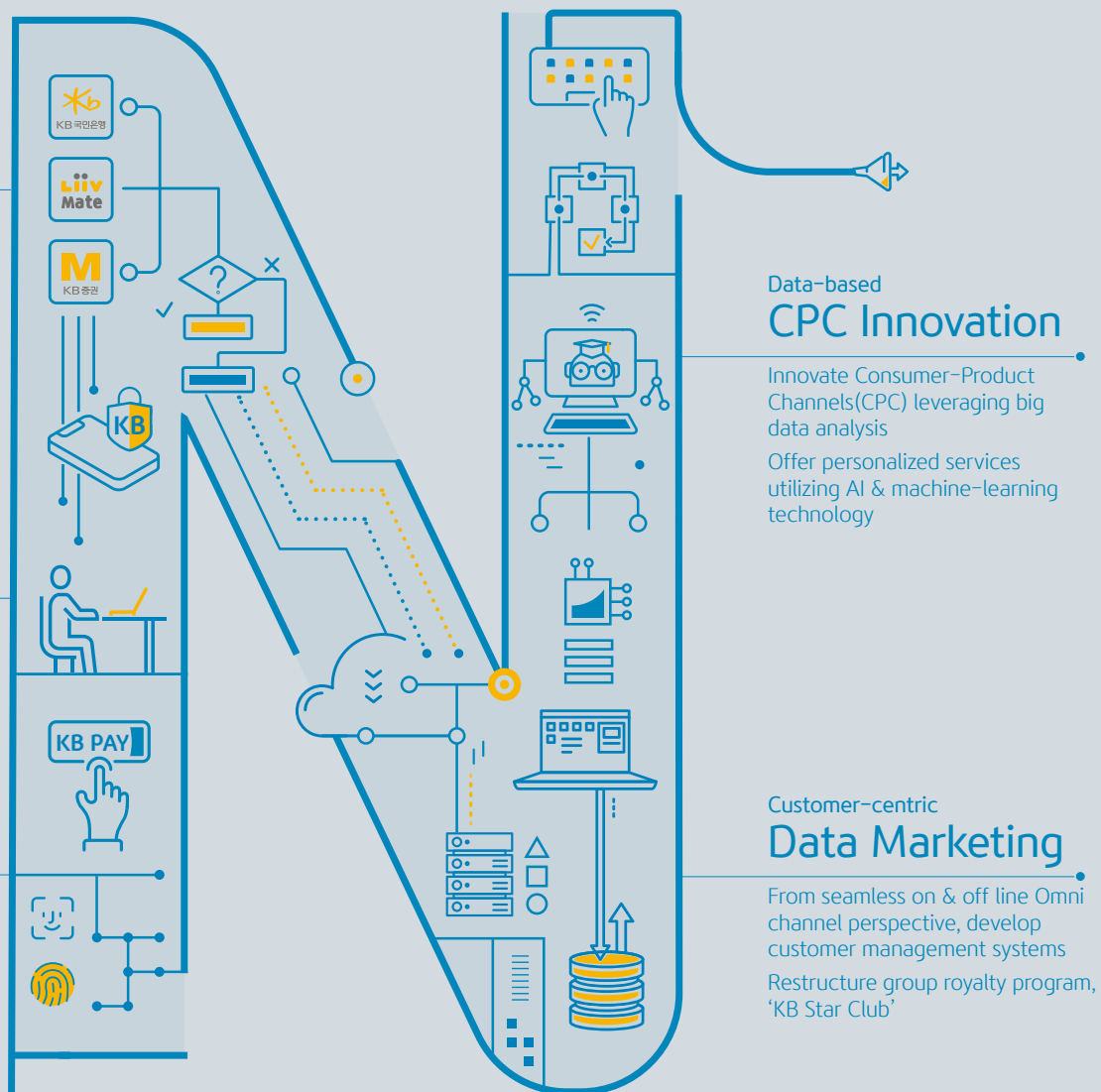
- KB Star Banking into the total financial service platform
- Liiv Mate into the open Personal Financial Management(PFM) platform
- M-able into the investment-driven PFM platform

KB Kookmin Bank Financial Platform Leader

KB Star Banking, industry-leading KB's flagship app recorded 8 million in MAU as of end of 2020

Leading Platform Markets

- KB Mobile Certification Attract more than 7.3 million users within 20 months of its roll out
- KB Pay leads in convenient payment and diverse financial & membership services



Data-based CPC Innovation

Innovate Consumer-Product Channels(CPC) leveraging big data analysis
Offer personalized services utilizing AI & machine-learning technology

Customer-centric Data Marketing

From seamless on & off line Omni channel perspective, develop customer management systems
Restructure group royalty program, 'KB Star Club'



ESG Leadership

KB Financial Group focuses its ESG strategy on internalizing ESG values into all business operations, managing climate change-related risks, pursuing inclusive society, and enhancing transparency in governance. Through these and other efforts, KB Financial Group seeks to generate positive influences throughout society and grow in a sustainable manner.

📄 Reference page P. 024

KB Green Way 2030

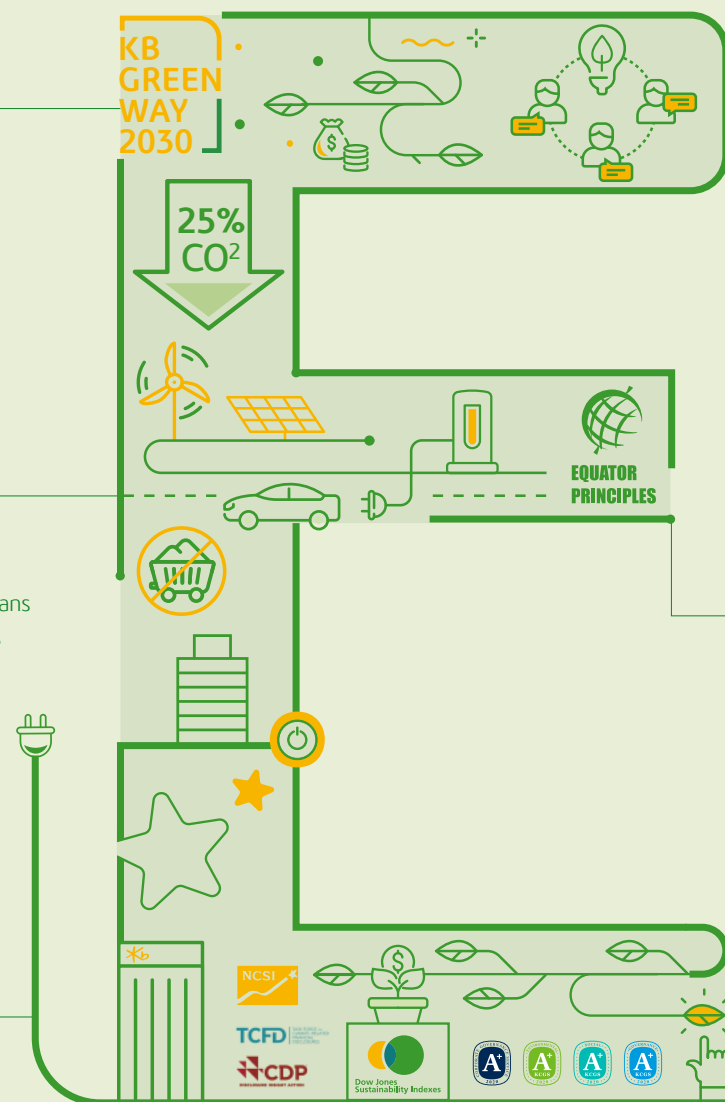
Group ESG strategy to reduce carbon emissions to 75% of the 2017 level and increase ESG product sales, investments, loans to KRW 50 trillion by 2030

Advancing Climate Change Strategy

Set & manage carbon emission reduction goals
Manage environmental risks
Increase green investments & loans
Lead green financial ecosystems

Korea's 1st financial group Anti-coal Policy

Declared an anti-coal policy for the first financial group in Korea in Sep. 2020



Industry-first ESG Committee

Industry's first ESG Committee was established comprising all of board of directors

- Sets group ESG policies & strategies
- Make decisions on all of the group-wide ESG activities
- Monitors ESG product sales and carbon emission-reductions

KB Kookmin Bank The Equator Principles

KB Kookmin Bank has joined the Equator Principles in Feb. 2021 that prohibits financing of large-scale development projects damaging the environment or violating human rights

KCGS ESG Assessment A+

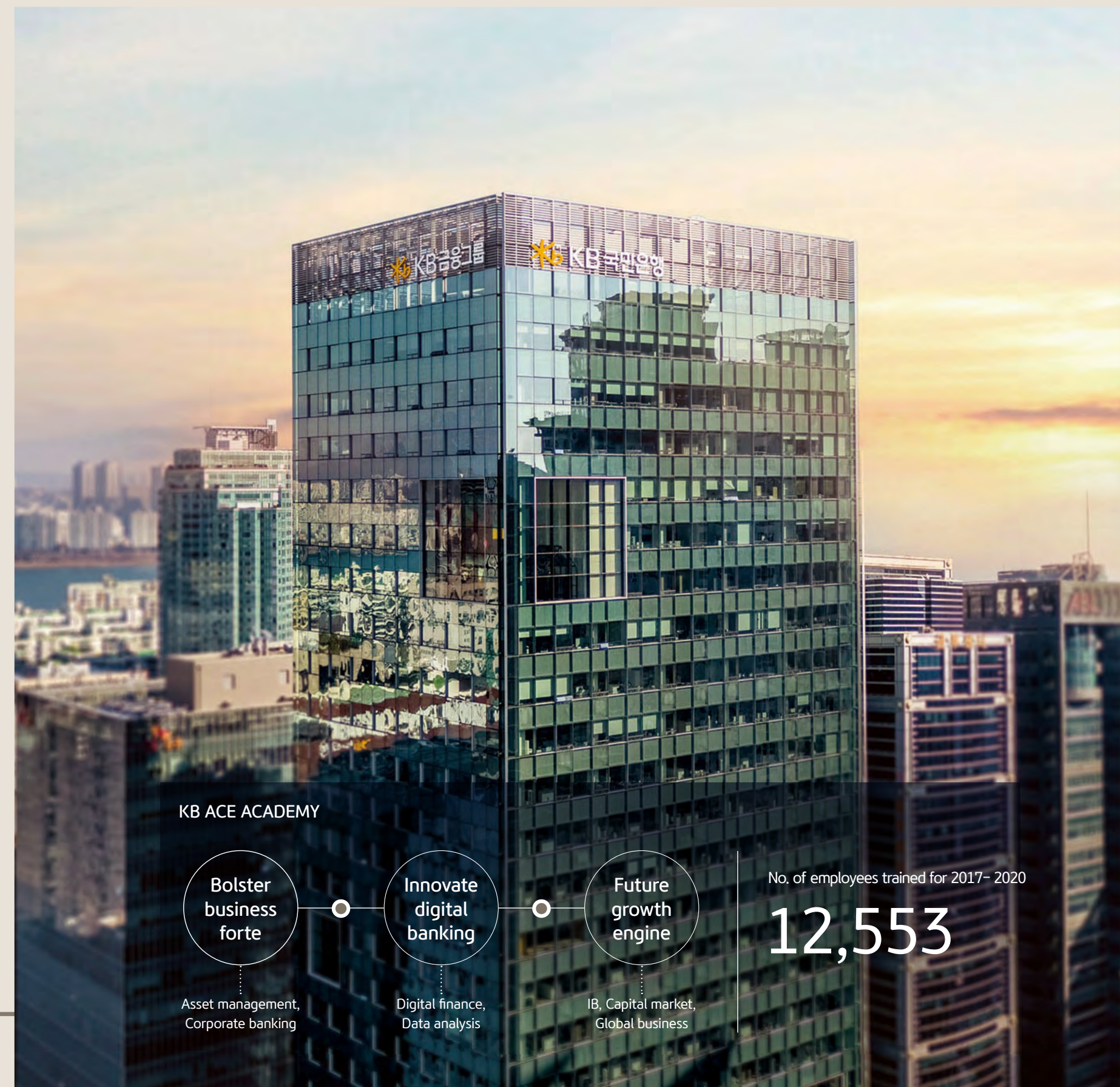
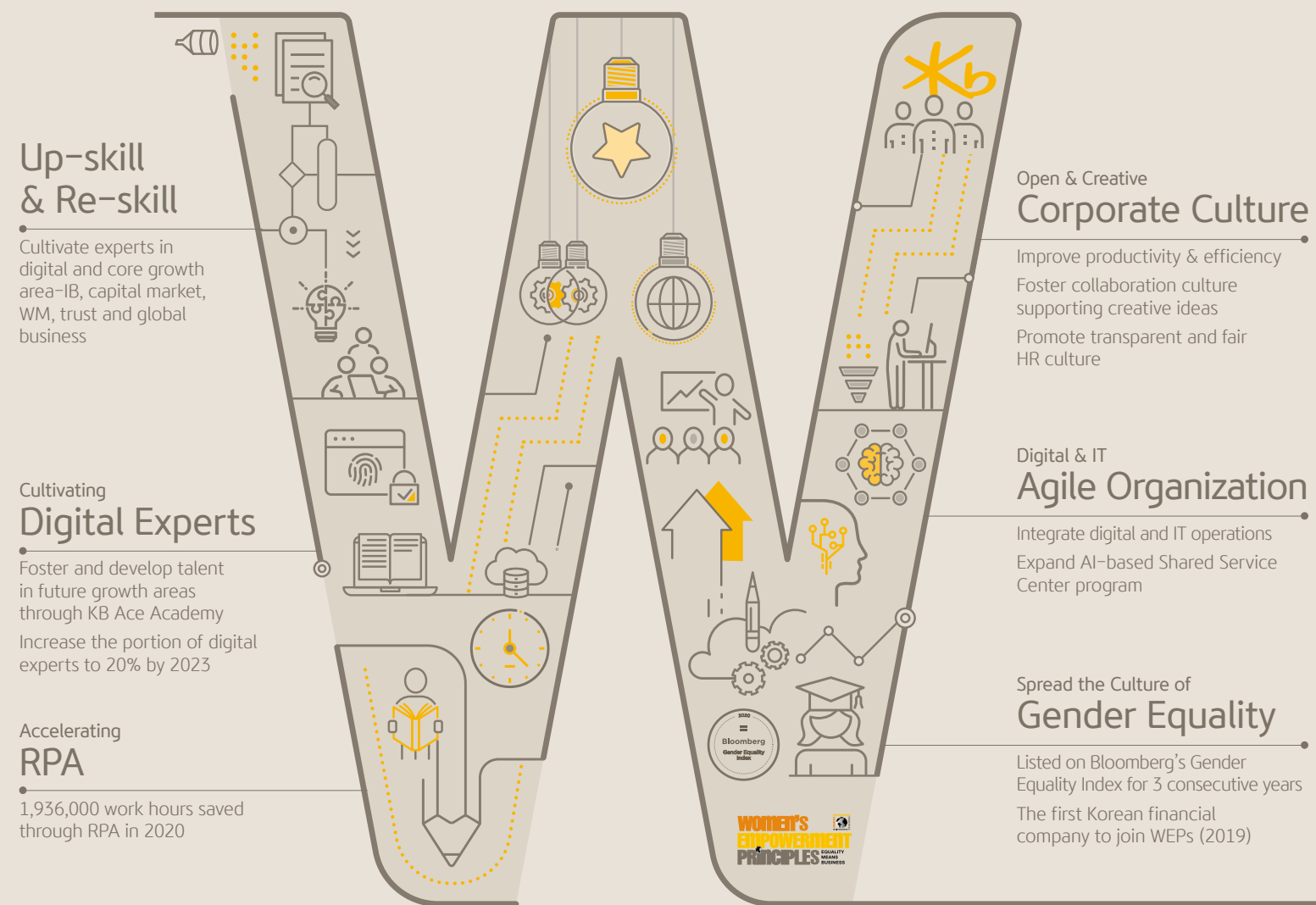
Rated A+ in all ESG categories in Korea Corporate Governance Service's 2020 ESG assessment



2018	2019	2020
<ul style="list-style-type: none"> Aug. Joined the CDP Joined UNEP FI Oct. Became the TCFD supporter 	<ul style="list-style-type: none"> Sep. Became the PRB signatory and Joined CCA 	<ul style="list-style-type: none"> Mar. Established the ESG Committee under the board of directors Highest decision-making body in all ESG matters, responsible for establishing ESG strategy & policies May Established the Group ESG Strategy 'KB Green Way 2030' Aug. Publicly committed to Join Equator Principles Sep. Became the first financial group in Korea to declare an Anti-coal policy No longer involved in new financing related to construction of coal-fired power plants Oct. Included in the DJSI World index For 5 consecutive years No.1 in Korea banking industry Received KCGS ESG rating of A+ with the highest ratings in every category, the first time ever in Korea financial industry

World Class Talents & Culture

KB Financial Group is spreading the culture of share and collaboration that breeds top talent through up-skill and re-skill and promotes creative ideas and collective intelligence, and seeking to transform into a digital and agile platform organization that evolves in step with the development of the digital era.



KB ACE ACADEMY



No. of employees trained for 2017- 2020

12,553

CEO Message



KB Financial Group has been fully aligned across the board to drive financial innovation and broaden the scope of its business presence with an aim to secure sustainable future growth engines.

Dear esteemed customers, shareholders and investors!

I would like to extend my sincere gratitude to our customers and shareholders for the steadfast trust and support you have extended to the innovation and growth of KB Financial Group.

Throughout the last year, due to an unprecedented magnitude of COVID 19 pandemic, economic uncertainties continued at home and abroad, bringing about lasting changes in our whole society and industry. Amid such a challenging environment, KB Financial Group focused greater efforts on strengthening competence in order to deliver customer happiness and help building a better world.

We focused on KB Securities, KB Insurance, and KB Capital, previously acquired non-banking arm, securely anchoring their operations onto the group's business platform by achieving synergies, and successfully acquired Prudential Life, further bolstering our business portfolio. Moreover, through the M&As in global business such as Prasac Microfinance Institution("Prasac") in Cambodia, and PT Bank Bukopin("Bukopin") in Indonesia, we have laid the foundation to develop well diversified and balanced business portfolio by expanding future revenue sources through.

KB Financial Group also pushed forward various product and service innovation efforts with a top priority on customer convenience and interest. 'KB Mobile Certification', KB Kookmin Bank's self-developed private authentication service for online banking, attracted more than 7.3 million users within twenty months of its roll out, and KB Securities introduced 'Prime Club service', the industry's first subscription-based asset management service. Furthermore, KB Insurance successfully approved 'Simple online-application service for corporate', from the Financial Services Commission as innovative financial services, simplifying the insurance registration process from three days to five minutes.

Also noteworthy is our ramped-up efforts to overcome big tech, and fintech challenges in the competition for customer touch points. In order to more effectively penetrate the fast-growing payments market, we introduced KB Pay offering improved user experience and membership benefits. Also, to further sharpen our competitive edge in the MyData business, we upgraded our asset management practices and bolstered ties with our business partners.

KB Financial Group has surpassed a KRW 3 trillion mark in net income over the recent four consecutive years on the strength of solid growth in core earnings and inorganic growth.

2020 Group net profit

KRW 3,455 billion

Meanwhile, establishing the ESG Committee under the board of directors, adopting an anti-coal policy, and conducting other ESG-related measures, we focused on laying the most proactive and exemplary ESG framework among the Korean financial groups, and solidified our distinctive leadership in ESG management.

Now I would like to briefly review the Group's 2020 business performances.

Despite contraction in net interest margins due to sustained low rate environment and additional preemptive provision against COVID 19-related uncertainties, KB Financial Group improved its solid earnings fundamentals, posting a KRW 3,455.2 billion of net income, increased by KRW 143.4 billion from the previous year. Interest incomes increased on the back of growth in bank loans and M&As effect of Prudential Life and Prasac; fee & commission significantly expanded led by fee income of securities business with favorable stock markets; the capital market business improved its earnings performance; the consolidation effect from the acquisition of Prudential Life resulted in visible and promising outcomes.

The Group's total assets increased by KRW 92.1 trillion to KRW 610.7 trillion compared to a year ago, attributable to solid growth in loans on the back of balanced growth of household and corporate, the M&As conducted in 2020 including Prudential Life, Prasac, and Bukopin, and an hefty expansion of investments in securities with our efforts to diversify revenue sources.

Such improved financial performances were made possible due mainly to the unwavering support of the customers and shareholders of KB Financial Group and of Group's family members. Looking forward, all of us at KB Financial Group will do our best to present a leading financial group that makes progress by leaps and bound through an unrelenting pursuit of change and innovation.

Over the past year, as the fears of the prolonged COVID 19 pandemic to grip the world, the global economy contracted, and the gap widened between the financial market and the real economy, bringing about continuous uncertainties in the economy. Also, as the domestic economy remained in the low growth and low rate vicious cycle, the so-called money shift

is taking flight, from savings to investment and from home to abroad, setting off a paradigm shift in the financial environment.

To better prepare for such an era and lead the finance of tomorrow, KB Financial Group has adopted 'R.E.N.E.W. 2021' as the growth strategy for the coming year and plans to channel its resources on the following directions.

Firstly, we will revamp business models with our core competitive edge, and further solidify market positions. (Reinforce the Core)

With the goals of being a solid No.1 in banking and a top-tier in non-banking, we will focus on making all subsidiaries more competitive in their areas of expertise and strengthening core income models by business, thereby securing more uniquely competitive and increasing income sources.

Secondly, we will further bolster non-banking businesses and secure new growth engines by expanding global business territory, and strengthening the non-banking sector. (Expansion of Global & New Biz)

Tweaking the Two-track strategy we have applied overseas for years, we will accelerate global expansions by further stabilizing the global business infrastructure, and facilitating more complete and efficient localization and closer cooperation among the subsidiaries. Also, we will secure new growth engines by further expanding into non-financial areas such as automobile, real estate, health care, and telecommunications.

Thirdly, by embracing customer-centric digital innovation, we will grow into a No. 1 financial platform. (No. 1 Platform(Customer-Centric))

We plan to push ahead a customer-centric digital innovation on the Group's core mobile applications such as KB Star Banking and Liiv Mate, developing the most beloved comprehensive financial services platform that offers data-based one stop financial solutions, while developing customer management systems that seamlessly and organically connect non-face-to-face and face-to-face channels.



Fourthly, through expansion and internalization of ESG management, we will establish a sustainable ESG system. (ESG Leadership)

Through the expansion of eco-friendly product lineups, investment and finance, we will boost our Green Leadership in the financial industry, and through establishment of ESG management systems and enhancements in risk management systems, we will lay a sustainable growth foundation and strengthen KB Financial Group's role as a social safety net.

Lastly, through Up-skill and Re-skill, we will establish a 'World-class culture' that is open and creative and breeds top talent. (World Class Talents & Culture)

By accelerating the development and placement of talents in digital and core growth areas and fostering a mindset of sharing and collaboration that encourages creative ideas and collective intelligence, we will establish a creative and open corporate culture in which top talent can reach their potential.

2021 is expected to be a momentous year where the fate of financial players will be decided in the coming financial market. As such, all of us at KB Financial Group will move forward, sharing and bringing together their individual strengths and intelligence to launch KB Financial Group on its journey toward becoming the most beloved No.1 financial platform company, a life-time financial partner.

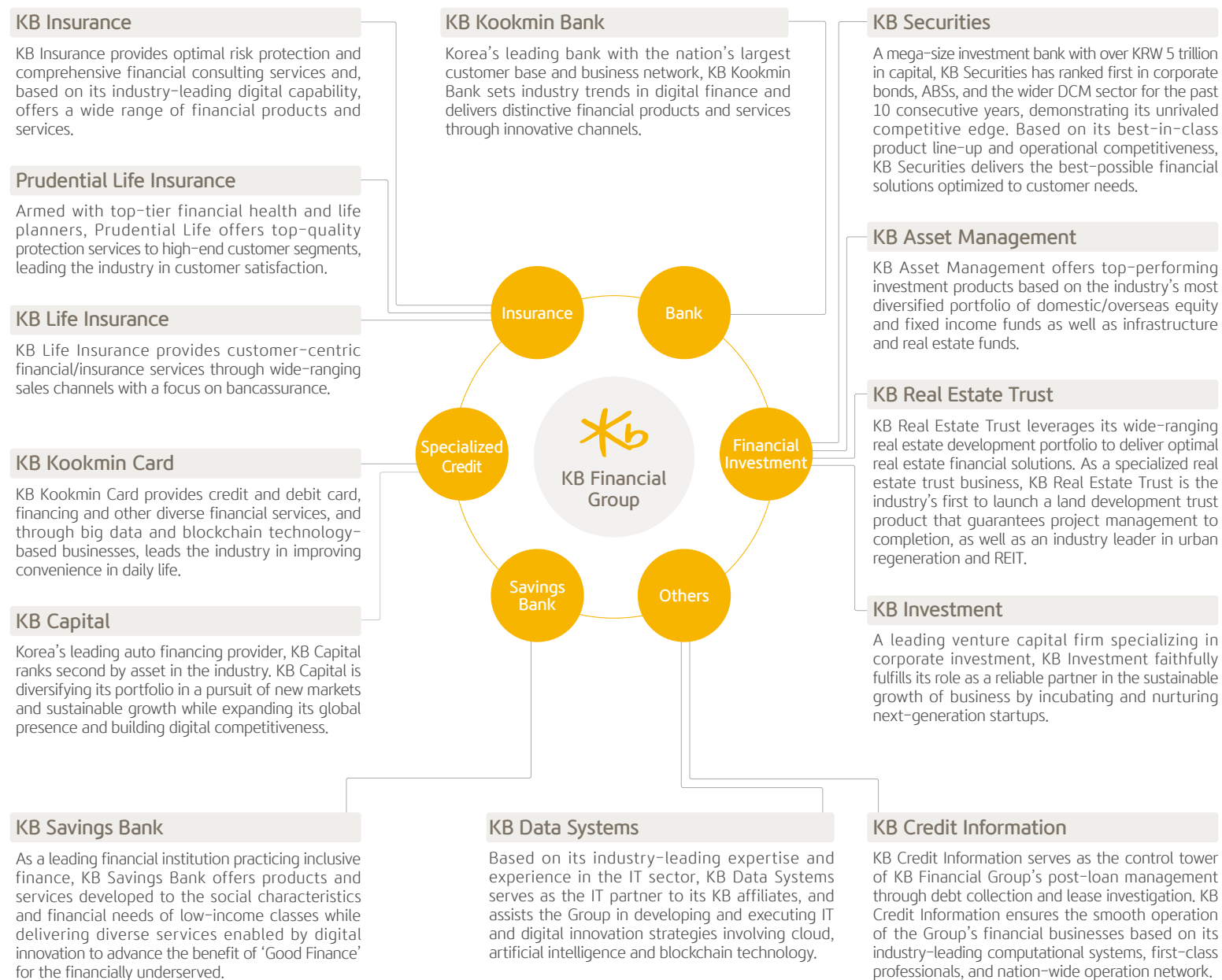
Looking forward to see your unwavering support continue also in the coming year, I wish you and your family very best health and happiness.

Thank you.

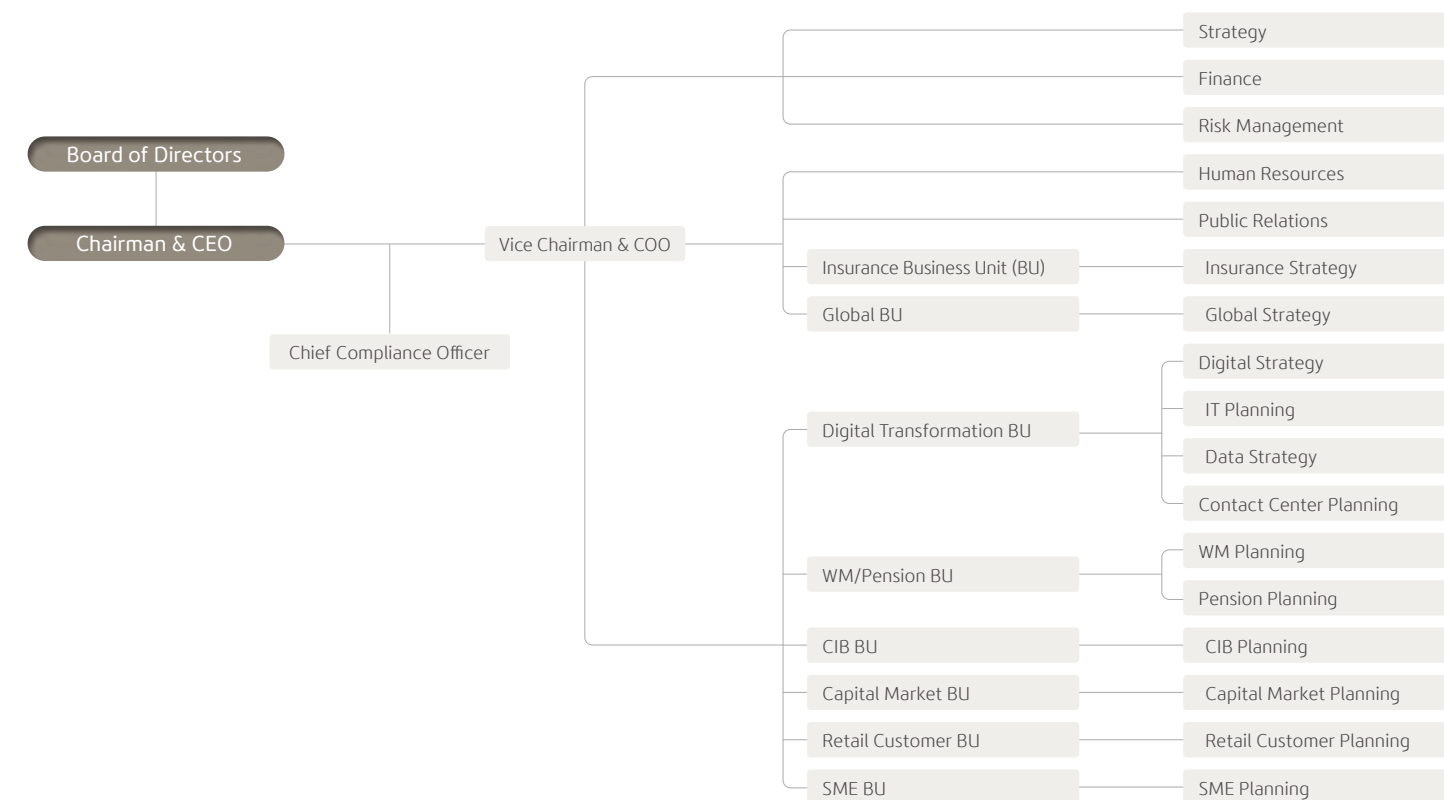
Jong Kyoo Yoon
Chairman & CEO
KB Financial Group Inc.

Company Profile

As a leading financial group with the largest customer base and the most extensive branch network in Korea, KB Financial Group is committed to delivering one-stop comprehensive financial services that truly cater to a broad range of customer needs through organic cooperation among its wholly-owned 13 subsidiaries. The Group and its subsidiaries are united in a relentless spirit of challenge to drive KB Financial Group's evolution into a lifelong financial partner to its customers. It will do so with the distinctive competitive advantages that come from its solid capital base and extensive network as well as operational and risk management expertise accumulated over the years. Firmly believing in customer-centric management under the mission of 'Financial service delivering changes-happier Life & better world', we will ceaselessly pursue innovation while providing differentiated products and services through consistent innovation based on prompt decision-making and agile execution. KB Financial Group plans to continue to solidify its market position as Korea's leading financial group.



Group Corporate Structure



Group Network Domestic: 1,703 Overseas: 827	Group Customers 35.5 million	Group Employees 26,041
Credit Ratings Moody's: A1 / Stable S&P: A / Stable <small>(Long-term foreign currency issuer ratings / Outlook)</small>	ESG KCGS: A+ DJSI: DJSI World <small>Included in for 5 consecutive years</small>	

Financial Highlights



In 2020, amid a challenging business environment due to the prolonged COVID 19 pandemic, KB Financial Group posted KRW 3,455 billion in net profit, up by 4.3% from the previous year, led by solid growth in core earnings and inorganic growth through M&As. KB Financial Group has consistently surpassed the KRW 3 trillion mark in net profit over the past four years in a row, as the first financial group in Korea.

Interest income increased by 5.7% from the previous year, continuing to show a stable growth trend, despite contraction in net interest margin following the Bank of Korea rate cut. It is primary attributable to solid loan growth of the bank, achieving 9.9% YTD, securing the stable income base, which was further improved by M&As including Prasac Microfinance and Prudential Life Insurance.

Non-interest income reached at KRW 2,770 billion, a KRW 535 billion increase mainly driven by improvements in non-banking business including growth in fee income of securities business and credit card fees.

In addition of such a balanced growth of interest and non-interest income, KB Financial Group witnessed meaningful performance resulted from efforts to diversify its business portfolio over the years. The earnings contribution of non-banking business improved from a previous 80:20 to an impressive 65:35, and ROE on a recurring basis recorded 10.2%, proving a solid earnings fundamental and profitability in the face of an unprecedented economic crisis with reinforced risk management.

Group's total assets, including AUM, grew 19.1% to KRW 940.4 trillion from the previous year on the back of solid loan growth, the strategic increase in securities investment, and M&A effects including Prudential Life and Prasac Microfinance.

KB Financial Group further solidified its status as a leading financial group in all the aspects of asset, profitability, asset quality and capital adequacy.

Key Financial Figures

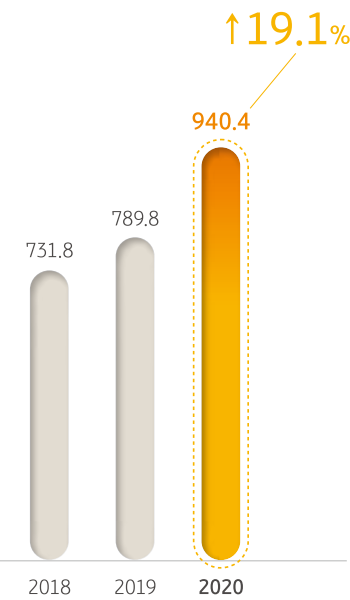
	2020	2019	2018
PROFITABILITY (KRW in billions)			
Gross operating income	12,492.6	11,431.9	10,859.7
Net operating income	4,616.0	4,490.6	4,267.5
Net profit	3,455.2	3,311.8	3,061.2
ROA (%)	0.61	0.66	0.66
ROE (%) ¹⁾	8.79	8.98	8.82
Cost-income ratio (%)	54.7	54.9	54.5
FINANCIAL POSITION (KRW in trillions)			
Assets	610.7	518.5	479.6
Total assets including AUM	940.4	789.8	731.8
Liabilities	567.4	479.4	443.9
Shareholders' equity	43.4	39.1	35.7
ASSET QUALITY (%)			
NPL ratio ²⁾	0.41	0.49	0.61
NPL coverage ratio ²⁾	168.6	147.1	138.9
Credit cost ratio	0.26	0.20	0.21
CAPITAL ADEQUACY (%)			
BIS ratio	15.3	14.5	14.6
Tier 1 ratio	14.1	13.9	14.0
CET 1 ratio	13.3	13.6	14.0

1) Based on return on common equity

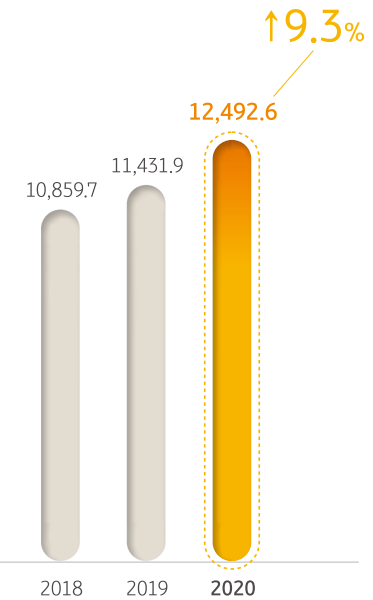
2) Based on simple arithmetic sum of each subsidiary's figures (excl. overseas local subsidiaries, overseas equity investment, SPC, etc.)

Financial Highlights

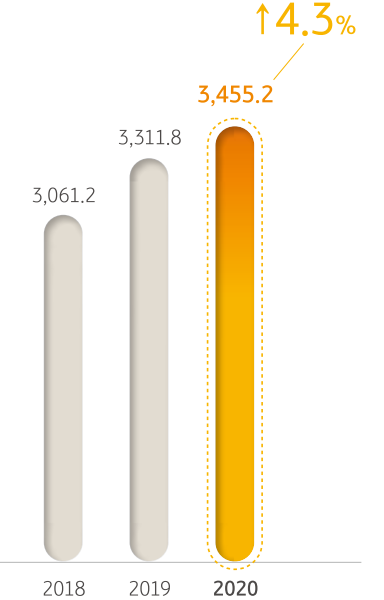
Total Assets (incl. AUM)
(tn won)



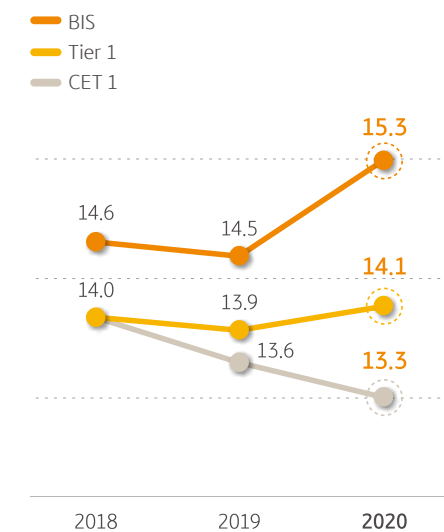
Gross Operating Income
(bn won)



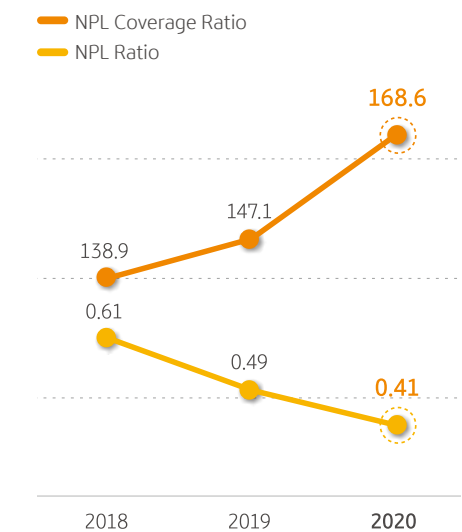
Net Profit
(bn won)



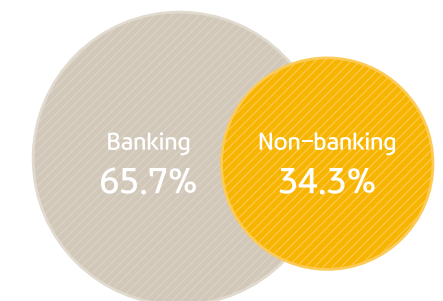
BIS Ratio (%)



NPL/NPL Coverage Ratio (%)



Non-banking Income Contribution



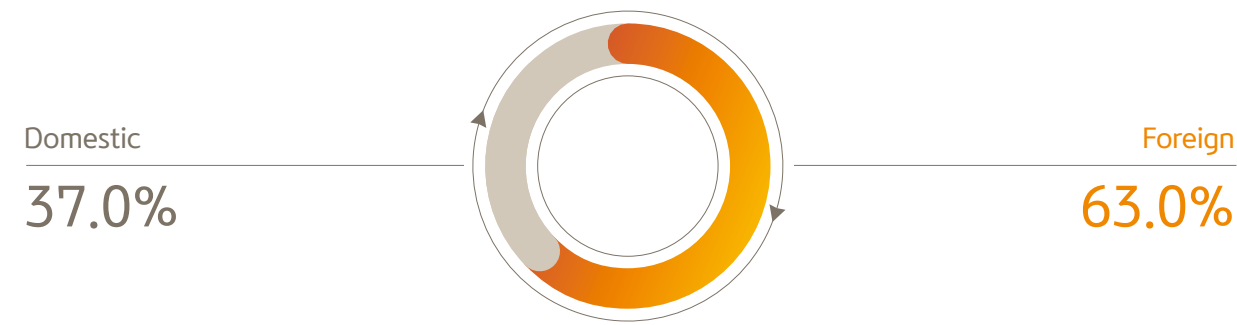
* Based on net profit for 2020 on a recurring basis

Shareholder Information

Stock Information

	2020	2019
Total Number of Shares Issued	415,807,920	415,807,920
Treasury Shares	26,173,585	26,173,585
Stocks Outstanding	389,634,335	389,634,335
Year-end Stock Price	43,400	47,650
Market Capitalization (In billions)	18,046	19,813
Dividend Per Share	1,770	2,210
Book Value Per Share	100,484	91,871
Basic Earnings Per Share	8,809	8,451

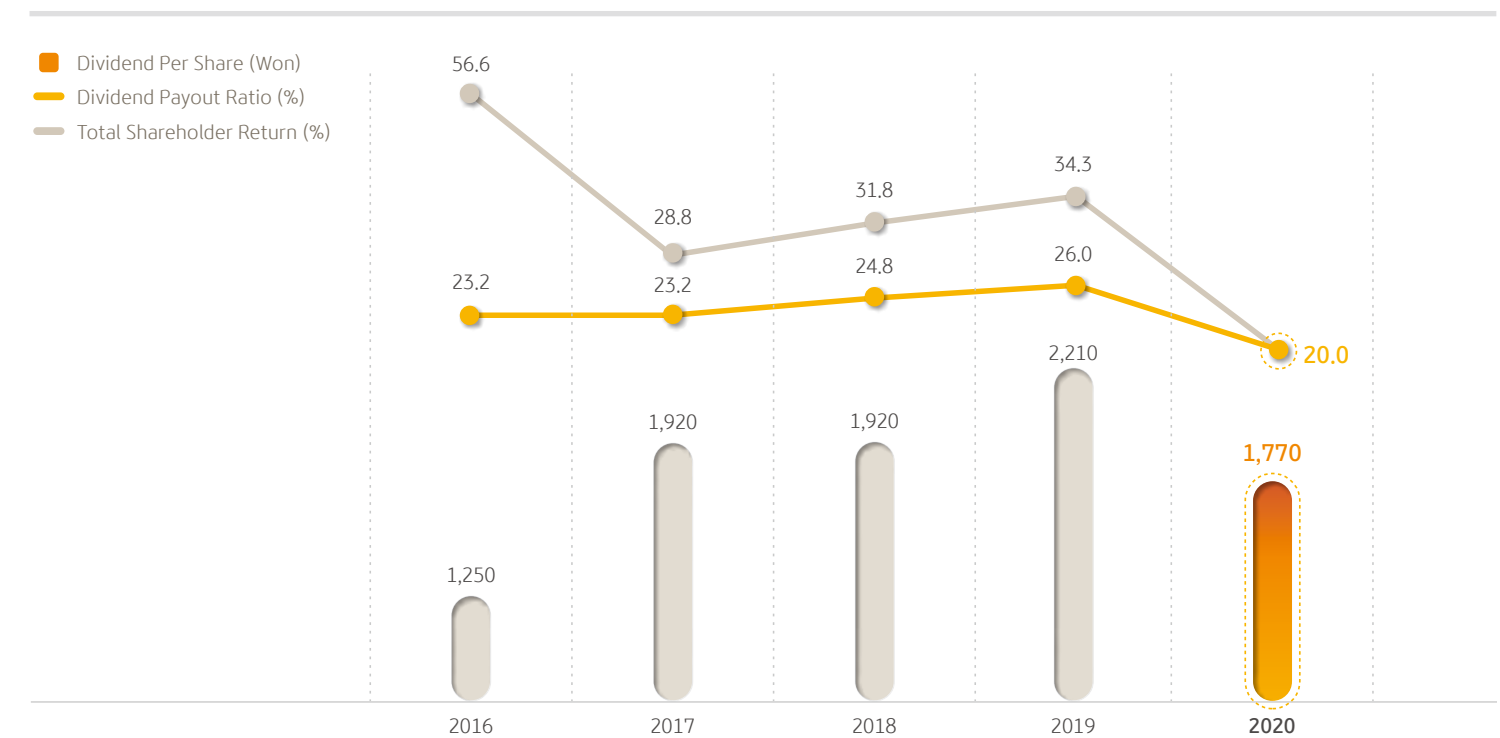
Share Ownership



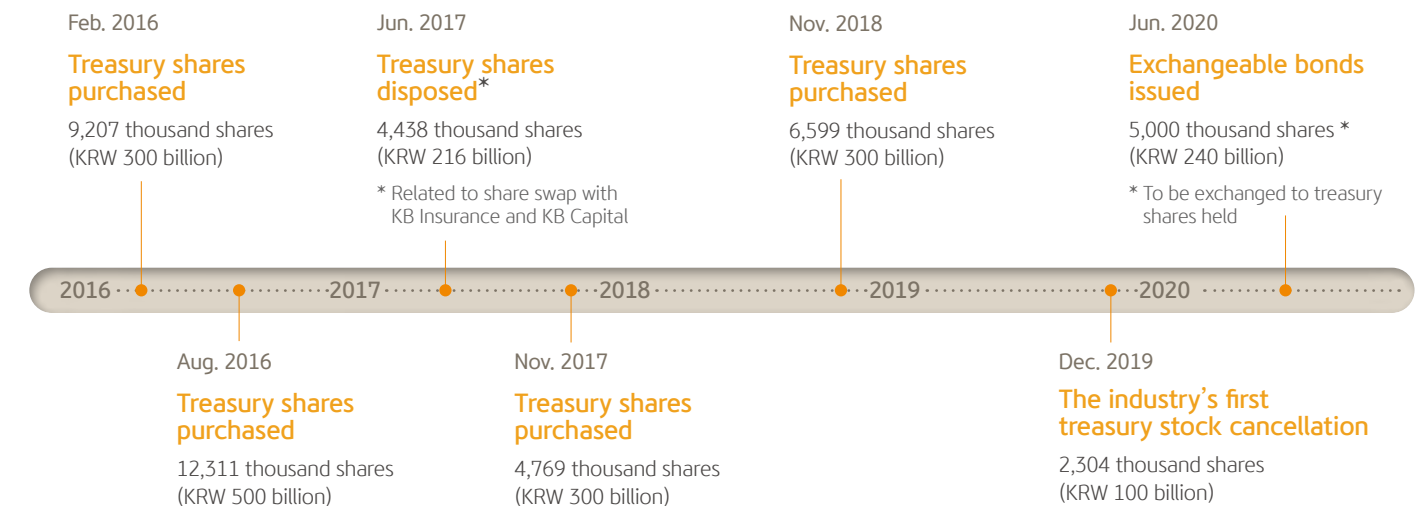
	Number of shares owned	Ownership
Korean National Pension Service	41,287,280	9.93
JPMorgan Chase Bank (ADR) ¹⁾	25,053,574	6.03
The Government of Singapore	7,574,134	1.82
Employee Stock Ownership Association	7,390,109	1.78
Norges Bank	6,317,994	1.52
Vanguard Total International Stock Index	5,481,452	1.32
Peoples Bank of China	5,058,128	1.22
Kingfisher Investments	5,039,502	1.21
Fidelity Investment Trust	4,883,765	1.17
Samsung Asset Management	4,557,090	1.10

1) Depository under the ADR program

Shareholder Return



Key Takeaways



Vision & Strategy

Mission

Financial services delivering changes
— happier life & better world

KB Financial Group's mission is 'Financial service delivering changes-happier Life & better world'. We aim to deliver financial services that bring happiness and well-being to our customers and society. Our lofty dream of helping the world change for the better is translated into management and strategies which are then executed, and the unity of our employees is taking root in the form of a pledge to the best possible customer satisfaction.

Vision

Driven by world-class talents and bold innovation,
to become your trusted financial partner for a lifetime

KB Financial Group's vision is 'Driven by world-class talents and bold innovation, to become your trusted financial partner for a lifetime'. Armed with a like-minded group of world-class financial experts taking on daring innovation challenges and leading the paradigm of finance, KB Financial Group will grow into a financial group of a first choice among customers and growing with them as their lifetime financial partner.

2020 Key Achievements

Balanced business portfolio

In 2020, KB Financial Group diversified income sources by bolstering the non-banking business portfolio and further solidified its market presence as a leading financial group. In August, 2020, by acquiring Prudential Life, Korea's top-tier insurer in terms of capital adequacy, sales capabilities and financial stability, KB Financial Group strengthened its relatively frail life insurance business and put its non-banking and banking sides on a more balanced footing, thereby bolstering the overall competitiveness of its business portfolio.

Sustainable growth drivers secured

KB Financial Group strengthened its global business through M&A and channel expansion by going beyond the domestic market nearing the saturation point to overseas: Through its subsidiaries, KB Financial Group acquired Prasac Microfinance Institution in Cambodia, PT Bank Bukopin in Indonesia and other overseas businesses, and by signing a strategic alliance with the Carlyle Group, evidenced its presence as a leading financial group and shored up its sustainability potential.

Innovative products and services with top priority on customer convenience

KB Financial Group continues to develop innovative products and services placing top priority on customer convenience and interest. KB Kookmin Bank introduced 'KB Mobile Certification', an self-developed private authentication service, attracted more than 7.3 million users within 20 months of its roll out ; KB Securities introduced 'Prime Club Service', the industry's first subscription-based asset management service; and KB Insurance's 'Simple Online Application Service for Corporate' was selected as Innovative Financial Service by the Financial Services Commission.

Integrated financial platform upgraded

KB Financial Group bolstered its effort to secure a leadership in the competition for customer contact points against big tech and fintech players. To get a stronger grip on the fast-growing mobile payments market, the Group introduced 'KB Pay' with improved usability and a membership functionality; and to secure a competitive advantage in a data economy on the heels of MyData business, upgraded asset management practices and strengthened fintech ties.

ESG leadership secured

In March 2020, KB Financial Group established an ESG Committee under the board of directors and adopted 'KB Green Way 2030', an ESG strategy that aims to reduce carbon emissions by 25% of the 2017 level and to increase ESG-related products, investments and loans to a total of KRW 50 trillion by 2030. Also adopting a 'Anti-coal policy' in Sept. 2020, across Group and its subsidiaries, an industry first, and becoming the only recipient of the top grade in Korea Corporate Governance Service's 2020 ESG evaluation, we further solidified our position as the industry's leader in ESG management.

Management Goals for 2021

Top-tier Player with Innovative Financial Platforms

With the COVID 19 pandemic still gripping the world, the global economy remains contracted, widening the gap between the financial market and real economy. On the domestic front, with the low growth and low rate environment continuing, the paradigm of wealth management is changing, as money shift is taking flight, from savings to investment and from Korea to overseas.

To better prepare for such era and lead the finance of tomorrow, KB Financial Group has adopted 'R.E.N.E.W. 2021' as the management strategy for 2021 and plans to focus its resources on five tasks the acronym represents as follows:

Reinforce the Core

Firstly, we will revamp business models and further solidify market positions by 'Reinforcing the Core'. With the goals of being a solid No.1 in banking and top-tier in non-banking, we will focus on making all subsidiaries more competitive in their areas of expertise and strengthening core income models by business, thereby being more uniquely competitive and increasing income sources.

Expansion of Global & New Biz

Secondly, by 'expanding global and new business', we will further bolster non-banking operations and secure new growth engines. By tweaking the two-track strategy we've applied overseas for years, we will further stabilize the global business infrastructure, and by facilitating more complete and efficient localization among subsidiaries operating in the same country, we will accelerate global expansions. Also, by further expanding into non-financial areas such as automobile, real estate, health care, telecommunications, we will secure new growth engines.

No.1 Platform(Customer-Centric)

Thirdly, by embracing customer-centric digital technologies, we will grow into a solid No. 1 financial platform brand.

By upgrading leading financial apps with the latest in digital technology, we will develop the most comprehensive financial services platform offering data-based one-stop financial solutions, while developing customer management systems that seamlessly and organically connect non-face-to-face channels.

ESG Leadership

Fourthly, through expansion and internalization of ESG management, we will establish a sustainable ESG leadership. Through expansion of product lineups, investment and finance, we will boost our green leadership in the financial industry, and through establishment of ESG management systems and upgrading of risk management systems, we will lay a sustainable growth foundation and strengthen KB's position as a eco-friendly company and role as a social safety net.

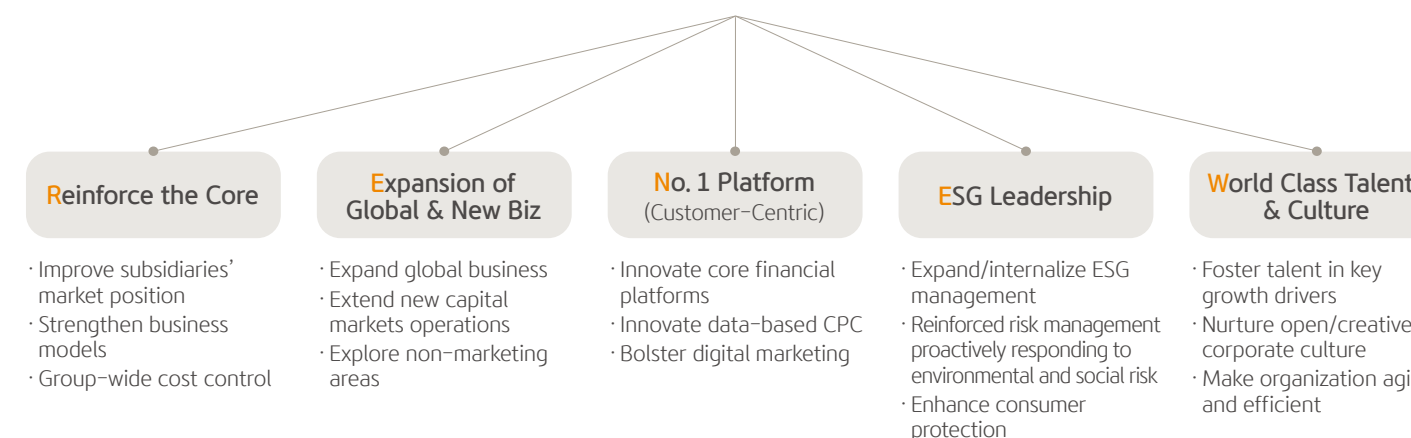
World Class Talents & Culture

Lastly, through up-skill and re-skill, we will establish a 'World-class culture' that is open and creative and breeds top talent. By accelerating the development and placement of talent in digital and core-growth areas and fostering a mindset of sharing and collaboration that encourages creative ideas and collective intelligence, we will establish a creative and open corporate culture in which top talent can reach their potential.

2021 Management Goals & Strategies

Top-tier Player with Innovative Financial Platforms

R.E.N.E.W. 2021



Corporate Governance

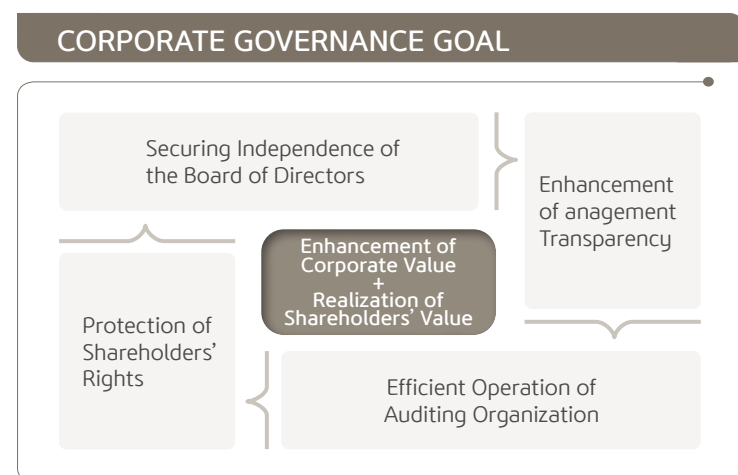
Principles

The board of directors ("the BoD") of KB Financial Group serves as the supreme decision-making body to deliberate on and decide major management issues of the Group and other subsidiaries and to hold top management accountable.

The Chairman and CEO of KB Financial Group is appointed at the general shareholder meeting as stipulated in the Articles of Incorporation. Candidates for this position are selected and their qualifications are examined in accordance with the rules and regulations set forth by the CEO Nominating Committee, which is composed solely of non-executive directors, prior to their nomination to the general shareholder meeting.

At KB Financial Group, the BoD has defined 'shareholder representation, professionalism, and diversity' as the core principles in the appointment of non-executive directors. As such, a pool of non-executive director candidates is managed year-round in the seven fields of financial business, management, accounting, finance & risk management, law & regulation, digital& IT, ESG & consumer protection. The process of candidates nomination consists of the three steps of candidate pooling, evaluation and nomination, which are operated in complete isolation to ensure the independence and fairness of the process. The candidate pool is regularly managed on a semi-annual basis and is created based on recommendations of shareholders and external search firms. Notably, any shareholder who owns one or more shares of KB Financial Group can recommend candidates and KB Financial Group institutes such a practice for the first time in Korean financial industry. Furthermore, external advisory panels participate in this process to ensure objectivity in assessing candidates' qualifications and the results are used, along with reference checks, to have final candidates selected by the Non-Executive Director Nominating Committee.

These candidates are evaluated for their qualifications at the committee meeting in accordance with the criteria set by relevant regulations and



the Articles of Incorporation before they are nominated to the general shareholder meeting. In compliance with the Articles of Incorporation, the Chairman of the board of directors is appointed among non-executive directors: the chairman is mandated to preside over BoD meetings and ensure that the BoD is operated in accordance with the principles of checks and balances.

Composition of the Board of Directors

As of the end of 2020, the board of directors consisted of nine directors, comprising one executive directors, one non-standing director and seven non-executive directors, of which 78% are non-executive directors.

Expertise and Diversity

BoD of KB Financial Group comprised of experts from diverse industries as a way to solve diverse tasks and challenges facing its operations. To preempt the sway of a particular interest in the decision-making process of the BoD, we seeks diversity in the gender, age, nationality as well as expertise of its BoD candidates. Also, as a way to ensure the expertise and diversity of the BoD, we manage the candidate pool in the seven fields of financial business, management, accounting, finance & risk management, law & regulation, digital& IT, ESG & consumer protection, complying with the professional requirements of non-executive directors stipulated in the Act on Corporate Governance of Financial Companies.

Non-Executive Director	Suk Ho Sonu	Stuart B. Solomon	Myung Hee Choi	Kou Whan Jeong	Kyung Ho Kim	Seon Joo Kwon	Gyu Taeg Oh
Expertise							
Financial business		●	●			●	
Management		●				●	
Finance & Risk management	●				●		●
Accounting					●		●
Law/Regulation			●	●			
ESG/Customer protection	●		●	●			●

Governance Independence and Transparency

The BoD maintains the independence of governance through diverse systems, thus conducting its role as a check and balance on the powers of management. In particular, by maintaining all its Committees, except Subsidiaries' CEO Director Nominating Committee and ESG Committee, composed exclusively of non-executive directors, the BoD checks and balances the powers of management, with its independence intact. Also, to ensure the independence of non-executive directors, their rights and duties are stipulated in the BoD Regulation and the Office of Board of Directors is responsible for supporting the independent handling of the

BoD direction. Moreover, to enhance the transparency in governance, the BoD shares with stakeholders the results of all issues on which it deliberates and decides, publishing every year the details of its activity, including that of its committees, in the Annual Report on Governance & Compensation.

Committees of the Board of Directors

Committees under the BoD are delegated to perform a portion of the BoD functions as stipulated in governmental regulations and the Articles of Incorporation, and are composed of directors who bring their expertise in the relevant field to the table. Within the BoD, we serve Audit, Risk Management, Evaluation & Compensation, Non-Executive Director Nominating, Subsidiaries' CEO Director Nominating, CEO Nominating, and Audit Committee Member Nominating and ESG committees.

Audit Committee

The Audit Committee oversees our financial reporting and approves the appointment of our independent registered public accounting firm. The committee also reviews our financial information, auditor's examinations, key financial statement issues, the plans and evaluation of internal control and the administration of our financial affairs by the BoD.

In compliance with the relevant laws and regulations, the committee must consist of three or more directors, at least two-thirds of the committee members must be non-executive directors, and at least one of the committee member must be an accounting or financial expert. Audit committee currently consists of four non-executive directors, Suk Ho Sonu, Myung Hee Choi, Gyutaeg Oh and Kyung Ho Kim. The chairperson of the audit Committee is Kyung Ho Kim.

Risk Management Committee

The Risk Management Committee oversees and makes determinations on all issues relating to our comprehensive risk management function. In order to ensure our stable financial condition and to maximize our

profits, the committee monitors our overall risk exposure and reviews our compliance with risk policies and risk limits. In addition, the committee reviews risk and control strategies and policies, evaluates whether each risk is at an adequate level, establishes or abolishes risk management divisions and reviews risk-based capital allocations. The committee holds regular meetings every quarter. The committee currently consists of four non-executive directors, Stuart B. Solomon, Kyung Ho Kim, Seon-joo Kwon and Gyutaeg Oh. The chairperson of the committee is Seon-joo Kwon.

Evaluation & Compensation Committee

The Evaluation and Compensation Committee reviews compensation schemes and compensation levels of us and our subsidiaries. The committee is also responsible for deliberating and deciding the compensation of directors, evaluating management's performance and implementing management training programs, as well as deciding and supervising the performance-based annual salary of the president and the executive officers of us and our subsidiaries. The committee holds regular meetings semi-annually. The committee currently consists of four non-executive directors, Suk Ho Sonu, Kouwhan Jeong, Seon-joo Kwon and Gyutaeg Oh. The chairperson of the committee is Kouwhan Jeong.

Non-executive Director Nominating Committee

The Non-executive Director Nominating Committee is responsible for the management and evaluation of a pool of non-executive director candidates and recommendation of the non-executive director candidates to be nominated at the annual general meeting of shareholders. The committee currently consists of four non-executive directors, Stuart B. Solomon, Myung Hee Choi, Kouwhan Jeong and Kyung Ho Kim. The chairperson of the committee is Myung Hee Choi.

CEO Nominating Committee

The CEO Nominating committee is responsible for establishing and monitoring procedures for our CEO candidate cultivation and succession

Committees of the Board of Directors

(○ Chairman, ● Member)

Directors	Suk Ho Sonu (Non-Executive)	Stuart B. Solomon (Non-Executive)	Myung Hee Choi (Non-Executive)	Kou Whan Jeong (Non-Executive)	Kyung Ho Kim (Non-Executive)	Seon Joo Kwon (Non-Executive)	Gyu Taeg Oh (Non-Executive)	Jong Kyoo Yoon (Executive)	Yin Hur (Non-Standing)
Audit Committee	●		●		○		●		
Risk Management Committee		●			●	○	●		
Evaluation & Compensation Committee	●			○		●	●		
Non-Executive Director Nominating Committee		●	○	●	●				
CEO Nominating Committee	○	●	●	●	●	●	●		
Subsidiaries' CEO Director Nominating Committee			●	●		●		○	●
ESG Committee	●	●	●	●	●	●	○	●	●

program pursuant to our "CEO Succession Regulations," which cover, among other things, the qualifications of CEO candidates, continued maintenance of the candidate pool and the CEO candidate nomination process. The committee holds regular meetings semi-annually. The committee currently consists of all seven of our non-executive directors. The chairperson of the CEO Nominating Committee is Suk Ho Sonu.

Subsidiaries' CEO Director Nominating Committee

The Subsidiaries' CEO Director Nominating committee is responsible for candidate cultivation and succession programs for chief executive officers of our subsidiaries. The committee holds regular meetings semi-annually. The committee currently consists of one non-standing director, Yin Hur, and three non-executive directors, Myung Hee Choi, Kouwhan Jeong and Seon-joo Kwon, together with our chairman and chief executive officer, Jong Kyoo Yoon. The chairperson of the Subsidiaries' CEO Director Nominating Committee is Jong Kyoo Yoon.

ESG Committee

The ESG Committee is responsible for establishing and enforcing strategies and policies relating to non-financial aspects of our business, which consist of the environment, social responsibility and corporate governance, in order to promote sustainable development and enhance our corporate value. The committee also manages ESG-related products and investments and monitors ESG-related global initiatives and community outreach efforts. The committee holds regular meetings semi-annually. The Committee currently consists of all seven of our non-executive directors, one non-standing director, Yin Hur, and our chairman and chief executive officer, Jong Kyoo Yoon. The chairperson of the ESG Committee is Gyutaeg Oh.

2020 Major Resolutions and Other Achievements

In 2020, the BoD met 20 times to deliberate on 40 decision items and 38 reporting items.

In March 2020, the BoD was passed a resolution to enact and amend

regulations for establishing the ESG committee, which led to the establishment of the ESG committee, for the first financial group in Korea and thus laid the foundation for growing KB Financial Group into a leader in ESG management. In April, the decision was made to purchase shares of Prudential Life and to incorporate the insurance company into KB Financial Group, as a way to strengthen the Group's non-banking portfolio.

Also passed are, in April the plan for KB Kookmin Card to acquire a Thai credit finance company through equity acquisition and incorporate the latter as a subsidiary of the former; in July, the plan for KB Kookmin Bank to acquire PT Bank Bukopin of Indonesia through equity acquisition and incorporate the latter as a subsidiary of the former; in October, the plan for KB Kookmin Bank to establish, and incorporate as, its subsidiary in Myanmar, as part of the group strategy to make inroads into overseas markets and thus expand its global business.

Besides decision on overseas expansion, in November, the BoD renominated the executive director, the CEO of KB as part of the Group's effort to secure a stable management succession.

Regular BoD meetings were held every quarter, at which the directors were briefed on business results followed by director discussions of the pending issues. At an ad-hoc meeting held in December, 2020, business plans and budgets for 2021 were finalized. As a result of various efforts made by KB Financial Group to have a transparent and fair governance structure take root, KB Financial Group became the first financial company in Korea to earn an A+ in all the categories in Korea Corporate Governance Service's 2020 ESG evaluation.

Plans for 2021

KB Financial Group aims to establish a stable corporate governance structure and lay the basis for quality focused management over the mid to long term in order to promote sustainable growth, enhance corporate value, and protect the interests of shareholders and other stakeholders. For 2021, KB Financial Group vows to further elevate its corporate value and shareholder value through a rational and transparent decision making process.

Board of Directors

(As of March 31, 2021)

Suk Ho Sonu

Non-executive Director

- Chairman, Board of Directors, KB Financial Group
- Chairperson, CEO Nominating Committee
- Member, Audit Committee
- Member, Evaluation and Compensation Committee
- Member, ESG Committee

2007-2007	President, Korea Finance Association
2009-2010	President, Korea Money and Finance Association
2011-2013	Dean, Hongik Graduate School of Business Administration
2017-2019	Visiting Professor SNU Business School
2017-Present	Visiting Professor, School of Business Administration, Hongik University

Stuart B. Solomon

Non-executive Director

- Member, Risk Management Committee
- Member, Non-Executive Director Nominating Committee
- Member, CEO Nominating Committee
- Member, ESG Committee

1998-2000	Executive Managing Director, MetLife Life Insurance
2000-2001	Executive Vice President and Representative Director, MetLife Life Insurance
2001-2009	Representative Director, MetLife Life Insurance
2009-2011	Chairman, MetLife Life Insurance

Myung Hee Choi

Non-executive Director

- Chairperson, Non-Executive Director Nominating Committee
- Member, Audit Committee
- Member, Subsidiaries' CEO Director Nominating Committee
- Member, CEO Nominating Committee
- Member, ESG Committee

1974-1991	Senor Operation Officer, Citibank, Seoul Br.
2003-2005	Director, Financial Supervisory Service
2005-2009	Auditor, Korea Exchange Bank
2011-present	Vice President, Korea Internal Control Assessment Institute

Kou Whan Jeong

Non-executive Director

- Chairperson, Evaluation and Compensation Committee
- Member, Non-Executive Director Nominating Committee
- Member, Subsidiaries' CEO Director Nominating Committee
- Member, CEO Nominating Committee
- Member, ESG Committee

2002-2003	Branch Chief Prosecutor of Bucheon Branch Office of the Incheon District Prosecutor' Office
2006-2009	Chairperson of Consumer Dispute Settlement Commission, Korea Consumer Agency
2013-2014	Standing Mediator of Korea Medical Dispute Mediation and Arbitration Agency
2016-present	Nambujeil Law and Notary Office Inc. President Attorney at Law

Kyung Ho Kim

Non-executive Director

- Chairperson, Audit Committee
- Member, Risk Management Committee
- Member, Non-Executive Director Nominating Committee
- Member, CEO Nominating Committee
- Member, ESG Committee

1991-2020	Professor, Hongik University
2000-2003	Vice President, Korea Accounting Standards Board
2004-2010	Non-executive director, Shinhan Investment Co.
2007	President, Korea Government Accounting Association
2015-2019	Non-executive director, Citibank Korea
2017-2018	Vice President, Hongik University

Seon Joo Kwon

Non-executive Director

- Chairperson, Risk Management Committee
- Member, Evaluation and Compensation Committee
- Member, Subsidiaries' CEO Director Nominating Committee
- Member, CEO Nominating Committee
- Member, ESG Committee

2013-2016	Chairman & CEO, Industrial Bank of Korea
2013	Head of Risk Management Division, Industrial Bank of Korea

Gyu Taeg Oh

Non-executive Director

- Chairperson, ESG Committee
- Member, Audit Committee
- Member, Risk Management Committee
- Member, Evaluation and Compensation Committee
- Member, CEO Nominating Committee

1995-Present	Professor, School of Business Administration, Chung-Ang University
1991-1995	Assistant Professor, University of Iowa
2010-2012	Non-executive director, Kiwoom Securities co.
2011-2015	Public Funds Oversight Committee Member, Sub-Committee Chair, Financial Services Commission
2018-2020	Non-executive director, Moe Savings Bank

Jong Kyoo Yoon

Executive Director

- Chairman & CEO, KB Financial Group
- Chairperson, Subsidiaries' CEO Director Nominating Committee
- Member, ESG Committee

2002-2004	Senior Executive Vice President of Finance & Strategic Planning Division, Kookmin Bank
2004	Senior Executive Vice President & Head of Retail Banking Group, Kookmin Bank
2005-2010	Senior advisor, Kim & Chang
2010-2013	Deputy President & Chief Financial Officer, KB Financial Group
2014-2017	President & CEO, Kookmin Bank
2014-present	Chairman & CEO, KB Financial Group

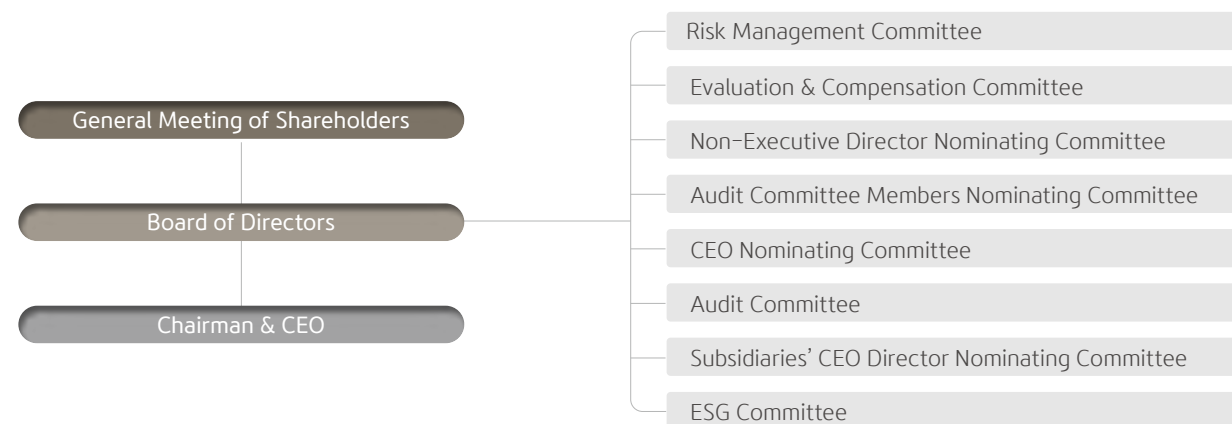
Yin Hur

Non-standing Director

- Member, Subsidiaries' CEO Director Nominating Committee
- Member, ESG Committee

2013-2014	Managing Director, Credit Analysis Division, Kookmin Bank
2015	Chief Financial Officer of the Strategy and Finance Planning Group, Kookmin Bank
2016	Senior Executive Vice President of the Sales Group, Kookmin Bank
2017-present	President & CEO, Kookmin Bank

Governance Structure



Awards & Recognitions



KB Financial Group

- All A+ in Korea Corporate Governance Service's 2020 ESG evaluation, an industry first
- Member of 2020 DJSI World, the highest of DJSI Indexes, for 5 consecutive years
- Awarded Carbon Management Sector Honor, in the financial category, at the 'CDP Climate Change 2020' Carbon Disclosure Project
- Included in Bloomberg Gender Equality Index, for 3 consecutive years, the first company in Korea
- Sustainable Management Award at 2020 Global Standard Management Awards Korea Management Registrar

KB Kookmin Bank

- Ranked No.1 in the 'National Consumer Satisfaction Index 2020', for 14 consecutive years in a row (Korea Productivity Center)
- Awarded at the 'National Consumer Trust Leading Brands 2020', for 14th year in a row (Korea Brand Management Association)
- Outstanding Inclusive Finance Award in entrepreneur management consulting support category (Korea Financial Supervisor Service)
- Social Contribution Brand Award (Good Job) at '2020 Korea Top Awards' (Korea Journalist Association)

KB Securities

- Grand Award in securities category at '14th Customer Inspiration Management Awards' The Korea Economic Daily
- Best IB Deal Award at '17th Korea IB Awards' Money Today
- Golden Award in securities category at 29th Dasan Financial Awards' The Korea Economic Daily



Prudential Life Insurance

- Ranked No.1 in insurance consultants certified by Life Insurance Association, for 13 consecutive years
- Grand Award at 'Good Life Insurance Companies', for 11 consecutive years Korea Finance Consumer Federation
- Rated AAA in solvency ratio category, for 2 consecutive years Korea Credit Evaluation



KB Kookmin Card

- Hall of Fame Award, at '14th Customer Inspiration Management Awards', for 13 consecutive years The Korea Economic Daily
- Awarded, for 5 consecutive years, in credit card category at '2020 Most Customer-Trusted Brand Awards' Digital Chosun



KB Savings Bank

- Customer Satisfaction Award, for 3 consecutive years, at '2020 Korea Industry Awards' The Institute for Industrial Policy Studies
- Kiwibank Award, for 3 consecutive years, in savings bank category, at '2020 Korea Services Awards' The Institute for Industrial Policy Studies
- Grand Award in savings bank category at '2020 Korea Financial Awards' Maeil Business



CORE COMPETENCY

KB Financial Group will be committed to assist its subsidiaries in strengthening their respective core competitive edge to further complete its group business portfolio and to relentlessly broaden its global business presence. Furthermore, KB Financial Group will establish an ESG management system in compliance with global standards so as to set the trend for social transformation and future value creation.

Risk Management

KB Financial Group is focused on improving group risk transparency, preventing risk transfers among subsidiaries, and proactively responding to the rapidly-shifting financial landscape in an effort to efficiently support its mid to long-term strategy and business decision-making.

Risk Governance

Risk Management Committee is mandated to set risk management strategies, determine acceptable levels of risk appetite, review the status of group-wide risk management, and approve the application of risk management systems, methodologies and major improvements.

Risk Management Council consists of risk management officers from the holding company and subsidiaries, and is responsible for deliberating on the matters delegated by the Risk Management Committee and consulting on detailed risk management issues.

The risk management department of the holding company monitors and manages the status of group-wide risk operations and the limits of internal capital by developing risk management policies and operating relevant processes.

Credit Risk Management

KB Financial Group defines credit risks as expected and unexpected losses that may occur due to the default or declining creditworthiness of the counterparty.

- **Credit Policy Direction** : KB Financial Group develops credit policies in consideration of economic outlooks, business conditions, asset quality trends, and risk management capabilities, and accordingly operates sector-specific loan policies in the household, corporate, and credit card sectors. The primary goal of our credit policy is to maintain asset quality and minimize mid to long-term credit cost volatility in order to maximize the value of KB Financial Group.
- **Credit Risk Measurement & Management** : To measure credit risks related to capital at risk, or CaR, concerning on/off balance sheet assets, KB Financial Group takes the internal ratings based approach developed

in compliance with supervisory standards. CaR thus calculated refers to the maximum possible losses from business operations that may arise at a certain confidence level due to changes in creditworthiness of the borrower or counterparty. Our CaR calculations reflect all possibilities of insolvency on the part of the borrower, possible losses and remaining maturity of exposure, and economic correlations. Furthermore, we identify, measure and monitor credit concentration risks that may additionally occur due to disproportionate allocations of credit on specific borrowers or sectors in the portfolio.

- **Total Exposure Limit Management** : KB Financial Group employs a 'total exposure limit management system' to prevent excessive risk exposure and risk concentration in specific sectors and to optimize the credit portfolio through stable asset management. The risk management department of the holding company is responsible for periodically monitoring the group's total exposure limit and reporting related outcomes to the Risk Management Committee.

Market Risk Management

KB Financial Group defines market risks as possible losses from its trading positions with respect to interest rates, exchange rates, stock prices and other market fluctuations, and identifies, measures, monitors, controls and reports such market risks inherent in bonds, foreign currencies, securities, and derivatives. Serving as an indicator to quantify risks inherent in trading accounts, Market VaR(Value at Risk) refers to the maximum possible losses that may occur within a certain period of time at a certain confidence level. KB subsidiaries managing trading accounts verify the adequacy of our VaR model through a daily comparative analysis performed on actual and virtual profits/losses and VaR calculations. For assets or subsidiaries to which this model is not applicable, we utilize our standard methodology in compliance with supervisory regulations to manage market risks.

Interest Rate Risk Management

Defined as possible decreases in net asset value or net interest income(NII) attributable to unfavorable fluctuations in market rates, interest rate risks are managed to maximize net interest income within an acceptable risk range as well as to minimize any losses from narrowing net interest margins following falling interest rates.

Liquidity Risk Management

Defined as risks that may arise due to maturity mismatches or any failures to respond to an unexpected need for or lack of funding, liquidity risks to which the Group is exposed are managed through a systemic approach focused on meeting such needs for liquidity as deposit withdrawals, maturing financial bonds, and repayments of borrowings as well as on securing liquidity for asset management including lending and bond investment.

Operational Risk Management

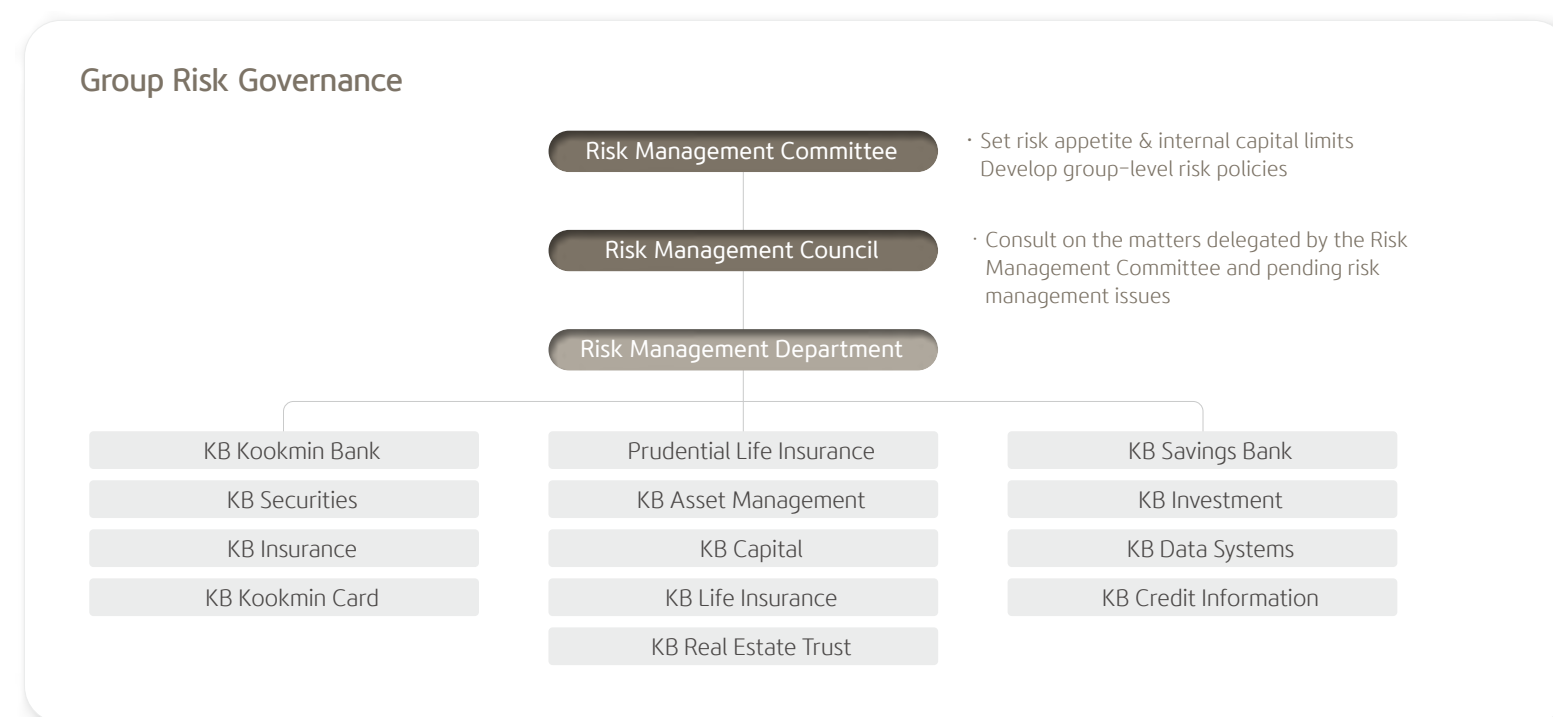
Defined as any and all financial and non-financial risks that may negatively impact capital operations, operational risks facing the Group are managed with an aim to satisfy the regulatory requirements of supervising authorities and to disseminate a risk management culture across all operations through strengthening of internal controls and process improvement.

Internal Capital Management

Internal capital is required to prevent an economic insolvency related to unexpected losses at the target confidence level. KB Financial Group manages group-wide capital adequacy by measuring, allocating, and managing the internal capital of its subsidiaries. The Risk Management Committee defines a risk tolerance level and then allocates internal capital by risk type and subsidiary while each subsidiary conducts business within the allocated capital limit.

Stress Testing

Stress tests are performed to analyze the potential vulnerabilities of asset and investment portfolio and develop countermeasures accordingly under possible scenarios created based on economic forecasts. KB Financial Group conducts such tests at least semi-annually by reflecting economic cycles and prospects to analyze how its operations may be impacted by abrupt changes across the business landscape and to respond to them proactively. Test results are reported to top management and the Risk Management Committee to help set group-wide risk tolerance and limits and promote the decision-making process.



Basel III-based Approach for Group Credit Risk Management

Following the introduction of the Basel III framework by the Korean Financial Services Commission, KB Financial Group has fully developed necessary infrastructure to address subsequent regulatory changes and has been applying the Basel standards to calculating risk-weighted assets and capital adequacy ratios since 2013.

To elevate the rigor of risk management across all business operations, we developed a single model-based Internal Ratings Based Approach in 2016, which was thoroughly vetted by the Financial Supervisory Services, and has since been using it to calculate BIS ratios.

KB Financial Group and KB Kookmin Bank, in particular, both have gained approval from the Financial Supervisory Service on their methodology for calculating risk-weighted assets, as allowed in 'Basel III: Finalizing post-crisis reforms'.

Through an internal classification of credit risks inherent in our business operations, we will not only improve capital adequacy but also advance risk management practices, systems and structure, and in the process, foster a risk management culture. We expect these and other related efforts to contribute to enhance our overall business soundness as well as high value of credit worthiness.



2021 Risk Management Direction

The global economy, which briefly faced a crisis of a scale similar to that of the Great Depression in 2020, is showing signs of stability, particularly in the financial market, as globally governments have taken swift countermeasures based on their experiences in handling past crises of similar magnitudes. The Korean economy expected to recover relatively at a fast pace; and in the long run, to adjust the pace to that of the global economy due to the nature of its open yet limited scale.

Considering that potential risks underlying such situations at home and abroad as aforementioned can rise above and damage the soundness and profitability of financial institutions, KB Financial Group is focusing on ways to manage such risks. In order to maintain asset quality of each subsidiary at the highest possible level, we will strengthen the monitoring of all risks associated with its business operations, while promoting the proactive risk management of subsidiaries concerning volatility in interest rates, exchange rates, stock prices and other market factors to fully address market uncertainties. Also we will monitor and preemptively manage the risk facing in the overseas advances.

Emerging Risk Management

KB Financial Group has been identifying risks emerging anew through economic, environmental and social changes that can significantly affect its operations in the long run and proactively, taking counter-measures against such risks. In particular, identifying such changes triggered by falling birth rates and an aging population as well as in the work process brought about by digital finance innovations as key emerging risks, KB Financial Group has defined their characteristics, potential long-term impacts on business and respective counter-measures as follows:

Emerging Risks	Business Impacts	Counter-measures
 <p>Demographic changes related to low birth rates and aging population</p> <p>Such demographic changes are expected to lower savings and reduce the economic activity of older borrowers, bringing about income reductions and deterioration in asset quality</p>	<p>According to analysis of the asset quality of household by age of the borrowers, as ages go up, the credit quality of the borrower gets more deteriorated.</p>	<p>As the average age of borrowers in the KB credit portfolio is expected to move up through the increasingly diminishing income brackets, credit management guidelines and other measures will be employed that take into consideration borrowers' expected income and debt levels by life cycle stage</p>
 <p>Work process changes following digital finance innovation</p> <p>Despite innovation-based growth opportunities available for financial institutions, the risk resulted from ineffectively responding to such business opportunities, data protection, data protection and it related risk can wreck havoc on the industry as a whole</p>	<p>New technologies and new finance protocols based on digital finance innovation are changing business modes across the industry value chain, creating opportunities for new products, services and business models</p>	<p>In preparation for emerging risks based on digital finance innovation, KB is actively accessing and developing measures against their potential impacts, applying big data, machine learning, and other new technology-based methodologies to risk management</p>
 <p>Environmental, social responsibility and governance (ESG) issues</p> <p>The risk of business plans and actions not in step with regulations or market demands from the prospective of ESG</p>	<p>Global investors increasingly base their investment decisions on the individual corporate handling of ESG issues. Also, carbon emissions reduction and other toughening regulatory measures can influence the sustainability and profitability</p>	<p>KB Financial Group is establishing an ESG master plan in the consideration of its overall ESG management systems, strengthening their responsibility, defining guidelines for ESG-centered investment portfolios, and pursuing other ESG related counter-measures</p>

Digital Transformation

Amid an accelerating digitization fueled by untact trends across the industry and intensifying competition from big techs with regulatory support, KB Financial Group continues to strengthen its dominance on customer contact points by bolstering its financial platforms and to focus more resources and energy on its digital transformation.

In 2020, KB Financial Group strengthened the quality management of its platforms, rolled out the industry's first self-developed private authentication service, devised MyData business strategies, and bolstered core operation capabilities for digital acceleration. In 2021, we will focus on offering convenient yet value-packed services with top priority on customer interests.

Facing a pandemic-induced era of untact, KB Financial Group focused on transforming its business operations digital-based and strengthening online customer contact points through platform upgrade.

Evolving into a financial platform through customer experience improvement

KB Financial Group has significantly enhanced the capabilities and user convenience for our key platforms, including KB Star Banking, Liiv Mate and M-able, conducting quality insurance process and developing UI/UX focused on customer experience, to solidify the market dominance. Going through a cloud-based open infrastructure conversion and chatbot-based banking service, Liiv Mate of KB Kookmin Card is slated to prepare for a quantum transition into an AI-based platform. We also expanded the scale of their respective digital financial services: KB Kookmin Bank launched 'Liiv Real Estate', a real estate platform where customers can view properties on sale and apply for a loan, accumulating real estate data and related financial data onto the one platform; 'KB Cha Cha Cha' of KB Capital, a used car trading platform with Korea's largest listing in terms of registered

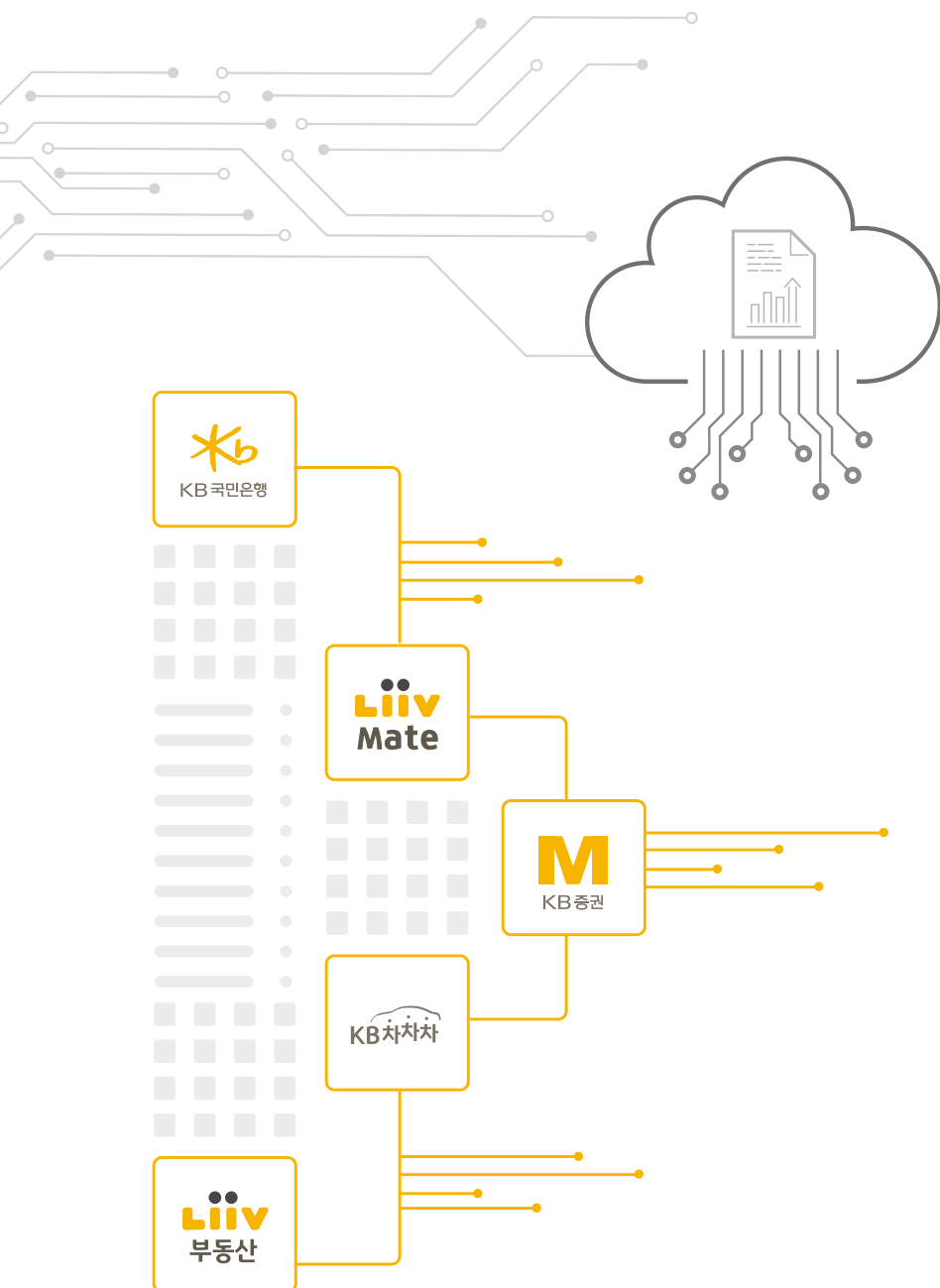
for sale; and KB Savings Bank rolled out 'KiwiBank', that enables account open, deposit, borrowing, and other banking transactions all year round, 24 hours a day.

Responding to market and regulatory changes

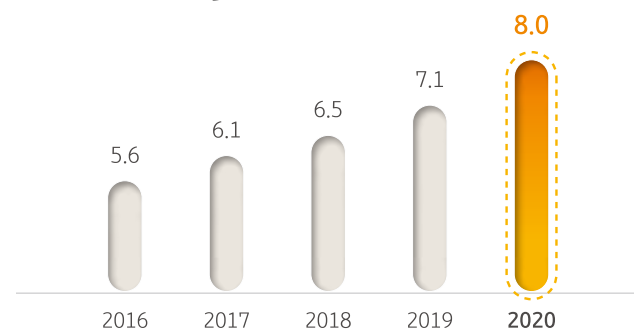
In response to fintech firms entering financial services business on the back of supporting government policies favorable to digital banking, we sought to build a financial platform that is the easiest and most convenient for customers, based on the one-stop financial service and consulting know-how it has accumulated. Based on 'The K Project', a next-generation system launched in October, 2020, we plans to fully integrate the branches, mobile and internet banking, call centers and other channels in an effort to enable customers to experience the seamless service of consistent quality regardless of which channel they use.

Also in response to revision of the Electronic Signature Act in December 2020, KB Kookmin Bank introduced the industry's first self-developed private authentication service in July 2019. 'KB Mobile Certification' enables its users to conduct financial transactions through all the group mobile platforms, from membership sign up to subscription to financial product: once signed in, customers are automatically logged in onto the 10 platforms of our major six subsidiaries. For its outstanding functionality, the authentication program attracted 7.3 million users in 20 months of its roll out, playing a crucial role in the expansion of group business area: KB Kookmin Bank is the only financial institution among the five private companies selected to participate in the government's digital authentication pilot project, and KB Mobile Certification is gradually applying to of the public service including home tax service of National Tax Service, Government 24, etc.

With the emergence of the MyData service enabling comprehensive data analysis, KB Financial Group sought to apply its wide collection of diverse customer data to various ends, including developing personalized products and services as well as new customers. For subsidiaries, MyData strategies were formulated and fine-tuned to the characteristics of their business operations; and for the Group as a whole, strategies were developed to expand internal and external MyData collections with a focus on banking and credit card business. KB Kookmin Card launched 'Liiv Mate 3.0' on an open platform, and a host of other MyData-related services: a rewards programs customized to customer consumption patterns; consumption



KB Star Banking MAU (In millions)



Group Flagship Applications

KB Kookmin Bank

	KB Star Banking	Provide full banking services to retail customers
	Liiv	Provide convenient financial services including F/X and money transfer
	Liiv Real Estate	Offering real estate-related data and specialized services

KB Securities

	M-able	Provide diverse and convenient financial services for stock trading and investment product
--	--------	--

KB Kookmin Card

	KB Pay	An on & offline payment service that allows users to make payment using credit card, debit cards, points or bank accounts
	Liiv Mate	Provide customer-engaging services including points and day-to-day consumption

KB Capital

	KB Cha Cha Cha	Provide a platform for online preowned car transaction and other services related to car sales
--	----------------	--

KB Mobile Certification



7.3 million

Attracted 7.3 million users in 20 months of roll out

manager offering smart consumption tips; and a financial curator service offering financial products and services based on consumer preferences and financial positions. In January, 2021, KB Kookmin Bank and KB Kookmin Card acquired the MyData business license, while other subsidiaries are in the process of preparing MyData services optimized to their own business models.

Bolstering core competencies to spur digital transformation

In 2020, KB Financial Group recorded a labor saving effect of 1.93 million work hours owing mainly to its adoption of Robotic Process Automation(RPA) through which a large portion of day-to-day operations was automated and significant business opportunities were developed.

'KB DNA' was launched with an aim to improve communication with college and university students. Through this digital communication program, we reached out and formed a partnership with a college IT startup club, and by listening to their opinions about its mobile platforms, identified 25 things to remedy and reflected subsequent improvements in the following UI/UX upgrade.

Building KB-centered digital ecosystems through external collaboration

Through 'KB Innovation HUB', the program developed to support high growth-potential startups, we continued to match promising fintech firms with subsidiaries, nominating 111 firms as 'KB Starters', forming 147 cases of alliance, and investing an aggregated KRW 52.3 billion in the firms by growth stage, as of the end of 2020. Also in July 2020, to help startups focus more on innovative service development on their own while freely networking with subsidiaries, the we relocated, and expanded the scale of, the startup collaboration center it had been operating in the heart of Seoul. In addition, we supported startups' overseas expansions in cooperation with business accelerators at home and abroad, such as PLUG & PLAY and Seoul Business Agency, and global programs.

2021 Plans

In 2021, KB Financial Group seeks to grow into a No.1 Financial Platform of the customer's first choice through digital innovation. To thrive in a platform competition with big techs and fintechs, as did in the competition with other financial companies before, we continue to develop innovative product and services placing to top priority in customer convenience and.

Firstly, by taking on bold innovation initiatives centered on main platforms, we will integrate all major apps into a one stop financial platform and heighten the differentiation of integrated asset management services based on internal and external customer data. For the KB Star Banking, as the flagship main app of KB Kookmin Bank, we will develop into the total financial service platform centered on connecting product and service channels, and Liiv Mate of KB Kookmin Card, as the open PFM(Personal Financial Management) platform easily linking to third party's products and services, we will enable customers to use as their main daily life platforms.

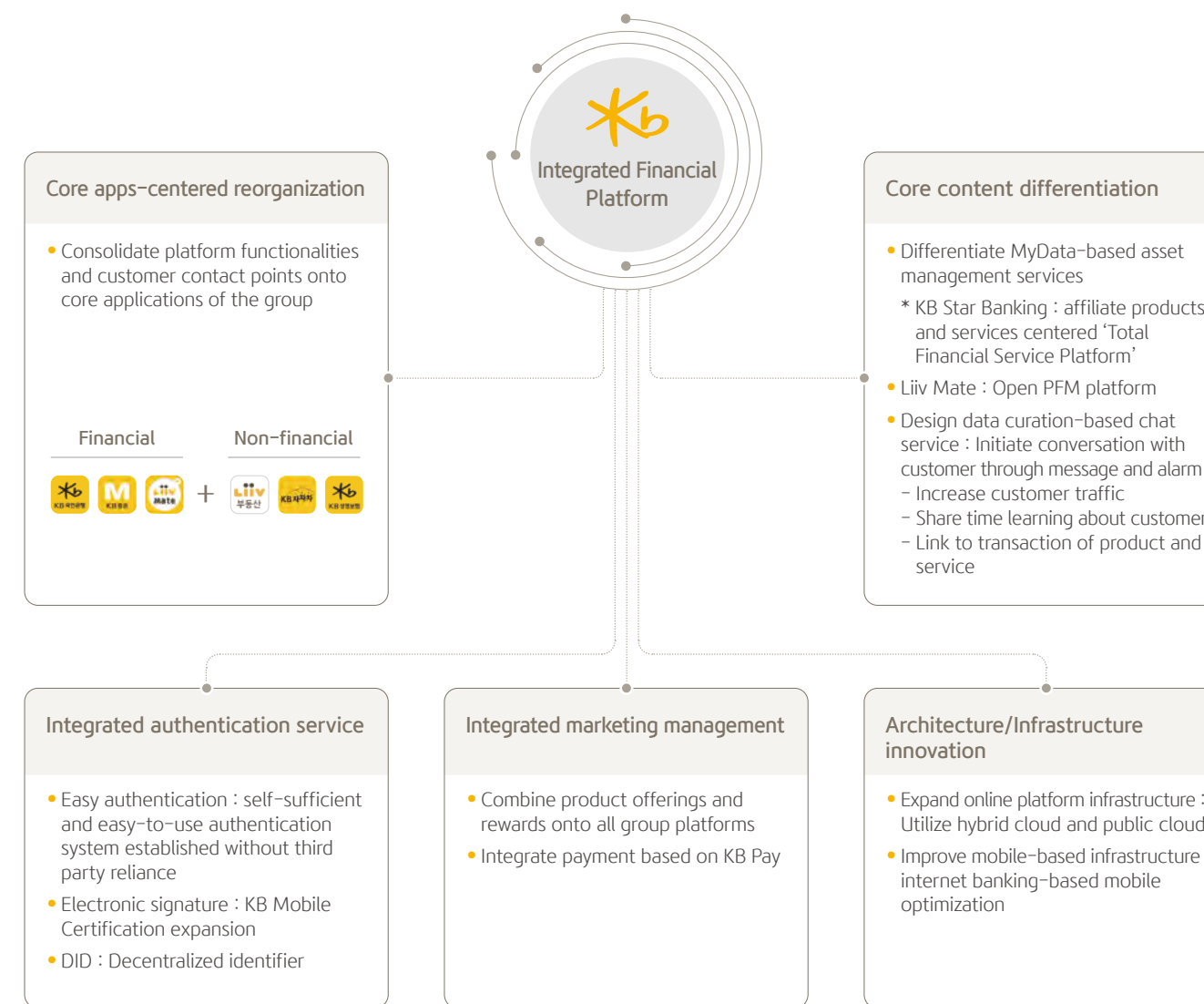
Secondly, we will secure more customer contact points by utilizing 'KB Mobile Certification' service with improved usability. To further enhance the public trust of the service, we will proceed the evaluations and verifications from reputable relevant authorities. In particular, we will make our incomparable KB's inherent easy-authentication ecosystem through enhancing the usability and expanding the business scope into ID verification service based on the DID(Decentralized Identifier) infrastructure.

Thirdly, we will make an effort to minimize the inconvenient experience using our platforms and maximize the customer satisfaction through the improved quality of digital service. For consistent customer experience, we organized the group unit dedicated to handling UI/UX, and upgraded the QA(Quality Assurance) functionality of all digital services. We will fortify the foundation for growing into a solid No. 1 financial platform.

No.1 Financial Platform Strategy

No.1 Financial Platform

in traffic, time-sharing, transaction, for which customer trust



Global Business

KB Financial Group continues its efforts to strengthen its global operations and presence in a bid to overcome the limited growth opportunity of the domestic market and to secure sustainable growth drivers. With such goals in mind, the Group seeks to increase contribution of overseas business incomes to 10% of group net income by 2023. To this end, we are implementing a Two-track strategy targeting Southeast Asian and other emerging markets with high growth potential and US and other advanced markets increasingly preferred by Korean investors.

Over the past several years, KB Financial Group has been expanding into digital banking, auto finance, microfinance, securities and related business group in Cambodia, Laos, Myanmar, Vietnam and Indonesia, enriching its understanding and knowhow of overseas business. To better allocate our finite resources, we now are pushing forward a 2nd Mother Market strategy focusing on a few target countries as operation bases.

In September, 2020, KB Kookmin Bank acquired a 67% equity stake in PT Bank Bukopin in Indonesia and added it as a subsidiary. The acquisition is meaningful in that it marks the Group's smooth entry into a high growth potential. The acquisition highlights the Group's unique global business approach in contrast to that of peers, taking over smaller banks as a stepping stone and pursuing organic growth.

KB Kookmin Bank also acquired a 70% stake in Prasac Microfinance in April, 2020. Boasting a branch network of over 180 branches Cambodia's largest micro deposit-taking institution(MDI) ranks No.3 in credit market share among the local financial companies, including commercial banks. This acquisition will go down as an important milestone in the group's global strategy of expanding its retail network in Asia. As part of its long-term strategy, the Bank plans to convert the Cambodia MDI into a leading commercial bank and grow it into a solid financial base from which to secure a position of advantage in the race dubbed 'New Southeast Expansion'.

KB Kookmin Bank also made history in Myanmar by being the first foreign bank to establish a local subsidiary: After nine months of preparation, the Bank was given a green light in December, 2020, from Myanmar financial authorities to set up a subsidiary. Once established, the subsidiary can open up to 10 branches and engage in corporate and retail banking anywhere in the natural resource-rich country. We plan to grow its subsidiary into a small yet sound foreign bank.

Also in the same month, KB Securities launched 'KB FINA Joint Stock Company in Vietnam, nurturing a fintech-based joint venture with G-Group, a local partner which has built up a captive customer base in the financial, media and fintech areas. Laying an IT infrastructure and developing key products, KB Securities plans to build a mass customer base for KB FINA by first targeting G-Group's captive customers in collaboration with the group subsidiaries. Furthermore, KB Securities plans to grow its subsidiary into a digital hub seeking to expand into the fast-growing ASEAN.

KB Insurance also actively marketed its products and services in Indonesia, a core target market for the group's '2nd Mother Market strategy, utilizing the sales channels, and targeting the customer bases, of such local companies our subsidiaries have established as PT Bank Bukopin Tbk., PT KB

Finansia Multi Finance, PT Sunindo Kookmin Best Finance. While satisfying the diverse financial needs of local customer, KB Securities is enhancing the synergy creation performance of KB subsidiaries in the most populated Southeast Asian country.

KB Finansia Multi Finance('KBFMF') is a credit finance company KB Kookmin Card acquired in July, 2020, and added as its subsidiary. Backed by its parent company's solid capital base, KBFMF is funding and lending at very competitive rates; and by expanding the product lineup in line with the preferences of local customers, is rebalancing its business portfolio with quality assets. Going forward, KBFMF plans to expand non-face-to-face channels in used car financing, factoring and other areas and to upgrade its mobile platforms.

PT Sunindo Kookmin Best Finance(SKBF), KB Capital's Indonesian subsidiary,

launched in June, 2020. SKBF was established through a 85% equity acquisition of PT Sunindo Parama, a former finance arm of SUN Motor Group. Focusing on auto financing, SKBF plans to gradually expand into consumer and motorcycle financing and rental car business.

2nd Mother Market Strategy

KB Financial Group is seeking to turn Indonesia, Vietnam, Cambodia, Myanmar and other emerging markets in Southeast Asia into a second mother market by establishing foot holds in those markets by enlarging each subsidiaries market presence. Also by expanding its market influence through digital services, KB Financial Group seeks to build up an integrated financial services-based presence spanning from banking to card, auto financing to consumer credit.

OTD & wholesale banking strategy

In advanced markets, We plan to develop diverse investment products and strengthen global asset management capabilities through collaboration and partnership with global leaders while continuing origination-to-distribution(OTD) projects and expanding the growth of a wholesale network centered on large and multinational businesses in New York, London, Hong Kong, Singapore and other global business hubs.

2021 Plans

KB Financial Group plans to further expand its global business based on its two-track strategy of focusing on Southeast Asia where high growth is expected and on the US and other advanced markets increasingly preferred by Korean investors.

In Southeast Asia, targeting Vietnam where economic growth is high and many Korean companies are in robust operation, Indonesia which has the world largest population, and Myanmar, Cambodia, Laos, the Group plans to pursue acquisition opportunities and organic growth with local networks.

In advanced markets, the Group will pursue market entries and expansions with a focus on securing stable growth drivers and improving WM, CIB and asset management capabilities.

KB Global Expansion Milestones

2017	VIETNAM	· Acquired Maritime Securities Incorporation(MSI), a local securities firm
	LAOS	· Established KB KOLAO Leasing, specialized in auto financing
	MYANMAR	· Established KB MFI Myanmar
2018	INDONESIA	· Acquired a 22% stake in PT Bank Bukopin
	CAMBODIA	· Launched KB Daehan Specialized Bank as a credit finance business
	VIETNAM	· Launched KB Securities Vietnam, formerly known as MSI
2019	CAMBODIA	· Liiv KB Cambodia reached 98 thousand users
		· KB Daehan Specialized Bank recorded USD 0.6 million net income for 2019
	VIETNAM	· KB Securities Vietnam raised KRW 70 billion of capital and ranked 10th largest securities company in Vietnam
2020	CAMBODIA	· Acquired a 70% stake in Prasac, the largest local MDI
	VIETNAM	· KB Securities launched KB FINA in partnership with G-Group which has vast captive bases in the financial services, media, fintech businesses in Vietnam
	MYANMAR	· KB Kookmin Bank established the first foreign bank in Myanmar
		· Kookmin Bank became the largest shareholder of PT Bank Bukopin with a 67% equity stake
	INDONESIA	· KB Kookmin Card established KB Finansia Multi Finance, with a 80% equity stake
	· KB Capital launched PT Sunindo Kookmin Best Finance, a local subsidiary	

Group Global Strategy

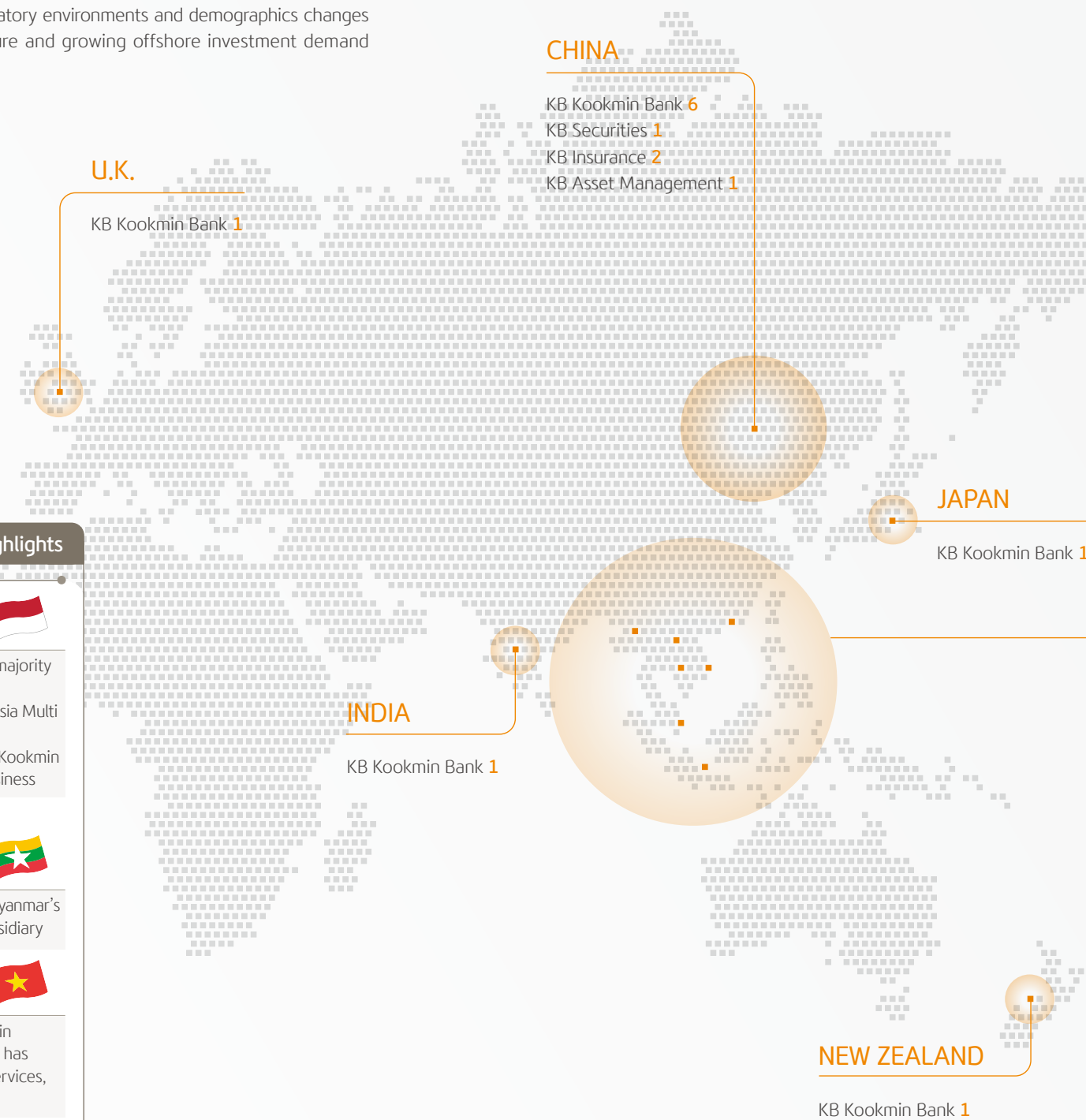


Global Network

KB Financial Group is accelerating its advancement into the global market to overcome the growth limits in the domestic financial market, pursue sustainable growth. Notably, these endeavors to expand our global presence are focused on Corporate & Investment Banking, retail banking, digitalization, and asset management, and a business-specific approach is taken in consideration of a full range of factors, from local regulatory environments and demographics changes to financial industry infrastructure and growing offshore investment demand among Korea investors.

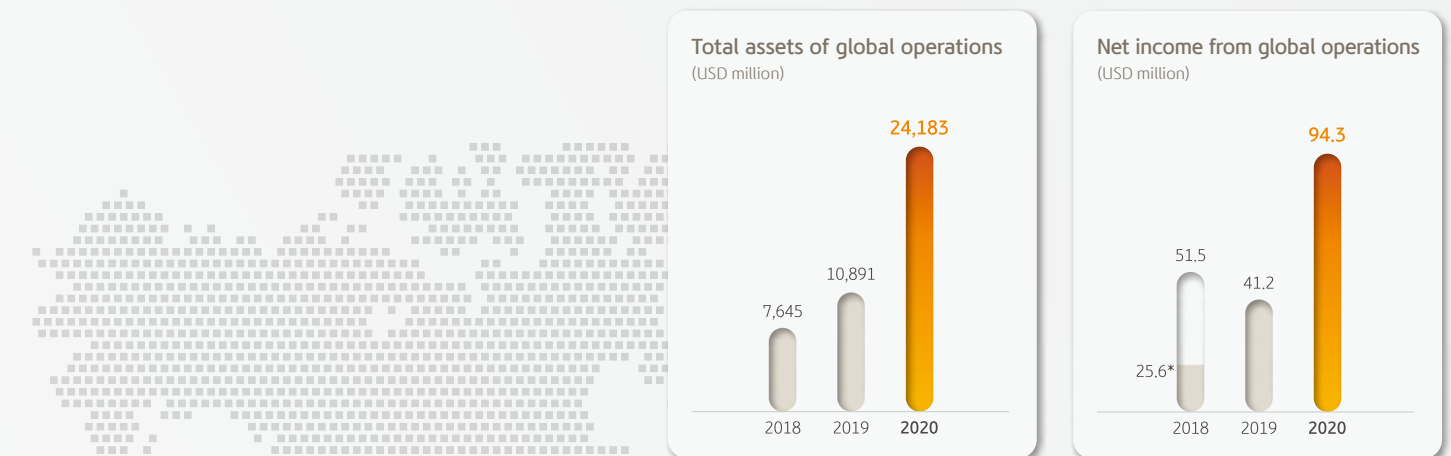
827 Overseas Network

KB Kookmin Bank **663** KB Securities **8** KB Insurance **10** KB Kookmin Card **141** KB Asset Management **3** KB Capital **2**



2020 Global Expansion Highlights

- INDONESIA**
 - KB Kookmin Bank acquired the majority stake in PT Bank Bukopin
 - KB Kookmin Card added PT Finansia Multi Finance as subsidiary
 - KB Capital, established Sunindo Kookmin Best Finance and opened its business
- MYANMAR**
 - KB Kookmin Bank, established Myanmar's first foreign-owned banking subsidiary
- VIETNAM**
 - KB Securities launched KB FINA in partnership with G-Group which has a captive base in the financial services, media, fintech areas in Vietnam



U.S.
 KB Kookmin Bank 1
 KB Securities 1
 KB Insurance 3

SOUTHEAST ASIA

- Myanmar**
 KB Kookmin Bank 23
 KB Kookmin Card 1
- Cambodia**
 KB Kookmin Bank¹⁾ 191
 KB Kookmin Card 2
- Laos**
 KB Capital 1
- Vietnam**
 KB Kookmin Bank 2
 KB Securities 5
 KB Insurance 2
 KB Asset Management 1
- Singapore**
 KB Asset Management 1
- Indonesia**
 KB Kookmin Bank²⁾ 435
 KB Insurance 3
 KB Kookmin Card 138
 KB Capital 1
- Hong Kong**
 KB Kookmin Bank 1
 KB Securities 1

Note 1) Including local branches of Prasac Microfinance Institution
 Note 2) Including local branches of PT Bank Bukopin

ESG Leadership



KB Financial Group, in pursuit of its mission 'Changing the world through finance', is leading the Korean financial industry in ESG management, establishing ESG governance across its operations. To better respond to ESG-related issues, KB Financial Group has established an ESG Committee comprising all of the board of directors an industry's first.

Leading ESG management through ESG governance establishment

In January 2020, KB Financial Group declared 'The Principles for ESG Execution' as a follow-up to the direction set for ESG strategies in September 2019 and established an ESG Committee within the board of directors and set up ESG strategies in March 2020 thereby completing an ESG management structure.

Also set up, in August, was 'KB Green Way 2030', a mid to long-term roadmap for ESG management. By 2030, we plan to reduce carbon emissions by 25% from 2017 and to increase the value of ESG-related products, investments and loans to KRW 50 trillion.

To achieve these goals, KB Financial Group has defined as three ESG strategic tasks 1) advancing climate change strategy to protect the environment, 2) internalizing responsible management for society, and 3) spreading the culture of transparent governance. The focus areas are also selected for all tasks and steps are being taken to implement the tasks. In particular, to advance climate change strategy for our environment, KB Financial Group declared to adopt the Equator Principles in August 2020, and joined in February 2021.

In September 2020, to proactively respond to climate change, we declared its pledge to phase out coal financing. True to its anti-coal policy pledge, we have stopped financing as well as underwriting new projects involving coal power generation at home and abroad.

Bolstering partnerships by taking an active part in global initiatives

KB Financial Group is leading a 'Green Initiatives' through participation in global initiatives and NGO activities. It had joined TCFD (Task force on Climate-related Financial Disclosure) in 2018 as a supporting institution, and based on TCFD recommendations, has been sharing with stakeholders its efforts concerning climate change risks.

In addition, KB Kookmin Bank, also taking part in the Equator Principles movement and other global initiatives in diverse environmental areas, and has stopped its support of large-scale development projects that could destroy environmental ecosystems, thereby proactively managing environmental risks inherent in its operations.

KB Financial Group has signed up as a signatory bank for UNEP FI's Principles for Responsible Banking; and to internalize the principles for and agreements on ESG management and to conduct research on financial institutions reducing their environmental impacts, has joined the working groups of the Principles for Responsible Banking and the Collective Commitment to Climate Action.

KB Financial Group also participates in the UN Global Compact, the Carbon

Disclosure Project, and other sustainable management-related global initiatives. To apply the classification of green global investments to KB Kookmin Bank's credit review, we are taking part in developing banking guidelines for UNEP FI and the EU Taxonomy, fulfilling our responsibility as an ESG leader. As part of our support for gender equality, we have made public its adoption of 'Women's Empowerment Principles, thereby making progress on promoting a corporate culture that embraces inclusiveness and diversity.

Creating impact in ESG financial market to realize sustainable finance

With the rise of fine dust, ocean pollution and other environmental issues and with the growing impact of climate change, KB Financial Group continues to develop diverse eco-conscious products as a contribution to solving social problems. Leading products introduced to raise awareness of climate change

KB environmental campaign



Paperless

- Issue less bankbook
- Reduce DM service
- Reduce paper usage



No Plastic

- Issue less plastic card
- Reduce use of plastic products
- Recycle plastic products



Save Energy

- Use renewable energy
- Increase green vehicles
- Pursue energy efficiency

Group ESG Strategy

Strategic Goal

Create sustainable value and enhance customer trust by promoting responsible management for environment and society and disseminating healthy corporate governance



Reduce carbon emissions by **25%**

Achieve KRW **50** trillion in ESG products, investments, and loans

Strategic Directions

Areas of Focus

Environment

Advancing Climate Change Strategy

- Setting and Managing Carbon Emissions Target
- Managing Environmental Risks
- Increasing Green Investments and Loans
- Leading the Way in Green Finance Ecosystems

Social Responsibility

Internalizing Responsible Management for Society

- Expanding Social Contribution
- Promoting Shared Growth and Mutual Prosperity
- Respecting Human Rights and Diversity
- Expanding Inclusive Finance

Corporate Governance

Spreading the Culture of Transparent Governance

- Enhancing Transparency in Governance
- Strengthening the Stewardship Code
- Expanding Investments in Excellent Governance
- Building a Comprehensive Evaluation System

and environmental pollution include KB Clean Sky package and KB Clean Ocean package. A portion of proceeds from sales of these eco-conscious products is donated to organizations collecting industrial trash from the ocean, replacing old boilers, building urban forests and conducting other eco-friendly activities.

KB Financial Group also actively develops investment opportunities in new business areas with a focus on eco-friendly factors, while continuing to invest in business and projects related to private funded eco-conscious development, new renewable energy generation, eco-friendly shipbuilding and auto. In fact, KB Financial Group dominates the industry when it comes to such large-scale renewable energy source development projects as solar, wind and battery bank power generation, taking an active part in the whole process, from finance consulting to investment arrangement. KB Financial Group is financing various large scale of renewable energy generation projects in Korea, including Solaseado Solar Power Generation and ESS project in Haenam and KB Muan Sunlight Power Plant. Also, by actively participating in and financing public housing and urban remodeling projects, we lead the industry in addressing acute social issues.

KB Financial Group also is increasing financing support for the growth of eco-friendly projects as well as green industry through such eco-themed products as 'KB Green Growth Loan' offering discounted rates to green growth companies with preferred rates while donating a portion of profits to green growth associations, 'Preferential Loans for PV Power Plant Businesses' developed exclusively for customers engaging in solar power generation business. Through support channels for small business owners and low-income classes, we offered financial services developed for the socially and economically vulnerable trapped in the financial blind spot. In particular, for small-business owners hit hard by the COVID 19 pandemic, we supported liquidity through 'KB Corona Special Guarantee Agreement Loan' and 'KB Small Business Secondary Protection Program Agreement Loan'. Also, by supporting vulnerable customers in link with more inclusive subsidiaries, the Group was able to prevent people with low credit scores from being pushed into the jaws of predatory lending, thereby playing the role of a social safety net.

KB Financial Group also issues and offers diverse sustainability bonds to expand its finance support for eco-friendly and socially conscious projects. KB Kookmin Bank's sustainability banking management meets the Sustainability Bond Guidelines established by the International Capital Markets Association, and is certified by Sustainalytics, a world-renown ESG financial consulting firm. As a follow-up to the industry's first USD 300 million sustainability bond it had issued in October 2018, the Bank issued Asia's first USD-denominated junior sustainability bond in February 2019, and the industry's first Euro-denominated covered bond in July 2020. we certified by ESG verification agency Deloitte with respect to ESG bond management and sustainability bonds issuance, issued a KRW-based sustainability bond, a first among financial groups. The funds raised through bond issues as described above have been allocated to support vulnerable classes affected by COVID 19, to create jobs, and to fund new renewable energy and eco-friendly projects.

Improving sustainable management through strategic response to ESG evaluations

For its exemplary ESG-related efforts, KB Financial Group was included in the 2020 DJSI, for a 5th year in a row. In particular, the group was ranked global No.3 and No.1 in Korea.

KB Financial Group cultivates female talents and job expertise as well as leadership skills. For its continued efforts to improve gender equality, the group was included in the 2020 Bloomberg Gender-Equality Index, thus becoming the first Korean company to make the prestigious index for three years in a row.

Also, the industry's first to rank No.1 in the Korea Corporate Governance Service's governance evaluation for two consecutive years, in 2018 and in 2019, in 2020 was rated the highest A+ not only in the governance but also in ESG evaluations, reaffirming its reputation as a leading financial group in ESG management.

Another industry first was made when the Group was awarded 'Green Management Top Award' at the '2020 Global Standard Management Awards' sponsored by Korea Management Registrar.

Upgrading Stewardship Code to improve corporate value and investor returns

KB Financial Group applies to six major subsidiaries the Stewardship Code, a strict guideline for institutional investors to follow in their engagement in corporate governance in the interests of their beneficiaries. By adopting the code and thus reflecting ESG as well as financial considerations in its pursuit of higher corporate value, we facilitate the growth of its investee companies and at the same time, strengthens a sense of responsibility among its investment managers to grow customer assets in the mid to long run.

Also, KB Financial Group has in place systems for preventing conflicts of interest that can arise during the execution by employees of their fiduciary responsibilities;

and through internal controls and compliance regulations, emphasizes that investor interests take procedure over the interest of KB Financial Group, its shareholder and employee interests; and that mutual benefits be shared among investors on an equal basis.

Diligent fiduciary functions not only allow shareholders to voice their opinions on corporate management and maximize shareholder value, but also contribute to the sound operation of market watch mechanisms. Through this, we will bring healthy changes to its governance structure in a positive direction, improve corporate value, and enhance customer rights.

2021 ESG Strategy Direction

Advancing climate change strategies

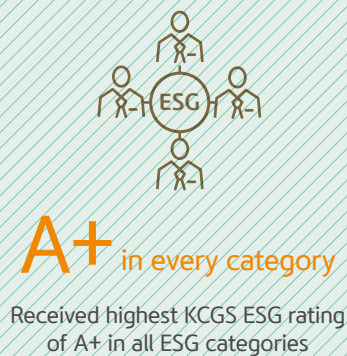
Amid a growing awareness of the importance of the environment in the financial industry, KB Financial Group strengthened the environmental risk management advancing climate change strategy and expanding green financial products, investments and loans. Advancing the climate change strategy, KB Financial Group has managing the greenhouse gas to meet our carbon emission target, and setting the guidelines for environmental and social risk management. We strive to secure green leadership, bolstering the environmental management structure, and thus staying ahead of industry-wide efforts to create eco-friendly financial ecosystems against climate change.

Internalizing responsible management to society

Stakeholders of the financial industries are becoming diverse of late, and increasingly demanding industry responses as diverse. In response, the Group is creating social values, proactively identifying and doing something about such expectations of key stakeholder segments as follows: making social contributions toward creating value for future generations; seeking mutual growth through expansion of social values; strengthening the respect for stakeholders' human rights and diversity; supplying stable financial services for the financially marginalized and increasing funding support, thus faithfully carrying out its responsibility as a social network.

Spreading the culture of transparent governance

The transparent governance is becoming increasingly mandatory as well as the adoption of the stewardship code is spreading at home and abroad. In response, we will continue such efforts to further expand its transparent and exemplary governance as follows: spread the importance of healthy governance through improvement of transparency in governance; increase the value of investees through active enforcement of the stewardship code; increase sustainable values through product sales and investment in businesses outstanding in governance; and set up comprehensive systems of evaluating ESG management performances.



DJSI World



DJSI World Index

KB Financial Group is named to the Global Sustainable Management Evaluation, "DJSI World Index" for 5 years in a row

Social Contribution



Pursuing its mission, 'Changing the World through Finance', KB Financial Group is implementing CSR with a focus on fostering future generation and creating social value, creating jobs for youths, promoting shared value with local communities, serving the environment and other related activities in link with the UN SDGs initiatives.

In 2020, in response to the COVID 19 pandemic and to overcome the subsequent national crisis, the Group conducted all-directional social contribution activities, offering opportunities equal for education and experience opportunities to children and youths so that future leaders can follow their dreams with high hope, and playing diverse supporting roles in job creation, community services, environment preservation and other areas in dire need of support. The Group's all social responsibility activity is conducted on the basis of the CSR program, while each subsidiary of KB Financial Group conducts strategic social contribution activities reflecting on the basis of group-wide core business areas.

Fostering Future Generation

Supporting child and youth growth bases

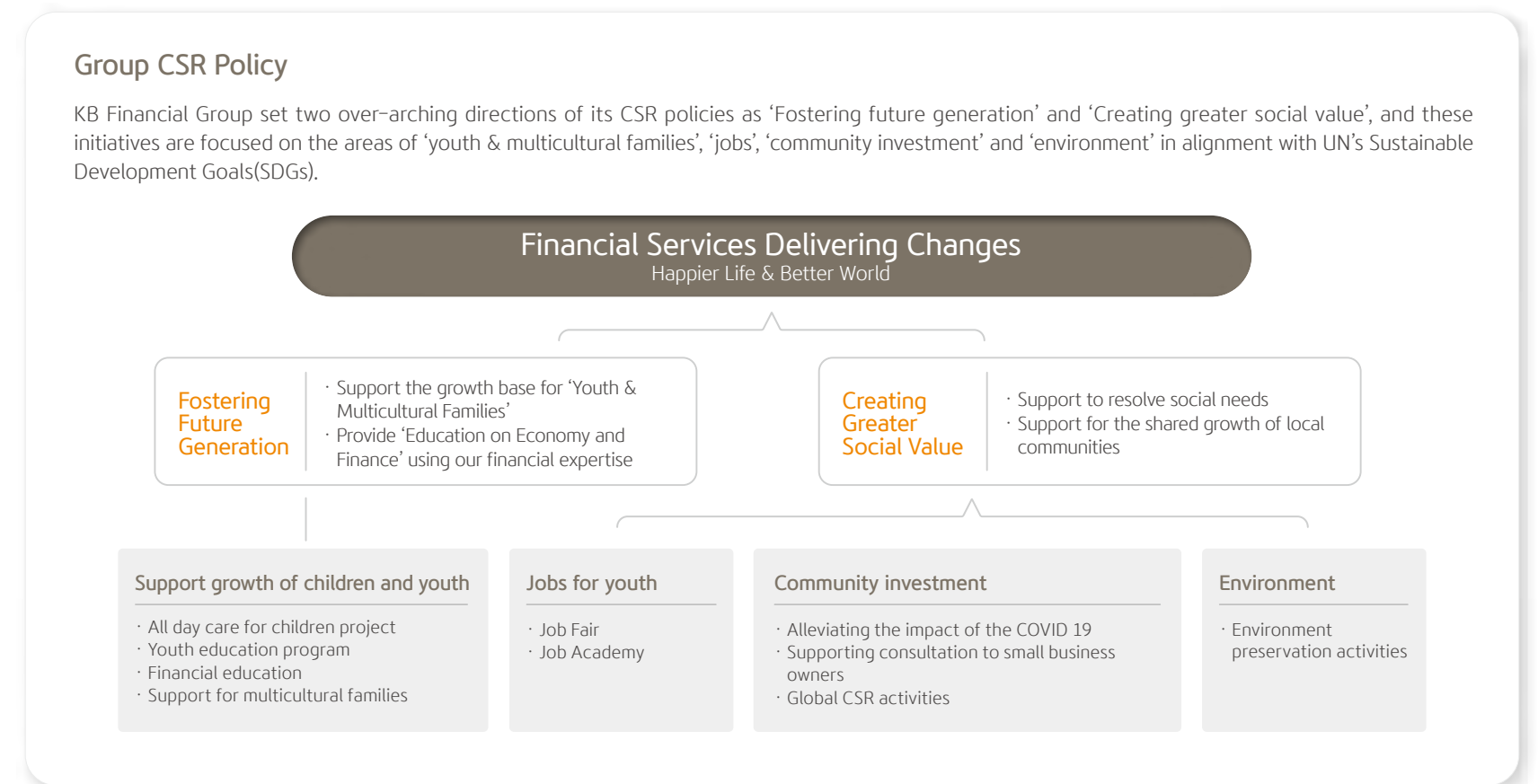
Since establishment of KB Financial Group in 2008, We have been conducting social contribution activities focused on laying the bases that enable children and youth to grow into sound-minded social members. Also by supporting multicultural family members, it stays in the forefront of building a society that embraces diversity and inclusiveness.

To help solve the problem of dwindling child care services, a social issue continuing to pose a threat to the growth of future generations, the Group has been funding the building of children after care classrooms at elementary schools nationwide, as well as the construction and expansion of public kindergartens, since its signing of an agreement with the Ministry of Education in 2018; as of the end of 2020, cumulate funding amounted to KRW 75.0 billion. For the Group's continued support, not only thousands of children in kindergarten and grade school are under the care of qualified and experienced guardians, but also many parents who had to sacrifice their career to take care of their children have been able to return to their jobs or create new jobs related to the operation of after-school care classrooms or the kindergartens. Such and other ripple effects of the Group's contributions are expected to grow at an accelerating pace. As of the end of 2020, a total of 1,446 classrooms in 894 schools were created with support of KB Financial Group. We plan to expand to approximately 2,500 classrooms by 2022, which will bring benefits to over 50,000 children.

Korean language education is another area we continue to support as Korean fluency is essential for multicultural families to blend into their local communities. Also we supported diverse programs that offer jobs and related training to multicultural families. In particular, 'Diverse Culture Classroom' is gaining media attention as a KB's unique program exemplary of its dedication to the promotion of diversity and social harmony, as it brings together children of diverse cultures, to help them understand one another's cultures and thus discover that they have more in common than expected. Also, for children of North Korean defectors, we support school facilities and programs dedicated to helping such children recover their identity, adapt to their new environment, and grow as healthy Koreans in mind and body.

Group CSR Policy

KB Financial Group set two over-arching directions of its CSR policies as 'Fostering future generation' and 'Creating greater social value', and these initiatives are focused on the areas of 'youth & multicultural families', 'jobs', 'community investment' and 'environment' in alignment with UN's Sustainable Development Goals(SDGs).



KB Financial Group also draws on its financial expertise to enhance the value of its social contributions. Since the 2011 foundation of the KB Foundation, the Group has been running diverse economic and finance education programs, which have become a key CSR project. By experimenting with diverse content and methods in step with social changes, we are presenting a new direction for economic and finance education.

The KB Foundation has launched a team of lectures specializing in economic and finance education, dispatching them to schools, military bases, cultural centers and other institutions when requested as well as running diverse forms of education, including camp and invitation-only. In particular, meeting growing needs for contactless education amid an unprecedented pandemic, the foundation constructed 'KB Star*D', an economic and finance education experience center, with an eye toward being a leader in custom economic and finance education for younger generations. In 2020, the foundation educated some 126,000 people on economics and finance.

Social Value Creation

Helping solve social issues and supporting the growth of local communities

In the second half of 2020, we provided SMEs and small-business owners suffering COVID 19-induced downturns with comprehensive financial support such as urgent working capital and deferrals of insurance premium and credit card payments. Also, masks, hand sanitizers, thermometers and other PPEs were donated to some 1,900 community children's centers and some 300 senior welfare facilities.

In particular, KB Kookmin Bank supplied USIM cards for Liiv M, a finance and telecommunication hybrid service to quarantined overseas Koreans under COVID 19 lockdowns, reduced phone bills for customers living in the Daegu and Gyeongbuk regions, supported reducing bills for Internet and telecommunication services for an online schooling of elementary, middle and high school students.

KB Good Jobs



18,650 jobs

Job fair attracted 560,000 visitors in cumulative total number and landed 18,650 jobs

To help revitalize mom-and-pop stores, traditional markets and local economies, we took part in a 'Compassionate Landlord Campaign', slashing rents for small-business owners operating out of KB Financial Group-owned buildings, as well as in other local economy boosting campaigns, providing KRW 10.9 billion Onnuri gift certificate, which can use in traditional market to KB employees.

The Group is promoting a sustainable social finance ecosystem and fostering social enterprises through a social investment fund jointly established with Korea Growth Investment Corp. The KRW 100 billion fund applies UN Sustainable Development Goals, investing in social enterprises deemed capable of generating positive impacts in the social and environmental sectors. In particular, by investing not only in government-certified social enterprises but also in social ventures creating meaningful effects across all societies, we captured two proverbial birds—social effects and financial performance. As of 2020, 'KB Social Investment Fund' allocated a total of KRW 26.5 billion in 22 social enterprises and ventures.

KB Financial Group also matches one promising startup in need of funding support with another and provides growth support: selected startup are supported in incubation expansion, investment mediation, IPO consulting so that they grow together, nurturing win-win relationships that last. 'KB Innovation HUB' selects 'KB Starters' from among tech startups taking on challenges of creating innovative services, and helps them grow in collaboration with our subsidiaries. As of the end of 2020, 111 KB Starters received Group's CVC funds totaling KRW 52.3 billion through 174 cases of business ties with the subsidiaries, constituting the best investment and most active collaboration among domestic fintech labs.

KB Financial Group has operated 'KB Good Jobs' for the past 10 years, connecting quality jobs with future talent. The program provides diverse employment information through its website and, by offering resume writing, interview preparation and other related services, plays a big role in getting young job seekers land at jobs that fit their career goals. In 2020, over 65,000 cases of employment information were provided, and 'KB Good Jobs' was held with the participation of blue-chip SMEs as well as job seekers. As of the end of 2020, attracted 560,000 in cumulative number of visitors and landed some 18,650 jobs, thereby growing

into Korea's largest job fair. In particular, financial incentives were provided to participating companies that had hired job seekers during the job fair and maintained the employment contracts for a certain period, thereby contributing to the stability of the newly created jobs. In addition, through 'KB Good Job Academy', 'KB Good Job School', and other related programs, KB Financial Group stays in the forefront of improving young people's odds of finding jobs in an increasingly competitive employment environment.

As solving the rising environmental issues of late requires the combined effort of the nation, businesses and the people, we lead peers in socially responsible management through diverse eco-friendly social contribution activities. In the Mongolian region, the source of yellow dust and fine dust, 'KB Kookmin Bank Forests' are created to help reduce the centuries-old air pollution problem; and for children susceptible to the effects of yellow dust, air purifiers are donated to local children centers nationwide; to raise environmental awareness among youth, educational materials are published and an environment education is conducted.

Also conducted are social contribution activities in which customers of eco-conscious financial products are encouraged to participate. 'KB Clear Sky' and 'KB Clean Ocean', the industry's first public-interest financial products through which customers can volunteer to help reduce fine dust and restore marine ecosystems, were launched back to back in 2020, as one of the our contributions to realize sustainable society through environment preservation for future generations.

KB Kookmin Bank supported medical services for foreign workers in Korea and provided full support for surgery for Cambodian children who have heart diseases. 'Raonatti' KB Kookmin Bank's overseas volunteer program created in 2008 for college students, continued its volunteer work in less-developed countries. KB Securities ran 'Rainbow Classroom', providing children in developing countries a place and means to study. For children living in places without electricity, KB Insurance donated solar-powered lanterns assembled by employee volunteers to energy-poor countries through 'Lighting Children'. KB Kookmin Card, through its Cambodia subsidiary, signed a business agreement with 'SmartCraft', a local social enterprise, to buy the up-cycled products worth about USD 10,000 as company promotion gifts.

Key Social Contribution by Subsidiary

• KB Kookmin Bank

KB Kookmin Bank supported the healthy growth of youth and the development of future leaders through diverse social contribution programs. Its flagship project, 'KB, Mentoring Youth!' consists of mentoring and support programs in three areas—learning, career building, and digital skills: 'Mentoring for Learning' provides learning support for teens from low-income and multicultural families who often lack educational opportunities; 'Mentoring for Career Building' assists teens in attending diverse career experience programs, including English studying; and 'Mentoring for Digital Skills' supports coding and other software education programs. KB Kookmin Bank also conducted projects focusing on improving the living and study conditions of needy youths.

• KB Securities

Under the banner 'Changing the World through Finance, Cultivating the World, KB Securities', KB Securities undertook various social contribution programs related to promoting a corporate culture of sharing and participation, supporting youth and multicultural families, and contributing to the enrichment of local communities. 'Rainbow Classroom', its flagship social contribution program, contributes to create a favorable learning environment for underprivileged youths by renovating community study halls and libraries and donating books. Since 2009, this program has supported 14 communities in Korea and three schools overseas, and in the second half of 2021, plans to open 18th and 19th classrooms in Korea and in Vietnam, respectively, while in talks with education authorities and local governments to finalize a school playground improvement project slated for 2021.

• KB Insurance

In conducting social contribution, KB Insurance focused on three themes—children and youth care, community-involving social contribution, and corporate culture of sharing and participation, operating volunteer groups and improving living conditions for children and teens, setting up mind-calming places for fire fighters, supporting youth released from detention centers. 186 volunteer groups composed of employees and sales representatives clocked 16,000 hours in volunteer hour in 2020.

• KB Kookmin Card

KB Kookmin Card practiced the spirit of sharing in the three areas of youth, global society, and public interest. In youth education, KB Kookmin Card ran economic and financial education programs for elementary, middle and high school students to help them develop sound consumption habits. Through art and sports programs were children with disabilities supported; and through a schoolbag donation program, some 10,500 1st grade students from low-income families received a schoolbag each containing school supplies, and a letter congratulating the beginning of his/her school life.

As for global society, KB Kookmin Card offered Korean language programs to children of multicultural families and North Korean refugees who often face difficulties in learning the new language and adapting to the new country. Some 160 children received an online 1-to-1 tutoring. In addition, for children in

Indonesia, Myanmar, Cambodia and other developing countries, KB Kookmin Card continued its unique and fully localized contribution activities. With respect to public interest, fine dust reduction, urban renewal, home-alone elderlies care, COVID 19 support and other environmental and social programs were carried out.

• Prudential Life and other subsidiaries

Prudential Life focused on youth development and life sharing, corporate culture of innovation and sharing in conducting its social responsibilities. Some of more noteworthy activities included developing and encouraging youth volunteers; helping youth develop sound economic perspectives through economic education; sharing the importance of life with vulnerable youths; and helping change the world through communities services under the direction of the Company's Social Contribution Committee.

KB Asset Management ran employee volunteer programs serving meals and cleaning facilities at nearby welfare centers for elderlies once a month.

KB Capital ran diverse donation programs for youth from socially marginalized families as well as victims of natural disasters in Korea and children of less-developed countries.

KB Life Insurance offered scholarships to children with parents working in the social welfare sector and its employees donate their blood, signed an organ donation pledge, tended to the upkeep of parks, and participated in environmental cleanups.

KB Real Estate Trust donated learning guidance for children, provided vocational training and rehabilitation assistance to people with disabilities, and supported orphaned infants and toddlers. The company has helped improve the environment at the Seoul Forest since 2019 by rooting out noxious plants and clearing up the surroundings.

KB Savings Bank ran programs delivering heating and cooking fuels, providing a cultural education and employment support for the underprivileged; and supporting free meal deliveries, clearing up the surrounding areas of business bases, and their community services.



Management's Discussion & Analysis

In 2020, due to the unprecedented COVID 19 pandemic, global real economy rapidly contracted with high volatility for the financial market as well. Despite such challenges surrounding its business environment, KB Financial Group achieved meaningful results in 2020. By acquiring Prudential Life as a subsidiary, KB Financial Group further fortified the base of its business portfolio, gaining a meaningful market position in the life insurance business. Moreover, KB Financial Group also made substantial progress in global business, acquiring Prasac Microfinance Institution("Prasac") in Cambodia, and PT Bank Bukopin("Bukopin") in Indonesia, and further enhanced its sustainability.

To review KB Financial Group's business results for 2020, group net profit amounted to KRW 3,455 billion, up KRW 143 billion year on year, exceeding a KRW 3 trillion mark for four consecutive years, while EPS rose 4.2% over the course of 2020 to KRW 8,809. Though ROE dipped slightly to 8.79%, mainly due to the preemptive provisioning against COVID 19 related uncertainties and a large-scale of ERP cost, ROE on a recurring basis, stood at 10.17%, proving a sound earnings fundamental even in a difficult business environment with unprecedented challenges.

Group net interest income rose by KRW 525 billion or 5.7%, to KRW 9,722 billion on the strength of the solid growth of quality loan and profit-focused rebalancing of loan portfolio, despite contraction in net interest margin(NIM) following a 75bp of the Bank of Korea rate cut. Group non-interest income rose by KRW 535 billion or 23.9%, to KRW 2,770 billion mainly driven by a significant increase in fee and commission income across the non-banking subsidiaries. Brokerage fees expanded owing to increased stock trade volumes and effective sales strategies, and credit card fees expanded with strengthened marketing and cost savings efforts. As a result of the balanced growth of core income of banking and non-banking operations, the gross operating income reached KRW 12,493 billion in 2020, up by 9.3% year on year.

As for the expenses side, Group G&A expenses rose by KRW 565 billion or 9.0%, to KRW 6,833 billion. It was primary attributable to the increased ERP cost and M&A effects related to Prudential Life, Prasac, Bukopin and other overseas acquisitions carried out in 2020. Excluding these factors, G&A expenses on a recurring basis remained within a manageable range. Group provision for credit losses amounted to KRW 1,043 billion, up by KRW 373 billion or 55.7%. It was mainly attributable to the preemptive provisioning against COVID 19, amounting to

KRW 377 billion in 2020, excluding such preemptive provisioning, provisioning for credit losses remained flat. Group credit cost recorded 0.26%, but excluding such preemptive provisioning, credit cost stood at just 0.20% level.

In asset quality, group NPL ratio(based on simple arithmetic sum of each domestic subsidiaries), fell by 0.08%p to 0.41% over the year, while NPL coverage ratio posted 168.6%, up by 21.5%p, proving solid asset quality to absorb losses against economic headwinds going forward.

Group BIS and CET1 ratios under Basel III recorded 15.28% and 13.30%, respectively, maintained the industry's top tier position on the back of solid earnings generation and strategic capital management including issuance of supplementary capital, despite increase in the risk weighted asset following loan growth.

Key Financial Indicators

	(% , %p)		
	2020	2019	YoY
ROA	0.61	0.66	(0.05)
ROE ¹⁾	8.79	8.98	(0.19)
Basic EPS (KRW)	8,809	8,451	4.2
Group NIM (Bank + Card)	1.76	1.94	(0.18)
Bank NIM	1.51	1.67	(0.16)
Cost-Income Ratio(CIR)	54.7	54.9	(0.2)
Credit Cost Ratio(CCR)	0.26	0.20	0.06
NPL Ratio ²⁾	0.41	0.49	(0.08)
NPL Coverage Ratio ²⁾	168.6	147.1	21.5
BIS Ratio	15.28	14.48	0.80
CET1 Ratio	13.30	13.58	(0.28)

1) Based on return on common equity

2) Based on simple arithmetic sum of each subsidiary's figures (excl. overseas local subsidiaries, overseas equity investment, SPC, etc.)

Group Financial Position

KB Financial Group's total assets amounted to KRW 610.7 trillion as of the end of 2020, increased by KRW 92.2 trillion or 17.8%, primarily attributable to solid growth in loans of the bank and M&A effect such as Prudential Life and Prasac. Loans rose KRW 36.7 trillion to KRW 377.2 trillion, mainly driven by a balanced qualitative growth of household and corporate loans. Moreover, financial investments grew KRW 26.9 trillion on the back of the consolidation effects

of Prudential Life and the group-wide strategic moves to expand securities investments. Group AUM amounted to KRW 339.0 trillion, up by KRW 67.9 trillion, as a result of KB Securities' efforts to increase investor's deposit as well as increase in AUM of KB Asset Management. Accordingly, the Group total assets including AUM amounted to KRW 940.4 trillion, up by KRW 150.6 trillion or 19.1% over the year.

Group Financial Position

	(KRW in trillions, %)		
	2020	2019	YTD
Assets	610.7	518.5	17.8
Cash & Due from Financial Institutions	25.6	20.8	23.1
FVTPL ¹⁾ Assets	61.0	53.5	14.0
Financial Investments	98.7	71.8	37.5
Loans	377.2	339.7	11.0
Property & Equipment	8.0	7.9	1.3
Other Assets	40.2	24.8	62.1
Liabilities	567.3	479.4	18.3
FVTPL ¹⁾ Liabilities	11.8	15.4	(23.4)
Deposits	338.6	305.6	10.8
Debts	49.8	37.8	31.7
Debentures	62.8	50.9	23.4
Other Liabilities	104.3	69.7	49.6
Shareholder's Equity	42.5	38.5	10.4
Share Capital	2.1	2.1	-
Hybrid Securities	1.7	0.4	325.0
Capital Surplus	16.7	17.1	(2.3)
AOCI ²⁾	0.6	0.3	100.0
Retained Earnings	22.5	19.7	14.2
Treasury Shares	(1.1)	(1.1)	-
Non-Controlling Interests	0.9	0.6	50.0
Group Total Assets³⁾	940.4	789.8	19.1
AUM⁴⁾	329.2	271.1	21.4

1) Fair value through profit or loss

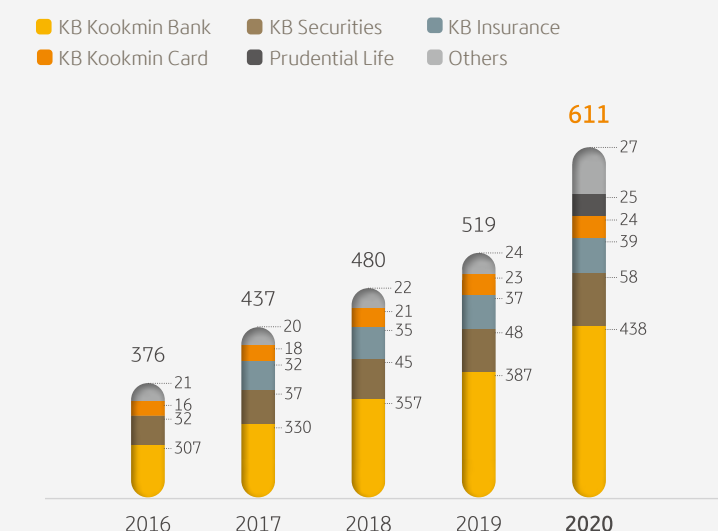
2) Accumulated other comprehensive income

3) Based on simple arithmetic sum of each subsidiary's total assets on the financial statement for group reporting and AUM

4) Including the Bank's trust assets not subject to group reporting

Group Total Assets

(KRW in trillions)



KB Kookmin Bank's total assets amounted to KRW 438.4 trillion, up by KRW 51.0 trillion or 13.2%, from the previous year. Loans in won rose 9.9% to KRW 295.5 trillion attributable to balanced and qualitative growth of the household and corporate sectors: Household loans rose 9.5% on a solid growth with prime Jeonse loans and unsecured loan; and corporate loans grew 10.3% on a balanced increase in SOHO, SME and large corporate loans.

KB Kookmin Bank Loans in Won

(KRW in trillions, %)

	2020	2019	YTD
Household	161.9	147.9	9.5
Mortgage	86.0	77.2	11.4
General	75.9	70.7	7.4
Corporate	133.6	121.1	10.3
SME	114.1	103.3	10.5
[SOHO]	76.8	69.2	11.0
Large Corp. etc.	19.5	17.8	9.6
Total	295.5	269.0	9.9

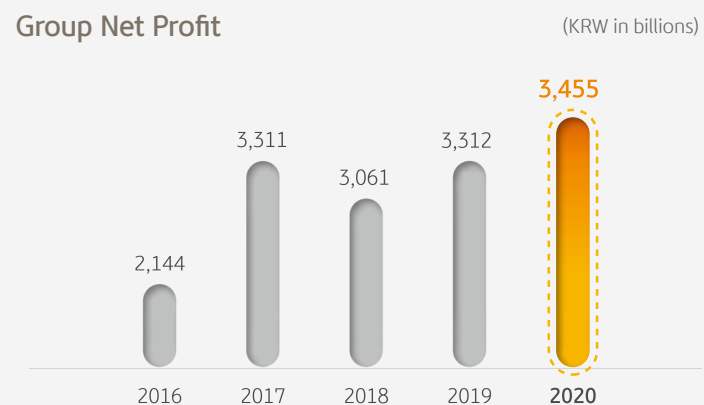
Profitability

KB Financial Group's net profit for 2020 amounted to KRW 3,455 billion, up by 4.3% year on year. Notwithstanding challenges and uncertainties surrounding business environment, we saw a balanced improved earnings fundamental across banking and non-banking business. Net interest income firmly increased driven by solid loan growth, despite NIM contraction following sustained low rate environment, and fee and commission income from non-bank subsidiaries improved meaningfully as well. Meanwhile, our inorganic growth through M&A brought visible results leading to sustain solid fundamentals.

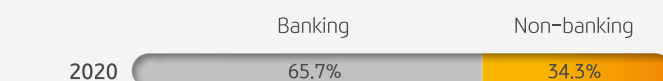
Group Profitability Overview

	(KRW in billions, %)		
	2020	2019	YoY
Net Interest Income	9,722.3	9,196.8	5.7
Net Fee & Commission Income	2,958.9	2,355.0	25.6
Other Operating Profit	(188.6)	(119.9)	N.A
Gross Operating Income	12,492.6	11,431.9	9.3
G&A Expenses	6,833.2	6,271.0	9.0
Provision for Credit Losses	1,043.4	670.3	55.7
Net Operating Profit	4,616.0	4,490.6	2.8
Net Non-Operating Profit	145.6	43.3	236.3
Profit for the Period	3,502.3	3,313.2	5.7
Profit attributable to controlling interests	3,455.2	3,311.8	4.3

Group Net Profit



Banking vs Non-banking



* Based on net profit on a recurring basis

Net interest income amounted to KRW 9,722 billion, up by 5.7%, despite a contraction in NIM following the Bank of Korea rate cut by 75bp. This is primarily attributable to solid loan growth of the bank, which helped to secure stable earnings base and the result of inorganic growth through M&As. Group and Bank NIM recorded 1.76% and 1.51%, respectively, contracted by 0.18%p and 0.16%p year on year, both reflecting the effect of low interest rate followed by key rate cut. Even in a situation where asset yield contraction continued following the interest rate decline, our NIM was relatively well defended owing to continued margin management efforts. We will make all our efforts to manage our NIM by increasing core deposits utilizing our superior sales capability, channel competitiveness and applying more selective loan pricing strategy.

The Group's net fee and commission income was KRW 2,959 billion, increased by KRW 604 billion or 25.6% year on year, providing a big support to the group's core earnings growth. Such growth in net fee and commission was driven by sizable increase of KRW 347 billion from brokerage fees in the securities business with increased average stock trading volume, as well as expanded credit card fees on the back of robust marketing and cost savings efforts, which led to better performances from non-bank subsidiaries. As such, quarterly net fee and commission income was around KRW 500 billion level in the past, but now has expanded to around KRW 800 billion since the beginning of the year, continuing to show solid growth.

Group G&A expense recorded KRW 6,833 billion, up by 9.0% year on year. It was mainly attributable to sizable ERP cost of KRW 344 billion and M&A effect, amounting to KRW 243 billion, following the acquisition of Prasac, Prudential Life and Bukopin in 2020. The rise may seem significant this year, if excluding special items like the ERP expense and the M&A impact, G&A expenses, on a recurring basis, increased by 2.6% year on year.

In 2020, group cost-income ratio(CIR) remained almost unchanged from the previous year at 54.7%, despite scaled-up ERP and M&A-related cost, which is attributable to improved revenue generation and group-wide cost control efforts. In particular, CIR for 2020, on a recurring basis, stood at 49.4% level, demonstrating a continued downward trend for the past 5 years. We plans to manage CIR to a mid-40% level, by expanding revenue sources and cost control from the zero-based perspective.

The provision for credit losses amounted to KRW 1,043 billion, up by KRW 373 billion, mainly due to preemptive provisioning against COVID 19, amounting to KRW 377 billion, applying conservative forward looking criteria against COVID 19 induced uncertainties and preemptive reclassification of stage 1 loans to stage 2 loans; Excluding such preemptive provisioning, it remained flat to the previous year level.

2020 Group credit cost slightly inched up over the year to 0.26%, mainly due to aforementioned preemptive provisioning. Excluding such preemptive provisioning, credit cost stands at just 0.20% level and is still being managed at a stable level. With prolonged COVID 19, there has been increasing concerns about asset quality. However, in order to preemptively prepare for these uncertainties and to improve our capability to respond, we have additionally provisioned conservatively to secure a buffer. At the same time, we have considerably stepped up our risk management efforts by reinforcing our risk management system by industries and borrowers type, and strengthening monitoring for vulnerable borrowers. As such, we believe that our asset quality will be managed stably.

By subsidiary, KB Kookmin Bank's net profit amounted to KRW 2,298 billion, fall by KRW 141 billion from the previous year, mainly due to sizable ERP cost increase and preemptive provisioning related to COVID 19, even net interest income expanded driven by solid loan growth and M&A effects such as Prasac and Bukopin, and income from securities, derivatives and FX meaningfully improved on the back of our efforts to increase invested assets and improve portfolio diversification. Noteworthy the financial results of Prasac, consolidated from April 2020, contributed to the group's earnings approximately KRW 83 billion for the year. As for now, the net profit contribution of global business was 5% level of net profit of the bank, but we expects to grow substantially.

Meanwhile, the G&A expenses amounted to KRW 4,201 billion, up by KRW 314 billion, which reflects KRW 302 billion of ERP cost for 810 employees and an additional G&A expenses related to the acquisitions of Prasac, Bukopin and other overseas institutions which have been included as bank subsidiaries. Bank CIR inched up over the year to 53.6% on the aforementioned ERP cost and M&A-

related expenses; but, CIR on a recurring basis stood 47.2%, which represents its continued downward move following cost reduction efforts. Provisions for credit losses posted KRW 484 billion, up by 380 billion from the previous year, mainly due to the preemptive provisioning related to COVID 19, but excluding this, it managed at a stable level.

KB Kookmin Bank Profitability Overview

	(KRW in billions, %)		
	2020	2019	YoY
Net Interest Income	6,754.8	6,363.8	6.1
Net Fee & Commission Income	1,067.9	1,133.3	(5.8)
Other Operating Profit	14.0	(178.0)	N.A
Gross Operating Income	7,836.7	7,319.1	7.1
G&A Expenses	4,201.3	3,887.4	8.1
Provision for Credit Losses	484.3	103.5	367.9
Net Operating Profit	3,151.1	3,328.1	(5.3)
Net Non-Operating Profit	(19.3)	(9.6)	N.A
Profit for the Period	2,298.2	2,439.1	(5.8)

In 2020, KB Securities' net profit increased by KRW 168 billion from the previous year to KRW 426 billion, due mainly to a sizable increase in brokerage fees supported by robust stock trade volume growth and all-out sales efforts. By business sector, WM boosted its earnings performance with a huge increase in brokerage fees an effective efforts at expanding its individual customer market share pushing the Prime Club service; S&T struggled in performance against a COVID 19-induced financial volatility hike in the first quarter, but quickly recovered thought the year, as the financial market regained its footing; and IB strengthened its market position not only in DCM but also ECM and M&A as well on the back of the competitive edge-sharpening efforts over the years. As a result, KB Securities' ROE reached a laudable 8.8% level.

KB Insurance's net profit posted KRW 164 billion, decreased by KRW 70 billion from the previous year, owing to a decrease in investment income, resulted from impairment losses of overseas alternative investment, triggered by COVID 19-induced economic downturns. On the other hand, embedded value as of end of 2020, grew 18.1% over the year to about KRW 7.8 trillion on the strength of value-driven management approaches focusing on the value of new purchased contract. Loss ratio recovered by 0.5%p to 85.5% due mainly to a 7.3%p improvement in auto insurance loss ratio following a reduction in accidents on the back of COVID 19.

KB Kookmin Card's 2020 net profit amounted to KRW 325 billion, which represents a slight improvement, as a result of its efforts at expanding market share with a focus on preferred customers, increasing card transaction volume and reducing marketing expenses.

Net Profit by Subsidiaries

	(KRW in billions, %)		
	2020	2019	YoY
Group Net Profit	3,455.2	3,311.8	4.3
KB Kookmin Bank	2,298.2	2,439.1	(5.8)
KB Securities	425.6	257.9	65.0
KB Insurance	163.9	234.3	(30.0)
KB Kookmin Card	324.7	316.5	2.6
Prudential Life ¹⁾	55.7	-	N.A
KB Asset Management	57.3	48.9	17.2
KB Capital	141.6	117.0	21.0
KB Life Insurance	(23.2)	16.0	N.A
KB Real Estate Trust	66.9	61.7	8.4
KB Savings Bank	17.3	16.3	6.1
KB Investment	15.4	11.3	36.3
KB Data Systems	(1.7)	4.7	N.A
KB Credit Information	1.1	(0.3)	N.A

1) As Prudential Life became wholly-owned subsidiary of group as of Aug. 31, 2020, the financial results has been fully consolidated in Group's financial statements since Sept. 2020

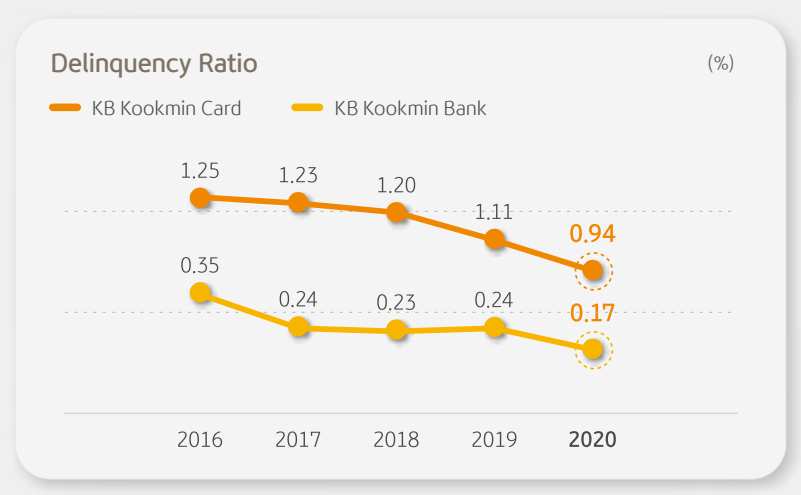
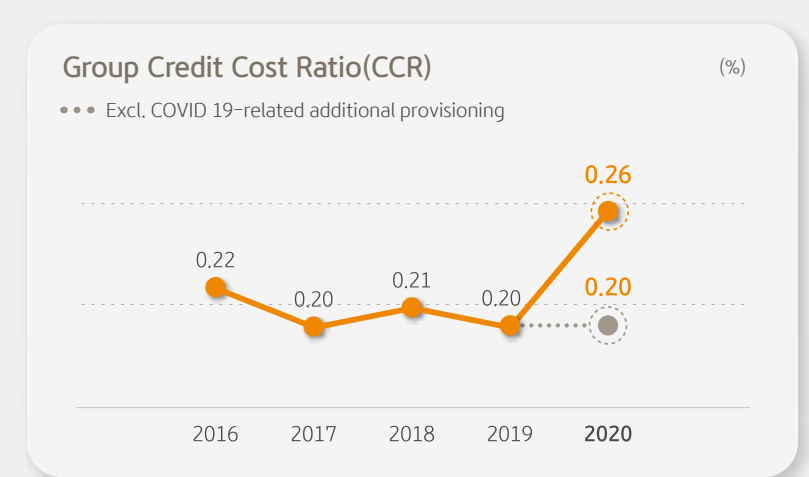
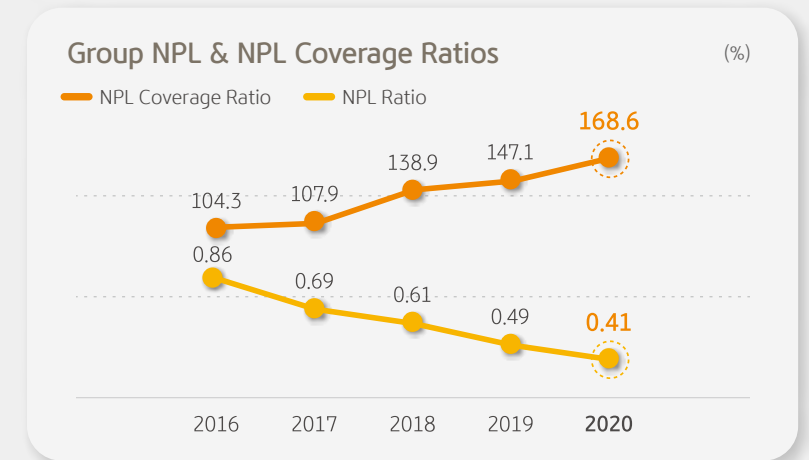
Asset Quality

The Group's NPL ratio, based on the simple arithmetic sum of each domestic subsidiary's figures, came to 0.41%, decrease by 0.08%p, thanks to the conservative and preemptive risk management efforts we put forward over the years, amid growing concerns on deterioration in asset quality due to the prolonged COVID 19 pandemic. Group NPL coverage ratio is 168.6%, up by 21.5%p and NPL coverage ratio including reserves for credit losses stood at 345.9%, up by 44.1%p, demonstrating an improved capabilities to absorb losses against internal and external macro uncertainties going forward. Responding to uncertainties, we manage risks associated with our operations in a preemptive and forward looking manner, to improve its loss absorption capabilities;

Group Asset Quality¹⁾

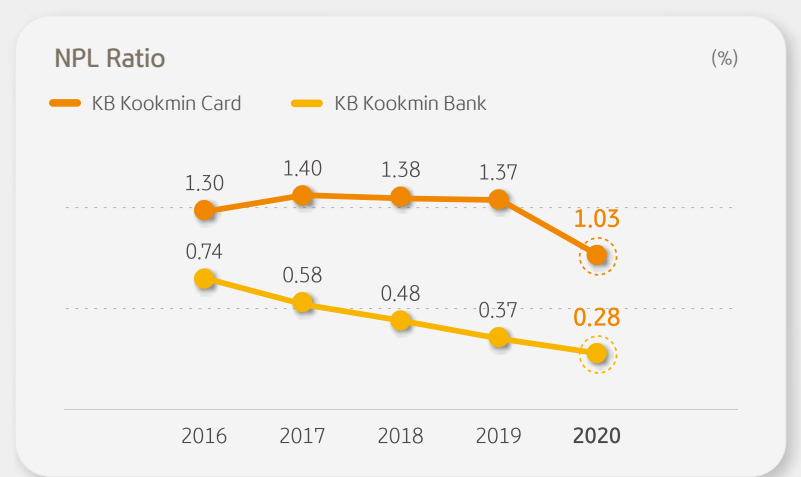
	(KRW in billions, %)		
	2020	2019	YoY
Total Loans for NPL classification	366,427.8	334,552.5	9.5
Precautionary	2,379.2	2,608.4	(8.8)
Substandard	653.5	662.5	(1.4)
Doubtful	557.1	700.9	(20.5)
Estimated Loss	280.4	288.4	(2.8)
Substandard & Below Loans(NPL)(A)	1,491.0	1,651.8	(9.7)
NPL Ratio	0.41	0.49	(0.08)%p
Loan Loss Reserves	2,513.6	2,430.0	3.4
NPL Coverage Ratio I (B/A)	168.6	147.1	21.5%p
Reserves for Credit Losses (C)	2,643.1	2,555.2	3.4
NPL Coverage Ratio II [(B+C)/A]	345.9	301.8	44.1%p

1) Based on simple arithmetic sum of each subsidiary's figures (excl. overseas local subsidiaries, overseas equity investment, SPC, etc.)



KB Kookmin Bank's delinquency and NPL ratios posted 0.17% and 0.28%, respectively, improved by 0.07%p and 0.09%p, attributable to its preemptive efforts to rebalance the loan portfolio reducing potential NPLs and reinforced risk management. NPL coverage ratio was 165.2%, NPL coverage ratio including reserve for credit losses stood at 407.4%, both representing sound asset ability to absorb any losses related to macro uncertainties going forward.

KB Kookmin Card's delinquency and NPL ratios recorded 0.94% and 1.03%, respectively, improved by 0.17%p and 0.34%p despite growing concerns on asset quality deterioration following the prolonged COVID 19. NPL coverage ratio posted 320.0%, and NPL coverage ratio including reserves for credit losses, stood at 457.1%, both well above a confidence-inspiring level.



Capital Adequacy

The Group's BIS and CET I ratios under Basel III are recorded at 15.28% and 13.30%, respectively, both in the industry's top tier level, on the back of an early adoption of Basel III as well as the solid accumulation of net income, strategic capital management including issuance of supplementary capital, despite increase in risk weighted assets following loan growth and acquisition of Prudential Life.

KB Kookmin Bank's BIS and CET I ratios under Basel III are recorded at 17.78% and 15.10%, respectively, up 1.93%p and 0.73%p from the previous year.

Group Capital Position

	(KRW in billions, %)		
	2020	2019	YTD
BIS Capital	40,080	36,995	8.3
Tier 1 Capital	36,896	35,426	4.1
CET 1 Capital	34,886	34,710	0.5
Tier 2 Capital	3,184	1,569	102.9
Risk-weighted Assets	262,349	255,549	2.7
BIS Ratio	15.28	14.48	0.80%p
Tier 1 Ratio	14.06	13.86	0.20%p
CET 1 Ratio	13.30	13.59	(0.29%p)

KB Kookmin Bank BIS Ratio

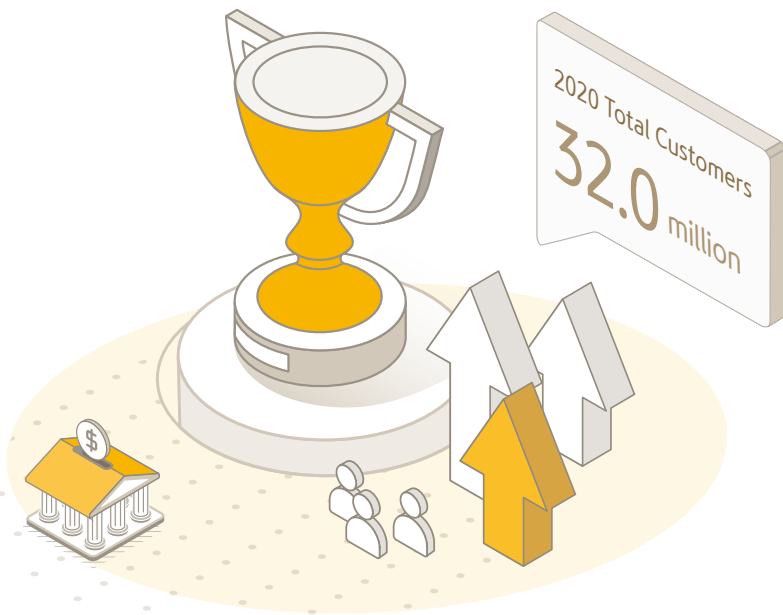
	(%)		
	2020	2019	YTD
BIS Ratio	17.78	15.85	1.93%p
Tier 1 Ratio	15.42	14.68	0.74%p
CET 1 Ratio	15.10	14.37	0.73%p



OPERATION REVIEW

KB Financial Group continues to place the highest priority on customer value and is committed to leading the industry not only as evidenced by its financial figures but also in all other areas of its business.

KB Kookmin Bank



As of end of December 2020, KB Kookmin Bank reached 32.0 million customers and established the highest level of branch and digital banking network in the industry. 'KB Mobile Certification, the industry's first private ID verification service, attracted 7.3 million users in 20 months from the roll out, a clear testament to its usability and security. Also in 2020, we completed 'The K Project', a next-generation IT infrastructure-based digitalization project, bringing to reality seamless connections between online and offline spaces, and creating a digital environment that stands apart.

Digital Finance

Creating a platform from a customer perspective

In 2020, KB Kookmin Bank laid the basis for transforming into a financial platform company that can fast adapt to market and environment changes. We overhauled the operating structure into a platform-focused organization where the business and technological units can closely work together. Through such a platform organization, which is synonymous with a DevOps organization where planning, development and operation all take place simultaneously for enhanced customer experience, we will accelerate our digital innovation drive. The infrastructure of our banking operations also underwent digitization: 'The K Project', a next-generation IT system comprising AI, big data, and cloud technologies, went into a full operation mode, providing hyper-connected financial services seamlessly linking branches, call centers, mobile and many other channels.

In 2021, the financial industry is expected to see big changes take place, as implementation of MyData business, amendment of the Electronic Financial Transaction Act and launch of payment businesses.

In response to such competition-intensifying developments, KB Kookmin Bank will secure a position of advantage in the banking market and ride the digital wave to being a solid No.1 financial platform company. To this end, we will first consolidate diverse platform functionalities dispersed throughout group operations onto KB Star Banking and Liiv, and retool the core platforms to create new customer value and business synergies. Also, by further upgrading the platforms to the extent that they'd be optimized for mobile banking as well as by constructing an open infrastructure, we will lay a base that is flexible to adoption of new technologies.

With respect to content, we will strengthen MyData-based asset management practices, develop products and services by customer segment, and expand KB Mobile Certification-based business. Also, by nurturing the platform organization to take root, we will plant an agile corporate culture that can proactively reflect the fast-evolving customer needs and propensities in our daily business

operations; and by developing digital technology experts using diverse avenues of education and training, will further solidify the base for incorporating platform business.

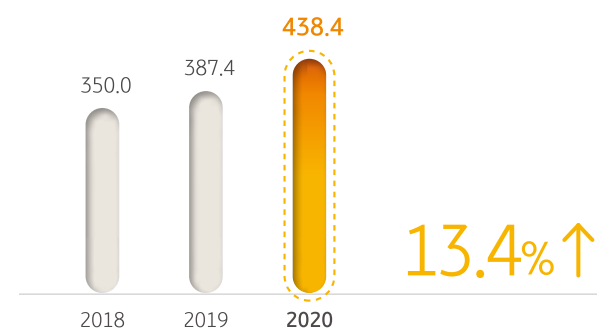
The K Project for the next leap forward

The K Project was successfully completed in 2020 as part of the group strategy to lead the industry in digital innovation and leap toward a future where the brand KB will be synonymous with innovation. The K Project is crucial to completing KB Kookmin Bank's digital transformation. A next-generation computational system based on an advanced IT infrastructure of AI, big data, and cloud computing, the project supports seamless connections among various on/offline channels and offers a digital banking experience unimaginable a few years ago. With the successful completion of the project, we have secured an infrastructure that proactively responds to changes in the business environment, enables employees to improve their job performance on the basis of the seamless work support they receive, and offers customers a wide range of financial services each customized to their individual needs and preferences.

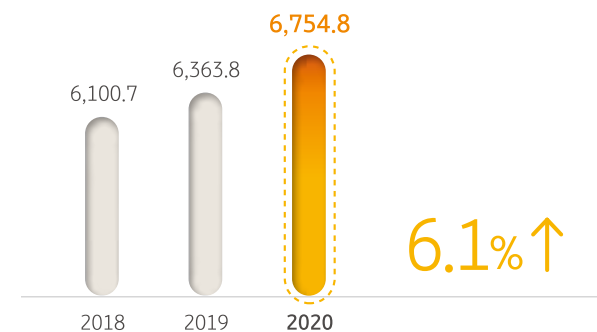
KB Mobile Certification with growing users

In 2020, amended Digital Signature Act took effect, setting off the race for dominance in a potentially explosive digital authentication market. KB Kookmin Bank also jumped in the race with the roll out of 'KB Mobile Certification'. The first and only ID authentication service introduced by a financial institution, KB Mobile Certification is not only advanced in security but also superior in user convenience: unlike the government-authenticated certificate, which involves a complex and time-consuming process that often requires tedious revalidations and multiple passwords, our authentication system requires a relatively simple process available through KB Star Banking. Using KB Mobile Certification Service, customers can conduct not only mobile but also web-based internet banking by tethering their phones. As of the end of 2020, the KB certification service was applied to six financial services platforms of five KB subsidiaries. Having surpassed a 7.3 million milestone in number of users in 20 months of roll out, KB Mobile Certification will

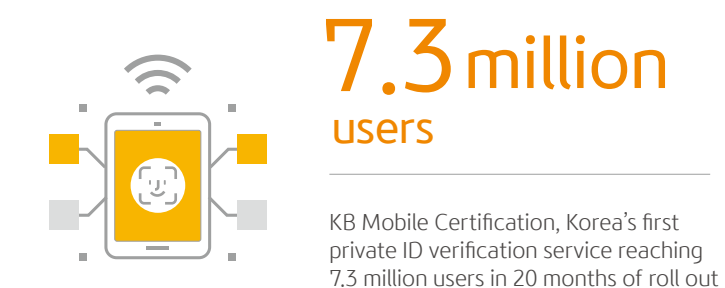
Total Assets (KRW in trillions)



Net Interest Income (KRW in billions)



KB Mobile Certification



be upgraded to enable its fast growing users to conduct banking, securities, card, insurance and all other financial services under group umbrella with the comfort of using one contactless channel, effortlessly.

Real estate data platform high in usability

In January 2021, we introduced a cloud-based 'Liiv Real Estate' app, an upgrade to the existing real estate platform 'Liiv On'. Compared with its predecessor, Liiv Real Estate is superior in app operation speed and other basic performance functionalities: the real estate listing has vastly expanded with a curator feature that, with a few clicks of buttons, shows pictures, videos and data not only of properties but nearby and surrounding complexes as well. Such visual materials and property data are produced in-house and also shared via diverse SNS channels, including Naver TV, Kakao TV, YouTube, Facebook.

MVNO-based financial and telecommunication platforms

'Liiv M' is a finance and telecommunication hybrid platform of KB Kookmin Bank, the industry's first of its kind. The platform offers high quality telecommunication

“ KB Kookmin Bank continue to solidify its No. 1 position and strengthen WM, CIB, capital and other core operations. ”

services at affordable prices as well as secure and convenient financial services. In 2020, we introduced a variety of such financial and telecommunication services developed to diverse customer needs, as 'More Giving Liiv M Installment savings', 'More Giving LTE Plan', MVNO-based 'Membership Service', and other innovative phone package services for younger and more socially active customers. As of the end of 2020, active subscribers of '11GB+ LTE', the main phone plan package, numbered some 66 thousand, while the special LTE plan package of 'Narasarang' signed up 8 thousand subscribers in three months from the roll out. With growing customers of MVNO fueling the growth of the MVNO market, competition among mobile network operators is expected to further intensify. In response, we plan to preoccupy the market with introduction of phone financing services, and to stay ahead in price competition, will continue to develop special phone plans targeting its captive customers.

Retail Banking

Strengthening market dominance and leading change

In response to an intensifying banking industry competition, a COVID 19-induced increase in demand for contactless financial transactions, and economic downturn, KB Kookmin Bank focused on the following actions: overhauling a group customer loyalty program, KB Star Club; strengthening customer management with exclusive services for prime customers; expanding non-financial preferred service benefits for prime customers; introducing special benefit programs and target campaigns aimed at enhancing loyalty among prime and longer-term customers.

To expand KB's dominance in retail banking, we launched MZ generation-tailored deposit package products; savings products combined of finance, ESG and telecommunications; and loan products for the newly wed, pensioners, military personnel, foreigners, KB Star Club members and other customer segments. We also reduced funding costs and expanded the base for stable funding by increasing retail core deposits and attracting settlement-type accounts. To spur online product sales, we carried out target sales activities based on internal and external customer data, built systems for marketing hub EBM, developed potential online customers, conducted a CRM campaign, and realigned products, services and processes toward expanding the boundary of contactless sales channels.

We also launched new products each followed by a sales campaign intended to raise public awareness of key financial issues and social trends: 'KB Clean Ocean' savings was introduced in June 2020, as a follow-up to the success of 'KB Clean Sky' savings rolled out in 2019; and 'KB My Fit Package', a savings product, launched in the same month for MZ generation. Also by developing or renewing products specialized by age, profession, nationality and other segment, we met diverse financial product needs and thus strengthened product differentiation and competitiveness.

In 2021, we expect to see the global and domestic economies slow down in growth rate and interest rates stay ultra low, following a protraction of COVID 19 and resultant uncertainties. Also expected is an intensifying competition in the financial industry. In response, we will establish customer management systems that are seamlessly connected through diverse channels; optimize the product lineup through expansion of partnerships and joint promotion products; adopt a bank-wide integrated marketing approach; maximize the marketing performance; secure a market dominance in the core areas of main operations; and bolster our unsurpassed competitive advantages in retail banking through seamless omni channel between on/offline processes.

Offering total WM management services in collaboration with KB affiliates

In addition to market dominance, KB Kookmin Bank is focused on product and service development through collaboration with its affiliates, offering one-stop asset management services that stand out among peers. Amid COVID 19-induced difficulties, we put a lot of effort into bolstering asset management services: supplying investment products; conducting asset management webinars; and operating ingenious contactless marketing programs employed, all developed to the needs of, and through active communication with, customers that evolved along with fluctuations in market volatility.

The direction for operating VIP Lounge, a channel through which customer-specific consulting service are offered, was redefined through the following steps: a reservation system for the VIP Lounge service was implemented at 42 branches on a trial basis; and branches offering the VIP Lounge service were increased from 380 to 488 over the year 2020. Also, with the establishment of 'KB PB Biz Innovation' plan, two branch-in-branch PB centers were launched, as well as PB Center-branch joint sales pilot program were implemented.

The optimization of the channel coverage of WM hybrid branches was pursued through the opening of six branches and the closure of one in line with the rationalization of securities branches. Bank-sourced WM product sales practices were revised; 'Happy Call' was created, a system for thanking customers for their business referrals; and other steps taken to improve the process of outsourcing WM products and of managing post-sale activities and to thus reduce risks associated with incomplete sales. Also efforts were made to improve customer-focused synergy evaluation standards in the interest of generating genuine synergies.

Asset management product sales were facilitated through the opening of four consulting centers in the PG 2.0-linked regions, followed by various customer segment-specific seminars and a one-on-one consulting service by asset management specialists. Asset management/advisory services were made popularized with the creation of a Youtube channel dedicated to KB wealth

management. Such efforts to expand differentiated advisory services were made as the launch of a service guiding landowners through the intricate process of being compensated by the government for their land included in infrastructure development projects; a 'Legal Risk Assessment Service' targeting SMEs and CEOs was; and a 'Special Tax Service' for overseas Koreans.

Key strategic areas of WM to focus in 2021 include solidifying the WM base with a focus on customer value; bolstering the competitiveness of investment advisory services and the KB brand; strengthening the leadership in WM product competitiveness; pivoting from product sales to total asset management; and establishing investor rights protection systems.

Corporate Banking

Fine-tuning CIB models and managing crisis situations

In corporate banking, KB Kookmin Bank focused on preemptive management of risks and on fine-tuning CIB models, actively responding to a continuation of COVID 19-induced market uncertainties. Amid challenging business situations, we pursued to establish a branch in Singapore, which is expected to become a Southeast Asian financial hub, with a plan to expand the localization of its sales force. Also, the risk factors of overseas alternative investments were preemptively managed, and asset and risk management operations were effectively implemented in line with developing market situations.

While continuing to execute an investment-driven IB strategy, we established a mid- to long-run roadmap, 'KB Green way 2030', declared an anti-coal policy, and joined the Equatorial Principles, thus reaffirming our leadership in ESG management. In support of the successful implementation of the Korean New Deal, we established a detailed business strategy and accordingly carried out our key role as a leading financial institution. Besides, we won the Sejong Smart City project in collaboration with LG CNS, secured corporate restructuring projects, and achieved feats noteworthy in the strategic areas in the coming post COVID era.

We made our organization more agile and action-oriented, streamlining the decision-making process and leveling up the work process across all our operations. Specifically, we adopted a three-division system, instituting a healthy competition framework; bolstered the London IB unit with an addition of IB specialists; rationally improved performance evaluations by restructuring IB double counting systems and adopting the system of requiring minimum earning returns; and automated systems for managing real estate PF and fund assets, which resulted in efficiency improvements.

NCSI



No.1
in the banking sector

KB Kookmin Bank ranked No. 1 in the banking sector in the 2020 National Customer Satisfaction Index (NCSI) (14 times in total)

“ To develop future growth engines that are self-sustainable, we accelerate our pace of global expansion. ”

2021 plans for corporate banking include creating an IB unit at the Singapore branch and strengthening the branch's deal sourcing capabilities in the interest of building an organization optimized for the branch's transition to global IB. In investment-driven IB, deal sourcing will be strengthened based on a mid- to long-run investment plan, and income sources diversified through proactive securities investment. Policy and market changes will be proactively embraced, and market dominance strengthened through expansion of new business sales. To this end, ESG-related investment and finance will be further expanded and exposure to coal-related deals reduced on a continual basis.

SME Banking

Bolstering productive finance support

In 2020, the Korean government focused on strengthening its “productive finance” support, inducing the financial industry to shift its funding support from the household and real estate sectors to promising SMEs on the forefront of innovation technology. In response, KB Kookmin Bank embraced such a policy shift and subsequently increased its SME loans by KRW 109 trillion in 2020, securing the largest market share. In particular, loans extended SMEs with high credit ratings grew 1.7%p over the year to 79.3% in proportion, as the result of which, the delinquency rate remained at a stable 0.15% as of the year-end.

Accelerating the digitalization of corporate banking in an contactless era

Accelerating the digitization of its corporate banking operations, KB Kookmin Bank is proactively responding to a rapidly evolving business environment. We upgraded ‘KB bridge’, an corporate banking app customized to policy funding, and reintroduced it as a non-financial services platform offering market analysis, business partner arrangement and other consulting services on business startup, tax, intellectual property and import/export; and improved ‘Corporate Banking ACE’, a sales app, with the addition of a network analysis-based search engine for finding prospective customers, enhancing the app's effectiveness as a sales tool. Moreover, the entire corporate credit process was digitized, from submitting loan application documents to evaluation, transaction to follow-up documentation; and an automated credit evaluation model was developed in the interest of reducing work loads and streamlining the decision-making process.

Global Operation

Global expansion achievements

In April 2020, KB Kookmin Bank successfully acquired a 70% equity stake in Prasac Microfinance. As of 2019, Cambodia's largest microfinance deposit-taking institution had some 180 branches nationwide, held a 41.1% market share as of the end of 2018, reported 28.2% in ROE and about USD 101 million in

net income, and ranked 3rd in loan market share among all financial institutions including commercial banks in Cambodia.

In August, we also successfully completed the acquisition of Bukopin with a 67% stake in Indonesia's mid-sized bank. Since the July 2018, purchase of a 22% stake in the Indonesian bank, we had been focusing on ways to share our risk management, retail and digital banking, IT and other knowhow with Bukopin. At the same, we had been timing our emergence as the majority shareholder of Bukopin, and with full support from local financial authorities, were able to consummate the years-long undertaking. Also, with Indonesian subsidiaries of KB Insurance, KB Kookmin Card, KB Capital, and other KB affiliates, Bank Bukopin is laying the foundation for its transition to a bona fide financial group in the most populous ASEAN country. Established in 1970, Bank Bukopin covers the whole nation through a network of 434 branches and 850 ATMs, offering traditional retail banking services, including SME loan.

In December 2020, KB Kookmin Bank established a subsidiary in Myanmar, the country's first foreign-owned bank. In an ASEAN member with high growth potential, we plan to develop the subsidiary into a leading foreign bank that offers mortgage, digital finance, corporate banking, infra finance, other advanced one-stop financial services.

Energizing import & export banking

In 2020, KB Kookmin Bank signed with Korea Trade Insurance Corporation a business agreement to invigorate overseas trade finance for SMEs and mid-sized corporations. Per the agreement, trading companies, after submitting applications for trade finance, can receive from KB Kookmin Bank finance assistance with their guarantee and insurance payments. To enable such support, we plan to contribute a special fund to Korea Trade Insurance Corporation which, for its part, is to use the fund toward facilitating the foreign trade of SMEs and mid-sized corporations for four years to the tune of KRW 500 billion. Also per the agreement, the traders benefit from an expanded credit line and discounted interest and fee rates, and KB Kookmin bank ensure the stability of its trade finance business with a high-grade collateral thus secured. Going forward, we will actively keep in step with the government policy of supporting import/export businesses in response to COVID 19-induced crises.

Also, proactively reflecting fast-spreading contact-averse trends and related evolving customer needs, KB Kookmin Bank strengthened the lineup of online products and services. We rolled out ‘KB-Easy Overseas Remittance’ enabling KB Star Banking customers to quickly send money overseas without going through their designated FX account service. To improve customer convenience in overseas remittance, we expanded the category of remittance purposes to include bestowal, overseas study and foreigner wages. For corporate clients, ‘Foreign Currency Firm Banking Service’ was introduced, through which clients can effectively manage their foreign currency holdings as well as transfer large amounts in foreign currency overseas with ease.

Trust

In response to contracting investment sentiments and other challenging market conditions reflective of a plethora of COVID 19 uncertainties compounded by a government-imposed delay on large-scale ELT redemptions as well as limit on ELT sales, KB Kookmin Bank increased the supply of ELB, ABSTB and other principal-guaranteed products more attuned to the preferences of risk-averse investors; also expanded was the ETF product lineup following a release of new products in line with a growing customer demand stoked by a recovering investment sentiment. In addition, strategic marketing activities were implemented and efforts continued to improve customer service in the interest of earning trust. As a result, revenue from trust products sold in 2020 amounted to KRW 163.8 billion. As of the year-end, the balance of money trusts amounted to KRW 26.0 trillion, which represents the industry's largest market share of 19.6%; and that of ELT stood at KRW 8.7 trillion, also the industry's largest of 33.6%. As such, KB Kookmin Bank held the largest trust balance among Korean banks, maintaining the industry's top position in revenue.

In 2020, we launched diverse specialty products as a way to build up the trust product lineup in line with customer needs and to strengthen product competitive: ‘KB MyLife Trust’ reflects an ageing population, lowering birth rates, 1-person households and other social changes taking place; ‘KB Clean Ocean Trust’ donates a portion of its proceeds to programs protecting marine ecosystems; and ‘KB Life SOC Public Interest Trust’ directs donations from local community organizations and members toward the maintenance and operation of daily-life infrastructures. The growing investor interest in ESG effects on corporate earnings performances was followed by a rush of funds into related products: ‘ESG Social Responsibility Investment ETF’, the largest of domestic ESF products, exceeded KRW 100 billion in AUM, as of the end of 2020; and ‘Korea New Deal ETF’ was launched, which invests in the secondary battery, bio, internet and game sectors.

In 2021, anticipating a global economic recovery and glowing signs of ample liquidity, KB Kookmin Bank plans to improve profitability by increasing the supply of customer-tailored ELT products and expanding the sales of ETFs with high growth potential. Also planned is a pursuit of quantitative growth through expansion of the lineup of overseas real estate and other alternative products and property trust sales. Efforts will continue to develop new products and to upgrade asset management trust products to the stages of customer life cycle. Looking to retain customers and to enhance their loyalty in the mid to long run, we will advance customer-based asset management systems and improve complete sales of trust products and post sales customer relations management.

Money Trust Depository



KRW
26.0 trillion

KB Kookmin Bank accounted for 19.6% of the total money trust AUM of Korean banks, maintaining the position of consistently having the largest AUM in the industry for several years

“ We should focus on expanding an seamless service that enables customers to use any channel of their choice with ease. ”

Pension

As customers' lifetime financial partner working to cement the 'Pension No.1 KB' status, KB Financial Group seeks to improve the management of customer investment returns, offer specialty products that stand out, and support the management of customer pension assets based on integrated asset management systems of digital technology. At the Group level, retirement pension reserve accrued in 2020 exceeded KRW 5 trillion, a first among financial groups, amounted to KRW 33.1 trillion. Of the net increase, KRW 4.2 trillion was generated by KB Kookmin Bank, thereby maintaining the banking industry's best performance over the past three years.

To improve customer asset returns in the face of low interest rates, we are offering differentiated customer management services, including rebalancing pension asset portfolios, through a unit dedicated to managing customers and earning rates. In particular, by increasing the workforce at the 'Pension Asset Management Consulting Center', which offers a 1:1 consulting service, we improved the service for current and potential customers having problems managing their retirement assets. Also, by holding webinars on how to rebalance low-performing investment portfolios and TDF, we sought to improve the performance of portfolios consisting mostly of specialty pension and retirement products.

Also, new services and systems were offered to help pension customers better manage their accounts: 'Pension K-Bot SAM', an AI-based service recommending portfolios by customer need and preference; 'One-Stop Online Service' rendering fast and effortless all pension account activities, from account opening to transfer to payment receipt; 'Pension Retirement DC Mobile' for workers with DC plans too busy to visit the nearby branch; 'Pension Smart Document Service' making the account application paperless.

'KB Golden Life Center' was newly created, the industry's first consulting center dedicated to helping customer better manage assets for their retirement, in the interest of meeting growing needs of a fast-ageing yet increasingly affluent population in Korea. As a response to a COVID 19-induced customer demand for contact-free services, online retirement asset management seminars were regularly held, and non-face-to-face channels for retirement planning retooled to make them more customer-friendly.

In 2021, such new services and systems will be rolled out for the purpose of improving retirement and pension-related services as: 'KB Signature Report', a service offering a variety of information related to retirement asset management with an aim toward preventing customers from neglecting their assets; 'e-Vote', a system assisting with corporate clients' adoption of employee retirement plans; 'KB-Easy Direct System', for more efficient pension operations and thus improved customer experience; 'KB Golden Life X', a web-based integrated service offering healthcare, life, financial content for the more active and prolific X generation; and 'One-Click', a contact-less process for replacing products with another.

Also, the Retirement Asset Management Consulting Center will be further expanded for a more customer-friendly consulting service to be available in many regional bases; an asset management service will be offered through on/offline retirement asset management seminars, through which senior customers can communicate with asset managers with ease.

Capital Markets

In 2020, amid fears of a global economic downturn and a continuation of volatility in the financial market, both induced by COVID 19, KB Kookmin Bank successfully issued a variety of sustainable debt instruments on the basis of its highest credit ratings among commercial banks and of a keen interest among investors.

The USD 500 million 5-year senior sustainability bond was issued in April 2020, drawing a lot of attention from ESG and international investors, and it was Korea's first foreign currency-denominated subordinated "COVID 19 Response" Sustainability Bond. Offering an interest rate of US 5-year treasury bond yield plus 150bps, the sustainability bond attracted some USD 3.9 billion in subscription, 7.8 times the target amount, from 181 institutions.

In July 2020, a EUR 500 million 5-year covered bond was successfully issued in a sustainability format, the first of its kind among domestic commercial banks, subscribed mostly by professional ESG investors and new investors of the Euro zone, which resulted in an expansion of the investor base. Compared to foreign currency-denominated subordinated bonds issued by domestic commercial banks, the covered bond carries a lower funding cost of mid swap plus 40bps (YTM rate of 0.052%).

Another COVID 19 response sustainability bond was issued in October 2020: a USD 500 million 10-year Basel III-compliant tier 2 subordinated bond, successfully issued with the lowest rate of foreign currency-denominated subordinated bonds issued by domestic commercial banks. Over-subscribed by USD 2.6 billion by 135 global institutions, most of which were from US institutional investor. It contributed a great deal to widening the investor distribution base which had been comprised mostly of Asian and European institutions from US institutional investor.

For its successful sustainability bond issues in 2020, KB Kookmin Bank has not only secured new sources of capital, but also been duly recognized for a successful diversification of its investor base with an inclusion of socially responsible investors. Going forward, we will maintain our leadership in the ESG bond market through continual bond issuance.

In 2021, we will double our effort to expand the base for a quantum jump of the asset market business. While continuing efforts to upgrade the capabilities to manage the existing business, we will implement efforts to advance ALM/treasury management systems, bolster the global business infrastructure, build e-capital platform and continue other business innovation project.

2021 Plans

KB Kookmin Bank aims to grow into a foremost comprehensive financial services company based on the customer trust it has earned, pursuing solid future growth and sustainable management. To this end, we will more actively respond to market changes and customer needs and offer a customer experience they will find more innovative and more convenient than ever before. In CIB, capital markets, WM and global business, which have led our growth over the past year, we will further strengthen our market dominance and solidify the income base. In addition, offering total financial solutions capable of generating a reasonable level of income through comprehensive risk management of customer assets, and conducting diverse ESG activity as a responsible corporate citizen, we will stay ahead in improving public awareness of ESG management.

Retirement Pension Reserves



KRW
33.1 trillion

Ranked first in net reserve increases among other pension operators for 3 consecutive years

Korea's first COVID 19 Response Sustainability Bond



USD
500 million

KB Kookmin Bank successfully issued a USD 500 million sustainability bond for the first time in Korea

KB Securities



In 2020, despite COVID 19-induced drastic changes in the business environment, KB Securities increased brokerage fees and retail assets on the strength of Prime Club Service adopted and a sizable increase in new customers developed in the WM business; and made such noteworthy achievements in ECM, M&A and other IB sectors, as an uncontested No.1 position in DCM. In 2021, we will focus on bolstering core advantages, innovating mobile and platform-based business models, and strengthening ESG-centric sustainability management.

Despite COVID 19-induced difficulties in the business environment, KB Securities achieved meaningful results in all of its operations in 2020. In WM, individual trading volumes rose, a 'Prime Club' service was introduced and new customers increased, all contributing to a substantial increase in brokerage fee income. Financial product also continued to multiplied. We secured our DCM dominance and made meaningful achievements in ECM, M&A finance and all other IB sectors. In particular, we excelled in ECM, garnering LG Energy Solutions, Kakao Bank and other big IPO and rights issue deals; on the strength of such achievements do we plan to grow into a No.1 securities company in IB. In S&T, we increased incomes from our fixed income operations through a strategic response to a historically low interest rate environment; and in wholesale, expanded our slice of the institutional sales market, augmented commission incomes related to block deal/employee-owned stock orders, increased new business trades, and improved profits in the entire wholesale operations.

Dominated DCM for the decade

KB Securities garnered 21.4% of the DCM market (by Bloomberg standard), thereby securing the top position in the DCM league table for a tenth year in a row. In addition to corporate bonds, we lead-managed the issuance of the industry's first movable asset-backed as well as KAMCO-guaranteed asset-backed corporate bonds, introduced the industry's first hybrid bond, and issued Arirang and Kimchi bonds, building up a formidable presence in diverse DCM areas. We also were in the forefront of ESG and global bond issuance for domestic business leaders, and of supplying promissory notes, the balance of which amounted to around KRW 3 trillion, by the end of 2020.

Specialized digital asset management services

In February 2002, KB Securities opened 'Prime Center' offering professional asset management services via online and other non-face-to-face channels; and in April 2020, launched 'Prime Club' offering premium asset management-related information for a monthly subscription fee of KRW 10,000. Prime Club is the industry's first subscription-based asset management service offering a wide range of services, ranging from vital investment information for small-amount investors and online customers via the MTS 'M-able' channel to PB's consulting services for those who need professional help. Its membership exceeded 160,000 as of the end of 2020, with customer assets surpassing KRW 3 trillion.

Improving customer experiences

MTS M-able, KB Securities' leading mobile trading system, underwent two large-scale upgrade attempts, in February and June, 2020, for improvement in usability. As a result, the upgraded version features easy trading modes enabling

even beginners to delve into stock trading online, a chat-based UX-centered account creation process, a home screen comprehensively showing a variety of trade information, a screen for overseas stock trading, and an improved process for trading financial products. Other customer satisfaction-enhancing additions include the industry's first sign-in process using a facial recognition technology and an open banking service enabling users to check the balance of, and transfer between, accounts at other financial institutions. As a result of these and other improvements, the number of newly created online accounts grew 241% in 2020, while the number of users of M-able averaged over 600,000 a month.

Strengthening overseas stock brokerage services

With a growing interest in overseas stocks among domestic investors, we continued to make the trading of such stocks all the more easy and convenient: open/stop orders and algorithm trading, a functionality once reserved only for pension funds and other institutional investors, were made available in the mobile and home trading systems of ours; and the trading hours were extended by four and a half hours to accommodate the stock trading hours in the US. As a result of these and other additions, customer assets in overseas securities jumped 673% over the course of 2020 to KRW 29 billion.

Increasing global footprints

KBSV, KB Securities' subsidiary in Vietnam, reported a pre-tax income of KRW 10 billion in 2020, the third year of its business. The subsidiary's earnings performance in IB and bond brokerage was particularly impressive, representing a 65% increase over the year. The subsidiary also played a key role in the launch of 'KB Fina', a digital financial platform. The Hong Kong subsidiary increase its bond brokerage income by 39% through Repo and other leverage operations, and by lead-managing KB Capital's USD bond issue, successfully completed the foreign currency-denominated bond issue. Thus buoyed, KB Securities plans to further expand its presence in overseas bond markets. The New York subsidiary increased in/outbound brokerage sales by 177%, and contributed to strengthen synergetic collaborations between KB Securities and Jefferies Group.

2021 Plans

With the start of 2021 welcomed by a robust stock market, the liquid market a few days ago continued its growth and the money move accelerated its ascendancy.

The year 2021 is expected to see the COVID 19-induced restrictive sales environment continue and competition among digital financial services providers intensify further. In response, KB Securities will focus on the following tasks.

Firstly, to level up our core competitive advantages, we will systemize customer-centric CPC strategies, and upgrade Prime Club into a best-in-class service and thus offer better-quality WM services to contact-averse customers.

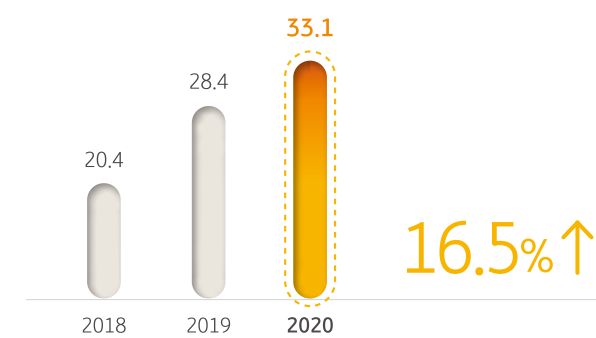
In IB, with a focus on meeting growing post-COVID corporate needs for business restructuring, financial structure improvements and other related upgrades, we first will seek to achieve our triple-crown (DCM, ECM, M&A) goal; and through proactive response to toughened real estate regulations and the Korean New Deal, we will solidify our position as an IB leader.

In S&T, by leveraging our strengths in fixed income operations, we will bolster equity-related operations and thus increase revenues. In institutional sales, we will expand our market share in domestic and overseas institutional equity and passive sales through qualitative improvement of product sales.

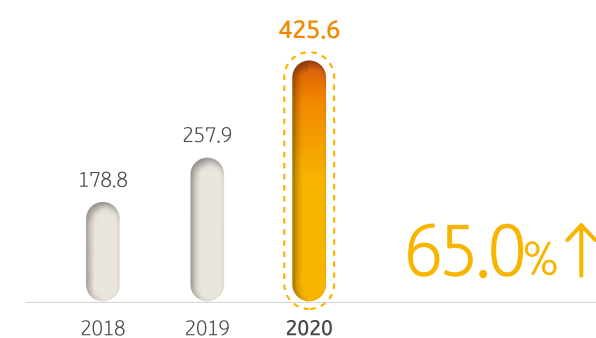
Secondly, to further sharpen our digital edge, we will strengthen digital-based business competencies and push forward platform-based business models. To achieve this, we will develop new products by customer lifecycle phase based on a data-focused customer analysis, strengthen the M-able platform, and further expand digital ecosystems, all with an eye toward creating customer value in the contactless channel area as well as platform services that are innovative and convenient.

Lastly, we will continue revamping ESG management, which has become an essential part of sound corporate governance. With this in mind, we have created an ESG dedicated unit and set up an ESG roadmap in line with the ESG strategy of KB Financial Group; by continuing to reduce carbon emissions and increasing ESG-related investments and products, we will further internalize ESG management.

Assets under WM (KRW in trillions)



Net Profit (KRW in billions)



Prime Club service



Exceeded
160,000 subscribers
 customer assets over
KRW 3 trillion

KB Securities introduced Prime Club service, the industry's first subscription-based asset management service. The unique and advanced investment service continued to attract a growing number of subscribers

KB Insurance



KB Insurance continues its steady growth toward the goal of becoming a No.1 insurer in customer preference that offers optimal indemnity products and one-stop financial services. Rated A by A.M. Best for its superior financial soundness and management capabilities, KB Insurance prides on its such best-in-class digital competencies as chatbot-based consulting, the industry's first AI based call center and mobile notification serve.

Creating synergies at the Group level

In creating synergies in collaboration with its affiliates, KB Insurance expanded its use of the business infrastructure of the affiliates, enlarged the synergetic effects of planner channels, raised the front office's interest and participation in synergy creation. These synergy achievements are expected to lead to more tangible performance results in 2021. To review major synergy-related results in 2020, a joint promotion with KB Kookmin Bank to steer customers toward paying insurance premiums through the bank account attracted some 105,000 accounts (85,000 new and 20,000 redirected) for the banking affiliate; a campaign encouraging employees to recommend KB Kookmin Card to their friends resulted in 610 new accounts for the card affiliate; and with the acquisition of Prudential Life, we formed a unit tasked with coordinating joint sales with the newly joined subsidiary.

In the first quarter of 2021, by jointly launching with KB Kookmin Cards new card products embedded with free insurance services, we plan to market the fetus policy through joint promotion of the new card. Also in March 2021, with respect to the card promotion campaign being actively conducted by our insurance brokers at the time of underwriting, we plan to revise the commission payout structure utilizing planner channels, which offers diverse benefits, such as filing their income tax reports for free, adding card issue-related DB to one of our apps, in order to make card sales easier for the reps.

Long-term insurance

The market segment catering to ailing people continued to grow in 2020, reaching as high as 15% of the protection market, despite a decline in overall demand for relevant insurance products fanned by lowering birth rates and an ageing population. For its part, KB Insurance rolled out new-concept products for ailing people and strengthened the competitiveness of its GA channel, increasing its market share by 3.2%p to 13.6% over the year.

Also, our share of the cancer insurance market grew 13.3% to an overwhelming 27.0%, affirming our image as a leader of cancer insurance. The contributing factors include the industry's first product that covers drug expenses for experimental treatments, and other new-concept products that either exempt premium payments, refund a part of premiums paid, or guarantee other benefits.

Accordingly, new protection policies we sold in 2020 accounted for 12.1% in market share, up 0.6%p from 2019. Long-term insurance income for 2020 amounted to KRW 162.9 billion; and the difference between mortality profits and business costs increased KRW 24.9 billion, the result of our all-out efforts at securing income sources of changing the base rates and managing loss ratio.

Auto insurance

In 2020, the auto insurance market increased 11.6% to KRW 19,551.1 billion on the backs of an increasing number of registered automobiles and of hikes in premium

rate. The direct channel market, which in response to COVID 19, evolved increasingly toward contactless, soared 19.8% to KRW 8,517.4 billion. In auto insurance sales, KB Insurance posted KRW 2,610.6 billion in 2020, up 18.3% from 2019; and its market share rose 0.8%p to 13.4%. The CM channel, in particular, generated KRW 663.8 billion, up 59.5% over the year. The loss ratio of auto insurance came to 84.7%, a 7.3%p improvement from 2019.

General insurance

In 2020, the domestic insurance market amounted to KRW 6,198.2 billion, of which, commercial lines accounted for 16.4%, or KRW 1,016.9 billion, up 0.4%p over the year. To diversify channels and thus stabilize sales, we sought to energize commercial lines via planner, branch and direct channels, in addition to the institutional sales channel run by employees.

In 2020, KB Insurance's loss ratio averaged 86.9%, a 11.2%p increase from 2019. The increase can be attributed to a rise in large-amount accident cases and an additional allocation to reserves set aside for the US branch. In response, in renewing KRW 500 billion plus policies maturing after September 2020, we reviewed associated risks up to six months prior and renewed only those deemed safe; and in a proactive response to natural disaster risks, we underwrote and held policies in accordance with their natural disaster risks.

Investment asset management

In asset management, we focused on increasing asset/liability durations through the purchase of long-term risk-free bonds in preparation for adoption of K-ICS and new capital adequacy requirements. To mitigate an inevitable reduction in ROA following the extension of asset/liability durations, we shifted our investment focus to quality real estate and SOC-related assets and bond swaps. However, due to COVID 19-induced effects on the global financial market, we adopted the more conservative approach to make new overseas investments.

As a result, investment income decreased KRW 114.9 billion to KRW 844.3 billion in 2020, which represents an ROI rate of 2.85%. AUM rose 6.8% to KRW 30,988.3 billion. RBC-based asset/liability duration is projected to be around 12.1, up 1.5%p. Interest earning assets accounted for 93% of the portfolio, up 0.2%p, from the previous year.

Risk management

The consolidated RBC ratio for 2020 posted 174.8%, 7.6%p lower than that of 2019, due to revised retirement accounting rules and interest rate increases. Available capital rose KRW 155 billion to KRW 3,812 billion and capital requirement grew KRW 177 billion to KRW 2,181 billion. The Risk Management Committee, was convened every quarter to deliberate and decide on major risk-related issues while the Risk Management Council convened monthly to discuss current situations and how to improve the major issues of general, long-term, auto and other insurance sectors. The three sub-councils of the Risk Management Council carried out detail discussions on matters related to products, interest rates, and management.

Enhancing customer convenience

KB Insurance offers a digital technology-based customer experience that stands apart from peers'. We offer insurance claim service that is the most advanced in the industry, leading the industry enhancing customer convenience with digital technology. By introducing the industry's first mobile notification service in 2020, we have significantly improved customer convenience.

2021 Plans

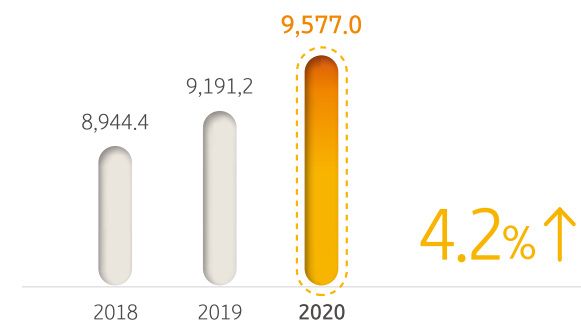
The year 2021 is expected to see big tech companies enter the insurance market and such emerging risks increase such as natural disasters, new epidemics and cyber attacks. In response, KB Insurance will continue its pursuit of sustainable growth in all of its operations with a focus on customer-centric and value-focused competition and innovation.

In general insurance, to improve sales income, we will continue to push forward new property, indemnity and other policies high in profitability, through institutional sales channels. To accelerate the growth of sales from planner, GA and direct channels, we will develop products to the traits of different channels and further expand automated underwriting as a way to lessen the front office's work load. Also, to recover insurance incomes, we will strengthen the management of cumulative risks by disaster region and type using geographical data systems.

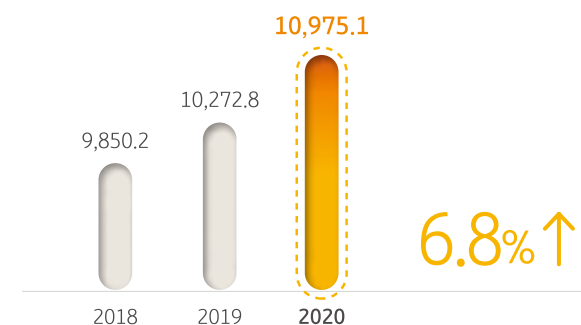
In long-term insurance, we will lead the market by developing comprehensive health and cancer insurance products, expand continued insurance premiums through insurance management by duration and category, and by expanding differentiated underwriting for hospitals, customers and organizations with a dubious claim history and fine-tuning early warning systems, will reinforce risk management and increase profitability.

In auto insurance, by focusing on direct sales, we will expand the sales with dedicated underwriting capabilities and by digitizing core processes across the value chain, will enhance cost efficiency, and to improve profit/loss ratio, will revise systems that can secure appropriate pricing and induce accident reductions.

Net Premium Earned (KRW in billions)



Direct Premiums Written (KRW in billions)



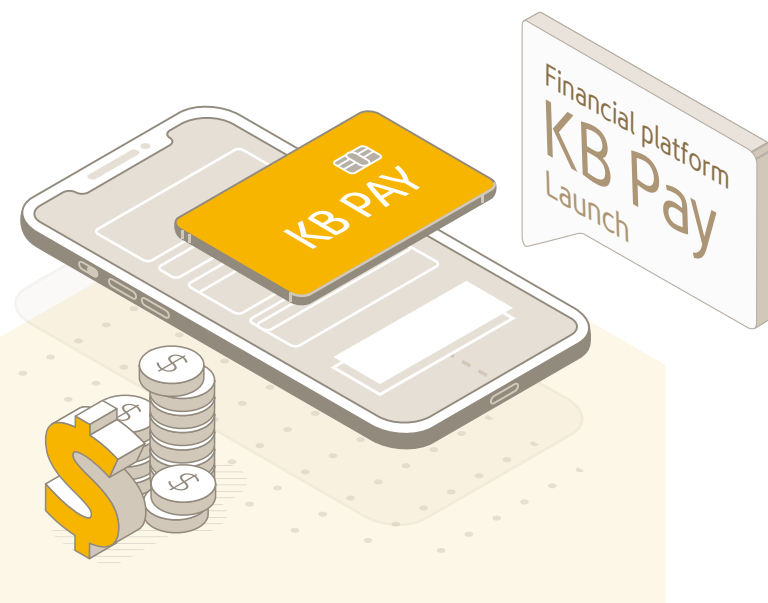
Embedded Value(EV)



KRW **7.8**trillion
+18.3% (3-year CAGR)

KB Insurance pursues sustainable growth through customer-centric and value-centered management from a long-term perspective

KB Kookmin Card



In 2020, KB Kookmin Card recorded 324.7 billion of net profit, increased by 4.8% from the previous year, as a result of its efforts to expand market share with a focus on creditworthy customers and reduce marketing costs as well. In its revamped-up efforts to overcome challenges from big tech and fintechs, we launched KB Pay, comprehensive payment platform, offering improved user experience and membership benefits. In 2021, KB Kookmin Card plans to push forward to further sharpen our competitive edge in the MyData business.

Launching KB Pay with improved usability and scalability

KB Kookmin Card launched KB Pay, a comprehensive financial platform superior in usability and scalability and rich in financial and membership services, including money transfer and foreign currency exchange. A product combined of the advanced one-stop financial service capabilities and customer-centric digital technologies of KB Financial Group, KB Pay is expected to be an important cornerstone for KB Financial Group to transform into a No.1 financial platform company in the near future.

Customers can link to their KB Pay not only credit and debit cards but also bank accounts, gift certificates, rewards points and other non-card monetary sources as payment modes. Supporting Magnetic Secure Transmission(MST), Near Field Communication(NFC) and other communication protocols, the KB Pay service is unique in that it can be used even at offline merchants as readily as conventional plastic cards. Moreover, members can send money overseas, buy foreign currencies, and conduct other financial transactions without downloading an additional app. On the technology side, KB Pay can effectively respond to rapid changes in the market environment using token technology, cloud systems, and open APIs; and has the structure that allows for a seamless connection with diverse payment and financial services as well as service expansions.

MyData service launched with Liiv Mate 3.0

Preparing for the implementation of amendments to three major data privacy laws, KB Kookmin Card rolled out 'Liiv Mate 3.0, an upgraded version of the membership platform, offering asset management, consumption analysis, customer-specific benefits and other MyData-related services. Liiv Mate 3.0 is unique in that its strengthened curation functionalities enable customers to link to diverse benefits best suited to their consumption patterns, recommending and advising on financial products most suitable to their needs based on analysis of their financial asset status and consumption data. Also, linked to financial asset data at some 130 banking, card, securities and insurance companies, the upgraded financial platform also enables customers to check and manage their finances with ease, bringing the concept of personal finance management closer to reality.

Global expansions

In February 2021, KB Kookmin Card completed the acquisition of a (50.99%) share of J Fintech, a Thai business specializing in consumer finance, including auto and credit. J Fintech also is the financial arm of Jaymart Group, which owns the biggest cellphone distribution and debt collection businesses in the Southeast Asian nation. J Fintech engages in credit, auto, card and other consumer-related finance business. Established in 2011, J Fintech has 18 branches and employs

some 130 people. Noteworthy is that the acquisition is the first post-1998 financial crisis case where a Korean bank or credit finance company entered the Thai market through M&A, and is expected to pave a path through which KB Kookmin Bank and other KB affiliates can enter the fast-growing market.

Earning industry's first A+ rating in governance evaluation

KB Kookmin Card is the first and only card company to earn an A+ in the governance category in the 2020 ESG evaluation of Korea Corporate Governance Service. The rating is an upgrade to the A grade awarded to us for the past two years in acknowledgement of our superior governance. The evaluation reviews shareholder rights protection, composition of the board of directors, internal controls, public announcement and other aspects of corporate governance as well as sustainable management, the odds of shareholder value to drop, and other aspects specified by industry authorities as governance standards for financial companies. The rating upgrade reaffirms our sustainable management and that exposure to risks that can harm shareholder value is very low.

2021 Plans

Seeing changing business conditions as a watershed moment for new leap forward, KB Kookmin Card plans to push forward the following tasks in 2021:

First, continue customer-centric management. We will advance customer management systems through hyper-individualized marketing, and create new customer experience through innovation of customers, products and channels;

Second, fortify the clear competitiveness in the financial platform market. We will demonstrate our unique capabilities in MyData business, which we plan to enter as a follow-up to our mobile payment platform business, with an eye toward being a leader of the all-inclusive financial platform market;

Third, expand the base for sustainable management through ESG management. We will be mindful of social and environmental impacts of our business ventures and fulfill our social responsibilities through financial services.

Key Services of Liiv Mate

Real-time benefits

Realistic benefits attuned to daily life consumption

- Consumption style-based real-time benefit information
- Recommendation of hot brands timed to daily consumption moments

Asset management

Tips on how to manage consumption patterns and other smart ways to grow assets

- Monthly financial report with detail advice on smart asset management

Benefit analysis

Efficient financial life through real-time card benefit analysis

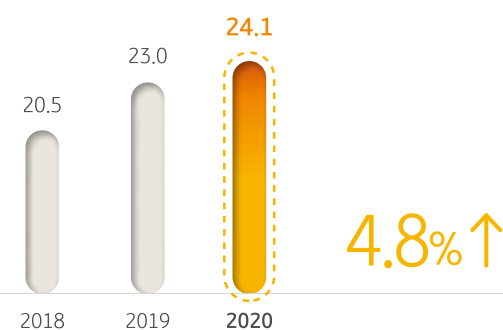
- Performance management through real-time card benefit analysis
- Card recommendations for better benefits

Simple settlement

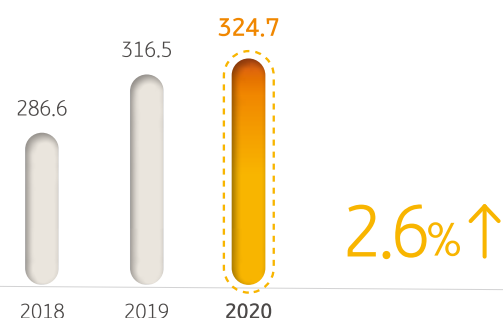
Simple payment services with diverse rewards programs

- Diverse types of membership points convertible into for purchases at merchant stores

Total Assets (KRW in trillions)



Net Profit (KRW in billions)



Check Card Transaction Volume

KRW
34.2 trillion

For ten consecutive years, KB Kookmin Card has maintained the largest check card market position in transaction volume among all card companies

Prudential Life Insurance



As of the end of August 2020, Prudential Life joined KB Financial Group and became a 13th subsidiary of a leading financial brand in Korea, opening a new chapter of opportunity in its proud history. The holder of the industry's best RBC ratio and a first-rate captive sales channel, i.e. Life Planner, will generate greater synergies with its new affiliates and solidify its position as a premier second-to-none insurer customers trust all the more on the strength of Korea's most extensive business network and biggest customer base.

Joined the Group as 13th subsidiary

Over the past 30 years, Prudential Life has practiced its mission, providing customers with financial security and peace of mind, through professional Life Planners(LP) and General Agents(GA), on the basis of its firm philosophy and set of value. Supported by an army of the industry's best-rated LPs, we ranked first in the certified insurance consultants to ratio of 31.5% in 2020, for a 13th year in a row, and recorded 0.06% in incomplete sales ratio, the lowest in the industry. Also in 2020, we were appointed 'Good Life Insurance Company', for a 11th consecutive year, by the Korea Finance Consumer Federation, based on its annual evaluation of life insurers' stability, asset quality, profitability and customer management.

As of the end of August 2020, Prudential Life joined KB Financial Group, opening a new chapter of opportunity and change. The integration with the nation's most diversified financial group is expected to further shore up the industry's most extensive of customer bases and networks and expand the product and service lineup that clearly stand apart from peers.

Industry's best asset quality

Prudential Life's RBC ratio reached 428.9% in 2020, a 5%p increase from 2019 and the industry' highest. Also, in a recent government stress test conducted in preparation for the 2023 adoption of K-ICS in step with IFRS17, we scored above capital regulation guidelines, confirming our ability to keep the all important ratio well above a confidence-inspiring level.

Life Planner channel bolstered

In 2020, with the spread of the COVID 19 pandemic inducing social distancing and other practices few imagined before, the life insurance industry encountered a host of difficulties across all face-to-face channels. Amid such a challenging environment, Prudential Life completed its lineup of unique US dollar protection products: as sales of which grew 3% over the course of 2020, they have become a main product lineup of ours. Also, to diversify the sales force of region, gender, age and other traits, we took on a project of building up the organization with a focus on the Greater Seoul City region and provincial capitals. As a result, LPs in their 20s and 30s now comprised 35% of the sales force, while female sales managers in charge of recruiting LPs increased 5% to 33% in proportion. These two facts alone are noteworthy in that they constitute the growth driver that will play a crucial role in further expanding the diversity of our customer base.

Core General Agency channel expanded

As a result of our years-long efforts at increasing core GAs and diversifying partnerships since 2017, GAs exceeding KRW 100 million in annualized CMIP grew from 18 in 2017 to 27 in 2020. Which enabled us to lessen the business concentration on select GAs and to thus further expand the performance base. Also, by including dollar-based variable pension products, we increased the ratio of variable pension products to 23% of the GA variable pension market, thereby establishing Prudential Life as a leader of the high income individuals and corporate retirement life market.

Industry-leading work process

To embrace the pandemic-triggered coming of digital transformation and to energize the push for collaboration and synergy creation with its affiliates, Prudential Life is changing the way it conducts business. Under the banner of "Change your surroundings if you want changes!", we are transforming the entire organization into a smart office, the first attempt of its kind in the industry, with the goal of changing how we think and work and of achieving an efficient job performance and corporate culture. Continuing to support employees working remote and to bring changes to the work environment, we will build up a creative organizational culture that can stay in line with fast-evolving market demands and customer needs.

2021 Plans

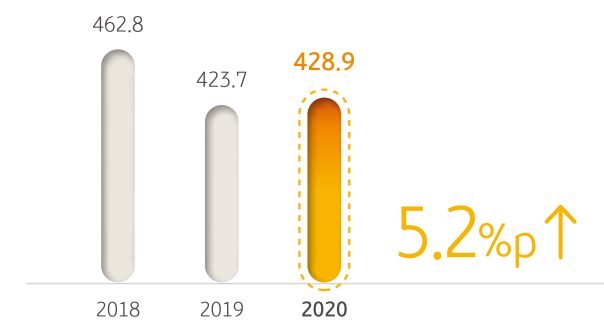
In 2021, the year Prudential Life begins as a KB affiliate, we will focus on offering value more in line with affluent customers, the main target segment of ours, and becoming a premier insurance company customers trust most. With a firm focus on such a lofty goal, we will pursue the tasks as below.

First, we will revamp the LP and GA channels, the two core business mediums of life insurance, with an eye toward expanding the affluent market. By upgrading the LP channel into a premium outbound channel that can better take advantage of KB Financial Group's diverse networks, we will offer high-income professionals not only insurance but also financial and non-financial services, including bestowal and retirement planning. To further sharpen the competitive edge of the GA channel, we will establish a new business base in Busan, the second largest city, and thus extend the channel's customer base. By fielding strategic products in the institutional market, we will maintain our dominance in the retirement market. Through these efforts, we will secure a distinctive presence and grow into a premium insurer delivering quality solutions optimized to customer needs.

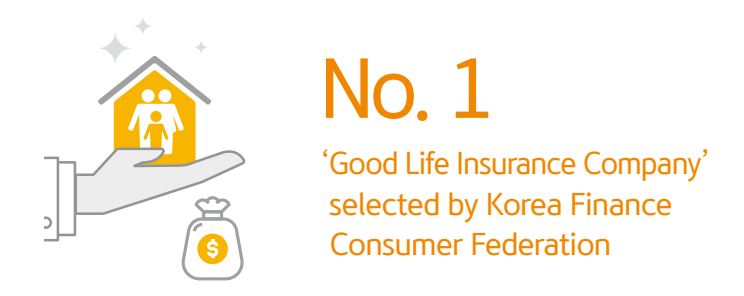
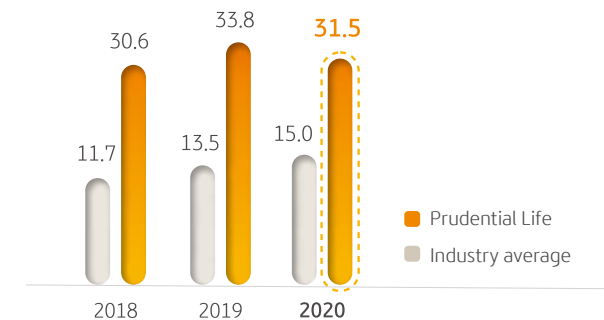
Second, by taking advantage of KB Financial Group's customer base and business networks, the largest and the most extensive in Korea, we will proactively collaborate with our affiliates to maximize synergy effects from a group of best-in-class financial players working together toward common goals. Looking to lead the industry in a post-COVID digital age, we will set up digital business strategies in sink with those of our affiliates and improve digital platforms and services to offer customers a seamless experience of transcending channel barriers. From supplying sales tools for the mobile environment to remote customer service and marketing, we will advance the customer service of a digital era toward enhancing convenience and accessibility, expecting the integration of group customer data to further enhance the value of services customers receive.

Third, in search of future business drivers, we will explore as many business models as possible and select and execute those found to be more promising. Specifically, on the basis of KB synergies, we will explore the viability of entering the retirement pension market. As the market is expected to continue its robust growth on the strengths of the growing DC and IRP sectors and the business-friendly government policy, we feel we have what it takes to lead the pension market as well, including the industry's highest RBC ratio and credit ratings. Also, by leveraging the LP channel which is highly competitive in customer consultation, we can expect to apply up- and cross-selling synergies to signing up not only corporations but also their employees and customers.

RBC Ratio (%)



Certified Insurance Consultant Ratio (%)

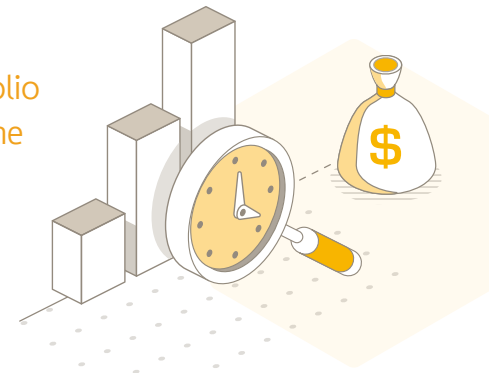


No. 1

'Good Life Insurance Company'
selected by Korea Finance
Consumer Federation

Prudential Life has ranked No.1 for the past 11 consecutive years in Korea Finance Consumer Federation's evaluation, receiving top grades in the stability, soundness, profitability and other categories that consumers consider in selecting a life insurer trustworthy.

KB Asset Management

www.kbam.co.kr


KB Asset Management manages the industry's most diversified investment portfolio comprising products ranging from domestic and overseas equity and fixed-income funds to infrastructure, real estate to alternative investment. A first to adopt a long-term performance-based fund manager evaluation system, we support customer efforts to build their assets in a stable manner with advanced fund management systems.

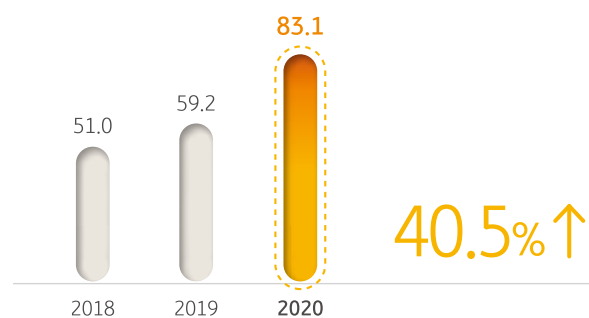
Growing AUM through unique fund management strategy

In 2020, although equity-type fund sales decreased slightly owing to an increase proportional to a rise in direct investments fueled by the robust growth of stock markets during the year, overall sales rose 7.0% year on year to the industry's third largest of KRW 45 trillion, on the strength of a sizeable increase in fix-income-type, specialty assets and real estate funds.

The contributing factors include the rebalancing of the fund lineup with funds distinguished by their underlying execution strategies. For example, KB Korea New Deal Securities Fund exceeded KRW 200 billion in sales in 10 months from its roll out, while KB STAR ESG SRI ETF reached its target of KRW 100 billion by the end of 2020, establishing itself as the largest of ESG-related public funds. In addition, KB Onkookmin 2055 TDF Feeder Fund, a key retirement pension target date fund, recorded a six-month yield of 23.96%, the highest level among domestic TDFs.

In April 2020, we created an LDI for managing exclusively marketable securities soon to be transferred from KB Insurance and KB Life Insurance, strengthening asset management capabilities and fortifying the base for improving returns. Also, market competitiveness significantly improved on a synergetic increase and an AUM expansion proportional to the growth in insurance assets. With the scheduled transfers of alternative investment assets from insurance affiliates as well as of AUM from Prudential Life, our market competitiveness is expected to further strengthen.

AUM (KRW in trillions)



Selected as lead manager of OCIO alternative investments

Also in April 2020, we were selected by the National Health Insurance Corp as lead manager to handle its KRW 1 trillion alternate investments for the next four years. Winning the coveted contract and thus being industry's first alternative investment OCIO, we plan to build up our track record as a viable OCIO, meet institutional investors needs for help with their alternative investments, and solidify our position as an OCIO leader specializing in alternative investment.

Achieving the industry's largest ESG investments

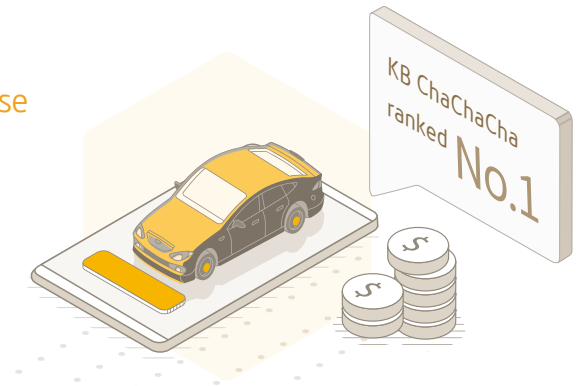
Also in 2020, increasing investment in diverse environment-related and new renewable energy projects, we became the industry's leader in ESG investment. ESG funds amounted to KRW 2.4 trillion at the end of 2020, a KRW 1 trillion increase from 2017; of the total, new renewable energy funds account for the largest slice. In 2021, we plan to establish KB Asset Management as Korea's leading ESG asset manager by developing ESG public offering fund and diversifying investment.

2021 Plans

Next year, we plan to lay the foundation for transforming KB Asset Management into an ETF leader by doubling resources for ETF business: as a means to energize our operations targeting institutional investors at home and abroad, fixed income-type ETF products will be developed that can effectively compete against peers'; and the product lineup will be further expanded through listing diverse investor segment-specific products on equity-type/overseas ETF markets where we lag behind peers. Also, in EMP, robot advisor and other areas that rely on ETF, we plan to expand the synergy with ETF business by improving fund performances and expanding AUM using a solution advancing strategy using AI analysis capabilities.

By creating Korean New Deal-exclusive blind funds and public funds, we are building a lineup of strategic New Deal investment funds. By creating digital/green New Deal-related blind funds, we plan to expand investment in projects related to green-smart school, smart environment facility, solar/wind and other daily-life infra power generation. In fact, we have listed five funds, including passive and active equity-type and ETF funds, by forming a lineup of public funds that invest in businesses expected to benefit from the Korean New Deal. By continuing to develop funds, we will emerge as a leading Korean New Deal investment manager.

KB Capital

www.kbcapital.co.kr


In 2020, KB Capital grew its total assets to KRW 12.8 trillion, a 14.5% increase from 2020 and successfully leveraged its diversified business portfolio to maintain its stable growth. Net profit increased 21.0% year on year to KRW 141.6 billion, exceeding a KRW 100 billion mark for the past four consecutive years. The number of used cards listed on KB Cha Cha Cha surpassed 140,000, the largest of its kind in Korea.

Diversifying business portfolio

KB Capital further sharpened its competitive edge in auto financing and diversified the business portfolio by expanding retail/corporate financing. As a result, while auto financing accounted for 73.5% of total sales, a 4.4% decrease from 2019, consumer and corporate financing constituted 14.9% and 11.6%, up 2.9%p and 1.5%p, respectively. In consumer financing, a credit score-based loan product became a major sales driver, and housing financing expanded; in corporate financing, the credit line for quality clients was increased and investment financing expanded, with a focus on stability and profitability, which resulted in a tangible improvement in the earnings performance of core operations.

Unveiling KB Cha Cha Cha 3.0

In November 2019, 'KB Cha Cha Cha 3.0' was unveiled, an upgraded version of the pre-owned car trading platform which grew its car listing to 140,000 in the four years of operation. The upgraded version features an AI-enabled price estimation system, a programmable vehicle-recommending functionality, and a one-stop service that enables users to check their loan limits on auto financing.

Expanding RPA and improving business efficiencies

In 2020, KB Capital reduced over 70,000 hours of work through an adoption of Robotics Process Automation(RPA). By placing robots in specific operations, we plan to further reduce administrative work load by some 10,000 hours in 2021.

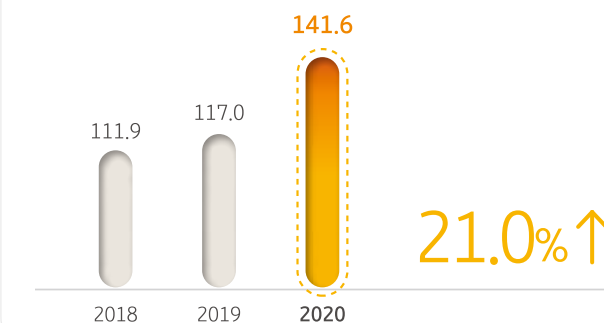
Securing mid to long-term growth drivers

KB Capital is an uncontested No.1 in the imported auto finance market, recorded 30.0% of market share as of the end of 2020. Its dominance in the imported and pre-owned car financing market is expected to further strengthen as alliance is to be formed with Kolon, Deutsche and other business groups in the near future. In addition, the Laos subsidiary, KB KOLAO Leasing, established in March 2017, grew to the 3rd largest by asset of 29 lease businesses in the Southeast Asian country. Sunindo Kookmin Best Finance, the Indonesia subsidiary, began its business in June 2020. To support its overseas subsidiaries, KB Capital successfully raised USD 300 million on the strength of its industry-best Moody's A3. Through a stable supply of capital, it plans to lead the growth of its overseas subsidiaries.

2021 Plans

In 2021, KB Capital plans to lead the credit finance industry by enhancing business efficiencies, expanding its global presence and further digitizing its operations. Strengthening the competitiveness of online channels as well as that of global and digital operations, we will improve productivity and realize sustainable management through expansion of the RPA adoption. In addition, by fine-tuning KB Cha Cha Cha, KB ChaEasy and other online search and purchase programs, we will actively respond to changes in the online channel environment and strengthen the foundation for sustainable growth.

Net income (KRW in billions)



The industry's highest credit rating



Moody's **A3**

Rated A3 by Moody's, the industry's highest overseas credit rating.

KB Life Insurance

www.kblife.co.kr

In 2020, KB Life Insurance solidified its market position and bolstered the growth base with a focus on alliance business. As a result, we achieved KRW 1,715 billion in premium income, up 56.9%, and KRW 10.4 trillion in total asset, up 6.3%, from the previous year.



Developing market-friendly products and services

By offering market-friendly products and services that put customer preferences and benefits first, we bolstered product competitiveness, expanded the target customer segments, and enhanced the level of customer preference for KB as an insurance brand. Also, by implementing mobile sales support systems, we further enhanced the market familiarity and offered a customer-friendly service environment.

Responding to regulatory changes

Continuing to implement IFRS17 systems, we established stable infrastructure and management decision-making support systems. In preparation for the enforcement of the Korean Insurance Capital Standard (K-ICS), we continued to expand asset durations while maintaining risk-based capital above the recommended level. Furthermore, we employed various methodologies to manage risks using internal models and by applying new K-ICS standards and segmenting and improving risk coefficients, we sought to develop value-focused products.

Accelerating digitalization

We built a smart work place that can maintain its fluidity in an increasingly contact-averse environment and, by improving product development processes, laid a digital biz structure that can effectively respond to fast-evolving market changes. Also, we endeavored to expand diverse ecosystem platforms, building collaborative ecosystems with KB subsidiaries and fintech businesses.

2021 Plans

Entering an era of contactless, the insurance industry is staking its sustainability on digital platforms and other contact-free digital business systems. Other challenging tasks include a consumer protection-heavy sales regulatory environment and such system and regulation changes that will substantially affect business incomes and costs as an IFRS 17 and K-ICS, both slated for 2023.

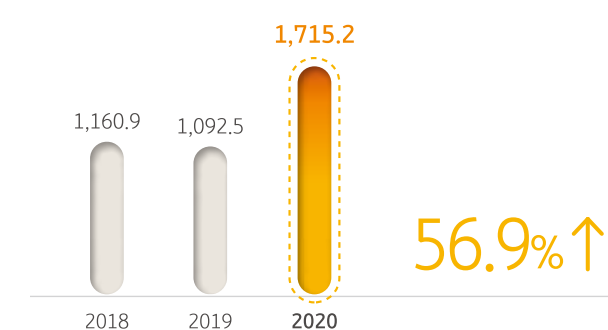
Our key business strategies are as follows:

First, customer-centered growth. Impressed by the sales performance of customer needs-focused products introduced in 2020, we will do our best to instill in every customer heart and mind our image as an insurance company that always puts customers first and foremost.

Second, value-focused growth. Only with sustainable value growth can customer needs-based product offering and meaningful social contributions be also sustainable. Mindful of this truth, we will proactively respond to market and regulatory changes, and through pursuit of management efficiency from a long-term perspective, build up corporate value one complete sale after another.

Third, relentless digital transformation. Through such an endeavor, we will improve customer experiences, further expand the scope of customer-centric business and become a 'Triple A Massurance' accessible to anyone, anywhere, and anytime.

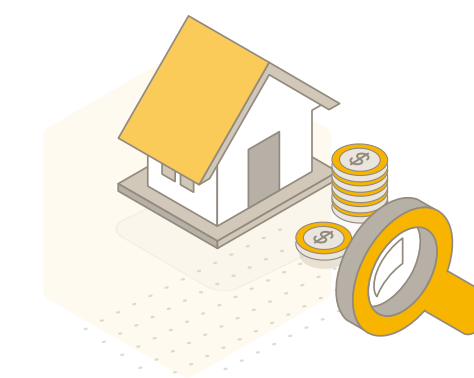
Premium income (KRW in billions)



KB Real Estate Trust

www.kbret.co.kr

Despite an unprecedented COVID 19 pandemic and a subsequent economic downturn, not to mention strengthened market regulations and an intensified industry competition fueled by an onrush of new players, KB Real Estate Trust posted a robust earnings performance in 2020: net profit increased 8.4% over the year to KRW 66.9 billion.



Reinforced preemptive risk management and secured quality growth

In 2020, we sought to diversify the REIT and urban renewal operations by sharpening our competitive edge in build-and-manage trust deals and fine-tuning the investment focus on real estate market demands, while reinforcing the management of risks associated with crisis situations.

In trust business, we secured more build-and-manage trust deals than last year by leveraging our superior credit ratings; won quality real estate development deals by agreeing to a trust contract after a certain percentage of the units to be built is sold, thereby substantially lowering risks associated with conventional housing development projects; and actively acquired collateral-backed and non-real estate trust deals that carry relatively low risks.

In reconstruction business, we bolstered our competitive advantages by securing diverse channels and winning big contracts, and focused on improving our track record in the management of high name-value projects. In addition to operating real estate projects, we actively pursued other types of business, including being a project agent and handling small-scale redevelopment projects.

In REIT business, responding to a COVID 19-fueled rise of a consumer preference for contactless transactions, we improved sales by diversifying real estate investments in projects involving logistics centers and retail business. In preparation for the pandemic to disappear, active investment was carried out

in an effort to preoccupy high-potential assets.

Strengthening the risk management, periodic monitoring is performed on preemptive response processes developed in preparation for emergencies and on product-specific limit run-out rates while phase-based progress reviews are made on major parts of the projects.

2021 Plans

As a response to growing market and client preferences for minimal physical interactions, we plan to rely more on non-contact business activity using our real estate platform Liiv On, video conference systems, digital contracts and other contactless modes.

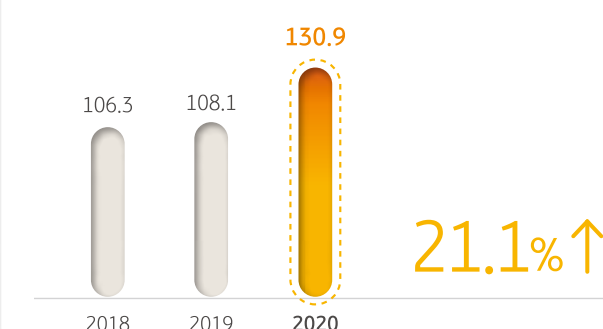
In trust business, we will expand our business network by shifting the sales focus from securities firms to community trust credit unions and selectively choose projects with a strong market demand. While continuing to lead the market shift toward trust company-financed real estate development projects by winning hybrid projects of sound structure, we also will increase customer contact points in non-real estate trust business by leveraging the one-firm synergy of KB Financial Group.

In reconstruction business, as a preparation for an aggressive sales approach expected from new market entrants and for an active participation of public institutions in urban renewal business, we will devise a multi-angle plan to manage a pool of new project sites with an eye toward improving sales. By securing a foothold in project sites in the metropolitan area of Seoul City and provincial regions, we will gain an upper hand in executing small-scale remodeling projects the success of which depends largely on efficient site management.

In REIT business, we will upgrade investment operations while diversifying the business portfolio by participating in public bids and launching wide-ranging property-based REIT products. Furthermore, we will advance REIT operations to increase the value of REIT assets and maximize operational outcomes through successful asset sales.

As for long-term uncertainties, we will secure sound asset quality through risk management by product and advancement of the entrance and post-sale management of key portfolios, and preemptively respond to the risk management of new business and types for strengthening the management of long-term liquidity and capital adequacy.

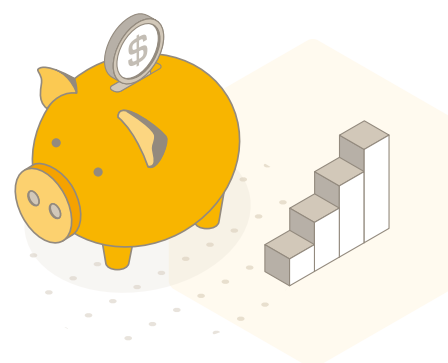
Commission income (KRW in billions)



KB Savings Bank

www.kbsavings.com

KB Savings Bank offers banking products and services tailored to the needs of the working class in an effort to help the financially vulnerable improve the quality of their lives with the benefits of basic banking services. In 2020, KB Savings Bank recorded KRW 17.3 billion of net profit, increased by 6.1% from previous year. With the launching of KiwiBank, we established the best online channel possible, and by introducing one customer-friendly innovation after another, led the industry.



New and hit products and services

KB Savings Bank's mid interest rate market has been growing at an annual rate of 24%. At the end of 2020, our mid-rate loans amounted to about KRW 3,500 billion, which represents a 1.8% market share. The leading mid-rate loan products include 'Kiwi Mid-rate Loan', 'Sunshine Loan' of Korea Inclusive Finance Agency, and 'Sa-It-Dol 2' of Seoul Guarantee Insurance. We played our role as a stepping-stone by bringing low credit customers shunned by commercial banks into the boundary of the financial industry, offering convenient financial services on a par with those of internet banks.

KiwiBank launched

KB Savings Bank has long been innovating its business infrastructure with a focus on digital competitiveness and customer satisfaction. In July 2020, as part of our innovation drive, we introduced mobile banking platform 'KiwiBank'. Highlighting its affordable yet advanced characteristics as its name suggests (a combination of 'kind' and 'wireless'), the new platform offers contactless banking services high in benefit and low in fee.

Digital finance improved

'Kiwi Emergency Loan' puts cash in the hands of people without the hassle of an income or credit verification. Developed for all people, including housewives and the unemployed, regardless of income levels, the program provides cash to anyone with a Kakao account through its app. Up to KRW 3 million of loan is available via its website which uses the OCR technology to verify the identity of loan applicants.

Automated paperless conversion loan

'Kiwi Loan Conversion' enables people to convert and consolidate their loan accounts dispersed among other savings banks into one mid-rate account with ease. Once a loan application submitted online, the program, linked to the database of Korea Credit Information Services, displays on the mobile device of the applicant the loan products of other banks that can be converted, and remits money to the selected accounts in accordance with his/her instructions. Through the kiwi loan conversion program, the customer can verify the balance of their loan accounts at other banks 24/7 without the help of a bank teller or call center.

Non-contact ID authentication service

Like an internet-only bank, KB Savings Bank has made all its services available online. In fact, the Bank is the industry's first to apply for government approval on its mobile identification verification service as well as system that makes possible banking transactions 24/7. The service centers on verifying the authenticity of ID holders by matching the submitted information against the identification database of Korea Financial Telecommunications & Clearing Institute. The development and launch of the 24/7 service has markedly improved customer convenience and saved the Bank a great deal of work hours and expenses.

Creating synergies through collaboration with affiliates

Inclusive finance products (Kiwi Partner, Sunshine Loan, and Sa-it-dol 2) along with mortgage loans provided in alignment with the Bank's loan products are available at KB Kookmin Bank branches, and as a result of joint promotions conducted and synergies thus generated with other KB affiliates, total loans made in link with the affiliates rose 63.9% Year on year in 2020.

2021 Plans

In 2021, KB Savings Bank will create outstanding digital customer experiences by offering convenient services customers can trust, and secure competitive advantages on a par with those of internet banks. With these and other goals in mind, we will focus on the following tasks in 2021:

First, we will expand our dominance in the mid-level interest rate market by leveraging KiwiBank's position of advantage;

Second, preemptively manage risks associated with high-risk asset portfolios;

Third, continue CIR improvement efforts, strengthening cost management measures and digitizing work processes;

and Fourth, strengthen long-term growth models based on core IT system upgrades and innovative digital platforms.

KB Investment

www.kbic.co.kr

As a leading venture investment firm specializing in corporate investment, KB Investment contributes to the Korean economy developing new growth engines by incubating promising venture firms. In 2020, KB Investment launched new venture funds totaling KRW 362.4 billion, including a KRW 200 billion fund. Based on such ample investment funds, we are building up a portfolio of quality assets.

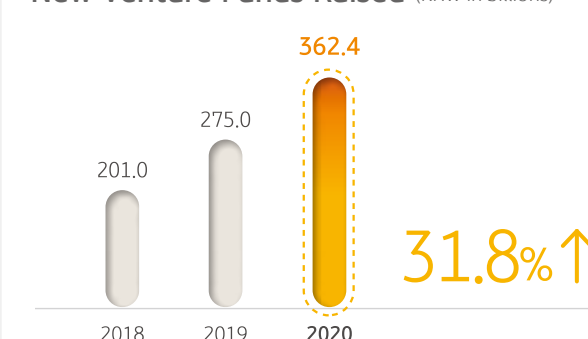


As a leading venture investment firm specializing in corporate investment, KB Investment contributes to the Korean economy by incubating promising venture firms and growth engines. In 2020, KB Investment launched new venture funds totaling KRW 362.4 billion, including a KRW 200 billion fund. Based on such ample investment funds, we are building up a portfolio of quality assets.

In 2020, fueled by growing investment outlays by both the private sector and policy institutions, the venture investment market grew 0.6% over the year to about KRW 4.3 trillion; and newly-launched venture funds amounted to a record KRW 6.5 trillion. Fund development and new investment both continued to grow throughout the year.

As new venture capital firms and associations grew, the former by 16 and the latter to a record, in 2020, the competition for creating new funds and developing new deals further intensified. Against such a backdrop, KB Investment, in collaboration with its affiliates, pursued the strategy of launching large venture funds, investing in new growth industries, and bolstering capabilities to invest in and incubate new growth startups at home and abroad.

New Venture Funds Raised (KRW in billions)



• Creating large funds within and outside KBFG

KB Investment developed a KRW 200 billion KB Smart Scale-Up Fund in collaboration with two other affiliates, investing in SMEs and venture firms ready to scale up their operations.

• Offshore funds

We also expanded our global portfolio, launching a USD 30 million KB-MDI Centauri Fund, a growth-stage fund, a joint venture fund targeting tech companies and markets in Southeast Asian countries. Noteworthy is the fund's diversified global strategies.

• Private equity funds

Private equity funds launched in 2020 include Fine KB Corporate Financial Stability No.1, a restructuring blind fund with a KRW 100 billion target, and SBV-KB New Opportunity No.1, a KRW 9.8 billion fund targeting major domestic deals.

• Specialty venture funds

KB Fintech Innovation Fund with a KRW 22.5 billion target focusing on vitalizing fintech investment; KB Fintech Renaissance Investment Association with a KRW 10.9 billion target focusing on strengthening the competency of fintech firms.

• Investing in new growth industries & overseas

Bio and medical investments grew 32% over the course of 2020 to KRW 84.2 billion, while fintech investments rose 42% to KRW 22.0 billion.

In 2020, KB Investment's fund assets under management, including PEFs, increased KRW 380.0 billion to KRW 1.6 trillion, and new investments grew to KRW 234.1 billion, maintaining the growth momentum of 2019.

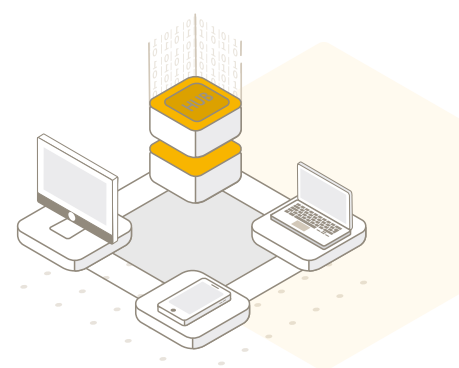
2021 Plans

In 2021, the venture market is expected to continue to grow on a growing supply of venture-promoting policy funds. KB Investment will continue implementing its mid to long-term growth strategy, fostering investment specialists and strengthening business competencies with an aim to go beyond top-tier venture capital business and rise as a "Most Influential Venture Capital" in the next three years. We will also further broaden our global presence, rebalancing the investment portfolio and laying the basis for mid to long-term growth.

KB Data Systems

www.kds.co.kr

In 2020, KB Data Systems took an active role in digital and platform-centered IT projects of KB Financial Group and accelerated sales targeting digital business. As a result, we posted KRW 100.0 billion in revenue, built open source-based DevOps/cloud infrastructure, and contributed a great deal to the IT innovation of KB Financial Group.



Next-generation systems successfully developed

In 2020, KB Data Systems successfully completed the revamping of the call center system under the KB Kookmin Bank's 'The K Project', and the development of information systems and data hub projects. Also, we focused on winning such digital technology-intensive projects of group umbrella as 'Liiv Real Estate' and 'KB Senior Platform' of KB Kookmin Bank, 'KB Pay' of KB Kookmin Card, and 'KiwiBank' of KB Savings Bank; and as a result, new projects won in 2020 amounted to KRW 35.7 billion while sales reached KRW 20.4 billion.

Synergies created through joint IT system development

We expanded our business arm to include participation in the corporate banking platform projects at the Group level and sharing our IT know-how from the planning stage. By operating WiseNet a Group portal system, OpenAPI, and other joint IT systems, we actively contributed to improve IT efficiencies within The Group. Also, the scope of our IT operations was expanded to include KB Securities, KB Capital and other affiliates. In support of KB Kookmin Bank's acquisition of PT Bank Bukopin of Indonesia, we set up an IT subsidiary in the ASEAN country, building a proactive collaboration system with banking and other KB affiliates.

Digital business capabilities strengthened

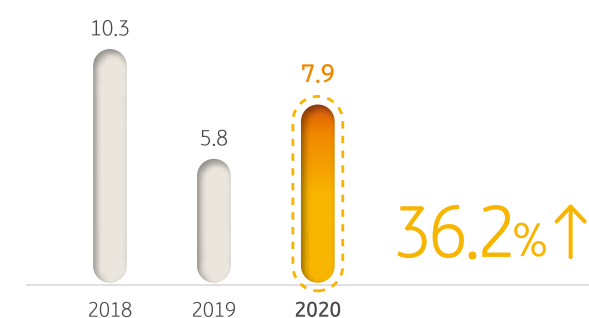
To better perform our role as the Group's digital/IT hub, we focused on strengthening the competency of our digital business operations as well as on solution development: we sought to offer our clients value that stands out, assigning senior-level engineers and technicians to affiliates' project TFs from the planning stage; and by securing top-notch IT talent, contributed to strengthen the IT competency of KB Financial Group. In addition to system integration and management, we expanded our role in MSP, a cloud service area, and developed DevOps-based digital SI, a new business area, bolstering the base for developing new growth drivers. Also developed is the Kronos solution, an infrastructure for open source-based DevOps/Cloud, an endeavor to secure the capability to lead the innovation of KB Financial Group.

2021 Plans

The fast-evolving financial business environment of late requires more than ever an active partnership with advanced IT service providers. In 2021, IT projects centered on platform and digital business are expected to proceed as part of KB Financial Group's mid to long-term strategy; and in particular, we plan to take part in KB Kookmin Bank's MyData project, KB Savings Bank's development of a next-generation system and other hybrid financial projects. As part of this, KB Data Systems will continue to secure and assign top talent to the projects of their expertise at the right moment, and thus contribute to the successful completion of core digital projects of the Group.

In the area of new digital/IT technology, we will seek to promote synergy in the IT operations of KB Financial Group through collaboration with KB affiliates in major projects such as Kronos, real estate platforms, Liiv, and grow into an organization that offers outstanding IT services through attainment and internalization of superior digital capabilities.

Gross Profit (KRW in billions)



KB Credit Information

www.kbci.co.kr

In 2020, KB Credit Information recovered delinquent debts totaling about KRW 300 billion and posted KRW 39.8 billion in sales, a 3.9% increase from the previous year. The increase is laudable in light of unfavorable business conditions triggered by a COVID 19-induced diminishing ability of borrowers to repay their debt and by government policy-prompted extensions of loan maturities and deferrals of interest payments.



Contributing to the Group's soundness management

In 2020, KB Credit Information contributed to the asset quality management of KB Financial Group by keeping the loan delinquency and default rates of KB affiliates in a range manageable from a long-term perspective. This fact becomes more meaningful in view of unfriendly business conditions triggered by a COVID 19-induced diminishing ability of borrowers to repay their debt and by government policy-prompted extensions of loan maturities and deferrals of interest payments.

At the end of 2020, debt collection revenue amounted to about KRW 27.4 billion and some KRW 300 billion was recovered of debts originated from the group subsidiaries, both a satisfactory figure in light of the exceptionally challenging environment. By actively employing collectors with banking and card experiences, applying a fair performance compensation system, conducting effective promotions distinguished by debt type, and making other efforts, we markedly improved the efficiency and competitiveness of debt collection. We also continued to expand our business within the Group by bolstering credit recovery and NPL management.

By types of debt, KRW 158.0 billion is from debts issued by KB Kookmin Bank, KRW 130.6 billion from KB Kookmin Card, and KRW 11.0 billion from other subsidiaries.

In 2020, in addition to employing debt collectors with an outstanding track record as in 2019, we focused on developing average debt collectors into experts. As most of them performed well relative to their peers, they are expected to play a key role in the Company gaining a clear competitive advantage in the future.

In lease investigation, fee income amounted to about KRW 11.9 billion, year on year increase of over 125%. Despite a market contraction following regulations restricting mortgage loan services, the income increased in the second half of 2020 following the signing of a lease investigation contract with KB Insurance. Also in 2020, we sought to expand lease investigation operations targeting other KB affiliates and to enter diverse business areas derivative of investigation business.

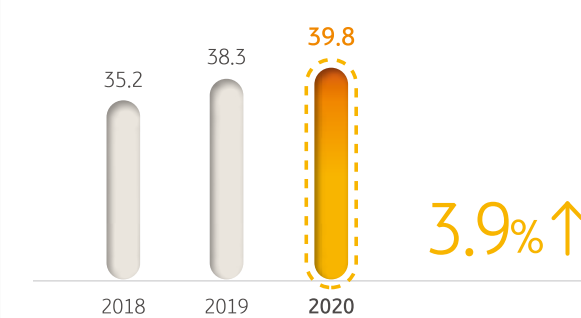
2021 Plans

In 2021, COVID 19 effects are expected to remain; and as the 'Consumer Credit Act' goes into effect in the second half, sales of debt collection companies are more than likely to contract. Also, the government's continuing policy of protecting vulnerable classes is expected to fan the morale hazard of debtors, and current stringent regulations on mortgage loan services could hamper lease investigation business.

Preparing for a worse, KB Credit Information will stay focused on asset quality as a top priority, while making efforts to improve the financial structure.

We will continue the effort to maximize the collection of debts and proactively respond to any reductions in number of debt cases. New revenue sources will be aggressively explored within KB Financial Group, including leases investigation on behalf of KB Insurance, KB Capital and KB Savings Bank. IT systems, including RPA and digital transformation, will be upgraded as a way to cut costs and improve business efficiency and productivity, while continuously tightening the management of delinquent customers in line with financial consumer protection regulations.

Sales (KRW IN BILLIONS)





FINANCIAL SECTION

Consolidated Financial Statements 045

Separate Financial Statements 144

Independent Auditors' Report

Based on a report originally issued in Korean



The Board of Directors and Stockholders
KB Financial Group Inc.:

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

As described in note 40.6.i) to the consolidated financial statements, the proliferation of COVID-19 has had a negative impact on the global economy, which may have a greater impact than expected credit losses and potential impairment of assets in a particular portfolio, and it could negatively affect the profit generation capability of the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statement as of and for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Assessment of the allowances for credit losses for loans

As discussed in Notes 3.6, 4.2, 10 and 11 to the consolidated financial statements, the Group recognized an allowance for credit losses using the Expected Credit Loss (ECL) impairment model for loans at amortized cost amounting to KRW 3,283,363 million as of December 31, 2020. A lifetime ECL is recognized for those loans that have experienced a Significant Increase in Credit Risk (SICR) since initial recognition or are credit impaired, otherwise a 12-month ECL is recognized. The Group measures ECL allowances on an individual basis for individually significant corporate loans which are credit impaired and for those which have experienced a SICR and demonstrate certain other high risk indicators (for example, debt restructuring). The individual assessment involves judgment by the Group in estimating the future cash flows. The allowance for credit losses for other loans are measured on a collective basis. For these loans, the Group measures ECL based on its estimates of the Probability of Default (PD), the Loss Given Default (LGD) and the Exposure at Default (EAD) as well as the impact of Forward-Looking Information (FLI). For the corporate

loans measured on a collective basis, one of the relevant inputs for determining PD is the internal credit risk rating of the borrower. The internal credit risk rating of the borrower is defined by the Group using quantitative and qualitative factors. The evaluation of the qualitative factors involves a high level of judgment by the Group.

We identified the following risks in accordance with the assessment of the allowances for credit losses for loans as a key audit matter, considering likelihood of error, management judgement, and risk of material misstatement:

- Risk that the Group's estimation of future cash flows for the corporate loans to be individually assessed for ELC is inappropriate due to biased judgement
- Risks that (i) the analysis of the qualitative factors in determining the internal credit risk ratings of the corporate loans to be collectively assessed for ELC is inappropriate; (ii) the calculation of 12 month and lifetime PD, the calculation of LGD, and the evaluation if FLI incorporated in the measurement of collective ECL is inappropriate due to fraud or error

The following are the primary procedures we performed to address this key audit matter.

- We evaluated the design and tested the operating effectiveness of certain internal controls related to: (i) the estimates of future cash flows for individually assessed corporate loans, including controls over the work of external valuation professionals engaged by the Group to assess the value of collateral; (ii) the validation of the models used to determine the inputs to the collective ECL calculation and the impact of FLI; (iii) the assessment of qualitative factors in the process of determining the internal credit risk rating of the loans, including the review of internal credit risk ratings performed by an independent department with access to the same qualitative information; and (iv) the completeness and accuracy of data used in the credit risk ratings.
- We assessed the estimates of future cash flows on a sample of individually assessed corporate loans by (i) comparing assumptions made with information obtained from internal and external sources; and (ii) assessing the reliability of information used in the estimates, including the qualification of external valuation professionals engaged by the Group.
- We involved credit risk and information technology professionals with specialized skills, industry knowledge and relevant experience who assisted in: (i) evaluating the methodology and key judgments used in determining the PD and LGD parameters; (ii) evaluating how FLI was incorporated in the collective ECL model; and (iii) recalculating forward-looking PD, and a sample of LGD.
- We evaluated whether, for a sample of corporate loans with ECL measured on a collective basis, Group policy was applied in the internal credit risk rating process.

2. Internally measured fair value of level 3 derivatives, and level 3 derivative-linked securities

As discussed in Notes 3.3.2 and 6.1.2 to the consolidated financial statements, the Group classifies financial instruments measured at fair value using valuation techniques where one or more significant inputs are not based on observable market data as level 3 in the fair value hierarchy. Those financial instruments measured at fair value classified as level 3 include derivatives and derivative-linked securities both held and issued by KB Securities Co., Ltd. (a subsidiary of the Group), of which fair value is measured by the internally developed valuation models. The fair value of such derivative assets and liabilities as of December 31, 2020 was KRW 441,775 million and KRW 134,934 million, respectively. Also, the fair value of such derivative-linked securities held (presented as 'financial assets at fair value through profit or loss - debt securities') and issued (presented as 'financial liabilities designated at fair value through profit or loss') as of December 31, 2020 was KRW 635,920 million and KRW 9,201,431 million, respectively. In order to measure the fair value of these financial instruments, the Group uses valuation models such as discounted cash flow models and option models. These models use various inputs and assumptions, depending on the nature of the financial instruments.

We identified the following risks in accordance with the measurement of fair value of the derivatives and derivativelinked securities as a key audit matter considering the level of judgement:

- Risks that (i) the models used by the Group to value the level 3 financial instruments are inappropriate; (ii) the models' significant inputs which are not directly observable in financial markets, (such as volatility of underlying assets, correlations, regression coefficients, discount rates, and growth rates) are inappropriate

The following are the primary procedures we performed to address this key audit matter.

- We evaluated the design and tested the operating effectiveness of certain internal controls related to the measurement of fair value of the derivatives and derivative-linked securities. This included controls related to (i) the development, validation and changes in the models used to value derivatives and derivative-linked securities, (ii) the development and application of the significant unobservable inputs and assumptions used in the measurement of fair values, and (iii) the monitoring of changes to these inputs and assumptions.
- We involved valuation professionals with specialized skills and knowledge, who assisted in: (i) evaluating the valuation techniques and significant unobservable inputs on a selection of the derivatives and derivative-linked securities; and (ii) developing models and significant unobservable inputs independently for a selection of the derivatives and derivative-linked securities and comparing the resulting fair value estimates to the Group's fair value measurements.

Other Matters

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

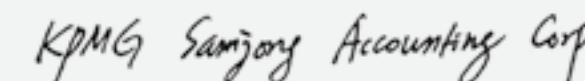
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Young-Min Kwon.



KPMG Samjong Accounting Corp.
Seoul, Korea
March 9, 2021

This report is effective as of March 9, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Statements of Financial Position

December 31, 2020 and 2019

KB Financial Group Inc. and Subsidiaries		(in millions of Korean won)	
	Notes	2020	2019
Assets			
Cash and due from financial institutions	4,6,7,8,39	25,608,842	20,837,878
Financial assets at fair value through profit or loss	4,6,8,12	61,035,455	53,549,086
Derivative financial assets	4,6,9	5,545,385	3,190,673
Loans at amortized cost	4,6,10,11	377,166,984	339,684,059
Financial investments	4,6,8,12	98,695,426	71,782,606
Investments in associates and joint ventures	13	771,435	598,240
Property and equipment	14	5,433,554	5,067,377
Investment property	14	2,533,539	2,827,988
Intangible assets	15	3,351,133	2,737,813
Net defined benefit assets	25	2,845	946
Current income tax assets		109,772	19,095
Deferred income tax assets	17,34	65,058	3,597
Assets held for sale	18	197,727	23,151
Other assets	4,6,19	30,155,037	18,215,608
Total assets		₩ 610,672,192	₩ 518,538,117
Liabilities			
Financial liabilities at fair value through profit or loss	4,6,20	11,810,058	15,368,153
Derivative financial liabilities	4,6,9	5,222,897	3,007,341
Deposits	4,6,21	338,580,220	305,592,771
Borrowings	4,6,22	49,827,156	37,818,860
Debentures	4,6,23	62,760,687	50,935,583
Provisions	24	714,903	527,929
Net defined benefit liabilities	25	248,226	253,989
Current income tax liabilities		764,981	432,431
Deferred income tax liabilities	17,34	1,162,286	777,793
Insurance contract liabilities	38	54,415,296	34,966,683
Other liabilities	4,6,26	41,804,023	29,737,259
Total liabilities		₩ 567,310,733	₩ 479,418,792
Equity			
Share capital	27	2,090,558	2,090,558
Hybrid securities	27	1,695,988	399,205
Capital surplus	27	16,723,589	17,122,777
Accumulated other comprehensive income	27,36	612,337	348,021
Retained earnings	27	22,517,392	19,709,545
Treasury shares	27	(1,136,188)	(1,136,188)
Equity attributable to shareholders of the Parent Company	27	42,503,676	38,533,918
Non-controlling interests		857,783	585,407
Total equity		43,361,459	39,119,325
Total liabilities and equity		₩ 610,672,192	₩ 518,538,117

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

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2020 and 2019

KB Financial Group Inc. and Subsidiaries		(In millions of Korean won, except per share amounts)	
	Notes	2020	2019
Interest income		₩ 14,485,747	₩ 14,639,187
Interest income from financial instruments at fair value through other comprehensive income and amortized cost		13,826,382	13,935,124
Interest income from financial instruments at fair value through profit or loss		659,365	704,063
Interest expense		(4,763,473)	(5,442,400)
Net interest income	5,28	9,722,274	9,196,787
Fee and commission income		4,527,024	3,879,247
Fee and commission expense		(1,568,085)	(1,524,243)
Net fee and commission income	5,29	2,958,939	2,355,004
Insurance income		14,386,640	12,317,182
Insurance expense		(14,086,647)	(12,017,670)
Net Insurance income	5,38	299,993	299,512
Net gains on financial instruments at fair value through profit or loss before applying overlay approach		1,221,610	912,187
Net losses on overlay approach adjustments		(210,244)	(268,315)
Net gains on financial instruments at fair value through profit or loss	5,30	1,011,366	643,872
Net other operating expenses	5,31	(1,499,930)	(1,063,324)
General and administrative expenses	5,32	(6,833,152)	(6,271,017)
Operating profit before provision for credit losses	5	5,659,490	5,160,834
Provision for credit losses	5,7,11,12,19,24	(1,043,498)	(670,185)
Net operating income		4,615,992	4,490,649
Share of profit (losses) of investments in associates and joint ventures	13	(43,750)	16,451
Net other non-operating income	33	189,390	26,886
Net non-operating income		145,640	43,337
Profit before income tax expense		4,761,632	4,533,986
Income tax expense	34	(1,259,351)	(1,220,787)
Profit for the year	5	3,502,281	3,313,199
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	25	(10,385)	(55,827)
Share of other comprehensive loss of associates and joint ventures		(1)	(105)
Net gains (losses) on equity instruments at fair value through other comprehensive income		822,140	(17,329)
Fair value changes on financial liabilities designated at fair value due to own credit risk		8,819	(11,372)
		820,573	(84,633)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(187,283)	37,861
Net gains (losses) on debt instruments at fair value through other comprehensive income		(356,572)	35,490

Consolidated Statements of Changes in Equity

Years Ended December 31, 2020 and 2019

KB Financial Group Inc. and Subsidiaries (In millions of Korean won, except per share amounts)

	Notes	2020	2019
Share of other comprehensive income (loss) of associates and joint ventures		(6,846)	7,800
Losses on cash flow hedging instruments	9	(1,264)	(33,182)
Gains (losses) on hedging instruments of net investments in foreign operations	9	64,269	(8,900)
Other comprehensive income (loss) arising from separate account		(9,683)	3,364
Net gains on overlay approach adjustment	39	152,125	194,223
		(345,254)	236,656
Other comprehensive income for the year, net of tax		475,319	152,023
Total comprehensive income for the year		₩ 3,977,600	₩ 3,465,222
Profit attributable to:	5		
Shareholders of the Parent Company		₩ 3,455,151	₩ 3,311,828
Non-controlling interests		47,130	1,371
		₩ 3,502,281	₩ 3,313,199
Total comprehensive income for the year attributable to:			
Shareholders of the Parent Company		₩ 3,956,113	₩ 3,463,567
Non-controlling interests		21,487	1,655
		₩ 3,977,600	₩ 3,465,222
Earnings per share (in Korean won)	37		
Basic earnings per share		₩ 8,809	₩ 8,451
Diluted earnings per share		8,697	8,389

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

KB Financial Group Inc. and Subsidiaries (in millions of Korean won)

	Equity attributable to shareholders of the Parent Company						Non-controlling Interests	Total Equity
	Share Capital	Hybrid Securities	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares		
Balance at January 1, 2019	₩ 2,090,558	₩ -	₩ 17,121,660	₩ 177,806	₩ 17,282,441	₩ (968,549)	₩ 9,111	₩ 35,713,027
Comprehensive income for the year								
Profit for the year	-	-	-	-	3,311,828	-	1,371	3,313,199
Remeasurements of net defined benefit liabilities	-	-	-	(55,827)	-	-	-	(55,827)
Exchange differences on translating foreign operations	-	-	-	37,577	-	-	284	37,861
Net gains (losses) on financial instruments at fair value through other comprehensive income	-	-	-	36,637	(18,475)	-	-	18,162
Share of other comprehensive income of associates and joint ventures	-	-	-	7,695	-	-	-	7,695
Losses on cash flow hedging instruments	-	-	-	(33,182)	-	-	-	(33,182)
Gains (losses) on hedge of net investments in foreign operations	-	-	-	(8,900)	-	-	-	(8,900)
Other comprehensive income arising from separate account	-	-	-	3,364	-	-	-	3,364
Fair value changes on financial liabilities designated at fair value due to own credit risk	-	-	-	(11,372)	-	-	-	(11,372)
Net gains on overlay approach adjustments	-	-	-	194,223	-	-	-	194,223
Total comprehensive income for the year	-	-	-	170,215	3,293,353	-	1,655	3,465,223
Transactions with shareholders								
Annual dividends paid to shareholders of the Parent Company	-	-	-	-	(759,736)	-	-	(759,736)
Acquisition and retirement of treasury shares	-	-	-	-	(100,000)	(167,639)	-	(267,639)
Issuance of hybrid securities	-	399,205	-	-	-	-	574,580	973,785
Dividends on hybrid securities	-	-	-	-	(6,513)	-	-	(6,513)
Others	-	-	1,117	-	-	-	61	1,178
Total transactions with shareholders	-	399,205	1,117	-	(866,249)	(167,639)	574,641	(58,925)
Balance at December 31, 2019	₩ 2,090,558	₩ 399,205	₩ 17,122,777	₩ 348,021	₩ 19,709,545	₩ (1,136,188)	₩ 585,407	₩ 39,119,325

Consolidated Statements of Cash Flows

Years Ended December 31, 2020 and 2019

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

	Equity attributable to shareholders of the Parent Company						Non-controlling Interests	Total Equity
	Share Capital	Hybrid Securities	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares		
Balance at January 1, 2020	₩ 2,090,558	₩ 399,205	₩ 17,122,777	₩ 348,021	₩ 19,709,545	₩ (1,136,188)	₩ 585,407	₩ 39,119,325
Comprehensive income for the year								
Profit for the year	-	-	-	-	3,455,151	-	47,130	3,502,281
Remeasurements of net defined benefit liabilities	-	-	-	(10,096)	-	-	(289)	(10,385)
Exchange differences on translating foreign operations	-	-	-	(162,906)	-	-	(24,377)	(187,283)
Net gains (losses) on financial instruments at fair value through other comprehensive income	-	-	-	229,899	236,648	-	(979)	465,568
Share of other comprehensive income of associates and joint ventures	-	-	-	(6,847)	-	-	-	(6,847)
Losses on cash flow hedging instruments	-	-	-	(1,264)	-	-	-	(1,264)
Gains (losses) on hedge of net investments in foreign operations	-	-	-	64,269	-	-	-	64,269
Other comprehensive income arising from separate account	-	-	-	(9,683)	-	-	-	(9,683)
Fair value changes on financial liabilities designated at fair value due to own credit risk	-	-	-	8,819	-	-	-	8,819
Net gains on overlay approach adjustments	-	-	-	152,125	-	-	-	152,125
Total comprehensive income for the year	-	-	-	264,316	3,691,799	-	21,485	3,977,600
Transactions with shareholders								
Annual dividends paid to shareholders of the Parent Company	-	-	-	-	(861,092)	-	-	(861,092)
Issuance of hybrid securities	-	1,296,783	-	-	-	-	-	1,296,783
Dividends on hybrid securities	-	-	-	-	(22,860)	-	(25,658)	(48,518)
Non-controlling interests changes in business combination	-	-	-	-	-	-	247,008	247,008
Others	-	-	(399,188)	-	-	-	29,541	(369,647)
Total transactions with shareholders	-	1,296,783	(399,188)	-	(883,952)	-	250,891	264,534
Balance at December 31, 2020	₩ 2,090,558	₩ 1,695,988	₩ 16,723,589	₩ 612,337	₩ 22,517,392	₩ (1,136,188)	₩ 857,783	₩ 43,361,459

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

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

	2020	2019
Cash flows from operating activities		
Profit for the year	₩ 3,502,281	₩ 3,313,199
Adjustment for non-cash items		
Net gain on financial assets/liabilities at fair value through profit or loss	(566,447)	(438,567)
Net gain on derivative financial instruments for hedging purposes	(52,696)	(3,835)
Adjustment of fair value of derivative financial instruments	(3,198)	282
Provision for credit loss	1,043,498	670,185
Net gain on financial investments	(278,805)	(206,192)
Share of loss (profit) of associates and joint ventures	43,750	(16,451)
Depreciation and amortization expense	874,911	784,431
Depreciation and amortization expense on VOBA	173,866	192,459
Other net gains on property and equipment/intangible assets	(124,218)	(33,238)
Share-based payments	49,364	49,418
Policy reserve appropriation	2,709,818	1,546,271
Post-employment benefits	235,231	231,913
Net interest expense	458,210	313,550
Net gain on foreign currency translation	(116,786)	(74,488)
Gain on a bargain purchase	(145,067)	-
Net other expense	524,742	390,074
	4,826,173	3,405,812
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(7,139,647)	(916,415)
Derivative financial instruments	(38,376)	644,342
Loans at fair value through other comprehensive income	81,803	15,536
Loans at amortized cost	(31,126,636)	(21,681,258)
Current income tax assets	(54,539)	(9,091)
Deferred income tax assets	(15,108)	803
Other assets	(9,126,046)	(3,668,385)
Financial liabilities at fair value through profit or loss	(3,247,108)	(77,231)
Deposits	27,381,662	28,480,993
Current income tax liabilities	323,313	(266,204)
Deferred income tax liabilities	(125,066)	235,209
Other liabilities	3,216,600	1,212,080
	(19,869,148)	2,681,695
Net cash inflow (outflow) from operating activities	(11,540,694)	9,400,706

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

KB Financial Group Inc. and Subsidiaries	(in millions of Korean won)	
	2020	2019
Cash flows from investing activities		
Net cash flows from derivative financial instruments for hedging purposes	(64,177)	(206,680)
Disposal of financial assets at fair value through profit or loss	14,169,758	11,364,615
Acquisition of financial assets at fair value through profit or loss	(13,923,371)	(12,359,886)
Disposal of financial investments	83,143,443	69,489,132
Acquisition of financial investments	(92,206,817)	(79,083,472)
Disposal in investments in associates and joint ventures	210,266	26,185
Acquisition of investments in associates and joint ventures	(515,342)	(92,200)
Disposal of property and equipment	6,465	12,786
Acquisition of property and equipment	(424,862)	(608,736)
Disposal of investment property	646,263	94,207
Acquisition of investment property	(53,196)	(806,088)
Disposal of intangible assets	14,303	14,694
Acquisition of intangible assets	(182,859)	(333,557)
Net cash flows from the change in subsidiaries	(1,951,245)	91,592
Others	142,961	62,984
Net cash outflow from investing activities	(10,988,410)	(12,334,424)
Cash flows from financing activities		
Net cash flows from derivative financial instruments for hedging purposes	(16,202)	(28,631)
Net increase (decrease) in debts	10,683,659	5,027,313
Increase in debentures	119,705,016	93,655,747
Decrease in debentures	(107,760,800)	(96,145,669)
Increase (decrease) in other payables from trust accounts	2,326,495	68,648
Dividends paid to shareholders	(861,092)	(759,736)
Dividends paid on hybrid securities	(22,860)	(6,513)
Acquisition of treasury shares	-	(274,317)
Issuance of hybrid securities	1,296,783	399,205
Increase or decrease of non-controlling interest	(25,658)	574,580
Redemption of principal elements of lease payments	(235,498)	(229,750)
Other	172,433	134,027
Net cash inflow from financing activities	25,262,276	2,277,608
Effect of exchange rate changes on cash and cash equivalents	(171,805)	137,019
Net increase (decrease) in cash and cash equivalents	2,561,367	(519,091)
Cash and cash equivalents at the beginning of the year	6,123,725	6,642,816
Cash and cash equivalents at the end of the year	₩ 8,685,092	₩ 6,123,725

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

1. The Parent Company

KB Financial Group Inc. (the "Parent Company") was incorporated on September 29, 2008, under the Financial Holding Companies Act of Korea. KB Financial Group Inc. and its subsidiaries (the "Group") derive substantially all of their revenue and income from providing a broad range of banking and related financial services to consumers and corporations primarily in Korea and in selected international markets. The Parent Company's principal business includes ownership and management of subsidiaries and associated companies that are engaged in financial services or activities. In 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd. and KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd. The Group established KB Savings Bank Co., Ltd. in January 2012, acquired Yehansoul Savings Bank Co., Ltd. in September 2013, and KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in January 2014. In March 2014, the Group acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. Meanwhile, the Group included LIG Insurance Co., Ltd. as an associate and changed the name to KB Insurance Co., Ltd. in June 2015, and KB Insurance Co., Ltd. became one of the subsidiaries through a tender offer in May 2017. Also, the Group included Hyundai Securities Co., Ltd. as an associate in June 2016 and included as a subsidiary in October 2016 by comprehensive exchange of shares. Hyundai Securities Co., Ltd. merged with KB Investment & Securities Co., Ltd. in December 2016 and changed its name to KB Securities Co., Ltd. in January 2017. In August 2020, the Group acquired Prudential Life Insurance Company of Korea Ltd., which was classified as a subsidiary.

The Parent Company's share capital as of December 31, 2020, is ₩ 2,090,558 million. The Parent Company has been listed on the Korea Exchange ("KRX") since October 10, 2008, and on the New York Stock Exchange ("NYSE") for its American Depositary Shares ("ADS") since September 29, 2008. Number of shares authorized in its Articles of Incorporation is 1,000 million.

2. Basis of Preparation

2.1 Application of Korean IFRS

The Group maintains its accounting records in Korean won and prepares statutory consolidated financial statements in the Korean language in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying consolidated financial statements have been translated into English from the Korean language consolidated financial statements.

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

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

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

- Amendments to Korean IFRS No.1001 Presentation of Financial Statements and Korean IFRS No.1008 Accounting policies, changes in accounting estimates and errors - Definition of Material

The amendments clarify the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. These amendments do not have a significant impact on the consolidated financial statements.

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

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and the definition of output excludes the returns in the form of lower costs and other economic benefits. If

substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments do not have a significant impact on the consolidated financial statements. However, these amendments may have impact on the consolidated financial statements if business combination occurs in the future.

2.1.2 The Group has early adopted the following amended standards.

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

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

The significant benchmark interest rate indicators for the hedge relationship are LIBOR and CD, and those affected by these amendments should be referred to Note 9.

2.1.3 The following amended standards have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group.

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

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. The amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

– Amendments to Korean IFRS No.1109 Financial Instruments, Korean IFRS No.1039 Financial Instruments: Recognition and Measurement, Korean IFRS No.1107 Financial Instruments: Disclosure, Korean IFRS No.1104 Insurance Contracts and Korean IFRS No.1116 Lease – Interest Rate Benchmark Reform

In relation to interest rate benchmark reform, the amendments provide a practical expedient allowing entities to change the effective interest rate instead of changing the carrying amount and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

– Amendments to Korean IFRS No.1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets, and Korean IFRS No.2121 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

– Amendments to Korean IFRS No.1016 Property, Plant and Equipment – Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

– Amendments to Korean IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts: Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

– Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

• Korean IFRS No.1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters

• Korean IFRS No.1109 Financial Instruments – Fees related to the 10% test for derecognition of financial liabilities

• Korean IFRS No.1116 Leases – Lease incentives

• Korean IFRS No.1041 Agriculture – Measuring fair value

– Amendments to Korean IFRS No.1001 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

2.2 Measurement Basis

The consolidated financial statements have been prepared based on the historical cost accounting model unless otherwise specified.

2.3 Functional and Presentation Currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

2.4 Critical Accounting Estimates

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

Estimates and underlying assumptions are continually evaluated, and changes in accounting estimates are recognized in the period in which the estimates are changed and in any future periods affected.

Uncertainties in estimates and assumptions with significant risks that may result in material adjustments to the consolidated financial statements are as follows:

2.4.1 Income taxes

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

If certain portion of the taxable income is not used for investments, wages, etc. in accordance with the Korean regulation called 'Special Taxation for Facilitation of Investment and Mutually-beneficial Cooperation', the Group is liable to pay additional income tax calculated based on the tax laws. Therefore, the effect of recirculation of corporate income should be reflected in current and deferred income tax. As the Group's income tax is



dependent on the actual investments, wages, etc. per each year, there are uncertainties with regard to measuring the final tax effects during the period when the tax law is applied.

2.4.2 Fair value of financial instruments

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

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

2.4.3 Allowances and provisions for credit losses

The Group recognizes and measures allowances for credit losses of debt instruments measured at amortized cost, debt instruments measured at fair value through other comprehensive income, and lease receivables. Also, the Group recognizes and measures provisions for credit losses of acceptances and guarantees, and unused loan commitments. Accuracy of allowances and provisions for credit losses is dependent upon estimation of expected cash flows of the borrower for individually assessed loans, and upon assumptions and methodology used for collectively assessed groups of loans, acceptances and guarantees and unused loan commitments.

2.4.4 Net defined benefit liability

The present value of the net defined benefit liability is affected by changes in the various factors determined by the actuarial method.

2.4.5 Impairment of goodwill

The recoverable amounts of cash-generating units are determined based on value-in-use calculations to test whether impairment of goodwill has occurred.

2.4.6 Estimated claims for Incurred But Not Reported ("IBNR")

An amount of IBNR is the total sum of estimated insurance claims that shall be paid for accidents that occurred but have not been reported to the Group and the estimated amount of insurance proceeds that shall be additionally paid upon resumption of payment claims. The Group calculates IBNR by applying statistical methods in risk units designated in Detailed Regulations on Supervision of Insurance Business, and records IBNR in reserve for outstanding claims of insurance liability. IBNR based on statistical methods requires significant accounting estimates in determining appropriate model applied by accident year (PLDM, ILDM, BFM, and others) and development parameters.

2.4.7 Assessment of expected credit losses of financial instruments related to COVID-19

The proliferation of COVID-19 in 2020 negatively affected the global economy, despite of various forms of government support policy. Accordingly, the Group was provided with various economic forecasting scenarios from KB Research, assuming macroeconomic changes due to the level of COVID-19 pandemic. The Group reviewed the possibilities of each scenario comprehensively, updated the forward-looking information, and reflected its effect on expected credit losses through the statistical method. In order to reflect additional credit risk for financial assets whose industries are highly affected by COVID-19, the Group measured expected credit losses using a conservative scenario comparing to the forecasted forward-looking information and proactively responded to the credit risk to be increased in the future by expanding the scope of loans subject to lifetime expected credit losses (non-impaired) and expanding the scope of loans subject to individual assessment. The Group will continue to monitor the impact of COVID-19 on the expected credit losses by comprehensively considering the duration of the impact on the entire economy and the government's policies.

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

For the comparative purpose, certain information in the notes for the year ended December 31, 2019 have been reclassified to conform to the presentation for the year ended December 31, 2020.

3.1 Consolidation

3.1.1 Subsidiaries

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

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The difference between fair value of any consideration paid and carrying amount of the subsidiary's net assets attributable to the additional interests acquired, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group loses control, any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost, with the resulting difference recognized in profit or loss. This fair value will be the fair value on initial recognition of a financial asset in accordance with Korean IFRS No.1109 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. In addition, all amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Therefore, amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Group accounts for each business combination by applying the acquisition method. The consideration transferred is measured at fair value, and identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are initially measured at acquisition-date fair values. For each business combination, the Group measures non-controlling interests in the acquiree that entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation at either (a) fair value or (b) the proportionate share in the recognized amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed in the periods in which the costs are incurred.

In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be reclassified as profit or loss, or retained earnings, on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

The Group applies the book amount method to account for business combinations of entities under a common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book amounts on the consolidated financial statements of the Group. In addition, the difference between (a) the sum of consolidated net book amounts of the assets and liabilities transferred and accumulated other comprehensive income and (b) the consideration paid is recognized as capital surplus.

3.1.2 Associates and joint ventures

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

Joint ventures are investments in which the Group jointly controls over economic activities pursuant to contractual arrangement. Decisions about financial and operating policies require unanimous consent of the parties sharing control.

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



If associates and joint ventures use accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associates' accounting policies conform to those of the Group when the associates' financial statements are used by the Group in applying the equity method.

If the Group's share of losses of associates and joint ventures equals or exceeds its interest in the associates (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

The Group determines at each reporting period whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount as non-operating income (expenses) in the consolidated statement of comprehensive income.

3.1.3 Structured entity

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. When the Group decides whether it has power over the structured entities in which the Group has interests, it considers factors such as the purpose, the form, the substantive ability to direct the relevant activities of a structured entity, the nature of its relationship with a structured entity and the amount of exposure to variable returns.

3.1.4 Funds management

The Group manages and operates trust assets, collective investment and other funds on behalf of investors. These trusts and funds are not consolidated, except for trusts and funds over which the Group has control.

3.1.5 Intragroup transactions

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

3.2 Foreign Currency

3.2.1 Foreign currency transactions

A foreign currency transaction is recorded, at initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate which is the spot exchange rate at the end of the reporting period. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was measured and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Except for the exchange difference for the net investment in a foreign operation and the financial liability designated as a hedging instrument of net investment, exchange differences arising on the settlement of monetary items or on translating monetary items is recognized in profit or loss. When gain or loss on a nonmonetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income, conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

3.2.2 Foreign operations

The results and financial position of a foreign operation, whose functional currency differs from the Group's presentation currency, are translated into the Group's presentation currency based on the following procedures.

If the functional currency of a foreign operation is not the currency of a hyperinflationary economy, assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the end of the reporting period, income and expenses for each statement of comprehensive income presented (including comparatives) are translated using the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional

currency of the foreign operation and are translated into the presentation currency at the closing rate.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized. On the partial disposal of a subsidiary that includes a foreign operation, the Group reattributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

3.2.3 Translation of the net investment in a foreign operation

A monetary item that is receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the Group's net investment in that foreign operation, then foreign currency difference arising from that monetary item is recognized in the other comprehensive income and shall be reclassified to profit or loss on disposal of the net investment.

3.3 Recognition and Measurement of Financial Instruments

3.3.1 Initial recognition

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

For financial reporting purpose, the Group classifies (a) financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, or financial assets at amortized cost and (b) financial liabilities as financial liabilities at fair value through profit or loss, or other financial liabilities. These classifications are based on business model for managing financial instruments and the contractual cash flow characteristics of the financial instrument at initial recognition.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received) in an arm's length transaction.

3.3.2 Subsequent measurement

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

3.3.2.1 Amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

3.3.2.2 Fair value

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

If there is no active market for a financial instrument, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group uses valuation models that are commonly used by market participants and customized for the Group to determine fair values of common over-the-counter ("OTC") derivatives such as options, interest rate swaps and currency swaps which are based on the inputs observable



in markets. For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally used within the industry, or a value measured by an independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not observable in market and therefore it is necessary to estimate fair value based on certain assumptions.

In addition, the fair value information recognized in the consolidated statement of financial position is classified into the following fair value hierarchy, reflecting the significance of the input variables used in the fair value measurement.

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 : Unobservable inputs for the asset or liability

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

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

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

The Group uses valuation technique which maximizes the use of market inputs and minimizes the use of entity-specific inputs. It incorporates all factors that market participants would consider in pricing the asset or liability and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests its validity using prices of observable current market transactions of the same instrument or based on other relevant observable market data.

3.3.3 Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the consolidated statement of financial position. The derecognition criteria for financial assets and financial liabilities are as follows:

3.3.3.1 Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial assets expire or the Group transfers substantially all the risks and rewards of ownership of the financial asset, or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group has not retained control. Therefore, if the Group does not transfer substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

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

The Group writes off a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. In general, the Group considers write-off when it is determined that the debtor does not have sufficient funds or income to cover the principal and interest. The write-off decision is made in accordance with internal regulations. After the write-off, the Group can collect the written-off loans continuously according to the internal policy. Recovered amounts from financial assets previously written-off are recognized in profit or loss.

3.3.3.2 Derecognition of financial liabilities

A financial liability is derecognized from the consolidated statement of financial position when it is extinguished (i.e. the obligation specified in the contract is discharged, cancelled or expires).

3.3.4 Offsetting

A financial asset and a financial liability is offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on a future event and must be legally enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all of the counterparties.

3.4 Cash and Due from Financial Institutions

Cash and due from financial institutions include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and due from financial institutions. Cash and due from financial institutions are measured at amortized cost.

3.5 Non-derivative Financial Assets

3.5.1 Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss unless they are classified as financial assets at amortized cost or at fair value through other comprehensive income.

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in fair value are recognized in profit or loss. Interest income using the effective interest method and dividend income from financial asset at fair value through profit or loss are also recognized in profit or loss.

3.5.2 Financial assets at fair value through other comprehensive income

The Group classifies below financial assets as financial assets at fair value through other comprehensive income:

- Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding and;
- Equity instruments that are not held for short-term trading but held for strategic investment, and designated as financial assets at fair value through other comprehensive income

After initial recognition, a financial asset at fair value through other comprehensive income is measured at fair value. Gains or losses arising from a change in fair value, other than dividend income, interest income calculated using the effective interest method and exchange differences arising on monetary items which are recognized directly in profit or loss, are recognized as other comprehensive income in equity.

When the financial assets at fair value through other comprehensive income is disposed, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income is reclassified to retained earnings not to profit or loss at disposal.

A financial asset at fair value through other comprehensive income denominated in foreign currency is translated at the closing rate. Exchange difference resulting from change in amortized cost is recognized in profit or loss, and other changes are recognized in equity.

3.5.3 Financial assets at amortized cost

A financial asset, which is held within the business model whose objective is achieved by collecting contractual cash flows, and where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding, is classified as a financial asset at amortized cost. After initial recognition, a financial asset at amortized cost is measured at amortized cost using the effective interest method and interest income is calculated using the effective interest method.

3.6 Expected Credit Loss of Financial Assets (Debt Instruments)

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

Expected credit losses are estimated at present value of probability-weighted amount that is determined by evaluating a range of possible outcomes. The Group measures expected credit losses by reflecting all reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The approaches of measuring expected credit losses in accordance with Korean IFRS are as follows:

- General approach: for financial assets and unused loan commitments not subject to the below 2 approaches
- Simplified approach: for trade receivables, contract assets and lease receivables
- Credit-impaired approach: for financial assets that are credit-impaired at the time of acquisition

Application of general approach is differentiated depending on whether credit risk has increased significantly after initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses, whereas if the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. Lifetime is presumed to be a period to the contractual maturity date of financial assets (the expected life of financial assets).

The Group assesses whether the credit risk has increased significantly using the following information, and if one or more of the following conditions are met, it is deemed as significant increase in credit risk. Information of more than 30 days overdue is applied to all subsidiaries, and other information is applied selectively considering specific indicators of each subsidiary or additionally considering specific indicators of each subsidiary. If the contractual cash flows on a financial asset have been renegotiated or modified, the Group assesses whether the credit risk has increased significantly using the same following information.

- More than 30 days past due
- Decline in credit rating at period end by more than certain notches as compared to that at initial recognition
- Subsequent managing ratings below certain level in the early warning system
- Debt restructuring (except for impaired financial assets) and
- Credit delinquency information of Korea Federation of Banks, etc.

Under simplified approach, the Group always measures the loss allowance at an amount equal to lifetime expected credit losses. Under credit-impaired approach, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated creditimpaired financial assets. In assessing credit impairment, the Group uses definition of default as in the new Basel Accord which rules calculation of Capital Adequacy Ratio.

The Group generally considers the loan to be credit-impaired if one or more of the following conditions are met:

- 90 days or more past due
- Legal proceedings related to collection
- A borrower registered on the credit management list of Korea Federation of Banks
- A corporate borrower with the credit rating C or D
- Refinancing
- Debt restructuring, etc.

3.6.1 Forward-looking information

The Group uses forward-looking information, when it assesses whether the credit risk has increased significantly and measures the expected credit losses.

The Group assumes the risk components have a certain correlation with the economic cycle and uses statistical methodologies to estimate the relation between key macroeconomic variables and risk components for the expected credit losses.

The correlation between the major macroeconomic variables and the credit risk are as follows:

Key macroeconomic variables	Correlation between the major macroeconomic variables and the credit risk
Domestic GDP growth rate	(-)
Composite stock index	(-)
Construction investment change rate	(-)
Rate of change in housing transaction price index	(-)
Interest rate spread	(+)
Private consumption growth rate	(-)
Change of call rate compared to the last year (%p)	(+)
Household loan change rate	(-)

Forward-looking information used in calculation of expected credit losses is based on the macroeconomic forecasts utilized by the management of the Group for its business plan considering reliable external agency's forecasts and others. The forward-looking information is generated by KB Research with comprehensive approach to capture the possibility of various economic forecast scenarios that are derived from the internal and external viewpoints of the macroeconomic situation. The Group determines the macroeconomic variables to be used in forecasting future condition of the economy, considering the direction of the forecast scenario and the significant relationship between macroeconomic variables and time series data. And there are some changes compared to the macroeconomic variables used in the previous year.

In order to reflect additional credit risk for financial assets whose industries are highly affected by COVID-19, the Group measures expected credit losses using a conservative scenario comparing to the forecasted forward-looking information.

3.6.2 Measuring expected credit losses on financial assets at amortized cost

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

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

3.6.2.1 Individual assessment of impairment

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

3.6.2.2 Collective assessment of impairment

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

The lifetime expected credit loss is measured by applying the PD to the carrying amount calculated by deducting the expected principal repayment amount from the carrying amount as of the reporting date and the LGD adjusted to reflect changes in the carrying amount.

3.6.3 Measuring expected credit losses on financial assets at fair value through other comprehensive income

The Group measures expected credit losses on financial assets at fair value through other comprehensive income in a manner that is consistent with the requirements that are applicable to financial assets measured at amortized cost. However, the loss allowance is recognized in other comprehensive income. Upon disposal or repayment of financial assets at fair value through other comprehensive income, the amount of the loss allowance is reclassified from other comprehensive income to profit or loss.

3.7 Derivative Financial Instruments

The Group enters into numerous derivative financial instrument contracts such as currency forwards, interest rate swaps, currency swaps and others for trading purposes or to manage its exposures to fluctuations in interest rates and currency exchange, amongst others. The Group's derivative operations focus on addressing the needs of the Group's corporate clients to hedge their risk exposure and to hedge the Group's risk exposure that results from such client contracts. These derivative financial instruments are presented as derivative financial instruments in the consolidated financial statements irrespective of transaction purpose and subsequent measurement requirement.

The Group designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) and the risk of changes in cash flow (cash flow hedge). The Group designates certain derivatives and non-derivatives as hedging instruments to hedge the risk of foreign exchange of the net investment in a foreign operation (hedge of net investment).

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

Derivatives are initially recognized at fair value. After initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

3.7.1 Derivative financial instruments held for trading

All derivative financial instruments, except for derivatives that are designated and qualify for hedge accounting, are measured at fair value. Gains or losses arising from changes in fair value are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

3.7.2 Derivative financial instruments for fair value hedges

If derivatives are designated and qualify for a fair value hedge, changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the hedged risk are recognized in profit or loss as part of other operating income and expenses. If the hedged items are equity instruments for which the Group has elected to present changes in fair value in other comprehensive income, changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the hedged risk are recognized in other comprehensive income. Fair value hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedging relationship ceases to meet the qualifying criteria. Once fair value hedge accounting is discontinued, the adjustment to the carrying amount of a hedged item is amortized to profit or loss by the maturity of the financial instrument using the effective interest method.

3.7.3 Derivative financial instruments for cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income, limited to the cumulative change in fair value (present value) of the hedged item (the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge. The ineffective portion is recognized in profit or loss as other operating income or expense. The associated gains or losses that were previously recognized in other comprehensive income are reclassified from equity to profit or loss (other operating income or expense) as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. Cash flow hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedging relationship ceases to meet the qualifying criteria. When the cash flow hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that have been recognized in other comprehensive income are reclassified to profit or loss over the period in which the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gains or losses that have been recognized in other comprehensive income are immediately reclassified to profit or loss.

3.7.4 Derivative and non-derivative financial instruments designated for net investments hedges

If derivatives and non-derivatives are designated and qualify for the net investment hedge, the effective portion of changes in fair value of hedging instrument is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss as other operating income and expense. The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been accumulated in other comprehensive income will be reclassified from other comprehensive income to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation.

3.7.5 Embedded derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if, (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and (c) the hybrid contract contains a host that is not a financial asset and is not designated as at fair value through profit or loss. Gains or losses arising from a change in fair value of an embedded derivative separated from the host contract are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

3.7.6 Day one gains or losses

If the Group uses a valuation technique that incorporates unobservable inputs for the fair value of the OTC derivatives at initial recognition, there may be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the difference is not recognized in profit or loss but deferred and amortized using the straight-line method over the life of the financial instrument. If the fair value is subsequently determined using observable inputs, the remaining deferred amount is recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss or other operating income and expenses.

3.8 Property and Equipment

3.8.1 Recognition and measurement

All property and equipment that qualify for recognition as an asset are measured at cost and subsequently carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. When part of an item of property and equipment has a useful life different from that of the entire asset, it is recognized as a separate asset.

3.8.2 Depreciation

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

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

The depreciation methods and estimated useful lives of property and equipment are as follows:

Property and equipment	Depreciation method	Estimated useful lives
Buildings and structures	Straight-line	20~40 years
Leasehold improvements	Declining-balance/ Straight-line	4~15 years
Equipment and vehicles	Declining-balance/ Straight-line	3~15 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

3.9 Investment Properties

3.9.1 Recognition and measurement

Properties held to earn rentals or for capital appreciation or both are classified as investment properties. Investment properties are measured initially at their cost and subsequently the cost model is used.

3.9.2 Depreciation

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

The depreciation method and estimated useful lives of investment properties are as follows:

Investment properties	Depreciation method	Estimated useful lives
Buildings	Straight-line	20~40 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

3.10 Intangible Assets

Intangible assets are measured initially at cost and subsequently carried at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets, except for goodwill and membership rights, are amortized using the straight-line method or declining-balance method with no residual value over their estimated useful economic life since the asset is available for use.

Intangible assets	Amortization method	Estimated useful lives
Industrial property rights	Straight-line	3 ~ 19 years
Software	Straight-line	3 ~ 5 years
VOBA	Declining-balance	30, 60 years
Others	Straight-line / Declining-balance	1 ~ 13 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Where an intangible asset is not being amortized because its useful life is indefinite, the Group carries out a review in each accounting period to confirm whether events and circumstances still support an indefinite useful life assessment. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

3.10.1 Value of business acquired ("VOBA")

In case of acquisition of insurance company, the Group recognized the difference amount as VOBA in intangible assets, if the fair value of the acquired insurance liability is less than the carrying amount based on the acquiree's accounting policy, and in the opposite case, the difference amount is recognized as negative VOBA and included in premium reserve. VOBA is an estimated present value of future cash flow of insurance contracts at the acquisition date. VOBA is amortized over the above estimated useful lives using declining balance method, and the depreciation is recognized as insurance expense.

3.10.2 Goodwill

3.10.2.1 Recognition and measurement

Goodwill related to business combinations before January 1, 2010, is stated at its carrying amount, which was recognized under the Group's previous accounting policy, prior to the transition to Korean IFRS.

Goodwill acquired from business combinations after January 1, 2010, is initially measured as the excess of cost of the business combination over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of net identifiable assets acquired and liabilities assumed exceeds cost of business combination, the difference is recognized in profit or loss.

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

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

3.10.2.2 Additional acquisitions of non-controlling interests

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

3.10.2.3 Subsequent measurement

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

3.10.3 Subsequent expenditure

Subsequent expenditure is capitalized only when it enhances values of the assets. Internally generated intangible assets, such as goodwill and trade name, are not recognized as assets but expensed as incurred.

3.11 Impairment of Non-financial Assets

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that is expected to benefit from the synergies of the combination. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in a subsequent period. The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or may have decreased, and an impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

3.12 Non-current Assets Held for Sale

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. A non-current asset (or disposal group) classified as held for sale is measured at the lower of (a) its carrying amount measured in accordance with the applicable Korean IFRS, immediately before the initial classification of the asset (or disposal group) as held for sale and (b) fair value less costs to sell.

A non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale is not depreciated (or amortized).

Impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Gain is recognized for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized.

3.13 Financial Liabilities

The Group classifies financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

3.13.1 Financial liabilities at fair value through profit or loss

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

In relation to securities lending or borrowing transactions, when the Group borrows securities from the Korea Securities Depository and others, these transactions are managed as off-balance sheet items. The borrowed securities are treated as financial liabilities at fair value through profit or loss when they are sold. Changes in fair value at the end of the reporting period and difference between carrying amount at redemption and purchased amount are recognized as profit or loss.

In addition, the change in fair value of the financial liability that is attributable to change in the credit risk of that liability, the Group presents this change in other comprehensive income, and does not recycle this to profit or loss in accordance with Korean IFRS No.1109. However, if this treatment creates or enlarges an accounting mismatch, the Group recognizes this change in profit or loss.

3.13.2 Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities include deposits, borrowings, debentures and others. At initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. After initial recognition, other financial liabilities are measured at amortized cost, and its interest expense is recognized, using the effective interest method.

In case an asset is sold under repurchase agreement, the Group continues to recognize the asset with the amount sold being accounted for as borrowing. The Group derecognizes a financial liability from the consolidated statement of financial position only when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3.14 Insurance Contracts

KB Insurance Co., Ltd., KB Life Insurance Co., Ltd. and Prudential Life Insurance Company of Korea Ltd., the subsidiaries of the Group, issue insurance contracts.

Insurance contracts are defined as “a contract under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder”. A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Such a contract that does not contain significant insurance risk is classified as an investment contract and is within the scope of Korean IFRS No.1109 Financial Instruments to the extent that it gives rise to a financial asset or financial liability, except if the investment contract contains a Discretionary Participation Features (DPF). If the contract has a DPF, the contract is subject to Korean IFRS No.1104 Insurance Contracts. The Group recognizes assets (liabilities) and gains (losses) relating to insurance contracts as other assets (liabilities) in the consolidated statement of financial position, and as other operating income (expenses) in the consolidated statement of comprehensive income, respectively.

3.14.1 Insurance premiums

The Group recognizes collected premiums as revenue on the due date of collection of premiums from insurance contracts and the collected premium which is not earned at the end of the reporting period is recognized as unearned premium.

3.14.2 Insurance liabilities

The Group recognizes a liability for future claims, refunds, policyholders' dividends and related expenses as follows:

3.14.2.1 Premium reserve

Premium reserve refers to an amount based on the net premium method for payment of future claims with respect to events covered by insurance policies which have not yet occurred as of the reporting period. It is calculated as the greater of the amount using standard interest rate and standard loss ratio defined by Financial Supervisory Services and the amount using the actual underlying data that have been used in premium calculation.

3.14.2.2 Reserve for outstanding claims

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

3.14.2.3 Unearned premium reserve

Reserve for the insurance premiums that are due during the reporting period but not earned at the end of the period.

3.14.2.4 Reserve for dividend to policyholders

Reserve for dividend to policyholders including dividend of interest rate differential, rate of risk differential and business expenses differential is recognized for the purpose of provisioning for policyholders' dividends in the future in accordance with statutes or insurance terms and conditions.

3.14.3 Liability adequacy test

The Group conducts a liability adequacy test for all contracts to which Korean IFRS No.1104 Insurance Contracts apply, in consideration of current estimates of all cash inflows and cash outflows from the insurance contracts at the end of the reporting period including options, guarantees, claims survey costs and policy loans. If the assessment shows that the carrying amount of its insurance liabilities is insufficient in light of the estimated adequate liabilities, additional reserve is recognized for the deficient amount.

Future cash flows from long-term insurance are discounted at interest rate scenario, which is risk-free rate scenario adjusted by liquidity premium, whereas future cash flows from general insurance are not discounted to present value. In case of insurance premium and unearned premium reserves, all future cash flows such as payment of claims, administration expenses and premium received from policyholders are considered for the liability adequacy test. And in case of reserve for outstanding claims, the adequacy of individually assessed payment of claims is tested by applying models that are considered appropriate for claim development trend among various statistical methods.

3.14.4 Deferred acquisition costs

The Group recognizes acquisition cost incurred by the long-term insurance contract as an asset and amortizes it evenly over the premium payment period. If the premium payment period exceeds seven years, the amortization period shall be seven years. If the insurance contract is surrendered or lapsed due to payment overdue, the remaining balances of deferred acquisition cost are fully amortized in the period in which the contract is surrendered or lapsed.

3.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of provisions, and where the effect of the time value of money is material, the amount of provisions is the present value of the expenditures expected to be required to settle the obligation.

Provisions for confirmed and unconfirmed acceptances and guarantees, and unused credit lines of consumer and corporate loans are recognized using a valuation model that applies the credit conversion factor, probability of default, and loss given default.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as provisions.

3.16 Financial Guarantee Contracts

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value and classified as other liabilities and are amortized over the contractual term. After initial recognition, financial guarantee contracts are measured at the higher of:

- The amount determined in accordance with Korean IFRS No.1109 Financial Instruments and
- The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with Korean IFRS No.1115 Revenue from Contracts with Customers.

3.17 Equity Instrument Issued by the Group

An equity instrument is any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.



3.17.1 Ordinary shares

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

3.17.2 Hybrid securities

The financial instruments can be classified as either financial liabilities or equity in accordance with the terms of the contract. The Group classifies hybrid securities as an equity if the Group has the unconditional right to avoid any contractual obligation to deliver financial assets such as cash in relation to the financial instruments. However, hybrid securities issued by subsidiaries are classified as non-controlling interests, dividends are recognized in the consolidated statement of comprehensive income as profit attributable to non-controlling interests.

3.17.3 Treasury shares

If the Group acquires its own equity instruments, these are accounted for as treasury shares and are deducted directly from equity. No gains or losses are recognized in profit or loss on the purchase, sale, issue or retirement of own equity instruments. If an entity within the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

3.17.4 Compound financial instruments

A compound financial instrument is classified as a financial liability or an equity instrument depending on the substance of the contractual arrangement of such financial instrument. The liability component of the compound financial instrument is measured at fair value of the similar liability without conversion option at initial recognition and subsequently measured at amortized cost using effective interest method until it is extinguished by conversion or matured. Equity component is initially measured at fair value of compound financial instrument in its entirety less fair value of liability component net of tax effect and it is not remeasured subsequently.

3.18 Revenue Recognition

The Group recognizes revenues in accordance with the following steps determined in accordance with Korean IFRS No.1115 Revenue from Contracts with Customers.

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

3.18.1 Interest income and expense

Interest income and expense on debt securities at fair value through profit or loss (excluding beneficiary certificates, equity investments and other debt instruments), loans, financial instruments at amortized cost and debt securities at fair value through other comprehensive income, are recognized in the consolidated statement of comprehensive income using the effective interest method in accordance with Korean IFRS No.1109 Financial Instruments. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

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

Interest income on impaired financial assets is recognized using the rate of interest used to discount the expected cash flows for the purpose of measuring the impairment loss.

Interest income on debt securities at fair value through profit or loss is also classified as interest income in the consolidated statement of comprehensive income.

3.18.2 Fee and commission income

The Group recognizes financial service fees in accordance with the purpose of charging the fees and the accounting standards of the financial instrument related to the fees earned.

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

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

3.18.2.2 Fees related to performance obligations satisfied over time

The Group transfers control of a good or service over time, therefore, recognizes revenue related to performance obligations satisfied over the period of performance obligations. Fees which can be earned through the certain periods, including asset management fees, consignment business fees, etc. are recognized over the period of performance obligations.

3.18.2.3 Fees related to performance obligations satisfied at a point in time

Fees earned at a point in time are recognized as revenue when a customer obtains controls of a promised good or service and the Group satisfies a performance obligation.

Commission on negotiation or participation in negotiation for the third party such as trading stocks or other securities, arranging merger and acquisition of business, is recognized as revenue when the transaction has been completed.

A syndication arrangement fees recognized as revenue when the syndication has been completed, if the Group arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

3.18.3 Net gains or losses on financial instruments at fair value through profit or loss

Net gains or losses on financial instruments at fair value through profit or loss (including changes in fair value, dividends, and gains or losses from foreign currency translation) include gains and losses from following financial instruments:

- Gains or losses relating to financial instruments at fair value through profit or loss (excluding interest income using the effective interest rate)
- Gains or losses relating to derivatives for trading (including derivatives for hedging purpose but do not qualify for hedge accounting)

3.18.4 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income is recognized as net gains or losses on financial instruments at fair value through profit or loss or other operating income depending on the classification of equity securities.

3.19 Employee Compensation and Benefits

3.19.1 Post-employment benefits:

3.19.1.1 Defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as post-employment benefits for the period.

3.19.1.2 Defined benefit plans

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

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



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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from the introduction or changes to a defined benefit plan. Such past service cost is immediately recognized as an expense for the period.

3.19.2 Short-term employee benefits

Short-term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense for the period.

The expected cost of profit-sharing and bonus payments is recognized as liabilities when the Group has a present legal or constructive obligation to make payments as a result of past events, such as service rendered by employees, and a reliable estimate of the obligation can be made.

3.19.3 Share-based payment

The Group has provided its directors and employees with stock grants, mileage stocks and long-term sharebased payments programs. When stock grants are exercised, the Group can either select to distribute newly issued shares or treasury shares or compensate in cash based on the share price. When mileage stocks and long-term share-based payments are exercised, the Group pays the amount equivalent to share price of KB Financial Group Inc. in cash.

For a share-based payment transaction in which the terms of the arrangement provide the Group with the choice of whether to settle in cash or by issuing equity instruments, the Group accounts for the transaction in accordance with the requirements applying to cash-settled share-based payment transactions because the Group determines that it has a present obligation to settle in cash because the Group has a past practice and a stated policy of settling in cash. Therefore, the Group measures the liability incurred as consideration for the service, at fair value and recognizes related expense and accrued expense over the vesting periods. For mileage stocks and long-term share-based payments program, the Group accounts for the transaction in accordance with the requirements applying to cash-settled share-based payment transactions, which are recognized as expense and accrued expenses at the time of vesting.

Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss as share-based payments.

3.19.4 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognizes a liability and expense for termination benefits at the earlier of the following dates: when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring that is within the scope of Korean IFRS No.1037 and involves the payment of termination benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, then the termination benefits are discounted to present value.

3.20 Income Tax Expenses

Income tax expense comprises current tax expense and deferred income tax expense. Current and deferred income tax are recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from (a) a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity and (b) a business combination.

3.20.1 Current income tax

Current income tax is the amount of income tax payable in respect of the taxable profit (loss) for the period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation, or expense that is not deductible in determining taxable profit (loss). Current income tax liabilities for the current and prior periods are measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Group offsets current income tax assets and current income tax liabilities if, and only if, the Group (a) has a legally enforceable right to set off the recognized amounts and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.20.2 Deferred income tax

Deferred income tax is recognized, using the asset-liability method, on temporary differences arising between the tax-based amount of assets and liabilities and their carrying amount in the financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting nor taxable profit or loss.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Group reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred income tax assets and deferred income tax liabilities if, and only if the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

3.20.3 Uncertain tax positions

Uncertain tax positions arise from tax treatments applied by the Group which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Group, an appeal for a refund claimed from the tax authorities related to additional assessments or a tax investigation by the tax authorities. The Group recognizes its uncertain tax positions in the consolidated financial statements in accordance with Korean IFRS No.1012 and Interpretation of Korean IFRS No.2123. The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority, and the amount to be paid as a result of the tax investigation and others is recognized as the current tax payable. However, additional dues on tax paid or refund are recognized in accordance with Korean IFRS No.1037 because those are, in substance, interest and penalty.

3.21 Earnings per Share

The Group calculates basic earnings per share amounts and diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the Parent Company and presents them in the consolidated statement of comprehensive income. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the Group adjusts profit or loss attributable to ordinary equity holders of the Parent Company, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares including convertible bonds and share options.

3.22 Lease

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

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



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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

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

However, the Group can elect not to apply the requirements of Korean IFRS No.1116 to short-term lease (lease that, at the commencement date, has a lease term of 12 months or less) and leases for which the underlying asset is of low value (for example, underlying leased asset under \$ 5,000).

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

For sale and leaseback transactions, the Group applies the requirements of Korean IFRS No.1115 Revenue from Contracts with Customers, to determine whether the transfer of an asset is accounted for as a sale of that asset.

3.23 Operating Segments

The Group identifies its operating segments based on internal reports which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

Segment information includes items which are directly attributable and reasonably allocated to the segment.

3.24 Overlay Approach

The Group applies the overlay approach in accordance with Korean IFRS No.1104 and a financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met:

- It is measured at fair value through profit or loss applying Korean IFRS No.1109 but would not have been measured at fair value through profit or loss in its entirety applying Korean IFRS No.1039 and
- It is not held in respect of an activity that is unconnected with contracts within the scope of Korean IFRS No.1104.

The Group reclassifies between profit or loss and other comprehensive income, and the amount reclassified is equal to the difference between:

- The amount reported in profit or loss for the designated financial assets applying Korean IFRS No.1109 and
- The amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied Korean IFRS No.1039.

The Group is permitted to apply the overlay approach either at initial recognition or it may subsequently designate financial assets that newly meet criterion of not being held in respect of an activity that is unconnected with insurance contract, having previously not met that criterion.

The Group continues to apply the overlay approach to a designated financial asset until that financial asset is derecognized. However, the Group de-designates a financial asset when the financial asset no longer meets the criterion. In this case, the Group reclassifies from accumulated other comprehensive income to profit or loss as a reclassification adjustment any balance relating to that financial asset.

At the beginning of any annual period, the Group may stop applying the overlay approach to all designated financial assets, and cannot subsequently apply the overlay approach, if it stops using this approach because it is no longer an insurer.

4. Financial Risk Management

4.1 Summary

4.1.1 Overview of financial risk management policy

The financial risks that the Group is exposed to are credit risk, market risk, liquidity risk, operational risk and others.

This note regarding financial risk management provides information about the risks that the Group is exposed to and about its objectives, policies, risk assessment and management procedures, and capital management. Additional quantitative information is disclosed throughout the consolidated financial statements.

The Group's risk management system focuses on efficiently supporting long-term strategy and management decisions through increased risk transparency, spread of risk management culture and preemptive response to rapidly changing financial environments. Credit risk, market risk, liquidity risk, and operational risk are recognized as the Group's significant risks and measured and managed by quantifying them in the form of Internal Capital or Value at Risk ("VaR") using statistical methods.

4.1.2 Risk management organization

4.1.2.1 Risk Management Committee

The Risk Management Committee, as the ultimate decision-making body, deals with risk-related issues, such as establishing risk management strategies in accordance with the strategic direction determined by the Board of Directors, determining the affordable level of risk appetite, reviewing the level of risk and the status of risk management activities, approving the application of risk management systems, methodologies, and major improvements, and establishing and approving risk management policies and procedures to timely recognize, measure, monitor, and control risks arising from various transactions by the Group.

4.1.2.2 Risk Management Council

The Risk Management Council is responsible for consulting on matters delegated by the Risk Management Committee and requests for review by the Management Executive Committee, consulting on details of each subsidiary's risk management policies and procedures, monitoring the Group's risk management status, and establishing and implementing necessary measures.

4.1.2.3 Risk Management Department

The Risk Management Department manages risk management policies, procedures, and business processes.

4.2 Credit Risk

4.2.1 Overview of credit risk

Credit risk is the risk of loss from the portfolio of assets held due to the counterparty's default, breach of contract and deterioration of credit quality. For risk management reporting purposes, the Group considers all factors of credit risk exposure, such as default risk of individual borrowers, country risk and risk of specific sectors.

The Group defines default as the definition applied to the calculation of Capital Adequacy Ratio under the new Basel Accord (Basel III).

4.2.2 Credit risk management

The Group measures the expected loss and economic capital for the assets subject to credit risk management, including on-balance and off-balance assets, and uses them as management indicators. The Group allocates and manages credit risk economic capital limits.

In addition, to prevent excessive concentration of exposures by borrower and industry, the total exposure limit at the Group level is introduced, applied, and managed to control the credit concentration risk.

In order to establish a credit risk management system, the Group manages credit risk by forming a separate risk management organization. In particular, independent of the Sales Group, the Credit Analysis Group of Kookmin Bank, a subsidiary, is in charge of loan policy, loan system, credit rating, credit analysis, follow-up management and corporate restructuring. The Risk Management Group of Kookmin Bank is responsible for establishing policies on credit risk management, measuring and limiting economic capital of credit risk, setting credit limits, credit review, and verification of credit rating models.

4.2.3 Maximum exposure to credit risk

The Group's maximum exposures of financial instruments other than equity securities, to credit risk without consideration of collateral values as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Financial assets		
Due from financial institutions measured at amortized cost *	₩ 22,720,091	₩ 18,142,960
Financial assets at fair value through profit or loss		
Due from financial institutions measured at fair value through profit or loss	100,094	216,367
Securities measured at fair value through profit or loss	58,415,100	50,721,526
Loans measured at fair value through profit or loss	337,983	427,545
Financial instruments indexed to the price of gold	89,965	79,805
Derivatives	5,545,385	3,190,673
Loans measured at amortized cost *	377,166,984	339,684,059
Financial investments		
Securities measured at fair value through other comprehensive income	58,456,889	43,556,848
Securities measured at amortized cost *	36,870,229	25,346,555
Loans measured at fair value through other comprehensive income	293,409	375,098
Other financial assets *	14,167,689	9,147,059
	574,163,818	490,888,495
Off-balance sheet items		
Acceptances and guarantees contracts	8,548,928	8,327,494
Financial guarantee contracts	4,964,468	3,847,390
Commitments	159,133,983	151,797,615
	172,647,379	163,972,499
	₩ 746,811,197	₩ 654,860,994

* After netting of allowance.

4.2.4 Credit risk of loans

The Group maintains an allowance for loan losses associated with credit risk of loans to manage its credit risk.

The Group assesses expected credit losses and recognizes loss allowances of financial assets at amortized cost and financial assets at fair value through other comprehensive income. Financial assets at fair value through profit or loss are excluded. Expected credit losses are a probability-weighted estimate of possible credit losses occurred in a certain range by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions. The Group measures the expected credit losses of loans classified as financial assets measured at amortized cost, by deducting allowances for credit losses. The expected credit losses of loans classified as financial assets at fair value through other comprehensive income are presented in other comprehensive income in the consolidated financial statements.

4.2.4.1 Credit risk exposure

Credit qualities of loans as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
Loans measured at amortized cost *					
Corporate					
Grade 1	₩ 93,033,311	₩ 4,646,801	₩ 7,042	₩ -	₩ 97,687,154
Grade 2	61,701,031	7,060,916	7,817	-	68,769,764
Grade 3	2,702,369	2,507,455	3,055	-	5,212,879
Grade4	611,743	1,085,704	8,562	-	1,706,009
Grade 5	18,792	394,935	2,162,732	-	2,576,459
	158,067,246	15,695,811	2,189,208	-	175,952,265
Retail					
Grade 1	163,261,012	3,536,290	6,789	-	166,804,091
Grade 2	8,828,445	4,197,409	34,896	-	13,060,750
Grade 3	2,519,004	1,322,878	9,012	-	3,850,894
Grade4	225,262	402,881	8,352	-	636,495
Grade 5	39,466	636,361	672,397	-	1,348,224
	174,873,189	10,095,819	731,446	-	185,700,454
Credit card					
Grade 1	8,210,540	412,555	-	-	8,623,095
Grade 2	5,831,625	708,405	-	-	6,540,030
Grade 3	1,526,382	1,216,434	-	-	2,742,816
Grade4	16,978	247,241	-	-	264,219
Grade 5	2,101	118,907	506,462	-	627,470
	15,587,626	2,703,542	506,462	-	18,797,630
	348,528,061	28,495,172	3,427,116	-	380,450,349
Loans measured at fair value through other comprehensive income					
Corporate					
Grade 1	235,469	-	-	-	235,469
Grade 2	57,940	-	-	-	57,940
Grade 3	-	-	-	-	-
Grade4	-	-	-	-	-
Grade 5	-	-	-	-	-
	293,409	-	-	-	293,409
	293,409	-	-	-	293,409
	₩ 348,821,470	₩ 28,495,172	₩ 3,427,116	₩ -	₩ 380,743,758

(In millions of Korean won)

	December 31, 2019				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
Loans measured at amortized cost *					
Corporate					
Grade 1	₩ 83,839,707	₩ 2,621,898	₩ 1,000	₩ -	₩ 86,462,605
Grade 2	58,057,809	4,683,445	7,052	-	62,748,306
Grade 3	2,650,199	2,187,662	4,194	-	4,842,055
Grade4	518,108	900,386	4,605	-	1,423,099
Grade 5	16,648	355,893	805,938	-	1,178,479
	145,082,471	10,749,284	822,789	-	156,654,544
Retail					
Grade 1	146,265,744	3,611,001	8,155	-	149,884,900
Grade 2	7,081,846	4,433,832	29,304	-	11,544,982
Grade 3	2,080,690	1,541,647	11,366	-	3,633,703
Grade4	185,081	387,811	9,722	-	582,614
Grade 5	10,180	587,448	545,295	-	1,142,923
	155,623,541	10,561,739	603,842	-	166,789,122
Credit card					
Grade 1	8,390,177	96,052	-	-	8,486,229
Grade 2	5,695,069	719,065	-	-	6,414,134
Grade 3	1,558,999	1,161,396	-	-	2,720,395
Grade4	26,404	390,941	-	-	417,345
Grade 5	350	135,630	474,327	-	610,307
	15,670,999	2,503,084	474,327	-	18,648,410
	316,377,011	23,814,107	1,900,958	-	342,092,076
Loans measured at fair value through other comprehensive income					
Corporate					
Grade 1	241,524	-	-	-	241,524
Grade 2	133,574	-	-	-	133,574
Grade 3	-	-	-	-	-
Grade4	-	-	-	-	-
Grade 5	-	-	-	-	-
	375,098	-	-	-	375,098
	375,098	-	-	-	375,098
	₩ 316,752,109	₩ 23,814,107	₩ 1,900,958	₩ -	₩ 342,467,174

* Before netting of allowance

Credit qualities of loans graded according to internal credit ratings as of December 31, 2020 and 2019, are as follows:

	Range of Probability of Default (%)	Retail	Corporate
Grade 1	0.0 ~ 1.0	1 ~ 5 grade	AAA ~ BBB+
Grade 2	1.0 ~ 5.0	6 ~ 8 grade	BBB ~ BB
Grade 3	5.0 ~ 15.0	9 ~ 10 grade	BB- ~ B
Grade 4	15.0 ~ 30.0	11 grade	B- ~ CCC
Grade 5	30.0 ~	12 grade or under	CC or under

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

(In millions of Korean won)

	December 31, 2020				
	12-month expected credit losses	Lifetime expected credit losses		Total	
		Non-impaired	Impaired		
Guarantees	₩ 79,088,720	₩ 5,732,814	₩ 187,512	₩ 85,009,046	
Deposits and savings	5,210,681	149,745	67,047	5,427,473	
Property and equipment	11,607,675	808,476	120,471	12,536,622	
Real estate	170,171,707	12,836,286	1,836,865	184,844,858	
	₩ 266,078,783	₩ 19,527,321	₩ 2,211,895	₩ 287,817,999	

(In millions of Korean won)

	December 31, 2019				
	12-month expected credit losses	Lifetime expected credit losses		Total	
		Non-impaired	Impaired		
Guarantees	₩ 70,183,658	₩ 3,839,736	₩ 179,825	₩ 74,203,219	
Deposits and savings	4,478,032	118,221	8,034	4,604,287	
Property and equipment	10,014,552	582,109	55,410	10,652,071	
Real estate	155,769,901	10,839,595	417,815	167,027,311	
	₩ 240,446,143	₩ 15,379,661	₩ 661,084	₩ 256,486,888	

4.2.5 Credit risk of securities

Credit qualities of securities other than equity securities that are exposed to credit risk as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
Securities measured at amortized cost *					
Grade 1	₩ 36,467,719	₩ -	₩ -	₩ -	₩ 36,467,719
Grade 2	359,551	-	-	-	359,551
Grade 3	38,847	7,061	-	-	45,908
Grade4	-	-	-	-	-
Grade 5	-	-	-	-	-
	36,866,117	7,061	-	-	36,873,178

(In millions of Korean won)

	December 31, 2020				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
Securities measured at fair value through other comprehensive income					
Grade 1	54,576,777	-	-	-	54,576,777
Grade 2	3,746,200	-	-	-	3,746,200
Grade 3	126,391	-	-	-	126,391
Grade4	7,521	-	-	-	7,521
Grade 5	-	-	-	-	-
	58,456,889	-	-	-	58,456,889
	₩ 95,323,006	₩ 7,061	₩ -	₩ -	₩ 95,330,067

* Before netting of allowance

(In millions of Korean won)

	December 31, 2019				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
Securities measured at amortized cost *					
Grade 1	₩ 25,147,636	₩ -	₩ -	₩ -	₩ 25,147,636
Grade 2	157,881	-	-	-	157,881
Grade 3	42,710	-	-	-	42,710
Grade4	-	-	-	-	-
Grade 5	-	-	-	-	-
	25,348,227	-	-	-	25,348,227
Securities measured at fair value through other comprehensive income					
Grade 1	40,206,856	-	-	-	40,206,856
Grade 2	3,337,327	-	-	-	3,337,327
Grade 3	12,665	-	-	-	12,665
Grade4	-	-	-	-	-
Grade 5	-	-	-	-	-
	43,556,848	-	-	-	43,556,848
	₩ 68,905,075	₩ -	₩ -	₩ -	₩ 68,905,075

* Before netting of allowance

Credit qualities of securities other than equity securities, according to the credit ratings by external rating agencies as of December 31, 2020 and 2019, are as follows:

Credit quality	Domestic				Foreign		
	KIS	NICE P&I	KAP	FnPricing Inc.	S&P	Fitch-IBCA	Moody's
Grade 1	AA0 to AAA	AA0 to AAA	AA0 to AAA	AA0 to AAA	A- to AAA	A- to AAA	A3 to Aaa
Grade 2	A- to AA-	A- to AA-	A- to AA-	A- to AA-	BBB- to BBB+	BBB- to BBB+	Baa3 to Baa1
Grade 3	BBB0 to BBB+	BBB0 to BBB+	BBB0 to BBB+	BBB0 to BBB+	BB to BB+	BB to BB+	Ba2 to Ba1
Grade 4	BB0 to BBB-	BB0 to BBB-	BB0 to BBB-	BB0 to BBB-	B+ to BB-	B+ to BB-	B1 to Ba3
Grade 5	BB- or under	BB- or under	BB- or under	BB- or under	B or under	B or under	B2 or under

Credit qualities of debt securities denominated in Korean won are based on the lowest credit rating by the domestic agencies above, and those denominated in foreign currencies are based on the lowest credit rating by the foreign agencies above.

4.2.6 Credit risk of due from financial institutions

Credit qualities of due from financial institutions as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
Due from financial institutions measured at amortized cost *					
Grade 1	₩ 21,437,207	₩ -	₩ -	₩ -	₩ 21,437,207
Grade 2	334,371	-	-	-	334,371
Grade 3	445,732	13,099	-	-	458,831
Grade4	479,142	-	-	-	479,142
Grade 5	13,520	-	283	-	13,803
	₩ 22,709,972	₩ 13,099	₩ 283	₩ -	₩ 22,723,354

(In millions of Korean won)

	December 31, 2019				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
Due from financial institutions measured at amortized cost *					
Grade 1	₩ 17,292,966	₩ -	₩ -	₩ -	₩ 17,292,966
Grade 2	149,927	-	-	-	149,927
Grade 3	677,249	-	-	-	677,249
Grade4	-	-	-	-	-
Grade 5	13,991	13,179	360	-	27,530
	₩ 18,134,133	₩ 13,179	₩ 360	₩ -	₩ 18,147,672

* Before netting of allowance

The classification criteria of the credit qualities of due from financial institutions as of December 31, 2020 and 2019, is the same as the criteria for securities other than equity securities.

4.2.7 Credit risk mitigation of derivative financial instruments

The quantification of the extent to which collateral mitigates credit risk of derivative financial instruments as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Deposits, savings, securities, etc.	₩ 1,651,322	₩ 802,170

4.2.8 Credit risk concentration analysis

4.2.8.1 Details of loans by country as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020 *						
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩ 182,344,832	₩ 160,385,598	₩ 18,734,570	₩ 361,465,000	94.85	₩ (2,433,702)	₩ 359,031,298
Europe	-	2,042,979	-	2,042,979	0.54	(11,141)	2,031,838
China	-	4,518,737	654	4,519,391	1.19	(20,489)	4,498,902
Japan	94	923,354	10	923,458	0.24	(1,249)	922,209
United States	-	1,962,377	-	1,962,377	0.51	(21,489)	1,940,888
Cambodia	1,444,906	2,280,180	-	3,725,086	0.98	(89,652)	3,635,434
Indonesia	1,483,345	3,637,351	60,959	5,181,655	1.36	(699,947)	4,481,708
Others	427,276	833,080	1,437	1,261,793	0.33	(5,694)	1,256,099
	₩ 185,700,453	₩ 176,583,656	₩ 18,797,630	₩ 381,081,739	100.00	₩ (3,283,363)	₩ 377,798,376

(In millions of Korean won)

	December 31, 2019 *						
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩ 166,310,457	₩ 149,149,657	₩ 18,642,111	₩ 334,102,225	97.44	₩ (2,363,332)	₩ 331,738,893
Europe	-	1,118,429	-	1,118,429	0.33	(4,181)	1,114,248
China	-	3,135,501	358	3,135,859	0.91	(20,654)	3,115,205
Japan	101	647,956	81	648,138	0.19	(576)	647,562
United States	-	2,333,269	-	2,333,269	0.68	(9,205)	2,324,064
Others	478,564	1,072,375	5,860	1,556,799	0.45	(10,069)	1,546,730
	₩ 166,789,122	₩ 157,457,187	₩ 18,648,410	₩ 342,894,719	100.00	₩ (2,408,017)	₩ 340,486,702

* Amount includes loans measured at fair value through profit or loss, other comprehensive income and amortized cost.

4.2.8.2 Details of corporate loans by industry as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 16,044,243	9.09	₩ (20,987)	₩ 16,023,256
Manufacturing	45,884,606	25.98	(473,360)	45,411,246
Service	76,001,877	43.04	(385,093)	75,616,784
Wholesale & Retail	23,129,457	13.10	(241,021)	22,888,436
Construction	4,397,814	2.49	(190,819)	4,206,995
Public sector	1,660,370	0.94	(74,839)	1,585,531
Others	9,465,289	5.36	(285,660)	9,179,629
	₩ 176,583,656	100.00	₩ (1,671,779)	₩ 174,911,877

(In millions of Korean won)

	December 31, 2019			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 16,405,404	10.42	₩ (14,819)	₩ 16,390,585
Manufacturing	43,265,607	27.48	(394,428)	42,871,179
Service	65,277,701	41.46	(195,205)	65,082,496
Wholesale & Retail	18,593,540	11.81	(99,051)	18,494,489
Construction	3,679,798	2.34	(194,737)	3,485,061
Public sector	1,250,909	0.79	(2,084)	1,248,825
Others	8,984,228	5.70	(56,662)	8,927,566
	₩ 157,457,187	100.00	₩ (956,986)	₩ 156,500,201

4.2.8.3 Details of retail loans and credit card receivables as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Loans	%	Allowances	Carrying amount
Housing	₩ 87,312,052	42.70	₩ (61,155)	₩ 87,250,897
General	98,388,401	48.11	(848,933)	97,539,468
Credit card	18,797,630	9.19	(701,496)	18,096,134
	₩ 204,498,083	100.00	₩ (1,611,584)	₩ 202,886,499

(In millions of Korean won)

	December 31, 2019			
	Loans	%	Allowances	Carrying amount
Housing	₩ 78,102,637	42.12	₩ (34,395)	₩ 78,068,242
General	88,686,485	47.83	(676,927)	88,009,558
Credit card	18,648,410	10.05	(739,709)	17,908,701
	₩ 185,437,532	100.00	₩ (1,451,031)	₩ 183,986,501

4.2.8.4 Details of credit risk of due from financial institutions, securities other than equity securities and derivative financial assets by industry as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Amount	%	Allowances	Carrying amount
Due from financial institutions measured at amortized cost				
Finance and insurance	₩ 22,723,354	100.00	₩ (3,263)	₩ 22,720,091
	22,723,354	100.00	(3,263)	22,720,091
Due from financial institutions measured at fair value through profit or loss				
Finance and insurance	100,094	100.00	-	100,094
	100,094	100.00	-	100,094
Securities measured at fair value through profit or loss				
Government and government funded institutions	16,902,284	28.94	-	16,902,284
Finance and insurance	34,244,398	58.62	-	34,244,398
Others	7,268,418	12.44	-	7,268,418
	58,415,100	100.00	-	58,415,100

(In millions of Korean won)

	December 31, 2020			
	Amount	%	Allowances	Carrying amount
Derivative financial assets				
Government and government funded institutions	44,670	0.81	-	44,670
Finance and insurance	4,925,535	88.82	-	4,925,535
Others	575,180	10.37	-	575,180
	5,545,385	100.00	-	5,545,385
Securities measured at fair value through other comprehensive income				
Government and government funded institutions	26,205,864	44.83	-	26,205,864
Finance and insurance	24,847,602	42.51	-	24,847,602
Others	7,403,423	12.66	-	7,403,423
	58,456,889	100.00	-	58,456,889
Securities measured at amortized cost				
Government and government funded institutions	24,018,884	65.14	(30)	24,018,854
Finance and insurance	11,019,911	29.89	(2,475)	11,017,436
Others	1,834,383	4.97	(445)	1,833,938
	36,873,178	100.00	(2,950)	36,870,228
	₩ 182,114,000		₩ (6,213)	₩ 182,107,787

(In millions of Korean won)

	December 31, 2019			
	Amount	%	Allowances	Carrying amount
Due from financial institutions measured at amortized cost				
Finance and insurance	₩ 18,147,672	100.00	₩ (4,712)	₩ 18,142,960
	18,147,672	100.00	(4,712)	18,142,960
Due from financial institutions measured at fair value through profit or loss				
Finance and insurance	216,367	100.00	-	216,367
	216,367	100.00	-	216,367
Securities measured at fair value through profit or loss				
Government and government funded institutions	11,937,703	23.53	-	11,937,703
Finance and insurance	32,475,354	64.03	-	32,475,354
Others	6,308,469	12.44	-	6,308,469
	50,721,526	100.00	-	50,721,526
Derivative financial assets				
Government and government funded institutions	7,330	0.23	-	7,330
Finance and insurance	3,003,371	94.13	-	3,003,371
Others	179,972	5.64	-	179,972
	3,190,673	100.00	-	3,190,673
Securities measured at fair value through comprehensive income				
Government and government funded institutions	16,744,232	38.44	-	16,744,232
Finance and insurance	21,439,272	49.22	-	21,439,272
Others	5,373,344	12.34	-	5,373,344
	43,556,848	100.00	-	43,556,848
Securities measured at amortized cost				
Government and government funded institutions	11,115,435	43.86	(37)	11,115,398
Finance and insurance	12,279,883	48.44	(1,349)	12,278,534
Others	1,952,909	7.70	(286)	1,952,623
	25,348,227	100.00	(1,672)	25,346,555
	₩ 141,181,313		₩ (6,384)	₩ 141,174,929

4.2.8.5 Details of credit risk of due from financial institutions, securities other than equity securities and derivative financial assets by country as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Amount	%	Allowances	Carrying amount
Due from financial institutions measured at amortized cost				
Korea	₩ 16,535,849	72.78	₩ (607)	₩ 16,535,242
United States	2,030,614	8.94	(283)	2,030,331
Others	4,156,891	18.28	(2,373)	4,154,518
	22,723,354	100.00	(3,263)	22,720,091
Due from financial institutions measured at fair value through profit or loss				
Korea	100,094	100.00	-	100,094
	100,094	100.00	-	100,094
Securities measured at fair value through profit or loss				
Korea	53,991,978	92.43	-	53,991,978
United States	2,370,538	4.06	-	2,370,538
Others	2,052,584	3.51	-	2,052,584
	58,415,100	100.00	-	58,415,100
Derivative financial assets				
Korea	2,885,214	52.03	-	2,885,214
United States	706,866	12.75	-	706,866
Others	1,953,305	35.22	-	1,953,305
	5,545,385	100.00	-	5,545,385
Securities measured at fair value through other comprehensive income				
Korea	54,786,461	93.72	-	54,786,461
United States	942,151	1.61	-	942,151
Others	2,728,277	4.67	-	2,728,277
	58,456,889	100.00	-	58,456,889
Securities measured at amortized cost				
Korea	34,545,872	93.69	(2,283)	34,543,589
United States	1,049,387	2.85	(241)	1,049,146
Others	1,277,919	3.46	(426)	1,277,493
	36,873,178	100.00	(2,950)	36,870,228
	₩ 182,114,000		₩ (6,213)	₩ 182,107,787

(In millions of Korean won)

	December 31, 2019			
	Amount	%	Allowances	Carrying amount
Due from financial institutions measured at amortized cost				
Korea	₩ 13,864,687	76.40	₩ (555)	₩ 13,864,132
United States	1,318,582	7.27	(1)	1,318,581
Others	2,964,403	16.33	(4,156)	2,960,247
	18,147,672	100.00	(4,712)	18,142,960
Due from financial institutions measured at fair value through profit or loss				
Korea	216,367	100.00	-	216,367
	216,367	100.00	-	216,367
Securities measured at fair value through profit or loss				
Korea	46,413,061	91.51	-	46,413,061
United States	1,939,330	3.82	-	1,939,330
Others	2,369,135	4.67	-	2,369,135
	50,721,526	100.00	-	50,721,526
Derivative financial assets				
Korea	1,440,349	45.14	-	1,440,349
United States	529,956	16.61	-	529,956
France	358,951	11.25	-	358,951
Others	861,417	27.00	-	861,417
	3,190,673	100.00	-	3,190,673
Securities measured at fair value through other comprehensive income				
Korea	40,948,853	94.01	-	40,948,853
United States	687,243	1.58	-	687,243
Others	1,920,752	4.41	-	1,920,752
	43,556,848	100.00	-	43,556,848
Securities measured at amortized cost				
Korea	22,591,541	89.12	(1,034)	22,590,507
United States	1,312,941	5.18	(217)	1,312,724
Others	1,443,745	5.70	(421)	1,443,324
	25,348,227	100.00	(1,672)	25,346,555
	₩ 141,181,313		₩ (6,384)	₩ 141,174,929

Due from financial institutions and financial instruments at fair value through profit or loss that are linked to gold price and derivatives are mostly related to finance and insurance industry with high credit ratings.

4.3 Liquidity Risk

4.3.1 Overview of liquidity risk

Liquidity risk is a risk that the Group becomes insolvent due to the mismatch between the inflow and outflow of funds, unexpected cash outflows, or a risk of loss due to financing funds at a high interest rate or disposing of securities at an unfavorable price due to lack of available funds. The Group manages its liquidity risk through analysis of the contractual maturity of interest-bearing assets and liabilities, assets and liabilities related to the other inflows and outflows of funds, and off-balance sheet items related to the inflows and outflows of funds such as currency derivative instruments and others.

4.3.2 Liquidity risk management and indicator

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

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

4.3.3 Analysis of remaining contractual maturity of financial assets and liabilities

The cash flows disclosed in the maturity analysis are undiscounted contractual amounts including principal and future interest receivables and payments; as such, the table below do not match with the amounts in the consolidated statements of financial position which are based on discounted cash flows. The future interest receipts and payments for floating-rate assets and liabilities are calculated on the assumption that the current interest rate is the same until maturity.

4.3.3.1 Remaining contractual maturity of financial assets and liabilities other than derivatives held for cash flow hedge as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial assets							
Cash and due from financial institutions ¹	₩ 7,186,004	₩ 1,449,949	₩ 469,858	₩ 1,217,217	₩ 35,056	₩ -	₩ 10,358,084
Financial assets at fair value through profit or loss	60,520,103	242,664	83,408	25,658	142,547	561,959	61,576,339
Derivatives held for trading ²	5,210,512	-	-	-	-	-	5,210,512
Derivatives held for hedging ³	-	9,371	32,816	74,364	70,863	88,462	275,876
Loans measured at amortized cost	3,126,366	29,240,531	35,862,097	135,526,320	116,211,931	103,685,410	423,652,655
Financial investments ⁴							
Financial assets at fair value through other comprehensive income	2,532,279	896,523	1,556,600	10,523,465	35,347,644	16,949,942	67,806,453
Securities measured at amortized cost	-	1,003,104	2,724,223	2,567,726	9,658,717	29,923,188	45,876,958
Other financial assets	89,855	11,514,303	206,227	1,273,876	73,735	48,019	13,206,015
	₩ 78,665,119	₩ 44,356,445	₩ 40,935,229	₩ 151,208,626	₩ 161,540,493	₩ 151,256,980	₩ 627,962,892
Financial liabilities							
Financial liabilities at fair value through profit or loss ²	2,025,952	-	-	-	-	-	2,025,952
Financial liabilities designated at fair value through profit or loss ²	9,784,107	-	-	-	-	-	9,784,107
Derivatives held for trading ²	5,014,072	-	-	-	-	-	5,014,072
Derivatives held for hedging ³	-	3,123	4,120	62,147	35,198	109	104,697
Deposits ⁵	182,111,594	17,207,360	28,485,765	99,879,946	12,133,364	1,664,509	341,482,538
Borrowings	9,333,894	17,730,230	4,923,897	9,617,100	7,616,809	938,374	50,160,304
Debentures	18,105	2,806,105	6,769,859	14,330,686	35,512,544	6,241,226	65,678,525
Lease liabilities	205	22,372	40,376	152,084	332,033	44,882	591,952
Other financial liabilities	217,866	24,153,880	208,745	329,291	748,593	215,447	25,873,822
	₩ 208,505,795	₩ 61,923,070	₩ 40,432,762	₩ 124,371,254	₩ 56,378,541	₩ 9,104,547	₩ 500,715,969
Off-balance sheet items							
Commitments ⁶	₩ 159,133,983	-	-	-	-	-	₩ 159,133,983
Acceptances and guarantees contracts	8,548,928	-	-	-	-	-	8,548,928
Financial guarantee contracts ⁷	4,964,468	-	-	-	-	-	4,964,468
	₩ 172,647,379						₩ 172,647,379

(In millions of Korean won)

	December 31, 2019						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial assets							
Cash and due from financial institutions ¹	₩ 5,323,332	₩ 1,038,805	₩ 286,091	₩ 822,123	₩ 18,628	₩ -	₩ 7,488,979
Financial assets at fair value through profit or loss	52,488,545	446,069	273,144	187,821	236,130	1,011,289	54,642,998
Derivatives held for trading ²	3,008,598	-	-	-	-	-	3,008,598
Derivatives held for hedging ³	-	4,892	20,216	37,441	41,401	66,176	170,126
Loans measured at amortized cost	2,908,095	33,042,040	32,668,128	125,125,270	94,802,566	96,757,198	385,303,297
Financial investments⁴							
Financial assets at fair value through other comprehensive income	2,101,605	526,465	1,403,884	6,761,533	33,604,010	4,506,581	48,904,078
Securities measured at amortized cost	-	1,002,164	2,080,834	5,700,500	7,366,945	15,888,344	32,038,787
Other financial assets	71,528	6,578,005	179,790	1,373,850	40,243	35,927	8,279,343
	₩ 65,901,703	₩ 42,638,440	₩ 36,912,087	₩ 140,008,538	₩ 136,109,923	₩ 118,265,515	₩ 539,836,206
Financial liabilities							
Financial liabilities at fair value through profit or loss ²	₩ 2,663,327	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,663,327
Financial liabilities designated at fair value through profit or loss ²	12,704,826	-	-	-	-	-	12,704,826
Derivatives held for trading ²	2,842,950	-	-	-	-	-	2,842,950
Derivatives held for hedging ³	-	14,764	15,588	1,652	20,044	129	52,177
Deposits ⁵	141,821,986	17,180,492	27,300,542	110,410,809	10,804,440	2,354,504	309,872,773
Borrowings	7,074,508	12,341,516	3,057,980	8,994,817	4,950,294	1,763,234	38,182,349
Debentures	22,285	2,652,730	3,812,476	11,062,873	32,477,672	3,515,716	53,543,752
Lease liabilities	256	19,304	35,730	157,419	318,781	66,032	577,522
Other financial liabilities	114,320	17,663,385	187,976	212,059	693,921	119,637	18,991,298
	₩ 167,244,458	₩ 49,872,191	₩ 34,410,292	₩ 130,819,629	₩ 49,265,152	₩ 7,819,252	₩ 439,430,974
Off-balance sheet items							
Commitments ⁶	151,797,615	-	-	-	-	-	151,797,615
Acceptances and guarantees contracts	8,327,494	-	-	-	-	-	8,327,494
Financial guarantee contracts ⁷	3,847,390	-	-	-	-	-	3,847,390
	₩ 163,972,499	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 163,972,499

¹ Restricted due from financial instruments amounting to ₩ 15,331,515 million and ₩ 13,394,627 million are excluded as of December 31, 2020 and 2019, respectively.

² Financial liabilities measured or designated at fair value through profit or loss and derivatives held for trading are not managed by contractual maturity because they are expected to be traded or redeemed before maturity. Therefore, the carrying amounts of those financial instruments are included in the 'On demand' category.

³ Cash flows of derivative instruments held for hedging are shown at net amounts of cash inflows and outflows by remaining contractual maturity.

⁴ Equity securities designated as financial assets at fair value through other comprehensive income are included in the 'On demand' category because most are available for sale at any time. However, equity securities restricted from sale, are included in the category corresponding to the date on which the restriction is lifted.

⁵ Deposits that are contractually repayable on demand or on short notice are included in the 'On demand' category.

⁶ Commitments are included in the 'On demand' category because payments can be requested at any time.

⁷ Cash flows under financial guarantee contracts are classified based on the earliest period that the contract can be executed.

4.3.3.2 Contractual cash flows of derivatives held for cash flow hedge as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash flow to be received (paid) of net-settled derivatives	₩ (1,082)	₩ (5,569)	₩ (15,132)	₩ (25,354)	₩ 290	₩ (46,847)
Cash flow to be received of gross-settled derivatives	85,064	220,339	517,929	2,289,277	-	3,112,609
Cash flow to be paid of gross-settled derivatives	(88,952)	(221,261)	(523,442)	(1,616,530)	-	(2,450,185)

(In millions of Korean won)

	December 31, 2019					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash flow to be received (paid) of net-settled derivatives	₩ (639)	₩ (1,831)	₩ (5,021)	₩ (10,602)	₩ 1,084	₩ (17,009)
Cash flow to be received of gross-settled derivatives	14,119	200,170	657,909	1,888,772	-	2,760,970
Cash flow to be paid of gross-settled derivatives	(18,171)	(199,141)	(671,375)	(1,955,650)	-	(2,844,337)

4.4 Market Risk

4.4.1 Concept

Market risk refers to risks that can result in losses due to changes in market factors such as interest rates, stock prices, and exchange rates etc., which arise from securities and derivatives and others. The most significant risks associated with trading position are interest rate risk and currency risk, and additional risks include stock price risk. The non-trading position is also exposed to interest rate risk. The Group manages the market risks by dividing them into those arising from the trading position and those arising from the nontrading position. The above market risks are measured and managed by subsidiaries.

4.4.2 Risk management

The Group sets and monitors internal capital limits for market and interest rate risk to manage the risks of trading and non-trading positions. In order to manage market risk efficiently, the Group maintains risk management systems and procedures such as trading policies and procedures, market risk management guidelines for trading positions, and interest rate risk management guidelines for non-trading positions. The entire process is carried out through consultation with the Risk Management Council and approval of the Risk Management Committee of the Group.

In case of Kookmin Bank, a major subsidiary, the Risk Management Council establishes and enforces overall market risk management policies for market risk management and decides to establish position limits, loss limits, VaR limits, and approves non-standard new products. In addition, the Market Risk Management Committee, chaired by Chief Risk Officer ("CRO"), is a practical decision-making body for market risk management and determines position limits, loss limits, VaR limits, sensitivity limits, and scenario loss limits for each department of business group.

Kookmin Bank's Asset-Liability Management Committee ("ALCO") determines interest rate and commission operating standards and Asset Liability Management ("ALM") operation policies and enacts and revises relevant guidelines. The Risk Management Committee and the Risk Management Council monitor the establishment and enforcement of ALM risk management policies and enact and revise ALM risk management guidelines. Interest rate risk limits are set based on future asset and liability positions and expected interest rate volatility, which reflect annual business plans. The ALM Department and the Risk Management Department regularly measure and monitor interest rate risks and report the status and limit of interest rate risk including changes in Economic Value of Equity ("ΔEVE"), changes in Net Interest Income ("ΔNII"), and duration gap to the ALCO and the Risk Management Council on a monthly basis, and to the Risk Management Committee on a quarterly basis. To ensure the adequacy of interest rate and liquidity risk management, the Risk Management Department assigns the limits, monitors and reviews the procedures and tasks of ALM operations conducted by the ALM department, and reports to the management independently.

The Group is closely monitoring the outputs of various industry groups and markets that manage the transition to new interest rate, including announcements by Inter-Bank Offered Rate ("IBOR") regulation authority. Regulation authority has made it clear that as of December 31, 2021, they will no longer persuade or force banks to submit IBORs. In response to these announcements, the Group established an IBOR transition program and plan consisting of major business areas such as finance, accounting, tax, legal, IT, and risk. The program is under the control of the CFO and reports matters to the board of directors and to a council with senior management members. The purpose of the program is to understand where exposure to IBOR occurs within the business and prepare and implement an action plan to facilitate the transition to alternative

interest rate. The Group aims to complete the transition and alternative plan by the year-end of 2021. In addition, for CD interest rates, interest rates are being reformed by the relevant institutions that calculate, announce and manage the interest rates, and related institutions such as the Bank of Korea and the financial authorities. The Group continues its efforts as a market participant to actively express opinions so that the index interest rate reform can be carried out in the direction of minimizing the financial and non-financial impacts and operational risks on the Group and minimizing confusion among stakeholders.

4.4.3 Trading position

4.4.3.1 Definition of a trading position

The trading position, which is subject to market risk management, is the trading position defined in "Trading Policy and Guidelines" and the basic requirements for the trading position are as follows:

- The target position has no restrictions on the sale, and the daily fair value assessment should be made and the embedded significant risk can be hedged in the market.
- The trading position classification criteria should be clearly defined in the Trading Policy and Guidelines, and the trading position should be managed by a separate trading department.
- The target position must be operated according to the documented trading strategy and the position's limit management must be carried out.
- The specialized dealer or operating department shall have the authority to execute the transaction without prior approval from the Risk Management Department, etc. within the pre-determined limits of the target position.
- Target positions should be periodically reported to management for risk management of the Group.

4.4.3.2 Observation method of market risk arising from trading positions

Subsidiaries of the Group measures market risk by calculating VaR through the market risk management system for all trading positions. Generally, the Group manages market risks arising from trading positions at the portfolio level. In addition, the Group controls and manages the risk of derivative financial instrument transactions in accordance with the Financial Supervisory Service regulations and guidelines.

4.4.3.3 VaR

(a) VaR

Kookmin Bank, a major subsidiary, uses the risk-based valuation method (VaR) to measure the market risk of the trading position. Kookmin Bank uses the 10-day VaR, which represents the maximum amount of possible loss of 10 business days based on the historical simulation model of the full valuation method. The distribution of value changes in the portfolio is estimated based on data from the past 250 business days, and 10-day VaR is calculated by the difference between the value of the portfolio at a 99% confident level of distribution of value changes in the portfolio and the current market value.

VaR is a commonly used market risk measurement technique. However, this approach has some limitations. VaR estimates possible losses under certain confidence level based on historical market change data. However, since past market changes cannot reflect all future conditions and circumstances, the timing and magnitude of actual losses may vary depending on assumptions in the calculation process. If one day or ten days of the holding period which is generally used for normal period of liquidating the position, is not sufficient or too long, the VaR result may underestimate or overestimate the potential loss.

When a subsidiary with a trading position measures market risk for trading position, it uses an internal model (VaR) for general risk and a standard method for individual risks. Standard method is used if internal model is not authorized for certain market risk. Therefore, disclosed market risk VaR does not reflect the market risk for individual risks and for some positions. In addition, non-bank subsidiaries use the same standard method as the regulatory capital calculation method in order to enhance the effectiveness of market risk VaR management (improving the link with regulatory capital).

(b) Back-Testing

To verify the appropriateness of the VaR model, back-testing is performed by comparing actual and hypothetical gains and losses with the VaR calculation results.

(c) Stress Testing

The Group carries out a stress testing of the trading and available-for-sale portfolio to reflect changes in individual risk factors such as interest rates, stock prices, exchange rates, and implied volatility of derivatives that have a significant impact on portfolio value in a crisis. The Group carries out a stress testing through historical and hypothetical scenarios. This stress testing is carried out more than once a year.

Ten-day VaR at a 99% confidence level of interest rate, stock price and foreign exchange rate risk for trading positions by Kookmin Bank for the years ended December 31, 2020 and 2019, are as follows:

Kookmin Bank

(In millions of Korean won)

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
Interest rate risk	₩ 59,147	₩ 9,588	₩ 105,983	₩ 50,795
Stock price risk	15,379	3,787	24,821	24,821
Foreign exchange rate risk	36,281	5,302	67,766	49,338
Deduction of diversification effect				(7,320)
Total VaR	₩ 105,428	₩ 14,225	₩ 158,798	₩ 117,634

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Dec. 31, 2019
Interest rate risk	₩ 11,190	₩ 1,725	₩ 20,467	₩ 16,628
Stock price risk	3,434	2,402	4,310	3,914
Foreign exchange rate risk	15,760	11,416	20,704	13,081
Deduction of diversification effect				(13,246)
Total VaR	₩ 17,545	₩ 13,641	₩ 24,849	₩ 20,377

Meanwhile, the positions which are not measured by VaR as of December 31, 2020 and 2019 and required equity capital of non-bank subsidiaries using the standardized method for the years ended December 31, 2020 and 2019, are as follows:

Kookmin Bank

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Interest rate risk	₩ 40,290	₩ 83,731
Stock price risk	7,088	1,954
Foreign exchange rate risk	23,938	1,850
Total	₩ 71,316	₩ 87,535

KB Securities Co., Ltd.

(In millions of Korean won)

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
Interest rate risk	₩ 656,651	₩ 575,053	₩ 755,704	₩ 755,704
Stock price risk	267,186	213,639	317,478	213,639
Foreign exchange rate risk	15,113	8,759	21,907	10,588
Commodity risk	18	1	56	18
	₩ 938,968	₩ 797,452	₩ 1,095,145	₩ 979,949

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Dec. 31, 2019
Interest rate risk	₩ 520,681	₩ 460,539	₩ 563,991	₩ 563,991
Stock price risk	248,183	217,149	282,584	270,443
Foreign exchange rate risk	15,785	7,578	23,674	21,418
Commodity risk	3	1	20	1
	₩ 784,652	₩ 685,267	₩ 870,269	₩ 855,853

KB Insurance Co., Ltd.

(In millions of Korean won)

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
Interest rate risk	₩ 5,682	₩ 2,850	₩ 7,652	₩ 7,055
Foreign exchange rate risk	26,529	23,491	29,339	28,891
	₩ 32,211	₩ 26,341	₩ 36,991	₩ 35,946

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Dec. 31, 2019
Interest rate risk	₩ 3,418	₩ 2,201	₩ 4,904	₩ 3,252
Foreign exchange rate risk	23,293	16,153	27,550	26,140
	₩ 26,711	₩ 18,354	₩ 32,454	₩ 29,392

KB Kookmin Card Co., Ltd.

(In millions of Korean won)

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
Foreign exchange rate risk	₩ 2,712	₩ 169	₩ 7,861	₩ 7,546

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Dec. 31, 2019
Foreign exchange rate risk	₩ 235	₩ 187	₩ 264	₩ 187

Prudential Life Insurance Company of Korea Ltd.

(In millions of Korean won)

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
Foreign exchange rate risk	₩ 7,977	₩ 7,977	₩ 7,977	₩ 7,977

KB Asset Management Co., Ltd.

(In millions of Korean won)

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
Interest rate risk	₩ 1,298	₩ -	₩ 2,589	₩ -
Stock price risk	3,382	-	9,484	-
Foreign exchange rate risk	812	1,208	1,523	1,141
	₩ 5,492	₩ 1,208	₩ 13,596	₩ 1,141

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Dec. 31, 2019
Interest rate risk	₩ 417	₩ 202	₩ 1,238	₩ 509
Stock price risk	3,456	1,965	6,248	6,248
Foreign exchange rate risk	825	362	1,427	362
	₩ 4,698	₩ 2,529	₩ 8,913	₩ 7,119

KB Capital Co., Ltd.

(In millions of Korean won)

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
Foreign exchange rate risk	₩ 810	₩ 297	₩ 1,315	₩ 896

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Dec. 31, 2019
Foreign exchange rate risk	₩ 410	₩ 327	₩ 464	₩ 327

KB Life Insurance Co., Ltd.

(In millions of Korean won)

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
Interest rate risk	₩ 3,054	₩ 1,784	₩ 4,389	₩ 2,743

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Dec. 31, 2019
Interest rate risk	₩ 2,630	₩ 1,295	₩ 3,597	₩ 2,038

KB Real Estate Trust Co., Ltd.

(In millions of Korean won)

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
Stock price risk	₩ 399	₩ -	₩ 435	₩ -

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Dec. 31, 2019
Stock price risk	₩ 145	₩ -	₩ 435	₩ 435

KB Investment Co., Ltd.

(In millions of Korean won)

	2020			
	Average	Minimum	Maximum	Dec. 31, 2020
Stock price risk	₩ 1,153	₩ -	₩ 7,588	₩ 6,253
Foreign exchange rate risk	11,864	10,167	12,625	11,655
	₩ 13,017	₩ 10,167	₩ 20,213	₩ 17,908

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Dec. 31, 2019
Stock price risk	₩ -	₩ -	₩ -	₩ -
Foreign exchange rate risk	7,452	4,072	10,480	9,988
	₩ 7,452	₩ 4,072	₩ 10,480	₩ 9,988

4.4.3.4 Details of risk factors

(a) Interest rate risk

The interest rate risk for trading positions usually arises from debt securities denominated in Korean won. The Group's trading strategy is to gain short-term trading gains from interest rate fluctuations. The Group manages interest rate risks associated with trading accounts using VaR and sensitivity analysis (Price Value of a Basis Point: PVBP).

(b) Stock price risk

Stock price risk occurs only in trading stocks denominated in Korean won because there are no trading stocks denominated in foreign currency. The portfolio of trading stocks denominated in Korean won consists of stocks listed on the exchange and derivatives linked to stocks and is managed by strict distributed investment limits.

(c) Foreign exchange rate risk

Foreign exchange rate risk arises from holding assets, liabilities and currency-related derivatives which are denominated in foreign currency. Most of the net foreign currency exposures occur in the US dollars and the Chinese Yuan. The Group also manages net foreign exchange exposures across trading and non-trading portfolios by setting a net foreign currency exposure limit at the same time setting a loss limit.

4.4.4 Non-trading position

4.4.4.1 Definition of non-trading position

Interest rate risk management targets for non-trading positions include both on-balance and off-balance assets, liabilities and derivatives that are sensitive to interest rate, except for trading positions that are subject to market risk measurement. Interest-sensitive assets and liabilities refer to interest-bearing assets and liabilities that generate interest income and interest expenses.

4.4.4.2 Observation method of market risk arising from non-trading position

As a qualitative methodology, interest rate risk is a change in equity and profit due to the changes in value of interest-sensitive assets, liabilities, etc., and is measured by Δ EVE or interest rate VaR and Δ NII. In addition, the average interest rate revision maturity and the longest interest rate revision maturity of demand deposits are managed through a quantitative methodology.

4.4.4.3 Interest rate risk levels

(a) Subsidiary Kookmin Bank

Kookmin Bank calculates Δ EVE by applying six interest rate shocks and stress scenarios, and Δ NII by applying parallel shock up and down scenarios. The results as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	
	Changes in the Economic Value of Equity Capital (Δ EVE)	Changes in net interest income (Δ NII)
Scenario 1 (Parallel rise)	₩ 544,087	₩ 415,339
Scenario 2 (Parallel decline)	-	-
Scenario 3 (Short-term decline, long-term rise)	245,337	
Scenario 4 (Short-term rise, long-term decline)	423,673	
Scenario 5 (Short-term rise)	466,220	
Scenario 6 (Short-term decline)	480,246	
Maximum of 6 scenarios	544,087	415,339
Basic capital	28,234,310	-

(In millions of Korean won)

	December 31, 2019	
	Changes in the Economic Value of Equity Capital (Δ EVE)	Changes in net interest income (Δ NII)
Scenario 1 (Parallel rise)	₩ 483,207	₩ 152,013
Scenario 2 (Parallel decline)	31,718	9,717
Scenario 3 (Short-term decline, long-term rise)	257,756	
Scenario 4 (Short-term rise, long-term decline)	411,237	
Scenario 5 (Short-term rise)	378,380	
Scenario 6 (Short-term decline)	492,047	
Maximum of 6 scenarios	492,047	152,013
Basic capital	27,609,684	-

(b) Non-bank subsidiaries

Interest rate VaR is the maximum possible loss due to interest rate risk under a normal distribution at a 99.9% confidence level. The measurement results of risk as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
KB Securities Co., Ltd.	₩ 28,396	₩ 20,605
KB Insurance Co., Ltd.	585,648	345,292
KB Kookmin Card Co., Ltd.	64,783	49,878
Prudential Life Insurance Company of Korea Ltd.	132,576	-
KB Life Insurance Co., Ltd.	29,392	56,214
KB Capital Co., Ltd.	27,805	33,038
KB Savings Bank Co., Ltd.	6,014	6,510

4.4.5 Financial instruments denominated in foreign currencies

Details of financial instruments denominated in foreign currencies and translated into Korean won as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020						
	USD	JPY	EUR	GBP	CNY	Others	Total
Financial assets							
Cash and due from financial institutions	₩ 4,482,459	₩ 583,545	₩ 558,793	₩ 113,586	₩ 878,798	₩ 1,152,515	₩ 7,769,696
Financial assets at fair value through profit or loss	5,464,176	39,817	508,587	30,030	6,046	177,545	6,226,201
Derivatives held for trading	339,190	18,061	41,834	1,774	4,344	9,724	414,927
Derivatives held for hedging	112,431	-	-	-	-	-	112,431
Loans measured at amortized cost	18,783,163	565,918	1,387,089	259,787	1,617,715	5,597,016	28,210,688
Financial assets at fair value through other comprehensive income	5,446,539	5,271	35,478	-	342,804	224,801	6,054,893
Securities measured at amortized cost	1,660,713	-	300,315	-	108,594	537,966	2,607,588
Other financial assets	2,747,958	50,573	231,435	20,162	122,642	353,707	3,526,477
	₩ 39,036,629	₩ 1,263,185	₩ 3,063,531	₩ 425,339	₩ 3,080,943	₩ 8,053,274	₩ 54,922,901
Financial liabilities							
Financial liabilities at fair value through profit or loss	₩ 1,267,690	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,267,690
Derivatives held for trading	497,975	21,221	84,712	1,817	42,023	36,625	684,373
Derivatives held for hedging	139,528	-	-	-	-	14,050	153,578
Deposits	16,441,107	933,268	991,872	66,440	1,755,272	4,331,641	24,519,600
Borrowings	10,068,379	485,618	402,802	501,716	439	1,728,281	13,187,235
Debentures	5,135,667	-	666,873	-	-	308,675	6,111,215
Other financial liabilities	3,407,300	38,979	98,093	9,911	51,331	237,281	3,842,895
	₩ 36,957,646	₩ 1,479,086	₩ 2,244,352	₩ 579,884	₩ 1,849,065	₩ 6,656,553	₩ 49,766,586
Off-balance sheet items	₩ 14,991,859	₩ 32,200	₩ 248,007	₩ 741	₩ 253,472	₩ 906,502	₩ 16,432,781

(In millions of Korean won)

	December 31, 2019						
	USD	JPY	EUR	GBP	CNY	Others	Total
Financial assets							
Cash and due from financial institutions	₩ 2,581,674	₩ 354,484	₩ 377,651	₩ 128,600	₩ 1,207,769	₩ 840,250	₩ 5,490,428
Financial assets at fair value through profit or loss	6,275,426	43,124	610,820	23,034	6,131	149,188	7,107,723
Derivatives held for trading	244,010	22,729	25,226	698	6,786	48,396	347,845
Derivatives held for hedging	83,610	-	-	-	-	-	83,610
Loans measured at amortized cost	14,478,537	484,087	795,285	178,628	1,205,297	991,445	18,133,279
Financial assets at fair value through other comprehensive income	4,643,921	21,267	71,078	-	282,390	39,186	5,057,842
Financial assets at amortized cost	2,380,000	-	304,484	-	97,845	101,958	2,884,287
Other financial assets	1,619,738	230,542	313,363	18,237	186,607	195,691	2,564,178
	₩ 32,306,916	₩ 1,156,233	₩ 2,497,907	₩ 349,197	₩ 2,992,825	₩ 2,366,114	₩ 41,669,192

(In millions of Korean won)

	December 31, 2019						
	USD	JPY	EUR	GBP	CNY	Others	Total
Financial liabilities							
Financial liabilities at fair value through profit or loss	₩ 2,754,602	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,754,602
Derivatives held for trading	351,394	39,050	36,018	-	7,806	67,809	502,077
Derivatives held for hedging	35,538	-	-	-	-	-	35,538
Deposits	12,266,565	766,720	791,638	45,892	1,477,097	560,939	15,908,851
Borrowings	9,399,828	125,096	419,155	408,918	15,092	247,943	10,616,032
Debentures	5,007,285	-	-	-	-	338,225	5,345,510
Other financial liabilities	2,556,502	60,029	101,289	22,531	190,841	254,876	3,186,068
	₩ 32,371,714	₩ 990,895	₩ 1,348,100	₩ 477,341	₩ 1,690,836	₩ 1,469,792	₩ 38,348,678
Off-balance sheet items	₩ 18,702,327	₩ 32,694	₩ 176,756	₩ -	₩ 252,369	₩ 257,881	₩ 19,422,027

4.5 Operational Risk

4.5.1 Concept

The Group defines operational risks broadly as all financial and non-financial risks from operating activities that negatively affect capital.

4.5.2 Risk management

The purpose of operational risk management is not only to comply with supervisory and regulatory requirements, but also to spread risk management culture, strengthen internal control, improve processes and provide timely feedback to management and all employees. Kookmin Bank, a subsidiary, established a Business Continuity Planning (BCP) to carry out continuous work in emergency situations and established alternative facilities. The Group conducts simulation training for headquarters and IT departments to check the business continuity framework.

4.6 Capital Adequacy

The Group complies with the capital adequacy standard established by the Financial Services Commission. This capital adequacy standard is based on Basel III revised by Basel Committee on Banking Supervision in Bank for International Settlements in June 2011 and was implemented in Korea in December 2013.

The Group is required to maintain a minimum Common Equity Tier 1 ratio of at least 8.0%, a minimum Tier 1 ratio of :9.5% and a minimum Total Regulatory Capital of 11.5% as of December 31, 2020.

The Group's equity capital is classified into three categories in accordance with the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies:

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital is the first to take losses in the Group and is the last to be compensated in liquidation of the Group and not repaid except for liquidation. It includes capital, capital surplus, retained earnings, non-controlling interests of the consolidated subsidiaries, accumulated other comprehensive income and other capital surplus etc.
- Additional Tier 1 Capital: Additional Tier 1 Capital includes capital, capital surplus, etc. related to the issuance of capital securities of a permanent nature that meets the conditional capital securities requirements.
- Tier 2 Capital: Tier 2 Capital means capital that can compensate for losses of the Group upon liquidation, including (a) the amount of subordinated bonds with maturity of not less than 5 years that meet the conditional capital securities requirements, and (b) the allowance for credit losses accumulated on the loans which are classified as normal or precautionary in accordance with Regulation on Supervision of Financial Holding Companies and others.

The risk-weighted assets are the magnitude of the amount of risk inherent in the total asset held by the Group. The Group calculates risk-weighted assets by each risk (credit risk, market risk, and operational risk) based on the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies and uses them to calculate BIS ratio.

The Group evaluates and manages capital adequacy through separate internal policies. The valuation of capital adequacy compares the size of

available capital (the amount of capital actually available) to the size of internal capital (the amount of capital required to cover all the significant risks faced by the Group under its target credit rating), which monitors financial soundness and provides a risk-adjusted performance measurement basis.

Internal capital refers to the capital required to prevent the insolvency from future unexpected losses. The Group operates a system to measure, allocate and manage internal capital to major subsidiaries by risk type.

The Risk Management Committee of the Group determines the risk appetite of the Group, allocates internal capital by risk type and major subsidiaries, and major subsidiaries operate capital efficiently within the range of the allocated internal capital. The Risk Management Department of the Group monitors internal capital limit management and reports it to the management and the Risk Management Committee. If the limit of internal capital is expected to be exceeded due to new businesses or business expansion, the Group's capital adequacy management is carried out through review and approval by the Risk Management Committee in advance.

Details of the Group's capital adequacy calculation in accordance with Basel III requirements as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Equity Capital:	₩	40,080,136	₩	36,995,181
Tier 1 Capital		36,895,778		35,426,114
Common Equity Tier 1 Capital		34,886,283		34,709,873
Additional Tier 1 Capital		2,009,495		716,241
Tier 2 Capital		3,184,358		1,569,067
Risk-weighted assets:		262,349,242		255,549,020
Equity Capital (%):		15.28		14.48
Tier 1 Capital (%)		14.06		13.86
Common Equity Tier 1 Capital (%)		13.30		13.58

5. Segment Information

5.1 Overall Segment Information and Business Segments

The Group classifies reporting segments based on the nature of the products and services provided, the type of customer, and the Group's management organization.

Banking Business	Corporate Banking	Loans, deposit products and other related financial services to large, small and medium-sized enterprises and SOHO(small office home office)s.
	Retail Banking	Loans, deposit products and other related financial services to individuals and households.
	Other Banking Services	Trading activities in securities and derivatives, funding and other supporting activities.
Securities Business		Investment banking, brokerage services and other supporting activities.
Non-life Insurance Business		Non-life insurance and other supporting activities
Credit Card Business		Credit sale, cash service, card loan and other supporting activities
Life Insurance Business		Life insurance and other supporting activities.

Financial information by business segment as of and for the year ended December 31, 2019, is as follows:

(In millions of Korean won)

	2020										
	Banking business				Securities	Non-life Insurance	Credit Card	Life Insurance	Others	Consolidation adjustment	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total							
Operating revenues from external customers	₩ 2,833,601	₩ 2,918,826	₩ 1,797,921	₩ 7,550,348	₩ 1,448,409	₩ 1,027,269	₩ 1,538,230	₩ 237,416	₩ 690,970	₩ -	₩ 12,492,642
Intersegment operating revenues(expenses)	178,199	-	108,118	286,317	(6,366)	5,976	(183,480)	(9,655)	324,910	(417,702)	-
	3,011,800	2,918,826	1,906,039	7,836,665	1,442,043	1,033,245	1,354,750	227,761	1,015,880	(417,702)	12,492,642
Net interest income	3,238,002	3,178,280	338,484	6,754,766	510,566	615,951	1,265,703	260,925	314,832	(469)	9,722,274
Interest income	4,899,943	4,519,579	1,036,643	10,456,165	820,100	616,852	1,631,520	261,056	726,668	(26,614)	14,485,747
interest expense	(1,661,941)	(1,341,299)	(698,159)	(3,701,399)	(309,534)	(901)	(365,817)	(131)	(411,836)	26,145	(4,763,475)
Net fee and commission income (expenses)	363,459	406,603	297,860	1,067,922	916,758	(171,220)	400,485	(18,059)	776,282	(13,229)	2,958,939
Fee and commission income	480,190	529,178	440,319	1,449,687	1,037,545	8,571	1,485,718	98	871,499	(326,094)	4,527,024
Fee and commission expense	(116,731)	(122,575)	(142,459)	(381,765)	(120,787)	(179,791)	(1,085,233)	(18,157)	(95,217)	312,865	(1,568,085)
Net insurance income (expenses)	-	-	-	-	-	376,827	13,283	(91,410)	-	1,293	299,993
Insurance income	-	-	-	-	-	12,367,894	23,989	2,026,052	-	(31,295)	14,386,640
Insurance expenses	-	-	-	-	-	(11,991,067)	(10,706)	(2,117,462)	-	32,588	(14,086,647)
Net gains (losses) on financial instruments at fair value through profit or loss	(52,493)	-	296,676	244,183	117,792	259,274	5,904	71,350	396,626	(83,763)	1,011,366
Net other operating income (expenses)	(537,168)	(666,057)	973,019	(230,206)	(103,073)	(47,587)	(330,625)	4,955	(471,860)	(321,534)	(1,499,930)
General and administrative expenses	(1,555,089)	(2,072,515)	(573,742)	(4,201,346)	(844,503)	(829,263)	(514,845)	(152,271)	(405,530)	114,606	(6,833,152)
Operating profit before provision for credit losses	1,456,711	846,311	1,332,297	3,635,319	597,540	203,982	839,905	75,490	610,350	(303,096)	5,659,490
Reversal (provision) for credit losses	(204,302)	(264,943)	(14,937)	(484,182)	(23,827)	7,569	(396,376)	472	(148,127)	973	(1,043,498)
Net operating income	1,252,409	581,368	1,317,360	3,151,137	573,713	211,551	443,529	75,962	462,223	(302,123)	4,615,992
Share of profit (loss) of associates and joint ventures	-	-	(48,158)	(48,158)	3,598	(42)	1,127	1	553	(829)	(43,750)
Net other non-operating income (expenses)	5,490	-	23,354	28,844	4,472	16,142	(6,636)	(16,270)	40,927	121,911	189,390
Segment profit before income tax	1,257,899	581,368	1,292,556	3,131,823	581,783	227,651	438,020	59,693	503,703	(181,041)	4,761,632
Income tax expense	(339,728)	(159,876)	(312,700)	(812,304)	(156,135)	(63,778)	(114,027)	(27,167)	(97,268)	11,328	(1,259,351)
Profit for the year	₩ 918,171	₩ 421,492	₩ 979,856	₩ 2,319,519	₩ 425,648	₩ 163,873	₩ 323,993	₩ 32,526	₩ 406,435	₩ (169,713)	₩ 3,502,281
Profit attributable to shareholders of the Parent Company	917,956	421,492	958,747	2,298,195	425,622	163,884	324,662	32,526	404,381	(194,119)	3,455,151
Profit (loss) attributable to non-controlling interests	215	-	21,109	21,324	26	(11)	(669)	-	2,054	24,406	47,130
Total assets *	164,323,181	161,330,053	112,790,880	438,444,114	57,570,654	39,078,117	24,071,645	35,546,572	47,408,052	(31,446,962)	610,672,192
Total liabilities *	167,236,387	176,571,944	64,227,709	408,036,040	52,516,488	35,086,458	19,789,959	32,524,518	21,598,232	(2,240,962)	567,310,733

(In millions of Korean won)

	2019										
	Banking business				Securities	Non-life Insurance	Credit Card	Life Insurance	Others	Consolidation adjustment	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total							
Operating revenues from external customers	₩ 2,375,800	₩ 2,979,503	₩ 1,591,323	₩ 6,946,626	₩ 1,113,200	₩ 1,185,600	₩ 1,470,910	₩ 107,404	₩ 608,111	₩ -	₩ 11,431,851
Intersegment operating revenues(expenses)	204,476	-	167,966	372,442	(18,795)	(54,160)	(209,874)	(22,742)	124,857	(191,728)	-
	2,580,276	2,979,503	1,759,289	7,319,068	1,094,405	1,131,440	1,261,036	84,662	732,968	(191,728)	11,431,851
Net interest income	2,844,880	3,148,061	370,846	6,363,787	529,888	616,378	1,230,288	159,248	296,512	686	9,196,787
Interest income	4,642,555	4,872,937	1,264,456	10,779,948	852,153	617,617	1,581,178	159,463	687,823	(38,995)	14,639,187
Interest expense	(1,797,675)	(1,724,876)	(893,610)	(4,416,161)	(322,265)	(1,239)	(350,890)	(215)	(391,311)	39,681	(5,442,400)
Net fee and commission income (expenses)	349,393	471,869	312,034	1,133,296	580,435	(152,597)	261,829	(16,792)	541,343	7,490	2,355,004
Fee and commission income	459,879	577,845	445,638	1,483,362	683,600	11,095	1,406,273	239	617,622	(322,944)	3,879,247
Fee and commission expense	(110,486)	(105,976)	(133,604)	(350,066)	(103,165)	(163,692)	(1,144,444)	(17,031)	(76,279)	330,434	(1,524,243)
Net insurance income (expenses)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 415,112	₩ 15,748	₩ (122,295)	₩ -	₩ (9,053)	₩ 299,512
Insurance income	-	-	-	-	-	11,375,543	28,874	942,662	-	(29,897)	12,317,182
Insurance expenses	-	-	-	-	-	(10,960,431)	(13,126)	(1,064,957)	-	20,844	(12,017,670)
Net gains (losses) on financial instruments at fair value through profit or loss	(2,526)	-	425,150	422,624	(103,815)	265,187	371	66,773	137,680	(144,948)	643,872
Net other operating income (expenses)	(611,471)	(640,427)	651,259	(600,639)	87,897	(12,640)	(247,200)	(2,272)	(242,567)	(45,903)	(1,063,324)
General and administrative expenses	(1,241,721)	(1,982,375)	(663,323)	(3,887,419)	(757,276)	(843,800)	(441,921)	(66,514)	(373,919)	99,832	(6,271,017)
Operating profit before provision for credit losses	1,338,555	997,128	1,095,966	3,431,649	337,129	287,640	819,115	18,148	359,049	(91,896)	5,160,834
Reversal (provision) for credit losses	125,919	(235,995)	6,546	(103,530)	(14,366)	12,959	(439,765)	3,084	(128,331)	(236)	(670,185)
Net operating income	1,464,474	761,133	1,102,512	3,328,119	322,763	300,599	379,350	21,232	230,718	(92,132)	4,490,649
Share of profit (loss) of associates and joint ventures	-	-	29,240	29,240	(103)	(21)	1,106	-	7,201	(20,972)	16,451
Net other non-operating income (expenses)	(262)	-	(38,625)	(38,887)	30,518	26,490	3,362	(30)	34,644	(29,211)	26,886
Segment profit before income tax	1,464,212	761,133	1,093,127	3,318,472	353,178	327,068	383,818	21,202	272,563	(142,315)	4,533,986
Income tax expense	(404,426)	(209,311)	(265,656)	(879,393)	(95,271)	(92,381)	(67,262)	(5,238)	(90,366)	9,124	(1,220,787)
Profit for the year	₩ 1,059,786	₩ 551,822	₩ 827,471	₩ 2,439,079	₩ 257,907	₩ 234,687	₩ 316,556	₩ 15,964	₩ 182,197	₩ (133,191)	₩ 3,313,199
Profit attributable to shareholders of the Parent Company	1,059,786	551,822	827,471	2,439,079	257,893	234,326	316,545	15,964	179,783	(131,762)	3,311,828
Profit (loss) attributable to non-controlling interests	-	-	-	-	14	361	11	-	2,414	(1,429)	1,371
Total assets *	139,496,393	147,468,173	100,460,472	387,425,038	47,816,512	36,552,368	22,990,115	9,801,904	42,140,936	(28,188,756)	518,538,117
Total liabilities *	142,063,122	161,834,984	54,522,699	358,420,805	43,131,858	32,689,460	18,925,195	9,186,567	18,675,585	(1,610,678)	479,418,792

* Assets and liabilities of the reporting segments are amounts before intersegment transactions.

5.2 Services and Geographical Segments

5.2.1 Services information

Operating revenues from external customers by services for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
Banking service	₩	7,550,348	₩	6,946,626
Securities service		1,448,409		1,113,200
Non-life insurance service		1,027,269		1,185,600
Credit card service		1,538,230		1,470,910
Life insurance service		237,416		107,404
Other service		690,970		608,111
	₩	12,492,642	₩	11,431,851

5.2.2 Geographical information

Geographical operating revenues from external customers for the years ended December 31, 2020 and 2019, and major non-current assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Revenues from external customers		Major non-current assets	
	2020	2019	December 31, 2020	December 31, 2019
Domestic	₩ 11,891,540	₩ 11,142,264	₩ 10,603,254	₩ 9,515,220
United States	114,044	72,945	45,353	386,724
New Zealand	3,554	6,946	2,385	3,516
China	84,821	109,574	13,971	15,119
Cambodia	250,426	19,534	32,354	7,162
United Kingdom	28,681	10,037	81,879	85,634
Others	119,576	70,551	51,288	551,039
Consolidation adjustments	-	-	487,742	68,764
	₩ 12,492,642	₩ 11,431,851	₩ 11,318,226	₩ 10,633,178

6. Financial Assets and Financial Liabilities

6.1 Classification and Fair Value of Financial Instruments

6.1.1 Carrying amount and fair value of financial assets and liabilities by category as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	
	Carrying amount	Fair value
Financial assets		
Cash and due from financial institutions	₩ 25,608,842	₩ 25,612,273
Financial assets at fair value through profit or loss	61,035,455	61,035,455
Due from financial institutions	100,094	100,094
Debt securities	58,415,100	58,415,100
Equity securities	2,092,313	2,092,313
Loans	337,983	337,983
Others	89,965	89,965
Derivatives held for trading	5,210,512	5,210,512
Derivatives held for hedging	334,873	334,873

(In millions of Korean won)

	December 31, 2020	
	Carrying amount	Fair value
Loans measured at amortized cost	377,166,984	378,791,808
Securities measured at amortized cost	36,870,229	38,026,073
Financial assets at fair value through other comprehensive income	61,825,197	61,825,197
Debt securities	58,456,889	58,456,889
Equity securities	3,074,899	3,074,899
Loans	293,409	293,409
Other financial assets	14,167,689	14,167,689
	₩ 582,219,781	₩ 585,003,881
Financial liabilities		
Financial liabilities at fair value through profit or loss	₩ 2,025,951	₩ 2,025,951
Financial liabilities designated at fair value through profit or loss	9,784,107	9,784,107
Derivatives held for trading	5,014,072	5,014,072
Derivatives held for hedging	208,825	208,825
Deposits	338,580,220	338,833,784
Borrowings	49,827,156	50,081,900
Debentures	62,760,687	63,189,152
Other financial liabilities	28,612,287	28,612,287
	₩ 496,813,305	₩ 497,750,058

(In millions of Korean won)

	December 31, 2019	
	Carrying amount	Fair value
Financial assets		
Cash and due from financial institutions	₩ 20,837,878	₩ 20,835,235
Financial assets at fair value through profit or loss	53,549,086	53,549,086
Due from financial institutions	216,367	216,367
Debt securities	50,721,526	50,721,526
Equity securities	2,103,843	2,103,843
Loans	427,545	427,545
Others	79,805	79,805
Derivatives held for trading	3,008,598	3,008,598
Derivatives held for hedging	182,075	182,075
Loans measured at amortized cost	339,684,059	340,836,884
Securities measured at amortized cost	25,346,555	26,570,494
Financial assets at fair value through other comprehensive income	46,436,051	46,436,051
Debt securities	43,556,848	43,556,848
Equity securities	2,504,105	2,504,105
Loans	375,098	375,098
Other financial assets	9,147,059	9,147,059
	₩ 498,191,361	₩ 500,565,482
Financial liabilities		
Financial liabilities at fair value through profit or loss	₩ 2,663,327	₩ 2,663,327
Financial liabilities designated at fair value through profit or loss	12,704,826	12,704,826
Derivatives held for trading	2,842,950	2,842,950
Derivatives held for hedging	164,391	164,391
Deposits	305,592,771	306,048,291
Borrowings	37,818,860	37,808,944
Debentures	50,935,583	51,558,748
Other financial liabilities	22,629,587	22,629,587
	₩ 435,352,295	₩ 436,421,064

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Group discloses the fair value of each class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is a quoted price in an active market.

Methods of determining fair value of financial instruments are as follows:

Cash and due from financial institutions	Carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using Discounted Cash Flow ("DCF") Model.
Securities	Fair value of financial instruments that are quoted in active markets is determined using the quoted prices. If there is no quoted price, fair value is determined using external professional valuation institution. The institutions use one or more of the following valuation techniques including DCF Model, Free Cash Flow to Equity Model, Comparable Company Analysis, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method, deemed suitable considering the characteristics of the financial instruments.
Loans measured at amortized cost	DCF model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
Derivatives and financial instruments at fair value through profit or loss	For exchange traded derivatives, quoted price in an active market is used to determine fair value and for OTC derivatives, fair value is determined using valuation techniques. The Group uses internally developed valuation models that are widely used by market participants to determine fair values of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including the Finite Difference Method ("FDM"), the MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, Closed Form and Tree Model or valuation results from independent external professional valuation institution.
Deposits	Carrying amount of demand deposits is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of time deposits is determined using a DCF model. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
Borrowings	Carrying amount of overdraft in foreign currency is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of other borrowings is determined using a DCF model discounting contractual future cash flows at an appropriate discount rate.
Debentures	Fair value is determined by using the valuation results of external professional valuation institution, which are calculated using market inputs.
Other financial assets and liabilities	Carrying amounts are reasonable approximation of fair values. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined.

6.1.2 Fair value hierarchy

The Group believes that valuation methods used for measuring the fair values of financial instruments are reasonable and that the fair values recognized in the consolidated statement of financial position are appropriate. However, the fair values of the financial instruments recognized in the consolidated statement of financial position may be different if other valuation methods or assumptions are used. Additionally, as there is a variety of valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

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

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The fair values are based on unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy.

6.1.2.1 Fair value hierarchy of financial assets and liabilities at fair value in the consolidated statements of financial position

Fair value hierarchy of financial assets and liabilities at fair value in the consolidated statements of financial position as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020				
	Fair value hierarchy			Total	
	Level 1	Level 2	Level 3		
Financial assets					
Financial assets at fair value through profit or loss	₩ 14,508,028	₩ 35,298,665	₩ 11,228,762		₩ 61,035,455
Due from financial institutions	-	10,011	90,083		100,094
Debt securities	13,316,819	34,580,168	10,518,113		58,415,100
Equity securities	1,101,244	409,259	581,810		2,092,313
Loans	-	299,227	38,756		337,983
Others	89,965	-	-		89,965
Derivatives held for trading	90,459	4,678,185	441,868		5,210,512
Derivatives held for hedging	-	334,873	-		334,873
Financial assets at fair value through other comprehensive income	18,731,801	40,645,505	2,447,891		61,825,197
Debt securities	18,147,167	40,309,722	-		58,456,889
Equity securities	584,634	70,357	2,419,908		3,074,899
Loans	-	265,426	27,983		293,409
	₩ 33,330,288	₩ 80,957,228	₩ 14,118,521	₩	₩ 128,406,037
Financial liabilities					
Financial liabilities at fair value through profit or loss	₩ 2,025,951	₩ -	₩ -	₩	₩ 2,025,951
Financial liabilities designated at fair value through profit or loss	1,040	581,636	9,201,431		9,784,107
Derivatives held for trading	204,470	4,668,155	141,447		5,014,072
Derivatives held for hedging	-	208,825	-		208,825
	₩ 2,231,461	₩ 5,458,616	₩ 9,342,878	₩	₩ 17,032,955

* Included KB Securities Co., Ltd.'s OTC derivatives consist of ₩635,920 million of financial assets at fair value through profit or loss (debt instruments), ₩9,201,431 million of financial liabilities designated at fair value through profit or loss, ₩441,775 million of derivative financial assets and ₩134,934 million of derivative financial liabilities.

(In millions of Korean won)

	December 31, 2019				
	Fair value hierarchy			Total	
	Level 1	Level 2	Level 3		
Financial assets					
Financial assets at fair value through profit or loss	₩ 11,177,716	₩ 31,476,070	₩ 10,895,300	₩	₩ 53,549,086
Due from financial institutions	-	165,242	51,125		216,367
Debt securities	9,853,733	30,735,027	10,132,766		50,721,526
Equity securities	1,244,178	336,389	523,276		2,103,843
Loans	-	239,412	188,133		427,545
Others	79,805	-	-		79,805
Derivatives held for trading	72,983	2,398,831	536,784		3,008,598
Derivatives held for hedging	-	182,075	-		182,075
Financial assets at fair value through other comprehensive income	15,188,993	29,764,660	1,482,398		46,436,051
Debt securities	14,236,566	29,320,282	-		43,556,848
Equity securities	952,427	69,280	1,482,398		2,504,105
Loans	-	375,098	-		375,098
	₩ 26,439,692	₩ 63,821,636	₩ 12,914,482	₩	₩ 103,175,810
Financial liabilities					
Financial liabilities at fair value through profit or loss	₩ 2,663,327	₩ -	₩ -	₩	₩ 2,663,327
Financial liabilities designated at fair value through profit or loss	492	1,482,302	11,222,032		12,704,826
Derivatives held for trading	157,634	2,458,498	226,818		2,842,950
Derivatives held for hedging	-	164,391	-		164,391
	₩ 2,821,453	₩ 4,105,191	₩ 11,448,850	₩	₩ 18,375,494

Valuation techniques and inputs of financial assets and liabilities classified as Level 2 and measured at fair value in the consolidated statements of financial position as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		
	Fair value	Valuation techniques	Inputs
Financial assets			
Financial assets at fair value through profit or loss	₩ 35,298,665		
Due from financial institutions	10,011	DCF Model	Projected cash flow, Discount rate
Debt securities	34,580,168	DCF Model, Closed Form, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, Net Asset Value Method and others	Projected cash flow, Fair value of underlying asset, Dividend yield, Price of underlying asset, Interest ate, Discount rate, Volatility, Correlation coefficient and others
Equity securities	409,259	DCF Model	Interest rate, Discount rate and others
Loans	299,227	DCF Model	Interest rate, Discount rate and others

(In millions of Korean won)

	December 31, 2020		
	Fair value	Valuation techniques	Inputs
Derivatives held for trading	4,678,185	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model and others	Discount rate, Underlying asset Index, Volatility, Interest rate, Stock price, Foreign exchange rate, Dividend yield and others
Derivatives held for hedging	334,873	DCF Model, Closed Form, FDM and others	Discount rate, Volatility, Foreign exchange rate and others
Financial assets at fair value through other comprehensive income	40,645,505		
Debt securities	40,309,722	DCF Model, Market value approach	Discount rate, Volatility and others
Equity securities	70,357	DCF Model	Interest rate, Discount rate and others
Loans	265,426	DCF Model	Discount rate, Volatility and others
₩ 80,957,228			
Financial liabilities			
Financial liabilities designated at fair value through profit or loss	₩ 581,636	DCF Model, Closed Form, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, Binomial Model and others	Price of underlying asset, Interest rate, Dividend yield, Volatility, Discount rate and others
Derivatives held for trading	4,668,155	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model and others	Discount rate, Price of underlying asset, Volatility, Interest rate, Stock price, Foreign exchange rate, Dividend yield and others
Derivatives held for hedging	208,825	DCF Model, Closed Form, FDM and others	Discount rate, Foreign exchange rate and others
₩ 5,458,616			

(In millions of Korean won)

	December 31, 2019		
	Fair value	Valuation techniques	Inputs
Financial assets			
Financial assets at fair value through profit or loss	₩ 31,476,070		
Due from financial institutions	165,242	DCF Model, One factor Hull- White Model	Discount rate, Volatility and others
Debt securities	30,735,027	DCF Model, Closed Form, Option Model, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, Net Asset Value Method and others	Projected cash flow, Fair value of underlying asset, Dividend yield, Price of underlying asset, Interest rate, Discount rate, Volatility, Correlation coefficient and others
Equity securities	336,389	DCF Model	Interest rate, Discount rate and others
Loans	239,412	DCF Model	Interest rate, Discount rate and others
Derivatives held for trading	2,398,831	DCF Model, Closed Form, FDM, Option Model, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model and others	Discount rate, Underlying asset Index, Volatility, Correlation coefficient, Interest rate, Stock price, Foreign exchange rate, Dividend yield, Probability of default (PD), Credit spread and others
Derivatives held for hedging	182,075	DCF Model, Closed Form, FDM and others	Discount rate, Volatility, Foreign exchange rate and others

(In millions of Korean won)

	December 31, 2019		
	Fair value	Valuation techniques	Inputs
Financial assets at fair value through other comprehensive income	29,764,660		
Debt securities	29,320,282	DCF Model, Option Model, Market value approach	Discount rate, Underlying asset Index, Volatility and others
Equity securities	69,280	DCF Model, Black-Scholes Model	Discount rate, Underlying asset Index, Volatility and others
Loans	375,098	DCF Model	Discount rate, Underlying asset Index, Volatility and others
₩ 63,821,636			
Financial liabilities			
Financial liabilities designated at fair value through profit or loss	₩ 1,482,302	DCF Model, Closed Form, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model and others	Price of underlying asset, Interest rate, Dividend yield, Volatility, Discount rate and others
Derivatives held for trading	2,458,498	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Black-Scholes Model, Hull and White Model, Option Model, FDM and others	Discount rate, Underlying asset Index, Volatility, Correlation coefficient, Interest rate, Stock price, Foreign exchange rate, Dividend yield, Probability of default (PD), Credit spread and others
Derivatives held for hedging	164,391	DCF Model, Closed Form, FDM and others	Discount rate, Volatility, Foreign exchange rate and others
₩ 4,105,191			

6.1.2.2 Fair value hierarchy of financial assets and liabilities whose fair value is disclosed

Fair value hierarchy of financial assets and liabilities whose fair value is disclosed as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3 *	
Financial assets				
Cash and due from financial institutions ¹	₩ 3,362,096	₩ 19,573,075	₩ 2,677,102	₩ 25,612,273
Loans measured at amortized cost	-	271,241	378,520,567	378,791,808
Securities measured at amortized cost	19,438,941	18,584,264	2,868	38,026,073
Other financial assets ²	-	-	14,167,689	14,167,689
₩ 22,801,037	₩ 38,428,580	₩ 395,368,226	₩ 456,597,843	
Financial liabilities				
Deposits ¹	₩ -	₩ 181,472,846	₩ 157,360,938	₩ 338,833,784
Borrowings ³	-	1,149,734	48,932,166	50,081,900
Debentures	-	57,916,235	5,272,897	63,189,132
Other financial liabilities ²	-	-	28,612,287	28,612,287
₩ -	₩ 240,538,815	₩ 240,178,288	₩ 480,717,103	

(In millions of Korean won)

	December 31, 2019					
	Fair value hierarchy			Total		
	Level 1	Level 2	Level 3			
Financial assets						
Cash and due from financial institutions ¹	₩ 3,015,104	₩ 13,812,640	₩ 4,007,491	₩ 20,835,235		
Loans measured at amortized cost	-	372,988	340,463,896	340,836,884		
Securities measured at amortized cost	9,587,770	16,979,656	3,068	26,570,494		
Other financial assets ²	-	-	9,147,059	9,147,059		
	₩ 12,602,874	₩ 31,165,284	₩ 353,621,514	₩ 397,389,672		
Financial liabilities						
Deposits ¹	₩ -	₩ 142,021,800	₩ 164,026,491	₩ 306,048,291		
Borrowings ³	-	1,469,263	36,339,681	37,808,944		
Debentures	-	46,969,992	4,588,756	51,558,748		
Other financial liabilities ²	-	-	22,629,587	22,629,587		
	₩ -	₩ 190,461,055	₩ 227,584,515	₩ 418,045,570		

¹ The amounts included in Level 2 are the carrying amounts which are reasonable approximations of the fair value.² Other financial assets and other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximation of fair value.³ Borrowings of ₩292 million and ₩4,685 million included in Level 2 is the carrying amounts which are reasonable approximation of fair value as of December 31, 2020 and 2019, respectively.

For financial assets and liabilities whose carrying amount is a reasonable approximation of fair value, valuation techniques and inputs are not disclosed.

Valuation techniques and inputs of financial assets and liabilities classified as Level 2, and whose fair value is disclosed as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		
	Fair value	Valuation techniques	Inputs
Financial assets			
Loans measured at amortized cost	₩ 271,241	DCF Model	Discount rate
Securities measured at amortized cost	18,584,264	DCF Model, MonteCarlo Simulation	Discount rate, Interest rate
	₩ 18,855,505		
Financial liabilities			
Borrowings	₩ 1,149,442	DCF Model	Discount rate
Debentures	57,916,235	DCF Model	Discount rate
	₩ 59,065,677		

(In millions of Korean won)

	December 31, 2019		
	Fair value	Valuation techniques	Inputs
Financial assets			
Loans measured at amortized cost	₩ 372,988	DCF Model	Discount rate
Securities measured at amortized cost	16,979,656	DCF Model, MonteCarlo Simulation	Discount rate, Interest rate
	₩ 17,352,644		
Financial liabilities			
Borrowings	₩ 1,464,578	DCF Model	Discount rate
Debentures	46,969,992	DCF Model	Discount rate
	₩ 48,435,570		

Valuation techniques and inputs of financial assets and liabilities classified as Level 3 and, whose fair value is disclosed and as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		
	Fair value	Valuation techniques	Inputs
Financial assets			
Cash and due from financial institutions	₩ 2,677,102	DCF Model	Credit spread, Other spread, Interest rate
Loans measured at amortized cost	378,520,567	DCF Model	Credit spread, Other spread, Prepayment rate, Interest rate
Securities measured at amortized cost	2,868	DCF Model	Interest rate
	₩ 381,200,537		
Financial liabilities			
Deposits	₩ 157,360,938	DCF Model	Other spread, Prepayment rate, Interest rate
Borrowings	48,932,166	DCF Model	Other spread, Interest rate
Debentures	5,272,897	DCF Model	Other spread, Interest rate
	₩ 211,566,001		

(In millions of Korean won)

	December 31, 2019		
	Fair value	Valuation techniques	Inputs
Financial assets			
Cash and due from financial institutions	₩ 4,007,491	DCF Model	Credit spread, Other spread, Interest rate
Loans measured at amortized cost	340,463,896	DCF Model	Credit spread, Other spread, Prepayment rate, Interest rate
Securities measured at amortized cost	3,068	DCF Model	Interest rate
	₩ 344,474,455		
Financial liabilities			
Deposits	₩ 164,026,491	DCF Model	Other spread, Prepayment rate, Interest rate
Borrowings	36,339,681	DCF Model	Other spread, Interest rate
Debentures	4,588,756	DCF Model	Other spread, Interest rate
	₩ 204,954,928		

6.2 Disclosure of Fair Value Hierarchy Level 3

6.2.1 Valuation policy and process of Level 3 fair value

The Group uses external, independent and qualified valuation service in addition to internal valuation models to determine the fair value of the Group's assets at the end of every reporting period.

Where a reclassification between the levels of the fair value hierarchy occurs for a financial asset or liability, the Group's policy is to recognize such transfers as having occurred at the beginning of the reporting period.

6.2.2 Changes in fair value (Level 3) measured using valuation technique based on unobservable inputs in the market

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

(In millions of Korean won)

	2020							
	Financial assets at fair value through profit or loss			Financial investments		Financial liabilities at fair value through profit or loss	Net derivatives financial instruments	
	Due from financial institutions measured at fair value through profit or loss	Securities measured at fair value through profit or loss	Loans measured at fair value through profit or loss	Equity securities measured at fair value through other comprehensive income	Loans measured at fair value through other comprehensive income	Financial liabilities designated at fair value through profit or loss	Derivatives held for trading	
Beginning	₩ 51,125	₩ 10,656,042	₩ 188,133	₩ 1,482,398	-	₩ (11,222,032)	₩ 309,966	
Total gains or losses								
Profit or loss	(2,021)	22,069	627	(206)	-	(406,788)	400,241	
Other comprehensive income (loss)	(7,693)	144,963	-	815,244	(217)	(27,876)	-	
Purchases	135,227	3,519,573	-	122,827	40,000	-	(24,165)	
Sales	(86,555)	(3,263,111)	(150,004)	(355)	(11,800)	-	(328,348)	
Issues	-	-	-	-	-	(9,333,419)	(42,732)	
Settlements	-	-	-	-	-	11,788,684	90	
Transfers into Level 3 *	-	129,580	-	-	-	-	(1,044)	
Transfers out of Level 3 *	-	(109,193)	-	-	-	-	(13,587)	
Ending	₩ 90,083	₩ 11,099,923	₩ 38,756	₩ 2,419,908	₩ 27,983	₩ (9,201,431)	₩ 300,421	

(In millions of Korean won)

	2019							
	Financial assets at fair value through profit or loss			Financial investments	Financial liabilities at fair value through profit or loss	Net derivatives financial instruments		
	Due from financial institutions measured at fair value through profit or loss	Securities measured at fair value through profit or loss	Loans measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities designated at fair value through profit or loss	Derivatives held for trading		
Beginning	₩ 48,743	₩ 7,464,860	₩ 213,203	₩ 1,332,718	₩ (10,873,383)	₩ (300,131)		
Total gains or losses								
Profit or loss	1,207	(66,208)	10,412	-	(1,285,157)	851,453		
Other comprehensive income (loss)	1,175	111,826	-	55,993	(25,538)	-		
Purchases	-	4,544,254	154,005	95,359	-	-		
Sales	-	(2,139,174)	(189,487)	(1,672)	-	(163,856)		
Issues	-	-	-	-	(12,416,402)	(59,202)		
Settlements	-	-	-	-	13,378,448	(1,316)		
Transfers into Level 3 *	-	851,457	-	-	-	(16,982)		
Transfers out of Level 3 *	-	(110,973)	-	-	-	-		
Ending	₩ 51,125	₩ 10,656,042	₩ 188,133	₩ 1,482,398	₩ (11,222,032)	₩ 309,966		

* Changes in levels for the financial instruments occurred due to the change in the availability of observable market data.

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

(In millions of Korean won)

	2020			2019		
	Net gains on financial instruments at fair value through profit or loss	Other operating expenses	Net interest income	Net losses on financial instruments at fair value through profit or loss	Other operating income	Net interest income
Total gains (losses) recognized in profit or loss for the year	₩ 70,251	₩ (56,329)	₩ -	₩ (489,703)	₩ 1,388	₩ 22
Total gains (losses) recognized in profit or loss from financial instruments held at the end of the reporting year	129,824	(60,884)	-	(37,668)	1,331	-

6.2.3 Sensitivity analysis of changes in unobservable inputs

6.2.3.1 Information about fair value measurements using unobservable inputs as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020				
	Fair value	Valuation techniques	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets at fair value through profit or loss					
Due from financial institutions	₩ 90,083	MonteCarlo Simulation	Volatility of the underlying asset Correlation coefficient	19.40 ~ 36.76 12.27	The higher the volatility of the underlying asset, the higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation
Debt securities	10,518,113	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull-White Model, Black-Scholes Model, Option Model, Binomial Model, Net Asset Value Method, Income approach, Market approach and others	Growth rate Volatility Discount rate Recovery rate Correlation coefficient between underlying assets Liquidation value Volatility of real estate price	0.00 ~ 2.00 8.00 ~ 179.75 0.00 ~ 21.37 40 -61.12 ~ 100.00 0.00 0.00	The higher the growth rate, the higher the fairvalue The higher the volatility, the higher the fair value fluctuation The lower the discount rate, the higher the fair value The higher the recovery rate, the higher the fair value The higher the correlation coefficient, the higher the fair value fluctuation The higher the liquidation value, the higher the fair value The higher the price of real estate, the higher the fair value

(In millions of Korean won)

	December 31, 2020				
	Fair value	Valuation techniques	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Equity securities	₩ 581,810	Income approach, Market approach, Asset value approach, DCF Model, Comparable Company Analysis, Risk adjusted discount rate method, Dividend Discount Model, Usage of past transactions, Binomial Model and others	Growth rate	0.00 ~ 1.10	The higher the growth rate, the higher the fair value
			Discount rate	0.60 ~ 18.67	The higher the growth rate, the higher the fair value
			Liquidation value	0.00	The higher the liquidation value, the higher the fair value
Loans	38,756	Binomial Model, DCF Model	Volatility of the stock price	0.00	The higher the volatility, the higher the fair value fluctuation
			Discount rate	7.86	The lower the discount rate, the higher the fair value
Derivatives held for trading					
Stock and index	382,337	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model, Binomial Model	Volatility of the underlying asset	20.00 ~ 72.00	The higher the volatility, the higher the fair value fluctuation
			Correlation coefficient between underlying assets	-61.12 ~ 89.01	The higher the correlation coefficient, the higher the fair value fluctuation
Others	59,531	DCF Model, Hull-White Model	Volatility	0.00 ~ 68.00	The higher the volatility, the higher the fair value fluctuation
			Correlation coefficient between underlying assets	-50.48 ~ 90.95	The higher the correlation coefficient, the higher the fair value fluctuation
Financial assets at fair value through comprehensive income					
Equity securities	2,419,908	Risk adjusted discount rate method, IMV Model, DCF Model, Comparable Company Analysis, Dividend discount model, Option Model, Net Asset Value Method, Market approach, One Factor Hull-White Model and others	Growth rate	0.00 ~ 2.00	The higher the growth rate, the higher the fair value
			Discount rate	7.60 ~ 19.67	The lower the discount rate, the higher the fair value
			Volatility	22.11 ~ 24.16	The higher the volatility, the higher the fair value fluctuation
	27,983	DCF Model	Discount rate	2.21 ~ 4.21	The lower the discount rate, the higher the fair value
	₩ 14,118,521				
Financial liabilities					
Financial liabilities designated at fair value through profit or loss					
Derivative-linked securities	9,201,431	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model	Volatility of the underlying asset	1.00 ~ 72.00	The higher the volatility, the higher the fair value fluctuation
			Correlation coefficient between underlying assets	-61.12 ~ 90.95	The higher the absolute value of correlation coefficient, the higher the fair value fluctuation
Derivatives held for trading					
Stock and index	60,291	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model	Volatility	20.00 ~ 68.00	The higher the volatility, the higher the fair value fluctuation
			Correlation coefficient between underlying assets	-61.12 ~ 90.95	The higher the correlation coefficient, the higher the fair value fluctuation

(In millions of Korean won)

	December 31, 2020				
	Fair value	Valuation techniques	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Others	81,156	MonteCarlo Simulation, Hull and White Model, DCF Model, Closed Form DCF Model	Volatility	21.00 ~ 68.00	The higher the volatility, the higher the fair value fluctuation
			Discount rate	1.15 ~ 1.29	The higher the discount rate, the lower the fair value
			Correlation coefficient between underlying assets	-50.48 ~ 90.95	The higher the absolute value of correlation coefficient, the higher the fair value fluctuation
	₩ 9,342,878				

(In millions of Korean won)

	December 31, 2019				
	Fair value	Valuation techniques	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets at fair value through profit or loss					
Due from financial institutions	₩ 51,125	Option Model	Volatility of the underlying asset	11.43~34.39	The higher the volatility of the underlying asset, the higher the fair value fluctuation
			Correlation coefficient	-4.84	The higher the correlation coefficient, the higher the fair value fluctuation
Debt securities	10,132,766	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull-White Model, Black-Scholes Model, Option Model, Binomial Model, Net Asset Value Method, Income approach, Market approach and others	Growth rate	-1.00~1.00	The higher the growth rate, the higher the fairvalue
			Volatility	1.00~48.00	The higher the volatility, the higher the fair value fluctuation
			Discount rate	0.75~17.37	The lower the discount rate, the higher the fair value
			Recovery rate	40.00	The higher the recovery rate, the higher the fair value
			Correlation coefficient between underlying assets	3.11~95.67	The higher the correlation coefficient, the higher the fair value fluctuation
			Liquidation value	0.00	The higher the liquidation value, the higher the fair value
		Volatility of real estate price	-1.00~1.00	The higher the price of real estate, the higher the fair value	
Equity securities	523,276	Income approach, Market approach, Asset value approach, DCF Model, Comparable Company Analysis, Risk adjusted discount rate method, Dividend Discount Model, Usage of past transactions, Binomial Model and others	Growth rate	0.00~2.20	The higher the growth rate, the higher the fair value
			Discount rate	2.00~22.00	The lower the discount rate, the higher the fair value
			Liquidation value	-1.00~1.00	The higher the liquidation value, the higher the fair value
		Volatility	11.90	The higher the volatility, the higher the fair value fluctuation	
Loans	188,133	Binomial Model, DCF Model	Volatility of the stock price	12.91~48.28	The higher the volatility, the higher the fair value fluctuation
			Discount rate	10.81	The lower the discount rate, the higher the fair value

(In millions of Korean won)

	December 31, 2019				
	Fair value	Valuation techniques	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Derivatives held for trading					
Stock and index	416,486	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model, Binomial Model	Volatility of the underlying asset Correlation coefficient between underlying assets	9.75~52.00 4.00~77.00	The higher the volatility, the higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation
Currency and interest rate	120,298	DCF Model, Hull-White Model	Volatility Correlation coefficient between underlying assets	2.00~58.00 -49.00~90.00	The higher the volatility, the higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation
Financial assets at fair value through other comprehensive income					
Equity securities	1,482,398	Risk adjusted discount rate method, IMV Model, DCF Model, Comparable Company Analysis, Dividend discount model, Option Model, Net Asset Value Method, Market approach, One Factor Hull-White Model and others	Growth rate Discount rate Volatility	0.00 ~ 2.00 3.04~16.37 20.97~34.87	The higher the growth rate, the higher the fair value The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation
	₩ 12,914,482				
Financial liabilities					
Financial liabilities designated at fair value through profit or loss					
Derivative-linked securities	₩ 11,222,032	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model	Volatility of the underlying asset Correlation coefficient between underlying assets	1.00~58.00 -49.00~90.00	The higher the volatility, the higher the fair value fluctuation The higher the absolute value of correlation coefficient, the higher the fair value fluctuation
Derivatives held for trading					
Stock and index	54,341	DCF Model, Closed Form, FDM, MonteCarlo Simulation, Hull and White Model, Black-Scholes Model, Binomial Model	Volatility Correlation coefficient between underlying assets	12.00~52.00 9.00~77.00	The higher the volatility, the higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation
Others	172,477	MonteCarlo Simulation, Hull and White Model, DCF Model, Closed Form	Volatility Volatility of the stock price Volatility of the interest rate Discount rate Correlation coefficient between underlying assets	2.00~58.00 16.28 0.52 1.94~2.00 19.00~90.00	The higher the volatility, the higher the fair value fluctuation The higher the volatility, the higher the fair value fluctuation The higher the volatility, the higher the fair value fluctuation The higher the discount rate, the lower the The higher the absolute value of correlation coefficient, the higher the fair value fluctuation
	₩ 11,448,850				

6.2.3.2 Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in fair value of financial instruments which are affected by unobservable parameters, using a statistical technique. When the fair value is affected by more than one input parameter, the amounts represent the most favorable or most unfavorable outcome. Level 3 financial instruments subject to sensitivity analysis are (a) equity-related derivatives, currency-related derivatives and interest rate related derivatives whose fair value changes are recognized in profit or loss, (b) financial liabilities designated at fair value through profit or loss, and (c) due from financial institutions, debt securities (including beneficiary certificates), equity securities and loan receivables whose fair value changes are recognized in profit or loss or other comprehensive income. If overlay approach is applied in accordance with Korean IFRS No.1104, changes in fair value of financial assets at fair value through profit or loss are recognized as other comprehensive income.

Results of the sensitivity analysis of changes in inputs as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Profit or loss		Other comprehensive income (loss)	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss ¹				
Due from financial institutions	₩ 2	₩ (2)	₩ 199	₩ (222)
Debt securities ⁴	35,790	(12,826)	2,123	(2,122)
Equity securities ³	16,125	(8,275)	973	(744)
Loans ⁵	3,316	(2,952)	-	-
Derivatives held for trading ²	22,783	(25,013)	-	-
Financial assets at fair value through other comprehensive income				
Equity securities ³	-	-	120,652	(73,434)
Loans ⁶	-	-	534	(518)
	₩ 78,016	₩ (49,068)	₩ 124,481	₩ (77,040)
Financial liabilities				
Financial liabilities designated at fair value through profit or loss ¹	₩ 46,859	₩ (42,995)	₩ -	₩ -
Derivatives held for trading ²	7,255	(7,139)	-	-
	₩ 54,114	₩ (50,134)	₩ -	₩ -

(In millions of Korean won)

	December 31, 2019			
	Profit or loss		Other comprehensive income (loss)	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss ¹				
Due from financial institutions	₩ 3	₩ (3)	₩ 2	₩ (2)
Debt securities ⁴	30,771	(27,062)	2,341	(2,276)
Equity securities ³	24,456	(10,251)	1,110	(824)
Loans ⁵	6,362	(4,344)	-	-
Derivatives held for trading ²	25,830	(29,317)	-	-
Financial assets at fair value through other comprehensive income				
Equity securities ³	-	-	214,268	(110,687)
	₩ 87,422	₩ (70,977)	₩ 217,721	₩ (113,789)
Financial liabilities				
Financial liabilities designated at fair value through profit or loss ¹	₩ 49,730	₩ (44,136)	₩ -	₩ -
Derivatives held for trading ²	14,638	(13,572)	-	-
	₩ 64,368	₩ (57,708)	₩ -	₩ -

¹For financial instruments at fair value through profit or loss, changes in fair value are calculated by shifting principal unobservable input parameters such as volatility of the underlying asset or correlation coefficient between underlying asset by $\pm 10\%$.

²For derivatives financial instruments, changes in fair value are calculated by shifting principal unobservable input parameters: such as, price of underlying asset, volatility of stock price, volatility of interest rate by $\pm 10\%$ and the loss given default ratio, discount rate by $\pm 1\%$.

³For equity securities, changes in fair value are calculated by shifting principal unobservable input parameters: such as, correlation between growth rate (0~1%) and discount rate (-1~1%) or between liquidation value (-1~1%) and discount rate (-1~1%).

⁴For beneficiary certificates, it is practically impossible to analyze sensitivity of changes in unobservable inputs. But only for beneficiary certificates whose underlying assets are real estates, changes in fair value are calculated by shift

⁵For loans, changes in fair value are calculated by shifting principal unobservable input parameters such as stock price, volatility of stock price (-10~10%), discount rate (-1~1%).

⁶For loans measured at fair value through other comprehensive income, changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate, volatility of the underlying asset 1%, growth rate 10%.

6.2.4 Day one gains or losses

If the Group uses a valuation technique that incorporates data not obtained from observable markets for the fair value at initial recognition of financial instruments, there could be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price, and the difference is not recognized in profit or loss but deferred and amortized using the straight-line method over the life of the financial instrument. When the fair value of the financial instruments is subsequently determined using observable market inputs, the remaining deferred amount is recognized in profit or loss.

Changes in aggregate deferred differences for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
Balance at the beginning of the year	₩	45,767	₩	62,155
New transactions		166,555		168,225
Changes during the year		(150,929)		(184,613)
Balance at the end of the year	₩	61,393	₩	45,767

6.3 Carrying Amounts of Financial Instruments by Category

Financial assets and liabilities are measured at fair value or amortized cost. The carrying amounts of financial assets and liabilities by category as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020						
	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total	
Financial assets							
Cash and due from financial institutions	₩	-	₩	-	₩	25,608,842	
Financial assets at fair value through profit or loss	61,035,455	-	-	-	-	61,035,455	
Derivatives	5,210,512	-	-	-	334,873	5,545,385	
Loans measured at amortized cost	-	-	-	377,166,984	-	377,166,984	
Financial investments	-	58,750,298	3,074,899	36,870,229	-	98,695,426	
Other financial assets	-	-	-	14,167,689	-	14,167,689	
	₩	66,245,967	₩	58,750,298	₩	3,074,899	
				₩	453,813,744	₩	334,873
						₩	582,219,781

(In millions of Korean won)

	December 31, 2020						
	Financial instruments at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total		
Financial liabilities							
Financial liabilities at fair value through profit or loss	₩	2,025,951	₩	9,784,107	₩	-	
Derivatives		5,014,072		-		208,825	
Deposits		-		338,580,220		338,580,220	
Borrowings		-		49,827,156		49,827,156	
Debentures		-		62,760,687		62,760,687	
Other financial liabilities		-		28,612,288		28,612,288	
	₩	7,040,023	₩	9,784,107	₩	479,780,351	
				₩	208,825	₩	496,813,306

(In millions of Korean won)

	December 31, 2019						
	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total	
Financial assets							
Cash and due from financial institutions	₩	-	₩	-	₩	20,837,878	
Financial assets at fair value through profit or loss	53,549,086	-	-	-	-	53,549,086	
Derivatives	3,008,598	-	-	-	182,075	3,190,673	
Loans measured at amortized cost	-	-	-	339,684,059	-	339,684,059	
Financial investments	-	43,931,946	2,504,105	25,346,555	-	71,782,606	
Other financial assets	-	-	-	9,147,059	-	9,147,059	
	₩	56,557,684	₩	43,931,946	₩	2,504,105	
				₩	395,015,551	₩	182,075
						₩	498,191,361

(In millions of Korean won)

	December 31, 2019						
	Financial instruments at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total		
Financial liabilities							
Financial liabilities at fair value through profit or loss	₩	2,663,327	₩	12,704,826	₩	-	
Derivatives		2,842,950		-		164,391	
Deposits		-		305,592,771		305,592,771	
Borrowings		-		37,818,860		37,818,860	
Debentures		-		50,935,583		50,935,583	
Other financial liabilities		-		22,629,587		22,629,587	
	₩	5,506,277	₩	12,704,826	₩	416,976,801	
				₩	164,391	₩	435,352,295

6.4 Transfer of Financial Assets

6.4.1 Transferred financial assets that are derecognized in their entirety

The Group transferred loans and other financial assets that are derecognized in their entirety, to SPEs (special purpose entities), while the maximum exposure to loss (carrying amount) from its continuing involvement and fair value of its continuing involvement of the derecognized financial assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement	Fair value of continuing involvement
Discovery 2nd Securitization Specialty Co., Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	₩ 5,190	₩ 5,190
FK 1411 ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	1,062	1,062
AP 3B ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	646	646
AP 4D ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	6,304	6,304
			₩ 13,202	₩ 13,202

(In millions of Korean won)

	December 31, 2019			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement	Fair value of continuing involvement
Discovery 2nd Securitization Specialty Co., Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	₩ 5,596	₩ 5,596
FK 1411 ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	5,428	5,428
AP 3B ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	3,205	3,205
AP 4D ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	6,175	6,175
			₩ 20,404	₩ 20,404

6.4.2 Transferred financial assets that are not derecognized in their entirety

The Group securitized the loans and issued the asset-backed debentures. The senior debentures and related securitized assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

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

(In millions of Korean won)

	December 31, 2019			
	Carrying amount of underlying assets	Fair value of underlying assets	Carrying amount of senior debentures	Fair value of senior debentures
KB Kookmin Card 3 rd Securitization Co., Ltd. *	₩ 601,659	₩ 592,358	₩ 351,207	₩ 342,204
KB Kookmin Card 4 th Securitization Co., Ltd. *	560,903	552,216	347,387	340,820
KB Kookmin Card 5 th Securitization Co., Ltd. *	542,861	534,630	299,795	304,835
KB Kookmin Card 6 th Securitization Co., Ltd. *	795,884	784,080	461,909	469,600
	₩ 2,501,307	₩ 2,463,284	₩ 1,460,298	₩ 1,457,459

* The Group has an obligation to early redeem the asset-backed debentures upon occurrence of an event specified in the agreement such as when the outstanding balance of the eligible asset-backed securitization (ABS), a trust-type ABS, is below the solvency margin ratio (minimum rate: 104.5%) of the beneficiary interest in the trust. To avoid such early redemption, the Group entrusts credit card accounts and deposits in addition to the previously entrusted credit card accounts.

6.4.3 Bonds sold under repurchase agreements and loaned securities

The Group continues to recognize the financial assets related to bonds sold under repurchase agreements and securities lending transactions in the consolidated statement of financial position since those transactions are not qualified for derecognition even though the Group transfers the financial assets. Bonds sold under repurchase agreements are sold on the condition that they will be repurchased at a fixed price and loaned securities will be returned at the expiration of the loan period. Thus, the Group retains substantially all the risks and rewards of ownership of the financial assets. The carrying amount of transferred assets and related liabilities as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	
	Carrying amount of transferred assets	Carrying amount of related liabilities
Bonds sold under repurchase agreements *	₩ 13,994,352	₩ 13,398,140
Loaned securities		
Government bond	1,831,673	-
Stock	19,811	-
	₩ 15,845,836	₩ 13,398,140

(In millions of Korean won)

	December 31, 2019	
	Carrying amount of transferred assets	Carrying amount of related liabilities
Bonds sold under repurchase agreements *	₩ 9,292,858	₩ 8,884,847
Loaned securities		
Government bond	2,259,096	-
Stock	25,725	-
	₩ 11,577,679	₩ 8,884,847

* Bonds sold under repurchase agreements using borrowed securities as collateral amounts to ₩ 2,147,975 million and ₩ 4,126,274 million as of December 31, 2020 and 2019, respectively.

6.5 Offsetting Financial Assets and Financial Liabilities

The Group enters into International Swaps and Derivatives Association ("ISDA") master netting agreements and other similar arrangements with the Group's OTC derivative and spot exchange counterparties. Similar netting agreements are also entered into with the Group's (a) sales or purchase of bonds under repurchase agreements and (b) securities lending and borrowing transactions, etc. Pursuant to these agreements, in the event of default by one party, contracts are to be terminated and receivables and payables are to be offset. Further, as the law allows for the right to offset, domestic exchange settlement debits and domestic exchange settlement credits are shown in its net settlement balance in the consolidated statement of financial position.

6.5.1 Details of financial assets subject to offsetting, enforceable master netting arrangements or similar agreements as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
	Gross assets	Gross liabilities offset	Net amounts in the statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral	
Derivatives held for trading and derivatives linked securities	₩ 5,425,708	₩ -	₩ 5,425,708	₩ (3,940,729)	₩ (263,564)	₩ 1,556,289
Derivatives held for hedging	334,874	-	334,874			
Receivable spot exchange	3,435,657	-	3,435,657	(3,434,222)	-	1,435
Bonds purchased under repurchase agreements	3,600,447	-	3,600,447	(3,600,447)	-	-
Domestic exchange settlement debits	37,549,292	(36,823,836)	725,456	-	-	725,456
Other financial instruments	4,560,879	(4,474,909)	85,970	-	-	85,970
	₩ 54,906,857	₩ (41,298,745)	₩ 13,608,112	₩ (10,975,398)	₩ (263,564)	₩ 2,369,150

(In millions of Korean won)

	December 31, 2019					
	Gross assets	Gross liabilities offset	Net amounts in the statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral	
Derivatives held for trading and derivatives linked securities	₩ 3,043,757	₩ -	₩ 3,043,757	₩ (2,122,160)	₩ (288,040)	₩ 815,632
Derivatives held for hedging	182,075	-	182,075			
Receivable spot exchange	3,051,390	-	3,051,390	(3,050,116)	-	1,274
Bonds purchased under repurchase agreements	6,507,646	-	6,507,646	(6,507,046)	-	600
Domestic exchange settlement debits	31,344,009	(30,794,160)	549,849	-	-	549,849
Other financial instruments	1,043,320	(1,022,977)	20,343	(2,492)	-	17,851
	₩ 45,172,197	₩ (31,817,137)	₩ 13,355,060	₩ (11,681,814)	₩ (288,040)	₩ 1,385,206

6.5.2 Details of financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreement as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
	Gross liabilities	Gross assets offset	Net amounts in the statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral	
Derivatives held for trading and derivatives linked securities	₩ 5,300,028	₩ -	₩ 5,300,028	₩ (3,365,443)	₩ (77,324)	₩ 2,066,086
Derivatives held for hedging	208,825	-	208,825			
Payable spot exchange	3,434,887	-	3,434,887	(3,434,222)	-	665
Bonds sold under repurchase agreements *	16,329,799	(11,800)	16,317,999	(16,317,999)	-	-
Securities borrowing agreements	1,934,736	-	1,934,736	(1,934,736)	-	-
Domestic exchange settlement debits	37,757,164	(36,823,835)	933,329	(933,329)	-	-
Other financial instruments	4,764,991	(4,474,909)	290,082	-	-	290,082
	₩ 69,730,430	₩ (41,310,544)	₩ 28,419,886	₩ (25,985,729)	₩ (77,324)	₩ 2,356,833

(In millions of Korean won)

	December 31, 2019					
	Gross liabilities	Gross assets offset	Net amounts in the statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral	
Derivatives held for trading and derivatives linked securities	₩ 2,936,638	₩ -	₩ 2,936,638	₩ (2,182,243)	₩ (92,565)	₩ 826,221
Derivatives held for hedging	164,391	-	164,391			
Payable spot exchange	3,050,982	-	3,050,982	(3,034,679)	-	16,303
Bonds sold under repurchase agreements *	13,011,121	-	13,011,121	(13,000,321)	-	10,800
Securities borrowing agreements	2,583,092	-	2,583,092	(2,583,092)	-	-
Domestic exchange settlement debits	32,867,423	(30,794,160)	2,073,263	(2,073,263)	-	-
Other financial instruments	1,156,345	(1,022,977)	133,368	(2,492)	-	130,876
	₩ 55,769,992	₩ (31,817,137)	₩ 23,952,855	₩ (22,876,090)	₩ (92,565)	₩ 984,200

* Includes bonds sold under repurchase agreements to customers.

7. Due from Financial Institutions Measured at Amortized Cost

7.1 Details of due from financial institutions as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		Financial institutions	Interest rate (%)	December 31, 2020	December 31, 2019
				₩	₩
Due from financial institutions in Korean won	Due from the Bank of Korea	The Bank of Korea	0.00	₩ 11,242,803	₩ 8,117,840
	Due from banking institutions	Hana Bank and others	0.00 ~ 1.90	3,692,044	4,641,714
	Due from others	NH Investment & Securities Co., Ltd. and others	0.00 ~ 1.63	753,581	654,981
				15,688,428	13,414,535
Due from financial institutions in foreign currencies	Due from banking institutions in foreign currencies	Wells Fargo Bank N.A. and others	0.00 ~ 3.50	4,215,918	2,351,929
	Time deposits in foreign currencies	Bank of Shanghai, Beijing Branch and others	0.00 ~ 7.05	739,637	1,053,776
	Due from others	Societe Generale (Paris) and others	0.00 ~ 7.70	2,079,371	1,327,432
				7,034,926	4,733,137
				₩ 22,723,354	₩ 18,147,672

* Before netting of allowance

7.2 Details of restricted due from financial institutions as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		Financial institutions	December 31, 2020	December 31, 2019	Reasons of restriction
Due from financial institutions in Korean won	Due from the Bank of Korea	The Bank of Korea	₩ 11,242,803	₩ 8,117,840	Bank of Korea Act
	Due from banking institutions	Shinhan Bank and others	772,986	3,027,963	Net settlement and others
	Due from others	NH Investment & Securities Co., Ltd. and others	545,457	555,294	Derivatives margin account and others
			12,561,246	11,701,097	
Due from financial institutions in foreign currencies	Due from banking institutions in foreign currencies	People's Bank of China and others	1,097,729	490,071	Cambodian law and others
	Time deposits in foreign currencies	Bank of Communications Co., Ltd. New York Branch	46,428	31,443	Bank Act of the State of New York and others
	Due from others	Societe Generale (Paris) and others	1,597,960	1,150,355	Derivatives margin account and others
			2,742,117	1,671,869	
			₩ 15,303,363	₩ 13,372,966	

* Before netting of allowance

7.3 Changes in allowances for credit losses of due from financial institutions for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	12-month expected credit losses	Lifetime expected credit losses		
		Non-impaired	Impaired	
Beginning	₩ 3,164	₩ 1,188	₩ 360	
Transfer between stages				
Transfer to 12-month expected credit losses	-	-	-	
Transfer to lifetime expected credit losses	-	-	-	
Impairment	-	-	-	
Disposal	-	-	-	
Reversal of credit losses	(416)	(1,128)	-	
Business combination	154	-	-	
Others	45	(26)	(78)	
Ending	₩ 2,947	₩ 34	₩ 282	

(In millions of Korean won)

	2019			
	12-month expected credit losses	Lifetime expected credit losses		
		Non-impaired	Impaired	
Beginning	₩ 2,019	₩ -	₩ -	
Transfer between stages				
Transfer to 12-month expected credit losses	-	-	-	
Transfer to lifetime expected credit losses	-	-	-	
Impairment	-	-	-	
Disposal	-	-	-	
Provision for credit losses	1,116	1,210	360	
Others	29	(22)	-	
Ending	₩ 3,164	₩ 1,188	₩ 360	

8. Assets Pledged as Collateral
8.1 Details of assets pledged as collateral as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

Assets pledged	Pledgee	December 31, 2020	
		Carrying amount	Reasons of pledge
Due from financial institutions Financial assets at fair value through profit or loss	Korea Federation of Savings Banks and others The Korea Securities Depository and others The Korea Securities Depository and others Samsung Futures Inc. and others	₩ 1,293,930	Borrowings from bank and others
		10,733,047	Repurchase agreements
		7,009,580	Securities borrowing transactions
		730,774	Derivatives transactions
		18,473,401	
Financial assets at fair value through other comprehensive income	The Korea Securities Depository and others The Korea Securities Depository and others The Bank of Korea The Bank of Korea Samsung Futures Inc. and others	2,216,165	Repurchase agreements
		1,322,998	Securities borrowing transactions
		2,837,452	Borrowings from the Bank of Korea
		1,610,691	Settlement risk of the Bank of Korea
		270,089	Derivatives transactions
		8,257,395	
Securities measured at amortized cost	The Korea Securities Depository and others The Bank of Korea The Bank of Korea Samsung Futures Inc. and others Others	664,438	Repurchase agreements
		4,295,149	Borrowings from the Bank of Korea
		3,677,922	Settlement risk of the Bank of Korea
		103,748	Derivatives transactions
		598,187	Others
		9,339,444	
Mortgage loans	Others	10,699,721	Covered bond
Real estate	LGIM COMMERCIAL LENDING Ltd and others	1,480,942	Borrowings from bank and others
		₩ 49,544,833	

(In millions of Korean won)

Assets pledged	Pledgee	December 31, 2019	
		Carrying amount	Reasons of pledge
Due from financial institutions Financial assets at fair value through profit or loss	Korea Federation of Savings Banks and others The Korea Securities Depository and others The Korea Securities Depository and others Samsung Futures Inc. and others	₩ 3,752,497	Borrowings from bank and others
		7,561,287	Repurchase agreements
		7,745,154	Securities borrowing transactions
		1,090,495	Derivatives transactions
		16,396,936	
Financial assets at fair value through other comprehensive income	The Korea Securities Depository and others The Korea Securities Depository and others The Bank of Korea The Bank of Korea Samsung Futures Inc. and others	1,139,852	Repurchase agreements
		1,168,515	Securities borrowing transactions
		1,212,021	Borrowings from the Bank of Korea
		653,825	Settlement risk of the Bank of Korea
		167,600	Derivatives transactions
		4,341,813	
Securities measured at amortized cost	The Korea Securities Depository and others The Bank of Korea The Bank of Korea Samsung Futures Inc. and others Others	581,268	Repurchase agreements
		1,767,559	Borrowings from the Bank of Korea
		3,077,151	Settlement risk of the Bank of Korea
		247,301	Derivatives transactions
		494,785	Others
		6,168,064	
Mortgage loans	Others	6,487,022	Covered bond
Real estate	LGIM COMMERCIAL LENDING Ltd and others	1,665,368	Borrowings from bank and others
		₩ 38,811,700	

In addition, the Group provided ₩ 4,680,816 million and ₩ 7,320,220 million of its borrowed securities and assets held as collateral to Korea Securities Finance Corporation and others as collateral as of December 31, 2020 and 2019, respectively.

8.2 Fair value of collateral available to sell or repledge, and collateral sold or repledged, regardless of debtor's default as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
Securities	₩ 3,732,013	₩ -	₩ 3,732,013

(In millions of Korean won)

	December 31, 2019		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
Securities	₩ 6,726,632	₩ -	₩ 6,726,632

9. Derivative Financial Instruments and Hedge Accounting

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

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

- Interest rate swaps, relating to interest rate risks in Korean won
- Cross-currency swaps, forwards and options relating to foreign exchange rate risks,
- Stock price index options linked with the KOSPI index

In particular, the Group applies fair value hedge accounting using interest rate swaps, currency forwards and others to hedge the risk of changes in fair values due to the changes in interest rate and foreign exchange rates of structured debentures in Korean won, debentures in foreign currencies, and structured deposits in foreign currencies. The Group applies cash flow hedge accounting using interest rate swaps, currency swaps and others to hedge the risk of changes in cash flows of floating rate debt securities in Korean won and borrowings in foreign currencies. In addition, the Group applies net investment in foreign operations hedge accounting by designating debentures in foreign currencies and cross currency forwards as hedging instruments to hedge foreign exchange risks on net investments in foreign operations.

9.1 Details of derivative financial instruments held for trading as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			December 31, 2019		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate						
Forwards	₩ 1,824,000	₩ 50,580	₩ 107,218	₩ 570,000	₩ 206	₩ 84,126
Futures *	4,540,235	43	1,834	2,951,770	698	235
Swaps	300,105,350	631,917	682,401	270,091,778	512,145	557,511
Options	14,779,000	248,437	302,134	17,521,156	267,697	379,262
	₩ 321,248,585	₩ 930,977	₩ 1,093,587	₩ 291,134,704	₩ 780,746	₩ 1,021,134

(In millions of Korean won)

	December 31, 2020			December 31, 2019		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Currency						
Forwards	₩ 78,255,991	₩ 1,712,560	₩ 1,986,239	₩ 87,373,417	₩ 942,632	₩ 750,380
Futures *	376,281	158	695	107,793	-	349
Swaps	49,756,478	1,897,636	1,349,919	46,501,399	606,464	610,275
Options	2,377,775	33,421	28,012	2,789,562	5,438	14,346
	130,766,525	3,643,775	3,364,865	136,772,171	1,554,534	1,375,350
Stock and index						
Futures *	1,027,347	20,061	2,246	1,646,785	22,451	20,704
Swaps	5,434,057	423,297	123,242	6,773,467	448,803	86,100
Options	6,482,510	135,805	275,282	5,559,865	99,013	176,141
	12,943,914	579,163	400,770	13,980,117	570,267	282,945
Credit						
Swaps	3,015,782	19,395	9,700	4,433,960	19,178	13,659
	3,015,782	19,395	9,700	4,433,960	19,178	13,659
Commodity						
Futures *	11,609	151	81	3,281	68	3
Swaps	13,923	268	991	105,658	2,948	474
	25,532	419	1,072	108,939	3,016	477
Other						
	₩ 1,476,310	₩ 36,783	₩ 144,076	₩ 3,160,013	₩ 80,857	₩ 149,385
	₩ 469,476,648	₩ 5,210,512	₩ 5,014,070	₩ 449,589,904	₩ 3,008,598	₩ 2,842,950

* Gains or losses arising from daily mark-to-market futures are reflected in the margin accounts.

9.2 Average price condition of future nominal cash flows by type of hedge accounting as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020						
	1 year	2 year	3 year	4 year	5 year	Over 5 year	Total
Fair value hedge							
Nominal amount of the hedging instrument	₩ 5,266,994	₩ 1,083,877	₩ 512,608	₩ 620,788	₩ 1,462,964	₩ 2,442,692	₩ 11,389,923
Average price condition (%)	0.76	0.81	1.00	1.07	1.21	1.14	0.97
Average price condition (USD/KRW)	1,160.33	1,115.45	1,151.50	-	-	-	1,157.28
Average price condition (EUR/KRW)	1,353.28	-	1,366.30	-	-	-	1,353.36
Average price condition (AUD/KRW)	835.43	-	-	-	-	-	835.43
Average price condition (GBP/KRW)	1,546.54	-	-	-	-	-	1,546.54
Cash flow hedge							
Nominal amount of the hedging instrument	₩ 2,568,922	₩ 1,767,357	₩ 1,277,053	₩ 166,643	₩ 509,940	₩ 100,000	₩ 6,389,915
Average price condition (%)	0.83	1.66	2.48	2.00	1.63	1.67	1.36
Average price condition (USD/KRW)	1,113.33	1,160.46	1,181.36	1,128.30	1,142.05	-	1,152.37
Average price condition (EUR/KRW)	1,306.76	1,312.75	1,321.00	-	1,340.64	-	1,312.93
Average price condition (AUD/KRW)	837.00	-	-	-	-	-	837.00
Average price condition (SGD/KRW)	831.49	-	866.14	-	-	-	858.33
Hedge of net investments in foreign operations							
Nominal amount of the hedging instrument	₩ 217,274	₩ 26,683	₩ -	₩ -	₩ -	₩ -	₩ 243,957
Average price condition (USD/KRW)	1,111.45	-	-	-	-	-	1,111.45
Average price condition (GBP/KRW)	-	1,465.26	-	-	-	-	1,465.26

(In millions of Korean won)

	December 31, 2019						
	1 year	2 year	3 year	4 year	5 year	Over 5 year	Total
Fair value hedge							
Nominal amount of the hedging instrument	₩ 2,649,272	₩ 1,807,950	₩ 897,562	₩ 309,882	₩ 466,053	₩ 1,414,570	₩ 7,545,289
Average price condition (%)	2.29	2.70	2.29	3.16	2.50	3.92	2.91
Average price condition (USD/KRW)	1,149.90	1,138.82	1,094.35	-	-	-	1,146.84
Average price condition (EUR/KRW)	1,319.66	1,346.38	-	-	-	-	1,327.68
Average price condition (AUD/KRW)	803.71	-	-	-	-	-	803.71
Cash flow hedge							
Nominal amount of the hedging instrument	₩ 2,450,918	₩ 1,199,124	₩ 1,764,991	₩ 529,202	₩ 120,000	₩ 150,000	₩ 6,214,235
Average price condition (%)	2.64	2.56	2.66	2.79	2.00	1.67	2.59
Average price condition (USD/KRW)	1,129.58	1,111.66	1,153.15	1,095.73	-	-	1,132.99
Average price condition (EUR/KRW)	1,305.22	1,306.76	1,312.75	-	-	-	1,306.91
Average price condition (AUD/KRW)	-	837.00	-	-	-	-	837.00
Average price condition (SGD/KRW)	815.80	831.49	-	-	-	-	823.54
Hedge of net investments in foreign operations							
Nominal amount of the hedging instrument	₩ 248,233	₩ -	₩ 27,336	₩ -	₩ -	₩ -	₩ 275,569
Average price condition (USD/KRW)	1,151.49	-	-	-	-	-	1,151.49
Average price condition (GBP/KRW)	-	-	1,465.26	-	-	-	1,465.26

9.3 Fair Value Hedge

9.3.1 Details of fair value hedged items as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					2020
	Carrying amount		Accumulated amount of hedge adjustments		Changes in fair value	
	Assets	Liabilities	Assets	Liabilities		
Hedge accounting						
Interest rate	Debt securities in Korean won	₩ 1,001,957	₩ -	₩ 5,888	₩ -	₩ 402
	Debt securities in foreign currencies	2,712,980	-	62,922	-	42,382
	Deposits in foreign currencies	-	121,768	-	2,088	(4,491)
	Debentures in Korean won	-	3,623,161	-	(6,839)	27,909
	Debentures in foreign currencies	-	1,985,333	-	81,333	(37,438)
		₩ 3,714,937	₩ 5,730,262	₩ 68,810	₩ 76,582	₩ 28,764
Currency	Debt securities in foreign currencies	2,669,410	-	310,745	-	(40,710)
		2,669,410	-	310,745	-	(40,710)
		₩ 6,384,347	₩ 5,730,262	₩ 379,555	₩ 76,582	₩ (11,946)

(In millions of Korean won)

	December 31, 2019				2019	
	Carrying amount		Accumulated amount of hedge adjustments			Changes in fair value
	Assets	Liabilities	Assets	Liabilities		
Hedge accounting						
Interest rate	Debt securities in Korean won	₩ 549,526	₩ -	₩ 5,485	₩ -	₩ 5,502
	Debt securities in foreign currencies	1,670,838	-	19,243	-	25,540
	Deposits in foreign currencies	-	780,491	-	(18,391)	(62,439)
	Debentures in Korean won	-	351,070	-	21,070	(1,818)
	Debentures in foreign currencies	-	2,067,556	-	41,406	(65,480)
		₩ 2,220,364	₩ 3,199,117	₩ 24,728	₩ 44,085	₩ (98,695)
Currency	Debt securities in foreign currencies	2,339,239	-	24,181	-	61,133
		2,339,239	-	24,181	-	61,133
		₩ 4,559,603	₩ 3,199,117	₩ 48,909	₩ 44,085	₩ (37,562)

9.3.2 Details of derivative instruments designated as fair value hedge as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			2020
	Notional amount	Assets	Liabilities	
Interest rate Swaps	₩ 9,217,731	₩ 158,914	₩ 51,842	₩ (23,022)
Currency Forwards	2,172,192	128,038	2,616	97,394
	₩ 11,389,923	₩ 286,952	₩ 54,458	₩ 74,372

(In millions of Korean won)

	December 31, 2019			2019
	Notional amount	Assets	Liabilities	
Interest rate Swaps	₩ 5,326,500	₩ 129,085	₩ 29,676	₩ 101,448
Currency Forwards	2,218,789	22,503	27,862	(74,372)
	₩ 7,545,289	₩ 151,588	₩ 57,538	₩ 27,076

9.3.3 Details of hedge ineffectiveness recognized in profit or loss from derivatives for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Hedge ineffectiveness recognized in profit or loss	
	2020	2019
Hedge accounting		
Interest rate	₩ 5,742	₩ 2,753
Currency	56,684	(13,239)
	₩ 62,426	₩ (10,486)

9.3.4 Gains or losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
Gains on hedging instruments	₩	89,179	₩	34,070
Losses on the hedged items attributable to the hedged risk		(26,899)		(44,655)
	₩	62,280	₩	(10,585)

9.4 Cash Flow Hedge

9.4.1 Details of cash flow hedged items as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Cash flow hedge reserve		Changes in fair value	
	December 31, 2020	December 31, 2019	2020	2019
Hedge accounting				
Interest rate risk	₩ (22,439)	₩ (15,670)	₩ 12,172	₩ 25,671
Foreign currency change risk	(6,158)	(11,663)	1,065	42,357
	₩ (28,597)	₩ (27,333)	₩ 13,237	₩ 68,028

9.4.2 Details of derivative instruments designated as cash flow hedge as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			2020
	Notional amount	Assets	Liabilities	Changes in fair value
Interest rate Swaps	₩ 3,532,480	₩ 1,286	₩ 37,120	₩ (11,940)
Currency Swaps	2,857,435	40,835	116,124	(43,300)
	₩ 6,389,915	₩ 42,121	₩ 153,244	₩ (55,240)

(In millions of Korean won)

	December 31, 2019			2019
	Notional amount	Assets	Liabilities	Changes in fair value
Interest rate Swaps	₩ 3,600,334	₩ 3,698	₩ 28,484	₩ (25,997)
Currency Swaps	2,613,901	23,382	73,067	(38,534)
	₩ 6,214,235	₩ 27,080	₩ 101,551	₩ (64,531)

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

(In millions of Korean won)

	2020		2019	
Losses on hedging instruments	₩	(55,240)	₩	(64,531)
Effective portion of losses on cash flow hedging instruments (amount recognized in other comprehensive income)		(48,034)		(65,323)
Ineffective portion of losses on cash flow hedging instruments (amount recognized in profit or loss)		(7,206)		792

9.4.4 Amounts recognized in other comprehensive income (loss) and reclassified from equity to profit or loss for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
Other comprehensive loss	₩	(48,034)	₩	(65,323)
Reclassification to profit or loss		39,190		21,604
Income tax effect		7,580		10,537
	₩	(1,264)	₩	(33,182)

9.5 Hedge of Net Investments in Foreign Operations

9.5.1 Details of net investments in foreign operations hedged items as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Foreign currency translation reserve		Changes in fair value	
	December 31, 2020	December 31, 2019	2020	2019
Hedge accounting				
(foreign currency exchange risk)	₩ 22,278	₩ (41,992)	₩ (88,769)	₩ 13,410

9.5.2 Details of financial instruments designated as hedge of net investments in foreign operations as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			2020
	Notional amount	Assets	Liabilities	Changes in fair value
Currency				
Forwards	₩ 243,957	₩ 5,800	₩ 1,125	₩ 14,406
Debentures in foreign currencies	842,112	-	842,112	74,363
	₩ 1,086,069	₩ 5,800	₩ 843,237	₩ 88,769

(In millions of Korean won)

	December 31, 2019			2019
	Notional amount	Assets	Liabilities	Changes in fair value
Currency				
Forwards	₩ 275,569	₩ 3,407	₩ 5,302	₩ (10,330)
Debentures in foreign currencies	97,255	-	97,255	(3,080)
	₩ 372,824	₩ 3,407	₩ 102,557	₩ (13,410)

9.5.3 Fair value of non-derivative financial instruments designated as hedge of net investments in foreign operations as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Debentures in foreign currencies	₩ 852,570	₩ 97,737

9.5.4 Gains or losses from hedging instruments in hedge of net investments in foreign operations and hedged items attributable to the hedged risk for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
Gains (losses) on hedging instruments	₩	88,769	₩	(13,410)
Effective portion of gains (losses) on hedge of net investments in foreign operations (amount recognized in other comprehensive income)		88,769		(13,410)
Ineffective portion of gains (losses) on hedge of net investments in foreign operations (amount recognized in profit or loss)		-		-

9.5.5 Effective portion of gains or losses on hedging instruments recognized in other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
Other comprehensive income (loss)	₩	88,769	₩	(13,410)
Reclassification to profit or loss		-		1,316
Income tax effect		(24,500)		3,194
Other comprehensive income (loss) after tax	₩	64,269	₩	(8,900)

9.6 Interest Rate Benchmark Reform

The Group's exposure to hedging relationships related to the interest rate benchmark reform as of December 31, 2020, is as follows. The USD LIBOR interest rate will be replaced by the Secured Overnight Financing Rate ("SOFR") based on actual transactions starting in 2022 and the KRW CD rate is currently under consideration for improving the calculation methodology. In this hedging relationship, the Group assumed that the spread to be changed on a SOFR basis in 2022 would be similar to that included in the interest rate swap used as a hedging instrument, and no other changes were assumed.

(In millions of Korean won and millions of US dollars)

Interest rate benchmark	Currency	December 31, 2020		
		Carrying amount of non-derivative assets	Carrying amount of non-derivative liabilities	Notional amount of hedging instruments
CD#3M	KRW	1,807,701	3,623,161	5,430,000
USD#LIBOR#3M	USD	78,083	3,276	82,907
USD#LIBOR#6M	USD	213	10	206

10. Loans Measured at Amortized Cost

10.1 Details of loans as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Loans measured at amortized cost	₩	379,734,020	₩	341,363,805
Deferred loan origination fees and costs		716,327		728,270
Less: Allowances for credit losses		(3,283,363)		(2,408,016)
Carrying amount	₩	377,166,984	₩	339,684,059

10.2 Details of loans to banks as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Loans measured at amortized cost	₩	5,577,728	₩	4,011,246
Less: Allowances for credit losses		(682)		(432)
Carrying amount	₩	5,577,046	₩	4,010,814

10.3 Details of loan types and customer types of loans to customers other than banks as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Retail	Corporate	Credit card	Total
Loans in Korean won	₩ 175,062,187	₩ 142,812,751	₩ -	₩ 317,874,938
Loans in foreign currencies	3,092,630	16,159,722	-	19,252,352
Domestic import usance bills	-	2,152,059	-	2,152,059
Off-shore funding loans	-	1,203,737	-	1,203,737
Call loans	-	1,582,251	-	1,582,251
Bills bought in Korean won	-	1,620	-	1,620
Bills bought in foreign currencies	-	1,739,262	-	1,739,262
Guarantee payments under acceptances and guarantees	10	8,011	-	8,021
Credit card receivables in Korean won	-	-	18,734,560	18,734,560
Credit card receivables in foreign currencies	-	-	63,071	63,071
Bonds purchased under repurchase agreements	-	3,175,080	-	3,175,080
Privately placed bonds	-	1,154,162	-	1,154,162
Factored receivables	104	3	-	107
Lease receivables	1,105,001	335,582	-	1,440,583
Loans for installment credit	6,440,521	50,295	-	6,490,816
	₩ 185,700,453	₩ 170,374,535	₩ 18,797,631	₩ 374,872,619
Proportion (%)	49.54	45.45	5.01	100.00
Less: Allowances for credit losses	(910,088)	(1,671,098)	(701,495)	(3,282,681)
	₩ 184,790,365	₩ 168,703,437	₩ 18,096,136	₩ 371,589,938

(In millions of Korean won)

	December 31, 2019			
	Retail	Corporate	Credit card	Total
Loans in Korean won	₩ 159,232,495	₩ 130,383,260	₩ -	₩ 289,615,755
Loans in foreign currencies	433,399	8,125,029	-	8,558,428
Domestic import usance bills	-	2,617,862	-	2,617,862
Off-shore funding loans	-	1,387,798	-	1,387,798
Call loans	-	610,001	-	610,001
Bills bought in Korean won	-	2,843	-	2,843
Bills bought in foreign currencies	-	2,158,877	-	2,158,877
Guarantee payments under acceptances and guarantees	36	3,312	-	3,348
Credit card receivables in Korean won	-	-	18,642,111	18,642,111
Credit card receivables in foreign currencies	-	-	6,299	6,299
Bonds purchased under repurchase agreements	-	6,149,458	-	6,149,458
Privately placed bonds	-	971,414	-	971,414
Factored receivables	117	167	-	284
Lease receivables	1,385,617	194,576	-	1,580,193
Loans for installment credit	5,737,458	38,700	-	5,776,158
	166,789,122	152,643,297	18,648,410	338,080,829
Proportion (%)	49.33	45.15	5.52	100.00
Less: Allowances for credit losses	(711,322)	(956,554)	(739,708)	(2,407,584)
	₩ 166,077,800	₩ 151,686,743	₩ 17,908,702	₩ 335,673,245

10.4 Changes in deferred loan origination fees and costs for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Beginning	Increase	Decrease	Business combination	Others	Ending
Deferred loan origination costs						
Loans in Korean won	₩ 645,305	₩ 502,044	₩ (473,392)	₩ -	₩ -	₩ 673,957
Others	96,378	53,345	(63,509)	9,376	-	95,590
	741,683	555,389	(536,901)	9,376	-	769,547
Deferred loan origination fees						
Loans in Korean won	8,600	6,681	(6,133)	-	-	9,148
Others	4,813	21,636	(26,396)	48,117	(4,098)	44,072
	13,413	28,317	(32,529)	48,117	(4,098)	53,220
	₩ 728,270	₩ 527,072	₩ (504,372)	₩ (38,741)	₩ 4,098	₩ 716,327

(In millions of Korean won)

	2019				
	Beginning	Increase	Decrease	Others	Ending
Deferred loan origination costs					
Loans in Korean won	₩ 664,237	₩ 387,420	₩ (406,352)	₩ -	₩ 645,305
Others	119,780	56,030	(79,432)	-	96,378
	784,017	443,450	(485,784)	-	741,683
Deferred loan origination fees					
Loans in Korean won	9,055	7,238	(7,693)	-	8,600
Others	21,836	3,415	(20,439)	1	4,813
	30,891	10,653	(28,132)	1	13,413
	₩ 753,126	₩ 432,797	₩ (457,652)	₩ (1)	₩ 728,270

11. Allowances for Credit Losses

11.1 Changes in allowances for credit losses of loans measured at amortized cost for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020								
	Retail			Corporate			Credit card		
	12-month expected credit losses	Non-impaired	Impaired	12-month expected credit losses	Non-impaired	Impaired	12-month expected credit losses	Non-impaired	Impaired
Beginning	₩ 278,380	₩ 224,905	₩ 208,037	₩ 215,069	₩ 290,310	₩ 451,607	₩ 209,651	₩ 266,183	₩ 263,874
Transfer between stages									
Transfer to 12-month expected credit losses	123,666	(121,970)	(1,696)	119,723	(111,708)	(8,015)	48,959	(47,611)	(1,348)
Transfer to lifetime expected credit losses	(91,410)	182,076	(90,666)	(56,655)	146,690	(90,035)	(25,227)	26,379	(1,152)
Impairment	(3,301)	(131,852)	135,153	(3,365)	(48,773)	52,138	(2,273)	(13,657)	15,930
Write-offs	-	(5)	(460,734)	-	(1)	(321,583)	-	-	(502,275)
Sales	(1,561)	(99)	(1,131)	(8)	-	(21,069)	-	-	-
Provision (reversal) for credit losses ^{1,2,3}	49,459	78,413	428,220	(2,059)	113,335	180,162	(26,042)	2,925	496,162
Business combination	50,664	9,545	53,532	99,824	24,303	668,426	89	-	4,409
Others (exchange differences, etc.)	(2,092)	(435)	(5,010)	(3,747)	(3,219)	(19,570)	-	-	(13,481)
Ending	₩ 403,805	₩ 240,578	₩ 265,705	₩ 368,782	₩ 410,937	₩ 892,061	₩ 205,157	₩ 234,219	₩ 262,119

(In millions of Korean won)

	2019								
	Retail			Corporate			Credit card		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired		Non-impaired	Impaired
Beginning	₩ 237,440	₩ 215,743	₩ 189,714	₩ 214,312	₩ 318,656	₩ 722,875	₩ 180,467	₩ 290,025	₩ 240,449
Transfer between stages									
Transfer to 12-month expected credit losses	168,460	(167,957)	(503)	59,848	(46,312)	(13,536)	51,542	(50,627)	(915)
Transfer to lifetime expected credit losses	(144,590)	160,509	(15,919)	(53,696)	141,398	(87,702)	(23,537)	24,529	(992)
Impairment	(1,619)	(54,736)	56,355	(2,250)	(36,656)	38,906	(2,388)	(14,377)	16,765
Write-offs	(2)	24	(443,034)	-	2	(239,319)	-	-	(506,255)
Sales	(486)	(70)	(782)	-	-	(8,909)	-	-	-
Provision (reversal) for credit losses ^{1,2,3}	19,152	71,231	424,758	(3,540)	(89,234)	80,216	3,567	16,633	524,652
Others (exchange differences, etc.)	25	161	(2,552)	395	2,456	(40,924)	-	-	(9,830)
Ending	₩ 278,380	₩ 224,905	₩ 208,037	₩ 215,069	₩ 290,310	₩ 451,607	₩ 209,651	₩ 266,183	₩ 263,874

¹ Provision for credit losses in the consolidated statements of comprehensive income also include provision (reversal) for credit losses of due from financial institutions (Note 7.3), and provision (reversal) for credit losses of financial investments (Note 12.5), provision for credit losses of unused commitments and guarantees (Note 24.2), provision (reversal) for credit losses of financial guarantees contracts (Note 24.3), and provision (reversal) for credit losses of other financial assets (Note 19.2).

² Includes ₩ 379,179 million and ₩ 390,041 million of collections from written-off loans for the years ended December 31, 2020 and 2019, respectively.

³ Includes additional provision of ₩ 43,777 million for industries and borrowers which are highly affected by COVID-19, ₩ 29,861 million due to expanding the scope of the loans subject to lifetime expected credit losses (non-impaired) and ₩ 23,325 million due to expanding the scope of the loans subject to individual assessment for the year ended December 31, 2020.

The Group manages the written-off loans that their legal extinctive prescriptions have not been completed, and that have not been collected; the balances of those loans are ₩ 10,566,603 million and ₩ 11,264,785 million as of December 31, 2020 and 2019, respectively.

11.2 Changes in gross carrying amount of loans for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
Beginning	₩ 316,377,009	₩ 23,814,108	₩ 1,900,958
Transfer between stages			
Transfer to 12-month expected credit losses	26,751,021	(26,629,210)	(121,811)
Transfer to lifetime expected credit losses (non-impaired)	(33,475,491)	34,603,648	(1,128,157)
Transfer to lifetime expected credit losses (impaired)	(596,861)	(2,287,196)	2,884,057
Write-offs	-	(6)	(1,284,592)
Sales	(4,324,146)	(20,907)	(200,182)
Business combination	7,029,580	570,710	1,711,823
Net increase (decrease) (execution, repayment and others)	36,757,668	(1,546,945)	(334,731)
Ending	₩ 348,518,780	₩ 28,504,202	₩ 3,427,365

(In millions of Korean won)

	2019		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
Beginning	₩ 293,296,370	₩ 26,417,165	₩ 2,097,749
Transfer between stages			
Transfer to 12-month expected credit losses	54,530,173	(54,412,664)	(117,509)
Transfer to lifetime expected credit losses (non-impaired)	(57,514,696)	58,078,679	(563,983)
Transfer to lifetime expected credit losses (impaired)	(564,375)	(1,792,641)	2,357,016
Write-offs	(2)	26	(1,188,608)
Sales	(889,880)	(18,163)	(188,080)
Net increase (decrease) (execution, repayment and others)	27,519,419	(4,458,294)	(495,627)
Ending	₩ 316,377,009	₩ 23,814,108	₩ 1,900,958

12. Financial Assets at Fair Value through Profit or Loss and Financial Investments

12.1 Details of financial assets at fair value through profit or loss and financial investments as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss		
Debt securities:		
Government and public bonds	₩ 9,315,317	₩ 6,569,472
Financial bonds	17,897,348	16,360,495
Corporate bonds	3,997,753	3,218,480
Asset-backed securities	236,130	124,898
Beneficiary certificates	14,200,802	12,375,326
Derivatives linked securities	2,218,502	3,623,648
Other debt securities	10,549,248	8,449,207
Equity securities:		
Stocks	1,632,619	1,716,149
Other equity securities	459,694	387,694
Loans:		
Privately placed bonds	212,021	265,499
Other loans	125,962	162,046
Due from financial institutions:		
Other due from financial institutions	100,094	216,367
Others	89,965	79,805
	61,035,455	53,549,086
Financial Investments		
Financial assets at fair value through other comprehensive income		
Debt securities:		
Government and public bonds	14,735,340	9,501,642
Financial bonds	23,194,387	20,913,361
Corporate bonds	18,721,327	12,289,820
Asset-backed securities	1,795,840	832,160
Other debt securities	9,995	19,865

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Equity securities:		
Stocks	2,852,158	2,377,994
Equity investments	37,602	41,042
Other equity securities	185,139	85,069
Loans:		
Privately placed bonds	265,426	375,098
Other loans	27,983	-
	61,825,197	46,436,051
Financial assets at amortized cost		
Debt securities:		
Government and public bonds	17,193,289	5,395,720
Financial bonds	5,678,949	8,157,428
Corporate bonds	8,181,961	7,536,805
Asset-backed securities	5,788,587	4,258,274
Other debt securities	30,392	-
Allowances for credit losses	(2,949)	(1,672)
	36,870,229	25,346,555
	₩ 98,695,426	₩ 71,782,606

12.2 Dividend income from equity securities designated at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
	From the financial assets derecognized	From the remaining financial assets	From the financial assets derecognized	From the remaining financial assets
Equity securities measured at fair value through other comprehensive income				
Stocks Listed	₩ 7,000	₩ 11,843	₩ -	₩ 26,121
Unlisted	-	22,241	-	25,599
Equity investments	-	285	-	95
Other equity securities	-	3,755	-	2,953
	₩ 7,000	₩ 38,124	₩ -	₩ 54,768

12.3 Derecognized equity securities measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
	Disposal price	Accumulated other comprehensive income as of disposal date	Disposal price	Accumulated other comprehensive income as of disposal date
Equity securities measured at fair value through other comprehensive income				
Stocks Listed	₩ 516,883	₩ 326,394	₩ 18,342	₩ (25,652)
Unlisted	13	13	1,671	169
Equity investments	3	3	-	-
	₩ 516,899	₩ 326,410	₩ 20,013	₩ (25,483)

12.4 Provision (reversal) for credit losses of financial investments for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		
	Provision	Reversal	Total
Securities measured at fair value through other comprehensive income	₩ 4,297	₩ (229)	₩ 4,068
Loans measured at fair value through other comprehensive income	202	(316)	(114)
Securities measured at amortized cost	1,916	(636)	1,280
	₩ 6,415	₩ (1,181)	₩ 5,234

(In millions of Korean won)

	2019		
	Provision	Reversal	Total
Securities measured at fair value through other comprehensive income	₩ 1,537	₩ (1,144)	₩ 393
Loans measured at fair value through other comprehensive income	170	(982)	(812)
Securities measured at amortized cost	216	(280)	(64)
	₩ 1,923	₩ (2,406)	₩ (483)

12.5 Changes in allowances for credit losses of financial investments for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
Beginning	₩ 5,370	₩ -	₩ -
Transfer between stages			
Transfer to 12-month expected credit losses	-	-	-
Transfer to lifetime expected credit losses	-	-	-
Sales	(589)	-	-
Provision for credit losses	5,195	39	-
Others	(68)	-	73
Ending	₩ 9,908	₩ 39	₩ 73

(In millions of Korean won)

	2019		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
Beginning	₩ 5,657	₩ 192	₩ 322
Transfer between stages			
Transfer to 12-month expected credit losses	437	(188)	(249)
Transfer to lifetime expected credit losses	(669)	669	-
Sales	(329)	-	-
Provision (reversal) for credit losses	219	(702)	-
Others	55	29	(73)
Ending	₩ 5,370	₩ -	₩ -

13. Investments in Associates and Joint Ventures

13.1 Investments in associates and joint ventures as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
KB Pre IPO Secondary Venture Fund No.1 ¹	15.19	₩ 551	₩ 1,279	₩ 1,279	Investment finance	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	142,799	141,359	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund ²	66.66	13,601	16,042	16,042	Investment finance	Korea
KB Star Office Private Real Estate Investment Trust No.1	21.05	20,000	20,413	20,066	Investment finance	Korea
Balhae Infrastructure Company ¹	12.61	106,107	106,624	106,624	Investment finance	Korea
Aju Good Technology Venture Fund	38.46	17,113	21,351	21,348	Investment finance	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	18,713	16,144	Installment loan	Korea
Incheon Bridge Co., Ltd. ¹	14.99	9,158	(18,100)	-	Operation of highways and related facilities	Korea
Big Dipper Co., Ltd.	25.14	440	(5)	-	Research, consulting and big data	Korea
Paycoms Co., Ltd. ⁵	11.70	800	72	198	System software publishing	Korea
Food Factory Co., Ltd. ⁴	22.22	1,000	632	1,281	Farm product distribution industry	Korea
KBSP Private Equity Fund No.4 ¹	14.95	6,100	5,950	5,950	Investment finance	Korea
KB Private Equity Fund No.3 ¹	15.69	-	94	94	Investment finance	Korea
Korea Credit Bureau Co., Ltd. ¹	9.00	4,500	7,153	7,153	Credit information	Korea
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	25.00	9,739	9,845	9,845	Investment finance	Korea
Keystone-Hyundai Securities No.1 Private Equity Fund ¹	4.49	1,908	1,556	1,556	Investment finance	Korea
KB Social Impact Investment Fund	30.00	3,000	2,874	2,874	Investment finance	Korea
KB-Solidus Global Healthcare Fund	43.33	48,677	45,516	46,213	Investment finance	Korea
POSCO-KB Shipbuilding Fund	31.25	10,375	12,895	12,895	Investment finance	Korea
KB-TS Technology Venture Private Equity Fund ²	56.00	16,576	17,630	17,630	Investment finance	Korea
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund ²	42.55	26,050	27,513	26,763	Investment finance	Korea
KB-SJ Tourism Venture Fund 1	18.52	4,500	4,133	4,133	Investment finance	Korea
UNION Media Commerce Fund	28.99	1,000	960	960	Investment	Korea
KB-Stonebridge Secondary Private Equity Fund ¹	14.56	14,308	16,636	16,636	Investment finance	Korea
KB SPROTT Renewable Private Equity Fund No.1	37.69	5,795	5,049	5,049	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund	44.29	17,416	16,999	16,999	Investment finance	Korea
WJ Private Equity Fund No.1	26.95	10,000	9,711	9,711	Investment finance	Korea
All Together Korea Fund No.2	99.99	10,000	10,023	10,023	Asset management	Korea
KB-NAU Special Situation Corporate Restructuring Private Equity Fund ¹	12.00	5,700	5,611	5,611	Asset management	Korea
JR GLOBAL REIT	26.07	₩ 215,854	₩ 215,854	₩ 215,854	Real estate management	Korea

(In millions of Korean won)

	December 31, 2020					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Project Vanilla Co., Ltd.	49.00	₩ 2,450	₩ 2,151	₩ 2,151	System software publishing	Korea
December & Company Inc. ¹	17.63	24,849	24,402	24,402	System software publishing	Korea
2020 KB Fintech Renaissance Fund ¹	5.05	550	547	547	Investment finance	Korea
KB Material and Parts No.1 PEF ¹	14.47	3,400	3,371	3,371	Investment finance	Korea
FineKB Private Equity Fund No.1	25.00	-	-	-	Investment finance	Korea
Others		2,475	1,004	674		
		₩ 737,672	₩ 757,297	₩ 771,435		

(In millions of Korean won)

	December 31, 2019					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
KB Pre IPO Secondary Venture Fund No.1 ¹	15.19	₩ 1,137	₩ 1,705	₩ 1,705	Investment finance	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	138,013	136,168	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund ²	66.66	20,000	18,988	18,988	Investment finance	Korea
KB Star Office Private Real Estate Investment Trust No.1	21.05	20,000	19,839	19,839	Investment finance	Korea
PT Bank Bukopin TBK	22.00	116,422	115,321	121,381	Banking and foreign exchange	Korea
Balhae Infrastructure Company ¹	12.61	105,214	101,391	101,391	Investment finance	Korea
Aju Good Technology Venture Fund	38.46	19,998	23,016	23,016	Investment finance	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	17,736	12,725	Investment finance	Korea
Incheon Bridge Co., Ltd. ¹	14.99	9,158	(14,746)	-	Operation of highways and related facilities	Korea
Big Dipper Co., Ltd.	29.33	440	10	125	Research, consulting and big data	Korea
Paycoms Co., Ltd. ⁵	11.70	800	17	45	System software publishing	Korea
Food Factory Co., Ltd. ⁴	22.22	1,000	398	1,000	Farm product distribution industry	Korea
KBSP Private Equity Fund No.4 ²	14.95	6,100	5,950	5,950	Investment finance	Korea
KB Private Equity Fund No.3 ¹	15.69	-	94	94	Investment finance	Korea
Korea Credit Bureau Co., Ltd. ¹	9.00	4,500	7,153	7,153	Investment finance	Korea
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	25.00	9,739	9,845	9,845	Investment finance	Korea
Keystone-Hyundai Securities No.1 Private Equity Fund ¹	4.49	1,908	1,556	1,556	Investment finance	Korea
KB Social Impact Investment Fund	30.00	1,500	1,465	1,465	Investment finance	Korea
KB-Solidus Global Healthcare Fund	43.33	42,697	45,021	45,718	Investment finance	Korea
POSCO-KB Shipbuilding Fund	31.25	7,500	6,847	6,847	Investment finance	Korea
KB-TS Technology Venture Private Equity Fund ²	56.00	19,824	19,731	19,731	Investment finance	Korea
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund ²	42.55	₩ 21,250	₩ 20,504	₩ 19,752	Investment finance	Korea

(In millions of Korean won)

	December 31, 2019					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
KB-SJ Tourism Venture Fund ²	18.52	₩ 3,000	₩ 2,761	₩ 2,761	Investment finance	Korea
UNION Media Commerce Fund	28.99	1,000	961	961	Investment	Korea
KB-Stonebridge Secondary Private Equity Fund ¹	14.56	5,215	4,944	4,944	Investment finance	Korea
KB SPROTT Renewable Private Equity Fund No.1	37.69	1,667	1,295	1,295	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund	44.29	450	417	417	Investment finance	Korea
APRO Co., Ltd. ¹	15.19	1,500	2,565	2,790	Manufacture of electric power storage system	Korea
GH Real Estate I LP	42.00	17,678	19,042	19,042	Asset management	Guernsey
Others		2,505	2,245	1,244		
		₩ 577,113	₩ 584,374	₩ 598,240		

¹ As of December 31, 2020 and 2019, the Group can exercise significant influence on the decision-making processes of the associate's financial and business policies through participation in governing bodies.

² In order to direct relevant activities, it is necessary to obtain the consent of the two co-operative members: the Group has applied the equity method as the Group cannot control the investee by itself.

³ The ownership of Paycoms Co., Ltd. would be 22.96% and 22.96% as of December 31, 2020 and 2019, respectively, considering the potential voting rights from convertible bond.

⁴ The ownership of Food Factory Co., Ltd. would be 30.00% and 30.00% as of December 31, 2020 and 2019, respectively, considering the potential voting rights from convertible bond.

In accordance with Korean IFRS No.1028 Investments in Associates and Joint Ventures, the Group has applied exemption of equity method for 28 companies including Rainist Co., Ltd., and recognized them as financial assets at fair value through profit or loss.

Although the Group holds more than 20% of ownership, the entities that the Group has a limited influence on due to the trust agreement on related activities, bankruptcy and rehabilitation procedures have been excluded from the investment in associates by limited influence.

13.2 Condensed financial information, adjustments to the carrying amount and dividend from major investments in associates and joint ventures as of December 31, 2020 and 2019, and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020 *						
	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains (losses) and others	Consolidated carrying amount
KB Pre IPO Secondary Venture Fund No.1	₩ 8,423	₩ 3	₩ 5,940	₩ 8,420	₩ 1,279	₩ -	₩ 1,279
KB GwS Private Securities Investment Trust	534,764	741	425,814	534,023	142,799	(1,440)	141,359
KB-KDBC Pre-IPO New Technology Business Investment Fund	24,655	592	20,400	24,063	16,042	-	16,042
KB Star Office Private Real Estate Investment Trust No.1	231,018	122,298	95,000	108,720	20,413	(347)	20,066
Balhae Infrastructure Company	847,758	1,870	841,784	845,888	106,624	-	106,624
Aju Good Technology Venture Fund	57,776	2,265	44,500	55,511	21,351	(3)	21,348
SY Auto Capital Co., Ltd.	89,462	51,272	20,000	38,190	18,713	(2,569)	16,144
Incheon Bridge Co., Ltd.	579,386	700,135	61,096	(120,747)	(18,100)	18,100	-
Big Dipper Co., Ltd.	285	306	1,750	(21)	(5)	5	-
Paycoms Co., Ltd.	2,690	2,073	855	617	72	126	198
Food Factory Co., Ltd.	7,613	4,767	450	2,846	632	649	1,281
KBSP Private Equity Fund No.4	39,795	-	40,800	39,795	5,950	-	5,950
KB Private Equity Fund No.3	₩ 1,132	₩ 533	₩ -	₩ 599	₩ 94	₩ -	₩ 94

(In millions of Korean won)

	December 31, 2020 *						
	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains (losses) and others	Consolidated carrying amount
Korea Credit Bureau Co., Ltd.	117,077	37,599	10,000	79,478	7,153	-	7,153
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	42,585	3,205	38,960	39,380	9,845	-	9,845
Keystone-Hyundai Securities No.1 Private Equity Fund	178,848	132,123	42,837	46,725	1,556	-	1,556
KB Social Impact Investment Fund	9,585	4	10,000	9,581	2,874	-	2,874
KB-Solidus Global Healthcare Fund	106,215	1,179	75,600	105,036	45,516	697	46,213
POSCO-KB Shipbuilding Fund	41,807	541	33,200	41,266	12,895	-	12,895
KB-TS Technology Venture Private Equity Fund	34,972	3,490	29,600	31,482	17,630	-	17,630
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	64,968	313	62,980	64,655	27,513	(750)	26,763
KB-SJ Tourism Venture Fund	22,327	6	24,300	22,321	4,133	-	4,133
UNION Media Commerce Fund	3,318	7	3,450	3,311	960	-	960
KB-Stonebridge Secondary Private Equity Fund	114,712	496	98,235	114,216	16,636	-	16,636
KB SPROTT Renewable Private Equity Fund No.1	13,896	497	15,376	13,399	5,049	-	5,049
KB-UTC Inno-Tech Venture Fund	38,585	207	39,319	38,378	16,999	-	16,999
WJ Private Equity Fund No.1	36,197	170	37,100	36,027	9,711	-	9,711
All Together Korea Fund No.2	10,025	1	10,001	10,024	10,023	-	10,023
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	47,607	850	47,500	46,757	5,611	-	5,611
JR GLOBAL REIT	1,859,214	1,043,068	165,600	816,146	215,854	-	215,854
Project Vanilla Co., Ltd.	4,445	132	5,000	4,313	2,151	-	2,151
December & Company Inc.	68,173	3,305	35,441	64,868	24,402	-	24,402
2020 KB Fintech Renaissance Fund	10,841	5	10,900	10,836	547	-	547
KB Material and Parts No.1 PEF	23,296	-	23,500	23,296	3,371	-	3,371
FineKB Private Equity Fund No.1	-	77	-	(77)	-	-	-

(In millions of Korean won)

	2020 *				
	Operating revenue	Net profit (loss)	Other comprehensive income	Total comprehensive income (loss)	Dividends
KB Pre IPO Secondary Venture Fund No.1	₩ 1,942	₩ 1,053	₩ -	₩ 1,053	₩ -
KB GwS Private Securities Investment Trust	48,501	47,520	-	47,520	9,525
KB-KDBC Pre-IPO New Technology Business Investment Fund	5,151	6,681	-	-	9,148
KB Star Office Private Real Estate Investment Trust No.1	2,392	1,076	-	1,076	-
Balhae Infrastructure Company	63,781	89,757	-	89,757	6,973
Aju Good Technology Venture Fund	8,685	2,815	-	2,815	-
SY Auto Capital Co., Ltd.	17,404	2,057	(49)	2,008	-

(In millions of Korean won)

	2020 *				
	Operating revenue	Net profit (loss)	Other comprehensive income	Total comprehensive income (loss)	Dividends
Incheon Bridge Co., Ltd.	₩ 70,345	₩ (23,200)	₩ -	₩ (23,200)	₩ -
Big Dipper Co., Ltd.	942	(305)	-	(305)	-
Paycoms Co., Ltd.	1,391	505	-	505	-
Food Factory Co., Ltd.	9,282	407	-	407	-
KBSP Private Equity Fund No.4	2	306	-	306	-
KB Private Equity Fund No.3	-	15,442	-	15,442	2,082
Korea Credit Bureau Co., Ltd.	107,810	13,391	-	13,391	89
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	1,629	626	-	626	-
Keystone-Hyundai Securities No.1 Private Equity Fund	16,586	(1,536)	-	(1,536)	-
KB Social Impact Investment Fund	8	(301)	-	(301)	-
KB-Solidus Global Healthcare Fund	6,435	(12,655)	-	(12,655)	-
POSCO-KB Shipbuilding Fund	12,842	10,154	-	10,154	-
KB-TS Technology Venture Private Equity Fund	5,342	4,051	-	4,051	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	5,257	3,013	-	3,013	-
KB-SJ Tourism Venture Fund	-	(689)	-	(689)	-
UNION Media Commerce Fund	-	(3)	-	(3)	-
KB-Stonebridge Secondary Private Equity Fund	20,068	17,842	-	17,842	-
KB SPROTT Renewable Private Equity Fund No.1	1	(991)	-	(991)	-
KB-UTC Inno-Tech Venture Fund	-	(866)	-	(866)	-
WJ Private Equity Fund No.1	2	(1,073)	-	(1,073)	-
All Together Korea Fund No.2	187	150	-	150	-
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	2,901	(743)	-	(743)	-
JR GLOBAL REIT	-	-	-	-	-
Project Vanilla Co., Ltd.	-	(611)	-	(611)	-
December & Company Inc.	756	(2,469)	-	(2,469)	-
2020 KB Fintech Renaissance Fund	1	(64)	-	(64)	-
KB Material and Parts No.1 PEF	-	(204)	-	(204)	-
FineKB Private Equity Fund No.1	-	(77)	-	(77)	-

(In millions of Korean won)

	December 31, 2019 *						
	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains (losses) and others	Consolidated carrying amount
KB Pre IPO Secondary Venture Fund No.1	₩ 11,237	₩ 20	₩ 8,690	₩ 11,217	₩ 1,705	₩ -	₩ 1,705
KB GwS Private Securities Investment Trust	522,865	741	425,814	522,124	138,013	(1,845)	136,168
KB-KDBC Pre-IPO New Technology Business Investment Fund	29,086	603	30,000	28,483	18,988	-	18,988
KB Star Office Private Real Estate Investment Trust No.1	218,611	122,465	95,000	96,146	19,839	-	19,839
PT Bank Bukopin TBK	8,148,013	7,623,829	106,536	524,184	115,321	6,060	121,381
Balhae Infrastructure Company	806,218	1,854	834,695	804,364	101,391	-	101,391
Aju Good Technology Venture Fund	60,675	828	52,000	59,847	23,016	-	23,016
SY Auto Capital Co., Ltd.	88,611	52,415	20,000	36,196	17,736	(5,011)	12,725
Incheon Bridge Co., Ltd.	609,194	707,563	61,096	(98,369)	(14,746)	14,746	-
Big Dipper Co., Ltd.	370	336	1,500	34	10	115	125
APRO Co., Ltd.	47,164	30,281	2,468	16,883	2,565	225	2,790
Paycoms Co., Ltd.	1,763	1,620	855	143	17	28	45
Food Factory Co., Ltd.	5,587	3,797	450	1,790	398	602	1,000
KBSP Private Equity Fund No.4	39,492	2	40,800	39,490	5,904	-	5,904
KB Private Equity Fund No.3	49,437	4	51,000	49,433	7,754	-	7,754
Korea Credit Bureau Co., Ltd.	96,855	30,289	10,000	66,566	5,991	-	5,991
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	55,524	1,063	51,880	54,461	13,616	-	13,616
Keystone-Hyundai Securities No.1 Private Equity Fund	187,156	153,842	42,837	33,314	1,625	-	1,625
KB Social Impact Investment Fund	4,885	3	5,000	4,882	1,465	-	1,465
KB-Solidus Global Healthcare Fund	103,896	5	61,800	103,891	45,021	697	45,718
POSCO-KB Shipbuilding Fund	21,916	4	24,000	21,912	6,847	-	6,847
GH Real Estate I LP	45,340	61	42,093	45,279	19,042	-	19,042
KB-TS Technology Venture Private Equity Fund	36,445	1,212	35,400	35,233	19,731	-	19,731
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	48,369	185	51,700	48,184	20,504	(752)	19,752
KB-SJ Tourism Venture Fund	14,914	4	16,200	14,910	2,761	-	2,761
UNION Media Commerce Fund	3,318	4	3,450	3,314	961	-	961
KB-Stonebridge Secondary Private Equity Fund	34,450	507	35,805	33,943	4,944	-	4,944
KB SPROTT Renewable Private Equity Fund No.1	3,686	249	9,640	3,437	1,295	-	1,295
KB-UTC Inno-Tech Venture Fund	1,016	75	1,016	941	417	-	417

(In millions of Korean won)

	2019 *				
	Operating revenue	Net profit (loss)	Other comprehensive income	Total comprehensive income (loss)	Dividends
KB Pre IPO Secondary Venture Fund No.1	₩ 3,225	₩ 2,452	₩ -	₩ 2,452	₩ -
KB GwS Private Securities Investment Trust	42,503	41,524	-	41,524	9,297
KB-KDBC Pre-IPO New Technology Business Investment Fund	371	(638)	-	(638)	-
KB Star Office Private Real Estate Investment Trust No.1	14,455	6,004	-	6,004	-
PT Bank Bukopin TBK	721,169	(5,612)	45,780	40,168	-
Balhae Infrastructure Company	62,113	(3,153)	-	(3,153)	6,855
Aju Good Technology Venture Fund	9,288	7,734	-	7,734	-
SY Auto Capital Co., Ltd.	20,394	5,292	(215)	5,077	-
Incheon Bridge Co., Ltd.	107,178	9,127	-	9,127	-
Big Dipper Co., Ltd.	598	(532)	-	(532)	-
APRO Co., Ltd.	47,725	7,702	-	7,702	-
Paycoms Co., Ltd.	262	(343)	-	(343)	-
Food Factory Co., Ltd.	6,807	664	-	664	-
KBSP Private Equity Fund No.4	39	(1,304)	-	(1,304)	-
KB Private Equity Fund No.3	-	(485)	-	(485)	-
Korea Credit Bureau Co., Ltd.	91,200	1,480	-	1,480	135
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	4,077	(3,911)	-	(3,911)	-
Keystone-Hyundai Securities No.1 Private Equity Fund	18,342	(572)	-	(572)	-
KB Social Impact Investment Fund	8	(118)	-	(118)	-
KB-Solidus Global Healthcare Fund	13,085	8,708	-	8,708	-
POSCO-KB Shipbuilding Fund	1,000	(371)	-	(371)	-
GH Real Estate I LP	5,043	3,698	565	4,263	-
KB-TS Technology Venture Private Equity Fund	1,643	632	-	632	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	138	(3,355)	-	(3,355)	-
KB-SJ Tourism Venture Fund	-	(673)	-	(673)	-
UNION Media Commerce Fund	-	(3)	-	(3)	-
KB-Stonebridge Secondary Private Equity Fund	346	(1,856)	-	(1,856)	-
KB SPROTT Renewable Private Equity Fund No.1	1	(986)	-	(986)	-
KB-UTC Inno-Tech Venture Fund	-	(75)	-	(75)	-

*The condensed financial information of the associates and joint ventures is adjusted to reflect adjustments made by the Group, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.

13.3 Changes in carrying amount of investments in associates and joint ventures for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020 ¹						
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Ending
KB Pre IPO Secondary Venture Fund No.1	₩ 1,705	₩ -	₩ (586)	₩ -	₩ 160	₩ -	₩ 1,279
KB GwS Private Securities Investment Trust	136,168	-	-	(9,525)	14,716	-	141,359
KB-KDBC Pre-IPO New Technology Business Investment Fund	18,988	-	(6,399)	-	3,453	-	16,042
KB Star Office Private Real Estate Investment Trust No.1	19,839	-	-	-	227	-	20,066
PT Bank Bukopin TBK ²	121,381	43,909	(54,069)	-	(107,258)	(3,963)	-
Balhae Infrastructure Company	101,391	893	-	(6,973)	11,313	-	106,624
Aju Good Technology Venture Fund	23,016	-	(2,885)	-	1,217	-	21,348
SY Auto Capital Co., Ltd.	12,725	-	-	-	3,422	(3)	16,144
Incheon Bridge Co., Ltd.	-	-	-	-	-	-	-
Big Dipper Co., Ltd.	125	-	-	-	(125)	-	-
Paycoms Co., Ltd.	45	-	-	-	153	-	198
Food Factory Co., Ltd.	1,000	-	-	-	247	34	1,281
KBSP Private Equity Fund No.4	5,904	-	-	-	46	-	5,950
KB Private Equity Fund No.3	7,754	-	(8,000)	(2,082)	2,422	-	94
Korea Credit Bureau Co., Ltd.	5,991	-	-	(89)	1,251	-	7,153
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	13,616	-	(3,231)	-	(540)	-	9,845
Keystone-Hyundai Securities No.1 Private Equity Fund	1,625	-	-	-	(69)	-	1,556
KB Social Impact Investment Fund	1,465	1,500	-	-	(91)	-	2,874
KB-Solidus Global Healthcare Fund	45,718	10,920	(4,940)	-	(5,485)	-	46,213
POSCO-KB Shipbuilding Fund	6,847	5,000	(2,125)	-	3,173	-	12,895
KB-TS Technology Venture Private Equity Fund	19,731	2,240	(5,488)	-	1,232	(85)	17,630
POSCO-KB Shipbuilding Fund	19,752	8,000	(3,200)	-	2,211	-	26,763
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	19,752	8,000	(3,200)	-	2,211	-	26,763
KB-SJ Tourism Venture Fund	2,761	1,500	-	-	(128)	-	4,133
UNION Media Commerce Fund	961	-	-	-	(1)	-	960
KB-Stonebridge Secondary Private Equity Fund	4,944	9,093	-	-	2,599	-	16,636
KB SPROTT Renewable Private Equity Fund No.1	1,295	4,128	-	-	(374)	-	5,049
KB-UTC Inno-Tech Venture Fund	417	16,966	-	-	(384)	-	16,999
WJ Private Equity Fund No.1	-	10,000	-	-	(289)	-	9,711
All Together Korea Fund No.2	-	100,000	(90,000)	-	150	(127)	10,023
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	-	5,700	-	-	(89)	-	5,611
JR GLOBAL REIT	-	219,493	(3,639)	-	-	-	215,854
Project Vanilla Co., Ltd.	-	2,450	-	-	(299)	-	2,151

(In millions of Korean won)

	2020 ¹						
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Ending
December & Company Inc.	-	30,000	(5,151)	-	(447)	-	24,402
2020 KB Fintech Renaissance Fund	-	550	-	-	(3)	-	547
KB Material and Parts No.1 PEF	-	3,400	-	-	(29)	-	3,371
FineKB Private Equity Fund No.1	-	-	-	-	-	-	-
Others	23,076	40,000	(61,862)	-	(899)	359	674
	₩ 598,240	₩ 515,742	₩ (251,575)	₩ (18,669)	₩ (68,518)	₩ (3,785)	₩ 771,435

(In millions of Korean won)

	2019 ¹							
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Impairment loss	Ending
KB Pre IPO Secondary Venture Fund No.1	₩ 1,649	₩ -	₩ (317)	₩ -	₩ 373	₩ -	₩ -	₩ 1,705
KB GwS Private Securities Investment Trust	134,362	-	-	(9,297)	11,103	-	-	136,168
KB-KDBC Pre-IPO New Technology Business Investment Fund	14,594	5,000	-	-	(606)	-	-	18,988
KB Star Office Private Real Estate Investment Trust No.1	19,839	-	-	-	-	-	-	-
PT Bank Bukopin TBK ²	113,932	-	-	-	(1,236)	10,408	(1,723)	19,839
Balhae Infrastructure Company	108,050	592	-	(6,855)	(396)	-	-	121,381
Aju Good Technology Venture Fund	18,134	1,960	-	-	2,922	-	-	101,391
SY Auto Capital Co., Ltd.	10,672	-	-	-	2,158	(105)	-	23,016
Big Dipper Co., Ltd.	280	-	-	-	(155)	-	-	12,725
APRO Co., Ltd.	1,403	-	-	-	1,386	1	-	125
Paycoms Co., Ltd.	103	-	-	-	(58)	-	-	2,790
Food Factory Co., Ltd.	928	-	-	-	72	-	-	45
KBSP Private Equity Fund No.4	-	6,100	-	-	(196)	-	-	5,904
KB Private Equity Fund No.3	7,830	-	-	-	(76)	-	-	7,754
Korea Credit Bureau Co., Ltd.	5,941	-	-	(135)	185	-	-	5,991
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	14,601	-	-	-	(985)	-	-	13,616
Keystone-Hyundai Securities No.1 Private Equity Fund	1,581	66	-	-	(26)	4	-	1,625
KB Social Impact Investment Fund	-	1,500	-	-	(35)	-	-	1,465
KB-Solidus Global Healthcare Fund	-	42,697	-	-	3,021	-	-	45,718
POSCO-KB Shipbuilding Fund	4,463	2,500	-	-	(116)	-	-	6,847
GH Real Estate I LP	17,252	-	-	-	1,553	237	-	19,042
KB-TS Technology Venture Private Equity Fund	13,777	7,440	(1,840)	-	269	85	-	19,731
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	7,930	13,250	-	-	(1,428)	-	-	19,752
KB-SJ Tourism Venture Fund	1,386	1,500	-	-	(125)	-	-	2,761
UNION Media Commerce Fund	962	-	-	-	(1)	-	-	961

(In millions of Korean won)

	2019 ¹							
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Impairment loss	Ending
KB-Stonebridge Secondary Private Equity Fund	-	7,070	(1,855)	-	(271)	-	-	4,944
KB SPROTT Renewable Private Equity Fund No.1	-	1,667	-	-	(372)	-	-	1,295
KB-UTC Inno-Tech Venture Fund	-	450	-	-	(33)	-	-	417
Others	5,263	408	(4,463)	-	667	212	(843)	1,244
	₩ 504,932	₩ 92,200	₩ (8,475)	₩ (16,287)	₩ 17,594	₩ 10,842	₩ (2,566)	₩ 598,240

¹ Gains on disposal of investments in associates and joint ventures amount to ₩ 24,768 million ₩1,423 million for the years ended December 31, 2020 and 2019, respectively.

² The investment was reclassified to subsidiaries from associates for the year ended December 31, 2020 due to additional share purchase.

13.4 Unrecognized share of losses in investments in associates and joint ventures due to discontinuation of applying the equity method for the years ended December 31, 2020 and 2019 and accumulated amount as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Unrecognized losses (gains)		Accumulated unrecognized losses	
	2020	2019	December 31, 2020	December 31, 2019
Doosung Metal Co., Ltd.	₩ -	₩ 46	₩ 65	₩ 65
Incheon Bridge Co., Ltd.	3,354	(1,944)	18,100	14,746
Jungdong Steel Co., Ltd.	-	-	489	489
DPAPS Co., Ltd.	19	14	358	339
Shinla Construction Co., Ltd.	-	-	183	183
Jaeyang Industry Co., Ltd.	-	-	30	30
Terra Corporation	-	-	14	14
Jungdo Co., Ltd.	151	-	312	161
Jinseung Tech Co., Ltd.	-	18	21	21
Korea NM Tech Co., Ltd.	-	-	28	28
Chongil Machine & Tools Co., Ltd.	-	19	19	19
SKYDIGITAL INC.	-	106	106	106
Imt Technology Co., Ltd.	3	-	3	-
Jo Yang Industrial Co., Ltd.	96	-	96	-
IDTECK Co., Ltd.	216	-	216	-
	₩ 3,839	₩ (1,741)	₩ 20,040	₩ 16,201

14. Property and Equipment, and Investment Properties

14.1 Property and Equipment

14.1.1 Details of property and equipment as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 2,611,604	₩ -	₩ (1,018)	₩ 2,610,586
Buildings	2,607,957	(830,516)	(5,859)	1,771,582
Leasehold improvements	929,120	(833,293)	-	95,827
Equipment and vehicles	2,040,100	(1,699,442)	-	340,658
Construction in-progress	44,190	-	-	44,190
Right-of-use assets	1,094,876	(524,165)	-	570,711
	₩ 9,327,847	₩ (3,887,416)	₩ (6,877)	₩ 5,433,554

(In millions of Korean won)

	December 31, 2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 2,431,812	₩ -	₩ (1,018)	₩ 2,430,794
Buildings	2,265,929	(757,147)	(5,859)	1,502,923
Leasehold improvements	865,531	(749,407)	-	116,124
Equipment and vehicles	1,867,739	(1,487,386)	-	380,353
Construction in-progress	86,303	-	-	86,303
Right-of-use assets	854,327	(302,269)	(1,178)	550,880
	₩ 8,371,641	₩ (3,296,209)	₩ (8,055)	₩ 5,067,377

14.1.2 Changes in property and equipment for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020							
	Beginning	Acquisition	Transfer ¹	Disposal	Depreciation ²	Business Combination	Others	Ending
Land	₩ 2,430,794	₩ 6,475	₩ (116,264)	₩ (2,578)	₩ -	₩ 295,421	₩ (3,261)	₩ 2,610,587
Buildings	1,502,923	43,592	190,917	(4,442)	(61,339)	100,984	(1,053)	1,771,582
Leasehold improvements	116,124	13,348	34,596	(574)	(73,394)	5,087	640	95,827
Equipment and vehicles	380,353	161,515	3,705	(1,990)	(221,697)	19,873	(1,102)	340,657
Construction in-progress	86,303	229,927	(291,336)	-	-	20,022	(726)	44,190
Right-of-use assets	550,880	426,405	53	(203,376)	(272,686)	55,656	13,779	570,711
	₩ 5,067,377	₩ 881,262	₩ (178,329)	₩ (212,960)	₩ (629,116)	₩ 497,043	₩ 8,277	₩ 5,433,554

(In millions of Korean won)

	2019							
	Beginning	Acquisition	Transfer ¹	Disposal	Depreciation ²	Business Combination	Others	Ending
Land	₩ 2,432,041	₩ 7,334	₩ (3,957)	₩ (4,907)	₩ -	₩ -	₩ 283	₩ 2,430,794
Buildings	1,330,211	10,908	220,535	(9,964)	(55,669)	-	6,902	1,502,923
Leasehold improvements	122,309	13,398	58,645	(338)	(77,948)	-	58	116,124
Equipment and vehicles	280,624	283,896	(4)	(526)	(183,900)	-	263	380,353
Construction in-progress	88,618	293,204	(288,136)	-	-	-	(7,383)	86,303
Right-of-use assets	589,188	379,934	19	(153,034)	(281,404)	-	16,177	550,880
	₩ 4,842,991	₩ 988,674	₩ (12,898)	₩ (168,769)	₩ (598,921)	₩ -	₩ 16,300	₩ 5,067,377

¹ Includes transfers with investment properties and assets held for sale.

² Includes depreciation expenses amounting to ₩ 123 million and ₩ 111 million recorded as other operating expenses for the years ended December 31, 2020 and 2019, respectively.

14.1.3 Changes in accumulated impairment losses of property and equipment for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses of property and equipment	₩ (6,877)	₩ (12)	₩ -	₩ 12	₩ (6,877)
Accumulated impairment losses of right-of-use assets	(1,178)	-	-	1,178	-
	₩ (8,055)	₩ (12)	₩ -	₩ 1,190	₩ (6,877)

(In millions of Korean won)

	2019				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses of property and equipment	₩ (6,877)	₩ -	₩ -	₩ -	₩ (6,877)
Accumulated impairment losses of right-of-use assets	-	(1,178)	-	-	(1,178)
	₩ (6,877)	₩ (1,178)	₩ -	₩ -	₩ (8,055)

14.2 Investment Properties

14.2.1 Details of investment properties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 1,568,508	₩ -	₩ (410)	₩ 1,568,098
Buildings	1,092,737	(122,833)	(4,463)	965,441
	₩ 2,661,245	₩ (122,833)	₩ (4,873)	₩ 2,533,539

(In millions of Korean won)

	December 31, 2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 1,537,240	₩ -	₩ -	₩ 1,537,240
Buildings	1,463,736	(172,988)	-	1,290,748
	₩ 3,000,976	₩ (172,988)	₩ -	₩ 2,827,988

14.2.2 Valuation techniques and inputs that are used to measure the fair value of investment properties as of December 31, 2020, are as follows:

(In millions of Korean won)

	December 31, 2020		
	Fair value	Valuation techniques	Inputs
Land and buildings	₩ 92,128	Cost approach method	- Price per square meter - Replacement cost
	1,141,121	Market comparison method	- Price per square meter
	1,248,604	Cash flow approach	- Prospective rental market growth rate - Period of vacancy - Discount rate and others
	230,800	Income approach	- Discount rate - Capitalization rate - Vacancy rate

Fair value of the investment properties amounts to ₩ 2,712,653 million and ₩ 3,032,726 million as of December 31, 2020 and 2019, respectively. The investment properties were measured by qualified independent appraisers with experience in valuing similar properties in the same area. In addition, per fair value hierarchy in Note 6.1.2, fair value hierarchy of all investment properties has been classified as Level 3.

Rental income from the above investment properties for the years ended December 31, 2020 and 2019, amounts to ₩ 157,652 million and ₩ 129,944 million, respectively.

14.2.3 Changes in investment properties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020							
	Beginning	Acquisition	Transfer	Disposal	Depreciation	Business combination	Others	Ending
Land	₩ 1,537,240	₩ 34,529	₩ 61,383	₩ (167,015)	₩ -	₩ 106,944	₩ (4,983)	₩ 1,568,098
Buildings	1,290,748	18,667	37,694	(378,332)	(38,717)	42,169	(6,788)	965,441
	₩ 2,827,988	₩ 53,196	₩ 99,077	₩ (545,347)	₩ (38,717)	₩ 149,113	₩ (11,771)	₩ 2,533,539

(In millions of Korean won)

	2019							
	Beginning	Acquisition	Transfer	Disposal	Depreciation	Others	Ending	
Land	₩ 972,562	₩ 580,255	₩ (3,374)	₩ (13,318)	₩ -	₩ 1,115	₩ 1,537,240	
Buildings	1,147,249	225,833	(8,861)	(50,780)	(36,877)	14,184	1,290,748	
	₩ 2,119,811	₩ 806,088	₩ (12,235)	₩ (64,098)	₩ (36,877)	₩ 15,299	₩ 2,827,988	

15. Intangible Assets

15.1 Details of intangible assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020				
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Others	Carrying amount
Goodwill	₩ 887,259	₩ -	₩ (70,517)	₩ (53,160)	₩ 763,582
Other intangible assets	4,928,003	(2,304,188)	(36,264)	-	2,587,551
	₩ 5,815,262	₩ (2,304,188)	₩ (106,781)	₩ (53,160)	₩ 3,351,133

(In millions of Korean won)

	December 31, 2019				
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Others	Carrying amount
Goodwill	₩ 346,314	₩ -	₩ (70,517)	₩ (56)	₩ 275,741
Other intangible assets	4,420,371	(1,926,647)	(31,652)	-	2,462,072
	₩ 4,766,685	₩ (1,926,647)	₩ (102,169)	₩ (56)	₩ 2,737,813

15.2 Details of goodwill as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
	Acquisition cost	Carrying amount *	Acquisition cost	Carrying amount *
Housing & Commercial Bank	₩ 65,288	₩ 65,288	₩ 65,288	₩ 65,288
KB Cambodia Bank	1,202	-	1,202	-
KB Securities Co., Ltd.	70,265	58,889	70,265	58,889
KB Capital Co., Ltd.	79,609	79,609	79,609	79,609
KB Savings Bank Co., Ltd.	115,343	57,404	115,343	57,404
KB Securities Vietnam Joint Stock Company	13,092	12,234	13,092	12,987
KB Daehan Specialized Bank Plc.	1,515	1,470	1,515	1,564
PRASAC Microfinance Institution Plc.	396,942	356,570	-	-
PT Sunindo Kookmin Best Finance	2,963	2,963	-	-
PT Bank Bukopin TBK.	89,220	80,002	-	-
PT. KB Finansia Multi Finance	51,820	49,153	-	-
	₩ 887,259	₩ 763,582	₩ 346,314	₩ 275,741

* Includes the effect of exchange differences etc.

15.3 Changes in accumulated impairment losses of goodwill for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses of goodwill	₩ (70,517)	₩ -	₩ -	₩ (70,517)

(In millions of Korean won)

	2019			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses of goodwill	₩ (70,517)	₩ -	₩ -	₩ (70,517)

15.4 Details of goodwill allocation to cash-generating units and related information for impairment testing as of December 31, 2020 are as follows:

(In millions of Korean won)

		December 31, 2020			
		Carrying amount of goodwill	Recoverable amount exceeding carrying amount	Discount rate (%)	Permanent growth rate (%)
Housing & Commercial Bank	Retail banking	₩ 49,315	₩ 1,595,304	17.46	1.00
	Corporate banking	15,973	955,540	17.63	1.00
KB Securities Co., Ltd.		58,889	11,340	21.46	1.00
KB Capital Co., Ltd.		79,609	424,933	17.39	1.00
KB Savings Bank Co., Ltd. and Yehansoul Savings Bank Co., Ltd.		57,404	443,778	13.80	1.00
KB Securities Vietnam Joint Stock Company		12,234	10,262	23.61	1.00
KB Daehan Specialized Bank Plc.		1,470	9,299	25.77	1.00
PRASAC Microfinance Institution Plc.		356,570	111,425	24.50	3.00
PT Sunindo Kookmin Best Finance		2,963	1,909	15.47	0.00
PT. KB Finansia Multi Finance		49,153	28,990	16.19	3.00
		₩ 683,580	₩ 3,592,780		

For impairment testing, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination, and cash-generating units consist of an operating segment or units which are not larger than an operating segment.

The Group recognized goodwill amounting to ₩ 65,288 million from the merger of Housing & Commercial Bank, the amounts of ₩ 49,315 million and ₩ 15,973 million were allocated to the retail banking and corporate banking, respectively.

And the goodwill of ₩ 356,570 million arising from the acquisition of PRASAC Microfinance Institution Plc. was allocated to microfinance unit.

Cash-generating units to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. If it is difficult to measure the amount obtainable from the sale of the cash-generating unit, the Group measures the fair value less costs to sell by reflecting the characteristics of the measured cash-generating unit. If it is not possible to obtain reliable information to measure the fair value less costs to sell, the Group uses the asset's value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The projections of the future cash flows are based on the most recent financial budget approved by management and generally cover a period of five years. The future cash flows of retail banking and corporate banking after projection period are estimated on the assumption that the future cash flows will increase by 1.0% per year. The key assumptions used for the estimation of the future cash flows are estimated based on the market size and the Group's market share.

The future cash flows PRASAC Microfinance Institution Plc. after five years are estimated on the assumption that the future cash flows will increase by 3.0% per year. The key assumptions used for the estimation of the future cash flows are the GDP growth rate of Cambodia, the market size and the recent growth rate of PRASAC Microfinance Institution Plc. The discount rate is a pre-tax rate that reflects assumptions regarding risk-free interest rate, market risk premium and the risks specific to the cash-generating unit.

The Group acquired a 67% stake in PT Bank Bukopin TBK with the acquisition date of September 2, 2020, and the goodwill recognized due to the business combination is ₩ 80,002 million as of December 31, 2020. The Group conducts an impairment test annually and whenever there is an indication of impairment, and no indication of impairment has been observed as of December 31, 2020.

15.5 Details of intangible assets other than goodwill as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 6,223	₩ (2,936)	₩ (940)	₩ 2,347
Software	1,800,685	(1,225,173)	(2,326)	573,186
Other intangible assets	690,664	(285,893)	(32,998)	371,773
Value of Business Acquired (VOBA)	2,395,291	(759,672)	-	1,635,619
Right-of-use assets	35,140	(30,514)	-	4,626
	₩ 4,928,003	₩ (2,304,188)	₩ (36,264)	₩ 2,587,551

(In millions of Korean won)

	December 31, 2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 5,802	₩ (2,930)	₩ 19	₩ 2,853
Software	1,428,655	(1,055,136)	-	373,519
Other intangible assets	555,424	(257,274)	(31,633)	266,517
Value of Business Acquired (VOBA)	2,395,290	(585,805)	-	1,809,485
Right-of-use assets	35,200	(25,502)	-	9,698
	₩ 4,420,371	₩ (1,926,647)	₩ (31,652)	₩ 2,462,072

15.6 Changes in intangible assets other than goodwill for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020						
	Beginning	Acquisition and transfer	Disposal	Amortization ¹	Business combination	Others	Ending
Industrial property rights	₩ 2,853	₩ 116	₩ (147)	₩ (476)	₩ -	₩ -	₩ 2,346
Software	373,519	340,045	(4,444)	(153,876)	18,252	(309)	573,187
Other intangible assets ²	266,516	63,743	(9,527)	(47,948)	106,445	(7,456)	371,773
Value of Business Acquired (VOBA)	1,809,485	-	-	(173,866)	-	-	1,635,619
Right-of-use assets	9,699	-	-	(5,026)	-	(47)	4,626
	₩ 2,462,072	₩ 403,904	₩ (14,118)	₩ (381,192)	₩ 124,697	₩ (7,812)	₩ 2,587,551

(In millions of Korean won)

	2019					
	Beginning	Acquisition and transfer	Disposal	Amortization ¹	Others	Ending
Industrial property rights	₩ 4,497	₩ 174	₩ (1,160)	₩ (658)	₩ -	₩ 2,853
Software	204,505	274,583	-	(105,228)	(341)	373,519
Other intangible assets ²	248,611	59,776	(13,534)	(33,590)	5,254	266,517
Value of Business Acquired (VOBA)	2,001,945	-	-	(192,460)	-	1,809,485
Right-of-use assets	21,063	1,010	-	(9,893)	(2,482)	9,698
	₩ 2,480,621	₩ 335,543	₩ (14,694)	₩ (341,829)	₩ 2,431	₩ 2,462,072

¹ Includes ₩ 173,992 million and ₩ 193,085 million recorded as insurance expenses and other operating expenses for the years ended December 31, 2020 and 2019, respectively.

² Impairment losses for membership right of other intangible asset with indefinite useful life was recognized when its recoverable amount is lower than its carrying amount, and reversal of impairment losses was recognized when its recoverable amount is higher than its carrying amount.

15.7 Changes in accumulated impairment losses of other intangible assets for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses of other intangible assets	₩ (31,652)	₩ (9,312)	₩ 3,669	₩ 1,031	₩ (36,264)

(In millions of Korean won)

	2019				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses of other intangible assets	₩ (45,017)	₩ (1,578)	₩ 6,859	₩ 8,084	₩ (31,652)

16. Lease
16.1 The Group as a Lessee

16.1.1 Amounts recognized in the consolidated statements of financial position related to lease as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Right-of-use property and equipment *		
Real estate	₩ 537,392	₩ 518,795
Vehicles	16,218	13,542
Others	17,101	18,543
	570,711	550,880
Right-of-use intangible assets *	4,626	9,698
	₩ 575,337	₩ 560,578
Lease liabilities *	₩ 559,113	₩ 544,439

*Included in property and equipment, intangible assets and other liabilities.

16.1.2 Amounts recognized in the consolidated statements of comprehensive income related to lease for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Depreciation and amortization of right-of-use assets		
Real estate	₩ 246,058	₩ 251,465
Vehicles	15,286	19,594
Others	11,342	10,345
Intangible assets	5,026	9,893
	₩ 277,712	₩ 291,297
Interest expenses on the lease liabilities	₩ 13,492	₩ 12,720
Expense relating to short-term lease	6,169	2,209
Expense relating to leases of low-value assets that are not short-term lease	7,130	5,416
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	438	15

Total cash outflow for lease for the years ended December 31, 2020 and 2019 was ₩ 245,151 million and ₩ 228,312 million, respectively.

16.2 The Group as a Lessor
16.2.1 The Group as a finance lessor

16.2.1.1 Total lease investment and the present value of minimum lease payments as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
	Total lease investment	Present value of minimum lease payment	Total lease investment	Present value of minimum lease payment
Up to 1 year	₩ 579,968	₩ 354,588	₩ 654,104	₩ 367,937
1-5 years	958,125	551,777	1,085,208	569,939
Over 5 years	-	-	773	748
	₩ 1,538,093	₩ 906,365	₩ 1,740,085	₩ 938,624

16.2.1.2 Unearned interest income on finance lease as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Total lease investment	₩ 1,538,093	₩ 1,740,085
Net lease investment		
Present value of minimum lease payments	906,365	938,624
Present value of non-guaranteed residual value	496,969	639,075
	1,403,334	1,577,699
Unearned interest income	₩ 134,759	₩ 162,386

16.2.2 The Group as an operating lessor

Future minimum lease receipts arising from the non-cancellable lease contracts as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Minimum lease receipts		
Up to 1 year	₩ 792,935	₩ 577,490
1-5 years	1,727,498	1,432,354
Over 5 years	84,733	682,165
	₩ 2,605,166	₩ 2,692,009

17. Deferred Income Tax Assets and Liabilities

17.1 Details of deferred income tax assets and liabilities as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		
	Assets	Liabilities	Net amount
Other provisions	₩ 149,259	₩ -	₩ 149,259
Allowances for credit losses	26,496	(3,356)	23,140
Impairment losses of property and equipment	3,992	(1,889)	2,103
Share-based payments	17,718	-	17,718

(In millions of Korean won)

	December 31, 2020		
	Assets	Liabilities	Net amount
Provisions for acceptances and guarantees	17,046	-	17,046
Gains or losses on valuation of derivatives	20,645	(223,482)	(202,837)
Present value discount	17,058	(3,041)	14,017
Gains or losses on fair value hedge	21,060	-	21,060
Accrued interest	-	(125,835)	(125,835)
Deferred loan origination fees and costs	7,224	(226,821)	(219,597)
Advanced depreciation provision	-	(1,703)	(1,703)
Gains or losses on revaluation	338	(319,698)	(319,360)
Investments in subsidiaries and others	38,164	(111,589)	(73,425)
Gains or losses on valuation of security investment	73,857	(1,232,689)	(1,158,832)
Defined benefit liabilities	606,146	-	606,146
Accrued expenses	334,900	-	334,900
Retirement insurance expense	-	(541,317)	(541,317)
Adjustments to the prepaid contributions	-	(28,261)	(28,261)
Derivative-linked securities	78,202	(30,881)	47,321
Others	1,081,691	(740,462)	341,229
	2,493,796	(3,591,024)	(1,097,228)
Offsetting of deferred income tax assets and liabilities	(2,428,738)	2,428,738	-
	₩ 65,058	₩ (1,162,286)	₩ (1,097,228)

(In millions of Korean won)

	December 31, 2019		
	Assets	Liabilities	Net amount
Other provisions	₩ 115,500	₩ -	₩ 115,500
Allowances for credit losses	451	(3,266)	(2,815)
Impairment losses of property and equipment	4,396	(1,952)	2,444
Share-based payments	18,002	-	18,002
Provisions for acceptances and guarantees	20,959	-	20,959
Gains or losses on valuation of derivatives	51,160	(158,604)	(107,444)
Present value discount	8,244	(4,201)	4,043
Gains or losses on fair value hedge	12,123	-	12,123
Accrued interest	-	(110,359)	(110,359)
Deferred loan origination fees and costs	531	(199,000)	(198,469)
Advanced depreciation provision	-	(1,703)	(1,703)
Gains or losses on revaluation	549	(329,331)	(328,782)
Investments in subsidiaries and others	35,306	(105,470)	(70,164)
Gains or losses on valuation of security investment	39,949	(265,934)	(225,985)
Defined benefit liabilities	557,423	-	557,423
Accrued expenses	249,999	-	249,999
Retirement insurance expense	-	(489,602)	(489,602)
Adjustments to the prepaid contributions	-	(22,897)	(22,897)
Derivative-linked securities	131,259	(34,635)	96,624
Others	469,540	(762,633)	(293,093)
	1,715,391	(2,489,587)	(774,196)
Offsetting of deferred income tax assets and liabilities	(1,711,794)	1,711,794	-
	₩ 3,597	₩ (777,793)	₩ (774,196)

17.2 Unrecognized Deferred Income Tax Assets

17.2.1 No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 242,875 million associated with investments in subsidiaries and associates as of December 31, 2020, because it is not probable that the temporary differences will be reversed in the foreseeable future.

17.2.2 No deferred income tax assets have been recognized for deductible temporary differences of ₩ 75,831 million associated with others, as of December 31, 2020, due to the uncertainty that these will be realized in the future.

17.3 Unrecognized Deferred Income Tax Liabilities

17.3.1 No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 260,739 million associated with investment in subsidiaries and associates as of December 31, 2020, due to the following reasons:

- The Group is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not be reversed in the foreseeable future.

17.3.2 No deferred income tax liabilities have been recognized as of December 31, 2020, for the taxable temporary difference of ₩ 65,288 million arising from the initial recognition of goodwill from the merger of Housing and Commercial Bank in 2001.

17.4 Changes in cumulative temporary differences for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020				
	Beginning	Business combination	Decrease	Increase	Ending
Deductible temporary differences					
Gains or losses on fair value hedge	₩ 44,085	₩ -	₩ 44,085	₩ 76,583	₩ 76,583
Other provisions	424,383	6,383	426,457	540,396	544,705
Allowances for credit losses	2,018	105,505	96,885	83,111	93,749
Impairment losses of property and equipment	15,985	-	9,658	8,189	14,516
Deferred loan origination fees and costs	1,930	35,863	15,098	3,574	26,269
Share-based payments	63,092	5	55,601	54,589	62,085
Provisions for acceptance and guarantees	76,214	-	76,214	61,984	61,984
Gains or losses on valuation of derivatives	186,035	5,201	191,236	76,238	76,238
Present value discount	29,978	-	29,732	61,783	62,029
Investments in subsidiaries and others	185,380	-	47,034	232,655	371,001
Gains or losses on valuation of security investment	136,236	-	136,070	251,524	251,690
Defined benefit liabilities	2,161,219	94,105	227,010	327,255	2,355,569
Accrued expenses	911,599	75,498	911,599	1,144,785	1,220,283
Derivative-linked securities	477,307	-	477,307	284,370	284,370
Others	1,669,025	2,068,207	1,170,462	1,081,994	3,648,764
	₩ 6,384,486	₩ 2,390,767	₩ 3,914,448	₩ 4,289,030	₩ 9,149,835
Unrecognized deferred income tax assets:					
Other provisions	4,788				3,054
Investments in subsidiaries and others	67,645				242,875
Others	125,158				75,831
	6,186,895				8,828,075
Tax rate (%)	27.5				27.5
Total deferred income tax assets	₩ 1,715,391				₩ 2,493,796

(In millions of Korean won)

	2020				
	Beginning	Business combination	Decrease	Increase	Ending
Taxable temporary differences					
Accrued interest	₩ (401,337)	₩ (168,859)	₩ (394,255)	₩ (281,685)	₩ (457,626)
Allowances for credit losses	(11,877)	-	(11,877)	(12,203)	(12,203)
Impairment losses of property and equipment	(4,163)	-	(111)	117	(3,935)
Deferred loan origination fees and costs	(752,178)	-	(752,178)	(820,223)	(820,223)
Advanced depreciation provision	(6,192)	-	-	-	(6,192)
Gains or losses on valuation of derivatives	(576,743)	-	(576,743)	(812,662)	(812,662)
Present value discount	(15,278)	-	(15,278)	(10,916)	(10,916)
Goodwill from merger	(65,288)	-	-	-	(65,288)
Gains or losses on revaluation	(1,197,566)	-	(80,036)	(45,008)	(1,162,538)
Investments in subsidiaries and others	(419,055)	-	(70,188)	(297,809)	(646,676)
Gains or losses on valuation of security investment	(906,790)	(3,060,750)	(899,660)	(1,358,042)	(4,425,922)
Retirement insurance expense	(1,775,740)	(61,789)	(162,764)	(288,296)	(1,963,061)
Adjustments to the prepaid contributions	(83,262)	-	(83,262)	(102,768)	(102,768)
Derivative-linked securities	(125,947)	-	(125,947)	(112,293)	(112,293)
Others	(2,793,848)	(1,613)	(1,644,815)	(1,555,740)	(2,706,386)
	₩ (9,135,264)	₩ (3,293,011)	₩ (4,817,114)	₩ (5,697,528)	₩ (13,308,689)
Unrecognized deferred income tax liabilities:					
Goodwill from merger	(65,288)	-	-	-	(65,288)
Investments in subsidiaries and others	(68,836)	-	-	-	(260,739)
Others	(1,247)	-	-	-	(1,042)
	(8,999,893)	-	-	-	(12,981,620)
Tax rate (%)	27.5	-	-	-	27.5
Unrecognized deferred income tax liabilities:	₩ (2,489,587)				₩ (3,591,024)

(In millions of Korean won)

	2019			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Gains or losses on fair value hedge	₩ -	₩ -	₩ 44,085	₩ 44,085
Other provisions	411,903	411,747	424,227	424,383
Allowances for credit losses	12,481	16,160	5,697	2,018
Impairment losses of property and equipment	21,927	21,402	15,460	15,985
Deferred loan origination fees and costs	1,841	1,841	1,930	1,930
Share-based payments	60,071	52,475	55,496	63,092
Provisions for acceptance and guarantees	73,809	73,809	76,214	76,214
Gains or losses on valuation of derivatives	503,277	503,277	186,035	186,035
Present value discount	24,593	24,347	29,732	29,978
Investments in subsidiaries and others	184,870	47,217	47,727	185,380
Gains or losses on valuation of security investment	269,731	264,318	130,823	136,236
Defined benefit liabilities	1,977,430	200,827	384,616	2,161,219
Accrued expenses	993,906	994,326	912,019	911,599
Derivative-linked securities	13,679	13,679	477,307	477,307
Others	1,290,065	600,750	979,710	1,669,025
	₩ 5,839,583	₩ 3,226,175	₩ 3,771,078	₩ 6,384,486

(In millions of Korean won)

	2019			
	Beginning	Decrease	Increase	Ending
Unrecognized deferred income tax assets:				
Other provisions	3,416	-	-	4,788
Investments in subsidiaries and others	73,764	-	-	67,645
Others	120,704	-	-	125,158
	5,641,699	-	-	6,186,895
Tax rate (%)	27.5	-	-	27.5
Total deferred income tax assets	₩ 1,562,537			₩ 1,715,391
Taxable temporary differences				
Gains or losses on fair value hedge	₩ (94,085)	₩ (94,085)	₩ -	₩ -
Accrued interest	(411,487)	(362,627)	(352,477)	(401,337)
Allowances for credit losses	(238)	(238)	(11,877)	(11,877)
Impairment losses of property and equipment	(4,457)	(212)	82	(4,163)
Deferred loan origination fees and costs	(727,528)	(727,528)	(752,178)	(752,178)
Advanced depreciation provision	(6,192)	-	-	(6,192)
Gains or losses on valuation of derivatives	(49,036)	(49,036)	(576,743)	(576,743)
Present value discount	(8,656)	(8,656)	(15,278)	(15,278)
Goodwill from merger	(65,288)	-	-	(65,288)
Gains or losses on revaluation	(1,201,992)	(52,470)	(48,044)	(1,197,566)
Investments in subsidiaries and others	(316,346)	(19,421)	(122,130)	(419,055)
Gains or losses on valuation of security investment	(601,496)	(594,206)	(899,500)	(906,790)
Retirement insurance expense	(1,611,475)	(153,528)	(317,793)	(1,775,740)
Adjustments to the prepaid contributions	(69,212)	(69,212)	(83,262)	(83,262)
Derivative-linked securities	(271,873)	(271,873)	(125,947)	(125,947)
Others	(2,098,159)	(2,917,318)	(3,613,007)	(2,793,848)
	₩ (7,537,520)	₩ (5,320,410)	₩ (6,918,154)	₩ (9,135,264)
Unrecognized deferred income tax liabilities:				
Goodwill from merger	(65,288)	-	-	(65,288)
Investments in subsidiaries and others	(62,367)	-	-	(68,836)
Others	(588)	-	-	(1,247)
	(7,409,277)	-	-	(8,999,893)
Tax rate (%)	27.5	-	-	27.5
Unrecognized deferred income tax liabilities:	₩ (2,050,913)			₩ (2,489,587)

18. Assets Held for Sale

18.1 Details of assets held for sale as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Acquisition cost	Accumulated impairment losses	Carrying amount	Fair value less costs to sell
Land held for sale	₩ 80,740	₩ (16,169)	₩ 64,571	₩ 68,321
Buildings held for sale	152,426	(24,887)	127,539	134,247
Other assets held for sale	10,676	(5,059)	5,617	5,801
	₩ 243,842	(46,115)	₩ 197,727	₩ 208,369

(In millions of Korean won)

	December 31, 2019			
	Acquisition cost	Accumulated impairment losses	Carrying amount	Fair value less costs to sell
Land held for sale	₩ 14,542	₩ (1,530)	₩ 13,012	₩ 14,374
Buildings held for sale	11,391	(1,252)	10,139	12,396
	₩ 25,933	₩ (2,782)	₩ 23,151	₩ 26,770

* Acquisition cost of buildings held for sale is net of accumulated depreciation before classified as assets held for sale.

18.2 Valuation techniques and inputs that are used to measure the fair value of assets held for sale as of December 31, 2020 are as follows:

(In millions of Korean won)

	December 31, 2020				
	Fair value	Valuation techniques ¹	Unobservable inputs ²	Estimated range of unobservable inputs (%)	Effect of unobservable inputs to fair value
Land and buildings	₩ 208,369	Market comparison approach model	Adjustment index	0.68 ~ 1.95	Fair value increases as the adjustment index rises

¹ The appraisal value is adjusted by the adjustment ratio in the event the public sale is unsuccessful.

² Adjustment index is calculated using the time factor correction or local factors or individual factors.

Among assets held for sale, real estate was measured by independent appraisers with recent experience in evaluating similar properties in the area of the property to be assessed with professional qualifications. All of assets held for sale are classified as level 3 in accordance with fair value hierarchy in Note 6.1.2.

18.3 Changes in accumulated impairment losses of assets held for sale for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Beginning	Provision	Reversal	Business combination	Others	Ending
Accumulated impairment losses of assets held for sale	₩ (2,782)	₩ (11,593)	₩ -	₩ (45,433)	₩ 13,693	₩ (46,115)

(In millions of Korean won)

	2019				
	Beginning	Provision	Reversal	Others	Ending
Accumulated impairment losses of assets held for sale	₩ (8,150)	₩ (333)	₩ -	₩ 5,701	₩ (2,782)

18.4 As of December 31, 2020, assets held for sale consist of 4 real estates of closed offices and 1,087 foreclosure assets on loans of PT Bank Bukopin TBK, which were determined to sell by the management, but not yet sold as of December 31, 2020. Negotiation with buyers is in process for the one closed office and the remaining 1,090 assets are also being actively marketed.

19. Other Assets

19.1 Details of other assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Other financial assets		
Other receivables	₩ 10,628,272	₩ 5,792,814
Accrued income	1,726,651	1,659,182
Guarantee deposits	1,099,618	1,146,000
Domestic exchange settlement debits	722,616	531,356
Others	117,330	129,039
Allowances for credit losses	(119,762)	(104,629)
Present value discount	(7,036)	(6,703)
	₩ 14,167,689	₩ 9,147,059
Other non-financial assets		
Other receivables	₩ 1,091	₩ 1,294
Prepaid expenses	254,152	198,893
Guarantee deposits	3,906	4,084
Insurance assets	2,376,679	1,662,016
Separate account assets	10,210,047	5,052,804
Others	3,158,993	2,173,693
Allowances for credit losses	(17,520)	(24,235)
	15,987,348	9,068,549
	₩ 30,155,037	₩ 18,215,608

19.2 Changes in allowances for credit losses of other assets for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		
	Other financial assets	Other non-financial assets	Total
Beginning	₩ 104,629	₩ 24,235	₩ 128,864
Write-offs	(6,517)	(8,503)	(15,020)
Provision	22,153	1,726	23,879
Business combination	7,946	59	8,005
Others	(8,449)	3	(8,446)
Ending	₩ 119,762	₩ 17,520	₩ 137,282

(In millions of Korean won)

	2019		
	Other financial assets	Other non-financial assets	Total
Beginning	₩ 106,275	₩ 24,780	₩ 131,055
Write-offs	(5,883)	(152)	(6,035)
Provision (reversal)	9,885	(393)	9,492
Others	(5,648)	-	(5,648)
Ending	₩ 104,629	₩ 24,235	₩ 128,864

20. Financial Liabilities at Fair Value through Profit or Loss

20.1 Details of financial liabilities at fair value through profit or loss, and financial liabilities designated at fair value through profit or loss as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Financial liabilities at fair value through profit or loss				
Borrowed securities sold	₩	1,934,735	₩	2,583,092
Other		91,216		80,235
	₩	2,025,951	₩	2,663,327
Financial liabilities designated at fair value through profit or loss				
Derivative-linked securities		9,784,107		12,704,826
		9,784,107		12,704,826
	₩	11,810,058	₩	15,368,153

20.2 Difference between the carrying amount and contractual cash flow amount of financial liabilities designated at fair value through profit or loss as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Contractual cash flow amount	₩	9,583,186	₩	12,515,734
Carrying amount		9,784,107		12,704,826
Difference	₩	(200,921)	₩	(189,092)

21. Deposits

Details of deposits as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Demand deposits				
Demand deposits in Korean won	₩	162,155,728		127,790,349
Demand deposits in foreign currencies		14,473,832		8,550,068
	₩	176,629,560		136,340,417
Time deposits				
Time deposits in Korean won		149,435,968		157,653,603
		149,435,968		157,653,603
Time deposits in foreign currencies		10,043,679		7,377,173
Fair value adjustments on fair value hedged time deposits in foreign currencies		2,089		(18,391)
		10,045,768		7,358,782
		159,481,736		165,012,385
Certificates of deposits		2,468,924		4,239,969
	₩	338,580,220	₩	305,592,771

22. Borrowings

22.1 Details of borrowings as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Borrowings	₩	32,312,859	₩	24,370,567
Bonds sold under repurchase agreements and others		16,334,365		13,015,506
Call money		1,179,932		432,787
	₩	49,827,156	₩	37,818,860

22.2 Details of borrowings as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		Lenders	Annual interest rate (%)	December 31, 2020	December 31, 2019
Borrowings in Korean won	Borrowings from the Bank of Korea	The Bank of Korea	0.25	₩ 6,463,267	₩ 2,649,851
	Borrowings from the government	SEMAS and others	0.00 ~ 2.70	2,675,568	1,658,810
	Borrowings from banks	Shinhan Bank and others	1.55 ~ 3.01	137,952	116,160
	Borrowings from non-banking financial institutions	Korea Securities Finance Corporation and others	0.20 ~ 4.74	2,203,702	1,982,242
	Other borrowings	The Korea Development Bank and others	0.00 ~ 5.20	9,717,382	8,022,921
				₩ 21,197,871	₩ 14,429,984
Borrowings in foreign currencies	Due to banks	Commonwealth Bank of Australia and others	-	₩ 292	₩ 4,682
	Borrowings from banks	Central Bank of Uzbekistan and others	0.00 ~ 8.84	9,839,110	8,089,368
	Borrowings from other financial institutions	The Export-Import Bank of Korea and others	0.70 ~ 1.47	23,827	7,081
	Other borrowings	Bank of New York Mellon and others	0.00 ~ 2.80	1,251,759	1,839,452
				11,114,988	9,940,583
				₩ 32,312,859	₩ 24,370,567

22.3 Details of bonds sold under repurchase agreements and others as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Lenders	Annual interest rate (%)	December 31, 2020	December 31, 2019
Bonds sold under repurchase agreements	Individuals, groups and corporations	0.25~3.00	₩ 16,329,799	₩ 13,011,121
Bills sold	Counter sale	0.10~0.35	4,566	4,385
			₩ 16,334,365	₩ 13,015,506

22.4 Details of call money as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Lenders	Annual interest rate (%)	December 31, 2020	December 31, 2019
Call money in Korean won	The Export-Import Bank of Korea and others	0.48~0.85	₩ 510,000	₩ 165,000
Call money in foreign currencies	Central Bank of Uzbekistan and others	0.00~0.34	669,932	267,787
			₩ 1,179,932	₩ 432,787

23. Debentures

23.1 Details of debentures as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Annual interest rate (%)	December 31, 2020	December 31, 2019
Debentures in Korean won			
Structured debentures	5.65 ~ 5.86	₩ 1,960	₩ 33,310
Exchangeable bonds *	0.00	240,000	-
Subordinated fixed rate debentures	2.02 ~ 4.35	4,834,407	3,386,590
Fixed rate debentures	0.00 ~ 3.50	47,229,619	40,596,755
Floating rate debentures	0.58 ~ 1.55	3,190,000	1,580,000
		₩ 55,495,986	₩ 45,596,655

(In millions of Korean won)

	Annual interest rate (%)	December 31, 2020	December 31, 2019
Debentures in Korean won			
Fair value adjustments of fair value hedged debentures in Korean won		₩ (6,839)	₩ 21,070
Less: Discount on debentures in Korean won		(32,028)	(30,029)
Less: Adjustment for exchangeable rights in Korean won		(14,957)	-
		₩ 55,442,162	₩ 45,587,696
Debentures in foreign currencies			
Floating rate debentures	0.58 ~ 1.51	2,232,938	2,227,607
Fixed rate debentures	0.05 ~ 13.50	5,030,580	3,094,196
		7,263,518	5,321,803
Fair value adjustments of fair value hedged debentures in foreign currencies		81,333	41,406
Less: Discount on debentures in foreign currencies		(26,326)	(15,322)
		7,318,525	5,347,887
		₩ 62,760,687	₩ 50,935,583

*Fair value of the liability component of exchangeable bonds is calculated by using market interest rates of bonds under the same conditions without the exchangeable rights. The residual amount after deducting the liability component from the issuance amount, represents the value of the exchangeable rights and is recorded in equity. Shares to be exchanged are 5 million treasury shares of KB Financial Group Inc. with the exchange price of ₩ 48,000. Exercise period for exchangeable rights is from the 60th day from the issuance date to 10 days before the maturity date.

23.2 Changes in debentures based on face value for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Beginning	Issue	Repayment	Business combination	Others	Ending
Debentures in Korean won						
Structured debentures	₩ 33,310	₩ -	₩ (1,350)	₩ -	₩ (30,000)	₩ 1,960
Exchangeable bonds	-	240,000	-	-	-	240,000
Subordinated fixed rate debentures	3,386,590	2,150,000	(702,183)	-	-	4,834,407
Fixed rate debentures	40,596,755	111,677,084	(105,044,220)	-	-	47,229,619
Floating rate debentures	1,580,000	2,010,000	(400,000)	-	-	3,190,000
	45,596,655	116,077,084	(106,147,753)	-	(30,000)	55,495,986
Debentures in foreign currencies						
Floating rate debentures	2,227,607	823,478	(675,075)	-	(143,072)	2,232,938
Fixed rate debentures	3,094,196	2,909,967	(937,972)	277,087	(312,698)	5,030,580
	5,321,803	3,733,445	(1,613,047)	277,087	(455,770)	7,263,518
	₩ 50,918,458	₩ 119,810,529	₩ (107,760,800)	₩ 277,087	₩ (485,770)	₩ 62,759,504

(In millions of Korean won)

	2019				
	Beginning	Issue	Repayment	Others	Ending
Debentures in Korean won					
Structured debentures	₩ 34,320	₩ -	₩ (1,010)	₩ -	₩ 33,310
Subordinated fixed rate debentures	3,437,729	-	(51,139)	-	3,386,590
Fixed rate debentures	43,466,085	91,960,041	(94,829,371)	-	40,596,755
Floating rate debentures	1,650,000	570,000	(640,000)	-	1,580,000
	48,588,134	92,530,041	(95,521,520)	-	45,596,655
Debentures in foreign currencies					
Floating rate debentures	1,791,868	532,380	(33,199)	(63,442)	2,227,607
Fixed rate debentures	2,951,251	595,490	(590,950)	138,405	3,094,196
	4,743,119	1,127,870	(624,149)	74,963	5,321,803
	₩ 53,331,253	₩ 93,657,911	₩ (96,145,669)	₩ 74,963	₩ 50,918,458

24. Provisions

24.1 Details of provisions as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Provisions for credit losses of unused loan commitments	₩ 298,753	₩ 208,148
Provisions for credit losses of acceptances and guarantees	62,254	77,759
Provisions for credit losses of financial guarantee contracts	6,348	6,063
Provisions for restoration costs	151,696	120,340
Others	195,852	115,619
	₩ 714,903	₩ 527,929

24.2 Changes in debentures based on face value for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Provisions for credit losses of unused loan commitments			Provisions for credit losses of acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
Non-impaired		Impaired	Non-impaired		Impaired	
Beginning	₩ 127,297	₩ 71,464	₩ 9,387	₩ 24,961	₩ 36,012	₩ 16,786
Transfer between stages						
Transfer to 12-month expected credit losses	23,318	(21,694)	(1,624)	194	(191)	(3)
Transfer to lifetime expected credit losses	(13,431)	15,991	(2,560)	(486)	486	-
Impairment	(304)	(3,474)	3,778	(5)	(461)	466
Provision (reversal) for credit losses *	24,583	65,449	(412)	9,482	(20,389)	(2,734)
Business combination	19,426	-	-	-	-	-
Others (exchange differences, etc.)	(18,168)	(273)	-	(1,058)	(619)	(187)
Ending	₩ 162,721	₩ 127,463	₩ 8,569	₩ 33,088	₩ 14,838	₩ 14,328

*Includes additional provision of ₩ 14,974 million for industries and borrowers which are highly affected by COVID-19, and ₩ 28,385 million due to expanding the scope of the loans subject to lifetime expected credit losses (non-impaired) for the year ended December 31, 2020.

(In millions of Korean won)

	2019					
	Provisions for credit losses of unused loan commitments			Provisions for credit losses of acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
Non-impaired		Impaired	Non-impaired		Impaired	
Beginning	₩ 132,876	₩ 68,920	₩ 8,881	₩ 27,084	₩ 30,109	₩ 17,982
Transfer between stages						
Transfer to 12-month expected credit losses	32,622	(31,408)	(1,214)	365	(365)	-
Transfer to lifetime expected credit losses	(16,932)	17,195	(263)	(975)	1,705	(729)
Impairment	(422)	(1,516)	1,938	(24)	(280)	304
Provision (reversal) for credit losses	(21,171)	18,036	45	(1,763)	4,584	(893)
Others (exchange differences, etc.)	324	237	-	274	259	122
Ending	₩ 127,297	₩ 71,464	₩ 9,387	₩ 24,961	₩ 36,012	₩ 16,786

24.3 Changes in provisions for credit losses of financial guarantee contracts for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Beginning	₩ 6,063	₩ 4,275
Provision	280	1,865
Others	5	(77)
Ending	₩ 6,348	₩ 6,063

24.4 Changes in provisions for restoration costs for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Beginning	₩ 120,340	₩ 108,000
Provision	14,192	7,037
Reversal	(2,010)	(7,178)
Used	(9,469)	(5,211)
Unwinding of discount	2,372	2,237
Effect of changes in discount rate	23,886	15,455
Business combination	2,385	-
Ending	₩ 151,696	₩ 120,340

Provisions for restoration costs are the present value of estimated costs to be incurred for the restoration of the leased properties. The expenditure of the restoration cost will be incurred at the end of each lease contract, and the lease period is used to reasonably estimate the time of expenditure. Also, the average restoration expense based on actual three-year historical data and three-year historical average inflation rate were used to estimate the present value of estimated costs.

24.5 Changes in other provisions for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020				
	Membership rewards program	Dormant accounts	Litigations	Others *	Total
Beginning	₩ 14,669	₩ 3,579	₩ 28,690	₩ 68,681	₩ 115,619
Increase	76,138	2,607	19,186	89,361	187,292
Decrease	(71,306)	(3,179)	(9,725)	(28,173)	(112,383)
Business combination	-	-	2,366	2,958	5,324
Ending	₩ 19,501	₩ 3,007	₩ 40,517	₩ 132,827	₩ 195,852

(In millions of Korean won)

	2019				
	Membership rewards program	Dormant accounts	Litigations	Others *	Total
Beginning	₩ 12,654	₩ 4,377	₩ 21,190	₩ 89,511	₩ 127,732
Increase	56,758	2,378	23,863	38,025	121,024
Decrease	(54,743)	(3,176)	(16,363)	(58,855)	(133,137)
Ending	₩ 14,669	₩ 3,579	₩ 28,690	₩ 68,681	₩ 115,619

*Provisions for incomplete sales of cardssurance are ₩ 1,319 million and ₩ 2,532 million, as of December 31, 2020 and 2019, respectively.

25. Net Defined Benefit Liabilities

25.1 Defined Benefit Plan

The Group operates defined benefit plans which have the following characteristics:

- The Group has the obligation to pay the agreed benefits to all its current and former employees.
- The Group assumes actuarial risk (that benefits will cost more than expected) and investment risk.

The net defined benefit liability recognized in the consolidated statement of financial position is calculated by independent actuaries in accordance with actuarial valuation methods. The net defined benefit obligation is calculated using the Projected Unit Credit method (the 'PUC'). Data used in the PUC such as interest rates, future salary increase rate, mortality rate and consumer price index are based on observable market data and historical data which are updated annually.

Actuarial assumptions may differ from actual results, due to changes in the market, economic trends and mortality trends which may impact defined benefit liabilities and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period incurred through other comprehensive income.

25.2 Changes in net defined benefit liabilities for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 2,341,753	₩ (2,088,710)	₩ 253,043
Current service cost	232,147	-	232,147
Past service cost	3,269	-	3,269
Gains on settlement	(1,912)	-	(1,912)
Interest expense (income)	46,178	(41,435)	4,743
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	(9,611)	-	(9,611)
Actuarial gains and losses by changes in financial assumptions	789	-	789
Actuarial gains and losses by experience adjustments	16,292	-	16,292
Return on plan assets (excluding amounts included in interest income)	-	6,308	6,308
Contributions by the Group	-	(268,918)	(268,918)
Contributions by the employees	-	(248)	(248)
Payments from plans (settlement)	(8,162)	8,162	-
Payments from plans (benefit payments)	(148,468)	144,546	(3,922)
Payments from the Group	(34,361)	-	(34,361)
Transfer in	9,673	(9,027)	646
Transfer out	(8,635)	8,635	-
Effect of exchange differences	(724)	5	(719)
Effect of business acquisition and disposal	110,080	(62,271)	47,809
Others	26	-	26
Ending *	₩ 2,548,334	₩ (2,302,953)	₩ 245,381

(In millions of Korean won)

	2019		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 2,172,260	(1,910,047)	262,213
Current service cost	226,788	-	226,788
Past service cost	2,276	-	2,276
Interest expense (income)	48,795	(43,250)	5,545
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	(3,122)	-	(3,122)
Actuarial gains and losses by changes in financial assumptions	61,547	-	61,547
Actuarial gains and losses by experience adjustments	7,458	-	7,458
Return on plan assets (excluding amounts included in interest income)	-	11,116	11,116
Contributions by the Group	-	(288,420)	(288,420)
Payments from plans (benefit payments)	(141,820)	141,798	(22)
Payments from the Group	(32,556)	-	(32,556)
Transfer in	7,775	(7,425)	350
Transfer out	(7,517)	7,517	-
Effect of exchange differences	(2)	-	(2)
Others	(129)	1	(128)
Ending *	₩ 2,341,753	₩ (2,088,710)	₩ 253,043

*The net defined benefit liabilities of ₩ 245,381 million is calculated by subtracting ₩ 2,845 million net defined benefit assets from ₩ 248,226 million net defined benefit liabilities as of December 31, 2020. The net defined benefit liabilities of ₩ 253,043 million is calculated by subtracting ₩ 946 million net defined benefit assets from ₩ 253,989 million net defined benefit liabilities as of December 31, 2019.

25.3 Details of net defined benefit liabilities as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	₩ 2,548,334	₩ 2,341,753
Fair value of plan assets	(2,302,953)	(2,088,710)
Net defined benefit liabilities	₩ 245,381	₩ 253,043

25.4 Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Current service cost	₩ 232,147	₩ 226,788
Past service cost	3,269	2,276
Net interest expenses on net defined benefit liabilities	4,743	5,545
Gains on settlement	(1,912)	-
Post-employment benefits *	₩ 238,247	₩ 234,609

*Includes post-employment benefits amounting to ₩ 2,840 million recognized as other operating expense and ₩ 176 million recognized as prepayment for the year ended December 31, 2020, and post-employment benefits amounting to ₩ 2,575 million recognized as other operating expense and ₩ 121 million recognized as prepayment for the year ended December 31, 2019.

25.5 Details of remeasurements of net defined benefit liabilities recognized as other comprehensive income (loss) for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)	₩	(6,308)	₩	(11,116)
Actuarial gains or losses		(7,470)		(65,883)
Income tax effects		3,792		21,172
Effect of exchange difference		(399)		-
Remeasurements after income tax	₩	(10,385)	₩	(55,827)

25.6 Details of fair value of plan assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		
	Assets quoted in an active market	Assets not quoted in an active market	Total
Cash and due from financial institutions	₩ -	₩ 2,299,500	₩ 2,299,500
Derivative instruments	-	1,930	1,930
Investment fund	-	1,523	1,523
	₩ -	₩ 2,302,953	₩ 2,302,953

(In millions of Korean won)

	December 31, 2019		
	Assets quoted in an active market	Assets not quoted in an active market	Total
Cash and due from financial institutions	₩ -	₩ 2,087,861	₩ 2,087,861
Investment fund	-	849	849
	₩ -	₩ 2,088,710	₩ 2,088,710

25.7 Details of key actuarial assumptions used as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Discount rate (%)	0.90~2.00	1.60~2.00
Salary increase rate (%)	0.00~7.50	0.00~7.50
Turnover (%)	0.00~50.00	0.00~50.00

Mortality assumptions are based on the experience-based mortality table issued by Korea Insurance Development Institute in 2019.

25.8 Sensitivity analysis results of significant actuarial assumptions as of December 31, 2020, are as follows:

	Effect on net defined benefit obligation		
	Changes in principal assumptions	Increase in principal assumptions	Decrease in principal assumptions
Discount rate	0.5%p	4.34% decrease	4.12% increase
Salary increase rate	0.5%p	1.41% increase	6.41% decrease
Turnover	0.5%p	0.94% decrease	0.39% increase

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the same projected unit credit method used in calculating the defined benefit obligations recognized in the consolidated statement of financial position.

25.9 Expected maturity analysis of undiscounted pension benefits (including expected future benefit) as of December 31, 2020 are as follows:

(In millions of Korean won)

	2020					
	Up to 1 year	1~2 years	2~5 years	5~10 years	Over 10 years	Total
Pension benefits *	₩ 98,050	₩ 182,432	₩ 706,187	₩ 1,415,615	₩ 3,829,749	₩ 6,232,033

* Amount determined under the promotion compensation type defined contribution plan is excluded.

The weighted average duration of the defined benefit obligation is 1.0 ~ 11.5 years.

25.10 Expected contribution to plan assets for the next annual reporting period after December 31, 2020 is estimated to be ₩ 221,271 million.

26. Other Liabilities

Details of other liabilities as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Other financial liabilities		
Other payables	₩ 14,247,067	₩ 9,485,597
Prepaid card and debit card payables	31,184	27,555
Accrued expenses	2,787,360	3,066,445
Financial guarantee liabilities	49,286	46,428
Deposits for letter of guarantees and others	1,103,876	862,968
Domestic exchange settlement credits	938,039	2,079,636
Foreign exchanges settlement credits	134,678	114,316
Borrowings from other business accounts	-	256
Due to trust accounts	7,542,955	5,216,460
Liabilities incurred from agency relationships	765,844	771,609
Account for agency businesses	400,507	407,475
Dividend payables	478	473
Lease liabilities	559,113	544,439
Others	51,901	5,930
	₩ 28,612,288	₩ 22,629,587
Other non-financial liabilities		
Other payables	₩ 386,094	₩ 283,771
Unearned revenue	669,908	465,501
Accrued expenses	815,941	716,180
Deferred revenue on credit card points	211,815	206,188
Withholding taxes	180,092	158,992
Separate account liabilities	10,701,404	5,047,080
Others	226,481	229,960
	₩ 13,191,735	₩ 7,107,672
	₩ 41,804,023	₩ 29,737,259

27. Equity

27.1 Share Capital

Details of share capital as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won and in number of shares)

	December 31, 2020		December 31, 2019	
Type of share	Ordinary share		Ordinary share	
Number of authorized shares	1,000,000,000		1,000,000,000	
Par value per share (In Korean won)	₩	5,000	₩	5,000
Number of issued shares	415,807,920		415,807,920	
Share capital	₩	2,090,558	₩	2,090,558

Changes in outstanding shares for the years ended December 31, 2020 and 2019, are as follows:

(In number of shares)

	2020		2019	
Beginning	₩	389,634,335	₩	395,551,297
Increase		-		-
Decrease		-		(5,916,962)
Share capital	₩	389,634,335	₩	389,634,335

27.2 Hybrid Securities

Details of share capital as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Issuance date	Maturity	Interest rate (%)	December 31, 2020		December 31, 2019	
The 1-1 st Hybrid securities	May 2, 2019	Perpetual bond	3.23	₩	349,309	₩	349,309
The 1-2 nd Hybrid securities	May 2, 2019	Perpetual bond	3.44		49,896		49,896
The 2-1 st Hybrid securities	May 8, 2020	Perpetual bond	3.30		324,099		-
The 2-2 nd Hybrid securities	May 8, 2020	Perpetual bond	3.43		74,812		-
The 3-1 st Hybrid securities	July 14, 2020	Perpetual bond	3.17		369,099		-
The 3-2 nd Hybrid securities	July 14, 2020	Perpetual bond	3.38		29,922		-
The 4-1 st Hybrid securities	Oct 20, 2020	Perpetual bond	3.00		433,996		-
The 4-2 nd Hybrid securities	Oct 20, 2020	Perpetual bond	3.28		64,855		-
				₩	1,695,988	₩	399,205

The above hybrid securities are early redeemable by the Group after 5 or 10 years from the issuance date. On the other hand, hybrid securities of ₩ 574,580 million issued by Kookmin Bank are recognized as noncontrolling interests and are early redeemable after 5 years from the issuance date and each interest payment date thereafter.

27.3 Capital Surplus

Details of capital surplus as of December 31, 2020 and 2019, are as follows

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Paid-in capital in excess of par value	₩	13,190,274	₩	13,190,274
Loss on sales of treasury shares		(481,332)		(481,332)
Other capital surplus		4,002,714		4,413,835
Consideration for exchangeable rights		11,933		-
	₩	16,723,589	₩	17,122,777

27.4 Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Remeasurements of net defined benefit liabilities	₩	(300,324)	₩	(290,228)
Exchange differences on translating foreign operations		(131,113)		31,793
Net gains on financial instruments at fair value through other comprehensive income		717,230		487,331
Share of other comprehensive income (loss) of associates and joint ventures		(3,529)		3,318
Losses on cash flow hedging instruments		(28,597)		(27,333)
Gains (losses) on hedging instruments of net investments in foreign operations		22,277		(41,992)
Other comprehensive income arising from separate account		8,698		18,381
Fair value changes on financial liabilities designated at fair value due to own credit risk		(11,507)		(20,326)
Net gains on overlay approach adjustment		339,202		187,077
	₩	612,337	₩	348,021

27.5 Retained Earnings

27.5.1 Details of retained earnings as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Legal reserves *	₩	557,405	₩	482,807
Voluntary reserves		982,000		982,000
Unappropriated retained earnings		20,977,987		18,244,738
	₩	22,517,392	₩	19,709,545

* With respect to the allocation of net profit earned in a fiscal term, the Parent Company must set aside in its legal reserve an amount equal to at least 10% of its profit after tax as reported in the financial statements, each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital in accordance with Article 53 of the Financial Holding Company Act. This reserve is not available for the payment of cash dividends, but may be transferred to share capital, or used to reduce accumulated deficit.

27.5.2 Regulatory reserve for credit losses

Measurement and disclosure of regulatory reserve for credit losses are required in accordance with Articles 26 through 28 of Supervisory Regulations on Financial Holding Companies.

27.5.2.1 Details of regulatory reserve for credit losses as of December 31, 2020 and 2019, are as follows

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Regulatory reserve for credit losses attributable to:				
Shareholders of the Parent Company	₩	3,587,439	₩	3,418,136
Non-controlling interests		37,682		1,478
	₩	3,625,121	₩	3,419,614

27.5.2.2 Regulatory reserve for credit losses estimated to be appropriated and adjusted profit after provision (reversal) of regulatory reserve for credit losses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won, except for earnings per share)

	2020	2019
Provision of regulatory reserve for credit losses ^{1,4}	₩ 159,250	₩ 287,371
Adjusted profit after provision of regulatory reserve for credit losses ^{2,3}	3,273,041	3,017,944
Adjusted basic earnings per share after provision of regulatory reserve for credit losses ²	8,400	7,716
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses ²	8,293	7,659

¹ The amount expected to be appropriated as of December 31, 2019, is the required amount of regulatory reserve for credit losses, reflecting the beginning balance of regulatory reserve for credit losses (including unappropriated reserve) retrospectively.

² Adjusted profit after provision of regulatory reserve for credit losses is not based on Korean IFRS; this is calculated reflecting provision (reversal) of the reserve for credit losses before tax to the net profit attributable to shareholders of the Parent Company.

³ After deducting dividends on hybrid securities.

⁴ Excludes regulatory reserve for credit losses amounting to ₩ 10,053 million arising from the acquisition of Prudential Life Insurance Company of Korea Ltd.

27.6 Treasury Shares

Changes in treasury shares for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won and in number of shares)

	2020			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares *	26,173,585	-	-	26,173,585
Carrying amount	₩ 1,136,188	₩ -	₩ -	₩ 1,136,188

* 5,000,000 treasury shares are deposited at the Korea Securities Depository for issuing exchangeable bonds.

(In millions of Korean won and in number of shares)

	2019			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares	22,560,240	5,916,962	(2,303,617)	26,173,585
Carrying amount	₩ 968,549	₩ 267,639	₩ (100,000)	₩ 1,136,188

28. Net Interest Income

Details of interest income, expense and net interest income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won, except for earnings per share)

	2020	2019
Interest income		
Due from financial institutions measured at fair value through profit or loss	₩ 649	₩ 2,685
Securities measured at fair value through profit or loss	647,840	668,377
Loans measured at fair value through profit or loss	10,876	33,001
Securities measured at fair value through other comprehensive income	719,434	774,864
Loans measured at fair value through other comprehensive income	7,899	14,708
Due from financial institutions measured at amortized cost	92,155	150,635
Securities measured at amortized cost	627,201	599,519
Loans measured at amortized cost	12,177,822	12,247,493
Others	201,871	147,905
Net interest income	₩ 14,485,747	₩ 14,639,187
Interest expenses		
Deposits	2,916,794	3,481,121
Borrowings	572,946	596,425
Debentures	1,186,310	1,240,566
Others	87,423	124,288
	4,763,473	5,442,400
Net interest income	₩ 9,722,274	₩ 9,196,787

Interest income recognized on impaired loans is ₩ 56,606 million and ₩ 54,033 million for the years ended December 31, 2020 and 2019, respectively.

29. Net Fee and Commission Income

Details of fee and commission income, expense and net fee and commission income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Fee and commission income		
Banking activity fees	₩ 189,100	₩ 214,512
Lending activity fees	91,663	83,916
Credit card and debit card related fees	1,378,450	1,316,636
Agent activity fees	196,518	172,211
Trust and other fiduciary fees	331,827	388,352
Fund management related fees	154,612	153,798
Acceptances and guarantees fees	54,108	48,122
Foreign currency related fees	173,313	134,145
Securities agency fees	172,097	145,846
Other business account commission on consignment	40,461	36,813
Commissions received on securities business	793,278	445,987
Lease fees	636,301	428,195
Others	315,296	310,714
	4,527,024	3,879,247
Fee and commission expense		
Trading activity related fees *	38,497	28,869
Lending activity fees	33,444	26,040
Credit card and debit card related fees	848,823	892,391
Outsourcing related fees	216,962	190,312
Foreign currency related fees	49,435	42,902
Others	380,924	343,729
	1,568,085	1,524,243
Net fee and commission income	₩ 2,958,939	₩ 2,355,004

* Fees from financial instruments at fair value through profit or loss.

30. Net Gains or Losses on Financial Instruments at Fair Value through Profit or Loss

30.1 Net Gains or Losses on Financial Instruments at Fair Value through Profit or Loss

Net gains or losses on financial instruments at fair value through profit or loss include dividend income and gains or losses arising from changes in fair values, sales and redemptions. Details of net gains or losses on financial instruments at fair value through profit or loss for the years ended December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	2020	2019
Gains on financial instruments at fair value through profit or loss		
Financial assets at fair value through profit or loss		
Debt securities	₩ 2,061,505	₩ 1,613,946
Equity securities	725,072	428,646
	2,786,577	2,042,592
Derivatives held for trading		
Interest rate	2,632,246	2,685,998
Currency	8,335,594	5,251,597
Stock or stock index	2,808,284	2,612,422
Credit	28,434	41,548
Commodity	18,097	15,240
Other	231,901	212,731
	14,054,556	10,819,536
Financial liabilities at fair value through profit or loss	28,160	46,750
Other financial instruments	689	5,811
	16,869,982	12,914,689
Losses on financial instruments at fair value through profit or loss		
Financial assets at fair value through profit or loss		
Debt securities	1,040,285	752,999
Equity securities	444,554	315,743
	1,484,839	1,068,742
Derivatives held for trading		
Interest rate	2,687,114	2,758,205
Currency	8,191,456	5,118,095
Stock or stock index	2,558,205	1,585,086
Credit	19,213	42,172
Commodity	21,797	9,437
Other	253,406	190,979
	13,731,191	9,703,974
Financial liabilities at fair value through profit or loss	153,227	94,426
Other financial instruments	116	5,704
	15,369,373	10,872,846
Net gains on financial instruments at fair value through profit or loss	₩ 1,500,609	₩ 2,041,843

30.2 Net Gains or Losses on Financial Instruments Designated at Fair Value through Profit or Loss

Net gains or losses on financial instruments designated at fair value through profit or loss include dividend income and gains or losses arising from changes in fair values, sales and redemptions. Details of net gains or losses on financial instruments designated at fair value through profit or loss for the years ended December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	2020	2019
Gains on financial instruments designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	₩ 654,045	₩ 555,749
	654,045	555,749
Losses on financial instruments designated at fair value through profit or loss		
Financial assets at fair value through profit or loss	1,143,288	1,953,720
	1,143,288	1,953,720
Net losses on financial instruments designated at fair value through profit or loss	₩ (489,243)	₩ (1,397,971)

31. Net Other Operating Income and Expenses

Details of other operating income and expenses for the years ended December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	2020	2019
Other operating income		
Gains related to financial instruments at fair value through other comprehensive income		
Gains on redemption of financial instruments at fair value through other comprehensive income	₩ 351	₩ 796
Gains on disposal of financial instruments at fair value through other comprehensive income	304,217	222,371
	304,568	223,167
Gains related to financial assets at amortized cost		
Gains on sale of loans measured at amortized cost	180,038	80,746
Gains on disposal of securities measured at amortized cost	229	-
	180,267	80,746
Gains on foreign exchange transactions	3,634,987	2,183,703
Dividend income	45,125	54,768
Others	591,798	321,244
	4,756,745	2,863,628
Other operating expenses		
Losses related to financial instruments at fair value through other comprehensive income		
Losses on redemption of financial instruments at fair value through other comprehensive income	320	-
Losses on disposal of financial instruments at fair value through other comprehensive income	19,159	16,975
	19,479	16,975
Losses related to financial assets at amortized cost		
Losses on sale of loans measured at amortized cost	16,061	19,439
Losses on disposal of securities measured at amortized cost	6,513	-
	22,574	19,439
Losses on foreign exchanges transactions	3,530,618	1,970,294
Others	2,684,004	1,920,244
	6,256,675	3,926,952
Net other operating expenses	₩ (1,499,930)	₩ (1,063,324)

32. General and Administrative Expenses

32.1 Details of general and administrative expenses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Employee Benefits		
Salaries and short-term employee benefits - salaries	₩ 2,789,201	₩ 2,557,821
Salaries and short-term employee benefits - others	871,014	848,421
Post-employment benefits - defined benefit plans	235,231	231,913
Post-employment benefits - defined contribution plans	37,328	27,924
Termination benefits	361,098	239,790
Share-based payments	49,364	49,418
	4,343,236	3,955,287
Depreciation and amortization	874,911	784,431
Other general and administrative expenses		
Rental expense	116,325	109,745
Tax and dues	260,071	238,670
Communication	53,596	48,749
Electricity and utilities	32,298	29,161
Publication	13,988	15,136
Repairs and maintenance	32,448	23,947
Vehicle	14,314	11,537
Travel	12,251	21,452
Training	27,610	31,451
Service fees	238,787	227,631
Electronic data processing expenses	280,773	258,456
Advertising	236,618	228,826
Others	295,926	286,538
	1,615,005	1,531,299
	₩ 6,833,152	₩ 6,271,017

32.2 Share-based Payments

32.2.1 Stock grants

The Group changed the scheme of share-based payments from stock options to stock grants in November 2007. The stock grants award program is an incentive plan that sets, on grant date, the maximum number of shares that can be awarded. Actual shares to be granted is determined in accordance with achievement of pre-set performance targets over the vesting period.

32.2.1.1 Details of stock grants linked to long-term performance as of December 31, 2020, are as follows:

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions ²
KB Financial Group Inc.			
Series 21	Jan. 01, 2019	25,172	Services fulfillment, market performance ³ 0~30% and non-market performance ⁴ 70~100%
Series 22	Apr. 01, 2019	3,226	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 23	May 27, 2019	1,436	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 24	Jul. 17, 2019	8,195	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 25	Jan. 01, 2020	57,367	Services fulfillment, market performance ³ 0~30% and non-market performance ⁴ 70~100%
Series 26	Mar. 18, 2020	430	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 27	Jun. 15, 2020	187	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 28	Nov. 21, 2020	68,135	Services fulfillment, market performance ³ 35% and non-market performance ⁵ 65%
Deferred grant	2015	7,674	Satisfied
	2016	8,705	Satisfied
	2017	17,983	Satisfied
	2018	5,960	Satisfied
	2019	24,533	Satisfied
	2020	28,134	Satisfied
		257,137	
Kookmin Bank			
Series 75	Jan. 01, 2019	154,996	Services fulfillment, market performance ³ 0~50% and non-market performance ⁴ 50~100%
Series 76	Apr. 01, 2019	5,380	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 77	May 27, 2019	4,468	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 78	Nov. 21, 2019	36,443	Services fulfillment, market performance ³ 30% and non-market performance ⁶ 70%
Series 79	Jan. 01, 2020	241,609	Services fulfillment, market performance ³ 0~50% and non-market performance ⁴ 50~100%
Series 80	Mar. 01, 2020	7,711	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Deferred grant	2015	2,759	Satisfied
	2016	19,109	Satisfied
	2017	47,863	Satisfied
	2018	65,514	Satisfied
	2019	98,194	Satisfied
			684,046

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions ²
Other subsidiaries			
Stock granted in 2010	-	106	Services fulfillment, market performance ³ 0~50% and non-market performance ⁴ 50~90%
Stock granted in 2011	-	146	
Stock granted in 2012	-	420	
Stock granted in 2013	-	622	
Stock granted in 2014	-	1,028	
Stock granted in 2015	-	3,323	
Stock granted in 2016	-	9,103	
Stock granted in 2017	-	36,814	
Stock granted in 2018	-	120,266	
Stock granted in 2019	-	331,688	
Stock granted in 2020	-	268,669	
		<u>772,185</u>	
		1,713,368	

¹ Granted shares represent the total number of shares initially granted to executives and employees who have residual shares as of December 31, 2020 (Deferred grants are residual shares vested as of December 31, 2020).

² Executives and employees were given the option of deferred payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

³ Relative TSR (Total Shareholders Return): [(Fair value at the end of the contract - Fair value at the beginning of the contract) + (Total amount of dividend per share paid during the contract period)] / Fair value at the beginning of the contract

⁴ Companies' and individuals' performance results

⁵ EPS, Asset Quality, HCROI, Profit from non-banking segments

⁶ EPS, Asset Quality

32.2.1.2 Details of stock grants linked to short-term performance as of December 31, 2020, are as follows:

(In number of shares)

	Estimated number of vested shares *	Vesting conditions
KB Financial Group Inc.		
Stock granted in 2015	7,524	Satisfied
Stock granted in 2016	6,595	Satisfied
Stock granted in 2017	7,385	Satisfied
Stock granted in 2018	14,292	Satisfied
Stock granted in 2019	28,030	Satisfied
Stock granted in 2020	37,300	Proportional to service period
Kookmin Bank		
Stock granted in 2015	9,887	Satisfied
Stock granted in 2016	19,662	Satisfied
Stock granted in 2017	30,003	Satisfied
Stock granted in 2018	73,989	Satisfied
Stock granted in 2019	125,530	Satisfied
Stock granted in 2020	121,676	Proportional to service period
Other subsidiaries		
Stock granted in 2015	12,191	Satisfied
Stock granted in 2016	40,970	Satisfied
Stock granted in 2017	149,329	Satisfied
Stock granted in 2018	345,546	Satisfied
Stock granted in 2019	551,667	Satisfied
Stock granted in 2020	290,013	Proportional to service period
	<u>1,871,589</u>	

* Executives and employees were given the option of deferred payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

32.2.1.3 Stock grants are measured at fair value using the MonteCarlo Simulation Model and assumptions used in determining the fair value as of December 31, 2020, are as follows:

(in Korean won)

	Risk-free rate (%)	Fair value (market performance condition)	Fair value (non-market performance condition)
Linked to long-term performance (KB Financial Group Inc.)			
Series 21	0.74	38,789~45,096	38,789~45,096
Series 22	0.74	37,324~41,899	37,324~41,899
Series 23	0.74	37,324~41,899	37,324~41,899
Series 24	0.74	38,789~45,096	38,789~45,096
Series 25	0.74	37,324~45,096	37,324~45,096
Series 26	0.74	38,789~45,096	38,789~45,096
Series 27	0.74	38,789~45,096	38,789~45,096
Series 28	0.74	30,871~34,675	34,694~38,969
Deferred grant in 2015	0.74	-	35,895~45,096
Deferred grant in 2016	0.74	-	38,789~45,096
Deferred grant in 2017	0.74	-	40,299~45,096
Deferred grant in 2018	0.74	-	38,789~45,096
Deferred grant in 2019	0.74	-	40,299~47,631
Deferred grant in 2020	0.74	-	38,969~42,065
(Kookmin Bank)			
Series 75	0.74	38,789~45,096	38,789~45,096
Series 76	0.74	37,324~41,899	37,324~41,899
Series 77	0.74	37,324~41,899	37,324~41,899
Series 78	0.74	36,370~40,828	37,324~41,899
Series 79	0.74	37,324~45,096	37,324~45,096
Series 80	0.74	35,895~40,299	35,895~40,299
Grant deferred in 2015	0.74	-	41,899~45,096
Grant deferred in 2016	0.74	-	38,789~45,096
Grant deferred in 2017	0.74	-	38,789~45,096
Grant deferred in 2018	0.74	-	38,789~45,096
Grant deferred in 2019	0.74	-	40,299~45,096
(Other subsidiaries)			
Stock granted in 2010	0.74	-	40,299~40,299
Stock granted in 2011	0.74	-	40,299~40,299
Stock granted in 2012	0.74	-	40,299~41,899
Stock granted in 2013	0.74	-	35,692~41,899
Stock granted in 2014	0.74	-	41,899~41,899
Stock granted in 2015	0.74	-	34,581~47,631
Stock granted in 2016	0.74	-	37,324~56,293
Stock granted in 2017	0.74	-	34,581~61,294
Stock granted in 2018	0.74	33,612~44,072	35,895~47,631
Stock granted in 2019	0.74	37,324~45,096	34,581~47,631
Stock granted in 2020	0.74	35,780~45,096	35,895~45,096

(in Korean won)

	Risk-free rate (%)	Fair value (market performance condition)	Fair value (non-market performance condition)
Linked to short-term performance			
(KB Financial Group Inc.)			
Stock granted in 2015	0.74	-	35,895~45,096
Stock granted in 2016	0.74	-	34,581~45,096
Stock granted in 2017	0.74	-	38,789~45,096
Stock granted in 2018	0.74	-	38,789~47,631
Stock granted in 2019	0.74	-	40,299~45,096
Stock granted in 2020	0.74	-	38,789~42,065
(Kookmin Bank)			
Stock granted in 2015	0.74	-	38,789~47,153
Stock granted in 2016	0.74	-	37,324~61,294
Stock granted in 2017	0.74	-	38,789~47,631
Stock granted in 2018	0.74	-	38,789~47,631
Stock granted in 2019	0.74	-	40,299~45,096
Stock granted in 2020	0.74	-	38,789~41,899
(Other subsidiaries)			
Stock granted in 2015	0.74	-	34,581~45,096
Stock granted in 2016	0.74	-	34,581~47,631
Stock granted in 2017	0.74	-	34,581~47,631
Stock granted in 2018	0.74	-	34,581~47,631
Stock granted in 2019	0.74	-	34,581~45,096
Stock granted in 2020	0.74	-	35,895~43,147

The Group used the volatility of the stock price over the previous year as the expected volatility, and used the arithmetic mean of the dividend rate of one year before, two years before, and three years before the base year as the dividend rate, and used one-year risk-free rate of Korea Treasury Bond in order to calculate fair value.

32.2.1.4 The accrued expenses for share-based payments related to stocks grants as of December 31, 2020 and 2019, are ₩ 135,327 million and ₩ 124,853 million, respectively, and compensation costs from stock grants amounting to ₩ 48,712 million and ₩ 49,418 million were recognized for the years ended December 31, 2020 and 2019, respectively.

32.2.2 Mileage stock

32.2.2.1 Details of mileage stock as of December 31, 2020, are as follows:

(In number of shares)

Grant date	Number of granted shares ¹	Expected exercise period (years) ²	Remaining shares
Stock granted in 2018			
Jan. 10, 2018	19,197	0.00~0.02	13,522
Feb. 12, 2018	9	0.00~0.12	3
Apr. 02, 2018	115	0.00~0.25	82
Apr. 30, 2018	86	0.00~0.33	49
May 08, 2018	170	0.00~0.35	140
Jun. 01, 2018	140	0.00~0.41	106
Jul. 02, 2018	180	0.00~0.50	123
Aug. 07, 2018	194	0.00~0.60	149
Aug. 09, 2018	47	0.00~0.60	31
Aug. 14, 2018	30	0.00~0.62	26
Aug. 16, 2018	130	0.00~0.62	93
Sep. 07, 2018	106	0.00~0.68	77
Oct. 04, 2018	129	0.00~0.76	78
Nov. 01, 2018	258	0.00~0.83	200
Nov. 06, 2018	236	0.00~0.85	168
Dec. 03, 2018	132	0.00~0.92	127
Dec. 04, 2018	21	0.00~0.92	21
Dec. 07, 2018	91	0.00~0.93	78
Dec. 12, 2018	64	0.00~0.95	32
Dec. 18, 2018	271	0.00~0.96	237
Dec. 19, 2018	42	0.00~0.96	34
Dec. 31, 2018	127	0.00~1.00	106
Stock granted in 2019			
Jan. 11, 2019	26,580	0.00~1.03	21,231
Feb. 01, 2019	12	0.00~1.08	8
Apr. 01, 2019	167	0.00~1.25	96
Apr. 18, 2019	105	0.00~1.29	81
Apr. 22, 2019	33	0.00~1.30	33
Jul. 01, 2019	109	0.00~1.50	87
Aug. 29, 2019	39	0.00~1.66	39
Sep. 02, 2019	50	0.00~1.67	50
Nov. 01, 2019	119	0.00~1.83	95
Nov. 08, 2019	14	0.00~1.85	14
Dec. 05, 2019	56	0.00~1.93	54
Dec. 06, 2019	84	0.00~1.93	84
Dec. 31, 2019	87	0.00~2.00	87
Stock granted in 2020			
Jan. 18, 2020	28,645	0.00~2.05	27,672
May 12, 2020	46	0.00~2.36	46
Jun. 30, 2020	206	0.00~2.50	206
Aug. 26, 2020	40	0.00~2.65	40
Oct. 29, 2020	160	0.00~2.83	160
Nov. 6, 2020	45	0.00~2.85	45
Nov. 30, 2020	35	0.00~2.92	35
Dec. 2, 2020	57	0.00~2.92	57
Dec. 4, 2020	154	0.00~2.93	154
Dec. 30, 2020	88	0.00~3.00	88
	78,706		65,944

¹ Mileage stock is exercisable for two years after one year from the grant date. When the mileage stock is exercised, the closing price of prior month is applied. However, in case of transfer or retirement during the vesting period, mileage stock is exercisable at the closing price of the last month prior to transfer or retirement.

² The shares are assessed based on the stock price as of December 31, 2020. These shares are vested immediately at grant date.

32.2.2.2 The accrued expenses for share-based payments related to mileage stock as of December 31, 2020 and 2019, are ₩ 2,862 million and ₩ 2,705 million, respectively. The compensation costs amounting to ₩ 1,086 million and ₩ 1,334 million were recognized as expenses for the years ended December 31, 2020 and 2019, respectively.

32.2.3 Long-term share-based payments

The Group calculates the short-term performance bonus of directors of Prudential Life Insurance Company of Korea Ltd. based on the results of the current performance evaluation and will defer the bonus for three years and pay it in cash reflecting the stock price of KB Financial Group at that time.

32.2.3.1 Details of long-term share-based payments as of December 31, 2020, are as follows:

	Grant date	Vested shares	Expected exercise period (years)	Vesting conditions
Granted in 2020	2020	16,800	3.00	Services fulfillment

32.2.3.2 long-term share-based payments are measured at fair value using the MonteCarlo Simulation Model and assumptions used in determining the fair value as of December 31, 2020, are as follows:

(in Korean won)

	Risk-free rate (%)	Fair value (market performance condition)	Fair value (non-market performance condition)
Granted in 2020	0.741	-	38,789

The Group used the volatility of the stock price over the previous year as the expected volatility, and used the arithmetic mean of the dividend rate of one year before, two years before, and three years before the base year as the dividend rate, and used one-year risk-free rate of Korea Treasury Bond in order to calculate fair value.

32.2.3.3 The accrued expenses for long-term share-based payments as of December 31, 2020 are ₩ 652 million. The compensation costs amounting to ₩ 652 million were recognized as expenses for the year ended December 31, 2020.

33. Non-Operating Income and Expenses

Details of non-operating income and expenses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
non-operating income		
Gains on disposal of property and equipment	₩ 111,132	₩ 35,747
Rental income	113,075	85,720
Gain on a bargain purchase	145,067	-
Others	96,931	87,524
	466,205	208,991
Non-operating expenses		
Losses on disposal of property and equipment	11,945	8,587
Donation	113,083	102,711
Restoration costs	5,043	2,902
Management cost for written-off loans	3,018	3,382
Others	143,726	64,523
	276,815	182,105
Net non-operating income	₩ 189,390	₩ 26,886

34. Income Tax Expense

34.1 Details of income tax expense for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Tax payable		
Current tax expense	₩ 1,099,171	₩ 1,043,047
Adjustments of tax of prior years recognized in current tax	(13,434)	(51,130)
	1,085,737	991,917
Changes in deferred income tax assets (liabilities) *	323,032	285,820
Income tax recognized directly in equity and others		
Remeasurements of net defined benefit liabilities	3,792	21,172
Exchange differences on translating foreign operations	14,988	(5,714)
Net gains or losses on financial instruments at fair value through other comprehensive income	(88,907)	(13,168)
Shares of other comprehensive income or loss of associates and joint ventures	2,976	(3,147)
Gains or losses on cash flow hedging instruments	7,580	10,537
Gains or losses on hedging instruments of net investments in foreign operations	(24,500)	3,194
Other comprehensive income or loss arising from separate account	3,671	(1,301)
Fair value changes on financial liabilities designated at fair value due to own credit risk	(3,350)	4,294
Net gains or losses on overlay approach adjustment	(61,637)	(72,817)
Consideration for exchangeable rights	(4,526)	-
	(149,913)	(56,950)
Others	495	-
Income tax expense	₩ 1,259,351	₩ 1,220,787

*Effect of business combination is excluded.

34.2 Analysis of the net profit before income tax and income tax expense for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Profit before tax		₩ 4,761,632		₩ 4,533,986
Tax at the applicable tax rate *	27.28	1,299,087	27.27	1,236,484
Non-taxable income	(1.55)	(73,855)	(0.52)	(23,601)
Non-deductible expense	0.35	16,541	0.42	19,086
Tax credit and tax exemption	(0.08)	(4,016)	(0.01)	(627)
Temporary difference for which no deferred tax is recognized	0.47	22,189	(0.11)	(4,860)
Changes in recognition and measurement of deferred tax	0.24	11,616	-	(100)
Income tax refund for tax of prior years	(0.46)	(22,139)	(0.20)	(9,105)
Income tax expense of overseas branch	0.23	10,739	0.11	5,004
Others	(0.02)	(811)	(0.03)	(1,494)
Average effective tax rate and tax expense	26.45	₩ 1,259,351	26.93	₩ 1,220,787

* Applicable income tax rate for ₩ 200 million and below is 11%, for over ₩ 200 million to ₩ 20 billion is 22%, for over ₩ 20 billion to ₩ 300 billion is 24.2% and for over ₩ 300 billion is 27.5% for the years ended December 31, 2020 and 2019.

35. Dividends

The dividends paid to the shareholders of the Parent Company in 2020 and 2019 were ₩ 861,092 million (₩ 2,210 per share) and ₩ 759,736 million (₩ 1,920 per share), respectively. The dividend to the shareholders for the year ended December 31, 2020, amounting to ₩ 689,653 million (₩ 1,770 per share) is to be proposed at the annual general meeting on March 26, 2021. The Group's consolidated financial statements as of December 31, 2020, do not reflect this dividend payable.

36. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Transfer to retained earnings	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (290,228)	₩ (13,888)	₩ -	₩ -	₩ 3,792	₩ (300,324)
Exchange differences on translating foreign operations	31,793	(177,894)	-	-	14,988	(131,113)
Net gains on financial instruments at fair value through other comprehensive income	487,331	757,236	(112,020)	(326,410)	(88,907)	717,230
Share of other comprehensive income (loss) of associates and joint ventures	3,318	(3,923)	(5,900)	-	2,976	(3,529)
Losses on cash flow hedging instruments	(27,333)	(48,034)	39,190	-	7,580	(28,597)
Gains (losses) on hedging instruments of net investments in foreign operations	(41,992)	88,769	-	-	(24,500)	22,277
Other comprehensive income arising from separate account	18,381	2,834	(16,188)	-	3,671	8,698
Fair value changes on financial liabilities designated at fair value due to own credit risk	(20,326)	12,169	-	-	(3,350)	(11,507)
Net gains on overlay approach adjustment	187,077	248,688	(34,926)	-	(61,637)	339,202
	₩ 348,021	₩ 865,957	₩ (129,844)	₩ (326,410)	₩ (145,387)	₩ 612,337

(In millions of Korean won)

	2019					
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Transfer to retained earnings	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (234,401)	(76,999)	-	-	₩ 21,172	₩ (290,228)
Exchange differences on translating foreign operations	(5,784)	37,938	5,353	-	(5,714)	31,793
Net gains on financial instruments at fair value through other comprehensive income	450,694	106,984	(82,662)	25,483	(13,168)	487,331
Share of other comprehensive income (loss) of associates and joint ventures	(4,377)	10,842	-	-	(3,147)	3,318
Gains (losses) on cash flow hedging instruments	5,849	(65,323)	21,604	-	10,537	(27,333)

(In millions of Korean won)

	2019					
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Transfer to retained earnings	Tax effect	Ending
Losses on hedging instruments of net investments in foreign operations	(33,092)	(13,410)	1,316	-	3,194	(41,992)
Other comprehensive income arising from separate account	15,017	21,029	(16,364)	-	(1,301)	18,381
Fair value changes on financial liabilities designated at fair value due to own credit risk	(8,954)	(15,666)	-	-	4,294	(20,326)
Net gains (losses) on overlay approach adjustment	(7,146)	269,643	(2,603)	-	(72,817)	187,077
	₩ 177,806	₩ 275,038	₩ (73,356)	₩ 25,483	₩ (56,950)	₩ 348,021

37. Earnings per Share

37.1 Basic Earnings per Share

Basic earnings per share is calculated by dividing profit attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding.

37.1.1 Weighted average number of ordinary shares outstanding

Details of weighted average number of ordinary shares outstanding for the years ended December 31, 2020 and 2019, are as follows:

(in number of shares)

	2020		2019	
	Number of Shares	Accumulated amount	Number of Shares	Accumulated amount
Number of issued ordinary shares	415,807,920	152,185,698,720	415,807,920	152,564,638,665
Number of treasury shares	(26,173,585)	(9,579,532,110)	(26,173,585)	(9,801,574,522)
Average number of ordinary shares outstanding	389,634,335	142,606,166,610	389,634,335	142,763,064,143
Number of days		366		365
Weighted average number of ordinary shares outstanding		389,634,335		391,131,683

37.1.2 Basic earnings per share

Details of basic earnings per share for the years ended December 31, 2020 and 2019, are as follows:

(In Korean won and in number of shares)

	2020	2019
Profit attributable to shareholders of the Parent Company	₩ 3,455,151,501,224	₩ 3,311,827,412,557
Deduction: Dividends on hybrid securities	22,859,500,000	6,512,500,000
Profit attributable to the ordinary equity holders of the Parent Company (A)	3,432,292,001,224	3,305,314,912,557
Weighted average number of ordinary shares outstanding (B)	389,634,335	391,131,683
Basic earnings per share (A/B)	₩ 8,809	₩ 8,451

37.2 Diluted Earnings per Share

Diluted earnings per share is calculated through increasing the weighted average number of ordinary shares outstanding by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The Group has categories of dilutive potential ordinary shares such as stock grants and ordinary share exchange rights of exchangeable bonds.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price for the year) based on the monetary value of stock grants. The number of shares calculated above is compared with the number of shares that would have been issued assuming the settlement of stock grants.

In addition, exchangeable bonds issued for the year ended December 31, 2020, were included in potential ordinary shares from the exercisable date of the exchange right, and interest expenses after tax for the period were added to profit for diluted earnings per share.

37.2.1 Adjusted profit for diluted earnings per share

Adjusted profit for diluted earnings per share for the years ended December 31, 2020 and 2019, are as follows:

(In Korean won)

	2020		2019	
Profit attributable to shareholders of the Parent Company	₩	3,455,151,501,224	₩	3,311,827,412,557
Deduction: Dividends on hybrid securities		22,859,500,000		6,512,500,000
Profit attributable to ordinary equity holders of the Parent Company		3,432,292,001,224		3,305,314,912,557
Adjustments: Interest expense on exchangeable bonds		798,012,332		-
Adjusted profit for diluted earnings per share	₩	3,433,090,013,556	₩	3,305,314,912,557

37.2.2 Weighted average number of ordinary shares outstanding for diluted earnings per share

Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share for the years ended December 31, 2020 and 2019, are as follows:

(In number of shares)

	2020		2019	
Weighted average number of ordinary shares outstanding		389,634,335		391,131,683
Adjustment:				
Stock grants		3,416,737		2,890,513
Exchangeable bonds		1,707,650		-
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		394,758,722		394,022,196

37.2.3 Diluted earnings per share

Details of diluted earnings per share for the years ended December 31, 2020 and 2019, are as follows:

(In Korean won and in number of shares)

	2020		2019	
Adjusted profit for diluted earnings per share	₩	3,433,090,013,556	₩	3,305,314,912,557
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		394,758,722		394,022,196
Diluted earnings per share	₩	8,697	₩	8,389

38. Insurance Contracts

38.1 Insurance Assets

38.1.1 Details of deferred acquisition costs included in other assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Non-life insurance	₩	965,683	₩	786,626
Life insurance		205,289		134,739
	₩	1,170,972	₩	921,365

38.1.2 Changes in deferred acquisition costs included in other assets for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Beginning	Increase	Amortization	Ending
Non-life insurance	₩ 786,626	₩ 872,811	₩ (693,754)	₩ 965,683
Life insurance	134,739	144,429	(73,879)	205,289
	₩ 921,365	₩ 1,017,240	₩ (767,633)	₩ 1,170,972

(In millions of Korean won)

	2019			
	Beginning	Increase	Amortization	Ending
Non-life insurance	₩ 547,831	₩ 815,712	₩ (576,917)	₩ 786,626
Life insurance	119,293	117,808	(102,362)	134,739
	₩ 667,124	₩ 933,520	₩ (679,279)	₩ 921,365

38.1.3 Details of reinsurance assets included in other assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		December 31, 2020		December 31, 2019	
Non-life insurance	Reserve for outstanding claims				
	General insurance	₩	732,579	₩	361,065
	Automobile insurance		14,916		16,555
	Long-term insurance		156,234		130,758
	Unearned premium reserve				
	General insurance		285,634		208,820
	Automobile insurance		10,870		19,952
			1,200,233		737,150
Life insurance	Reserve for outstanding claims		2,081		1,639
	Unearned premium reserve		951		408
			3,032		2,047
Others	Reserve for outstanding claims		2,427		2,563
	Unearned premium reserve		895		844
			3,322		3,407
Total reinsurance assets			1,206,587		742,604
Allowances for impairment			879		1,953
Total reinsurance assets, net	₩	1,205,708	₩	740,651	

38.1.4 Changes in reinsurance assets included in other assets for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		2020			
		Beginning	Net increase (decrease)	Business combination	Ending
Non-life insurance	Reserve for outstanding claims				
	General insurance	₩ 361,065	₩ 371,514	₩ -	₩ 732,579
	Automobile insurance	16,555	(1,639)	-	14,916
	Long-term insurance	130,758	25,476	-	156,234
	Unearned premium reserve				
	General insurance	208,820	76,814	-	285,634
	Automobile insurance	19,952	(9,082)	-	10,870
		737,150	463,083	-	1,200,233
Life insurance	Reserve for outstanding claims	1,639	(564)	1,006	2,081
	Unearned premium reserve	408	(27)	570	951
		2,047	(591)	1,576	3,032
Others	Reserve for outstanding claims	2,563	(136)	-	2,427
	Unearned premium reserve	844	51	-	895
		3,407	(85)	-	3,322
Total reinsurance assets		742,604	462,407	1,576	1,206,587
Allowances for impairment		1,953	(1,074)	-	879
Total reinsurance assets, net		₩ 740,651	₩ 463,481	₩ 1,576	₩ 1,205,708

(In millions of Korean won)

		2019		
		Beginning	Net increase (decrease)	Ending
Non-life insurance	Reserve for outstanding claims			
	General insurance	₩ 360,997	₩ 68	₩ 361,065
	Automobile insurance	18,057	(1,502)	16,555
	Long-term insurance	109,751	21,007	130,758
	Unearned premium reserve			
	General insurance	171,240	37,580	208,820
	Automobile insurance	30,864	(10,912)	19,952
		690,909	46,241	737,150
Life insurance	Reserve for outstanding claims	1,912	(273)	1,639
	Unearned premium reserve	448	(40)	408
		2,360	(313)	2,047
Others	Reserve for outstanding claims	3,417	(854)	2,563
	Unearned premium reserve	983	(139)	844
		4,400	(993)	3,407
Total reinsurance assets		697,669	44,935	742,604
Allowances for impairment		1,916	37	1,953
Total reinsurance assets, net		₩ 695,753	₩ 44,898	₩ 740,651

38.2 Insurance Liabilities
38.2.1 Details of insurance liabilities by insurance types as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Non-life insurance	Life insurance	Others	Total
Premium reserve *	₩ 24,990,530	₩ 23,264,955	₩ -	₩ 48,255,485
Reserve for outstanding claims	2,885,006	252,883	2,426	3,140,315
Unearned premium reserve	1,859,367	9,450	896	1,869,713
Reserve for dividend to policyholders	129,660	41,024	-	170,684
Reserve for distribution of earnings to policyholders	51,292	5,009	-	56,301
Reserve for loss compensation on participating insurance	20,090	6,818	-	26,908
Guarantee reserve	-	895,890	-	895,890
	₩ 29,935,945	₩ 24,476,029	₩ 3,322	₩ 54,415,296

*Negative VOBA amounting to ₩ 2,698,010 million is included.

(In millions of Korean won)

	December 31, 2019			
	Non-life insurance	Life insurance	Others	Total
Premium reserve	₩ 23,799,607	₩ 6,991,247	₩ -	₩ 30,790,854
Reserve for outstanding claims	2,297,256	101,690	2,563	2,401,509
Unearned premium reserve	1,522,827	4,603	845	1,528,275
Reserve for dividend to policyholders	117,094	29,745	-	146,839
Reserve for distribution of earnings to policyholders	46,901	4,202	-	51,103
Reserve for loss compensation on participating insurance	20,090	5,784	-	25,874
Reserve for outstanding claims	-	22,229	-	22,229
	₩ 27,803,775	₩ 7,159,500	₩ 3,408	₩ 34,966,683

38.2.2 Changes in insurance liabilities for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		2020			
		Beginning	Net increase (decrease) ¹	Business combination	Ending
Non-life insurance	General insurance	₩ 1,064,913	₩ 503,828	₩ -	₩ 1,568,741
	Automobile insurance	1,623,846	274,026	-	1,897,872
	Long-term insurance	25,006,078	1,356,401	-	26,362,479
	Long-term investment contract	108,938	(2,085)	-	106,853
Life insurance	Pure endowment insurance	5,236,128	318,109	2,016,112	7,570,349
	Death insurance	642,963	404,456	14,658,632	15,706,051
	Endowment insurance	1,270,855	(156,688)	74,132	1,188,299
	Group insurance	524	(1,021)	-	(497)
	Others ²	9,031	(1,217)	4,013	11,827
Others	3,407	(85)	-	3,322	
	₩ 34,966,683	₩ 2,695,724	₩ 16,752,889	₩ 54,415,296	

(In millions of Korean won)

		2019		
		Beginning	Net increase (decrease) ¹	Ending
Non-life insurance	General insurance	₩ 1,054,823	₩ 10,090	₩ 1,064,913
	Automobile insurance	1,492,294	131,552	1,623,846
	Long-term insurance	23,386,279	1,619,799	25,006,078
	Long-term investment contract	110,256	(1,318)	108,938
Life insurance	Pure endowment insurance	5,233,491	2,637	5,236,128
	Death insurance	500,571	142,392	642,963
	Endowment insurance	1,621,460	(350,605)	1,270,855
	Group insurance	735	(211)	524
	Others ²	8,640	391	9,031
Others	4,400	(993)	3,407	
		₩ 33,412,949	₩ 1,553,734	₩ 34,966,683

¹Includes exchange differences effect and decrease in liabilities related to investment contract.²Includes reserve for distribution of earnings to policyholders and Reserve for loss compensation on participating insurance.**38.3 Liability Adequacy Test**

According to the revision of the Regulations on Supervision of Insurance Business, the criteria for the insurance liability adequacy test were changed, and the Group accounted for the change as a change in accounting policy because it provided reliable and more relevant information about current estimates of future cash flows. This change in accounting policy has no effect on the consolidated financial statements, but comparative notes have been restated.

38.3.1 KB Insurance Co., Ltd.

Assumptions and basis for the insurance liability adequacy test of KB Insurance Co., Ltd. as of December 31, 2020 and 2019, are as follows:

	Assumptions (%)		Calculation basis
	December 31, 2020	December 31, 2019	
Long-term insurance			
Discount rate	0.83 ~ 15.42	1.53 ~ 8.34	Calculated by applying interest rate scenario which is risk-free rate scenario adjusted by liquidity premium. This is presented by the Financial Supervisory Service
Expense ratio	6.46	6.60	Calculated using future expense plan based on the most recent one-year experience statistics
Lapse ratio	1.48 ~ 35.44	1.51 ~ 34.13	Calculated based on the recent five-year experience statistics
Risk ratio	11.9 ~ 1,055.2	13.1 ~ 1,037.3	Calculated by ratio of insurance claim payments to risk premiums based on the recent seven-year experience statistics
General insurance			
Expense ratio	10.74	11.38	Ratio of maintenance costs incurred to earned premiums by the types of contracts for the most recent one year
Claim survey cost ratio	4.70	4.54	Ratio of claim survey cost to insurance claim payments by the type of contracts for the most recent three years
Loss ratio	70.74	64.95	Ratio of final loss incurred to earned premiums by the type of contracts for the most recent five years

	Assumptions (%)		Calculation basis
	December 31, 2020	December 31, 2019	
Automobile insurance			
Expense ratio	9.00	9.94	Ratio of maintenance costs incurred to earned premiums by the types of collaterals for the most recent one year
Claim survey cost ratio	8.40	8.84	Ratio of claim survey cost to insurance claim payments by the type of collaterals for the most recent three years
Loss ratio	78.20	78.44	Ratio of final loss incurred to earned premiums by the type of collaterals for the most recent five years

Results of the insurance liability adequacy test of KB Insurance Co., Ltd. as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		
	Recognized liabilities *	Estimated adequate liabilities	Shortfall (surplus)
General insurance	₩ 461,227	₩ 384,780	₩ (76,447)
Automobile insurance	1,363,104	1,279,587	(83,517)
Long-term insurance	20,892,077	11,982,350	(8,909,727)
	₩ 22,716,408	₩ 13,646,717	₩ (9,069,691)

(In millions of Korean won)

	December 31, 2019		
	Recognized liabilities *	Estimated adequate liabilities	Shortfall (surplus)
General insurance	₩ 365,234	₩ 296,801	₩ (68,433)
Automobile insurance	1,123,450	1,071,076	(52,374)
Long-term insurance	19,775,907	10,685,319	(9,090,588)
	₩ 21,264,591	₩ 12,053,196	₩ (9,211,395)

*Long-term insurance is for premium reserves and unearned premium reserves; the premium reserve is the amount of subtracting deferred acquisition costs and insurance contract loans from the net insurance premium reserve in accordance with Article 6-3 of the Insurance Supervisory Regulation.

As a result of liability adequacy test, the Group did not set additional reserve as it shows net surplus. As such, there was no amount recorded as a result of liability adequacy test.

38.3.2 KB Life Insurance Co., Ltd.

Assumptions and basis for the insurance liability adequacy test of KB Life Insurance Co., Ltd. as of December 31, 2020 and 2019, are as follows:

	Assumptions (%)		Calculation basis
	December 31, 2020	December 31, 2019	
Lapse ratio	0 ~ 65.50	0 ~ 65.39	Ratio of cancelled premiums to premiums by product group, method of payment, channel, and elapsed period, based on the most recent five-year experience statistics
Loss ratio	24 ~ 156	11 ~ 132	Ratio of number of accidents to the number of holding insurances, by collateral, gender and elapsed period, based on the most recent seven-year experience statistics
Discount rate	0.98 ~ 15.33	1.04 ~ 5.79	Estimated investment yield based on the interest rate scenario provided by the Financial Supervisory Service adjusted by risk spread

Indirect costs included in administration expenses were calculated based on unit cost of the expense allocation standards of the last year in accordance with the Detailed Regulations on Supervision of Insurance Business. Direct costs included in administration expenses were calculated based on estimates of future expense according to the Group's internal regulations.

The insurance liability adequacy test of KB Life Insurance Co., Ltd. is performed by contract types such as interest rate types and dividend types. Results of life insurance liability adequacy test as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		December 31, 2020		
		Recognized liabilities	Estimated adequate liabilities	Shortfall (surplus)
Fixed interest type	Participating	₩ 30,447	₩ 56,125	₩ 25,678
	Non-participating	395,766	12,952	(382,814)
Variable interest type	Participating	970,376	991,663	21,287
	Non-participating	5,508,172	5,141,265	(366,907)
Variable type		(26,685)	(124,623)	(97,938)
Total		₩ 6,878,076	₩ 6,077,382	₩ (800,694)

(In millions of Korean won)

		December 31, 2019		
		Recognized liabilities	Estimated adequate liabilities	Shortfall (surplus)
Fixed interest type	Participating	₩ 30,514	56,460	25,946
	Non-participating	180,058	45,166	(134,892)
Variable interest type	Participating	1,037,148	1,080,830	43,682
	Non-participating	5,335,572	5,069,047	(266,525)
Variable type		(23,514)	(133,781)	(110,267)
Total		₩ 6,559,778	6,117,722	(442,056)

As a result of liability adequacy test, the Group did not set additional reserve as it shows net surplus. As such, there was no amount recorded as a result of liability adequacy test.

38.3.3 Prudential Life Insurance Company of Korea Ltd..

Assumptions and basis for the insurance liability adequacy test of Prudential Life Insurance Company of Korea Ltd. as of December 31, 2020, are as follows:

	Assumptions (%)	Calculation basis
Lapse ratio	2 ~ 28	Ratio of cancelled premiums to premiums by product group and elapsed period, based on the most recent five-year experience statistics
Loss ratio	21 ~ 312	Calculated by ratio of insurance claim payments to risk premiums based on the recent five-year experience statistics
Discount rate	0.85 ~ 16.27	Estimated investment yield based on the interest rate scenario provided by the Financial Supervisory Service adjusted by risk spread

The insurance liability adequacy test of Prudential Life Insurance Company of Korea Ltd. is performed by contract types such as interest rate types and dividend types. Results of life insurance liability adequacy test as of December 31, 2020, are as follows:

(In millions of Korean won)

		December 31, 2020		
		Recognized liabilities	Estimated adequate liabilities	Shortfall (surplus)
Fixed interest type	Participating	₩ 75,390	₩ 83,404	₩ 8,014
	Non-participating	11,037,531	10,534,663	(502,868)
Variable interest type	Participating	₩ -	₩ -	₩ -
	Non-participating	721,570	547,754	(173,816)
Variable type		369,991	(1,220,080)	(1,590,071)
Total		₩ 12,204,482	₩ 9,945,741	₩ (2,258,741)

As a result of liability adequacy test, the Group did not set additional reserve as it shows net surplus. As such, there was no amount recorded as a result of liability adequacy test.

38.4 Net Insurance Income

Details of insurance income and expenses for the years ended December 31, 2020 and 2019, are as follows:

(In number of shares)

	2020	2019
Insurance Income		
Premium income	₩ 12,872,727	₩ 11,173,367
Reinsurance income	823,500	850,871
Reversal of policy reserves	85	993
Separate account income	216,485	216,429
Income from change in reinsurance assets	467,729	42,432
Other insurance income	6,114	33,090
	14,386,640	12,317,182
Insurance Expenses		
Insurance claims paid	5,264,829	5,046,772
Dividend expenses	11,661	9,902
Refunds of surrender value	3,286,150	2,870,543
Reinsurance expenses	1,127,304	1,018,007
Provision for policy reserves	2,709,903	1,547,264
Separate account expenses	113,703	139,810
Administration expenses	563,085	453,016
Amortization of deferred acquisition costs	767,633	679,279
Expenses from change in reinsurance assets	163	314
Claim survey expenses paid	58,873	52,123
Other insurance expenses	183,343	200,640
	14,086,647	12,017,670
Net insurance income	₩ 299,993	₩ 299,512

38.5 Risk Management of KB Insurance Co., Ltd.

38.5.1 Overview

Insurance risk is the risk that arises from a primary operation of insurance companies that is associated with acceptance of insurance contract and payment of claims and is classified as the insurance price risk and the reserves risk. The insurance price risk is the risk of loss that might occur when the actual risk exceeds the expected risk rate or expected insurance administration expenses ratios in calculation of premiums. It is the risk of loss that arises from differences between actual payment of claims and premiums received from policyholders. The reserves risk is the risk that arises due to a deficit in reserves at the date of assessment, making the Group unable to cover the actual claims payment in the future.

38.5.2 Purposes, policies and procedures to manage risk arising from insurance contracts

The risks associated with insurance contract that the Group faces are the insurance actuarial risk and the acceptance risk. Each risk occurs due to insurance contract's pricing and conditions of acceptance. In order to minimize acceptance risk, the Group establishes guidelines and procedure for acceptance and outlines specific conditions for acceptance by product. In addition, expected risk level at the date of pricing is compared with actual risk of contracts after acceptance and various subsequent measures such as the adjustments in the interest rate and sales conditions, termination of selling specific product and others are taken in order to reduce insurance actuarial risk. The Group has a committee to discuss status of product acceptance risk and interest rate policy. The committee decides important matters to set the processes that allow minimizing the insurance actuarial risk, the acceptance risk and other business-related risk.

In addition, according to reinsurance operating standards, the Group establishes an operating strategy of reinsurance for large claims expense due to unexpected catastrophic events. The Group aims at policy holders' safety and its stable profit achievement. For the long-term goal, the Group manages risk at a comprehensive level to keep its value at the maximum.

38.5.3 Exposure to insurance price risk

According to RBC standard, exposure to insurance price risk is defined as net written premiums for prior one year that is calculated by adding and subtracting direct insurance premium, assumed reinsurance premium and ceded reinsurance premium.

The Group's exposure to insurance price risk as of December 31, 2020 and 2019, as follows:

(In millions of Korean won)

	December 31, 2020			
	Direct insurance	Reinsurance assumed	Reinsurance ceded	Total
General	₩ 1,088,791	₩ 79,429	₩ (663,750)	₩ 504,470
Automobile	2,491,412	-	(21,433)	2,469,979
Long-term	2,803,532	-	(415,439)	2,388,093
	₩ 6,383,735	₩ 79,429	₩ (1,100,622)	₩ 5,362,542

(In millions of Korean won)

	December 31, 2019			
	Direct insurance	Reinsurance assumed	Reinsurance ceded	Total
General	₩ 999,348	₩ 101,613	₩ (579,922)	₩ 521,039
Automobile	2,101,780	-	(40,067)	2,061,713
Long-term	2,550,236	-	(367,904)	2,182,332
	₩ 5,651,364	₩ 101,613	₩ (987,893)	₩ 4,765,084

38.5.4 Concentration of insurance risk

The Group is selling general non-life insurances (fire, maritime, injury, technology, liability, package, title, guarantee and special type insurances), automobile insurances (for private use, for hire, for business, bicycle and other), long-term insurances (long-term non-life, property damage, injury, driver, savings, illness, nursing and pension) and various other insurances. The Group's risk is distributed through reinsurance, joint acceptance and diversified selling. In addition, insurances that cover severe level of risk, although there is rare possibility of the occurrence of disaster, such as storm and flood insurance are limited, and the Group controls the risk through joint acquisition.

38.5.5 Claims development tables

The Group uses claim development of payments and the estimated ultimate claims for the years where the accident has occurred, in order to maintain overall reserve adequacy in respect of general, automobile and long-term insurance. When the estimated ultimate claims are greater than claim payments, the Group establishes additional reserves. Claims development tables as of December 31, 2020 and 2019, are as follows:

<2020>

General Insurance

(In millions of Korean won)

Accident year	Payment year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
Estimate of gross ultimate claims (A)					
2016.1.1 ~ 2016.12.31	₩ 145,618	₩ 167,818	₩ 171,206	₩ 178,265	₩ 180,160
2017.1.1 ~ 2017.12.31	168,409	200,699	204,368	206,201	-
2018.1.1 ~ 2018.12.31	200,968	241,474	246,871	-	-
2019.1.1 ~ 2019.12.31	219,881	263,849	-	-	-
2020.1.1 ~ 2020.12.31	232,622	-	-	-	-
	967,498	873,840	622,445	384,466	180,160
Gross cumulative claim payments (B)					
2016.1.1 ~ 2016.12.31	108,098	151,282	162,059	170,353	175,063
2017.1.1 ~ 2017.12.31	132,430	184,333	193,780	199,225	-
2018.1.1 ~ 2018.12.31	153,770	217,955	235,900	-	-
2019.1.1 ~ 2019.12.31	185,645	246,397	-	-	-
2020.1.1 ~ 2020.12.31	167,129	-	-	-	-
	747,072	799,967	591,739	369,578	175,063
Difference (A-B)	₩ 220,426	₩ 73,873	₩ 30,706	₩ 14,888	₩ 5,097

Automobile Insurance

(In millions of Korean won)

Accident year	Payment year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
Estimate of gross ultimate claims (A)							
2014.1.1 ~ 2014.12.31	₩ 1,174,611	₩ 1,193,833	₩ 1,205,524	₩ 1,212,025	₩ 1,212,162	₩ 1,214,524	₩ 1,217,006
2015.1.1 ~ 2015.12.31	1,227,106	1,245,780	1,256,058	1,263,044	1,267,142	1,271,001	-
2016.1.1 ~ 2016.12.31	1,276,939	1,281,381	1,287,728	1,294,735	1,299,964	-	-
2017.1.1 ~ 2017.12.31	1,342,998	1,348,828	1,358,867	1,368,016	-	-	-
2018.1.1 ~ 2018.12.31	1,468,784	1,471,807	1,481,509	-	-	-	-
2019.1.1 ~ 2019.12.31	1,591,793	1,620,609	-	-	-	-	-
2020.1.1 ~ 2020.12.31	1,624,341	-	-	-	-	-	-
	9,706,572	8,162,238	6,589,686	5,137,820	3,779,268	2,485,525	1,217,006

(In millions of Korean won)

Accident year	Payment year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
Gross cumulative claim payments(B)							
2014.1.1 ~ 2014.12.31	969,211	1,150,462	1,180,953	1,196,387	1,204,580	1,208,421	1,210,632
2015.1.1 ~ 2015.12.31	1,020,975	1,198,241	1,228,357	1,245,779	1,254,187	1,261,995	-
2016.1.1 ~ 2016.12.31	1,052,830	1,235,656	1,264,651	1,282,346	1,288,754	-	-
2017.1.1 ~ 2017.12.31	1,104,158	1,306,235	1,335,962	1,350,174	-	-	-
2018.1.1 ~ 2018.12.31	1,224,820	1,428,973	1,456,532	-	-	-	-
2019.1.1 ~ 2019.12.31	1,332,849	1,570,194	-	-	-	-	-
2020.1.1 ~ 2020.12.31	1,353,799	-	-	-	-	-	-
	8,058,642	7,889,761	6,466,455	5,074,686	3,747,521	2,470,416	1,210,632
Difference (A-B)	₩ 1,647,930	₩ 272,477	₩ 123,231	₩ 63,134	₩ 31,747	₩ 15,109	₩ 6,374

Long-term Insurance

(In millions of Korean won)

Accident year	Payment year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
Estimate of gross ultimate claims (A)							
2014.1.1 ~ 2014.12.31	₩ 789,088	1,083,049	₩ 1,114,820	₩ 1,119,206	₩ 1,122,191	₩ 1,123,240	₩ 1,124,628
2015.1.1 ~ 2015.12.31	885,476	1,219,394	1,256,051	1,266,881	1,270,967	1,273,615	-
2016.1.1 ~ 2016.12.31	1,064,744	1,437,573	1,485,839	1,500,403	1,506,889	-	-
2017.1.1 ~ 2017.12.31	1,184,224	1,614,903	1,670,929	1,689,768	-	-	-
2018.1.1 ~ 2018.12.31	1,372,706	1,881,046	1,941,497	-	-	-	-
2019.1.1 ~ 2019.12.31	1,626,481	2,229,830	-	-	-	-	-
2020.1.1 ~ 2020.12.31	1,818,316	-	-	-	-	-	-
	8,741,035	9,465,795	7,469,136	5,576,258	3,900,047	2,396,855	1,124,628
Gross cumulative claim payments(B)							
2014.1.1 ~ 2014.12.31	744,944	1,065,792	1,104,468	1,114,341	1,119,531	1,122,378	1,123,868
2015.1.1 ~ 2015.12.31	836,471	1,205,130	1,248,475	1,262,528	1,269,557	1,272,648	-
2016.1.1 ~ 2016.12.31	1,017,243	1,424,948	1,477,415	1,496,556	1,503,841	-	-
2017.1.1 ~ 2017.12.31	1,130,868	1,599,227	1,662,978	1,683,997	-	-	-
2018.1.1 ~ 2018.12.31	1,319,613	1,868,434	1,933,543	-	-	-	-
2019.1.1 ~ 2019.12.31	1,574,696	2,211,717	-	-	-	-	-
2020.1.1 ~ 2020.12.31	1,749,647	-	-	-	-	-	-
	8,373,482	9,375,248	7,426,879	5,557,422	3,892,929	2,395,026	1,123,867
Difference (A-B)	₩ 367,553	₩ 90,547	₩ 42,257	₩ 18,836	₩ 7,118	₩ 1,829	₩ 760

<2019>

General Insurance

(In millions of Korean won)

Accident year	Payment year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
Estimate of gross ultimate claims (A)					
2015.1.1 ~ 2015.12.31	₩ 125,162	₩ 144,566	₩ 147,031	₩ 147,616	₩ 148,995
2016.1.1 ~ 2016.12.31	145,618	167,818	171,205	178,265	-
2017.1.1 ~ 2017.12.31	168,409	200,704	204,538	-	-
2018.1.1 ~ 2018.12.31	200,280	237,111	-	-	-
2019.1.1 ~ 2019.12.31	220,474	-	-	-	-
	859,943	750,199	522,774	325,881	148,995
Gross cumulative claim payments(B)					
2015.1.1 ~ 2015.12.31	93,443	129,764	137,157	141,218	143,985
2016.1.1 ~ 2016.12.31	108,098	151,283	162,059	170,353	-
2017.1.1 ~ 2017.12.31	132,430	184,333	193,811	-	-
2018.1.1 ~ 2018.12.31	153,770	216,705	-	-	-
2019.1.1 ~ 2019.12.31	185,832	-	-	-	-
	673,573	682,086	493,027	311,571	143,985
Difference (A-B)	₩ 186,369	₩ 68,112	₩ 29,747	₩ 14,310	₩ 5,010

Automobile Insurance

(In millions of Korean won)

Accident year	Payment year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
Estimate of gross ultimate claims (A)							
2013.1.1 ~ 2013.12.31	₩ 1,131,945	₩ 1,156,535	₩ 1,170,968	₩ 1,179,458	₩ 1,179,323	₩ 1,179,514	₩ 1,180,458
2014.1.1 ~ 2014.12.31	1,174,611	1,193,832	1,205,524	1,212,025	1,212,162	1,214,524	-
2015.1.1 ~ 2015.12.31	1,227,106	1,245,780	1,256,058	1,263,044	1,267,142	-	-
2016.1.1 ~ 2016.12.31	1,276,939	1,281,381	1,287,728	1,294,735	-	-	-
2017.1.1 ~ 2017.12.31	1,342,998	1,348,828	1,358,867	-	-	-	-
2018.1.1 ~ 2018.12.31	1,468,784	1,471,807	-	-	-	-	-
2019.1.1 ~ 2019.12.31	1,591,793	-	-	-	-	-	-
	9,214,176	7,698,163	6,279,145	4,949,262	3,658,627	2,394,038	1,180,458
Gross cumulative claim payments(B)							
2013.1.1 ~ 2013.12.31	939,569	1,114,063	1,145,110	1,161,624	1,168,617	1,175,681	1,178,158
2014.1.1 ~ 2014.12.31	969,211	1,150,462	1,180,953	1,196,387	1,204,580	1,208,421	-
2015.1.1 ~ 2015.12.31	1,020,975	1,198,241	1,228,357	1,245,779	1,254,187	-	-
2016.1.1 ~ 2016.12.31	1,052,830	1,235,656	1,264,651	1,282,346	-	-	-
2017.1.1 ~ 2017.12.31	1,104,158	1,306,235	1,335,962	-	-	-	-
2018.1.1 ~ 2018.12.31	1,224,820	1,428,973	-	-	-	-	-
2019.1.1 ~ 2019.12.31	1,332,849	-	-	-	-	-	-
	7,644,412	7,433,630	6,155,033	4,886,136	3,627,384	2,384,102	1,178,158
Difference (A-B)	₩ 1,569,764	₩ 264,533	₩ 124,112	₩ 63,126	₩ 31,243	₩ 9,936	₩ 2,300

Long-term Insurance

(In millions of Korean won)

Accident year	Payment year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
Estimate of gross ultimate claims (A)							
2013.1.1 ~ 2013.12.31	₩ 709,602	₩ 965,587	₩ 997,607	₩ 1,003,646	₩ 1,006,025	₩ 1,007,041	₩ 1,008,589
2014.1.1 ~ 2014.12.31	789,087	1,083,048	1,114,821	1,119,206	1,122,192	1,123,240	-
2015.1.1 ~ 2015.12.31	885,476	1,219,393	1,256,051	1,266,881	1,270,967	-	-
2016.1.1 ~ 2016.12.31	1,064,744	1,437,573	1,485,839	1,500,403	-	-	-
2017.1.1 ~ 2017.12.31	1,184,224	1,614,903	1,670,929	-	-	-	-
2018.1.1 ~ 2018.12.31	1,372,706	1,881,046	-	-	-	-	-
2019.1.1 ~ 2019.12.31	1,626,481	-	-	-	-	-	-
	7,632,320	8,201,550	6,525,247	4,890,136	3,399,184	2,130,281	1,008,589
Gross cumulative claim payments(B)							
2013.1.1 ~ 2013.12.31	671,500	953,494	989,957	999,944	1,003,715	1,005,796	1,007,865
2014.1.1 ~ 2014.12.31	744,944	1,065,792	1,104,468	1,114,341	1,119,531	1,122,378	-
2015.1.1 ~ 2015.12.31	836,471	1,205,130	1,248,475	1,262,528	1,269,557	-	-
2016.1.1 ~ 2016.12.31	1,017,243	1,424,948	1,477,415	1,496,556	-	-	-
2017.1.1 ~ 2017.12.31	1,130,868	1,599,227	1,662,978	-	-	-	-
2018.1.1 ~ 2018.12.31	1,319,613	1,868,434	-	-	-	-	-
2019.1.1 ~ 2019.12.31	1,574,696	-	-	-	-	-	-
	7,295,335	8,117,025	6,483,293	4,873,369	3,392,805	2,128,174	1,007,865
Difference (A-B)	₩ 336,985	84,525	41,954	₩ 16,767	₩ 6,381	₩ 2,107	724

38.5.6 Sensitivity analysis of insurance risk

The Group manages insurance risk by performing sensitivity analysis based on discount rate, loss ratio and insurance administration expenses ratio which are considered to have significant influence on future cash flow, timing and uncertainty. According to result of sensitivity analysis there is no material influence on the equity and net profit before tax.

(In millions of Korean won)

	December 31, 2020				
	Assumption change	Effect on			
		LAT	Insurance liabilities	Profit before tax	Equity
Lapse ratio	+10%	₩ 568,734	-	₩ -	-
	-10%	(633,788)	-	-	-
Loss ratio	+10%	5,012,443	-	-	-
	-10%	(5,012,443)	-	-	-
Insurance administration expenses	+10%	345,752	-	-	-
	-10%	(345,752)	-	-	-
Discount rate	+0.5%p	(1,499,565)	-	-	-
	-0.5%p	1,726,707	-	-	-

(In millions of Korean won)

	Assumption change	December 31, 2019			
		Effect on			
		LAT	Insurance liabilities	Profit before tax	Equity
Lapse ratio	+10%	₩ 495,287	-	₩ -	-
	-10%	(553,013)	-	-	-
Loss ratio	+10%	4,576,415	-	-	-
	-10%	(4,576,415)	-	-	-
Insurance administration expenses	+10%	342,587	-	-	-
	-10%	(342,587)	-	-	-
Discount rate	+0.5%p	(1,521,385)	-	-	-
	-0.5%p	1,800,472	-	-	-

38.5.7 Liquidity risk of insurance contracts

Liquidity risk arising from insurance contracts is the increase in refunds at maturity caused by concentrations of maturity, the increase in surrender values caused by unexpected amounts in cancellation and the increase in payments of claims caused by catastrophic events. The Group manages payment of refunds payable at maturity by analysing maturity of insurance.

Premium reserve's maturity structure as of December 31, 2020 and 2019, as follows:

(In millions of Korean won)

	December 31, 2020 *					
	Up to 1 year	1~5 years	5~10 years	10~20 years	Over 20 years	Total
Long-term insurance non-participating						
Fixed interest type	₩ 70,782	₩ 191,570	₩ 78,092	₩ 51,216	₩ 175,387	₩ 567,047
Variable interest type	663,210	2,304,298	1,937,621	845,404	14,716,753	20,467,286
	733,992	2,495,868	2,015,713	896,620	14,892,140	21,034,333
Annuity						
Fixed interest type	₩ 5	₩ 717	₩ 2,203	₩ 3,817	₩ 738	₩ 7,480
Variable interest type	242	83,568	390,516	1,301,383	2,195,244	3,970,953
	247	84,285	392,719	1,305,200	2,195,982	3,978,433
Asset-linked						
Variable interest type	-	-	-	-	-	-
Total						
Fixed interest type	70,787	192,287	80,295	55,033	176,125	574,527
Variable interest type	663,452	2,387,866	2,328,137	2,146,787	16,911,997	24,438,239
	₩ 734,239	₩ 2,580,153	₩ 2,408,432	₩ 2,201,820	₩ 17,088,122	₩ 25,012,766

(In millions of Korean won)

	December 31, 2019 *					
	Up to 1 year	1~5 years	5~10 years	10~20 years	Over 20 years	Total
Long-term insurance non-participating						
Fixed interest type	₩ 57,532	₩ 258,436	₩ 84,349	₩ 43,141	₩ 125,622	₩ 569,080
Variable interest type	527,467	2,578,004	2,085,054	777,340	13,336,668	19,304,533
	584,999	2,836,440	2,169,403	820,481	13,462,290	19,873,613
Annuity						
Fixed interest type	₩ 10	₩ 543	₩ 2,244	₩ 3,714	₩ 1,075	₩ 7,586
Variable interest type	273	70,180	367,710	1,245,176	2,227,054	3,910,393
	283	70,723	369,954	1,248,890	2,228,129	3,917,979
Asset-linked						
Variable interest type	27,389	-	-	-	-	27,389
Total						
Fixed interest type	57,542	258,979	86,593	46,855	126,697	576,666
Variable interest type	555,129	2,648,184	2,452,764	2,022,516	15,563,722	23,242,315
	₩ 612,671	₩ 2,907,163	₩ 2,539,357	₩ 2,069,371	₩ 15,690,419	₩ 23,818,981

*Includes long-term investment contract amounting to ₩ 106,853 million and ₩ 108,938 million, as of December 31, 2020 and 2019, respectively.

38.5.8 Credit risk of insurance contract

Credit risk of insurance contract is the economic loss arising from non-performing contractual obligations due to decline in credit ratings or default. Through strict internal review, only the insurers rated above BBB- of S&P rating are accepted for the insurance contracts.

As of December 31, 2020, there are 168 reinsurance companies that deal with the Group, and the top three reinsurance companies' concentration and credit ratings are as follows:

Reinsurance company	Ratio	Credit rating
KOREAN RE	48.02%	AA
MUNICH RE	3.94%	AAA
ALLIANZGLOBAL	3.85%	AAA

Exposures to credit risk related to reinsurance as of December 31, 2020 and 2019 as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Reinsurance assets ¹	₩ 1,199,354	₩ 735,196
Receivables from reinsurers ²	252,064	328,177
	₩ 1,451,418	₩ 1,063,373

¹Net carrying amounts after impairment loss

²Net carrying amounts after allowance for credit losses

38.5.9 Interest rate risk of insurance contract

The interest rate risk exposure from the Group's insurance contracts is the risk of unexpected losses in net interest income or net assets arising from changes in interest rates and it is managed to minimize unexpected loss. For long-term, non-life insurance contracts, the Group calculates exposure of interest-bearing assets and interest-bearing liabilities. Liabilities exposure is premium reserves less costs of termination deductions plus unearned premium reserve. Asset exposure is interest-bearing assets. Assets that receive only fees without interest are excluded from interest bearing assets. Exposures to interest rate risk as of December 31, 2020 and 2019, are as follows:

38.5.9.1 Exposure to interest rate risk

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Interest bearing liabilities		
Fixed interest rate type	₩ 501,147	₩ 534,236
Variable interest rate type	23,213,667	21,911,393
	₩ 23,714,814	₩ 22,445,629
Interest bearing assets		
Due from financial institutions measured at amortized cost and cash equivalents	₩ 160,249	₩ 108,559
Financial assets at fair value through profit or loss	3,823,603	4,560,512
Financial assets at fair value through other comprehensive income	3,983,567	2,984,738
Securities measured at amortized cost	8,700,196	8,163,485
Loans measured at amortized cost	6,271,484	6,924,597
	₩ 22,939,099	₩ 22,741,891

38.5.9.2 Measurement and recognition method

Duration is used to measure interest rate risk within risk-based solvency test. ALM system is utilized to manage interest rate risk internally. In addition, Risk Management Committee sets ALM strategy every year to manage interest rate risk.

38.5.9.3 Sensitivity to changes in interest rates

Generally, when interest rates rise, the value and duration of assets and liabilities fall when interest rates fall, value and duration of assets and liabilities increase. Where duration of assets is shorter than that of liabilities with the interest rates fall, the interest rate risk is increased since the incremental portion of liabilities exceeds that of assets.

38.5.9.4 Negative spread risk control

In order to manage the negative margins risk between interest expenses on liabilities and investment incomes on assets, the Group sets the disclosure rate every month considering the market interest rate and the investment yield.

38.6 Risk Management of KB Life Insurance Co., Ltd.

38.6.1 Overview

Insurance risk is the risk of loss arising from the actual risk at the time of claims exceeding the estimated risk at the time of underwriting. Insurance risk is classified by insurance price risk and policy reserve risk.

Insurance price risk is the risk of loss arising from differences between received from policyholders and actual claims paid.

Policy reserve risk is the risk of loss arising from differences between policy reserves the Group holds and actual claims to be paid. Therefore, loss is recognized if actual claims are more than policy reserves.

KB Life Insurance Co., Ltd. measures only insurance price risk under RBC requirement because life insurance claim pay-out is mainly in a fixed amount with less volatility in policy reserve and shorter waiting period before payment.

38.6.2 Concentration of insurance risk and reinsurance policy

The Group uses reinsurance to mitigate concentration of insurance risk seeking an enhanced capital management.

The Group categorized reinsurance into group and individual contracts, and reinsurance is ceded through the following process:

- In the decision-making process of launching a new product, the Group decides on ceding reinsurance. Subsequently, a reinsurer is selected through bidding, agreements with the relevant departments and final approval by the executive management.
- The reinsurance department analyses the object of reinsurance, the maximum limit of reinsurance and the loss ratio with the relevant departments.

38.6.3 Characteristic and exposure of insurance price risk

The exposure of insurance price risk is measured by the risk premium for all insurance contracts held for one year prior to the calculation date. The premium for risk retention is calculated by adding direct insurance premium and reinsurance assumed premium, and deducting reinsurance ceded premium (which is paid to reinsurance companies). If the holding risk premium is less than zero, the exposure of the insurance price is measured as zero.

The insurance risk of a life insurance company is measured by insurance price risk. As the life insurance coverage is in the form of a fixed payment, the fluctuation of policy reserve is small and the period from insured event to claims payment is not long. The policy reserve risk is managed by assessments of adequacy of the policy reserve.

The insurance price risk is managed through insurance risk management regulation established by Risk Management Committee.

Maximum exposures to insurance price risk as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	
	Before reinsurance mitigation	After reinsurance mitigation
Death	₩ 13,509	₩ 10,409
Disability	672	349
Hospitalization	1,213	787
Operation and diagnosis	4,809	1,783
Actual medical expense	1,095	23
Others	1,045	474
	₩ 22,343	₩ 13,825

(In millions of Korean won)

	December 31, 2019	
	Before reinsurance mitigation	After reinsurance mitigation
Death	₩ 12,882	₩ 9,033
Disability	754	424
Hospitalization	1,260	642
Operation and diagnosis	4,419	2,211
Actual medical expense	1,053	396
Others	1,066	411
	₩ 21,434	₩ 13,117

Average ratios of claims paid per risk premium received based on exposure before mitigation for the past three years as of December 31, 2020 and 2019, were 65.1% and 65.7%, respectively.

Exposure of market risk arising from embedded derivatives included in host insurance contracts as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
	Policyholders' reserve *	Guarantee reserve	Policyholders' reserve *	Guarantee reserve
Variable annuity	₩ 490,551	₩ 2,782	₩ 429,970	₩ 2,565
Variable universal	90,337	2,515	91,988	3,095
Variable saving	720,197	504	734,661	516
	₩ 1,301,085	₩ 5,801	₩ 1,256,619	₩ 6,176

*Excludes the amount of the lapsed reserve.

38.6.4 Assumptions used in measuring insurance liabilities

The Group applies assumed rates defined in the premium and liability reserve calculation manual provided by the regulatory authority and in accordance with the Insurance Business Act and the Regulations on Supervision of Insurance Business when measuring insurance liabilities at every reporting period. For variable interest type insurance, disclosed interest rate stated in the premium and liabilities reserve calculation manual, which is calculated based on adjusted external base rate and investment yield according to Article 6-12 of the Regulations on Supervision of Insurance Business.

Reserve amount should exceed the standard reserve which is calculated using the standard interest rate and standard risk rate as required by the Enforcement Rules of the Insurance Business Act and the Regulations on Supervision of Insurance Business.

38.6.5 Maturity structure of premium reserve as of December 31, 2020 and 2019, as follows:

(In millions of Korean won)

	December 31, 2020						
	Up to 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Total
Premium reserve	₩ 739,485	₩ 350,639	₩ 605,931	₩ 412,563	₩ 451,074	₩ 4,770,046	₩ 7,329,738

(In millions of Korean won)

	December 31, 2019						
	Up to 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Total
Premium reserve	₩ 984,945	₩ 280,733	₩ 665,241	₩ 525,699	₩ 345,664	₩ 4,188,965	₩ 6,991,247

38.6.6 Sensitivity analysis of insurance risk

The Group manages insurance risk by performing sensitivity analysis based on surrender rate, rate of claim, expense rate, discount rate and others which are considered to have significant influence on future cash flow, timing and uncertainty.

(In millions of Korean won)

	Assumption change	December 31, 2020			
		Effect on			
		LAT	Insurance liabilities	Profit before tax	Equity
Lapse ratio	+10%	₩ 68,714	-	-	-
	-10%	(76,265)	-	-	-
Loss ratio	+10%	30,594	-	-	-
	-10%	(31,600)	-	-	-
Expense ratio	+10%	33,020	-	-	-
	-10%	(33,020)	-	-	-
Discount rate	+0.5%p	(424,309)	-	-	-
	-0.5%p	477,556	-	-	-

(In millions of Korean won)

	Assumption change	December 31, 2019			
		Effect on			
		LAT	Insurance liabilities	Profit before tax	Equity
Lapse ratio	+10%	₩ 47,615	-	-	-
	-10%	(52,877)	-	-	-
Loss ratio	+10%	22,675	-	-	-
	-10%	(23,308)	-	-	-
Expense ratio	+10%	32,068	-	-	-
	-10%	(32,068)	-	-	-
Discount rate	+0.5%p	(388,848)	-	-	-
	-0.5%p	441,585	-	-	-

38.7 Risk Management of Prudential Life Insurance Company of Korea Ltd.

38.7.1 Overview

Insurance risk is the risk of loss arising from the actual risk at the time of claims exceeding the estimated risk at the time of underwriting. Insurance risk is classified by insurance price risk and policy reserve risk.

Insurance price risk is the risk of loss arising from differences between received from policyholders and actual claims paid.

Policy reserve risk is the risk of loss arising from differences between policy reserves the Group holds and actual claims to be paid. Therefore, loss is recognized if actual claims are more than policy reserves.

Life insurance company manages insurance price risk through insurance liability adequacy test because life insurance claim pay-out is mainly in a fixed amount with less volatility in policy reserve and shorter waiting period before payment.

38.7.2 Concentration of insurance risk and reinsurance policy

The Group uses reinsurance to mitigate concentration of insurance risk seeking an enhanced capital management.

The Group categorized reinsurance into group and individual contracts, and reinsurance is ceded through the following process:

- In the decision-making process of launching a new product, the Group decides on ceding reinsurance. Subsequently, a reinsurer is selected through bidding, agreements with the relevant departments and final approval by the executive management.
- The reinsurance department analyses the object of reinsurance, the maximum limit of reinsurance and the loss ratio with the relevant departments.

38.7.3 Characteristic and exposure of insurance price risk

The exposure of insurance price risk is measured by the risk premium for all insurance contracts held for one year prior to the calculation date. The premium for risk retention is calculated by adding direct insurance premium and reinsurance assumed premium, and deducting reinsurance ceded premium (which is paid to reinsurance companies). If the holding risk premium is less than zero, the exposure of the insurance price is measured as zero.

The insurance risk of a life insurance company is measured by insurance price risk. As the life insurance coverage is in the form of a fixed payment, the fluctuation of policy reserve is small and the period from insured event to claims payment is not long. The policy reserve risk is managed by assessments of adequacy of the policy reserve.

The insurance price risk is managed through insurance risk management regulation established by Risk Management Committee.

Maximum exposures to insurance price risk as of December 31, 2020, are as follows:

(In millions of Korean won)

	December 31, 2020	
	Before reinsurance mitigation	After reinsurance mitigation
Death	₩ 244,975	₩ 240,121
Disability	10,485	9,964
Hospitalization	33,321	33,321
Operation and diagnosis	77,820	76,530
	₩ 366,601	₩ 359,936

Average ratios of claims paid per risk premium received based on exposure before mitigation for the past three years as of December 31, 2020, were 51.97%.

Exposures of market risk arising from embedded derivatives included in host insurance contracts as of December 31, 2020, are as follows:

(In millions of Korean won)

	December 31, 2020	
	Policyholders' reserve *	Guarantee reserve
Variable whole life	₩ 241,955	₩ 112,620
Variable annuity	2,487,715	30,306
Variable universal (protection)	1,544,241	718,783
Variable universal (savings)	446,686	448
	₩ 4,720,597	₩ 862,157

*Excludes the amount of the lapsed reserve.

38.7.4 Assumptions used in measuring insurance liabilities

The Group applies assumed rates defined in the premium and liability reserve calculation manual provided by the regulatory authority and in accordance with the Insurance Business Act and the Regulations on Supervision of Insurance Business when measuring insurance liabilities at every reporting period. For variable interest type insurance, disclosed interest rate stated in the premium and liabilities reserve calculation manual, which is calculated based on adjusted external base rate and investment yield according to Article 6-12 of the Regulations on Supervision of Insurance Business.

Reserve amount should exceed the standard reserve which is calculated using the standard interest rate and standard risk rate as required by Enforcement Rules of the Insurance Business Act and the Regulations on Supervision of Insurance Business.

38.7.5 Maturity structure of premium reserve as of December 31, 2020, are as follows:

(In millions of Korean won)

	December 31, 2020						Total
	Up to 3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	
Premium reserve	₩ 48,807	₩ 37,502	₩ 139,973	₩ 215,470	₩ 418,684	₩ 12,376,772	₩ 13,237,208

38.7.6 Sensitivity analysis of insurance risk

(In millions of Korean won)

	Assumption change	December 31, 2020			
		Effect on			
		LAT	Insurance liabilities	Profit before tax	Equity
Lapse ratio	+10%	₩ 167,536	-	₩ -	-
	-10%	(182,654)	-	-	-
Loss ratio	+10%	644,798	-	-	-
	-10%	(665,990)	-	-	-
Expense ratio	+10%	135,587	-	-	-
	-10%	(135,587)	-	-	-
Discount rate	+0.5%p	(1,245,727)	-	-	-
	-0.5%p	1,426,726	-	-	-

38.8 Application of the Overlay Approach

Upon initial application of Korean IFRS No.1109, the Group applied the overlay approach in accordance with Korean IFRS No.1104.

38.8.1 Details of financial assets with the overlay approach applied as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Financial assets at fair value through profit or loss				
Due from financial institutions	₩	70,312	₩	166,891
Debt securities		7,363,457		7,955,286
Equity securities		305,337		52,250
	₩	7,739,106	₩	8,174,427

38.8.2 Changes in net gains (losses) on overlay adjustment for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
Beginning	₩	187,077	₩	(7,146)
Recognition of other comprehensive income due to acquisition and valuation		177,500		196,110
Reclassification to profit or loss due to disposal		(25,375)		(1,887)
Ending	₩	339,202	₩	187,077

39. Statement of Cash Flows

39.1 Details of cash and cash equivalents as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Cash	₩	2,560,970	₩	2,311,418
Checks with other banks		327,781		383,500
Due from the Bank of Korea		12,340,532		8,607,911
Due from other financial institutions		10,379,559		9,535,049
		25,608,842		20,837,878
Due from financial institutions measured at fair value through profit or loss		100,094		216,367
		25,708,936		21,054,245
Restricted due from financial institutions		(15,303,363)		(13,372,966)
Due from financial institutions with original maturities over three months		(1,720,481)		(1,557,554)
		(17,023,844)		(14,930,520)
	₩	8,685,092	₩	6,123,725

39.2 Significant non-cash transactions for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
Decrease in loans due to write-offs	₩	1,283,071	₩	1,188,584
Changes in financial investments due to debt-for-equity swap		13,820		104,815
Changes in accumulated other comprehensive income from valuation of financial instruments at fair value through other comprehensive income		496,159		35,490
Changes in accumulated other comprehensive income from valuation of investments in associates		(6,978)		7,695

39.3 Cash inflows and outflows from income tax, interests and dividends for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Activity	2020	2019
Income tax paid	Operating	₩ 1,119,252	1,223,084
Interest received	Operating	14,986,532	14,936,705
Interest paid	Operating	5,266,158	5,365,595
Dividends received	Operating	187,699	185,846
Dividends paid	Financing	883,952	766,249

39.4 Changes in liabilities arising from financing activities for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020							
	Beginning	Net cash flows	Non-cash changes					Ending
			Acquisition (disposal)	Exchange differences	Changes in fair value	Subsidiaries	Others	
Derivatives held for hedging *	₩ 187,101	₩ (16,202)	₩ -	₩ (102,347)	₩ 10,553	₩ 1,166	₩ (137,467)	₩ (57,196)
Borrowings	88,754,443	22,627,875	-	(217,461)	(591,619)	2,131,517	(116,912)	112,587,843
Due to trust accounts	5,216,460	2,326,495	-	-	-	-	-	7,542,955
Changes in non-controlling interests	585,407	(25,658)	-	250,904	-	-	47,130	857,783
Others	868,556	(63,065)	236,860	11	-	-	(23,287)	1,019,075
	₩ 95,611,967	₩ 24,849,445	₩ 236,860	₩ (68,893)	₩ (581,066)	₩ 2,132,683	₩ (230,536)	₩ 121,950,460

(In millions of Korean won)

	2019							
	Beginning	Net cash flows	Non-cash changes					Ending
			Acquisition (disposal)	Exchange differences	Changes in fair value	Subsidiaries	Others	
Derivatives held for hedging *	₩ 8,049	₩ (28,631)	₩ -	₩ -	₩ 139,771	₩ -	₩ 67,912	₩ 187,101
Borrowings	86,283,531	2,537,391	-	397,571	67,297	(602,388)	71,041	88,754,443
Due to trust accounts	5,285,108	(68,648)	-	-	-	-	-	5,216,460
Changes in non-controlling interests	9,110	574,580	-	345	-	-	1,372	585,407
Others	167,128	(95,723)	766,259	35,591	-	-	(4,699)	868,556
	₩ 91,752,926	₩ 2,918,969	₩ 766,259	₩ 433,507	₩ 207,068	₩ (602,388)	₩ 135,626	₩ 95,611,967

* Derivatives held for hedging purposes are the net amount after offsetting liabilities from assets.

39.5 The net cash inflow associated with the changes in the subsidiaries for the years ended December 31, 2020 and 2019 was ₩ 1,951,245 million of cash outflow and ₩ 91,592 million of cash inflow, respectively.

40. Contingent Liabilities and Commitments

40.1 Details of acceptances and guarantees as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Confirmed acceptances and guarantees				
Confirmed acceptances and guarantees in Korean won	₩	144,457	₩	161,314
Acceptances and guarantees for KB purchasing loan		1,048,848		746,823
Others		1,193,305		908,137
Confirmed acceptances and guarantees in foreign currencies				
Acceptances of letter of credit		221,422		155,151
Letter of guarantees		45,693		49,754
Bid bond		72,037		37,765
Performance bond		703,826		718,097
Refund guarantees		801,445		1,022,646
Others		3,072,099		2,935,939
		4,916,522		4,919,352
Financial guarantees				
Acceptances and guarantees for issuance of debenture		10,040		-
Acceptances and guarantees for mortgage		89,302		47,384
Overseas debt guarantees		410,470		406,680
International financing guarantees in foreign currencies		197,097		231,685
Others		50,950		230,000
		757,859		915,749
		6,867,686		6,743,238
Unconfirmed acceptances and guarantees				
Guarantees of letter of credit		2,094,989		1,845,508
Refund guarantees		344,112		654,497
		2,439,101		2,500,005
	₩	9,306,787	₩	9,243,243

40.2 Credit qualities of acceptances and guarantees exposure as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-impaired	Impaired	
Confirmed acceptances and guarantees				
Grade 1	₩ 4,377,798	₩ 1,119	₩ -	₩ 4,378,917
Grade 2	2,269,455	47,438	-	2,316,893
Grade 3	27,588	85,321	-	112,909
Grade 4	14,925	33,440	501	48,866
Grade 5	-	453	9,648	10,101
	6,689,766	167,771	10,149	6,867,686

(In millions of Korean won)

	December 31, 2020			
	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-impaired	Impaired	
Unconfirmed acceptances and guarantees				
Grade 1	₩ 1,422,528	₩ 771	₩ -	₩ 1,423,299
Grade 2	912,209	28,506	-	940,715
Grade 3	11,399	23,069	-	34,468
Grade 4	2,369	29,934	-	32,303
Grade 5	-	589	7,727	8,316
	2,348,505	82,869	7,727	2,439,101
	₩ 9,038,271	₩ 250,640	₩ 17,876	₩ 9,306,787

(In millions of Korean won)

	December 31, 2019			
	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-impaired	Impaired	
Confirmed acceptances and guarantees				
Grade 1	₩ 4,220,046	₩ 696	₩ -	₩ 4,220,742
Grade 2	2,105,637	38,271	-	2,143,908
Grade 3	93,074	81,317	-	174,391
Grade 4	18,773	172,440	-	191,213
Grade 5	-	2,873	10,111	12,984
	6,437,530	295,597	10,111	6,743,238
Unconfirmed acceptances and guarantees				
Grade 1	1,228,258	1,289	-	1,229,547
Grade 2	1,121,159	32,413	-	1,153,572
Grade 3	17,091	20,957	-	38,048
Grade 4	4,236	62,964	-	67,200
Grade 5	-	170	11,468	11,638
	2,370,744	117,793	11,468	2,500,005
	₩ 8,808,274	₩ 413,390	₩ 21,579	₩ 9,243,243

40.3 Acceptances and guarantees by counterparty as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Large companies	₩ 5,538,003	₩ 1,770,235	₩ 7,308,238	₩ 78.53
Small and medium-sized companies	695,860	459,487	1,155,347	12.41
Public sector and others	633,823	209,379	843,202	9.06
	₩ 6,867,686	₩ 2,439,101	₩ 9,306,787	₩ 100.00

(In millions of Korean won)

	December 31, 2019			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Large companies	₩ 5,962,004	₩ 1,904,346	₩ 7,866,350	₩ 85.10
Small and medium-sized companies	650,612	397,539	1,048,151	11.34
Public sector and others	130,622	198,120	328,742	3.56
	₩ 6,743,238	₩ 2,500,005	₩ 9,243,243	₩ 100.00

40.4 Acceptances and guarantees by industry as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Financial institutions	₩ 632,947	₩ 5,871	₩ 638,818	₩ 6.86
Manufacturing	2,992,319	1,285,530	4,277,849	45.96
Service	920,352	89,457	1,009,809	10.85
Wholesale and retail	1,086,772	891,619	1,978,391	21.26
Construction	411,601	14,488	426,089	4.58
Public sector	104,925	103,285	208,210	2.24
Others	718,770	48,851	767,621	8.25
	₩ 6,867,686	₩ 2,439,101	₩ 9,306,787	₩ 100.00

(In millions of Korean won)

	December 31, 2019			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Financial institutions	₩ 260,974	₩ 23,999	₩ 284,973	₩ 3.08
Manufacturing	3,373,220	1,627,840	5,001,060	54.11
Service	1,187,516	88,158	1,275,674	13.80
Wholesale and retail	1,126,976	597,998	1,724,974	18.66
Construction	467,114	20,590	487,704	5.28
Public sector	107,481	81,895	189,376	2.05
Others	219,957	59,525	279,482	3.02
	₩ 6,743,238	₩ 2,500,005	₩ 9,243,243	₩ 100.00

40.5 Details of commitments as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Commitments		
Corporate loan commitments	₩ 40,253,100	₩ 41,930,407
Retail loan commitments	46,450,857	42,582,736
Credit line of credit cards	65,325,863	60,667,219
Purchase of other securities	7,104,163	6,617,253
	159,133,983	151,797,615
Financial Guarantees		
Credit line	3,522,809	2,340,141
Purchase of securities	683,800	591,500
	4,206,609	2,931,641
	₩ 163,340,592	₩ 154,729,256

40.6 Other Matters (including litigation)

a) The Group has 122 pending lawsuits as a plaintiff (excluding simple lawsuits related to the collection or management of loans), with an aggregate claims of ₩ 396,881 million, and 275 pending lawsuits as a defendant (excluding simple lawsuits related to the collection or management of loans) with an aggregate claims of ₩ 2,009,603 million, which arose in the normal course of the business, as of December 31, 2020.

Details of major pending lawsuits in which the Group is a defendant are as follows:

(in number of cases, in millions of Korean won)

Company	Lawsuits	No. of cases	Amount	Description of the lawsuits	Status of the lawsuits
Kookmin Bank	Request for a return of redemption amount	1	₩ 48,068	Kookmin Bank invested the assets entrusted by OO Asset Management and OO Investment Trust Management in the Fairfield Sentry Limited, and Fairfield Sentry Limited reinvested the assets in Bernard L. Madoff Investment Securities LLC managed by Bernard Madoff (Bernard L. Madoff Investment Securities LLC is in the liquidation process due to Ponzi scheme fraud-related losses). Bankruptcy trustee of Bernard L. Madoff Investment Securities LLC filed a lawsuit against Kookmin Bank seeking to return the amount of redemptions received by Kookmin Bank through Fairfield Sentry Limited.	Application for incineration by the defendant has been denied, and further proceedings are scheduled. [Related litigation is in progress at the New York Southern District Bankruptcy Court (10-03777) at the written complaint review stage]
Kookmin Bank	Request for compensation for damages	1	1,629,557	The plaintiff filed a lawsuit for compensation for damages against Indonesian Financial Supervisory Authority (OJK) and Kookmin Bank as joint defendants, claiming that the capital increase and Kookmin Bank's acquisition of PT Bank Bukopin TBK was illegal in violation of local laws and regulations in Indonesia.	It is difficult to accurately predict the result of the lawsuit as of now because the complaint has not been received, but it is judged that the possibility that the result of this lawsuit will have a significant impact on the financial position of Kookmin Bank is low.
KB Securities Co., Ltd.	Request for a return of transaction amount (Australian fund)	1	100,000	The plaintiffs OOOO Securities and OOOO Life Insurance filed lawsuits, claiming that the KB Securities Co., Ltd. provided false information on major matters in the product description while selling JB Australia NDIS Private Fund No.1 (on April 25, 2019, plaintiffs invested ₩ 50 billion each) (a) (Primary claim) requesting KB Securities Co., Ltd. to return unjust enrichment of ₩ 100 billion for cancellation of sales contracts of beneficiary certificates due to an error or termination of the contract due to default, (b) (Secondary claim) requesting for compensation for damages in investments amounting to ₩ 100 billion due to violation of the investor protection obligation and fraudulent transactions of KB Securities Co., Ltd. and OOO Asset Management.	First trial is in progress second hearing for the first trial is scheduled on April 2, 2021).

b) On April 10, 2020, Kookmin Bank acquired 70% shares of PRASAC Microfinance Institution Plc. ("PRASAC"), a specialized credit micro finance institution in Cambodia, for US\$ 603 million from its existing shareholders. Kookmin Bank has signed an agreement with the existing shareholders of PRASAC. The existing shareholders have the right of put option to sell 30% of the remaining shares to Kookmin Bank, and they are entitled to exercise their rights at the exercise price calculated on the basis of the adjusted book value of net asset as of 2021 year-end, within six months from the issue date of the audit report or the confirmation date of the adjusted value. If the put option is not exercised until its expiry, Kookmin Bank has a right to exercise a call option during the six months following the expiry of such put option. All shareholders are restricted from selling shares or additional pledge before exercising the put option and call option.

- c) Kookmin Bank has entered into an agreement with PT Bosowa Corporindo, a major shareholder of PT Bank Bukopin TBK. Under this agreement, Kookmin Bank and PT Bosowa Corporindo have a right of first refusal and a tag-along right. In addition, Kookmin Bank can exercise its drag-along right for two years from the time three years have elapsed since the acquisition date (July 27, 2018) in certain cases, such as violation of the agreement between shareholders.
- d) In June 2013, KB Kookmin Card Co., Ltd. had an accident in which cardholders' personal information was stolen (hereinafter referred to as "accident") due to illegal activities by employees of personal credit information company in charge of development of the system upgrading to prevent fraudulent use of credit card. As a result, KB Kookmin Card Co., Ltd. was notified by the Financial Services Commission of the suspension of some new business for 3 months as of February 16, 2014. In respect of the incident, the Group faces 2 and 11 legal claims filed as a defendant, with an aggregate claim of ₩ 108 million and ₩ 444 million as of December 31, 2020 and 2019 and a provision for these lawsuits amounting ₩ 2,549 million was recognized as of December 31, 2019. In addition, the Group takes out the personal information protection liability insurance as of December 31, 2020.
- e) As of December 31, 2020, the Group is not able to dispose, transfer or collateralize the shares or rights of shares of KB KOLAO Leasing Co., LTD. ("joint-venture lease company") to a third party without the written consent of both KB Kookmin Card Co., Ltd. and Kolao Holdings, for five years (the restriction period for the disposal of its equity) after the date of initial investment for KB KOLAO LEASING CO., LTD. However, KB Kookmin Card Co., Ltd. and KB Capital Co., Ltd. may transfer all or part of their shares in the joint-venture lease company to affiliates who agree to comply with all the terms and conditions of this agreement on the establishment and operation of the joint-venture lease company in Laos and agree to succeed their responsibility for the joint-venture lease company. After the expiration of the restriction period for the disposal, as prescribed separately, each party of the joint-venture lease company may transfer all or part of their shares. Meanwhile, KB KOLAO Leasing Co., LTD. is selling LVMC Holdings (formerly Kolao Holdings) allied receivables that are more than three months overdue to Lanexang Leasing Co., Ltd. in accordance with an agreement.
- f) As of December 31, 2020, KB Capital Co., Ltd. and PT Sunindo Primasura are required to hold the shares of PT Sunindo Kookmin Best Finance for five years after the completion of the share purchase. If one party is going to sell all or part of the shares, provide them as collateral, trade or dispose of them, it should give the opportunity to exercise preemption to the other party by providing written proposal including transfer price, payment method and others. Meanwhile, the shareholders of PT Sunindo Kookmin Best Finance can receive dividends for up to 20% of net profit after taxes for each fiscal year starting from the fiscal year ended December 31, 2023.
- g) KB Securities Co., Ltd., as a sales agency, sold ₩ 326,500 million of private equity funds and trusts, which loans to corporations (borrower) that invest in apartment rental businesses for the disabled in Australia, to individuals and institutional investors. However, management of the fund is impossible due to the breach of contract by local borrower in Australia, therefore there is a possibility of losses of principal to these funds subscribers. In this regard, there are three lawsuits in which the Group is the defendant as of December 31, 2020. There is a possibility that additional lawsuits will be filed in the future, but the magnitude and final outcome of the lawsuit are unpredictable.
- h) In relation to Lime Asset Management, KB Securities Co., Ltd. has a PIS (Portfolio Index Swap) contract, as of December 31, 2020, associated with 'Lime Thetis Qualified Investor Private Investment Trust No.2' and Lime Pluto FI Qualified Investor Private Investment Trust No.D-1' whose redemption were suspended during the fourth quarter of 2019. The notional amount of the underlying assets of the PIS contract is ₩ 298,500 million. Meanwhile, the Group sold ₩ 68,100 million of feeder fund of aforementioned redemption-suspended funds. On October 20, 2020, Lime Asset Management's license as a fund manager was revoked by the Financial Supervisory Service's sanctions review committee, and most of its redemption-suspended funds and normal funds will be transferred to Wellbridge Asset Management (the bridge management company) to continue collecting investments. It is difficult to predict whether and when the aforementioned redemptionsuspended funds will be redeemed, and there is a possibility that lawsuits may be filed in the future, but the impact on the consolidated financial statements cannot be predicted at this time.
- i) The proliferation of COVID-19 has had a negative impact on the global economy, which has a greater impact than expected credit losses and potential impairment of assets in a particular portfolio, which can negatively affect the profit generation capability of the Group as follows:
- There is a possibility of uncertainty about the credit risk of a borrower that could be affected by COVID-19.
 - Uncertainty may arise about forward-looking macroeconomic information related to expected credit losses.
 - Korean won may depreciate against major foreign currencies. This may result in an increase in principal and interest payments on liabilities denominated in foreign currencies, and losses on foreign exchanges transactions.
 - A significant decrease in the fair value of the Group's investment in an entity that could be affected by COVID-19 pandemic can occur.

Meanwhile, the Group's accounting policy related to COVID-19 is described in Note 2.4 Critical accounting estimates and the impact on expected credit losses is described in Note 11.1 Changes in allowances for credit losses of loans and Note 24.2 Changes in provisions for credit losses of unused loan commitments, acceptances and guarantees.

41. Subsidiaries

41.1 Details of major consolidated subsidiaries as of December 31, 2020, are as follows:

(In millions of Korean won)

Investor	Investee	Ownership (%)	Location	Date of financial statements	Industry
KB Financial Group Inc.	Kookmin Bank	100.00	Korea	Dec. 31	Banking and foreign exchange transaction
	KB Securities Co., Ltd.	100.00	Korea	Dec. 31	Financial investment
	KB Insurance Co., Ltd.	100.00	Korea	Dec. 31	Non-life insurance
	KB Kookmin Card Co., Ltd.	100.00	Korea	Dec. 31	Credit card and installment financing
	Prudential Life Insurance Company of Korea Ltd.	100.00	Korea	Dec. 31	Life insurance
	KB Asset Management Co., Ltd.	100.00	Korea	Dec. 31	Collective investment and advisory
	KB Capital Co., Ltd.	100.00	Korea	Dec. 31	Financial Leasing
	KB Life Insurance Co., Ltd.	100.00	Korea	Dec. 31	Life insurance
	KB Real Estate Trust Co., Ltd.	100.00	Korea	Dec. 31	Real estate trust management
	KB Savings Bank Co., Ltd.	100.00	Korea	Dec. 31	Savings banking
Kookmin Bank	KB Investment Co., Ltd.	100.00	Korea	Dec. 31	Capital investment
	KB Data System Co., Ltd.	100.00	Korea	Dec. 31	Software advisory, development, and supply
	KB Credit Information Co., Ltd.	100.00	Korea	Dec. 31	Collection of receivables or credit investigation
	Kookmin Bank Cambodia Plc.	100.00	Cambodia	Dec. 31	Banking and foreign exchange transaction
	Kookmin Bank (China) Ltd.	100.00	China	Dec. 31	Banking and foreign exchange transaction
	KB Microfinance Myanmar Co., Ltd.	100.00	Myanmar	Dec. 31	Microfinance services
	PRASAC Microfinance Institution Plc.	70.00	Cambodia	Dec. 31	Microfinance services
	PT Bank Bukopin TBK	67.00	Indonesia	Dec. 31	Banking and foreign exchange transaction
	PT Bank Syariah Bukopin	92.78	Indonesia	Dec. 31	Banking
	PT Bukopin Finance	97.03	Indonesia	Dec. 31	Installment financing
KB Securities Co., Ltd.	KB Bank Myanmar Co., Ltd.	100.00	Myanmar	Dec. 31	Banking and foreign exchange transaction
	KBFG Securities America Inc.	100.00	United States	Dec. 31	Investment advisory and securities dealing activities
	KB Securities Hong Kong Ltd.	100.00	China	Dec. 31	Investment advisory and securities dealing activities
	KB Securities Vietnam Joint Stock Company	99.70	Vietnam	Dec. 31	Investment advisory and securities dealing activities
KB Insurance Co., Ltd.	KB FINA Joint Stock Company	100.00	Vietnam	Dec. 31	Investment advisory and securities dealing activities
	Leading Insurance Services, Inc.	100.00	United States	Dec. 31	Management service
	LIG Insurance (China) Co., Ltd.	100.00	China	Dec. 31	Non-life insurance
	PT. KB Insurance Indonesia	70.00	Indonesia	Dec. 31	Non-life insurance
	KB Claims Survey & Adjusting	100.00	Korea	Dec. 31	Claim service
KB Sonbo CNS	KB Sonbo CNS	100.00	Korea	Dec. 31	Management service
	KB Golden Life Care Co., Ltd.	100.00	Korea	Dec. 31	Service

(In millions of Korean won)

Investor	Investee	Ownership (%)	Location	Date of financial statements	Industry
KB Kookmin Card Co., Ltd.	KB Daehan Specialized Bank Plc.	95.71	Cambodia	Dec. 31	Auto Installment finance
	PT. KB Finansia Multi Finance	80.00	Indonesia	Dec. 31	Auto Installment finance
KB Capital Co., Ltd.	PT Sunindo Kookmin Best Finance	85.00	Indonesia	Dec. 31	Auto Installment finance
KB Kookmin Card Co., Ltd., KB Capital Co., Ltd.	KB KOLAO LEASING CO., LTD.	80.00	Laos	Dec. 31	Auto Installment finance
KB Asset Management Co., Ltd.	KBAM Shanghai Advisory Services Co., Ltd.	100.00	China	Dec. 31	General advisory

41.2 Details of consolidated structured entities as of December 31, 2020, are as follows:

	Consolidated structured entities	Reasons for consolidation
Trusts	Kookmin Bank (development trust) and 10 others	The Group controls the trust because it has power to determine management performance of the trust and is significantly exposed to variable returns that absorb losses through the guarantees of payment of principal, or payment of principal and fixed rate of return.
Asset-backed securitization	Able Hana Co., Ltd. and 127 others	The Group controls these investees because it has power over relevant activities in the event of default, is significantly exposed to variable returns by providing lines of credit, ABCP purchase commitments or acquisition of subordinated debt and has ability to affect those returns through its power.
Investment funds	KB Global Platform Fund and 151 others	Funds are consolidated if the Group, as a collective investor or operating manager (member), etc., can manage fund assets on behalf of other investors, or dismiss the collective investor and operating manager, and is substantially exposed to significant variable returns or has such rights.

If the Group holds more than a majority of the ownership interests but does not have the power over relevant activities of structured entities in accordance with agreements with trust and other related parties, those structured entities are excluded from the consolidation.

41.3 Condensed financial information of major subsidiaries as of December 31, 2020 and 2019, and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			2020		
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) attributable to shareholders of the Parent Company	Total comprehensive income (loss) attributable to shareholders of the Parent Company
Kookmin Bank ¹	₩ 438,444,114	₩ 408,036,040	₩ 30,408,074	₩ 24,519,818	₩ 2,298,195	₩ 2,905,953
KB Securities Co., Ltd. ^{1,2}	57,570,654	52,516,488	5,054,166	10,040,497	425,622	449,507
KB Insurance Co., Ltd. ^{1,2}	39,078,117	35,086,458	3,991,659	13,735,778	163,884	129,042
KB Kookmin Card Co., Ltd. ¹	24,071,644	19,789,958	4,281,686	3,210,581	324,662	308,148
Prudential Life Insurance Company of Korea Ltd. ²	25,121,656	22,681,729	2,439,927	656,062	55,711	(31,718)
KB Asset Management Co., Ltd. ¹	335,601	112,522	223,079	191,427	57,317	57,802
KB Capital Co., Ltd. ^{1,2}	12,823,748	11,392,177	1,431,571	1,300,378	141,646	139,949
KB Life Insurance Co., Ltd.	10,424,916	9,842,789	582,127	1,897,859	(23,185)	(33,210)
KB Real Estate Trust Co., Ltd. ¹	437,619	108,096	329,523	139,070	66,874	66,718
KB Savings Bank Co., Ltd.	1,883,720	1,658,116	225,604	104,397	17,305	16,197
KB Investment Co., Ltd. ¹	848,693	618,552	230,141	128,014	15,387	15,390
KB Data System Co., Ltd.	40,347	23,024	17,323	149,966	(1,729)	(3,367)
KB Credit Information Co., Ltd.	27,711	11,773	15,938	39,767	1,132	1,040

(In millions of Korean won)

	December 31, 2019			2019		
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) attributable to shareholders of the Parent Company	Total comprehensive income (loss) attributable to shareholders of the Parent Company
Kookmin Bank ¹	₩ 387,425,038	₩ 358,420,805	₩ 29,004,233	₩ 20,817,431	₩ 2,439,079	₩ 2,428,154
KB Securities Co., Ltd. ^{1,2}	47,816,512	43,131,858	4,684,654	8,053,363	257,893	261,639
KB Insurance Co., Ltd. ^{1,2}	36,552,368	32,689,460	3,862,908	12,661,927	234,327	366,362
KB Kookmin Card Co., Ltd. ¹	22,990,114	18,925,195	4,064,919	3,102,186	316,546	306,251
KB Asset Management Co., Ltd. ¹	310,018	114,776	195,242	148,780	48,899	48,490
KB Capital Co., Ltd. ^{1,2}	11,190,568	10,036,077	1,154,491	931,694	117,028	115,524
KB Life Insurance Co., Ltd.	9,801,905	9,186,567	615,338	1,506,417	15,963	63,107
KB Real Estate Trust Co., Ltd. ¹	377,938	85,132	292,806	119,899	61,713	61,672
KB Savings Bank Co., Ltd.	1,361,032	1,148,625	212,407	92,435	16,301	15,433
KB Investment Co., Ltd. ¹	756,972	542,221	214,751	99,822	11,311	11,310
KB Data System Co., Ltd.	41,690	20,999	20,691	158,067	4,664	4,282
KB Credit Information Co., Ltd.	27,834	12,936	14,898	38,278	(256)	(337)

¹ Financial information is based on its consolidated financial statements.

² Includes fair value adjustments arising from the acquisition.

41.4 The Characteristics of Risks Associated with Consolidated Structured Entities

The terms of contractual arrangements to provide financial support to consolidated structured entities are as follows:

41.4.1 The Group has provided payment guarantees of ₩ 4,082,878 million to K plus 1st L.L.C and other subsidiaries.

41.4.2 The Group provides capital commitment to 23 subsidiaries including KB Sinansan Line Private Special Asset Fund (SOC). The unexecuted amount of the capital commitment is ₩ 1,046,516 million. Based on the capital commitment, the Group is subject to increase its investment upon the request of the asset management company or the additional agreement among investors.

41.4.3 The Group provides the guarantees of payment of principal, or principal and fixed rate of return in case the operating results of the trusts are less than the guaranteed principal, or principal and fixed rate of return.

41.5 Changes in Subsidiaries

41.5.1 Subsidiaries newly included in consolidation for the year ended December 31, 2020, are as follows:

Company	Reasons of obtaining control
Prudential Life Insurance Company of Korea Ltd. and 27 others	Holds more than a majority of the ownership interests
KB Hwaseong 1st L.L.C. and 82 others	Holds the power in the event of default and is exposed to significant variable returns by providing lines of credit, ABCP purchase commitments or acquisition of subordinated debt
KB Global Infrastructure Synergy Private Special Asset Fund and 21 others	Holds the power to determine the operation of the funds and is exposed to variable returns by holding significant amount of ownership interests
KB Smart Scale Up Fund and 2 others	Holds the power as a general partner and is exposed to variable returns by holding significant amount of ownership interests

41.5.2 Subsidiaries excluded from consolidation for the year ended December 31, 2020, are as follows:

Company	Reasons of losing control
KBH the 3rd L.L.C and 60 others	Termination of the commitments
Sechste Casallog KG and 16 others	Liquidation
KB Contents Panda iMBC Contents Venture Fund and 5 others	Disposal
Hyundai Smart Index Alpha Securities Feeder Investment Trust No.1 and 27 others	Decrease in ownership interests to less than majority

42. Unconsolidated Structured Entities

42.1 Nature, purpose and activities of the unconsolidated structured entities and how the structured entities are financed, are as follows:

Nature	Purpose	Activity	Method of Financing
Structured financing	Granting PF loans to SOC and real estate Granting loans to ships/aircrafts SPC	Construction of SOC and real estate Building ships, construction and purchase of aircrafts	Loan commitments through credit line, providing credit line and investment agreements
Investment funds	Investment in beneficiary certificates Investment in PEF and partnerships	Management of fund assets Payment of fund fees and allocation of fund profits	Sales of beneficiary certificate instruments Investment from general partners and limited partners
Trusts	Management of financial trusts; -Development trust -General unspecified money trust -Trust whose principal is not guaranteed -Other trusts	Management of trusted financial assets Payment of fund fees and allocation of fund profits	Sales of trusted financial assets
Asset-backed securitization	Early cash generation through transfer of securitized assets Fees earned through services to SPC, such as providing lines of credit and ABCP purchase commitments	Fulfillment of assetbacked securitization plan Purchase and collection of securitized assets Issuance and repayment of ABS and ABCP	Issuance of ABS and ABCP based on securitized assets

42.2 Details of scale of unconsolidated structured entities and nature of the risks associated with the Group's interests in unconsolidated structured entities as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020				
	Structured financing	Investment funds	Trusts	Asset-backed securitization and others	Total
Total assets of unconsolidated structured entities	₩ 56,200,300	₩ 285,528,467	₩ 1,984,006	₩ 116,115,027	₩ 459,827,800
Carrying amount in the financial statements					
Assets					
Financial assets at fair value through profit or loss	₩ 164,996	₩ 11,151,958	₩ -	₩ 2,308,917	₩ 13,625,871
Derivative financial assets	-	-	-	3,005	3,005
Loans measured at amortized cost	4,655,337	379,727	262,382	1,080,824	6,378,270
Financial investments	-	-	-	7,849,054	7,849,054
Investment in associates	-	396,953	-	-	396,953
Other assets	2,572	3,257	91,297	16,363	113,489
	₩ 4,822,905	₩ 11,931,895	₩ 353,679	₩ 11,258,163	₩ 28,366,642
Liabilities					
Deposits	₩ 612,023	₩ 26,839	₩ -	₩ 344,221	₩ 983,083
Derivative financial liabilities	-	-	-	1,307	1,307
Other liabilities	8,422	97	1	13,736	22,256
	₩ 620,445	₩ 26,936	₩ 1	₩ 359,264	₩ 1,006,646

(In millions of Korean won)

	December 31, 2020				
	Structured financing	Investment funds	Trusts	Asset-backed securitization and others	Total
Maximum exposure *					
Assets held	₩ 4,822,905	₩ 11,931,895	₩ 353,679	₩ 11,258,163	₩ 28,366,642
Purchase and investment commitments	-	5,650,847	-	761,200	6,412,047
Unused credit	1,322,414	-	18,287	3,020,084	4,360,785
Acceptances and guarantees and loan commitments	883,342	16,650	-	684,257	1,584,249
	₩ 7,028,661	₩ 17,599,392	₩ 371,966	₩ 15,723,704	₩ 40,723,723
Methods of determining the maximum exposure	Loan commitments /investment agreements / purchase commitments and acceptances and guarantees	Investments /loans and Investment agreements	Trust paying dividends by results: Total amount of trust exposure	Providing credit lines/ purchase commitments/ loan commitments and acceptances and guarantees	

(In millions of Korean won)

	December 31, 2019				
	Structured financing	Investment funds	Trusts	Asset-backed securitization and others	Total
Total assets of unconsolidated structured entities	₩ 54,206,404	₩ 180,236,568	₩ 2,287,172	₩ 99,012,931	₩ 335,743,075
Carrying amount in the financial statements					
Assets					
Financial assets at fair value through profit or loss	₩ 132,685	₩ 9,846,278	₩ -	₩ 2,405,228	₩ 12,384,191
Derivative financial assets	-	-	-	2,959	2,959
Loans measured at amortized cost	4,775,723	293,221	266,974	920,863	6,256,781
Financial investments	-	-	-	5,166,578	5,166,578
Investment in associates	-	352,488	-	-	352,488
Other assets	1,876	69,353	93,613	9,181	174,023
	₩ 4,910,284	₩ 10,561,340	₩ 360,587	₩ 8,504,809	₩ 24,337,020
Liabilities					
Deposits	₩ 523,086	₩ 90,131	₩ -	₩ 409,246	₩ 1,022,463
Derivative financial liabilities	-	-	-	228	228
Other liabilities	1,362	78	-	16,169	17,609
	₩ 524,448	₩ 90,209	₩ -	₩ 425,643	₩ 1,040,300
Maximum exposure *					
Assets held	₩ 4,910,284	₩ 10,561,340	₩ 360,587	₩ 8,504,809	₩ 24,337,020
Purchase and investment commitments	38,650	3,980,356	-	945,598	4,964,604
Unused credit	654,203	2,900	28,427	1,927,902	2,613,432
Acceptances and guarantees and loan commitments	1,816,411	7,188	-	600,664	2,424,263
	₩ 7,419,548	₩ 14,551,784	₩ 389,014	₩ 11,978,973	₩ 34,339,319
Methods of determining the maximum exposure	Loan commitments /investment agreements / purchase commitments and acceptances and guarantees	Investments /loans and Investment agreements	Trust paying dividends by results: Total amount of trust exposure	Providing credit lines/ purchase commitments/ loan commitments and acceptances and guarantees	

* Maximum exposure includes the asset amounts, after deducting loss (provision for credit losses, impairment losses and others), recognized in the consolidated financial statements of the Group.

43. Related Party Transactions

According to Korean IFRS No.1024, the Group includes investments in associates, key management (including family members), and post-employment benefit plans of the Group and its related party companies in the scope of related parties. The Group discloses balances (receivables and payables) and other amounts arising from transactions with related parties in the notes to the consolidated financial statements. Refer to Note 13 for details of investments in associates and joint ventures.

43.1 Profit or loss arising from transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Associates and joint ventures		
Balhae Infrastructure Company	₩ 6,817	₩ 6,743
Korea Credit Bureau Co., Ltd.	7	21
	957	1,056
	5	3
	3,280	2,541
	1	-
KB GwS Private Securities Investment Trust	853	851
Incheon Bridge Co., Ltd.	4,345	8,612
	334	483
	23	-
	6	7
	279	284
	899	4,975
	-	5
	472	1
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	12	178
Aju Good Technology Venture Fund	18	22
KB Star Office Private Real Estate Investment Trust No.1	371	370
	61	208
	436	435
RAND Bio Science Co., Ltd.	11	5
	-	843
SY Auto Capital Co., Ltd.	1,097	1,016
	2	1
	39	34
	132	389
	40	32
	1,709	689
	121	288
	17	13
Food Factory Co., Ltd.	52	41
	12	-
	5	4
	4	12
	72	60
	8	1

		(In number of shares)	
		2020	2019
KB Pre IPO Secondary Venture Fund No.1	Interest expense	₩ 3	₩ 7
Built On Co., Ltd. *	Fee and commission income	110	110
	Interest income	-	1
	Insurance income	-	1
KB Private Equity Fund No.3	Fee and commission income	463	480
Wise Asset Management Co., Ltd. Acts Co., Ltd.	Interest expense	-	2
	Interest income	1	1
	Insurance income	-	1
	Gains on financial instruments at fair value through profit or loss	-	30
Dongjo Co., Ltd.	Insurance income	1	2
APRO Co., Ltd.*	Interest income	7	19
	Interest expense	1	4
	Fee and commission expense	-	17
	Insurance income	1	4
	Provision for credit losses	1	-
POSCO-KB Shipbuilding Fund	Fee and commission income	387	490
Dae-A Leisure Co., Ltd.	Interest expense	7	8
Paycoms Co., Ltd.	Interest income	10	10
	Insurance income	-	1
	Gains on financial instruments at fair value through profit or loss	69	125
Big Dipper Co., Ltd.	Fee and commission expense	768	-
KB-KDBC Pre-IPO New Technology Business Investment Fund	Interest expense	23	58
	Fee and commission income	300	449
KB-TS Technology Venture Private Equity Fund	Fee and commission income	126	730
KB-SJ Tourism Venture Fund	Fee and commission income	338	422
JLK Inspection Co., Ltd. *	Interest expense	-	1
TESTIAN Inc. *	Interest income	-	3
Rainist Co., Ltd.	Gains on financial instruments at fair value through profit or loss	1,636	-
	Fee and commission income	36	39
	Fee and commission expense	5	-
Iwon Alloy Co., Ltd.	Insurance income	1	2
Bioprotect Ltd.	Losses on financial instruments at fair value through profit or loss	216	-
RMGP Bio-Pharma Investment Fund, L.P.	Fee and commission income	27	-
	Other non-operating income	-	33
	Gains on financial instruments at fair value through profit or loss	-	947
	Losses on financial instruments at fair value through profit or loss	489	2,120
RMGP Bio-Pharma Investment Fund, L.P.	Losses on financial instruments at fair value through profit or loss	1	-
KB-MDI Centauri Fund LP	Fee and commission income	308	-
	Losses on financial instruments at fair value through profit or loss	322	-
S&E BIO	Interest expense	1	-
Contents First	Interest expense	14	-
December & Company Inc.	Interest expense	1	-
GENINUS Inc.	Interest expense	70	-
Hasys.	Gains on financial instruments at fair value through profit or loss	-	136
	Insurance income	63	50

		(In number of shares)	
		2020	2019
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Interest expense	₩ 40	₩ 89
Spark Biopharma Inc. *	Fee and commission income	734	735
SKYDIGITAL INC.	Interest expense	-	59
	Fee and commission income	4	-
KB No.9 Special Purpose Acquisition Company *	Interest expense	-	(23)
KB No.10 Special Purpose Acquisition Company *	Interest expense	-	18
	Gains on financial instruments at fair value through profit or loss	-	3,066
KB No.11 Special Purpose Acquisition Company *	Interest expense	-	9
	Gains on financial instruments at fair value through profit or loss	-	118
KB No.17 Special Purpose Acquisition Company	Fee and commission income	-	175
	Gains on financial instruments at fair value through profit or loss	4	1,384
	Interest expense	25	28
KB No.18 Special Purpose Acquisition Company	Fee and commission income	-	263
	Gains on financial instruments at fair value through profit or loss	84	1,898
	Interest expense	31	28
KB No.19 Special Purpose Acquisition Company	Fee and commission income	-	150
	Gains on financial instruments at fair value through profit or loss	11	1,044
	Interest expense	13	8
KB No.20 Special Purpose Acquisition Company	Fee and commission income	210	-
	Gains on financial instruments at fair value through profit or loss	1,568	-
	Interest expense	25	3
KB SPROTT Renewable Private Equity Fund No.1	Fee and commission income	488	490
KB-Stonebridge Secondary Private Equity Fund	Fee and commission income	1,442	1,444
COSES GT	Losses on financial instruments at fair value through profit or loss	-	5
	Interest income	6	-
	Provision for credit losses	4	-
WJ Private Equity Fund No.1	Fee and commission income	5	-
UPRISE, Inc.	Interest income	2	-
	Provision for credit losses	1	-
CWhy Inc.	Losses on financial instruments at fair value through profit or loss	2,000	-
	Insurance income	-	3
Stratio, Inc.	Interest expense	-	1
NEXELON Inc. *	Interest expense	-	2
CellinCells Co., Ltd.	Interest expense	4	19
Bomapp Inc.	Fee and commission expense	9	-
	Interest expense	-	1
	Insurance income	8	1
KB Social Impact Investment Fund	Fee and commission income	300	121
KB-UTC Inno-Tech Venture Fund	Fee and commission income	371	-
KBSP Private Equity Fund No.4	Fee and commission income	480	-
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	Fee and commission income	237	-
JR GLOBAL REIT	Fee and commission income	6,210	-
IGIS No.371 Professional Investors' Real Estate Investment Company *	Fee and commission income	200	-

(In number of shares)

		2020	2019
Koreit Tower Real Estate Investment Trust Company *	Fee and commission income	₩ 2,852	₩ -
2020 KB Fintech Renaissance Fund	Fee and commission income	60	-
KB Material and Parts No.1 PEF	Fee and commission income	63	-
FineKB Private Equity Fund No.1	Fee and commission income	38	-
Bluepointpartners Inc.	Losses on financial instruments at fair value through profit or loss	68	-
KB-Solidus Global Healthcare Fund	Fee and commission income	777	81
Fabric Time Co., Ltd.	Fee and commission income	9	-
	Interest expense	47	-
BNF Corporation Ltd. *	Interest income	401	7
	Fee and commission income	2	-
	Gains on financial instruments at fair value through profit or loss	-	158
	Provision for credit losses	8	1
KB Cape No.1 Private Equity Fund	Fee and commission income	144	97
ALS Co., Ltd. *	Interest income	-	194
Keystone-Hyundai Securities No.1 Private Equity Fund	Fee and commission income	115	90
MJT&I Corp.	Insurance income	-	1
Other			
Retirement pension	Fee and commission income	1,077	939
	Interest expense	3	4

*Excluded from the Group's related party as of December 31, 2020.

Meanwhile, the Group purchased installment financial assets, etc. from SY Auto Capital Co., Ltd. amounting to ₩ 1,504,217 million and ₩ 1,393,346 million for the years ended December 31, 2020 and 2019, respectively.

43.2 Details of receivables and payables, and related allowances for credit losses arising from transactions with related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		December 31, 2020	December 31, 2019
Associates and joint ventures			
Balhae Infrastructure Company	Other assets	₩ 1,733	₩ 1,718
Korea Credit Bureau Co., Ltd.	Loans measured at amortized cost (gross amount)	36	43
	Deposits	19,982	17,966
	Provisions	-	1
	Insurance liabilities	1	2
	Other liabilities	623	-
KB GwS Private Securities Investment Trust	Other assets	641	641
Incheon Bridge Co., Ltd.	Financial assets at fair value through profit or loss	38,756	37,857
	Loans measured at amortized cost (gross amount)	133,002	147,707
	Allowances for credit losses	202	12
	Other assets	545	520
	Deposits	39,520	45,447
	Provisions	292	10
	Insurance liabilities	109	108
	Other liabilities	205	346
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	Other assets	-	89
Jungdo Co., Ltd.	Deposits	4	4
Dongjo Co., Ltd.	Insurance liabilities	1	1
Dae-A Leisure Co., Ltd.	Deposits	636	753
	Other liabilities	21	14
Aju Good Technology Venture Fund	Deposits	3,093	5,456
	Other liabilities	1	2
KB Star Office Private Real Estate Investment Trust No.1	Loans measured at amortized cost (gross amount)	10,000	10,000
	Allowances for credit losses	5	4
	Other assets	137	136
	Deposits	4,255	8,293
	Other liabilities	24	66
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits	8,097	13,118
	Other liabilities	1	4
WJ Private Equity Fund No.1	Other assets	2	-
	Deposits	349	-
KB IGen Private Equity Fund No.1*	Deposits	-	147
KB Cape No.1 Private Equity Fund	Financial assets at fair value through profit or loss	2,000	2,000
	Other assets	144	-
RAND Bio Science Co., Ltd.	Deposits	693	4,452
	Loans measured at amortized cost (gross amount)	1	1
SY Auto Capital Co., Ltd.	Loans measured at amortized cost (gross amount)	40,060	41,990
	Allowances for credit losses	57	4
	Other assets	65	63
	Deposits	6	8
	Provisions	-	13
	Insurance liabilities	13	13
	Other liabilities	76	70
Food Factory Co., Ltd.	Financial assets at fair value through profit or loss	662	590
	Loans measured at amortized cost (gross amount)	3,210	1,992

(In millions of Korean won)

		December 31, 2020	December 31, 2019
Food Factory Co., Ltd.	Allowances for credit losses	₩ 8	₩ 2
	Other assets	3	1
	Deposits	1,555	1,073
	Provisions	2	-
	Insurance liabilities	5	4
	Other liabilities	9	1
KB Pre IPO Secondary Venture Fund No.1	Deposits	629	2,955
	Other liabilities	-	1
Wise Asset Management Co., Ltd. Acts Co., Ltd.	Deposits	-	21
	Deposits	18	1
	Insurance liabilities	1	-
	Other liabilities	100	100
POSCO-KB Shipbuilding Fund	Other assets	264	-
Paycoms Co., Ltd.	Other assets	1	1
	Financial assets at fair value through profit or loss	1,226	1,157
	Deposits	1	1
Big Dipper Co., Ltd.	Loans measured at amortized cost (gross amount)	4	11
	Deposits	1	6
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	923	7,054
	Other liabilities	-	4
APRO Co., Ltd. *	Loans measured at amortized cost (gross amount)	-	2,019
	Insurance liabilities	-	2
	Deposits	-	3,201
	Other liabilities	-	1
Iwon Alloy Co., Ltd.	Insurance liabilities	-	1
Computerlife Co., Ltd.	Deposits	-	1
RMGP Bio-Pharma Investment Fund, L.P.	Financial assets at fair value through profit or loss	4,250	3,419
	Other liabilities	71	2
RMGP Bio-Pharma Investment, L.P.	Financial assets at fair value through profit or loss	9	8
Hasys.	Financial assets at fair value through profit or loss	6,000	6,000
	Deposits	1	-
	Insurance liabilities	39	37
SKYDIGITAL INC.	Deposits	15	25
Rainist Co., Ltd.	Financial assets at fair value through profit or loss	9,141	7,504
UPRISE, Inc.	Financial assets at fair value through profit or loss	250	250
	Loans measured at amortized cost (gross amount)	500	-
	Allowances for credit losses	1	-
	Deposits	11	-
Stratio, Inc.	Financial assets at fair value through profit or loss	1,000	1,000
	Deposits	13	726
Honest Fund, Inc.	Financial assets at fair value through profit or loss	3,999	3,999
CellinCells Co., Ltd.	Financial assets at fair value through profit or loss	2,000	2,000
	Loans measured at amortized cost (gross amount)	24	4
	Deposits	260	1,545
	Other liabilities	-	1
Jo Yang Industrial Co., Ltd.	Deposits	2	2
KB No.17 Special Purpose Acquisition Company	Financial assets at fair value through profit or loss	2,687	2,683
	Deposits	1,711	1,742
	Other liabilities	23	27

(In millions of Korean won)

		December 31, 2020	December 31, 2019
KB No.18 Special Purpose Acquisition Company	Financial assets at fair value through profit or loss	₩ 3,873	₩ 3,786
	Deposits	2,101	2,140
	Other liabilities	19	18
KB No.19 Special Purpose Acquisition Company	Financial assets at fair value through profit or loss	2,055	2,043
	Deposits	1,053	1,093
	Other liabilities	3	7
KB No.20 Special Purpose Acquisition Company	Financial assets at fair value through profit or loss	3,067	1,499
	Deposits	1,716	1,984
	Other liabilities	1	3
COSES GT	Financial assets at fair value through profit or loss	4,930	2,930
	Loans measured at amortized cost (gross amount)	500	-
	Allowances for credit losses	4	-
	Other assets	1	-
	Deposits	292	-
	Insurance liabilities	1	-
CWhy Inc.	Financial assets at fair value through profit or loss	-	2,000
Bomapp Inc.	Financial assets at fair value through profit or loss	1,999	1,999
	Insurance liabilities	2	2
Channel Corporation	Financial assets at fair value through profit or loss	4,551	2,000
Mitolmmune Therapeutics	Financial assets at fair value through profit or loss	5,000	5,000
KB-Solidus Global Healthcare Fund	Other assets	707	-
Bioprotect Ltd.	Financial assets at fair value through profit or loss	3,264	-
GOMI CORPORATION	Financial assets at fair value through profit or loss	500	-
	Loans measured at amortized cost (gross amount)	9	-
	Deposits	37	-
Copin Communications, Inc.	Financial assets at fair value through profit or loss	1,500	-
Go2joy Co., Ltd.	Financial assets at fair value through profit or loss	1,200	-
ClavisTherapeutics, Inc.	Financial assets at fair value through profit or loss	2,000	-
S&E BIO	Financial assets at fair value through profit or loss	2,000	-
	Deposits	1,142	-
Bluepointpartners Inc.	Financial assets at fair value through profit or loss	1,432	-
4N Inc.	Financial assets at fair value through profit or loss	200	-
	Deposits	76	-
Xenohelix Co., Ltd.	Financial assets at fair value through profit or loss	2,100	-
Contents First	Financial assets at fair value through profit or loss	6,146	-
	Deposits	1,823	-
	Other liabilities	7	-
KB-MDI Centauri Fund LP	Financial assets at fair value through profit or loss	4,280	-
	Other assets	308	-
OKXE Inc.	Financial assets at fair value through profit or loss	800	-
GENINUS Inc.	Financial assets at fair value through profit or loss	5,599	-
	Deposits	13,630	-
	Other liabilities	15	-
FineKB Private Equity Fund No.1	Other assets	38	-
NEOMIO CORP.	Deposits	535	-
December & Company Inc.	Deposits	1	-
KB Social Impact Investment Fund	Other assets	-	-

(In millions of Korean won)

		December 31, 2020	December 31, 2019
Fabric Time Co., Ltd.	Financial assets at fair value through profit or loss	₩ 3,345	₩ 1,845
	Loans measured at amortized cost (gross amount)	59	-
	Provisions	1	-
	Deposits	3,947	395
	Other liabilities	40	2
BNF Corporation Ltd. *	Financial assets at fair value through profit or loss	-	2,259
	Loans measured at amortized cost (gross amount)	-	1,400
	Other assets	-	2
	Deposits	-	947
	Other liabilities	-	6
Key management	Loans measured at amortized cost (gross amount)	5,153	3,538
	Allowances for credit losses	2	1
	Other assets	5	3
	Deposits	17,167	15,339
	Insurance liabilities	2,501	1,984
	Other liabilities	371	289
Other			
	Retirement pension		
	Other assets	295	366
	Other liabilities	10,600	17,620

*Excluded from the Group's related party as of December 31, 2020, therefore, the remaining outstanding balances with those entities are not disclosed.

43.3 Significant lending transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Beginning	Increase	Decrease	Ending
Associates and joint ventures				
Korea Credit Bureau Co., Ltd.	₩ 43	₩ 36	₩ (43)	₩ 36
Incheon Bridge Co., Ltd.	185,564	901	(14,707)	171,758
Carlife Co., Ltd.	-	22	(22)	-
KB Star Office Private Real Estate Investment Trust No.1	10,000	-	-	10,000
KB Cape No.1 Private Equity Fund	2,000	-	-	2,000
RAND Bio Science Co., Ltd.	1	1	(1)	1
SY Auto Capital Co., Ltd.	41,990	11,310	(13,240)	40,060
Food Factory Co., Ltd.	2,582	1,314	(24)	3,872
Acts Co., Ltd.	-	74	(74)	-
Paycoms Co., Ltd.	1,157	69	-	1,226
Big Dipper Co., Ltd.	11	4	(11)	4
APRO Co., Ltd. *	2,019	2,000	(4,019)	-
RMGP Bio-Pharma Investment Fund, L.P.	3,419	831	-	4,250
RMGP Bio-Pharma Investment, L.P.	8	1	-	9
Hasys.	6,000	-	-	6,000
Rainist Co., Ltd.	7,504	1,637	-	9,141
UPRISE, Inc.	250	500	-	750
Stratio, Inc.	1,000	-	-	1,000
Honest Fund, Inc.	3,999	-	-	3,999

(In millions of Korean won)

	2020			
	Beginning	Increase	Decrease	Ending
CellinCells Co., Ltd.	₩ 2,004	₩ 24	₩ (4)	₩ 2,024
KB No.17 Special Purpose Acquisition Company	2,683	4	-	2,687
KB No.18 Special Purpose Acquisition Company	3,786	87	-	3,873
KB No.19 Special Purpose Acquisition Company	2,043	12	-	2,055
KB No.20 Special Purpose Acquisition Company	1,499	1,568	-	3,067
COSES GT	2,930	2,500	-	5,430
CWhy Inc.	2,000	-	(2,000)	-
Bomapp Inc.	1,999	-	-	1,999
Channel Corporation	2,000	2,551	-	4,551
MitImmune Therapeutics	5,000	-	-	5,000
Bioprotect Ltd.	-	3,264	-	3,264
GOMI CORPORATION	-	509	-	509
Copin Communications, Inc.	-	1,500	-	1,500
Go2joy Co., Ltd.	-	1,200	-	1,200
ClavisTherapeutics, Inc.	-	2,000	-	2,000
S&E BIO	-	2,000	-	2,000
Bluepointpartners Inc.	-	1,432	-	1,432
4N Inc.	-	200	-	200
Xenohelix Co., Ltd.	-	2,100	-	2,100
Contents First	-	6,146	-	6,146
KB-MDI Centauri Fund LP	-	4,280	-	4,280
Fabric Time Co., Ltd.	1,845	1,559	-	3,404
OKXE Inc.	-	800	-	800
GENINUS Inc.	-	5,599	-	5,599
BNF Corporation Ltd. *	3,659	1,000	(4,659)	-
Key management	3,538	5,141	(3,526)	5,153

(In millions of Korean won)

	2019			
	Beginning	Increase	Decrease	Ending
Associates and joint ventures				
Korea Credit Bureau Co., Ltd.	₩ 22	₩ 43	₩ (22)	₩ 43
Incheon Bridge Co., Ltd.	191,088	4,982	(10,506)	185,564
KB Star Office Private Real Estate Investment Trust No.1	10,000	-	-	10,000
KB Cape No.1 Private Equity Fund	-	2,000	-	2,000
RAND Bio Science Co., Ltd.	1	1	(1)	1
SY Auto Capital Co., Ltd.	48,356	28,088	(34,454)	41,990
Food Factory Co., Ltd.	730	1,872	(20)	2,582
Built On Co., Ltd. *	401	-	(401)	-
Acts Co., Ltd.	-	68	(68)	-

(In millions of Korean won)

	2019			
	Beginning	Increase	Decrease	Ending
Paycoms Co., Ltd.	₩ 1,032	₩ 125	₩ -	₩ 1,157
Big Dipper Co., Ltd.	5	11	(5)	11
APRO Co., Ltd. *	-	2,019	-	2,019
JLK Inspection Co., Ltd. *	7,300	(7,300)	-	-
TESTIAN Inc. *	615	24	(639)	-
RMGP Bio-Pharma Investment Fund, L.P.	3,051	368	-	3,419
RMGP Bio-Pharma Investment, L.P.	4	4	-	8
Hasys.	5,864	136	-	6,000
Rainist Co., Ltd.	2,504	5,000	-	7,504
Spark Biopharma Inc. *	6,500	(6,500)	-	-
UPRISE, Inc.	250	-	-	250
Stratio, Inc.	1,000	-	-	1,000
Honest Fund, Inc.	-	3,999	-	3,999
CellinCells Co., Ltd.	-	2,004	-	2,004
KB No.9 Special Purpose Acquisition Company *	2,481	-	(2,481)	-
KB No.10 Special Purpose Acquisition Company *	2,025	-	(2,025)	-
KB No.11 Special Purpose Acquisition Company *	737	-	(737)	-
KB No.17 Special Purpose Acquisition Company	-	2,683	-	2,683
KB No.18 Special Purpose Acquisition Company	-	3,786	-	3,786
KB No.19 Special Purpose Acquisition Company	-	2,043	-	2,043
KB No.20 Special Purpose Acquisition Company	-	1,499	-	1,499
COSES GT	-	2,930	-	2,930
CWhy Inc.	-	2,000	-	2,000
Bomapp Inc.	-	1,999	-	1,999
Channel Corporation	-	2,000	-	2,000
Mitolmmune Therapeutics	-	5,000	-	5,000
Fabric Time Co., Ltd.	-	1,845	-	1,845
BNF Corporation Ltd. *	-	3,659	-	3,659
Key management	2,404	2,006	(872)	3,538

*Excluded from the Group's related party as of December 31, 2020.

43.4 Significant borrowing transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020				
	Beginning	Borrowing	Repayment	Others ¹	Ending
Associates and joint ventures					
Korea Credit Bureau Co., Ltd.	₩ 17,966	₩ 1,000	₩ -	₩ 1,016	₩ 19,982
Incheon Bridge Co., Ltd.	45,447	20,000	(21,260)	(4,667)	39,520
Jungdo Co., Ltd.	4	-	-	-	4
Dae-A Leisure Co., Ltd.	753	-	-	(117)	636
Computerlife Co., Ltd.	1	-	-	(1)	-
SKYDIGITAL INC.	25	-	-	(10)	15
Jo Yang Industrial Co., Ltd.	2	-	-	-	2
Aju Good Technology Venture Fund	5,456	1,442	-	(3,805)	3,093
KB-KDBC Pre-IPO New Technology Business Investment Fund	7,054	1,500	(6,500)	(1,131)	923
KB-Brain KOSDAQ Scale-up New Business Investment Fund	13,118	-	-	(5,021)	8,097
NEOMIO CORP.	-	-	-	535	535
WJ Private Equity Fund No.1	-	-	-	349	349
KB Star Office Private Real Estate Investment Trust No.1	8,293	2,117	(5,630)	(525)	4,255
SY Auto Capital Co., Ltd.	8	-	-	(2)	6
KB No.17 Special Purpose Acquisition Company	1,742	1,525	(1,500)	(56)	1,711
KB No.18 Special Purpose Acquisition Company	2,140	2,063	(2,100)	(2)	2,101
KB No.19 Special Purpose Acquisition Company	1,093	1,000	(1,000)	(40)	1,053
KB No.20 Special Purpose Acquisition Company	1,984	1,522	(1,500)	(290)	1,716
RAND Bio Science Co., Ltd.	4,452	2,250	(3,750)	(2,259)	693
Wise Asset Management Co., Ltd.	21	-	-	(21)	-
Food Factory Co., Ltd.	1,073	1,503	(1,003)	(18)	1,555
Acts Co., Ltd.	1	-	-	17	18
Paycoms Co., Ltd.	1	-	-	-	1
Big Dipper Co., Ltd.	6	-	-	(5)	1
APRO Co., Ltd. ²	3,201	-	-	(3,201)	-
Hasys.	-	-	-	1	1
Stratio, Inc.	726	-	-	(713)	13
UPRISE, Inc.	-	-	-	11	11
CellinCells Co., Ltd.	1,545	-	-	(1,285)	260
COSES GT	-	-	-	292	292
Fabric Time Co., Ltd.	395	7,002	(3,801)	351	3,947
BNF Corporation Ltd. ²	947	-	-	(947)	-
GOMI CORPORATION	-	-	-	37	37
S&E BIO	-	-	-	1,142	1,142
KB IGen Private Equity Fund No.1 ²	147	-	-	(147)	-
KB Pre IPO Secondary Venture Fund No.1	2,955	-	-	(2,326)	629
4N Inc.	-	-	-	76	76
Contents First	-	4,000	(3,000)	823	1,823
December & Company Inc.	-	-	-	1	1
GENINUS Inc.	-	-	-	13,630	13,630
Key management	15,338	21,319	(20,410)	920	17,167

(In millions of Korean won)

	2019				
	Beginning	Borrowing	Repayment	Others ¹	Ending
Associates and joint ventures					
Korea Credit Bureau Co., Ltd.	₩ 15,674	₩ -	₩ (3,000)	₩ 5,292	₩ 17,966
Incheon Bridge Co., Ltd.	43,666	25,260	(5,260)	(18,219)	45,447
Doosung Metal Co., Ltd.	3	-	-	(3)	-
Jungdo Co., Ltd.	4	-	-	-	4
Dae-A Leisure Co., Ltd.	1,229	-	-	(476)	753
Carlife Co., Ltd.	2	-	-	(2)	-
Computerlife Co., Ltd.	1	-	-	-	1
SKYDIGITAL INC.	16	-	-	9	25
Jo Yang Industrial Co., Ltd.	-	-	-	2	2
Aju Good Technology Venture Fund	6,439	-	-	(983)	5,456
KB-KDBC Pre-IPO New Technology Business Investment Fund	7,088	15,000	(10,000)	(5,034)	7,054
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	18,813	-	-	(5,695)	13,118
KB Star Office Private Real Estate Investment Trust No.1	7,946	5,018	(5,072)	401	8,293
SY Auto Capital Co., Ltd.	5	-	-	3	8
KB No.9 Special Purpose Acquisition Company ²	2,275	-	(2,266)	(9)	-
KB No.10 Special Purpose Acquisition Company ²	1,666	-	(1,618)	(48)	-
KB No.11 Special Purpose Acquisition Company ²	658	-	(530)	(128)	-
KB No.17 Special Purpose Acquisition Company	-	1,500	-	242	1,742
KB No.18 Special Purpose Acquisition Company	-	2,200	(100)	40	2,140
KB No.19 Special Purpose Acquisition Company	-	1,000	-	93	1,093
KB No.20 Special Purpose Acquisition Company	-	1,500	-	484	1,984
RAND Bio Science Co., Ltd.	232	1,900	-	2,320	4,452
Wise Asset Management Co., Ltd.	696	-	(682)	7	21
Built On Co., Ltd. ²	7	-	-	(7)	-
Food Factory Co., Ltd.	68	-	-	1,005	1,073
Acts Co., Ltd.	29	-	-	(28)	1
Paycoms Co., Ltd.	1	-	-	-	1
Big Dipper Co., Ltd.	182	-	-	(176)	6
APRO Co., Ltd. ²	2,201	-	-	1,000	3,201
Rainist Co., Ltd.	1	-	-	(1)	-
Spark Biopharma Inc. ²	2,630	17,000	(9,000)	(10,630)	-
Stratio, Inc.	516	-	-	210	726
NEXELON Inc. ²	-	-	(200)	200	-
CellinCells Co., Ltd.	-	-	-	1,545	1,545
KB IGen Private Equity Fund No.1 ²	148	-	-	(1)	147
KB Pre IPO Secondary Venture Fund No.1	1,115	-	-	1,840	2,955
Fabric Time Co., Ltd.	-	-	-	395	395
BNF Corporation Ltd. ²	-	-	-	947	947
Key management	13,818	13,520	(14,611)	2,611	15,338

¹ Transactions between related parties, such as settlements arising from operating activities and deposits, are expressed in net amount.² Excluded from the Group's related party as of December 31, 2020.
43.5 Significant investment and withdrawal transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
	Equity investments	Withdrawal and others	Equity investments	Withdrawal and others
Balhae Infrastructure Company	₩ 894	₩ 6,973	₩ 592	₩ 6,855
KB GwS Private Securities Investment Trust	-	9,523	-	7,276
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	-	3,230	-	-
POSCO-KB Shipbuilding Fund	5,000	2,125	2,500	-
KB Pre IPO Secondary Venture Fund No.1	-	585	-	-
KB-KDBC Pre-IPO New Technology Business Investment Fund	-	6,400	5,000	-
KB-SJ Tourism Venture Fund	1,500	-	1,500	-
Korea Credit Bureau Co., Ltd.	-	90	-	135
KB-LTC Inno-Tech Venture Fund	16,965	-	450	-
KB-Solidus Global Healthcare Fund	10,920	4,940	10,400	13,520
KB-Stonebridge Secondary Private Equity Fund	9,093	-	7,070	1,855
WJ Private Equity Fund No.1	10,000	-	-	-
All Together Korea Fund No.2	100,000	90,127	-	-
KB Star Office Private Real Estate Investment Trust No.1	-	1,273	-	1,275
KB SPROTT Renewable Private Equity Fund No.1	4,129	-	1,667	-
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	5,700	-	-	-
JR GLOBAL REIT	219,493	3,639	-	-
IGIS No.371 Professional Investors' Real Estate Investment Company *	10,000	10,000	-	-
Koreit Tower Real Estate Investment Trust Company *	30,000	30,000	-	-
Project Vanilla Co., Ltd.	2,450	-	-	-
December & Company Inc.	30,000	-	-	-
KB Social Impact Investment Fund	1,500	-	1,500	-
2020 KB Fintech Renaissance Fund	550	-	-	-
KB Material and Parts No.1 PEF	3,400	-	-	-
KB Private Equity Fund No.3	-	8,000	-	-
KoFC KBIC Frontier Champ 2010-5 (PEF) *	-	-	-	138
KB-TS Technology Venture Private Equity Fund	2,240	5,488	7,840	2,240
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	8,000	3,200	14,000	-
KB Cape No.1 Private Equity Fund	-	-	2,000	-
Aju Good Technology Venture Fund	-	2,885	1,960	-
KB No.9 Special Purpose Acquisition Company *	-	-	-	16
KB No.17 Special Purpose Acquisition Company	-	-	1	-
KB No.18 Special Purpose Acquisition Company	-	-	1	-
KB No.19 Special Purpose Acquisition Company	-	-	1	-
KB No.20 Special Purpose Acquisition Company	-	-	1	-
KBSP Private Equity Fund No.4	-	-	6,100	-

* Excluded from the Group's related party as of December 31, 2020.

43.6 Unused commitments provided to related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won or in a US Dollar)

		December 31, 2020	December 31, 2019
Associates and joint ventures			
Balhae Infrastructure Company	Purchase of securities	₩ 6,433	₩ 7,327
Korea Credit Bureau Co., Ltd.	Unused lines of credit for credit card	564	557
KB GwS Private Securities Investment Trust	Purchase of securities	-	876
Aju Good Technology Venture Fund	Purchase of securities	-	1,154
Incheon Bridge Co., Ltd.	Loan commitments in Korean won	20,000	20,000
	Unused lines of credit for credit card	98	93
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	Purchase of securities	-	12,550
	Commitments on loss absorption priority	14,980	10,000
SY Auto Capital Co., Ltd.	Loan commitments in Korean won	-	8,100
	Unused lines of credit for credit card	90	60
Food Factory Co., Ltd.	Loan commitments in Korean won	388	-
	Unused lines of credit for credit card	73	25
KB No.17 Special Purpose Acquisition Company	Unused lines of credit for credit card	441	-
KB No.18 Special Purpose Acquisition Company	Unused lines of credit for credit card	15	15
KB No.19 Special Purpose Acquisition Company	Unused lines of credit for credit card	-	1
CellinCells Co., Ltd.	Unused lines of credit for credit card	-	20
RAND Bio Science Co., Ltd.	Unused lines of credit for credit card	24	24
Big Dipper Co., Ltd.	Unused lines of credit for credit card	96	89
Fabric Time Co., Ltd.	Unused lines of credit for credit card	7	-
KB Pre IPO Secondary Venture Fund No.1	Commitments on loss absorption priority	1,671	1,671
POSCO-KB Shipbuilding Fund	Purchase of securities	-	5,000
KB-TS Technology Venture Private Equity Fund	Purchase of securities	3,696	5,936
KB-SJ Tourism Venture Fund	Purchase of securities	500	2,000
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Purchase of securities	10,000	18,000
KB SPROTT Renewable Private Equity Fund No.1	Purchase of securities	18,704	22,833
KB-Stonebridge Secondary Private Equity Fund	Purchase of securities	18,837	27,930
KB Social Impact Investment Fund	Purchase of securities	1,500	3,000
BNF Corporation Ltd. *	Loan commitments in Korean won	-	360
APRO Co., Ltd. *	Unused lines of credit for credit card	-	96
KB-UTC Inno-Tech Venture Fund	Purchase of securities	5,085	22,050
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	Purchase of securities	24,300	-
All Together Korea Fund No.2	Purchase of securities	990,000	-
FineKB Private Equity Fund No.1	Purchase of securities	25,000	-
KB-Solidus Global Healthcare Fund	Purchase of securities	2,120	24,700
RMGP Bio-Pharma Investment Fund, L.P.	Purchase of securities	USD 7,796,423	USD 8,911,002
RMGP Bio-Pharma Investment, L.P.	Purchase of securities	USD 17,132	USD 13,150
KB-MDI Centauri Fund LP	Purchase of securities	USD 13,537,500	-
Key management	Loan commitments in Korean won	1,760	1,695

*Excluded from the Group's related party as of December 31, 2020.

43.7 Details of compensation to key management for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered directors (executive)	₩ 8,111	₩ 672	₩ 6,369	₩ 15,152
Registered directors (non-executive)	1,133	-	-	1,133
Non-registered directors	10,782	396	6,934	18,112
	₩ 20,026	₩ 1,068	₩ 13,303	₩ 34,397

(In millions of Korean won)

	2019			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered directors (executive)	₩ 8,540	₩ 425	₩ 7,434	₩ 16,399
Registered directors (non-executive)	1,030	-	-	1,030
Non-registered directors	9,157	360	7,510	17,027
	₩ 18,727	₩ 785	₩ 14,944	₩ 34,456

43.8 Details of collateral provided from related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Assets pledged as collateral	December 31, 2020	December 31, 2019
Associates			
KB Star Office Private Real Estate Investment Trust No.1	Real estate	₩ 13,000	₩ 13,000
Key management			
	Time deposits and others	213	192
	Real estate	4,356	4,356

As of December 31, 2020, Incheon Bridge Co., Ltd., a related party, provides fund management account, civil engineering works insurance, and management and operations rights as senior collateral amounting to ₩ 611,000 million to the project financing group that consists of the Group and 5 other institutions, and as subordinated collateral amounting to ₩ 384,800 million to subordinated debt holders that consist of the Group and 2 other institutions. Also, it provides certificate of credit guarantee amounting to ₩ 400,000 million as collateral to the project financing group that consists of the Group and 5 other institutions.

44. Business Combination
44.1 Acquisition of Prudential Life Insurance Company of Korea Ltd.
44.1.1 General information

On August 26, 2020, the Group obtained an approval from the Financial Services Commission to acquire Prudential Life Insurance Company of Korea Ltd. On August 31, 2020, the Group acquired 100 percent share in the subsidiary through purchase of shares and obtained control.

The main purpose of the business combination is to improve competitiveness of life insurance business by including the acquiree into subsidiaries of the Group.

44.1.2 Identifiable assets acquired and liabilities assumed

Details of consideration paid, assets acquired and liabilities assumed are as follows:

(In millions of Korean won)

	2020
Consideration	
Cash	₩ 2,299,541
Total consideration transferred	2,299,541
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and due from financial institutions	574,204
Financial assets at fair value through profit or loss	503,853
Financial assets at fair value through other comprehensive income	7,195,958
Securities measured at amortized cost	10,064,300
Loans measured at amortized cost	759,869
Derivatives	389
Property and equipment	178,537
Intangible assets ¹	10,382
Other assets	4,931,131
Total assets	24,218,623
Insurance liabilities ²	16,752,888
Derivatives	1,166
Other liabilities	5,019,961
Total liabilities	21,774,015
Total identifiable net assets	₩ 2,444,608
Non-controlling interests	-
Gain on a bargain purchase ³	145,067

¹ Memberships, software, development costs and others were previously held by Prudential Life Insurance Company of Korea Ltd.

² Separately measured VOBA (Value of Business Acquired) was adjusted by applying an indirect method of intrinsic value to the carrying amount of insurance liabilities of the acquiree.

³ As a result of the business combination, gain on a bargain purchase was recognized as other non-operating income in the consolidated statement of comprehensive income.

For the allocation of consideration, the Group measured the acquiree's identifiable assets and liabilities at their fair value at the acquisition date. The fair value is measured at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. If the value is not directly observed, it is estimated using an appropriate valuation technique.

Details of intangible assets recognized as the result of the business combination are as follows:

(In millions of Korean won)

	2020
VOBA ¹	₩ (2,807,162)
Others ²	10,382
	₩ (2,796,780)

¹ Negative VOBA was recognized and adjusted in the insurance liability. In accordance with Korean IFRS No.1104, an indirect method of intrinsic value is applied to the measurement of VOBA. VOBA is a similar concept to present value of in force business (PVIF) and present value of future profits (PVFP or PVP). The VOBA from intrinsic values is calculated through the actuarial model and cash flows that were originally used to calculate the embedded value of the insurance contracts.

² Memberships, software, development costs and others were previously held by Prudential Life Insurance Company of Korea Ltd.

44.1.3 Expenses related to business combination

The Group incurred expenses of ₩ 10,183 million, including legal fees and due diligence fees, in connection with the business combination, and these were recognized as fee and commission expenses in the consolidated statement of comprehensive income.

44.1.4 Others

Operating income and net profit of Prudential Life Insurance Company of Korea Ltd. for the period after the acquisition date were ₩ 92,535 million and ₩ 55,711 million, respectively, which are reflected in the consolidated statement of comprehensive income.

If Prudential Life Insurance Company of Korea Ltd. was consolidated from the beginning of the current period, its operating income and net profit to be reflected in the consolidated statement of comprehensive income would be ₩ 529,678 million and ₩ 386,864 million, respectively.

44.2 Acquisition of PRASAC Microfinance Institution Plc (PRASAC).

On April 10, 2020, the Group acquired 161 million shares which is 70% of total 230 million shares in PRASAC, a microfinance company in Cambodia, for US\$ 603 million from existing shareholders. Therefore, PRASAC became a subsidiary of the Group.

The main purpose of the business combination is to improve competitiveness of global business by maximizing the operational synergy with foreign subsidiaries.

Details of consideration paid, assets acquired and liabilities assumed are as follows:

(In millions of Korean won)

	2020
Consideration	
Cash	₩ 733,976
Total consideration transferred	733,976
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and due from financial institutions	658,865
Loans measured at amortized cost	3,194,211
Financial investments	35
Property and equipment	24,472
Intangible assets	1,821
Current income tax assets	873
Deferred income tax assets	26,330
Other assets	37,325
Total assets	3,943,932
Deposits	2,222,944
Borrowings	1,038,684
Debentures	89,570
Current income tax liabilities	9,238
Deferred income tax liabilities	323
Other liabilities	101,696
Total liabilities	3,462,455
Total identifiable net assets	₩ 481,477
Non-controlling interests ¹	144,443
Goodwill ²	396,942

¹ Measured at the proportionate share (30%) of the fair value of PRASAC's net assets as of the acquisition date.

² As a result of the business combination, there was a goodwill and the Group recognized it as intangible assets in the consolidated statement of financial position.

Details of loans acquired are as follows:

(In millions of Korean won)

	2020
Acquiree's carrying amount of loans	₩ 3,294,798
Present value of contractual cash flows not expected to be paid	(100,587)
Fair value of loans	₩ 3,194,211

The Group has signed an agreement with the existing shareholders of PRASAC. The existing shareholders have the right of put option to sell 30% of the remaining shares to the Group, and they are entitled to exercise their rights at the exercise price calculated on the basis of the adjusted book value of net asset as of 2021 year-end, within six months from the issue date of the audit report or the confirmation date of the adjusted value. If the put option is not exercised until its expiry, the Group has a right to exercise a call option during the six months following the expiry of such put option. All shareholders are restricted from selling shares or additional pledge before exercising the put option and call option. In addition, the Group has agreed to pay dividends to existing shareholders of PRASAC for 30% of the amount exceeding USD 370 million based on the adjusted carrying value of net asset and this payment can be added to the exercised price of put option in accordance with the shareholders' agreement.

Amount of the recognized liabilities and deducted equity in relation to the above agreement with shareholders are as follows:

(In millions of Korean won)	
	2020
Agreement with shareholders (purchase of remaining shares and payment of dividends)	
Other payables (present value of exercising price of options)	₩ 308,236
Other payables (present value of expected dividends)	102,986
	₩ 411,222
Attributable to ordinary equity holders of the Parent Company (capital surplus)	(411,222)

Operating income and net profit of PRASAC for the period after the acquisition date were ₩ 147,571 million and ₩ 118,339 million, respectively, which are reflected in the consolidated statement of comprehensive income, and the amount attributed to net profit to shareholders of the Parent Company is ₩ 82,837 million.

If PRASAC was consolidated from the beginning of the current period, its operating income and net profit to be reflected in the consolidated statement of comprehensive income would be ₩ 183,735 million and ₩ 147,383 million, respectively and the amount that would have been attributed to net profit to shareholders of the Parent Company is ₩ 103,168 million.

44.3 Acquisition of PT Bank Bukopin TBK

At the Board of Directors meeting held on July 16, 2020, the Group has decided to acquire additional ordinary shares of PT Bank Bukopin TBK, the Group's associate, which operates a banking business in Indonesia, through issuance of shares in the form of an allotment to shareholders (1st) and an allotment to the third party (2nd).

Accordingly, the Group acquired 2,967,600,372 ordinary shares for IDR 534,168,066,960 (₩ 43,909 million) from issuance of shares in the form of an allotment to shareholders (1st) on July 30, 2020, and 16,360,578,947 ordinary shares for IDR 3,108,509,999,930 (₩ 252,722 million) from issuance of shares in the form of an allotment to the third party (2nd) on September 2, 2020. The Group secured 67.00% of PT Bank Bukopin TBK through paid-in capital increase twice, and PT Bank Bukopin TBK became a subsidiary of the Group on September 2, 2020.

The main purpose of the business combination is to improve competitiveness of global business by maximizing the operational synergy with foreign subsidiaries.

Details of consideration paid, assets acquired and liabilities assumed are as follows:

(In millions of Korean won)	
	2020
Consideration	
Fair value of existing shares at the time of exchange	₩ 78,446
Cash (=16,360,578,947shares x 190 IDR)	252,722
Total consideration transferred	331,168
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and due from financial institutions	300,424
Financial assets at fair value through profit or loss	3,960
Derivative assets	130

(In millions of Korean won)	
	2020
Loans measured at amortized cost	4,256,209
Financial investments	469,625
Property and equipment	280,197
Intangible assets	99,085
Deferred income tax assets	25,350
Assets held for sale	183,642
Other assets	272,775
Total assets	5,891,397
Deposits	4,253,557
Borrowings	838,142
Debentures	141,806
Provisions	3,522
Net defined benefit liabilities	15,141
Other liabilities	276,336
Total liabilities	5,528,504
Total identifiable net assets	₩ 362,893
Non-controlling interests ¹	120,945
Goodwill ²	89,220

¹ The sum of the existing non-controlling interests held by PT Bank Bukopin TBK and the proportionate share (33%) of the fair value of PT Bank Bukopin TBK's net assets as of the acquisition date.

² As a result of the business combination, there was a goodwill and the Group recognized it as intangible assets in the consolidated statement of financial position.

Details of loans acquired are as follows:

(In millions of Korean won)	
	2020
Acquiree's carrying amount of loans	₩ 5,053,321
Present value of contractual cash flows not expected to be paid	(797,112)
Fair value of loans	₩ 4,256,209

In 2020, the Group measured 33.90% shares of PT Bank Bukopin TBK, which the Group held before the business combination, at fair value, and recognized ₩ 30,277 million as gain on investment in associates in the consolidated statement of comprehensive income.

Operating loss and net loss of PT Bank Bukopin TBK for the period after the acquisition date were ₩ 61,051 million and ₩ 43,402 million, respectively, which are reflected in the consolidated statement of comprehensive income, and the amount attributed to net loss to shareholders of the Parent Company is ₩ 29,223 million.

If PT Bank Bukopin TBK was consolidated from the beginning of the current period, its operating loss and net loss to be reflected in the consolidated statement of comprehensive income would be ₩ 190,584 million and ₩ 146,227 million, respectively and the amount that would have been attributed to net loss to shareholders of the Parent Company is ₩ 97,981 million.

Details of intangible assets recognized as a result of business combinations are as follows:

(In millions of Korean won)	
	2020
Core deposits ¹	₩ 95,477
Others ²	3,608
	₩ 99,085

¹ It is an identifiable intangible asset and reflects the fair value of financing costs saved through stable relationships with saving customers.

² Software and other intangible assets which were previously held by PT Bank Bukopin TBK.

44.4 Acquisition of PT. Finansia Multi Finance

On July 3, 2020, the Group acquired 80 percent share in PT. Finansia Multi Finance, which is engaged in financial services in Indonesia, and obtained control.

The main purpose of the business combination is to improve competitiveness of global business by maximizing the operational synergy with foreign subsidiaries.

Details of consideration paid, assets acquired and liabilities assumed are as follows:

	(In millions of Korean won)	
	2020	
Consideration		
Cash	₩	89,689
Total consideration transferred		89,689
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and due from financial institutions		24,150
Loans measured at amortized cost		191,039
Property and equipment		13,837
Intangible assets		13,409
Other assets		17,587
Total assets		260,022
Borrowings		146,588
Debentures		46,865
Other liabilities		19,233
Total liabilities		212,686
Total identifiable net assets	₩	47,336
Non-controlling interests ¹		9,467
Goodwill ²		51,820

¹ Measured at the proportionate share (20%) of the fair value of PT. Finansia Multi Finance's net assets as of the acquisition date.

² As a result of the business combination, there was a goodwill and the Group recognized it as intangible assets in the consolidated statement of financial position.

The Group incurred expenses of ₩ 1,064 million and ₩ 1,623 million for the 2020 and 2019, respectively, including legal fees and due diligence fees, in connection with the business combination, and these were recognized as fee and commission expenses in the consolidated statement of comprehensive income.

Operating loss and net loss of PT. Finansia Multi Finance for the period after the acquisition date were ₩ 4,432 million and ₩ 3,456 million, respectively, which are reflected in the consolidated statement of comprehensive income.

If PT. Finansia Multi Finance was consolidated from the beginning of the current period, its operating loss and net loss to be reflected in the consolidated statement of comprehensive income would be ₩ 26,166 million and ₩ 19,187 million, respectively and the amount that would have been attributed to net loss to shareholders of the Parent Company is ₩ 15,349 million.

45. Approval of Issuance of the Consolidated Financial Statements

The issuance of the Group's consolidated financial statements as of and for the year ended December 31, 2020, was approved by the Board of Directors on February 4, 2021.

Independent Auditors' Report

(Based on a report originally issued in Korean)

The Board of Directors and Stockholders
KB Financial Group Inc.:



Opinion

We have audited the separate financial statements of KB Financial Group Inc. ("the Company"), which comprise the separate statement of financial position as of December 31, 2020, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the Company's Internal Control over Financial Reporting ("ICFR") as of December 31, 2020 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 9, 2021 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the Auditors' 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 Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

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

As described in note 30.2.b) to the separate financial statements, the proliferation of COVID-19 has had a negative impact on the global economy, which may have a greater impact than expected credit losses and potential impairment of assets in a particular portfolio, and it could negatively affect the profit generation capability of the Company.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Other Matters

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

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

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 K-IFRS, 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.

Auditors' Responsibilities for the Audit of the Consolidated 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 KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

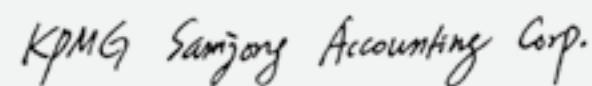
- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not 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.
- Evaluate the appropriateness of accounting policies used in the preparation of the separate financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Young-Min Kwon.



KPMG Samjong Accounting Corp.
Seoul, Korea
March 9, 2021

This report is effective as of March 9, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Separate Statements of Financial Position

December 31, 2020 and 2019

KB Financial Group Inc.

(In millions of Korean won)

	Notes	December 31, 2020	December 31, 2019
Assets			
Cash and due from financial institutions	4,5,6,29	₩ 23,084	₩ 18,537
Financial assets at fair value through profit or loss	4,5,7	474,262	413,909
Loans measured at amortized cost	4,5,8	179,542	120,000
Investments in subsidiaries	9	26,519,880	24,162,116
Property and equipment	10	7,730	4,170
Intangible assets	11	13,267	11,092
Deferred income tax assets	13	3,189	7,526
Other assets	4,5,14	887,537	609,286
Total assets		₩ 28,108,491	₩ 25,346,636
Liabilities			
Borrowings	4,5,15	₩ 100,000	₩ -
Debentures	4,5,16	6,128,043	5,543,446
Net defined benefit liabilities	17	59	437
Current income tax liabilities		716,473	417,414
Other liabilities	4,5,18	178,296	203,440
Total liabilities		₩ 7,122,871	₩ 6,164,737
Equity			
Share capital	19	2,090,558	2,090,558
Hybrid securities	19	1,695,778	399,085
Capital surplus	19	14,754,747	14,742,814
Accumulated other comprehensive income	19	(8,032)	(7,664)
Retained earnings	19	3,588,757	3,093,294
Treasury shares	19	(1,136,188)	(1,136,188)
Total equity		₩ 20,985,620	₩ 19,181,899
Total liabilities and equity		₩ 28,108,491	₩ 25,346,636

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

Separate Statements of Comprehensive Income

Years Ended December 31, 2020 and 2019

KB Financial Group Inc.		(In millions of Korean won, except per share amounts)	
	Notes	2020	2019
Interest income		₩ 8,044	₩ 8,020
Interest income from financial instruments at amortized cost		3,788	5,215
Interest income from financial instruments at fair value through profit or loss		4,256	2,805
Interest expense		(132,437)	(126,065)
Net interest expense	21	(124,393)	(118,045)
Fee and commission income		841	847
Fee and commission expense		(9,179)	(7,130)
Net fee and commission expense	22	(8,338)	(6,283)
Net gains on financial assets at fair value through profit or loss	23	12,663	15,947
Net other operating income	24	1,571,239	926,934
General and administrative expenses	25	(71,854)	(71,171)
Operating profit before provision for credit losses		1,379,317	747,382
Provision for credit losses		(465)	-
Operating profit		1,378,852	747,382
Net non-operating income (expenses)	26	514	(541)
Profit before income tax expense		1,379,366	746,841
Income tax benefit (expense)	27	49	(854)
Profit for the year		1,379,415	745,987
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities		(368)	(520)
Other comprehensive loss for the year, net of tax		(368)	(520)
Total comprehensive income for the year		₩ 1,379,047	₩ 745,467
Earnings per share (in Korean won)			
Basic earnings per share	28	3,482	1,891
Diluted earnings per share	28	3,438	1,877

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

Separate Statements of Changes in Equity

Years Ended December 31, 2020 and 2019

KB Financial Group Inc.		(In millions of Korean won)						
	Share Capital	Hybrid Securities	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Total Equity	
Balance at January 1, 2019	₩ 2,090,558	₩ -	₩ 14,742,814	₩ (7,144)	₩ 3,213,556	₩ (968,549)	₩ 19,071,235	
Comprehensive income for the year								
Profit for the year	-	-	-	-	745,987	-	745,987	
Remeasurements of net defined benefit liabilities	-	-	-	(520)	-	-	(520)	
Total comprehensive income for the year	-	-	-	(520)	745,987	-	745,467	
Transactions with shareholders								
Annual dividends	-	-	-	-	(759,736)	-	(759,736)	
Issuance of hybrid securities	-	399,085	-	-	-	-	399,085	
Dividends on hybrid securities	-	-	-	-	(6,513)	-	(6,513)	
Acquisition of treasury shares	-	-	-	-	(100,000)	(167,639)	(267,639)	
Total transactions with shareholders	-	399,085	-	-	(866,249)	(167,639)	(634,803)	
Balance at December 31, 2019	₩ 2,090,558	₩ 399,085	₩ 14,742,814	₩ (7,664)	₩ 3,093,294	₩ (1,136,188)	₩ 19,181,899	
Balance at January 1, 2020	₩ 2,090,558	₩ 399,085	₩ 14,742,814	₩ (7,664)	₩ 3,093,294	₩ (1,136,188)	₩ 19,181,899	
Comprehensive income for the year								
Profit for the year	-	-	-	-	1,379,415	-	1,379,415	
Remeasurements of net defined benefit liabilities	-	-	-	(368)	-	-	(368)	
Total comprehensive income for the year	-	-	-	(368)	1,379,415	-	1,379,047	
Transactions with shareholders								
Annual dividends	-	-	-	-	(861,092)	-	(861,092)	
Consideration for exchangeable rights	-	-	11,933	-	-	-	11,933	
Issuance of hybrid securities	-	1,296,693	-	-	-	-	1,296,693	
Dividends on hybrid securities	-	-	-	-	(22,860)	-	(22,860)	
Total transactions with shareholders	-	1,296,693	11,933	-	(883,952)	-	424,674	
Balance at December 31, 2020	₩ 2,090,558	₩ 1,695,778	₩ 14,754,747	₩ (8,032)	₩ 3,588,757	₩ (1,136,188)	₩ 20,985,620	

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

Separate Statements of Cash Flows

Years Ended December 31, 2020 and 2019

KB Financial Group Inc.		(In millions of Korean won)	
	Note	2020	2019
Cash flows from operating activities			
Profit for the year		₩ 1,379,415	₩ 745,987
Adjustment for non-cash items			
Depreciation and amortization		4,357	5,093
Provision for credit loss		465	-
Share-based payments		4,034	4,259
Net interest expense		3,705	4,727
Net losses (gains) on valuation on financial assets at fair value through profit or loss		2,606	(2,322)
Net gains on foreign currency translation		(117)	-
Net other expenses (income)		(1,162)	2,209
		13,888	13,966
Changes in operating assets and liabilities			
Deferred income tax assets		4,477	854
Other assets		(4,631)	(4,270)
Other liabilities		(3,804)	(10,824)
		(3,958)	(14,240)
Net cash inflow from operating activities		1,389,345	745,713
Cash flows from investing activities			
Acquisition of financial assets at fair		(4,872,350)	(2,180,000)
Disposal of financial assets at fair		4,809,391	2,057,592
Acquisition of investments in subsidiaries		(2,347,543)	(100,000)
Increase in loans measured at amortized cost		(60,000)	(70,000)
Acquisition of property and equipment		(5,370)	(4,771)
Disposal of property and equipment		-	13
Acquisition of intangible assets		(2,321)	(1,848)
Disposal of intangible assets		-	41
Net increase in guarantee deposits paid		(12,678)	(1,265)
Other investing activities		(3,149)	(371)
Net cash outflow from investing activities		(2,494,020)	(300,609)
Cash flows from financing activities			
Increase in borrowings		440,000	418,705
Decrease in borrowings		(340,000)	(717,026)
Increase in debentures		1,537,091	1,037,656
Decrease in debentures		(940,000)	(868,154)
Dividends paid to shareholders		(861,092)	(759,736)
Lease payments		(610)	(569)
Acquisition of treasury shares		-	(274,317)
Issuance of hybrid securities		1,296,693	399,085
Dividends paid on hybrid securities		(22,860)	(6,513)
Net cash inflow (outflow) from financing activities		1,109,222	(770,869)
Net increase (decrease) in cash and cash equivalents		4,547	(325,765)
Cash and cash equivalents at the beginning of the year	29	18,534	344,299
Cash and cash equivalents at the end of the year	29	₩ 23,081	₩ 18,534

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

Notes to the Separate Financial Statements

December 31, 2020 and 2019

1. The Company

KB Financial Group Inc. (the "Company"), in accordance with Financial Holding Companies Act, was established on September 29, 2008, through stock transfers with the former shareholders of Kookmin Bank, KB Investment & Securities Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Investment Co., Ltd., KB Futures Co., Ltd., KB Credit Information Co., Ltd., and KB Data Systems Co., Ltd. in order to provide management services and financing to associated companies. The headquarters are located at 26, Gukjegeumyung-ro-8-gil, Yeongdeungpo-gu, Seoul. The Company's share capital as of December 31, 2020, is ₩ 2,090,558 million. In 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd., and KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd. The Company established KB Savings Bank Co., Ltd. in January 2012, acquired Yehansoul Savings Bank Co., Ltd. in September 2013, and KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in January 2014. In March 2014, the Company acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. Meanwhile, the Company included LIG Insurance Co., Ltd. as an associate and changed the name to KB Insurance Co., Ltd. in June 2015, and KB Insurance Co., Ltd. became one of the subsidiaries through a tender offer in May 2017. Also, the Company included Hyundai Securities Co., Ltd. as an associate in June 2016 and included as a subsidiary in October 2016 by comprehensive exchange of shares. Hyundai Securities Co., Ltd. merged with KB Investment & Securities Co., Ltd. in December 2016 and changed its name to KB Securities Co., Ltd. in January 2017. In August 2020, the Company acquired Prudential Life Insurance Company of Korea Ltd., which was classified as a subsidiary.

The Company has been listed on the Korea Exchange ("KRX") since October 10, 2008, and on the New York Stock Exchange ("NYSE") for its American Depositary Shares ("ADS") since September 29, 2008. Number of shares authorized on its Articles of Incorporation is 1,000 million.

2. Basis of Preparation

2.1 Application of Korean IFRS

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language ("Hangeul") in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying separate financial statements have been translated into English from the Korean language separate financial statements.

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

The preparation of separate financial statements requires the use of certain critical accounting estimates. Management also needs to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 2.4.

The separate financial statements were prepared in accordance with Korean IFRS No.1027 Separate Financial Statements.

2.1.1 The Company has applied the following amended standards for the first time for its annual reporting period commencing January 1, 2020.

- Amendments to Korean IFRS No.1001 Presentation of Financial Statements and Korean IFRS No.1008 Accounting policies, changes in accounting estimates and errors - Definition of Material

The amendments clarify the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. These amendments do not have a significant impact on the financial statements.

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

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

2.1.2 The Company has early adopted the following amended standards.

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

These amendments provide exceptions applying hedge accounting even though interest rate benchmark reform gives rise to uncertainties. In the hedging relationship, an entity shall assume that the interest rate benchmark on which the hedge cash flows are based is not altered as a result of interest rate benchmark reform when determining whether a forecast transaction is highly probable and prospectively assessing hedging effectiveness. For a hedge of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement that the risk component shall be separately identifiable only at the inception of the hedging relationship. The application of this exception is ceased either when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedge item, or when the hedging relationship that the hedge item is part of is discontinued. The Company early adopted these amendments since 2019 as the amendments allow the early adoption.

2.1.3 The following amended standards have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Company.

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

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. The amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

– Amendments to Korean IFRS No.1109 Financial Instruments, Korean IFRS No.1039 Financial Instruments: Recognition and Measurement, Korean IFRS No.1107 Financial Instruments: Disclosure, Korean IFRS No.1104 Insurance Contracts and Korean IFRS No.1116 Lease – Interest Rate Benchmark Reform

In relation to interest rate benchmark reform, the amendments provide a practical expedient allowing entities to change the effective interest rate instead of changing the carrying amount and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

– Amendments to Korean IFRS No.1016 Property, Plant and Equipment – Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

– Amendments to Korean IFRS No.1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets, and Korean IFRS No.2121 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

– Amendments to Korean IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts: Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual

periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

– Annual improvements to Korean IFRS 2018–2020

Annual improvements of Korean IFRS 2018–2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS No.1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters
- Korean IFRS No.1109 Financial Instruments – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS No.1116 Leases – Lease incentives
- Korean IFRS No.1041 Agriculture – Measuring fair value

– Amendments to Korean IFRS No.1001 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

2.2 Measurement Basis

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

2.3 Functional and Presentation Currency

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The separate financial statements are presented in Korean won, which is the Company's functional and presentation currency.

2.4 Critical Accounting Estimates

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

Estimates and underlying assumptions are continually evaluated, and changes in accounting estimates are recognized in the period in which the estimates are changed and in any future periods affected.

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

2.4.1 Income taxes

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

If certain portion of the taxable income is not used for investments, wages, etc. in accordance with the Korean regulation called 'Special Taxation for Facilitation of Investment and Mutually-beneficial Cooperation', the Company is liable to pay additional income tax calculated based on the tax laws. Therefore, the effect of recirculation of corporate income should be reflected in current and deferred income tax. As the Company's income tax is dependent on the actual investments, wages, etc. per each year, there are uncertainties with regard to measuring the final tax effects during the period when the tax law is applied.

2.4.2 Fair value of financial instruments

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

As described in the significant accounting policies in Note 3.1, 'Recognition and Measurement of Financial Instruments', diverse valuation techniques are used to determine the fair value of financial instruments, from generally accepted market valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

2.4.3 Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Recognition and Measurement of Financial Instruments

3.1.1 Initial recognition

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

For financial reporting purpose, the Company classifies (a) financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, or financial assets at amortized cost and (b) financial liabilities as financial liabilities at fair value through profit or loss, or other financial liabilities. These classifications are based on business model for managing financial instruments and the contractual cash flow characteristics of the financial instrument at initial recognition.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received) in an arm's length transaction.

3.1.2 Subsequent measurement

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

3.1.2.1 Amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

3.1.2.2 Fair value

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

If there is no active market for a financial instrument, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

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

In addition, the fair value information recognized in the statement of financial position is classified into the following fair value hierarchy, reflecting the significance of the input variables used in the fair value measurement.

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 : Unobservable inputs for the asset or liability

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

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

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

The Company uses valuation technique which maximizes the use of market inputs and minimizes the use of entity-specific inputs. It incorporates all factors that market participants would consider in pricing the asset or liability and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Company calibrates the valuation technique and tests its validity using prices of observable current market transactions of the same instrument or based on other relevant observable market data.

3.1.3 Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the statement of financial position. The derecognition criteria for financial assets and financial liabilities are as follows:

3.1.3.1 Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial assets expire or the Company transfers substantially all the risks and rewards of ownership of the financial asset, or the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Company has not retained control. Therefore, if the Company does not transfer substantially all the risks and rewards of ownership of the financial asset, the Company continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

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

The Company writes off a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. In general, the Company considers write-off when it is determined that the debtor does not have sufficient funds or income to cover the principal and interest. The write-off decision is made in accordance with internal regulations. After the write-off, the Company can collect the written-off loans continuously according to the internal policy. Recovered amounts from financial assets previously written-off are recognized in profit or loss.

3.1.3.2 Derecognition of financial liabilities

A financial liability is derecognized from the statement of financial position when it is extinguished (i.e. the obligation specified in the contract is discharged, cancelled or expires).

3.1.4 Offsetting

A financial asset and a financial liability is offset and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on a future event and must be legally enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company and all of the counterparties.

3.2 Cash and Due from Financial Institutions

Cash and due from financial institutions include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and due from financial institutions. Cash and due from financial institutions are measured at amortized cost.

3.3 Non-derivative Financial Assets

3.3.1 Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss unless they are classified as financial assets at amortized cost or at fair value through other comprehensive income.

The Company may designate certain financial assets upon initial recognition as at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in fair value are recognized in profit or loss. Interest income using the effective interest method and dividend income from financial asset at fair value through profit or loss are also recognized in profit or loss.

3.3.2 Financial assets at fair value through other comprehensive income

The Company classifies below financial assets as financial assets at fair value through other comprehensive income:

- Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding and;
- Equity instruments that are not held for short-term trading but held for strategic investment, and designated as financial assets at fair value through other comprehensive income

After initial recognition, a financial asset at fair value through other comprehensive income is measured at fair value. Gains or losses arising from a change in fair value, other than dividend income, interest income calculated using the effective interest method and exchange differences arising on monetary items which are recognized directly in profit or loss, are recognized as other comprehensive income in equity.

When the financial assets at fair value through other comprehensive income is disposed, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income is reclassified to retained earnings not to profit or loss at disposal.

A financial asset at fair value through other comprehensive income denominated in foreign currency is translated at the closing rate. Exchange difference resulting from change in amortized cost is recognized in profit or loss, and other changes are recognized in equity.

3.3.3 Financial assets measured at amortized cost

A financial asset, which is held within the business model whose objective is achieved by collecting contractual cash flows, and where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding, is classified as a financial asset at amortized cost. After initial recognition, a financial asset at amortized cost is measured at amortized cost using the effective interest method and interest income is calculated using the effective interest method.

3.4 Expected Credit Loss of Financial Assets (Debt Instruments)

The Company recognizes a loss allowance for expected credit losses at the end of the reporting period for financial assets at amortized cost and fair value through other comprehensive income except for financial asset at fair value through profit or loss.

Expected credit losses are estimated at present value of probability-weighted amount that is determined by evaluating a range of possible outcomes. The Company measures expected credit losses by reflecting all reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The approaches of measuring expected credit losses in accordance with Korean IFRS are as follows:

- General approach: for financial assets and unused loan commitments not subject to the below 2 approaches
- Simplified approach: for trade receivables, contract assets and lease receivables
- Credit-impaired approach: for financial assets that are credit-impaired at the time of acquisition

Application of general approach is differentiated depending on whether credit risk has increased significantly after initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses, whereas if the credit risk on a financial instrument has increased significantly since initial recognition, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. Lifetime is presumed to be a period to the contractual maturity date of financial assets (the expected life of financial assets).

The Company assesses whether the credit risk has increased significantly using the following information, and if one or more of the following conditions are met, it is deemed as significant increase in credit risk. If the contractual cash flows on a financial asset have been renegotiated or modified, the Company assesses whether the credit risk has increased significantly using the same following information.

- More than 30 days past due
- Decline in credit rating at period end by more than certain notches as compared to that at initial recognition
- Debt restructuring (except for impaired financial assets) and
- Credit delinquency information of Korea Federation of Banks, etc.

Under simplified approach, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses. Under credit-impaired approach, the Company only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated creditimpaired financial assets. In assessing credit impairment, the Company uses definition of default as in the new Basel Accord which rules calculation of Capital Adequacy Ratio.

The Company generally considers the loan to be credit-impaired if one or more of the following conditions are met:

- 90 days or more past due
- Legal proceedings related to collection
- A borrower registered on the credit management list of Korea Federation of Banks
- A corporate borrower with the credit rating C or D
- Debt restructuring, etc.

3.4.1 Forward-looking information

The Company uses forward-looking information, when it assesses whether the credit risk has increased significantly and measures the expected credit losses.

The Company assumes the risk components have a certain correlation with the economic cycle and uses statistical methodologies to estimate the relation between key macroeconomic variables and risk components for the expected credit losses.

The correlation between the major macroeconomic variables and the credit risk are as follows;

Key macroeconomic variables	Correlation between the major macroeconomic variables and the credit risk
Domestic GDP growth rate	(-)
Composite stock index	(-)
Construction investment change rate	(-)
Rate of change in housing transaction price index	(-)
Interest rate spread	(+)
Private consumption growth rate	(-)

Forward-looking information used in calculation of expected credit losses is based on the macroeconomic forecasts utilized by the management of the Company for its business plan considering reliable external agency's forecasts and others. The forward-looking information is generated by KB Research with comprehensive approach to capture the possibility of various economic forecast scenarios that are derived from the internal and external viewpoints of the macroeconomic situation. The Company determines the macroeconomic variables to be used in forecasting future condition of the economy, considering the direction of the forecast scenario and the significant relationship between macroeconomic variables and time series data. And there are some changes compared to the macroeconomic variables used in the previous year.

3.4.2 Measuring expected credit losses on financial assets at amortized cost

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

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

3.4.2.1 Individual assessment of impairment

Individual assessment of impairment losses is calculated using management's best estimate on present value of expected future cash flows. The Company uses all the available information including financial condition of the borrower such as operating cash flow and net realizable value of any collateral held.

3.4.2.2 Collective assessment of impairment

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

The lifetime expected credit loss is measured by applying the PD to the carrying amount calculated by deducting the expected principal repayment amount from the carrying amount as of the reporting date and the LGD adjusted to reflect changes in the carrying amount.

3.4.3 Measuring expected credit losses on financial assets at fair value through other comprehensive income

The Company measures expected credit losses on financial assets at fair value through other comprehensive income in a manner that is consistent with the requirements that are applicable to financial assets measured at amortized cost. However, the loss allowance is recognized in other comprehensive income. Upon disposal or repayment of financial assets at fair value through other comprehensive income, the amount of the loss allowance is reclassified from other comprehensive income to profit or loss.

3.5 Revenue Recognition

The Company recognizes revenues in accordance with the following steps determined in accordance with Korean IFRS No.1115 Revenue from Contracts with Customers.

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

3.5.1 Interest income and expense

Interest income and expense on debt securities at fair value through profit or loss (excluding beneficiary certificates, equity investments and other debt securities), loans, financial instruments at amortized cost and debt securities at fair value through other comprehensive income, are recognized in the statement of comprehensive income using the effective interest method in accordance with Korean IFRS No.1109 Financial Instruments. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

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

Interest income on impaired financial assets is recognized using the rate of interest used to discount the expected cash flows for the purpose of measuring the impairment loss.

Interest income on debt securities at fair value through profit or loss is also classified as interest income in the statement of comprehensive income.

3.5.2 Fee and commission income

The Company recognizes financial service fees in accordance with the purpose of charging the fees and the accounting standards of the financial instrument related to the fees earned.

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

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

3.5.2.2 Fees related to performance obligations satisfied over time

The Company transfers control of a good or service over time, therefore, recognizes revenue related to performance obligations satisfied over the period of performance obligations. Fees which can be earned through the certain periods, including asset management fees, consignment business fees, etc. are recognized over the period of performance obligations.

3.5.2.3 Fees related to performance obligations satisfied at a point in time

Fees earned at a point in time are recognized as revenue when a customer obtains controls of a promised good or service and the Company satisfies a performance obligation.

3.5.3 Net gains/losses on financial instruments at fair value through profit or loss

Net gains or losses on financial instruments at fair value through profit or loss (including changes in fair value, dividends, and gains or losses from foreign currency translation) include gains and losses from following financial instruments:

- Gains or losses relating to financial instruments at fair value through profit or loss (excluding interest income using the effective interest rate)
- Gains or losses relating to derivatives for trading (including derivatives for hedging purpose but do not qualify for hedge accounting)

3.5.4 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income is recognized as net gains or losses on financial instruments at fair value through profit or loss or other operating income depending on the classification of equity securities.

3.6 Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are accounted at cost method in accordance with Korean IFRS No.1027. The Company determines at each reporting period whether there is any objective evidence that the investments in the subsidiaries and associates are impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries or associates and its carrying value.

3.7 Property and Equipment

3.7.1 Recognition and measurement

All property and equipment that qualify for recognition as an asset are measured at cost and subsequently carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. When part of an item of property and equipment has a useful life different from that of the entire asset, it is recognized as a separate asset.

3.7.2 Depreciation

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

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

The depreciation methods and estimated useful lives of property and equipment are as follows:

Property and equipment	Depreciation method	Estimated useful life
Leasehold improvements	Declining-balance	4 years
Equipment and vehicles	Declining-balance	4 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

3.8 Intangible Assets

Intangible assets are measured initially at cost and subsequently carried at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets, except for membership rights, are amortized using the straight-line method with no residual value over their estimated useful economic life since the asset is available for use.

Intangible assets	Amortization method	Estimated useful life
Software	Straight-line	4 years
Others	Straight-line	4 ~ 19 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Where an intangible asset is not being amortized because its useful life is indefinite, the Company carries out a review in each accounting period to confirm whether events and circumstances still support an indefinite useful life assessment. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

3.9 Impairment of Non-financial Assets

The Company assesses at the end of each reporting period whether there is any indication that a non-financial asset, except for (a) deferred income tax assets, (b) assets arising from employee benefits and (c) non-current assets (or group of assets to be sold) classified as held for sale, may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss.

3.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of provisions, and where the effect of the time value of money is material, the amount of provisions is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

3.11 Equity Instrument Issued by the Company

An equity instrument is any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

3.11.1 Ordinary shares

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

3.11.2 Hybrid securities

The financial instruments can be classified as either financial liabilities or equity in accordance with the terms of the contract. The Company classifies hybrid securities as an equity if the Company has the unconditional right to avoid any contractual obligation to deliver financial assets such as cash in relation to the financial instruments.

3.12 Employee Compensation and Benefits

3.12.1 Post-employment benefits:

3.12.1.1 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 post-employment benefits for the period.

3.12.1.2 Defined benefit plans

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

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

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from the introduction or changes to a defined benefit plan. Such past service cost is immediately recognized as an expense for the period.

3.12.2 Short-term employee benefits

Short-term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. When an employee has rendered service to the 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 as an expense for the period.

The expected cost of profit-sharing and bonus payments is recognized as liabilities when the Company has a present legal or constructive obligation to make payments as a result of past events, such as service rendered by employees, and a reliable estimate of the obligation can be made.

3.12.3 Share-based payment

The Company has provided stock grants program to directors and employees of the Company and its subsidiaries. When stock grants are exercised, the Company can either select to distribute newly issued shares or treasury shares or compensate in cash based on the share price.

For a share-based payment transaction in which the terms of the arrangement provide the Company with the choice of whether to settle in cash or by issuing equity instruments, the Company accounts for the transaction in accordance with the requirements applying to cash-settled share-based payment transactions because the Company determines that it has a present obligation to settle in cash because the Company has a past practice and a stated policy of settling in cash.

Therefore, the Company measures the liability incurred as consideration for the service, at fair value and recognizes related expense and accrued expense over the vesting periods. Until the liability is settled, the Company remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss as share-based payments.

3.12.4 Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company recognizes a liability and expense for termination benefits at the earlier of the following dates; when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring that is within the scope of Korean IFRS No.1037 and involves the payment of termination benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, then the termination benefits are discounted to present value.

3.13 Income Tax Expenses

Income tax expense comprises current tax expense and deferred income tax expense. Current and deferred income tax are recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from (a) a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity and (b) a business combination.

3.13.1 Current income tax

Current income tax is the amount of income tax payable in respect of the taxable profit (loss) for the period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation, or expense that is not deductible in determining taxable profit (loss). Current income tax liabilities for the current and prior periods are measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Company offsets current income tax assets and current income tax liabilities if, and only if, the Company (a) has a legally enforceable right to set off the recognized amounts and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.13.2 Deferred income tax

Deferred income tax is recognized, using the asset-liability method, on temporary differences arising between the tax-based amount of assets and liabilities and their carrying amount in the financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting nor taxable profit or loss.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company offsets deferred income tax assets and deferred income tax liabilities if, and only if the Company has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

3.13.3 Uncertain tax positions

Uncertain tax positions arise from tax treatments applied by the Company which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Company, an appeal for a refund claimed from the tax authorities related to additional assessments or a tax investigation by the tax authorities. The Company recognizes its uncertain tax positions in the financial statements in accordance with Korean IFRS No.1012 and Interpretation of Korean IFRS No.2123. The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority, and the amount to be paid as a result of the tax investigation and others is recognized as the current tax payable. However, additional dues on tax paid or refund are recognized in accordance with Korean IFRS No.1037 because those are, in substance, interest and penalty.

3.14 Earnings per Share

The Company calculates basic earnings per share amounts and diluted earnings per share amounts for profit or loss for the period and presents them in the statement of comprehensive income. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the Company adjusts profit or loss attributable to ordinary equity holders of the Company, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares including convertible bonds and share options.

3.15 Lease

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

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

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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

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

However, the Company can elect not to apply the requirements of Korean IFRS No.1116 to short-term lease (lease that, at the commencement date, has a lease term of 12 months or less) and leases for which the underlying asset is of low value (for example, underlying leased asset under \$ 5,000).

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

For sale and leaseback transactions, the Company applies the requirements of Korean IFRS No.1115 *Revenue from Contracts with Customers*, to determine whether the transfer of an asset is accounted for as a sale of that asset.

3.16 Operating Segments

The Company is composed of a single operating segment. Therefore, information of operating segments is not disclosed in accordance with Korean IFRS No.1108 *Operating Segments*.

4. Financial Risk Management

4.1 Summary

4.1.1 Overview of financial risk management policy

The financial risks that the Company is exposed to are credit risk, market risk, liquidity risk and others.

This note regarding financial risk management provides information about the risks that the Company is exposed to and about its objectives, policies, risk assessment and management procedures, and capital management. Additional quantitative information is disclosed throughout the separate financial statements.

The Company's risk management system focuses on efficiently supporting long-term strategy and management decisions of the Company through increased risk transparency, spread of risk management culture and preemptive response to rapidly changing financial environments. Credit risk, market risk and liquidity risk are recognized as the Company's significant risks and measured and managed by quantifying them in the form of Internal Capital or Value at Risk ("VaR") using statistical methods.

4.1.2 Risk management organization

4.1.2.1 Risk Management Committee

The Risk Management Committee, as the ultimate decision-making body, deals with risk-related issues, such as establishing risk management strategies in accordance with the strategic direction determined by the Board of Directors, determining the affordable level of risk appetite, reviewing the level of risk and the status of risk management activities, approving the application of risk management systems, methodologies, and major improvements, and establishing and approving risk management policies and procedures to timely recognize, measure, monitor, and control risks arising from various transactions by the Company and subsidiaries (the "Group").

4.1.2.2 Risk Management Council

The Risk Management Council is responsible for consulting on matters delegated by the Risk Management Committee and requests for review by the Group Management Executive Committee, consulting on details of each subsidiary's risk management policies and procedures, monitoring the Group's risk management status, and establishing and implementing necessary measures.

4.1.2.3 Risk Management Department

The Risk Management Department manages risk management policies, procedures, and business processes.

4.2 Credit Risk

4.2.1 Overview of credit risk

Credit risk is the risk of loss from the portfolio of assets held due to the counterparty's default, breach of contract and deterioration of credit quality. For risk management reporting purposes, the Company considers default risk of individual borrowers.

4.2.2 Credit risk management

The Company measures the expected losses of assets subject to credit risk management and uses them as a management indicator.

4.2.3 Maximum exposure to credit risk

The Company's maximum exposures of financial instruments other than equity securities, to credit risk without consideration of collateral values as of December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	December 31, 2020	December 31, 2019
Due from financial institutions	₩ 23,084	₩ 18,537
Loans measured at amortized cost *	179,542	120,000
Loans measured at fair value through profit or loss	85,367	122,408
Other financial assets	33,053	19,814
	₩ 321,046	₩ 280,759

* After netting of allowance.

4.2.4 Credit risk of loans

The Company maintains an allowance for loan losses associated with credit risk of loans to manage its credit risk.

The Company assesses expected credit losses and recognizes loss allowances of financial assets at amortized cost and financial assets at fair value through other comprehensive income. Financial assets at fair value through profit or loss are excluded. Expected credit losses are a probability-weighted estimate of possible credit losses occurred in a certain range by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions. The Company measures the expected credit losses of loans classified as financial assets measured at amortized cost, by deducting allowances for credit losses. The expected credit losses of loans classified as financial assets at fair value through other comprehensive income are presented in other comprehensive income in the consolidated financial statements.

Credit qualities of loans measured at amortized cost as of December 31, 2020 and 2019, are classified as follows:

(In millions of Korean won)

	December 31, 2020				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
Loans measured at amortized cost *					
Corporate					
Grade 1	₩ 180,000	₩ -	₩ -	₩ -	₩ 180,000
Grade 2	-	-	-	-	-
Grade 3	-	-	-	-	-
Grade 4	-	-	-	-	-
Grade 5	-	-	-	-	-
	₩ 180,000	₩ -	₩ -	₩ -	₩ 180,000

(In millions of Korean won)

	December 31, 2019				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
Loans measured at amortized cost *					
Corporate					
Grade 1	₩ 120,000	₩ -	₩ -	₩ -	₩ 120,000
Grade 2	-	-	-	-	-
Grade 3	-	-	-	-	-
Grade 4	-	-	-	-	-
Grade 5	-	-	-	-	-
	₩ 120,000	₩ -	₩ -	₩ -	₩ 120,000

* Before netting of allowance

Credit quality of loans graded according to the probability of default, is as follows:

	Range of PD (%)
Grade 1	0.0 ~ 1.0
Grade 2	1.0 ~ 5.0
Grade 3	5.0 ~ 15.0
Grade 4	15.0 ~ 30.0
Grade 5	30.0 ~

4.2.5 Credit risk of due from financial institutions

Credit qualities of due from financial institutions as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
Due from financial institutions measured at amortized cost					
Grade 1	₩ 23,084	₩ -	₩ -	₩ -	₩ 23,084
Grade 2	-	-	-	-	-
Grade 3	-	-	-	-	-
Grade 4	-	-	-	-	-
Grade 5	-	-	-	-	-
	₩ 23,084	₩ -	₩ -	₩ -	₩ 23,084

(In millions of Korean won)

	December 31, 2019				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
Due from financial institutions measured at amortized cost					
Grade 1	₩ 18,537	₩ -	₩ -	₩ -	₩ 18,537
Grade 2	-	-	-	-	-
Grade 3	-	-	-	-	-
Grade 4	-	-	-	-	-
Grade 5	-	-	-	-	-
	₩ 18,537	₩ -	₩ -	₩ -	₩ 18,537

4.2.6 Credit risk concentration analysis

4.2.6.1 Details of loans by country as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Corporate loans *	%	Allowances	Carrying amount
Korea	₩ 265,367	100.00	₩ (458)	₩ 264,909

(In millions of Korean won)

	December 31, 2019			
	Corporate loans *	%	Allowances	Carrying amount
Korea	₩ 242,408	100.00	₩ -	₩ 242,408

* Amount includes loans measured at fair value through profit or loss and amortized cost.

4.2.6.2 Details of corporate loans by industry as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Corporate loans *	%	Allowances	Carrying amount
Financial institutions	₩ 265,367	100.00	₩ (458)	₩ 264,909

(In millions of Korean won)

	December 31, 2019			
	Corporate loans *	%	Allowances	Carrying amount
Financial institutions	₩ 242,408	100.00	₩ -	₩ 242,408

* Amount includes loans measured at fair value through profit or loss and amortized cost.

4.2.6.3 Credit risk concentration of due from financial institutions by industry

Details of credit risk of due from financial institutions by industry as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Amount	%	Allowances	Carrying amount
Due from financial institutions measured at amortized cost				
Financial institutions	₩ 23,084	100.00	₩ -	₩ 23,084

(In millions of Korean won)

	December 31, 2019			
	Amount	%	Allowances	Carrying amount
Due from financial institutions measured at amortized cost				
Financial institutions	₩ 18,537	100.00	₩ -	₩ 18,537

4.2.6.4 Details of due from financial institutions by country as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Amount	%	Allowances	Carrying amount
Due from financial institutions measured at amortized cost				
Korea	₩ 23,084	100.00	₩ -	₩ 23,084

(In millions of Korean won)

	December 31, 2019			
	Amount	%	Allowances	Carrying amount
Due from financial institutions measured at amortized cost				
Financial institutions	₩ 18,537	100.00	₩ -	₩ 18,537

4.3 Liquidity Risk

4.3.1 Overview of liquidity risk

Liquidity risk is a risk that the Company becomes insolvent due to the mismatch between the inflow and outflow of funds, unexpected cash outflows, or a risk of loss due to financing funds at a high interest rate or disposing of securities at an unfavorable price due to lack of available funds. The Company manages its liquidity risk through analysis of the contractual maturity of all financial assets and liabilities and discloses in six categories such as on demand, less than one month, between one month to three months, between three months to one year, between one year to five years and over five years.

4.3.2. Liquidity risk management

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

4.3.3. Analysis of remaining contractual maturity of financial assets and liabilities

The cash flows disclosed in the maturity analysis are undiscounted contractual amounts including principal and future interest receivables and payments; as such, the table below do not match with the amounts in the separate statements of financial position which are based on discounted cash flows. The future interest receipts and payments for floating-rate assets and liabilities are calculated on the assumption that the current interest rate is the same until maturity.

Remaining contractual maturity of financial assets and liabilities as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial assets							
Cash and due from financial institutions ¹	₩ 23,083	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 23,083
Financial assets at fair value through profit or loss ²	85,367	-	-	-	-	-	474,262
Loans measured at amortized cost	-	-	102,189	81,713	-	388,895	183,902
Other financial assets	497	395	1,451	5,448	23,430	-	31,221
	₩ 108,947	₩ 395	₩ 103,640	₩ 87,161	₩ 23,430	₩ 388,895	₩ 712,468
Financial liabilities							
Borrowings	₩ -	₩ -	₩ 100,000	₩ -	₩ -	₩ -	100,000
Debentures	-	86,182	224,662	772,339	3,789,311	1,795,876	6,668,370
Lease liabilities	-	48	54	222	208	-	532
Other financial liabilities	-	2,712	-	-	-	-	2,712
	₩ -	₩ 88,942	₩ 324,716	₩ 772,561	₩ 3,789,519	₩ 1,795,876	₩ 6,771,614

(In millions of Korean won)

	December 31, 2019						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial assets							
Cash and due from financial institutions ¹	₩ 18,619	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 18,619
Financial assets at fair value through profit or loss ²	122,408	-	-	-	-	291,501	413,909
Loans measured at amortized cost	-	-	71,523	51,098	-	-	122,621
Other financial assets	-	925	-	15,660	-	-	16,585
	₩ 141,027	₩ 925	₩ 71,523	₩ 66,758	₩ -	₩ 291,501	₩ 571,734
Financial liabilities							
Debentures	₩ -	₩ 105,903	₩ 224,578	₩ 723,474	₩ 3,624,305	₩ 1,134,756	₩ 5,813,016
Lease liabilities	-	44	85	249	215	-	593
Other financial liabilities	-	1,819	-	-	-	-	1,819
	₩ -	₩ 107,766	₩ 224,663	₩ 723,723	₩ 3,624,520	₩ 1,134,756	₩ 5,815,428

¹ Restricted due from financial instruments amounting to ₩ 3 million and ₩ 3 million are excluded as of December 31, 2020 and 2019, respectively.² Hybrid securities included in financial assets at fair value through profit or loss are included in the 'Over 5 years' category since the timing of disposal is uncertain.

4.4 Market Risk

4.4.1 Concept

Market risk refers to risks that can result in losses due to changes in market factors such as interest rates, stock prices, and exchange rates etc. The Company manages the market risks by dividing them into those arising from the trading position and those arising from the non-trading position.

4.4.2 Trading position

In accordance with Financial Holding Companies Act, the Company's main business is to control financial companies or companies closely related to the financial service. And the Company cannot perform any other business other than managing activities as a holding company, therefore there is no risk of trading position.

4.4.3 Non-trading position

Non-trading position refers to the part except trading position, and the main risk the Company is managing is interest rate risk.

4.4.3.1 Interest rate risk

(a) Definition of interest rate risk

Interest rate risk refers to the risk of changes in the value (fair value) of the items in the statement of financial position due to changes in interest rates and the risk of changes in cash flows related to interest income and interest expense arising from investment and financing activities.

(b) Observation method and management indicator on interest rate risk

The main objective of interest rate risk management is to protect the value changes from interest rate fluctuations. The Company manages interest rate risk through the measurement and management of interest rate VaR.

(c) Interest rate VaR

Interest rate VaR is the maximum possible loss of net assets due to the negative changes of interest rate at a 99.9% confidence level. The measurement results of risk as of December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	December 31, 2020	December 31, 2019
Interest rate VaR *	₩ 257,338	₩ 146,472

* Interest rate risk is measured based on the method of Interest Rate Risk in the Banking Book ("IRRBB") from the year ended December 31, 2020. Interest rate VaR as of December 31, 2019 was calculated based on the method of Historical Simulation VaR.

4.5 Capital Adequacy

The Company as a financial holding company under the Financial Holding Companies Act, complies with the consolidated capital adequacy standard established by the Financial Services Commission. This capital adequacy standard is based on Basel III revised by Basel Committee on Banking Supervision in Bank for International Settlements in June 2011 and was implemented in Korea in December 2013. The Group is required to maintain a minimum Common Equity Tier 1 ratio of at least 8.0%, a minimum Tier 1 ratio of 9.5% and a minimum Total Regulatory Capital ratio of 11.5% as of December 31, 2020.

The Company's equity capital is classified into three categories in accordance with the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies:

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital is the first to take losses in the Group and is the last to be compensated in liquidation of the Company and not repaid except for liquidation. It includes capital, capital surplus, retained earnings, non-controlling interests of the consolidated subsidiaries, accumulated other comprehensive income and other capital surplus etc.

- Additional Tier 1 Capital: Additional Tier 1 Capital includes capital, capital surplus, etc. related to the issuance of capital securities of a permanent nature that meets the conditional capital securities requirements.

- Tier 2 Capital means capital that can compensate for losses of the Group upon liquidation, including (a) the amount of subordinated bonds with maturity of not less than 5 years that meet the conditional capital securities requirements, and (b) the allowance for credit losses accumulated on the loans which are classified as normal or precautionary in accordance with Regulation on Supervision of Financial Holding Companies and others.

The risk-weighted assets are the magnitude of the amount of risk inherent in the total asset held by the Group. The Group calculates risk-weighted assets by each risk (credit risk, market risk, and operational risk) based on the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies and uses them to calculate BIS ratio.

The Company evaluates and manages capital adequacy through separate internal policies. The valuation of capital adequacy compares the size of available capital (the amount of capital actually available) to the size of internal capital (the amount of capital required to cover all the significant risks faced by the Company under its target credit rating), which monitors financial soundness and provides a risk-adjusted performance measurement basis.

Internal capital refers to the capital required to prevent the Group's insolvency from future unexpected losses. The Company operates a system to measure, allocate and manage internal capital to major subsidiaries by risk type.

The Risk Management Committee of the Company determines the risk appetite of the Group, allocates internal capital by risk type and major subsidiaries, and major subsidiaries operate capital efficiently within the range of the allocated internal capital. The Risk Management Department of the Company monitors internal capital limit management and reports it to the management and the Risk Management Committee. If the limit of internal capital is expected to be exceeded due to new businesses or business expansion, the Group's capital adequacy management is carried out through review and approval by the Risk Management Committee in advance.

Details of the Company's capital adequacy calculation in accordance with Basel III requirements as of December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	December 31, 2020	December 31, 2019
Equity Capital:	₩ 40,080,136	₩ 36,995,181
Tier 1 Capital	36,895,778	35,426,114
Common Equity Tier 1 Capital	34,886,283	34,709,873
Additional Tier 1 Capital	2,009,495	716,241
Tier 2 Capital	3,184,358	1,569,067
Risk-weighted assets:	262,349,242	255,549,020
Equity Capital (%):	15.28	14.48
Tier 1 Capital (%)	14.06	13.86
Common Equity Tier 1 Capital (%)	13.30	13.58

5. Financial Assets and Financial Liabilities

5.1 Classification and Fair Value of Financial Instruments

5.1.1 Carrying amount and fair value of financial assets and liabilities by category as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Carrying amount		Fair value	
Financial assets				
Financial assets at fair value through profit or loss				
Hybrid securities	₩	388,895	₩	388,895
Loans		85,367		85,367
Financial assets at amortized cost				
Due from financial institutions		23,084		23,084
Loans		179,542		179,542
Other financial assets		33,053		33,053
		709,941		709,941
Financial liabilities				
Financial liabilities at amortized cost				
Borrowings		100,000		100,000
Debentures		6,128,043		6,258,394
Other financial liabilities		16,444		16,444
	₩	6,244,487	₩	6,374,838

(In millions of Korean won)

	December 31, 2019			
	Carrying amount		Fair value	
Financial assets				
Financial assets at fair value through profit or loss				
Hybrid securities	₩	291,501	₩	291,501
Loans		122,408		122,408
Financial assets at amortized cost				
Due from financial institutions		18,537		18,537
Loans		120,000		120,000
Other financial assets		19,814		19,814
		572,260		572,260
Financial liabilities				
Financial liabilities at amortized cost				
Debentures		5,543,446		5,631,217
Other financial liabilities		14,940		14,940
	₩	5,558,386	₩	5,646,157

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Company discloses the fair value of each class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is quoted price in an active market.

Methods of determining fair value of financial instruments are as follows:

Cash and due from financial institutions	Carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are a reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using DCF model (Discounted Cash Flow Model).
Securities	Fair value of financial instruments that are quoted in active markets is determined using the quoted prices. If there is no quoted price, fair value is determined using external professional valuation institution. The institutions use one or more of the following valuation techniques including DCF Model, Imputed Market Value Model, Free Cash Flow to Equity Model, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method, deemed suitable considering the characteristics of the financial instruments.
Derivatives	For exchange traded derivatives, quoted price in an active market is used to determine fair value and for OTC derivatives, fair value is determined using valuation techniques. The Company uses internally developed valuation models that are widely used by market participants to determine fair values of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including the Finite Difference Method and the MonteCarlo Simulation or valuation results from independent external professional valuation institution.
Loans measured at amortized cost	DCF model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
Borrowings	DCF model is used to determine the fair value of borrowings, but in the case of short-term maturity, the carrying amount is used as the fair value.
Debentures	Fair value is determined by using the valuation results of external professional valuation institution, which are calculated using market inputs.
Other financial assets and liabilities	Carrying amounts are reasonable approximation of fair values. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined.

5.1.2 Fair value hierarchy

The Company believes that valuation methods used for measuring the fair values of financial instruments are reasonable and that the fair values recognized in the statements of financial position are appropriate. However, the fair values of the financial instruments recognized in the statements of financial position may be different if other valuation methods or assumptions are used. Additionally, as there is a variety of valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

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

Level 1 : The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 : The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : The fair values are based on unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy.

5.1.2.1 Fair value hierarchy of financial assets and liabilities at fair value in the statements of financial position

Fair value hierarchy of financial assets at fair value in the statements of financial position as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value through profit or loss				
Hybrid securities	₩ -	₩ -	₩ 388,895	₩ 388,895
Loans		₩ 85,367		₩ 85,367
	₩ -	₩ 85,367	₩ 388,895	₩ 474,262

(In millions of Korean won)

	December 31, 2019			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value through profit or loss				
Hybrid securities	₩ -	₩ -	₩ 291,501	₩ 291,501
Loans		₩ 122,408		₩ 122,408
	₩ -	₩ 122,408	₩ 291,501	₩ 413,909

Valuation techniques and inputs of financial assets and liabilities classified as Level 2 and measured at fair value in the statements of financial position as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		
	Fair value	Valuation techniques	Inputs
Financial assets			
Financial assets at fair value through profit or loss Loans	₩ 85,367	DCF Model	Interest rate, Discount rate, etc.

(In millions of Korean won)

	December 31, 2019		
	Fair value	Valuation techniques	Inputs
Financial assets			
Financial assets at fair value through profit or loss Loans	₩ 122,408	DCF Model	Interest rate, Discount rate, etc.

5.1.2.2 Fair value hierarchy of financial assets and liabilities whose fair value is disclosed

Fair value hierarchy of financial assets and liabilities whose fair value is disclosed as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Cash and due from financial institutions ¹	₩ -	₩ 23,084	₩ -	₩ 23,084
Loans measured at amortized cost ²			₩ 179,542	₩ 179,542
Other financial assets ³			₩ 33,053	₩ 33,053
	₩ -	₩ 23,084	₩ 212,595	₩ 235,679
Financial liabilities				
Borrowings ⁴		₩ 100,000		₩ 100,000
Debentures		₩ 6,258,394		₩ 6,258,394
Other financial liabilities ³			₩ 16,444	₩ 16,444
	₩ -	₩ 6,358,394	₩ 16,444	₩ 6,374,838

(In millions of Korean won)

	December 31, 2019			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Cash and due from financial institutions ¹	₩ -	₩ 18,537	₩ -	₩ 18,537
Loans measured at amortized cost ²			₩ 120,000	₩ 120,000
Other financial assets ³			₩ 19,814	₩ 19,814
	₩ -	₩ 18,537	₩ 139,814	₩ 158,351
Financial liabilities				
Debentures		₩ 5,631,217		₩ 5,631,217
Other financial liabilities ³			₩ 14,940	₩ 14,940
	₩ -	₩ 5,631,217	₩ 14,940	₩ 5,646,157

¹ Because due from financial institutions classified as level 2 are deposits on demand, carrying amounts are reasonable approximations of fair values.

² Because loans measured at amortized cost classified as level 3 are loans with residual maturity of less than one year, carrying amounts are reasonable approximations of fair values.

³ For other financial assets and other financial liabilities classified as level 3, carrying amounts are reasonable approximations of fair values.

⁴ For borrowings classified as Level 2, carrying amounts are reasonable approximations of fair values.

Financial assets and liabilities whose carrying amount is a reasonable approximation of fair value, valuation techniques and inputs are not disclosed.

Valuation techniques and inputs of financial assets and liabilities classified as Level 2, and whose fair value is disclosed as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Fair value		Valuation techniques	Inputs
	December 31, 2020	December 31, 2019		
Financial liabilities				
Debentures	₩ 6,258,394	₩ 5,631,217	DCF model	Discount rate

5.2 Disclosure of Fair Value Hierarchy Level 3

5.2.1 Valuation policy and process of Level 3 fair value

The Company uses external, independent and qualified valuation service to determine the fair value of the Company's assets at the end of every reporting period.

5.2.2 Changes in fair value (Level 3) measured using valuation technique based on unobservable inputs in the market

5.2.2.1 Changes in financial instruments classified as Level 3 of the fair value hierarchy for the years ended December 31, 2020 and 2019, are as follows:

Valuation techniques and inputs of financial assets and liabilities classified as Level 2 and measured at fair value in the statements of financial position as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		2019	
	Financial assets at fair value through profit or loss		Financial assets at fair value through profit or loss	
Beginning balance	₩	291,501	₩	289,179
Total gains or losses				
- Profit or loss		(2,606)		2,322
- Other comprehensive income		-		-
Purchases		100,000		-
Sales		-		-
Issues		-		-
Settlements		-		-
Transfers into Level 3		-		-
Transfers out of Level 3		-		-
Ending balance	₩	388,895	₩	291,501

5.2.2.2 In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year, and total gains or losses recognized in profit or loss from financial instruments held at the end of the reporting period for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			2019		
	Losses on financial instruments at fair value through profit or loss	Other operating income	Net interest income	Gains on financial instruments at fair value through profit or loss	Other operating income	Net interest income
Total gains (losses) included in profit or loss for the year	₩ (2,606)	₩ -	₩ -	₩ 2,322	₩ -	₩ -
Total gains (losses) for the period included in profit or loss for financial instruments held at the end of the reporting year	(2,606)	-	-	2,322	-	-

5.2.3 Sensitivity analysis of changes in unobservable inputs

5.2.3.1 Information about fair value measurements using unobservable inputs as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
	Fair value	Valuation techniques	Inputs	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets						
Financial assets at fair value through profit or loss						
Hybrid securities	₩ 388,895	Hull and White Model, MonteCarlo Simulation	Matrix YTM, Additional spread by grade, Risk spread of company, Valid credit rating, Disclosed information of securities, Estimated volatility of Interest rate	Discount rate Volatility of interest rate	2.07 ~ 4.69 0.47	The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation

(In millions of Korean won)

	December 31, 2019					
	Fair value	Valuation techniques	Inputs	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets						
Financial assets at fair value through profit or loss						
Hybrid securities	₩ 291,501	Hull and White Model, MonteCarlo Simulation	Matrix YTM, Additional spread by grade, Risk spread of company, Valid credit rating, Disclosed information of securities, Estimated volatility of Interest rate	Discount rate Volatility of interest rate	2.05 ~ 4.45 0.50	The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation

5.2.3.2 Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in fair value of financial instruments which are affected by unobservable parameters, using a statistical technique. When the fair value is affected by more than one input parameter, the amounts represent the most favorable or most unfavorable outcome. There are hybrid securities whose fair value changes are recognized in profit or loss.

Results of the sensitivity analysis of changes in inputs as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss				
Hybrid securities *	₩ 3,136	₩ (3,031)	₩ -	₩ -

* For equity securities, the changes in fair value are calculated by increasing or decreasing correlations between discount rate (2.07 ~ 4.69%) which are principal unobservable input parameters. And, the changes in fair value are calculated by increasing or decreasing the correlation coefficient between short-term and long-term interests or volatility of the interest rates, which are unobservable inputs, by 1%.

(In millions of Korean won)

	December 31, 2019			
	Profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss				
Hybrid securities *	₩ 3,215	₩ (3,195)	₩ -	₩ -

* For equity securities, the changes in fair value are calculated by increasing or decreasing correlations between discount rate (2.05 ~ 4.45%) which are principal unobservable input parameters. And, the changes in fair value are calculated by increasing or decreasing the correlation coefficient between short-term and long-term interests or volatility of the interest rates, which are unobservable inputs, by 1%.

6. Due from Financial Institutions

6.1 Details of due from financial institutions as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Financial institutions	Interest rate (%) (As of December 31, 2020)	December 31, 2020	December 31, 2019	
Due from financial institutions in Korean won	Due from the Banks	Kookmin Bank	0.00 ~ 0.25	₩ 23,084	₩ 18,537

6.2 Details of a maturity analysis of due from financial institutions other than restricted due from financial institutions, as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Due from financial institutions in Korean won	₩ 23,081	₩ -	₩ -	₩ -	₩ -	₩ 23,081

(In millions of Korean won)

	December 31, 2019					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Due from financial institutions in Korean won	₩ 18,534	₩ -	₩ -	₩ -	₩ -	₩ 18,534

6.3 Details of restricted due from financial institution as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Financial institutions	December 31, 2020	December 31, 2019	Reasons of restriction
Due from financial institutions in Korean won	Kookmin Bank	₩ 3	₩ 3	Pledged as collateral for the overdraft account

7. Financial Assets at Fair Value through Profit or Loss

Details of financial assets at fair value through profit or loss as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss		
Hybrid securities	₩ 388,895	₩ 291,501
Loans	₩ 85,367	₩ 122,408
	₩ 474,262	₩ 413,909

8. Loans Measured at Amortized Cost

8.1 Details of loans measured at amortized cost as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Loans measured at amortized cost	₩ 180,000	₩ 120,000
Less: Allowances for loan losses	(458)	-
Carrying amount	₩ 179,542	₩ 120,000

8.2 Details of loan types and customer types of loans to customers other than banks, as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Retail	Corporate	Credit card	Total
Loans	₩ -	₩ 180,000	₩ -	₩ 180,000
Proportion (%)	-	100.00	-	100.00
Less: Allowances	-	(458)	-	(458)
	₩ -	₩ 179,542	₩ -	₩ 179,542

(In millions of Korean won)

	December 31, 2019			
	Retail	Corporate	Credit card	Total
Loans	₩ -	₩ 120,000	₩ -	₩ 120,000
Proportion (%)	-	100.00	-	100.00
Less: Allowances	-	-	-	-
	₩ -	₩ 120,000	₩ -	₩ 120,000

9. Investments in Subsidiaries

9.1 Details of subsidiaries as of December 31, 2020, are as follows:

Name of subsidiaries	Industry	Location
Kookmin Bank	Banking and foreign exchange transaction	Korea
KB Securities Co., Ltd.	Financial investment	Korea
KB Insurance Co., Ltd.	Non-life insurance	Korea
KB Kookmin Card Co., Ltd.	Credit card	Korea
Prudential Life Insurance Company of Korea Ltd.	Life insurance	Korea
KB Asset Management Co., Ltd.	Investment advisory and investment trust	Korea
KB Capital Co., Ltd.	Financial leasing	Korea
KB Life Insurance Co., Ltd.	Life insurance	Korea
KB Real Estate Trust Co., Ltd.	Real estate trust management	Korea
KB Savings Bank Co., Ltd.	Savings banking	Korea
KB Investment Co., Ltd.	Capital investment	Korea
KB Data System Co., Ltd.	System software, development and supply	Korea
KB Credit Information Co., Ltd.	Collection of receivables and credit investigation	Korea

9.2 Details of investments in subsidiaries as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won, except for shares and ownership %)

Name of subsidiaries	Number of Issued shares	Ownership (%)	Carrying amount	
			December 31, 2020	December 31, 2019
	As of December 31, 2020			
Kookmin Bank	404,379,116	100.00	₩ 14,821,721	₩ 14,821,721
KB Securities Co., Ltd.	298,620,424	100.00	₩ 3,342,391	₩ 3,342,391
KB Insurance Co., Ltd.	66,500,000	100.00	₩ 2,375,430	₩ 2,375,430
KB Kookmin Card Co., Ltd.	92,000,000	100.00	₩ 1,953,175	₩ 1,953,175
Prudential Life Insurance Company of Korea Ltd ¹	15,000,000	100.00	₩ 2,310,054	-

(In millions of Korean won, except for shares and ownership %)

Name of subsidiaries	Number of Issued shares	Ownership (%)	Carrying amount	
			December 31, 2020	December 31, 2019
	As of December 31, 2020			
KB Asset Management Co., Ltd.	7,667,550	100.00	96,312	96,312
KB Capital Co., Ltd. ¹	25,227,566	100.00	673,811	673,811
KB Life Insurance Co., Ltd.	91,200,000	100.00	485,314	485,314
KB Real Estate Trust Co., Ltd.	16,000,000	100.00	121,553	121,553
KB Savings Bank Co., Ltd.	8,001,912	100.00	157,544	157,544
KB Investment Co., Ltd.	22,525,328	100.00	154,910	154,910
KB Data System Co., Ltd.	800,000	100.00	6,334	6,334
KB Credit Information Co., Ltd. ²	1,252,400	100.00	21,331	23,621
			₩ 26,519,880	₩ 24,162,116

¹ Carrying amount of investments in subsidiaries increased by ₩ 50 billion and ₩ 2,310.1 billion due to the capital increase of KB Capital Co., Ltd. and acquisition of Prudential Life Insurance Company of Korea Ltd., respectively, for the year ended December 31, 2020.

² Impairment loss on KB Credit Information Co., Ltd. amounting to ₩ 2,290 million was recognized for the year ended December 31, 2020.

9.3 Changes in accumulated impairment losses of investments in subsidiaries for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses of investments in subsidiaries	₩ (51,742)	₩ (2,289)	₩ -	₩ (54,031)

(In millions of Korean won)

	2019			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses of investments in subsidiaries	₩ (51,742)	₩ -	₩ -	₩ (51,742)

10. Property and Equipment

10.1 Details of property and equipment as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Leasehold improvements	₩ 6,882	₩ (3,475)	₩ -	₩ 3,407
Equipment and others	7,425	(4,239)	-	3,186
Right-of-use assets (buildings)	1,657	(888)	-	769
Right-of-use assets (vehicles)	1,192	(870)	-	322
Right-of-use assets (others)	91	(45)	-	46
	₩ 17,247	₩ (9,517)	₩ -	₩ 7,730

(In millions of Korean won)

	December 31, 2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Leasehold improvements	₩ 4,119	₩ (2,309)	₩ -	₩ 1,810
Equipment and others	4,818	(2,946)	-	1,872
Right-of-use assets (buildings)	683	(490)	-	193
Right-of-use assets (vehicles)	904	(624)	-	280
Right-of-use assets (others)	36	(21)	-	15
	₩ 10,560	₩ (6,390)	₩ -	₩ 4,170

10.2 Changes in property and equipment for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020				
	Beginning	Acquisition	Disposal	Depreciation	Ending
Leasehold improvements	₩ 1,810	₩ 2,762	₩ -	₩ (1,165)	₩ 3,407
Equipment and others	1,872	2,607	-	(1,293)	3,186
Right-of-use assets (buildings)	193	984	(6)	(402)	769
Right-of-use assets (vehicles)	280	410	(27)	(341)	322
Right-of-use assets (others)	15	55	-	(24)	46
	₩ 4,170	₩ 6,818	₩ (33)	₩ (3,225)	₩ 7,730

(In millions of Korean won)

	2019				
	Beginning	Acquisition	Disposal	Depreciation	Ending
Leasehold improvements	₩ 192	₩ 3,606	₩ -	₩ (1,988)	₩ 1,810
Equipment and others	1,993	1,165	(34)	(1,252)	1,872
Right-of-use assets (buildings)	263	432	(6)	(496)	193
Right-of-use assets (vehicles)	406	521	(20)	(627)	280
Right-of-use assets (others)	15	21	-	(21)	15
	₩ 2,869	₩ 5,745	₩ (60)	₩ (4,384)	₩ 4,170

11. Intangible Assets

11.1 Details of intangible assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Software	₩ 6,214	₩ (3,730)	₩ -	₩ 2,484
Membership rights	9,765	-	(800)	8,965
Other intangible assets	6,407	(4,589)	-	1,818
	₩ 22,386	₩ (8,319)	₩ (800)	₩ 13,267

(In millions of Korean won)

	December 31, 2019			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Software	₩ 4,849	₩ (3,101)	₩ -	₩ 1,748
Membership rights	9,765	-	(1,786)	7,979
Other intangible assets	5,451	(4,086)	-	1,365
	₩ 20,065	₩ (7,187)	₩ (1,786)	₩ 11,092

11.2 Changes in intangible assets for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Beginning	Acquisition	Disposal	Amortization	Reversal of impairment *	Ending
Software	₩ 1,748	₩ 1,365	₩ -	₩ (629)	₩ -	₩ 2,484
Membership rights	7,979	-	-	-	986	8,965
Other intangible assets	1,365	956	-	(503)	-	1,818
	₩ 11,092	₩ 2,321	₩ -	₩ (1,132)	₩ 986	₩ 13,267

(In millions of Korean won)

	2019					
	Beginning	Acquisition	Disposal	Amortization	impairment *	Ending
Software	₩ 931	₩ 1,170	₩ -	₩ (353)	₩ -	₩ 1,748
Membership rights	7,809	215	(41)	-	(4)	7,979
Other intangible assets	906	815	-	(356)	-	1,365
	₩ 9,646	₩ 2,200	₩ (41)	₩ (709)	₩ (4)	₩ 11,092

* Impairment loss for membership rights of intangible assets with indefinite useful life was recognized when its recoverable amount is lower than its carrying amount and reversal of impairment losses was recognized when its recoverable amount is higher than its carrying amount.

11.3 Changes in accumulated impairment losses of intangible assets for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020				
	Beginning	Impairment	Reversal of impairment	Disposal and others	Ending
Accumulated impairment losses of intangible assets	₩ (1,786)	₩ -	₩ 986	₩ -	₩ (800)

(In millions of Korean won)

	2019				
	Beginning	Impairment	Reversal of impairment	Disposal and others	Ending
Accumulated impairment losses of intangible assets	₩ (1,814)	₩ (4)	₩ -	₩ 32	₩ (1,786)

12. Lease**12.1 Amounts Recognized in the Statements of Financial Position**

Amounts recognized in the statements of financial position related to lease as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Right-of-use property and equipment ¹		
Real estate	₩ 769	₩ 193
Vehicles	322	280
Others	46	15
	₩ 1,137	₩ 488
Lease liabilities ²	₩ 523	₩ 588

¹ Included in property and equipment.² Included in other liabilities.**12.2 Amounts Recognized in the Statements of Comprehensive Income**

Amounts recognized in the statements of comprehensive income related to lease for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Depreciation and amortization of right-of-use assets		
Real estate	₩ 402	₩ 496
Vehicles	341	627
Others	24	21
	₩ 767	₩ 1,144
Interest expenses on the lease liabilities	₩ 11	₩ 16
Expense relating to short-term lease	19	23
Expense relating to leases of low-value assets that are not short-term lease	3	3

12.3 Total cash outflow for lease for the years ended December 31, 2020 and 2019 was ₩ 631 million and ₩ 594 million, respectively.**13. Deferred Income Tax Assets and Liabilities****13.1 Details of deferred income tax assets and liabilities as of December 31, 2020 and 2019, are as follows:**

(In millions of Korean won)

	December 31, 2020		
	Assets	Liabilities	Net amounts
Share-based payments	₩ 3,171	₩ -	₩ 3,171
Membership rights	220	-	220
Defined benefit obligation	3,214	-	3,214
Plan assets	-	(3,214)	(3,214)
Short-term employee benefits	746	-	746
Losses on valuation of financial assets at fair value through profit or loss	3,054	-	3,054
Others	497	(4,499)	(4,002)
	10,902	(7,713)	3,189
Offsetting of deferred tax assets and liabilities	(7,713)	7,713	-
	₩ 3,189	₩ -	₩ 3,189

(In millions of Korean won)

	December 31, 2019		
	Assets	Liabilities	Net amounts
Share-based payments	₩ 3,260	₩ -	₩ 3,260
Membership rights	491	-	491
Defined benefit obligation	2,888	-	2,888
Plan assets	-	(2,888)	(2,888)
Short-term employee benefits	1,193	-	1,193
Losses on valuation of financial assets at fair value through profit or loss	2,337	-	2,337
Others	450	(205)	245
	10,619	(3,093)	7,526
Offsetting of deferred tax assets and liabilities	(3,093)	3,093	-
	₩ 7,526	₩ -	₩ 7,526

13.2 Unrecognized Deferred Income Tax Assets

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 2,896,164 million and ₩ 54,031 million associated with investments in subsidiaries and impairment losses on investments in subsidiaries, respectively, as of December 31, 2020, due to the uncertainty that all these will be realized in the future.

13.3 Unrecognized Deferred Income Tax Liabilities

No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 2,395,805 million associated with investments in subsidiaries as of December 31, 2020, due to the following reasons:

- The Company is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not be reversed in the foreseeable future.

13.4 Changes in cumulative temporary differences for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Share-based payments	₩ 11,856	₩ 4,359	₩ 4,034	₩ 11,531
Membership rights	1,786	986	-	800
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	10,504	1,706	2,888	11,686
Short-term employee benefits	4,338	4,338	2,713	2,713
Tax loss carryforwards	66,162	66,162	-	-
Impairment losses of investments in subsidiaries	51,742	-	2,289	54,031
Losses on valuation of financial assets at fair value through profit or loss	8,499	-	2,606	11,105
Others	1,633	1,574	1,750	1,809
	3,052,684	79,125	16,280	2,989,839
Unrecognized deferred income tax assets:				
Investments in subsidiaries	2,896,164			2,896,164
Tax loss carryforwards	66,162			66,162
Impairment losses of investments in subsidiaries	51,742			51,742
	36,338			38,616
Tax rate (%)	27.5			27.5
Total deferred income tax assets	9,993			10,619
Taxable temporary differences				
Investments in subsidiaries	(2,395,805)	-	-	(2,395,805)
Plan assets	(5,835)	(1,833)	(6,502)	(10,504)
Others	(743)	(743)	(742)	(742)
	(2,402,383)	(2,576)	(7,244)	(2,407,051)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,395,805)			(2,395,805)
	(6,579)			(11,246)
Tax rate (%)	27.5			27.5
Unrecognized deferred income tax liabilities:	₩ (1,809)			₩ (3,093)

(In millions of Korean won)

	2020			
	Beginning	Decrease	Increase	Ending
Taxable temporary differences				
Investments in subsidiaries	(2,395,805)	-	-	(2,395,805)
Plan assets	(10,504)	(1,706)	(2,888)	(11,686)
Others	(742)	(742)	(16,361)	(16,361)
	(2,407,051)	(2,448)	(19,249)	(2,423,852)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,395,805)			(2,395,805)
	(11,246)			(28,047)
Tax rate (%)	27.5			27.5
Unrecognized deferred income tax liabilities:	₩ (3,093)			₩ (7,713)

(In millions of Korean won)

	2019			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Share-based payments	₩ 10,624	₩ 3,027	₩ 4,259	₩ 11,856
Membership rights	1,814	32	4	1,786
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	9,175	1,833	3,162	10,504
Short-term employee benefits	2,721	2,721	4,338	4,338
Tax loss carryforwards	66,162	-	-	66,162
Impairment losses of investments in subsidiaries	51,742	-	-	51,742
Losses on valuation of financial assets at fair value through profit or loss	10,822	2,323	-	8,499
Others	1,182	1,156	1,607	1,633
	3,050,406	11,092	13,370	3,052,684
Unrecognized deferred income tax assets:				
Investments in subsidiaries	2,896,164			2,896,164
Tax loss carryforwards	66,162			66,162
Impairment losses of investments in subsidiaries	51,742			51,742
	36,338			38,616
Tax rate (%)	27.5			27.5
Total deferred income tax assets	9,993			10,619
Taxable temporary differences				
Investments in subsidiaries	(2,395,805)	-	-	(2,395,805)
Plan assets	(5,835)	(1,833)	(6,502)	(10,504)
Others	(743)	(743)	(742)	(742)
	(2,402,383)	(2,576)	(7,244)	(2,407,051)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,395,805)			(2,395,805)
	(6,579)			(11,246)
Tax rate (%)	27.5			27.5
Unrecognized deferred income tax liabilities:	₩ (1,809)			₩ (3,093)

14. Other Assets

14.1 Details of other assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Other financial assets				
Accrued income	₩	4,803	₩	3,654
Guarantee deposits		28,257		16,160
Allowances for credit losses		(7)		-
		33,053		19,814
Other non-financial assets				
Receivables		850,385		588,765
Prepaid expenses		800		556
Advanced payments		3,299		151
		854,484		589,472
	₩	887,537	₩	609,286

14.2 Changes in allowances for credit losses of other assets for the year ended December 31, 2020, are as follows:

(In millions of Korean won)

	2020			
	Other financial assets	Other non-financial assets	Total	
Beginning	₩	-	₩	-
Provision		7		7
Ending	₩	7	₩	7

15. Borrowings

15.1 Details of borrowings as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Borrowings	₩	100,000	₩	-

15.2 Details of borrowings as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		Lender	Issued date	Maturity date	Annual interest rates (%) as of December 31, 2020	December 31, 2020	December 31, 2019
Borrowings in Korean won	Other borrowings	Kiwoom Securities Co., Ltd.	Nov. 27, 2020	Feb. 2, 2021	0.99	₩ 40,000	₩ -
Borrowings in Korean won	Other borrowings	Kiwoom Securities Co., Ltd.	Dec. 17, 2020	Mar. 3, 2021	1.03	60,000	-
						₩ 100,000	₩ -

15.3 Maturities of borrowings as of December 31, 2020, are as follows:

(In millions of Korean won)

	December 31, 2020					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Borrowings in Korean won	₩ 100,000	₩ -	₩ -	₩ -	₩ -	₩ 100,000

16. Debentures

16.1 Details of debentures as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Issuance date	Maturity date	Annual interest rates (%) as of December 31, 2020	December 31, 2020	December 31, 2019
Unguaranteed debentures No.3-3	Aug. 13, 2013	Aug. 13, 2020	3.65	₩ -	₩ 70,000
Unguaranteed debentures No.5-2	Mar. 19, 2014	Mar. 19, 2021	3.50	50,000	50,000
Unguaranteed debentures No.6	Feb. 26, 2015	Feb. 26, 2022	2.38	30,000	30,000
Unguaranteed debentures No.8	Jun. 23, 2015	Jun. 23, 2020	2.34	-	100,000
Unguaranteed debentures No.9	Jun. 23, 2015	Jun. 23, 2022	2.52	150,000	150,000
Unguaranteed debentures No.10	Sep. 17, 2015	Sep. 17, 2020	2.16	-	20,000
Unguaranteed debentures No.11	Sep. 23, 2015	Sep. 23, 2020	2.06	-	30,000
Unguaranteed debentures No.12-2	Nov. 27, 2015	Nov. 27, 2020	2.26	-	110,000
Unguaranteed debentures No.12-3	Nov. 27, 2015	Nov. 27, 2022	2.38	50,000	50,000
Unguaranteed debentures No.14-1	Dec. 09, 2015	Dec. 09, 2020	2.27	-	140,000
Unguaranteed debentures No.14-2	Dec. 09, 2015	Dec. 09, 2022	2.38	30,000	30,000
Unguaranteed debentures No.15-2	May 12, 2016	May 12, 2021	1.72	220,000	220,000
Unguaranteed debentures No.15-3	May 12, 2016	May 12, 2026	2.01	200,000	200,000
Unguaranteed debentures No.16-2	May 27, 2016	May 27, 2021	1.78	60,000	60,000
Unguaranteed debentures No.16-3	May 27, 2016	May 27, 2023	1.91	150,000	150,000
Unguaranteed debentures No.17	Jun. 27, 2016	Jun. 27, 2021	1.51	50,000	50,000
Unguaranteed debentures No.18-2	Jul. 25, 2016	Jul. 25, 2021	1.45	110,000	110,000
Unguaranteed debentures No.18-3	Jul. 25, 2016	Jul. 25, 2026	1.69	80,000	80,000
Unguaranteed debentures No.19-2	Aug. 25, 2016	Aug. 25, 2021	1.46	100,000	100,000
Unguaranteed debentures No.19-3	Aug. 25, 2016	Aug. 25, 2026	1.69	120,000	120,000
Unguaranteed debentures No.20-2	Nov. 28, 2016	Nov. 28, 2021	2.28	50,000	50,000
Unguaranteed debentures No.21	Jan. 25, 2017	Jan. 23, 2020	1.82	-	100,000
Unguaranteed debentures No.22-1	Feb. 28, 2017	Feb. 28, 2020	1.89	-	120,000
Unguaranteed debentures No.22-2	Feb. 28, 2017	Feb. 28, 2022	2.11	110,000	110,000
Unguaranteed debentures No.23	Mar. 23, 2017	Mar. 23, 2020	1.95	-	80,000
Unguaranteed debentures No.24	Apr. 06, 2017	Apr. 06, 2020	1.97	-	70,000
Unguaranteed debentures No.25-2	May 24, 2017	May 24, 2020	1.97	-	100,000
Unguaranteed debentures No.25-3	May 24, 2017	May 24, 2022	2.23	270,000	270,000
Unguaranteed debentures No.25-4	May 24, 2017	May 24, 2027	2.62	80,000	80,000
Unguaranteed debentures No.26-1	Jun. 27, 2017	Jun. 27, 2022	2.18	50,000	50,000
Unguaranteed debentures No.26-2	Jun. 27, 2017	Jun. 27, 2024	2.34	200,000	200,000
Unguaranteed debentures No.27	Jul. 19, 2017	Jul. 19, 2024	2.41	100,000	100,000
Unguaranteed debentures No.28-1	Aug. 30, 2017	Aug. 30, 2022	2.30	60,000	60,000
Unguaranteed debentures No.28-2	Aug. 30, 2017	Aug. 30, 2022	2.43	30,000	30,000
Unguaranteed debentures No.28-3	Aug. 30, 2017	Aug. 30, 2024	2.60	60,000	60,000
Unguaranteed debentures No.29-1	Sep. 19, 2017	Sep. 19, 2022	2.29	150,000	150,000
Unguaranteed debentures No.29-2	Sep. 19, 2017	Sep. 19, 2024	2.44	110,000	110,000

(In millions of Korean won)

	Issuance date	Maturity date	Annual interest rates(%) as of December 31, 2020	December 31, 2020	December 31, 2019
Unguaranteed debentures No.30	Jan. 25, 2018	Jan. 25, 2021	2.45	80,000	80,000
Unguaranteed debentures No.31-1	Feb. 28, 2018	Feb. 26, 2021	2.57	150,000	150,000
Unguaranteed debentures No.31-2	Feb. 28, 2018	Feb. 28, 2023	2.81	50,000	50,000
Unguaranteed debentures No.31-3	Feb. 28, 2018	Feb. 28, 2028	3.02	60,000	60,000
Unguaranteed debentures No.32-1	Apr. 06, 2018	Apr. 06, 2021	2.50	60,000	60,000
Unguaranteed debentures No.32-2	Apr. 06, 2018	Apr. 06, 2023	2.71	80,000	80,000
Unguaranteed debentures No.32-3	Apr. 06, 2018	Apr. 06, 2028	2.86	20,000	20,000
Unguaranteed debentures No.33-1	Jun. 12, 2018	Jun. 12, 2023	2.81	100,000	100,000
Unguaranteed debentures No.33-2	Jun. 12, 2018	Jun. 12, 2028	2.92	30,000	30,000
Unguaranteed debentures No.34-1	Jul. 25, 2018	Jul. 23, 2021	2.41	40,000	40,000
Unguaranteed debentures No.34-2	Jul. 25, 2018	Jul. 25, 2023	2.65	70,000	70,000
Unguaranteed debentures No.34-3	Jul. 25, 2018	Jul. 25, 2025	2.71	20,000	20,000
Unguaranteed debentures No.34-4	Jul. 25, 2018	Jul. 25, 2028	2.76	20,000	20,000
Unguaranteed debentures No.35	Oct. 05, 2018	Oct. 05, 2023	2.52	120,000	120,000
Unguaranteed debentures No.36-1	Feb. 22, 2019	Feb. 22, 2022	2.03	120,000	120,000
Unguaranteed debentures No.36-2	Feb. 22, 2019	Feb. 22, 2024	2.11	230,000	230,000
Unguaranteed debentures No.36-3	Feb. 22, 2019	Feb. 22, 2029	2.22	60,000	60,000
Unguaranteed debentures No.37-1	Mar. 15, 2019	Mar. 15, 2024	2.06	140,000	140,000
Unguaranteed debentures No.37-2	Mar. 15, 2019	Mar. 15, 2029	2.16	70,000	70,000
Unguaranteed debentures No.38-1	Jun. 19, 2019	Jun. 19, 2026	1.73	80,000	80,000
Unguaranteed debentures No.38-2	Jun. 19, 2019	Jun. 19, 2029	1.77	120,000	120,000
Unguaranteed debentures No.39-1	Oct. 15, 2019	Oct. 15, 2024	1.60	80,000	80,000
Unguaranteed debentures No.39-2	Oct. 15, 2019	Oct. 15, 2029	1.67	40,000	40,000
Unguaranteed debentures No.40-1	Dec. 04, 2019	Dec. 04, 2024	1.76	70,000	70,000
Unguaranteed debentures No.40-2	Dec. 04, 2019	Dec. 04, 2029	1.87	30,000	30,000
Unguaranteed debentures No.41-1	Jan. 16, 2020	Jan. 16, 2023	1.64	110,000	-
Unguaranteed debentures No.41-2	Jan. 16, 2020	Jan. 16, 2025	1.74	100,000	-
Unguaranteed debentures No.41-3	Jan. 16, 2020	Jan. 16, 2030	1.88	40,000	-
Subordinated debentures No.1-1	Feb. 18, 2020	Feb. 18, 2030	2.21	370,000	-
Subordinated debentures No.1-2	Feb. 18, 2020	Feb. 18, 2035	2.26	30,000	-
Unguaranteed debentures No.42-1	May 13, 2020	May 13, 2025	1.59	130,000	-
Unguaranteed debentures No.42-2	May 13, 2020	May 13, 2030	1.78	70,000	-
Unguaranteed debentures No.43-1	Jun. 16, 2020	Jun. 16, 2023	1.18	50,000	-
Unguaranteed debentures No.43-2	Jun. 16, 2020	Jun. 16, 2025	1.44	110,000	-
Unguaranteed debentures No.43-3	Jun. 16, 2020	Jun. 16, 2030	1.63	50,000	-
Exchangeable bonds No.1 *	Jun. 30, 2020	Jun. 30, 2025	-	240,000	-
Unguaranteed debentures No.44-1	Aug. 11, 2020	Aug. 11, 2022	0.96	80,000	-
Unguaranteed debentures No.44-2	Aug. 11, 2020	Aug. 11, 2023	1.07	50,000	-
Unguaranteed debentures No.44-3	Aug. 11, 2020	Aug. 9, 2024	1.18	30,000	-
Unguaranteed debentures No.44-4	Aug. 11, 2020	Aug. 11, 2027	1.39	20,000	-
Unguaranteed debentures No.45	Nov. 23, 2020	Nov. 23, 2023	1.19	60,000	-
				6,150,000	5,550,000
			Less: Bond Discounts	(7,000)	(6,554)
			Less: adjustment on exchange right	(14,957)	-
				₩ 6,128,043	₩ 5,543,446

* Fair value of the liability component of exchangeable bonds is calculated by using market interest rates of bonds under the same conditions without the exchangeable rights. The residual amount, after deducting liability component from the issuance amount, represents the value of exchangeable rights and is recorded in equity. Shares to be exchanged are 5 million treasury shares of KB Financial Group Inc. with the exchange price of ₩ 48,000. Exercise period for exchangeable rights is from the 60th day from the issuance date to 10 days before the maturity date.

16.2 Maturities of debentures as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ 280,000	₩ 390,000	₩ 300,000	₩ 1,940,000	₩ 3,240,000	₩ 6,150,000

(In millions of Korean won)

	December 31, 2019					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ 300,000	₩ 270,000	₩ 370,000	₩ 1,990,000	₩ 2,620,000	₩ 5,550,000

16.3 Changes in debentures based on face value for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Beginning	Issue	Repayment	Ending
Debentures in Korean won	₩ 5,550,000	₩ 1,540,000	₩ (940,000)	₩ 6,150,000

(In millions of Korean won)

	2019			
	Beginning	Issue	Repayment	Ending
Debentures in Korean won	₩ 5,380,000	₩ 1,040,000	₩ (870,000)	₩ 5,550,000

17. Net Defined Benefit Liabilities

17.1 Defined Benefit Plan

The Company operates defined benefit plans which have the following characteristics:

- The Company has the obligation to pay the agreed benefits to all its current and former employees.
- The Company assumes actuarial risk (that benefits will cost more than expected) and investment risk.

The net defined benefit liability recognized in the statements of financial position is calculated in accordance with actuarial valuation methods using market data: such as, interest rates, future salary increase rate and mortality rate based on historical data. Actuarial assumptions may differ from actual results, due to changes in the market, economic trends and mortality trends.

17.2 Changes in net defined benefit liabilities for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 20,312	₩ (19,875)	₩ 437
Current service cost	2,055	-	2,055
Interest expense (income)	404	(396)	8
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	-	-	-
Actuarial gains and losses by changes in financial assumptions	-	-	-
Actuarial gains and losses by experience adjustments	429	-	429
Return on plan assets (excluding amounts included in interest income)	-	79	79
Contributions by the Company	-	(2,970)	(2,970)
Payments from plans (benefit payments)	(1,706)	1,706	-
Payments from the Company	(3)	-	(3)
Transfer in	2,296	(2,272)	24
Transfer out	(1,836)	1,836	-
Ending	₩ 21,951	₩ (21,892)	₩ 59

(In millions of Korean won)

	2019		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 20,363	₩ (20,180)	₩ 183
Current service cost	2,175	-	2,175
Interest expense (income)	466	(462)	4
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	(20)	-	(20)
Actuarial gains and losses by changes in financial assumptions	599	-	599
Actuarial gains and losses by experience adjustments	(58)	-	(58)
Return on plan assets (excluding amounts included in interest income)	-	195	195
Contributions by the Company	-	(2,688)	(2,688)
Payments from plans (benefit payments)	(1,833)	1,833	-
Payments from the Company	-	-	-
Transfer in	1,302	(1,255)	47
Transfer out	(2,682)	2,682	-
Ending	₩ 20,312	₩ (19,875)	₩ 437

17.3 Details of the net defined benefit liabilities as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	₩ 21,951	₩ 20,312
Fair value of plan assets	(21,892)	(19,875)
Net defined benefit liabilities	₩ 59	₩ 437

17.4 Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Current service cost	₩ 2,055	₩ 2,175
Net interest expenses on net defined benefit liabilities	8	4
Post-employment benefits	₩ 2,063	₩ 2,179

17.5 Details of remeasurements of net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	₩ (79)	₩ (195)
Actuarial gains or losses	(429)	(521)
Income tax effects	140	196
Remeasurements after income tax	₩ (368)	₩ (520)

17.6 Details of fair value of plan assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		
	Assets quoted in an active market	Assets not quoted in an active market	Total
Cash and due from financial institutions	₩ -	₩ 21,892	₩ 21,892

(In millions of Korean won)

	December 31, 2019		
	Assets quoted in an active market	Assets not quoted in an active market	Total
Cash and due from financial institutions	₩ -	₩ 19,875	₩ 19,875

17.7 Details of key actuarial assumptions used as of December 31, 2020 and 2019, are as follows:

(%)

	December 31, 2020	December 31, 2019
Discount rate	2.00	2.00
Future salary increase rate	3.75	3.75
Turnover	1	1

Mortality assumptions are based on the experience-based mortality table issued by Korea Insurance Development Institute in 2019.

17.8 Sensitivity analysis results of significant actuarial assumptions as of December 31, 2020, are as follows:

	Changes in principal assumption	Effect on defined benefit obligation	
		Increase in principal assumption	Decrease in principal assumption
Discount rate	0.5%p	4.69% decrease	5.02% increase
Future salary increase rate	0.5%p	5.13% increase	4.84% decrease
Turnover	0.5%p	0.51% decrease	0.53% increase

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the same projected unit credit method used in calculating the defined benefit obligations recognized in the statement of financial position.

17.9 Expected maturity analysis of undiscounted pension benefits (including expected future benefits) as of December 31, 2020, are as follows:

	(In millions of Korean won)					
	Up to 1 year	1 ~ 2 years	2 ~ 5 years	5 ~ 10 years	Over 10 years	Total
Pension benefits	₩ 211	₩ 924	₩ 3,760	₩ 12,909	₩ 36,942	₩ 54,746

The weighted average duration of the defined benefit obligation is 9.9 years.

17.10 Expected contribution to plan assets for the next annual reporting period after December 31, 2020 is estimated to be ₩ 2,100 million.
18. Other Liabilities
Details of other liabilities as of December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	December 31, 2020	December 31, 2019
Other financial liabilities		
Payables	₩ 2,073	₩ 1,134
Accrued expenses	13,848	13,218
Lease liabilities	523	588
	16,444	14,940
Other non-financial liabilities		
Payables	11,870	59,263
Accrued expenses	138,740	128,824
Withholding taxes	11,242	413
	161,852	188,500
	₩ 178,296	₩ 203,440

19. Equity
19.1 Share Capital
19.1.1 Details of share capital as of December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	December 31, 2020	December 31, 2019
Type of share	Ordinary share	Ordinary share
Number of authorized shares	1,000,000,000	1,000,000,000
Par value per share (In Korean won)	₩ 5,000	₩ 5,000
Number of issued shares	415,807,920	415,807,920
Share capital	₩ 2,090,558	₩ 2,090,558

19.1.2 Changes in shares for the years ended December 31, 2020 and 2019, are as follows:

	(In number of shares)	
	2020	2019
Beginning	389,634,335	395,551,297
Increase	-	-
Decrease	-	(5,916,962)
Ending	389,634,335	389,634,335

19.2 Hybrid Securities
Details of hybrid securities classified as equity as of December 31, 2020 and 2019, are as follows:

	Issuance date	Maturity date	Interest rate (%)	(In millions of Korean won)	
				December 31, 2020	December 31, 2019
The 1-1 st Hybrid securities	May 2, 2019	Perpetual bond	3.23	₩ 349,204	₩ 349,204
The 1-2 nd Hybrid securities	May 2, 2019	Perpetual bond	3.44	49,881	49,881
The 2-1 st Hybrid securities	May 8, 2019	Perpetual bond	3.30	324,099	-
The 2-2 nd Hybrid securities	May 8, 2019	Perpetual bond	3.43	74,812	-
The 3-1 st Hybrid securities	July 14, 2020	Perpetual bond	3.17	369,099	-
The 3-2 nd Hybrid securities	July 14, 2020	Perpetual bond	3.38	29,922	-
The 4-1 st Hybrid securities	October 20, 2020	Perpetual bond	3.00	433,918	-
The 4-2 nd Hybrid securities	October 20, 2020	Perpetual bond	3.28	64,843	-
				₩ 1,695,778	₩ 399,085

The above hybrid securities are early redeemable by the Company after 5 or 10 years from the issuance date.

19.3 Capital Surplus
Details of capital surplus as of December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	December 31, 2020	December 31, 2019
Paid-in capital in excess of par value	₩ 13,190,275	₩ 13,190,275
Other capital surplus	1,465,893	1,465,893
Gain on sales of treasury shares	86,646	86,646
Consideration for exchangeable rights	11,933	-
	₩ 14,754,747	₩ 14,742,814

19.4 Accumulated Other Comprehensive Income

19.4.1 Details of accumulated other comprehensive income as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Remeasurements of net defined benefit liabilities	₩	(8,032)	₩	(7,664)

19.4.2 Changes in accumulated other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Beginning	Changes	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (7,664)	₩ (508)	₩ 140	₩ (8,032)

(In millions of Korean won)

	2019			
	Beginning	Changes	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (7,144)	₩ (716)	₩ 196	₩ (7,664)

19.5 Retained Earnings

19.5.1 Details of retained earnings as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Legal reserves	₩	557,405	₩	482,807
Voluntary reserves		982,000		982,000
Regulatory reserve for credit losses		4,175		4,458
Unappropriated retained earnings		2,045,177		1,624,029
	₩	3,588,757	₩	3,093,294

With respect to the allocation of net profit earned in a fiscal term, the Company must set aside in its legal reserve an amount equal to at least 10% of its profit after tax as reported in the financial statements, each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital in accordance with Article 53 of the Financial Holding Company Act. The reserve is not available for the payment of cash dividends, but may be transferred to share capital, or used to reduce accumulated deficit. 19.5.2 Statement of disposition of retained earnings

(Expected date of appropriation for 2020: March 26, 2021)

(Date of appropriation for 2019: March 20, 2020)

(In millions of Korean won)

	2020		2019	
Unappropriated retained earnings				
Balance at the beginning of the year	₩	688,621	₩	984,555
Profit for the year		1,379,415		745,987
Retirement of treasury shares		-		(100,000)
Dividends on hybrid securities		(22,860)		(6,513)
		2,045,176		1,624,029
Transfers such as discretionary reserves				
Regulatory reserve for credit losses		-		283
		-		283
Appropriation of retained earnings				
Legal reserve		137,942		74,599
Regulatory reserve for credit losses		979		-
Cash dividends		689,653		861,092
(Dividends per common share: ₩ 1,770 (35.4%) in 2020)				
(Dividends per common share: ₩ 2,210 (44.2%) in 2019)				
		828,574		935,691
Unappropriated retained earnings to be carried forward	₩	1,216,602	₩	688,621

19.5.3 Regulatory reserve for credit losses

Measurement and disclosure of regulatory reserve for credit losses are required in accordance with Articles 26 through 28 of the Supervisory Regulations on Financial Holding Companies. 19.5.1 Details of retained earnings as of December 31, 2020 and 2019, are as follows:

19.5.3.1 Details of regulatory reserve for credit losses as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020		December 31, 2019	
Amounts before appropriation	₩	4,175	₩	4,458
Amounts estimated to be appropriated (reversed)		979		(283)
	₩	5,154	₩	4,175

19.5.3.2 Regulatory reserve for credit losses estimated to be appropriated and adjusted profit after provision (reversal) of regulatory reserve for credit losses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won, except for per share amounts)

	2020		2019	
Regulatory reserve for credit losses estimated to be appropriated (reversed)	₩	979	₩	(283)
Adjusted profit after provision (reversal) of regulatory reserve for credit losses ^{1,2}		1,355,576		739,757
Adjusted basic earnings per share after provision of regulatory reserve for credit losses ¹		3,479		1,891
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses ¹	₩	3,436	₩	1,877

¹ Adjusted profit after provision (reversal) of regulatory reserve for credit losses is not based on Korean IFRS; this is calculated reflecting provision (reversal) of the reserve for credit losses before tax to the net profit for the period.

² After deducting dividends on hybrid securities.

19.6 Treasury Shares

Changes in treasury shares for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won and in number of shares)

	2020			
	Beginning	Acquisition	Retirement	Ending
Number of treasury shares *	26,173,585	-	-	26,173,585
Carrying amount	₩ 1,136,188	₩ -	₩ -	₩ 1,136,188

* 5,000,000 treasury shares are deposited at the Korea Securities Depository for issuing exchangeable bonds.

(In millions of Korean won and in number of shares)

	2019			
	Beginning	Acquisition	Retirement	Ending
Number of treasury shares	22,560,240	5,916,962	(2,303,617)	26,173,585
Carrying amount	₩ 968,549	₩ 267,639	₩ (100,000)	₩ 1,136,188

20. Dividends

The dividends paid to the shareholders of the Company in 2020 and 2019 were ₩ 861,092 million (₩ 2,210 per share) and ₩ 759,736 million (₩ 1,920 per share), respectively. The dividends to the shareholders of the Company for the year ended December 31, 2020, amounting to ₩ 689,653 million (₩ 1,770 per share) is to be proposed at the annual general shareholder's meeting on March 26, 2021. The Company's financial statements as of December 31, 2020, do not reflect this dividend payable.

21. Net Interest Expense

Details of interest income, expense and net interest expense for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Interest income		
Due from financial institutions	₩ 69	₩ 2,580
Loans measured at amortized cost	3,450	2,333
Loans measured at fair value through profit or loss	4,256	2,805
Others	269	302
	8,044	8,020
Interest expense		
Borrowings	921	2,489
Debentures	131,505	123,560
Others	11	16
	132,437	126,065
Net interest expense	₩ (124,393)	₩ (118,045)

22. Net Fee and Commission Expense

Details of fee and commission income, expense and net fee and commission expense for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Fee and commission income		
Fees earned in Korean won	₩ 841	₩ 847
Fee and commission expense		
Fees paid in Korean won	8,836	6,891
Fees paid in foreign currency	343	239
	9,179	7,130
Net fee and commission expense	₩ (8,338)	₩ (6,283)

23. Net Gains or Losses on Financial Instruments at Fair value through Profit or Loss

Net gains or losses on financial instruments at fair value through profit or loss include dividend income and gains or losses arising from changes in fair values, sales and redemptions. Details of net gains or losses on financial assets at fair value through profit or loss for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Gains on financial instruments at fair value through profit or loss		
Dividend income from financial assets at fair value through profit or loss	₩ 15,269	₩ 13,625
Gains on valuation of financial assets at fair value through profit or loss	252	3,166
	15,521	16,791
Losses on financial instruments at fair value through profit or loss		
Losses on valuation of financial assets at fair value through profit or loss	2,858	844
	2,858	844
Net gains on financial instruments at fair value through profit or loss	₩ 12,663	₩ 15,947

24. Net Other Operating Income and Expenses

Details of other operating income and expenses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Other operating income		
Dividend income from subsidiaries	₩ 1,573,411	₩ 926,934
Gains on foreign currency transactions	117	-
	1,573,528	926,934
Other operating expenses		
Impairment losses of investments in subsidiaries	2,289	-
	2,289	-
Net other operating income	₩ 1,571,239	₩ 926,934

25. General and Administrative Expenses

25.1 Details of general and administrative expenses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Employee benefits		
Salaries and short-term employee benefits – salaries	₩ 30,719	₩ 28,448
Salaries and short-term employee benefits – others	5,156	4,778
Post-employment benefits – defined benefit plans	2,063	2,179
Post-employment benefits – defined contribution plans	510	286
Share-based payments	4,034	4,259
	42,482	39,950
Depreciation and amortization	4,357	5,093
Other general and administrative expenses		
Travel	36	1,158
Communications	1,100	633
Tax and dues	416	496
Publication	353	367
Rental expense	1,061	835
Vehicle	137	150
Service fees	12,278	12,236
Advertising	937	894
Training	928	1,591
Others	7,769	7,768
	25,015	26,128
	₩ 71,854	₩ 71,171

25.2 Share-based Payments

Share-based payments plan for executives and employees of the Company and its subsidiaries as of December 31, 2020, are as follows:

25.2.1 Stock grants linked to long-term performance

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions ²
KB Financial Group Inc.			
Series 21	Jan. 01, 2019	25,172	Services fulfillment, market performance ³ 0~30% and non-market performance ⁴ 70%~100%
Series 22	Apr. 01, 2019	3,226	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 23	May 27, 2019	1,436	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 24	Jul. 17, 2019	8,195	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 25	Jan. 01, 2020	57,367	Services fulfillment, market performance ³ 0~30% and non-market performance ⁴ 70%~100%
Series 26	Mar. 18, 2020	430	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 27	Jun. 15, 2020	187	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 28	Nov. 21, 2020	68,135	Services fulfillment, market performance ³ 35% and non-market performance ⁵ 65%
Deferred grant in 2015	-	7,674	Satisfied
Deferred grant in 2016	-	8,705	Satisfied
Deferred grant in 2017	-	17,983	Satisfied
Deferred grant in 2018	-	5,960	Satisfied

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions ²
Deferred grant in 2019	-	24,533	Satisfied
Deferred grant in 2020	-	28,134	Satisfied
		257,137	
Kookmin Bank			
Series 75	Jan. 01, 2019	154,996	Services fulfillment, market performance ³ 0~50% and non-market performance ⁴ 50~100%
Series 76	Apr. 01, 2019	5,380	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 77	May 27, 2019	4,468	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 78	Nov. 21, 2019	36,443	Services fulfillment, market performance ³ 30% and non-market performance ⁶ 70%
Series 79	Jan. 01, 2020	241,609	Services fulfillment, market performance ³ 0~50% and non-market performance ⁴ 50~100%
Series 80	Mar. 01, 2020	7,711	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Deferred grant in 2015	-	2,759	Satisfied
Deferred grant in 2016	-	19,109	Satisfied
Deferred grant in 2017	-	47,863	Satisfied
Deferred grant in 2018	-	65,514	Satisfied
Deferred grant in 2019	-	98,194	Satisfied
		684,046	
Other subsidiaries			
Stock granted in 2010	-	106	
Stock granted in 2011	-	146	
Stock granted in 2012	-	420	
Stock granted in 2013	-	622	
Stock granted in 2014	-	1,028	
Stock granted in 2015	-	3,323	Services fulfillment,
Stock granted in 2016	-	9,103	market performance ³ 10~50% and non-market performance ⁴ 50~90%
Stock granted in 2017	-	36,814	
Stock granted in 2018	-	120,266	
Stock granted in 2019	-	331,688	
Stock granted in 2020	-	268,669	
		772,185	
		1,713,368	

¹ Granted shares represent the total number of shares initially granted to executives and employees who have residual shares as of December 31, 2020 (Deferred grants are residual shares vested as of December 31, 2020).

² Executives and employees were given the option of deferred payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

³ Relative TSR (Total Shareholders Return): [(Fair value at the end of the contract – Fair value at the beginning of the contract) + (Total amount of dividend per share paid during the contract period)] / Fair value at the beginning of the contract

⁴ Companies' and individuals' performance results

⁵ EPS, Asset Quality, HCROI, Profit from non-banking segments

⁶ EPS, Asset Quality

The stock grant linked to long-term performance is an incentive plan that sets, on grant date, the maximum number of shares that can be awarded. Actual shares to be granted is determined in accordance with achievement of pre-set performance targets over the vesting period.

25.2.2 Stock grants linked to short-term performance

(In number of shares)		
	Estimated number of vested shares *	Vesting conditions
KB Financial Group Inc.		
Stock granted in 2015	7,524	Satisfied
Stock granted in 2016	6,595	Satisfied
Stock granted in 2017	7,385	Satisfied
Stock granted in 2018	14,292	Satisfied
Stock granted in 2019	28,030	Satisfied
Stock granted in 2020	37,300	Proportional to service period
Kookmin Bank		
Stock granted in 2015	9,887	Satisfied
Stock granted in 2016	19,662	Satisfied
Stock granted in 2017	30,003	Satisfied
Stock granted in 2018	73,989	Satisfied
Stock granted in 2019	125,530	Satisfied
Stock granted in 2020	121,676	Proportional to service period
Other subsidiaries		
Stock granted in 2015	12,191	Satisfied
Stock granted in 2016	40,970	Satisfied
Stock granted in 2017	149,329	Satisfied
Stock granted in 2018	345,546	Satisfied
Stock granted in 2019	551,667	Satisfied
Stock granted in 2020	290,013	Proportional to service period
	1,871,589	

* Executives and employees were given the option of deferred payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

25.2.3 Stock grants are measured at fair value using the MonteCarlo Simulation Model and assumptions used in determining the fair value as of December 31, 2020, are as follows:

(In Korean won)			
	Risk-free rate (%)	Fair value (market performance condition)	Fair value (non-market performance condition)
Linked to long-term performance			
(KB Financial Group Inc.)			
Series 21	0.74	38,789~45,096	38,789~45,096
Series 22	0.74	37,324~41,899	37,324~41,899
Series 23	0.74	37,324~41,899	37,324~41,899
Series 24	0.74	38,789~45,096	38,789~45,096
Series 25	0.74	37,324~45,096	37,324~45,096
Series 26	0.74	38,789~45,096	38,789~45,096
Series 27	0.74	38,789~45,096	38,789~45,096
Series 28	0.74	30,871~34,675	34,694~38,969
Deferred grant in 2015	0.74	-	35,895~45,096
Deferred grant in 2016	0.74	-	38,789~45,096
Deferred grant in 2017	0.74	-	40,299~45,096
Deferred grant in 2018	0.74	-	38,789~45,096
Deferred grant in 2019	0.74	-	40,299~47,631
Deferred grant in 2020	0.74	-	38,969~42,065

(In Korean won)

	Risk-free rate (%)	Fair value (market performance condition)	Fair value (non-market performance condition)
(Kookmin Bank)			
Series 75	0.74	38,789~45,096	38,789~45,096
Series 76	0.74	37,324~41,899	37,324~41,899
Series 77	0.74	37,324~41,899	37,324~41,899
Series 78	0.74	36,370~40,828	37,324~41,899
Series 79	0.74	37,324~45,096	37,324~45,096
Series 80	0.74	35,895~40,299	35,895~40,299
Grant deferred in 2015	0.74	-	41,899~45,096
Grant deferred in 2016	0.74	-	38,789~45,096
Grant deferred in 2017	0.74	-	38,789~45,096
Grant deferred in 2018	0.74	-	38,789~45,096
Grant deferred in 2019	0.74	-	40,299~45,096
(Other subsidiaries)			
Share granted in 2010	0.74	-	40,299~40,299
Share granted in 2011	0.74	-	40,299~40,299
Share granted in 2012	0.74	-	40,299~41,899
Share granted in 2013	0.74	-	35,692~41,899
Share granted in 2014	0.74	-	41,899~41,899
Share granted in 2015	0.74	-	34,581~47,631
Share granted in 2016	0.74	-	37,324~56,293
Share granted in 2017	0.74	-	34,581~61,294
Share granted in 2018	0.74	33,612~44,072	35,895~47,631
Share granted in 2019	0.74	37,324~45,096	34,581~47,631
Share granted in 2020	0.74	35,780~45,096	35,895~45,096
Linked to short-term performance			
(KB Financial Group Inc.)			
Share granted in 2015	0.74	-	35,895~45,096
Share granted in 2016	0.74	-	34,581~45,096
Share granted in 2017	0.74	-	38,789~45,096
Share granted in 2018	0.74	-	38,789~47,631
Share granted in 2019	0.74	-	40,299~45,096
Share granted in 2020	0.74	-	38,789~42,065
(Kookmin Bank)			
Share granted in 2015	0.74	-	38,789~47,153
Share granted in 2016	0.74	-	37,324~61,294
Share granted in 2017	0.74	-	38,789~47,631
Share granted in 2018	0.74	-	38,789~47,631
Share granted in 2019	0.74	-	40,299~45,096
Share granted in 2020	0.74	-	38,789~41,899
(Other subsidiaries)			
Share granted in 2015	0.74	-	34,581~45,096
Share granted in 2016	0.74	-	34,581~47,631
Share granted in 2017	0.74	-	34,581~47,631
Share granted in 2018	0.74	-	34,581~47,631
Share granted in 2019	0.74	-	34,581~45,096
Share granted in 2020	0.74	-	35,895~43,147

The Company used the volatility of the stock price over the previous year as the expected volatility, and used the arithmetic mean of the dividend rate of one year before, two years before, and three years before the base year as the dividend rate, and used one-year risk-free rate of Korea Treasury Bond in order to calculate fair value.

Share-based payments arrangement for subsidiaries was transferred to the Company in 2010, and the related compensation cost paid to the executives and employees of subsidiaries is reimbursed by subsidiaries. The accrued expenses for share-based payments as of December 31, 2020

and 2019, are ₩ 135,328 million and ₩ 124,853 million, respectively, and the receivables to be reimbursed by subsidiaries for the compensation costs are ₩ 123,797 million and ₩ 112,997 million, respectively. And compensation costs from share-based payments amounting to ₩ 4,034 million and ₩ 4,259 million were recognized for the years ended December 31, 2020 and 2019, respectively.

26. Non-Operating Income and Expenses

Details of non-operating income and expenses for the years ended December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	2020	2019
Non-operating income		
Reversal of impairment losses of intangible assets	₩ 986	₩ -
Others	759	669
	1,745	669
Non-operating expenses		
Losses on disposal of property and equipment	-	21
Impairment losses of intangible assets	-	4
Donation	1,225	1,177
Others	6	8
	1,231	1,210
Net non-operating income (expense)	₩ 514	₩ (541)

27. Income Tax Expense

27.1 Details of income tax expense (benefit) for the years ended December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	2020	2019
Tax payable	₩ -	₩ -
Changes in deferred tax assets and liabilities		
Origination and reversal of temporary differences	4,337	658
Income tax recognized directly in equity		
Remeasurements of net defined benefit liabilities	140	196
Consideration for exchangeable rights	(4,526)	-
	(4,386)	196
Income tax expense (benefit)	₩ (49)	₩ 854

27.2 Analysis of the net profit before income tax and income tax expense for the years ended December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)			
	2020		2019	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Profit before tax		₩ 1,379,366	₩	746,841
Tax at the applicable tax rate *	26.75	368,964	26.11	195,019
Non-taxable income	(28.26)	(389,802)	(28.82)	(215,265)
Non-deductible expense	0.06	797	0.11	786
Consolidated tax return effect	1.77	24,379	2.69	20,116
Others	(0.32)	(4,387)	0.03	198
Average effective tax rate and tax expense (benefit)		₩ (49)	0.11	₩ 854

* Applicable income tax rate for ₩200 million and below is 11%, for over ₩200 million to ₩20 billion is 22%, for over ₩20 billion to ₩300 billion is 24.2% and for over ₩300 billion is 27.5% for the years ended December 31, 2020 and 2019.

28. Earnings per Share

28.1 Basic Earnings per Share

Basic earnings per share is calculated from the earnings attributable to ordinary shares.

28.1.1 Weighted average number of ordinary shares outstanding

(In number of shares)

	2020		2019	
	Number of Shares	Accumulated amount	Number of Shares	Accumulated amount
Number of issued ordinary shares	415,807,920	152,185,698,720	415,807,920	152,564,638,665
Number of treasury shares	(26,173,585)	(9,579,532,110)	(26,173,585)	(9,801,574,522)
Average number of ordinary shares outstanding	389,634,335	142,606,166,610	389,634,335	142,763,064,143
Number of days		366		365
Weighted average number of ordinary shares outstanding		389,634,335		391,131,683

28.1.2 Basic earnings per share

(In Korean won and in number of shares)

	2020		2019	
	₩	₩	₩	₩
Profit for the period	1,379,414,691,239	745,986,900,731		
Deduction: Dividends on hybrid securities	22,859,500,000	6,512,500,000		
Profit attributable to the ordinary equity holders of the Parent Company (A)	1,356,555,191,239	739,474,400,731		
Weighted average number of ordinary shares outstanding (B)	389,634,335	391,131,683		
Basic earnings per share (A/B)	₩ 3,482	₩ 1,891		

28.2 Diluted Earnings per Share

Diluted earnings per share is calculated through increasing the weighted average number of ordinary shares outstanding by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The Company has categories of dilutive potential ordinary shares such as stock grants and ordinary share exchange rights of exchangeable bonds.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price for the year) based on the monetary value of stock grants. The number of shares calculated above is compared with the number of shares that would have been issued assuming the settlement of stock grants.

In addition, exchangeable bonds issued for the year ended December 31, 2020, were included in potential ordinary shares from the exercisable date of the exchange right, and interest expenses after tax for the period were added to profit for diluted earnings per share.

28.2.1 Adjusted profit for diluted earnings per share

(In Korean won)

	2020		2019	
	₩	₩	₩	₩
Profit attributable to the ordinary equity holders *	1,356,555,191,239	739,474,400,731		
Adjustment: Interest expense on exchangeable bonds	798,012,332	-		
Adjusted profit for diluted earnings per share	₩ 1,357,353,203,571	₩ 739,474,400,731		

* The amount is after deducting dividends on hybrid securities.

28.2.2 Weighted average number of ordinary shares outstanding for diluted earnings per share

	(In number of shares)	
	2020	2019
Weighted average number of ordinary shares outstanding	₩ 389,634,335	₩ 391,131,683
Adjustment:		
Stock grants	3,416,737	2,890,513
Exchangeable bonds	1,707,650	-
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	₩ 394,758,722	₩ 394,022,196

28.2.3 Diluted earnings per share

	(In Korean won and in number of shares)	
	2020	2019
Adjusted profit for diluted earnings per share	₩ 1,357,353,203,571	₩ 739,474,400,731
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	394,758,722	394,022,196
Diluted earnings per share	₩ 3,438	₩ 1,877

29. Statement of Cash Flow

29.1 Details of cash and cash equivalents as of December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	December 31, 2020	December 31, 2019
Due from financial institutions	₩ 23,084	₩ 18,537
Restricted due from financial institutions	(3)	(3)
	₩ 23,081	₩ 18,534

29.2 Significant non-cash transactions for the years ended December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)	
	2020	2019
Changes in receivables and payables from consolidated tax return	₩ 283,444	₩ 262,296
Changes in receivables and payables related to stock grants	10,799	(12,564)

29.3 Cash inflows and outflows from income tax, interests and dividends for the years ended December 31, 2020 and 2019, are as follows:

		(In millions of Korean won)	
	Activity	2020	2019
Income tax paid	Operating	₩ 1,390	₩ 1,145
Interest received	Operating	6,674	6,384
Interest paid	Operating	127,926	122,195
Dividends received	Operating	1,588,631	940,560
Dividends paid	Financing	883,951	766,249

29.4 Changes in liabilities arising from financing activities for the years ended December 31, 2020 and 2019, are as follows:

	(In millions of Korean won)			
	2020			
	Beginning	Net cash flows	Non-cash changes	Ending
Borrowings	₩ -	₩ 100,000	₩ -	₩ 100,000
Debentures	5,543,446	597,091	(12,494)	6,128,043
	₩ 5,543,446	₩ 697,091	₩ (12,494)	₩ 6,228,043

	(In millions of Korean won)			
	2019			
	Beginning	Net cash flows	Non-cash changes	Ending
Borrowings	300,000	(298,321)	(1,679)	-
Debentures	5,373,266	169,502	678	5,543,446
	₩ 5,673,266	₩ (128,819)	₩ (1,001)	₩ 5,543,446

30. Contingent Liabilities and Commitments

30.1 Commitments made with financial institutions as of December 31, 2020 and 2019, are as follows:

		(In millions of Korean won)	
		2020	2019
		Amount of commitments	Amount borrowed
General loan	Hana Bank	₩ 200,000	₩ -
		₩ 50,000	₩ -

30.2 Other Matters (including litigation)

a) The Company has no pending lawsuit as a defendant as of December 31, 2020.

b) The proliferation of COVID-19 has had a negative impact on the global economy, which has a greater impact than expected credit losses and potential impairment of assets in a particular portfolio, which can negatively affect the profit generation capability of the Company as follows:

- There is a possibility of uncertainty about the credit risk of a borrower that could be affected by COVID-19.
- Uncertainty may arise about forward-looking macroeconomic information related to expected credit losses.
- Korean won may depreciate against major foreign currencies. This may result in an increase in principal and interest payments on liabilities denominated in foreign currencies, and losses on foreign exchanges transactions.
- A significant decrease in the fair value of the Company's investment in an entity that could be affected by COVID-19 pandemic can occur.

31. Related Party Transactions

According to Korean IFRS No.1024, the Company includes subsidiaries and key management (including family members) in the scope of related parties. The Company discloses balances (receivables and payables) and other amounts arising from transactions with related parties in the notes to the financial statements. Refer to Note 9 for details of subsidiaries.

Key management includes the directors of the Company, their close family members, and the companies where the directors and/or their close family members have control or joint control.

31.1 Profit or loss arising from transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

Subsidiaries	Profit or loss	2020	2019
Kookmin Bank	Interest income	₩ 329	₩ 1,580
	Fee and commission income	925	841
	Net other operating income *	1,330,407	667,225
	General and administrative expenses	8,265	6,312
	Net non-operating income	-	70
KB Securities Co., Ltd.	Net other operating income *	80,000	50,000
	General and administrative expenses	858	1,119
	Net non-operating income	-	14
KB Insurance Co., Ltd.	General and administrative expenses	1,245	1,871
	Net non-operating income	-	7
KB Kookmin Card Co., Ltd.	Net other operating income *	100,004	200,008
	General and administrative expenses	638	1,042
	Net non-operating income	5	6
Prudential Life Insurance Company of Korea Ltd.	General and administrative expenses	97	-
	Net other operating income *	30,000	-
KB Asset Management Co., Ltd.	General and administrative expenses	38	-
	Net gains on financial assets at fair value through profit or loss	12,663	15,947
	General and administrative expenses	117	116
KB Capital Co., Ltd.	Net non-operating income	-	4
	General and administrative expenses	561	238
KB Life Insurance Co., Ltd.	Net other operating income *	30,000	4,700
	Net non-operating income	-	13
KB Real Estate Trust Co., Ltd.	Net other operating income *	3,000	5,000
	Interest income	3,450	2,333
KB Savings Bank Co., Ltd.	General and administrative expenses	1,567	1,953

* Net other operating income includes dividend income from subsidiaries.

31.2 Details of receivables and payables arising from transactions with related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

Subsidiaries	Asset or liabilities	December 31, 2020	December 31, 2019
Kookmin Bank	Cash and due from financial institutions	₩ 23,084	₩ 18,537
	Other assets	596,618	418,114
	Other liabilities	736	35
	Property and equipment	703	152
	Other assets	86,571	52,068
KB Securities Co., Ltd.	Other assets	20,804	14,492
	Other liabilities	-	47,580
KB Insurance Co., Ltd.	Other assets	92,294	60,705
	Other liabilities	621	1,394
Prudential Life Insurance Company of Korea Ltd.	Other assets	56	-
	Other assets	16,993	15,590

(In millions of Korean won)

Subsidiaries	Asset or liabilities	December 31, 2020	December 31, 2019
KB Capital Co., Ltd.	Financial assets at fair value through profit or loss	388,895	291,501
	Other assets	25,426	18,995
KB Life Insurance Co., Ltd.	Other assets	3,747	3,956
	Other liabilities	7,636	8,636
KB Real Estate Trust Co., Ltd.	Other assets	22,559	13,979
	Other assets	2,661	3,727
KB Savings Bank Co., Ltd.	Loans measured at amortized cost	180,000	120,000
	Other assets	12,969	2,904
	Other liabilities	-	59
KB Data Systems Co., Ltd.	Property and equipment	40	438
	Intangible assets	3,484	1,145
	Other assets	1,700	2,721
	Other liabilities	1,016	333
KB Credit Information Co., Ltd.	Other assets	897	849
	Other liabilities	75	241

31.3 Right-of-use assets and lease liabilities with related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

Subsidiary	December 31, 2020	December 31, 2019
Kookmin Bank	₩ 734	₩ 152

31.4 Unused commitments provided from related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

Subsidiary	December 31, 2020	December 31, 2019
KB Kookmin Card Co., Ltd.	₩ 2,379	₩ 2,255

31.5 Share transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

Subsidiary	December 31, 2020	December 31, 2019
KB Capital Co., Ltd.	₩ 50,000	₩ 50,000
KB Investment Co., Ltd.	-	50,000
Prudential Life Insurance Company of Korea Ltd.	2,310,054	-

31.6 Lending transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

Subsidiary	December 31, 2020	2020			
		Beginning	Loan	Collection	Ending
KB Investment Co., Ltd.	₩ 120,000	₩ 60,000	₩ -	₩ 180,000	

(In millions of Korean won)

Subsidiary	KB Investment Co., Ltd.	2019			
		Beginning	Loan	Collection	Ending
		₩ 50,000	₩ 70,000	₩ -	₩ 120,000

31.7 Compensation to key management for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered directors (executive)	₩ 1,138	₩ 23	₩ 818	₩ 1,979
Registered directors (non-executive)	701	-	-	701
Non-registered directors	4,450	99	3,215	7,764
	₩ 6,289	₩ 122	₩ 4,033	₩ 10,444

(In millions of Korean won)

	2019			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered directors (executive)	₩ 798	₩ 28	₩ 984	₩ 1,810
Registered directors (non-executive)	628	-	-	628
Non-registered directors	3,344	147	3,275	6,766
	₩ 4,770	₩ 175	₩ 4,259	₩ 9,204

31.8 The Company paid ₩125 million and ₩255 million to KB Securities Co., Ltd., a subsidiary, for the underwriting and arrangement of debentures and hybrid securities for the years ended December 31, 2020 and 2019, respectively.**32. Approval of Issuance of the Financial Statements**

The issuance of the Company's financial statements as of and for the year ended December 31, 2020, was approved by the Board of Directors on February 4, 2021.

Independent Auditors' Report on Internal Control over Financial Reporting

(Based on a report originally issued in Korean)



The Board of Directors and Stockholders
KB Financial Group Inc.:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting ("ICFR") of KB Financial Group Inc. (the "Company") as of December 31, 2020 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2020, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and our report dated March 9, 2021 expressed an unmodified opinion on those separate financial statements.

Basis for Opinion

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting in 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 Internal Control over Financial Reporting

The Company's management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying 'Operating Status Report of the Internal Control over Financial Reporting.'

Those charged with governance are responsible for overseeing the Company's internal control over financial reporting.

Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

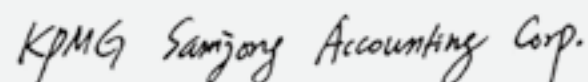
Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with K-IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditors' report is Young-Min Kwon.



KPMG Samjong Accounting Corp.

Seoul, Korea

March 9, 2021

Operating Status Report of the Internal Control over Financial Reporting



To the Shareholders, Board of Directors and Audit Committee of KB Financial Group Inc.

We, as the Chief Executive Officer ("CEO") and the Internal Control over Financial Reporting ("ICFR") Officer of KB Financial Group Inc. ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting for the year ended December 31, 2020.

The Company's management, including ourselves, is responsible for designing and operating ICFR.

We assessed whether the Company effectively designed and operated its ICFR to prevent and detect errors or 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. We also conducted an assessment 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, 2020, 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 that this report does not contain or present any statements which might cause material misunderstandings, and we have reviewed and verified this report with sufficient care.

March 4, 2021

Jong Kyoo Yoon,
Chief Executive Officer

Hwan Ju Lee,
Internal Control over Financial Reporting Officer

This report is effective as of March 9, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Company Directory

KB Financial Group(Holding Co.) Head Office

Kookmin Bank 141, Uisadang-daero, Yeongdeungpo-gu, Seoul 07332, Korea

TEL. 82-2-2073-7114

IR (Investor Relations)

Kookmin Bank 141, Uisadang-daero, Yeongdeungpo-gu, Seoul 07332, Korea

TEL. 82-2-2073-2845

FAX. 82-2-2073-2848

E-mail: kbir@kbfk.com

Global Strategy Department

Kookmin Bank 141, Uisadang-daero, Yeongdeungpo-gu, Seoul 07332, Korea

TEL. 82-2-2073-0630

FAX. 82-2-2073-0610

Global Network

KB Kookmin Bank

Country	Name	Address	Telephone
New Zealand	Kookmin Bank Auckland Branch	Level 16, 88 Shortland Street, Auckland CBD, New Zealand	64-9-366-1000
U.S.A.	Kookmin Bank New York Branch	24F, 565 Fifth Avenue, 46 Street, New York, NY 10017, U.S.A	1-212-697-6100
Myanmar	KB Microfinance Myanmar Co., Ltd.	No.104, University Avenue, 9 Quarter, Kamayut Township, Yangon, Myanmar	95-1-7532-909
	KB Bank Myanmar Co.,Ltd.	No.104, University Avenue, 9 Quarter, Kamayut Township, Yangon, Myanmar	95-1-7532-900
	Kookmin Bank Yangon Representative Office	No.306, Thudmar Road, Nga Ward, North Okkalapa Township, Yangon, Myanmar	95-97670-48158
Vietnam	Kookmin Bank Ho Chi Minh City Branch	3F, Mplaza Saigon, 39 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Mihn City, Vietnam	84-28-3827-9000
	Kookmin Bank Hanoi Branch	25F, Keangnam Hanoi Landmark Tower, E6 Cau Giay New Town, Me Tri, Nam Tu Liem, Ha Noi City, Vietnam	84-24-3226-3377
U.K.	Kookmin Bank London Branch	6F, Princes Court, 7 Princes Street, London EC2R 8AQ, U.K.	44-20-7710-8300
India	Kookmin Bank Gurugram Branch	Unit No.2B/2, 2nd Floor, Two Horizon Centre, Golf Course Road, DLF Phase 5, Sector 43, Gurugram, Haryana-122002, India	91-124-453-2222
Japan	Kookmin Bank Tokyo Branch	Hibiyadai Bldg. 14F, 1-2-2 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan	81-3-5657-0550
China	Kookmin Bank Hong Kong Branch	Suite 1101 and 1106, 11F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong	852-2530-3633
	Kookmin Bank(China) Limited	19F, SK Tower, No.6 jia, Jianguomenwai Avenue, Chaoyang District, Beijing, China	86-10-5671-2800
Indonesia	PT Bank KB Bukopin Tbk	Jakarta Jl.MT.Haryono Kav.50-51 Jakarta Selatan 12770, Indonesia	62-21-798-8266
Cambodia	Prasac Microfinance Institution PLC	Building no 212, Street 271, Tuol Tumpung2, Chamkarmon, Phnom Penh, Cambodia	855-23-999-911
	Kookmin Bank Cambodia PLC.	No.55, St.214, Sangkat Boeung Reing, Khan Daun Penh, Phnom Penh, Cambodia	86-23-999-300

KB Securities

Country	Name	Address	Telephone
U.S.A.	KBFG Securities America Inc.	Suite 1900, 1370 Avenue of the Americas, New York, NY10019, U.S.A.	1-212-265-2333
Vietnam	KB Securities Vietnam Joint Stock Company	2 floor, Sky City Tower, 88 Lang Ha Street, Dong Da Ward, Ha Noi City, Vietnam	84-24-7303-5333
	KB FINA JOINT STOCK COMPANY	101B, 1F, NO1B-Golden Land Bldg, No.275 Nguyen Trai, Thanh Xuan Trung Ward, Thanh Xuan District, Ha Noi City, Vietnam	84-24-7301-4628
China	KB Securities Shanghai Representative Office	Rm.1405, North Stock Exchange Tower, 528 Pudong Rd, South Shanghai, China	86-21-6881-7007
	KB Securities Hong Kong Ltd.	Suite 1105, 11F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong	852-2869-0559

KB Insurance

Country	Name	Address	Telephone
U.S.A.	Kookmin Best Insurance Co., Ltd., US Branch	55 Challenger Road Suite #302, Ridgefield Park, NJ 07660, U.S.A.	1-201-720-2100
	Leading Insurance Services, Inc.	55 Challenger Road Suite #302, Ridgefield Park, NJ 07660, U.S.A.	1-201-720-2100
	KB Insurance Co., Ltd. Los Angeles Liaison Office	505 North Brand Blvd., Suite 220, Glendale, CA 91203, U.S.A.	1-818-254 -1040
Vietnam	KB Insurance Co., Ltd. Hanoi Representative Office	Rm. 801, Hanoi Tung Shing Square, 2 Ngo Quyen St., Ha Noi City, Vietnam	84-4-3935-0814
	KB Insurance Co., Ltd. Ho Chi Minh City Representative Office	Rm.15, 16F, Vincom Center, 72 Le Thanh Ton St. & 47 Ly TuTrong St. Dist 1, Ho Chi Minh City, Vietnam	84-8-3821-9968
Indonesia	PT Kookmin Best Insurance Indonesia	Suit 2501, 25F, Sinarmas Land Plaza Tower 2, J.L.M.H. Thamrin No. 51, Jakarta, Indonesia	62-21-391-3101
China	LIG Insurance (China) Co., Ltd.	27F, No.2701-2703, Sunnyworld Center, 188, Lushan Road, Nanjing, Jiangsu Province, China	86-25-8778-0888

KB Kookmin Card

Country	Name	Address	Telephone
Myanmar	KB Kookmin Card Co., Ltd (Yangon Representative Office)	No.306, Thudamar Street, Nga Ward, North Okkalapa Township, Yangon, Myanmar	099-6911-7859
Cambodia	KB Daehan Specialized Bank PLC.	Building No.1 (Oval Office Tower), 21st and 22nd Floor, Street 360, Sangkat Boeng Keng Kang Ti Mouy, Khan Chamkarmon, Phnom Phen, Cambodia	855-23-991-555
Indonesia	PT KB Finansia Multi Finance	Office 8 Building, 15th floor, Jl. Jend. Sudirman Kav. 52-53 SCBD Lot 28, Jakarta 12190, Indonesia	62-21-2933-3646

KB Asset Management

Country	Name	Address	Telephone
Vietnam	KB Asset Management Vietnam Representative Office	Unit 702B, 37 Ton Duc Thang Street, District1, Ho Chi Mihn City, Vietnam	84-90-988-5343
Singapore	KB Asset Management Singapore Pte. Ltd.	3 Church Street,#21-01 Samsung Hub, Singapore 049483	65-6580-2660
China	KBAM Shanghai Advisory Services Co., Ltd.	2205, No. 161, Lujiazui East Road, Pudong New Area, Shanghai, China	86-21-5864-7156

KB Capital

Country	Name	Address	Telephone
Laos	KB KOLAO Leasing Co., Ltd	7F, Alounmai Tower 23 Singha Rd, Vientiane, Laos	856-21-417-900
Indonesia	PT Sunindo Kookmin Best Finance	50F, Sahid Sudirman center, Karet Tengsin, Tanah abang, Kota Jakarta Pusat DKI Jakarta, Indonesia	62-021-2253 -5098

Disclaimer

Financial and other information

The financial statements included in this annual report are prepared in accordance with the Korean International Financial Reporting Standards, or K-IFRS. Unless expressly stated otherwise, all financial data included in this annual report are presented on a consolidated basis.

In this annual report:

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

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

Forward-looking statements

Certain information set forth in this annual report contains “forward-looking information”, including “future-oriented financial information” and “financial outlook”, under applicable securities laws (collectively referred to herein as forward-looking statements). Except for statements of historical fact, the information contained herein constitutes forward-looking statements and includes, but is not limited to, the (i) projected financial performance of the Company; (ii) completion of, and the use of proceeds from, the sale of the shares being offered hereunder; (iii) the expected development of the Company's business, projects, and joint ventures; (iv) execution of the Company's vision and growth strategy, including with respect to future M&A activity and global growth; (v) sources and availability of third-party financing for the Company's projects; (vi) completion of the Company's projects that are currently underway, in development or otherwise under consideration; (vi) renewal of the Company's current customer, supplier and other material agreements; and (vii) future liquidity, working capital, and capital requirements. Forward-looking statements are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements.

Although forward-looking statements contained in this annual report are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

 KB Financial Group