

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 and 2020**

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

THE EXPORT-IMPORT BANK OF KOREA

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Independent Auditors' Report

(Based on a report originally issued in Korean)

The Board of Directors and shareholders of
The Export-Import Bank of Korea:

Opinion

We have audited the accompanying consolidated financial statements of the Export-Import Bank of Korea (the "Bank") and its subsidiaries (collectively, the "Consolidated Entity"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years 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 Consolidated Entity as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audits 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 Consolidated Entity 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 the following matter.

As described in note 36. (8) 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 the expected credit loss and potential impairment of assets in a particular portfolio, negatively impacting the profit generation capability of the Consolidated Entity. Our opinion is not modified in respect of this matter.

Other Matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 Consolidated Entity'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 Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Korea
April 1, 2022

<p>This report is effective as of April 1, 2022, 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.</p>
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**THE EXPORT-IMPORT BANK OF KOREA
AND ITS SUBSIDIARIES (the “Consolidated Entity”)**

CONSOLIDATED FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 and 2020**

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the management of the Consolidated Entity.

**Bang Moon-kyu
Chairman and President**

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	December 31, 2021	December 31, 2020
	(Korean won in millions)	
ASSETS:		
Cash and due from financial institutions (Notes 4, 5 and 7)	₩ 4,524,601	₩ 4,094,218
Financial assets at fair value through profit or loss ("FVTPL") (Notes 4, 5, 8 and 20)	2,598,204	3,478,834
Hedging derivative assets (Notes 4, 5 and 20)	561,911	1,499,766
Loans at amortized cost (Notes 4, 5, 10 and 37)	78,060,437	73,869,525
Financial investments (Notes 4, 5 and 9)	13,242,054	11,405,167
Investments in associates (Note 11)	1,226,860	1,643,894
Tangible assets, net (Note 12)	272,844	265,096
Intangible assets, net (Note 13)	34,929	28,688
Deferred tax assets (Note 34)	837,918	1,061,550
Retirement benefit assets, net (Note 18)	13,275	4,192
Other assets (Notes 4, 5, 14 and 37)	875,954	821,692
	<u>₩ 102,248,987</u>	<u>₩ 98,172,622</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Financial liabilities at FVTPL (Notes 4, 5 and 20)	₩ 768,115	₩ 753,591
Hedging derivative liabilities (Notes 4, 5 and 20)	661,057	418,970
Borrowings (Notes 4, 5 and 15)	6,288,123	6,562,171
Debentures (Notes 4, 5 and 16)	76,486,053	72,641,777
Provisions (Note 17)	621,455	626,460
Current tax liabilities	1,209	12,168
Deferred tax liabilities (Note 34)	2,158	1,961
Other liabilities (Notes 4, 5, 19 and 37)	2,005,624	2,603,412
	<u>86,833,794</u>	<u>83,620,510</u>
STOCKHOLDERS' EQUITY:		
Equity attributable to the owners of the parent company:		
Capital stock (Note 1 and 21)	12,748,254	12,449,456
Capital adjustments	(133,716)	(132,270)
Other components of equity (Notes 20 and 22)	878,432	759,801
Retained earnings (Note 23)		
(Regulatory reserve for loan losses as of December 31, 2021, and December 31, 2020: ₩151,180 million and ₩335,868 million)	1,918,873	1,471,992
	<u>15,411,843</u>	<u>14,548,979</u>
Non-controlling interests	3,350	3,133
	<u>15,415,193</u>	<u>14,552,112</u>
	<u>₩ 102,248,987</u>	<u>₩ 98,172,622</u>

See accompanying notes to consolidated financial statements.

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
	(Korean won in millions)	
OPERATING INCOME:		
Net interest income (Notes 24 and 37):		
Interest income	₩ 1,774,314	₩ 2,317,788
Interest expenses	(847,618)	(1,417,858)
	926,696	899,930
Net commission income (Notes 25 and 37):		
Commission income	313,920	377,716
Commission expenses	(26,818)	(19,196)
	287,102	358,520
Dividend income (Note 26)	49,889	47,184
Net gain (loss) on financial assets at FVTPL (Note 27)	126,988	123,629
Net gain (loss) on hedging derivative assets (Notes 20 and 28)	(1,556,305)	1,793,649
Net gain (loss) on financial investments (Note 29)	3,102	1,790
Net gain (loss) on foreign exchange transactions	354,354	(1,066,194)
Net other operating incomes (expenses) (Note 30)	1,191,314	(797,522)
Additional impairment loss on credit (Note 31 and 37)	(371,354)	(842,203)
General and administrative expenses (Note 32)	(259,765)	(238,286)
Total operating income	752,021	280,497
NON-OPERATING INCOME (Note 33):		
Net gain (loss) on investments in associates	(48,340)	(140,072)
Net other non-operating incomes (expenses)	(10,733)	(7,932)
	(59,073)	(148,004)
PROFIT BEFORE INCOME TAX	692,948	132,493
INCOME TAX EXPENSES (Note 34)	(211,226)	(34,382)
PROFIT FOR THE YEAR	481,722	98,111
(Profit for the year after regulatory reserve for loan losses for the years ended December 31, 2021 and 2020: ₩ 394,584 million and ₩ 282,799 million) (Note 23)		
Profit attributable to the owners of the parent company	481,735	99,003
Profit (Loss) attributable to the non-controlling interests	(13)	(892)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
	(Korean won in millions)	
OTHER COMPREHENSIVE INCOME (LOSS)		
FOR THE YEAR (Note 22):		
Items not reclassified subsequently to profit or loss:		
Net gain (loss) on equity securities at FVOCI	₩ 91,968	₩ 263,871
Remeasurements of net defined benefit liability	9,248	(4,272)
Income tax effect	(24,494)	(62,823)
Items that are or may be reclassified subsequently to profit or loss:		
Net gain (loss) on debt securities at FVOCI	(7,723)	17,778
Net gain (loss) on valuation of cash flow hedge	3,913	4
Net other comprehensive gain (loss) on investment in associates	12,012	(4,463)
Net gain (loss) on overseas business translation	36,280	(25,790)
Income tax effect	(2,344)	(2,231)
	118,860	182,074
TOTAL COMPREHENSIVE INCOME	₩ 600,582	₩ 280,185
Comprehensive income (loss) attributable to the owners of the parent company	600,365	281,329
Comprehensive income (loss) attributable to the non-controlling interests	217	(1,144)

See accompanying notes to consolidated financial statements

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Other components of equity										Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
	Capital stock	Capital adjustments	Valuation on financial assets at FVOCI	Cash flow hedging gains or losses	Other comprehensive income (loss) on investments in associates	Gain (Loss) on overseas business translation	Loss on disposal of FVOCI financial instruments	Remeasurement net of defined benefit assets	Retained earnings				
January 1, 2020	₩ 11,871,143	₩ (129,486)	₩ 644,115	₩ -	₩ (7,033)	₩ (11,287)	₩ (63,414)	₩ 15,093	₩ 1,478,619	₩13,797,750	₩ 4,294	₩ 13,802,044	
Payment of dividends	-	-	-	-	-	-	-	-	(109,037)	(109,037)	(17)	(109,054)	
Paid-in Capital Increase	578,313	(2,784)	-	-	-	-	-	-	-	575,529	-	575,529	
Total comprehensive income	-	-	-	-	-	-	-	-	99,003	284,737	(1,144)	283,593	
Profit for the year	-	-	-	-	-	-	-	-	99,003	99,003	(892)	98,111	
Transition to Retained earnings	-	-	-	-	-	-	-	-	3,407	3,407	-	3,407	
Other comprehensive income:	-	-	-	-	-	-	-	-	-	182,327	(252)	182,075	
Gain on valuation of financial assets at FVOCI, net of tax	-	-	212,181	-	-	-	-	-	-	212,181	-	212,181	
Loss on valuation of cash flow hedge, net of tax	-	-	-	3	-	-	-	-	-	3	-	3	
Loss on disposal of FVOCI financial instruments, net of tax	-	-	-	-	-	-	1,310	-	-	1,310	-	1,310	
Other comprehensive income or loss on investments in associates, net of tax	-	-	-	-	(3,383)	-	-	-	-	(3,383)	-	(3,383)	
Remeasurement elements of defined benefit plans, net of tax	-	-	-	-	-	-	-	(3,238)	-	(3,238)	-	(3,238)	
Translation of overseas business, net of tax	-	-	-	-	-	(24,546)	-	-	-	(24,546)	(252)	(24,798)	
December 31, 2020	₩ 12,449,456	₩ (132,270)	₩ 856,296	₩ 3	₩ (10,416)	₩ (35,833)	₩ (62,104)	₩ 11,855	₩ 1,471,992	₩14,548,979	₩ 3,133	₩ 14,552,112	
January 1, 2021	₩ 12,449,456	₩ (132,270)	₩ 856,296	₩ 3	₩ (10,416)	₩ (35,833)	₩ (62,104)	₩ 11,855	₩ 1,471,992	₩14,548,979	₩ 3,133	₩ 14,552,112	
Payment of dividends	-	-	-	-	-	-	-	-	(40,759)	(40,759)	-	(40,759)	
Paid-in Capital Increase	298,798	(1,446)	-	-	-	-	-	-	-	297,352	-	297,352	
Total comprehensive income	-	-	-	-	-	-	-	-	481,735	606,271	217	606,488	
Profit for the year	-	-	-	-	-	-	-	-	481,735	481,735	(13)	481,722	
Transition to Retained earnings	-	-	-	-	-	-	-	-	5,905	5,905	-	5,905	
Other comprehensive income:	-	-	-	-	-	-	-	-	-	118,631	230	118,861	
Gain on valuation of financial assets at FVOCI, net of tax	-	-	71,695	-	-	-	-	-	-	71,695	-	71,695	
Loss on valuation of cash flow hedge, net of tax	-	-	-	2,965	-	-	-	-	-	2,965	-	2,965	

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital stock	Capital adjustments	Other components of equity					Retained earnings	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity	
			Valuation on financial assets at FVOCI	Cash flow hedging gains or losses	Other comprehensive income (loss) on investments in associates	Gain (Loss) on overseas business translation	Loss on disposal of FVOCI financial instruments					Remeasurement net of defined benefit assets
Loss on disposal of FVOCI financial instruments, net of tax	-	-	-	-	-	-	(7,836)	-	-	(7,836)	-	(7,836)
Other comprehensive income or loss on investments in associates, net of tax	-	-	-	-	9,106	-	-	-	-	9,106	-	9,106
Remeasurement elements of defined benefit plans, net of tax	-	-	-	-	-	-	-	7,010	-	7,010	-	7,010
Translation of overseas business, net of tax	-	-	-	-	-	35,691	-	-	-	35,691	230	35,921
December 31, 2021	<u>₩ 12,748,254</u>	<u>₩ (133,716)</u>	<u>₩ 927,991</u>	<u>₩ 2,968</u>	<u>₩ (1,310)</u>	<u>₩ (142)</u>	<u>₩ (69,940)</u>	<u>₩ 18,865</u>	<u>₩ 1,918,873</u>	<u>₩ 15,411,843</u>	<u>₩ 3,350</u>	<u>₩ 15,415,193</u>

See accompanying notes to consolidated financial statements.

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
	(Korean won in millions)	
	₩	₩
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	481,722	98,111
Adjustments for:		
Income tax expenses	211,226	34,382
Interest income	(1,774,314)	(2,317,788)
Interest expenses	847,618	1,417,858
Dividend and distribution income	(65,705)	(62,516)
Loss on financial assets at FVTPL	12,951	4,892
Loss on financial assets at FVOCI	1,051	355
Loss on financial assets at amortized cost	400	-
Transfer to derivatives' credit risk provision	13,863	19,599
Loss on redemption of bonds	-	64
Loss on foreign exchange transactions	988,938	2,766,979
Impairment loss on credit	371,354	842,203
Loss on investment in associates	104,609	192,379
Loss on fair value hedged items	10,284	939,102
Depreciation and amortization	18,691	19,431
Loss on disposal of tangible, intangible and other assets	51	1
Loss on valuation of derivative assets for trading	996,182	715,478
Loss on valuation of derivative assets for hedging	1,248,226	156,940
Retirement benefits	20,940	11,178
Gain on financial assets at FVTPL	(19,351)	(15,375)
Gain on financial assets at FVOCI	(4,671)	(2,101)
Gain on financial assets at amortized cost	-	(6)
Gain on investments in associates	(56,269)	(52,307)
Reversal of derivatives' credit risk provision	(11,958)	(2,741)
Gain on foreign exchange transactions	(1,358,595)	(1,698,826)
Gain on fair value hedged items	(1,242,036)	(164,126)
Gain on valuation of derivative assets for trading	(856,142)	(834,372)
Gain on valuation of derivative assets for hedging	(32,458)	(1,423,598)
Gain on disposal of tangible, intangible and other assets	(119)	(119)
	<u>(575,234)</u>	<u>546,966</u>
Changes in operating assets and liabilities:		
Due from financial institutions	(352,286)	1,008,561
Financial assets and liabilities at FVTPL	780,072	(1,456,919)
Hedging derivative assets and liabilities	(31,914)	(222,277)
Loans at amortized cost	(96,981)	(5,598,210)
Other assets	(36,996)	38,564
Provisions	(402,988)	33,037
Net defined benefit liabilities	(20,798)	(16,029)
Other liabilities	(611,104)	413,720
	<u>(772,995)</u>	<u>(5,799,553)</u>
Payment of income tax	(3,253)	(401,719)
Interest received	1,722,969	2,333,992
Interest paid	(710,404)	(1,308,120)
Dividend received	76,326	79,174
Net cash provided by (used in) operating activities	<u>₩ 219,131</u>	<u>₩ (4,451,149)</u>

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
	(Korean won in millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposals of financial investments	₩ 1,307,927	₩ 1,040,198
Disposal of investments in associates	-	7,614
Disposals of tangible assets	1,008	114
Acquisitions of financial investments	(2,484,273)	(2,631,466)
Acquisition of investments in associates	(26,461)	(28,139)
Acquisitions of tangible assets	(16,354)	(7,360)
Acquisitions of intangible assets	(17,202)	(5,261)
Net cash used in investing activities	<u>(1,235,355)</u>	<u>(1,624,300)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in call money	774,120	-
Proceeds from borrowings	3,521,006	13,246,426
Proceeds from debentures	15,724,020	31,315,417
Paid-in capital increase	298,798	578,313
Increase in deposits	192	2
Decrease in call money	-	(179,968)
Repayment of borrowings	(5,176,698)	(13,186,292)
Repayment of debentures	(14,137,265)	(24,453,497)
Expense related to paid-in capital increase	(1,446)	(2,784)
Payment of dividends	(40,759)	(109,054)
Decrease in deposits	-	(2)
Net cash provided by (used in) financing activities	<u>961,968</u>	<u>7,208,561</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(54,256)	1,133,112
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	3,138,955	2,979,799
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCIES	123,407	(973,956)
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 7, 35)	<u>₩ 3,208,106</u>	<u>₩ 3,138,955</u>

See accompanying notes to consolidated financial statements.

**THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

1. GENERAL:

(1) Summary of the Export-Import Bank of Korea

The Export-Import Bank of Korea (the “Bank” or the “Company”) was established in 1976 as a special financial institution under The Export-Import Bank of Korea Act (the “EXIM Bank Act”) to grant financial facilities for overseas trade (i.e., export and import), investments and resources development activities. As of December 31, 2021, the Bank operates a head office in Seoul, Marine Finance Center in Busan, ten domestic branches, three domestic offices, a domestic subsidiary, four overseas subsidiaries, and twenty-four overseas offices.

The Bank’s authorized capital is ₩15,000,000 million, and through numerous capital increases since the establishment, its paid-in capital is ₩12,748,254 million as of December 31, 2021. The Government of the Republic of Korea (the “Government”), the Bank of Korea (“BOK”), and the Korea Development Bank hold 68.74%, 9.14%, 22.12%, respectively, of the ownership of the Bank as of December 31, 2021.

The Bank, as a trustee of the Government, has managed the Economic Development Cooperation Fund (“EDCF”) since June 1987 and the Inter-Korean Cooperation Fund (“IKCF”) since March 1991. The funds are accounted for separately and are not included in the Consolidated Entity’s consolidated financial statements. The Bank receives fees from the Government for the trustee services.

(2) Summary of subsidiaries

- 1) The subsidiaries of the Consolidated Entity, in accordance with Korean International Financial Reporting Standards (“K-IFRS”) No.1110, ‘Consolidated Financial Statements’, as of December 31, 2021, and December 31, 2020, are as follows:

(December 31, 2021)

Subsidiaries	Location	Capital stock	Main business	Number of shares owned	Percentage of ownership (%)	Financial statements as of
	United Kingdom					
KEXIM Bank UK Limited	Kingdom	GBP 81mil.	Finance	81,283,897	100.00	Dec. 31, 2021
KEXIM Vietnam Leasing Co. (*1)	Vietnam	USD 53mil.	Finance	-	100.00	Dec. 31, 2021
PT.KOEXIM Mandiri Finance	Indonesia	IDR 52,000mil.	Finance	442	85.00	Dec. 31, 2021
KEXIM Asia Limited	Hong Kong	USD 130mil.	Finance	130,000,000	100.00	Dec. 31, 2021
EXIM PLUS Co., Ltd.	Korea	KRW 950mil.	Service	190,000	100.00	Dec. 31, 2021

(*1) This entity does not issue share certificates.

(December 31, 2020)

Subsidiaries	Location	Capital stock	Main business	Number of shares owned	Percentage of ownership (%)	Financial statements as of
	United Kingdom					
KEXIM Bank UK Limited	Kingdom	GBP 81mil.	Finance	81,283,897	100.00	Dec. 31, 2020
KEXIM Vietnam Leasing Co. (*1)	Vietnam	USD 53mil.	Finance	-	100.00	Dec. 31, 2020
PT.KOEXIM Mandiri Finance	Indonesia	IDR 52,000mil.	Finance	442	85.00	Dec. 31, 2020
KEXIM Asia Limited	Hong Kong	USD 130mil.	Finance	130,000,000	100.00	Dec. 31, 2020
EXIM PLUS Co., Ltd.	Korea	KRW 950mil.	Service	190,000	100.00	Dec. 31, 2020

(*1) This entity does not issue share certificates.

- 2) Summary of financial information for subsidiaries as of and for the years ended December 31, 2021, and as of and for year ended December 31, 2020, are as follows:

(December 31, 2021)

Subsidiaries	Assets	Liabilities	Equity	Profit(loss) for the year	Total comprehensive income
KEXIM Bank UK Limited	₩ 616,064	₩ 463,664	₩ 152,400	₩ (22)	₩ 8,281
KEXIM Vietnam Leasing Co.	252,008	181,509	70,499	1,400	7,133
PT. KOEXIM Mandiri Finance	167,815	145,477	22,338	(86)	1,449
KEXIM Asia Limited	735,531	537,381	198,150	4,515	18,221
EXIM PLUS Co., Ltd.	2,004	824	1,180	164	164
Total	₩ 1,773,422	₩ 1,328,855	₩ 444,567	₩ 5,971	₩ 35,248

(December 31, 2020)

Subsidiaries	Assets	Liabilities	Equity	Profit(loss) for the year	Total comprehensive income
KEXIM Bank UK Limited	₩ 499,074	₩ 354,892	₩ 144,182	₩ 2,748	₩ 3,647
KEXIM Vietnam Leasing Co.	204,020	140,574	63,446	1,962	(3,314)
PT. KOEXIM Mandiri Finance	160,964	140,074	20,890	(5,948)	(7,623)
KEXIM Asia Limited	544,995	364,898	180,097	3,547	(10,741)
EXIM PLUS Co., Ltd.	1,950	934	1,016	162	162
Total	₩ 1,411,003	₩ 1,001,372	₩ 409,631	₩ 2,471	₩ (17,869)

- 3) The Consolidated Entity has entered into structured finance with structured entities. The Consolidated Entity has no controlling power over those structured entities, which is determined in accordance with K-IFRS No.1110, therefore, those structured entities are not consolidated to the Consolidated Entity.

These arrangements are accounted for as structured finance based on the nature and purpose of their investments and the risk the Consolidated Entity is exposed to, as detailed below.

Structured finance includes investments in project financing on real estate, social overhead capital (“SOC”), infrastructure and shipping finance. They are formed as special purpose entities by funding through equity investments and loans from various investors. SOC is a financing method for large risk business and investment decisions are made by business outlook of the project itself rather than a credit of the investors or collateral. The investors take profits in relation to such investments, the Consolidated Entity recognizes interest income on loans, gains or losses on valuation of equity investments or dividend income. The structured finance is secured by additional funding agreement, guarantee or credit facilities, however, the structured financing project would fail to return the capital of equity investments or principal of loans to the Consolidated Entity if it is discontinued or did not achieve business outcome.

Total assets and liabilities of the unconsolidated structured entities, carrying value of the related items recorded, and related maximum exposure to risks as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec. 31, 2021	Dec. 31, 2020
Total assets of unconsolidated structured entities	₩ 305,505,122	₩ 324,229,514
Assets involved in unconsolidated structured entities	18,509,970	16,451,100
Loans and receivables	18,432,292	16,365,989
Other assets	77,678	85,112
Liabilities involved in unconsolidated structured entities	1,021,871	1,021,620
Provisions	954,477	911,197
Other liabilities	67,394	110,423
Maximum exposure to risks	26,509,220	23,985,823
Investment assets	18,017,439	15,859,464
Granting of credit	8,491,781	8,126,358

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of Financial Statement Presentation

The Consolidated Entity's consolidated financial statements are prepared under K-IFRS.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments measured at fair value
- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income
- Financial assets and liabilities designated as hedged items in a fair value hedge accounting of which changes in fair value attributable to the hedged risk are recognized in profit or loss
- Liabilities for defined benefit plans, which are recognized as net of the total present value of defined benefit obligations less the fair value of plan assets

(3) Functional and presentation currency

These consolidated financial statements are presented in Korean won, which is the currency of the primary economic environment in which the Consolidated Entity operates.

(4) Significant Estimates and Judgments

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

Estimates and assumptions are continually evaluated and the change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both.

Uncertainty in estimates and assumptions with significant risk that will result in material adjustment are as follows:

1) Fair value of financial instruments

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

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

- 2) Provision of credit losses (allowances for loan losses, provisions for acceptances and guarantees, financial guarantee contracts and unused loan commitments)

The Consolidated Entity recognizes credit loss allowance for expected credit losses on debt instruments, loans and receivables that are measured at amortized cost, loan commitments and financial guarantee contracts in accordance with K-IFRS No. 1109 'Financial Instruments'. The allowance is determined by techniques, assumptions and input variables used by the Consolidated Entity to measure expected future cash flows of individual financial instruments and to measure expected credit losses in a collective manner.

- 3) Defined benefit obligation

The present value of defined benefit obligations is measured by the independent actuaries using projected unit credit method. It is determined by actuarial assumptions and variables such as future increases in salaries, rate of retirement, discount rate and others.

- 4) Income taxes

The Consolidated Entity has recognized current and deferred taxes that reflect tax consequences based on the best estimates in which the Consolidated Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. However, actual income taxes in the future may not be identical to the recognized deferred tax assets and liabilities, and this difference can affect current and deferred tax at the period when the final tax effect is determined.

- 5) Hedging relationship

The Consolidated Entity expects a high hedge effectiveness throughout the hedging period in designating the hedging relationship and it is probable that the hedged transaction will be highly probable in the cash flow hedge.

(5) Changes in Accounting Policies

The Consolidated Entity has adopted the same accounting policies that applied to the consolidated financial statements as of and for the year ended December 31, 2020, except for the application of the first amendment standard, effective from January 1, 2021, as explained below.

- 1) K-IFRS No.1109, 'Financial Instruments', K-IFRS No.1039, 'Financial Instruments: Recognition and Measurement', K-IFRS No.1107, 'Financial Instruments: Disclosure', K-IFRS No.1104, 'Insurance Contracts' and K-IFRS No.1116 'Leases' – Interest rate indicator reform

In relation to interest rate indicator 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 indicator is replaced in hedging relationship. The amendments do not have a significant impact on the Consolidated Entity's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) General

The significant accounting policies applied in the preparation of these consolidated financial statements after transition to K-IFRS are set out below.

(2) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank (and its subsidiaries). Control is achieved where the Bank 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee, and 3) has the ability to use its power over the investee to affect the amount of the investor's return. The Bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Consolidated Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the activities of the investee unilaterally. The Consolidated Entity considers all relevant facts and circumstances in assessing whether or not the Consolidated Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Consolidated Entity 's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Consolidated Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous stockholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, respectively, as appropriate. The carrying amount of non-controlling interests is adjusted to reflect their proportional share of changes in equity subsequent to the initial recognition. Total comprehensive income of subsidiaries is attributed to the owners of the Consolidated Entity and the non-controlling interests even if this result in the non-controlling interests has a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Consolidated Entity's accounting policies.

All intra-group transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Consolidated Entity's ownership interests in subsidiaries that do not result in the Consolidated Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Consolidated Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

When the Consolidated Entity loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Consolidated Entity had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on

initial recognition for subsequent accounting under K-IFRS No.1109, 'Financial Instruments' or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(3) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Consolidated Entity, liabilities incurred by the Consolidated Entity to the former owners of the acquiree and the equity interests issued by the Consolidated Entity in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS No.1012, 'Income Taxes' and K-IFRS No.1019, 'Employee Benefits' respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Consolidated Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS No.1102, 'Share-based Payment' at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS No.1105, 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any); over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held interest in the acquiree (if any); the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS. When the consideration transferred by the Consolidated Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS No.1109, 'Financial Instruments', or K-IFRS No.1037, 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Consolidated Entity's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(4) Investments in Associates and Joint Ventures

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

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

The net income of current period and the financial results of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS No.1105, 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Consolidated Entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Consolidated Entity's share of losses of an associate or a joint venture exceeds the Consolidated Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Consolidated Entity's net investment in the associate or joint venture), the Consolidated Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Consolidated Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Consolidated Entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Consolidated Entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Consolidated Entity losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS No.1109. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Consolidated Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis we would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Consolidated Entity reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Consolidated Entity reduces its ownership interest in an associate or a joint venture but the Consolidated Entity continues to use the equity method, the Consolidated Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Consolidated Entity applies K-IFRS No.1105 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The requirements of K-IFRS No.1109, 'Financial Instruments' are applied to determine whether it is necessary to recognize any impairment loss with respect to the Consolidated Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS No.1036, 'Impairment of Assets' by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS No.1036 to the extent that the recoverable amount of the investment subsequently increases.

The Consolidated Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. When a subsidiary entity transacts with an associate or a joint venture of the Consolidated Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Consolidated Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Consolidated Entity.

(5) Foreign Currency

1) Foreign currency transactions

In preparing the consolidated financial statements of The Consolidated Entity, transactions in currencies other than The Consolidated Entity's functional currency (foreign currencies) are recorded by applying the rates of exchange at the dates of the transactions.

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 spot exchange rates at the date when the fair value was determined and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise. When gains or losses on a non-monetary item are recognized in other comprehensive income, any exchange component of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on a non-monetary item are recognized in profit or loss, any exchange component of those gains or losses are recognized in profit or loss.

2) Foreign operations

The results and financial position of all foreign operations, whose functional currency differs from The Consolidated Entity's presentation currency, are translated into The Consolidated Entity's presentation currency using the following procedures;

Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position. Income and expenses for statement of comprehensive income presented are translated at average exchange rates for the period.

Any fair value adjustments to the carrying amount of assets and liabilities arising from 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, are reclassified from equity to profit or loss (as a reclassification adjustment) when the gains or losses on disposal are recognized. On the partial disposal of a subsidiary that includes a foreign operation, The Consolidated Entity 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 Consolidated Entity reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

(6) Cash and cash equivalents

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

(7) Non-derivative Financial Assets

Financial assets are recognized when The Consolidated Entity becomes a party to the contractual provisions of the instrument. In addition, a regular way purchase or sale (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 market concerned) is recognized on the trade date

A financial asset is measured initially at its fair value plus, for an item not at Fair Value Through Profit or Loss (“FVTPL”), transaction costs that are directly attributable to its acquisition of the financial asset. Transaction costs on the financial assets at FVTPL that are directly attributable to the acquisition are recognized in profit or loss as incurred.

1) Financial assets designated at FVTPL

Financial assets can be irrevocably designated as measured at FVTPL despite of classification standards stated below, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases.

2) Equity instruments

For the equity instruments that are not held for trading, at initial recognition, The Consolidated Entity may make an irrevocable election to present subsequent changes in fair value in other comprehensive income. Equity instruments that are not classified as financial assets at Fair Value through Other Comprehensive Income (“FVOCI”) are classified as financial assets at FVTPL.

The Consolidated Entity subsequently measures all equity investments at fair value. Valuation gains or losses of the equity instruments that are classified as financial assets at FVOCI previously recognized as other comprehensive income is not reclassified as profit or loss on derecognition. The Consolidated Entity recognizes dividends in profit or loss when The Consolidated Entity’s right to receive payments of the dividend is established.

Valuation gains or losses due to changes in fair value of the financial assets at FVTPL are recognized as gains or losses on financial assets at FVTPL. Impairment loss (reversal) on equity instruments at FVOCI is not recognized separately.

3) Debt instruments

Subsequent measurement of debt instruments depends on The Consolidated Entity’s business model in which the asset is managed and the contractual cash flow characteristics of the asset. Debt instruments are classified as financial assets at amortized cost, at FVOCI, or at FVTPL. Debt instruments are reclassified only when The Consolidated Entity’s business model changes.

① Financial assets at amortized cost

Assets that are held within a business model whose objective is to hold assets to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Impairment losses, and gains or losses on derecognition of the financial assets at amortized cost are recognized in profit or loss. Interest income on the effective interest method is included in the ‘Interest income’ in the consolidated statement of comprehensive income.

② Financial assets at FVOCI

Assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Other than impairment losses, interest income amortized using effective interest method and foreign exchange differences, gains or losses of the financial assets at FVOCI are recognized as other comprehensive income in equity. On derecognition, gains or losses accumulated in other comprehensive income are reclassified to profit or loss. The interest income on the effective interest method is included in the ‘Interest income’ in the consolidated statement of comprehensive income. Foreign exchange differences and impairment losses are included in the ‘Net foreign currency transaction gain’ and ‘Impairment loss on credit’ in the consolidated statement of comprehensive income, respectively.

③ Financial assets at FVTPL

Debt securities other than financial assets at amortized costs or FVOCI are classified at FVTPL. Unless hedge accounting is applied, gains or losses from financial assets at FVTPL are recognized as profit or loss and are included in 'Net gain on financial assets at fair value through profit or loss' in the consolidated statement of comprehensive income.

4) Embedded derivatives

Financial assets with embedded derivatives are classified regarding the entire hybrid contract, and the embedded derivatives are not separately recognized. The entire hybrid contract is considered when it is determined whether the contractual cash flows represent solely payments of principal and interest.

5) Derecognition of financial assets

The Consolidated Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by The Consolidated Entity is recognized as a separate asset or liability.

If The Consolidated Entity retains substantially all the risks and rewards of ownership of the transferred financial assets, The Consolidated Entity continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

6) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when The Consolidated Entity 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.

(8) Derivative Financial Instruments

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

1) Hedge accounting

The Consolidated Entity holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Consolidated Entity designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, The Consolidated Entity formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

① Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income.

The Consolidated Entity discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria. Any adjustment arising from G/L on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

② Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

③ Net investment hedge

The portion of the change in fair value of a financial instrument designated as a hedging instrument that meets the requirements for hedge accounting for a net investment in a foreign operation is recognized in other comprehensive income and the ineffective portion of the hedge is recognized in profit or loss. The portion recognized as other comprehensive income that is effective as a hedge is recognized in the statement of comprehensive income as a result of reclassification adjustments in accordance with K-IFRS No. 1021, 'Effect of Changes in Foreign Exchange Rates' at the time of disposing of its overseas operations or disposing of a portion of its overseas operations to profit or loss.

2) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

3) Unobservable valuation differences at initial recognition

Any difference between the fair value of over the counter derivatives at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognized in profit or loss but is recognized on a straight-line basis over the life of the instrument or immediately when the fair value becomes observable.

(9) Impairment: Financial assets

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

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The Consolidated Entity measures expected credit losses by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions.

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

- General approach: for financial assets and off-balance-sheet unused credit line that are not applied below two approaches
- Credit-impaired approach: for purchased or originated credit-impaired financial assets

Different measurement approaches are applied depending on significant increase in credit risk. 12 months expected credit losses is recognized when credit risk has not significantly increased since initial recognition. A loss allowance at an amount equal to lifetime expected credit losses is recognized when credit risk has significantly increased since initial recognition. Lifetime is presumed to be a period to the contractual maturity date of a financial asset (the expected life of the financial asset).

One or more of the following items is deemed significant increase in credit risk. When the contractual cash flows of a financial asset are renegotiated or otherwise modified, The Consolidated Entity determines whether the credit risk has increased significantly since initial recognition using the 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;
- the soundness of the assets is under precautionary from the grade table by Korean Financial Supervisory service

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

- no less than 90 days past due
- legal proceedings related to collection
- a borrower that has received a credit-warning from Korea Credit Information Services
- corporate borrowers that are considered impaired (internally rating S, D, or F)
- a borrower with the external auditor's opinion that is qualified or disclaimer
- negative capital and
- debt restructuring.

1) Forward-looking information

The Consolidated Entity uses forward-looking information, when it measures expected credit losses.

The Consolidated Entity assumes 'probability of default' (PD), which is one of the risk component has a certain correlation with the business cycle, and calculates the expected credit loss by reflecting the forward-looking information with macroeconomic variables on the measurement inputs.

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

The amount of the loss on financial assets at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The Consolidated Entity 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 Consolidated Entity collectively estimates expected credit loss by grouping loans with homogeneous credit risk profile (collective assessment of impairment).

① Individual assessment of impairment

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

② Collective assessment of impairment

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

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

- 3) Measuring expected credit losses on financial assets at fair value through other comprehensive income
 Measuring method of expected credit losses on financial assets at fair value through other comprehensive income is equal to the method of financial assets at amortized cost, except for loss allowances that are recognized as other comprehensive income. Amounts recognized in other comprehensive income for sale or repayment of financial assets at fair value through other comprehensive income are reclassified to profit or loss.

(10) Tangible assets

1) Recognition and measurement

All property and equipment that qualify for recognition as an asset are measured at their cost and subsequently carried at their 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. If part of an item of an asset has a useful life different from that of the entire asset, it is recognized as a separate asset.

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 Consolidated Entity. The depreciable amount of an asset is determined after deducting its residual value.

The depreciation method is straight-line and estimated useful lives of the assets are as follows.

<u>Property and equipment</u>	<u>Estimated useful lives</u>
Buildings and structures	10–60 years
Leasehold Improvements	5 years
Vehicles	4 years
Tools, furniture and fixtures	4–20 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates or if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the changes are accounted for as a change in an accounting estimate.

(11) Intangible assets

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

Intangible assets are amortized using the straight-line method with no residual value over their estimated useful economic life since the assets are available for use.

<u>Intangible assets</u>	<u>Estimated useful lives</u>
Software	5 years
System development costs	5 years

The amortization period and the amortization method for intangible assets with a definite useful life are reviewed at least at each financial year-end. The useful life of an intangible asset that is not being amortized is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If there is any change, it is accounted for as a change in an accounting estimate.

(12) Impairment of non-financial assets

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

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and such impairment loss is recognized immediately in profit or loss.

(13) Financial liabilities at FVTPL

Financial liabilities at FVTPL include contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS No.1103, 'Business Combination' applies, short-term financial liabilities and financial liabilities recognized as financial liabilities at FVTPL initially. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Otherwise, the transaction cost is recognized in current profit or loss.

(14) Provisions

A provision is recognized if The Consolidated Entity has a present obligation (legal or constructive) as a result of the 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 a provision, and where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions on confirmed and unconfirmed acceptances and guarantees, and unused credit line of corporate loans are recognized using valuation model that applies the credit conversion factor, default rates, 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.

(15) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (The Consolidated Entity) 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 are amortized over the life of the contract. After initial recognition, financial guarantee contracts are measured at the greater of:

- The amount determined in accordance with K-IFRS No.1109, 'Financial Instruments' and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with K-IFRS No.1115, 'Revenue from Contracts with Customers'

(16) Equity and Reserve

Equity and Reserve are any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities

(17) Interest income and expenses

Interest income and expenses are recognized using the effective interest method. Effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expenses over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, The Consolidated Entity estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid 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 or the expected life of a financial instrument (or group of financial instruments), The Consolidated Entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

(18) Fee and commission income

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

- 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 measured at amortized cost. However, fees relating to the creation or acquisition of a financial asset at FVTPL are recognized as revenue immediately
- 2) Fees earned as services are provided
Such fees are recognized as revenue as the services are provided.
- 3) Fees that are earned on the execution of a significant act
Such fees are recognized as revenue when the significant act has been completed.

(19) Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income from financial assets at FVTPL and financial investments is recognized in profit or loss as part of dividend income in the consolidated statements of comprehensive income.

(20) Employee compensation and benefits

- 1) Defined contribution plans
When employees render service related to defined contribution plans, contributions related to employees services are recognized in current profit or loss without contributions included in cost of assets. Contributions which are supposed to be paid are recognized in accrued expenses after deducting any amount already paid. Also, if contributions already paid exceed contributions which would be paid at the end of period, the amount of excess is recognized in prepaid expenses.
- 2) Defined benefit plans
The Consolidated Entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for The Consolidated Entity, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Consolidated Entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Consolidated Entity recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits are recognized in current profit and loss when employees render the related service. Short-term employee benefits are not discounted.

(21) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax and is recognized as profit or loss, except for taxes directly adjusted in equity or other comprehensive income and loss and for taxes that arise from business combination.

1) Current tax

Current income tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. The difference between the taxable profit and accounting profit may arise when income or expenses are included in accounting profit in one period, but is included in taxable profit in a different period, and if there is revenue that is exempt from taxation, expenses that are not deductible in determining taxable profit (tax loss). Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Consolidated Entity offsets current income tax assets and current income tax liabilities if, and only if, The Consolidated Entity 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.

2) Deferred tax

Deferred tax is recognized, using the asset-liability method, on temporary differences arising between the tax base amount of assets and liabilities and their carrying amount in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences and deferred 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 tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred tax liabilities which the timing of the reversal of the temporary difference is controlled by The Consolidated Entity and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Consolidated Entity reduces the carrying amount of a deferred 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 the deferred tax asset to be utilized.

Deferred 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 tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which The Consolidated Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Consolidated Entity offsets deferred tax assets and deferred tax liabilities when The Consolidated Entity has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entity which intend either to settle current 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 tax liabilities or assets are expected to be settled or recovered.

(22) New standards and interpretations not yet adopted

The following new standards and amendments to existing standards have been published and are mandatory for The Consolidated Entity to adopt for annual periods beginning on or after January 1, 2022, and The Consolidated Entity has not early adopted them.

The following new standards and amendments to existing standards are not expected to significantly affect the Consolidated Entity:

1) Amendments to K-IFRS No. 1016 ‘Leases’ – COVID-19-Related Rent Concessions, etc. beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before 30 June 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendments should be applied for annual reporting periods beginning on or after April 1, 2021, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the financial statements.

2) Amendments to K-IFRS No. 1116 ‘Property, Plant and Equipment’ – Proceeds Before Intended Use

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

3) Amendments to K-IFRS No. 1103 ‘Business Combinations’ – quotation of 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 reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the financial statements.

- 4) Amendments to K-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 reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the financial statements.

4. RISK MANAGEMENT:

4-1. Summary

- (1) Overview of Risk Management Policy

The financial risks that the Consolidated Entity is exposed to are credit risk, market risk, liquidity risk, operational risk, interest risk, credit concentration risk, strategy/reputational risk, outsourcing risk, settlement risk and others. Credit risk, market risk, liquidity risk, and operational risk have been recognized as the Consolidated Entity's key risks.

The Consolidated Entity's risk management system focuses on increasing transparency, developing risk management environment and preemptive response to risks due to rapid changes in financial environment to support the Consolidated Entity's long-term strategy and business decision efficiently.

The note regarding financial risk management provides information about the risks that the Consolidated Entity is exposed to, the objective, policies and process for managing the risk, the methods used to measure the risk and capital adequacy. Additional quantitative information is disclosed throughout the consolidated financial statements.

- (2) Risk Management Group

- 1) Risk Management Committee

The Risk Management Committee establishes risk management strategies in accordance with the directives of the board of directors and determines the Consolidated Entity's target risk appetite, approves significant risk matters and reviews the level of risks that the Consolidated Entity is exposed to and the appropriateness of the Consolidated Entity's risk management operations as an ultimate decision-making authority.

- 2) Risk Management Council

The Risk Management Council is a consultative group, which reviews and makes decisions on matters delegated by the Risk Management Committees and discusses the detailed issues relating to the Consolidated Entity's risk management.

- 3) Risk Management Practices Committee

The Risk Management Practices Committee assists the Risk Management Committee and the Risk Management Council. It performs practical work process relating to risk management plan, risk management strategy, risk measurement, risk analysis, economic capital limit and others.

4-2. Credit risk

(1) Overview of Credit Risk

Credit risk is the risk of possible losses in an asset portfolio in the events of counterparty's default, breach of contract and deterioration in the credit quality of the counterparty. For the risk management reporting purposes, the individual borrower's default risk, country risk, specific risks and other credit risk exposure components are considered as a whole.

(2) Credit Risk Management

The Consolidated Entity controls the credit concentration risk exposure by applying and managing total exposure limits to prevent the excessive risk concentration to specific industry and specific borrowers. The Consolidated Entity maintains allowances for loan losses associated with credit risk on loans and receivables to manage its credit risk.

(3) Maximum exposure to credit risk

The Consolidated Entity's maximum exposure of financial instruments to credit risk as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec. 31, 2021	Dec. 31, 2020
Cash and due from financial institutions (*1)	₩ 4,524,600	₩ 4,094,217
Financial assets at FVTPL (*2)	2,450,817	3,351,619
Hedging derivative assets	561,911	1,499,766
Loans at amortized cost (*3)	78,063,160	73,883,907
Financial investments (*4)	4,204,370	2,803,225
Other financial assets	844,941	797,737
Acceptances and guarantee contracts	40,446,127	34,916,289
Commitments (*5)	31,767,536	25,691,164
	<u>₩ 162,863,462</u>	<u>₩ 147,037,924</u>

(*1) The cash that the Consolidated Entity holds is excluded.

(*2) Financial assets at FVTPL exclude paid-in capital classified as debt securities

(*3) Loans at amortized cost exclude loans valuation adjustment related to fair value hedging and allowances for loan losses.

(*4) Allowances for loan losses for securities at amortized cost is excluded.

(*5) Commitments exclude commitments on purchase of beneficiary certificates which are included in other commitments in Note 36.

(4) Credit risk of loans

The Consolidated Entity maintains allowances for loan losses associated with credit risk on loans to manage its credit risk. Impairment losses on loans can be deducted directly from the carrying amount of the asset or deducted using an allowance account. The Consolidated Entity measures the credit risk inherent in financial assets classified as loans and presents it in financial statements as Allowance for loan losses in the form of deduction from the carrying amount of the assets.

The Consolidated Entity writes off on non-profitable loans, non-recoverable loans, loans classified as estimated loss by asset quality category, loans requested to be written off by Financial Supervisory Service("FSS") and others upon approval of Loan Management Committee.

Loans categorized as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	12 months expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Collective assessment:				
Best	₩ 25,493,321	₩ 1,846	₩ 10,011	₩ 25,505,178
Outstanding	27,824,411	-	5,000	27,829,411
Good	21,365,167	1,590,455	63,234	23,018,856
Below normal	1,006,279	385,669	91,071	1,483,019
Subtotal	<u>75,689,178</u>	<u>1,977,970</u>	<u>169,316</u>	<u>77,836,464</u>
Individual assessment:				
Best	-	-	3,991	3,991
Outstanding	-	-	-	-
Good	-	709,590	7,406	716,996
Below normal	-	757,796	1,300,691	2,058,487
Subtotal	<u>-</u>	<u>1,467,386</u>	<u>1,312,088</u>	<u>2,779,474</u>
Total	<u>₩ 75,689,178</u>	<u>₩ 3,445,356</u>	<u>₩ 1,481,404</u>	<u>₩ 80,615,938</u>
Net deferred loan origination fees and costs				(368,591)
Allowances				<u>(2,184,187)</u>
Total				<u>₩ 78,063,160</u>

(December 31, 2020)

	12 months expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Collective assessment:				
Best	₩ 22,453,347	₩ 4,533	₩ 4,601	₩ 22,462,481
Outstanding	22,315,752	-	-	22,315,752
Good	24,350,663	1,713,345	4,894	26,068,902
Below normal	903,231	516,490	100,605	1,520,326
Subtotal	<u>70,022,993</u>	<u>2,234,368</u>	<u>110,100</u>	<u>72,367,461</u>
Individual assessment:				
Best	-	-	3,663	3,663
Outstanding	-	-	-	-
Good	-	2,062,518	25,677	2,088,195
Below normal	-	1,116,284	1,193,484	2,309,768
Subtotal	<u>-</u>	<u>3,178,802</u>	<u>1,222,824</u>	<u>4,401,626</u>
Total	<u>₩ 70,022,993</u>	<u>₩ 5,413,170</u>	<u>₩ 1,332,924</u>	<u>₩ 76,769,087</u>
Net deferred loan origination fees and costs				(365,270)
Allowances				<u>(2,519,910)</u>
Total				<u>₩ 73,883,907</u>

The above carrying amount exclude loan valuation adjustment related to fair value hedging amounting to ₩(2,723) million and ₩(14,382) million as of December 31, 2021 and 2020, respectively.

(5) Credit quality of securities

Securities (debt securities) exposed to credit risk as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	12 months expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Grade 1	₩ 4,200,810	₩ -	₩ -	₩ 4,200,810
Grade 2	3,560	-	-	3,560
Grade 3	-	-	-	-
Grade 4	-	-	-	-
Grade 5	-	-	-	-
Total	<u>₩ 4,204,370</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 4,204,370</u>

(December 31, 2020)

	12 months expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Grade 1	₩ 2,799,931	₩ -	₩ -	₩ 2,799,931
Grade 2	3,294	-	-	3,294
Grade 3	-	-	-	-
Grade 4	-	-	-	-
Grade 5	-	-	-	-
Total	<u>₩ 2,803,225</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 2,803,225</u>

(6) Concentration of credit risk

The amounts disclosed below exclude loan valuation adjustment related to fair value hedging amounting to ₩(2,723) million and ₩(14,382) million as of December 31, 2021 and 2020, respectively.

- 1) Loans by country where the credit risk belongs to as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances
Asia:							
Korea	₩ 24,210,954	₩ 8,034,080	₩ 2,113,361	₩ 34,358,395	42.61	₩ (22,202)	₩ (713,950)
China	-	2,363,109	411,263	2,774,372	3.44	(1,531)	(35,979)
Saudi Arabia	-	2,190,841	7,930	2,198,771	2.73	(24,914)	(13,240)
India	-	2,322,922	20,219	2,343,141	2.91	(16,348)	(3,099)
Indonesia	15,000	2,986,455	56,805	3,058,260	3.79	(42,548)	(20,747)
Uzbekistan	-	4,007,134	320,681	4,327,815	5.37	(26,412)	(48,210)
Vietnam	-	281,279	481	281,760	0.35	(16,307)	(2,744)
Australia	-	21,372	-	21,372	0.03	(1)	(804)
Philippines	-	531,709	-	531,709	0.66	(1,727)	(2,914)
Qatar	-	579,042	23,013	602,055	0.75	(3,845)	(520)
Singapore	-	1,170,554	-	1,170,554	1.45	(13,101)	(14,849)
Oman	-	132,183	245,927	378,110	0.47	-	(978)
Hong Kong	-	4,597,422	17,919	4,615,341	5.73	(19,130)	(2,340)
The United Arab Emirates	-	1,134,276	-	1,134,276	1.41	(8,870)	(30,918)
Others	11,400	3,272,090	808,949	4,092,439	5.08	(83,450)	(88,155)
Subtotal	24,237,354	33,624,468	4,026,548	61,888,370	76.78	(280,386)	(979,447)
Europe:							
Russia	-	354,690	-	354,690	0.44	(324)	(1,156)
United Kingdom	-	1,621,605	172,345	1,793,950	2.23	(10,402)	(427,641)
France	-	84,899	6,597	91,496	0.11	(630)	(78)
Netherlands	-	-	15,396	15,396	0.02	-	(88)
Greece	-	1,937,778	-	1,937,778	2.40	(9,648)	(2,844)
Ireland	-	53,802	-	53,802	0.07	(254)	(117)
Turkey	-	1,353,978	16,570	1,370,548	1.70	(12,448)	(118,639)
Germany	-	317,064	16,769	333,833	0.41	(343)	(1,065)
Ukraine	-	60,128	-	60,128	0.07	(79)	(116)
Hungary	-	1,358,421	-	1,358,421	1.69	(1,746)	(2,017)
Others	-	2,077,027	139,083	2,216,110	2.75	(6,634)	(19,352)
Subtotal	-	9,219,392	366,760	9,586,152	11.89	(42,508)	(573,113)
America:							
Panama	-	1,054,208	27,034	1,081,242	1.34	(5,834)	(1,740)
United States	-	2,788,832	21,142	2,809,974	3.49	(3,521)	(15,105)
The British Virgin Islands	-	31,836	-	31,836	0.04	-	(12)
Mexico	-	341,274	-	341,274	0.42	(3,194)	(1,920)
Brazil	-	1,734,669	-	1,734,669	2.15	(3,683)	(5,803)
Others	-	1,389,383	-	1,389,383	1.72	(7,076)	(14,133)
Subtotal	-	7,340,202	48,176	7,388,378	9.16	(23,308)	(38,713)

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances
Africa:							
Marshall Islands	-	557,921	-	557,921	0.69	(2,577)	(1,381)
Liberia	-	21,740	-	21,740	0.03	(324)	(81)
Nigeria	-	348,377	-	348,377	0.43	(6,017)	(6,443)
Morocco	-	96,955	-	96,955	0.12	(943)	(127)
Others	-	722,122	5,923	728,045	0.90	(12,528)	(584,882)
Subtotal	-	1,747,115	5,923	1,753,038	2.17	(22,389)	(592,914)
Total	₩ 24,237,354	₩ 51,931,177	₩ 4,447,407	₩ 80,615,938	100.00	₩ (368,591)	₩ (2,184,187)

(December 31, 2020)

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances
Asia:							
Korea	₩ 23,613,174	₩ 7,311,765	₩ 2,519,640	₩ 33,444,579	43.57	₩ (11,881)	₩ (1,235,679)
China	-	2,098,660	389,330	2,487,990	3.24	(2,121)	(27,331)
Saudi Arabia	-	2,373,562	315,957	2,689,519	3.50	(28,597)	(10,532)
India	-	2,348,494	94,826	2,443,320	3.18	(17,974)	(3,201)
Indonesia	17,000	3,083,124	54,535	3,154,659	4.11	(51,559)	(28,218)
Uzbekistan	-	3,498,943	204,639	3,703,582	4.82	(24,258)	(35,893)
Vietnam	-	325,312	524	325,836	0.42	-	(144)
Australia	-	69,517	-	69,517	0.09	(21)	(925)
Philippines	-	550,527	-	550,527	0.72	(2,003)	(3,028)
Qatar	-	507,664	292	507,956	0.66	(2,083)	(802)
Singapore	-	1,005,790	52	1,005,842	1.31	(14,130)	(8,464)
Oman	-	156,460	1,041,609	1,198,069	1.56	(107)	(9,746)
Hong Kong	-	4,159,300	13,179	4,172,479	5.44	(19,862)	(1,884)
The United Arab Emirates	-	1,062,147	-	1,062,147	1.38	(9,929)	(29,620)
Others	13,000	3,207,033	1,231,313	4,451,346	5.80	(92,654)	(89,880)
Subtotal	23,643,174	31,758,298	5,865,896	61,267,368	79.80	(277,179)	(1,485,347)
Europe:							
Russia	-	120,805	-	120,805	0.16	-	(569)
United Kingdom	-	884,263	45,781	930,044	1.21	(8,941)	(262,852)
France	-	87,201	5,384	92,585	0.12	(712)	(147)
Netherlands	-	-	9,199	9,199	0.01	-	(53)
Malta	-	1,517,733	2,513	1,520,246	1.98	(10,349)	(2,432)
Greece	-	46,710	-	46,710	0.06	(272)	(102)
Turkey	-	1,045,730	8,087	1,053,817	1.37	(13,513)	(54,250)
Germany	-	187,151	22,297	209,448	0.27	(265)	(1,115)
Ukraine	-	35,904	-	35,904	0.05	-	(49)
Hungary	-	605,948	-	605,948	0.79	(390)	(608)
Others	-	1,889,774	88,424	1,978,198	2.58	(7,294)	(12,351)
Subtotal	-	6,421,219	181,685	6,602,904	8.60	(41,736)	(334,528)
America:							
Panama	-	807,670	-	807,670	1.05	(3,656)	(51,233)
United States	-	2,360,941	21,446	2,382,387	3.10	(4,065)	(12,374)
The British Virgin Islands	-	29,865	-	29,865	0.04	(124)	(14)

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances
Mexico	-	472,197	-	472,197	0.62	(3,616)	(1,979)
Bermuda	-	92,569	-	92,569	0.12	(652)	(1)
Brazil	-	1,862,129	-	1,862,129	2.43	(4,074)	(4,767)
Others	-	1,121,052	-	1,121,052	1.46	(4,106)	(15,969)
Subtotal	-	6,746,423	21,446	6,767,869	8.82	(20,293)	(86,337)
Africa:							
Marshall Islands	-	560,269	-	560,269	0.73	(2,848)	(9,451)
Liberia	-	4,174	-	4,174	0.01	-	(14)
Madagascar	-	377,443	-	377,443	0.49	(1,123)	(376,320)
Nigeria	-	392,252	-	392,252	0.51	(6,926)	(7,395)
Morocco	-	114,195	-	114,195	0.15	(1,090)	(150)
Others	-	681,405	1,208	682,613	0.89	(14,075)	(220,368)
Subtotal	-	2,129,738	1,208	2,130,946	2.78	(26,062)	(613,698)
Total	₩ 23,643,174	₩ 47,055,678	₩ 6,070,235	₩ 76,769,087	100.00	₩ (365,270)	₩ (2,519,910)

2) Loans by industry as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	Loans					Deferred loan origination fees	Allowances
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)		
Manufacturing	₩ 12,800,359	₩ 25,151,003	₩ 1,067,274	₩ 39,018,636	48.40	₩ (176,484)	₩ (1,419,650)
Transportation	1,295,966	7,003,177	245,434	8,544,577	10.60	(37,475)	(137,381)
Financial institutions	8,289,003	5,133,947	2,866,729	16,289,679	20.21	(8,169)	(23,615)
Wholesale and retail	887,494	859,906	66,748	1,814,148	2.25	(2,303)	(14,258)
Real estate	-	339,502	527	340,029	0.42	(1,927)	(44,189)
Construction	365,842	1,598,297	2,402	1,966,541	2.44	(26,512)	(15,757)
Public sector and others	598,690	11,845,345	198,293	12,642,328	15.68	(115,721)	(529,337)
Total	₩ 24,237,354	₩ 51,931,177	₩ 4,447,407	₩ 80,615,938	100.00	₩ (368,591)	₩ (2,184,187)

(December 31, 2020)

	Loans					Deferred loan origination fees		Allowances
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)			
Manufacturing	₩ 14,910,922	₩ 22,782,540	₩ 1,015,257	₩38,708,719	50.42	₩ (192,349)	₩ (1,874,940)	
Transportation	1,479,886	5,948,288	289,039	7,717,213	10.05	(32,280)	(218,948)	
Financial institutions	5,898,046	4,840,070	4,682,487	15,420,603	20.09	(3,225)	(13,751)	
Wholesale and retail	594,874	824,837	44,806	1,464,517	1.91	(1,942)	(26,410)	
Real estate	-	149,666	-	149,666	0.19	(1,680)	(1,868)	
Construction	240,814	1,015,323	13,968	1,270,105	1.65	(11,667)	(47,119)	
Public sector and others	518,632	11,494,954	24,678	12,038,264	15.69	(122,127)	(336,874)	
Total	₩ 23,643,174	₩ 47,055,678	₩ 6,070,235	₩76,769,087	100.00	₩ (365,270)	₩ (2,519,910)	

- 3) Concentration of credit risk of financial assets at FVTPL and financial investments (debt securities) by industry as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec. 31, 2021		Dec. 31, 2020	
	Amount	Ratio (%)	Amount	Ratio (%)
Financial Assets at FVTPL				
Government and government sponsored institutions	₩ 36,186	1.48	₩ 14,192	0.42
Banking and insurance	2,104,501	85.87	2,867,171	85.55
Others	310,130	12.65	470,256	14.03
Subtotal	2,450,817	100.00	3,351,619	100.00
Financial Assets at FVOCI				
Government and government sponsored institutions	1,807,306	56.13	1,123,427	49.83
Banking and insurance	968,791	30.09	601,882	26.70
Others	443,875	13.78	529,281	23.47
Subtotal	3,219,972	100.00	2,254,590	100.00
Securities at amortized cost				
Government and government sponsored institutions	591,545	60.09	331,116	60.35
Banking and insurance	180,772	18.36	175,773	32.04
Others	212,081	21.55	41,746	7.61
Subtotal	984,398	100.00	548,635	100.00
Hedging derivative assets				
Banking and insurance	561,911	100.00	1,499,766	100.00
Total	₩ 7,217,098		₩ 7,654,610	

- 4) Concentration of credit risk of financial assets at FVTPL and financial investments (debt securities) by country as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec. 31, 2021		Dec. 31, 2020	
	Amount	Ratio (%)	Amount	Ratio (%)
Financial Assets at FVTPL				
Korea	₩ 1,927,706	78.66	₩ 2,630,322	78.48
Others	523,111	21.34	721,297	21.52
Subtotal	2,450,817	100.00	3,351,619	100.00
Financial Assets at FVOCI				
Korea	1,457,518	45.26	1,301,209	57.71
Others	1,762,454	54.74	953,381	42.29
Subtotal	3,219,972	100.00	2,254,590	100.00
Securities at amortized cost				
Korea	301,465	30.62	215,517	39.28
Others	682,933	69.38	333,118	60.72
Subtotal	984,398	100.00	548,635	100.00
Hedging derivative assets				
Korea	180,630	32.15	451,793	30.12
Others	381,281	67.85	1,047,973	69.88
Subtotal	561,911	100.00	1,499,766	100.00
Total	₩ 7,217,098		₩ 7,654,610	

5) Credit enhancement and its financial effect as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	Loans (*1)	Acceptances and guarantees	Unused loan commitments	Total	Ratio (%)
Maximum exposure to credit risk	₩ 78,063,160	₩ 40,446,127	₩ 31,767,536	₩ 150,276,823	100.00
Credit enhancement:					
Deposits and savings	432,085	92,230	20,650	544,965	0.36
Export guarantee insurance	377,225	-	2,270	379,495	0.25
Guarantee	1,893,036	2,438,289	79,876	4,411,201	2.94
Securities	116,172	54,379	3,000	173,551	0.12
Real estate	2,400,490	520,125	458,279	3,378,894	2.25
Ships	761,363	137,849	-	899,212	0.60
Others	296,582	-	-	296,582	0.19
Subtotal	6,276,953	3,242,872	564,075	10,083,900	6.71
Exposure to credit risk after deducting credit enhancement	₩ 71,786,207	₩ 37,203,255	₩ 31,203,461	₩ 140,192,923	93.29

(*1) Loans exclude loan valuation adjusted related to fair value hedging.

(December 31, 2020)

	Loans (*1)	Acceptances and guarantees	Unused loan commitments	Total	Ratio (%)
Maximum exposure to credit risk	₩ 73,883,907	₩ 34,916,288	₩ 25,691,164	₩ 134,491,359	100.00
Credit enhancement:					
Deposits and savings	206,962	43,175	39,025	289,162	0.22
Export guarantee insurance	-	947,590	7,818	955,408	0.71
Guarantee	1,884,040	1,699,941	353,972	3,937,953	2.93
Securities	227,473	433,001	-	660,474	0.49
Real estate	2,676,242	476,773	19,210	3,172,225	2.36
Ships	697,744	175,893	41,237	914,874	0.68
Others	629,897	-	2,859	632,756	0.47
Subtotal	6,322,358	3,776,373	464,121	10,562,852	7.86
Exposure to credit risk after deducting credit enhancement	₩ 67,561,549	₩ 31,139,915	₩ 25,227,043	₩ 123,928,507	92.14

(*1) Loans exclude loan valuation adjusted related to fair value hedging.

4-3. Liquidity risk

(1) Overview of liquidity risk

Liquidity risk is the risk that the Consolidated Entity is unable to meet its payment obligations arising from financial liabilities as they become due. The Consolidated Entity discloses all financial asset, financial liabilities, off-balance-sheet items, such as loan commitments, and analysis of the contractual maturity, which are related to liquidity risk, into seven categories. The cash flows disclosed in the maturity analysis are undiscounted contractual amounts, including principal and future interest, which resulted in disagreement with the discounted cash flows included in the consolidated statements of financial position. However, for derivatives, each discounted cash flow consisting of current fair value is presented.

(2) Principles of the liquidity risk management

- 1) Liquidity risk is managed with integration. The Consolidated Entity measures, reports and controls liquidity risk by quantification with reasonable method.
- 2) Liquidity risk reflects financing plans and fund using plans, and the Consolidated Entity reports the liquidity risk with preciseness, timeliness and consistency.
- 3) The Consolidated Entity establishes liquidity risk managing strategy by analyzing liquidity maturity, liquidity gap structure and market environment.

(3) Liquidity risk management

Risk management department monitors changes by liquidity risk sources and compliance of risk limits. It notifies related departments to prepare countermeasures in case the measured liquidity risk is close to risk limits. Also, it analyzes crisis situations and effects of the crisis situations, and reports to the Risk Management Committee on a regular basis. Each related department monitors changes of liquidity risk sources and compliance of risk limits by itself, and if exposure to new risk is expected, it discusses the matter with the head of risk management department.

(4) Measurement of liquidity risk

The Consolidated Entity measures liquidity ratio, liquidity gap ratio and others for local currency and foreign currency, and simulates analysis reflecting market environment, product features and the Consolidated Entity's strategies.

(5) Analysis on remaining contractual maturity of financial liabilities and off-balance-sheet items

Remaining contractual maturity and amount of financial liabilities and off-balance-sheet items as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	On demand	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 year to 5 years	Over 5 years	Total
Financial liabilities:								
Financial liabilities at FVTPL	₩ 768,115	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 768,115
Hedging derivative liabilities	-	-	23,753	8,085	85,607	369,482	174,130	661,057
Borrowings	-	1,311,894	1,948,141	1,344,908	952,967	858,170	26,839	6,442,919
Debentures	-	2,726,529	4,083,166	6,716,159	14,114,830	43,283,095	11,094,508	82,018,287
Other financial liabilities	-	690,413	1,934	161	8,305	94,195	1,036,295	1,831,303
Total	₩ 768,115	₩ 4,728,836	₩ 6,056,994	₩ 8,069,313	₩ 15,161,709	₩ 44,604,942	₩ 12,331,772	₩ 91,721,681
Off-balance sheet items (*1):								
Commitments	₩ 31,767,536	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 31,767,536
Financial guarantee contracts	12,126,814	-	-	-	-	-	-	12,126,814
Total	₩ 43,894,350	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 43,894,350

(*1) Financial guarantees and loan commitments provided by the Consolidated Entity have maturities. The Consolidated Entity should fulfill the obligation immediately when the counter party requests payments.

(December 31, 2020)

	On demand	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 year to 5 years	Over 5 years	Total
Financial liabilities:								
Financial liabilities at FVTPL	₩ 753,591	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 753,591
Hedging derivative liabilities	-	24,087	23,878	56,425	41,361	188,486	84,733	418,970
Borrowings	-	437,228	709,043	2,560,822	1,565,886	1,491,018	71,221	6,835,218
Debentures	-	2,530,630	5,546,667	6,642,817	12,260,797	37,380,189	12,202,465	76,563,565
Other financial liabilities	1,045	1,190,630	216	72	49,836	197,182	934,544	2,373,525
Total	₩ 754,636	₩ 4,182,575	₩ 6,279,804	₩ 9,260,136	₩ 13,917,880	₩ 39,256,875	₩ 13,292,963	₩ 86,944,869
Off-balance sheet items (*1):								
Commitments	₩ 25,691,164	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 25,691,164
Financial guarantee contracts	12,097,063	-	-	-	-	-	-	12,097,063
Total	₩ 37,788,227	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 37,788,227

(*1) Although financial guarantees and loan commitments provided by the Consolidated Entity have maturities, the Consolidated Entity should fulfill the obligation immediately when the counter party requests payments.

4-4. Market risk

(1) Overview of market risk

1) Definition of market risk

Market risk is the risk of possible losses that arise from the changes of market factors, such as interest rate, stock price, foreign exchange rate, commodity value. The Consolidated Entity classifies exposures to market risk into either foreign exchange rate risk or interest rate risk. Foreign exchange risk is the possible losses on assets and liabilities denominated in foreign currencies due to changes of foreign exchange rate. Interest rate risk is the possible losses on assets and liabilities due to changes of interest rate.

2) Market risk management group

The Consolidated Entity operates the Risk Management Committee and the Risk Management Council for managing risks and risk limits. The Risk Management Practices Committee assists the Risk Management Committee and the Risk Management Council for practical matters, such as managing adequate assets and liabilities by analyzing foreign exchange risk, interest rate risk, liquidity risk and effects by initiating new product. Market risk is managed by product and currency for minimizing segments exposed to changes of foreign exchange, interest rate and securities' price. Foreign exchange risk is measured by definite method. Interest rate risk is measured by IRRBB standards, definite method and probabilistic method and definite method is used for limits management. Meanwhile, the Consolidated Entity performs financial crisis analysis supposing exceptional, but possible events for evaluating latent weakness. The analysis is used for important decision making, such as risk mitigation, emergency plan development and limit setup. The results of the analysis are reported to the board of directors and management on a quarterly basis.

(2) Foreign exchange risk

1) Management of foreign exchange risk

Foreign exchange risk management limit is set up and a risk management division head monitors changes of foreign exchange risk by source and compliance of risk limits regularly. A finance division head also monitors changes of foreign exchange risk by source and compliance of risk limits. The finance division head needs to cooperate with the risk management division head in case it is expected that the Consolidated Entity will be exposed to a new risk. The risk management division head orders related divisions to prepare countermeasures in case it is apprehended that foreign exchange risk exceeds risk limit. If foreign exchange risk exceeds the risk limit, the risk management division head orders related divisions to prepare countermeasures and reports to Risk Management Committee after resolving the exceeded limit problem.

2) Measurement of foreign exchange risk

Foreign exchange risk is managed by foreign exchange VaR and foreign exchange position. Foreign exchange VaR is measured on a monthly basis and foreign exchange position is measured on a daily basis. It is measured separately by currency for assets and liabilities denominated in foreign currencies exceeding 5% of total assets and liabilities denominated in foreign currencies.

3) Measurement method

① Value at Risk (VaR)

The Consolidated Entity uses a yearly VaR to measure market risk. The yearly VaR is a statistically estimated maximum amount of loss that could occur in one year under normal distribution of financial variables. The Consolidated Entity calculates VaR using equal weighted-average method based on historical changes in market rates, prices and volatilities over the previous five years data and measures VaR at a 99% single tail confidence level. VaR is a commonly used market risk management technique. However, the method has some shortcomings.

VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, as there may be conditions and circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses can be different, depending on the assumptions made at the time of calculation. In addition, the time periods used for the model, generally one day or 10 days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss.

② Stress testing

The stress testing is carried out to analyze the abnormal market situation reflecting intrinsic volatility of foreign exchange that has significant influence on the value of portfolio.

③ Results of measurement

Results of foreign exchange VaR as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec. 31, 2021				Dec. 31, 2020			
	Average	Minimum	Maximum	Ending	Average	Minimum	Maximum	Ending
Foreign exchange risk	₩ 30,800	₩ 11,568	₩ 56,546	₩ 11,568	₩ 55,957	₩ 10,811	₩ 91,200	₩ 10,811

Results of foreign exchange VaR as of December 31, 2021 are ₩730 million, ₩83 million, ₩190 million and ₩71 million for KEXIM Bank UK Limited, KEXIM Asia Limited, PT, KEXIM Mandiri Finance and KEXIM Vietnam Leasing Co., respectively.

(3) Interest rate risk

1) Management of interest rate risk

Interest rate risk management limit is set up and included in internal capital management limit. A risk management division head monitors changes of interest rate risk by source and compliance of risk limits regularly. A finance division head also monitors changes of interest rate risk by source and compliance of risk limits. The finance division head needs to cooperate with the risk management division head in case it is expected that the Consolidated Entity will be exposed to a new risk. The risk management division head orders related divisions to prepare countermeasures in case it is apprehended that interest rate risk exceeds risk limit. If interest rate risk exceeds the risk limit, the risk management division head orders related divisions to prepare countermeasures and reports to Risk Management Committee after resolving the exceeded limit problem.

2) Measurement of interest rate risk

Interest rate risk is managed by measuring Δ NII (Change in Net Interest Income) and Δ EVE (Change in Economic Value of Equity) and uses interest rate sensitivity gap and duration gap as supplementary index. Δ NII and Δ EVE are measured on a monthly basis, and interest rate sensitivity gap and duration gap are measured on a daily basis. The Consolidated Entity simulates analysis reflecting market environment, product features and the Consolidated Entity's strategies.

3) Measurement method

① Change in Economic Value of Equity (Δ EVE)

The Consolidated Entity uses a yearly Δ EVE to measure interest rate risk. The yearly Δ EVE is the maximum amount of loss that could occur in one year under normal distribution of financial variables. The Consolidated Entity calculates the yearly Δ EVE by using variance-covariance method at a 99% single tail confidence level based on the previous five years data using equal weighted-average method.

ΔEVE estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, as there may be conditions and circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses can be different depending on the assumptions made at the time of calculation.

② Stress testing

The stress testing is carried out to analyze the abnormal market situation reflecting intrinsic volatility of interest rate that has significant influence on the value of portfolio, and is performed at least once in every quarter.

③ Results of measurement

Results of interest rate VaR as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec. 31, 2021				Dec. 31, 2020			
	Average	Minimum	Maximum	Ending	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 29,584	₩ 9,393	₩ 75,882	₩ 36,540	₩ 29,669	₩ 15,452	₩ 47,859	₩ 38,356

Results of interest rate VaR as of December 31, 2021 are ₩9,731 million, ₩9,247 million, ₩273 million and ₩1,660 million for KEXIM Bank UK Limited, KEXIM Asia Limited, PT, KEXIM Mandiri Finance and KEXIM Vietnam Leasing Co., respectively.

(4) Interest rate risk management

The Bank is closely monitoring the outputs of various industry groups and markets that manage the transition to the new interest rate benchmark, including announcements by IBOR regulation authority and various consultative bodies related to the transition to alternative interest rate. In response to these announcements, The Bank has completed most of the transition and replacement according to IBOR transition programs and plans consisting of major business areas such as finance, accounting, tax, legal, IT, and risk. The program is under the control of the CFO and related matters are reported to the board of directors. The purpose of the plan is to identify the impacts and risks associated with the index interest rate benchmark reform within the business, and to prepare and implement an action plan to facilitate the transition to alternative indicator interest rate. The Bank aims to finalize its response plan by 2022.

The carrying amount of financial instruments that have not been converted to alternative indicator interest rate as of December 31, 2021 is as follows (Korean won in millions):

Detail	Exposure Amount(*1)			
	USD	EUR	GBP	Others
Non-derivative financial assets				
Securities at FVTPL	₩ 100,422	₩ -	₩ -	₩ -
Securities at FVOCI	3,580	-	-	-
Loans at amortized cost	27,837,151	-	-	-
Acceptances and guarantee contracts(*2)	9,783,391	-	-	-
Derivative(*2)	43,657,624	-	523,226	-
Non-derivative financial liabilities				
Financial liabilities at amortized cost				
Borrowings	341,424	-	-	-

(*1) Exposure amount exclude financial instruments that will disappear before converting to alternative indicator interest rate.

(*2) Guarantees and derivatives are based on the nominal amount.

4-5. Capital risk

The Consolidated Entity follows the standard of capital adequacy established by the Financial Services Commission. The standard is based on Basel III, which was established by Basel Committee on Banking Supervision in BIS. In Korea, this standard has been followed since December 2013.

According to the standard, the Consolidated Entity should maintain at least 8% or above of BIS capital ratio for risk-weighted asset and quarterly report BIS capital ratio to the FSS.

According to Korean Banking Supervision rules for operations, the Consolidated Entity's capitals are mainly divided into two categories:

- 1) Tier 1 capital (basic capital): Basic capital is composed of capital stock-common and other basic capital. Capital stock-common includes common stock satisfied with qualifications, capital surplus, retained earnings, accumulated other comprehensive income, other reserves and non-controlling interests among the common stock of consolidated subsidiaries. Other basic capital includes securities and capital surplus satisfied with qualifications.
- 2) Tier 2 capital (supplementary capital): Supplementary capital is composed of the securities and capital surplus satisfied with qualifications, non-controlling interests among the securities of consolidated subsidiaries and the amounts of less than below 1.25% of credit risk-weighted asset like allowance for credit losses in respect of credits classified as normal or precautionary.

The risk-weighted asset includes intrinsic risks in total assets, errors of internal operation processes and loss risk from external events. It indicates a size of assets reflecting the level of risks that the Consolidated Entity bears. The Consolidated Entity computes the risk-weighted asset by risks (credit, market and operational risk) and uses it for calculation of BIS capital ratio.

BIS capital ratio of the Consolidated Entity as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Core capital	₩ 15,185,119	₩ 14,522,972
Supplementary capital	1,787,606	1,821,130
Total	<u>₩ 16,972,725</u>	<u>₩ 16,344,102</u>
Risk-weighted assets	₩ 114,400,686	₩ 108,052,323
Capital ratio	14.84%	15.13%

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

5-1. Classification and fair value

- (1) Carrying amount and fair values of financial instruments as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec. 31, 2021		Dec. 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and due from financial institutions	₩ 4,524,601	₩ 4,524,601	₩ 4,094,218	₩ 4,094,168
Financial assets at FVTPL	2,598,204	2,598,204	3,478,834	3,478,834
Hedging derivative assets	561,911	561,911	1,499,766	1,499,766
Loans at amortized cost	78,060,437	78,060,689	73,869,525	74,528,038
Financial assets at FVOCI	12,257,809	12,257,809	10,856,628	10,856,628
Securities at amortized cost	984,245	999,456	548,539	558,273
Other financial assets	844,941	845,231	797,737	797,737
	<u>99,832,148</u>	<u>99,847,901</u>	<u>95,145,247</u>	<u>95,813,444</u>
Financial liabilities:				
Financial liabilities at FVTPL	768,115	768,115	753,591	753,591
Hedging derivative liabilities	661,057	661,057	418,970	418,970
Borrowings	6,288,123	6,294,711	6,562,171	6,557,143
Debentures	76,486,053	77,379,590	72,641,777	73,332,650
Other financial liabilities	1,831,303	1,831,303	2,373,525	2,373,525
	<u>₩ 86,034,651</u>	<u>₩ 86,934,776</u>	<u>₩ 82,750,034</u>	<u>₩ 83,435,879</u>

Fair value is the amount at which the assets could be exchanged, or the liabilities could be settled in transaction between knowledgeable and willing independent parties. For each class of financial assets and financial liabilities, the Consolidated Entity discloses the fair value of that class of assets and liabilities in a way that permits them to be compared with their carrying amount at the end of each reporting period. The best estimated fair value is the published price quotation in an active market.

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

Financial instruments	Method of measuring fair value
Loans and receivables	As demand deposits and transferable deposits do not have maturity and are readily convertible to cash, the carrying amount of these deposits approximate their fair values. Fair values of the deposits with the maturity of more than one year are determined by discounted cash flow model (“DCF model”). DCF model is also used to determine the fair value of loans. Fair value is determined by discounting the cash flows expected from each contractual period by applying the discount rates for each period.
Investment securities	Trading financial assets and liabilities and AFS financial assets are measured at fair value using a quoted market price in an active market. If a quoted market price is not available, they are measured by using a price quoted by a third party, such as a pricing service or broker with the DCF model.
Derivatives	For exchange traded derivative, quoted price in active market is used to determine fair value and for OTC derivative, fair value is determined primarily using the DCF model. The Consolidated Entity uses internally developed valuation models that are widely used by market participants to determine fair value of plain OTC derivatives, including option, interest rate swap, and currency swap based on observable market parameters. However, some complex financial instruments are valued using the results of independent pricing services, where part or all of the inputs are not observable in the market.
Borrowings	Fair value is determined using DCF model discounting contractual future cash flows by appropriate discount rate.
Debentures	Fair value of debentures denominated in local currency is determined by using the valuation of independent third-party pricing services in accordance with the market prices that are quoted in active markets. Fair value of debentures denominated in foreign currency is determined by DCF model.

Fair values of financial assets and financial liabilities classified as fair value Level 3 of the fair value hierarchy are determined by using the valuation of independent third-party pricing services. Meanwhile, carrying amount of other financial assets and financial liabilities are regarded as an approximation of fair values.

(2) Fair value hierarchy

1) The Consolidated Entity classifies financial instruments as three levels of fair value hierarchy as below.

Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value Level 1. This level includes listed equity securities, derivatives, and government bonds traded in an active exchange market.

Level 2: Financial instruments measured using valuation techniques, where all significant inputs are observable market data are classified as Level 2. This level includes the majority of debt and general OTC derivatives, such as swap, futures and options.

Level 3: Financial instruments measured using valuation techniques, where one or more significant inputs are not based on observable market data are classified as Level 3. This level includes unlisted equity securities, structured bonds and over-the-counter derivatives.

2) Fair value hierarchy of financial assets and financial liabilities, which are not measured at fair value as of December 31, 2021, and 2020, are as follows (Korean won in millions):

(December 31, 2021)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and due from financial institutions	₩ 3,180,289	₩ -	₩ 1,344,312	4,524,601
Loans at amortized cost	-	-	78,060,689	78,060,689
Securities at amortized cost	-	999,456	-	999,456
Other financial assets	-	-	845,231	845,231
Total	<u>₩ 3,180,289</u>	<u>₩ 999,456</u>	<u>₩ 80,250,232</u>	<u>₩ 84,429,977</u>
Financial liabilities:				
Borrowings	₩ -	₩ 6,294,711	₩ -	₩ 6,294,711
Debentures	-	77,379,590	-	77,379,590
Other financial liabilities	-	-	1,831,303	1,831,303
Total	<u>₩ -</u>	<u>₩ 83,674,301</u>	<u>₩ 1,831,303</u>	<u>₩ 85,505,604</u>

(December 31, 2020)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and due from financial institutions	₩ 2,340,396	₩ -	₩ 1,753,772	₩ 4,094,168
Loans at amortized cost	-	-	74,528,038	74,528,038
Securities at amortized cost	-	558,273	-	558,273
Other financial assets	-	-	797,737	797,737
Total	<u>₩ 2,340,396</u>	<u>₩ 558,273</u>	<u>₩ 77,079,547</u>	<u>₩ 79,978,216</u>
Financial liabilities:				
Borrowings	₩ -	₩ 6,557,143	₩ -	₩ 6,557,143
Debentures	-	73,332,650	-	73,332,650
Other financial liabilities	-	-	2,373,525	2,373,525
Total	<u>₩ -</u>	<u>₩ 79,889,793</u>	<u>₩ 2,373,525</u>	<u>₩ 82,263,318</u>

3) Fair value hierarchy of financial assets and liabilities measured at fair value as of December 31, 2021, and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ -	₩ 1,745,970	₩ 852,234	₩ 2,598,204
Hedging derivative assets	-	546,296	15,615	561,911
Financial assets at FVOCI	125,624	3,219,972	8,912,213	12,257,809
	<u>₩ 125,624</u>	<u>₩ 5,512,238</u>	<u>₩ 9,780,062</u>	<u>₩ 15,417,924</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 516,985	₩ 251,130	₩ 768,115
Hedging derivative liabilities	-	527,610	133,447	661,057
	<u>₩ -</u>	<u>₩ 1,044,595</u>	<u>₩ 384,577</u>	<u>₩ 1,429,172</u>

(December 31, 2020)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ -	₩ 2,954,733	₩ 524,101	₩ 3,478,834
Hedging derivative assets	-	1,425,219	74,547	1,499,766
Financial assets at FVOCI	168,171	2,254,590	8,433,867	10,856,628
	<u>₩ 168,171</u>	<u>₩ 6,634,542</u>	<u>₩ 9,032,515</u>	<u>₩ 15,835,228</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 687,538	₩ 66,053	₩ 753,591
Hedging derivative liabilities	-	366,212	52,758	418,970
	<u>₩ -</u>	<u>₩ 1,053,750</u>	<u>₩ 118,811</u>	<u>₩ 1,172,561</u>

- 4) The valuation techniques and input variables of Level 2 financial instruments subsequently not measured at fair value as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	Fair value	Valuation techniques	Input variables
Financial assets			
Financial assets at amortized cost			
Debt securities	₩ 999,456	DCF Model	Discount rate
Financial liabilities			
Borrowings	6,294,711	DCF Model	Discount rate
Debentures	77,379,590	DCF Model	Discount rate

(December 31, 2020)

	Fair value	Valuation techniques	Input variables
Financial assets			
Financial assets at amortized cost			
Debt securities	₩ 558,273	DCF Model	Discount rate
Financial liabilities			
Borrowings	6,557,143	DCF Model	Discount rate
Debentures	73,332,650	DCF Model	Discount rate

- 5) The valuation techniques and input variables of Level 3 financial instruments subsequently not measured at fair value as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	Fair value	Valuation techniques	Input variables
Financial assets			
Cash and due from financial institutions	₩ 1,344,312	DCF Model	Discount rate
Loans at amortized cost	78,060,689	DCF Model	Discount rate
Other financial assets	845,231	DCF Model	Discount rate
Financial liabilities			
Other financial liabilities	1,831,303	DCF Model	Discount rate

(December 31, 2020)

	Fair value	Valuation techniques	Input variables
Financial assets			
Cash and due from financial institutions	₩ 1,753,772	DCF Model	Discount rate
Loans at amortized cost	74,528,038	DCF Model	Discount rate
Other financial assets	797,737	DCF Model	Discount rate
Financial liabilities			
Other financial liabilities	2,373,525	DCF Model	Discount rate

- 6) The valuation techniques and input variables of Level 2 financial instruments subsequently measured at fair value as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	Fair value	Valuation techniques	Input variables
Financial assets			
Financial assets at FVTPL:			
Debt securities	₩ 1,042,384	DCF Model	Discount rate
Derivative assets for trading	703,586	DCF Model	Discount rate
Hedging derivative assets	546,296	DCF Model	Discount rate
Financial assets at FVOCI:			
Debt securities	3,219,972	DCF Model	Discount rate
Financial liabilities			
Financial liabilities at FVTPL:			
Derivative liabilities for trading	516,985	DCF Model	Discount rate
Hedging derivative liabilities	527,610	DCF Model	Discount rate

(December 31, 2020)

	Fair value	Valuation techniques	Input variables
Financial assets			
Financial assets at FVTPL:			
Debt securities	₩ 2,018,929	DCF Model	Discount rate
Derivative assets for trading	935,804	DCF Model	Discount rate
Hedging derivative assets	1,425,219	DCF Model	Discount rate
Financial assets at FVOCI:			
Debt securities	2,254,590	DCF Model	Discount rate
Financial liabilities			
Financial liabilities at FVTPL:			
Derivative liabilities for trading	687,538	DCF Model	Discount rate
Hedging derivative liabilities	366,212	DCF Model	Discount rate

7) The valuation techniques and significant unobservable input variables of Level 3 financial instruments subsequently measured at fair value as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	Fair value (Korean won in million)	Valuation techniques	Significant unobservable input factors	Range	Relationship between unobservable input factors and fair value estimates
Financial assets at FVTPL:					
Unlisted stock	₩ 7,957				
Beneficiary certificates	448,477	NAV Methods	-	-	-
Paid-in capital	139,430				
Loans	5,505	LSMC Simulation	Volatility	17.54%	If volatility is increased(decreased), fair value is increased (decreased).
Derivatives	250,865	Binomial Model Hull-White Model	Volatility Correlation	22.62% -0.8 ~ 1.0	If volatility is increased(decreased)/ if correlation is increased(decreased), fair value is increased (decreased).
Hedging derivative assets					
Derivatives	₩ 15,615	Hull-White Model	Correlation	-0.8 ~ 1.0	If correlation is increased(decreased), fair value is increased (decreased).
Financial assets at FVOCI:					
Unlisted stock	₩ 8,886,980	DCF Model Binomial Model CCA Methods NAV Methods	Discount rate Growth rate Volatility	7.69% ~ 15.41% 1% 22.62% ~ 25.09%	If discount rate is decreased (increased)/ if growth rate is increased (decreased)/ if volatility is increased(decreased), fair value is increased (decreased).
Paid-in capital	25,233	NAV Methods	-		-
Financial liabilities at FVTPL:					
Derivatives	₩ 251,130	Binomial Model Hull-White Model	Volatility Correlation	22.62% -0.8 ~ 1.0	If volatility is increased(decreased)/ if correlation is increased(decreased), fair value is increased (decreased).
Hedging derivative liabilities					
Derivatives	₩ 133,447	Hull-White Model	Correlation	-0.8 ~ 1.0	If volatility is increased(decreased), fair value is increased (decreased).

(December 31, 2020)

	Fair value (Korean won in million)	Valuation techniques	Significant unobservable input factors	Range	Relationship between unobservable input factors and fair value estimates
Financial assets at FVTPL:					
Unlisted stock	₩ 8,669				
Beneficiary certificates	308,468	NAV Methods	-	-	-
Paid-in capital	118,546				
Loans	10,423	LSMC Simulation	Volatility	22.64%	If volatility is increased(decreased), fair value is increased (decreased).
Derivatives	77,995	Binomial Model Hull-White Model	Volatility Correlation	22.84% -0.8 ~ 1.0	If volatility is increased(decreased)/ if correlation is increased(decreased), fair value is increased (decreased).
Hedging derivative assets					
Derivatives	₩ 74,547	Hull-White Model	Correlation	-0.8 ~ 1.0	If correlation is increased(decreased), fair value is increased (decreased).
Financial assets at FVOCI:					
Unlisted stock	₩ 8,412,404	DCF Model Binomial Model CCA Methods NAV Methods	Discount rate Growth rate Volatility	7.82% ~ 15.29% 1% 22.84% ~ 32.60%	If discount rate is decreased (increased)/ if growth rate is increased (decreased)/ if volatility is increased(decreased), fair value is increased (decreased).
Paid-in capital	21,463	NAV Methods	-		-
Financial liabilities at FVTPL:					
Derivatives	₩ 66,053	Binomial Model Hull-White Model	Volatility Correlation	22.84% -0.8 ~ 1.0	If volatility is increased(decreased)/ if correlation is increased(decreased), fair value is increased (decreased).
Hedging derivative liabilities					
Derivatives	₩ 52,758	Hull-White Model	Correlation	-0.8 ~ 1.0	If volatility is increased(decreased), fair value is increased (decreased).

8) Changes in Level 3 financial assets measured at fair value for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(2021)

	Beginning balance	Profit (Loss)	Other comprehen- sive income (loss)	Purchases/ Issues	Sales/ Settlements	Transfers into Level 3 / Transfers out of Level 3	Ending balance
Financial assets							
Securities at FVTPL	₩ 435,683	₩ 23,294	₩ -	₩ 174,683	₩ (37,796)	₩ -	₩ 595,864
Loans at FVTPL	10,423	505	-	5,000	(10,423)	-	5,505
Derivative assets for trading	77,995	84,501	-	89,495	(1,126)	-	250,865
Hedging derivative assets	74,547	(45,424)	-	-	(13,508)	-	15,615
Financial assets at FVOCI	8,433,866	-	170,286	380,521	(72,460)	-	8,912,213
Total	₩ 9,032,514	₩ 62,876	₩ 170,286	₩ 649,699	₩ (135,313)	₩ -	₩ 9,780,062
Financial liabilities							
Derivative liabilities for trading	₩ 66,053	₩ 96,708	₩ -	₩ 89,495	₩ (1,126)	₩ -	₩ 251,130
Hedging derivative liabilities	52,758	58,888	-	21,801	-	-	133,447
Total	₩ 118,811	₩ 155,596	₩ -	₩ 111,296	₩ (1,126)	₩ -	₩ 384,577

(2020)

	Beginning balance	Profit (Loss)	Other comprehen- sive income (loss)	Purchases/ Issues	Sales/ Settlements	Transfers into Level 3 / Transfers out of Level 3	Ending balance
Financial assets							
Securities at FVTPL	₩ 329,105	₩ 1,474	₩ -	₩ 157,057	₩ (51,953)	₩ -	₩ 435,683
Loans at FVTPL	11,074	191	-	-	(842)	-	10,423
Derivative assets for trading	195,338	(52,212)	-	18,250	(83,381)	-	77,995
Hedging derivative assets	22,686	51,861	-	-	-	-	74,547
Financial assets at FVOCI	7,957,930	-	267,138	208,798	-	-	8,433,866
Total	₩ 8,516,133	₩ 1,314	₩ 267,138	₩ 384,105	₩ (136,176)	₩ -	₩ 9,032,514
Financial liabilities							
Derivative liabilities for trading	₩ 190,902	₩ (59,718)	₩ -	₩ 18,250	₩ (83,381)	₩ -	₩ 66,053
Hedging derivative liabilities	58,298	(5,945)	-	14,976	(14,571)	-	52,758
Total	₩ 249,200	₩ (65,663)	₩ -	₩ 33,226	₩ (97,952)	₩ -	₩ 118,811

- 9) 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 for financial instruments held at the end of year in the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	Net gain (loss) from financial investments			
	2021		2020	
Total gains (losses) on financial assets held at the end of year	₩	62,876	₩	1,314
Total gains (losses) on financial liabilities held at the end of year		155,596		(65,663)
Total gains (losses) included in profit or loss for the year		218,472		(64,349)

- 10) The sensitivity of fair value analysis for the Level 3 financial instruments

The Consolidated Entity performed the sensitivity analysis for the Level 3 financial instruments which fair value would be measured differently upon reasonably possible alternative assumptions. The Consolidated Entity classified the effect from changes upon the alternative assumptions into favorable effect and unfavorable effect and presented the most favorable effect or the most unfavorable effect in the table hereunder. Stocks are the financial instruments subject to sensitivity analysis, which are classified as Level 3 and in which changes in fair value are recognized as other comprehensive income. Meanwhile, equity instruments which are recognized as cost among the financial instruments which are classified as Level 3 are excluded in the sensitivity analysis.

Sensitivity analysis details per market risk variable of each Level 3 financial instrument held and measured at fair value as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Details(*1)	Profit or loss		Other comprehensive income(loss)	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:				
Loans at FVTPL (*2)	₩	-	₩	-
Derivative assets for trading (*2)		53		(57)
Financial assets at FVOCI (*2,3)		-		24,258
Total	₩	53	₩	(57)
Financial liabilities:				
Derivative liabilities for trading (*2)	₩	15	₩	(14)

(December 31, 2020)

Details(*1)	Profit or loss		Other comprehensive income(loss)	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:				
Loans at FVTPL (*2)	₩	43	₩	(30)
Derivative assets for trading (*2)		4		(4)
Financial assets at FVOCI (*2,3)		-		32,469
Total	₩	47	₩	(34)
Financial liabilities:				
Derivative liabilities for trading (*2)	₩	257	₩	(254)

(*1) The above level 3 financial instruments exclude which are practically impossible to perform sensitivity analysis effected by input variables amounting to ₩(649,942) million and ₩(267,920)million as of December 31, 2021 and 2020, respectively.

(*2) Changes in fair value are computed by increasing or decreasing the volatility of the underlying asset by 10%, which are unobservable inputs.

(*3) Changes in fair value of stocks are computed by increasing or decreasing growth rate by 0.5% and discount rate by 1%, which are unobservable inputs.

5-2. Classification by category of financial instruments

Carrying amount of each category of financial assets and financial liabilities as of December 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

(December 31, 2021)

	Financial assets at FVTPL	Financial assets at amortized cost	Financial assets at FVOCI	Hedging derivative assets	Total
Financial assets:					
Cash and due from financial institutions	₩ -	₩ 4,524,601	₩ -	₩ -	₩ 4,524,601
Financial assets at FVTPL	2,598,204	-	-	-	2,598,204
Hedging derivative assets	-	-	-	561,911	561,911
Loans at amortized cost	-	78,060,437	-	-	78,060,437
Financial investments	-	984,245	12,257,809	-	13,242,054
Other financial assets	-	844,941	-	-	844,941
Total	₩ 2,598,204	₩ 84,414,224	₩ 12,257,809	₩ 561,911	₩ 99,832,148

	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Hedging derivative liabilities	Total
Financial liabilities:				
Financial liabilities at FVTPL	₩ 768,115	₩ -	₩ -	₩ 768,115
Hedging derivative liabilities	-	-	661,057	661,057
Borrowings	-	6,288,123	-	6,288,123
Debentures	-	76,486,053	-	76,486,053
Other financial liabilities	-	1,831,303	-	1,831,303
Total	₩ 768,115	₩ 84,605,479	₩ 661,057	₩ 86,034,651

(December 31, 2020)

	Financial assets at FVTPL	Financial assets at amortized cost	Financial assets at FVOCI	Hedging derivative assets	Total
Financial assets:					
Cash and due from financial institutions	₩ -	₩ 4,094,218	₩ -	₩ -	₩ 4,094,218
Financial assets at FVTPL	3,478,834	-	-	-	3,478,834
Hedging derivative assets	-	-	-	1,499,766	1,499,766
Loans at amortized cost	-	73,869,525	-	-	73,869,525
Financial investments	-	548,539	10,856,628	-	11,405,167
Other financial assets	-	797,737	-	-	797,737
Total	₩ 3,478,834	₩ 79,310,019	₩ 10,856,628	₩ 1,499,766	₩ 95,145,247

	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Hedging derivative liabilities	Total
Financial liabilities:				
Financial liabilities at FVTPL	₩ 753,591	₩ -	₩ -	₩ 753,591
Hedging derivative liabilities	-	-	418,970	418,970
Borrowings	-	6,562,171	-	6,562,171
Debentures	-	72,641,777	-	72,641,777
Other financial liabilities	-	2,373,525	-	2,373,525
Total	₩ 753,591	₩ 81,577,473	₩ 418,970	₩ 82,750,034

5-3. Offset of financial instruments

The Consolidated Entity holds the financial instruments, receivable and payable spot exchange which grant it the rights to offset in case of default, insolvency, or bankruptcy of the counterparties though it does not meet the criteria for offsetting of K-IFRS No. 1032. Cash collaterals do not meet the offsetting criteria in K-IFRS No. 1032, but they can be set off with net amounts of financial instruments, receivable and payable spot exchange.

The effects of netting agreements as of December 31, 2021 and 2020 are as follow (Korean won in millions):

(December 31, 2021)

	Gross amounts of recognized financial assets (liabilities)	Gross amounts of recognized financial liabilities (assets) to be setoff	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position	Amount that is not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Financial assets:						
Derivatives	₩ 1,515,937	₩ -	₩ 1,515,937	₩ (551,646)	₩ (267,064)	₩ 697,227
Receivable spot exchange	694,561	-	694,561	(655,426)	-	39,135
Total	<u>₩ 2,210,498</u>	<u>₩ -</u>	<u>₩ 2,210,498</u>	<u>₩ (1,207,072)</u>	<u>₩ (267,064)</u>	<u>₩ 736,362</u>
Financial liabilities:						
Derivatives	₩ 1,428,482	-	1,428,482	₩ (551,646)	₩ (261,248)	₩ 615,588
Securities sold under repurchase agreement	655,426	-	655,426	(655,426)	-	-
Total	<u>₩ 2,083,908</u>	<u>-</u>	<u>₩ 2,083,908</u>	<u>₩ (1,207,072)</u>	<u>₩ (261,248)</u>	<u>₩ 615,588</u>

(December 31, 2020)

	Gross amounts of recognized financial assets (liabilities)	Gross amounts of recognized financial liabilities (assets) to be setoff	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position	Amount that is not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Financial assets:						
Derivatives	₩ 2,510,945	₩ -	₩ 2,510,945	₩ (699,981)	₩ (878,186)	₩ 932,778
Financial investments	56,628	-	56,628	(52,989)	-	3,639
Receivable spot exchange	10,860	-	10,860	(10,860)	-	-
Total	<u>₩ 2,578,433</u>	<u>₩ -</u>	<u>₩ 2,578,433</u>	<u>₩ (763,830)</u>	<u>₩ (878,186)</u>	<u>₩ 936,417</u>
Financial liabilities:						
Derivatives	₩ 1,170,438	-	1,170,438	₩ (699,981)	₩ (115,544)	₩ 354,913
Securities sold under repurchase agreement	52,989	-	52,989	(52,989)	-	-
Payable spot exchange	10,860	-	10,860	(10,860)	-	-
Total	<u>₩ 1,234,287</u>	<u>-</u>	<u>₩ 1,234,287</u>	<u>₩ (763,830)</u>	<u>₩ (115,544)</u>	<u>₩ 354,913</u>

5-4. Transfer of financial assets

The Consolidated Entity continues to recognize the financial assets related to repurchase agreements on the statement of financial position since those transactions are not qualified for derecognition even though the Consolidated Entity transfers the financial assets. Financial asset is sold under a repurchase agreements to repurchase some asset at fixed price. Thus, the Consolidated Entity retains substantially all the risks and rewards of ownership of the financial asset. Details of carrying amount of assets transferred and relevant liabilities as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec. 31, 2021		Dec. 31, 2020	
	Carrying amount of transferred assets	Carrying amount of relevant liabilities	Carrying amount of transferred assets	Carrying amount of relevant liabilities
Securities sold under repurchase agreement	₩ 694,561	₩ 655,426	₩ 56,628	₩ 52,989

6. OPERATING SEGMENT:

Though the Consolidated Entity conducts business activities related to financial services, in accordance with relevant laws, such as The Export-Import Bank of Korea Act, it does not report separate segment information, as management considers the Consolidated Entity to be operating under one core business.

7. CASH AND DUE FROM FINANCIAL INSTITUTIONS:

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

Detail	Dec 31, 2021	Dec. 31, 2020
Foreign currencies	₩ 1	₩ 1
Due from financial institutions in local currency	552,215	1,178,656
Due from financial institutions in foreign currencies	3,972,385	2,915,561
Subtotal	4,524,601	4,094,218
Restricted due from financial institutions	(770,170)	(554,563)
Due from financial institutions with original maturities of more than three months at acquisition date	(546,325)	(400,700)
Subtotal	(1,316,495)	(955,263)
Total (*1)	₩ 3,208,106	₩ 3,138,955

(*1) Equal to the cash and cash equivalents as presented in the consolidated statements of cash flows.

(2) Details of due from financial institutions as of December 31, 2021 and 2020 are as follows (Korean won in millions):

Detail	Dec 31, 2021		Dec. 31, 2020	
	Amount	Interest (%)	Amount	Interest (%)
Due from financial institutions in local currency:				
Demand deposits	₩ 1,076	-	₩ 1,061	-
Time deposits	490,700	0.89~2.08	949,000	0.72~0.94
Certificate of deposits	55,625	1.10	223,000	0.84
Others	4,667	0.85	4,586	0.35
Margin for derivatives	147	-	1,009	-
Subtotal	552,215		1,178,656	
Due from financial institutions in foreign currencies:				
Demand deposits	487,098	0.10~3.00	263,970	0.00~3.00
Time deposits	27,817	1.00~4.50	27,259	1.00~7.80
On demand	2,578,905	-	1,954,710	-
Offshore demand deposits	108,542	-	116,068	-
Others	302,748	-	190,939	-
Margin for derivatives	467,275	-	362,615	-
Subtotal	3,972,385		2,915,561	
Total	₩ 4,524,600		₩ 4,094,217	

(3) Restricted due from financial institutions as of December 31, 2021 and 2020 are as follows (Korean won in millions):

Detail	Financial Institution	Dec 31, 2021	Dec. 31, 2020	Reason for restriction
Others	DEUTSCHE BANK TRUST COMPANY AMERICAS and others	₩ 770,170	₩ 554,563	Credit Support Annex (CSA) for derivative transactions

8. FINANCIAL ASSETS AT FVTPL:

Details of financial assets at FVTPL as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Debt securities in local currency		
Paid-in capital	₩ 128,230	₩ 107,377
Beneficiary certificates	1,264,654	2,133,661
Subtotal	<u>1,392,884</u>	<u>2,241,038</u>
Debt securities in foreign currencies		
Bonds	-	5,746
Paid-in capital	11,200	11,169
Beneficiary certificates	226,207	189,300
Subtotal	<u>237,407</u>	<u>206,215</u>
Equity securities in foreign currencies stocks		
Stocks	7,957	8,669
Loans at FVTPL		
Privately placement corporate bonds	5,505	10,423
Derivative assets for trading		
Equity related	425	1,310
Interest rates related	578,475	529,715
Foreign currencies related	375,551	481,464
Others	-	-
Subtotal	<u>954,451</u>	<u>1,012,489</u>
Total	<u>₩ 2,598,204</u>	<u>₩ 3,478,834</u>

9. FINANCIAL INVESTMENTS:

Details of financial investments as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Financial assets at FVOCI		
Debt securities in local currency		
National bond	₩ 1,043,724	₩ 1,052,310
Equity securities		
Stocks	9,012,604	8,580,575
Paid-in capital	25,233	21,463
Subtotal	<u>9,037,837</u>	<u>8,602,038</u>
Debt securities in foreign currencies		
Corporate bonds and etc. (*1)	2,176,248	1,202,280
Financial assets at amortized cost		
Debt securities in local currency		
National bond	100,349	100,732
Debt securities in foreign currencies		
Corporate bonds and etc. (*1)	883,896	447,807
Total	<u>₩ 13,242,054</u>	<u>₩ 11,405,167</u>

(*1) It includes debt securities, which are pledged as collateral amounting to ₩861,691 million and ₩182,086 million as of December 31, 2021 and 2020, respectively.

10. LOANS AT AMORTIZED COST:

Loans as presented below exclude loan valuation adjustment related to fair value hedging amounting to ₩(2,723) million and ₩(14,382) million as of December 31, 2021 and 2020, respectively.

(1) Details of loans as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Detail	Dec 31, 2021	Dec. 31, 2020	
Loans in local currency	Loans for export	₩ 15,845,234	₩ 14,961,693	
	Loans for foreign investments	2,684,185	2,648,893	
	Loans for import	4,704,973	3,929,944	
	Troubled debt Restructuring	838,370	1,812,100	
	Others	164,592	290,544	
	Subtotal	<u>24,237,354</u>	<u>23,643,174</u>	
Loans in foreign currencies	Loans for export	23,126,917	22,022,801	
	Loans for foreign investments	27,131,892	22,939,829	
	Loans for rediscounted trading notes	71,130	467,840	
	Loans for import	1,074,175	1,206,460	
	Others	527,063	418,748	
	Subtotal	<u>51,931,177</u>	<u>47,055,678</u>	
Others	Domestic usance bills	342,594	195,732	
	Foreign-currency bills bought	974,756	1,417,197	
	Advance payments on acceptances and guarantees	190,325	42,266	
	Call loans	1,344,481	2,694,550	
	Interbank loans in foreign currencies	1,066,950	1,196,800	
	Finance lease	193,976	162,440	
	Privately placement corporate bonds in local currency	240,800	302,400	
	Privately placement corporate bonds in foreign currencies	93,525	58,850	
		Subtotal	<u>4,447,407</u>	<u>6,070,235</u>
		Total	80,615,938	76,769,087
Net deferred loan origination fees and costs		(368,591)	(365,270)	
Allowance for loan losses		(2,184,187)	(2,519,910)	
	Total	<u>₩ 78,063,160</u>	<u>₩ 73,883,907</u>	

(2) Loans classified by type of customers as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Customer	Detail	Loans in			Total	Ratio (%)	
		Loans in local currency	foreign currencies	Others			
Customer	Large enterprise	₩ 9,260,632	₩ 32,241,314	₩ 898,326	₩ 42,400,272	60.65	
	Small and medium sized enterprise	6,722,318	6,928,811	547,066	14,198,195	20.31	
	Public sector and others	4,099,436	9,055,484	156,604	13,311,524	19.04	
	Subtotal	20,082,386	48,225,609	1,601,996	69,909,991	100.00	
	Net deferred loan origination fees and costs	(7,812)	(358,970)	-	(366,782)		
	Allowance for loan losses	(514,718)	(1,458,241)	(198,973)	(2,171,932)		
	Subtotal	19,559,856	46,408,398	1,403,023	67,371,277		
	Financial institution	Bank	4,154,968	1,395,090	1,613,104	7,163,162	66.91
		Others	-	2,310,478	1,232,307	3,542,785	33.09
		Subtotal	4,154,968	3,705,568	2,845,411	10,705,947	100.00
Net deferred loan origination fees and costs		-	(1,809)	-	(1,809)		
Allowance for loan losses		(334)	(11,161)	(760)	(12,255)		
Subtotal		4,154,634	3,692,598	2,844,651	10,691,883		
Total	₩ 23,714,490	₩ 50,100,996	₩ 4,247,674	₩ 78,063,160			

(December 31, 2020)

Customer	Detail	Loans in			Total	Ratio (%)	
		Loans in local currency	foreign currencies	Others			
Customer	Large enterprise	₩ 11,187,035	₩ 28,144,549	₩ 919,613	₩ 40,251,197	61.26	
	Small and medium sized enterprise	6,892,693	5,949,018	513,457	13,355,168	20.32	
	Public sector and others	2,738,841	9,349,073	14,068	12,101,982	18.42	
	Subtotal	20,818,569	43,442,640	1,447,138	65,708,347	100.00	
	Net deferred loan origination fees and costs	(7,075)	(356,625)	-	(363,700)		
	Allowance for loan losses	(1,041,301)	(1,415,899)	(52,841)	(2,510,041)		
	Subtotal	19,770,193	41,670,116	1,394,297	62,834,606		
	Financial institution	Bank	2,824,605	1,742,053	3,223,937	7,790,595	70.43
		Others	-	1,870,985	1,399,160	3,270,145	29.57
		Subtotal	2,824,605	3,613,038	4,623,097	11,060,740	100.00
Net deferred loan origination fees and costs		-	(1,570)	-	(1,570)		
Allowance for loan losses		(248)	(9,089)	(532)	(9,869)		
Subtotal		2,824,357	3,602,379	4,622,565	11,049,301		
Total	₩ 22,594,550	₩ 45,272,495	₩ 6,016,862	₩ 73,883,907			

(3) Changes in allowance for loan losses for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(2021)

	12 months expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Beginning balance	₩ 339,813	₩ 1,116,426	₩ 1,063,671	₩ 2,519,910
- Transfer to				
12 months expected credit losses	60,430	(657)	(59,773)	-
- Transfer to				
lifetime expected credit losses	(9,586)	59,601	(50,015)	-
- Transfer to				
credit-impaired financial assets	(3,255)	(212,903)	216,158	-
Written-off	-	-	(13,459)	(13,459)
Collection	-	-	13,711	13,711
Loan-for-equity swap	-	-	(463,894)	(463,894)
Others	(28,201)	(398,336)	-	(426,537)
Unwinding effect	-	-	(9,775)	(9,775)
Foreign exchange translation	7,460	40,174	25,167	72,801
Additional provisions (reversals of provisions)	(17,959)	(6,420)	515,809	491,430
Ending balance	<u>₩ 348,702</u>	<u>₩ 597,885</u>	<u>₩ 1,237,600</u>	<u>₩ 2,184,187</u>

(2020)

	12 months expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Beginning balance	₩ 297,386	₩ 758,393	₩ 1,131,277	₩ 2,187,056
- Transfer to				
12 months expected credit losses	4,272	(4,272)	-	-
- Transfer to				
lifetime expected credit losses	(12,303)	27,636	(15,333)	-
- Transfer to				
credit-impaired financial assets	(1,827)	(80,628)	82,455	-
Written-off	-	-	(218,764)	(218,764)
Collection	51,904	-	207	52,111
Loan-for-equity swap	-	-	(8,403)	(8,403)
Others	(26,808)	-	-	(26,808)
Unwinding effect	(69)	(582)	(13,198)	(13,849)
Foreign exchange translation	(2,190)	(37,818)	(13,259)	(53,267)
Additional provisions (reversals of provisions)	29,448	453,697	118,689	601,834
Ending balance	<u>₩ 339,813</u>	<u>₩ 1,116,426</u>	<u>₩ 1,063,671</u>	<u>₩ 2,519,910</u>

11. INVESTMENTS IN ASSOCIATES:

(1) Details of investments in associates as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Company	Location	Business	Capital stock	Year-end	Owner ship (%)	Net asset (*1)	Carrying amount	Financial statements as of
Credit Guarantee and Investment Fund (*2)	Philippines	Financial service	USD 1,102mil	December	15.07	230,767	230,544	2021.12.31
KTB Newlake Global Healthcare PEF	Korea	Financial service	KRW 33,850mil	December	25.00	7,677	7,819	2021.12.31
Korea Aerospace Industries Ltd.	Korea	Manufacturing	KRW 487,376mil	December	26.41	335,227	988,498	2021.12.31
Daewoo Shipbuilding & Marine Engineering Co., Ltd. (*4)	Korea	Shipbuilding	KRW 541,453mil	December	-	-	-	2021.12.31
							<u>₩ 1,226,861</u>	

(December 31, 2020)

Company	Location	Business	Capital stock	Year-end	Owner ship (%)	Net asset (*1)	Carrying amount	Financial statements as of
Korea Asset Management Corporation	Korea	Financial service	KRW 949,566mil	December	23.41	₩ 473,327	₩ 482,635	2020.12.31
Credit Guarantee and Investment Fund (*2)	Philippines	Financial service	USD 1,102mil	December	13.39	184,173	184,382	2020.12.31
DAESUN Shipbuilding & Engineering Co., Ltd. (*3)	Korea	Shipbuilding	KRW 6,262mil	December	83.03	(333,211)	-	2020.12.31
KTB Newlake Global Healthcare PEF	Korea	Financial service	KRW 33,850mil	December	25.00	7,992	8,134	2020.12.31
Korea Aerospace Industries Ltd.	Korea	Manufacturing	KRW 487,376mil	December	26.41	315,473	968,743	2020.12.31
Daewoo Shipbuilding & Marine Engineering Co., Ltd. (*4)	Korea	Shipbuilding	KRW 541,453mil	December	-	-	-	2020.12.31
							<u>₩ 1,643,894</u>	

- (*1) The amounts represent net asset after taking into account percentage of ownership.
- (*2) As of December 31, 2021 and 2020 the entity is classified into an associate because the Consolidated Entity has significant influence in the way of representation on the board of directors or equivalent governing body of the investee.
- (*3) This entity was under the creditor-led work out programs. The Consolidated Entity should had to at least 75% of the total creditor's loans to have substantive control based on the creditor's agreement. As the Consolidated Entity had only 70.60% of the total creditor's loans, this was classified into associates.
- (*4) This entity is not an associate with the current ownership; however, considering potential voting rights, the Consolidated Entity has classified the entity as an associate. The Consolidated Entity holds convertible bonds issued by the entity amounting to KRW 2,332,832 million.

(2) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(2021)

Company	Beginning Balance	Acquisitions	Gain (loss) on valuation of investments in associates	Impairment loss	Dividend	Equity earnings on investments in associates	Disposal (*1)	Others	Ending balance
Korea Asset Management Corporation	₩ 482,635	₩ -	₩ 4,893	₩ -	₩ (5,471)	₩ -	₩ (377,763)	₩ (104,294)	₩ -
Credit Guarantee and Investment Fund	184,382	26,461	4,626	-	-	11,988	-	3,087	230,544
KTB Newlake Global Healthcare PEF	8,134	-	(315)	-	-	-	-	-	7,819
Korea Aerospace Industries Ltd.	968,743	-	17,089	-	(5,149)	7,815	-	-	988,498
Daewoo Shipbuilding & Marine Engineering Co., Ltd	-	-	-	-	-	-	-	-	-
Total	₩ 1,643,894	₩ 26,461	₩ 26,293	₩ -	₩ (10,620)	₩ 19,803	₩ (377,763)	₩ (101,207)	₩ 1,226,861

(*1) As the Consolidated Entity did not participate in the Korea Asset Management Corporation's paid-in capital increase and lost its significant influence over the Korea Asset Management Corporation for the year ended December 31, 2021 accordingly, it was reclassified from investments in associates to financial assets at FVOCI.

(2020)

Company	Beginning Balance	Acquisitions	Gain (loss) on valuation of investments in associates	Impairment loss	Dividend	Equity earnings on investments in associates	Disposal	Others	Ending balance
Korea Asset Management Corporation	₩ 499,479	₩ -	₩ 14,099	₩ -	₩ (6,317)	₩ 1,472	₩ -	₩ (26,098)	₩ 482,635
Credit Guarantee and Investment Fund	156,768	28,139	3,388	-	-	(7,444)	-	3,531	184,382
DAESUN Shipbuilding & Engineering Co., Ltd.	-	-	-	-	-	-	-	-	-
KTB Newlake Global Healthcare PEF	9,401	-	358	-	(43)	-	(1,582)	-	8,134
KBS-KDB Private Equity Fund	4,025	-	119	-	-	668	(4,812)	-	-
Korea Aerospace Industries Ltd.	1,110,990	-	29,592	(166,281)	(10,298)	4,740	-	-	968,743
Daewoo Shipbuilding & Marine Engineering Co., Ltd	-	-	-	-	-	-	-	-	-
Total	<u>₩ 1,780,663</u>	<u>₩ 28,139</u>	<u>₩ 47,556</u>	<u>₩ (166,281)</u>	<u>₩ (16,658)</u>	<u>₩ (564)</u>	<u>₩ (6,394)</u>	<u>₩ (22,567)</u>	<u>₩ 1,643,894</u>

- (3) Summarized financial information of associates as of and for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Company	Assets	Liabilities	Operating income (loss)	Profit (Loss) for the year	Total comprehensive income (loss)
Credit Guarantee and Investment Fund	₩ 1,646,972	₩ 115,668	₩ 35,749	₩ 33,329	₩ 116,076
KTB Newlake Global Healthcare PEF	30,806	97	(99)	(99)	(99)
Korea Aerospace Industries Ltd.	5,866,555	4,569,344	57,795	53,040	82,427
Daewoo Shipbuilding & Marine Engineering Co., Ltd	10,623,210	8,405,626	(1,754,651)	(1,699,829)	(1,699,829)

(December 31, 2020)

Company	Assets	Liabilities	Operating income (loss)	Profit (Loss) for the year	Total comprehensive income (loss)
Korea Asset Management Corporation	₩ 5,844,961	₩ 3,823,061	₩ 53,888	₩ 60,496	₩ 66,506
Credit Guarantee and Investment Fund	1,470,605	95,156	27,655	7,367	(38,711)
DAESUN Shipbuilding & Engineering Co., Ltd.	385,557	786,871	(14,586)	(21,702)	(21,702)
KTB Newlake Global Healthcare PEF	32,273	305	1,334	1,334	1,334
Korea Aerospace Industries Ltd.	5,137,550	3,904,310	141,988	71,274	88,098
Daewoo Shipbuilding & Marine Engineering Co., Ltd	10,320,775	6,451,804	153,437	86,573	114,107

12. TANGIBLE ASSETS:

(1) Details of tangible assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Detail	Acquisition cost	Accumulated depreciation	Government grants	Carrying amount
Lands	₩ 190,807	₩ -	₩ -	₩ 190,807
Buildings	102,712	(42,332)	(17)	60,363
Leasehold improvements	1,571	(364)	-	1,207
Vehicles	4,304	(3,171)	(4)	1,129
Furniture and fixture	58,378	(40,582)	-	17,796
Construction in progress	1,542	-	-	1,542
Total	₩ 359,314	₩ (86,449)	₩ (21)	₩ 272,844

(December 31, 2020)

Detail	Acquisition cost	Accumulated depreciation	Government grants	Carrying amount
Lands	₩ 190,807	₩ -	₩ -	₩ 190,807
Buildings	100,998	(40,364)	(17)	60,617
Leasehold improvements	367	(130)	-	237
Vehicles	4,585	(3,326)	-	1,259
Furniture and fixture	48,552	(36,831)	-	11,721
Construction in progress	455	-	-	455
Total	₩ 345,764	₩ (80,651)	₩ (17)	₩ 265,096

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

(2021)

Detail	Beginning balance	Acquisitions	Disposals	Depreciation	Foreign translations	Others	Ending balance
Lands	₩ 190,807	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 190,807
Buildings	60,617	1,942	-	(2,446)	250	-	60,363
Leasehold improvements	237	1,209	(13)	(228)	2	-	1,207
Vehicles	1,259	323	-	(493)	45	(5)	1,129
Furniture and fixture	11,721	12,001	(1,049)	(4,677)	(200)	-	17,796
Construction in progress	455	1,087	-	-	-	-	1,542
Total	₩ 265,096	₩ 16,562	₩ (1,062)	₩ (7,844)	₩ 97	₩ (5)	₩ 272,844

(2020)

Detail	Beginning balance	Acquisitions	Disposals	Depreciation	Foreign translations	Ending balance
Lands	₩ 190,807	₩ -	₩ -	₩ -	₩ -	₩ 190,807
Buildings	62,495	49	-	(1,926)	(1)	60,617
Leasehold improvements	225	73	(2)	(57)	(2)	237
Vehicles	794	858	-	(414)	21	1,259
Furniture and fixture	11,186	5,925	(2)	(5,345)	(43)	11,721
Construction in progress	-	455	-	-	-	455
Total	₩ 265,507	₩ 7,360	₩ (4)	₩ (7,742)	₩ (25)	₩ 265,096

13. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Detail	Acquisition cost	Accumulated Depreciation	Accumulated Impairment Losses	Carrying amount
Computer software	₩ 36,697	₩ (25,103)	₩ -	₩ 11,594
System development fees	65,192	(45,785)	-	19,407
Others	12	(3)	-	9
Memberships	4,085	-	(166)	3,919
Total	₩ 105,986	₩ (70,891)	₩ (166)	₩ 34,929

(December 31, 2020)

Detail	Acquisition cost	Accumulated Depreciation	Accumulated Impairment Losses	Carrying amount
Computer software	₩ 29,825	₩ (20,990)	₩ -	₩ 8,835
System development fees	54,729	(38,787)	-	15,942
Others	15	(3)	-	12
Memberships	4,065	-	(166)	3,899
Total	₩ 88,634	₩ (59,780)	₩ (166)	₩ 28,688

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

(2021)

Detail	Beginning balance	Acquisitions	Disposals	Amortization	Reversal of (Additional) impairment	Foreign translations	Ending balance
Computer software	₩ 8,835	₩ 6,739	₩ -	₩ (3,846)	₩ -	₩ (134)	₩ 11,594
System development fees	15,942	10,463	-	(6,998)	-	-	19,407
Others	12	-	-	(3)	-	-	9
Memberships	3,899	-	-	-	-	20	3,919
Total	₩ 28,688	₩ 17,202	₩ -	₩ (10,847)	₩ -	₩ (114)	₩ 34,929

(2020)

Detail	Beginning balance	Acquisitions	Disposals	Amortization	Reversal of (Additional) impairment	Foreign translations	Ending balance
Computer software	₩ 11,256	₩ 1,774	₩ (10)	₩ (4,171)	₩ -	₩ (14)	₩ 8,835
System development fees	19,971	3,487	-	(7,516)	-	-	15,942
Others	14	-	-	(2)	-	-	12
Memberships	3,914	-	-	-	-	(15)	3,899
Total	₩ 35,155	₩ 5,261	₩ (10)	₩ (11,689)	₩ -	₩ (29)	₩ 28,688

14. OTHER ASSETS:

(1) Details of other assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>Dec 31, 2021</u>	<u>Dec. 31, 2020</u>
Other financial assets:		
Guarantee deposits	₩ 48,269	₩ 40,385
Accounts receivable	34,992	54,466
Accrued income	769,666	732,399
Receivable spot exchange	48	78
Allowances for loan losses on other assets	(8,034)	(29,591)
Subtotal	<u>844,941</u>	<u>797,737</u>
Other assets:		
Advance payments	57	-
Prepaid expenses	10,146	11,899
Current income tax asset	9,575	3,303
Sundry assets	11,235	8,753
Subtotal	<u>31,013</u>	<u>23,955</u>
Total	<u>₩ 875,954</u>	<u>₩ 821,692</u>

(2) Changes in allowances for loan losses on other assets for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Beginning balance	₩ 29,591	₩ 7,886
Collection	71	116
Additional provisions (reversals of provisions)	(22,356)	21,981
Others	728	(392)
Ending balance	<u>₩ 8,034</u>	<u>₩ 29,591</u>

15. BORROWINGS:

(1) Details of borrowings as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)			
Detail	Lender	Interest rate (%)	Amount
Borrowings in foreign currencies:			
Borrowings from Government	MINISTRY OF STRATEGY AND FINANCE	LIBOR 3M+0.64 ~ LIBOR 3M+0.78	₩ 947,309
Short-term borrowings from foreign financial institutions	SHINHAN BANK and others	(-)0.42 ~ 4.15	342,700
Long-term borrowings from domestic financial institutions	KOREA DEVELOPMENT BANK	LIBOR 3M+1.13 ~ LIBOR 3M+1.14	177,592
Long-term borrowings from foreign financial institutions	BANK OF AMERICA, N.A, SEOUL BR. (US) and others	LIBOR 3M+0.47 ~ LIBOR 3M+0.55	576,113
Discount on foreign borrowings			(94)
Commercial papers denominated in foreign currencies	CITIBANK N.A., HONG KONG(US) and others	0.21 ~ 0.35	1,713,018
Offshore commercial papers denominated in foreign currencies	CITIBANK N.A., HONG KONG(US) and others	(-)0.57 ~ 0.25	305,785
Others (Foreign banks)	DBS BANK LTD, and others	0.05 ~ 0.35	342,594
Others (CSA)	BANK OF AMERICA and others	0.07	457,105
Subtotal			<u>4,862,122</u>
Call money:			
Call money dominated in foreign currencies	WOORI BANK and others	0.19 ~ 0.25	652,025
Offshore call money dominated in foreign currencies	KEB HANA BANK	0.27	118,550
Subtotal			<u>770,575</u>
Securities sold under repurchase agreement	STANDARD CHARTERED BANK (HONG KONG) LIMITED and others	0.11	655,426
Total			<u>₩ 6,288,123</u>
(December 31, 2020)			
Detail	Lender	Interest rate (%)	Amount
Borrowings in foreign currencies:			
Borrowings from Government	MINISTRY OF STRATEGY AND FINANCE	LIBOR 3M+0.64 ~ LIBOR 3M+0.78	₩ 1,176,216
Short-term borrowings from foreign financial institutions	THE BANK OF TOKYO-MITSUBISHI UFJ, LTD, SEOUL BRANCH	LIBOR 3M+0.38	750,097
Long-term borrowings from domestic financial institutions	KOREA DEVELOPMENT BANK	LIBOR 3M+1.13 ~ LIBOR 3M+1.14	132,696
Long-term borrowings from foreign financial institutions	CREDIT AGRICOLE CIB and others	LIBOR 3M+0.32 ~ LIBOR 3M+0.85	1,773,474
Discount on foreign borrowings			(195)
Commercial papers denominated in foreign currencies	MIZUHO SECURITIES ASIA LTD. and others	0.21 ~ 2.33	911,744
Offshore commercial papers denominated in foreign currencies	CITIBANK N.A., HONG KONG(US) and others	(-)0.46 ~ 0.28	225,107
Others (Foreign banks)	DBS BANK LTD, and others	0.06 ~ 0.20	195,732
Others (CSA)	BANK OF AMERICA and others	0.09	1,344,311
Subtotal			<u>6,509,182</u>
Securities sold under repurchase agreement		-	52,989
Total			<u>₩ 6,562,171</u>

- (2) Details of the borrowings from other financial institutions as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Type	Call money	Securities sold under repurchase agreement	Borrowings in foreign currencies	Total
Commercial banks	₩ 770,575	₩ 655,426	₩ 3,914,907	₩ 5,340,908

(December 31, 2020)

Type	Securities sold under repurchase agreement	Borrowings in foreign currencies	Total
Commercial banks	₩ 52,989	₩ 5,333,161	₩ 5,386,150

The above borrowings excluded the present value discounting effect.

16. DEBENTURES:

Details of debentures as of December 31, 2021 and 2020 are as follows (Korean won in millions):

Detail	Dec 31, 2021		Dec. 31, 2020	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Local currency:				
Floating rate	31-Day CD+0.06~	₩ 3,100,000	31-Day CD-0.01~	₩ 1,340,000
Fixed rate	31-Day CD+0.12 0.75~4.70	19,810,000	31-Day CD+0.12 0.67~4.70	21,465,000
		22,910,000		22,805,000
Fair value hedging adjusting		(63,620)		(31,803)
Discount on debentures		(47,322)		(47,141)
Subtotal		22,799,058		22,726,056
Foreign currencies:				
Floating rate	Libor3M+0.20~	9,766,115	Libor3M+0.30~	10,543,268
Fixed rate	Libor3M+1.35 0.00~11.09	43,801,187	Libor3M+1.35 0.00~8.50	38,057,286
Subtotal		53,567,302		48,600,554
Fair value hedging adjusting		205,544		1,393,009
Discount on debentures		(85,851)		(77,842)
Subtotal		53,686,995		49,915,721
Total		₩ 76,486,053		₩ 72,641,777

17. PROVISIONS:

(1) Details of provisions as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec 31, 2021	Dec. 31, 2020
Provisions for acceptances and guarantees	₩ 380,982	₩ 387,026
Provisions for unused loan commitments	239,343	239,322
Provisions for others	1,130	112
Total	<u>₩ 621,455</u>	<u>₩ 626,460</u>

(2) Changes in provisions for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(2021)

	Acceptances and guarantees			Total
	12 months expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	
Beginning balance	₩ 42,505	₩ 272,431	₩ 72,090	₩ 387,026
- Transfer to 12 months expected credit losses	11,480	(6,935)	(4,545)	-
- Transfer to lifetime expected credit losses	(10)	10	-	-
- Transfer to credit-impaired financial assets	(717)	-	717	-
Foreign exchange translation	2,349	12,463	625	15,437
Additional provisions (reversal of provisions)	(2,624)	33,322	(52,179)	(21,481)
Ending balance	<u>₩ 52,983</u>	<u>₩ 311,291</u>	<u>₩ 16,708</u>	<u>₩ 380,982</u>

	Unused loan commitments			Total
	12 months expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	
Beginning balance	₩ 33,812	₩ 188,718	₩ 16,792	₩ 239,322
- Transfer to 12 months expected credit losses	15,000	-	(15,000)	-
- Transfer to lifetime expected credit losses	-	-	-	-
- Transfer to credit-impaired financial assets	(2)	-	2	-
Foreign exchange translation	1,023	-	41	1,064
Additional provisions (reversal of provisions)	(12,331)	11,071	217	(1,043)
Ending balance	<u>₩ 37,502</u>	<u>₩ 199,789</u>	<u>₩ 2,052</u>	<u>₩ 239,343</u>

(2020)

	Acceptances and guarantees			
	12 months expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Beginning balance	₩ 48,514	₩ 209,840	₩ 48,087	₩ 306,441
- Transfer to 12 months expected credit losses	187	(187)	-	-
- Transfer to lifetime expected credit losses	(4,107)	4,107	-	-
- Transfer to credit-impaired financial assets	(40)	-	40	-
Foreign exchange translation	(1,369)	(10,113)	(996)	(12,478)
Additional provisions (reversal of provisions)	(680)	68,784	24,959	93,063
Ending balance	₩ 42,505	₩ 272,431	₩ 72,090	₩ 387,026

	Unused loan commitments			
	12 months expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Beginning balance	₩ 23,715	₩ 200,695	₩ 8,474	₩ 232,884
- Transfer to 12 months expected credit losses	2,268	(2,268)	-	-
- Transfer to lifetime expected credit losses	(46)	474	(428)	-
- Transfer to credit-impaired financial assets	(1)	-	1	-
Foreign exchange translation	(378)	(28)	(40)	(446)
Additional provisions (reversal of provisions)	8,254	(10,155)	8,785	6,884
Ending balance	₩ 33,812	₩ 188,718	₩ 16,792	₩ 239,322

18. RETIREMENT BENEFIT PLAN:

The Consolidated Entity operates both defined benefit plan and defined contribution plan.

(1) Defined benefit plan

The Consolidated Entity operates both defined benefit plans that have the following characteristics:

- The entity has the obligation to pay the agreed benefits to all its current and past employees.
- The entity is liable for actuarial risk (excess of actual payment against expected amount) and investment risk.

The present value of the defined benefit obligation recognized in the consolidated statements of financial position is calculated annually by independent actuaries in accordance with actuarial valuation method.

The present value of the defined benefit obligation is calculated using the projected unit credit method ("PUC"). The data used in the PUC, such as interest rates, future salary increase rate, mortality rate, consumer price index and expected return on plan assets, are based on observable market data and historical data, which are annually updated.

Actuarial assumptions may differ from actual results due to change in the market, economic trend and mortality trend which may affect defined benefit obligation liabilities and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period incurred through other comprehensive income or loss.

(2) Details of defined benefit obligations as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec 31, 2021	Dec. 31, 2020
Present value of defined benefit obligations	₩ 120,747	₩ 111,620
Fair value of plan assets	(134,022)	(115,812)
Net defined benefit liabilities (assets)	₩ (13,275)	₩ (4,192)

(3) Changes in net defined benefit obligations for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	Present value of the defined benefit obligations	Plan assets	Net defined benefit liabilities (assets)
Beginning balance	₩ 111,620	₩ (115,812)	₩ (4,192)
Contributions from the employer	-	(21,220)	(21,220)
Current-service cost	11,407	-	11,407
Interest expense (income)	3,465	(3,640)	(175)
Actuarial gains and losses arising from changes in demographic assumptions	512	-	512
Actuarial gains and losses arising from changes in financial assumptions	(8,839)	1,603	(7,236)
Actuarial gains and losses arising from experience adjustments	(2,524)	-	(2,524)
Foreign exchange translation	454	-	454
Management fees on plan assets	-	206	206
Past-service cost	9,502	-	9,502
Benefits paid	(4,850)	4,841	(9)
Ending balance	₩ 120,747	₩ (134,022)	₩ (13,275)

(December 31, 2020)

	Present value of the defined benefit obligations		Plan assets	Net defined benefit liabilities (assets)
Beginning balance	₩	100,961	₩ (103,871)	₩ (2,910)
Contributions from the employer		-	(14,700)	(14,700)
Current-service cost		11,100	-	11,100
Interest expense (income)		3,044	(3,156)	(112)
Actuarial gains and losses arising from changes in demographic assumptions		1,945	-	1,945
Actuarial gains and losses arising from changes in financial assumptions		(834)	1,235	401
Actuarial gains and losses arising from experience adjustments		885	-	885
Foreign exchange translation		338	-	338
Management fees on plan assets		-	190	190
Benefits paid		(5,819)	4,490	(1,329)
Ending balance	₩	111,620	₩ (115,812)	₩ (4,192)

(4) Details of fair value of plan assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec. 31, 2021		Dec. 31, 2020	
Cash and cash equivalent	₩	50,427	₩	14,600
Others		83,595		101,212
Total	₩	134,022	₩	115,812

(5) Actuarial assumptions used in retirement benefit obligations assessment as of December 31, 2021 and 2020 are as follows:

	Dec. 31, 2021	Dec. 31, 2020
Discount rate	3.64%	3.19%
Expected wage growth rate	1.40%	1.63%

(6) Assuming that all the other assumptions remain unchanged, the effect of changes in the significant actuarial assumptions which were made within the reasonable limit on retirement benefit obligations as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Detail	1% p Increase	1% p Decrease
Change of discount rate	₩ (11,774)	₩ 13,924
Change of future salary increase rate	14,036	(11,162)

(December 31, 2020)

Detail	1% p Increase	1% p Decrease
Change of discount rate	₩ (11,748)	₩ 13,979
Change of future salary increase rate	14,009	(12,032)

The above sensitivity analysis does not present any actual changes in the retirement benefit obligations as there is no change in actuarial assumptions which is independently made due to the correlation among the assumptions. In addition, the actuarial present value of promised retirement benefits in the sensitivity analysis is determined using the projected unit credit method, which is used in the calculation of the retirement benefit obligations in the consolidated financial statements.

- (7) Retirement benefit costs incurred from the defined contribution plan for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Retirement benefits	₩ 2,977	₩ 753

19. OTHER LIABILITIES:

- (1) Details of other liabilities as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>Dec 31, 2021</u>	<u>Dec. 31, 2020</u>
Other financial liabilities:		
Financial guarantee contract liabilities	₩ 1,140,299	₩ 1,182,101
Foreign exchanges payable	8	543,678
Accounts payable	28,393	25,127
Accrued expenses	662,250	622,353
Deposits liabilities	-	106
Guarantee deposit received	353	160
Subtotal	<u>1,831,303</u>	<u>2,373,525</u>
Other liabilities:		
Allowance for credit loss in derivatives	39,670	37,765
Unearned income	106,317	152,090
Sundry liabilities	28,334	40,032
Subtotal	<u>174,321</u>	<u>229,887</u>
Total	<u>₩ 2,005,624</u>	<u>₩ 2,603,412</u>

- (2) Changes in financial guarantee contract liabilities for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Beginning balance	₩ 1,182,101	₩ 1,109,018
Foreign exchange translation	58,185	(39,192)
Additional financial guarantee contract liabilities		
(Reversal of financial guarantee contract liabilities)	(75,587)	117,983
Others(*1)	(24,400)	(5,708)
Ending balance	<u>₩ 1,140,299</u>	<u>₩ 1,182,101</u>

- (*1) Others are the effects of the change due to newly occurrence and the arrival of maturity of financial guarantee contracts evaluated by fair value the first time and the changes in discount rates.

20. DERIVATIVES:

The Consolidated Entity operates derivatives for trading and hedging instruments. Derivatives held for trading purpose are included in financial assets and liabilities at FVTPL.

(1) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. When applying fair value hedge, the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

The Consolidated Entity shall discontinue prospectively the fair value hedge if the hedging instrument expires or is sold, terminated or exercised the hedge no longer meets the criteria for hedge accounting or the Consolidated Entity revokes the designation. Any adjustment arising from the gain or loss on the hedged item attributable to the hedged risk to the carrying amount of a hedged financial instrument for which the effective interest method is used shall be amortized to profit or loss.

The Consolidated Entity uses interest rate swaps for hedging changes of fair values in hedged items arising from changes in interest rates. The Consolidated Entity also uses currency swaps for hedging changes in fair values of hedged items arising from changes in foreign exchange rates.

(2) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction and could affect profit or loss. When applying cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument are recognized in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.

The Consolidated Entity shall discontinue prospectively the cash flow hedge if hedging instrument expires or is sold, terminated or exercised the hedge no longer meets the criteria for hedge accounting or the Consolidated Entity revokes the designation. If the forecasted transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective are reclassified from equity to profit or loss as a reclassification adjustment.

The Consolidated Entity uses interest rate swaps for hedging changes of cash flows in hedged items arising from changes in interest rates. The Consolidated Entity also uses currency swaps for hedging changes in cash flows of hedged items arising from changes in foreign exchange rates.

- (3) Details of derivative assets and liabilities as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Detail	Notional	Derivative assets			
		Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 47,235,133	₩ 275,487	₩ -	₩ 578,475	₩ 853,962
Currency:					
Currency forwards	5,871,649	-	-	57,739	57,739
Currency swaps	26,112,779	282,508	3,916	317,812	604,236
Subtotal	31,984,428	282,508	3,916	375,551	661,975
Stock:					
Stock options	46,952	-	-	425	425
Total	₩ 79,266,513	₩ 557,995	₩ 3,916	₩ 954,451	₩ 1,516,362

Detail	Notional	Derivative liabilities			
		Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 47,235,133	₩ 147,373	₩ -	₩ 367,018	₩ 514,391
Currency:					
Currency forwards	5,871,649	-	-	40,909	40,909
Currency swaps	26,112,779	513,684	-	359,498	873,182
Subtotal	31,984,428	513,684	-	400,407	914,091
Stock:					
Stock options	46,952	-	-	690	690
Total	₩ 79,266,513	₩ 661,057	₩ -	₩ 768,115	₩ 1,429,172

(December 31, 2020)

Detail	Notional	Derivative assets			
		Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 39,330,211	₩ 636,346	₩ -	₩ 529,715	₩ 1,166,061
Currency:					
Currency forwards	5,110,583	-	-	96,037	96,037
Currency swaps	27,596,486	863,420	-	385,427	1,248,847
Subtotal	32,707,069	863,420	-	481,464	1,344,884
Stock:					
Stock options	46,952	-	-	1,310	1,310
Total	₩ 72,084,232	₩ 1,499,766	₩ -	₩ 1,012,489	₩ 2,512,255

Detail	Notional	Derivative liabilities			
		Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 39,330,211	₩ 54,003	₩ -	₩ 237,316	₩ 291,319
Currency:					
Currency forwards	5,110,583	-	-	157,331	157,331
Currency swaps	27,596,486	364,967	-	356,672	721,639
Subtotal	32,707,069	364,967	-	514,003	878,970
Stock:					
Stock options	46,952	-	-	2,123	2,123
Total	₩ 72,084,232	₩ 418,970	₩ -	₩ 753,442	₩ 1,172,412

- (4) Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Fair value hedge – hedged items	₩ 1,231,752	₩ (774,976)
Fair value hedge – hedging instruments	(1,556,335)	1,793,684

- (5) As a result of cash flow hedge, the Consolidated Entity recognized ₩3,913 million and ₩4 million as other comprehensive income (loss) (before tax effect) for the years ended December 31, 2021 and 2020 and there is no ineffectiveness recognized for the years ended December 31, 2021 and 2020.

(6) Hedge accounting

1) Purpose and strategy of risk avoidance

The Consolidated Entity transacts with derivative financial instruments to hedge its interest rate risk and currency risk arising from the assets and liabilities of the Consolidated Entity. The Consolidated Entity applies the fair value hedge accounting for the changes in the market interest rates of the financial debentures in Korean won and foreign currency and the loans in foreign currency; and cash flow hedge accounting for interest rate swaps to hedge cash flow risk due to interest rates of the debentures in Korean won.

2) Nominal amount and average hedge ratio for derivatives as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Fair value hedges							
Nominal amount of hedged items	₩ 6,662,420	₩ 6,872,921	₩ 9,069,369	₩ 7,143,818	₩ 5,552,558	₩ 7,382,156	₩ 42,683,242
Nominal amount of hedging instruments	6,649,848	6,872,921	9,072,215	6,254,693	5,552,558	7,433,170	41,835,405
Average hedge ratio	99.81%	100.00%	100.03%	87.55%	100.00%	100.69%	98.01%
Cash flow hedges							
Nominal amount of hedged items	₩ 59,275	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 59,275
Nominal amount of hedging instruments	59,275	-	-	-	-	-	59,275
Average hedge ratio	100.00%	-	-	-	-	-	100.00%

(December 31, 2020)

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Fair value hedges							
Nominal amount of hedged items	₩ 9,451,404	₩ 5,781,962	₩ 5,665,046	₩ 5,243,700	₩ 6,531,111	₩ 9,246,375	₩ 41,919,598
Nominal amount of hedging instruments	9,038,034	5,770,424	5,662,797	5,243,700	5,727,209	9,288,553	40,730,717
Average hedge ratio	95.63%	99.80%	99.96%	100.00%	87.69%	100.46%	97.16%
Cash flow hedges							
Nominal amount of hedged items	₩ 80,000	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 80,000
Nominal amount of hedging instruments	80,000	-	-	-	-	-	80,000
Average hedge ratio	100.00%	-	-	-	-	-	100.00%

3) Effect of hedge accounting on financial statement, statement of comprehensive income, statement of changes in equity

① Effect of hedging instruments on statement financial position, statement of comprehensive income, statement of changes in equity as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Detail	Nominal amount	Carrying amount of assets	Carrying amount of liabilities	Changes of fair value in the year
Fair value hedges				
Interest swap	₩ 28,537,438	₩ 275,487	₩ 147,373	₩ (797,378)
Currency swap	13,297,967	282,508	513,684	(791,844)
Subtotal	41,835,405	557,995	661,057	(1,589,222)
Cash flow hedges	59,275	3,916	-	3,916
Total	₩ 41,894,680	₩ 561,911	₩ 661,057	₩ (1,585,306)

(December 31, 2020)

Detail	Nominal amount	Carrying amount of assets	Carrying amount of liabilities	Changes of fair value in the year
Fair value hedges				
Interest swap	₩ 26,354,678	₩ 636,346	₩ 54,003	₩ 704,102
Currency swap	14,376,039	863,420	364,967	853,656
Subtotal	40,730,717	1,499,766	418,970	1,557,758
Cash flow hedges	80,000	-	-	4
Total	₩ 40,810,717	₩ 1,499,766	₩ 418,970	₩ 1,557,762

- ② Effect of fair value hedged items on statement financial position, statement of comprehensive income, statement of changes in equity as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Detail	Statement financial position		Accumulated adjustment of fair value hedging		Changes of fair value in the year
	Loan	Debenture	Asset	Liability	
Interest:					
Discontinuation of risk hedging Loans in foreign currencies	₩ 32,243	₩ -	₩ 1,533	₩ -	₩ (1,268)
Debentures in local currency	-	680,000	-	(63,620)	31,817
Debentures in foreign currencies	-	28,930,459	-	215,758	816,305
Subtotal	<u>32,243</u>	<u>29,610,459</u>	<u>1,533</u>	<u>152,138</u>	<u>846,854</u>
Currency:					
Loans in foreign currencies	148,898	-	(4,156)	-	(4,156)
Discontinuation of risk hedging Loans in foreign currencies	14,402	-	(100)	-	(16)
Debentures in foreign currencies	-	12,923,885	-	(8,277)	287,476
Discontinuation of risk hedging Debentures in foreign currencies	-	16,190	-	(1,937)	(98)
Subtotal	<u>163,300</u>	<u>12,940,075</u>	<u>(4,256)</u>	<u>(10,214)</u>	<u>283,206</u>
Total	<u>₩ 195,543</u>	<u>₩ 42,550,534</u>	<u>₩ (2,723)</u>	<u>₩ 141,924</u>	<u>₩ 1,130,060</u>

(December 31, 2020)

Detail	Statement financial position		Accumulated adjustment of fair value hedging		Changes of fair value in the year
	Loan	Debenture	Asset	Liability	
Interest:					
Loans in foreign currencies	₩ 39,281	₩ -	₩ 1,589	₩ -	₩ (1,213)
Discontinuation of risk hedging					
Loans in foreign currencies	24,605	-	1,578	-	(661)
Debentures in local currency	-	650,000	-	(31,803)	8,756
Debentures in foreign currencies	-	26,903,460	-	1,094,920	(663,846)
Subtotal	<u>63,886</u>	<u>27,553,460</u>	<u>3,167</u>	<u>1,063,117</u>	<u>(656,964)</u>
Currency:					
Loans in foreign currencies	439,992	-	(17,549)	-	(17,549)
Debentures in foreign currencies	-	13,886,865	-	299,833	(122,052)
Discontinuation of risk hedging					
Debentures in foreign currencies	-	55,555	-	(1,744)	242
Subtotal	<u>439,992</u>	<u>13,942,420</u>	<u>(17,549)</u>	<u>298,089</u>	<u>(139,359)</u>
Total	<u>₩ 503,878</u>	<u>₩ 41,495,880</u>	<u>₩ (14,382)</u>	<u>₩ 1,361,206</u>	<u>₩ (796,323)</u>

- ③ Effect of cash flow hedged items on statement financial position, statement of comprehensive income, statement of changes in equity as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Detail	Statements of Financial position	Accumulated adjustment of cash flow hedging	Changes of fair value in the year
Currency:			
Loans in foreign currencies	₩ 59,275	₩ 2,968	₩ (4,024)

(December 31, 2020)

Detail	Statements of Financial position	Accumulated adjustment of cash flow hedging	Changes of fair value in the year
Currency:			
Loans in foreign currencies	₩ 80,000	₩ 3	₩ (6)

- 4) Gains (losses) on hedged items and hedging instruments attributable to the hedged ineffectiveness for the year ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(2021)

	Losses on hedged items	Gains on hedging instruments	Hedge ineffectiveness recognized in profit (loss)
Fair value hedges	₩ 1,131,161	₩ (1,091,127)	₩ 40,034
Cash flow hedges	(4,024)	3,916	-
Total	<u>₩ 1,127,137</u>	<u>₩ (1,087,211)</u>	<u>₩ 40,034</u>

(2020)

	Losses on hedged items	Gains on hedging instruments	Hedge ineffectiveness recognized in profit (loss)
Fair value hedges	₩ (795,904)	₩ 845,556	₩ 49,652
Cash flow hedges	(6)	4	-
Total	<u>₩ (795,910)</u>	<u>₩ 845,560</u>	<u>₩ 49,652</u>

(7) Interest Rate Benchmark Reform

The hedging relationship to which the Bank applies fair value hedge and cash flow hedge is affected by the interest rate benchmark reform. The interest rate benchmarks that the hedging relationship is exposed to, are as follows (Korean won in millions):

Interest rate benchmark	Carrying amount of hedged items (assets)	Carrying amount of hedged items (liabilities)	Nominal amount of hedging instruments
KRW CD 3M	₩ -	₩ 119,500	₩ 130,000
KRW CMS 10Y	-	98,603	110,000
USD LIBOR 3M(*1)	144,741	22,926,839	21,942,709
USD LIBOR 6M(*1)	-	4,958,508	5,035,344
EUR LIBOR 3M	-	200,851	201,351
EUR LIBOR 6M	-	4,261,367	4,027,020
EUR CMS 20Y	-	229,920	250,000
EUR CMS 30Y	-	168,357	190,000
GBP LIBOR 6M	-	-	-
Fallback	-	102,022	122,735
BBSW 3M	-	1,198,117	1,202,446
HKD LIBOR 3M	-	111,011	110,982
Total	₩ 144,741	₩ 34,375,095	₩ 33,322,587

(*1) Hedged items and hedging instruments due before June 30, 2023, when the LIBOR interest rate will be ceased being published, are excluded.

21. CAPITAL STOCK:

As of December 31, 2021, the authorized capital and paid-in capital of the Consolidated Entity are ₩15,000,000 million and ₩12,748,254 million, respectively. The Consolidated Entity does not issue share certificates.

Changes in capital stock for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Beginning balance	₩ 12,449,456	₩ 11,871,143
Paid-in capital increase	298,798	578,313
Ending balance	₩ 12,748,254	₩ 12,449,456

22. OTHER COMPONENTS OF EQUITY:

- (1) Details of other components of equity as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Gain (loss) on equity securities at FVOCI	₩ 842,815	₩ 773,103
Gain (loss) on debt securities at FVOCI	15,236	21,090
Gain (loss) on valuation of cash flow hedge	2,968	3
Other comprehensive gain (loss) on investment in associates	(1,310)	(10,416)
Gain (loss) on overseas business translation	(142)	(35,834)
Remeasurement of net defined benefit liabilities	18,865	11,855
Total	<u>₩ 878,432</u>	<u>₩ 759,801</u>

- (2) Changes in other components for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(2021)

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Tax effect</u>	<u>Ending balance</u>
Gain (loss) on equity securities at FVOCI	₩ 773,103	₩ 91,968	₩ (22,256)	₩ 842,815
Gain (loss) on debt securities at FVOCI	21,090	(7,723)	1,869	15,236
Gain (loss) on valuation of cash flow hedge	3	3,913	(948)	2,968
Other comprehensive gain (loss) on investment in associates	(10,416)	12,012	(2,906)	(1,310)
Gain (loss) on overseas business translation	(35,834)	36,051	(359)	(142)
Remeasurement of net defined benefit liabilities	11,855	9,248	(2,238)	18,865
Total	<u>₩ 759,801</u>	<u>₩ 145,469</u>	<u>₩ (26,838)</u>	<u>₩ 878,432</u>

(2020)

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Tax effect</u>	<u>Ending balance</u>
Gain (loss) on equity securities at FVOCI	₩ 573,088	₩ 263,871	₩ (63,856)	₩ 773,103
Gain (loss) on debt securities at FVOCI	7,615	17,777	(4,302)	21,090
Gain (loss) on valuation of cash flow hedge	-	4	(1)	3
Other comprehensive gain (loss) on investment in associates	(7,033)	(4,463)	1,080	(10,416)
Gain (loss) on overseas business translation	(11,287)	(25,540)	993	(35,834)
Remeasurement of net defined benefit liabilities	15,093	(4,272)	1,034	11,855
Total	<u>₩ 577,476</u>	<u>₩ 247,377</u>	<u>₩ (65,052)</u>	<u>₩ 759,801</u>

23. RETAINED EARNINGS:

- (1) Details of retained earnings as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec 31, 2021		Dec. 31, 2020	
Legal reserve (*1)	₩	446,237	₩	435,996
Voluntary reserve (*2)		710,767		474,670
Regulatory reserve for loan losses		151,180		335,868
Unappropriated retained earnings		610,689		225,458
Total	₩	1,918,873	₩	1,471,992

(*1) Pursuant to the EXIM Bank Act, the Consolidated Entity appropriates 10% of separate profit for the year for each accounting period as legal reserve, until the accumulated reserve equals to its paid-in capital.

(*2) The Consolidated Entity appropriates profit for the year, net of the regulatory reserve for loan losses and the dividends, as voluntary reserve.

- (2) Changes in retained earnings for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Beginning balance	₩	1,471,992	₩	1,478,619
Profit for the period attributable to the owners of the parent company		481,735		99,003
Appropriation of retained earnings		(40,759)		(109,037)
Transfer from OCI to retained earnings		5,905		3,407
Ending balance	₩	1,918,873	₩	1,471,992

- (3) Regulatory reserve for loan losses

Regulatory reserve for loan losses is calculated and disclosed according to Article 29 (1) and (2), Regulation on Supervision of Banking Business. In accordance with Regulation on Supervision of Banking Business, etc., if the estimated allowance for credit loss determined by K-IFRS for the accounting purpose is lower than that for the regulatory purpose required by Regulation on Supervision of Banking Business, the Consolidated Entity should reserve such difference as the regulatory reserve for loan losses. Due to the fact that regulatory reserve for loan losses is a voluntary reserve, the amounts that exceed the existing regulatory reserve for loan losses over the compulsory regulatory reserve for loan losses at the year-end date are reversed in profit. In case of accumulated deficit, the Consolidated Entity should recommence setting aside regulatory reserve for loan losses at the time when accumulated deficit is reduced to zero.

- 1) Regulatory reserve for loan losses

Details of regulatory reserve for loan losses as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Dec 31, 2021		Dec. 31, 2020	
Accumulated regulatory reserve for loan losses	₩	151,180	₩	335,868
Expected (reversal of) regulatory reserve for loan losses		87,150		(184,688)
Regulatory reserve for loan losses	₩	238,330	₩	151,180

2) Regulatory reserve for loan losses and profit for the year after adjusting regulatory reserve for loan losses.

Details of regulatory reserve for loan losses and profit for the year after adjusting the reserve for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Profit for the year	₩ 481,735	₩ 98,111
Provision for (Reversal of) regulatory reserve for loan losses	<u>87,150</u>	<u>(184,688)</u>
Profit after adjusting the regulatory reserve for loan losses (*1)	<u>₩ 394,585</u>	<u>₩ 282,799</u>

(*1) Adjusted profit considering regulatory reserves for loan losses as above is calculated by assuming that the provision in regulatory reserve for loan losses before income tax is reflected in profit for the year.

(4) Details of dividends for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
The Government	₩ 27,711	₩ 72,430
Bank of Korea	3,814	10,701
Korea Development Bank	<u>9,234</u>	<u>25,906</u>
Total	<u>₩ 40,759</u>	<u>₩ 109,037</u>

24. NET INTEREST INCOME:

Net interest income is the amount after deduction of interest expenses from interest income, and the details are as follows:

- (1) Details of interest income for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Interest of due from financial institutions:		
Due from financial institutions in local currency	₩ 7,519	₩ 9,674
Due from financial institutions in foreign currencies	6,686	25,108
Subtotal	<u>14,205</u>	<u>34,782</u>
Interest of financial assets at FVTPL:		
Interest of securities at FVTPL	218	577
Interest of loans at FVTPL	565	150
Subtotal	<u>783</u>	<u>727</u>
Interest of financial investments:		
Interest of securities at FVOCI	40,243	28,329
Interest of securities at amortized cost	13,977	15,769
Subtotal	<u>54,220</u>	<u>44,098</u>
Interest of loans:		
Interest of loans in local currency	537,619	578,214
Interest of loans in foreign currencies	1,143,053	1,613,930
Interest of bills bought	12,422	14,235
Interest of advance for customers	987	215
Interest of call loans	2,291	19,820
Interest of interbank loans	2,685	4,505
Interest of finance lease	5,637	6,416
Subtotal	<u>1,704,694</u>	<u>2,237,335</u>
Other interest income	412	846
Total	<u>₩ 1,774,314</u>	<u>₩ 2,317,788</u>

- (2) Details of interest expenses for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Interest of borrowings:		
Interest of borrowings in foreign currencies	₩ 33,929	₩ 126,184
Interest of securities sold under repurchase agreements	862	663
Subtotal	<u>34,791</u>	<u>126,847</u>
Interest of call-money	744	4,954
Interest of debentures:		
Interest of debentures in local currency	268,912	296,331
Interest of debentures in foreign currencies	542,099	986,040
Subtotal	<u>811,011</u>	<u>1,282,371</u>
Other interest expense	1,072	3,686
Total	<u>₩ 847,618</u>	<u>₩ 1,417,858</u>

25. NET COMMISSION INCOME:

Net commission income is the amount after deduction of commission expenses from commission income, and the details are as follows:

- (1) Details of commission income for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Commission income in local currency:		
Commission income on management of EDCF (*1)	₩ 20,820	₩ 20,243
Commission income on management of IKCF (*2)	2,200	2,250
Other commission income in local currency	1,973	894
Subtotal	<u>24,993</u>	<u>23,387</u>
Commission income in foreign currencies:		
Commission income on letters of credit	2,814	2,365
Commission income on confirmation on export letter of credit	13	256
Commission income on loan commitments	28,311	24,908
Management fees	1,421	1,099
Arrangement fees	3,021	2,353
Advisory fees	353	371
Advance redemption fees	4,503	14,980
Brokerage fee for foreign currencies exchange funds	176	498
Sundry commission income on foreign exchange	500	229
Structuring fees	51	34,560
Fees received on other loans in foreign currency	549	574
Sundry commissions received from foreign currencies revenue	6,359	2,212
Subtotal	<u>48,071</u>	<u>84,405</u>
Others:		
Other commission income	10,896	11,422
Guarantee fees in foreign currencies:		
Guarantee fees in foreign currencies	129,926	145,200
Premium for guarantee	100,034	113,302
Subtotal	<u>229,960</u>	<u>258,502</u>
Total	<u>₩ 313,920</u>	<u>₩ 377,716</u>

(*1) Economic Development Cooperation Fund

(*2) Inter Korean Cooperation Fund

- (2) Details of commission expenses for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Commission expenses in local currency:		
Commission expenses on domestic transactions	₩ 518	₩ 481
Commission expenses in foreign currencies:		
Commission expenses on foreign borrowings	39	41
Commission expenses on borrowings in foreign currencies	3,495	2,704
Sundry commission expenses on foreign exchange	4,003	4,342
Subtotal	<u>7,537</u>	<u>7,087</u>
Others:		
Other commission income	18,763	11,628
Total	<u>₩ 26,818</u>	<u>₩ 19,196</u>

26. DIVIDEND INCOME:

Details of dividend income for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Financial assets at FVOCI	₩	49,889	₩	47,184

27. GAIN (LOSS) ON FINANCIAL ASSETS AT FVTPL:

Details of gain (loss) on financial assets at FVTPL for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Securities at FVTPL:				
Gain on valuation	₩	18,846	₩	15,184
Loss on valuation		(12,951)		(4,892)
Gain on disposal		9,885		12,924
Loss on disposal		(1,936)		(5,288)
Others		15,816		15,332
Subtotal		29,660		33,260
Loans at FVTPL:				
Gain on valuation		505		191
Loss on disposal		(423)		(29)
Subtotal		82		162
Trading derivatives:				
Gain on valuation		856,142		834,372
Loss on valuation		(996,182)		(715,478)
Gain on transaction		910,135		918,010
Loss on transaction		(672,849)		(946,697)
Subtotal		97,246		90,207
Total	₩	126,988	₩	123,629

28. GAIN (LOSS) ON HEDGING DERIVATIVES:

Details of gain (loss) on hedging derivatives for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Gain on hedging derivatives	₩	189,053	₩	1,996,002
Loss on hedging derivatives		(1,745,358)		(202,353)
Total	₩	(1,556,305)	₩	1,793,649

29. GAIN (LOSS) ON FINANCIAL INVESTMENTS:

Details of gain (loss) on financial investments for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Financial assets at FVOCI:		
Gain on disposals	₩ 4,671	₩ 2,101
Loss on disposals	(1,051)	(355)
Gain on redemption	69	69
Loss on redemption	(214)	(36)
Subtotal	<u>3,475</u>	<u>1,779</u>
Financial assets at amortized cost		
Gain on disposals	(400)	6
Gain on redemption	27	28
Loss on redemption	-	(23)
Subtotal	<u>(373)</u>	<u>11</u>
Total	<u>₩ 3,102</u>	<u>₩ 1,790</u>

30. OTHER OPERATING INCOME (EXPENSES):

Details of other operating income (expenses) for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Other operating income:		
Gain on sale of loans at amortized cost	₩ 2,845	₩ -
Gain on redemption of loans at amortized cost	337	18
Gain on fair value hedged items	1,242,036	164,126
Others	-	18
Subtotal	<u>1,245,218</u>	<u>164,162</u>
Other operating expenses:		
Loss on fair value hedged items	(10,284)	(939,102)
Contribution to miscellaneous funds	(4,751)	(5,053)
Losses on redemption of bonds	-	(64)
Transfer of other provisions	(28,922)	-
Others	(9,947)	(17,465)
Subtotal	<u>(53,904)</u>	<u>(961,684)</u>
Total	<u>₩ 1,191,314</u>	<u>₩ (797,522)</u>

31. IMPAIRMENT LOSS (REVERSAL) ON CREDIT:

Details of impairment loss (reversal) on credit for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021 (*1)		2020 (*1)	
Loans at amortized cost	₩	491,430	₩	601,834
Other financial assets		(22,356)		21,981
Guarantees		(21,481)		93,063
Unused loan commitments		(1,043)		6,884
Financial guarantee contract		(75,587)		117,983
Financial assets at FVOCI		340		452
Financial assets at amortized cost		51		6
Total	₩	371,354	₩	842,203

(*1) It includes additional impairment loss on credit ₩69,178 million and ₩16,008 million to cope with the economic downturn caused by the spread of the COVID-19 for the years ended December 31, 2021 and 2020 respectively.

32. GENERAL AND ADMINISTRATIVE EXPENSES:

Details of general and administrative expenses for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	Detail	2021	2020
General and administrative	Short-term salaries	₩ 123,867	₩ 119,591
Other expenses in financing department	Office expenses	72,685	62,174
	Subtotal	196,552	181,765
Office expenses of EDCF		1,330	1,038
General and administrative - Others	Retirement benefit (defined contributions)	2,977	753
	Retirement benefit (defined benefits)	20,940	11,178
	Special retirement allowance	17	29
	Depreciation of tangible assets	7,844	7,742
	Amortization of intangible assets	10,847	11,689
	Taxes and duties	17,258	21,092
	Donations and contributions	2,000	3,000
	Subtotal	61,883	55,483
	Total	₩ 259,765	₩ 238,286

33. NON-OPERATING INCOME (EXPENSES):

Details of non-operating income (expenses) for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	Detail	2021	2020
Gain (Loss) on investments in associates	Valuation gain on investments in associates	₩ 26,292	₩ 47,556
	Gain on disposal of investments in associates	29,662	4,751
	Loss on disposal of investments in associates	(104,294)	(26,098)
	Impairment loss in associates	-	(166,281)
	Subtotal	<u>(48,340)</u>	<u>(140,072)</u>
Other incomes	Gain on disposals of tangible assets	119	119
	Rent income	129	138
	Damages paid for breach of contracts	17	114
	Interest on other loans	75	109
	Revenue on research project	6,602	6,466
	Other miscellaneous income	503	2,984
	Subtotal	<u>7,445</u>	<u>9,930</u>
Other expenses	Loss on disposals of tangible assets	(51)	(1)
	Expenses for contribution	(7,159)	(6,173)
	Court cost	(1,018)	(814)
	Expenses on research project	(6,320)	(6,074)
	Other miscellaneous expenses	(3,630)	(4,800)
	Subtotal	<u>(18,178)</u>	<u>(17,862)</u>
	Total	<u>₩ (10,733)</u>	<u>₩ (7,932)</u>

34. INCOME TAX EXPENSE:

- (1) Details of income tax expenses for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Current income tax payable	₩ (6,292)	₩ 8,450
Adjustment recognized in the current period for tax payable of prior periods	(74)	(9,309)
Changes in deferred income taxes due to temporary differences	246,933	100,295
Changes in deferred income taxes directly reflected in equity	(29,341)	(65,053)
Income tax expense	<u>₩ 211,226</u>	<u>₩ 34,383</u>

- (2) Changes in temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(2021)

Detail	Temporary differences			Deferred tax assets (liabilities) ending balance
	Beginning balance	Increase (Decrease)	Ending balance	
Depreciation	₩ 106	₩ 6	₩ 112	₩ 27
Fair value hedging income (loss)	1,375,588	(1,230,942)	144,646	35,004
Financial guarantee contract liability	1,050,102	(78,906)	971,196	235,030
Loans	(42,621)	35,876	(6,745)	(1,632)
Allowance for loan losses	984,662	(527,601)	457,061	110,609
Unused commitment provisions	239,584	(102)	239,482	57,955
Net deferred loan origination fees and costs	364,854	3,355	368,209	89,107
Long-term income in advance	(2,689)	-	(2,689)	(651)
Provisions for acceptances and guarantees	387,027	(6,044)	380,983	92,198
Loan-for-equity swap	1,176,609	57,705	1,234,314	298,704
Losses on valuation of derivatives	142,212	(395,619)	(253,407)	(61,324)
Gains on valuation of derivatives	(1,352,817)	1,258,619	(94,198)	(22,796)
Defined benefit liability	-	(6,492)	(6,492)	(1,571)
Accrued interest receivables and payables related to swap transaction	(316,122)	11,132	(304,990)	(73,808)
Tangible assets	(173,653)	(1,440)	(175,093)	(42,372)
Others	1,676,612	80,702	1,757,314	425,269
Subtotal	<u>₩ 5,509,454</u>	<u>₩ (799,751)</u>	<u>₩ 4,709,703</u>	<u>₩ 1,139,749</u>
Deferred income tax assets (liabilities) directly adjusted in equity				<u>(303,040)</u>
Total				<u>₩ 836,709</u>

(2020)

Detail	Temporary differences			Deferred tax assets (liabilities) ending balance
	Beginning balance	Increase (Decrease)	Ending balance	
Depreciation	₩ 107	₩ (1)	₩ 106	₩ 26
Fair value hedging income (loss)	597,679	777,909	1,375,588	332,892
Financial guarantee contract liability	989,685	60,417	1,050,102	254,125
Loans	(69,322)	26,701	(42,621)	(10,314)
Allowance for loan losses	605,777	378,885	984,662	238,288
Unused commitment provisions	232,940	6,644	239,584	57,979
Net deferred loan origination fees and costs	399,621	(34,767)	364,854	88,295
Long-term income in advance	(3,528)	839	(2,689)	(651)
Provisions for acceptances and guarantees	306,441	80,586	387,027	93,661
Loan-for-equity swap	2,031,381	(854,772)	1,176,609	284,739
Losses on valuation of derivatives	(787,945)	930,157	142,212	34,415
Gains on valuation of derivatives	384,594	(1,737,411)	(1,352,817)	(327,382)
Defined benefit liability	19,492	(19,492)	-	-
Accrued interest receivables and payables related to swap transaction	(331,176)	15,054	(316,122)	(76,502)
Tangible assets	(175,296)	1,643	(173,653)	(42,024)
Others	1,354,297	322,315	1,676,612	405,741
Subtotal	₩ 5,554,747	₩ (45,293)	₩ 5,509,454	₩ 1,333,288
Deferred income tax assets (liabilities) directly adjusted in equity				(273,699)
Total				₩ 1,059,589

(3) Details of the reconciliation between profit before income tax expense and income tax expense for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Profit before income tax expense	₩ 692,948	₩ 132,493
Income tax calculated at statutory tax rate (11% up to ₩200 million, 22% over ₩200 million to ₩20 billion and 24.2% over ₩20 billion to ₩300 billion, and 27.5% over ₩300 billion)	180,199	31,601
Adjustments:		
Effect on non-taxable income	(27,355)	(23,546)
Effect on non-deductible expense	24,412	20,193
Effect on tax deduction	-	(3,514)
Others	34,044	18,958
Subtotal	31,101	12,091
Adjustment recognized in the period for current tax of prior periods	(74)	(9,309)
Income tax expense	₩ 211,226	₩ 34,383
Effective tax rate from operations	30.48%	25.95%

35. CONSOLIDATED STATEMENTS OF CASH FLOWS:

- (1) Details of non-cash flow transactions for the ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Written-off	₩ 13,459	₩ 218,764
Transfer to financial investments from the investments in associates	380,520	-
Loss on valuation of FVOCI financial instruments	94,584	279,921
Remeasurement of net defined benefit obligation	7,010	3,232

- (2) Changes in liabilities arising from financing activities for the year ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(2021)

Detail	Borrowings	Debentures	Total
Beginning balance	₩ 6,562,171	₩ 72,641,777	₩ 79,203,948
Change in cash flows	(881,572)	1,586,755	705,183
Amortization	136	118,014	118,150
Foreign exchange transaction	607,388	3,358,595	3,965,983
Change in fair value hedged items	-	(1,219,088)	(1,219,088)
Ending balance	₩ 6,288,123	₩ 76,486,053	₩ 82,774,176

(2020)

Detail	Borrowings	Debentures	Total
Beginning balance	₩ 7,338,648	₩ 67,137,591	₩ 74,476,239
Change in cash flows	(119,834)	6,861,920	6,742,086
Loss on redemption of bonds	-	64	64
Amortization	268	201,079	201,347
Foreign exchange transaction	(656,911)	(2,315,090)	(2,972,001)
Change in fair value hedged items	-	756,213	756,213
Ending balance	₩ 6,562,171	₩ 72,641,777	₩ 79,203,948

36. CONTINGENT LIABILITIES AND COMMITMENTS:

- (1) Details of contingent liabilities and commitments as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Detail	2021	2020
Guarantees	Confirmed	₩ 30,154,939	₩ 28,049,218
	Unconfirmed	10,291,188	6,867,071
	Subtotal	40,446,127	34,916,289
Loan commitments	Local currency, foreign currencies loan commitments	29,674,836	23,745,339
	Others	2,608,448	2,352,512
	Subtotal	32,283,284	26,097,851
	Total	₩ 72,729,411	₩ 61,014,140

- (2) Details of guarantees that have been provided for others as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	Detail	2021	2020
Confirmed guarantees	Local currency:		
	Performance of contracts	₩ 75,088	₩ 75,088
	Repayment of advances	76,183	88,958
	Others	38,741	49,814
	Subtotal	190,012	213,860
	Foreign currencies:		
	Performance of contracts	7,214,218	7,065,461
	Repayment of advances	9,117,665	6,882,321
	Acceptances of imported goods	1,902	1,005
	Acceptances of import letter of credit outstanding	237,980	217,388
	Foreign liabilities	10,009,389	9,580,093
	Others	3,383,773	4,089,090
	Subtotal	29,964,927	27,835,358
Unconfirmed guarantees	Performance of contracts	74,141	203,120
	Foreign liabilities	9,047,096	1,401,148
	Repayment of advances	43,274	5,126,848
	Underwriting of import credit	1,040,401	41,711
	Others	86,276	94,244
	Subtotal	10,291,188	6,867,071
	Total	₩ 40,446,127	₩ 34,916,289

(3) Details of guarantees classified by country as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Detail	Confirmed guarantees		Unconfirmed guarantees		Total	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Asia						
Korea	₩ 18,382,248	60.95	₩ 9,121,271	88.63	₩ 27,503,519	68.00
China	174,668	0.58	-	-	174,668	0.43
Saudi Arabia	1,226,580	4.07	-	-	1,226,580	3.03
India	587,733	1.95	-	-	587,733	1.45
Indonesia	716,448	2.38	304,695	2.96	1,021,143	2.52
Vietnam	1,100,647	3.65	432,775	4.21	1,533,422	3.79
Australia	207,027	0.69	-	-	207,027	0.51
Qatar	218,227	0.72	-	-	218,227	0.54
Singapore	135,956	0.45	-	-	135,956	0.34
Oman	506,487	1.68	37,498	0.36	543,985	1.34
Uzbekistan	330,123	1.09	-	-	330,123	0.82
Others	1,694,809	5.62	134,338	1.31	1,829,147	4.54
Subtotal	25,280,953	83.83	10,030,577	97.47	35,311,530	87.31
Europe						
United Kingdom	144,035	0.48	129,516	1.26	273,551	0.68
France	249,712	0.83	-	-	249,712	0.62
Others	1,816,658	6.02	77,274	0.75	1,893,932	4.68
Subtotal	2,210,405	7.33	206,790	2.01	2,417,195	5.98
America						
United States	966,069	3.20	13,041	0.12	979,110	2.42
Brazil	400,481	1.33	-	-	400,481	0.99
Mexico	406,125	1.35	-	-	406,125	1.00
Others	509,127	1.69	40,780	0.40	549,907	1.36
Subtotal	2,281,802	7.57	53,821	0.52	2,335,623	5.77
Africa						
Madagascar	87,636	0.28	-	-	87,636	0.22
Others	294,143	0.99	-	-	294,143	0.72
Subtotal	381,779	1.27	-	-	381,779	0.94
Total	₩ 30,154,939	100.00	₩ 10,291,188	100.00	₩ 40,446,127	100.00

(December 31, 2020)

	Detail	Confirmed guarantees		Unconfirmed guarantees		Total	
		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Asia	Korea	₩ 16,207,650	57.77	₩ 5,330,002	77.62	₩ 21,537,652	61.68
	China	200,663	0.72	-	-	200,663	0.57
	Saudi Arabia	1,283,479	4.58	-	-	1,283,479	3.68
	India	554,211	1.98	-	-	554,211	1.59
	Indonesia	715,347	2.54	332,781	4.84	1,048,128	3.00
	Vietnam	988,464	3.52	401,463	5.85	1,389,927	3.98
	Australia	226,478	0.81	-	-	226,478	0.65
	Qatar	225,804	0.81	-	-	225,804	0.65
	Singapore	127,444	0.45	-	-	127,444	0.36
	Oman	439,392	1.57	88,691	1.29	528,083	1.51
	Uzbekistan	330,221	1.18	18,033	0.26	348,254	1.00
	Others	1,444,279	5.16	243,038	3.54	1,687,317	4.84
		Subtotal	22,743,432	81.09	6,414,008	93.40	29,157,440
Europe	United Kingdom	573,914	2.05	129,690	1.89	703,604	2.02
	France	281,363	1.00	-	-	281,363	0.81
	Others	1,510,303	5.38	184,871	2.69	1,695,174	4.85
	Subtotal	2,365,580	8.43	314,561	4.58	2,680,141	7.68
America	United States	1,166,979	4.16	11,968	0.16	1,178,947	3.38
	Brazil	371,831	1.33	-	-	371,831	1.06
	Mexico	397,508	1.42	-	-	397,508	1.14
	Bermuda	259,434	0.92	-	-	259,434	0.74
	Others	288,839	1.03	126,534	1.86	415,373	1.19
	Subtotal	2,484,591	8.86	138,502	2.02	2,623,093	7.51
Africa	Madagascar	161,761	0.57	-	-	161,761	0.46
	Others	293,854	1.05	-	-	293,854	0.84
	Subtotal	455,615	1.62	-	-	455,615	1.30
	Total	₩ 28,049,218	100.00	₩ 6,867,071	100.00	₩ 34,916,289	100.00

- (4) Details of guarantees classified by industry as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Detail	Confirmed guarantees		Unconfirmed guarantees		Total	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Manufacturing	₩ 15,781,920	52.34	₩ 9,067,837	88.11	₩ 24,849,757	61.43
Transportation	2,226,005	7.38	-	-	2,226,005	5.50
Financial institution	904,287	3.00	-	-	904,287	2.24
Wholesale and retail	734,150	2.43	43,915	0.43	778,065	1.92
Real estate business	42,563	0.14	48,556	0.47	91,119	0.23
Construction	5,250,974	17.41	78,278	0.76	5,329,252	13.18
Public sector and others	5,215,040	17.30	1,052,602	10.23	6,267,642	15.50
Total	₩ 30,154,939	100.00	₩ 10,291,188	100.00	₩ 40,446,127	100.00

(December 31, 2020)

Detail	Confirmed guarantees		Unconfirmed guarantees		Total	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Manufacturing	₩ 14,002,986	49.92	₩ 5,518,653	80.37	₩ 19,521,639	55.91
Transportation	2,004,642	7.15	42,821	0.63	2,047,463	5.87
Financial institution	1,412,167	5.03	8,839	0.13	1,421,006	4.07
Wholesale and retail	514,662	1.83	31,114	0.45	545,776	1.56
Real estate business	43,962	0.16	48,408	0.70	92,370	0.26
Construction	5,270,863	18.79	377,322	5.49	5,648,185	16.18
Public sector and others	4,799,936	17.12	839,914	12.23	5,639,850	16.15
Total	₩ 28,049,218	100.00	₩ 6,867,071	100.00	₩ 34,916,289	100.00

- (5) Global Medium-Term Note Program and CP programs

The Consolidated Entity has been establishing the following programs regarding the issue of foreign currency bonds and CPs:

- 1) Established on August 1, 1991, initially, and annually renewed, U.S. Shelf Registration to issue foreign bonds under the Securities and Exchange Commission rule of the United States of America with an issuance limit of USD 55 billion.
- 2) Established on May 14, 1997, and May 16, 1997, initially, and annually renewed, CP program to issue CPs with issuance limits of USD 6 billion and USD 2 billion, respectively.
- 3) Established on November 6, 1997, initially, and annually renewed, Global Medium-Term Note Program to issue mid-to-long-term foreign currencies bonds with an issuance limit of USD 27.5 billion.
- 4) Established on February 2, 2012, initially, and renewed annually, MYR MTN program to issue Malaysian Ringgit-denoted bonds with issuance limits of MYR 1 billion.
- 5) Established in 1995, initially, and every other yearly renewed, Yen Shelf Registration to issue Samurai bond with an issuance limit of JPY 500 billion.
- 6) Established on May 31, 2010, Australian Domestic Debt Issuance Program to issue Kangaroo bond with limit of AUD 6 billion.
- 7) Established on January 17, 2011, and renewed every two years, Uridashi Shelf Registration to issue Uridashi bond with an issuance limit of JPY 500 billion.

(6) Litigations

As of December 31, 2021, 10 lawsuits (aggregated claim amount: ₩68,302 million) were filed as a plaintiff and 11 pending litigations as a defendant were filed (aggregated claim amount: ₩44,121 million). The Consolidated Entity's management expects that there is no significant impact on the financial statements due to these lawsuits, but it is possible to make additional loss to the Consolidated Entity due to the results of future litigation.

(7) Written-off loans

The Consolidated Entity manages written-off loans that have claims on debtors due to the statute of limitations, uncollected after write-off, etc. The written-off loans as of December 31, 2021 and 2020 are ₩2,066,396 million and ₩1,994,183 million, respectively.

(8) COVID-19

The proliferation of COVID-19 has had a negative impact on the global economy, which may have a greater impact than the expected credit loss and potential impairment of assets in a particular portfolio, negatively impacting the profit generation capability of the Consolidated Entity as follows:

- Uncertainty may arise about the credit risk of a borrower that could be affected by COVID-19.
- Uncertainty may arise about forward-looking macroeconomic information related to expected credit losses.
- Korean won may depreciate against major foreign currencies. This may result in an increase in principal and interest payments on liabilities denominated in foreign currencies, and losses on foreign exchange transactions.
- Possible significant decrease in the fair value of an entity affected by COVID-19 pandemic, in which the Consolidated Entity invested, may occur.

Meanwhile, the impact of COVID-19 on expected credit losses is described in note 31. Impairment loss (Reversal) on credit.

- (9) Related to Ukraine crisis occurred in February 2022, international sanctions are being imposed to Russia. The sanctions may affect companies, industries, or economies which do business directly or indirectly with Russia, but the impact on the Consolidated Entity's financial position and operation has yet to be observed. The Consolidated Entity consistently monitors and controls the effects of Ukraine crisis.

37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES:

Related parties consist of entities related to the Consolidated Entity, postemployment benefits, a key management personnel and a close member of that person's family, an entity controlled or jointly controlled and an entity influenced significantly.

- (1) Details of related parties as of December 31, 2021 are as follows:

Detail	Relationship	Percentage (%)
Parent:		
Korean government	Parent	68.74
Associates:		
Credit Guarantee and Investment Fund	Associate	15.07
KTB Newlake Global Healthcare PEF	Associate	25.00
Korea Aerospace Industries Ltd.	Associate	26.41
Daewoo Shipbuilding & Marine Engineering Co., Ltd	Associate	-

- (2) Receivables and payables between the Consolidated Entity and related parties

- 1) Receivables and payables between the Consolidated Entity and related parties as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Detail	Receivables	Allowance / Provisions	Payables
Associates:			
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	₩ 2,524,098	₩ 433,756	₩ -

(December 31, 2020)

Detail	Receivables	Allowance / Provisions	Payables
Associates:			
DAESUN Shipbuilding & Engineering Co., Ltd.	₩ 522,111	₩ 515,596	₩ 44
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	2,518,836	370,637	1,838
Total	<u>₩ 3,040,947</u>	<u>₩ 886,233</u>	<u>₩ 1,882</u>

- 2) Guarantees provided to the related parties as of December 31, 2021 and 2020 are as follows (Korean won in millions):

(December 31, 2021)

Detail	Confirmed guarantees	Unconfirmed guarantees	Loans commitments	Other commitments
Associates:				
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	₩ 2,822,425	₩ 2,379,492	₩ 1,450,000	₩ 1,665,958

(December 31, 2020)

Detail	Confirmed guarantees	Unconfirmed guarantees	Loans commitments	Other commitments
Associates:				
DAESUN Shipbuilding & Engineering Co., Ltd.	₩ 65,010	₩ 75,574	₩ 15,000	₩ -
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	2,795,481	1,615,016	1,450,000	-
Total	₩ 2,860,491	₩ 1,690,590	₩ 1,465,000	₩ -

- (3) Profit and loss transactions with related parties

Profit and loss transactions with related parties for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(2021)

Detail	Revenue	Bad debt expenses	Expenses
Associates:			
DAESUN Shipbuilding & Engineering Co., Ltd.	₩ 6,489	₩ (114,648)	₩ 228
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	50,092	45,260	-
Total	₩ 56,581	₩ (69,388)	₩ 228

(2020)

Detail	Revenue	Bad debt expenses	Expenses
Associates:			
DAESUN Shipbuilding & Engineering Co., Ltd.	₩ 7,012	₩ 92,185	₩ 16
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	31,604	60,595	14,458
Total	₩ 38,616	₩ 152,780	₩ 14,474

(4) Loan transactions with related parties

Loan transactions with related parties for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

(2021)

Detail	Financing transaction	
	Loan	Collection
Associates:		
DAESUN Shipbuilding & Engineering Co., Ltd.	₩ 84,259	₩ 506,111

(2020)

Detail	Financing transaction	
	Loan	Collection
Associates:		
HSG SUNGDONG Shipbuilding Co., Ltd.	₩ 18,290	₩ 189,052
DAESUN Shipbuilding & Engineering Co., Ltd.	41,500	37,500
Total	₩ 59,790	₩ 226,552

(5) Details of compensation for key executives for the years ended the ended December 31, 2021 and 2020 are as follows (Korean won in millions):

Detail	2021	2020
Short-term employee benefits	₩ 3,562	₩ 3,106
Retirement benefits	404	314
Total	₩ 3,966	₩ 3,420

38. APPROVAL OF FINANCIAL STATEMENTS:

The consolidated financial statements of the Consolidated Entity were approved by board of directors on March 15, 2022 and were finally approved by the Operations Committee on March 29, 2022.