

# Notes to Consolidated Financial Statements

## 1. Summary of significant accounting policies

### (1) Basis of financial statement preparation

The Company and its subsidiaries (collectively referred to as the "Group") prepare statutory financial statements in the Korean language in accordance with the Korean International Financial Reporting Standards ("K-IFRS") enacted by the Act on External Audit of Stock Companies. The accompanying consolidated financial statements have been translated into English from the Korean language consolidated financial statements. In the event of any differences in interpreting the consolidated financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss ("FVTPL"), derivative financial instruments designated as hedges, and available-for-sale ("AFS") financial instruments which are measured at fair value.

The carrying amounts of assets and liabilities designated as hedged items of fair value hedge are not recorded at amortized cost but recorded after reflecting the change in fair value corresponding to the risk hedged in effective hedge relationships.

The consolidated financial statements are presented in the Korean won ("KRW") and all values are rounded to the nearest million, except when otherwise indicated.

The Group has changed the classification of some accounts in the prior year's consolidated financial statements to be consistent with that of the current year's consolidated financial statements for the purpose of easier comparison. The reclassification does not have any impact on the net income or net assets reported last year.

### (2) Classification and measurement of financial assets

Financial assets within the scope of K-IFRS 1039 are classified as financial assets at FVTPL, available-for-sale financial assets, held-to-maturity financial assets, loans and receivables, or as derivative financial assets designated as hedges, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date,

i.e., the date when the Group commits to purchase or sell the asset.

All financial assets are recognized initially at fair value plus transactions costs, except in the case of financial assets recorded at fair value through profit and loss.

### (3) Foreign currency transactions

When preparing the consolidated financial statements, the Group measures and recognizes all the transactions according to the functional currency. The term "functional currency" is defined as the currency used to conduct operating activities in the primary economic environment and trades in each entity between the functional currency and other currencies which are converted to the Group's functional currency to be measured and recognized.

### (4) Reinsurance assets

Reinsurance assets are defined as a cedant's net contractual rights under a reinsurance contract according to K-IFRS 1104 "Insurance Contract" and are recorded in the amount a reinsurer assumed as insurance contract liabilities. Reinsurance assets are not offset against the relevant insurance contract liabilities, and reinsurance income or expenses arising from the reinsurance arrangements are not offset against the relevant expenses or income resulting from the relevant insurance contracts. The Group considers whether the reinsurance assets are impaired at each reporting date and if the reinsurance assets are impaired, the Group reduces its carrying amount, and accordingly, recognizes impairment loss as a profit or loss.

### (5) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment in value. Such cost includes an expenditure which has directly occurred for the acquisition of the asset. The initial and subsequent costs are recognized as an asset when it is probable that future economic benefits associated with the asset will flow to the Group and the costs of the asset can be measured reliably. The other maintenances and repairs are expensed in the year in which they are incurred and the carrying amount of certain parts that are replaced is derecognized. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the related asset if the recognition criteria for a provision are met.

### (6) Investment properties

Investment properties are recognized as assets only if it is probable that future economic benefits associated with the assets will flow to the Group and the costs of the assets can be measured reliably. Investment properties are initially recognized at cost and transaction costs are included in the initial measurement. The investment properties are also subsequently measured at cost.

Investment properties are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising from the derecognition of the assets calculated as the difference between the net disposal proceeds and the carrying amount of the assets is recognized as profit or loss in the consolidated statement of profit or loss and other comprehensive income in the period in which the asset is derecognized. Transfers are made to or from investment properties only when there is a change in use.

### (7) Insurance contract liabilities

In accordance with the Insurance Business Act ("IBA") and the Regulation on Insurance Supervision ("RIS"), the Group is required to maintain insurance contract liabilities validated by the Group's appointed actuary, and the details are as follows:

#### (a) Reserve for outstanding claims

The reserve for outstanding claims refers to a provision for claims received but not settled, including claims on a lawsuit at the reporting date. It includes a provision for claims not received, and therefore not yet settled, on the insurance policies where the events causing the payment of claims have occurred at the reporting date. The amount collectible from exercising the compensation right or disposal of insured assets acquired by the Group is reported as a deduction from insurance contract liabilities.

#### (b) Unearned premium reserve

The Group is required to maintain an unearned premium reserve, which is the premium whose payment date belongs to the current year and whose applicable period has not yet commenced at the end of the reporting period.

### (8) Hybrid equity securities

Hybrid equity security is classified as an equity only if its contractual arrangements at the time of the issuance of the security meet the criteria to be classified as an equity.

## 2. Translation of consolidated financial statements indicated in foreign currencies

Assets and liabilities, including equity indicated in the consolidated financial statements, are translated into the U.S. Dollar at the rate of KRW 1,279.70 to USD 1, the telegraphic transfer selling rate of

exchange as at December 31, 2022. The profit and loss account is translated at KRW 1,299.78 to USD 1, the average exchange rate of the period.

## 3. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Cash on hand	1	1
Short-term bank deposits	498,903	389,859
<b>Total</b>	<b>498,904</b>	<b>389,860</b>

## 4. Financial assets

Carrying value and fair value of financial assets as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	Carrying value		Fair value	
	(KRW)	(USD)	(KRW)	(USD)
Deposits	328,237	256,495	328,237	256,495
Financial assets at FVTPL	127,105	99,324	127,105	99,324
Available-for-sale financial assets	3,339,780	2,609,815	3,339,780	2,609,815
Held to maturity financial assets	3,007,021	2,349,786	3,007,021	2,349,786
Derivative financial assets designated as hedges	28,641	22,381	28,641	22,381
Loans	1,039,008	811,915	1,073,988	839,250
Receivables	3,525,430	2,754,888	3,088,392	2,413,372
<b>Total</b>	<b>11,395,222</b>	<b>8,904,604</b>	<b>10,993,164</b>	<b>8,590,423</b>

## 5. Deposits

Deposits as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Term deposits	-	-
Overseas deposits	186,724	145,912
Other deposits	141,513	110,583
<b>Total</b>	<b>328,237</b>	<b>256,495</b>

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

Financial assets at fair value through profit or loss as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Stock	-	-
Beneficiary certificates	114,197	89,236
Securities in foreign currencies	12,908	10,088
<b>Total</b>	<b>127,105</b>	<b>99,324</b>

## 7. Available-for-sale financial assets

Available-for-sale financial assets as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Stock	53,211	41,581
Equity investment	178,257	139,296
Government and public bonds	82,026	64,098
Special bonds	198,821	155,365
Corporate bonds	893,195	697,972
Financial bonds	193,815	151,453
Beneficiary certificates	1,030,289	805,102
Securities in foreign currencies	709,722	554,600
Others	444	348
<b>Total</b>	<b>3,339,780</b>	<b>2,609,815</b>

## 8. Held-to-maturity financial assets

Held-to-maturity financial assets as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Government and public bonds	429,492	335,619
Special bonds	257,742	201,408
Corporate bonds	671,798	524,965
Financial bonds	398,861	311,683
Securities in foreign currencies	1,249,128	976,111
<b>Total</b>	<b>3,007,021</b>	<b>2,349,786</b>

## 9. Loans and receivables

Loans and receivables as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
<b>Loans</b>		
Loans secured by securities	491,370	383,973
Loans secured by real estate	59,000	46,105
Credit loans	1,733	1,354
Guaranteed loans	1,461	1,142
Other loans	497,844	389,032
<b>Subtotal</b>	<b>1,051,408</b>	<b>821,606</b>
(Allowance for possible loan losses)	(7,585)	(5,927)
(Present value discount)	(77)	(60)
(Deferred loan fee and costs)	(4,738)	(3,702)
<b>Receivables</b>		
Insurance receivables	3,499,712	2,734,790
Accounts receivables	707	552
Accrued income	67,395	52,665
Guarantee deposits	1,199	937
<b>Subtotal</b>	<b>3,569,013</b>	<b>2,788,944</b>
(Allowance for doubtful receivables)	(43,545)	(34,028)
(Present value discount)	(38)	(30)
<b>Total</b>	<b>4,564,438</b>	<b>3,566,803</b>

## 10. Other non-financial assets

Other non-financial assets as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Reinsurance assets	2,554,845	1,996,441
Compensation receivables	89,729	70,117
Current income tax assets	8	6
Deferred tax assets	16,348	12,775
Prepaid expenses	147,942	115,607
Advanced payments	26,784	20,930
Right of use assets	9,161	7,158
<b>Total</b>	<b>2,844,817</b>	<b>2,223,034</b>

## 11. Insurance contract liabilities

The Group recognizes insurance contract liabilities in accordance with the IBA and the RIS.

Insurance contract liabilities as at December 31, 2022 are as follows:

### (1) Reserve for outstanding claims

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Fire insurance	60,289	47,112
Marine insurance	206,897	161,676
Motor insurance	197,597	154,409
Surety insurance	40,831	31,907
Engineering insurance	207,161	161,882
Workers' compensation insurance	13,486	10,538
Liability insurance	268,104	209,505
Personal accident insurance	51,135	39,959
Comprehensive insurance	593,565	463,831
Other casualty insurance	293,516	229,363
Overseas inward insurance	2,550,601	1,993,124
Long-term insurance	915,687	715,548
Personal annuity	484	378
<b>Total</b>	<b>5,399,353</b>	<b>4,219,232</b>

### (2) Unearned premium reserve

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Fire insurance	61,219	47,839
Marine insurance	74,999	58,607
Motor insurance	243,126	189,987
Surety insurance	249,296	194,808
Engineering insurance	204,475	159,784
Workers' compensation insurance	2,365	1,848
Liability insurance	126,990	99,234
Personal accident insurance	55,361	43,261
Comprehensive insurance	210,595	164,566
Other casualty insurance	203,500	159,022
Overseas inward insurance	800,556	625,581
<b>Total</b>	<b>2,232,482</b>	<b>1,744,537</b>

### (3) Premium reserve

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Other casualty insurance	795,725	621,806

## 12. Equity

### (1) Capital stock

Details of capital stock as at December 31, 2022 are as follows

	FY 2022 (KRW)	FY 2022 (USD)
Number of common shares authorized (shares)	320,000,000	320,000,000
Par value (KRW, USD)	500	0.4
Number of common shares issued and outstanding (shares)	140,822,939	140,822,939
Capital stock (KRW million, USD thousand)	70,411	55,021

### (2) Capital surplus

Capital surplus consists of the following as at December 31, 2022

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Paid-in capital in excess of par value	93,502	73,066
Other capital reserve	72,646	56,768
<b>Total</b>	<b>166,148</b>	<b>129,834</b>

### (3) Capital adjustments

Capital adjustments consist of the following as at December 31, 2022

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Treasury stock	(134,066)	(104,764)
Other capital adjustments	(91)	(71)
<b>Total</b>	<b>(134,157)</b>	<b>(104,835)</b>

### (4) Accumulated other comprehensive income

Accumulated other comprehensive income consists of the following as at December 31, 2022

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Gain on valuation of available-for-sale financial assets	(32,392)	(25,312)
Gain on valuation of held-to-maturity financial assets	(5,118)	(3,999)
Asset revaluation surplus	69,889	54,614
Exchange difference on translating foreign operations	38,004	29,697
Loss on valuation of derivative instruments designated as cash flow hedges	659	515
Re-measurement of the net defined benefit liabilities	2,105	1,645
<b>Total</b>	<b>73,147</b>	<b>57,158</b>

**(5) Retained earnings**

Retained earnings as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Legal reserve	30,092	23,515
Bad debt reserve	22,842	17,849
Catastrophe reserve	1,476,323	1,153,647
Business rationalization reserve	2,033	1,589
Voluntary reserve	451,276	352,642
Unappropriated retained earnings	102,708	80,259
<b>Total</b>	<b>2,085,274</b>	<b>1,629,501</b>

**(6) Hybrid equity securities**

Hybrid equity securities as at December 31, 2022 are as follows:

	Description <sup>1</sup>		
Date issued	October 21, 2019	May 30, 2022	October 28, 2022
Amounts issued	₩ 230,000,000,000	₩ 230,000,000,000	₩ 100,000,000,000
Maturity <sup>2</sup>	30 years, Revolving	30 years, Revolving	30 years, Revolving
Distribution term	3.40% per annum on a face value basis	4.50% per annum on a face value basis	6.70% per annum on a face value basis

\* Redetermination of interest rate every 5 years, Step up 100bps once at 10<sup>th</sup> year<sup>1</sup> Although hybrid equity securities have maturities, they have capital requirements, such as that the Group has the right to continue to extend maturities.<sup>2</sup> The Group will not pay interest if no dividends are paid on the common shares.