

# IBK

**IBK WILL BE YOUR LIFE-LONG PARTNER  
STRIVING TO DELIVER THE BEST**

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## About this Report

### Reporting Principle and Guideline

This report is IBK's fifth sustainability report, prepared in accordance with the Core option requirement of the Global Reporting Initiative (GRI) standards, an international guideline on sustainability management reporting. Our sustainability management activities and performances are reported on the basis of three material topics, which were identified through materiality assessment and Management Approach guidelines. Going forward, IBK plans to publish a sustainability report every year to transparently disclose our sustainability management activities and performances to stakeholders.

### Reporting Period

This report covers the period from January 2017 to December 2017, while extending to the first half of 2018 to include critical activities to deliver sufficient information to stakeholders. As for quantitative performances, 3-year data from 2015 to 2017 are presented.



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### Reporting Scope

This report covers IBK's headquarters, domestic/overseas branches, and overseas Representative offices. Financial data were presented on a consolidated basis, prepared in accordance with the Korean International Financial Reporting Standards (K-IFRS). Yet, some social and environmental data of overseas operations were made on a non-consolidated basis due to limits in data gathering. In this case, the scope is specified.

### Assurance

For accuracy, objectivity, and reliability of the reporting process and information quality, we inquired DNV GL, an independent assurance agency, to verify this report in accordance with the global assurance standard. The result of the verification can be found on page 88 and 89 of this report. The financial information in this report was audited by the independent auditor, while our GHG emissions and energy consumption were verified according to the "administrative guideline for greenhouse gas and energy target management system."

## CEO's Message

**I would like to express my deepest gratitude to our customers, shareholders including the government, and all stakeholders for the unwavering support for IBK.**

• • •

Since the founding in 1961, IBK has always been a warm-hearted partner to both SMEs and individual customers

Despite the tough business environment arising from sluggish economic growth, increasing income polarization and shrinking consumption, IBK consistently expanded the supply of funding for SMEs in the recent years, and became the first financial institution to exceed the KRW 150 trillion mark in SME loan balance.





Today, we are noticing a shift in economic paradigm where the center of the national economy is moving to SMEs which have been an object of protection and support in the past. In response, IBK has redefined our role and newly established a mid- to long-term SME support roadmap named “IBK Co-up Financing.” This will allow us to better address SMEs’ difficulties in the beginning and growth stages of corporate life cycles in a more and creative manner. Under the Co-up Financing scheme, we will provide SMEs with financial services tailored to each phase of their growth cycle through the “Scale-up,” “Level-up,” and “Cycle-up” platforms. The “Scale-up” platform aims to help startups overcome the death valley period and create new jobs, while the “Level-up” platform supports SMEs’ to enhance their competitiveness and to make a leap forward, expanding job opportunities. The “Cycle-up” platform will prevent promising SMEs from being forced out of the market by meeting their needs for exit strategies, maintaining the jobs created. The “IBK Co-up Financing” enable SMEs to create 100,000 new jobs by 2022, thereby contributing to the development of the national economy.

Moreover, for the expansion of overseas businesses, IBK is pursuing local incorporation of the branches in Vietnam, opening of a Phnom Penh branch in Cambodia, and establishment of an Indonesian banking subsidiary. In addition, we are about to open a Vladivostok representative office in Russia which will serve as our forefront base to extend our reach to Northeast Asia and Eurasia, and to lead inter-Korean economic cooperation in an era of peace on the Korean peninsula. In this regard, IBK also established an in-house North Korean Economy Research Center, the first in the financial industry. There is no doubt that, based on these initiatives, IBK will play a leading role in the inter-Korean economic cooperation as well as global financial market expansion.

We are currently living in the era of the 4<sup>th</sup> Industrial Revolution represented by superintelligence and hyper-connectivity based on AI, IoT, and big data. Subsequently, the financial business environment is rapidly changing as well. In response, IBK is focusing on transformation into a “digital core bank”. We will evolve into a leader in digital finance by introducing the latest technologies and building a series of high-tech systems such as the “i-ONE Robot” that manages fund products with AI, the “Big Data Portal” that recommends customized financial products, and RPA (Robotic Process Automation) that boosts operational efficiency at branches.

Our leadership extends to “productive financing” and “inclusive financing.” We have made banking services more affordable and accessible for the average people by launching the “IBK Mid-interest Rate Credit Loan” that ensures longer maturity and lower interest rate and “Only-One Partner Loan,” an ultra-low interest rate product for small business owners and startups. The “i-ONE Job,” a job-matching platform that matches job seekers with open positions at SMEs will play a key role in creating 100,000 jobs by 2022.

As a bank specializing in SME financing, IBK has put our name on the list of world’s top 100 banks, even without an M&A. This remarkable achievement is attributable to your trust and support. IBK will continue to march forward, together with customers, local communities, and all stakeholders, thereby serving as a reliable partner all-SMEs, individual customers and, by extension, the entire nation.

I ask for your continued support and encouragement.  
Thank you.

Chairman & CEO, Industrial Bank of Korea

Kim Do-Jin

Kim Do Jin

# IBK Overview

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## Corporate Profile

### Purpose of Establishment

Under the Industrial Bank of Korea Act, IBK was founded in August 1961 with the mandate of promoting independent economic activities of small and medium-sized enterprises (SMEs) and improving their economic status by establishing an efficient credit system for them. IBK was listed on the KOSDAQ in 1994 and moved to the main bourse of the KRX in 2003. Today, we are pioneering the future of Korea's financial industry by prioritizing customers and putting them at the center of all businesses.

### Introduction

Since the foundation, IBK has pursued 'customer happiness' as our ultimate goal and worked to be the true financial partner for their success. Aside from the launch of "IBK Co-up Financing" comprising of three stages of Scale-up, Level-up, and Cycle-up financing, we are expanding the fundamental value of finance by working jointly with our 8 subsidiaries, including IBK Capital, IBK Securities and IBK Insurance, which also helps to enhance our non-interest income. Going forward, IBK will continue to stay committed to our customers as their financial partner by proactively responding to the new economic conditions brought about by the 4<sup>th</sup> Industrial Revolution, utilizing our SME financing know-how accumulated for over 50 years of our history.

### Major Tasks

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Loans and bill discounts for SMEs</li> <li>• Receipt of deposits and installment savings and issuance of securities and bonds</li> <li>• Subscription and underwriting of SMEs' capital stock and subscription, underwriting, and guarantee of SME bonds</li> <li>• Domestic remittances, foreign exchange and custody business</li> </ul> | <ul style="list-style-type: none"> <li>• Acceptance of payment</li> <li>• Treasury Agency</li> <li>• Borrowings from the government, the Bank of Korea, and other financial institutions.</li> <li>• Tasks commissioned by the government and public institutions</li> <li>• Other tasks approved by the Financial Services Commission</li> </ul> |
|---|---|

#### IBK Profile

(As of Dec. 31, 2017)

Establishment	August 1, 1961
CEO	Kim Do-jin
No. of subsidiaries	25 (including other subsidiaries)
No. of employees	12,904 persons
Total assets	KRW 274.07 trillion
Operating profit	KRW 2.03 trillion
Net profit	KRW 1.51 trillion

#### Credit Ratings

Company	Rating agency	Long-term	Short-term
IBK	Moody's	Aa2	P-1
	S&P	AA-	A-1+
	Fitch	AA-	F1+

#### Share Ownership

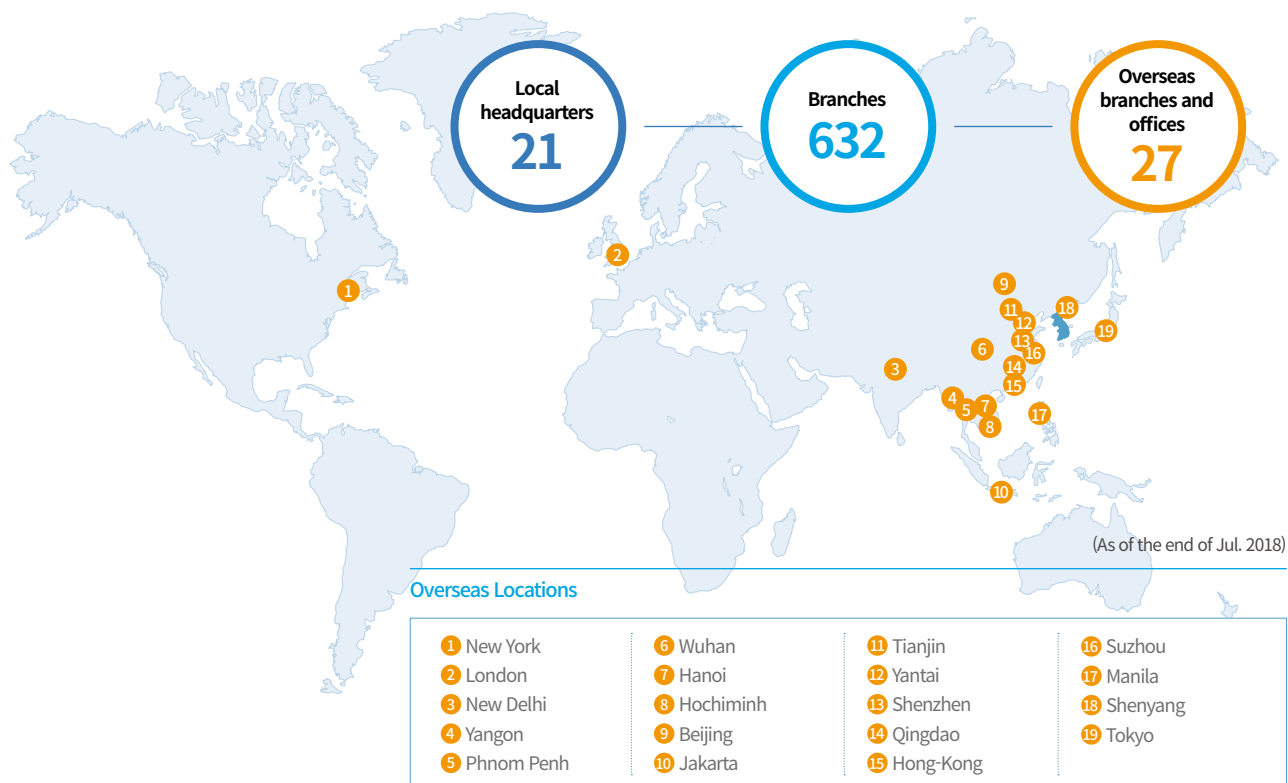
(As of Dec. 31, 2017)

Shareholder	Common share		Preferred share		Total	
	No. of shares	Ownership (%)	No. of shares	Ownership (%)	No. of shares	Ownership (%)
Ministry of Economy and Finance (MOEF)	290,109,219	51.8	44,847,038	45.8	334,956,257	50.9
Korea Development Bank (KDB)	10,490,000	1.9	46,915,282	47.9	57,405,282	8.7
Export-Import Bank of Korea (Korea Eximbank)	8,501,153	1.5	6,210,000	6.3	14,711,153	2.3
Foreign investors	114,855,883	20.5	-	-	114,855,883	17.4
Others	136,022,560	24.3	-	-	136,022,560	20.7
Total	559,978,815	100	97,972,320	100	657,951,135	100



## Branch Network

IBK has 21 local headquarters and 632 branches across the country. IBK's overseas network spans a total of 27 locations, including 24 local branches and 3 representative offices in key cities, such as New York, Tokyo, Hong Kong, and London.



## Subsidiaries

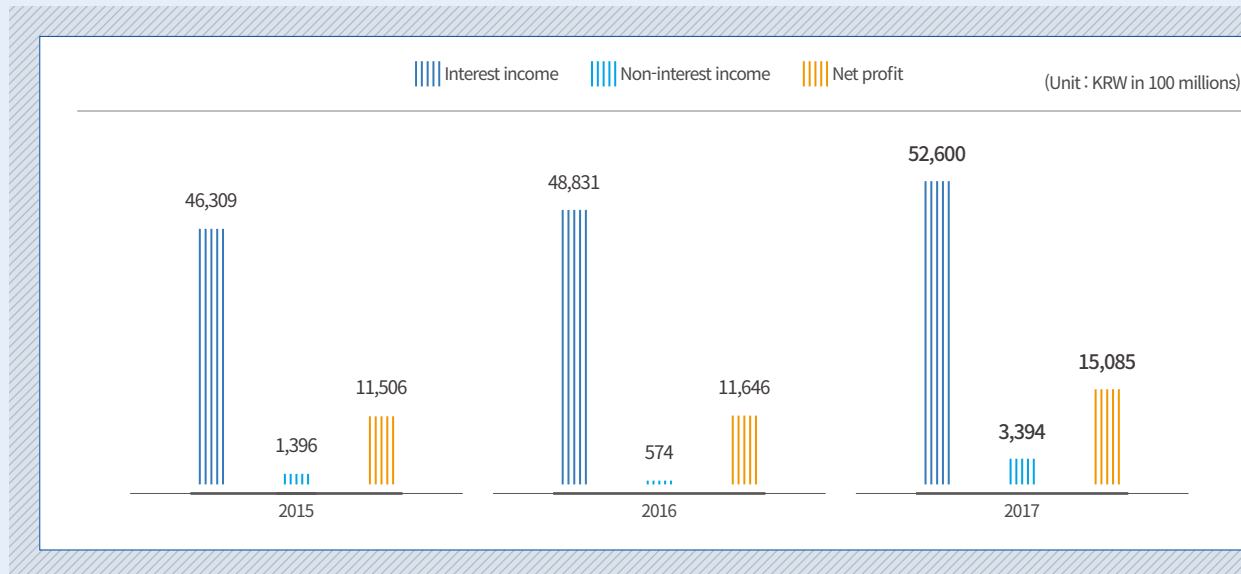
IBK cooperates with various subsidiaries to provide the best financial services to customers. For instance, IBK Capital specializes in credit finance, IBK Securities in financial investment, IBK Asset Management in asset management, and IBK Savings Bank in micro finance. IBK Insurance is Korea's first pension-only insurer and enables customers to prepare for a financially stable future. IBK Systems provides a comprehensive IT solution and IBK Credit Information engages in debt collection and credit information services. IBK (China) Ltd. is expanding the customer base in China through localization.

### IBK Ownership of Subsidiaries

(As of Dec. 31, 2017)



## Business Domain



### Major Businesses



#### Corporate Banking

Based on “IBK Co-up Financing,” our mid-to-long term roadmap for SME support, the Bank is assisting startups, running job creation projects, enhancing technology financing support system, and expanding support for cultural content businesses.



#### Global Markets

IBK is expanding into the global markets, with a special focus on Asia to provide Korean SMEs operating in the global markets with local financing services. We are also expanding business partnerships with related institutions to find new, promising companies.



#### Retail Banking

We are striving to increase operating profit and deliver higher customer benefit by expanding the retail client base. While working to improve the asset quality of household loans, we contribute to customers' wealth management through post-retirement life planning.



#### Trusts and Retirement Pensions

The Bank provides a variety of products that reflect the changing market conditions. We offer specified money trust products through properly trained staff. As a policy bank, IBK is achieving high customer satisfaction and trust in the retirement pension market.



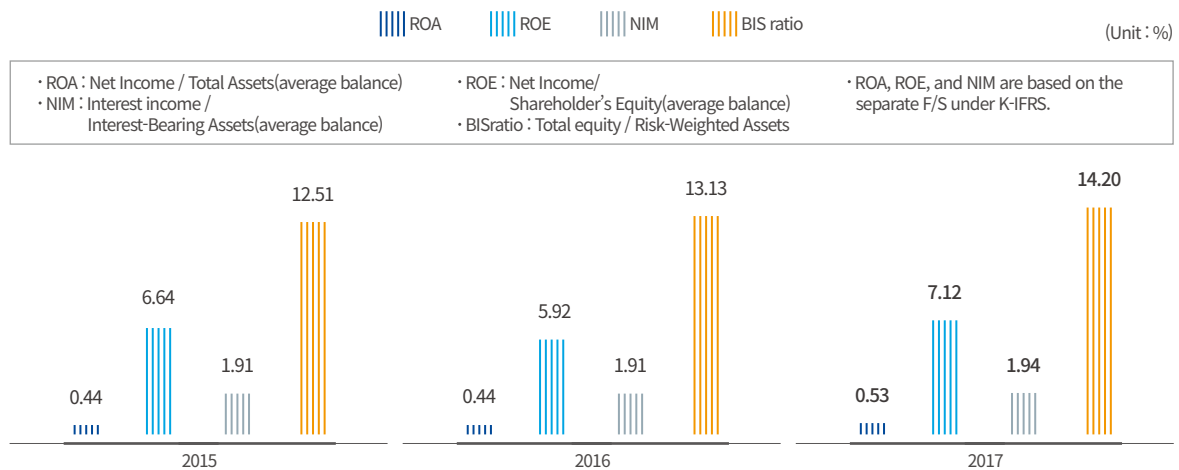
#### Mutual funds and Bancassurance

In the bancassurance business, IBK is offering the complete process from marketing tailored to changing government policies, to attracting new customers and to finalizing contracts. We also sell hybrid and bond-oriented mutual funds.



#### Credit Card

IBK has created a ‘virtuous cycle in the credit card business’ where the increase of new cardholders leads to higher card usage and profit growth. We work to maximize profits by attracting more customers, expanding subscription channels, reorganizing high-cost products, and thoroughly managing expenses.



## Major Activities

- Expanded financial support and tailored consulting for startups and business ventures
- Created “Startups Department”, a dedicated unit for startups and business ventures
- Established a private equity fund of KRW 51 billion dedicated to exit strategies

- Signed MOU for partnership with 16 international banks including ANZ in Australia, UniCredit in Italy, and Santander in Spain
- Expanded P@yGOS, IBK's export receivables collection service for international e-commerce transactions

- Provided “Financial Voucher” for infants and children
- Launched a project called “IBK, everyone's partner for employment”
- Launched the “TOP SERVICE,” IBK's wealth management solution

- Adopted a system of secondary checks to tighten risk management
- Introduced a campaign to inform clients of dormant trust accounts to protect financial consumers' rights and interests

- Performed self-evaluation of IBK's insurance sales process
- Improved non-face-to-face channels for opening the “Pension Savings Fund Account”
- Began to implement “guidelines for senior investor protection regarding investment” in sales

- Enabled a 24/7 debit card issuance via non-face-to-face channels through a mobile app called IBK “Flick”
- Initiated an overseas VAT refund service for the first time in Korea

## Major Achievements

Investment in exit  
**KRW 21.9 billion**

TCB loan  
**KRW 39 trillion**

**11** countries  
**27** branches/offices

Operating profit from  
FX business  
**KRW 144.4 billion**

Retail deposit total  
**KRW 58 trillion**

Retail core deposits  
**KRW 20 trillion**

Trust Income  
**KRW 14.5 billion**

No. of corporate subscribers  
to retirement pension  
**Ranked 1<sup>st</sup>**

Insurance sales fees  
**KRW 65.1 billion**

Sales of mutual funds  
**KRW 8.1 trillion**

New credit card issuance  
**650,000 accounts**

M/S in corporate credit card  
spending  
**Ranked 1<sup>st</sup>**

## Vision and Strategy

### Establishment of a New Mid- to Long-term Strategy

We are facing increasing uncertainties due to changes in external conditions such as sluggish global economic growth, blurring financial boundaries, industry restructuring, and reform of policy financing system, on top of the internal issues including, limited market growth, and resetting of profitability strategy. To respond to these changes and address the increasingly uncertain future prospects, IBK established the new mid- to long-term business strategies and strategic goals.

### Direction of Vision and Business Strategy

To lead an economic paradigm shift toward SMEs, IBK established a new vision “IBK, Financial Partner for Better Future” based on the new roadmap called “IBK Co-up Financing,” which defines our role and our identity. The ultimate goal is to complete our transformation into an SME-centered, comprehensive financial group by 2020 and Asia’s top SME player after 2020. To achieve this, we identified 4 strategic directions and 15 key tasks aimed at reinforcing profitability and efficiency. We have a total of 63 detailed action plans as our top priorities in business operation.

#### Vision

## IBK, Financial Partner

#### Ultimate destination

Until 2020

### Foundation for SME-centered Comprehensive Financial Group

Enhance profitability

#### Strategic direction

Shift key competencies  
to focus on profitability

Diversify income portfolio

#### Key tasks

#### Strengthen the market lead in SME financing

##### Social value

Provide a stable supply of capital for SMEs and contribute to job creation

#### Reinforce the role as a policy bank

##### Social value

Supply capital needed for social stability and invest in balanced regional development

#### Build up success in retail banking

##### Social value

Make financial services more accessible and inclusive through CSR activities

#### Retake the leadership in risk management

##### Social value

Protect the SME ecosystem by identifying and guiding (potential) insolvent enterprises

#### Expand the base for non-interest revenue

##### Social value

Create card products and services aimed at increasing social and environmental values

#### Broaden the scope of global and IB businesses

##### Social value

Support business continuity of SMEs through activation of M&As and exit investments

#### Maximize synergies within IBK Financial Group

##### Social value

Establish a joint investment association with subsidiaries to enhance synergy in job creation

#### Pursue new business areas

##### Social value

Create a culture of sound financial service consumption by securing competence in comprehensive asset management



## A Truly Good Bank



We promise to become a truly good bank that delivers the best value to the major stakeholders including the government, local communities, shareholders, customers, and employees. As a leader in policy finance, we are committed to fulfilling our responsibilities and duties and achieving the best results by improving our corporate value through sound management. Moreover, we will make a concerted effort to provide customers with the best products and services while creating a great place to work for the employees.

## IBK's Robot for Hope, Ki-eunsen

IBK aspires to become a lifetime partner for our customers—a partner that helps realize the precious dreams of our customers. Each customer may have different dreams such as becoming a homeowner or starting business, but all are sincere. IBK's robot for hope, "Ki-eunsen," is IBK's mascot, delivering hopes to everyone to energize their daily life and help them achieve their dreams.

## for Better Future

After 2020

### Asia's Top SME Player

Strengthen continuity

Maximize value of  
new customer experiences

Revamp business processes  
for greater efficiency

#### Assume leadership in digital finance

##### Social value

Build digital channels for greater convenience and provide prepayment service for stability

#### Enhance customer experience across all service channels

##### Social value

Expand customer participation programs for better product development and services

#### Promote the rights and interests of financial consumers

##### Social value

Establish a financial consumer protection system and upgrade the information protection system

#### Improve efficiency in managing organizations

##### Social value

Increase productivity and prevent resource waste through merging and streamlining branches

#### Embed innovation DNA in the corporate culture

##### Social value

Strengthen professionalism through function-based HR management and cultivate female managers for diversity

#### Foster strategic development of core talents

##### Social value

Promote job stability by changing contract positions to permanent positions

#### Fortify communication with stakeholders

##### Social value

Improve information transparency by activating communication channels and reflect meaningful ideas in business management

### Management philosophy

Firm and steadfast  
**Innovation Bank of Korea IBK**

**Leadership**  
Strong competitiveness

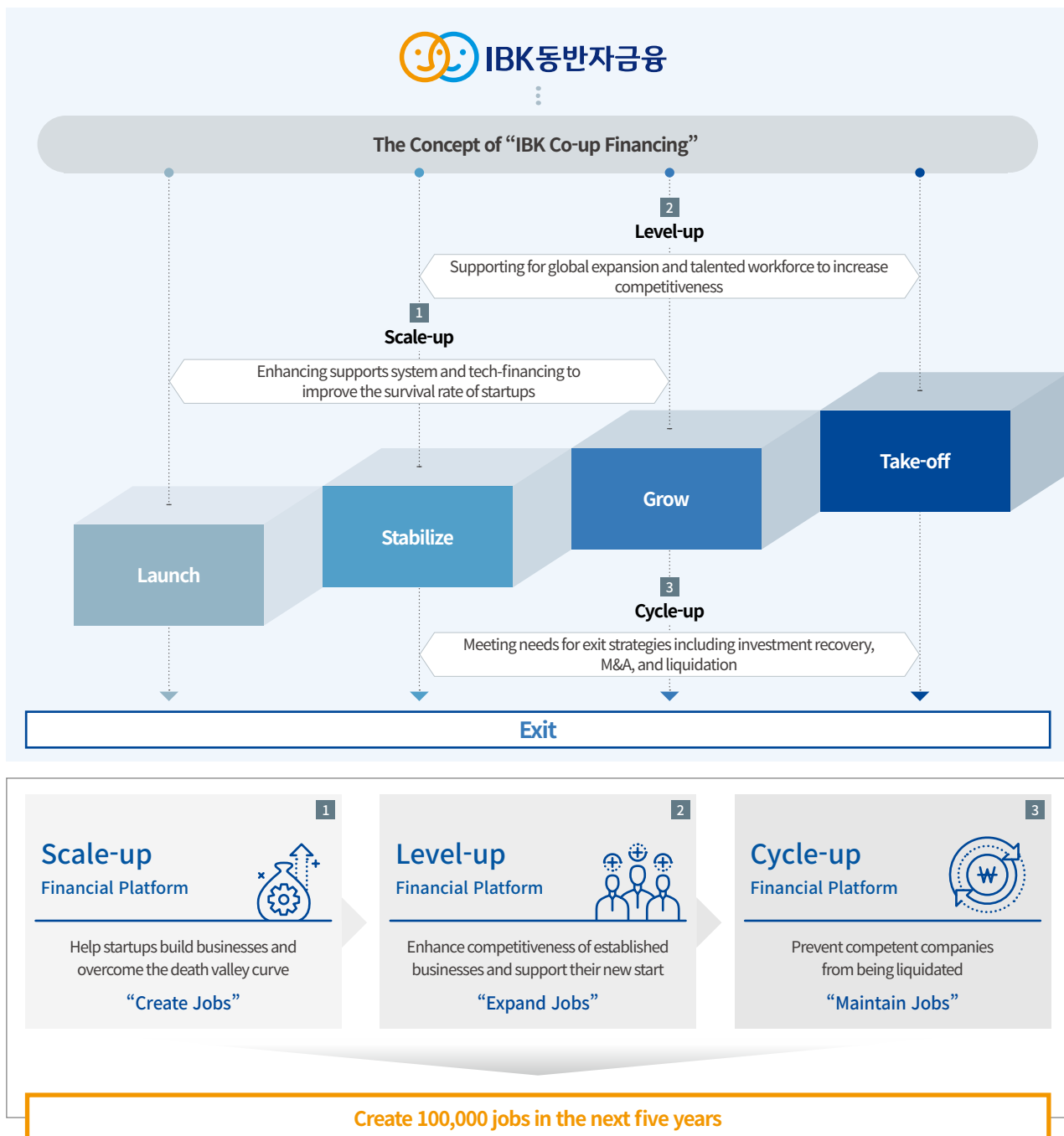
**Excellence**  
Solid organization

**Power**  
Change and innovation

## IBK Co-up Financing

### Promotion of IBK Co-up Financing

The “Co-up Financing” stands for our newly defined role beyond the traditional one as liquidity provider. It embodies our resolve to address various issues arising at each phase of SMEs’ life cycle in a more proactive and creative manner. Co-up Financing consists of three stages of Scale-up, Level-up, and Cycle-up platform. With IBK Co-up Financing, we promise to stand by SMEs in all circumstances and play an active role in their success. Also, we will prepare SMEs to proactively respond to changes in economic environments like the 4<sup>th</sup> Industrial Revolution and support innovation-driven growth.



1



## Scale-up

The Scale-up platform is focused on helping SMEs in the early stage of corporate lifecycle to survive beyond the death valley curve. With IBK's unique, innovative startup support system that benchmarked Silicon Valley Bank, it connects a variety of stakeholders of SMEs who can support their stabilization. IBK will serve multiple roles as a lender, a consultant, a mentor, and an investor staying close to them on-site, and encourage startups to realize their full potential by strengthening ties with excellent accelerators. Also, technology financing support system will be enhanced to increase the survival rate of promising tech-driven businesses. We will provide the nation's best technology financing support system and increase support for R&D and commercialization by utilizing government policy funds to help tech startups become firmly rooted in the industry.

Support system for  
innovation-driven  
startups

Connection  
for networking

Increased support  
for technology  
financing

Higher survival  
rate of startups

2



## Level-up

The Level-up platform aims to support SMEs' full-fledged growth. IBK supports SMEs' overseas expansion and recruitment of talents to elevate their competitiveness. To this end, we plan to simultaneously expand into those regions helping resolve local issues. Existing trade support such as global client matching program and online transaction platform will be upgraded as well. As for recruitment of indispensable talents who are also struggling between workplace and family priorities, the bank will support not only welfare infrastructure such as workplace nursery but also financial and non-financial services for welfare improvement.

Support for  
securing talents

Support for  
improving  
corporate culture

Support for  
overseas  
expansion

Stronger  
competitiveness  
of SMEs

3



## Cycle-up

The Cycle-up platform aids SMEs' with their exit process from the market by supporting M&A and investing in Exit PEF. IBK will prevent perishment of competent SMEs, which are a nation's assets, by satisfying diverse exit needs that can arise at each phase of growth, such as withdrawal of initial investment, M&A, and liquidation. To facilitate SME M&A, we will provide not only an integrated M&A consulting program but also a pool of promising companies for sale in the market. Moreover, the bank intends to directly acquire promising SMEs by capitalizing on the Exit PEF if necessary, thereby promoting market-friendly business restructuring.

Comprehensive  
M&A  
consulting

Creation of  
a pool of promising  
SMEs up for sale

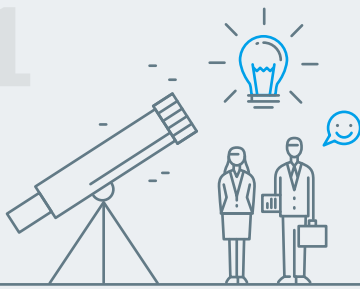
Investment in  
exit strategies for  
business  
succession

Promotion of  
market-friendly  
restructuring

## Social Value

### Mid- to Long-term

1



#### Build a sustainable job creation system

- Cultivate startups based on the Scale-up financial platform
- Enhance corporate competitiveness based on the Level-up financial platform
- Prevent corporate liquidation based on the Cycle-up financial platform

Goals by 2022

Create **100,000** jobs ( **20,000** jobs annually for the next five years)

2



#### Improve economic vitality by creating a startup ecosystem

- Supply diverse funds to offer fair opportunities for startups
- Increase success rate of startups by expanding direct cultivation programs

Goals by 2022

Supply startup funds of  
KRW **100** trillion

Discover and cultivate over  
**500** startups

Open **5** centers named IBK Changgong,  
a startup incubator

3



#### Lead innovation-driven growth by expanding SME support

- Boost economic vitality by continuously expanding funding for SMEs
- Provide SMEs with free business consultation services for growth

Goals by 2022

Supply KRW **240** trillion to SMEs

Provide **5,000** free business consultation services



## Major Achievements and Plans

### Major achievements

100,000 Youth Employment project

Overfulfilled the project as 100,044 youths were employed in 8 years and 10 months

Job Creation PLUS program

Expanded financial support for job-creating SMEs by raising KRW 167 billion

Special Fund for Job Creation

Supported financial cost of KRW 500 thousand per capita to SMEs who hired permanent employees

### Plans

Support for SMEs' recruitment

Build an ecosystem to boost job creation and provide job fairs and headhunting services

Funding for SMEs

Improve SMEs' job quality by raising KRW 60 billion until 2022

Support for youth employment

Deliver KRW 500 million to 5,000 new youth employees in 2018 in celebration of getting employed

### Major achievements

IBK Changgong

Provided financial (investments and loans) and non-financial services to startups

Diverse startup products

Supplied KRW 6.3124 trillion worth of IBK Startup Loans and created a variety of tailored products

IBK Startup 3 Plus Program

Provided complete credit loans with deferred interest for a year and reduced interest rate of maximum 1.0%p

### Plans

Systematic investments

Expand from small-scale indirect investment through VC to joint direct investment from IBK Financial Group

Creation of a working group dedicated to startups

Establish organizations dedicated to improving the efficiency and professionalism in startup support

New products specially designed for startups

Increase loan limits, offer low interest rates, and develop products without financial costs

### Major achievements

Provision of targeted funding and more

Supplied KRW 46.9 trillion exceeding the annual plan of KRW 43.5 trillion in 2017

Tailored investments

Invested KRW 314.3 billion in 2017 to help SMEs deviate from loan-centric fundraising

Free consultation services

Provided 1,088 tailored consultation services regarding corporate management, tax, business succession, startup, environment, etc. in 2017

### Plans

Financial cost reduction for SMEs

Reduce guarantee fee and interest rate through special investments from guarantee institutions

More facility investment

Enforce a special case system to expand support for facility investment up to KRW 15 trillion in 2022

New platform for technology transaction

Incorporate the technology transfer market by initiating technology transaction and facilitate registration of supply and demand technologies

# Material Topics

- 19 Materiality Assessment
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- 23 **Material Topic 1** Comprehensive Financial Supports for SMEs
- 33 **Material Topic 2** Promotion of Sustainable Finance
- 43 **Material Topic 3** Enhancement of Financial Consumer Service





## Materiality Assessment

### Materiality Assessment Process

IBK conducted the materiality assessment in accordance with “sustainability context,” “materiality,” “stakeholder inclusiveness,” and “completeness,” the reporting principles of GRI Standards. To identify material issues related to our sustainability management, we analyzed global sustainability management trends, corporate vision and strategies, issues in the global financial market, and news articles in a comprehensive manner. The identified issues were prioritized through interviews with business departments and stakeholder surveys. As a result, five issues were considered the most important, three of which were selected as material topics for this report.

#### Step 01

#### Identification of an issue pool

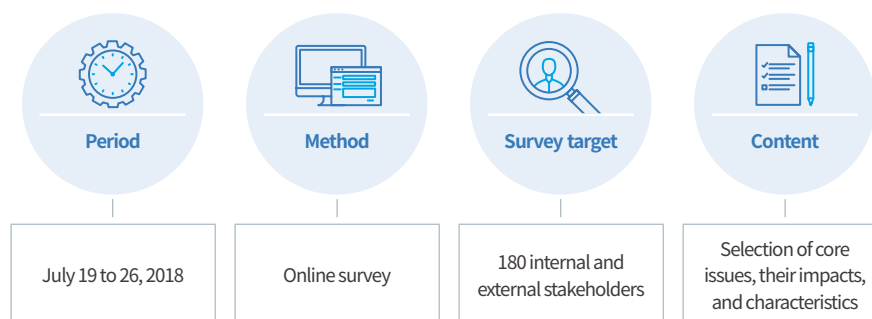
We implemented an analysis of global sustainability issues and reporting standards to understand recent sustainability management trends, and conducted benchmarking of advanced financial companies and media research to gain stakeholders' perspectives. Review of corporate documents including earnings and business reports and in-depth interviews with employees allowed us to monitor the direction and performances of our sustainability management activities. A total of 45 issues were identified through this process.

Analysis of global standards	Analysis of current status
<ul style="list-style-type: none"> <li>• GRI Standards</li> <li>• DJSI (Dow Jones Sustainability Indices)</li> <li>• ISO 26000</li> <li>• SDGs (Sustainable Development Goals)</li> </ul>	<ul style="list-style-type: none"> <li>• Earnings report</li> <li>• Business report, operating report, audit report</li> <li>• Annual report</li> <li>• In-depth interview with employees</li> </ul>
Benchmarking of advanced companies	Media research
<ul style="list-style-type: none"> <li>• Checked sustainability management strategies, activities, and performances in the financial industry at home and abroad</li> <li>• Analyzed reporting topics and priorities in sustainability reports of 10 competitors</li> </ul>	<ul style="list-style-type: none"> <li>• Checked IBK-related news articles and issues in the fields of economy, environment, and society</li> <li>• A total of 800 media-exposed items (From January 2017 to June 2018)</li> </ul>

#### Step 02

#### Prioritization of issues

To select material issues that IBK should consistently manage from the pool, we evaluated the interest levels of stakeholders and business impacts in four aspects of strategy, finance, operation, and reputation. This process enabled us to understand the impact of each issue on our business and to prioritize issues in accordance with the stakeholders' perspective.



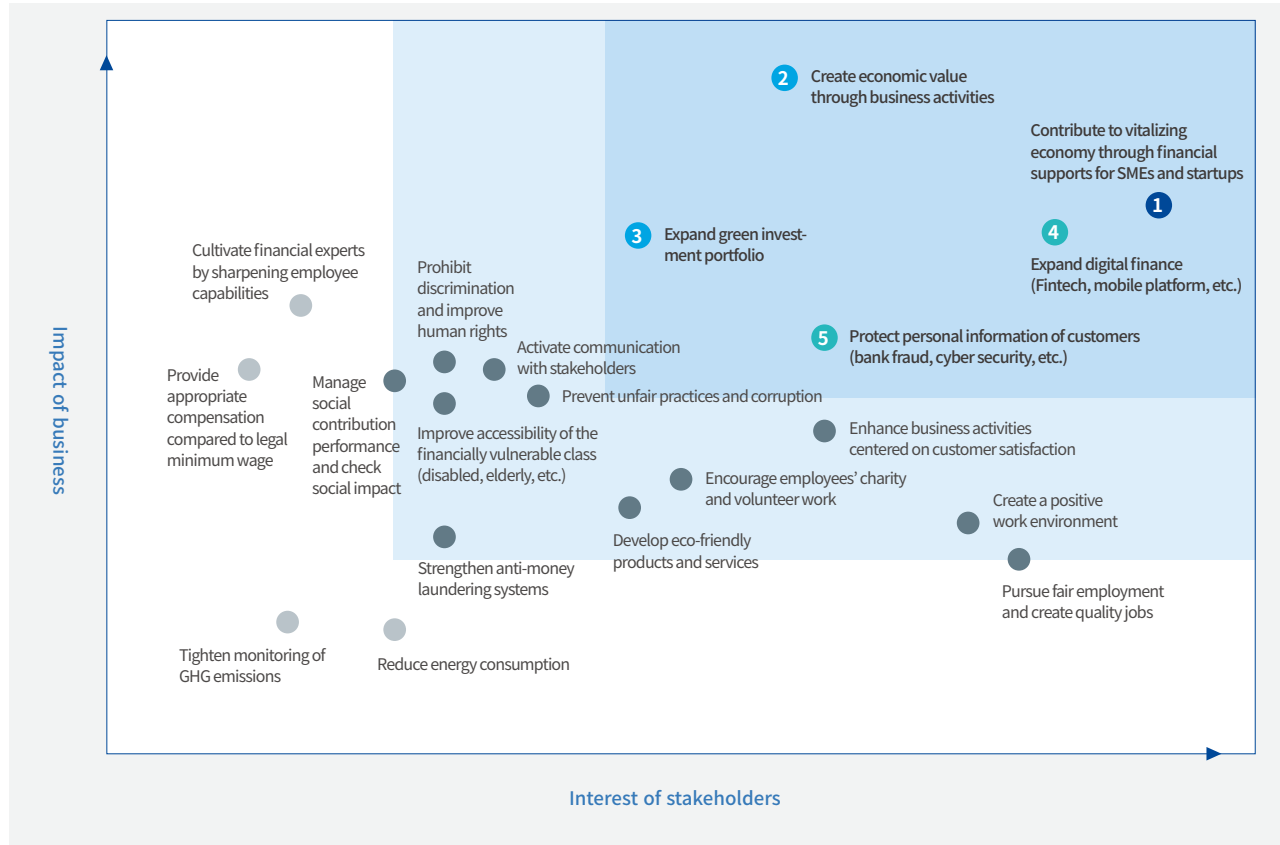
#### Step 03

#### Materiality assessment results

A total of 20 major issues and 5 material issues were identified through the materiality assessment considering IBK's business relevance and social impact. We categorized the issues into three material topics for a more transparent report on IBK's sustainability management activities and performances.



## Materiality Assessment Matrix



## Definition of Material Topics

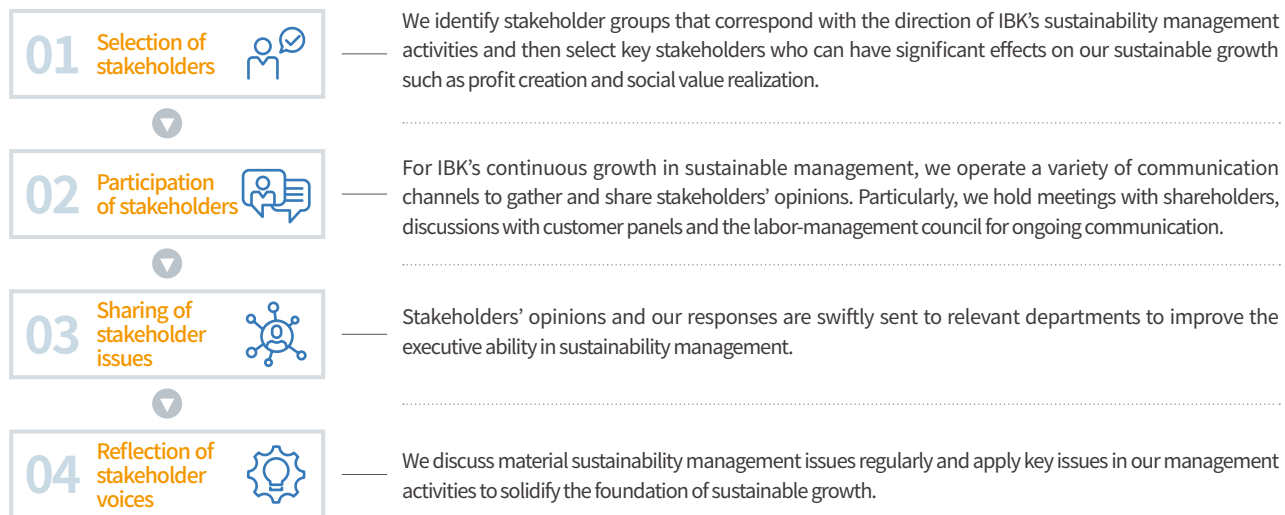
NO.	Material Issue	Material Topic	GRI Topic	SDGs	Page
<b>1</b>	Contribute to vitalizing economy through financial supports for SMEs and startups	<b>Material Topic 1</b> Comprehensive financial supports for SMEs	Indirect economic impacts (GRI 203)	Goal 8, 9	p.23-32
<b>2</b>	Create economic value through business activities	<b>Material Topic 2</b> Promotion of sustainable finance	Economic performance (GRI 201)	Goal 7, 8	p.33-42
<b>3</b>	Increase green investment portfolio				
<b>4</b>	Expand digital finance (Fintech, mobile platform, etc.)	<b>Material Topic 3</b> Enhancement of services for financial consumers	Customer privacy (GRI 418)	Goal 10, 17	p.43-52
<b>5</b>	Protect personal information of customers (bank fraud, cyber security, etc.)				

# Stakeholder Engagement

## Direction of Stakeholder Engagement

Considering their impact and significance on our sustainability management activities, IBK defines our key stakeholder group that consists of customers, employees, SMEs, local communities, the government, shareholders & investors. We also operate a variety of communication channels to encourage their participation in our communication activities in order for us to understand their expectations and opinions.

## Stakeholder Selection and Opinion Gathering Process



Stakeholder group	Key expectations and requirements	IBK's response efforts	Communication channels	Page
<b>SMEs</b> 	<ul style="list-style-type: none"> <li>• Offer financial supports for SMEs</li> <li>• Promote shared growth</li> <li>• Pioneer overseas markets</li> <li>• Improve working environment</li> </ul>	<ul style="list-style-type: none"> <li>• Operate a platform to promote IBK Co-up Financing</li> <li>• Offer consultations tailored to growth stage</li> <li>• Conduct Corporate Partnership for Shared Growth</li> <li>• Support corporate financing for startups</li> </ul>	<ul style="list-style-type: none"> <li>• IBK Changgong</li> <li>• Corporate Partnership for Shared Growth</li> <li>• IBK Job Creation Investment Association</li> </ul>	p.23-42
<b>Individual customers</b> 	<ul style="list-style-type: none"> <li>• Protect personal information</li> <li>• Prevent financial accidents</li> <li>• Resolve customer complaints</li> <li>• Operate customer satisfaction services and channels</li> </ul>	<ul style="list-style-type: none"> <li>• Build and strengthen infrastructure for information protection</li> <li>• Enhance financial accident prevention systems</li> <li>• Promote consumer-centric management</li> <li>• Sharpen competitiveness in digital finance</li> </ul>	<ul style="list-style-type: none"> <li>• Homepage</li> <li>• Sign Language Service</li> <li>• WIN CLASS</li> </ul>	p.41-52
<b>Employees</b> 	<ul style="list-style-type: none"> <li>• Encourage employee communication</li> <li>• Offer talent training</li> <li>• Improve employee benefits</li> <li>• Build transparent organization structure</li> </ul>	<ul style="list-style-type: none"> <li>• Promote field &amp; communication-centric management</li> <li>• Pursue work-life balance</li> <li>• Run financial expert cultivation programs</li> <li>• Operate subcommittees under the BOD</li> </ul>	<ul style="list-style-type: none"> <li>• Leaders Club</li> <li>• Communication Postcard</li> <li>• Knowledge Concert</li> </ul>	p.55-74
<b>Local communities</b> 	<ul style="list-style-type: none"> <li>• Improve accessibility of the financially vulnerable class</li> <li>• Build cultural infrastructure</li> <li>• Contribute to local communities and expand volunteer works</li> <li>• Protect the environment and respond to climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Support growth of SMEs and their employees</li> <li>• Alleviate the polarization in digital finance</li> <li>• Lead vitalization of cultural contents</li> <li>• Expand eco-friendly role in financial business</li> </ul>	<ul style="list-style-type: none"> <li>• IBK Happiness Sharing Foundation</li> <li>• IBK Smile Micro Credit Bank</li> <li>• Workplace day care centers for SMEs</li> </ul>	p.35-40 p.71-74
<b>Government</b> 	<ul style="list-style-type: none"> <li>• Comply with finance-related regulations and systems</li> <li>• Participate in SME support policies</li> <li>• Promote complete sales of financial products</li> <li>• Secure transparency in management activities</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in government-led public projects</li> <li>• Participate in the government-led focal projects</li> <li>• Make business agreements with relevant institutions</li> <li>• Report law-abiding activities</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation programs for government inspection</li> <li>• Regular reporting</li> <li>• Business agreement with relevant institutions</li> </ul>	p.01-90
<b>Shareholders &amp; investors</b> 	<ul style="list-style-type: none"> <li>• Create profits and pursue operational efficiency</li> <li>• Enhance mid- to long-term business strategies</li> <li>• Secure effectiveness in investments</li> </ul>	<ul style="list-style-type: none"> <li>• Increase operating performances</li> <li>• Establish mid- to long-term business strategies</li> <li>• Manage businesses centered on material issues</li> </ul>	<ul style="list-style-type: none"> <li>• Annual report</li> <li>• IR website</li> <li>• Shareholders' meeting</li> </ul>	p.01-90

## Interview with the Senior Management

IBK conducted interviews with senior management to better understand corporate policies and plans for sustainability management activities. By sharing the interviews, we hope to demonstrate the management's intense interests and commitment to IBK's social responsibility, thereby promoting open communication with our stakeholders.

### INTERVIEW · · · · ·



Head of Management Strategy Group

**Kim Sung-tae**



Senior Executive Vice President

Sustainability management is the driving force behind IBK's business activities in the long term. In this regard, we are promoting IBK Co-up Financing to create social value by providing SMEs with diverse financial and non-financial services and expanding communication with stakeholders in the economic, social, and environmental sector. We are committed to creating social value by actively responding to issues that may arise from our business operations and from increased social needs.

To execute IBK Co-up Financing, it is essential that we offer sufficient resources to customers who require financial and non-financial services at a time they need. To ensure the timeliness of our service, we will be proactive in identifying SMEs' difficulties in advance and provide tailored consulting services and integrated solutions for efficient corporate management.

Moreover, we will supply innovative financial products and services, meeting changes in economic conditions such as the 4<sup>th</sup> Industrial Revolution, thereby enhancing the value of all customers, including SMEs and individuals. IBK plans to contribute to the development of the national economy and improve people's quality of life through sustainable management.

IBK is a state-invested financial institution that specializes in serving SMEs which are crucial to the national economy. For the past 57 years, IBK has been achieving the goal of promoting SMEs, using our SME financing know-how that no other commercial banks have. With a sense of duty that our diverse financial and non-financial supports contribute to creating quality jobs by helping SMEs grow their businesses, invest in facilities and develop technologies, IBK is making a concerted effort to maximize customer benefit and sustainable social value.

To provide customized support for companies in each stage of development, we launched IBK Co-up Financing, a mid- to long-term roadmap for supporting SMEs with Scale-up, Level-up, and Cycle-up platforms. This roadmap will guide SMEs to play a key role in developing the national economy. Through IBK Co-up Financing, we plan to create 100,000 jobs in the next five years and improve job quality by implementing social contribution programs such as scholarships and medical expense subsidies for SME employees. Going forward, IBK will continue to serve as a partner for innovation and progress of startups and SMEs, revitalizing the national economy and creating social value.



Head of Corporate Banking Group

**Choi Seok-ho**



Senior Executive Vice President



## Material Topic 1

Link to SDGs

## Comprehensive Financial Support for SMEs



### Issue Background

In a stage of sluggish global economy, nurturing creative and innovative SMEs is indispensable. SMEs are valuable because their employment, production, and added-value creation activities help boost competitiveness in the industries and serve as a pillar of the national economy. However, the Korean economic structure poses serious problems to SMEs as large enterprises monopolize economic benefits by diversifying businesses. For example, they expand the number of subsidiaries and advance into businesses where SMEs have already gained foothold. Due to unequal distribution of talented workers, SMEs usually hire low-wage, temporary workers and suffer a shortage of technical professionals. On top of that, relatively fewer export items and sluggish investments in mid-to long-term growth of SMEs aggravate existing polarization between SMEs and large corporations.

### Management Approach

IBK suggests a new role in finance that proactively and creatively resolves various problems facing SMEs as they grow. Going beyond a one-sided fund provider or financial supporter, IBK is realizing Co-up Financing that actively engages in development and growth of SMEs. IBK Co-up financing consists of Scale-Up, which strengthens incubating programs to help startups survive, Level-Up, which boosts competitiveness of SMEs by helping them advance into the global market, pursue digitalization and secure talented workers, and Cycle-Up, which prevents SMEs from going out of business through recoupment of investments, M&As, and liquidation. Appreciating both financial value and intrinsic value of SMEs, IBK is committed to actively promoting SME's entrepreneurial pursuit for growth.

### Key Performance

SME loans

**KRW 46.9 trillion**

Support for future growth

**KRW 35.8 trillion**

Support for startups and early-stage SMEs

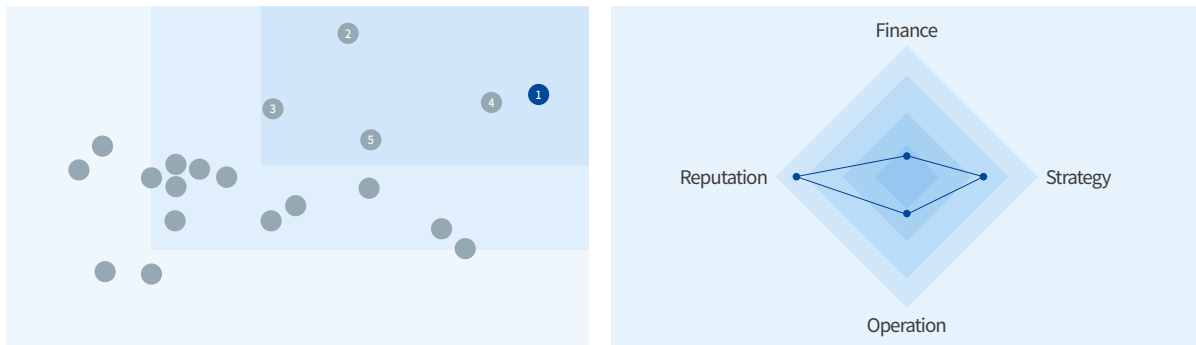
**KRW 20.4 trillion**

Support for job-creating SMEs

**KRW 7.6 trillion**



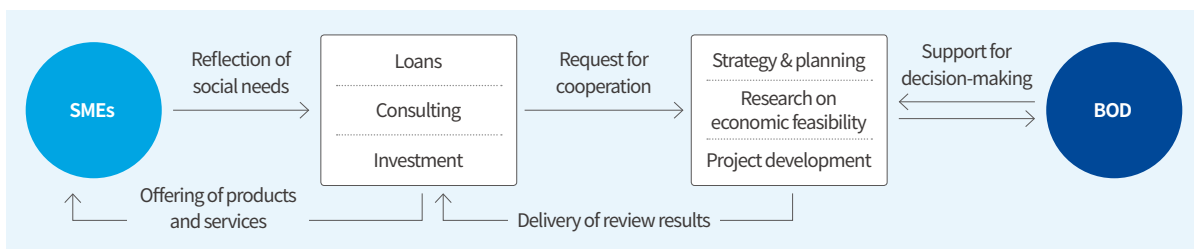
## Material Topic Boundary



## Stakeholder Impact Assessment

NO.	Key issue	Stakeholder interest	Financial impacts		
			Income/cost	Asset/liability	Capital cost
1	Contribute to vitalizing economy through financial support for SMEs and startups	1 → 2 → 3 → 4 → 5		●	●
2	Create economic value through business activities	1 → 2 → 3 → 4 → 5	●	●	●
3	Expand the green investment portfolio	1 → 2 → 3 → 4 → 5	●	●	●
4	Expand digital finance (Fintech, mobile platform, etc.)	1 → 2 → 3 → 4 → 5	●	●	●
5	Protect personal information of customers (financial fraud, cyber security, etc.)	1 → 2 → 3 → 4 → 5	●		

## Internal Process for SME Support



## Stakeholder Feedback

“It is crucial to help stimulate SMEs by expanding IBK’s investment support for them.”

“Demonstrating the results of IBK’s contribution in expanding SME financing and creating jobs will instill a positive image to the internal and external stakeholders.”

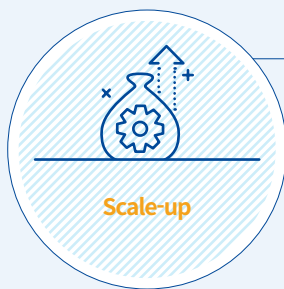
“I suggest that IBK invest part of its income in traditional and foundational businesses, while utilizing its talents in solving SMEs’ issues.”



## Pursuit of IBK Co-up Financing

### Serving as a Growth Partner for SMEs

As the national economic paradigm is shifting towards a focus on SME growth, IBK is committed to redefining our role to maximize social value in SME financing so that we are positioned with unrivaled competitiveness. IBK Co-up Financing aims to transform IBK's role beyond a conventional capital provider to a growth partner, and to proactively address difficulties SMEs face in each growth stage. To this end, we will shift the paradigm of SME financing from quantitative to qualitative support and actively identify areas that need policy support, thereby creating new business opportunities. By enhancing financial support and non-financial services for SMEs, we will take the lead in promoting their innovative growth and eventually build a fairer economy.



#### Nurture an ecosystem for startups

- Serving as a comprehensive financial platform (IBK Changgong) that encompasses financial and non-financial services for startups
- Pursuing field-centered IBK Co-up Financing that serves as a lender, an investor, a mentor, and a consultant
- Establishing a process that encompasses active investment that eases financial burden, development of investment targets, and investment return



#### Help SMEs enter into global markets

- Expanding joint entrance into global markets by promoting M&As of local banks and establishing local subsidiaries where SMEs already operate
- Providing a variety of financial and non-financial services to help SMEs' import and export businesses



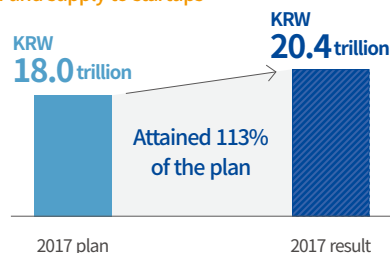
#### Serve as an exit platform

- Offering reliable value assessment information by acting as the M&A market leader among SMEs
- Systematically managing SME information that need M&A and providing a pool of promising target SMEs
- Providing comprehensive M&A consulting services

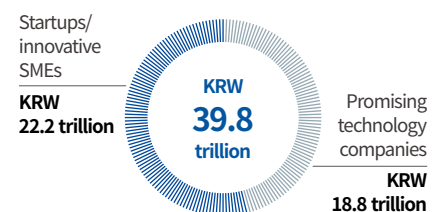


### Major achievements

#### Fund supply to startups



#### Technology financing

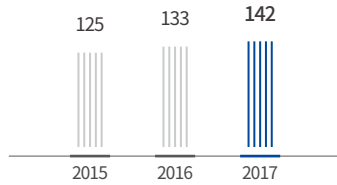


\* Including overlapping support

## Promoting Cooperative Business for Shared Growth

### SME loan balance

(Unit : KRW in trillions)



In cooperation with large corporations, mid-sized businesses, public institutions and local governments, IBK raises funds for shared growth with SMEs. The funds are provided to qualified SMEs at the right time, thus contributing to solving their financial difficulties. We also help SMEs in their early stage and high-growth stage to stabilize business operation by lowering interest rates according to each growth stage. In regards to job-creating SMEs, more financial support is offered to live up to the government's job creation campaign. These activities create synergy and high efficiency in promoting cooperative business for shared growth. In 2017, a total of 8,364 SMEs received financial support worth about KRW 4.6 trillion and enjoyed the benefits of an interest cut of 2.63% maximum.

#### Further develop the technology financing support system

- Expanding the scale of technology financing support spent on R&D and commercialization along with government policy funds
- Enhancing the competitiveness of SMEs and the efficiency of technology financing by advancing technology financing services
- Selecting technology SMEs with growth potential and providing them with funds for diversifying products, services, and business areas

#### Provide SMEs with incubation programs in their early stages

- Helping startups survive by our consulting services on new business strategies, feasibility studies, and acquisition of venture firm certification
- Enhancing mentoring capability and acquiring advanced know-how by building a strong network with excellent accelerators
- Offering tailored solutions to startups through preemptive analysis of their business management practices

#### Create jobs and Secure talented workers

- Serving as a mediator for job creation to help address SME's shortage of workers and job seekers' difficulties in finding jobs
- Offering services to better SME welfare benefits help them hire talented workers
- Supporting work-life balance by providing financial benefits and labor management consulting to SMEs with excellent welfare benefit systems

#### Conduct field-centered tailored consulting

- Providing intensive consulting services and management diagnosis to SMEs engaging in new growth engine businesses
- Strengthening SMEs' competitiveness and supporting their progress by providing high quality free business lectures
- Offering consulting centered on participation in public procurement, finding buyers, strategies to enter the overseas market, and on establishment of local subsidiaries

#### Operate PEF to meet needs for exit strategy

- Providing tailored restructuring programs to SMEs with a temporary lack of liquidity, potential insolvency, and a sign of insolvency
- Preventing corporate devaluation by operating the Exit PEF aimed at normalizing businesses that require management succession

#### Establish exit strategies for sustainability management

- Supporting comprehensive services necessary for M&A including assessing corporate value, deal structure, and legal and tax affairs
- Helping SMEs integrate institutions, systems, and organizations for early stabilization after M&A

#### 100,000 youth employment project

2009. 02 → 2017. 12

**100,044 persons employed**

**Target met in just 8 years  
and 10 months**

#### Support for new growth businesses



##### Loan

IBK New Growth Vision Loan	IBK Smart Factory Loan
<b>KRW 83.2 billion</b>	<b>KRW 67.1 billion</b>

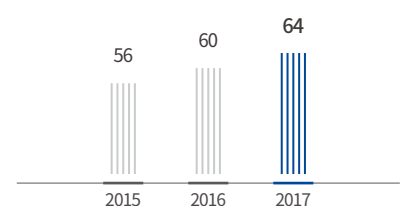


##### Investment

28 direct/  
indirect  
investments  
**KRW 49.6 billion**

#### Recovery rate of insolvent SMEs

(Unit : %)



## Financial Support according to Growth Stage



### Greater Financial Support for SMEs

IBK helps SMEs secure management stability by steadily expanding SME financing, thus contributing to vitalizing the domestic economy. In a situation where SMEs' reputation has diminished, the bank has been proactive in increasing the supply of funds for SMEs. In 2017, a total of KRW 46.9 trillion was supplied to them. By the end of 2017, the amount of SME loan balance reached KRW 141.6 trillion. As such, we became the first bank to surpass KRW 140 trillion in SME loan balance and further solidified our number one position in this business.

#### Provision of Policy Funds

We are expanding policy fund support aimed at supplying funds with low interest rates to SMEs in a long-term and stable manner. In accordance with the government's agenda to nurture SMEs, we manage funds raised by diverse institutions and lend them to SMEs with low interest rates to encourage technology development and facility investment.

#### Utilization of the Credit Guarantee System

In order to support SMEs with difficulties in securing funds due to weak credit ratings or lack of collateral, IBK actively utilizes the credit guarantee system. We have expanded the credit guarantee capacity by using special contributions from credit guarantee agencies, as well as reduced guarantee fees and interest rates through business agreements. By the end of 2017, IBK's market share in guarantee-based loan balance stood at 32.6%.

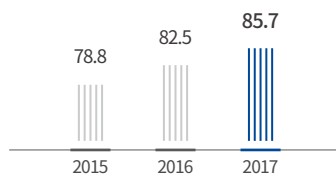
### Special Fund for Startup Ecosystem Creation

As a policy bank for SMEs, IBK is striving to build an ecosystem for startups in accordance with the government's startup support programs. To this end, we launched a dedicated unit to integrate the function of supporting startups and venture firms and to focus on the Scale-up platform. Fund supply for startups has also been increasing.

#### Dedicated Funding for Startups

For the successful business of startups, we operate the IBK Startup 3 Plus Program that offers credit loans, low interest rates, or deferred interest. This program is available to SMEs who have been in operation for less than seven years and are pursuing technological developments. Tailored support is provided in accordance with their growth stage. We also pursue inclusive growth by providing capital to businesses founded by North Korean defectors or to enterprises where North Korean defectors account for more than 50% of the total number of regular workers.

SME loan balance (manufacturing)  
(Unit : KRW in trillions)



#### IBK startup loan balance

Accumulative by 2017

**KRW 6.3124 trillion**

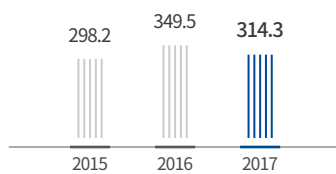
## Emergency fund support in 2017

**110,462 cases**  
**KRW 5.2825 trillion**

- Support for the RG insurance of small and mid-shipbuilders
- Support for companies damaged from tour restriction in China
- Exceptional cases for companies damaged from heavy rain
- Special support for companies damaged from earthquakes

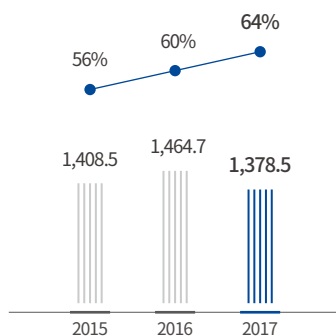
## Investment for SMEs

(Unit : KRW in billions)



## Support for ailing SMEs &amp; normalization rate

(Unit : %, KRW in billions)



## More Credit Provision for Facility Investment

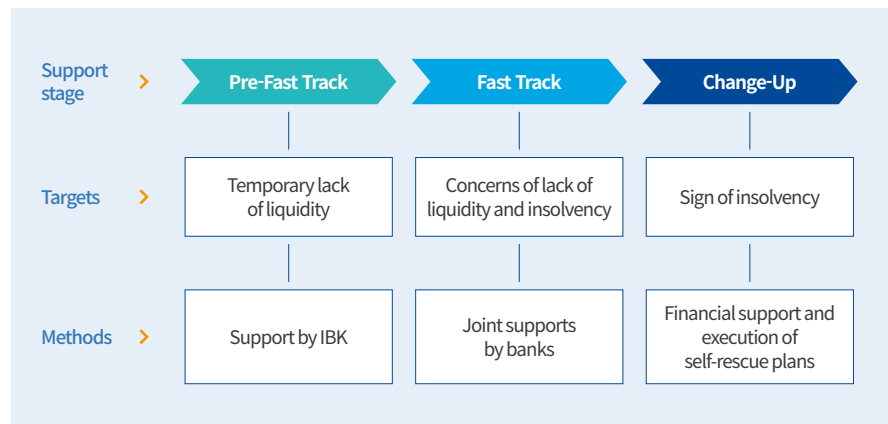
IBK is expanding financial support for SME facility investment to tap into the growth potential of the national economy. To make the government-led investment facilitation policy more effective, we provide the facility investment fund and related support programs to the financial market. Support is focused on strategic areas to pursue balanced growth among regions and encourage SME facility investment.

## Tailored Investment

We are establishing multi-dimensional investment plans to help SMEs secure large amounts of funds and maximize ROI beyond the conventional SME financing centered on loans. Investment in SMEs is focused on easing the financial burden of startups, and we are also actively exploring new investment areas. For example, we have raised private equity funds to help SMEs that hope to liquidate and stop operation to efficiently transfer management and pursue sustainability management.

## Business Normalization Support System

We have established tailored restructuring programs for SMEs vulnerable to changes in external conditions to help overcome management crises. IBK extends debt maturity and lowers interest rates for SMEs suffering from a temporary lack of liquidity. Debt condition adjustment, in cooperation with other banks, is conducted for potentially insolvent companies. SMEs that are highly likely to normalize their businesses are provided with capital, lowered interest rates, extension of debt maturity, and other preemptive restructuring measures.



## Exit PEF for Management Succession

The IBK-TS Exit PEF, worth KRW 51 billion, is operating to help normalize businesses of SMEs with uncertainties in sustainability due to difficulties in management succession despite high growth potential and advanced technologies. This fund also supports companies that promote M&As for business expansion or transition, as well as those who want to buy or sell management rights or equity shares.

## Leader in Technology Financing for SMEs

Number 1 in terms of technology financing evaluation by FSC in the 2<sup>nd</sup> half of 2017

IBK ranked 1<sup>st</sup> among the banks in terms of technology financing performance evaluation hosted by FSC in the second half of 2017 in recognition for proactive technology financing support for SMEs.

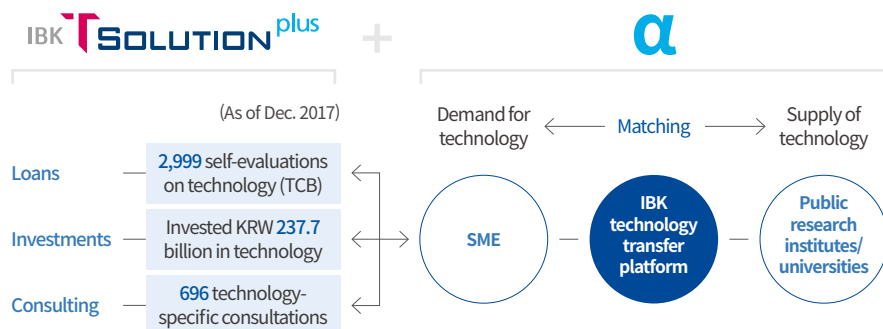
### Driving Growth of SMEs through Technology Financing

Technology financing that provides funds based on comprehensive evaluation of SMEs' finance structure, credit rating, and their technological capability has become the next generation financial service model in SME financing. Since July of 2014, a total of 28,692 companies have received technology financing. IBK has taken the lead in this area by adopting an integrated technology financing service system and enhancing consulting services specialized in technology.

#### More Advanced Technology Financing Platform

IBK runs the "IBK T-Solution<sup>plus</sup> α," a tailored service that integrates loans, investments, consulting services, and technology transfer platforms in accordance with technology levels and growth stages of each SME. By establishing partnerships with institutions that hold patents, including Korea Institute for Advancement of Technology, IBK has built a network for technology transfer and facilitated it by matching the supply and demand of technologies between SMEs and other sectors. We plan to launch the "On-Off Line Technology Transfer Convergence System" that connects supply and demand technologies and supports commercialization of funds.

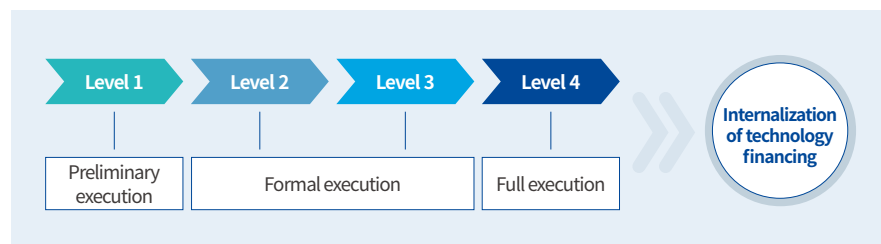
#### IBK T-Solution<sup>plus</sup> α



#### Upgrading In-house Technology Assessment Competence

As a leading technology financing provider, IBK is focusing on upgrading in-house assessment competence and expanding this business. According to the roadmap for establishing technology-based credit loans guided by the Financial Services Commission (FSC), we have continuously improved the level of our technology assessment. As a result, we have acquired the "Level 3" license from the FSC in March 2017 and "Level 4" license that ensures the entire assessment in April 2018. This achievement allowed us to expand technology financing without loan limits. The number of in-house technology assessment cases rose from 894 in 2016 to 2,105 in 2017.

#### IBK's standards for technology assessment authorization



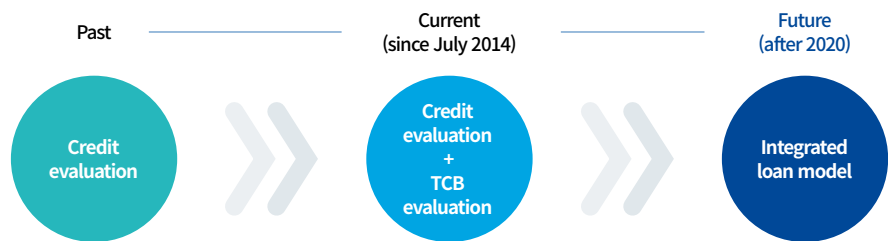


### Beef-up of Technology Financing Experts

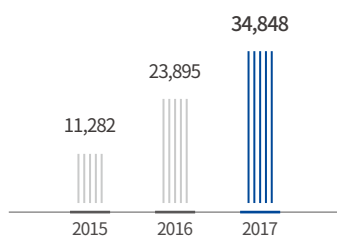
In order to promote credibility and expertise of IBK's technology evaluation competence, we have cultivated and hired a total of 20 experts in this field. We are also making efforts to secure more experts in the fields of advanced manufacturing and new materials to cope with the 4<sup>th</sup> industrial revolution characterized by AI, Big Data, and IoT to eventually upgrade our competence of technology assessment.

### Unification of Credit and Technology Assessments

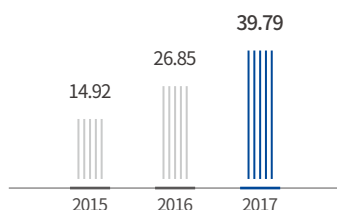
We are establishing a guideline that unifies credit and technology assessments to implement the FSC's "Roadmap for Two-step Development of Technology Financing." With the aim of launching a new integrated loan model in 2020, we will operate a TF jointly with the FSC and Korea Credit Information Services. By adopting a process that mandatorily reflects technological capacity of SMEs to the credit review, we will enhance our competitiveness and create a culture where tech-companies can receive financial support more easily.



No. of technology financing borrowers  
(Unit : companies)



Technology financing loan balance  
(Unit : KRW in trillions)



### Technology Financing Product Portfolio

To help SMEs with excellent technologies enhance their competitiveness, IBK has developed differentiated technology financing products. By the end of 2017, the total amount of our technology financing support stood at KRW 39.8 trillion, the largest in the domestic technology financing market. Our support was focused on new growth businesses – KRW 22.2 trillion to start-ups and innovative companies and KRW 18.8 trillion to promising tech-companies including industrial robot producers.

### Best Practices of Technology Financing Support

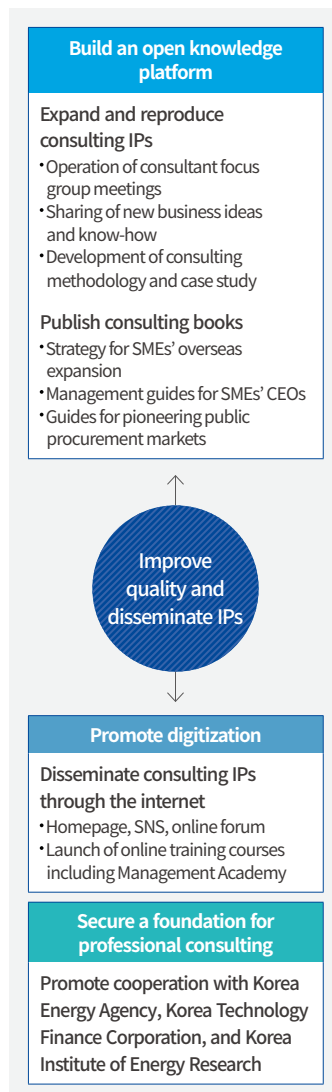
Recipients	Supports	Achievements
SMEs that manufacture semiconductor-related machinery	Financial support after evaluating technological capacity (T4) including commercialization, technology development, and certifications when SMEs need working capital due to signing new contracts	Expectation of new contracts and sales increase of 50% year-on-year
SMEs that manufacture electronic devices	Financial support after evaluating technological capacity (T5) through in-house technology assessment when SMEs want to purchase worksites due to rapid growth	Stable operation of production lines and continuous development of clients
SMEs that produce cosmetics	Financial support after evaluating technological capacity (T5) and growth potential when SMEs need capital for site expansion and business operation in China	Entrance into overseas markets such as China and the US and increase of corporate value

## SME-specific Consulting Services



Provided SME-specific consulting services

### Activities and plans for improving the quality of IBK consulting



### Uncomparable Expertise in Non-financial Support for SMEs

According to the business goal of doing SME research and guiding SME management as stipulated in the Industrial Bank of Korea Act, IBK has offered consulting services on business operation, accounting, tax, and quality to SMEs since 1962. Today, our business extends to developing SME-specific consulting services tailored to their growth stage and to pursuing IBK Co-up Financing. Service scope includes automation of worksite, energy diagnosis, startup & IP, business succession, improvement of working condition, and innovative growth.

#### IBK's consulting coverage

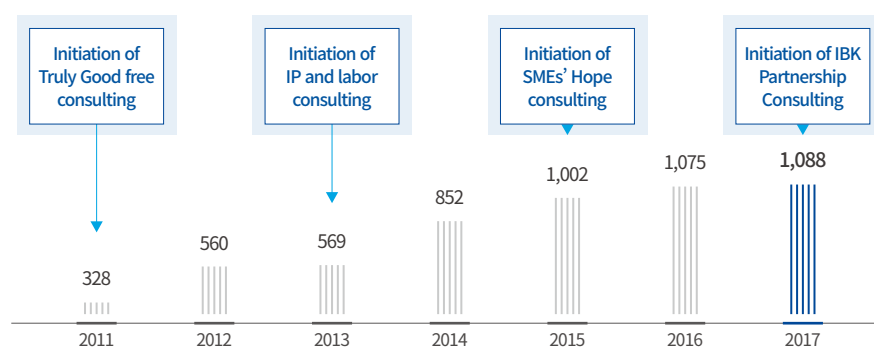
Management	Tax	Accounting	Environment/ Energy	Law	Labor	Finance
<ul style="list-style-type: none"> <li>• Management strategy</li> <li>• Business administration</li> <li>• Production management</li> <li>• Overseas expansion</li> </ul>	<ul style="list-style-type: none"> <li>• Tax assessment</li> <li>• Incorporation of business</li> <li>• Tax consulting</li> <li>• Business succession</li> </ul>	<ul style="list-style-type: none"> <li>• Financial diagnosis</li> <li>• Cost control</li> <li>• M&amp;A</li> <li>• IPO</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Environment, safety, disaster prevention</li> <li>• Carbon asset management</li> <li>• Emissions rights</li> </ul>	<ul style="list-style-type: none"> <li>• Legal risk</li> <li>• IP creation and protection</li> <li>• Review of written contract</li> </ul>	<ul style="list-style-type: none"> <li>• Labor management</li> <li>• HR/organization</li> </ul>	<ul style="list-style-type: none"> <li>• Information on policy funds</li> <li>• Design of interest rate</li> </ul>

#### More sophisticated Consulting Services

IBK is advancing our consulting capabilities to differentiate our services and improve customer satisfaction due to increasingly fierce competition among banks. Through a variety of projects, about 60 consultants at IBK have accumulated excellent skills and know-how required for SME-specific consulting services. Our services contribute to sharpening SMEs' competitiveness and reinforcing marketing activities at branches, thereby creating potential revenues.

#### IBK consulting execution

(Unit : cases)



\* Provided 5,474 consulting services between 2011 and 2017

## Different Consulting Services by Each Growth Stage

Scale-up
<ul style="list-style-type: none"> <li>• Incubation for startups</li> <li>• Consulting on business venture certification</li> <li>• Consulting on establishing annex research center</li> <li>• Consulting on new business strategies</li> <li>• Consulting on business feasibility</li> </ul>
Level-up
<ul style="list-style-type: none"> <li>• Competitiveness enhancement academy</li> <li>• Consulting on finding new buyers in public procurement</li> <li>• Consulting on overseas expansion</li> <li>• Consulting on creating GWP</li> <li>• Job Plus consulting</li> </ul>
Cycle-up
<ul style="list-style-type: none"> <li>• Consulting on PMI (Post-Merger Integration)</li> <li>• Consulting on customized exit plans</li> <li>• Consulting on tax accounting for M&amp;A</li> <li>• Programs to support innovation-driven growth</li> </ul>

To actively pursue IBK Co-up Financing, we are proactive in promoting specific consulting services tailored to each growth stage of SMEs. Our services focus on solving problems in their management activities and building their foundation for growth.

### IBK Changgong, a Comprehensive Platform for Supporting Startups

Based on our know-how in nurturing SMEs, we are running the IBK Changgong, an integrated platform for supporting startups in a comprehensive and stereoscopic manner. IBK Changgong, as a space where financial and non-financial services are provided to innovative startups, plays a role in discovering and nurturing startups and addressing challenges they face in each growth stage in a preemptive and creative way.



IBK Changgong, an incubator for innovative business ventures

## IBK Changgong 創工

### Investments and loans

- Review investments in promising startups
- Support IR conference and investment attraction
- Connect specialized loan products

### Education and mentoring

- Provide accelerating education programs
- Deliver mentoring services in collaboration with professional organizations

### Consulting

- Offer consulting on patent, accounting, tax, laws, and labor
- Advise on IP inspection and rights

### Market development and marketing

- Support the market development of IBK's corporate customers
- Match partnerships with affiliated banks' corporate customers
- Facilitate participation at fairs and conferences
- Support PR and design of products and services

### HR and office space

- Post job openings for free and introduce talents
- Provide office space for free

### Increasing Consulting Services for Help SMEs' Overseas Expansion

IBK offers consulting services to SMEs that promote overseas expansion, in addition to providing detailed preparations for companies that are about to embark on entrance. The scope of our services extends to providing information on local market conditions, business complexes, and improving local workforce and production systems. We also published a guidebook for entering the Vietnamese market that contains information on local industrial complexes, considerations, and ways to receive support from our local branches.

### Consulting on Job Creation and Organization Culture Improvement

In a bid to boost our job creation project, IBK provides consulting services aimed at easing the burden of labor costs to SMEs that are active in job creation. We address this issue by coming up with measures to respond to risks related to minimum wage and ordinary wage hikes. Furthermore, to cope with institutional changes such as increasing social interest in work-life balance and reduction of legal working hours, IBK provides an integrated consulting service on improving working conditions and upgrading job quality.

### Consulting by Each Stage of M&A

To ensure the sustainable progress of promising businesses, IBK consults SMEs about M&A ranging from the early stage of business liquidation to post-M&A activities. Our consulting services encompass corporate value assessment, design of capital flow structure, and legal and tax affairs in the initial stage of M&A and post-M&A activities such as rebuilding policies, systems, and organizations necessary for early business stabilization.



## Material Topic 2

Link to SDGs

## Promotion of Sustainable Finance



### Issue Background Management Approach

In the midst of intense global competition, Korean society is faced with many challenges including economic polarization, alienation due to digital divide, low birth rates, rapidly aging population, and environmental pollution. To address these issues, companies are required to fulfill corporate social responsibility. In that sense, the financial industry is actively pursuing sustainable finance which requires taking environmental and social value into account when establishing guidelines for raising capital, project investment, and development of loan and deposit products. It also aims to promote accessibility and inclusiveness of financial consumers. Given that one third of investment capital in the global financial market is recently focused on socially responsible investment projects, sustainable finance will help us seek opportunities to generate revenue, secure new growth engines, and take the lead in realizing social value.

IBK strives to develop optimized financial products and services most fit for SMEs and the marginalized to address social issues. Some of our activities aimed at ensuring better eco-friendliness include participation in the carbon information disclosure project, execution of energy and resource saving campaigns, diverse financial products for eco-friendly SMEs, and investments in renewable energy development projects. We are also operating customized financial products for local SMEs, social enterprises, and small merchants to pursue balanced growth and financial inclusiveness. Our investments in cultural contents contribute to laying a foundation for future growth for the domestic culture & arts sector.

### Key Performance

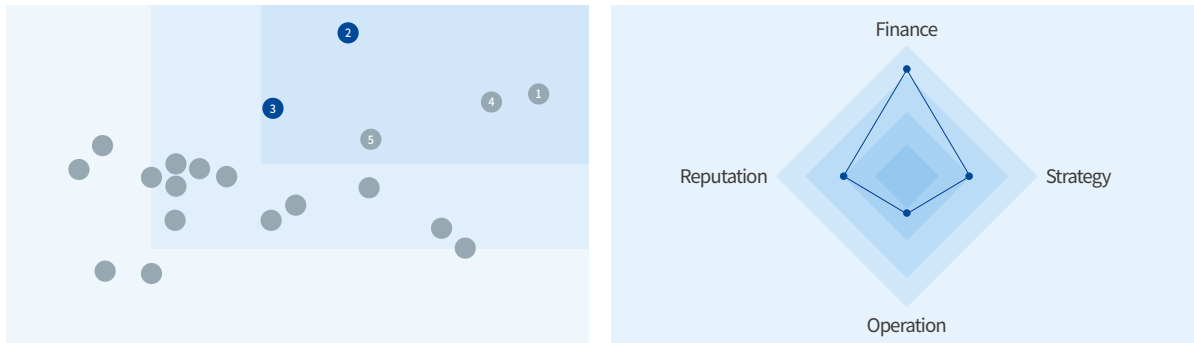
Social bond issuance

**First in Korea**
Loans from Renewable Energy  
Co-prosperity Guarantee Fund
**KRW 3.6 trillion**

Small business owner loan balance

**KRW 9.55 billion**

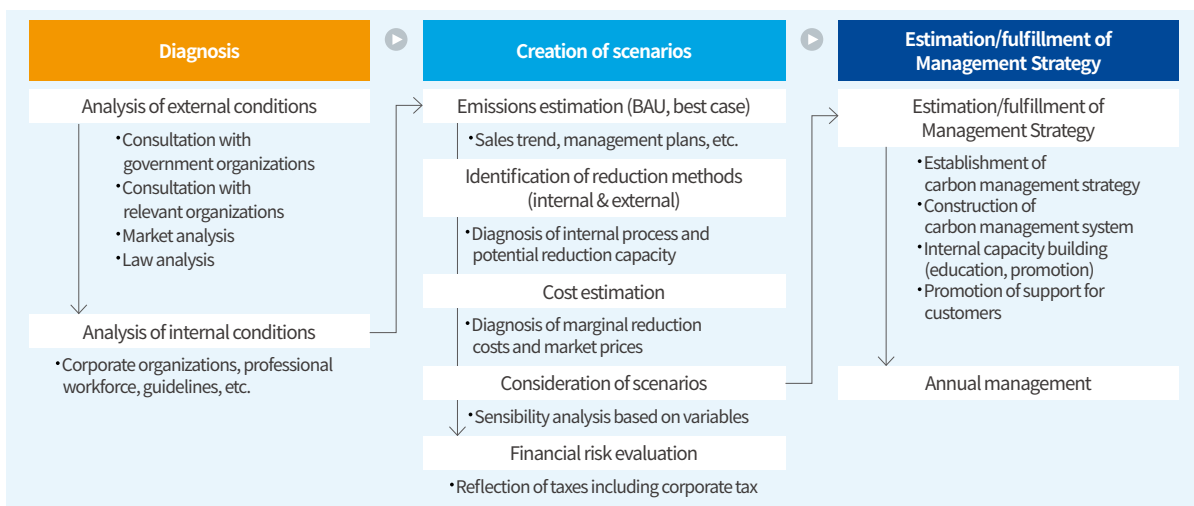
## Material Topic Boundary



## Stakeholder Impact Assessment

NO.	Key issue	Stakeholder interest	Financial impacts		
			Income/cost	Asset/liability	Capital cost
1	Contribute to vitalizing economy through financial support for SMEs and startups	1 → 2 → 3 → 4 → 5		●	●
2	Create economic value through business activities	1 → 2 → 3 → 4 → 5	●	●	●
3	Expand the green investment portfolio	1 → 2 → 3 → 4 → 5	●	●	●
4	Expand digital finance (Fintech, mobile platform, etc.)	1 → 2 → 3 → 4 → 5	●	●	●
5	Protect personal information of customers (financial fraud, cyber security, etc.)	1 → 2 → 3 → 4 → 5	●		

## Carbon Management Strategy Framework



## Stakeholder Feedback

“IBK needs to continuously develop diverse and specialized projects that are distinguishable from other commercial banks.”

“I believe return of corporate income to society will allow IBK to solidify its status as a lifetime partner of customers and ensure greater success.”

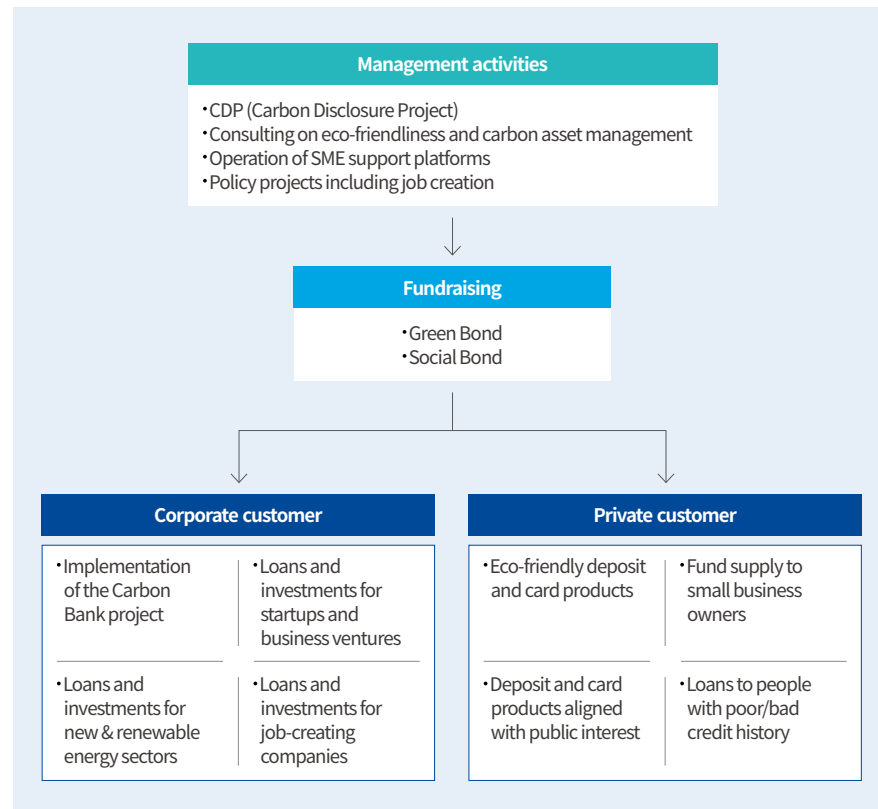




## Sustainable Investment Fund Raising

### Direction for Raising Sustainable Investment Capital

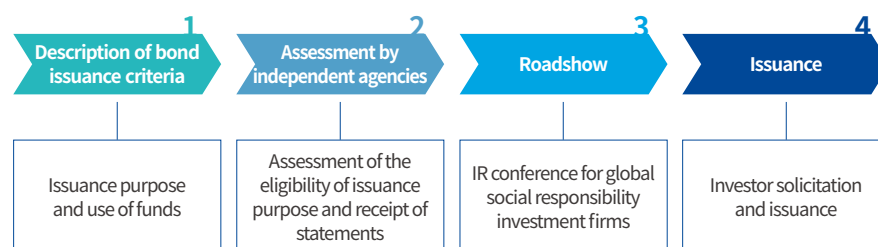
To build a sustainable society supported by finance, we raise capital from investors that demand IBK to fulfill our CSR. Afterwards, we channel the capital into developing and investing in financial products, thereby contributing to creating social value such as investment in job-creating SMEs and nurturing green businesses.



### First Social Bonds in Korea

IBK has successfully issued social bonds that aim to create social value by supporting SMEs, creating jobs, and nurturing startups. We achieved a qualification for issuing social bonds by obtaining the assessment statements from an international assurance institution, Sustainalytics, for the first time among Korean banks. After identifying potential demands for social bonds through IR activities in Europe, the US, and Asia in June 2018, we successfully issued social bonds of USD 500 million. This fund will be invested in SMEs with ten or fewer workers.

### Social Bond Issuance Process





## Support for Environmentally-friendly Management of SMEs

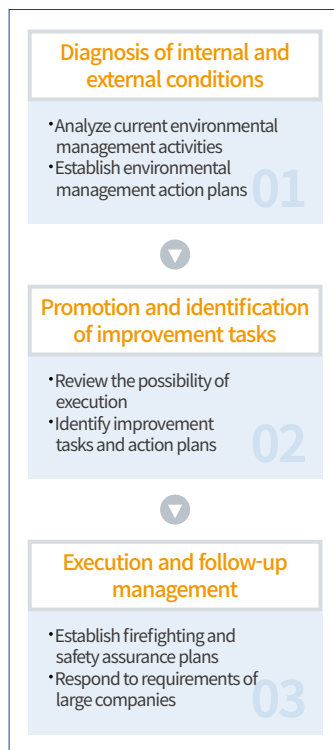
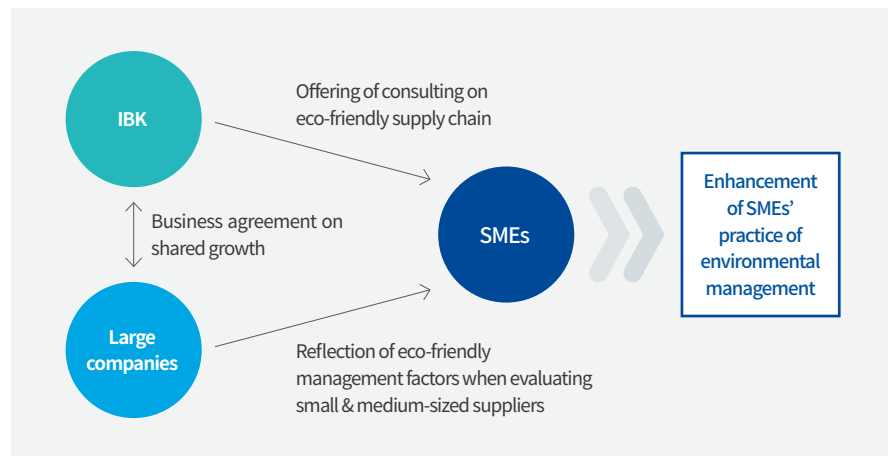
### Direction of Supporting Environmentally-friendly Management

IBK provides SMEs with consulting services on safety and disaster prevention to help them build a safe working environment. The Green Supply Chain Management Consulting service aims to support SMEs' environmentally-friendly management in collaboration with large companies. We also engage in consulting SMEs about developing environmentally-friendly management tasks and obtaining officially recognized certifications.

#### Green Supply Chain Management Consulting Service

Starting from 2011, we have provided SMEs with the Green Supply Chain Management Consulting service in collaboration with large companies. This service helps SMEs establish GHG inventory and offers diverse information they need, such as best practices in environmentally-friendly management, and encourages their participation as well as enhances the power of environmentally-friendly management practice. Moreover, large companies give extra credits to SMEs that pursue environmentally-friendly management when selecting and evaluating suppliers to build a sustainable supply chain.

#### Green SCM Consulting Process



#### Consulting Services on Acquiring Environmental Management Certifications

We help SMEs acquire environmental management certifications by assessing their qualifications for the Excellent Green-biz Certification and Green Certification, in addition to supporting the entire process of application. Holding nationally authorized "environmental product declaration verifiers" as special consultants, IBK will expand the scope of consulting service to certification on SME products.

#### Consulting Services on Safety & Disaster Prevention and Environmental Management

Our consulting service area encompasses safety and disaster prevention, development of eco-friendly new businesses, as well as environmental certifications. We diagnose SMEs' environmental management status and propose improvement measures fit for their organizational structures and management systems, thereby helping them obtain environmental management certifications, prepare anti-fire strategies, and comply with prerequisites for entrance into the supply chain of large corporations.

## Introduction to the Climate Finance Market



Carbon Disclosure Project



### Carbon Asset Management Consulting Process

#### Diagnosis of current conditions

01

- Process assessment and analysis of responses against regulations
- Organization management and assessment of infrastructure
- Modeling and anticipation of future environment



#### Identification of management plans

02

- Reorganization for optimum management
- Preparation for management processes
- Setup of an emissions permit supply and demand plan
- Preparation for internal and external reduction plans



#### Carbon asset management

03

- Brokerage of emissions permit trading
- Realtime consulting
- Offering of market analysis reports

### Foundation for Climate Finance

By participating in the carbon disclosure project and cooperating with academic and research institutions, IBK is establishing a role in the financial industry to reduce greenhouse gas emissions. Moreover, to encourage SMEs to participate in fighting against climate change and expand support, we not only provide consulting services on carbon asset management and development of Korean Credit Unit (KCU), but also serve as a capital provider for emissions trading and renewable energy projects.

#### Participation in the Global Carbon Disclosure Project

IBK has participated in the carbon disclosure project to smoothly raise funds from environmental investors and meet social demands for carbon management. Our environmental responsibility execution results are disclosed transparently by submitting a carbon management report to the Carbon Disclosure Project (CDP), a non-profit organization in the U.K.

#### Consulting Services on Carbon Asset Management

As carbon management has been emerging as a new agenda, it is critical to control climate change risks and create new business opportunities. In order to meet social demands for proactive response to climate change, we are providing consulting services on carbon asset management to SMEs that joined the government's Greenhouse Gas and Energy Target Management System and emissions trading plan.

#### Consulting Services on the Development of Korean Credit Unit (KCU)

This service aims to discover GHG reduction projects for SMEs and help generate their emission permits. Developing emission permits from SMEs' businesses is one of the government's key policy measures. Our carbon finance service pursues to provide additional revenues generated from emissions trading to SMEs as well as comply with the government's policy.

#### Consulting Services on Energy Assessment and Establishment of Energy Management System

We explore energy saving projects for SMEs through consultants specialized in energy assessment and provide financial support. In November 2017, we signed a business agreement with the Korea Energy Agency to support the establishment of the energy management system (ISO50001) by involving professional energy engineers. Exploring energy saving projects is an important area of carbon finance as it leads to the creation of Korean Credit Unit.

### Support for Counter-measures to Climate Change

In order to define the role of the financial industry in response to climate change and emissions trading, IBK has been proactive in sharing our response activities and performances, as well as collecting various opinions from stakeholders by joining related organizations. Moreover, we identify the latest trend of climate finance and emissions trading market to explore ideas applicable to our businesses.



MOU signing to jointly supports for SMEs' GHG reduction projects

#### Support for New & Renewable Energy Projects

Type	Support
Loan	• Solar Power Facility Investment Loan
	• KRW 13.2 billion to 25 projects
PF	• New & Renewable Energy Co-prosperity Guarantee Loan
	• KRW 74.6 billion to 153 projects
PF	• Solar power generation, ESS
	• KRW 35.9 billion to 3 projects

### Renewable Energy Support System

IBK has established a system to support the development and cultivation of SMEs engaging in renewable energy businesses. In line with the government's policy to nurture the renewable energy industry, loans and project financing supports are offered to photovoltaic power and energy storage system (ESS) providers. In 2018, we are set to provide funds to wood pallet producers, which is the fuel used in biomass power plants.

### Renewable Energy Win-win Guarantee Fund

In a bid to nurture the renewable energy business and promote cooperation between large corporations and SMEs, we have raised the "Renewable Energy Win-win Guarantee Fund" in collaboration with large companies and power companies. This fund has been supporting SMEs engaging in the renewable energy business as a loan product based on credit certificates issued by certification agencies since 2011.

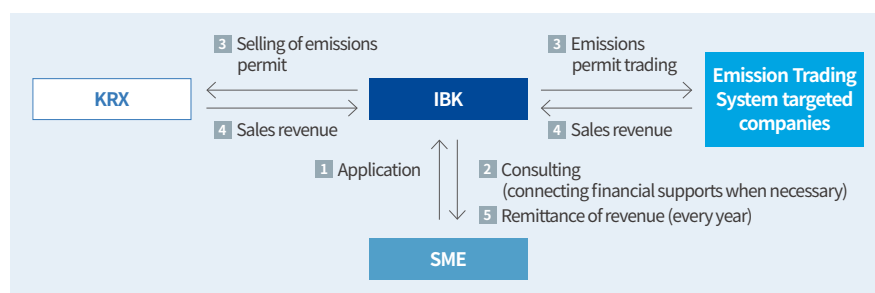
#### MOU on Financial Support for New Energy Businesses

Date of agreement	Sep. 2017
Signed with	Korea Credit Guarantee Fund, Korea Energy Agency
Target	ESS consumers and suppliers, new & renewable energy companies
Amount	KRW 2 billion

### IBK Carbon Bank Project

The "IBK Carbon Bank Project" was initiated to stimulate the GHG emissions trading market. This project provides a one-stop service for the entire process ranging from SMEs' GHG emissions reduction to the development of carbon emission permits, registration on the government system, issuance and sale of emission permits, and regular remittance. This project will be IBK's exclusive business with infinite growth potential through linkage with financial products.

#### IBK Carbon Bank Project Process



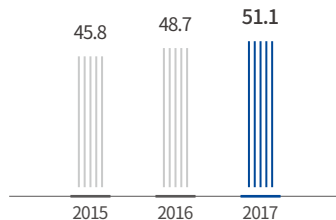
## Creation of Social Economy



Winner of 'IBK Social Venture Growth Support Project'

### Local SME Loan Balance

(Unit : KRW in trillions)



Loans to SMEs with  
fewer than 20 employees  
(as of the end of 2017)

**KRW 95.5 trillion to  
244,227 SMEs**

## Social Economy and Balanced Growth

The pursuit of social economy and balanced regional growth has been emphasized to achieve the progress of local communities, creation of jobs, and improving the level of social welfare. In this regard, IBK promotes inclusive finance by expanding support for local SMEs and microenterprises, in addition to improving the financial accessibility of companies that create social value.

### Increased Support for Local SMEs

With the aim of promoting balanced regional growth and vitalizing the local economy, IBK has been expanding support for local SMEs. We introduced special policies to support local SMEs, including application of lower LTV ratio and relaxation of standard for collateral assessment and feasibility studies. This support is especially focused on 63 local industrial complexes to stimulate local economy in a strategic manner. We also supply funds to the market and offer low interest rates by capitalizing on the central bank's local SME support programs.

### More Benefits for Small Businesses

IBK supports the growth of small businesses (with 20 or fewer employees) to stabilize the livelihood of low-income employees and fortify fundamentals of SMEs. Based on a fund supply plan specified for them, we have improved their financial accessibility by introducing exclusive non-face-to-face-channel products. Moreover, a variety of benefits are offered, including deferred principle redemption and deferred or exempted interest for long-term loans in installment.

### Credit for Social Enterprises

IBK has provided guaranteed loans of KRW 100 billion to certified social enterprises, after signing a business agreement with the Korea Social Enterprise Promotion Agency and Korea Credit Guarantee Fund, with the aim of disseminating the culture of social value creation and building an ecosystem for social economy. Regardless of their contribution to transactions, we apply 1.3% lower interest rate and support 0.2% of guarantee fee every year (maximum 1% for five years) for them.

### Crowd Funding Activities

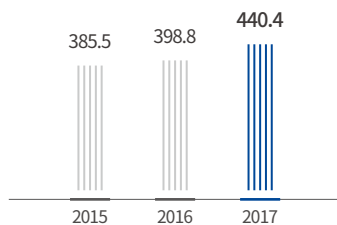
The Corporate Investment Information Plaza was launched to encourage startups with excellent business ideas and technologies to promote crowd funding activities. We provide financial expenses of KRW 1 million to the companies that successfully raised capital through crowd funding and qualified our support program conditions. Other supports include the IBK HOPE-funding Loan and IBK Follow-up Matching Investment Association, which are executed in collaboration with guaranteed firms.

## Greater Support for Cultural Content Companies

The cultural content business is a new growth engine for the Korean economy that can generate new added values through convergence with various sectors and create jobs. In this regard, IBK is expanding financial support for the business. We will continue to explore and support small but promising companies in the fields of film, broadcasting, performance, and music.

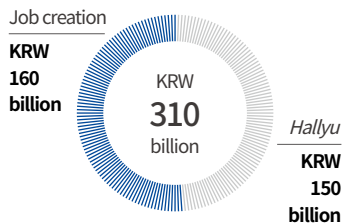
### Fund Supply to the Cultural Content Business

(Unit : KRW in billions)



### Size of MOU Projects

(promoted in 2017 and 2018)  
(Unit : KRW in billions)



### Financial Support for Cultural Content Industry

To secure a growth engine and realize social value by helping vitalize the art and culture business, IBK focuses on cultivating cultural content companies. Based on our mid- to long-term support plan, we plan to provide KRW 1.2 trillion to the business by 2019, which is 1.6 times larger than the amount in the last three years. In 2017, we supplied KRW 440.4 billion that surpassed our initial goal of KRW 400 billion, solidifying our status in this business.

### Diversified Investment Portfolio in Cultural Content

IBK invested KRW 5.2 billion in three projects driven by indirect investment associations specialized in cultural content to diversify our investment portfolio, thereby contributing to the vitalization of the cultural content business.

### Cooperation for the Development of Cultural Content Industry

Our support for the cultural content business has been segmented and diversified through cooperation with related institutions. For example, we signed an MOU with the Ministry of Culture, Sports and Tourism (MCST) and Korea Technology Finance Corporation to boost startups, job creation, and *Hallyu* (meaning Korean Wave) in this industry. Based on this agreement, we provided guaranteed agreement loan and guaranteed loan products.

### Investments in Low-budget, Diversified, and Creative Arts


	<b>Along with the Gods</b> Movie (Mid- and small-sized filmmaker)		<b>Little Forest</b> Movie (low-budget)
	<b>I Can Speak</b> Movie (theme diversity)		<b>Mr. Show</b> Performance (creative)



## Development of Products for Greater Public Interest


### Diverse Deposit Products for the Public

IBK has been launching a variety of deposit products so that people from all generations can participate in sustainable finance. The products help employees stably build assets and help military personnel stand on their feet after completing military services. We have also expanded the number of recipients who can use accounts without subject to seizure, and launched financial products appealing to minors in order for them to continuously use the bank's services. These products aim to offer benefits to more members of our society.

	Deposit products	>	IBK W Account	IBK <i>Narasarang</i> Account
	Key features	>	<ul style="list-style-type: none"> <li>•Exempting financial transaction fees of workers and their family members when receiving their salary</li> <li>•Exempting fees for money transfer from IBK to other banks through e-finance and ATMs and other fees</li> </ul>	<ul style="list-style-type: none"> <li>•Unlimitedly exempting various financial fees during military service terms, offering benefits in accordance with transaction patterns even before and after completing military services, and linking with the <i>Narasarang</i> (love my country) card</li> <li>•Exempting various fees and offering benefits on major foreign currency exchanges.</li> </ul>
	Total deposits (As of June 30, 2018)	>	KRW <b>356.5</b> billion	KRW <b>117.3</b> billion

### Installment Savings Products for Low-income Earners and the Underprivileged

We make a concerted effort to help people address their financial difficulties. In this regard, we are developing installment savings products for customers who faithfully redeem their loans so that they can build assets. We are also providing the vulnerable groups with installment savings products with high interest rates.

	Deposit products	>	IBK Smile Dream Installment Account	IBK <i>Sarang Nanum</i> (sharing love) Installment Account
	Key features	>	<ul style="list-style-type: none"> <li>•Assisting customers who have faithfully repaid their microfinance loans to stably form their property</li> <li>•Providing interest rate incentives according to contract term after the Korea Inclusive Finance Agency screens their qualifications and issues the letter of reference</li> </ul>	<ul style="list-style-type: none"> <li>•An installment account exclusive to the underprivileged including the handicapped, child breadwinners, single parents living on welfare benefits.</li> <li>•If the account reaches maturity, the same interest rates are applied to the account holder as preferential interest rates.</li> </ul>
	Total deposits (As of June 30, 2018)	>	KRW <b>800</b> million	KRW <b>66.2</b> billion

### Donation of Credit Card Reward Points

When financial consumers agree to donate their remaining balance in expired pre-paid cards or credit card reward points, IBK delivers the money to the Credit Card Foundation. At the Credit Card Foundation, they spend money on supporting low income families, small scale credit card member stores, public research activities, and social welfare services. IBK has donated KRW 320 million so far and will donate KRW 2.6 billion in the next five years.


### Card Products to Facilitate SMEs' Business Operation

In a bid to promote IBK Co-up Financing, we launched a variety of credit card products aimed at helping SMEs run their businesses in a sustainable way. These products contribute to reducing their financial transaction costs and enjoying various benefits necessary for business operation, thereby facilitating financial activities.

	Deposit products	>	IBK Mutual Growth Card	IBK Mutual Success Card
	Key features	>	<ul style="list-style-type: none"> <li>• Help SMEs reduce fundraising and financial transaction costs by exempting financial fees</li> <li>• Exempt transfer fees through e-finance and the installment fee of the last month</li> </ul>	<ul style="list-style-type: none"> <li>• Provide diverse benefits when SMEs go on overseas business trips and conduct local operations</li> <li>• Offers discounts in gas stations, reward points in domestic/overseas member stores, free access to airport lounges</li> </ul>
	Total amount of usage (As of June 30, 2018)	>	KRW <b>42.1</b> billion	KRW <b>50.7</b> billion

### Card Products Aligned with Public Interest

We have launched credit cards for public interest to disseminate the culture of sustainable finance. The Green Card offers benefits when customers reduce energy resources such as electricity, water, and gas or use public transportation. Another credit card provides transportation costs to help SMEs address difficulties in employment and encourage youth to find jobs.

	Deposit products	>	Green Card V2	IBK Narasarang Card	A Truly Good Friend, Walking Together with Youth Card
	Key features	>	<ul style="list-style-type: none"> <li>• Contributing to the dissemination of low-carbon &amp; eco-friendly consumption culture by helping people get involved in green finance</li> <li>• Enabling cashback for eco-money points and usage of points in paying apartment maintenance fees, electricity bills, and cellphone bills</li> </ul>	<ul style="list-style-type: none"> <li>• Providing benefits exclusive to soldiers, including discount at PX, convenient stores, accommodations, language classes, and free accident insurance policies regardless of usage records or integrated discount limits</li> <li>• Offering the highest interest rate to IBK National Armed Forces' Hope &amp; Preparation of Installment Account and applying it to those who completed their military duty</li> </ul>	<ul style="list-style-type: none"> <li>• Providing benefits to young employees working at SMEs located in industrial complexes with poor transportation conditions in connection with the SME job creation program</li> <li>• Deducting KRW 50,000 monthly when users take buses, taxis or pay at gas stations using this card; promoting cultural activities by giving discounts at theaters, cafes, and restaurants</li> </ul>
	Total amount of usage (As of June 30, 2018)	>	KRW <b>8.8</b> billion	KRW <b>1.2258</b> trillion	Launched on June 28, 2018



IBK Mutual Growth Card



IBK Mutual Success Card



IBK Narasarang Card



## Material Topic 3

## Enhancement of Financial Consumer Service

Link to SDGs



### Issue Background

Recent technological advancement characterized by the 4<sup>th</sup> Industrial Revolution brings about a structural change in the financial business. The increasing use of digital channels and introduction of online systems in the financial business can be a cause for leakage and misuse of personal information. In the midst of intense competition for attracting customers, it is critical to develop differentiated products and services for securing the competitive edge. To provide better products, consultation, and consumer-centric services, most financial companies have improved methods to identify consumers' needs in advance and thoroughly review consumers' opinions. As global interest in accessibility and inclusiveness of finance is on the rise, financial firms are concentrating their efforts on providing various types of convenient services anytime, anywhere.

### Management Approach

To become a leading bank in protecting financial consumers, IBK has established the Financial Consumer Protection Charter and enhanced the infrastructure for protecting consumer rights. To ensure zero accident in information security and reinforce response to cyber-attacks, we have not only set up a system that monitors and blocks external hacking attacks, but also reinforced research activities on information security. Particularly, our CS competence has further improved by continuing CS trainings, offering position-specific service guides to employees, and reflecting customer opinions in their CS assessment. Moreover, we opened a bank window and a CS manual for the financially vulnerable group, thereby improving their convenience and accessibility to financial services.

### Key Performance

No. of employees who completed information protection training

**10,952** persons

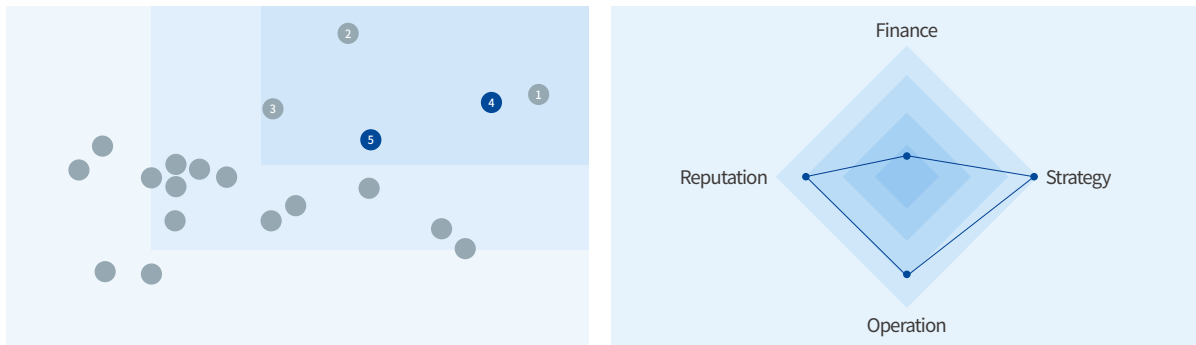
Fair Trade Commission & Korea Consumer Agency

**CCM (Consumer Centered Management) certification**

Support for Fintech companies

**KRW 893.7** billion

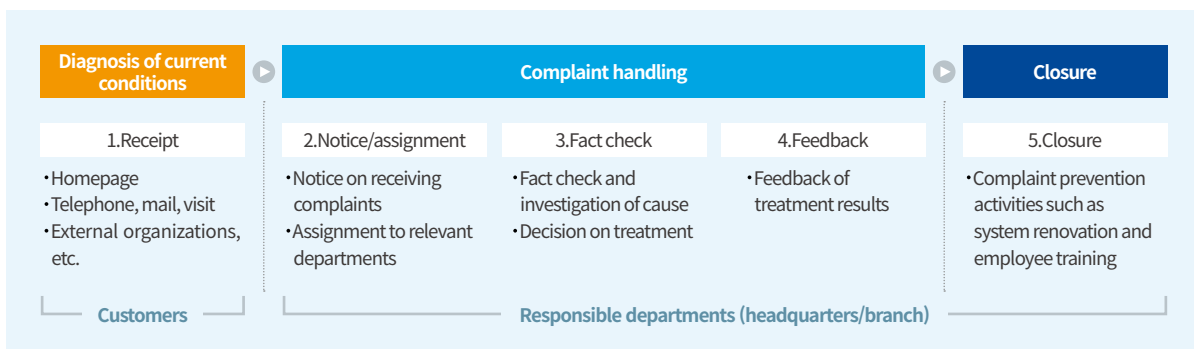
### Material Topic Boundary



### Stakeholder Impact Assessment

NO.	Key issue	Stakeholder interest	Financial impacts		
			Income/cost	Asset/liability	Capital cost
1	Contribute to vitalizing economy through financial support for SMEs and startups	1 → 2 → 3 → 4 → 5		●	●
2	Create economic value through business activities	1 → 2 → 3 → 4 → 5	●	●	●
3	Expand the green investment portfolio	1 → 2 → 3 → 4 → 5	●	●	●
4	Expand digital finance (Fintech, mobile platform, etc.)	1 → 2 → 3 → 4 → 5	●	●	●
5	Protect personal information of customers (financial fraud, cyber security, etc.)	1 → 2 → 3 → 4 → 5	●		

### Complaint Treatment Process



### Stakeholder Feedback

“IBK needs to expand its digital competence by continuously reinforcing digital banking services for greater customer satisfaction.”

“To ensure future growth engines, it is essential for IBK to create a culture where employees can share innovative ideas at any time through an open platform.”



## Protection of Financial Consumer Information



Control Tower at Suji IT Center

### Information Protection Infrastructure

IBK is practicing consumer-oriented management to ensure the rights of our financial customers. To protect their personal information and prevent damages, we are proactively reinforcing information protection infrastructure and building high-quality security systems.

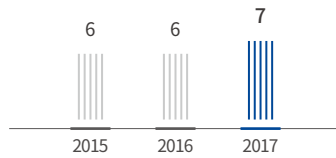
#### Information Protection Management Systems

IBK's information protection management system is operated based on the "ISO/IEC 27001" certification, an international information protection standard, "Information Security Management System (ISMS)" certification, a Korean information protection standard. This system ensures appropriateness of our information protection management, service stability, and high credibility.

#### Personal Information Detection Solutions in Servers

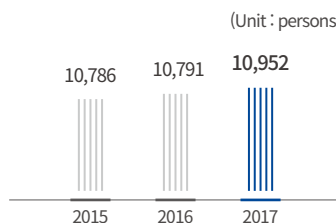
We operate a system that regularly inspects and safely deletes personal information, including unique identification marks, account numbers, and credit card numbers. The system searches personal information within servers, and then personal information analysis results are sent to the search system. Server managers identify and delete personal information based on the results, as well as induce personal data file deletion after checking the overall status.

Time spent on information protection training per employee (Unit : hours)



\* 9 hours for IT staff and 12 hours for information protection staff

No. of employees who completed information protection training (Unit : persons)



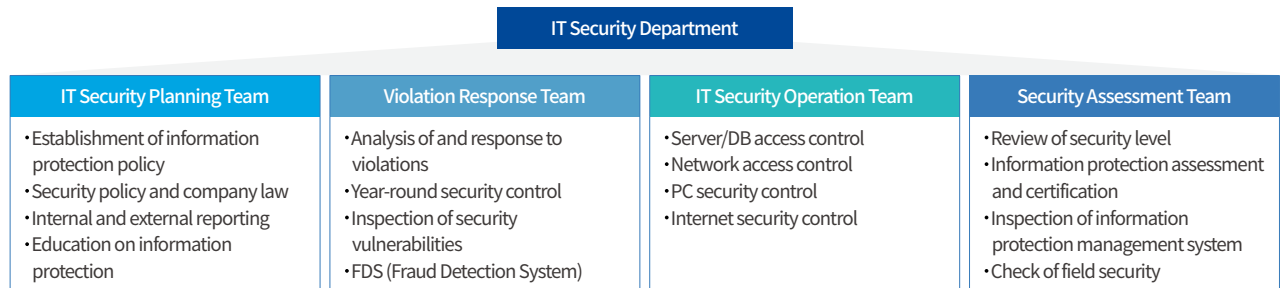
### Information Protection Training Programs

#### All Employees

Type	Target	Course	Type	Target	Course
Online training	Executives	•Improvement of awareness of information protection, etc	Notice/alerts on information protection issues	All employees	<ul style="list-style-type: none"> <li>•Precautions against ransomware</li> <li>•Security check when using webmail and smartphone</li> <li>•Precautions against cyber attacks</li> </ul>
	Staff	•Safe internet banking, etc.			
	IT Group	•Personal credit information protection, etc.	Training on personal credit information protection	New employees, reinstated employees, auditing officers	<ul style="list-style-type: none"> <li>•Introduction of new financial security technologies and explanation of usage</li> </ul>
	Information Security Department	•Personal credit information protection, etc.			
In-house TV programs for training	All employees	•Video footage pertaining to the improvement of information protection			



### Organization Structure of IT Security Department



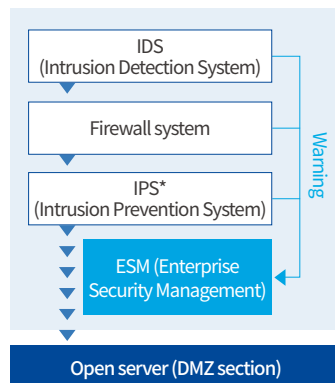
### Prevention of Consumer Information Misuse and Abuse

The adequacy of customer information inquiries is checked every business day through the “Consumer Information Protection System,” contributing to preventing illegal customer information inquiry. We also offer trainings on personal information protection to employees of partner companies that use personal information of IBK consumers, and conduct a full-scale inspection on their information control status more than once a year.

### Encryption of Personal Information

We operated a TF to select a system for encrypting resident registration number and evaluated its performance since 2015. The encryption system was initiated at the end of 2017, through which unique identification information and image files held in 41 business systems have been encrypted. Going forward, we will continue to encrypt key information by responding to the introduction of ATMs with iris and vein recognition.

### Hacking Attack Response System



\* IPS : A system to detect and prevent cyber-attacks in real time

### Year-round Cyber Security Control Room

IBK operates a year-round cyber security control system to thoroughly monitor and prevent external attacks. We have also set up customized action plans by each phase against cyber risks, including DDos attack, thereby continuing our records of zero information security accident.

### Growing Expertise in Responding to Cyber Attacks

Our expertise in responding to cyber attacks has been further improved by running the “IBK Guardians,” the bank’s Community of Practice (CoP) on information security. We proved our unrivaled response competency against hacking attacks by ranking at the top among financial firms at a cyber-attack defense competition held by the Ministry of Trade, Industry and Energy.

### Employees of IT Group and Information Security Department

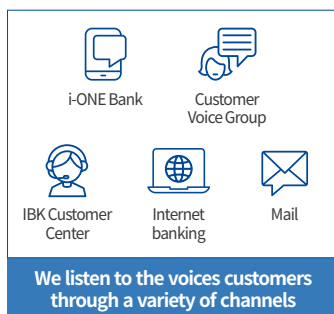
Type	Target	Course	Type	Target	Course
Training by inviting external experts	IT Group and Information Security Department	<ul style="list-style-type: none"> <li>• New financial security technologies and their utilization</li> <li>• Blockchain</li> <li>• Big data</li> <li>• Cloud</li> <li>• Bio certification</li> <li>• AI</li> <li>• IoT</li> <li>• Robo advisor, etc.</li> </ul>	Training commissioned to professional institutions	Information Security Department	<ul style="list-style-type: none"> <li>• 5 courses of the National Intelligence Service, including cyber security policy, future technology security, and cryptographic technology</li> <li>• 17 courses of the Financial Security Institute, including financial information security management system, setup and operation of information security strategy, and physical security</li> </ul>

## Protection of Financial Consumers' Rights



IBK Charter of Financial Consumer Protection

### Consumer Protection Channels



- Complaint cause analysis and reporting
- Dissemination of customer complaint cases to all employees
- Requirement of system improvement for all departments
- Enhancement of prior consultation system

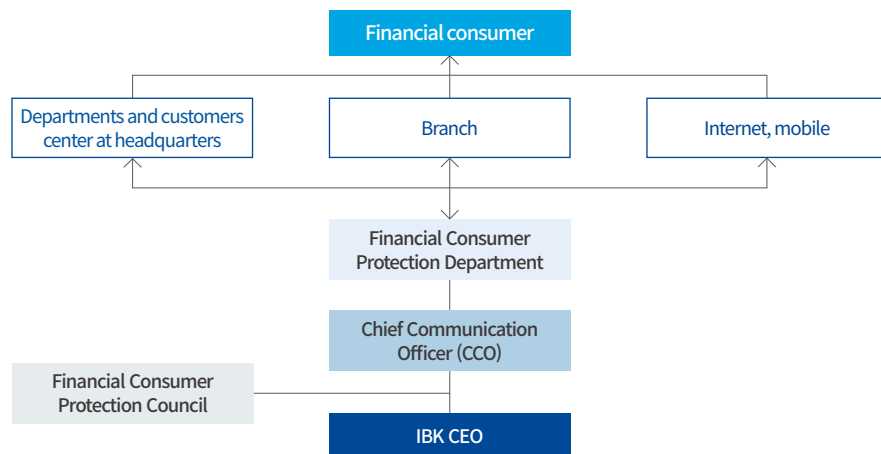
### Financial Consumer Protection System

IBK practices financial consumer-oriented management which puts financial consumers at the center of every business. We have enacted the Financial Consumer Protection Charter to improve consumer protection measures and provide various services to ensure the accessibility of the financially vulnerable groups. Furthermore, we are doing our best to protect customers from financial fraud or incidents by upgrading existing security systems.

#### Dedicated Organization to Protecting Financial Consumers

IBK is running a dedicated organization to address inconveniences of financial consumers in a preemptive way and keep consumer complaints at a minimum. The general manager of the Financial Consumer Protection Department under the CEO of IBK is in charge of dealing with inconveniences and complaints of customers apart from product development and sale functions. The Financial Consumer Protection Council discusses policy directions and basic plans for consumer protection, tasks to improve existing systems, and consumer-oriented product development and marketing activities. Complaints collected from diverse channels are delivered to related departments and branches and the treatment results are relayed to customers.

### Financial Consumer Protection System



### Improvement of Financial Accessibility



IBK addresses difficulties of financially vulnerable groups by improving their accessibility to financial services and overall convenience. Also, we exempt their fees when transferring money from IBK to other banks through ATMs or an e-finance system, reducing their financial burden in using financial services.

#### Companion Counter

We operate Companion Counters to help the elderly, the handicapped, and pregnant women enjoy financial services conveniently.

#### Sign language service

Every branch of IBK provides speaking and/or hearing-impaired persons with sign language service via IP phones.

#### Services exclusive to the visually impaired

We offer the "Voice Eye" service that automatically reads printed contents, braille PIN pad at every ATM, and audio guidance services.

## Financial Accident Prevention System

IBK pursues a “Clean Bank.” To this end, we have established an omnidirectional monitoring system that can prevent any financial accident, including the upgraded audit information system, and tightened a monitoring framework for non-face-to-face channel transactions and small transactions by deploying a large scale data process system. The automatic high risk transaction detection and analysis function was also upgraded to prevent any financial accidents in advance.

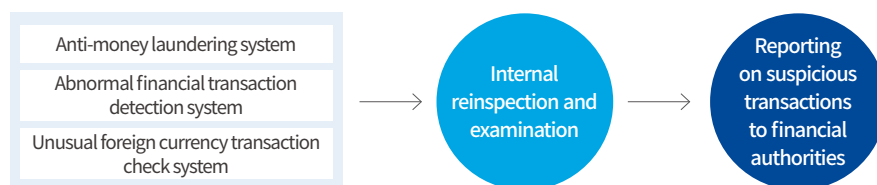
### Integrated Abnormal Transaction Management System

We have established an integrated management system to detect signs of abnormal transactions such as trade fraud, illegal e-finance, and money laundering for the first time in the industry, thus tightening financial accident prevention. This system enables us to take customized measures based on prepared scenarios by each case, and conduct thorough inspections. Detected abnormal transactions are reported to the Korea Financial Intelligence Unit, if necessary.

#### Upgrade of Anti-money Laundering System based on RBA (Risk Based Approach)



#### Integrated Abnormal Transaction Management System



### Financial Fraud Prevention Measures

In order to protect financial consumers from frauds using false information and illegal collection of personal information, IBK has taken tougher prevention measures. Prevention measures include a security service that enables transactions only through pre-designated devices or additional authentication processes.

### Random Cross-inspection among Branches

Random cross-inspections on vault cash and document control are conducted at branches with the aim of raising employees' awareness of internal regulations and possible financial accidents. In 2017, it was conducted at 578 branches in February and 563 branches in August.

#### Addressing polarization in digital finance



We are expanding our financial service infrastructure to provide more convenient services to the financially vulnerable groups, including the elderly and the disabled. Especially, more efforts are made to help customers who prefer telebanking and mobile banking.

##### Visible ARS

Visible ARS service offers visual transaction information with audio service.

##### Large font service for mobile banking

IBK's mobile banking service screen provides larger fonts to ensure better readability.

##### Services for the disabled

We offer diverse services to support the disabled, such as video counseling with sign language, voice OTP, and braille-based security card.

# Maximum Consumer Satisfaction

## CS Quality Improvement

### Establish branch's CS capability improvement system

- Define 5 service capabilities (T.R.U.S.T.) and behavior patterns

### Strengthen field-oriented tailored training

- Enhance field coaching at each branch
- Intensive trainings for employees who have been with the bank for two or three years

### Implement engaging CS events

- Launch the "Happy Together IBK" event
- Build a community for excellent CS performers

IBK, the most trusted bank by customers

## Various Consumer Satisfaction Services

IBK has strived to realize our top priority goal of "Customer Happiness" based on basic values of "Trust and Responsibility," "Creative Passion," and "Best Teamwork." As a result, we have achieved the highest grade in the public financial institution management evaluation for 10 consecutive years. IBK is the only public financial institution that has acquired "Grade A" or higher for 10 years in a row.

### CCM Certification

In 2017, IBK obtained the Consumer Centered Management (CCM) certification from the Fair Trade Commission for the first time among public financial institutions. It is a government certification that assesses and qualifies whether all business activities and improvement processes are conducted from the customers' perspective. The CCM certification allows the bank to receive incentives with regard to consumer-related laws. We will continue to prioritize customers in all of our operation.



Received the CCM (Consumer Centered Management) certification

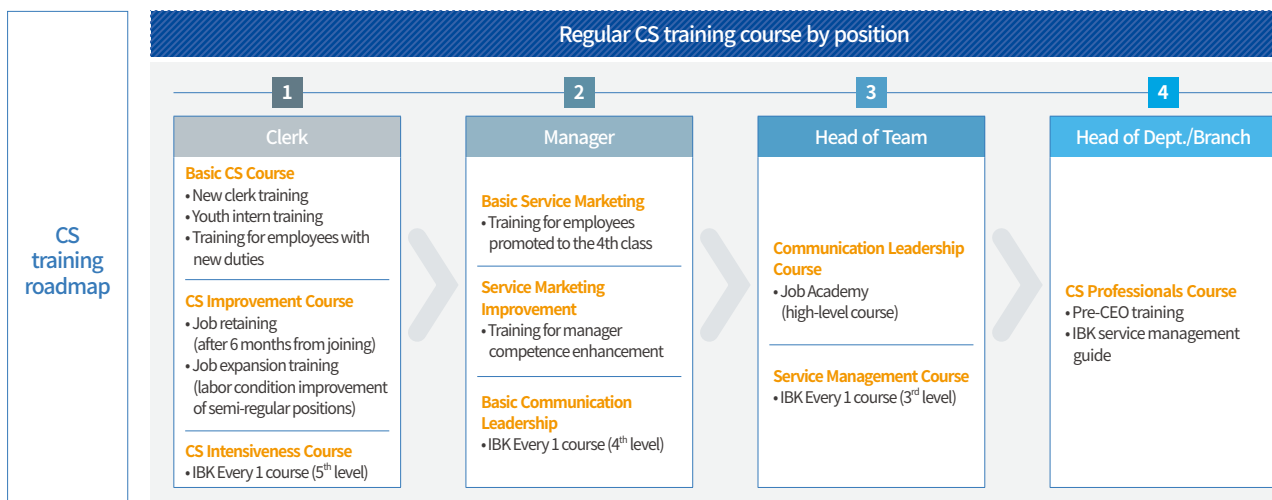
## 5 Service Capabilities

- Take care
- SafeGuard
- Relation
- Trust
- Understanding

### Dedicated Team to Managing Non-face-to-face Channels

In a bid to provide more convenient services to non-face-to-face channel customers and address their potential issues in real time, IBK launched a dedicated management team. The IBK Customer Center will spearhead improved satisfaction of non-face-to-face channel customers.

## IBK's Customer Satisfaction Training Programs



### Winner of Best Consumer Satisfaction in the Call Center Sector

In 2018, IBK's call center was selected as the "Best Call Center in Korea" in the annual customer satisfaction evaluation, marking IBK's 12th consecutive achievement. This record is second-to-none in the industry, which is attributable to our consistent efforts for improving the quality of call responses by operating the necessary number of employees for analyzing call response rates and upgrading systems accordingly.

### Reflection of Consumers' Opinions in Product Planning

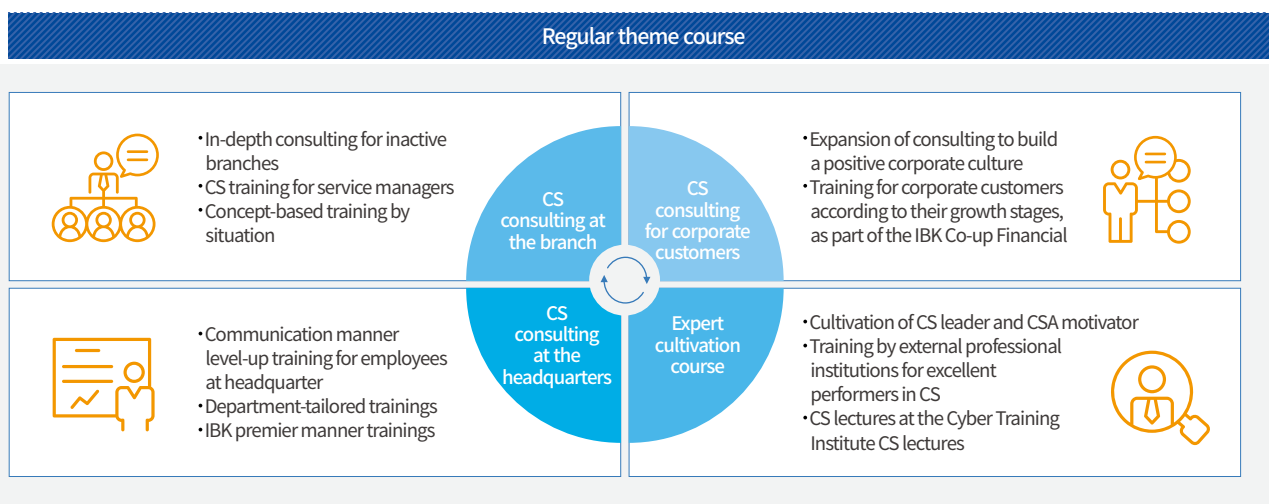
Our customers are able to reflect their opinions in product planning through the customer participation system. We also use online surveys, forums, and mystery shopping programs to identify their needs and improve insufficiencies. IBK will make efforts to better understand customer needs and provide better services.

#### Operation of Customer Participation System and Other Channels

Channel	Major discussion agenda	Treatment results
IBK Customer Voice Group	Survey on customer needs through non-face-to-face channels (online)	Complete overhaul of e-banking
	Survey on financial needs of pensioners (round-table meeting)	Product development, PR strategy setup, etc.
	Identification of customer complaint causes and inspection of treatment status	Improvement of customer complaint handling methods
Customer satisfaction survey	Survey on customers' transaction satisfaction and opinions on our job professionalism	Sharing of unsatisfactory factors treatment results by each branch
CS coaching survey	Gathering of customer opinions at branch during CS consulting	Sharing of survey results with other branches
Mystery shopping of bank assurance and fund sectors	Assessment of incomplete sale factors and discussion on preventive measures by inviting external experts	Execution of incomplete sale prevention trainings

### Online Financial Education Center

Our corporate website provides customers with financial information that is helpful for safe financial transactions and daily lives, improving customer satisfaction. Those include daily financial tips, basic legal information, and financial knowledge guided by the Financial Supervisory Service.





## The Future of Finance

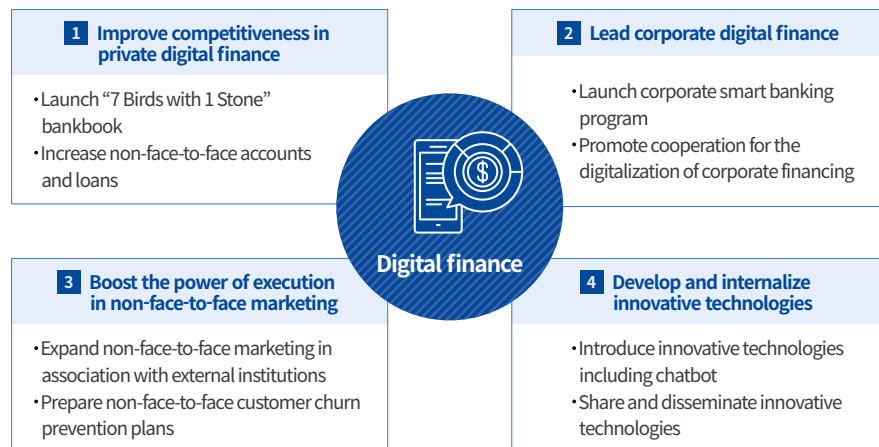
### Future Finance Leader in the Era of the 4<sup>th</sup> Industrial Revolution

IBK has established a strategy aimed at leading the future of finance by strengthening our competitive edge in digital finance. Resolving inconveniences and offering more and better services are fundamental to digital finance. In that sense, we provide customers with tailored financial products, services, and information in accordance with their transaction patterns and features, beyond simple financial services. By capitalizing on our differentiated competence in digital and non-face-to-face sectors, we will lead the future of finance.

#### Strategies to Lead Digital Finance

To enhance our competitiveness in digital finance, we are practicing four key strategies – improving competitiveness in private digital finance, leading corporate digital finance, strengthening marketing activities in the non-face-to-face channel, and developing and internalizing innovative technologies. We initiated 80 tasks for the strategies and have reached 169 tasks as of the end of April 2018. We will maximize the power of strategies execution by continuously inspecting results and directions of each task.

#### Digital Finance Leadership Strategy System

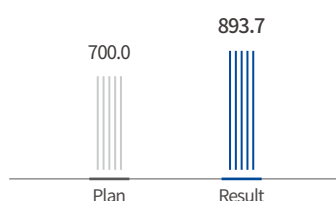


#### Creation of Virtuous Cycle in the Fintech Ecosystem

We deliver customized support to Fintech companies to build a virtuous cycle in the fintech ecosystem. The “IBK Financial Group Fintech Dream Solution” is one of the support programs, which aims to develop, support, and cultivate fintech companies. The “Financial Support Program for Fintech-related Companies” is offered to 10 business sectors including software development to encourage innovative growth of the fintech business.

#### Financial Support for Fintech Companies

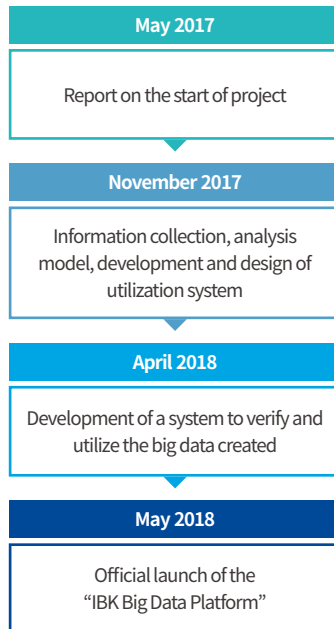
(Unit : KRW in billions)



\* Exceeded the annual plan by KRW 193.7 billion in 2017

Support stage	Development	Support	Cultivation
Details	Contest, Demo Day, business presentation	One-stop consulting service at the IBK Support Center	IBK Fintech Dream Lab
Performance	<ul style="list-style-type: none"> <li>• 2 contests</li> <li>• 21 Demo Day events</li> <li>• 8 business presentations</li> </ul>	<ul style="list-style-type: none"> <li>• 145 cases in 3 years</li> </ul>	<ul style="list-style-type: none"> <li>• 17 companies nurtured</li> <li>• 12 overseas expansion cases</li> <li>• 8 financial support cases</li> </ul>

### Promotion of Big Data Platform



### i-ONE Next Project



#### AI chatbot "i-ONE Bot"

Financial consulting service that automatically responds to customer inquiries

#### Message Banking

Messenger platform-based financial service that enables money transfer during texting

#### Voice Banking

Financial service that enables account balance checks and transfers through the AI voice secretary

## Internal Competence Building for the Future of Finance

IBK has built a big data platform to discover the needs of financial consumers more accurately and to provide services accordingly. The platform enables us to collect and store 12.8 billion cases of internal and external non-linear consumer information per annum which was hard to understand in the past. It is also capable of building data-driven innovative infrastructures where we can conduct tailored customer management in private banking and potential risk management in corporate banking by analyzing and using stored information.

## Customer-oriented Channel Development

We are building the "IBK Quantum Platform," an exclusive and innovative mobile platform of IBK. It will provide more user-centric UI and UX, higher convenience, and better personalized functions than the existing i-ONE Bank platform. To this end, we operated a customer test group to reflect their opinions first and conducted in-depth discussions and analyses of internal channel information to seek the direction of future development. This platform will take the level of customer convenience in the non-face-to-face channel a step further.

### i-ONE NEXT Project

In order to lead the new digital finance, IBK has been promoting the "i-ONE NEXT Project" aimed at offering the next generation digital services using innovative technologies such as AI, voice recognition, biometric recognition, and IoT. As a result, the "i-ONE Bot," an AI chatbot, was launched in April 2018 and "Message Banking" and "Voice Banking" services were initiated in June 2018. These new services help customers gather financial information more rapidly and easily.



Launch of Message Banking·Voice Banking

### Pre-Payment System for IBK Credit Card Member Stores

IBK will initiate the pre-payment service of credit card sales for BC Card member stores for the first time in the financial industry. This service will allow them to receive credit card sales within two days after approval including holidays. Existing system has excluded holidays in calculating credit card sales payment period. This service will help SMEs stably operate working capital and reduce financial costs.



# General Topic

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## Corporate Governance

Chairman & CEO	Deputy CEO & Senior Executive Vice President	Auditor
<b>Kim Do-jin</b>	<b>Im Sang-hyun</b>	<b>Im Jong-sung</b>
<b>Term</b> Dec. 28, 2016 to Dec. 27, 2019	<b>Term</b> Jan. 21, 2017 to Jan. 20, 2020	<b>Term</b> Feb. 26, 2018 to Feb. 25, 2021
<b>Career</b> <ul style="list-style-type: none"> <li>• CFO, Head of Management Strategy Division, IBK</li> <li>• Head of Nambu Regional Headquarters, IBK</li> <li>• Head of Namjoong Regional Headquarter, IBK</li> <li>• General Manager of Planning &amp; Coordination Dept., IBK</li> </ul>	<b>Career</b> <ul style="list-style-type: none"> <li>• CEO, IBK Savings Bank</li> <li>• Head of Management Support Division, IBK</li> <li>• CFO, Head of Management Strategy Division, IBK</li> <li>• Head of Chungcheong Regional Business Division, IBK</li> </ul>	<b>Career</b> <ul style="list-style-type: none"> <li>• Head of Planning &amp; Coordination Office, Constitutional Court of Korea</li> <li>• Director General for Planning &amp; Coordination, Public Procurement Service</li> <li>• Head of Seoul Regional Public Procurement Service</li> <li>• Head of Customs Policy Division of Tax &amp; Customs office, Ministry of Strategy and Finance</li> </ul>

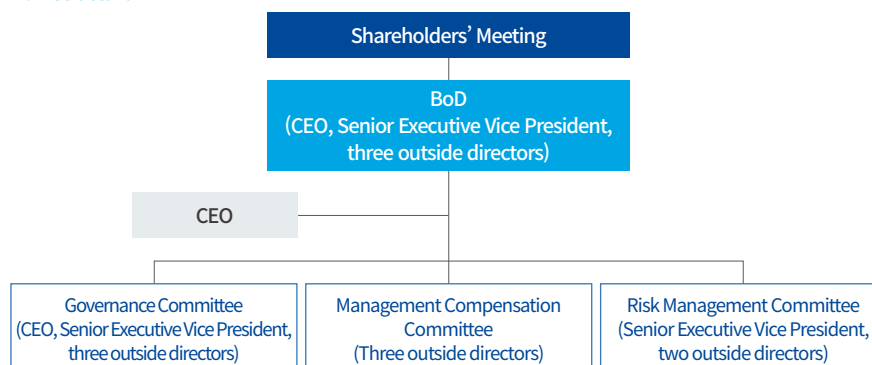
### Principle and Policy for Corporate Governance

Stable, efficient, and transparent corporate governance comes before anything else to ensure sustainable growth of the bank and protect stakeholder interest. Stability can be realized by checks and balance among members, and efficiency by professionalism and diversification of perspectives, respectively. Transparency is driven by disclosure on criteria, process, and results of relevant works.

### Composition of BoD

The Board of Directors (BoD), the supreme decision-making body, consists of the CEO, Senior Executive Vice President, and three outside directors who are professionals in finance, management, economics, and law. The BoD members are appointed through personal verification by the President and the Financial Services Commission in accordance with the Industrial Bank of Korea Act and Act on Corporate Governance of Financial Companies. Their service term is three years and reappointment is possible. The BoD is chaired by the CEO according to Article 2 of Section 25 of the Industrial Bank of Korea Act. The senior executive vice president acts as the BoD Chairman when the CEO cannot perform the duties due to unavoidable circumstances, and is followed by other standing executive directors.

#### BoD Structure





## Outside Director

Lee Yong-keun	Kim Jeong-hoon	Lee Seung-jae
<b>Term</b> Feb. 19, 2016 to Feb. 18, 2019	<b>Term</b> Feb. 13, 2018 to Feb. 12, 2021	<b>Term</b> Mar. 26, 2018 to Mar. 25, 2021
<b>Career</b> <ul style="list-style-type: none"> <li>• External Director Member of Wooribank</li> <li>• Chairman of Financial Services Commission and Governor of Financial Supervisory Service</li> </ul>	<b>Career</b> <ul style="list-style-type: none"> <li>• Expert Adviser &amp; Steering Committee, Democratic Financial Development Network (current)</li> <li>• Auditor of Korea Banking Institute</li> <li>• Head of In-class Learning Department of Korea Banking Institute</li> </ul>	<b>Career</b> <ul style="list-style-type: none"> <li>• Korea University Department of Law</li> <li>• Chairman of Korean National Police University Education (current)</li> <li>• External Director Member of Samsung Electro-Mechanics</li> <li>• The Chief of Korea Coast Guard</li> </ul>

## BoD Operation

The BoD is convened once a quarter and an ad hoc meeting is held upon request of the CEO or two or more outside directors. The BoD meeting is assembled when the majority of the members are present and decisions are made by majority vote. The BoD deliberates and resolves the bank's major agendas including shareholders' meeting, management, articles of association and regulations, capital, fundraising, etc.

### Governance Committee

The Governance Committee consists of the CEO, Senior Executive Vice President, and three outside directors, who are responsible for improving the BoD operation efficiency, function and communication with shareholders and other stakeholders. Major roles include suggesting outside director candidates from whom the CEO recommends to the Financial Service Commission and appointing executive directors that are recommended by the CEO.

### Management Compensation Committee

The Management Compensation Committee, consisting of three outside directors, reviews the overall compensation system for executive directors and evaluates their management performances for compensation. Major resolution items include evaluation and compensation on executive directors' performances as well as review and approval of their welfare benefits.

### Risk Management Committee

Major roles of the Risk Management Committee, consisting of Senior Executive Vice President and two outside directors, include comprehensive control of a variety of uncertainties and possible losses from the bank's management activities and maintenance of capital adequacy. The Committee resolves the establishment of basic risk management plans, setup and allocation of risk limits by business group or unit, and setup and allocation of investment and loss limits regarding market risks.



BoD meetings in 2017

**14** times



Attendance rate of directors in 2017

**89%** on Average

## Corporate Governance

### Role of an Independent Auditor

Due to the specificity as a government-run bank established in accordance with the Industrial Bank of Korea Act, IBK does not have an Audit Committee. Instead, the financial authority appoints an auditor who performs audits on IBK's business and accounting and has the rights to select, change, and dismiss external auditors. The auditor also reviews matters that can affect the independence of external auditors and offers suggestions for securing their independence to the BOD.

### BoD's Professionalism

The BoD consists of members with expertise in each field in order to secure professionalism and a diverse perspective without a focus on specific backgrounds and business careers. We report the latest trends and issues in the financial and economic fields to the BoD with the aim of enhancing outside directors' basic and global capabilities. Proactive supports are offered for those that want to join individual training courses. In 2017, we provided them with trainings including our mid- to long- term strategies and global expansion for a total of eight times. We also operate an organization dedicated to supporting outside directors' activities and smoothly handling meetings and their instructions.

### Independence of BoD

To ensure checks and balance among the BoD members, IBK delegates decision-making and business execution to the BoD and management, respectively, and the management's business execution results are reported to the BoD. Moreover, outside directors hold the majority of the BoD as a check on management. Outside directors are required to satisfy both active and passive qualifications for their appointment and position retention.

#### Active Qualifications (application criteria)

- 1 As for the Chairman & CEO, Deputy CEO & Senior Executive Vice President, and Director & Senior Executive Vice President, those who have rich experience and knowledge in finance and won't undermine the bank's public interest and healthy management and order of credit
- 2 As for outside directors, those who demonstrate risk expertise and experience in the fields of business administration, economics, accounting, law, and SMEs

#### Passive Qualifications (exclusion criteria)

- 1 Those who are not Korean citizens
- 2 Those who are applicable to any one clause of the Article 33 of the Government Officials Act
- 3 Those who cannot become executives in accordance with the Act on Corporate Governance of Financial Companies and the Banking Act
  - IBK's largest shareholder and his or her affiliated persons
  - IBK's major shareholders and their spouses, lineal ascendants, and descendants
  - Those who are serving or had served within 3 years as employees or non-standing directors of IBK or our affiliates
  - Spouses and lineal descendants of IBK's directors
  - Those who are serving or had served within 2 years as employees or executives of companies which are in transaction, competition, or collaboration
  - Those who have served as IBK's outside directors for more than 6 years or as outside directors of IBK or affiliates for more than 9 years in total
  - Those who have difficulties in fulfilling duty as IBK's outside director or have influence on management activities but are designated by the presidential executive order

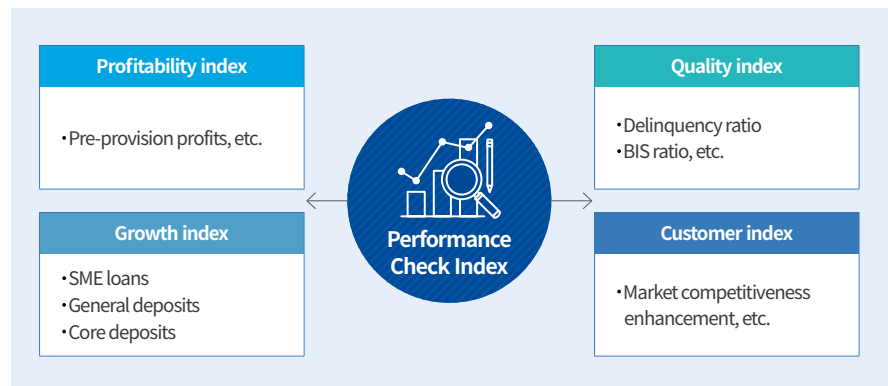
## Management's Compensation System

As a bank specializing in supporting SMEs in accordance with the Industrial Bank of Korea Act, IBK's compensation and bonus system for the management complies with the budget guidance for public financial institutions of the Financial Service Commission (FSC) and the compensation guidance for public institutions' executives of the Ministry of Economy and Finance. Compensation is fully made in cash due to the allocation as cashable budget and is not deferred according to the principal of setting year-based budget. Compensation plan is approved by the FSC in advance and its limit is determined at the shareholders' meeting.

## Management's Performance Evaluation Index

The management's bonus is set by management performance evaluation internally and the achievement bonus in accordance with the management evaluation guideline for public financial institutions externally. Four indices regarding profitability, adequacy, growth, and customers are utilized for internal management performance evaluation. Outside directors conduct self-assessment on the composition, role, responsibility, and operation of the BoD and subcommittees before the annual general shareholders' meeting without separate consultations.

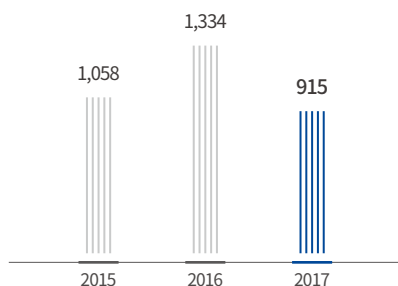
### Performance Check and Linkage with Compensation



## BoD Compensation

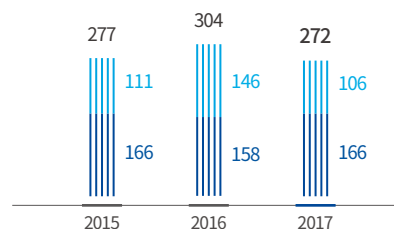
(Unit : KRW in millions)

### Total amount of compensation

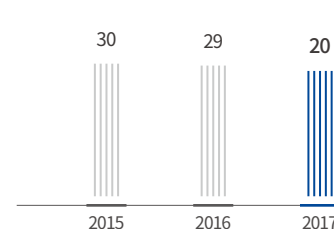


### Compensation per internal director

||||| Average regular pay    ||||| Average variable pay



### Compensation per outside director



\* Average amount of compensation per capita : Total compensation / annual average number of directors (round-off)

\* Differences in annual compensation are mainly attributable to appointment and dismissal of internal directors during fiscal years.

## Ethical Management



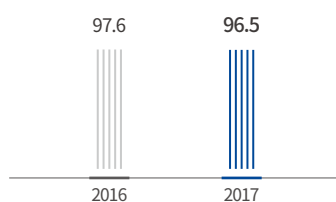
### Practice of Ethical Management

IBK is proactive in implementing ethical management to make employees have firm business ethics, establish an organizational culture of integrity, and develop management pursuing the path of righteousness, thereby leading the future of finance and gaining unwavering trust from customers and the market. Our consistent efforts for ethical management will lead us to become a sustainable bank that delivers superlative satisfaction to customers and fulfills social responsibility.

### Ethical Management System

We have adopted the code of ethics and code of conduct which serve as guidelines that all stakeholders should comply with the practice of the bank's core values – customer happiness and satisfaction, trust and responsibility, creative passion, and strong teamwork. Moreover, to prevent any corruption and ensure business integrity, we are thorough not only in prohibiting conflict of interest, unethical behaviors, and unfair profits, but also in managing critical information and consultation on ethics.

Completion Rate of Anti-corruption Education (Unit : %)



### Anti-corruption Education

#### Improper Solicitation and Graft Act

With the purpose of raising awareness of anti-corruption and promoting transparent and fair business conduct, IBK implements collective training for the management and broadcast training for employees.

#### Collective education on ethics and compliance tailored to life-cycles

We offer collective education on ethics and compliance tailored to each life-cycle to new employees and those who are promoted.

#### Education on ethics and integrity management through diverse channels

Our employees complete ethical education courses in various ways – circuit education for responsible staff at regional headquarters, online lectures from cyber training centers, external agencies, etc.

### Ethical Management Practice Programs

#### Self-inspection on ethics and compliance



Inspection items are provided monthly to help employees check the practice of the IBK Code of Ethics and Code of Conduct.

#### Clean contract system



As a main contractor, IBK ensures the transparency of the contract process and fairness of transactions.

#### Monthly theme-based ethics practice



Ethics items that employees should comply with are selected through contests and are uploaded on the intranet on a monthly basis for implementation.

#### Cyber ethical management training



We make animation films regarding critical ethical management activities and register them as an employee training course on the cyber training center.

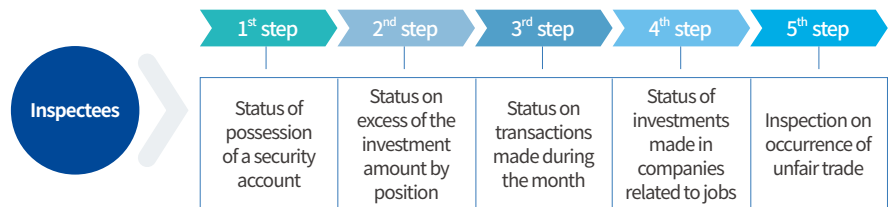
### Compliance Monitoring System

We operate an efficient compliance monitoring system to ensure fairness in business activities and prevent illegal or unfair behaviors. This system allows us to check compliance with related regulations and the internal control criteria and make corrective actions. We also publish and distribute manuals necessary for observing the internal control criteria. The Compliance Officer appointed by the BoD checks and inspects violations of the internal control criteria and regulations. IBK ensures the independence of the Compliance Officer and helps the officer be committed to fundamental works by excluding other duties.

### Tightening Inspections on Trading of Financial Investment Instruments

Inspections on trading of financial investment instruments have been tightened to prevent employees from unfair stock trading through undisclosed or internal information. In a bid to further observe the Financial Investment Services and the Capital Markets Act, we extended the scope of inspectees to fund sellers at branch and shortened the reporting cycle from annual and quarterly basis to a monthly basis. Also, a five-step self-inspection criteria, including investment amount by position and connection with jobs, were introduced to enhance the monitoring of ethics and compliance.

#### Financial Investment Instruments Trading Check Process



### Report on Misconduct

IBK operates a variety of reporting channels to present solutions when employees face ethical conflicts to receive and treat ethical violations, thereby preventing intentional or negligent illegal behaviors and ensuing impacts on the bank. We are committed to eliminating illegal or unfair behaviors that can harm the trust of the bank.

### Whistleblowing System

Our employees are encouraged to notify abnormal behaviors such as embezzlement, malpractice, bribe, violations of the laws regarding real-name financial transactions and money laundering, misdirection of superiors, etc. Real-name reporting is principle, but an anonymous one is also available if necessary. We keep all reporting contents and identification private.



#### Clean Reporting

When an employee receives money or valuables regardless of intention, he or she can protect oneself by returning or donating the gifts voluntarily.



#### Reporting on Violations of the Improper Solicitation and Graft Act

This system requires employees to report any case when carrying on businesses with improper solicitation or in violation of relevant laws.



# Risk Management

## Integrated Risk Management System

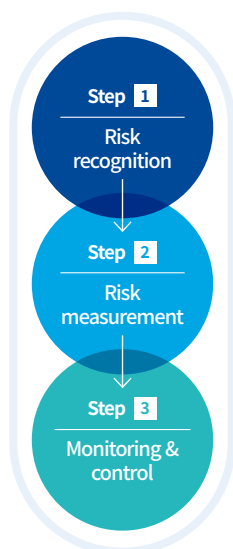
IBK is focusing on managing a variety of uncertainties and risks arising from business activities in an integrated and systematic manner. This effort aims to secure financial soundness and safety, protect the right of depositors, and maximize shareholder value, thereby fulfilling our role as a state-run bank under any circumstances.

### Risk Management Governance

Our risk-related decision-making system is centered on the BoD and consists of the Risk Management Committee, Risk Management Council, and the Risk Management Group. The Risk Management Group consists of the General Risk Department and Risk Supervisory Department. It is responsible for the execution of the Risk Management Committee's policies. Comprehensive risk management status such as risk factors, causes and countermeasures in case of risk increase, risk analysis results, and internal capital adequacy evaluation results are reported to the Risk Management Committee and the management on a regular basis, which enables rapid communication and response to risks.



### Risk Management Process



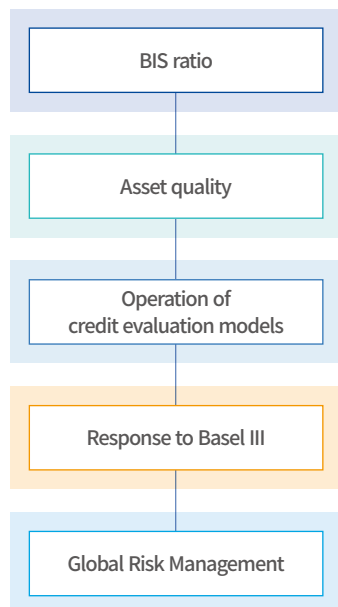
### Risk Management Process

We recognize all possible major risks in our businesses to be managed in an integrated way. The scope encompasses not only financial risks with regard to credit, market, operation, interest rate, and liquidity but also non-financial risks such as compliance. We select risk measurement methods based on the feature of each risk and check risk management status every month, thereby understanding the effectiveness and monitoring the adequacy of risk measurement methods and policies.

#### Risk Policies

- Setting and complying with the tolerance limit of each risk
- Balancing risks and profits appropriately
- Considering profits within the tolerance limit of risks when profit opportunities are in collision with risks
- Managing risks including subsidiaries in a comprehensive manner
- Managing risks by type and in an integrated way on a company-level
- Regularly analyzing the impacts of diverse market changes on both the department and the entire business portfolio
- Separately operating the organizations regarding risk management, sales business, and transaction check and settlement to ensure independence
- Maintaining unified indices and consistency for risk measurement and reporting

### Risk Areas to be Intensively Managed



### Key Risk Management

We pursue preemptive quality control to ensure stable and profitable growth. The bank intensively manages BIS ratio and asset quality and tightens the risk management criteria and execution power to an advanced level. Our systematic credit evaluation model, reflecting changes in financial environment and regulations, is used for overall business of the bank including decision-making for loans and identification of quality indices. Moreover, we secure quality and create appropriate profits through consistent inspection of risks in each area.

### Promoting Risk Management

#### Preemptive Quality Control



- Setting a goal for innovatively reducing allowances for bad debts
- Disseminating a culture of allowances control throughout the business field
- Enhancing company-wide cooperation in allowances control
- Maximizing capability of selecting and managing potentially insolvent companies through rapid inspection
- Supporting preemptive restructuring driven by changes in the business environment
- Preemptively managing default rate based on our credit evaluation model



#### Redeveloping the Credit Evaluation Model

- Promoting the redevelopment of the credit evaluation model for retail loans
- Promoting the redevelopment of Loss Given Default (LGD) of retail loans
- Implementing post verification on the credit evaluation system



#### Enhancing Internal Control of Operational Risks

- Establishing an integrated management system including the operational risk index history control and improvement of index development process
- Providing information by building an employee-tailored accident prevention system
- Strengthening internal control by improving the performance evaluation system that reflects operational risks of overseas branches



#### Reinforcing Risk Management of Subsidiaries

- Inspecting risk management status and implementation of improvement tasks
- Sharing strategies and issues by holding the CRO meeting
- Improving the effectiveness of international financial supervision by revising detailed credit supervision rules
- Enhancing the quality of overseas loans by inspecting the adequacy of loan handling



#### Responding to Basel III Guideline

- Successfully introducing the IFRS9
- Completing and managing the NSRF (Net Stable Funding Ratio)
- Performing an integrated risk situation analysis to solidify the foundation of existence
- Identifying self-improving tasks for BIS ratio management and consultation with the government
- Launching risk management indices regarding trading accounts



#### Enhancing Global Risk Management

- Localizing the overseas credit evaluation model by reflecting national characteristics
- Performing risk consulting and preventing risk transfer between domestic companies and local subsidiaries
- Implementing risk analysis through exposure management and monitoring by country

### Integrated Risk Situation Analysis

With the aim of responding to potential risks such as financial crisis and economic recession, IBK performs an integrated risk situation analysis on the whole business portfolio including subsidiaries twice a year. We analyze the impacts on our credit risk portfolio and BIS ratio by segmenting risk situations into three cases – basic, deteriorating, and serious – based on a scenario which was approved by the Risk Management Committee, and the results are reported to the committee. If the analysis results underperform the target, we prepare proper countermeasures to manage risks preemptively.

## Human Resource Management



IBK Chungju and Giheung Training Center

### Talent-oriented Management

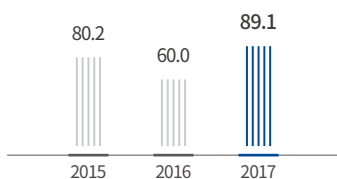
IBK values talented experts who are filled with the spirit of challenge, creativity, responsibility, and globalization, and those who have market competitiveness, impress consumers, and generate outcomes. To secure the best talents, working environment, and systems, we are proactive in establishing standards for hiring and improving the recruitment process and management.

#### Transition from Fixed-term Position to Full-time Position

Classification	Major duties	No. of employees
Professional contract positions	Sales consultants, lawyers, etc.	16
General contract positions	Chauffeur, sales supporters, etc.	31
Short-term contract positions		18

#### Rate of Full-time Employees

(Unit : %)



\* Including unlimited contract positions

#### Talents Whom IBK Wants



#### Focusing on Hiring Full-time Employees

To guarantee job stability and build a corporate culture where discrimination does not exist, IBK focuses on hiring full-time employees. In 2017, the full-time employment rate reached 89.1% as a result of continuous job-tailored interviews. In addition, we established a pre-evaluation system for the employment of temporary workers to allow dispatched or outsourced workers to be properly treated, thereby minimizing the number of temporary workers.

#### Implementing Blind Hiring Practice

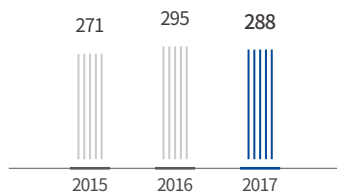
IBK's recruitment is conducted through a transparent process and independent evaluation. We also comply with the Labor Standards Act and the Sexual Equality Employment Act to prevent gender or disability discriminations and implement blind hiring practice to ensure fair recruitment solely based on the abilities of the applicants.



IBK Job Fair

#### No. of alternative recruits for parental leave

(Unit : persons)



#### Hiring through Experiential Internship Program

Our experiential internship program provides financial aspirants with valuable opportunities to join real jobs and develop their careers. In 2017, we hired 409 new employees, 4.8% of the number of 8,559 full-time employees which surpassed mandatory youth employment rate of 3.0% (257 persons), contributing to resolving the youth unemployment issue.

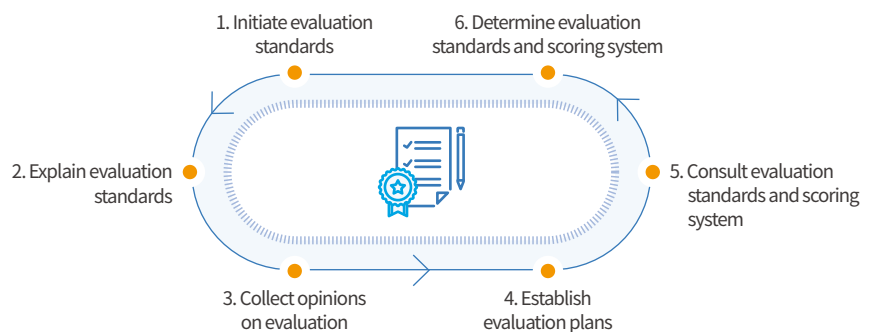
#### Alternative Recruitment System to Support Parental Leave

In order to address shortage of skilled workers and increase the youth employment rate, IBK is actively utilizing an alternative recruitment system to support parental leaves. The system helps create jobs for young people and raise the birth rate by hiring alternative staff members during the parental leave period.

#### Fair Performance Evaluation and Compensation System

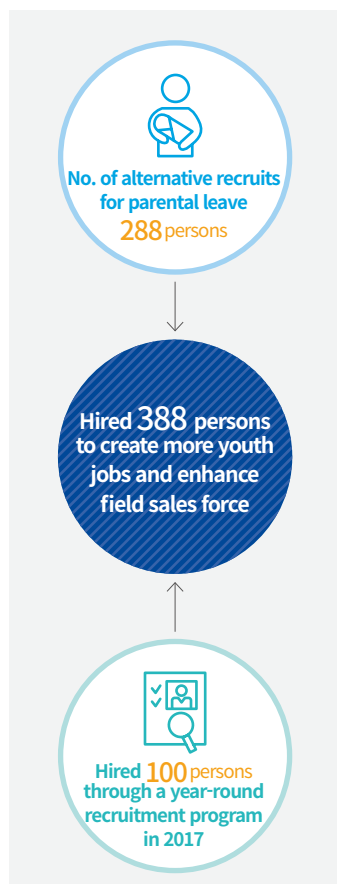
IBK has established a fair and independent evaluation system using tailored and diversified frameworks. Our evaluation system tailored to the business environment is conducted by forming a bottom-up evaluation group that reflects collective opinions of branches, local headquarters and business divisions through a five-step process. The results are used for personal performance review, comprehensive evaluation ratings, promotions, and position changes. We also offer incentives according to evaluation ratings to maximize performance and continuously improve the system by collecting feedbacks.

#### Performance Evaluation Receptivity Improvement Process



#### Retirement Pension Plan

Since 2011, the bank has been operating a retirement pension plan to help employees live a stable life after retirement. As of December 31, 2017, liabilities for the Defined Benefit plan was KRW 738 billion and retirement allowances on the Defined Contribution plan, which was recognized as expenses, reached KRW 10 billion on a consolidated basis.



## Human Resources

### Nurturing Financial Experts

IBK runs a course to nurture financial experts who can efficiently carry out field tasks and lead innovation in the era of the 4<sup>th</sup> Industrial Revolution. It motivates employees to secure not only specialized competence as financial experts, but also opportunities for better career progression by offering tailored training programs. We will continue to support their training and self-development to cultivate professionals in digital finance.



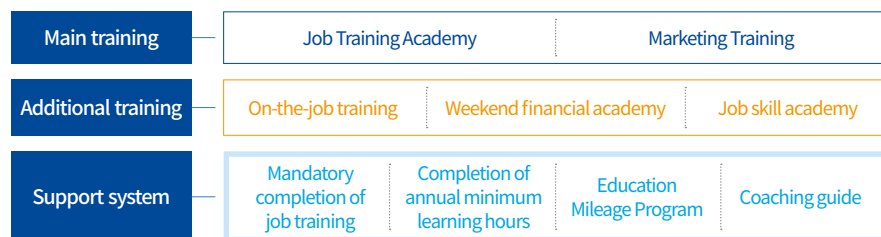
New Employee Teamwork Training (Mt. Hanra)



On-the-job training

### Operating a Three-step Field-centered Training Program

We operate a three-step field-centered training program consisting of “main training, additional training, and support system” to reinforce the job competence of each position, including new employees, working-level managers and mid-level managers. Main training course provides job skill training tailored to each position and task, while additional training course is conducted through business fields, weekend, and online channels.



### Capability Enhancement Training Programs by Position





## Self-development Support Programs

**Mandatory completion of job training**

4<sup>th</sup> (manager) or lower-level positions  
Mandatory completion of job training more than once a year

**Completion of annual minimum learning hours**

3<sup>rd</sup> (team leader) or lower-level positions  
Mandatory completion of annual minimum learning hours

**Education Mileage Program**

Motivating employees by offering mileage in proportion to learning hours

**Coaching guide**

Recommending training courses optimized for career, qualification, and duty

**Intensively Cultivating Global Financial Experts**

In order to preemptively respond to changes in the business environment, IBK is intensively nurturing financial experts who will lead the era of digital finance and globalization. In this regard, we signed an MOU with Sogang University to develop a training course aimed at cultivating digital finance experts and 40 of our talented employees completed the course. In a bid to join the Asian Financial Belt project and nurture global talents, we also sent two employees to Indonesia and one to Vietnam for academic training after signing an MOU with prestigious universities in those countries.

**Systematic Program to Cultivate Talents in Specialized Fields**

We have a program aimed at cultivating talents in specialized fields such as credit review, PB, and foreign exchange. Through the course for field expert specializing in core tasks, we select candidate experts by evaluating their aptitude and competence after improving their job capabilities. The candidates selected through application review and interviews are nurtured to be all-around financial consultants through intensive training for each position and cross training with other fields.

**Encouraging the Obtainment of Financial Licenses**

With the aim of sharpening the expertise of all employees, IBK encourages and actively supports obtaining financial licenses. In this regard, the “Financial Expert Training Course” is provided to applicants for financial licenses. It supports them to prepare for the exam with the help of outside lecturers for memorizing key concepts and problem solving. We also provide employees with subsidies according to the level of licenses.

**Sending Employees to Degree Courses at Home and Abroad**

IBK helps employees study the degree courses of prestigious universities at home and abroad to nurture core talents in each position. The employees who graduated from vocational high schools and made agreements with IBK can take bachelor's degree courses at universities. MBA courses at KAIST, KDI, Seoul National University, and other universities in the US and Asia are offered to the 4<sup>th</sup> level (manager) and 5<sup>th</sup> level (staff) positions, while the Executive MBA courses in KAIST and Korea University are available to the 3<sup>rd</sup> level (team leader) and 4<sup>th</sup> level (senior manager) positions.

**3<sup>rd</sup> level position**

Advance course from the job trading academy

Training for employees promoted to the 3<sup>rd</sup> level

**Head of department or branch**

Advanced financial consultant course

Advance Management Program (AMP)

Leadership course

Pre-CEO training

**Executive**

Advanced management consultant course

Advance Management Program (AMP)

Executive training

**Professionals**

MBA, Executive-MBA, dispatch to professional education institutes, planning power advancement course, strategic planning management program (SPMP), professional staff (credit review, F/X, PB), digital finance course, etc.

## Human Resources



Staff Meeting on a No-Tie Day

### A Great Place to Work

#### Health Management and Disease Prevention

##### Medical checkups



- Making employees take medical checkups (comprehensive or general) every year and providing systematic and intensive health care management to employees with health issues
- Conducting thorough and comprehensive checkups for employees over the age of 30 who have served IBK for more than five years

##### Fitness centers



- Operating fitness centers at the head office, Hannam-dong office, and Suji IT Center
- Operating a medical center at the head office that can provide dental services and first-aid medicine for employees

##### Counseling programs



- Providing counseling to employees and their families
- Connecting counseling centers across the nation (around 50 centers in 6 regions) whenever they want
- Various fields including personal relations, family issues, job stress, legal and financial issues, etc.

With the awareness that employees are the driving force of our global competitiveness, IBK is doing our best to build the best working environment for them. We ensure the pursuit of work-life balance, use of leave without any restrictions, and open communication channels where employees are able to state their opinions. We will continue to strive to build a corporate culture that satisfies our employees.

#### Initiating the No-Tie Day Campaign

IBK has been operating the “No-Tie Day” campaign that allows the employees of the head office to work without wearing tie since January 2018. Beyond designating every Friday as the “Business Casual Day” when employees can wear other types of clothing besides suits, we stopped wearing ties during the weekdays as part of employee benefits.

### Improvement of Working Conditions

#### Expanding the Flexible Working Hour System

The flexible working hour system, which had been applied to 30 employees in four departments of the head office as a pilot program, was expanded to 2,900 employees in the head office. This system allows employees to come to the office according to a schedule arrangement ranging from 7:30 a.m. to 10:00 a.m., which contributed to improving the quality of their lives. A total of 679 persons used this system in 2017. We will continue to expand the system to ensure higher working efficiency and employee satisfaction.

#### Expanding Mandatory Leave Days

IBK strives to build a corporate culture where more leave and unrestricted use of leave are guaranteed. We have expanded the length of the mandatory annual leave from five to eight days, and evaluate the usage rate of leave to encourage a more active usage of leaves. We also support our employees to take more leaves in the form of a mandatory annual leave before taking the parental leave.

## Work-Life Balance

### Parental Leave

IBK has a parental leave policy to help our employees focus on nurturing children. We provide up to two years of parental leave, including maternity leave before and after childbirth, to pregnant women and parents of children under the age of 8 or under second grade of elementary school.

### Working Hour Reduction for Pregnant Women and Parents of Young Children

Our working hour reduction system allows employees who are pregnant or parents of children under the age of 8 or under second grade of elementary school to reduce working hours as a substitute for parental leave. They can apply 30 and 20 working hours a week during pregnant and childcare periods, respectively, thereby pursuing work-life balance.

### Childcare Leave

Employees who have children below high school can use childcare leave for the maximum of two days per year. This leave system helps them participate in official school events or counselling with teachers, contributing to disseminating a family-friendly corporate culture.

### Expansion of “A Truly Good Childcare Center”

IBK has established “A Truly Good Childcare Center” to help employees who are parents of infants and preschool-aged children dedicate themselves to their work.

#### Operation of the “A Truly Good Childcare Center”

(Unit : children)

	Branch	No. of child occupancies
Seoul	Hannam	75
	Dogok	49
	Guro	49
	Madeul	49
	IFT	65
Gyeonggi-do	Ilisan	65
	Pyeongchon	55
	Suji	49
	Bundang	49
Incheon	Bupyeong	55
Busan	Busan	40
Daejeon	Daejeon	25



CEO visit to IBK's “A Truly Good Childcare Center” in Busan

## Support for Residential Stability and Living Condition

### Company Housing Rental Program



- This program provides deposits for a rental home to the married or about-to-be-married employees who do not have their own home near the regions of employment.

### Boarding House for Single Employees



- This program provides houses to single employees who are transferred to the regions they do not have any connection with, or married employees who are transferred to distant regions without spouse and children.

## Human Resources

### Field and Communication-oriented Management

We are operating diverse communication channels to share not only business opinions, but also many other ideas and grievances of employees. In a bid to pursue field and communications-oriented management, the CEO visits each workplace to discuss ways to improve business practices and solve field grievances. Various opinions and ideas identified in business fields have been valuable assets to our corporate management.



A Visit to a Branch



Venue for Staff Communication

#### Expanding Field-oriented Communication

As part of field-oriented management practices, the CEO visits each workplace to listen to opinions, ideas, and grievances of field employees. In 2017, the regular field meeting named “Into the Field 2017” was held at 21 regional head offices. Through the meeting, the CEO encouraged employees working at the regions damaged by earthquakes and sponsored branch events, thereby expanding field-oriented communication.

#### Promoting the Venue of Friendly Communication

The “God of Impromptu Meeting” is an event where employees plan a spontaneous dinner with colleagues under varying regions or themes via company intranet. In June 2017, the CEO arranged the event, in which 35 employees participated. Moreover, as part of field-oriented management practices, the bank held an event called “Together with the CEO!” where the CEO delivered snacks to the employees listened to their opinions.

#### Sharing Knowledge and Talents

IBK holds the “Knowledge Concert” to promote an open corporate culture. The concert is a venue for the management and employees to share their knowledge and freely showcase their talents. Employees take the stage as lecturers to introduce their interests and the latest trends of our society. Major themes included “the way to open other people’s hearts” and “learning about poppin dance.”

#### Employee Communication Channels

IBK Leaders Club	→	Representative employees selected with consideration for position, region, and gender deliver diverse opinions of the business field to the management.
CEO Communication Postcard	→	Employees can solve their grievances through direct communication with the CEO via confidential postcards.
National Meeting of branch managers	→	The bank’s strategic directions can be shared with all employees through the meeting attended by heads of domestic branches, heads of overseas branches, and the CEOs of subsidiaries.
Survey to diagnose organizational issues	→	We conduct surveys to check employees’ awareness of the corporate culture and identify improvement tasks.

## Special Page

# Respect for Human Rights



## Compliance with the Principles of the UN Global Compact

Since joining the UN Global Compact (UNGC) in November 2006, IBK has been complying with the ten principles in the fields of human rights, labor, environment, and anti-corruption. We are committed to fulfilling the ten principles of the UNGC to become a leading bank in co-prosperity and sharing activities.

### Principle 1

Companies should support and respect protection of internationally proclaimed human rights.

- IBK Code of Ethics, Employee Code of Ethics and Code of Conduct

### Principle 2

Companies should make sure that they are not complicit in human rights abuses.

- Protection of customer information and prevention of stakeholders' human rights infringement

### Principle 3

Companies should uphold the freedom of association and the effective recognition of the right to collective bargaining

- Operation of the Union Shop and Labor-Management Council

### Principle 4

Companies should uphold the elimination of all forms of forced and compulsory labor

- Compliance with the Labor Standards Act and employment rule

### Principle 5

Companies should uphold the effective abolition of child labor.

- Compliance with the ILO's Concerning the Prohibition and Immediate Actions Toward the Elimination of the Worst Forms of Child Labor

### Principle 6

Companies should uphold the elimination of discrimination in employment and occupation.

- Open recruitment and regional balanced recruitment, youth internship program

### Principle 10

Companies should work against corruption in all its forms, including extortion and bribery.

- Performance evaluation on integrity and anti-money laundering policy and clean contract system



### Principle 7

Companies should support a precautionary approach to environmental challenges.

- Implementation of Green SCM Consulting and diagnosis on regulation for green growth

### Principle 8

Companies should undertake initiatives to promote environmental responsibility.

- Operation of eco-friendly programs

### Principle 9

Companies should encourage development and diffusion of environmentally friendly technologies.

- Substitution of documentation in electronic forms from paper forms



## Social Contribution

Expenditure on  
social contributions in 2017

**KRW 97.6 billion**

No. of volunteers in 2017

Participated in various  
volunteering work

**13,782 persons**

### Social Responsibility Activities

IBK is committed to fulfilling our social responsibility as a state-run bank. In this regard, we are proactive in developing and supporting new-concept social contribution activities as well as promoting co-prosperity with SMEs and their employees. We will also continue to conduct our unique social contribution programs aimed at helping the underprivileged.

#### Major Social Contribution Activities in 2017

(Unit : KRW in millions, persons)

Category	Support amount	No. of volunteers (beneficiaries)
Local communities / Public interest	20,865	7,621
IBK Smile Micro Credit Bank	53,084	-
Academy / Education	11,190	5,250(174,613)
Mecenat / Athletic event	11,161	611
Environment	307	160
Global	982	140
Total	97,589	13,782

Vision  
of the  
Group



**Financial consumer-oriented management**

Strategic  
Direction



**Reliable partner for sharing and hope fulfilling social responsibility**

Major  
Activities



**Improving the  
welfare and quality  
of life of SME  
employees**

- IBK Youth Mentoring For Hope
- Building SME Joint Childcare Center
- Supporting scholarships of employees and families
- Supporting medical expenses of employees and families



**Conducting social  
contribution for the  
underprivileged**

- IBK Hope Playground Project
- IBK Eco Tour Project
- IBK-Small Theater Culture Sharing Project



**Creating jobs for  
young adults and  
cultivating social  
enterprises**

- IBK Social Venture Growth Project
- IBK Youth Store-Sharing Growth Project
- IBK Job World



**Performing  
employee  
participating  
volunteering work**

- Volunteering work in Korea
- Volunteering work in the world
- IBK Design for Hope Project



**Activating  
support for  
unpopular sports**

- IBK Altos Woman's Volleyball Team
- IBK Rifle Shooting Team
- Sponsoring other unpopular sports

### Performance of the IBK Happiness Sharing Foundation in 2017

(Unit : KRW in millions)

Project	Support amount
IBK Youth Mentoring for Hope	308
Supporting with scholarships of employees and families	1,775
Supporting medical expenses of employees and families	1,200
Other supports	254
Total	3,537

### IBK Happiness Sharing Foundation

The IBK Happiness Sharing Foundation was established in 2006 with a goal of sharing our performances with the community. Particularly, it focuses on implementing a wide range of social activities aimed at improving the welfare of SME employees and their families, as well as the underprivileged. The IBK Happiness Sharing Foundation pursues providing more helpful support, beyond temporary or fragmentary benefits, in order to allow beneficiaries to rejoin hope sharing activities for the community.



#### IBK Youth Mentoring for Hope

As a virtuous circle mentoring project, our new employees become job mentors of young adults who want to join financial businesses and the beneficiaries also become academic mentors of children of SME employees.



#### Building SME Joint Childcare Centers

The SME Joint Childcare Center helps SME employees dedicate themselves to social and economic activities by supporting healthy growth and development of their children, contributing to their work-life balance.



#### Supporting with scholarships of employees and families

We offer scholarships to children of SME employees who have shown enthusiasm for studying and upright character to encourage their visions and dreams.



#### Supporting medical expenses of employees and families

Medical expenses are supported to SME employees who have family members suffering from rare incurable diseases or severe diseases but are excluded from benefits due to receiving a monthly income.



IBK NamdongSarang Childcare Center



A friendly visit for recipients of medical care

### Performance of the IBK Smile Micro Credit Bank in 2017

Micro Credit loans

**KRW 15.7 billion**

### IBK Smile Micro Credit Bank

The IBK Smile Micro Credit Bank was founded in 2009 with the aim of creating an economic foundation for low-credit and low-income classes. We have been operating the largest number of Micro Credit bank branches in the industry to ensure better accessibility and invested a total of KRW 54.5 billion, including KRW 15.7 billion in 2017. The IBK Smile Micro Credit Bank offers unsecured and unguaranteed small loans to the financially vulnerable class when they need money for starting or operating businesses. Moreover, considering that most users are self-employed, the "Smile Financial Service" is provided to increase their accessibility to our services.



## Social Contribution

### Social Contribution for the Underprivileged



#### IBK Hope Playground Project

We build and maintain safe indoor playgrounds for underprivileged children. Targets are child welfare centers without an indoor playground or have old facilities vulnerable to safety issues.



#### IBK Eco Tour Project

This project provides the marginalized, including seniors living alone and the handicapped, with opportunities to visit 21 national parks and historic sites in Korea, helping them enjoy nature, understand history, and heal their body and soul.



#### IBK Small Theater for Cultural Sharing Project

This project aims to offer chances to watch movies for free to the people who are alienated from cultural experiences. In 2017, we invited 6,200 underprivileged children, senior citizens who live alone, and soldiers to free movies and meal services. We also installed seats for the disabled in 22 small theaters in Korea.

### Job Creation for Young Adults and Fostering Social Enterprises



#### IBK Social Venture Growth Project

The project discovers and nurtures promising social venture companies for the purpose of creating jobs for young adults and addressing social issues. It offers business expenses, education on management activities, workshops for setting business strategies, and mentoring programs beneficial for business operation and development.



#### IBK Youth Store-Sharing Growth Project

We provide business expenses up to KRW 20 million, including rental fee and interior expenses, to young entrepreneurs who are operating or planning to operate the store-sharing business where multiple stores are managed in a single place.



#### IBK Job World

With the aim of addressing the workforce shortage of SMEs and the youth unemployment issue, IBK holds job fairs, seminars, and consulting for young people by capitalizing on the IBK Job World, a free web portal for job seekers. The program has helped 100,044 young people find jobs as of December 2017.

## Volunteering Work of IBK Employees



## Volunteering Work in Korea

As of the end of 2017, 2,968 members from 153 volunteer clubs of IBK visited social welfare centers, facilities for the handicapped, and other national facilities to lend a hand for various volunteering work. IBK operates many types of support programs for the clubs.



## Volunteering Work in the World

Volunteer groups consisting of IBK employees visit Myanmar, Cambodia, and Indonesia to help improve the local educational environment and revamp school facilities, including water supply system and libraries.



## IBK Design for Hope Project

We help new and small businesses stand on their own feet and grow by providing professional designs, including brand identity and signs of companies. This project, initiated in the second half of 2016 as a talent donation program around the metropolitan area, will be expanded throughout the whole country going forward.

## Promoting Support for Unpopular Sports



## IBK Altos Women's Volleyball Team

The IBK Altos Women's Professional Volleyball Team is significantly contributing to the development and advancement of Korean women's volleyball league. The team won both the regular season title and its first championship within just two years since the foundation, and fought for championship title for five seasons in a row. Also, the team supports social welfare facilities through the "Spike of Love" program that donates KRW 30,000 per every score in winning games.



## IBK Shooting Team

Our rifle shooting team members won the gold medal at the 2014 Incheon Asian Games and were selected to represent Korea at the 2016 Rio Summer Olympic Games because of their maximized teamwork and personal abilities. The IBK Rifle Shooting Team also contributes to expanding the foundation of the domestic shooting sport by discovering promising young players.



## Other Sponsorships

IBK has continuously sponsored other unpopular sports, including Ssireum (Korean wrestling) and biathlons. Going forward, we will spare no effort for the development of unpopular sports.



# Appendix

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## Independent Auditors' Report

### To the Shareholders and Board of Directors of Industrial Bank of Korea

We have audited the accompanying consolidated financial statements of Industrial Bank of Korea (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

### Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean IFRS.

### Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Seoul, Korea  
March 12, 2018



This report is effective as of March 12, 2018, 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 there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

## Management's Discussion & Analysis

### Operating Performances in 2017

#### 1. Summary

In 2017, the domestic economy recovered a growth rate of over 3% despite an uncertain global business environment, such as the North Korean nuclear issue and THAAD site-conflict. Economic research institutions at home and abroad have raised the potential growth rate forecast of the Korean economy. As a state-run bank, IBK is making a concerted effort to create valuable performances and solidify the foundation of growth as well.

As a result of continuously increasing support for SMEs, our SME loan balance in 2017 rose by KRW 7 trillion from the previous year, surpassing KRW 140 trillion for the first time in the financial industry. We also launched a new financial platform named "IBK Co-up Financing" aimed at addressing difficulties of SMEs through each phase of their growth cycle. Our customer-centered management activities resulted in winning the highest grade in the public institution customer satisfaction sector and obtaining the consumer-centered management certification.

As for operating results, we achieved KRW 1.3141 trillion in net profit, an increase of 28.0% compared to the previous year, on a non-consolidated basis backed by solid NIM increase and creation of USD 100 million in income from overseas businesses. Our non-consolidated net profit has surpassed KRW 1 trillion for three consecutive years. Consolidated net profit also reached a record-high KRW 1.5085 trillion. ROA, ROE, and BIS ratio recorded 0.53%, 7.12%, and 14.20%, respectively.

IBK will continue to focus on enhancing corporate fundamentals and developing future growth engine businesses, thereby becoming a reliable financial partner for a better future and a stepping stone for the progress of Korean economy.

#### Key Financial Performances and Indices

(Unit : %, KRW in 100 millions)				
Classification	Financial index	2017	2016	2015
Profitability	ROA	0.53	0.44	0.44
	ROE	7.12	5.92	6.64
Asset quality	NPL	26,430	25,365	23,007
	LLR	83.58	93.90	105.73
Capital adequacy	Total BIS capital	14.20	13.13	12.51

#### 2. Financial Position and Operating Performance

Despite an uncertain business environment at home and abroad, IBK attained robust growth in both interest income and non-interest income in 2017 supported by preemptive risk management. Interest income increased 7.72%, or KRW 376.9 billion, from the previous year to KRW 5.26 trillion. Non-interest income also soared 491.29%, or KRW 282.0 billion, compared to the previous year at KRW 339.4 billion. Consolidated total asset stood at KRW 274.07 trillion, an increase of KRW 17 trillion, or 6.7%, compared to the previous year, which is mainly attributable to the increases of KRW 9.8789 trillion and KRW 8.7014 trillion in loan assets and securities, respectively.

#### 3. BIS Ratio

(Unit : %)		
BIS Capital Adequacy Ratio (CAR)	2017	2016
CET1	10.13	9.35
Tier 1	11.63	10.58
Tier 2	2.57	2.55

# Consolidated Statements of Financial Position

December 31, 2017 and 2016

Industrial Bank of Korea and Subsidiaries

(Unit : KRW in millions)

	2017	2016
<b>Assets</b>		
I . Cash and due from banks	12,906,137	11,699,220
II . Financial assets held for trading	8,826,949	8,313,556
III. Financial assets designated at fair value through profit and loss	512,045	478,908
IV. Available-for-sale financial assets	15,115,370	16,770,997
V . Held-to-maturity financial assets	23,528,889	14,133,675
VI. Loans receivable	202,916,215	193,037,313
VII. Derivative financial assets for hedge accounting Investments in associates	40,708	174,147
VIII. Investments in associates	161,631	98,223
IX. Investment properties	135,085	88,503
X . Property and equipment	1,835,215	1,820,899
XI. Intangible assets	213,678	258,427
XII. Deferred tax assets	15,471	7,684
XIII. Other assets	7,862,338	9,969,828
<b>Total assets</b>	<b>274,069,731</b>	<b>256,851,380</b>
<b>Liabilities</b>		
I . Financial liabilities held for trading	2,297,583	2,620,960
II . Financial liabilities designated at fair value through profit	1,427,235	1,233,788
III. Deposit liabilities	112,590,632	103,984,113
IV. Debts	27,339,704	26,670,496
V . Debentures	94,200,567	90,863,125
VI. Derivative financial liabilities for hedge accounting	283,584	354,174
VII. Net defined benefit liabilities	43,810	25,090
VIII. Provisions	380,435	390,453
IX. Deferred tax liabilities	233,893	158,091
X . Other liabilities	15,470,550	12,503,682
<b>Total liabilities</b>	<b>254,267,993</b>	<b>238,803,972</b>
<b>Equity</b>		
I . Equity attributable to owners of the Parent Company	19,697,374	17,949,968
1. Share capital	3,289,756	3,289,756
2. Hybrid capital instruments	2,031,543	1,398,240
3. Reserves	559,315	553,889
4. Accumulated other comprehensive income	660,946	666,596
5. Retained earnings (Regulatory reserve for credit loss December 31, 2017 : ₩ 2,219,478 million December 31, 2016 : ₩ 1,922,153 million Regulatory reserve for credit loss estimated to be appropriated December 31, 2017 : ₩ 274,617 million December 31, 2016 : ₩ 297,325 million)	13,155,814	12,041,487
II . Non-controlling interest	104,364	97,440
<b>Total equity</b>	<b>19,801,738</b>	<b>18,047,408</b>
<b>Total liabilities and equity</b>	<b>274,069,731</b>	<b>256,851,380</b>

# Consolidated Statements of Comprehensive Income

December 31, 2017 and 2016

Industrial Bank of Korea and Subsidiaries

(Unit : KRW in millions)

	2017	2016
I. Interest income	5,259,954	4,883,124
1. Interest expense	8,075,990	7,778,920
2. Net interest income	-2,816,036	-2,895,796
II. Fee and commission income	407,220	375,448
1. Fee and commission expense	849,337	774,418
2. Net fee and commission income	-442,117	-398,970
III. Net gains (losses) on financial assets / liabilities held for trading	-154,978	290,792
IV. Net losses on financial assets / liabilities designated at fair value through profit and loss	-29,281	-28,918
V. Net gains (losses) on derivative financial instruments for hedge accounting	113,571	-60,625
VI. Other net gains from financial instruments	287,760	144,749
VII. Insurance losses	-58,991	-47,406
VIII. Net gains (losses) on foreign currency transactions	308,079	-70,635
IX. Gross operating income	6,133,334	5,486,529
X. Impairment losses on financial assets	-1,431,098	-1,252,414
XI. Net operating income	4,702,236	4,234,115
XII. General and administrative expenses	-2,188,527	-2,154,595
XIII. Other operating revenues	173,125	150,346
XIV. Other operating expenses	-658,511	-697,275
XV. Operating income	2,028,323	1,532,591
XVI. Non-operating expenses	-74,697	-15,412
XVII. Profit before income tax	1,953,626	1,517,179
XVIII. Income tax expense	-445,098	-352,578
XIX. Profit for the year (Adjusted income after provision of regulatory reserve for credit losses 2017 : ₩ 1,233,911 million / 2016 : ₩ 867,276 million)	1,508,528	1,164,601
XX. Other comprehensive income for the year, net of tax	-5,594	-81,259
1. Items that will not be reclassified to profit or loss:	-9,740	-10,184
Remeasurements of net defined benefit liabilities	-9,740	-10,184
2. Items that may be subsequently reclassified to profit or loss:	4,146	-71,075
Changes in the fair value of available-for-sale financial assets	50,972	-53,558
Shares of other comprehensive income of associates	-2,182	2,857
Exchange differences	-67,980	-20,248
Cash flow hedges	13	-21
Changes in valuation of hedges of a net investment in a foreign operation	23,323	-105
XXI. Total comprehensive income for the year	1,502,934	1,083,342
Profit is attributable to:	1,508,528	1,164,601
Owners of the Parent Company	1,501,454	1,157,536
Non-controlling interest	7,074	7,065
Total comprehensive income attributable to:	1,502,934	1,083,342
Owners of the Parent Company	1,495,804	1,076,456
Non-controlling interest	7,130	6,886
XXII. Earnings per share (in Korean won)		
Basic earnings per share	2,178	1,647
Diluted earnings per share	2,178	1,647



# Consolidated Statements of Changes in Equity

December 31, 2017 and 2016

Industrial Bank of Korea and Subsidiaries

(Unit : KRW in millions)

	Attributable to owners of the Parent Company						Interest Non-controlling	Total Equity
	Share Capital	Hybrid Capital Instruments	Reserves	Accumulated Other Comprehensive Income	Retained Earnings	Subtotal		
Balance at January 1, 2016	3,271,871	1,399,200	530,583	747,676	11,253,700	17,203,030	90,760	17,293,790
Comprehensive income	-	-	-	-81,080	1,157,536	1,076,456	6,886	1,083,342
Profit for the year	-	-	-	-	1,157,536	1,157,536	7,065	1,164,601
Other comprehensive income for the period	-	-	-	-81,080	-	-81,080	-179	-81,259
Changes in the fair value of available-for-sale financial assets	-	-	-	-53,468	-	-53,468	-90	-53,558
Shares of other comprehensive income of associates	-	-	-	2,857	-	2,857	-	2,857
Exchange differences	-	-	-	-20,248	-	-20,248	-	-20,248
Cash flow hedges	-	-	-	-16	-	-16	-5	-21
Changes in valuation of hedges of a net investment in a foreign operation	-	-	-	-105	-	-105	-	-105
Remeasurement of net defined benefit liabilities	-	-	-	-10,100	-	-10,100	-84	-10,184
Transactions with owners	17,885	-960	23,306	-	-369,749	-329,518	-206	-329,724
Cash dividends	-	-	-	-	-294,469	-294,469	-206	-294,675
Dividends for hybrid capital instruments	-	-	-	-	-75,182	-75,182	-	-75,182
Issuance of shares	17,885	-	22,018	-	-	39,903	-	39,903
Issuance of hybrid capital instruments	-	599,040	-	-	-	599,040	-	599,040
Repayment of hybrid capital instruments	-	-600,000	-	-	-	-600,000	-	-600,000
Others	-	-	1,288	-	-98	1,190	-	1,190
Balance at December 31, 2016	3,289,756	1,398,240	553,889	666,596	12,041,487	17,949,968	97,440	18,047,408
Balance at January 1, 2017	3,289,756	1,398,240	553,889	666,596	12,041,487	17,949,968	97,440	18,047,408
Comprehensive income	-	-	-	-5,650	1,501,454	1,495,804	7,130	1,502,934
Profit for the year	-	-	-	-	1,501,454	1,501,454	7,074	1,508,528
Other comprehensive income for the period	-	-	-	-5,650	-	-5,650	56	-5,594
Changes in the fair value of available-for-sale financial assets	-	-	-	50,976	-	50,976	-4	50,972
Shares of other comprehensive income of associates	-	-	-	-2,182	-	-2,182	-	-2,182
Exchange differences	-	-	-	-67,980	-	-67,980	-	-67,980
Cash flow hedges	-	-	-	10	-	10	3	13
Changes in valuation of hedges of a net investment in a foreign operation	-	-	-	23,323	-	23,323	-	23,323
Remeasurement of net defined benefit liabilities	-	-	-	-9,797	-	-9,797	57	-9,740
Transactions with owners	-	633,303	5,426	-	-387,127	251,602	-206	251,396
Cash dividends	-	-	-	-	-315,817	-315,817	-206	-316,023
Dividends for hybrid capital instruments	-	-	-	-	-68,118	-68,118	-	-68,118
Issuance of hybrid capital instruments	-	633,303	-	-	-	633,303	-	633,303
Others	-	-	5,426	-	-3,192	2,234	-	2,234
Balance at December 31, 2017	3,289,756	2,031,543	559,315	660,946	13,155,814	19,697,374	104,364	19,801,738

## Consolidated Statements of Cash Flows

December 31, 2017 and 2016

Industrial Bank of Korea and Subsidiaries

(Unit : KRW in millions)

	2017	2016
I. Cash flows from operating activities	3,198,475	-4,098,109
1. Profit for the year	-1,578,270	-8,621,512
Adjustments in expenses and revenues	1,508,528	1,164,601
Changes in operating assets and liabilities	-3,477,752	-3,298,856
Cash used in operations	390,954	-6,487,257
2. Interests received	7,826,581	7,572,923
3. Interests paid	-2,767,146	-2,932,403
4. Dividends received	142,092	118,719
5. Income taxes paid	-424,782	-235,836
II. Net cash inflow (outflow) from operating activities	-7,772,593	-1,219,143
1. Net decrease in available-for-sale financial assets	1,895,226	552,579
2. Net increase in held-to-maturity financial assets	-9,395,214	-1,312,386
3. Disposal of investments in associates	24,496	51,421
4. Acquisition of investments in associates	-103,572	-35,675
5. Disposal of property and equipment, and investment property	10,835	3,222
6. Acquisition of property and equipment, and investment property	-140,855	-436,894
7. Disposal of intangible assets	1,564	3,516
8. Acquisition of intangible assets	-44,632	-44,926
9. Net cash outflow from acquisition of subsidiaries	-20,441	-
III. Net cash outflow from investing activities	4,424,042	5,434,599
1. Net increase (decrease) in debts	700,367	-883,378
2. Net increase in debentures	3,474,513	6,648,891
3. Issuance of shares	-	39,903
4. Issuance of hybrid capital instruments	633,303	599,040
5. Repayment of hybrid capital instruments	-	-600,000
6. Payment of interest of hybrid capital instruments	-68,118	-75,182
7. Payment of dividends	-316,023	-294,675
IV. Effects of exchange rate changes on cash and cash equivalents	-69,281	56,933
V. Net increase (decrease) in cash and cash equivalents	-219,357	174,280
VI. Cash and cash equivalents at the beginning of the year	2,863,839	2,689,559
VII. Cash and cash equivalents at the end of the year	2,644,482	2,863,839

## Performance Data

### Economy

#### Direct economic value generated (Unit : KRW in millions)

	2015	2016	2017
Total Assets	239,842,781	256,851,380	274,069,731
Operating income	1,499,652	1,532,591	2,028,323
Profit for the year	1,150,568	1,164,601	1,508,528

#### Direct economic value distributed (Unit : KRW in millions)

		2015	2016	2017
Customer	Interests	2,717,459	2,298,499	2,266,958
Shareholders and investors	Dividends	280,260	294,675	316,023
Employee	Payroll	1,002,269	1,038,851	1,110,901
	Benefits	9,037	7,855	8,024
Government	Corporate tax	318,899	352,578	445,098
Community	Investment for social contribution	54,294	45,494	97,589

#### Payments to government (Unit : KRW in thousands)

	2015	2016	2017
Calculated tax amount	201,029,694	318,910,455	352,909,036
Tax credit	912,511	3,810,449	4,720,734
Finalized tax amount	290,117,183	315,100,006	348,188,303

#### Supply chain in organization (Unit : Number of suppliers)

	2015	2016	2017
Supply chain	8,106	7,743	7,470

### Environment

#### Water usage (Unit : ton)

	2015	2016	2017
Waterworks	51,721	46,078	34,765
Underground water	74,952	67,748	54,959
Total	126,673	113,826	89,724

\* Based on the head office data

#### Energy usage (Unit : TJ)

	2015	2016	2017
Fuel	182	193	188
Electricity	1,077	1,091	997
Heating	0	2	2
Total energy intensity	947	963	878

\* Based on company-wide data

\* The difference between total energy consumption and sum of consumption by each source resulted from gathering data which was trimmed by the unit of each workplace.

#### Energy intensity (Unit : TJ/KRW in billions)

	2015	2016	2017
Total assets	239,843	256,851	274,070
Energy intensity	0.0039	0.0037	0.0032

\* Energy intensity is based on company-wide data, while asset is based on consolidated data.

#### GHG emissions (Unit : tCO<sub>2</sub>e)

	2015	2016	2017
Total GHG emissions	63,210	64,550	59,633
Direct emissions(Scope1)	11,212	11,800	11,443
Indirect emissions(Scope2)	52,305	53,501	48,497

\* Based on company-wide data

\* The difference between total GHG emissions and sum of emissions of each GHG resulted from gathering data which was trimmed by the unit of each workplace.

#### GHG emission intensity (Unit : KRW billion, tCO<sub>2</sub>e/KRW in billions)

	2015	2016	2017
Total assets	239,843	256,851	274,070
GHG emissions intensity	0.26	0.25	0.22
Direct GHG emissions intensity	0.05	0.05	0.04
Indirect GHG emissions intensity	0.22	0.21	0.18

\* Intensity is based on company-wide data, while asset is based on consolidated data.

#### Non-compliance with environmental laws and regulations (Unit : Number of cases)

	2015	2016	2017
Non-compliance with environmental laws and regulations	-	-	-

#### Activation of e-document system

IBK has become the first bank to install tablet PCs at all counters of branches for the activation of the e-document system. It was promoted as part of establishing the "IBK e-document system," aimed at securing a paperless culture, and we expect to innovatively reduce paper consumption and relevant expenses. We saved KRW 4.5 billion in cost by substituting the consumption of around 54 million sheets of paper for the year.

#### Creating an eco-friendly workplace

Construction work for the creation of an eco-friendly workplace is underway at the head office. We are also installing a solar photovoltaic power generation system at the IBK Finance Tower for self-supply of electricity, thereby reducing 12.84tCO<sub>2</sub>e GHG emissions in 2017. We will continue to expand the use of eco-friendly energy to actively join the government's GHG & energy target management scheme and energy-saving policy.

#### Encouraging green purchasing

IBK is proactive in purchasing green products in accordance with the Low Carbon Green Growth Act. In 2017, we purchased 1,646 PCs with low power consumption and eco-labels. We also have 1,940 monitors and 275 printers which are green products.

## Society

## Number of employees

(Unit : Persons)

		2015	2016	2017
Contract terms	Executives(Male)	2	3	3
	Executives(Female)	1	-	-
	Regular workers(Male)	5,021	4,923	5,135
	Regular workers(Female)	3,384	3,396	3,625
	Contract workers(Male)	761	758	746
	Contract workers(Female)	3,434	3,446	3,395
	Total	12,603	12,526	12,904
Position	Executives(Male)	2	3	3
	Executives(Female)	1	-	-
	1st rank(Male)	58	52	58
	1st rank(Female)	4	6	5
	2nd rank(Male)	182	238	313
	2nd rank(Female)	13	12	15
	3rd rank(Male)	1,759	1,719	1,746
	3rd rank(Female)	235	295	366
	4th rank(Male)	1,646	1,637	1,690
	4th rank(Female)	1,268	1,306	1,357
	Bank clerk(Male)	1,376	1,277	1,328
	Bank clerk(Female)	1,864	1,777	1,882
	Contract worker(Male)	761	758	746
	Contract worker(Female)	3,434	3,446	3,395
	Total	12,603	12,526	12,904
Age	Under 30(Male)	932	789	817
	Under 30(Female)	2,125	1,831	1,730
	Over 30 - Under 50(Male)	3,216	3,186	3,256
	Over 30 - Under 50(Female)	4,441	4,748	4,961
	Over 50(Male)	1,636	1,709	1,811
	Over 50(Female)	253	263	329
	Total	12,603	12,526	12,904
Region	Domestic	12,520	12,446	12,817
	Overseas	83	80	87
	Total	12,603	12,526	12,904

## New employees

(Unit : Persons)

		2015	2016	2017
	Under 30(Male)	260	120	246
	Under 30(Female)	123	66	161
	Over 30 - Under 50(Male)	12	2	2
	Over 30 - Under 50(Female)	0	0	0
	Over 50(Male)	0	0	0
	Over 50(Female)	0	0	0
	Total	395	188	409

\* New employees who joined the bank through open recruitment

## Employee Training hours

(Unit : hours, persons)

		2015	2016	2017
Male	Total training hours	261,456	126,787	116,687
	Number of employees	5,197	4,831	4,872
	Average training hours per employee	50	26	24
Female	Total training hours	328,634	181,317	171,548
	Number of employees	6,012	6,094	6,391
	Average training hours per employee	55	30	27
Total	Average training hours per employee	105	56	51

## Ratios of standard entry level wage by gender compared to legal minimum wage

(Unit : KRW/hours, %)

	2015	2016	2017
Legal minimum wages	5,580	6,030	6,470
New employee wages(Male)	19,033	19,408	20,357
New employee wages(Female)	17,903	18,256	19,148
Rate(Male)	341	322	315
Rate(Female)	321	303	296

## Annual total compensation ratio

(Unit : KRW, %)

	2015	2016	2017
Annual average wage for highest-paid individual	372,500,666	384,791,000	311,183,396
Annual average wage for all employees	68,984,070	72,649,557	76,190,706
Rate	540	530	408

## Labor practices

(Unit : Persons, %)

	2015	2016	2017
Total employees	12,603	12,526	12,904
Labor union members	9,825	9,676	9,899
Labor union membership rate	78	77	77

## Over 30 - Under 50(Female)

(Unit : Persons, %)

		2015	2016	2017
Male	Number of employees on parental leave	4	2	2
	Rate of return after taking leave	100	100	100
	Rate of employees that returned to work in the current year after maternity leave	68	100	*
Female	Number of employees on parental leave	1,541	1,565	1,435
	Rate of return after taking leave	98	96	98
	Rate of employees that returned to work in the current year after maternity leave	98	98	*

\* The number of employees returning to work in the year 2017 cannot be counted for over 1 year of employment as of Dec. 31, 2017.

## Health examination support and consultation for patients with abnormal test results

(Unit : Persons)

	2015	2016	2017
Health examination support	9,937	10,496	11,825
Patients with abnormal test results	466	1,069	991

## Lawsuit and penalty

- 1) Some full-time and temporary employees brought a suit aimed at including regular bonus in ordinary wage against the bank. The case is underway, and we expect that contingent liabilities with regard to the case will amount to KRW 77.6 billion.
- 2) There is no current penalty or sanction due to market order offences such as violations of the domestic laws and regulations or unfair trade.

## GRI Index

### Universal Standards (GRI 100)

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	102-7	Scale of the organization	p.7-10, 79-80, 84	
Organization profile	102-8	Information on employees and other workers	p.84-85	- The information of employees is included on the 2017 Business Report and Business Performance Report - The current employee status is the same with 2017 Business Report
	102-9	Supply chain	p.83	
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	102-37	Stakeholders' involvement in remuneration	p.58	
Stakeholder engagement	102-38	Annual total compensation ratio	p.84	
	102-39	Percentage increase in annual total compensation ratio	-	
	102-40	List of stakeholder groups	p.21	
	102-41	Collective bargaining agreements	p.84	
	102-42	Identifying and selecting stakeholders	p.21	
	102-43	Approach to stakeholder engagement	p.21	
	102-44	Key topics and concerns raised	p.21	
Reporting practice	102-45	Entities included in the consolidated financial statements	p.8	The entities list is included on the 2017 Business Report
	102-46	Defining report content and topic Boundaries	p.1	
	102-47	List of material topics	p.19-20	
	102-48	Restatements of information	p.1	
	102-49	Changes in reporting	p.1	
	102-50	Reporting period	p.1	
	102-51	Date of most recent report	p.85	2013 sustainability report
	102-52	Reporting cycle	p.1	
	102-53	Contact point for questions regarding the report	p.90	
	102-54	Claims of reporting in accordance with the GRI Standards	p.1	
	102-55	GRI content index	p.85-86	
	102-56	External assurance	p.87-88	



## Topic-specific Standards

### Economic Standards (GRI 200)

Classification	Disclosure	Indicators	Page	Remark
Economic Performance	103	Management approach	p.33-34	
	201-1	Direct economic value generated and distributed	p.83	
	201-2	Financial implications and other risks and opportunities due to climate change	p.36-38	
	201-3	Defined benefit plan obligations and other retirement plans	p.64	
	201-4	Financial assistance received from government	-	
Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	p.84	
	202-2	Proportion of senior management hired from the local community	-	
Indirect Economic Impacts	103	Management approach	p.23-24	
	203-1	Infrastructure investments and services supported	p.09-10, 25-32, 35-42	
	203-2	Significant indirect economic impacts	p.15-16	
Anti-corruption	205-1	Operations assessed for risks related to corruption	p.59-60	
	205-2	Communication and training about anti-corruption policies and procedures	p.59-60	
	205-3	Confirmed incidents of corruption and actions taken	-	
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	p.84	No violation found

### Environmental Standards (GRI 300)

Classification	Disclosure	Indicators	Page	Remark
Energy	302-1	Energy consumption within the organization	p.83	
	302-2	Energy consumption outside of the organization	-	
	302-3	Energy intensity	p.83	
	302-4	Reduction of energy consumption	-	
	302-5	Reductions in energy requirements of products and services	-	
Water	303-1	Water withdrawal by source	p.83	
	303-2	Water sources significantly affected by withdrawal of water	-	
	303-3	Water recycled and reused	-	
Emissions	305-1	Direct (Scope 1) GHG emissions	p.83	
	305-2	Energy indirect (Scope 2) GHG emissions	p.83	
	305-3	Other indirect (Scope 3) GHG emissions	-	
	305-4	GHG emissions intensity	p.83	
	305-5	Reduction of GHG emissions	p.83	
	305-6	Emissions of ozone-depleting substances (ODS)	p.86	No emissions
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	p.86	No emissions
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	p.83	Zero cases of environmental law violations, no fines or penalties paid

### Social Standards (GRI 400)

Classification	Disclosure	Indicators	Page	Remark
Employment	401-1	New employee hires and employee turnover	p.84	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p.64-68	
	401-3	Parental leave	p.64, 84	
Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	-	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	p.84	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	p.84	
	403-4	Health and safety topics covered in formal agreements with trade unions	-	
Training and Education	404-1	Average hours of training per year per employee	p.84	
	404-2	Programs for upgrading employee skills and transition assistance programs	p.67-68	
	404-3	Percentage of employees receiving regular performance and career development reviews	-	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	p.84	
	405-2	Ratio of basic salary and remuneration of women to men	-	
Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	p.86	No branches found
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	p.86	No violation found
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	p.86	No violation found
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	-	
	413-2	Operations with significant actual and potential negative impacts on local communities	p.86	No significant potential/actual/negative impacts on local communities found
Marketing and Labeling	417-1	Requirements for product and service information and labeling	-	
	417-2	Incidents of non-compliance concerning product and service information and labeling	p.86	0 cases
	417-3	Incidents of non-compliance concerning marketing communications	p.86	0 cases
Customer Privacy	103	Management approach	p.43-44	
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p.86	0 cases
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	p.84	0 cases

## Third Party's Assurance Statement

### Introduction

Industrial Bank of Korea ("IBK") commissioned DNV GL Business Assurance Korea, Ltd. ("DNV GL"), part of DNV GL Group, to undertake independent assurance of 2018 Sustainability Report (the "Report"). DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been prepared in good faith.

### Scope of assurance

The scope of assurance includes a review of non-financial data and sustainability activities and performance data over the reporting period from 1st January to 31st December 2017. This also includes:

- Evaluation of the adherence to the AccountAbility principles set forth in AA1000 AccountAbility Principles Standard (APS) 2008.
- Review of the process for determining material topics for reporting, the management approach to material topics and the process for generating, gathering and managing the data and information in the Report.

### Basis of our opinion

We performed our work using AA1000AS(2008) and DNV GL's assurance methodology VeriSustain™<sup>1</sup> (Version 5), which is based on our professional experience, international assurance best practices. We provide Type 1 and the moderate level of assurance. The assurance was carried out from July and till August 2018. The site visit was made to IBK's Headquarters in Seoul, Korea. We undertook the following activities as part of the assurance process:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system as they relate to selected content and performance data;
- reviewed the materiality assessment report.

### Limitations

The engagement excludes the sustainability management, performance and reporting practices of IBK's subsidiaries, associated companies, suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as IBK's website (<https://www.ibk.co.kr>). These documents, financial statements and the announcements are not included in the scope of this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

### Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly address the adherence to the AccountAbility Principles in AA1000APS(2008) nor is prepared 'in accordance' with GRI Standards Core option. Further opinions with regards to the adherence to the Principles are made below;

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<sup>1</sup> The VeriSustain protocol is available upon request at DNV GL Website ([www.dnvgl.com](http://www.dnvgl.com))

**Foundation Principle of Inclusivity**

IBK has identified internal and external stakeholder groups such as SMEs (Small and Medium sized Enterprises), Individual Customers, Employees, Local Communities, Regulator, Shareholders and Investors as these groups of stakeholders may impact on and be impacted by the IBK's sustainability strategy and relevant key activities. IBK conducts stakeholder engagement activities through various communication channels. Key expectations and requests by each stakeholder group, IBK's corresponding efforts, and communication channels utilized are described in the Report. In addition, IBK listens to stakeholders' voice and shares actions we have taken across the relevant department, and reflects important sustainability topics into our management approaches. The assurance team has reviewed IBK's stakeholder feedback process.

**Principle of Materiality**

IBK has conducted the materiality assessment to prepare the Report. Initially various the issues which were considered affecting IBK's sustainability management were collected through analysis of global sustainability initiatives and standards, international peers' reports, and media research. The issues in the pool were prioritized with the internal and external stakeholder survey results to 5 material issues which are further grouped to 3 material topics. The Report discloses key activities and achievements of IBK with regards to the 3 material topics. The assurance team has reviewed IBK's materiality assessment process and confirmed that the material sustainability topic determination process, selected material topics and their impacts, and responses to them are addressed in the Report.

**Principle of Responsiveness**

IBK discloses management approaches for the reported material topics. The Report describes the background and key achievements of the selected topics in terms of contribution to the sustainable development, and presents the level of stakeholder's interest in the relevant material topic and the financial impact of the relevant material topic resulted from stakeholder impact assessment. In addition, the stakeholders' interest and expectation and key management activities presented in the Report helps the reader understand IBK's sustainability management. In addition, the evaluation of the adherence to the principles related to report quality is as follows.

**Accuracy and Reliability**

The assurance team has tested data and information on a sampling basis. The intentional error or misstatement is not noted from the data and information disclosed in the Report. Data owners were able to demonstrate the origin and interpretation of the data in a reliable manner. The data was identifiable and traceable.

**Competence and Independence**

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct<sup>2</sup> during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL have no other contract with IBK and did not provide any services to IBK that could compromise the independence or impartiality of our work.

August 2018  
Seoul, Korea



**AA1000**  
Licensed Assurance Provider  
000-10

A handwritten signature in black ink, appearing to read 'Ahn Kyoon'.

In Kyoon Ahn  
Country Representative DNV GL Business Assurance Korea Ltd.

<sup>2</sup> DNV GL Code of Conduct is available from DNV GL website ([www.dnvgl.com](http://www.dnvgl.com))

## Association Memberships and Awards

### Association Memberships

The Korea Federation of Banks	The Korean Association of Small Business Studies	The Korea Money & Finance Association
UN Global Compact	The Korean Economic Association	The Asia Money & Finance Association
Council on International Financial Cooperation	Global Finance Society	ICSB Korea

### Awards and Certificates



CCM



ISMS



ISO/IEC27001



Presidential commendation for anti-money laundering



Minister of Strategy and Finance's Commendation for outstanding treasury bond dealer



Minister of Strategy and Finance's commendation at the microfinance award

### Inquiries about this report

Please use the contact points below for additional information or inquiries about this report.

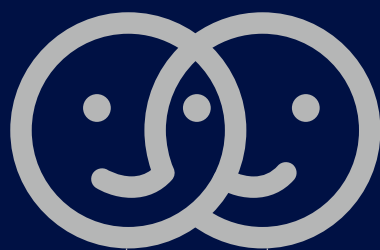
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