



Evolving Further, Sustainable Financial Group

10TH ANNIVERSARY OF DGB FINANCIAL GROUP



Digital Global Banking group

DGB Financial Group 

About This Report

Overview DGB Financial Group's 15th Sustainability Report reflects the issues related to its ESG commitment. Until its absorption into the corporate umbrella of DGB Financial Group in 2011, DGB Daegu Bank had published a sustainability report from 2006 to 2011. The 15th Sustainable Report incorporates our ESG goals. DGB Financial Group publishes annual sustainability management report on the issues that have a significant impact on stakeholders and the performance of DGB Financial Group in the economic, social, and environmental sectors. This Sustainability report consists mainly of major issues identified through communication with internal and external stakeholders and includes their opinions to share our vision for sustainability management and reflect our determination to turn our vision into action.

Reporting Period This report covers the sustainable development activities and performance of DGB Financial Group from January 1 to December 31, 2020. To ensure a better understanding of changing trends, this report provides quantitative data for the past three years and qualitative data for the first half of 2021.

Reporting Scope This report covers the sustainability management performance and achievements of DGB Financial Group and its eight subsidiaries,* excluding Soorim Venture Capital, which joined DGB Financial Group in 2021. Qualitative performances with different reporting scope are indicated separately.

*DGB Daegu Bank; Hi Investment and Securities; DGB Life; DGB Capital; DGB Asset Management; DGB U Pay; DGB Data System; and DGB Credit Information

Reporting Principle and Assurance This report is compiled in accordance with the Core Option of the Global Reporting Initiative (GRI) Standards, reflecting ISO26000, UNGP, TCFD, the Ten Principles of the UN Global Compact, and UN Sustainable Development Goals (SDGs). It was verified by the Korean Standards Association as an independent outside assurance provider in accordance with the AA1000AS V3 to ensure the report's objectivity and reliability. The assurance statement can be found in the appendix.

Inquiries Our sustainability reports, which are published in Korean and English, are available on DGB Financial Group website (www.dgbfg.co.kr) for download. Please refer to the contact information for further inquiries or to express opinions about our sustainability reports.

2020-2021 DGB FINANCIAL GROUP
SUSTAINABILITY REPORT

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CEO Message



Kimtaeoh

Kim Tae-oh CEO of DGB Financial Group

**Dear Stakeholders,
I would like to take this
opportunity express my
gratitude to you for your
unwavering interest in, and
support for, DGB Financial
Group.**

Thanks to the continued support of stakeholders, DGB Financial Group was able to achieve significant achievements amid the continuing COVID-19 challenges last year, and laid the foundation for turning a crisis into an opportunity with sharpening our mid- and long-term competitive edge by transforming our business mindset and achieving proactive risk management.

We are focusing on five strategic directions, namely —diversification of the group portfolio; efficiency-based profit maximization; acceleration of digital transformation; formation of ASEAN second home; and reliable group — all under our mid-term vision, [“SMART financial group taking a bold leap into the future.”]

As a result, the controlling shareholders' net income last year reached KRW 332.3 billion, up 8.1 percent compared to 2019, and the contribution to profits by non-bank subsidiaries expanded further, despite the COVID-19 pandemic.

However, we refuse to rest on our laurels, continuing to consistently upgrade our ESG management performance by reorganizing and upgrading our existing sustainability management into the ESG management system.

In terms of the Environment (E), we will on the one hand build a system to decisively respond to climate change risks and opportunities in the era of the “new climate economy,” while on the other hand we will increase green investments and loans, and reinforce environmental responsibilities for banking products and services to become a model for realizing “2050 carbon neutrality.”

As for Society (S), we will increase inclusive financing, which is achieving great success, and respect the human rights and diversity of stakeholders through partnerships for mutual prosperity. In addition, we will offer greater value to our customers through people-centric peerless digital innovation.

For Governance Structure (G), we will further improve transparency and robustness. To this end, we will maintain and develop the “DGB CEO Nurturing Program,” the first of its kind in the financial sector in Korea, to produce promising CEOs early on and establish a sound management system. We will gradually expand ESG-related performance evaluation and work hard to ensure that “All Right DGB” becomes firmly established.

The ESG movement started by international bodies and global investors, is now gaining momentum, and taking many global businesses and society by storm. DGB Financial Group will set practical goals of ESG management and systematically fulfill the goals by drawing employees' attention and participation, ultimately overcoming the challenges faced by people and achieving our goal of creating a world everyone dreams of with friendly finance.”

DGB Financial Group will continuously strive to become a sustainable global financial group by further integrating the core sustainability values of human rights, labor, environment, and anti-corruption within our internal management system. Thank you again for your unwavering interest and support, and we will always do our best to create better future with you.

Thank you!

Overview

In 2011, bolstered by the trust of its customers and stakeholders, DGB Financial Group, established itself as a bank holding company with 9 subsidiaries, including DGB Daegu Bank, Hi Investment & Securities, DGB Life; DGB Capital, DGB Asset Management, DGB U Pay; DGB Data System, DGB Credit Information, and Soorim Venture Capital. We will continue advancing to become an international comprehensive financial service provider, beyond Daegu, through the optimization of synergistic effects among subsidiaries, trendsetting digital finance, and group integration.

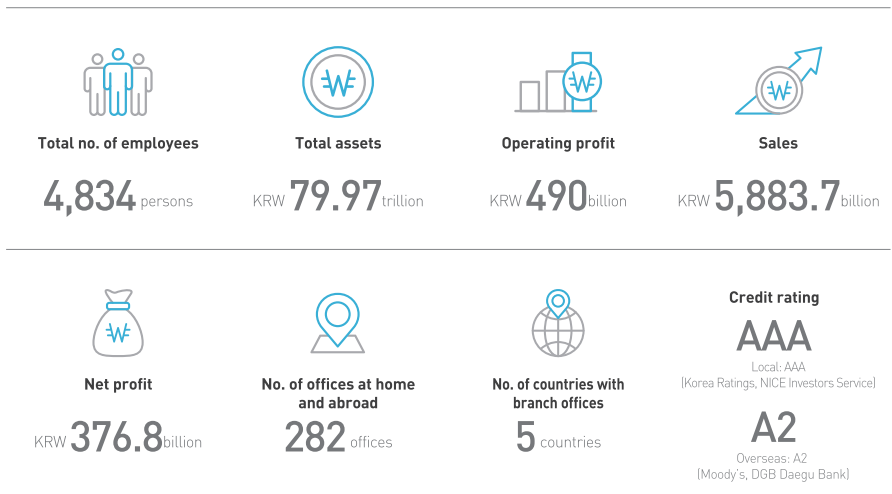
DGB Financial Group at a Glance



DGB Financial Group's Overseas Branches



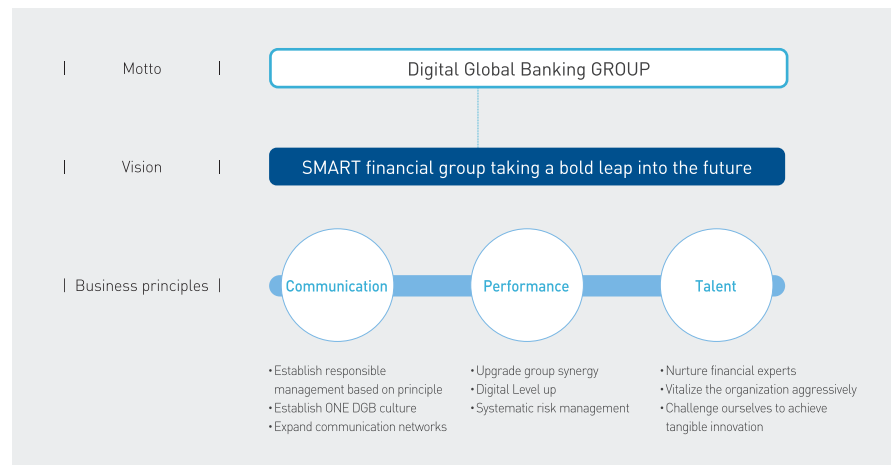
Business performance



Vision and strategy

DGB Financial Group has chosen as its three management principles: communication, performance, and nurturing talent — with “Smart Financial Group Taking a Leap into the Future” as its vision. In 2020, we set five mid-term strategic plans for another 50 years into the future in order to secure a strong foothold that will set us apart from others and move us forward to become a leader in the financial industry. We will continue doing our best to create synergistic effects and achieve successful results in going digital and expanding a global presence.

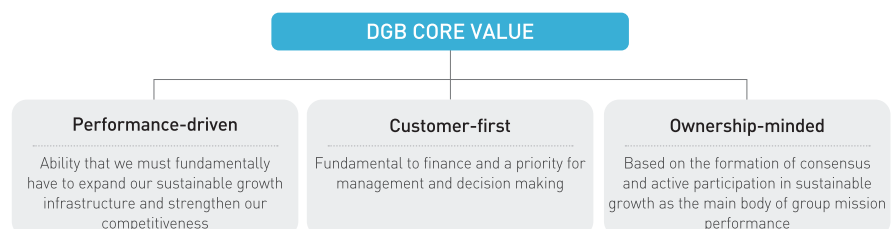
Vision



Strategy



Core value



DGB Daegu Bank

Leading supporter of customers' financial well-being

We will work together with our customers to realize our dream of making DGB a centenarian bank!

Launched as Korea's first local bank in 1967, DGB Daegu Bank is working hard to thrive for another 50 years in the 'next normal.' We at DGB Daegu Bank are committed to overcoming the volatile financial environment and risks to provide our customers with new experiences and values and thrive together with our customers. As a leading regional bank, we will continue doing our best to fulfill our responsibility for local growth and, at the same time, systematically expand digital banking and global banking, core growth engines for the future, for higher profit and better services. In addition, we will continue making concerted efforts to become a global leader in the banking industry – not only in financial, but also in ethical, environmental, and CSR areas.

Establishment Date	Oct. 7, 1967
Website	www.dgb.co.kr
Services	Deposit collection, granting of loans, foreign exchange, sales of banking products (funds, bancassurance, etc.), asset management service, Internet banking, etc.

	Unit	2018	2019	2020
No. of employees	Persons	3,091	3,246	3,197
Assets	KRW 100 million	590,298	634,367	651,072
Net profit	KRW 100 million	2,348	2,823	2,383

Hi Investment & Securities

Hi Investment & Securities, a trusted investment partner

Hi Investment & Securities is committed to providing competitive investment solutions and fulfilling its social responsibilities as a financial institution.

Launched in 1989, Hi Investment & Securities joined DGB Financial Group as a member in Oct. 2018. As a "reliable investment partner," Hi Investment & Securities aims to offer the best possible, competitive financial investment services to its customers and ultimately become a "Top 10 Financial investment company."

We will continue expanding our CSR activities and contributing to the growth of local communities, while working together with other DGB Financial Group members to create synergistic effects. We will strive to provide the best possible investment solutions to meet the financial needs of our customers, and ultimately become the most reliable financial investment company.

Establishment Date	Oct. 28, 1989
Website	www.hi-ib.com
Services	Investment trading, investment broking, discretionary investment, investment consultation, trusts (monetary)

	Unit	2018	2019	2020
No. of employees	Persons	781	814	838
Assets	KRW 100 million	60,880	77,233	105,409
Net profit	KRW 100 million	434	849	1,116



DGB Life, a trusted life partner

DGB Life is contributing to local communities through diverse CSR activities for disadvantaged people in society

DGB Life, which traces back to its predecessor Busan Life that was launched in 1988 and renamed Hansung Life, Lucky Life, and LIG Life during a period of over 27 years, became a member of DGB Financial Group in January 2015 for a brand-new start.

We at DGB Life put our customers first based on our management motto, "Making Our Dreams Come True and Sharing Prosperity with Customers." We will continue to provide our customers with the best possible financial services as a reliable life partner.

Establishment Date	Feb. 22, 1988
Website	www.dgbfnlife.com
Services	Insurance policy sales (coverage, savings, pensions, variable), asset management services, policy loans, etc.

	Unit	2018	2019	2020
No. of employees	Persons	277	241	233
Assets	KRW 100 million	61,482*	62,987*	65,071
Net profit	KRW 100 million	-31*	-112*	351

* Financial statements for 2018 and 2019 have been rewritten due to changes in the guaranteed reserve policy for general accounts.



Growing together with customers, DGB Capital

DGB Capital is a future leader that enjoys customers' support and trust.

A financial firm that specializes in credit, DGB Capital became a member of DGB Financial Group in Jan. 2012.

Backed up by customers' trust, DGB Capital seeks to achieve profitability and stability in a balanced way through stable financing and thorough risk management, while providing the best possible credit finance services to meet the diverse needs of our customers by working together with other members of DGB Financial Group for synergistic effects. We will continue serving our customers as their reliable partner for business success and as a friendly companion for the future.

Establishment Date	Sep. 14, 2009
Website	www.dgbcap.co.kr
Services	Facility lending (lease), installment loans, auto loans, corporate loans, private loans, new technology project financing

	Unit	2018	2019	2020
No. of employees	Persons	235	260	294
Assets	KRW 100 million	27,621	31,052	35,041
Net profit	KRW 100 million	224	276	361

DGB Asset Management

DGB Asset Management, work with customers

We at DGB Asset Management are committed to being an asset management company that builds customer trust based on a strong sense of ethics and unrivaled competence.

DGB Asset Management, which became a member of DGB Financial Group in Oct. 2016, aims to grow into a "world-class comprehensive asset management company" through "Creating more value for customers with trust and reliability" as its vision. DGB Asset Management will proactively respond to market changes by pursuing stable cash flows, operational efficiency, and operating profit to take a step closer as a partner of customers.

We respond preemptively to such changes in the market and introduce diverse competitive investment products to better serve our customers as a business partner. We will also continue building trust with our customers and maintain high ethical standards to deliver excellent and reliable services.

Establishment Date	Mar. 3, 2000
Website	www.dgbam.com
Services	Collective investment, discretionary investment, investment consultation

	Unit	2018	2019	2020
No. of employees	Persons	40	47	53
Assets	KRW 100 million	390	394	397
Net profit	KRW 100 million	64	37	24

DGB U Pay

Anytime, Anywhere Be With OnePass

DGB U-Pay is committed to providing services for citizens' convenience and fulfilling its corporate social responsibility.

DGB U-Pay is an electronic payment system that can be used for public transport services, including bus, subway, and taxi. We also offer safe and convenient services in diverse areas, such as micropayment, access control, and security.

We at DGB U-Pay will continue doing our best to serve DGB U-Pay users for their convenience and bring happiness to local communities by fulfilling our corporate social responsibility.

Establishment Date	Dec. 27, 1999
Website	www.dgbupay.com
Services	Issuance and management of prepaid electronic payment systems, payment gateway

	Unit	2018	2019	2020
No. of employees	Persons	39	46	46
Assets	KRW 100 million	364	427	368
Net profit	KRW 100 million	2	12	-10

Smart work, Smart IT! DGB Data System

DGB Data System creates future value to make its customers' dreams come true through IT.

DGB Data System was launched in Apr. 2012 to provide customers with a wide array of quality IT services, including information system development, integrated IT operation, IT consulting, and IT education. We will develop the best possible IT solutions with passion and creativity to better serve our customers and contribute to the development of the local IT industry.

Establishment Date	Apr. 4, 2012			
Website	www.dgbds.co.kr			
Services	Development, operation, and maintenance of information systems, system integration and operation, sales, rental, and maintenance of information appliances and software, IT consulting and IT-related education, e-commerce, Internet-related businesses			
	Unit	2018	2019	2020
No. of employees	Persons	113	122	142
Assets	KRW 100 million	106	119	130
Net profit	KRW 100 million	4	8	11

Providing the Best Credit Information. DGB Credit Information

We continue to build trust with customers and serve as a reliable market leader.

Launched for regional development and the early instilling of a credit society, DGB Credit Information specializes in credit inquiries, debt collection, civil service agency business, and asset management.

Establishment Date	Jul. 5, 2000			
Website	www.dgbci.co.kr			
Services	Debt collection, credit inquiries, lease surveys, civil service agency business			
	Unit	2018	2019	2020
No. of employees	Persons	36	36	35
Assets	KRW 100 million	50	51	54
Net profit	KRW 100 million	2	2	2

Sustainable TOP Class in Korea. Soorim Venture Capital

We promise you to become your best investment partner.

Founded in 2015, Soorim Venture Capital is actively forming venture funds and investing to contribute to the nation and society through fostering venture industries. We fulfill our role and responsibility based on the investment philosophy of passionate and soul-bound investment.

Establishment Date	Aug. 29, 2014(Registration of SMEs and Start-up Investment Company in Feb. 2015)			
Website	www.svc.co.kr			
Services	Investment in founders, investment in SMEs and venture enterprises, and management of funds for SMEs and Start-up Investment Associations			
	Unit	2018	2019	2020
No. of employees	Persons	7	7	6
Assets	KRW 100 million	125	97	94
Net profit	KRW 100 million	-20	2	1

10 YEARS OF ESG JOURNEY AND BEYOND

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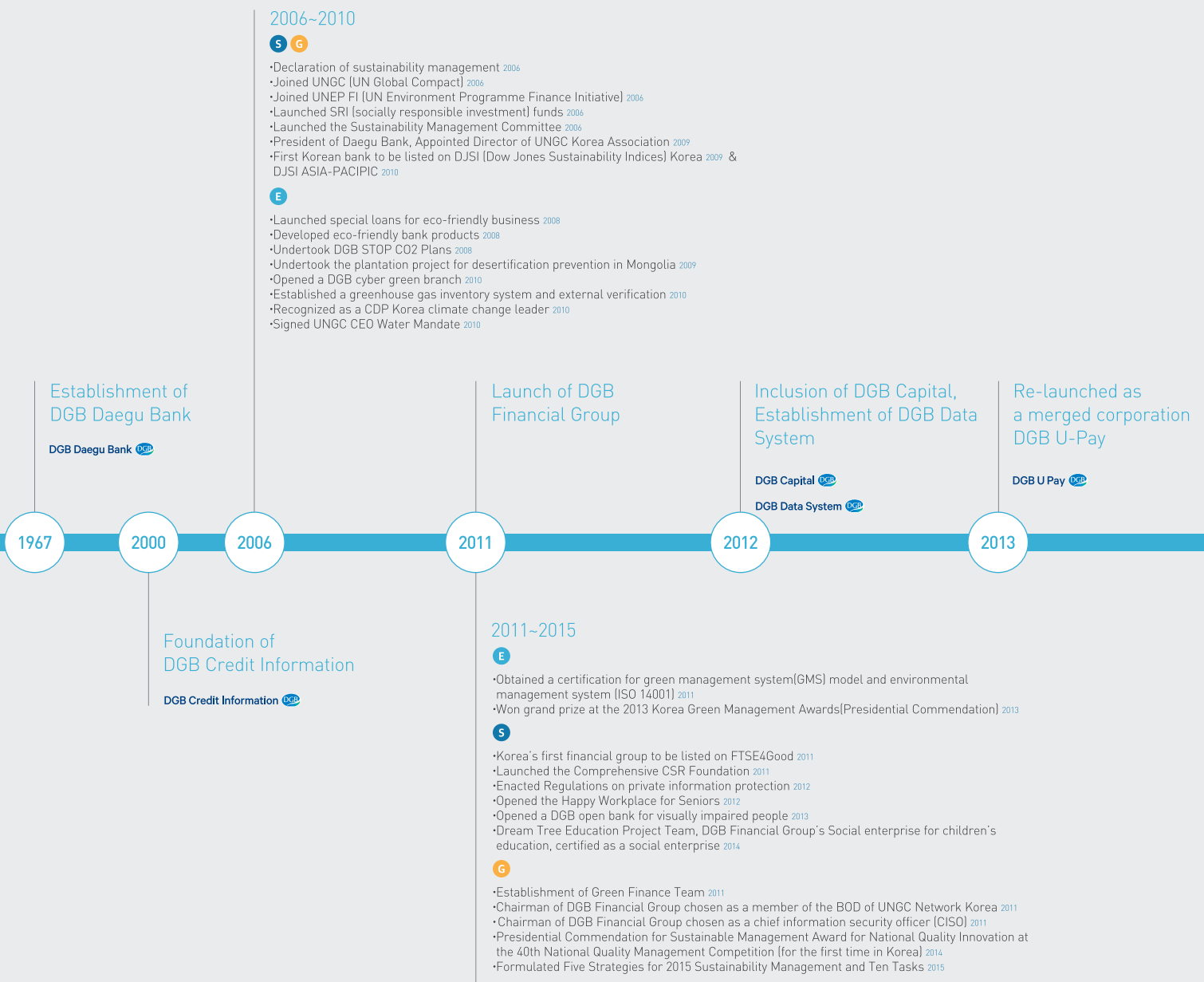
028 Overcoming the Covid-19 Crisis



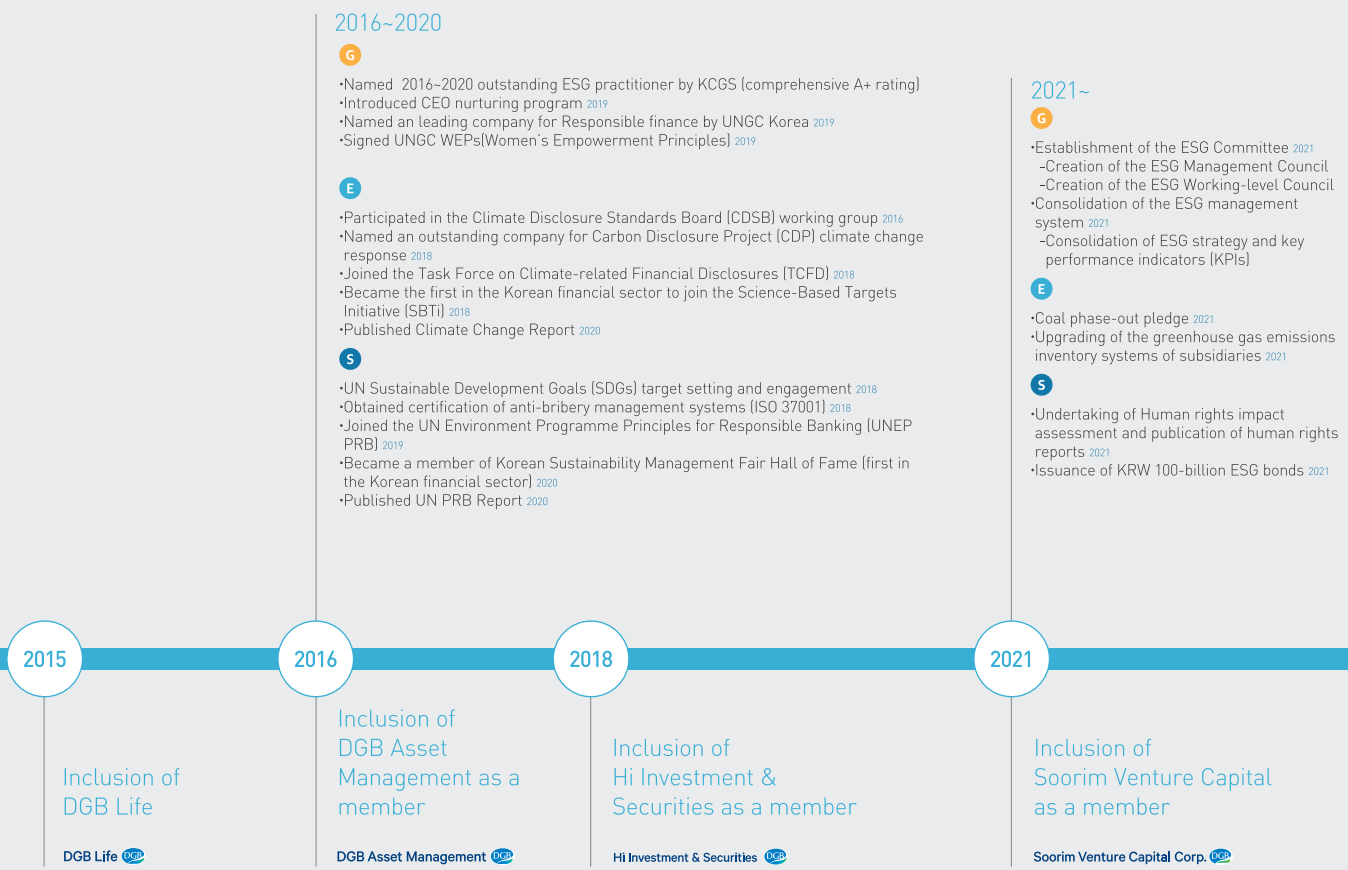
10th anniversary of DGB Financial Group, a step closer to becoming a centenarian global player

On May 17, 2011, DGB Financial Group was launched as a comprehensive financial holding company consisting of three subsidiaries, namely, Daegu Bank, Cardnet, and Daegu Credit Information. Over the past ten years, we have strived to provide our customers and local communities with hope, and convenience and values and happiness to stakeholders and employees through interest group-centric sustainability management with "Digital Global Banking Group" as our slogan.

Chronology of DGB Financial Group's sustainability management



Currently, DGB Financial Group has nine subsidiaries: DGB Daegu Bank, Hi Investment & Securities, DGB Life, DGB Capital, DGB Asset Management, DGB U-Pay, DGB Data System, DGB Credit Information, and Soorim Venture Capital. In addition, we have branch offices in China, Vietnam, Cambodia, Myanmar, and Laos, expanding our presence in the global market and moving forward to make our dream come true.

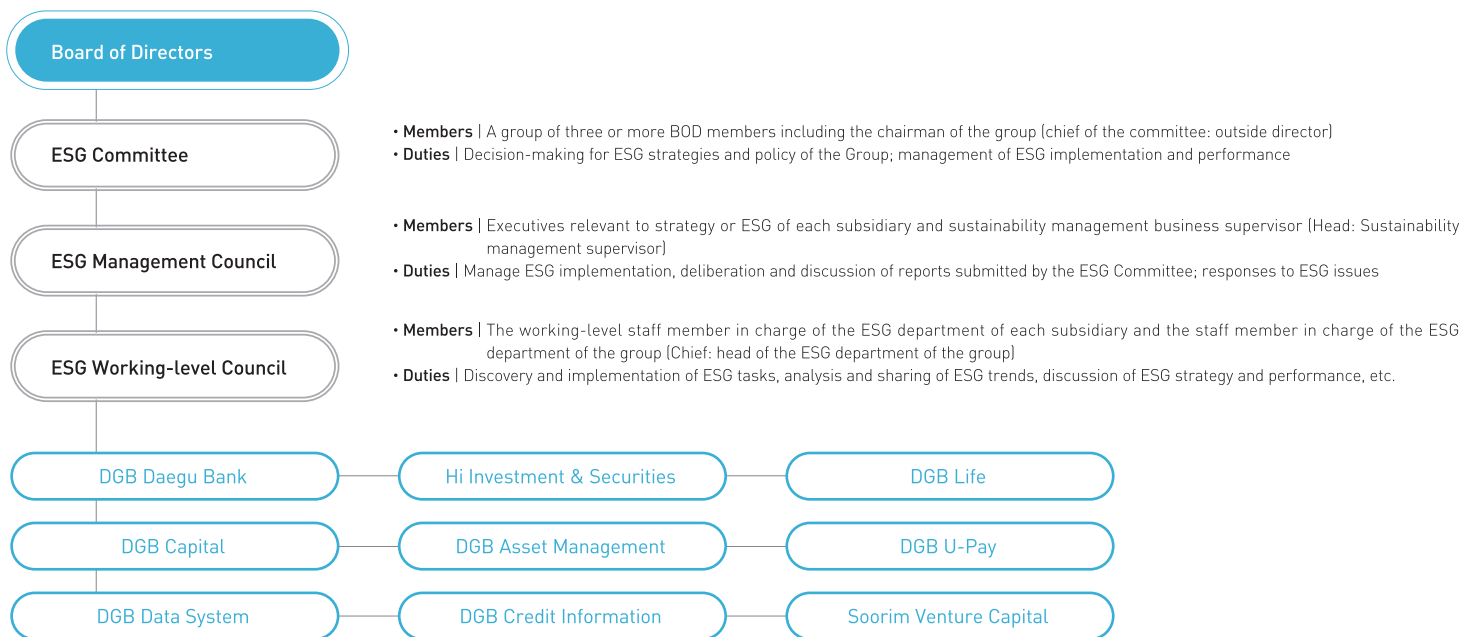


● Environment ● Social ● Governance

ESG governance formation



ESG Governance



OVERNAN

DGB Financial Group Declaration of ESG Management

All employees of DGB Financial Group recognize ESG management as a task to be fulfilled now, and therefore declare as follows to actively participate in ESG management in all areas of environmental, social, and corporate governance:

Environment

We actively support the "2050 carbon neutrality" to hold the increase in the global average temperature below 1.5°C, and strive to establish a green financial system to support this.

We actively support corporate transition to a low-carbon, de-carbon industry through diverse climate finance activities such as loans, investments, and information disclosure.

Society

We will expand inclusive finance for the financially underprivileged and strengthen socially responsible finance for shared growth with local communities.

We respect the human rights and diversity of our stakeholders and make a concerted effort to solve social problems through the expansion of impact finance.

Corporate governance

We agree to establish a transparent and responsible corporate governance system and a code of ethics for employees to protect financial consumers and create a corporate culture based on mutual trust.

We actively reflect ESG factors in the overall financial services and agree to strengthen communication with stakeholders.

Mar. 26, 2021

All employees of DGB Financial Group

DGB Financial Group, which declared sustainability management for the first time in the Korean financial sector in 2006, is taking the initiative in implementing ESG management to create a world that everyone dreams of with friendly finance. In 2021, DGB Finance Group enacted its "ESG Vision" with the aim of securing a strong foothold for sustainable growth and formed a system to revise its ESG management strategies and directions for efficiency.

■ Launch of the ESG Committee

In Mar. 2021, DGB Financial Group established the ESG Committee under the Board of Directors. As the highest decision-making body for the group's ESG strategy and performance, the ESG Committee consists of three or more BOD members including the chief of DGB Financial Group. The committee plans to hold a meeting twice a year to review the company's sustainability management strategy and direction, assess its ESG performance for improvement, and function as an ESG-related advisor for the BOD and business management council.

■ ESG management support system

DGB Financial Group formed the ESG Management Council and the ESG Working-level Council to support the ESG Committee. The ESG Management Council consists of executives of management strategy and ESG from each subsidiary, who are responsible for formulating ESG strategies and putting them into action, and responding to ESG issues. The ESG Working-level Committee consists of the ESG-related working-level staff of each subsidiary, who are responsible for identifying and implementing ESG tasks and discussing the ESG strategies and performance of DGB Financial Group.

ESG Strategic direction

With the aim of fulfilling its mission to “create a world everyone dreams of through friendly finance,” and “SMART financial group that takes a leap into the future” — DGB Financial Group formulated the ESG strategy and a roadmap in relation to the group strategy. The ESG strategy encompasses three strategic directions for each pillar of ESG. We plan to set our goals and performance indicators through ESG governance to put them into action consistently.



ESG management implementation strategy

Mission

“Create a world everyone dreams of through friendly finance”

ESG vision

Lead the way in the 'new normal' era through ESG management

ESG strategic goals

Achieve sustainability management finance performance with ESG as the basis

ESG strategic direction

E (Environment) Increase green finance

- Create a system to address climate change risks
- Expand eco-friendly investments and loans
- Consolidate corporate environmental responsibility for financial products and services
- Become a leader in achieving “carbon neutrality by 2050”

S (Social) Increase socially responsible finance

- Expand financial inclusion
- Increase mutual prosperity and partnership management
- Respect the human rights and diversity of stakeholders
- Lead the initiative for digital transformation in the financial industry

G (Governance) Increase impact finance

- Complete the ESG-based governance
- Expand ESG-related performance assessment
- Reinforce communication with stakeholders
- Consolidate compliance culture based on autonomy and responsibility



Roadmap for ESG management

~ 2022 YEAR

Consolidate management system for ESG management

- Create ESG Committee within the BOD
- Formulate comprehensive group-level strategy with ESG in mind
- Create a group-level ESG implementation system and define R&R
- Creation of the ESG opportunity and risk management system
- Introduction of ESG performance assessment and reward system

~ 2024 YEAR

Task fulfillment and upgrading

- Discover and fulfill ESG tasks for each department
- Reflect ESG factors into loan and investment assessment
- Creation of a ESG opportunity and risk management system
- Increase employees' awareness of the importance of ESG management and make it second nature

~ 2025 YEAR

Exemplary global corporate ESG player

- Consolidation of the ESG performance assessment and reward system
- Consolidation of partnerships with external stakeholders
- Development of infrastructure for ESG information closure
- Completion of an integrated ESG business model

ESG performance

Classification	Description	Held by
Oct. 16, 2020	Won "Korean Readers' Choice Awards (KRCA)" at the Korean Sustainability Fair 10 times (7 consecutive years) and joined the KRCA Hall of Fame	Korean Standards Association
Oct. 27, 2020	Named a "2020 Outstanding ESG Business"	Korea Corporate Governance Service
Nov. 7, 2020	Won the "2020 Global Business Awards"	Korean Academy of International Business
Nov. 12, 2020	DGB CSR Foundation won the Governor of Financial Supervisory Service Prize for Outstanding Program at the 15th Finance Contest	Financial Supervisory Service
Nov. 18, 2020	Listed on the Dow Jones Sustainability Indexes (DJSI) for 12 consecutive years	S&P Dow Jones Indices/ RobecoSAM/ Korea Productivity Center

ESG finance strategy



■ Coal phase-out pledge

In Mar. 2021, DGB Financial Group vowed not to participate in the coal power plant project financing and made a pledge to exit from coal, rejecting bonds for the purpose of constructing coal power plants, following the “Declaration of Support for Climate Finance for 2050 Carbon Neutrality.” As the first regional financial group to join the effort, we vowed to commit ourselves to ESG management by acting preemptively to fight climate change, and actively promoting eco-friendly finance.

■ Issuance of ESG bonds

In the first half of 2021, DGB Financial Group and DGB Daegu Bank issued ESG bonds worth KRW 100 billion and KRW 200 billion, respectively, to provide financial support for eco-friendly technology and renewable energy-related businesses, as well as local communities and the underprivileged. Hi Investment & Securities is participating in green bonds, eco-friendly business repurchase agreements (RP) bond and acquisition groups, and is gradually expanding its participation. In March 2021, DGB Capital issued ESG bonds worth KRW 180 billion as the first local financial holding company to provide financial support to small business owners and the financially vulnerable.

■ Preparation for the ESG investment criteria

DGB Life evaluates the environmental and social impact of the businesses with ESG when making investments. We also utilize the ESG checklist we developed for asset management. DGB Asset Management plans to form a taskforce to comply with the ESG investment standards. As a way of making coal exit investments, we did not purchase bonds of a coal plant newly built in Samcheok, Gangwon Province.

ESG management implementation plan

Area	Plans by subsidiary
Products and services	<p>DGB Daegu Bank Increase of contactless products, DGB Green Loan and other environment-related products, launch of ESG Fund, services for financially disadvantaged people</p> <p>Hi Investment & Securities Sales of ESG funds, increase of CSR-related investment products (trust, wrap, etc.)</p> <p>DGB Life Expansion of mobile contactless services</p> <p>DGB Capital Innovative banking and support for community engagement businesses, support for renewable energy-related businesses, support for low-income people and foreigners</p> <p>DGB Asset Management Launch of stock and bond funds based on ESG, Inclusion of working capital in ESG stocks and investment in ESG stocks</p>
Investment	<p>DGB Daegu Bank Issuance of ESG bonds, more active participation in ESG project financing, including renewable energy projects</p> <p>Hi Investment & Securities Increase in the inclusion of working capital in ESG stocks</p> <p>DGB Life Introduction of an ESG checklist & Increase of ESG-related alternative investment</p> <p>DGB Capital Increase of investment in ESG, issuance of ESG bonds worth KRW 180 billion to support environment, renewable energy, new technology and financially vulnerable persons</p>
Operating system	<p>DGB Financial Group Reflection of ESG performance in CEO assessment of subsidiaries, consolidation of ethical management</p> <p>DGB Daegu Bank Increase in the number of female executives, special recruitment of persons with physical disabilities, reinforcement of internal controls, etc.</p> <p>Hi Investment & Securities Reinforcement of internal control, creation of the ESG Council, introduction of a paperless system</p> <p>DGB Life Reinforcement of internal controls</p> <p>DGB Capital Creation of the ESG Response Council</p> <p>DGB Asset Management Reinforcement of ESG risk management</p>

Inclusive Finance

DGB Financial Group operates financial products and services that can help economically disadvantaged people with financial problems. In 2020, DGB Daegu Bank increased small loans up to KRW 200 billion for low-income people who were hard-hit by the COVID-19 pandemic. It also lowered the interest rates on some loan products and granted payment deferrals, while accepting applications for contactless loans. In addition, we have increased the number of branches that handle small loans from 12 to 162 private branches since 2020. As a result, the total amount of funds for small loans offered by DGB Daegu Bank has increased by 76 percent from the previous year.

DGB Capital expanded medium-interest loans to support financially disadvantaged persons who have to rely on loan businesses and private lenders due to economic recession and consequent the slow growth of household incomes. Also, we are the first finance company to provide financial services to foreign workers with non-professional employment visas.

■ Launch of contactless small loan services

DGB Daegu Bank is operating the "A Pat on the Shoulder & Mid-Interest Rate Small Loan" service designed to increase customer convenience through an automated loan review.

Using the IMBank application, customers can access information on the loan limits of small loan products, choose customized products, and apply for loans and loan commitments without the help of bank representatives. Since the launch of this service in June 2020, the total amount of loans allotted to the "DGB Smart Average Rate Loan" products increased KRW 112.3 billion from the previous year, accounting for a total of over KRW 200 billion (as of Mar. 2021), thanks to keen interest among customers with mid- and low-level credit scores.

■ Named the best institution for "Corporate Financial Support for Small Loan Users" by Korea's Financial Supervisory Service

DGB Daegu Bank was selected as the best institution for "Corporate Financial Support for Small Loan Users" in about four years since 2016, when it was named the best institution at the Inclusive Banking Awards. The award recognizes DGB Daegu Bank's effort to implement inclusive finance by actively providing loans for low-income and financially disadvantaged people in the Gyeongsangbuk-do area including Daegu and launching contactless automatic screening small loan services to make small loans more accessible to needy people.

Major products for Inclusive Finance

Product	2018		2019		2020	
	Total no. of accounts	Total amount (Unit: KRW 100 million)	Total no. of accounts	Total amount (Unit: KRW 100 million)	Total no. of accounts	Total amount (Unit: KRW 100 million)
DGB Seeds of New Hope Loans	22,428	1,328	20,549	1,158	21,787	1,485
DGB conversion Loans	510	43	375	38	274	22
Special Guarantee Loans for SMEs in North Gyeongsang Province	1,491	135	1,524	160	1,236	242
Sunshine Loans for University Students	1,593	40	1,339	30	990	20
Loans for startups	15	37	11	24	94	210
Special Loans for startup after failure	9	3	21	6	29	7
Special loans for job seekers	1,102	221	954	147	822	105
Special loans for SMEs stability	1,273	209	1,088	149	431	105
Special loans for SMEs	678	144	561	118	455	92
DGB mid-range interest rate loan	343	31	326	23	274	14
DGB Average-rate Loan	1,280	94	1,952	182	9,231	1,305
e-Start Loan for Workers	528	17	501	19	378	14
Haetsal Loan 17 ¹⁾	-	-	400	32	1,115	76
DGB Safety Net Loan	53	19	55	16	44	10

1) A new product launched in 2019

Technology financing

DGB Daegu Bank supports small- and medium-sized businesses with excellent technological prowess and growth potential by offering them low-interest-rate loans even if they have insufficient collateral. For instance, the “DGB Tech Biz Loan” is designed to provide SMEs with outstanding technology with loans through preferential interest rates and increasing credit lines. At the same time, we are strengthening partnerships by signing new transaction agreements. We at DGB Financial Group will lay the foundation for the vitalization of innovative finance by continuously strengthening our own technology financing capabilities and enhancing the competitiveness of technology financial products.



Capacity-building for the upgrading of technology financing

DGB Daegu Bank is the first local bank to receive the approval of a technology evaluation model for investment from the Financial Services Commission, and has recently entered Level 4, the highest level of technology evaluation capability. The technology evaluation model for investment predicts growth potential based on businesses’ technological prowess and is used to screen candidates for investment. The level of technology evaluation competency is determined by the number of experts, evaluation, performance, and material requirements, among others. Level 4 indicates that the bank in question is capable of conducting technology evaluation on its own. With these capabilities as the basis, DGB Daegu Bank plans to expand technology financing for the Korean New Deal projects, such as Digital New Deal and Green New Deal.

Commission, ranking first for no less than three times in a row since the implementation of the system in the second half of 2018. The survey reflects not only quantitative evaluation such as technology financing loan size, but also qualitative evaluation, such as workforce, organization, and risk management. DGB Daegu Bank received positive reviews for its technology-based investment expansion, supply scale, and its own technology financing evaluation capabilities.

Launch of a loan with intellectual property rights as collateral

DGB Daegu Bank launched “DGB IP Collected Mortgage Loan,” a loan product that accepts intellectual property rights as collateral, to support local SMEs with excellent intellectual property rights. We provide loans of up to KRW 1 billion by comprehensively analyzing the applicability of the intellectual property rights to the products in question, the ease of proof of infringement, and marketability. We expect that young innovative businesses without real estate collateral will benefit from this product.

Technology finance products Unit : KRW 1 million

Classification	DGB Tech Biz Loan	Bank of Korea Aggregate credit ceiling loans for K-startups
2018	1,371,079	44,491
2019	1,246,866	42,311
2020	1,243,908	53,097

Topped for three consecutive years in technology financing evaluation by the Financial Services Commission

DGB Daegu Bank was selected as the best bank among small banks in the “Bank Technology Finance Performance Evaluation in the Second-half of 2019” conducted by the Financial Services



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DGB Daegu Bank was selected as the best bank among small banks in the "Bank Technology Finance Performance Evaluation in the Second-half of 2019" conducted by the Financial Services Commission, ranking first for three times in a row.

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DGB cyber-green branch

Classification	Unit	2018	2019	2020
Sales account	Number	3,242	3,166	3,116
Sales amount	KRW million	3,186	3,225	3,747

Green finance

DGB Financial Group encourages local companies that practice green management by offering preferential financial support. We provide a wide array of financial services and products that reflect environmental impact.

Establishment of a basis for the support of green businesses

DGB Daegu Bank signed a business agreement with the Korea Environmental Industry & Technology Institute (KEITI) to respond to the Korean version of the Green New Deal and provide financial support to eco-friendly companies with excellent environmental performance. KEITI evaluates the environmental performance of SMEs based on the environmental information collected by the government and provides the evaluation results to financial institutions through the financial support system for green businesses called "enVinance." We plan to discover excellent green businesses equipped with eco-friendly systems through enVinance and develop loan products that can provide benefits to them.

Operation of DGB cyber-green branches

DGB Daegu Bank operates the "DGB Cyber-green Branches," environment-specialized branch offices. DGB Cyber-green Branches offer a wide array of eco-friendly loan and savings products, such as Green Deposits, Green Health Installment Savings, DGB Green Loan, and DGB Green Card, to raise customer awareness of the environment. DGB Daegu Bank supports local environmental conservation activities by increasing eco-friendly deposit and installment savings products that offer preferential interest rates in accordance with eco-friendly activities and donate portions of profits to promote local environment conservation activities.

Green financial products sold

Unit : No. of account holders(Account holders) / Total amount of the account deposits(KRW 1 million)

Classification	2018		2019		2020		
	No. of accounts	Total amount	No. of accounts	Total amount	No. of accounts	Total amount	
Installation	Eco-friendly Green	24	30	14	17	19	96
	Green Health ¹⁾	428	2,889	375	2,686	333	2,609
	Dokdo Savings	27,663	19,767	1,592	6,336	6,160	6,448
	In my hands Savings	18,481	70,962	14,313	55,227	2,439	50,170
	e-U Savings	14,922	72,318	11,225	71,490	7,845	74,249
	IM Savings	7,502	25,564	6,033	26,736	2,442	15,827
	Seven Savings ²⁾	-	-	-	-	14,581	8,325
	IM Smart Savings ²⁾	-	-	-	-	3,768	4,582
Deposit	Eco-friendly Green	18	250	23	311	2,655	80,229
	Dokdo Savings	26,471	492,409	25,962	509,988	22,209	455,687
	In my Hand	14,766	261,012	15,538	274,877	5,919	101,623
	e-U Savings	8,379	147,973	15,235	291,136	11,184	229,174
	IM Savings	8,754	172,562	10,294	216,874	2,611	52,584
	IM Smart Savings ²⁾	-	-	-	-	9,562	220,628

1) Product no longer available as of 2021, 2) A new product launched in 2020

Socially responsible finance

DGB Financial Group sells a wide array of financial products including socially responsible investment funds to fulfill corporate social responsibility through finance. DGB Daegu Bank's "Mirae Asset Love Sharing ETF Fund" is a patented product that exempts the upfront fee, which is 0.5 percent of the total investment, so that the account holders can donate it by depositing it to the fundraising savings account named "Love Sharing Savings." Hi Investment & Securities is fulfilling its CSRs and selling a variety of products designed to invest in businesses with outstanding ESG performance.

Support for microenterprises

Financial support for businesses during the COVID-19 pandemic

DGB Daegu Bank supported small businesses, including the hospitality, restaurant and food service, and leisure industries, which have been hit hard by the COVID-19 pandemic. We created special loan products as part of the "KRW 12 Trillion Financial Assistance Package with Low-interest Rates" program the government launched. In order for loan applicants to receive

financial support promptly, we streamlined the process of issuing guarantees and applying for loans. In addition, we joined the "Good Landlord Movement," lowering rental fees by up to 50 percent for small business owners and SMEs that are doing businesses in the buildings owned by the bank in 2020 and 2021.

Support for capacity building

In Mar. 2021, DGB Daegu Bank established the "Friendly Comprehensive Support Center" in DGB Innovation Financial Consulting Center. The "Friendly Comprehensive Support Center" is a service that comprehensively supports small business startups for sales growth. We are the first financial industry to provide specialized services, such as contactless advertising, product development, and support for franchising. We plan to provide comprehensive support services, including financial support, market analysis, marketing, and other business consulting services, and business capacity building training. In addition, we will support shop owners in traditional open markets to open new markets using the digital platform "IM Shop."

Support for SMEs

Financial support for businesses during the COVID-19 pandemic

DGB Daegu Bank is running a KRW 100-billion inclusive banking special support program following a KRW 100-billion support program for victims of the initial outbreak of the Coronavirus disease in early Feb. 2020. Intended to help manufacturing businesses struggling with increasing uncertainty, the second program applies preferential interest rates and provide prompt financial support. In addition, we formed a comprehensive consulting team designed to visit businesses struggling due to the COVID-19 pandemic to handle the loan application process so that they can promptly receive financial support. We also formed a COVID-19 Financial support platform in early April 2020 to inform our customers of the various financial support programs.

Creation of a model for partnerships among SMEs

In Sept. 2020, DGB Daegu Bank became the first bank in Korea to sign an agreement with Daegu City to support SMEs. Under the agreement, DGB Daegu Bank and Daegu City donate KRW 10 billion to the Technology Guarantee Fund to offer financial support to SMEs, including

businesses specializing in auto parts, textile, and other flagship products of Daegu, that are suffering from financial difficulties due to the slow domestic economy and sluggish exports, at preferential interest rates. Also, we provide SMEs in Daegu with loan services by lowering interest rates to 1.3 percent up to 2.2 percent for a year. In addition, we formed a SME mutual prosperity fund worth KRW 30 billion in partnership with the Korea Expressway Corporation and Gyeongsangbuk-do Province, a fund worth KRW 20 billion in partnership with Korea Gas Corporation, and a fund worth KRW 50 billion in partnership with POSCO and Hwashin.

Small & Medium Enterprise(SME) Loans

Classification	Unit	2018	2019	2020
SME Loans	KRW 1 trillion	22	25	26
SME Loans Ratio	%	63	63	60

DGB Daegu Bank's Mutual prosperity fund for SMEs

KRW 5 billion donated to the Daegu Credit Guarantee Foundation and KRW 3 billion to the Gyeongbuk Credit Guarantee Foundation
Regional mutual prosperity fund worth KRW 30 billion in partnership with Korea Expressway Corporation and Gyeongsangbuk-do Province
Regional mutual prosperity fund for SMEs worth KRW 20 billion in partnership with Korea Gas Corporation
Mutual prosperity fund worth KRW 50 billion in partnership with POSCO and Hwashin
Special donation worth KRW 2 billion for the support of auto part industry SMEs in Daegu
Special donation worth KRW 10 billion to Korea Technology Finance Corporation in partnership with Daegu City

KRW 26 trillion
the loan amount provided by
DGB Daegu Bank for SMEs
in 2020



Funds for the public interest

Unit : KRW 1 million

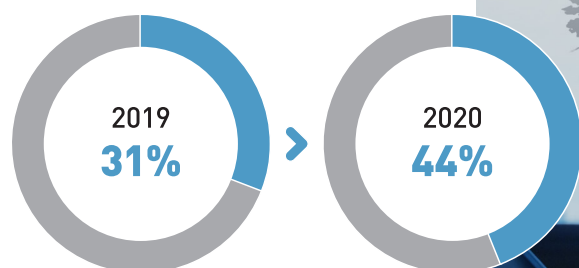
Classification		2018	2019	2020
DGB Daegu Bank	Midas Responsible Investment Securities Investment Trust	84	173	223
	Mirae Asset Love Sharing ETF Securities Investment Trust	450	417	276
	Woori G Korea ESG Securities Investment Trust (stock)	53	63	54
	NH-Amundi Centenarian Business Green Korea Securities Investment Trust (stock)	-	-	193
	Woori Hi Plus Short-term Gilt-edged ESG Bond Securities Investment Trust (bond)	-	-	11,036
Hi Investment & Securities	Woori G Korea ESG Securities Investment Trust (stock) ¹⁾	319	283	248
	VI Socially Responsible Investment Securities Trust (stock)	8,510	7,692	8,356

1) Before Nov. 2020, the name of the fund was Woori G Active SRI Securities Investment Trust.

Portfolio diversification

Changes in profit generated by non-bank subsidiaries

■ Banks ■ Non-banks



Unit : KRW 100 million

Subsidiaries	Securities	Life	Capital	Others
Rate (%)	26.3%	8.3%	8.5%	0.7%
Net income	1,116	351	361	27
YoY growth	31% ▲	413% ▲	31% ▲	54% ▼



DGB Financial Group has set “group portfolio diversification” as its main strategy for long-term sustainable growth with the aim of sharpening the competitive edge of non-bank subsidiaries and diversified profit structure. At the end of 2020, we created a general head office for the management supervision of subsidiaries to focus on discovering growth engines for the future through mergers and acquisitions, new businesses, and global businesses.

Hi Investment & Securities reached KRW 111.6 billion, up 31.3 percent, in year-on-year net income in 2020, enjoying double-digit growth for two consecutive years since it was included in DGB Financial Group in 2018.

DGB Capital increased its profitability through business portfolio diversification. It lowered its dependence on industrial goods finance, which, though a flagship business, is highly sensitive to business cycles and, instead increased investments in automobile, corporate, and personal finance businesses, resulting in an increase of 30.7 percent in net income from

the previous year. DGB Asset Management created two alternative investment teams for portfolio diversification focusing on traditional assets such as stocks and bonds to establish a basis for long-term and steady returns through infrastructure investments.

DGB Asset Management decided to take over the domestic fund business of BlackRock Asset Management in March 2021. The retail business division of BlackRock Asset Management, which is the target of the acquisition, currently consists of about 26 on-shore funds and its net assets are worth approximately KRW 700 billion. Even after the merger, the funds are operated through the parent funds operated by the global subsidiaries of BlackRock Asset Management, while DGB Asset Management is in charge of fund management and customer service in Korea. DGB Asset Management expects the balanced growth of the value of fund assets and diversification of beneficiaries by reinforcing its overseas retail business through the acquisition of this business.

Expansion of presence in the global market

DGB Financial Group intends to become a global player beyond the region to secure sustainable competitiveness. To this end, we have established a strategy for global expansion with "ASEAN Second Home" as the slogan. We are pushing the strategies that set us apart from others by consolidating the autonomy of local branches and applying specialized digital banking catered to meet the needs of local customers. As of Mar. 2021, we have a global network of several branches in five nations, namely, China, Vietnam, Cambodia, Laos, and Myanmar — building an 'Indochina financial belt' to become a global player.

Creation of synergy with subsidiaries in Cambodia

DGB Financial Group took over Cambodia DGB Specialized Bank as a subsidiary of DGB Daegu Bank in Jan. 2018 and obtained a commercial bank license in Sept. 2020. In Jan. 2020, we acquired Collective Win as a subsidiary of DGB Capital, functioning as a micro finance institution that encompasses both the commercial and secondary bank sectors. DGB Specialized Bank was the first overseas subsidiary since the establishment of DGB Daegu Bank, and with its conversion as a commercial bank, the bank has expanded its service area, which was mainly the credit service for SMEs, to include deposit, foreign exchange, and credit card services to become a comprehensive financial company. DGB Capital has focused on localization by appointing a local head of a Korean financial institution for the first time in a subsidiary, Cam Capital. In addition, DGB Capital is preparing to launch new products, such as E-9 Visa Loan products, in cooperation with Cambodian government agencies to help Cambodian workers settle in Korea without difficulty. We expect Cambodia DGB Bank and Cam Capital to create synergy as subsidiaries of DGB Group by sharing the core system and performing joint marketing activities.

DGB Daegu Bank branch in Ho Chi Minh, Vietnam

DGB Daegu Bank began operations in June 2020 with approval to open a branch in Ho Chi Minh City from the State Bank of Vietnam (SBV). This approval was issued in recognition of the capabilities of DGB Daegu Bank as a regional bank despite the difficulty of SBV work due to the Vietnamese government's passive attitude, and the Covid-19 pandemic to permit the establishment of a branch of a foreign bank. The Ho Chi Minh branch is expected to play a pivotal role in the Southeast Asian network by promoting gradual localization through syndicated loans, centering on corporate loans for Korean companies in Vietnam.

Market expansion in Myanmar

DGB Daegu Bank established DGB Microfinance Myanmar, a micro finance institution (MFI) in Myanmar in November 2019. Currently, over 300 local employees are working at 18 branches. Myanmar MFI is striving to achieve the break-even point in 2021 with the 2021 management goal of "Expanding DGB global territories across Myanmar as the basis." As Myanmar is facing a crisis triggered by Myanmar's coup, we are thoroughly prepared to ensure employees' safety, branch security, and vault cash management through proactive risk management by operating the emergency management system.

Driven by the success of DLLC in Laos and Cam Capital in Cambodia, DGB Capital is preparing to enter the non-bank financial services market in Myanmar. DGB Capital opened its Myanmar office in May 2020 and applied for approval to establish a local NBF to the Myanmar supervisory authority in Dec. 2020.

Secure Southeast Asia Network Base



Strengthening competiveness

Competition with fintech companies and Internet banks over digital-based businesses has become inevitable due to the deregulation and openness policy related to digital finance to enhance convenience and benefits in financial transactions. Accordingly, DGB Financial Group is preparing to go digital by upgrading the existing business structure and transforming its organization, process, business model, and corporate culture.

— Digital transformation strategy

Through reorganization in 2019, DGB Financial Group created DGB digital transformation command center to formulate strategies and at the same time put them into action by establishing the group digital innovation headquarters, which oversees the entire digital innovation of the group, and appointing the head of the group digital innovation headquarters (CDIO) to concurrently serve as the head of the IMBANK Headquarters of DGB Daegu Bank.

Specifically, DGB Financial Group organized councils for employees of different ranks, such as the Group Digital Strategy Council for digital innovation-related employees of each subsidiary, the Group Digital Department Heads Council for chiefs of the Digital Innovation Department of each subsidiary, and Group Digital Innovation TFT for working-level staff of the digital innovation department, to share the progress of the digitalization projects and best practices among subsidiaries.

We built an open API platform for the development of innovative financial technology and partnerships to make our API platform readily accessible to anybody. We also opened an office in the Gangnam area in Seoul, an area crowded



with startup companies, to work together with fintech companies and develop outstanding fintech services.

— Digital infrastructure upgrade

DGB Daegu Bank formulated company-wide strategies for big data utilization and built a digital big data portal system (DGBIG) in order to gain an advantage over the infinite data-based competition. DGBIG is equipped with the machine learning-based AI system instead of the conventional statistics-based system, and is capable of collecting and analyzing internal information and external public data. DGB Daegu Bank is seeking ways to utilize big data promptly and in diverse ways by developing event-based marketing scenarios (EBM) based on contactless customer behavior. To give an example, we analyze the impact of the COVID-19 pandemic on businesses by analyzing the credit card transaction data to inform small businesses of COVID-19 pandemic-related financial support and advertise contactless small loan products. In doing so, we aim to generate more profits by analyzing big data and using it for customer attraction and product sales.

In addition, DGB Daegu Bank is providing a non-face-to-face service called "Ro. D," a fund robo-advisor service based on artificial intelligence. Robo-advisor is a compound word of "robot" and "advisor," and "Ro.D" is a fund service that recommends the best possible fund portfolio and manages them by considering customers' risk tolerance and market situations using AI algorithm. Especially, DGB Daegu Bank is the first in the Korean bank sector to recommend



the best three funds chosen by AI to allow customers to have more choices and inform them of the reasons for recommending the funds.

— Mobile channel platform

DGB Financial Group developed mobile channel platforms for customer convenience and synergy expansion in subsidiaries through organic relationships among mobile channels.

In 2020, DGB Daegu Bank launched its contactless products named "Seven Savings," "IM Simple Credit Loan for Workers," and "A Pat on the Shoulder & Mid-Interest Rate Small Loan," all of which utilize "IMBank," and which were sold to 64,717 accounts (as of October 2020). After the renewal of "IM#[Shop]" in 2020, the number of members increased by 12.5 times, reaching over 240,000 members as of Oct 2020. Especially, IM#[Shop] is equipped with the Daegu Happiness Pay, a local currency of Daegu, and Pohang Love Card, a local currency of Pohang, fulfilling its role as a regional financial institution.

DGB Capital is strengthening its sales power in the mobile sales environment by creating contactless customer touchpoints through digital transformation. We are expanding partnerships with external platform developers to increase customer convenience, while reducing financial costs such as processing fees by providing bank products tailored to meet the diverse needs of customers. We continue upgrading the IT sector through robotic processing automation (RPA) in order to improve work efficiency, and secure a strong foothold in the non-face-to-face environment.

— Digital capacity building for employees

DGB Financial Group is enhancing its capacity to practice digital transformation by operating Digital Fashionista, an employee opinion group and nurturing program, since 2018. Digital Fashionista Digital Fashionista is composed of the employees from each subsidiary who volunteered to join the program. In 2020, at the Fintech Idea Contest hosted by the Financial Services Commission, we won the Encouragement Award for "Communication Finance, Integrated Financing Fintech for Small Businesses."

DGB Daegu Bank has been operating DGB Cyber Digital Academy for all employees since 2019 as part of the talent nurturing program for digital global banks. The training is designed to enhance employees' understanding of digital banking and problem-solving capacity and helps employees obtain SW coding certificates.

— Support for fintech startup companies

DGB Financial Group is operating "DGB FIUM Lab," the first FinTech startup support center in the local financial sector. DGB Financial Group supported 7 startups in the 2nd phase of Fium Lab in 2020 and 12 startups in the 3rd phase of Fium Lab in 2021 and help them engage in diverse activities in partnership with subsidiaries. In 2020, we successfully carried out the 3D model project of Daegu Bank Characters and a blockchain-based mobile employee ID project.

DGB Financial Group's Mobile Platform

Subsidiary	Platform	Description
DGB Daegu Bank	IMBank	<ul style="list-style-type: none"> Launched in 2019 by integrating the existing mobile channels Completely revised the existing contactless bank product purchase process of verifying names and upgraded the financial product purchase procedure
	IM#[shop]	<ul style="list-style-type: none"> Everyday banking platform upgraded in 2019 Convenience improved through use of local gift certificates and support for advertising of SMEs
	IMBank Business (Corporate banking app)	<ul style="list-style-type: none"> Renewed in 2020 by increasing contactless services and improving convenience Upgrading for for efficient B2B and foreign exchange, and mass processing affairs, etc. and provision of DGB fund management services
Hi Investment & Securities	Hi-M	<ul style="list-style-type: none"> Mobile trading system (MTS) launched in 2019 Provision of convenient services, including contactless account opening, fingerprint authentication and verification code login, convenient transfer without an accredited certification system
DGB Life	MSmart	<ul style="list-style-type: none"> Mobile sales system upgraded in 2020 Introduction of the smart UI-based process that reduces malfunction caused by user mistakes and introduction of a fingerprint signature authentication system for electronic subscription Application process simplified by adding self-underwriting and mobile reviews
	Digital channel	<ul style="list-style-type: none"> Released in 2020 by maximizing convenience so that customers can directly subscribe online on the page linked to the website
DGB Capital	IMCapital	<ul style="list-style-type: none"> Creation of car rental quotes system for information sharing with trusts, individuals, sellers, and buyers Information sharing system to be created for sales of used cars, medical equipment, machine tools among individuals in the future
DGB U-Pay	Mobile OnePass	<ul style="list-style-type: none"> Cloud-based payment service that can be used with a mobile phone Provision of various services, including payment for taxi and other public transportation, and payment at convenience stores payment and for gift-giving



In 2020, DGB Daegu Bank launched contactless products such as "Seven Savings," and "IM Simple credit loan for workers," utilizing "IMBank," which were sold to 64,717 accounts (as of October 2020). After the renewal of "IM#[Shop]" in 2020, the number of members increased by 12.5 times, reaching over 240,000 members as of Oct 2020.



Maximization of profits based on efficiency

DGB Financial Group is making various efforts to maximize profits through continuous business process innovation and cost-structure improvement. DGB Daegu Bank and Hi Investment & Securities are continuously increasing DIGNITY complex stores that integrate branch channels, through which they create synergy between banks and securities by providing customers with various financial and investment services and asset management services that set DGB apart from its rivals. DGB Life Insurance is also using mobile contactless channels in more diverse ways and merging small FC branches into bigger ones for efficiency.

DGB Capital is pursuing bottom-up innovation to build a creative corporate culture, streamline processes, and improve systems by revitalizing the employee idea suggestion system. Composed of rank-and-file employees in their 40s and under, the "Future Response TFT" diagnoses the current situations and competitiveness of the company to come up with tasks and response strategies. DGB Capital aims to link the future vision focusing on junior staff in conjunction with business plans in preparation for innovation.

Contribution to the vitalization of the local economy

DGB Financial Group is preparing to respond to changes in the financial environment triggered by the COVID-19 pandemic in terms of sustainability management. Due to the inevitable contraction of economic activities, among others, SMEs are likely to have cash flow problems and the livelihoods of micro-enterprise and low-income class are threatened. As some people are hit harder than others by such disasters, we plan to create various financial support programs to overcome the difficulties together with them.

Inclusive financial support activities

Subsidiary	Activity	Description
DGB Financial Group	On-site support team	<ul style="list-style-type: none"> A platform designed to provide comprehensive financial services for companies in the Gyeongsangbuk-do area including Daegu. Consisting of financial experts in each subsidiary, including DGB Financial Group Synergy Division, DGB Daegu Bank credit review staff and corporate consultants, Hi Investment & Securities research & IB experts, DGB Capital corporate credit experts, etc. Financial support, interest rate reduction, loan extension, provision of information on business conditions, issuance of corporate bonds, IPO-related financial consulting, corporate loans and leases, installment loans, etc.
DGB Daegu Bank	Loans for micro-enterprise	<ul style="list-style-type: none"> For small business owners affected by the COVID-19 pandemic Loans worth KRW 200 billion provided in March and May 2020 Loans of up to KRW 10 million per business payable in three years with a two-year grace period with annual rate as low as 3.10 %, exemption of penalties for early repayment
	KRW 100-billion inclusive financial support for manufacturing businesses	<ul style="list-style-type: none"> for businesses who have obtained over 50 percent of financing from DGB Daegu Bank Loan of up to KRW 50 million per business and application of preferential interest rates and ease of eligibility standards for prompt financial support
	Ultra-low interest rates on KRW 12-trillion loan	<ul style="list-style-type: none"> Special loan programs with 1.5% ultra-low interest rate for small business owners as part of the government program For one year and possible one-year loan extension, loans without collateral, exemption of penalties for early payment Operation of a comprehensive consulting team for prompt loan review for businesses affected by COVID-19
	Support for stable livelihood	<ul style="list-style-type: none"> For customers affected by COVID-19 and self-employed and employed persons who live in the Gyeongsangbuk-do area including Daegu and whose livelihoods have been affected by COVID-19 Increase of financial support worth up to KRW 200 billion for low-class people (DGB Seeds of New Hope Loans, Haetsal Loan 17, Hug Loan, Emergency Fund Loans, etc.)
DGB Capital	Financial support for victims of COVID-19	<ul style="list-style-type: none"> For people who have tested positive for COVID-19 and been hospitalized or quarantined and directly and indirectly lost income Up to three-month deferment of principal payments

Sharing activities to overcome the COVID-19 crisis

DGB Financial Group is providing both human and material, in addition to financial, resources to support prompt recovery from the crisis in the Daegu and Gyeongsangbuk-do area. DGB Daegu Bank, for instance, has been offering its training center in Chilgok-gun, as a treatment center for patients with mild COVID-19 under the care of medical professionals since early March. In addition, the bank was in charge of paying the COVID-19 emergency livelihood funds to qualified persons through all its branches.

Sharing activities to overcome disasters

Subsidiary	Activity	Description
DGB Financial Group	Emotional support programs for children and young adults	<ul style="list-style-type: none"> Emotional support programs for students experiencing COVID fatigue provided by the Dream Tree Education Project Team Operation of the "Mind Prescription Kit" class to comfort children with COVID fatigue and the "Dream Doll Making" class to share feelings with their peers under strict preventive measures
DGB Daegu Bank	Good Landlord Movement	<ul style="list-style-type: none"> 50% rent reduction for six months to small business owners who lease spaces in the buildings owned by DGB Daegu Bank in the Gyeongsangbuk-do area including Daegu in 2020 and 2021
	Free training tailored to meet the needs of local business owners	<ul style="list-style-type: none"> Free training for local business owners to survive the COVID-19 era given by the Corporate Business Consulting Center Industry-specific training such as "YouTube Marketing Lectures" for certified real estate agencies and "Changes in the Food Service Industry after COVID-19 and Food Storytelling Marketing Education" for members of the Food Service CEO Association
DGB Capital	Financial support to help disinfection equipment businesses pay installment loans	<ul style="list-style-type: none"> Agreement signed with "Natural Space," a COVID-19 disinfection equipment supplier, for financial support to pay installment loans and consulting service Prompt financial support for those who buy disinfection equipment manufactured and sold by Natural Space to pay installment loans with low interest rates
DGB U-Pay	Donations to public transport drivers to overcome COVID-19 together	<ul style="list-style-type: none"> Partial exemption of taxi fare card payment fees in the Daegu area for March 2020 and food donation Donation of 15,000 masks to Daegu intra-city bus drivers

Crisis response management

In an effort to prepare for the widespread outbreaks of the COVID-19 pandemic and consequent economic downturn and financial soundness in the banking sector, each subsidiary of DGB Financial Group analyzed risk factors for special management.

To give an example, DGB Daegu Bank conducted a stress test to analyze the impact of the bank based on the scenarios of macroeconomic variables in the first two years since the outbreak of COVID-19 with the aim of formulating systematic measures to cope with the long-term COVID-19 conditions. With the test results as the basis, the bank drew up a detailed action plan, including risk management, management efficiency, and customer management, and created a roadmap for allocating roles and responsibilities to each department. Also, the bank monitors corporate assets in overseas markets, such as China, Vietnam, Myanmar, and Cambodia, paying special attention to asset quality management.

Monitoring of the risks and impact of COVID-19 by each subsidiary

Classification	Description
Credit risk	Reinforcement of asset soundness of banks and capital firms; conservative management of PF purchase commitment by securities companies
Market risk	Reinforcement of monitoring of loss on OTC derivatives of securities companies and review of firm-wide risk limits
Liquidity risk	Monitoring of the securities companies' PF refunding issuance sizes and OTC derivative margin call; reinforcement of the management of capital company bonds' maturity
Interest rate risk	Tougher management of the reverse-repricing of interest rates; management of interest rate risks according to reclassification of life assets
Management risk	Inspection of the securities companies and asset management companies' private equity fund sales process and compliance system

Solve risks and going forward

DGB Financial Group has rapidly improved its performance by systematically responding to risks amid the increasing uncertainty of the financial environment in 2020. Thanks to the brisk business of the non-bank as well as bank subsidiaries, we succeeded in improving the net interest margin (NIM) in 2020 and the NIM is expected to achieve 4bp, the highest among the banks listed, in the first quarter of 2021. The soundness indicator is also stable as the cumulative bank credit cost ratio is 0.36 percent* in 2020. The group's controlling shareholders' net income in 2020 was KRW 332.3 billion, up 8.1% from KRW 307.3 billion in 2019.

*Excluding KRW 57.6 billion in preemptive provisions for covid-19 response.

DGB Financial Group's net income (net income from controlling interests)

Unit : KRW 100 million

Classification	2019	2020	Difference
1st Q	1,038	882	-15.0%
2nd Q	978	969	-0.9%
3rd Q	705	912	29.4%
4th Q	352	560	59.1%







ESG PERFORMANCE

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Society **040**

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Governance

DGB Financial Group is committed to practicing transparent management and making rational decisions by establishing sound governance. In order to properly perform the function of management checks and supervision, which are the essential duties of the BODs, more than half of the members of the BODs are composed of outside directors with proven independence. BOD meetings are held frequently to efficiently solve various problems and challenges faced by the company.

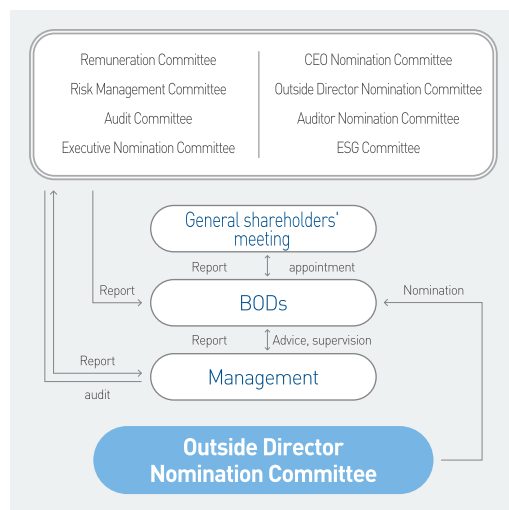
BOD structure and operation The BODs of DGB Financial Group is the group's top decision-making body and consists of one inside director and six outside directors. For the smooth operation of the BODs and the proper performance of the roles and responsibilities required by laws and bylaws, the chairman of the BODs has been appointed from outside directors every year since 2018, and six out of seven members of the BODs are composed of outside directors whose independence has been verified. The BODs is divided into regular and irregular board meetings, and the resolution of the BODs is made by a majority of directors present and a majority of the attending directors. In addition, eight committees under the BODs are operated

in an independent and transparent manner.

BOD diversity and professionalism DGB Financial Group operates the Outside Director Candidate Recommendation Committee composed of four outside directors to appoint outside directors equipped with expertise and independence. We select the outside directors among those who possess at least one share of stock with voting rights at the general stockholder meeting. In addition, for professionalism and diverse perspectives of the BODs, we select experts in diverse areas, including finance, business management, law, accounting/finance, IT, and HR, without preference shown to particular professions and backgrounds. The outside directors are appointed after deliberation by the Outside Director Nomination Committee in accordance with the relevant laws, such as the Corporate Governance Act, the Commercial Act, and articles of association. The outside directors of DGB Financial Group consist of experts with sufficient practical experience and professional knowledge in their chosen fields regardless of sex, race, nationality, and cultural backgrounds.

Creation of the ESG Committee As a leader in ESG management in the financial sector, DGB Financial Group created the ESG Committee within the BOD in Mar. 2021 to maximize ESG performance. We also formed the ESG Management Council and ESG Working-level Governance to assist the operation of the ESG Committee. The ESG Committee consists of at least three directors with the majority of outside directors and the CEO of the company and holds a meeting twice a year or more when necessary. In the first half of 2021, the ESG Committee had a meeting regarding the company's ESG strategy and enactment of related regulations and the "coal exit pledge" as major topics. Also, each subsidiary will report on its ESG plan for 2021 at the meeting.

BOD operation and the process of appointing outside directors



BOD meeting

	Unit	2018	2019	2020
No. of BOD meetings	Times	16	13	9
Attendance of BOD meeting	%	100	100	100

BOD members

Name	Position	Sex	Age	Term	Experience
Kim Tae-oh	Internal director	Male	67	May 31, 2018-2024 (ends on the day of the regular general meeting)	(present) CEO of DGB Financial Group, (former) CEO of Hana HSBC Life
Kwon, Hyeok-se (chairman)	Outside director	Male	65	Mar. 26, 2020-Mar. 26, 2022	(present) Non-standing advisor, Attorney at Law Yulchon, (former) 8th governor, Financial Supervisory Service, (former) Deputy chairman, Financial Services Commission
Cho, Sun-ho	Outside director	Male	67	Mar. 28, 2019-Mar. 26, 2023	(present) Auditor, Shinhung, (former) Fulltime audit and advisor, Hana Bank (former) Director, Financial Supervisory Service Credit Counseling & Recovery Service
Lee, Dam	Outside director	Male	61	Mar. 23, 2018-Mar. 26, 2022	(present) Senior lawyer, Attorney at Law Eoullim (former) judge, Daegu District Court, former) Daegu District Bar Association
Lee, Sang-yeop	Outside director	Male	59	Mar. 28, 2019-Mar. 26, 2022	(present) Executive, Korea Oracle Personnel Management Department, (former) Executive in charge of personnel management, CBRE Korea, (former) HR director, Hewlett Packard Enterprise Korea
Lee, Seong-dong	Outside director	Male	59	Mar. 26, 2020-Mar. 26, 2022	(former) Deputy chairman in charge of supervision of management, Public Officials Benefit Association (former) Asset management executive director, Heungkuk Life Insurance (former) CEO of Heungguk Asset Management
Lee, Jin-bok	Outside director	Male	58	Mar. 28, 2019-Mar. 26, 2023	(present) Vice president, Korea Institute of Certified Public Accountants (present) President, Daegu District Institute of Certified Public Accountants (former) Senior Member, deliberation committee, National Court Administration

Committees affiliated with BODs

Committee	Members	Duties
Remuneration Committee	Kwon, Hyeok-se (chairman), Lee, Sang-yeop, Lee, Seong-dong	Management of the remuneration system for executives
Risk Management Committee	Lee, Seong-dong (chairman), Kwon, Hyeok-se, Lee, Sang-yeop	Supervision of risk management
Audit Committee	Cho, Sun-ho (chairman), Lee, Dam, Lee, Jin-bok	Audit of executives' job fulfillment
Executive Nomination Committee	Kwon, Hyeok-se (chairman), Cho, Sun-ho, Lee, Sang-yeop, Kim, Tae-oh	Nomination of subsidiaries' CEO candidates
CEO Nomination Committee	Kwon, Hyeok-se (chairman), Cho, Sun-ho, Lee, Dam, Lee, Sang-yeop, Lee, Seong-dong, Lee, Jin-bok	Nomination of CEO candidate
Outside Director Nomination Committee	Lee, Dam (chairman), Lee, Sang-yeop, Lee, Seong-dong, Lee, Jin-bok	Nomination of outside director candidates
Auditor Nomination Committee	Cho, Sun-ho (chairman), Kwon, Hyeok-se, Lee, Dam, Lee, Sang-yeop, Lee, Seong-dong, Lee, Jin-bok	Nomination of auditor candidates
ESG Committee	Kwon, Hyeok-se (chairman), Lee, Seong-dong, Kim, Tae-oh	Management of ESG performance and improvement, ESG-related consulting, etc.

Performance Evaluation and Compensation on Board of Directors

The BODs are paid the amount approved at the general shareholders' meeting, which includes the base pay and incentives (short-term incentives and long-term performance-based cash compensation). The short-term incentives are determined by the Remuneration Committee and based on the performance assessment results in accordance with the performance assessment and remuneration standards. The long-term performance-based cash remuneration is determined by the Long-term Assessment and Remuneration Committee by reflecting business performance and tenure. 40% of short-term incentives and long-term performance-linked cash rewards are paid in cash, and the remainder is converted into stocks and divided equally into three years to pay the amount pegged to the stock prices on the record day. We devised a policy that allows us to retrieve the performance incentives in case of professional missteps or deterioration of business performance for transparency of the remuneration system. The remuneration for the concurrent executive directors (chairman) is paid by the institutions they are affiliated with and then DGB Financial Group settles in accordance with the job shared. The highest remuneration we paid in 2020 was 6.64 times of the average amount of the remuneration paid.

External evaluation of outside directors DGB Financial Group is evaluating the professionalism and reputation of the BODs by referencing them to external personnel agencies that do not have a conflict of interest. The evaluation of the outside directors is based on the minutes of the BOD meetings, which gives a glimpse of the degree of their participation in the meetings and professionalism.

DGB Financial Group has focused on establishing a corporate culture with ethical management as the top priority in order to become a reliable company that practices sustainability management through transparency and proper management. We declared ethical management as a brand and became the first to obtain the anti-bribery

BOD Evaluation Criteria

Classification	Evaluator	evaluation
Standing directors	internal	Qualitative quantitative evaluation
Outside directors	external	Degree of contribution, sincerity, professionalism, the hours of activity actually spent

Shareholders The number of shares issued by DGB Financial Group is 169,145,833 as of Dec. 31, 2020, and the largest shareholder is the National Pension Service, which holds 13 percent, and the largest overseas shareholder is the Oakmark International Small Cap Fund, which holds 2.06 percent.

Shareholders (as of Dec. 31, 2020)

Classification	2018	2019	2020
Foreign ownership	65%	53%	47%
Largest shareholder and shares (%)	The Oakmark International Small Cap Fund		
	2%	2%	2%
Domestic ownership	35%	47%	53%
Largest shareholder and shares (%)	Samsung Life Insurance	National Pension Service	
	7%	6%	13%

management systems certification (ISO37001) and practice anti-bribery management system company-wide. In addition, we encourage all employees to participate in the practice of ethical management and strike a chord with the management through education and advertising.

Ethical management



"All Right DGB" is the ethical management brand that symbolizes

DGB Financial Group's determination to become a company where everyone and everything is "all right."

Ethical management system

DGB Financial Group created the "Practical Guidelines on Ethical Conduct," practical guidelines on ethical management, along with the Ethics Charter and the Code of Ethics, for all employees. We are committed to making the practice of ethical management our second nature by spreading the guidelines on ethical management and anti-bribery to all subsidiaries and their business partners. In 2021, we plan to establish the guidelines on compliance with the code of ethics for all employees who have personal YouTube Channels and use social media by reflecting the latest social issues. In addition, we have implemented the "13 Group's Ethical Management Practice Programs," a detailed plan for ethical management, and launched the "Group Ethical Management Awards System" to promote company-wide ethical management in a comprehensive and systematic way.

ISO 37001 (anti-bribery management systems) In Dec. 2018 DGB Financial Group became the first in the Korean financial sector to obtain the anti-bribery management systems (ISO37001) certification, establishing the world-class anti-bribery process. ISO37001 is an international standard officially created by the International Organization for standardization (ISO) for organizational ethical management, corruption prevention, internal control, and legal compliance. In 2020, we made diverse efforts to improve ethical management and transparency so that all subsidiaries could comply with ISO37001. We identified corruption risk areas in the corruption risk assessment conducted in 2019. In 2020, we added the category of "performance for the improvement of corruption and vulnerable areas" to the assessment standards to encourage all subsidiaries to manage corruption risks. Also, we took company-wide legal risk management to the next level by enacting the internal regulations and system reorganization, requiring all subsidiaries to notify the legal affairs department of the holding company under

the direct control of the CEO about the progress of current lawsuits and consultation. In 2021, we set surveillance as part of the compliance officer's duty in order to reinforce the monitoring of the employees' compliance with the laws and thoroughly prepare for the renewal of the anti-bribery management systems certification, eventually conducting company-wide ethical management evaluation on our own.

Ethical Management Awards DGB Financial Group has been holding the Group's Ethical Management Awards ceremony since 2019. The Ethical Management Awards is designed to promote the ethical management practice program and recognize the subsidiaries that have achieved outstanding results in ethical management in general. In 2020, DGB Data System won the award and received a cash prize worth KRW 2 million.

Whistleblowing system DGB Financial Group is obliged to report any information on its employees' conduct that is contrary to corporate ethics and public interests. Each subsidiary has its own regulations on thorough informant protection and confidentiality. To promote the system, we revised it to establish an anonymous reporting system by creating anonymous reporting channels* on the website of each subsidiary to make them readily accessible to all employees. In 2021, we plan to create a DGB Whistleblower System in English on the website of DGB Financial Group for employees working in overseas branches, reinforcing preemptive and regular internal control. When it is open, we plan to promote the system for employees in overseas branches on a regular basis and raise the informant rewards, which is KRW 100 million now, to vitalize the system.

Ethical organizational culture

*Reporting channels: the website of DGB Financial Group and each subsidiary, Red Whistle, DGB mobile office, regular mail, hotline, email, computer system, etc.

Ethical management timeline



Voluntary campaign for the practice of ethical management

Every year, DGB Financial Group is staging the "Voluntary Campaign for Ethical Management Practice" in each subsidiary on a specific topic selected through the employee contests. In 2020, we operated the detailed practice program with "A Person of Integrity, You are DGB's Source of Competitiveness" as the theme. In 2020, we plan to continue practicing ethical management with "Upright and Fair, We are What DGB Is." In addition, we operate the "leader of the ethical management practice system" to spread ethical management and report the ethical management activities to each department and branch office.

Provision of information on ethical management

In order to increase employees' moral awareness, DGB Financial Group offered in-house broadcasting services on ethical management strategy. We also sent text messages on the guidelines on compliance with employees' code of ethics once a month on a regular basis and whenever necessary. Since May 2019, DGB Financial Group is publishing the newsletter on ethical management, ALL Right DGB, for all

employees to read. The newsletter consists of the "Guidelines on Compliance with the Code of Ethics," "Legal Studies," and "Trends on Ethical Management at Home and Abroad," contributing to raising employees' moral awareness.

Executive integrity contract system

We are operating the "Executive Integrity Contract System" in order for the management to set an example for all other employees. All executives with DGB Financial Group are required to sign an integrity contract that prohibits them from engaging in corruption, including bribery and intervention of interest and take full responsibility for corruption.

DGB Financial Group¹⁾ internal control system

Classification	Unit	2018	2019	2020
Total	times	6,458	6,934	7,008
Routine surveillance	times	6,106	6,580	6,731
General surveillance	times	324	329	237
Special surveillance	times	28	25	40

1) DGB Financial Group, DGB Daegu Bank, Hi Investment & Securities, DGB Life, DGB Capital, DGB Asset Management



DGB Financial Group ethical management drama

Who? Don't know yet?

Anti-money laundering education DGB Financial Group requires all employees to complete anti-money laundering education and training at least once a year. All employees are required to conduct self-evaluation on his or her compliance with laws in order not to get involved in financial accidents or crimes directly or indirectly. The anti-money laundering department in each subsidiary provides all employees with the latest trends and issues regarding prevention of money laundering on a regular basis.

Production of web dramas for upgrade of ethical education

DGB Financial Group produced the "Ethical Management Education Drama" for the effectiveness of moral education. The drama, which consists of 10 episodes on compliance with the code of ethics for employees, is scheduled to be aired from March to December 2021, comprising one episode per month, on the in-house channel and YouTube. The drama is available to the public as well. The topics include "Improper Solicitation," "Improper Budget Spending," "Bullying in the Workplace," and others that are commonly found in the working environment. We plan to use them as part of the moral education curriculum in each subsidiary on a regular basis.

Employee ethical education

Ethical management education and training DGB Financial Group requires all employees including the management, to complete ethical management education. From Mar. 19 to 31, 2020, executives with DGB Financial Group received cyber training on the code of ethics and compliance with the code of ethics.

Risk management

DGB Financial Group systematically manages risk in order to minimize damage by proactively responding to diverse issues, including economy, climate change, social issues, volatile financial environment, and financial and non-financial risks. From 2019, when signed the UNEP FI PRB and declared the support for TCFD, we are in discussions with relevant departments on how best to identify and manage ESG risks.

insurance risk) and others (liquidity, strategy, reputation, and others). In addition, we refer to risks that may affect the group's business in the long term as emerging risks and carry out diverse activities to address them. Especially, we define "digital risk" and "information disclosure in accordance with the TCFD recommendation" as important emerging risks to manage them.

Risk management system

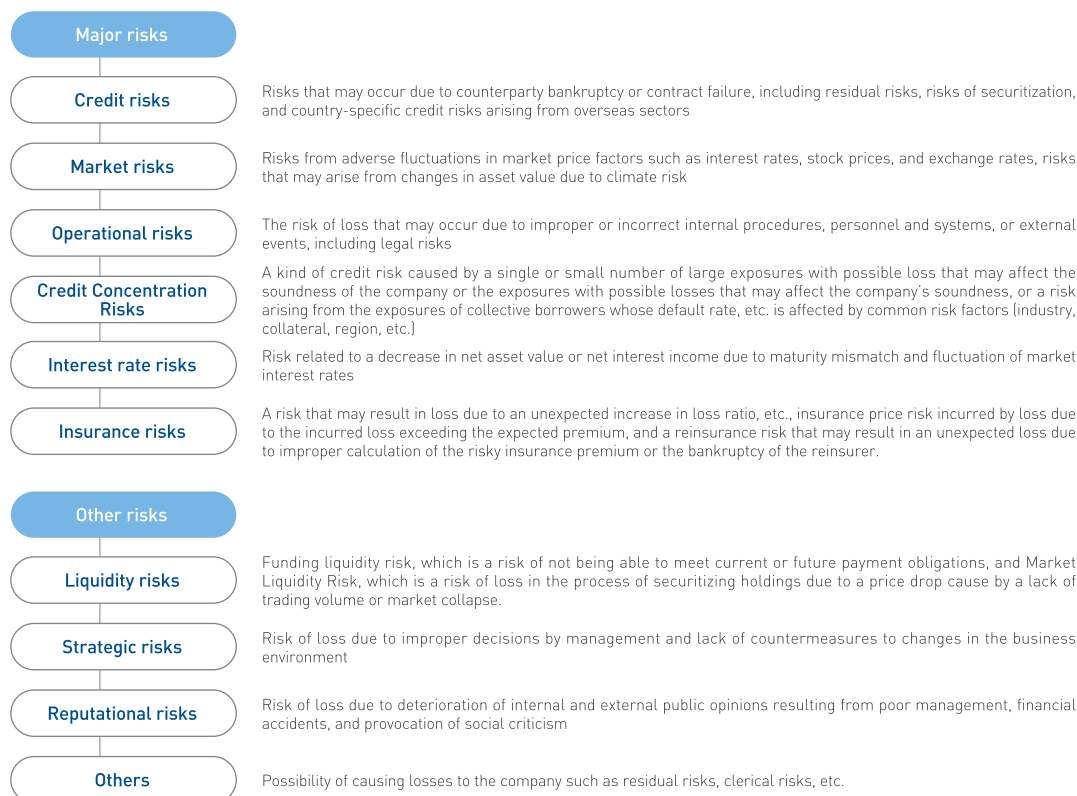
Types of risk and identification DGB Financial Group manages risks by categorizing them into major risks (credit, market, operation, credit concentration, interest rate,

Risk management organization DGB Financial Group strives to maintain the risk level within the danger within the risk appetite that the group can tolerate by promoting a balance between risks and profits in all business activities for sustainable growth. To this end, we operate the Risk

Activities of the Risk Management Committee in 2020

Classification	Date	Major agendas
1st	Feb. 12, 2020	Status of Group's comprehensive risk management in 2019
2nd	Mar. 26, 2020	Nomination of the chairman of the Risk Management Committee
3rd	May 15, 2020	Group integrated crisis analysis result in the first half of 2020, partial revision of risk management regulations (draft), etc.
4th	Aug. 5, 2020	Establishment and operation of a unified credit rating model (draft) of the group
5th	Sept. 23, 2020	Formation of the "Basel III: Finalizing Post-crisis Reforms" credit risk system and implementation (draft), etc.
6th	Nov. 6, 2020	Capital management plan (draft) based on the results of the group's integrated crisis analysis in the second half of 2020
7th	Dec. 22, 2020	Basic plans for the group's risk management in 2021 (draft)

Types of risk and definitions



Management Committee, which is the highest decision-making body for risk management, which oversees overall risk management-related affairs, such as group risk recognition, evaluation, and management. The Risk Management Committee is held regularly four times a year to formulate basic policies and strategies for risk management, determines the level of risk, sets allowable limits, and conducts regular inspections on the current status of risks. The Risk Management Committee operates a risk management council under its supervision to efficiently perform risk management tasks. The Risk Management Council manages the group's risk-related detailed affairs and measures and manages the risks related to strategic decision-making of the group.

Integrated risk management system DGB Financial Group operates an integrated risk management system for efficient risk management in each subsidiary and comprehensive risk management at the group level. Through the creation of an integrated risk management system, we have unified data on the subsidiaries and are providing risk analysis and monitoring tools from diverse perspectives. At the same time, we are supporting risk managers with each subsidiary to make independent risk management and monitoring possible.

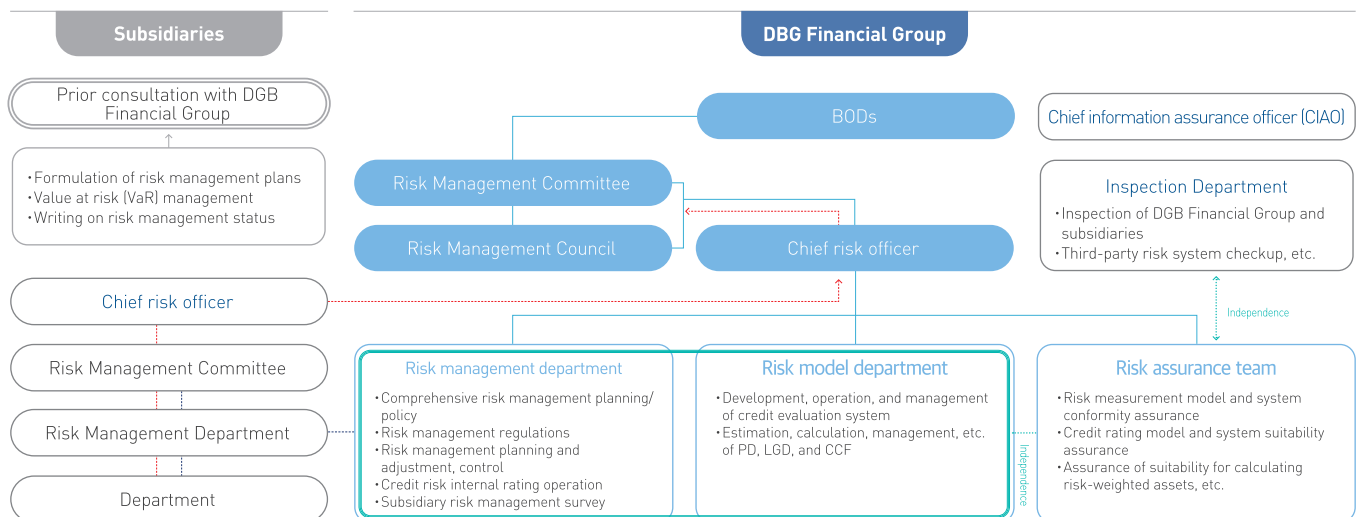
Top-10 industries with highest exposure to DGB Daegu Bank

	2018	2019	2020
1	Rental property business	Rental property business	Rental property business
2	Wholesale business (metal wholesale business excluded)	Wholesale business (metal wholesale business excluded)	Wholesale business (metal wholesale business excluded)
3	Automobile part manufacturing	Real estate supply	Real estate supply
4	Real estate supply	Automobile part manufacturing	banking
5	Machinery	Banking	Automobile part manufacturing
6	Metal processing	Machinery	Machinery
7	banking	Metal processing	Lodging
8	Retail business (large retail business/gas station excluded)	Lodging	Metal processing
9	Textile (dyeing excluded)	Retail business (large retail business/gas station excluded)	Retail business (large retail business/gas station excluded)
10	Steel	Textile (dyeing excluded)	Food service

Emerging risks

Classification	Description	Impact of risks on business	Methods of reducing risks
Digital risks	The digitalization of finance and the use of advanced IT technology increase the complex digital risk of financial companies.	Contactless channel: increase of risks related to Know Your Customer (KYC) and anti-money laundering (AML) <ul style="list-style-type: none"> Open API : increase in difficulty in managing information and preventing financial fraud Product/service complexity: Increase of possibility for intentional/unintentional misselling/unfair selling 	Reinforcement of the management of the risks of money laundering: Implementation of a KYC system for financial transactions through contactless channels and prompt response to issues related to money laundering resulting from new IT development <ul style="list-style-type: none"> Revision of risk governance: revision of internal control system/ decision making and reporting systems Product/service safety: investment in technology and recruitment of professional resources
Information disclosure in accordance with TCFD recommendations	Financial disclosure information related to climate change and strategy formulation are required in accordance with the TCFD recommendations	<ul style="list-style-type: none"> Reinforcement of demands for implementation of recommendations proposed by overseas investors and supervisory bodies increase in physical cost and switching 	Formulation of strategies to respond to climate change and creation of a risk management process <ul style="list-style-type: none"> Creation of climate change-related indicators and planning of systematic management

DGB Financial Group risk management system roadmap



Green management

DGB Financial Group is formulating a management strategy that takes into account the risks and opportunities arising from institutional and physical changes caused by environmental changes. We are practicing green management by engaging in various activities designed to minimize the environmental impact that results from the process of management activities.

Minimization of environmental impact

Operation of the environmental management system

DGB Financial Group has established a system to consider environmental impacts in all business activities. DGB Daegu Bank was certified with the environmental management system (ISO14001) in 2011. Since our obtainment of the green management system certification (GMS: KS I 7001/7002) for the first time in the financial sector in Korea, we have maintained an environmental management system that meets international standards through follow-up and renewal evaluation on a regular basis. In May 2020, nonconformities were found in the environmental management system and green management system evaluation. We received 24 recommendations, including strengthening of the prevention field when identifying the effects of environmental performance and improvement activities.

Introduction of renewable energy and green purchasing

DGB Daegu Bank installed solar power generation facilities at Banyawol and Gyeongju branches in 2008 and has been operating a geothermal system along with solar power generation facilities at our 2nd headquarters since 2016. In addition, we are encouraging the purchase of eco-friendly products when purchasing products, increasing eco-friendly goods and reinforcing eco-friendly shopping education based on the guidelines on green shopping.

Greenhouse gas inventory management system and report

DGB Financial Group established a greenhouse gas inventory system to systematically manage greenhouse gas emissions. We conduct third-party verification every year to ensure objectivity and reliability of the report on energy conservation and the volume of greenhouse gas emissions. In 2020, we expanded the inventory system to all subsidiaries, including Hi Investment & Securities, DGB Life, DGB Capital, and DGB Asset Management.

Green Management Performance

Classification	Unit	2018	2019	2020
Renewable energy used	TJ	0.19	0.30	0.29
Greenhouse gas emissions volume	tCO ₂ e	22,396	24,549	25,444

Climate finance of DGB Financial Group



DGB Financial Group has been actively practicing green finance led by DGB Daegu Bank before its launch as a comprehensive financial institution. In 2006, we declared sustainability management and created the Sustainability Management Committee, laying the groundwork for green finance. We have made a great effort to contribute as a financial institution to provide financial products that can boost eco-friendliness to financial consumers and promote eco-friendly business management.

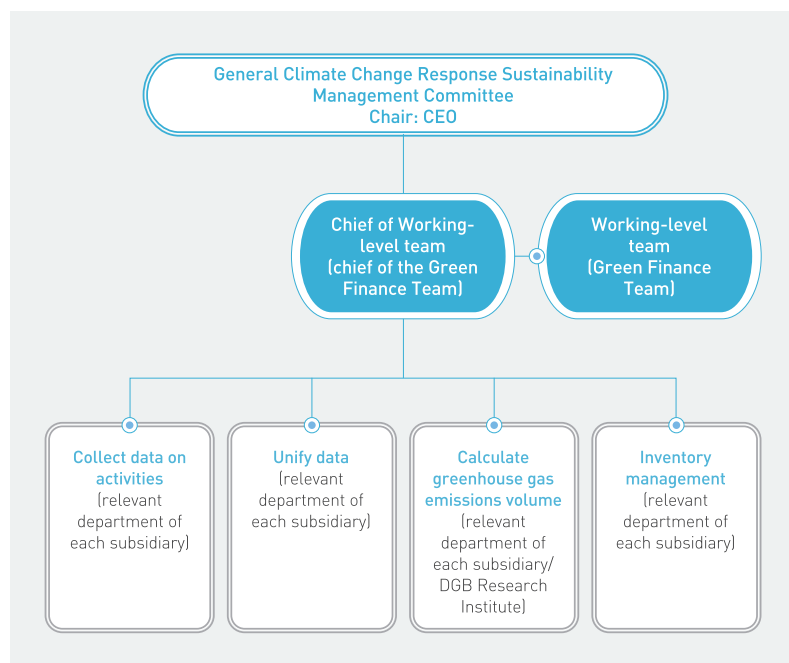
In business operations as well, we have continuously monitored and reduced environmental impacts by acquiring ISO 14001 certification and establishing a greenhouse gas inventory. We applied energy-efficient and water-saving design and obtained eco-friendly building certification by using eco-friendly materials when remodeling DGB Daegu Bank's headquarters building and building the second headquarters building. In addition, we are building a paperless office environment through digitalization and raising environmental awareness through

environmental education and various campaigns for employees.

DGB Financial Group intends to contribute to the realization of '2050 carbon neutrality' through finance. To this end, we declared the upgrading of climate finance by joining the TCFD¹⁾ and signing the SBTi²⁾ in 2018. We also undertook ESG management in full-swing to establish a climate financing practice system. We are actively building a system for responding to climate change as we enter the "new climate economy era" and expanding eco-friendly investments and loans. Especially, in Mar. 2021, we declared "coal exit financing," refusing to participate in financing projects or taking over bonds related to the construction of domestic and overseas coal power plants. All subsidiaries are now preparing an action plan to turn the pledge into action. DGB Financial Group reports the climate finance system in accordance with the TCFD recommendations and details can be found in a separate report on the website (<http://www.dgbfg.co.kr/sm05.fg>).

1) Task Force on Climate-related Financial Disclosures
2) Science Based Targets Initiative

Greenhouse gas emissions inventory



Chronology of Climate finance

Year	Activities
2006	<ul style="list-style-type: none"> Started offering special loans for eco-friendly business funds Developed eco-friendly financial products
2007	<ul style="list-style-type: none"> Signed the CDP (Carbon Disclosure Project)
2008	<ul style="list-style-type: none"> Pushed DGB STOP CO₂ plan
2009	<ul style="list-style-type: none"> Named a leader of the CDP KOREA climate change Undertook the plantation project for desertification prevention in Mongolia
2010	<ul style="list-style-type: none"> Conducted external assurance of greenhouse gas emissions inventories Opened a DGB cyber green branch office
2011	<ul style="list-style-type: none"> Obtained a certification for green management system (KSI 7001/7002) and environmental management system (ISO 14001)
2013	<ul style="list-style-type: none"> Won grand prize at the 2013 Korea Green Management Awards
2016	<ul style="list-style-type: none"> Joined the Climate Disclosure Standards Board (CDSB) working group
2018	<ul style="list-style-type: none"> Joined the TCFD Signed the SBTi (For the first time in the finance sector)
2020	<ul style="list-style-type: none"> Upgraded the greenhouse gas emissions inventory system of the subsidiaries Published a climate change report
2021	<ul style="list-style-type: none"> Declared "coal exit financing"

Creation of a paperless work environment and achievements

DGB Financial Group is committed to going paperless by replacing paper bills sent to customers with e-mail. In order to increase digital competitiveness by establishing a paperless environment, DGB Daegu Bank installed a tablet branch (ODS, OutDoor Sales) and a paperless process reengineering (PPR) system in all branches. From the second half of 2020, the use of electronic documents exceeded 50 percent in all branch offices, cutting the printing cost by 17 percent from the previous year.

Hi Investment & Securities is the first small and medium-sized securities firm to go paperless. As of Dec. 2020, as many as 54 percent of the branches achieved a paperless work environment. The firm plans to expand its plan to go paperless to include all branch offices in 2021.

Promotion of environmental awareness

Environmental education for employees DGB Financial Group providing education on green management and green finance to employees, especially for users of the greenhouse gas emissions inventory system and internal auditors for the green management system.

12th NIE Energy Journal Contest DGB Financial Group holds the "NIE (Newspaper in Education) Energy Journal Contest" every year for elementary, middle, and high school students nationwide to promote an eco-friendly lifestyle. We organized the 12th contest, which was held in 2020, jointly with Dr. Ahn's Institute for Nature Care under the sponsorship of the Ministry of Environment, Daegu Metropolitan Office of Education and the UN Global Compact Network Korea. Over 1,000 students participated in the contest.

The "NIE," which stands for "Newspaper in Education," aims to increase students' awareness of environmental issues by encouraging students to unbridle their creativity and cultivate comprehensive thinking skills. The contest is gaining positive responses from elementary, middle, and high school students.

Use of electronic documents in DGB Daegu Bank branch offices

Duration	Second half of 2019	First half of 2020	Second half of 2020
6 months on average	33%	47%	57%

Protection of financial consumers' rights and interest

DGB Financial Group operates a financial consumer protection system to enhance the rights and interests of financial consumers and maintain a sound order in the financial product sales and advisory market. Prior to the enforcement of the Financial Consumer Protection Act in Mar. 2021, we preemptively improved the system and are notifying related details to our customers.

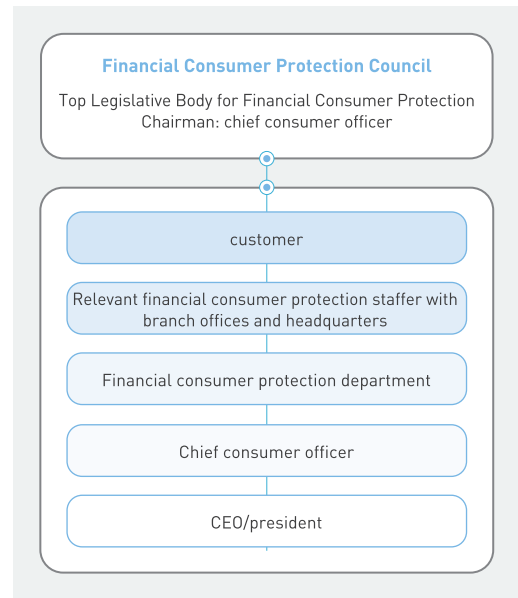
Financial consumer protection system

Organization and process DGB Daegu Bank, Hi Investment & Securities, DGB Life, and DGB Capital are engaging primarily with selling financial products to financial consumers. Each of these subsidiaries operates a financial consumer protection department under the leadership of the chief consumer officer (CCO).

The CCO oversees the creation of the process and criteria necessary for financial consumer protection, management and supervision of the financial consumer protection system for each state of selling financial products, and financial consumer education. Also, each of the subsidiaries operates a Financial Consumer Protection Council to address issues related to financial consumer protection by holding council meetings. The council reports the results of the council meeting to the BOD and shares them with related departments to draw up plans for accident prevention. In addition, each of the subsidiaries consults with the consumer protection department based on the internal regulations throughout the entire process from development of financial or insurance products to sales and follow-up management to payment and determines the preparation for proper consumer protection guidelines. DGB Daegu Bank established the Non-Deposit Product Selection Committee in 2021 to deliberate on the selection, sales, and follow-up management of non-deposit products, such as trusts, funds, pensions, and variable insurance. Hi Investment & Securities created the Product Deliberation Committee to expand the deliberation on product introduction to cover all products sold by the company, including specialized investment products.

Incorporation of financial consumers' opinions DGB Daegu Bank operates the "Financial Consumer Protection Integrated System" to protect the rights and interests of financial consumers. We provide customer services by organically integrating the scattered consumer service systems related to financial consumer protection. Also, we provide one-stop customer services related to financial consumer protection, reflecting consumers' opinions when developing financial products and providing ample information when selling products and follow-up customer services. Especially, we created the early warning system to increase customer satisfaction by preventing customer complaints as best as we can.

Financial consumer protection organization¹⁾



1) DGB Daegu Bank, Hi Investment & Securities, DGB Life, and DGB Capital

DGB Daegu Bank consumer rights protection procedure

<p>Step 1. Product development process</p>	<p>① Process of prior consultation</p> <ul style="list-style-type: none"> - Creation and review of checklists related to internal regulations on the development of financial consumer protection products and service development when formulating new product development and marketing policies. - Prior consultation with the financial consumer protection department - Demand for the discontinuance of new product launch and marketing activity, and plans for improvement to relevant departments when it is considered problematic in protecting financial consumers
<p>Step 2. Product sales process (prevention of mis-selling)</p>	<p>② Reflection of financial consumers' opinions and complaints</p> <ul style="list-style-type: none"> - Reflection of consumers' complaints and opinions in developing and planning new products [complaints, VOCs, Happy Call, DGB customer panel, etc.] <p>③ Five principles that sales staff must comply with in the internal rules for the sale of financial consumer protection products</p> <p>① Bona fides; ② prohibition of the abuse of authority; ③ suitability principle; ④ Notification of important details; ⑤ information protection</p> <p>② Separate sales rules required for product solicitation to vulnerable financial consumers such as the elderly</p> <p>③ Management of the list of qualified sellers and the validity of seller qualifications, etc. on a regular basis</p>
<p>Step 3. Follow-up management process</p>	<p>① Verification financial consumers' accurate understanding of the financial products in question and sales personnel's compliance with the sales process</p> <ul style="list-style-type: none"> - Happy Call, independent mystery shopping, on-site inspection of internal control, diverse training programs for recurrence prevention

Financial consumer protection activity

Prevention of telecommunications fraud DGB Financial Group enforces various measures to prevent voice phishing fraud, which is difficult to prevent with only customers' caution, as perfectly as possible. DGB Daegu Bank, for instance, has a voice phishing prevention team that monitors suspicious transactions in real time and work together with branch offices and employees with other banks to prevent fraud. In addition, each subsidiary is equipped with the fraud detection system (FDS) and making a concerted effort to detect and respond promptly to voice phishing by upgrading the system on a regular basis.

Winner of the outstanding Financial Consumer Protection award DGB Daegu Bank received an "excellent" comprehensive rating in the results of the "2019 Financial Consumer Protection Survey" conducted by the Financial Supervisory Service and became the only winner of the outstanding institution award among the 16 banks surveyed. This feat is the result of the concerted efforts all employees of DGB Daegu Bank made for consumer protection by fulfilling the "Five Action Tasks for Customer Complaint Prevention" they drew up on their own. In fact, the unreasonable systems the bank identified while handling civil complaints and customer suggestions and reflected in actual system improvement leaped from 76 percent in 2019, to 91 percent in 2020.

Customer Idea Contest for financial consumer protection

DGB Daegu Bank held an idea contest in which any customer can express opinions on the overall areas that are deemed to be in need of improvement from customers' points of view, such as banking practices and convenience, and measures to prevent telecommunications fraud (voice phishing). We selected six excellent ideas by evaluating all the ideas in terms of possibility for further improvement and practicality. The first prize was awarded to the customer who suggested AI products for surplus funds, an idea closely related to everyday life.

Information security and private information protection

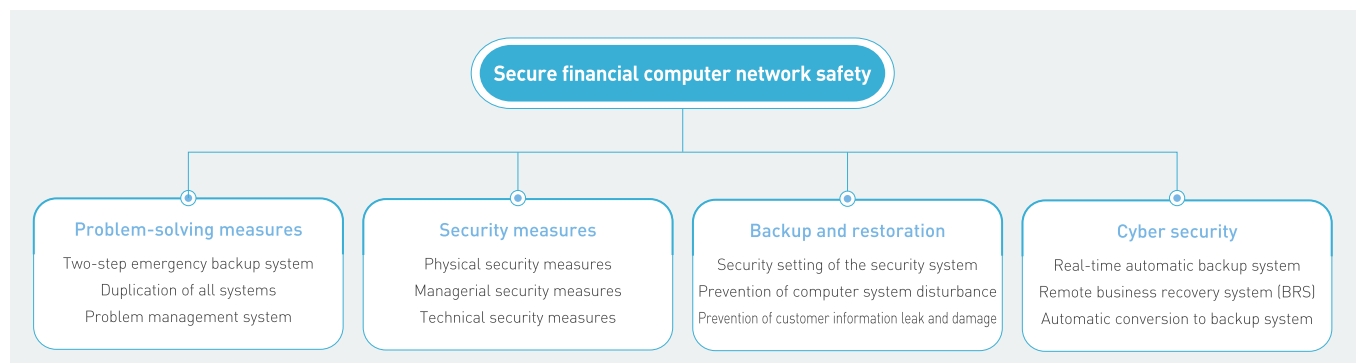
DGB Financial Group information security governance In order to prevent company-wide information security risks,

DGB Financial Group formed a council consisting of heads of each subsidiaries' information security departments to discuss information security-related issues and solutions. The council measures internal and external security-related risk factors, and formulates strategies to respond to them, strengthening the stability of the security system. We inspect the information security system on a regular basis to ensure that all the computerized resources are in safe hands. We also set the "Information Security Inspection Day" to conduct self-inspection of information protection and provide employees with information protection. We manage and supervise compliance with regulations regarding the provision and use of customer information between subsidiaries through regular inspections. In addition, we analyze and evaluate weaknesses of our website and electronic financial infrastructure every year, enhancing our capacity to respond to cyber-attack through employee cyber training on phishing, smishing, and information security, and annual intrusion incident response training.

Information security system and strategy DGB Daegu Bank clearly stipulates the roles and responsibilities for information protection and delivers safe customer service through continuous system improvement to prevent the infringement and leakage of customer information and important internal information. In addition, we are making efforts consistently to respond promptly to change in the financial industry resulting from digital transformation and reinforce financial security.

Information protection department plays a role as a commanding center for all affairs related to customer information protection, including personal and credit information, as well as those related to IT information protection for electronic infringement prevention. In doing so, we secure professionalism, objectivity, and independence. Also, we do our best to protect information by assigning the chief information protection officer and chief personal information protection officer and appointing all deputy managers of branch offices as the personal information protection managers and one of the level-4 officers as a private information protection officer.

Security Management & Operation for Computer Network Safety



Information security and private information protection activity

DGB Daegu Bank	Internal employee management	<ul style="list-style-type: none"> • Inspection of compliance with laws and regulations related to customer information protection on a regular basis • Upgrading of training courses such as systematic customer information management and protection related training • Minimization of customer information inquiry rights [by department, job, operator or position], etc.
	Technical security system	<ul style="list-style-type: none"> • Control of the use of removable storage devices • Periodic personal information search and deletion through the personal information search system • Forced encryption of documents stored on the PC • Strengthening approval process when sending mail outside • Data masking when personal information is included in printer output • Personal information protection before faxing, etc.
	IT system control	<ul style="list-style-type: none"> • Customer information database access control • Network access control through intrusion detection system and intrusion prevention system • Prevention of external hacking and information leakage by separating the internal business network and the Internet access network • Periodic system vulnerability inspection, etc.
Hi Investment & Securities	Employee security training and authority management	<ul style="list-style-type: none"> • Periodic information protection training and education for all employees • Minimization of customer information inquiry rights [by department, job, operator or position], etc. • Formulation and implementation of training plans for staff access to personal information • Monitoring of staff with access to personal information in terms of business processing and appropriateness, etc.
	Administrative security measure	<ul style="list-style-type: none"> • Regular inspection regarding compliance with laws and regulations related to customer information protection • Information Security Management System (ISMS) certification • Periodic inspection of entrusted personal credit information processors and electronic finance assistant companies, etc.
	Technical security measures	<ul style="list-style-type: none"> • Control of use of removable storage devices • Operation of PC management security solutions [Encryption of documents containing personal information, prevention of screen capture, mail approval, etc.] • Separation of internal business network from Internet access network • Periodic inspection of electronic financial infrastructure vulnerabilities, etc.
DGB Life	Increase of employees' security awareness	<ul style="list-style-type: none"> • Customized training for information protection officers at each branch and violators of measures to respond SMS phishing • Periodic independent inspection and upgrading for information leakage prevention
	Administrative protection control	<ul style="list-style-type: none"> • Periodic inspection regarding compliance with laws and regulations related to personal (credit) information protection • Periodic inspection of personal (credit) information inquiry authority and adequacy of destruction and separate storage • Reinforcement of monitoring of employees with a record of excessive access to personal (credit) information and vindication process • Monitoring of staff with access to personal (credit) information and periodic system inspection
	Technical security control	<ul style="list-style-type: none"> • Operation of PC security solutions for computer safety [Computer security, document encryption, search and deletion of personal information, security USB, and screen capture prevention, mail approval, etc.] • Operation of an information protection system for hacking prevention and network control [intrusion detection/prevention system, network/server/DB access control, etc.]

Improvement of customer satisfaction

DGB Financial Group has established various customer communication channels for each subsidiary to listen to customers' feedback. Based on customer's opinions, we are committed to providing the services our customers want to practice customer satisfaction management.

Customer communication

Voice of the Customer (VOC) system DGB Daegu Bank, Hi Investment & Securities, and DGB Life are operating "Voice of the Customer (VOC)" system to revise out-of-date practices and systems that are unreasonable and inconvenient from customers' perspectives. We monitor customers' opinions by classifying them into complaints,

complaints, and pending issues on a regular basis and forward the opinions to relevant departments for prompt handling.

Customer satisfaction survey DGB Daegu Bank conducts a customer satisfaction survey every year to improve service quality and customer satisfaction. From 2021, we are conducting surveys by using mobile devices instead of telephone for customer convenience and objectivity. We expect that mobile surveys will allow us to expand the voices of customers as they include all customers who receive services at our branches, unlike existing sample surveys.

Financial service accessibility

DGB Financial Group aims to make financial services more accessible through digital innovation so that customers can use them more conveniently. In addition to increasing the benefits of contactless channel products such as Internet banking, mobile banking, and IM Bank, we are making financial services more readily accessible to our customers by providing diverse services – as well as opening on holidays, and kiosk banking. Especially, we are upgrading our service systems and products so that all customers, regardless of age or disabilities, can use the services.

Support for vulnerable customers in banking DGB Daegu Bank is equipped with facilities that allow vulnerable customers such as elders and disabled to readily receive financial consulting and transaction services and file complaints. For instance, in partnership with Daegu Braille Library, we provide the “Happiness Sharing Companion Service for Visually Impaired People’s Convenient Use of Banking Services,” which allows blind and partially sighted people to have access to information on banking products, such as banking brochures, terms and conditions, and product manuals written in Brailles.

The service is available to anyone who submits the completed application form to the bank in person or by proxy. We also offer the “Voice and Large-Font Credit Transaction Basic Terms and Conditions Service” for seniors with poor vision. In 2021, we plan to provide services for hearing-impaired persons by recruiting staffers who can communicate with sign language, and to install cameras in key branches to make the remote sign language video communication system accessible.

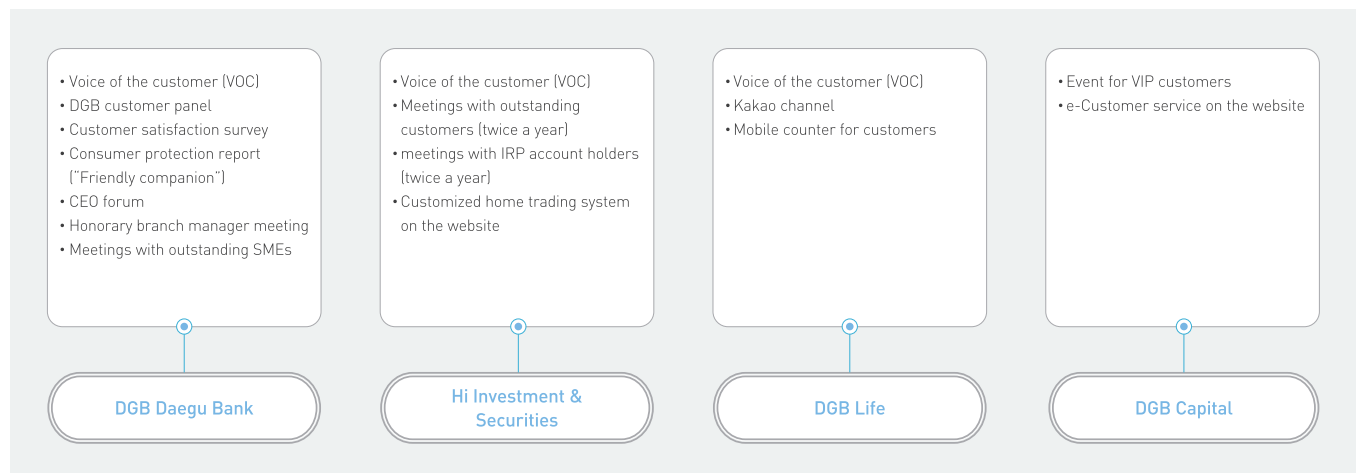
Hi Investment & Securities is equipped with a manual designed to serve customers with physical disabilities and seniors effectively. We also provide a special counseling service for seniors aged 70 years and older that allows them to directly contact the customer service without waiting.

Launch of digital insurance DGB Life has launched digital insurance that allows customers to easily and conveniently sign up for insurance directly online. Digital insurance offers ready accessibility as customers can buy an insurance on the site linked to the website without having to download an application. We also formed a partnership with Kakao Pay and Korea Credit Bureau (KCB) to simplify the personal verification and information input process. DGB Life’s digital insurance won the grand prize in the life insurance category at the “Web Awards Korea 2020” organized by the Korea Internet Professionals Association in recognition of its innovative and outstanding service.

DGB Daegu Bank’s support service for customers with physical disabilities

Service	Description
Happiness Sharing Companion Service	Counters with staff exclusively for seniors and customers with physical disabilities • Counters: 245 branch offices • Staff: 245 • Key branch offices: Voice OTP for visually impaired customers installed in eight branch offices in each region
Taxi reservation service	Taxi service for seniors and customers with physical disabilities • Key branch offices: 10 in each region
Customized service by disability type	Voiceye, Braille card, larger ATM screen, ATM with an earphone, braille security card, voice OTP, customer complaints filing in Braille, telephone banking voice recognition service (1661-5200), wheelchair-accessible ATMs, disabled-accessible facilities (ramp, wheelchair lift, etc.), Internet banking for language- and/or hearing-impaired people, smart banking chatting counseling service, etc.

Customer communication channels



Talent management

DGB Financial Group is striving to build competency and stabilize employment by hiring excellent human resources through a fair recruitment process and providing various training opportunities. At the same time, we increase motivation through competency-based fair evaluation and rewards. In addition, we stress education so that each employee can develop their capacity and increase employment stability while sharpening our competitive edge in the rapidly changing financial market environment. In addition, we support career planning after retirement through the "Career Design Course," a re-employment support program for employees who plan to retire. DGB Financial Group pursues a corporate culture where employees are happy. To this end, we encourage employees to cut working hours and enjoy their vacations. We also make efforts to create diverse programs and expand employee benefits to boost their morale.

Talent recruitment

Right people for DGB Financial Group The people of DGB Financial Group are the talents who create new values based on service and integrity. We want the humane talents who respect people and serve communities and customers, who have a strong sense of responsibility and integrity, and who think creatively, act independently, and challenge themselves.

Fair recruitment and employment stability DGB Financial Group pursues employment without discrimination based on gender, educational background, age, and major. In addition, the entire newly joined workforce is full-time as we vowed to join the effort to solve problems related to irregular jobs and employment stability. We are continuously converting irregular workers to regular employment.

Fair evaluation and rewards DGB Financial Group conducts business evaluation based on individual capabilities and performance. We conduct multi-faceted evaluation to diversify evaluation subjects to ensure fairness and objectivity. The job evaluation is linked to the management by objectives (MBO) and key performance indicators (KPI) that reflect the uniqueness of each

department and branch office and the comprehensive evaluation results are reflected in promotion, annual salary, incentives, and job placement. In addition, feedback on the strengths and weaknesses of individual employees derived from the evaluation results leads to long-term self-development and creation of performance within the organization.

Talent nurturing

Training practical digital talents DGB Daegu Bank is planning to foster practical digital talent in accordance with the strategic directions for becoming a "Digital Banker," "Global Banker," and "Universal Banker." We provide digital financial education in six core areas, including big data, artificial intelligence, block chain, cloud, digital marketing, and digital finance business, by systematizing them by level. New employees are being nurtured through a mentoring system for one year, while the Career Development Program (CDP) is continuously operated in each field. In order to increase the effectiveness of learning and access to education for employees, we introduced the mobile platform BaZle (Bazle, enjoy learning) and offer financial courses such as job training and certification preparation classes, and non-financial courses (IT, foreign languages) through employee demand surveys.

DGB Life is supporting employees for their capacity building as financial professionals by providing diverse in-house self-development programs, such as "DGB Insight," a lecture by internal and external experts, and "Book It Talk," a book club.

DGB HIPO Program DGB Financial Group has established a leadership pipeline through the "Group Core Talent Development Program (DGB HIPO Program)," a human resource development system designed to systematically and fairly select and nurture key talent. HIPO stands for DGB Financial Group's High Potential. The talents selected through the HIPO Program go through a systematic development process such as strategic career development program (CDP) management, challenging tasks and projects, and various training programs to grow into the best leaders in the financial sector.

DGB Daegu Bank's 2020 new talent nurturing program

Program	Description
SUB Nurturing Project	The final stage of Universal Banker, the process of fostering Specialized Universal Bankers, aiming to foster specialized talents in investment finance, risk management, fund management, and digital and global banking, respectively.
W Project	Practical education on household loans for female managers who have little experience in credit business and level-5 and 6 female bankers
KBI-TUBE	Mobile programs on financial matters and humanities/liberal arts offered to all employees by using KBI-TUBE, a micro-learning-based program of the Korea Financial Research Institute
Can-Do Point	An integrated performance reward program that allows individual employees to accumulate prizes earned through performance activities as points, and receives them as rewards at the desired time.

Capacity-building for female workforce DGB Financial Group is participating in the 2020 UNGC Target Gender Equality (TGE) Program in order to actively implement the UNGC's "WEPs (Women's Empowerment Principles)," which DGB Financial Group signed in 2019.

We are investigating a possible gender gap in the workplace through the program and making an effort to achieve gender equality. Especially, we promote education and professional development for women and increase the share of women in senior management.

Innovation of corporate culture

Corporate culture innovation program DGB Financial Group is striving to drive employees' motivation and take pride in their workplace by spreading a world-class corporate culture that keeps them happy. Especially, we are promoting joint projects among subsidiaries in diverse fields, including human resources exchange, IT integration, and utilization of common resources, communication and CSR activities, while abolishing unnecessary customary practices, to establish a healthy "One DGB" corporate culture.

In 2020, Hi Investment & Securities created the Corporate Culture Department to develop a healthy company culture through diverse programs. For instance, the "Hidden Pearls" program, which is designed to praise employees who cherish the value of "respect" and "communication," and work hard to incorporate these values into their work, apart from the existing performance-based awards. We also award employees who have performed the best in diverse categories, such as "the King of kindness," who is understanding and cooperative, and "Problem solver," who works hard for prompt action and feedback, with non-monetary prizes to boost employee satisfaction and loyalty.

Corporate culture index DGB Financial Group calculates the corporate culture index to consistently manage and upgrade its corporate culture. The corporate culture index is diagnosed and assessed based on various items and subitems, including vision, belief, respect, fairness, pride, fun, communication, cooperation, immersion, and overall satisfaction. Positive responses to these items in the

survey are converted into indexes. In addition, we analyze the corporate culture index according to the individuality of employees by subdividing all the items and subitems, such as gender, rank, workplace location, and work years. The Corporate Culture Index is conducted every other year by each subsidiary and is used as a data to collect employee opinions and review the performance and improvement of the corporate culture innovation program.

Corporate culture slogan and campaign In 2020, DGB Financial Group introduced the keyword and slogan that represent its corporate culture with the aim of creating a corporate culture in which all DGB Financial Group employees participate under the leadership of the CEOs of the subsidiaries. The slogan, "IM C.E.O." reflects our belief that each one of us ("IM") should face the challenging business environment with a sense of ownership and put in our best efforts to turn a crisis into an opportunity.

Starting in 2021, we are staging the company-wide "ERRC Culture Campaign" designed to create a lively organizational culture by abolishing unreasonable customary practices. We plan to expand the campaign further by holding an idea contest to eliminate and reduce unnecessary practices to raise productivity and create something new.

Employee communication Hi Investment & Securities operates the "Blind Lunch" and "Counseling at Your Door" programs to allow employees to air their grievances and facilitate two-way communication channels. "Blind Lunch" is held once a week for three employees from diverse departments so that they can create synergy in the workplace by communicating better with one another. The "Counseling at Your Door" breaks away from the typical passive grievances handling method and serves as an active way of relieving employees' work-related stress.

Management for employee happiness

DGB Family Happiness Center DGB Financial Group operates diverse programs designed to improve the quality of life and work satisfaction based on a work-life balance. Established as a part of DGB Daegu Bank's

Target for gender diversity

Category	Target year	Daegu Bank	Hi Investment & Securities	DGB Life	DGB Capital
Share of women in total workforce	2025	50%	35%	50%	25%
Share of women in all management positions	2025	33%	30%	30%	4%
Share of women in junior management positions	2025	50%	50%	35%	4%
Share of women in top management positions	2025	25%	15%	25%	9%
Share of women in management positions in revenue-generating functions	2025	35%	30%	25%	4%
Share of women in STEM*-related positions	2025	25%	12%	30%	42%

* Science, Technology, Engineering and Mathematics

DGB Daegu Bank work-life balance programs

Classification	Description
Family Day	<ul style="list-style-type: none"> The establishment of vacation as a natural practice Three "No" principles (Apply for a vacation no matter what! Approve vacation request no matter what! Enjoy your vacation no matter what!)
SMART Vacation for Recharging Campaign	<ul style="list-style-type: none"> Rapport building among family members by increasing family time Leaving work on time twice a week (Wed. and Fri.)
10 a.m. start for parents with children	<ul style="list-style-type: none"> Support for a work-life balance and job satisfaction Allows 10 a.m. start for parents with kids entering elementary school for two months from March to April
PC-OFF	<ul style="list-style-type: none"> Work schedule adjustment (PC start after 8:40 a.m. and compulsory shutdown at 6 p.m.)
Daycare centers in the workplace	<ul style="list-style-type: none"> Two DGB Daycare Centers in each region – Suseong-gu (1st)/ Dalseo-gu (2nd)
Work schedule adjustment for expectant mothers	<ul style="list-style-type: none"> Off-the-clock work banning Night-shift and work on holidays not allowed for employees who gave birth to a child less than a year ago Limited after-hours work (Banning overtime up to 2 hours per day, 6 hours per week, 150 hours per year) Expectant mothers allowed to apply for 2 hours shorter working hours per day

Employee Assistance Program (EAP), the "DGB Family Happiness Center" has a program that allows employees and their family members to consult with experts on various problems they face. DGB Family Happiness Center is accessible by visiting DGB Family website, by calling, or visiting in person.

Hi Investment & Securities operates the Employee Happiness Project, which is designed to offer consulting services to employees with various problems including mental health issues, marital problems, and work-related issues. We provide free consultation services eight times a year to help employees find a balance between home and work and motivate themselves at work.

Creation of a safe workplace DGB Financial Group has made a special effort to secure a COVID-19 pandemic-safe working environment in diverse ways. We operated public areas, such as cafeterias and elevators, for limited hours for a limited number of people at a time. We also operated branch offices on reduced hours and cancelled year-end gatherings and small business meetings. Especially, DGB Daegu Bank created guidelines on COVID-19 prevention on their own to act proactively. Each subsidiary installed a virtual desktop infrastructure (VDI) that manages data and gives access to remote users, allowing employees to work at home without worrying about computer security.

DGB Human Rights and Ethics Center

DGB Daegu Bank established DGB Human Rights and Ethics Center in 2017 under the direct control of the CEO in order to break away from the wrong practices that have

been followed in the group. In 2019, we integrated it into the Corporate Ethics Center and reorganized it under Compliance. DGB Human Rights and Ethics Center is engaging in diverse activities to protect the human rights of employees by encouraging them to report any damages resulting from human rights infringements, providing counseling services, and offering remedies.

Human Rights Counseling & Remedy

Unit: case

	2018	2019	2020
Human Rights Counseling	1	3	7
Remedy	1	3	7

DGB Human Rights and Ethics Center activities

- 01 Counseling for victims of human rights violation, sexual harassment and violence
- 02 Supervision of all affairs related to human rights in branch offices
- 03 Designation of branches with counselors to deal with grievance and complaints involving human rights
- 04 Human rights protection -related issues (periodic monitoring, activities for prevention of human rights infringement, report, counseling, etc.)
- 05 Reports on human rights infringements, counseling, remedy, etc.

Hi Investment & Securities' work-life balance programs

Classification	Description
PC ON/OFF and flexible work hours	<ul style="list-style-type: none"> Work schedule adjustment (PC start at 8 a.m. and shutdown at 5 p.m.) Flexible working hours system for employees' improvement of productivity and quality of life
Work schedule adjustment for expectant mothers	<ul style="list-style-type: none"> Banning of off-the-clock work/ night shift/ work on holidays Limited after-hours works for employees who gave birth to a child less than a year ago (Banning overtime up to 2 hours per day, 6 hours per week, 150 hours per year)



DGB Financial Group's Business and Human Rights

DGB Financial Group is promoting human rights management, including the issues that are emphasized in global human rights agreements, such as the Korean Labor Standards Act, the UN Declaration of Human Rights, and the International Labor Organization. We created an implementation system in accordance with the human rights management system promotion procedure recommended by the National Human Rights Commission. Starting 2021, we plan to prevent human rights violations involving stakeholders by conducting a human rights impact assessment on a regular basis and fulfill our responsibility to respect human rights by disclosing human rights-related issues in accordance with the UNGP Reporting Framework.

Human Rights Impact Assessment DGB Financial Group conducted a human rights impact assessment to identify negative human rights impacts of customary business and management practices on stakeholders and take preventive and improvement measures. Based on the institutional human rights impact assessment list presented in the Human Rights Management Manual (National Human Rights Commission, 2018), we developed a checklist by reflecting the unique characteristics of financial institutions and the human rights impacts of stakeholders.

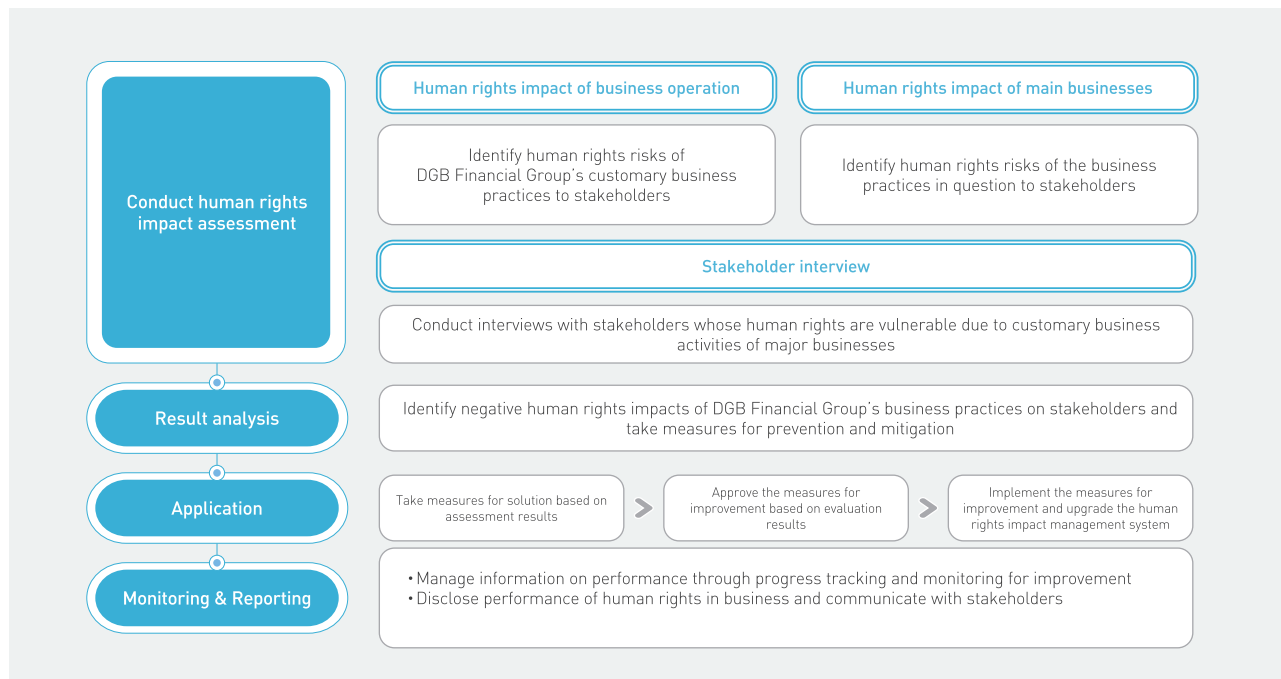
In order to secure the expertise of the checklist and the independence of the evaluation results, we conducted a human rights impact assessment for approximately two months (Jan. to Feb. 2021) in collaboration with external professional organizations. We then identified tasks for improvement to take measures to prevent and mitigate recognized negative human rights impacts.

In the future, we plan to upgrade and revise the human rights management system by implementing remedy procedures for victims of human rights violations thus identified and fulfilling tasks for improvement.

For details of DGB Financial Group's human rights impact assessment and information based on the UNGP¹⁾ reporting framework, please refer to the Human Rights Report on the website (<http://www.dgbfg.co.kr>).

1) UN Guiding Principles on Business and Human Rights

Human Rights Impact Assessment Process



Reaching Out Grievance Counseling program DGB Human Rights and Ethics Center operates the "Reaching Out Grievance Counseling" program, which aims to provide counseling services by visiting branch offices across the nation to make confidential tipping more readily accessible. The program also allows employees to report problems anonymously without fear of disclosure of their identity through one-on-one interviews. The results of the counseling services are analyzed and reflected in the group's plan for human rights protection activities. We plan to visit all branches to provide the service for every other year.

Reaching Out Grievance Counseling program

Classification	Units	2018	2019	2020
Branches	Branches	83	135	124
No. of employees	Persons	821	1,386	1,285

Human rights education DGB Human Rights and Ethics Center conducts human rights education for all employees to raise awareness of human rights and promote changes in behavior. We conducted education on workplace harassment, an important factor in corporate culture and a social issue, by using case studies and provided online training to prevent sexual harassment in the workplace, which is compulsory education required by law, and to improve employees' awareness of people with disabilities.

Average hours per person for human rights education per year

Classification	2018	2019	2020
Human rights education per person	6	7	6

Unit: hours

Mutual Growth

DGB Financial Group primarily has business relations with small product suppliers and service companies located in local communities, pursuing win-win business based on solid mutual trust. We hold meetings and conduct satisfaction surveys on a regular basis to listen to feedback from our partners and provide sustainability management education based on the results for diverse enterprises in the value chain. We also carry out diverse activities for our business partners' capacity building.

Meetings with business partners

DGB Financial Group is engaging in diverse activities to communicate with its business partners on a regular basis. DGB Daegu Bank, for instance, holds a meeting with its business partners every year to listen to feedback from them and provides sustainability education to increase their awareness in the importance of sustainability management and enhance their capacity building. Hi Investment & Securities provided business consulting services twice in 2020 to enhance the competitiveness of its business partners.

Meetings with business partners

Classification	2018	2019	2020 (contactless)
Suggestions by business partners	One suggestion / Sustainability management education for working-level staff of business partners	One suggestion / Expansion of mutual prosperity through active listening to business partners	Two suggestions / Increase of business transactions with subcontractors Flexible cost calculation
Suggestions by DGB Financial Group	One suggestion / Effort to hold meetings that help business partners in practical ways	One suggestion / Effort to improve channels of communication with business partners	One suggestion / Expansion to all business partners of the subsidiaries of the group
Actions taken	One suggestion accepted	One suggestion accepted	Two suggestion to be accepted

Business partners satisfaction survey

DGB Financial Group conducts a satisfaction survey of its business partners every year to improve business relations with them. The questions consist of general matters, contract standards and procedures (written contract, payment method for delivery, delivery payment due date), compensation system, and opinions on the willingness and perception of DGB Financial Group for mutual prosperity.

Business partners satisfaction with each area

Classification	2018	2019	2020
General matters (25%)	98	90	97
Contract standards and procedures (25%)	98	93	99
Compensation system (25%)	95	90	99
Willingness to achieve mutual growth and perceived effectiveness (25%)	100	93	97
Total (100%)	98	92	98

Unit: score

Labor-management relations

DGB Financial Group is striving to shape the group into a business where labor and management thrive together based on robust labor-management relations. We will continue listening to all DGB employees through various communication channels and strive to consolidate mutual prosperity based on trust.

Consolidation of labor-management communication

DGB Financial Group is building cooperative labor-management relations based on smooth communication. DGB Daegu Bank operates a labor-management council on a regular basis. When there are important changes in business, DGB shares it with the labor union to help the council members better understand the issues before discussion. In addition, we give a presentation four times a year to share and receive feedback on performance updates and activities.

CSR activities by labor union

DGB Daegu Bank employees have been actively participating in CSR activities every year since 2006. Since 2013, union members are donating one percent of their salaries to the ChildFund Korea and Daegu Social Welfare Council so that the money can be used to assist needy people in local communities.

Donations given by DGB Daegu Bank labor union as part of CSR activity

Unit : KRW 1 million

Classification	2018	2019	2020
Support for children from low-income families			
Support of heating expenses for low-income families	250	255	320
Support for nurturing local talents			

Donations given by DGB Daegu Bank labor union as part of CSR activity in 2020

Institution	Description
Daegu Doshouse Counseling Center and Korea Spinal Cord Injury Association in Daegu	Purchase of food and freezers for over 750 residents in dosshouses in Daegu
Yang Jun-hyuk Baseball Foundation Daegu Mentory Baseball Team	Purchase of baseball equipment and gear and expenses for training and baseball camp for 25 children from socially vulnerable families
ChildFund Korea	Support for children in dire need of support for medical and housing expenses, installation of a learning zone, holiday gift money and school uniform purchase, heating expenses, Christmas presents, etc. for children in local childcare centers
Daegu Association of Vocational Rehabilitation Facilities for the Disabled	Purchase of air purifiers for 35 workshops
Daegu Memory School Association	Purchase of horticultural therapy kits for seniors with Alzheimer's diseases in Daegu
Association of Daegu Healthy Family and Multicultural Family Support Centers Association	Purchase of toys and books for joint childcare centers
Single-parent family welfare facilities	Purchase of winter products (blankets, etc.) for 159 single-parent families in the Daegu area



Community engagement

CSR activity groups

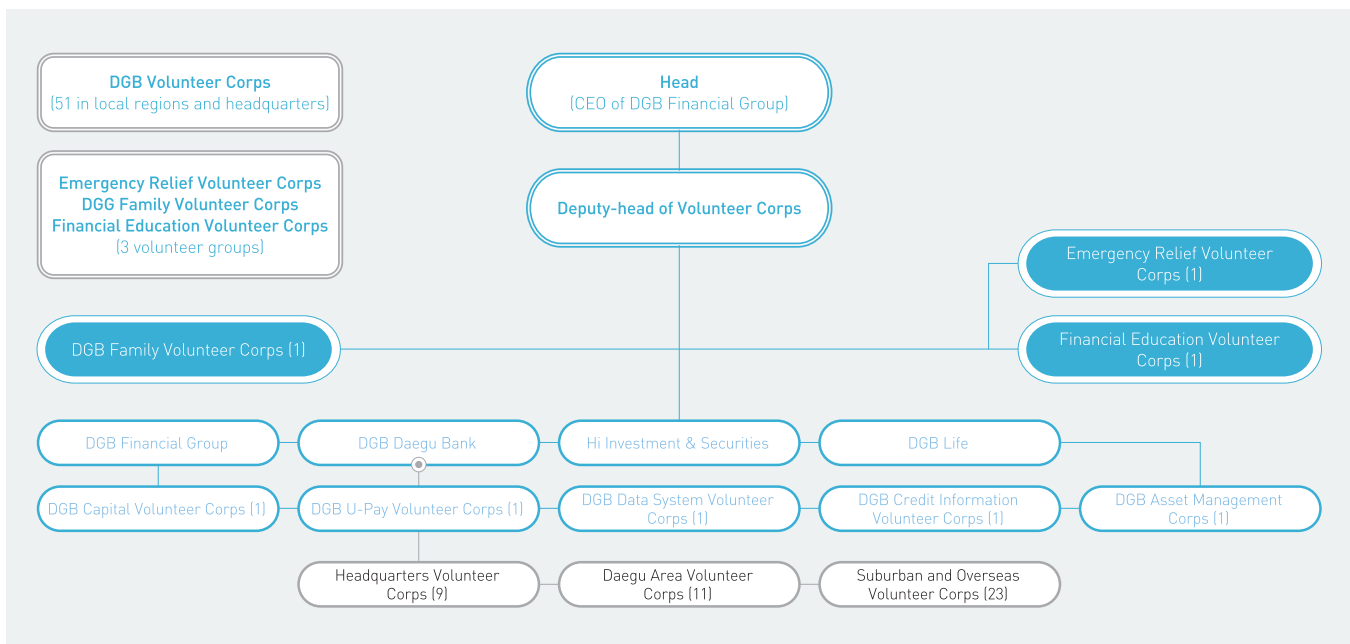
DGB Volunteer Corps. DGB Volunteer Corps started with DGB Volunteer Group of Daegu Bank, which was launched in 2002 to realize the management philosophy of "Dreams and Prosperity Together with the Region!" Starting in 2012, the volunteer corps has been active at the group level under the new name. Currently, there are 55 DGB volunteer corps and over 4,750 employees are participating in volunteer work in diverse areas. For instance, DGB Daegu Bank joined the "Gyeongbuk Tourism Grand Sale" in June 2020 to vitalize the local

economy that had been hit hard by the COVID-19 pandemic and sponsored the traditional open market and local communities in Cheongdo-gun. DGB Volunteer Corps also donated a summer everyday necessity kit, which consists of summer blankets, portable fans, cooling arm sleeves, hand sanitizers, and bug repellents, among others, to 10 social welfare institutions, including Daegu Blind Union and foster care centers, and the orphanage Spring House. DGB Volunteer Corps will continue to actively participate in emergency relief volunteer work to provide practical help to local communities.



DGB Volunteer Corps' volunteer work – donation of everyday necessities to economically vulnerable families

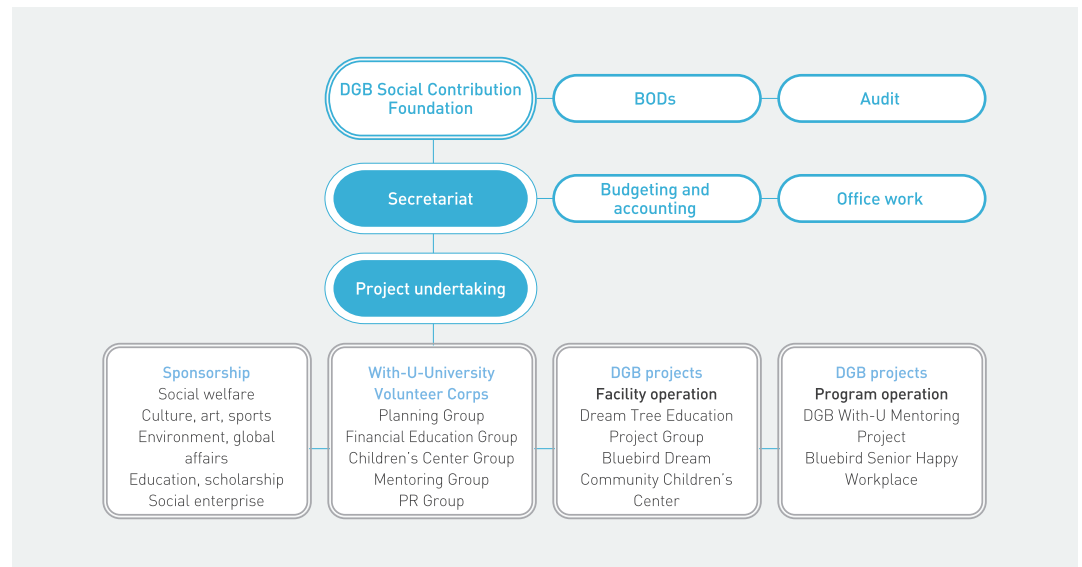
DGB Volunteer Corps organization



DGB Social Contribution Foundation In 2011, DGB Financial Group established a comprehensive social welfare foundation for the first time in the financial sector, which is operated with the group's financial resources and 1 percent of employee salaries. DGB Social Contribution Foundation develops projects that can meet the needs of local people in various fields, such as children/youth, the

elderly, the disabled, multicultural/single-parent families, culture/arts/sports, education/scholarship/environment, and other CSR projects. We also run a social enterprise that can directly help the socially vulnerable people, such as people with disabilities and underprivileged children, to practice community-oriented group management for the development of local communities.

Organization of DGB Social Contribution Foundation



Performances of DGB Social Contribution Foundation

Classification		Unit	2018	2019	2020
Bluebird Senior Happy Workplace	Job creation	Persons	15	15	15
	Profit	KRW 1 million	30	40	15
Mentoring Project	Mentees	Persons	60	66	58
	Social amount injected	KRW 1 million	100	170	100
Dream Tree Education Project Group	Job creation ¹⁾	Persons	9	11	9
	Profit	KRW 1 million	170	378	90
Financial Education	Educatees	Persons	47,932	65,905	9,430
	Amount injected	KRW 1 million	75	82	90

1) Job creation through nurturing of social enterprises

Welfare programs for children, youths, and the elderly

Bluebird Dream Community Children's Center DGB Social Contribution Foundation operates the Bluebird Dream Community Children Center, the first children's center built by a financial enterprise in March 2012. We provide children from the families that live on the basic livelihood security system, from single-parent families, dual-income families, with the opportunity to develop their self-directed learning capacity and enjoy educational games in a safe environment.

Bluebird Senior Happy Workplace DGB Social Contribution Foundation established the bluebird Senior Happy Work Place in 2012 with the aim of contributing to solving social problems resulting from population aging by creating jobs and promoting welfare for seniors. The senior center recruits elderly people to sterilize and clean, disinfect toys in infant facilities for free. Over the past eight years, the Center has provided cleaning services to over 800 facilities and created 120 jobs for seniors.

DGB With-U mentoring program DGB With-U mentoring program provides various kinds of support for children who live without parental care by providing them with financial, educational, emotional, and healthcare support. For instance, employees form a one-to-one mentoring relationship with children and provide their mentees with emotional and material support until they grow into adults. They also support children with side dishes twice a year so that children can get the nutrients they need. In addition, DGB Financial Group provides mentoring support four times a month on a regular basis by working together with four-year university in the Daegu area; emotional support by covering expenses for children's cultural experiences and fieldtrips; and healthcare support by allowing children to receive health checkups during vacation periods—in addition to financial support for birthday parties, gifts on important occasions such as the college entrance exam day, emergency relief support in case of surgery, tuition, and moving.

Educational project

Dream Tree Education Project Group The Dream Tree Education Project Group started in Feb. 2012 as a DGB Children's Welfare Project Team established by DGB Financial Group and DGB Daegu Bank and received approval as the first social enterprise in the financial sector in June 2014. The Dream Tree Education Project Group provides a variety of educational programs in diverse areas, including career, character building, cultural experience, and vocational and financial education so that children can dream about their future and grow into healthy adults with hope. Financial education is provided under the supervision of DGB Financial Education Center affiliated with the Dream Tree Education Project Group. Financial education is managed by DGB Financial Education Center under the Dream Tree Education Project Group. Daegu Bank branch offices and nearby elementary, middle and high schools form a partnership to provide the practical financial education program dubbed the "Reaching-out, One Branch One School Financial Education." We also operate the



9988 Finance Class, which means "lively ['palpal' or '88' in Korean) Finance Class for up to 99 years old", to provide seniors with practical financial education, such as banking and financial fraud prevention.

DGB Financial Experience Park Opened in Oct. 2020 and run by DGB Dream Tree Educational Project Group, DGB Financial Experience Park is the Korea's first financial learning center. Nestled on the first floor of the Daegu Chamber of Commerce and Industry building, DGB Financial Experience Park consists of the Bank Hall, Security Hall, Insurance Hall, and U-Pay Hall, which integrates the latest financial technology, and each hall provides visitors with the opportunity to get a glimpse of careers in the financial sector and receive financial education. All programs offered at the park utilize tablet PCs and smartboards, with which visitors can design and experience banking and investments. DGB Financial Group plans to develop DGB Financial Experience Park as a hub for local financial education, and practice inclusive banking for anyone in need of financial education, including students, seniors, foreign residents, and people with disabilities.

Support for scholarships DGB Financial Group has been donating to the "Green Lighthouse Scholarship" for University students in the Daegu and Gyeongsangbuk-do Province area by signing an agreement with the Korea Scholarship Foundation since 2018. In 2020, over 20 selected students received a scholarship worth KRW 1.2 million per person. Apart from this, DGB Financial Group founded Daegu Bank Scholarship Foundation in 1990 to consistently provide financial support to students from low-income families. To date, DGB Financial Group has provided over 6,000 students with financial support worth KRW 8.6 billion. In 2020 alone, 117 undergraduate and graduate

students received financial support worth KRW 193 million. In 2021, we included students majoring in natural sciences and engineering who study AI, blockchain, big data, and other technologies related to the 4th industrial revolution to the existing list of scholarship recipients studying at law schools.

DGB Dokdo Love Golden Bell DGB Daegu Bank has been holding the "DGB Dokdo Love Golden Bell" since 2011 to promote patriotism and love for the Korean Peninsula and Daegu area. In 2020, the bank held the contactless video show for the first time due to the spread of the COVID-19 pandemic. Students chosen from 41 high schools who passed the preliminary rounds competed in the quiz show by solving questions on Dokdo Island in general, such as local history, culture, art, and knowledge on finance. The contestants participated in the show remotely at his or her school and the show was streamed live on YouTube so that their teachers and classmates could cheer them on in real time.

Plan for contactless financial education and a youth video contest DGB Financial Group plans to operate the application

it developed to give contactless financial education remotely for residents in the Gyeongsangbuk-do area. In 2021, we plan to operate the application first on Ulleungdo Island.

The live streaming application allows users to communicate with the financial lecturer, making it possible for many people to receive video education at the same time, and send text and chat messages. DGB Daegu Bank also plans to hold a video contest for middle and high school economic clubs on finance, economy, and future careers in 2021 and provide scholarships to the teams that submit excellent works.

DGB Daegu Bank Scholarship Cultural Foundation

Classification		Unit	2018	2019	2020
High School	Recipients	students	94	118	88
	Amount	KRW 1 million	146	148	120
University	Recipients	students	87	119	103
	Amount	KRW 1 million	206	233	153

DGB Financial Experience Park

Bank Hall

As a model bank where you can get a glimpse of what bankers and customers do at a bank by opening an account, depositing and withdrawing money, buying a fund, and handling foreign currency transactions.



Insurance Hall

Visitors can experience and learn about types of insurance, insurance for each stage of life, and so forth.



Securities Hall

This is a place where visitors can gain a better understanding of securities and investments and the information necessary for a financial life while playing financial investment terminology puzzles.



U-Pay Hall

Visitors can gain a better understanding of finance in everyday life using U-Pay and knowledge in FinTech.



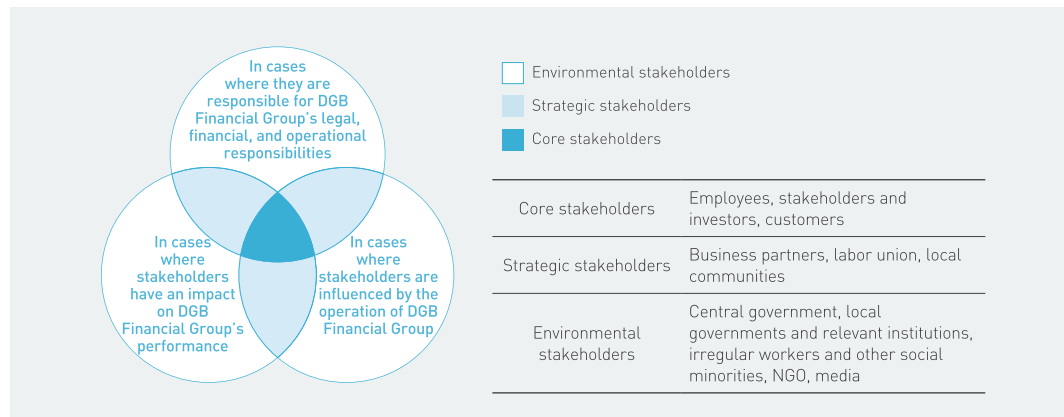
DGB Dokdo Love Golden Bell

Selection and categorization of stakeholders

DGB Financial Group classifies stakeholders into three groups — namely, core stakeholders, strategic stakeholders, and environmental stakeholders — according to the legal, financial, and operational responsibilities and impact, which are the standards for stakeholder classification proposed by ISO 26000. Among them, key and strategic stakeholders include employees, shareholders

and investors, customers, local communities, business partners, the government and relevant institutions. DGB Financial Group are committed to identifying the major needs of each group of stakeholders through sincere communication with them, and actively responding and sharing with them to build a robust relationship based on mutual trust.

Stakeholder Mapping & Grouping



Stakeholder communication channels

Unit	Communication channels (regular)	Issues of interest	DGB responses
Employees (including labor union)	<ul style="list-style-type: none"> Intranet Employee satisfaction surveys Labor-management meetings and councils Deputy chief meetings nationwide CEO meetings 	<ul style="list-style-type: none"> Horizontal organizational culture/ communication vitalization Work environment/ benefits Capacity-building and development Fair evaluation and remuneration 	<ul style="list-style-type: none"> Operation of DGB Youth Frontier Lively talkfest with CEO SMART Vacation for Recharging Campaign
Shareholders and investors	<ul style="list-style-type: none"> Corporate website (disclosure information) BODs Annual general meeting IR activity 	<ul style="list-style-type: none"> Improvement of profitability/dividend policy Sustainable growth/ risk management Management transparency (disclosure expansion) Robust governance ESG risk management and climate finance 	<ul style="list-style-type: none"> Expansion of presence in the global market Transparent business disclosure/ announcement of results and IR data
Customers	<ul style="list-style-type: none"> Corporate website Customer panel (DGB Customer Panel) Customer satisfaction surveys Customer protection report ("Friendly Companion") CEO Forum Honorary manager meetings Outstanding SME meetings 	<ul style="list-style-type: none"> Product and service quality and safety management Customer information protection Complaints handling Reinforcement of customer communication 	<ul style="list-style-type: none"> Operation of DGB Customer Panel CS manager in each branch office Operation on weekends/holidays
Business partners	<ul style="list-style-type: none"> Corporate website Subcontractor meetings 	<ul style="list-style-type: none"> Cooperation for mutual survival/mutual prosperity Fair transaction 	<ul style="list-style-type: none"> DGB Financial Group business partners meeting for mutual survival Provision of business consulting service to business partners
Local communities/NGO	<ul style="list-style-type: none"> Corporate website DGB Daegu Bank CSR activity report DGB Companion Volunteer Corps / DGB Economic Education Volunteer Corps My Hometown Love Movement Dream Tree Education Project Team DGB university student supports 	<ul style="list-style-type: none"> Expansion of CSR activities Job creation and investment expansion Consistent communication 	<ul style="list-style-type: none"> DGB Companion Volunteer Corps Parangsae (Bluebird) Senior Happy Work Center programs NIE Energy Journal Contest Operation of the Dream Tree Education Project Team
Central government, local governments and relevant institutions	<ul style="list-style-type: none"> Corporate website Participation in national projects Public hearings and council meetings Interviews and surveys 	<ul style="list-style-type: none"> Compliance with laws and regulations Tax payment/ policy cooperation Partnership formed for public-private cooperation ESG information disclosure 	<ul style="list-style-type: none"> Compliance with Code of Ethics Education on Improper Solicitation Prohibition Act Sustainability report disclosure

Stakeholder interviews

For sustainability management, DGB Financial Group conducted interviews with the selected representatives of each stakeholder group, including customers, employees, labor unions, business partners, relevant organizations, and local communities, to listen to them. We incorporate their opinions thus collected into our strategies for sustainability management.

Customer (individual)

I've been using other securities companies, but I'm also investing in stocks through Hi Investment & Securities since two years ago. Hi Investment & Securities invests a lot to customer services, which is the strength of the company. The manager answers customers' questions in great detail to provide a lot of information and make customers feel comfortable, which is of great help to customers. However, the mobile app is a bit confusing for beginners. I think the company needs to invest in software as well.

Gwon Tae-hyeon a customer of Hi Investment & Securities

Employee

DGB Financial Group boasts an excellent subsidiary portfolio compared to other regional financial groups, which means that the group is capable of generating stable income despite economic fluctuations by maintaining a balance between the capital market and the loan market. Also, we have paid special attention to increasing ESG commitment, which is why we have a promising future. We will take a leap forward to go global by expanding our business realm beyond Korea and sharpening the competitiveness of the non-banking sector.

Choi Jong-hun deputy head of Strategy and Planning Department, DGB Financial Group

Labor union

In my opinion, DGB Financial Group maintains a world-class labor-management relationship through active communication between labor and management. Without communication, the relationship has no vitality and cannot expect constructive development. DGB Life's labor union was formed when the company was experiencing business problems. At that time, the labor union questioned the company's business direction and management listened to the labor union, which helped the company overcome crises and grow further. We will continue working together to maintain world-class labor-management relations through transparent information-sharing and active communication.

Kim Gang-su president of DGB Life labor union

Subcontractor

Daesung Global Network operates DGB Daegu Bank customer service center on behalf of DGB Daegu Bank. DGB Daegu Bank supports our employees working for the bank so that they can enjoy the benefits as much as the bank employees at the equivalent level and has a subcontractor management process to facilitate collaboration. As we work at the first point of contact with customers, changes brought by COVID-19, such as contactless banking and digitization, are felt strongly these days. In order for DGB Financial Group to gain a competitive edge for the future, I think it will have to focus on how to maintain customer reliability and intimacy while diversifying customer channels.

Lee Seung-wu general manager of Daesung Global Network

Customer (corporate)

Located in Daegu, Samwon has been doing business with DGB Daegu Bank since its establishment 45 years ago. As there is a saying that "better is a neighbor who is near, than a brother far away," DGB Daegu Bank. DGB Daegu Bank is a local financial company that understands the local circumstances well and props up local businesses. For example, DGB Daegu Bank is well aware of Samwon's capacity as we have built a long-term trusted business relationship. When we have financial difficulties, the bank waits for us to bounce back. However, I should point out that the bank has yet to develop more diverse products with lower interest rates, compared to its competitors. We hope that DGB Daegu Bank will continue paying special attention to providing practical and direct benefits to its customers as a bank favored by local businesses like us.

Heo Seong-beom a manager of Samwon

Local communities

The Green New Deal, which is being promoted by the government in response to the climate crisis, emphasizes the importance of customized policies that take into account regional circumstances and issues. Daegu does not rely much on renewable energy in comparison with other regions. As branches of DGB Financial Group are distributed nationwide, they will contribute to increasing the use of renewable energy in the Daegu area if they could allow for the construction of solar power plants on the lots they own. I hope that DGB Financial Group will play a vital role in addressing the environmental issues faced by local communities by developing new products designed to support local small and medium-sized manufacturing businesses to install and maintain energy conserving devices and give incentives to citizens actively participating in eco-friendly activities.

Kim Eun-yeong director of Daegu Green Consumer Network

Academia

The brain drain is a serious problem faced by all non-metropolitan areas. DGB Financial Group has contributed significantly to solving the problem as it has been chosen as the best place to work by local young people. However, the fact that digital transformation of the banking industry leads eventually to a decline in employment is worrisome. In my opinion, DGB Financial Group utilizes digital transformation as an opportunity to produce young talents by developing educational programs related to digital banking in partnership with local universities.

Um Chang-ok professor at Gyeongbuk National University School of Economics and Business Administration

2021 Sustainability Management Expert Meeting

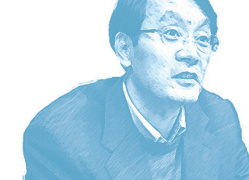
DGB Financial Group held “2021 DGB Financial Group Sustainability Management Expert Meeting,” which consisted of experts in economy, society, and environment, in order to share the latest sustainability management practices at home and abroad and discuss future directions of sustainability management activities. At the meeting, the participants shared diverse opinions on the validity of the materiality test results, feedback on the previous report, and the future direction DGB Financial Group should take for sustainability management.

Sustainability management trends and suggestions on direction



With the growing interest in integrating ESG into business management, many businesses strive to build ESG governance, including the BODs. In terms of substantiality, however, I doubt about the outside BOD members' capacity to fulfill their role in imposing ESG-related regulations and maintain balance. It is challenging for outside BOD members of even many prominent businesses at home and abroad to equip themselves with ESG-related expertise, even though it is essential to ESG governance. DGB Financial Group will be recognized as a leader in ESG commitment at home and abroad if it pays special attention to ESG-related expertise in selecting outside BOD members to consolidate the basis for ESG governance.

Lee Jae-hyeok Professor of business administration at Korea University



ESG management these days refers to the environmental and social impact of businesses as a whole as well as business model innovation beyond their CSRs. In other words, the integration and internalization of ESG into business are essential, which may be shown through the vision system consists of business philosophy, principle, and strategy. DGB Financial Group also needs to review its vision and strategic system as a whole by utilizing ESG for strategic changes in business management and incorporate ESG into the system.

O Deok-gyo Researcher with the Korea Corporate Governance Service



The keywords that are currently changing the world are inclusive growth, stakeholder capitalism, and a low-carbon society. Climate change is the driving force behind change. Regulations and demands related to climate change will increase, while global consensus on coal exit may have been built. DGB Financial Group participated in the TCFD¹⁾, built a climate finance system, and declared coal exit investments, but it still needs to upgrade its climate finance strategy and information disclosure. I recommend that DGB Financial Group should disclose its climate finance-related goal setting and performance, together with reasons for failure to fulfill its goals, as well as its actions to respond to climate change.

Lee Jong-o Director of the Korea Sustainability Investing Forum



The demand for participation in ESG-related initiatives at home and abroad is growing and the importance of coal exit and climate finance is emphasized in the market. It is important to respond to external demands, but DGB Financial Group as a banking business has to focus on how to assess financial risks related to ESG issues including climate change and how to respond to them. In this respect, DGB Financial Group needs to develop ESG risk assessment methods and reflect them to existing credit, market, and management risks in order to create an integrated management system to cope with ESG risks.

Kim Myeong-seo Chief of the Hanhwa Asset Management Sustainability Strategy Department



As human rights are an extremely important global issue along with climate change, EU takes a human rights-based approach to climate finance. In Korea, the National Human Rights Commission suggests recommendations for human rights management and many businesses are taking steps to incorporate human rights into business based on the recommendations. However, what is more important than establishing a systematic procedure is to discover and address issues on human rights that are not readily recognizable. In the UNGP²⁾, an international human rights framework, the assessment of the impact of human rights, remedy processes and improvement measures are the key points. I urge DGB Financial Group to consider these factors comprehensively to practice human rights in business and to be transparently reported to stakeholders.

Lee Eun-gyeong Chief of the UNGC Network Korea



1) Task Force on Climate-related
Financial Disclosure

2) United Nations Guiding
Principles on Business and
Human Rights

2021 Sustainability Management Expert Meeting

Date	2 p.m., Feb. 25, 2021
Venue	Contactless online meeting
Participants	Lee Jae-hyeok, Professor of business administration at Korea University O Deok-gyo, Researcher with the Korea Corporate Governance Service Lee Jong-o, Director of the Korea Sustainability Investing Forum Kim Myeong-seo, Chief of the Hanhwa Asset Management Sustainability Strategy Department Lee Eun-gyeong, Chief of the UNGC Network Korea

Information disclosure and stakeholder communication



DGB Financial Group boasts high grades in external evaluation on ESG and has earned a good reputation thanks to its sustainability management since 2006. The group has disclosed mainly the sustainability management activities of DGB Daegu Bank, but it needs to publicize the sustainability management of each subsidiary since DGB Financial Group was launched as a comprehensive financial group a decade ago. I suggest that each subsidiary of DGB Financial Group expand the scope of quantitative data reporting and disclose detailed plans and activities.

Kim Myeong-seo
Chief of the Hanhwa Asset Management Sustainability Strategy Department



Communication with stakeholders is the core of sustainability management, and it should be two-way information sharing. It is desirable to hold a meeting with experts every year to gather their opinions, but it is also necessary to consider ways to increase the transparency of communication by disclosing how the results of the previous year's meeting were reviewed and reflect in business activities to improve transparency in communication.

Lee Jae-hyeok
Professor of business administration at Korea University

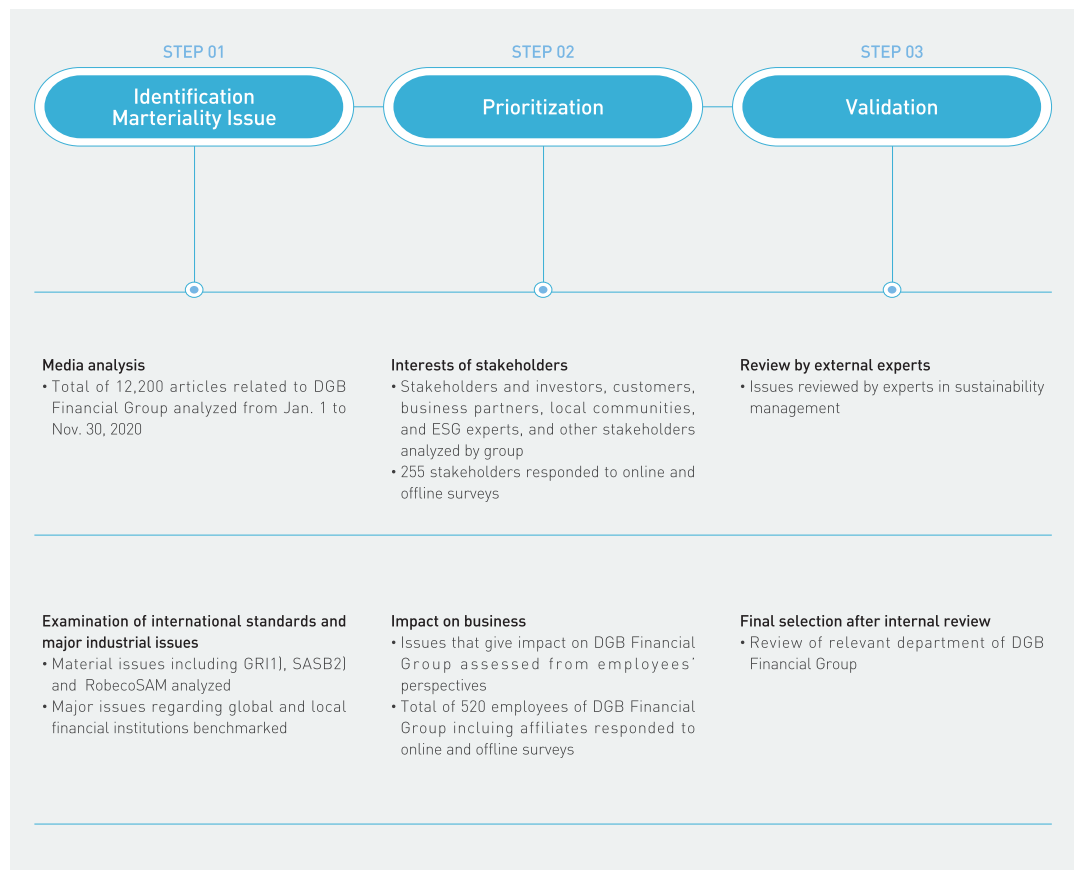
How we reflect the opinions collected at the 2020 meeting

Opinions	Status	Description
UNGP-based practical incorporation of human rights into business	Fulfilled	Creation of a system for the practice of human rights in business in accordance with the procedure recommended by the National Human Rights Commission and human rights impact assessment conducted in 2021
Response to the demand for information on the soundness of climate change-related assets	Fulfilled	TCFD framework-based report disclosed since 2020
Creation of a storytelling report to help stakeholders understand better	Fulfilled	"Our Impact Story" on major issues in the 2020 sustainability management report included
Publication of a separate report on each issue for better readability	Fulfilled	Separate publication of the TCFD and PRB reports starting 2020 and additional publication of a human rights report starting in 2021
Revision of policy for gender equality and performance management	In progress	Increase of capacity-building programs for female employees and aggressive plan for diversification of BOD members and management in progress
Disclosure of goals for all aspects of environment and society and plans for performance improvement	In progress	Upgrading of the ESG management system in 2021 and installation of the ESG Committee under the BODs. Plans for the detailed formulation of ESG strategy in progress

Materiality assessment process

DGB Financial Group conducted a materiality assessment based on the principles of Sustainability Context, Materiality, Completeness, and Stakeholder Inclusiveness recommended by ISO 26000 and GRI Standards. In order to identify material issues related to DGB Financial Group's sustainability management, we conducted international standard analyses, benchmarked leading companies in sustainability management, conducted media research, and selected a total of 20 issue pools. We set the priority

of issues by comprehensively evaluating stakeholder interest and economic impact through online and offline surveys targeting internal and external stakeholders. In order to enhance the completeness and effectiveness of the materiality assessment, we consulted with external experts in each area relevant to sustainability management and reviewed the materiality and impact of each issue with relevant internal staff.



1) GRI: Global Reporting Initiative
2) SASB: Sustainability Accounting Standard Board

Results of materiality assessment

As a result of the comprehensive consideration of stakeholder interest and economic impact and expert reviews, 10 out of 16 issues were selected as material issues. DGB Financial Group's sustainability management activities and performances related to each issue are transparently disclosed throughout this report.

Seven issues, such as cybersecurity reinforcement and personal information protection, were selected again as important issues following the previous year, while the issue related to respect for stakeholders' human rights, setting out strategy for ESG integration, and addressing climate change was newly selected.



Issues	Year-on-year comparison	Boundary for material issues	Page
1. Establishment of a transparent and fair management decision-making system	up	internal	32-33
2. Strengthening of cyber security	down	internal / external	41-42
3. Private information protection	down	internal / external	41-42
4. Consolidation of ethical management through anti-corruption, etc.	down	internal / external	33-35
5. Enhancement of digital financial competitiveness	down	internal	26-27
6. Risk management system to promptly respond to business fluctuations and regulatory changes	down	internal	36-37
7. Proper product sales and responsible services	up	internal	40-41
8. Respect for the human rights of employees, customers, business partners, and other stakeholders	new	internal / external	46-48
9. Setting out strategy for ESG integration	new	internal	16-17
10. Decisively addressing business risks and opportunities raised by climate change	new	internal / external	16-17

Management Approach

Materiality	Management methods	Future plans	Key Performance Indicators (KPIs)
<ul style="list-style-type: none"> Establishment of a transparent and fair management decision-making system 			
<p>Governance may be the most efficient means of understanding a business because it refers to a company's decision-making structure. In addition, the transparent and independent structure and operation of the BODs may be a major factor in the overall competitiveness of a business.</p>	<p>DGB Financial Group is operating transparent and sound BODs by reinforcing its expertise, independence, and fairness in selecting the BOD members. With the installation of the ESG Committee under the BOD in 2021, we are consolidating ESG governance for organic ESG management.</p>	<p>DGB Financial Group will continue striving to improve the efficiency and transparency of the BODs by faithfully implementing the best standards for governance of financial institutions. We will also continue increasing activities of the ESG committee and ESG Council.</p>	<ul style="list-style-type: none"> Attendance of BOD meeting (%) Outside directors (%) Independent Directors (%) Diversity Ratio (%)
<ul style="list-style-type: none"> Strengthening of cybersecurity Protection of private information 			
<p>With a rapid increase in network-based activities, such as digital transformation, online payments, and working from home, risks related to cybersecurity and personal information protection are on the rise as well. In the case of financial institutions, in particular, the vulnerability of IT security may result in enormous financial losses and damage in trust, which is the basis of financial transactions.</p>	<p>DGB Financial Group is perfecting the security system through the information security department chief council of each subsidiary. Each subsidiary of DGB Financial Group continues reinforcing information security and private information protection.</p>	<p>As security risks increase and information protection become more important, DGB Financial Group will continue reinforcing consumer protection programs and IT security for safe financial transactions.</p>	<ul style="list-style-type: none"> Incidents of customer information leakage in all subsidiaries (cases) External authentication (cases)
<ul style="list-style-type: none"> Consolidation of ethical management including anti-corruption 			
<p>A company's level of ethical management is an important factor that determines a company's reputation. Recently, domestic companies are facing strong social demands for ethical management at a global level. In particular, the financial industry requires a high level of ethical awareness and a strong management system across the organization, including employees.</p>	<p>In order to establish the ethical management system in all subsidiaries and make ethical management second nature, we plan to operate diverse programs, such as the ethical management awards, and practice ethical management and corruption-free management to meet the global standards. DGB Financial Group reformed its ethical management system, proclaimed the ethical management brand "All Right DGB," and obtained the international anti-corruption standard (ISO37001) certification.</p>	<p>DGB Financial Group plans to further strengthen the monitoring of the group's employee compliance based on the corruption risk management activities conducted by all subsidiaries in 2020. In addition, we plan to develop effective ethical education programs to make ethical management culture second nature.</p>	<ul style="list-style-type: none"> Improvement activities (cases)
<ul style="list-style-type: none"> Sharpening the competitiveness of digital finance 			
<p>With the boundaries of the financial industry expanding thanks to IT development, new competitors enter the market, creating an environment that makes the traditional financial industry difficult to run business. For the sustainable growth of financial businesses, it is important to strategically prepare for the future through the discovery of new growth engines while responding to big data and other next-generation technologies.</p>	<p>DGB Financial Group seeks to make consistent investment in digital transformation for synergy among subsidiaries by formulating strategies for digital finance at the group level. We are planning to upgrade digital infrastructure such as big data and mobile channels and form partnerships with external fintech businesses for open innovation.</p>	<p>DGB Financial Group aims to sharpen the competitive edge of its employees by increasing their digital competency and promptly introducing the next-generation financial services brought by IT development. We will do our best to become a comprehensive financial company that leads the future financial market and increase our market share by utilizing the strengths of mobile platforms and contactless systems.</p>	<ul style="list-style-type: none"> Contactless transactions ratio (%) Contactless customers ratio (%) Online-based new product launch (Cases)

Materiality	Management methods	Future plans	Key Performance Indicators (KPIs)
<ul style="list-style-type: none"> • Operation of a risk management system that promptly responds to economic and regulatory changes 			
<p>Identifying and proactively responding to risk factors in DGB Financial Group's business activities is important for the growth of the company but also for its survival.</p> <p>As stakeholders at home and abroad show growing interest in ESG-related issues and regulations are likely to be introduced, aggressive preparation is necessary.</p>	<p>DGB Financial Group thoroughly prevents and responds to risks through systematic risk management. We unified data for subsidiaries and streamlined risk management for each subsidiary by operating an integrated risk management system.</p>	<p>DGB Financial Group will continue striving to proactively respond to financial and non-financial risks such as political, economic and social issues related to the business environment. We will continue undertaking systematic risk management and change management for ESG business activities.</p>	<ul style="list-style-type: none"> • BIS capital adequacy ratio (%) • Number of new bankruptcies (cases) or insolvency rates (%)
<ul style="list-style-type: none"> • Proper product sale and responsible service operation 			
<p>Customer satisfaction and trust are the most important factors in DGB Financial Group's sustainability management as it directly affects corporate performance. Accordingly, DGB Financial Group has made it a top priority to support reasonable and fair financial transactions from customer's point of view and providing sufficient information to customers.</p>	<p>DGB Financial Group is implementing customer satisfaction management in accordance with the "Financial Consumer Protection Guidelines" to protect the rights and interests of consumers and minimize complaints and damage. We protect customers' financial transactions and actively respond to customer needs by establishing a financial consumer protection system and an integrated system. Especially, we consistently improve financial services and convenience for customers who are susceptible to marginalization as the digitization of financial transactions accelerates.</p>	<p>DGB Financial Group will continuously improve the protection system in line with the introduction of the Financial Consumer Protection Act and listen to our customers through various communication channels. In addition, we will continue to create peerless services that meet customer needs by building our capacity and improving access and convenience to financial services.</p>	<ul style="list-style-type: none"> • Financial customer protection evaluation (Grades) • Customer Satisfaction (%) • Responsible Financial products Ratio (%)
<ul style="list-style-type: none"> • Respect for the human rights of stakeholders, including employees, customers, and business partners 			
<p>As there is a growing global demand for compliance with human rights, the National Human Rights Commission in Korea also requires businesses to build a system for human rights in business. In addition, with the increasing public awareness of the social impact of businesses, the scope of human rights impact management is expanding not only to include employees, but also all stakeholders who are in mutually influential, such as business partners and local residents.</p>	<p>DGB Financial Group, which has been operating DGB Human Rights Ethics Center since 2017, conducted a human rights impact assessment in 2021 in accordance with the human rights management system procedure recommended by the National Human Rights Commission. We identified 13 improvement tasks to take preventive and mitigating measures by recognizing negative human rights impacts in 10 areas of business operation and major projects.</p>	<p>DGB Financial Group will continue to increase human rights education and grievances counseling to protect its employees' human rights. In addition, we will monitor and disclose task performance to improve the human rights risk of external stakeholders, including call centers, business partners, and customers.</p>	<ul style="list-style-type: none"> • Average time of Human Rights Education per person (time) • Number of human rights education sessions per person (incidents) • Incidents of human rights violations (cases). • Implementation of the Improvement Task (cases)

Management Approach

Materiality	Management methods	Future plans	Key Performance Indicators (KPIs)
<ul style="list-style-type: none"> Setting out strategy for ESG integration 			
<p>ESG requirements have come to the fore in the financial sector as the most important criteria for determining the value of a financial business. In order for a financial business to achieve sustainable growth, it is important to incorporate ESG into its business as a whole, establish appropriate business strategies and put them into action.</p>	<p>In March 2021, DGB Financial Group officially launched the ESG Committee within the BOD, and officially made a coal phase-out pledge in order to take action to achieve sustainable management. In line with this move, each affiliate is formulating an investment policy that meets the coal-exit standards, on the one hand, and continuing to do their utmost to go carbon neutral for DGB Financial Group to become an exemplary green financial institution.</p>	<p>DGB plans to focus on its ESG management system, on the one hand, while increasing its financial activities by taking ESG into consideration, on the other. In addition, we will consistently strive to raise awareness of the importance of ESG and make ESG management second nature. In addition, we will form partnerships with external stakeholders to instill the ESG performance assessment and reward system, while building an ESG information disclosure infrastructure, and perfecting the ESG integrated business model.</p>	<ul style="list-style-type: none"> Frequency of ESG issue review by the BOD and management (cases) Level of relationship with ESG performance reward and KPI (%) Application of ESG risk assessment (ratio) ESG integration when drawing up a business plan (%)
<ul style="list-style-type: none"> Decisively addressing business risks and opportunities raised by climate change 			
<p>Financial companies may face business crises, such as those caused by a debtor's loss of ability to repay debts due to climate change; market crises due to loss of value of financial assets; and insurance crises due to natural disasters and consequent increase in insurance payments. At the same time, they can take advantage of various opportunities, such as increasing investments in projects related to adjustment and mitigation of climate change and discovery of promising businesses in the related fields. In addition, financial companies can increase capital adequacy and asset soundness through reduction of exposure to stranded assets and risk management.</p>	<p>DGB Financial Group is joining global initiatives led by TCFD, SBTi, PRB, and other financial businesses in a bid to transform climate risks into opportunities, to take another leap forward. We also are undertaking various activities by shaping governance to address climate change and developing greenhouse gas inventories, to make them an embedded practice.</p>	<p>DGB Financial Group plans to exit coal-based assets by setting SBT that corresponds with the 2050 Paris Climate Agreement, and develop strategies to transform them into action in a bid to lead the transition into a carbon neutral economy. We will continue to make progress toward the goal of addressing climate change by gathering the latest information on climate change-related systems and regulations; and to formulate response strategies and review asset portfolios by conducting stress tests and climate scenario analyses on a regular basis.</p>	<ul style="list-style-type: none"> Goal setting for low-carbon investment and achievement A list of industries sensitive to climate risks and investment exclusion Banking products related to climate change (ratio) Climate change Stress tests and scenario analyses



MANAGEMENT'S DISCUSSION & ANALYSIS

Diagnosis and Analysis of Financial Management Performance **064**

Diagnosis and Analysis of Non-Financial Management Performance **069**

Diagnosis and Analysis of Financial Management Performance

DGB Financial Group

DGB Financial Group, a financial holding company headquartered in Buk-gu, Daegu, was established on May 17, 2011, with capital of KRW 670.3 billion by the comprehensive stock transfer method of Daegu Bank, Cardnet, and DGB Credit Information and was listed on the Korea Stock Exchange on June 7, 2011. The group then acquired DGB Capital in Jan. 2012, founded DGB Data System as a subsidiary in Apr. 2012, took over Cardnet and U-Payment along with DGB U-Pay in Mar. 2013, DGB Life Insurance in Jan. 2015, DGB Asset Management in Oct. 2016, Hi Investment & Securities in Oct. 2018 with the aim of consolidating the non-financial business line and profit diversity through entry to the securities market, and Soorim Venture Capital in Apr. 2021, growing into a comprehensive financial group with nine subsidiaries in early 2021.

We are achieving both quantitative growths as such, and qualitative growth, with the aim of becoming a global standard bank that practices sustainability management as the management vision and evolution and growth, profit expansion, and mutual prosperity with local communities as the management philosophy.

(Unit: KRW 100 million)

	Group consolidation	DGB Financial Holding Company	DGB Daegu Bank	Hi Investment & Securities	DGB Life	DGB Capital	DGB Asset Management	DGB U-Pay	DGB Data System	DGB Credit Information	Consolidated adjustment
Total Operating Profit (A)	17,887	1,577	11,938	3,937	1,125	1,158	110	21	25	12	(2,016)
(Interest income)	14,287	(162)	11,143	991	1,418	1,072	3	1	1	1	(181)
(Non-interest income)	3,600	1,739	795	2,946	(293)	86	107	20	24	11	(1,835)
SG&A expenses (B)	10,223	216	6,639	2,410	577	381	77	54	11	9	(151)
Transfer of provision (C)	2,764	-	2,268	187	(3)	310	-	-	-	-	2
Operating Profit (A-B-C)	4,900	1,361	3,031	1,340	551	467	33	(33)	14	3	(1,867)
Non-operating profit	91	5	(23)	130	(68)	12	(3)	23	1	-	14
Total current net income	3,768	1,353	2,383	1,116	351	361	24	(10)	11	2	(1,823)
Non-controlling interest income	445	-	-	-	-	-	-	-	-	-	-
Net Profit to controlling shareholders	3,323	-	-	-	-	-	-	-	-	-	-
Total asset	799,718	37,511	592,657	105,409	65,071	35,041	397	368	130	54	(36,920)

※ The above financial information was prepared according to the classification system of the consolidated financial statements of the holding company.

In 2020, DGB Financial Group's ROA and ROE, profitability indicators, were 0.43 percent and 6.87 percent, respectively, slightly decreasing compared to the previous year. The NPL ratio has improved significantly from the previous year to 0.58%, and the credit rating is also maintained at a stable level with AAA credit ratings from Korea Ratings Agency and A2 ratings from Moody's. The BIS capital equity ratio, which is an asset quality indicator, rose slightly to 12.41 percent in 2020 compared to the previous year, thanks to a decrease in the proportion of risk-weighted assets, issuance of new types of capital securities, and good performance. The dividend payout ratio in 2020 recorded 19.85 percent, down 2.72 percentage points from the previous year.

Indicator	Account	(%)
Profitability	ROA	0.43
	ROE	6.87
	CIR	57.2
Asset quality	NPL ratio	0.58
	Delinquency rate	0.49
Capital adequacy	BIS ratio (Basel III)	12.41
	Tier I ratio	11.02
Dividend payout ratio	Denomination Dividend rate	7.8
	Payout ratio	19.85
Credit rating	NICE Investors Service, Korea Ratings (*)	AAA
	Moody's (**)	A2

(*) consolidated basis, (**) the overseas credit rating is applied to DGB Daegu Bank.

DGB Daegu Bank

Management Performance DGB Daegu Bank's interest income decreased by 8.4% compared to the previous year to KRW 1.6038 trillion, and net interest income decreased to KRW 1.12 trillion, down 2.2 compared to the previous year. Nevertheless, we maintain stability thanks to the stable deposit cost ratio and loan yield. In addition, the net interest margin was 1.79 percent, down 0.28 percentage points from the previous year due to the low interest rate trend. The net interest asset totaled KRW 51.7372 trillion, up 10.6 percent compared to the previous year, but the difference in interest rate on deposits in the Korean won decreased by 0.36 percentage points. DGB Daegu Bank has a relatively high proportion of short-term bond-linked loans. Its net interest margin is sensitive to market interest rate fluctuation and, consequently, the net profit margin decreased due to the continued low interest rate.

Unit: KRW 1 billion

Interest Income & Net Interest Margin (NIM)

Year-on-year difference

	2020	2019	Amount	[% , %p]
Interest income	1,603.8	1,751.5	-147.7	-8.4%
Deposit interest	4.4	5.7	-1.3	-22.8%
Interest on financial assets	124.4	153.5	-29.1	-19.0%
Interest on loans	1,472.3	1589	-116.7	-7.3%
Others	2.7	3.3	-0.6	-18.2%
Interest expenses	489.5	611.9	-122.4	-20.0%
Interest in debt	382.1	489.2	-107.1	-21.9%
Interest on borrowings	41.0	58.1	-17.1	-29.4%
Bond interest	56.6	53	3.6	6.8%
Others	9.8	11.6	-1.8	-15.5%
Interest income	1,114.3	1,139.6	-25.3	-2.2%
Net Interest margin (NIM)	1.79%	2.07%	-	-0.28%p
Net interest spread (NIS)	2.07%	2.43%	-	-0.36%p

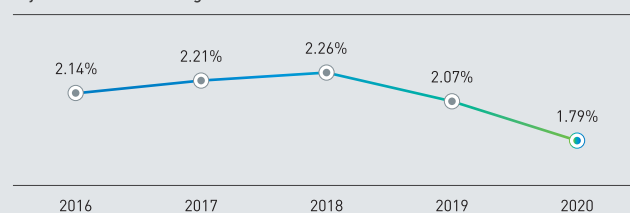
Unit: KRW 1 billion

Year-on-year difference

	2020	2019	Amount	[% , %p]
Bond yield	3.08%	3.81%	-	-0.73%p
Deposit rate	1.01%	1.38%	-	-0.37%p
Interest-earning assets	51,737.2	46,776.4	4,960.8	10.6%

DGB Daegu Bank's net interest income in 2020 was 1.79 percent, down 0.28 percentage points from the previous year's 2.07 percent due to the economic recession caused by the spread of the COVID-19 pandemic and the prolonged low interest rate. With loan portfolio adjustment and market interest rate sensitivity as the basis, the net interest margin is expected to be increase as a result of an increase in market interest rate. We will continue maintaining stability through active management of net interest spread in 2021 as well.

5-year Net interest margin



DGB's non-interest income stood at KRW 79.5 billion, a whopping increase of 864.4 percent compared to the previous quarter, which had lost KRW 10.4 billion due to the loss from the sale of large-scale loan receivables, partially recovering lost revenue in the interest sector. The increase of profitability as such is attributed mainly to the increase in fees for the transaction of bancassurance and beneficiary securities. Other securities, foreign exchange and derivatives trading profits also increased 30.6 percent and 13.3 percent compared to 2019, respectively, resulting in an increase of KRW 89.9 billion in overall non-interest income.

Unit: KRW 1 billion

Non-interest income

Year-on-year difference

	2020	2019	Amount	(%, %p)
Non-interest income	79.5	-10.4	89.9	864.4%
Commission income	98.6	86.4	12.3	14.1%
Gain on Securities	56.4	43.2	13.2	30.6%
Gain on foreign currency transactions & derivatives products	21.6	18.8	2.8	14.9%
Gain on disposition of loans	29	-44.9	73.9	164.6%
Other operating expenses	-126.1	-113.9	-12.2	-10.5%

Sales and administrative expenses increased by 6.2 percent to KRW 663.9 billion in 2020, which was followed by an increase in SG&A ratio from 55.4 percent in the previous year to 55.6 percent this year. This increase is due to voluntary retirements and provision for bad debt. Except for these temporary factors, it is safe to say that the group's management efficiency is gradually improving. Specifically, retirement benefits and personnel expenses increased by 60.5 percent and 6.4 percent, respectively, compared to the previous year. DGB Daegu Bank is working harder to consolidate the network of each branch and reorganize the operating organization to improve work efficiency and productivity.

Unit: KRW 1 billion

Selling and administrative expenses

Year-on-year difference

	2020	2019	Amount	(%, %p)
Selling and administrative expenses	663.9	625.3	38.6	6.2%
Labor expenses	331	311.2	19.8	6.4%
Depreciation and taxation	101	96.1	4.9	5.1%
Retirement benefits	52.8	32.9	19.9	60.5%
Pure goods and services	179.1	185.1	-6	-3.2%
SG&A expenses	55.6%	55.4%	-	0.2%p
Other operating expenses				

DGB Daegu Bank's pre-provision operating profit in 2020 was KRW531.4 billion, a 5.5% increase from KRW 503.9 billion in the previous year. Interest income decreased from the previous year due to the low interest rate, but non-interest income increased significantly compared to the previous year. Total operating profit increased 5.8 percent compared to the previous year's KRW 1.12 trillion. In addition to the increase in general and administrative expenses, the increase in total operating profit was offset by the increase in the provision for bad debt due to the accumulation of the COVID- 19 provision.

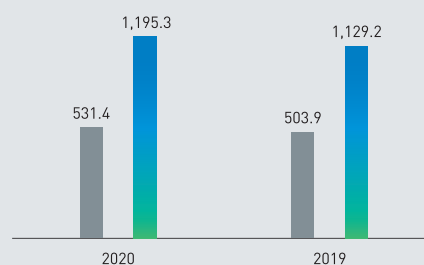
Unit: KRW 1 billion

Operating profit

Year-on-year difference

	2020	2019	금액	(%)
Pre-provisional operating profit	531.4	503.9	27.5	5.5%
Total operating profit	1,193.8	1,129.2	64.6	5.7%
Selling and administrative expenses	663.9	625.3	38.6	6.2%
Transfer provision	226.8	135.7	91.1	67.1%
Operating profit	303.1	368.2	-65.1	-17.7%

■ Pre-provisional operating profit ■ Total operating profit



Financial Status As of the end of 2020, total assets increased by 7.3% from the previous year to KRW 55,265.7 billion. Asset growth was attributable to amortized cost of loan receivables (up 7.9 percent to KRW 45.7432 trillion from the previous year), achieving balanced growth between business and household loans. Despite the continuous economic downturn, DGB Daegu Bank achieved an increase in assets for five consecutive years thanks to the success of its business strategy that gives top priority to customer value and consolidated its region-based sales network.

Unit: KRW 1 billion

Asset Year-on-year difference

	2020	2019	Amount	[% , %p]
Asset	59,265.7	55,215.4	4,050.30	7.3%
Cash and deposit	2,615.2	2,094.8	520.40	24.8%
Securities	8,342.5	8,042.2	300.30	3.7%
amortized cost of loan receivables	45,743.2	42,401.0	3,342.20	7.9%
Fixed asset	606.4	701.2	-27.70	-4.4%
Other asset	1,958.4	1,976.2	-84.90	-4.2%

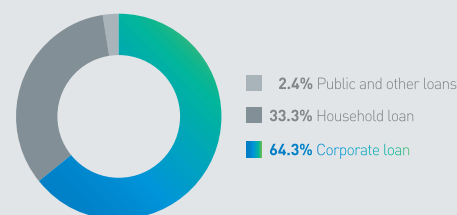
DGB Daegu Bank's loans in Korean Won amounted to KRW 44.1665 trillion in 2020, an increase of KRW 4.7589 trillion compared to the previous year's KRW 39.4076 trillion. Corporate loans achieved KRW 28,384.8 billion in 2020, contributing to stable export support to local businesses and the development of the local economy in accordance with the management philosophy of pursuing shared growth with local communities. These corporate loans account for 64.3 percent of all loans and account for the largest share. In addition, household loans, which account for 33.3 percent of the total loan receivables, increased by KRW 3.3595 trillion from the previous year to KRW 14,708.9 trillion due to the continuous increase in domestic real estate mortgage loans. Public and other loans with relatively low credit risk also increased by 17.1 percent to KRW 1,072.8 billion.

Unit: KRW 1 billion

Loans in Korean Won

Year-on-year difference

	2020	2019	Amount	(%)
Loans in Korean Won	44,166.5	39,407.6	4,758.9	12.1%
Corporate Loans	28,384.8	27,133.7	1,251.1	4.6%
Household Loans	14,708.9	11,358.0	3,350.9	29.5%
Public and other loans	1,072.8	915.9	156.9	17.1%



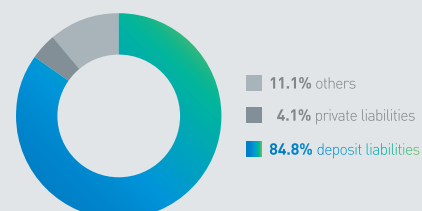
The total liabilities of DGB Daegu Bank increased by KRW 3.9455 trillion in 2020 from KRW 50.7980 trillion in 2019 to KRW 54.7435 trillion, up 7.8 percent from the previous year. Low-cost deposits were KRW 46.4469 trillion, up 9.2 percent from the previous year, and high-cost bonds also rose 12.7 percent from the previous year to KRW 2.23 trillion. The increase in debt of DGB Daegu Bank was due to the increase in low-cost deposits and high-cost bonds and it was properly financed in line with the level of asset growth in 2020.

Unit: KRW 1 billion

Liability structure

Year-on-year difference

	2020	2019	Amount	(%)
Total liabilities	54,743.5	50,798.0	3,945.5	7.8%
Deposit liabilities	46,406.9	42,495.2	3,911.7	9.2%
Private liabilities	2,230.7	1,978.9	251.8	12.7%
Others	6,105.9	6,323.9	-218.0	-3.4%



In the case of core deposits with free savings and withdrawals, DGB Daegu Bank's aggressive marketing and increased customer confidence led to an increase of 21.7 percent compared to the previous year from KRW 15.3557 trillion in 2019 to KRW 18.68 trillion in 2020. We achieved KRW 50,835 billion, an increase of 10.6 percent compared to the previous year. The ratio of core deposits to total receipts accounted for 36.8 percent, an increase of 3.4 percentage points compared to the previous year.

Unit: KRW 1 billion

Core deposit

Year-on-year difference

	2020	2019	Amount	(%)
Core deposits (A)	18,682.9	15,355.7	3,327.20	21.7%
Deposits (in KRW) (B)	42,344.7	38,333.8	4,010.90	10.5%
% of core deposits (A/B)	44.1%	40.1%	-	-
(*)Total deposits (C)	50,835.0	45,962.6	4,872.40	10.6%
Ratio of core deposits (A/C)	36.8%	33.4%	33.4%	3.4%

(*) Total savings and deposits to core deposits=deposits + CD+R + promissory note + debentures issued + money trust

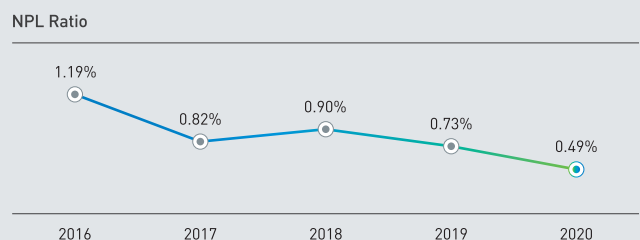
The substandard loans granted by DGB Daegu Bank amounted to KRW 222.3 billion in 2020, a decrease of KRW 74.2 billion from the previous year. The NPL ratio was 0.49 percent, down 0.24 percent points from the previous year's 0.73 percent. DGB Daegu Bank manages the NPL ratio below an appropriate level through preemptive risk control through continuous amortization and disposal of bad debts.

Unit: KRW 1 billion

Asset quality Year-on-year difference

	2020	2019	Amount	(%, %p)
Total Credit	45,440.1	40,847.1	4,593.0	11.2%
Normal	44,781.4	40,279.5	4,501.9	11.2%
Precautionary	435.5	270.2	165.3	61.2%
Substandard	149.2	189.3	-40.1	-21.2%
Doubtful	16.2	44.7	-28.5	-63.8%
Estimated loss	57.8	63.4	-5.6	-8.8%
NPL ratio (%)	0.49%	0.73%	-	-0.24%p
Delinquency ratio (%)	0.37%	0.50%	-	-0.13%p

DGB Daegu Bank reduced the NPL ratio from 1.19 percent in 2016 to 0.82 percent in 2017 through proactive risk asset management and active risk management. As a result of focusing on risky asset management despite the increasing household debts, industrial restructuring, and other external business circumstances, the NPL ratio has been maintained below 1 percent for four consecutive years.



DGB Daegu Bank's equity capital increased by KRW 177.7 billion to KRW 4.69 trillion in 2020. The complementary capital increased by KRW 27.2 billion compared to the previous year, and the core capital increased by KRW 150.5 billion to KRW 4.1916 trillion, driving the increase in total equity capital. DGB Daegu Bank's basic capital has increased thanks to the improvement of profitability resulting from the expansion of business power and management efficiency, and this increase means improvement in capital soundness. In 2020, the BIS ratio increased by 3.11 percent points from 14.42 percent in the previous year to 17.53 percent, far exceeding the 8 percent suggested in the BIS guidelines, showing a stable ratio.

Unit: KRW 1 billion

Capital Adequacy Year-on-year difference

	2020	2019	Amount	(%, %p)
BIS Capital	4,696.4	4,518.7	177.7	3.9%
Tier I capital	4,191.6	4,041.1	150.5	3.7%
Tier II capital	504.8	477.	27.3	5.7%
Risk-weighted Assets	26,795.9	31,334.9	-4,539.0	-14.5%
BIS ratio	17.53%	14.42%	-	3.11%p
Tier I ratio	15.64%	12.90%	-	2.74%p
Tier II ratio	1.88%	1.52%	-	0.36%p

Tax strategy

1. Regulatory compliance
 - DGB Financial Group actively enhances its knowledge level in response to the rapidly changing business environment and consequent revision of the tax law in order to comply with the tax law in reporting and paying taxes.
 - Not only the domestic tax law, but overseas tax laws are observed faithfully by the Group's subsidiaries in the relevant country. Relevant laws and regulations in inter-country transactions are observed, and the duty of documenting in accordance with the "Base Erosion and Profit Shifting Action Plan (BEPS action plan)" is faithfully performed.
2. Tax risk management
 - We minimize tax risks by using external experts to make accurate reports and payments in relation to regular tax returns.
 - We strive to maximize shareholders' profits through systematic tax management, electronic report utilization, and installment payment procedures when paying and reporting taxes.
 - We manage tax issues in advance through communication with taxation authorities.
3. Disclosure of tax information
 - DGB Financial Group disclose corporate tax related information on Financial Supervisory Service's electronic disclosure system (<http://dart.fss.or.kr>) the details of the relationship between accounting profit and corporate tax expense at the notes to its financial statements.

Diagnosis and Analysis of Non-Financial Management Performance

Human Capital

DGB Financial Group* has a total of 4,615 employees working as of the end of 2020. By gender, males are 2,565 people, females 2,050 people, and by employment type, permanent employees are 3,887 people, and contract workers 718 people, and by age, people in their 40s take up the most percentage.

* Among affiliates of DGB Financial Group, the data of 5 affiliates comprised of DGB Daegu Bank, Hi Investment & Securities, DGB Life Insurance, DGB Capital, and DGB Asset Management is reported. And the number of personnel at five affiliates of DGB Financial Group takes up around 95% of total number of personnel. In case the reporting scope is different, the scope is marked separately.

DGB Financial Group Employees

		unit	2019	2019	2020
Total number of employees	Total	persons	4,424	4,608	4,615
	DGB Daegu Bank	persons	3,091	3,246	3,197
	Hi Investment & Securities	persons	781	814	838
	DGB Life Insurance	persons	277	241	233
	DGB Capital	persons	235	260	294
	DGB Asset Management	persons	40	47	53
Employees	Executives ¹⁾	persons	85	108	104
	Staff members	persons	4,339	4,500	4,511
Gender	Male	persons	2,492	2,584	2,565
	Female	persons	1,932	2,024	2,050
Employment Type	Permanent employees	persons	3,995	3,894	3,887
	Contract employees	persons	415	699	718
	Ratio of contract employees	%	9	15	16
Age	Under 20	persons	21	24	13
	20s	persons	719	718	669
	30s	persons	1,409	1,424	1,434
	40s	persons	1,536	1,533	1,498
	50s and above	persons	739	903	1,001
Others	National Patriots	persons	205	205	201
	Disabled	persons	46	49	59
	Migrant worker	persons	20	21	35

1) Executive: Grade 1 or higher, in case of DGB Capital, managing director or higher

DGB Financial Group places priority on ability without discrimination based on gender or nationality in terms of recruitment and promotion of executives and staff members. In 2020, 315 employees were recruited as newcomers, with 361 employees leaving the company.

DGB Financial Group New Employment & Retirement

		unit	2018	2019	2020
New Employment (Gender)	Male	persons	151	283 ²⁾	214
	Female	persons	88	177	101
	Total	persons	239	459	315
	ratio	%	5.4	10.0 ²⁾	6.8
New Employment (Age) ¹⁾	Under 20	persons		22	9
	20s	persons		189	106
	30s	persons		99	91
	40s	persons		43	29
	50s and above	persons		106	80
Retirement (Gender)	Male	persons	272	200	222
	Female	persons	94 ²⁾	86	139
	Total	persons	365	286	361
	ratio	%	8.3	6.2	7.8
Retirement (Age) ¹⁾	Under 20	persons		-	-
	20s	persons		52	40
	30s	persons		65	75
	40s	persons		48	72
	50s and above	persons		121	168
Percentage of internal hires ³⁾		%	97.9	74.1	73.4

1) Age-specific data collected from 2019 2) 2019 data change due to numerical error 3) Percentage of open positions filled by internal candidates, Scope of reporting: DGB Daegu Bank(2018-2020), Hi Investment&Securities/DGB Life/DGB Capital(2019-2020)

DGB Financial Group Safety & Health (OHS)¹⁾

		unit	2018	2019	2020
DGB Daegu Bank	Number of industrial disaster cases	cases	-	-	1
	Industrial disaster ratio	%	-	-	-
	Days of absence due to industrial disaster	days	-	-	-
	Absence ratio	%	-	-	-
Hi Investement & Securities ²⁾	Number of industrial disaster cases	cases	-	-	-
DGB Life Insurance ²⁾	Number of industrial disaster cases	cases	-	-	-
DGB Capital ²⁾	Number of industrial disaster cases	cases	-	-	-
DGB Asset Management ²⁾	Number of industrial disaster cases	cases	-	-	-

1) Disaster data of business partner employees working in the office, and branches of each affiliate of DGB Financial Group included

2) Disaster rate and absenteeism rate are zero as no industrial accidents occurred in three years.

The female staff rate of DGB Financial Group was 44.4% in 2020, and there is no difference in the basic level and total compensation between male and female employees in compensation policy

DGB Financial Group Female Employee Index

	unit	2018	2019	2020
Percentage of female employees	%	43.7	43.9	44.4
Percentage of female managers	%	21.8	22.9	24.0
Female ratio among lower management position ¹⁾	%	37.3	37.5	37.4
female ratio among higher management position ²⁾	%	7.1	9.2	11.5

1) Lower management positions: manager or higher

2) Higher management position: deputy branch head/department (branch) head (Hi Investment & Securities)/deputy general manager (Capital) or higher

DGB Financial Group actively encourages and recommends use of maternity leave and parental leave to female staff members and strives to prevent the career path interruption of female executives and staff members due to pregnancy, childbirth and childcare by increasing the maximum quota of DGB Child Dream Daycare Centers which are the daycare centers in workplace of DGB Daegu Bank.

Maternity Leave & Return to Work Rate

		unit	2018	2019	2020	
DGB Daegu Bank	Number of employees in maternity leave	Total	persons	123	127	104
		Male	persons	-	-	-
		Female	persons	123	127	104
	Number of employees returning from maternity leave during relevant year	Total	persons	112	134	134
		Male	persons	-	-	-
		Female	persons	112	134	134
	Number of 12 months' service after return from maternity leave in previous year	Total	persons	124	112	134
		Male	persons	1	-	-
		Female	persons	123	112	134
Return ratio ¹⁾	Total	%	6	106	129	
	Male	%	-	-	-	
	Female	%	9	106	129	
Ratio of employees who work for more than 12 months after maternity leave ²⁾	Total	%	100	100	100	
	Male	%	100	-	-	
	Female	%	100	100	100	
	Number of employees who retired after maternity leave ³⁾	Total	persons	5	4	3
	Number of childcare personnel at DGB Child Dream Daycare Centers		persons	129	147	136

		unit	2018	2019	2020	
Hi Investment & Securities	Number of employees in maternity leave	Total	persons	8	20	11
		Male	persons	1	3	2
		Female	persons	7	17	9
	Number of employees returning from maternity leave during relevant year	Total	persons	11	10	18
		Male	persons	-	2	3
		Female	persons	11	8	15
	Number of 12 months' service after return from maternity leave in previous year	Total	persons	13	11	8
		Male	persons	-	-	2
		Female	persons	13	11	6
	Return ratio ¹⁾	Total	%	85	50	164
		Male	%	-	67	150
		Female	%	157	47	167
Ratio of employees who work for more than 12 months after maternity leave ²⁾	Total	%	93	100	80	
	Male	%	-	-	100	
	Female	%	93	100	75	
Number of childcare personnel at DGB Child Dream Daycare Centers		Total	persons	1	-	1

1) Number of employees returning after maternity leave / number of employees in maternity leave during relevant year

2) Number of employees in 12 months' service after returning from maternity leave during relevant year / number of employees returning after maternity leave during previous reporting period

3) Number of employees who retired within 12 months after return

DGB Financial Group is committed to the satisfaction level of the executives and staff members. As a part of this effort, we are recommending the enhancement of communication between labor and management and labor union activities. Currently, among affiliates, there are labor unions in Hi Investment & Securities, DGB Life Insurance, DGB Capital, and DGB U-pay. In case of an affiliate that has signed a collective bargaining agreement with the labor union, the agreement applies to all employees, and even if there is no collective bargaining agreement, labor management council is operated according to the law and its operation results are applied to all employees. Furthermore, in case there is a change in company operation, it is notified according to related laws and regulations such as Labor Standards Act.

Labor Union Participation Status

		unit	2018	2019	2020
DGB Daegu Bank	Total number of employees	persons	3,091	3,246	3,227
	Number of union-eligible employees	persons	2,095	2,117	2,098
	Number of labor union members	persons	2,095	2,117	2,098
	Total union participation rate	%	68	65	65
	Participation rate among eligible employees	%	100	100	100
Hi Investment & Securities	Total number of employees	persons	756	784	805
	Number of union-eligible employees	persons	668	690	705
	Number of labor union members	persons	426	421	437
	Total union participation rate	%	56	54	54
	Participation rate among eligible employees	%	64	61	62
DGB Life Insurance	Total number of employees	persons	277	241	233
	Number of union-eligible employees	persons	177	170	162
	Number of labor union members	persons	177	170	162
	Total union participation rate	%	64	71	70
	Participation rate among eligible employees	%	100	100	100
DGB Capital	Total number of employees	persons	112	134	294
	Number of union-eligible employees	persons	155	165	210
	Number of labor union members	persons	90	97	120
	Total union participation rate	%	80	72	41
	Participation rate among eligible employees	%	58	59	57
DGB U-pay	Total number of employees	persons	37	44	43
	Number of union-eligible employees	persons	20	22	31
	Number of labor union members	persons	19	21	30
	Total union participation rate	%	51	48	70
	Participation rate among eligible employees	%	95	96	97

DGB Financial Group recognizes that the capacity of internal staff is the competitiveness of the company, and each affiliate continues to increase the investment in education to executives and staff members.

DGB Financial Group Employee Education

		unit	2018	2019	2020	
DGB Daegu Bank	Average education hours per capita	Total	hours	80	80	78
		Male	hours	76	77	74
		Female	hours	84	83	81
	Average education expenses per capita	KRW 1,000	1,000	1,125	1,126	
Hi Investment & Securities	Average education hours per capita	Total	hours	8	7	15
		Male	hours	8	7	16
		Female	hours	8	7	11
	Average education expenses per capita	KRW 1,000	229	303	232	
DGB Life Insurance	Average education hours per capita	Total	hours	47	66	63
		Male	hours	47	66	63
		Female	hours	47	66	37
	Average education expenses per capita	KRW 1,000	416	579	547	
DGB Capital	Average education hours per capita	Total	hours	24	56	69
		Male	hours	25	59	73
		Female	hours	22	50	61
	Average education expenses per capita	KRW 1,000	291	619	529	

DGB Financial Group is listening to the honest voices from executives and staff members by preparing various communication channels and especially since the establishment of DGB human rights ethical center, the center visited the branches to conduct 1 on 1 consulting to hear vivid complaints from executives and staff members.

DGB Financial Group Employee Grieving Handling

		unit	2018	2019	2020
DGB Daegu Bank	Complaint processing accepted ¹⁾	cases	56	20	9
	Complaint processing completed	cases	39	17	6
	Complaint resolution ratio	%	70	85	67
Hi Investment & Securities	Complaint processing accepted	cases	-	-	-
	Complaint processing completed	cases	-	-	2
	Complaint resolution ratio	%	-	-	-
DGB Life Insurance	Complaint processing accepted	cases	1	1	3
	Complaint processing completed	cases	1	1	3
	Complaint resolution ratio	%	100	100	100

¹⁾ HR counseling website, HR counseling kakaotalk / phone call are not included / (DGB Human rights ethics center, Compliance Department and Financial Consumer Protection Department are not included)

Manufactured Capital

DGB Financial Group is operating 282 branches as of the end of 2020, with 237 DGB Daegu Bank, 27 Hi Investment & Securities, 5 DGB Life Insurance, 9 DGB Capital, and one of each at DGB Asset Management, DGB Upay, DGB Data System and DGB Credit Information. Due to development of digital technologies and contactless services, the number of branches is on the decline, but we will try to provide financial services that can be comfortably accessed by customers with continuous innovation.

Number of Branches

	unit	2018	2019	2020
DGB Daegu Bank	branch	249	245	237
Hi Investment & Securities	branch	29	27	27
DGB Life Insurance	branch	42	5	5
DGB Capital	branch	12	12	9
DGB Asset Management	branch	1	1	1
DGB U-Pay	branch	1	1	1
DGB Data System	branch	1	1	1
DGB Credit Information	branch	1	1	1
Total	branch	336	293	282

Instrument Status

		unit	2018	2019	2020
DGB Daegu Bank	DGB self-service Kiosk	instrument	13	16	23
	ATM	instrument	1,707	1,645	1,560
	Passbook printer	instrument	161	153	140
	Unmanned Bill Payment Machine	instrument	262	258	246
	Total	instrument	2,143	2,072	1,969
Hi Investment & Securities	ATM	instrument	9	9	9
	Total	instrument	9	9	9

Number of Customers (ratio by age)

		unit	2018	2019	2020
DGB Daegu Bank	20 and younger	%	8	6	6
	21-30	%	16	16	14
	31-40	%	18	18	17
	41-50	%	20	19	20
	51-60	%	18	18	19
	61-70	%	11	12	12
	71 and older	%	9	10	12
	Total	%	100	100	100
Hi Investment & Securities	20 and younger	%	2	2	2
	21-30	%	5	5	5
	31-40	%	15	15	14
	41-50	%	23	22	22
	51-60	%	25	24	24
	61-70	%	18	19	19
	71 and older	%	13	14	15
	Total	%	100	100	100

DGB Daegu Bank Number of Customer (by type)

		unit	2018	2019	2020
Receiving	Number of individual customers	persons	4,768,735	4,951,455	5,056,852
	Number of small business customers	persons	138,782	145,619	152,575
	Individual customer received amount	KRW won	21,413,485,123,372	22,966,597,546,762	24,628,127,446,151
	Small business customer received amount	KRW won	30,122,648,316,703	31,959,296,836,129	31,493,301,424,515
Credit	Number of individual customers	persons	228,444	253,187	302,426
	Number of small business customers	persons	53,986	55,875	73,926
	Number of conglomerate business customers	persons	193	220	215
	Individual customer received amount	KRW won	20,586,449,743,857	22,478,152,080,029	26,308,306,853,992
	Amount of credit from Small business customer	KRW won	23,028,497,665,437	25,187,976,163,503	26,262,609,122,816
	Amount of credit from conglomerate business customer	KRW won	2,252,650,397,323	2,604,501,330,394	2,864,699,300,282

Intellectual Capital

DGB Financial Group actively responds to the fourth industrial revolution and at the same time, is promoting digital transformation redefining existing business structure based on digital to create sustainable performance.

DGB Daegu Bank's Fintech Investment

	unit	2018	2019	2020
Investment in Fintech	KRW million	2,346	5,036	4,310

Number of Online Customers (ratio)

		unit	2018	2019	2020
DGB Daegu Bank ¹⁾	20 and younger	%	3	3	3
	21~30	%	20	19	19
	31~40	%	25	23	24
	41~50	%	23	23	23
	51~60	%	18	19	18
	61~70	%	8	9	9
	71 and older	%	3	4	4
	Total	%	100	100	100
Hi Investment & Securities ²⁾	20 and younger	%	1	1	2
	21~30	%	7	6	7
	31~40	%	23	23	21
	41~50	%	28	28	28
	51~60	%	25	25	24
	61~70	%	12	13	13
	71 and older	%	4	4	5
	Total	%	100	100	100

1) Based on Internet banking customers

2) Based on accounts on which HTS application was received by Dec 31 of the reporting period (excluding consolidated and closed accounts and corporate accounts)

DGB Daegu Bank registered 10 patents and applied for 12 patents. Through continuous development activities, we plan to lead the innovation of products and services and actively respond to the rapidly changing financial environment.

DGB Daegu Bank's Patent Registration (Accumulated)

	unit	2018	2019	2020
Patent registration	case	9	9	10
Patent application	case	10	11	12

Environmental Capital

DGB Financial Group is conducting resource usage reduction activities and management activities for appropriate processing of wastes to pass down a sustainable environment to future generations. Through establishing paperless office environment, we are reducing the used amount of resources such as paper, and are carrying out environment education every year to emitters and processors for the appropriate processing of wastes.

Water Usage ¹⁾

	unit	2018	2019	2020	2021(Target)	2022(Target)
Water usage ²⁾ (Rainwater)	tonne	191,197 (976)	197,584 (4,865)	191,756 (3,660)	180,000 ³⁾	175,000 ³⁾

1) Scope of report: All affiliates of DGB Financial Group

2) Refers to municipal water usage. Total water usage is the sum of municipal water and rainwater usage

3) Excluding rainwater

Paper Usage ¹⁾

	unit	2018 ²⁾	2019	2020
Paper Usage (A4 size paper)	tonne	142.6	151.1	156.0

1) Scope of reporting: DGB Financial Holding Company, DGB Daegu Bank, Hi Investment & Securities

2) Correction of previous year's reported figures by added DGB Life Insurance

Waste Management ¹⁾

	unit	2018 ²⁾	2019	2020
Total	tonne	184.0	231.2	40.8
General waste (Incineration, landfill, company processing, etc.)	tonne	65.9	105.8	30.1
Recycling amount	tonne	118.1	125.5	10.8
Recycling rate	%	64.2	54.3	26.3

1) Scope of reporting: DGB Financial Holding Company, DGB Daegu Bank, Hi Investment & Securities

2) Correction of previous year's reported figures by added DGB Life Insurance

DGB Financial Group is working hard to increase the product purchasing rate. Consequently, the group is promoting the purchase of green products with the green product purchase rate which is relatively high at DGB Financial Group is working hard to increase the green product purchasing rate. Consequently, the group is promoting the purchase of green products with the green product purchase rate which is relatively high at 85.5% in both 2019 and 2020.

DGB Daegu Bank's Green Product Purchasing

	unit	2015	2016	2017	2018	2019	2020
Total purchasing	KRW million	8,815	8,425	7,242	16,320	8,614	3,933
Green product purchasing	KRW million	7,364	7,048	6,075	14,490	7,367	3,363
Green product purchasing ratio	%	83.5	83.7	83.9	88.8	85.5	85.5

The group is actively carrying out energy saving activities such as introducing 'green touch program', a low carbon life practice program that minimizes carbon dioxide emission by reducing the electric consumption when computers are not used and introducing geothermal system with solar generation facilities in the second head office in 2016. Solar generation facilities produced about 61MWh of electricity in 2020, which reduced greenhouse gas emissions by about 37tCO₂e.

Even when remodeling head office no.1, the group was able to obtain 'the effect of reducing 24% of annual energy cost, and 12% of CO₂ emission' with the design aiming to acquire eco-friendly certification at home and abroad.

* Calculated in contrast to American Society of Heating, Refrigerating and Air-Conditioning Engineers Building Energy Standard (ASHRAE Std. 90.1-2007)

Energy Usage¹⁾

		unit	2017	2018	2019	2020	2021(Target)	2022(Target)
Non-renewable energy) usage	Direct	TJ	41.3	40.9	63.6	59.8	57	54
	Indirect	TJ	118.7	123.9	130.3	140.4	133	127
Renewable energy usage		TJ	0.13	0.19	0.30	0.29	0.3	0.3
Total energy usage		TJ	160.13	164.89	194.2	200.5	190.3	181.3
Energy intensity	Standard (sales amount)	KRW 100 mil	24,487	25,606	49,688	58,837	-	-
	Intensity	TJ/KRW 100 mil	0.007	0.006	0.004	0.003	0.003	0.003

1) Scope of reporting has been expanded gradually

- 2017~2018: 5 companies including DGB Financial Holding Company, DGB Daegu Bank, DGB UPay, DGB Data System, and DGB Credit Information

- 2019: 5 companies above and Hi Investment & Securities, DGB Life Insurance, DGB Capital, and DGB Asset Management (For the added four affiliates, only the headquarters will be reported in 2019.)

- 2020: including scope of 2019 and branches of 4 lately added affiliates

2) Fuel: gasoline, diesel, kerosene, LNG, LPG

DGB Financial Group systemically manages the greenhouse gas emission by establishing the greenhouse gas (GHG) inventory system and secures objectivity and confidence on energy reduction and emission reporting through a third-party external verification every year. The group will work hard to continuously reduce greenhouse gas by setting targets related to greenhouse gas and actively engaging in greenhouse gas reduction activities every year.

Greenhouse Gas Emission¹⁾

		unit	2017	2018	2019	2020	2021(Target)	2022(Target)
GHG Emissions	Scope 1	tCO ₂ e	2,674	2,625	3,835	3,579	3,500	3,430
	Scope 2	tCO ₂ e	15,369	16,041	16,871	18,187	17,900	17,700
	Scope 3	tCO ₂ e	2,407	3,731	3,843	3,678	3,700	3,650
	Total	tCO ₂ e	20,450	22,396	24,549	25,444	25,100	24,780
GHG Emissions Intensity	Standard(sales amount)	KRW 100 mil	24,487	25,606	49,688	58,837	-	-
	Scope 1	tCO ₂ e / KRW 100 mil	0.109	0.103	0.077	0.061	0.059	0.058
	Scope 2	tCO ₂ e / KRW 100 mil	0.628	0.626	0.340	0.309	0.034	0.031
	Scope 3	tCO ₂ e / KRW 100 mil	0.098	0.146	0.077	0.063	0.063	0.062

1) Scope of reporting has been expanded gradually

- 2017~2018: 5 companies including DGB Financial Holding Company, DGB Daegu Bank, DGB UPay, DGB Data System, and DGB Credit Information

- 2019: 5 companies above and Hi Investment & Securities, DGB Life Insurance, DGB Capital, and DGB Asset Management (For the added four affiliates, only the headquarters will be reported in 2019.)

- 2020: including scope of 2019 and branches of 4 lately added affiliates

DGB Daegu Bank's Environment Protection Activities

	unit	2017	2018	2019	2020
Number of activities	times	118	115	92	42
Number of participants	persons	4,292	3,795	852	292
Investment amount in environment protection	KRW million	38	115	11	9

Since 2006, DGB Daegu Bank has reflected the trade counterparts' environment management level in the credit evaluation through the Corporate Lending Support Management System (TCRMS). This evaluation for spreading Eco-Friendly corporation and the negative screening in environmental sector is implemented on all corporate users of the credit evaluations system for corporate loan with additional points granted to corporations highly evaluated.

DGB Daegu Bank's Environmental Management Assessment

	unit	2017	2018	2019	2020
Number of firms subject to environmental management assessment	number	20,429	20,560	21,286	21,128
Number of excluded from environmental management assessment	number	432	427	454	494
Rate of environmental management assessment	%	99	98	98	98

DGB Financial Group is converting existing paper bills to electronic media such as e-mail to reduce paper consumption. In 2020, electronic media billing rate of 47% was achieved through the Smart statement and Kakao statement introduced since 2017.

Electronic Billing Status

		unit	2017	2018	2019	2020
DGB Daegu Bank	Total number of bills sent	cases	7,605,211	7,568,157	7,630,677	7,503,494
	Number of email bills sent	cases	2,298,864	2,069,332	1,853,549	1,667,237
	Number of mobile bills sent	cases	92,813	85,379	89,978	2,117
	Number of smart bills sent	cases	214,125	740,964	1,243,503	1,676,357
	Number of kakao bills sent	cases	16,256	147,388	171,937	200,344
	Ratio of electronic bills	%	35	40	44	47
Hi Investment & Securities	Total number of bills sent	cases	576,392	549,896	603,863	500,949
	Number of email bills sent	cases	188,907	198,636	338,427	185,180
	Ratio of email bills	%	33	36	56	37

DGB Daegu Bank's Eco-friendly Project Financing

	unit	investment period	Commitment Amount	Expenditure (2018)	Expenditure (2019)	Expenditure 2020)
Ulsan resource recovery facility private investment project	KRW million	2009.06~2024.03	20,171	13,465	11,645	10,982
Jeju Seogwipo Gasiri wind power generation project	KRW million	2017.08~2025.08	10,000	8,227	6,698	-
Daegu waste energy facility private investment project	KRW million	2015.09~2029.06	15,000	13,460	12,689	11,872
Pohang clean water love private investment trust	KRW million	2014.11~2031.06	8,230	5,210	4,955	4,651
Daegu innovation city cogeneration project	KRW million	2015.09~2029.06	30,000	27,993	27,048	26,036

Social Capital

DGB Financial Group is conducting activities to create social value as a member of the local community based on its management philosophy, "Sharing Dreams and Prosperity with Community." Especially in consideration of the characteristics of the financial company, the group is conducting and planning strategic social contribution activities. In the future, DGB Financial Group will move beyond simple donation activities to resolve social issues and ultimately create social value.

Financial Inclusion and Capacity Building

	unit	2018	2019	2020
Number of loans to SMEs and social economy enterprises (amount)	case (KRW)	97,176 (23,028,497,665,437)	99,001 (25,187,976,163,503)	132,606 (26,262,609,122,816)
Number of loans for community development (amount)	case (KRW)	31,303 (231,632,314,464)	29,656 (209,946,125,625)	79,136 (2,227,176,366,912)
Number of overdue and insolvent loans among SMEs and social economy company loans (amount)	case (KRW)	1,726 (17,334,097,826)	1,617 (16,866,553,543)	1,559 (10,516,225,972)
Number of overdue and insolvent loans among loans for community development (amount)	case (KRW)	440 (3,077,211,499)	476 (3,136,083,031)	608 (4,292,242,802)
Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	number	239,304	310,862	365,580

DGB Financial Group Social Contribution

	2018		2019		2020	
	Support amount (KRW million)	No. of Volunteers (persons)	Support amount (KRW million)	No. of Volunteers (persons)	Support amount (KRW million)	No. of Volunteers (persons)
Total of DGB Daegu Bank	30,800	16,700	30,034	6,708	26,146	3,114
Local Communities and Public Welfare	17,412	10,017	5,129	4,910	7,685	2,632
Culture, Arts and Sports	4,069	2,341	8,089	728	4,273	0
Education and Scholarship	4,106	547	7,690	218	5124	190
Microcredit / Support Youth Startup Foundation by dormant deposit / Credit Counseling and Recovery Service	5,098	-	9,102	-	9,055	0
Environmental and Global	115	3,795	24	852	9	292
DGB Financial Group affiliates excluding DGB Daegu Bank ¹⁾	1,840	208	1,815	182	1,780	65

1) Hi Investment & Securities, DGB Life Insurance, DGB Capital, DGB UPay

Win-win Growth

		unit	2018	2019	2020
DGB Daegu Bank	Business consulting service	Number of companies	102	81	88
	Activities	Number of companies	Pohang small hidden champion : 11 Design innovation corporation : 17 Pre star corporation : 3 Star company : 5 Global small hidden champion : 4 Relationship type and free : 14 Others : 48	Pohang small hidden champion : 4 Design innovation corporation : 14 Province star company : 6 Star company : 7 Small hidden champion in materials, parts & equipment : 5 Relationship type and free : 17 Others : 28	Daegu star company : 20 Ministry of SMEs and Startups Province star company : 13 Pohang small hidden champion : 5 Covid-19 damaged company : 2 Excellent company research center company : 5 Design innovation corporation : 6 R&D planning support : 5 Others : 24 Relationship type and free consulting : 8
HI Investment & Securities	Business consulting service	Number of companies	2	2	2
	Activities	Number of companies	Hyundai Heavy Industries business partner: 1 Hyundai Heavy Industries business partner: 1	Hyundai Heavy Industries business partner: 1 Hyundai Heavy Industries business partner: 1	Hyundai Heavy Industries business partner: 1 Hyundai Heavy Industries business partner: 1

DGB Financial Group is working hard for customer satisfaction, thinking that customer satisfaction is the best business strategy. 2020 customers' satisfaction level recorded 97.8% thanks to active customer satisfaction activities such as Chamsori Advisory Group activities to listen to customers' opinion, CS education, consumer protection activities, etc.

DGB Daegu Bank Customer Satisfaction Level

	unit	2018	2019	2020
Customers satisfaction level (satisfied customers)	%	93.2	98.3	97.8

'Voice of Customers' Status

		unit	2018	2019	2020
DGB Daegu Bank	Complaint	cases	62	88	71
	Pending question	cases	317	258	399
	Compliment	cases	818	698	473
	Others	cases	769	1426	2,752
	Total	cases	1,966	2470	3,695
HI Investment & Securities	Complaint	cases	14	22	45
	Pending question	cases	-	-	-
	Compliment	cases	1	4	3
	Others	cases	6	8	7
	Total	cases	21	34	55
DGB Life Insurance	Complaint	cases	24	38	41
	Pending question	cases	-	3	-
	Compliment	cases	1	1	-
	Others	cases	923	918	856
	Total	cases	948	960	897

Protection of Customers' Personal Information

		unit	2018	2019	2020
DGB Daegu Bank	Complaint raised by external party and proven internally within organization	cases	-	-	-
	Complaint on violation of personal information protection raised by regulatory institution	cases	3	3	1
	Number of proven cases of customers' data leakage, theft, loss	cases	-	-	-
HI Investment & Securities	Complaint raised by external party and proven internally within organization	cases	-	-	-
	Complaint on violation of personal information protection raised by regulatory institution	cases	-	-	-
	Number of proven cases of customers' data leakage, theft, loss	cases	-	-	-
DGB Life Insurance	Complaint raised by external party and proven internally within organization	cases	-	-	-
	Complaint on violation of personal information protection raised by regulatory institution	cases	-	-	-
	Number of proven cases of customers' data leakage, theft, loss	cases	-	-	-
DGB Capital	Complaint raised by external party and proven internally within organization	cases	-	-	-
	Complaint on violation of personal information protection raised by regulatory institution	cases	-	-	-
	Number of proven cases of customers' data leakage, theft, loss	cases	-	-	-

Legal and Regulatory Violation

		unit	2018	2019	2020
DGB Financial Group	Amount of major fines	KRW	-	-	-
	Number of non-monetary sanctions	cases	-	-	-
	Number of litigation cases (number of cases pending as of the end of year)	cases	-	-	1
DGB Daegu Bank	Amount of major fines	KRW	50,000,000	102,000,000	100,000,000
	Number of non-monetary sanctions	cases	-	-	-
	Number of litigation cases (number of cases pending as of the end of year)	cases	23	24	24
HI Investment & Securities	Amount of major fines	KRW	-	2,200,000	22,240,000
	Number of non-monetary sanctions	cases	staff 2 cases, executive 5 cases, institution 6 cases	-	-
	Number of litigation cases (number of cases pending as of the end of year)	cases	3	6	10
DGB Life Insurance	Amount of major fines	KRW	-	-	6,000,000
	Number of non-monetary sanctions	cases	-	staff 3	staff 3
	Number of litigation cases (number of cases pending as of the end of year)	cases	-	-	34
DGB Capital	Amount of major fines	KRW	-	3,000,000	-
	Number of non-monetary sanctions	cases	staff 1 cases, institution 1 cases	institution 3 cases	staff 1 cases
	Number of litigation cases (number of cases pending as of the end of year)	cases	-	-	4
DGB Asset Management	Amount of major fines	KRW	-	-	20,000,000
	Number of non-monetary sanctions	cases	-	-	3
	Number of litigation cases (number of cases pending as of the end of year)	cases	-	-	-

1) Based on number of litigation cases pending

Expenses for Supporting Major Associations

	UNITS	2018	2019	2020
Korea Federation of Banks	KRW	670,000,000	680,000,000	720,000,000
Korea Financial Investment Association	KRW	64,000,000	65,000,000	64,000,000
Korea Life Insurance Association	KRW	230,000,000	270,000,000	250,000,000
The Credit Finance Association	KRW	140,000,000	140,000,000	150,000,000

DGB Financial Group strictly complies with the Political Funds Acts of Korea and never offers any funds intended to directly influence the existing policies such as political funds, campaign funds and funds for lobbying a specific political group or party. Meanwhile, we contribute to the development of public goods by supporting trade association whose political neutrality is checked.



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Independent Auditor's Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
DGB Financial Group Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of DGB Financial Group Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

(1) Assessments of loss allowances on loan receivables measured at amortized cost

As discussed in Note 3 to the consolidated financial statements ("Significant Accounting Policies"), the Group recognizes loss allowance based on an assessment of the expected credit loss impairment model for loan receivables measured at amortized cost.

The expected credit loss impairment model requires a loss allowance for 12-month expected credit loss or life-time expected credit loss to be recognized based on changes in credit risk subsequent to the initial recognition of the financial assets.

Management's significant judgment is involved in determining factors such as the level of increase in credit risk to assess loss allowance, estimation of risk factors such as probability of default and loss given default, future cash flows and discount rates related to the estimation of forward-looking information and individual assessment. Therefore, significant attention was placed on loss allowances on loan receivables measured at amortized cost and identified it as a key audit matter.

In Note 11 to the consolidated financial statements of the Group, loan receivables measured at amortized cost and loss allowances based on the expected credit loss impairment model amount to ₩51,092,445 million and ₩388,953 million, respectively, as of December 31, 2020. Our audit procedures performed for management's assertion on the measurement of loss allowances on loan receivables measured at amortized cost are as follows:

- We performed analytical procedures on the appropriateness of stage classification, inspected documentation and tested methodology.
- We involved a specialist to inspect documentation and perform testing of the estimation methodology of probability of default and loss given default.
- We involved a specialist to inspect documentation and perform testing of the estimation methodology of forward-looking information.
- We performed inquiries, inspected documentation and performed testing of the future cash flow estimation and discount rate used to calculate loss allowances on individual basis of assessment.
- We performed validation of the rationality and calculation process of future economic outlook scenario reflection due to COVID-19.
- We performed rationality of measuring expected credit losses on loans subject to COVID-19 support measures, such as deferred payment of principal and interest, and verification of calculation process.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Emphasis of matter – Impact of COVID-19

Without qualifying our opinion, we draw attention to Note 46 to the consolidated financial statements which describes that the uncertainties from COVID-19 may affect the Group's consolidated financial position and management performance. The Group has prepared the consolidated financial statements for the year ended December 31, 2020 by reasonably estimating the impact of COVID-19. However, the ultimate impact therefrom on the Group's consolidated financial position, consolidated financial performance, and consolidated cash flows is not estimable as of December 31, 2020.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2019, were audited by other auditors in accordance with KGAAS, whose report dated March 18, 2020, expressed an unqualified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Kwan-Cheol Oh.

March 17, 2021



This audit report is effective as of March 17, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

Consolidated Statements of Financial Position

As of December 31, 2020 and 2019

(In millions of won)

	Note	2020	2019
Assets			
Cash and due from banks		5,38,41,42	2,826,220
Financial assets at fair value through profit or loss		6,9,41,42	7,748,112
Derivative assets		13,41,42	97,923
Financial assets at fair value through other comprehensive income		7,9,12,41,42	4,181,307
Securities at amortized cost		8,9,12,41,42	7,340,887
Loans at amortized cost		11,12,41,42	46,587,076
Investments in associates		10	12,420
Property and equipment		14,44	790,527
Investment property		16	199,057
Intangible assets		15	185,534
Income tax receivable			1,931
Deferred tax assets		36	56,966
Other assets		12,17,41,42	2,376,355
Total assets		79,971,805	72,404,380
Liabilities			
Depository liabilities		18,41,42	42,758,180
Financial liabilities at fair value through profit or loss		6,9,41,42	1,685,893
Financial liabilities designated at fair value through profit or loss		6,41,42	774,732
Derivative liabilities		13,41,42	141,456
Borrowings		19,38,41,42	7,043,400
Debentures		19,38,41,42	5,590,032
Defined benefit obligations		21	26,933
Provisions		20,39	36,054
Income tax payable			27,393
Deferred tax liabilities		36	238
Liabilities under insurance contracts		22,45	5,666,863
Other liabilities		23,38,41,42,44	3,245,603
Total liabilities		74,167,758	66,996,777
Equity			
Total equity attributable to equity holders of the parent		4,988,585	4,596,264
Capital stock		1,24	845,729
Hybrid bonds		24	149,401
Capital surplus		24	1,562,451
Capital adjustments		24	-
Accumulated other comprehensive loss		26	(64,100)
Retained earnings		25	2,102,783
Non-controlling interests		24	811,339
Total equity		5,804,047	5,407,603
Total liabilities and equity		79,971,805	72,404,380

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(In millions of won, except earnings per share)

	Note	2020	2019
Interest Income	4,27	2,074,566	2,194,309
Interest income on financial instruments at fair value through profit or loss		121,613	121,829
Interest income on financial instruments at fair value through other comprehensive income		62,695	68,958
Interest income on financial instruments at amortized cost		1,890,258	2,003,522
Interest expense	4,27,38	645,861	783,299
Net Interest Income		1,428,705	1,411,010
Fees and commission income	4,28	461,813	354,932
Fees and commission expense	4,28	83,767	83,110
Net fees and commission income		378,046	271,822
Insurance income	4,29	792,902	801,063
Insurance expenses	4,29	861,576	926,526
Net insurance loss		(68,674)	(125,463)
Profit before adjustment for overlay approach		131,477	189,971
Loss on adjustment for overlay approach	6	(7,533)	(14,039)
Net gain on financial assets at fair value through profit	4,30	123,944	175,932
Net loss on financial instruments designated at fair value through profit or loss	4,30	(26,247)	(91,769)
Net gain on financial assets at fair value through other comprehensive income	4,31	42,135	30,071
Provision for credit loss	4,32	272,457	165,327
Net gain on foreign currency transactions	4,38	8,733	32,428
General and administrative expenses	4,33	1,022,285	950,175
Other operating loss, net	4,34	(101,869)	(182,851)
Operating Profit	4	490,031	405,678
Non-operating net income	35	9,115	6,306
Net profit before income tax expense		499,146	411,984
Income tax expense	36	122,341	92,685
Net income from continuing operations		376,805	319,299
Net income from discontinued operations	43	-	23,525
Net income attributable to Equity holders of the parent		332,318	307,323
Net income attributable to non-controlling interests		44,487	35,501
Consolidated net income for the year		376,804	342,824
Items that are or may be reclassified subsequently to profit or loss			
Gain (loss) on valuation of financial assets at fair value through other comprehensive income		(2,039)	25,495
Expected credit loss on financial assets at fair value through other comprehensive income		(232)	(196)
Foreign currency translation adjustments for foreign operations		(26,237)	5,945
Loss (gain) on valuation of hedges of net investment in foreign operations		18,287	(5,423)
Gain (loss) on valuation of cash flow hedges		198	(1,646)
Adjustments for overlay approach		5,705	10,590
		(4,318)	34,765
Items that will never be reclassified to profit or loss			
Loss on valuation of financial assets at fair value through other comprehensive income		(817)	(2,036)
Credit risk adjustments on financial assets at fair value through profit or loss		1,169	273
Factors for remeasurement of defined benefit obligation		(5,891)	(16,598)
		(5,539)	(18,361)
Consolidated other comprehensive income (loss) for the year	26	(9,857)	16,404
Comprehensive income attributable to Equity holders of the parent		322,992	323,700
Comprehensive income attributable to non-controlling interests		43,956	35,528
Total consolidated comprehensive income		366,948	359,228
Basic and diluted earnings per share in won	37	1,908	1,782

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(In millions of won)

	Capital stock	Hybrid bond	Consolidated capital surplus	Consolidated capital adjustments	Consolidated accumulated other comprehensive income(loss)	Consolidated retained earnings	Non-controlling interest	Total equity
Balance at January 1, 2019	845,729	149,401	1,560,909	-991	-79,372	1,860,610	718,727	5,055,013
Dividends for hybrid bonds	-	-	-	-	-	-5,960	-23,946	-29,906
Consolidated net income	-	-	-	-	-	307,323	35,501	342,824
Annual dividend	-	-	-	-	-	-60,892	-	-60,892
Issue of hybrid bonds	-	-	-	-	-	-	99,717	99,717
Acquisition of treasury stocks	-	-	-	-	-	-	-	0
Gain (loss) on valuation of financial assets at FVOCI	-	-	-	-	23,128	-	331	23,459
Gain (loss) on valuation of cash flow hedging	-	-	-	-	-1,647	-	-	-1,647
Profit on translation of foreign operations	-	-	-	-	5,950	-	-5	5,945
Net investment hedge in foreign operations	-	-	-	-	-5,423	-	-	-5,423
Factors for remeasurement defined benefit obligation	-	-	-	-	-16,261	-	-337	-16,598
Changes in credit risk on financial liabilities at FVTPL	-	-	-	-	233	-	40	273
Loss on expected credit of financial assets at FVOCI	-	-	-	-	-194	-	-1	-195
Gain on disposal of equity instruments at FVOCI	-	-	-	-	-	1,335	-	1,335
Effect of adjustment for overlay approach	-	-	-	-	10,590	-	-	10,590
Changes in scope of consolidation	-	-	1,542	991	-1,104	367	-18,688	-16,892
Balance at December 31, 2019	845,729	149,401	1,562,451	0	-64,100	2,102,783	811,339	5,407,603
Balance at January 1, 2020	845,729	149,401	1,562,451	-	-64,100	2,102,783	811,339	5,407,603
Dividends for hybrid bonds	-	-	-	-	-	-9,670	-30,571	-40,241
Consolidated net income	-	-	-	-	-	332,317	44,487	376,804
Annual dividend	-	-	-	-	-	-69,349	-9,375	-78,724
Issue of hybrid bonds	-	149,451	-	-	-	-	-	149,451
Gain(loss) on valuation of financial assets at FVOCI	-	-	-	-	-2,889	-	33	-2,856
Gain(loss) on valuation of cash flow hedging	-	-	-	-	198	-	-	198
Gain or loss on translation of foreign operation	-	-	-	-	-26,076	-	-161	-26,237
Net investment hedge in foreign operations	-	-	-	-	18,287	-	-	18,287
Factors for remeasurement defined benefit obligation	-	-	-	-	-5,519	-	-372	-5,891
Changes in credit risk on financial liabilities at FVTPL	-	-	-	-	1,024	-1,308	-35	-319
Loss on expected credit of financial assets at FVOCI	-	-	-	-	-236	-	3	-233
Gain on disposal of equity instruments at FVOCI	-	-	-	-	-	4	-	4
Effect of adjustment for overlay approach	-	-	-	-	5,705	-	-	5,705
Capital increase(Increase in non-controlling interests of Hi Investment&Securities Co., Ltd.)	-	-	-	-	-	-	60	60
Changes in scope of consolidation	-	-	-	-	-	383	53	436
Balance at December 31, 2020	845,729	298,852	1,562,451	0	-73,606	2,355,160	815,461	5,804,047

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(In millions of won)

	2020	2019
Cash flows from operating activities		
(1) Consolidated net income	376,805	342,824
(2) Adjustment of profit and loss		
Income tax expense	122,341	99,854
Interest expense	645,861	783,925
Loss on financial assets at fair value through profit or loss	59,464	35,650
Loss on valuation of financial instruments designated at fair value through profit or loss	37,677	64,780
Adjustment for overlay approach	7,533	14,039
Loss on valuation of derivatives instruments held for trading	236,584	135,503
Recovery of credit risk adjustment allowance on derivatives instruments held for trading	191	45
Loss on financial assets at fair value through other comprehensive income	7,155	3,247
Loss on securities at amortized cost	18	-
Loss on valuation of derivatives on hedge	51,651	47,230
Recovery of provision for credit loss	272,457	165,328
Depreciation and amortization cost	111,741	111,771
Loss on disposal of property and equipment	237	9,005
Loss on investment property	-	281
Loss on disposal of intangible assets	-	1
Impairment loss on intangible assets	-	3,005
Transfer of other provision	6,025	4,276
Retirement benefits	51,491	45,670
Loss on foreign exchange transactions	352,089	220,894
Other operating expenses	14	125
Other non-operating expenses	9,453	279
Loss on equity method	1,144	213
Amortization expenses on deferred acquisition cost of new or renewal insurance contract	48,146	46,454
Contribution to regulatory reserve	(31,907)	112,150
Interest income	(2,074,566)	(2,197,279)
Dividend income	(18,942)	(118,974)
Gain on financial assets at fair value through profit or loss	(94,089)	(137,686)
Gain on valuation of financial instruments designated at fair value through profit or loss	(44,219)	(18,713)
Gain on valuation of derivatives instruments held for trading	(178,285)	(97,092)
Reversal of credit risk adjustment allowance for derivatives held for trading	(13)	(8)
Gain on disposal of financial assets at fair value through other comprehensive income	(48,059)	(32,380)
Gain on fair value hedges	-	(62)
Gain on valuation of derivatives on hedge	(38,736)	(20,321)
Gain on disposal of property and equipment	(3,948)	(7,226)
Gain on disposal of intangible assets	(300)	(28)
Gain on disposal of investment property	(234)	(5,306)
Reversal of provision	(2,252)	(958)
Gain on foreign exchange transaction	(359,918)	(252,925)
Gain on financial assets at amortized cost	(17,897)	(10,059)
Gain on equity method	(13,539)	(1,960)
Gain on disposal of asset held for sale	-	(27,277)
Other operating income	-	(3,579)
Other non-operating income	(2,083)	(6,230)
	(907,715)	(1,034,338)

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

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2020 and 2019

(In millions of won)

	2020	2019
(3) Changes in assets and liabilities		
Increase in deposits	(474,080)	(274,692)
Increase in financial assets at fair value through profit or loss	(1,847,723)	(1,184,843)
Decrease in derivative financial assets	100,303	42,492
Increase in loans at amortized cost	(4,704,147)	(5,803,554)
Increase in other assets	(357,647)	(197,347)
Increase in deferred acquisition cost of new or renewal insurance contract	(57,955)	-
Increase in separate account assets	(164,628)	-
Increase in depository liabilities	4,644,058	4,104,394
Decrease in derivatives financial liabilities	(118,993)	(94,019)
Increase (decrease) in financial liabilities at fair value through profit or loss	(1,100,789)	1,137,941
Increase in financial liabilities designated at fair value through profit or loss	92,256	211,221
Increase (decrease) in securities under repurchase agreements	(32,158)	90,583
Decrease in employment benefit liabilities	(79,690)	(75,193)
Increase in other liabilities	129,297	365,077
Increase in separate account liabilities	175,879	-
Decrease in provisions	(581)	(3,860)
	(3,796,598)	(1,681,800)
(4) Interest paid	(709,430)	(751,824)
(5) Interest received	2,200,176	2,233,382
(6) Dividend received	16,098	4,010
(7) Income tax paid	(113,080)	(71,115)
I. Net cash used in operating activities	(2,933,744)	(958,861)

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

(In millions of won)

	2020	2019
Cash flows from investing activities		
Increase in financial assets at fair value through profit or loss	(939,161)	(620,453)
Decrease in financial assets at fair value through profit or loss	914,429	395,294
Increase in financial assets at fair value through other comprehensive income	(5,950,434)	(5,537,580)
Decrease in financial assets at fair value through other comprehensive income	5,624,488	5,440,622
Increase in securities measured at amortized cost	(1,854,894)	(1,062,121)
Decrease in securities measured at amortized cost	2,092,795	1,589,494
Acquisition of property and equipment	(50,594)	(50,126)
Disposal of property and equipment	12,595	19,954
Acquisition of intangible assets	(60,748)	(28,782)
Disposal of intangible assets	1,090	380
Acquisition of investment property	(63)	-
Disposal of investment property	905	19,615
Cash outflows from hedging activities	(13,328)	(26,716)
Increase in deposit	9,462	5,661
Acquisition of investment in associates	(83,500)	(1,898)
Disposal of investment in associates	16,194	9,513
Disposal of assets held for sale	-	91,820
Considerations for business combination	(1,441)	-
II. Net cash provided by (used in) investing activities	(282,205)	244,677
Cash flows from financing activities		
Increase in borrowings	2,910,730	541,747
Issuance of debentures	1,992,652	1,947,482
Repayment of debentures	(1,235,000)	(1,787,000)
Increase in deposits for letter of guarantees	182	6,958
Increase (decrease) in trust account payable	(36,147)	156,891
Increase (decrease) in fund account payable	(135)	65
Increase (decrease) in non-controlling interests	(30,511)	71,697
Acquisition of treasury stock	-	-
Repayment of lease liabilities	(23,509)	(24,420)
Issuance of hybrid bonds	149,450	-
Annual dividends paid	(73,415)	(60,892)
Dividends paid on hybrid bonds	(9,670)	(6,705)
Changes in interests in subsidiaries	1,223	-
III. Net cash provided by financing activities	3,645,850	845,823
IV. Net increase in cash and cash equivalents (I + II + III)	429,901	131,639
V. Beginning balance of cash and cash equivalents	864,410	733,052
VI. Effects of changes in the exchange rate on cash and cash equivalents	(31,792)	(281)
VII. Ending balance of cash and cash equivalents	1,262,519	864,410

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

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. Reporting Entity

General information about DGB Financial Group Co., Ltd., the controlling company, and its subsidiaries (collectively the "Group") are as follows.

(1-1) Overview of the Group

DGB Financial Group Co., Ltd. was established on May 17, 2011 by transferring shares from shareholders of Daegu Bank, Daegu Credit Information Corporation, and Cardnet Corporation for the purpose of controlling, managing, and providing financial services to subsidiaries or subsidiaries closely related to the financial business through ownership of stocks. As of December 31, 2020, the capital is W845,729 million and was listed on the Korea Exchange on June 7, 2011.

(1-2) Subsidiaries

As of December 31 2020, the consolidated financial information and shareholdings for the Group are as follows.

Investor	Investee	Location	Reporting month	Ownership(%)
DGB Financial Group	Daegu Bank and subsidiaries	South Korea	December	100.00
	Hi Investment & Securities and subsidiaries	South Korea	December	87.88
	DGB Life Insurance	South Korea	December	100.00
	DGB Capital and subsidiaries	South Korea	December	100.00
	DGB Asset Management	South Korea	December	100.00
	DGB U-pay	South Korea	December	100.00
	DGB Credit Information	South Korea	December	100.00
	DGB Data System	South Korea	December	100.00
	DGB Professional Investment Private Equity Real Estate Investment Trust No.11	South Korea	December	100.00
	DGB ttok-ttok Global Real Income Securities Investment Trust	South Korea	December	98.06
	Jump-Up No.1[*]	South Korea	December	-
Daegu Bank	Principal Preservation Trust	South Korea	December	-
	DGB ttok-ttok Short-term Bond Securities	South Korea	December	62.75
	DGB Professional Investment Private Equity Real Estate Investment No.20	South Korea	December	90.00
	DGB Specialized Bank Plc	Cambodia	December	100.00
	DGB Microfinance Myanmar	Myanmar	December	100.00
	Best DGB 1st co, Ltd[*]	South Korea	December	-
	Best DGB 2nd co, Ltd[*]	South Korea	October	-
Best DGB 3rd co, Ltd[*]	South Korea	October	-	
Hi Investment & Securities	Hyundai Ship Private Equity Special Asset Investment Trust No.2	South Korea	December	100.00
	Hi-BIG Ant No.1 Co. and 43 SPC[*]	South Korea	December	-
DGB Capital	JB Woori Capital Money Receivable Trust	South Korea	December	100.00
	DGB Lao Leasing Co., Ltd	Laos	December	90.00
	CAM CAPITAL PLC	Cambodia	December	100.00

[*] Although the Group does not own a share, the Group determines that it has control over the structured company in the light of the agreement.

The condensed financial information of key subsidiaries subject to consolidation as of December 31, 2020 is as follows.

(In millions of won)

Subsidiary	Shares holding	Net assets	Operating income	Net income(loss)
Daegu Bank and its subsidiaries	136,125,000 shares	4,522,247	2,914,694	238,305
Hi Investment & Securities and subsidiaries	427,754,198 shares	1,059,636	1,674,912	111,596
DGB Life Insurance	34,741,343 shares	290,713	1,092,497	35,096
DGB Capital and and its subsidiaries	30,392,872 shares	433,855	200,704	36,075
DGB Asset Management	2,200,000 shares	36,909	11,382	2,394
DGB U-pay	2,511,415 shares	12,333	13,819	(1,010)
DGB Credit Information	600,000 shares	5,133	1,994	234
DGB Data System	1,200,000 shares	11,841	20,983	1,147
DGB Professional Investment Private Equity Real Estate Investment Trust No.11	102,000 shares	99,350	42	3,415
Jump-Up No.1	-	101,339	1	(2,230)
DGB ttok-ttok Global Real Income Securities Investment Trust	10,200,000,000 shares	10,981	975	572

(1-3) Interests in unconsolidated structured entities

The Group has been involved in structured entities through investments in asset-backed securities, project financing, beneficiary certificates, etc., and the main characteristics of those structured entities are as follows:

	Description
Asset-backed securitization	Securitization vehicles are established to buy the assets from the originators and issue the asset-backed securities in order to facilitate the originators' funding activities and enhance their financial soundness. The Group is involved in the securitization vehicles by purchasing the asset-backed securities issued, or providing credit enhancement.
Project financing	Structured entities for project financing are established to raise funds and invest in a specific project such as M&A (Mergers and Acquisitions), BTL (Build-Transfer-Lease), project financing for companies in shipping industry, etc. As a method of financing large scale risk projects, investments are made in the business on the basis of economic feasibility of a particular project, not the credit or material collateral of the project implementer, and investors take profits from the project. Although there are entities that provide financial support such as funding, joint guarantees, and senior contributions prior to the consolidation entity's uncertainty for structured financing, the group may be exposed to loss of principal or loan due to falling value of its investment stake in the event of failure to collect funds or suspension of the project due to planned schedule.
Investment trust and private equity fund	The structure of investment trust and private equity fund is to invest funds in equity securities and distribute income among investors on the basis of a trust agreement. The Group is an investor of the investment trust and private equity fund, and recognizes gain or loss on valuation and dividend income in proportion to the percentage of shareholding. The Group may recognize a loss in principal when the values of relevant trust and fund are decreased.

(a) Nature of related risk and scope of interests in unconsolidated structured entities

The size and the Group's interest of the non-consolidated structured companies and the related risks as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020			Total
	Asset-backed securitization	Project financing	Investment trust and private equity fund	
Total assets of unconsolidated structured companies	5,162,193	11,389,269	21,871,226	38,422,688
Book value in financial statements				
Financial assets at fair value through profit or loss	209,916	51,900	1,184,989	1,446,805
Loans at amortized cost	78,000	1,357,284	-	1,435,284
Investments in associates	-	-	15,700	15,700
Maximum loss exposure(*)				
Investment assets	287,916	1,409,184	1,200,689	2,897,789
Purchase commitments	751,000	55,970	144,068	951,038
Credit granting	-	218,400	-	218,400
Total	1,038,916	1,683,554	1,344,757	4,067,227

(*) The maximum loss exposure includes the amount of assets the Group has accounted for, and the amount of assets is the balance after deducting the amount of losses recognized by the Group.

(In millions of won)

Subsidiary	2019			Total
	Asset-backed securitization	Project financing	Investment trust and private equity fund	
Total assets of unconsolidated structured companies	5,126,405	11,896,470	13,893,872	30,916,747
Book value in financial statements				
Financial assets at fair value through profit or loss	171,702	42,752	995,942	1,210,396
Loans at amortized cost	73,000	1,149,093	-	1,222,093
Investments in associates	-	-	43,965	43,965
Maximum loss exposure(*)				
Investment assets	244,702	1,191,845	1,039,907	2,476,454
Purchase commitments	649,400	59,304	107,179	815,883
Credit granting	-	113,348	-	113,348
Total	894,102	1,364,497	1,147,086	3,405,685

(*) The maximum loss exposure includes the amount of assets the Group has accounted for, and the amount of assets is the balance after deducting the amount of losses recognized by the Group.

2. Basis of Preparation

[2-1] Statement of compliance

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("KIFRS"), as prescribed in the Article 5, Paragraph 1, and Subparagraph 1 of Act on External Audit of Stock Companies. The accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements were authorized for issuance by the Board of Directors on February 08, 2021, which will be submitted for approval to the shareholders at a meeting to be held on March 26, 2021.

[2-2] Basis of measurement

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

- derivative financial instruments measured at fair value
- financial instruments at fair value through profit or loss measured at fair value
- financial instruments at fair value through other comprehensive income measured at fair value
- liabilities for cash-settled share-based payment arrangements measured at fair value
- liabilities for defined benefit plans recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

[2-3] Functional and presentation currency

The consolidated financial statements of the parent and each subsidiary are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean won, which is the Group's functional currency and the currency of the primary economic environment in which the Group operates.

[2-4] Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with KIFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 12 – Allowance
- Note 20 – Provisions
- Note 21 – Defined Benefit Obligations
- Note 22 – Insurance Contract Liabilities
- Note 36 – Income tax expense
- Note 39 – Commitments and Contingencies

(b) Measurement of fair value

The Group has established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of KIFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(2-5) Changes in accounting policy

The Group has newly applied the following enacted and revised standards and interpretations from the accounting period commencing on January 1, 2020.

(a) Amendments to KIFRS 1001 'Presentation of Financial Statements', KIFRS 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' – 'Definition of Materiality'

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements.

(b) Amendments to KIFRS 1103 'Business Combination' - 'Definition of a Business'

The amendment to KIFRS 1103 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

(c) Amendments to KIFRS 1109 'Financial instruments' and KIFRS 1039 'Financial instruments: recognition and measurement': Interest Rate Benchmark Reform

The amendments to KIFRS 1109 and KIFRS 1039 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group.

(d) Conceptual Framework for Financial Reporting (2018)

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

(e) Amendments to KIFRS 1116: COVID-19 related rent concessions

The amendment to KIFRS 1116 provides lessees with a practical expedient to elect not to assess whether rent concessions arising as a direct consequence of the COVID-19 pandemic constitutes a lease modification. A lessee may apply the practical expedient only if all conditions of the practical expedient are met. A lessee that makes this election accounts for any qualifying change in lease payments resulting from the rent concessions the same way it would account for the change applying this standard if the change were not a lease modification. This amendment is applied retrospectively for annual reporting periods beginning on or after June 1, 2020 with earlier application permitted. This amendment had no impact on the consolidated financial statements of the Group as there was no such COVID-19 related rent concession.

3. Significant Accounting Policies

Significant accounting policies applied by the Group in the preparation of its financial statements in accordance with KIFRS are as follows, and except for those explained in Note 2-5, the financial statements of the current and comparative periods are presented in the same accounting policies .

(3-1) Operating segment

The Group divides the segments based on internal reporting data periodically reviewed by the CEO to make decisions about resources to be allocated to the segment and to evaluate the performance of the segment. As described in Note 4, there are six reportable segments, of which each is the strategic units of the Group. Strategic sales units provide different services and are operated separately because each unit has different skills and marketing strategies.

(3-2) Basis of consolidation

(a) Business combinations

Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control. Also, the Group measures the non-controlling interest in the acquiree as of the acquisition date as a proportionate share of the non-controlling interest among the acquiree's identifiable net assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment, and any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity instruments. Acquisition related costs are accounted for as expenses in the period in which the costs are incurred and the services are received, except issuance cost of debt instruments and equity instruments according to KIFRS 1032, 'Financial Instruments: Presentation' and KIFRS 1109, 'Financial Instruments: Recognition and Measurement'.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changed in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Goodwill

In the case of the sum of a consideration transferred at the date of acquisition and a non-controlling interest in the acquire or, in the case of a staged business combination, the total fair value of the acquiree's share of the acquiree held by the Group exceeds the identifiable net assets of the subsidiary acquired, the excess amount is recognized as goodwill.

The additional acquisition of non-controlling interests is accounted for as a transaction between the shareholders and, as a result, no related goodwill is recognized.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Removal of internal transaction

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated statements of financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests (NCIs)

NCIs are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Equity on investee under equity method

The Group's equity on investee under equity method comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(3-3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are used by the Group in management of its short-term commitments. Generally equity investments are excluded from cash and cash equivalents. However, redeemable preference shares, for which the period from the acquisition to redemption is short, are classified as cash and cash equivalents.

(3-4) Non-derivative financial assets

(a) Initial measurement and recognition

Financial instruments and financial liabilities are recognized only when the Group becomes a party to the financial instrument. Upon initial recognition, financial assets or financial liabilities are measured at their fair value plus, in the case of a financial assets or liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the assets' or liabilities' acquisition or issuance.

(b) Financial asset: Subsequent measurement and classification

At initial recognition, financial assets are classified as amortized cost, debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income or at fair value through profit or loss. Financial assets are not reclassified after initial recognition, unless the Group has changed its business model to manage the financial assets, in which case all of the affected financial assets are reclassified on the first day of the first reporting period after the change.

Financial asset is measured at amortized cost if the following two conditions are met and is not designated as fair value through profit or loss.

- Under a business model that is intended to hold to receive cash flows on a contractual basis.
- In accordance with the contractual terms of the financial asset, there is a cash flow consisting solely of interest payments on principal and principal balance at a certain date.

Debt instrument is measured at fair value through other comprehensive income if the following two conditions are met and is not designated as fair value through profit or loss.

- The Group hold financial assets under a business model that is achieved through both receipt of contractual cash flows and sale of financial assets.
- Depending on the terms and conditions of the financial asset, there is a cash flow consisting solely of payment of the principal and interest at a certain date.

Upon initial recognition of an equity instrument that is not held for short-term trading, the Group may disclose subsequent changes in the fair value of the investment asset in other comprehensive income. However, once selected, it cannot be canceled. This election is made on an investment-by-investment basis.

Any financial asset not measured at amortized costs or fair value through other comprehensive income is measured at fair value through profit or loss. These financial assets include all derivative financial assets. In addition, if the designation of a financial asset eliminates or significantly reduces the recognition and measurement inconsistencies that may arise from the measurement of assets or liabilities on a different basis or recognition of gains or losses, a financial asset can be designated as fair value through profit or loss. However, once specified, it cannot be canceled.

Business model assessment

The Group assesses the purpose of the business model held at the portfolio level of financial assets because it best reflects how the business is managed and how information is provided to management. Such information considers the following:

- Accounting policies and objectives for the portfolio and the actual operation of these policies. It focuses on acquiring contractual interest, maintaining a certain level of interest rates, aligning the duration of the debt with the duration of the financial asset and the duration of the financial asset, or leasing or realizing the expected cash flow through the sale of the asset Includes executive strategy.
- To evaluate the performance of the financial assets held by the business model and to report the evaluation to key management personnel
- The risks that affect the performance of the business model (and the financial assets held in the business model) and the way in which they are managed
- The manner of compensation to management (e.g. compensation based on the fair value of the assets under management or contractual cash flows received)
- The forecasts of sales in the future and frequency, amount, timing and reasons for the sale of financial assets in the past

For this purpose, a transaction that transfers a financial asset from a transaction that does not meet the removal requirements to a third party is not considered a sale. A financial asset portfolio that meets the definition of short-term trading or whose portfolio performance is measured on a fair value basis must be measured at fair value through profit or loss.

Assessment of whether Contractual Cash Flows are Solely Consisted of Principal and Interest

The principal is defined as the fair value at the initial recognition of the financial asset. Interest consists of consideration for the time value of money, consideration for the credit risk associated with the principal balance in a particular period, and other basic risk of lending and consideration for costs (eg, liquidity risk and operating costs) as well as profit.

When assessing whether a contractual cash flow consists solely of payments for principal and interest, the Group takes into account the terms and conditions of the relevant product. If a financial asset includes a contractual term that changes the timing or amount of a contractual cash flow, then the contractual terms must determine whether the contractual cash flows that may occur over the life of the financial instrument consist solely of principal payments.

In assessing this, the Group considers the following:

- contractual conditions that change the amount or timing of cash flow
- terms that adjust contractual nominal interest rate, including variable interest rate characteristics
- early redemption characteristics and maturity extension characteristics
- the terms of the contract that limit the Group's claims for cash flows arising from a specific asset (e.g. non-property features)

If the early repayment amounts represent interest on principal and remnant principal that have not yet been outstanding and include reasonable additional compensation for the early termination of the contract, the early repayment characteristics are consistent with the conditions under which principal and interest are paid on a particular day.

In addition, for financial assets acquired at significant discounts or premiums on the contractual face value, the early repayment amount represents the actual face value of the contract and the accrued interest on the contract (but outstanding) and if the fair value of characteristics of early repayment is insignificant at the time of initial recognition of the financial asset, the conditions are considered to be met.

Subsequent measurement and gains or losses

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net gain (loss) including any interest or dividend income, are recognized in profit or loss. Refer Note 3-5 for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Financial debt instruments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Financial equity instruments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(c) De-recognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

(d) Offsetting

The Group is only offsetting financial assets and liabilities in the consolidated statement of financial position if it currently has a legally enforceable right to the assets and liabilities recognized by the Group and intends to settle the liabilities at a net price or at the same time as the assets are realized.

(3-5) Derivative financial instruments, including hedge accounting

(a) Derivative and Hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

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

At inception of designated hedging relationships, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss, and the change in the fair value of the hedged item due to the hedged risk is also recognized in profit or loss. Fair value hedge accounting is discontinued when the group no longer designates the hedging relationship, when hedging instrument expires, sells, liquidates, exercised, or when the accounting requirements are no longer met. The carrying amount of the hedged item attributable to the hedged risk is amortized to profit or loss from the date where the hedge accounting is discontinued. The ineffective part in the change of the fair value of a derivative is recognized immediately in profit or loss.

Cash flow hedge

When a derivative is designated as a cash flow hedge, the effective part of the change in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedge reserve. The effective part of the change in the fair value of the derivative recognized in other comprehensive income is limited to the cumulative change in hedged item determined on the basis of its present value from the inception of the hedge. The ineffective part in the change of the fair value of a derivative is recognized immediately in profit or loss.

The Group designates only changes in the fair value of the spot component of the forward exchange transaction as a hedging instrument in a cash flow hedge relationship. The 'forward point' of the component of forward exchange contracts is accounted separately as the hedge cost and recognized in the cost of hedging the equity.

If the hedged transaction is subsequently recognized in non-financial assets, the accumulated hedge reserve and the cost of hedge are included directly in the initial cost of the non-financial asset when recognized. For other hedged transactions, the cumulative amount and the costs of hedges are reclassified to profit or loss in the same period or in the period in which the hedged expected future cash flows affect the profit or loss.

If the hedge no longer meets the accounting requirements or the hedging instrument is sold, extinguished, terminated or exercised, hedge accounting is phased out. If a non-financial item is a recognized hedge transaction, the cumulative amount of the hedge reserve and the cost of the hedge are left in the equity item until the non-financial item is initially recognized and included in the cost of the non-financial item. For cash flow hedges that are not eligible, the cash flow hedge reserve and the cost of the hedge are reclassified to profit or loss as a reclassification adjustment in the period in which the hedged future expected cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, the accumulated cash flow hedge reserve and the cost of the hedge are reclassified immediately to profit or loss.

Net Investment Hedge

If a derivative or non-derivative financial liability is designated as a hedging instrument for a net investment in a foreign operation, the effective portion of the change in the fair value of the hedging instrument is recognised in other comprehensive income in the case of a non-derivative instrument and foreign currency translation gain or loss is recognised in equity. The ineffective portions are recognised immediately in profit or loss. The amounts recognised in

other comprehensive income shall be reclassified to profit or loss as reclassification adjustment when disposing of foreign operations.

Embedded Derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

(3-6) Deferred recognition of day-one profit or loss

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. If the valuation technique incorporates significant inputs that are not based on observable market data, the difference between the transaction price and the fair value based on the valuation technique (day-one profit or loss) is not recognized in profit or loss upon initial recognition but deferred day-one profit or loss is recognized over the period between the trade date and the date when the variables are expected to become observable in the market, or over the life of the trade (whichever is shorter).

(3-7) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses in three phases for financial assets.

- Stage 1: 12-month Expected credit losses

Financial assets that have not experienced significant increases in credit risk since initial recognition and that are determined to have low credit risk at the end of the reporting period are recognized by measuring and recognizing expected credit losses due to default events on financial instruments that may occur within 12 months after the end of the reporting period.

- Stage 2 : Lifetime expected credit losses

The lifetime expected credit losses are measured and recognized for financial assets that have not been credit-impaired but have significantly increased since initial recognition.

- Stage 3: Lifetime expected credit losses

If one or more impairment incidents have affected the estimated future cash flows of a financial asset, the financial asset is assessed to be credit-impaired. The Group measures and recognizes lifetime expected credit losses for credit-impaired financial assets and interest income by applying the effective interest rate to amortized cost.

(a) Measurement of expected credit losses

Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e., the difference between all contractual cash flows payable under the contract and cash flows expected to be received). Expected credit losses are discounted at the effective interest rate of the financial asset.

(b) Applicable timeline of expected credit losses

Lifetime expected credit losses are resulting from all default events that may occur during the expected life of the financial instrument.

The 12-month expected credit loss is the portion of expected credit loss that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The longest period to consider when measuring expected credit losses is the longest contractual term for which the Group is exposed to credit risk.

(c) Assessment of credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and estimating expected credit losses, the Group considers information that is available, reasonable and supported without undue cost or effort. This includes quantitative and qualitative information and analysis based on the group's past experience, credit ratings, and forward-looking information, including forward-looking information.

The Group uses internal and external credit, with past due dates to determine whether credit risk has increased significantly.

The Group assumes that the credit risk of a financial asset increases significantly when the past due date exceeds 30 days.

The Group considers credit risk to be low if the credit risk rating of a financial asset is at a level that is internationally understood as a 'investment grade'.

(d) Default and impairment

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held);
- or
- The financial asset is more than 90 days past due.

At the end of each reporting period, the Group assesses whether the financial asset is credit-impaired. If there is more than one event that adversely affects the estimated future cash flows of a financial asset, it is impaired.

Evidence of impaired credit for financial assets includes the following observable information

- Significant financial difficulties of the issuer or borrower;
- Breach of contract, such as default or more than 90 days overdue
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise
- Borrowers are likely to go bankrupt or other financial restructuring becomes more likely
- Termination of active market for financial assets due to financial difficulties

(e) Disclosure of allowance for expected credit loss

Allowance for losses on financial asset measured at amortized cost is deducted from the carrying amount of the asset.

Allowance for debt instruments at fair value through other comprehensive income is charged to profit or loss and recognized in other comprehensive income.

(f) Write-off

If there is no reasonable expectation of a full or partial recovery of the contractual cash flows of the financial asset, then the asset should be removed. This is usually the case when the group determines that the creditor does not have an income source or asset that will generate enough cash flows to repay the amount to which it is subject. However, financial assets that are derecognized may be subject to the collection of maturing amounts of the Group.

(3-8) Property and equipment

Property and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of property and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

A component that is significant compared to the total cost of property and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

Depreciation method and the estimated useful lives of the Group's assets are as follows:

	Depreciation method	Useful lives (years)
Buildings	Straight-line method	40
Leasehold improvements	Straight-line method	5
Furniture, equipment and vehicles	Straight-line method	5

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. The amendment is accounted for as a change in an accounting estimate.

(3-9) Intangible assets

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

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

The estimated useful lives of the Group's assets are as follows:

	Useful lives (years)
Computer software	4
Contributed acceptances	2 – 20
Usable and profitable donation assets	2 – 20

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

(a) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(b) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

[3-10] Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

[3-11] Investment property

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

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Investment property except for land, are depreciated on a straight-line basis over 40 years as estimated useful lives.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

[3-12] Impairment of non-financial assets

All non-financial assets, apart from assets arising from employee benefits, deferred tax assets and non-current assets classified as held for sale are reviewed at end of each reporting period for indications of asset impairment, and estimates the recoverable amount. However, intangible assets with indefinite useful lives and not available are tested for impairment annually by comparing recoverable and carrying amounts, regardless of indications that the asset may be impaired.

The recoverable amount is estimated either by individual asset or by the cash-generating unit to which the asset belongs if the amount cannot be estimated. Recoverable amount is determined to be the larger of value in use and fair value less costs to sell. Value in use is estimated by discounting future cash flows that are expected to be generated by an asset or cash generating unit at an appropriate discount rate that reflects current market assessments of the time value of money and the risks of specialized assets that are not adjusted when estimating future cash flows.

If the recoverable amount of an asset or cash generating unit falls short of its carrying amount, the asset is reduced and recognized immediately as profit or loss.

The goodwill acquired in a business combination is allocated to each cash-generating unit that is expected to benefit from the synergies of the business combination. The impairment loss on the cash-generating unit first reduces the carrying amount of goodwill allocated to the cash-generating unit and then the asset in proportion to the carrying amount of each other asset in the cash-generating unit. Impairment losses recognized for goodwill cannot be reversed in a subsequent period.

At the end of each reporting period, the Group will review whether there are any indications that the impairment losses recognized in the past other than goodwill are no longer present or are reduced, and will only be reversed if there is a change in the estimates used to determine recoverable amount after the recognition of the immediately preceding impairment loss. The carrying amount increased by the reversal of an impairment loss shall not exceed the balance after depreciation or amortization of the carrying amount before the impairment loss was recognized previously.

(3-13) Leases

(a) The Company as a lessee

The Group elected to apply the practical expedient which does not separate non-lease factors, and treated lease factors and non-lease factors as one-lease factor for accounting treatments.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presented right-of-use assets under property and equipment, and presented lease liabilities under other financial liabilities.

In the consolidated statement of financial position, the Group classifies the right-of-use assets as 'property and equipment' and the lease liabilities as 'other financial liabilities'.

- lease of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) Lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies KIFRS 1115 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in KIFRS 1109 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

(3-14) Non-current assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount is recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. If impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell occurs, an impairment loss is recognized immediately in profit or loss. When reversal of an impairment loss is recognized, it can be also recognized in profit or loss to the extent that an accumulated impairment loss on the same asset was previously recognized in profit or loss.

Non-current asset or disposal group classified as held for sale are not depreciated.

(3-15) Non-derivative financial liabilities

Financial liabilities other than derivative financial liabilities and financial guarantee contract liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities (depository liabilities, borrowings, others) and recognized in the consolidated statement of financial position when the Group becomes a party to the contract.

(a) Financial liabilities designated as fair value through profit or loss

The Group may designate a financial liability as at fair value through profit or loss at initial recognition if it is able to eliminate or significantly reduce any inconsistency in recognition or measurement resulting from measuring the asset or liability on different criteria, and if a group of financial instruments managed on a fair value basis are in accordance with a documented risk management or investment strategy and their performance is evaluated. However, cancellation is inevitable when specified. Changes in fair value due to changes in the own credit risk of the financial liability designated at fair value through profit or loss are recognized in other comprehensive income.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured after initial recognition, and changes in fair value are recognized in profit or loss on financial instruments measured at fair value through profit or loss.

(c) Other Financial Liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(d) Derecognition of Financial Liabilities

Financial liabilities are derecognized in the statement of financial position only when they expire; contractual obligation is satisfied, cancelled or expired. The Group derecognizes the existing liability and recognizes the new financial liability at fair value on the basis of the new contract if the terms of the financial liability have changed and the cash flows have changed substantially. When a financial liability is derecognized, the difference between the carrying amount and the paid amount (including transferred non-cash assets or liabilities assumed) are recognized in profit or loss.

(3-16) Fair value of financial instruments

(a) Determination of fair value of financial instruments that are measured at fair value

Financial instruments that are carried at fair value includes financial instruments measured at fair value through profit or loss and through other comprehensive income. The fair value of the financial instrument in which an active market exists was determined using the quoted market price in the active market. The fair value of financial instruments that do not have an active market was determined through valuation techniques.

Evaluation techniques include how to use recent transactions between knowledgeable, willing parties, referring to current fair values of substantially the

same other financial instruments, how to discount cash flows and an option pricing model. The valuation technique was used when market participants generally used to determine the price of a financial instrument and provided that the valuation technique provided were reliable estimates of the actual market transaction price.

When fair value is determined by valuation technique, it may be demonstrated by comparison with observable current market transactions of the same financial instrument or assessed on the basis of valuation techniques including only the variables. However, in determining fair value through valuation techniques, not all major inputs are always observable in the market and in such cases, fair value is determined using reasonable assumptions or estimates.

(b) Classification and level of disclosure for fair value

Fair value through profit or loss and other comprehensive income measurement financial instruments have different assessment methods, so the fair value level is defined according to the account subjects and attributes of the instruments system and the fair value level is assigned to each product. The fair value level classification criteria for each product are as follows;

Level	Description
Level 1	Financial instruments are classified as Level 1 if their value is observable in an active market.
Level 2	If there are no quoted prices (unadjusted) in active markets, financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market.
Level 3	Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

(c) Determination of fair value of financial instruments that are not measured at fair value

Financial instruments that are not listed at fair value include deposits, amortized cost-measured loans, amortized cost-measuring financial assets, depository liabilities, borrowings, and other financial liabilities. These instruments are carried in the account at amortized acquisition cost. The fair value determination method for each product is as follows:

Deposits and Loan measured at amortized cost

The estimated fair value of deposits with maturity of six months or less is the carrying amount. The estimated fair value of non-impaired deposits and loan measured at amortized cost is the amount of the estimated future cash flows reflecting the credit risk discounted at the current market interest rate for individual assessments, and the collective valuation is the carrying amount of the loan receivable subtracted by the provision.

Financial assets measured at amortized cost

The fair value of financial assets measured at amortized cost uses either a market price or price disclosed by a broker/seller/public assessor. If the information is not available, estimates are made using the quoted market price for products with similar credit, maturity and yielded characteristics.

Depository liabilities

The carrying amounts of non-interest bearing deposit liabilities and deposit liabilities with no stated maturity or a residual maturity less than 6 months are assumed to be fair values. The estimated fair value of an interest bearing deposit liability is the present value of future cash flows discounted at the interest rate (market rate) of a recently issued liability with the similar maturity.

Borrowings

The estimated fair value of the borrowings with a contractual maturity and a variable interest repayment period of less than six months is the carrying amount. The estimated process value of a borrower without a quoted market price in an active market is the amount of the future cash flows discounted to the present value using the interest rate on a new liability with a similar residual maturity. For borrowings, the won-dollar borrower will evaluate the carrying amount at estimated fair value and the carrying amount within six months of the foreign currency borrowings at estimated fair value. The total fair value of issued bonds is calculated based on the market price disclosed in the active market. For bonds that do not have a quoted market price in the active market, a DCF model is used based on the appropriate yield curve for the remaining period until maturity.

(3-17) Employee benefits

(a) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(b) Other long-term employee benefits

Other long-term employee benefits are employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and include the cost of training overseas which the Group grants to long-serving employees. The calculation method of the Group's obligation is consistent with defined benefit plans.

(c) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(d) Retirement benefits: defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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

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

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

(e) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(3-18) Provisions

Provisions are a present obligation (legal or constructive obligation) that exist as a result of a past event, and is recognized when resources with economic benefits are likely to be exposed to satisfy and the amount required are reliably estimated.

The amount recognized as a provision is the best estimate of the expenditure required to satisfy the present obligation at the end of the reporting period, taking into account the unavoidable risks and uncertainties about the events and circumstances involved. When the time value effect of currency is important, the provision is assessed as the present value of the expenditure to satisfy the obligation.

If a third party is expected to reimburse some or all of the expenses required to settle a provision, the entity recognizes the reimbursement amount and accounts for it as a separate asset only when it is almost certain that it will be reimbursed.

The Group reviews the balance of the provision at the end of each reporting period and adjusts it to reflect the best estimate as of the end of the reporting period. In case it is no longer probable that resources embodied in economic benefits will be leaked for the purpose of the obligation, the related provisions are reversed.

A provision shall be used only for expenditures for which the provision was originally recognized.

A financial guarantee contract is a contract where issuer has to pay a specified amount to compensate for losses incurred by the holder due to the failure of a particular creditor to pay at the date of payment in accordance with the initial or modified terms of the debt instrument. Such financial guarantees are provided to banks, financial institutions and other institutions on behalf of the customer in order to guarantee loan receivables and other credit limits. Financial guarantees are initially measured at fair value (when they are provided) and are counted as liabilities, and since financial guarantee contracts are not traded in active markets, fair value is calculated through valuation techniques, and the fair value of financial guarantee is calculated by combining the present value of the fees received and to be received in the future.

After initial recognition, the amount recognized is amortized to net income during the warranty period (recognized as a commission income amount) and measure at a large amount in each settlement period by comparing the following, and if the amount is large than the amount is added as a payment guarantee allowance.

- Provision loss determined in accordance with KIFRS 1109 'Financial Instruments'
- Accumulated of amortized cost deducted by amortized cost recognized in accordance with KIFRS 1115 'Revenue from Contracts with Customers, in accordance with initial recognition amount (fair value)'

The increase in all liabilities related to financial guarantee is recognized as current expense as an account of the transfer of provisions.

(3-19) Foreign currencies

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

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

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

(c) Conversion of net investment in Foreign operations

Among monetary items to be received from or paid to a foreign operation, items unplanned to be settled in the foreseeable future and are unlikely to be settled are considered part of the net investment in foreign operations and are recognized in other comprehensive income in the consolidated financial statements and are reclassified to profit or loss at the time of disposal of the related net investment.

(3-20) Equity capital

Ordinary shares are classified as equity and the incremental costs incurred directly related to capital transactions are deducted from equity in a net amount reflecting tax effects.

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

(3-21) Share-based payment transactions

The Group has granted shares or share options to its employees and other parties. For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period.

(3-22) Recognition of revenue and expense

The Group recognizes revenue by applying the five step revenue recognition model as below.

1. Contract identification --> 2. Identification of performance obligations --> 3. Calculation of transaction price --> 4. Allocation of transaction price to performance obligation --> 5. Recognition of revenue when performance obligation is satisfied

(a) Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest method calculates the amortised cost of a financial asset or liability and allocates interest income or expense over the relevant period.

The effective interest rate exactly matches the present value of the future payment or receivable estimated during the expected life of the financial instrument with the total carrying amount of the financial asset or amortised cost of the financial liability. When calculating interest income or interest expense, the effective interest rate applies to the gross carrying amount of the asset (if the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that are subsequently credit-impaired since initial recognition, interest revenue is calculated using the effective interest rate at the amortised cost of the financial asset. If the asset is no longer considered as credit-impaired, the effective interest rate is applied to the gross carrying amount to calculate interest revenue.

(b) Fees and commission

The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument.

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

Such fees are generally treated as an adjustment to the effective interest rate. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, preparing and processing documents, closing the transaction and the origination fees received on issuing financial liabilities. However, when the financial instrument is measured at fair value with the change in fair value recognized in profit or loss, the fees are recognized as revenue when the instrument is initially recognized.

Fees earned as services are provided

Fees and commission income, including investment management fees, sales commission, and account servicing fees, are recognized as the related services are provided. In addition, if a certain loan commitment is unlikely to be contracted and the loan commitment is not within the scope of KIFRS 1109, the commission fee is recognised as revenue over period of time.

Fees that are earned on the execution of a significant action

The fees that are earned on the execution of a significant act including commission on the allotment of shares or other securities to a client, placement fee for arranging a loan between a borrower and an investor and sales commission, are recognized as revenue when the significant act has been completed.

(c) Dividends

The Group recognizes dividend income when the shareholders' right to receive payment is established.

(d) Insurance income

The Group recognizes insurance income for the insurance premium paid of which the payment date arrived by the premium payment methods of the insurance contract; and recognizes advance receipts for the insurance premium paid of which the payment date has not arrived at the end of the reporting period.

(3-23) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(a) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(b) Deferred tax

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

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

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

Deferred income tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

Uncertainty over income tax treatments occurs from a tax ruling and litigation appealed from the Group and examination of taxation authority due to complexity of transaction or the difference on application of tax laws. It is recognized in income tax assets in case tax amounts were paid by taxation authority's imposition but probability of refund is high, and it is recognized in income tax liabilities in case of tax amount predicted to be paid in the future by the examination of taxation authority under KIFRS 2123.

[3-24] Accounting for trust accounts

The Group accounts for trust accounts separately from its bank accounts under Article 114 of the Financial Investment Services and Capital Markets Act. In connection with this, the funds borrowed from the trust accounts are included in the trust accounts as borrowings from the trust accounts, and in accordance with the financial investment business regulations, the funds received from the trust accounts are managed with paying trust fees.

[3-25] Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

[3-26] Acquisition costs

In accordance with Article 31 of the Regulation on Accounting of Insurance Business and Article 3 of the Addendum to the Regulation, the Group amortizes actual policy acquisition costs (excluding the amount exceeding expected costs), which arose from a long-term contract over the life of the contract (up to seven years) using the straight-line method. If the difference is immaterial, the Group calculates amortization by subtracting the difference between premium reserves based on a net premium method and premium reserves based on a surrender value method from acquisition costs arose in the current year and deferred unamortized acquisition costs.

On the other hand, the lesser of the actual or expected costs for a new contract entered into after April 1, 2004, is amortized over the life of the contract (up to seven years). The Group additionally amortizes the excess amount if unamortized acquisition costs are more than the difference between premium reserves based on a net premium method and premium reserves based on a surrender value method as of December 31, 2020.

[3-27] Insurance and investment contracts-classification

The Group classifies a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder as an insurance contract. The Group assesses the significance of insurance risk contract by contract, considering the amounts payable if an insured event occurs, and the amounts payable if no insured event occurs.

The Group classifies a contract that exposes the issuer to financial risk without significant insurance risk as an investment contract. Depending on whether an investment contract contains a discretionary participation feature or not, the accounting treatments of the investment contract is different. If there is the discretionary participation feature in the investment contract, it is treated as the same as insurance contracts, but if not, KIFRS 1109 'Financial Instruments' is applied.

If the Group classifies as insurance contract, that contract maintains until all rights and obligations expire, and does not reclassify as an investment contract even if the insurance risk becomes immaterial during the term of the insurance contract. However, in the case of the investment contract, the Group reclassifies as an insurance contract if insurance risk turns significant after the first recognition.

(3-28) Insurance contract liabilities (policy reserves)

In accordance with the Supervision Regulation and related rules, the Group is required to maintain policy reserves for payment on future claims or refunds, and on dividends to participating policyholders. Such policy reserves are to be provided based on calculation methods approved by the Insurance Business Act of Korea, related laws and rules, and the Minister of Strategy and Finance of the Republic of Korea.

(a) Premium reserve

Premium reserve refers to an amount calculated by the net premium method for payment on future claims, which is the bigger amount between the one calculated based on standard interest rate and standard risk rate issued by the Financial Supervisory Service and the one calculated based on standard rates applied to premium calculation. If premium reserve results in an amount below zero, the Group records the premium reserve as zero.

(b) Reserve for unearned premium

Reserve for unearned premium refers to the amount of premium at the collection date as of or prior to the statement of financial position date, which will be realized in the subsequent periods.

(c) Guarantee reserve

In accordance with the Insurance Business Act and the Regulation on Supervision of Insurance Business, guarantee reserve refers to an amount calculated based on the standard method of measuring the guarantee reserve, which is the guarantee amount for payment on future claims up to a reasonable level in consideration of future estimated loss.

(d) Reserve for outstanding claims

As of the end of the reporting period, the Group reserves the following amount of payment that has yet to be paid, or is estimated for contracts for which the reason for payment has occurred as follows

- Individual estimated amount : The amount estimated by insurance accident reported to the group due to pending litigation (some payments are left after payment)
- Unreported Losses (IBNR, Incurred But Not Reported) : Estimated amount based on reasonable statistical methods considering the experience performance of the group
- Unclaimed expenses : Contracts that are not expired due to non-payment of insurance premiums, including the right to revive and reserve period
- Accrued insurance expenses : Amount that are not paid at fixed amount, such as insurance, refund, dividend, etc.

(e) Reserve for participating policyholders' dividends

Excess Crediting Rate Reserve

For dividend insurance (contract prior to October 1, 1997), if the scheduled interest rate is lower than the average interest rate of a one year time deposit in the current business year, the amount is reserved for the policyholder compensating for the difference.

Mortality Dividend Reserve

For valid dividend insurance contracts that have been maintained for more than one year, the amount is reserved for the compensation given for the difference between the planned death rate and the actual death rate applied to the insurance premium calculation standard.

Interest Dividend Reserve

The amount is reserved for the dividend covering the difference between the interest dividend base rate and scheduled interest rate for each insurance product for an insurance contract that has been maintained for more than one year. However, for contracts signed before October 1, 1997, the amount is reserved for the difference between the interest dividend base rate and the scheduled interest rate for each insurance product, including the interest rate guarantee rate as of the beginning of the business year.

Long-term Duration Dividend Reserve

The amount is reserved for dividend insurance contracts that have been maintained for more than six years, the amount of cancellation deducted by the net insurance premium reserve as of the end of previous term multiplied by the long-term duration dividend rate.

(f) Dividend reserve for policyholders' income participation

The Group first set aside reserve for loss from participating insurance from policyholders' shares in accordance with the Enforcement Rules of the Insurance Business Act. Then the Group sets the estimated amount of dividend to the new policyholders for the next business year in the reserve for participating policyholders' dividends and the remaining shares are set aside as the dividend reserve for policyholders' income participation by the total amount.

Of the dividend reserve for policyholders' income participation that did not actually occur as of December 31, 2019, were added to the dividend reserve for policyholders' income participation, which were set aside by the total amount prior to the year ended December 31, 2020. Dividend for participating policyholders incurred as of December 31, 2019, in excess of the newly reserved dividend reserve for policyholders' income participation were deducted from the dividend reserve for policyholders' income participation (in the order of the policyholders' shares calculated according to the Article 6-13, Paragraph 1 and shareholders' interest), which were set aside by the total amount prior to the year ended December 31, 2019. Dividend reserve for policyholders' income participation reserved by the total amount will be used as sources of dividend for policyholders to individual policyholder within five years from the year ended December 31, 2019.

(3-29) Liability adequacy test

The Group assesses, at the end of each reporting period, whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognized in net income.

In accordance with KIFRS 1104 'Insurance Contract', the Group applies a liability adequacy test that meets specified minimum requirements. The minimum requirements are the following:

- The test considers current estimates of all contractual cash flows and related cash flows, such as claims handling costs, as well as cash flows resulting from embedded options and guarantees.
- If the test shows that the liability is inadequate, the entire deficiency is recognized in net income.

(3-30) Reinsurance contracts

The Group entered into reinsurance contracts with reinsurers to compensate them for losses on one or more contracts issued by the Group and shall not offset reinsurance assets against the related insurance liabilities or income or expense from reinsurance contracts against the expense or income from the related insurance contracts.

Reinsurance assets are tested for impairment at least annually. If a reinsurance asset is impaired, the Group shall reduce its carrying amount accordingly and recognize that impairment loss in net income. A reinsurance asset is impaired if, and only if:

- There is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts due to it under the terms of the contract; and
- The event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

(3-31) Policyholders' equity adjustment

At the end of the reporting period, the Group assesses the face value of balance sheet of the gain or loss on valuation of available-for-sale securities, based on the investment balance distribution method, and the Group and its shareholders are classified as contractors and shareholders, accordingly. However, in the event of a loss in the evaluation of available-for-sale securities, the total amount of the contractor's profit dividend reserve and the contractor's dividend stabilization reserve are limited to the contractual equity adjustment.

(3-32) Valuation of separate account assets and liabilities

In accordance with the Article 108 of the Insurance Business Act and the Supervision Regulation of Insurance Business, all assets and liabilities related to retirement benefit insurance contracts are managed and accounted for separately as separate account assets and liabilities in the consolidated statements of financial position. According to the amended Article 4-1 of Supervision Regulation of Insurance Business, the Group presents receivables from and payables to the separate account as deduction from the separate account liabilities and the separate account assets, respectively.

In addition, under Article 6-23 of Regulation on Supervision of Insurance, the Group does not present the income and expenses of the performance dividend special account (variable life insurance contract), and the income and expenses of the principal and interest guaranteed special account (retirement insurance contract) are totalized as subjects of special account income and expenses.

(3-33) New Standards and interpretation not yet adopted

The following new standards, interpretations and amendments to existing standards have been published but have not come into effect for annual periods beginning after January 1, 2020. The Group has not early adopted new standards, interpretations and amendments to existing standards in preparation of financial statements.

(a) Amendments to KIFRS 1109 'Financial Instruments', KIFRS 1039 'Financial Instruments: Recognition and Measurement', KIFRS 1107 'Financial Instruments: Disclosure', KIFRS 1104 'Insurance Contracts' and KIFRS 1116 'Lease' – Interest Rate Benchmark Reform

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

(b) Amendments to KIFRS 1103 'Business Combination' – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of KIFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets', and KIFRS 2121 'Levies'. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(c) Amendments to KIFRS 1016 'Property, Plant and Equipment' - Proceeds before intended use

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

(d) Amendments to KIFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts': Cost of Fulfilling a Contract

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

(e) Annual improvements to KIFRS 2018-2020

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

- KIFRS 1101 'First time Adoption of Korean International Financial Reporting Standards' –Subsidiaries that are first-time adopters

- KIFRS 1109 'Financial Instruments' – Fees related to the 10% test for derecognition of financial liabilities

- KIFRS 1116 'Leases' – Lease incentives

- KIFRS 1041 'Agriculture' – Measuring fair value

(f) Amendments to KIFRS 1001 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current

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

4. Operating Segments

The Group has operating segments, which consist of banking division, securities division, life insurance division, loan division, asset management division, and others based on its services, and conducts performance evaluations by operating segments as well as by divisions within those operating segments.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segments and assess its performance and for which discrete financial information is available.

Its financial statements are consolidated based on similar economic characteristics of the service provided, and those are divided by six reportable segments by the importance of profit made. The six reportable segments are as follows:

Description	Business Area
Banking	Financial lending services to customers and depository services
Securities	Securities (including stocks) investment and operation
Life Insurance	Procurement and financial services for life insurance
Loan	Leasing, Installment loan, and FinTech
Asset Management	Trust Funds and Financial Investment Advisory
Others	Segments other than those above, including collection of bonds, and development and operation of software

(a) Information about reportable segments as of and for the years ended December 31, 2020 and 2019 are as follows, continued

(In millions of won)

		2020							
		Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Other segments & consolidation adjustments	Consolidated Amount
Interest	Interest income	1,603,811	161,621	149,726	176,522	275	2,091,955	(17,389)	2,074,566
	Interest expense	489,468	62,534	7,886	69,279	21	629,188	16,673	645,861
	Subtotal	1,114,343	99,087	141,840	107,243	254	1,462,767	(34,062)	1,428,705
Fees and commissions	Fees and commission income	151,155	291,195	7,716	7,063	10,694	467,823	(6,010)	461,813
	Commissions expense	52,518	17,174	5,506	7,026	392	82,616	1,151	83,767
	Subtotal	98,637	274,021	2,210	37	10,302	385,207	(7,161)	378,046
Other operating	Other operating income	1,159,729	1,222,095	935,054	17,120	418	3,334,416	12,919	3,347,335
	Gain on life insurance	-	-	792,902	-	-	792,902	-	792,902
	Gain on financial assets at fair value through profit or loss	52,430	493,600	32,547	13,781	413	592,771	94	592,865
	Gain on financial assets (liabilities) designated at fair value through profit or loss	-	44,925	-	-	-	44,925	-	44,925
	Gain on held-for-trading derivatives	715,696	679,870	-	-	-	1,395,566	-	1,395,566
	Gain on financial assets at fair value through other comprehensive income	25,367	98	23,825	-	-	49,290	-	49,290
	Gain on derivatives instruments on hedge	-	-	38,736	-	-	38,736	-	38,736
	Gain on foreign transactions	330,926	230	28,508	497	-	360,161	837	360,998
	Reversal for credit losses	258	3,041	472	-	5	3,776	(3,217)	559
	Other operating gain	35,052	331	18,064	2,842	-	56,289	15,205	71,494
	Other operating expenses	2,069,576	1,461,198	1,024,023	77,698	7,651	4,640,146	23,911	4,664,057
	Loss on life insurance	-	-	871,108	-	-	871,108	(9,531)	861,577
	Loss on financial assets at fair value through profit or loss	21,442	422,072	7,853	7,068	-	458,435	283	458,718
	Loss on financial assets designated at fair value through profit or loss	-	71,172	-	-	-	71,172	-	71,172
	Gain (Loss) on adjustments for overlay approach	-	-	7,533	-	-	7,533	-	7,533
	Loss on held-for-trading derivatives	707,264	690,972	-	-	-	1,398,236	-	1,398,236
	Loss on financial assets at fair value through other comprehensive income	-	414	6,741	-	-	7,155	-	7,155
	Loss on derivatives instruments on hedge	-	-	51,651	-	-	51,651	-	51,651
	Loss on foreign transactions	317,966	13,464	20,344	228	-	352,002	263	352,265
	Provisions for credit losses	228,586	16,319	199	31,066	-	276,170	(3,154)	273,016
General and administrative expense	663,877	240,997	57,660	38,138	7,651	1,008,323	13,962	1,022,285	
Other operating loss	130,441	5,788	934	1,198	-	138,361	22,088	160,449	
Subtotal	(909,847)	(239,103)	(88,969)	(60,578)	(7,233)	(1,305,730)	(10,992)	(1,316,722)	
Operating income	303,133	134,005	55,081	46,702	3,323	542,244	(52,215)	490,029	
Profit for the year	238,305	111,596	35,096	36,075	2,394	423,466	(46,661)	376,805	
Controlling interest								332,317	
Non-controlling interest								44,487	
Total assets	59,265,705	10,540,903	6,507,055	3,503,811	39,694	79,857,168	114,637	79,971,805	
Total liabilities	54,743,458	9,481,268	6,216,342	3,069,956	2,785	73,513,809	653,949	74,167,758	

(In millions of won)

2019

	Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Other segments & consolidation adjustments	Consolidated Amount	
Interest	Interest income	1,751,500	147,653	156,494	159,677	395	2,215,719	[21,410]	2,194,309
	Interest expense	611,851	79,128	9,282	69,140	25	769,426	13,873	783,299
	Subtotal	1,139,649	68,525	147,212	90,537	370	1,446,293	[35,283]	1,411,010
Fees and commissions	Fees and commission income	140,336	195,773	8,467	4,927	10,950	360,453	[5,521]	354,932
	Commissions expense	53,876	16,155	5,694	7,234	282	83,241	(131)	83,110
	Subtotal	86,460	179,618	2,773	(2,307)	10,668	277,212	[5,390]	271,822
Other operating	Other operating income	773,367	695,204	919,656	8,513	317	2,397,057	22,517	2,419,574
	Gain on life insurance	-	-	801,064	-	-	801,064	-	801,064
	Gain on financial assets at fair value through profit or loss	39,697	338,270	46,693	6,610	317	431,587	6,451	438,038
	Gain on financial assets designated at fair value through profit or loss	-	18,757	-	-	-	18,757	-	18,757
	Gain on held-for-trading derivatives	469,518	332,308	-	-	-	801,826	698	802,524
	Gain on financial assets at fair value through other comprehensive income	19,034	414	13,900	-	-	33,348	[30]	33,318
	Gain on derivatives instruments on hedge	9	-	20,312	-	-	20,321	-	20,321
	Gain on foreign transactions	223,274	2,675	26,810	295	-	253,054	-	253,054
	Reversal for credit losses	6,029	2,649	15	-	-	8,693	[1,005]	7,688
	Other operating gain	15,806	131	10,862	1,608	-	28,407	16,403	44,810
	Other operating expenses	1,631,316	871,194	1,094,300	61,899	6,613	3,665,322	31,405	3,696,727
	Loss on life insurance	-	-	941,451	-	-	941,451	[14,925]	926,526
	Loss on financial assets at fair value through profit or loss	15,499	224,395	8,488	1,080	24	249,486	-	249,486
	Loss on financial assets designated at fair value through profit or loss	-	99,966	-	-	-	99,966	10,560	110,526
	Gain [Loss] on adjustments for overlay approach	-	-	14,039	-	-	14,039	-	14,039
	Loss on held-for-trading derivatives	457,498	340,673	-	-	-	798,171	2,934	801,105
	Loss on financial assets at fair value through other comprehensive income	-	168	3,079	-	-	3,247	-	3,247
	Loss on derivatives instruments on hedge	62	-	47,168	-	-	47,230	-	47,230
	Loss on foreign transactions	216,462	4	4,042	118	-	220,626	-	220,626
	Provisions for credit losses	142,083	4,475	846	26,734	1	174,139	[1,124]	173,015
General and administrative expense	625,265	197,949	74,388	32,979	6,588	937,169	13,006	950,175	
Other operating loss	174,447	3,564	799	988	-	179,798	20,954	200,752	
Subtotal	[857,949]	[175,990]	[174,644]	[53,386]	[6,296]	[1,268,265]	[8,888]	[1,277,153]	
Operating income	368,160	72,153	[24,659]	34,844	4,742	455,240	[49,561]	405,679	
Profit for the year	282,302	84,901	[11,186]	27,602	3,729	387,348	[44,524]	342,824	
Controlling interest								307,323	
Non-controlling interest								35,501	
Total assets	55,215,375	7,723,324	6,298,744	3,104,766	39,379	72,381,588	22,792	72,404,380	
Total liabilities	50,798,024	6,900,922	6,046,623	2,740,066	4,072	66,489,707	507,070	66,996,777	

(b) Profit or loss on interest for each reporting segments from external customers and internal divisions as of and for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

2020								
	Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Other segments & consolidation adjustments	Consolidated Amount
Profit/Loss on Interest From External	1,111,041	99,285	141,840	111,889	134	1,464,189	(35,483)	1,428,705
Profit/Loss on Interest From Internal	3,302	(199)	-	(4,646)	119	(1,424)	1,423	-
Total	1,114,343	99,086	141,840	107,243	253	1,462,765	(34,060)	1,428,705

(In millions of won)

2019								
	Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Other segments & consolidation adjustments	Consolidated Amount
Profit/Loss on Interest From External	1,136,930	68,525	147,211	96,309	136	1,449,111	(38,101)	1,411,010
Profit/Loss on Interest From Internal	2,719	-	1	(5,772)	234	(2,818)	2,818	-
Total	1,139,649	68,525	147,212	90,537	370	1,446,293	(35,283)	1,411,010

(c) Profit or loss on fees and commissions for each reporting segments from external customers and internal divisions as of and for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

2020								
	Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Other segments & consolidation adjustments	Consolidated Amount
Profit/Loss on Interest From External	94,813	275,029	3,253	1,608	9,465	384,168	(6,122)	378,046
Profit/Loss on Interest From Internal	3,824	(1,009)	(1,043)	(1,572)	837	1,037	(1,037)	-
Total	98,637	274,020	2,210	36	10,302	385,205	(7,159)	378,046

(In millions of won)

2019								
	Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Other segments & consolidation adjustments	Consolidated Amount
Profit/Loss on Interest From External	83,267	179,618	2,969	(1,081)	9,534	274,307	(2,486)	271,821
Profit/Loss on Interest From Internal	3,193	-	(197)	(1,226)	1,134	2,904	(2,904)	-
Total	86,460	179,618	2,772	(2,307)	10,668	277,211	(5,390)	271,821

5. Cash and Due from Banks

(a) Cash and Due From Banks

Cash and due from banks as of December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019
Cash and cash equivalents		403,711	437,379
Due from banks in won	The Bank of Korea	1,722,547	1,481,595
	Commercial banks	447,706	401,540
	Others	404,657	202,816
	Subtotal	2,574,910	2,085,951
Due from banks in foreign currencies	The Bank of Korea	52,302	116,798
	Commercial banks	148,725	53,590
	Others	501,994	132,502
	Subtotal	703,021	302,890
		3,681,642	2,826,220

(b) Restricted Due From Banks

Restricted due from banks as of December 31, 2020 and 2019, are as follows:

(In millions of won)

	Depository	2020	2019	Restrictions
Reserve deposits in won	The Bank of Korea	1,722,547	1,481,595	Payment Reserve
	Commercial banks	21,036	22,586	Account opening deposits, etc.
	Investor deposit	379,920	176,246	Enforcement Decree of the financial investment service and capital market act
	Subtotal	2,123,503	1,680,427	
Reserve deposits in foreign currencies	The Bank of Korea	40,326	19,260	Reserve in Foreign Currencies
	Overseas Banks	36,392	56,384	Due from banks for legal fees and foreign branches
	Others	116,074	66,242	Collateral for derivatives transaction
	Subtotal	192,792	141,886	
Total		2,316,295	1,822,313	

6. Financial Assets at Fair Value through Profit or Loss

(a) Details of Financial Assets at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss as of December 31, 2020 and 2019, are as follows:

(In millions of won)

		2020	2019
		Fair Value (Book Value)	Fair Value (Book Value)
Equity securities	Stocks	27,713	37,036
	Capital contribution	2,861	2,310
	Others	122,824	-
	Subtotal	153,398	39,346
Debt securities	Government bonds	3,525,565	2,060,612
	Financial bonds	1,794,063	2,340,443
	Debentures	1,356,282	894,697
	International bond	27,367	29,400
	Beneficiary certificate	1,131,413	1,123,664
	Equity investment	182,306	138,558
	Others	604,487	519,182
	Subtotal	8,621,483	7,106,556
Loans	Private equity investment	42,036	44,265
	Others	1,000	4,983
	Subtotal	43,036	49,248
Deposits	Structured deposit	87,065	103,469
	Investor deposit	527,880	251,627
	Subtotal	614,945	355,096
Equity-linked securities		197,866	191,961
Total		9,624,823	7,748,112

The amount maturing within 12 months is ₩3,565,797 million (₩3,125,000 million as of December 31, 2019) as of December 31, 2020, and the amount maturing after 12 months is ₩5,905,628 million (₩4,385,900 million as of December 31, 2019) as of December 31, 2020.

(b) Details of Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019
		Fair Value (Book Value)	Fair Value (Book Value)
Lent securities sold	Stock	21,556	25,952
	Government Bonds	561,078	1,579,710
	Financial Bonds	-	80,231
Total		582,634	1,685,893

(c) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss as of December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020	2019
Equity-linked securities	776,586	625,093
Derivatives-linked securities	45,622	137,209
Derivatives-linked securities valuation adjustments at the transaction date through profit or loss	28,698	12,430
Total	850,906	774,732

(d) Application of Overlay Approach

The Group applies overlay approach in accordance with KIFRS 1104 when it first applies KIFRS 1109

(i) Financial assets that apply overlay approach as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Financial assets at fair value through profit or loss		
Deposits	71,980	88,556
Debt securities	494,740	646,540
Total	566,720	735,096

(ii) Regarding financial assets that overlay approach has been applied, reported amounts in accordance with KIFRS 1109 and those in accordance with KIFRS 1039 as of and for the year ended December 31, 2020 are as follows:

(In millions of won)

	KIFRS 1109	KIFRS 1039
Operating income		
Interest	7,266	7,192
Dividend	-	14,925
Gain on financial instruments	30,318	3,671
Operating expenses		
Loss on financial instruments	(6,934)	(2,670)
Net income before adjustment	30,651	23,118
Adjustments for overlay approach	(7,533)	-
Net income after adjustment	23,118	23,118

(iii) Change in other comprehensive income resulting from reclassification of profit or loss and other comprehensive income as of and for the year ended December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020	2019
Beginning balance	1,569	(9,021)
Reclassification due to acquisition and valuation	5,015	12,649
Reclassification due to disposition	2,444	1,269
Reclassification due to amortization	74	121
Income tax effect	(1,828)	(3,449)
Ending balance	7,274	1,569

(e) Securities Lending and Borrowing

In the case of lending securities held by the Group, ownership of the securities is transferred, but the securities are returned when the lending period expires. Accordingly, the Group holds most of the risks and rewards of owning these securities and continues to recognize the entire securities. As of December 31, 2020, the details of lending securities among financial assets at fair value through profit or loss of the Group are as follows:

(In millions of won)

	2020	
	Transferred assets (Book Value)	Liabilities (Book Value)
Financial instruments at fair value through profit or loss	3,127,835	3,017,900

7. Financial Assets at Fair Value through Other Comprehensive

(a) Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income as of December 31, 2020 and 2019, are as follows:

(In millions of won)

		2020	2019
		Fair Value (Book Value)	Fair Value (Book Value)
Equity Securities	Listed equity securities	47,820	591
	Unlisted equity securities	75	48,634
	Others	7,579	338
	Subtotal	55,474	49,563
Debt Securities	Government bonds	1,925,159	1,411,259
	Financial bonds	1,183,686	1,554,938
	Debentures	918,576	748,342
	Securities in foreign currencies	405,093	417,205
	Others	39,611	-
	Subtotal	4,472,125	4,131,744
Total		4,527,599	4,181,307

The amount of financial assets at fair value through other comprehensive income, excluding equity securities, maturing within 12 months is ₩796,059 million (₩666,713 million as of December 31, 2019) as of December 31, 2020, and the amount maturing after 12 months is ₩3,676,066 million (₩3,465,031 million as of December 31, 2019) as of December 31, 2020.

(b) Equity securities of financial assets at fair value through other comprehensive income as of December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020	2019	Purpose of Acquisition
	Book Value	Book Value	
Exco	2,899	2,885	Public Contribution
BC Card	9,710	11,051	Strategic Contribution
Korea Asset Management Corp.	1,570	1,570	Strategic Contribution
Daegyong Investment Corp.	5,053	4,760	Public Contribution
National Happiness Fund Co., Ltd. Redeemable preferred stocks	11,398	12,485	Retention Strategy
Korea Trust Co., Ltd	7,597	7,550	Strategic Contribution
K-Bank	5,217	5,887	Participation
BNK Financial Group Contingent Capital Securities	5,031	-	Strategic Contribution
National Federation of Fisheries Co. Contingent Capital Securities	2,007	-	Strategic Contribution
Korea Financial Investment Association	249	249	Others
YesStock Inc.	291	291	Others
Korea Money Brokerage Corp.	4,452	2,835	Others
Total	55,474	49,563	

(c) Recognized dividend income from equity securities at fair value through other comprehensive income as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020		2019	
	Disposed Equity Securities	Disposed Equity Securities	Disposed Equity Securities	Disposed Equity Securities
Listed Equity Securities	-	24	-	24
Unlisted Equity Securities	-	1,208	-	852
Total	-	1,232	-	876

(d) Lists of disposed financial assets at fair value through other comprehensive income as of and for the year ended December 31, 2020 and 2019, and reasons of those are as follows:

(In millions of won)

			2020
	Fair Value at Disposition	Accumulated Gain(loss) on Valuation(*)	Reason for Disposal
KAMCO - Hanmaum Finance (Preferred stock)	3	-	Capital Reduction
Taurus Investment & Securities Co., Ltd.	2	-	Capital Reduction
Total	5	-	

(In millions of won)

			2019
	Fair Value at Disposition	Accumulated Gain(loss) on Valuation(*)	Reason for Disposal
AJIN P&P Co., Ltd.	652	55	Trade
Taurus Investment & Securities Co., Ltd.	2,997	[342]	Trade
Poong Lim Industrial Co., Ltd.	34	-	Trade
KAMCO - Hanmaum Finance (Preferred stock)	8	-	Redemption
Total	3,691	[287]	

(*) Accumulated gain on valuation is transferred to retained earnings.

(e) Securities Lending Transactions

When the Group lends their securities, ownership of the securities transfers to borrower, but the Group gets the security back upon the expiration. As a result, most of related risks and rewards of the ownership of those securities are held by the Group, and the Group keeps recognizing all the events that happen in those securities lending transactions. The details of securities lending financial assets at fair value through other comprehensive income as of December 31, 2020 and 2019, are as follows:

(In millions of won)

			December 31, 2020
	Book Value of Transferable Assets	Book Value of Related Liabilities	
Financial assets at fair value through other comprehensive income			
Government bonds	396,849		-
Foreign currency bonds	20,015		-
Total	416,864		-

(In millions of won)

			December 31, 2019
	Book Value of Transferable Assets	Book Value of Related Liabilities	
Financial assets at fair value through other comprehensive income			
Government bonds	413,183		-
Foreign currency bonds	69,878		-
Total	483,061		-

(f) Changes in total book value of financial assets(debt securities) at fair value through other comprehensive income as of and for the year ended December 31, 2020 and 2019, are as follows:

(In millions of won)

	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit Impaired	2020 Total
Beginning balance	4,131,744	-	-	4,131,744
Transfer to 12 month expected credit loss	-	-	-	-
Transfer to life time expected credit loss	-	-	-	-
Transfer to impaired lifetime expected credit loss	-	-	-	-
Acquisition of financial assets	5,972,767	-	-	5,972,767
Disposed financial assets	(5,615,519)	-	-	(5,615,519)
Others (*)	[16,867]	-	-	[16,867]
Ending balance	4,472,125	-	-	4,472,125

(In millions of won)

	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit Impaired	2019 Total
Beginning balance	3,963,546	-	-	3,963,546
Transfer to 12 month expected credit loss	-	-	-	-
Transfer to life time expected credit loss	-	-	-	-
Transfer to impaired lifetime expected credit loss	-	-	-	-
Acquisition of financial assets	5,509,301	-	-	5,509,301
Disposed financial assets	(5,396,552)	-	-	(5,396,552)
Others (*)	55,449	-	-	55,449
Ending balance	4,131,744	-	-	4,131,744

(*) Include changes due to financing conversion, foreign exchange rate, etc.

8. Securities at Amortized Cost

(a) Securities at amortized cost

Securities at amortized cost as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Government bonds	3,912,394	4,550,398
Financial bonds	680,404	607,587
Debentures	2,023,671	1,597,679
Foreign currency bonds	500,195	585,735
Others	17,898	-
Allowance for doubtful account	(560)	(512)
Total	7,134,002	7,340,887

The amount maturing within 12 months is ₩1,558,158 million (₩1,488,397 million as of December 31, 2019) as of December 31, 2020, and the amount maturing after 12 months is ₩5,576,404 million (₩5,853,003 million as of December 31, 2019) as of December 31, 2020.

(b) Transferred securities at amortized cost that are not derecognized

Transferred securities at amortized cost that are not derecognized as of December 31, 2020 and 2019, are as follows:

(In millions of won)

	Securities at Amortized Cost			Liabilities		
	Book Value	Fair Value	Allowance	Book Value	Fair Value	Net Position
	2020					
Securities sold under repurchase agreement(*)	809,184	821,015	(76)	702,863	702,940	118,075
Loaned securities	37,754	47,262	(8)	-	-	47,262

(In millions of won)

	Securities at Amortized Cost			Liabilities		
	Book Value	Fair Value	Allowance	Book Value	Fair Value	Net Position
	2019					
Securities sold under repurchase agreement(*)	964,688	973,208	(144)	862,031	862,245	110,963
Loaned securities	41,104	46,912	(12)	-	-	46,912

(*) The Group transfers a contractual right which allows to take cash from transferred securities at amortized cost, but makes the agreement to repurchase the transferred assets with a preselected price after sale or the amount of selling price plus fixed return.

(c) Profit (loss) from disposal of securities at amortized cost as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020		
	Face Value	Book Value	Gain (Loss) on Disposal
Corporate bonds, etc. (*)	479,017	498,389	17,879

(In millions of won)

	2019		
	Face Value	Book Value	Gain (Loss) on Disposal
Corporate bonds, etc. (*)	176,976	187,035	10,059

(*) The Group disposed of the securities at amortized costs by exercising the debt securities issuer's right of recourse for the years ended December 31, 2020 and 2019.

(d) Changes in total book value of securities at amortized cost as of and for the year ended December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020			Total
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit Impaired	
Beginning balance	7,341,400	-	-	7,341,400
Reclassification to 12-month expected credit loss	-	-	-	-
Reclassification to lifetime expected credit loss	-	-	-	-
Reclassification to impaired lifetime expected credit loss	-	-	-	-
Acquisition of financial assets	1,857,748	-	-	1,857,748
Disposed financial assets	(2,068,601)	-	-	(2,068,601)
Others (*)	4,016	-	-	4,016
Ending balance	7,134,563	-	-	7,134,563

(*) Include changes due to financing conversion, foreign exchange rate, depreciation of fair value, etc.

(In millions of won)

	2019			
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit Impaired	Total
Beginning balance	7,846,434	-	-	7,846,434
Reclassification to 12-month expected credit loss	-	-	-	-
Reclassification to lifetime expected credit loss	-	-	-	-
Reclassification to impaired lifetime expected credit loss	-	-	-	-
Acquisition of financial assets	1,062,121	-	-	1,062,121
Disposed financial assets	(1,572,802)	-	-	(1,572,802)
Others (*1)	15,493	-	-	15,493
Changes in the scope of consolidation(*2)	[9,847]	-	-	[9,847]
Ending balance	7,341,399	-	-	7,341,399

(*1) Include changes due to financing conversion, foreign exchange rate, depreciation of fair value, etc. .

(*2) Scope of consolidation has been changed due to disposal of HI Investment and HI Investment & Futures for the year ended December 31, 2019.

9. Collateralized Securities

(a) Investment securities pledged to various institutions as of December 31, 2020 are as follows:

(In millions of won)

2020				
Collateralized Assets	Reasons for providing collateral	Face Value (Collateralized Value)	Book Value	Guarantees
Financial assets at fair value through profit or loss	Securities lending transactions and derivative transactions margin, Collateral for transaction under repurchase agreements	5,212,564	5,914,468	KB Securities, Korea Securities Depository
Securities at fair value through other comprehensive income	Repurchase agreements transactions	168,119	181,774	Korea Securities Depository, etc.
Securities at amortized cost	Collateral on Bank of Korea payments	725,000	725,813	The Bank of Korea
	Collateral on Bank of Korea borrowings	250,000	249,496	The Bank of Korea, Korea Securities Depository
	Bank of Korea daylight overdraft	180,000	180,923	The Bank of Korea, Korea Securities Depository
	Derivatives transactions	17,694	17,520	Samsung Futures Inc., NH Futures, KB, IBK, KDB, Shinhan
	Margin call	120,000	123,840	Korea Securities Depository
	Bonds sold under repurchase agreements	810,119	809,184	The Bank of Korea, Korea Securities Depository
	Others	12,435	12,285	Korea Securities Depository
	Subtotal	2,115,248	2,119,061	
	Total	7,495,931	8,215,303	

10. Investments in Associates

(a) Ownership

Ownership on associates as of and for the year ended December 31, 2020 and 2019 are as follows:

(In millions of won)

						2020	
Associates(*2)	Relation	Number of Shares Owned	Ownership	Acquisition Cost	Net Asset Value	Book Value	
Daegu FC(*1)(*3)	Associate	300,000	9.20%	516	8,093	744	
DGB Professional Investment Private Equity Investment Trust No.28	Associate	30,000,000,000	37.5%	30,000	81,177	30,441	
DGB Luxury Corporate Bond Securities Investment Trust	Associate	38,140,000,000	47.8%	40,000	83,109	40,238	
Hi Gold Ocean No.8 International Ship Investment Company	Associate	7,133,667	47.9%	14,134	445	213	
Tribridge Capital Management	Associate	958,000	23.9%	6,930	-	-	
VM Signature KONEX High-Yield Professional Investment Private Equity Investment Trust	Associate	3,000,000,000	94.2%	3,000	3,975	3,745	
Absolute High-Yield Professional Investment Private equity Investment Trust No.1	Associate	3,000,000,000	96.8%	3,000	3,805	3,684	
VM Signature IPO High-Yield Professional Investment Private Equity Investment Trust	Associate	3,000,000,000	94.2%	3,000	3,953	3,725	
Growth-Hill Darwin Multi-Strategy Professional Investment Private Equity Investment Trust I-Class	Associate	959,821,858	22.9%	1,000	5,895	1,347	
Muirwoods Hi Bio-Healthcare New-Tech PF No.1	Associate	2,000,000,000	23.5%	2,000	8,491	1,991	
Global Growth Company No.2 New-tech PF Investment Association	Associate	1,000,000,000	12.5%	1,000	7,977	995	

(In millions of won)

						2019	
Associates(*2)	Relation	Number of Shares Owned	Ownership	Acquisition Cost	Net Asset Value	Book Value	
Daegu FC(*1)(*3)	Associate	300,000	9.20%	516	6,558	604	
PINE TREE II VC PRIVATE EQUITY FUND	Associate	10	25.69%	1,898	7,212	1,853	
Tribridge Capital Management	Associate	958,000	23.93%	6,930	-	-	
Hi Gold Ocean No.8 International Ship Investment Company	Associate	7,133,667	47.86%	14,134	31,157	7,121	
HI KOSDAQ Venture Securities Investment Trust(*1)	Associate	3,000,000	43.58%	3,000	6,535	2,843	

(*1) Associate's acquisition cost and book value are the carrying amount under previous K-GAAP on the date of transition(2010.01.01) to KIFRS.

(*2) Although the Group has shares 20 percent or more, including beneficiary certificates, which are not included in the associate, companies that do not have significant influence are not classified as associates since collective investors are not bound by the Investment Advisory Committee, which provides services on investment decisions on disposal and collection of investment assets and investment decision of investment trusts.

(*3) Interests in Daegu FC is less than 20%, but it was classified as an associate as the Group can exercise significant influence over Daegu FC through sharing of management.

(b) Details of valuation on investments in associates

Details of valuation in equity method on investments in associates and other changes as of and for the year ended December 31, 2020 and 2019 are as follows:

(In millions of won)

2020							
Associates	Beginning balance	Acquisition	Disposal	Dividend in equity method	Gains or Losses on equity method	Others	Ending Balance
Daegu FC	603	-	-	-	141	-	744
DGB Luxury Corporate Bond Securities Investment Trust[*]	-	40,500	-	-	(262)	-	40,238
DGB Professional Investment Private Equity Investment Trust No.28	-	30,000	-	-	441	-	30,441
PINE TREE II VC PRIVATE EQUITY FUND	1,853	-	45	-	-	(1,898)	-
Hi Gold Ocean No.8 International Ship Investment Company	7,121	-	-	(3,256)	10,341	(13,993)	213
Hi KOSDAQ Venture Securities Investment Trust[*1]	2,844	-	(2,139)	-	(861)	156	-
VM Signature IPO High-Yield Professional Investment Private Equity Investment Trust	-	3,000	-	-	745	-	3,745
Absolute High-Yield Professional Investment Private equity Investment Trust No.1	-	3,000	-	-	684	-	3,684
VM Signature KONEX High-Yield Professional Investment Private Investment Trust	-	3,000	-	-	725	-	3,725
Growth-Hill Darwin Multi-Strategy Professional Investment Private Equity Investment Trust I-Class	-	1,000	-	-	347	-	1,347
Muirwoods Hi Bio-Healthcare New-Tech PF No.1	-	2,000	-	-	(9)	-	1,991
Global Growth Company GP Capital Contribution	-	1,000	-	-	(5)	-	995
Total	12,421	83,500	(2,094)	(3,256)	12,287	(15,735)	87,123

[*] Reclassified as investment in associate from investment in subsidiary as the Group lost controls for the year ended December 31, 2020.

(In millions of won)

2019							
Associates	Beginning balance	Changes due to business combination	Acquisition	Disposal	Dividend in equity method	Gains or Losses on equity method	Ending Balance
Daegu FC	470	-	-	-	134	-	604
DGB Luxury KRX 300 Index	4,221	-	(4,221)	-	-	-	-
Korea Omega Project No.2 Association	993	-	(1,114)	-	121	-	-
KoFC-Partners Pioneer Champ 2011-1st Investment[*1]	2,161	-	(166)	-	-	(1,995)	-
Hi Gold Ocean No.8 International Ship Investment Company	7,792	-	-	(640)	(31)	-	7,121
Hi ROKI1 Global Robo-Advisor Securities Investment Trust H[*2]	1,840	-	-	-	354	(2,194)	-
Hi Global Dynamic Property Distribution Investment Trust[*2]	4,581	-	-	-	628	(5,209)	-
Hi Japan High-Dividends Focus Securities Investment Trust[*1]	3,089	-	(2,819)	-	179	(449)	-
Hi Korea Reunification Renaissance Investment Trust[*2]	2,031	-	-	-	119	(2,150)	-
Hi KOSDAQ Venture Securities Investment Trust[*3]	-	2,735	-	-	108	-	2,843
PINE TREE II VC PRIVATE EQUITY FUND	-	1,898	-	-	(45)	-	1,853
Total	27,178	4,633	(8,320)	(640)	1,567	(11,997)	12,421

[*1] Reclassified as financial assets at fair value through profit or loss as the Group lost significant influence.

[*2] Excluded from investment in associates as the Group sold Hi Asset Management and Hi Investment & Futures for the year ended December 31, 2019.

[*3] Reclassified as investment in associate from investment in subsidiary as the Group lost controls for the year ended December 31, 2019.

(c) Condensed financial information

Condensed financial information of associates as of the year ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020			
	Assets	Liabilities	Gross income	Net income (loss)
Daegu FC	10,810	2,717	2,098	436
DGB Luxury Corporate Bond Securities Investment Trust	158,791	77,614	1,907	1,177
DGB Professional Investment Private Equity Investment Trust No.28	91,412	8,303	2,560	1,041
Hi Gold Ocean No.8 International Ship Investment Company	466	20	764	11,763
VM Signature KONEX High-Yield Professional Investment Private Equity Investment Trust	3,975	-	800	791
Absolute High-Yield Professional Investment Private equity Investment Trust No.1	3,805	-	751	707
VM Signature IPO High-Yield Professional Investment Private Equity Investment Trust	3,953	-	778	769
Growth-Hill Darwin Multi-Strategy Professional Investment Private Equity Investment Trust I-Class	6,769	874	3,741	1,775
Muirwoods Hi Bio-Healthcare New-Tech PF No.1	8,491	1	1	(39)
Global Growth Company No.2 New-tech PF Investment Association	7,977	-	99	(43)

(In millions of won)

	2019			
	Assets	Liabilities	Gross income	Net income (loss)
Daegu FC	9,896	3,338	12,620	1,452
PINE TREE II VC PRIVATE EQUITY FUND	7,215	3	80	(176)
Hi Gold Ocean No.8 International Ship Investment Company	39,711	8,554	1,403	1,682
HI KOSDAQ Venture Securities Investment Trust	6,743	208	1,021	82

(d) Financial statement date

Financial statements dates used to evaluate the investments in associates as of December 31, 2020 are as follows:

Corporation	Settlement Month	Date of evaluation
Daegu FC	December	2020-09-30
DGB Professional Investment Private Equity Investment Trust No.28	December	2020-12-31
DGB Luxury Corporate Bond Securities Investment Trust	December	2020-12-31
Hi Gold Ocean No.8 International Ship Investment Company	December	2020-12-31
Tribridge Capital Management	December	2020-12-31
VM Signature KONEX High-Yield Professional Investment Private Equity Investment Trust	December	2020-12-31
Absolute High-Yield Professional Investment Private equity Investment Trust No.1	December	2020-12-31
VM Signature IPO High-Yield Professional Investment Private Equity Investment Trust	December	2020-12-31
Growth-Hill Darwin Multi-Strategy Professional Investment Private Equity Investment Trust I-Class	December	2020-12-31
Muirwoods Hi Bio-Healthcare New-Tech PF No.1	December	2020-12-31
Global Growth Company GP Capital Contribution	December	2020-12-31
VM Signature KONEX High-Yield Professional Investment Private Equity Investment Trust	December	2020-12-31

11. Loans at Amortized Cost

(a) Loans at Amortized Cost Balance

Loans at amortized cost as of December 31, 2020 and 2019, are as follows:

(In millions of won)

			2020	2019
	Loans in won		47,746,351	42,317,616
	Loans in foreign currencies		721,578	765,375
	Loans to other banks		162,571	255,535
	Financial lease bonds		1,125,481	876,449
Loans at amortized costs	Others	Commercial papers	3,447	7,506
		Bill bought	119,005	136,114
		Payment guarantee	50,118	66,745
		Credit card loan	416,415	442,600
		Bonds under repurchase agreements	110,100	1,029,400
		Call loans	353,146	162,887
		Private loan	204,000	221,500
		Privately placed public loan	20,100	484,419
		Other loans	60,133	81,506
	Subtotal		1,336,464	2,632,677
	Loans Subtotal		51,092,445	46,847,652
	Allowance for loan		(388,953)	(335,118)
	Present value Discount(-)		-	-
	Present value Discount(+)		13	53
	Deferred loan origination fees(-)		(8,266)	(6,724)
	Deferred loan origination costs(+)		105,880	81,213
	Total		50,801,119	46,587,076

(*) The amount of Loan at amortized cost mature within 12 months is ₩24,580,703 million (₩24,339,488 million as of December 31, 2019) as of December 31, 2020, and the amount matures after 12 months is ₩26,511,742 million (₩22,508,164 million as of December 31, 2019) as of December 31, 2020

(b) Deferred loan origination fees

Changes in deferred loan origination fees as of December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019
	Beginning	6,724	6,114
	Increase	10,149	8,270
	Decrease	(8,607)	(7,660)
	Ending	8,266	6,724

Changes in deferred loan origination costs as of December 31, 2020 and 2019, are as follows:

(In millions of won)

		2020	2019
	Beginning	81,213	55,533
	Increase	90,577	74,653
	Decrease	(65,910)	(48,973)
	Ending	105,880	81,213

(c) Changes in book value of loans at amortized cost as of December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020			2020		
	Collective Assessment			Individual Assessment		
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit impairment	Lifetime Expected Credit Loss	Impairment Bonds	Total
Beginning balance	41,906,127	4,432,749	154,054	38,121	316,601	46,847,652
Reclassification to 12-month expected credit loss	1,036,787	(1,032,095)	(1,170)	(3,515)	[7]	-
Reclassification to lifetime Expected credit loss (collective assessment)	(1,769,871)	1,811,783	(3,705)	(8,348)	(29,859)	-
Reclassification to lifetime expected credit loss (collective assessment)	(117,908)	(103,285)	243,811	(180)	(22,438)	-
Reclassification to impaired lifetime expected credit loss	(5,064)	(13,885)	-	18,949	-	-
Reclassification to lifetime expected credit loss (individual assessment)	(39,668)	(72,923)	(6,382)	-	115,973	-
Changes in scope of consolidation[*3]	1,809	-	-	-	-	1,809
Execution or acquisition	64,615,659	1,229,701	21,337	550	13,335	65,880,582
Derecognition and collection[*1]	(59,617,246)	(1,671,821)	(104,300)	(18,244)	(169,882)	(61,581,493)
Disposal of non-performing loans	(2,154)	(1,182)	(109,426)	-	(62,635)	(175,397)
Others [*2]	119,292	-	-	-	-	119,292
Ending balance	46,130,763	4,579,042	194,219	27,333	161,088	51,092,445

(*1) Decrease due to amortization and repayment

(*2) Others are changes due to financing conversion, foreign exchange rate, etc.

(*3) The Group acquired CAM CAPITAL. PLC that runs financial business in Cambodia during the year ended December 31, 2020.

(In millions of won)

	2019			2019		
	Collective Assessment			Individual Assessment		
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit impairment	Lifetime Expected Credit Loss	Impairment Bonds	Total
Beginning balance	36,849,880	3,752,651	137,258	88,404	288,133	41,116,326
Reclassification to 12-month expected credit loss	876,006	(866,157)	(711)	(8,138)	(1,000)	-
Reclassification to lifetime Expected credit loss (collective assessment)	(1,565,781)	1,592,481	(4,587)	(12,857)	(9,256)	-
Reclassification to lifetime expected credit loss (collective assessment)	(86,983)	(56,508)	143,816	-	(325)	-
Reclassification to impaired lifetime expected credit loss	(3,344)	(15,948)	-	19,292	-	-
Reclassification to lifetime expected credit loss (individual assessment)	(153,753)	(145,087)	(1,712)	(39,631)	340,183	-
Execution or acquisition	51,806,276	1,459,924	19,468	9,221	55,692	53,350,581
Derecognition and collection[*1]	(45,848,000)	(1,288,606)	(117,720)	(18,171)	(119,416)	(47,391,913)
Disposal of non-performing loans	-	-	(21,764)	-	(237,015)	(258,779)
Others [*2]	32,462	-	-	-	-	32,462
Changes in scope of consolidation[*3]	(629)	-	-	-	(396)	(1,025)
Ending balance	41,906,134	4,432,750	154,048	38,120	316,600	46,847,652

(*1) Decrease due to amortization and repayment

(*2) Others are changes due to financing conversion, foreign exchange rate, etc.

(*3) Changes in scope of consolidation due to disposal of operating segments, Hi Asset Management and Hi Investment & Futures.

12. Allowance

(a) Changes in allowance for financial assets at fair value through other comprehensive income as of December 31, 2020 and 2019, are as follows:

(In millions of won)

2020				
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-impaired	Total
Beginning balance	724	-	-	724
Reclassification to 12-month expected credit loss	-	-	-	-
Reclassification to lifetime expected credit loss (collective assessment)	-	-	-	-
Reclassification to impaired lifetime expected credit loss	-	-	-	-
Reclassification to lifetime expected credit loss (individual assessment)	-	-	-	-
Disposal	(30)	-	-	(30)
Reversal of allowance for doubtful account	(553)	-	-	(553)
Execution & acquisition	291	-	-	291
Income tax effect	57	-	-	57
Ending balance	489	-	-	489

(In millions of won)

2019				
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-impaired	Total
Beginning balance	919	-	-	919
Reclassification to 12-month expected credit loss	-	-	-	-
Reclassification to lifetime expected credit loss	-	-	-	-
Reclassification to impaired lifetime expected credit loss	-	-	-	-
Disposal	(30)	-	-	(30)
Reversal of allowance for doubtful account	(283)	-	-	(283)
Execution & acquisition	313	-	-	313
Income tax effect	(195)	-	-	(195)
Ending balance	724	-	-	724

(b) Changes in allowance for securities at amortized cost as of December 31, 2020 and 2019, are as follows:

(In millions of won)

2020				
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-impaired	Total
Beginning balance	512	-	-	512
Reclassification to 12-month expected credit loss	-	-	-	-
Reclassification to lifetime expected credit loss (collective assessment)	-	-	-	-
Reclassification to impaired lifetime expected credit loss	-	-	-	-
Reclassification to lifetime expected credit loss (individual assessment)	-	-	-	-
Reversal of allowance for doubtful account	(215)	-	-	(215)
Execution & acquisition	259	-	-	259
Effect of exchange rate, etc.	4	-	-	4
Ending balance	560	-	-	560

(In millions of won)

2019				
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-impaired	Total
Beginning balance	328	-	-	328
Reclassification to 12-month expected credit loss	-	-	-	-
Reclassification to lifetime expected credit loss	-	-	-	-
Reclassification to impaired lifetime expected credit loss	-	-	-	-
Reversal of allowance for doubtful account	73	-	-	73
Execution & acquisition	111	-	-	111
Ending balance	512	-	-	512

(c) Changes in allowance for loans at amortized cost and other financial assets as of December 31, 2020 and 2019, are as follows:

(In millions of won)

	Collective Assessment			Individual Assessment		Total
	12-month expected credit loss	Lifetime expected credit loss	Credit impairment	Lifetime expected credit loss	Credit impaired	
	Loans at Amortized Cost					
Beginning balance	117,346	62,278	56,513	2,161	96,821	335,119
Reclassification to 12-month expected credit loss	14,258	(13,848)	(186)	(217)	(7)	-
Reclassification to lifetime expected credit loss (collective assessment)	(8,623)	23,545	(956)	(351)	(13,615)	-
Reclassification to impaired lifetime expected credit loss	(1,245)	(4,402)	13,531	(180)	(7,704)	-
Reclassification to lifetime expected credit loss (individual assessment)	(13)	(143)	-	156	-	-
Reclassification to impaired lifetime expected credit loss (individual assessment)	(239)	(1,641)	(2,672)	-	4,552	-
Changes in scope of consolidation due to business combination	1,176	-	-	-	-	1,176
Reversal of allowance for doubtful account	(26,161)	7,423	142,240	(14)	26,214	149,702
Execution & Acquisition	66,244	21,257	8,755	1	3,650	99,907
Bad debt expenses	(1,537)	(1,742)	(98,980)	-	(27,754)	(130,013)
Collection of loans written-off	-	-	19,715	-	781	20,496
Disposal of non-performing loan	(1,317)	(826)	(36,228)	-	(16,906)	(55,277)
Effect of exchange rate, etc.	(149)	-	-	3	(52)	(198)
Gain on interest of impaired securities	(4)	(6)	(23,312)	-	(8,637)	(31,959)
Ending balance	159,736	91,895	78,420	1,559	57,343	388,953

(In millions of won)

	Collective Assessment			Individual Assessment		Total
	12-month expected credit loss	Lifetime expected credit loss	Credit impairment	Lifetime expected credit loss	Credit impaired	
	Other Financial Assets at Amortized Costs					
Beginning balance	395	385	10,636	13	5,236	16,665
Reclassification to 12-month expected credit loss	33	(31)	(2)	-	-	-
Reclassification to lifetime expected credit loss (collective assessment)	(17)	36	(8)	-	(11)	-
Reclassification to impaired lifetime expected credit loss	(3)	(20)	100	(1)	(76)	-
Reclassification to lifetime expected credit loss (individual assessment)	-	-	-	-	-	-
Reclassification to impaired lifetime expected credit loss (individual assessment)	-	(7)	(24)	-	31	-
Reversal of allowance for doubtful account	(416)	(31)	1,260	(10)	786	1,589
Execution & acquisition	350	95	93	-	14,229	14,767
Collection of loans written-off	-	-	(945)	-	(68)	(1,013)
Disposal of non-performing loan	-	-	(339)	-	(130)	(469)
Effect of exchange rate, etc.	727	-	-	-	(1,876)	(1,149)
Ending balance	1,069	427	10,771	2	18,121	30,390

(In millions of won)

	2019					
	Collective Assessment			Individual Assessment		Total
	12-month expected credit loss	Lifetime expected credit loss	Credit impairment	Lifetime expected credit loss	Credit impaired	
Loans at Amortized Cost						
Beginning balance	111,992	59,984	45,670	23,939	97,240	338,825
Reclassification to 12-month expected credit loss	12,860	(10,993)	(69)	(1,795)	(3)	-
Reclassification to lifetime expected credit loss(collective assessment)	(7,528)	18,648	(1,017)	(3,809)	(6,294)	-
Reclassification to impaired lifetime expected credit loss	(956)	(2,330)	3,589	-	(303)	-
Reclassification to lifetime expected credit loss (individual assessment)	(4)	(240)	-	244	-	-
Reclassification to impaired lifetime expected credit loss(individual assessment)	(815)	(4,222)	(656)	(12,254)	17,947	-
Reversal of allowance for doubtful account	(31,152)	(13,145)	76,929	(4,567)	61,905	89,970
Execution & Acquisition	38,125	16,616	5,998	404	17,633	78,776
Bad debt expenses	(4,346)	(2,039)	(77,427)	-	(35,734)	(119,546)
Collection of loans written-off	-	-	20,655	-	1,690	22,345
Disposal of non-performing loan	-	-	(3,520)	-	(36,112)	(39,632)
Effect of exchange rate, etc.	(830)	-	-	-	-	(830)
Gain on interest of impaired securities	-	-	(13,640)	-	(20,754)	(34,394)
Changes in scope of consolidation due to business combination	-	-	-	-	(396)	(396)
Ending balance	117,346	62,279	56,512	2,162	96,819	335,118

(In millions of won)

	2019					
	Collective Assessment			Individual Assessment		Total
	12-month expected credit loss	Lifetime expected credit loss	Credit impairment	Lifetime expected credit loss	Credit impaired	
Other Financial Assets at Amortized Costs						
Beginning balance	968	354	10,230	95	3,689	15,336
Reclassification to 12-month expected credit loss	36	(32)	(1)	(3)	-	-
Reclassification to lifetime expected credit loss(collective assessment)	(19)	55	(6)	(24)	(6)	-
Reclassification to impaired lifetime expected credit loss	(5)	(23)	28	-	-	-
Reclassification to lifetime expected credit loss (individual assessment)	-	(1)	-	1	-	-
Reclassification to impaired lifetime expected credit loss(individual assessment)	(2)	(25)	(7)	(53)	87	-
Reversal of allowance for doubtful account(*)	21	(1)	1,114	(11)	2,314	3,437
Execution & acquisition	189	57	67	7	96	416
Effect of exchange rate, etc.	(792)	-	(790)	-	(562)	(2,144)
Changes due to business combination	-	-	-	-	(380)	(380)
Ending balance	396	384	10,635	12	5,238	16,665

(*) Transferred provision of ₩1 million for loan losses (reversal) in other financial assets as gain or loss from discontinued operation.

13. Derivative Instruments

(a) Notional amounts of unsettled derivative instruments

Notional amounts of unsettled derivative instruments as of December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020			2019		
		Trading	Hedging	Total	Trading	Hedging	Total
Currency related	Forward	7,765,945	394,646	8,160,591	9,806,115	145,531	9,951,646
	Swap	30,260	400,037	430,297	30,260	694,793	725,053
	Long future	3,176	-	3,176	-	-	-
	Short future	36,885	-	36,885	118,424	-	118,424
	Subtotal	7,836,266	794,683	8,630,949	9,954,799	840,324	10,795,123
Interest rate related	Swap	20,000	-	20,000	20,000	4,631	24,631
	Long future	10,383	-	10,383	59,929	-	59,929
	Short future	2,847,417	-	2,847,417	819,486	-	819,486
	Subtotal	2,877,800	-	2,877,800	899,415	4,631	904,046
Stock related	Long options	2,184	-	2,184	3,695	-	3,695
	Short options	1,220	-	1,220	-	-	-
	Swap	131,962	-	131,962	197,202	-	197,202
	Future	458,356	-	458,356	441,554	-	441,554
	Long options	245	-	245	20	-	20
	Short options	1,245,345	-	1,245,345	45,455	-	45,455
	Subtotal	1,839,312	-	1,839,312	687,926	-	687,926
Others	Commodity future	1,584	-	1,584	2,389	-	2,389
	Other derivatives	3,364	-	3,364	6,446	-	6,446
	Subtotal	4,948	-	4,948	8,835	-	8,835
Total	12,558,326	794,683	13,353,009	11,550,975	844,955	12,395,930	

(b) Valuation on trading and hedging transactions

Valuation on trading and hedging transactions for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020			2019		
		Fair Value(Trading)			Fair Value(Hedging)		
		Valuation	Asset	Liabilities	Valuation	Asset	Liabilities
Currency related	Forward	(10,662)	149,481	160,174	11,153	17,330	6,176
	Swap	1,949	1,967	-	(4,574)	3,071	8,138
Interest rate related	Swap	(156)	-	169	-	-	-
	Future	9,805	-	-	-	-	-
Stock related	Option	(3)	14	19	-	-	-
	Future	19,001	-	-	-	-	-
	Swap	(8,148)	2,121	18,836	-	-	-
	Long stock index option	-	6	-	-	-	-
	Short stock index option	(58,386)	-	61,185	-	-	-
Others	Commodity future	(121)	-	-	-	-	-
	Other derivatives	(3,023)	-	3,244	-	-	-
	Day 1 profit adjustments	(1,338)	2,154	248	-	-	-
	Reserve for credit risk adjustment	(177)	(627)	(31)	-	-	-
Total	(51,289)	155,116	243,844	6,579	20,401	14,314	

(In millions of won)

		Fair Value(Trading)			Fair Value(Hedging)		
		Valuation	Asset	Liabilities	Valuation	Asset	Liabilities
Currency related	Forward	(7,106)	71,209	78,462	(2,758)	5,412	1,813
	Swap	(736)	17	-	1,800	8,574	6,774
Interest rate related	Swap	(12)	-	12	(62)	11	-
	Future	200	-	-	-	-	-
Stock related	Option	23	27	-	-	-	-
	Future	(38,588)	8,412	44,754	-	-	-
	Swap	8,365	3,685	7,621	-	-	-
	Long stock index option	-	20	-	-	-	-
	Short stock index option	173	-	729	-	-	-
Others	Commodity future	(58)	-	58	-	-	-
	Other derivatives	181	65	-	-	-	-
	Day 1 profit adjustments	(1,421)	927	1,250	-	-	-
	Reserve for credit risk adjustment	(37)	(436)	(17)	-	-	-
Total	(39,016)	83,926	132,869	(1,020)	13,997	8,587	

(c) Gain (Loss) on valuation of hedged assets

Gain (loss) on fair value hedged items and hedging instruments attributable to the hedged ineffectiveness for the year ended December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020		
Hedging item	Hedging instrument	Gain/(Loss) on fair value hedges (hedged items)	Gain/(Loss) on fair value hedges (hedging instruments)	Hedge ineffectiveness recognized in profit or loss
Securities in foreign currency	Foreign exchange risk	(2,265)	3,673	1,408

(In millions of won)

		2019		
Hedging item	Hedging instrument	Gain/(Loss) on fair value hedges (hedged items)	Gain/(Loss) on fair value hedges (hedging instruments)	Hedge ineffectiveness recognized in profit or loss
Financial assets at fair value through other comprehensive income	Interest rate swap	62	(62)	-
Securities in foreign currency	Foreign exchange risk	2,328	(2,758)	(430)
Total		2,390	(2,820)	(430)

Details of accounts and amount on profit or loss and other comprehensive income due to hedge ineffectiveness of cash flow hedge and net investment in foreign operations for the year ended December 31, 2020 and 2019 are as follows:

(In millions of won)

2020				
Hedging item	Hedging instrument	Gain or loss on hedge recognized in OCI	Hedge ineffectiveness recognized in profit or loss	Reclassified cash flow hedge reserve to profit or loss
Cash flow hedge				
Debentures in won under variable interest rates	Interest rate swap	2,444	(6,140)	2,179
Net investment in foreign operations hedge				
Net assets in foreign operations	Debentures in foreign currency	20,675	-	-
Net assets in foreign operations	Borrowings in foreign currency	3,500	-	-
Total		26,619	(6,140)	2,179

(In millions of won)

2019				
Hedging item	Hedging instrument	Gain or loss on hedge recognized in OCI	Hedge ineffectiveness recognized in profit or loss	Reclassified cash flow hedge reserve to profit or loss
Cash flow hedge				
Debentures in won under variable interest rates	Interest rate swap	7,690	2,179	9,870
Net investment in foreign operations hedge				
Net assets in foreign operations	Debentures in foreign currency	(7,161)	-	-
Total		529	2,179	9,870

The average hedge ratio of future nominal cash flows by type of hedge as of December 31, 2020 and 2019 are as follows:

(In millions of won)

2020							
	1 year	2 year	3 year	4 year	5 year	Over 5 year	Total
Fair value hedge							
Nominal amount	70,285	149,906	26,765	126,317	26,765	-	400,038
Cash flow hedge							
Nominal amount	241,471	85,691	67,483	-	-	-	394,645
Net investment in foreign operation hedge							
Nominal amount	38,080	-	303,031	-	-	-	341,111

(In millions of won)

2019							
	1 year	2 year	3 year	4 year	5 year	Over 5 year	Total
Fair value hedge							
Nominal amount	150,162	-	-	-	-	-	150,162
Cash flow hedge							
Nominal amount	325,094	72,261	119,988	25,949	125,554	25,949	694,795
Net investment in foreign operation hedge							
Nominal amount	-	-	-	287,738	-	-	287,738

14. Property and Equipment

(a) Net book value of property and equipment

Net book value of property and equipment as of December 31, 2020 and 2019 are as follows:

(In millions of won)

2020				
	Acquisition cost	Accumulated depreciation	Government grants	Net book value
Land	244,197	-	-	244,197
Buildings	444,334	[96,625]	-	347,709
Leasehold improvement	74,302	[61,111]	-	13,191
Business property	263,716	[185,333]	[214]	78,169
Right-of-use assets	105,376	[43,496]	-	61,880
Construction-in-progress	9,133	-	-	9,133
Total	1,141,058	[386,565]	[214]	754,279

(In millions of won)

2019				
	Acquisition cost	Accumulated depreciation	Government grants	Net book value
Land	253,382	-	-	253,382
Buildings	460,189	[88,432]	-	371,757
Leasehold improvement	70,258	[56,232]	-	14,026
Business property	260,336	[176,520]	[195]	83,621
Right-of-use assets	89,780	[23,071]	-	66,709
Construction-in-progress	1,032	-	-	1,032
Total	1,134,977	[344,255]	[195]	790,527

(b) Changes in property and equipment as of and for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

2020										
	Beginning balance	Acquisition and capital expenditure	Transfers to Investment property	Disposal and derecognition	Depreciation	Account transfer	Gain or loss on translation of foreign operations	Provision for restoration	Others	Ending Balance
Land	253,382	-	[2,980]	[6,205]	-	-	-	-	-	244,197
Buildings	371,757	3,344	[24,082]	[2,372]	[10,849]	9,911	-	-	-	347,709
Leasehold improvement	14,025	4,515	-	[143]	[5,134]	-	[72]	-	-	13,191
Business property	83,622	22,732	-	[164]	[29,143]	1,253	[141]	-	10	78,169
Right-of-use assets	66,709	28,754	-	[8,575]	[24,644]	-	[272]	939	[1,031]	61,880
Construction-in-progress	1,032	19,953	-	-	-	[11,164]	[688]	-	-	9,133
Total	790,527	79,298	[27,062]	[17,459]	[69,770]	-	[1,173]	939	[1,021]	754,279

(In millions of won)

2019										
	Beginning balance*	Acquisition and capital expenditure	Transfers to Investment property	Disposal and derecognition	Depreciation	Account transfer	Gain or loss on translation of foreign operations	Provision for restoration	Others	Ending Balance
Land	260,262	599	[324]	[7,155]	-	-	-	-	-	253,382
Buildings	382,212	5,651	[420]	[13,317]	[11,600]	9,231	-	-	-	371,757
Leasehold improvement	12,221	6,407	-	[57]	[4,895]	328	22	-	-	14,026
Business property	86,600	25,153	-	[793]	[27,946]	1,790	18	-	[1,201]	83,621
Right-of-use assets	52,879	44,425	-	[3,290]	[26,609]	-	19	749	[1,464]	66,709
Construction-in-progress	63	12,324	-	-	-	[11,349]	[6]	-	-	1,032
Total	794,237	94,559	[744]	[24,612]	[71,050]	-	53	749	[2,665]	790,527

(*) The beginning balances were restated in accordance with KIFRS 1116

15. Intangible Assets

(a) Changes in intangible assets as of and for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

								2020
	Beginning balance	Changes due to business combination	Acquisition and capital expenditure	Disposal	Amortization	Impairment Loss	Gain or loss on translation of foreign operations	Ending Balance
Goodwill	50,544	1,288	-	-	-	-	(1,895)	49,937
Software	41,873	2	25,727	-	(19,979)	-	(50)	47,573
Contributed acceptance assets	7,810	-	-	-	(1,146)	-	-	6,664
Membership	15,150	-	2,535	(790)	-	-	(54)	16,841
Customer-related intangible assets	811	-	-	-	(212)	-	-	599
Brand	5,314	-	-	-	-	-	-	5,314
Others	64,032	-	36,486	-	(18,126)	-	-	82,392
Total	185,534	1,290	64,748	(790)	(39,463)	-	(1,999)	209,320

(In millions of won)

								2019
	Beginning balance	Changes due to business combination	Acquisition and capital expenditure	Disposal	Amortization	Impairment Loss	Gain or loss on translation of foreign operations	Ending Balance
Goodwill	52,048	-	-	-	(2,582)	1,078	-	50,544
Software	41,489	21,526	-	(20,156)	-	12	(998)	41,873
Contributed acceptance assets	8,734	-	-	(924)	-	-	-	7,810
Membership	15,870	720	(353)	-	-	24	(1,111)	15,150
Customer-related intangible assets	2,510	-	-	(1,699)	-	-	-	811
Brand	5,738	-	-	-	(424)	-	-	5,314
Others	73,364	6,641	-	(15,973)	-	-	-	64,032
Total	199,753	28,887	(353)	(38,752)	(3,006)	1,114	(2,109)	185,534

(b) Goodwill

Composition details

The details of goodwill distributed to each cash-generating unit as of the end of December 31, 2020 and 2019 are as follows.

(In millions of won)

	2020	2019
DGB Bank PLC	29,541	31,437
DGB Asset Management	19,108	19,108
CAM. CAPITAL PLC	1,288	-
Total	49,937	50,545

Impairment test method of goodwill

Goodwill is allocated to cash-generating units according to how the Group manages goodwill, and cash-generating units are composed of operating segments or sub-sectors. For the cash-generating unit to which goodwill has been allocated, an impairment test is performed by comparing the carrying amount of the cash-generating unit including goodwill with the recoverable amount every year and whenever there is any indication of impairment.

The recoverable amount of a cash-generating unit is measured as the greater of fair value less costs to sell and value in use. Fair value less costs to sell is the price that will be received while selling an asset or paid when a liability is transferred in an arm's length transaction between market participants at the measurement date, less costs for disposal. However, if fair value less costs to sell cannot be estimated reliably, value in use can be applied. Value in use is the present value of the expected future cash flows from the cash-generating unit. Future cash flows are estimated based on financial budgets and forecasts approved by the management, and the estimated period is up to 5 years unless there is justifiable reason.

Result of impairment test

(In millions of won)

Description	DGB Bank Plc	DGB Asset Management	CAM.CAPITAL PLC.
Value in use of the Group subject to valuation (recoverable amount)	167,835	42,867	21,845
Book value of net assets of the Group to be evaluated	160,184	40,239	2,796
Value in use exceeding the book value	7,651	2,628	19,048
Discount rate (%)	10.96	13.78	12.80
Permanent Growth Rate (%)	1	-	1

The main assumptions used in estimating cash flows are the recent macroeconomic indicators of the Economist Intelligence Unit (EIU). The appropriate discount rate to discount future cash flows is the pre-tax discount rate calculated by including assumptions about the risk-free interest rate, market risk premium, and systematic risk of cash-generating units

16. Investment Property

(a) Changes in investment property

Changes in investment property as of and for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

2020						
	Beginning balance	Acquisition	Disposal	Transfer from Property and equipment	Depreciation	Ending Balance
Land	157,888	-	(259)	2,980	-	160,609
Buildings	41,169	63	(412)	24,082	(2,508)	62,394
Total	199,057	63	(671)	27,062	(2,508)	223,003

(In millions of won)

2019						
	Beginning balance	Acquisition	Disposal	Transfer from Property and equipment	Depreciation	Ending Balance
Land	163,510	-	(5,946)	324	-	157,888
Buildings	51,348	-	(8,646)	420	(1,953)	41,169
Total	214,858	-	(14,592)	744	(1,953)	199,057

(b) Book Value and Fair Value of Investment Property by Category

Book value and fair value of investment property as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020		
	Book Value	Fair Value	Difference
Land	160,610	278,072	117,462
Buildings	62,393	83,459	21,066
Total	223,003	361,531	138,528

(In millions of won)

	2019		
	Book Value	Fair Value	Difference
Land	157,888	185,920	28,032
Buildings	41,169	51,915	10,746
Total	199,057	237,835	38,778

The fair value of investment property is determined by factoring in the price of similar real estate transactions by independent real estate appraisal experts.

(c) Rental income and expenses of investment property

Rental income and expenses of investment property as of and for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020		2019	
	Incomes	Expenses	Incomes	Expenses
Property with rental income	13,411	2,035	8,842	1,832
Property without rental income	-	271	-	219
Total	13,411	2,306	8,842	2,051

17. Other Assets

(a) Other assets as of December 31, 2020 and 2019, are as follows:

(In millions of won)

		2020	2019
Other Financial Assets	Receivable	1,309,562	1,124,424
	Accrued income	279,787	371,472
	Deposits	155,845	165,297
	Domestic bond receivables	343,069	306,540
	Reinsurance assets	14,141	13,012
	Others	11,315	15,728
	Allowance for doubtful account	(30,390)	(16,665)
	Present value discount	(6,220)	(2,998)
	Subtotal	2,077,109	1,976,810
Other Non-Financial Assets	Pre-payments	120,478	104,066
	Prepaid expenses	24,549	18,128
	Deferred acquisition costs	118,932	109,122
	Separate account assets	330,584	165,956
	Others	14,711	2,273
	Subtotal	609,254	399,545
Total		2,686,363	2,376,355

The amount of other financial assets mature within 12 months is ₩1,948,756 million (₩1,816,008 million as of December 31, 2019) as of December 31, 2020, and the amount matures after 12 months is ₩164,963 million (₩180,465 million as of December 31, 2019) as of December 31, 2020.

(b) Change in book value of other financial assets as of and for the year ended December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020					
	Collective Assessment			Individual Assessment		Total
	12-month expected credit loss	Lifetime expected credit loss	Credit impairment	Lifetime expected credit loss	Credit impaired	
Beginning balance	1,972,818	8,993	12,074	67	2,521	1,996,473
Reclassification to 12-month expected credit loss	1,870	(1,858)	(5)	(7)	-	-
Reclassification to lifetime expected credit loss(collective assessment)	(2,975)	3,011	(16)	(6)	(14)	-
Reclassification to impaired lifetime expected credit loss	(327)	(436)	1,039	(1)	(275)	-
Reclassification to lifetime expected credit loss (individual assessment)	(56)	(75)	(121)	16	236	-
Reclassification to impaired lifetime expected credit loss(individual assessment)	(45)	(292)	-	-	337	-
Execution & collection	44,736	(837)	11,006	(41)	12,157	67,021
Changes due to business combination	117	-	-	-	-	117
Others (*)	50,474	-	(660)	-	294	50,108
Ending balance	2,066,612	8,506	23,317	28	15,256	2,113,719

(*) Include changes due to financing conversion, foreign exchange rate, etc.

(In millions of won)

	2019					
	Collective Assessment			Individual Assessment		Total
	12-month expected credit loss	Lifetime expected credit loss	Credit impairment	Lifetime expected credit loss	Credit impaired	
Beginning balance	1,654,754	8,660	11,748	325	1,607	1,677,094
Reclassification to 12-month expected credit loss	1,747	(1,727)	(2)	(13)	(5)	-
Reclassification to lifetime expected credit loss(collective assessment)	(3,079)	3,158	(20)	(43)	(16)	-
Reclassification to impaired lifetime expected credit loss	(314)	(257)	571	-	-	-
Reclassification to lifetime expected credit loss (individual assessment)	(53)	(46)	(26)	45	80	-
Reclassification to impaired lifetime expected credit loss(individual assessment)	(321)	(397)	-	(176)	894	-
Execution & collection	322,166	(398)	(133)	(71)	820	322,384
Others (*)	(2,082)	-	(64)	-	(859)	(3,005)
Ending balance	1,972,818	8,993	12,074	67	2,521	1,996,473

(*) Include changes due to financing conversion, foreign exchange rate, etc.

18. Depository Liabilities

(a) Depository Liabilities

Depository Liabilities as of December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019
		Book Value	Book Value
Demand deposit	Deposits in Won	20,712,906	16,135,468
	Deposits in foreign currency	594,903	429,740
	Subtotal	21,307,809	16,565,208
Time deposit	Deposits in Won	23,151,905	24,232,848
	Deposits in foreign currency	142,054	263,727
	Subtotal	23,293,959	24,496,575
Certificate of deposits		1,684,213	1,290,654
Guarantee deposits in fiduciary loans		48,105	9,546
Investors' deposits		913,880	396,197
Total		47,247,966	42,758,180

19. Borrowings and Debentures

(a) Borrowings

Borrowings as of December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019		
		Average Interest Rate (%)	Book Value	Average Interest Rate (%)	Book Value
Debentures in won	The Bank of Korea	0.32	660,997	0.67	263,221
	Others	0.67-3.60	3,748,347	1.48-3.60	2,520,802
	Subtotal		4,409,344		2,784,023
Debentures in foreign currencies	Borrowings from banks	1.25-3.04	694,534	2.00	808,071
Bonds under repurchase agreements	Non-bank	0.05-4.20	4,582,102	0.65-4.20	3,273,528
Call money	Borrowings in won	0.55-0.90	100,000	1.50-1.66	120,000
	Borrowings in foreign currencies	1.53	30,563	2.55	52,101
	Subtotal		130,563		172,101
Others	Bills sold	0.95	5,204	1.39	5,677
Total			9,821,747		7,043,400

(b) Debentures

Debentures as of December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019		
		Average Interest Rate (%)	Book Value	Average Interest Rate (%)	Book Value
Debentures in won	Debentures	1.58-3.53	5,185,100	1.45-3.53	4,515,003
	Subordinated debentures	2.12-5.00	825,000	2.62-5.30	734,663
	Less: discount on debentures	-	(4,801)	-	(4,549)
	Subtotal		6,005,299		5,245,117
Debentures in foreign currencies	Debentures	3.75	326,400	3.75	347,340
	Less: discount on debentures	-	(1,683)	-	(2,425)
	Subtotal		324,717		344,915
Borrowings and debentures		6,330,016		5,590,032	

20. Provisions

(a) Details of provisions as of December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019
Unused commitment (*1)		22,902	16,806
Payment guarantee allowance (*2)	Provision for financial guarantee	1,764	1,258
	Non-financial guarantee contract	2,671	2,613
Allowance for restoration (*3)		9,540	8,620
Other allowance		17,564	6,757
Total		54,441	36,054

(*1) In the case that there is the commitment to provide the credit line, allowance for unused commitment is recognized because the additional withdrawing amount and time for unused commitment is not certain and the Group is exposed to credit loss risk.

(*2) Allowance is accounted for as the estimated amount that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a guarantee obligation.

(*3) Allowance for restoration is calculated as the present value of the restoration expense estimated and calculated at a discount rate as of December 31, 2020 and 2019

(b) Changes in unused commitment and provision for financial guarantee contract as of and for the year ended December 31, 2020 and 2019, are as follows:

(In millions of won)

	Unused Commitment			Financial Guarantee Contract			Total
	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit- Impaired	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit- Impaired	
	2020						
Beginning	11,394	5,172	240	1,259	-	-	18,065
Reclassification to 12-month expected credit loss	2,187	(2,152)	(35)	-	-	-	-
Reclassification to lifetime expected credit loss	(563)	628	(65)	-	-	-	-
Reclassification to impaired lifetime expected credit loss	(20)	(98)	118	-	-	-	-
Reversal	2,102	4,215	(188)	505	-	-	6,634
Others	(33)	-	-	-	-	-	(33)
Ending balance	15,067	7,765	70	1,764	-	-	24,666

(In millions of won)

	Unused Commitment			Financial Guarantee Contract			Total
	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit- Impaired	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit- Impaired	
	2019						
Beginning	13,774	8,214	642	2,408	-	-	25,038
Reclassification to 12-month expected credit loss	1,938	(1,938)	-	-	-	-	-
Reclassification to lifetime expected credit loss	(517)	521	(4)	-	-	-	-
Reclassification to impaired lifetime expected credit loss	(28)	(595)	623	-	-	-	-
Reversal	(3,773)	(1,030)	(1,037)	(1,849)	-	-	(7,689)
Others	-	-	16	699	-	-	715
Ending balance	11,394	5,172	240	1,258	-	-	18,064

21. Defined Benefit Obligations

(a) Major assumptions of actuarial valuation

Major assumptions of actuarial valuation as of December 31, 2020 and 2019 are as follows:

	2020				
	DBG Financial Group Co., Ltd	Daegu Bank	HI Investment & Futures Corporation	DGB Life Insurance Co., Ltd	DBG Capital Co., Ltd
Discount rate (%)	1.96	2.97	2.32	2.30	2.90
Salary increases	Application of salary increase rates of each job group and age group based on experience statistics				

	2019				
	DBG Financial Group Co., Ltd	Daegu Bank	HI Investment & Futures Corporation	DGB Life Insurance Co., Ltd	DBG Capital Co., Ltd
Discount rate (%)	1.99	2.89	2.24	2.41	2.63
Salary increases	Application of salary increase rates of each job group and age group based on experience statistics				

(b) The profit and loss of defined benefit plans

The gain and loss of defined benefit plans as of and for the years ended December 31, 2020 and 2019, are as follows:

	(In millions of won)	
	2020	2019
Service cost	44,722	43,974
Prior service cost	4,945	-
Interest expense	9,851	9,616
Transfer in/out	611	372
Interest income on plan assets	(8,638)	(8,250)
Transfer of gain or loss from discontinued operations	-	(1,084)
Total	51,491	44,628

(c) Retirement benefit obligation

Retirement benefit obligation as of December 31, 2020 and 2019, are as follows:

	(In millions of won)	
	2020	2019
Present value of retirement benefit obligations with accumulated fund	417,581	366,762
Fair value on plan assets	(411,201)	(339,829)
Net liabilities for benefit obligation	6,380	26,933

(d) Changes in present value of retirement benefit obligation

Changes in present value of retirement benefit obligation as of and for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Beginning defined benefit obligations	366,762	322,305
Service cost	44,722	43,974
Prior service cost	4,944	-
Interest expense	9,851	9,616
New/transfer	611	372
Re-measurement	4,504	8,650
Benefit paid	(13,813)	(14,620)
Transfer from changes in scope of consolidation	-	(3,535)
Ending defined benefit obligations	417,581	366,762

(e) Changes in fair value of plan assets

Changes in fair value of plan assets as of and for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Beginning fair value of plan assets	339,829	287,244
Interest income on plan assets	8,638	8,250
Re-measurement	(3,150)	(13,160)
Contribution of employer	76,880	67,122
Benefit paid	(10,996)	(6,508)
Transfer from changes in scope of consolidation	-	(3,119)
Ending fair value of plan assets	411,201	339,829

(f) Fair value of plan assets by category

In accordance with the Group's policy, it is preferred to invest in stable products rather than the products with high risk and high return. Accordingly, the Group is investing the plan assets in fixed interest rate products with guaranteed principal and in floating interest rate products with guaranteed interests.

Fair value of plan assets by category as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Due from banks(*)	411,196	339,824
Contribution to National Pension Plan	5	5
Total	411,201	339,829

(*) Due from banks comprise retirement pensions of Samsung Life Insurance, Kyongnam Bank, Busan Bank and Industrial Bank of Korea. These include principal guaranteed products.

(g) Defined contribution plan

Expenses related to defined contribution plans for the years ended December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020	2019
Post-employment benefit	799	926

(*) ₩272 million was transferred to gain or loss on discontinued operations

22. Insurance Contract Liabilities

Insurance contract liabilities as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Premium reserve	5,420,618	5,454,364
Reserves for unearned premium	8,000	5,793
Minimum guarantee reserve	43,467	59,374
Reserve for outstanding claims	136,555	115,276
Reserve for participating policyholders' dividends	5,701	5,274
Reserve for policyholders' profit dividends	387	391
Loss preservation reserve for participating insurance	943	1,063
Policyholders' equity adjustment	1	372
Others	20,042	24,955
Total	5,635,714	5,666,862

23. Other Liabilities

Other liabilities as of December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019
Other financial liabilities	Accounts payables	1,362,049	1,208,777
	Dividend payables	3,847	32
	Accrued expenses	473,656	407,391
	Domestic exchange settlement credits	92,185	336,862
	Foreign exchange settlement credits	11,218	8,400
	Prepaid cards	14,810	5,611
	Debit cards	327	323
	Trust accounts	230,184	266,331
	Guarantee deposit for securities subscription	531	95
	Liabilities incurred by agency relationship	72,404	69,138
	Deposit for credit control	294	155
	Deposits for letter of guarantees and other	261,755	221,280
	Account for agency business	169,306	170,017
	Insurance claims payable	12,391	12,505
	Right-of-use lease liabilities	59,150	68,482
	Others	28,485	13,525
Discount present value	(16,394)	(15,836)	
Subtotal	2,776,198	2,773,088	
Other non-financial liabilities	Separate account liabilities	345,471	169,592
	Unearned income	49,641	40,381
	Withholding taxes	51,688	30,513
	Prepaid insurance	28,940	18,672
	Others	85,613	213,357
Subtotal	561,353	472,515	
Total		3,337,551	3,245,603

24. Capital, Hybrid bonds, Capital Surplus, Capital Adjustment and Non-Controlling Interests

(a) Controlling interest as of December 31, 2020 and 2019 are as follows:

(In won)

	2020	2019
Authorized shares	500,000,000 shares	500,000,000 shares
Number of shares issued	169,145,833 shares	169,145,833 shares
Par value	5,000 won	5,000 won
Capital stock	845,729,165,000	845,729,165,000
Hybrid bonds	298,851,640,000	149,400,980,000
Capital surplus	1,562,451,185,572	1,562,451,185,572
Capital adjustment	(9,980) won	(9,980) won

(b) Details of hybrid bonds

Hybrid bonds that are classified as an asset as of December 31, 2020 and 2019 are as follows. Hybrid bonds that the consolidated group has an absolute right to avoid transfer of financial assets such as cash, etc. for payment obligation under contracts are classified as equity securities and shown as an asset on the statement.

(In millions of won)

	Date of Issuance	Maturity	Interest Rate (%)	2020	2019
DGB Financial Group Capital1 (New-Permanent-5 Call)(*1)	2018-02-21	Perpetual bonds	4.47	149,401	149,401
DGB Financial Group Capital 2(New-Permanent-5 Call)(*1)	2020-02-18	Perpetual bonds	3.37	99,632	-
DGB Financial Group Capital3 (New-Permanent-5 Call)(*1)	2020-09-17	Perpetual bonds	3.5	49,818	-
Dividends for Hybrid Bonds				9,670	5,960

(*1) Hybrid bonds can be redeemed earlier after 5 years from the date of issuance by the consolidated group.

(c) Non-controlling interests

Non-controlling interests as of December 31, 2020 and 2019 are as follows:

(In millions of won)

Description	Issuance Date	Maturity Date	Interest Rate (%)	2020	2019
DBG{}34-05 120A-28 (*1)	2013-05-28	2043-05-28	4.53	199,700	199,700
DBG{}34-10 120A-25 (*1)	2013-10-25	2043-10-25	5.55	59,911	59,911
DBG{}34-11 120A-01 (*1)	2013-11-01	2043-11-01	5.55	29,954	29,954
DBG{}39-01 A-30	2018-01-30	Perpetual Bonds	4.49	99,667	99,667
DBG{}39-07 A-12	2018-07-12	Perpetual Bonds	4.53	99,668	99,668
DBG{}39-11 5CallA-6	2018-11-06	Perpetual Bonds	4.09	99,667	99,667
DBG{}40-07 5CallA-30	2019-07-29	Perpetual Bonds	3.40	99,718	99,718
Subtotal				688,285	688,285
Others (*2)				127,177	123,054
Total				815,462	811,339
Hybrid bonds dividends				30,571	23,946

(*1) Hybrid bonds may be redeemed earlier after 10 years from the date of issuance and the Group may extend the maturity(30 years from the date of issuance) with the same conditions at maturity. The Group cannot pay dividends to common stock if it does not pay dividends to hybrid bond holders.

(*2) Others are non-controlling interests in Hi Investment & Futures Corporation and DGB Capital Co., Ltd.

25. Retained Earnings

(a) Retained earnings as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Legal reserve (*1)	58,901	50,957
Regulatory reserve	309,180	264,433
Unappropriated retained earnings (*2)	1,987,079	1,787,393
	2,355,160	2,102,783

(*1) The Financial Holding Company Act requires a financial holding company to appropriate at least 10% of its net income after income taxes as legal reserve until such reserve equals 100% of its paid-in capital. This reserve is not available for payment of cash dividends; however, it can be used to reduce the Group's deficit or be transferred to capital.

(*2) Unappropriated retained earnings includes reserve for trust of ₩9,544 million (₩9,551 million as of December 31, 2019) as of December 31, 2020.

(b) Regulatory reserve for loan losses

In accordance with the Supervisory Regulations on Financial Holding Companies, the Group reserves the difference between allowance for credit losses by KIFRS and the Supervisory Regulations on Financial Holding Companies in the account of regulatory reserves for loan losses.

The reserve for credit losses is similar to voluntary reserve for retained earnings. When the existing reserve for credit losses exceeds the required reserve at the end of the reporting period, the excess amount can be reversed. When undisposed deficit exists, reserve for credit losses is waived until the undisposed deficit is reversed.

Regulatory reserves for loan losses as of December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020	2019
Regulatory reserves for loan losses	309,180	264,433
Estimated transfer to regulatory reserves for loan losses	(18,298)	44,747
Regulatory reserves for loan losses at the end of the year	290,882	309,180

Details of profits after adjusting for regulatory reserves for loan losses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020	2019
Net profit attributable to controlling shareholders	332,317	327,408
Dividend paid for hybrid bonds	(9,670)	(5,960)
Estimated transfer to regulatory reserves for loan losses	18,298	(44,747)
Adjusted profit after regulatory reserves for loan losses	340,945	276,701
Earnings per share after adjusting regulatory reserves for loan losses (in won)	2,016	1,636

26. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2020 and 2019 as follows:

(In millions of won)

	2020								
	Allowance for doubtful debts estimated at fair value through other comprehensive income	Net gain on securities at fair value through comprehensive income	Net gain on valuation of cash flow hedges	Net gain on translation of foreign operations	Net investment hedge accounting for foreign operations	Adjustment for overlay approach	Remeasurement of defined benefit plan	Changes in the credit risk of a financial liability at fair value through profit or loss	Total
Beginning balance	724	28,813	(1,341)	13,588	(9,559)	1,569	(98,147)	252	(64,101)
Recognition of expected credit losses on debt securities at fair value through other comprehensive income	(263)	-	-	-	-	-	-	-	(263)
Net increase(decrease) due to valuation of financial assets at fair value through other comprehensive income	-	11,936	-	-	-	-	-	-	11,936
Classification of gain or loss on valuation of debt securities at fair value through other comprehensive income as profit or loss	-	773	-	-	-	-	-	-	773
Classification as retained earnings of changes in the credit risk of financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	1,489	1,489
Changes in adjustment for overlay approach due to valuation	-	-	-	-	-	7,533	-	-	7,533
Recognition of net loss on valuation as profit or loss	(26)	(17,084)	-	-	-	-	-	-	(17,110)
Contractor's equity adjustment distribution amount	-	370	-	-	-	-	-	-	370
Net decrease due to valuation of derivatives	-	-	264	-	-	-	-	-	264
Effect of investment hedge accounting	-	-	-	-	24,175	-	-	-	24,175
Effect of translation of exchange rate	-	-	-	(34,705)	-	-	-	-	(34,705)
Remeasurements of employee benefits	-	-	-	-	-	-	(7,654)	-	(7,654)
Income tax effect	57	1,148	(66)	8,469	(5,888)	(1,829)	1,763	(320)	3,334
Transfer of non-controlling equity	(3)	(33)	-	161	-	-	372	(144)	353
Ending balance	489	25,923	(1,143)	(12,487)	8,728	7,273	(103,666)	1,277	(73,606)

(In millions of won)

2019

	Allowance for doubtful debts estimated at fair value through other comprehensive income	Net gain on securities at fair value through comprehensive income	Net gain on valuation of cash flow hedges	Net gain on translation of foreign operations	Net investment hedge accounting for foreign operations	Adjustment for overlay approach	Remeasurement of defined benefit plan	Changes in the credit risk of a financial liability at fair value through profit or loss	Total
Beginning balance	919	6,986	305	7,639	(4,136)	(9,021)	(82,083)	19	(79,372)
Recognition of expected credit losses on debt securities at fair value through other comprehensive income	(1)	-	-	-	-	-	-	-	(1)
Net increase(decrease) due to valuation of financial assets at fair value through other comprehensive income	-	(12,819)	-	-	-	12,649	-	-	(170)
Classification of gain or loss on valuation of debt securities at fair value through other comprehensive income as profit or loss	-	(1,104)	-	-	-	-	-	-	(1,104)
Classification of gain or loss on valuation of equity securities at fair value through other comprehensive income as retained earnings	-	287	-	-	-	-	-	-	287
Net gain on the fair value hedge accounting	-	(62)	-	-	-	-	-	-	(62)
Classification as retained earnings of changes in the credit risk of financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	350	350
Recognition of net loss on valuation as profit or loss	-	49,168	-	-	-	1,390	-	-	50,558
Contractor's equity adjustment distribution amount	-	(1,326)	-	-	-	-	-	-	(1,326)
Net decrease due to valuation of derivatives	-	-	(2,178)	-	-	-	-	-	(2,178)
Effect of investment hedge accounting	-	-	-	-	(7,161)	-	-	-	(7,161)
Effect of translation of exchange rate	-	-	-	7,880	-	-	-	-	7,880
Remeasurements of employee benefits	-	-	-	-	-	-	(21,811)	-	(21,811)
Income tax effect	(195)	(10,686)	532	(1,936)	1,738	(3,449)	5,213	(77)	(8,860)
Transfer of non-controlling equity	1	(331)	-	5	-	-	337	(40)	(28)
Transfer due to changes in scope of consolidation	-	(1,300)	-	-	-	-	197	-	(1,103)
Ending balance	724	28,813	(1,341)	13,588	(9,559)	1,569	(98,147)	252	(64,101)

27. Interest Income and Interest Expense

(a) Interest income

Interest income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020	2019
Interest on due from banks	10,458	14,951
Interest on financial instruments at fair value through profit or loss	121,613	121,829
Interest on financial assets at fair value through other comprehensive income	62,694	68,958
Interest on securities at amortized cost	157,083	181,051
Interest on loans at amortised cost	1,719,208	1,803,429
Others	3,510	4,091
Total	2,074,566	2,194,309

(b) Interest expense

Interest expense for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Interest on deposits	383,681	490,706
Interest on borrowings	97,842	128,582
Interest on debentures	146,738	143,594
Interest on borrowings from trust accounts	2,021	3,550
Interest on money trust	6,340	6,056
Interest on lease liabilities	1,666	1,641
Others	7,573	9,170
Total	645,861	783,299

28. Net Fee and Commission Income

(a) Fee and commission income

Fee and commission income for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Commissions received	379,173	285,906
Guarantee fees	69,356	54,313
Commissions received related to trust accounts	13,284	14,713
Total	461,813	354,932

(b) Fee and commission expense

Commission expenses for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Commissions paid	42,897	40,264
Commissions on credit cards	32,353	33,132
Commissions paid related to trust accounts	8,517	9,714
Total	83,767	83,110

29. Insurance Income and Insurance Expenses

(a) Insurance income

Insurance income for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Insurance income	747,066	754,995
Reinsurance income	42,702	43,762
Fees on reinsurance income	3,130	2,302
Separate account income	4	5
Total	792,902	801,064

(b) Insurance expenses

Insurance expense for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Insurance expense	189,994	141,002
Refunds expense	566,828	548,156
Policyholder dividends	771	670
Reinsurance premium	48,234	49,366
Deferred acquisition costs of new or renewal insurance contracts	(57,955)	(59,221)
Expenses on acquisition costs of new or renewal insurance contracts	97,462	87,945
Contribution to insurance reserve	(31,908)	112,149
Separate account expense	4	5
Amortization expenses on deferred acquisition costs of new or renewal insurance contracts	48,147	46,454
Total	861,577	926,526

30. Net Gain or losses on Financial Instruments/Financial Instruments measured at Fair Value through Profit or Loss

(a) Net gain or loss from financial instruments at fair value through profit or loss for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019
Gain on financial instruments at fair value through profit or loss	Dividend income	5,413	807
	Gain on disposal	449,648	289,142
	Gain on valuation	90,522	106,272
	Others	47,282	41,816
	Subtotal	592,865	438,037
Gain on derivative instruments held for trading	Gain on transaction	1,206,556	706,303
	Gain on valuation	188,996	96,214
	Reversal of provision for credit risk adjustment	14	8
	Subtotal	1,395,566	802,525
Gains on financial instruments at fair value through profit or loss		1,988,431	1,240,562
Loss on financial instruments at fair value through profit or loss	Commission expenses (acquisition expenses)	30	42
	Loss on disposal	406,100	219,552
	Loss on valuation	52,588	29,892
	Subtotal	458,718	249,486
Loss on derivative instruments held for trading	Commission expenses (acquisition expense)	262	371
	Loss on transaction	1,157,675	668,431
	Loss on valuation	240,108	132,258
	Reserve for credit value adjustment	191	45
Subtotal	1,398,236	801,105	
Loss on financial instruments at fair value through profit or loss		1,856,954	1,050,591
Adjustments for overlay approach		(7,533)	(14,039)
Net gain on financial instruments at fair value through profit or loss		123,944	175,932

Net gain on financial instruments at fair value through profit or loss contains dividend income, net income on valuation and net income on disposal of financial instruments at fair value through profit or loss.

(b) Net gain (loss) on financial instruments designated at fair value through profit or loss for the year ended December 31, 2020 and 2019 is as follows:

(In millions of won)

	2020	2019
Gain on valuation	44,219	18,713
Gain on disposal	706	44
Total profit on financial instruments at designated at fair value through profit or loss	44,925	18,757
Loss on valuation	37,677	64,780
Loss of disposal	33,495	45,746
Total loss on financial instruments at designated at fair value through profit or loss	71,172	110,526
Net gain(loss) on financial instruments designated at fair value through profit or loss	(26,247)	(91,769)

31. Net Gain or losses on Financial assets at fair value through other comprehensive income

Net gain on financial assets at fair value through other comprehensive income as of the year ended December 31, 2020 and 2019 is as follows:

(In millions of won)

	2020	2019
Dividend income	1,231	876
Gain on disposal	48,059	32,380
Gain on valuation of fair value hedge	-	62
Total gain on financial assets at fair value through other comprehensive income	49,290	33,318
Loss on valuation of fair value hedged items	-	-
Loss on disposal	7,155	3,247
Total cost of financial assets at fair value through other comprehensive income	7,155	3,247
Net gain on financial assets at fair value through other comprehensive income	42,135	30,071

32. Provision for Credit Losses

Provision for credit losses for the year ended December 31, 2020 and 2019, are as follows:

(In millions of won)

		2020	2019
Provision for credit losses	Loans at amortized cost and other financial assets	266,280	172,601
	Securities at amortized cost	44	184
	Securities at fair value through other comprehensive income	-	31
	Provision for financial guarantee	506	-
	Provision for payment guarantee	58	199
	Provision for unused commitment	6,128	-
	Subtotal	273,016	173,015
Reversal of provision for credit losses	Loans at amortized cost and other financial assets	316	-
	Securities at fair value through other comprehensive income	243	-
	Provision for financial guarantee	-	1,849
	Provision for unused commitment	-	5,839
Subtotal	559	7,688	
Total		272,457	165,327

33. General and Administrative Expenses

(a) General and administrative expenses

General and administrative expense for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019
Employee benefits	Short-term employee benefits	604,760	552,690
	Retirement benefit-DB	51,595	44,518
	Retirement benefit-DC	715	960
	Termination benefit	18,564	306
	Equity linked special incentives	2,034	856
	Subtotal	677,668	599,330
Rent		16,841	14,277
Depreciation		70,003	69,737
Amortization		39,227	38,174
Tax and dues		35,803	36,176
Advertising		20,178	23,243
Repair and maintenance		12,346	11,959
Service		53,356	56,785
Others		96,863	100,494
Total		1,022,285	950,175

(b) Equity linked special incentives

The Group grants equity linked special incentives to executives and employees and measures compensation expenses at fair value. The maximum number of stocks to grant are determined at the time when the agreement is made, and cash compensation is awarded if the pre-determined conditions are met.

The performance compensation shall be paid immediately in cash for 40 percent of the amount calculated according to the results of the performance evaluation. The remainder is converted to shares and is deferred and paid equally in three years in relation to the share prices at the base dates.

1) Key characteristics and range

Short-term performance compensation

	Grant in 2018	Grant in 2019	Grant in 2020
Shares to be granted	127,110 shares	116,262 shares	280,965 shares
Shares outstanding	42,370 shares	77,508 shares	280,965 shares
Grant date	2018-02-23	2019-02-22	2020-02-21
Grant method	Cash settlement + Difference settlement	Cash settlement + Difference settlement	Cash settlement + Difference settlement
Exercise price per share in won	-	-	-
Conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions
Payment method	Cash settlement	Cash settlement	Cash settlement
Vesting period	1 year	1 year	1 year

Long-term performance compensation

- Initially granted

	10th	18th	19th	20th	21th
Shares to be granted	18,535 shares	51,540 shares	7,879 shares	24,864 shares	37,320 shares
Shares outstanding	18,535 shares	19,884 shares	11,664 shares	24,864 shares	37,320 shares
Grant date	2018-05-31	2017-12-26	2018-03-23	2019-01-29	2020-01-01
Grant method	Cash settlement + Difference	Cash settlement + Difference	Cash settlement + Difference	Cash settlement + Difference	Cash settlement + Difference
Exercise price per share in won	-	-	-	-	-
Conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions
Payment method	Cash settlement	Cash settlement	Cash settlement	Cash settlement	Cash settlement
Vesting period	3 years	3 years	3 years	2 years	3 years

The exercise price per share and weighted average expected term are 0 won and 0.74 years, respectively.

- Fixed deferred payments

	To be exercised in 2021	To be exercised in 2022	To be exercised in 2023
Shares outstanding[*]	20,191 shares	9,594 shares	2,921 shares
Grant method	Cash settlement + Difference settlement	Cash settlement + Difference settlement	Cash settlement + Difference settlement
Exercise price per share in won	-	-	-
Payment method	Cash settlement	Cash settlement	Cash settlement
Vesting conditions satisfaction status	Satisfied	Satisfied	Satisfied

[*] Fixed deferred payment is the quantity given after meeting the vesting conditions minus the payment amount as of December 31, 2020.

2) Changes in share-based compensation (quantity)

Short-term performance compensation

	2020	2019
At beginning of year	227,080 shares	221,207 shares
Shares to be granted	280,965 shares	116,262 shares
Shares exercised	107,202 shares	110,389 shares
At end of the period	400,843 shares	227,080 shares

Long-term performance compensation

- Initially granted

	2020	2019
At beginning of year	96,533 shares	124,907 shares
Shares to be granted	45,981 shares	47,607 shares
Shares exercised	30,247 shares	54,341 shares
Extinction of shares	0 shares	21,640 shares
At end of the period	112,267 shares	96,533 shares

The exercise price per share and weighted average expected term are 0 won and 1.69 years.

- Deferred payments

	2020	2019
At beginning of year	41,501 shares	47,580 shares
Shares to be granted	8,763 shares	21,135 shares
Shares exercised	17,558 shares	27,214 shares
At end of the period	32,706 shares	41,501 shares

(c) Major factors of measuring fair value of long-term performance share plan in the Black-Scholes option pricing model as of December 31, 2020 are as follows:

(In won)

		Option pricing model	Stock price	Exercise price	Expected variance	Expected life	Risk free rate	Fair value
DGB Financial Holding	10th	Black-Scholes option pricing model	6,790	-	48.85%	0.25 years	0.41%	6,719
Daegu Bank	19th	Black-Scholes option pricing model	6,790	-	38.72%	0.48 years	0.56%	5,379
Long-Term (To be exercise in 2021)		Black-Scholes option pricing model	6,790	-	48.85%	0.25 years	0.41%	6,719
Long-Term (To be exercise in 2022)		Black-Scholes option pricing model	6,790	-	45.90%	1.25 years	0.73%	6,438
Short-Term performance linked (To be exercise in 2021)		Black-Scholes option pricing model	6,790	-	48.85%	0.25 years	0.41%	6,719
Short-Term performance linked (To be exercise in 2022)		Black-Scholes option pricing model	6,790	-	45.90%	1.25 years	0.73%	6,438
Short-Term performance linked (To be exercise in 2023)		Black-Scholes option pricing model	6,790	-	36.65%	2.25 years	0.93%	6,168

(d) Impact on management performance and financial position

Expense of special incentive for the periods ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Short-term performance compensation expense	4,991	1,081
Long-term performance compensation expense	499	129

Liability of special incentive for periods ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Short-term performance accrued expense	6,531	1,208
Long-term performance accrued expense	983	308

34. Other Operating Loss, Net

Other operating loss, net for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019
Other operating income	Gain on sale of loans	35,393	16,242
	Reversal of other provision	2,252	958
	Earnings related to hedging derivatives	38,736	20,321
	Sales	15,204	-
	Others	18,646	27,610
	Subtotal	110,231	65,131
Other operating loss	Fees for credit guarantee fund	68,958	61,233
	Deposit insurance premiums	57,355	53,126
	Loss on sale of loans	4,221	59,903
	Transfer of other provision	6,025	4,207
	Loss related to hedging derivatives	51,651	47,230
	Cost of sales	22,075	-
	Others	1,815	22,283
Subtotal	212,100	247,982	
Other operating loss, net		(101,869)	(182,851)

35. Non-Operating Income, Net

Non-operating income and expenses for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019
Non-operating income	Gain on disposal of property and equipment	3,929	7,226
	Gain on disposal of investment property	234	5,306
	Gain on disposal of intangible assets	300	28
	Earnings related to equity method	13,540	650
	Rental income	8,885	9,081
	Others	9,358	17,387
	Subtotal	36,246	39,678
Non-operating expenses	Loss on disposal of property and equipment	237	9,005
	Loss on disposal of investment property	-	281
	Loss on disposal of intangible assets	-	1
	Loss related to equity method	1,144	133
	Collecting expenses for written-off loans	126	76
	Donations	12,316	16,453
	Others	13,308	7,423
Subtotal	27,131	33,372	
Non-operating income, net		9,115	6,306

36. Income Tax Expense

Income tax expense is calculated by adjusting adjustments recognized in the current period for the prior period income tax expense, deferred income tax expense due to occurrence and extinguishment of temporary differences, and items recognized other than profit or loss.

(a) Income tax expense

Income tax expenses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020	2019
Current income tax	125,734	108,000
Temporary differences	(6,727)	(6,484)
Income tax expenses directly recorded in equity	3,334	(8,831)
Income tax expenses	122,341	92,685

(b) The reconciliation of effective tax rate

The reconciliation of effective tax rate for the years ended December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020	2019
Profit before income tax expenses	499,146	411,985
Income tax calculated at the statutory tax rate	126,903	102,934
Adjustments:		
Non-taxable income	(23,922)	(21,466)
Non-deductible expense	4,963	4,719
Additional payment of income taxes for prior year (refund of income taxes)	5,083	5,437
Investment & mutual aid promotion tax	4,134	1,115
Adjustments recognized in the current period due to income tax for the prior period	2,386	-
Others	2,794	(54)
Income tax expense	122,341	92,685
Effective tax rate	24.51%	22.50%

Statutory tax rate for the years ended December 31, 2020 and 2019 are as follows, and the residence tax is 10% of income tax:

Tax base	Rate
Up to ₩200 million	10%
More than ₩200 million ~ Up to ₩20 billion	20%
More than ₩20 billion ~ Up to ₩300 billion	22%
More than ₩300 billion	25%

(c) Changes in deferred income tax assets (liabilities)

Changes in deferred income tax assets (liabilities) for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020				Deferred income tax assets (liabilities)
	Temporary differences to be deducted from (added to) taxable income				
	Beginning balance	Increase	Decrease	Ending balance	
Temporary differences					
Accrued income	(243,886)	(163,491)	(250,146)	(157,231)	(38,207)
Present value discount on securities	[2,637]	4,517	[2,637]	4,517	1,098
Gain on valuation of securities	[62,546]	[51,197]	[44,116]	[69,627]	[16,919]
Loss on valuation of derivatives	57,619	57,304	57,619	57,304	13,925
Other provisions, etc.	30,590	39,352	31,247	38,695	9,403
Unused annual/ monthly leave	33,168	32,985	33,168	32,985	8,015
Dormant deposit	40,358	11,538	2,415	49,481	12,024
Others	352,458	155,028	195,777	311,709	75,745
Total	205,124	86,036	23,327	267,833	65,084

(In millions of won)

	2019				Deferred income tax assets (liabilities)
	Temporary differences to be deducted from (added to) taxable income				
	Beginning balance	Increase	Decrease	Ending balance	
Temporary differences					
Accrued income	(271,059)	(243,685)	(270,858)	(243,886)	(59,533)
Present value discount on securities	[23,382]	[2,637]	[23,382]	[2,637]	[644]
Gain on valuation of securities	[22,143]	[2,369]	38,034	[62,546]	[15,267]
Loss on valuation of derivatives	38,429	57,619	38,429	57,619	14,065
Other provisions, etc.	44,457	31,183	45,050	30,590	7,467
Unused annual/ monthly leave	37,704	33,168	37,704	33,168	8,096
Dormant deposit	38,883	3,775	2,300	40,358	9,851
Others	423,923	214,433	257,647	380,709	92,931
Total	266,812	91,487	124,924	233,375	56,966

(d) Deferred income tax assets (liabilities) before offsetting

Deferred income tax assets (liabilities) before offset as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Deferred tax assets	120,210	132,410
Deferred tax liabilities	[55,126]	[75,444]
Deferred tax assets, net(*)	65,084	57,204
Deferred tax liabilities, net(*)	-	[238]

(*) The Group sets off a deferred tax asset against a deferred tax liability of the same taxable entity if, and only if, they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

37. Earnings per Share

(a) Basic earnings per share

Basic and diluted earnings per share for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won, except share information)

	2020	2019
Profit attributable to equity holders of the Group	332,317	307,323
Dividends to hybrid bond	[9,670]	[5,960]
Net profit available for common stock	322,647	301,363
Weighted average number of common shares	169,145,833	169,145,833
Continuing operations basic earnings per share	1,908	1,643
Discontinuing operations basic earnings per share	-	139
Earnings per share in won	1,908	1,782

(b) Weighted average number of common shares outstanding

Weighted average number of common shares outstanding as of December 31, 2020 and 2019 are as follows:

(In shares)

	2020			
	Date	Shares[*]	Weight	Weighted average number of common shares outstanding
Beginning common shares	2020.01.01	169,145,833	366/366	169,145,833

(*) 1 share of treasury share acquired as of December 31, 2019 was excluded from the calculation as it had no effect on the number of common shares

(In shares)

	2019			
	Date	Shares[*]	Weight	Weighted average number of common shares outstanding
Beginning common shares	2019.01.01	169,145,833	365/365	169,145,833

(*) 1 share of treasury share acquired as of December 31, 2019 was excluded from the calculation as it had no effect on the number of common shares

(c) Diluted earnings per share

Diluted earnings per share are equal to the basic earnings per share because the Group has not issued dilutive securities.

38. Cash Flow

(a) Cash and Cash Equivalents

Cash and cash equivalents on statements of cash flows as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Cash and due from banks	3,681,642	2,826,220
Restricted cash and deposits	(2,316,294)	(1,822,313)
Due from banks with original maturities of more than three months	(102,829)	(139,497)
Cash and cash equivalents	1,262,519	864,410

(b) Significant Non-Cash Transactions

Significant non-cash transactions for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Decrease in loans due to writing-off	130,009	143,590
Decrease in loans due to disposal	55,276	15,156
Increase in right-of-use assets	28,754	97,304
Total	214,039	256,050

(c) Changes of liabilities from financing activities

Changes of debentures

Changes of debentures from financing activities for the year ended December 31, 2020 and 2019 are as follows:

(In millions of won)

		2019
Debentures	Beginning balance	5,590,032
	Issuance	1,992,652
	Repayment	(1,235,000)
	Present value discount/deferred origination fee	3,171
	Gain on foreign currency transactions	(164)
	Hedges of net investment in foreign operations	(20,675)
	Others	-
	Ending balance	6,330,016

(In millions of won)

		2019
Debentures	Beginning balance	5,303,840
	Issuance	1,947,482
	Repayment	(1,787,000)
	Present value discount/deferred origination fee	2,800
	Gain on foreign currency transactions	6,749
	Hedges of net investment in foreign operations	7,161
	Others	109,000
	Ending balance	5,590,032

Changes of borrowings and other liabilities

Changes of borrowings and other liabilities from financing activities for the year ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020					
	Beginning balance	Increase (decrease)	Gain or loss Foreign currency transactions	Gain or loss on translation of foreign operations	Others(*)	Ending balance
Borrowings	7,043,400	2,878,572	(93,446)	(6,923)	144	9,821,747
Borrowings from trust accounts	266,331	(36,147)	-	-	-	230,184
Borrowings from fund accounts	479	(136)	-	-	-	343
Deposits for letter of guarantees	221,280	40,475	-	-	-	261,755
Lease liabilities(*)	65,808	(23,509)	-	-	14,805	57,104
Total	7,597,298	2,859,255	(93,446)	(6,923)	14,949	10,371,133

(*) Other changes include non-cash transactions.

(In millions of won)

	2019						
	Beginning balance	Increase (decrease)	Gain or loss Foreign currency transactions	Gain or loss on translation of foreign operations	Hedges of net investment in foreign operations	Consolidated amount	Ending balance
Borrowings	6,442,359	541,747	38,005	6,304	14,985	-	7,043,400
Borrowings from trust accounts	109,440	156,891	-	-	-	-	266,331
Borrowings from fund accounts	413	66	-	-	-	-	479
Deposits for letter of guarantees	214,321	6,959	-	-	-	-	221,280
Lease liabilities(*)	49,155	(24,420)	-	-	42,595	(1,522)	65,808
Total	6,815,688	681,243	38,005	6,304	57,580	(1,522)	7,597,298

(*) Other changes include non-cash transactions.

39. Commitments and Contingencies

(a) Pending litigation

As of December 31, 2020, there are 34 pending lawsuits brought to court by the Group, as a plaintiff, amounting to ₩21,859 million and 52 pending lawsuits against the Group amounting to ₩45,364 million. The major lawsuit case is as follows:

(In millions of won)

Defendant	Plaintiff	Legal details	Legal Value	Remarks
NTS Dongdaegu District Office	The Group	Tax dispute	3,455	First trial in progress
National Tax Service (NTS)	The Group	Tax dispute	4,556	First trial in progress
Republic of Korea	The Group	Claim for restitution of unjust enrichment	1,192	First trial in progress
Eugene Asset Management, The Group	Golfzon Newdin Holdings. Co., Ltd.	Claims for damage	4,831	First trial in progress
The Group	HLB Co., Ltd	Claim for restitution of unjust enrichment	30,000	First trial in progress
The Group	Pyeongtaek Godeok Housing Union	Claims for damage	1,430	First trial in progress
The Group	Gong,OO	Dividend dispute	1,062	First trial in progress

The group counts the best estimate as a provision as of December 31, 2020, for cases in which the provision criteria are met, and the Group recognized ₩9,834 million of provision in respect to the lawsuit as of December 31, 2020.

(b) There is a collateral of W50 million related with a lease deposit in regard to the Group's land and buildings as of December 31, 2020.

(c) Non-financial guarantee contracts

Non-financial guarantee contracts as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Payment guarantee outstanding in won	368,460	302,093
Payment guarantee outstanding in foreign currencies	16,101	33,120
Contingent payment guarantee	173,892	165,106
Loan commitments in won	11,120,058	12,011,127
Loan commitments in foreign currencies	10,992	34,734
Purchasing commitments for securities	509,456	241,818
Total	12,198,959	12,787,998

(d) Financial guarantee contracts

Financial guarantee contracts as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Financial guarantee contract in won	691,624	550,721
Financial guarantee contract in foreign currencies	16,145	15,915
Purchasing commitments for ABCP	87,000	126,000
Total	794,769	692,636

(e) Commitments with financial institutions that the Group makes as of December 31, 2020 and 2019 are as follows:

Commitments related to letters of credit

(In millions of won)

Financial Institutions	2020	2019
Kookmin Bank	15,000	15,000

Commitments related to the borrowings

(In millions of won)

Financial Institutions	2020		2019	
	Limit	Usage	Limit	Usage
Busan Bank	10,000	-	30,000	-
Woori Bank	40,000	-	40,000	-
Kookmin Bank	20,000	-	20,000	-
Shinhan Bank	40,000	-	40,000	-
Korea Securities Finance	1,130,000	526,507	1,030,000	234,000
Kyongnam Bank	5,000	-	5,000	-
Meritz & Co., Ltd.	-	-	30,000	-
Korea Development Bank	56,760	9,842	40,000	35,068
NH Nonghyup Bank	20,000	-	20,000	20,000
Woori Investment Bank	20,000	-	20,000	-
Total	1,341,760	536,349	1,275,000	289,068

(f) Insurance commitment

The Group's general and special account derived from insurance contracts with clients as of December 31, 2020 and 2019 are as follows:

(In millions of won / thousand cases)

	2020		2019	
	Numbers	Contract amount	Numbers	Contract amount
Total account	1,729,599	22,730,540	1,586,581	23,577,571

(g) Reinsurance agreement

The details of the Group's ceding agreements as of December 31, 2020 are as follows:

(In millions of won)

Method of Cession	Reinsurance company	Ceding amount/ratio	Product type
Non-proportional	General Re Corporation	55 million	Life insurance
	Korean Re	20 million ~ 80 million	Products before financial year 2000
	Korean Re	50% or over 1 billion	VIP term insurance
	Korean Re	30% ~ 50%	Life, disability, cancer insurance
	Korean Re	22.5% ~ 37.5%	All products (new after financial year 2009)
	Korean Re	50%	Child insurance (2013 co-developed product)
	Korean Re	80%	Living benefit insurance (among year 2002-2006)
Proportional	Korean Re	50% ~ 60%	Lifetime cancer insurance
	Munich Reinsurance	50%	Silver cancer insurance
	Scor Reinsurance	50%	Cancer insurance giving living expenses monthly
	Korean Re	80%	Long-term care insurance
	Korean Re	50%	Health insurance
	General Re Corporation	30%	Health insurance
	Korean Re	30%	Permanent insurance
	General Re Corporation	50%	Permanent insurance
	Korean Re	50%	Dementia insurance
Korean Re	60%	Life and term insurance	

40. Transactions with Related Parties**(a) Related parties except for subsidiaries**

Related parties except for subsidiaries as of December 31, 2020 are as follows:

Related parties	Relationship
Daegu FC(*1)	Associate
DGB Luxury Corporate Bond Securities Investment Trust(*1)	Associate
DGB Professional Investment Private Equity Investment Trust No.28(*1)	Associate
Hi Gold Ocean No.8 International Ship Investment Company(*2)	Associate
Tribridge Capital Management(*2)	Associate
VM Signature IPO High-Yield Professional Investment Private Equity Investment Trust(*2)	Associate
Absolute High-Yield Professional Investment Private equity Investment Trust No.1(*2)	Associate
VM Signature KONEX High-Yield Professional Investment Private Equity Investment Trust(*2)	Associate
Growth-Hill Darwin Multi-Strategy Professional Investment Private Equity Investment Trust I-Class(*2)	Associate
Muirwoods Hi Bio-Healthcare New-Tech PF No.1(*2)	Associate
Global Growth Company No.2 New-tech PF Investment Association(*2)	Associate

(*1) Associate company of Daegu Bank which is wholly owned by the Group.

(*2) Associate company of Hi Investment & Securities which is wholly owned by the Group.

(b) Transaction between the Group and the related parties except for subsidiaries

Significant balances between the Group and the related parties except for subsidiaries as of December 31, 2020 and 2019, are as follows:

(In millions of won)

		2020	
		Daegu FC	Key management
Assets	Loans	20	247
	Deposits	4,366	1,625
Liabilities	Others	18	7
	Total	4,384	1,632

(In millions of won)

		2019	
		Daegu FC	Key management
Assets	Loans	26	477
	Receivables	-	1
	Total	26	478
Liabilities	Deposits	4,746	1,203
	Others	18	22
	Total	4,764	1,225

Significant balances between the Group and the related parties except for subsidiaries as of December 31, 2020 and 2019, are as follows:

(In millions of won)

		Daegu FC	
		2020	2019
Expense	Interest on deposits	33	20
	Donation	4,500	2,500
	Total	4,533	2,520

Significant balances between the Group and the related parties except for subsidiaries as of December 31, 2020 and 2019, are as follows:

(In millions of won)

		2020		
		Cash contribution	Return on contribution	Cash Dividends
Related parties				
VM Signature IPO High-Yield Professional Investment Private Equity Investment Trust		50,000	60,709	-
Absolute High-Yield Professional Investment Private equity Investment Trust No.1		30,000	-	-
VM Signature KONEX High-Yield Professional Investment Private Equity Investment Trust		-	13,993	3,256
Growth-Hill Darwin Multi-Strategy Professional Investment Private Equity Investment Trust I-Class		-	2,202	-
Muirwoods Hi Bio-Healthcare New-Tech PF No.1		3,000	-	-
Global Growth Company No.2 New-tech PF Investment Association		3,000	-	-
VM Signature IPO High-Yield Professional Investment Private Equity Investment Trust		3,000	-	-
Absolute High-Yield Professional Investment Private equity Investment Trust No.1		1,000	-	-
VM Signature KONEX High-Yield Professional Investment Private Equity Investment Trust		2,000	-	-
Growth-Hill Darwin Multi-Strategy Professional Investment Private Equity Investment Trust I-Class		1,000	-	-

(In millions of won)

		2019		
		Cash contribution	Return on contribution	Cash Dividends
Related parties				
Korea Omega Project No.2 Association		-	1,114	-
DGB Luxury KRX 300 Index		-	4,324	-
PINE TREE II VC PRIVATE EQUITY FUND		1,898	-	-

(c) Payment guarantee and collaterals given or received between the Group and the related parties

There are no payment guarantee and collaterals that the Group provides for funding of related parties or are provided by related parties as of December 31, 2020.

(d) Compensation for key management personnel

Compensation for key management personnel in total and for each of the following categories for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Short-term employee benefits	5,437	5,010
Share-based compensation	2,326	1,964
Post-employment benefits	948	1,034
Total	8,711	8,008

41. Disclosures for Fair Value**41-1. Account classification and fair value of financial instruments**

Book value and fair value of each financial instrument as of December 31, 2020 and 2019, are as follows:

(In millions of won)

		2020	
		Book value	Fair value
Financial Assets	Cash and due from bank	3,681,642	3,681,642
	Financial assets at fair value through profit or loss	9,624,823	9,624,823
	Financial assets at fair value through other comprehensive income	4,527,599	4,527,599
	Securities at amortized cost	7,134,002	7,498,814
	Loans at amortized cost	50,801,119	50,966,584
	Derivative financial assets held for trading (*)	155,742	155,742
	Derivative financial assets held for hedging (*)	20,401	20,401
	Other financial assets	2,077,109	2,077,109
	Total	78,022,437	78,552,714
Financial Liabilities	Deposits	47,247,967	47,234,328
	Financial liabilities at fair value through profit or loss	582,634	582,634
	Financial liabilities designated at fair value through profit or loss	850,906	850,906
	Derivative financial liabilities held for trading (*)	243,875	243,875
	Derivative financial liabilities held for hedging (*)	14,314	14,314
	Borrowings	9,821,747	9,822,687
	Debentures	6,330,016	6,408,700
	Other financial liabilities	2,776,200	2,778,157
	Total	67,867,659	67,935,601

(*) Amounts before deducting provision for credit loss

(In millions of won)

		2019	
		Book value	Fair value
Financial Assets	Cash and due from bank	2,826,220	2,826,220
	Financial assets at fair value through profit or loss	7,748,112	7,748,112
	Financial assets at fair value through other comprehensive income	4,181,307	4,181,307
	Securities at amortized cost	7,340,887	7,373,711
	Loans at amortized cost	46,587,076	46,808,441
	Derivative financial assets held for trading (*)	84,362	84,362
	Derivative financial assets held for hedging (*)	13,996	13,996
	Other financial assets	1,976,809	1,974,715
	Total	70,758,769	71,010,864
Financial Liabilities	Deposits	42,758,180	42,765,508
	Financial liabilities at fair value through profit or loss	1,685,893	1,685,893
	Financial liabilities designated at fair value through profit or loss	774,732	774,732
	Derivative financial liabilities held for trading (*)	132,886	132,886
	Derivative financial liabilities held for hedging (*)	8,587	8,587
	Borrowings	7,043,400	7,046,227
	Debentures	5,590,032	5,680,078
	Other financial liabilities	2,773,088	2,772,484
	Total	60,766,798	60,866,395

(*) Amounts before deducting provision for credit loss

41-2. Hierarchy of financial assets and liabilities at fair value

(a) Hierarchy of financial assets and liabilities at fair value in the consolidated financial statements

Hierarchy of financial assets and liabilities at fair value in the consolidated financial statements as of December 31, 2020 and 2019, are as follows:

(In millions of won)

		2020			
		Classification of levels			Total
		Level 1	Level 2	Level 3	
Financial Assets					
Financial Assets at fair value through profit or loss					
Equity securities		10,486	105,685	37,226	153,397
Debt securities		3,634,720	4,010,541	1,019,258	8,664,519
Others		-	599,861	207,046	806,907
Subtotal		3,645,206	4,716,087	1,263,530	9,624,823
Financial Assets at fair value through other comprehensive income					
Equity securities		1,220	7,038	47,216	55,474
Debt securities		1,814,306	2,657,819	-	4,472,125
Subtotal		1,815,526	2,664,857	47,216	4,527,599
Derivative financial assets					
Derivative financial assets held for trading(*)		19	151,448	4,275	155,742
Derivative financial assets held for hedging(*)		-	20,401	-	20,401
Subtotal		19	171,849	4,275	176,143
Total financial assets		5,460,751	7,552,793	1,315,021	14,328,565
Financial Liabilities					
Financial Liabilities at fair value through profit or loss					
Equity securities		21,556	-	-	21,556
Debt securities		561,078	-	-	561,078
Subtotal		582,634	-	-	582,634
Financial liabilities designated at fair value through profit or loss					
Others		-	-	850,906	850,906
Derivative financial liabilities					
Financial liabilities held for trading(*)		61,205	160,342	22,328	243,875
Derivative financial liabilities for hedging(*)		-	14,314	-	14,314
Subtotal		61,205	174,656	22,328	258,189
Total financial liabilities		643,839	174,656	873,234	1,691,729

(*) Amounts before deducting provision for credit loss

(In millions of won)

	Classification of levels			Total
	Level 1	Level 2	Level 3	
	2019			
Financial Assets				
Financial Assets at fair value through profit or loss				
Equity securities	4,378	-	34,968	39,346
Debt securities	2,083,996	3,726,129	1,296,432	7,106,557
Others	-	355,096	247,114	602,210
Subtotal	2,088,374	4,081,225	1,578,514	7,748,113
Financial Assets at fair value through other comprehensive income				
Equity securities	1,012	-	48,551	49,563
Debt securities	1,080,755	3,050,989	-	4,131,744
Subtotal	1,081,767	3,050,989	48,551	4,181,307
Derivative financial assets				
Derivative financial assets held for trading(*)	8,432	71,226	4,705	84,363
Derivative financial assets held for hedging(*)	-	13,996	-	13,996
Subtotal	8,432	85,222	4,705	98,359
Total financial assets	3,178,573	7,217,436	1,631,770	12,027,779
Financial Liabilities				
Financial Liabilities at fair value through profit or loss				
Equity securities	25,952	-	-	25,952
Debt securities	80,231	1,579,710	-	1,659,941
Subtotal	106,183	1,579,710	-	1,685,893
Financial liabilities designated at fair value through profit or loss				
Others	-	-	774,732	774,732
Derivative financial liabilities				
Financial liabilities held for trading(*)	45,541	78,474	8,871	132,886
Derivative financial liabilities for hedging(*)	-	8,587	-	8,587
Subtotal	45,541	87,061	8,871	141,473
Total financial liabilities	151,724	1,666,771	783,603	2,602,098

(*) Amounts before deducting provision for credit loss

The variable inputs used in valuation and measuring fair value of financial assets and liabilities that are classified as Level 2

The variable inputs used to measure the valuation technique and fair value of financial assets and liabilities classified as Level 2 as of December 31, 2020 and 2019, are as follows:

		2020	
		Valuation method	Variable inputs
Financial Assets			
Financial assets at fair value through profit or loss	Equity securities	Net asset value	-
	Debt securities	DCF method, Net asset value	Discount rate, Underlying asset price of stocks and securities
	Others	Net asset value	-
Financial assets at fair value through other comprehensive income	Debt securities	DCF method, etc.	Discount rate
Derivative financial assets held for trading		DCF method, etc.	Discount rate, Currency rate, IRS curve, FX swap curve
Derivative financial assets held for hedging		DCF method, Embedded forward rate agreement, etc.	Discount rate, currency rate, etc.
Financial Liabilities			
Financial liabilities at fair value through profit or loss		DCF method, etc.	Discount rate
Derivative financial liabilities held for trading		DCF method, etc.	Discount rate, IRS curve.
Derivative financial liabilities held for hedging		Embedded forward rate agreement and etc.	Discount rate

2019

		Valuation method	Variable inputs
Financial Assets			
Financial assets at fair value through profit or loss	Equity securities	DCF method	Discount rate
	Debt securities	DCF method, Net asset value	Discount rate
	Others	DCF method, Net asset value, etc.	Discount rate
Financial assets at fair value through other comprehensive income	Debt securities	DCF method, etc.	Discount rate
Derivative financial assets held for trading		DCF method, etc.	Discount rate, Currency rate, etc. IRS curve, FX swap curve
Derivative financial assets held for hedging		DCF method, Embedded forward rate agreement, etc.	Discount rate, currency rate, etc.
Financial liabilities			
Financial liabilities at fair value through profit or loss		DCF method, etc.	Discount rate, Stock price, etc.
Derivative financial liabilities held for trading		DCF method, etc.	Discount rate, IRS curve.
Derivative financial liabilities held for hedging		Embedded forward rate agreement and etc.	Discount rate

The inputs used to measure the valuation technique and fair value of financial assets and financial liabilities classified as Level 3 as of the end of December 31, 2020 and 2019, are as follows:

2020

		Valuation method	Unobservable variable inputs	Range
Financial assets				
Financial assets at fair value through profit or loss	Equity securities	Binomial method, Black-Scholes model, DCF method, Net asset value	Variability, Correlation coefficient, Discount rate, Growth rate	0.0919 ~ 2.1965, -0.7419 ~ 0.9983 9.08%~10.40% 0%~1%
	Debt securities	Binomial method, Black-Scholes model, DCF method, Net asset value	Variability, Correlation coefficient, Discount rate, Growth rate, Variability, Liquidating value	0.0919 ~ 2.1965, -0.7419 ~ 0.9983 6.01%~30.89% 1% 26.83%~42.46% 0%
	Others	Black-Scholes Monte Carlo Simulation Model, DCF method, Net asset value	Variability, Correlation coefficient, Growth rate, Discount rate	0.0919 ~ 2.1965, -0.7419 ~ 0.9983 - -
Financial assets at fair value through other comprehensive income	Equity securities	DCF method	Discount rate, Growth rate, Liquidating value	10.67%~21.18% 0% 0%
Derivative financial assets	Derivative financial assets held for trading	Black-Scholes Monte Carlo Simulation Model, Hull-White	Variability, Correlation coefficient, Regression coefficient, Variability	0.0024 ~ 0.3398, 0.5981 ~ 0.9966, 0.1000 , 0.1621 ~ 0.4144
Financial liabilities				
Financial liabilities at fair value through profit or loss		Black-Scholes Monte Carlo Simulation Model, DCF method, Net asset value	Correlation coefficient, Growth rate, Variability	0.0919 ~ 2.196, -0.7419 ~ 0.9983 - -
Derivative financial liabilities held for trading		Black-Scholes Monte Carlo Simulation Model, Hull-White	Variability, Correlation coefficient, Regression coefficient, Variability	0.0919 ~ 2.196, -0.7419 ~ 0.9983 0.1000 0.45415 ~ 1.9663

				2019
		Valuation method	Unobservable variable inputs	Range
Financial assets				
Financial assets at fair value through profit or loss	Equity securities	Binomial method, Black-Scholes model, DCF method, Net asset value	Discount rate, Variability, Growth rate	7.86%-9.71% 0.1830 0%
	Debt securities	Binomial method, Black-Scholes model, DCF method, Net asset value	Variability, Discount rate, Liquidating value	15.38%-39.45% 3.98%-11.93% 0%
	Others	Black-Scholes model, DCF method Net Asset value,	Variability, Correlation Coefficient	Variability: 0.0692 ~ 0.3156, Correlation coefficient: -0.5179 ~ 0.9967
Financial assets at fair value through other comprehensive income	Equity securities	DCF method	Discount rate, Growth rate, Liquidating value	10.67%-21.18% 0% 0%
Derivative financial assets	Derivative financial assets held for trading	Black-Scholes model, Hull-White model	Variability, Correlation and Regression coefficient	Variability: 0.0693 ~ 0.3156, Correlation coefficient: -0.5179 ~ 0.9967, Regression coefficient: 0.1000
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities held for trading		Black-Scholes model, Hull-White model	Variability, Correlation and Regression coefficient	Variability: 0.06928 ~ 0.3156, Correlation coefficient: -0.5179 ~ 0.9967, Regression coefficient: 0.1000

Changes in financial assets and liabilities classified as Level 3 during the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	Financial assets at fair value through profit or loss			Financial liabilities designated at FVTPL	Financial assets at fair value through OCI	Derivatives held for trading	
	Equity securities	Debt Securities	Others	Others	Equity securities	Derivative assets	Derivative liabilities
	Beginning	34,968	1,296,432	247,115	774,732	48,551	4,705
Amount recognized in profit or loss	3,698	26,219	(6,465)	(16,082)	-	(1,378)	11,130
Amount recognized in other comprehensive income	-	-	-	-	(1,337)	-	-
Purchase amount	9,040	235,872	158,607	834,714	2	3,801	4,729
Amount sold	(10,480)	(540,826)	(207,124)	(742,458)	-	(2,853)	(2,402)
Amount changed to level 3	-	1,898	14,913	-	-	-	-
Amount changed from level 3 to another level	-	(2,046)	-	-	-	-	-
Others	-	1,709	-	-	-	-	-
Total	37,226	1,019,258	207,046	850,906	47,216	4,275	22,328

(In millions of won)

	2019							
	Financial assets at fair value through profit or loss			Financial liabilities designated at FVTPL	Financial assets at fair value through OCI	Derivatives held for trading		
	Equity securities	Debt Securities	Others	Others	Equity securities	Derivative assets	Derivative liabilities	
Beginning	45,996	691,475	183,255	517,794	68,027	3,322	18,020	
Amount recognized in profit or loss	(2,941)	15,266	21,009	33,112	-	1,839	(7,365)	
Amount recognized in other comprehensive income	-	-	-	-	(3,054)	-	-	
Purchase amount	2,241	747,350	93,453	666,380	-	1,351	1,917	
Amount sold	(4,092)	(155,867)	(50,602)	(442,554)	(1,633)	(1,807)	(3,701)	
Amount changed from level 3 to another level	300	-	-	-	-	-	-	
Others	(6,536)	(1,792)	-	-	(14,789)	-	-	
Total	34,968	1,296,432	247,115	774,732	48,551	4,705	8,871	

Sensitivity analysis of financial instruments classified as Level 3

Sensitivity analysis of financial instruments is divided into advantageous and disadvantageous changes based on changes in the value of financial instruments due to changes in unobservable input variables using statistical techniques. And when fair value is affected by more than one input variable, it is based on the most advantageous or most disadvantageous amount.

The sensitivity of financial instruments classified as Level 3 as of December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020	
	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss (*1)(*3)	6,380	(6,173)
Financial assets at fair value through other comprehensive income(*2)	1,064	(839)
Financial liabilities designated at fair value through profit or loss(*4)	409	(463)
Financial liabilities designated at fair value through profit or loss(*4)	8,015	(6,937)

(*1) Fair value changes are calculated by increasing or decreasing discount rate (-1%p ~ 1%p) and growth rate (0% ~ 1%).

(*2) Fair value changes are calculated by increasing or decreasing growth rate (0%p~1%p) and discount rate (-1%p~1%p) or increasing or decreasing liquidating value (-1%~1%) and discount rate (-1%p~ 1%p).

(*3) Fair values of certain equity securities such as PEF are measured by the asset approach method. Fair value changes of such equity securities are excluded as sensitivity calculation by changes in inputs is practically impossible.

(*4) Financial liabilities designated at fair value through profit or loss and derivative financial instruments for trading are calculated by increasing or decreasing the volatility and correlation of the major unobservable input variables (10%).

(In millions of won)

	2019	
	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss (*1)(*3)	4,452	4,325
Financial assets at fair value through other comprehensive income(*2)	2,331	1,170
Financial liabilities designated at fair value through profit or loss and Derivative financial instruments for trading(*4)	5,636	4,963

(*1) Fair value changes are calculated by increasing or decreasing discount rate (-1%p ~ 1%p) and growth rate (0% ~ 1%).

(*2) Fair value changes are calculated by increasing or decreasing growth rate (0%p~1%p) and discount rate (-1%p~1%p) or increasing or decreasing liquidating value (-1%~1%) and discount rate (-1%p~ 1%p).

(*3) Fair values of certain equity securities such as PEF are measured by the asset approach method. Fair value changes of such equity securities are excluded as sensitivity calculation by changes in inputs is practically impossible.

(*4) Financial liabilities designated at fair value through profit or loss and derivative financial instruments for trading are calculated by increasing or decreasing the volatility and correlation of the major unobservable input variables (10%).

Deferred recognition of day-one profit or loss

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. If the valuation technique incorporates significant inputs that are not based on observable market data, the difference between the transaction price and the fair value based on the valuation technique (day-one profit or loss) is not recognized in profit or loss upon initial recognition but deferred. Deferred day-one profit or loss is recognized over the period between the trade date and the date when the variables are expected to become observable in the market, or over the life of the trade (whichever is shorter).

The deferred day-one profit or loss for the years ended December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020		2019	
	Deposit at fair value through profit or loss	Derivative financial instruments held for trading	Deposit at fair value through profit or loss	Derivative financial instruments held for trading
Beginning balance	(7,521)	(323)	5,268	(116)
Increase	(32,569)	3,567	(9,756)	1,213
Recognized profit (loss)	17,166	(1,338)	(3,033)	(1,421)
Ending balance	(22,924)	1,906	(7,521)	(324)

(b) A fair value hierarchy of financial assets and financial liabilities that are not measured at fair value but are disclosed at fair value

Valuation method of fair value for financial instruments measured at amortized cost

Valuation method of disclosed fair value for assets and liabilities that are not measured at fair value are as follows:

	Valuation method
Cash and due from banks	The estimated fair values of cash and due from banks are the carrying amounts.
Securities at amortized cost	The fair values of securities at amortized cost are determined using prices evaluated by credible evaluators.
Loans at amortized cost	The fair values of loans at amortized cost are the present value of contractual cash flows discounted at market rates by factoring in the default rates and credit spreads.
Depository liabilities	The estimated fair values of demand deposits are the carrying amounts. The estimated fair values of time deposits are the present value of future cash flows discounted at the interest rate.
Borrowings	The estimated fair values of call money and borrowings in won are the carrying amounts. The fair values of other borrowings are the present value of future cash flows discounted at the interest rate.
Debentures	The fair values of debentures are the present value of future cash flows discounted at the interest rate.

Classification and fair value hierarchy of financial instruments measured at amortized cost.

The classification and the fair value hierarchy of financial instruments measured at amortized cost as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020			Total
	Level 1	Level 2	Level 3	
Financial Assets				
Cash and due from banks	403,711	3,277,931	-	3,681,642
Securities at amortized cost	2,150,336	5,348,478	-	7,498,814
Loans at amortized cost	-	-	50,966,584	50,966,584
Other financial assets	-	-	2,077,109	2,077,109
Total	2,554,047	8,626,409	53,043,693	64,224,149
Financial liabilities				
Depository liabilities	-	21,428,756	25,805,572	47,234,328
Borrowings	-	130,563	9,692,124	9,822,687
Debentures	-	6,408,700	-	6,408,700
Other financial liabilities	-	-	2,778,157	2,778,157
Total	-	27,968,019	38,275,853	66,243,872

(In millions of won)

	2019			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and due from banks	437,379	2,388,841	-	2,826,220
Securities at amortized cost	2,528,995	4,844,716	-	7,373,711
Loans at amortized cost	-	-	46,808,441	46,808,441
Other financial assets	-	-	1,974,715	1,974,715
Total	2,966,374	7,233,557	48,783,156	58,983,087
Financial liabilities				
Depository liabilities	-	16,611,621	26,153,886	42,765,507
Borrowings	-	172,101	6,874,126	7,046,227
Debentures	-	5,680,078	-	5,680,078
Other financial liabilities	-	-	2,772,484	2,772,484
Total	-	22,463,800	35,800,496	58,264,296

Valuation method and inputs of level 2

Valuation method and inputs used in measuring fair values of financial instruments measured at amortized cost using level 2 inputs as of December 31, 2020 and 2019 are as follows:

		2020	
Type		Valuation method (*)	Inputs (*)
Financial assets	Securities at amortized cost	DCF method	Discount rate
	Depository Liabilities	DCF method	Discount rate
Financial liabilities	Borrowings	DCF method	Discount rate
	Debentures	DCF method	Discount rate

(*) Valuation methods and inputs of items which carrying amounts are assumed to be fair values are not disclosed.

		2019	
Type		Valuation method (*)	Inputs (*)
Financial assets	Securities at amortized cost	DCF method	Discount rate
	Depository Liabilities	DCF method	Discount rate
Financial liabilities	Borrowings	DCF method	Discount rate
	Debentures	DCF method	Discount rate

(*) Valuation methods and inputs of items which carrying amounts are assumed to be fair values are not disclosed.

Valuation method and inputs of level 3

Valuation method and significant unobservable inputs used in measuring fair values of financial instruments measured at amortized cost using level 3 inputs as of December 31, 2020 and 2019 are as follows:

		2020	
Type		Valuation method (*)	Unobservable inputs (*)
Financial assets	Loans measured at amortized cost	DCF method	Discount rate, Credit Spreads, Prepayment rate
	Other financial assets	DCF method	Discount rate
Financial liabilities	Depository liabilities	DCF method	Discount rate
	Borrowings	DCF method	Discount rate
	Other financial liabilities	DCF method	Discount rate

(*) Valuation methods and inputs of items whose carrying amounts are considered to be reasonable approximation of fair values are not disclosed.

Type	2019	
	Valuation method (*)	Unobservable inputs (*)
Financial assets	Loans measured at amortized cost	DCF method Discount rate, Credit Spreads, Prepayment rate
	Other financial assets	DCF method Discount rate
Financial liabilities	Depository liabilities	DCF method Discount rate
	Borrowings	DCF method Discount rate
	Other financial liabilities	DCF method Discount rate

(*) Valuation methods and inputs of items whose carrying amounts are considered to be reasonable approximation of fair values are not disclosed.

42. Financial Risk Management

The Group has exposure to credit risk, liquidity risk, market risk and operational risk from financial instruments. The Group's risk management system aims at maintaining capital adequacy and managing stability through the comprehensive appraisal and management of significant risks that arise in management activities. By optimizing risk and return balance, the risk management system realizes the stable growth of the Group, while maximizing company value and maintaining an adequate equity capital level as well as achieving business strategies, policies and plans.

42-1. Credit Risk

(a) Maximum exposure of credit risk

Maximum exposure of credit risk as of December 31, 2020 and 2019 are as follows:

(In millions of won)

		2020	2019
On balance accounts(*1)	Due from banks(*2)	1,555,384	887,986
	Financial assets at fair value through profit or loss(*3)	9,471,425	7,708,766
	Financial assets at fair value through other comprehensive income(*3)	4,472,125	4,131,744
	Securities at amortized cost	7,134,002	7,340,887
	Loans at amortized cost	50,801,119	46,587,076
	Derivative financial assets	175,517	97,923
	Reinsurance assets	14,141	13,012
	Other financial assets	2,062,968	1,963,798
	Total	75,686,681	68,731,192
Off-balance accounts	Financial guarantee	794,769	692,636
	Commitments	11,991,895	12,287,680
	Payment guarantee	558,454	500,319
	Total	13,345,118	13,480,635

(*1) After impairment and setting off (*2) Excluding due from Bank of Korea (*3) Excluding equity securities

Degree of credit risk exposure is based on the net book value of financial position. In the case of financial guarantee, it is measured as the maximum amount to be paid for the debtor and in the case of loan contract which cannot be cancelled or can be cancelled if critical changes occur, it is measured as the entire amount of the contract.

(b) Degree of industrial risk concentration of financial assets which have credit risk

Degree of industrial risk concentration of financial assets which have credit risk as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	On balance account						Off-balance account			
	Financial assets at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income	Securities at amortized cost	Loans at amortized cost	Derivative assets	Total	Financial guarantee contracts	Other commitments	Payment guarantee	Total
Enterprises										
Manufacturing	95,928	36,266	19,999	10,350,898	-	10,503,091	7,803	2,246,027	210,519	2,464,349
Construction	46,250	3,008	40,011	1,288,483	-	1,377,752	67,000	135,057	2,183	204,240
Wholesale and retail	13,204	10,083	-	3,960,531	-	3,983,818	6,275	641,262	259,196	906,733
Financial services and insurance	2,543,844	1,372,280	1,153,416	2,039,132	10,186	7,118,858	20,000	1,037,442	4,982	1,062,424
Others	2,866,030	898,829	1,990,788	14,981,187	-	20,736,835	693,691	926,360	81,574	1,701,625
Subtotal	5,565,256	2,320,466	3,204,214	32,620,231	10,186	43,720,354	794,769	4,986,148	558,454	6,339,371
Households	-	-	-	17,291,492	-	17,291,492	-	4,504,193	-	4,504,193
Government and public institutions	3,906,169	2,151,659	3,930,348	764,307	-	10,752,483	-	25,051	-	25,051
Credit card	-	-	-	416,415	-	416,415	-	2,476,503	-	2,476,503
Derivatives	-	-	-	-	165,958	165,958	-	-	-	-
Reserve for credit risk adjustment	-	-	-	-	(627)	(627)	-	-	-	-
Allowance	-	-	(560)	(388,953)	-	(389,513)	-	-	-	-
Present value discount	-	-	-	-	-	-	-	-	-	-
Present value premium	-	-	-	13	-	13	-	-	-	-
Deferred loan originated cost and fee	-	-	-	97,614	-	97,614	-	-	-	-
Total	9,471,425	4,472,125	7,134,002	50,801,119	175,517	72,054,188	794,769	11,991,895	558,454	13,345,118

(In millions of won)

	On balance account						Off-balance account			
	Financial assets at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income	Securities at amortized cost	Loans at amortized cost	Derivative assets	Total	Financial guarantee contracts	Other commitments	Payment guarantee	Total
Enterprises										
Manufacturing	103,398	-	19,997	10,692,819	-	10,816,214	8,840	2,019,107	222,544	2,250,491
Construction	30,987	20,022	60,012	1,139,788	-	1,250,809	96,000	308,341	298	404,639
Wholesale and retail	1,782	10,144	-	3,851,726	-	3,863,652	5,761	657,409	236,383	899,553
Financial services and insurance	1,478,255	1,635,515	1,234,336	3,045,911	13,153	7,407,170	30,000	615,055	4,982	650,037
Others	2,419,342	862,403	1,488,029	13,247,329	-	18,017,103	552,035	934,006	36,112	1,522,153
Subtotal	4,033,764	2,528,084	2,802,374	31,977,573	13,153	41,354,948	692,636	4,533,918	500,319	5,726,873
Households	-	-	-	13,272,084	-	13,272,084	-	5,315,238	-	5,315,238
Government and public institutions	3,675,002	1,603,660	4,539,025	1,155,394	-	10,973,081	-	42,987	-	42,987
Credit card	-	-	-	442,600	-	442,600	-	2,395,537	-	2,395,537
Derivatives	-	-	-	-	85,205	85,205	-	-	-	-
Reserve for credit risk adjustment	-	-	-	-	(435)	(435)	-	-	-	-
Allowance	-	-	(512)	(335,118)	-	(335,630)	-	-	-	-
Present value discount	-	-	-	53	-	53	-	-	-	-
Present value premium	-	-	-	-	-	-	-	-	-	-
Deferred loan originated cost and fee	-	-	-	74,490	-	74,490	-	-	-	-
Total	7,708,766	4,131,744	7,340,887	46,587,076	97,923	65,866,396	692,636	12,287,680	500,319	13,480,635

(c) Degree of credit risk concentration for each credit rating

Degree of credit risk concentration for each credit rating as of December 31, 2020 and 2019, are as follows:

(In millions of won)

	2020			
Credit rating(*1)	12 Months Expected credit loss measurement	Lifetime expected credit loss	Loans impaired	Total
Enterprises				
1~6	27,509,675	3,445,899	5,982	30,961,556
7	20,348	516,696	73,531	610,575
8(*2)	5,979	39,402	22,555	67,936
9(*2)	3,762	6,742	25,649	36,153
10(*2)	2,147	6,565	112,917	121,629
Not rated(*3)	770,633	1,158	50,591	822,382
	28,312,544	4,016,462	291,225	32,620,231
Households				
1~6	15,929,723	54,213	7,919	15,991,855
7	242,479	285,354	4,737	532,570
8(*2)	52,818	126,139	7,342	186,299
9(*2)	10,619	49,973	17,622	78,214
10(*2)	2,774	25,724	19,317	47,815
Not rated(*3)	454,554	30	155	454,739
	16,692,967	541,433	57,092	17,291,492
Public sectors and others				
1~6	761,865	630	-	762,495
7	-	1,459	-	1,459
8(*2)	-	25	-	25
9(*2)	-	-	-	-
10(*2)	-	-	9	9
Not rated(*3)	319	-	-	319
	762,184	2,114	9	764,307
Credit card				
1~6	306,264	14,806	538	321,608
7	31,061	8,418	891	40,370
8(*2)	10,733	11,598	681	23,012
9(*2)	3,044	6,854	1,001	10,899
10(*2)	924	4,672	3,866	9,462
Not rated(*3)	11,043	18	3	11,064
	363,069	46,366	6,980	416,415
Total	46,130,764	4,606,375	355,306	51,092,445

(*1) The Group assesses and manages credit rating of loans classifying loans into enterprises (external audit, non-external audit, individual business, financial institute, public sector and special finance) and loans to households. Combined evaluation model of financial model and non-financial model is used for loans to enterprises other than loans to financial institute, public sector and special finance. Regular check for adequacy is conducted to guarantee the adequacy of credit rating.

(*2) The definition of bankruptcy in Basel II is based on overdue criteria and default criteria and is applied to the definition of impairment of the Group. Impairment unit is borrower criteria thus there might be loans under 8th degree which are neither overdue nor impaired.

(*3) Amount of non-rated loan is W 1,560,982 million as of December 31, 2020 and arises from inter-bank transactions such as inter-bank loans and loans related with sound collateral (deposits and warranty) and sound bills (discounted bills and electronic factoring). Amount of non-rated loans from inter-bank transactions and sound loan borrowers is W 255,535 million and W 1,305,447 million, respectively, as of December 31, 2020.

(In millions of won)

2019

Credit rating(*1)	12 Months Expected credit loss measurement	Lifetime expected credit loss	Loans impaired	Total
Enterprises				
1~6	26,770,800	3,548,770	5,127	30,324,697
7	12,546	285,543	116,081	414,170
8(*2)	6,490	36,192	30,063	72,745
9(*2)	3,214	10,766	49,772	63,752
10(*2)	1,558	9,479	143,990	155,027
Not rated(*3)	883,208	1,619	62,355	947,182
	27,677,816	3,892,369	407,388	31,977,573
Households				
1~6	11,880,602	121,192	4,739	12,006,533
7	157,021	204,615	2,275	363,911
8(*2)	39,981	92,416	6,045	138,442
9(*2)	20,040	58,214	14,026	92,280
10(*2)	4,552	37,761	25,201	67,514
Not rated(*3)	603,167	175	62	603,404
	12,705,363	514,373	52,348	13,272,084
Public sectors and others				
1~6	1,148,405	1,178	-	1,149,583
7	808	830	-	1,638
8(*2)	25	13	-	38
9(*2)	-	-	-	-
10(*2)	-	-	3,995	3,995
Not rated(*3)	140	-	-	140
	1,149,378	2,021	3,995	1,155,394
Credit card				
1~6	320,492	15,202	276	335,970
7	22,368	17,657	741	40,766
8(*2)	13,534	13,644	521	27,699
9(*2)	5,240	8,916	662	14,818
10(*2)	1,706	6,676	4,709	13,091
Not rated(*3)	10,235	10	11	10,256
	373,575	62,105	6,920	442,600
Total	41,906,132	4,470,868	470,651	46,847,651

(*1) The Group assesses and manages credit rating of loans classifying loans into enterprises (external audit, non-external audit, individual business, financial institute, public sector and special finance) and loans to households. Combined evaluation model of financial model and non-financial model is used for loans to enterprises other than loans to financial institute, public sector and special finance. Regular check for adequacy is conducted to guarantee the adequacy of credit rating.

(*2) The definition of bankruptcy in Basel II is based on overdue criteria and default criteria and is applied to the definition of impairment of the Group. Impairment unit is borrower criteria thus there might be loans under 8th degree which are neither overdue nor impaired.

(*3) Amount of non-rated loan is ₩849,389 million as of December 31, 2019 and arises from inter-bank transactions such as inter-bank loans and loans related with sound collateral (deposits and warranty) and sound bills (discounted bills and electronic factoring). Amount of non-rated loans from inter-bank transactions and sound loan borrowers is ₩252,972 million and ₩596,417 million, respectively, as of December 31, 2019.

Relationship between internal credit rating and external credit rating are as follows:

(In millions of won)

Classification of rating	Internal credit rating	External credit rating
Current	1-6	AAA-BB-
Precautionary	7	B
Substandard	8	CCC
Doubtful	9	CC, C
Estimated loss	10	D

(d) Estimated fair value of types of credit enhancements and collateral for impaired loans as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020			
	Enterprises	Households	Public sectors and others	Total
Real estate	78,626	14,293	-	92,919
Movable asset	20,721	9,276	-	29,997
Securities and debentures	-	4	-	4
Guarantee	12,044	1,468	-	13,512
Others	161	66	-	227
Total	111,552	25,107	-	136,659

(In millions of won)

	2019			
	Enterprises	Households	Public sectors and others	Total
Real estate	91,954	15,089	3,973	111,016
Movable asset	23,090	6,186	-	29,276
Securities and debentures	102	12	-	114
Guarantee	23,030	2,084	-	25,114
Others	296	66	-	362
Total	138,472	23,437	3,973	165,882

(e) Restructuring loans and receivables

Restructuring loans and receivables is an activity to maximize the collection of loans and receivables by changing the condition of a financially troubled borrower and includes extension of maturity, postponement of payment and relief of interest rate. Restructured loans and receivables as of December 31, 2020 and 2019 are ₩36,914 million and ₩58,694 million, respectively.

(f) The total carrying amount of the debt securities by credit rating according to the method of measuring the allowance for loss as of December 31, 2020 and 2019 are as follows:

(In millions of won)

				2020
	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Impaired securities	Total
Securities at amortized cost				
AAA	2,426,516	-	-	2,426,516
AA+ ~ AA-	637,792	-	-	637,792
A+ ~ A-	70,493	-	-	70,493
Not rated	3,999,761	-	-	3,999,761
Subtotal	7,134,562	-	-	7,134,562
Financial assets at fair value through other comprehensive income				
AAA	1,769,532	-	-	1,769,532
AA+ ~ AA-	310,121	-	-	310,121
A+ ~ A-	177,166	-	-	177,166
Not rated	2,215,307	-	-	2,215,307
Subtotal	4,472,126	-	-	4,472,126
Total	11,606,688	-	-	11,606,688

(In millions of won)

				2019
	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Impaired securities	Total
Securities at amortized cost				
AAA	2,273,872	-	-	2,273,872
AA+ ~ AA-	388,140	-	-	388,140
A+ ~ A-	40,661	-	-	40,661
Not rated	4,638,727	-	-	4,638,727
Subtotal	7,341,400	-	-	7,341,400
Financial assets at fair value through other comprehensive income				
AAA	1,831,709	-	-	1,831,709
AA+ ~ AA-	366,971	-	-	366,971
A+ ~ A-	30,166	-	-	30,166
Not rated	1,902,898	-	-	1,902,898
Subtotal	4,131,744	-	-	4,131,744
Total	11,473,143	-	-	11,473,143

(g) Offsets of financial assets and financial liabilities

The Group has financial instruments which are subject to an enforceable master netting arrangement or similar agreement. The similar agreements include derivative clearing agreements, repurchase agreements, securities lending agreements, etc.

Some of the derivative instruments are subject to an enforceable master netting arrangement. In accordance with this agreement, all the derivatives transactions are terminated in the credit event such as bankruptcy of any of the counterparties and the net amounts offset in each transaction will be paid from one party to another at the time of termination. The Group's repurchase agreement transactions, and securities lending transactions, etc., are also subject to an agreement similar to ISDA (International Derivatives Swaps and Dealers Association) offsetting agreements.

Financial assets and liabilities are not offset in the consolidated statement of financial position because ISDA offsetting agreements and similar agreements are exercisable only in the credit event and the parties to transactions have no intention to either settle on a net basis, or realize the asset and settle the liability simultaneously.

Offsetting financial assets

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	Gross amounts of recognized financial assets	Gross offset amounts of recognized financial liabilities	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position			Net amount
				Financial instruments	Collateral received		
					Securities	Cash	
Bonds purchased under resale agreements	4,133,711	-	4,133,711	(3,879,239)	(108,722)	-	145,750
Accrued balance spot exchange	2,051,434	(426,869)	1,624,565	(1,182,584)	-	-	441,981
Securities lending and borrowing asset	458,520	-	458,520	-	-	(41,656)	416,864
Trading derivative assets	324,838	-	324,838	(114,910)	-	(190)	209,738
Hedging derivative assets	6,140	-	6,140	(6,140)	-	-	-
Financial assets at fair value through profit or loss	39,422	-	39,422	-	-	(39,422)	-
Total	7,014,065	(426,869)	6,587,196	(5,182,873)	(108,722)	(81,268)	1,214,333

(In millions of won)

	Gross amounts of recognized financial assets	Gross offset amounts of recognized financial liabilities	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position			Net amount
				Financial instruments	Collateral received		
					Securities	Cash	
Bonds purchased under resale agreements	3,559,656	-	3,559,656	(2,405,679)	(1,028,900)	-	125,077
Accrued balance spot exchange	533,951	(113,394)	420,557	(420,460)	-	-	97
Securities lending and borrowing asset	1,849,808	-	1,849,808	(1,685,893)	(40,170)	-	123,745
Trading derivative assets	205,960	-	205,960	(44,264)	-	(264)	161,432
Hedging derivative assets	13,996	-	13,996	(7,163)	(5,587)	-	1,246
Financial assets at fair value through profit or loss	39,260	-	39,260	-	(39,260)	-	-
Total	6,202,631	(113,394)	6,089,237	(4,563,459)	(1,113,917)	(264)	411,597

Offsetting financial liabilities

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	Gross amounts of recognized financial liabilities	Gross offset amounts of recognized financial assets	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Collateral received	
Bonds under repurchase agreements	4,582,102	-	4,582,102	(3,879,239)	(702,863)	-
Accrued balance spot exchange	1,172,426	(426,869)	745,557	(745,408)	-	149
Trading derivative liabilities	971,409	-	971,409	(96,222)	(194,414)	680,773
Hedging derivative liabilities	18,932	-	18,932	(6,140)	(12,792)	-
Total	6,744,869	(426,869)	6,318,000	(4,727,009)	(910,069)	680,922

(In millions of won)

2019

	Gross amounts of recognized financial liabilities	Gross offset amounts of recognized financial assets	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Collateral received	
Bonds under repurchase agreements	3,267,709	-	3,267,709	(2,405,678)	(862,031)	-
Accrued balance spot exchange	2,331,965	(113,394)	2,218,571	(2,208,981)	-	9,590
Trading derivative liabilities	320,281	-	320,281	(34,673)	(300)	285,308
Hedging derivative liabilities	8,587	-	8,587	(7,163)	(1,424)	-
Total	5,928,542	(113,394)	5,815,148	(4,656,495)	(863,755)	294,898

42-2. Liquidity Risk

Cash flows by undiscounted contractual remaining maturity to be paid due to financial liabilities as of December 31, 2020 are as follows. Short-term trading financial liabilities and demand deposit liabilities are included in the 'On Demand' section at fair value.

(a) Non-derivative financial liabilities

Contractual maturity analysis for financial liabilities for the years ended December 31, 2020 and 2019, are as follows:

(In millions of won)

2020

	On Demand	Less than 1 month	1 ~ 3 months	3 ~ 6 months	6 ~ 12 months	1 ~ 3 years	3 ~ 5 years	More than 5 years	Total
On-balance accounts									
Deposits	21,522,850	4,393,799	5,567,120	6,945,336	7,686,691	1,328,185	59,862	205,585	47,709,428
Financial liabilities at fair value through profit or loss	-	582,634	-	-	-	-	-	-	582,634
Fair value changes on financial liabilities designated at fair value	-	33,636	31,283	39,920	51,110	645,939	3,148	45,869	850,905
Borrowings	-	6,946,888	585,271	597,100	603,442	577,401	348,968	300,613	9,959,683
Debentures	-	96,915	1,154,724	453,464	697,500	3,329,840	298,823	538,321	6,569,587
Other financial liabilities	42,128	2,314,832	23,711	46,530	31,548	194,208	13,190	16,733	2,682,880
Lease liabilities	-	646	1,332	2,873	4,887	8,799	17,937	25,890	62,364
Total	21,564,978	14,369,350	7,363,441	8,085,223	9,075,178	6,084,372	741,928	1,133,011	68,417,481
Off-balance accounts									
Financial guarantee contract	110,769	-	-	-	-	238,500	405,500	40,000	794,769
Commitments	11,640,506	-	-	-	-	-	-	-	11,640,506
Payment guarantee	558,454	-	-	-	-	-	-	-	558,454
Total	12,309,729	-	-	-	-	238,500	405,500	40,000	12,993,729

(In millions of won)

2019									
	On Demand	Less than 1 month	1 ~ 3 months	3 ~ 6 months	6 ~ 12 months	1 ~ 3 years	3 ~ 5 years	More than 5 years	Total
On-balance accounts									
Deposits	16,620,617	4,308,858	5,137,225	6,828,269	9,010,557	1,058,488	38,234	129,653	43,131,901
Financial liabilities at fair value through profit or loss	-	1,685,893	-	-	-	-	-	-	1,685,893
Fair value changes on financial liabilities designated at fair value	-	525	13,651	17,745	59,447	550,190	4,864	128,310	774,732
Borrowings	-	4,284,392	519,174	496,256	676,083	796,142	371,844	438,890	7,582,781
Debentures	-	99,963	483,325	367,390	625,702	2,857,179	803,362	485,598	5,722,519
Other financial liabilities	32	2,580,891	23,699	45,503	56,285	169,222	26,231	15,119	2,916,982
Lease liabilities	77	2,845	4,394	5,196	6,917	20,972	36,766	13,123	90,290
Total	16,620,726	12,963,367	6,181,468	7,760,359	10,434,991	5,452,193	1,281,301	1,210,693	61,905,098
Off-balance accounts									
Financial guarantee contract	692,636	-	-	-	-	-	-	-	692,636
Commitments	12,287,680	-	-	-	-	-	-	-	12,287,680
Payment guarantee	500,319	-	-	-	-	-	-	-	500,319
Total	13,480,635	-	-	-	-	-	-	-	13,480,635

(b) Maturity structures of derivative financial liabilities as of December 31, 2020 and 2019 are as follows:

(In millions of won)

2020									
	Less than 1 month	1 ~ 3 months	3 ~ 6 months	6 ~ 12 months	1 ~ 3 years	3 ~ 5 years	More than 5 years	Total	
Trading derivatives									
Currency related	55,107	27,133	48,881	29,052	-	-	-	160,173	
Stock related	1,168	15,388	1,327	-	3,814	382	-	22,079	
Others	61,206	5	102	-	308	-	-	61,621	
Subtotal	117,481	42,526	50,310	29,052	4,122	382	-	243,873	
Hedging derivatives									
Currency swap	-	28	84	662	9,269	2,466	1,094	13,603	
Total	117,481	42,554	50,394	29,714	13,391	2,848	1,094	257,476	

(In millions of won)

2019									
	Less than 1 month	1 ~ 3 months	3 ~ 6 months	6 ~ 12 months	1 ~ 3 years	3 ~ 5 years	More than 5 years	Total	
Trading derivatives									
Currency related	30,816	27,632	8,591	11,422	-	-	-	78,461	
Stock related	-	-	-	-	7,621	-	-	7,621	
Others	45,541	-	-	32	1,231	-	-	46,804	
Subtotal	76,357	27,632	8,591	11,454	8,852	-	-	132,886	
Hedging derivatives									
Currency swap	-	-	4,009	616	788	244	278	5,935	
Total	76,357	27,632	12,600	12,070	9,640	244	278	138,821	

Available assets to fulfill the payment obligations of liabilities and to carry out the unpaid loan contracts are cash, due from The Bank of Korea, loans, equity securities and debt securities. The Group is able to deal with unexpected cash flows through the disposal of securities and by additional fund raising resources such as the asset securitization market.

42-3. Market Risk

(a) Trading Position

(i) VaR by risk types (trading position)

VaR by risk types as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020			
	Period end	Average	Minimum	Maximum
Interest rate risk	30,323	21,588	4,994	40,654
Foreign exchange risk	21,177	15,428	2,935	29,211
Stock risk	21,893	11,596	4,264	23,512
Other risk	387	218	80	496
Diversification effect	(27,178)	(16,317)	(28,933)	(7,550)
Total risk	46,602	32,513	(16,660)	86,323

(In millions of won)

	2019			
	Period end	Average	Minimum	Maximum
Interest rate risk	6,004	5,290	3,547	6,936
Foreign exchange risk	5,977	3,318	730	6,414
Stock risk	7,016	5,450	4,224	7,581
Other risk	(420)	(361)	30	(1,398)
Diversification effect	(2,879)	(852)	(3,887)	2,271
Total risk	15,698	12,845	4,644	21,804

The sum of VaR for each risk type does not match the total VaR due to correlation between risk factors and the diversification effect. The correlation between risk factors and the volatility are calculated using the simple moving average method.

(ii) The interest rate risk of DGB Life Insurance Co., Ltd.

The interest rate risk of DGB Life Insurance Co., Ltd. as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020			2019		
	Exposure	Interest rate sensitivity (%)	Interest rate sensitivity amount	Exposure	Interest rate sensitivity (%)	Interest rate sensitivity amount
I. Insurance liability						
1. Interest rates fixed	1,954,436	14.49	28,322,810	1,857,506	15	27,167,977
2. Interest rates linked	3,376,051	7.5	25,336,234	3,503,546	7	25,050,002
Subtotal	5,330,487	10.07	53,659,044	5,361,052	10	52,217,979
II. Interest bearing assets						
1. Due from banks	134,623	0.13	17,300	234,233	-	48,500
2. Financial assets at fair value through profit or loss	15,025	1.95	29,228	34,867	1	47,884
3. Financial assets at fair value through other comprehensive income	4,880,197	12.39	60,453,696	862,277	9	7,938,377
4. Securities at amortized cost	-	-	-	3,995,219	12	45,957,415
5. Loans at amortized cost	445,023	12.41	5,524,029	418,293	12	4,964,990
Subtotal	5,474,868	12.06	66,024,253	5,544,889	11	58,957,166
III. The maturity mismatch amount			185,478			101,088
IV. The minimum interest rate amount			129,369			128,805
V. The interest rate back spread amount			-			5,280
VI. The interest rate risk amount = [max(III,IV)+V]			185,478			134,085

(iii) Other price risks of DGB Life Insurance Co., Ltd.

Other price risks of DGB Life Insurance Co., Ltd. are the risks that financial instrument's cash flow or fair value is changed due to the change of market price other than an exchange risk or interest risk.

The price risk is an analysis about KOSPI 200 index changes, and 10% increase and decrease are used for reasonable and possible fluctuations. This shows management's evaluation about the reasonable and possible fluctuations of the stock index.

(In millions of won)

		2020		2019	
		Profit or loss	Other comprehensive income	Profit or loss	Other comprehensive income
Beneficiary certificate	10% increase	132	-	2,077	-
	10% decrease	(132)	-	(2,077)	-
Equity securities	10% increase	133	-	-	-
	10% decrease	(133)	-	-	-

(b) Interest risk VaR for non-trading position

The Group manages interest rate risk for non-trading position. Interest rate risk of non-trading position is the risk that the net asset value or net interest income might decrease due to the inconsistency of interest rate maturity and the unfavorable change of market interest rate. The Group measures interest rate risk for interest assets such as loans, dues from banks and bonds, for interest rate liabilities such as deposits and borrowings and for hedge derivatives. Among non-trading positions, marketable available-for-sale financial assets (stocks) are managed through VaR..

(i) Interest rate risk management method

The tolerance limit to manage the interest rate risk on trading positions is required to be set in principle at least once a year, and approved by the Committee. To verify complying with the tolerance limit, the interest risk is measured and managed at least once a month, and reported to the management, the Risk Management Council and the Committee.

(ii) Assessment methods for interest rate risk**- Value at Risk (VaR)**

Interest rate VaR is the maximum expected loss, which indicates how much the Group's net asset value can be reduced at a certain point in time, either now or in the future, due to unfavorable fluctuations in interest rates. The Group calculates the interest rate VaR using the interest rate gap, which is the difference between interest rate sensitive assets and interest rate sensitive liabilities within a given maturity period, and the adjusted duration between the given maturity periods.

- Earning at Risk (EaR)

Interest rate EaR is the largest reduction in net interest income that can occur over a period of time in the future due to adverse fluctuations in interest rates. When calculating the interest rate EaR, the Group calculates using the midpoint of interest rate revisions for each maturity period suggested by the Basel Committee.

- Others

The Group evaluates interest rates risk by using the rate of interest gap, and conducts the interest risk analysis of crisis situations under abnormal market conditions one or more times a quarter. Also, the department verifies the accuracy, completeness and suitability one or more times a year regularly and observes measurement-related data constantly and independently.

- Interest rate VaR (non-trading position)

Interest rate VaR as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	End	Average	Minimum	Maximum
2020	65,101	56,867	39,960	92,993
2019	70,798	140,036	68,236	178,151

(c) Foreign exchange exposures

Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows are affected by the volatility of foreign exchange rate. The Group does not divide foreign exchange position into trading position and non-trading position but manages it on the whole.

Exposures to foreign exchange risk as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020 (converted to won)				
	USD	JPY	EUR	CNY	Others
Assets					
Cash and due from bank	467,598	81,817	121,211	26,680	85,745
Financial assets at fair value through profit or loss	27,367	-	-	-	-
Financial assets at fair value through other comprehensive income	277,700	-	70,393	-	56,999
Securities at amortized cost	92,154	-	282,715	-	125,325
Loans at amortized cost	1,049,924	44,667	34,795	133,931	44,884
Derivative assets on hedge	19,224	-	336	-	841
Other assets	414,201	11,423	4,959	1,105	3,562
Total	2,348,168	137,907	514,409	161,716	317,356
Liabilities					
Deposits	603,812	48,861	17,308	53,681	13,576
Borrowings	647,389	51,917	11,299	29,267	35,273
Debentures	324,717	-	-	-	-
Derivative liabilities on hedge	645	-	6,470	-	7,199
Other liabilities	417,042	8,690	4,884	4,433	7,874
Total	1,993,605	109,468	39,961	87,381	63,922

(In millions of won)

	2019 (converted to won)				
	USD	JPY	EUR	CNY	Others
Assets					
Cash and due from bank	139,043	58,764	50,621	32,466	114,951
Financial assets at fair value through profit or loss	29,400	-	-	-	-
Financial assets at fair value through other comprehensive income	373,584	-	43,621	-	-
Securities at amortized cost	190,684	-	274,136	-	120,916
Loans at amortized cost	1,012,243	57,569	29,367	131,056	3,010
Derivative assets on hedge	5,462	-	3,366	-	5,157
Other assets	489,572	11,387	14,281	1,491	(6,560)
Total	2,239,988	127,720	415,392	165,013	237,474
Liabilities					
Deposits	555,447	55,017	18,162	53,815	11,239
Borrowings	803,556	49,001	7,303	45,466	-
Debentures	344,915	-	-	-	-
Derivative liabilities on hedge	7,385	-	942	-	260
Other liabilities	531,714	10,901	655	3,163	2,755
Total	2,243,017	114,919	27,062	102,444	14,254

43. Discontinued Operations

The Group sold Hi Asset Management Co., Ltd. and Hi Investment & Futures Corp., subsidiaries of the Group's subsidiary Hi Investment & Securities in December 2019.

(a) Gain or loss from discontinued operations as of December 31, 2019 are as follows:

(In millions of won)

	2019
Operating income	45,020
Operating expense	43,391
Operating profit	1,629
Non-operating income	29,034
Non-operating expense	(31)
Income before income tax from discontinued operations	30,694
Income tax expense	7,169
Net income from discontinued operations	23,525

(b) Cash flow from discontinued operations as of December 31, 2019 are as follows:

(In millions of won)

	2019
Cash flow from operating activities	(18,865)
Cash flow from investing activities	2,903
Cash flow from financing activities	(2,222)
Cash flow from discontinued operations, net	(18,184)

(c) Changes in financial position of the Group due to disposal of operating segments are as follows:

(In millions of won)

	2019
Cash and due from banks	196,750
Financial assets at fair value through profit or loss	26,476
Financial assets at fair value through other comprehensive income	14,789
Financial assets at amortized cost	9,847
Investment in associates	9,620
Derivative assets	31
Loans at amortized cost	548
Property and equipment	2,665
Other assets	17,705
Total assets	278,431
Depository liabilities	163,491
Derivative liabilities	34
Other liabilities	15,770
Total liabilities	179,295
Proceeds from disposal of cash and cash equivalents	105,325
Disposed cash and cash equivalents	10,505
Net cash inflows	94,820

44. The Group as a lessee

(a) Details of right-of-use assets by type of underlying assets as of December 31, 2020 and 2019 are as follows:

(In millions of won)

	2020	2019
Right-of-use asset(*1)		
Property	59,439	57,386
Delivery equipment	1,178	6,512
Others	1,263	2,811
Total	61,880	66,709
Lease liabilities(*2)	57,104	65,807

(*1) Included in 'Property and equipment' in the consolidated statement of financial position.

(*2) Included in 'Other liabilities' in the consolidated statement of financial position.

(b) Details of lease liabilities by type of underlying assets as of December 31, 2019 are as follows:

(In millions of won)

	2020	2019
Depreciation of right-of-use asset		
Property	19,391	20,528
Delivery equipment	2,768	2,459
Others	2,485	2,474
Total	24,644	25,461
Interest expense on lease liabilities (included in finance cost)	1,666	1,641
Short-term lease payment	64	251
Low-value assets that are not short-term lease	977	846
Variable lease payment excluded from lease liability measurement	-	-

The gross cash outflow related to the Group's lease liabilities in 2020 and 2019 are ₩24,549 million and ₩25,065 million, respectively.

45. Restatement of prior period financial statements

The Group restated each item of the financial statements affected in the prior period in relation to the effect of the discount rate of the general account reserve due to the changes in the Detailed Regulations on Supervision of Insurance Business.

Details of adjustment of financial position and business performance as of December 31, 2019 are as follows:

(In millions of won)

	Assets	Liabilities	Equity	Operating income	Net income
Before Restatement Adjustments:	72,397,723	66,969,380	5,428,343	4,968,815	362,909
Effect of changes in the general account reserve	6,657	27,396	(20,739)	-	(20,085)
After restatement	72,404,380	66,996,776	5,407,604	4,968,815	342,824

Details of adjustment of financial position and business performance as of December 31, 2018 are as follows:

(In millions of won)

	Assets	Liabilities	Equity	Operating income	Net income
Before Restatement Adjustments:	64,913,541	59,857,873	5,055,668	4,157,528	403,598
Effect of changes in the general account reserve	210	864	(654)	-	(654)
After restatement	64,913,751	59,858,737	5,055,014	4,157,528	402,944

46. Uncertainty over COVID-19 impact

The proliferation of COVID-19 in 2020 negatively affected the global economy, despite of various forms of government support policies. As of December 31, 2020, the Group has recalculated the forward-looking information used to estimate expected credit loss in accordance with KIFRS 1109 'Financial Instruments'. During the year ended December 31, 2020, there have been significant changes in the forward-looking information that affects the expected credit loss. Major economic factors such as economic growth rate, unemployment rate and GDP are expected to deteriorate in 2020 due to the impact of COVID-19.

In response to these changes, Daegu Bank accumulated provisions of ₩14.3 billion in retail, 7 billion in SOHO(Small Office Home Office), ₩13.2 billion in non-retail through the correlation analyses between the latest economic indicators and default rates and between deteriorated financial structure of borrowers and the default rates. The Group accumulated additional provision of ₩23.1 billion to non-retail by reflecting the potential default growth rate of borrowers with deferred repayment financial support. DGB Capital accumulated provision of ₩1.3 billion by changing the forward-looking economic information.

The exposure of borrowers with financial supports who applied for maturity extension and repayment deferral is ₩90.9 billion as of December 31, 2020. The Group has prepared the consolidated financial statements by reasonably estimating the impact of COVID-19 on the Group. However, there is material uncertainty in the estimating the end of COVID-19 and the impact of COVID-19 on the Group. The Group will continue to monitor the impact of COVID-19 on the adequacy of forward-looking economic information in relation to the duration of the impact and the government's policies.

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Greenhouse Gas Emissions Assurance Statement



GHG Verification Statement

DGB FINANCIAL GROUP

111, Oksan-ro, Buk-gu, Daegu, Republic of Korea

✔ Verification Scope

Korean Standards Association has conducted GHG inventory verification based on GHG report provided by DGB FINANCIAL GROUP, which includes 2020's scope 1, scope 2, and scope 3(domestic/overseas business trips for work and commuting travel) emissions.

✔ Verification Standards and Guidelines

To conduct verification activities, verification team applied verification standards and guidelines. The standards and guidelines are as follows.

- GHG&Energy Target Scheme provided by Ministry of Environment, Republic of Korea
- KS Q ISO 14064-1,2,3 : 2006
- IPCC Guideline : 2006
- WRI GHG Protocol

✔ Verification Conclusion

As a result of verification activities, verification team has found no significant errors. Therefore, Korean Standards Association confirms that following emissions data are adequately quantified.

unit : tCO₂eq

	DGB Daegu Bank	HI Investment & Securities	DGB Life	DGB Capital	DGB Asset Management	DGB U pay	DGB Data System	DGB Credit Information
Scope 1 (Direct Emissions)	2,565.27	220.34	124.36	613.60	10.48	30.94	6.68	7.61
Scope 2 (Indirect Emissions)	14,418.79	2,067.17	1,103.28	350.73	19.48	47.37	145.24	35.37
Scope 3 (Domestic/overseas business trips and commuter vehicle)	2,207.44	873.50	163.31	209.84	61.37	33.76	101.38	27.17
Overall Emissions	19,191.51	3,161.00	1,390.95	1,174.17	91.32	112.07	253.30	70.15

May 20, 2021

KOREAN STANDARDS ASSOCIATION

Third-party Assurance Statement

Dear Management and Stakeholders of DGB Financial Group

The Korean Standards Association ("KSA") was commissioned by DGB Financial Group to perform a third-party Assurance Engagement of '2020-2021 DGB FINANCIAL GROUP SUSTAINABILITY REPORT' (the "Report"). KSA presents independent opinions as follows as a result of feasibility of the data contained in this Report. DGB Financial Group has sole responsibility for content and performance contained in this Report.

Assurance Standards and Level

This Assurance Engagement followed the AA1000AS v3 assurance standards to provide Moderate Level & Type 2 engagement, which means that the assurance assessed the accuracy and reliability of the company's statements and performance data provided in the Report.

Assurance Type and Limitation

The assurance scope is from January 1 2020 to December 31 2020 covering the operations and activities of DGB Financial Group's domestic sites, and includes the following requirements:

- Evaluating adherence to the AA1000 AccountAbility Principles (AA1000AP [2018]) of Inclusivity, Materiality, Responsiveness and Impact
- Confirming that the report is accordance with GRI Standards (Core Option)
- Evaluating the accuracy and reliability of data and information for the selected indicators below:
 - GRI Standards (Universal Standards): 102-1 ~ 102-13(Organizational profile), 102-14(Strategy), 102-16(Ethics and integrity), 102-18(Governance), 102-40 ~ 102-44(Stakeholder engagement), 102-45 ~ 102-56(Reporting practice), 103(Management Approach)
 - GRI Standards (Topic-specific Standards): 201-1~201-2(Economic Performance), 205-1~205-2(Anti-corruption), 206-1(Anti-competitive Behavior), 207-4(Tax), 302-1, 302-3~302-5(Energy), 303-3(Water and Effluents), 305-1~305-2(Emissions), 306-2(Effluents and Waste), 401-1~401-3(Employment), 402-1(Labor/Management Relations), 403-9(Occupational Health and Safety), 404-1~404-2(Training and Education), 405-2(Diversity and Equal Opportunity), 412-1~412-2(Human Rights Assessment), 413-1(Local Communities), 418-1(Customer Privacy), 419-1(Socioeconomic Compliance)
 - Self-assessments/assertions of PRB (Principles for Banking): 2.1(Impact Analysis), 2.2(Target Setting), 2.3(Plans for Target Implementation and Monitoring) 2.4(Progress on Implementing Targets), 5.3(Governance Structure for Implementation of the Principles), 6.1(Progress on Implementing the Principles for Responsible Banking)

KSA reviewed the company's environmental and social data as well as financial data, and limited depth of evidence gathering and sampling at lower levels in the organization were applied. The scope of review concerning stakeholder engagement was limited to the materiality test process.

Assurance Methodology

We used the following methods to gather information, documents and evidence with respect to the assurance scope.

- Site-visit of headquarter Interview with employees in charge of sustainable management and managers of respective issues
- Review of management system and process used in improving the performance of sustainability management and preparing the Report
- Review of the consistency between the financial performance data and the company's audit report/publicly announced data
- Examination of internal documents and basic materials

Assurance Results

KSA reviewed the draft version of this Report to present our opinions as an assurance provider. Modifications were made of the Report content if deemed necessary. We were not aware of any significant errors or inappropriate descriptions in this Report as a result of our Assurance Engagement. As such, we present our opinions of the 2020-2021 DGB FINANCIAL GROUP SUSTAINABILITY REPORT as follows.

Inclusivity

Has DGB Financial Group engaged its stakeholders in strategically responding to sustainability? We believe DGB Financial Group is aware of the importance of stakeholder participation and is making an all-out effort to establish a process that will increase their participation. DGB Financial Group has selected stakeholders including employees, shareholders and investors, customers, partner companies, local communities and NGO, government and related organizations to receive diverse feedbacks and opinions.

Materiality

Has DGB Financial Group included material information in the Report to help stakeholders make informed decisions? We are not aware of any significant omissions or exclusions of data that is material to stakeholders. We verified that DGB Financial Group conducted materiality test with issues identified from analyses of internal and external environments and reported according to the result.

Responsiveness

Has DGB Financial Group appropriately responded to stakeholder requirements and interest in this Report? We verified that DGB Financial Group responded stakeholders' needs and interests through reflecting stakeholders' opinions in the Report. We are not aware of any evidence that DGB Financial Group's response to significant issues of stakeholders was reported inappropriately.

Impact

Has DGB Financial Group appropriately monitored its impact on the stakeholders? We verified that the Company is monitoring and assessing its impact on the stakeholders by conducting an enhanced verification of its standard business activities. Furthermore, it has been verified that the Company appropriately publishes its findings in the Report.

Opinions and Recommendations

We present the following recommendations to help DGB Financial Group establish a company-wide sustainability management strategy and respond to continuous issues of sustainability.

•Economic

Since its launch in 2011, DGB Financial Group has been committed to sharing dreams and prosperity with local communities through the diversification of non-banking business lines, and consequent profit diversification and implementing an efficient risk-management system. As a result, it has now grown into a comprehensive financial group with nine subsidiaries, including DGB Daegu Bank and Hi Investment & Securities. Backed by the ESG management strategies, DGB Financial Group is working hard to become a world-class financial group based on its motto, "Best Partners for the future". We hope that DGB Financial Group will prepare for the post-COVID and 'new normal' era and reinforce responsible management by forming partnerships in the value chain. We also recommend accounting transparency, which is increasingly in high demand these days.

•Environment

As the global movement to respond to climate change is accelerating, financial institutions are aware of their role as leaders in addressing the climate crisis, and actively participating in climate issues by increasing environmentally responsible investments in renewable energy and green technologies that are vital for energy conversion. It is encouraging that DGB Financial Group has built an ESG governance system, declared its policy of coal-exit financing, and disclosed its detailed strategy roadmap for implementation. We recommend that DGB Financial Group discloses the amount for the green investment index and the goal management system that shows the green index improvement and progress in order to become a green financial institution.

•Social

DGB Financial Group has published the sustainability report since 2011 with its launch as a holding company. Since 2006, the report had been published by Daegu Bank. In 2021, DGB Financial Group proclaimed ESG management and disclosed its ESG management strategy and activity through the sustainability report, looking back at the past decade of sustainability management to mark its 10th anniversary. It is highly noteworthy that DGB Financial Group has taken the initiative in adopting coal-exit financing, CDP (Carbon Disclosure Project), PRB (Principles for Responsible Banking), TCFD (Task force on Climate-related Financial Disclosures), SBTi (Science-Based Targets initiatives), and supporting other global efforts. We expect that DGB Financial Group will take a step forward in setting practical goals and developing best practices to upgrade organizational ESG management and aggressively expand it in the supply chain.

Independence

As an independent assurance agency, KSA does not have any kinds of commercial interest in businesses of DGB Financial Group apart from undertaking a third-party assurance on the Report. We have no other contract with DGB Financial Group that may undermine credibility and integrity as an independent assurance agency.

May 2021

On behalf of KSA Assurance Team (Kim Jin-kyung (ESG consultant), Park Sung-yong(GHG Verifier), and Lee Ji-eun(CPA))

Myung Soo Kang KSA Chairman & CEO



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The Korean Standards Association (KSA), established as a special corporation in accordance with the Law for Industrial Standardization in 1962, serves as a knowledge service provider that distributes and disseminates such services as industrial standardization, quality management, sustainability management, KS certification and ISO certification. The KSA is committed to the sustainable development of Korean society as an ISO 26000 national secretary, certified GRI training partner, AA1000 assurance provider, KSI (Korea Sustainability Index) operator, and UN CDM DOE (development operational entity), and as an assurance provider of the Korean government's greenhouse gas energy target management system.

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	102-43	Approach to stakeholder engagement	54	
Reporting practice	102-44	Key topics and concerns raised	58-62	
	102-45	Entities included in the consolidated financial statements	6-9	
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Topic-specific Standards				
GRI 200: Economic Performance				
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	62, 64-68	
	201-1	Direct economic value generated and distributed	84-89	
GRI 201: Economic Performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	38-39	Refer to TCFD Progress Report on DGB Financial Group website for details. http://www.dgbfg.co.kr/sm05.fg
	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	60	
GRI 103: Management Approach 2016	205-1	Operations assessed for risks related to corruption	34	
	205-2	Communication and training about anti-corruption policies and procedures	33-35	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	60	
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	79	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	68	
GRI 207: Tax 2019	207-4	Country-by-country reporting	68	

Topic		Disclosure	Page	Note
GRI 300: Environmental Performance				
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	38-39	
	302-1	Energy consumption within the organization	76	
GRI 302: Energy 2016	302-3	Energy intensity	76	
	302-4	Reduction of energy consumption	75	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	38-39	
GRI 303: Water and Effluents 2016	303-3	Water withdrawal	75	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	38-39	
	305-1	Direct (Scope 1) GHG emissions	76	
GRI 305: Emissions 2016	305-2	Energy indirect (Scope 2) GHG emissions	76	
	305-3	Other indirect (Scope 3) GHG emissions	76	
	305-4	GHG emissions intensity	76	
	305-5	Reduction of GHG emissions	75	
GRI 306: Effluents and Waste 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	38-39	
	306-2	Waste by type and disposal method	75	
GRI 400: Social Performance				
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	44	
	401-1	New employee hires and employee turnover	69	
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	46	
	401-3	Parental leave	70	Parental leave target data not available
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	49	
GRI 402: Labor/ Management 2016	402-1	Minimum notice periods regarding operational changes	71	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	46	
GRI 403: Occupational Health and Safety 2016	403-9	Work-related injuries	70	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	44-45	
	404-1	Average hours of training per year per employee	72	Data by Job group not available
GRI 404: Training and Education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	44-45	
GRI 103: Management Approach 2016	103-1, 2, 3	Programs for upgrading employee skills and transition assistance programs	44	
GRI 405: Diversity and Equal Opportunity 2016	405-2	Ratio of basic salary and remuneration of women to men	70	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	61	
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	46-48	
	412-2	Employee training on human rights policies or procedures	48	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	50-53	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	50-53	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	60	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	79	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	60	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	79	
GRI Financial Services Standard Disclosures				
Product Portfolio	FS6	Percentage of the portfolio for business lines by specific region, size (e.g., micro/SME/ 36-39 large) and by sector	Website	http://www.dgbfg.co.kr/ir0106.fg
	FS13	Access points in low-populated or economically disadvantaged areas by type	43	
Local Communities	FS14	Initiatives to improve access to financial services for disadvantaged people	43	

SASB Index

Sustainability Disclosure Topics & Accounting Metrics

SASB	Code	Metric	Page
Data Security	FN-CB-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	79
	FN-CB-230a.2	Description of approach to identifying and addressing data security risks	41-42
Financial Inclusion & Capacity Building	FN-CB-240a.1.	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	77
	FN-CB-240a.2.	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	77
	FN-CB-240a.3.	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	77
	FN-CB-240a.4.	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	51
Incorporation of Environmental, Social, And Governance Factors in Credit Analysis	FN-CB-410a.1.	Commercial and industrial credit exposure, by industry	37
	FN-CB-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	16-18, 36-37
Business Ethics	FN-CB-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	79
	FN-CB-510a.2	Description of whistleblower policies and procedures	34
Systemic Risk Management	FN-CB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	N/A
	FN-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	36-37

Activity Metrics

Code	Metric	Page
FN-CB-000.A	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	74
FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	74

TCFD/CDP Index

TCFD Recommendations	CDP Disclosure	Page
Governance: Disclose the organization's governance around climate-related risks and opportunities.		
a) Describe the board's oversight of climate-related risks and opportunities.	C1.1b	14-15
b) Describe management's role in assessing and managing climate-related risks and opportunities.	C1.2, C1.2a	14-15
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.		
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	C2.1, C2.3, C2.3a, C2.4, C2.4a	TCFD Progress Report
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	C2.3a, C2.4a, C2.5, C2.6, C3.1, C3.1c, C3.1d	TCFD Progress Report
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	C3.1a	TCFD Progress Report
Risk management: Disclose how the organization identifies, assesses and manages climate-related risks.		
a) Describe the organization's processes for identifying and assessing climate-related risks.	C2.2b, C2.2c	TCFD Progress Report
b) Describe the organization's processes for managing climate-related risks.	C2.2d	TCFD Progress Report
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	C2.2	36-37
Metrics & targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	C4.2, C9.1	TCFD Progress Report
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	C6.1, C6.3, C6.5	76
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	C4.1, C4.1a, C4.1b, C4.2	76

* Refer to in detail PRB Progress Report at the link below. <http://www.dgbfg.co.kr/sm05.fg>

Principles for Responsible Banking (PRB) Index

Principle	Self-Assessment Requirements	Location of information
1. Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.	1.1 Describing our business model, main customer segments, types of products and services, and main markets.	4
	1.2 Describing our strategy contributing to society's goals, as expressed in the Sustainable Development Goals (SDGs) and the Paris Climate Agreement.	16-18
2. Impact & Target setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.	2.1 Impact analysis identifying most significant positive and negative impact.	PRB Progress Report
	2.2 Targets addressing at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.	PRB Progress Report
	2.3 Means and key performance indicators (KPIs) monitoring the progress against the set targets.	PRB Progress Report
	2.4 Status of meeting the set targets.	PRB Progress Report
3. Clients & Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.	3.1 Policies and practices to promote responsible relationships with customers.	40-41
	3.2 Describing how we are working with clients and customers to encourage sustainable practices and enable sustainable economic activities.	18-23
4. Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.	4.1 Describing stakeholders we collaborate with to implement these Principles and improve our impacts.	54
	5.1 Governance structures, policies and procedures we have in place to manage significant positive and negative impacts.	14-15
5. Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking	5.2 Initiatives and measures we implemented to foster a culture of responsible banking among our employees.	14-15
	5.3 Governance structure in place for the implementation of the PRB.	14-15
	6.1 Disclosure of progress on implementing the six Principles.	PRB Progress Report
6. Transparency & Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.		

* Refer to in detail PRB Progress Report at the link below. <http://www.dgbfg.co.kr/sm05.fg>

UNGC Index

DGB Financial Group has been a signatory to the UN Global Compact since July 2006, and we comply with the Ten Principles covering four areas (human rights, labour, environment, anti-corruption).




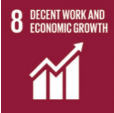




Classification		Page
Human Right		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	47
Principle 2	make sure that they are not complicit in human rights abuses.	47
Labour Standards		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	71
Principle 4	the elimination of all forms of forced and compulsory labour;	47
Principle 5	the effective abolition of child labour; and	47
Principle 6	the elimination of discrimination in respect of employment and occupation.	44
Environment		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	38-39
Principle 8	undertake initiatives to promote greater environmental responsibility; and	38-39
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	18, 21, 38-39
Anti-Corruption		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	33-35

UNGP Index

Framework			Page
PART A - GOVERNANCE OF RESPECT FOR HUMAN RIGHTS	A1 Policy Commitment	What does the company say publicly about its commitment to respect human rights?	47
	A2 Embedding Respect for Human Rights	How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?	46-48
PART B - DEFINING THE FOCUS OF REPORTING	B1 Statement of Salient Issues	State the salient human rights issues associated with the company's activities and business relationships during the reporting period.	Human Rights Report
	B2 Determination of Salient Issues	Describe how the salient human rights issues were determined, including any input from stakeholders.	Human Rights Report
	B3 Choice of Focal Geographies	If reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made.	Human Rights Report
	B4 Additional Severe Impacts	Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.	Human Rights Report
PART C - MANAGEMENT OF SALIENT HUMAN RIGHTS ISSUES	C1 Specific Policies	Does the company have any specific policies that address its salient human rights issues, and, if so, what are they?	Human Rights Report
	C2 Stakeholder Engagement	What is the company's approach to engagement with stakeholders in relation to each salient human rights issues?	Human Rights Report
	C3 Assessing Impacts	How does the company identify any changes in the nature of each salient human rights issue over time?	Human Rights Report
	C4 Integrating Findings and Taking Action	How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?	Human Rights Report
	C5 Tracking Performance	How does the company know if its efforts to address each salient human rights issue are effective in practice?	Human Rights Report
	C6 Remediation	How does the company enable effective remedy if people are harmed by its actions or decisions in relation to the salient human rights issues?	Human Rights Report

* Refer to in detail PRB Progress Report at the link below. <http://www.dgbfg.co.kr/sm05.fg>

UN SDGs Index

<p>Relevant Specific Targets 4.4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p> 	<p>Relevant Specific Targets 5.5 Achieve gender equality and empower all women and girls.</p> 	<p>Relevant Specific Targets 7.A Ensure access to affordable, reliable, sustainable and modern energy for all.</p> 	<p>Relevant Specific Targets 8.3, 8.10 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p> 
<p>DGB's Strategy</p> <ul style="list-style-type: none"> Provide quality education opportunities to the underprivileged, elementary, middle, high school, and university students, such as the disabled and multicultural families Promote investments to improve employee competency 	<p>DGB's Strategy</p> <ul style="list-style-type: none"> Indiscriminate principle by gender in hiring, performance evaluation, promotion, etc. Participate in the UNGC Women's Empowerment Principles (WEPs) implementation program 	<p>DGB's Strategy</p> <ul style="list-style-type: none"> Increase investment on waste management, clean energy such as energy and wind power generation through eco-friendly project financing 	<p>DGB's Strategy</p> <ul style="list-style-type: none"> Support small businesses, college students, start-up companies, start-up failures, job-creating companies, and technological start-up companies to vitalize the economy of the Daegu City/Gyeongbuk region.
<p>Page 52-53, 44</p>	<p>Page 44-45</p>	<p>Page 18, 77</p>	<p>Page 19, 22, 51</p>
<p>Relevant Specific Targets 9.3 Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.</p> 	<p>Relevant Specific Targets 10.4 Reduce income inequality within and among countries.</p> 	<p>Relevant Specific Targets 12.6 Ensure sustainable consumption and production patterns</p> 	<p>Relevant Specific Targets 13.1, 13.3 Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.</p> 
<p>DGB's Strategy</p> <ul style="list-style-type: none"> Promote company-wide digital innovation to provide financial services regardless of time and place Expand non-face-to-face channel products such as internet banking and mobile banking and secure Fintech technology 	<p>DGB's Strategy</p> <ul style="list-style-type: none"> Financial economy education for financial vulnerable classes such as people with disabilities, multicultural families, and senior citizens in the region 	<p>DGB's Strategy</p> <ul style="list-style-type: none"> Develop of financial products and services in consideration of environmental and social factors 	<p>DGB's Strategy</p> <ul style="list-style-type: none"> Participate in global climate change initiatives such as TCFD and SBTi Declare coal-free finance and prepare for implementation plans
<p>Page 26-27</p>	<p>Page 51</p>	<p>Page 18-23</p>	<p>Page 18</p>

Sustainability Management Initiatives

	United Nations Global Compact	UN Global Compact	<ul style="list-style-type: none"> - Signatory since 2006 - DGB Financial Group Chairman was a director of UNGC Korea
	CEO WATER MANDATE	CEO Water Mandate	<ul style="list-style-type: none"> - Reported on water resource management since 2010
	FINANCE INITIATIVE	UNEP Environment Programme Finance Initiative	<ul style="list-style-type: none"> - Participant in Korea group meetings
	Climate Disclosure Standards Board	Climate Disclosure Standard Board (CDSB)	<ul style="list-style-type: none"> - Member of 2012 CDSB Korea working group
		UN Sustainable Development Goals (SDGs)	<ul style="list-style-type: none"> - Report progress of SDGs appropriate for DGB Financial Group
		Carbon Disclosure Project	<ul style="list-style-type: none"> - Annual signatory since 2007 - Recognized for excellence 7 times, including 2018
	Dow Jones Sustainability Indexes	Dow Jones Sustainability Indexes (DJSI)	<ul style="list-style-type: none"> - Listed for 10 consecutive years in Asia-Pacific (2010~2019) - Listed for 12 consecutive years in Korea
	FTSE4Good	FTSE4Good Indexes	<ul style="list-style-type: none"> - Listed for 10 consecutive years(2011~2020)
	SCIENCE BASED TARGETS	Science Based Targets	<ul style="list-style-type: none"> - Signatory to 2018 targets
	TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	Task Force on Climate-related Financial Disclosure (TCFD)	<ul style="list-style-type: none"> - Participated as a TCFD member in 2018
	PRINCIPLES FOR RESPONSIBLE BANKING	Principles for Responsible Banking	<ul style="list-style-type: none"> - Joined as a supporting organization in 2018 and participated as a signatory in 2019
		Women's Empowerment Principles (WEPs)	<ul style="list-style-type: none"> - Joined in 2019 - Participation in TGE (Target Gender Equality) program for implementation of WEP's in 2020



DGB Financial Group 2020-2021 Integrated Sustainability Report was printed on eco-friendly papers using soybean oil printing techniques.