



HOW IBK THINKS ABOUT FINANCE

ANNUAL REPORT 2020

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IBK- A ROLE MODEL FOR
GLOBAL SME BANK

IBK has been a reliable partner for SMEs since its establishment of 1961. For past 60 years, IBK has successfully treasured its mission to promote sound development of SME eco-system, the backbone of the national economy.

In 2020, IBK strengthened its status as a SME finance leader by fulfilling its primary role and identified new growth engines for sustainable future. IBK has increased financial relieves to customers who suffered from the COVID-19 pandemic and supplied total KRW 331 billion venture investments to promising SMEs. All aspects of its business from financial platform to business model were integrated with the latest digital technologies so as to lead global digital banking trends. And yet, earning customer's trust and being committed to social responsibilities were placed on top priority in its management. Work processes were re-designed to protect customer's interests and ESG initiatives were actively pursued.

As always, IBK will continue to evolve in line with the demands of all stakeholders and transform into a financial institution that realizes a true finance with the full commitment to innovation and integrity.



IBK 60 YEARS

IBK has been always at the center of SME's growth for last 60 years. IBK supported SMEs and Micro businesses despite any difficulties, fostered startups to grow into promising SMEs, and again, supported them to grow into a global companies that represent Korea. Helping struggling SMEs, increasing jobs, fulfilling its social responsibilities, IBK served as a stepping stone to the miracle of Korean economic development.



1961

2021



Milestones

BUSINESS
REVIEW

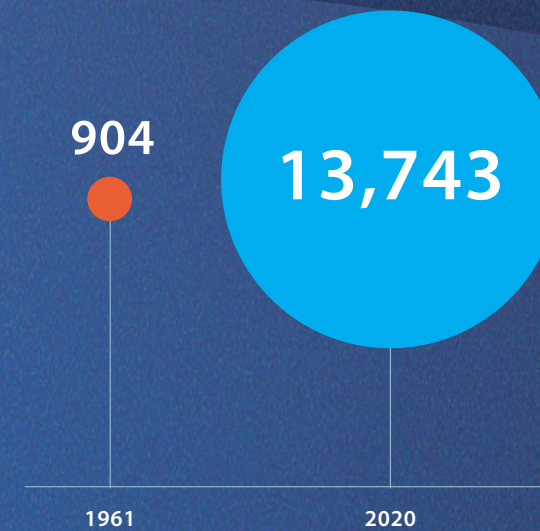
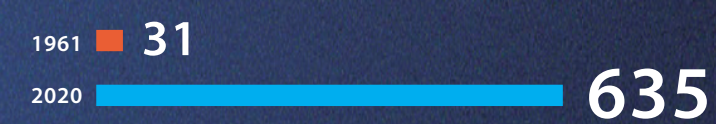
MANAGEMENT
REVIEW

60

IBK 60 YEARS

IBK has been always at the center of SME's growth for last 60 years. IBK supported SMEs and Micro businesses despite any difficulties, fostered startups to grow into promising SMEs, and again, supported them to grow into a global companies that represent Korea. Helping struggling SMEs, increasing jobs, fulfilling its social responsibilities, IBK served as a stepping stone to the miracle of Korean economic development.

Number of Employees

Overseas Network
(Unit: branch)Domestic Network
(Unit: branch)

11

Subsidiaries (As of March, 2021)

IBK Capital Corporation / IBK Securities Co., Ltd. / IBK Insurance Co., Ltd. / IBK Asset Management Co., Ltd. / IBK Savings Bank Co., Ltd. / IBK Systems Co., Ltd. / IBK Credit Information Co., Ltd. / IBK Service Co., Ltd. / IBK China Ltd. / PT Bank IBK Indonesia Tbk / IBK Myanmar Co., Ltd.



1,900,000+

Number of Corporate Customers



16,000,000+

Number of Retail Customers

SIXTY YEARS OF GROWTH

1961-1997
Driving Economic Growth in South Korea

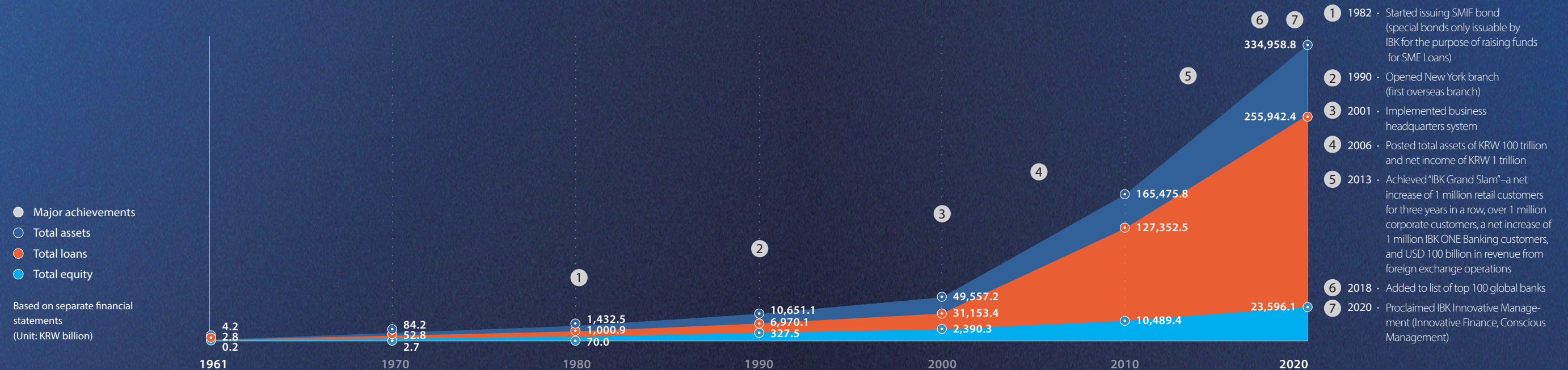
IBK provided a variety of financial supports for SMEs as a policy bank that specialized in SME finance. It had also been a prime driver of the nation's economic growth, continuously expanding its supply of SME funds and adding to its presence in the international financial community in support of the country's import and export sector.

1998-2010
Overcoming Crises and Entering into Major Transformations

IBK became a leader in the field of SME finance by actively supporting them in the midst of repeated economic crises, and taking dramatic steps to revamp its own infrastructures at the same time, with its transformations ranging from systems to human resources. IBK grew into a comprehensive financial institution by expanding into a variety of related businesses, including retail banking, the global marketplace, and the establishment of subsidiary enterprises.

2011-2021
Evolving into Global Innovative Bank

IBK laid the foundations for becoming a truly global financial institution by proactively responding to changes in the international financial environment and strengthening its revenue bases in retail banking, investment banking and other non-financial sectors. Now IBK is pursuing a strategy of Innovative Management to be reborn as a leading financial group boasting global competitiveness.





MESSAGE FROM THE CEO

Leading Change and Innovation to Ensure Sustainable Future of IBK

Dear shareholders and customers,

I would like to express my sincere gratitude to our shareholders and customers for your unwavering support throughout the year.

Over the year 2020, IBK emphasized our efforts to provide loans worth KRW 24 trillion to SMEs suffering due to COVID-19. Along with dedicated support to our customers, IBK achieved remarkable financial performances with total corporate loans amounting to KRW 190 trillion and retail loans and deposits exceeding KRW 100 trillion.

The year 2021 remains challenging amid continuing uncertainties. The banking industry, both home and abroad, stands at a critical juncture with fast-moving digital transformation and a commitment to ESG becoming integral to sustainability. IBK will take on these new challenges through Innovative Management, a roadmap that will lead IBK to become the world's leading bank with global competitiveness.

Continuing Our Initiatives in Overcoming the COVID-19 Crisis

IBK will continue to provide financial relief to customers experiencing sudden liquidity shortages. In addition, we will fully leverage our banking capabilities with not only financial support but also non-financial services to help businesses restructure and get back on track. Meanwhile, our efforts to upgrade credit rating models and set aside pre-emptive provisions will enable us to promote the healthy growth of IBK.

Speeding up Innovative Finance and Digital Transformation

IBK's Financial Doctor Service Program which analyzes business and financial conditions and offers a full suite of custom-tailored solutions will be launched in 2021. The program will utilize expertise on SME finance we have amassed over the past 60 years along with cutting-edge digital technologies. Further, we plan to furnish KRW 1.5 trillion worth of financial support to startups with growth potential, strengthening our role as an active venture capital supplier.

In addition to Innovative Finance, digital transformation will be accelerated. We will revamp our corporate culture by integrating digital to all operating areas ranging from work processes to business models.

Prioritizing IBK's Firm Commitment to Sustainable Management

Banking industry is predicated entirely on trust. To be most trustworthy, we will thoroughly review our products and services to protect consumer rights and upgrade internal controls to enhance ethical standards.

IBK will embed ESG into our top management strategy. IBK has been proactively engaging in public issues such as assisting the underprivileged and tackling climate changes. We will extend such efforts further through establishing the ESG committee and actively taking part in ESG initiatives proposed by the United Nations. As a global corporate citizen, IBK will abide by responsible business conduct in both local and global communities, fully considering the externalities of our business operations on society.

Lastly, I am proud to remind you that 2021 marks the 60th anniversary of Industrial Bank of Korea. With decades of expertise and experience, IBK has been well-positioned to weather crisis and progress forward. As IBK embarks on a new journey of another successful 60 years, we will do our best to duly fulfill IBK's role and responsibilities, maintaining our steadfast support for customers while taking a lead in future oriented innovation.

I look forward to your continuous support for IBK's brighter future.

Yours sincerely,

Yoon Jong-won
Chairman and CEO
Industrial Bank of Korea

BOARD OF DIRECTORS & MANAGEMENT



Yoon Jong-won
Chairman & CEO



Kim Sung-tae
Deputy CEO (Board Member)



Jung Jae-ho
Auditor



Suh Chi-kil
Executive Vice President
Head of Business Strategy Group



Kim Young-joo
Executive Vice President,
Head of Credit Management Group



Jern Kue-baeg
Executive Vice President,
Head of Business Support Group



Kam Sung-han
Executive Vice President,
Head of Corporate Banking Group



Kim Hyung-il
Executive Vice President,
Head of Innovative Financing Group



Park Ju-yong
Executive Vice President,
Head of Corporate & Investment Banking Group



Jeon Byeong-seong
Executive Vice President,
Head of Digital Group



Yoon Wan-sik
Executive Vice President,
Head of IT Group



Chang Min-young
Executive Vice President,
Head of Risk Management Group



Kim Jae-hong
Executive Vice President,
Head of Retail Banking & Card Business Group



Lim Chan-hee
Executive Vice President,
Head of Wealth Management Group



Choe Sung-jae
Executive Vice President,
Head of Global & Capital Markets Group



Kim Eun-hee
Executive Vice President,
Head of Consumer Protection Group



Kim Yoon-kee
Chief Compliance Officer



Cho Bong-hyun
Executive Vice President,
Head of IBK Economic Research Institute

Outside Directors				
Name	Shin Chung-shik	Kim Se-jik	Kim Jeong-hoon	Chung So-min

CORPORATE GOVERNANCE

Board of Directors

IBK's Board of Directors (BOD) is the bank's main decision-making body. It consists of the chairman and CEO, its Deputy CEO, and four outside directors. The Chair and CEO is appointed by the President of the Republic of Korea on the recommendation of the Chair of the Financial Services Commission (FSC), while the Deputy CEO and the outside directors are appointed in turn by the FSC on the recommendation of its Chair and CEO.

BOD Activities

The decisions that the BOD makes center on critical operating issues. It held twelve meetings in 2020, deliberating on and reviewing 76 agenda items and reports. The second meeting, which was held in February, approved what was called a "Contingent Convertible Bond Issuance Proposal" to compensate a reduction in the capital and to manage stable BIS ratio. The sixth meeting was held in July. It involved the bank's establishment of, and investment in, what was tentatively termed an "IBK-BNW Private Equity Partnership Supporting Growth in Industrial Competitiveness" initiative. Its goal was to increase the level of the bank's venture capital support for promising SMEs and established companies in the area of materials, parts, and equipment that had demonstrated a significant potential for growth.

In 2021, the Board will take steps to establish a strategy to ensure that the bank's management practices are always transparent, fair and ethical. The strategy will continue to signal its belief in and support of a positive and constructive relationship with all its stakeholders.

BOD Committees

The bank has three committees that specialize in the areas of its governance, compensation, and risk management operations. The Compensation Committee is composed of outside directors only, while the Risk Management Committees are chaired by an outside director to ensure their autonomy.

Steering Committee

The Steering Committee is comprised of the bank's CEO and Deputy CEO and three outside directors. Its role is to assist the BOD with the efficient operation of its functions, and to communicate with all the bank's stakeholders. It also compiles a list of candidates deemed suitable to act as outside directors whom the CEO then recommends to the Financial Services Commission for the possible appointment while appointing executives recommended by the CEO. It also deliberates on and approves any and all agenda items that the BOD believes to be worth considering.

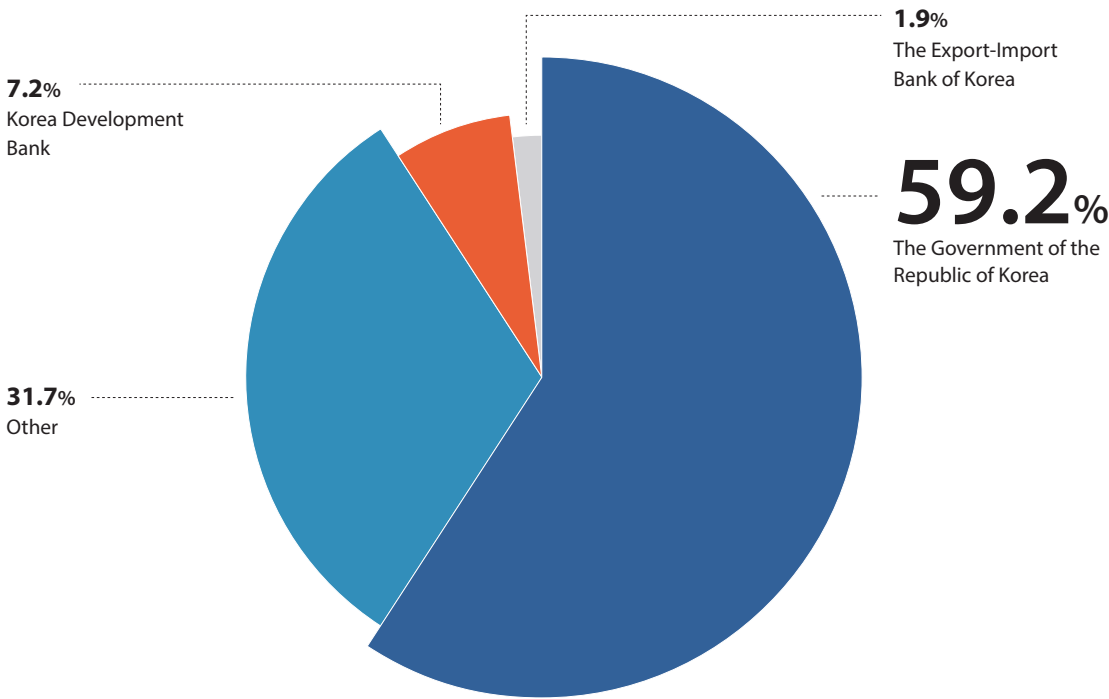
Compensation Committee

The Compensation Committee consists of four outside directors. It oversees the bank's rewards system for executive officers and staff members in charge of financial investments, evaluates bank executives' performance results and fringe benefits, and deals with other compensation-related issues referred to it by the BOD.

Risk Management Committee

The Risk Management Committee is composed of two outside directors and the bank's Deputy CEO. Chaired by an outside director, it has responsibility for any risks that may arise as a result of the bank's business activities. It also develops the bank's risk management policies, and ensures that its amount of capital adequacy is at an appropriate level.

Ownership



Shareholder Status (As of the end of 2020)

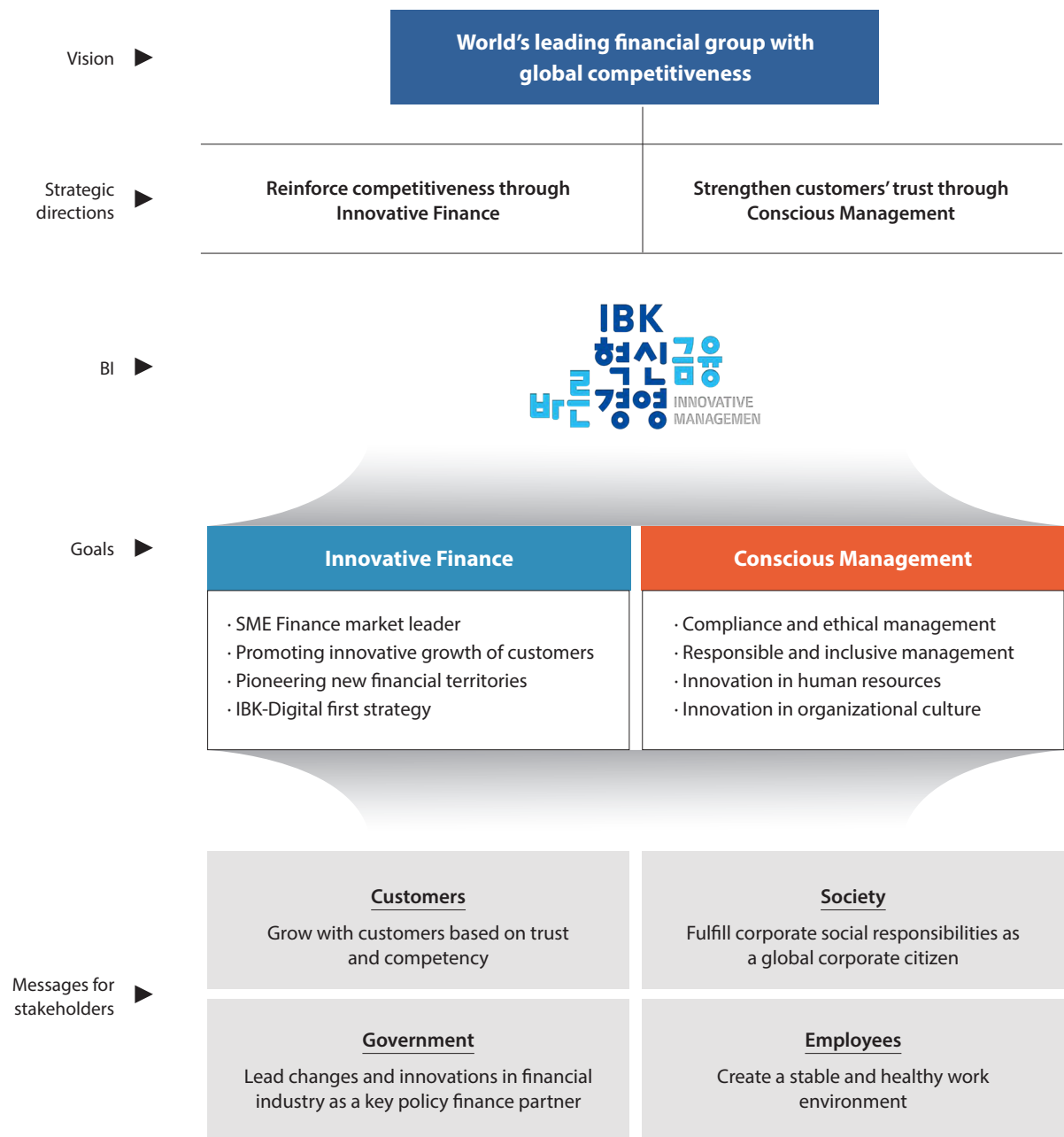
(Unit: number of shares, %)

Shareholder	Common shares	Preferred shares	Total	Ownership
The Government of the Republic of Korea	468,794,764	-	468,794,764	59.2
Korea Development Bank	10,490,000	46,915,282	57,405,282	7.2
The Export-Import Bank of Korea	8,501,153	6,210,000	14,711,153	1.9
Other	250,878,443	-	250,878,443	31.7
Total	738,664,360	53,125,282	791,789,642	100.0

* Preferred shares held by Korea Development Bank and The Export-Import Bank of Korea are convertible preferred shares.
* Changes in the composition of shareholders compared to the end of 2019
- The number of common shares increased by 161,507,381 due to investments by the government.
- The number of government-held preferred shares fell by 44,847,038 due to the return of preferred shares by the Korea Expressway Corporation, and the acquisition and retirement of treasury stocks

VISION AND STRATEGY

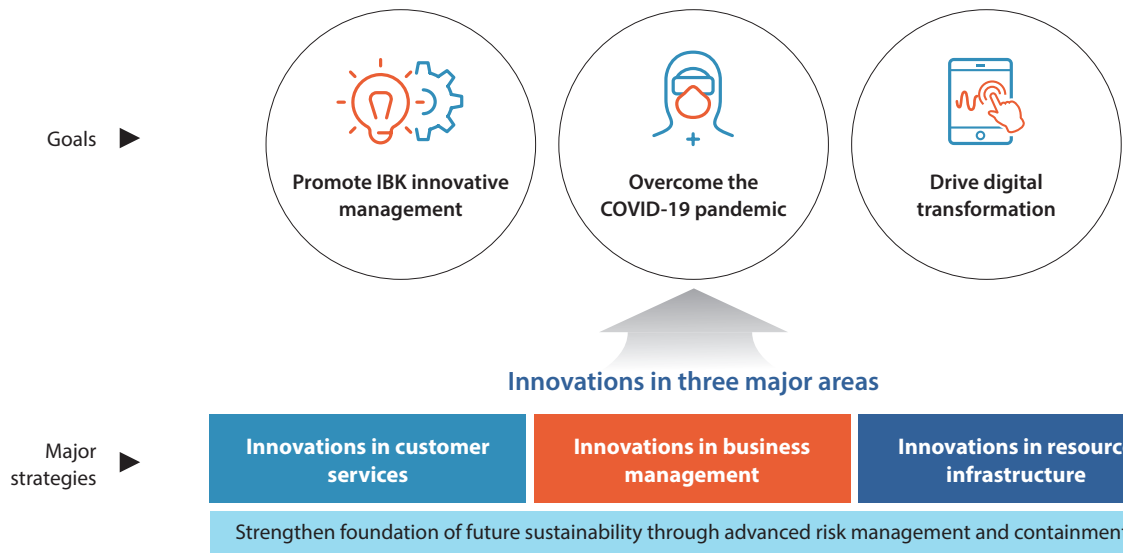
Innovation Management System



Business Slogan and Strategies for 2021

2021
business slogan

60 years with customers,
another 60 years to be with customers



Twelve key
priorities

Strengthen foundation of future sustainability	Innovations in customer services	Innovations in business management	Innovations in resources infrastructure
<ul style="list-style-type: none">· Priority on safety of customers and employees· Zero financial accidents· Proactive risk management· Robust profit management	<ol style="list-style-type: none">1. IBK Financial Doctor Service Program2. Establishment of specialized financial platform for micro businesses3. IBK-type retail customers-tailored strategies4. Customer-oriented management	<ol style="list-style-type: none">5. Undisputed leader in SME finance market6. Digital Transformation 2.0 Strategy7. Enhancing future-oriented business capabilities8. Strategic ESG management	<ol style="list-style-type: none">9. SME-specialized data bank10. Realignment of bank-wide resources11. Revising on revenue and cost structures12. Innovation in organizational culture

Under Innovative Management system in constant pursuit of Innovative Finance and Conscious Management, IBK will embark on another successful 60 years of financial industry history based on its past 60 years of experience and expertise.

Supporting customers under difficulties due to COVID-19 will continue to be our top priority, with systematizing and accelerating our digital transformation placing a close second. To achieve these ends, IBK will initiate innovations in three major areas while also strengthening IBK's foundations for future sustainability.

FINANCIAL HIGHLIGHTS

Key Financial Data

(Unit: KRW billion, %)	2018	2019	2020
Net income (consolidated)	1,764	1,614	1,548
Total assets	320,973	344,558	381,793
Total loans	192,989	206,310	233,766
Total deposits	217,090	242,662	269,774
Total shareholders' equity	20,071	21,501	23,596
ROA (consolidated)	0.63	0.53	0.45
ROE (consolidated)	8.72	7.27	6.40
BIS CAR (consolidated)	14.48	14.47	14.89
Substandard-and-below loan ratio	1.32	1.28	1.08

Net Interest Margin

(Unit: %)	2018	2019	2020
NIM	1.95	1.83	1.55

Credit Ratings

	2018	2019	2020
Moody's	Aa2	Aa2	Aa2
S&P	AA-	AA-	AA-
Fitch	AA-	AA-	AA-

Credit Ratings

As of December 31, 2020



Key Financial Data

(Unit: KRW billion)

Total Assets



Total Loans

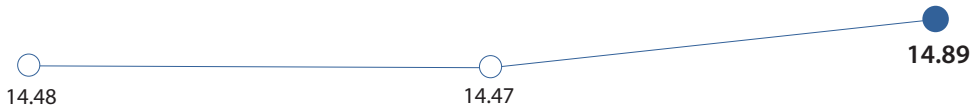


Total Deposits



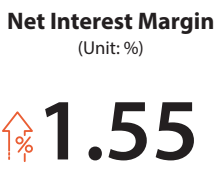
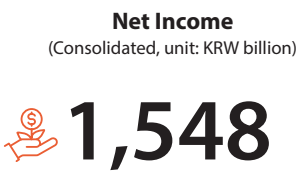
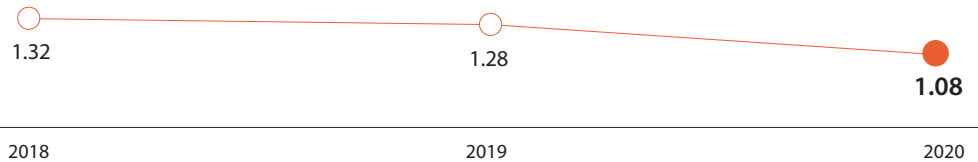
BIS CAR

(Consolidated, unit: %)



Substandard-and-below Loan Ratio

(Unit: %)



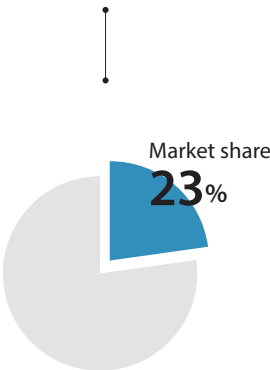
NEWS HIGHLIGHTS

8.5

In trillions of KRW

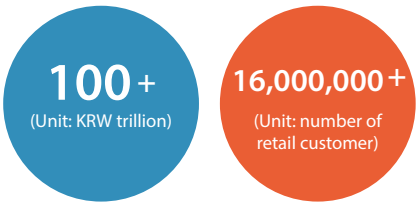
Provided Low Interest Rate Loans to Micro Businesses

IBK introduced special support programs in two separate phases in 2020 to expand its financial support for micro businesses. In the first phase, the bank supplied approximately KRW 7.8 trillion to about 270,000 companies by itself. In the second one, IBK actively practiced its inclusive finance again, by working with twelve other commercial banks to provide KRW 3.5 trillion to about 40,000 companies with its share at KRW 0.7 trillion.



Total Amount of Loans to SMEs Reached KRW 180 Trillion, with IBK's Market Share Surpassing 23% for the First Time

IBK provided loans to a number of SMEs facing temporary liquidity shortages due to COVID-19 in 2020 through its SME Financial Support Program. Its loan balance as of August 2020 was KRW 180 trillion, the highest ever for the country's financial sector, while its market share reached the 23.06% mark in October—also a record. IBK duly fulfilled its role as a policy bank to act as a safety valve for SMEs by filling up financial gaps in the market.



Retail Finance Balance Exceeded KRW 100 Trillion, with the Number of Retail Customers Reaching 16 Million

Core deposits and retail loans led the growth in the bank's retail banking sector despite low interest rates and a reduction in the number of face-to-face transactions due to COVID-19. The bank's customer base grew following the success of the subscription economy, and the creation of other external alliances. By leveraging its SME base, one of its strengths, IBK also actively attracted SME workers, while supporting retail loans centering on low-income people.



Created Online and Mobile Apps for Micro Businesses to Apply for Loans

IBK built online and mobile infrastructures that micro businesses could access. Apps facilitated the entire loan processes, including guarantee applications, credit agreement documentation and loan executions, without requiring them to visit physical branches. This led to offering speedy assistance to micro business owners suffering from the COVID-19 crisis while also reducing workloads at its branches.



Won 2020 National Service Awards for i-ONE Bank

The i-one Bank, IBK's signature non-face-to-face channel, proved to be highly popular with customers by resolutely breaking away from authentication certificates and offering them the convenience of simple transfers and other financial transactions using only a six-digit password. The bank's digital competitiveness was greatly reinforced by adding a variety of convenient and easy-to-use features, such as a storytelling products mall, while retaining the strengths of its existing user interface (UI) and user experience (UX) that were newly renovated of late.

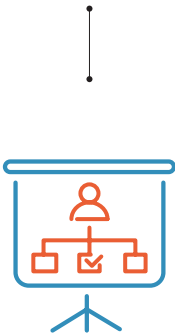


Introduced Voice Identity Verification Service

IBK's Voice Identity Verification Service uses people's voices as biometric identification such as fingerprints and the iris when they call the bank's Customer Center. Built by IBK for the first time in South Korea, the technology helps to shorten the time needed to deal with customers while also adding to their convenience compared to other forms of identification involving account numbers, passwords, and other information. The bank won the grand prize at the 2020 Global Finance Awards for it.

Launched Automatic AI Real Estate Analysis and Assessment System

IBK introduced South Korea's first-ever automatic real estate analysis and assessment system based on AI technology. It was designed to reflect the frequent changes in the government's real estate regulations in real time, as well as to reduce the many hours of work involved in collateral screening. The system can automatically calculate the maximum allowable amount of a mortgage within three minutes by analyzing the bank's internal regulations and publicly available real estate data as soon as an address has been inputted into it. This allowed the bank to dramatically improve its real estate mortgage loan procedures while also enhancing its work efficiency and its customer satisfaction levels.



Built a New Employee Evaluation Scheme

IBK reorganized its personnel management system reflecting the CEO's philosophy of conscious management. As part of this, IBK implemented new guidelines for employees working in remote areas by checking their commuting status based on registered information after a regular personnel reshuffle. Employees working in remote areas are now paid an extra allowance that takes their distance from their homes to their work and the amount of commuting that they have to do into account. Furthermore, an integrated personnel scoring system will be established based on qualitative evaluation figures centered on performance, competence and inclusion.

INVESTMENT HIGHLIGHTS

IBK preserved the leadership in the field of SME finance in 2020 through its steady increase in financial supports to SMEs, even despite falling interest rates and a rash of uncertainties caused by COVID-19. Meanwhile, IBK was still able to strengthen its foundations for sustainable growth with its proactive asset quality management.

The bank's net income exceeded KRW 1 trillion for the sixth consecutive year although it decreased by 4.1% to KRW 1,263.2 billion on consolidated basis. IBK's SME loans rose by 14.8%, for a net increase of KRW 24.1 trillion and their total value reached KRW 186.8 trillion, giving the bank a record-high market share of 23.1%. Most of this rise was due to loans to support micro businesses and SMEs undergoing difficult times due to COVID-19. The number of SME customers grew by 320,000 over the year, increasing IBK's potential for future profitability.



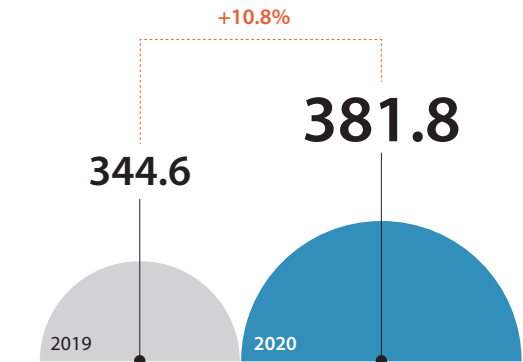
Growth

Expanding SME loans to secure stable growth

- Achieved an SME loan growth rate of 14.8% and a record-high market share of 23.1%
- Created new growth bases and profit opportunities by supporting SMEs and micro businesses during the COVID-19 crisis

Total Assets

(Unit: KRW trillion)



* Including trusts

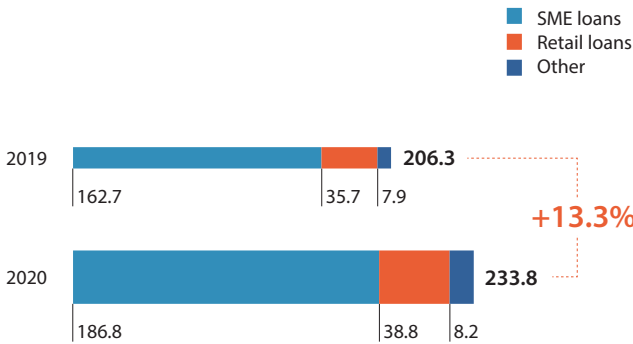
On a non-consolidated basis, IBK's total assets grew by KRW 37.2 trillion, or 10.8% from the previous year to reach KRW 381.8 trillion at the end of 2020. Given its role as a policy bank, IBK did not spare in either its qualitative or its quantitative financial support for SMEs and micro businesses facing temporary liquidity shortages due to the pandemic. As a result, the volume of SME loans grew by 14.8%, more than double that of an average year, while the SME loan market share reached 23.4%, the highest in its history.

The value of IBK's retail loans reached KRW 38.8 trillion, up KRW 3.1 trillion, or 8.7% from the year before despite tightening government regulations. This largest-ever performance in the retail loans sector resulted from the bank's active support for such inclusive finance initiatives as the New Hope Seed program targeting low-income end users.

IBK will continue with its support for SMEs and micro businesses in 2021 so that they will be able to weather the pandemic. This will include helping them with restructurings and reorganizations when and as necessary. As part of this, the bank will introduce Financial Doctor Service Program combining IBK's 60 years of experience and expertise in SME finance with cutting-edge data and digital technologies. The bank will also retain its position as the leader in the SME finance market by promoting stable and balanced growth.

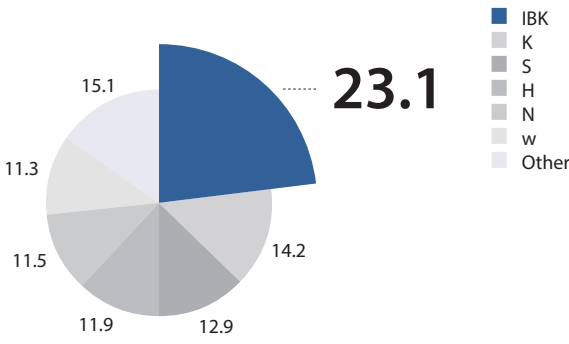
Total Loans

(Unit: KRW trillion)



SME Loans Market Share

(Unit: %)



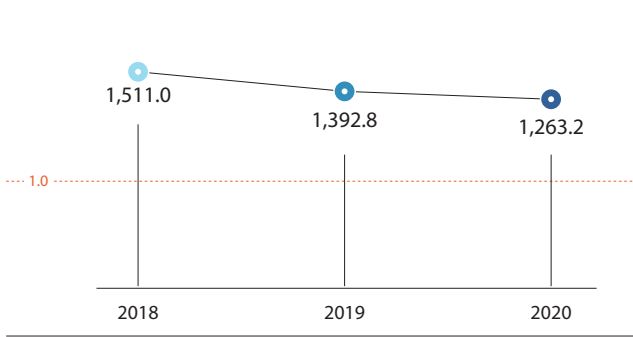
Profitability

Ensuring stable interest income with its expertise in SME finance

- Exceeded net income of more than KRW 1 trillion for the sixth consecutive year
- Posted interest income of KRW 5,175.4 billion despite declining interest rates

Net Income

(Unit: KRW billion)



IBK posted a net income of more than KRW 1 trillion for the sixth consecutive year in 2020 despite prolonged low interest rates and an economic downturn. On a non-consolidated basis, the bank's net income reached KRW 1,263.2 billion, a decrease of KRW 129.6 billion (or 9.3%) from KRW 1,392.8 billion the previous year. The main factor in this decrease was a KRW 766.4 billion decline in its operating profit due to decreases in its interest income of KRW 100.5 billion and in its non-interest income of KRW 766.4 billion.

Loans to SMEs increased by KRW 24.1 trillion to KRW 186.8 trillion because of its intense efforts to support them during the pandemic. This resulted in interest income of KRW 5,175.4 billion, in spite of a 28bp decline in the net interest margin (NIM) due to falling interest rates.

In 2021, despite the many economic uncertainties flowing from the ongoing ravages of COVID-19, IBK will further focus on supplying funds to SMEs. The bank will establish a virtuous cycle of funding that provides financial supports to SME so that they can evolve into a new growth engine for IBK in future. To ensure long-lasting sustainable earnings, ESG initiatives will be integrated to all its operations as well. On top of that, IBK will reduce the cost of fund raising by actively issuing SMIF and attracting core deposits.



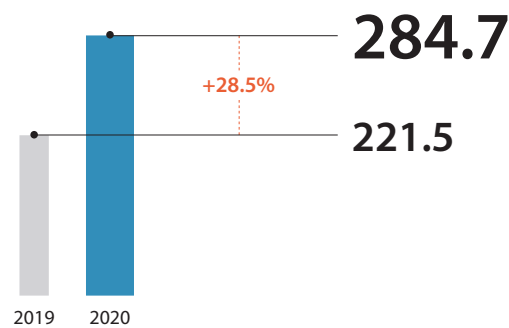
Enhancement

Diversifying profit structure by strengthening IBK's subsidiaries

- Increased contributions from subsidiaries to net income rose by 5% over the year
- Enhanced profitability through improved cost structures and deeper cooperation with subsidiaries

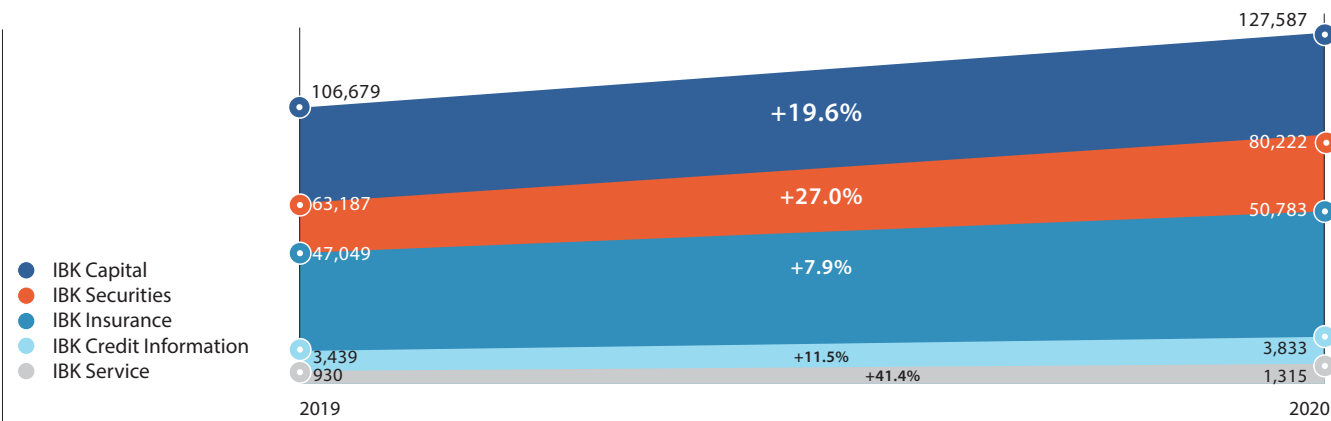
Net Income of Subsidiaries

(Unit: KRW billion)



Net Income by Subsidiary

In millions of KRW



* Based on non-consolidated basis for each subsidiary

On a non-consolidated basis, IBK's non-interest income fell by KRW 76.4 billion or 14.9% YoY to KRW 473.8 billion despite gains on disposals of its loan assets and securities expanded by KRW 47.5 billion and KRW 21.4 billion, respectively. Much of the reduction in non-interest income came from a decrease in its fee income. This in turn reflected increases in IBK's contribution to the Credit Guarantee Fund and deposit insurance premiums following a rise in its volume of loans and the average balance of its deposits.

IBK enhanced synergies with its subsidiaries, with its consolidated net income from them rising by KRW 63.2 billion (or 28.5%) YoY to reach KRW 284.7 billion. This was mainly due to rising fee income from IBK Securities and gains from securities held by IBK Capital, plus a boom in the stock market. The portion of IBK's net income from its subsidiaries to its overall total rose by nearly 5% YoY, evidence of the positive results of its efforts to diversify its revenue structure.

The competition from big tech and fintech companies is expected to intensify in 2021 as a result of an accelerating trend toward digitalization. In response to this, IBK will diversify its profit structure through innovative finance, particularly in terms of digital, mobile, and online platforms and services. It will also stabilize its earnings by creating new business opportunities in collaboration with its subsidiaries.



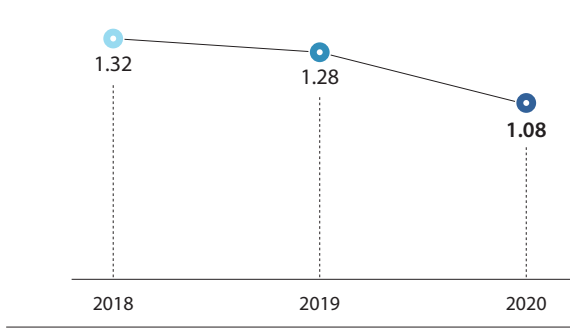
Stability

Improving asset quality by proactively managing non-performing loan

- Achieved a substandard-and-below loan (SBL) ratio of 1.08%, down 0.20% points from the previous year
- Maintained SBL ratio through preemptive risk management despite ongoing growth in its loan assets

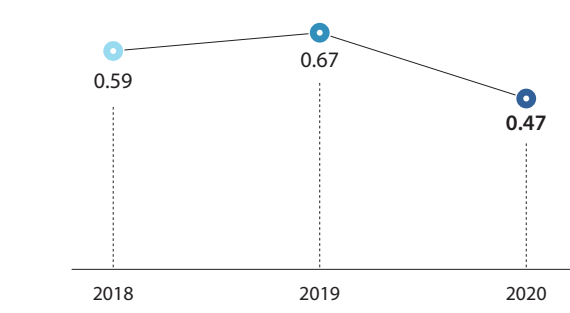
Substandard-and-below Loan Ratio

(Unit: %)



Credit Cost Ratio

(Unit: %)



* The 2020 figure excludes provisions for COVID-19-related loans. It is 0.61% when they are included.

The value of IBK's provision for credit losses (excluding other provisions) increased by KRW 16.3 billion YoY to KRW 1,495.3 billion. Its credit cost ratio at the end of 2020 decreased by 6 basis points to stand at 0.61%, its lowest level ever. This was occasioned by IBK's strategy of consistently monitoring and managing its loans portfolio and preemptively setting aside sufficient provisions to guard against future risks due to COVID-19. All the bank's key asset quality indicators showed improvements, mirroring its upgraded soundness level. Its delinquency rate decreased by 10 basis points to 0.37%, while the substandard-and-below loan ratio fell by 20bp to 1.08%.

Economic uncertainties are forecasted to persist well into 2021, including sluggish private consumption due to COVID-19. IBK will flexibly respond to this by upgrading its risk management levels by adopting advanced-level credit risk ratings which has been approved by the Financial Supervisory Service. Also, big data will be utilized to improve the accuracy of insolvency predictions. Companies with potential danger of insolvency will be quickly and accurately identified to reduce the volume of provisions, securing future growth foundations for IBK.



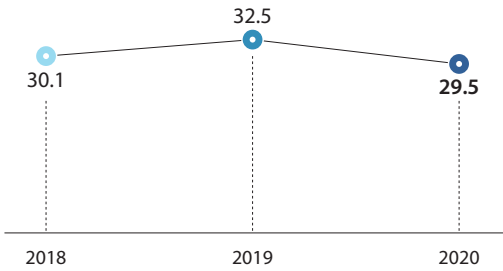
Capital Adequacy

Adding to profitability through improved capital adequacy

- Maintained stable BIS capital ratio, even exceeding the significantly above regulatory ratio
- Maintained a high dividend payout ratio by achieving stable profits

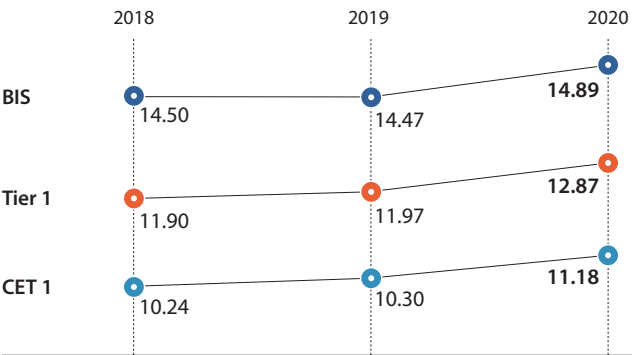
Payout Ratio

(Unit: %)



BIS Capital Ratio

(Unit: %)



IBK's total capital, Tier 1 capital, and common equity Tier 1 (CET 1) capital ratios stood at 14.82%, 12.82%, and 11.13%, respectively, based on the final draft of the Basel III standards at the end of 2020. The bank significantly exceeded the required regulatory ratios, including a total capital ratio of 10.5%, a Tier 1 capital ratio of 8.5%, and a CET 1 capital ratio of 7%. Its common equity capital was KRW 20,915.2 billion, an increase of KRW 2,755.8 billion from the previous year, mostly because of government investment worth KRW 1.268.8 billion and a consolidated net income of KRW 1.535.7 billion. Its additional capital measured KRW 3,157.7 billion, a rise of KRW 207.8 billion that was mainly caused by the issuance of KRW 400 billion worth of hybrid bonds. The value of Tier II capital was KRW 3,769.4 billion, down by KRW 636.1 billion due to a KRW 622.8 billion reduction in subordinated bonds booked as equity capital

Although the bank's dividend payout ratio fell slightly because of a decrease in its net income in 2020, it was still higher than that paid out by other banks, further increasing its investment value and attractiveness. IBK is committed to protecting the interests of its non-majority shareholders by paying higher rates of dividends.

HOW IBK THINKS ABOUT FINANCE

As IBK embarks on a new journey of 60 years, IBK redefined core values that finance should pursue. Finance should be supportive, providing a turning-point for customers to overcome financial difficulties and revamp for better future. Finance should be future-oriented to seek new opportunities both for IBK and customers with new innovation-based growth. Finance should be global. Customers, not only in home but also abroad, should be timely provided with supports for their needs. Finance should be easy, ensuring that all banking processes are accessible to all customers. Lastly, finance should be trustworthy. Customer's trust and sense of ethics should be firmly persisted for sustainability.

IBK has continued its primary role as a policy bank during the economic crisis endangered by the spread of COVID-19. IBK's efforts to alleviate customers' financial burden include increasing loan and easing the repayment requirements on existing loans. As a result, IBK became the first player in the country's banking sector to surpass KRW 180 trillion in SME loans and further strengthened its market dominance with a 23.1% market share.

FINANCE SHOULD BE SUPPORTIVE

Overcoming >
COVID-19
Together

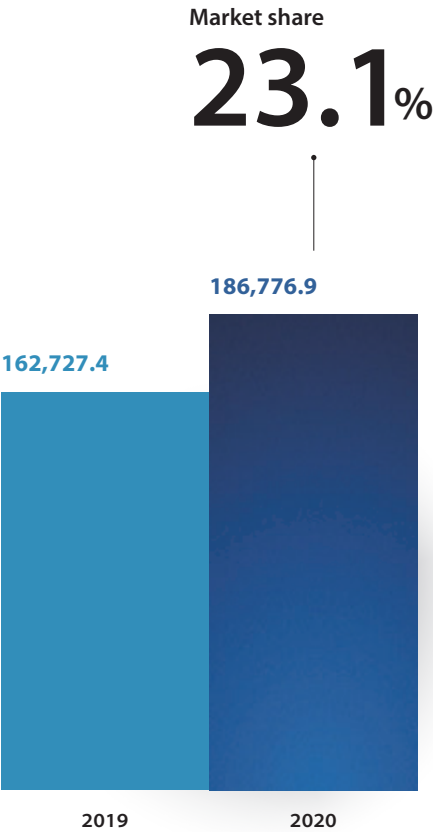
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FINANCE SUPPORT

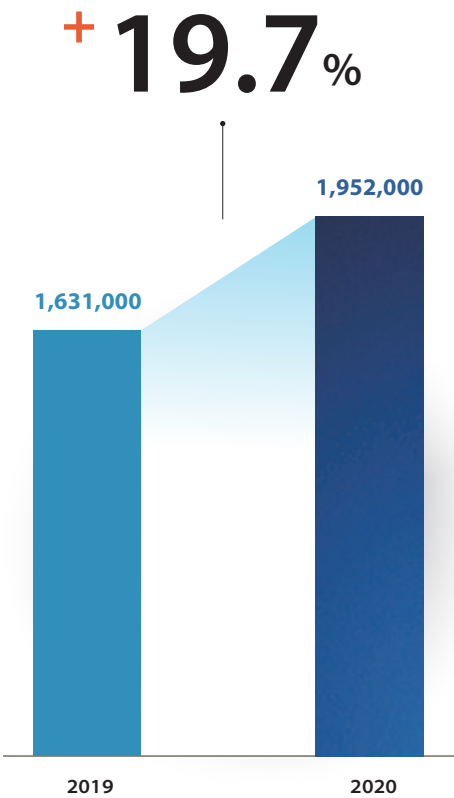
Overcoming COVID-19 Together

In 2020, IBK provided financial assistance worth KRW 24 trillion to SMEs and micro businesses experiencing temporary liquidity crises. The bank will continue with its custom-tailored financial support to help them overcome COVID-19 and be prepared to rebound after the COVID-19 while also adding to its non-financial support.

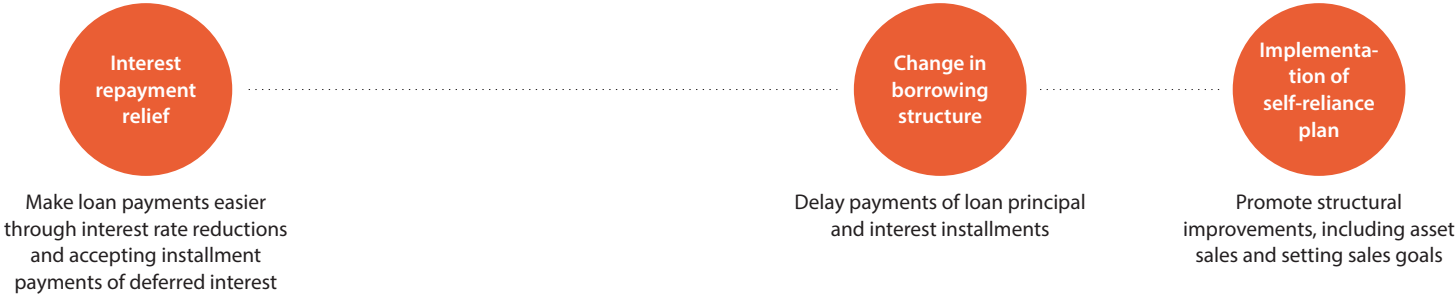
Loans to SMEs
(Unit: KRW billion)



Number of Corporate Customers



Soft Landing Support Program for SMEs



Innovative finance is IBK's core management strategy to help businesses innovate their operations and strengthen the bank's competitiveness, by means of responding to changes in the industrial structure of today and the future and meeting the financial needs of companies through innovation and creativity. In order to proactively carry forward innovative finance, IBK created an Innovative Finance Group and is taking the lead in supplying venture capital and fostering startups.

FINANCE SHOULD BE FUTURE-ORIENTED



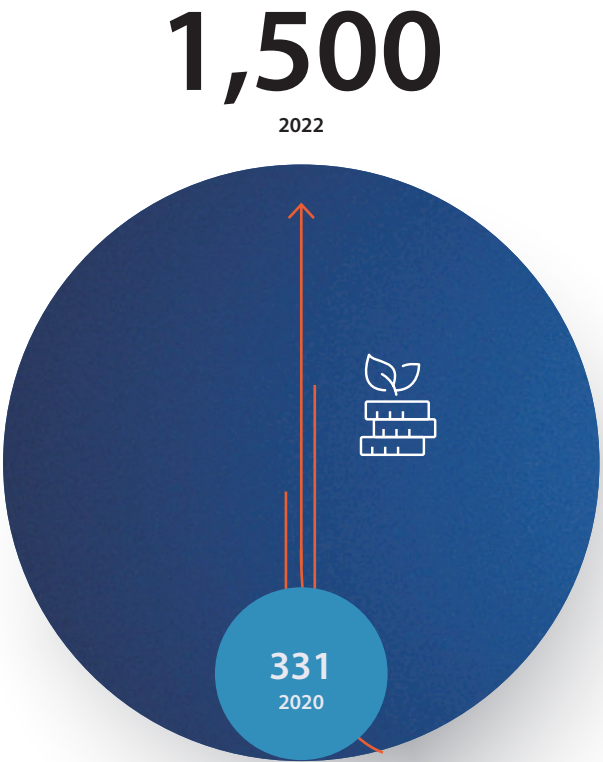
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FINANCE FUTURE-ORIENTED

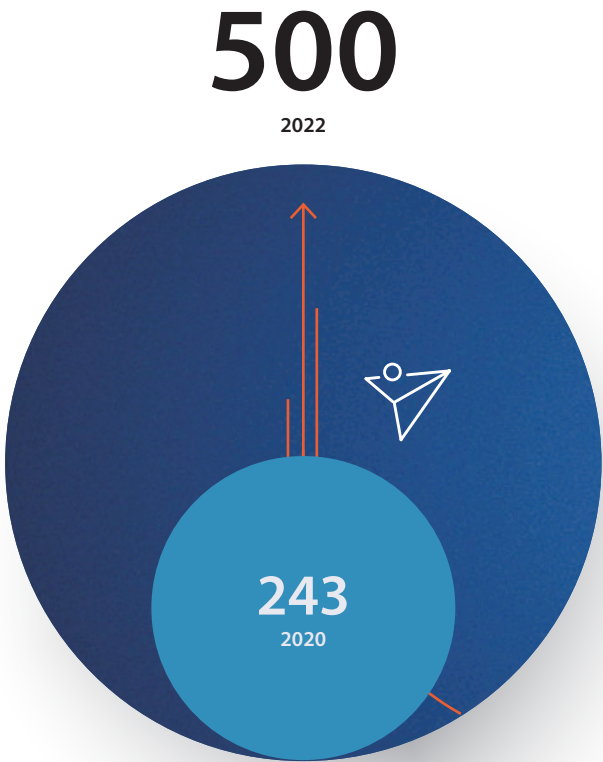
An Innovative Financial Partner

IBK is an active venture capital supplier that encourages the innovative growth of SMEs. Supplied total KRW 331 billion investments to promising venture companies in 2020, IBK plans to expand this to KRW 1.5 trillion until 2022. Also, IBK offers a variety of startup incubation programs through IBK Changgong to provide startup-tailored supports. The Financial Doctor Service program which automatically analyzes the conditions of SMEs and offer customized solutions will be launched in 2021.

Venture Capital Supply
(Unit: KRW billion)



IBK Changgong
(Unit: number of company)



Financial Doctor
Service Program



01
Automated SME
diagnoses

02
Analyses of corporate
management and
financial situations

03
Custom-tailored
financial and
non-financial support



FINANCE SHOULD BE EASY

IBK's strategy of bank-wide digital transformation makes finance easy and convenient. Through its overall digitalization covering customer interactions and internal operations, the bank increased customer convenience and raised the efficiency of its employees. It is also seizing the initiative in discovering new services, products, and business models by introducing innovative digital technologies such as AI and Big data.



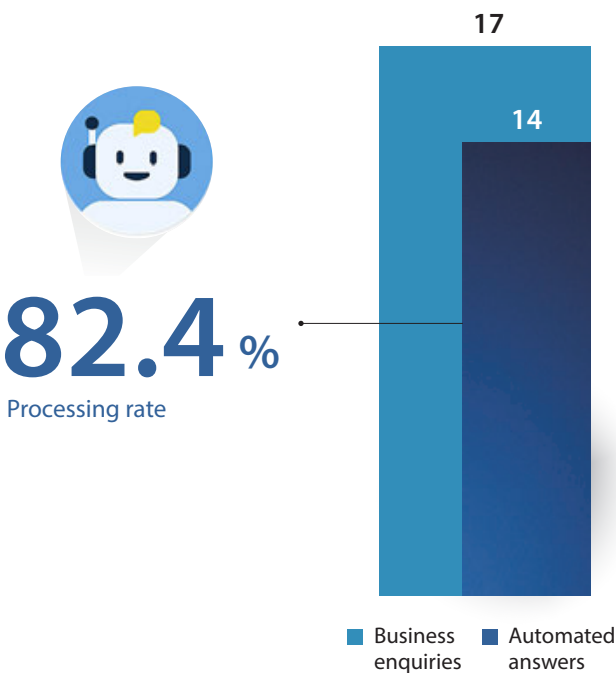
Accelerating >
Digital
Transformation

FINANCE EASY

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Accelerating Digital Transformation

Status of chatbot
(Unit: 10,000 cases)



Performance of IBK 1st Lab

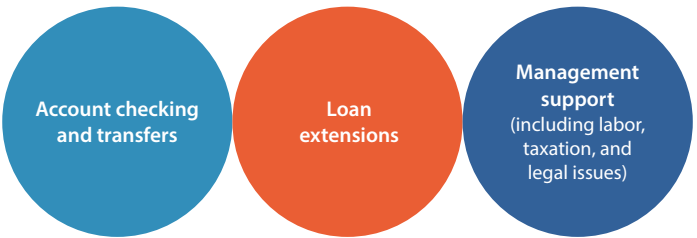


Utilizing AI technologies, IBK adopted Chatbot that automate most of the easy and repetitive tasks and this largely contributed to work efficiency improvements. Also, IBK strengthened collaboration with fintech companies through IBK 1st Lab, an innovation testbed, as a means of commercializing new products and services. Innovative digital infrastructure for micro businesses was also introduced which incorporates a number of services starting from loan execution/extension to business consulting services in a single app.

New Digital Platform for Micro Business



i-ONE Bank
i-ONE micro business



FINANCE SHOULD BE GLOBAL

With IBK's global slogan "IBK Goes Wherever Customers Go," IBK expanded its global network around countries where SMEs are actively enter. IBK is extending its supports beyond Korea to meet the demands of customers in overseas. IBK will realize its vision of becoming "The World's Leading Financial Group with Global Competitiveness" by assisting the success of customers both home and abroad with its expertise and know-how in SME finance.

Expanding >
Global Reach

BUSINESS
REVIEW

MANAGEMENT
REVIEW

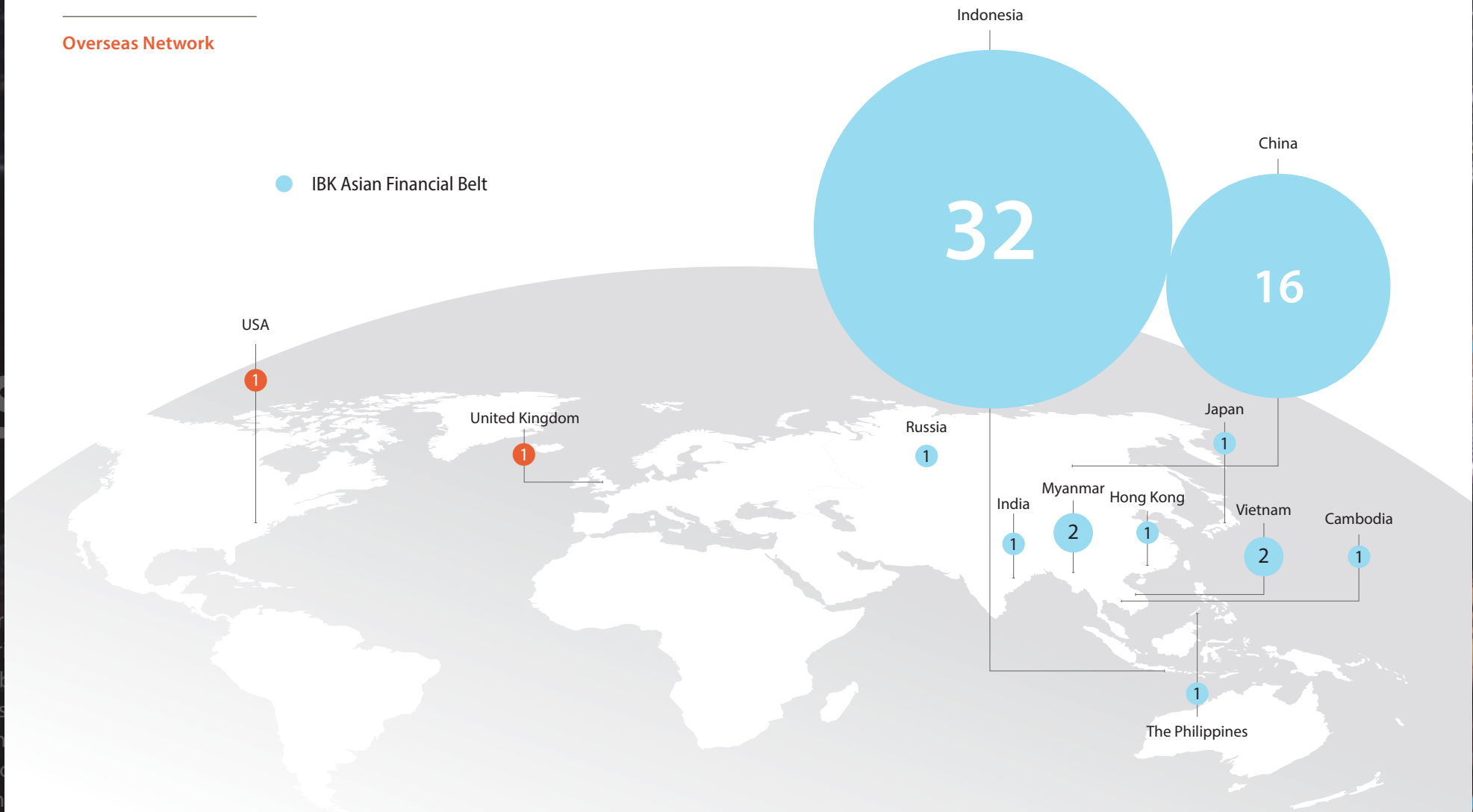
FINANCE GLOBAL

With IBK's global slogan "IBK Goes Wherever", IBK has actively expanded its global network around countries it actively enters. IBK is extending its supports to meet the demands of customers in overseas markets with its vision of becoming "The World's Leading Financial Group" by assisting the success of customers both home and abroad with its expertise and finance.

Expanding Global Reach

IBK completed its IBK Asian Financial Belt by acquiring final approval of establishing subsidiary in Myanmar in 2020, followed by its Indonesian subsidiary in 2019. IBK is also committed to provide assistance to SMEs for local financing at markets that IBK does not have a presence through strategic alliances with local banks. IBK will keep level up its global banking capabilities by diversifying its global strategies. Aside from geographical expansion, IBK will expand its global influences by commercializing and exporting IBK's SME finance know-hows.

Overseas Network



Growth in Overseas Presences



IBK 기업은행 파이낸스타워

FINANCE SHOULD BE TRUSTWORTHY

Earning customer's trust has been always prioritized in IBK's management principle. IBK fully complied with all applicable regulations and practiced management that always puts ethics and responsibility at first. Financial Customer protection group was newly established to put greater emphasis on protecting customer's interests. Going forward, IBK has been building sustainable business platforms by recognizing ESG initiatives as management paradigm.

Building a >
Management Culture
Based on Integrity

FINANCE TRUSTWO

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Building a Management Culture Based on **Integrity**

In line with ethical management practices, IBK enacted a Charter of Ethics that is commonly applied to the entire IBK Financial Group and this articulate the proper guidelines that employees should follow. In addition, Communication Postcards, an internal communication channel, was newly introduced to embrace diversity and strengthen respects of all employees, promoting open organizational culture. In 2020, IBK was also committed to social and responsible finance by issuing sustainable bonds and launching environment-friendly products.

Five Core Concepts of IBK's Charter of Ethics



Issuance of Sustainable Bonds



Number of Communication Postcards



A typical communication channel between the CEO and the bank's employees

Received **74** | Viewed **210,000**

BUSINESS REVIEW

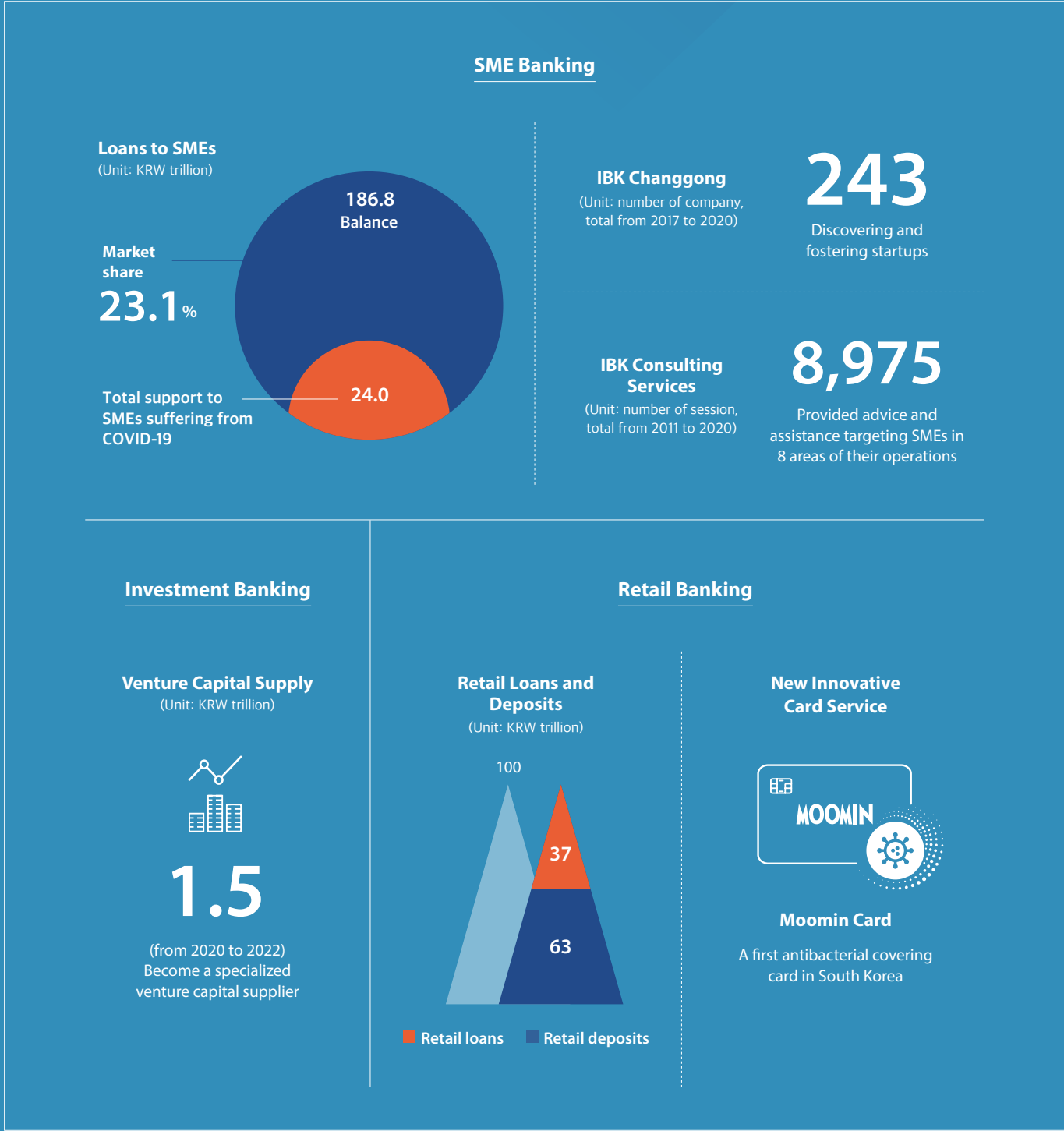
	LEADING INNOVATIVE FINANCE
35	SME Banking
44	Investment Banking
48	Retail Banking

	ENHANCING GLOBAL COMPETITIVENESS
53	Global Banking
56	Capital Markets

	PREPARING FOR THE FUTURE
59	Digital Transformation
64	Digital Banking Channel

LEADING INNOVATIVE FINANCE

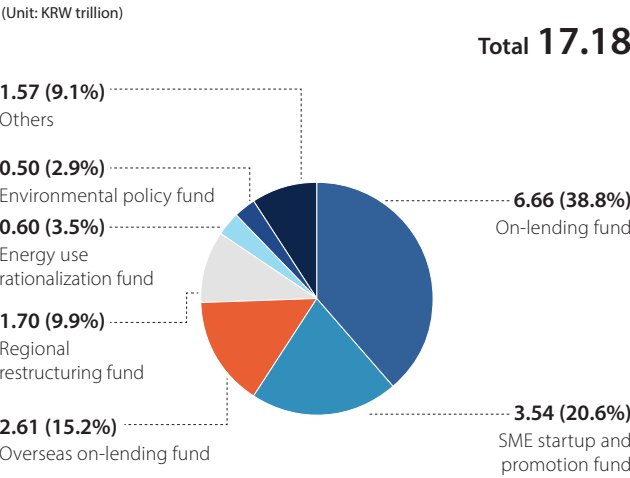
SME BANKING / INVESTMENT BANKING / RETAIL BANKING



Active Policy Fund Provider

With the aim of meeting the government’s SME promotion policies and enhancing productivity and competitiveness of SMEs, IBK provided a variety of financial supports through government finance and other means. As of the end of 2020, the bank’s SME policy finance balance was KRW 17.184 trillion, up KRW 787.3 billion from the previous year.

SME Policy Finance Breakdown



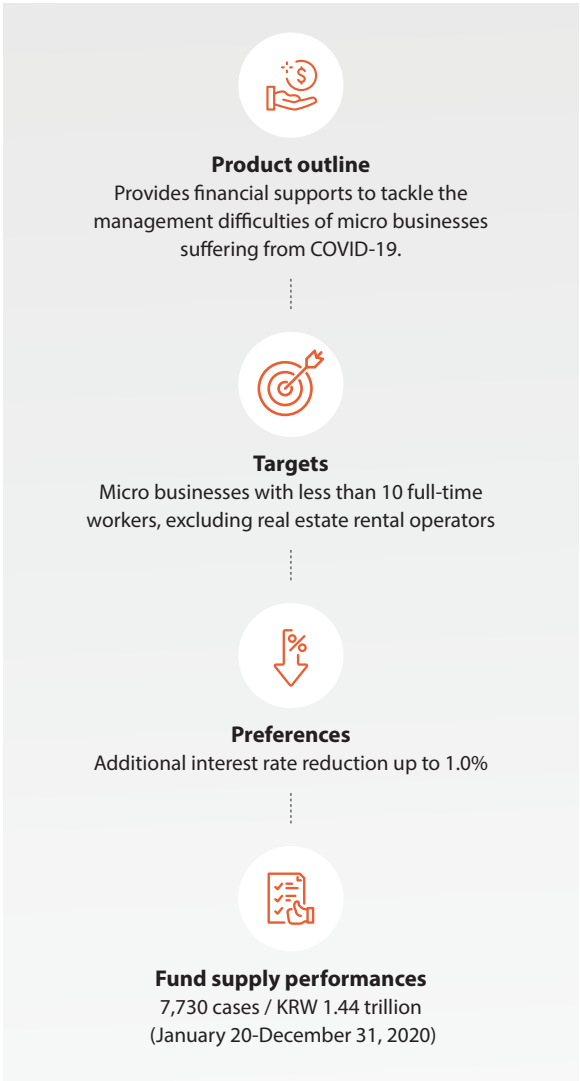
Major Policy Finance Products

	Financial resources	Details
On-lending fund	Policy banks (Korea Development Bank, The Export-Import Bank of Korea)	Provided KRW 2.53 trillion in 2020 to support SMEs, showing promising potential for future growth.
Overseas on-lending fund	Policy banks (Korea Development Bank, The Export-Import Bank of Korea)	Provided KRW 1.48 trillion in 2020 to support companies with experience in offshore projects and the import and export sectors.
SME startup and promotion fund	Small & Medium Business Corporation	Provided KRW 0.87 trillion in 2020 to support startups, and new growth foundation development.
Regional restructuring fund	Local governments	Provided KRW 0.31 trillion in 2020 to increase the competitiveness of local SMEs through facility improvements, lessen regional economic imbalances and nurture the growth of regional specialized industries.
Energy use rationalization fund	Korea Energy Agency	Provided KRW 105.5 billion in 2020 to support the supply of new and renewable energy sources, and the installation of energy-saving facilities needed for energy supply.
Environmental policy fund	Korea Environmental Industry & Technology Institute	Provided KRW 174.7 billion in 2020 to foster the growth of the environmental industry, install environmental pollution reduction and prevention facilities, and promote the increased use of low-emission vehicles.
Industrial accident prevention facility fund	Korea Occupational Safety and Health Agency	Provided KRW 52.1 billion in 2020 to help reduce the number of workplace accidents and promote safer and more pleasant and congenial work environments.
Information and communications promotion fund	Institute of Information & Communications Technology Planning & Evaluation	Provided KRW 10.1 billion in 2020 to foster the growth of the information and communications industry, including the development of technologies in the ICT and ICT-based convergence fields.
KITA trade promotion fund	Korea International Trade Association	Provided KRW 26.9 billion in 2020 to support SMEs participating in overseas exhibitions, and developing designs, etc. to pioneer new overseas markets.
Gas safety control fund	Ministry of Trade, Industry and Energy	Provided KRW 1.6 billion in 2020 to support improvements to the gas distribution structure, LPG supply, urban gas facilities, and inspection agency facilities.

Specialized Financial Support to Micro Businesses

IBK provided low-interest emergency funding to micro businesses affected by COVID-19 utilizing credit guarantees offered by guarantee institutions. Also, the Hanaeri Loan, IBK’s signature micro business support product, was expanded from KRW 1 trillion to KRW 1.5 trillion in 2020 as well.

The Hanaeri Loan



Emergency Financial Support Program for Micro Businesses

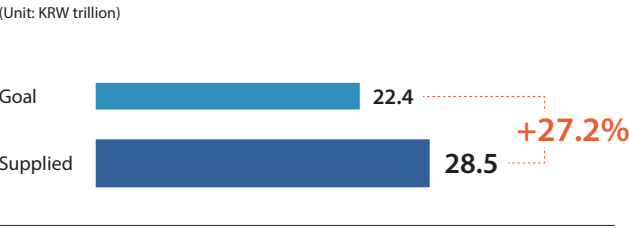
	First phase	Second phase
Agency	IBK (exclusive)	Twelve banks (including IBK, jointly with other commercial banks)
Performance amount (IBK disbursements)	KRW 7.8 trillion	KRW 3.5 trillion (KRW 0.7 trillion)
Performance cases	267,424	38,195
Implementation date	January 20, 2020	May 25, 2020

Fostering Startups and Ventures

To revitalize startup ecosystem and relieve financial difficulties that the majority of startups face, IBK took the lead in supplying funds to startups. Despite COVID-19, IBK faithfully served as a policy bank by providing total KRW 28.532 trillion to startups in 2020–witnessing the best supply performances in the history of the bank. IBK also assisted the growth of venture companies by providing them with financing worth KRW13.403 trillion, up KRW 845.1 billion over the year. This was mainly done by offering custom-tailored special products with low-interest-rate funds to venture companies displaying innovativeness and growth potential.

IBK will continue supporting the operations of innovative, technology-based startups and venture companies in 2021. More than KRW 20 trillion will be supplied to assist companies that show leadership and a high potential for innovative growth in such areas as materials, parts, and equipment, as well as Industry 4.0 and those engaged in *Korea New Deal* business sectors. The bank will also strengthen its support for venture companies with high capacity for technological innovation and future growth, by expanding the IBK Venture Loans package and revising the IBK Venture Investment Matching Loans program.

Financial Support for Startups



Proactive Asset Quality Management

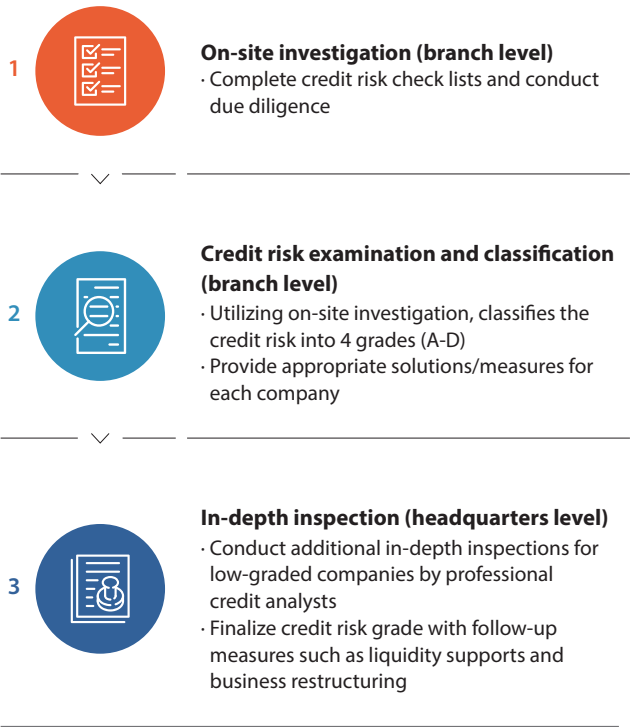
In July 2020, IBK carried out Special Credit Risk Checks, an urgent inspection to ascertain the credit risk level presented by 20,291 companies holding loans worth KRW 1 billion or unsecured loans worth KRW 300 million or more. This was to ensure timely soundness management following the advent of COVID-19. The exercise was conducted in three phases: on-site investigation, a credit risk examination and classification, and an in-depth inspection at its headquarters.

Furthermore, IBK readjusted the industry rating criteria for each business sector by reflecting the latest economic situation and the growth potential/profitability/soundness of each sector. As a result of exhaustive sector examination, 25 business sectors were upgraded, while another 33 were downgraded. IBK also elected 16 prime and 65 subprime sectors to promote the qualitative growth of loan assets through differentiated loan management. Of the subprime sectors, 26 were reclassified as being high risks and IBK proactively tightened its loan management to prevent any potential loan loss.

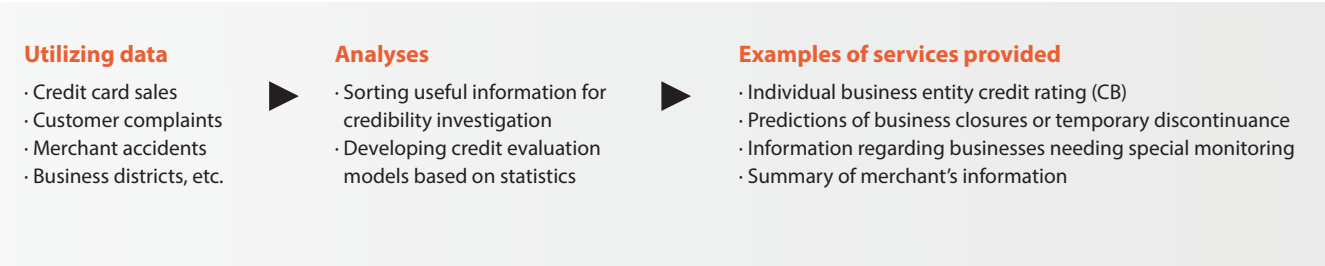
In 2021, out of the 1,032 companies that benefited from loan interest payment deferments, 683 companies, excluding 349 companies that completed asset quality review in 2020, will be given special credit risk checks to promote customized asset quality management. IBK will take adequate measures that deems to be necessary. The measures may include liquidity supports, linkages with the bank's consulting services, and restructuring.

IBK also plans to introduce an Individual Business CB Model in 2021 based on the merchant's information of credit card companies. The purpose is to ensure that up-to-the moment and accurate credit ratings can be determined for customers with insufficient credit histories. Noting that there is a difference in default rates according to the CB rating of the individual business entity within the same credit rating, IBK will reflect the CB rating of individual business entity in its loan review operations and in its calculation of credit limits. In addition, IBK will utilize real-time information regarding the sales patterns and illegal transactions in predicting potential insolvencies and in taking initial follow-up measures.

Special Credit Risk Checks Workflow



Individual Business CB Model



Non-Financial Supports to SMEs

IBK Changgong: Startup Incubation Platform

IBK Changgong is an innovative platform for fostering startups. With IBK's accumulated know-how, consulting capabilities and global networks, IBK Changgong provides differentiated benefits that cover all aspects of business, tackling difficulties that companies face at each growth stage. IBK has a dedicated organization, the Startup and Venture Support department, for the successful operation of IBK Changgong.

The platform was launched in December 2017 with an office in Mapo, Seoul, followed by a second in Guro, Seoul in January 2018 and a third in Busan in May 2019. It soon attracted a growing number of innovative startup companies, becoming one of the leading startup incubation platforms in South Korea's financial industry. IBK plans to find and foster differentiated technology-based innovative startups, by opening another location in the Daejeon area, where the top science and technology university KAIST, government-funded research institutes, and private research institutes of large corporations are concentrated, in the second half of 2021.

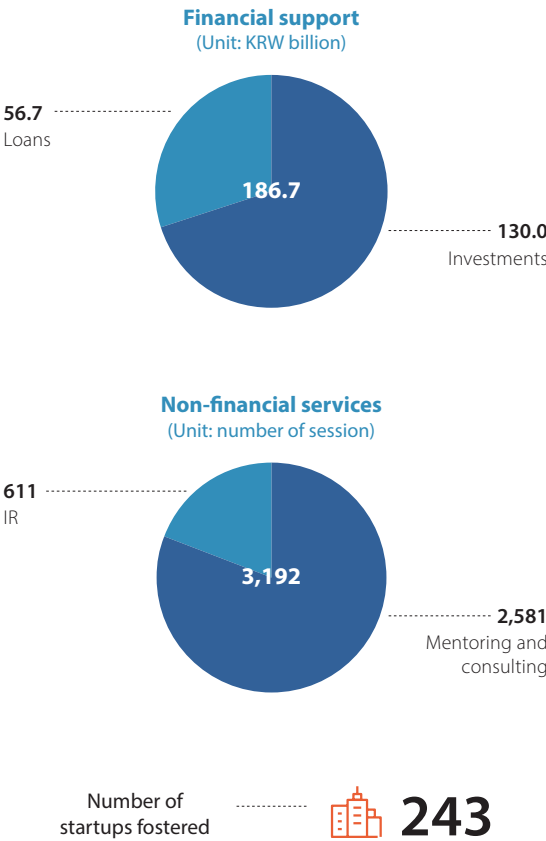
The bank is also preparing to launch an Online Changgong to complement its existing offline programs that could target only a small number of startups. It will allow more startups to receive high-quality Changgong programs and assistance in such areas as training and education content, online diagnoses, custom-tailored operating solutions, and online meet-ups.

Main Services

Investment and loan	<ul style="list-style-type: none">Investment review by IBK Financial Group for outstanding startupsGlobal investment brokerageSupporting the production of Korean / English IR data, etc.	Market development and marketing	<ul style="list-style-type: none">Supporting pioneering new market matching business partners with SMEs of IBK and IBK's global affiliated banksSupporting product/service promotionAssisting participation in domestic and foreign affairs, etc.
Education and mentoring	<ul style="list-style-type: none">IBK-type accelerating education program (Redefine business models, establish strategies to attract investments, design mid-to long-term business plans, provide lectures on financial accounting, etc.)Industry-specific expert mentoring by professional institutions, etc.	Consulting	<ul style="list-style-type: none">IBK Consulting services on accounting, tax, law, IP, etc.
		HR	<ul style="list-style-type: none">Job posting in employment portal operated by IBK (i-ONE Job)
		Office space	<ul style="list-style-type: none">Providing free work space

Performance of IBK Changgong

As of December 2020



IBK BOX: Specialized SME Digital Platform

IBK BOX is an abbreviated form of Business Operation eXpert. It is a comprehensive digital business platform that is designed to support CEO’s management activities. Its goal is to strengthen the competitiveness of SMEs in three main areas: financing, operations, and marketing. Since its launch in August 2019, IBK BOX had increased services to 26 as of February 2021. By the end of 2020, its total number of visitors was 769,650, with its number of affiliated companies reaching 33,632.

IBK will continuously launch new services and upgrade existing ones to enhance its competitiveness. New services will include discounting electronic bills, assisting in applying employment subsidies and managing uncollected receivables etc. In the case of the Innovative SME Investment BOX platform, where companies wishing to attract investment can conveniently apply for non-face-to-face investment, will be upgraded to allow not only the IBK Financial Group but also external investment institutions such as VC and AC to participate in investments.



IBK BOX Services

Financing	Operations	Marketing
<div></div> <div>Innovative SME investment BOX Integrated investment application in IBK, IBK Capital, and IBK Securities with single registration</div>	<div></div> <div>BOX POS Card payment service which enables SMEs to use their smartphones to receive card payments by installing the app. (Wireless credit card reader)</div>	<div></div> <div>Market development Matching trading transactions between foreign leading companies and SMEs of IBK through global affiliation that IBK possesses</div>
<div></div> <div>Policy fund Automatic recommendation on policy funds based on customer’s registered information and support for the preparation of applications</div>	<div></div> <div>Attendance management Comprehensive HR management including checking employees’ entries and exits, commutes, working hours, etc.</div>	<div></div> <div>Producer network Connecting SOHOs/startups with factories that have large production facilities to commercialize their ideas</div>
<div></div> <div>Loan BOX Online-based loan process (application, limit calculation and execution, etc.) without visiting a branch and submitting necessary documentation.</div>	<div></div> <div>Fund management Financial briefing report by comprehensively organizing the account balances and transaction details of all banks and card companies on a daily basis.</div>	

IBK Consulting Services: Custom-tailored Advisory Services for Each Growth Stage

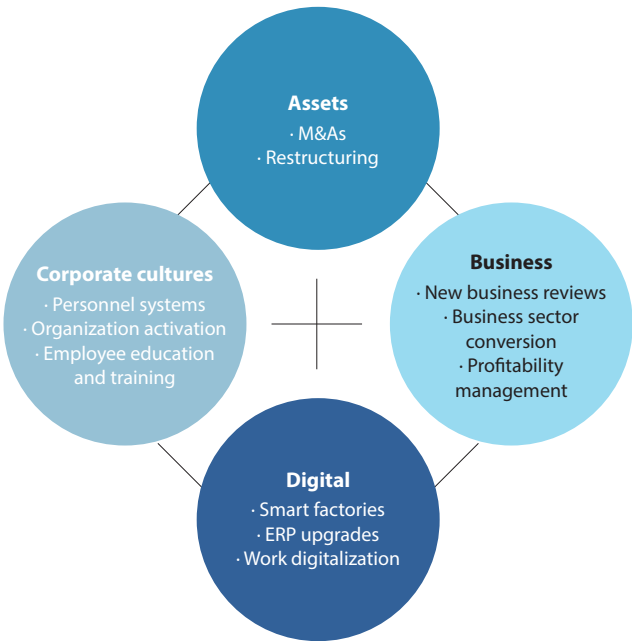
IBK’s consulting team, comprised of more than fifty industry leading experts, including certified public accountants, licensed tax accountants, and patent attorneys provides consulting services that are specialized for SMEs. A grand total of 8,975 SMEs have taken advantage of the service since 2011.

The bank launched a program called Innovative Transformation Consulting. Designed to help SMEs deal with structural difficulties, the program offered consulting services to 157 companies on M&As, new business reviews, personnel management, digitalization and other necessary areas to back up business turnaround. IBK also provides a specialized service called Comprehensive Corporate Succession Consulting. As an integrated solution, it deals with corporate successions, covering tax-saving strategies, third-party disposals, M&As, IPOs, management strategies, and successor training and education. The service is designed to assist SMEs achieve smooth corporate successions and help them with their innovative growth.

IBK will continue supporting SMEs facing technological difficulties in 2021 through its Excellent Technology Matching Consulting program. The bank branches will be tasked with identifying the technology demands and staffs at the headquarters will carry out all the processes, including technology research and advice on knowledge transfers. IBK will also assist with supplying and commercializing state-of-the-art technologies by arranging matchups between highly-qualified research institutes and eligible SMEs.

Innovative Transformation Consulting Services

(Unit: consulting area)



SME Consulting

(Unit: case)	2018	2019	2020	Total
Business management	342	325	298	2,192
Family business succession	227	226	252	1,742
Taxation	284	275	296	2,100
Accounting	148	176	181	1,041
M&As	-	100	64	164
Legal affairs	48	53	54	414
Eco-business affairs	30	13	29	434
Other	87	69	70	888
Total	1,166	1,237	1,244	8,975

Providing a Venue for Exchange among SMEs

Entrepreneurial Hall of Fame

IBK has selected entrepreneurs who have contributed to the development of the national economy by growing their companies into high net-worth enterprises with an entrepreneurial spirit as inductors to the Entrepreneur Hall of Fame since 2004. A total of 36 entrepreneurs have been inducted on seventeen occasions. In 2020, Chairman Lee Kwangwon of Nungwon Metal Industries, a manufacturer of copper tubes and coils boasting the fifth largest market share in the world and the largest in South Korea, was the latest entrepreneur to be inducted.

IBK Best CEO Club

IBK founded the IBK Best CEO Club in 1993 to promote exchanges among the CEOs of the SMEs and the club currently has about 1,300 members. The Club operates a number of programs, including educational seminars and regional branch gatherings, to increase exchanges and share information among its membership.

IBK Female CEO Club

IBK launched the IBK Women's CEO Club in 2012. Its goals are to strengthen the leadership and management abilities of female CEOs. The club, which is presently composed of about 260 members, carries out a wide range of programs, including celebrity lectures and visits to blue-chip companies.

IBK Rising CEO Club

IBK founded the IBK Rising CEO Club in 2005. It was formed to strengthen the leadership and management capabilities of young entrepreneurs, brimming with ambition, enthusiasm, and a spirit of challenge. Currently consisting of about five hundred members, it operates a number of worthwhile programs, such as celebrity lectures \ visits to industry-leading companies, and regional meetings and conferences.

IBK plans to introduce a number of forward-looking customer management initiatives. A number of virtual seminars and lectures on diverse fields including economics and business management, the Humanities, and healthcare are in preparation for the prolonged the COVID-19 pandemic. Moreover, IBK will focus on developing digital platform and discovering contents to furnish interesting news items and deliver key issues to the members of various clubs through the mobile community. While, the Entrepreneur Hall of Fame will also be digitalized to store vast quantities of content and display.



1. 2020 entrepreneurial hall of fame induction ceremony
2. 2020 IBK female CEO club seminar

Leading SME Job Creation

IBK Job Creation Programs

Starting with SME Youth Employment Project in 2009, IBK has focused on job creation businesses to address the labor shortage of SMEs and youth unemployment. IBK is also promoting a mid-to-long term program called the 100,000 New Job Creation Project, which aims to create at least twenty thousand new jobs every year from 2018 to 2022 by matching skilled young job seekers with SMEs needing hard-working staffs. A total of 62,405 job seekers were matched with SME employers through this project in 2020. The bank also held four job fairs in which all recruitment processes were carried out non-face-to-face in response to the COVID-19 pandemic for the first time in the financial industry.

Job Chaeum Fund

IBK raised the KRW 60 billion Job Chaeum Fund in 2018 to stimulate SME job creation activities. The fund subsidizes SMEs KRW 500,000 for every new full-time employee hired for more than three months. IBK has provided a total of KRW 10.4 billion in funding as of 2020. To resolve job mismatching, IBK is also initiating a program that can improve the awareness of the roles played by SMEs. The program includes offering people visits to leading SMEs and supporting SMEs in producing promotional videos.

i-ONE JOB Portal

The i-ONE JOB portal is a free recruitment portal site for SMEs run by IBK. With a one-stop hiring service, the portal enables SMEs lacking in HR recruitment abilities to engage in all facets of the hiring process, from posting job openings to receiving job applications and announcing the placement of successful candidates. The bank started an Online Employment Support Service for job seekers in 2020. This includes mentoring by experienced workers and the AI analysis of job seekers' resumes. i-ONE JOB Portal will bolster its presence as top SME jobs portal by increasing its number of job openings in collaboration with other institutions.

IBK plans to build the IBK Good Job Enterprise Support Model in line with its growing social role. A welcoming and inclusive jobs program will continue to be expanded and reinforced by supporting the recruitment of the socially underprivileged and encouraging the development of better-quality jobs at SMEs. For example, the bank will increase the amount of its recruitment subsidies for companies employing the socially underprivileged, support employment scholarships for specialized high schools, and promote SME awareness improvement projects. The bank will also strengthen its connection with the government's *Korean Version of the New Deal* project by carrying forward recruitment supports targeting New Deal companies. An IBK New Deal Job Fair will be held, and a New Deal Recruitment Center will be created within the i-ONE JOB website to help match skilled workers with New Deal companies.



1. 2020 SME online job fair
2. 2020 financial industry online job fair

IBK's 2020 Job Creation Projects

	100,000 job creation project (2018 - 2022) 20,334 employees in 2020 (total 62,450 employees accumulated from 2018)
	Virtual job fairs 252,000 visitors, 250 participating companies, 1,113 employees hired annually
	Job Chaeum fund KRW 5.542 billion to 669 companies in 2020 (total 10.389 billion to 669 companies accumulated from 2018)

INVESTMENT BANKING

Venture Capital and Technology Finance

Laying the Foundations to be Specialized Venture Capital Supplier

IBK supplied its largest pool of venture capital ever in 2020. Despite a marked reduction in the country's total SME venture investment market due to COVID-19, with the cumulative total edging up by only 0.6% over the previous year, IBK's contribution to the market surged by 26.8% YoY to a record-high KRW 330.7 billion. The bank is planning to supply a further KRW 1.5 trillion in its venture capital funding from 2020 to 2022, evolving into a key player in the VC field.

Future support will be especially directed toward companies boasting state-of-the-art technologies, and on SMEs engaging in innovation growth that have the potential to lead the industries of the future, including in the fields of cutting-edge manufacturing, energy, and knowledge services. The bank's focus will be on fostering technology-based companies, by taking advantage of IBK's strengths in technology information, infrastructures, know-how in SME finance, and other expertise.

Realizing Innovative Finance through Technology Finance

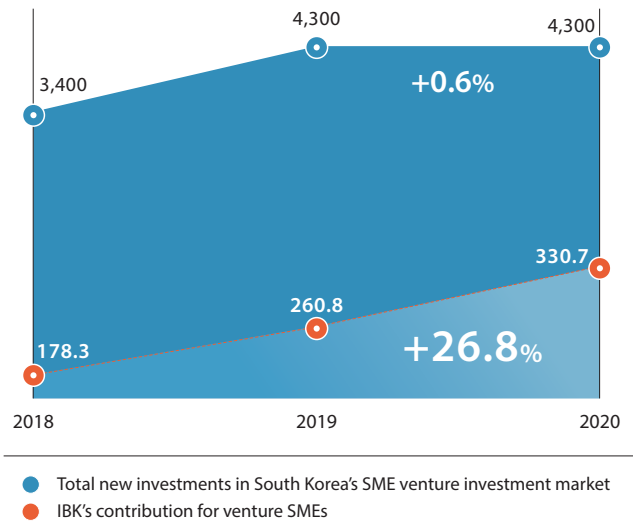
IBK began to support technology finance in July 2014, and comprised the banking industry's largest share in 2020 thanks to its focus on supporting companies with excellent technologies but which were having difficulties gaining financing due to COVID-19.

Technologies that companies possess are reflected in the loan review process by creating a comprehensive credit rating model that has integrated credit evaluation with technology assessment. In addition, IBK has been dedicated to identifying excellent technology companies (IBK Tech Companies), providing consulting on technology transfers and technology matching. Sharing the latest technology trends within the bank, IBK is further strengthening its competitiveness in the areas of loans and investment assessment.

In order to improve real estate-oriented mortgage practices, IBK has increased its involvement in the field of IP Commercialization Capital Loans, which uses intellectual property rights (IP) owned by companies as collateral. In line with the industrial paradigm shift, the bank is pursuing the essence of technology finance by supporting funds to companies with technologies and IP boasting

Total Supply in Venture Capital Market

(Unit: KRW billion)



30.6%

KRW 81.7 trillion worth of loans, the largest share in the entire banking industry's technology finance

high growth potential. The bank was committed to invigorating IP finance, and this assistance included offering companies interest rate reductions using their patents as collateral and subsidizing them with the patent valuation cost. As a result, the bank supplied support of KRW 290.9 billion, the highest level in the country's banking industry, in 2020.

IB and Project Finance

Supporting SMEs by Invigorating Investment

Having been collaborating with guarantee institutions to help companies issuing P-CBOs (Primary-Collateralized Bond Obligations) by granting credit lines, IBK continued to faithfully act in its role as a primary policy bank during the COVID-19 crisis in 2020.

A grand total of KRW 1.907 trillion was funded last year, supporting 861 companies in the midst of liquidity crisis. IBK also paid particular attention to its own profitability and stability by focusing on the acquisition of high-quality assets, while maintaining the lowest-ever level of loans rated precautionary and below through preemptive asset quality management.

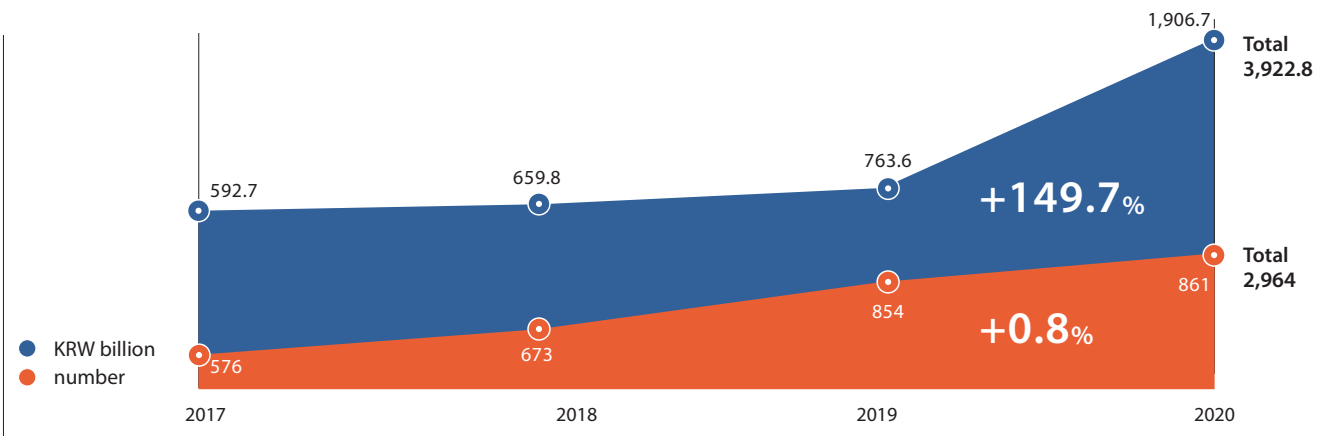
IBK's plans for 2021 will be focused on discovering promising new growth engines and consolidating its IB revenue base. In keeping pace with the growth in the global alternative investment market, the bank will prepare for new growth drivers by expanding its investment interests from a portfolio centered on foreign currency bonds to one that includes alternative investment assets. IBK is also planning on strengthening its mid- to long-term earnings by increasing its activities in the securitization of profitable businesses, in large M&As, and in high-return, foreign currency bonds.

Project Financing to Fulfill Social Responsibilities

IBK arranges large-scale business projects and public offerings through real estate finance, hybrid finance, and rental and leasing finance mechanisms. In its role as a state-run financial institution, IBK also participates in project financing committed to social responsibilities, promoting infrastructures such as knowledge industry centers and industrial complex development projects that can strengthen the economic activities of SMEs. In spite of the extremely unfavorable operating conditions brought on by COVID-19, IBK posted a stable operating income with a 0% precautionary-and-below ratio for the third consecutive year in 2020.

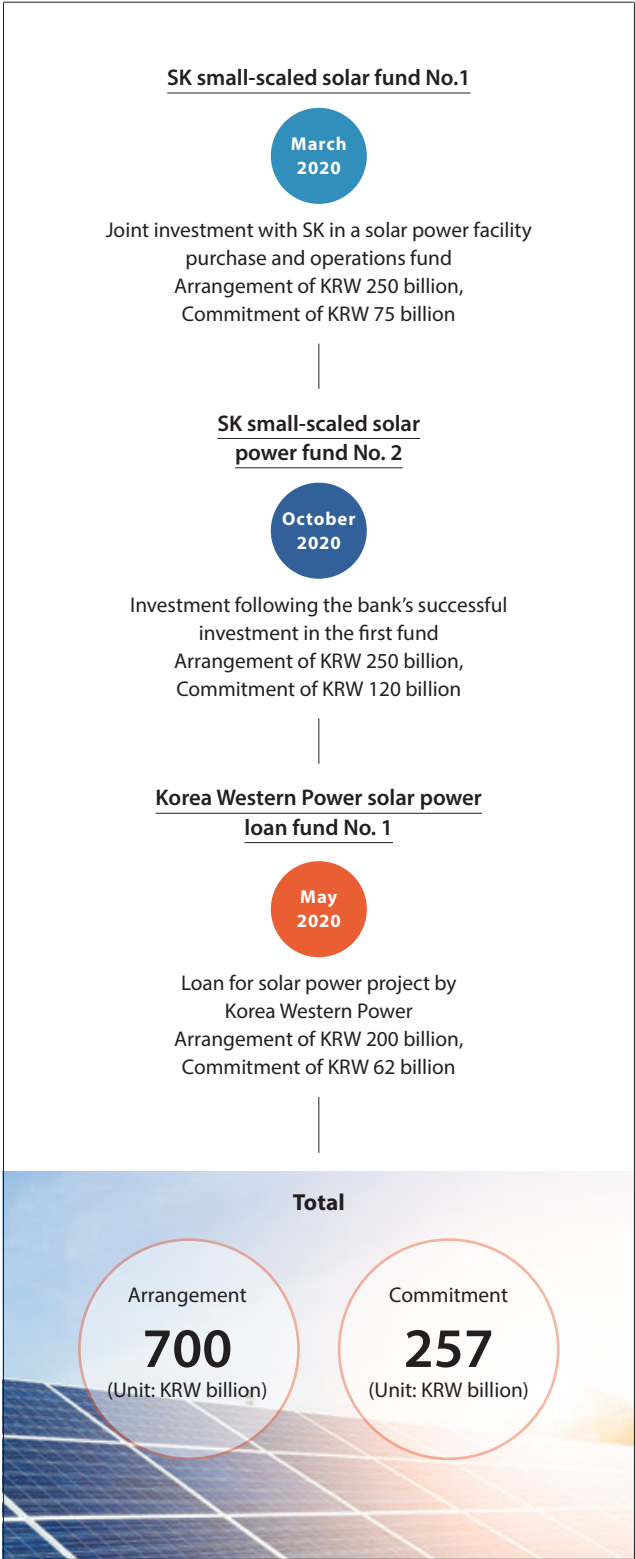
The bank enhanced its IB status and added to its competitiveness in 2020 by becoming the first player in South Korea's financial industry to invest in data centers, a new-growth industry playing an important role in the Fourth Industrial Revolution. IBK also consistently provided strategic project finance in an effort to lead financial innovations and future financial markets by contributing to the creation of logistics centers, which are essential to non-contact industries.

P-CBO* Issuance Support



* P-CBO (Primary-Collateralized Bond Obligations): asset-backed securities issued on the basis of cash flows generated by pooling corporate bonds that have been issued by companies.

New and Renewable Energy Projects in 2020



IBK also strengthened its new revenue bases by activating investment in the new energy sector. Having played a prominent role in the government's *Green New Deal* program, IBK actively promoted the growth of low-carbon, eco-friendly, renewable energy projects. IBK also secured its new growth drivers and maximized non-interest income by increasing its investment in a number of photovoltaic energy projects.

In 2021, in order to nurture competitive SMEs and revitalize local economics, IBK will keep investing in industrial complexes and knowledge industry center, and IBK will also participate in large public offering projects that will be carried out by promising, companies for business stability. Along with this, IBK will create real estate blind funds and increase its equity investments in REITs to secure dividend income and PF arrangement rights. Finally, a Global IB Desk will be established for IBK's global PF business expansion.

"Deliver Us from Evil" movie poster



Creative Content Finance

A Leader in Fostering the Cultural Industry

IBK is specialized in assisting SMEs in the cultural content industry that have the capacity to drive future economic growth. The cultural content financing department funded KRW 4. 7 trillion worth of investments and loans since its establishment in 2011.

Although the country's cultural content industry faced a number of challenges in 2020 due to the COVID-19 pandemic, many of the television and movie productions that IBK invested in achieved solid success, fully justifying IBK's superior status in cultural content finance. A prime example was "The World of the Married," whose 28.4% viewership rating was the highest among all the mini-drama series that aired last year. The bank also invested in movies called "Deliver Us from Evil" and "Peninsula," both of which passed their break-even point.

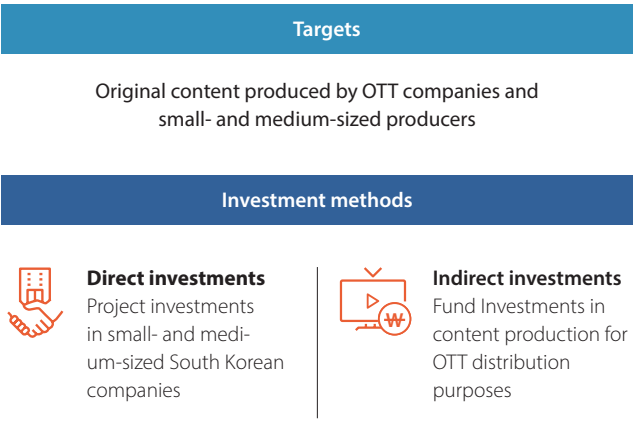
IBK is also positively supporting cultural content companies through its active loan supply. The bank assisted a number of cultural content players with overseas expansion plans and helped with the production of online and new technology convergence content by signing an "MOU on Activating Support for the Innovative Growth of K-content" with the Credit Guarantee Fund and the Korea Creative Content Agency. The bank is also a very active participant in the Interest Subsidy Scheme introduced by the Ministry of Culture, Sports and Tourism to support the government's policy of promoting the content industry.

IBK believes that the ongoing COVID-19 pandemic will force many changes in the country's cultural content market, including the polarization of film distributors and the increased consumption of virtual content. In order to cope with these changes, the bank is planning to engage in numerous MOU-type business agreements with major distributors in the cultural content field. The bank will

cooperate with major distributors in discovering outstanding projects, taking steps to increase the profitability of its investments (such as assigning priority rights during negotiations), and etc. IBK expects to establish strong, lasting, and effective relationships with its cultural content market partners, firming up its position as a worthwhile and very innovative financial industry player in the post COVID-19 era.

The bank will make investments in over-the-top (OTT) media services, a form of content that is offered directly to viewers over the Internet by bypassing such providers as cable, broadcast, and satellite. In response to dramatic changes in the media environment such as global OTT market expansion, IBK will drive more investments in original content produced by SME platform companies, which can secure intellectual property of domestic content and support commercialization.

Overview of Investments in OTT Content



Financial Assistance for the Cultural Content Industry over the Past Three Years

(Unit: KRW billion)		Investments			
Year	Loans	Direct	Indirect	Subtotal	Grand total
2018	602.4	20.5	5.5	26.0	628.4
2019	700.7	25.9	7.3	33.2	733.9
2020	1,193.2	19.0	3.1	22.1	1,215.3
Total	2,496.3	65.4	15.9	81.3	2,577.6

* Direct: Project investments + Equity investments / Indirect: Based on capital calls from investment associations

RETAIL BANKING

Retail Deposits

Expanding Retail Banking Customer Base

IBK's retail customer base grew by 240,000 from 2019 to reach 161.3 million in 2020. The bank has been building its retail customer base over the years, with its total number surpassing 16 million in about two years and five months since reaching 15 million in 2018. This growth was contributed to a number of efforts the bank made to attract more customers, such as holding online and mobile channel-centered events, increasing its number of subscription economy* payment accounts, and launching a new IBK Everyday Financial Service Account product.

Targeting customers with a lack of financial experience, IBK added more online financial literacy training programs. Online financial education content was created and posted on YouTube using easy-to-use, abbreviated URLs for teenagers of different age levels. IBK also established its pop-up branch equipped with portable systems to help customers with limited access to branches due to the pandemic to handle their banking business easily.

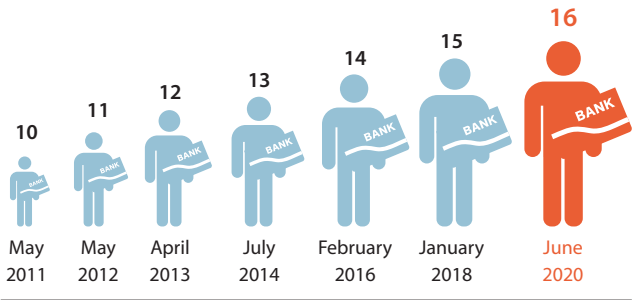
IBK will further strengthen retail customer base by adding more SME-centered retail finance services in 2021. Using a variety of marketing initiatives and SME finance know-hows, IBK will attract the CEOs and executives of SMEs and their families as IBK's retail customers. With the alliance of IBK and subscription service companies, customers who pay regular subscription service fees through their IBK accounts will be offered discounts and other benefits, and this will promote the mutual prosperity of IBK, SMEs, and their customers.

IBK will also offer enhanced services to customers with a lack of digital proficiency. Seniors, for example, will be able to use simplified forms and access documents with bigger fonts that they can read more easily. Steps will also be taken to secure future growth engines by upgrading the bank's mobile and online processes. More online content will be added, ranging from deposit product recommendations to account openings and maturity re-deposits to respond to the threat posed by big-tech and fintech competitors. In addition, the bank will offer a wider range of products and services, including mobile letters of authority and passbooks that can be used by members of mobile communities.

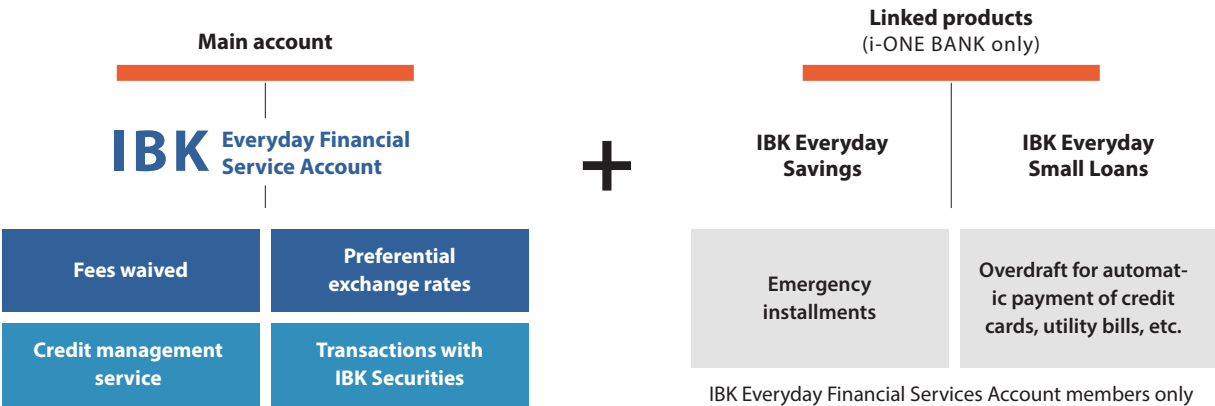
* Subscription economy refers to economic activities that use goods or services needed by paying a monthly subscription fee. Its targets are expanding to include automobiles and luxury clothing in addition to newspapers and beverages.

Number of Retail Customers

(Unit: million)



IBK Everyday Financial Service Account



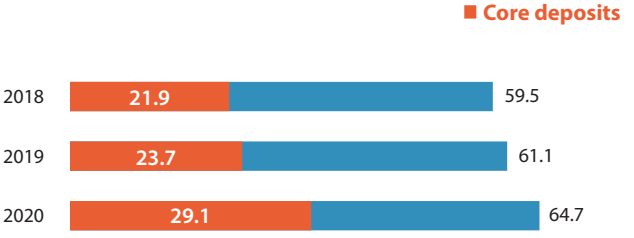
Lowering Fund Raising Costs by Expanding Retail Deposits

As the end of 2020, IBK's total retail deposits stood at KRW 64.7 trillion and it represents 10.6% of the total deposits held by six major commercial banks in South Korea. Core deposits saw a new rise of KRW 5.5 trillion to 29.2 trillion, due largely to increases in payment accounts (including automatic transfers) and new customers, and an abundant liquidity, all of which resulted in a heightened amount of low-cost funding.

IBK will strengthen its funding structure in 2021, with a particular focus on core deposits. Segmented marketing through customer analyses using MyData will be conducted to raise low-cost funds such as SME employees' salaries, old aged pensions and child endowments. Other efforts to attract more customers and deposits will include undertaking comprehensive analysis of the timing if fund inflows by customers and then providing them with optimal products.

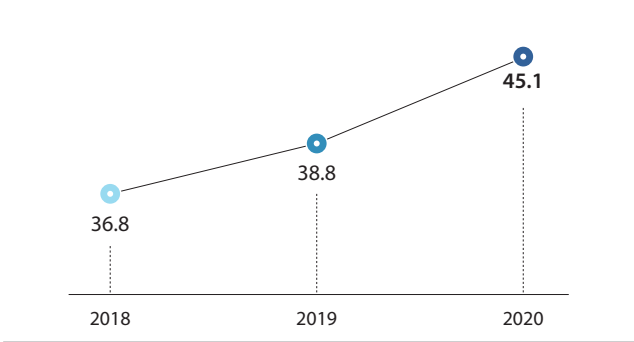
Total Retail Deposits

(Unit: KRW trillion)



Core Deposits to Total Retail Deposits

(Unit: %)



Retail Loans

Steadily Increasing Retail Loans

IBK's retail loans in 2020 were worth KRW 38,515.1 billion, up KRW 3,114.2 billion over the year. Mortgage loans accounted for KRW 23,306.7 billion, or 60.5% of the total, due to growth in the number of end user-oriented home lease loans. Credit loans, which are mainly provided to prime customers (high salary earners) and employees working in SMEs, grew by KRW 550.7 billion to reach KRW 6,844.6 billion.

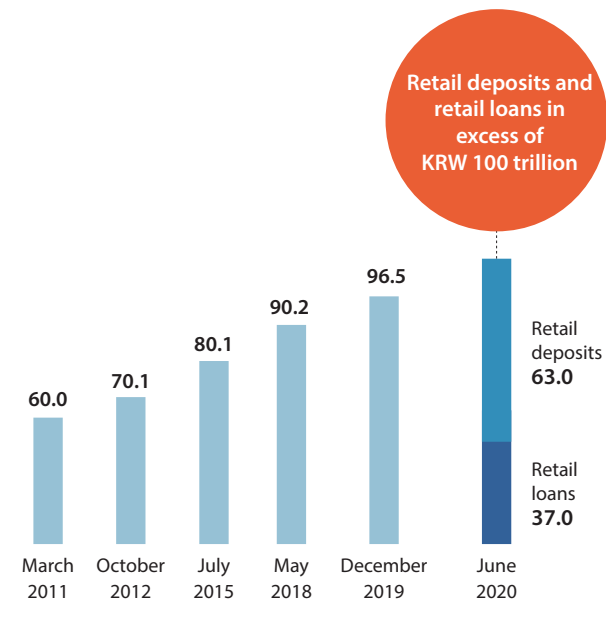
IBK started using an AI-based credit analysis and assessment system in 2020. The system is programmed to record information about the frequent changes in the government's real estate regulations in real time, and to simplify the work processes involved in collateral screenings markedly. For example, the system can automatically calculate the maximum permissible amount of a real estate mortgage loan in three minutes or less, by analyzing the bank's internal regulations and real estate public data, once an address has been inputted. IBK is also taking the lead in assisting the financially marginalized by launching a wide range of new products and special treatments which suit to their financial needs.

IBK has set a targeted increase in its retail loans for 2021 of KRW 2.8 trillion. The volume of retail loans in the banking sector has been increasing rapidly despite the government's stringent real estate policies. However, their growth will be controlled with the government's stricter measurements in the bank's retail loan management. In response to this, IBK will make improvements to its screening criteria regarding people's repayment abilities by carrying out every aspect of the government's household debt management policies impeccably, ensuring the soundness of retail loan management.

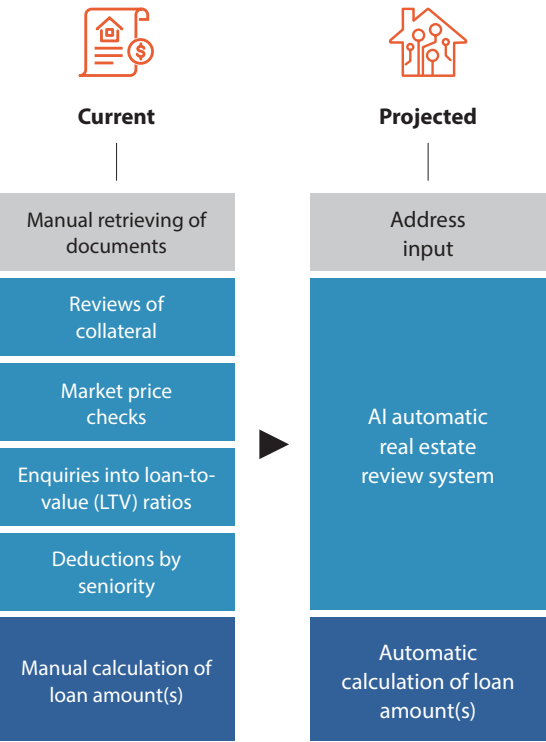
In addition, IBK will remain faithful to its role as a policy bank by continuing to support vulnerable and marginalized communities in line with the government's policy of total inclusivity. The bank's level of income stabilization assistance will be increased targeting low-income workers with children aged seven or under through an agreement with the Korea Worker's Compensation & Welfare Service. Other ways that the bank will continue practicing inclusive finance will involve adding more financial channels for low-income people, making more donations through the Korea Inclusive Finance Agency, and participating in small loan finance events.

Retail Deposits and Retail Loans

(Unit: KRW trillion)



Improvements to IBK's Real Estate Mortgage Loan Application Process



Private Banking

Building a Customer-centered Wealth Management System

IBK's Wealth Management services contribute to the growth of its VIP customers' financial assets by providing them with systematic investment strategies devised by its team of wealth management experts. IBK recently added seven more WIN CLASS branches with experts in the asset management service, bringing its total to 244. IBK also operates 18 one-stop WM Centers that customers can access for investment advice and to buy WM products either from the bank or from securities firms. IBK's system of internal controls was enhanced, preventing miss-selling, and employees' efforts to manage returns on investment products that customers purchased were evaluated on a trial basis with an aim to place top priority on the protection of customer assets. In order to meet the complex financial needs of its customers, the bank also offers an IBK First-class Service program that provides VIP customers with a wealth of investment advice and information from experts versed in every field of finance.

IBK will add to the attractiveness of its asset management operations in 2021 by targeting such potential new customers as SMEs and their CEOs and by broadening its range of services to better reflect IBK's strength in the SME customer base. The range of its IBK First-class Service will be also increased, and the bank's already high post-management rules and regulations governing its investment products will be strengthened to protect the rights and interests of customers even further.

Strategic Investment Products

Funds

In order to address a decline in face-to-face operations following the spread of COVID-19, IBK has created separate sales strategies for each customer group interested in purchasing funds. The bank will also continue offering theme-based products such as the New Deal ESG Fund, along with custom-tailored products aimed at specially-targeted customers. Its sales processes will be made more customer-friendly to further strengthen the protection of financial customers.

Bancassurance

IBK's bancassurance business specializes in selling insurance products tailored to each customer's needs. They include pension insurance for people who are aging, and savings insurance with a high ROI. IBK also added more online products to increase customer

convenience, and launched a number of new customer-oriented products boasting either high or fixed rates of return. The bank's plans for 2021 are to enhance its product lineup even more, including more online offerings and pension insurance, and protection-type insurance featuring a high interest rate to appeal to the country's growing population of seniors. The bank will expand customer convenience services such as the estimated pension amount calculation service.

Trust

IBK launched a new product called IBK Reliable Mutual Aid Trust to meet the ongoing financial needs of older customers in an age of low birth rates and aging populations. With IBK Reliable Mutual Aid Trust, customer can use products from funeral service company designated in advance, and the bank pays the cost directly with customer's reserves. IBK was also focused on enhancing its internal controls and its many different systems to ensure the safety of its customers' assets, and this involved establishing a sales inspection checklist for use with specific money trusts, and introducing an online Happy Call service. Its plans for 2021 include revamping its flagship products with a focus on stability, rolling out a new ETF Trust product that will function as a diversified investment vehicle befitting an era of low growth and low interest rates, and introducing a broad range of consumer protection programs and services.

Credit Card Business

Introducing Innovative Credit Card Services

IBK's credit card business had a very successful 2020, thanks primarily to the launch of new products and many innovative credit card services. The bank strengthened its profitability and soundness management to overcome a challenging operating environment both at home and abroad. These challenges included such factors as reduced rates of private consumption due to COVID-19 and intensifying competition in the payment settlement market owing to increasing growth in simple payment services.

Some of the new products that the bank developed in reaction to COVID-19 included the nation's first cards with antibacterial film on their surfaces. IBK launched the Daily With Card that combines specialized products and welfare services for SME employees, and the Moomin Card, which features the global "Moomin" character in linkage with an antibacterial-coated card. All the bank's cards are now equipped with antibacterial surfaces, making the lives of all their holders safer in an era of quarantine.

Moomin Card, which features the global "Moomin" character in linkage with an antibacterial-coated card



The bank also introduced a number of new and innovative financial services within its card business. For example, South Korea's first Corporate Common Card Simple Payment Service allowing up to one hundred people to register in the mobile simple payment service and the Simple Payment Instant Use Service that automatically registers cards on the Simple Payment app as soon as they have been issued.

IBK's plans for its credit card business in 2021 will focus on developing future growth engines, adding to its digital competitiveness, growing sales by responding to changes in consumption trends, increasing its support for SMEs, and enhancing its risk management systems.

The digital competitiveness will be improved by launching digital corporate credit cards and new growth businesses will be promoted in accordance with the government's *Green New Deal* policies. The rise in credit card sales will occur in line with three major consumption trends resulting from COVID-19: Distancing in Daily Life, Non-contact, and Stay-at-Home Economy. Added supports for SMEs will include launching a raft of new SME-oriented products and building an SME support fund card platform, while the bank's risk management system will be upgraded and enhanced to lessen the twin threats of credit card risk and losses.

ENHANCING GLOBAL COMPETITIVENESS

GLOBAL BANKING / CAPITAL MARKETS

Global Banking

Global Network (branches)

59

Building a global network in 12 countries, where Korean businesses have established a presence or are trying to enter

IBK Asian Financial Belt



MYANMAR

Reinforced IBK Asian Financial Belt by winning approval to establish subsidiary

The first foreign bank subsidiary in Myanmar

Capital Markets

Strengthening Social Finance



400

Issued hybrid sustainable bonds—a first in South Korea
(Unit: KRW billion)

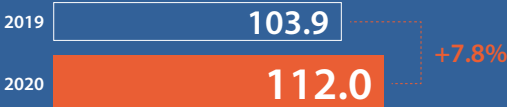


500

Issued social bonds to support SMEs affected by COVID-19
(Unit: USD million)

Posted Largest-ever Income in Trading

Income of KRW 112.0 billion in 2020, exceeding the KRW 100.0 billion mark for the second consecutive year



GLOBAL BANKING

Global Business

Continuously Expanding Overseas

IBK's motto is "Wherever SMEs are, IBK will be too." This especially applies to the bank's global banking operations, which are focused on countries where South Korean businesses have established a presence or are trying to enter. After starting in Vietnam, IBK expanded its network in Southeast Asia including the Philippines, Cambodia and India. The bank completed its IBK Asian Financial Belt' by entering Indonesia in 2019 and winning approval to establish a subsidiary in Myanmar in 2020.

Even in regions where it has yet to begin operations, IBK provides financing and other financial services to SMEs that are expanding overseas by entering into strategic alliances with major overseas banks through its global network in five Oceans and six Continents. IBK has formed relationships with seventeen such banks so far, including Uncredit in Italy and Santander in Spain, supporting USD 523 million in loans to a total of 1,733 applicants.

IBK will continuously broaden its global banking territory centering around regions where domestic SMEs continue to expand overseas. IBK is currently reviewing further advancement into Europe to keep pace with businesses in the field of Green New Deal industries



Financing is carried out through global strategic alliances with major overseas financial institutions in areas the bank has yet to enter.
(As of December 2020, cumulative total)

such as EV (Electronic-vehicle) and EVB (Electronic-vehicle battery) producers pioneering new markets in Eastern Europe. The bank will also convert its Vietnam branch into a subsidiary and install a loan assessment center there in order to strengthen its presence in Southeast Asia. In the mid-to long-term, the bank will expand its branch network with a special focus on India, Cambodia, and other emerging markets.



Myanmar head office



Enhancing competitiveness in Overseas Operations Despite COVID-19

IBK has been operating as a truly global financial player during the COVID-19 pandemic in overseas markets as well. Financial assistance the bank has provided include a Special Financial Support Program for COVID-19 Victims at Overseas Branches and a Financial Difficulty Consultation Counter, delaying repayments of principal and interest and lowering interest rates on loans for international customers. These efforts prove IBK's firm commitment to inclusive finance, not only in the domestic market but also in the global market.

Meanwhile, IBK's overseas branches managed to realize stable earnings in 2020 despite a number of difficulties. The bank's Chinese subsidiary focused on adding to its number of retail and corporate customers by launching products designed to appeal to a Chinese clientele and by adding more online and mobile channels. At the same time, Indonesian subsidiary developed a two-track marketing strategy targeting both South Korean companies and home-based enterprises to establish stable business foundations.

IBK's branches in more advanced markets such as New York, London, and Hong Kong diversified their holdings by adding more high-quality assets to their portfolios. This strategy involved issuing private placement bonds and attracting institutional deposits

using all the advantages present in such global financial hubs. In the meantime, branches in emerging markets turned the pandemic into an opportunity by developing non-contact marketing strategies. A prime example of this is that branches in Vietnam opened a custom-tailored online consultation center using Kakao, a representative online communication platform, and also built a remittance system that operates 24/7 to strengthen its online and mobile sales capacities.

Promoting Global Innovative Management

IBK has established a number of partnerships with international organizations as a means of diversifying how it enters the global market. For example, the bank added more trade finance operations targeting emerging countries by signing an agreement with the Asian Development Bank (ADB) in October 2020 regarding a trade finance guarantee program. IBK also successfully commercialized 60 years of experience and expertise, and actively pursued its ESG initiatives by delivering IBK's SME finance know-hows to banks in developing countries.

Increasing customer trust was a major goal of the bank's overseas operations in 2020, as was enhancing their competitiveness by developing new and innovative businesses. A financial consumer protection system was created to prevent financial malfeasance, and internal controls were strengthened by quickly responding to local rules and regulations (including improving its compliance program). The bank's ethical behavior guide was made available to all its overseas employees, while offering them training regarding prohibitions against accepting illegal solicitations and bribes.

Other steps that IBK took included strengthening its competitiveness in the field of digital finance, such as building a new global banking system to accommodate the eventual development of standardized overseas IT infrastructures. The bank also increased the efficiency of its work processes by digitalizing them and this involved the development of an electronic tax invoicing system, and an external reporting system. Customer convenience was also raised in Vietnam by adding more online and mobile services, such as expanding the IBK e-branch Vina, a digital fund management service, and implementing an e-Tax service to facilitate electronic tax payments.

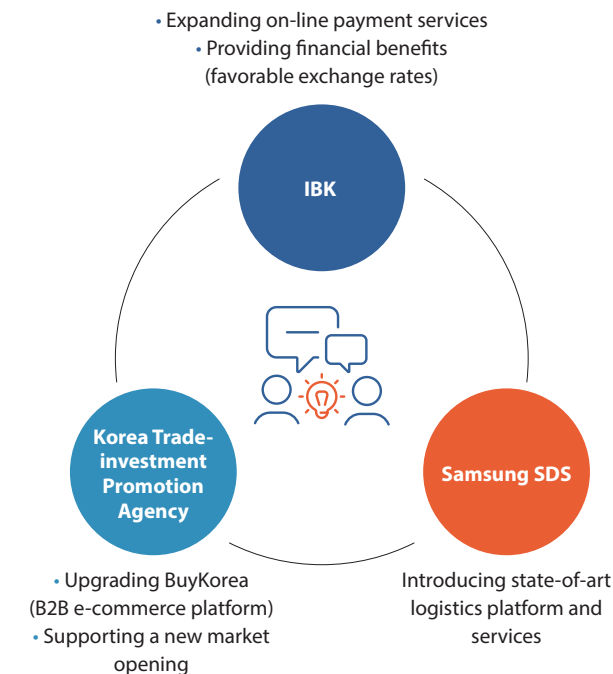
Trade Finance

Increasing the Competitiveness of Import and Export SMEs

IBK made a number of efforts in 2020 to assist SMEs engaging in the import and export business and trying to expand overseas in the face of COVID-19. As a result, the bank's FX operations posted USD 123.5 billion in revenue and KRW 134.1 billion in operating income.

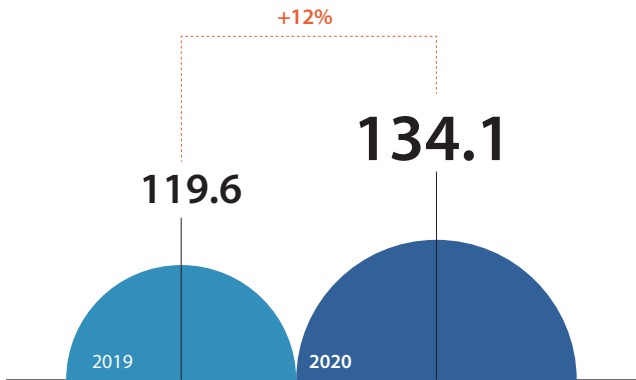
IBK's assistance to these SMEs included providing financial advice and preferential exchange rates and lower commissions to businesses that had been recommended by the Ministry of SMEs and Startups or similar organizations. IBK also worked with a number of overseas banks with which it had relationships with to hold an online import and export fair to help develop overseas markets for SMEs, collaborated with Amazon and similar players to host webinars on the topic of global expansion, and extended its support for an international sales settlement service targeting online shopping malls.

MOU for Online Export Innovations



FX Operating Income

(Unit: KRW billion)



In the meantime, special treatments such as extending the maturities of L/Cs, reducing interest rates on the delayed payment of export bills were offered to import and export companies suffering severe business downturns due to COVID-19, contributing greatly to their business management stabilization. Also, the customer satisfaction levels were raised, as did its decision to develop more on-line and mobile channels for use with the SWIFT Global Payments Innovation remittance service, the real-time tracking system of wire transfers. Other initiatives the bank undertook included establishing an Internet-based import and export payment program and sponsoring the 46 On-Tact IBK Trade Business Academy.

IBK strengthened its internal controls governing its foreign exchange operations. A system for preventing violations of its FX-related rules and regulations was developed, and more preliminary inspections of financial sanctions were added using Robotic Process Automation (RPA) technology. The bank also revised its terms and conditions concerning its foreign exchange operations-including those for Western Union money transfer to make them more customer friendly. Additional steps were taken to protect the assets of financial consumers by establishing a guidance procedure to prevent email hacking and fraud on both online and mobile channels whenever overseas remittances are being made. In addition, IBK is planning to develop a mutually beneficial, digitally-based program to assist exports by SMEs by concluding an MOU for on-line export innovations with the Korea Trade-investment Promotion Agency and Samsung SDS, the ICT arm of the Samsung Group.

CAPITAL MARKETS

Treasury

Diversifying Funding Structure

IBK issues small- and medium-industry finance bonds, or SMIFs, as a means of raising funds to support SMEs. Under the terms of the IBK Act, IBK is allowed to issue SMIF bonds worth up to twenty times its total amount of equity capital—much more than the three times that commercial banks are allowed. IBK is also permitted to raise funds at a lower cost than other commercial banks through the issuance of SMIF bonds. Funds raised by issuing SMIF bonds were used as financial resources for COVID-19 emergency loans and other loans.

IBK's capital market funding balance in 2020 increased by KRW 12.7 trillion compared to the previous year. The bank reduced its funding costs by issuing more SMIF bonds and, and strived to secure sufficient resources to continue with its supply of policy financing, by adding to the stability of its funding structure. IBK issued hybrid bonds (including subordinated bonds, KRW 90.0 billion worth of five-year bonds, and KRW 310.0 billion worth of ten-year bonds) in March in the form of sustainable bonds, a first in South Korea. These measures helped IBK to faithfully fulfill its role as a policy bank, while taking the lead in the revitalization of social finance.

In accordance with the *COVID-19-Related Financial Market Stabilization Plan*, introduced at the second emergency meeting of the Financial Services Commission on March 24, 2020, IBK made a KRW 500.0 billion contribution assisting medium-and large-sized companies in refunding their superior graded commercial paper to reduce instability within the money market caused by the pandemic.

IBK issued a USD 500 million social bond in the international capital market to provide financial support to micro businesses and SMEs suffering from the pandemic, fulfilling its social responsibilities. At the same time, IBK formed partnerships with other socially respon-

SMIF Bonds

(Unit: KRW trillion)



+12.7

IBK's capital market funding balance in 2020 increased by KRW 12.7 trillion compared to the previous year.

sible investing (SRI) institutions to diversity its foreign currency funding sources. In order to ensure stable foreign currency liquidity, the bank also added emergency fund raising sources by signing an additional USD 170 million credit line. In addition, the bank took advantage of its very healthy credit rating to issue a number of private placement bonds, flexibly responding to volatility in foreign currency liquidity despite external uncertainties.

Promoting Strategic Fund Management

Uncertainties in financial markets, both at home and abroad, are expected to increase in 2021. Some of the many factors that might affect them include what happens with COVID-19, policies of the new Biden administration in the United States, and rises or falls in interest rates. In response to this situation, IBK will solidify its funding base by achieving a proper balance between its retail funding and market funding operations. The bank will also strive to enhance its profitability by reducing its funding costs.

By utilizing the issuance of SMIF bonds that can raise funds at a lower cost, IBK will actively participate in ESG management activities. ESG bonds will be continuously issued to provide competitive financing to promising SMEs. Furthermore, the proportion of ESG bonds will be increased in the high-quality liquid asset portfolio to fulfill IBK's social responsibilities.

The bank will also be committed to managing liquidity and interest rate risks in the midst of worldwide economic uncertainties. The amount of its high-quality liquid assets will be adequately managed to stabilize the bank's liquidity control mechanisms in compliance with the Basel III requirements: liquidity coverage ratios (LCRs) and net stable funding ratios (NSFRs). The bank will also preemptively respond to changes in its net asset value and profits following changes in interest rates.

IBK will maintain a stable funding structure in its foreign currency holdings as well. In order to flexibly meet investment demands and market conditions, the bank will diversify its borrowings sources and means of funding. In addition, the bank's already-committed credit lines and other contingency plans will be continuously monitored to measure their effectiveness.

Besides, the bank will continue strengthening its funding capabilities, mostly by developing the skills and talents of employees with a pronounced potential for developing expertise in the areas of funds management and operations. These measures will be carried out as part of the bank's commitment to financing SMEs in its role as a policy bank.

Trading

Managing Market Risks for Import/Export SMEs

IBK took a number of steps in 2020 to manage its foreign exchange and market risks in the wake of the growing volatility caused by COVID-19. They included monitoring the transaction patterns of individual companies, offering them the benefit of both on-site and virtual consulting services, and then suggesting suitable derivatives trading options and other countermeasures to cope with changes in market prices. In-depth information concerning financial markets, such as the bank's MMS real-time exchange market information service and a twice-daily email service listing current issues in the financial market, was provided to customers.

IBK will expand more on-site market risk management information services that are custom-tailored to meet the needs of every customer. The bank also plans to attract SME loan-linked swaps so it can keep offering competitive interest rates on its loans. Plans are also in the works to hold seminars for customers, outlining its outlooks on economy and exchange rates and offering information regarding products for the management of FX risks.



296 cases

On-site consulting sessions for managing foreign exchange risk



Building Non-face-to-face Channels for FX Trading

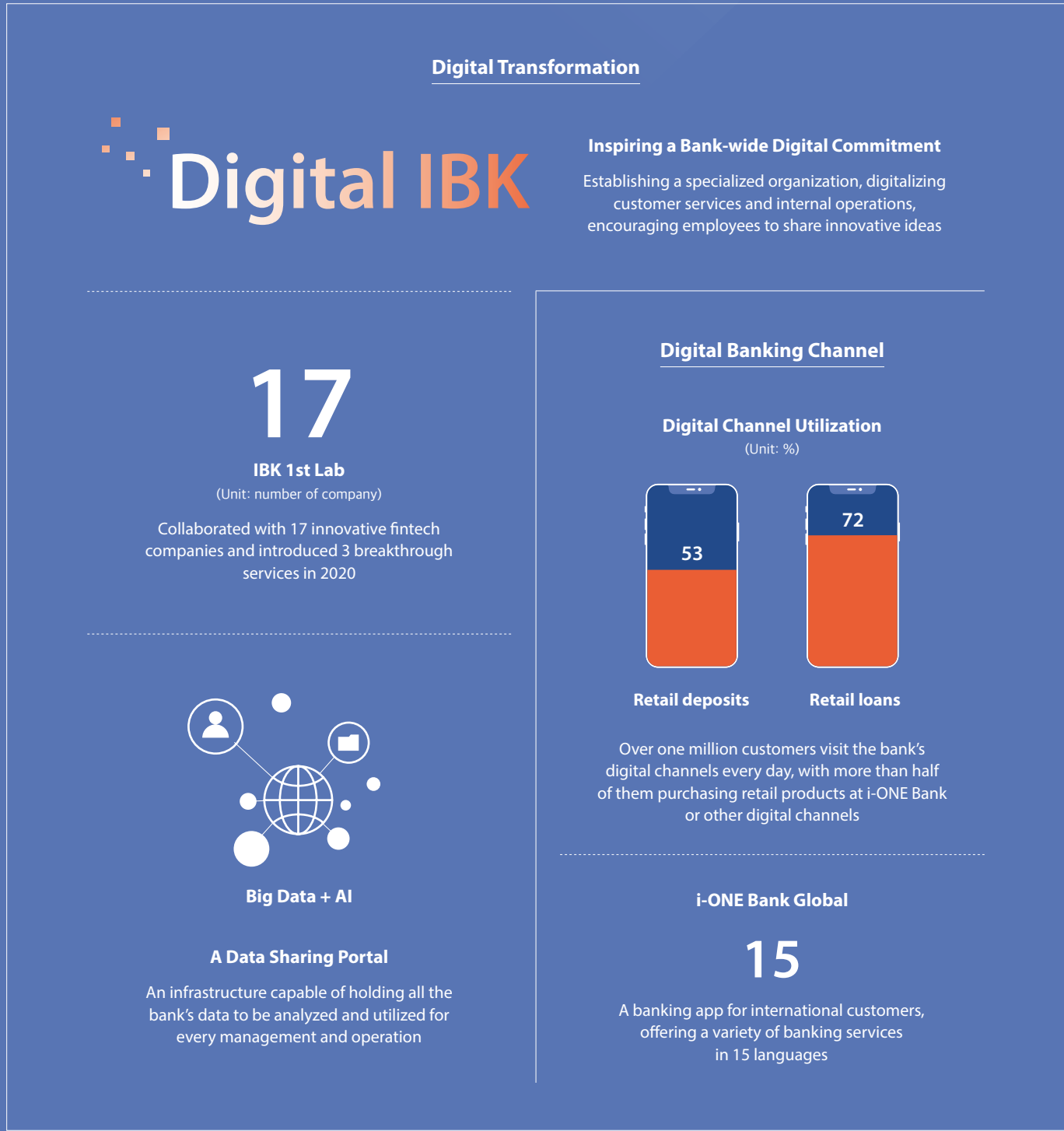
IBK's customers can take advantage of the Internet and Mobile FX/Forward Exchange System which allows them to do both forward and spot exchange trading on their PCs and smartphones in real time. These transactions are made at market exchange rates, without the need to visit a branch or fill out documents. The bank uses YouTube videos to show customers how to install and use the System.

IBK made a number of improvements to the legibility, the layout, and the design of the System in 2020 to reflect thoughts and opinions resulting from a user satisfaction survey. The number and value of transactions carried out on the System on either online or mobile channels now accounts for 61.5% and 34.5% of its total, greatly contributing to workload reductions at its branches and pronounced reductions in instances of mis-selling.

IBK will introduce a number of remote supports and video conferencing systems capable of providing real-time training and virtual communications, both of which are very much needed in this age of COVID-19. Some of the bank's other plans include building an AI chatbot within its Internet and Mobile FX/Forward Exchange System for enhanced customer convenience, and adding to its efforts to protect the rights and interests of financial consumers by strengthening its internal controls across the entire process of selling derivatives. The latter task will be carried out to meet the requirements of the *Financial Consumer Protection Act*.

PREPARING FOR THE FUTURE

DIGITAL TRANSFORMATION / DIGITAL BANKING CHANNEL



DIGITAL TRANSFORMATION

Digital Transformation Initiatives

Encouraging Digital Transformation

IBK is committed to building its digital infrastructure, adding to its data storage capabilities, increasing its online and mobile presence, automating its work systems and processes, and digitalizing its compliance system.

Digitalizing In-house Operations and Increasing Digital Competitiveness

IBK has increased the digitalization of its operations so that its employees can be freed from the drudgery of simple repetitive tasks to concentrate on customer management, marketing, and other more valuable work. The bank's AI-based Employee Consulting

Chatbot, for instance, has shortened their working hours by automatically responding to 140,000 out of about 170,000 work enquiries. In addition, work areas using Robotic Process Automation (RPA), which is used to automate simple and repetitive operations, have been upgraded to include those in which employee judgment is required, reducing their workload appreciably and lessening the need for interpersonal contact at the same time.

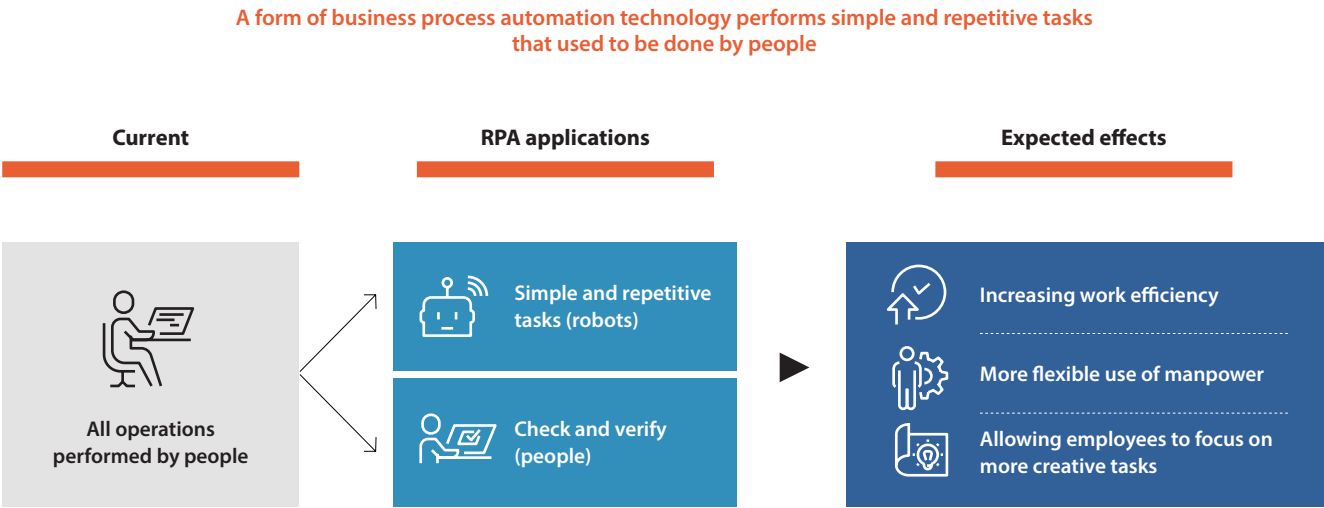
The bank launched an IBK 1st Lab in September 2019, seeking a collaborative relationship with fintech firms possessing superior digital technologies. Through this, the bank has tested technologies owned by fintech companies by using actual bank data, followed by their rapid transformation into superior bank products and services. A number of industry-leading services such as the AI Real Estate Automatic Review System and IBK Digital Identification Verification were also introduced.

The MyData industry has been described as moving from data protection to data self-determination. Its core vision is that individuals will get new opportunities by taking ownership of their own data. Its birth in South Korea was the result of amendments to the Credit Information Act in August 2020 that soon led to keen competition among financial platforms. In response, IBK initiated the IBK MyData project, pursuing business license acquisitions, building systems, and developing a Personal Asset Management Service.

Priority Sectors for Digital Transformation

Area of focus	Details
Building a digital infrastructure	<ul style="list-style-type: none">Launched IBK BOX, an SME management support platformLaunched i-ONE Bank 2.0, a retail banking platform
Increasing online and mobile presence	<ul style="list-style-type: none">Introduced Virtual Account Opening serviceLaunched Virtual Document Submission service
Automating work systems and processes	<ul style="list-style-type: none">Applied Robotic Process Automation (RPA) to 40 head office operationsIntroduced AI based chatbot
Increasing data storage capabilities	<ul style="list-style-type: none">Built IBK Big Data platformBuilt Big Data Credit Rating Model
Digitalizing compliance system	<ul style="list-style-type: none">Developed Financial Fraud Detection Model in-houseDeveloped Automated Suspicious Money Laundering Report

RPA (Robotic Process Automation)



Digital Transformation Strategy

IBK's digital transformation for 2021 will focus on SME finance in addition to its ongoing upgrades. It will also ensure that the bank's high-quality customer management and advisory services are available whenever they are called for, either face-to-face or in online or mobile modes. The bank will also increase its number of customer contact points by establishing alliances with Naver and other platforms, and continue creating more trend-setting products and services by accessing innovative fintech technologies through the IBK Open API Platform.

IBK intends that its digital transformation activities in 2021 and onwards will represent nothing less than the total re-creation of a corporate culture, rather than a mere exercise in introducing new technologies. Operating under the leadership of the bank's management, the Digital Innovation Committee is tasked with realizing a bank-wide digital commitment while strengthening the execution of digital transformation and the digital mindsets of all its employees immeasurably. Finally, through the successful launch of MyData, IBK plans to provide the Everyday Financial Service, and the Individually Specialized Service to the CEOs and employees of SMEs, who constitute the main customers of IBK.

The success of Digital IBK requires agreement, enthusiasm, and innovations across the entire IBK Financial Group. In order to accelerate its digital transformation, IBK is planning to create an environment in which all its employees can participate, communicate, and share their imaginations and ideas. The bank will begin the process this year with a Digital Innovation Idea Contest to collect the ideas and thoughts of all IBK Financial Group employees and rapidly commercialize them.

New Digital Technologies

IBK 1st Lab - An Innovation Testbed

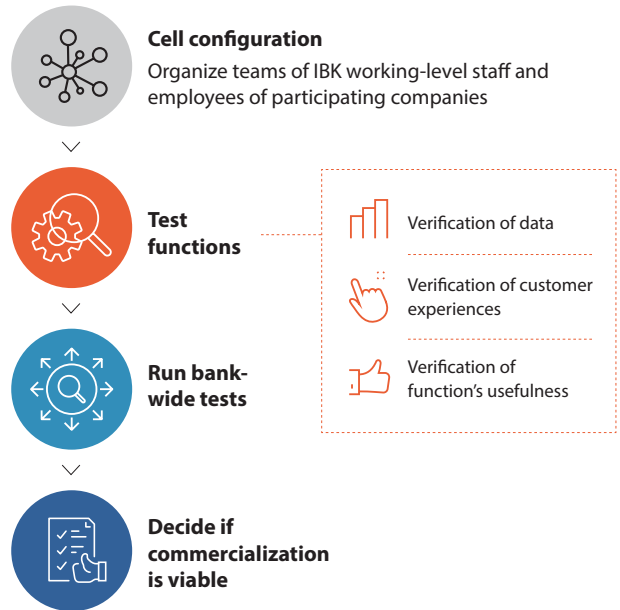
The IBK 1st Lab was established to serve as a testbed for the bank's collaborations with fintech companies. Its ultimate goal was to test and verify products and services arising from these collaborations and promote their rapid commercialization. The Lab comprises a number of working-level departments, participating in the development of new and convenient customer services while also re-searching ways to make the bank's work processes faster and more efficient, based on the innovative digital technologies and ideas of fintech companies.

Operating the Lab, IBK carried out tests using its own data in collaboration with seventeen different companies in 2020 and three of innovative services were successfully introduced. The bank is currently in the process of selecting candidates for more collaborative exercises in the second term. Two particular emphases in 2021 will be achieving more innovative digital transformation and business process automation in its core operations by utilizing new digital technologies, and finding ways to create greater synergies with its subsidiaries.

Above all, IBK will continue strengthening its industry-leading presence in the SME loans market by offering ever-more-innovative products and services in the micro business and SME finance sector in which it has extensive experience and expertise. The bank will also digitalize its business processes even further by utilizing big data, AI, and other innovative technologies, and continue re-searching ways to initiate breakthrough customer experiences at all its contact points.

In addition, IBK will create more synergies with its IT and financial subsidiaries by collaborating with them in introducing and commercializing new and innovative technologies. The bank will also add to its ability to respond to rapidly changing technologies and trends by promoting alliances with Naver Cloud, Seoul Fintech Lab, Decamp, and similar organizations.

IBK 1st Lab Operating Processes



An Innovation testbed that assesses innovative fintech technologies and ideas using data generated by the bank. It functions as a fast and efficient means of introducing new products and services and improving the bank's work processes



Commercialization Performance of IBK 1st Lab (Phase 1)



AI real estate automatic review system

An AI-based system that calculates the maximum permissible amount of a real estate loan application within 3 minutes in light of governmental and industry rules and regulations after an address has been inputted.



Digital identity verification service

Customer identification only needs a smart banking (i.e., i-ONE Bank) approval, with no requirement to present an ID at a bank. Works by connecting an employee's work PC and a customer's smartphone using silent soundwave technology. Hailed as an "Innovative Financial Service" by the FSC in 2020.



Alpha briefing service for corporate internet banking

Automatically collects and selects business management information, such as fund status (i.e., all bank deposits and loans) and sales and purchase status (e.g., credit cards, tax invoices, cash receipts, etc.) and provides it through corporate internet banking facility and i-ONE Corporate app.

Using Big Data to Innovate Work Operations

The staff at IBK's Big Data Center focused on building an infrastructure that is capable of analyzing and utilizing masses of data - the basis for the bank's future competitiveness. Its efforts included constructing a data sharing portal so that all the data held by the bank can be systematically managed for use across all its facilities. A second focus was on nurturing the development of talented human resources in the field. The Center began offering an AI and Big Data Analyst Training Course at Seoul National University, and operated intensive training programs, including ten weeks of practical assignments, by dispatching thirty competent employees. By carrying out an industry-academia cooperation project with SNU's AI experts, the Center honed its big data capabilities to learn how to solve and resolve a number of hands-on problems.

IBK added to its data-sharing and operational alliances with outside players and institutions in 2020 as a means of bettering its services to SMEs. This included working with the Korea Financial Telecommunications & Clearing Institute (KFTC) to strengthen the bank's ability to support SMEs by combining and analyzing corporate data held by both parties. The bank's use of big data and AI was also dramatically expanded by applying them to a host of its operating areas, including customer service, risk management, compliance, and PR. IBK also applied an independently developed AI image recognition technology to the verification of documents related to specific SME loans, and continued developing programs that aid in providing custom-tailored benefits for micro businesses. Their needs were assessed according to their type of enterprise, using big data analyses.

In 2021, IBK will develop an SME job-matching model in which employment-related data will be analyzed and used to recommend optimal matches between people looking for jobs and employers needing workers. A sales prediction model will be also developed to create credible indicators that will assist the bank in forecasting the potential for sales growth and stability in cooperation with the KFTC. By integrating and analyzing external data, IBK will improve its competitiveness in SME finance, reinforcing its role as a policy bank.

Other plans will involve applying big data and AI technology to more of its operations, and encouraging more industry-academia cooperation with high-ranking educational institutions. Using big data analysis technology will aid IBK greatly in reducing the incidence of employee malfeasance and negligence, while also enhancing the accuracy and efficiency of its operations. In addition, using the capabilities of professional educational institutions, the bank will produce tangible outcomes, and in turn offer those institutions an opportunity to take part in big data and AI analysis processes at industrial sites.

Promoting IT Innovation Activities

An IBK-style smart office that provides a more optimized work environment is being tested within the bank's IT Group. IBK is hoping to expand the use of these smart offices, including VDI-based PCs, electronic boards, and AI equipment, throughout its innovative facilities.

The IBK Phishing Stop is an anti-fraud public service recently developed by IBK. The program was able to detect 12,620 voice phishing attempts after its rollout, preventing an estimated total of KRW 117.3 billion in damages to the bank and/or its customers. IBK has strengthened its voice phishing prevention activities even more by referring information about such attempts with the Korean National Police Agency, the Korea Internet & Security Agency (KISA), and other organizations. It also operated a dedicated pavilion during Korea Fintech Week hosted by the Financial Services Commission,

while introducing a number of advanced voice phishing detection solutions and laying the foundations for establishing linkages with a fraud detection system (FDS) for the entire financial industry. This included establishing a telecommunications financial fraud prevention platform service following its final selection as an organization to receive support at the 2020 Data Flagship Project sponsored by the Ministry of Science and ICT.

IBK will continue with other innovative initiatives through its IT R&D initiatives in 2021. The bank is introducing a new product called COVID-19 Special Micro Business Loans which enables micro businesses can extend their loans without the need for paper-based documents and visiting a branch. The bank will take steps to shorten its business processing times, including creating one-click, automatic inputs, by analyzing its employees' work patterns.

IT Group will take the lead in providing technical support to the head office and developing new business models by conducting research into applicable technologies. Besides introducing and improving its competence in six new technologies, such as AI and Cloud, it will be tasked with developing both online and mobile financial services to enhance its competitiveness in the New Normal era after the pandemic has ended.

Illustration of an IBK-style Smart Office

What is a smart office?

An advanced work environment in which employees can do their work and communicate and collaborate anytime and anywhere without being limited by time and place

A panorama of a smart office

A Zero Client without a desktop

Digital (electronic) blackboard

DIGITAL BANKING CHANNEL

Corporate Digital Banking

Strengthening Corporate Digital Finance Operations

IBK established a virtual, online and/or mobile system for processing micro business financial support loans related to COVID-19 during the first half of 2020. The system dramatically increased customer convenience and significantly reduced the amount of work at the bank's branches, by processing the entire loan process from guarantee application to the preparation of loan agreements and the execution of loans non-face-to-face.

A wide array of digital business services were also launched. They included an IBK Alpha Tax Reporting Service, launched in January 2020, to assist micro businesses in filing their income tax returns using AI technology for the first time in the banking industry. The service uses such data as credit card sales and transaction details to automatically calculate the amount of income taxes owed or to be refunded, allowing micro businesses to handle their tax affairs at a very low cost.

Another service that IBK launched in November was the i-ONE Micro Business app, a digital platform that incorporates a number of corporate financial services into the everyday activities for micro businesses. Its services support such operations as personal and corporate account enquiries, money transfers, and information related to labor, legal, and tax affairs. All of them can be accessed using only one app, allowing even the micro business owners with little digital accessibility or knowledge to use a variety of very valuable financial services easily.

IBK's plans for 2021 will be adding to its roster of online and mobile services across all its operations. First, the bank will enhance customer convenience and reduce the workload of its branch employee by allowing corporate customers to extend their loan periods without having to visit the bank at all. IBK will also upgrade and revamp its corporate digital channels by using AI, big data, and other innovative technologies, with a focus on improving the bank's user interface experiences and simplifying its work processes. The bank's complex business menu processes will be shortened, and customer convenience will be increased through enhanced authentication procedures, delivering the fastest and easiest-to-use corporate banking services in the entire country's banking sector as a result.

Retail Digital Banking

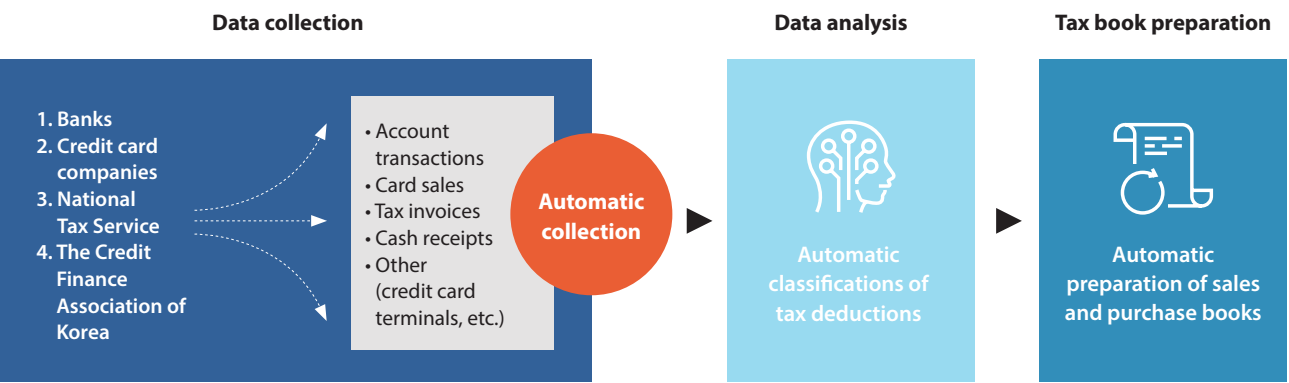
Building Digital Personal Asset Management Service

i-ONE Bank, a signature digital channel of IBK, contributes to the bank's customized personalization functions by providing a wide spectrum of services incorporating the innovative technologies such as AI Chatbot, Big Data and Open Banking with latest trends. Over a million customers visit it every day, with 53% of them purchasing the bank's retail products and another 72% its credit products, either at the i-ONE Bank or through other digital channels.

i-ONE Micro Business App



IBK's Alpha Tax Report



IBK made a number of improvements to its i-ONE Bank Global app in a bid to attract the growing number of international customers residing in the country. The app is now available in fifteen languages, with account holders being able to access all its functions using only a six-digit password. In addition, in order to improve user convenience, IBK provides them with a large number of foreigner-specific services, such as AI remittances and currency exchange services.

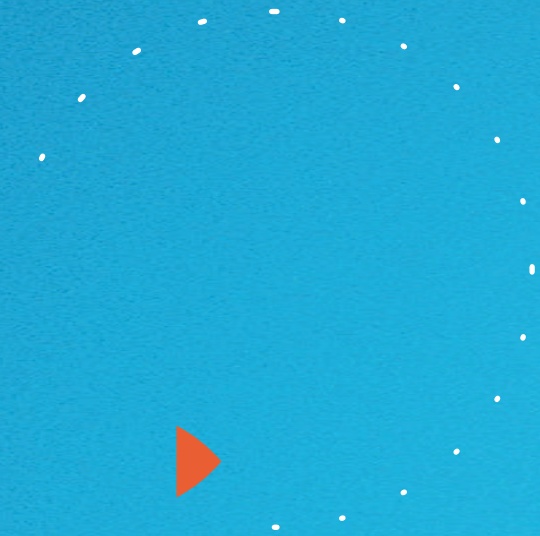
The bank also added more affiliated digital branches at Samsung Pay and other popular mobile payment and digital wallet service platforms, attracting product sales that exceeded those at ten of its offline branches. More of these digital alliance stores were opened on two platforms in the second half of 2020, bringing the grand total to twelve.

i-ONE Bank app will be constantly upgraded in the upcoming year to bolster its competitiveness. Users accessing its personal asset management service will not only be able to continue searching

for financial information, but will also be linked to product suggestions that mirror their past purchasing behaviors. The app's main screen will be redesigned, while its UI/UX and its notification functions will also see improvements. Customers will be able to go beyond their existing simple marketing notifications and receive information about deposits and withdrawals, credit card approvals, and many other features, all of them provided through the app's PUSH Notification Service.

IBK is also planning to build an IBK Personal Asset Management Service with an aim to evolve into a digital presence called Digital IBK. The bank's MyData-based Personal Asset Management Service is scheduled for launch this coming August. Unlike other competitors' services that only furnish information in a simple list format, the service will deliver a user's entire data analysis results in the form of messages befitting his or her personal situation.

MANAGEMENT REVIEW



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UPHOLDING TURSTWORTHY MANAGEMENT

RISK MANAGEMENT / CONSCIOUS MANAGEMENT / ESG MANAGEMENT



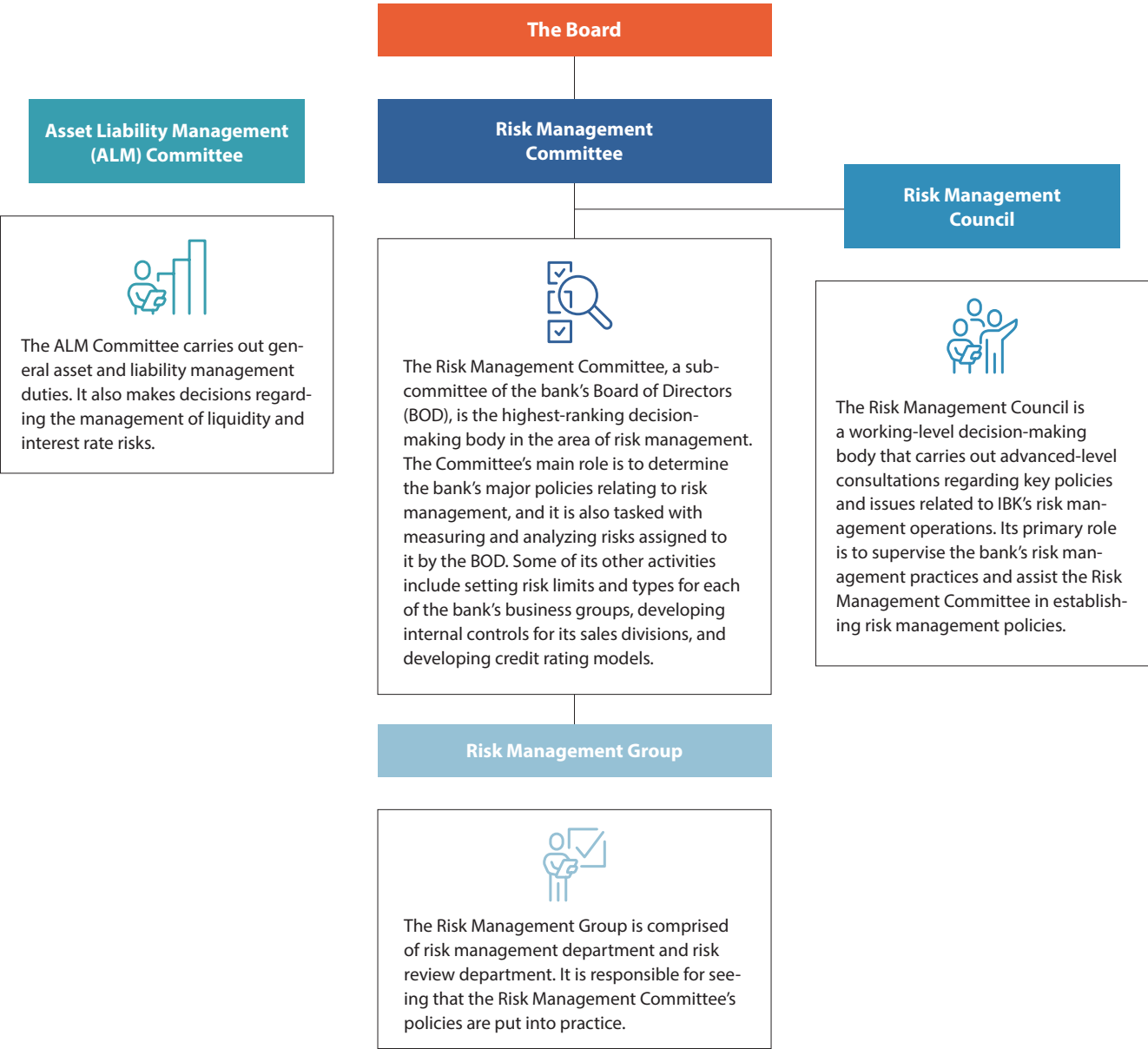
RISK MANAGEMENT

A Global Bank-level Risk Management System

Risk Management Bodies

IBK's risk management department is staffed with industry-leading experts possessing the experience and expertise needed to deal with any and all economic uncertainties and ensure the bank's financial soundness. Assisted in endeavors by committed risk management bodies, a variety of risks, including credit risk, market risk, operational risk, and liquidity risk are adequately managed.

Risk Management Bodies



Activities

IBK spent much of 2020 strengthening the foundations for growth to become an internationally competitive, leading financial group by undertaking preemptive risk management in response to the crisis situation triggered by COVID-19. This included adding to its total loss-absorbency capacity (or TLAC) by setting aside sufficient financial resources to ensure against potential risks as the result of growing concerns about soundness management in South Korea’s financial industry. Particularly, the bank’s default rate and asset soundness indicators have both remained at favorable levels despite the ravages of the global pandemic thanks to the government’s financial support policies, including extensions of loan maturities and deferments of loan interest payments.

The bank also developed a big data-based corporate loan review mechanism that automatically collects up-to-the-minute credit information on companies and evaluates their credit risk on a frequent and ongoing basis. Created to act as an auxiliary credit rating model to supplement the current one that only evaluates credit risks once a year and focuses on financial statements, it is able to calculate monthly big data ratings utilizing real-time internal and external financial information, atypical big data, and machine learning techniques. IBK expects that it will enhance its ability to predict potential corporate insolvencies greatly by using a big data model that is specialized in predicting insolvencies when conducting credit reviews and management evaluations of companies.

IBK also gained approval from the country’s Financial Supervisory Service to modify its credit risk advanced internal rating method—the highest rating of all the various BIS ratio calculation methods. Its risk measurement factors (Loss Given Default and Exposure At Default) were revamped to reflect its current post-loan management practices, including recent trends in the recovery rate of bankrupt customers, restructurings, and disposals. This enhanced the international credibility of its risk management capabilities by calculating and managing the BIS capital adequacy ratio that measures a bank’s capital in relation to its risk-weighted assets in more exquisite and stable manner.

Lastly, IBK upgraded its Accident Prevention Financial Casebook to help prevent financial malfeasance at its business sites. The bank also took steps to strengthen its internal controls by expanding the range of accident cases to include loans, liability cases, and other types of malfeasance. A number of best practices were also added to it, such as ways to deter money laundering.

Plans

South Korea’s GDP is projected to return to its pre-pandemic level in 2021, due mainly to increased fiscal expenditures and underlying effects. Despite this, a primary concern is that the asset soundness of the country’s financial institutions will deteriorate as a result of increasing financial uncertainties both at home and abroad. These uncertainties may include global trade disputes, continuing low interest rates, low consumption, and a rise in the number of low-performing companies caused by a prolonged delay in their sales and recoveries.

In order to counter these threats, IBK is planning to reduce its loan loss provisions, by making improvements to its loan loss provision evaluation system, and upgrading its default rate prediction model. The bank will also enhance its loan portfolio, mainly by extending more loans targeting future growth industry sectors through the redevelopment of its corporate credit rating model. Other steps the bank will take is to better its ability to respond to risks. The accuracy of bankruptcy prediction abilities will be improved by increasing the use of corporate big data grading mechanisms and the management of companies that are at risk of insolvency will be further strengthened by conducting speedy and effective credit reviews.

Finally, IBK will also retain its commitment to stable BIS ratio management by thoroughly calculating its risk-weighted asset limits and monitoring its degree of limit exhaustion by business group. The bank will also strengthen its internal controls by adding more operational risk indicators following an expansion in its number of non-contact transactions, and by improving its operational risk-related management evaluation system. In addition, appropriate measures will be taken to cope with the growing number of global financial rules and regulations such as establishing a system for the introduction of the Basel III international banking regulations.

CONSCIOUS MANAGEMENT

To Be a Conscious Financial Institution

Introducing Conscious Management

Conscious Management refers to the way that IBK wishes to conduct its business affairs. It encompasses compliance and ethical management to abide by the laws and ethics, and responsible and inclusive management to fulfill the bank’s duties as a global corporate citizen. IBK has adopted it as its overriding management principle to lay the foundations for sustainable growth and become a financial institution that sticks to the basics while going the extra mile to earn the trust of its customers.

Establishing an Ethical Culture

IBK laid the foundations for its adoption of conscious management by establishing the IBK Ethics Charter that outlines its commitment to an open, honest, and ethical system of behavior that governs the entire IBK Financial Group. In addition, IBK published an IBK Ethical Behavior Guide, and made improvements to its internal control system. Training modules describing what ethical behavior is and means were also developed, so that all our employees would know what ethical management is and how it should be carried out, both in theory and in practice.

Ethical Culture



IBK Ethics Charter
Comprises five themes outlining how ethical management should be practiced



IBK Ethical Behavior Guide
Outlines specific standards for ethical behavior as per the bank’s Code of Ethics



Ethics training program

- Producing educational videos: Presents cases arranged by subject to raise employees’ awareness of the need for integrity and ethical behavior
- Establishing guidelines governing an organizational culture: Conducts surveys among employees on their awareness of conflict cases and shares the results with them

Plans for Ethics Training

Develop customized curriculum



Expanding educational opportunities

- Increase number of candidates for training: Including auditors, PBs, other professional-level staffers, and employees scheduled to work overseas
- Remove educational blind spots: Adding more subjects and topics

Add more case-oriented curriculum



Promoting understanding

- Q&As regarding the *Improper Solicitation and Graft Act*: Providing legal interpretations to situations that may occur at work
- Explain the Employee Code of Conduct: Producing materials that outline and explain important provisions in the Employee Code of Conduct

Diversify educational contents: raising degree of concern



Raising interest levels

- Produce webtoons about integrity and ethics: Raising employees’ interest in and awareness of ethical management by outlining instances of violations
- Encourage employee participation: Developing interactive content

These modules included easy-to-understand, case-based training videos on topics such as honest work-handling methods, fair work instructions, and refusing to engage in unethical business practices. The bank conducted a survey to determine how much its employees knew about unethical behaviors and situations within the organization. It then shared the results with employees, helping to create a warm and welcoming workplace culture that accepts differences among people regardless of their education, age, or gender and insists that they communicate with each other on the basis of mutual understanding and respect.

Other steps that the bank intends to take to ensure the development of an ethical culture include having its compliance officer visit all twenty-one of its regional headquarters to offer one-on-one, face-to-face training to their heads. The bank will also initiate an Integrity Checklist Operation that will consist of procedures for uncovering instances of unethical and/or corrupt behavior in the making of contracts and loans. Also, the bank will enhance its integrity levels by developing more employee training opportunities in such areas as integrity and ethical behavior. A three-dimensional education system will be established demonstrating how to practice conscious management in a better and fuller manner.

Communications between the CEO and Employees

IBK's CEO has always used a variety of methods to communicate with the bank's employees and customers. This was especially important in 2020, when direct, face-to-face communications were made impossible due to COVID-19. The CEO actively listened to difficulties by visiting IBK's branches that were striving to assist SMEs suffering from the pandemic. He also helped to facilitate smooth communications among the bank's employees by holding regular meetings with the bank's branch heads across the country, monthly meetings with its overseas branches, and informal ones with its employees generally. All of these events were held by means of video conferencing, Zoom, and other virtual communications systems.

The bank also instituted a Communications Postcard program to encourage better communications between the CEO and its employees. The program allows IBK's employees to send messages on any topic to the CEO, either anonymously or using their real names, with the CEO posting his replies on the bank's in-house intranet—meaning that they can be shared with everyone. Since the system's launch in April 2020, 74 postcards have been sent, with the number of views of the CEO's responses exceeding 210,000. As a result, the postcards have become the bank's signature communications channel between the CEO and its employees. One proof of the efficacy of the program is that an employee's suggestion calling for the abolition of uniforms actually led to the practice.



Rebuilding an Organizational Culture

Marking its sixtieth anniversary occasion, IBK will rebuild its organizational culture and innovate the ways it carries on business. This is to establish directions for its organizational culture that will strengthen its brand identity while reflecting rapidly changing financial environments both at home and abroad. Drawing up a series of measures to heighten the quality of its employee's lives and their work efficiency, IBK will better respond to changes in its working environment, including the ongoing COVID-19, work-family balances and digital transformation.

Financial Consumer Protection

Establishing a Management System That Prioritizes Consumers

To evolve further into a leading bank in the area of financial consumer protection, IBK focused on strengthening its financial consumer protection system, establishing a healthier business culture, and spreading a financial consumer-centered management ambience. Going forward, the bank will make constant efforts to promote the rights and interests of financial consumers, even in the midst of a rapidly changing financial environment.

One of the most seminal steps that the bank took to protect the rights of its customers was to create a Financial Consumer Protection Group. This was intended to strengthen the independence and capabilities of the bank's consumer protection operations. In addition, a task force was established to ensure that IBK will always be in full compliance with the *Act on Financial Consumer Protection* that will take effect in 2021, while making company-wide preparations to adhere to its rules and regulations.

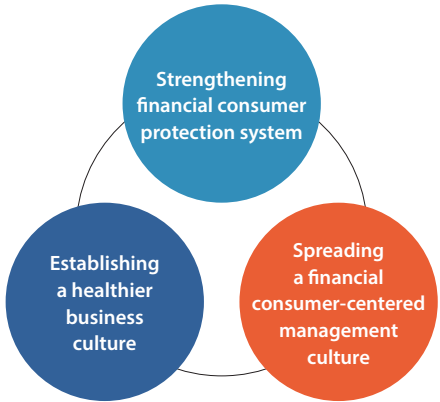
IBK also promoted a full-selling process upgrade project to advance the establishment of a sound business culture. This included expanding a prior consultation process to examine consumer disadvantages in advance when selecting and selling investment products, and enacting operating standards for the inspection of financial investment products sales to establish a transparent sales procedure. In addition, the bank instituted an Ethical Sales Practices Day to raise its employees' awareness of ethical sales behavior on a semiannual basis.

Finally, the bank carried out a number of branch-level consumer service (CS) activities to assist in the growth of a financial consumer-centric management (CCM) culture. A Digital CS Consulting service which offers customer satisfaction solutions has been introduced by utilizing video conferencing to strengthen its CS capabilities in the era of COVID-19. Theme CS grading program was newly conducted as well to check whether employees are practicing proper consumer service behaviors on their own according to the monthly selected theme.

IBK's plans for 2021 will include strengthening its consumer protection policies, developing a full-selling culture, and adding to its CS operations in a non-contact era, with an aim to establish a management system that prioritizes consumers. In order to strengthen its consumer protection policies, the bank will carry out a wide range of programs. Some of the steps that the bank will take to reach this goal include consulting with experts in the legal community and offering in-depth training to its employees to ensure that all of them are familiar with the contents of the government's *Financial Consumer Protection Act* that will be enforced in 2021. In addition, an IBK Financial Group Consumer Protection Council will be established to create a CCM culture throughout the Group and the bank's Financial Consumer Protection Charter will be applied in all its subsidiaries to share unified consumer protection values.

IBK will also revamp its product sales inspection operations to aid in the development of a full-selling culture. RPA and STT technologies will be fully leveraged to ensure the adequacy of all its product sales, and expand the scope of its full-selling sales inspections to make them totally and completely seamless. IBK will also create a Financial Consumer Protection Supporter position to be responsible for undertaking any and all tasks relating to the bank's financial consumer protection operations at all its business sites.

3 Strategic Directions for Financial Consumer Protection



Enhancing a Financial Consumer Protection Support System

IBK established Complaint Response 119 system to proactively handle issues and complaints from its customers that may arise in branches. IBK also continued to operate a System Improvement Process to address insufficiencies in its systems discovered and upgraded its Grievance Management System to improve the existing outdated functions. At the same time, IBK, for the first time in the banking sector, established an advanced system by introducing RPA technologies to its grievance management operations.

IBK also adopted a very proactive approach in protecting the assets of its customers from phishing attacks and other forms of fraud. This included initiating a Financial Fraud Alert Service to inform people about the various types of frauds that criminals may attempt to perpetrate, by showing them a checklist when someone is attempting to transfer funds from one account to another. The bank also appointed a financial fraud manager at each of its branches to handle financial fraud with speed and accuracy. IBK informed customers of damage cases by age group and new forms of fraud, utilizing the Kakao Talk mobile messenger service. It also continued to engage in customer damage prevention PR activities by carrying out a number of in-branch voice phishing prevention campaigns.

In 2021, IBK will focus on eliminating all instances of voice phishing by instituting a number of prevention programs centering on digital platforms. Big data will be used to identify issues in advance and counter them through preemptive preventive measures. Another task will be the creation of an AI Chatbot for the exclusive use of its customers and employees. This will prevent simple customer enquiries from growing into more serious complaints by quickly responding to them. While, employees will be provided with case studies on customer complaints so that they can handle complaints and grievances in timely manner.

IBK will establish an AI-based telecommunication financial fraud monitoring system as a means of omnidirectional prevention activities to record zero instances of financial fraud. It will include a number of financial fraud prediction models using information provided by institutions with in-depth knowledge of such issues. These models will be used to block illegal remittances and withdrawals by identifying customer accounts that are most susceptible to fraudulent activities. IBK will take necessary measures to block the use of fake passbooks by strengthening its financial transaction verification procedures, for example, setting up a Suspicious Firm Verification Process.

Compliance

Re-organizing Anti-money Laundering Systems

IBK made a number of steps to further enhance its expertise in financial transaction reporting operations (STR and CTR) in 2020. Starting with creating a Financial Transactions Monitoring Team within its Anti-money Laundering Department, IBK also refined its working process to increase the accuracy and the effectiveness of reporting. The department has now grown from 56 employees in 3 teams to 62 employees in 4 teams.



62

Total no. employees dedicated to overseeing AML/CFT/Sanctions compliance practices.

IBK also established a Global Anti-Money Laundering Prevention System in November 2020. This was done to meet all international AML standards as well as the requirements of South Korea's own financial supervisory agencies. Further management and supervision are ensured by making its head office responsible for monitoring the operations of all its overseas branches. In addition, a specialized ship-tracking solution was introduced to block transactions attempting to take a roundabout way to avoid ship-related financial regulations. The bank also strengthened its compliance regarding trading operations facing a high risk of financial sanctions by building an in-depth inspection business system.

Establishing a State-of-the-art AML and Sanctions System

The bank will take a number of additional steps to prevent money laundering. For example, verification of CDD (Customer Due Diligence), which was only mandatory to corporate customers, will be extended to individuals. IBK's AML system operations will be reinforced at each stage of every financial transaction. This will involve enhancing its customer monitoring processes by increasing the number of monitoring personnel, and performing thorough inspections at its head office level whenever alerts about suspicious transactions are raised.

Digital anti-money laundering technologies will be used to increase the automation of Suspicious Transaction Reporting processes. The bank will also strengthen its inspection functions by upgrading its financial sanctions filtering processes, conduct separate risk assessments of all high-risk import and export companies, and build a superior-level financial sanctions risk management system so that every financial sanction risk can be managed preemptively.

IBK will add more custom-tailored on-site advice and training for its branches using a video conference system to bolster the abilities of its employees overseeing anti-money laundering operations and ensure that they are fully aware of all financial sanctions.

Internal Control

Protecting Stakeholders through Exhaustive Internal Control Systems

IBK promotes healthy management by regularly examining the effectiveness of internal control standards through audits and compliance monitoring.

All the bank's departments and branches carry out audits on a daily, monthly and periodic basis, and in particular, a special audit program is conducted on the works involved in high-incident-risk tasks to monitor the consistency and accuracy of their operations. In addition, a compliance monitoring system is used to determine whether or not the business being conducted by each of its departments and branches has been carried out in accordance with all applicable rules and regulations. This is done by reviewing and analyzing such data as computer-related work records.

Recorded Zero Security Incidents

IBK prevents instances of malfeasance and provides safe financial services by undertaking exhaustive 24/7 monitoring operations and responding promptly to cyber attacks, which are rapidly increasing every year. The number of cyber attacks taking advantage of the COVID-19 pandemic increased in 2020, and the Financial Services Commission issued a Cyber Alert Crisis Level of Attention. This prompted the bank into taking immediate steps to form a crisis response team, and put a stop to any and all hacking attacks through the implementation of an AI-based control system.

The bank also ensured that its employees' security awareness levels were further enhanced by continuously providing them with information about instances of cyber attacks and measures they could take to counteract them. The number of instances of indiscriminate Distributed Denials of Service (DDoS), ransom ware, and other types of cyber-attacks noticeably increased this year, particularly targeting financial institutions and other companies. The bank itself experienced two DDoS attacks, but no damage occurred because they were both defeated by its three-stage DDoS counter-attack defense system.

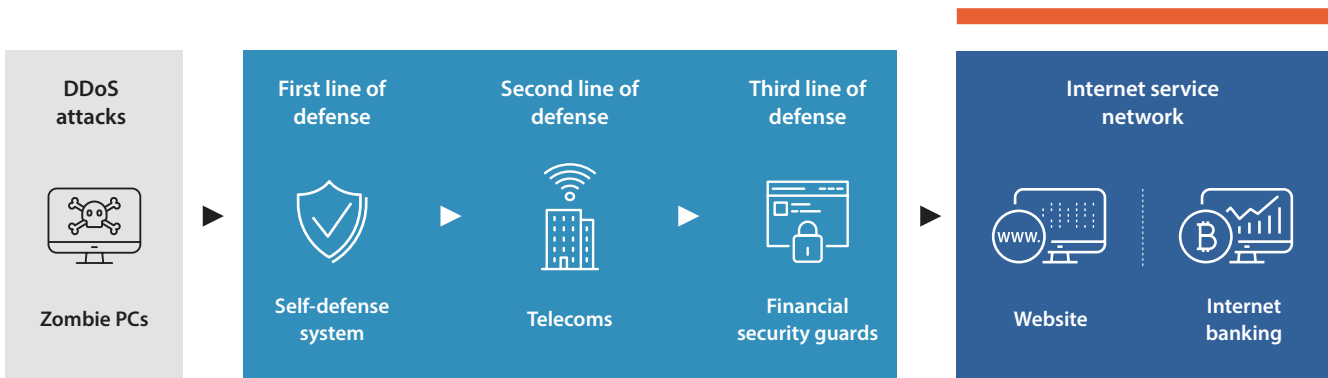
IBK recognized security policies and supporting systems to protect a number of new digital technologies. A New Digital Technology Security Guide giving an in-depth analysis of all the rules and regulations relating to the field of new digital technologies was created. The bank used the Guide to assist its on-the-job departments in carrying on their operations smoothly by proactively informing

them about all the rules and regulations, procedures, and cautions related to the development of products using the cloud, AI, big data, blockchain, and other advanced-level technologies.

Other measures taken by the bank to create a safe use environment and prevent security incidents included strengthening the controls governing each of its storage medium/file export/printouts by upgrading its data loss prevention (DLP) system. Its document security system was upgraded as well so that all the bank's internal documents can now be encrypted in real time, making their decryption impossible even in the case of illegal leakages.

As always, IBK's top priority task for 2021 will remain the protection of its customers' information and assets by establishing a total response system to guard against the advanced type of targeted cyber security threats. The bank will maintain zero infringement incidents by systemizing the management of its security system and deploying security equipments and providing mock-exercising on training on how to recover the system in the event of failure. IBK's security solutions will be improved and its security strategies will be optimized by carrying out employee training in how to respond to each type of cyber attack (including ransom ware and DDoS), followed by in-depth analyses of the results.

IBK's Three-phased Defense System to Guard Against DDoS Attacks



ESG MANAGEMENT

ESG Initiatives

ESG, a New Management Philosophy

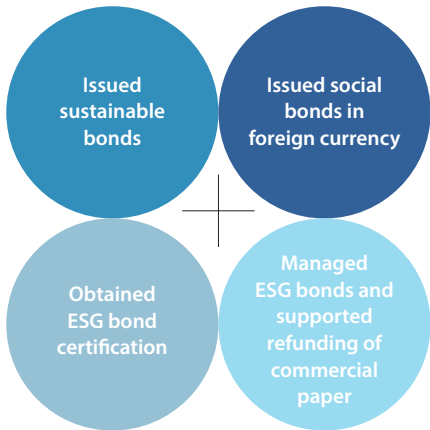
As a new global standard, ESG provides a snapshot for stakeholders of a business's impact and operations in three areas—environmental, social and corporate governance, and is entirely separate and distinguishable from its social contribution activities.

IBK has established and practiced a new management philosophy from earlier to meet the growing social calls for ESG activities. Breaking away from traditional management methods that are constrained by financial performance, IBK is constantly striving to empathize with society and solve social problems as a financial group that fulfills its environmental and social responsibilities from a long-term perspective. As part of these efforts, the bank created a specialized team for ESG management, and a full-time ESG committee is also scheduled for establishment in 2021. Other plans to increase its involvement in ESG initiatives are also in the works, such as participating in a consultative and advisory body and playing an integral role in environmental protection projects.

Procuring Sustainable Investment Capital

IBK raises the capital from investors seeking the fulfillment of social responsibilities as a means of developing a sustainable society through the power of finance. The bank then utilize these resources to create financial products and investment that encourage the growth of social values, such as fostering the development of eco-friendly industries.

Key Achievements in 2020



IBK will provide competitively-priced funding for promising SMEs by continuously increasing its volume of ESG bond issuances to meet the demand from potential investors that is expected to expand going forward. The issuances, which will be made in the form of green bonds, given the number and scale of projects needing financing, will contribute to supporting IBK's operations relating to the *Green New Deal*, and vitalizing ESG bond trading activities. The bank will also increase its proportion of ESG bonds within its portfolio of high-quality liquid assets to help create a more sustainable financial environment, both in terms of such issuances and their ongoing trading activities.

Green Management Activities for Environmental Protection

IBK launched a wide range of eco-friendly products and services that will allow customers to participate in sustainable finance in one form or another. The most representative case would be providing consulting services to SMEs to carry out eco-friendly management. SMEs are advised on establishing greenhouse gas inventories, saving energy and offering environmentally friendly management practices. IBK also was a major participant in disseminating social consensus on tackling environmental issues. In response to the government's fine dust reduction measures, IBK launched and actively managed a public interest financial product called Neulpureun Haneul Account.



Aside from these, IBK's existing paper-based statements for credit card balances are now replaced with digital statements. In addition, the bank is assisting SMEs with the cost of facilities to lessen air pollution, reduce greenhouse gases and harmful chemicals, and install new and renewable energy equipment and devices.

IBK will take part in a number of ESG-related activities in 2021, since its announcement of support for Climate-related Financial Disclosures (TCFD) in 2020. The activities will include being a signatory to the UN Principles for Responsible Banking (UN PRB), joining the United Nations Environment Programme Finance Initiative (UNEP-FI), the Partnership for Carbon Accounting Financials (PCAF), and the Science Based Targets Initiative (SBTi), as well as participating in the declaration of support for climate finance to achieve carbon neutrality and the Anti-corruption Principles of the UN Global

Neulpureun Haneul (Evergreen Sky) Account

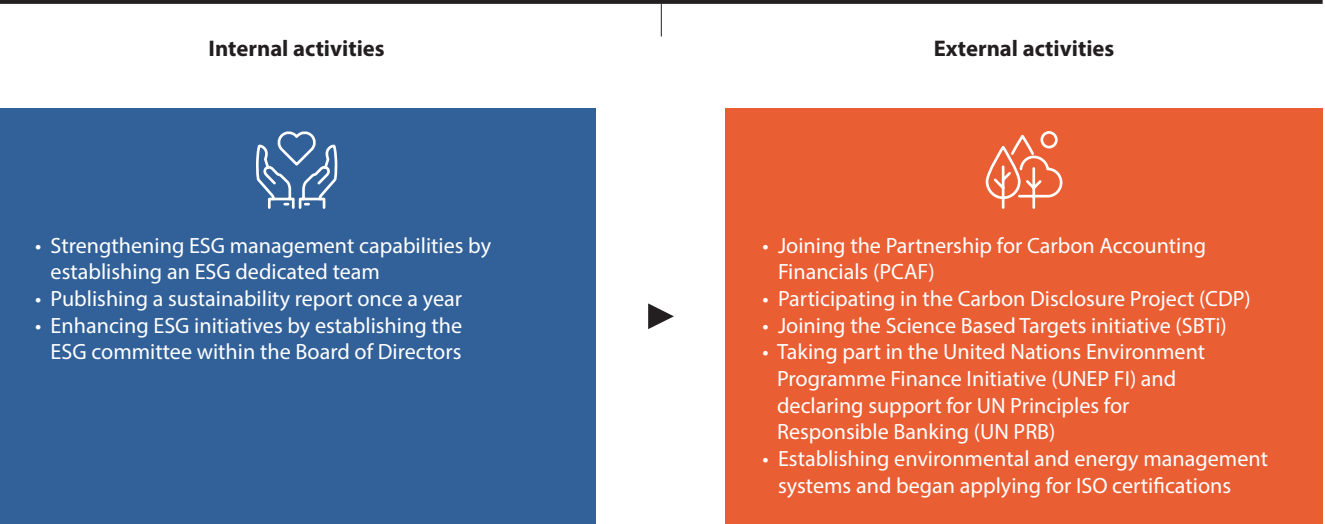


Giving preferential interest rates to customers pledging to carry out or practice environmental improvements

Individuals	Companies
 <ul style="list-style-type: none">- Using public transportation and eco-friendly vehicles- Complying with restrictions governing old-style diesel-powered vehicles	 <ul style="list-style-type: none">- Using environmentally friendly vehicles- Installing emission reduction devices- Scrapping old-style diesel vehicles- Applying for IBK environment-related loans

Compact. IBK's level of participation in both domestic and international environmental initiatives will be increased, allowing IBK to add more advanced ESG management techniques while establishing a network with other global banks that are highly committed to ESG reporting.

Strategic ESG Plans



Green Consulting

		Details	Projected effects
Carbon management	Carbon asset management	<ul style="list-style-type: none">Establishing carbon asset management strategies and proceduresIdentifying companies requesting emissions trading	<ul style="list-style-type: none">Stable response to the systemEmissions trading cost reductions
	Carbon offsets	<ul style="list-style-type: none">Assisting to prepare business plansSupporting third-party assurancesArranging sales of carbon offsets	<ul style="list-style-type: none">Revenue generation from salesCost reduction in consulting services
Fire safety management		<ul style="list-style-type: none">Identifying potential risk factors of fire hazardsAssessing risks of workplace accidentsEmployee training and education	<ul style="list-style-type: none">Management risks mitigationEstablishment of improvement plans
Green certifications		<ul style="list-style-type: none">Assisting to prepare technical manualsSupporting performances of third-party assurances	<ul style="list-style-type: none">Enhanced product competitivenessCost reduction in information and advocacy services

Leading the Climate Finance Market

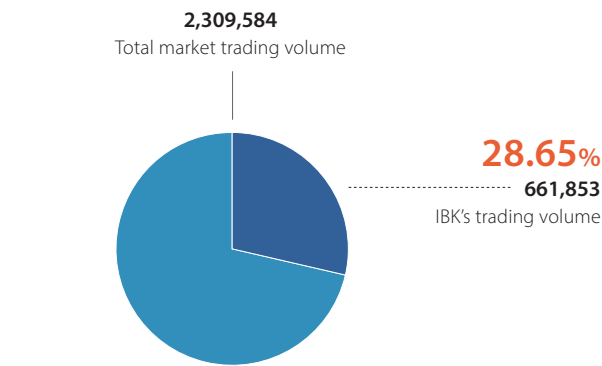
Interest in the environment has accelerated dramatically due to COVID-19. It is especially important in South Korea due to the release of the government's 2050 Carbon Neutral Strategy. IBK is the only financial institution in the country to offer a carbon asset management service as one of its signature ESG-related activities. It has been a market maker in the field of carbon credits since June 2019, starting out by selling offsets but now also purchasing them due to the increasing volatility in their pricing to help with price stabilization.

IBK has been managing its greenhouse gas and energy emissions every year since 2017, when it was incorporated into a company subject to the GHG & Energy Target Management System. It has outperformed the System's reduction goals every year since then, emitting 59,554 tons of carbon dioxide equivalent (CO2eq) greenhouse gases and exceeding the government's target of 61,789 tons by about 3.6% in 2020.

The bank also helped to carry out the government's policy on fostering the development of new and renewable energy-related industries in 2020 by providing a total of KRW 155.6 billion for five solar power generation projects. The assistance was made in the form of new and renewable energy-related loans and investments.

Volume of Carbon Emissions Trading

(Unit: ton, %, cumulative total from December 2019 to March 2021)



Corporate Social Responsibilities

IBK has been carrying out a wide range of social contribution activities to promote mutually beneficial and sustainable growth, particularly with its SME partners and their employee and families, by strengthening its social responsibilities.

Improving the Health and Well-being of SME Employees

IBK established the IBK Happiness Sharing Foundation in March 2006 to improve the health and well-being of SME employees and their families. The bank has contributed KRW 55.2 billion to its operations so far. As of 2020, the Foundation had also provided KRW 15.2 billion worth of scholarships to more than 8,900 children of SME workers who had gone through a difficult times due to the spread of COVID-19 in the country. IBK also paid KRW 12 billion between 2006 and 2020 to help alleviate the medical expenses of over 2,800 SME workers and their families, including those with rare, intractable, and severe illnesses. In a special support, Yoon Jong-won, the bank's Chairman and CEO, joined with other IBK executives in fundraising activities to ensure the Foundation always has enough funding to meet the growing demands of its budget. Other efforts that the bank takes to assist SME workers include mentoring, training in financial literacy, and various supports for the underprivileged.

To encourage the establishment of a healthy balanced work and family life environment at industrial complexes, IBK signed an MOU with the Korea Worker's Compensation & Welfare Service, establishing jointly-operated workplace daycare centers for the children of SME employees. IBK offered free use of empty spaces in IBK branches and shared in paying the construction and operating costs. 34 SMEs located in the Namdong Industrial complex and 43 located in the Gumi joined the consortium.

Supporting Community in Need During COVID-19

IBK helped with the preparation and distribution of 400 relief kits worth KRW 50 million in February 2020 for the spread of COVID-19 and the kits included toiletries, face masks, underwear, and blankets.

The next month, the bank provided over 64,000 free hand sanitizers and disinfectants to micro businesses and SMEs suffering from the effects of the pandemic. By holding a Flower Dream event, IBK purchased flowers and flower pots from flower gardens to promote flower consumption. In addition, the bank lowered the rents on buildings it owned by up to 50%, up to a limit of KRW 1 million per month from March to December 2020. This benefited fifty-eight micro businesses and SMEs, lowering their leasing costs by about KRW 180 million over the period.

IBK SME Daycare Centers



Safe and high-quality child-care environment

- Closely monitored child-care with a low PTR
- Feature large nursery areas and sufficient safety items



Support for operating expenses

- Provide support for child-care costs, including tuition services and meals but excluding admission and extracurricular activity fees



Professionally-operated child-care centers

- Operated by professional child-care providers
- Ensure high-quality education and services



1. IBK Namdong Love Daycare Center
2. IBK Gumi Love Daycare Center

A Food Truck of Love

IBK donated Food Trucks of Love to 30 volunteer centers in Seoul, Busan, Gangwon-do and other areas, building a nationwide network. Food trucks were sent to places to help provide free lunches to sole-support seniors and other underprivileged people. The bank also covered all the expenses related to the project, including food and fuel, and encouraged voluntary sponsorships of SMEs and the assistance of local citizens to enable their continuing operation. In addition, victims of the torrential rains in Yeongdong-gun, Chungcheongbuk-do in August 2020 were assisted by employee volunteers from IBK.

Sponsoring Less-popular Sports

IBK Altos Women's Volleyball Team was founded in 2011, and has been contributing to the development of women's volleyball in South Korea ever since. It won the integrated championship in the first two years of its inception, the shortest period in the professional sports league history in South Korea.

The team carries out a special fundraising program called Spike of Love in which the bank makes donations for every point that is scored when the team wins. It has earned KRW 600 million so far, with the funds collected going to over 160 social welfare institutions, creating synergies for the bank's social contribution projects.

The team instituted a number of virtual sports events in 2020 to help alleviate people's feelings of social isolation engendered by COVID-19. They included online launching ceremonies, online fan meetings, and cheering events using Zoom, all of them helping sports fans to enjoy fun and games without needing to actually be present.

The bank has been sponsoring the IBK Rifle Shooting Team, whose members played a critical role in Team Korea winning the gold medal at the 2014 Incheon Asian Games. In 2016, four shooters from the team—the largest number in the team's history—were selected to represent South Korea at the 2016 Rio Summer Olympic Games. The team has continued to boost its skill level by participating in competitions throughout the world in preparation for the 2021 Tokyo Olympic Games. In addition, by nurturing promising young players, IBK has made a significant contribution to popularizing the sport.

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Operating Results

Condensed Income Statements for the Year

(Unit: KRW billion)	2020	2019	Change (%)
Net interest income	5,615.1	5,752.0	△2.38%
Non-interest income	614.5	561.9	9.36%
Total income	6,229.6	6,313.9	△1.34%
Labor expenses	1,484.5	1,378.4	7.70%
SG&A expenses	945.4	1,031.1	△8.31%
Provisions	1,674.2	1,676.5	△0.14%
(Provisions for credit losses)	1,560.1	1,524.7	2.32%
Operating income	2,125.5	2,227.9	△4.60%
Non-operating income	△38.6	12.3	△413.82%
Income before taxes	2,086.9	2,240.2	△6.84%
Income taxes	539.0	625.9	△13.88%
Consolidated net income	1,547.9	1,614.3	△4.11%
Controlling interest	1,535.7	1,605.8	△4.37%
Non-controlling interest	12.2	8.5	43.53%

IBK’s consolidated net income declined by 4.11% from the previous year to KRW 1,547.9 billion. Net interest income fell by 2.38% to KRW 5,615.1 billion due a drop in NIM that followed downturns in market interest rates. The bank’s non-interest income rose by 9.36% to reach KRW 614.5 billion. Total provisions for credit losses were KRW 1,560.1 billion, up 2.32% YoY.

Interest Income

(Unit: KRW billion)	2020	2019	Change (%)
Interest revenue	8,653.9	9,488.5	△8.80%
Interest on loan assets	7,590.9	8,271.3	△8.23%
Interest on securities	928.9	992.2	△6.38%
Other interest revenues	134.1	225.0	△40.40%
Interest expenses	3,038.8	3,736.5	△18.67%
Interest on deposit liabilities	641.1	851.3	△24.69%
Interest on debentures	2,057.6	2,408.1	△14.56%
Interest on borrowings	307.8	416.4	△26.08%
Other interest expenses	32.3	60.7	△46.79%
Net interest income	5,615.1	5,752.0	△2.38%

IBK’s interest-based revenues decreased by 8.80% over the year to KRW 8,653.9 billion. This occurred even though its loan assets increased due to a rise in its loans to companies suffering from the effects of COVID-19. This was primarily the result of a KRW 680.4 billion reduction in interest payable on its loan assets flowing from a decline in market interest rates. Its interest expenses fell by 18.67%, mainly due to lower interest rates on its debentures of KRW 350.5 billion and in the interest payable on its deposit liabilities of KRW 210.2 billion, both due to an overall decline in market interest rates. Net interest income was KRW 5,615.1 billion, down 2.38% from the previous year. This was mainly attributable to a decrease in interest payable on its loan assets.

Non-interest Income

(Unit: KRW billion)	2020	2019	Change (%)
Fee income	2,245.0	2,202.9	1.91%
Gains/losses on F/X derivatives	182.9	211.8	△13.64%
Trust income	117.8	117.1	0.60%
Gains/losses on securities	508.4	311.2	63.37%
Gains/losses on disposal of loan assets	190.9	145.5	31.20%
Other non-interest expenses	2,630.5	2,426.6	8.40%
Net non-interest income	614.5	561.9	9.36%

The bank’s gains and losses on its securities ballooned by 63.37% over the year due to a rise in income from fees of IBK Securities, an increase in gains and losses from securities of IBK Capital, and vitality in the stock market. Gains and losses on disposals of its loan assets surged by 31.20%, mostly because of a KRW 46.0 billion increase in gains and losses from the disposal of its bad loan assets. Despite a small decrease in its gains and losses on F/X derivatives, the bank’s net non-interest income rose by 9.36% to KRW 614.5 billion. This was primarily owing to a rise in its gains and losses on securities.

Labor and SG&A Expenses

(Unit: KRW billion)	2020	2019	Change (%)
Salaries	1,340.0	1,247.8	7.39%
Retirement benefits	142.5	129.7	9.87%
Special severance benefits	2.0	0.9	122.22%
Total labor expenses	1,484.5	1,378.4	7.70%
Welfare expenses	117.1	111.6	4.93%
Depreciation	160.4	159.8	0.38%
Taxes and dues	132.0	136.0	△2.94%
Advertising and marketing expenses	62.0	74.0	△16.22%
Computers & software	75.5	75.2	0.40%
Service fees	77.8	120.4	△35.38%
Rents	23.2	21.3	8.92%
Communications expenses	35.2	33.6	4.76%
Other	262.2	299.2	△12.37%
Total SG&A expenses	945.4	1,031.1	△8.31%

Salaries at the bank rose by 7.39% over the year to reach KRW 1,340.0 billion. This was mainly attributable to an increase in its number of employees and wage hikes. SG&A expenses declined by 8.31%, mostly due to reductions in advertising and marketing costs, which fell by KRW 12.0 billion, and service fees, which dropped by KRW 42.6 billion. Its welfare expenses increased by KRW 5.5 billion.

Non-operating Gains/Losses

(Unit: KRW billion)	2020	2019	Change (%)
Gains on disposal of tangible assets	5.4	2.0	170.00%
Gains from real estate leases	1.8	1.9	△5.26%
Donations	27.6	41.5	△33.49%
Impairment losses on equipment & intangible assets	12.2	6.3	93.65%
Other	△6.0	56.2	△110.68%
Non-operating gains/losses	△38.6	12.3	△413.82%

Non-operating gains decreased by KRW 50.9 billion over the year, mainly due to a KRW 62.2 billion decline in other non-operating gains caused by additional provisions, including payments for damages. The value of the bank’s donations fell by KRW 13.9 billion.

Financial Position

Condensed Statements of Financial Position at Year-end

(Unit: KRW billion)	2020	2019	Change (%)
Cash & Deposits	12,838.4	11,266.7	13.95%
Securities	64,544.1	55,404.0	16.50%
Loan assets	268,688.1	239,321.3	12.27%
Tangible assets	2,174.6	2,155.5	0.89%
Other assets	13,371.0	9,963.5	34.20%
Total assets	361,616.2	318,111.0	13.68%
Deposit liabilities	140,941.5	117,991.1	19.45%
Borrowings	38,132.3	30,749.8	24.01%
Debentures	131,214.9	123,988.4	5.83%
Other liabilities	26,185.1	22,605.1	15.84%
Total liabilities	336,473.8	295,334.4	13.93%
Equity attributable to controlling interest	25,018.3	22,661.8	10.40%
Paid-in capital	4,183.2	3,375.6	23.92%
Hybrid capital instruments	3,059.9	2,730.4	12.07%
Capital surplus	1,145.1	687.6	66.54%
Capital adjustment	△0.1	-	-
Retained earnings	16,158.6	15,346.9	5.29%
Other accumulated comprehensive gains/losses	471.6	521.3	△9.53%
Non-controlling interest	124.1	114.8	8.10%
Total shareholders’ equity	25,142.4	22,776.6	10.39%
Total liabilities & shareholders’ equity	361,616.2	318,111.0	13.68%

IBK’s SME loan balance was KRW 186.8 trillion at the end of 2020. This happened because IBK supplied approximately KRW 24.1 trillion in loans to SMEs suffering liquidity difficulties in COVID-19. It posted a record-setting market share of 23.1% on the strength of its 14.8% growth in loans to SMEs, which was twice the rate of the previous year.

Deposit liabilities totaled KRW 140,941.5 billion, up 19.45% from the previous year. Total liabilities increased by 13.93% in the wake of a 5.83% rise in debentures to reach KRW 131,214.9 billion.

Paid-in capital grew by KRW 807.6 billion thanks to the central government’s contributions. Hybrid capital instruments were up by KRW 329.5 billion due to new issuances in 2020. Retained earnings increased by KRW 811.7 billion to stand at KRW 16,158.6 billion.

INDEPENDENT AUDITOR’S REPORT

THE SHAREHOLDERS AND BOARD OF DIRECTORS INDUSTRIAL BANK OF KOREA

Opinion

We have audited the separate financial statements of Industrial Bank of Korea (the “Bank”), which comprise the separate statement of financial position as of December 31, 2020, and the separate statement of comprehensive income, separate statement of changes in equity and statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

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

We also have audited, in accordance with Korean Auditing Standards (“KGAAS”), the Bank’s internal control over financial reporting (“ICFR”) as of December 31, 2020, based on criteria established in Conceptual Framework for designing and operating ICFR in accordance with Korean Auditing Standards (“KGAAS”) established by the Operating Committee of ICFR (the “ICFR Committee”), and our report dated March 12, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

We conducted our audits in accordance with KGAAS. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the separate financial statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audits of the separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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.

Assessments of expected credit loss allowances on loan receivables measured at amortized cost

As discussed in Note 2.2.5 (c) of the separate financial statements, the Bank recognizes loss allowance based on a measurement 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 lifetime 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, auditor should pay significant attention to loss allowances on loan receivables measured at amortized cost and identified it as a key audit matter.

Loan Assets

(Unit: KRW billion)	2020	2019	Change (%)
Won-denominated loans	242,482.8	213,562.5	13.54%
Corporate loans	202,043.1	176,238.9	14.64%
Retail loans	39,597.6	36,455.4	8.62%
Public funds	842.1	868.2	△3.01%
Foreign currency-denominated loans	5,227.6	5,020.9	4.12%
Other	20,977.7	20,737.9	1.16%
Total	268,688.1	239,321.3	12.27%

The bank continued its commitment to the financial support of small businesses and SMEs facing difficulties due to COVID-19. As a result, its volume of corporate loans ballooned by 14.64% to reach KRW 202.0 trillion at year-end including KRW 186.8 trillion in loans to SMEs.

Deposit Liabilities

(Unit: KRW billion)	2020	2019	Change (%)
Won-denominated deposits	122,317.2	100,797.6	21.35%
Demand deposits	60,156.7	48,782.7	23.32%
Savings deposits	59,190.2	48,813.9	21.26%
Mutual installments	2,970.3	3,201.0	△7.21%
Foreign currency-denominated deposits	15,578.6	13,768.9	13.14%
Certificates of deposit	3,015.8	3,330.0	△9.44%
Other	29.9	94.6	△68.39%
Total	140,941.5	117,991.1	19.45%

The bank’s won-denominated deposits grew by 21.35% from the previous year, mostly due to growth in its core deposits. The total reached KRW 122,317.2 billion at year-end. Deposit liabilities were KRW 140,941.5 billion, up 19.45% from the year before.

Key Financial Indicators

(Unit: %)	2020	2019	Change (%)
ROA	0.45	0.53	△15.09%
ROE	6.40	7.27	△11.97%
NIM	1.55	1.83	△15.30%

The bank’s return on assets (ROA) fell by 15.09% from the previous year to 0.45%, while its return on equity (ROE) decreased by 11.97% to 6.40%. Both results can be attributed to a decline in net income following a drop in the bank’s net interest income. The net interest margin (NIM) declined by 28 basis points to 1.55%, mainly due to falling market rates.

In Note 7 to the separate financial statements of the Bank, loan receivables measured at amortized cost and loss allowances based on the expected credit loss impairment model amount to ₩258,093,934 million and ₩2,638,206 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 understood and assessed the procedures and controls related to measuring individual and collective basis of assessment of expected credit loss by management.
- We performed analytical procedures on the appropriateness of stage classification, evaluated and tested methodology.
- We involved a specialist to evaluate and perform testing of the estimation methodology of probability of default (PD) and loss given default (LGD) including the estimation methodology of forward-looking information.
- We performed inquiries, evaluation and performed testing of the future cash flow estimation and discount rate used to calculate loss allowances on individual basis of assessment.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.2.5.1 (f) to the separate financial statements, which describes that to prevent the spread of COVID-19, a variety of prevention and control measures, including movement restrictions, is being implemented worldwide, and as a result, the global economy is being affected extensively. The duration and intensity of COVID-19 are not estimable. The Bank's allowances on financial assets and recognition of provisions, etc. are affected by COVID-19. The Bank has prepared the separate financial statements by reasonably estimating the impact of COVID-19 for the year ended on December 31, 2020. However, the ultimate impact therefrom on the Bank's financial position, financial performance and cash flows is not estimable as of December 31, 2020.

Other Matter

The separate financial statements of the Bank for the year ended December 31, 2019, were audited by Samil PwC in accordance with KGAAS whose report dated March 13, 2020, expressed an unqualified opinion thereon.

Responsibilities of management and those charged with governance for the separate financial statements

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

In preparing the separate financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank'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 separate 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in 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 to 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 separate 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.

The engagement partner on the audit resulting in this independent auditor's report is *Sang Wook Park*.



Ernst & Young Han Young
March 12, 2021

This audit report is effective as of March 12, 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 separate financial statements and may result in modifications to this report.

SEPARATE STATEMENTS OF FINANCIAL POSITION

as of December 31, 2020 and 2019

Korean won in millions	2020	2019
Assets		
Cash and due from banks	11,028,415	9,324,818
Financial assets at fair value through profit or loss	11,074,900	7,630,067
Financial assets at fair value through other comprehensive	14,251,971	11,274,406
Securities at amortized cost, net	32,409,578	29,809,655
Loans receivables at amortized cost, net	255,942,394	228,141,469
Derivative financial assets for hedge accounting	92,008	37,182
Investments in subsidiaries and associates	2,259,965	1,933,570
Investment properties, net	69,181	65,510
Property and equipment, net	2,069,510	2,051,537
Intangible assets, net	170,306	184,122
Net defined benefit assets	58,680	10,636
Deferred tax assets	3,305	2,429
Other assets	5,528,618	4,308,337
Total assets	334,958,831	294,773,738
Liabilities		
Financial liabilities at fair value through profit or loss	2,853,126	1,487,540
Deposit liabilities	136,783,217	113,988,099
Borrowings	35,327,044	28,604,145
Debentures	124,193,741	118,203,073
Derivative financial liabilities for hedge accounting	37,743	69,703
Provisions	662,404	593,354
Deferred tax liabilities	369,659	243,951
Other liabilities	11,135,755	10,083,282
Total liabilities	311,362,689	273,273,147
Equity		
Issued capital	4,183,183	3,375,646
Hybrid capital instruments	3,059,888	2,730,423
Capital surplus	1,140,916	683,679
Capital adjustment	(105)	-
Accumulated other comprehensive income	484,611	524,311
Retained earnings	14,727,649	14,186,532
Regulatory reserve for credit loss (December 31, 2020: ₩2,554,223 million) (December 31, 2019: ₩2,295,721 million)		
Regulatory reserve (reversal) for credit loss estimated to be appropriated (December 31, 2020: ₩121,990 million) (December 31, 2019: ₩258,502 million)		
Total equity	23,596,142	21,500,591
Total liabilities and equity	334,958,831	294,773,738

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

for the years ended December 31, 2020 and 2019

Korean won in millions	2020	2019
Interest income	7,926,027	8,751,090
Interest expense	(2,750,670)	(3,475,164)
Net interest income	5,175,357	5,275,926
Fee and commission income	674,107	709,404
Fee and commission expense	(304,217)	(335,369)
Net fee and commission income	369,890	374,035
Net gains on financial instruments at fair value through profit or loss	39,892	220,845
Net gains (losses) on derivative financial instruments for hedge accounting	34,036	8,964
Gains on disposal of financial assets at amortized cost	189,934	142,317
Net gains on financial assets at fair value through other comprehensive income	114,774	104,834
Net gains (losses) on foreign currency transactions	282,686	102,628
Gross operating profit	6,206,569	6,229,549
Impairment losses on financial assets	(1,464,613)	(1,487,254)
Net operating profit	4,741,956	4,742,295
General and administrative expenses	(2,295,911)	(2,254,897)
Other operating income	116,054	123,269
Other operating expenses	(810,652)	(665,094)
Operating profit	1,751,447	1,945,573
Non-operating income (expenses)	(63,745)	(22,547)
Profit before income tax	1,687,702	1,923,026
Income tax expense	(424,511)	(530,192)
Profit for the year (Adjusted profit after provision of regulatory reserve for credit losses December 31, 2020: ₩1,141,201 million December 31, 2019: ₩1,134,332 million)	1,263,191	1,392,834
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Changes in valuation of equity securitie at fair value through other comprehensive income	(70,669)	(32,652)
Remeasurements of net defined benefit liabilities	44,504	(28,896)
Items that may be subsequently reclassified to profit or loss:		
Changes in valuation of debt securities at fair value through other comprehensive income	14,073	25,257
Exchange differences on translation of foreign operations	(34,349)	20,226
Changes in valuation of hedges of net investment in foreign operations	16,615	(9,609)
Other comprehensive income for the year, net of tax	(29,826)	(25,674)
Total comprehensive income for the year	1,233,365	1,367,160
Earnings per share (in Korean won)		
Basic earnings per share	1,599	1,925
Diluted earnings per share	1,599	1,925

SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the years ended December 31, 2020 and 2019

Korean won in millions	Issued capital	Hybrid capital instruments	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total equity
Balance as of January 1, 2019	3,289,756	2,381,018	545,028	-	550,013	13,305,102	20,070,917
Comprehensive income							
Profit for the year	-	-	-	-	-	1,392,834	1,392,834
Other comprehensive income for the year							
Gain (loss) on valuation of debt securities at fair value through other comprehensive income	-	-	-	-	25,257	-	25,257
Exchange differences on translation of foreign operations	-	-	-	-	20,226	-	20,226
Changes in valuation of hedges of net investment in foreign operations	-	-	-	-	(9,609)	-	(9,609)
Changes in valuation of equity securities at fair value through other comprehensive income	-	-	-	-	(32,652)	-	(32,652)
Remeasurement of the net defined benefit liabilities	-	-	-	-	(28,896)	-	(28,896)
Total comprehensive income	-	-	-	-	(25,674)	1,392,834	1,367,160
Transactions with owners							
Issuance of stocks	85,890	-	138,651	-	-	-	224,541
Cash dividends	-	-	-	-	-	(410,107)	(410,107)
Dividends for hybrid capital instruments	-	-	-	-	-	(101,325)	(101,325)
Issuance of hybrid capital instruments	-	349,405	-	-	-	-	349,405
Transfer of realized gains or losses on equity investment at fair value through other comprehensive income for hedge accounting	-	-	-	-	(28)	28	-
Total transactions with owners	85,890	349,405	138,651	-	(28)	(511,404)	62,514
Balance as of December 31, 2019	3,375,646	2,730,423	683,679	-	524,311	14,186,532	21,500,591

Korean won in millions	Issued capital	Hybrid capital instruments	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total equity
Balance as of January 1, 2020	3,375,646	2,730,423	683,679	-	524,311	14,186,532	21,500,591
Comprehensive income							
Profit for the year	-	-	-	-	-	1,263,191	1,263,191
Other comprehensive income for the year							
Gain (loss) on valuation of debt securities at fair value through other comprehensive income	-	-	-	-	14,073	-	14,073
Exchange differences on translation of foreign operations	-	-	-	-	(34,349)	-	(34,349)
Changes in valuation of hedges of net investment in foreign operations	-	-	-	-	16,615	-	16,615
Changes in valuation of equity securities at fair value through other comprehensive income	-	-	-	-	(70,669)	-	(70,669)
Remeasurement of the net defined benefit liabilities	-	-	-	-	44,504	-	44,504
Total comprehensive income	-	-	-	-	(29,826)	1,263,191	1,233,365
Transactions with owners							
Issuance of stocks	807,537	-	457,237	-	-	-	1,264,774
Cash dividends	-	-	-	-	-	(382,614)	(382,614)
Acquisition of treasury shares	-	-	-	(239,393)	-	-	(239,393)
Retirement of treasury shares	-	-	-	239,393	-	(239,393)	-
Dividends for hybrid capital instruments	-	-	-	-	-	(109,941)	(109,941)
Issuance of hybrid capital instruments	-	399,360	-	-	-	-	399,360
Repayment of hybrid capital instruments	-	(69,895)	-	(105)	-	-	(70,000)
Transfer of realized gains or losses on equity investment at fair value through other comprehensive income	-	-	-	-	(9,874)	9,874	-
Total transactions with owners	807,537	807,537	457,237	(105)	(9,874)	(722,074)	862,186
Balance as of December 31, 2020	4,183,183	4,183,183	1,140,916	(105)	484,611	14,727,649	23,596,142

SEPARATE STATEMENTS OF CASH FLOWS

for the years ended December 31, 2020 and 2019

Korean won in millions	2020	2019
Cash flows from operating activities		
Profit for the year	1,263,191	1,392,834
Adjustments to reconcile profit for the year to net cash flows used in operating activities	(3,186,752)	(2,943,823)
Changes in operating assets and liabilities	(9,270,978)	(13,929,931)
	(11,194,539)	(15,480,920)
Interests received	7,767,351	8,556,539
Interests paid	(3,070,657)	(3,453,380)
Dividends received	172,927	165,856
Income taxes paid	(295,132)	(500,753)
Net cash flows used in operating activities	(6,620,050)	(10,712,658)
Cash flows from investing activities		
Increase in financial assets at fair value through profit or loss	(28,533,547)	(23,509,614)
Decrease in financial assets at fair value through profit or loss	27,358,090	23,008,378
Increase in financial assets at fair value through other comprehensive income	(20,630,304)	(14,385,951)
Decrease in financial assets at fair value through other comprehensive income	17,338,254	14,737,649
Increase in securities at amortized cost	(12,889,038)	(12,273,820)
Decrease in securities at amortized cost	10,288,879	7,735,266
Disposal of investments in subsidiaries	89,728	44,822
Disposal of investments in associates	7,320	13,688
Acquisition of investments in subsidiaries	(408,550)	(273,545)
Acquisition of investments in associates	(27,130)	(19,456)
Disposal of property and equipment and investment properties	6,149	1,079
Acquisition of property and equipment and investment properties	(125,499)	(112,952)
Disposal of intangible assets	600	205
Acquisition of intangible assets	(41,684)	(86,894)
Net cash flows used in investing activities	(7,566,732)	(5,121,145)
Cash flows from financing activities		
Net increase in borrowings	6,866,259	2,099,139
Increase in debentures	130,002,023	128,564,643
Decrease in debentures	(123,905,176)	(115,343,986)
Repayment of lease liabilities	(50,689)	(60,989)
Issuance of stocks	1,264,774	224,541
Proceeds in hybrid capital instruments	399,360	349,405
Repayment of hybrid capital instruments	(70,000)	-
Payment of dividends of hybrid capital instruments	(110,077)	(100,427)
Dividends paid	(382,614)	(410,107)
Net cash flows provided by financing activities	14,013,860	15,322,219
Effects of exchange rate changes on cash and cash equivalents	(124,648)	35,051
Net decrease in cash and cash equivalents	(297,570)	(476,533)
Cash and cash equivalents at the beginning of the year	3,044,668	3,521,201
Cash and cash equivalents at the end of the year	2,747,098	3,044,668

INDEPENDENT AUDITOR’S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING

THE SHAREHOLDERS AND BOARD OF DIRECTORS
INDUSTRIAL BANK OF KOREA

Opinion on internal control over financial reporting

We have audited Industrial Bank of Korea’s (the “Bank”) internal control over financial reporting (“ICFR”) based on the Conceptual Framework for designing and operating ICFR established by the Operating Committee of ICFR (the “ICFR Committee”) as of December 31, 2020.

In our opinion, the Bank’s ICFR has been effectively designed and operated, in all material respects, as of December 31, 2020, in accordance with the Conceptual Framework for designing and operating ICFR.

We also have audited, in accordance with the Korean Auditing Standards (“KGAAS”), the separate statement of financial position as of December 31, 2020, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies, and our report dated March 12, 2021 expressed an unqualified opinion thereon.

Basis for opinion on ICFR

We conducted our audit in accordance with KGAAS. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of ICFR section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of ICFR 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.

Responsibilities of management and those charged with governance for ICFR

Management is responsible for designing, implementing, and maintaining an effective ICFR, and for assessing the effectiveness of the ICFR included in the accompanying report on the effectiveness of the ICFR.

Those charged with governance are responsible for overseeing the Bank’s ICFR process.

Auditor’s responsibilities for the audit of ICFR

Our responsibility is to express an opinion of the Bank’s ICFR based on our audit. We conducted our audit in accordance with KGAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective ICFR was maintained in all material respects.

An audit of ICFR involves performing procedures to obtain audit evidence as to whether a material weakness exists. The procedures selected depend on the auditor’s judgment, including the assessment of the risks that a material weakness exists. An audit also includes testing and evaluating the design and operating effectiveness of ICFR based on obtaining an understanding of ICFR and the assessed risk.

ICFR definition and inherent limitations

A bank’s ICFR is implemented by those charged with governance, management, and other employees and is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of separate financial statements for external purposes in accordance with Korean International Financial Reporting Standards (“KIFRS”). A bank’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of separate financial statements in accordance with KIFRS, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank’s assets that could have a material effect on the separate financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements of the separate financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that ICFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor’s report is *Sang Wook Park*.



Ernst & Young Han Young
March 12, 2021

This audit report is effective as of March 12, 2021, the independent auditor’s report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditors’ report date to the time this report is used. Such events and circumstances could significantly affect the Bank’s ICFR and may result in modifications to this report.

ICFR OPERATING STATUS REPORT

TO THE SHAREHOLDERS, BOARD OF DIRECTORS AND AUDITOR OF INDUSTRIAL BANK OF KOREA

We, as the Chief Executive Officer and the Internal Accounting Manager of Industrial Bank of Korea (“the Bank”), assessed operating status of the Bank’s Internal Control over Financial Reporting (“ICFR”) for the year ending December 31, 2020.

Design and operation of ICFR is the responsibility of the Bank’s management, including the Chief Executive Officer and the Internal Accounting Manager (collectively, “We”, “Our” or “Us”).

We evaluated whether the Bank effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’ established by the Operating Committee of Internal Control over Financial Reporting in Korea (the “ICFR Committee”) as the criteria for design and operation of the Bank’s ICFR. And we conducted an evaluation of ICFR based on the ‘Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting’ established by the ICFR Committee.

Based on our assessment, we concluded that the Bank’s ICFR is designed and operated effectively as of December 31, 2020, in all material respects, in accordance with the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

March 3, 2021

Yoon Jong-won
Chief Executive Officer

Suh Chi-kil
Internal Accounting Manager

INDEPENDENT AUDITOR’S REPORT

THE SHAREHOLDERS AND BOARD OF DIRECTORS INDUSTRIAL BANK OF KOREA AND ITS SUBSIDIARIES

Opinion

We have audited the accompanying consolidated financial statements of Industrial Bank of Korea (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated 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.

Assessments of expected credit loss allowances on loan receivables measured at amortized cost

As discussed in Note 2.2.5 (c) of the consolidated financial statements, the Group recognizes loss allowance based on a measurement 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 lifetime 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, auditor should pay significant attention to loss allowances on loan receivables measured at amortized cost and identified it as a key audit matter.

In Note 7 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 ₩271,014,458 million and ₩2,798,185 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 understood and assessed the procedures and controls related to measuring individual and collective basis of assessment of expected credit loss by management.
- We performed analytical procedures on the appropriateness of stage classification, evaluated and tested methodology.
- We involved a specialist to evaluate and perform testing of the estimation methodology of probability of default (PD) and loss given default (LGD) including the estimation methodology of forward-looking information.
- We performed inquiries, evaluation and performed testing of the future cash flow estimation and discount rate used to calculate loss allowances on individual basis of assessment.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.2.5 (g) to the consolidated financial statements, which describes that to prevent the spread of COVID-19, a variety of prevention and control measures, including movement restrictions, is being implemented worldwide, and as a result, the global economy is being affected extensively. The duration and intensity of COVID-19 are not estimable. The Group's allowances on financial assets and recognition of provisions, etc. are affected by COVID-19. The Group has prepared the consolidated financial statements by reasonably estimating the impact of COVID-19 for the year ended on December 31, 2020. 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 Samil PwC in accordance with KGAAS whose report dated March 13, 2020, expressed an unqualified opinion thereon.

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.

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 to 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.

The engagement partner on the audit resulting in this independent auditor's report is *Sang Wook Park*.



Ernst & Young Han Young
March 12, 2021

This audit report is effective as of March 12, 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

Korean won in millions	2020	2019
Assets		
Cash and due from banks	12,838,388	11,266,726
Financial assets at fair value through profit or loss	17,501,782	13,528,773
Financial assets at fair value through other comprehensive income	16,615,571	13,036,016
Securities at amortized cost, net	33,534,291	30,527,029
Loans receivables at amortized cost, net	268,688,120	239,321,254
Derivative financial assets for hedge accounting	126,957	46,248
Investments in associates	906,395	792,664
Investment properties, net	57,633	57,617
Property and equipment, net	2,116,952	2,097,868
Intangible assets, net	284,710	303,580
Net defined benefit assets	60,288	10,431
Deferred tax assets	14,757	11,492
Other assets	8,870,333	7,111,340
Total assets	361,616,177	318,111,038
Liabilities		
Financial liabilities at fair value through profit or loss	3,524,284	1,844,816
Financial liabilities designated at fair value through profit or loss	808,848	1,395,415
Deposit liabilities	140,941,544	117,991,135
Borrowings	38,132,325	30,749,799
Debentures	131,214,937	123,988,398
Derivative financial liabilities for hedge accounting	47,655	82,909
Provisions	694,451	616,771
Deferred tax liabilities	410,715	300,389
Other liabilities	20,699,069	18,364,759
Total liabilities	336,473,828	295,334,391
Equity		
Equity attributable to owners of the parent		
Issued capital	4,183,183	3,375,646
Hybrid capital instruments	3,059,888	2,730,423
Capital surplus	1,145,060	687,548
Capital adjustment	(105)	-
Accumulated other comprehensive income	471,578	521,335
Retained earnings	16,158,648	15,346,858
(Regulatory reserve for credit loss December 31, 2020: ₩2,664,855 million December 31, 2019: ₩2,345,791 million) (Regulatory reserve for credit loss estimated to be appropriated December 31, 2020: ₩92,085 million December 31, 2019: ₩319,064 million)		
	25,018,252	22,661,810
Non-controlling interests	124,097	114,837
Total equity	25,142,349	22,776,647
Total liabilities and equity	361,616,177	318,111,038

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended December 31, 2020 and 2019

Korean won in millions	2020	2029
Interest income:	8,653,892	9,488,526
Interest income on financial assets at fair value through profit or loss	135,969	152,958
Interest income on financial assets at fair value through other	8,517,923	9,335,568
Interest expenses	(3,038,743)	(3,736,539)
Net interest income	5,615,149	5,751,987
Fee and commission income	899,434	883,078
Fee and commission expense	(335,598)	(368,846)
Net fee and commission income	563,836	514,232
Net gains on financial instruments at fair value through profit or loss	309,374	387,188
Net gains (losses) on financial instruments designated at fair value through profit or loss	(40,701)	(135,939)
Net gains (losses) on derivative financial instruments for hedge accounting	72,096	8,466
Gains on disposal of financial assets at amortized cost	191,041	145,584
Net gains from financial assets at fair value through other comprehensive income	150,361	114,934
Insurance losses	(127,114)	(116,831)
Net gains on foreign currency transactions	224,467	179,632
Gross operating profit	6,958,509	6,849,253
Impairment losses on financial assets	(1,528,738)	(1,530,119)
Net operating profit	5,429,771	5,319,134
General and administrative expenses	(2,429,982)	(2,409,457)
Other operating income	267,478	249,937
Other operating expenses	(1,124,785)	(912,960)
Overlay adjustments	(16,966)	(18,739)
Operating profit	2,125,516	2,227,915
Non-operating income (expenses)	(38,605)	12,322
Profit before income tax	2,086,911	2,240,237
Income tax expense	(538,993)	(625,976)
Profit for the year	1,547,918	1,614,261
(Adjusted profit after provision of regulatory reserve for credit losses December 31, 2020: ₩1,455,833 million December 31, 2019: ₩1,295,197 million)		

(continued)

Korean won in millions	2020	2019
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Changes in valuation of financial liabilities designated at fair value through profit or loss	(239)	160
Changes in valuation of equity securities at fair value through other comprehensive income	(73,563)	(24,601)
Remeasurements of net defined benefit liabilities	44,116	(32,972)
Items that may be subsequently reclassified to profit or loss:		
Changes in valuation of debt securities at fair value through other comprehensive income	283	35,957
Changes in shares of other comprehensive income of associates	4,151	1,941
Exchange differences on translation of foreign operations	(37,821)	27,705
Changes in valuation of cash flow hedge	(6,091)	(836)
Changes in valuation of hedges of net investment in foreign operations	16,615	(9,609)
Overlay adjustments	12,392	15,249
Other comprehensive income for the year, net of tax	(40,157)	12,994
Total comprehensive income for the year	1,507,761	1,627,255
Profit is attributable to:		
Owners of the parent	1,535,705	1,605,847
Non-controlling interests	12,213	8,414
	1,547,918	1,614,261
Total comprehensive income attributable to:		
Owners of the parent	1,495,822	1,619,126
Non-controlling interests	11,939	8,129
	1,507,761	1,627,255
Earnings per share (Korean won)		
Basic earnings per share	1,977	2,242
Diluted earnings per share	1,977	2,242

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended December 31, 2020 and 2019

Korean won in millions	Attributable to owners of the parent							Total equity
	Issued capital	Hybrid capital instruments	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Non-cotrolling interests	
Balance as of January 1, 2019	3,289,756	2,381,018	551,221	-	508,084	14,252,837	111,260	21,094,176
Comprehensive income								
Profit for the year	-	-	-	-	-	1,605,847	8,414	1,614,261
Other comprehensive income for the year								
Gain (loss) on valuation of debt securities at fair value through other comprehensive income	-	-	-	-	35,892	-	65	35,957
Shares of other comprehensive income of associates	-	-	-	-	1,941	-	-	1,941
Exchange differences on translation of foreign operations	-	-	-	-	27,691	-	14	27,705
Changes in valuation of cash flow hedge	-	-	-	-	(836)	-	-	(836)
Changes in valuation of hedges of net investment in foreign operations	-	-	-	-	(9,609)	-	-	(9,609)
Net gains on overlay adjustments	-	-	-	-	15,249	-	-	15,249
Changes in financial liabilities designated at fair value through profit or loss	-	-	-	-	132	-	28	160
Changes in valuation of equity securities at fair value through other comprehen-sive income	-	-	-	-	(24,601)	-	-	(24,601)
Remeasurement of net defined benefit assets	-	-	-	-	(32,580)	-	(392)	(32,972)
Total comprehensive income for the year	-		-	-	13,279	1,605,847	8,129	1,627,255
Transactions with owners								
Issuance of stocks	85,890	-	138,651	-	-	-	-	224,541
Cash dividends	-	-	-	-	-	(410,107)	(2,208)	(412,315)
Dividends for hybrid capital instruments	-	-	-	-	-	(101,325)	(101,325)	(101,325)
Issuance of hybrid capital instruments	-	349,405	-	-	-	-	-	349,405
Transfer of realized gains or losses on equity investment at fair value through other comprehensive income	-	-	-	-	(28)	28	-	-
Acquisition of treasury stock	-	-	803	-	-	-	(5,483)	(4,680)
Acquisition of equity shares of subsidiaries	-	-	-	-	-	-	9,164	9,164
Merger of subsidiaries	-	-	(3,411)	-	-	-	(6,025)	(9,436)
Others	-	-	284	-	-	(422)	-	(138)
Total transactions with owners of the parent	85,890	349,405	136,327	-	(28)	(511,826)	(4,552)	55,216
Balance as of December 31, 2019	3,375,646	2,730,423	687,548	-	521,335	15,346,858	114,837	22,776,647

(continued)

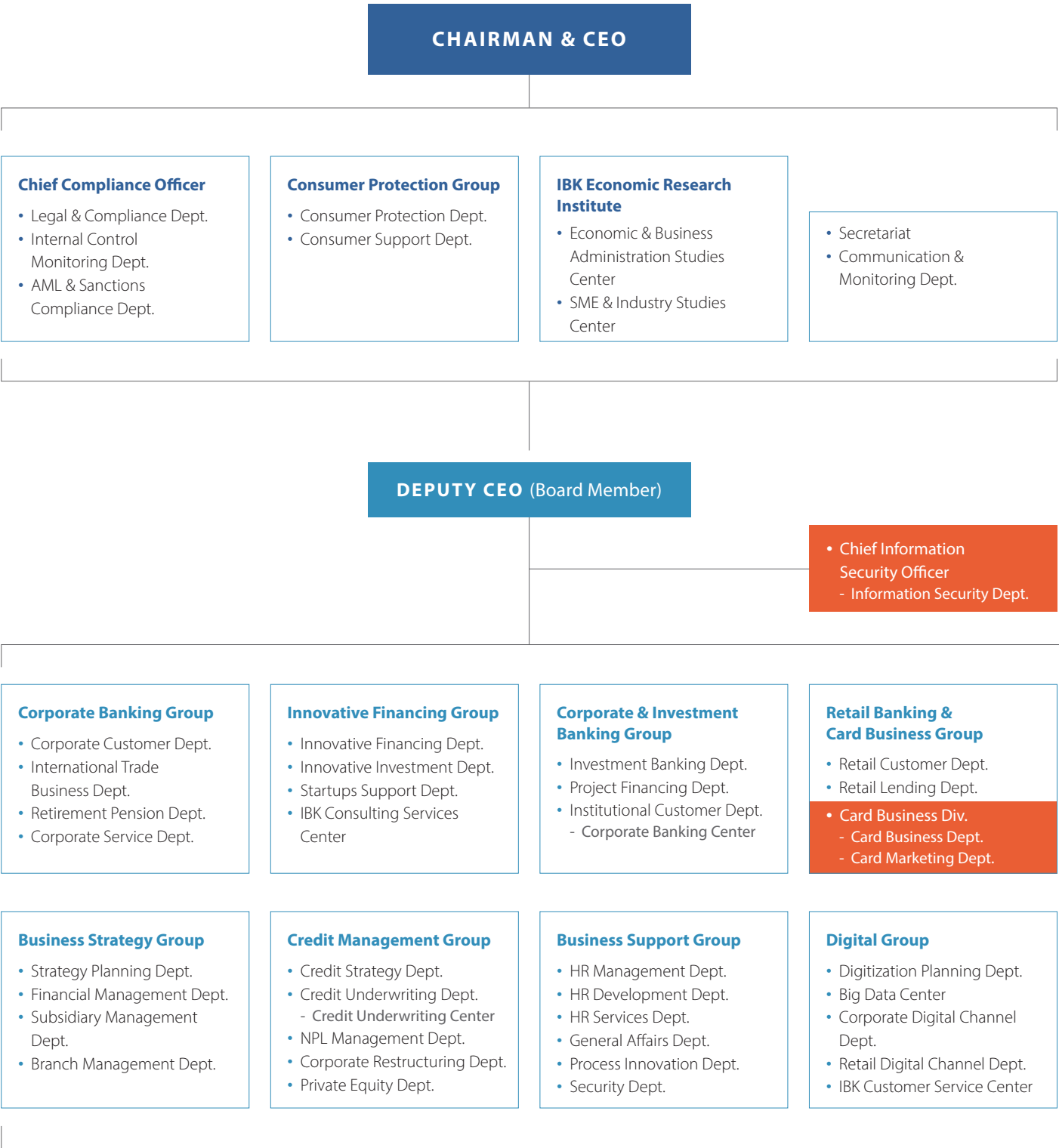
CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2020 and 2019

Korean won in millions	Attributable to owners of the parent							Total equity
	Issued capital	Hybrid capital instruments	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Non-cotrolling interests	
Balance as of January 1, 2020	3,375,646	2,730,423	687,548	-	521,335	15,346,858	114,837	22,776,647
Comprehensive income								
Profit for the year	-	-	-	-	-	1,535,705	12,213	1,547,918
Other comprehensive income for the year								
Gain (loss) on valuation of debt securities at fair value through other comprehensive income	-	-	-	-	245	-	38	283
Changes in share of other comprehensive income of associates	-	-	-	-	4,151	-	-	4,151
Exchange differences on translation of foreign operations	-	-	-	-	(37,570)	-	(251)	(37,821)
Changes in valuation of cash flow hedge	-	-	-	-	(6,091)	-	-	(6,091)
Changes in valuation of hedges of net investment in foreign operations	-	-	-	-	16,615	-	-	16,615
Net gains on overlay adjustments	-	-	-	-	12,392	-	-	12,392
Changes in financial liabilities designated at fair value through profit or loss	-	-	-	-	(195)	-	(44)	(239)
Changes in valuation of equity securities at fair value through other comprehensive income	-	-	-	-	(73,563)	-	-	(73,563)
Remeasurement of net defined benefit assets	-	-	-	-	44,133	-	(17)	44,116
Total comprehensive income	-	-	-	-	(39,883)	1,535,705	11,939	1,507,761
Transactions with owners								
Issuance of stocks	807,537	-	457,237	-	-	-	-	1,264,774
Cash dividends	-	-	-	-	-	(382,614)	(2,404)	(385,018)
Acquisition of treasury shares	-	-	-	(239,393)	-	-	-	(239,393)
Retirement of treasury shares	-	-	-	239,393	-	(239,393)	-	-
Dividends for hybrid capital instruments	-	-	-	-	-	(109,941)	-	(109,941)
Issuance of hybrid capital instruments	-	399,360	399,360	-	-	-	-	399,360
Repayment of hybrid capital instruments	-	(69,895)	(69,895)	(105)	-	-	-	(70,000)
Transfer of realized gains or losses on equity investment at fair value through other comprehensive income	-	-	-	-	(9,874)	9,874	-	-
Others	-	-	275	-	-	(1,841)	(275)	(1,841)
Total transactions with owners of the parent	807,537	329,465	457,512	(105)	(9,874)	(723,915)	(2,679)	857,941
Balance as of December 31, 2020	4,183,183	3,059,888	1,145,060	(105)	471,578	16,158,648	124,097	25,142,349

Korean won in millions	2020	2019
Cash flows from operating activities		
Profit for the year	1,547,918	1,614,261
Adjustments to reconcile profit for the year to net cash flows used in operating activities	(3,683,511)	(3,352,548)
Changes in operating assets and liabilities	(10,747,561)	(14,797,615)
	(12,883,154)	(16,535,902)
Interests received	8,516,048	9,291,249
Interests paid	(3,365,130)	(3,712,643)
Dividends received	199,072	181,856
Income taxes paid	(405,057)	(576,110)
Net cash flows used in operating activities	(7,938,221)	(11,351,550)
Cash flows from investing activities		
Increase in financial assets at fair value through profit or loss	(30,086,130)	(23,843,281)
Decrease in financial assets at fair value through profit or loss	28,929,022	23,678,442
Increase in financial assets at fair value through other comprehensive income	(22,384,567)	(15,445,527)
Decrease in financial assets at fair value through other comprehensive income	18,537,900	15,623,838
Increase in securities at amortized cost	(13,589,717)	(12,383,321)
Decrease in securities at amortized cost	10,568,103	7,798,095
Proceeds from disposal of investments in associates	75,331	121,672
Acquisition of investments in associates	(130,726)	(647,048)
Proceeds from disposal of property and equipment and investment properties	15,098	1,348
Acquisition of property and equipment and investment properties	(143,980)	(145,818)
Disposal of intangible assets	3,768	5,035
Acquisition of intangible assets	(58,414)	(110,588)
Net cash outflow from acquisition of subsidiaries	-	(1,034)
Net cash flows used in investing activities	(8,264,312)	(5,348,187)
Cash flows from financing activities		
Net increase in borrowings	7,506,521	2,668,022
Increase in debentures	132,938,506	130,748,697
Decrease in debentures	(125,606,121)	(116,918,042)
Repayment of lease liabilities	(66,015)	(72,802)
Issuance of stocks	1,264,774	224,541
Proceeds from issuance of hybrid capital instruments	399,360	349,405
Repayment of hybrid capital instruments	(70,000)	-
Payment of dividends of hybrid capital instruments	(110,077)	(100,427)
Payment of dividends	(385,018)	(412,315)
Acquisition of treasury stock	-	(21,876)
Net cash flows provided by financing activities	15,871,930	16,465,203
Effects of exchange rate changes on cash and cash equivalents	(152,277)	47,055
Net decrease in cash and cash equivalents	(482,880)	(187,479)
Cash and cash equivalents at the beginning of the year	4,283,832	4,471,311
Cash and cash equivalents at the end of the year	3,800,952	4,283,832

ORGANIZATIONAL CHART



As of March 2021

15 Groups

1 Research Institute

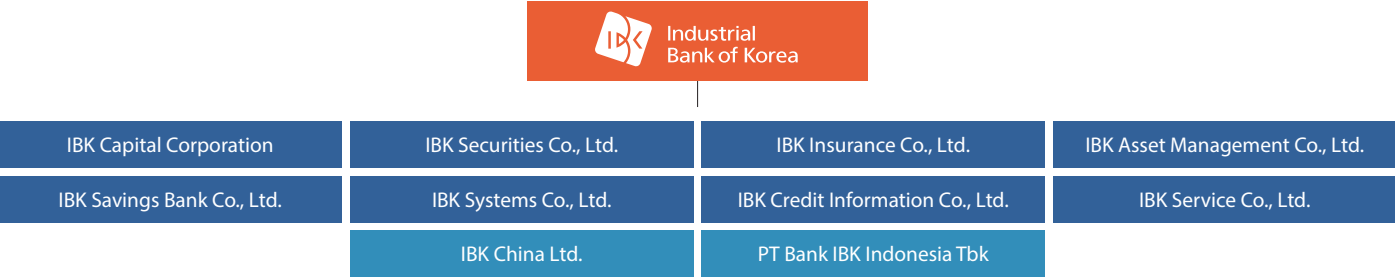
2 Divisions


1 Club

3 Centers

59 Departments


SUBSIDIARIES



 <div>IBK CAPITAL CORPORATION</div>	<div>Main Business</div> Corporate Finance, Installment Finance	<div>Date of Establishment</div> 1986	<div>IBK Ownership</div> 100.0%
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Established in November 1986, IBK Capital provides innovative technology finance, installment finance, lease finance, factoring, and corporate banking services. The company took a series of steps in 2020 to expand profit-oriented assets and as a result, the value of its financial assets and net income soared to a record-high KRW 7,988.5 billion and KRW 127.6 billion, respectively. In addition, its one-month-and-longer delinquency rate and its substandard-and-below loan rate stood at 0.58% and 0.62% each, sharply improving the company's soundness.

IBK Capital will secure long-term growth engines and become the leader in South Korea's capital industry in 2021 by making bold innovations under the slogan "Challenge to be the leader, Change for the next hundred years." the company will also promote innovation and conscious management based on its three core strategies—strengthen market dominance, drive innovative management, and stick to the fundamentals. Building on its profitability and soundness the company will also prepare to evolve into a century-old using change and challenge as its keywords.

 <div>IBK SECURITIES CO., LTD.</div>	<div>Main Business</div> IB, trading and wealth management	<div>Date of Establishment</div> 2008	<div>IBK Ownership</div> 87.78%
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IBK Securities was founded in May 2008 to support the growth of SMEs in the direct financing market. Some of the services it provides include initial public offerings, rights offerings, M&As, and bond issuances. The company also offers differentiated wealth management services and customized products designed to suit the needs of all its clients. IBK Securities posted a net income of KRW 80.2 billion despite growing volatilities in the financial market environment in 2020.

This was the ninth consecutive year that the company achieved its largest-ever results. IBK Securities also added to its marketing power and its synergies thanks to having more branches that are fully integrated with IBK. In addition, the company strengthened its role as a major SME supporter by concentrating on SME-related corporate banking operations which included placing listings on the Korea New Exchange (KONEX) and the KOSDAQ and forming investment partnerships.

 <div>IBK INSURANCE CO., LTD.</div>	<div>Main Business</div> Pension insurance	<div>Date of Establishment</div> 2010	<div>IBK Ownership</div> 100.0%
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IBK Insurance was established in July 2010 as part of IBK's business portfolio diversification and non-banking expansion strategy. It focuses on individual and corporate retirement pension insurance plans. Even in a very difficult operating environment, the company recorded total assets of KRW 9.6 trillion and net income of KRW 50.8 billion in 2020.

It will achieve quality growth in 2021 with its soundness-first management strategy, by strengthening its sales and asset management competitiveness to enhance the quality of its core businesses, while also laying the foundations for innovative finance by continuously searching out promising future growth engines.

 <div>IBK ASSET MANAGEMENT CO., LTD</div>	<div>Main Business</div> Asset management	<div>Date of Establishment</div> 2004	<div>IBK Ownership</div> 100.0%
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IBK Asset Management was founded in October 2004 to provide investment products tailored to the varying needs of IBK's customers while also increasing the bank's non-interest income. Its asset management products cover equity-, hybrid-, and bond-type funds, funds of funds, real estate funds, and infrastructure funds. Its assets under management (AUM) in 2020 amounted to KRW 14.8 trillion, the largest in its history, while its net income reached KRW 4.5 billion.

The company is committed to enhancing the IBK Financial Group's role in policy finance by participating in government policy projects aimed at the stabilization of the financial markets, SMEs, and key industries. Its activities include operating the Bond Market Stabilization Fund, engaging in P-CBO and P-CLO asset management, and developing such industry-leading funds as the IBK Plain Vanilla EMP.

 <div>IBK SAVINGS BANK CO., LTD.</div>	<div>Main Business</div> Microcredit Finance	<div>Date of Establishment</div> 2013	<div>IBK Ownership</div> 100.0%
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IBK Savings Bank was launched in July 2013 to support regionally-based SMEs and provide microcredit finance. Its main business includes deposits, installment savings accounts, and loans, and it operates seven branches throughout South Korea. The bank recorded a net income of KRW 9.9 billion in 2020, thanks to its efforts to improve its loan structure, augment its assets, and strengthen its soundness by continuously

increasing its micro business loan operations. Boasting loans and deposits worth more than KRW 1 trillion, IBK Savings Bank has cemented its position as a leading savings bank in the nation's southeastern region. It obtained an "A" rating, the industry's top, for the third straight year, and received the Financial Services Commission Chair's Award for ranking first in the industry in its anti-money laundering operations.

 IBK SYSTEMS CO., LTD.	Main Business IT systems development and management	Date of Establishment 1991	IBK Ownership 55.63%
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IBK Systems develops and operates computer systems for the IBK Financial Group, based on its expertise in the financial IT sector for the past thirty-plus years. The company was the first IT industry player in South Korea to obtain a Level 5 certificate from Capability Maturity Model Integration (CMMI), a global software and information technology quality certification body. The company continues to expand its range of competitiveness both in the public finance IT market and the private capital industry by leveraging its experience and technology it has accumulated so far as a powerhouse in the domestic capital IT market.

IBK Systems will create greater synergies within the IBK Financial Group in 2021 through its support for stable IT operations. To this end, it will efficiently support digital transformation activities within the Group such as the IBK MyData project, while fully assisting in IBK's financial product development and operations. In addition, the company will continue fulfilling its role of creating a non-contact workforce by encouraging telecommuting as a corrective to COVID-19.

 IBK CREDIT INFORMATION CO., LTD.	Main Business Credit information service	Date of Establishment 2000	IBK Ownership 100.0%
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Founded in January 2000, IBK Credit Information conducts research into credit applications, provides credit reports to customers, and collects on delinquent loans. It supports a wide range of other operations while also taking responsibility for the frontline sites of IBK Finance, ranging

from investigations to collections. The company had recovered more than 7,000 outstanding receivables from IBK customers as of the end of 2020, improving their cash flows and enhancing their credibility.

 IBK SERVICE CO., LTD.	Main Business Workforce sub-contracting	Date of Establishment 2018	IBK Ownership 100.0%
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IBK Service was established in December 2018 to implement the government's policy of changing irregular workers to permanent employees in the public sector. Prior to that, maintenance services at IBK facilities, such as cleaning, security, facility management, clerical assistance, cooking, parking management, and customer information had been outsourced to subcontractors and done by temporary workers. IBK agreed with over 2,000 workers on reclassifying their jobs as regular ones by creating a subsidiary. This was completed on January 1, 2020.

The company improves the quality of IBK's operations by organizing regular meetings with the bank's contract department. It also does its best to lessen the incidence of COVID-19 by doing temperature checks on all visitors to IBK's facilities and by disinfecting them when they are being cleaned. In addition, it attempts to limit the spread of infections in advance by conducting speedy information exchanges with IBK whenever confirmed cases occur.

 IBK CHINA LTD.	Date of Establishment 2009	IBK Ownership 100.0%
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IBK China was founded in June 2009 by integrating IBK's five branches including its Tianjin office that was opened in 1995. Since then, the company has opened branches in Tianjin, Shenyang, Qingdao, and other cities where South Korean companies had already entered. This brought its total to sixteen networks consisting of eight branches and eight sub-branches as of December 2019.

While enjoying a stable operating base, the company is consistently promoting localization for its sustainable growth. It has added to its local customer base by developing locally customized products and increased both online and mobile channels.

 PT BANK IBK INDONESIA TBK	Date of Establishment 2019	IBK Ownership 97.5 % (As of December 2020)
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PT Bank IBK Indonesia Tbk was launched in September 2019 after receiving an approval from the country's authorities regarding the merger and acquisition of two local banks, PT Bank Agris Tbk and PT Bank Mitraniaga Tbk. PT Bank IBK Indonesia Tbk is now working to stabilize its operations, such as achieving the highest loan growth rate among

the various foreign-based banks that have advanced into the country and adopting a two-track marketing strategy targeting South Korean and local companies.

MILESTONES

1961 - 1999

Jul. 01, 1961	<i>Small and Medium-sized Business Bank Act</i> (No. 641) enacted
Aug. 01, 1961	Established as Small and Medium-sized Business Bank with paid-in capital of KRW 200 million
Nov. 18, 1968	Relocated head office building to 36, Euljiro-2ga, Jung-gu, Seoul
Nov. 01, 1986	Established Korea Corporate Development Finance
Dec. 03, 1987	Relocated head office building to 50, Euljiro-2ga, Jung-gu, Seoul
Mar. 22, 1991	Established IBK Computing Development
Jul. 21, 1992	Established IBK Installment Finance
Dec. 09, 1994	Increased paid-in capital by issuing public offering worth KRW 180 billion for total of K RW 507.7 billion
Nov. 29, 1997	Changed from government-funded institution to government-affiliated one
Apr. 01, 1999	Established IBK Capital through merger between IBK Development Finance and IBK Installment Finance

2000 - 2009

Jan. 29, 2000	Invested KRW 200 billion in The Export-Import Bank of Korea
Jun. 24, 2000	Invested KRW 166.7 billion in The Export-Import Bank of Korea
Aug. 04, 2001	Carried out organizational restructuring (adopting a Business Division system)
Dec. 24, 2003	Listed on KOSPI
Oct. 26, 2004	Established IBK SG for asset management
May 27, 2005	Launched Win Class PB brand
Jan. 04, 2007	Declared new corporate identity
May 29, 2008	Established IBK Securities
Jun. 22, 2009	Established subsidiary in China

2010 - 2019

Jul. 09, 2010	Established IBK Insurance
Aug. 04, 2011	Launched IBK ALTOS Women's Volleyball Team
Apr. 29, 2013	Opened office in Yangon, Myanmar
Jul. 15, 2013	Launched IBK Savings Bank
Nov. 01, 2013	Opened Hanoi branch
Feb. 12, 2014	Opened Beijing sub-branch of IBK China, Ltd.
Apr. 15, 2014	Issued global depository receipts
Jan. 26, 2015	Opened offices in Jakarta, Indonesia, and Phnom Penh
Apr. 13, 2015	Opened New Delhi branch
Nov. 06, 2015	Opened Manila branch
Apr. 14, 2017	Registered SME financial innovation program at The Case Centre
Aug. 01, 2017	Proclaimed IBK Companion Finance
Nov. 28, 2017	Received presidential commendation for programs to counter money laundering
Dec. 14, 2017	Achieved 100,000 youth employment on IBK Job World
Dec. 15, 2017	Obtained Consumer Centered Management Certification from Fair Trade Commission, a first for a South Korean state-funded financial institution Korea
Dec. 19, 2017	Opened first startup incubator, IBK Changgong, in Mapo, Seoul
May 28, 2018	Launched IoT-privileged loan products and smart movable asset-based loans
May 28, 2018	Opened IBK Big Data Platform
Oct. 01, 2018	Opened second startup incubator, IBK Changgong, in Guro, Seoul
Nov. 20, 2018	Opened office in Vladivostok
Dec. 03, 2018	Opened Phnom Penh branch
Dec. 14, 2018	Established IBK Service subsidiary
Feb. 28, 2019	Received government contribution of KRW 200 billion in cash
Aug. 01, 2019	Launched BOX digital platform to support SME business management operations
Sep. 19, 2019	Launched PT Bank IBK Indonesia Tbk
Sep. 25, 2019	Launched IBK 1st Lab in-house innovation testbed
Dec. 12, 2019	Launched IBK e-branch VINA for companies entering Vietnam

2020 -

Jan. 30, 2020	Received Korea Inclusive Finance Agency CEO Award at “2020 Korea Financial Industry Awards” from <i>E-Daily</i>
Feb. 07, 2020	Introduced specialized financial supports for companies affected by COVID-19
Mar. 12, 2020	Provided Chungju HR Training Center for use as COVID-19 community treatment center
Apr. 10, 2020	Obtained preliminary license as a “local subsidiary” from the Central Bank of Myanmar
Apr. 22, 2020	Received government contribution of KRW 264.0 billion in cash
Apr. 29, 2020	Received government contribution of KRW 412.5 billion in cash
Jun 12, 2020	Volume of retail finance (deposits and loans) exceeded KRW 100 trillion
Jul. 07, 2020	Proclaimed Innovative Management (Innovative Finance and Conscious Management)
Sep. 23, 2020	Introduced AI automatic real estate review system, a first for South Korea's financial industry
Oct. 28, 2020	Received Financial Supervisory Service Governor's Prize at the “Global Financial Expo 2020 Financial Awards” from <i>Korea Economic Daily TV</i>
Nov. 15, 2020	Launched i-ONE Micro Business financial services platform for micro businesses
Nov. 19, 2020	Established IBK Global Anti-money Laundering System
Dec. 17, 2020	Received Presidential Citation at “25th Small and Medium Venture Business Financial Support Award”
Dec. 29, 2020	Received Gold Prize in banking category at “30th Dasan Financial Awards”

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