



2019-2020 DGB Financial Group Sustainability Report



Shaping Better Future

DGB Seeks Sustainable Value of Finance

DGB Financial Group 
Digital Global Banking group



DGB FINANCIAL GROUP
CORPORATE CULTURE SLOGAN

This logo depicts our will promising “With a mindset such that **I'M** the owner of DGB Financial Group who takes **Challenge** against difficult business environment, puts in full **Effort** in our position, we can transform a risk into an **Opportunity**”

ABOUT THIS REPORT ▾



The symbol of DGB Financial Group's sustainability report is a fourleaf clover, each leaf representing one of four core values: ethics and corporate culture, sustainable finance, social contribution and environmental management. This represents DGB Financial Group's goal of building a happier and healthier future through balanced growth.



The blue bird symbolizes an ethical corporate culture taking flight. DGB Financial Group strives to create a workplace where all employees and stakeholders can find happiness through a balance of work and life.



The seed stands for sustainable finance developed together with local communities. We do our best to offer finance that is caring, like planting the seeds of a local economy that will grow and be nurtured.



The flower signifies our pledge to contribute by serving and sharing. DGB Financial Group promotes the blooming of local culture, the arts, education and sports.



The budding sprout signifies the emphasis we place on conservation and environmental management. Caring for the environment will ensure that future generations can enjoy a cleaner and greener world.

DGB Financial Group Homepage

DGB Financial Group	www.dgbfg.co.kr
DGB Daegu Bank	www.dgb.co.kr
Hi Investment & Securities	www.hi-ib.com
DGB Life Insurance	www.dgbfnlife.com
DGB Capital	www.dgbcap.co.kr
DGB Asset Management	www.dgbam.com
DGB U-Pay	www.dgbupay.com
DGB Data System	www.dgbds.co.kr
DGB Credit Information	www.dgbci.co.kr

About This Report

Overview

First published in 2006 by Daegu Bank, this sustainability report has been issued as the group level since the founding of DGB Financial Group in 2011. This report is DGB Financial Group's 14th sustainability report. DGB Financial Group is reporting issues that have a significant impact on stakeholders, and DGB Financial Group's performance in the economic, social, and environment sector through the sustainability report published every year. This report is constituted based on major issues confirmed as a result of communicating with internal and external stakeholders, and has contained the various opinions of internal and external stakeholders, and shared the sustainable management vision pursued by the group, and has reflected the will to continuously strengthen the practical aspect.

Reporting Period

This report contains the major performance of DGB Financial Group from January 1, 2019 to December 31, 2019, and for quantitative performance, we have enabled you to identify the progress by including more than three years of data. In case of some qualitative performance, it is reporting details up to the first half of 2020.

Reporting Scope

This report is reporting the sustainable management activities and performance of DGB Financial Group and 8 affiliates* including Hi Investment & Securities incorporated into DGB Financial Group in 2018. For quantitative performance having differing reporting scope, we have separately indicated the relevant scope.

* DGB Daegu Bank, Hi Investment & Securities, DGB Life Insurance, DGB Capital, DGB Asset Management, DGB U-PAY, DGB Data System, DGB Credit Information

Reporting Guidelines and Assurance

This report was prepared in accordance with the Core Option of GRI(Global Reporting Initiative) Standards, and has applied ISO26000, the Ten Principles of UNGC and UN SDGs. In order to ensure objectivity and reliability of the report, it has received third party assurance review from Lloyd Register according to the international assurance standard, AA1000AS(2008) standard. The results of this verification can be found on the Third Party Assurance within the report.

Questions and Comments

The report is published in both Korean and English, and you can view or download the report through DGB Financial Group homepage (www.dgbfg.co.kr). If you have inquiries or suggestions in relation to the report, please contact the following.

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*2019-2020 DGB Financial Group
Sustainability Report*

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CEO MESSAGE

A handwritten signature in black ink, appearing to read "Kim Tae-oh".

Kim Tae-oh

Chairman, DGB Financial Group

***Thank you, DGB Financial Group stakeholders,
for your steadfast interest and support.***

Last year, DGB Financial Group achieved high asset growth with significant performances in various areas, thanks to the continued support from stakeholders despite of adverse internal and external environments such as low growth, low interest rates and the U.S.-China trade dispute. In order to establish the Group as a "Digital Global Banking Group," we have introduced new mobile apps, 'IM Bank' and 'IM Shop' so that we can provide more convenient and diverse services to our customers, and we have sought to diversify our customer contact points through opening 'DIGNITY' hybrid branch(Branch with Branch) and digital branches. Also, we established a new sales organization called PRM (Professional Relationship Management) focused on expanding new markets, including the Seoul metropolitan area. In the global business, we endeavored to strengthen our business base as a comprehensive financial group by securing a bridgehead for establishing the ASEAN financial belt linking China, Vietnam and Laos through establishing local affiliates of MFI (Microfinance Institution) in Myanmar and Cambodia.

In addition, we actively promoted ethical management by systematically operating an anti-corruption management system under the slogan "ALL-Right DGB" to strengthen the foundation of the group's sustainable growth. To respond to the global agenda of climate change, we worked hard to actively accept the proposal of the Task Force on Climate-related Financial Disclosures (TCFD), and actively participated in sustainability initiatives such as the UN's Principles for Responsible Banking (PRB) and Women's Empowerment Principles (WEPs).

With "Act Now, Beyond DGB" as our management goal in 2020, we will make the following efforts to create sustainable value for the group:

First, in order to establish an exemplary and transparent governance structure and management succession system, we will strengthen the independence and specialties of the board of directors and proceed with core talent fostering programs. Especially in case of Daegu Bank, the program to foster the next bank president have been adopted for the first time in the Korean financial industry, and the next bank president will be appointed through this program in 2020. DGB Financial Group seeks to strengthen its ESG (Environmental, Social, and Governance) management base through establishing these management succession processes and improving governance structure.

Second, we will also step up efforts to enter a larger market beyond being a financial institution representing a region. Entering year 2020, Cambodia DGB Specialized Bank, an overseas affiliate of DGB Daegu Bank, achieved the result of obtaining preliminary approval for converting to a commercial bank. We aim to expand our global network through these efforts to expand our overseas market base and to localize our operations.

Third, in order to actively respond to the changing trend of low interest rates and the un-tact (contactless service) era, we will diversify our group portfolio by actively fostering non-banking affiliates, while strengthening the group's synergistic operations such as expanding investment banking (IB) and wealth management (WM) operations utilizing the advantage of the comprehensive financial group.

Fourth, we will further strengthen warm and inclusive finance that creates social value through active financial support and diverse social contribution activities for local communities and customers who are under very difficult circumstances due to the spread of COVID-19, social distancing, economic recession and export decrease, etc.

DGB Financial Group has been committed to the UN Global Compact (UNG) core principles of human rights, labor, environment and anti-corruption. We will continue to take on new challenges through more genuine communication and stakeholder-based win-win management.

Stakeholders, thank you once again for your constant trust and support. We will do our best to open a new future together with you.

Thank you.

DGB Financial Group Profile

DGB Financial Group Overview

DGB Financial Group Overview

DGB Financial Group has solidly grown into a comprehensive financial group with 8 subsidiaries since 2011 : DGB Daegu Bank, Hi Investment & Securities, DGB Life Insurance, DGB Capital, DGB Asset Management, DGB U-PAY, DGB Data System, DGB Credit Information based on the trust of our customers and shareholders. We will take a leap to become a global comprehensive financial group reaching out into the world beyond Korea through maximizing synergy between subsidiaries, leading digital finance, and unifying the group.

DGB Financial Group History

Oct. 1967 DGB Daegu Bank founded as Korea's first regional bank	Oct. 2010 Kardnet founded as subsidiary	Apr. 2012 Establishment of DGB Data System	Oct. 2016 Incorporation of subsidiary DGB Asset Management
Jul. 2000 DGB Credit Information established	May 2011 DGB Financial Group established	Mar. 2013 M&A between Kardnet and -UPayment	Oct. 2018 Acquisition of Hi Investment & Securities
	Jan. 2012 Incorporation of subsidiary DGB Capital	Jan. 2015 Incorporation of subsidiary DGB Life Insurance	

Overseas Network of DGB Financial Group



* As of June 2020.

Business Performance of DGB Financial Group

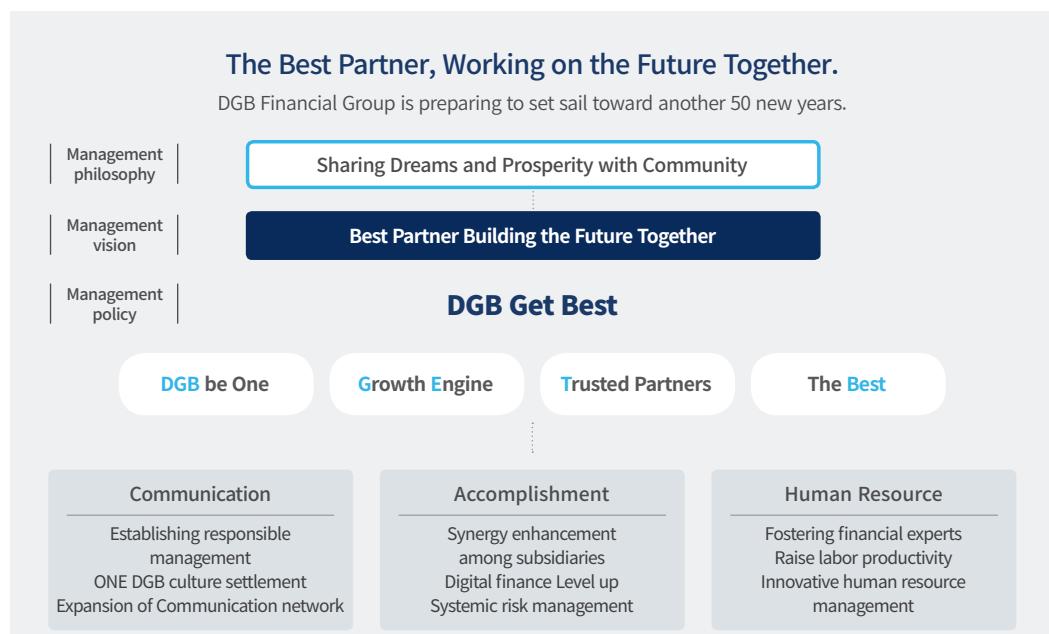
No. of Employees	No. of Customers ¹⁾ / No. of Online Customers ¹⁾	No. of Domestic & Overseas Branches / No. of Countries
4,813 people	4.33 million people / 2.39 million people	293 branches / 5 countries
Total Asset	Sales	Credit Rating
72,397.7 billion Won	4,968.8 billion Won	AAA Domestic (Korea Ratings Corporation)
Operating Profit	Current Net Income	A2 Overseas (Moody's, DGB Daegu Bank)
432.2 billion Won	327.4 billion Won	

¹⁾Total of DGB Daegu Bank and Hi Investment & Securities performance

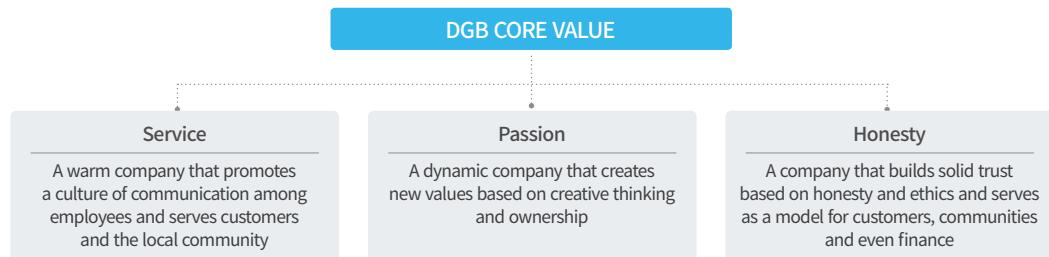
DGB Financial Group Vision and Strategy

DGB Financial Group is adopting communication, accomplishment, and human resource as its 3 major management policy under the management vision, "Best Partner Building the Future Together". In 2020, the group intends to focus on challenges and adventure in order to create a new foundation for earnings. We are strengthening the foundation as a reliable partner by establishing an exemplary governance structure. We will work hard so our challenge in digital finance and in the global market reaps successful outcomes.

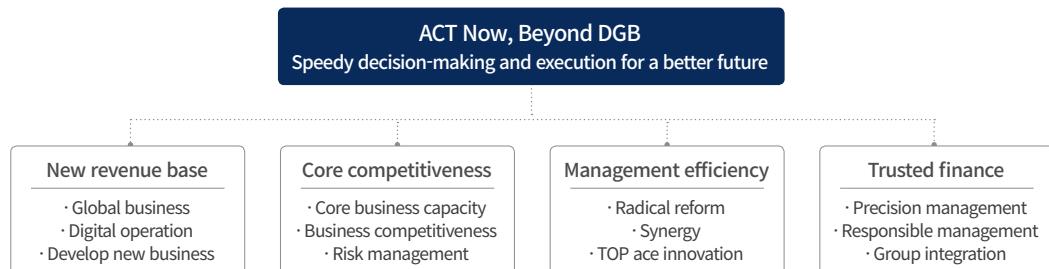
Vision



Core Values



2020 Management Strategy



Affiliates



DGB Daegu Bank aims to be reborn as a world class exemplary bank contributing to regional development.

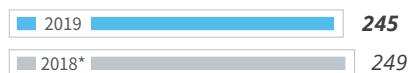
Global Exemplary Bank Practicing Sustainable Management

Under the management philosophy of “Sharing dreams and prosperity with community,” DGB Daegu Bank has provided local residents with the best financial services for over 50 years, and has served as a foundation for regional development. Daegu Bank integrated economic profitability, environmental soundness, and social responsibility to pursue long term growth in order to establish itself as the ‘World’s Top 100 Bank’ aiming to become a centennial Bank.

We will secure management transparency through precision management, overcome limitations in growth through future management, and actively practice communicative management aiming to create a first class corporate culture.

Date of establishment	October 7, 1967
Address	2310, Dalgubeoldae-ro, Suseong-gu, Daegu
Phone number	1566-5050, 1588-5050
Homepage	www.dgb.co.kr
Main business	Deposits, loans, foreign exchange, financial products (investment funds, bancassurance), asset management service, online banking

Number of Branches



Total Asset(unit: 100 mil. Won)



Current Net Income(unit: 100 mil. Won)



* Data reported in previous year corrected

2020 Objectives and Implementation Strategies





Hi Investment & Securities

Hi Investment & Securities will provide competitive investment solution and fulfill social responsibility.

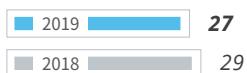
Trusted Investment Partner, Hi Investment & Securities

Hi Investment & Securities began as Jeil Investment Trust and grew as a trusted financial investment company, and was incorporated as a member of DGB Financial Group in October 2018. Based on a foundation of solid growth in the investment banking sector, we have been continuously improving our performance. In addition, with 31 years of experience in the asset management sector, we are working hard to provide our customers with the best investment solutions.

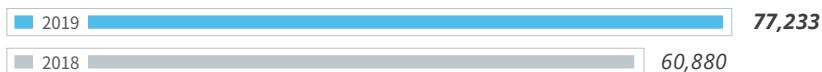
Hi Investment & Securities has seen the opportunity for a new leap forward, opening the era of 1 trillion won in shareholder's equity. Based on replenished capital, we will actively respond to changes in external environment and lay a firm business foundation to take a leap to become the TOP 10 company in the financial investment industry.

Date of establishment	October 28, 1989
Address	Seoul 61, Yeouinaru-ro, Yeongdeungpo-gu, Seoul (Yeouido-dong, Hi Investment & Securities building) Busan 121, Oncheonjang-ro, Dongrae-gu, Busan (Oncheon-dong)
Phone number	1588-7171
Homepage	www.hi-ib.com
Main business	Investment trading, Investment brokerage service, discretionary investment, investment advisory service, trust business (monetary)

Number of Branches¹⁾



Total Asset(unit: 100 mil. Won)



Current Net Income(unit: 100 mil. Won)



¹⁾ Corporate business department (1 branch, Seoul) not included ²⁾ Data reported in previous year corrected

2020 Objectives and Implementation Strategies



DGB Life Insurance contributes to the local community through various social contribution activities for the socially vulnerable group to fulfill our philosophy of sharing.

A Trusted Life Partner, DGB Life Insurance

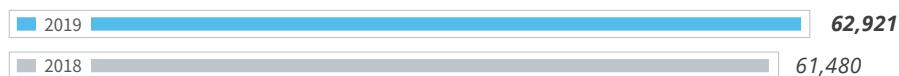
DGB Life Insurance has developed and grown with the Korean life insurance industry over the past 30 years. Since we joined DGB Financial Group in January 2015, we have continued to grow steadily. In the spirit of the group's management philosophy of "Sharing dreams and prosperity with community," all employees practice 'FC-ship' which is a unique action plan of DGB Life Insurance. We offer the true value of insurance and customer care, and through sharing and innovation, we are striving to become a trusted Life Partner.

Date of establishment	February 22, 1988
Address	Seoul 125, Namdaemun-ro, Jung-gu, Seoul (Da-dong 85) Busan 14, 361 beon-gil, Jungangdae-ro, Dong-gu, Busan city (Sujeong-dong)
Phone number	1588-4770
Homepage	www.dgbfnlife.com
Main business	Insurance product sales (guarantee, endowment, pension, variable), asset management services, insurance policy loans, etc.

Number of Branches



Total Asset(unit: 100 mil. Won)

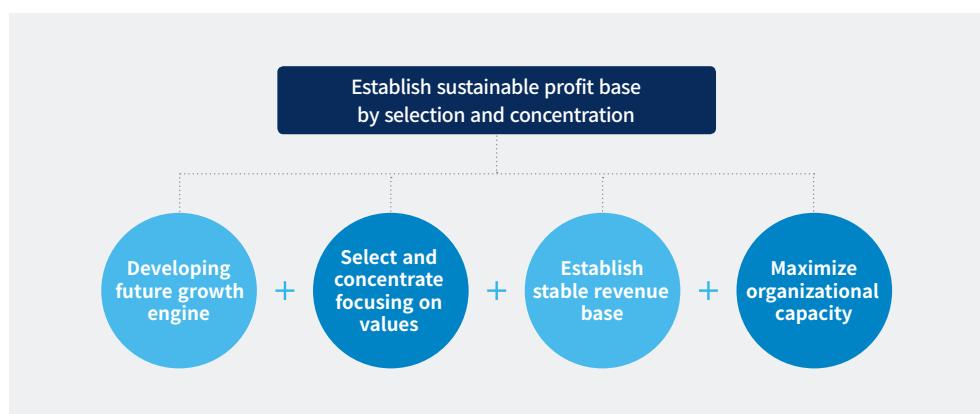


Current Net Income(unit: 100 mil. Won)



* Data reported in previous year corrected

2020 Objectives and Implementation Strategies





DGB Capital is leading the way to the future based on the love and trust of our customers.

DGB Capital Growing Together with Customers

DGB Capital joined DGB Financial Group family in January 2012 as a specialized credit finance business. We are stepping up to become a reliable financial company that customers can trust.

Through secure financing and thorough risk management, we pursue growth that balances profitability and stability. By creating a strong synergy with our affiliates, we provide top-notch credit finance services that match the diverse needs of our customers.

Date of establishment	September 14, 2009
Address	8 th fl, 125, Namdaemun-ro, Jung-gu, Seoul (Da-dong 85)
Phone number	1566-0050
Homepage	www.dgbcap.co.kr
Business scope	Facilities lease, installment finance, new technology project finance, rental business
Business sectors	Machinery finance, automobile finance, personal finance, corporate finance, investment finance, rental, etc.

Number of Branches



Total Asset(unit: 100 mil. Won)



Current Net Income(unit: 100 mil. Won)



2020 Objectives and Implementation Strategies



We will become an asset management company that earns customers' trust based on the ethical awareness and the highest level of competence.

The Company that Works Together with the Customer, DGB Asset Management

The asset management market seeks management efficiency, stable cash flow and management income, using various data for efficient investment and grafting scientific technology, and expanding investment to various assets from existing traditional assets in response to market changes. DGB Asset Management will come one step closer as a partner to our customers who have supported and encouraged us up to now, by actively responding to such market change and preparing investment products with market competitiveness.

All executives and staff of DGB Asset Management will work hard to further cement your trust and affection by exercising all capacities with high sense of ethics in every moment.

Date of establishment	March 3, 2000
Address	14 th fl, Kyobo Securities building, 97, Uisadangdae-ro, Yeongdeungpo-gu, Seoul
Phone number	02-707-4200
Homepage	www.dgbam.com
Main business	Collective investment, discretionary investment, investment advisory service

Total Asset(unit: 100 mil. Won)



Current Net Income(unit: 100 mil. Won)



2020 Objectives and Implementation Strategies





DGB U-pay will strive
for the convenient use
of all citizens and become
a company that fulfills
social responsibilities.

Anytime, Anywhere, Be With Onepass, DGB U-pay

DGB U-pay has created electronic payment system for everyday life. We provide safe and convenient service for micro payments, access control and security based on transportation infrastructure such as buses, urban railway and taxis. In addition, we donate unused traffic card advance payment to the local community together with Daegu city and Daegu city community chest, continuously contributing to enhancing customers' welfare and social sharing.

DGB U-pay will keep providing convenient services to all customers using our electronic payment system, and as a company fulfilling social responsibilities, we will do our best to bring more joy to local communities.

Date of establishment	December 27, 1999
Address	9 th fl, Dongil building, 2503, Dalgubeoldae-ro, Suseong-gu, Daegu (Beomeo-dong)
Phone number	080-427-2342
Homepage	www.dgbupay.com
Main business	Issuance and management of prepaid electronic payment service, electronic payment settlement agency services

Total Asset(unit: 100 mil. Won)



Current Net Income(unit: 100 mil. Won)



2020 Objectives and Implementation Strategies



DGB Data System newly creates the dream and future value of customers through IT which leads the 4th industrial age.

Smart Work, Smart IT! DGB Data System

DGB Data System is a company specializing in IT established for the purpose of providing quality IT services to customers such as information system development, IT integration operation, IT consulting, IT training, etc.

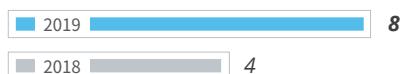
Through dedication and creativity, DGB Data System promises to reward our customers by developing the best IT service based on IT specialized personnel and various development experiences, and we promise to become a company contributing to the development of the regional IT industry.

Date of establishment	April 9, 2012
Address	70, Palgong-ro 53 gil, Dong-gu, Daegu (Bongmu-dong)
Phone number	053-718-1400
Homepage	www.dgbds.co.kr
Main business	Development, operation & maintenance of information system, IT consulting

Total Asset(unit: 100 mil. Won)



Current Net Income(unit: 100 mil. Won)



2020 Objectives and Implementation Strategies



DGB Credit Information will strive to become a company trusted by customers and the market through heart-warming financial activities that leads the way in establishing a credit society.

Building a Credit Society with a Winning Partner, DGB Credit Information

DGB Credit Information specializes in the collection of non-performing loans, including financial institution bonds, commercial bonds, and civil debts. We also conduct credit investigations and provide civil affairs agency.

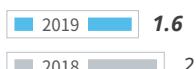
Under DGB Financial Group's management philosophy of "Sharing Dreams and Prosperity with Community," everyone at DGB Credit Information is doing his best for the customer's fortunes and future, and for the establishment of a credit society. We promise to provide the best service, to put customer satisfaction and fairness first, and to take the lead in the development of the local community.

Date of establishment	July 5, 2000
Address	4th fl, 183, Dalseo-ro, Seo-gu, Daegu (Bisan-dong)
Phone number	053-573-7700
Homepage	www.dgbc.co.kr
Main business	Credit collection business, credit investigation business, lease inspection business, civil affairs agency business

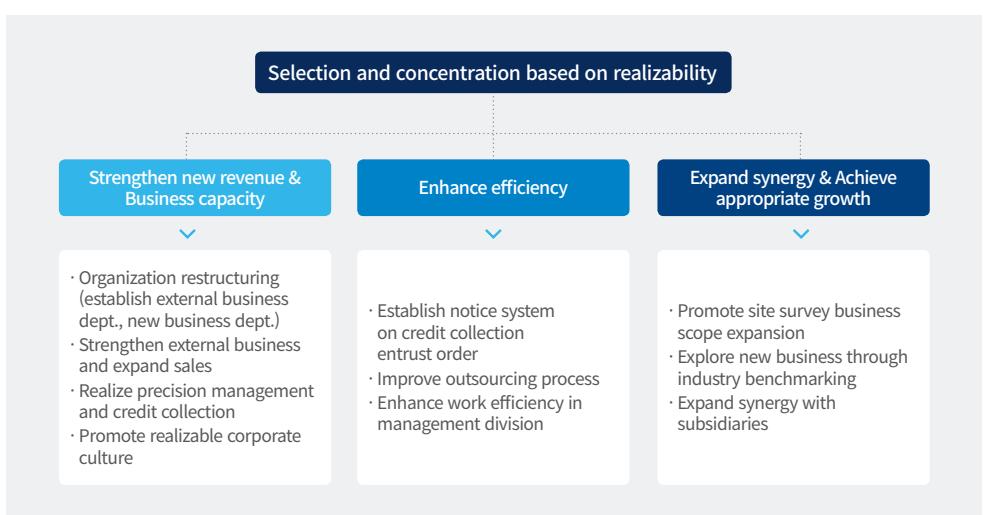
Total Asset(unit: 100 mil. Won)



Current Net Income(unit: 100 mil. Won)



2020 Objectives and Implementation Strategies



2019 DGB Financial Group Sustainable Management Highlights



Highlight 1.

Fintech Startup Support Center 'DGB FIUM LAB' opened

DGB Financial Group remodeled the entire fifth floor of DGB Daegu Bank's second head office into a space for creating a startup ecosystem and selected startups among fintech small hidden champions. 'DGB FIUM LAB' is a prefix of 'F' from Fintech and 'I' from Innovation meaning 'blossoming of Fintech Innovation' to lead digital finance in the fourth industrial era. Through DGB FIUM LAB, DGB Financial Group will faithfully play the role of a cornerstone that contributes to the growth of domestic fintech firms as unicorns by supporting start-ups with work spaces, consulting, acceleration programs, etc.



Highlight 2.

Mobile Channel Innovation, launching IMBank and IM# app

DGB Daegu Bank has implemented mobile channel innovation to build a powerful One App and living finance platform for establishing a base for digital transformation. IM Bank, IM Shop, and Mobile Web Banking were launched in September 2019 after eight months of development to minimize excessive installation of apps or programs and to connect channels organically to provide user-centered services. DGB Financial Group will continue to expand its partnership business based on customer needs and increase utilization of all affiliates to provide DGB's differentiated services based on the above digital financial platform.

Highlight 3.

Expanding Southeast Asian markets based on the glocalization strategy

DGB Capital is steadily strengthening its foundation in the Indochina Peninsula by acquiring Cambodia's MFI in 2020 following the establishment of Laos' DGB Lao Leasing (DLLC) in 2016, and opening a representative office to enter Myanmar's NBFI(Lease Finance). DGB Daegu Bank has also been strengthening its competitiveness by creating synergy with DGB Capital such as obtaining preliminary approval to convert a Cambodian special bank acquired in 2018 to a commercial bank in April 2020, establishing MFI in Myanmar in 2019, and expanding its network in Vietnam.

DGB Financial Group is planning to create stable overseas revenues and to secure future growth engines by leading the global market through strengthened management independence of local branches and digital finance specialized for local customers.



Highlight 4.

DGB Asset Management converting to comprehensive Asset Management Company

DGB Asset Management received approval to switch to a comprehensive asset management company from the Financial Services Commission by meeting requirements for stable management performance and track records in financial investment. By converting to a comprehensive asset management company, DGB Asset Management can now launch new products in alternative investment areas, including real estate, mixed and special assets, in addition to existing traditional assets such as stocks and bonds. DGB Financial Group expects to enhance the competitiveness of the comprehensive financial group through revenue diversification and various synergistic effects due to the conversion to a comprehensive asset management company.



Highlight 5.

DGB Data System wins awards for Job Creation and Discrimination Improvement and Best Practices for a restructuring of NCS-based HR System

DGB Data System was recognized of its efforts to create stable jobs for young people, improve cases of in-company inequality, and introduce a human resource utilization system. DGB Data System won the Minister of Employment and Labor Award for achievements such as systemizing the curriculum using NCS and adopting blind recruitment and won the Daegu Metropolitan City Mayor Award for contribution to promoting youth employment in Daegu and Gyeongbuk Province. In addition, the company was selected for an award as an excellent workplace without discrimination, with the efforts to hire full-time young workers, reduce temporary positions contracted without fixed term, and convert dispatched employees to regular employee. DGB Data System, as the representative financial IT company in the region, plans to continue to exert efforts to recruit talent in a fair manner and utilize human resources in a highly efficient manner to support happy workplaces for both the community and its employees.



Highlight 6.

DGB Social Contribution Foundation wins the '14th Kyunghyang Financial Education Awards'

The DGB Social Contribution Foundation won the Financial Services Commission Chairman Award, the highest award in the 'Kyunghyang Financial Education Awards' group category, in recognition of its contribution to developing various financial education programs and providing hands-on experience education for the financially vulnerable. DGB Financial Group continues to endeavor to make it easier for young people as well as financially vulnerable people such as seniors, multi-cultural families and the disabled to access finance through customized financial education programs. In the future, we plan to provide comprehensive financial education in connection with not only banking but also digital payments, securities, and insurance.



Highlight 7.

'The Beginning 2020' event held to select social economic enterprises

DGB Financial Group, along with Daegu Metropolitan City and the Korea Social Enterprise Promotion Agency, held the crowdfunding competition 'The Beginning 2020' for social economic startups. In this competition, which has been held for the second time since last year, Art & Hug Co., Ltd. (supporting youth in crisis) and Dawn Meal Table (preventing the problem of the elderly living alone from dying alone) were selected as winners from screening regional startups. DGB Financial Group will continue to

promote positive awareness on the virtuous cycle of social responsibility activities and social economic enterprises through 'The Beginning 2020' and support the value realization of social economy startups.

Highlight 8.

Signed WEPs(Women's Empowerment Principles)

DGB Financial Group signed the Women's Empowerment Principles (WEPs) in 2019 and expressed its willingness to implement the principles to promote gender equality and women's competency in its management strategy and other aspects. The principle of strengthening women's competency is an initiative jointly launched in 2010 by the United Nations Global Compact (UN-NGC) and the United Nations Women's Organization (UN Women), which consists of seven principles calling for gender equality and strengthening of women's competitiveness in workplaces and communities. DGB Financial Group plans to actively participate in the Target Gender Equity (TGE) program, which provides detailed action plans for the implementation of the principle of strengthening women's competency in 2020 and strive to strengthen women's leadership in the organization.

Highlight 9.

Selected as the leading company for UNGC (UN Global Compact) Responsible Finance (LEAD member)

DGB Financial Group was selected as the only "Responsible Finance Leading Company" in the financial sector at the "2019 UNGC Korea Leaders Summit." The summit is a conference that deals with corporate sustainability issues in the international community based on the ten major principles such as human rights, labor, environment and anti-corruption, and the UN Sustainable Development Goals (SDGs). DGB Financial Group has been a leading player in sustainable management in the financial sector, including its participation as a signatory to the Principles for Responsible Banking, which was established in September 2019 under the leadership of the United Nations Environment Program Financial Initiative (UNEP FI), and the selection this time as the leading financial company was the result of recognition on such efforts.



Highlight 10.

Winning of the Global Sustainable Management Index (DJSI) for 11 consecutive years

DGB Financial Group was the only regional financial holding company included in the Asia-Pacific Index and the Korea Index of Dow Jones Sustainability Index (DJSI), developed and evaluated by the U.S. S&P Dow Jones Index and Robeco Sam in Switzerland for 10 and 11 consecutive years, respectively. The Asia-Pacific Index is selected among the top 600 companies in Asia, and the Korea Index is selected from among the top 200 companies in Korea, with 30 companies included in DJSI Asia-Pacific and 40 companies in DJSI Korea. DGB Financial Group will continue to strengthen its sustainable management and take a leap as a digital global banking group that can accompany the future of its customers.

PART 2

FOCUS AREAS

***DGB
FINANCIAL GROUP***

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All-Right Finance***

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42 - 47 / ***Sustainable &
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48 - 51 / ***DGB Financial Group's
Response to COVID-19 Crisis***



01 Trustworthy Finance for Customers

> Importance

Since the satisfaction and trust of customers have a direct impact on corporate performance, they are the most important factors for the sustainable management of DGB Financial Group. Information security issues have recently increased due to the expansion of contactless services going digital. Therefore, DGB Financial Group considers supporting rational and fair financial transactions as a top priority by thinking from the customers' perspective and providing sufficient information to customers.

> Management Method

DGB Financial Group is realizing customer satisfaction management according to the "Financial Consumer Protection Guideline" so that consumer's rights can be protected and their complaints and damages are minimized. We protect customer information and actively respond to customer needs by establishing financial consumer protection system and integration system. Furthermore, we continue to strengthen our customer satisfying activities and communication activities in order to respond to diversified financial consumer needs. Especially, as digitalization of financial transactions accelerates, we continue to improve the accessibility to financial services for our customers who may be neglected.



> Key Performance Indicator

- No case of customer's personal information leakage
- Achieved customer satisfaction index of 98.3% in 2019

> Future Plan

DGB Financial Group will continue to strengthen consumer protection and IT security programs for safe financial transactions as security risks increase and the importance of information protection becomes more important. In the future, we will continue to operate channels that communicate with customers by listening to the voices of customers, and we will continue to develop differentiated service that meets the needs of customers by reinforcing internal capacity and improving accessibility to financial services. By doing so, we will work hard to achieve a customer satisfaction score more than 98 points in 2020.

Case of customer's personal information leakage

Zero

2019 Customer Satisfaction Index

98.3%



DGB Financial Group is exerting various efforts to prevent unnecessary damage to financial consumers by setting up financial consumer protection system and providing financial information. In addition, recognizing that information security management is one of the most important factors for securing the trust of our customers, the information security system is continuously strengthened at the group level.

Protection of Consumers' Rights and Interests

Financial Consumer Protection System

Internally, DGB Daegu Bank protects consumers through a stage-by-stage consumer protection system for each financial product. Our system protects consumers by following rules and regulations from the product development stage to sales.

Also, to rectify practices seen as illogical or cumbersome, we are implementing an improvement system called VOC (Voice of the Customer). Our other efforts include operating the 'Chamsori Advisory Panel,' a group made up of our customers, holding internal campaigns and soliciting ideas from our

employees, designating a counter for consumer protection, organizing a Consumer Protection Day each month, and initiating support groups for civil complaints. These are some of the practical ways in which we protect our consumers.

Other affiliates of DGB Financial Group also have set up a dedicated organization and have strengthened management to respond to enhanced consumer protection system and to prevent accidents such as incomplete sales, etc.

Hi Investment & Securities Co., Ltd. has established the Consumer Protection department under the supervision of a compliance officer. The Chief Consumer Officer (CCO) establishes the procedures and standards necessary for financial consumer protection and oversees the management and supervision of systems for each stage of the financial product sales, and financial consumer education, etc. Furthermore, we are operating the Financial Consumer Protection Council to be able to adjust the issue of financial consumer protection from a company-wide perspective through consultation

DGB Daegu Bank's Consumer Protection Structure





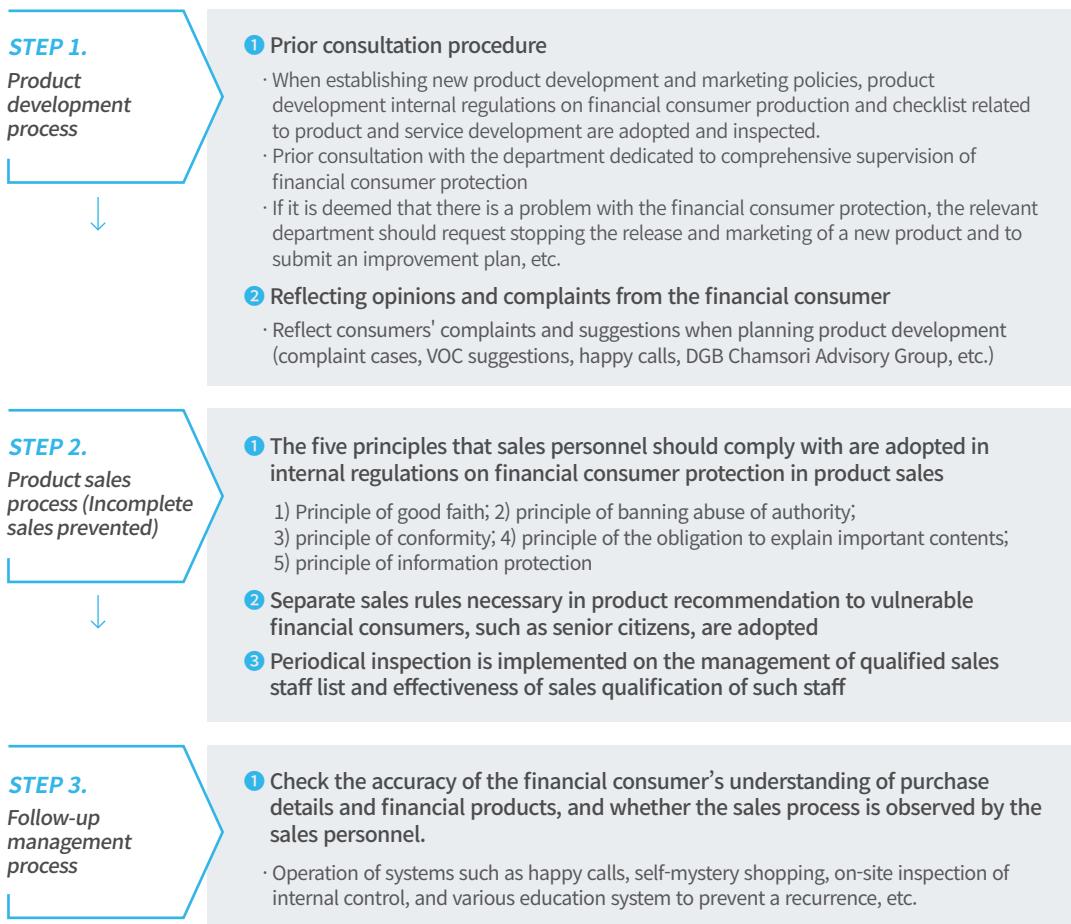
between related departments. The results derived through the council are to be reported to the board of directors, and we are doing our best so that improvements are reported to the relevant departments to ensure that the company's financial consumer protection system works well.

DGB Capital has been strengthening its Financial Consumer Protection system by forming a Consumer Protection system department as a dedicated organization and appointing the Chief Consumer Officer (CCO) of Financial Consumer Protection. It is striving to operate systems and procedures to prevent accidents by operating the Financial Consumer Protection Council.

Starting in 2020, DGB Life Insurance appointed a 'Chief Consumer Officer (CCO)' at its executive level (executive managing director), and strengthened financial consumer protection as

its top priority management task, and designated the consumer protection department as the dedicated organization for financial consumer protection, so that the stages from the development of insurance product to payment of insurance shall proceed under prior discussion with the consumer protection department. Moreover, in order to immediately respond to the complaints of financial consumers, we will introduce and operate the 'financial consumer protection Amber system.' We will systematically prepare the company regulations within DGB Life Insurance in accordance with the intent of the Financial Consumer Protection Act, which is scheduled to be enforced in 2021.

DGB Daegu Bank's Procedure for Protection of Consumers' Rights and Interests





DGB Financial Group has set up a dedicated organization and has strengthened management to respond to enhanced consumer protection system and to prevent accidents such as incomplete sales, etc.



Financial Consumer Protection Idea Contest from Customers

DGB Daegu Bank held an idea contest in which all customers can express their opinions on Bank business practices, points to improve on, telecommunication financial fraud (voice phishing) prevention measures, and other areas on which improvements are deemed necessary from the perspective of customers. Selecting ideas from 50 customers, along with the 'Barrier Free Zone Operation Proposal for branches in regions with a high population of the elderly and the disabled', which won first place from evaluating its improvement effect and practicality. The work which won first place will be used as a differentiated method of financial consumer activities to support social finance.



Integrated System for Consumer Protection

DGB Daegu Bank has established and is running an 'Integrated System for Consumer Protection' to protect consumers' rights and interests. It enables one-stop handling of consumer protection-related issues by reflecting consumer voices in the development of financial products, ensuring that sufficient explanation is given in the sales process, and providing follow-up customer service. Through alerts, the system prevents situations that could lead to civil complaints, which enables us to make sure our customers are satisfied.

DGB Capital has established a financial consumer protection system and has prepared and operated a process that reflects the voices of customers from the product planning development stage. From the stage of the financial product development, we have prepared the product development rules through prior discussion between the development department and the consumer protection department, and at the sales stage, we operate with a system that can use the sales rules to protect consumers from any financial damage.

Financial Consumer Protection Activities

Consumer Protection ABC News Letter

DGB Daegu Bank publishes a monthly magazine with information for financial consumers called Consumer Protection ABC News Letter. It provides updates on finance-related law, financial tips, and cases of financial crimes and ways to prevent them. Through each branch, we are assisting in preventing financial loss by providing knowledge suited to all groups, including youth, students, and adults.

Strengthened Prevention of Telecommunication Financial Fraud

DGB Daegu Bank is exerting various efforts to prevent Voice Phishing. We have also implemented the distribution of voice phishing information at shopping events for traditional markets during the national holidays and sending out SMS text messages to customers to prevent customers' damage. We have also launched a campaign to raise awareness by installing voice phishing prevention advertisements on the Daegu City urban railway line 3 with the help of the Daegu Metropolitan Police Agency. Furthermore, in order to encourage active participation of internal staff, we continue to implement steady updates of the phone fraud business manual, periodic distribution of accident prevention and damage cases to



branches, and rewarding excellent staff who prevented phone fraud damage.

Hi Investment & Securities Co., Ltd. is conducting monitoring activities on abnormal transactions for safe financial transactions of customers, and during 2019, the company was able to detect 15 fraudulent transactions in advance and prevent damage to customers worth a total of 77,164,341 won.

Information Provided for Financial Consumers' Rights and Interests Protection

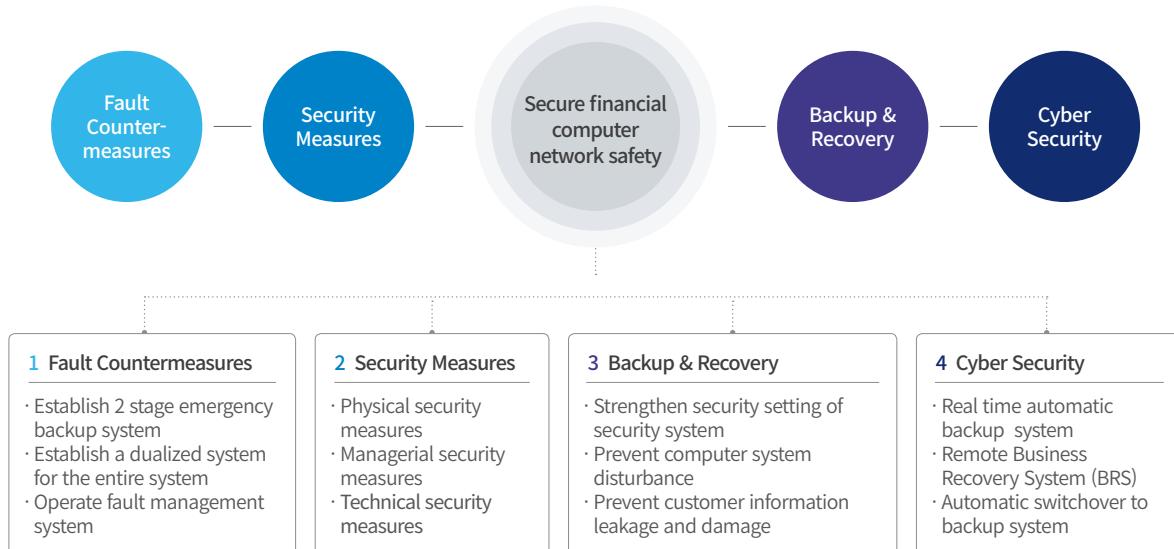
DGB Capital informs customers of the fact that they can request the right to demand a rate cut and the withdrawal of the lending contract through providing guidance with website posting and product manual, and regularly makes efforts to vitalize by on-site inspection and modifying by-laws. As a method of scamming such as voice phishing and farming evolve intelligently and damage continues to occur, we provide guidance to customers on the actual cases, damage prevention and response methods, precautions for personal information protection in everyday life through our homepage, and we regularly distribute voice phishing warning notifications through each media to prevent fraud under the guise of lending.

Information Security and Personal Information Protection

DGB Financial Group Information Security Governance

DGB Financial Group is strengthening the stability of the security system by forming a discussion body composed of the head of the department of information security to prevent information security risks across the group, and to share and discuss information security status and solutions, and by establishing a strategy that measures and responds to internal and external security-related risk factors.

Security Management & Operation System for Computer Security System





Information security system is periodically inspected for security management of computer resources. Every month, information security inspection day is adopted to conduct self-inspection of information protection and provide information security trainings. Compliance to about customer information provision and use between affiliates is managed and supervised through a regular inspection. Furthermore, annual analysis and assessment are conducted on vulnerabilities of the homepage and electronic finance infrastructure. And the ability to respond to cyber-attacks is strengthened through phishing and smishing training for executives and staff members, information security cyber training, and annual training for dealing with infringement incidents, etc.

Information Security System and Strategy

DGB Daegu Bank clearly defines the roles and responsibilities for information protection and is providing safe customer services through the continuous system and system improvement in preparation for any infringement or leakage of customer information and important internal information. In addition, we are constantly engaged in activities for immediately responding to the changes in the financial industry due to digital financial innovation and for supporting changes in digital innovation and reinforcing financial security.

The information protection department performs not only IT information protection affairs to prevent any electronic infringement but also plays the role of a control tower on all information protection affairs including tasks for managing customer information such as personal information and credit information. Through these, we have secured expertise, objectivity, and independence of information security work. Furthermore, chief information protection officer and personal information protection officer are appointed as an executive position, and all department or branch heads are designated as personal information protection officer, and one officer at 4th or higher grade is designated as the staff in charge of personal information protection, to ensure complete protection of information at all departments and branch offices.

DGB Financial Group's Activities on Information Security and Personal Information Protection

DGB Daegu Bank	Internal staff management	<ul style="list-style-type: none"> Regular inspection on compliance with customer information protection related laws and internal regulations Strengthening of education course such as the implementation of training related to systemic customer information management and protection, etc. Minimizing authorization scope for viewing customer information (by department or branch, by task, by operator or position), etc.
	Establishment of technical security	<ul style="list-style-type: none"> User control on a portable storage device for PCs Regular search and deletion of personal information through the personal information search system Mandatory encryption of documents stored in PCs Strengthened authorization process when sending outgoing mail Masking processed for personal information included in printouts Checking personal information when sending fax, etc.
IT system control		<ul style="list-style-type: none"> Control of access to the customer information database Control of access to network through firewall system and intrusion protection system External hacking and information leakage prevented by separation of intranet and Internet access network Regular inspection on vulnerable points of the system, etc.
		<ul style="list-style-type: none"> Customized education conducted on target groups comprised of information protection staff by department or branch and non-participants to phishing & smishing response training, etc. Regular self-inspection and improvement for information leakage prevention, etc.
DGB Life Insurance	Enhancement of executives and staff members' sense of security	<ul style="list-style-type: none"> Regular inspection on compliance with personal (credit) information protection related laws and internal regulations. Regular inspection on the adequacy of authority for personal (credit) information query and destruction & separated storage Strengthening of monitoring and justification process for excessive inquirer of personal (credit) information Regulars inspection on fiduciary for personal (credit) information processing and system, etc.
	Managerial protec- tion control	<ul style="list-style-type: none"> PC security solution operation for safe use of PCs (PC security, document encryption, personal information search and deletion, security USB, screen capture prevention, mail authorization, etc.) Information protection system operated for hacking prevention and network control (firewall/prevention system, network/server/DB access control, etc.)
Technical protection control		<ul style="list-style-type: none"> PC security solution operation for safe use of PCs (PC security, document encryption, personal information search and deletion, security USB, screen capture prevention, mail authorization, etc.) Information protection system operated for hacking prevention and network control (firewall/prevention system, network/server/DB access control, etc.)

Improving Customer Satisfaction

DGB Financial Group recognizes customer satisfaction as a top business strategy and is striving to enhance it. By listening to the voices of our customers, we are able to provide various services they want. We aim to implement customer satisfaction management through a diverse range of systems and initiatives.

Communication with Customers

DGB Chamsori Advisory Panel

To better listen to our customers and improve our management process, DGB Daegu Bank has set up a customer group called DGB Chamsori Advisory Panel. They seek out and inform the company about practices and systems that are illogical, cumbersome or outdated from the customer's point of view. Customers on the Chamsori Advisory Panel express their opinions about new financial products in development, suggest ideas for new services and help monitor our branches, among other roles.

Voice of Customers (VOC) Processing Status

(Unit: Case)

Classification	2017	2018	2019
Complaint	76	62	88
Issue	318	317	258
Complement	748	818	698
Other	689	769	1,426
Total	1,831	1,966	2,470



Number of Processed
VOC Cases in 2019

2,470 cases

Customer Satisfaction in 2019
(Satisfied customer)

98.3%

Customer Communication Channel



- DGB Chamsori Advisory Group
- Customers satisfaction survey
- Consumer protection report ('Warm companion')
- CEO forum
- Honorary branch head meeting
- Excellent SME management invitational meeting



- Loyal customers meeting (twice per year)
- Retirement pension subscription customers meeting (twice on average per month)
- Homepage HTS customized screen



- Voice of customers (VOC)
- Operation of Kakao channel
- Operation of mobile customer desk



- VIP customer invitation event
- Electronic civil complaint counter

Customer Satisfaction Trainings

On-site Training 46 sessions	Branch staff receive 1 on 1 coaching training tailored to improve each branch's weak points (46 branches, 411 staff members completed the course)
Group training 19 sessions	Training to improve staff mindset and call responses to increase internal and external customers' satisfaction (547 staff members completed the course of which group training was conducted 6 times at head office departments, 6 times at CS manager training, 2 times at regional headquarters, etc.)
New Employee Training 9 sessions	Training on the customer service manual, role-playing, workplace etiquette, situational response drills, etc. was conducted 9 times
External business partner training 10 times	Training supported for spreading CS know-how to major trade counterparts and strengthening of inter-company ties (8 business partners, 830 staff members completed the course)

Improving Customer Satisfaction

Customer Satisfaction Training

DGB Daegu Bank is conducting an array of on-going training activities such as on-site training, group training for customer satisfaction.

DGB Total Care Service

DGB Life practices customer-centered management through the operation of 'DGB Total Care Service' whereby an FC (Financial Consultant) is responsible for explaining policies of the insurance a customer is subscribed to and guiding them through financial planning. FCs visit their customers to explain the coverage of their subscribed insurance and help them claim insurance monies by checking accident or disease details. During the visit, FCs provide additional services such as updating customer information, designing life after retirement and financial consulting in order to enhance the satisfaction level of customers.

Higher Returns for Customers

The highest customer satisfaction comes from a return on investment. Hi Investment & Securities reflects those returns in quarterly evaluation of its branches. Furthermore, for

customer satisfaction, we are running various training activities such as on-site training on staff members and customers, group training, etc. In 2019, the Investment Solution Team of Hi Investment & Securities held a total of 68 seminars on market outlook and investment strategy to staff members and customers of Hi Investment & Securities and DGB Daegu Bank.

Financial Service Accessibility

DGB Financial Group is working hard to enhance the convenience of its customers by linking up with companywide digital innovation for expanding financial service access. We are enhancing accessibility to financial services through expanding benefits of contactless channel products such as Internet banking, mobile banking, IMBank as well as operating non-business hour services such as opening on holidays and self-counter. In particular, all systems and products are being improved to make the service easier to use regardless of the customer's age or disability.

Customer Satisfaction Survey

Every year, DGB Daegu Bank conducts monthly phone surveys on customer satisfaction and perform on-site monitoring to improve service quality and raise customer satisfaction through Nice Credit Information (NICE D&R). Through our constant effort to impress customers, we have recorded customer satisfaction level of 98.3% in 2019.



Classification	2017	2018	2019	(Unit: %)
Customers satisfaction (Satisfied customers)	92.8	93.2	98.3	



DGB Self-Service Kiosks

Support Service to the Financially Vulnerable

DGB Daegu Bank has established the infrastructure to facilitate easy financial counseling, transactions, and filing of civil complaints for the financially vulnerable such as senior citizens and disabled customers.

DGB Self-Service Kiosks

DGB Daegu Bank has set up the first 'DGB Self-Service Kiosk' at Dongdaegu station to enhance customers' convenience. As a Branch-in-Branch, it offers both self-service and teller services. Video consultation, using bio-authentication, enables customers to conduct 90% of banking transactions without the need for staff assistance. Furthermore, customers can use the bank teller service everyday regardless of business hours by bio-certification or video counseling (from 9 a.m. to 9 p.m. on weekdays, 12 p.m. to 6 p.m. on weekends and holidays), which greatly improves convenience for office workers who cannot visit during weekdays. Starting with 5 branches in 2017, DGB Self-Service Kiosks is expanding its operation to 15 branches(16 units) as of the end of 2019. In 2020, we plan to add more kiosks that are tailored to each branch to make them even more efficient and specialized.

Holiday Operations

DGB Daegu Bank is strengthening the accessibility for customers unable to visit a branch on weekdays through opening on holidays. Our branch office at Homeplus Seongseo provides the same financial service like weekdays on Sat-

urday (1 pm-6 pm). Seongseo Operating Office near Seongseo Industrial Complex is provides currency exchange and remittance services on Sundays (10 a.m. to 4 p.m.) for foreign workers who cannot visit the bank on weekdays. In addition, through the mobile branch on the highway rest area during the holidays, the inconvenience of customers was resolved and various events were held to make the customers' journey home more pleasant.

DGB Quick Service

DGB Quick service enables customers to make and receive payments using a simple six-digit password. This is Korea's first transfer service to accept simple passwords as digital signatures. Customers signed up for digital finance services can use the service by downloading the iMBank or DGB SmartBank app on a smartphone registered under their own name. DGB Financial Group will continue to strengthen accessibility through a wide range of electronic finance services.



Launch of Online Insurance

DGB Life Insurance will open an online customer service channel in the second half of 2020 that allows customers to subscribe directly through PC or mobile phone in order to maximize customers' convenience and interest in line with the rapidly changing digital era. We will focus on our capacity to enhance customer satisfaction so that customers can meet the needs of the times by easily subscribing to insurance through simple contactless transaction avoiding the hassle of meeting an FC in person while reducing sales fees to reduce the insurance premium and to provide the experience of maximized coverage to customers. Online insurance is designed to take into account the environmental impact so that all documents are processed under paperless procedure.

DGB Daegu Bank's Service to the Financially Vulnerable

Service	Description
Happiness sharing counter service	Dedicated desk and dedicated staff designated for the elderly & disabled customers · Dedicated desk: 245 branches · Dedicated personnel: 245 people · Base branch: Voice OTP for visually impaired person furnished at 8 branches by province
Call taxi reservation service	Supporting elderly & disabled customers returning home · Base branch: 10 places by province
Customized service by type of disability	Voice eye, braille card, ATM screen zoom-in, ATM earphone function, braille security card, voice OTP, braille civil complaint filing, phone banking voice recognition service(1661-5200), wheelchair accessible ATM machine, amenities for the disabled (ramp, wheelchair lift, etc.), Internet banking, smart banking chatting consulting service for a person with language disorder and the hearing-impaired, etc.

Our Impact Story 1.

Double-layer, Triple-layer Locking Device for the Protection of Customer's Asset



Case of Preventing Damage from Voice Phishing

- 1**

On the morning of January 3, 2019, customer A (aged 43) was contacted by a scammer impersonating K Bank's CEO team head and was engaged in loan consulting. He said, "We can also provide a refinancing loan. How much money can you repay? If you can repay 15 million won, you can refinance at an annual interest rate of 4.2%. To apply for our loans, you can install our Bank app and repay the existing loan according to the instructions." Customer A who urgently needed money due to the difficulty in business, received guidance, installed the K Bank app, and applied for loans.
- 2**

Customer A later called the H Capital call center, which he had been already transacting with to repay the existing loans, and was instructed to repay existing loans into the account of B who is the staff in charge at the judicial scrivener over the phone. As fake app was installed, the call to the call center was actually connected to the fraudster. Without knowing this, customer A was suspicious of depositing money into an account under a personal name, but because it was the information received from the call center, Customer A sent the money to the account that was informed as the account for repaying the existing loan.
- 3**

The staff in charge of the financial consumer protection department checked with the remitting bank and found out that customer A deposited the money due to a loan scam. Withholding of withdrawal was registered on the account and reported to the staff in charge at the branch. The staff at the branch immediately reported this to the police, and the dispatched police persuaded customer B to confess that she did as instructed since she thought she was accumulating a bank account transaction record for loan qualifications. Thanks to the careful attention of the branch staff and quick confirmation of damage through coordination with the head office manager, it prevented customer A from incurring damage, and customer B was prevented from being involved in a voice phishing withdrawal.
- 4**

About 10 minutes after 15 million won was deposited into DGB Daegu Bank account of Customer B, customer B visited Buksam Branch and asked for cash withdrawal of 9 million won in cash. When asked about the purpose and source of the cash withdrawal at such a young age, customer B replied that her uncle had transferred the money as funds for business because her husband was having a tough time with his business. Since customer B's account had been used only for a small sum of money, and the uncle had a different family name from customer B and the monies were deposited in Boeun, Chungbuk Province, the staff in charge at DGB Daegu Bank asked the staff in charge of voice phishing in the bank's financial consumer control department to verify.

As the financial services become more complex and digital environment evolves, voice phishing frauds are constantly increasing as it targets customers' precious assets. DGB Financial Group has prepared various voice phishing prevention plans on the system and business process to provide double and triple locking devices for damages that are difficult for customers to prevent with just the precautions from the customer side. Voice phishing prevention-dedicated team monitors the transactions suspected as voice phishing in real time, and cooperates with the branch and staff at other banks to determine whether such transaction is a fraud or not and provide notification to customers. The branch desk conducts double checking if any transaction is suspected as using a bank account under a fake name by implementing authorization by an officer. Furthermore, we have set up a cooperation system with Daegu City Police Office, and Financial Supervisory Service Daegu City branch to promptly report a suspicious transaction and check whether it is a fraud or not. In addition, public advertisements on voice phishing are continuously shown through various channels such as Daegu Bank customer lounge, Moving Bank, ATM machines, and banking app, etc. The voice phishing prevention activities of DGB Financial Group have helped protect 2.74 billion won worth of customer assets by detecting 306 incidents in advance in 2019 and will further strengthen damage prevention through upgrading the illegal app blocking function and monitoring system scheduled for 2020.



02 **Transparent DGB, All-Right Finance**

> **Importance**

A company's ethical management standards are an important criterion that determines its reputation. In recent years, many local firms have faced intense demands from society that they meet global ethical management standards. Especially in the financial industry, a high level of ethical awareness and a strong management system are required throughout the organization including executives and staff members. In this regard, DGB Financial Group strives to establish a trust relationship with customers through preemptive response.

> **Management Method**

DGB Financial Group has launched its ethical management brand, 'ALL-Right DGB' and reformed its ethical management system to establish a company-wide ethical management culture. To this end, we promoted diverse ethical management practice program to establish ethical management system and internalize the culture across the entire organization. And for the first time as a financial group in Korea, we obtained a certification on anti-corruption management system (ISO37001). DGB Finan-

cial Group will practice ethical management and anti-corruption management at a global standard level.

> **Key Performance Indicator**

- Zero cases of corruption and legal violations
- All employees completed anti-corruption education

> **Future Plan**

DGB Financial Group has established a group ethical management strategy and improvement plan based on the results of 2019 ethical management level self-diagnosis and corruption risk assessment. Accordingly, we hope that 2020 will be the first year in practicing effective ethical management and revivifying it into the corporate value. We will implement the systems for group ethical management and customized ethical management programs to implement a more effective ethical management that can be actually felt by executives, staff members, and customers.



ALL-Right DGB is instilled with 'all executives and staff members of DGB, where everything is upright' commitment.

Enhancing Ethical Management System

DGB Financial Group will focus on establishing a corporate culture that values ethical management above all to become a "trusted DGB that practices sustainable management with clean and upright management." We declared the first ethical management brand in the industry and received the first certification of anti-corruption management system (ISO37001) among financial holding companies in Korea, and are expanding corruption prevention management system to all affiliated entities.

Ethical Management System

DGB Financial Group has announced its determination to establish ethical management internally and externally through the drafting of an ethics charter and code of conduct. In addition, we provided and shared 'Guidelines on ethics

code of conduct' as specific action guidelines to be practiced and observed by executives and staff members when carrying out duties. Action guidelines require executives and staff members to immediately report violations to the compliance officer, and to consult with the compliance officer in advance if they are not sure whether something is a violation or not. In addition, we have implemented '13 Group Ethical Management Practice Programs', a specific action plan for group ethical management, and are pushing for integrated and systematic ethical management as 'group ethical management grand prize systems' so that all subsidiaries can continue to practice and act on them.

Ethical Management Brand 'ALL-Right DGB'

DGB Financial Group declared the ethical management brand, 'ALL-Right DGB' for the first time in the industry as part of a system reform to establish transparent and sound ethical management. ALL-Right DGB is instilled with 'all executives and staff members' commitment to DGB where everything is upright' which will play a centripetal role for the group's ethical management practices. The brand logo is constantly reflecting its commitment to ethical management by being imprinted everywhere from the subsidiary CEO's office to business cards of executives and staff members.



Timeline for Promoting Ethical Management

- Oct. 4, 2018
Announcement of plan to advance ethical management (Group ethical management master plan)
- Oct. 12, 2018
Public idea contest for DGB Financial Group's ethical management
- Nov. 28, 2018
Announcement of new employment contracts for executives outlining ethical job responsibilities
- Nov. 28, 2018
[Holding co.] Setting of Group's ethical management vision
- Dec. 18, 2018
DGB Financial Holdings received an certification (ISO37001) for anti-corruption management
- Dec. 26, 2018
Launched a campaign to implement ethical management practices within the Group in 2019
- Dec. 27, 2018
Announcement of ethical management brand "ALL-Right DGB"
- Dec. 28, 2018
Electronic signature of the Group's 2019 ethics charter
- Jan. 3, 2019
Production of ethical management brand promotion video
- Jan. 4, 2019
Production of group ethical management promotional plaque
- Jan. 18, 2019
Advanced ethical management leadership program
- Jan. 18, 2019
Start of ethical management brand usage on employee business cards
- Jan. 29, 2019
Enforcement of Group ethical management grand award system
- May 2, 2019
Published monthly ALL-Right DGB (Group ethical management newsletter)
- Dec. 24, 2019
Selected 2019 Group ethical management grand award
- Jan. 2, 2020
Group ethical management grand award ceremony



DGB Financial Group obtained Anti-corruption Management System ISO37001 certification
ISO37001
Operation status of DGB Daegu Bank internal control system
302,163 times

Operation status of Hi Investment & Securities internal control system in 2019
10,688 times

ISO 37001 Anti-corruption Management System

DGB Financial Group became the first domestic financial holding company to obtain a certification of Anti-corruption Management System (ISO37001) in December 2018. ISO37001 anti-corruption management system is an international standard officially established by the International Standardization Organization (ISO) for an organization's ethical management, corruption prevention, internal control, and compliance with laws/regulations. DGB Financial Group formed a TF team for ISO37001 certification and worked with experts to

conduct rigorous screening procedures such as analysis on corruption risks, adopting regulations, monitoring, and improving measures, etc. ISO37001 certification means that DGB Financial Group's efforts to revamp and reform its organization have resulted in a global level of corruption prevention process in relation to blocking corruption risks. In 2019, we planned an ethical management practice program so that all affiliates can have a system that meets ISO37001 level, and expanded it to the entire group. In particular, we exerted efforts so that the ethical management system would create a practical effect on the entire group by adding an ethical management item in the affiliates' CEO performance assessment..

Enhancing Ethical Consciousness and Spreading the Culture

DGB Financial Group is conducting continuous education and promotion to induce executives and staff members' active participation in the practice of ethical management and to draw sympathy from the management. We are endeavoring to achieve consensus from both executives and staff members on the message that only good companies that practice ethical management can gain trust from consumers and run a sustainable business, and internalize such message into the corporate culture. DGB Financial Group is spreading the company's ethical management policy including anti-corruption to all affiliates and partners of each affiliate.

**DGB Daegu Bank Internal Control System
(Number of Audits Performed)**

Classification	2017	2018	2019
Total	286,672	294,789	302,163
Normal audit	1,541	1,707	1,827
General audit	221	218	239
Special audit	18	14	13
Regular audit ¹⁾	284,892	292,850	300,084

¹⁾ Since regular audit items are determined by concerns about accidents and changes in regulations, there are discrepancies in the number of cases by year.

**Hi Investment & Securities Internal Control System
(Number of Audits Performed)**

Classification	2017	2018	2019
Total	7,515	8,445	10,688
Normal audit	2,743	3,009	3,011
General audit	21	31	21
Special audit	16	10	9
Regular audit ²⁾	4,735	5,395	7,647

²⁾ Continuous monitoring, online auditing to prevent financial accidents

Expanding Ethical Management

Ethical Management Grand Prize

Since 2019, we organized Ethical Management Grand Prize every year for all DGB Financial Group affiliates. Group Ethical Management Grand Prize is introduced to vitalize the group's ethical management practice program by monitoring the action program and rewarding the subsidiary that achieves the highest performance. This system was planned with the direction of promoting group ethical management, and the evaluation criteria have been established considering the circumstance and size of affiliates. The ethical management award selection procedure is supervised by the ethical management award candidate selection committee comprised of the compliance department head of the holding company, audit department head, and the head of the Future Strategy Department to secure objectivity through a fair and strict screening. Through the group ethical management award system, we are looking forward to encouraging affiliates to form a consensus and practice ethical management and improve group executives and staff members' sense of ethics and compliance.

Year-round Campaigns to Adopt Ethical Management

Each year, we select a theme for the practice of ethical management and each subsidiary runs an autonomous campaign. In 2019, we have planned and opened our own detailed action program for each company that corresponds to the theme, "Distinct sense of ethics! Strong Ethical Practice! Proud Clean DGB!" In 2020, we will continue our campaign under the theme, "Your integrity is the competitive edge of DGB." Each year, the ethical management practice theme is selected through a public idea contest from executives and staff members.

Monthly ALL-Right DGB

Since May 2019, we have been publishing the ethical management newsletter that can be accessed by all staff members of the group. By preparing the 'Ethical Code Practice Guidelines by Cases' section, ethical code practice guidelines were easily explained in cases that executives and staff members face while performing daily duties. In addition, in the legal study section which covers the latest legal issues, in-house lawyers provide explanations on legal issues to support the law-abiding spirit and duties of executives and staff members.

Leaders in Ethical Management

The Ethical Management Leader is the leader of each department and branch that implements the ethical management policies of the group and each subsidiary, and is responsible for the dissemination of ethical management systems and the reporting of activities. They are expected to be the centerpiece of the group's implementation of ethical management, and we look forward to the performance of the leaders in 2020.

Ethical Management Education

Ethical Management Education and Training

Ethical management education is mandatory for all executives and staff members including the management. In addition, we are going beyond the existing knowledge delivery education, and are conducting cyber education or group education.

Training on Money Laundry Prevention

Mandatory education and training for money-laundering prevention is implemented at least once a year. We make every executive and staff member conduct monthly self-monitoring with respect to corporate policy to ensure that he/she is not directly or indirectly involved in any financial accidents or crimes. The department dedicated to preventing money laundering within each company explores the latest sanction trends and money-laundering prevention issues and frequently shares such issues with all executives and staff members.

Education for Board of Directors

We are operating an education program for the board of directors according to the internal governance standard. The company produced and provided materials to enhance the understanding of the internal control of the financial company and provided such materials to the board of directors. In February 2019, we conducted board of directors training on the understanding of money laundering prevention systems and recent trends, and in October 2019, all members of the board of directors completed the money laundering prevention cyber training course.



Through the group ethical management award system, we encourage affiliates to form a consensus and practice ethical management and improve group executives and staff members' sense of ethics and compliance.





DGB Financial Group promotes ethical management practices from all of its employees and executives. We will take the initiative in respecting social values, abiding by laws and regulations, and establishing a fair financial order

Practicing Ethical Management

Corruption Risk Improvement Strategy established

In order to identify the internalization level of DGB Financial Group's ethical management and to measure potential corruption risk of DGB Financial Group, autonomous diagnosis and corruption risk assessment were conducted. With participation from the entire staff of the financial holding company, we have identified the matters to improve on in ethical management and corruption risk and established the core strategy of ethical management and its improvement plan. In 2020, we will strive for practical ethical management such as internal stabilization of the group's internal control system and establishment of the group's money laundering protection internal control system according to the strategy.

Operation of Whistle-Blower System

In case any executive or staff member recognizes any information about any actions that violate corporate ethics and harm the public interest, DGB Financial Group is obliged to report them, and each company has adopted and operates regulations that protect the whistle-blower and ensure confidentiality. In order to vitalize the system in 2019, the group revised the

regulations, including the principle of anonymity of any whistle-blower and newly established a report form to enhance the convenience of reporting, and expanded the reporting channels* such as establishment of an anonymous report channel on websites of DGB Financial Holding and each affiliates. Furthermore, more than twice a year, we provide guidance on the whistle-blower system to all executives and staff members and distribute Q&A related to the system so that staff members can easily access and use the system with confidence.

* Reporting channel: homepage of DGB financial holding and each affiliate, red whistle, DGB mobile office, mail, dedicated phone, E-mail, computer system

Ethical Employment Contracts for Executives

The new employment contracts with our executives obligate them to perform their jobs ethically to ensure that the top management sets a good example for others. Accordingly, all executives of DGB Financial Group signs a contract prohibiting them from engaging in acts of corruption, such as bribe-taking, influence-peddling, and carry out strict responsibilities.





Our Impact Story 2.

Sound Finance, Transparent Management

Finance is the business operated based on credit, and thorough internal and external supervision and checks becomes its foundation. DGB Financial Group has recognized the importance of a fair process and customers' trust through problems raised within the group in the past and has carried out innovation focused on governance structure and system reform using these as an opportunity for change and development.

DGB Financial Group announced that the holding company chairman and the bank president positions will be temporarily operated as a concurrent office in order to effectively deal with the 2019 management crisis and quickly recover customers' trust and stabilize the organization. In addition, ultimately to reinforce the division of duties and mutual control function by separating holding company chairman and the bank president positions, DGB promised to nurture a good succeeding bank president during the concurrent office period. In this regard, we have prepared a transparent and fair human resource management system and a high potential (HIPO) program to nurture key talents, and to nurture the next bank president who will be respectable both internally and externally, we have made efforts to develop an efficient and reasonable bank president nurturing program. As a result of these efforts, the final three candidates for the position of DGB Daegu Bank president have been decided at the group executive candidate recommendation committee at the end of 2019. The final candidate for the next bank president will be appointed in the second half of 2020.

Finance Specialized CEO, Bank President Nurturing and Succession Program

DGB Daegu Bank has conducted the bank president nurturing and succession program to elect the next president. The Bank president nurturing and succession program targets current executives of the holding company and the bank. Starting with the 1 on 1 interview with the chairman, the first stage of the nurturing program will be conducted in the order of the process of selecting and promoting the strategic tasks that the candidate will pursue throughout the year; 1 on 1 coaching training by the candidate; DGB Potential Academy where DGB's management tasks are understood and implementation strategies are discussed; and the assessment program for 360-degree feedback and in-depth personality test. Internal and external experts related to the topic of discussion will participate so that in-depth discussion would be performed in each process. The second phase of the selection process that the final candidate group must go through is composed of OJT at financial subsidiaries; global capacity development process; and DGB CEO Academy which provides 1 on 1 mentoring with experts in major fields to broaden the perspectives as a CEO and to balance capacity development; DGB management session in the form of a meeting to share the group's management issues and to come up with means of resolution; and the candidate AC program in the form of personal in-depth interview and mutual debate by subject, etc. With the announcement of future vision and business plan as the last procedure, the final candidate for the president of the bank will be selected

DGB Financial Group is planning to make the bank president nurturing program as the most exemplary CEO incubation and succession procedure in the financial sector by continuously innovating and recording the bank president nurturing program. Through these efforts, we will contribute to restoring the sound checks and balances in the governance structure and further advance the structure of the financial industry.

03 Future Finance Creating Value

> **Importance**

A recent financial paradigm shift is quickly changing the financial environment. With the development of IT technology, the boundaries of the financial industry are expanding, creating an environment where new competitors enter the market and traditional financial core capacity is not sufficient to lead a business. We believe that it is important to implement Big Data and other new technologies to keep the business growing while uncovering new growth engines to actively prepare for the future.

> **Management Method**

DGB Financial Group focuses on high-quality growth by actively responding to the changing financial environment such as expanding domestic and overseas business networks, providing comprehensive services, and management of internal organizations, etc. At the group level, we have established a digital finance and global advancement strategy, and are looking for ways to create a group integration synergy and new growth engine.

> **Key Performance Indicator**

- Market Share in Daegu city & Gyeongbuk province (loan) 25.5%
- Market Share in Daegu city & Gyeongbuk province (deposit) 37.2%
- BIS ratio 12.32%
- ROA / ROE 0.47% / 7.27%

> **Future Plan**

DGB Financial Group will continue to pursue the integration of the group and strengthen the expertise in each field and will continue to integrate the differentiated business method and internal stability management system. While we expand our business network nationwide, we will create performance in overseas expansion. By quickly responding to next-generation financial services based on IT technology development, we will become the comprehensive financial group that leads the way in the future financial market.

Market Share in Daegu city & Gyeongbuk province (loan)

25.5%

Market Share in Daegu city & Gyeongbuk province (deposit)

37.2%

BIS ratio

12.32%

ROA / ROE

0.47 / 7.27%



Business Scope Expansion

With the acquisition of Hi Investment & Securities in 2018, DGB Financial Group has emerged as a comprehensive financial group with a total of eight affiliates. By maximizing synergy effect between affiliates, the Group will strengthen sales channels by expanding external business and marketing at the bank teller window. By securing new sources of revenue, we will diversify our internal portfolio, which we plan to use to achieve sustainable results.

Strengthening Group Business Synergy

In 2018, DGB Financial Group has completed the business line covering all sectors including bank, securities, and Insurance for the first time as a regional financial group. In 2019 as the first year of the comprehensive group, we established DGB synergy strategy division to create synergies between subsidiaries and reorganized the organization to strengthen the

group control tower function of the holding company. Furthermore, as a hub brand that brings together premium services provided by the comprehensive group, we selected 'DIGNITY' including PB services to be used in overall marketing. 'DIGNITY' means providing a dignified financial life to create greater pride beside the customers.



DIGNITY

DGB Financial Group opened five DIGNITY branches including one in Daejeon, three in Daegu City, and one in Seoul for expanding synergy between bank and securities. Through this BWB(Branch with Branch), various financial investment services and DGB's differentiated asset management services are provided to customers. In the future, we will utilize the Bank-Securities branch channel in the group to establish a nationwide branch in the branch network, focusing on the province which has an excellent customer group base or a high demand for comprehensive financial services.



PRM Professional Relationship Manager

DGB Daegu Bank formed PRM organization as a mobile business organization for the first time in the financial industry.

Expanding Business Network in the metropolitan area

To overcome the regional limitations and make the group take a leap to become a national bank, we are expanding business networks in the Seoul metropolitan area. To achieve this objective, we have purchased Daewoo Shipbuilding & Marine Engineering building to serve as a bridgehead to move into the metropolitan area, and DGB Life Insurance and DGB Capital have moved into this building. By 2020, DGB Financial Group aims to gather all the affiliates scattered throughout downtown Seoul to one location to strengthen the Group's competitiveness.

To expand the Group's business foundation in the metropolitan area and vitalize its business in the Seoul metropolitan area, DGB Daegu Bank has established a new metropolitan headquarters, and hired a retired head of a financial organization branch with a rich business network, and formed PRM (Professional Relationship Manager) organization as a mobile business organization for the first time in the financial industry.

The PRM is in the form of a mobile branch not tied to any branches or province but instead visits small and medium-sized companies to conduct financial consulting and business.

In addition, in order to reinforce the personal finance business network in the Seoul Metropolitan area, the Seoul Metropolitan Area Retail Loan center was established to provide a foothold for targeting the metropolitan area along with corporate finance through PRM.

DGB Capital has newly established a PRM synergy center under the department of synergy finance to enhance synergy at the group level. The PRM organization of DGB Capital runs individual deals or collaborates with the PRM organization of DGB Daegu Bank to reinforce synergy in a business capacity.

Expansion of Business Scope

Since the stable management performance and management experience of DGB Asset Management was recognized, in February 2020, the company switched over to a comprehensive asset management company and established a global solution team within the alternative investment division. As a result, DGB asset management has expanded the investment field into domestic and overseas alternative assets such as real estates and mixed assets and has secured the foothold for DGB Financial Group to become a global financial group.

DGB Capital opened the Global Loan center in Seoul in 2019 to expand its business network and improve customer convenience. In order to support foreign workers' early settlement and stabilization of livelihood in Korea, the Global Loan Center provides credit loan products for foreign workers who are employed on a non-professional employment (E-9) visa for the first time in the non-bank lending industry. In particular, we put efforts to ensure that consultation, business support, and follow-up management identical to the Loan center function in Korea can be provided to foreigners without inconvenience by hiring foreign nationals of each country and assigning them to the desk to help foreign workers who have difficulty with consultation in Korean.

Strengthening Competitiveness in Digital Finance

The Digital Finance related deregulation and an open-door policy for financial transaction convenience and strengthening of benefits have made digital-based business competition with fintech firms and Internet Bank inevitable to DGB. Therefore, DGB Financial Group redefined the existing business structures to a digital based structure and is pushing for Digital Transformation, which focuses on fundamental changes in companies such as organization, process, business model, and corporate culture.

Digital Transformation Strategy

Digital Business requires speed. In this regard, the Group Digital Innovation division which oversees the digital innovation of the entire group was newly established. And the organization was restructured so that the Chief Digital Innovation Officer (CDIO) serves as Daegu Bank IMBANK division head at the same time, and any strategy can be established and implemented quickly and simultaneously. Furthermore, in order to implement Digital Innovation, Group Digital Department Head Council decides important digital business, and actual Digital Business is being implemented through group Digital Innovation TFT which is mainly comprised of hands-on workers.

Promotion of partnership with excellent corporations leading market technology and openness are also important areas of digital transformation. The group's open API platform for innovative fintech development and partnership was established to open



access for anyone who wants to use the API of DGB Financial Group. We are uncovering excellent fintech services by opening an office in Gangnam, Seoul, where start-ups are concentrated, to promote rapid development and alliance with fintech ventures.

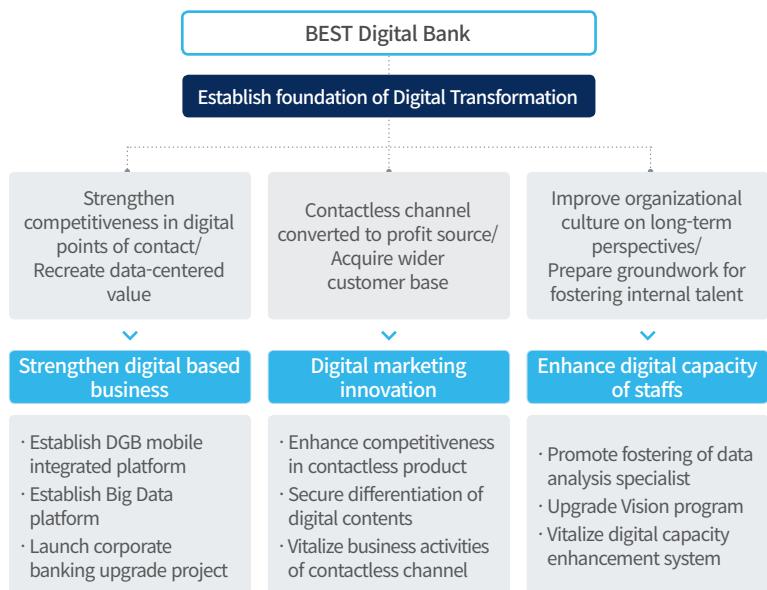
In 2020, services that customers and local residents can feel in earnest will be released. First, when functions such as using/charging/refunding the Regional Love Gift Certificate released by Daegu City are implemented on mobile phones in IM# applications, more users will conveniently use them to play a central role in boosting the regional economy. Public transportation will also be used conveniently in the future through the mobile one pass released by DGB U-pay.



Digital Transformation

In order to preemptively respond to market changes, DGB Financial Group has newly established a digital innovation headquarters. Marking 2019 as the first year of Digital Transformation, the Group is preparing a foundation of great transformation for rapid execution and innovation.

Digital Transformation Strategy



Mobile Channel Integration Platform

DGB Financial Group promoted the development of a mobile channel integration platform for enhanced convenience of the user through mutual organic linkage among mobile channels and expanded synergy among subsidiaries. DGB Daegu Bank has developed 'IMBank' as a powerful One App by integrating the existing 3 mobile channels of smart banking, IMBank, and mobile web. Its feature is that it was made to minimize the installation of Apps to avoid excessive amounts of apps or program installation and enable organic connection of 3 channels to provide user-oriented services. We also significantly improved contactless real-name certification and financial product subscription processes, enhancing accessibility to first-time transaction customers and core target customers in their 20s and 30s.

IM# is the shopping mall of financial products connecting affiliates of DGB Financial Group. For the first time in the financial industry, to have a win-win relationship with local small business owners, we provide a service where business owners directly register photos, menus, addresses, contacts, coupons, etc. of his/her store, promote them for free, and receive sales analysis. Moreover, by partnering with real estate, education, and healthcare related FinTech companies, customers can utilize services throughout their lives such as real estate price inqui-



IMBank



IM#

ry, mobile traffic cards, biometric age measurement, hospital reservation, and provision of university student communities, etc.

In January 2019, Hi Investment & Securities launched the new concept mobile trading system (MTS), Hi-M. Hi-M, which was made with the wish to be the customer's 'power(Korean: Him) of investment,' focused on enhancing the convenience of customers by applying contactless account opening, fingerprint authentication and simple certification number login, simple transfers without the need for a digital certificate, all with an easy-to-use, minimalist design.

DGB Life Insurance opened the mobile platform service after 8 months of development. The service consists of mobile business system (M-Smart), a mobile counter for customers, electronic document delivery service, and monitoring of completion of sales. Unlike traditional electronic subscription method, since all processes of DGB Life Insurance's mobile platform was developed exclusively for smartphones, and is compatible with the users' smartphone. Thus, customers can proceed with 100% of the mobile process from insurance subscription to payment without paper.



Big Data Infrastructure Established

DGB Daegu Bank has established a companywide strategy for using Big Data and established a platform in order to preemptively respond to limitless competition based on data. By combining accumulated internal and external data and analyzing it from various angles, we are strengthening our competitiveness through developing financial products and services that meet the needs of customers. In addition, by signing an MOU with Samsung SDS, we are planning to jointly operate a working group related to Digital Technologies and explore Big Data financial platform and artificial intelligence-based new business. DGB Daegu Bank will continue to push for Big Data expansion strategy after establishing its Big Data infrastructure and internalizing the technology by this year and advancing the analysis system and seeking diverse types of utilization by 2022.

Extension of Digital Education

DGB Daegu Bank is hosting the DGB Cyber Digital Academy for all executives and staff members as part of nurturing talent for Digital Global Bank since 2019. Education is conducted in the form of a 10-session online training including new IT technologies and coding, aimed to enhance understanding of digital finance and the problem-solving ability for executives and staff members. We encourage executives and staff members to obtain SW coding qualification, and we plan to expand education to utilization methods and introduction cases by technology such as artificial intelligence, Big Data, etc.

Open Innovation on Digital Finance

DGB Daegu Bank is continuously looking for innovation that can create synergy by converging the special capacity of fintech ventures and non-financial industrial expertise. As a representative example, in 2019, we have signed a business cooperation agreement with Finnq, a financial platform, and SK Telecom to vitalize digital finance. We plan to create synergy by sharing corporate know-how and ideas related to digital finance, and by cooperation for fintech technology development and marketing vitalization, and explore differentiated financial services and products as well as platform marketing. 'T high 5 installment savings', which

is sold to subscribers of SK Telecom through Finnq app, has been developed to activate contactless channels and create new customers. 'DGB X Finnq Emergency Fund Loan', which is also a simplified loan that is applied through the Finnq app, allows users to immediately inquire the loan limit and interest rate by mobile certification of identity 24 hours a day, 7 days a week, and the transaction can be contracted with a fingerprint certificate without separate public certification when a loan agreement is executed. This product is designed to maximize the convenience of customers and targets other financial app users with its differentiated competitiveness.

Fintech Startup Support

DGB Financial Group opened DGB FIUM LAB, the first fintech startup support center in the regional finance industry. Fium Lab is the synonym of F (Fintech) and I (Innovation) and Um (blossom in Korean) hence meaning "Fintech innovation blossoms" (Fium). DGB Financial Group remodeled the whole 5th floor of DGB Daegu Bank's 2nd head office targeting the creation of a startup ecosystem and had four startup companies move in through selection. Through the Fium Lab, DGB Financial Group has declared the commitment to Digital Innovation and cooperation with fintech venture, and we look forward to becoming a beautiful companion leading digital finance in the 4th industrial age.

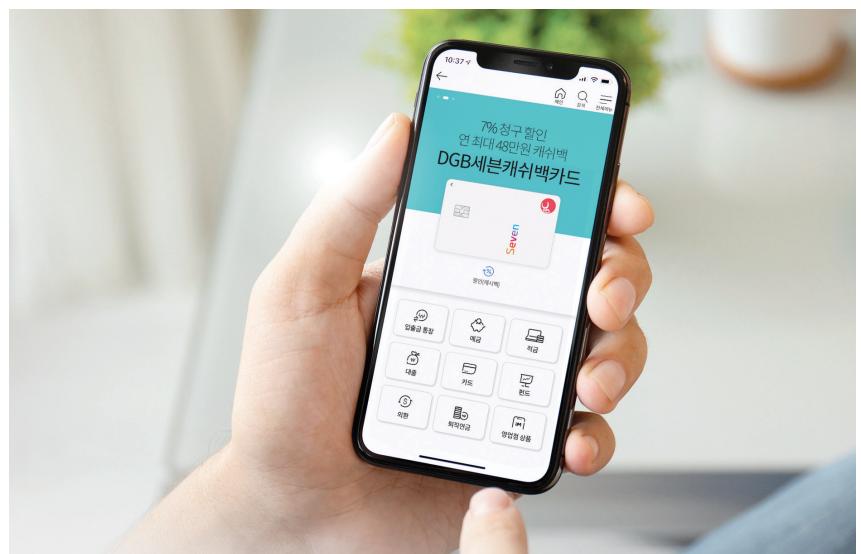
Open API Infrastructure Established

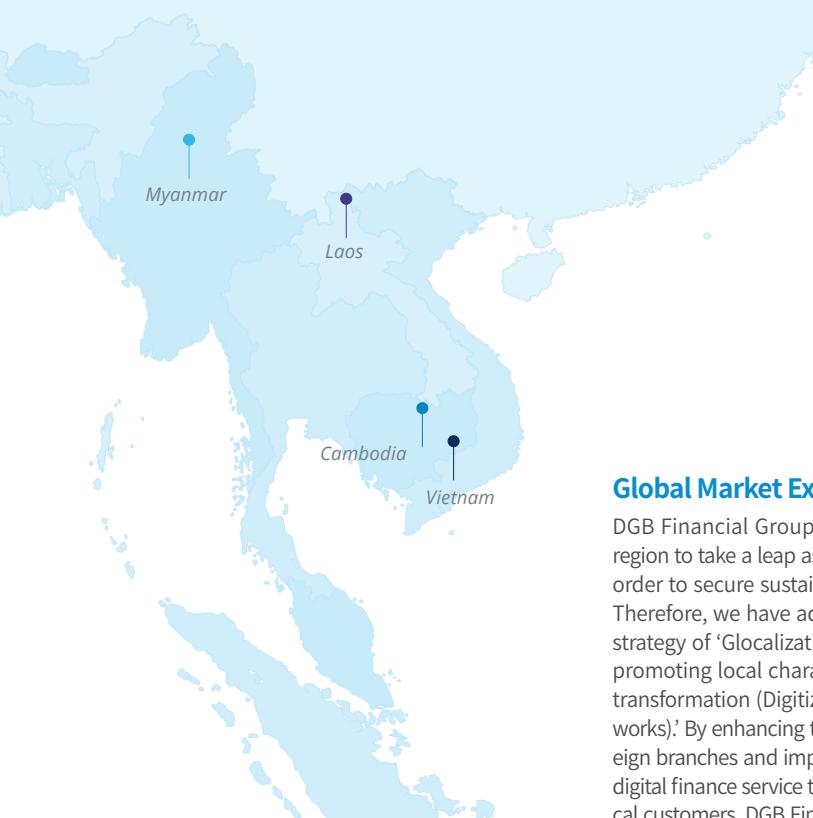
DGB Daegu Bank established Open API Infrastructure for the purpose of providing rapid support for Digital Financial services, efficient development of collaborative business models with external parties, securing confidence in providing financial information, and systemic management of services provided by other companies. In addition, we developed inquiry, transfer, virtual account, certification API (10 types) and Toss-linked loan API (6 types) together, and from April 1, 2020, with participation in 'DGB Stham Stham Easy Loan' service on Toss app's 'Find loans suitable for me' service, we have opened customer services. DGB Daegu Bank's open API infrastructure has been developed to be connected to the group integration API among DGB financial groups, and external fintech companies can apply for service by DGB Financial Group's portal.



DGB Fium Lab

DGB Financial Group opened DGB FIUM LAB, the first fintech startup support center in the regional finance industry.





Acquisition of Cambodian Micro Finance Specialized Institution (MFI)

DGB Capital signed a share purchase and sale agreement in July 2019 and completed all subsequent procedures related to domestic and overseas permits and licenses. On January 30, 2020, Cambodian MFI (Micro Finance Institution) was acquired. The MFI is a local branch in the Cambodian capital that has been engaged in secured micro-loan focused business since 2015, and we are planning to expand the business centered around Phnom Penh, the Cambodian capital. Especially, as the first native CEO of a Korean owned financial institution (Ros Thearith) was elected, he is expected to accelerate localization in Cambodian operation. And synergy effect is anticipated with DGB SB (Specialized Bank) which entered Cambodia earlier.

Global Market Expansion

DGB Financial Group would go beyond the region to take a leap as a global corporation in order to secure sustainable competitiveness. Therefore, we have adopted the global entry strategy of 'Glocalization (globalization while promoting local characteristics)' and 'Digital transformation (Digitizing existing offline networks).' By enhancing the independence of foreign branches and implementing a specialized digital finance service to match the needs of local customers, DGB Financial Group will implement a unique strategy to grow into a company that leads the global market.

Entry into Myanmar, the Land of Opportunity

DGB Daegu Bank obtained a local MFI license from Myanmar government in July 2019 and established micro finance institution (MFI) named DGB Microfinance Myanmar in November 2019. Myanmar is the region expected to show speedy economic growth based on abundant labor and natural resources with very high potential growth of financial sector in the future. Especially, micro finance by MFI financial institution is recognized by local residents as a kind of common peoples' finance and demands for loans are huge. We plan to penetrate the regional cities with a few financial institutions at first to secure profitability, and then expand support to local common peoples' finance and increase the finance penetration rate.



Cambodian CAM Capital



Expedited Localization of Cambodian DGB SB (Specialized Bank)

DGB SB acquired in January 2018 was the first overseas local subsidiary since the foundation of the DGB Daegu Bank. DGB SB achieved a total of \$ 220 million in assets and \$ 9.77 million in net profit in 2019. Currently, the delinquency rate seems to be very low due to the focus on real estate collateral loans with a competitive status as the No. 1 local special bank specializing in loans. Entering April 2020, we obtained preliminary approval for conversion to a commercial bank from the local financial authority. We are planning to strengthen the growth foundation in Cambodia by opening additional branches for expansion of business areas and by introducing advanced financial techniques such as launching the introduction of next-generation banking systems, etc

Laos DGB Lao Leasing (DLLC) Continues Growth

DLLC (DGB Lao Leasing Co., Ltd), which was established in December 2016 by DGB Capital in Laos, grew as the representative foreign lease finance company in Laos, achieving a total of \$52 million in total asset and \$917,000 in net profit for the current term as of December 2019. DLLC is strengthening credit screening and bond management, which are the core competencies in the financial industry. By collecting and analyzing the types of transactions made, and using the basic data of existing customers, we are currently developing a screening system exclusively for Laos. Through cooperation with



Expansion of Vietnam Financial Network

DGB Daegu Bank entered into a business agreement with Vietcombank which is one of the major banks of Vietnam, on cooperation, market trend information exchange, staff exchange training, etc. in July 2019. Vietnam is the largest trade partner of Korea among ASEAN countries, and 3rd export destination and Korea's 5 major investee countries. DGB Daegu Bank submitted an application for approval on establishing the Vietnam Ho Chi Minh branch in 2016. This cooperative agreement is anticipated not only to support the approval of Ho Chi Minh branch but also to bring substantial performance as the groundwork to expand Korea-Vietnam financial exchange and prepare the groundwork for win-win growth.

local bond management companies, we have also been sending employees of DLLC to those companies to acquire necessary skills for local bond management. We trust that our active efforts in localization, taken to strengthen our core capabilities, will raise DLLC's continuous growth potential, and DLLC is conducting global volunteer activities such as delivering relief donations related to the accident at the southeastern auxiliary dam in Laos and supporting baseball coach, Lee Man-soo who is engaged in activities for spreading baseball in Laos. Furthermore, in 2020, DLLC is preparing to launch a new product that will reduce the financial burden in using financial service to the local people in Laos and enhance their convenience in using financial products. With the synergy of parent companies, DGB Capital and DGB Daegu Bank, DLLC will focus on its core competencies, cooperate with diverse partners, develop new markets and new businesses, and do everything we can to prepare for future growth..

Entering the Myanmar NBFI Business by Opening a Local Representative Office

Based on the experience of successful entry of the Laos DLLC and the Cambodian Cam Capital, DGB Capital is preparing to enter Myanmar's Non-Banking Financial Institution

(NBFI) business. NBFI is a non-Bank financing business that has not yet been opened to foreign capital. DGB Capital is preparing to establish a representative office to preemptively respond to Myanmar policy changes and pursue the opportunity for dominating the NBFI market in advance. To this end, in March 2019, DGB Capital has completed the acceptance report with the Financial Supervisory Service to set up an overseas office in Myanmar, and opened its representative office in May 2020. The drive to enter the Myanmar NBFI is for DGB Capital to secure future growth engines by expanding our overseas network, and we are confident this will contribute to the development of DGB Financial Group's 'Indochina Peninsula Financial Belt' which extends to Cambodia, Laos, and Vietnam.



Global Market Expansion

DGB Financial Group would go beyond the region to take a leap as a global corporation in order to secure sustainable competitiveness



Our Impact Story 3.

One Step Closer to Our Customers, Digital Finance



DGB Financial Group endeavors to enhance customers' convenience in financial transactions utilizing digital financial technologies that evolve day by day. For busy modern people who cannot visit bank branches during business hours, we are developing not only smartphone App but also expanding DGB self-counter (Digital kiosk) and ATM installation which are easily accessible.

Thorough Security and Convenient Use, Biological ATM

To address both financial accessibility and security issues, DGB Daegu Bank is expanding its biological ATM service, which introduces biometric functions. Among biometric information, palm veins are characterized by a person's unique characteristics and cannot be stolen or replicated, and its certification accuracy is high. Customers who want to use the biological ATM service must register the biological information at the branch desk or the DGB self-counter (Digital kiosk), and this system is ready for immediate use after registration. Furthermore, to prevent any leakage of biological information, the bank and Korea Financial Telecommunications and Clearings Institute disperses, stores, and manages information, which further reinforces banking stability. We have

completed the placement of Biological ATM at the branches and will also expand to all branches of Daegu Bank including Gyeongbuk province in 2020.

Visible ARS Service for the Financially Vulnerable

As more and more smartphones are disseminated, from 2019, we have upgraded the existing phone banking service to provide 'visible ARS' service. This service provides the main menu in the form of voice and screen at the same time and eliminated the inconvenience of having to listen to the voice instructions to the end before selecting services in case of the existing voice ARS. Not only for consumers who have difficulty in recognizing the voice, but this service also gives general consumers the advantage of being able to process business quickly and accurately. In particular, it is expected that the financially vulnerable will be able to conveniently utilize the financial service as this service lowers barriers for senior customers and the hearing-impaired who were unable to use the smartphone application such as IMBank.

04 Sustainable & Responsible Finance

> **Importance**

Globally, the demand for responsible business is increasing to respond to climate change and sustainable development. Especially, as the financial industry plays a key role in the economic system, stakeholders are demanding the industry to consider the effect of business activities upon society and environment. For the financial industry, it is important to secure competitiveness within the global market in order to fulfill social responsibility and prevent unexpected risks and to develop products and services that contribute to sustainability.

> **Management Method**

DGB Financial Group develops, and sells public interest type financial product for win-win growth with community; common peoples' financial product that supports the financially excluded in economic difficulty; and a green financial product suitable for the financial group superior in environment management, and promotes various activities such as social responsibility Investment activities, support products and programs for small & medium businesses, and small business owners, etc.

> **Key Performance Indicator**

- DGB cyber green branch sales account 3,166
- DGB cyber green branch sales amount 3,225 million Won
- Small & medium business loan amount 25 trillion Won
- Small & medium business loan ratio 63%

> **Future Plan**

DGB Financial Group puts the local community and co-prosperity first. We will fulfill social finance by actively implementing social responsibilities as the representative regional bank and by further expanding our embracing financial support for small business owners in the region who are suffering from the economic recession.



DGB cyber green branch
sales account

3,166

DGB cyber green branch
sales amount

3,225
million Won

Small & medium
business loan amount

25 trillion Won

Small & medium business
loan ratio

63%



Inclusive Finance

DGB Financial Group is fulfilling its social responsibilities through promoting sustainable finance that pursues harmony and mutual growth. For this purpose, we are offering products and various support tailored to the common people, and putting into practice our management philosophy of 'Sharing Dreams and Prosperity with Community'.

Credit Recovery Support for the Financially Vulnerable

For four months from March 2019 to the end of June, DGB Daegu Bank has operated the 'DGB New Start Credit Recovery Support Program' for the financially vulnerable. This program was implemented for the purpose of granting an opportunity of recovery by debt adjustment to the financially vulnerable in the region with economic difficulties, applying the highest level of debt reduction rate. Especially reflecting the various characteristics of customers who are delinquent in repayment for long-term loans, we applied a flexible reduction rate between 40 to 90%, along with various benefits for reducing the burden of repayment such as 5-year installment programs and incentives for on-time repayment.

Expansion of Inclusive Finance Support to Support 'COVID-19' Damage

DGB Daegu Bank is expanding common people's financial support for those who suffered from COVID-19 in 2020 among Daegu City and Gyeongbuk region customers. We have expanded financial support within a total limit of 200 billion Won and are simultaneously applying downward adjustment on interest rates for some products. When receiving common peoples' financial loan applications, we expanded contactless mobile App application so that customers do not need to submit documents and visit a branch. In addition, for customers who cannot visit a branch among victims of 'COVID-19', the term of the loan is extended by contactless procedure. DGB Daegu Bank will fulfill the responsibility as the region's representative company to overcome difficulties with our customers who feel uncomfortable with their financial life due to COVID-19 by implementing various support for regional customers.



Sharing Dreams and Prosperity with Community

DGB Financial Group is fulfilling its social responsibilities through promoting sustainable finance that pursues harmony and mutual growth.

Major Products for Inclusive Finance

Classification	2017		2018		2019	
	Total number of accounts (unit)	Total amount supported (KRW 100 mil)	Total number of accounts (unit)	Total amount supported (KRW 100 mil)	Total number of accounts (unit)	Total amount supported (KRW 100 mil)
DGB Seeds of New Hope Loans	21,180	1,305	22,428	1,328	20,549	1,158
DGB Conversion Loans	827	64 ¹⁾	510	43 ¹⁾	375	38
Special Guarantee Loans for SMEs in North Gyeongsang Province	1,660	157	1,491	135	1,524	160
Sunshine Loans for University Students	1,254	33	1,593	40	1,339	30
Agreement Warranty of Jointly Support Startups	15	38	15	37	11	24
Special Guarantee for Restarting after Startup Failure	2	1	9	3	21	6
Special Guarantee for Restructuring and Job Support	1,260	303	1,102	221	954	147
Special Guarantee for Stabilization of Small Business	1,466	284	1,273	209	1,088	149
Special Guarantee for Hope Share of Small Business	788	170	678	144	561	118
DGB Bridge Loan with Mid-Interest	234	24	343	31	326	23
DGB Smart & Secure Mid-range Interest Rate Loan	555	29	1,280	94	1,952	182
Workers e-Start Loan	518	17	528	17	501	19
Haetsal Loan 17 ²⁾					400	32
DGB Safety Net Loan ³⁾				53	19	55
						16

¹⁾ Data reported in previous year corrected due to reporting standard amendment (based on balance) ²⁾ 2019 new product ³⁾ 2018 new product

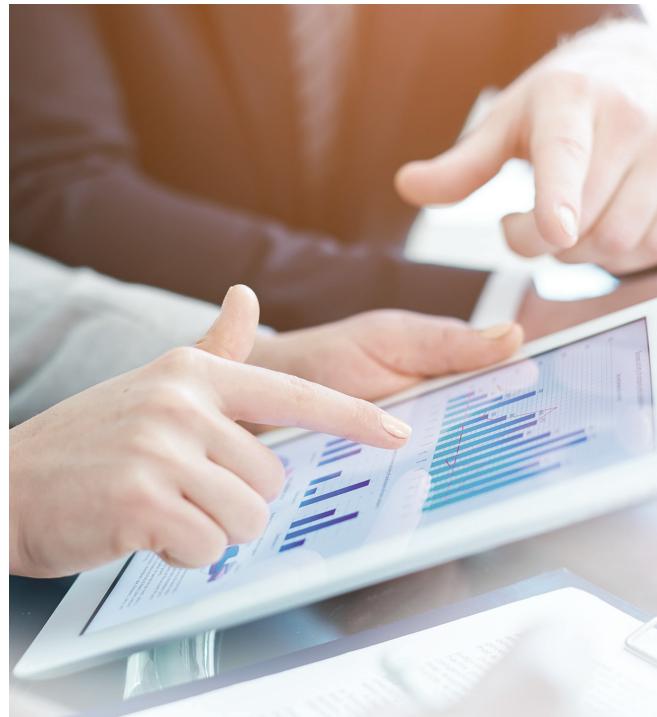
Technology Financing

DGB Daegu Bank offers low-interest technology financing loans for small and medium-sized enterprises with high growth potential and technological capacities. 'DGB Tech Biz Loan' offer low-interest, high-limit credit lines to outstanding SMEs and maintain close mutual cooperation with these firms and at the same time, enter into new transaction agreement. DGB Financial Group continues to verify and renew these technology financing products to ensure that they stay competitive.

Selected as Specialized Institution for Technology Commercialization

DGB Daegu Bank has been designated as a specialized institution for technology commercialization by the Ministry of Trade, Industry and Energy. As the first financial company to be designated as such, DGB Daegu Bank offers tech-related consulting services for business clients, who use them to attain specialized technology and market competitiveness

Classification	2017	2018	2019
DGB Tech Biz loan	1,311,744	1,371,079	1,246,866
Technology type startup company Bank of Korea aggregate credit ceiling system	63,058	44,491	42,311



First Place in Technology Finance Evaluation by the Financial Services Commission

DGB Daegu Bank was selected as the most superior bank among small banks, according to the result of '2019 first half/second half Banking technology finance performance evaluation' by the Financial Services Commission. This evaluation reflects not only quantitative evaluation such as technology finance loan size but also qualitative evaluation such as manpower, organization, risk management, etc. DGB Daegu Bank has received high praise in loan size, qualitative composition, support capacity, etc.

Green Finance

DGB Financial Group supports eco-friendly management of local companies by acknowledging eco-friendly companies and incentivize with financial support and provides financial services and products taking account of their environmental impact. DGB Daegu Bank has signed an agreement with Daegu city government to support an initiative to widen the distribution of electric cars, by providing low-interest loans in the 3% range for electric vehicle buyers, installing charging stations at bank branches, and purchasing electric cars for company use.

DGB Cyber Green Branch

DGB Daegu Bank operates 'DGB cyber green branch' which specializes in environmental protection. DGB cyber green branch deals with various deposit and loan products such as eco-friendly products: Green Deposits, Green Health Installment Savings, DGB Green Loans, and DGB Green Cards to raise environmental awareness among customers. DGB Daegu Bank's Green Card accrues eco-friendly mileage, and its Green Deposits offer prime rates for account holders who engage in eco-friendly activities. Some revenues from these products are allocated to a fund that supports environmental protection efforts in the region.

DGB Cyber Green Branch

Classification	2017	2018	2019
Sales account(number)	3,298	3,242	3,166
Sales amount(million Won)	2,711	3,186	3,225

Green Financial Product Sales

Classification	2017		2018		2019	
	Total number of accounts (unit)	Total amount (million Won)	Total number of accounts (unit)	Total amount (million Won)	Total number of accounts (unit)	Total amount (million Won)
Installment	Eco-friendly Green	34	42	24	30	14
	Green Health	440	3,103	428	2,889	375
	Dokdo Savings	171	590	27,663	19,767	1,592
	In My Hands	16,317	64,389	18,481	70,962	14,313
	e-U Savings	10,427	47,248	14,922	72,318	11,225
	I-M Savings	2,503	3,276	7,502	25,564	6,033
Financial Technique	Eco-friendly Green	31	355	18	250	23
	Dokdo Savings	282	3,694	26,471	492,409	25,962
	In My Hands	14,345	286,146	14,766	261,012	15,538
	e-U Deposits	6,077	110,925	8,379	147,973	15,235
	I-M Deposits	2,419	29,820	8,754	172,562	10,294
						216,874

Financing for Social Responsibility

DGB Financial Group offers a variety of financial products to promotes socially responsible finance, such as Social Responsible Investment(SRI) funds. DGB Daegu Bank's 'Future Asset Love Sharing ETF Fund' is a patented product that exempts 0.5% management fee of sales amount to establish a public interest fund through love sharing bank account dedicated to donation, and makes donations under the name of customers. In the future, we will continue to build a model that creates shared value to induce positive social changes and enhance our business performance as a socially responsible financial company.



Support for SMEs

Cooperation Agreement:
DGB Daegu Bank-Korea Credit Guarantee Fund - Korea Technology Finance Corporation

In March 2019, DGB Daegu Bank signed an agreement with the Korea Credit Guarantee Fund(KODIT) and the Korea Technology Finance Corporation(KO-TEC) to provide guarantees for small businesses including those that create jobs. DGB Daegu Bank will provide a special contribution of 2.6 billion Won to Korea Credit Guarantee Fund and Korea Technology Finance Corporation, and support loans based on the 36 billion won worth of guarantees issued by them. DGB Daegu Bank, as the representative regional company, plans to further expand financial support to job- creating firms, socio-economic companies, and the self-employed through this agreement

Public Service Fund Product

DGB Daegu Bank	(Unit: million Won)		
Classification	2017	2018	2019
Midas Responsible Investment Equity Investment Trust	69	84	173
Mirae Asset Love Sharing ETF Equity Investment Trust	558	450	417
Woori G Active SRI Securities sub-Investment Trust ¹⁾	47	53	63

Hi Investment & Securities Co., Ltd	(Unit: million Won (based on balance))		
Classification	2017	2018	2019
Woori G Active SRI Securities sub-Investment Trust(stock) ²⁾	430	319	283
VI Social Responsible Investment Securities Investment Trust(stock) ²⁾	11,928	8,510	7,692

¹⁾ Fund name changed ²⁾ Based on valuation amount at the end of relevant year



Inclusive Finance SMEs Support Sector 1st Place for 2 Consecutive Years

DGB Daegu Bank won the first prize in small & medium business support sector, at the 2019 Inclusive Finance - Financial Consumer Protection - financial fraud eradication contributor prize award ceremony. Following 2018, the bank's contribution to vitalizing relationship type finance was well appreciated, as the bank actively discovered promising small & medium businesses, loan support to small & medium businesses, and private businesses, especially coexisting with businesses, etc. DGB Daegu Bank, as a bank specializing in supporting small & medium businesses, has steadily increased loans to small & medium businesses to support the small & medium businesses in Daegu city and Gyeongbuk province experiencing difficulties in financing, with a total asset to small & medium business loan balance percentage of 45.4% in 2019.

63%

SEM Loan Ratio

DGB Daegu Group will fulfill social finance by actively implementing social responsibilities as the representative regional bank.

Small & Medium Enterprise Loans

Classification	2017	2018	2019
SME Loans(trillion Won)	22.0	22.0	25
SME Loan Ratio(%)	64.5	63	63

DGB Daegu Bank's Efforts to Coexist with Regional SMEs

Contribution of 5 billion Won to Daegu Credit Guarantee Foundation, 3 billion Won to Gyeongbuk Credit Guarantee Foundation

Korea Expressway Corporation & Gyeongbuk Province Win-Win fund of 30 billion Won created

Cooperation Win-Win fund contributed by POSCO, Hwashin 50 billion Won created

Loan interest support for regional SMEs experiencing difficulties in management

Automotive part industry classified as normal, financial support limit increased by 244 billion Won

12 trillion 400 billion Won size loan maturity deferred by 1 year for SMB manufacturing industry and livelihood retail (food) industry

Corporate Management Consulting Center operated to contribute to competitiveness strengthening of SMEs

Technology finance incentive provided, dedicated product 'DGB TECH-BIZ loan' management

Win-Win Fund Contribution

DGB Daegu Bank contributes funds to Win-Win funds through cooperative arrangements with related institutions to support SMEs and small business owners. Along the Korea Highway Corporation, and Gyeongbuk Province, 30 billion Won Small & Medium Business Win-Win Fund was created. With Korea Gas Corporation, 20 billion Won fund, and with POSCO and Hwashin, 50 billion Won funds were created so that regional corporations would not suffer from fund shortage. With Daegu City and Daegu Credit Guarantee Foundation, we entered the 'Financial Support Agreement for coexistence by Automotive Parts manufacturer', to help with management stabilization of regional auto parts companies and contribute to the development of the regional economy. This cooperative agreement provides a special contribution of 20 billion Won to address the financial difficulties of the Daegu city 2nd and 3rd tier automotive parts companies and provides preferential interest rates. The DGB Daegu Bank will fulfill its commitment to stabilize the management of small & medium businesses and small businesses, which are experiencing difficulties in management, through efforts such as low interest rate loan support by Win-Win Fund, and will further contribute to the vitalization of the regional economy.

Support to Small Business Owners

Consulting Bringing Excitement to Small Business Owners

DGB Daegu Bank provides in-depth consulting to small business owners who trade with branches so that they can reinforce their competitiveness through improving management. The target customers are small business owners engaged in food, lodging, and wholesale or retail industries, selected by the recommendation of branches. Such consulting is comprised of management diagnoses such as marketing, business district & location analysis, to branch management know-how such as patents, professional knowledge regarding laws and taxes, and franchises. The consulting fee is fully subsidized by DGB Daegu Bank, and if the loan is required for the implementation of the consultation result, the preferential interest rate is provided as an incentive.

Financial Support for Recovery of Small Businesses & Small Business Owners

DGB Daegu Bank has signed 'Gyeongbuk small business & small business owner recovery support business agreement' with Gyeongbuk Credit Guarantee Foundation. This is a business agreement designed to provide business opportunities to small businesses and small business owners who have experienced business failures through special financial support, and restore the management ecosystem and vitalize the regional economy. In addition to 2019 special loan support with Gyeongbuk Credit Guarantee Foundation, DGB Daegu Bank supports 45 billion Won guaranteed loans to small & medium businesses and small business owners within the region.

Regional Economy Revitalized by Providing Regional Companies with Consulting Service

DGB Corporate Management Consulting Center is providing an optimal management consulting service to reinforce competitiveness and enhance the core value of Daegu City and Gyeongbuk regional corporations. Especially, based on the rich information on regional companies accumulated by DGB Daegu Bank for 53 years, the center provides solutions suitable for regional small & medium businesses and provides the merit to be linked to the government's corporate support policy business as well as the bank's business finance support. In 2019, we are working hard in many aspects to vitalize the regional economy through a business agreement with the Human Resources Development Service of Korea, Daegu-Gyeongbuk Medical Innovation Foundation, and Kyungpook National University Technopark for the continuous growth and strengthening of global competitiveness of regional companies, and establishment of successful startup base for startup companies. Furthermore, in response to the central government's policy of vitalizing social finance, we grow with the socially alienated by providing free consulting to Daegu self-supporting companies operated by the beneficiary of national basic livelihood or low-income class in the form of a joint business through a business agreement with the Daegu City self-support center, and by supporting free education on management capacity reinforcement.

In the future, DGB Corporate Management Consulting Center will fulfill its social responsibility by actively supporting Daegu City/Gyeongbuk regional corporations to sustain growth, to enhance their value through global competitiveness reinforcement, and supporting social corporations and self-supporting corporations so that they can stably establish themselves as main agents of economic activity.



Eco-friendly Electric Car Manufacturer, a Propellant for High Growth!

1

G corporation is a research company located in Daegu City, which was established in December 2012 for the domestic supply of eco-friendly electric cars. The company has completed 15 models up to the present through active R&D investment for eco-friendly electric cars (two-wheeler/three-wheeler/four-wheeler) for various purposes such as passenger, transportation, agricultural, and leisure vehicles.

2

G corporation, with strength in a research capacity, completed the development of various eco-friendly electric car models, but there was no mid to long-term strategy to promote commercialization in earnest. So, the company was in a situation where financing was required for the expansion of production plants. And they needed to secure sales channels by product model.

3

DGB Corporate Management Consulting Center provided a three-fold step-by-step consulting service using government support business. In the first stage, the specific implementation roadmap for mid to long-term growth was established through the commercialization and marketing strategy set up consultation. In the second stage, the center developed the corporate IR data for financing and investment attraction and supported about 6 billion Won worth of loans in collaboration with DGB Daegu Bank branch. As the last stage, we have successfully established a pool for marketing market and explored the market channel for product sales by collecting business channel information, etc.

4

As a result of the consulting, G corporation succeeded in raising 6 billion won in total, with the commercialization and marketing promotion plan and implementation roadmap. Funds have been used to expand production plants, and the expanded production volume is leading to new sales through newly expanded business channels.

5

G corporation's sales scale was about 500 million Won before consulting and rapidly grew from 3.2 billion Won after the first consulting to 7 billion Won after the second and third consulting.



05 DGB Financial Group's Response to COVID-19 Crisis

Relieving Difficulties in the Local Community

Inclusive Finance for People with Disaster Vulnerability

In order to prevent infectious diseases, all citizens are enduring tough times in the year 2020 by practicing strict social distancing for a long period of time. Inevitably shrinking economic activities make it difficult for small and medium enterprises to circulate funds, and some neighbors have been hit harder by disaster with small businesses and the working class threatened in their livelihood. DGB Financial Group prepared various financial support programs to overcome the disaster with neighbors in desperate need.

Operation of DGB Field Support Group

DGB Financial Group operates a 'field support group' comprised of financial experts from each affiliate to provide comprehensive financial services such as prompt financial support to companies in Daegu and North Gyeongsang Province, which are suffering from the COVID-19 crisis. The Field Support Group consists of five members, including Synergy Business Division of DGB Financial Holding Company, credit screening

The "COVID-19 Pandemic" situation declared by the World Health Organization (WHO) on March 12, 2020 forced the world to face a change that was never experienced before. The prolonged COVID-19 crisis has changed much of our daily lives and has a significant impact on our industrial structure. In the financial environment, financial risks such as distressed loans and falling profitability have also increased, and it is feared that the crisis will start from the vulnerable groups such as small businesses and small and medium-sized enterprises and spread to all economic players. On the other hand, the fourth industrial revolution, including the expansion of contactless transactions and the integration with Big Data and artificial intelligence (AI), has accelerated, requiring stronger financial innovation and presenting the potential opportunities such as expanding digital financial operations. DGB Financial Group is preparing to respond to changes in the financial environment triggered by COVID-19 from the perspective of sustainable management. We will pursue business model changes through digital innovation so as to create opportunities for new growth, while we practice inclusive finance that will support the hardship of the financially vulnerable and the local community.

officer and corporate consulting specialist of DGB Daegu Bank, Research & IB specialist at Hi Investment & Securities and corporate lending specialist at DGB Capital, to provide financial support, interest rate reduction, extension of deadline, provision of industry information, corporate bond issuance, IPO-related financial consulting, corporate loan and leasing, and installment finance, etc.

Special Financial Support to Small Business Owners and SMEs

DGB Daegu Bank has supported normalization of companies with direct and indirect damage from COVID-19 through special loans up to 100 billion won since February 2020 when confirmed cases of COVID-19 spiked in Daegu and North Gyeongsang Province. In areas without confirmed cases of COVID-19, we expanded the scope of small businesses to be supported such as lodging and restaurant businesses, arts, sports and leisure-related services, education services, wholesale and retail businesses, health and social welfare services, etc. Since early April, we are operating a 100 billion won inclusive finance special support program for small and medium enterprises affected by the crisis. This program targets customer companies dealing with Daegu Bank as the main bank with 50% or more of corporate borrowings from Daegu Bank, focusing on manufacturing industries that are suffering from increased uncertainties, subject to limit of 50 million won per borrowing company. In addition, DGB Daegu Bank sells special loan products with ultra-low interest of 1.5% for small business owners

as a part of the government's "Ultra-low interest rate 12 trillion won financial stimulus package" program, and operates a comprehensive consulting team for COVID-19 victims, supporting prompt borrower screening through on-site visits. We are also making efforts to reduce the financial burden of small business owners and small and medium enterprises by extending to maturity of loans due for repayment, deferring interest for six months, deciding to permit installment payment or one-time payment on deferred interest.

Infrastructure Support for Disaster Recovery

In addition to financial support, DGB Financial Group is providing human and physical resources to quickly overcome the disastrous situation in Daegu and North Gyeongsang Province. Since early March, DGB Daegu Bank has provided the training center located in Chilgok-gun as a treatment center where patients with mild symptoms can stay under the care of the medical staff. We are also sending manpower to organizations that are overwhelmed by heavy support workload from COVID-19 to help them quickly proceed with work. We have sent manpower to Daegu and North Gyeongsang Credit Guarantee Foundation to provide guidance to customers and to screen various documents, and also sent personnel to 139 administrative welfare centers in Daegu Metropolitan City for the distribution of prepaid cards and gift cards. Besides this, all branches of DGB Daegu Bank are receiving applications for the payment of emergency living funds for COVID-19 in Daegu Metropolitan City.

Livelihood Stabilization Funds supported

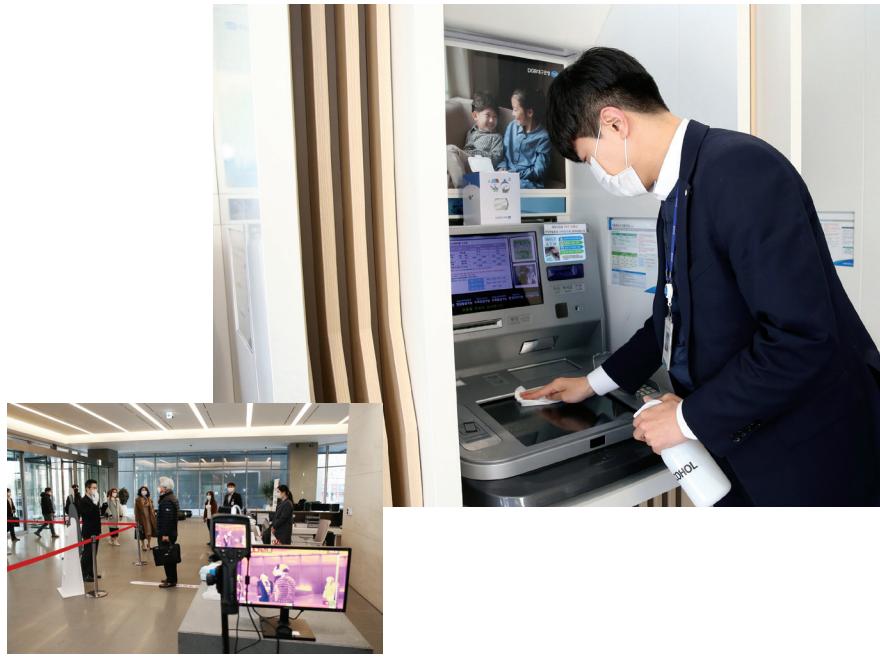
DGB Daegu Bank is providing financial support to the financially vulnerable, including Seeds of new hope loans, sunshine loan 17, Stham Stham easy loans, and Emergency fund loans to the extent not exceeding 200 billion won to COVID-19 victim customers and customers residing in Daegu and North Gyeongsang Province who have difficulty living with wage or business income. Since COVID-19 victims are not able to visit bank branches, we are trying to take good care of the customer's hardship such as extending the lending period without face-to-face consultation.

2,000 billion Won

DGB Daegu Bank is expanding financial support for common people within a total limit of 200 billion Won.



DGB Financial Group executives decided to return 20% to 40% of their monthly salary from April to July to share the pain of the local residents. The returned salary will be used to support small and medium enterprises, small business owners, and the locally vulnerable people who are suffering from COVID-19. The labor union donated about 100 million won, which was funded by voluntary donations and 1% deduction from salaries of employees.



BPR (Business Process Reengineering)

DGB Daegu Bank plans to fully rebuild its Business Process Reengineering (BPR) system to automate business processes and secure digital competitiveness in preparation for future changes in the business environment.

Internal Measure and Preparation for the Future to Overcome COVID-19

As the spread of COVID-19 caused temporary shut down of some of our branches, and there were concerns about a decrease in the number of visiting customers and a decrease in customer sales, we implemented various measures throughout the bank. In response to the temporary closure of some branches, we designated and operated the secondary and third alternative branches, and implemented various business methods related to lending and deposit taking business and customer support according to the crisis response manual of each department. We also implemented measures to promote contactless channel business such as training of consultants, strengthening customer response through contactless channels, marketing of online product services, and establishing an online platform for financially supporting COVID-19. We also actively promoted efforts to respond to COVID-19 in the organization including disinfection of branch premises, temporary telecommuting, employees' mandatory wearing of masks at work, management of personal hygiene, and social distancing, etc.

The shape of our lives after the COVID-19 crisis is expected to change significantly. Changes in the financial market will also accelerate, including the business environment. DGB Daegu Bank plans to fully rebuild its Business Process Reengineering (BPR) system to automate business processes and secure digital competitiveness in preparation for future changes in the business environment. The BPR system is the fundamental redesign of business processes to improve key areas such as cost, quality, service speed, etc. DGB Daegu Bank will focus on electronic document processing, standardization of follow-up business processes, and increased application of Robotics Process Automation (RPA) to respond to future business environments that are expected to expand contactless services. We expect this project to create a flexible organization and infrastructure to effectively respond to changing labor patterns so that we would be able to provide fast and differentiated customer services and strengthen our corporate competitiveness.

The Establishment of Management Plan in Response to Crisis

Scenario-based Stress Test

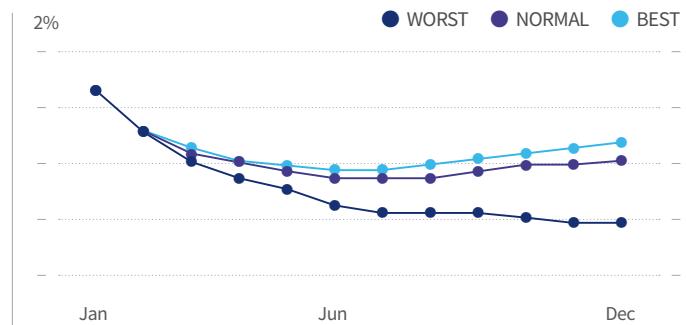
DGB Daegu Bank conducted a stress test to derive systemic response measures assuming an economic crisis caused by prolonged COVID-19 crisis. Although the global economies are struggling to cope with the crisis by putting forward preemptive financial policies, the economic downturn is expected to accelerate due to the simultaneous impact to both the financial market and the real economy. Within Korea, consumer sentiment is expected to deteriorate, and self-employed people are expected to suffer distress. In particular, the worsening economy of the export industry is expected to exert a greater economic blow to Daegu and North Gyeongsang Province, as the slump in major industries such as automobiles, machinery, steel and textiles intensifies.

DGB Daegu Bank analyzed the impact to the bank based on the macroeconomic variable scenarios in the first and second year after the outbreak of COVID-19. Changes in assets and capital are expected along with the possibility of expanded risks such as decrease in normal loans and increased provisioning. In the case of the equity ratio, the risk of ratio shrinkage is increased as it is expected to fall more than 1% in the first year and slightly greater in the second year. For expected losses, it is estimated that the increasing rate is high in automobiles and construction, and the loss amount is larger in real estate and leasing. In case of

Direction of Crisis Response

Direction	Contents
Enhancing risk management	<ul style="list-style-type: none"> Monitoring lending and deposit taking interest rates and adjusting interest rate flexibly Promotion of marketing plan in response to COVID-19 (vitalization of contactless channels, differentiation of merchantability, channel convenience, etc.) Plan for applying flexible field-oriented branch performance evaluation, etc.
Streamlining the operational efficiency	<ul style="list-style-type: none"> Streamlining the operational efficiency of the headquarters Pursuing maximized productivity of human resources management Review of measures to reduce sales & management costs and overheads, etc.
Strengthening customer management	<ul style="list-style-type: none"> Expanding contactless channel sales and pursuing strengthening multifarious customer relationships

2020 Anticipated Scenario (NIM)



Note: Estimated scenarios are prepared as of March 2020

risk-weighted assets, the increase rate is analyzed high in the oil, chemical, shipbuilding, and shipping industries, while the loss amount is greatly increasing in the wholesale and retail industries

Action Plan for Crisis Response

Based on the stress tests, DGB Daegu Bank drew detailed action plans and roadmaps, including risk management, streamlining management efficiency, and customer management, and divided the tasks and roles for each department. We are also checking corporate asset status in overseas markets such as China, Vietnam, Myanmar, and Cambodia and strengthening asset soundness management.



PART 3

SUSTAINABILITY OVERVIEW

**DGB
FINANCIAL GROUP**

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DGB's Commitment to UN SDGs***

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Sustainability Overview

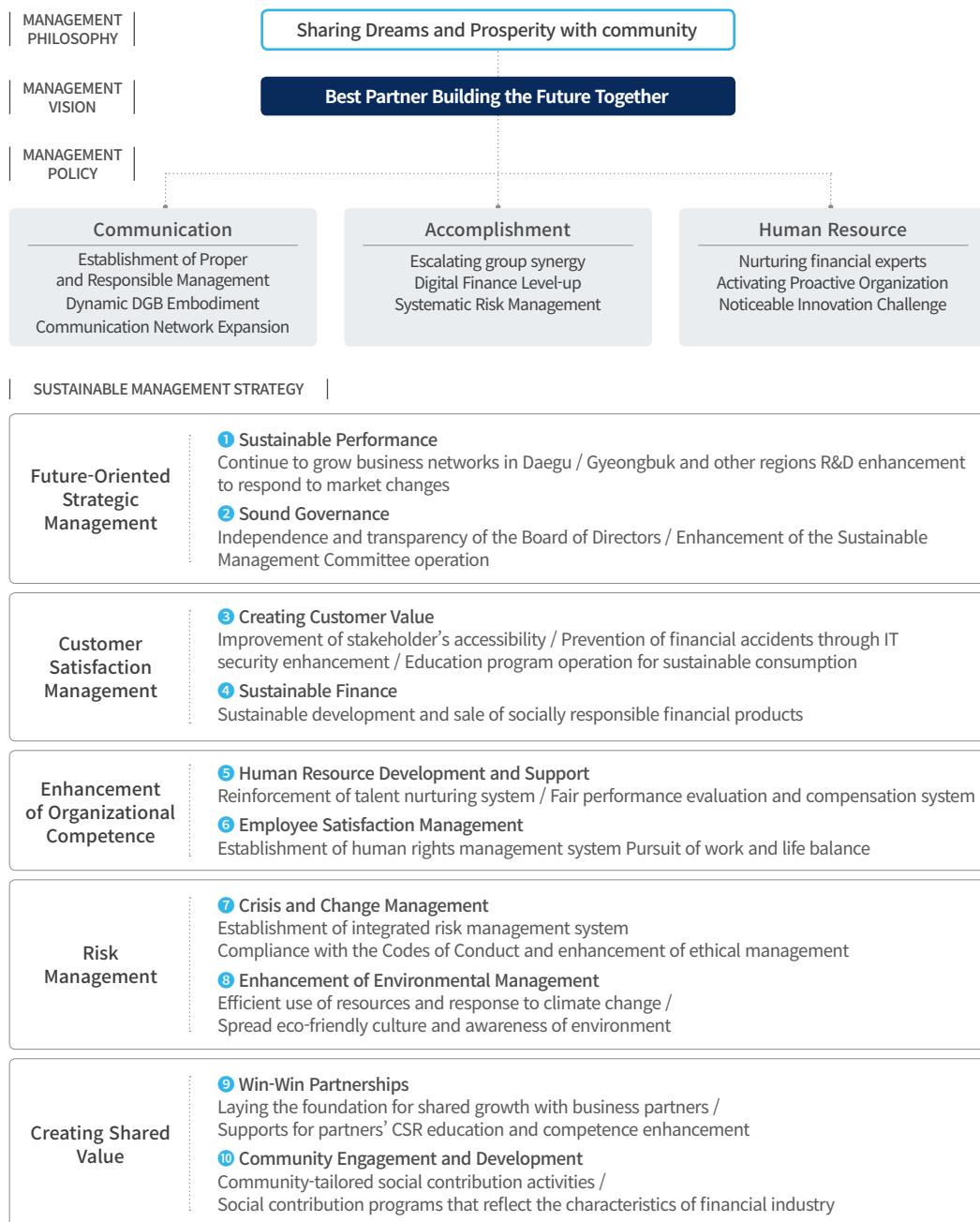
Sustainable Management Strategy

Direction of Sustainable Management Strategy

DGB Financial Group has established 5 strategic directions and 10 strategic tasks by linking the group's management policy with sustainable management strategy in order to realize the management philosophy of 'Sharing Dreams and Prosperity with Community'

and the group's vision, 'Best Partner Building the Future Together'. DGB Financial Group draws up specific implementation tasks for each of the top 10 strategic tasks and promotes continuous practice through establishing goals and performance indicators.

Direction of Sustainable Management Strategy



Sustainable Management Initiatives

DGB Financial Group organized and operates the sustainable management committee in which the chairman of the Group serves as the chair of the committee. The sustainable management committee is in charge of the group's sustainable management related major decision-making, endeavoring to develop and improve the group's sustainable management through monitoring effects and performance of economic & environmental & social activities.

The sustainable management practice council is organized and operated under the sustainable management committee. The sustainable management practice council is convened twice a year to identify effects and opportunity, and crisis factor related to DGB Financial

Group's economic, environmental, and social issues, and establishes the detailed strategy and promotes implementation program through practice councils of 4 sectors (sustainable finance, ethical corporate culture, social contribution, environmental management council). Important issues related to sustainable management derived by the working council are reviewed by the council chairman and reported to the sustainable management committee, the highest governance body, and are subject to final review & authorization procedure by the Chair (DGB Financial Group chairman).

Sustainable Management Committee of DGB Financial Group



Sustainable Management Achievements

Date	Details	Organization
2019.10.18	Awarded the Korean Sustainability Conference's "Korean Reader's Choice Award (KRCA) for 6 consecutive years	Korean Standards Association
2019.10.22	Included in the Dow Jones Sustainability Indices (DJSI) Korea list for 11 consecutive years and the Asia-Pacific list for 10 consecutive years	S&P Dow Jones Indices/ Robeco SAM/Korea Productivity Center
2019.10.24	Selected as UNGC(UN global compact) 「Responsible finance leading corporation (LEAD member)」	UNGK Korean Association
2019.12.12	DGB social contribution foundation, Awarded Financial Committee Chairman's Prize at 'The 14 th Kyunghyang Financial Education Grand Prize'	Kyunghyang Newspaper/ Financial Supervisory Service/ Credit Counseling & Recovery Service
2019.12.31	DGB Daegu Bank won the first prize at the Inclusive Finance - Financial Consumer Protection - financial fraud eradication contributor award ceremony in 2019.	Financial Supervisory Service

DGB's Commitment to UN SDGs

DGB Financial Group and UN SDGs

193 countries around the world adopted 17 Sustainable Development Goals (SDGs) and 169 specific targets, as the joint target for international sustainable development in September 2015. SDGs are international society's commitments that all of the government, corporations, and civil society must fulfill together to end poverty on earth and create an opportunity for a

dignified life for all. DGB Financial Group is managing 5 sustainable management strategies in connection with SDGs targets and specific targets and wants to resolve the social problems surrounding DGB Financial Group and contribute to the successful achievement of the UN SDGs 2030 Goal.



DGB's Strategy and Performance

DGB Strategy	Our Approach	Performance		
Future Strategy Management  Decent work and economic growth	To vitalize economic activities in Daegu City/Gyeongbuk region, we continue to develop financial products and services for all, including small business owners, college students, startup companies, failed startup companies, job-creating companies, technology startup companies, etc.	KPIs	2018	2019
		Job created by nurturing social corporation (persons)	24	26
		Technology finance (million Won)	1,415,570	1,289,177
		SMEs loan (trillion Won)	22.0	25
		Inclusive Finance (100 mil. Won)	2,321	2,102
Customer Satisfaction Management  Responsible production and consumption	We are promoting financial product sales and consumption activities that guarantee a better life for the future generation by supporting the green finance preferring fund for regional companies that endeavor to minimize the negative effects on the environment.	KPIs	2018	2019
		Green finance product sales (million Won)	1,265,736	1,455,678
		SRI fund product sales (million Won)	587	653
Enhancement of Organizational Competence   Quality education/ Gender equality	We provide fair and good quality education opportunities to not only the socially vulnerable such as the disabled, multicultural family but also future generations of the local community in primary, middle and high schools, and continue investment for ability enhancement of executives and staff members. In addition, we adopted the principle of no sexual discrimination in recruitment, performance evaluation, promotion, etc.	KPIs	2018	2019
		Youth scholarship business (persons)	181	237
		Youth mentoring business (persons)	60	66
		Women's ratio among total staff members	43.7%	43.9%
		Female manager ratio	21.8%	22.9%
Risk Management   Affordable and clean energy / Climate action	Through eco-friendly project financing, we promote clean energy investment such as waste energy and wind power generation and participate in global initiatives such as TCFD and SBTi to minimize climate risk and strengthen climate action.	KPIs	2018	2019
		Renewable energy usage (TJ)	0.19	0.30
		Greenhouse gas emissions (Total, tCO ₂ e)	22,396	24,549*
		Eco-friendly project financing disbursement (million Won)	68,355	63,035
Creation of Shared Value   Industry, innovation, and infrastructure / Reduced inequalities	We are promoting group-wide Digital Innovation to provide financial services that are not limited by time and space. We are expanding contactless channel products such as Internet banking and mobile banking, and continue to invest to secure fintech technologies. Furthermore, we are contributing to preventing financial damage to the financially excluded in the region and mitigate inequality through education on finance and economy to the financially vulnerable comprised of the disabled, multicultural families, and senior citizens.	KPIs	2018	2019
		Number of online customers (10,000 persons)	240	239
		Fintech investment amount (million Won)	2,346	5,036
		Patent application (cases)	10	11
		Finance & economy education to the financially excluded (persons)	47,932	65,905

* Expanded scope of the reporting, refer to page 99 of this report for details.

Sustainability Overview

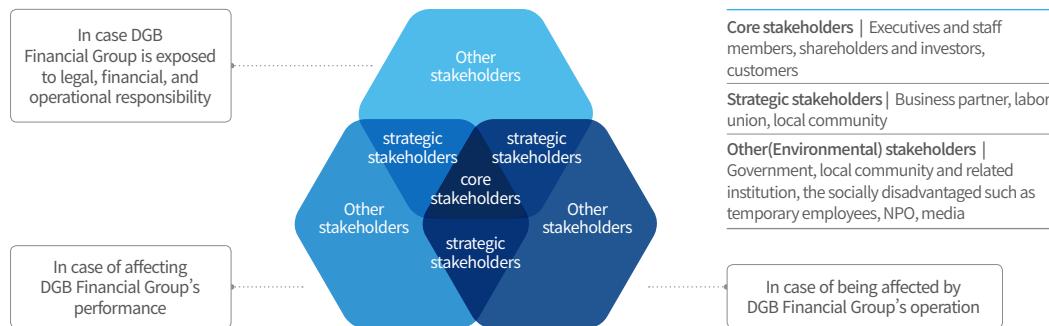
Stakeholder Engagement

Selection and Classification of Stakeholders

DGB Financial Group classified stakeholders into 3 groups: core stakeholders, strategic stakeholders, and other stakeholders according to the level of legal & financial & operational responsibility and effects thereof of the classification standard on stakeholders suggested by ISO 26000, and defined executives and staff members, shareholders and investors, customers, local community,

business partner, government and related institution, etc. as core and strategic stakeholders group. DGB Financial Group established a healthy trust relationship with stakeholders by identifying the needs by stakeholders group by actively responding and sharing them focusing on genuine communication with stakeholders and their participation activities.

Mapping and Grouping on Stakeholders



Communication Channels

Stakeholders	Communication Channels (regular)	Issue of Interest	DGB's Response
Employees (incl. labor union)	<ul style="list-style-type: none"> Intranet Employee Satisfaction Survey Labor-Management Meeting and Conference Vice-manager Meeting CEO meeting 	<ul style="list-style-type: none"> Encourage horizontal corporate culture/communication Working environment/welfare benefits Develop and strengthen capabilities Fair assessment and compensation 	<ul style="list-style-type: none"> Operate DGB Young Frontier Hold face-to-face talks with president of the bank Execute "SMART Leisure-Tech" campaign
Stakeholders and Investors	<ul style="list-style-type: none"> DGB Financial Group Website (DGB IR) Board of directors General meeting of shareholders IR activities 	<ul style="list-style-type: none"> Improve profitability/dividend policy Sustainable growth/risk management Secure management transparency(greater disclosure) Practice sound governance 	<ul style="list-style-type: none"> Expand entry into global markets Provide management transparency, assessment results and IR data
Customers	<ul style="list-style-type: none"> Website Customers panel ('DGB Chamsori Advisory Panel') Customers Satisfaction Survey Customer Protection Report ('Caring Companion') CEO forum Honorary Branch Manager Meeting Superior Small & Medium Business CEO Meeting 	<ul style="list-style-type: none"> Quality and safety management of products and services Customer information protection Resolve complaints Strengthen communication with customers 	<ul style="list-style-type: none"> Operate DGB Chamsori Advisory Panel Appoint 1 CS manager per branch Operate during weekends/holidays
Partner Companies	<ul style="list-style-type: none"> Website Business Partners Meeting 	<ul style="list-style-type: none"> Win-win cooperation/mutual growth Fair trade 	<ul style="list-style-type: none"> Hosting DGB Financial Group business partners' win-win meeting Provide management consulting service for business partners
Local Communities/ NGO	<ul style="list-style-type: none"> Website DGB Daegu Bank Social Contribution Activity Report DGB Companion Corps/DGB Economic Education Corps Love Your Hometown Campaign Dream Education Project group DGB University Student Supporters 	<ul style="list-style-type: none"> Expand social contribution Create jobs and boost investment Continuously strengthen the communication 	<ul style="list-style-type: none"> Operate DGB Companion Volunteer Corps Operate Bluebird Senior Happy Work program Hold NIE Energy Diary Contest Operate Dream Tree Educational Foundation
Central/ Local Government and related Organizations	<ul style="list-style-type: none"> Website Government-Funded Research Project Hearing & Conference Interview and Survey 	<ul style="list-style-type: none"> Compliance with laws and regulations Tax payments/policy cooperation Public-private cooperative partnership 	<ul style="list-style-type: none"> Compliance with code of ethics Education on Improper Solicitation and Graft Act

Interview with stakeholders

In order to practice sustainable management, DGB Financial Group have conducted interviews to gather the opinions of our stakeholders, including customers, employees, labor union, business partners, related

institution, local community, investor, and others. The stakeholders' opinions identified through the interview are used to establish a sustainable management strategy for the DGB Financial Group.

Customer

“ I've been doing business with DGB Daegu Bank for a long time since I started my business. Daegu Bank is the pride of the local community through contributions such as building DGB Daegu Bank Park, the home stadium of Daegu FC. As the local people are very loyal to the bank, we look forward to seeing DGB get along with the citizens in the future. We hope the bank will continue to exert efforts to reduce costs through efficient operation and to gain an edge in competition with major metropolitan banks in terms of loans and interest rates for the working class.”

Mr. Jeon Chung-gi / DGB Daegu Bank Preferred Customer

Business Partner

“ Daekyung TMS is a business partner that sends personnel to Daegu Bank. I work at the bank with pride because welfare benefits and education at Daegu Bank are also provided to employees of business partners who work together. Recently, customers' familiarity with DGB seems to be receding due to the disappearance of the guest room for the neighborhood due to the reduction of Daegu Bank branches, and as the younger generation moves to metropolitan banks. It will be helpful to pour efforts such as considering the accessibility of loyal customers in their 40s or older when transacting through contactless channels, and providing cultural spaces for teenagers and people in their 20s in terms of social contribution.”

Hwang Hae-soo / Daekyung TMS Manager

Local Community

“ Daegu is concerned about the environment and health, especially as local residents can experience problems such as heatwave and air quality. I think DGB Financial Group has a role to play in leading the local community as a symbolic company in Daegu. We look forward to the bank actively supporting civic activities such as the campaign to promote the use of bicycles such as bicycle mileage by integrating the health and environmental issues of local residents into products.”

Jung Hyeon-su / Daegu Sustainable Development Council Chairman

Related Institution

“ The Korea Institute of Environmental Industry and Technology provides enVinance (environment+ finance) system to promote green financial activities of financial institutions. The system was developed at the request of the financial sector and was designed to help financial institutions provide financial benefits to eco-friendly companies. DGB Financial Group plays a pivotal role in supporting small and medium-sized businesses in the community. If DGB Financial Group encourages the practice of environmental management to small and medium businesses by providing incentives using the enVinance system, it will be of great help in solving environmental problems.”

Bae A-yeong / Korea Institute of Environmental Industry and Technology Researcher

Labor Union

“ DGB Financial Group members' high sense of unity, loyalty, pride, unity, and ability to overcome crises, and immersion are the greatest competitive edge. In the future, we should strengthen the cooperation and trust between labor and management with a 'human-centered management' that considers job security within the changes in the financial industry such as digitalization, etc. In addition, we need to actively participate in the process of financial policy-making, voice our voices, and focus on business diversification internally to strengthen the foundation for future growth and enhance corporate value in the long term.”

Kim Jeong-won / The Korean Federation of Financial Industry Workers, Daegu Bank branch, Union Leader

Investor

“ Social Responsibility Investment (SRI) means considering the company's environmental, social and governance (ESG) performance as an investment standard, and has become a global trend owing to the policy of the public pension funds and the increase in long-term investment. This is based on the perception that ESG elements are helpful to the company's competitiveness and are further linked to return on investment. Recently, domestic financial institutions have increased their interest in ESG due to not only market trends but also domestic policy support. I hope DGB Financial Group strengthen the management of ESG element that can affect brand reputation and further promote responsible investment in order to gain competitiveness in the market.”

Hwang Woo-taek / Korea Investment Trust Management Company Manager

Executives & Staff Members

“ I think a good company, long-lasting company, and reputable company brings happiness to stakeholders. DGB Financial Group can achieve sustainable management only when the group faithfully fulfills its social responsibility to provide liquidity to low-income families and small and medium-sized companies, and pursues diversification of profits in line with the rapid pace of changes in the financial paradigm. I look forward to the group growing steadily with a balance of profitability and soundness.”

Woo Sang-ho / DGB Financial Holdings Deputy General Manager

Sustainability Overview

Sustainability Expert Meeting

DGB Financial Group held '2020 DGB Financial Group's Sustainability Expert Meeting' which is composed of experts in economics, society, and the environment to share the domestic and international sustainable management trends surrounding the financial market and to discuss the direction of the Group's sustainable man-

agement activities. The specialist meeting validated the materiality analysis results and collected feedback on the past reports as well as various opinions on the direction DGB Financial Group should take regarding sustainable management in the future.

Information Disclosure and Effective Communication with Stakeholders



“Recently, there is a trend of different levels of interest from generation to generation on sustainable management issues. For Millennial generation and Z generation, the environmental issue is always at the top of the list. According to this year's materiality analysis result, the priority of the environmental issue was discovered to be low, and there is a need to check the balance by age in the stakeholder pool. By expanding communication with future generations and identifying the area of interest, the direction should be set so that DGB Financial Group can be sustainable in the future.

Sustainable management requires identifying and reporting on the impact of business activities on society and the environment. In order to effectively communicate the impact, it is also a good idea to organize storytelling in reports that can be easily understood by stakeholders in addition to the results and data-oriented information disclosure.”

Institute for Industrial Policy Studies, researcher Kim Jae-eun

“Disclosure of sustainable management information is purposed to monitor its strategy and performance, and to this end, important indicators are set, and target, as well as progress is disclosed. In case of environment-related data, DGB Financial Group's report generally shows a good picture of target versus target performance, but in a social aspect, the target is inadequate. For the purpose of clear communication on the fact that DGB Financial Group has identified ESG¹⁾ opportunity factors and is managing risks, we ask DGB to elaborate further on the detailed target and performance, and pay more attention to linking it to the improvement plan.”

Sustainability Management Foundation center head Park Joo-won

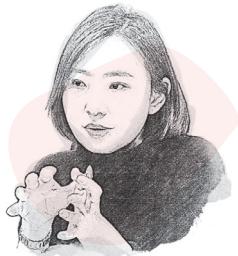


“The environmental issue to which financial institutions are required to respond is regarded as the propagation of green finance rather than the internal reduction performance of greenhouse gas emissions. In the report, contents such as green finance-related strategy and directionality, risk management, the discovery of opportunity element, development of product, and service should be disclosed. As DGB Financial Group revealed its commitment to green finance such as signing UNEP FI²⁾'s Principles for Responsible Banking (PRB), I suggest DGB to faithfully disclose related information and progress status.”

Korea Corporate Governance Service, researcher Oh Deok-gyo

“As a sustainable management report must contain multiple contents altogether, there is a concern that readability and information quality would be reduced. Centered around global corporations, recently, there are often cases where the separate report is composed by issue. It is necessary to consider publishing two reports, comprised of a sustainable management report focused on key information and a separate report on details.”

UNGC Network Korea department head Lee Eun-gyeong



¹⁾ Environment, Society, Governance

²⁾ UN Environmental Program Finance Initiative

Date & Time	February 6, 2020, 3 PM
Place	Seoul DGB Financial Center
Participants	Institute for Industrial Policy Studies researcher Kim Jae-eun, Sustainability Management Foundation center head Park Joo-won, Korea Corporate Governance Service researcher Oh Deok-gyo, UNGC Network Korea department head Lee Eun-gyeong, Korea Sustainability Investing Forum secretary-general Lee Jong-oh

Sustainable Management Trend and Proposal for a Direction

“As the government implements policy support to social corporations and social innovation, current interest is highly centered on public institutions. In this regard, even DGB Financial Group's social contribution activities need to be rechecked from the perspective of social innovation. It is necessary to first define the problems which the local community is facing, and verify the problems that can be resolved by the key capacities of DGB Financial Group in connection to practical performance. It means that can cooperate with social corporations in the problem solving process is pursued, the creation of even a greater social value would be achievable. Furthermore, the strategies and policies implemented at the group level should ultimately be prepared by each affiliate. To achieve this, education on affiliates' sustainable management capacity reinforcement must be considered.”

Sustainability Management Foundation center head Park Joo-won

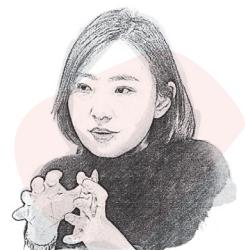


“Since the UN announced Guiding Principles on Business and Human Rights (UNGPr3), efforts to implement UNGP have been generalized in global corporations. UNGP is the only international standard related to human rights and is the foundation of human rights management. In the financial industry, violation of human rights related to a consumer's personal information protection may become a sensitive issue. There is a need to specifically practice UNGP based human rights management such as evaluating human rights risk by stakeholders and setting up an improvement plan.”

Korea Corporate Governance Service, researcher Oh Deok-gyo

“Response to gender equality issue is recently required such as amendment of domestic Capital Market Act and strengthened demands for diversity in organizing the board of directors. The percentage of female staff members in DGB Daegu Bank amounts to 40%, but in comparison to such numbers, there is a lack of attention. Already city banks are responding to the gender equality issue using the Ministry of Gender Equality and Family's gender balance embracing growth partnership autonomous agreement or Bloomberg's gender equality index, etc. There is a need for overall review and management of gender equality policy and performance such as concrete policy support, supporting measures for females within the local community in addition to the management of female manager ratio.”

UNGC Network Korea department head Lee Eun-gyeong



“Through movements such as National Pension's subscription to stewardship code, and acquisition of a shareholding in financial institutions, exercising of shareholders' rights are expected to be strengthened. The means for effectively responding to the constant exercising of shareholder's rights such as requests for talks, letters, exercising of voting rights must be prepared, and this would be one of the measures that can prevent ESG risk. Furthermore, requests for asset soundness information related to climate change from financial regulatory bodies such as the Bank of Korea or the Financial Supervisory Service are expected to be strengthened. Preemptive response to these environmental changes are required through TCFD⁴⁾ participation and target management, etc.”

Korea Sustainability Investing Forum secretary-general Lee Jong-oh

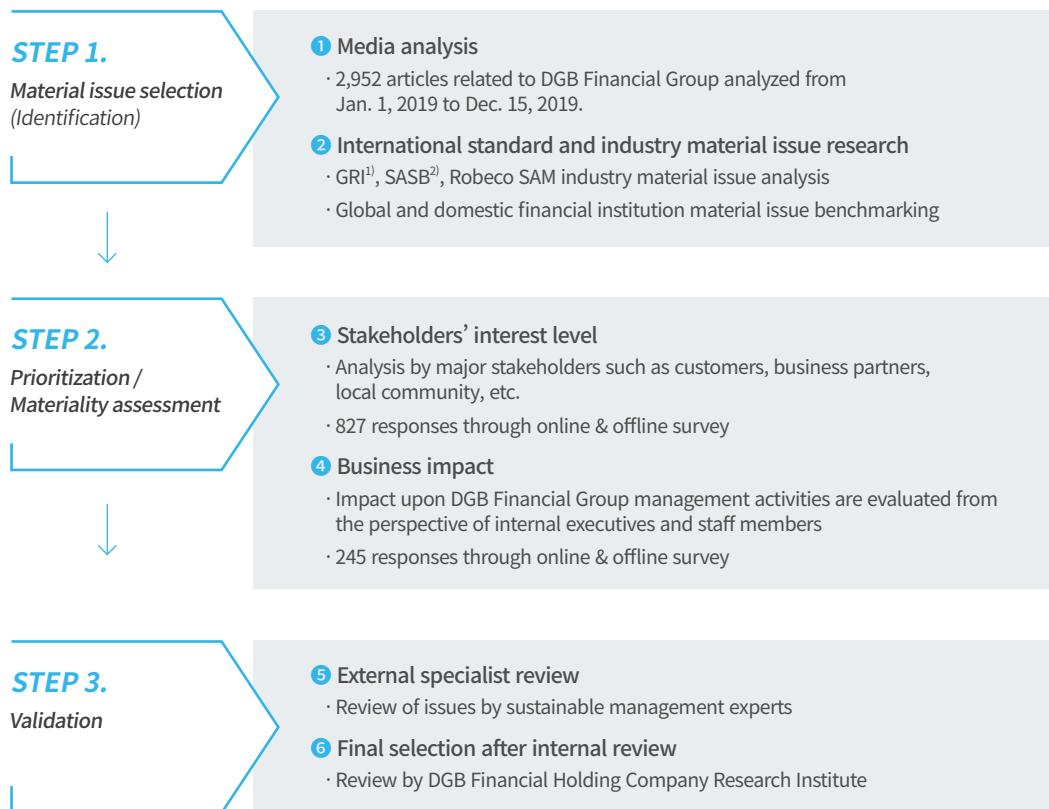
³⁾ United Nations Guiding Principles on Business and Human Rights

⁴⁾ Task Force on Climate-related Financial Disclosure

Materiality Assessment Process and Results

Materiality Assessment Process

DGB Financial Group has conducted a materiality assessment taking into consideration factors recommended by ISO 26000 and GRI Standards, which include sustainability context, materiality, completeness, and stakeholder inclusiveness. To identify the Group's key sustainable management issues, we have carried out analysis of international standards, benchmarking of leading-companies in sustainable management, media research, etc., and selected a total of 16 issue pools. The priority of the issue was determined by a comprehensive evaluation of the stakeholders' interest level and business effects through online and offline surveys upon internal & external stakeholders. Finally, in order to enhance the completeness and effectiveness of importance evaluation, we collected the opinions of external specialists in the sustainable management field and reviewed the materiality and impact by an issue with the internal person in charge.



¹⁾ Global Reporting Initiative

²⁾ Sustainability Accounting Standard Board

Materiality Assessment Result

After a comprehensive consideration of stakeholders' interest and business impacts and review by experts, 10 issues out of 16 results were chosen as material issues. The sustainable management activities and performance of DGB Financial Group related to each issue are shown transparently throughout this report.

While issues such as competitiveness reinforcement in digital finance, customers satisfaction service issue, and

sustainable financial product, etc., have been selected as material issues following the preliminary year report, issues related to financial institutions' reliability such as responsible financial product, service operation, security, risk management, etc. were newly selected due to some financial institutions' incomplete sales situation reported recently in the media.

Materiality Assessment Result



Issue	Sustainable management strategy connection	Ranking change from prior year	Reporting threshold	Page
① Cybersecurity enhancement and personal information protection	Customers satisfaction management: creation of customer value	new	internal/ external	22~23
② Ethical management such as corruption prevention and internal control enhancement	Risk management: risk and change management	rise	internal/ external	28~33
③ Digital financial competitiveness improvement	Future strategy management: creation of sustainable performance	fall	internal	36~38
④ Operation of risk management system that enables agile response to rapidly changing financial environment	Risk management: risk and change management	new	internal	68~69
⑤ Establish a transparent and sound governance structure	Future strategy management: sound governance	new	internal	66~68
⑥ Continuous customer attraction through customer satisfaction service	Customers satisfaction management: creation of customer value	fall	internal/ external	18~22
⑦ Establish a sustainable business strategy	Future strategy management: creation of sustainable performance	even	internal	54~55
⑧ Achieve stable management performance centered around profitability and soundness	Future strategy management: creation of sustainable performance	fall	internal	89~93
⑨ Responsible management of financial product and service	Customers satisfaction management: sustainable finance	new	internal	42~47
⑩ Risk response due to climate change and discovery of opportunity element	Risk management: enhancement of environmental management	new	internal	82~83

PART 4

SUSTAINABILITY PERFORMANCE

**DGB
FINANCIAL GROUP**

66 - 69 / ***Governance***

70 - 71 / ***Environment***

72 - 81 / ***Society***

82 - 83 / ***Special Page***
***Climate-related
Financial Disclosures (TCFD)***

84 - 85 / ***Special Page***
***UNEP FI Principles for
Responsible Banking (PRB)***

Sustainability Performance

Governance

The decision-making structure in corporate management can be identified through governance structure and risk management process. The capacity to quickly detect changes in external environment and operate the company in the proper direction is essential for the long term survival of a company. DGB Financial Group is constantly striving to strengthen its competitiveness by establishing a sound governance structure and systematically managing risks.

Independence of Board of Directors

DGB Financial Group is committed to implementing transparent management and rational decision making by establishing sound governance. Especially, six of seven board members are independent directors, reinforcing supervisory function as the fundamental mandate of the board of directors. In addition we ensure expertise in decision-making process by nominating specialists of various fields such as finance, management, accounting, law, IT, HR, etc. as our independent directors.

Composition and Operation of Board of Directors

DGB Financial Group's board of directors is the group's highest decision-making body, consisting of one executive director and six independent directors. In order to facilitate the smooth operation of the board of directors and appropriate execution of the roles and responsibilities required by law and internal regulations, we have appointed the chairman of the board of directors from independent directors every year since 2018, and composed six out of seven board of directors as independent directors verified of their independence.

Composition of Board of Directors

Division	Name	Sex	Age	Tenure	Background
Executive director	Kim, Tae-oh	male	66	2018.05.31-2021 (regular shareholders' meeting)	CEO, DGB Financial Group Fmr. CEO, Hana HSBC Life Insurance
Independent directors	Kwon, Hyeok-se (chairman)	male	64	2020.03.26 ~ 2022.03.26	Non-standing advisor, Law firm Yulchon Fmr. 8 th Governor, Financial Supervisory Service Fmr. Vice-Chairman, Financial Services Commission
	Cho, Sun-ho	male	66	2019.03.28 ~ 2021.03.28	Auditor, Shinhung Co., Ltd. Fmr. Statutory Auditor and Advisory Committee Member, Hana Bank Fmr. Secretary-General of Credit Counseling and Recovery Service, Financial Supervisory Service
	Lee, Dam	male	60	2018.03.23 ~ 2022.03.26	Representative Lawyer, A&K Partners Fmr. Judge, Daegu District Court Fmr. President, Daegu Bar Association
	Lee, Seong-dong	male	58	2020.03.26 ~ 2022.03.26	Fmr. Vice-Chairman in charge of business, Public Officials Benefit Association Fmr. Executive Managing Director of Asset Management, Heungkuk Life Insurance Fmr. CEO, Heungkuk Asset Management
	Lee, Sang-yeop	male	58	2019.03.28 ~ 2021.03.28	Executive of Human Resources, Oracle Korea Fmr. Director of Human Resources, CBRE Korea Fmr. Director of Human Resources (Vice President), Hewlett-Packard Korea
	Lee, Jin-bok	male	57	2019.03.28 ~ 2021.03.28	Vice President, Korean Accounting Association Chairman, Daegu Regional Institute of Certified Public Accountants Fmr. Professional Standards Committee Member, National Court Administration

Number of Board Meeting Held (Unit: Times)

2017	2018	2019
10	16	13

Board Meeting Attendance (Unit: %)

2017	2018	2019
100	95.6	100

Board meetings are divided into regular and non-regular meetings, and majority attendance and majority approval of the attending directors are needed to pass board resolutions. Below the board level, there are also seven committees, which are being operated independently and transparently.

Diversity and expertise in the composition of the Board

To ensure the expertise and independence of our board members, DGB Financial Group is permanently running Independent Director Candidate Recommendation Committee , which is made

Internal Committees

Committee Name	Composition	Primary Roles
Remuneration Committee	Chair : Lee Dam Members : Lee Seong-dong, Lee Jin-bok	Decisions related to compensation changes, employee pay, etc.
Risk Management Committee	Chair: Kwon Hyeok-se Members : Lee Sang-yeop, Lee Seong-dong	Establish base risk management policy and strategy to maintain Group's management soundness and stability
Audit Committee	Chair : Cho Sun-ho Members : Lee Dam, Lee Jin-bok	Carry out audits of company and affiliates' business and assets, and subsequent review and resolution
Group Executive Candidate Recommendation Committee	Chair : Kwon Hyeok-se Members : Cho Sun-ho, Lee Sang-yeop, Kim Tae-oh	Tasks related to affiliate CEO candidate recommendations
CEO Candidate Recommendation Committee	Chair : Kwon Hyeok-se Members : Cho Sun-ho, Lee Dam, Lee Sang-yeop, Lee Seong-dong, Lee Jin-bok	Tasks related to CEO candidate recommendations
Independent Director Candidate Recommendation	Chair : Lee Dam Members : Lee Sang-yeop, Lee Seong-dong, Lee Jin-bok	Tasks related to independent directors candidate recommendations
Tasks related to independent directors candidate recommendations	Chair : Cho Sun-ho Members : Kwon Hyeok-se, Lee Dam, Lee Sang-yeop, Lee Seong-dong, Lee Jin-bok	Tasks related to audit committee member recommendations

up of 4 independent directors. The Group also runs an Independent Director Preliminary Candidate Recommendation System, giving voting rights at the shareholders' general meeting to shareholders who have held at least one share. In addition, to ensure the expertise and diversity of the board, the members have been chosen from a number of fields such as finance, accounting/financial, legal, IT/digital, HR/risk, etc. so that they are not concentrated on a particular background and occupation. Independent directors are appointed after review by the Independent Director Candidate Recommendation Committee according to relevant laws such as the Act on Corporate Governance of Financial Companies, Commercial Law, and Articles of Incorporation. The appointed independent directors should have sufficient expertise or knowledge in a relevant field without discrimination based on gender, race or ethnicity, nationality or cultural background.

Performance Evaluation and Compensation on Board of Directors

The director's compensation is paid by classifying the compensation into basic and performance incentives (short-term performance-based bonus, long-term performance based cash compensation) within the amount authorized by the general meeting of shareholders. The short-term performance bonus is determined by the Remuneration committee according to the performance evaluation results set by the management performance evaluation and compensation standard. The long-term performance based cash compensation is determined by long-term evaluation remuneration

committee in consideration with the management performance and the term of service in office.

In case of short-term performance bonus and long-term performance compensation, 40% is paid in cash. The balance is paid deferred in payment by equal distribution for 3 years in translation to stock and then linked to the share price as of the base date. Transparency in compensation payment is reinforced by the policy adopted to claw back performance compensation in case of personal negligence in business or deterioration in management performance. In case of a standing director with two concurrent offices (chairman), compensation is paid in advance by the originally affiliated company, and is subsequently settled according to business sharing ratio between two affiliates. The highest compensation in 2019 was 6.35 times the mean value of all executives and staff members.

Evaluation on Board of Directors



Board Operation & Appointment of Independent Directors



Shareholder Status			
			(Unit: %)
Classification	2017	2018	2019
Foreign shareholder ratio	60.80	65.01	52.9
Largest shareholder in overseas	4.83 The Oakmark International Small Cap Fund	2.48 The Oakmark International Small Cap Fund	2.43 The Oakmark International Small Cap Fund
Domestic Shareholder ratio	39.20	34.99	47.10
Largest domestic shareholder	6.95 Samsung Life Insurance	6.95 Samsung Life Insurance	6.09 National Pension Service

Shareholder Composition

Number of shares issued by DGB Financial Group is 169,145,833 shares as of December 31, 2019. The largest shareholder is National Pension Service with 6.09%. The largest foreign shareholder is the Oakmark International Small Cap Fund with 2.43%.

Risk Management

DGB Financial Group is proceeding with systemic risk management to minimize any damage by preemptively responding to various financial environmental change, and financial and non-financial risks such as the economy, climate change, social issues, etc. In 2019, we are preparing to identify and manage ESG risk along with signing UNEP FI's Principles of Responsible Banking (PRB) and participating in Task Force on Climate-related Financial Disclosures (TCFD).

Risk Management System

Classification and Definition of Risk

DGB Financial Group classifies risks into primary risk (credit, market, operation, credit concentration, interest rate, insurance risk) and general risk (liquidity, strategy, reputation, other risk) for management.

Emerging Risk

DGB Financial Group defined the risks that can have long term effects on the group's management as an emerging risk and implements activities to manage such risks. Especially, the group selected and manages 'Digital risk' and 'information disclosure according to TCFD recommendations' as a major emerging risk.

Classification and Definition of Risk

Primary risk	Credit risk	This means the risk that can occur due to default of transaction counterpart or non-performance of agreement, and includes residual risk, liquidity risk and credit risk by country occurring in relation to overseas sector
	Market risk	Risks occurring due to adverse change in market price elements such as interest rate, stock price, FX rate, etc.
	Operation risk	This means the risk of loss that can occur due to inappropriate or wrong internal procedure, or manpower and system or external events, including legal risk
	Credit concentration Risk	'Single or a few large exposure' or common risk elements inherent with possible loss that can deteriorate the company's soundness as part of the risk occurring due to exposure to debtor group whose default ratio is affected by credit risk (industry, security, province, etc.) etc.
	Interest rate risk	The risk of net asset value or net interest profit, etc. decreasing due to interest rate maturity mismatch of funds and adverse change in market interest rate
	Insurance risk	This means the risk of loss occurrence due to unexpected increase in loss ratio, and is defined as reinsurance risks comprised of insurance premium risk from unexpected loss occurrence due to excess of loss incurred over expected insurance premium, improper calculation of risk reinsurance premium, or bankruptcy of reinsurer, etc.
General risk	Liquidity risk	Funding Liquidity Risk as the risk of non-capacity to make current or future payment on time, and Market Liquidity Risk as the risk of loss from securitization procedure of asset due to price fall caused by insufficient market transaction amount or market collapse)
	Strategic risk	Risk of loss occurring due to inappropriate management decision-making, lack of responses to business environment change, etc.
	Reputational risk	Risk of loss incurring due to deterioration of internal and external public sentiment caused by financial depression, financial accident, social criticism, etc.
	Other risk	Potential of causing risk to the company such as residual risk, office risk, etc.

Emerging Risk

Classification	Risk explanation	Effects of risk upon business	Risk mitigation method
Digital risk	Digitalization of finance, and the use of advanced IT technologies increases the complex digital risk of financial companies	<ul style="list-style-type: none"> Contactless channel: KYC (know your customers), increase of AML (money laundering prevention) related risk Open API: more difficulty in information management, financial fraud prevention Increased potential of product/service complexity: intentional/non-intentional incomplete/unfair sales 	<ul style="list-style-type: none"> Money laundering risk management enhancement: reinforced customers verification systems implemented on contactless channel financial transactions, and prompt response to money laundering issue due to new IT technologies development Risk governance structure supplementation: internal control system and decision making/reporting system, etc. supplemented Securing product/service safety: technologies investment and specialized personnel allocation
Information disclosure according to TCFD recommendations	It is required to disclose the financial information related to climate change and to have a strategy according to TCFD recommendations	<ul style="list-style-type: none"> Reinforced demand from overseas investor and regulatory bodies Increase in physical cost and transitional cost 	<ul style="list-style-type: none"> Establishment of climate change response strategy and preparation of risk management process Establishment of climate change related indicator and systemic management

Major Activities of Risk Management Committee in 2019

Classification	Date	Major contents
1st	Feb. 11, 2019	Establishment and operation of Group's integrated crisis situation analysis and securitization exposure risk weighted asset calculation system (draft)
2nd	Mar. 28, 2019	Risk management committee chairman elected
3rd	May. 8, 2019	Group integration crisis situation analysis result in 2 nd half of 2018
4th	May. 23, 2019	Grandson company sale related SPA signed
5th	Jul. 15, 2019	Share purchase and sale agreement (SPA) signed
6th	Aug. 13, 2019	Comprehensive risk management status reported f or Jun, 2019
7th	Nov. 12, 2019	Group integration crisis situation analysis result for first half of 2019
8th	Dec. 23, 2019	Basic plan for Group's risk management in 2020 (draft)

Risk Management System and Organization

DGB Financial Group promotes the balance between risk and probability of all business activities and is trying to maintain the risk level within the risk propensity that the group can endure for sustainable growth of profit base. To this end, the group is operating the Risk Management Committee, which is the highest decision-making body for risk management on overall risk management issues comprised of recognition of group risk, validation, management, etc. The risk management committee is held quarterly to establish the basic policy and strategy of risk management, implements regular inspection on determination of the risk level and allowance limits as well as risk status.

The Risk Management Committee is operating the Risk Management Council under its wing for the efficient execution of the risk management business. The Risk Management Council manages risk related details of the group and measures and manages the risk of the strategic decision-making within the group.

Integrated Risk Management System

DGB Financial Group operates the integrated risk management system for efficient risk management by each subsidiary and group-level comprehensive risk management. Through establishing the integrated risk management system, data from subsidiaries were unified and the risk status analysis and monitoring tool was provided from various perspectives. At the same time, the group has secured the accessibility of the subsidiaries' risk manager to support them for their own risk management and monitoring.

Risk Management Process



Improvement of Risk Management System

Response to Global and Domestic Regulation

DGB Daegu Bank has established the Basel III interest rate risk system to respond to Basel committee interest rate risk regulation (IRRBB). By introducing Basel, a global standard, we have secured an advanced interest rate risk management system to enhance the crisis response capacity for market environment change. Also, following the development of credit risk management system completed in 2019, we have received an authorization from the Financial Supervisory Service to change to the credit risk basic internal ratings-based (IRB) approach. In the future, we will continue to raise the overall credit risk management level of DGB Financial Group by promoting authorization on DGB Holding Company's basic internal rating-based approach and continuously enhancing credit risk management manpower and expertise.

Sustainability Performance

Environment

Environmental issue is becoming more serious due to climate change from global warming, and waste and fine dust from an increase of production and consumption. To guarantee a sustainable life for future generations, the current generation needs to enhance environmental awareness and change their behavior. DGB Financial Group is seeking ways to contribute to solving environmental issues through financial products and services, and at the same time, is working hard to minimize environmental impact from its operation and spread environmental awareness to the local community.

Green Management

DGB Financial Group has recognized that the systemic environment management is linked to the financial performance and strives to minimize the effect on the environment. We have established a management strategy in consideration of the risk and opportunity according to systemic and physical changes due to the change of environment, and we practice green management through various activities to minimize the environmental effects generated by the management activities process.

Minimization of Environmental Effect

Operation of Environment Management System

DGB Financial Group established a system that allows all management activities to consider the environmental effects. DGB Daegu Bank obtained certification on environment management system (ISO14001) in 2011. Since obtaining the first green management system (GMS: KSI7001/7002) certification within the financial industry, the group has maintained the environment management system conforming to international standards through regular examination and renewal examination. According to the environment management system and green management system review results in May 2020, no nonconformities were found. The group received 24 recommendations, including strengthening of prevention area, when the effect of environmental performance improvement activities was assessed.

Greenhouse Gas Inventory Management System and Reporting

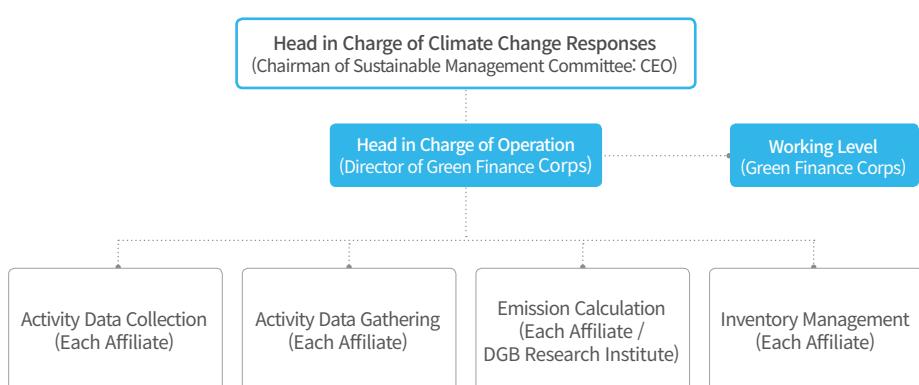
DGB Financial Group established the greenhouse gas inventory system and systematically manages the greenhouse gas emission, and secures objectivity and confidence in reporting the amount of energy saving and emission quantities through third-party external verification every year.

Green Management Activities and Performance

DGB Daegu Bank installed solar power generation facilities in Banyawol and Gyeongju Branch in 2008. It has also operated geothermal systems with solar power generation facilities in its second head office since 2016. The head office located in Suseong-dong, Daegu City, has been remodeled in consideration of its sustainability by improving energy efficiency and applying water-saving facilities. In recognition of efforts such as reusing construction wastes and using eco-friendly materials in the course of the construction procedure, the bank also received superior rating for green building certification, 1+ grade for building energy efficiency, and gold grade for LEED certification*. In addition, the bank encourages the purchase of eco-friendly items when purchasing goods, and expanded green purchases and strengthened green purchasing training according to the Green Purchasing Guidelines.

* Leader in Energy and Environmental Design (LEED) certification: Eco-friendly Building Certification Systems by U.S. Green Building Committee

Greenhouse Gas Inventory Control System



Building a Paperless Office Environment

DGB Financial Group is trying to reduce paper usage by replacing paper bills sent to customers with e-mail. DGB Daegu Bank established paperless environment, completing tablet branch (ODS: Out Door Sales) and desk electronic document (PPR: Paperless Processing Reengineering) system in 2019 by applying it to all branches to secure Digital Competitiveness. Tablet branch is a system in which a bank staff directly visits customers with tablets capable of financial transactions, and provides one-on-one financial product consultation. Desk electronic document is a system for preparing contents and letting customers sign electronic documents produced by tablet PCs replacing paper documents such as various application forms to be filled by customers at the desk. In order to apply the desk electronic document system at all branches, the group conducted digitalization simultaneously and installed wide monitors, small scanners, and seal scanners along with reinforced corporate LTE-based tablet PCs, and carried out digitalization of 100 transactions and 183 kinds of paper documents. Through these efforts, DGB Daegu Bank plans to enhance customer convenience and reduce the environmental effects generated by business processes.

Enhancing Environmental Awareness

Propagation of Environment Culture

In order to respond to the climate change issue that is becoming serious due to global warming, we need to raise the environmental awareness of the current generation and future generation and change their behavior. DGB Financial Group spreads environmental culture to not only the internal executives and staff members but also the external stakeholders by conducting various programs and education.

Annual Green Management related Education (Unit: Hours)

2017	2018	2019
500	500	500

Environmental Education for Executives and Staff Members

DGB Financial Group implements expanded operation of the education on green management and green finance to internal executives and staff members, and conducts education to greenhouse gas inventory system users and the green management system internal auditors, etc.

College Students' Environmental Volunteer Activities

Since DGB Social Contribution Foundation organized 'With-U' college student volunteer it has carried out activities to expand environmental awareness in the local community. The With You volunteer group opened its booth at the "2019 Earth Day Citizens' Life Festival" hosted by Daegu City to hold events such as environment quiz for citizens, and instilled awareness of the seriousness of pollution to elementary, middle and high school students by conducting environment education. In addition, we held a 'CSR Talk Concert' and held debates with regional college students under the theme of sustainable corporate management.

The 11th NIE Energy Journal Contest

DGB Financial Group holds 'NIE (Newspaper in Education) Energy Journal Contest' for nationwide elementary, middle and high schools every year to familiarize the youth to practice eco-friendly lifestyle. The contest started in 2009 and has been held 11 times. In 2019, a total of 52 award winners were selected including the award by the Minister of Environment, after a rigorous screening by external professional judges with more than 2,000 Nationwide student applicants.

Environmental Conservation Activities in Local Communities

DGB Daegu Bank is engaging in various activities for preserving the environment of the local community. In 2019, a total of more than 1,000 executives and staff members actively practiced environment preservation activities such as tree planting involving all citizens, seed ball distribution events on Arbor day, eradicating introduced species that destroy the ecosystem, sponsoring ecological learning field trip, and maintenance of Shincheon riverside loved by residents, etc. Also, the Dokdo Visit Group, which is comprised of executives & staff members and local residents, continues to promote the ecological restoration project for world's rarest species of Ulleungdo Island turk's cap lily every year.

In addition, we have created and manage a forest for preventing desertification in Mongolia's Mungenmorit Province since 2009. In 2014, we published a white book titled 'DGB's Creation of Forest Preventing Desertification' and follow-up management of the forest, and are engaged in a variety of activities for local students, such as scholarships, winter clothing donation, and well provided to solve drinking water.



Sustainability Performance



Society

A company has a social responsibility to create a win-win relationship with various stakeholders as a member of the society. The company should invest in employees who will lead the future of the company, and grow together with business partners through fair and transparent transaction, and contribute to vitalizing the local economy and solving the problems of the local community. DGB Financial Group is working hard to grow together with stakeholders by constantly exploring ways to maximize social values.

Win-Win Partnerships

DGB Financial Group aims to coexist with business partners based on fair and transparent transactions. For joint growth with the business partners, the group recognizes that listening to the business partners' voice through communication activities is important, and is engaging in regular communication activities. We are listening to major business partners' suggestions and proposals by conducting regular business partner meeting every year, and are conducting sustainable management training to promote sustainable management awareness and capacity enhancement.

Meetings with Business Partners

DGB Financial Group conducts business partner satisfaction survey every year to improve transactional relationship with business partners. The questionnaires are categorized into general matters, contract criteria and procedures (written agreement, payment means, due date of payment), compensation system, and determination for win-win growth, etc. The 2019 business partner satisfaction level survey showed that the overall satisfaction level was slightly lower with the mentioning of the need for efforts to improve collection of various opinions and mutual communication aspect.

DGB Financial Group's Basic Principle on Win-Win Partner Management

- 01 Strengthen win-win partnership
- 02 Establish transparency of transaction
- 03 Fair price compensation
- 04 Zero unfair trade practice
- 05 Strengthen eco-friendly management activities

Business Partners Satisfaction Survey

DGB Financial Group conducts business partner satisfaction survey every year to improve transactional relationship with business partners. The questionnaires are categorized into general matters, contract criteria and procedures (written agreement, payment means, due date of payment), compensation system, and determination for win-win growth, etc. The 2019 business partner satisfaction level survey showed that the overall satisfaction level was slightly lower with raising issue of the need for efforts to improve collection of various opinions and mutual communication aspect.

Human Resource Management

DGB Financial Group recognizes that securing talented workforce in the financial industry directly determines the competitive position of the group.

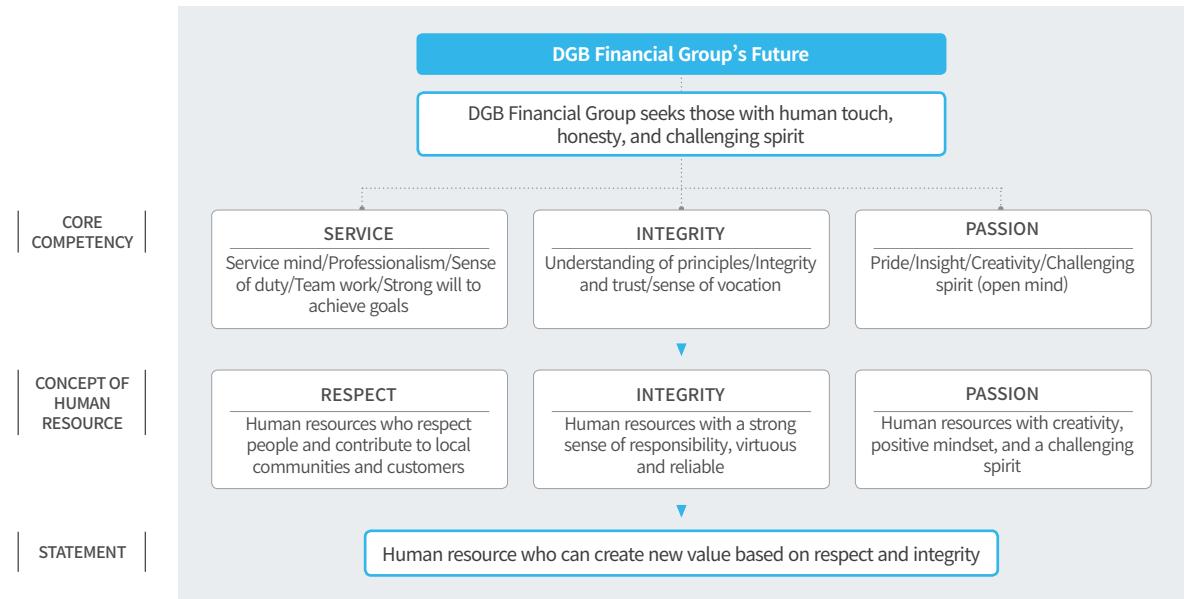
Number of Meeting with Business Partners

Classification	2017	2018	2019
Suggestions by business partners	1 Strengthen communication through place of mutual information sharing such as meetings	1 Sustainable management education to working-level staff of business partners	1 Expand win-win management by active opinion gathering
DGB Financial Group proposal	1 Efforts to provide various information helpful to business partner management	1 Efforts to provide various information helpful to business partner management	1 Efforts to enhance communication channel with business partners
Action result	Execution of one suggestion	Execution of one suggestion	Execution of one suggestion

Subcontractors' Satisfaction Level by Sector

Classification	2017	2018	2019
General matters	98	98	90
Contract criteria and procedures	95	98	93
Compensation system	95	95	90
Determination for win-win growth	100	100	93

DGB Financial Group's Concept of Human Resource



We strive for capacity enhancement and job security by recruiting superior employees and providing various education conditions through a fair recruiting procedure. At the same time, we are increasing motivation through ability-based fair evaluation and compensation. The group pursues happy corporate culture for executives and staff members and promotes the reduction of labor time and use of holidays for this purpose. Programs for boosting the group's morale are promoted, and efforts are being made for the expansion of the welfare system.

Securing Human Resource

DGB Financial Group's Concept of Human Resource

The concept of human resource at DGB Financial Group is 'Talent creating new value based on service and honesty'. We pursue the talent who respects people and serves the community and customers with human touch, honest talent with a strong sense of responsibility and trust, and the talent who thinks creatively, acts independently, and takes on a challenge.

Fair Recruitment and Job Security

DGB Financial Group pursues employment without discrimination based on gender, educational background, age, and major. DGB Daegu Bank has overhauled the existing recruitment method in order to ensure transparency and fairness in the new staffing process. The final interview is conducted under participation by an external interviewer, and the entire interview process is conducted under the participation of the Audit and Compliance departments assigned to the interview site to raise the transparency of the recruiting process. Also,

DGB Financial Group has recruited all newcomers as regular employees in order to participate in solving the problem of contract employees and job security, which emerged as a social issue, and the transition of the existing contract employees to regular employees is also being carried out continuously.

Fair Evaluation and Compensation

DGB Financial Group is conducting business evaluation based on individual's ability and performance, and implements multi-faceted evaluation to diversify the evaluators in order to secure fairness and objectivity of the evaluation procedure. The business evaluation is conducted in a way linked to target management (MBO) and key performance indicator (KPI) to reflect the characteristics of each division and business branch, and the comprehensive evaluation result is reflected in promotion, annual salary, performance incentive, job placement, etc. In addition, we ensure the feedback on the strength and weakness of an individual derived from the evaluation results lead to long term self-development and performance creation within the organization.

Development of Human Resource

Developing Practical Digital Human Resources

DGB Financial Group reinforced education for executives and staff members, so that they would be equipped with a competitive edge in the fast-changing financial market environment, while individual executive and staff member develops new capacity and increase employment stability. DGB Daegu Bank plans to nurture working-level digital human resources according to the strategic directions comprised of digital

DGB Daegu Bank
Training hours per person
(Unit: hours)

80.03

DGB Daegu Bank
Training expense per person
(Unit: 1,000 Won)

1,125

Training Hours of DGB Daegu Bank

Classification	2017	2018	2019
Training hours per person(hours)	68	80	80.03
Training expense per person(1,000 Won)	925	1,000	1,125

capacity enhancement (Digital Banker), spreading of global mind (Global Banker), and the comprehensive consulting capacity enhancement (Universal Banker). Digital Financial Education will be implemented by introducing training process in 6 key areas including Big Data, artificial intelligence, blockchain, cloud, digital marketing, digital financial business, and by systemizing them by level. Furthermore, the group has implemented the global advanced finance overseas training for the first time and is planning to expand the basis of global insight. New employees are nurturing through mentoring system for one year, and Career Development Program (CDP) in each field is continuously operated. Especially in order to enhance the learning effectiveness and education accessibility to executives and staff members, the group is creating self-directed learning culture by introducing the mobile platform, BaZle (meaning 'enjoy learning' in Korean). The mobile platform, which is designed to keep pace with the latest learning trend, is running financial courses such as job training, professional certificate preparation class as well as non-financial courses (IT, foreign language) through demand survey from executives and staff members.

DGB HIPO Program

DGB Financial Group has established the group core group manpower nurturing program (DGB HIPO Program) with the company-wide consensus that the leadership pipeline should be established around core manpower in order to successfully lead the group's achievement of vision in core business. HIPO stands for High Potential. The HIPO Program is Manpower nurturing Systems to select and nurturing the core manpower of the group systemically and fairly. The manpower selected through this program pass through systemic nurturing processes such as strategy care development (CDP) management, challenging task and project performance, and various training etc., to grow as the best leader of the financial industry.

Empowerment of Female Executives and Staff Members

DGB Financial Group signed the 2019 UNGC's WEPs, (Women's Empowerment Principles) and participate in the 2020 UNGC TGE (Target Gender Equality Program) for active implementation. This is a plan to identify the gender equality status of the group through the program, and ultimately draw an implementation task that can raise the weight of female executives and reinforce the frame leadership.

Corporate Culture Innovation

Corporate Culture Innovation Program

DGB Financial Group is trying to promote self-esteem of executives and staff members and to stimulate labor motivation by spreading the first class corporate culture that they want to work for. To this end, the group is promoting corporate culture innovation and preparing various programs for balance between work and life for executives and staff members, creating an environment where executives and staff members can work in pleasure and vigor. Especially various joint businesses within DGB financial group are promoted such as human exchanges between affiliates, IT integration, joint utilization of resources, communication, social contribution activities, etc. to eliminate unnecessary practices in the whole group and to settle down healthy ONE DGB corporate culture.

Creation of Horizontal and Vibrant Work Atmosphere

DGB Daegu Bank and Hi Investment & Securities hold a casual day every Friday to improve business efficiency. DGB Daegu Bank's branch staff members are working without neckties while head office departments having no contact with customers are on duty in free attire (suit/casual). The executives and department or branch heads are working hard to create a flexible work environment by taking the initiative in free dress code such as not wearing neckties and wearing practical jackets. Hi Investment & Securities is exerting efforts to spread creative organizational culture and create an unconstrained work environment by allowing casual attires if there is no customer solicitation and outside meeting.

DGB Daegu Bank will phase out the female staffs' uniform from December 2019 and allow casual attires, completely deserting uniforms from May 2020. This is a decision that resolves the discriminating elements that have been steadily criticized by forcing only a certain level of female staff to wear uniforms, but also reflects the trend of the times in which horizontal and creative corporate culture is pursued as time passes by. We have collected the opinions on the discontinuance of uniforms and adoption of free attires by conducting a survey on all staffs including branches.

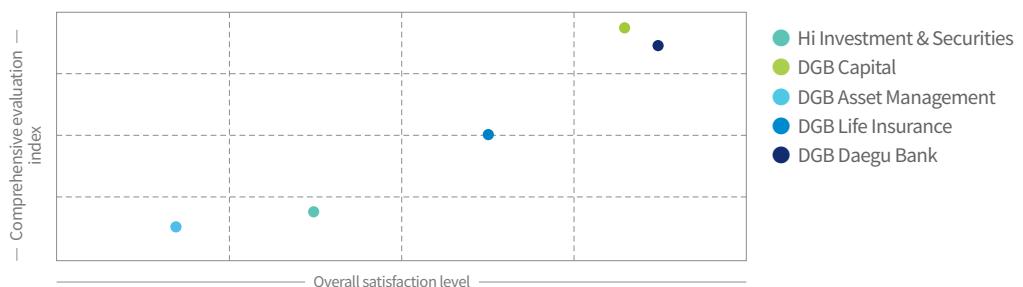
Corporate Culture Program

Classification	Program	Contents
Healthy corporate culture	Our commitment	Our commitment reflecting management target (upon commencement of various event and education)
	Core value catchphrase	Core value catchphrase operated to internalize DGB behavior promise
	Movement for fulfilling my promise with myself	Nurturing independent and innovative talent by establishing purpose awareness suitable for a position and implementation culture
	Department or branch innovation day	Pursues sympathisable change with operation of innovative theme practicable on site
	Site advice on innovation actually felt	Establishment of desirable corporate culture by practice improvement for organizational change and collection of opinions from site
	Site advice on innovation actually felt	Promotion of upright and sound corporate culture & self-management practice method
	Work & Life Balance	Strengthens organization vitality and enhances labor productivity by establishing labor environment with a balance between labor and life
	Eoullim program	Overthrows department's selfishness with communication and sympathy and establishes corporate culture of cooperation
Corporate culture of communication	Making open headquarter of communication	Unites headquarter into one by inter-departments communication and recovery of trust
	Change experience program	Strengthens innovative mind from new perspectives through trip for benchmarking leading company & KMA Insight Forum
	Change innovation consensus meeting	Holds staff debate session for creating consensus on organization change
	Operation of young adult frontier	Expresses site focused opinion, presents creative ideas, and promotes dynamic corporate culture activities
	Operation of change innovation organization	Operation of change innovation leader selection to promote efficient change innovation activities
	CEO communication program tuk & tok	Pursues organizational change and improvement through meeting with CEO and gathering honest opinions from the field
	Department or branch innovation management guide	Publishes guide for promoting innovative mind and business capacity of leaders
Creative corporate culture	Vitalization of knowledge management	Vitalizes knowledge management such as regular business proposal/selection of best experiential intellectual, etc.
	DGB research club	Realizes research club with creative theme providing substantial help
	DGB reading management	Practices management of reading for creating self-directed learning culture
	DGB Insight season 1	Satisfies intellectual curiosity in various areas through lectures containing unique insight
	Business manual reorganization	Realizes personal knowledge as organizational asset through reorganization of operational manual, business manual

Corporate Culture Index

DGB Financial Group is assessing the Corporate Culture Index (DCI), which is a quantitative indicator, to continuously manage and upgrade the corporate culture. Diagnostic evaluation of the corporate culture index is composed of in detail criteria such as vision, belief, respect, process, pride, fun, communication, cooperation, immersion, and overall satisfaction level. The index is converted from positive responses of the survey. In addition, all evaluation criteria are analyzed according to subgroup of employees such as gender, position, region, and years of employment. The corporate cultural index of each affiliates is conducted every other year, and used as data to check the performance and improvement of the corporate culture innovation program along with gathering opinions from executives and staff members.

Corporate Cultural Index of 2019



Support for Employees' Happiness

DGB Family Happiness Center

DGB Financial Group is operating various systems to improve quality of life and business situation levels based on work-life balance in order to enhance executives and staff members' satisfaction level.

The DGB Family Happiness Center, which was established as part of the Employee Assistance Program (EAP), operates a program that provides expert consulting to not only the staff member but also to their immediate family members. Senior staff, who has obtained a professional certificate, provides job-related coaching and consulting on difficulties, health, law, tax, and financial technology, and will also conduct consulting on the various problems in family life, such as marital clinic, child

- Hi Investment & Securities
- DGB Capital
- DGB Asset Management
- DGB Life Insurance
- DGB Daegu Bank

Number of Children under Care at DGB Child Dream Daycare Center
(Unit: persons)

147



Family-Oriented Programs of DGB Daegu Bank

Classification	Details
Family Day	<ul style="list-style-type: none"> Strengthening of family relationship by expanding time spent with family members Leaving work on time (Wednesday, Friday) encouraged twice a week
SMART Relaxation Campaign	<ul style="list-style-type: none"> Establish a culture where employees are free to take vacations at any time 3 unconditional principles (Unconditional application for leave, approval of leave, and enjoyment of leave)
10 AM Clock-in Times for Parents	<ul style="list-style-type: none"> Compatibility support between job & family and enhancement of staff duty satisfaction level 10 AM attendance system implemented for 2 months(March and April) to parents with children attending elementary school
Automatic PC Shutdown	<ul style="list-style-type: none"> Adjustment of working hours (log in after 8:40 AM/mandatory log out at 6 PM)
Childcare Center in workplace	<ul style="list-style-type: none"> Operation of 2 DGB Child Dream daycare centers – Suseong-gu (Center #1)/ Dalseo-gu (Center #2)
Flexible Work Hours for Pregnant Workers	<ul style="list-style-type: none"> Overtime work banned for pregnant staff Prohibition of night shift and holiday work for employees who haven't passed 1 year since giving birth Limitation of overtime work for employees within 1 year after childbirth (Overtime work exceeding 2 hours per day, 6 hours per week, 150 hours per year) Pregnant staffs are entitled to 2 hours work reduction per day application

Family-Oriented Programs of Hi Investment & Securities

Classification	Details
PC ON/OFF System and Operation of Flexible Work System	<ul style="list-style-type: none"> Working hour adjusted (8 AM PC ON / 5 PM PC OFF) Executives and staff members' business productivity enhanced and quality of life improved through implementation of flexible work system
Flexible Work Hours for Pregnant Workers	<ul style="list-style-type: none"> Overtime/night shift/holiday work banned to pregnant worker Overtime work minimized for staff within 1 year after childbirth (Overtime work exceeding 2 hours per day, 6 hours per week, 150 hours per year banned)

care, and parent support, which will lead executive and staff members to lead a happy life with their family and at the workplace. The DGB family happiness center can be used in various methods such as DGB Family Homepage consulting, photo consulting, and face-to-face counseling, etc.

In addition, through a variety of programs such as healing concerts, we are enhancing the satisfaction level of executives and staff members. As a result of DGB's efforts to create a happy workplace, the 2019 DGB Family Happiness Center hosted four participatory programs and achieved 296 users.

Expansion of Family-Oriented Culture

DGB Financial Group is enhancing the organizational vitality and expanding family-affinity culture through the creation of diverse programs for work-life balance.

Healthcare Programs for Employees

Classification	Beneficiary	Contents
Metabolic syndrome	Employees with high blood pressure, high blood sugar, and triglyceride levels	Body fat management and diet therapy
Enhancement of Immunity	Employees with a low level of white blood cells	Immunity Enhancement Program
On-Demand Health-Care	any department or branch that requested consultation and target branches for each month	<ul style="list-style-type: none"> Blood pressure, blood sugar and body composition measurement service provided. Test of sympathetic and parasympathetic nerves(serotonin) Staff and staffs' family health consulting is provided

Healthcare of Employees

DGB Daegu Bank is supporting executives and staff members through health care services to ensure that they work healthily. Through the 'Visiting Health-Care' program, we are conducting health diagnosis and consultation to executives and staff members, and also conducting regular stress diagnosis. Especially, we promoted the enhancement of executives and staff members' health through 'metabolic syndrome' and 'immune up' programs where the bank donates a certain amount staff achieves a target after setting up a target related to health.

Long Term Incentive Systems

DGB Financial Holdings and DGB Daegu Bank are operating long term incentive systems to improve executives and staff members' satisfaction level and encourage the labor. For long term workers with more than 20 years' service domestic and

overseas experience training program is provided. Also performance linked payment when achieving profit target and performance, contributes to reducing turnover rate by inducing achievement motivation of executives and staff members and promoting devotion to the company. The continuity of business through long term service increases the efficiency in business, ultimately helping enhance satisfaction level of executives and staff members.

Human Rights Effect Management

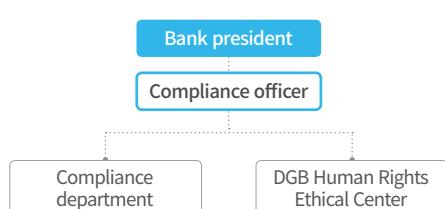
Support to Global Human Rights Declaration

DGB Financial Group supports the global human rights declarations such as the domestic labor framework act, the UN Universal Declarations of Human Rights, and the ban on child labor by the International Labor Organization (ILO), etc. The group declared that we will faithfully address the social responsibilities of human right and labor by subscription to UN Global Compact (UNG). In addition, in order to promote substantial activities, the group established DGB Human Rights Ethical Center for the first time among general corporations, to conduct executives and staff members' human rights protection activities.

DGB Human Rights Ethical Center

In order to break down the wrong practices in the group, DGB Daegu Bank established the DGB human right center under the direct control of the Bank president in 2017. In 2019, the bank integrated the management supervision function with the corporate ethical center in a restructuring to reinforce supervision in 2019. The DGB Human Rights Ethical Center is conducting activities to protect human rights of executives and staff members substantially, such as reporting human rights violations, counseling, damage relief, etc.

Human Rights Ethical Center Organizational Chart



Door-to-door Counseling System

Classification	2017 ¹⁾	2018	2019
Business branch(number of branches)	23	83	135
Number of staffs reached(person)	196	821	1386

¹⁾ For 2017, sum of the Aug.~Dec.

Major Activities of DGB Human Rights Ethical Center

- 01 Counseling on human rights and sexual harassment/abuse
- 02 Management of human rights related tasks for the heads of every branch office
- 03 Appointment and management of staff for human rights counseling
- 04 Human rights-related tasks (monitoring, prevention activities, reporting, counseling, etc.)
- 05 human right violation reporting, consulting, aid, etc.

Door-to-door Counseling System

The DGB Human Rights Ethical Center is conducting a 'traveling counselor' system where the center staff visits the nationwide branches and directly communicates with executives and staff members on the difficulties at work. Through this system, accessibility of the report is enhanced and the informant's anonymity is being protected at pre-procedure to consulting by adopting a 1 on 1 interview method. The consultation result is reflected on the human rights protection activity plan through analysis. Traveling counselor system aims to visit all branches every other year.

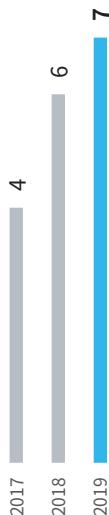
Strengthening Expertise of Human Rights Managers

DGB Human Rights Ethical Center conducted expertise strengthening activities in order to systematize counseling and human rights-related tasks. Human rights managers have acquired tutor qualification for sexual harassment prevention education and reinforced related capabilities by attending education courses provided by specialized institutions such as Korea Management Association, etc. We will continue have the person in charge of human rights to complete specialized educational courses, and plan to expand specialized education to the management and managers to strengthen human right management within the organization.

Human Rights Education

DGB Human Rights Ethical Center implements human right education to all executives and staff members to enhance awareness on human rights and to induce change in behavior. The center implemented education upon harassment within job place, which is a significant element on corporate culture as well as a social issue, composed with di-

Education Hours per person
(Unit: hours)



* Branch education other than cyber training included

rect cases, and implemented judicial online educations comprised of work place sexual harassment prevention education and education for improving awareness on the disabled.

Labor-Management Relations

DGB Financial Group is pursuing mutual growth based on sound relations between management and labor. We will continue to listen to the voices of our members through various communication channels and try to continue the win-win labor-management relations to solidify the mutual trust relationship.

Strengthening Labor-Management Communications

Based on harmonious communication, DGB Financial Group has established cooperative labor-management relations. DGB Daegu Bank is operating regular labor-management council, and in the case of significant change in business, the group shares such information in advance with the labor union to enhance their understanding on such issue and proceed with discussion. In addition, we have recently shared and received feedback on our management status and core promotion activities through management status explanation session every quarter.

Social Contribution Activities of Labor Union

Since 2006, DGB Daegu Bank executives and staff members have been practicing sharing by voluntary participation every year, and since 2013, 1% of their salaries have been shared. The funds raised through this program are used for social activities to support regional neighbors in need through "Green Umbrella Children's Foundation" and "Daegu Council on Social Welfare," every year.

Through the 2019 Green Umbrella Children's Foundation, we supported Gyeongbuk Province Children's Center program, overseas culture experience by multi-cultural families, residential environment improvement, Daegu city regional manpower nurturing support, season's holiday sharing, school uniform, heating expense support, and sponsored 200 million Won. Following last year, we expanded the support scope of the socially disadvantaged class through the Daegu Council on Social Welfare, and donated 50 million won for the Hope family trip support for the disabled, and air cleaner support to residential facility for the disabled.

Also in March 2020, to help the people in Daegu City/Gyeongbuk Province, the municipality, hospital officials, etc., who suffered from 'COVID-19', executives and staff members voluntarily raised donations from 'one percent of the salary', and 100 million won was donated to Daegu city.

Participation in the Local Community

As a member of the local community, DGB Financial Group strives to faithfully fulfill its role in creating social values, such as solving social problems. We are promoting long-term and consistent social contribution activities through the Social Contribution Foundation, and we are continuously expanding our scope of activities abroad.

DGB Social Contribution Foundation

In 2011, DGB Financial Group established the first comprehensive social welfare foundation in the financial sector, operating based on the group's funds and 1% of the salaries of executives and employees. The DGB Social Contribution Foundation aims for community-oriented social contribution activities that local residents can directly experience, beyond simple sponsorship, and promotes comprehensive social contribution projects in six areas, including social welfare projects, culture/art/sports projects, environment/global projects, education/scholarship projects, social enterprise incorporation and sponsorship projects, and DGB volunteer service projects etc. In particular, for professional social contribution projects, all 6 staff members have obtained social worker qualification certificates.

Bluebird Senior Support Program

In order to support silver jobs in the age in which people live up to 100 years, we are the first company to promote job creation and welfare promotion project in the financial sector for senior citizens. The Bluebird Senior Happy Workplace, which opened in 2012, and the Bluebird 100-year-old people's GREEN Business Group which was established in 2017, recruit senior citizens to provide free sterilization and disinfection services for toys at infant care facilities in the region. The Bluebird Senior Happy Workplace has served more than 800 facilities over the past eight years and contributed to job creation for 120 senior citizens. The Bluebird 100-year-old people's GREEN Business Group is a project for providing disinfection and quarantine training for se-



1



2

01 Social Welfare Foundation Fund Support

02 Korean Language School in Saigon, Vietnam

Social Contribution of DGB Daegu Bank Labor Union

(Unit: million Won)

Classification	2017	2018	2019
Sponsoring children from low income families in Daegu city/Gyeongbuk Province	235	250	255
Support for developing regional human resources Daegu city facilities for the disabled			

Performances of DGB Social Contribution Foundation

Classification	Classification	2017	2018	2019
Dream tree educational project group	Job creation ¹⁾ (persons)	9	9	11
	Income (million Won)	210	170	378
Bluebird Senior Happy Workplace	Job creation (persons)	15	15	15
	Income (million Won)	51	30	40
Financial education	Education target (persons(annual))	30,671	47,932	65,905
	Social input amount (million Won)	50	75	110
Mentoring project	Mentee (persons)	58	60	66
	Social input amount (million Won)	91	100	170

¹⁾ Means job creation through nurturing social companies

nior citizens aged 65 or older and for disinfecting childcare facilities and social welfare facilities. The group is realizing social values such as prevention of infectious diseases in advance and creation of jobs for senior citizens.

Bluebird Dream Community Center for Children

DGB Social Contribution Foundation opened and is operating the Bluebird Dream Community Center for Children, the first child welfare facility in the financial sector, since March 21, 2012. The Bluebird Dream Community Center for Children helps to prevent children from low-income families in the region from being neglected after-school and supports the healthy growth and development of children.

Global Volunteer Activities

DGB Financial Group is carrying out global social contribution activities by expanding its social contribution activities overseas for global sustainable management heading towards the world beyond the region. In 2017, for the first time, DGB Global Volunteer Corps was formed with With-U college student volunteer group and executives and employees of group affiliates. Various volunteer activities such as cultural and sports events, education

services, and facility construction are carried out every year, focusing on Southeast Asia, where the group's overseas operations are active.

DLLC, the local subsidiary of DGB Capital in Laos, carried out various activities such as delivering relief donations related to the accident of the Laos South-east auxiliary dam in 2018, and supporting baseball with coach Lee Man-soo in 2019, who is promoting baseball games in Laos. In Ho Chi Minh, Vietnam, activities were conducted such as repairing vulnerable residential facilities for low-income people with disabilities, supporting household appliances, and visiting education and physical education programs at the local middle schools, etc. Especially, the group is expanding the space of civilian exchange and cooperation, such as a friendship baseball competition between parties related to Korean baseball and the Laos national team, and a concert titled "Greater Love the Closer You Are" in Vietnam, and plans to promote culture spreading activities such as K-Pop to enhance friendliness of DGB Financial Group in the future.

Major Activities of DGB Global Volunteer Corps

Classification	2017	2018	2019
Region	Ho Chi Minh, Vietnam Vientiane, Laos	Ho Chi Minh, Vietnam Vientiane, Laos	Ho Chi Minh, Vietnam Vientiane, Laos
Participants	53 persons	60 persons	75 persons
Service activities	Concert, meal service, donation delivery renovation of school, education service	Education service, performance baseball stadium sponsorship(Laos)	Education service, performance baseball stadium sponsorship(Laos)
Others			Laos stadium construction sponsorship and friendly match



120

The Bluebird Senior Happy Workplace has served more than 800 facilities over the past eight years and contributed to job creation for 120 senior citizens.



01 The Bluebird Senior Happy Workplace

02 DGB Global Volunteer Corps's Cultural Performance in Vietnam

03 DGB Global Volunteer Corps's Vietnam House Repair

Nurturing Local Talent

With-U TRIGLE Mentoring

DGB Social Contribution Foundation has been conducting a mentoring program to support the children raised by grandparents and children and the youth in vulnerable groups in the region for their studies and proper growth since 2012. DGB Financial Group employees and college student volunteers, the Daegu City Family Entrustment Support Center, and the children and youth affiliated to Daegu City's each Welfare Department form a one-on-one-on-one triangle affiliation, and continuously supports children in all areas necessary such as children's life, health, education, and culture until they reach adulthood. Executives and employees share various activities such as health checkups and cultural experience, including pocket money support and scholarships for teenagers, while With-U college student volunteer members provide learning support and share in various time for emotional sharing.

Dream Tree Educational Foundation

The Dream Tree Educational Foundation was established in February 2012 by contribution from DGB Financial Group and DGB Daegu Bank, and obtained social enterprise certification for the first time in the banking sector in June 2014. The Dream Tree Educational Foundation supports children and teenagers to grow up with healthy dreams and hopes for the future through various programs such as career education, experiential learning, and counseling. In addition, 'Dream Tree Career Experience center' is a program that supports children and teenagers in the region to explore their career paths and occupation by searching for individual talents. This program also provides various career exploration opportunities on occupations such as bank

clerk, barista, pâtissier, news anchor, flight attendant, etc. to help them build a healthy occupational view.

DGB Scholarship Cultural Foundation

DGB Financial Group promotes the sustainable growth of the local community through scholarship support and diverse programs for students who are the future of the local community. Founded in 1990, DGB Daegu Bank's Scholarship Cultural Foundation supports scholarships for high school and university freshmen to concentrate on their studies in order to nurture talent in the region. In addition, the Foundation also provides development funds to local schools so that more opportunities for seminars, academic conferences, and cultural events could be provided at each school.

Education for the Financially Excluded

DGB Financial Group is carrying out educational activities related to finance, sharing healthy economic life and talent for financing and economy. 'DGB Finance & Economy Education Center' provides education on financial knowledge and healthy spending habits to children and teenagers who are the future financial consumers. In addition, 'With-U Financial Education Volunteer Group,' consisting of employees in the center and local university students, conduct annual financial and economic education to local residents. DGB Social Contribution Foundation won the Best Prize at the 14th Kyunghyang Financial Education Awards, co-hosted by Kyunghyang Shimmun and Financial Supervisory Service, in recognition of its contribution for developing various financial education programs and conducting an experiential education for the financially vulnerable.

With-U TRIANGLE Mentoring Project

Classification	Contents
Learning mentoring	College students attending local universities form one-on-one relationship with teenagers/children and guide them in insufficient studies in addition to school class to help teenagers/children improve their grades.
Pocket money support	DGB Financial Group employees form one-on-one relationship with children/teenagers, and provide monthly regular pocket money to support emotional development and instill proper economic financial sense.
Cultural experience	By providing opportunities for cultural experiences which are seldom available to children and teenagers, support is given so they can learn healthy cultural life.

Operation of DGB Daegu Bank Scholarship Cultural Foundation

Classification	2017	2018	2019	
High school	Number of beneficiary (persons)	94	94	118
	Amount (million Won)	147	146	148
University	Number of beneficiary (persons)	88	87	119
	Amount (million Won)	215	206	233

Financial Education Program

Classification	Contents
1 company 1 school financial education	A DGB Daegu Bank branch and a nearby school have formed a partnership and a professional instructor visits the classroom to provide students with education on common sense in basic financial transactions and sound financial lifestyle
Bank day	By utilizing the model bank facility, occupational experience of a bank clerk such as opening a bank account and experiencing using a safe is carried out, along with play type financial education.
Financial Job Go! Financial camp	A customized program centered on consumers that provides career education and play-type financial education using mobile stores by visiting areas where financial and career education facilities are weak
Finantory (Finance-History)	An experiential program that combines local modern history with financial education
Gumdong, let's play	An experience program in which history and finance is combined for middle and high school students' financial clubs, such as financial board games and a tour of the Bank Experience Center.
Other education for the financially vulnerable	Operation of 'visiting financial classroom' for senior high school graduates, '9988 Financial classroom' for senior citizens, 'Ga Na Da Financial classroom' for multi-cultural families, and education for disabled people, etc.



9988 Financial Classroom

Financial Education Indicators

Classification		2017	2018	2019
1 company 1 school financial education	Number of schools (unit)	79	108	99
	Number of education (times)	123	215	192
DGB's internal participants to financial education ¹⁾	Number of participants (persons)	8,832	17,768	13,422
DGB instructor pool	(persons)	156	149	169
	Specialized instructor (persons)	5	5	9
	Fentoring ²⁾ (persons)	30	40	35
	With-U (persons)	20	24	28

¹⁾ Career and job experience, bank day, Gumdong, let's play, Visiting financial classroom, 9988 financial classroom, Ga Na Da financial classroom, Finantory, etc. included

²⁾ DGB financial education volunteer group (Finance Mentoring)

'9988 Financial Classroom' for Seniors

The DGB Financial Group is conducting the financial education program for the local senior citizens with the Daegu Metropolitan City Senior Welfare Center Association. '9988 Financial Classroom', which contains the meaning, 'lively until the age of 99', is a program for senior citizens who can experience relative difficulties and are excluded from the rapidly digitalizing financial environment. Instructors specializing in financial education personally visit a welfare center for senior citizens and run the program. The program divides up the education course into the senior citizens participating in social activities and the senior citizens participating in labor activities, so that educational contents may be selected according to the level of the senior citizens. Using DGB Dream Tree Career

Experience Center which is a model bank facility with the same structure and environment as a bank, a module type program is operated in which learning and review is cycled as a game such as using banks and experiencing the use of ATMs. In the future, 9988 Financial Classroom programs will be further diversified to online and offline channels and expanded to reach senior clubs and senior citizens' employment support centers, to minimize psychological and physical distance felt by the financially vulnerable in using financial services.

Climate-related Financial Disclosures

TCFD Implementation of DGB Financial Group

Since 2018, DGB Financial Group has been participating as a member of the Task Force on Climate-Related Financial Disclosures (TCFD) and supports TCFD's recommendations.

TCFD is a task force created by the Financial Stability Committee (FSB) at the request of the G20, which recommends analysis on financial effects from climate change scenario and transparent disclosure of contents related to 1) governance 2) strategy 3) risk management 4) metrics & targets setting to financial institutions.

DGB Financial Group organized the TFT for TCFD implementation centered around the 2019 DGB Financial Holding Company, including the eight affiliates' Strategy Planning Team and Risk Management Team and proceeded with a workshop, and derived DGB Financial Group's implementation direction and implementation tasks in consideration of the implementation path proposed by TCFD.

Starting with systemic reporting classified as a separate report related to climate change annexed to this sustainability report, DGB Financial Group plans to gradually strengthen climate related response system such as strengthening of financial information disclosure response, internalization of financial risk system, etc.

Governance

The Sustainable Management Committee of DGB Financial Group is in charge of climate-related decision making. The environment management council within the sustainable management committee prepares the program for identification, setting detailed strategy and implementation of climate change risk and opportunity. Major agendas are reported to the chairman of the Sustainable Management Committee (group CEO), the highest governing body for final review and authorization, after a review by the council chairman (Holding Company managing director)

DGB Financial Group's TCFD Implementation Direction and Task (2020~2025)

Classification	Implementation direction
Governance	Introduce the agenda to secure support from the board of directors in consideration of importance of climate change response and necessity of TCFD implementation.
Strategy	Establish cooperation system through joint research and information sharing for response to climate crisis with stakeholders such as customers, partners, regional research institutes, etc.
Risk management	Establish infrastructure to perform climate risk opportunity analysis, and expand risk mitigation and opportunity factor based on analysis result.
Metrics & targets	Set quantitative target and introduce performance evaluation process for corporate value system, implementation and evaluation required for climate change and climate finance

Strategy

DGB Financial Group establishes a management strategy considering the risk and opportunity of systemic and physical changes. In March 2008, DGB established and promoted the 'DGB STOP CO₂ Plan' which was the first among domestic financial institutions, and is working hard to minimize climate effects through financial products and services such as green product sales, cyber green branch operation, and supporting eco-friendly companies, etc. We are planning to expand the final products and services considering climate through the collaboration system established through joint research and information sharing with stakeholders such as customers, partner companies, and regional research institutes.

Implementation task(2020~2025)

- Install highest decision-making body for climate change
- Introduce and report companywide committee agenda
- Designation of department dedicated to climate risk by subsidiary
- Development of climate research cooperation and reduction project
- Management of climate information supply network and client
- Establish external stakeholders' cooperation system
- Establish climate risk and opportunity management system
- Enhance climate financial information disclosure response system
- Establish climate risk based climate financial strategy
- Establish target and performance management system
- Establish climate financial business definition and R&R

Risk Management

DGB Financial Group established the green management system (GMS) to regularly identify and validate the enterprise-wide climate change risk. The group manages company-wide risks through the operation of the risk management committee which is the highest decision-making body, and operates the risk management council for effective implementation of risk management affairs to manage risk related details. The climate risk was selected and managed as 2018 Emerging Risk. The group plans to establish climate risk analysis infrastructure and strengthen the management system in the future.

Metrics & targets

DGB Financial Group is participating in the Carbon Disclosure Project (CDP) as signatory organization every year since 2007. The group's data is managed considering the metrics required by CDP, such as energy use, greenhouse gas emission and greenhouse gas intensity, etc. In the future, the group plans to further enhance the target and performance management system such as climate financial strategy established based on these data.

4 Major Core Scopes of TCFD



● Governance	The organization's governance around climate-related risks and opportunities
● Strategy	The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning
● Risk management	The processes used by the organization to identify, assess, and manage climate-related risks
● Metrics & targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities



* TCFD implementation of DGB Financial Group is also disclosed in a progress report in detail and can be found at the link below.
: <http://www.dgbfg.co.kr/sm05.fg>

UNEP FI Principles for Responsible Banking (PRB)





Introduction to Principles for Responsible Banking (PRB)

Principles for Responsible Banking is the international convention defining the role and responsibility of financial industry, for conducting Paris Climate Convention and UN SDGs (Sustainable Development Goals). DGB Financial group participated in development of sustainable society for co-prosperity of future generations, committing active conducts in September 2019.

Major Contents

- Presentation of global principle to expand the positive impacts of finance on the society and environment and to contribute to mitigation of negative impacts
- Providing practiceable guideline to connect business strategy with social goals (Paris Climate Convention, UN SDGs)

Progress Status

- UNEP FI PRB adoption promoted in March 2018
- UNEP FI PRB announced in September 2018
- UN General Assembly ratified PRB finally in September 2019
- 132 banks including DGB Financial group executed commitment to PRB in September 2019

PRB is composed of 6 major principles. DGB Financial group, practicing leadership in sustainable management, will comply PRB 6 major principles and report conducting status of requirements by each principle faithfully by annual self-diagnosis report.

DGB Financial Group's Plan and Roadmap to Participate in the Principles for Responsible Banking (PRB)

DGB Financial group closely analyzed the requirements by PRB 6 major principle and diagnosed internal status, in order to plan participation in principles for responsible banking. Based on this diagnosis, we established the proceeding direction for PRB, derived detailed tasks and implementation direction on 12 detailed tasks, hence the implementation base for DGB Financial group's PRB has been in place. On 12 implementation tasks, priority was assessed in consideration of their importance and feasibility in practice, and implementation roadmap by task timeline was established. DGB Financial group will participate in PRB with responsibility based on such roadmap, actively participating in conducting and achieving Paris Climate Convention and UN SDGs.

Conducting direction and tasks of DGB Financial group on Principle for responsible banking (PRB) (2020~2025)

Category	implementation direction	implementation tasks (2020~2025)
Establishing integrated management strategy	<ul style="list-style-type: none"> • Review of business model and strategy from global sustainability, and selecting DGB's emphasized area • Performance indicator selected for strategy execution and monitoring on goal achievement 	<ul style="list-style-type: none"> • [short-term] Analysis on social and environmental influence • [mid-term] Setting integrated directionality • [mid-term] Setting goal and KPI
Establishment of execution system on governance and risk management	<ul style="list-style-type: none"> • Clarifying functions and responsibilities of the board of directors and the management • Policy, process, R&R established for substantial execution of strategy • Response to and managing internal and external social/environmentally integrated risks 	<ul style="list-style-type: none"> • [short-term] Establishing highest level decision making and reporting system • [mid-term] Strategy execution organization and process established • [long-term] Integrated risk management system established
Expanding recognition by executives and staffs, and internalization within organizational culture	<ul style="list-style-type: none"> • Executives and staffs educated on changes in requirements from external environment/demands from stakeholders • Exploring incentivization factors for executives and staffs to internalize goal achievement 	<ul style="list-style-type: none"> • [short-term] Executives and staffs educated on sustainability • [short-term] Campaign conducted on expanding recognition by executives and staffs • [long-term] Strategic goal connected to compensation and incentives
Reinforcing cooperation with Core stakeholders	<ul style="list-style-type: none"> • Partnership pursued with external stakeholders • Incentive provided to customers through product, service, advice, platform • Resources mobilized to transparent and comprehensive information disclosure 	<ul style="list-style-type: none"> • [mid-term] Solutions recommending customer sustainability developed • [long-term] Cooperation system with external stakeholders established • [long-term] Efficient information disclosure system established

* PRB implementation of DGB Financial Group is also disclosed in a progress report in detail and can be found at the link below.
<http://www.dgbfg.co.kr/sm05.fg>

PART 5

MANAGEMENT'S DISCUSSION & ANALYSIS

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<i>Diagnosis and Analysis of Non-Financial Management Performance</i>	<i>92</i>

Diagnosis and Analysis of Financial Management Performance

DGB Financial Group

DGB Financial Group was established on May 17, 2011, in Buk-gu, Daegu city, as a financial holding company, with capital of KRW 670.3 billion transferred through stocks in Daegu Bank, Kardnet Corporation, and DGB Credit Information Corporation. DGB Financial Group was listed on the Korea Exchange on June 7, 2011.

Since then, the Group has incorporated subsidiaries including DGB Capital in January 2012 and DGB Data System in April 2012.

Kardnet later withdrew as a subsidiary, at which point DGB U-Pay was incorporated in March 2013. DGB Life Insurance was incorporated in January 2015, followed in October 2016 by the acquisition of DGB Asset Management and Hi Investment & Securities in October 2018. These latter acquisitions helped strengthen the Group's non-banking business and diversify revenue sources. By December 2018, DGB Financial Group had grown into a comprehensive financial group with eight subsidiaries. We are achieving quantitative growth, but also qualitative growth under the philosophy of "Sharing Dreams and Prosperity with Community," and the vision of "Best Partner Building the Future Together"

In 2019, DGB Financial Group steadily strengthened their growth base for the future with synergy effects from the acquisition of Hi Investment & Securities despite hard conditions such as low growth of the economy and low interest rates, and achieved the performance of total assets up 11.5% year-on-year to 72 trillion 397.7 billion won and net profit recorded 327.4 billion won.

(unit: KRW bil.)

	Group Total	DGB Financial Holding Company	DGB Daegu Bank	Hi Investment & Securities	DGB Life Insurance	DGB Capital	DGB Asset Management	DGB U-Pay	DGB Data System	DGB Credit Information	Consolidation adjustments
Gross Operating Income(A)	1,551.1	99.4	1,129.3	275.4	77.1	94.7	11.3	4.7	1.9	1.1	-143.8
(Interest Income)	1,411.0	-16.0	1,139.6	68.5	147.2	90.5	0.4	0.1	0.1	0.1	-19.5
(Non-Interest Income)	140.1	115.4	-10.3	206.9	-70.1	4.2	10.9	4.6	1.8	1.0	-124.3
Administrative Expenses(B)	950.2	19.5	625.3	197.9	74.4	33.0	6.6	4.1	1.2	0.9	-12.7
Provisions(C)	168.6	-	135.8	5.3	0.8	26.8	-	-	-	-	-0.1
Operating Income (A-B-C)	432.3	79.9	368.2	72.2	1.9	34.9	4.7	0.6	0.7	0.2	-131.0
Non-operating Income	6.3	-0.4	-12.4	6.3	7.6	1.0	-	1.6	0.1	-	2.5
Total Net Income	363.0	79.4	282.3	84.9	8.9	27.6	3.7	1.2	0.8	0.1	-125.9
Non-controlling interests	35.6										
Controlling net interests	327.4										
Total assets	72,397.7	3,672.3	55,215.4	7,723.3	6,292.1	3,104.8	39.4	42.7	11.7	5.1	-3,709.1

(*) The above financial information was prepared in accordance with the consolidated financial statements classification of the holding company

The ROA and ROE of DGB Financial Group in 2019 were 0.47% and 7.27% respectively, down slightly from the previous year. However, despite the recent economic downturn, the NPL ratio, which is an indicator of asset soundness, improved to 0.89% year-on-year thanks to the effect of preemptive and active risk management, and its credit rating also maintained a stable level with AAA credit ratings from domestic rating agencies and A2 from Moody's.

In 2019, the BIS equity ratio, an indicator of asset soundness, decreased slightly from the previous year to 12.32% due to an increase in risk-weighted assets (a 9.6% increase from the previous year), but it still remains higher than the industrial average. The dividend propensity in 2019 was 21.2%, 5.2% higher than 16.0% in the previous year.

Indicator	Account	%
Profitability	ROA	0.47
	ROE	7.27
	CIR	61.26
Asset Quality	NPL ratio	0.89
	Delinquency Rate	0.74
Capital Adequacy	Capital Adequacy Ratio (Basel III)	12.32
	Tier I CAR	10.92
	Denomination Dividend Rate	8.2
Dividend propensity	Dividend Payout	21.2
Credit Ratings	NICE Investor Service, Korea Ratings(*)	AAA
	Moody's(**)	A2

(*) Consolidated basis **Overseas credit rating corresponds to DGB Daegu Bank

DGB Daegu Bank

I. Management Performance

The interest income of DGB Daegu Bank was KRW 1 trillion 751.5 billion, an increase of 2.0% from the previous year. Net interest income was KRW 1 trillion 139.7 billion decreased by 2.0% from the previous year but is maintained at a stable level thanks to stabilized deposit cost ratio and lending yield. In addition, the net interest margin was 2.07%, down by 0.19%p from the previous year due to the impact of low interest rate condition. Interest-earning assets amounted to 46.776 trillion won, increased by 4.5% from the previous year, but net interest spread decreased by 0.24%p from the previous year. There was a decrease of net interest margin of DGB Daegu Bank, which is sensitive to changes in market interest rates due to the relatively high proportion of short-term rate linked loans.

Net Interest Income & Net Interest Margin (NIM)

(Unit: KRW bil.)

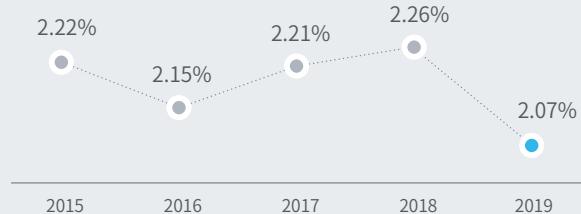
	2019	2018	YoY Change	
	Amount	(% , %p)		
Interest revenue	1,751.5	1,716.5	35.0	2.0%
Cash & due from banks	5.7	5.2	0.5	9.6%
Financial assets	153.5	165.9	-12.4	-7.5%
Loans	1,589	1,541.2	47.8	3.1%
Others	3.3	4.2	-0.9	-21.4%
Interest expenses	611.8	553.6	58.2	10.5%
Deposits	489.2	430.1	59.1	13.7%
Borrowings	58.1	57.1	1.0	1.8%
Bonds	53	58.2	-5.2	-8.9%
Others	11.5	8.2	3.3	40.2%
Net interest income	1,139.7	1,162.9	-23.2	-2.0%
Net interest Margin (NIM)	2.07%	2.26%	-	-0.19%p
NIS	2.43%	2.67%	-	-0.24%p

(Unit: KRW bil.)

	2019	2018	YoY Change	
	Amount	(% , %p)		
Average lending rate	3.81%	3.97%	-	-0.16%p
Average deposit rate	1.38%	1.30%	-	0.08%p
Net interest-bearing assets	46,776.4	44,778.8	1,997.6	4.5%

DGB Daegu Bank's net interest margin in 2019 decreased to 2.07% from 2.26% in 2018, marking a 0.19%p drop due to continuous economic downturn and global low interest policy. However, given the high level of loan growth due to changes in the local economy and high sensitivity to interest fluctuation, DGB Daegu Bank plans to maintain stability through aggressive spread management in 2020.

Net Interest Margin



Non-interest income in 2019 increased by 51.6% from the previous year to KRW -10.4 billion. Securities related income increased greatly thanks to the impact of strong stock market, and income from commission, foreign exchange transactions and derivatives increased slightly, but as decrease in gain on disposition of loans set off the increase in non-interest income, total non-interest income increased by KRW 11.1 billion from the previous year.

Non-Interest Income

(Unit: KRW bil.)

	2019	2018	YoY Change
			Amount
			(%, %p)
Non-Interest Income	-10.4	-21.5	11.1 51.6%
Commission income	86.4	76.3	10.1 13.2%
Gain on securities	43.2	8.8	34.4 390.9%
Gain on foreign currency transactions & derivatives products	18.8	16	2.8 17.5%
Gain on disposition of loans	-44.9	-11.9	-33 -277.30%
Other operating expenses	-113.9	-110.7	-3.2 -2.90%

In 2019, sales and administrative expenses stood at KRW 625.3 billion, down 5.2% year-on-year, resulting in the sales and administrative expenses ratio to decline from 57.8% to 55.4%. This decline can be seen as a gradual improvement in management efficiency. Particularly during the current period, overall depreciations and taxes and dues increased from previous year by 36.7% due to the effect of utilization asset amortization increased by adoption of lease accounting, but retirement benefits and personnel expenses decreased by 61.7%, 2.5%, respectively from the previous year. DGB Daegu Bank continuously strives to strengthen its network and reform organizational operations to improve business efficiency and productivity

Selling and Administrative Expenses

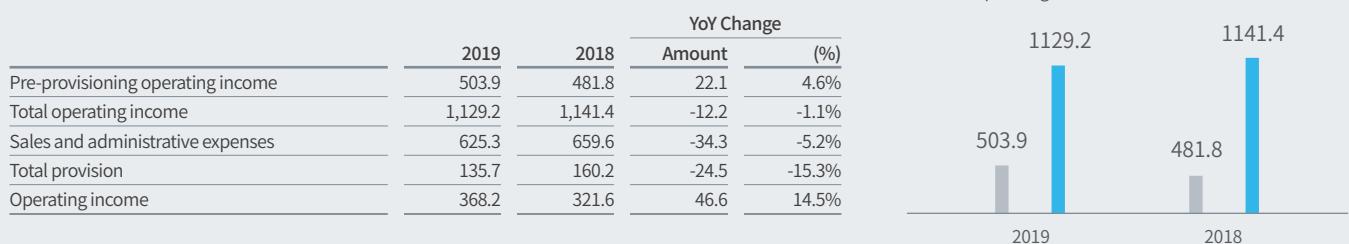
(Unit: KRW bil.)

	2019	2018	YoY Change
			Amount
			(%, %p)
Sales and administrative expenses	625.3	659.6	-34.3 -5.2%
Salaries and employee benefits	311.2	319.3	-8.1 -2.5%
Overall depreciations and taxes and dues	96.1	70.3	25.8 36.7%
Retirement allowances	32.9	85.8	-52.9 -61.7%
Pure costs of goods	185.1	184.2	0.9 0.5%
Cost-income ratio	55.4%	57.8%	- -2.4%p

DGB Daegu Bank's operating income in 2019, before provisioning, was KRW 503.9 billion, up 4.6% year-on-year from KRW 481.8 billion. Although non-interest income increased, total operating income decreased by 1.1% compared to KRW 1 trillion 141.4 billion of the previous year as interest income decreased from previous year due to effect of low interest conditions. The effect of reduction in sales and administrative expenses due to improvement in management efficiency offset the decrease in total operating income. As a result, operating income in 2019 increased to KRW 368.2 billion up by KRW 46.6 billion from the previous year.

Operating income

(Unit: KRW bil.)



II. Financial Status

As of the end of 2019, total assets stood at KRW 55 trillion 215.4 billion, up by 10.9% from the previous year. Asset growth was driven by an increase in won-denominated loans (up by 14.0% to KRW 42 trillion 401 billion) and balanced growth between corporate and household loans.

Despite the continued economic recession and growing uncertainty in the domestic and international financial markets, DGB Daegu Bank has achieved an increase in asset size for five consecutive years thanks to the strengthening of its region-based business network and the success of its management strategy that prioritizes customer as the highest value.

Assets

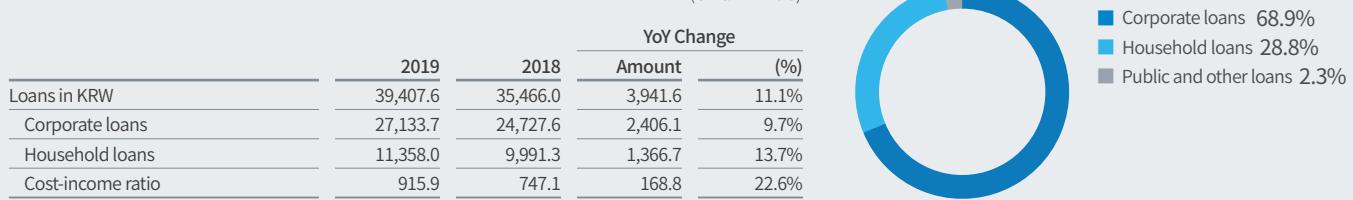
(Unit: KRW bil.)

	2019	2018	YoY Change	Amount	(%)
Assets	55,215.4	49,785.3	5,430.1	10.9%	
Cash and due from banks	2,094.8	1,969.5	125.3	6.4%	
Securities	8,042.2	8,325.8	-283.6	-3.4%	
Estimated fair value of loans	40.2	36.4	3.8	10.4%	
Amortized cost of loans	42,362.5	37,210.1	5,152.4	13.8%	
Fixed assets	701.2	679.3	30.9	4.5%	
Other assets	1,965.5	1,564.2	401.3	25.7%	

DGB Daegu Bank's Won-denominated loan amounted to KRW 39 trillion 407.6 billion in 2019, marking an increase of KRW 3 trillion 941.6 billion from a year earlier at KRW 35 trillion 466 billion. Corporate loans in 2019 amounted to KRW 27 trillion 133.7 billion, contributing to stable export support for local businesses and the development of the domestic economy according to management philosophy of Win-win growth with the local community, and accounted for the biggest portion of total loan receivable interest at 68.9%. In addition, household loans, which accounted for 28.8% of total loans receivable, increased by KRW 1 trillion 366.7 billion year-on-year to reach KRW 11 trillion 358 billion. Public loans and others with relatively low credit risk amounted to KRW 915.9 billion, up by 22.6% from the previous year.

Loans

(Unit: KRW bil.)



DGB Daegu Bank's total liabilities in 2019 amounted to KRW 50 trillion 798 billion, increasing by KRW 5 trillion 172.7 billion from the KRW 45 trillion 625.3 billion, showing 11.3% growth from the previous period. Low-cost deposits increased by 10.8% from the previous year to KRW 42 trillion 495.2 billion, however, high-cost debentures decreased by 1.1% from the previous year to KRW 1 trillion 978.9 billion. DGB Daegu Bank's debt growth, due to a rise in low-cost deposits and others, resulted in an appropriate adjustment in asset growth in 2019.

Liability Structure

(Unit: KRW bil.)



Core deposits free to deposit and withdraw increased from KRW 14 trillion 757.1 billion in 2018 to KRW 15 trillion 355.7 billion in 2019, up by 4.1% due to DGB Daegu Bank's aggressive marketing and increase in customer trust. Total deposits also reached KRW 45 trillion 962.6 billion, an increase by 5.2% from the previous year. The contribution rate of core deposits compared to total deposits recorded 33.4%, a decrease of 0.4%p from previous period.

Core deposits

(Unit: KRW bil.)

	2019	2018	YoY Change	Amount	(%, %p)
Core deposits(A)	15,355.7	14,757.1	598.60	4.1%	
Total deposits (in KRW) ((B)	38,333.8	36,540.8	1,793.00	4.9%	
% of core deposits (A/B)	40.1%	40.4%	-	-0.3%p	
(* Total deposits (C)	45,962.6	43,680.2	2,282.40	5.2%	
Ratio of core deposits (A/C)	33.4%	33.8%	-	-0.4%p	

(*Total deposits = KRW-denominated deposits + CD + RP + notes receivable + financial bonds + money trusts

The loan size below standard of DGB Daegu Bank in 2019 was KRW 297.4 billion, down by KRW 36.1 billion from the previous year, and the NPL ratio was 0.73%, down by 0.17%p from the 0.9% recorded in 2018. DGB Daegu Bank keeps its NPL ratio below optimum level by using preemptive risk management through the continuous refunding and selling of distressed debts.

Asset Quality

(Unit: KRW bil.)

	2019	2018	Amount	(%, %p)
Total credit	40,847.1	36,948.9	3,898.2	10.6%
Normal	40,279.5	36,316.7	3,962.8	10.9%
Precautionary	270.2	298.7	-28.5	-9.5%
Substandard	189.3	223.5	-34.2	-15.3%
Doubtful	44.7	52.1	-7.4	-14.2%
Estimated loss	63.4	57.9	5.5	9.5%
NPL ratio (%)	0.73%	0.90%	-	-0.17%p
Delinquency rate (%)	0.50%	0.60%	-	-0.10%p

DGB Daegu Bank's NPL ratio began to decline in 2016 thanks to preemptive risk asset management and active crisis management. The rate fell from 1.23% in 2015 to 1.19% in 2016. As the result of focusing on managing risk assets in the face of rising household debt and external conditions of industrial restructuring, the NPL ratio has remained below 1% for three consecutive years.



In 2019, DGB Daegu Bank recorded KRW 4 trillion 518.7 billion in capital, up by 210.7 billion won from 2018. Tier 2 capital increased by KRW 38.1 billion from the previous year, and Tier 1 capital increased by KRW 172.6 billion to KRW 4 trillion 41.1 billion, driving the overall increase in total capital. Despite the increase in Tier 1 capital due to the expansion of DGB Daegu Bank's expanded operating power and improvement of profitability thanks to management efficiency, the BIS equity capital ratio in 2019 decreased slightly due to the increase in risk-weighted assets within the growth of total assets, but BIS ratio still shows stability, exceeding 10.5% guideline suggested by the BIS.

Capital Adequacy

(Unit: KRW bil.)

	2019	2018	Amount	(%, %p)
Total capital	4,518.7	4,308.0	210.7	4.9%
Tier I capital	4,041.1	3,868.5	172.6	4.5%
Tier II capital	477.6	439.5	38.1	8.7%
Risk-weighted Assets	31,334.9	28,571.8	2,763.1	9.7%
Capital Adequacy Ratio (%)	14.42%	15.08%	-	-0.66%p
Tier I CAR (%)	12.90%	13.54%	-	-0.64%p
Tier II CAR (%)	1.52%	1.54%	-	-0.02%p

Tax strategy

1. Regulatory compliance

- DGB Financial Group actively enhances its knowledge level in response to the rapidly changing business environment and consequent revision of the tax law in order to comply with the tax law in reporting and paying taxes.
- Not only the domestic tax law, but overseas tax laws are observed faithfully by the Group's subsidiaries in the relevant country. Relevant laws and regulations in inter-country transactions are observed, and the duty of documenting in accordance with the "Base Erosion and Profit Shifting Action Plan (BEPS action plan)" is faithfully performed.

2. Tax risk management

- We minimize tax risks by using external experts to make accurate reports and payments in relation to regular tax returns.
- We strive to maximize shareholders' profits through systematic tax management, electronic report utilization, and installment payment procedures when paying and reporting taxes.
- We manage tax issues in advance through communication with taxation authorities.

3. Disclosure of tax information

- DGB Financial Group disclose corporate tax related information on Financial Supervisory Service's electronic disclosure system (<http://dart.fss.or.kr>) the details of the relationship between accounting profit and corporate tax expense at the notes to its financial statements.

Diagnosis and Analysis of Non-Financial Management Performance

Human capital

DGB Financial Group* has a total of 4,608 employees working as of the end of 2019. By gender, males are 2,584 people, females 2,024 people, and by employment type, regular employees are 3,894 people, and contract workers 699 people, and by age, people in their 40s take up the most percentage.

* Among affiliates of DGB Financial Group, the data of 5 affiliates comprised of DGB Daegu Bank, Hi Investment & Securities, DGB Life Insurance, DGB Capital, and DGB Asset Management is reported. And the number of personnel at five affiliates of DGB Financial Group takes up around 96% of total number of personnel. In case the reporting scope is different, the scope is marked separately.

DGB Financial Group Employees

		unit	2017	2018	2019
Total number of employees	Total	persons	4,486	4,424	4,608
	DGB Daegu Bank	persons	3,186	3,091	3,246
	Hi Investment & Securities	persons	786	781	814
	DGB Life Insurance	persons	289	277	241
	DGB Capital	persons	187	235	260
	DGB Asset Management	persons	38	40	47
Employees	Executives ¹⁾	persons	90	85	108
	Staff members	persons	4,396	4,339	4,500
Gender	Male	persons	2,574	2,492	2,584
	Female	persons	1,912	1,932	2,024
Employment Type	Regular employees	persons	3,873	3,995	3,894
	Contract employees	persons	596	415	699
	Ratio of contract employees	%	13	9	15
Age	Under 20	persons	2	21	24
	20s	persons	728	719	718
	30s	persons	1,396	1,409	1,424
	40s	persons	1,540	1,536	1,533
	50s and above	persons	820	739	903
	National Patriots	persons	217	205	205
Others	Disabled	persons	46	46	49
	Migrant worker	persons	23	20	21

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

DGB Financial Group places priority on ability without discrimination based on gender or nationality in terms of recruitment and promotion of executives and staff members. In 2019, 461 employees were recruited as newcomers, with 286 employees leaving the company

DGB Financial Group New Employment & Retirement

		unit	2017	2018	2019
New employment	Male	persons	297	151	283
	Female	persons	139	88	178
	Total	persons	436	239	461
	Ratio	%	9.7	5.4	10.0
Retirement	Male	persons	260	272	200
	Female	persons	104	93	86
	Total	persons	364	365	286
	Ratio	%	8.1	8.3	6.2

	Unit	Under 20	20s	30s	40s	Over 50
2019 New employment	persons	22	189	99	43	106
2019 Retirement	persons	0	52	65	48	121

DGB Financial Group Safety & Health (OHS)¹⁾

	unit	2017	2018	2019
DGB Daegu Bank	Number of industrial disaster cases	cases	1	-
	Industrial disaster ratio	%	0.01	-
	Days of absence due to industrial disaster	days	14	-
	Absence ratio	%	0.3	-
Hi Investment & Securities ²⁾	Number of industrial disaster cases	cases	-	-
DGB Life Insurance ²⁾	Number of industrial disaster cases	cases	-	-
DGB Capital ²⁾	Number of industrial disaster cases	cases	-	-
DGB Asset Management ²⁾	Number of industrial disaster cases	cases	-	-

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

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

The female staff rate of DGB Financial Group was 43.9% in 2019, and there is no difference in the basic level and total compensation between male and female employees in compensation policy.

DGB Financial Group Female Employee Index

	unit	2017	2018	2019
Percentage of female employees	%	42.6	43.7	43.9
Percentage of female managers	%	20.2	21.8	22.9
Female ratio among lower management positions ¹⁾	%	34.7	37.3	37.5
Female ratio among higher management positions ²⁾	%	5.8	7.1	9.2

¹⁾ Lower management positions: manager or higher

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

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

Maternity Leave & Return to Work Rate

	unit	2017	2018	2019
Number of employees in maternity leave	Total	persons	141	123
	Male	persons	-	-
	Female	persons	141	123
Number of employees returning from maternity leave during relevant year	Total	persons	124	112
	Male	persons	1	-
	Female	persons	123	112
Number of 12 months' service after return from maternity leave in previous year	Total	persons	116	124
	Male	persons	-	1
	Female	persons	116	123
DGB Daegu Bank	Total	%	87.9	95.5
	Male	%	-	-
	Female	%	87.2	91.1
Return ratio ¹⁾	Total	%	100.0	100.0
	Male	%	-	100.0
	Female	%	100.0	100.0
Ratio of employees who work for more than 12months after maternity leave ³⁾	Total	%	100.0	100.0
	Male	%	-	-
	Female	%	100.0	100.0
Number of employees who retired after maternity leave ³⁾	Total	persons	13	5
Number of childcare personnel at DGB Child Dream Daycare Centers	persons	108	129	147

		unit	2017	2018	2019
Hi Investment & Securities	Number of employees in maternity leave	Total persons	16	8	20
	Male	persons	1	1	3
	Female	persons	15	7	17
	Number of employees returning from maternity leave during relevant year	total persons	14	11	10
	male	persons	-	-	2
	female	persons	14	11	8
	Number of 12 month service after returning from maternity leave in previous year	total persons	15	13	11
	male	persons	-	-	-
	female	persons	15	13	11
	Return ratio ¹⁾	total %	87.5	84.6	50.0
Ratio of employees who work for more than 12months after maternity leave ²⁾	male	%	-	-	66.7
	female	%	93.3	157.1	47.1
	total	%	100.0	92.9	100.0
	male	%	-	-	-
	female	%	100.0	92.9	100.0
Number of employees who retired after maternity leave ³⁾	total	persons	1	1	-

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

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

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

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

Labor Union Participation Status

		unit	2017	2018	2019
DGB Daegu Bank	Total number of employees	persons	3,254	3,091	3,246
	Number of union-eligible employees	persons	2,190	2,095	2,117
	Number of labor union members	persons	2,190	2,095	2,117
	Total union participation rate	%	67.3	67.8	65.2
	Participation rate among eligible employees	%	100	100	100.0
Hi Investment & Securities	Total number of employees	persons	755	756	784
	Number of union-eligible employees	persons	669	668	690
	Number of labor union members	persons	431	426	421
	Total union participation rate	%	57	56	53.7
	Participation rate among eligible employees	%	64	64	61
DGB Life Insurance	Total number of employees	persons	289	277	241
	Number of union-eligible employees	persons	192	177	170
	Number of labor union members	persons	192	177	170
	Total union participation rate	%	66.4	63.9	70.5
	Participation rate among eligible employees	%	100.0	100.0	100.0
DGB Capital	Total number of employees	persons	187	235	260
	Number of union-eligible employees	persons	132	155	165
	Number of labor union members	persons	98	90	97
	Total union participation rate	%	52.4	38.3	37.3
	Participation rate among eligible employees	%	74.2	58.1	58.8
DGB Upay	Total number of employees	persons	32	37	44
	Number of union-eligible employees	persons	21	20	22
	Number of labor union members	persons	20	19	21
	Total union participation rate	%	62.5	51.4	47.7
	Participation rate among eligible employees	%	95.2	95.0	95.5

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

DGB Financial Group Employee Education

			unit	2017	2018	2019
DGB Daegu Bank	Average education hours per capita	total	hours	68	80	80
		male	hours	63	76	77
		female	hours	73	84	83
	Average education expenses per capita		KRW 1,000	925	1,000	1,125
		total	hours	10	8	7
		male	hours	10	8	7
Hi Investment & Securities	Average education hours per capita	female	hours	10	8	7
	Average education expenses per capita		KRW 1,000	317	229	303
		total	hours	37	47	66
		male	hours	10	8	7
		female	hours	10	8	7
	Average education expenses per capita		KRW 1,000	326	416	579
DGB Life Insurance	Average education hours per capita	total	hours	12	24	56
		male	hours	13	25	59
		female	hours	11	22	50
	Average education expenses per capita		KRW 1,000	175	291	619
		total	hours			
		male	hours			
DGB Capital	Average education hours per capita	female	hours			
	Average education expenses per capita		KRW 1,000			
		total	hours			
		male	hours			
		female	hours			
	Average education expenses per capita		KRW 1,000			

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

DGB Daegu Bank Employee Grieving Handling

		unit	2017	2018	2019
Complaint processing accepted		cases	84	84	20
Complaint processing completed		cases	66	66	17
Complaint resolution ratio	%		79	79	85

Manufactured Capital

DGB Financial Group is operating 293 branches as of the end of 2019, with 245 DGB Daegu Bank, 27 Hi Investment & Securities, 5 DGB Life Insurance, 12 DGB Capital, and one of each at DGB Asset Management, DGB U-pay, DGB Data System and DGB Credit Information. Due to development of digital technologies and contactless services, the number of branches is on the decline, but we will try to provide financial services that can be comfortably accessed by customers with continuous innovation.

Number of Branches

	unit	2017	2018	2019
DGB Daegu Bank	branch	253	249	245
Hi Investment & Securities ¹⁾	branch	29	29	27
DGB Life Insurance	branch	44	42	5
DGB Capital	branch (DLLC 1 unit included)	11	12	12
DGB Asset Management	branch	1	1	1
DGB U-pay	branch	1	1	1
DGB Data System	branch	1	1	1
DGB Credit Information	branch	1	1	1
Total	branch	312	336	293

¹⁾ Hi Investment & Securities was affiliated to DGB Financial Group in 2018.

Instrument Status

	unit	2017	2018	2019
DGB Daegu Bank ¹⁾	DGB self service Kiosk	5	13	16
	ATM	1,778	1,707	1,645
	Passbook printer	163	161	152
	Unmanned Bill Payment Machine	265	262	256
	Total	2,211	2,143	2,069
Hi Investment & Securities	ATM	9	9	9
	Total	9	9	9

Number of Customers (ratio)

	unit	2017	2018	2019
DGB Daegu Bank	20 and younger	%	8.3	8.0
	21~30	%	16.9	16.4
	31~40	%	18.5	18.0
	41~50	%	20.1	19.9
	51~60	%	17.7	18.0
	61~70	%	10.2	10.9
	71 and older	%	8.3	8.8
	Total	%	100.0	100.0
Hi Investment & Securities	20 and younger	%	2.1	1.9
	21~30	%	5.2	4.9
	31~40	%	14.5	14.6
	41~50	%	22.9	22.6
	51~60	%	25.2	24.6
	61~70	%	17.3	18.0
	71 and older	%	12.6	13.4
	Total	%	100.0	100.0

Intellectual Capital

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

DGB Daegu Bank is actively engaged in digital innovation, including investment of 5,036 million won, which has more than doubled compared to the previous year, for its 2019 Fintech Business and computer facilities.

DGB Daegu Bank's Fintech Investment

	unit	2017	2018	2019
	KRW million	2,712	2,346	5,036
Investment in Fintech				

DGB Financial Group is expanding its online customers interface in line with the changes in financial environment. Especially, enhancement of online service, which takes into account the convenience of customers, achieved the result of a steady rise in the number of middle-aged and elderly customers aged 50 or older.

Number of Online Customers (ratio)

	unit	2017	2018	2019	
	%	%	%	%	
DGB Daegu Bank ¹⁾	20 and younger	%	2.8	2.7	2.6
	21~30	%	20.5	19.7	19.4
	30~40	%	26.0	25.1	23.1
	41~50	%	23.7	23.3	23.3
	51~60	%	16.7	17.9	18.7
	61~70	%	7.4	8.1	9.2
	71 and older	%	2.8	3.1	3.6
	Total	%	100.0	100.0	100.0
	20 and younger	%	1.5	1.3	1.2
	21~30	%	7.6	6.8	6.3
Hi Investment & Securities ²⁾	30~40	%	22.9	23.1	22.8
	41~50	%	28.0	28.2	28.3
	51~60	%	24.9	24.5	24.5
	61~70	%	11.3	12.0	12.7
	71 and older	%	3.8	4.1	4.2
	Total	%	100.0	100.0	100.0

¹⁾ Based on Internet banking customers

²⁾ Based on accounts on which HTS application was received by Dec 31 of the reporting period (excluding consolidated and closed accounts and corporate accounts), with 2017 and 2018 data minutely adjusted due to re-establishment of calculation standard

DGB Daegu Bank registered 9 patents and applied for 11 patents. Through continuous development activities, we plan to lead the innovation of products and services and actively respond to the rapidly changing financial environment.

DGB Daegu Bank's Patent Registration (accumulated)

	unit	2017	2018	2019
	case	case	case	case
Patent registration		8	9	9
Patent application		10	10	11

Environmental Capital

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

Water Usage¹⁾

	unit	2017	2018	2019	2020(Target)	2021(Target)
Water usage ²⁾ (Rain water)	ton	178,839 (735)	191,197 (976)	197,584 (4,865)	191,066 ³⁾	189,135 ³⁾

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

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

³⁾ Excluding rain water

Paper Usage¹⁾

	unit	2017	2018	2019	2020(Target)	2021(Target)
Paper usage	ton	153.5	134.6	144.1	141.7	138.3

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

Waste Management¹⁾

	unit	2017	2018	2019	2020(Target)	2021(Target)
Non-hazardous waste	Total ton	167.8	168.3	205.7	161.0	151.0
	Landfill ton	36.2	59.0	96.0	61.0	56.0
	Recycling ton	131.6	109.3	109.7	100.0	95.0
	Recycling rate %	78.4	64.9	53.3	62.1	62.9

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

DGB Financial Group is working hard to increase the green product purchasing rate. Consequently, the group is promoting the purchase of green products with the green product purchase rate which is relatively high at 83.7% in 2016, 83.9% in 2017, 88.8% in 2018, and 85.5% in 2019.

DGB Daegu Bank's Green Product Purchasing

	unit	2015	2016	2017	2018	2019
Total Purchasing	KRW million	8,815	8,425	7,242	16,320	8,614
Green Product Purchasing	KRW million	7,364	7,048	6,075	14,490	7,367
Green Product Purchasing Ratio %		83.5	83.7	83.9	88.8	85.5

DGB financial group is making various efforts to minimize the environmental effects that occur during management activities. The group is actively carrying out energy saving activities such as introducing 'green touch program', a low carbon life practice program that minimizes carbon dioxide emission by reducing the electric consumption when computers are not used, and introducing geothermal system with solar generation facilities in the second head office in 2016. Even when remodeling head office no.1, the group was able to obtain 'the effect of reducing 24% of annual energy cost, and 12% of CO2 emission' with the design aiming to acquire eco-friendly certification at home and abroad.

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

Energy Usage¹⁾

		unit	2016	2017	2018	2019 ²⁾	2020(target)	2021(target)
Non-renewable energy ²⁾ usage	Direct	TJ	39.4	41.3	40.9	63.6	63.2	62.4
	Indirect	TJ	116.2	118.7	123.9	130.3	129.6	128.0
Renewable energy usage		TJ	0.11	0.13	0.19	0.30	0.30	0.30
Total energy usage		TJ	155.71	160.13	164.89	194.2	193.1	190.7
Energy intensity	Standard (sales amount)	KRW 100 mil	24,639	24,487	25,606	49,688	49,800	50,000
	Intensity	TJ/KRW 100 mil	0.006	0.007	0.006	0.004	0.004	0.004

¹⁾ Scope of reporting : 5 companies including DGB Financial Holding Company, DGB Daegu Bank, DGB UPay, DGB Data System, and DGB Credit Information were subject to reporting until 2018, but from 2019, they will be expanded to all affiliates of DGB Financial Group, including Hi Investment & Securities, DGB Life Insurance, DGB Capital, and DGB Asset Management. (For the added four affiliates, only the headquarters will be reported in 2019.)

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

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

Greenhouse Gas Emission¹⁾

		Unit	2016	2017	2018	2019	2020(target)	2021(target)
GHG Emissions	Scope 1	tCO ₂ e	2,684	2,674	2,625	3,835	3,783	3,763
	Scope 2	tCO ₂ e	15,046	15,369	16,041	16,871	16,644	16,374
	Scope 3	tCO ₂ e	2,334	2,407	3,731	3,843	3,992	3,982
	Total	tCO ₂ e	20,064	20,450	22,396	24,549	24,419	24,119
GHG Emissions Intensity	Standard(sales amount)	KRW 100 mil	24,639	24,487	25,606	49,688	49,800	50,000
	Scope 1	tCO ₂ e/KRW 100 mil	0.109	0.109	0.103	0.077	0.076	0.075
	Scope 2	tCO ₂ e/KRW 100 mil	0.611	0.628	0.626	0.340	0.334	0.327
	Scope 3	tCO ₂ e/KRW 100 mil	0.095	0.098	0.146	0.077	0.080	0.080

¹⁾ Scope of reporting : 5 companies including DGB Financial Holding Company, DGB Daegu Bank, DGB UPay, DGB Data System, and DGB Credit Information were subject to reporting until 2018, but from 2019, they will be expanded to all affiliates of DGB Financial Group, including Hi Investment & Securities, DGB Life Insurance, DGB Capital, and DGB Asset Management. (For the added four affiliates, only the headquarters will be reported in 2019.)

DGB Daegu Bank's Environment Protection Activities

	unit	2016	2017	2018	2019
Number of activities	times	97	118	115	92
Number of participants	persons	2,385	4,292	3,795	852
Investment amount in environment protection	KRW million	35	38	115	11

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

DGB Daegu Bank's Environmental Management Assessment

	unit	2016	2017	2018	2019
Number of firms subject to environmental management assessment	number	18,021	20,429	20,560	21,286
Number of excluded from environmental management assessment	number	358	432	427	454
Rate of environmental management assessment	%	98.1	97.9	98	97.91

DGB Financial Group is converting existing paper bills to electronic media such as e-mail to reduce paper consumption. In 2019, electronic media billing rate of 44% was achieved through the Smart statement and Kakao statement introduced since 2017.

Electronic Billing Status

	unit	2016	2017	2018	2019
DGB Daegu Bank	Total number of bills sent	cases	7,095,802	7,605,211	7,568,157
	Number of email bills sent	cases	2,245,081	2,298,864	2,069,332
	Number of mobile bills sent	cases	90,939	92,813	85,379
	Number of smart bills sent	cases	-	214,125	740,964
	Number of kakao bills sent	cases	-	16,256	147,388
	Ratio of electronic bills	%	32.9	34.5	40.2
Hi Investment & Securities	Total number of bills sent	cases	610,262	576,392	549,896
	Number of email bills sent	cases	209,970	188,907	198,636
	Ratio of email bills	%	34	33	36

DGB Daegu Bank's Eco-friendly Project Financing

	unit	Investment period	Commitment Amount	Expenditure (2018)	Expenditure (2019)
Ulsan resource recovery facility private investment project	KRW million	Jun. 2009~Mar. 2024	20,171	13,465	11,645
Jeju Seogwipo Gasiri wind power generation project	KRW million	Aug. 2017~Aug. 2025	10,000	8,227	6,698
Daegu waste energy facility private investment project	KRW million	Sept. 2015~Jun. 2029	15,000	13,460	12,689
Pohang clean water love private investment trust	KRW million	Nov. 2014~Jun. 2031	8,230	5,210	4,955
Daegu innovation city cogeneration project	KRW million	Sept. 2015~Jun. 2029	30,000	27,993	27,048

Social Capital

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

DGB Financial Group Social Contribution

	2017		2018		2019	
	Support amount (KRW million)	No. of Volunteers (persons)	Support amount (KRW million)	No. of Volunteers (persons)	Support amount (KRW million)	No. of Volunteers (persons)
Local Communities and Public Welfare	12,025	11,118	17,412	10,017	5,129	4,910
Culture, Arts and Sports	7,039	2,461	4,069	2,341	8,089	728
Education and Scholarship	5,209	644	4,106	547	7,690	218
Microcredit / Support Youth Startup						
Foundation by dormant deposit / Credit Counseling and Recovery Service	7,136	-	5,098	-	9,102	-
Environmental and Global	139	4,292	115	3,795	24	852
Total	31,548	18,515	30,800	16,700	30,034	6,708

* In accordance with Article 31 of National Political Fund Act, DGB Financial Group does not make any contributions or donations for political purpose. In addition, all of our social contributions and donations are transparently disclosed through related organizations and the annual report.

Win-Win Growth

	Business consulting service	Number of company	unit	2017	2018	2019
				109	102	81
DGB Daegu Bank	Activities	Number of company		Pohang small hidden champion : 12 Comprehensive diagnosis for Pre-Star company : 6 Global small hidden champion : 3 Comprehensive diagnosis for Star company : 8 World class 300 : 9 Robot corporation management consulting : 9 Silarian participant : 10 Relationship type and free : 17 Others : 35	Pohang small hidden champion : 11 Design innovation corporation : 17 Pre star corporation : 3 Star corporation : 5 Global small hidden champion : 4 Relationship type and free : 14 Others : 48	Pohang small hidden champion : 4 Design innovation corporation : 14 Province star corporate : 6 Star corporation : 7 Small hidden champion in materials, parts & equipment : 5 Relationship type and free : 17 Others : 28
Hi Investment & Securities	Activities	Number of company	Number of company	3	2	2
				Hyundai Heavy Industries business partner : 2 Hyundai Motors business partner : 1	Hyundai Heavy Industries business partner : 1 Hyundai Motors business partner : 1	Hyundai Heavy Industries business partner : 1 Hyundai Motors business partner : 1

DGB Financial Group is working hard for customer satisfaction, thinking that customer satisfaction is the best business strategy. 2018 year customers' satisfaction level recorded 98.3% thanks to active customer satisfaction activities such as Chamsori Advisory Group activities to listen to customers' opinion, CS education, consumer protection activities, etc.

DGB Daegu Bank Customer Satisfaction Level

Customers satisfaction level(satisfied customers)	unit	2017	2018	2019
		%	92.8	93.2

'Voice of Customers' Status

	unit	2017	2018	2019
DGB Daegu Bank	Complaint	cases 76	cases 62	cases 88
	Pending question	cases 318	cases 317	cases 258
	Compliment	cases 748	cases 818	cases 698
	Others	cases 689	cases 769	cases 1,426
	Total	cases 1,831	cases 1,966	cases 2,470
Hi Investment & Securities	Complaint	cases 33	cases 14	cases 22
	Pending question	cases -	cases -	cases -
	Compliment	cases 3	cases 1	cases 4
	Others	cases 6	cases 6	cases 8
	Total	cases 42	cases 21	cases 34
DGB Life Insurance	Complaint	cases 52	cases 24	cases 38
	Pending question	cases 1	cases -	cases 3
	Compliment	cases -	cases 1	cases 1
	Others	cases 1,173	cases 923	cases 918
	Total	cases 1,226	cases 948	cases 960

Protection of Customers' Personal Information

	Unit	2017	2018	2019
DGB Daegu Bank	Complaint raised by external party and proven internally within organization	cases -	cases -	cases -
	Complaint on violation of personal information protection raised by regulatory institution	cases 4	cases 3	cases 3
	Number of proven cases of customers' data leakage, theft, loss	cases -	cases -	cases -
Hi Investment & Securities	Complaint raised by external party and proven internally within organization	cases -	cases -	cases -
	Complaint on violation of personal information protection raised by regulatory institution	cases -	cases -	cases -
	Number of proven cases of customers' data leakage, theft, loss	cases 47	cases -	cases -
DGB Life Insurance	Complaint raised by external party and proven internally within organization	cases -	cases -	cases -
	Complaint on violation of personal information protection raised by regulatory institution	cases -	cases -	cases -
	Number of proven cases of customers' data leakage, theft, loss	cases -	cases -	cases -
DGB Capital	Complaint raised by external party and proven internally within organization	cases -	cases -	cases -
	Complaint on violation of personal information protection raised by regulatory institution	cases -	cases -	cases -
	Number of proven cases of customers' data leakage, theft, loss	cases -	cases -	cases -

Legal and Regulatory Violation

	Unit	2017	2018	2019
	Amount of major fines	KRW -	-	2,200,000
Hi Investment & Securities	Number of non-monetary sanctions	cases staff 2 cases	executive 5 cases, institution 6 cases	-
	Number of litigation cases (number of cases pending as of the end of year)	cases 5	3	6
Other DGB Financial Group affiliates	Organizational violation ¹¹ of economic, social major laws and regulations	cases -	-	-

¹¹Based on number of litigation cases pending

PART 6

INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders

DGB Financial Group Co., Ltd.:

Opinion

We have audited the consolidated financial statements of DGB Financial Group Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in 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 as of and for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Expected Credit loss allowance assessed on an individual basis – Evaluation of the estimated recoverable cash flows from collaterals

The Group measures Expected Credit loss (ECL) allowance on an individual basis for individually significant corporate loans which have had significant increases in credit risk or have become impaired since initial recognition. Related to the ECL allowance assessed on an individual basis, we have identified the evaluation of the estimated recoverable cash flows from collaterals as a key audit matter, considering the possibility of errors, the level of involvement of management judgments and estimates, and the impact of risks.

The primary procedures addressing above key audit matter include followings:

1. We gained an understanding and evaluated the processes and internal controls for estimating the recoverable cash flows from collaterals used by the Group to measure the ECL of loans subject to individual assessment.
2. We assessed whether the Group measured the collateral value reasonably, which is the basis for the estimated recoverable cash flows from collaterals. This includes a review of recent market prices and appraisals applied to the estimates of the collateral value.
3. We assessed the adequacy of recoverable cash flows estimated by the Group based on collateral value.

(2) Expected Credit loss allowance assessed on a collective basis – Assessment of Risk Component factors

The Group measures ECL collectively for loans that are not subject to individual assessment. We have identified the assessment of Risk Component factors (RC factors) as a key audit matter because a number of assumptions were applied and the management's estimation and judgement were involved to determine RC factors used to measure ECL allowance subject to collective assessment.

The primary procedures addressing above key audit matter include followings:

1. We gained an understanding and evaluated the processes and internal controls for estimating RC factors used by the Group to measure the ECL of loans subject to collective assessment.
2. We evaluated the appropriateness of the models to determine whether the Group estimated RC factors based on sufficient and reasonable historical data.
3. We assessed the reliability of the underlying data used in estimating RC factors. This includes an evaluation of the Group's internal controls related to the underlying data.
4. We verified the accuracy of calculation of RC factors.

Other matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of and for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Yong-Ki Jeon.

KPMG Samjjang Accounting Corp.

Seoul, Korea
March 18, 2020

This report is effective as of March 18, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the timing of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Statements of Financial Position

As of December 31, 2019 and 2018

(In millions of won)

	Note	December 31, 2019	December 31, 2018
Assets			
Cash and due from banks	5,38,41,43	₩ 2,826,220	2,601,499
Financial assets at fair value through profit or loss	6,9,41,43	7,748,112	6,277,966
Derivative assets	13,41,43	97,923	55,256
Financial assets at fair value through other comprehensive income	7,9,12,41,43	4,181,307	4,032,620
Securities at amortized cost	8,9,12,41,43	7,340,887	7,846,106
Loans at amortized cost	11,12,41,43	46,587,076	40,826,951
Investments in associates	10	12,420	27,178
Property and equipment	14,45	790,527	741,912
Investment property	16	199,057	214,858
Intangible assets	15	185,534	199,753
Income tax receivable		1,996	12,962
Deferred tax assets	36	50,308	67,637
Other assets	12,17,41,43	2,376,355	2,008,843
Total assets	₩	72,397,722	64,913,541
Liabilities			
Depository liabilities	18,41,43	₩ 42,758,180	38,729,457
Financial liabilities at fair value through profit or loss	6,9,41,43	1,685,893	551,451
Financial liabilities designated at fair value through profit or loss	6,41,43	774,732	517,794
Derivative liabilities	13,41,43	141,456	109,501
Borrowings	19,38,41,43	7,043,400	6,442,359
Debt securities issued	19,38,41,43	5,590,032	5,303,840
Defined benefit obligations	21	26,933	35,061
Provisions	20,39	36,054	49,075
Liabilities under insurance contracts	22	5,639,466	5,552,734
Income tax payable		27,393	4,693
Deferred tax liabilities	36	238	2,032
Other liabilities	23,38,41,43	3,245,603	2,559,877
Total liabilities	₩	66,969,380	59,857,874
Equity			
Total equity attributable to equity holders of DGB Financial Group Co., Ltd.	₩	4,617,003	4,336,940
Capital stock	1,24	845,729	845,729
Hybrid bonds	24	149,401	149,401
Capital surplus	24	1,562,451	1,560,909
Capital adjustments	24	-	(991)
Accumulated other comprehensive loss	26	(64,101)	(79,372)
Retained earnings	25	2,123,523	1,861,264
Non-controlling interest	24	811,339	718,727
Total equity		5,428,342	5,055,667
Total liabilities and equity	₩	72,397,722	64,913,541

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(In millions of won, except earnings per share)

	Note	2019	2018
		₩	
Interest Income			
Interest income on financial instruments at fair value through profit or loss		2,194,309	2,026,095
Interest income on financial instruments at fair value through other comprehensive income		121,829	38,861
Interest income on financial instruments at amortized cost		68,958	66,323
Interest expense		2,003,522	1,920,911
Net Interest Income	4,27	783,299	646,681
Fees and commission income		1,411,010	1,379,414
Fees and commission expense		354,932	207,681
Net fees and commission income	4,28	83,110	77,061
Insurance income		271,822	130,620
Insurance expenses		801,064	999,624
Net insurance loss	4,29	899,994	1,093,245
Profit before adjustment for overlay approach		(98,930)	(93,621)
Loss on adjustment for overlay approach	6	189,971	58,368
Net gain on financial assets at fair value through profit	4,30	(14,039)	(6,078)
Net gain/(loss) on financial instruments designated at fair value through profit or loss	4,30	175,932	52,290
Net gain on financial assets at fair value through other comprehensive income	4,31	(91,769)	8,130
Provision for credit loss	4,32	30,071	9,862
Net gain (loss) on foreign currency transactions	4	165,327	187,063
General and administrative expenses	4,33	32,428	(13,494)
Other operating loss, net	4,34	950,175	816,969
Other operating loss, net	4,34	(182,851)	(135,759)
Operating Profit	4	432,211	333,410
Non-operating net income	35	6,306	151,439
Net profit before income tax expense		438,517	484,849
Income tax expense	36	99,133	81,251
Net income from continuing operations		339,384	403,598
Net income from discontinued operations		23,525	-
Net income attributable to Equity holders of DGB Financial Group Co., Ltd.		327,408	381,107
Net income attributable to non-controlling interest		35,501	22,491
Consolidated net income for the year	₩	362,909	403,598
Items that are or may be reclassified subsequently to profit or loss			
Gain on valuation of financial assets at fair value through other comprehensive income		25,495	32,363
Expected credit loss on financial assets at fair value through other comprehensive income		(196)	(213)
Foreign currency translation adjustments for foreign operations		5,945	7,934
Loss on valuation of hedges of net investment in foreign operations		(5,423)	(7,149)
Adjustments for overlay approach		10,590	4,632
Gain (loss) on valuation of cash flow hedges		(1,646)	306
		34,765	37,873

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income, Continued

For the years ended December 31, 2019 and 2018

(In millions of won, except earnings per share)

	Note	2019	2018
Items that will never be reclassified to profit or loss			
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩	(2,036)	1,304
Credit risk adjustments on financial assets at fair value through profit or loss		273	23
Factors for remeasurement of defined benefit obligation		(16,598)	(27,575)
		(18,361)	(26,248)
Consolidated other comprehensive income for the year	26	₩ 16,404	11,625
Comprehensive income attributable to Equity holders of DGB Financial Group Co., Ltd.		343,784	392,864
Comprehensive income attributable to on-controlling interests		35,529	22,359
Total consolidated comprehensive income	₩	379,313	415,223
Basic and diluted earnings per share in won	37	₩ 1,900	2,219

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(In millions of won)

	Capital stock	Hybrid bond	Consolidated capital surplus	Consolidated capital adjustments	Accumulated other comprehensive loss	Retained earnings	Non-controlling interest	Total equity
Balance at January 1, 2018	₩ 845,729	-	1,560,891	(991)	(91,129)	1,543,199	290,590	4,148,289
Issue of hybrid bonds	-	149,401	-	-	-	-	299,002	448,403
Hybrid bonds dividends	-	-	-	-	-	(5,774)	(20,917)	(26,691)
Consolidated net income	-	-	-	-	-	381,107	22,491	403,598
Annual dividend	-	-	-	-	-	(57,510)	-	(57,510)
Gain (loss) on valuation of financial assets at FVOCI	-	-	-	-	33,545	-	122	33,667
Gain (loss) on disposal of financial assets at FVOCI	-	-	-	-	-	582	-	582
Gain (loss) from cash flow hedging	-	-	-	-	305	-	-	305
Profit on translation of overseas business	-	-	-	-	7,923	-	11	7,934
Net investment hedge in foreign operations	-	-	-	-	(7,149)	-	-	(7,149)
Factors for remeasurement defined benefit obligation	-	-	-	-	(27,306)	-	(268)	(27,574)
Changes in credit risk on financial liabilities at FVTPL	-	-	-	-	19	-	3	22
Loss on expected credit of financial assets at FVOCI	-	-	-	-	(212)	-	-	(212)
Effect of adjustment for overlay approach	-	-	-	-	4,632	-	-	4,632
Changes in scope of consolidation	-	-	18	-	-	(340)	(55)	(377)
Changes due to business combination	-	-	-	-	-	-	127,748	127,748
Balance at December 31, 2018	₩ 845,729	149,401	1,560,909	(991)	(79,372)	1,861,264	718,727	5,055,667
Balance at January 1, 2019	₩ 845,729	149,401	1,560,909	(991)	(79,372)	1,861,264	718,727	5,055,667
Hybrid bonds dividends	-	-	-	-	-	(5,960)	(23,946)	(29,906)
Consolidated net income	-	-	-	-	-	327,408	35,501	362,909
Annual dividend	-	-	-	-	-	(60,892)	-	(60,892)
Issue of hybrid bonds	-	-	-	-	-	-	99,717	99,717
Gain (loss) on valuation of financial assets at FVOCI	-	-	-	-	23,128	-	331	23,459
Gain (loss) on valuation of cash flow hedging	-	-	-	-	(1,647)	-	-	(1,647)
Profit on translation of overseas business	-	-	-	-	5,950	-	(5)	5,945
Net investment hedge in foreign operations	-	-	-	-	(5,423)	-	-	(5,423)
Factors for remeasurement defined benefit obligation	-	-	-	-	(16,261)	-	(336)	(16,597)
Changes in credit risk on financial liabilities at FVTPL	-	-	-	-	233	-	40	273
Loss on expected credit of financial assets at FVOCI	-	-	-	-	(194)	-	(2)	(196)
Gain on disposal of equity instruments at FVOCI	-	-	-	-	-	1,335	-	1,335
Effect of adjustment for overlay approach	-	-	-	-	10,590	-	-	10,590
Changes in scope of consolidation	-	-	1,542	991	(1,105)	368	(18,688)	(16,892)
Balance at December 31, 2019	₩ 845,729	149,401	1,562,451	-	(64,101)	2,123,523	811,339	5,428,342

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(In millions of won)

	2019	2018
Cash flows from operating activities		
(1) Consolidated net income	₩ 362,909	403,598
(2) Adjustment of profit and loss	(1,054,422)	(858,427)
Income tax expense	106,302	81,251
Interest expense	783,925	646,681
Loss on financial assets at fair value through profit or loss	35,650	44,039
Loss on valuation of financial instruments designated at fair value through profit or loss	64,780	6,982
Adjustment for overlay approach	14,039	6,078
Loss on valuation of derivatives instruments held for trading	135,503	53,296
Recovery of credit risk adjustment allowance on derivatives instruments held for trading	45	138
Loss on financial assets at fair value through other comprehensive income	3,247	441
Loss on fair value hedges	-	31
Loss on valuation of derivatives on hedge	47,230	35,090
Recovery of credit risk adjustment allowance on derivatives on hedge	-	1
Recovery of allowance for credit loss	165,328	187,063
Depreciation and amortization cost	111,771	69,804
Loss on disposal of property and equipment	9,005	2,121
Loss on investment property	281	1,188
Loss on disposal of intangible assets	1	14
Impairment loss on intangible assets	3,005	13
Transfer of other provision	4,276	556
Defined benefit plans	45,670	34,162
Loss on foreign exchange transactions	220,894	288,079
Loss on repayment of issued bank debenture	-	1,597
Other operating expenses	125	2,959
Other non-operating expenses	279	-
Loss on equity method	213	4,414
Amortization expenses on deferred acquisition cost of new or renewal insurance contract	46,454	46,105
Contribution to insurance reserve	85,618	272,544
Interest income	(2,197,279)	(2,026,095)
Dividend income	(118,974)	(3,788)
Gain on financial assets at fair value through profit or loss	(137,686)	(72,213)
Gain on valuation of financial instruments designated at fair value through profit or loss	(18,713)	(16,235)
Gain on valuation of derivatives instruments held for trading	(97,092)	(44,633)
Recovery of credit risk adjustment allowance for derivatives held for trading	(8)	-
Gain on disposal of financial assets at fair value through other comprehensive income	(32,380)	(7,154)
Gain on fair value hedges	(62)	-
Gain on valuation of derivatives on hedge	(20,321)	(26,940)
Gain on disposal of property and equipment	(7,226)	(463)
Gain on disposal of intangible assets	(28)	(332)
Gain on disposal of investment property	(5,306)	(509)
Recovery of provision	(958)	(752)
Gain on foreign exchange transaction	(252,925)	(274,585)
Gain on financial assets at amortized cost	(10,059)	(4)
Gain on equity method	(1,960)	(818)
Gain on disposal of asset held for sale	(27,277)	-
Operating income	(3,579)	(7,209)
Non-operating income	(6,230)	-
Gain on bargain purchase	-	(161,344)

(in millions of won)

		2019	2018
	₩		
(3) Changes in assets and liabilities		(1,681,801)	(561,893)
Decrease (increase) in deposits		(274,692)	116,463
Decrease (increase) in financial assets at fair value through profit or loss		(1,184,844)	536,847
Decrease in derivative financial assets		42,492	97,484
Increase in loan receivables at amortized cost		(5,803,554)	(689,223)
Decrease (increase) in other assets		(197,347)	53,337
Increase (decrease) in depository liabilities		4,104,394	(102,142)
Decrease in derivatives financial liabilities held for trading		(94,019)	(91,380)
Increase (decrease) in financial liabilities at fair value through profit or loss		1,137,941	(480,291)
Increase in financial liabilities designated at fair value through profit or loss		211,221	4,205
Increase in securities under repurchase agreements		90,583	-
Decrease in post-employment benefit liabilities		(75,193)	(53,664)
Increase in other liabilities		365,077	46,815
Decrease in provisions		(3,860)	(344)
(4) Interest paid		(751,824)	(612,309)
(5) Interest received		2,233,382	2,103,773
(6) Dividend received		4,009	3,768
(7) Income tax paid		(71,115)	(79,975)
Net cash provided by (used in) operating activities	₩	(958,862)	398,535

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2019 and 2018

(In millions of won)

		2019	2018
Cash flows from investing activities			
Increase in financial assets at fair value through profit or loss	₩	(620,453)	(528,262)
Decrease in financial assets at fair value through profit or loss		395,294	466,716
Increase in financial assets at fair value through other comprehensive income		(5,537,580)	(2,827,858)
Decrease in financial assets at fair value through other comprehensive income		5,440,622	2,851,966
Increase in securities measured at amortized cost		(1,062,121)	(1,168,347)
Decrease in securities measured at amortized cost		1,589,494	941,343
Acquisition of property and equipment		(50,126)	(255,227)
Disposal of property and equipment		19,954	4,267
Acquisition of intangible Assets		(28,782)	(30,414)
Disposal of intangible assets		380	3,065
Acquisition of investment property		-	(146,331)
Disposal of investment property		19,615	1,805
Cash inflows (outflows) from hedging activities		(26,716)	3,763
Increase in deposit		5,660	783
Increase in other assets		-	(923)
Acquisition of investment in associates		(1,898)	(11,000)
Disposal of investment in associates		9,513	12,275
Dividend of investment in associates		-	106
Acquisition of investment in subsidiary		-	(425,651)
Disposal of assets held for sale		91,820	-
Net cash provided by (used in) investing activities		244,676	(1,107,924)
Cash flows from financing activities			
Increase (decrease) in borrowings		541,747	(621,861)
Issuance of debentures		1,947,482	2,484,271
Repayment of debentures		(1,787,000)	(1,747,860)
Increase (decrease) in import deposit		6,958	(216)
Increase in trust account payable		156,891	2,484
Increase in fund account payable		65	169
Increase (decrease) in non-controlling interests		71,697	280,442
Repayment of lease liabilities		(24,420)	-
Issuance of hybrid bonds		-	149,401
Annual dividends paid		(60,892)	(57,510)
Dividends paid to hybrid bonds holders		(6,705)	(5,029)
Net cash provided by financing activities		845,823	484,291
Net increase (decrease) in cash and cash equivalents		131,637	(225,098)
Beginning balance of cash and cash equivalents		733,052	954,117
Effects of changes in the exchange rate on cash and cash equivalents		(279)	4,033
Ending balance of cash and cash equivalents (note 38)	₩	864,410	733,052

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

1. Reporting Entity

The DGB Financial Group Co., Ltd., the controlling company, and its subsidiaries (collectively the “Group”) are as follows.

(1-1) Overview of the Group

DGB Financial Group Co., Ltd. (the Group) was established on May 17, 2011 by transferring shares from shareholders of Daegu Bank, Daegu Credit Information Corporation, and Cardnet Corporation for the purpose of controlling, managing, and providing financial services to subsidiaries or subsidiaries closely related to the financial business through ownership of stocks. As of December 31, 2019, the capital is ₩845,729 million and was listed on the Korea Exchange on June 7, 2011.

(1-2) Subsidiaries

As of December 31 2019, the consolidated financial information and shareholding status for the Group are as follows.

(In millions of won, except share information)

Classification	Number of shares	Ownership	Net Asset	Operating income	Net income (loss)	Location	Reporting date
Daegu Bank and subsidiaries	136,125,000	100%	₩ 4,417,351	2,665,201	282,302	Daegu	31-Dec
Hi Investment & Securities and subsidiaries	342,437,628	85.32%	822,401	1,038,630	84,901	Busan	31-Dec
DGB Life Insurance	34,741,343	100%	272,860	1,084,618	8,899	Busan	31-Dec
DGB Capital and subsidiaries	26,200,000	100%	364,700	173,115	27,602	Seoul	31-Dec
DGB Asset Management	2,200,000	100%	35,307	11,662	3,729	Seoul	31-Dec
DGB U-pay	2,511,415	100%	13,343	16,575	1,160	Daegu	31-Dec
DGB Credit Information	600,000	100%	4,899	1,930	162	Daegu	31-Dec
DGB Data System	1,200,000	100%	10,694	19,839	797	Daegu	31-Dec
DGB special investment in private property No.11	102,000	100%	99,859	86	3,044	Seoul	30-Apr /31-Oct

Daegu Bank's consolidated subsidiaries as of December 31, 2019 are as follows:

Classification	Ownership (%)	Location	Reporting date	Business Type
DGB Long-lived Corporation Focus Securities Investment Trust	89.80	South Korea	30-Sep	Collective investment
DGB ttok-ttok Short-term Bond Securities	71.60	South Korea	23-Feb	Collective investment
DGB ttok-ttok Dividend Securities Feeder	70.46	South Korea	18-Jun	Collective investment
DGB ttok-ttok Small-mid Cap Securities Feeder	53.10	South Korea	12-Nov	Collective investment
DGB Myungpum KRX 300 Index Securities	51.77	South Korea	30-Apr	Collective investment
DGB Specialized Bank Plc	100.00	Cambodia	31-Dec	Specialized Bank
DGB Microfinance Myanmar	100.00	Myanmar	30-Sept	Microfinance
Best DGB 1 st co, Ltd(*1)	-	South Korea	Quarterly	SPC
Best DGB 2 nd co, Ltd(*1)	-	South Korea	Jan/Apr/Jul/Oct	SPC

(*1) Although the Group does not own a share, the Group determines that it has control over the structured company in the light of the agreement and equity interest ratio.

Hi investment and securities' consolidated subsidiaries as of December 31, 2019 are as follows:

Classification	Ownership (%)	Location	Reporting date	Business Type
Hyundai Ship Special Asset Investment Trust No. 2	100.00	Seoul	31-Dec	Collective investment & Securities Co
Kieunsen Kwangan 1st Co., Ltd. and 25 others(*1)	-	Seoul	31-Dec	Asset-Backed securitization

(*1) Although the Group does not own a share, the Group determines that it has control over the structured company in the light of the agreement and equity interest ratio.

DGB Capital's consolidated subsidiaries as of December 31, 2019 are as follows:

Classification	Ownership (%)	Location	Reporting date
JB Woori Capital Money Receivable Trust	100.00	Seoul	31-Dec
DGB Lao Leasing Co., Ltd	90.00	Laos	31-Dec

(1-3) Interests in unconsolidated structured entities

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

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

Nature of related risk and scope of interests in unconsolidated structured entities

The carrying amount of assets recognized by the Group in its consolidated financial statements as of December 31, 2019 and 2018, are as follows

	(In millions of won)			
	2019			
	Asset-backed securitization	Project financing	Investment trust and private equity fund	Total
Total assets of unconsolidated structured entities	₩ 5,126,405	11,896,470	13,893,872	30,916,747
Book value in financial statements				
Financial assets at fair value through profit or loss	171,702	42,752	995,942	1,210,396
Amortized cost measurement loan	73,000	1,149,093	-	1,222,093
Investments in associates	-	-	43,965	43,965
Total	₩ 5,371,107	13,088,315	14,933,779	33,393,201

	(In millions of won)			
	2018			
	Asset-backed securitization	Project financing	Investment trust and private equity fund	Total
Total assets of unconsolidated structured entities	₩ 7,150,848	14,565,432	4,939,410	26,655,690
Book value in financial statements				
Financial assets at fair value through profit or loss	225,729	23,054	808,395	1,057,178
Amortized cost measurement loan	171,054	1,858,351	-	2,029,405
Total	₩ 7,547,631	16,446,837	5,747,805	29,742,273

The Group's maximum loss exposure to unconsolidated structured entities as of December 31, 2019 and 2018 are as follows:

	(In millions of won)			
	2019			
	Asset-backed securitization	Project financing	Investment trust and private equity fund	Total
Investment assets	₩ 244,702	1,191,844	1,039,907	2,476,453
Purchase commitments	649,400	59,304	107,179	815,883
Credit granting	-	113,348	-	113,348
Total (*)	₩ 894,102	1,364,496	1,147,086	3,405,684

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

(In millions of won)

		2018			
		Asset-backed securitization	Project financing	Investment trust and private equity fund	Total
Investment assets	₩	396,783	1,881,405	808,395	3,086,583
Purchase commitments		616,400	60,000	130,257	806,657
Credit granting		-	305,784	-	305,784
Total (*)	₩	1,013,183	2,247,189	938,652	4,199,024

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

2. Basis of Preparation

(2-1) Statement of compliance

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Article 5, Paragraph 1, and Subparagraph 1 of Act on External Audits of Corporations in the Republic of Korea.

The consolidated financial statements were authorized for issuance by the Board of Directors on February 12, 2020, which will be submitted for approval to the shareholders at a meeting to be held on March 26, 2020.

The Group's financial statements were initially prepared in accordance with K-IFRS No. 1116 'Leases'. Significant changes in accounting policies are described in Note 2-5.

(2-2) Basis of measurement

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

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

(2-3) Functional and presentation currency

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

(2-4) Use of estimates and judgments

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

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

(a) Assumptions and estimation uncertainties

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

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

(b) Measurement of fair value

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

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

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

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

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

(2-5) Changes in accounting policy

The Group initially applied K-IFRS No.1116 *Leases* and K-IFRS No.2123 *Uncertainty over Income Tax Treatments* from January 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the Group's consolidated financial statements.

Major impacts of initial application of Standards are as follows:

(1) K-IFRS No.1116, 'Leases'

Under the new standard, with implementation of a single lease model, the Group, as a lessee, is required to recognize a right-of-use asset representing the right to use the underlying asset and a lease liability representing its obligation to make lease payments. The accounting model for lessor is similar to previous accounting policies.

The Group applied K-IFRS No.1116 using the modified retrospective approach, under which the cumulative effect of initial application is recognized at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e., it is presented, as previously reported, under K-IFRS No.1017 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in K-IFRS No.1116 have not generally been applied to comparative information.

a) Definition of a lease

Previously, the Group determined at contract inception date whether an arrangement was or contained a lease under K-IFRS No.2014 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease explained in Note 3-13.

The Group assessed whether a contract is or contains a lease at the commencement date of the lease contract on January 1, 2019 (initial application date).

b) As a lessee

The Group, as a lessee, leases assets including property, vehicles, fixtures, and etc. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership. Under K-IFRS No.1116, the Group recognizes right of use assets and lease liabilities for most leases. That is, most leases are on-balance sheet.

The Group has elected not to separate non-lease components, and account for the lease and associated non-lease components as a single lease components as a single lease component.

The Group applied the following practical expedients when applying K-IFRS No.1116 to leases previously classified as operating leases under K-IFRS No.1017.

- does not recognizing right-of-use assets and lease liabilities for leases of low-value assets;
- excluded initial direct cost from the measurement of right of use asset at the date of initial application; and
- used hindsight when determining the lease term

c) Impact on the consolidated financial statements

On transition to K-IFRS No.1116, the Group recognized additional right of use assets and lease liabilities. The impact on transition is summarized below:

	(In millions of won)
	January 1, 2019
Right-of-use assets presented in property and equipment	₩ 52,879
Prepaid expenses	3,170
Restoration liabilities related leasehold improvements	554
Lease liabilities	49,155

The details of K-IFRS No.1116 and K-IFRS No.1017 are presented in Note 3-13.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rates at January 1, 2019, and the weighted-average rates applied is 2.07 ~ 4.87%.

	(In millions of won)
	January 1, 2019
Amount of operating lease commitments at December 31, 2018	₩ 45,574
Amount discounted using the incremental borrowing rate at January 1, 2019	39,505
Add: adjustment due to differences in accounting for lease term, including extension and termination options	5,086
Add: additionally recognized lease contract options reasonably certain to be exercised as advertising contract	8,140
Recognition exemption for lease of low-value assets	(532)
Recognition exemption for leases with less than 12 months of lease term at adoption	(3,044)
Lease liabilities recognized at January 1, 2019	₩ 49,155

(2) K-IFRS No. 2123, 'Uncertainty over Income Tax Treatment'

K-IFRS No.2123, 'Uncertainty over Income Tax Treatment' addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of K-IFRS No.1012 of recognition and measurement requirements and specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group applied the K-IFRS No.2123, '*Uncertainty over Income Tax Treatment*' from January 1, 2019. However, The Group has applied retrospective method to recognize accumulated effect of initial application at the date of initial application according to the K-IFRS No.1008 '*Accounting Policies, Changes in Accounting Estimates and Errors*'.

The application of K-IFRS No.2123 does not have a material impact on the accounting policy and the consolidated financial statements of the Group considering the analysis of the financial impact based on the current situation and information available as of January 1, 2019.

3. Significant Accounting Policies

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

(3-1) Operating segment

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

(3-2) Basis of consolidation

Business combinations

Business combinations

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

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment, and any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity instruments. Acquisition related costs are accounted for as expenses in the period in which the costs are incurred and the services are received, except issuance cost of debt instruments and equity instruments according to K-IFRS No.1032, '*Financial Instruments: Presentation*' and K-IFRS No.1109, '*Financial Instruments: Recognition and Measurement*'.

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

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

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

Goodwill

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

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

Subsidiaries

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

Removal of internal transaction

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

Non-controlling interests (NCIs)

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

Loss of control

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

Equity on investee under equity method

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

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

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(3-3) Cash and cash equivalents

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

(3-4) Non-derivative financial assets

(a) Initial measurement and recognition

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

(b) Financial asset: Subsequent measurement and classification

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

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

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

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

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

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

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

Business model assessment

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

- Accounting policies and objectives for the portfolio and the actual operation of these policies. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets.
- To evaluate the performance of the financial assets held by the business model and to report the evaluation to key management personnel
- The risks that affect the performance of the business model (and the financial assets held in the business model) and the way in which they are managed
- The manner of compensation to management (e.g. compensation based on the fair value of the assets under management or contractual cash flows received)
- The forecasts of sales in the future and frequency, amount, timing and reasons for the sale of financial assets in the past

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

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

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

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

In assessing this, the Group considers the following:

- contractual conditions that change the amount or timing of cash flow
- terms that adjust contractual nominal interest rate, including variable interest rate characteristics

- early redemption characteristics and maturity extension characteristics

- the terms of the contract that limit the Group's claims for cash flows arising from a specific asset (e.g. non-property features)

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

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

Subsequent measurement and gains or losses

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

(c) De-recognition

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

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

(d) Offsetting

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

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

Derivative and Hedge accounting

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

If the hedge no longer meets the accounting requirements or the hedging instrument is sold, extinguished, terminated or exercised, hedge accounting is phased out. If a non-financial item is a recognized hedge transaction, the cumulative amount of the hedge reserve and the cost of the hedge are left in the equity item until the non-financial item is initially recognized and included in the cost of the non-financial item. For cash flow hedges that are not eligible, the cash flow hedge reserve

and the cost of the hedge are reclassified to profit or loss as a reclassification adjustment in the period in which the hedged future expected cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, the accumulated cash flow hedge reserve and the cost of the hedge are reclassified immediately to profit or loss.

Net Investment Hedge

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

Embedded Derivatives

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

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

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

(3-7) Impairment of financial assets

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

- Stage 1 : 12-month Expected credit losses

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

- Stage 2 : Lifetime expected credit losses

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

- Stage 3 : Lifetime expected credit losses

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

(a) Measurement of expected credit losses

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

(b) Applicable timeline of expected credit losses

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

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

(c) Assessment of credit risk

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

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

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

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

(d) Default and impairment

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

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

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

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

- Significant financial difficulties of the issuer or borrower;
- Breach of contract, such as default or more than 90 days overdue
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise

- Borrowers are likely to go bankrupt or other financial restructuring becomes more likely
- Termination of active market for financial assets due to financial difficulties

(e) Disclosure of allowance for expected credit loss

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

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

(f) Write-off

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

(3-8) Property and equipment

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

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

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

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

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

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

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

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

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

(3-9) Intangible assets

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

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

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

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

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

(a) Research and development

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

(b) Subsequent expenditures

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

(3-10) Borrowing costs

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

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

(3-11) Investment property

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

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

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

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

(3-12) Impairment of non-financial assets

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

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

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

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

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

(3-13) Leases

The Group applied K-IFRS No.1116 using modified retrospective approach. Therefore, the comparative information has not been restated and continues to be reported under K-IFRS No.1017 and K-IFRS No.2104. The details of accounting policies under K-IFRS No.1017 and K-IFRS No.2104 are disclosed separately.

(a) Policy applicable from January 1, 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract transfers the identified right to use of an identified assets, the Group uses definition of a lease in K-IFRS No.1116.

The policy is applied to contracts entered into, on or after January 1, 2019.

As a lessee

On transition to K-IFRS No.1116 Leases, the Group has elected to apply the practical expedient, which does not separate non-lease components, and account for lease and non-lease components as one-lease component.

The Group recognizes a right of use assets and lease liabilities at the lease commencement date. Right of use assets are initially measured at cost, and those costs consist of estimates of the initial amount of the lease liability, adjusted for any lease payment made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset.

Right of use asset is subsequently depreciated on a straight-line basis from the commencement of the lease to the end of the lease term. However, if the ownership of the underlying asset is transferred at the end of the lease term or the price of purchase option is reflected in the cost of the right of use asset, the asset is depreciated until the end of the useful life of the underlying asset on the same basis as the depreciation of the property and equipment. In addition, right of use assets may be reduced by impairment losses, or adjusted for certain remeasurement of the lease liability.

Lease liability is initially measured at the present value of the lease payments not paid as of the commencement of the lease discounted using the interest rate implicit in the lease, but if the implicit interest rate cannot be readily determined, the Group uses incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

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

The lease payments included in the measurement of lease liability consist of the following items:

- Fixed payments (including in-substance fixed payments);
- Variable lease payments that depend on an index or a rate (interest rate). Initially measured using an index or rate as at the commencement of the lease;
- Amount expected to be payable by the lessee under residual value guarantees;
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise the extension option, and the penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured if there is any change in future lease payments due to the changes in the index or rate, change in the Group's estimate of the amount expected to be paid under the residual value guarantee, change in assessment of whether exercise the option of purchase, extension or termination, or if there is a revised in-substance fixed lease.

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

The Group presented right of use assets under 'property and equipment', and presented lease liabilities under 'other financial liabilities' in the consolidated statement of financial position.

- Lease of low-value assets

The Group has chosen a practical expedient that does not recognize right-of-use assets and lease liabilities for leases of low-value underlying assets, and recognizes the lease payment associated with these leases as expenses on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the contract consideration to each lease component based on its relative stand-alone price.

The Group, as a lessor, assesses whether a lease is a finance lease or an operating lease at lease inception.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards ownership of the underlying asset. If substantially all of the risks and rewards of ownership of the underlying asset are transferred to the lessee, the lease is classified as a finance lease; otherwise, the lease is classified as an operating lease. As part of this assessment, the Group considers whether the lease term represents a significant part of the economic useful life of the underlying asset.

If the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. In addition, the classification of a sublease is determined by the right of use asset arising from the head lease rather than the underlying asset. If the head lease corresponds to a short-term lease that applies the recognition exemption, the sublease is classified as an operating lease.

If the contract contains both the lease component and the non-less components, the Group applies K-IFRS No.1115 to allocate the contract consideration.

The Group applies derecognition and impairment requirements in K-IFRS No.1109 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual value used to calculate the gross lease investment.

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

The accounting policies applied for the comparatives by the Group as a lessor are not different from those in K-IFRS No.1116.

(b) Policies applicable before January 1, 2019

For contracts entered into before January 1, 2019, the Group determined whether the commitment was a lease or contained a lease based on the assessment of the followings:

- whether a commitment can only be fulfilled if a particular asset is used
- whether the right of use asset is transferred according to the arrangement. The arrangement is considered as a transfer of right of use asset if one of the following conditions is met:
 - Buyer has the right or ability to operate the asset while obtaining or controlling more than an insignificant amount of output from the underlying asset
 - Buyer has the right or ability to control physical access to the asset while obtaining or controlling more than an insignificant amount of output from the underlying asset
 - Facts and circumstances indicated that it was remote, that other party would take more than an insignificant amount of output from the assets under the arrangement and the price per unit if output not equal to the current market price per unit of output

As a lessee

In the comparative period, as a lessee, the Group classified the lease as a finance lease, where substantially all of the risks and rewards of ownership of the underlying asset are transferred to the Group. For finance leases, lease assets were initially measured at the lower of their fair value or the present value of the minimum lease payments. Minimum lease payments were the payments that the lessee was required to make over the lease term, excluding any contingent rent. Subsequent to initial recognition, the asset were accounted for in accordance with the accounting policies applicable to those assets.

If a lease is classified as an operating lease, the Group did not recognize lease assets in the consolidated statement of financial position, and recognized the lease payment in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

As a lessor

As a lessor, the Group determined whether the lease was a finance lease or an operating lease at lease inception.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards of ownership of the underlying asset. If substantially all of the risks and rewards of ownership of the underlying asset were transferred to the lessee, the lease was classified as a finance lease; otherwise, the lease was classified as an operating lease. As part of this assessment, the Group considered whether the lease term represented a significant part of the economic useful life of the underlying assets.

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

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036 '*Impairment of Assets*'.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

(3-15) Non-derivative financial liabilities

The Group classifies financial liabilities other than derivative financial liabilities and financial guarantee contract liabilities at fair value through profit or loss, financial liabilities measured at fair value through profit or loss and other financial liabilities (depository liabilities, borrowings, etc.) and recognizes in the statement of financial position.

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

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

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

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

(c) Other Financial Liabilities

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

(d) Derecognition of Financial Liabilities

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

(3-16) Fair value of financial instruments

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

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

Evaluation techniques include how to use recent transactions between knowledgeable, willing parties, referring to current fair values of substantially the same other financial instruments, how to discount cash flows and an option pricing model. The valuation technique was used when market participants generally used to determine the price of a financial instrument and provided that the valuation technique provided were reliable estimates of the actual market transaction price.

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

(b) Classification and level of disclosure for fair value

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

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

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

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

Deposits and Loan measured at amortized cost

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

Financial assets measured at amortized cost

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

(3-16) Fair value of financial instruments

Deposit liabilities

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

Borrowings

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

(3-17) Employee benefits

(a) Short-term employee benefits

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

(b) Other long-term employee benefits

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

(c) Retirement benefits: defined contribution plans

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

(d) Retirement benefits: defined benefit plans

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

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

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

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

(e) Termination benefits

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

(3-18) Provisions

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

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

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

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

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

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

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

- Provision loss determined in accordance with K-IFRS No.1109 '*Financial Instruments*'

- Accumulated of amortized cost deducted by amortized cost recognized in accordance with K-IFRS No.1115 '*Revenue from Contracts with Customers*, in accordance with initial recognition amount (fair value)'

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

(3-19) Foreign currencies

(a) Foreign currency transactions

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

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

(b) Foreign operations

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

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

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

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

(c) Conversion of net investment in Foreign operations

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

(3-20) Equity capital

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

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

(3-21) Share-based payment transactions

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

(3-22) Recognition of revenue and expense

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

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

(a) Interest income and expense

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

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

(b) Fees and commission

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

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

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

Fees earned as services are provided

Fees and commission income, including investment management fees, sales commission, and account servicing fees, are recognized as the related services are provided. In addition, if a certain loan commitment is unlikely to be contracted and the loan commitment is not within the scope of K-IFRS No.1109, the commission fee is recognised as revenue over period of time.

Fees that are earned on the execution of a significant action

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

(c) Dividends

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

(d) Insurance income

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

(3-23) Income taxes

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

(a) Current tax

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

(b) Deferred tax

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

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

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

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

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

Uncertainty over income tax treatments occurs from a tax ruling and litigation appealed from the Group and examination of taxation authority due to complexity of transaction or the difference on application of tax laws. It is recognized in income tax assets in case tax amounts were paid by taxation authority's imposition but probability of refund is high, and it is recognized in income tax liabilities in case of tax amount predicted to be paid in the future by the examination of taxation authority under K-IFRS No.2123.

(3-24) Accounting for trust accounts

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

(3-25) Earnings per share

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

(3-26) Acquisition costs

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

On the other hand, the lesser of the actual or expected costs for a new contract entered into after April 1, 2004, is amortized over the life of the contract (up to seven years). The Group additionally amortizes the excess amount if unamortized acquisition costs are more than the difference between premium reserves based on a net premium method and premium reserves based on a surrender value method as of December 31, 2019.

(3-27) Insurance and investment contracts-classification

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

The Group classifies a contract that exposes the issuer to financial risk without significant insurance risk as an investment contract. Depending on whether an investment contract contains a discretionary participation feature or not, the accounting treatments of the investment contract is different. If there is the discretionary participation feature in the investment contract, it is treated as the same as insurance contracts, but if not, K-IFRS No.1109 '*Financial Instruments*' is applied.

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

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

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

(a) Premium reserve

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

(b) Reserve for unearned premium

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

(c) Guarantee reserve

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

(d) Reserve for outstanding claims

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

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

(e) Reserve for participating policyholders' dividends

Excess Crediting Rate Reserve

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

Mortality Dividend Reserve

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

Interest Dividend Reserve

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

Long-term Duration Dividend Reserve

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

(f) Dividend reserve for policyholders' income participation

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

Of the dividend reserve for policyholders' income participation that did not actually occur as of December 31, 2018, were added to the dividend reserve for policyholders' income participation, which were set aside by the total amount prior to the year ended December 31, 2019. Dividend for participating policyholders incurred as of December 31, 2018, in excess of the newly reserved dividend reserve for policyholders' income participation were deducted from the dividend reserve for policyholders' income participation (in the order of the policyholders' shares calculated according to the Article 6-13, Paragraph 1 and shareholders' interest), which were set aside by the total amount prior to the year ended December 31, 2019. Dividend reserve for policyholders' income participation reserved by the total amount will be used as sources of dividend for policyholders to individual policyholder within five years from the year ended December 31, 2019.

(3-29) Liability adequacy test

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

In accordance with K-IFRS No.1104 '*Insurance Contact*', the Group applies a liability adequacy test that meets specified minimum requirements. The minimum requirements are the following:

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

(3-30) Reinsurance contracts

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

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

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

(3-31) Policyholders' equity adjustment

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

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

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

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

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

The following new standards, interpretations and amendments to existing standards have been published but are not mandatory for the Group for annual periods beginning after January 1, 2019, and the Group has not early adopted them.

(a) K-IFRS No.1001 '*Presentation of Financial Statements*', K-IFRS No.1008 '*Accounting Policies, Changes in Accounting Estimates and Errors*'

K-IFRS No.1001 '*Presentation of Financial Statements*', K-IFRS No.1008 '*Accounting Policies, Changes in Accounting Estimates and Errors*', as amended on April 19, 2019, are applied from the following fiscal year after January 1, 2020. However, if the Group complies with all other amendments to the reference of Framework by International Accounting Standards at the same time, they may be applied. The Group applies K-IFRS No.1001 and K-IFRS No.1008 from the following fiscal year after January 1, 2020, either retrospectively to prior reporting periods presented in accordance with the above standards or retrospectively to recognize the initial cumulative effect on the date of initial application.

The Group determines that the financial impact of applying K-IFRS No. 1008 on the consolidated financial statements is not significant based on the current situation and information available as of December 31, 2019.

(b) K-IFRS No.1103 '*Business Combination*'

K-IFRS No.1103 '*Business Combination*', as amended on April 19, 2019, may be applied to business combinations or acquisition of assets from the beginning of the fiscal year beginning on or after January 1, 2020

The Group determines that the financial impact of applying K-IFRS No.1103 on the consolidated financial statements is not significant based on the current situation and information available as of December 31, 2019.

4. Operating Segments

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

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

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

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

(a) Information about reportable segments as of and for the years ended December 31, 2019 and 2018 are as follows:

(In millions of won)

	2019							
	Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Adjustment	Consolidated Amount
Interest	Interest income	1,751,500	147,653	156,494	159,677	395	2,215,719	(21,410) 2,194,309
	Interest expense	611,851	79,128	9,282	69,140	25	769,426	13,873 783,299
	Subtotal	1,139,649	68,525	147,212	90,537	370	1,446,293	(35,283) 1,411,010
Fees and commissions	Fees and commission income	140,336	195,773	8,467	4,927	10,950	360,453	(5,521) 354,932
	Commissions expense	53,876	16,155	5,694	7,234	282	83,241	(131) 83,110
	Subtotal	86,460	179,618	2,773	(2,307)	10,668	277,212	(5,390) 271,822
Other operating	Other operating income	773,367	695,204	919,657	8,513	317	2,397,058	22,516 2,419,574
	Gain on life insurance	-	-	801,064	-	-	801,064	- 801,064
	Gain on financial assets at fair value through profit or loss	39,697	338,270	46,693	6,610	317	431,587	6,451 438,038
	Gain on financial assets designated at fair value through profit or loss	-	18,757	-	-	-	18,757	- 18,757
	Gain on held-for-trading derivatives	469,518	332,308	-	-	-	801,826	698 802,524
	Gain on financial assets at fair value through other comprehensive income	19,034	414	13,900	-	-	33,348	(30) 33,318
	Gain on derivatives instruments on hedge	9	-	20,313	-	-	20,322	(1) 20,321
	Gain on foreign transactions	223,274	2,675	26,810	295	-	253,054	- 253,054
	Reversal for credit losses	6,029	2,649	15	-	-	8,693	(1,005) 7,688
	Other operating gain	15,806	131	10,862	1,608	-	28,407	16,403 44,810
	Other operating expenses	1,631,315	871,194	1,067,767	61,899	6,613	3,638,788	31,407 3,670,195
	Loss on life insurance	-	-	914,919	-	-	914,919	(14,925) 899,994
	Loss on financial assets at fair value through profit or loss	15,499	224,395	8,488	1,080	24	249,486	- 249,486
	Loss on financial assets designated at fair value through profit or loss	-	99,966	-	-	-	99,966	10,560 110,526
	Gain (Loss) on adjustments for overlay approach	-	-	14,039	-	-	14,039	- 14,039
	Loss on held-for-trading derivatives	457,498	340,673	-	-	-	798,171	2,934 801,105
	Loss on financial assets at fair value through other comprehensive income	-	168	3,078	-	-	3,246	1 3,247
	Loss on derivatives instruments on hedge	62	-	47,168	-	-	47,230	- 47,230
	Loss on foreign transactions	216,461	4	4,042	118	-	220,625	1 220,626
	Provisions for credit losses	142,083	4,475	846	26,734	1	174,139	(1,124) 173,015
	General and administrative expense	625,265	197,949	74,388	32,979	6,588	937,169	13,006 950,175
	Other operating loss	174,447	3,564	799	988	-	179,798	20,954 200,752
	Subtotal	(857,948)	(175,990)	(148,110)	(53,386)	(6,296)	(1,241,730)	(8,891) (1,250,621)
Operating income	368,161	72,153	1,875	34,844	4,742	481,775	(49,564)	432,211
Profit for the year	282,302	84,901	8,899	27,602	3,729	407,433	(44,524)	362,909
Controlling interest								327,408
Non-controlling interest								35,501
Total assets	55,215,375	7,723,324	6,292,087	3,104,766	39,379	72,374,931	22,792	72,397,723
Total liabilities	₩ 50,798,024	6,900,922	6,019,227	2,740,066	4,072	66,462,311	507,069	66,969,380

(In millions of won)

2018

		Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Adjustment	Consolidated Amount
Interest	Interest income	₩ 1,716,606	36,914	160,589	145,663	394	2,060,166	(34,071)	2,026,095
	Interest expense	553,717	13,947	8,137	64,528	-	640,329	6,352	646,681
	Subtotal	1,162,889	22,967	152,452	81,135	394	1,419,837	(40,423)	1,379,414
Fees and commissions	Fees and commission income	142,295	48,015	6,821	4,139	14,078	215,348	(7,667)	207,681
	Commissions expense	65,976	9,298	2,599	6,629	330	84,832	(7,771)	77,061
	Subtotal	76,319	38,717	4,222	(2,490)	13,748	130,516	104	130,620
Other operating	Other operating income	704,890	128,361	1,077,172	5,956	637	1,917,016	12,814	1,929,830
	Gain on life insurance	-	-	999,624	-	-	999,624	-	999,624
	Gain on financial assets at fair value through profit or loss	36,496	71,944	27,395	5,580	637	142,052	(537)	141,515
	Gain on financial assets designated at fair value through profit or loss	-	16,250	-	-	-	16,250	-	16,250
	Gain on held-for-trading derivatives	383,347	39,745	-	-	-	423,092	57	423,149
	Gain on financial assets at fair value through other comprehensive income	6,109	-	6,176	-	-	12,285	(1,951)	10,334
	Gain on foreign transactions	257,814	48	16,615	108	-	274,585	-	274,585
	Reversal for credit losses	3,136	235	755	111	-	4,237	(26)	4,211
	Other operating gain	17,988	139	26,607	157	-	44,891	15,271	60,162
	Other operating expenses	1,622,527	176,054	1,242,360	54,668	6,517	3,102,126	4,328	3,106,454
	Loss on life insurance	-	-	1,117,791	-	-	1,117,791	(24,546)	1,093,245
	Loss on financial assets at fair value through profit or loss	33,736	42,951	8,342	3,046	54	88,129	(2,726)	85,403
	Loss on financial assets designated at fair value through profit or loss	-	7,905	-	-	-	7,905	215	8,120
	Gain (Loss) on adjustments for overlay approach	-	-	6,078	-	-	6,078	-	6,078
	Loss on held-for-trading derivatives	348,178	72,114	-	-	-	420,292	601	420,893
	Loss on financial assets at fair value through other comprehensive income	32	126	314	-	-	472	-	472
	Loss on foreign transactions	276,436	2,116	9,388	140	-	288,080	(1)	288,079
	Provisions for credit losses	163,462	5,205	71	22,842	5	191,585	(311)	191,274
	General and administrative expense	659,559	45,619	64,544	27,591	6,458	803,771	13,198	816,969
	Other operating loss	141,124	18	35,832	1,049	-	178,023	17,898	195,921
Operating income	Subtotal	(917,637)	(47,693)	(165,188)	(48,712)	(5,880)	(1,185,110)	8,486	(1,176,624)
	Operating income	321,571	13,991	(8,514)	29,933	8,262	365,243	(31,833)	333,410
	Profit for the year	234,825	11,223	(2,407)	22,392	6,431	272,464	131,134	403,598
	Controlling interest	-	-	-	-	-	-	-	381,107
Non-controlling interest	Non-controlling interest	-	-	-	-	-	-	-	22,491
	Total assets	49,785,346	6,087,981	6,147,943	2,762,148	38,992	64,822,410	91,131	64,913,541
	Total liabilities	₩ 45,625,353	5,331,555	5,909,797	2,454,863	5,433	59,327,001	530,872	59,857,873

(b) Profit or loss on interest for each reporting segments from external customers and internal divisions as of and for the years ended December 31, 2019 and 2018 are as follows:

	(In millions of won)							
	2019							
	Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Adjustment	Consolidated Amount
Profit/loss on interest from external	₩ 1,136,930	68,525	147,211	96,309	136	1,449,111	(38,101)	1,411,010
Profit/loss on interest from internal	2,719	-	1	(5,772)	234	(2,818)	2,818	-
Total	₩ 1,139,649	68,525	147,212	90,537	370	1,446,293	(35,283)	1,411,010

	(In millions of won)							
	2018							
	Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Adjustment	Consolidated Amount
Profit/Loss on Interest From External	₩ 1,161,897	22,967	152,452	87,326	141	1,424,783	(45,369)	1,379,414
Profit/loss on interest from internal	992	-	-	(6,191)	253	(4,946)	4,946	-
Total	₩ 1,162,889	22,967	152,452	81,135	394	1,419,837	(40,423)	1,379,414

(c) Profit or loss on fees and commissions for each reporting segments from external customers and internal divisions as of and for the years ended December 31, 2019 and 2018 are as follows:

	(In millions of won)							
	2019							
	Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Adjustment	Consolidated Amount
Profit/Loss on fee and commission From External	₩ 83,267	179,618	2,969	(1,081)	9,534	274,307	(2,486)	271,821
Profit/Loss on Interest From Internal	3,193	-	(197)	(1,226)	1,134	2,904	(2,904)	-
Total	₩ 86,460	179,618	2,772	(2,307)	10,668	277,211	(5,390)	271,821

	(In millions of won)							
	2018							
	Banking	Securities	Life Insurance	Loan	Asset Management	Subtotal	Adjustment	Consolidated Amount
Profit/Loss on fee and commission From External	₩ 72,209	38,717	4,424	(1,701)	10,916	124,565	6,055	130,620
Profit/Loss on fee and commission From Internal	4,110	-	(202)	(789)	2,832	5,951	(5,951)	-
Total	₩ 76,319	38,717	4,222	(2,490)	13,748	130,516	104	130,620

5. Cash and Due from Banks

(a) Cash and Due From Banks

Cash and due from banks as of December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
Cash and cash equivalents		₩ 437,379	424,761
Due from banks in won	The Bank of Korea	1,481,595	1,296,803
	Commercial banks	401,540	274,431
	Others	202,816	358,340
	Subtotal	2,085,951	1,929,574
Due from banks in foreign currencies	The Bank of Korea	116,798	162,796
	Commercial banks	53,590	71,938
	Others	132,502	12,430
	Subtotal	302,890	247,164
Total		₩ 2,826,220	2,601,499

(b) Restricted Due From Banks

Restricted due from banks as of December 31, 2019 and 2018, are as follows:

		(In millions of won)		Restrictions
	Depository	2019	2018	
Reserve deposits in won	The Bank of Korea	₩ 1,481,595	1,296,803	Reserve
	Commercial banks	22,586	10,689	Collateral, Pledges, etc.
	Investor deposit	176,246	286,580	Enforcement Decree of the financial investment service and capital market act
	Subtotal	1,680,427	1,594,072	
Reserve deposits in foreign currencies	The Bank of Korea	19,260	24,702	Reserve in Foreign Currencies
	Overseas Banks	56,384	79,978	Due from banks for legal fees and business
	Others	66,242	1,678	Collateral
	Subtotal	141,886	106,358	
Total		₩ 1,822,313	1,700,430	

6. Financial Assets at Fair Value through Profit or Loss

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

Financial instruments at fair value through profit or loss as of December 31, 2019 and 2018, are as follows:

		(In millions of won)	
		2019	2018
		Fair Value (Book Value)	Fair Value (Book Value)
Equity securities	Stocks	₩ 4,378	16,216
	Others	34,968	45,996
	Subtotal	39,346	62,212
Debt securities	Government bonds	2,060,612	2,540,567
	Financial bonds	2,340,443	853,572
	Debentures	894,697	865,392
	International bond	29,400	53,815
	Beneficiary certificate	1,123,664	709,186
	Equity investment	138,558	82,503
	Others	519,182	507,980
	Subtotal	7,106,556	5,613,015
Loans	Private equity investment	44,265	47,271
	Others	4,983	-
	Subtotal	49,248	47,271
Deposits	Structured deposit (*)	103,469	119,142
	Investor deposit	251,627	246,599
	Subtotal	355,096	365,741
Equity-linked securities		197,866	189,727
Total	₩ 7,748,112	6,277,966	

(*) The amount matures within 12 months is ₩3,125,000 million (₩1,316,254 million as of December 31, 2018) as of December 31, 2019, and the amount matures after 12 months is ₩4,385,900 million (₩4,709,773 million as of December 31, 2018) as of December 31, 2019.

(b) Restricted Financial Assets

Restricted financial assets as of December 31, 2019 and 2018 are as follows:

		(In millions of won)		
		2019	2018	Restrictions
Investor deposit (trust)	₩ 251,627	246,599		Enforcement Decree of the Financial Investment Service and Capital Market Act
Joint compensation fund	15,523	20,710		
Total	₩ 267,150	267,309		

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

Financial liabilities at fair value through profit or loss as of December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
		Fair Value (Book Value)	Fair Value (Book Value)
Available-for-sale securities	Stock	₩ 25,952	32,154
	Government Bonds	1,579,710	380,879
	Financial Bonds	80,231	138,418
Total	₩ 1,685,893	551,451	

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

Financial liabilities at fair value through profit or loss as of December 31, 2019 and 2018, are as follows:

	(In millions of won)	2019	2018
Equity-linked securities		₩ 625,093	396,788
Derivatives-linked securities		137,209	120,582
Derivatives-linked securities valuation adjustments at the transaction date through profit or loss		12,430	424
Total	₩	774,732	517,794

(e) Application of Overlay Approach

The Group applies overlay approach in accordance with K-IFRS No.1104 when it first applies K-IFRS No.1109.

Financial assets that overlay approach as of December 31, 2019 and 2018 are as follows:

	(In millions of won)	2019	2018
Financial assets at fair value through profit or loss		₩	₩
Deposits		88,556	104,410
Debt securities		646,540	561,853
Total	₩	735,096	666,263

Regarding financial assets that overlay approach has been applied, reported amounts in accordance with K-IFRS No.1109 and those in accordance with K-IFRS No.1039 as of and for the year ended December 31, 2019 are as follows:

	(In millions of won)	K-IFRS No.1109	K-IFRS No.1039
Operating income			
Interest	₩	8,071	8,080
Dividend		-	19,743
Gain on financial instruments		41,503	2,709
Operating expenses			
Loss on financial instruments		(8,084)	(3,081)
Net income before adjustment		41,490	27,451
Adjustments for overlay approach		(14,039)	-
Net income after adjustment	₩	27,451	27,451

Change in other comprehensive income resulting from reclassification of profit or loss and other comprehensive income as of and for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of won)	2019	2018
Beginning balance	₩	(9,021)	(13,654)
Reclassification due to acquisition and valuation		12,649	6,529
Reclassification due to disposition		1,269	(539)
Reclassification due to amortization		121	89
Income tax effect		(3,449)	(1,446)
Ending balance	₩	1,569	(9,021)

7. Financial Assets at Fair Value through Other Comprehensive Income

(a) Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income as of December 31, 2019 and 2018, are as follows:

		(In millions of won)	
		2019	2018
		Fair Value (Book Value)	Fair Value (Book Value)
Equity Securities	Listed equity securities	₩ 591	645
	Unlisted equity securities	48,634	68,080
	Others	338	349
	Subtotal	49,563	69,074
Debt Securities	Government bonds	1,411,259	1,661,469
	Financial bonds	1,554,938	1,123,754
	Debentures	748,342	719,189
	Securities in foreign currencies	417,205	459,134
Total	Subtotal	4,131,744	3,963,546
	₩	4,181,307	4,032,620

(*) The amount of financial assets at fair value through other comprehensive income, excluding equity securities, matures within 12 months is ₩666,713 million (₩1,173,774 million won as of December 31, 2018) as of December 31, 2019, and the amount matures after 12 months is ₩3,465,031 million (₩2,789,772 million as of December 31, 2018) as of December 31, 2019.

(b) Equity securities of financial assets at fair value through other comprehensive income as of December 31, 2019 and 2018, are as follows:

		(In millions of won)	
		2019	2018
		Book Value	Book value
Listed equity securities			Purpose of Acquisition
Kumho Industrial Co., Ltd	₩	545	645
STX Heavy Industries Co., Ltd		46	-
Subtotal		591	645
Others			
Exco		2,885	2,878
BC Card		11,051	11,430
Korea Asset Management Corp.		1,570	1,570
Daegyeong Investment Corp.		4,760	4,373
Tauraus Investment & Securities Co., Ltd.		-	1,085
National Happiness Fund Co., Ltd. Redeemable preferred stocks		12,485	11,708
Korea Trust Co., Ltd		7,550	6,351
K-Bank		5,887	12,200
Korea Financial Investment Association		249	249
YesStock Inc.		291	291
Korea Exchange (*)		-	12,411
Korea Securities Financial Corporation (*)		-	863
Korea Money Brokerage Corp.		2,244	3,020
Subtotal		48,972	68,429
Total	₩	49,563	69,074

(*) Excluded as the Group disposed Hi Asset Management and Hi Investment & Futures for the year ended December 31, 2019.

(c) Recognized dividend income from equity securities at fair value through other comprehensive income as of and for the years ended December 31, 2019 and 2018, are as follows:

	2019		2018	
	Disposed Equity Securities	Retained Equity Securities	Disposed Equity Securities	Retained Equity Securities
Listed Equity Securities	₩ -	24	465	24
Unlisted Equity Securities	-	852	-	2,691
Total	₩ -	876	465	2,715

(d) Lists of disposed financial assets at fair value through other comprehensive income as of and for the years ended December 31, 2019 and 2018, and reasons of those are as follows:

	2019		
	Fair Value at Disposition	Accumulated Gain(loss) on Valuation (*)	Reason for Disposal
AJIN P&P Co., Ltd.	₩ 652	55	Trade
Tauraus Investment & Securities Co., Ltd.	2,997	(342)	Trade
Poong Lim Industrial Co., Ltd.	34	-	Trade
KAMCO - Hanmaum Finance (Preferred stock)	8	-	Redemption
Total	₩ 3,691	(287)	

	2018		
	Fair Value at Disposition	Accumulated Gain(loss) on Valuation (*)	Reason for Disposal
KAMCO - Hanmaum Finance (Preferred stock)	₩ 86	-	Redemption
STX Engine Co., Ltd.	2,352	1,206	Trade
Total	₩ 2,438	1,206	

(*) Accumulated gain on valuation is replaced by retained earnings.

(e) Securities Lending Transactions

When consolidated group lends their securities, ownership of the securities transfers to borrower, but the Group gets the security back upon the expiration. As a result, most of related risks and rewards of the ownership of those securities are held by the Group, and the Group keeps recognizing all the events that happen in those securities lending transactions. The details of securities lending financial assets at fair value through other comprehensive income as of December 31, 2019 and 2018, are as follows:

	2019		
	Book Value of Transferable Assets	Book Value of Related Liabilities	
Financial assets at fair value through OCI	₩ 413,183	-	
Government bonds	69,878	-	
Foreign currency bonds	483,061	-	
Total			

	2018		
	Book Value of Transferable Assets	Book Value of Related Liabilities	
Financial assets at fair value through OCI	₩ 20,752	-	
Government bonds	31,824	-	
Foreign currency bonds	52,576	-	
Total			

(f) Changes in total book value of financial assets (debt securities) at fair value through other comprehensive income as of and for the years ended December 31, 2019 and 2018, are as follows:

(In millions of won)

		2019		
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-Impaired	Total
Beginning balance	₩ 3,963,546	-	-	3,963,546
Transfer to 12 month expected credit loss	-	-	-	-
Transfer to life time expected credit loss	-	-	-	-
Transfer to impaired lifetime expected credit loss	-	-	-	-
Acquisition of financial assets	5,509,301	-	-	5,509,301
Disposed financial assets	(5,396,552)	-	-	(5,396,552)
Others (*2)	55,449	-	-	55,449
Ending balance	₩ 4,131,744	-	-	4,131,744

(In millions of won)

		2018		
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-Impaired	Total
Beginning balance (*1)	₩ 3,746,057	-	-	3,746,057
Transfer to 12 month expected credit loss	-	-	-	-
Transfer to life time expected credit loss	-	-	-	-
Transfer to impaired lifetime expected credit loss	-	-	-	-
Effect of change in scope of consolidation	178,985	-	-	178,985
Acquisition of financial assets	2,827,858	-	-	2,827,858
Disposed financial assets	(2,772,315)	-	-	(2,772,315)
Others (*2)	(17,039)	-	-	(17,039)
Ending balance	₩ 3,963,546	-	-	3,963,546

(*1) Reclassification and remeasurement effect of applying K-IFRS No. 1109

(*2) Include changes due to financing conversion, foreign exchange rate, etc.

8. Securities at Amortized Cost

(a) Securities at amortized cost

Securities at amortized cost as of December 31, 2019 and 2018 are as follows:

(In millions of won)

		2019	2018
Government bonds		₩ 4,550,398	4,932,173
Financial bonds		607,587	591,829
Debentures		1,597,679	1,881,054
Foreign currency bonds		585,735	441,378
Allowance for doubtful account		(512)	(328)
Total	₩	7,340,887	7,846,106

(*) The amount matures within 12 months is ₩1,488,397 million (₩1,137,816 million as of December 31, 2018) as of December 31, 2019, and the amount matures after 12 months is ₩5,853,003 million (₩6,708,618 million as of December 31, 2018) as of December 31, 2019.

(b) Transferred securities at amortized cost that are not derecognized

Transferred securities at amortized cost that are not derecognized as of December 31, 2019 and 2018, are as follows:

							(In millions of won)
							2019
			Securities at Amortized Cost		Liabilities		
	Book Value	Book Value	Allowance		Book Value	Fair Value	Net Position
Securities Sold Under Repurchase Agreement (*)	₩ 964,688	973,208	(144)		862,031	862,245	110,963
Loaned Securities	41,104	46,912	(12)		-	-	46,912

							(In millions of won)
							2018
			Securities at Amortized Cost		Liabilities		
	Book Value	Book Value	Allowance		Book Value	Fair Value	Net Position
Securities Sold Under Repurchase Agreement (*)	₩ 929,648	931,131	(127)		774,873	774,952	156,179
Loaned Securities	97,946	99,112	(5)		-	-	99,112

(*) The Group transfers a contractual right which allows to take cash from transferred securities at amortized cost, but makes the agreement to repurchase the transferred assets with a preselected price after sale or the amount of selling price plus fixed return.

(c) Profit (loss) from disposal of securities at amortized cost as of December 31, 2019 and 2018 are as follows:

				(In millions of won)
				2019
		Face Value	Book Value	Gain (Loss) on Disposal
Corporate bonds, etc.	₩	176,976	187,035	10,059

				(In millions of won)
				2018
		Face Value	Book Value	Gain (Loss) on Disposal
Corporate bonds, etc. (*)	₩	27,024	27,028	(4)

(*) The Group disposed of the securities at amortized costs by exercising the debt securities issuer's right of recourse for the years ended December 31, 2019 and 2018.

(d) Changes in total book value of securities at amortized cost as of and for the years ended December 31, 2019 and 2018, are as follows:

						(In millions of won)
						2019
		12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-Impaired	Total	
Beginning balance	₩	7,846,434	-	-	7,846,434	
Transfer to 12-month expected credit loss	-	-	-	-	-	
Transfer to lifetime expected credit loss	-	-	-	-	-	
Transfer to impaired lifetime expected credit loss	-	-	-	-	-	
Acquisition of financial assets	1,062,121	-	-	-	1,062,121	
Disposed financial assets	(1,572,802)	-	-	-	(1,572,802)	
Others (*)	15,493	-	-	-	15,493	
Changes in the scope of consolidation (**)	(9,847)	-	-	-	(9,847)	
Ending balance	₩	7,341,399	-	-	7,341,399	

(*) Include changes due to financing conversion, foreign exchange rate, depreciation of fair value, etc. .

(**) Scope of consolidation has been changed due to disposal of Hi Investment and Hi Investment & Futures for the year ended December 31, 2019.

(In millions of won)

		2018		
	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-Impaired	Total
	₩	₩	₩	₩
Beginning balance (*2)		7,623,361		7,623,361
Changes in the scope of consolidation due to business combination		9,807		9,807
Transfer to 12-month expected credit loss		-		-
Transfer to lifetime expected credit loss		-		-
Transfer to impaired lifetime expected credit loss		-		-
Acquisition of financial assets		1,168,347		1,168,347
Disposed financial assets		(931,650)		(931,650)
Others (*1)		(23,431)		(23,431)
Ending balance	₩	7,846,434		7,846,434

(*1) Include changes due to financing conversion, foreign exchange rate, valuation, depreciation of fair value, purchase of stocks, etc.

(*2) Restated in accordance with K-IFRS No.1109.

9. Collateralized Securities

Investment securities pledged to various institutions as of December 31, 2019 are as follows:

(In millions of won)

		2019		
Collateralized Assets	Reasons for providing collateral	Face Value (Collateralized Value)	Book Value	Guarantees
		₩	₩	
Securities at fair value through other comprehensive income	Bank of Korea borrowings	160,000	159,646	Korea Securities Depository
	Collateral on Bank of Korea payments	10,000	9,971	The Bank of Korea
	Margin call	10,000	10,181	Korea Securities Depository
	Repurchase agreements transactions	122,997	164,813	Korea Securities Depository, etc.
	Subtotal	302,997	344,611	
	Collateral on Bank of Korea payments	255,000	254,098	The Bank of Korea, Korea Securities
	Collateral on Bank of Korea borrowings	175,000	175,152	Depository The Bank of Korea, Korea Securities
	Bank of Korea daylight overdraft	210,000	210,863	Depository The Bank of Korea, Korea Securities
Securities at amortized cost	Derivatives transactions	24,656	24,263	Depository NH Futures, Samsung Futures Inc.
	Margin call	90,000	94,160	Korea Securities Depository
	Bonds sold under repurchase agreements	964,892	964,688	The Bank of Korea, Korea Securities Depository
	Others	12,435	12,422	Korea Securities Depository
	Subtotal	1,731,983	1,735,646	
Financial assets at fair value through profit or loss	Debts lending transactions and derivative transactions margin, Collateral for transaction under repurchase agreements	4,516,407	4,805,934	KB Securities, Korea Securities Depository
Total		₩ 6,551,387	₩ 6,886,191	

10. Investments in Associates

(a) Ownership

Ownership on associates as of and for the years ended December 31, 2019 and 2018 are as follows:

Associates (*2)	Relation	2019				
		Number of Shares Owned(in shares)	Ownership	Acquisition Cost	Net Asset Value	Book Value
Daegu FC (*1)(*3)	Associate	300,000	9.20%	₩ 516	6,558	604
PINE TREE II VC PRIVATE EQUITY FUND	Associate	10	25.69%	1,898	7,212	1,853
Tribridge Capital Management	Associate	958,000	23.93%	6,930	-	-
HI GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY	Associate	7,133,667	47.86%	14,134	31,157	7,121
HI KOSDAQ Venture Securities Investment Trust (*1)	Associate	3,000,000	43.58%	3,000	6,535	2,843

Associates (*2)	Relation	2018				
		Number of Shares Owned(in shares)	Ownership	Acquisition Cost	Net Asset Value	Book Value
DGB Luxury KRX300 Index Securities Investment Trust	Associate	5,000,000,000	30.08%	₩ 5,000	14,032	4,221
Daegu FC (*1)(*3)	Associate	300,000	9.20%	516	5,106	470
Korea Omega Project No.2 Association	Associate	10	20.00%	1,000	4,964	993
KoFC-Partners Pioneer Champ 2011-1st Investment Fund	Associate	36	21.21%	2,800	10,188	2,161
HI GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY	Associate	7,133,667	47.86%	14,134	32,559	7,792
Hi ROKI1 Global Robo-Advisor Securities Investment Trust H	Associate	2,042,970,380	39.65%	2,100	5,083	1,840
Hi Global Dynamic Property Distribution Investment Trust	Associate	5,006,647,974	31.96%	5,000	15,380	4,581
Hi Japan High-Dividends Focus Securities Investment Trust	Associate	2,884,653,839	48.87%	2,900	5,773	3,089
Hi Korea Reunification Renaissance Investment Trust	Associate	2,441,198,767	37.61%	2,400	5,971	2,031
Tribridge Capital Management	Associate	958,000	23.93%	6,930	-	-

(*1) Associate's acquisition cost and book value are the carrying amount under previous K-GAAP on the date of transition to K-IFRS.

(*2) Although the Group has shares 20% or more, including beneficiary certificates, which are not included in the associate, companies that do not have significant influence are not classified as associates since collective investors are not bound by the Investment Advisory Committee, which provides services on investment decisions on disposal and collection of investment assets and investment decision of investment trusts.

(*3) Interests in Daegu FC is less than 20%, but it was classified as an associate as the Group can exercise significant influence over Daegu FC through sharing of management.

(b) Details of valuation on investments in associates

Details of valuation in equity method on investments in associates and other changes as of and for the years ended December 31, 2019 and 2018 are as follows:

(In millions of won)

Associates	Beginning balance	2019					Others	Ending Balance
		Acquisition	Disposal	Dividend in equity method	Gains or Losses on equity method			
Daegu FC	₩ 470	-	-	-	134	-	-	604
DGB Luxury KRX 300 Index	4,221	-	(4,221)	-	-	-	-	-
Korea Omega Project No.2 Association	993	-	(1,114)	-	121	-	-	-
KoFC-Partners Pioneer Champ 2011-1st Investment (*1)	2,161	-	(166)	-	-	(1,995)	-	-
Hi GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY	7,792	-	-	(640)	(31)	-	-	7,121
Hi ROKI1 Global Robo-Advisor Securities Investment Trust H (*2)	1,840	-	-	-	354	(2,194)	-	-
Hi Global Dynamic Property Distribution Investment Trust (*2)	4,581	-	-	-	628	(5,209)	-	-
Hi Japan High-Dividends Focus Securities Investment Trust (*1)	3,089	-	(2,819)	-	179	(449)	-	-
Hi Korea Reunification Renaissance Investment Trust (*2)	2,031	-	-	-	119	(2,150)	-	-
Hi KOSDAQ Venture Securities Investment Trust (*3)	-	2,735	-	-	108	-	-	2,843
PINE TREE II VC PRIVATE EQUITY FUND	-	1,898	-	-	(45)	-	-	1,853
Total	₩ 27,178	4,633	(8,320)	(640)	1,567	(11,997)	-	12,421

(*1) Reclassified as financial assets at fair value through profit or loss as the Group lost significant influence.

(*2) Excluded from investment in associates as the Group sold Hi Asset Management and Hi Investment & Futures for the year ended December 31, 2019.

(*3) Reclassified as investment in associate from investment in subsidiary as the Group lost controls for the year ended December 31, 2019.

(In millions of won)

Associates	Beginning balance	2018					Gains or Losses on Equity Method	Ending Balance
		Changes Due to Business Combination	Acquisition	Disposal	Equity Method Dividend			
Daegu FC	₩ 278	-	-	-	-	-	192	470
DGB Luxury KRX 300 Index	-	-	10,000	(5,000)	-	-	(779)	4,221
DGB Index Plus Securities Feeder Investment Trust No.1	10,078	-	-	(10,000)	-	-	(78)	-
Korea Omega Project No.2 Association	-	-	1,000	-	-	-	(7)	993
KoFC-Partners Pioneer Champ 2011-1st Investment	-	2,210	-	-	-	-	(49)	2,161
Hi GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY	-	8,097	-	-	(106)	(199)	-	7,792
Hi ROKI1 Global Robo-Advisor Securities Investment Trust H	-	1,830	-	-	-	-	10	1,840
Hi Global Dynamic Property Distribution Investment Trust	-	4,566	-	-	-	-	15	4,581
Hi Japan High-Dividends Focus Securities Investment Trust	-	3,076	-	-	-	-	13	3,089
Hi Korea Reunification Renaissance Investment Trust	-	2,020	-	-	-	-	11	2,031
Tribridge Capital Management	-	-	-	-	-	-	-	-
Total	₩ 10,356	21,799	11,000	(15,000)	(106)	(871)	-	27,178

(c) Condensed financial information

Condensed financial information of associates as of the years ended December 31, 2019 and 2018 are as follows:

	(In millions of won)			
	2019			
	Assets	Liabilities	Gross income	Net income(loss)
Daegu FC	₩ 9,896	3,338	12,620	1,452
PINE TREE II VC PRIVATE EQUITY FUND	7,215	3	80	(176)
HI GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY	39,711	8,554	1,403	1,682
HI KOSDAQ Venture Securities Investment Trust	₩ 6,743	208	1,021	82

	(In millions of won)			
	2018			
	Assets	Liabilities	Gross income	Net income(loss)
DBG KRX300 Index Securities Investment Trust	₩ 14,515	483	1,183	(2,883)
Daegu FC	7,351	2,245	8,066	2,079
Korea Omega Project No.2 Association	4,980	16	-	(36)
KoFC-Partners Pioneer Champ #2011-1 Investment Association	10,393	205	601	(233)
HI GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY	38,397	5,838	220	(1,491)
Hi ROKI1 Global Robo-Advisor Securities Investment Trust H	5,083	-	17	24
Hi Global Dynamic Asset Allocation Securities Investment Trust	15,487	107	318	47
Hi Japan High-Dividends Focus Securities Investment Trust	5,773	-	244	28
Hi Korea Unity Renaissance Securities Investment Trust	₩ 5,971	-	278	30

(d) Financial statement date

Financial statements dates used to evaluate the investments in associates as of December 31, 2019 are as follows:

	Settlement Month	Date of evaluation
Daegu FC (*)	December	2019-09-30
HI GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY	December	2019-12-31
HI KOSDAQ Venture Securities Investment Trust	December	2019-12-31
PINE TREE II VC PRIVATE EQUITY FUND	December	2019-12-31

(*) The effect of significant transactions or events occurred between the end date of Group's reporting period and the end date of associates' reporting period are properly reflected.

11. Loans at Amortized Cost

(a) Loans at Amortized Cost Balance

Loans at amortized cost as of December 31, 2019 and 2018, are as follows:

		(In millions of won)	
		2019	2018
Loans in won	₩	42,317,616	37,567,026
Loans in foreign currencies		765,375	675,771
Loans to other banks		255,535	252,972
Financial lease bonds		876,449	716,036
Commercial papers		7,506	14,968
Bill bought		136,114	132,632
Advance for customers		66,745	63,776
Credit card loan		442,600	419,345
Bonds under repurchase agreements		1,029,400	90,200
Call loans		162,887	214,977
Private loan		221,500	121,533
Privately placed public loan		484,419	317,270
Other loans		81,506	529,820
Subtotal		2,632,677	1,904,521
Loans Subtotal		46,847,652	41,116,326
Allowance for loan		(335,118)	(338,825)
Present value Discount(-)		-	(101)
Present value Discount(+)		53	132
Deferred loan origination fees(-)		(6,724)	(6,114)
Deferred loan origination costs(+)		81,213	55,533
Total	₩	46,587,076	40,826,951

(b) Deferred loan origination fees

Changes in deferred loan origination fees as of December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
Beginning	₩	6,114	6,841
Increase		8,270	5,829
Decrease		(7,660)	(6,556)
Ending	₩	6,724	6,114

Changes in deferred loan origination fees as of December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
Beginning	₩	55,533	49,114
Increase		74,653	54,796
Decrease		(48,973)	(48,377)
Ending	₩	81,213	55,533

(c) Financing lease

The fair value of financing leases' total investments and minimum lease payments as of December 31, 2019 and 2018 are as follows:

	(In millions of won)
	2019
	Total Investments in the Lease
	Minimum Lease Payment
	Unguaranteed Residual Value
	Unearned Interest
	Net Investment in the Lease
Within 1 year	₩ 314,011
Exceed 1 year and within 5years	612,909
Exceed 5 years	437
Total	₩ 927,357
	-
	28,270
	33,204
	9
	61,483
	285,741
	579,705
	428
	865,874

	(In millions of won)
	2018
	Total Investments in the Lease
	Minimum Lease Payment
	Unguaranteed Residual Value
	Unearned Interest
	Net Investment in the Lease
Within 1 year	₩ 294,052
Exceed 1 year and within 5years	456,281
Exceed 5 years	-
Total	₩ 750,333
	-
	25,076
	23,088
	-
	48,164
	268,976
	433,193
	-
	702,169

(d) Changes in book value of loans at amortized cost as of December 31, 2019 and 2018, are as follows:

	(In millions of won)				
	2019				
	Collective Assessment			Individual Assessment	
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit impaired	Lifetime Expected Credit Loss	Credit impaired
Beginning balance	₩ 36,849,880	3,752,651	137,258	88,404	288,133
Transfer to 12-month expected credit loss	876,006	(866,157)	(711)	(8,138)	(1,000)
Transfer to lifetime Expected credit loss (collective assessment)	(1,565,781)	1,592,481	(4,587)	(12,857)	(9,256)
Transfer to impaired lifetime expected credit loss (collective assessment)	(86,983)	(56,508)	143,816	-	(325)
Transfer to lifetime expected credit loss (individual assessment)	(3,344)	(15,948)	-	19,292	-
Transfer to impaired lifetime expected credit loss (individual assessment)	(153,753)	(145,087)	(1,712)	(39,631)	340,183
Execution or acquisition	51,806,276	1,459,924	19,468	9,221	55,692
Derecognition and collection (*1)	(45,848,000)	(1,288,606)	(117,720)	(18,171)	(119,416)
Disposal of non-performing loans	-	-	(21,764)	-	(237,015)
Others (*2)	32,462	-	-	-	32,462
Changes in scope of consolidation (*3)	(629)	-	-	-	(396)
Ending balance	₩ 41,906,134	4,432,750	154,048	38,120	316,600
					46,847,652

(In millions of won)

	2018				
	Collective Assessment			12-month Expected Credit Loss	
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit impaired	Lifetime Expected Credit Loss	Credit impaired
Beginning balance (*4)	₩ 36,979,581	2,180,915	115,738	-	236,484
Transfer to 12-month expected credit loss	542,502	(538,162)	(4,340)	-	-
Transfer to lifetime expected credit loss (collective assessment)	(1,998,839)	2,025,236	(3,129)	-	(23,268)
Transfer to impaired lifetime expected credit loss (collective assessment)	(71,451)	(42,927)	114,378	-	-
Transfer to lifetime expected credit loss (individual assessment)	(19,333)	(62,788)	-	83,177	(1,056)
Transfer to impaired lifetime expected credit loss (individual assessment)	(75,506)	(62,092)	(1,810)	-	139,408
Changes in scope of consolidation due to business combinations	732,992	-	-	-	732,992
Execution & acquisition	13,398,578	1,077,926	13,145	5,227	84,882
Derecognition and collection (*1)	(12,801,107)	(825,457)	(80,332)	-	(14,491)
Disposal of non-performing loans	(95)	-	(16,392)	-	(135,468)
Others (*2)	162,558	-	-	-	1,642
Ending balance	₩ 36,849,880	3,752,651	137,258	88,404	288,133
					41,116,326

(*1) Decrease due to amortization and repayment

(*2) Others are changes due to financing conversion, foreign exchange rate, etc.

(*3) Changes in scope of consolidation due to disposal of operating segments, Hi Asset Management and Hi Investment & Futures.

(*4) Restated in accordance with K-IFRS No.1109.

12. Allowance

(a) Changes in allowance for financial assets at fair value through other comprehensive income as of December 31, 2019 and 2018, are as follows:

(In millions of won)

	2019			
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-impaired	Total
Beginning balance (*)	₩ 919	-	-	919
Transfer to 12-month expected credit loss	-	-	-	-
Transfer to lifetime expected credit loss	-	-	-	-
Transfer to impaired lifetime expected credit loss	-	-	-	-
Disposal	(30)	-	-	(30)
Reversal of allowance for doubtful account	(283)	-	-	(283)
Execution & acquisition	313	-	-	313
Income tax effect	(195)	-	-	(195)
Ending balance	₩ 724	-	-	724

(In millions of won)

	2018			
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-impaired	Total
Beginning balance (*)	₩ 1,131	-	-	1,131
Transfer to 12-month expected credit loss	-	-	-	-
Transfer to lifetime expected credit loss	-	-	-	-
Transfer to impaired lifetime expected credit loss	-	-	-	-
Disposal	(56)	-	-	(56)
Reversal of allowance for doubtful account	(246)	-	-	(246)
Execution & acquisition	90	-	-	(90)
Ending balance	₩ 919	-	-	919

(*) Restated in accordance with K-IFRS No.1109.

(b) Changes in allowance for securities at amortized cost as of December 31, 2019 and 2018, are as follows:

(In millions of won)

	2019			
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-impaired	Total
Beginning balance (*)	₩ 328	-	-	328
Transfer to 12-month expected credit loss	-	-	-	-
Transfer to lifetime expected credit loss	-	-	-	-
Transfer to impaired lifetime expected credit loss	-	-	-	-
Reversal of allowance for doubtful account	73	-	-	73
Execution & acquisition	111	-	-	111
Ending balance	₩ 512	-	-	512

(In millions of won)

	2018			
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit-impaired	Total
Beginning balance (*)	₩ 198	-	-	198
Transfer to 12-month expected credit loss	-	-	-	-
Transfer to lifetime expected credit loss	-	-	-	-
Transfer to impaired lifetime expected credit loss	-	-	-	-
Disposal	(3)	-	-	(3)
Reversal of allowance for doubtful account	22	-	-	22
Execution & acquisition	111	-	-	111
Ending balance	₩ 328	-	-	328

(*) Restated in accordance with K-IFRS No.1109.

(c) Changes in allowance for loans at amortized cost and other financial assets as of December 31, 2019 and 2018 are as follows:

(In millions of won)

	2019				
	Collective Assessment		Individual Assessment		
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit impaired	Lifetime Expected Credit Loss	Credit impaired
Loans at Amortized Cost					
Beginning balance	₩ 111,992	59,984	45,670	23,939	97,240
Transfer to 12-month expected credit loss	12,860	(10,993)	(69)	(1,795)	(3)
Transfer to lifetime expected credit loss (Collective assessment)	(7,528)	18,648	(1,017)	(3,809)	(6,294)
Transfer to impaired lifetime expected credit loss (Collective assessment)	(956)	(2,330)	3,589	-	(303)
Transfer to lifetime expected credit loss (Individual assessment)	(4)	(240)	-	244	-
Transfer to impaired lifetime expected credit loss (Individual assessment)	(815)	(4,222)	(656)	12,254	17,947
Reversal of allowance for doubtful account	(31,152)	(13,145)	76,929	(4,567)	61,905
Execution & Acquisition	38,125	16,616	5,998	404	17,633
Bad debt expenses	(4,346)	(2,039)	(77,427)	-	(35,734)
Collection of loans written-off	-	-	20,655	-	1,690
Disposal of non-performing loan	-	-	(3,520)	-	(36,112)
Effect of exchange rate, etc.	(830)	-	-	-	(830)
Gain on interest of impaired debts	-	-	(13,640)	-	(20,754)
Changes in scope of consolidation due to business combination	-	-	-	-	(396)
Ending balance	₩ 117,346	62,279	56,512	2,162	96,819
Other Financial Assets at Amortized Costs					
Beginning balance (*)	₩ 968	354	10,230	95	3,689
Transfer to 12-month expected credit loss	36	(32)	(1)	(3)	-
Transfer to lifetime expected credit loss (Collective assessment)	(19)	55	(6)	(24)	(6)
Transfer to impaired lifetime expected credit loss (Collective assessment)	(5)	(23)	28	-	-
Transfer to lifetime expected credit loss (Individual assessment)	-	(1)	-	1	-
Transfer to impaired lifetime expected credit loss (Individual assessment)	(2)	(25)	(7)	(53)	87
Reversal of allowance for doubtful account	21	(1)	1,114	(11)	2,314
Execution & acquisition	189	57	67	7	96
Effect of exchange rate, etc.	(792)	-	(790)	-	(562)
Changes due to business combination	-	-	-	-	(380)
Ending balance	₩ 396	384	10,635	12	5,238

(*) Replaced 1 million won of the provision for loan losses (reversal) in other financial assets as gain or loss from discontinued operation.

(In millions of won)

	2018					
	Collective Assessment			Individual Assessment		
	12-month Expected Credit Loss	Lifetime Expected Credit Loss	Credit impaired	Lifetime Expected Credit Loss	Credit impaired	Total
Loans at Amortized Cost						
Beginning balance	₩ 126,172	51,720	-	-	70,403	290,925
Transfer to 12-month expected credit loss	9,357	(8,781)	-	-	-	-
Transfer to lifetime expected credit loss (Collective assessment)	(12,531)	18,778	-	-	(5,036)	-
Transfer to impaired lifetime expected credit loss (Collective assessment)	(4,024)	(3,626)	-	-	-	-
Transfer to lifetime expected credit loss (Individual assessment)	(117)	(2,140)	3,313	3,313	(1,056)	-
Transfer to impaired lifetime expected credit loss (Individual assessment)	(2,407)	(4,165)	-	-	8,382	-
Changes due to business combination	863	-	-	-	6,422	7,285
Reversal of allowance for doubtful account	(43,139)	(5,986)	17,969	17,969	85,767	117,429
Execution & Acquisition	38,977	15,425	2,657	2,657	9,793	72,423
Bad debt expenses	(2,883)	(1,240)	-	-	(58,142)	(145,131)
Collection of loans written-off	-	-	-	-	384	39,622
Disposal of non-performing loan	-	-	-	-	(19,656)	(22,324)
Effect of exchange rate, etc.	1,724	-	-	-	-	1,966
Gain on interest of impaired debts	-	(1)	-	-	(21)	(23,370)
Ending balance	₩ 111,992	59,984	23,939	23,939	97,240	338,825
Other Financial Assets at Amortized Costs						
Beginning balance (*)	₩ 950	455	10,922	-	490	12,817
Transfer to 12-month expected credit loss	28	(27)	(1)	-	-	-
Transfer to lifetime expected credit loss (Collective assessment)	(50)	60	(7)	-	(3)	-
Transfer to impaired lifetime expected credit loss (Collective assessment)	(50)	(55)	113	-	(8)	-
Transfer to lifetime expected credit loss (Individual assessment)	-	(7)	-	7	-	-
Transfer to impaired lifetime expected credit loss (Individual assessment)	(19)	(23)	(102)	-	144	-
Changes due to business combination	39	-	-	-	2,935	2,974
Reversal of allowance for doubtful account	(84)	(163)	(747)	61	(85)	1,018
Execution & acquisition	178	114	52	27	216	587
Effect of exchange rate, etc.	(24)	-	-	-	-	(24)
Ending balance	₩ 968	354	10,230	95	3,689	15,336

(*) Restated in accordance with K-IFRS No.1109.

13. Derivative Instruments

(a) Notional amounts of unsettled derivative instruments

Notional amounts of unsettled derivative instruments as of December 31, 2019 and 2018 are as follows:

(In millions of won)

		2019			2018		
		Trading	Hedging	Total	Trading	Hedging	Total
Currency related	Forward	₩ 9,806,115	145,531	9,951,646	6,966,442	550,806	7,517,248
	Swap	30,260	694,793	725,053	30,260	202,599	232,859
	Short future	118,424	-	118,424	105,971	-	105,971
	Subtotal	9,954,799	840,324	10,795,123	7,102,673	753,405	7,856,078
Interest rate related	Swap	20,000	4,631	24,631	-	11,181	11,181
	Long future	59,929	-	59,929	12,741	-	12,741
	Short future	819,486	-	819,486	2,444,570	-	2,444,570
	Subtotal	899,415	4,631	904,046	2,457,311	11,181	2,468,492
Stock related	Long options	3,695	-	3,695	34,156	-	34,156
	Short options	-	-	-	38,061	-	38,061
	Short futures	-	-	-	-	-	-
	Swap	197,202	-	197,202	270,597	-	270,597
Others	Future	441,554	-	441,554	201,904	-	201,904
	Long options	20	-	20	-	-	-
	Short options	45,455	-	45,455	42,457	-	42,457
	Subtotal	687,926	-	687,926	587,175	-	587,175
Others	Commodity future	2,389	-	2,389	2,949	-	2,949
	Other derivatives	6,446	-	6,446	4,721	-	4,721
	Subtotal	8,835	-	8,835	7,670	-	7,670
Total		₩ 11,550,975	844,955	12,395,930	10,154,829	764,586	10,919,415

(b) Valuation on trading and hedging transactions

Valuation on trading and hedging transactions for the years ended December 31, 2019 and 2018 are as follows:

(In millions of won)

		2019					
		Fair Value (Trading)			Fair Value (Hedging)		
		Valuation	Asset	Liabilities	Valuation	Assets	Liabilities
Currency related	Forward	₩ (7,106)	71,209	78,462	(2,758)	5,412	1,813
	Swap	(736)	17	-	1,800	8,574	6,774
Interest related	Swap	(12)	-	12	(62)	11	-
	Future	200	-	-	-	-	-
Stock related	Option	23	27	-	-	-	-
	Future	(38,588)	8,412	44,754	-	-	-
	Swap	8,365	3,685	7,621	-	-	-
	Long stock index option	-	20	-	-	-	-
	Short stock index option	173	-	729	-	-	-
Others	Commodity future	(58)	-	58	-	-	-
	Other derivatives	181	65	-	-	-	-
	Day 1 profit adjustments	(1,421)	927	1,250	-	-	-
	Reserve for credit risk adjustment	(37)	(436)	(17)	-	-	-
	Total	₩ (39,016)	83,926	132,869	(1,020)	13,997	8,587

(In millions of won)

2018						
		Fair Value (Trading)			Fair Value (Hedging)	
		Valuation	Assets	Liabilities	Valuation	Assets
Currency related	Forward	₩ 3,692	36,774	35,144	2,580	9,934
	Swap	597	753	-	1,484	4,363
Interest related	Swap	206	-	-	30	196
	Future	(1,493)	-	-	-	-
Stock related	Option	163	220	213	-	-
	Future	3,676	1	48,196	-	-
	Swap	(7,251)	3,248	17,836	-	-
	Short stock index option	(7,003)	-	577	-	-
Others	Commodity future	28	90	8	-	-
	Other derivatives	(899)	-	638	-	-
	Day 1 profit adjustments	(379)	68	184	-	-
	Reserve for credit risk adjustment	(138)	(391)	(9)	(1)	-
Total		₩ (8,801)	40,763	102,787	4,093	14,493
						6,714

(c) Gain (Loss) on valuation of hedged assets

Gain (loss) on fair value hedged items and hedging instruments attributable to the hedged ineffectiveness for the year ended December 31, 2019 are as follows:

(In millions of won)

Hedging item	Hedging instrument	2019		
		Gain/(Loss) on fair value hedges (hedged items)	Gain/(Loss) on fair value hedges (hedging instruments)	Hedge ineffectiveness recognized in profit or loss
Financial assets at fair value through other comprehensive income	Interest rate swap	62	(62)	-
Securities in foreign currency	Foreign exchange risk	2,328	(2,758)	(430)
Total	₩	2,390	(2,820)	(430)

Gain or loss on valuation of items subject to hedging as of December 31, 2018 are as follows:

(In millions of won)

	2018	
	Gain on valuation	Loss on valuation
Financial assets at fair value through other comprehensive income	₩ 9	363
Bonds(Net non-operating income)	7,428	1,047
Securities at amortized cost	9,177	8,008
Total	₩ 16,614	9,418

Details of accounts and amount on profit or loss and other comprehensive income due to hedge ineffectiveness of cash flow hedge and net investment in foreign operations for the year ended December 31, 2019 are as follows:

(In millions of won)

Hedging item	Hedging instrument	2019	
		Gain or loss on hedge recognized in OCI	Hedge ineffectiveness recognized in profit or loss
Cash flow hedge			
Debentures in won under variable interest rates	₩ Interest rate swap	7,690	2,179
Net investment in foreign operations hedge			
Net assets in foreign operations	Debentures in foreign currency	(7,161)	-
Total	₩	529	2,179

(d) The average hedge ratio of future nominal cash flows by type of hedge as of December 31, 2019 are as follows:

(In millions of won)

	2019						
	1 years	2 years	3 years	4 years	5 years	Over 5 years	Total
Fair value hedge							
Nominal amount	₩ 150,162	-	-	-	-	-	150,162
Cash flow hedge							
Nominal amount	325,094	72,261	119,988	25,949	125,554	25,949	694,795
Net investment in foreign operation hedge							
Nominal amount	-	-	-	287,738	-	-	287,738

(e) Gain or loss of foreign currency translation for foreign operations by types of hedging instruments for the years ended December 31, 2019 and 2018, are as follows:

(In millions of won)

	2019	2018
Debentures in foreign currency	₩ (7,161)	(9,466)

14. Property and Equipment

(a) Net book value of property and equipment

Net book value of property and equipment as of December 31, 2019 and 2018 are as follows:

(In millions of won)

	2019			
	Acquisition cost	Accumulated depreciation	Government grants	Net book value
Land	₩ 253,382	-	-	253,382
Buildings	460,189	(88,432)	-	371,757
Leasehold improvement	70,258	(56,232)	-	14,026
Business property	260,336	(176,520)	(195)	83,621
Right-of-use assets	89,780	(23,071)	-	66,709
Construction-in-progress	1,032	-	-	1,032
Total	₩ 1,134,977	(344,255)	(195)	790,527

(In millions of won)

	2018			
	Acquisition cost	Accumulated depreciation	Government grants	Net book value
Land	₩ 260,262	-	-	260,262
Buildings	466,877	(84,665)	-	382,212
Leasehold improvement	65,236	(52,461)	-	12,775
Business property	275,053	(188,194)	(259)	86,600
Construction-in-progress	63	-	-	63
Total	₩ 1,067,491	(325,320)	(259)	741,912

(b) Changes in property and equipment as of and for the years ended December 31, 2019 and 2018 are as follows:

(In millions of won)

	2019									
	Beginning balance (*)	Acquisition capital expenditure	Transfers to Investment property	Disposal and derecognition	Depreciation	Account transfer	Gain or loss on translation of foreign operations	Provision for restoration	Changes due to scope of consolidation	Ending Balance
Land	₩ 260,262	599	(324)	(7,155)	-	-	-	-	-	253,382
Buildings	382,212	5,651	(420)	(13,317)	(11,600)	9,231	-	-	-	371,757
Leasehold improvement	12,221	6,407	-	(57)	(4,895)	328	22	-	-	14,026
Business property	86,600	25,153	-	(793)	(27,946)	1,790	18	-	(1,201)	83,621
Right-of-use assets	52,879	44,425	-	(3,290)	(26,609)	-	19	749	(1,464)	66,709
Construction-in-progress	63	12,324	-	-	-	(11,349)	(6)	-	-	1,032
Total	₩ 794,237	94,559	(744)	(24,612)	(71,050)	-	53	749	(2,665)	790,527

(*) Restated in accordance with K-IFRS No. 1116

(In millions of won)

	2018									
	Beginning balance	Changes due to business combination	Acquisition and capital expenditure	Transfers from Investment property	Disposal and derecognition	Depreciation	Account transfer	Gain or loss on translation of foreign operations	Provision for restoration	Ending Balance
Land	₩ 170,303	6,646	66,665	20,401	(3,753)	-	-	-	-	260,262
Buildings	195,595	1,912	19,686	1,584	(941)	(8,028)	172,404	-	-	382,212
Leasehold improvement	10,224	1,069	4,948	-	(404)	(3,994)	-	29	903	12,775
Business property	46,814	11,937	43,498	-	(827)	(17,705)	2,852	31	-	86,600
Construction-in-progress	52,545	-	122,774	-	-	-	(175,256)	-	-	63
Total	₩ 475,481	21,564	257,571	21,985	(5,925)	(29,727)	-	60	903	741,912

15. Intangible Assets

Changes in intangible assets as of and for the years ended December 31, 2019 and 2018 are as follows:

(In millions of won)

	2019									
	Beginning balance	Acquisition and capital expenditure	Disposal	Amortization	Impairment Loss	Gain or loss on translation of foreign operations	Changes due to business combination	Ending Balance		
Goodwill	₩ 52,048	-	-	-	(2,582)	1,078	-	50,544		
Software	41,489	21,526	-	(20,156)	-	12	(998)	41,873		
Contributed acceptance assets	8,734	-	-	(924)	-	-	-	7,810		
Membership	15,870	720	(353)	-	-	24	(1,111)	15,150		
Customer-Related Intangible assets	2,510	-	-	(1,699)	-	-	-	811		
Brand	5,738	-	-	-	(424)	-	-	5,314		
Others	73,364	6,641	-	(15,973)	-	-	-	64,032		
Total	₩ 199,753	28,887	(353)	(38,752)	(3,006)	1,114	(2,109)	185,534		

(In millions of won)

	2018							
	Beginning balance	Changes due to business combination	Acquisition and capital expenditure	Disposal	Amortization	Impairment Loss	Gain or loss on translation of foreign operations	Ending Balance
Goodwill	₩ 21,690	29,091	-	-	-	-	1,267	52,048
Software	44,321	1,332	17,213	-	(21,393)	-	16	41,489
Contributed acceptance assets	9,659	-	-	-	(925)	-	-	8,734
Membership	7,121	6,230	2,936	(434)	-	(13)	30	15,870
Customer-related intangible assets	-	2,596	-	-	(86)	-	-	2,510
Brand	-	5,738	-	-	-	-	-	5,738
Others	65,163	15,597	10,265	(2,313)	(15,348)	-	-	73,364
Total	₩ 147,954	60,584	30,414	(2,747)	(37,752)	(13)	1,313	199,753

16. Investment Property

(a) Changes in investment property

Changes in investment property as of and for the years ended December 31, 2019, 2018 and 2017 are as follows:

(In millions of won)

	2019					
	Beginning balance	Disposal	Replacement from Property and equipment	Depreciation	Ending Balance	
Land	₩ 163,510	(5,946)	324	-	-	157,888
Buildings	51,348	(8,646)	420	(1,953)	-	41,169
Total	₩ 214,858	(14,592)	744	(1,953)	-	199,057

(In millions of won)

	2018						
	Beginning balance	Change due to business combination	Acquisitions	Disposal	Replacement from property and equipment	Depreciation	Ending Balance
Land	₩ 56,283	1,311	127,770	(1,453)	(20,401)	-	163,510
Buildings	37,308	419	18,561	(1,031)	(1,584)	(2,325)	51,348
Total	₩ 93,591	1,730	146,331	(2,484)	(21,985)	(2,325)	214,858

(b) Book Value and Fair Value of Investment Property by Category

Book value and fair value of investment property as of December 31, 2019 and 2018 are as follows:

(In millions of won)

	2019		
	Book Value	Fair Value	Difference
Land	₩ 157,888	185,920	28,032
Buildings	41,169	51,915	10,746
Total	₩ 199,057	237,835	38,778

(In millions of won)

	2018		
	Book Value	Fair Value	Difference
Land	₩ 163,510	182,481	18,971
Buildings	51,348	61,996	10,648
Total	₩ 214,858	244,477	29,619

The fair value of investment property is determined by factoring in the price of similar real estate transactions by independent real estate appraisal experts.

(c) Rental income and expenses of investment property

Rental income and expenses of investment property as of and for the years ended December 31, 2019 and 2018 are as follows:

(In millions of won)

	2019		2018	
	Incomes	Expenses	Incomes	Expenses
Property with rental income	₩ 8,842	1,832	9,976	1,609
Property without rental income	-	219	-	247
Total	₩ 8,842	2,051	9,976	29,619

17. Other Assets

(a) Other assets as of December 31, 2019 and 2018, are as follows:

(In millions of won)

	2019		2018
	₩		
Other Financial Assets	Receivable	1,124,424	933,618
	Accrued income	371,472	391,142
	Deposits	165,297	175,309
	Domestic bond receivables	306,540	135,417
	Reinsurance assets	13,012	11,709
	Others	15,728	29,899
	Allowance for doubtful account	(16,665)	(15,336)
	Present value discount	(2,998)	(2,558)
Other Non-Financial Assets	Subtotal	1,976,810	1,659,200
	Pre-payments	104,066	98,777
	Prepaid expenses	18,128	9,903
	Deferred acquisition costs	109,122	96,355
	Separate account assets	165,956	132,173
Total	Others	2,273	12,435
	Subtotal	399,545	349,643
	₩	2,376,355	2,008,843

(*) The amount of other financial assets mature within 12 months is ₩1,816,008 million (₩1,530,474 million as of December 31, 2018) as of December 31, 2019, and the amount matures after 12 months is ₩180,465 million (₩146,620 million as of December 31, 2018) as of December 31, 2019.

(b) Change in book value of other financial assets as of and for the years ended December 31, 2019 and 2018, are as follows:

(In millions of won)

	2019				
	Collective Assessment		Individual Assessment		
	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit impaired	Lifetime Expected Credit Loss	Credit impaired
Beginning balance	₩ 1,654,754	8,660	11,748	325	1,607
Transfer to 12-month expected credit loss	1,747	(1,727)	(2)	(13)	(5)
Transfer to lifetime expected credit loss (collective assessment)	(3,079)	3,158	(20)	(43)	(16)
Transfer to impaired lifetime expected credit loss (collective assessment)	(314)	(257)	571	-	-
Transfer to lifetime expected credit loss (individual assessment)	(53)	(46)	(26)	45	80
Transfer to impaired lifetime expected credit loss (individual assessment)	(321)	(397)	-	(176)	894
Execution & collection	322,166	(398)	(133)	(71)	820
Others (*1)	(2,082)	-	(64)	-	(859)
Ending balance	₩ 1,972,818	8,993	12,074	67	2,521
					1,996,473

(In millions of won)

	2018				
	Collective Assessment		Individual Assessment		
	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit impaired	Lifetime Expected Credit Loss	Credit impaired
Beginning balance (*2)	₩ 944,664	6,480	11,386	-	1,898
Change in scope of consolidation due to business combination	825,208	-	-	-	-
Transfer to 12-month expected credit loss	1,268	(1,260)	(8)	-	-
Transfer to lifetime expected credit loss (collective assessment)	(4,350)	4,409	(19)	-	(40)
Transfer to impaired lifetime expected credit loss (collective assessment)	(259)	(254)	520	6	(13)
Transfer to lifetime expected credit loss 11111(individual assessment)	(55)	(202)	-	257	-
Transfer to impaired lifetime expected credit loss (individual assessment)	(178)	(165)	(101)	-	444
Execution & collection	(118,338)	(348)	(30)	68	(288)
Others (*1)	6,794	-	-	(6)	(394)
Ending balance	₩ 1,654,754	8,660	11,748	325	1,607
					1,677,094

(*1) Include changes due to financing conversion, foreign exchange rate, etc.

(*2) Restated in accordance with K-IFRS No.1109.

18. Depository Liabilities

Depository Liabilities as of December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
		Book Value	Book Value
Demand deposit	Deposits in Won	₩ 16,135,468	14,901,697
	Deposits in foreign currency	429,740	411,519
	Subtotal	16,565,208	15,313,216
Time deposit	Deposits in Won	₩ 24,232,848	22,020,704
	Deposits in foreign currency	263,727	215,203
	Subtotal	24,496,575	22,235,907
Certificate of deposits		1,290,654	693,808
Guarantee deposits in fiduciary loans		9,546	4,957
Investors' deposits		396,197	481,569
Total		₩ 42,758,180	38,729,457

19. Borrowings and Debentures

(a) Borrowings

Borrowings as of December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
		Average Interest Rate (%)	Book Value
Debentures in won	The Bank of Korea	0.67	₩ 263,221
	Others	1.48~3.60	2,520,802
	Subtotal		2,784,023
Debentures in foreign currencies	Borrowings from banks	2.00	808,071
Bonds under repurchase agreements	Non-bank	0.65~4.20	3,273,528
Call money	Borrowings in won	1.50~1.66	120,000
	Borrowings in foreign currencies	2.55	52,101
	Subtotal		172,101
Others	Bills sold	1.39	5,677
Total		₩ 7,043,400	134,662
			6,387
			6,442,359

(b) Debentures

Debentures as of December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
		Average Interest Rate (%)	Book Value
Debentures in won	Debentures	1.45~3.53	₩ 4,515,003
	Subordinated debentures	2.62~5.30	734,663
	Less: discount on debentures	-	(4,549)
	Subtotal		5,245,117
Debentures in foreign currencies	Debentures	3.75	347,340
	Less: discount on debentures	-	(2,425)
	Subtotal		344,915
Borrowings and debentures		₩ 5,590,032	335,430
			(2,930)
			332,500
			5,303,840

20. Provisions

(a) Details of provisions as of December 31, 2019 and 2018 are as follows:

	(In millions of won)	2019	2018
Unused commitment (*1)		₩ 16,806	22,630
Allowance (*2)	Provision for financial guarantee	1,258	2,408
	Non-financial guarantee contract	2,613	2,412
Allowance for restoration (*3)		8,620	7,225
Other allowance		6,757	14,400
Total	₩ 36,054	49,075	

(*1) In the case that there is the commitment to provide the credit line, allowance for unused commitment is recognized because the additional withdrawing amount and time for unused commitment is not certain and the Group is exposed to credit loss risk.

(*2) Allowance is accounted for as the estimated amount that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a guarantee obligation.

(*3) Allowance for restoration is calculated as the present value of the restoration expense estimated and calculated at a discount rate as of December 31, 2019 and 2018.

(b) Changes in unused commitment and provision for financial guarantee contract as of and for the years ended December 31, 2019 and 2018, are as follows:

	2019						(In millions of won)
	Unused Commitment			Financial Guarantee Contract			
	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit- Impaired	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit Impaired	Total
Beginning (*)	₩ 13,774	8,214	642	2,408	-	-	25,038
Transfer to 12-month expected credit loss	1,938	(1,938)	-	-	-	-	-
Transfer to lifetime expected credit loss	(517)	521	(4)	-	-	-	-
Transfer to impaired lifetime expected credit loss	(28)	(595)	623	-	-	-	-
Reversal	(3,773)	(1,030)	(1,037)	(1,849)	-	-	(7,689)
Others	-	-	16	699	-	-	715
Ending balance	₩ 11,394	5,172	240	1,258	-	-	18,064

	2018						(In millions of won)
	Unused Commitment			Financial Guarantee Contract			
	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit- Impaired	12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Credit Impaired	Total
Beginning (*)	₩ 18,519	3,750	3,746	223	-	-	26,238
Transfer to 12-month expected credit loss	1,603	(1,603)	-	-	-	-	-
Transfer to lifetime expected credit loss	(852)	1,466	(614)	-	-	-	-
Transfer to impaired lifetime expected credit loss	(32)	(81)	113	-	-	-	-
Reversal	(5,156)	4,682	(2,619)	356	-	-	(2,737)
Changes in foreign exchange rate	-	-	16	-	-	-	16
Others	(308)	-	-	1,829	-	-	1,521
Ending balance	₩ 13,774	8,214	642	2,408	-	-	25,038

(*) Restated in accordance with K-IFRS No.1109.

21. Defined Benefit Obligations

(a) Major assumptions of actuarial valuation

Major assumptions of actuarial valuation as of December 31, 2019 and 2018 are as follows:

	2019			
	DBG Financial Group Co., Ltd	Daegu Bank	HI Investment & Futures Corporation	DGB Life Insurance Co., Ltd
Discount rate (%)	1.99	2.89	2.24	2.41
Salary increases	Application of salary increase rates of each job group and age group based on experience statistics			

	2018			
	DBG Financial Group Co., Ltd	Daegu Bank	HI Investment & Futures Corporation	DGB Life Insurance Co., Ltd
Discount rate (%)	1.95	3.24	2.52	2.68
Salary increases	Application of salary increase rates of each job group and age group based on experience statistics			

(b) The profit and loss of defined benefit plans

The gain and loss of defined benefit plans as of and for the years ended December 31, 2019 and 2018, are as follows:

		(In millions of won)	
		2019	2018
Service cost	₩	43,974	32,292
Interest expense		9,616	7,959
New/transfer		372	668
Interest income on plan assets		(8,250)	(6,757)
Transfer of gain or loss from discontinued operations		(1,084)	-
Total	₩	44,628	34,162

(c) Retirement benefit obligation

Retirement benefit obligation as of December 31, 2019 and 2018, are as follows:

		(In millions of won)	
		2019	2018
Present value of retirement benefit obligations with accumulated fund	₩	366,762	322,305
Fair value on plan assets		(339,829)	(287,244)
Net liabilities for benefit obligation	₩	26,933	35,061

(d) Changes in present value of retirement benefit obligation

Changes in present value of retirement benefit obligation as of and for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
Beginning defined benefit obligations	₩	322,305	226,235
Service cost		43,974	32,292
Interest expense		9,616	7,959
New/transfer		372	668
Re-measurement		8,650	37,723
Benefit paid		(14,620)	(19,244)
Changes due to business combinations		-	36,672
Transfer from changes in scope of consolidation		(3,535)	-
Ending defined benefit obligations	₩	366,762	322,305

(e) Changes in fair value of plan assets

Changes in fair value of plan assets as of and for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	2018
Beginning fair value of plan assets	₩ 287,244	212,010
Interest income on plan assets	8,250	6,757
Re-measurement	(13,160)	933
Contribution of employer	67,122	50,565
Benefit paid	(6,508)	(16,145)
Changes due to business combinations	-	33,124
Transfer from changes in scope of consolidation	(3,119)	-
Ending fair value of plan assets	₩ 339,829	287,244

(f) Fair value of plan assets by category

In accordance with the Group's policy, it is preferred to invest in stable products rather than the products with high risk and high return. Accordingly, the Group is investing the plan assets in fixed interest rate products with guaranteed principal and in floating interest rate products with guaranteed interests.

Fair value of plan assets by category as of December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	2018
Due from banks (*)	₩ 339,824	287,243
Contribution to National Pension Plan	5	1
Total	₩ 339,829	287,244

(*) Due from banks comprise retirement pensions of Samsung Life Insurance, Kyongnam Bank, Busan Bank and Industrial Bank of Korea. These include principal guaranteed products.

(g) Defined contribution plan

Expenses related to defined contribution plans for the years ended December 31, 2019 and 2018, are as follows:

		(In millions of won)
	2019 (*)	2018
Post-employment benefit	₩ 926	340

(*) Includes gain or loss of ₩272 million on discontinued operations

22. Insurance Contract Liabilities

Insurance contract liabilities as of December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	2018
Premium reserve	₩ 5,454,364	5,387,045
Reserves for unearned premium	5,793	5,358
Minimum guarantee reserve	31,978	13,088
Reserve for outstanding claims	115,276	109,593
Reserve for participating policyholders' dividends	5,274	5,038
Reserve for policyholders' profit dividends	391	532
Loss preservation reserve for participating insurance	1,063	980
Policyholders' equity adjustment	372	559
Others	24,955	30,541
Total	₩ 5,639,466	5,552,734

23. Other Liabilities

Other liabilities as of December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	2018
Accounts payables	₩ 1,208,777	1,020,054
Dividend payables	32	4,855
Accrued expenses	407,391	534,611
Domestic exchange settlement credits	336,862	95,686
Foreign exchange settlement credits	8,400	33,531
Prepaid cards	5,611	6,009
Debit cards	323	330
Trust accounts	266,331	109,440
Guarantee deposit for securities subscription	95	711
Other financial liabilities		
Liabilities incurred by agency relationship	69,138	82,830
Deposit for credit control	155	362
Deposits for letter of guarantees and other	221,280	214,321
Account for agency business	170,017	131,050
Financial guarantee contract	231	214
Insurance claims payable	12,505	12,097
Right-of-use lease liabilities	68,482	-
Others	13,294	1,673
Subtotal	2,788,924	2,247,774
Separate account liabilities	169,592	134,564
Other non-financial liabilities		
Unearned income	40,381	37,108
Withholding taxes	30,513	33,550
Prepaid insurance	18,672	16,314
Others	213,357	102,892
Subtotal	472,515	324,428
Discount present value	(15,836)	(12,325)
Total	₩ 3,245,603	2,559,877

24. Capital, Hybrid bonds, Capital Surplus, Capital Adjustment and Non-Controlling Interests

(a) Controlling interest as of December 31, 2019 and 2018 are as follows:

	(In won)	2019	2018
Authorized shares		500,000,000 shares	500,000,000 shares
Number of shares issued		169,145,833 shares	169,145,833 shares
Par value		5,000 won	5,000 won
Capital stock	₩	845,729,165,000	₩ 845,729,165,000
Hybrid bonds		149,400,980,000	149,400,980,000
Capital surplus		1,562,451,185,572	1,560,908,834,638
Capital adjustment		(9,980)	(991,303,299)

(b) Details of hybrid bonds

Hybrid bonds that are classified as an asset as of December 31, 2019 and 2018 are as follows. Hybrid bonds that the consolidated group has an absolute right to avoid transfer of financial assets such as cash, etc. for payment obligation under contracts are classified as equity securities and shown as an asset on the statement.

	(In millions of won)	2019	2018
DGB Financial Group Capital (New-Permanent-5 Call) (*)	2018-02-21	Maturity Perpetual Bonds	Interest Rate (%) 4.47 ₩
Dividends for Hybrid Bonds			149,401 5,960

(*) Hybrid bonds can be redeemed earlier after 5 years from the date of issuance by the consolidated group.

(c)Non-controlling interests

Non-controlling interests as of December 31, 2019 and 2018 are as follows:

	(In millions of won)	2019	2018
Issuance Date	Maturity Date	Interest Rate (%)	
DBG(34-05 120A-28 (*1)	2013-05-28	2043-05-28	4.53 ₩ 199,700
DBG(34-10 120A-25 (*1)	2013-10-25	2043-10-25	5.55 59,911
DBG(34-11 120A-01 (*1)	2013-11-01	2043-11-01	5.55 29,954
DBG(39-01 A-30	2018-01-30	Perpetual Bonds	4.49 99,667
DBG(39-07 A-12	2018-07-12	Perpetual Bonds	4.53 99,668
DBG(39-11 5CallA-6	2018-11-06	Perpetual Bonds	4.09 99,667
DBG(40-07 5CallA-30	2019-07-29	Perpetual Bonds	3.40 99,718
Subtotal			688,285
Others (*2)			123,054
Total		₩	811,339
Hybrid bonds dividends			23,946

(*1) Hybrid bonds may be redeemed earlier after 10 years from the date of issuance and the Group may extend the maturity(30 years from the date of issuance) with the same conditions at maturity. The Group cannot pay dividends to common stock if it does not pay dividends to hybrid bond holders.

(*2) Others are non-controlling interests in Hi Investment & Futures Corporation and DGB Capital Co., Ltd.

25.Retained Earnings

(a)Retained earnings as of December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
Legal reserve (*1)	₩	264,962	236,715
Discretionary appropriated reserve (*2)		1,264	1,235
Unappropriated retained earnings (*3)		1,857,297	1,623,314
	₩	2,123,523	1,861,264

(*1) The Financial Holding Company Act requires a financial holding company to appropriate at least 10% of its net income after income taxes as legal reserve until such reserve equals 100% of its paid-in capital. This reserve is not available for payment of cash dividends; however, it can be used to reduce the Group's deficit or be transferred to capital.

(*2) The Group calculates and discloses its regulatory reserves for loan losses in the financial statements in accordance with the Supervisory Regulations on Financial Holding Companies.

(*3) Unappropriated retained earnings includes reserve for trust of ₩9,551 million (₩9,618 million as of December 31, 2018) as of December 31, 2019.

(b)Regulatory reserve for loan losses

In accordance with the Supervisory Regulations on Financial Holding Companies, the Group reserves the difference between allowance for credit losses by K-IFRS and the Supervisory Regulations on Financial Holding Companies in the account of regulatory reserves for loan losses.

The reserve for credit losses is similar to voluntary reserve for retained earnings. When the existing reserve for credit losses exceeds the required reserve at the end of the reporting period, the excess amount can be reversed. When undisposed deficit exists, reserve for credit losses is waived until the undisposed deficit is reversed.

Regulatory reserves for loan losses as of December 31, 2019 and 2018, are as follows:

		(In millions of won)	
		2019	2018
Regulatory reserves for loan losses	₩	264,433	296,042
Adjustment effect due to changes in accounting policies		-	(20,224)
Estimated transfer to regulatory reserves for loan losses		44,747	(11,385)
Regulatory reserves for loan losses at the end of the year	₩	309,180	264,433

Details of profits after adjusting for regulatory reserves for loan losses for the years ended December 31, 2019 and 2018, are as follows:

		(In millions of won)	
		2019	2018
Net profit attributable to controlling shareholders	₩	327,408	381,107
Shared profit for hybrid capital securities		(5,960)	(5,774)
Estimated transfer to regulatory reserves for loan losses		(44,747)	11,385
Adjusted profit after regulatory reserves for loan losses		276,701	386,718
Earnings per share after adjusting regulatory reserves for loan losses (in won)	₩	1,636	2,286

26. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2019 and 2018 as follows:

(In millions of won)

	2019								
	Allowance for doubtful debts estimated at fair value through other comprehensive income	Net gain on securities at fair value through comprehensive income	Net gain on valuation of cash flow hedges	Net gain on translation of foreign operations	Net investment hedge accounting for foreign operations	Profit or loss adjustment approach	Remeasurement of defined benefit plan	Changes in the credit risk of a financial liability at fair value through profit or loss	Total
Beginning balance (*)	₩ 919	6,986	305	7,639	(4,136)	(9,021)	(82,083)	19	(79,372)
Recognition of expected credit losses on debt securities at fair value through other comprehensive income	(1)	-	-	-	-	-	-	-	(1)
Net increase(decrease) due to valuation of financial assets at fair value through other comprehensive income	-	(12,819)	-	-	-	12,649	-	-	(170)
Classification of gain or loss on valuation of debt securities at fair value through other comprehensive income as profit or loss	-	(1,104)	-	-	-	-	-	-	(1,104)
Classification of gain or loss on valuation of equity securities at fair value through other comprehensive income as retained earnings	-	287	-	-	-	-	-	-	287
Net gain on the fair value hedge accounting	-	(62)	-	-	-	-	-	-	(62)
Classification as retained earnings of changes in the credit risk of financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	350	350
Recognition of net loss on valuation as profit or loss	-	49,168	-	-	-	1,390	-	-	50,558
Contractor's equity adjustment distribution amount	-	(1,326)	-	-	-	-	-	-	(1,326)
Net decrease due to valuation of derivatives	-	-	(2,178)	-	-	-	-	-	(2,178)
Effect of investment hedge accounting	-	-	-	-	(7,161)	-	-	-	(7,161)
Effect of translation of exchange rate	-	-	-	7,880	-	-	-	-	7,880
Remeasurements of employee benefits	-	-	-	-	-	-	(21,811)	-	(21,811)
Income tax effect	(195)	(10,686)	532	(1,936)	1,738	(3,449)	5,213	(77)	(8,860)
Replacement of non-controlling equity	1	(331)	-	5	-	-	337	(40)	(28)
Replacement due to changes in scope of consolidation	-	(1,300)	-	-	-	-	197	-	(1,103)
Ending balance	₩ 724	28,813	(1,341)	13,588	(9,559)	1,569	(98,147)	252	(64,101)

(In millions of won)

2018

	Allowance for doubtful debts estimated at fair value through other comprehensive income	Net gain on securities at fair value through comprehensive income	Net gain on valuation of cash flow hedges	Net gain on translation of foreign operations	Net investment hedge accounting for foreign operations	Profit or loss adjustment approach	Remeasurement of defined benefit plan	Changes in the credit risk of a financial liability at fair value through profit or loss	Total	
	₩	1,131	(26,559)	-	(284)	3,013	(13,654)	(54,776)	(91,129)	
Beginning balance (*)										
Recognition of expected credit losses on debt securities at fair value through other comprehensive income		(213)	-	-	-	-	-	-	(213)	
Net increase(decrease) due to valuation of financial assets at fair value through other comprehensive income		-	42,784	-	-	-	6,529	-	49,313	
Classification of gain or loss on valuation of debt securities at fair value through other comprehensive income as profit or loss		-	1,839	-	-	-	-	-	1,839	
Classification of gain or loss on valuation of equity securities at fair value through other comprehensive income as retained earnings		-	(1,206)	-	-	-	-	-	(1,206)	
Net gain on the fair value hedge accounting		-	31	-	-	-	-	-	31	
Classification as retained earnings of changes in the credit risk of financial liabilities at fair value through profit or loss		-	-	-	-	-	-	30	30	
Recognition of net loss on valuation as profit or loss		-	-	-	-	(450)	-	-	(450)	
Contractor's equity adjustment distribution amount		-	(357)	-	-	-	-	-	(357)	
Net increase due to derivative valuation		-	-	405	-	-	-	-	405	
Effect of investment hedge accounting		-	-	-	(9,466)	-	-	-	(9,466)	
Effect of translation of exchange rate		-	-	-	10,520	-	-	-	10,520	
Remeasurements of employee benefits		-	-	-	-	-	(36,790)	-	(36,790)	
Income tax effect		-	(9,424)	(100)	(2,586)	2,317	(1,446)	9,215	(8)	(2,032)
Replacement of non-controlling equity	1	(122)	-	(11)	-	-	-	268	(3)	133
Net balance at end of period	₩	919	6,986	305	7,639	(4,136)	(9,021)	(82,083)	19	(79,372)

(*) Restated as of K-IFRS No. 1109.

27. Interest Income and Interest Expense

(a) Interest income

Interest income for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of won)	2019	2018
Interest on due from banks		₩ 14,951	10,072
Interest on financial instruments at fair value through profit or loss		121,829	38,861
Interest on financial assets at fair value through other comprehensive income		68,958	66,323
Interest on securities at amortized cost		181,051	192,617
Interest on loans at amortised cost		1,803,429	1,713,653
Others		4,091	4,569
Total		₩ 2,194,309	2,026,095

(b) Interest expense

Interest expense for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of won)	2019	2018
Interest on deposits		₩ 490,706	436,181
Interest on borrowings		128,582	74,562
Interest on debentures		143,594	128,312
Interest on borrowings from trust accounts		3,550	3,546
Interest on money trust		6,056	4,080
Interest on lease liabilities		1,641	-
Others		9,170	-
Total		₩ 783,299	646,681

28. Net Fee and Commission Income

(a) Fee and commission income

Fee and commission income for the years ended December 31, 2019 and 2018 are as follows:

	(In millions of won)	2019	2018
Commissions received		₩ 285,906	183,807
Guarantee fees		54,313	9,178
Commissions received related to trust accounts		14,713	14,696
Total		₩ 354,932	207,681

(b) Fee and commission expense

Commission expenses for the years ended December 31, 2019 and 2018 are as follows:

	(In millions of won)	2019	2018
Commissions paid		₩ 40,264	32,593
Commissions on credit cards		33,132	37,381
Commissions paid related to trust accounts		9,714	7,087
Total		₩ 83,110	77,061

29. Insurance Income and Insurance Expenses

(a) Insurance income

Insurance income for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	2018
Insurance income	₩ 754,995	955,112
Reinsurance income	43,762	40,242
Fees on reinsurance income	2,302	4,265
Separate account income	5	5
Total	₩ 801,064	999,624

(b) Insurance expenses

Insurance expense for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	2018
Insurance expense	₩ 141,002	123,146
Refunds expense	548,156	566,216
Policyholder dividends	670	498
Reinsurance premium	49,366	46,778
Deferred acquisition costs of new or renewal insurance contracts	(59,221)	(60,839)
Expenses on acquisition costs of new or renewal insurance contracts	87,945	98,792
Contribution to insurance reserve	85,617	272,544
Separate account expense	5	5
Amortization expenses on deferred acquisition costs of new or renewal insurance contracts	46,454	46,105
Total	₩ 899,994	1,093,245

30. Net Gain or losses on Financial Instruments/Financial Instruments measured at Fair Value through Profit or Loss

(a) Net gain or loss from financial instruments at fair value through profit or loss for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
Gain on financial instruments at fair value through profit or loss	Dividend income	₩ 807	608
	Gain on disposal	289,142	67,258
	Gain on valuation	106,272	46,431
	Others	41,816	27,218
	Subtotal	438,037	141,515
Gain on derivative instruments held for trading	Gain on transaction	706,303	378,516
	Gain on valuation	96,214	44,633
	Reversal of provision for credit risk adjustment	8	-
	Subtotal	802,525	423,149
Gains on financial instruments at fair value through profit or loss		1,240,562	564,664
Loss on financial instruments at fair value through profit or loss	Commission expenses (acquisition expenses)	42	47
	Loss on disposal	219,552	46,341
	Loss on valuation	29,892	39,016
	Subtotal	249,486	85,404
Loss on derivative instruments held for trading	Commission expenses (acquisition expense)	371	335
	Loss on transaction	668,431	367,123
	Loss on valuation	132,258	53,296
	Reserve for credit value adjustment	45	138
	Subtotal	801,105	420,892
Adjustments for overlay approach		14,039	6,078
Loss on financial instruments at fair value through profit or loss		1,064,630	512,374
Net gain on financial instruments at fair value through profit or loss	₩ 175,932	52,290	

Net gain on financial instruments at fair value through profit or loss contains dividend income, net income on valuation and net income on disposal of financial instruments at fair value through profit or loss.

(b) Net gain (loss) on financial instruments designated at fair value through profit or loss for the years ended December 31, 2019 and 2018 is as follows:

		(In millions of won)	
		2019	2018
Gain on valuation		₩ 18,713	16,235
Gain on disposal		44	15
Total profit on financial instruments at designated at fair value through profit or loss		18,757	16,250
Loss on valuation		64,780	6,982
Loss of disposal		45,746	1,138
Total loss on financial instruments at designated at fair value through profit or loss		110,526	8,120
Net gain(loss) on financial instruments designated at fair value through profit or loss	₩ (91,769)	8,130	

31. Net Gain or losses on Financial assets at fair value through other comprehensive income

Net gain on financial assets at fair value through other comprehensive income as of the years ended December 31, 2019 and 2018 is as follows:

		(In millions of won)
	2019	2018
Dividend income	₩ 876	3,180
Gain on disposal	32,380	7,154
Gain on valuation of fair value hedge	62	-
Total gain on financial assets at fair value through other comprehensive income	33,318	10,334
Loss on valuation of fair value hedged items	-	31
Loss on disposal	3,247	441
Total cost of financial assets at fair value through other comprehensive income	3,247	472
Net gain on financial assets at fair value through other comprehensive income	₩ 30,071	9,862

32. Provision for Credit Losses

Provision for credit losses for the years ended December 31, 2019 and 2018, are as follows:

		(In millions of won)
	2019	2018
Provision for credit losses		
Loans at amortized cost and other financial assets	₩ 172,601	190,150
Securities at amortized cost	184	133
Securities at fair value through other comprehensive income	31	-
Provision for financial guarantee	-	356
Provision for non-financial guarantee	199	635
Subtotal	173,015	191,274
Reversal of provision for credit losses		
Loans at amortized cost and other financial assets	-	730
Securities at fair value through other comprehensive income	-	156
Provision for financial guarantee	1,849	-
Provision for non-financial guarantee	-	230
Provision for unused commitment	5,839	3,095
Subtotal	7,688	4,211
Total	₩ 165,327	187,063

33. General and Administrative Expenses

(a) General and administrative expenses

General and administrative expense for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
Employee benefits	Short-term employee benefits	₩ 553,217	430,564
	Retirement benefit	45,478	34,133
	Other long-term employee benefits	329	1,122
	Termination benefit	306	57,653
	Subtotal	599,330	523,472
Rent		14,277	26,510
Depreciation		69,737	30,625
Amortization		38,174	37,516
Tax and dues		36,176	28,447
Advertising		23,243	16,269
Repair and maintenance		11,959	10,955
Service		56,785	53,165
Others		100,494	90,010
Total		₩ 950,175	816,969

(b) Equity linked special incentives

The Group grants equity linked special incentives to executives and employees and measures compensation expenses at fair value. The maximum number of stocks to grant are determined at the time when the agreement is made, and cash compensation is awarded if the pre-determined conditions are met.

The performance compensation shall be paid immediately in cash for 40 percent of the amount calculated according to the results of the performance evaluation. The remainder is converted to shares and is deferred and paid equally in three years in relation to the share prices at the base dates.

1) Key characteristics and range

Short-term performance compensation

	Grant in 2017	Grant in 2018	Grant in 2019
Shares to be granted	95,787 shares	127,110 shares	116,262 shares
Shares outstanding	29,916 shares	81,118 shares	116,046 shares
Grant date	2017-02-24	2018-02-23	2019-02-22
Grant method	Cash settlement + Difference settlement	Cash settlement + Difference settlement	Cash settlement + Difference settlement
Exercise price per share in won	₩ -	-	-
Conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions
Payment method	Cash settlement	Cash settlement	Cash settlement
Vesting period	1 year	1 year	1 year

Long-term performance compensation

- Initially granted

	9th (*)	10th	11th
Shares to be granted	7,504 shares	18,535 shares	20,305 shares
Shares in additional	2,438 shares	0 shares	0 shares
Shares extinguished	0 shares	0 shares	0 shares
Grant date	2017-12-26	2018-05-31	2019-01-02
Grant method	Cash settlement + Difference settlement	Cash settlement + Difference settlement	Cash settlement + Difference settlement
Exercise price per share in won	-	-	-
Conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions
Payment method	Cash settlement	Cash settlement	Cash settlement
Vesting period	3 year	3 year	3 year

	18th	19th	20th
Shares to be granted	17,180 shares	7,879 shares	24,864 shares
Shares in additional	0 shares	0 shares	0 shares
Shares extinguished	2,172 shares	0 shares	0 shares
Grant date	2017-12-26	2018-03-23	2019-01-29
Grant method	Cash settlement + Difference settlement	Cash settlement + Difference settlement	Cash settlement + Difference settlement
Exercise price per share in won	-	-	-
Conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions	Service conditions/ Performance conditions
Payment method	Cash settlement	Cash settlement	Cash settlement
Vesting period	3 year	3 year	2 year

(*) The exercise price per share and weighted average expected term are ₩0 and 1.27 years, respectively.

- Fixed deferred payments

	To be exercised in 2020	To be exercised in 2021	To be exercised in 2022
Shares outstanding (*)	17,366 shares	17,366 shares	6,769 shares
Grant method	Cash settlement + Difference settlement	Cash settlement + Difference settlement	Cash settlement + Difference settlement
Exercise price per share won	-	-	-
Payment method	Cash settlement	Cash settlement	Cash settlement
Vesting conditions satisfaction status	Satisfied	Satisfied	Satisfied

(*) Fixed deferred payment is the quantity given after meeting the vesting conditions minus the payment amount as of December 31, 2019.

2) Changes in share-based compensation (quantity)

Short-term performance compensation

	2019	2018
At beginning of year	221,207 shares	175,961 shares
Shares to be granted	116,262 shares	127,110 shares
Shares exercised	110,389 shares	81,864 shares
At end of the period	227,080 shares	221,207 shares

Long-term performance compensation

- Initially granted

	2019	2018
At beginning of year	124,907 shares	165,387 shares
Shares to be granted	47,607 shares	26,414 shares
Shares exercised	54,341 shares	24,020 shares
Extinction of shares	21,640 shares	42,874 shares
At end of the period	96,533 shares	124,907 shares

The exercise price per share and weighted average expected term are ₩0 and 1.98 years.

- Deferred payments

	2019	2018
At beginning of year	47,580 shares	52,957 shares
Shares to be granted	21,135 shares	14,037 shares
Shares exercised	27,214 shares	19,414 shares
At end of the period	41,501 shares	47,580 shares

(c) Major factors of measuring fair value of long-term performance share plan in the Black-Scholes option pricing model as of December 31, 2019 are as follows:

(In won)							
	Option pricing model	Stock price	Exercise price	Expected variance	Expected life	Risk free rate	Fair value
9th	Black-Scholes option pricing model	₩ 7,120	-	21.90%	0.99 years	1.34%	₩ 6,882
DGB Financial Holding 10th	Black-Scholes option pricing model	7,120	-	21.10%	1.25 years	1.34%	6,821
11th	Black-Scholes option pricing model	7,120	-	21.98%	1.99 years	1.36%	6,650
18th	Black-Scholes option pricing model	7,120	-	21.90%	0.99 years	1.34%	6,882
Daegu Bank	Black-Scholes option pricing model	7,120	-	20.89%	1.23 years	1.34%	6,826
19th	Black-Scholes option pricing model	7,120	-	21.90%	1.00 years	1.34%	6,879
20th	Black-Scholes option pricing model	7,120	-	24.65%	0.25 years	1.26%	7,059
To be exercise in 2020	Black-Scholes option pricing model	7,120	-	21.10%	1.25 years	1.34%	6,821
To be exercise in 2021	Black-Scholes option pricing model	7,120	-	22.75%	2.25 years	1.37%	6,591
To be exercise in 2022	Black-Scholes option pricing model	7,120	-	24.65%	0.25 years	1.26%	7,059
Fixed in 2017	Black-Scholes option pricing model	7,120	-	21.10%	1.25 years	1.34%	6,821
Fixed in 2018	Black-Scholes option pricing model	7,120	-	22.75%	2.25 years	1.37%	6,591
Fixed in 2019	Black-Scholes option pricing model	7,120	-				

(d) Impact on management performance and financial position

Expense of special incentive for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Short-term performance compensation expense	₩ 734	1,054
Long-term performance compensation expense	88	139

(in millions of won)

Liability of special incentive for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	2018
Short-term performance accrued expense	₩ 1,569	1,779
Long-term performance accrued expense	494	719

34. Other Operating Loss, Net

Other operating loss, net for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	2018
Other operating income	Gain on sale of loans	₩ 16,242
	Reversal of other provision	958
	Earnings related to hedging derivatives	20,321
	Others	27,610
	Subtotal	65,131
Other operating loss	Fees for credit guarantee fund	61,233
	Deposit insurance premiums	53,126
	Loss on sale of loans	59,903
	Transfer of other provision	4,207
	Loss related to hedging derivatives	47,230
Other operating loss, net	Others	22,283
	Subtotal	247,982
	Other operating loss, net	₩ (182,851)

35. Non-Operating Income, Net

Non-operating income and expenses for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	2018
Non-operating income	Gain on disposal of property and equipment	₩ 7,226
	Gain on disposal of investment property	5,306
	Gain on disposal of intangible assets	28
	Earnings related to equity method	650
	Rental income	9,081
	Return on bargain purchase	-
	Others	17,387
Other operating expenses	Subtotal	39,678
	Loss on disposal of property and equipment	9,005
	Loss on disposal of investment property	281
	Loss on disposal of intangible assets	1
	Collecting expenses for written-off loans	76
Non-operating income, net	Loss related to equity method	133
	Donations	16,453
	Others	7,423
	Subtotal	33,372

36. Income Tax Expense

Income tax expense is calculated by adjusting adjustments recognized in the current period for the prior period income tax expense, deferred income tax expense due to occurrence and extinguishment of temporary differences, and items recognized other than profit or loss.

(a) Income tax expense

Income tax expenses for the years ended December 31, 2019 and 2018, are as follows:

		(In millions of won)
	2019	2018
Current income tax	₩ 121,105	74,002
Temporary differences	(13,141)	8,365
Income tax expenses directly recorded in equity	(8,831)	(1,116)
Income tax expenses	₩ 99,133	81,251

(b) The reconciliation of effective tax rate

The reconciliation of effective tax rate for the years ended December 31, 2019 and 2018, are as follows:

		(In millions of won)
	2019	2018
Profit before income tax expenses	₩ 438,517	484,849
Income tax calculated at the statutory tax rate	110,230	122,972
Adjustments		
Non-taxable income	(12,116)	(40,148)
Non-deductible expense	4,719	2,313
Additional payment of income taxes for prior year (refund of income taxes)	5,437	4,111
Investment & mutual aid promotion tax	1,115	-
Others	(10,252)	(7,997)
Income tax expense	₩ 99,133	81,251
Effective tax rate	22.61%	16.76%

Statutory tax rate for the years ended December 31, 2019 and 2018 are as follows, and the residence tax is 10% of income tax:

Tax base	Rate
Up to ₩200 million	10%
More than ₩200 million ~ Up to ₩20 billion	20%
More than ₩20 billion ~ Up to ₩300 billion	22%
More than ₩300 billion	25%

(c) Changes in deferred income tax assets (liabilities)

Changes in deferred income tax assets (liabilities) for the years ended December 31, 2019 and 2018 are as follows:

2019						(In millions of won)
	Temporary differences to be deducted from (added to) taxable income				Deferred income tax assets (liabilities)	
	Beginning balance	Increase	Decrease	Ending balance		
Temporary differences						
Accrued income	₩ (271,059)	(243,685)	(270,858)	(243,886)	(59,533)	
Present value discount on securities	(23,382)	(2,637)	(23,382)	(2,637)	(644)	
Gain on valuation of securities	(22,143)	(2,369)	38,034	(62,546)	(15,267)	
Loss on valuation of derivatives	38,429	57,619	38,429	57,619	14,065	
Other provisions, etc.	44,457	31,183	45,050	30,590	7,467	
Unused annual/ monthly leave	37,704	33,168	37,704	33,168	8,096	
Dormant deposit	38,883	3,775	2,300	40,358	9,851	
Others	423,923	186,182	257,647	352,458	86,035	
Total	₩ 266,812	63,236	124,924	205,124	50,070	

2018						(In millions of won)
	Temporary differences to be deducted from (added to) taxable income				Deferred income tax assets (liabilities)	
	Beginning balance	Increase	Decrease	Ending balance		
Temporary differences						
Accrued income	₩ (219,731)	(289,412)	(238,084)	(271,059)	(66,653)	
Present value discount on securities	(23,167)	(23,382)	(23,167)	(23,382)	(5,750)	
Gain on valuation of securities	(30,989)	(7,311)	(16,157)	(22,143)	(5,445)	
Loss on valuation of derivatives	372	59,092	21,035	38,429	9,450	
Other provisions, etc.	23,843	64,748	44,134	44,457	10,932	
Unused annual/ monthly leave	33,316	37,243	32,855	37,704	9,271	
Dormant deposit	24,238	-	(14,645)	38,883	9,561	
Others	369,537	265,995	211,609	423,923	104,239	
Total	₩ 177,419	106,973	17,580	266,812	65,605	

(d) Deferred income tax assets (liabilities) before offsetting

Deferred income tax assets (liabilities) before offset as of December 31, 2019 and 2018 are as follows:

			(In millions of won)
		2019	2018
Deferred tax assets		₩ 125,514	143,453
Deferred tax liabilities		(75,444)	(77,848)
Deferred tax assets, net		50,308	67,637
Deferred tax liabilities, net (*)		₩ (238)	(2,032)

(*) The Group sets off a deferred tax asset against a deferred tax liability of the same taxable entity if, and only if, they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

37. Earnings per Share

(a) Basic earnings per share

Basic and diluted earnings per share for the years ended December 31, 2019 and 2018 are as follows:

	(In won, except share information)	
	2019	2018
Profit attributable to equity holders of the Group	₩ 327,408,183,355	381,107,175,220
Dividends to hybrid bond	(5,960,000,000)	(5,773,750,000)
Net profit available for common stock	₩ 321,448,183,355	375,333,425,220
Weighted average number of common shares	169,145,833 shares	169,145,833 shares
Continuing operations basic earnings per share	1,761	2,219
Discontinuing operations basic earnings per share	139	-
Earnings per share in won	1,900	2,219

(b) Weighted average number of common shares outstanding

Weighted average number of common shares outstanding as of December 31, 2019 and 2018 are as follows:

	2019		
	Date	Shares (*)	Weight
Beginning common shares	2019.01.01	169,145,833	365/365

(*) 1 share of self-share acquired as of December 31, 2019 was excluded from the calculation as it had no effect on the number of common shares

	2018		
	Date	Shares (*)	Weight
Beginning common shares	2018.01.01	169,145,833	365/365

(*) 1 share of self-share acquired as of April 3, 2018 was excluded from the calculation as it had no effect on the number of common shares

(c) Diluted earnings per share

Diluted earnings per share are equal to the basic earnings per share because the Group has not issued dilutive securities.

38. Cash Flow

(a) Cash and Cash Equivalents

Cash and cash equivalents on statements of cash flows as of December 31, 2019 and 2018 are as follows:

	(In millions of won)	
	2019	2018
Cash and due from banks	₩ 2,826,220	2,601,499
Restricted cash and deposits	(1,822,313)	(1,730,121)
Due from banks with original maturities of more than three months	(139,497)	(138,326)
Cash and cash equivalents	₩ 864,410	733,052

(b) Significant Non-Cash Transactions

Significant non-cash transactions for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	2018
Decrease in loans due to writing-off	₩ 143,590	171,941
Decrease in loans due to disposal	15,156	23,333
Increase in right-of-use assets	97,304	-
Transfer from construction-in-progress	11,349	175,256
Amount of adjustment for overlay approach	14,039	6,078
Total	₩ 281,438	376,608

(c) Changes of liabilities from financing activities

Changes of debentures

Changes of debentures from financing activities for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	
Debentures	Beginning balance	₩ 5,303,840
	Issuance	1,947,482
	Réparation	(1,787,000)
	Amortization	2,800
	Gain on foreign currency transactions	6,749
	Hedges of net investment in foreign operations	7,161
	Others	109,000
	Ending balance	₩ 5,590,032

		(In millions of won)
	2018	
Debentures	Beginning balance	₩ 4,356,652
	Issuance	2,484,271
	Réparation	(1,747,860)
	Amortization	2,454
	Loss on valuation	1,597
	Gain on foreign currency transactions	2,267
	Hedges of net investment in foreign operations	9,466
	Others	194,993
	Ending balance	₩ 5,303,840

Changes of borrowings and other liabilities

Changes of borrowings and other liabilities from financing activities for the years ended December 31, 2019 and 2018 are as follows:

		2019					
	Beginning balance	Increase (decrease)	Gain or loss Foreign currency transactions	Gain or loss on translation of foreign operations	Others	Consolidated amount	Ending balance
Borrowings	₩ 6,442,359	541,747	38,005	6,304	14,985	-	7,043,400
Borrowings from trust accounts	109,440	156,891	-	-	-	-	266,331
Borrowings from fund accounts	413	66	-	-	-	-	479
Deposits for letter of guarantees	214,321	6,959	-	-	-	-	221,280
Lease liabilities	49,155	(24,420)	-	-	42,595	(1,522)	65,808
Total	₩ 6,815,688	681,243	38,005	6,304	57,580	(1,522)	7,597,298

(In millions of won)

		2018					
	Beginning balance	Increase (decrease)	Gain or loss Foreign currency transactions	Gain or loss on translation of foreign operations	Others	Consolidated amount	Ending balance
Borrowings	₩ 3,394,370	(621,861)	110,321	10,350	-	3,549,179	6,442,359
Borrowings from trust accounts	106,956	2,484	-	-	-	-	109,440
Borrowings from fund accounts	244	169	-	-	-	-	413
Deposits for letter of guarantees	220,143	(216)	1,275	-	(6,941)	60	214,321
Total	₩ 3,721,713	(619,424)	111,596	10,350	(6,941)	3,549,239	6,766,533

39. Commitments and Contingencies

(a) Pending litigation

As of December 31, 2019, there are 42 pending lawsuits brought to court by the Group, as a plaintiff, amounting to ₩21,072 million and 38 pending lawsuits against the Group amounting to ₩38,907 million. The major lawsuit case is as follows:

(In millions of won)

Defendant	Plaintiff	Legal details	Legal Value	Remarks
NTS Dongdaegu District Office	DGB Finance Group	Interest difference preserving loan deposits correspond to assets received free of charge	₩ 10,772	The date is undesignated
NTS Suseong District Office	Daegu Bank	Disapproval of non-recognition of income tax deduction for research personnel development of next-generation systems	4,556	The date is undesignated
Republic of Korea	The Group	Claim for restitution of unjust enrichment	1,192	First trial in progress
Eugene Asset Management, The Company	Golfzon Newdin Holdings. Co., Ltd.	Claims for damage	4,831	First trial in progress
The Group	Korea Technology Finance Corporation	Revoking of fraudulent act	1,132	
The Group	Gong, Ki Hun	Dividend dispute	1,062	

The group counts the best estimate as a provision as of December 31, 2019, for cases in which the provision criteria are met, and the Group recognized ₩3,092 million of provision in respect to the lawsuit as of December 31, 2019.

(b) There is a collateral of ₩60 million related with a lease deposit in regard to the Group's land and buildings as of December 31, 2019.

(c) Non-financial guarantee contracts

Non-financial guarantee contracts as of December 31, 2019 and 2018 are as follows:

(In millions of won)

		2019	2018
Acceptances and guarantees outstanding in won	₩ 302,093	303,021	
Acceptances and guarantees outstanding in foreign currencies	33,120	32,343	
Contingent acceptances and guarantees	165,106	166,023	
Loan commitments in won	12,011,127	10,438,018	
Loan commitments in foreign currencies	34,734	-	
Purchasing commitments for securities	241,818	213,160	
Total	₩ 12,787,998	11,152,565	

(d) Financial guarantee contracts

Financial guarantee contracts as of December 31, 2019 and 2018 are as follows:

		(In millions of won)
	2019	2018
Financial guarantee contract in won	₩ 550,721	516,546
Financial guarantee contract in foreign currencies	15,915	23,768
Purchasing commitments for ABCP	126,000	107,000
Total	₩ 692,636	647,314

(e) Commitments with financial institutions that the Group makes about the issuance of letters of credit.

Commitments with financial institutions that the Group makes as of December 31, 2019 and 2018 are as follows:

Commitments related to letters of credit

		(In millions of won)
	2019	2018
Financial Institutions		
KOOKMIN BANK	₩ 15,000	15,000

Commitments related to the borrowings

Financial Institutions	2019		2018	
	Limit	Usage	Limit	Usage
Busan Bank	₩ 30,000	-	30,000	-
Woori Bank	40,000	-	40,000	-
Kookmin Bank	20,000	-	20,000	10,000
Shinhan Bank	20,000	-	20,000	10,000
Korea Securities Finance	1,030,000	234,000	1,040,000	288,613
Kyongnam Bank	5,000	-	5,000	-
Meritz & Co., Ltd.	30,000	-	30,000	-
Korea Development Bank	40,000	35,068	55,000	31,081
NH Nonghyup Bank	20,000	20,000	100,000	-
Woori Investment Bank	20,000	-	20,000	-
Shinhan Bank	20,000	-	20,000	20,000
KEB Hana Bank	-	-	20,000	20,000
Total	₩ 1,275,000	289,068	1,400,000	379,694

(f) Product of immediate annuity at maturity

Due to the announcement of the application by the Financial Supervisory Service in July 2018 for underpayment of overdue pension products, the Group is likely to pay additional premiums. However, due to the need for legal judgment on the application of comprehensive remediation policy, it is not possible to estimate reliably the amount of payment and the timing of payment as of the December 31, 2019. Accordingly, the Group has not established a provision under Korean IFRS 1037.

(g) Insurance commitment

The Group's general and special account derived from insurance contracts with clients as of December 31, 2019 and 2018 are as follows:

Financial Institutions	(In millions of won / thousand cases)			
	Numbers	Contract amount	Numbers	Contract amount
General account	1,586,550	₩ 23,577,455	1,508,287	21,737,933
Separate account	31	116	32	167
Total	1,586,581	₩ 23,577,571	1,508,319	21,738,100

(h) Reinsurance agreement

The details of the Group's ceding agreements as of December 31, 2019 are as follows:

Method of Cession	Reinsurance company	Ceding amount/ratio	Product type
Non-proportional	General Re Corporation	₩ 55 million	Life insurance
	Korean Re	20 million ~ 80 million	Products before financial year 2000
	Korean Re	50% or over 1 billion	VIP term insurance
	Korean Re	30% ~ 50%	Life, disability, cancer insurance)
	Korean Re	22.5% ~ 37.5%	All products (new after financial year 2009)
	Korean Re	50%	Child insurance (2013 co-developed product)
	Korean Re	80%	Living benefit insurance (among year 2002~2006)
Proportional	Korean Re	50% ~ 60%	Lifetime cancer insurance
	Munich Reinsurance	50%	Silver cancer insurance
	Scor Reinsurance	50%	Cancer insurance giving living expenses monthly
	Korean Re	80%	Long-term care insurance
	Korean Re	50%	Health insurance
	General Re Corporation	30%	Health insurance
	Korean Re	30%	Permanent insurance
	General Re Corporation	50%	Permanent insurance

40. Transactions with Related Parties

(a) Related parties except for subsidiaries

Related parties except for subsidiaries as of December 31, 2019 are as follows:

Related parties	Relationship
Daegu FC (*1)	Associate
PINE TREE II VC PRIVATE EQUITY FUND (*2)	Associate
Tribridge Capital Management (*3)	Associate
HI KOSDAQ Venture Securities Investment Trust (*3)	Associate
Hi Gold Ocean Kmarin No.8 Ship Investment Company (*3)	Associate

(*1) Associate company of Daegu Bank which is wholly owned by the Group.

(*2) Associate company of DGB Capital which is wholly owned by the Group.

(*3) Associate company of Hi Investment & Securities which is wholly owned by the Group.

(b) Transaction between the Group and the related parties except for subsidiaries

Significant balances between the Group and the related parties except for subsidiaries as of December 31, 2019 and 2018, are as follows:

		2019	
		Daegu FC	Key management
Assets	Loans	₩ 26	477
	Receivables	-	1
	Total	₩ 26	478
Liabilities	Deposits	₩ 4,746	1,203
	Others	18	22
	Total	₩ 4,764	1,225

(In millions of won)

		2018					
		Daegu FC	Hi Japan High-dividends Focus Securities Investment Trust	Hi ROKI1 Global Robo-Advisor Securities Investment Trust H	Hi Global Dynamic Asset Allocation Securities Investment Trust	Hi Korea Unity Renaissance Securities Investment Trust	Key management
Assets	Loans	₩ 11	-	-	-	-	413
	Receivables	-	13	2	6	4	-
	Total	₩ 11	13	2	6	4	413
Liabilities	Deposits	₩ 2,571	-	-	-	-	1,102
	Others	17	-	-	-	-	12
	Total	₩ 2,588	-	-	-	-	1,114

Significant balances between the Group and the related parties except for subsidiaries as of December 31, 2019 and 2018, are as follows:

		2019			
		Daegu FC			Key management
Income	Interest	₩ -			10
	Fee and commission	-			-
	Total	-			10
Expense	Interest on deposits	₩ 41			7

		2018					
		Daegu FC	Hi Japan High-dividends Focus Securities Investment Trust	Hi ROKI1 Global Robo-Advisor Securities Investment Trust H	Hi Global Dynamic Asset Allocation Securities Investment Trust	Hi Korea Unity Renaissance Securities Investment Trust	Key management
Income	Interest	₩ -	-	-	-	-	15
	Fee and commission	-	13	9	18	8	-
	Total	-	13	9	18	8	15
Expense	Interest on deposits	₩ 32	-	-	-	-	3

Significant balances between the Group and the related parties except for subsidiaries as of December 31, 2019 and 2018, are as follows:

		2019			
		Korea Omega Project No.2 Association	DGB Luxury KRX300 Index Securities Investment Trust	PINE TREE II VC PRIVATE EQUITY FUND	
Cash contribution	₩ -	-	-	-	1,898
Return on contribution	1,114	1,114	4,324	4,324	-

		2018			
		DGB Index Plus Securities Feeder No.1	DGB Luxury KRX300 Index Securities Investment Trust	Korea Omega Project No.2 Association	
Cash contribution	₩ -	-	10,000	1,000	-
Return on contribution	9,247	9,247	5,000	-	-

(c) Guarantees and collaterals given or received between the Group and the related parties

There are no guarantees and collaterals that the Group provides for funding of related parties or are provided by related parties as of December 31, 2019.

(d) Compensation for key management personnel

Compensation for key management personnel in total and for each of the following categories for the years ended December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
Short-term employee benefits	₩	3,873	3,948
Share-based compensation		1,648	2,262
Post-employment benefits		791	804
Total	₩	6,312	7,014

41. Financial Risk Management

The Group has exposure to credit risk, liquidity risk, market risk and operational risk from financial instruments. The Group's risk management system aims at maintaining capital adequacy and managing stability through the comprehensive appraisal and management of significant risks that arise in management activities. By optimizing risk and return balance, the risk management system realizes the stable growth of the Group, while maximizing company value and maintaining an adequate equity capital level as well as achieving business strategies, policies and plans

41-1. Credit Risk

(a) Maximum exposure of credit risk

Maximum exposure of credit risk as of December 31, 2019 and 2018 are as follows:

		(In millions of won)	
		2019	2018
On balance accounts (*1)			
Due from banks (*2)	₩	887,986	855,233
Financial assets at fair value through profit or loss (*3)		7,708,766	6,215,754
Financial assets at fair value through other comprehensive income (*3)		4,131,744	3,963,546
Securities at amortized cost		7,340,887	7,846,106
Loans at amortized cost		46,587,076	40,826,951
Derivative financial assets		97,923	55,256
Reinsurance assets		13,012	11,709
Other financial assets		1,963,798	1,665,652
	₩	68,731,192	61,440,207
Off-balance accounts			
Financial guarantee	₩	692,636	647,314
Commitments		12,287,680	10,651,178
Non-financial guarantee		500,319	501,387
	₩	13,480,635	11,799,879

(*1) After impairment and setting off

(*2) Excluding due from Bank of Korea

(*3) Excluding equity securities

Degree of credit risk exposure is based on the net book value of financial position. In the case of financial guarantee, it is measured as the maximum amount to be paid for the debtor and in the case of loan contract which cannot be cancelled or can be cancelled if critical changes occur, it is measured as the entire amount of the contract.

(b) Degree of industrial risk concentration of financial assets which have credit risk

Degree of industrial risk concentration of financial assets which have credit risk as of December 31, 2019 and 2018 are as follows:

(In millions of won)

	2019									
	On balance account					Off-balance account				
	Financial assets at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income	Securities at amortized cost	Loans at amortized cost	Derivative assets	Total	Financial guarantee contracts	Non-financial guarantee contracts	Commitments	Total
Enterprises										
Manufacturing	₩ 103,398	-	19,997	10,692,819	-	10,816,214	8,840	2,019,107	222,544	2,250,491
Construction	30,987	20,022	60,012	1,139,788	-	1,250,809	96,000	308,341	298	404,639
Wholesale and retail	1,782	10,144	-	3,851,726	-	3,863,652	5,761	657,409	236,383	899,553
Financial services and insurance	1,478,255	1,635,515	1,234,336	3,045,911	13,153	7,407,170	30,000	615,055	4,982	650,037
Others	2,419,342	862,403	1,488,029	13,247,329	-	18,017,103	552,035	934,006	36,112	1,522,153
Subtotal	4,033,764	2,528,084	2,802,374	31,977,573	13,153	41,354,948	692,636	4,533,918	500,319	5,726,873
Households	-	-	-	13,272,084	-	13,272,084	-	5,315,238	-	5,315,238
Government and public institutions	3,675,002	1,603,660	4,539,025	1,155,394	-	10,973,081	-	42,987	-	42,987
Credit card	-	-	-	442,600	-	442,600	-	2,395,537	-	2,395,537
Derivatives	-	-	-	-	85,205	85,205	-	-	-	-
Reserve for credit risk adjustment	-	-	-	-	(435)	(435)	-	-	-	-
Allowance	-	-	(512)	(335,118)	-	(335,630)	-	-	-	-
Present value discount	-	-	-	53	-	53	-	-	-	-
Present value premium	-	-	-	-	-	-	-	-	-	-
Deferred loan originated cost and fee	-	-	-	-	74,490	-	74,490	-	-	-
Total	₩ 7,708,766	4,131,744	7,340,887	46,587,076	97,923	65,866,396	692,636	12,287,680	500,319	13,480,635

(In millions of won)

	2018									
	Balance account						Off-balance account			
	Financial assets at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income	Securities at amortized cost	Loans at amortized cost	Derivative assets	Total	Financial guarantee contracts	Non-financial guarantee contracts	Commitments	Total
Enterprises										
Manufacturing	₩ 73,636	16,257	19,998	10,592,011	-	10,701,902	16,021	1,715,314	232,958	1,964,293
Construction	30,987	20,056	110,017	1,020,540	-	1,181,600	77,000	316,298	1,466	394,764
Wholesale and retail	10,582	10,050	-	3,546,374	-	3,567,006	5,406	656,544	223,714	885,664
Financial services and insurance	1,348,643	1,719,458	2,036,688	1,468,275	-	6,573,064	30,000	652,313	4,982	687,295
Others	1,904,762	302,184	699,622	11,857,442	-	14,764,010	518,887	749,540	38,267	1,306,694
Subtotal	3,368,610	2,068,005	2,866,325	28,484,642	-	36,787,582	647,314	4,090,009	501,387	5,238,710
Households	-	-	-	11,340,380	-	11,340,380	-	4,253,375	-	4,253,375
Government and public institutions	2,847,144	1,895,541	4,980,109	871,959	-	10,594,753	-	71,624	-	71,624
Credit card	-	-	-	419,345	-	419,345	-	2,236,170	-	2,236,170
Derivatives	-	-	-	-	55,647	55,647	-	-	-	-
Reserve for credit risk adjustment	-	-	-	-	(391)	(391)	-	-	-	-
Allowance	-	-	-	(328)	(338,825)	-	(339,153)	-	-	-
Present value discount	-	-	-	-	(101)	-	(101)	-	-	-
Present value premium	-	-	-	-	132	-	132	-	-	-
Deferred loan originated cost and fee	-	-	-	-	49,419	-	49,419	-	-	-
Total	₩ 6,215,754	3,963,546	7,846,106	40,826,951	55,256	58,907,613	647,314	10,651,178	501,387	11,799,879

(c) Degree of credit risk concentration for each credit rating

Degree of credit risk concentration for each credit rating as of December 31, 2019 and 2018, are as follows:

Credit rating (*1)	2019				(In millions of won)
	12 Months Expected credit loss measurement	Lifetime expected credit loss	Loans impaired	Total	
Enterprises					
1~6	₩ 26,770,800	3,548,770	5,127	30,324,697	
7	12,546	285,543	116,081	414,170	
8 (*2)	6,490	36,192	30,063	72,745	
9 (*2)	3,214	10,766	49,772	63,752	
10 (*2)	1,558	9,479	143,990	155,027	
Not rated (*3)	883,208	1,619	62,355	947,182	
	27,677,816	3,892,369	407,388	31,977,573	
Households					
1~6	11,880,602	121,192	4,739	12,006,533	
7	157,021	204,615	2,275	363,911	
8 (*2)	39,981	92,416	6,045	138,442	
9 (*2)	20,040	58,214	14,026	92,280	
10 (*2)	4,552	37,761	25,201	67,514	
Not rated (*3)	603,167	175	62	603,404	
	12,705,363	514,373	52,348	13,272,084	
Public sectors and others					
1~6	1,148,405	1,178	-	1,149,583	
7	808	830	-	1,638	
8 (*2)	25	13	-	38	
9 (*2)	-	-	-	-	
10 (*2)	-	-	3,995	3,995	
Not rated (*3)	140	-	-	140	
	1,149,378	2,021	3,995	1,155,394	
Credit card					
1~6	320,492	15,202	276	335,970	
7	22,368	17,657	741	40,766	
8 (*2)	13,534	13,644	521	27,699	
9 (*2)	5,240	8,916	662	14,818	
10 (*2)	1,706	6,676	4,709	13,091	
Not rated (*3)	10,235	10	11	10,256	
	373,575	62,105	6,920	442,600	
Total	₩ 41,906,132	4,470,868	470,651	46,847,651	

(*1) The Group assesses and manages credit rating of loans classifying loans into enterprises (external audit, non-external audit, individual business, financial institute, public sector and special finance) and loans to households. Combined evaluation model of financial model and non-financial model is used for loans to enterprises other than loans to financial institute, public sector and special finance. Regular check for adequacy is conducted to guarantee the adequacy of credit rating.

(*2) The definition of bankruptcy in Basel II is based on overdue criteria and default criteria and is applied to the definition of impairment of the Group. Impairment unit is borrower criteria thus there might be loans under 8th degree which are neither overdue nor impaired.

(*3) Amount of non-rated loan is ₩1,560,982 million as of December 31, 2019 and arises from inter-bank transactions such as inter-bank loans and loans related with sound collateral (deposits and warranty) and gilt-edged bills (discounted bills and electronic factoring). Amount of non-rated loans from inter-bank transactions and sound loan borrowers is ₩255,535 million and ₩1,305,447 million as of December 31, 2019 respectively.

(In millions of won)

Credit rating (*1)	2018			
	12 Months Expected credit loss measurement	Lifetime expected credit loss	Loans impaired	Total
Enterprises				
1~6	₩ 24,438,947	2,993,402	-	27,432,349
7	11,388	349,101	-	360,489
8 (*2)	5,760	44,113	46,010	95,883
9 (*2)	3,099	10,972	73,102	87,173
10 (*2)	2,432	8,667	190,318	201,417
Not rated (*3)	298,567	2,021	6,743	307,331
	24,760,193	3,408,276	316,173	28,484,642
Households				
1~6	10,154,737	43,692	-	10,198,429
7	136,280	205,381	-	341,661
8 (*2)	34,704	86,885	4,096	125,685
9 (*2)	18,664	55,602	6,516	80,782
10 (*2)	5,108	31,114	26,466	62,688
Not rated (*3)	531,060	-	75	531,135
	10,880,553	422,674	37,153	11,340,380
Public sectors and others				
1~6	861,822	1,304	-	863,126
7	255	88	-	343
8 (*2)	-	2,592	-	2,592
9 (*2)	-	-	4,911	4,911
10 (*2)	-	100	887	987
Not rated (*3)	-	-	-	-
	862,077	4,084	5,798	871,959
Credit card				
1~6	298,908	17,455	-	316,363
7	20,633	16,516	-	37,149
8 (*2)	12,895	13,633	562	27,090
9 (*2)	4,975	8,771	605	14,351
10 (*2)	1,623	6,364	5,482	13,469
Not rated (*3)	10,835	12	76	10,923
	349,869	62,751	6,725	419,345
Total	₩ 36,852,692	3,897,785	365,849	41,116,326

(*1) The Group assesses and manages credit rating of loans classifying loans into enterprises (external audit, non-external audit, individual business, financial institute, public sector and special finance) and loans to households. Combined evaluation model of financial model and non-financial model is used for loans to enterprises other than loans to financial institute, public sector and special finance. Regular check for adequacy is conducted to guarantee the adequacy of credit rating.

(*2) The definition of bankruptcy in Basel II is based on overdue criteria and default criteria and is applied to the definition of impairment of the Group. Impairment unit is borrower criteria thus there might be loans under 8th degree which are neither overdue nor impaired.

(*3) Amount of non-rated loan is ₩849,389 million as of December 31, 2018 and arises from inter-bank transactions such as inter-bank loans and loans related with sound collateral (deposits and warranty) and sound bills (discounted bills and electronic factoring). Amount of not rated loans from inter-bank transactions and sound loan borrowers is ₩252,972 million and ₩596,417 million as of December 31, 2018 respectively.

Relationship between internal credit rating and external credit rating are as follows:

Classification of rating	Internal credit rating	External credit rating
Current	1~6	AAA~BB-
Precautionary	7	B
Substandard	8	CCC
Doubtful	9	CC, C
Estimated loss	10	D

(d) Estimated fair value of types of credit enhancements and collateral for impaired loans as of December 31, 2019 and 2018 are as follows:

	2019				
	Enterprises	Households	Public sectors and others	Total	(In millions of won)
Real estate	₩ 91,954	15,089	3,973	111,016	
Movable asset	23,090	6,186	-	29,276	
Securities and debentures	102	12	-	114	
Guarantee	23,030	2,084	-	25,114	
Others	296	66	-	362	
Total	₩ 138,472	23,437	3,973	165,882	

	2018				
	Enterprises	Households	Public sectors and others	Total	(In millions of won)
Real estate	₩ 121,500	14,051	1,894	137,445	
Movable asset	22,578	1,932	-	24,510	
Securities and debentures	-	5	-	5	
Guarantee	17,752	1,600	-	19,352	
Others	504	-	-	504	
Total	₩ 162,334	17,588	1,894	181,816	

(e) Restructuring loans and receivables

Restructuring loans and receivables is an activity to maximize the collection of loans and receivables by changing the condition of a financially troubled borrower and includes extension of maturity, postponement of payment and relief of interest rate. Restructured loans and receivables as of December 31, 2019 and 2018 are ₩53,326 million and ₩48,814 million, respectively.

(f) The total carrying amount of the debt securities by credit rating according to the method of measuring the allowance for loss as of December 31, 2019 and 2018 are as follows:

(In millions of won)

			2019		
		12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Impaired	Total
Securities at amortized cost					
AAA	₩	2,273,872	-	-	2,273,872
AA+ ~ AA-		388,140	-	-	388,140
A+ ~ A-		40,661	-	-	40,661
Not rated		4,638,727	-	-	4,638,727
Subtotal		7,341,400	-	-	7,341,400
Financial assets at fair value through other comprehensive income					
AAA		1,831,709	-	-	1,831,709
AA+ ~ AA-		366,971	-	-	366,971
A+ ~ A-		30,166	-	-	30,166
Not rated		1,902,898	-	-	1,902,898
Subtotal		4,131,744	-	-	4,131,744
Total	₩	11,473,144	-	-	11,473,144

(In millions of won)

			2018		
		12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Impaired	Total
Securities at amortized cost					
AAA	₩	2,898,399	-	-	2,898,399
AA+ ~ AA-		430,949	-	-	430,949
A+ ~ A-		63,226	-	-	63,226
Not rated		4,453,860	-	-	4,453,860
Subtotal		7,846,434	-	-	7,846,434
Other financial assets at fair value through other comprehensive income					
AAA		1,399,404	-	-	1,399,404
AA+ ~ AA-		437,971	-	-	437,971
A+ ~ A-		54,442	-	-	54,442
Not rated		2,071,729	-	-	2,071,729
Subtotal		3,963,546	-	-	3,963,546
Total	₩	11,809,980	-	-	11,809,980

(g) Offsets of financial assets and financial liabilities

The Group has financial instruments which are subject to an enforceable master netting arrangement or similar agreement. The similar agreements include derivative clearing agreements, repurchase agreements, securities lending agreements, etc.

Some of the derivative instruments are subject to an enforceable master netting arrangement. In accordance with this agreement, all the derivatives transactions are terminated in the credit event such as bankruptcy of any of the counterparties and the net amounts offset in each transaction will be paid from one party to another at the time of termination. The Group's repurchase agreement transactions, and securities lending transactions, etc., are also subject to an agreement similar to ISDA (International Derivatives Swaps and Dealers Association) offsetting agreements.

Financial assets and liabilities are not offset in the statement of financial position because ISDA offsetting agreements and similar agreements are exercisable only in the credit event and the parties to transactions have no intention to either settle on a net basis, or realize the asset and settle the liability simultaneously.

Offsetting financial assets

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2019 and 2018 are as follows:

	2019						
	Gross amounts of recognized financial assets	Gross offset amounts of recognized financial liabilities	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Related amounts not set off in the statement of financial position		
					Collateral received		
					Securities	Cash	Net amount
Bonds purchased under resale agreements	₩ 3,559,656	-	3,559,656	2,405,679	1,028,900	-	125,077
Accrued balance spot exchange	533,951	(113,394)	420,557	420,460	-	-	97
Securities lending and borrowing asset	1,849,808	-	1,849,808	1,685,893	40,170	-	123,745
Trading derivative assets	205,960	-	205,960	44,264	-	264	161,432
Hedging derivative assets	13,996	-	13,996	7,163	5,587	-	1,246
Financial assets at fair value through profit or loss	39,260	-	39,260	-	39,260	-	-
Total	₩ 6,202,631	(113,394)	6,089,237	4,563,459	1,113,917	264	411,597

	2018						
	Gross amounts of recognized financial assets	Gross offset amounts of recognized financial liabilities	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Related amounts not set off in the statement of financial position		
					Collateral received		
					Securities	Cash	Net amount
Bonds purchased under resale agreements	₩ 60,200	-	60,200	-	56,353	-	3,847
Accrued balance spot exchange	264,158	-	264,158	264,060	-	-	98
Securities lending and borrowing asset	598,941	-	598,941	551,451	-	-	47,490
Trading derivative assets	26,824	-	26,824	7,299	1,185	58	18,282
Hedging derivative assets	14,494	-	14,494	4,090	961	-	9,443
Total	₩ 964,617	-	964,617	826,900	58,499	58	79,160

Offsetting financial liabilities

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2019 and 2018 are as follows:

	2019					
	Gross amounts of recognized financial assets	Gross offset amounts of recognized financial assets	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Related amounts not set off in the statement of financial position	
					Collateral provided	Net amount
Bonds under repurchase agreements	₩ 3,267,709	-	3,267,709	2,405,678	862,031	-
Accrued balance spot exchange	2,331,965	(113,394)	2,218,571	2,208,981	-	9,590
Trading derivative liabilities	320,281	-	320,281	34,673	300	285,308
Hedging derivative liabilities	8,587	-	8,587	7,163	1,424	-
Total	₩ 5,928,542	(113,394)	5,815,148	4,656,495	863,755	294,898

(In millions of won)

		2018			Related amounts not set off in the statement of financial position		
		Gross amounts of recognized financial assets	Gross offset amounts of recognized financial assets	Net amounts of financial liabilities presented the statement of financial position	Financial instruments	Collateral provided	Net amount
Bonds under repurchase agreements	₩	774,873	-	774,873	-	774,873	-
Accrued balance spot exchange		509,006	-	509,006	508,879	-	127
Trading derivative liabilities		28,026	-	28,026	10,163	1,306	16,557
Hedging derivative liabilities		6,714	-	6,714	4,090	2,624	-
Total	₩	1,318,619	-	1,318,619	523,132	778,803	16,684

41-2. Liquidity Risk

Financial liabilities held for trading and demand deposits are recognized as fair value and included in the 'On demand' section.

Non-derivative financial liabilities

Contractual maturity analysis for financial liabilities for the years ended December 31, 2019 and 2018, are as follows:

(In millions of won)

		2019								
		On demand	Less than 1 month	1 ~ 3 months	3 ~ 6 months	6 ~ 12 months	1 ~ 3 years	3 ~ 5 years	5 years	Total
On-balance accounts										
Deposits	₩	16,620,617	4,308,858	5,137,225	6,828,269	9,010,557	1,058,488	38,234	129,653	43,131,901
Financial liabilities at fair value through profit or loss		-	1,685,893	-	-	-	-	-	-	1,685,893
Fair value changes on financial liabilities designated at fair value		-	525	13,651	17,745	59,447	550,190	4,864	128,310	774,732
Debts		-	4,284,392	519,174	496,256	676,083	796,142	371,844	438,890	7,582,781
Debentures		-	99,963	483,325	367,390	625,702	2,857,179	803,362	485,598	5,722,519
Other financial liabilities		32	2,580,891	23,699	45,503	56,285	169,222	26,231	15,119	2,916,982
Lease liabilities		77	2,845	4,394	5,196	6,917	20,972	36,766	13,123	90,290
Total	₩	16,620,726	12,963,367	6,181,468	7,760,359	10,434,991	5,452,193	1,281,301	1,210,693	61,905,098
Off-balance accounts										
Financial guarantee contract	₩	692,636	-	-	-	-	-	-	-	692,636
Commitments		12,287,680	-	-	-	-	-	-	-	12,287,680
Payments on guarantees		500,319	-	-	-	-	-	-	-	500,319
Total	₩	13,480,635	-	-	-	-	-	-	-	13,480,635

Non-derivative financial liabilities, continued

(In millions of won)

	2018								
	On demand	Less than 1 month	1~3 months	3~6 months	6~12 months	1~3 years	3~5 years	5 years	Total
On-balance accounts									
Deposits	₩ 15,371,153	3,660,781	5,134,795	5,212,613	7,949,758	1,392,778	205,753	262,030	39,189,661
Financial liabilities at fair value through profit or loss	-	551,451	-	-	-	-	-	-	551,451
Fair value changes on financial liabilities designated at fair value	-	-	1,978	306	7,759	399,327	-	108,424	517,794
Debts	-	3,943,678	370,610	508,234	471,164	635,020	314,733	284,693	6,528,132
Debentures	-	298,545	468,902	485,882	573,414	2,219,689	1,194,930	495,738	5,737,100
Other financial liabilities	-	1,433,551	27,854	37,068	47,967	139,586	10,863	12,804	1,709,693
Total	₩ 15,371,153	9,888,006	6,004,139	6,244,103	9,050,062	4,786,400	1,726,279	1,163,689	54,233,831
Off-balance accounts									
Financial guarantee contract	₩ 647,314	-	-	-	-	-	-	-	647,314
Commitments	10,651,178	-	-	-	-	-	-	-	10,651,178
Payments on guarantees	501,387	-	-	-	-	-	-	-	501,387
Total	₩ 11,799,879	-	-	-	-	-	-	-	11,799,879

Maturity structures of derivative financial liabilities as of December 31, 2019 and 2018 are as follows:

(In millions of won)

	2019						
	Less than 1 month	1~3 months	3~6 months	6~12 months	1~3 years	3~5 years	More than 5 years
Trading derivatives							
Currency related	₩ 30,816	27,632	8,591	11,422	-	-	-
Others	-	-	-	-	7,621	-	-
Stock related	45,541	-	-	32	1,231	-	-
Subtotal	76,357	27,632	8,591	11,454	8,852	-	-
Hedging derivatives							
Currency swap	-	-	4,009	616	788	244	278
Total	₩ 76,357	27,632	12,600	12,070	9,640	244	278

(In millions of won)

	2018						
	Less than 1 month	1~3 months	3~6 months	6~12 months	1~3 years	3~5 years	Total
Trading derivatives							
Currency related	₩ 12,380	5,367	13,979	3,254	164	-	35,144
Others	6	48,788	39	153	17,836	-	66,822
Stock related	-	8	-	-	638	-	646
Subtotal	12,386	54,163	14,018	3,407	18,638	-	102,612
Hedging derivatives							
Currency swap	-	753	2,928	733	1,544	1,166	7,124
Total	₩ 12,386	54,916	16,946	4,140	20,182	1,166	109,736

Available assets to fulfill the payment obligations of liabilities and to carry out the unpaid loan contracts are cash, due from The Bank of Korea, loans, equity securities and debt securities. The Group is able to deal with unexpected cash flows through the disposal of securities and by additional fund raising resources such as the asset securitization market.

41-3. Market Risk

(a) Trading Position

VaR by risk types (trading position)

VaR by risk types as of December 31, 2019 and 2018 are as follows:

(In millions of won)

		2019			
	Period end	Average	Minimum	Maximum	
Interest rate risk	₩ 6,004	5,290	3,547		6,936
Foreign exchange risk	5,977	3,318	730		6,414
Stock risk	7,016	5,450	4,224		7,581
Other risk	(420)	(361)	30		(1,398)
Diversification effect	(2,879)	(852)	(3,887)		2,271
Total risk	₩ 15,698	12,845	4,644		21,804

(In millions of won)

		2018			
	Period end	Average	Minimum	Maximum	
Interest rate risk	₩ 3,268	3,638	2,995		4,660
Foreign exchange risk	1,484	1,447	852		1,992
Stock risk	4,493	5,809	2,590		6,714
Diversification effect	(3,587)	(3,648)	(1,581)		(2,818)
Total risk	₩ 5,658	7,246	4,856		10,548

The sum of VaR for each risk type does not match the total VaR due to correlation between risk factors and the diversification effect. The correlation between risk factors and the volatility are calculated using the simple moving average method.

The interest rate risk of DGB Life Insurance Co., Ltd. as of December 31, 2019 and 2018 are as follows:

(In millions of won)

	Exposure	2019		2018	
		Interest rate sensitivity(%)	Interest rate sensitivity amount	Exposure	Interest rate sensitivity(%)
I. Insurance liability					
1. Interest rates fixed	₩ 1,857,506	15	27,167,977	1,753,643	15
2. Interest rates linked	3,503,546	7	25,050,002	3,545,743	7
Subtotal	₩ 5,361,052	10	52,217,979	5,299,386	9
II. Interest bearing assets					
1. Due from banks	234,233	-	48,500	264,980	-
2. Financial assets at fair value through profit or loss	34,867	1	47,884	34,710	2
3. Financial assets at fair value through other comprehensive income	862,277	9	7,938,377	811,215	7
4. Securities at amortized cost	3,995,219	12	45,957,415	3,852,396	10
5. Loans at amortized cost	418,293	12	4,964,990	397,483	11
Subtotal	₩ 5,544,889	11	58,957,166	5,360,784	9
III. The maturity mismatch amount			101,088		25,730
IV. The minimum interest rate amount			128,805		129,227
V. The interest rate back spread amount			5,280		-
VI. The interest rate risk amount =[max(III,IV)+V]	₩		134,085		129,227

Other price risks of DGB Life Insurance Co., Ltd.

Other price risks of DGB Life Insurance Co., Ltd. are the risks that financial instrument's cash flow or fair value is changed due to the change of market price other than an exchange risk or interest risk.

The price risk is an analysis about KOSPI 200 index changes, and 10% increase and decrease are used for reasonable and possible fluctuations. This shows management's evaluation about the reasonable and possible fluctuations of the stock index.

(In millions of won)

	2019		2018	
		Profit or loss	Other comprehensive income	Profit or loss
	Beneficiary certificate	10% increase 10% decrease	₩ (2,077)	- -

(b) Non-trading position

The Group manages interest rate risk for non-trading position. Interest rate risk of non-trading position is the risk that the net asset value or net interest income might decrease due to the inconsistency of interest rate maturity and the unfavorable change of market interest rate. The Group measures interest rate risk for interest assets such as loans, dues from banks and bonds, for interest rate liabilities such as deposits and borrowings and for hedge derivatives. Among non-trading positions, marketable available-for-sale financial assets (stocks) are managed through VaR.

Method of interest rate risk management

The tolerance limit to manage the interest rate risk on trading positions is required to be set in principle at least once a year, and approved by the Committee. To verify complying with the tolerance limit, the interest risk is measured and managed at least once a month, and reported to the management, the Council and the Committee.

Assessment methods for interest rate risk

- Value at Risk (VaR)

Interest rate VaR measures potential losses in value of a net asset over a defined period for a given confidence interval. The Group calculates interest rate VaR by the gap of interest rate and the modified duration.

- Earning at Risk (EaR)

EaR is the quantity by which net income is projected to decline in the event of an adverse change in prevailing interest rates.

- Others

The Group evaluates interest rates risk by using the rate of interest gap, and conducts the interest risk analysis of crisis situations under abnormal market conditions one or more times a quarter. Also, the department verifies the accuracy, completeness and suitability one or more times a year regularly and observes measurement-related data constantly and independently.

- Interest rate VaR (non-trading position)

Interest rate VaR as of December 31, 2019 and 2018 are as follows:

(In millions of won)

	₩	End	Average	Minimum	Maximum
		2019	70,798	140,036	178,151
2018		129,898	118,163	37,727	153,699

(c) Foreign exchange bias

Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows are affected by the volatility of foreign exchange rate. The Group does not divide foreign exchange position into trading position and non-trading position but manages it on the whole.

Exposures to foreign exchange risk as of December 31, 2019 and 2018 are as follows:

	2019					(In millions of won)
	USD	JPY	EUR	CNY	Others	
Assets						
Cash and due from bank	₩ 139,043	58,764	50,621	32,466		114,951
Financial assets at fair value through profit or loss	29,400	-	-	-		-
Financial assets at fair value through other comprehensive income	373,584	-	43,621	-		-
Securities at amortized cost	190,684	-	274,136	-		120,916
Loans at amortized cost	1,012,243	57,569	29,367	131,056		3,010
Derivative assets on hedge	5,462	-	3,366	-		5,157
Other assets	489,572	11,387	14,281	1,491		(6,560)
Total	₩ 2,239,988	127,720	415,392	165,013		237,474
Liabilities						
Deposits	₩ 555,447	55,017	18,162	53,815		11,239
Borrowings	803,556	49,001	7,303	45,466		-
Debentures	344,915	-	-	-		-
Derivative liabilities on hedge	7,385	-	942	-		260
Other liabilities	531,714	10,901	655	3,163		2,755
Total	₩ 2,243,017	114,919	27,062	102,444		14,254

Exposures to foreign exchange risk as of December 31, 2019 and 2018 are as follows:

	2018					(In millions of won)
	USD	JPY	EUR	CNY	Others	
Foreign currency financial assets	₩ 2,224,863	111,981	113,110			491,012
Foreign currency financial liabilities	1,851,381	110,571	37,616			189,082

42. Capital Management

Regulated capital and BIS ratio (neither audited nor reviewed by the external auditor) of the Group as of December 31, 2019 and 2018 are as follows. The Group has complied with all the external capital maintenance restriction conditions for the past two years.

	2019		2018
	₩		
Total capital (A)		5,278,719	5,014,663
Basic capital (B)		4,675,824	4,426,663
Common stock (C)		4,085,641	3,831,182
Supplementary capital (D)		602,895	588,000
Risk weighted asset (E)		42,835,526	39,109,962
Ratio of total capital (A/E)		12.32%	12.82%
Ratio of basic capital (B/E)		10.92%	11.32%
Ratio of common stock capital (C/E)		9.54%	9.80%

43. Disclosures for Fair Value

43-1. Account classification and fair value of financial instruments

Book value and fair value of each financial instrument as of December 31, 2019 and 2018, are as follows:

		(In millions of won)
	2019	
	Book value	Fair value
Financial Assets		
Cash and due from bank	₩ 2,826,220	2,826,220
Financial assets at fair value through profit or loss	7,748,112	7,748,112
Financial assets at fair value through other comprehensive income	4,181,307	4,181,307
Securities at amortized cost	7,340,887	7,373,711
Loans at amortized cost	46,587,076	46,808,441
Derivative financial assets held for trading (*)	84,362	84,362
Derivative financial assets held for hedging (*)	13,996	13,996
Other financial assets	1,976,809	1,974,715
Total	₩ 70,758,769	71,010,864
Financial Liabilities		
Deposits	₩ 42,758,180	42,765,508
Financial liabilities at fair value through profit or loss	1,685,893	1,685,893
Financial liabilities designated at fair value through profit or loss	774,732	774,732
Derivative financial liabilities held for trading (*)	132,886	132,886
Derivative financial liabilities held for hedging (*)	8,587	8,587
Borrowings	7,043,400	7,046,227
Debentures	5,590,032	5,680,078
Other financial liabilities	2,788,923	2,788,319
Total	₩ 60,782,633	60,882,230

(*) Amounts before deducting provision for credit loss

		(In millions of won)
	2018	
	Book value	Fair value
Financial Assets		
Cash and deposits	₩ 2,601,499	2,601,499
Financial assets at fair value through profit or loss	6,277,966	6,277,966
Financial assets at fair value through other comprehensive income	4,032,620	4,032,620
Securities at amortized cost	7,839,654	8,007,644
Loan receivables at amortized cost	40,826,951	40,854,907
Derivative financial assets held for trading (*)	41,154	41,154
Derivative financial assets held for hedging (*)	14,493	14,493
Other financial assets	1,665,652	1,668,374
Total	₩ 63,299,989	63,498,657
Financial Liabilities		
Loan payables	₩ 38,729,457	38,456,845
Financial liabilities at fair value through profit or loss	551,451	551,451
Financial liabilities designated at fair value through profit or loss	517,794	517,794
Derivative financial liabilities held for trading (*)	102,796	102,796
Derivative financial liabilities held for hedging (*)	6,714	6,714
Borrowings	6,442,359	6,425,406
Debt securities issued	5,303,840	5,293,973
Other financial liabilities	2,247,774	2,249,145
Total	₩ 53,902,185	53,604,124

(*) Amounts before deducting provision for credit loss

43-2. Hierarchy of financial assets and liabilities at fair value

(a) Hierarchy of financial assets and liabilities at fair value in the consolidated financial statements

Hierarchy of financial assets and liabilities at fair value in the consolidated financial statements as of December 31, 2019 and 2018, are as follows:

	2019				(In millions of won)
	Classification of levels				
	Level 1	Level 2	Level 3	Total	
Financial Assets					
Financial Assets at fair value through profit or loss					
Equity securities	₩ 4,378	-	34,968	39,346	
Debt securities	2,083,996	3,726,129	1,296,432	7,106,557	
Others	-	355,096	247,114	602,210	
Subtotal	2,088,374	4,081,225	1,578,514	7,748,113	
Financial Assets at fair value through other comprehensive income					
Equity securities	1,012	-	48,551	49,563	
Debt securities	1,080,755	3,050,989	-	4,131,744	
Subtotal	1,081,767	3,050,989	48,551	4,181,307	
Derivative financial assets					
Derivative financial assets held for trading (*)	8,432	71,226	4,705	84,363	
Derivative financial assets held for hedging (*)	-	13,996	-	13,996	
Subtotal	8,432	85,222	4,705	98,359	
Total financial assets	₩ 3,178,573	7,217,436	1,631,770	12,027,779	
Financial Liabilities					
Financial Liabilities at fair value through profit or loss					
Equity securities	₩ 25,952	-	-	25,952	
Debt securities	80,231	1,579,710	-	1,659,941	
Subtotal	106,183	1,579,710	-	1,685,893	
Financial liabilities designated at fair value through profit or loss					
Others	-	-	774,732	774,732	
Derivative financial liabilities					
Financial liabilities held for trading (*)	45,541	78,474	8,871	132,886	
Derivative financial liabilities for hedging (*)	-	8,587	-	8,587	
Subtotal	45,541	87,061	8,871	141,473	
Total financial liabilities	₩ 151,724	1,666,771	783,603	2,602,098	

(*) Amounts before deducting provision for credit loss

(In millions of won)

	2018			
	Classification of levels			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial Assets at fair value through profit or loss				
Equity securities	₩ 16,216	-	45,996	62,212
Debt securities	216,629	4,737,945	691,475	5,646,049
Others	-	386,450	183,255	569,705
Subtotal	232,845	5,124,395	920,726	6,277,966
Financial Assets at fair value through other comprehensive income				
Equity securities	1,047	-	68,027	69,074
Debt securities	1,323,171	2,640,375	-	3,963,546
Subtotal	1,324,218	2,640,375	68,027	4,032,620
Derivative financial assets				
Derivative financial assets held for trading (*)	90	37,742	3,322	41,154
Derivative financial assets held for hedging (*)	-	14,493	-	14,493
Subtotal	90	52,235	3,322	55,647
Total financial assets	₩ 1,557,153	7,817,005	992,075	10,366,233
Financial Liabilities				
Financial Liabilities at fair value through profit or loss				
Equity securities	₩ 32,154	-	-	32,154
Debt securities	-	519,297	-	519,297
Subtotal	32,154	519,297	-	551,451
Financial liabilities designated at fair value through profit or loss Others	-	-	517,794	517,794
Derivative financial liabilities for hedging (*)				
Financial liabilities held for trading (*)	48,780	35,996	18,020	102,796
Derivative financial liabilities for hedging (*)	-	6,714	-	6,714
Subtotal	48,780	42,710	18,020	109,510
Total financial liabilities	₩ 80,934	562,007	535,814	1,178,755

(*) Amounts before deducting provision for credit loss

(b) The variable inputs used to measure the valuation technique and fair value of financial assets and liabilities classified as Level 2 as of December 31, 2019 and 2018, are as follows:

	2019	
	Valuation method	Variable inputs
Financial assets		
Equity securities	DCF method	Discount rate
Debt securities	DCF method, Net asset value	Discount rate
Others	DCF method, Net asset value, etc.	Discount rate
Financial assets at fair value through other comprehensive income	Debt securities	Discount rate
Derivative financial assets held for trading	DCF method, Discounted cash flow method etc.	Discount rate, currency rate, IRS curve, FX swap curve
Derivative financial assets held for hedging	DCF method, Embedded forward rate agreement, etc.	Discount rate, currency rate and etc.
Financial liabilities		
Debt securities	DCF method and etc.	Discount rate, Stock price and etc.
Discounted cash flow method and etc.		Discount rate, IRS curve.
Embedded forward rate agreement and etc.		Discount rate

		2018	
		Valuation method	Variable inputs
Financial assets			
Financial assets at fair value through profit or loss	Debt securities	DCF method	Discount rate
	Others	DCF method, Net asset value, etc.	Discount rate
Financial assets at fair value through other comprehensive income	Debt securities	DCF method	Discount rate
		DCF model	Discount rate
Derivative financial assets held for trading		DCF method, Net asset value, etc.	Discount rate, currency rate, Stock price index and etc.
Derivative financial assets held for hedging		DCF method, Embedded forward rate agreement, etc.	Discount rate, currency rate and etc.
Financial liabilities			
Financial liabilities at fair value through profit or loss		DCF method	Discount rate, Stock price and etc.
Derivative financial liabilities held for trading		DCF method and etc.	Discount rate, currency rate and etc.
Derivative financial liabilities held for hedging		Embedded forward rate agreement and etc.	Discount rate

(c) The inputs used to measure the valuation technique and fair value of financial assets and financial liabilities classified as Level 3 as of the end of December 31, 2019 and 2018, are as follows:

		2019		Range
		Valuation method	Unobservable variable inputs	
Financial assets				
	Equity securities	Binomial method, Black-Scholes model, DCF method, Net asset value	Discount rate, Variability, Growth rate	7.86%~9.71% 18.30% 0%
Financial assets at fair value through profit or loss	Debt securities	Binomial method, Black-Scholes model, DCF method, Net asset value	Discount rate, Variability, Liquidating value	15.38%~39.45% 3.98%~11.93% 0%
	Others	Net Asset value and etc.	Variability, correlation coefficient, Growth rate, Liquidating value	Variability: 0.0692770792 ~ 0.3156681124, Correlation coefficient: -0.5179 ~ 0.9967
Financial assets at fair value through other comprehensive income	Equity securities	Discounted Cash Flow method	Discount rate, Variability, Liquidating value	10.67%~21.18% 0% 0%
Derivative financial assets	Derivative financial assets held for trading	Black-Scholes model, Hull-White model	Variability, Correlation coefficient	Variability: 0.0692770792 ~ 0.3156681124, Correlation coefficient: -0.5179 ~ 0.9967, Regression coefficient: 0.1000, Variability: 0.1034 ~ 0.2481
Financial liabilities				
Financial liabilities at fair value through profit or loss		Black-Scholes model, Hull-White model	Variability, Correlation coefficient	Variability: 0.0692770792 ~ 0.3156681124, Correlation coefficient: -0.5179 ~ 0.9967, Regression coefficient: 0.1000, Variability: 0.1034 ~ 0.2481
Derivative financial liabilities held for trading				

			2018	
		Valuation method	Unobservable variable inputs	Range
Financial assets				
	Equity securities	Binomial method	Discount rate, Variability, Growth rate	8.87 ~ 9.71%, 18.30%, 0%
Financial assets at fair value through profit or loss	Debt securities	Binomial method	Discount rate, Variability, Liquidating value	12.14 ~ 39.45%, 4.56 ~ 11.93%, 0%
		Discounted Cash Flow method	Discount rate	5.58%
	Others	Net Asset value and etc.	-	-
Financial assets at fair value through other comprehensive income	Equity securities	Discounted Cash Flow method	Discount rate, Variability, Liquidating value	12.13 ~ 21.18%, 0%, 0%
Derivative financial assets held for trading		Black-Scholes model, Hull-White model	Variability, Correlation coefficient	7.32 ~ 33.79%, -58.47% ~ 99.7%
Financial liabilities				
Financial liabilities at fair value through profit or loss		Black-Scholes model, Hull-White model	Variability, Correlation coefficient	7.32 ~ 33.79%, -58.47% ~ 99.7%

(d) Changes in financial assets and liabilities classified as Level 3 for the years ended December 31, 2019 and 2018 are as follows:

(In millions of won)

	2019							
	Financial assets at fair value through profit or loss			Financial liabilities designated at fair value through profit and loss		Financial assets at fair value through other comprehensive income		Derivatives for trading
	Equity securities	Debt Securities	Others	Others	Equity securities	Derivative assets		
Beginning (*)	₩ 45,996	691,475	183,255	517,794	68,027	3,322	18,020	
Amount recognized in profit or loss	(2,941)	15,266	21,009	33,112	-	1,839	(7,365)	
Amount recognized in other comprehensive income	-	-	-	-	(3,054)	-	-	
Purchase amount	2,241	747,350	93,453	666,380	-	1,351	1,917	
Amount sold	(4,092)	(155,867)	(50,602)	(442,554)	(1,633)	(1,807)	(3,701)	
Amount changed from level 3 to another level	300	-	-	-	-	-	-	
Others	(6,536)	(1,792)	-	-	(14,789)	-	-	
Total	₩ 34,968	1,296,432	247,115	774,732	48,551	4,705	8,871	

(In millions of won)

	2018							
	Financial assets at fair value through profit or loss			Financial liabilities designated at fair value through profit and loss		Financial assets at fair value through other comprehensive income		Derivatives for trading
	Equity securities	Debt Securities	Others	Others	Equity securities	Derivative assets		
Beginning (*)	₩ 37,013	556,874	-	-	51,157	152	927	
Acquisition due to business combinations	85	72,247	179,829	522,263	13,611	3,089	10,262	
Amount at fair value through profit or loss	9,048	7,379	3,426	9,253	-	233	7,758	
Amount recognized in other comprehensive income	-	-	-	(30)	3,160	-	-	
Purchase amount	-	147,122	-	-	100	-	-	
Amount sold	(150)	(92,147)	-	(13,692)	(1)	-	-	
Amount changed from level 3 to another level	-	-	-	-	-	(152)	(927)	
Total	₩ 45,996	691,475	183,255	517,794	68,027	3,322	18,020	

(*) Restated based on K-IFRS 1109.

(e) Sensitivity analysis of financial instruments classified as Level 3

Sensitivity analysis of financial instruments is divided into advantageous and disadvantageous changes based on changes in the value of financial instruments due to changes in unobservable input variables using statistical techniques. And when fair value is affected by more than one input variable, it is based on the most advantageous or most disadvantageous amount.

The sensitivity of financial instruments classified as Level 3 as of December 31, 2019 and 2018, are as follows:

	(In millions of won)	
	2019	
	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss (*1)	₩ 4,452	4,325
Financial assets at fair value through other comprehensive income (*2)(*3)	2,331	1,170
Financial liabilities designated at fair value through profit or loss and Derivative financial instruments for trading (*4)	5,636	4,963

(*1) Fair value changes are calculated by increasing or decreasing discount rate (-1%p ~ 1%p) and growth rate (0% ~ 1%).

(*2) Fair value changes are calculated by increasing or decreasing growth rate (0%p~1%p) and discount rate (-1%p~1%p) or increasing or decreasing liquidating value (-1%~1%) and discount rate (-1%p~1%p).

(*3) Fair values of certain equity securities such as PEF are measured by the asset approach method. Fair value changes of such equity securities are excluded as sensitivity calculation by changes in inputs is practically impossible.

(*4) Financial liabilities designated at fair value through profit or loss and derivative financial instruments for trading are calculated by increasing or decreasing the volatility and correlation of the major unobservable input variables (10%).

	(In millions of won)	
	2018	
	Advantageous changes	Disadvantageous changes
Financial assets at fair value through profit or loss (*1)(*2)	₩ 9,279	(8,651)
Financial assets at fair value through other comprehensive income (*3)	3,282	(1,601)
Financial liabilities designated at fair value through profit or loss and Derivative financial instruments for trading (*4)	22,452	(22,296)

(*1) Fair values of certain equity securities such as PEF are measured by the asset approach method. Fair value changes of such equity securities are excluded as sensitivity calculation by changes in inputs is practically impossible.

(*2) Fair value changes are calculated by increasing or decreasing discount rate (-1%p ~ 1%p) and growth rate (0% ~ 1%).

(*3) Fair value changes are calculated by increasing or decreasing growth rate (0%p~1%p) and discount rate (-1%p~1%p) or increasing or decreasing liquidating value (-1%~1%) and discount rate (-1%p~1%p).

(*4) Financial liabilities designated at fair value through profit or loss and derivative financial instruments for trading are calculated by increasing or decreasing the volatility and correlation of the major unobservable input variables (10%).

(f) Deferred recognition of day-one profit or loss

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

The deferred day-one profit or loss for the years ended December 31, 2019 and 2018 are as follows:

	2019		2018	
	Deposit at fair value through profit or loss	Derivative financial instruments held for trading	Deposit at fair value through profit or loss	Derivative financial instruments held for trading
Beginning balance	₩ 5,268	(116)	(1,080)	-
Increase	(9,756)	1,213	6,174	263
Recognized loss	(3,033)	(1,421)	174	(379)
Ending balance	₩ (7,521)	(324)	5,268	(116)

(g) A fair value hierarchy of financial assets and financial liabilities that are not measured at fair value but are disclosed at fair value

Valuation method of fair value for financial instruments measured at amortized cost

Valuation method of disclosed fair value for assets and liabilities that are not measured at fair value are as follows:

	Valuation method
Cash and due from banks	The estimated fair values of cash and due from banks are the carrying amounts.
Securities at amortized cost	The fair values of securities at amortized cost are determined using prices evaluated by credible evaluators.
Loans at amortized cost	The fair values of loans at amortized cost are the present value of contractual cash flows discounted at market rates by factoring in the default rates and credit spreads
Depository liabilities	The estimated fair values of demand deposits are the carrying amounts. The estimated fair values of time deposits are the present value of future cash flows discounted at the interest rate.
Borrowings	The estimated fair values of call money and borrowings in won are the carrying amounts. The fair values of other borrowings are the present value of future cash flows discounted at the interest rate.
Debentures	The fair values of debentures are the present value of future cash flows discounted at the interest rate.

Classification and fair value hierarchy of financial instruments measured at amortized cost.

The classification and the fair value hierarchy of financial instruments measured at amortized cost as of December 31, 2019 and 2018 are as follows:

Type	2019				(In millions of won)
	Level 1	Level 2	Level 3	Total	
Financial assets	Cash and due from banks	₩ 2,826,220	-	-	2,826,220
	Securities at amortized cost	₩ 2,528,995	4,844,716	-	7,373,711
	Loans at amortized cost	-	-	46,808,441	46,808,441
	Other financial assets	-	-	1,974,715	1,974,715
Financial liabilities	Depository liabilities	₩ 5,355,215	4,844,716	48,783,156	58,983,087
	Borrowings	₩ 16,611,621	-	26,153,886	42,765,507
	Debentures	172,101	-	6,874,126	7,046,227
	Other financial liabilities	-	135,000	5,545,078	5,680,078
Total		₩ 16,783,722	135,000	41,361,409	58,280,131

Type	2018				(In millions of won)
	Level 1	Level 2	Level 3	Total	
Financial assets	Cash and due from banks	₩ 2,601,499	-	-	2,601,499
	Securities at amortized cost	₩ 2,315,013	5,692,631	-	8,007,644
	Loans at amortized cost	-	-	40,854,907	40,854,907
	Other financial assets	-	-	1,668,374	1,668,374
Financial liabilities	Depository liabilities	₩ 4,916,512	5,692,631	42,523,281	53,132,424
	Borrowings	₩ 15,338,640	-	23,118,205	38,456,845
	Debentures	134,662	-	6,290,744	6,425,406
	Other financial liabilities	-	174,574	5,119,399	5,293,973
Total		₩ 15,473,302	174,574	36,777,493	52,425,369

(h) Valuation method and inputs of level 2

Valuation method and inputs used in measuring fair values of financial instruments measured at amortized cost using level 2 inputs as of December 31, 2019 and 2018 are as follows:

Type	2019	
	Valuation method (*)	Inputs (*)
Financial assets Financial assets	Securities at amortized cost DCF method	Discount rate
Financial liabilities Financial liabilities	Debentures DCF method	Discount rate

(*) Valuation methods and inputs of items which carrying amounts are assumed to be fair values are not disclosed.

Type	2019	
	Valuation method (*)	Inputs (*)
Financial assets Financial assets	Securities at amortized cost DCF method	Discount rate
Financial liabilities Financial liabilities	Debentures DCF method	Discount rate

(*) Valuation methods and inputs of items which carrying amounts are assumed to be fair values are not disclosed.

(i) Valuation method and inputs of level 3

Valuation method and significant unobservable inputs used in measuring fair values of financial instruments measured at amortized cost using level 3 inputs as of December 31, 2019 and 2018 are as follows:

Type	2019	
	Valuation method (*)	Inputs (*)
Financial assets Financial assets	Loans measured at amortized cost Others	DCF method Discount rate, credit spreads, prepayment rate Discount rate
	Depository liabilities	DCF method Discount rate
Financial liabilities Financial liabilities	Borrowings Debentures Other financial liabilities	DCF method DCF method DCF method Discount rate Discount rate Discount rate

(*) Valuation methods and inputs of items whose carrying amounts are considered to be reasonable approximation of fair values are not disclosed.

Type	2018	
	Valuation method (*)	Inputs (*)
Financial assets Financial assets	Loans measured at amortized cost Others	DCF method Discount rate, credit spreads, prepayment rate Discount rate
	Depository liabilities	DCF method Discount rate
Financial liabilities Financial liabilities	Borrowings Debentures Other financial liabilities	DCF method DCF method DCF method Discount rate Discount rate Discount rate

(*) Valuation methods and inputs of items whose carrying amounts are considered to be reasonable approximation of fair values are not disclosed.

44. Discontinued Operations

The Group sold Hi Asset Management Co., Ltd. and Hi Investment & Futures Corp., subsidiaries of its subsidiary Hi Investment & Securities in December 2019. The above companies were not classified as discontinued operations or held for sale at December 31, 2018.

(a) Gain or loss from discontinued operations as of December 31, 2019 are as follows:

	(In millions of won)
	2019
Operating income	₩ 45,020
Operating expense	43,391
Operating profit	1,629
Non-operating income	29,034
Non-operating expense	(31)
Income before income tax from discontinued operations	30,694
Income tax expense	7,169
Net income from discontinued operations	₩ 23,525

(b) Cash flow from discontinued operations as of December 31, 2019 are as follows:

	(In millions of won)
	2019
Cash flow from operating activities	₩ (18,865)
Cash flow from investing activities	2,903
Cash flow from financing activities	(2,222)
Cash flow from discontinued operations, net	₩ (18,184)

(c) Changes in financial position of the Group due to disposal of operating segments are as follows:

	(In millions of won)
	2019
Cash and due from banks	₩ 196,750
Financial assets at fair value through profit or loss	26,476
Financial assets at fair value through other comprehensive income	14,789
Financial assets at amortized cost	9,847
Investment in associates	9,620
Derivative assets	31
Loans at amortized cost	548
Property and equipment	2,665
Other assets	17,705
Total	278,431
Depository liabilities	₩ 163,491
Derivative liabilities	34
Other liabilities	15,770
Total	179,295
Decrease in net asset	99,136
Proceeds from disposal	105,325
Disposed cash and cash equivalents	10,505
	₩ 94,820

45. The Group as a lessee

(a) Details of right-of-use assets by type of underlying assets as of December 31, 2019 are as follows:

	(In millions of won)	2019
Right-of-use asset (*1)		
Property	₩	57,386
Delivery equipment	₩	6,512
Others	₩	2,811
Total	₩	66,709
Lease liabilities (*2)	₩	65,807

(*1) Included in 'Property and equipment' in the consolidated statement of financial position.

(*2) Included in 'Other liabilities' in the consolidated statement of financial position. Details of changes in accounting policies are explained in Note 2-5.

(b) Details of lease liabilities by type of underlying assets as of December 31, 2019 are as follows:

	(In millions of won)	2019
Depreciation of right-of-use asset		
Property	₩	20,528
Delivery equipment	₩	2,459
Others	₩	2,474
Total	₩	25,461
Interest expense on lease liabilities		
Short-term lease payment		
Low-value assets		
Variable lease payment excluded from lease liability measurement	₩	-

(*) Cash outflow of lease amount is ₩25,065 million as of December 31, 2019.

46. Restatement of prior period financial statements

The Group restated each item of the financial statements affected in the prior period in relation to the effect of the discount rate of the general account reserve due to the changes in the Detailed Regulations on Supervision of Insurance Business and the calculation of the effective interest rate of the financial assets at amortized cost.

Details of adjustment of financial position and business performance as of December 31, 2018 are as follows:

	(In millions of won)				
	2018				
	Assets	Liabilities	Equity	Operating income	Net income
Before Restatement	₩ 64,917,600	59,854,522	5,063,078	4,160,748	406,027
Adjustments:					
Effect of effective interest rate on financial assets at amortized cost	(4,059)	3,352	(7,411)	(3,220)	(2,428)
After restatement	₩ 64,913,541	59,857,874	5,055,667	4,157,528	403,599

Details of adjustment of financial position and business performance as of December 31, 2017 are as follows:

	(In millions of won)				
	2017				
	Assets	Liabilities	Equity	Operating income	Net income
Before Restatement	₩ 56,733,837	52,538,047	4,195,790	3,641,768	316,271
Adjustments:					
Effect of effective interest rate on financial assets at amortized cost	(2,446)	-	(2,446)	(3,232)	(2,446)
Effect of change on general account reserve	815	3,352	(2,537)	-	(2,537)
After restatement	₩ 56,732,206	52,541,399	4,190,807	3,638,536	311,288

PART 7

APPENDIX

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LR Independent Assurance Statement

Relating to DGB Financial Group's Sustainability Report for the 2019 calendar year

This Assurance Statement has been prepared for DGB Financial Group in accordance with our contract but is intended for the readers of this Report.

Terms of engagement

Lloyd's Register Quality Assurance Limited (LR) was commissioned by DGB Financial Group to provide independent assurance on its '2019/2020 Sustainability Report' ("the report") against the assurance criteria below to a "moderate level of assurance and materiality" using "Accountability's AA1000AS (2008)", where the scope was a Type 2 engagement.

Our assurance engagement covered the operations and activities of DGB Financial Group (DGB Financial Holding and its eight major affiliates – DGB Daegu Bank, Hi Investment & Securities, DGB Life Insurance, DGB Capital, DGB Asset Management, DGB U-Pay, DGB Data System and DGB Credit Information) in Korea and specifically the following requirements:

- Evaluating adherence to the AA1000 AccountAbility Principles¹ of Inclusivity, Materiality and Responsiveness
- Confirming that the report is in accordance with GRI Standards² and core option
- Evaluating the accuracy and reliability of data and information for only the selected indicators listed below:
 - GRI 200 (Economic): 201-1, 201-2, 205-1, 205-2, 206-1
 - GRI 300 (Environmental): 302-1, 302-3, 302-4, 303-1, 305-1, 305-2, 305-3, 305-4, 305-5, 306-2
 - GRI 400 (Social): 401-1, 401-2, 401-3, 402-1, 403-2, 404-1, 404-2, 405-2, 412-2, 413-1, 418-1, 419-1
 - G4 Financial Services Sector Disclosures: FS13, FS14

Our assurance engagement excluded the data and information of DGB Financial Group's suppliers, contractors and any third-parties mentioned in the report.

LR's responsibility is only to DGB Financial Group. LR disclaims any liability or responsibility to others as explained in the end footnote. DGB Financial Group's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of DGB Financial Group.

LR's Opinion

Based on LR's approach nothing has come to our attention that would cause us to believe that DGB Financial Group has not, in all material respects:

- Met the requirements above
- Disclosed accurate and reliable performance data and information as all errors or omissions identified during the assurance engagement were corrected
- Covered all the issues that are important to the stakeholders and readers of this report.

The opinion expressed is formed on the basis of a moderate level of assurance and at the materiality of the professional judgement of the verifier.

Note: The extent of evidence-gathering for a moderate assurance engagement is less than for a high assurance engagement. Moderate assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a moderate assurance engagement is substantially lower than the assurance that would have been obtained had a high assurance engagement been performed.

LR's approach

LR's assurance engagements are carried out in accordance with our verification procedure. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Assessing DGB Financial Group's approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly. We did this through reviewing documents and associated records.
- Reviewing DGB Financial Group's process for identifying and determining material issues to confirm that the right issues were included in their Report. We did this by benchmarking reports written by DGB Financial Group and its peers to ensure that sector specific issues were included for comparability. We also tested the filters used in determining material issues to evaluate whether DGB Financial Group makes informed business decisions that may create opportunities that contribute towards sustainable development.

¹ <https://www.accountability.org>

² <https://www.globalreporting.org>

- Auditing DGB Financial Group's data management systems to confirm that there were no significant errors, omissions or misstatements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification. We also spoke with those key people responsible for compiling the data and drafting the report.
- Reviewing additional evidence made available by DGB Financial Group at DGB Financial Holding's head office in Daegu.
- Checking that the GRI Content Index allows stakeholders to access sustainability indicators.

Observations

Further observations and findings, made during the assurance engagement, are:

- Stakeholder inclusivity:
We are not aware of any key stakeholder groups that have been excluded from DGB Financial Group's stakeholder engagement process.
- Materiality:
We are not aware of any material issues concerning DGB Financial Group's sustainability performance that have been excluded from the report. It should be noted that DGB Financial Group has established extensive criteria for determining which issue/aspect is material and that these criteria are not biased to the companies' management.
- Responsiveness:
DGB Cyber Green Branches of DGB Daegu Bank raise environmental awareness of customers and promotes their positive environmental outcomes through sales of financial products and operation of programs in terms of the environment. However, DGB Financial Group should make more efforts to make sure that its own principles of corporate social responsibility and management approaches to material sustainability issues, e.g. policies, objectives, processes, programs, etc. are applied consistently through all entities in the group.
- Reliability:
DGB Financial Group has reliable data management systems for the indicators in the report.

LR's standards, competence and independence

LR implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021 *Conformity assessment – Requirements for bodies providing audit and certification of management systems that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This verification engagement is the only work undertaken by LR for DGB Financial Group and as such does not compromise our independence or impartiality.

Tae-Kyoung Kim
LR Lead Verifier
On behalf of Lloyd's Register Quality Assurance Limited
17th Floor, Sinsong Building, 67 Yeouinaru-ro, Yeongdeungpo-gu, Seoul, Korea

Dated: 15th July 2020

LR reference: SEO00000637



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GHG Verification Statement

DGB FINANCIAL GROUP

111, Oksan-ro, Buk-gu, Daegu, Republic of Korea

Verification Scope

Korean Standards Association has conducted GHG inventory verification based on GHG report provided by DGB FINANCIAL GROUP, which includes 2019's scope 1, scope 2, and scope 3(domestic/overseas business trips for work and commuting travel) emissions.

Verification Standards and Guidelines

To conduct verification activities, verification team applied WRI GHG Protocol, KS Q ISO 14064-3:2006, IPCC Guideline:2006, and Korean Target Management Scheme Guideline.

Verification Conclusion

As a result of verification activities, verification team has found no significant errors. Therefore, Korean Standards Association confirms that following emission data are adequately quantified.

unit: tCO₂eq

	DGB Daegu Bank	H Investment & Securities	DGB Life	DGB Capital	DGB Asset Management	DGB U pay	DGB Data System	DGB Credit Information
Scope 1 (Direct GHG emissions)	2,751.89	210.96	486.91	300.00	32.05	36.62	8.56	8.01
Scope 2 (Indirect GHG emissions)	14,618.25	1,258.71	525.29	239.73	12.58	38.79	142.76	35.39
Scope 3 (Domestic/overseas business trips and commuter vehicle)	2,650.86	643.28	173.55	190.42	40.39	29.43	90.52	24.20
Overall emissions	20,021.00	2,112.95	1,185.75	730.15	85.02	104.84	241.84	67.60

※ Daegu Bank was verified including its headquarter and branches, while the other affiliates were verified about the headquarters.

May 29, 2020



KOREAN STANDARDS ASSOCIATION

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Topic-specific Standards				
GRI 200: Economic Performance				
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	87~91	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	87	
	201-2	Financial implications and other risks and opportunities due to climate change	82~83	Refer to TCFD Progress Report on the DGB Financial Group website for details. http://www.dgbfg.co.kr/sm05.fg
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	28	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	32	
	205-2	Communication and training about anti-corruption policies and procedures	31~32	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	28	
Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No violations	

Topic		Disclosure	Page	Note
GRI 300: Environmental Performance				
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	70~71	
GRI 302: Energy 2016	302-1 302-3 302-4	Energy consumption within the organization Energy intensity Reduction of energy consumption	99 99 99	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	70~71	
GRI 303: Water and Effluents 2016	303-1	Interactions with water as a shared resource	98	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	70~71	
GRI 305: Emissions 2016	305-1 305-2 305-3 305-4 305-5	Direct (Scope 1) GHG emissions Energy indirect (Scope 2) GHG emissions Other indirect (Scope 3) GHG emissions GHG emissions intensity Reduction of GHG emissions	99 99 99 99 99	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	70~71	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	98	
GRI 400: Social Performance				
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	73~76	
GRI 401: Employment 2016	401-1 401-2 401-3	New employee hires and employee turnover Benefits provided to full-time employees that are not provided to temporary or part-time employees Parental leave	92 75~76 93	Parental leave target data not available
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	78	
GRI 402: Labor/Management 2016	402-1	Minimum notice periods regarding operational changes	94	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	76	
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	93	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	73~74	
GRI 404: Training and Education 2016	404-1 404-2	Average hours of training per year per employee Programs for upgrading employee skills and transition assistance programs	95 73~74	Data by Job group not available
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	73	
GRI 405: Diversity and Equal Opportunity 2016	405-2	Ratio of basic salary and remuneration of women to men	93	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	77	
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	77	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	78~81	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	78~81	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	22~23	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	102	
GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its Boundary, The management approach and its components, Evaluation of the management approach	28	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	102	
GRI Financial Services Standard Disclosures				
Product Portfolio	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ 36-39 large) and by sector	Website	http://www.dgbfg.co.kr/ir0106.fg
Local Communities	FS13 FS14	Access points in low-populated or economically disadvantaged areas by type Initiatives to improve access to financial services for disadvantaged people	43~46 25~26, 41	

TCFD/CDP Index

TCFD recommendations	CDP disclosure	Page
Governance: Disclose the organization's governance around climate-related risks and opportunities.		
a) Describe the board's oversight of climate-related risks and opportunities.	C1.1b	82
b) Describe management's role in assessing and managing climate-related risks and opportunities.	C1.2, C1.2a	82
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.		
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	C2.1, C2.3, C2.3a C2.4, C2.4a	82
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	C2.3a, C2.4a, C2.5, C2.6, C3.1, C3.1c, C3.1d	82
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	C3.1a	82
Risk management: Disclose how the organization identifies, assesses and manages climate-related risks.		
a) Describe the organization's processes for identifying and assessing climate-related risks.	C2.2b, C2.2c	83
b) Describe the organization's processes for managing climate-related risks.	C2.2d	83
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	C2.2	83
Metrics & targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	C4.2, C9.1	83, 99
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.	C6.1, C6.3, C6.5	83, 99
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	C4.1, C4.1a, C4.1b, C4.2	83, 99

* Refer to in detail TCFD report at the link below.

<http://www.dgbfg.co.kr/sm0>

PRB Index

Principle	Self-Assessment Requirements	Location of information
1. Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.	1.1 Describing our business model, main customer segments, types of products and services, and main markets. 1.2 Describing our strategy contributing to society's goals, as expressed in the Sustainable Development Goals (SDGs) and the Paris Climate Agreement.	4~5 54~55
2. Impact and Target Setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.	2.1 Impact analysis identifying most significant positive and negative impact. 2.2 Targets addressing at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services. 2.3 Means and key performance indicators(KPIs) monitoring the progress against the set targets. 2.4 Status of meeting the set targets.	PRB Progress Report* 84~85, 99, PRB Progress Report*
3. Clients and Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.	3.1 Policies and practices to promote responsible relationships with customers. 3.2 Describing how we are working with clients and customers to encourage sustainable practices and enable sustainable economic activities.	18~22 42~47
4. Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.	4.1 Describing stakeholders we collaborate with to implement these Principles and improve our impacts.	58~59
5. Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking	5.1 Governance structures, policies and procedures we have in place to manage significant positive and negative impacts. 5.2 Initiatives and measures we implemented to foster a culture of responsible banking among our employees. 5.3 Governance structure in place for the implementation of the PRB	84~85 84~85 55
6. Transparency & Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.	6.1 Disclosure of progress on implementing the six Principles.	84~85

* Refer to in detail PRB Progress Report at the link below.

<http://www.dgbfg.co.kr/sm05>

UNGC Index

DGB Financial Group has been a signatory to the UN Global Compact since July 2006, and we comply with the Ten Principles covering four areas (human rights, labour, environment, anti-corruption).

Classification		Page
Human Rights		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	77
Principle 2	make sure that they are not complicit in human rights abuses.	77
Labour		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	94
Principle 4	the elimination of all forms of forced and compulsory labour;	77
Principle 5	the effective abolition of child labour; and	77
Principle 6	the elimination of discrimination in respect of employment and occupation..	73
Environment		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	70~71
Principle 8	undertake initiatives to promote greater environmental responsibility; and	44, 70~71
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	44, 70~71
Anti-Corruption		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	28~33

Sustainability Management Initiatives



UN Global Compact
 · Signatory since 2006
 · DGB Financial Group Chairman is a director of UNGC Korea



The CEO Water Mandate

CEO Water Mandate
 · Reported on water resource management since 2010



UN Environment Programme Finance Initiative (UNEP FI)
 · Participant in Korea group meetings



Climate Disclosure Standard Board (CDSB)
 · Member of 2012 CDSB Korea working group



UN Sustainable Development Goals (SDGs)
 · Report progress of SDGs appropriate for DGB Financial Group



Carbon Disclosure Project
 · Annual signatory since 2007
 · Recognized for excellence 7 times, including 2018



Dow Jones Sustainability Indexes (DJSI)
 · Listed for 10 consecutive years in Asia-Pacific
 · Listed for 11 consecutive years in Korea



FTSE4Good Indexes
 · Listed for 9 consecutive years



Science Based Targets
 · Signatory to 2018 targets



Task Force On Climate-related Financial Disclosures (TCFD)
 · Participated as a TCFD member in 2018



Principles for Responsible Banking (PRB)
 · Joined as a supporting organization in 2018 and participated as a signatory in 2019



Women's Empowerment Principles (WEPs)
 · Joined in 2019
 · Participation in TGE (Target Gender Equality) program for implementation of WEPs in 2020

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DGB Financial Group 

DGB Daegu Bank | Hi Investment & Securities | DGB Life Insurance | DGB Capital
DGB Asset Management | DGB U-Pay | DGB Data System | DGB Credit Information