



**FINANCE FOR  
A BETTER  
TOMORROW**

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IBK:  
YOUR FINANCIAL PARTNER  
FOR A BETTER FUTURE

Since its establishment in 1961, the Industrial Bank of Korea (IBK) has been faithful to its mission as a government-owned bank in promoting the independent economic activities of small and medium enterprises (SMEs), which collectively form the bedrock of the Korean economy.

Celebrating its 60th anniversary in 2021, IBK declared *Next 60 years, Innovation for Our Customers* as our business slogan, committing itself to play a role in the inclusive growth of the national economy. To that end, the bank will support SMEs to come to the center of future innovation drives, which will subsequently promote the dynamics of the economy and enhance inclusive finance for the underprivileged. Guided by this assertive direction in 2021, IBK provided COVID-stricken SMEs with practical assistance, supported innovative startups with opportunities for growth, and implemented an all-out digital transformation to increase both customer convenience and employees' work efficiency. To ensure that the benefits of finance go further, we have woven our belief of inclusive finance into all our business strategies, while also building a bank-wide ESG system to make 2021 the first year of our full-fledged ESG management initiative.

IBK stands by companies as they change the world and keep societies moving forward. We sow the seed of innovation and hold steady to our simple but firm belief that we will carry on in the years ahead through our unwavering support of startups and SMEs.

# MESSAGE FROM THE CEO



Valued customers and shareholders,

The past year was another challenging year for our customers, our people, and our communities. The prolonged pandemic precipitated economic instabilities, supply chain disruptions, and income inequality across the globe. Despite the unprecedented challenges, I'm proud to say our profound capabilities allowed us to deliver exceptional results for our shareholders and customers.

IBK earned its highest-ever net income in 2021, more than KRW 2 trillion, which was an increase from KRW 1.2 trillion in 2020. This was supported by stable asset growth, low levels of impairment, and the enhanced performance of our subsidiaries. In addition, IBK provided KRW 17 trillion in loans to SMEs that had inevitably suffered from transitory sales declines and supply chain disruptions. As a result, IBK became the first financial institution in the country to have an SME loan balance exceeding KRW 200 trillion.

IBK also took on the distinct role of supporting innovative companies and startups by actively expanding technology and IP-backed finance and venture capital investments. Within the realm of our customer service, we launched new digital products and services not only for the benefit of retail banking but also for corporate customers.

IBK celebrated its 60th anniversary in 2021. With great pride shaped by six decades of fostering SME growth and actively contributing to national prosperity, IBK is ready to open up a new chapter of another 60 years and beyond. We are now facing worldwide megatrends, including economic and social transitions triggered by the pandemic, digital transformation, and ESG. IBK will swiftly respond to these trends by focusing on the following to pursue new opportunities ahead.

### Prioritize Initiatives to Support SMEs

In 2022, economic activities are expected to experience a return to normalcy as the effects of the COVID-19 pandemic finally begin to subside. However, the rise in interest rates blighted by surging inflation conditions and the fluctuation of exchange rates due to international political discord could bring further challenges to SMEs and microbusinesses. Acknowledging such factors, IBK will not only provide financial relief to SMEs to accurately address liquidity shortages but also implement a range of soft landing schemes to ensure SMEs' inclusive recovery. We will also leverage our consulting capabilities to assist in restructuring for any company experiencing management difficulties.

### Drive the Financial Paradigm Shift to Encourage Innovation

Innovation is a key element in the sustainable growth of SMEs. In order to promote an innovation-friendly entrepreneurship ecosystem, IBK will utilize alternative resources in credit assessment by placing a greater emphasis on the value of intangible assets such as intellectual property, rather than relying solely on traditional evaluation methods, which are based on financial statements. Additionally, IBK will contribute to overcoming those financial gaps that early-stage startups have to negotiate by injecting venture capital funds totaling KRW 1.5 trillion and establishing accelerator programs, further consolidating IBK's lofty position as a Special Venture Capitalist.

### Accelerate Digital Innovation and Global Expansion

In pursuit of our digital vision of "Easy, Quick and Convenient Digital IBK," we intend to evolve into a digital platform provider, expertly fulfilling the diverse digital needs of customers. Also, the IBK Financial Doctor Program, which provides multi-dimensional business consulting solutions, and the MyData-based i-ONE Personal Finance Management app were both introduced to offer a higher-quality digital experience to our customers. On the global front, IBK plans to further extend our presence in Eastern Europe and strengthen cooperation with international entities by comprehensively sharing our SME finance knowledge and experience.

### Strengthen Responsibility and Sustainability

We believe that our longstanding success stems from the trust our customers have in us. We will continue to embed responsibility and integrity in our management philosophies and adhere to the highest ethical standards of conduct. Operations, products, and services will be thoroughly re-evaluated to put our customers' interests first and foremost, where they will remain going forward. Moreover, as a global corporate citizen, IBK will continue to have ESG serve as an anchor for the bank and a fundamental part of our core values. In addition to the IBK 2040 Carbon Neutrality initiative to promote a net-zero society, IBK will foster the greening of SMEs by increasing green finance investments and providing guidance for the green transition.

The financial industry is standing at a critical juncture and is undergoing many changes that we have yet to face. However, IBK firmly believes we will successfully navigate these incoming waves of challenges not only with the expertise we have accumulated over the past 60 years but also with our continuous innovation. As a pioneer of SME finance, IBK will lead the way in innovation in the coming years while remaining a highly trusted bank.

I look forward to your unwavering support as IBK embarks on a new journey surpassing 60 years of success.

Sincerely,

**Yoon Jong-won**  
Chairman and CEO  
Industrial Bank of Korea

BOARD OF DIRECTORS & MANAGEMENT



Yoon Jong-won  
Chairman & CEO



Kim Sung-tae  
Deputy CEO (Board Member)



Jung Jae-ho  
Auditor



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



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



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



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



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



Kim Hyung-il  
Executive Vice President,  
Head of Business Support Group



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



Park Ju-yong  
Executive Vice President,  
Head of Digital Group



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



Moon Chang-hwan  
Executive Vice President,  
Head of Business Strategy Group



Park Chong-joon  
Executive Vice President,  
Head of Retail Banking & Card Business Group



Lim Moon-taek  
Executive Vice President,  
Head of Corporate Banking Group



Choi Kwang-jin  
Executive Vice President,  
Head of Corporate & Investment Banking Group



Kwon Yong-dae  
Executive Vice President,  
Head of Innovative Financing Group



Jeon Byeong-seong  
Chief Compliance Officer

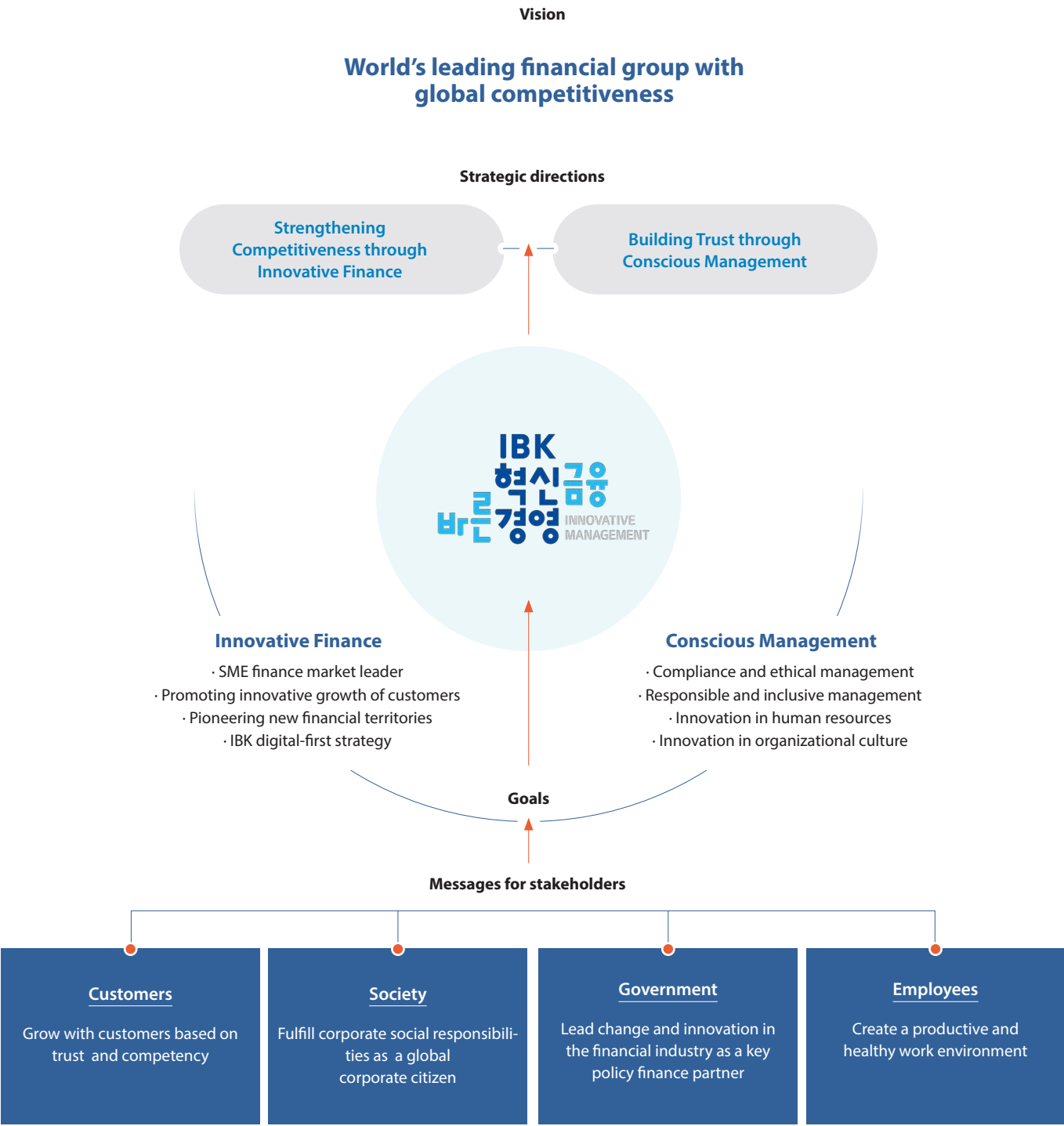
Outside Directors

Name	Shin Chung-shik	Kim Se-jik (Retired as of Mar. 23, 2022)	Kim Jeong-hoon	Chung So-min
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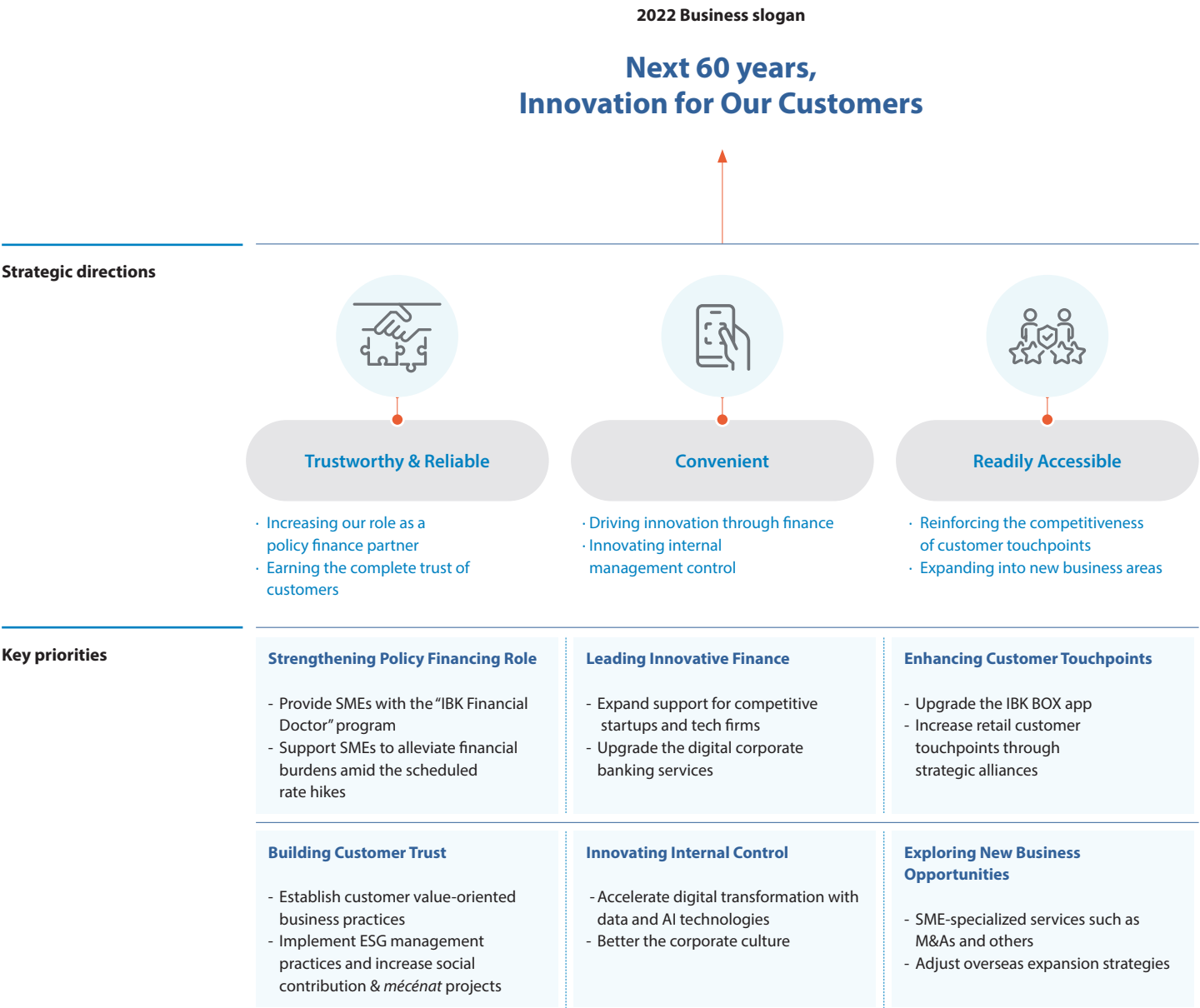


# VISION AND STRATEGY

Innovation Management System

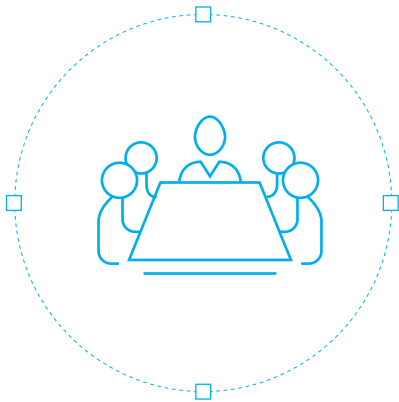


2022 Business Slogan & Strategies



IBK's 2022 business slogan sets forth our commitment to become a fully customer-oriented bank by leveraging the 60 years of experience and know-how that we have garnered in support of our customers. In line with the slogan, we have set three strategic directions to pursue throughout the year: trustworthy and reliable banking services, innovative customer convenience, and readily accessible customer service.

# CORPORATE GOVERNANCE



### Composition of the Board of Directors

IBK’s Board of Directors (BoD) is the bank’s main decision-making body, consisting of the Chairman & CEO, Deputy CEO, and four outside directors. As the chair of the board, the Chairman & CEO is appointed by the President of the Republic of Korea on the recommendation of the chairman of the Financial Services Commission (FSC). The FSC appoints the Deputy CEO and the outside directors on the recommendation of the IBK Chairman & CEO.

### BoD Activities

IBK’s BoD determines the bank’s critical business issues. In 2021, the BoD deliberated on or received reports concerning 66 agenda items at ten meetings. In March, the third meeting resolved the “Contingent Convertible Bond (CoCo bond) Issuance Proposal” to make up for losses in the capital amount for stabilizing its BIS ratio. Convened in September, the 8th meeting deliberated on and approved the “Plan for Establishing and Funding the IBK-Stonebridge New Deal & ESG Unicorn Joint Venture for Private Equity Funds (tentative term).” As a result, IBK could provide venture capital to Korean New Deal businesses and ESG companies to grow into unicorn companies. In 2022, IBK’s BoD will continue its efforts to strengthen governance, lead ethical management, and solidify constructive relationships with all stakeholders.

### BoD Committees

IBK runs four committees under the BoD—the Steering Committee, Compensation Committee, Risk Management Committee, and ESG Committee. To ensure their independence, the Compensation Committee is fully comprised of outside directors, while an outside director chairs the Risk Management Committee and the ESG Committee.

### Steering Committee

As of the end of 2021, the Steering Committee consisted of the bank’s CEO, Deputy CEO, and three outside directors. It is responsible for assisting the efficient and active operation of the BoD and communicating with shareholders and other stakeholders. The Committee recommends candidates for outside director positions to the CEO, who then presents the list to the FSC for an appointment(s). The Committee also appoints executives nominated by the CEO and deliberates on and approves agenda items suggested by the BoD.

### Compensation Committee

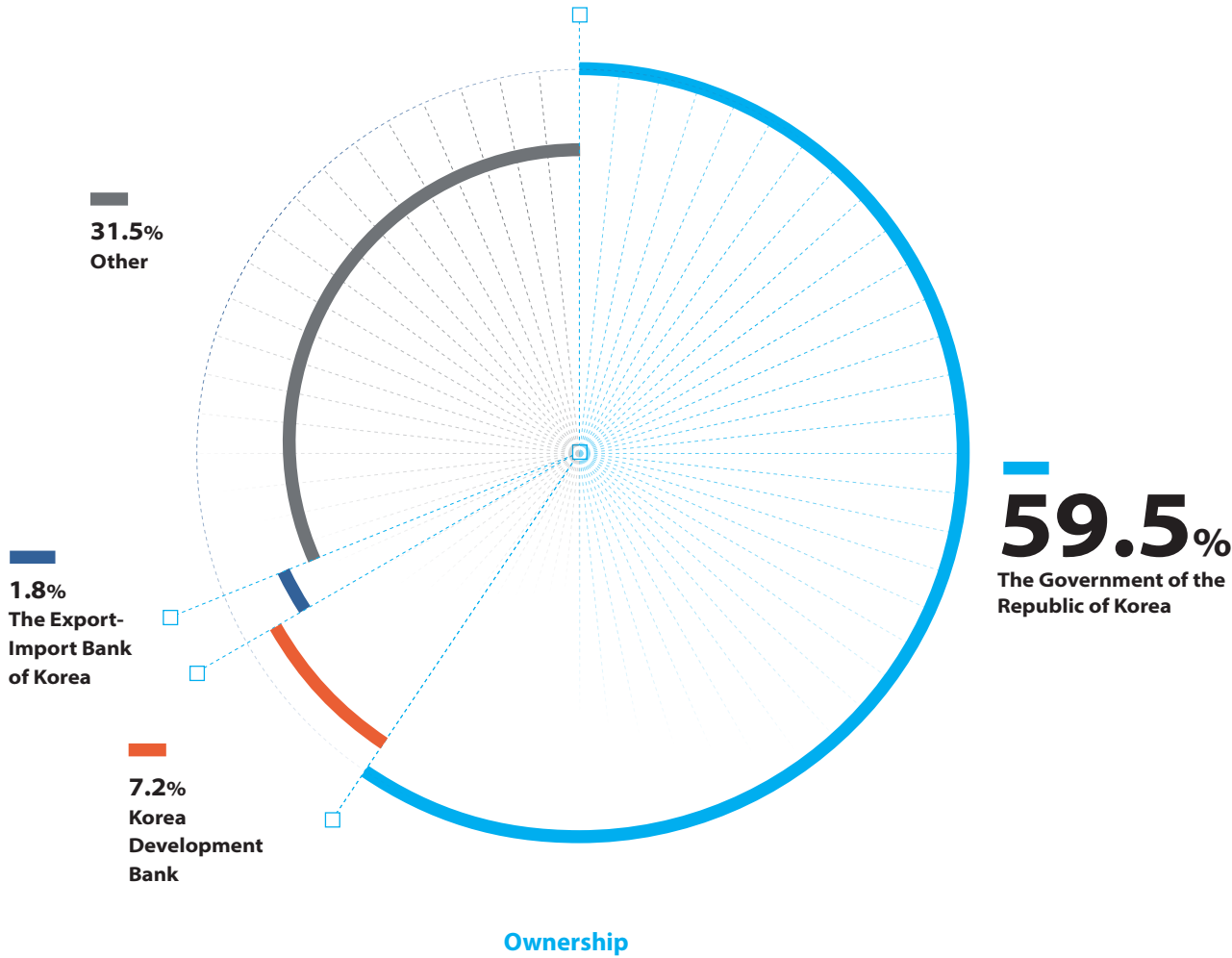
The Compensation Committee is comprised of three outside directors. It deliberates on and approves a compensation system for executive officers, as well as employees in charge of financial investments, performance evaluations and fringe benefits of executives, and other agendas delegated by the BoD.

### Risk Management Committee

The Risk Management Committee consists of two outside directors and the bank’s Deputy CEO. Chaired by an outside director who is appointed by the BoD, the Committee manages risks arising from the bank’s business activities. It also develops and approves risk management policies to maintain an appropriate capital adequacy level.

### ESG Committee

The ESG Committee consists of the Deputy CEO and three outside directors. Chaired by an outside director who is appointed by the BoD, the Committee reviews the bank’s strategic directions of ESG management. Its role is to control the bank’s ESG management, such as monitoring its performance.



Shareholder Status (As of the end of 2021) (Unit: number of shares, %)

Shareholder	Common shares	Preferred shares	Total	Ownership
The Government of the Republic of Korea	474,430,991	-	474,430,991	59.5
Korea Development Bank	10,490,000	46,915,282	57,405,282	7.2
The Export-Import Bank of Korea	8,501,153	6,210,000	14,711,153	1.8
Other	250,878,443	-	250,878,443	31.5
Total	744,300,587	53,125,282	797,425,869	100.0

\* Preferred shares held by the Korea Development Bank and the Export-Import Bank of Korea are convertible preferred shares.  
\* Changes in the composition of shareholders compared to the end of 2020  
- The number of common shares increased by 5,636,227 shares due to investments by the Korean government.

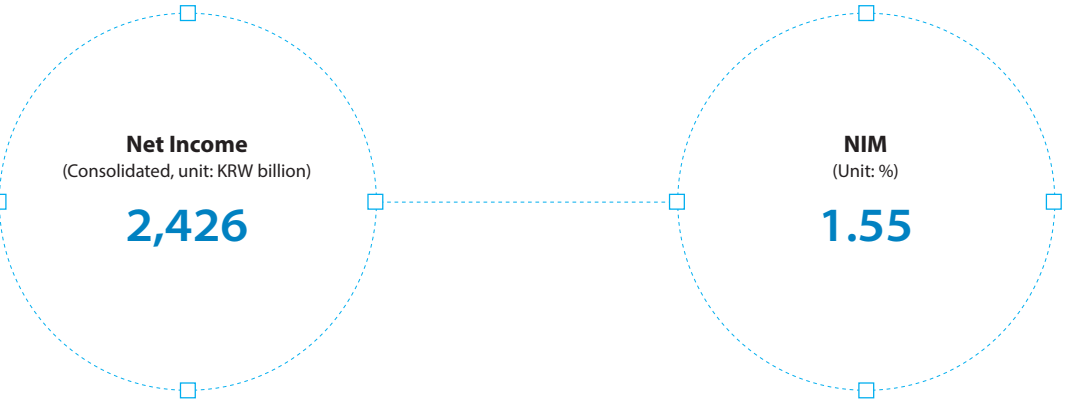
FINANCIAL HIGHLIGHTS

Key Financial Data (Unit: KRW billion, %)

	2019	2020	2021
Net income (consolidated)	1,614	1,548	2,426
Total assets (including trust accounts)	344,558	381,793	400,753
Total loans (including KRW+FC loans)	206,310	233,766	254,342
Total deposits (including trust accounts)	242,662	269,774	296,471
Total shareholders' equity	21,501	23,596	23,593
ROA (consolidated)	0.53	0.45	0.64
ROE (consolidated)	7.27	6.40	9.21
BIS CAR (consolidated)	14.47	14.82	14.85
Substandard-and-below loan ratio	1.28	1.08	0.85

Net Interest Margin (Unit: %)

	2019	2020	2021
NIM	1.83	1.55	1.55



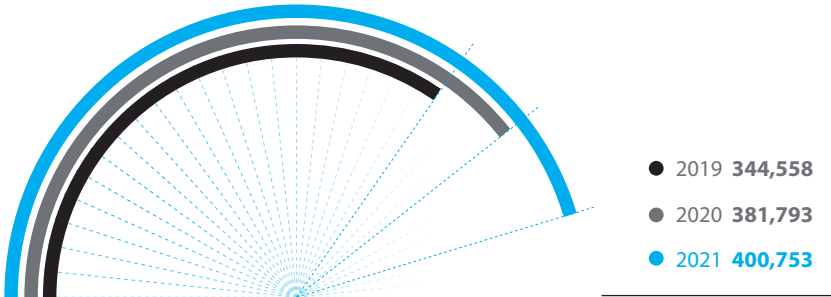
Credit Ratings (As of december 31, 2021)

	2019	2020	2021
Moody's	Aa2	Aa2	Aa2
S&P	AA-	AA-	AA-
Fitch	AA-	AA-	AA-

Key Financial Data (Unit: KRW billion)

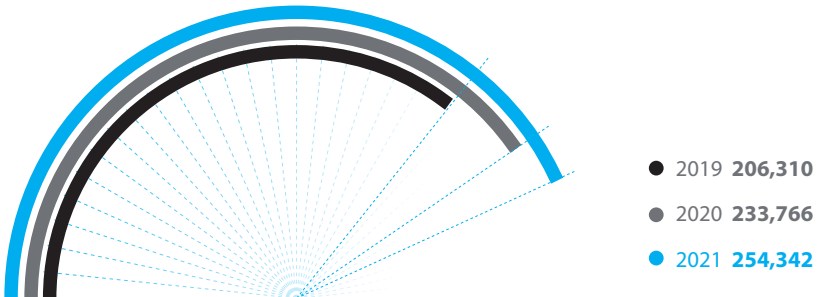
400,753

Total Assets



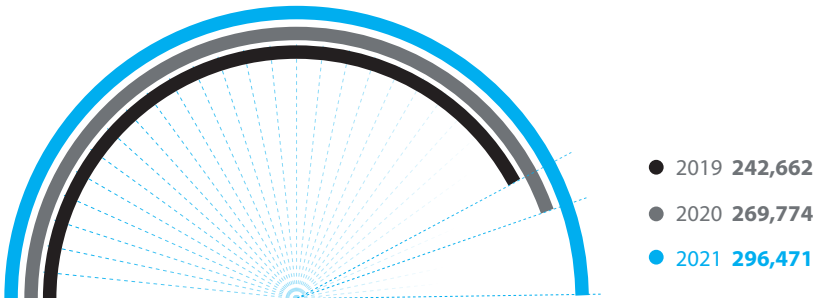
254,342

Total Loans

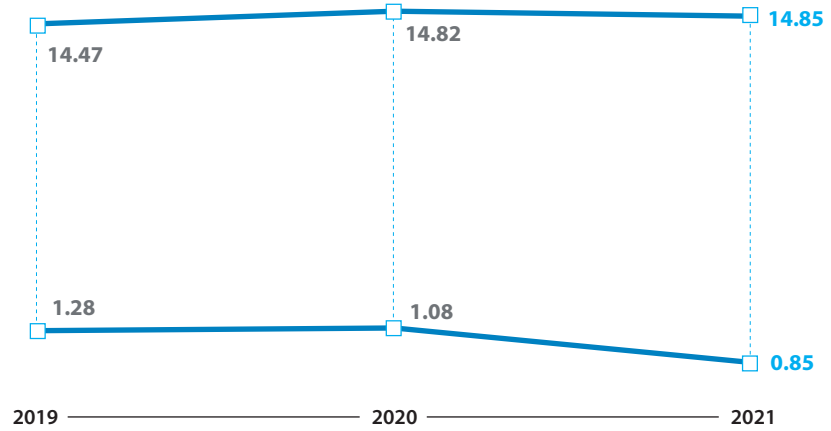


296,471

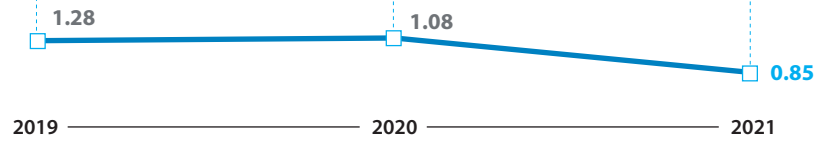
Total Deposits



BIS CAR (Consolidated, unit: %)



Substandard-and-below Loan Ratio (Unit: %)



INVESTMENT HIGHLIGHTS



Since its establishment in 1961, IBK has been a stalwart pillar for SMEs whenever the Korean economy has faced challenges. Leveraging the know-how and systems we have accumulated over the past 60 years, IBK has been working hard to discover and support prospective companies as we diversify our revenue streams to achieve sustainable growth. Today, we are innovating credit assessment procedures to better appreciate the rightful value of borrowers' technologies and growth potential, increasing our supply of venture capital, and developing a step-by-step customized support program to provide the timely support required for the growth of SMEs.

As of the end of 2021 (on a non-consolidated basis), IBK's net income reached KRW 2,024.1 billion as a result of loan asset growth stemming from expanded support to SMEs and microbusinesses, improved earnings of client companies, specifically exporters, and sound performance results from subsidiaries on the back of revenue diversification efforts. Impressively, our SME loan balance amounted to a historic-high KRW 203.9 trillion in 2021, which meant we maintained the largest share of the market for another year. Asset soundness also improved thanks to the enhanced earnings of SME clients.

GROWTH



SUSTAINING LOAN ASSET GROWTH AS THE LEADING BANK IN THE SME FINANCE MARKET

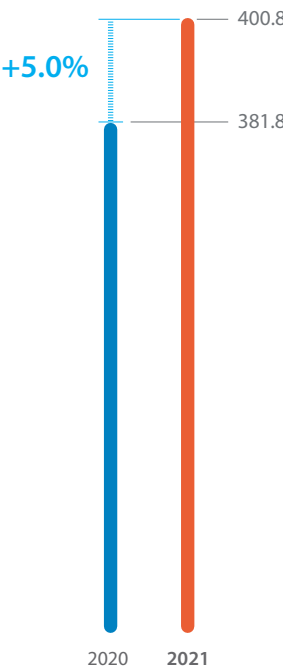
- SME loan balance surpassed KRW 200 trillion
- Maintaining our No. 1 position with an SME loan market share of 22.84%

As of the end of 2021, the total assets of SMEs on a non-consolidated basis were KRW 400.8 trillion, a year-on-year growth of KRW 19 trillion. This was led by the KRW 17.1 trillion (9.2%) year-on-year increase in SME loans, which stood at KRW 203.9 trillion, the first time ever that a Korean bank had surpassed the KRW 200 trillion mark.

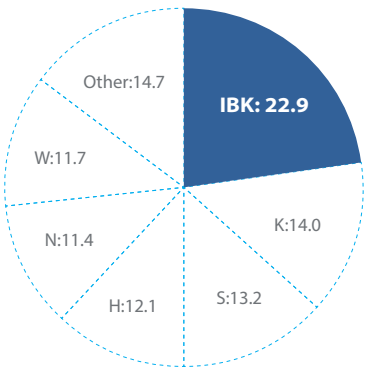
Retail loans grew by KRW 2.6 trillion (6.7%) year on year to reach KRW 41.4 trillion in 2021. Defying the forecast of regulations dampening growth, IBK sustained growth in retail loans through steady support to SME employees and their relevant customers. The main growth drivers were the net increase in mortgage loans, including home lease loans, and in policy finance, such as the New Hope Seed program targeting the low-income segment.

In 2022, IBK will maintain stable and balanced growth as we have done in the past and will strive to remain a leading bank in the SME finance market.

Total Assets (Unit: KRW trillion)



SME Loans Market Share (Unit: %)



Total Loans (Unit: KRW trillion)





PROFITABILITY



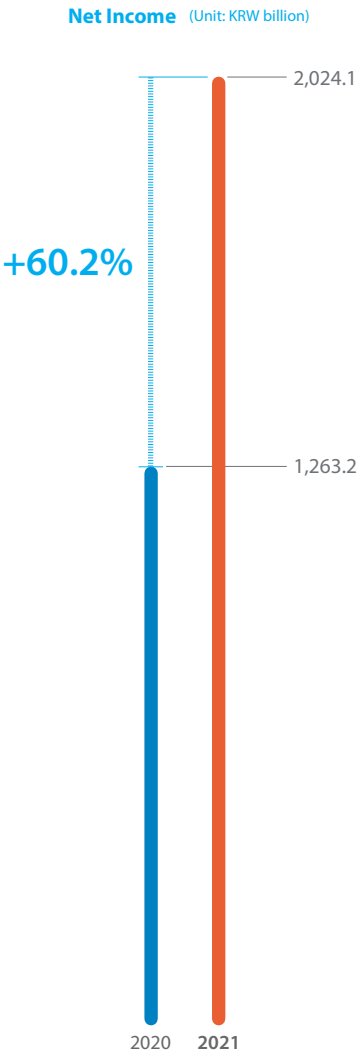
RECORD-HIGH NET INCOME DESPITE THE PANDEMIC AND LOW-INTEREST RATES

- Exceeded net income of a record-high KRW 2 trillion
- Posted interest income of KRW 5,589.3 billion despite falling market interest rates

Net income for 2021 on a non-consolidated basis reached KRW 2,024.1 billion, an increase of KRW 760.9 billion from KRW 1,263.2 billion in 2020, led by the KRW 972.7 billion year-on-year growth in operating profit. Operating profit growth was the result of the KRW 413.9 billion (8.0%) year-on-year growth in interest income and KRW 704.7 billion (-43.9%) decline in provisioning for credit losses.

Interest income improved by KRW 413.9 billion (8.0%) from the previous year to reach KRW 5,589.3 billion. This was the result of the KRW 31.8 trillion growth in interest-earning assets, despite the 4bps drop in net interest margin (NIM) due to falling market interest rates. Non-interest income stood at KRW 473.7 billion, similar to the previous year, as the KRW 81.7 billion in gains on securities and KRW 61.4 billion in gains on disposal of NPLs were offset by the KRW 103.7 billion growth in expenses, including our contribution to the credit guarantee fund and deposit insurance premium expenses.

In 2022, a rosy market outlook gained steam with the prediction of unfettered consumer sentiment in a recovering economy and higher profitability in the banking sector on the back of scheduled interest rate hikes. Nevertheless, the banking sector is faced with fierce competition from big tech firms amid the advent of a digital and contact-free financial service era. In meeting this challenging business environment, we will diversify our revenue sources and improve cost structure to enhance profitability while increasing transparency and predictability in our organization and business operations to sustain reliable profit performance results.



INVESTMENT HIGHLIGHTS - PROFITABILITY

ENHANCEMENT



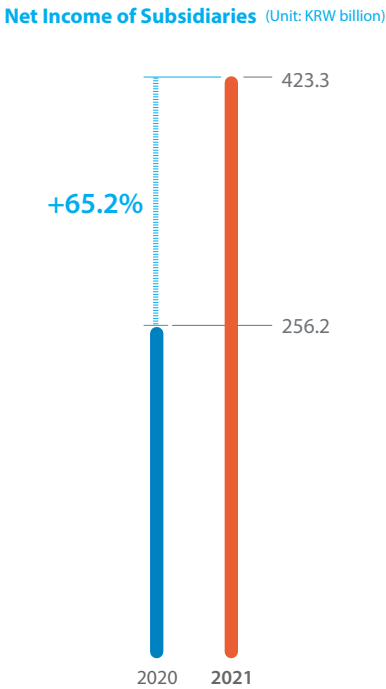
DIVERSIFYING REVENUE STREAMS FROM SYNERGIES WITH SUBSIDIARIES

- Increased subsidiary profits by 65.2% year on year
- Endeavored to enhance profitability through expanded sales and new business opportunities in an opaque market

IBK and its subsidiaries generated high synergies through secure management activities anchored in corporate finance and IB despite external factors such as COVID-19. The improved earnings of subsidiaries resulted in an all-time high consolidated net income of KRW 2,425.9 billion for 2021.

In particular, IBK Capital posted KRW 200.4 billion in net income, an unprecedented growth of 57.09% from the previous year. IBK Securities also saw its net income rise by 25.68% year on year to reach KRW 100.8 billion. IBK Insurance posted a net income of KRW 62.7 billion, up by 23.56% from the previous year thanks to its improved new sales performance and increased return on investments.

In 2022, domestic and global subsidiaries are poised to further enhance their profits in the post-pandemic reopening economy.



INVESTMENT HIGHLIGHTS - ENHANCEMENT

Net Income by Subsidiary (Unit: KRW million)

		2020	2021	
1. IBK Capital		127,587	200,429	+57.1%
2. IBK Securities		80,222	100,819	+25.7%
3. IBK Insurance		50,783	62,748	+23.6%
4. IBK Savings Bank		9,918	17,004	+71.5%
5. IBK Asset Management		4,530	6,637	+46.5%
6. IBK Systems		1,615	5,189	+221.3%

\* On a separate basis for each subsidiary

STABILITY

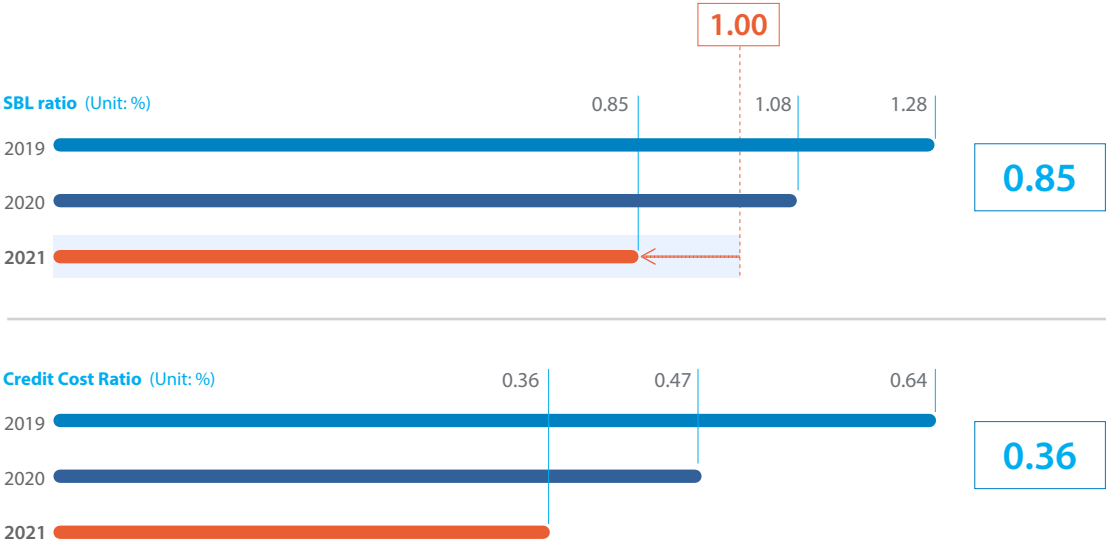


STRENGTHENING ASSET SOUNDNESS THROUGH PROACTIVE RISK MANAGEMENT EVEN AMID A DIFFICULT BUSINESS ENVIRONMENT

- SBL ratio at 0.85%, down 0.23%p year on year
- Historic-low credit cost ratio of 0.36%

IBK held fast to substantial risk management to hedge against the pandemic crisis. As a result of preemptive management, write-offs, and disposal of non-performing loans (NPL), the substandard-and-below loan (SBL) ratio fell by 0.23%p from the previous year to 0.85% in 2021. Credit cost ratio also recorded an all-time low of 0.36% thanks to our prescient actions, such as improving the loan portfolio, tightened management of NPLs through credit reviews, and our application of big data credit ratings. IBK's delinquency rate also dropped by 0.11%p from the previous year to 0.26%.

Our coverage ratio (the balance of provision for credit losses divided by SBL balance) rose by 23.31%p year on year to 124.04% in 2021, as the SBL amount shrank from the write-offs and disposal of NPLs as well as a reasonable amount of provisioning for credit losses.



CAPITAL ADEQUACY



STRENGTHENING ASSET SOUNDNESS THROUGH PROACTIVE RISK MANAGEMENT CONTINUING TO INCREASE PROFITS AND TO MAINTAIN CAPITAL ADEQUACY

- A stable BIS capital ratio well above the regulatory ratio
- Enhancing shareholder value with a high dividend payout ratio

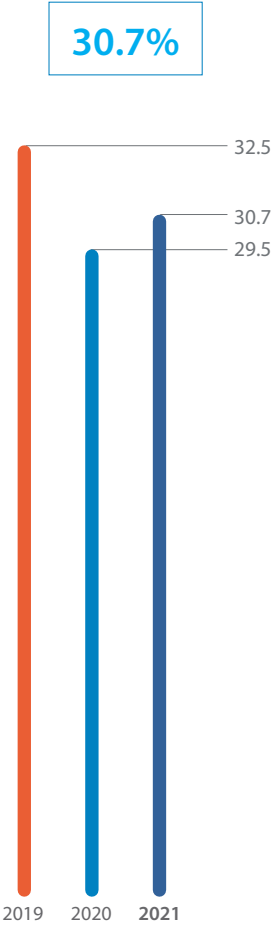
IBK's total capital ratio stood at 14.85%, with the Tier 1 capital and common equity Tier 1 (CET 1) capital ratios recording 13.01% and 11.29%, respectively, based on the final draft of the Basel III standards at the end of 2021. These performance figures were well above the regulatory requirements (total capital ratio of 10.5%, Tier 1 capital ratio of 8.5%, and CET 1 capital ratio of 7%). In 2021, IBK's CET 1 capital amounted to KRW 22,663.1 billion, up KRW 1,747.9 billion from the previous year, partially thanks to a consolidated net income of KRW 2,412.5 billion. Additional Tier 1 (AT1) capital measured KRW 3,463.7 billion, up KRW 306.0 billion from the previous year and due mainly to the KRW 500 billion issuance of hybrid bonds. The value of Tier II capital decreased KRW 92.8 billion from the previous year to KRW 3,676.6 billion as a result of the KRW 545.6 billion decline in the subordinated bonds booked as equity capital.

At the end of 2021, risk-weighted assets stood at KRW 200,757.3 billion, an increase of KRW 12,909.8 billion from the previous year. This came about because of a net increase of KRW 17,089.3 billion in SME loan assets. In the future, IBK will continue to improve its capital adequacy by sustaining healthy profit generation and raising capital at an appropriate level.

The dividend payout ratio for 2021 was 30.73%, up by 1.21% year on year, and averaging the dividend payout ratio for the last five years at 30.7% (common shareholders). Moving forward, IBK plans to maintain the five-year average dividend payout ratio as the benchmark. In addition, we will make every effort to further shareholder value by increasing the dividend per share from robust business results.

BIS Capital Ratio (Unit: %)			
BIS	2019	2020	2021
	14.47	14.82	14.85
Tier 1	11.97	12.82	13.01
CET 1	10.30	11.13	11.29

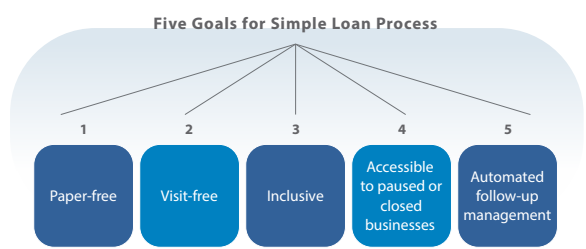
Payout Ratio (Unit: %)



NEWS HIGHLIGHTS

LOW-INTEREST RATE LOANS AND A STREAMLINED LOAN EXTENSION PROCESS

Upon the outbreak of COVID-19 in 2020, IBK provided KRW 7.8 trillion in low-interest rate loans to over 270,000 microbusinesses who suffered liquidity issues. As the pandemic extended into 2021, the bank streamlined its loan maturity extension procedures, lessening the overall workload and increasing customer convenience at the same time. The simple process had five goals: become paper-free, visit-free, inclusive, accessible to paused or closed businesses, and offer automated follow-up management. Of the loans due by September 2021, 207,425 borrowers (95.7%) applied for a rollover, and 200,995 (96.9% of applications) received a rollover without any physical contact.



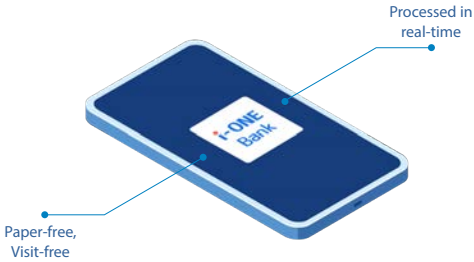
SOFT LANDING SUPPORT PROGRAM FOR SMES

IBK mobilized its restructuring know-how and competencies to support SMEs in overcoming the challenges caused by the prolonged pandemic. In January 2021, it became the first Korean bank to come up with a Soft Landing Support Program for SMEs suffering from COVID-19. This special program offered loan interest rate cuts and postponed principal repayment for SMEs temporarily unable to make deferred interest payments. The program relieved financial expenses for SMEs that were suffering from financial shortages. After raising the amount from KRW 1 trillion to KRW 1.2 trillion in September 2021, the bank supported 244 corporate borrowers with debt adjustment worth KRW 990.5 billion by the following month. As a result, the bank was able to help applicants stabilize their business, as they were relieved from the burden of principal repayments in the long run.



A NEW CONTACT-FREE PROCESS FOR RETAIL LOANS

The retail Internet banking app i-ONE Bank adopted a digital process that allows for contact-free credit loans to be refinanced and re-committed in real-time without visiting the bank upon their maturity. This reduced face-to-face contact during the pandemic, kept customers safe, and reduced the workload at branches.



INTRODUCTION OF MYDATA SERVICE & I-ONE PERSONAL FINANCE MANAGEMENT SERVICE

In September 2021, IBK obtained its MyData business license and launched the personal asset management service i-ONE Personal Finance Management on the existing banking platform in December. The new service brings together personal credit information scattered at different financial institutions and provides analysis reports. This makes credit management easier for customers and offers users with analysis reports on their spending patterns against income, real estate information, and insurance policy portfolios.



CONTINUED WORKPLACE INNOVATION

Heeding the opinions of employees, IBK has innovated its office attire and abolished uniforms for female employees. Instead, the bank has put forth guidelines on recommended outfits to ensure all employees look professional and trustworthy. The new dress-down code has brightened the working environment and buoyed employee satisfaction, garnering many positive responses from customers.



LAUNCH OF IBK BOX POS

In February 2021, IBK launched an innovative service that allows customers to use their smartphones as wireless credit card readers. This free and easy-to-download app for smartphones called BOX POS can replace fee-charging card settlement machines or a POS. Its intuitive user interface shows daily and monthly sales reports and a deposit history of sales proceeds. Business owners can share the app with employees, with simultaneous multi-login also possible from different devices. Thanks to its convenience, the service had more than 40,000 downloads in just its first seven months on the market.



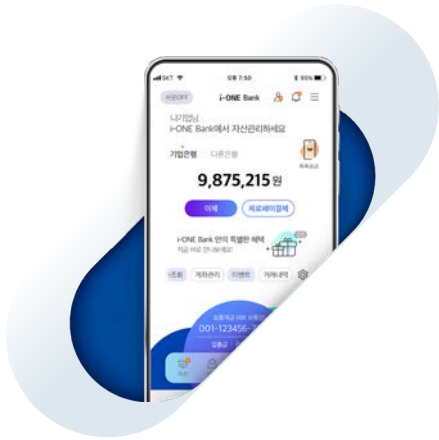
KRW 200 TRILLION IN SME LOANS: A FIRST AMONG KOREAN BANKS

In August 2021, IBK's SME loan balance exceeded KRW 200 trillion, for the first time in Korea's financial sector. It took less than a decade after it had reached KRW 100 trillion in March 2012. More to the point, IBK duly fulfilled its primary role as a government-owned bank, providing KRW 24 trillion in loans to SMEs suffering from the pandemic in 2021. Its market share remained at the unmatched industry-top level, or 22.96% (as of August 2021), up 1.23%p from the time of achieving KRW 100 trillion (21.73%).



I-ONE BANK: WINNER OF THE 2021 NATIONAL SERVICE AWARD FOR THE SECOND CONSECUTIVE YEAR

The i-ONE Bank app, IBK's retail banking channel, received the National Service Award for mobile banking for the second consecutive year in 2021. In addition to its easier, faster, and more convenient UI/UX, the app won the prize for its hyper-personalization strategy that personalizes the initial screen, which shows individualized recommendations of products and services.







# FINANCE MAKES THE WORLD



[ INCLUSIVE ]  
FINANCE  
MAKES  
THE WORLD  
[ BRIGHTER ]




[ ADVANCED ]  
FINANCE  
MAKES  
THE WORLD  
[ SIMPLE ]




The COVID-19 pandemic has challenged us in unforeseen ways; ironically, it also awakened us to the value of normalcy, bringing about, as it were, a sea change that opened up opportunities even amid a global crisis. Businesses—from holes-in-the-wall around the corner, SOHOs and microbusinesses to SMEs and innovative startups—help our daily lives go round and lead to changes for a better world. In the midst of this paradigm shift, IBK has remained steadfast to its core values, supporting SMEs and microbusinesses through countless challenges, with timely advice and just the right push. All the while, IBK is honored to stand by each and every client as they realize their goals.


[ INNOVATIVE ]  
FINANCE  
MAKES  
THE WORLD  
[ SUCCESSFUL ]



[ RESPONSIBLE ]  
FINANCE  
MAKES  
THE WORLD  
[ SUSTAINABLE ]



[ GLOBAL ]  
FINANCE  
MAKES  
THE WORLD  
[ CLOSER ]





[ INCLUSIVE ]



# FINANCE MAKES THE WORLD



[ BRIGHTER ]



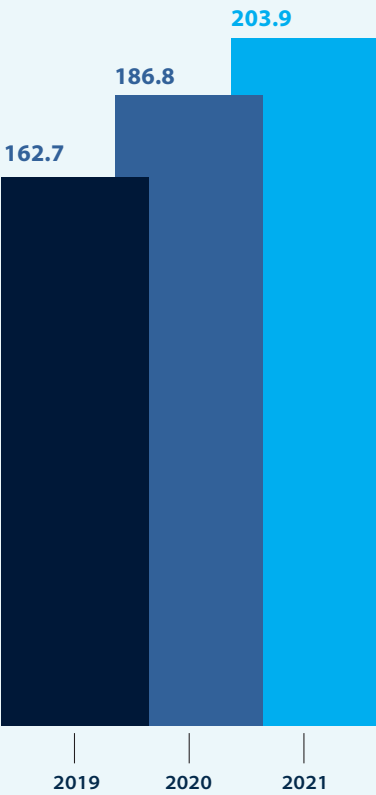
[ INCLUSIVE ]

## IBK's SME Loan Balance

(Unit: KRW trillion)

YoY Growth

17.1



## No. of SME Customers

(Unit: 1,000 companies)

YoY Growth

84



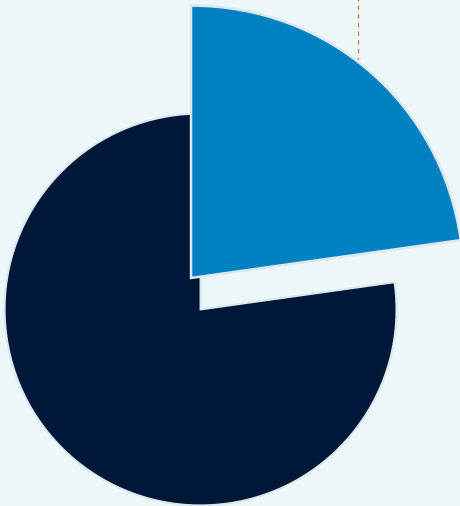
### Finance That Stands by SMEs

Guided by empathy and kindness, and always cognizant of one's needs and circumstances, at IBK we do not simply make cold, rational decisions based on our own interests. Truly, we are a leader in creating a win-win financial environment for everyone and spreading the positive effects of inclusive finance. IBK has always been there for SMEs when they need assistance most, overcoming crises and growing alongside them at every step of the way. Even in 2021, when the protracted COVID-19 aggravated so many difficulties facing SMEs, IBK came to their aid in the most active and sincere way.

In fact, IBK provided KRW 17 trillion in new loans in 2021, helping SMEs through their temporary liquidity crunch. At the same time, we fully supported SMEs and their facility investments to secure new growth engines. As a result, our SME loan balance exceeded KRW 200 trillion—the first time any Korean bank had crossed this threshold—with the number of SME customers exceeding 2 million companies. Yet this did not come as a surprise to anyone, as IBK has always faithfully performed its roles and duties as a government-owned financial institution that specializes in SME finance, while also setting an example of inclusive finance for others.

## SME Loan Market Share

NO. 1  
22.84%



[ BRIGHTER ]



[ INNOVATIVE ]

v

FINANCE  
MAKES  
THE  
WORLD

v

[ SUCCESSFUL ]



[ INNOVATIVE ]

Support for Continued Growth Momentum

We encourage fresh ideas and unbridled passion. We also invest in endless possibilities and potential, and see our commitments through until innovative concepts blossom into tangible outcomes. By the end of 2021, IBK had provided a total of KRW 1 trillion in venture capital loans to promising startups, laying the foundation for their growth into global unicorn companies. Indeed, the supply of venture capital is leading to substantially innovative growth. Of all the new startups IBK has invested in, a total of 13 companies succeeded in their IPOs in 2021, a dramatic increase from the three companies which also did so in 2019. Last year's success stories included Curacle, a promising venture startup drawing market attention for its breakthrough therapies for vascular diseases, and WantedLab, an AI-based recruitment platform venture startup.

Our venture accelerator project, IBK Changgong, also began generating discernable results. Having started in 2017, the venture incubation platform supports the growth of startups with total solutions by carrying out initial investments through to follow-up investments, providing loans and customized consulting services at the same time. As a result, several IBK-incubated startups won an Innovation Award at the Consumer Electronics Show (CES) 2022. In particular, eight companies were graduates of the IBK Changgong Program, including Bitsensing (Mapo Class 2), which developed a 4D image radar solution, and Visual Camp (Guro Class 2), which developed AI-based eye-tracking software. In the future, IBK will use its SME financing know-how, such as venture capital supply, accelerating, technology financing, and consulting, to spearhead the support of the initial startup market.



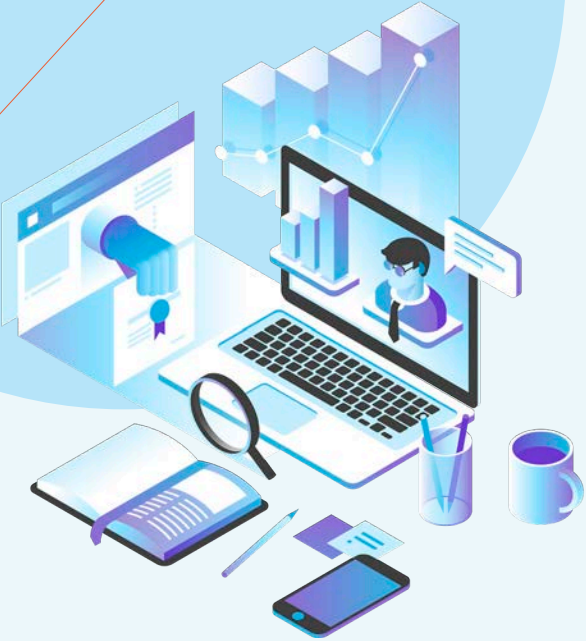
No. of Successful IPO Companies

(Unit: companies)

2021 13

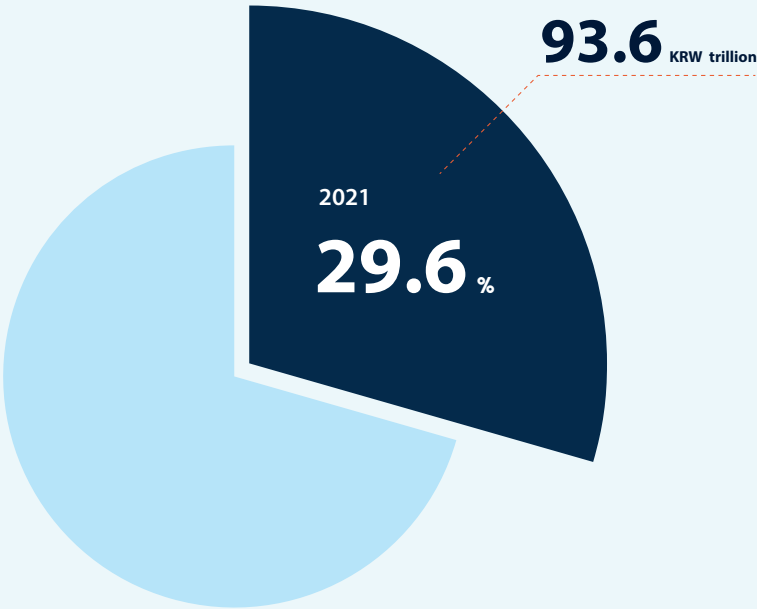
+ 333%

3  
2019



Technology Financing Loan Market Share

(Unit: %, as of 2021)



93.6 KRW trillion



IBK Changgong Program Performance Results

(As of Dec. 2021)

No. of beneficiaries

369 companies

Non-financial support (mentoring, consulting, IR)

5,276 sessions

Financial support (investments & financing)

434 KRW billion

[ SUCCESSFUL ]



[ ADVANCED ]



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THE  
WORLD

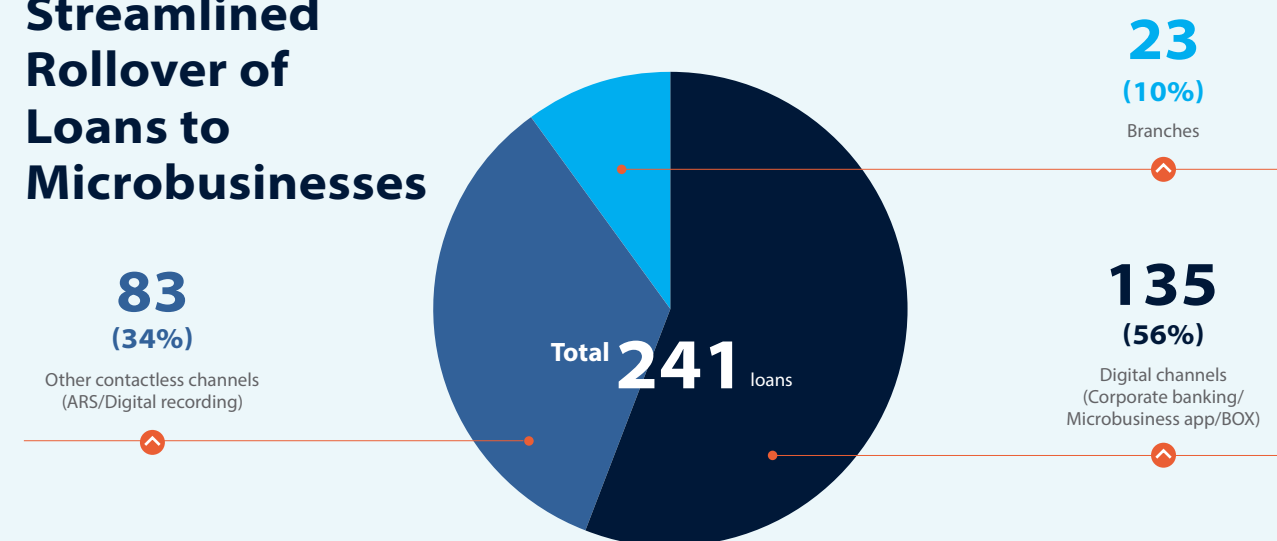


[ SIMPLE ]



[ **ADVANCED** ]

## Streamlined Rollover of Loans to Microbusinesses



### Easy, Quick and Convenient Digital IBK

IBK's digital banking service makes financing easier, faster, and more convenient for everyone, regardless of age, locale, or financial literacy. Everyone can be anyone, from customers and employees to every person within the related ecosystem. We are opening up a new financial world with digital services that make finance easier for individuals and businesses alike; help employees with their workload and thereby enhance work efficiency; and allow big fintech companies access to IBK's open APIs to create innovative financial services.

In 2021, we streamlined all SME loan procedures in an effort to help them through the ongoing COVID-19 pandemic challenges. For instance, our contactless rollover service allowed SME borrowers to put off their maturing loans without visiting one of our branches in person. This has not only increased customer convenience, but also dramatically reduced the workload of our front office services and maintained social distancing.



#### i-ONE Bank

IBK's flagship digital banking channel  
Provides a wide spectrum of services incorporating innovative digital technologies



#### i-ONE Microbusiness

IBK's digital banking app customized to microbusinesses  
Supports microbusinesses with easy and convenient access to all corporate banking services



#### IBK BOX POS

IBK's innovative app  
Transforms smartphones into portable credit card readers, enhancing mobile convenience for microbusiness owners



#### i-ONE PFM app

IBK's differentiated MyData PFM service app  
Pulls asset data from across several financial institutions and displays it on one screen, providing a total analysis report on all personal financial data



### 2 years

Winner of the 2021 National Service Award in the mobile banking category for a second straight year

i-ONE BANK



### 1st

Ranked 1st by the *Chosun Daily* newspaper's 2021 Consumers' Choice Brand Awards

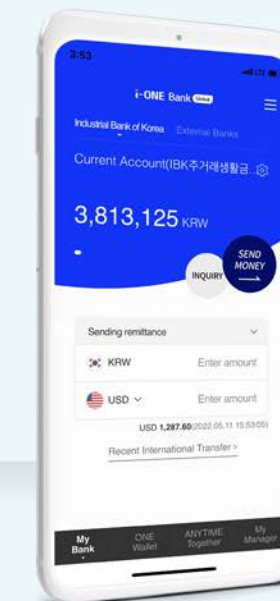
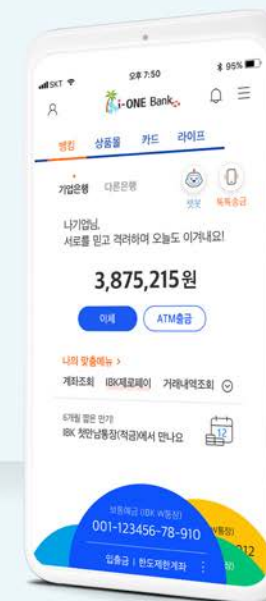
i-ONE Microbusiness



### WINNER

Winner of the ICT AWARD KOREA 2021

i-ONE Bank Global

[ **SIMPLE** ]



[ GLOBAL ]



**FINANCE  
MAKES  
THE  
WORLD**



[ CLOSER ]



[ GLOBAL ]

IBK Presence  
in Countries  
where Korean  
Companies Do  
Business



75.3%

Global Business  
Target by 2025



10%

Share of net profit

5%

Share of total assets



Making Far Away Closer

IBK is expanding its frontiers to reach farther than ever before in support of our clients. We are accomplishing this by providing the right financial services for their needs so that they can grow bigger and into more expansive markets. Localization and digital transformation are our two key tools to ensure such a commitment. In 2021, IBK set up a subsidiary in Myanmar, further enlarging its network in Asia, which is home to many overseas advances by Korean companies. In 2022, IBK plans on opening a new office in Poland—Europe's electric vehicle battery production hub—and gaining a secure foothold in Eastern Europe. In addition, the digital transformation in our global operations will considerably improve accessibility and convenience for Korean companies and local customers in regions where we have yet to operate due to either geographical or regulatory issues. As we expand our reach on and offline, IBK is building a network that can reach every corner of the world, making our services accessible from anywhere.



16  
MOU BANKS

Strategic alliances to ensure that our financial services facilitate regions where we have no physical presence

Asia

Indonesia (BRI)  
China (BOC)  
Philippines (BDO)  
India (SBI)  
Myanmar (SMIDB)  
Thailand (KTB)  
Malaysia (RHB)

Oceania

Australia (ANZ)

Europe

Germany (DEUTSHCE)  
Turkey (YAPI KREDİ)  
Italy (UNICREDIT)  
Poland (PKO Bank Polski)  
Spain (SANTANDER)

Americas

Canada (CIBC)

Middle East

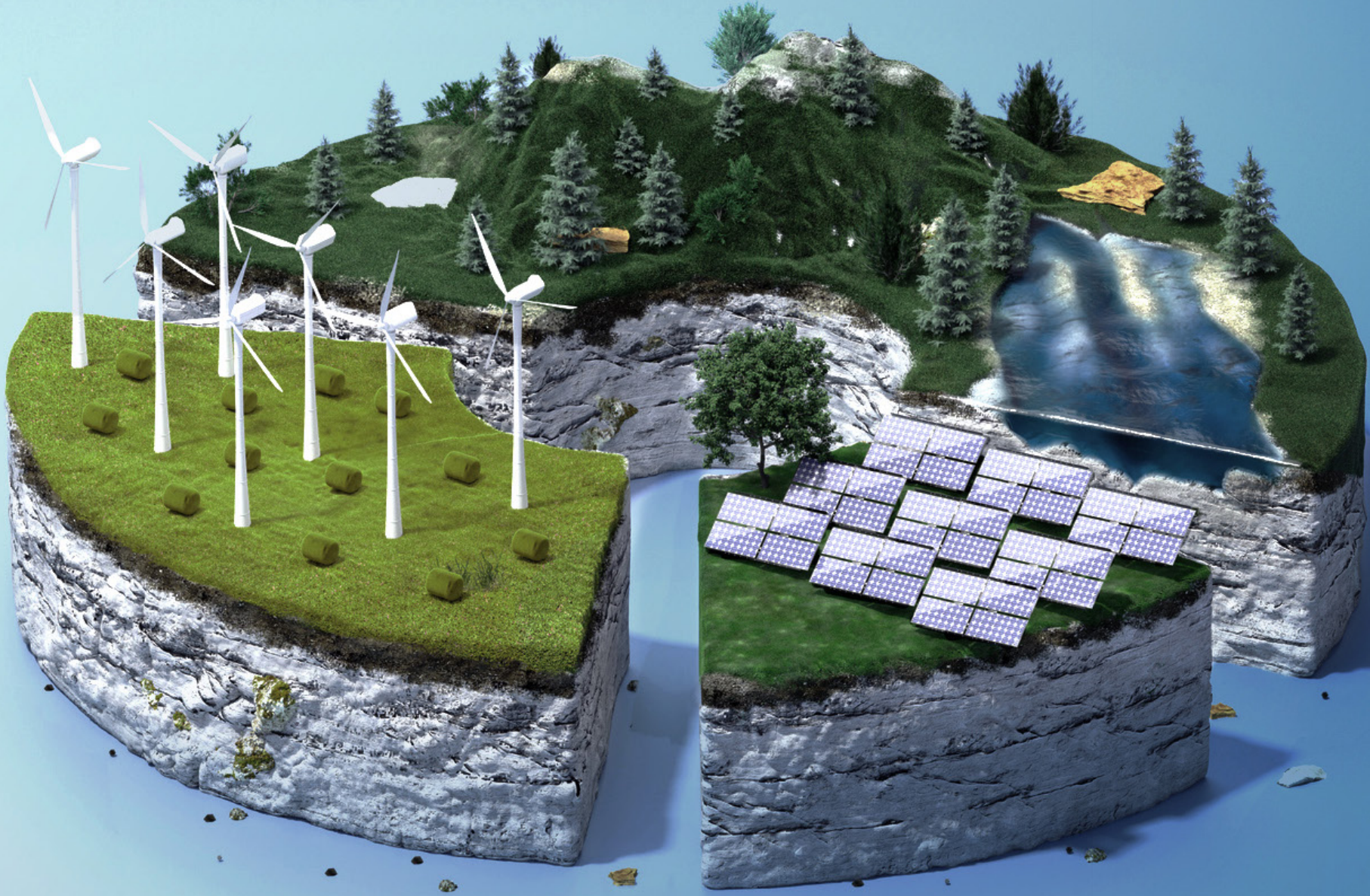
UAE (ENBD)

Africa

South Africa (ABSA)

[ CLOSER ]





[ RESPONSIBLE ]



FINANCE  
MAKES  
THE  
WORLD



[ SUSTAINABLE ]

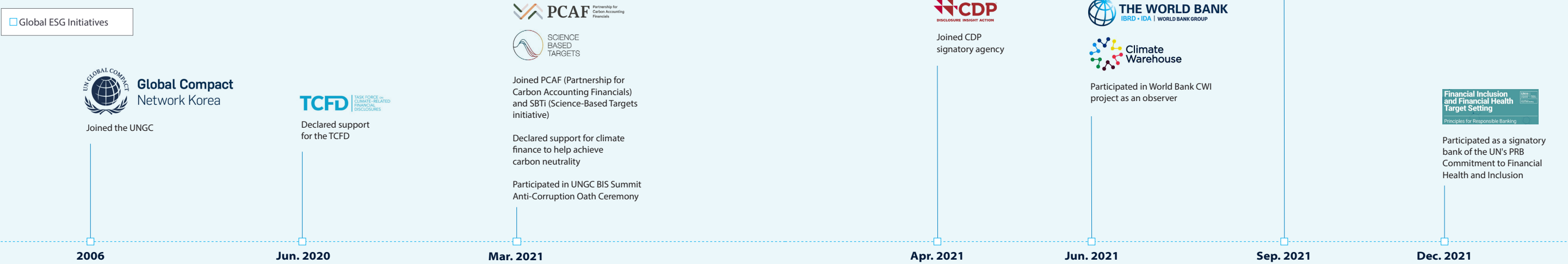


# [ RESPONSIBLE ]

### Financing for a Better Tomorrow

The right financing can make the world a better place. Capital investments should be directed to benefitting humanity and the planet. That is our chief principle in screening investment targets. At the same time, we also support SMEs, especially those that often find it hard to keep up with fast-changing social demands, with their sustainability management efforts. In fact, 2021 marks the starting point of IBK's ESG Team, which oversees our company-wide ESG management practices. We have completed our ESG Management System in order to internalize all ESG practices effectively and seamlessly across the board. We have also joined global initiatives to learn more about ESG management best practices. In September of the same year, IBK set the goal of achieving carbon neutrality by 2040 and declared its commitment of establishing an ESG model for others to aspire to as a government-owned bank. On top of that, IBK actively supports SMEs and their sustainability management endeavors with ESG consulting services. Furthermore, we are an active participant of the OECD Sustainable SME Platform. As such, we have realized highly effective internal systems while actively disseminating the initiatives to our external stakeholders. Our commitment was recognized and rewarded when IBK received an "A" grade in its composite score as part of an official ESG Evaluation by the Korea Corporate Governance Service (KCGS), a Korea-based ESG evaluator, and was awarded a commendation by the Minister of Trade, Industry and Energy for its contribution to promoting sustainability management.

Global ESG Initiatives



2021

Starting point of IBK's ESG Team



A grade

An official ESG Evaluation by the Korea Corporate Governance Service (KCGS)



2040

Declared carbon neutrality by 2040

# [ SUSTAINABLE ]



# 1 BUSINESS REVIEW



IBK assists SMEs and microbusinesses in achieving and maintaining business stability. Specifically, it paves the way for startups to grow into innovative companies by fostering an ecosystem that is led by an entrepreneurial spirit. We continue to expand our banking scope to make it accessible to both business and retail customers as we drive digital transformation for all and develop our global reach to ensure that our customers are provided with the right financial support wherever they need it. IBK will continue to fulfill our duties as Korea's unrivaled SME banking leader and lead the innovation drive for the sustainable growth of our society.





# SME BANKING

## Financial Support to SMEs

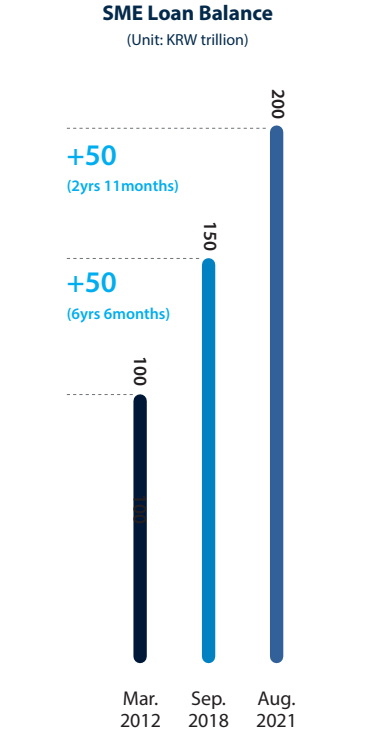
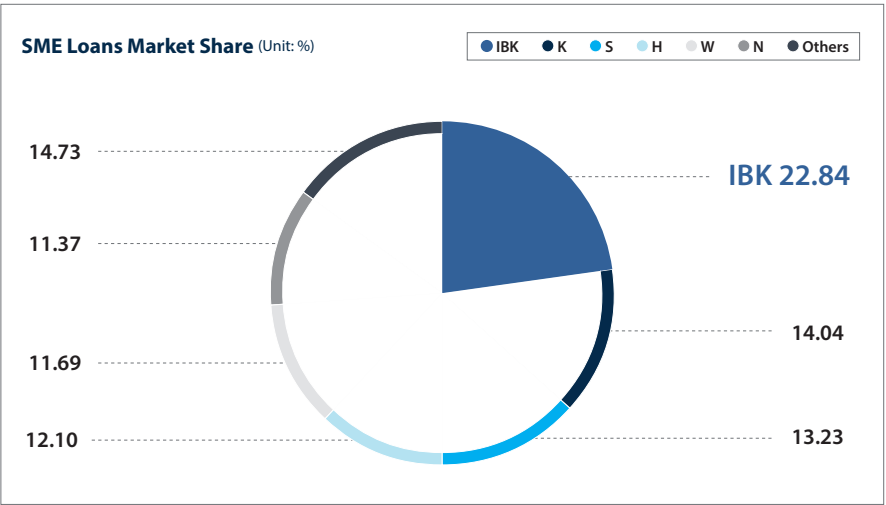
### The Undisputable Leader in SME Finance

In 2021, IBK remained a steadfast partner of policy financing for SMEs, stepping up our support to SMEs and microbusinesses facing financial distress. As a result, our total SME loan balance reached KRW 200 trillion in August, not even three years after crossing the KRW 150 trillion threshold in September 2018, and closed the year at KRW 203.9 trillion. Accordingly, our leadership in SME finance stood at an impressive 22.84% of market share as of the end of the year.

In fulfilling our mission as a government-owned bank for financing SMEs and microbusinesses, IBK increased the lineup of its loan products with competitive interest rates to finance SMEs’ facility investments and introduced financial products specialized for microbusinesses.

### Active Policy Fund Provider

Following the lead of the government’s SME promotion policies, IBK provides financial support to SMEs for higher productivity and competitiveness, with the funds being raised from government finance or other means. As of the end of 2021, IBK’s SME policy-financed loan balance stood at KRW 19,287 trillion, up KRW 205.3 billion from the previous year.

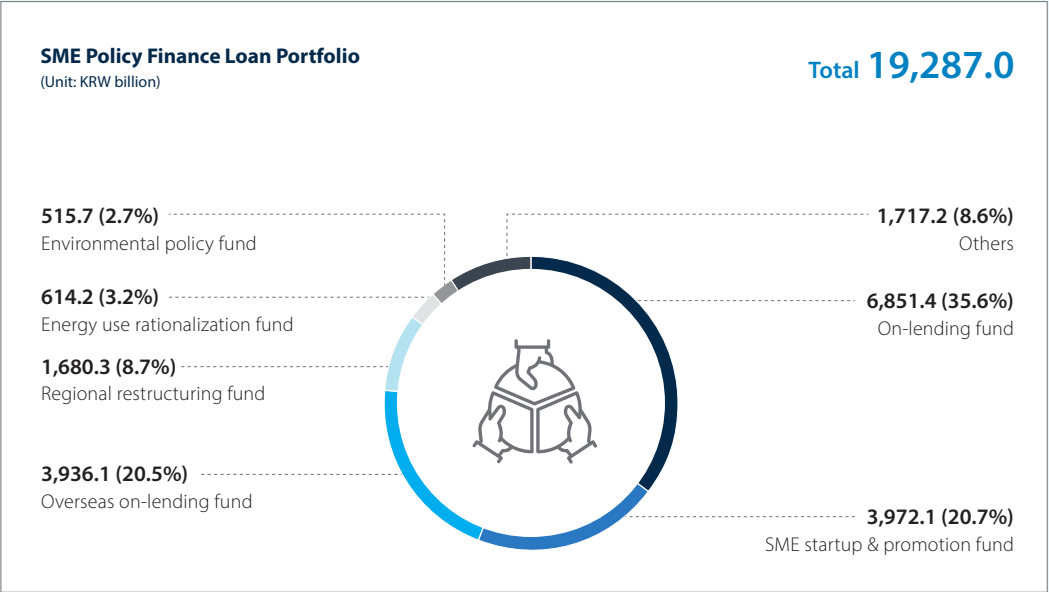


Financial Support Breakdown (Unit: KRW billion)

	Product Name	Target	2021 Performance
Policy funds for facility investments	Korea reform special fund	Businesses in future growth engine industries	1,501.3
	Environmental and safety CAPEX fund	New facility investments to address environmental and safety control issues	783.9
	CAPEX fund to upgrade industrial structures	Facility investments in key and new growth industries	765.4
Specialized products for microbusinesses	Haenaeri Loan	Microbusinesses struggling with the COVID-19 pandemic	2,182.9



In 2021, IBK increased financial aid to SMEs and microbusinesses suffering from the prolonged pandemic, while also assisting promising startups and ventures to realize their respective visions through various support programs.





Major Policy Finance Products

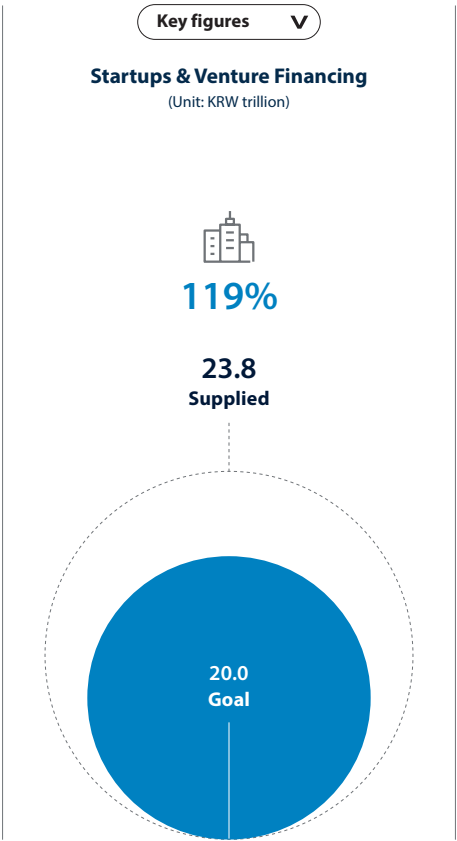
	Source of Financing	Description
On-lending fund	Policy banks (Korea Development Bank, Export-Import Bank of Korea)	Provided a total of KRW 2.542 trillion in 2021 to support SMEs and middle-market firms that showed growth potential
Overseas on-lending fund	Policy banks (Korea Development Bank, Export-Import Bank of Korea)	Provided a total of KRW 2.81 trillion in 2021 to support companies that had track records in offshore projects or export/import businesses
SME startup and promotion fund	Korea SMEs and Startups Agency	Provided a total of KRW 1.016 trillion in 2021 to support startups and the development of a new growth foundation
Regional restructuring fund	Local governments	Provided a total of KRW 461.2 billion in 2021 to assist local SMEs through facility improvements, lessen regional economic imbalances, and nurture regional specialty industries
Industrial accident prevention facility fund	Korea Occupational Safety and Health Agency	Provided a total of KRW 173.3 billion in 2021 to help reduce the number of occupational accident cases and promote safer and more pleasant workplaces
Energy use rationalization fund	Korea Energy Agency	Provided a total of KRW 139.9 billion in 2021 to support the supply of new and renewable energy sources, the installation of energy-saving facilities needed for the stable supply and pricing of energy, and the effective promotion of energy resources projects
Environmental policy fund	Korea Environmental Industry & Technology Institute	Provided a total of KRW 133.5 billion to foster the growth of the environmental industry, promote environmental pollution prevention facilities, and encourage low-emission vehicles

Emergency Finance to Microbusinesses

IBK granted low-interest relief loans to microbusinesses that were impacted by a sluggish economy as a result of COVID-19 on the collateral of credit guarantees offered by guarantee funds. Since 2020, the relief loans have been made in the form of IBK special loans with low interest rates and the second financial support program for microbusinesses. Initiated in 2021, the second financial support program also includes financing small businesses affected by the Korean government’s ban on gathering in public and IBK business agreements on financing businesses with subprime credit scores.

Emergency Financial Support Program for Microbusinesses

	2020-2021 (2nd Program)		2021 Business Agreements on Financing Businesses with Subprime Credit Scores
	Financing microbusinesses	Microbusinesses affected by public gathering bans	13 banks including IBK
Agency	12 banks including IBK		
Performance amount	KRW 1.2 trillion	KRW 90 billion	KRW 20 billion
Performance cases	67,788	7,896	1,128
Implementation date	May 25, 2020	January 18, 2021	August 5, 2021



The Market Leader in Technology Financing

IBK has been providing technology finance since 2014 for materializing technologies and ideas that are expected to generate future revenue streams. As of the end of 2021, IBK held unparalleled market dominance in technology financing, with a cumulative loan amount of KRW 93.6 trillion, accounting for 29.6% of technology lending by the banking sector. Through prudent risk monitoring, we improved the soundness of our technology financing balance despite its industry-largest size. In 2021, IBK topped the Financial Services Commission’s Technology Financing Performance Evaluation for the second straight year and received a commendation from the Korea Intellectual Property Office for its contribution in promoting IP financing, solidifying our market leadership in technology financing.

Financing Startups and Ventures

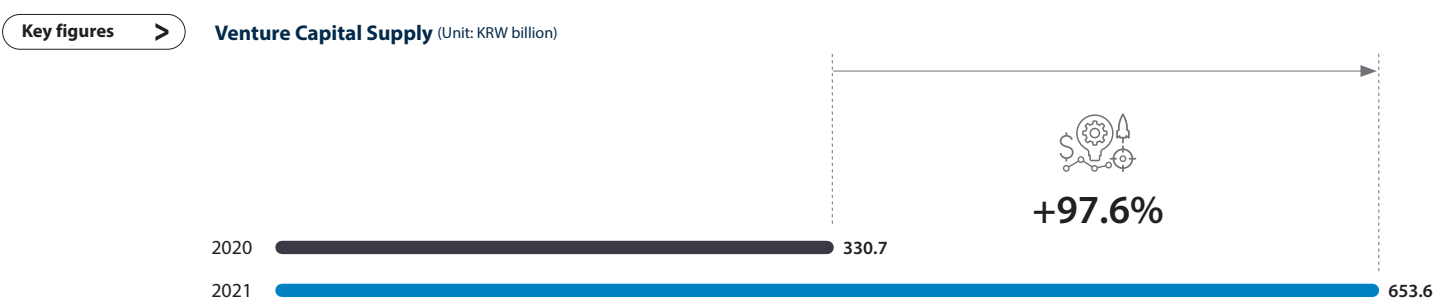
To invigorate the startup ecosystem and address their lack of funds, IBK has set the goal of financing KRW 20 trillion every year since 2017. Despite the prolonged COVID-19 pandemic in 2021, we supplied KRW 23.834 trillion, well exceeding the annual goal, reaffirming our position as the most reliable option for startups. In addition, we provided KRW 12.426 trillion in loans to venture companies showing excellent innovation and growth potential through customized special loan products featuring low interest rates, such as the IBK Venture Loan and the IBK Venture Investment Matching Loan, allowing these companies to more confidently plan for their future.

Venture Capital Management System

In addition to its financial support to companies in the early growth stages, IBK goes the extra mile to discover and foster innovative companies with high growth potential, aiming to supply KRW 1.5 trillion in venture capital by the end of 2022. In 2021 alone, the bank provided venture capital totaling KRW 653.6 billion, nearly twice as much as the previous year. At the same time, we tightened up internal controls through systematic management of the entire work process, from investment reviews through to recovery.

Qualitative Growth and Inclusive Finance

In 2022, IBK will further reinforce its market dominance in SME financing through quality growth anchoring in prime loans. With a net increase of KRW 13 trillion in SME loans, we will increase inclusive finance to innovative businesses and microbusinesses. We will also expand the ESG product lineup to further strengthen our support of SMEs in their ESG management practices.



Non-financial Support to SMEs

IBK Financial Doctor Program

In coping with the rapid changes in the financial business environment induced by the pandemic, IBK is redefining its role as a financial expert through its new IBK Financial Doctor Program. The program provides practical solutions to promote SME growth based on an objective review and analysis of the status quo and competitiveness of subject companies, thereby narrowing the information gap between the bank and companies. As the name suggests, it provides beneficiaries with a report offering professional review results and improvement suggestions similar to a health checkup report. While making the most of our unparalleled SME financing competencies to develop optimal solutions, the program's entire procedure is digitalized, making it a perfect fit in the post-pandemic era.

IBK Changgong: A Startup Incubator Platform

IBK Changgong is the IBK's in-house startup incubator program that innovatively blends our accumulated SME financing know-how with our consulting competencies to discover and foster innovative ventures and startups. Through biannual open recruitments, we select companies who benefit from our liaison services in investments and financing, free workspaces, mentoring and customized consulting services, as well as support for entering new markets. Since the opening of the first IBK Changgong office in Mapo, Seoul in December 2017, the second office followed in Guro, Seoul in October 2018, and the third in Busan in May 2019. In September 2021, the IBK Changgong SNU Camp opened in collaboration with Seoul National University's Startup Support Group as a foundation for discovering and supporting aspiring entrepreneurs at the university. By the end of the year, an online platform called Online Changgong began service, effectively addressing physical limits in supporting startups and ventures through an expanded scope of support mechanisms.

In January 2022, IBK Changgong opened another office in Daejeon to take full advantage of the city's excellent infrastructure—which encompasses competent local industry, quality education, and research institutes—as it discovers and fosters innovation startups. More branches are in consideration according to the status and demand of local venture ecosystems and the possibilities of collaboration with related groups and organizations.



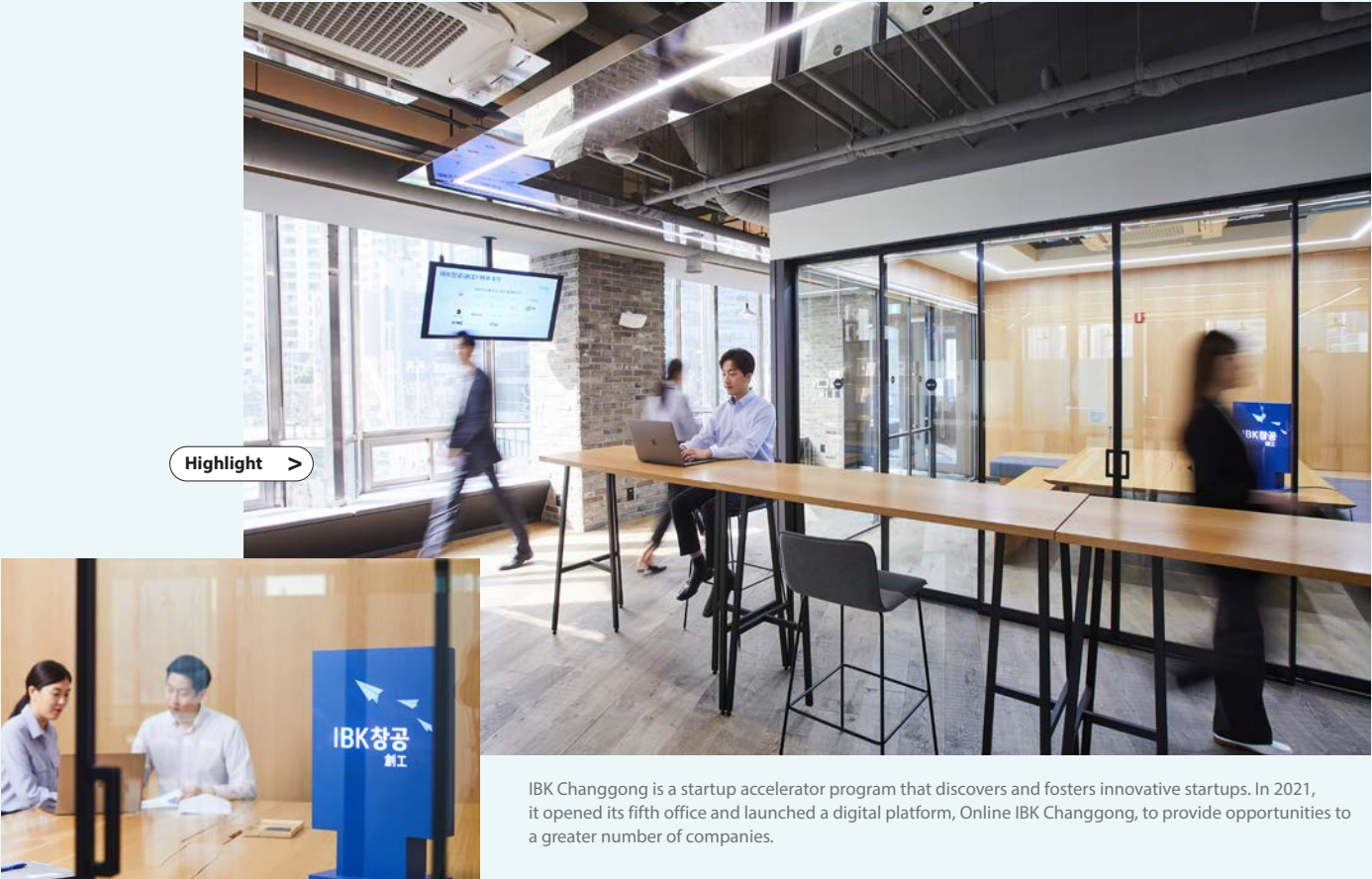
IBK Financial Doctor Program Process

- 1

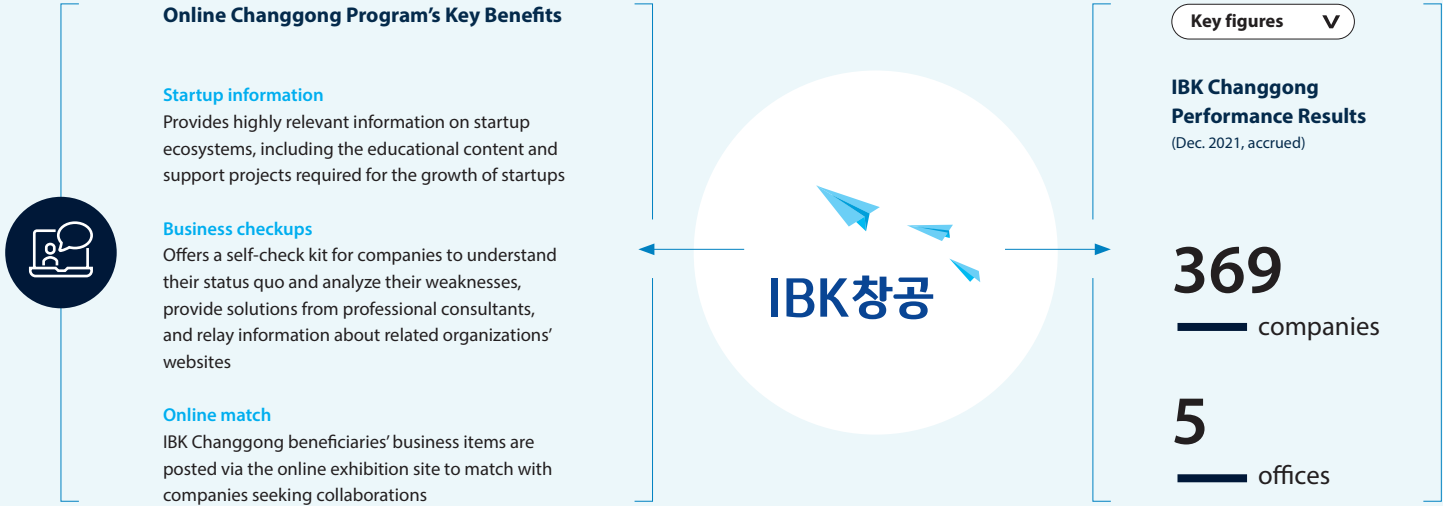
**SME Check-up**
  - Automated collection of internal/external data
  - Providing comprehensive analysis on review results by criteria: finance, HRM, technology, supply chain, business environment
- 2

**Custom-tailored Solutions**
  - Automated recommendations of optimal financial products
  - Automated recommendations of optimal non-financial services
- 3

**Liaison Service**
  - Providing in-depth, comprehensive consulting services by business type
  - Offering a liaison service of financial/non-financial support to companies following through each stage of growth



IBK Changgong is a startup accelerator program that discovers and fosters innovative startups. In 2021, it opened its fifth office and launched a digital platform, Online IBK Changgong, to provide opportunities to a greater number of companies.



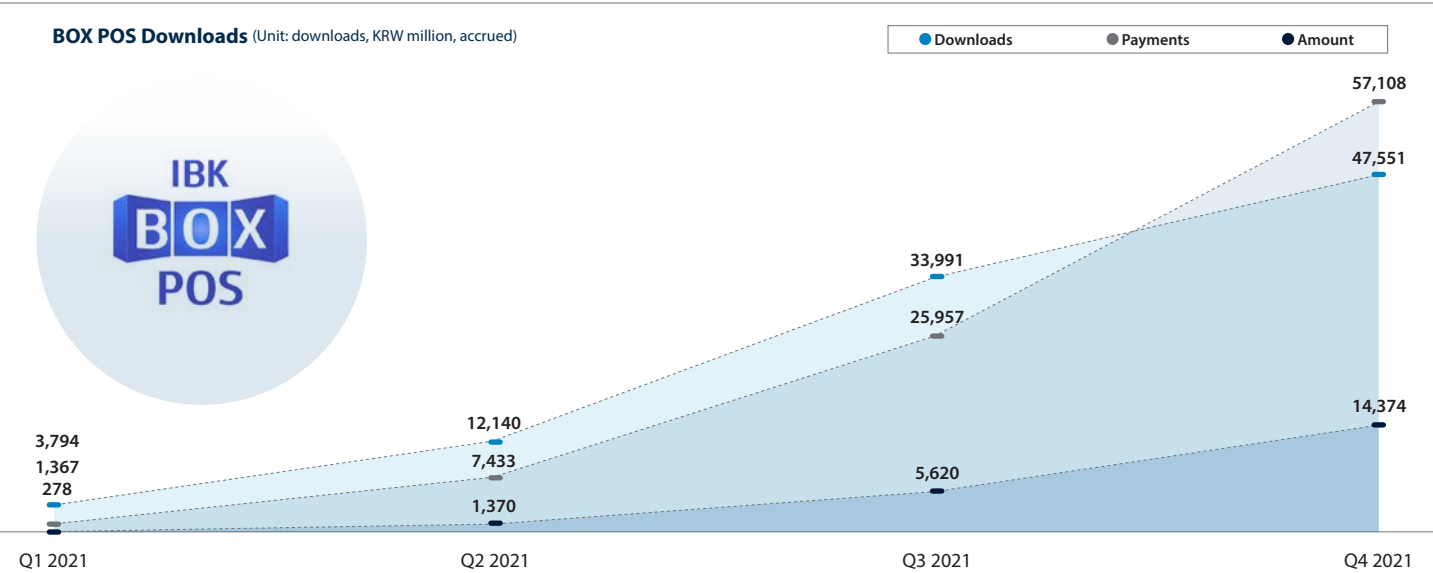
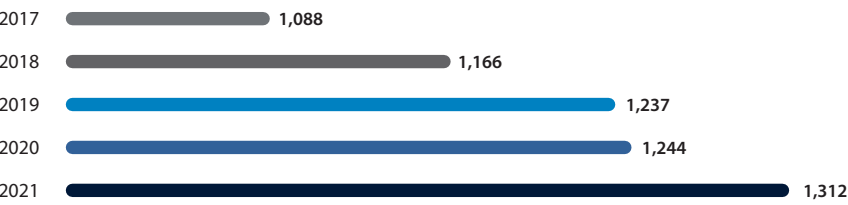
Consistent Consulting Services for SMEs

In 2021, IBK continued to help SMEs through the protracted COVID-19 crisis with various consulting services. Designed for SMEs facing fundamental issues, the Innovation Transformation Consulting Service advised 317 companies on M&As, new business reviews, personnel management, digitalization, and other requirements to support their turnaround. The Comprehensive Corporate Succession Consulting Service assisted 106 businesses with smooth corporate successions and innovative growth by suggesting tax-saving strategies and a comprehensive consulting program. Its comprehensive solutions range from corporate successions, tax-saving strategies, third-party disposals, and M&As to IPOs, business strategy-building, and successor training and education.

IBK BOX for Innovative Financial Services  
BOX POS - A Mobile App Used As a Card Payment Terminal for Microbusinesses

Introduced in February 2021, IBK BOX POS is a free app that uses smartphones as credit card payment terminals. In addition to the credit/debit card payment, the app also provides easy financial services, such as a daily sales report, interactive use by the business owners and their employees, credit loans, bank account opening, and policy fund information. As of the end of 2021, the app had recorded 47,551 downloads.

SME Consulting (Unit: cases)



Innovation Transformation Consulting

**Assets**

- M&A
- Restructuring

**Business**

- New business reviews
- Business field change
- Profitability management

**Culture**

- Personnel management
- Organization activation
- Employee education and training

**Digital**

- Smart factories
- ERP upgrades
- Work process digitalization



IBK BOX POS

IBK CEO Clubs



IBK Best CEO Club  
Established: 1993

Membership: 1,376 persons  
To promote exchanges among successful SMEs

IBK Female CEO Club  
Established: 2012

Membership: 270 persons  
To promote exchanges among female CEOs

IBK Rising CEO Club  
Established: 2005

Membership: 512 persons  
To support future leaders' business management skills

**Digital Investment Channel: Innovation Business Investment BOX** - Innovation Business Investment BOX is an online channel for companies to apply for IBK investments. Its “one-shot” system allows applicants to simultaneously apply for investments by IBK and its subsidiaries, including capital and investment securities, in one fell swoop. As of the end of 2021, IBK had injected venture investments into 284 applicants.

Supporting Exchanges and Cooperation among SMEs

**IBK CEO Clubs** - IBK runs three CEO Clubs to fortify its relationships with loyal SME customers, providing venues for SME CEOs to socialize and discuss opportunities for cooperative projects. The IBK Best CEO Club promotes exchanges among the CEOs of successful SMEs; the IBK Female CEO Club is for female CEOs to get together and exchange opinions on business management for mutual growth; and the IBK Rising CEO Club sponsors young entrepreneurs and family business heirs to network and cultivate leadership skills as future leaders of national economic development.

In coping with the ongoing pandemic in 2021, IBK went online for seminars and other club events. Non-contact seminars realized safe and contactless exchanges among members. At the same time, a mobile community was launched exclusively for club members’ communication on the club and bank news, economic trend reports, and other useful information. We also encouraged small group gatherings within each club to keep them loosely connected with each other, even when physical distancing policies were in force. What is more, the bank dispatched a VOC team to listen to the opinions of customers and relayed the VOCs to IBK management.

**Entrepreneurial Hall of Fame** - The IBK Entrepreneurial Hall of Fame honors entrepreneurship by inducting entrepreneurs who have contributed to the development of the national economy through their businesses. It inspires young entrepreneurs to grow their businesses into globally competent organizations. Since 2004, a total of 37 entrepreneurs have been inducted on 18 occasions. In 2021, CEO Park Sun Soon of Dawonsys Co., Ltd. was newly inducted. He was singled out for fostering future growth driver businesses in special power supply units and accelerators, thereby contributing to the local economy and job creation, as well as his work with corporate social responsibility activities. In August 2021, we renovated the Memorial Hall of Fame in the lobby of our head office building to create the IBK Digital Memorial Hall of Fame. More than 200 corporate product brochures and interviews with the inductors have been archived into digital content. The renovated space plays videos of bank advertisements and cultural performances while also functioning as a cultural hub open to anyone and everyone.

As the Korean government is phasing out its physical distancing policy in 2022, IBK is planning more social gatherings for club members, such as New Year’s and Year-end seminars, and various other events to strengthen customer relationship management and enhance member satisfaction. In promoting such interactions, we have plans for local town meetings for members of all three CEO Clubs and Hall of Fame members, with our VOC teams being there to hear everyone out in full. By heeding the opinions of local influencers, we will reflect their thoughts in developing future strategies regarding corporate-client relationship management. The corporate-client information and big data collected from these events will be processed to be shared with sales branches for marketing activities. This will also generate synergies with our corporate customers, as it facilitates collaboration among member companies.



Job Creation Initiatives

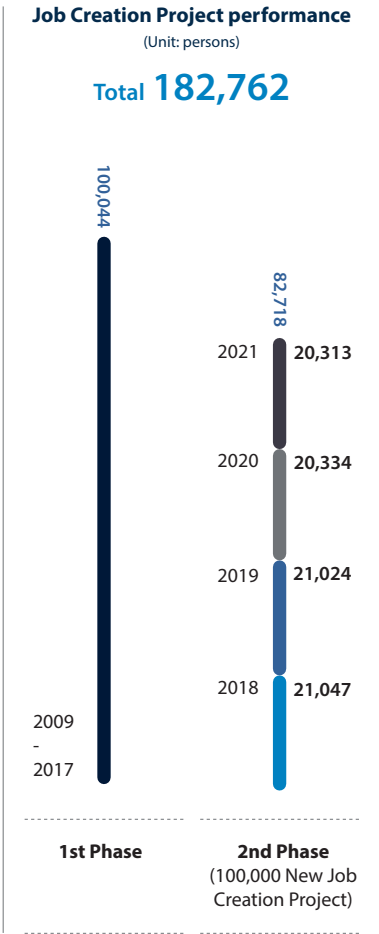
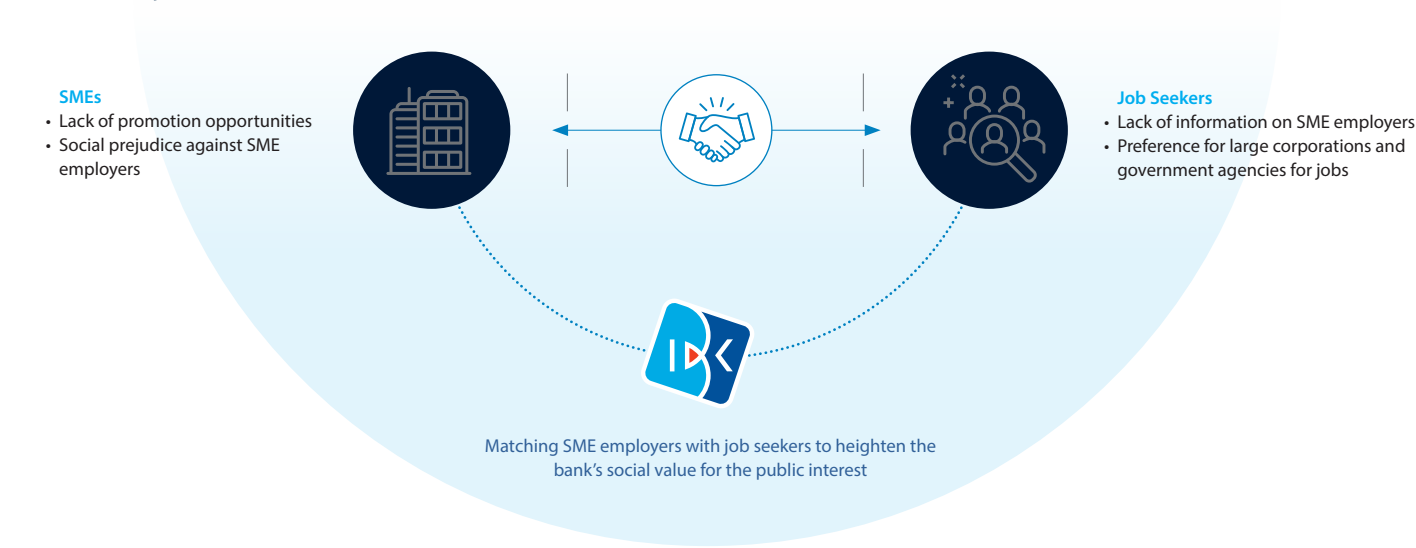
IBK was the first Korean bank to initiate a job creation project in 2009 that addresses job disparity problems within the SME job market, where SME employers suffer labor shortages and young job seekers lack access to quality job openings. Following the successful wrap-up of the first phase of the SME Youth Employment Project, the bank is promoting its 100,000 New Job Creation Project (2018-2022). As of the end of 2021, the project had matched a total of 182,762 job seekers to SME employers.

**Online Job Portal** - IBK runs i-ONE JOB, a free recruitment portal site that offers SMEs a one-stop recruitment service encompassing the entire recruitment procedure. The portal site also provides job seekers and employees seeking a career change with online job consulting services, including career change mentoring and career path consulting services. In 2021, the portal added an AI-based job recommendation service in which an AI algorithm advises on the optimal employers matching the job seekers’ current job positions and salaries.

**Job Fairs** - Since 2009, IBK has hosted a total of 63 job fairs to match SME employers and job seekers. To date, more than 3,300 companies have participated, and more than 5,000 job seekers have found work. Since 2017, IBK has coordinated an industry-wide job fair involving all financial institutions.

**Job Chaeum Fund** - IBK created a KRW 60 billion fund named the Job Chaeum Fund in 2018 to support SME recruitment. The fund subsidizes SME employers up to KRW 500,000 for every new full-time employee hired for more than three months. A total of KRW 15.2 billion has been paid from the fund as of the end of 2021.

Job Creation Project



1. 2021 Entrepreneurial Hall of Fame induction ceremony  
2. Digital Memorial Hall of Fame



An online seminar for the three CEO Club members

**Caring for the Underprivileged** - Under an MOU signed with the Korea Employment Agency for Persons with Disabilities, IBK is promoting a campaign for the employment of disabled people. The bank also runs a program supporting social enterprises with their recruitments, offering scholarships of KRW 50 million to 20 vocational high schools showing outstanding performance in SME employment.

**Awards and Certifications** - IBK was awarded the Prime Minister’s commendation at the 2021 Job Creation Government Awards for its contribution to addressing SME labor shortages and youth unemployment issues through the 100,000 New Job Creation Project. Its successful operation of the SME-specialized recruitment portal i-ONE JOB was also singled out and received Best Employment Service Certification from the Ministry of Employment and Labor and the Korea Employment Information Service for the first time among Korean financial institutions.

In 2022, IBK will attain its 100,000 New Job Creation Project goal. At the same time, the bank will encourage SMEs to hire more underprivileged people, such as the disabled, aged, and small business owners, as part of the IBK Nice Job Creation Project. It is also planning triannual online/offline ESG Job Fairs to collaborate with local governments, public organizations, and other job creation-related agencies. As part of our digital transformation initiative, we plan on launching an AI talent recommendation service for employers seeking new talent in addition to the same service for job seekers we introduced in 2021. Furthermore, we will expand the scope of our digital services by transforming systems to clouds, adopting integrated membership verification systems compatible with the IBK’s other services, and connecting our open APIs with external agencies.

Support to SME Export/Import Businesses

In 2021, IBK carried out a special trade finance service for import/export SMEs hit hard by COVID-19 to help stabilize their business management. In collaboration with logistics companies, IBK offered financial/logistics-integrated benefit programs to help SME exporters who suffered from surging commodity and logistics costs overseas. In addition, we took advantage of external big data such as RPA technology and customs clearance information to discover potential corporate clients and provide the analysis data to branches with their marketing activities. As part of our customer satisfaction initiatives, we commenced automated depositing of inward remittances, a new online service for foreign currency accounts, and an open banking service for overseas remittances. On top of that, we held the 47th Ontact IBK Trade Business Affairs Academy that same year. At the same time, the digitalization of the OCR-based financial sanction review process has automated the work process, reinforcing internal control over foreign exchange. The foreign customer-specialized branch at the Ansan Foreigner Finance Center was promoted to come under the direct supervision of the headquarters, thereby redefining our foreign customer management strategies for practical marketing activities and customer service.

In 2022, we plan to add more foreign exchange services to our digital channels by expanding non-face-to-face processes across all FX transactions, including FX agreements, trade bill remittances, and foreign direct investment notification procedures.

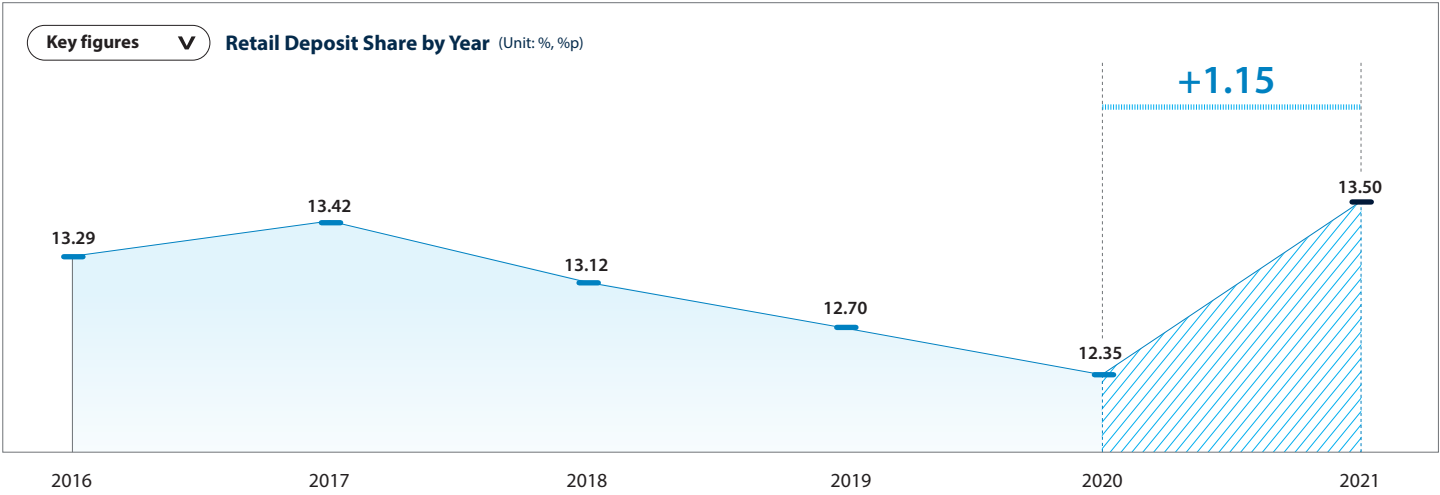
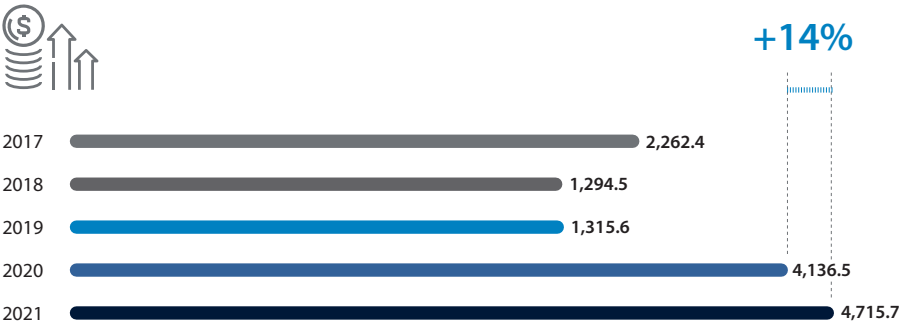
# RETAIL BANKING

## Retail Deposits

### Customer-oriented Strategies

Even with reduced face-to-face transactions due to COVID-19, IBK enjoyed record-high net growth in core deposits in 2021. Low-cost deposits also continued expanding in proportion to the upsurge in our share of total retail deposits. To induce retail transactions from our SME customer base, we launched a special bank account product for SME employees. Its pre-marketing campaign in November 2021 attracted 100,000 pre-booking customers, and 30% of these people were newcomers with no previous transactions at IBK. In addition, we diversified marketing channels through business alliances with non-face-to-face channel platform companies. As a result, both our customer base and retail deposits expanded, leading to stable growth in the bank's customer base.

Net Increase Amount of Core Deposits by Year (Annual average balance, unit: KRW billion)



1. 2. Pop-up branches



In 2021, the Retail Banking Group actively leveraged all non-face-to-face channels. This included launching affiliate products on the online platform and developing Korea's first non-contact process for issuing new corporate cards, diversifying customer contact channels with higher convenience.

During the pandemic, customer convenience and financial inclusiveness became the focus of our social responsibility practices. We set up pop-up branches equipped with portable operations systems to support smooth front office service in areas with high demand for COVID-19 relief funds. The number of economic and finance classes also increased for young generations, many of whom lack ample financial knowledge. For children and young adults, we created and then posted online financial education content customized to viewers of different age groups on YouTube, with abbreviated URLs that are easy to use. To stay contact-free yet financially literate during a time of physical distancing, finance classes went online through tele-education platforms such as Zoom.

### Products Marketed through Non-Face-to-Face Channels

#### INNOVATIVE PRODUCTS LAUNCHED

SPOTVNOW Installment Savings named a "hit product" by *Asia Business Daily* newspaper agency  
A total of 13,630 accounts sold

#### SME WIN-WIN MARKETING

Partnerships with 17 lifestyle companies  
Attracted 144,000 subscribers to IBK's easy payment service / Net growth of KRW 83.7 billion in core deposits

#### METaverse ALLIANCE

Launched IBK Dotori Bank on a Korean-based metaverse platform (Dec.)  
A promotion and marketing channel



Growth and Inclusion

In 2022, IBK is further expanding its retail customer base with customer-centric products and services. At the same time, we are strengthening inclusive finance initiatives to become a leading ESG bank. While launching products for underprivileged people, we are fulfilling our role as a government-owned bank through new products that include the Youth Hope Installment Savings plan and Seizure-free Bank Account for Sickness Benefits plan. To broaden our retail customer base, we are establishing popular new products to become a trendier retail bank. For instance, IBK Pay Club integrates a market-driven membership service, and the IBK Dotori Bank Account was unveiled on a Korean metaverse platform. Additionally, new digital services will enhance both the customer and employee experience: Touch W.I.T.H. IBK is an alliance program that utilizes the IBK SME customer base and i-ONE Bank platform; a blockchain-based mobile driver’s license will come into service; a new service will alert customers when interest rates reach their preset level. Furthermore, automating tasks that were previously managed by hand, such as crime-involved accounts and dormant deposits, has helped reduce employee workload and enhance their satisfaction.

The bank is also planning to apply an aggressive marketing strategy on core deposits and total deposits to grow its revenue stream from the retail customer base. Reward marketing will target SME employees, and seasonal marketing will actively capitalize on national holidays, vacations, and shopping seasons to raise profits from low-cost deposits. While saving on costs through company-wide digital transformation, we will attract and retain retail deposit customers through our MyData service that offers customers optimal products and interest rates.

Online Financial Classes



Online Content

Creating new online financial education content for students at all grade levels

Tele-education System

Giving video conference (Zoom) classes on financial education (one-bank, one-school\* basis)

\* One-bank, one-school: The Financial Supervisory Service (FSS) encourages all Korean banks to provide financial & economics education to students through partnerships with elementary, middle, and high schools.

IBK Bridge Guarantee-backed Loan

Financing microbusiness owners who discontinue business

IBK Sunshine Loan 15

Relieving the burden of high-interest rate debt on borrowers with the lowest credit rating



New Products for Low-income & Underprivileged People (July 2021)

IBK Safety Net Loan II

A loan for subprime borrowers to repay high-interest loans

IBK Sunshine Loan Bank

Financing living stability funds for microfinance users

Retail Loans

Continuous Growth

In 2021, IBK’s retail loans stood at KRW 41,117.8 billion, up KRW 2,602.7 billion from the previous year. This figure was safely within the KRW 2.8 trillion limits of the planned net increase. Mortgage loans accounted for 61.6% of total retail loans at KRW 25,342.9 billion, with an average LTV ratio of 37.8%. Credit loans accounted for 17.6% of total retail loans at KRW 7,233.6 billion.

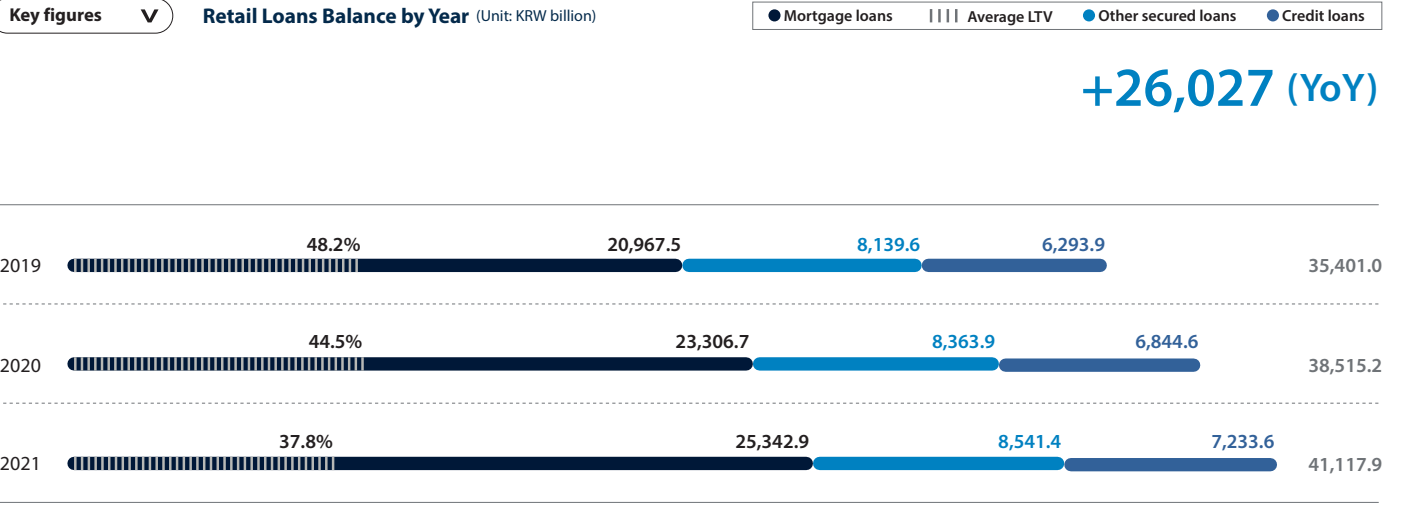
In full support of inclusive finance initiatives, IBK supplied microfinance programs with a total of KRW 753.4 billion, including KRW 244.4 billion in New Hope Seed Loan money that targets the low-income segment. While launching several products targeting low-income and underprivileged people, we also made donations (a commitment of KRW 6 billion per year) to the Korea Inclusive Finance Agency (KINFA).

In 2022, the retail loan growth rate is forecast to slow down compared to the previous year, as the Korean government is tightening up DSR regulations and controlling the net increase in retail loans of the banking sector. IBK will apply stricter criteria for screening customers’ repayment capabilities to keep the net growth amount of retail loans within its planned cap. We will also continue the sound growth of retail loans by managing the loan portfolio mainly with quality loans, such as mortgage loans and home lease loans. At the same time, we are developing new contact-free products for the underprivileged and boosting our support to expand IBK’s role as a government-owned bank in line with the inclusive finance initiative.

Key figures Customized Economics Classes (Unit: sessions, persons, Jan. to Nov. 2021)



Key figures Retail Loans Balance by Year (Unit: KRW billion)



Private Banking

Customer-centered Wealth Management Products and Practices

IBK's Wealth Management (WM) services help high-net-worth individuals (HNWI), SMEs, and their CEOs build financial assets by providing safe investment products and strategic consulting services on tax, real estate, and financial investments. In 2021, the bank adopted diverse systems and products to establish customer-centric business practices. For instance, the Investment Vehicles Policy Council was established to provide customer preference products verified by internal and external experts. Customer yield on investment products was incorporated into key performance indicators for evaluating sales branch performance results.

One distinctive WM service at IBK includes companion marketing, whereby the bank offers free consulting on tax and real estate to microbusiness owners and SME CEOs suffering from the protracted pandemic. IBK First-Class provided comprehensive consulting services by a team of tax, real estate, and financial experts. In addition, sales channel competency was attuned to customer value, while the Hub & Spoke program came into service at our sales branches, which provided high-end WM services with the help of WM Centers, IBK's high-caliber team of WM experts. In particular, branches with large-scale assets under management (AUM) were selected as VM PLUS Branches, where skilled staff are on standby, reinforcing the branches' WM competencies.

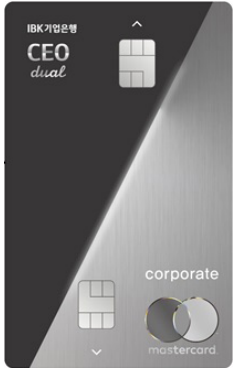
In 2022, IBK's WM services will strengthen WM expertise and improve the investment vehicle screening process. For their part, WM Centers are adopting customer satisfaction survey systems to bolster customer relationship management as they foster WM experts with systematic education programs. To serve the particular needs of HNWI customers, IBK plans to set up video conference rooms where our experts from various fields can provide professional consulting via one-on-one video conference calls.

Strategic Product Sales & Responsible Sales Systems

**Mutual Funds** - IBK sold National Participation Policy New Deal Fund accounts in support of the government's New Deal policy. To meet customers' sophisticated investment product needs, the bank marketed strategic new products such as ESG funds, high dividend funds, metaverse funds, and EV funds. Most importantly, IBK's distinctive marketing via contactless channels during the peak of COVID-19 successfully generated KRW 23 billion in mutual fund sales commissions. On top of that, IBK followed the recommendations of the revised Financial Consumer Protection Act (FCP Act) to eradicate misselling practices. This included providing a grace period for consumers to reconsider their financial investment decisions; streamlining complicated financial investment vehicle sales procedures; and training salespeople to follow through with a suitability and appropriateness test.

**Bancassurance** - Despite the challenging business environment due to COVID-19, we strategically focused on selling strategic products that cater to the particular needs of customers, such as money management and tax benefits. As a result, the bank earned KRW 18.8 billion in insurance sales commissions (including KRW 0.8 billion in co-op account sales commissions). As part of our digital transformation initiative, we reinforced digital sales competencies. The i-ONE Bank app added a new service called Easy-to-Purchase Mini Insurance in Life. And we continued introducing insurance policies that offer generous benefits at low premiums, exclusively on non-face-to-face channels. In timely compliance with the revised FCP Act guidelines, we built up our financial consumer protection system by mandating employee training on job ethics; upgrading recording procedures when selling variable insurance policies; and revising bancassurance application procedures.

**Trusts** - IBK continued to supply an assortment of competitive products following a new and stricter product selection process by the Non-deposit Products Commission. The bank sold carefully selected products, including mid-and long-term bonds, ELTs, and individualized matching trusts (time savings plans with a savings bank). Furthermore, the bank boosted its trust management competencies through new products that enable stable and effective diversification and installment investments in varied asset portfolios. Launched on October 28, 2021, the IBK ETF Specific Money Trust sold 442 accounts worth KRW 1.8 billion through 134 IBK branches as of December 2021. In addition, we have established a company-wide system for selecting trust products to protect financial consumer rights and prevent misselling incidents. In compliance with the revised FCP Act and Capital Markets Act, the bank significantly strengthened its sales procedures (a ban on non-conforming products and expanded number of cases for recording sales procedures) and follow-up measures (extended grace period cases and Happy Calls).



the CEO Card



EV Card

Credit Card Business

Innovative Product Development and Digital Transformation

In 2021, extended physical distancing measures and intensive competition led to a challenging market environment for the credit card business. Despite these difficulties, however, IBK achieved record-high performance results through innovative new products, digital transformation, and solid growth in profitability and asset soundness.

Unveiled in June 2021, the CEO Card is Korea's first dual credit card that combines the functions of a corporate and personal credit card into just one card. Two awards highly recognized its security and utility: the *Chosun Ilbo Daily* newspaper's Consumer Choice Top Brand Financial Products grand prize and *AsiaToday* newspaper agency's Financial Awards banking sector's Best Prize. As part of its corporate social responsibility activities, IBK introduced the Credit Recovery Card to assist the underbanked in becoming financially independent. With ESG management, IBK's new EV Card offers special discount benefits on credit card bills for charging electric vehicles (EV) and a free EV charging service. IBK developed Korea's first non-face-to-face process for issuing new corporate cards in Korea and launched a digital corporate card called IBK Business Card to spur our digital transformation efforts. In 2021, the entire process related to corporate credit card operations went fully digital, reducing the workload at sales branches and increasing customer convenience.

We remained focused on profitability and asset soundness in our drive for growth. Our differentiated marketing targeted preferred affiliates and VIP cardholders to boost high-value credit card transactions. We strategically solicited businesses that enjoyed growth during the pandemic. A comprehensive marketing campaign fully mobilized the head office's soliciting channels to maximize the new subscription of retail credit cards. Indeed, 73% of new memberships came through the channel. As a result of these efforts, the bank posted a record-high credit card transaction volume of KRW 43.3 trillion in 2021. Operating profit stood at an all-time high owing to tight profit-driven cost management, a reduction in payment commissions, and provisions for credit losses. The delinquency rate also improved from 3.45% to 2.33% in 2021 through exceptional risk management and preemptive responses to potential risk factors in anticipation of an economic slowdown since the pandemic outbreak.

In 2022, the credit card industry sees growth opportunities in anticipation of recovering consumption and Generation MZ's emergence as the rising market power. At the same time, challenges remain with the potential exposure to credit risks arising from rigid regulations on retail loans and termination of debt deferrals, while merchant fee reductions are forecast to compromise profitability. The IBK credit card business will accelerate its digital transformation, picking up steam to attract new memberships and pushing trendy marketing strategies to fuel its credit card transaction volume. In the meantime, we will also take advantage of innovative systems for tight risk management.



# INVESTMENT BANKING

## IB & Project Finance

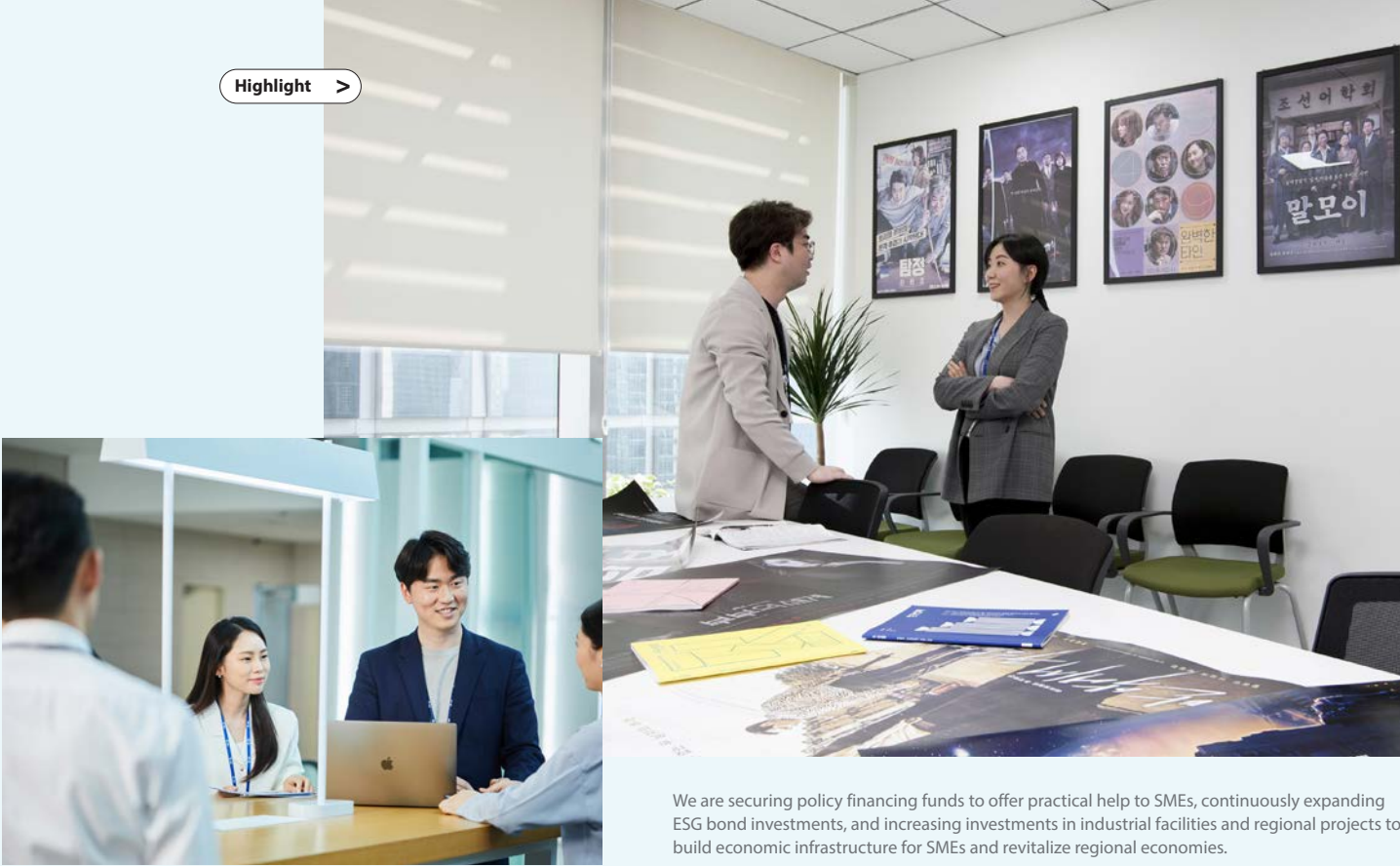
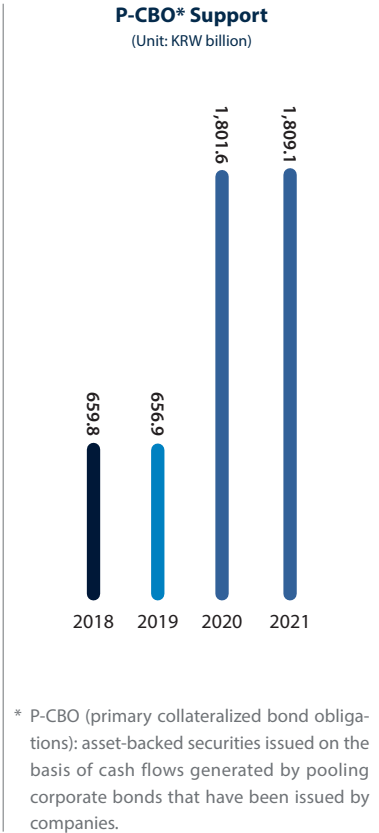
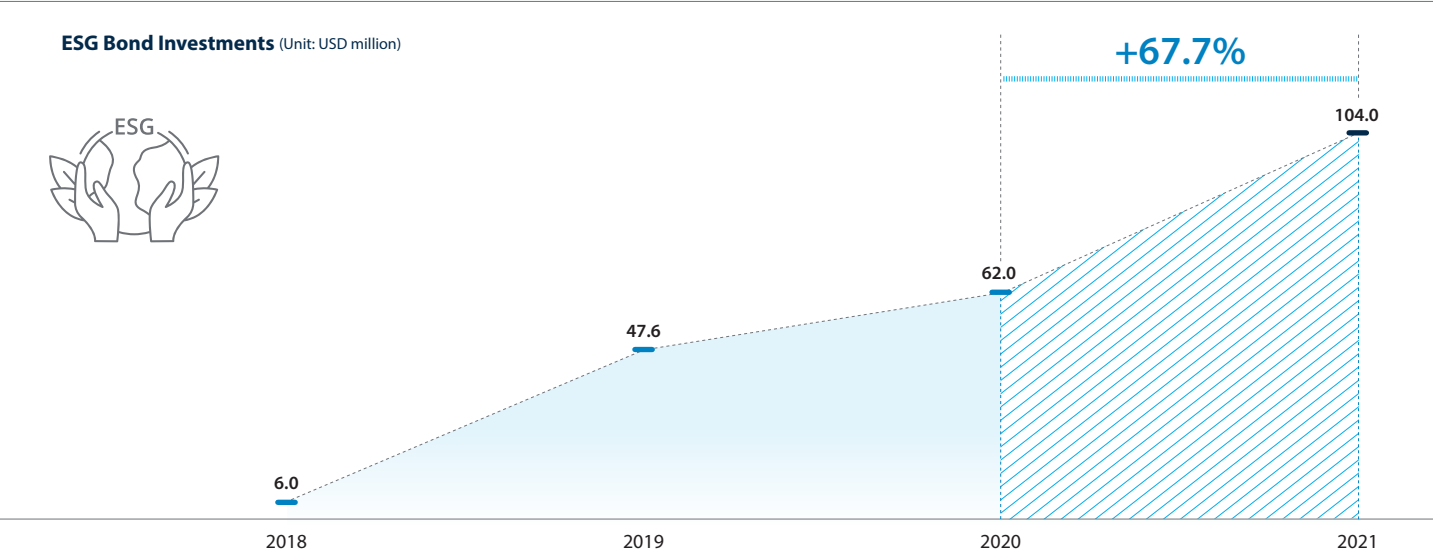
### Strategic Investments for Higher Profitability and Stability

In 2021, IBK strategically focused on project financing and policy financing to strike a balance between profitability and stability in carrying out our role as a government-owned financial institution. As part of our strategic project financing, IBK selectively invested in quality assets, such as large-scale M&As by industry and ABSs on real estate project financing. This helped stabilize our asset portfolio and secure a constant revenue base. In active policy financing, IBK provided practical aid to SMEs and faithfully implemented ESG management. For emergency funding to SMEs unable to issue corporate bonds, IBK set aside KRW 2 trillion in annual credit lines of primary collateralized bond obligations (P-CBOs) and granted KRW 1.8 trillion of this fund in 2021 in collaboration with guarantee institutions. The bank also invested USD 104 million in ESG bonds that are issued to finance the improvement of environmental, social, and governance management practices. At the same time, we maintained preemptive asset quality management to keep the lowest level of substandard-and-below loan ratio in our IB asset portfolio. For instance, our inspection process was tightened up on all procedures, from the initial stages of projects through to follow-up management.

### Project Financing Committed to ESG Causes

IBK arranges large-scale business projects and public offerings in the fields of real estate finance, hybrid finance, and rental & lease financing. In our corporate responsibility role as a government-owned financial institution, IBK also participates in project financing for infrastructure that promotes economic activities for SMEs and local economic development. In 2021, the bank increased its investments in industrial complexes and knowledge industry centers that will serve as first-rate workspaces for SMEs, and established more infrastructure for sound businesses. It also increased investments in regional development projects to contribute to balanced regional development and advocate for regional economic development.

Key figures 



Key figures 



IBK is playing a leading role in innovative growth through its competitive edge in new growth industries. In addition, we have been able to secure future revenue sources through forward-looking investments in data centers, a growth engine in the Fourth Industrial Revolution era, and logistics centers, an integral part of the non-contact trend. As a result, our project financing achieved a net increase of KRW 291.2 billion year on year from KRW 778.9 billion in 2020 to KRW 1.07 trillion in 2021. As part of our ESG management, KRW 336.4 billion was invested in G-SEED-certified projects and more investments were made in eco-friendly renewable energy projects, including photovoltaic energy projects, where we have built a rich investment track record in response to the government's Green New Deal initiative. The increased eco/energy project financing allowed us to secure new future growth drivers and maximize non-interest income.

In 2022, IBK is further expanding its role as a government-owned financial institution through active engagement in rental house development projects so as to augment housing stability. Drawing on our industry-first experience of arranging and investing in project financing for data center development projects, IBK will cement ties with investors and developers to position itself as a competent market player. We will also increase our roles as both a co-arranger and participant in projects with guaranteed profitability and stability in the global IB market.

Creative Content Finance

Financing SMEs in the Cultural Content Industry to Promote K-content

As an SME-specialized government-owned bank, IBK finances SMEs in the cultural content industry, playing a leading role in policy financing to future growth engine industries. Indeed, it is the only bank that has a department solely dedicated to cultural content financing. Since the department was first established in 2012, it has financed a total of KRW 5.5 trillion in investments and loans. Despite the slump in the film industry, which was adversely affected by the pandemic, its investments in films like *Escape from Mogadishu*, *Sinkhole*, and *On the Line* were successful. In addition, our preemptive investment in the initial development stage helped an SME producer secure its content IP in a first domestic production of a global OTT platform. The bank also deferred the maturity of its project financing for cultural content producers who suffered a liquidity crunch when their projects were disrupted by the protracted COVID-19 pandemic and the resultant prolongment of the nation's physical distancing policy.



Escape from Mogadishu Sinkhole On the Line

IBK Investments in G-SEED-certified Projects



1 Kendall Square Ojeong Logistics Center in Bucheon  
LEED, WELL, G-SEED certificates



2 Rental Housing and GS Retail's Commercial & Accommodation Facilities in Pangyo  
G-SEED certificate



3 East Central Tower (Office) in Gangdong  
G-SEED certificate

\* LEED (Leadership in Energy and Environmental Design): a green building rating system administered by the U.S. Green Building Council  
\* WELL: WELL Building Standard certification from the International WELL Building Institute  
\* G-SEED: Green Standard for Energy and Environmental Design certification from the Ministry of Land, Infrastructure & Transport (MOLIT) and the Ministry of Environment

Collaboration with Relevant Entities to Expand Financing in the Cultural Content Industry

Financial support increased for production businesses in global, contactless, and new technology convergence content industries. IBK financed cultural content SMEs through new loan products such as the K-content Innovative Growth Loan (in collaboration with the Korea Credit Guarantee Fund and Korea Creative Content Agency) and the policy-financed Cultural Content Business Agreement Loan (in collaboration with the Ministry of Culture, Sports and Tourism).

Financial Assistance for the Cultural Content Industry over the Past Three Years (Unit: KRW billion)

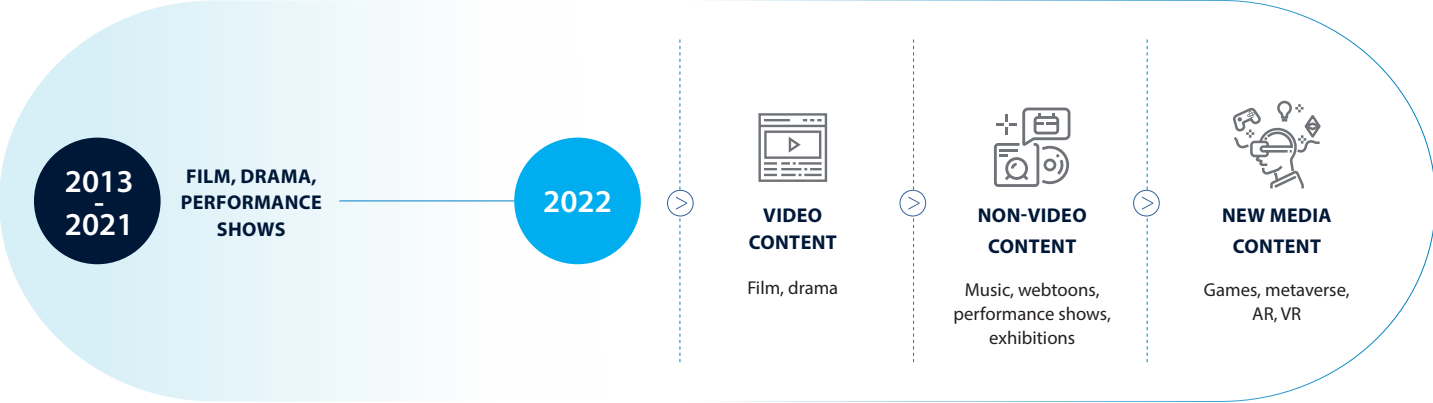
Year	Loans	Investments			Total
		Direct*	Indirect**	Subtotal	
2019	700.7	25.9	7.4	33.3	734.0
2020	1,193.2	19.0	3.1	22.1	1,215.3
2021	900.0	20.2	1.4	21.6	921.6
Total	2,793.9	65.1	11.9	77.0	2,870.9

\* Direct: project financing + equity investments / \*\* Indirect: based on capital calls from investment associations

Comprehensive Support for the Sustainable Growth of K-content

The advent of online media has brought about a sea change in the media world. The power of the content market is quickly shifting from traditional network providers like film distributors and broadcasters to content producers that have quality intellectual property (IP) assets or track records of producing high-quality content. In 2022, IBK will lay the foundation for the sustainable growth of the K-content industry through investments and loans to competent SME productions. Dedicated relations management (RM) staff will develop long-term relationships with SME producers to discover prospective content and offer comprehensive support from loans and investments to consulting services. Key outposts will be at branches that have top-performance cultural content loans, as well as branches located in areas featuring a cluster of content industry businesses. We will closely cooperate with these branches to discover promising content producers and raise our loan supply for them. Finally, IBK will diversify its investment portfolio through an investment fund arranged by the IBK cultural content financing team for equity investment in competent content providers.

Expanding the Spectrum of Investment Targets





# GLOBAL BANKING

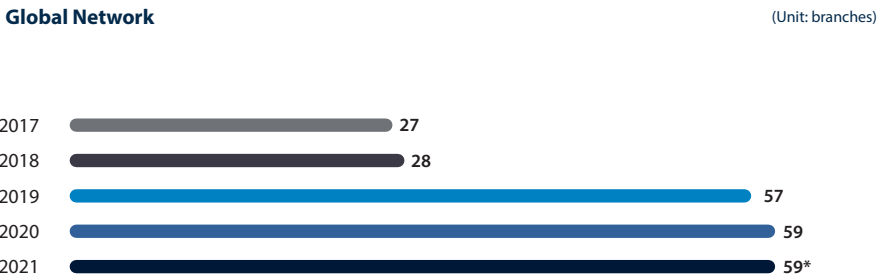
### Expanding IBK's Global Presence

The successful launch of IBK Bank Myanmar in 2021 added to our global network of 59 branches spanning 12 countries worldwide as of the end of December 2021. In regions where we are not yet in service, IBK extends financial backup services to Korean SMEs active in those particular markets through strategic alliances with leading international banks such as UniCredit (Italy) and Deutsche Bank (Germany). Through the 17 MOU partners for global financial services, IBK had delivered USD 582 million in loans to a total of 1,873 applicants as of the end of 2021. At the same time, our mission as a government-owned financial institution also reaches global markets along with our operations, as we provided USD 270 million of COVID-19 Relief Special Loans to 226 Korean SMEs in overseas markets. Other CSR activities included participating in COVID-19 relief fundraising activities in Vietnam and China.

### Solid Growth Backed by Ethical Management Practices

Even amid the challenging market environment induced by COVID-19 and the economic recession in 2021, IBK sustained steady growth in global markets. Our Chinese subsidiary expanded its net profit on the back of increased sound loan assets and the successful launch of new products, while the bank's Indonesian subsidiary focused its marketing campaign on Korean companies active in local markets, laying the foundation for a turnaround to profits. Our presence in developed markets such as New York and Hong Kong is fortifying investment banking operations and securing asset growth drivers through participation in offshore power plant projects, syndicated loans for Korean businesses, and underwriting global bonds issued by international financial institutions. Our branches in emerging markets such as Vietnam and Cambodia also reinforced their competitiveness in 2021. Specifically, they restructured their corporate banking business operations, revised credit lending regulations, localized market-ing strategies, and increased contact-free financial services.

In addition to quantitative growth, IBK is also committed to advancing our internal controls and corporate culture. For instance, we have adopted a new Anti-Money Laundering (AML) system and revamped the financial sanction screening system to improve internal audit prac-tices at overseas branches. To ensure a healthy corporate culture, overseas branches have in place a multilingual survey system for local staff and ombudsman staff on standby to address the grievances of expatriate employees.



\* The figure includes 16 branches in China, 32 in Indonesia, 1 in Myanmar, as well as 9 overseas branches and 1 representative office.



In addition to our global network, IBK provides financial support to Korean SMEs in overseas markets through alliances with local banks. In 2021, we offered special financial assistance to overseas Korean SMEs that were struggling as a result of the pandemic.

Key figures

582  
USD million

1,873  
applicants



Local finance programs supported through global alliances with local institutions in regions without an IBK presence

### Special Loans to SMEs Active Overseas



### Exploring New Business Opportunities and Digital Transformation for Innovation Management

IBK is boldly developing new businesses and increasing its global competitiveness. Under an MOU signed with the SME Bank of the Kingdom of Saudi Arabia in September 2021, IBK is imparting its SME financing expertise to its counterpart on business strategy, risk management, credit loan systems, and product development through customized counseling services. IBK has expanded its global presence as a specialist in SME financing over the past six decades. In the future, the bank will consider modularization of its SME financing for future partnerships in other emerging markets. Through international cooperation with the OECD and IFC, the bank seeks to diversify its global strategy, enhance its overseas business capabilities, and make greater use of its specialty in SME financing. In tandem with the digital transformation in Korea, IBK is establishing the necessary infrastructure for the digital transformation in its global operations. We launched a new and localized computing system called Aike in China, a CRM system in Hong Kong, an E-Branch VINA in Hanoi, and digitalized the customer database in Manila. In the future, we have plans for expanding our service range to offer non-financial services as well as financial services to Korean companies advancing into global markets.

### Further Expanding Our Global Presence

In 2022, IBK plans to aggressively expand its global network. We are opening an office in Poland, the EV manufacturing hub of Europe, as the first step to provide financial support to Korean companies in Eastern Europe. With their clientele exceeding 2,000 local businesses, our Vietnam branches are also preparing to establish a subsidiary to strengthen the bank's financial support capabilities.

# CAPITAL MARKETS

## Treasury

### Stabilizing the Funding Structure

IBK raises funds to support SMEs by issuing small- and medium-industry finance bonds (SMIFs). These are a low-cost source of funding compared to the deposits of other commercial banks. Under the terms of the IBK Act, IBK is allowed to issue SMIF bonds worth up to twenty times the total amount of equity capital, while commercial banks are only allowed to issue three times as much. IBK’s capital market funding balance in 2021 increased by KRW 11.6 trillion compared to the previous year. As an additional means of short-term financing, the bank issued marketable CDs worth KRW 220 billion. IBK strived to stabilize its funding structure by striking a balance between retail and market SMIFs so as to secure sufficient resources for policy financing.

### Sustainable Financing

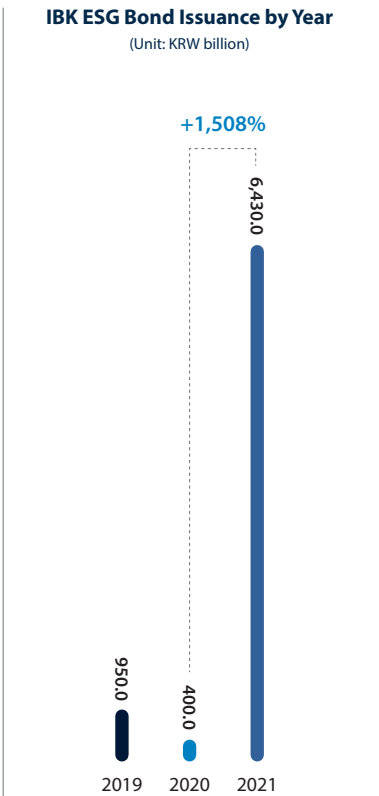
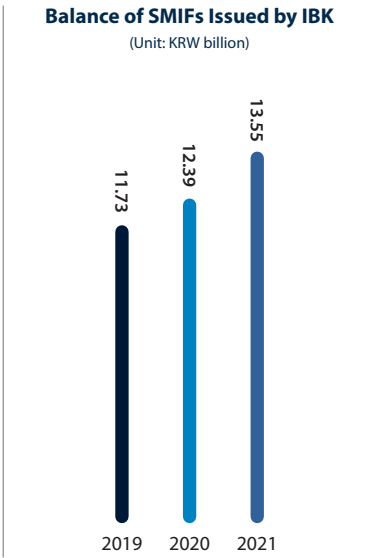
In March 2021, IBK issued KRW 500 billion in hybrid bonds in the form of social bonds for the first time in Korea, achieving the largest size and the lowest spread in history even amid the adverse financial environment. In September, the bank also issued subordinate bonds worth KRW 600 billion in social bonds. These moves represent how IBK is leading the establishment of social financing as a new funding method in the market, not to mention how it is diversifying the sources of funding into social bonds.

IBK was the first Korean bank to adopt an ESG rating model, acquiring the highest social bond rating (SB1) from an external specialized agency, a barometer of its ESG bond transparency and credibility. In 2021, the bank issued KRW 6.43 trillion in ESG bonds, which accounted for the lion’s share, or 58%, of total won-denominated ESG bonds issued in 2021. Moving forward, IBK will ramp up its sustainable financing efforts to expand its support capacity for SMEs and continue to faithfully play its role in policy financing down the road.

IBK issued USD 500 million in global ESG bonds through international capital markets in 2021. This grew our foreign currency financing source through preferred new investors and reaffirmed our status as a credible government-owned bank. Furthermore, we finalized a contract worth an additional USD 100 million in dollar-committed lines of credit, reinforcing our foreign currency liquidity and emergency financing sources. IBK took advantage of its high credit rating to timely issue private placement bonds, flexibly hedging against fluctuating foreign currency liquidity despite external uncertainties.

### Building a Substantial Funding Structure and Social Financing Practices

In 2022, financial markets are expected to face increased uncertainties both at home and abroad because of interest rate hikes and COVID-19. In response, IBK plans to strengthen its funding base by supplementing its retail funding with market funding while improving profitability by reducing the costs of funding. At the same time, it will increase ESG bond issuances to finance promising SMEs. In addition, the proportion of ESG bond investments will be expanded in our high-quality liquid asset portfolio to fulfill our social responsibilities and ESG management.



1. Dealing room

## Trading

### Consulting Services for Import/Export SMEs

IBK provides consulting services to help import/export SMEs manage foreign exchange rates and interest rates stably in an environment of constant volatility due to the COVID-19 pandemic. These services include foreign exchange risk management techniques tailored to the needs of each company and financial products hedging exchange rate fluctuations. In proportion to dwindling on-site consulting needs, we have increased our online consulting services with a video conference system that reinforces our customer service and its unflappable steadiness.

### Increased Services through Non-Face-to-Face Channels

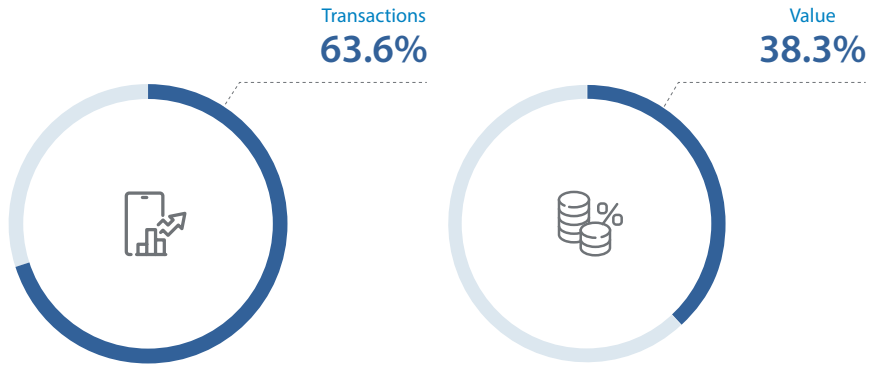
IBK customers can directly trade on IBK’s Internet and Mobile FX/Forward Exchange System, which deals with both forward and spot exchange trading on PCs and smartphones at real-time market rates. As part of our customer service, IBK’s YouTube channel provides educational videos on how to install and use the System and how to manage foreign exchange risks. Contactless channel transactions accounted for 63.6% of all FX/Forward Exchange trading volume and 38.3% of the trading value at IBK as of 2021. IBK plans to constantly expand contact-free transactions to offer customer convenience, to relieve the overall workload, and to prevent misselling. At the same time, IBK provides SME clients with daily FX rates and the latest financial market trends and issues via MMS and e-mail services.

### Reinforcing Customer-centric Services

In 2022, IBK is bolstering its customer-tailored consulting services on FX and interest risk management, and will continue to attract SME loan-linked currency swaps in order to save on loan interest expenses. We also plan to host special seminars for prime customers and potential customers on managing FX and interest rate risks as well as market outlooks. We will further build upon our contact-free services, too. As IBK’s Internet and Mobile FX/Forward Exchange System upgrades its stability and scalability, it will add new and convenient functions like direct customer-dealer transactions and a notification service for a preset level of forward exchange rates. What is more is that we will upgrade the derivatives trading system and enhance our internal control over the selling process to protect the rights of financial consumers.

Key figures ▼

### Non-Face-to-Face Channel Transactions





# DIGITAL TRANSFORMATION

## Digital Innovation in Business Processes

### Bank-wide Digital Transformation Initiatives

At IBK, we define digital transformation as a reinvention of corporate culture that drives bank-wide innovation. In that context, we have set our bank-wide digital vision at “Easy, Quick and Convenient Digital IBK.” In line with this vision, we established three sub-goals: enroll eight million digital customers, ensure two million hours of process automation, and earn KRW 250 billion in digital profits by 2023. To attain these goals, we keep track of our performance results in four categories: our digital customer base, process automation, digital profits, and digital infrastructure. In addition, the Digital Innovation Committee has been convening regular meetings that are chaired by the CEO monthly or bimonthly since February 2021. The meetings have accelerated the decision-making process concerning major issues, such as bank-wide digital strategies, new digital businesses—including the MyData Service—and process automation, thereby propelling digital transformation. As such, the bank is expanding the users of digital channels, automating simple and repetitive operations, increasing digital profits from innovative products and services, and seeking new business alliances and partnerships. Through these initiatives, IBK is building the digital banking ecosystem of tomorrow.

### Process Automation & Digital Transformation

Digital transformation at IBK is far-reaching and encompasses all banking businesses, from internal processes to customer marketing. Through a two-million-hour automation project, we embraced RPA, OCR, and AI technologies to automate simple, repetitive tasks that robots can perform more effectively than humans. As a result, 102 tasks at 31 departments have been automated, cutting the total workload by approximately 500,000 hours. In short, we are finding and addressing errors while enhancing work efficiency through constant and extensive reviews of all business processes across the bank.

At the same time, our customer marketing approach is evolving from simply sending batch text messages into data-based digital marketing. By collecting and analyzing customer behavioral data on digital channels, we utilize the data in the entire process of marketing, strategy-building, implementation, and feedback. For immediate reaction to the effects of marketing and improved success rates, A/B tests and other pilot projects are in operation.

On top of that, we make constant efforts for higher customer convenience. For example, customer notifications have been digitalized on mobile messengers such as KakaoTalk and Naver. A pilot service even tested the effectiveness of a palm vein pattern recognition service that identifies accountholders and allows them to withdraw money without a bankbook/debit card, registered seal, PIN, or ID. A new financial authentication service has also been adopted called Bank ID, which stores digitalized personal information for identification. In June 2021, the bank established the IBK Open API Platform and unveiled more than 60 financial APIs to help big fintech companies develop apps and services based on IBK’s APIs. This paved the way for many win-win partnerships, allowing app developers to easily test all of IBK’s APIs and create new financial services.

Key figures

2023 Digital Sub-goals  
(Unit: persons, hours, KRW billion)



8,000,000  
Digital customer base

2,000,000  
Process automation

250  
Digital profits



IBK 1st Lab is a digital testbed where fintech firms and IBK’s departments collaborate to study new services or innovate existing work processes. Four projects are currently undergoing commercialization. Furthermore, IBK has set interim targets for the digital sector to achieve by 2023, driving digital transformation across the work process and customer experience.

Key fact

IBK Digital Customer  
Experience Goals



No  
Documents



No  
Operation

### Laying the Groundwork for a Seamless Customer Experience

IBK is developing an omnichannel to realize a seamless customer experience across our digital platform, including the i-ONE Bank app (retail and corporate), as well as brick-and-mortar branches, our long-held strength that sets us apart from big tech companies. In addition, we are working on an omnipresent environment that connects more than 600 branches nationwide, providing customers the chance to access our financial products and services anywhere, 24/7 via a reservation service, video call counseling service, and “tablet branch” on-the-move service. An IBK digital customer experience management system will also be in place in the near future to collect customer opinions and complaints at all touchpoints and reflect the feedback to reduce inconveniences. IBK is organically linking process automation, reservation counseling services, video call counseling, tablet branch on-the-move services, and a public MyData service to realize a “no documents, no operation” system which will save the hassle of conducting simple, repetitive processes or paperwork for both our customers and our staff working at branches.

New Digital Technologies

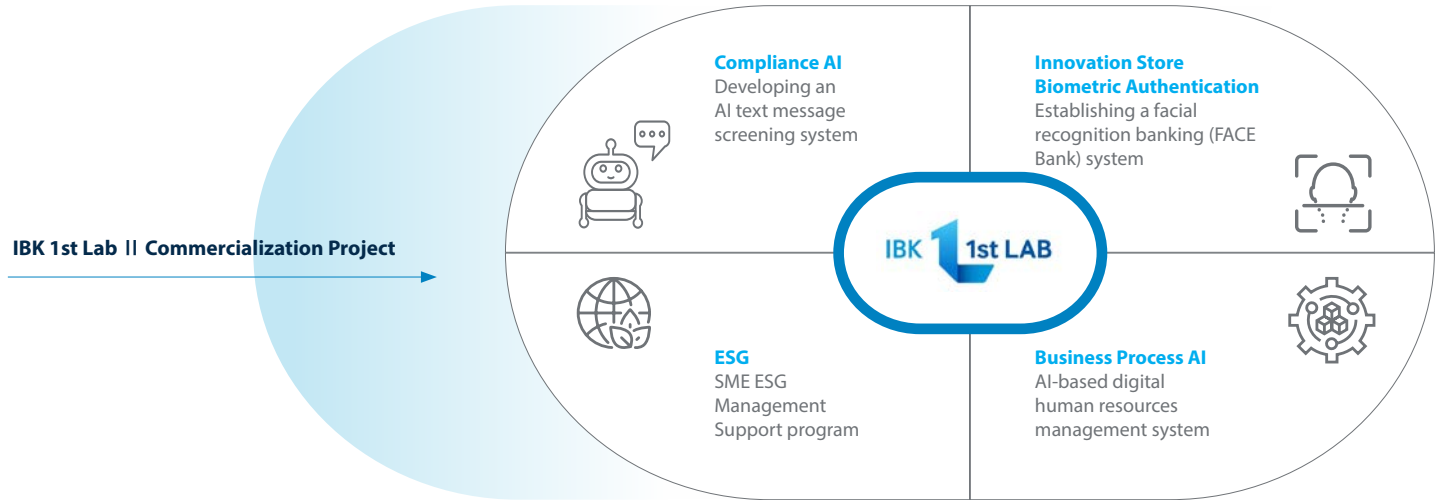
**IBK 1st Lab**  
The IBK 1st Lab is a testbed for the bank’s collaborations with fintech firms. A number of related departments are involved in projects to develop innovative customer services offering greater convenience and enhancing efficiency in our business processes by utilizing the digital innovation technologies and ideas of fintech firms. In 2021, ten companies were selected from the IBK 1st Lab II . Four projects from among these companies passed the test and are now in the process of commercialization.

In 2021, IBK signed an MOU with the Seoul Municipal Government on supporting the commercialization of fintech firms. Based on the agreement, IBK cooperates with the municipal government’s fintech agency\* to promote the fintech industry by providing testbeds for commercializing their technologies and ideas.

\* AI Yangjae Hub (Yangjae) in April 2021 and Seoul FinTech Lab (Yeouido) in December 2021

**Metaverse Platform**  
IBK hosted a virtual event called “Communicating with the CEO” on a metaverse platform in 2021. In the meeting, IBK’s CEO met the CEOs of the IBK Changgong member companies and IBK employees from the Mokpo branch on *Gather Town*. Here, everyone had an opportunity to experience a virtual space before adopting the metaverse into IBK’s banking service. The event served as a way for IBK employees to assimilate the new virtual world of the metaverse.

**Strengthening Big Data Application**  
**Promoting Bank-wide Data Sharing and Application** - The IBK Big Data Center has devised plans for reinforcing the competencies of sharing, analysis, and application of data in promotion of data application and in support of data-based decision-making. As part of this effort, we are building and improving a data-sharing portal that enables the bank-wide systematic management and application of all data in the bank’s possession. We also held a bank-wide data analysis competition in 2021 and linked it to data analysis training courses to encourage employees’ interest in and understanding of data application.



1. CEO Town Hall Meeting – IBK Changgong Member Companies (Sep. 6, 2021)
2. CEO Town Hall Meeting – IBK Mokpo branch (Sep. 6, 2021)

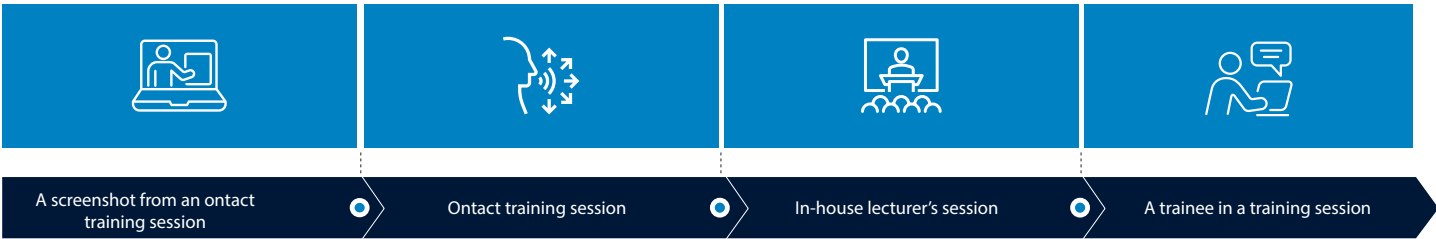
**Analytics and Application of Big Data and AI to Improve Overall Data Value** - We recently developed an SME job matching model that analyzes job data to find the best matches between job seekers and employers. At the same time, we established bylaws for systematic data distribution and facilitated the distribution of high-quality data via the Financial Data Exchange.

**Continued Efforts to Enhance Data & AI Expertise** - IBK has been operating a program where working-level department staff co-work with analytics experts from the Big Data Center to train our employees with practical analytics capabilities. Through strategic alliances with some of Korea’s most prestigious universities, such as Seoul National University and KAIST, the bank is jointly developing state-of-the-art AI technologies and big data analytic models.

**IT Innovation Initiatives**  
**Building IT Innovation Competencies to Lead the Future of Finance** - In 2021, the IBK IT Group concentrated its resources on innovation projects to quickly adapt to digital transformation. To internalize innovative technologies, it trained 37 select R&D personnel on seven major technologies. The select R&D staff researched ideas for commercializing a wide range of ideas in collaboration with IT companies and well-known higher learning institutions. A total of eight projects were finalized for testing applicability to the banking process. In preparation for the post-pandemic era, the IBK IT Group developed an “ontact” (being face-to-face online) education environment as the foundation for competency-building that can be carried out anytime and anywhere. In fact, the program proved its effectiveness when fully applied to training new employees who joined IBK in the second half of 2021.

**Tight IT Management for Secure Financial Services** - The IBK IT Group has conducted thorough IT management activities to ensure optimal conditions for its systems operations. In addition to periodically speeding up transactions, it relocated the resources of idle systems to enhance IT control efficiency. As a result, IBK obtained the highest grade, an “A,” for the second consecutive year in a risk management assessment composite score handed down by the Financial Services Commission. It also earned a historic-high score of 98.58 points in the Ministry of the Interior and Safety’s E-Government Performance Management Evaluation. Under the IBK Cloud Future Strategy-building Project, we have established an infrastructure transformation strategy optimized for IBK’s operations. The new strategy will go into practice upon the completion of the Hanam Data Center and go on to become part of IBK’s next-generation IT infrastructure.

2H 2021 Newcomer Training





# DIGITAL BANKING CHANNEL

## Bolstering Digital Corporate Finance

### Increasing Customer Convenience

In the first half of 2021, we established a complete non-face-to-face process for extending the maturity of COVID-19 financial relief loans to microbusinesses. Applicants can handle the entire procedure, from the credit guarantee application and filling in the forms to the actual lending, on a digital corporate banking platform without visiting a branch. The digitalized procedures increased customers’ convenience and dramatically reduced the workload for branches.

The i-ONE Microbusiness app, a lifestyle financial service platform for microbusinesses, ranked atop the *Chosun Daily* newspaper’s 2021 Consumers’ Choice Brand Awards. With reinforced service lineups for upgrading the platform, this app surpassed 50,000 subscribers in only six months of service. Its comprehensive lifestyle financial services bring together lifestyle services and financial services into a single app, thereby enhancing the level of convenience for microbusinesses.

In 2022, IBK’s corporate banking service will go through a revamp. The digital corporate banking channels will be upgraded to ensure the top customer experience in the industry as they quickly adapt to a fast-changing external environment with agility. This will all be done to realize industry-leading corporate banking channels with the highest possible customer satisfaction.

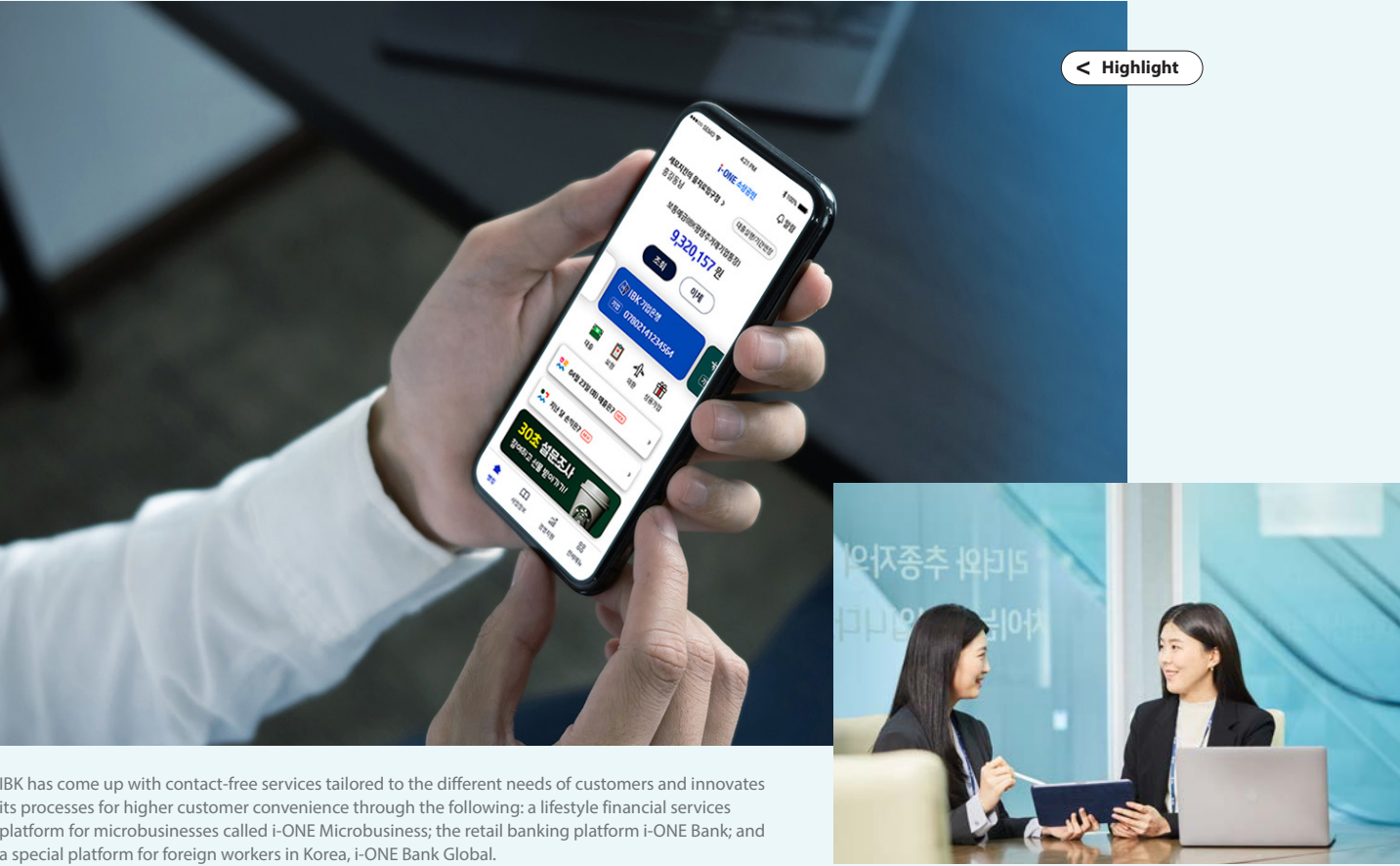
## Strengthening Retail Digital Finance

### IBK’s Flagship Channels: i-ONE Bank & i-ONE Bank Global

In 2021, the i-ONE Bank app focused on realizing excellent customer satisfaction through continuous channel restructuring, new services, and prompt reflection of customer feedback. Consequently, it ranked the highest among all smartphone financial apps (AOS, iOS) and won the grand prize for the second year in a row in the mobile banking category at the 2021 National Service Awards. The updated version of i-ONE Bank Global, a banking app for international residents in Korea, also won the grand prize at the 2021 ICT K-Awards. The i-ONE Bank Global app is offered in 15 languages in 17 countries and provides specialized services for foreigners living in Korea. This includes AI-based outbound remittances and currency exchange wallets.

### Customer-centric Banking Service Innovation and Digitalization

In 2021, IBK maintained its top rating among all financial apps at smartphone app stores. We swiftly reflect feedback from customers and employees received through app stores, our bank website, and the i-ONE Bank app to quickly improve the quality of our banking services. We are constantly striving to realize a convenient and intuitive digital banking environment with user-friendly UI/UX.



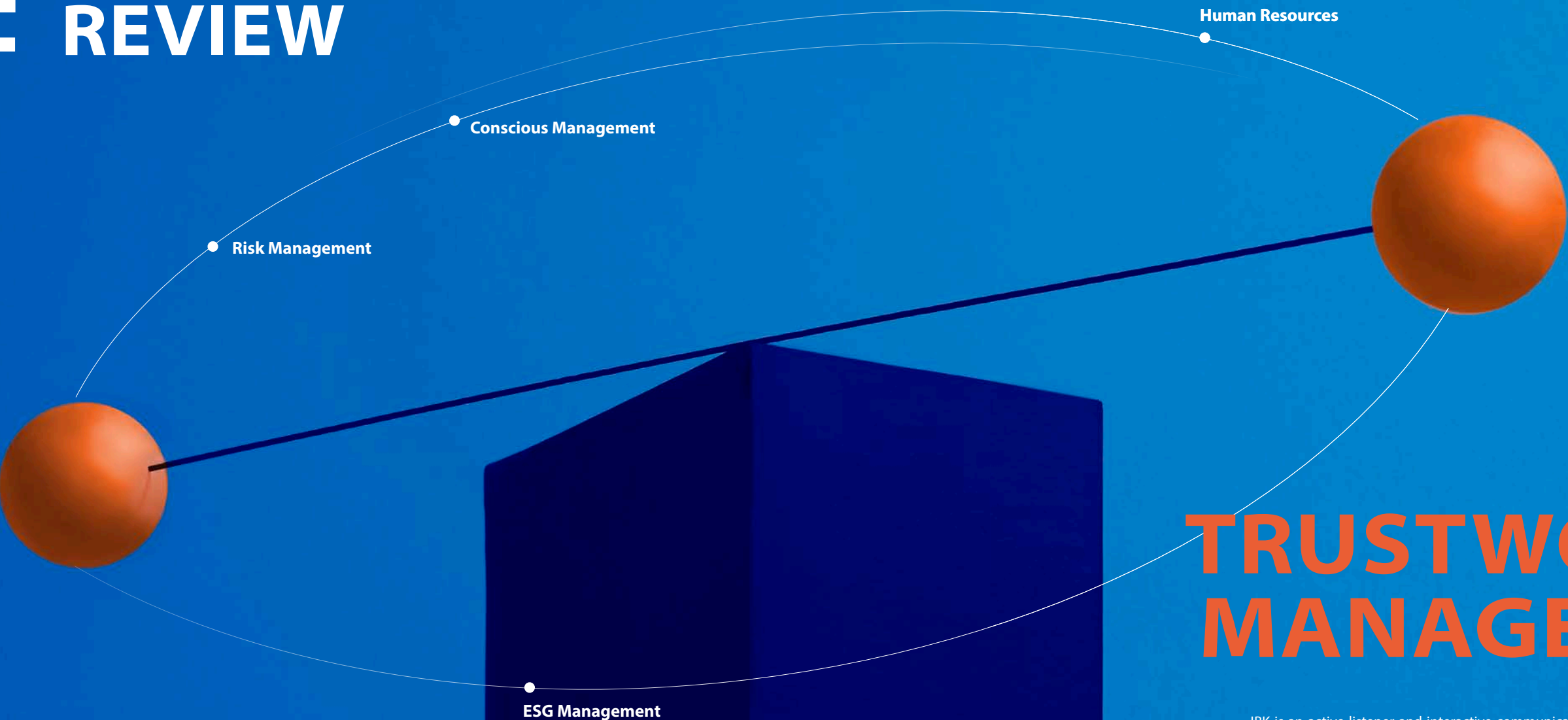
IBK has come up with contact-free services tailored to the different needs of customers and innovates its processes for higher customer convenience through the following: a lifestyle financial services platform for microbusinesses called i-ONE Microbusiness; the retail banking platform i-ONE Bank; and a special platform for foreign workers in Korea, i-ONE Bank Global.



IBK BOX

In 2022, we are further improving our digital accessibility and enhancing security controls so that customers can use our services without any worry about financial security. For inclusive digital finance aimed at seniors, the i-ONE Bank app will add an easy and safe banking service to its platform. The Easy Banking service will be designed with simple, clear UI/UX in easy-to-understand language and enlarged text for financially illiterate users. It will also feature a new money transfer process and intuitive screens to minimize transfers to the wrong account on virtual transactions. In addition, we are planning to launch a “safe care service” that makes banking security easy to access. Furthermore, we will provide a service that allows users to conveniently manage banking security by categorizing the complex and diverse security services by region, time, and account to recommend individualized banking security services.

# 2 MANAGEMENT REVIEW



## TRUSTWORTHY MANAGEMENT

IBK is an active listener and interactive communicator that fulfills all its responsibilities, which has earned us the enduring trust of customers over the years. Under the philosophy of conscious management, IBK abides by laws and ethics, and is fully committed to consumer protection. These are the underlying values for fulfilling our responsibilities as a corporate citizen. In 2021, we established a dedicated organization and management system for ESG management and laid the foundation for a full-fledged drive to participate in international standards initiatives. At the same time, we declared our carbon neutrality roadmap. While setting an example as a government-owned bank that cares about the environment and win-win growth with society through IBK conscious management, IBK will spread the positive influence of finance and assist SMEs in their ESG management practices, working hand in hand with them to create a better world.

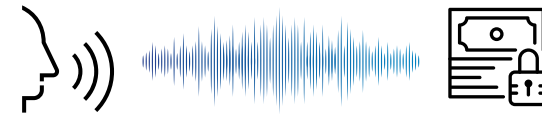


## MANAGEMENT HIGHLIGHTS

### Upholding Trustworthy Management

- R** - Risk Management
- C** - Conscious Management
- H** - Human Resources
- E** - ESG Management

### AI-BASED VOICE PHISHING SCAM MONITORING SYSTEM



A voice phishing scam detection and response system that utilizes big data and AI technologies to identify recurring suspicious patterns from case-based learning

### IBK TUBE

# 15,000

Number of content videos on a wide spectrum of subjects provided on the IBK's microlearning platform on the YouTube channel



### IBK GLOBAL AML SYSTEM

# 100%

After completion in 2020, application of the system to the entire global network completed in 2021



### PARTICIPATION IN INTERNATIONAL STANDARDS INITIATIVES

The number of international initiatives that IBK joined in 2021—  
PCAF, SBTi, UNEP FI, UN PRB, CDP, CWI, NZBA, UN FIH

# 8



### ISO CERTIFICATIONS

Korea's first bank to obtain the certifications of the environmental and energy management systems (ISO14001, ISO50001) at the same time

# ISO14001 ISO50001



### PERCENTAGE OF FEMALE MANAGERS

(Unit: %)



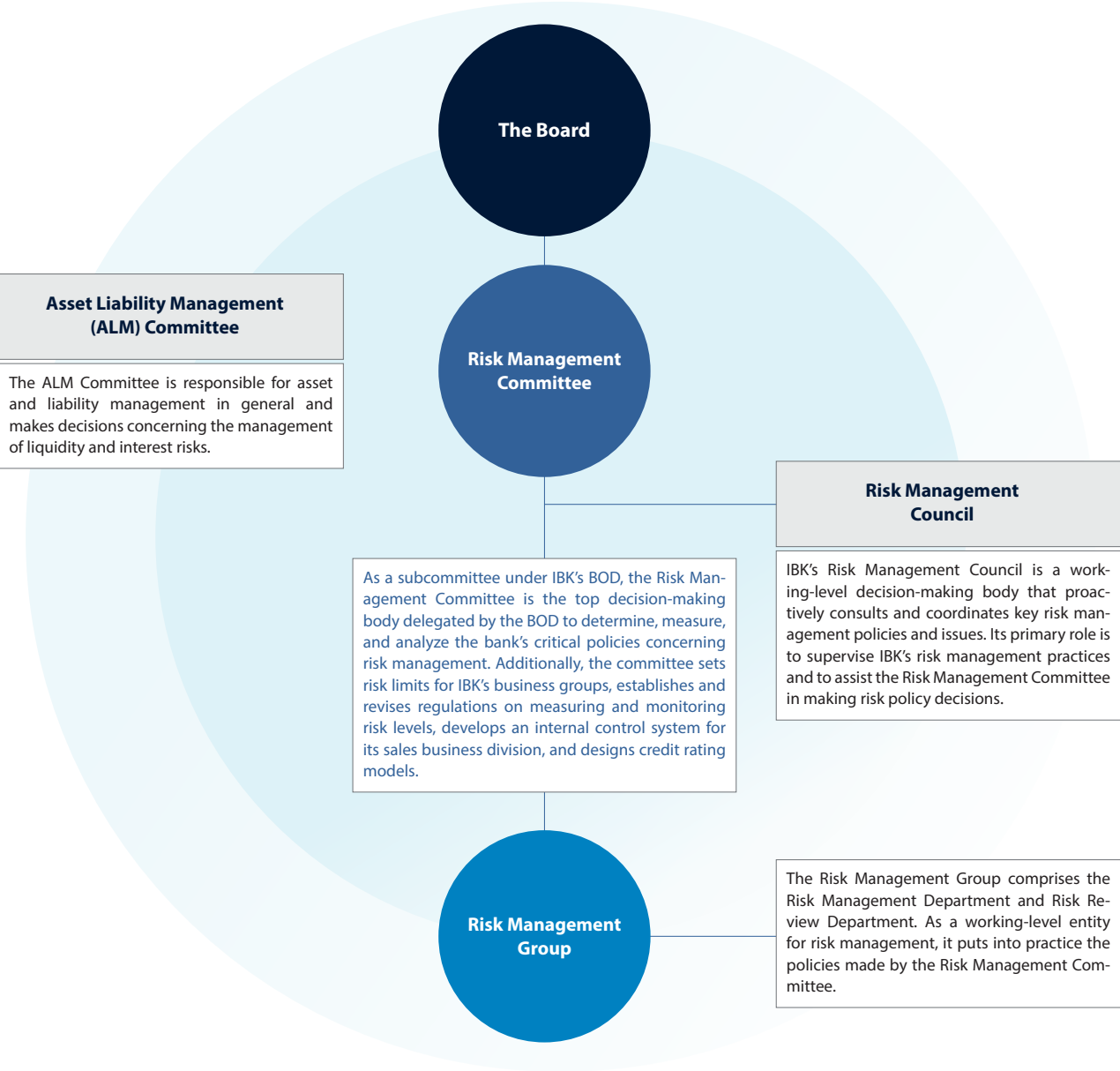
# 31.7%

# 5.1%



# RISK MANAGEMENT

## A Globally Competitive Risk Management System



### Risk Management Organization

Consisting of industry-leading experts, IBK's risk management organization prepares for uncertainties and ensures financial soundness with preemptive management plans against credit, market, operational, and liquidity risks. It keeps these risks under control through four dedicated teams—the Risk Management Committee, Risk Management Council, Asset Liability Management Committee, and Risk Management Group—all of whom are under the control of the Board of Directors.

### 2021 Activities and Outcomes

In meeting the ongoing challenges of the COVID-19 pandemic, IBK spent the year carrying out the preemptive and practical management of risks to lay the foundation for growth alongside customers and to ensure we remain an innovation leader in the financial industry. We also kept tight control of insolvent companies through credit reviews and expanded the application of big data models to improve our loan asset portfolio. As a result, our credit cost ratio remained at a record-low level. Additionally, IBK's BIS ratio exceeded our target figure thanks to the bank's tangible outcomes in various areas, including net income, which reached its target amount, as well as contingent convertible bonds (CoCo bonds) and risk-weighted capital consulting. Taken together, this all laid the foundation for constant and stable policy financing practices.

Throughout the year we ran an extensive credit rating system that took into account business characteristics, the possibility of sales rebounds, and business competitiveness to keep companies from abrupt credit rating downgrades due to pandemic-induced temporary disruptions in their operations. Based on the outcomes, a total of 5,391 companies benefited from interest rate cuts averaging 0.25%p and deferred repayment of the principal, which amounted to KRW 5 trillion.

Internally, work efficiency improved following the revamp of our credit review system. The enhanced credit review model and the new system evaluation rating saved time spent on in-depth reviews, which enabled us to expand the scope of review targets. In response to the Financial Supervisory Service (FSS) and its new requirements for internal capital adequacy, we have separately reclassified liquidity, strategic, and reputation risks as internal capital in compliance with the BIS Pillar 2 supervisory review practices and approaches.

### Risk Management Performance Results (Unit: %)



### 2022 Outlook and Plans

In 2022, IBK will follow through on its innovation management plans with proactive risk management practices so that we can grow as a globally competitive financial group. To that end, we are employing three strategies: prudential management of loan asset quality, substantial risk management, and high-level preparedness to regulatory issues.

First, for the thorough management of loan asset soundness, we plan to reasonably control loan loss provisioning, screen vulnerable companies, and introduce two new evaluation models. Specifically, our new corporate credit rating model is scheduled for approval by the FSS in early 2023, and will quantify non-financial evaluation criteria, shoring up its reliability and objectivity. An alternative valuation model is also to be completed by the end of 2023 that will allow us to expand our scope of financing to promising companies in the early stages of their operations as well as customers with thin files\*.

\* A person with little or no credit history is said to have a "thin file."

Second, in order to safeguard substantial risk management, we set our goal at keeping the BIS ratio at 15% or above. We will re-estimate and revise the loss-given default (LGD) of real estate mortgages, keep the net growth of risk-weighted assets under control, and issue additional CoCo bonds. Furthermore, we will allocate rational risk limits, extend watch lists, and improve credit risk costs and cost of capital in loan interest rating criteria for robust risk management, while digitalizing core tasks at the same time.

Finally, in preemptive response to financial regulations, we will establish a management system for operational and market risks in compliance with Basel III, upgrade our derivatives evaluation system, and develop liquidity management protocols for our overseas operations.



# CONSCIOUS MANAGEMENT

## IBK’s Business Philosophy: Trust and Responsibility

Conscious management is IBK’s business philosophy and encompasses compliance, ethical management, and responsible and inclusive management. In a nutshell, it sets out the overriding business principles for our business practices, which in turn lays the foundation for sustainable growth and enhances the trust of customers in IBK. In 2020, we enacted the IBK Ethics Charter, outlining our commitment to the prudently chosen five core values that govern the entire IBK Financial Group. Additionally, the IBK Ethical Behavioral Guide articulates the specific standards for employees’ ethical decisions and behavior.

### Developing Systems for Interactive Communication with the CEO

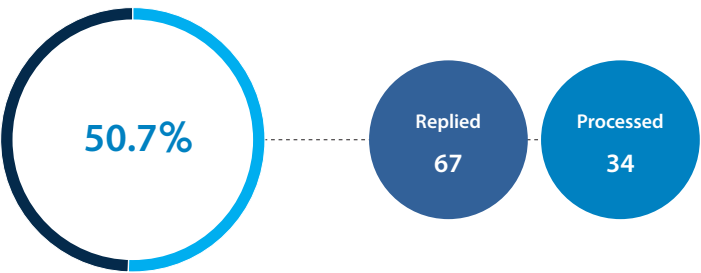
In 2021, IBK spurred up its communication management through various communication programs to build trust and develop mutual understanding with employees and customers. The CEO listened to the concerns of employees on-site at 43 branches nationwide. Other interactive communication channels included on-site gatherings with branch managers and conferences with IBK’s young think tank Junior Board on corporate culture. In coping with the challenging situations due to the seemingly unending pandemic, we held virtual conferences for new employees and newly appointed branch managers, as well as online events on IBK’s Metaverse channel. Adopted for active communication between the CEO and employees last year, the Communication Postcard program is an instrumental bottom-up communication channel. Either anonymously or under their own name by choice, employees can send messages on any topic they have concerns about to the CEO, who then replies to the message on the in-house intranet so that everyone can see each response in full. Since being implemented, the system has helped address several practices and systems, such as the removal of uniforms from the workplace and a revamp of the credit review process. Externally, the Financial Doctor program was adopted to effectively address SME and microbusiness issues. IBK’s CEO is also listening to voices out in the field, visiting the business premises of innovation companies and companies with outstanding ESG performance results. To date, the current CEO has met 95 people from 24 client companies since being appointed to the position.



### Diversifying CEO Communication Channels and Building a Communicative Culture

In 2022, we are further developing ways to promote—and offer target lists for—CEO communication activities. Performance results will be shared Group-wide to encourage the spread of a communicative culture across the board. CEO Town Hall Meetings and various other employee engagement programs are also in the pipeline. The goal is to make sure that everybody at IBK can agree on the bank’s business philosophy and communication management strategy, as they should both be firmly based on mutual trust. In this context, there are plans in place to release a publication on the accomplishments of the Communication Postcard program as a means of sharing the benefits of communication management. At the same time, this is meant to further bring to light bottom-up communication opportunities across the bank.

2021 Communication Postcard Program (Unit: cases)



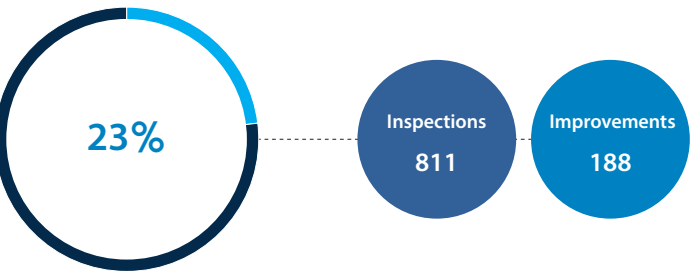
## Financial Consumer Protection

### Conscious Management as a Way to Embrace the Act on Financial Consumer Protection

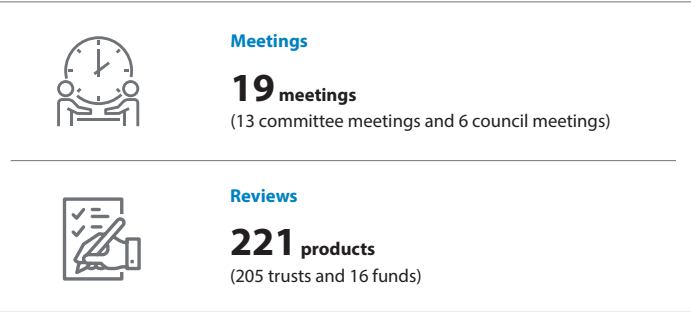
As of March 25, 2021, the Act on Financial Consumer Protection took effect, leading to a certain degree of turbulence in the Korean financial sector. In anticipation of this, IBK preemptively established a task force team involving all the departments at the headquarters as well as several law firms to develop and implement countermeasures, including bank-wide process innovation. Relative bylaws and regulations were revised or enacted to better reflect the stipulations of the new Act. Our consumer protection systems were upgraded, too. As a whole, systems have been improved to better reflect the newly established consumer rights—rights to cancel, termination rights of illegal contracts, and rights to request data access—further reinforcing post-rectification procedures. On top of that, we conducted a special training course for the entire workforce on the new Act that included financial consumer protection practices. Up to now, 99% of our employees have completed the course, and we have produced and aired seven special broadcasts on the subject.

Since the enforcement of the Act, we have verified that bank-wide practices are in compliance with the Act on Financial Consumer Protection to steer clear of any potential infringements on financial consumer rights. Furthermore, every branch has run special audits to confirm the legal compliance of their flyers and their legal forms, while all departments at the headquarters have scrutinized their bylaws and computer systems in compliance with the new Act.

Preliminary Council Activities (As of Dec. 2021, unit: cases)



Non-deposit Product Committee Activities



Diverse Programs to Protect Financial Consumers

In February 2021, IBK established a Non-deposit Product Committee to protect financial consumer rights. The Committee reviews every procedure with respect to selecting, selling, and after-sales management of high-risk non-deposit products. It takes a detailed three-step process to pick investment products to prevent risks involving consumer damages. Step 1 of the process involves previews by product development departments, followed by external consultations in the review phase. Step 2 entails legal reviews concerning consumer protection, risk management, and legal compliance, and is supplemented by internal experts' opinions, such as legal affairs officers and the economic research institute when necessary. Step 3 involves a review by the Non-deposit Product Committee, which consists of key business group heads and compliance officers. The Committee also monitors follow-up services after selling the products and reviews the results. In addition, a prior consultation process is held to meticulously go over all financial products and services, marketing policies, and terms and conditions in the development stage or prior to any sale to examine potential disadvantages to financial consumers.

For the first time in our history, we surveyed IBK clients on their favorite banks to put our service competency in perspective against competitors and better understand customer preferences. Based on the responses of the 21,424 IBK clients who were surveyed, we analyzed our customer satisfaction level and provided branches with CS consulting services to help improve their CS levels.

Reinforcing Support to Front Office and Customer Protection

In 2021, IBK enacted regulations to protect the interests of financial consumers in accordance with the Act on Financial Consumer Protection. Handling complaints has become systematic at IBK and been reinforced throughout the bank. For instance, the Complaint Response 119 system expanded its operations so it could more effectively come to the assistance of customers on-site; the newly adopted Robotic Process Automation (RPA) technology has allowed us to automate complaints-filing procedures; and a Complaint Registration Chatbot guides customers with frequently asked questions and complaints in real-time.

We have also continued with all-around preventive campaigns to eradicate voice phishing, or vishing, crimes. In 2021, IBK became the first Korean bank to run an extensive fact-finding inspection on business premises before opening first accounts, blocking any risks connected to bank accounts under fake names at source. Our AI-based Financial Fraud Monitoring System lets us timely detect new fraud techniques and protect customer assets from fraud. In fact, IBK goes so far as to alert customers of criminal cases and new fraud techniques according to their age group via KakaoTalk. The bank is also continuing in-branch campaigns to prevent voice phishing crimes by flexibly adapting to developments in the pandemic.

**Upgrading the IBK Financial Consumer Protection System**  
**Spreading an Improved Financial Consumer Protection Culture** - In 2021, IBK established an IBK Financial Group Charter on Financial Consumer Protection to advance a Group-wide cohesive approach to financial consumer-centric management practices. The Charter also includes the Consumer Protection Codes of Conduct\*. In 2022, a Global Financial Consumer Protection Charter will be published in several languages to promote financial consumer protection practices across our global network.

\* Consumer Protection Codes of Conduct: providing advice on optimal products, strengthening the right to know for consumers, using financial consumer information, improving compensation and systems, eradicating unfairness in business practices, and protecting the underbanked.



**Improving the Financial Consumer Protection System** - We are launching an IBK Financial Consumer Panel to listen to the opinions of financial consumers on the differences they feel before and after the financial products and systems we introduce. The panel will consist of both customers and financial experts to further enhance rights protection from the perspective of financial consumers. At the same time, our social responsibility and commitment to inclusive finance as a government-owned bank will continue throughout 2022. Also of note is that our Companion Teller Service is going through an overhaul to increase financial service accessibility for seniors sixty-five years old and above, people with disabilities, and pregnant women.

**Taking Advantage of Digital Technologies** - In 2022, IBK is strengthening its financial consumer protection system by replacing conventional business manuals with updated ones. The updated manuals include stipulations on financial consumer rights and the requisite steps for proceedings in customer complaints or disputes in accordance with the Regulations on Complaints Prevention and Post Rectification under the Act on Financial Consumer Protection. Customer channels to do with filing for the termination rights of illegal contracts will be expanded to non-face-to-face channels for greater customer convenience, resulting in lighter workloads at our branches. A Mobile Response to Complaints System will also be introduced to allow for financial consumers to instantly view responses to their complaints filings on their smartphones anytime and from anywhere.

We will effectively utilize the AI-based Financial Fraud Monitoring System to bolster our monitoring of potential victims. When customers are suspected of transferring their bank accounts to someone else, we pay extra attention to prevent financial crimes involving bank accounts under fake names. The bank already has a Financial Fraud Prevention Checklist that is fine-tuned to the gender and ages of customers to prevent collateral damage involving financial fraud from remittance or withdrawal of customer assets. In addition, the AI-based Financial Fraud Monitoring System carefully screens vulnerable targets of financial fraud and warns them in advance via KakaoTalk on new fraud techniques and prevention measures to shield customer assets from perpetrators of voice phishing crimes.

Compliance

Advanced ALM and Sanctions Filtering Systems

IBK has taken steps to cut potential attempts by individuals/organizations at carrying out money laundering at source. For instance, verification of customer due diligence (CDD), which used to be limited to corporate clients, is now applicable to retail customers, too. According to revisions regarding the Act on Reporting and Using Specified Financial Transaction Information, IBK bylaws were revised to stipulate our obligation to verify transactions with virtual asset service providers (VASP). Separately, we developed a protocol for managing VASPs that includes performing due diligence on the businesses of VASPs and closely monitoring them to prevent any attempt to abuse virtual assets for money laundering purposes. In addition, the actual work process will adopt an AI model which automatically checks the circumstantial appropriateness of the reasons when ending suspicious transaction alerts, significantly reducing our workload and ensuring increased precision and timeliness with this process.

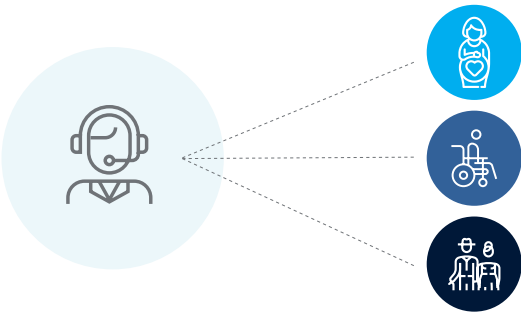
Monitoring and control systems have also been reinforced at our headquarters. The upgraded FX filtering system expanded the scope of inspections and showed a significant decrease in error alerts. OCR technology is now employed to screen FX document images for suspicious items and determine any connection to possible sanctions. On the global front, the IBK Global AML System that we developed in 2020 is now in operation at all overseas operations, and we have verified local conditions to optimize our global compliance system to individual business environments in each country.

Safeguarding against Financial Irregularities

The role of financial companies is becoming more significant in preventing financial crimes. Accordingly, IBK is building a system for a bank-wide response and information-sharing among related departments in the event of any harmful financial incidents, while preventing money laundering and violations of financial sanctions at source.

**Continued Digitalization** - IBK is developing digitalized models to enhance financial transaction monitoring with higher work efficiency. Furthermore, we are developing an AI model that classifies the risks of suspicious transactions. Also under development is a model which discerns cases subject to the Currency Transaction Reporting System (CTR).

An automatic data collection process will be adopted to sift out data subject to skipping CDD verification and automatically update the data of sanctioned countries in the financial sanctions filtering system. In addition, we will establish a compliance management data system that provides the raw data for digitalizing the procedures of assessing money laundering and financial sanctions risks.



The IBK Companion Teller Service is a one-stop teller service that gives priority passes to seniors (those 65 and older), people with disabilities, and pregnant women to help make carrying out financial transactions even more convenient.



Internal Control

Establishing an Exhaustive Internal Control System

All IBK business activities abide by the bank’s internal control standards to ensure sound management practices that protect shareholders and stakeholders. Compliance is tracked by regular audits and constant monitoring.

Each department and branch performs daily, monthly, and quarterly audits on the coherence of their business practices. The Special Audit program separately looks over job duties with a high risk of being involved in financial incidents. At the same time, the compliance monitoring program preemptively and regularly reviews and analyzes data, including computing processes and business activities, to determine the legal compliances of business activities at departments and branches.

In 2021, IBK ran a bank-wide Zero Financial Incidents and Corruption campaign, where its compliance officers and internal control department managers visited 21 regional headquarters in person. They gave financial incidents prevention training to the heads of regional headquarters and branch managers. A revised edition of the IBK Act Commentary Handbook was published as well. The handbook helps reduce legal risks with its correct interpretation of the IBK Act, which stipulates all of the guidelines for banking processes. First published in 2011, the 2021 edition of the handbook was updated with the latest precedents and amendments. It also sets out the correct criteria for interpreting the procedures of tasks, the history and the legislative intent of individual articles, such as corporate governance, basic duties, accounting, and supervision.

Ethical Management and Human Rights Management Systems for ESG

Ethical management and human rights management systems were established to meet globally recognized ESG standards. The Ethical Codes of Conduct for IBK Partners were introduced to encourage all IBK partners to establish and practice their own ethical management principles. The Fair Trade Manager was promoted to an executive-level position and was granted the power to plan and oversee compliance management activities with increased responsibilities. We also conducted an official Assessment of the Institutional Operational Impact on Human Rights to establish a firm human rights management system. Based on the manuals recommended by the National Human Rights Commission of Korea, we developed a checklist customized to IBK characteristics. In particular, our human rights practices were drawn up in response to the latest relevant issues, such as ESG and COVID-19. As a result, IBK bylaws are well aligned with the recommendations made by the National Human Rights Commission of Korea, with our human rights management practices evaluated as being faithfully implemented.



Maintaining Zero Security Incidents for 11 Consecutive Years

Rapid digital transformation has inevitably exposed the financial sector to a rising risk of cyberterrorism. In a preemptive move, however, IBK has completed a far-reaching response system to protect customer information and assets as its top priority. Consequently, the bank has been able to steer clear of any cyberattacks or privacy infringements for 11 consecutive years. The number of cyberattacks preying on people’s growing anxiety due to the COVID-19 pandemic, such as ransomware, DDoS, and hacking, increased by 62% in 2021 from the previous year. Despite the spike in cases, IBK was able to sustain its zero infringements record through an airtight defense against such attacks because of self-monitoring and information-sharing with related entities, including the National Intelligence Service and the Financial Services Commission (FSC). Additionally, the automated maintenance of security systems has reinforced process efficiency and security control. Moreover, our responsiveness to infringement incidents has also become more agile through response drills aided by updated cyberattack scenarios (malicious emails, DDoS, and hacking) in collaboration with related organizations.

**Proactive Enhancement of Digital Security** - IBK achieved the highest grade in the top-level assessment bracket from the digital finance infrastructure security control analysis & evaluation, which was conducted to ensure the safety and reliability of electronic financial transactions. In step with the universal use of easy authentication services, we were the first Korean bank to run intensive inspections on 10 types of virtual authentication systems. In tandem with the growing demand for cloud services related to digital transformation initiatives, we took preemptive countermeasures against threats to the security of digital innovative technologies. We have simulated numerous hacking attacks on our five cloud-based services, including the IBK work-from-home system and financial information notification services to ensure our heightened responsivity. To safeguard

digital transformation across the bank, we collaborated with external experts to run an intensive security review on 129 digitalization projects that included digital identity verification, open API platform-building, and MyData System setups. Based on the review results, we have minimized all foreseeable security risks related to digital transformation, thereby strengthening the security and continuity of our services.

**Systematic Customer Information Protection Management** - All IBK documents are encrypted in real-time, making external access impossible even in the event of illegal access. Any attempt to export personal information must follow additional control protocols, strengthening the prevention of inside information leaks. Following the recent amendment to the three data privacy laws, we have established a pseudonymous and anonymized data internal control plan to make certain the safe use of personal data. We have also prepared technical, physical, and administrative protection measures for pseudonymous data. As a result of our consistent efforts to protect customer information, we achieved a systematic management level of securing customer information. This was proven when IBK earned the highest S-grade (100 points) from the FSC’s Regular Evaluation of the Personal Credit Information Utilization and Management Practices.

**Global Cyber Security System** - Finally, IBK supported global information security compliance and the tightening of security controls on our global network with cybersecurity response systems localized to each country. The bank cooperated with financial security agencies to produce and provide overseas branches and subsidiaries with analysis reports of security regulations from local financial authorities. Information security officers are appointed to each overseas branch to function as the control tower for global information protection practices. The information security officers oversee security self-checks tailored to local situations and provide local staff with customized training courses on information protection to raise their awareness concerning information protection.

System Upgrades and Compliance Support

In step with the accelerating digital transformation in the financial sector, cyberterrorist attacks are also becoming more rampant. This includes DDoS, hacking, and ransomware attacks. IBK is upgrading its financial security systems to ensure a highly reliable financial environment that puts the priority on protecting customer information and financial assets. Upgrading the DDoS defense system and increasing cooperation with external agencies are only a handful of such measures. In 2022, we are concentrating on technical support and education to help employees’ legal compliance practices. Under the Act on the Protection of Financial Consumers, advertising regulations are stricter than ever before. Accordingly, the bank will develop an AI-based text message screening system to remove any source of inappropriate advertising text messages which may be sent to customers. In addition, IBK will provide legal assistance to employees through a guide to writing contracts, a newsletter on legal review services, and cyber lectures on job duties.



# HUMAN RESOURCES

## Internalizing Conscious Management

### Fair and Inclusive Field-oriented Personnel Management

Fairness has been reinforced in IBK's personnel management system. Objective standards and key performance indicators better reflect employees' performances, capabilities, and contribution to the bank in promotion screening assessments. The human resource pooling system has expanded opportunities for transfers to headquarters from branches. Open recruitment has also been broadened to include branch manager positions, inviting any IBK staff with the necessary abilities and passion to apply. In promoting inclusiveness in our personnel management, the bank has increased promotion opportunities for female employees who have excellent performance results and the requisite competencies. In addition, we have shortened transfer cycle periods for employees working in remote areas.

Percentage of Applicants Successfully Transferred to Headquarters  
(Unit: %)



Percentage of Female Managers  
(Unit: %)



### Recruiting for Innovative Finance and Responsible Management

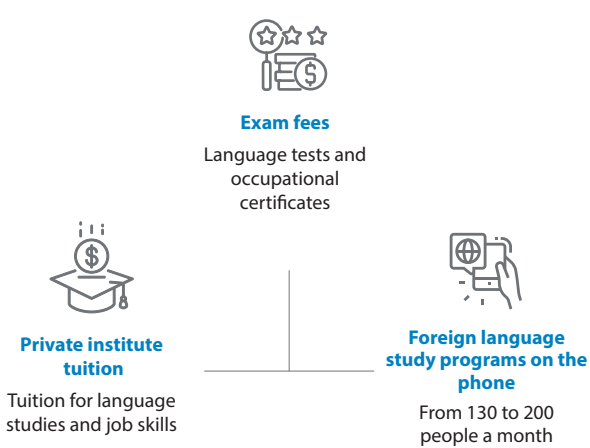
We have carried out reforms to customize the recruitment process to the different needs of individual job skills and competencies. On top of this, we have implemented a reinforced process of verifying the work ethic and personalities of new recruits. The new recruitment process consists of: presentations to check the financial background knowledge of applicants; coding tests to estimate the digital literacy of applicants; and essay writing assignments to evaluate the financial expertise and global competencies of applicants. Furthermore, IBK has recruited external experts in various job rankings, from working level staff to managers, in order to match the duties and roles required for backing up the bank's financial expertise and competitiveness. At the same time, we are committed to promoting social equity through sustainable recruitment policies. As part of affirmative action for underemployed people, we offer preferential advantage points to persons with disabilities and those eligible for the government's patriot and veteran support programs. To date, we have hired 20 new employees through this affirmative action plan. For balanced regional development, IBK has recruited local talents from across the nation, with Gangwon-do and Jeju Island newly added in 2021.

### Self-directed Human Resources Development

IBK has developed a new micro-learning platform, IBK Tube, to encourage employees' everyday learning. IBK Tube offers more than 15,000 videos that span an extensive spectrum of content in areas such as digital, economics, finance, humanities, and lifestyles—and all tailored to individual interests. The bank has also set up a knowledge-sharing platform for employees. Also available are variations of incentives that help motivate self-directed learning. This includes subsidies for private institute tuitions and exam fees to build on language and job skills competencies. Additionally, the bank has increased the number of beneficiaries of foreign language study programs over the phone.



### Education Support Programs



### Bringing Innovation to Organizational Culture and the Work Process

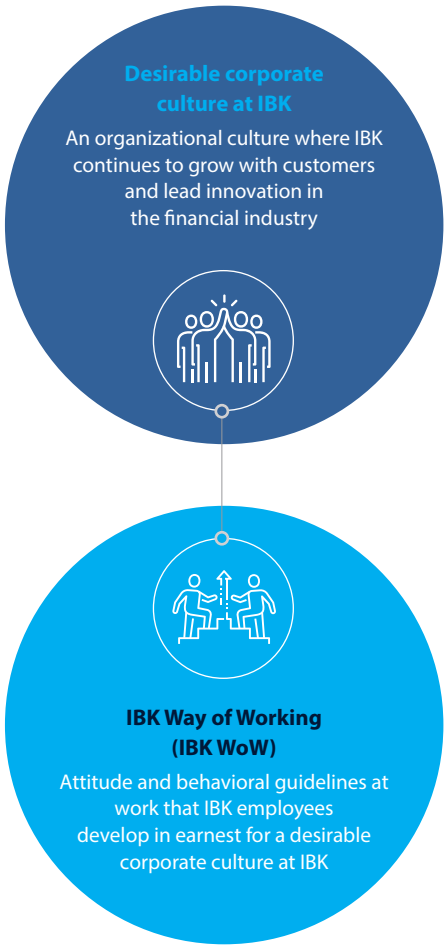
As we prepare to embrace the next 60 years, IBK has been promoting innovation in its organizational culture and work process to ensure fair, rational operations and a flexible working environment. Surveys have been carried out with employees, customers, and external stakeholders, and focus group interviews (FGIs) have assessed the overall corporate culture and working process of IBK, including the leadership, communication/co-operation status, and current work processes. The findings from these assessments have set the direction of our organizational culture and process innovation tasks. In an effort to establish the newly defined corporate culture within the organization, the bank provided employees with specialized education. Each unit group is also encouraged to develop group-level codes of practice to ensure that everyone is on the same page. To encourage a desirable corporate culture, we opened a special leadership training program for department heads and branch managers, while also adopting a preliminary leadership test that includes self-feedback and multi-rated peer feedback.

### COVID-19 Responsiveness

IBK actively responded to the spread of COVID-19 in 2021. Workday business hours were reduced by one hour at all our branches to protect employees and customers from contamination risks. Moreover, a hybrid work style facilitated our efficient business continuity. IBK also established the systems required for working from home and increased the number of remote workspaces and personnel, minimizing operational risks involving confirmed COVID cases.

### HR Management Innovation

In 2022, IBK plans to digitalize human resources management. We are taking advantage of AI technology to develop an ideal HR model and personnel management system as we bring about an HR scoring system to enhance fairness in promotion screening. By retaining high-caliber talents, we will further hone our competitive edge. Job openings will increase for those with outstanding digital skills and other professionals, and more public recruitment will open new opportunities for IBK employees to lead the future of the bank.





# ESG MANAGEMENT

## A Prerequisite for Sustainable Growth

### Internalization of ESG Management

IBK recognizes and promotes ESG management as the driving force of raising corporate value and sustainable growth. The system for our full-scale ESG management was completed in 2021 after establishing the ESG Management Team in February and the ESG Committee under the BOD in June. In fact, IBK was the first government-owned financial institution to establish a dedicated ESG Committee within the BOD. The Committee is chaired by an outside female director to ensure diversity and transparency in its operation. To incorporate ESG management practices as part of the organization, the ESG organizations collaborated with one another to develop key ESG tasks and ensure the efficient operation of the ESG Management System. Additionally, we have joined several international standards initiatives to learn ESG best practices and to build networks with them. We also take part in domestic ESG efforts such as the Climate Finance Support Declaration and the Anti-Corruption ceremony of UNGC as a responsible corporate citizen.

### Carbon Neutrality Initiative

IBK is at the forefront of a carbon neutrality initiative for the transition to a low-carbon economy in response to climate change. In September 2021, the bank announced its goal of achieving carbon neutrality by 2040, ten years earlier than the national goal. This move demonstrates our commitment to set the standard for practicing ESG as a government-owned bank. In addition, the depth of knowledge we have accumulated along the way will play a key role in our support of SMEs in their carbon neutrality initiatives. We began by developing an internal process for systematic management of the environment and energy use based on international standards. IBK actually became the first Korean bank to obtain both the ISO14001 and ISO 50001 certificates, international standards for environmental and energy management systems, in August 2021.

### Supporting ESG Management Initiatives at SMEs

While internalizing ESG management across IBK, we have also made efforts to foster an ESG ecosystem for SMEs. Leveraging on the infrastructure and external partnerships that we have developed as an SME financier, IBK has carried out assessments and consulting on ESG management practices of SMEs. In the process, we listened to the concerns of SMEs as we helped them set the direction for their own ESG management practices.

### ESG Management Performance Results

In August 2021, IBK published its 2021 Sustainability Report, which highlights our ESG management performance. The publication fulfills our duty of disclosing non-financial information while improving transparency in our organization. Furthermore, the report tracks the ESG initiatives and activities that IBK has been involved in over the past sixty years as a financial partner for SMEs. As a result of these sincere ESG management performance, IBK received an “A” grade from the Korea Corporate Governance Service (KCGS), a Korea-based ESG evaluator. The bank was also singled out by the Minister of Trade, Industry and Energy for its contribution to promoting sustainability management.

#### ESG Initiatives

Partnership for Carbon Accounting Financial (PCAF) (Mar. 2021)	Science-Based Targets initiative (SBTi) (Mar. 2021)
	
United Nations Environment Programme Finance Initiative (UNEP FI) (Apr. 2021)	UNEP FI Principles for Responsible Banking (UN PRB) (Apr. 2021)
	
Carbon Disclosure Project (CDP) (Apr. 2021)	Observer to the World Bank's Climate Warehouse Initiative (CWI) (June 2021)
	
Net-Zero Banking Alliance (NZBA) (Sep. 2021)	A signatory bank of the UN PRB Commitment to Financial Health and Inclusion (UN FIH) (Dec. 2021)
	

①



- 1. IBK Daycare Center in the Namdong Industrial Complex
- 2. 2021 IBK Scholarship Ceremony
- 3. IBK Mentoring: Connected and Caring

②



③



## Corporate Social Responsibilities

### Growing alongside SMEs

IBK has been carrying out a wide range of social contribution activities to promote mutually beneficial and sustainable growth, with a focus on our SME partners as well as their employees and families.

IBK established the IBK Happiness Sharing Foundation in March 2006 to improve the welfare of SME employees and their families. Since then, its total contribution has amounted to KRW 61.5 billion. As of 2021, KRW 16.8 billion in scholarships went to 9,600 children of SME employees who showed remarkable academic achievements, and KRW 13 billion in medical subsidies went to 3,000 family members of SME employees who suffer from intractable diseases. Scholarship recipients can give back to society through one-on-one online mentoring programs for children of SME employees. In 2021, 100 mentors provided a total of 1,417 hours (2,002 sessions) of mentoring through the program. Still, IBK continues to conduct social contribution activities for SME employees in various areas such as education and financial support for underprivileged families.

### Joint Workplace Daycare Centers for SME Employees

In order to encourage a healthy work-life balance at industrial complexes, IBK signed an MOU with the Korea Workers' Compensation & Welfare Service on workplace daycare centers. IBK was the first bank in the Korean financial sector to accomplish this. The first daycare opened at the Namdong Industrial Complex in Incheon in April 2018, followed by the second in Gumi in March 2019. Working as a consortium with the Korea Workers' Compensation & Welfare Service and local governments, IBK converted idle spaces at some of its branches and subsidized the cost of equipment and operational expenses. The two daycare centers are open to the children of employees working for member businesses of the consortium. Given the working hours of SME businesses, the centers provide extended services up to 9:30 p.m. upon request. As of 2021, 34 SMEs were members of the Namdong Industrial Complex consortium, and 45 were affiliated with the Gumi Industrial Complex consortium. In the future, IBK will continue to play a prominent role in promoting a sustainable work-life balance for SME employees and address social issues concerning Korea's declining population as a trusted SME partner.

Backing up the Frontlines in Fighting COVID-19

In 2021, IBK took steps to assist underprivileged families as well as medical staff working on the frontlines to combat COVID-19. In August, we set up “IBK Refrigerators for Hope” that were packed with snacks and supplements worth KRW 150 million so those frontline staff working in the sweltering heat and wearing protective suits could cool off during breaks. Then, as news surfaced of a depleting national blood reserve, IBK employees launched a group-wide blood donation campaign, collecting and then delivering 1,004 blood packs that were ultimately donated to the Korea Childhood Leukemia Foundation.

Addressing Less-popular Sports Infrastructure

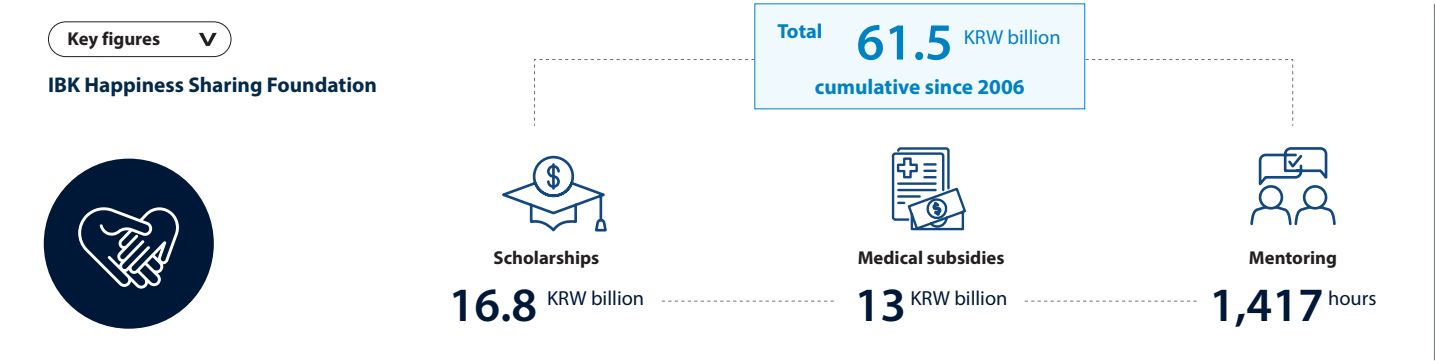
IBK’s social contribution programs include a commitment to enlarging the infrastructure for less-popular sports. In 2021, the bank sponsored the IBK Women’s Go Masters Tournament under an agreement with the Korea Go (baduk) Association, opening the door to amateur female players. We provided a total of KRW 76 million in prizes to the finalists—the largest prize fund amount ever given to a women’s singles tournament in Korean Go tournament history.

In support of tennis in Korea, IBK signed an agreement to sponsor junior tennis players through an IBK Grand Slam Junior Training Team. The agreement calls for the bank to sponsor a total of KRW 1 billion over the next three years for all expenses related to training junior players to reach the top 10 in rankings over that three-year period. The expenses include all costs connected with ITF junior competitions at home and abroad as well as overseas tennis academy training expenses. The Korea Junior Tennis Federation is organizing and operating the training team.

In the future, IBK will continue to devote resources and attention to less-popular sports to grow future star athletes. With the launch of the IBK Grand Slam Junior Training Team in 2022, the bank is offering all-out support to help the team get off to a good start. At the same time, we are looking for more opportunities to expand Korea’s sports base by providing scholarships and overseas camp & academy training fees for aspiring athletes in sports more common in other countries like swimming.



1. Blood Donation Campaign  
2. IBK Refrigerators for Hope



# FINANCIAL PERFORMANCE





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# MANAGEMENT DISCUSSION AND ANALYSIS

## Operating Results

### Condensed Income Statements for the Year

(Unit: KRW billion)	2021	2020	Change (%)
Net interest income	6,128.4	5,615.1	9.14%
Non-interest income	597.1	614.5	△2.83%
<b>Total income</b>	<b>6,725.5</b>	<b>6,229.6</b>	<b>7.96%</b>
Labor expenses	1,650.3	1,484.5	11.17%
SG&A expenses	948.7	945.4	0.35%
Provisions	895.2	1,674.2	△46.53%
(Provisions for credit losses)	953.8	1,560.1	△38.86%
<b>Operating income</b>	<b>3,231.3</b>	<b>2,125.5</b>	<b>52.03%</b>
Non-operating income	86.6	△38.6	324.35%
Income before taxes	3,317.9	2,086.9	58.99%
Income taxes	892.0	539.0	65.49%
<b>Consolidated net income</b>	<b>2,425.9</b>	<b>1,547.9</b>	<b>56.72%</b>
Controlling interest	2,412.4	1,535.7	57.09%
Non-controlling interest	13.5	12.2	10.66%

In 2021, IBK’s consolidated net income increased by 56.72% year on year to KRW 2,425.9 billion. Net interest income rose by 9.14% to KRW 6,128.4 billion thanks to an increase in interest-bearing assets. Non-interest income was KRW 597.1 billion, down 2.83% from the previous year. Provisions for credit losses fell by 38.86% YoY to KRW 953.8 billion because export-driven improvements in the business results of corporate clients and the effects of government policy were enough to cover our preemptive provisioning for COVID-19-induced potential risks.

### Interest Income

(Unit: KRW billion)	2021	2020	Change (%)
<b>Interest revenue</b>	<b>8,689.4</b>	<b>8,653.9</b>	<b>0.41%</b>
Interest on loan assets	7,692.5	7,590.9	1.34%
Interest on securities	903.2	928.9	△2.77%
Other interest revenues	93.7	134.1	△30.13%
<b>Interest expenses</b>	<b>2,561.0</b>	<b>3,038.8</b>	<b>△15.72%</b>
Interest on deposit liabilities	534.6	641.1	△16.61%
Interest on debentures	1,718.8	2,057.6	△16.47%
Interest on borrowings	281.3	307.8	△8.61%
Other interest expenses	26.3	32.3	△18.58%
<b>Net interest income</b>	<b>6,128.4</b>	<b>5,615.1</b>	<b>9.14%</b>

Interest revenue comes from interest-bearing assets. Interest on loan assets went up by 1.34%, or KRW 101.6 billion, from the previous year to reach KRW 7,692.5 billion in 2021. Interest expenses decreased by 15.72% YoY as a result of a KRW 106.5 billion decline in the interest on deposit liabilities and a KRW 338.8 billion drop in the interest on debentures. Net interest income was up 9.14% YoY to KRW 6,128.4 billion, largely owing to the bank’s declining interest on debentures.

Non-interest Income

(Unit: KRW billion)	2021	2020	Change (%)
Fee income	976.8	899.4	8.61%
Gains/losses on F/X derivatives	204.5	182.9	11.81%
Trust income	122.9	117.8	4.33%
Gains/losses on securities	452.0	508.4	△11.10%
Gains/losses on disposal of loan assets	251.5	190.9	31.75%
Other non-interest expenses (△)	1,410.6	1,284.9	9.78%
Net non-interest income	597.1	614.5	△2.83%

In 2021, the bank's gains/losses on the disposal of loan assets rose 31.75% from the previous year thanks to a rise in the gains or losses from liquidating non-performing loans. The moderate advance in the fee income was offset by the decreased gain on securities and rising deposit insurance premiums. All in all, non-interest income fell by 2.83% from the previous year to KRW 597.1 billion in 2021.

Labor and SG&A Expenses

(Unit: KRW billion)	2021	2020	Change (%)
Salaries	1,401.3	1,340.0	4.57%
Retirement benefits	247.2	142.5	73.47%
Special severance benefits	1.8	2.0	△10.00%
Total labor expenses	1,650.3	1,484.5	11.17%
Welfare expenses	124.6	117.1	6.40%
Depreciation	260.4	160.4	62.34%
Taxes and dues	136.1	132.0	3.11%
Advertising and marketing expenses	65.1	62.0	5.00%
Computers & Software	70.4	75.5	△6.75%
Service fees	89.6	77.8	15.17%
Rents	21.6	23.2	△6.90%
Communications expenses	34.5	35.2	△1.99%
Others	146.4	262.2	△44.16%
Total SG&A expenses	948.6	945.4	0.34%

Salaries at the bank increased by 4.57% YoY to KRW 1,401.3 billion as a result of an expanded workforce and wage hikes. SG&A expenses edged up by 0.34% YoY, with a KRW 11.8 billion growth in service fees offset by a KRW 5.1 billion reduction in computer & software expenses and a KRW 1.6 billion drop in rent expenses.

Non-operating Gains/Losses

(Unit: KRW billion)	2021	2020	Change (%)
Gains/losses on evaluation on investments in associates	95.1	53.1	79.10%
Gains/losses on disposal of investments in associates	11.4	△1.0	1,240.00%
Gains on disposal of tangible assets	1.0	5.4	△81.48%
Gains from real estate leases	1.5	1.8	△16.67%
Donations (△)	27.8	27.6	0.72%

(Unit: KRW billion)	2021	2020	Change (%)
Impairment losses on equipment & intangible assets (△)	8.9	12.2	△27.05%
Legal proceedings provision (△)	9.1	-	-
Others	23.4	△58.1	140.28%
Non-operating gains/losses	86.6	△38.6	324.35%

Non-operating gains rose by KRW 125.2 billion from the previous year because of a KRW 42.0 billion YoY growth in gains on evaluation on investments in associates and a KRW 12.4 billion YoY rise in gains on the disposal of investments in associates. This came even after a KRW 4.4 billion YoY drop, or an 81.48% decrease, in the gains on the disposal of tangible assets.

Financial Position

Condensed Statements of Financial Position at Year-end

(Unit: KRW billion)	2021	2020	Change (%)
Cash & Deposits	19,492.8	12,838.4	51.83%
Securities	75,811.8	64,544.1	17.46%
Loan assets	286,301.6	268,688.1	6.56%
Tangible assets	2,227.9	2,174.6	2.45%
Other assets	14,237.8	13,371.0	6.48%
Total assets	398,071.9	361,616.2	10.08%
Deposit liabilities	158,252.0	140,941.5	12.28%
Borrowings	43,191.5	38,132.3	13.27%
Debentures	143,614.8	131,214.9	9.45%
Other liabilities	25,479.8	26,185.1	△2.69%
Total liabilities	370,538.1	336,473.8	10.12%
Equity attributable to controlling interest	27,387.3	25,018.3	9.47%
Paid-in capital	4,211.3	4,183.2	0.67%
Hybrid capital instruments	3,499.2	3,059.9	14.36%
Capital surplus	1,171.9	1,145.1	2.34%
Capital adjustment	△0.1	△0.1	-
Retained earnings	18,073.3	16,158.6	11.85%
Other accumulated comprehensive gains/losses	431.7	471.6	△8.46%
Non-controlling interest	146.5	124.1	18.05%
Total shareholders' equity	27,533.8	25,142.4	9.51%
Total liabilities & shareholders' equity	398,071.9	361,616.2	10.08%

IBK's SME loan balance exceeded KRW 200 trillion in 2021. This was a first for any Korean bank, as we firmly stood by—and continue to stand by—ailing microbusinesses and SMEs through the challenges of the COVID-19 pandemic. Total assets increased by 10.08% thanks to a KRW 11,267.7 billion growth in securities and a KRW 17,613.5 billion rise in loan assets. As for the sources of funding, deposit liabilities stood at KRW 158,252.0 billion, up 12.28% from the previous year, while debentures rose by 9.45% to KRW 143,614.8 billion in 2021.

Paid-in capital grew by KRW 28.1 billion thanks to the Korean government's investments. Hybrid capital instruments also expanded by KRW 439.3 billion from the previous year due to new issuances in 2021. Retained earnings were up by KRW 1,914.7 billion to stand at KRW 18,073.3 billion by year-end.



Loan Assets

(Unit: KRW billion)	2021	2020	Change (%)
Won-denominated loans	263,989.1	242,482.8	8.87%
Corporate loans	220,711.6	202,043.1	9.24%
Retail loans	42,403.9	39,597.6	7.09%
Public funds	873.6	842.1	3.74%
Foreign currency-denominated loans	6,589.6	5,227.6	26.05%
Others	15,722.9	20,977.7	△25.05%
<b>Total</b>	<b>286,301.6</b>	<b>268,688.1</b>	<b>6.56%</b>

IBK continued its commitment to the financial support of microbusinesses and SMEs facing difficulties due to the prolonged pandemic. Consequently, corporate loans were up by 9.24% YoY to reach KRW 220,711.6 billion in 2021. In particular, the SME loan balance amounted to KRW 203,866.2 billion by the end of the year.

Deposit Liabilities

(Unit: KRW billion)	2021	2020	Change (%)
Won-denominated deposits	137,246.0	122,317.2	12.20%
Demand deposits	66,673.7	60,156.7	10.83%
Savings deposits	67,901.1	59,190.2	14.72%
Mutual installments	2,671.2	2,970.3	△10.07%
Foreign currency-denominated deposits	17,798.1	15,578.6	14.25%
Certificates of deposit	3,201.4	3,015.8	6.15%
Others	6.5	29.9	△78.26%
<b>Total</b>	<b>158,252.0</b>	<b>140,941.5</b>	<b>12.28%</b>

The bank’s won-denominated deposits grew by 12.20% YoY to KRW 137,246.0 billion as a result of the growth in core deposits. Total deposit liabilities also rose by 12.28% year on year to KRW 158,252.0 billion.

Key Financial Indicators

(Unit: %)	2021	2020	Change (%)
ROA	0.64	0.45	42.22%
ROE	9.21	6.40	43.91%
NIM*	1.51	1.55	△2.58%

\* NIM is for the bank on a separate basis.

The bank’s return on assets (ROA) surged 42.22% from the previous year to 0.64% in 2021, and return on equity (ROE) was up by 43.91% to 9.21% for the same period. This can be explained by the increase in net income on the back of interest income growth as much as the decline in provisioning. The bank’s net interest margin (NIM) was down by 4 basis points from the previous year to 1.51%, mainly due to an increase in the special contribution to credit guarantee funds.

INDEPENDENT AUDITOR’S REPORT

THE SHAREHOLDERS AND BOARD OF DIRECTORS  
INDUSTRIAL BANK OF KOREA

Opinion

We have audited the separate financial statements of Industrial Bank of Korea (the “Bank”), which comprise the separate statement of financial position as of December 31, 2021 and 2020, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as of December 31, 2021 and 2020, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards (“KIFRS”).

We also have audited, in accordance with Korean Auditing Standards (“KGAAS”), the Bank’s internal control over financial reporting (“ICFR”) as of December 31, 2021 and 2020, based on criteria established in Conceptual Framework for designing and operating ICFR in accordance with Korean Auditing Standards (“KGAAS”) established by the Operating Committee of ICFR (the “ICFR Committee”), and our report dated March 7, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

We conducted our audits in accordance with KGAAS. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the separate financial statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audits of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

As discussed in Note 2.2.5 (c) of the separate financial statements, the Bank recognizes loss allowance based on a measurement of the expected credit loss impairment model for loan receivables measured at amortized cost.

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

Management’s significant judgment is involved in determining factors such as the level of increase in credit risk to assess loss allowance, estimation of risk factors such as probability of default and loss given default, future cash flows and discount rates related to the estimation of forward-looking information and individual assessment.

Therefore, auditor should pay significant attention to loss allowances on loan receivables measured at amortized cost and identified it as a key audit matter.

In Note 7 to the separate financial statements of the Bank, loan receivables measured at amortized cost and loss allowances based on the expected credit loss impairment model amount to ₩274,018,725 million and ₩2,791,332 million, respectively, as of December 31, 2021. Our audit procedures performed for management's assertion on the measurement of loss allowances on loan receivables measured at amortized cost are as follows:

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.2.5.1 (f) to the separate financial statements. The spread of COVID-19 has a wide-spread impact on the global economy, which can negatively affect the bank's financial performance by increasing expected credit losses and potential impairment of assets in a particular portfolio. The Bank has prepared the separate financial statements by reasonably estimating the impact of COVID-19 for the year ended on December 31, 2021. However, the ultimate impact therefrom on the Bank's financial position, financial performance and cash flows is not estimable as of December 31, 2021.

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

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

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

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

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

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

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

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

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

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

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

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



Ernst & Young Han Young  
March 7, 2022

This audit report is effective as of March 7, 2022, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.



SEPARATE STATEMENTS OF FINANCIAL POSITION

as of December 31, 2021 and 2020

Korean won in millions	2021	2020
<b>Assets</b>		
Cash and due from banks	17,624,405	11,028,415
Financial assets at fair value through profit or loss	11,543,508	11,074,900
Financial assets at fair value through other comprehensive income	19,023,073	14,251,971
Securities at amortized cost, net	36,148,328	32,409,578
Loans receivables at amortized cost, net	271,750,869	255,942,394
Derivative financial assets for hedge accounting	41,457	92,008
Investments in subsidiaries and associates	2,831,804	2,259,965
Investment properties, net	68,585	69,181
Property and equipment, net	2,107,868	2,069,510
Intangible assets, net	152,761	170,306
Net defined benefit assets	87,648	58,680
Deferred tax assets	3,037	3,305
Other assets	6,794,155	5,528,618
<b>Total assets</b>	<b>368,177,498</b>	<b>334,958,831</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss	1,728,161	2,853,126
Deposit liabilities	153,165,259	136,783,217
Borrowings	40,238,241	35,327,044
Debentures	136,114,471	124,193,741
Derivative financial liabilities for hedge accounting	70,350	37,743
Provisions	616,947	662,404
Deferred tax liabilities	424,386	369,659
Other liabilities	10,226,791	11,135,755
<b>Total liabilities</b>	<b>342,584,606</b>	<b>311,362,689</b>
<b>Equity</b>		
Issued capital	4,211,365	4,183,183
Hybrid capital instruments	3,499,180	3,059,888
Capital surplus	1,161,654	1,140,916
Capital adjustment	(92)	(105)
Accumulated other comprehensive income	466,945	484,611
Retained earnings	16,253,840	14,727,649
Regulatory reserve for credit loss (December 31, 2021: ₩2,676,213 million) (December 31, 2020: ₩2,554,223 million)		
Regulatory reserve for credit loss estimated to be appropriated (December 31, 2021: ₩171,420 million) (December 31, 2020: ₩121,990 million)		
<b>Total equity</b>	<b>25,592,892</b>	<b>23,596,142</b>
<b>Total liabilities and equity</b>	<b>368,177,498</b>	<b>334,958,831</b>

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

for the years ended December 31, 2021 and 2020

Korean won in millions	2021	2020
<b>Interest income:</b>		
Interest income on financial assets at fair value through profit or loss	7,885,419	7,926,027
Interest income on financial assets at fair value through other comprehensive income and at amortized cost	30,964	35,210
Interest income on financial assets at fair value through other comprehensive income and at amortized cost	7,854,455	7,890,817
Interest expenses	(2,296,120)	(2,750,670)
Net interest income	(2,296,120)	(2,750,670)
Fee and commission income	5,589,299	5,175,357
Fee and commission expense	691,955	674,107
Net fee and commission income	(306,055)	(304,217)
Net gains on financial instruments at fair value through profit or loss	385,900	369,890
Net gains (losses) on derivative financial instruments for hedge accounting	385,685	39,892
Gains on disposal of financial assets at amortized cost	(6,922)	34,036
Net gains on financial assets at fair value through other comprehensive income	250,578	189,934
Net gains on foreign currency transactions	88,547	114,774
Net gains on foreign currency transactions	24,455	282,686
<b>Gross operating profit</b>	<b>6,717,542</b>	<b>6,206,569</b>
Impairment losses on financial assets	(940,348)	(1,464,613)
<b>Net operating profit</b>	<b>5,777,194</b>	<b>4,741,956</b>
General and administrative expenses	(2,441,702)	(2,295,911)
Other operating income	188,946	116,054
Other operating expenses	(800,295)	(810,652)
<b>Operating profit</b>	<b>2,724,143</b>	<b>1,751,447</b>
Non-operating expenses	(3,912)	(63,745)
<b>Profit before income tax</b>	<b>2,720,231</b>	<b>1,687,702</b>
Income tax expense	(696,136)	(424,511)
<b>Profit for the year</b>	<b>2,024,095</b>	<b>1,263,191</b>
(Adjusted profit after provision of regulatory reserve for credit losses December 31, 2021: ₩1,852,675 million) December 31, 2020: ₩1,141,201 million)		
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss:		
Changes in valuation of equity securities at fair value through other comprehensive income	(14,044)	(70,669)
Remeasurements of net defined benefit liabilities	72,971	44,504
Items that may be subsequently reclassified to profit or loss:		
Changes in valuation of debt securities at fair value through other comprehensive income (loss)	(100,615)	14,073
Exchange differences on translation of foreign operations	45,523	(34,349)
Changes in valuation of hedges of net investment in foreign operations	(22,941)	16,615
<b>Other comprehensive loss for the year, net of tax</b>	<b>(19,106)</b>	<b>(29,826)</b>
<b>Total comprehensive income for the year</b>	<b>2,004,989</b>	<b>1,233,365</b>
<b>Earnings per share (Korean won)</b>		
Basic earnings per share	2,389	1,599
Diluted earnings per share	2,389	1,599

SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the years ended December 31, 2021 and 2020

Korean won in millions	Issued capital	Hybrid capital instruments	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total equity
Balance as of January 1, 2020	3,375,646	2,730,423	683,679	-	524,311	14,186,532	21,500,591
Comprehensive income							
Profit for the year	-	-	-	-	-	1,263,191	1,263,191
Other comprehensive income for the year							
Gain (loss) on valuation of debt securities at fair value through other comprehensive income	-	-	-	-	14,073	-	14,073
Exchange differences on translation of foreign operations	-	-	-	-	(34,349)	-	(34,349)
Changes in valuation of hedges of net investment in foreign operations	-	-	-	-	16,615	-	16,615
Changes in valuation of equity securities at fair value through other comprehensive income	-	-	-	-	(70,669)	-	(70,669)
Remeasurement of the net defined benefit liabilities	-	-	-	-	44,504	-	44,504
Total comprehensive income	-	-	-	-	(29,826)	1,263,191	1,233,365
Transactions with owners							
Issuance of stocks	807,537	-	457,237	-	-	-	1,264,774
Cash dividends	-	-	-	-	-	(382,614)	(382,614)
Acquisition of treasury shares	-	-	-	(239,393)	-	-	(239,393)
Retirement of treasury shares	-	-	-	239,393	-	(239,393)	-
Dividends for hybrid capital instruments	-	-	-	-	-	(109,941)	(109,941)
Issuance of hybrid capital instruments	-	399,360	-	-	-	-	399,360
Repayment of hybrid capital instruments	-	(69,895)	-	(105)	-	-	(70,000)
Transfer of realized gains or losses on equity investment at fair value through other comprehensive income for hedge accounting	-	-	-	-	(9,874)	9,874	-
Total transactions with owners	807,537	329,465	457,237	(105)	(9,874)	(722,074)	862,186
Balance as of December 31, 2020	4,183,183	3,059,888	1,140,916	(105)	484,611	14,727,649	23,596,142

Korean won in millions	Issued capital	Hybrid capital instruments	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total equity
Balance as of January 1, 2021	4,183,183	3,059,888	1,140,916	(105)	484,611	14,727,649	23,596,142
Comprehensive income							
Profit for the year	-	-	-	-	-	2,024,095	2,024,095
Other comprehensive income for the year							
Gain (loss) on valuation of debt securities at fair value through other comprehensive income	-	-	-	-	(100,615)	-	(100,615)
Exchange differences on translation of foreign operations	-	-	-	-	45,523	-	45,523
Changes in valuation of hedges of net investment in foreign operations	-	-	-	-	(22,941)	-	(22,941)
Changes in valuation of equity securities at fair value through other comprehensive income	-	-	-	-	(14,044)	-	(14,044)
Remeasurement of the net defined benefit liabilities	-	-	-	-	72,971	-	72,971
Total comprehensive income	-	-	-	-	(19,106)	2,024,095	2,004,989
Transactions with owners							
Issuance of stocks	28,182	-	20,738	-	-	-	48,920
Cash dividends	-	-	-	-	-	(372,933)	(372,933)
Dividends for hybrid capital instruments	-	-	-	-	-	(123,426)	(123,426)
Issuance of hybrid capital instruments	-	499,200	-	-	-	-	499,200
Repayment of hybrid capital instruments	-	(59,908)	-	(92)	-	-	(60,000)
Transfer of realized gains or losses on equity investment at fair value through other comprehensive income	-	-	-	-	1,440	(1,440)	-
Others	-	-	-	105	-	(105)	-
Total transactions with owners	28,182	439,292	20,738	13	1,440	(497,904)	(8,239)
Balance as of December 31, 2021	4,211,365	3,499,180	1,161,654	(92)	466,945	16,253,840	25,592,892



SEPARATE STATEMENTS OF CASH FLOWS

for the years ended December 31, 2021 and 2020

Korean won in millions	2021	2020
Cash flows from operating activities		
Profit for the year	2,024,095	1,263,191
Adjustments to reconcile profit for the year to net cash flows used in operating activities	(3,733,003)	(3,186,752)
Changes in operating assets and liabilities	(9,802,066)	(9,270,978)
	(11,510,974)	(11,194,539)
Interests received	7,684,056	7,767,351
Interests paid	(2,408,047)	(3,070,657)
Dividends received	211,095	172,927
Income taxes paid	(368,602)	(295,132)
Net cash flows used in operating activities	(6,392,472)	(6,620,050)
Cash flows from investing activities		
Increase in financial assets at fair value through profit or loss	(32,833,415)	(28,533,547)
Decrease in financial assets at fair value through profit or loss	32,265,372	27,358,090
Increase in financial assets at fair value through other comprehensive income	(20,259,128)	(20,630,304)
Decrease in financial assets at fair value through other comprehensive income	15,373,371	17,338,254
Increase in securities at amortized cost	(13,357,270)	(12,889,038)
Decrease in securities at amortized cost	9,618,107	10,288,879
Disposal of investments in subsidiaries	100,588	89,728
Disposal of investments in associates	16,696	7,320
Acquisition of investments in subsidiaries	(570,780)	(408,550)
Acquisition of investments in associates	(103,525)	(27,130)
Disposal of property and equipment and investment properties	5,596	6,149
Acquisition of property and equipment and investment properties	(139,691)	(125,499)
Disposal of intangible assets	2,471	600
Acquisition of intangible assets	(41,870)	(41,684)
Net cash flows used in investing activities	(9,923,478)	(7,566,732)
Cash flows from financing activities		
Net increase in borrowings	4,765,132	6,866,259
Increase in debentures	140,223,415	130,002,023
Decrease in debentures	(128,455,983)	(123,905,176)
Repayment of lease liabilities	(62,281)	(50,689)
Issuance of stocks	48,920	1,264,774
Proceeds in hybrid capital instruments	499,200	399,360
Repayment of hybrid capital instruments	(60,000)	(70,000)
Payment of dividends of hybrid capital instruments	(122,331)	(110,077)
Dividends paid	(372,933)	(382,614)
Net cash flows provided by financing activities	16,463,139	14,013,860
Effects of exchange rate changes on cash and cash equivalents	215,416	(124,648)
Net increase (decrease) in cash and cash equivalents	362,605	(297,570)
Cash and cash equivalents at the beginning of the year	2,747,098	3,044,668
Cash and cash equivalents at the end of the year	3,109,703	2,747,098

INDEPENDENT AUDITOR’S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING

THE SHAREHOLDERS AND BOARD OF DIRECTORS  
INDUSTRIAL BANK OF KOREA

Opinion on Internal Control over Financial Reporting

We have audited Industrial Bank of Korea’s (the “Bank”) internal control over financial reporting (“ICFR”) based on the Conceptual Framework for designing and operating ICFR established by the Operating Committee of ICFR (the “ICFR Committee”) as of December 31, 2021.

In our opinion, the Bank’s ICFR has been effectively designed and operated, in all material respects, as of December 31, 2021, in accordance with the Conceptual Framework for designing and operating ICFR.

We also have audited, in accordance with the Korean Auditing Standards (“KGAAS”), the separate statement of financial position as of December 31, 2021, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies, and our report dated March 7, 2022 expressed an unqualified opinion thereon.

Basis for Opinion on ICFR

We conducted our audit in accordance with KGAAS. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of ICFR section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of ICFR in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for ICFR

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

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

Auditor’s Responsibilities for the Audit of ICFR

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

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

ICFR Definition and Inherent Limitations

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

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

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



Ernst & Young Han Young  
March 7, 2022

This audit report is effective as of March 7, 2022, the independent auditor’s report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditors’ report date to the time this report is used. Such events and circumstances could significantly affect the Bank’s ICFR and may result in modifications to this report.

## ICFR OPERATING STATUS REPORT

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

We, as the Chief Executive Officer and the Internal Accounting Manager of Industrial Bank of Korea (“the Bank”), assessed operating status of the Bank’s Internal Control over Financial Reporting (“ICFR”) for the year ending December 31, 2021.

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

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

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

Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting’ established by the ICFR Committee.

Based on our assessment, we concluded that the Bank’s ICFR is designed and operated effectively as of December 31, 2021, in all material respects, in accordance with the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’.

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

February 25, 2022  
**Yoon Jong-won**  
Chief Executive Officer  
**Moon Chang-hwan**  
Internal Accounting Manager

## INDEPENDENT AUDITOR’S REPORT

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

#### Opinion

We have audited the consolidated financial statements of Industrial Bank of Korea (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards (“KIFRS”).

#### Basis for Opinion

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

#### Key Audit Matters

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

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

As discussed in Note 2.2.5 (c) of the consolidated financial statements, the Group recognizes loss allowance based on a measurement of the expected credit loss impairment model for loan receivables measured at amortized cost.

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

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



In Note 7 to the consolidated financial statements of the Group, loan receivables measured at amortized cost and loss allowances based on the expected credit loss impairment model amount to ₩288,726,280 million and ₩2,927,161 million, respectively, as of December 31, 2021. Our audit procedures performed for management’s assertion on the measurement of loss allowances on loan receivables measured at amortized cost are as follows:

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.2.5 (g) to the consolidated financial statements. As described in Note 2.2.5 (g), the spread of COVID-19 has a widespread impact on the global economy, which can negatively impact the financial performance of the Group by increasing potential credit losses on assets and potential impairment of assets in a particular portfolio. The Group has prepared the consolidated financial statements with reasonable estimates of the impact of COVID-19 for the year ended on December 31, 2021. However, the ultimate impact therefrom on the Group’s consolidated financial position, consolidated financial performance and consolidated cash flows is not estimable as of December 31, 2021.

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

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

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

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

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

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

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

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

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

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

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

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



Ernst & Young Han Young  
March 7, 2022

This audit report is effective as of March 7, 2022, the independent auditor’s report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor’s report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as of December 31, 2021 and 2020

Korean won in millions	2021	2020
<b>Assets</b>		
Cash and due from banks	19,492,813	12,838,388
Financial assets at fair value through profit or loss	18,608,009	17,501,782
Financial assets at fair value through other comprehensive income	21,458,957	16,615,571
Securities at amortized cost, net	37,695,894	33,534,291
Loans receivables at amortized cost, net	286,301,619	268,688,120
Derivative financial assets for hedge accounting	43,002	126,957
Investments in associates	1,352,215	906,395
Investment properties, net	57,718	57,633
Property and equipment, net	2,170,206	2,116,952
Intangible assets, net	268,842	284,710
Net defined benefit assets	94,473	60,288
Deferred tax assets	32,261	14,757
Other assets	10,495,905	8,870,333
<b>Total assets</b>	<b>398,071,914</b>	<b>361,616,177</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss	2,582,359	3,524,284
Financial liabilities designated at fair value through profit or loss	657,755	808,848
Deposit liabilities	158,251,977	140,941,544
Borrowings	43,191,533	38,132,325
Debentures	143,614,755	131,214,937
Derivative financial liabilities for hedge accounting	103,621	47,655
Provisions	642,108	694,451
Deferred tax liabilities	490,957	410,715
Other liabilities	21,003,000	20,699,069
<b>Total liabilities</b>	<b>370,538,065</b>	<b>336,473,828</b>
<b>Equity</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	4,211,365	4,183,183
Hybrid capital instruments	3,499,180	3,059,888
Capital surplus	1,171,905	1,145,060
Capital adjustment	(92)	(105)
Accumulated other comprehensive income	431,685	471,578
Retained earnings (Regulatory reserve for credit loss December 31, 2021: ₩2,756,940 million December 31, 2020: ₩2,664,855 million) (Regulatory reserve for credit loss estimated to be appropriated December 31, 2021: ₩198,574 million December 31, 2020: ₩92,085 million)	18,073,334	16,158,648
	27,387,377	25,018,252
<b>Non-controlling interests</b>	<b>146,472</b>	<b>124,097</b>
<b>Total equity</b>	<b>27,533,849</b>	<b>25,142,349</b>
<b>Total liabilities and equity</b>	<b>398,071,914</b>	<b>361,616,177</b>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended December 31, 2021 and 2020

Korean won in millions	2021	2020
Interest income:	8,689,462	8,653,892
Interest income on financial assets at fair value through profit or loss	121,215	135,969
Interest income on financial assets at fair value through other comprehensive income and at amortized cost	8,568,247	8,517,923
Interest expenses	(2,561,042)	(3,038,743)
Net interest income	6,128,420	5,615,149
Fee and commission income	976,754	899,434
Fee and commission expense	(345,205)	(335,598)
Net fee and commission income	631,549	563,836
Net gains on financial instruments at fair value through profit or loss	505,049	309,374
Net gains (losses) on financial instruments designated at fair value through profit or loss	(15,450)	(40,701)
Net gains (losses) on derivative financial instruments for hedge accounting	(70,296)	72,096
Gains on disposal of financial assets at amortized cost	251,537	191,041
Net gains from financial assets at fair value through other comprehensive income	94,229	150,361
Insurance losses	(146,559)	(127,114)
Net gains on foreign currency transactions	144,430	224,467
<b>Gross operating profit</b>	<b>7,522,909</b>	<b>6,958,509</b>
Impairment losses on financial assets	(940,428)	(1,528,738)
<b>Net operating profit</b>	<b>6,582,481</b>	<b>5,429,771</b>
General and administrative expenses	(2,598,935)	(2,429,982)
Other operating income	380,575	267,478
Other operating expenses	(1,139,789)	(1,124,785)
Overlay adjustments	6,978	(16,966)
<b>Operating profit</b>	<b>3,231,310</b>	<b>2,125,516</b>
Non-operating income (expenses)	86,599	(38,605)
<b>Profit before income tax</b>	<b>3,317,909</b>	<b>2,086,911</b>
Income tax expense	(891,968)	(538,993)
<b>Profit for the year</b> (Adjusted profit after provision of regulatory reserve for credit losses December 31, 2021: ₩2,227,367 million December 31, 2020: ₩1,455,833 million)	<b>2,425,941</b>	<b>1,547,918</b>

(continued)



Korean won in millions	2021	2020
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Changes in valuation of financial liabilities designated at fair value through profit or loss	46	(239)
Changes in valuation of equity securities at fair value through other comprehensive income	(39,933)	(73,563)
Remeasurements of net defined benefit liabilities	73,247	44,116
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Changes in valuation of debt securities at fair value through other comprehensive income	(150,482)	283
Changes in shares of other comprehensive income of associates	(2,646)	4,151
Exchange differences on translation of foreign operations	129,193	(37,821)
Changes in valuation of cash flow hedge	(10,210)	(6,091)
Changes in valuation of hedges of net investment in foreign operations	(35,338)	16,615
Overlay adjustments	(4,702)	12,392
<b>Other comprehensive income for the year, net of tax</b>	<b>(40,825)</b>	<b>(40,157)</b>
<b>Total comprehensive income for the year</b>	<b>2,385,116</b>	<b>1,507,761</b>
<b>Profit is attributable to:</b>		
Owners of the parent	2,412,459	1,535,705
Non-controlling interests	13,482	12,213
	<b>2,425,941</b>	<b>1,547,918</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	2,371,126	1,495,822
Non-controlling interests	13,990	11,939
	<b>2,385,116</b>	<b>1,507,761</b>
<b>Earnings per share (Korean won)</b>		
Basic earnings per share	2,877	1,977
Diluted earnings per share	2,877	1,977

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended December 31, 2021 and 2020

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

(continued)

	Attributable to owners of the parent							
	Issued capital	Hybrid capital instruments	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Balance as of January 1, 2021	4,183,183	3,059,888	1,145,060	(105)	471,578	16,158,648	124,097	25,142,349
Comprehensive income								
Profit for the year	-	-	-	-	-	2,412,459	13,482	2,425,941
Other comprehensive income for the year								
Gain (loss) on valuation of debt securities at fair value through other comprehensive income	-	-	-	-	(150,494)	-	12	(150,482)
Changes in share of other comprehensive income of associates	-	-	-	-	(2,646)	-	-	(2,646)
Exchange differences on translation of foreign operations	-	-	-	-	128,752	-	441	129,193
Changes in valuation of cash flow hedge	-	-	-	-	(10,210)	-	-	(10,210)
Changes in valuation of hedges of net investment in foreign operations	-	-	-	-	(35,338)	-	-	(35,338)
Net gains on overlay adjustments	-	-	-	-	(4,702)	-	-	(4,702)
Changes in financial liabilities designated at fair value through profit or loss	-	-	-	-	40	-	6	46
Changes in valuation of equity securities at fair value through other comprehensive income	-	-	-	-	(39,933)	-	-	(39,933)
Remeasurement of net defined benefit assets	-	-	-	-	73,198	-	49	73,247
Total comprehensive income for the year	-	-	-		(41,333)	2,412,459	13,990	2,385,116
Transactions with owners								
Issuance of stocks	28,182	-	20,738	-	-	-	-	48,920
Cash dividends	-	-	-	-	-	(372,933)	(2,712)	(375,645)
Dividends for hybrid capital instruments	-	-	-	-	-	(123,426)	-	(123,426)
Issuance of hybrid capital instruments	-	499,200	-	-	-	-	-	499,200
Repayment of hybrid capital instruments	-	(59,908)	-	(92)	-	-	-	(60,000)
Transfer of realized gains or losses on equity investment at fair value through other comprehensive income	-	-	-	-	1,440	(1,440)	-	-
Others	-	-	6,107	105	-	26	11,097	17,335
	28,182	439,292	26,845	13	1,440	(497,773)	8,385	6,384
Balance as of December 31, 2021	4,211,365	3,499,180	1,171,905	(92)	431,685	18,073,334	146,472	27,533,849

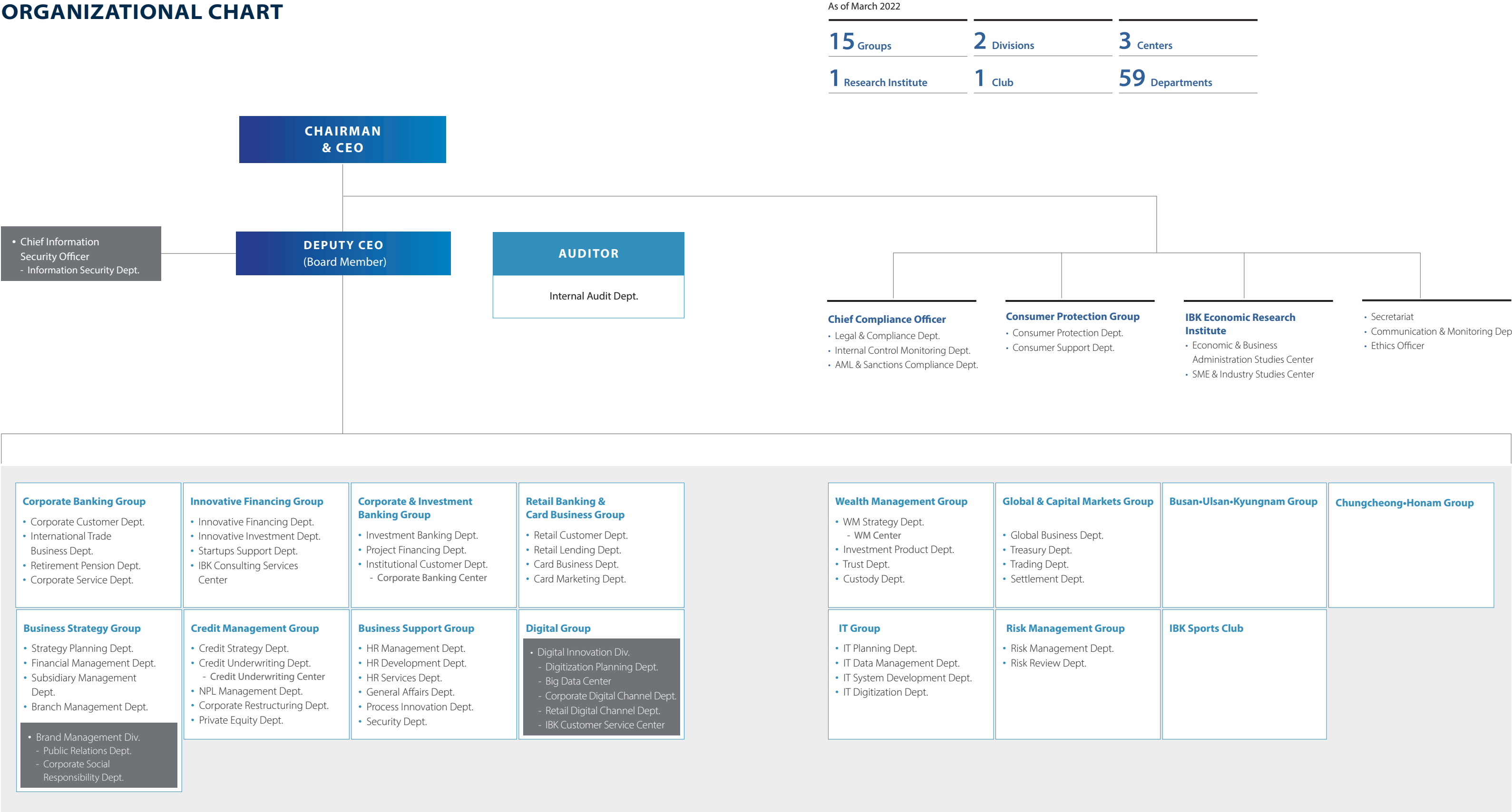
## CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2021 and 2020

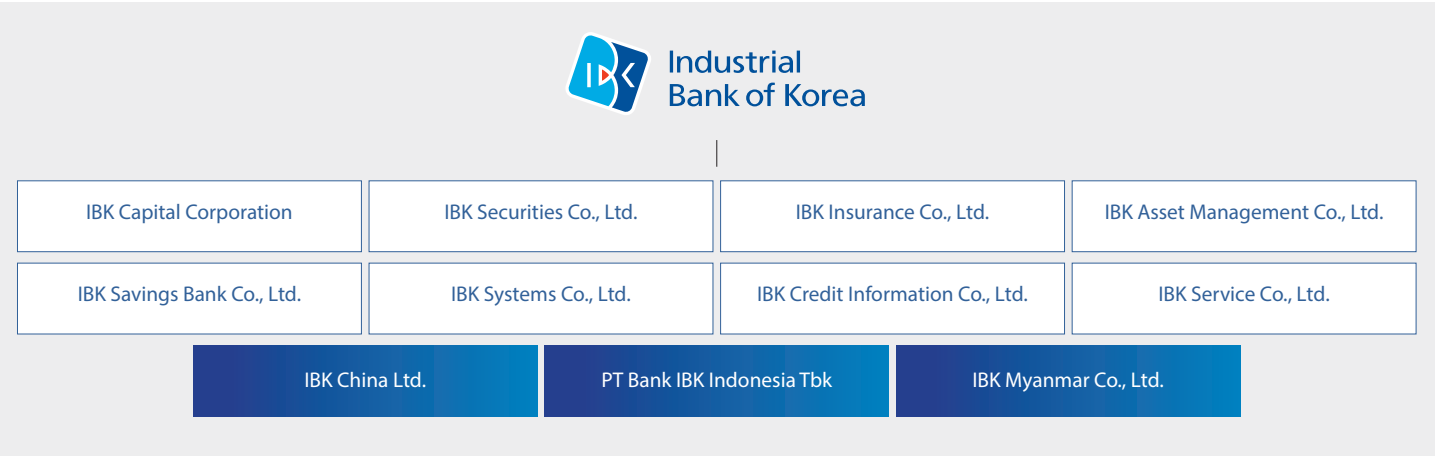
	2021	2020
Cash flows from operating activities		
Profit for the year	2,425,941	1,547,918
Adjustments to reconcile profit for the year to net cash flows used in operating activities	(4,324,537)	(3,683,511)
Changes in operating assets and liabilities	(9,585,817)	(10,747,561)
	(11,484,413)	(12,883,154)
Interests received	8,484,774	8,516,048
Interests paid	(2,716,219)	(3,365,130)
Dividends received	257,291	199,072
Income taxes paid	(487,380)	(405,057)
Net cash flows used in operating activities	(5,945,947)	(7,938,221)
Cash flows from investing activities		
Increase in financial assets at fair value through profit or loss	(35,135,444)	(30,086,130)
Decrease in financial assets at fair value through profit or loss	34,284,932	28,929,023
Increase in financial assets at fair value through other comprehensive income	(21,522,168)	(22,384,567)
Decrease in financial assets at fair value through other comprehensive income	16,446,508	18,537,900
Increase in securities at amortized cost	(13,940,332)	(13,589,717)
Decrease in securities at amortized cost	9,765,024	10,568,103
Proceeds from disposal of investments in associates	142,180	75,331
Acquisition of investments in associates	(486,419)	(130,726)
Proceeds from disposal of property and equipment and investment properties	6,417	15,098
Acquisition of property and equipment and investment properties	(151,782)	(143,980)
Disposal of intangible assets	3,750	3,768
Acquisition of intangible assets	(54,095)	(58,415)
Net cash flows used in investing activities	(10,641,429)	(8,264,312)
Cash flows from financing activities		
Net increase in borrowings	4,971,460	7,506,521
Increase in debentures	145,183,137	132,938,506
Decrease in debentures	(132,952,471)	(125,606,121)
Repayment of lease liabilities	(74,508)	(66,015)
Issuance of stocks	48,920	1,264,774
Proceeds from issuance of hybrid capital instruments	499,200	399,360
Repayment of hybrid capital instruments	(60,000)	(70,000)
Payment of dividends of hybrid capital instruments	(122,331)	(110,077)
Payment of dividends	(375,645)	(385,018)
Net cash flows provided by financing activities	17,117,762	15,871,930
Effects of exchange rate changes on cash and cash equivalents	275,486	(152,277)
Net increase (decrease) in cash and cash equivalents	805,872	(482,880)
Cash and cash equivalents at the beginning of the year	3,800,952	4,283,832
Cash and cash equivalents at the end of the year	4,606,824	3,800,952



ORGANIZATIONAL CHART



SUBSIDIARIES



IBK CAPITAL CORPORATION	Main Business	Date of Establishment	IBK Ownership
	Corporate finance, installment finance	1986	100.0%
IBK Capital provides innovative technology finance, installment finance, lease finance, factoring, and corporate banking services. In 2021, financial assets and net income recorded a historic-high of KRW 9,147 billion and KRW 200.4 billion, respectively. The one-month-and-longer delinquency rate and substandard-and-below loan ratio stood at 0.28% and 0.37%, respectively, demonstrating steady improvements in asset soundness. In meeting the 2022 market outlook of rapid changes amid lingering uncertainties, IBK Capital is pursuing substantial growth to become a leading	financial company. The company is preparing for the new business environment in a post-COVID era with solid profits and sound asset quality. It will achieve sustainable growth through a stable revenue stream, efficient operations, and advanced corporate governance. In line with its vision of a new finance strategy, IBK Capital will constantly develop new markets, new products, and new services, while putting into action its customer-centered thinking to realize true customer happiness.		

IBK SECURITIES CO., LTD.	Main Business	Date of Establishment	IBK Ownership
	IB, trading and wealth management	2008	87.78%
IBK Securities was founded as a financial investment company to support the growth of SMEs and middle-market enterprises in the direct financing market. Its services include initial public offerings (IPOs), rights offerings, M&As, and bond issuances. The company offers differentiated wealth management services and custom-tailored products to serve clients’ investment appetites and needs. In 2021, the company posted a net income of KRW 100.8 billion, renewing its record-high performance for the ninth consecutive year. The company	bolstered its marketing power and synergies through a branch-in-branch system within IBK Bank branches. By focusing its services on SME corporate finance, the company successfully branded itself as an SME-specialized securities firm. In 2022, IBK Securities plans to expand the scope of its financial support system while generating synergies as a member of the IBK Financial Group. It will also refine its systems and processes to ensure sustainable growth in the future.		

IBK INSURANCE CO., LTD	Main Business	Date of Establishment	IBK Ownership
	Pension insurance	2010	100.0%
Established as part of IBK’s business portfolio diversification and non-bank expansion strategy, IBK Insurance’s primary services include individual and corporate retirement pension insurance plans. As Korea’s first pension-based insurer, the company supports SME employees and underbanked people’s financial planning for their retirement. In 2021, the company achieved outstanding performance results of KRW 1.8 trillion in premium income (including retirement pension plans), with its total assets amounting to KRW 10 trillion. Net income stood at an all-time high of KRW 62.7 billion.	In 2022, IBK Insurance will continue with preemptive risk management efforts and reinforce sales competitiveness to substantialize its main business operations. It is also getting ready for the new accounting systems (IFRS17 and K-ICS) that will take effect in 2023 as it continues to work for future growth engines.		

IBK ASSET MANAGEMENT CO., LTD.	Main Business	Date of Establishment	IBK Ownership
	Asset management	2004	100.0%
IBK Asset Management was founded to administer investment products tailored to the varying needs of IBK customers and grow non-interest income. Its asset management products range from equity-type, hybrid-type, and bond-type funds, funds of funds, derivatives, and money market funds (MMFs) to real estate and infrastructure funds. Its main business is collective investments. In 2021, its assets under management (AUM) amounted to KRW 18.5 trillion and its net income was KRW 6.6 billion.	The company has been better serving the bank’s mission of supporting SMEs, too. In addition to launching the IBK Small-and-Mid-Cap Korea Fund that invests in SMEs and their sustainability, the company has expanded its business scope into P-CBO and P-CLO asset management operations. In 2022, IBK Asset Management set its goal at diversifying its investment portfolio. It will also strengthen the ESG investment system and engage in government-driven K-New Deal projects.		

IBK SAVINGS BANK CO., LTD.	Main Business	Date of Establishment	IBK Ownership
	Microcredit Finance	2013	100.0%
IBK Savings Bank was set up to support regionally based SMEs and provide microcredit finance. It offers services for deposit-taking, installment savings accounts, and loans through seven branches located in major cities nationwide. Since its foundation, the company has concentrated on improving its loan asset portfolio, building its assets, and enhancing its asset soundness. As a result, net income reached KRW 17 billion in 2021. As a large-sized savings bank with a loans and deposits balance exceeding KRW 1 trillion, the company collaborated with the Busan Credit Guarantee Foundation	and Busan municipal government to launch a loan product on the collateral of microcredit finance guarantees. In 2022, it obtained an “A” rating, the industry’s top rating, for the fourth consecutive year. The company is now continuing to enhance its microcredit financing and lay the foundation for becoming a top-tier savings bank through substantial growth.		



IBK SYSTEMS CO., LTD.	Main Business	Date of Establishment	IBK Ownership
	IT systems development and management	1991	55.63%
<p>Started as IBK Computer IT Company in 1991, IBK Systems has since grown into a solid partner for IBK Financial Group and a leading financial IT company in Korea over the past 30 years. Today, it is a specialized company providing total financial IT services. With sales of KRW 190 billion, its team of 600 financial IT professionals is poised to realize its core value of true customer happiness.</p> <p>While faithfully serving its mission of building and operating IT infrastructure for the IBK Financial Group, IBK Systems has steadily pursued business diversification. In fact, it has grown beyond the private financial sector to also serve the public sector’s financial IT needs. In anticipation of digital</p>			
<p>innovation becoming the real game-changer of financial IT services, the company is spurring its development of new technologies. To lead the future financial IT industry, it is strengthening its technological prowess in: cloud-based IT infrastructure innovation, RPA-based customer service innovation, the fintech industry, frameworks, next-generation financial UI/UX, financial information security, and big data analysis platforms. In the meantime, IBK Systems will faithfully serve as a financial IT partner to help the IBK Financial Group and other clients reinforce their financial service competitiveness.</p>			

IBK CREDIT INFORMATION CO., LTD.	Main Business	Date of Establishment	IBK Ownership
	Credit information service	2000	100.0%
<p>Established in January 2000, IBK Credit Information conducts credit research, provides customer credit reports, and collects on delinquent loans. In 2021, the intensifying COVID-19 pandemic exacerbated the business environment as the government lengthened its pandemic relief policies to protect the underbanked, curb household debt, and offer deferrals on principal repayment. The company maintained balanced growth between credit research and debt collection, as well as cost reduction and new business expansion. As a result, its sales recorded KRW 30.8 billion and profits KRW 3 billion in 2021.</p>			
<p>In 2022, IBK Credit Information is taking bold steps for substantial and stable growth, such as entering new businesses, securing new customers, and expanding group synergies. It will innovate the work process and embrace digital transformation to build a smart work environment for creative innovation. In addition, the company will foster future leaders and cultivate a communicative and interactive corporate culture to realize an open organization for employee satisfaction.</p>			

IBK SERVICE CO., LTD.	Main Business	Date of Establishment	IBK Ownership
	Workforce sub-contracting	2018	100.0%
<p>IBK Services was established to implement the government’s policy of turning irregular workers into permanent employees in the public sector. IBK was actually the first state-owned bank to organize a fully owned subsidiary for that cause. In January 2020, the company successfully completed its revamp, changing the outsourced maintenance service workforce into full-time employees. Today, its regular employees provide maintenance services at IBK Financial Group’s business premises, performing duties such as cleaning, security, facility maintenance, clerical assistance, cooking, parking management, and customer information. In 2021, the company installed</p>			
<p>a groupware and security system, and adopted a mobile-based working environment for a seamless non-contact field management system. It also undertook reorganization for smooth field management and high-quality services, instituting a system of on-site response teams that can immediately attend to on-site complaints at any of IBK’s business premises. Its prime concerns during the pandemic have been on ensuring a safe and healthy environment as well as top-notch quarantine protocols to help customers use IBK services free of contamination concerns. In addition, the company trains security staff on a regular basis to prevent financial crimes.</p>			

IBK CHINA LTD.	Date of Establishment	IBK Ownership
	2009	100.0%
<p>IBK China was founded in June 2009 by integrating IBK’s five Chinese branches, including its first office in the country, Tianjin, which was opened in 1995. Since then, the company has opened more branches in Tianjin, Shenyang, and Qingdao. It also has a presence in other cities where Korean companies have already planted roots. This brought its total in China to sixteen networks, consisting of eight branches and eight sub-branches, as of December 2021. While enjoying a stable operating base, the company consistently promotes localization for its sustainable growth. It has added to its local customer base by developing locally customized products and increasing both online and mobile channels.</p>		

PT BANK IBK INDONESIA TBK	Date of Establishment	IBK Ownership
	2019	91.34%
<p>PT Bank IBK Indonesia Tbk was launched in September 2019 after receiving approval from the country’s authorities regarding the merger and acquisition of two local banks, PT Bank Agris Tbk and PT Bank Mitraniaga Tbk. PT Bank IBK Indonesia Tbk is now working to stabilize its operations, such as achieving the highest loan growth rate among the various foreign-based banks that have advanced into the country and adopting a two-track marketing strategy targeting Korean and local companies.</p>		

IBK MYANMAR CO., LTD.	Date of Establishment	IBK Ownership
	2021	100.0%
<p>IBK Myanmar obtained its license as a local subsidiary from the Central Bank of Myanmar (CBM) in December 2020. Its first branch commenced operations in Yangon on January 21, 2021. Its service priorities are supporting Korean companies in Myanmar and offering financial/non-financial support to Korean SMEs pursuing opportunities in the local market. It also aims to discover and grow prime SME businesses in the local market.</p>		

MILESTONES

1961 - 2009

Jul. 01, 1961	<i>Small and Medium-sized Business Bank Act</i> (No. 641) enacted
Aug. 01, 1961	Established as Small and Medium-sized Business Bank with paid-in capital of KRW 200 million
Nov. 18, 1968	Relocated head office building to 36, Euljiro-2ga, Jung-gu, Seoul
Nov. 01, 1986	Established Korea Corporate Development Finance
Dec. 03, 1987	Relocated head office building to 50, Euljiro-2ga, Jung-gu, Seoul
Mar. 22, 1991	Established IBK Computing Development
Jul. 21, 1992	Established IBK Installment Finance
Dec. 09, 1994	Increased paid-in capital by issuing public offering worth KRW 180 billion for total of K RW 507.7 billion
Nov. 29, 1997	Changed from government-funded institution to government-affiliated one
Apr. 01, 1999	Established IBK Capital through merger between IBK Development Finance and IBK Installment Finance
Jan. 29, 2000	Invested KRW 200 billion in The Export-Import Bank of Korea
Jun. 24, 2000	Invested KRW 166.7 billion in The Export-Import Bank of Korea
Aug. 04, 2001	Carried out organizational restructuring (adopting a Business Division system)
Dec. 24, 2003	Listed on KOSPI
Oct. 26, 2004	Established IBK SG for asset management
May 27, 2005	Launched Win Class PB brand
Jan. 04, 2007	Declared new corporate identity
May 29, 2008	Established IBK Securities
Jun. 22, 2009	Established subsidiary in China

2010 - 2019

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

2020

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

2021 -

Feb. 02, 2021	Launched IBK BOX POS, an on-the-go POS app for smartphones
Jun. 11, 2021	Established the ESG Committee under the BOD
Jul. 16, 2021	Designated an officer committed to protecting employee rights, a first for any Korean bank
Aug. 31, 2021	SME financing balance exceeded KRW 200 trillion, a first in Korea's financial industry
Sep. 07, 2021	Signed a strategic partnership agreement with Kingdom of Saudi Arabia on establishing a Saudi SME Bank
Sep. 09, 2021	Acquired MyData Service license from the Financial Services Commission
Nov. 16, 2021	Launched the Financial Doctor Service program
Dec. 01, 2021	Launched the i-ONE Personal Finance Management Service



GLOBAL NETWORK & CONTACT INFORMATION

Head Office

Industrial Bank of Korea

79, Eulji-ro, Jung-gu, Seoul,  
Republic of Korea, 04541  
Tel. 82-31-888-8000 (overseas)  
82-1566-2566 / 1588-2588  
(domestic)  
Fax. 82-505-075-0727

Overseas Network

BRANCHES

New York

1250 Broadway 37th Fl, New York,  
NY 10001 U.S.A  
Tel. 1-212-268-6363  
Fax. 1-212-268-0190, 6696

Tokyo

Toranomon Waiko Building 6th Floor  
12-1, Toranomon 5-chome , Minatoku,  
Tokyo 105-0001, Japan  
Tel. 81-3-4477-8200~2  
Fax. 81-3-4477-8203

Hong Kong

Suite 3113, 31/F, Two Pacific Place,  
88 Queensway, Hong Kong  
Tel. 852-2521-1398  
Fax. 852-2596-0920

London

Leaf B 38th Floor, Tower 42,  
25 Old Broad Street, London,  
United Kingdom, EC2N 1HQ  
Tel. 44-20-7256-8900  
Fax. 44-20-7374-2693

Ho Chi Minh

Room 604, 6th Floor, Diamond Plaza,  
34 Le Duan St., Dist.1, HCMC, Vietnam  
Tel. 84-8-3823-2660~1  
Fax. 84-8-3823-2669

Hanoi

Unit 1209, 12F, Keangnam Landmark  
Tower, Pham Hung St, Tu Liem Dist,  
Hanoi, Vietnam  
Tel. 84-24-2220-9001  
Fax. 84-24-6282-2900

New Delhi

No. 403, 4th Floor, Worldmark2 (Asset8),  
Hospitality District, Aerocity,  
New Delhi - 110037, India  
Tel. 91-11-4076-8000~3  
Fax. 91-11-4076-8045

Manila

Unit 801/802 One World Place,  
32nd St, Bonifacio Global City,  
Taguig City, Metro Manila, Phillippines  
Tel. 63-2-643-0700  
Fax. 63-2-643-0701

Phnom Penh

Olympia City, Bluilding s2-23, Preah  
Monireth Blvd (Street. 217), Sangkat  
Veal Vong, Khan 7 Makara, Phnom Penh,  
Cambodia  
Tel. 855-23-964-201  
Fax. 855-23-964-203

REPRESENTATIVE OFFICES

Vladivostok

Lotte Hotel, Office 405, 29,  
Semenovskaya Str, Vladivostok, 690091,  
Russia  
Tel. 62-21-521-1813, 1821  
Fax. 62-21-521-1823

IBK (CHINA) LIMITED

Headquarters

Fl.30, 31, The Exchange 2,  
189 Nanjing Road Tianjin, China  
Tel. 86-22-5885-3500  
Fax. 86-22-5885-3598

Beijing Branch

15F A Tower Sanlitun SOHO B/D,  
No.8 Workers Stadium Road North,  
Chaoyang District, Beijing, China  
Tel. 86-10-8527-0585  
Fax. 86-10-8527-0591

Qingdao Branch

2F, International Development Center,  
36 Miaoling Road, Qingdao,  
China  
Tel. 86-532-8388-8900~3  
Fax. 86-532-8388-8990

Shenyang Branch

Unit A, D, Floor 13, Maoye Center,  
No. 185-2, Qingnian Street,  
Shenhe District, Shenyang,  
Liaoning, China  
Tel. 86-24-8135-1255  
Fax. 86-24-8135-1256

Shenzhen Branch

Unit 1401,1402,1411,1412, Office  
Building T5, QianHai China Resources  
Financial Center, 5035, MengHai  
Avenue, NanShan Street, QianHai  
ShenZhen-HongKong Cooperation  
Zone, ShenZhen, China  
Tel. 86-755-3320-5520  
Fax. 86-755-3320-5508

Suzhou Branch

Room 209A, International Building, No.2  
Suhua Road, Suzhou Industrial Park  
District, Suzhou, Jiangsu, China  
Tel. 86-512-6767-1112~3  
Fax. 86-512-6767-1114

Tianjin Branch

#1201, Tianjin Center office Tower  
No 219, Nanjing Road,  
Heping District of Tianjin, China  
Tel. 86-22-2317-2317  
Fax. 86-22-2332-3050

Wuhan Branch

18F, PingAn International  
Finance Building,  
No. 216 Gongzheng Road, Wuchang  
Area, WuHan, Hubei, China  
Tel. 86-27-8725-8885  
Fax. 86-27-8725-8883

Yantai Branch

Room 303 Sanshui Mansion,  
75 Beima Road, Zhifu District, Yantai,  
Shandong, China  
Tel. 86-535-665-2888~9  
Fax. 86-535-665-2884

Qingdao Chengyang Sub-Branch

1F, 76-18, 76-19, Zhengyang Road,  
Chengyang District, Qingdao,  
Shandong, China  
Tel. 86-532-6895-8800  
Fax. 86-532-6895-8801

Qingdao Economic & Technological Development Zone Sub-Branch

1-2F, No.435 Changjiang East Road,  
Qingdao Economic & Technological  
Development Zone, Qingdao,  
Shandong, China  
Tel. 86-532-8690-8899  
Fax. 86-532-8690-8280

Suzhou Kunshan Sub-Branch

Room 802, 803 Dibao Financial  
Building,168 ChunXu Road, KunShan  
Development Zone, Jiangsu Province,  
China  
Tel. 86-512-3682-6000  
Fax. 86-512-3680-1962

Suzhou Wujiang Sub-Branch

#2805 Pangjin Road,  
Wujiang Economic & Technological  
Development Zone, Suzhou,  
Jiangsu, China  
Tel. 86-512-6363-1115  
Fax. 86-512-6363-2603

Tianjin Dongli Sub-Branch

Tower A, Daheng Financial And  
Business Center, NO.10 Yijing Road,  
Dongli Development District,  
Tianjin, China  
Tel. 86-22-5850-1515  
Fax. 86-22-5850-1523

Tianjin Wuqing Sub-Branch

1F, 5Lu Yuan Road, Wu Qing  
Development Area, Tianjin, China  
Tel. 86-22-5967-8833  
Fax. 86-22-5967-8830

Tianjin Xiqing Sub-Branch

1F-B, Investment Service Center A,  
No. 1 Qianxuesen Road,  
Micro-electronics Industrial park,  
Jingang Highway Xiqing District,  
Tianjin, China  
Tel. 86-22-5868-0066  
Fax. 86-22-5868-0060

Yantai Economic & Technological Development Zone Sub-Branch

No. 106-109 Wanhang Square, No.18  
Hengshan Road, Economic & Tech-  
nological Development Zone, Yantai,  
Shandong, China  
Tel. 86-535-610-7131  
Fax. 86-535-610-7132

PT BANK IBK INDONESIA

Headquarters

Wisma GKBI Suites-1901 Jl. Jend  
Sudirman No. 28, Kota Jakarta Pusat,  
10210, Indonesia  
Tel. 62-21-5790-8888  
Fax. 62-21-5790-6888

Slipi

Wisma 77 Tower 1 lt.1, Jl. Letjen  
S.Parman Kav 77, Slipi, Jakarta Barat  
11410, Indonesia  
Tel. 62-21-5481-877  
Fax. 62-21-5481-260

Salemba

Jl. Salemba Raya 36W (Sentra Salemba  
Mas) - Jakarta Pusat, 10430, Indonesia  
Tel. 62-21-3928-707, 3928-708  
Fax. 62-21-3190-0200

Pantai Indah Kapuk

Jl. Pantai Indah Utara 2, Metro  
Broadway The Gallery Blok 8 No. DG,  
Kel. Kapuk Muara, Kec. Penjaringan,  
Kota Administrasi Jakarta Utara, 14460,  
Indonesia  
Tel. 62-21-3005-1629  
3005-1635, 3005-1639

Mangga Dua Plaza

Komplek Harco Mangga Dua Plaza blok  
K No. 5, Sawah Besar, Jakarta Pusat,  
10730, Indonesia  
Tel. 62-21-6121-407, 6121-408  
Fax. 62-21-6121-056

Tanah Abang

Jl. Wahid Hasyim No, 141C, RT 011/002,  
Tanah Abang 10250, Indonesia  
Tel. 62-21-3908-963  
Fax. 62-21-3909-327

Rawamangun

Jl. Pemuda Blok W Kaveling no. 706, RT 008, RW 05, Kelurahan Jati, Kecamatan Pulogadung, Kota Administrasi Jakarta Timur, 13220, Indonesia  
Tel. 62-21-2248-3240  
Fax. 62-21-2248-3241

Taman Palem

Perumahan Taman Palem Lestari Blok A11 No. 29, Cengkareng, Jakarta Barat, 11730, Indonesia  
Tel. 62-21-2941-1675  
Fax. 62-21-5595-3317

Kebon Jeruk

Rukan Kencana Niaga Blok D1 No. 3P, Meruya Utara, Jakarta Barat (Kebon Jeruk), 11620, Indonesia  
Tel. 62-21-5858-577  
Fax. 62-21-2568-4324

Pondok Indah

Jl. Arteri No. 18 E, RT 001, RW 002, Kel. Kebayoran Lama Selatan, Kec. Kebayoran Lama, Jakarta Selatan 12240, Indonesia  
Tel. 62-21-2793-2120  
2793-2108

Bekasi

Jl. Bulevar Ahmad Yani, Ruko Cluster Graha Bulevar, Blok GB/A/10, Kel. Harapan Mulya, Kec. Medan Satria, Bekasi, Jawa Barat 17143, Indonesia  
Tel. 62-21-8949-0381  
Fax. 62-21-8886-0458

Tanjung Duren

Jl. Tanjung Duren Raya Blok B IV No. 74, Jakarta Barat, 11470, Indonesia  
Tel. 62-21-5695-4490  
Fax. 62-21-5647-348

Sunter

Jl. Danau Sunter Utara Blok F20 No. 20 RT011/RW12, Sunter Agung, Tj. Priok, Jakarta Utara, 14350, Indonesia  
Tel. 62-21-6530-6192  
Fax. 62-21-6530-6191

Wisma GKBI

Wisma GKBI Suites-UG01 JL.Jend Sudirman No. 28, Kota Jakarta Pusat, 10210, Indonesia  
Tel. 62-21-5790-8888  
Fax. 62-21-5790-6888

Muara Karang 1

JL. Muara Karang Raya Blok B7 No. 109 , Jakarta Utara, 14450, Indonesia  
Tel. 62-21-6669-1066,  
6669-0599  
Fax. 62-21-6615-688

Kelapa Gading

Jl. Boulevard Barat Blok LC 8 No. 6, Kelapa Gading, Jakarta Utara, 14240, Indonesia  
Tel. 62-21-4585-3527,  
4585-3531  
Fax. 62-21-4585-3526

Cikarang Thamrin

Jl. MH. Thamrin, Komp. Ruko Thamrin Blok B-3, Cibatu, Cikarang Selatan, Kabupaten Bekasi 17530, Indonesia  
Tel. 62-21-8061 5702

Gading Serpong

Jl. Boulevard Gading Serpong, Ruko Alexandrite Blok ALX 3 No. 10, Kelapa Dua, Tangerang, 15810, Indonesia  
Tel. 62-21-5422-0638,  
5422-0639, 5422-0640  
Fax. 62-21-5421-6350

Wisma Indocement

Jl. Jend. Sudirman Kav. 70-71 Lt. 12, Jakarta Selatan, 12910, Indonesia  
Tel. 62-21-5224-088,  
5223-968

Mangga Dua Pasar Pagi

Gedung Pusat Grosir - Pasar Pagi Mangga Dua Lt. 2 Blok KA No 004, Jakarta Utara, 14430, Indonesia  
Tel. 62-21-6230-6659  
Fax. 62-21-6231-8814

Karawaci Pinangsia

Jl. Imam Bonjol, Karawaci Office Park Blok A no. 3, Kel. Panunggangan Barat, Kec. Cibodas, Tangerang, Banten, 15138, Indonesia  
Tel. 62-21-5512-825,  
5512-844

Teluk Betung

Jl. Ikan Tongkol 01-03, Teluk Betung , Bandar Lampung, 35223, Indonesia  
Tel. 62-721-4713-00  
Fax. 62-721-4746-56, 4746-57

Kartini

Jl. R.A. Kartini No. 68 C Tanjung Karang, Bandar Lampung, 35116, Indonesia  
Tel. 62-721-5600-088  
Fax. 62-721-5600-099

Palembang

Jl. Kolonel Atmo No. 583 C-D, Kel 17.ilir, Kec.ilir timur 1, Palembang, Sumatera selatan, 30125, Indonesia  
Tel. 62-711-3189-98  
Fax. 62-711-3542-91

Palang Merah

Jl. Palang Merah No. 112 AAA, Medan, 20112, Indonesia  
Tel. 62-61-4527-878  
Fax. 62-61-4522-336

Asia

Jl. Asia No. 93, Medan, 20214, Indonesia  
Tel. 62-61-7334-445  
Fax. 62-61-7334-443

Pekanbaru

Jl. Riau No. 38 G, Pekanbaru, 28292, Indonesia  
Tel. 62-761-4228-8  
Fax. 62-761-4108-8

Raden Saleh

Jl. Raden Saleh No. 8B, Kel.bubutan, Kec. bubutan, Surabaya, 60174, Indonesia  
Tel. 62-31- 5358-988, 5357-252  
Fax. 62-31-5358-188

HR Muhammad

Jl. HR. Muhammad No. 75B, Kelurahan Pradah Kalikendal, Kecamatan Dukuh Pakis, Surabaya, Jawa Timur, 60226, Indonesia  
Tel. 62-31-7329-068, 7329-069  
Fax. 62-31-7329-078

Semarang

Jl. MT. Haryono, Ruko Mataram Plaza Blok A No. 9, Semarang, 50126, Indonesia  
Tel. 62-24-3563-328, 3563-327,  
8644-9095, 8644-9094  
Fax. 62-24-3562-380

Solo

Jl. Veteran No. 217, Serengan, Surakarta, 57155, Indonesia  
Tel. 62-271-6302-02  
Fax. 62-271-2935-958

Bandung

Jl. Lengkong Kecil No. 12A, Bandung, 40261, Indonesia  
Tel. 62-22-4209-998  
Fax. 62-22-4208-615, 4208-611

Pontianak

Jl. Ir. H. Djuanda No. 57-58, Pontianak,Kalimantan Barat, 78117, Indonesia  
Tel. 62-561-5717-18  
Fax. 62-561-5717-17

IBK MYANMAR CO., LTD.

Yangon Headquarters/Branch

Unit 3-8, No. 5/D, Corner of Pyay Road and Yoma Yeik Thar Street, Ward 2, Kamayut Township, Yangon

CONTACT INFORMATION

Global Business Department

Correspondents' Banking

Tel. 82-2-2031-5614

Overseas Network Information

Tel. 82-2-2031-7586

International Trade Business

Department

Import/Export

Tel. 82-2-729-7421

Letter of Credit Advising

Tel. 82-2-729-6091

Letter of Credit Issuance

Tel. 82-2-729-7222

Remittance Inquiries

Tel. 82-2-729-9081

Trading Department

Financial Derivatives

Tel. 82-2-729-7963

Foreign Exchange Trading

Tel. 82-2-729-7945

Settlement Department

Settlement

Tel. 82-2-729-7053

Treasury Department

Debt Capital Market

Tel. 82-2-729-6848

Money Market Transaction

Tel. 82-2-729-7698

Investment Banking Department

Securities Investment

Tel. 82-2-729-6653

Financial Management

Department

Investor Relations

Tel. 82-2-751-3867

AML & Sanctions Compliance

Department

Tel. 82-2-751-3767

Risk Management

Department

Tel. 82-2-729-6785

IT System Development

Department

Tel. 82-31-229-2479





79, Eulji-ro, Jung-gu, Seoul, Republic of Korea, 04541

Tel. 82-2-729-6114

Fax. 82-505-075-0727

<http://www.ibk.co.kr>