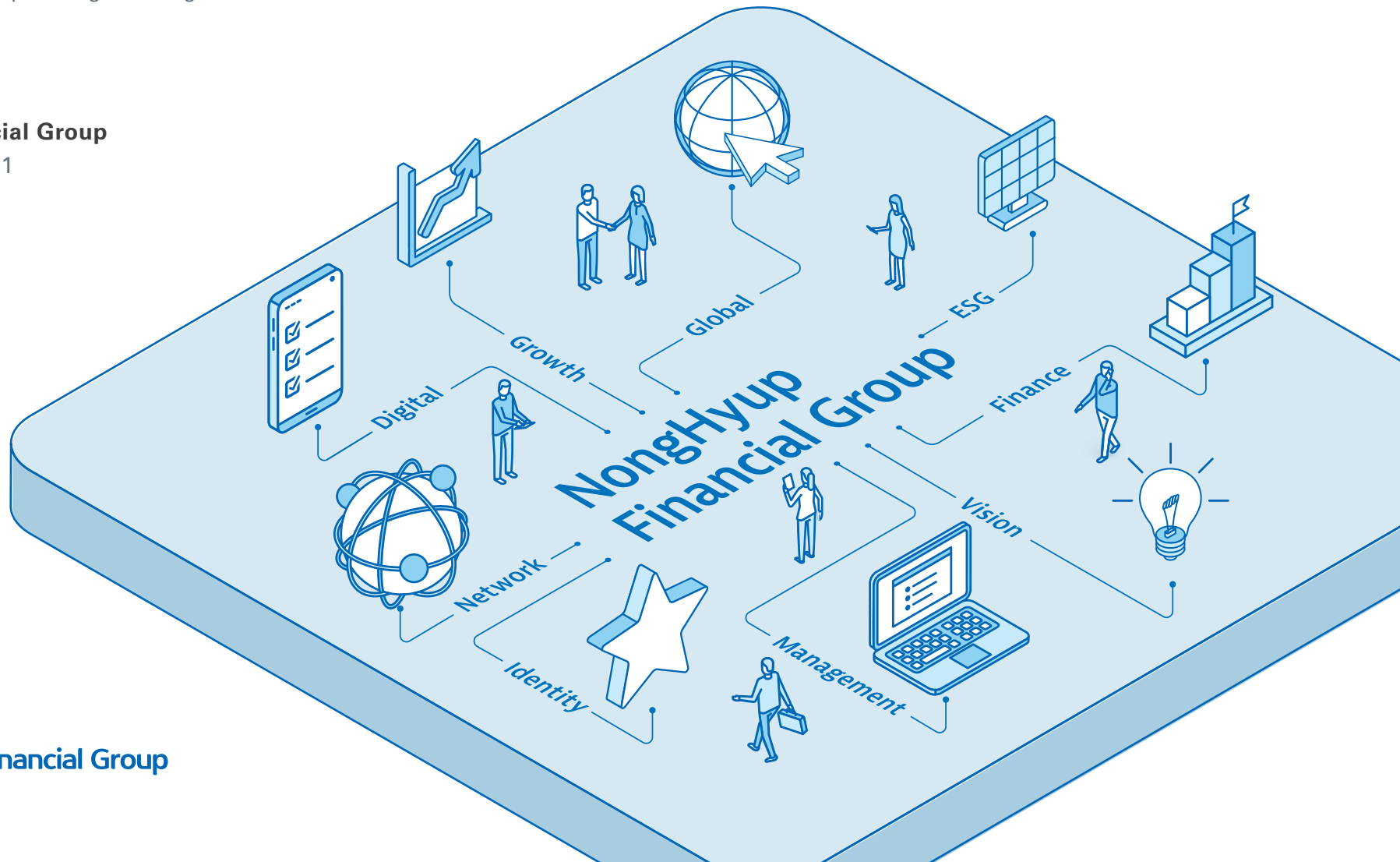


# Every Moment in Finance Along with NH beyond a century



NongHyup Financial Group vows to reach new heights for the next decade to come with a goal of emerging as a best-in-class player in agricultural cooperatives finance pursuing mutual growth with customers.

**NongHyup Financial Group**  
Annual Report 2021



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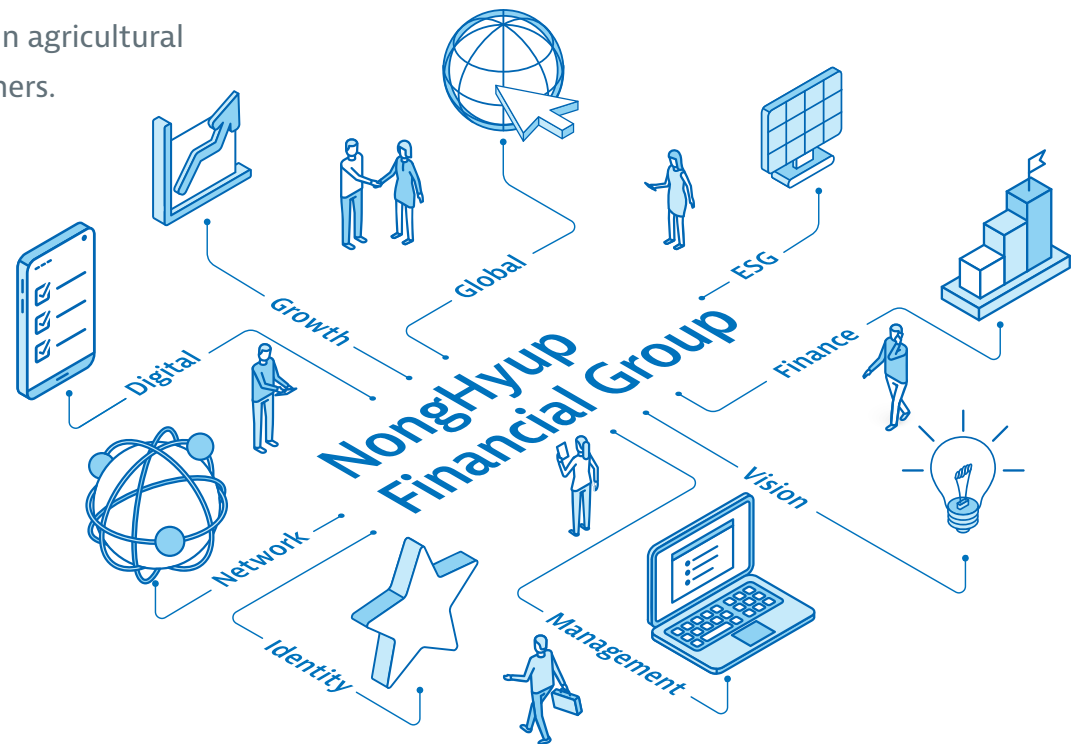
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# Every Moment in Finance Along with NH beyond a century

NongHyup Financial Group, having grown hand-in-hand with the agricultural community throughout the six-decade history of NongHyup, is now cementing its profile as a pioneer in the Korean financial industry and evolving into Asia's leading global cooperatives financial group.

NongHyup Financial Group vows to reach new heights for the next decade to come with a goal of emerging as a best-in-class player in agricultural cooperatives finance pursuing mutual growth with customers.



# A Message from Our CEO

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Let me begin by extending my heartfelt gratitude for your unwavering trust and encouragement for NongHyup Financial Group.

Looking back on the year 2021, all our employees at NongHyup Financial Group (NHFG) reached meaningful milestones even in the face of strong headwinds.

We established our ESG management system and declared our carbon neutrality initiative, officially making commitment to transforming into a leading ESG financial institution for sustainable management. We also laid the groundwork for MyData business and worked to create a customer-centric end-to-end financial platform to pave the way to sharpen our digital competitiveness. The extension of insurance exceptions granted on agricultural/livestock cooperatives, the expansion of the stable business base for crop disaster insurance, the 100% renewal of local government coffer contracts, the opening of the London Representative Office, and the approval awarded on NongHyup Bank's Beijing Representative Office are just some of the numerous achievements that we made last year.

Such noteworthy outcomes were only possible due to the steadfast support of our customers and the dedication of all our employees at NongHyup Financial Group.

In 2022, we aim to emerge as a world-class financial group that grows hand-in-hand with customers even amid the economic uncertainties caused by COVID-19 and the strong currents that emerge in the financial landscape, and will focus on the following six priorities.

**First, we will conduct digital business from the viewpoint of customers.**

We will remain focused on accurately identifying and reflecting changing customer needs to better integrate our financial services into their daily lives. We are willing to seek any change in our business model and method as well as in products and services unless they are no longer desired by our customers, even if they have served us well so far. When the need arises, we are ready to pursue innovation even in our internal systems and working methods from the viewpoint of customers.



[www.nhfgroup.com](http://www.nhfgroup.com)

### **Second, we will commit to internalizing ESG management.**

Last year, we established our own ESG management system based on our strong philosophy that NongHyup is synonymous with ESG in order to contribute to the public, local communities and the environment. Building upon this achievement, we will now further advance our ESG management and fully integrate ESG into the entire business operations. In particular, we will ensure that we achieve carbon neutrality and establish a climate risk management system as a way to build a climate change response framework.

### **Third, we will pursue the stable development and capacity building of our global business.**

In markets where we already have presence, we will improve our business model for increased profitability, and in newly-opened locations, we will focus on operational stabilization in their early phase. We will identify and promote the success stories of our unique global business models and proactively facilitate synergy among affiliates in countries where they jointly operate.

### **Fourth, we will strengthen our capabilities in wealth management and retirement finance for customers.**

It is essential that we provide stable and advanced wealth management services to earning trust from customers as a reliable and trustworthy asset manager. This is why we are consistently upgrading our NH Asset+, NongHyup Bank's virtual comprehensive personal wealth management service, as well as NH Investment & Securities' digital wealth management service to deliver differentiated daily financial services. Meanwhile, we will be fully committed to elevating our professional wealth management and retirement consulting capabilities at NH All 100 comprehensive wealth management centers that serve as NongHyup Bank's specialized branches and at NH Investment & Securities' Centenarian Age Research Center.

### **Fifth, we will build preparedness for the future at NHFG.**

Today, our competitive edge is determined by how we understand the emerging trends, from the platform ecosystem and universal banking to metaverse and NFTs, and how we respond to them accordingly. We will focus on self-development to build expertise as financial specialists capable of navigating the shifting landscape while nurturing our insights and convergence-driven thinking to sense and predict the overarching financial trends of our time.

### **Sixth, we will faithfully fulfill our role as the profit center for the entire NongHyup operations.**

This January, NHFG received KRW 1.1 trillion investment from the National Agricultural Cooperatives Foundation for the first time since its founding.

We will fully use these invaluable resources to boost our asset growth and expand our profit while faithfully fulfilling our responsibility as the profit center for the entire NongHyup operations, doing our very best to provide reliable support for agriculture, rural communities, and local agricultural/livestock cooperatives.

Dear Respected Customers,

While we are aware that the road ahead of us won't be always easy and uneventful, each and every one at NHFG vows to take on our given duty with proactive and enterprising attitudes with a deep sense of calling.

This year is deeply meaningful as it marks the 10th anniversary of NongHyup Financial Group. For the upcoming decade, we will do our utmost to reach out even closer to customers with a goal of emerging as Korea's top-tier financial institution.

We look forward to your continued interest in and encouragement for us. We wish you all good luck and most of all, we wish you and your loved ones health and happiness.

Thank you.

March 2022

**Son, Byung Hwan**

Chairman & CEO  
NongHyup Financial Group

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# A New Decade, NHFG

We have evolved into Asia’s leading global cooperative financial group.

NongHyup Financial Group, since it's launching as a holding company in 2012, has laid the foundation to pursue profitability and successfully closed M&A deals, paving the way to evolve into an industry-leading financial group. In 2021, NHFG reached KRW 687 trillion in total group assets (including AUM) and KRW 2.3 trillion in net income to faithfully fulfill its role as a NongHyup-wide profit center.

While the upcoming decade presents uncertainties that stem from the 4th Industrial Revolution, the New Cold War and the New Normal, NHFG will stay ahead of the competition in its own distinctive ways in the digital, global and ESG areas.

To reach our future vision, each one of us will develop advanced expert knowledge and gain insights into the future, and all affiliates will relentlessly compete in their own field to emerge as an industry leader. We pride ourselves on being a member of NongHyup and commit to moving beyond Korea and becoming a partner for our customers at every moment of their financial life.

The sum of such endeavors will help NHFG fulfill its given role as a NongHyup-wide profit center and stand tall as a leading financial group recognized for its global competitiveness. The philosophy of cooperation and innovation that is embedded into the unique cultural fabric of NongHyup will drive our commitment to heading toward a new decade and evolving into a centennial partner.



**Our journey for the past decade and our renewed commitment for a new decade at NHFG**

**2012 - 2013**

Founded NongHyup Financial Group  
Pursued growth with a focus on banking and life insurance business

**Business Strategy**

Strengthen the competitiveness of banking business (retail/SMEs/coffer)



### 2014 - 2015

Pursued M&As in securities business  
Reinforced the profit base

**Business Strategy**

Generate synergy (performance management, integrated customer management, etc.)

### 2018 - 2019

Launched REIT management and  
venture business Completed a portfolio  
as a comprehensive financial group

**Business Strategy**

**Global:** Realign the global strategy  
(partnership-based+NongHyup-wide GIB)

**Digital:** Establish group-wide DT strategy,  
launch NongHyup-wide integrated membership

### 2020 - 2021

Embraced ESG management  
Laid the basis for value-driven  
management

**Business Strategy**

Advance DESIGN management

Accelerate digital transformation

Build ESG management infrastructure



### 2016 - 2017

Improved business fundamentals through  
big bath accounting Focused on banking,  
life insurance and securities business as  
3 key pillars

**Business Strategy**

**Global:** Expand the network  
(advance into Hong Kong, the US, and China)

**Fintech:** Launch AllOne Bank,  
strengthen the big data application system



### NEW VISION

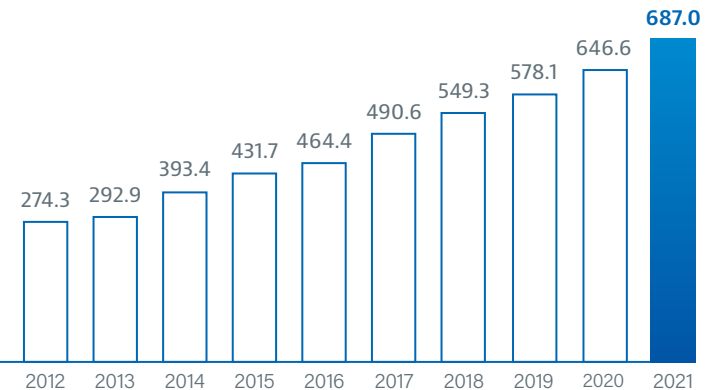
'Every Moment in Finance  
Along with NH beyond a century'

**Total Group Assets**

(KRW in trillion, including AUM)

**687.0**

KRW in trillion



# Financial Highlights

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(unit: KRW in billion, %)

		2021	2020	YoY	%
<b>Profitability</b>	Operating income	4,263.4	3,223.9	1,039.5	32.2
	Net income	2,814.4	2,048.8	765.6	37.4
	Net income attributable to controlling interests	2,291.9	1,735.9	556.0	32.0
	Net income attributable to controlling interests (before agricultural assistance expenses)	2,603.4	2,035.3	568.1	27.9
	RoA*	0.56	0.44	0.12	
	RoE**	9.89	7.87	2.02	
	RoA (before agricultural assistance expenses)***	0.63	0.51	0.12	
	RoE (before agricultural assistance expenses)	11.23	9.22	2.01	
<b>Business volume</b> (KRW in trillion)	Total assets	506.9	483.5	23.4	4.9
	Total assets (including AUM)	687.0	646.6	40.4	6.2
	Shareholders' equity	27.9	26.0	1.9	7.3
	Attributable to controlling interests	23.8	22.7	1.1	4.8
	Loan assets	318.6	287.9	30.7	10.7
	Deposit liabilities	299.5	278.5	21.0	7.5
<b>Capital adequacy</b>	Total capital ratio	15.45	15.18	0.27	
	Common equity tier 1 ratio	12.50	12.55	-0.05	
	Tier 1 ratio	13.99	13.69	0.30	
<b>Asset quality</b>	NPL ratio	0.36	0.48	-0.12	
	NPL coverage ratio	187.49	140.01	47.48	

\* ROA: Based on consolidated net income and the average of total assets

\*\* ROE: Based on net income attributable to controlling interests and the average of shareholders' equity attributable to controlling interests

\*\*\*Agricultural assistance expenses: Expenses levied on NH Bank and other subsidiaries by the NACF in accordance with Article 159 Section 2 of the Agricultural Cooperative Act for the stable procurement of funds necessary to carry out projects to support members and member cooperatives such as promoting agricultural product processing centers (the same hereafter).





## NET INCOME

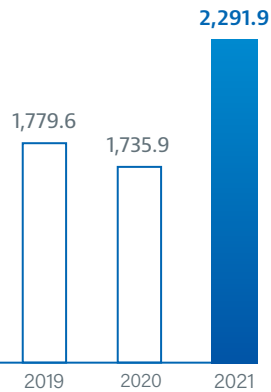
### Net income attributable to controlling interests

(KRW in billion)



**2,291.9**

KRW in billion



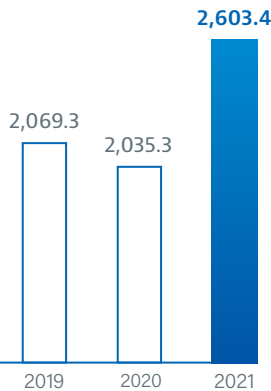
### Net income attributable to controlling interests (before agricultural assistance expenses)

(KRW in billion)



**2,603.4**

KRW in billion



## TOTAL ASSETS

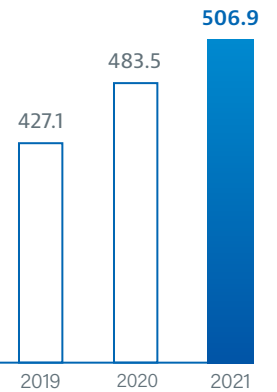
### Total assets

(unit: KRW in trillion)



**506.9**

KRW in trillion



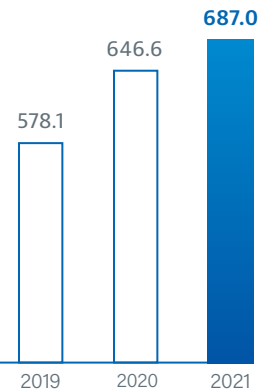
### Total assets (including AUM)

(unit: KRW in trillion)



**687.0**

KRW in trillion



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\* ROA: Based on consolidated net income and the average of total assets

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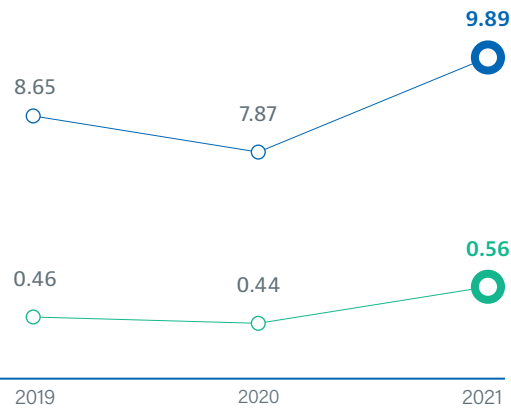


## ROA / ROE

### RoA / RoE

(%)

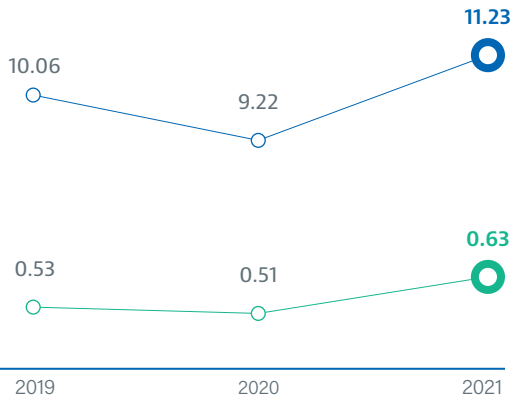
- RoE
- RoA



### RoA / RoE (before agricultural assistance expenses)

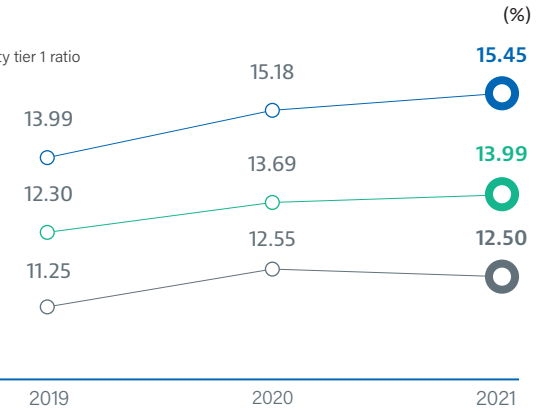
(%)

- RoE
- RoA



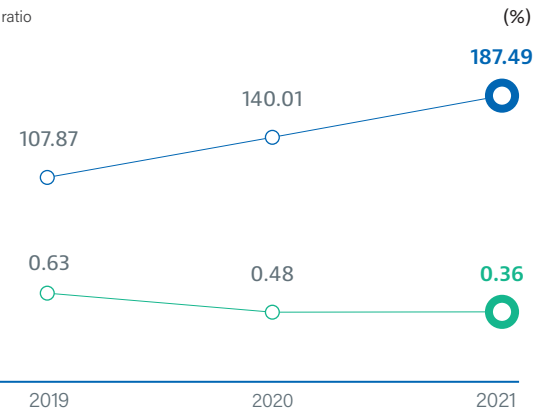
## CAPITAL ADEQUACY

- BIS ratio
- Tier 1 ratio
- Common equity tier 1 ratio



## ASSET QUALITY

- NPL coverage ratio
- NPL ratio



# FOCUS ON

## **A new decade to come for NHFG**

### **Elevating future value along with quality-driven growth**

In celebration of its 10th anniversary, NongHyup Financial Group (NHFG) defined a new vision of 'NHFG, a centennial partner for every moment of your financial life' in March 2022 to present its identity and future way forward.

This new vision embodies our commitment to evolving into a financial group with long-lasting viability by delivering satisfaction at every customer touchpoint on the back of NongHyup-wide synergy and digital competitiveness and by creating a daily financial ecosystem spanning both finance and non-finance.

To attain this vision, we have set five key priorities – nurturing key channels on the daily financial platform, conducting differentiated global business, advancing ESG management, solidifying our status as a specialized agricultural financial institution, and forming financial partnerships along the customer's life cycle - and will establish a sustainable management system from the long-term perspective for the next decade and beyond to build full preparedness against any possible crisis.

At NHFG, we aim to look back on our achievements and milestone for the past decade since our shift into a financial holding company and to emerge as a best-in-class financial group who pioneers the finance of tomorrow through transformation and innovation for the upcoming decade.

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018 ESG

030 Global Finance

038 Balanced Growth

044 Identity

052 Risk Management

# Digital Finance

## Strengthening Our Digital Financial Competitiveness

NongHyup Financial Group will swiftly pursue digital financial innovation and establish a competitive digital platform to provide specialized services and cement its position as a leading digital financial institution.

# Digital Transformation (DT) Strategy

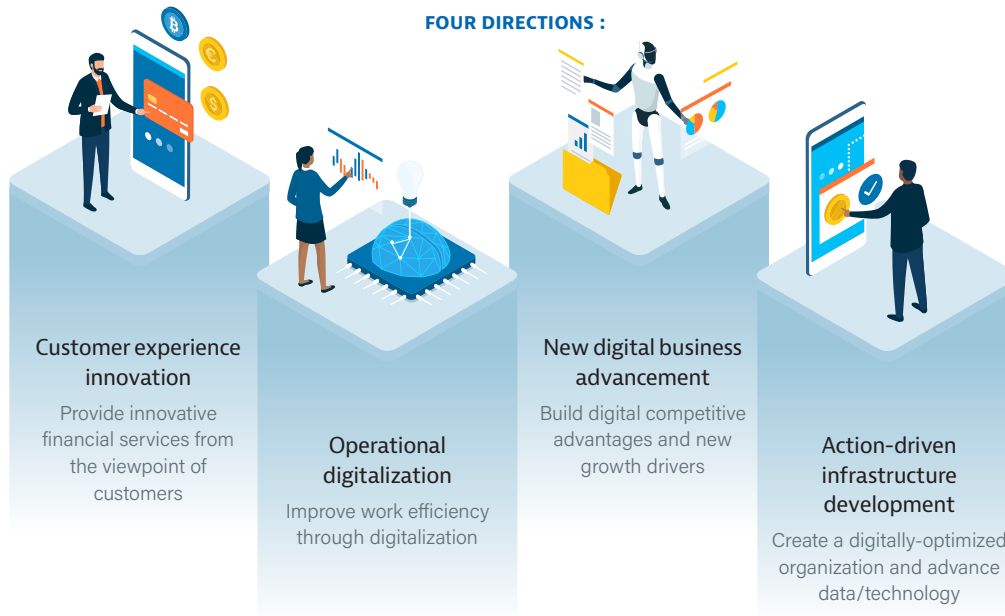
## Declaring the Vision of 'New Humanity by Digital NH'

We declared our digital transformation vision of 'New Humanity by Digital NH' and have reinforced our system to pursue the innovation of internal work processes for employees at all levels as well as the innovation of digital aspects of our products and services at customer contact points.

We developed a group-wide Digital Transformation (DT) strategy and identified four directions for the success of DT (customer experience innovation, operational digitalization, innovative new business execution, and implementation infrastructure development). Supporting and managing the implementation of 347 DT tasks across our banking, credit card, life insurance, property insurance and securities affiliates, we accelerate our 'transformation into a digital company'.

**VISION:**  
**New Humanity by Digital NH**

**FOUR DIRECTIONS :**



**347**

**DT tasks**

Support and manage the implementation of 347 DT tasks across banking, card, life insurance, property insurance, securities and other financial subsidiaries

# Major Achievements and Goals

## Major Achievements in 2021

During the course of 2021, we laid the basis for our digital business (MyData) and expedited our digital transformation to provide innovative customer experience.

To expand the basis for our digital business and deliver customer-centric service, NongHyup Bank and NH Investment & Securities launched advanced data-enabled wealth management service following their acquisition of the MyData business license. NongHyup Bank's NH Asset+ recruited more than one million customers in just 10 months since its launching and gained high scores in external customer evaluations to prove its competitive edge.

All our affiliates identified and implemented a range of DT tasks for customer experience innovation. Prime examples include the online application service (NongHyup Bank), TM Insurance Smart Customer Check Service (NongHyup Life Insurance), the self-administered coverage analysis service (NongHyup Property & Casualty Insurance), the streamlined virtual card issuance process (NH Card), and the trading of overseas stocks in decimals (NH Investment & Securities), which all contribute to delivering greatest-possible customer convenience.

Such endeavors helped us induce customers through digital channels and substantially expand our business. As of the end of 2021, the number of subscribers to our AllOne Bank, Namu and other major mobile applications surged by 32.9% from the previous year to 27.90 million in total (including redundancies).



# 27.90 million

**Mobile Application Subscribers**

32.9% growth against 2020 in the number of subscribers of AllOne Bank, Namu and other major mobile applications (including redundancies)

## Action Plans for 2022

### Emerging into a best-in-class digital financial institution

Under the goal of achieving 'All-Digital to meet the real-life needs of customers,' NHFG aspires to be a platform business for the next decade of digital finance and will deliver tangible business outcomes that truly satisfy customers by implementing digital innovation business as follows.

#### 1. Create a comprehensive financial platform

We will create a comprehensive financial platform to prepare for the upcoming era of universal banking and enable customers to meet their needs conveniently and quickly through one single app throughout their financial life.

#### 2. MyData service

We will establish a group-level system and expand the associated business infrastructure to improve our competitive edge in line with the full-fledged implementation of MyData service.

#### 3. Boost data business

We will build data analytics infrastructure and assist affiliates in strengthening their data competency to facilitate data business at all levels.

#### 4. Establish future digital competitiveness

We will explore the possibility of leveraging a range of new digital technologies (AI, metaverse) to establish our future digital competitive edge and pave the way to introduce innovative financial services.

#### 5. Secure digital talent

We will develop and implement group-wide strategies to recruit and expand digital talent while nurturing in-house ventures to identify new innovative business opportunities and create an enterprising organizational culture.

#### 6. Create a culture of DT innovation

We will strengthen our role as a control tower for group-wide digital transformation and create a culture which ensures that CEOs of our affiliates take the responsibility for executing digital transformation and innovation.

# Laying the Basis for MyData Business

We have launched MyData business (personal credit information management business) to render our financial services more convenient and our data competitiveness stronger.

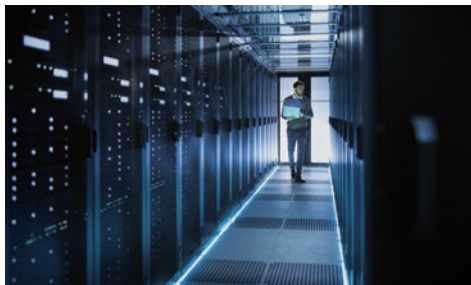
MyData services provide customers with an at-a-glance view of their credit information scattered across multiple institutions so that they can easily manage such information and access customized product recommendations and asset management services. According to the Ministry of Science and ICT, the Korean data industry market, including MyData business, is estimated at KRW 19.3 trillion as of 2020, up by 18.7% from the previous year, and is expected to continue its high growth trajectory.

NongHyup Bank obtained the official MyData business license from the Financial Services Commission on January 27, 2021, and unveiled 'NH MyData' on December 1 the same year which offers comprehensive and daily financial services including financial planning, year-end tax adjustment consulting, car management, and personalized governmental benefits.

NH Investment & Securities also acquired the official license on November 15, 2021, and officially opened its MyData service on January 5, 2022 to provide investment performance reports, personal financial statements and personal consumption data under the slogan of 'This is where all your wealth management starts.'

NongHyup Life Insurance is preparing to establish its own MyData service platform with a goal of applying for a preliminary license in Q2 2022 and obtain the official license in 2023.

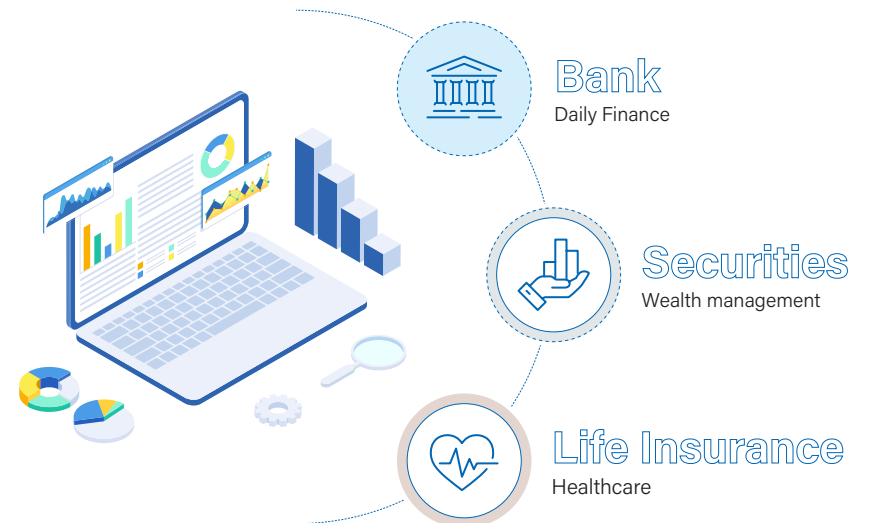
We will provide financial coverage along each phase of the customer life cycle on the basis of the three pillars of daily finance + wealth management + healthcare.



## Plan for 2022

 <p>NH Bank</p>	<p><b>Establish the role of leading customer-side platform</b>                  * Establishment (Feb 2021) and advancement of personal comprehensive asset management service (PFM)</p>
 <p>NH Investment &amp; Securities</p>	<p><b>Provide specialized services focused on investment advice and high net worth individuals</b>                  * Establish Data/AI-based investment advisory PFM service (Aug 2021)</p>
 <p>Other affiliates</p>	<p><b>Enhance the competitiveness of proprietary business and products using data</b>                  * Strengthening the capability to supply integrated products by business sector, etc.</p>

## NHFG's MyData Ecosystem



## Pursuing a Customer-centric Comprehensive Financial Platform

NHFG plans to transform AllOne Bank, NongHyup Bank's easy banking service, into a comprehensive financial platform and unveil this new platform in June 2022. This aims to dramatically improve customer convenience by allowing them to access all key financial services of our affiliates that they frequently use on this single platform without the need to install multiple apps.

In addition to the existing easy banking services of balance check, transfer and remittance, such core banking functionalities as wealth management and product subscription will be added to further expand the scope of our financial service offerings beyond online-only banking to general-purpose one.

We will also gradually expand our financial services that are closely connected to customers' daily life, launching a small-sum gold investment service and allowing customers to use their NH Members points for product subscription among others.

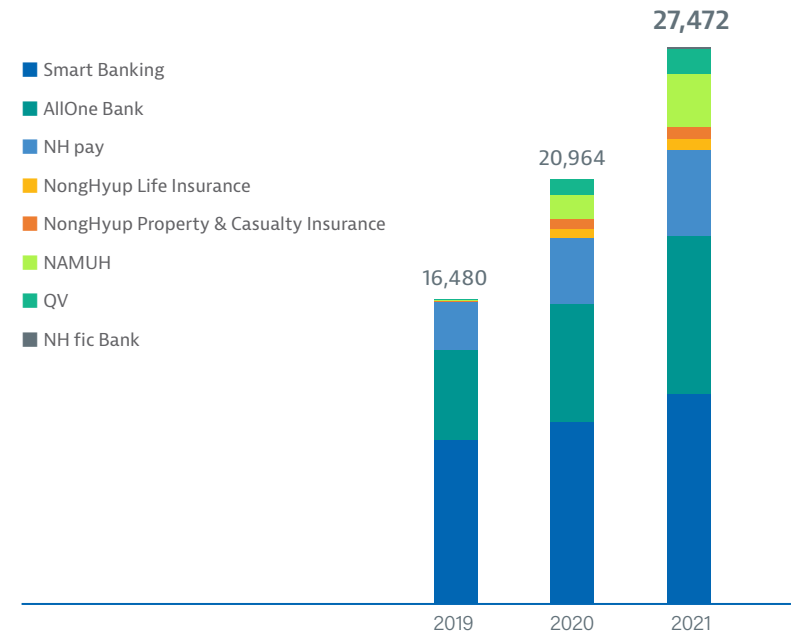
We plan to migrate our AllOne Bank platform infrastructure into the cloud environment this year. This will help prevent system failures by automatically increasing capacity in the event of traffic congestion and is expected to bring greater reliability in servicing our financial customers.



### Total No. of NHFG Mobile App Subscribers

(unit: 1,000 persons)

As of the end of 2021, the number of subscribers of AllOne Bank, Namuh and other major mobile apps of NHFG reached 27,472,000, up by 31% year-on-year.

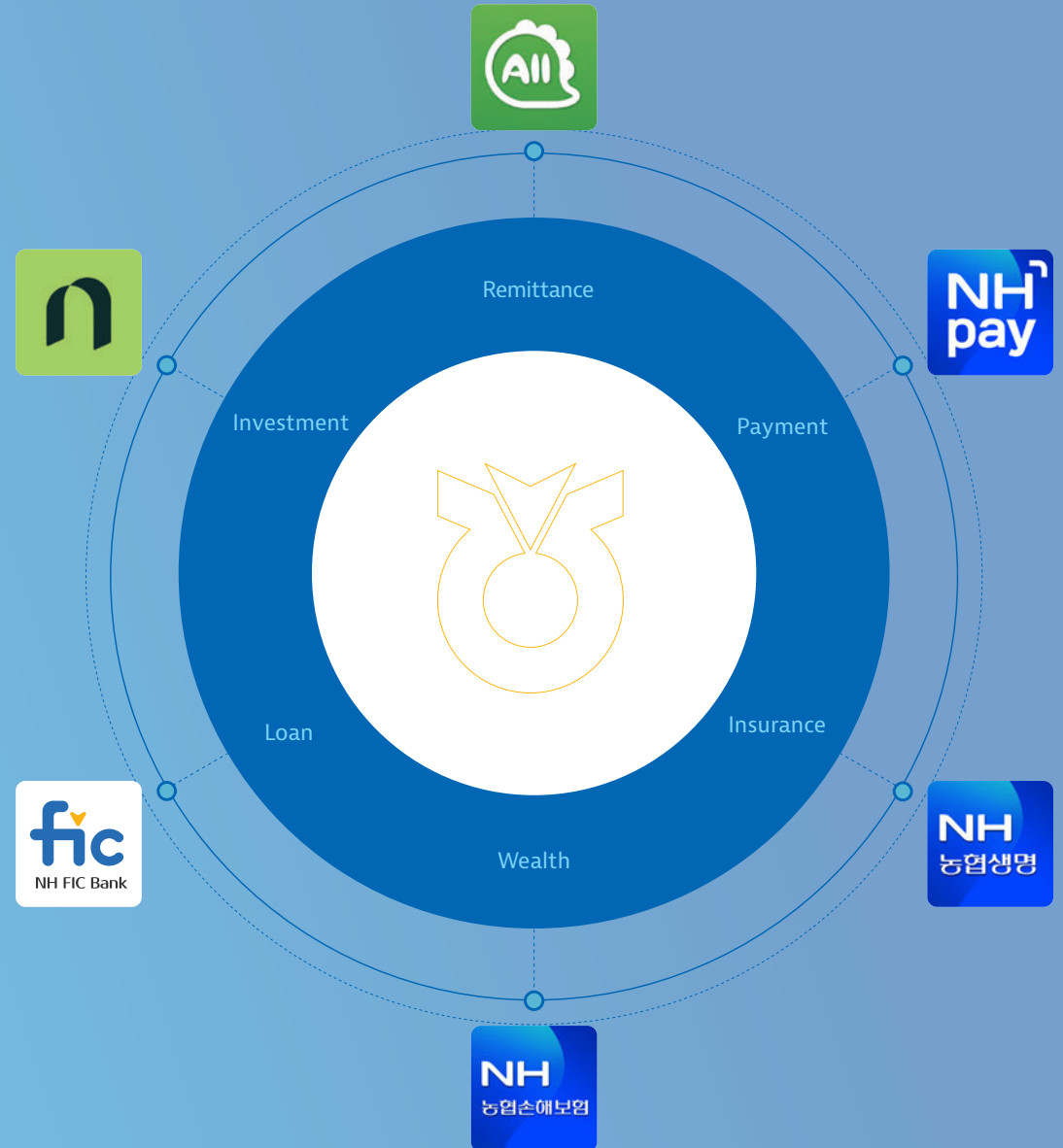




# Comprehensive Financial Platform Development and Advancement

NH Financial Group is leading the digital finance era by establishing a differentiated, life-oriented comprehensive platform unique to NH.

NHFG's plan for the integrated platform ecosystem is to create a differentiated platform ecosystem unique to NH by connecting the apps of each affiliate through the integrated platform to solve customer's various financial service needs, and ultimately by connecting it with external platforms and pan-NH platforms such as NH Mall.



# ESG

---

## Advancing ESG Management

NongHyup Financial Group will take the lead in achieving carbon neutrality and making green investments as a solution to the pending global challenge of climate change, and will build upon this to emerge as a globally-recognized ESG leader in the financial industry.

# ESG Strategy

## Declare the ESG Transformation 2025 Vision

NongHyup Financial Group is embedding ESG factors across its business operations from developing an implementation system and reinforcing investment management to making responses and improving execution. In February 2021, we declared our vision of 'ESG Transformation 2025' to pursue a complete transition into ESG management with a goal of responding to climate change risks and of becoming an eco-conscious financial group in line with the government's '2050 carbon neutrality declaration' and 'Green New Deal initiative.'

Along with our ESG vision, we also made our commitment to 'financing decarbonization' to avoid new project financing loans and bonds intended to build carbon power plants in Korea and abroad.

In March 2022, we announced our 'NHFG 2050 Carbon Neutrality' initiative. We have developed our internal carbon emissions reduction targets and strategies in accordance with the 1.5°C scenario agreed upon by the global community in 2021, and plan to measure the carbon emissions generated from our asset portfolio and use the data in order to define our carbon neutrality strategy to achieve 'Net Zero' carbon emissions by 2050.

As our growth has been driven by the philosophy of cooperatives to create a flourishing society for all on the basis of agriculture and rural and local communities, eco-friendliness and Corporate Social Responsibility are deeply weaved into our corporate DNA. We will further commit to pursuing differentiated green financing and unrivaled CSR initiatives so that ESG forms the essential core of what NongHyup is all about.



## Major Achievements and Goals

NongHyup Financial Group initiated ESG management in 2021 and laid the groundwork for ESG management by developing and implementing its vision of ESG Transformation 2025 and five key strategic priorities\*.

### Establishing an implementation system

We established an implementation system that consisted of the Committee for Enhancement of Social values & Green finance as the ESG committee within the Board of Directors, the CEO-supervised council, and the dedicated ESG organization (ESG implementation team promoted to ESG bureau). Our affiliates organized executive-supervised consultation bodies and dedicated units while establishing their Board of Directors reporting system.

### Reinforcing our investment management

Our 'NH ESG investment model' consists of 'green impact finance' to invest in renewable energy and other green sectors, 'agricultural impact finance' to promote smart farming and other green agricultural practices, and 'ESG bond/fund investment', and we support the execution of this model accordingly.

In assisting green companies and reflecting customer needs, our respective affiliates launched 17 ESG products\* including the NH preferential loan for green businesses and the carbon efficiency green EFT. As an issuer of ESG bonds, we also assist low-income individuals and farmers in taking loans and expand our investments in green businesses.

\* Deposits & loans (4), insurance (3), fund (2), ETF (5), installment finance (2), index (1)



### Building a response system

We made significant improvements in the external governance assessment conducted by the Korea Corporate Governance Service (KCGS), a credible ESG evaluator, and all our affiliates subject to the assessment (NHFG, NongHyup Bank, NongHyup Life Insurance, NongHyup Property & Casualty Insurance, and NH Investment & Securities) were rated A.

To establish a global ESG standard system and enhance our external awareness, NHFG joined the TCFD and the UNEF-FI Principles for Responsible Banking, NongHyup Bank the Equator Principles and the CDP, and NH Life Insurance and NongHyup Property & Casualty Insurance the UNEF-FI Principles for Sustainable Insurance respectively. In particular, NHFG published its own 'TCFD report' by measuring group-level carbon emissions and developing plans to advance its TCFD implementation as a way to achieve carbon neutrality and respond to climate change.

### Improving our execution

We launched the 'Go for ESG' campaign to encourage employees to integrate ESG considerations in their daily routine, and specifically worked to replace business vehicles with eco-friendly ones and switch to LED for office lighting to reduce carbon emissions. We also signed an 'memorandum of understanding with NongHyup Agribusiness Group to achieve carbon neutrality in the agriculture and livestock sector' to contribute to generating NongHyup-wide synergy.

### Decarbonizing our financial operations

We announced our financial decarbonization initiative and suspended new project financing investment and corporate bond underwriting in relation to carbon-fired power plants.

## ESG Milestones Reached in 2021

# ESG Transformation 2025

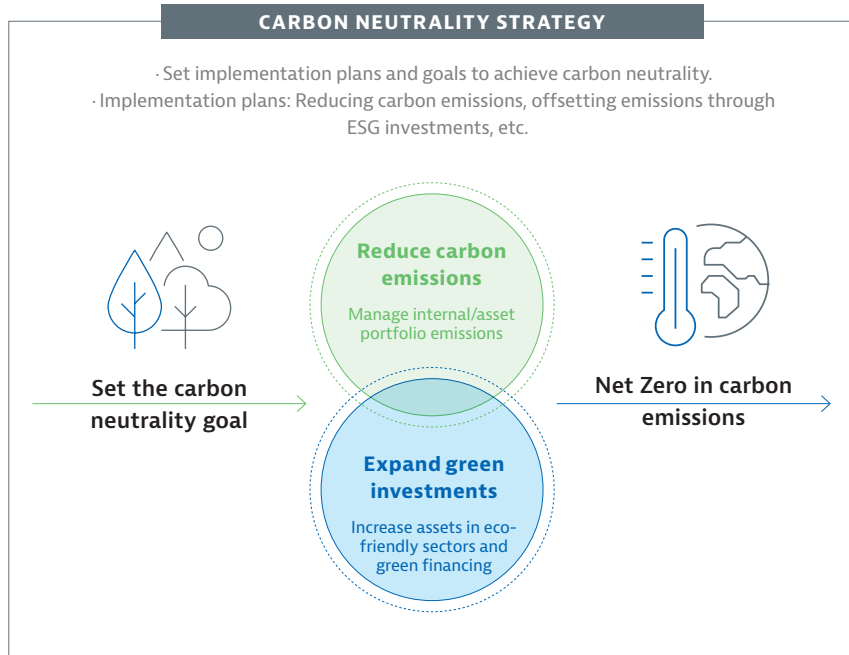


# Major Achievements and Goals

## Developing a climate change management system

We will preemptively respond to climate change to successfully achieve carbon neutrality and advance our ESG management. In 2021, we developed plans to measure our internal carbon emissions generated from real estate and other fixed assets and to become carbon neutral. This year's goal is to create a group-wide task force to measure carbon emissions from our asset portfolio including loans and PF, and use the data generated to define our strategy to render our asset portfolio carbon neutral and proceed with goal management.

Furthermore, we will develop a climate risk management policy through the analysis of the 1.5°C climate change scenario, and upgrade our exposure management based on borrower/industry-specific carbon emissions data.



## Establishing Competitiveness in ESG Investment

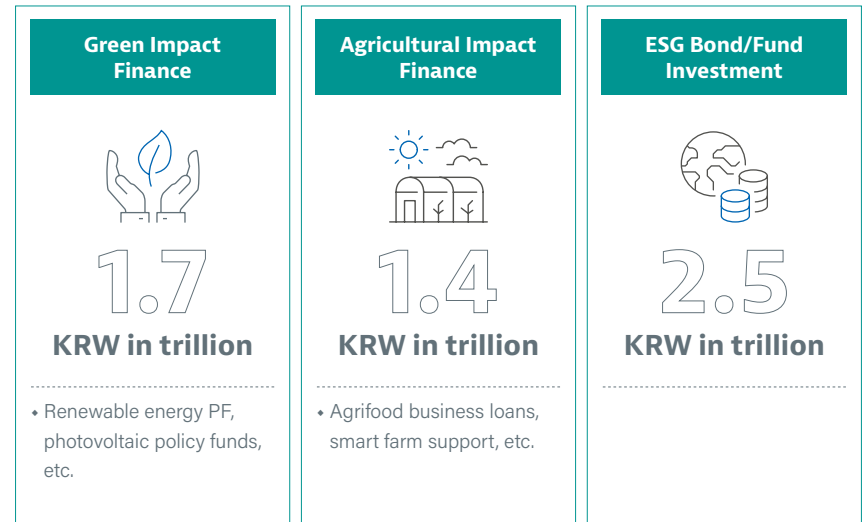
We plan to invest KRW 15 trillion by 2025 in alignment with the 'Green New Deal' of the government's K-New Deal initiative.

Work is underway to implement the 'NH ESG investment model' differentiated from those of other financial groups for its focus on eco-friendliness and agriculture in reflection of our unique characteristics, and we will continue to expand green financing. Under this distinctive ESG investment model, we will consistently identify and diversify our investments in new renewable energy (photovoltaics, biomass) and green infrastructure projects in the 'green impact finance' domain while facilitating loans for agrifood companies and value funds for the agricultural industry to lead agricultural finance in the 'agricultural impact finance' domain

We plan to launch a variety of new products in consideration of customers' interest in ESG and relevant domestic/international trends.

Our respective affiliates will unveil ESG products that bear the phrase of 'Green Planet' which was chosen as the finalist at the ESG idea competition held in 2021 in alignment with the NHFG 10th anniversary project.

(unit: KRW trillion, as of the end of 2021)



## ESG Initiatives

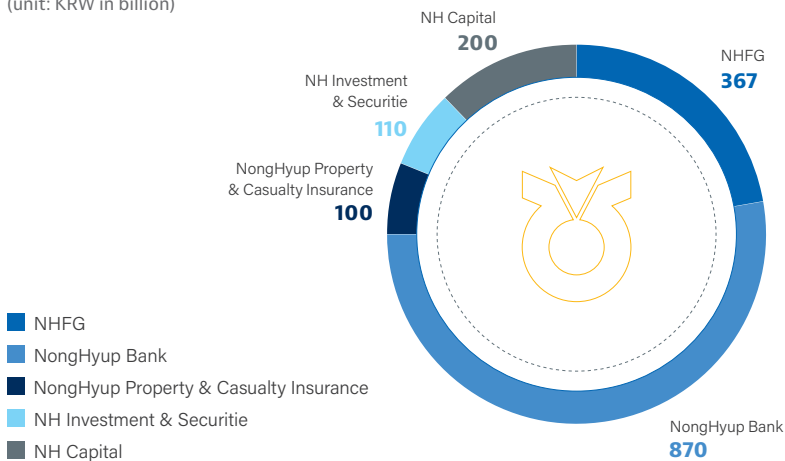
We expand our participation in a wide array of international ESG agreements to establish our global standards and elevating our external credibility as a green financial institution.

In July 2021, NH Financial Group joined the UNEP Financial Initiative's Principles for Responsible Banking (PRB). NHFG also announced its endorsement for the Task Force on Climate-related Financial Disclosures (TCFD) in October and has followed up on this by publishing a report outlining its progress and plans on the TCFD recommendations in four thematic areas. In addition, NongHyup Bank joined the Equator Principles in August, and NH Life Insurance and NH Property & Casualty Insurance joined the UNEP-Financial Initiative's Principles for Sustainable Insurance (PSI) in September, participating in international agreements in reflection of their respective business characteristics.

Going forward, we will further adopt such international agreements as the Partnership for Carbon Accounting Financials (PCAF) and the Science Based Targets initiative (SBTi) that are aligned with the TCFD.

### ESG Bonds Issued by NHFG in 2021

(unit: KRW in billion)



- NHFG
- NongHyup Bank
- NongHyup Property & Casualty Insurance
- NH Investment & Security
- NH Capital

### Our Participation in International Initiatives

Initiative	Major Activity	Participating Affiliate
	Reflect climate-related risks and opportunities into the organization's risk management and decision-making, and disclose key information in the four thematic areas of 'governance, strategy, risk management, and metrics and targets'	NHFG
 	Fulfill one's role and responsibility and disclose progress made in attaining the Paris Agreement and the UN Sustainable Development Goals	NHFG
 	Internalize ESG considerations across the entire business operations of insurers – strategy, product development, and risk management – to respond to climate change and promote sustainable growth	NongHyup Life Insurance NongHyup Property & Casualty Insurance
	Integrate into a company's operations and management strategy the UNGC Ten Principles in the areas of human rights, anti-corruption, and eco-friendly business activities as well as comprehensive UN goals such as the Sustainable Development Goals (SDGs)	NongHyup Bank NH Investment & Securities
	Request largest global companies by market cap to disclose their carbon emissions data and support their evaluation activities	NongHyup Bank
	Establish a loan, investment process and risk management framework to address potential environmental and social issues in relation to PF investment	NongHyup Bank

# SOCIAL CONTRIBUTION



## Initiatives that reflect the identity of NongHyup, working for farmers and farming communities

NHFG conducts a diverse range of social contribution activities for farmers and farming communities, in line with our NongHyup roots and desire for continuity in related activities. Our representative programs include 'Building Another Town', 'Helping Farming Communities', 'Visiting Medical Services for Farming Communities', 'Helping Farming Communities During Planting and Harvesting Seasons', 'Sharing Agricultural Product Packages', 'Supporting Foreign Farm Workers', 'Supporting Multicultural Farming Families' and 'Supporting Emergency Relief Efforts for National Disasters.'

As NongHyup's very reason for existence is to contribute to the balanced development of the country's life industries and regional communities such as farms and rural villages, NHFG will spare no effort in extending support to the many isolated groups in our society as befitting its role as Korea's representative social contribution financial company.



## Initiatives aligned with inherent characteristics of financial industry, bridging finance and social contribution

NHFG's social contribution initiatives are linked with our business to ensure the continuity and commitment of related programs. The social-giving activities highlight the characteristics of the financial industry, such as those related to banking, insurance, securities, asset management, capital, and REITs management operations.

The free financial education program 'Filling Your Life with Happiness', 'One Company One School' financial education, and financial classes for children, and Green Ladder Camp are customized for their intended audience - usually financially isolated classes such as youths and the elderly. We also make use of employees' talents, for example our consultants engage in regular conversations with senior citizens who live alone.

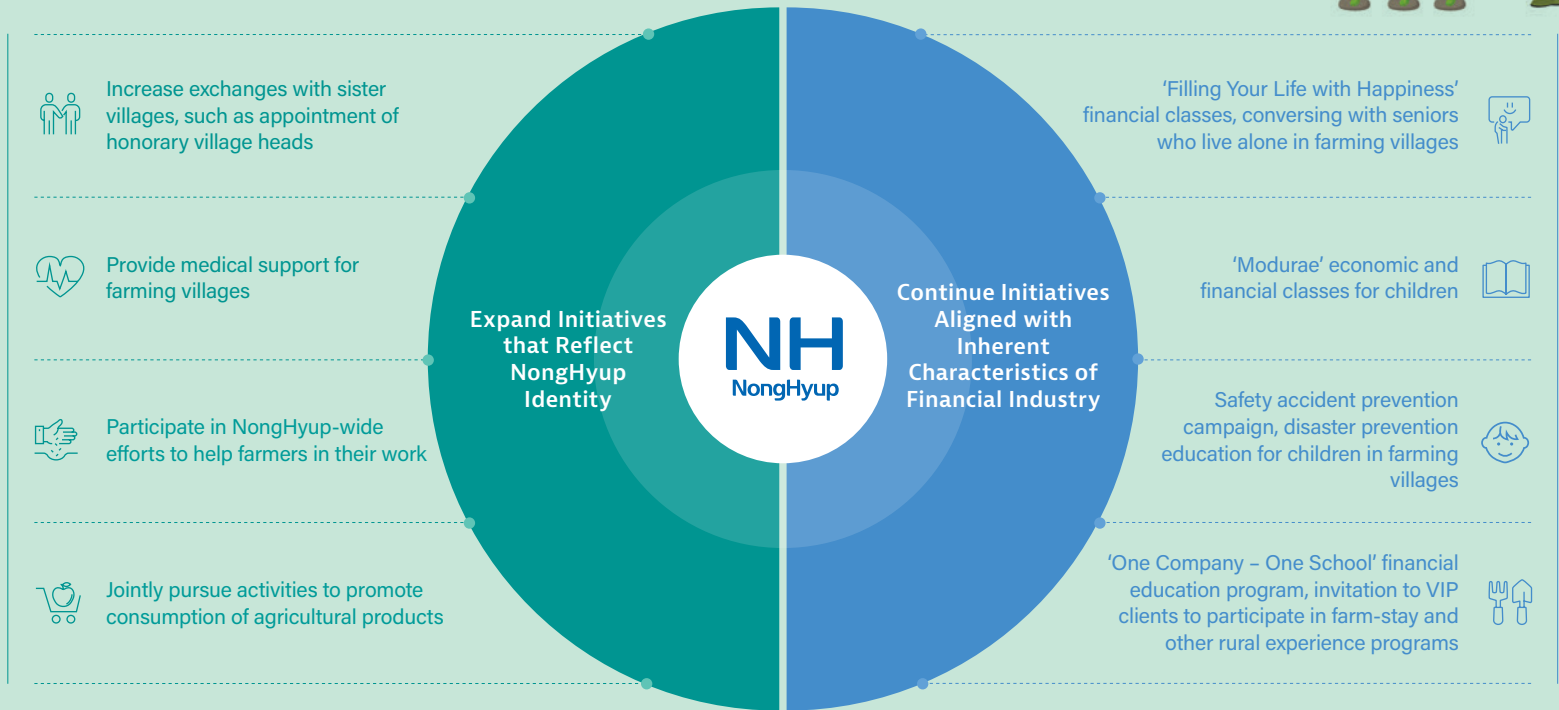
Additionally, we invite customers to directly or indirectly experience our social contribution activities through public good products and public funds. This promotes public interest and participation in social issues.

Financial products and consultation counters exclusive to low-income customers and small to mid-sized companies are designed to enhance the convenience of financially-marginalized classes. We will continue to reinforce our socially responsible management through diverse schemes that combine our specialty in finance and social contribution.



# Social Contribution Scope

**Our social contribution activities are largely divided into two groups:**  
 「Initiatives that reflect the identity of NongHyup (National Agricultural Cooperation Federation)」  
 and 「Initiatives aligned with inherent characteristics of the financial industry」.



## Major Social Contribution Activities

Promoting public interests is a driving force behind our activities as we execute various policy finance and return the majority of profits to communities. The employees of the Group's nine subsidiaries including those of NH Bank have been taking the lead in growing the sharing culture by proactively engaging in various activities to benefit agriculture, farming communities, farmers and regular customers.

In particular, we are committed to socially responsible management that is sustainable and sincere, and has therefore developed programs that reflect the unique identity of NongHyup and the finance industry. During the course of 2021, employees at NHFG volunteered for over 150,000 hours on 15,000 occasions in total. This means that each of our employees volunteered for more than 12 hours to share the warmth of their love.



### Support for Agriculture and Farming Communities

We contribute to enhancing the quality of life for people from both farming communities and cities by promoting mutual prosperity between the two through programs such as 'Helping Farming Communities During Planting and Harvesting Seasons' and 'Building Another Town.' 'Building Another Town' involves appointing a corporate CEO or the head of an organization to become the honorary head of a rural community. This prompts employees of the company or members of the organization to automatically become honorary citizens of the village. Their presence and activities help form another 'town' and inject new vigor into the aging communities. The nationwide initiative is helping to create a new model of urban and rural cooperation.

All NHFG affiliates participate in the movement to support agriculture and farming communities through a diverse range of activities. Employees lend a helping hand during the busy farming season, make and share kimchi during the kimchi-making season, spend holidays at farms, promote the consumption of agricultural goods through direct transactions, and assist villages in completing long-planned projects.

In 2021, we facilitated the consumption of flowers and extended a helping hand to floriculturists to alleviate the difficulties they faced amid the pandemic. All NHFG affiliates joined hands to support farmers affected by torrential downpours by providing a helping hand and financial assistance.

Offering a helping hand to farmers in Yesan, Chungnam (NHFG, Nov. 7, 2021)





### Return to Local Communities

NH Financial Group gives a portion of its profits to NACF to finance projects to help farmers, farming and local communities as well as the underprivileged. We are contributing to the balanced national and regional economic development by giving back to and re-investing in local communities through various public projects. They include scholarships, promoting farming villages' welfare, supporting multicultural families, and raising interest in farms and farming communities.

Employees at NH Financial Group are carrying out various volunteering programs to meet the needs of local communities in which their office is located; as a result, each employee recorded more than 15 hours of volunteer work in the past year.



Supporting the recovery of damage from forest fires in Andong (NongHyup Bank, Mar. 3, 2021)

Donating relief supplies to those affected by torrential downpours in Jangheung, Jeonnam (NHFG, Jul. 13, 2021)



### Social Contribution in Celebration of NongHyup's 60th Anniversary

NongHyup Financial Group donated agricultural products in commemoration of NongHyup's 60th anniversary. NHFG, NongHyup Bank, NongHyup Life Insurance, NongHyup Property & Casualty Insurance, NH Investment & Securities, and NH Capital all joined hands to prepare 56,400 boxes containing agricultural products worth KRW 3.2 billion in total, which were specially designed by sourcing farm produce from COVID-19-affected farmers and the processed products made out of such produce.

In partnership with the Salvation Army, these boxes were delivered to children from low-income families, seniors living alone, people with disabilities, and healthcare professionals working at the forefront of combating COVID-19 across the nation.



NHFG donating agricultural products (NH Capital, Gwangju City), Oct. 27, 2021>





### Talent Development (Education Donation)

NHFG is working to nurture local and national talents through employee talent donations and scholarships. The scholarship program helps to relieve farmers and underprivileged youths of their financial burden and to nurture talent.

Employees also directly take part in talent donations through the “Filling Your Life with Happiness” financial classes and offer customized financial classes to the financially isolated. In 2021, we volunteered 16,218 hours on 1,802 occasions.

Our programs provide the general public in addition to North Korean defectors, multicultural families, the elderly and underprivileged youths with the tools they need to become smarter financial consumers, and contribute to fostering a healthier financial consumption culture and greater financial literacy.

In particular, we donated educational tablet PCs to local children’s centers serving children from multicultural families in celebration of NongHyup’s 60th anniversary, helping improve the learning environment for these children from rural and multicultural backgrounds who were disproportionately affected by the pandemic.



### Support for Seniors

NH Financial Group also takes a keen interest in promoting welfare for seniors amid a fast-growing elderly population.

Every year, we invite seniors suffering from dementia or stroke as well as low-income elders and offer them meals prepared using NACF-produced food. Moreover, we have been running an elderly companion care service for farming communities, where we call senior citizens living alone in farming villages and elderly national patriots and veterans every week to check on their health and general welfare. It not only helps combat the seniors’ loneliness but protects them from falling prey to financial fraud, and informs them of emergency phone numbers. During the course of 2021, we made 68,302 calls to further reach out to the elderly living in rural communities and help look after them.

In addition, to protect elderly consumers, we have provided support through various channels such as creating and distributing video content related to everyday accidents such as financial fraud prevention, falls, and misuse of medicines.

NHFG donating boxes containing agricultural products to families of merit in commemoration of Memorial Month (Jun. 22, 2021)



NongHyup Bank donating tablet PCs to support the digitally-underprivileged (Mar. 30, 2021)





### Development and Investment of Public Funds (Realizing Value with Customers)

We invest a portion of profits generated from the sale of public products into public funds. This enables us to offer our customers a meaningful way to partake in and expand the culture of sharing. The sale of various financial products, donation of credit card points, and small loan financing comprise NHFG's unique social contribution activities that highlight our inherent role as a financial institution.

In particular, we are strengthening NHFG's unique social contribution through various activities including the launch of the "NH Plus Nanum" time deposit which supports the fund for promoting consumption and price stabilization of agricultural goods. The "Love the Farming Community" time deposit, "NH Farmers' Heart" bankbook, "Love Our Law" bankbook, "Cousin" bankbook, and "Make Korea Happy" bankbook also enable customers to set aside more than 0.1% of their deposits on average per year to extend support for local communities and socially disadvantaged classes.

In 2021, NongHyup employees and customers teamed up to donate the NH points accumulated through NH Members to charities in celebration of NH Members' 2nd anniversary. We also contributed a portion of the balance of NH Digital Inclusion Deposit's sales proceeds to public funds to help distribute digital devices and provide digital education to underprivileged children. The Dokdo environmental conservation funds raised through the sales of NH Walk Together Dokdo Installment Savings were donated to the Dokdosarang Movement Headquarters.

NongHyup Bank donating Dokdo environmental conservation funds (Oct. 22, 2021)



### Global Social Contribution

NH Financial Group is contributing to many parts of the world through global social contribution activities. NH bank made various efforts, such as donating school supplies to local elementary schools near overseas branches in Cambodia and awarding scholarships to local university students in Vietnam and Beijing.

In particular, with the opening of a bank office in Yangon, Myanmar, we expanded our sharing of love overseas by donating protective clothing and diagnostic kits to help the local medical community in need amid COVID-19. In 2021, we donated COVID-19 disinfection supplies to Cambodia and Myanmar, and NH Investment & Securities delivered financial donations and COVID-19 test kits to Vietnam and Indonesia.

NongHyup Bank donating Dokdo environmental conservation funds (Oct. 22, 2021)



### Other Initiatives

Alongside the mentioned systematic and sustained social contribution initiatives, NHFG carries out diverse activities to help those in need throughout society. We pay honorary visits for service members in the armed forces; provide meals, books, and necessities to impoverished neighborhoods, children's welfare centers, and senior homes; and make consistent donations to various public interest groups.

In addition to company-level donations, our employees drive the momentum of our efforts in social giving by willingly creating groups within their department or headquarters for volunteering.

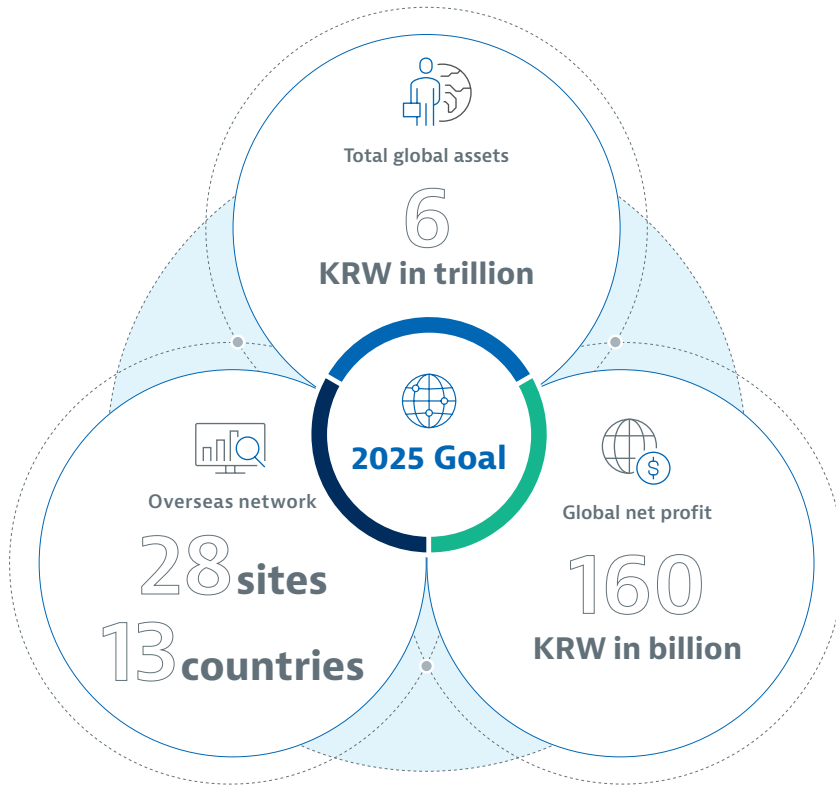
# Global Finance

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## Building Stronger Global Capabilities

NongHyup Financial Group will continuously expand its global operations on the strength of its specialized business model with an aim to emerge as Asia's No.1 global cooperative financial group.

# Globalization Strategy



## Growing into Asia's Leading Global Cooperative Financial Group

NongHyup Financial Group defined global business as one its key future strategic business levers, and set a mid/long-term goal of reaching KRW 160 billion in net income and KRW 6 trillion in assets in conducting global business and of establishing a network of 28 locations across 13 countries.

To this end, we are advancing into the Asian market that holds unlimited growth potential and into advanced financial markets that are highly essential in building a global financial network.

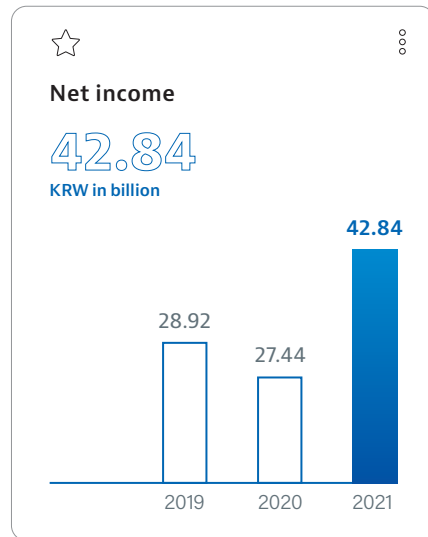
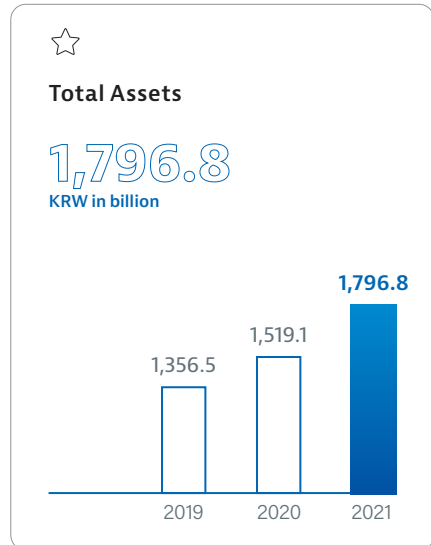
Fully leveraging our strengths in exceptional capabilities and extensive experience in agricultural finance, we will tap into the Asian market by implementing our strategy to meet local financial needs. We will also make strategic investments into promising local platform companies and financial institutions to accelerate our global operations.

In developed financial markets, we will conduct business mainly on our expertise to complete our global IB network. This will help us pursue both qualitative and quantitative growth in global operations and emerge as a global cooperative financial group with diversified revenue streams.

## Major Achievements in 2021

In 2021, we added one branch and one office to expand our global network to include 20 locations across nine countries. NongHyup Bank has opened a branch in Hong Kong which will serve as our key location for investment finance in China and loan business in Southeast Asia as well as a representative office in London as our base in this international financial hub and to open a branch specialized in investment finance. With this, we have posted KRW 1.8 trillion in total overseas assets and KRW 42.8 billion in net income, reaching a meaningful milestone in global business in celebration of NHFG's 10th anniversary.


### Financial Performance



Work is underway just as planned for NongHyup Bank to open a office and for NH Investment & Securities to establish a subsidiary in London, the center of international finance and a leading global IB market. London will surely become our foothold in conducting global IB business based on the synergy generated among our affiliates.



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**★ Hong Kong**

NongHyup Bank obtained the final approval to open a branch in Hong Kong in an effort to strengthen its global IB network, and is following relevant procedures to initiate customer operations in 2022. NH Investment & Securities' Hong Kong subsidiary continued to post the largest profit among all NHFG overseas locations in 2021.

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**🇰🇲 Cambodia**

NH Finance Cambodia represents one of NongHyup Bank's success stories in going global. The company posted a 59% y-o-y increase in net income in 2021 to continue with its consistent growth. Building on its success in microcredit, the company is now expanding business to extend larger loans.

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**🇨🇳 China**

NongHyup Bank, after years of efforts, has acquired the final approval to open a branch in Beijing and is expediting its last-minute preparation work. NH Capital is steadily generating profits through the Co-op Group International Leasing while expanding its lease assets.

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**★ Vietnam**

NongHyup Bank is working to establish a branch in Ho Chi Minh City, and NH Investment & Securities' local subsidiary is solidifying its profit base through stock brokerage and loan service. In collaboration with high-quality platform companies, we are strengthening the competitiveness of our digital business.

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## Action Plans for 2022

We have reached the 1st phase of establishing a network spanning 20 locations across nine countries as of the end of 2021, paving the way to generate meaningful outcomes in the years ahead. In 2022, we plan to improve the quality of our established network and reach new heights through our unique business model in conducting global business.

Our strategy here is to pursue expansion by tapping into ASEAN and Indian markets and connection by establishing global capital market infrastructure in order to make global business one of our core profit sources. Combining our business knowledge with digital capabilities, we will set new global financial milestones in the ASEAN and Indian region where Asian financial institutions are competing with one another while joining the global capital market in addition to strengthening our IB capabilities to create a NHFG hub in advanced financial markets. To this end, we will implement the four key priorities of strategic investment, global-digital business, group-wide partnership, and global ESG enhancement, and maximize synergy through inter-affiliate collaboration.

First, we will strategically approach promising areas rather than following the conventional market entry formula of creating an office first and then a branch with an aim to accelerate the growth of our global business.

Second, we will actively pursue global-digital business through partnerships with local platform companies and joint investments made among affiliates to move ahead of the fierce competition in the ASEAN and Indian region and respond to digital transformation taking place in the financial industry.

Third, we will expand business with existing global partners to maximize the efficiency of our business. This means that we will implement a differentiated localization strategy in conjunction with IFFCO of India and maintain cooperative relationships with Co-op Group of China over the mid-to-long term.

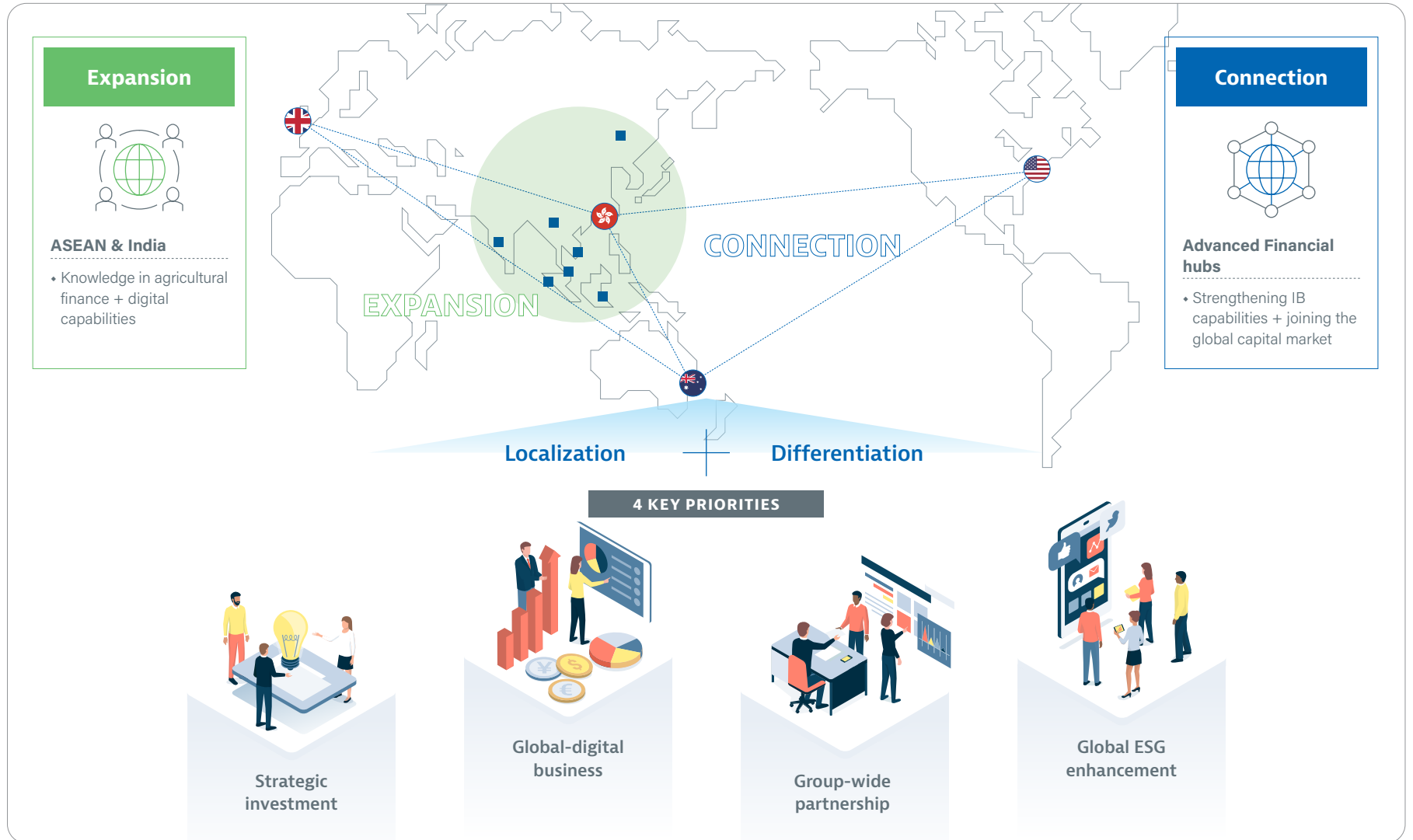
Last but not least, we will advance localized ESG management to improve NongHyup's value and trust in overseas markets. We will align our ESG management with field operations and engage in strategic promotional activities to maximize its impact.

Furthermore, we will systemize global talent development and focus on establishing our network through on-going efforts to open new branches and subsidiaries.

### A network of 20 locations across 9 countries (as of the end of 2021)

 USA	NONGHYUP BANK : New York Branch NHIS : NH Investment & Securities America, Inc.
 UK	NHIS : London Representative Office NONGHYUP BANK : London Representative Office
 INDIA	NONGHYUP BANK : New Delhi Representative Office NH CAPITAL : IFFCO Kisan Finance Limited
 MYANMAR	NONGHYUP BANK : NongHyup Finance Myanmar Co., Ltd. Yangon Representative Office
 SINGAPORE	NHIS : NH Absolute Return Partners Pte. Ltd.
 CHINA	NONGHYUP BANK : Beijing Representative Office, Hong Kong Branch NHIS : NH Investment & Securities (H.K.) Ltd. NH Investment Advisory Co. Ltd. (Beijing) Shanghai Representative Office NH CAPITAL : Co-op Group (Tianjin) International Leasing Co., Ltd.
 VIETNAM	NONGHYUP BANK : Hanoi Branch, Ho Chi Minh Representative Office NHIS : NH Securities Vietnam Co., Ltd.
 CAMBODIA	NONGHYUP BANK : NongHyup Finance Cambodia Plc
 INDONESIA	NHIS : PT. NH Korindo Securities Indonesia




# Global Network Development Strategy



## Global-Digital (NH-GD) Business

Choose the right business model (alliance, investment, etc.) based on the characteristics of overseas locations and fully advance into the local digital finance market.

### Platform alliance/collaboration

Country	Partner	Business
 Vietnam	Timo (banking platform)	Expand the retail customer base through connection-based account opening
 Indonesia	OVO (payment platform)	
 India	IFFCO (online sales platform)	Launch financial products to purchase agricultural materials in alignment with online sales platforms

### Joint investment

Country	Partner	Business
Entire ASEAN and Indian Markets	Fin-tech and platform companies in Southeast Asia	Raise joint funds mainly with securities/capital firms and strategically invest in promising companies

## Strategic Investment

Make strategic approaches in promising areas in line with affiliates' conditions to identify high-quality partners and minimize risks.



### Identify investment targets and differentiate investment approaches by affiliate

- Select target areas in consideration of financial maturity, ICT infrastructure and fin-tech use indices
- Consider direct investment into local banks for banking business
- Make indirect investments by creating JVs or joint funds for non-banking affiliates



### Minimize risks

- Minimize risks by making reviews in advance on business, operation and financial strategy



### Diversity growth models

- Avoid the organic growth model that focuses on existing branches

## Group-wide Partnership

Expand business and move ahead in the market through differentiation strategy.

## IFFCO in India

Expand new business opportunities on the basis of the existing partnership formed by NH Capital and use NongHyup Banks' branch in Noida (to be opened) to stay ahead of the competition in the local captive market



☆ India



## Global ESG Enhancement

Expand ESG management activities including in the environmental sector and strengthen differentiated execution based on group-wide partnerships.

### Support the establishment of a Korea-Vietnam cooperative startup incubator

(VCA-NACF/NongHyup Bank Ho Chi Minh Representative Office)



### Financial support for Indian farmers and farming companies

(NH Capital JV/NongHyup Bank New Delhi Representative Office)



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# Balanced Growth

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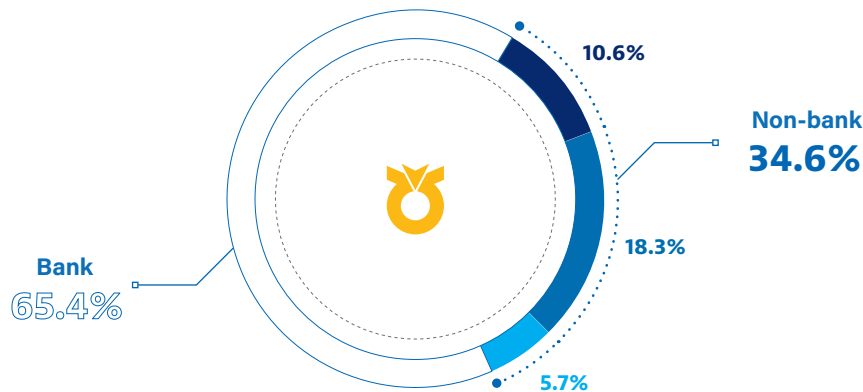
## Reinforcing Our Expertise in Non-interest Income Business

We strengthen our competitive edge in future-oriented businesses by building a stronger customer base, enhancing the competitiveness of our non-interest income business and improving the value of insurance business, laying the basis for sustained profitability.

# Major Achievements and Goals

Breakdown of Net Income Contribution by subsidiaries

☐ Bank ■ Insurance ■ Securities ■ Other



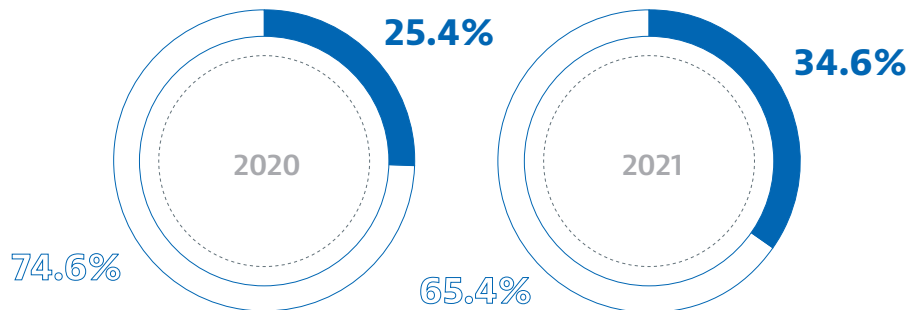
## Major Achievements in 2021

In 2021, both our bank and non-bank subsidiaries achieved significant y-o-y growth, and this helped us exceed the KRW 2 trillion mark in net income for the first time in the history of NongHyup Financial Group.

Our non-bank subsidiaries showed noteworthy performance, which is attributable to the efforts made to diversify our profit portfolio: our investment & securities business endeavored to strengthen its market competitiveness and our insurance business to pursue value improvement. As a result, the share of our non-bank operations in total profit contribution surged from 25.4% in 2020 to 34.6% in 2021.

Non-bank Business Contribution to Net Income

☐ Bank ■ Non-bank



Note) Based on cumulative net income after reflecting ownership

In 2021, we transformed our WM Strategy Department into a control tower to build stronger competitiveness and expertise in non-interest income business in order to upgrade our WM business model and launch WM Masters, reinforced the role of our group-wide WM IPS (Investment Product & Service) to strengthen our WM competitive edge with a focus on customers, and developed plans to render our retirement pension business more competitive.

Furthermore, we expanded our group-level synergy business. Increasing NongHyup-wide collaboration led to diversification in joint investment funds and improved competitive edge in CIB operations, and each of our affiliates improved their customized investment strategy service based on the expansion of Hanaro ETF products and Amundi-led research activities, generating greater synergy in asset management and boosting operational performance management while laying the basis for sustainable profitability.

### Action Plans for 2022

In 2022, we will strengthen the competitive edge of our non-interest income business on a group-wide level to lay the groundwork for our mid/long-term growth and establish a highly efficient management system.

We will undertake strategic tasks to elevate the competitiveness of our retirement pension offerings, expand and diversify our CIB joint investment funds, realign our asset management and investment strategies, and strengthen organic cooperation in order to facilitate strategic businesses in alignment with affiliates. To render our core fee income business more competitive, we will improve the quality of our product sales strategy and portfolio while pursuing new business opportunities to diversify our revenue streams.



**Improve the quality of our product sales strategy and portfolio**

#### Common

Improve the competitive edge of products on digital virtual channels

#### Banking

Expand the business base for corporate finance and F/X business, strengthen investment asset management capabilities

#### Insurance

Pursue sustained growth in subsequent premiums with a focus on protection-type insurance

#### Securities

Expand the sales of high-margin products including overseas funds



**Diversify revenue streams by pursuing new business opportunities**

#### REIT

Expand the private equity fund business and stabilize business operations

#### Venture

Expand the consigned operation of policy funds and the AUM of new funds

## Balanced Growth of Our Portfolio

Leveraging Korea's largest financial network spanning banking, insurance, securities, credit card and capital, we deliver customer-driven products and services on the strength of our affiliates' capabilities and synergy. To promote group-wide customer management, we provide integrated preferential services for top customers and operate 11 banking-securities complex branches for customers to conveniently meet both their banking and securities needs.

We offer loan linkage services in partnership with our capital and savings bank affiliates to provide customers who find it difficult to take out bank loans with a wider loan product options to choose from, and developed the Damoa Loan service to provide customers with a single point of access to the loan services available across all out affiliates on our online AI-One Bank platform.

We will continue to identify customer-centric synergy business opportunities by combining the core capabilities of our affiliates and provide only the best products and services to customers.










### Expanding Synergy among Affiliates with a Focus on Untact Channels

To establish a quality-driven management system and improve reliable profitability, we will maintain the balanced growth of our banking business while strengthening the portfolio of our non-bank operations.

We will pursue the stable growth of interest income as our key profit source and continuously reinforce our expertise in such non-interest income businesses as trust and credit card to increase their contribution to total profit while promoting balanced growth between interest/non-interest businesses.

We will also establish expertise and competitiveness in credit card business, improve the fundamentals of our life/non-life insurance with a focus on long-term value, and rebalance the business portfolio of our capital and savings bank business, sharpening our competitiveness in non-bank business and laying the foundation for sustainable management.

 <b>Loan</b>	Refer customers rejected for bank loans to the savings bank (develop a preliminary credit check system). Advance the loan linkage process on the AllOne Bank platform.
 <b>Credit Card Loan</b>	Refer customers rejected for credit card loans to haetsal-loans of the savings bank.
 <b>Corporate Finance</b>	Facilitate joint operations through banking-securities partnerships.
 <b>F/X</b>	Expand banking F/X trading at securities and asset management affiliates.
 <b>Other</b>	Engage in marketing by using the Namu app including COVID-19 grant application.

### Balanced Growth of Bank Business and Strengthened Portfolio of Non-bank Business



## Bank

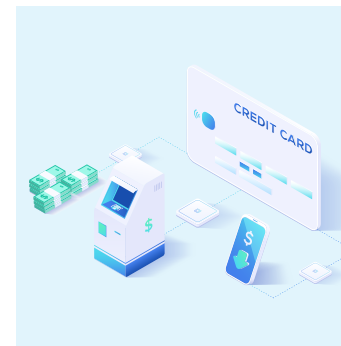
**Shift away from the excessive focus on interest income to diversify the profit structure**

#### Interest

Maintain stable growth as a key profit source

#### Non-interest

Strengthen the competitiveness of fee income business



## Non-bank

**Boost the quality-driven growth of credit card, insurance, and capital business**

#### Credit card

Establish expertise and business competitiveness to the level of pure-play credit card companies

#### Insurance

Continue to improve the fundamentals with a focus on long-term value, and promote the smooth adaptation to K-ICS

#### Capital

Re-establish a portfolio with a focus on high-value added businesses

## Diversification of NHFG's CIB Business

Turning to our CIB business, our IB assets posted a KRW 2.1 trillion y-o-y growth to reach KRW 31.1 trillion at the end of 2021, and inter-affiliate joint investments rose by KRW 0.5 trillion from the previous year to KRW 5.7 trillion, which is attributable to the investment resources made available through our affiliates and NACF mutual finance, the deal arrangement capabilities of our securities business, and the free-flowing exchange of information among affiliates through council operations.

Through collaboration between our affiliates and NACF mutual finance, a total of 11 joint investment funds valued at KRW 3.4 trillion were raised and are managed across the real estate, infrastructure and acquisition financing sectors to seize opportunities for high-quality deal arrangements and investments.

In 2021, two new joint investment funds worth KRW 760 billion were created – NH Amundi acquisition financing senior loan fund No. 4 (KRW 610 billion) and Green New Deal infrastructure ESG (KRW 150 billion).

We plan to raise a variety of NongHyup-wide joint investment funds in reflection of affiliates' investment strategy, and expand opportunities for high-quality deal arrangements and investments on the back of our sizable investment execution capabilities accumulated through collaboration between affiliates and mutual finance. By facilitating information exchange at the NongHyup-wide level through the operation of the CIB council and the expansion of inter-affiliate communication channels, we will proactively respond to changing conditions in the alternative investment market and strengthen our group-level synergy and cooperation framework.

### NHFG's IB Assets

(unit: KRW in billion)

2018	2019	2020	2021
22,461.4	24,854.2	29,008.2	31,111.2

### Joint CIB Investments <Annual>

(unit: KRW in billion)

2018	2019	2020	2021
5,012.7(78 cases)	4,963.8(56 cases)	5,229.2(85 cases)	5,743.0(80 cases)

### Joint Investment Funds Raised

(unit: KRW in billion)

2018	2019	2020	2021
15,220(5 funds)	22,620(6 funds)	26,620 (9 funds)	34,220(11 funds)

## Reinforcing Competitiveness in WM Business

In 2021, we promoted the WM Team under the Business Strategy Department to the WM Strategy Department to boost its role as a control tower of our group-wide WM operations. The WM Strategy Department defined our WM business at the group level to systemize the entire performance management process, and pursued reinforcements in external/internal PR activities, competitiveness of low-performing businesses, and business collaboration among WM departments across subsidiaries.

### Launching NH WM Masters

In September 2021, we launched NH WM Masters to raise the external profile of our WM business and deliver differentiated wealth management service to premium customers. NH WM Masters is a group of WM advisors who bring their sector-specific expertise from our banking, life insurance, securities and asset management affiliates as well as NHFG. Since its inception, this pool of professionals has proactively engaged in public relations activities of our WM business through media contributions and broadcasts, assistance for lecturing, and comprehensive wealth management advisory.

In 2022, we will endeavor to set our WM service apart from the competition by hosting joint customer seminars, establishing a comprehensive wealth management counseling process for group VIPs, and providing seminars for affiliate employees.



# Diversification of Business

## Developing plans to strengthen NHFG's competitiveness in retirement pension

In the continuously growing retirement pension market, we witness the mounting interest in customer returns generated from retirement pension products. In line with the legislative notice issued on the planned amendment of act on the guarantee of employees' retirement benefits WM Strategy Department has developed plans to increase our group-level competitiveness in retirement pension business. By analyzing the competitive edge of our retirement pension business based on market trends, governmental policies and industry peer benchmarking, directions were set on organization/workforce, product offerings, response to regulatory amendments and evaluation system improvement. This helped us build consensus on the need to reinforce the competitiveness of our retirement pension operations at the senior management council and the WM strategy council, and resulted in the development of affiliate-level competitiveness improvement plans.

Such strategic directions will guide us to identify short/mid/long-term tasks by affiliate and implement them at full scale through quarterly reviews in 2022. We will also preemptively respond to the amendment of applicable regulations at the NongHyup- wide level to take this as an opportunity to strengthen the competitiveness of our retirement pension business.

### Key Details of the Retirement Pension Competitiveness Improvement Plan

<p><b>Organization/Infrastructure</b></p>	<ul style="list-style-type: none"> <li>• Gradually expand the counseling/support organization for retirement pension business</li> <li>• Improve virtual channels with a focus on customers</li> </ul>
<p><b>Product Offerings</b></p>	<ul style="list-style-type: none"> <li>• Introduce the retirement pension ETF operation system for banking operations</li> <li>• Increase product competitiveness by expanding high-interest, principal/interest-protected products</li> </ul>
<p><b>Growth Driver</b></p>	<ul style="list-style-type: none"> <li>• Secure future growth engines early on in preparation for changes in the retirement pension system</li> <li>• Review and pursue the introduction of OCIO business for asset management, strengthen TDF capabilities</li> </ul>

## Strengthening our role in supporting group-level WM IPS

We connected banking customers identified for their needs for investment products with the 'Academy for Centenarians', a customer program implemented by our securities affiliate, to improve customer satisfaction. We also extended the scope of participants in 'NH House View' working-level meetings that serve to present the official investment view of our WM business on global investment assets, and reinforced the content by producing relevant videos and publishing regular monitoring data, assisting WM employees in building stronger capabilities.

In 2022, we will further expand the breath of discussions taking place at NH House View working-level meetings by adding the analysis of promising industry sectors that will lead 2022 in order to reflect the shifting financial and industrial landscape. We will further facilitate the sharing of up-to-date information on investment products among NHFG and affiliates to strengthen our role in supporting IPS\* business through group-wide systemic collaboration.

\*IPS (Investment Product & Service): Collectively refer to investment products, market forecasts, and advisory services

## Establishing an investment product management system

We have established an investment product management system in line with tightening protection for financial consumers. The investment product dashboard enables us to regularly take stock of products, and investment products that are the target of intensive management are subject to additional management to identify potential issues and report them accordingly in line with systemic management procedures.

In addition, we reinforced the working-level product subcommittee meetings to support the timely launching of promising products through the sharing of ideas among affiliates while keeping relevant parties updated on the facilitation of virtual platforms and developing marketing plans.

In 2022, we will further improve the efficiency of our investment product management system to ensure timeliness and appropriateness in the management of group-wide investment products and investment products subject to intensive management and to strengthen the comprehensive management of investment products.

# Identity

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## Expanding Our Identity in Agricultural Finance

We will fully reflect the voice of farmers in policy insurance to maximize the value of the agricultural industry and fulfill our role in pursuing mutual development with farmers and local communities.

## Long-term Strategy

# "Korea's top-tier agricultural financial institution"

### NHFG's IB Strategic Directions of Agricultural Finance

We aim to cement our established position as Korea's leading agricultural financial institution and to grow over the mid-to-long term into a specialized agricultural financial company known for its unrivaled capabilities and expertise, creating a 'super-gap' against our competition. To this end, we will shift the focus of our strategic direction from 'support' to 'investment' in line with the changing and evolving agricultural/livestock industry.

We will increase our investments in and loans to green business practices, such as smart farming and carbon farming, and identify and nurture innovative businesses in the agricultural industry and the agrifood sector spanning the entire lifecycle from the discovery of promising startups and the supply of venture capital to investment brokerage and IPO.

We will provide mutually-beneficial finance throughout the whole process of manufacturing, distributing and selling agricultural/livestock products, and create financial products and funds for green agrifood companies to drive the paradigm shift of agricultural finance to green finance.

## Support

Drive the growth of innovative companies in the agricultural industry and the agrifood sector

- Increase investments in and loans to green farming
- Identify and nurture innovative agricultural companies



## Investment

Shift the paradigm of agricultural finance to green finance

- Provide mutually-beneficial finance in the entire process of manufacturing, distributing and selling agricultural/livestock products
- Create financial products and funds for green agrifood companies

## Major Achievements and Goals

### Major Achievements in 2021

We expanded new loans extended to farmers and agrifood companies, which increased the balance of agrifood business loans to KRW 27.2 trillion as of the end of 2021, up by KRW 1.7 trillion from the previous year. We also launched the NH Smart Farm Loan for agricultural SMEs and young farmers to broaden our financial support. The KRW 175 billion agricultural industry investment funds raised to nurture agrifood venture firms (KRW 120 billion from NongHyup Bank, KRW 42 billion from NH Capital, and KRW 13 billion from NH Venture Investment) helped us provide strengthened support for the agricultural industry.

The subscription rates of our farmer safety insurance and crop disaster insurance rose by 1.9%p and 4.3%p y-o-y respectively, and our farmer safety insurance was improved by developing annuity-type disability/bereavement benefit plans and broadening payment requirements for special options on the extension of bereavement benefits, delivering reinforced practical benefits to farmers.

### Action Plans for 2022

In 2022, we will further solidify our position as Korea's leading agricultural financial institution. As such, we will increase our financial support for agrifood companies to doubly make sure that we reach 30% in market share and pursue institutional improvements to provide greater real-life benefits to farmers.

We plan to establish a substantial support system for our smart farm comprehensive funding by creating grade period provisions, expanding the scope of beneficiaries and developing measures to prevent redundant applications. We will strengthen the policy fund support of our comprehensive agricultural funding by assisting the socially- underprivileged with loan extension, increasing the limit of rural housing renovation funds, and expanding the possible applications of funding support given to second- generation farmers. We also plan to extend the items covered by crop disaster insurance and improve its subscription criteria, introduce annuity payment options and develop family-type plans for farmer safety insurance, and protect farmers' beneficiary rights by creating an account exclusively used for receiving insurance benefits, serving the interest of farmers in a real and substantial manner.

We will raise the number of companies chosen for our 'Companions for Farmers' program from three in 2021 to 10 in 2022, and strengthen our agricultural research expertise to drive the growth of agriculture in the upcoming years and continuously boost our role as a consultancy providing specialized training on taxes and loan appraisals.



# Establishing a leading position in agrifood finance

## Loan:

Expanding financial support and pursuing institutional improvement for the agricultural industry

### Financial support for farmers and agrifood companies

In 2021, we additionally provided KRW 6,635.0 billion in agricultural policy funds (KRW 19,594.6 billion in balance of loans as of the end of 2021) to promptly meet the needs for farming funds and better serve the interest of farmers, and offered free-of-charge agricultural finance consulting on 294 occasions to help improve competitiveness in the agriculture and agrifood sectors. Our corporate loans extended to agrifood companies also rose by KRW 1,736.7 billion (KRW 27,221.9 billion in balance of loans as of the end of 2021).

NH Capital continued to operate agricultural machinery leases to assist farmers in alleviating their equipment-related burden, which amounted to 204 contracts valued at KRW 13.2 billion.

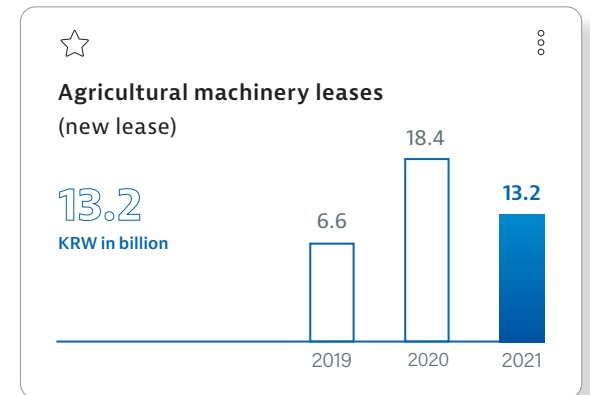
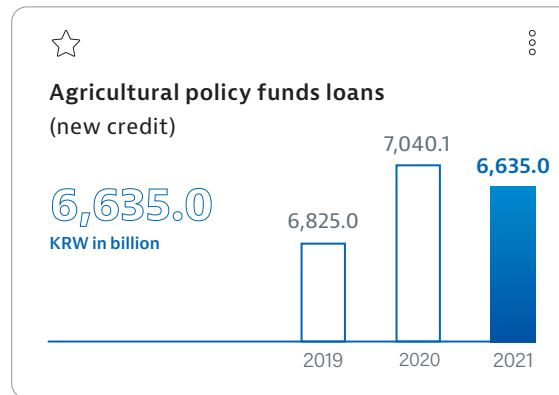
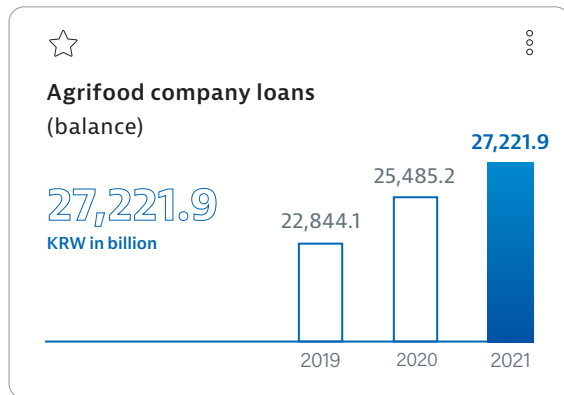
### Surpassing KRW 2 trillion in balance of the NH Agrifood Green Growth Loan

Our NH Agrifood Green Growth Loan surpassed KRW 2 trillion in new loans granted in October 2021 in just one year following its launching. This loan program provides preferential loans to companies with outstanding innovation performance in the green sector, and supports these companies conducting agrifood-related business with working capital and facility funds (KRW 2,404 billion in balance as of the end of 2021).

We will continue to promote this program and engage in public relations activities to cement its position as our No. 1 flagship product in agricultural finance.

### Support for farmers affected by COVID-19

To help farmers reduce their financial burden and preemptively support them in coping with damages from COVID-19, we provided loan deferment and interest rate cuts for a portion of the agricultural policy funds. In 2021, such deferment was granted on a total of 3,632 loans worth KRW 61.6 billion and interest rates were reduced by 0.3%p to 1.0%p for 17,513 loans worth KRW 460.9 billion. Disaster management funds of KRW 5 billion were additionally provided to farmers affected by COVID-19, with up to KRW 50 million per farming household. We will continue to propose to the government interest rate cuts and the extension of repayment periods for policy funds to support farmers facing difficulties amid the global pandemic.






# Investment:

## Enhancing support for the agricultural industry by raising and operating funds

We are expanding the creation of and investment in funds designed to nurture agrifood companies. As of the end of 2021, the agriculture-related investment funds that we operate amounted of KRW 175 billion, and such investment funds go to invest in promising agrifood businesses to improve the competitiveness of our agriculture and contribute to the growth and development of the agrifood industry.



### Operational Status of Agricultural Industry-related Investment Funds

NH Bank	NH Capital	NH Venture Investment
<div data-bbox="118 900 570 975" style="background-color: #008080; color: white; padding: 5px; text-align: center;"><b>Agriculture Industry Value Fund</b></div> <div data-bbox="269 1015 412 1201" style="text-align: center;">   <span style="font-size: 2em;">120</span>  <b>KRW in billion</b> </div> <ul style="list-style-type: none"> <li>• Expand discovery and investment of promising agricultural companies for the post-corona future</li> <li>• Strategic portfolio setup considering profitability and risk management</li> </ul>	<div data-bbox="666 900 1118 975" style="background-color: #0056b3; color: white; padding: 5px; text-align: center;"><b>Agri-food Fund</b></div> <div data-bbox="840 1026 942 1201" style="text-align: center;">   <span style="font-size: 2em;">42</span>  <b>KRW in billion</b> </div> <ul style="list-style-type: none"> <li>• Continued asset management of agri-food investment associations</li> <li>• Discover agri-food management organizations related to the Green New Deal and promote ESG investment</li> </ul>	<div data-bbox="1214 900 1665 975" style="background-color: #002060; color: white; padding: 5px; text-align: center;"><b>Agri-food Venture Fund</b></div> <div data-bbox="1385 1015 1488 1201" style="text-align: center;">   <span style="font-size: 2em;">13</span>  <b>KRW in billion</b> </div> <ul style="list-style-type: none"> <li>• Investment and full-scale development of excellent companies in the agri-food industry</li> <li>• Agri-food retail, agri-food logistics, agtech, green bio, etc.</li> </ul>



# Consulting:

## Expanding consulting for farmers and agrifood companies

### Advancing agricultural finance consulting tools

We developed a new consulting system by integrating the latest agricultural trends and management analysis techniques to improve the consulting efficiency of our branches. While we previously operated the system on our online website, we relocated it to our integrated work system to improve its accessibility and convenience, and the adoption of cutting-edge management analysis algorithms helps generate high-quality consulting outcomes. Developing and distributing a facility investment adequacy verification program enables our branches to determine the adequacy of loan value in reviewing facility loan applications and also helps farmers make informed decisions in investing in their facilities.

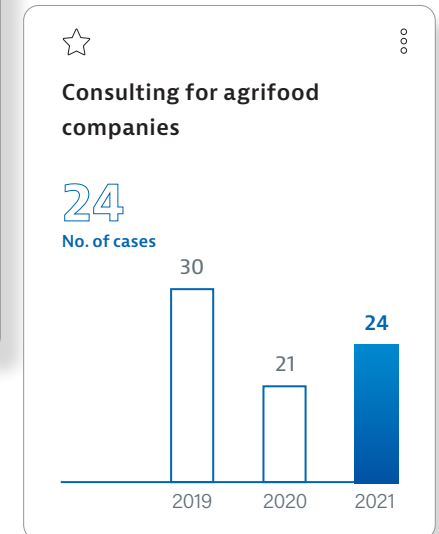
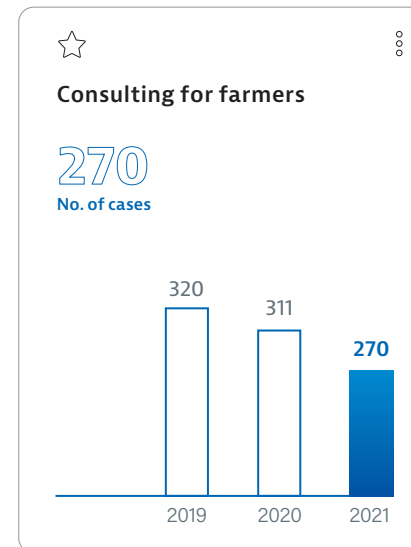
### Providing free-of-charge management consulting to farmers and agrifood companies

Even as COVID-19 made it difficult to provide consulting, we switched to virtual online means to continuously engage in consulting to support farmers on 270 occasions and agrifood companies on 24 occasions in 2021. We offered farms customized financial consulting services aligned with agricultural finance along each phase of the farm's growth cycle, and provided agrifood companies with comprehensive management consulting services to assess their overall management, identify issues and present solutions.

In 2022, we will improve our systems and work processes to deliver greater real-life benefits to farmers and newly add KRW 6.3 trillion to agricultural policy funds. To expand digital smart farming, we will streamline its application procedures and extend the scope of eligibility while reorganizing our existing agricultural finance consulting into the tailor-made 'smart 3-S consulting' scheme to meet the diverse needs of farmers. Farmers and agrifood companies demonstrating exceptional performance in advancing ESG management will be eligible for our preferential financial services, which will boost our evolution into a leading Green New Deal bank.

Fully implementing our NH Agrifood Green Growth Loan program, we will cement its position as our 'Best Product' for agrifood companies, and increase our loans granted to agrifood companies to KRW 29 trillion. This in turn will help us raise our market share in agrifood company loans to 30% and solidify our status as Korea's No. 1 agriculture finance bank. We will also consistently expand the Companions for Farmers program to position this as a flagship brand embodying possible synergy between agrifood companies and finance.

### Consulting Provided

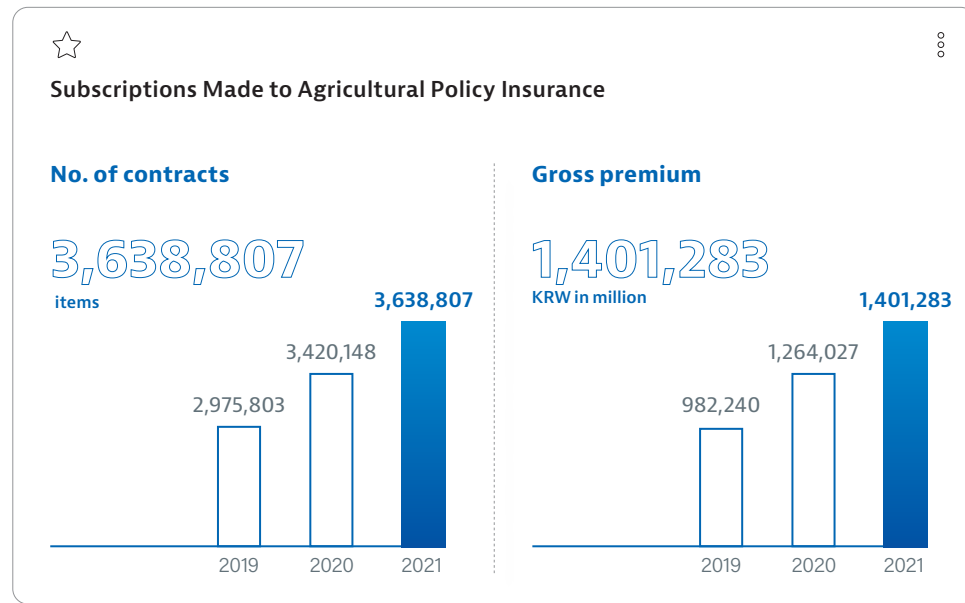
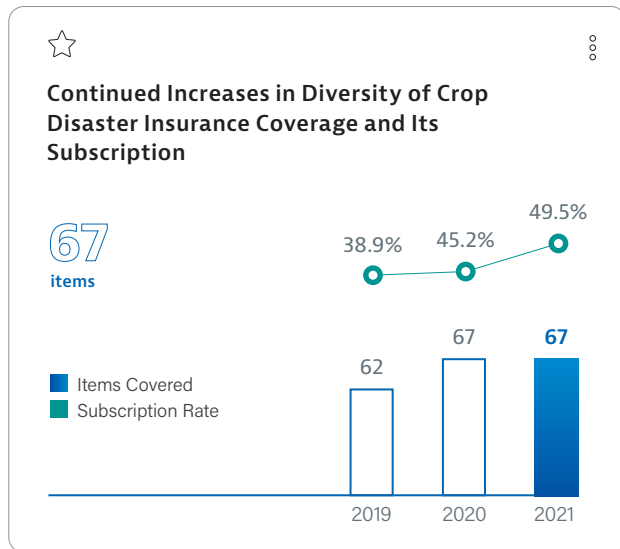


## Expanding Practical Benefits to Farmers

### Providing a management safety net for farmers through agricultural policy insurance

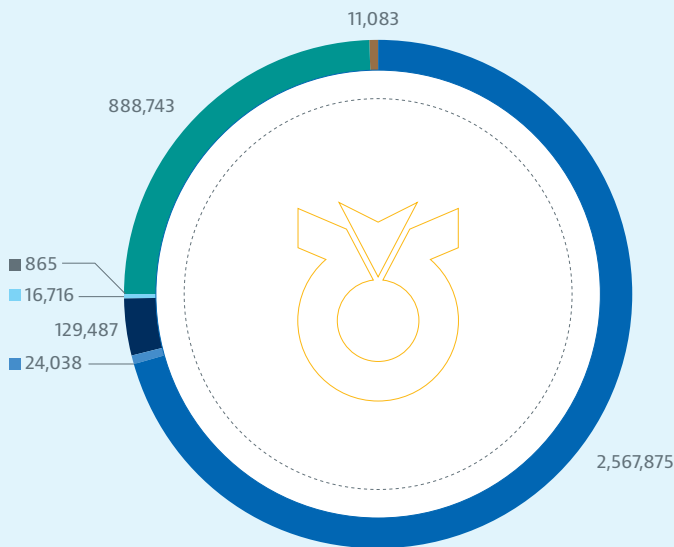
We promote the income security of farming households and improve the quality of life for farmers and rural communities through policy insurance. In the event of damages caused by typhoons or downpours, our crop disaster insurance helps protect the income of farmers, and we continuously expand the coverage and subscription rates of such insurance plans to help stabilize the operations of farming households.

In addition to crop disaster insurance, we offer a wide array of insurance plans (livestock disaster insurance, agricultural machinery insurance, natural disaster insurance, and farmer safety insurance) to ensure the stable management of agricultural and livestock farmers and provide a social safety net for farmers.



# Number of Agricultural Policy Insurance Contracts by Category in 2021

(unit: cases)

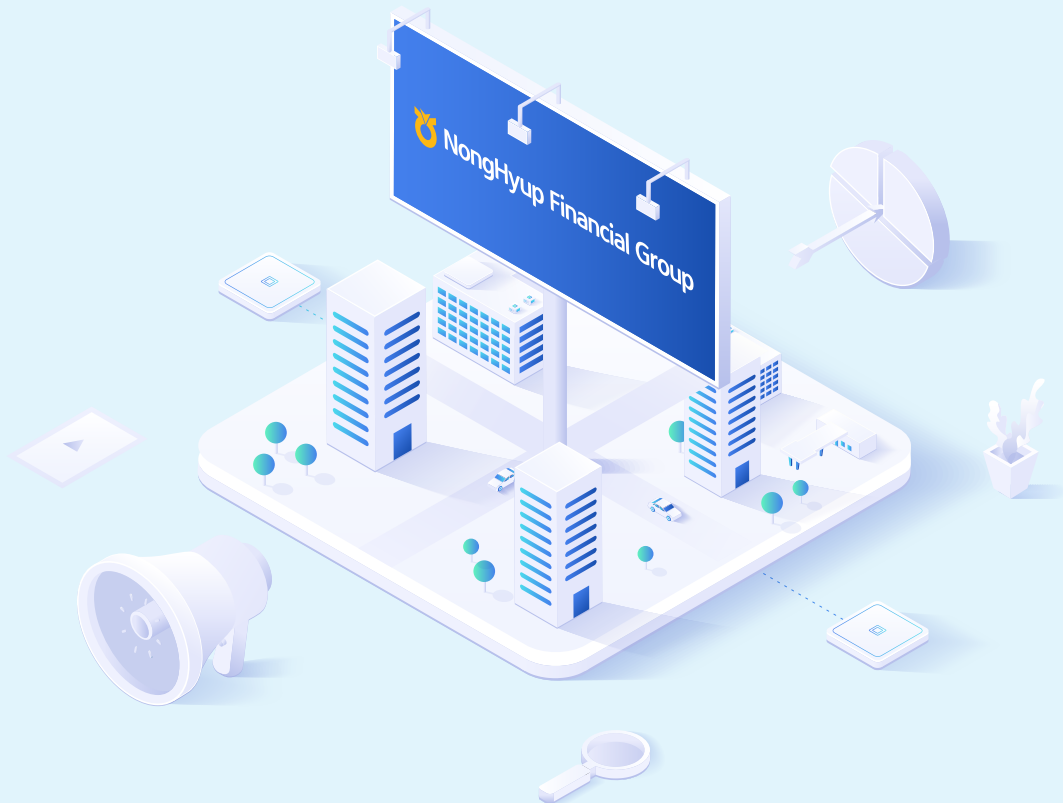


■ Crop disaster insurance	2,567,875
■ Livestock disaster insurance	24,038
■ Agricultural machinery insurance	129,487
■ Natural disaster insurance	16,716
■ Livestock disease insurance	865
■ NH Safety Insurance for Farming and Forestry Populations	888,743
■ NH Safety Insurance for Farm Workers	11,083
<b>Total</b>	<b>3,638,807</b>

## Action Plans for 2022

We will improve our premium rate calculation system by segmenting base rate calculation units and reflecting the risk level of cultivation conditions in order to increase the subscription rate of our crop disaster insurance while rationalizing our product offerings and advancing our contract transfer system. Besides, we will make computational improvements to raise the subscription of agricultural machinery insurance for the most widely used equipment of cultivators to better serve the interest of farmers and strengthen our role as a social safety net.

We will also make institutional improvements by developing plans exclusive for injured workers, opening an account for receiving benefits only, and creating annuity-based bereavement benefits to continuously expand our subscription base for farmer safety insurance while alleviating the burden of farmers in paying premiums to lay a stable ground for both farmers and rural communities and move forward to the centennial NongHyup.



# Risk Management

## Promoting Preemptive Risk Management

NongHyup Financial Group takes into account risks in its entire decision-making process with a shared sense of responsibility for risk management to pursue the sustained growth of the organization, abides by the set principles and standards in conducting business, and seeks balanced between risk and return.

# Risk Management Governance

NHFG’s risk management organization consists of the Risk Management Committee, the Risk Management Council, the Chief Risk Officer (CRO), and the Risk Management Department.



## Risk Management Committee

The Risk Management Committee is joined by NHFG directors, and as the highest decision-making body to develop and approve risk management policies and strategies to promptly identify, measure, monitor and control overall risks that occur in business conduct, the committee performs the following roles:

- Set basic policies and strategies for risk management in line with the set management strategy
- Determine acceptable risk levels (risk appetite)
- Approve appropriate exposure limits or loss limits
- Approve matters related to the allocation of risk capital
- Deliberate on matters deemed necessary by the BOD and BOD committees

## Risk Management Council

The Risk Management Council is composed of Chief Risk Officers (CROs) from NHFG and its subsidiaries, and is mandated to deliberate and decide on matters delegated by the Risk Management Committee and to consult on details concerning the subsidiary-level implementation of group-wide risk management policies and procedures.

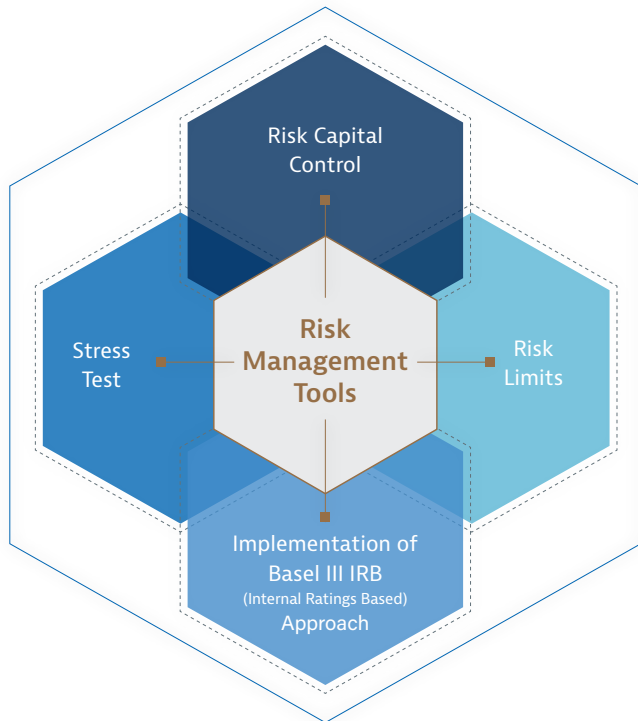
## Chief Risk Officer (CRO)

Our Chief Risk Officer is appointed for his/her expert knowledge and working-level experience in risk management. The CRO assists the Risk Management Committee and appropriately maintains our risk management policy and strategy in line with changing conditions and management strategies while reviewing and managing risks that may arise in asset management or business conduct.

## Risk Management Department

The Risk Management Department is responsible for day-to-day operations including risk monitoring, BIS ratio calculation, and risk capital management.

# Risk Management Tools



## Risk Capital Control

The Risk Management Committee sets NHFG’s risk appetite each year in consideration of financial and economic conditions, and allocates risk capital limits by risk type among respective subsidiaries. Our performance measured against the set risk capital limits by risk type (credit risk, market risk, operational risk, and interest rate risk) is regularly monitored and reported to senior management and the Risk Management Committee. When the level of risks reaches the set criteria and beyond, this triggers the implementation of relevant measures according to applicable provisions.

## Risk Limit Management

NHFG has set limits in total exposure and others to prevent the excessive concentration of exposure in specific borrowers or sectors, and each subsidiary conducts business within the set limits. Furthermore, limits are defined for market risk losses and liquidity ratios, and are monitored regularly to prevent risks from ever occurring.

## Operation of the Basel III IRB Approach

NHFG has established a Basel III Internal Ratings Based (IRB) approach operation system to advance its credit risk management, and received approval to use this system from the supervisory authorities in December 2016. We have since taken the IRB approach to calculating our credit risk weighted assets and BIS ratios, which in turn improved our group-level capital adequacy ratios.

## Stress Test

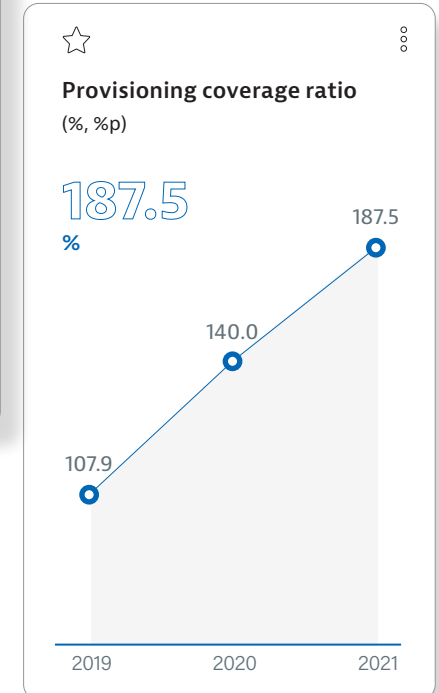
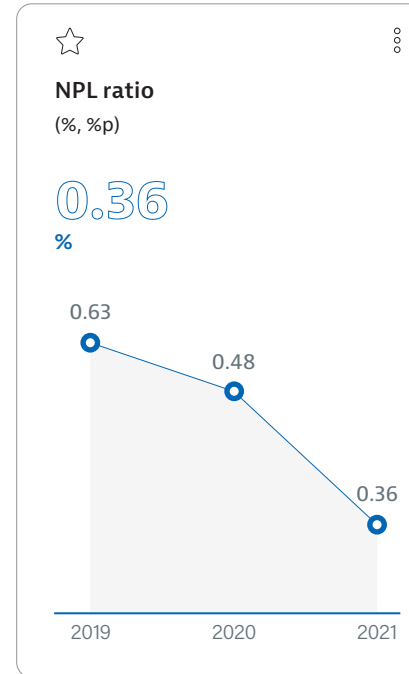
Semi-annual stress tests are performed to assess potential vulnerabilities related to unexpected losses at the group-wide level. Scenarios are created to presume deteriorating major economic indicators concerning interest rates, F/X, and stock prices, and variability in profit/loss and capital ratios are estimated for each scenario. The outcomes are reported to top management and the Risk Management Committee, and such stress test results are used in setting our risk appetite.

## Major Achievements in 2021

In preparation for deteriorating asset quality amid the protracted pandemic, we engaged in preemptive risk management to first and foremost manage the quality of our assets. A supervision team was created within NHFG to establish an investment finance supervision system and focus on the management of potential risk assets. This allowed us to post 0.36% in NPL ratio and 187.5% in provisioning coverage ratio, achieving the highest-ever ratios in asset quality since the founding of NHFG.

To brace for business risks that may increase in line with the expansion of new businesses, we laid the basis for risk management for new and overseas businesses. Phased-in reinforcement measures were developed including stress testing for carbon-emitting business and integrating test outcomes in limit management, and our risk management system was reorganized for our overseas local subsidiaries.

Lastly, we systematically responded to the Recovery and Resolution Plan (RRP) introduced in 2021: we have established our own recovery plan in reflection of supervision requirements across seven sectors including governance, risk situation trigger indicators/triggers, and recovery tools to strengthen our resilience in the event of risks occurring.



## Action Plans for 2022

The year 2022 is expected to witness such risk factors as expanding volatility in the financial market, concerns over increasing insolvency in investment finance, and tightening risk-related supervisory regulations. This prompted us to set a goal of strengthening our risk management system to improve our fundamentals and competitive edge and we will remain focused on the following three priorities in risk management.

### Reinforcing portfolio management

We will strengthen the risk-based portfolio management in preparation for increasing industry risks stemming from global supply chain instability and for exacerbating volatility in the financial market caused by changing currency policies. To this end, feedback procedures will be created to review whether our actual business execution is aligned with the set operational directions, and RoRWA (Return on Risk Weighted Asset) analyses will be performed to improve the quality of our portfolio.

### Strengthening the management of asset quality

We will tighten the management of our asset quality in investment finance to respond to expanding asset bubbles and the resulting increase in insolvency of investment finance. In this regard, we will regularly analyze our large investment assets for any signs of insolvency in terms of credit risks, collateral value, and the size of unsold assets, and then proceed with supervision.

### Preemptively responding to supervisory regulations

We will preemptively respond to supervisory regulations in preparation for increasing regulatory risks, including but not limited to Basel III capital/liquidity/large exposure. To minimize the risk that may arise with Basel III regulations, we will leverage our newly-created large exposure/market/operation/liquidity management system to run a pilot on risk calculation and align our management system accordingly.







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# NHFG Overview

NongHyup Financial Group, as the only financial institution in Korea solely founded upon domestic private capital, is evolving into Asia's leading global cooperative financial group. At NHFG, we deliver wide-ranging financial services on the strength of Korea's largest network and our distinctive expertise. Leveraging our balanced portfolio spanning banking, insurance, securities, asset management, capital, savings bank business, REIT management and venture investment, we pursue the generation of mutual synergy and the greatest possible profits. We are cementing our position as Korea's top-notch financial group by faithfully supporting farmers who are at the very core of our existence and growth potential.



# History



## 2011

**Mar.** Revisions to the Agricultural Cooperatives Act passed by the National Assembly

## 2012

**Mar.** NongHyup Financial Group launched (1st Chairman Shin Choong-Shik)

**Jun.** Inauguration of 2nd Chairman Shin Dong-Kyu

## 2013

**Jan.** Acquired 100% of NH Capital stocks (89.78% stake before acquisition)

**Mar.** NH Bank opened Hanoi office in Vietnam

**Jun.** Inauguration of 3rd Chairman Yim Jong-Yong

**Aug.** NH Bank opened New York branch in the US

**Sep.** NH Bank opened Beijing office in China

**Dec.** Selected as a preferred negotiator for the acquisition of the securities division of Woori Financial Group

## 2014

**Jun.** Acquired 37.85% of Woori Investment & Securities, 98.89% of Woori Aviva Life Insurance, and 100% of Woori Savings Bank

**Jun.** Changed the name of Woori Savings Bank to NH Savings Bank

**Sep.** Signed sale agreement of Woori Aviva Life Insurance to DGB Financial Group

**Dec.** Merger of Woori Investment & Securities and NH Securities (49.11% post-merger stake), changed the name to NH Investment & Securities



## 2015

**Apr.** Inauguration of 4th Chairman Kim Yong-Hwan

**Jun.** Changed the name of Woori Futures to NH Futures

**Sep.** NH Futures Co., Ltd. merged NH NongHyup Futures

## 2016

**May** Changed the name of NH-CA Asset Management to NH-Amundi Asset Management

**Jun.** NH Bank opened New Delhi office in India

**Dec.** NH Bank opened Hanoi branch in Vietnam and established an overseas local subsidiary, NongHyup Finance Myanmar

## 2017

**Nov.** NH Investment & Securities designated as a mega-sized investment bank (IB)

## 2018

**Jan.** NH Investment & Securities acquired a 100% stake of Vietnamese local subsidiary

**Apr.** Inauguration 5th Chairman Kim Gwang-Soo

**Jul.** Established NH REITs Management (100% stake)

**Sep.** NH Bank established NongHyup Finance Cambodia

**Nov.** NH Bank opened Ho Chi Minh office in Vietnam



## 2019

**Jun.** Established NH Hedge

**Aug.** NH-Amundi Asset Management launched Victory Korea Fund

**Nov.** Established NH Venture Investment (100% stake)

**Dec.** NH REITs Management listed NH Prime REITs

**Dec.** NH Hedge changed company name to NH Hedge Asset Management

## 2020

**Sep.** NH-Amundi Asset Management launched ESG 100-Year Enterprise Green Korea Fund

## 2021

**Jan.** Inauguration of 6th Chairman Son Byung-Hwan

**Aug.** NongHyup Bank opened the London Representative Office

**Oct.** NH Investment & Securities acquired additional shares (rights offering, ownership: 49.11%→51.79%)

**Nov.** NongHyup REITs Management listed its NH All One REIT

**Dec.** NongHyup Bank obtained the final approval to open the Beijing Representative Office

# Vision & Strategy

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## NHFG's New Vision

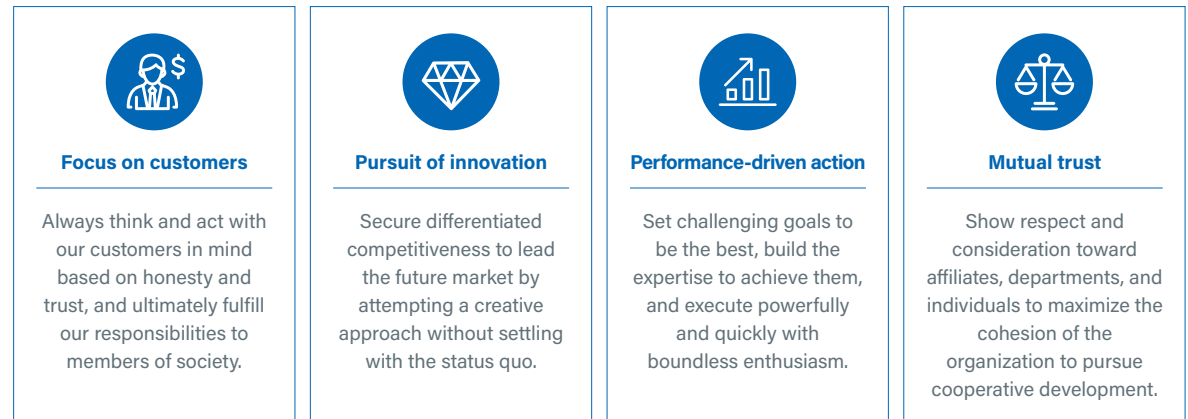
On the back of NongHyup-wide synergy and digital competitiveness, we will fill every moment of our customers' financial life with satisfaction, and evolve into a financial group to serve as the bridge between finance and non-finance.



Note: \*NH Futures and NH Hedge Asset Management are subsidiaries of NH Investment & Securities.

## Core Values

NHFG's core values are the shared values and beliefs of everyone at NH, which constitute the standard for thinking and acting.



## NHFG's Value System

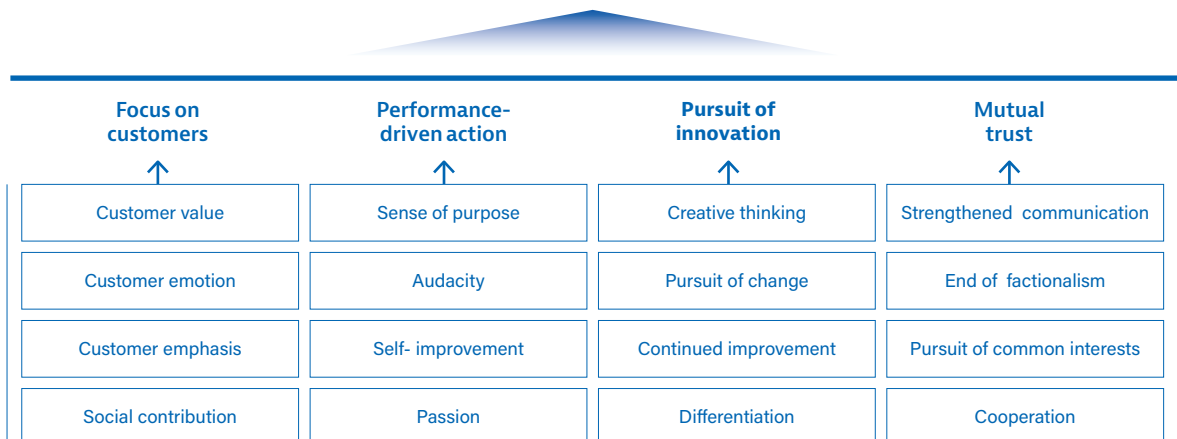
Vision

Management Principles

Core Values

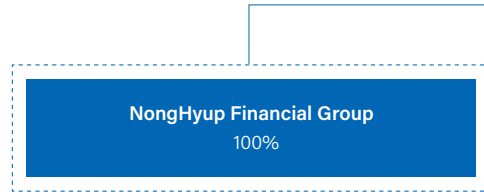
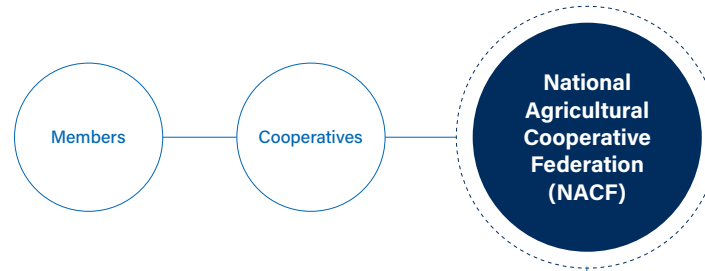
Code of Conduct

### Every Moment in Finance Along with NH beyond a century



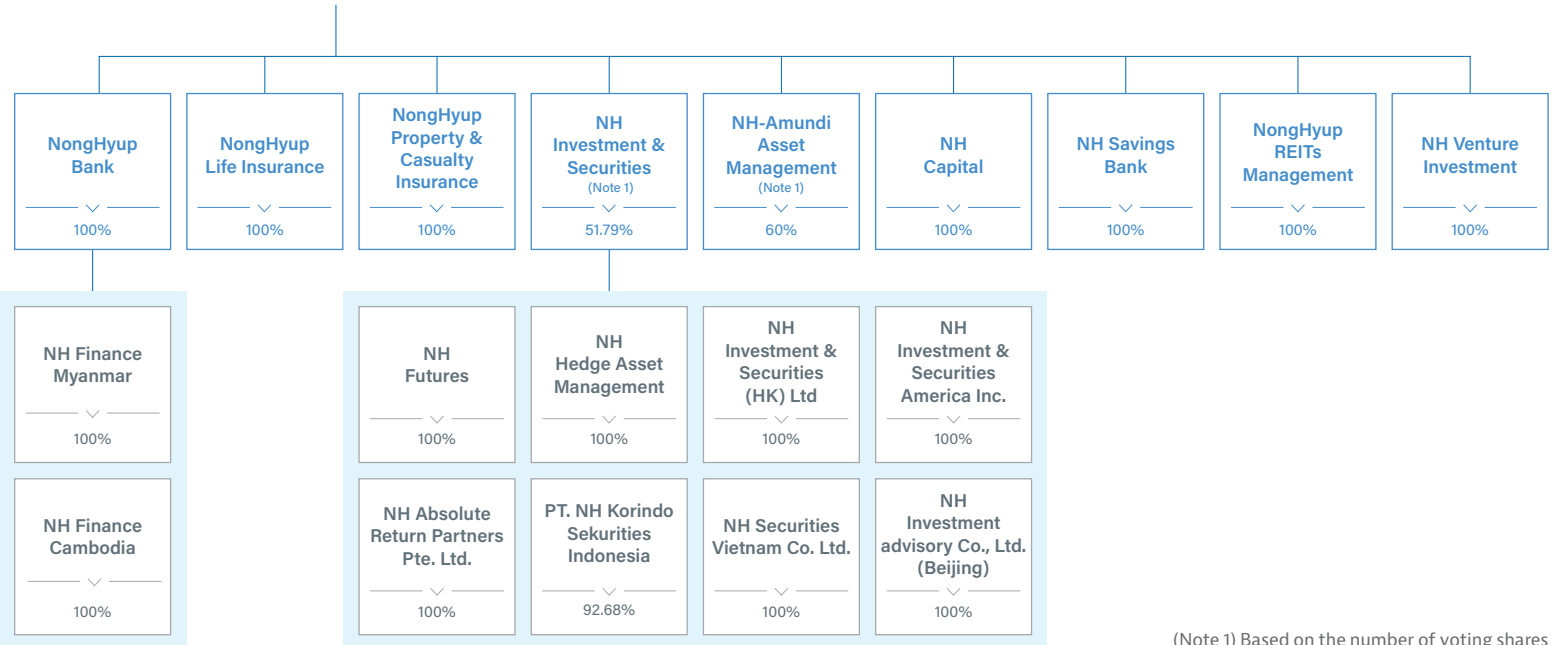
# Affiliation & Ownership

(as of Dec. 31, 2021)



1 Holding company, 9 Subsidiaries

1 Holding company, 16 Subsidiaries

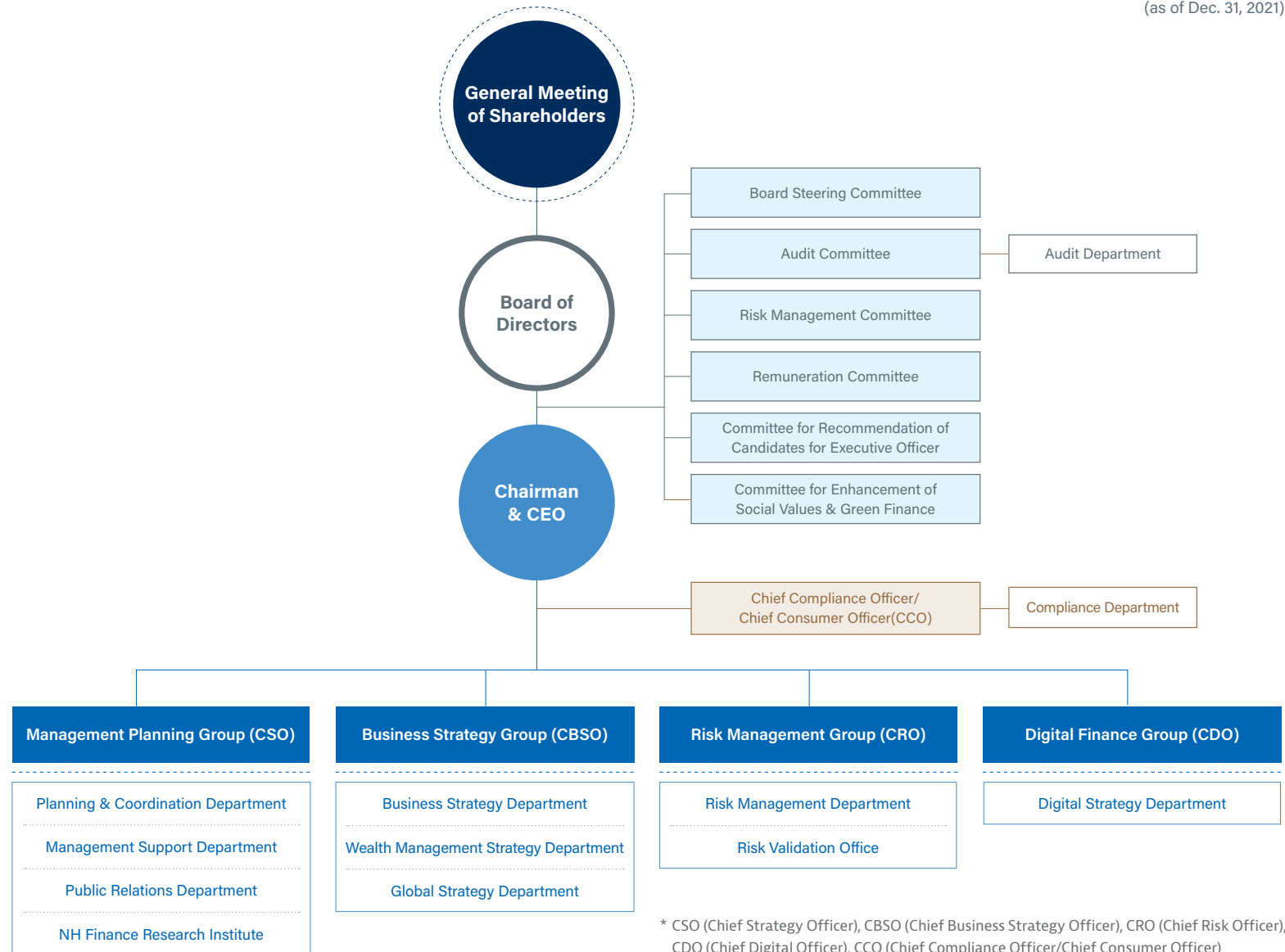


(Note 1) Based on the number of voting shares

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# Organizational Chart

(as of Dec. 31, 2021)



\* CSO (Chief Strategy Officer), CBSO (Chief Business Strategy Officer), CRO (Chief Risk Officer), CDO (Chief Digital Officer), CCO (Chief Compliance Officer/Chief Consumer Officer)

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## BOD Composition

(as of Apr. 1, 2022)

### Son, Byung Hwan Chairman & CEO

- Seoul National University
- Head of Management Planning, NHFG
- President & CEO, NongHyup Bank
- (Current) Chairman & CEO, NHFG

### Bae, Bu Yeol Executive Director

- Daegu University, University of Scranton (MA)
- Branch Manager, NongHyup Bank Seongdang Branch
- Director, NongHyup Bank Daegu Group
- Head of Management Planning, NHFG

### An, Yong Seung Non-standing director

- Korea National Open University
- Chairman, Cooperative Steering Council, Seoul City
- (Current) Chairman, South Seoul Agricultural Cooperative

### Lee, Jong Baek Non-executive director

- Seoul National University (BA, MA)
- Chief Prosecutor, Seoul High Prosecutors' Office
- (Current) Attorney, Kim & Chang

### Hahm, Yu Kun Non-executive Director

- Korea University, Boston University (MA, PhD)
- (Current) President, Korea Big Data Society
- (Current) Professor, Business Administration, Konkuk University

### Nam, Byung Ho Non-executive Director

- Seoul National University (BA, MA)
- Chief, Financial Restructuring, Financial Services Commission
- CEO, KT Capital

### Song, In Chang Non-executive Director

- Seoul National University (BA, MA), London School of Economics and Political Science (MA), University of York (PhD)
- International Economics Management Officer, Ministry of Strategy and Finance
- Executive Director, Asian Development Bank (ADB)

### Seo, Eun Sook Non-executive Director

- Sangmyung University, Sogang University (MA), University of Texas (PhD)
- (Current) Member, Fiscal Policy Advisory Committee, Ministry of Strategy and Finance
- (Current), Professor, Economics and Finance, Sangmyung University

### Lee, Soon Ho Non-executive Director

- Seoul National University (BA, MA), University of Illinois (PhD)
- (Current) Member, Regulatory Improvement Committee, Financial Services Commission
- (Current), Head, Banking and Insurance Research Department 2, Korea Institute of Finance

### Ha, Kyung Ja Non-executive Director

- Pusan National University, Seoul National University (MA), Yonsei University (PhD)
- (Current) Chairman, Korean Meteorological Society
- (Current) Professor, Atmospheric Sciences, Pusan National University



## Composition of BOD Committees

(as of Apr. 1, 2022)

Committees	Members	Mission and Mandates
<b>Committee for Recommendation of Candidate for Executive Officer</b>	<ul style="list-style-type: none"> <li>◆ <b>Member:</b> 10 or less</li> <li>◆ <b>Chair:</b> Appoint among non-executive members                             <ul style="list-style-type: none"> <li>- 2 or more non-executive directors</li> <li>- 2 or less directors other than non-executive directors</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>Purpose</b> <ul style="list-style-type: none"> <li>- Make decisions on the nomination of executives including the Chairman &amp; CEO and non-executive directors</li> </ul> </li> <li>◆ <b>Mandate</b> <ul style="list-style-type: none"> <li>- Nominate candidates for the NHFG Chairman &amp; CEO</li> <li>- Nominate candidates for NHFG non-executive directors and Audit Committee members</li> <li>- Nominate candidates for CEOs of wholly-owned subsidiaries</li> </ul> </li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>◆ <b>Member:</b> 3 non-executive directors</li> <li>◆ <b>Chair:</b> Appoint among non-executive directors</li> <li>◆ <b>Non-executive director member:</b> 2/3 or more of all members</li> </ul>	<ul style="list-style-type: none"> <li>- Audit the work execution of senior management by performing audits on the operations and assets of NHFG and its subsidiaries and by deciding and deliberating on associated matters</li> </ul>
<b>Risk Management Committee</b>	<ul style="list-style-type: none"> <li>◆ <b>Member:</b> 10 or less</li> <li>◆ <b>Chair:</b> Appoint among non-executive directors</li> <li>◆ <b>Non-executive director:</b> Majority of all members</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>Purpose</b> <ul style="list-style-type: none"> <li>- Serve as the highest decision-making body to manage overall risks that arise in group-level business conduct</li> </ul> </li> <li>◆ <b>Mandate</b> <ul style="list-style-type: none"> <li>- Set basic policies and strategies for risk management in line with management strategies</li> <li>- Determine acceptable risk levels (risk appetite)</li> <li>- Approve acceptable exposure or stop-loss limits</li> <li>- Set various limits and handle issues related to over-limit approval</li> <li>- Matters on the allocation of risk capital                             <ul style="list-style-type: none"> <li>◦ Stipulate and amend risk management regulations and related rules</li> <li>◦ Matters on the development of a new credit assessment system subject to IRB and major modifications</li> <li>◦ Outcomes of estimating credit risk measurement factors subject to IRB and matters on major modifications</li> </ul> </li> <li>- Matters on the structure and work division of the risk management organization</li> <li>- Matters on the operation of the risk management information system</li> <li>- Other matters deemed necessary by the NHFG BOD and BOD committees</li> </ul> </li> </ul>
<b>Remuneration Committee</b>	<ul style="list-style-type: none"> <li>◆ <b>Member:</b> 3 or more</li> <li>◆ <b>Chair:</b> Appoint among non-executive directors</li> <li>◆ <b>Non-executive director:</b> Majority of all members</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>Purpose</b> <ul style="list-style-type: none"> <li>- Establish performance appraisal and remuneration systems for senior management and CEOs of subsidiaries</li> </ul> </li> <li>◆ <b>Mandate</b> <ul style="list-style-type: none"> <li>- Establish performance appraisal and remuneration systems for top management</li> <li>- Perform performance appraisals on CEOs of subsidiaries</li> </ul> </li> </ul>
<b>Committee for Enhancement of Social values &amp; Green finance</b>	<ul style="list-style-type: none"> <li>◆ <b>Member:</b> 3 or more</li> <li>◆ <b>Chair:</b> Appoint among non-executive directors</li> <li>◆ <b>Non-executive director:</b> Majority of all members</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>Purpose</b> <ul style="list-style-type: none"> <li>- Serve as the highest decision-making body to set and approve ESG (Environmental, Social and Governance) strategies and plans to improve social value and advance green finance</li> </ul> </li> <li>◆ <b>Mandate</b> <ul style="list-style-type: none"> <li>- Matters on ESG strategies and plans</li> </ul> </li> </ul>

# Major Milestones and Awards in 2021

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**Jan.**

**NongHyup Bank**

- Awarded the MyData business license



**Feb.**

**NH-Amundi Asset Management**

- Surpassed KRW 200 billion in Green Korea Funds raised

**NH Hedge Asset Management**

- Named the Rising Star Hedge Fund of This Year



**Mar.**

**NH Savings Bank**

- Honored with the Excellent CSR Company Award



**Jul.**

**NongHyup Life Insurance**

- 'TM Insurance Smart Customer Check Service' named an innovative financial service by the Financial Services Commission



**Aug.**

**NongHyup Bank**

- Opened the London Representative Office



**Oct.**

**NHFG**

- Acquired additional shares of NH Investment & Securities (ownership: 49.11%→51.79%)

**NongHyup Life Insurance**

- Became the first in the industry to launch the QR code-enabled terms & conditions service



**Nov.**

**NH Investment & Securities**

- Obtained the MyData business license

**NongHyup REITs Management**

- Listed NH All One REIT on the KOSPI

**NongHyup Property & Casualty Insurance**

- Certified under the CSR in the Community program of the Ministry of Health and Welfare



**Dec.**

**NongHyup Bank**

- Received the Presidential Commendation for providing financial support for SME venture firms, obtained the final approval to open the Beijing Representative Office

**NH Investment & Securities**

- Honored with the Presidential Award at the Korea Digital Management Innovation Awards



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# NongHyup Bank



**Kwon, Joon-Hak**

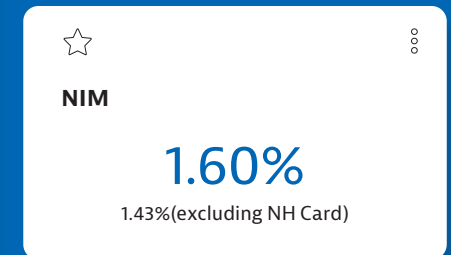
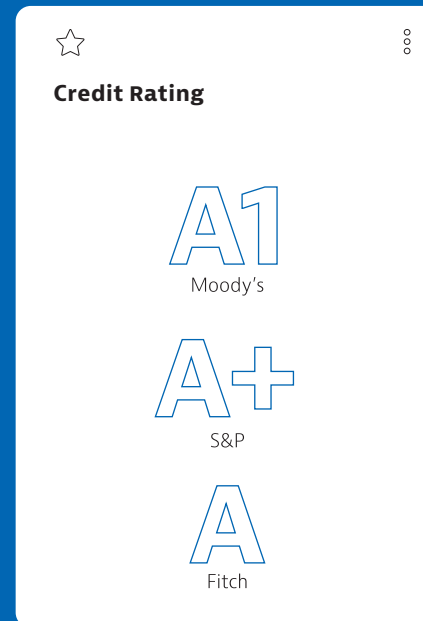
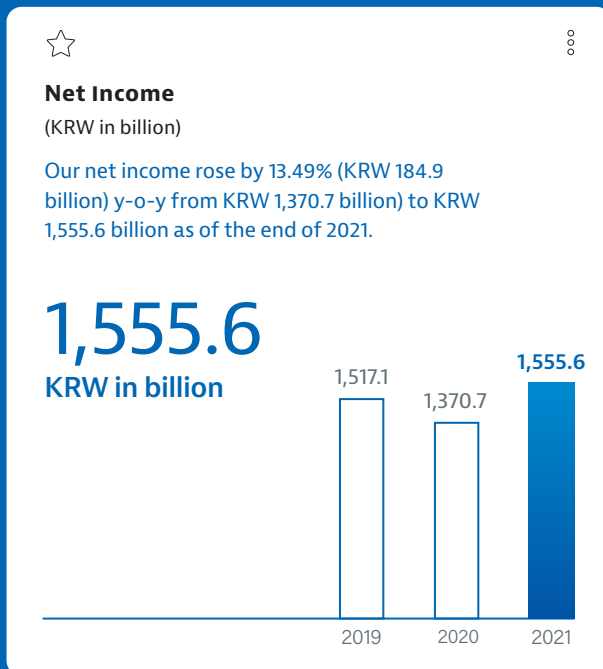
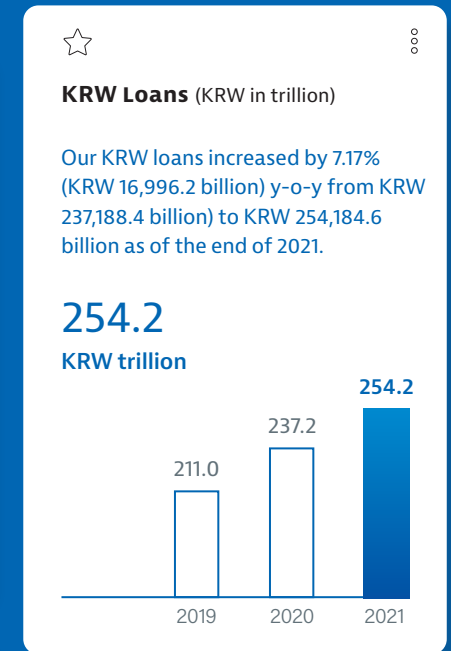
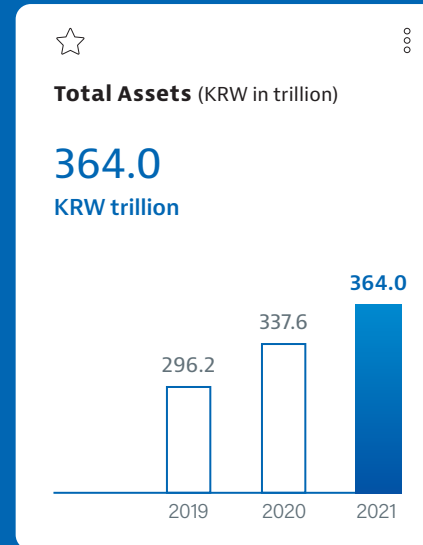
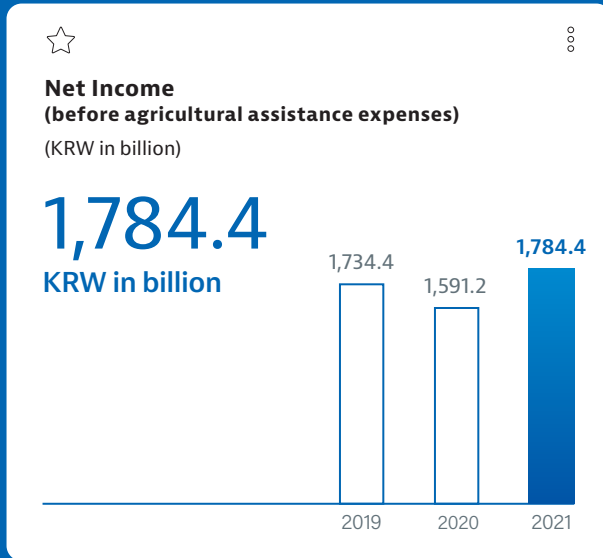
President & CEO



As a bank founded upon 100% national capital and composed solely of domestic capital, NongHyup Bank has been committed to providing financial support for low-income demographics, developing the local economy, improving the welfare of agriculture and rural communities, and better serving customers.

On the back of our nation-wide network of branches that reaches even remote islands as well as urban and farming communities, we do our utmost to increase the welfare of our agriculture and rural communities and contribute to the development of both local and national economies while securing sustainable growth drivers through reliable profit generation and growing hand-in-hand with local economies to duly fulfill our role as a bank specialized in public finance and microfinance.





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# NongHyup Bank

## 2021 Highlights



### Opening the London Representative Office in the UK

Aug. 11, 2021

- Advanced into the UK, the birthplace of cooperatives and the global financial hub, in celebration of our 60th anniversary
- Aims to complete our GIB network in advanced financial markets such as New York and Hong Kong

#london #global financial hub #GIB network



### Reaching KRW 2 trillion in balance of the ESG-focused Agrifood Green Growth Loan

Oct. 28, 2021

- Designed to support agricultural/agrifood companies with outstanding performance in practicing ESG management
- Main customer groups: SMEs, farmers, privately-owned businesses

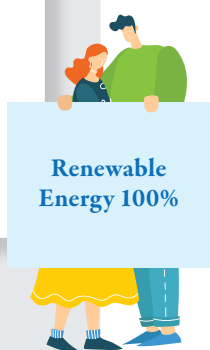
#esg #agrifood

### NongHyup Bank and the Korean Energy Agency signing an MOU to provide financial support to companies joining the K-RE100\*

Jun. 18, 2021

NongHyup Bank to provide interest rate cuts of upto 0.3%p to borrowing companies who joined the K-RE100 in proportion to their ratio of transitioning to renewable energy

\* RE100 is a global initiative to commit businesses to 100% renewable electricity generated by photovoltaics and wind power among others by 2050





## Exceeding KRW 2 trillion in the NH preferential loan for green businesses

Nov. 26, 2021

- Designed as an ESG-focused loan product that provides preferential interest rates and loan limits to companies practicing ESG management
- Exceeded KRW 2 trillion in loan balance in just eight months since its launching

#esg #loan #green businesses



## Receiving the Presidential Commendation at the SMEs and Venture Financial Support Awards

Dec. 28, 2021

NongHyup Bank was honored with the Presidential Commendation for the third time, following in 2012 and 2016, an award given to organizations and individuals who made significant contributions to providing financial support to SMEs and venture firms

#venture #awards #financial support



Explore



## Hosting a metaverse-based fintech hackathon\*

Dec. 13, 2021

121 contenders from 37 teams participated in the general and student segments to engage in fierce competition

- Expected to embrace and leverage ideas to align metaverse with financial services

\*Hackathon: Created by combining the words hack and marathon, a hackathon is a sprint-like event where participants working in related career areas in the software development industry work together on a project and produce outcomes through collaboration.



## NH Asset+ inviting customers in celebration of reaching one million in subscribers

Nov. 8, 2021

Reached one million in subscribers in just 10 months since the launching of the comprehensive individual wealth management service that supports the integrated inquiry and management of information spanning one's assets, debts, real estate and other tangible assets, pension, and cash receipts by collecting asset data from 118 organizations, which is the largest-ever in scale in the banking industry

#customers #one million



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NongHyup Bank posted KRW 2,490.6 billion in operating profit and KRW 1,555.6 billion in net income in 2021 on a consolidated basis. In the face of headwinds caused by the continued COVID-19 pandemic, we stepped up our efforts to facilitate the local economy through the warmth of our finance, and received the highest rating in the local reinvestment assessments conducted by the Financial Services Commission. We achieved noteworthy growth across all business areas: we established customer-centric digital competitiveness, surpassed KRW 1 trillion in net income for four consecutive years, dramatically improved on asset quality indicators, and successfully renewed all our local government coffer contracts.

## FINANCIAL HIGHLIGHTS (Consolidated)

(unit: KRW in billion, %)

		FY2021	FY2020
Key Indicators	Total assets	364,004.9	337,638.9
	(Trust accounts)	47,471.1	44,917.9
	Total liabilities	344,770.5	320,018.9
	Total equity	19,234.4	17,620.1
	Net income	1,555.6	1,370.7
	Net income before agricultural assistance expenses	1,784.4	1,591.2
Profitability	RoA	0.44	0.43
	RoE	8.52	8.06
	RoA before agricultural assistance expenses	0.50	0.50
	RoE before agricultural assistance expenses	9.78	9.36
Capital Adequacy	Total capital ratio	18.31	17.70
	Common equity tier 1 ratio	15.30	14.98
	Tier 1 ratio	15.76	15.11
Asset Quality	NPL(Substandard & below loans) ratio	0.29	0.42
	NPL coverage ratio	417.67	300.97
	NPL coverage ratio*	207.71	136.61
NIM (including NH Card)		1.60	1.65
NIM (excluding NH Card)		1.43	1.47

\* After provision for credit loss



## At a glance

### Digital

We are proactively responding to the shifting landscape of the 4th Industrial Revolution Era, driven by our customer-centric Digital Transformation (DT) strategy. Leveraging our nation-wide network and virtual channels made available through AllOne Bank and smart banking, we are conducting business across a range of areas to provide customers with improved banking services.

AllOne Bank, our representative digital platform, will be aligned with the core business of NHFG affiliates and be upgraded into a comprehensive financial platform that offers customers convenient access to our financial services.

In 2022, we plan to engage in wide-ranging data-enabled businesses by harnessing the extensive data that we have accumulated through our financial and NH Members operations as well as MyData (obtained the MyData business license in 2021).

We will continue to explore new business models related to AI, blockchain and other emerging technologies and help create a wholesome digital ecosystem through nurturing startups to facilitate and internalize new technologies. In addition, we will pursue work process improvements by expanding the adoption of Robotic Process Automation, going paperless, and rendering our loan process more convenient with an aim to improve our work efficiency and profitability.

In 2022, our goal is to accelerate digital transformation and become a leading financial institution in the 4th Industrial Revolution era to ultimately emerge as a customer-centric, super-innovative digital bank.

### Global

As of the end of 2021, our global network consisted of 10 locations across nine countries: three branches, two local subsidiaries (53 branches) and five offices in eight countries as well as Australia to which we've sent our staff to prepare for opening a new branch. Including locally-hired staff, our global workforce amounts to 777 persons in total.

As part of our Southeast Asian network, our Hanoi Branch in Vietnam and NH Finance Cambodia are positioning themselves as functioning profit generators. In August 2021, we successfully opened the London Representative Office to advance into the European market and the Hong Kong Branch in November in the financial hub of Asia.

On the back of our know-how in agricultural finance as our unique strength, we will develop business models in reflection of local characteristics and expand our global operations.

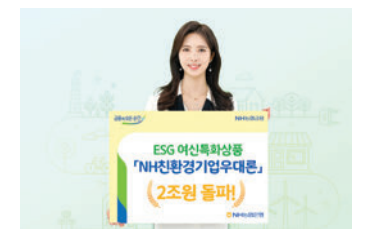


### ESG Management

We have successfully laid the foundation to advance ESG management in 2021 by developing ESG-focused loan/deposit products, issuing ESG bonds, endorsing such global initiatives as the Equator Principles, joining government-led ESG campaigns including K-EV100 and K-RE100, and launching ESG campaigns for employees.

In 2022, we plan to measure our carbon emissions, declare our carbon neutrality commitment and develop measures to achieve this goal, along with developing and launching more new ESG finance products.

We will further expand products connected with the Carbon Point program of the Ministry of Environment and Korea Environment Corporation while launching a wide array of ESG products, including deposit/savings products that offer special interest rates in proportion to the steps taken by customers, and credit card products that encourage eco-conscious customer behaviors by offering low-mileage benefits.



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**Retail Banking**

We operate a prime customer program to cater to customer needs by analyzing retail customers and identifying their trends while developing personal deposit/household loan marketing strategies to conduct company-wide business in conjunction with with branches. We also engage in the National Home and Urban Fund business and operate Filling Your Life with Happiness finance classes to remain equally focused on social cooperation marketing.

In 2021, our total deposits amounted to KRW 300 trillion in spite of the challenging business conditions including COVID-19 and the pressing need to manage household loans. Our household loans posted KRW 1,620.6 billion in profit, setting a new record in our history based on our proactive margin management. We were honored with the Excellence Award in the Inclusive Finance assessments conducted by the Financial Supervisory Service for two years in a row in recognition of our achievement

in advancing ESG management and serving as a leading microcredit bank. Expanding our CSR activities through Filling Your Life with Happiness financial classes, we were able to raise our external profile and were certified under the career experience through educational donation program of the Ministry of Education in 2021.

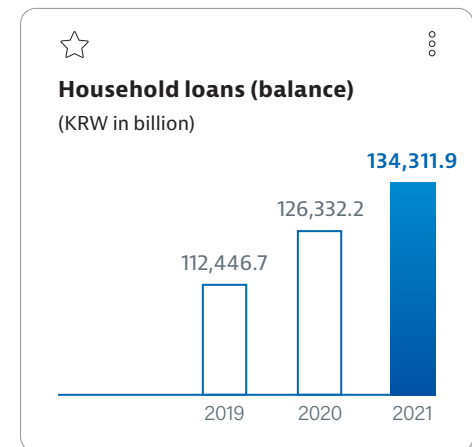
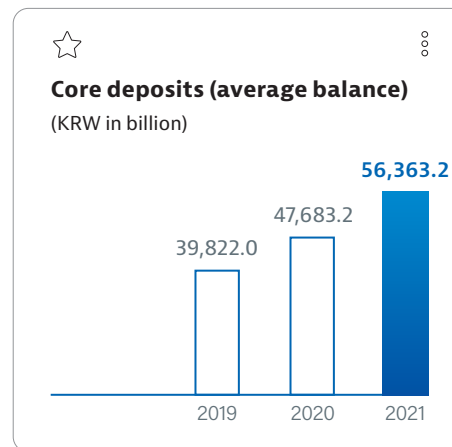
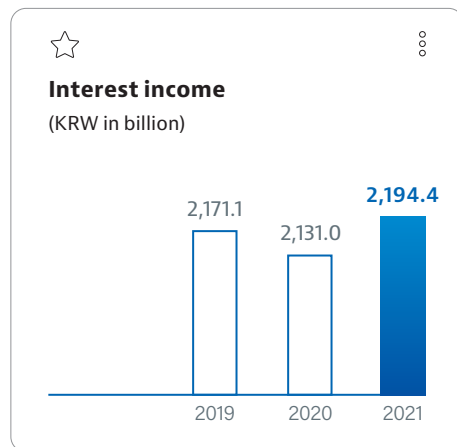
In 2022, the Retail Banking Division will contribute to reaching the set profit target of NongHyup Bank by analyzing target customers, realigning its household loan portfolio and renewing the National Home and Urban Fund trust contract. Expanding our financial literacy education for teens and our undergraduate volunteer group Ndorphine, we will not only attract youth customers but also help elevate the reputation of NongHyup Bank.

**WM (Wealth Management)**

Amid the prolonged COVID-19 pandemic, NongHyup Bank remained focused on providing customer-centric comprehensive wealth management counseling

service. Regional WM specialty stores were selected in consideration of the characteristics of our top customers to develop local hub channels. Our network of WM specialty stores will expand to include 100 locations in the years ahead to help us build a nationwide wealth management sales network. Product lineups that cater to customer needs enabled our bancassurance business to exceed KRW 1.4 trillion in initial insurance premiums. Launching investment products targeting high-potential industries related to ESG, AI, and metaverse as well as marketing campaigns centered around recommendation funds also resulted in KRW 7,027.3 billion in AUM. To respond to increasingly tightening investment product regulations, we established a financial consumer protection framework by completing a computerized sales process system and developing a Text-to-Speech standardized sales process.

The spread of contactless culture demands that we embrace numerous changes in our own banking industry. As such, we plan to broaden our wealth management platform which previously focused



on offline into online. The first step will be taken by introducing Digital WM, a hybrid wealth management system connecting online customers with offline professionals. This will create a new marketing domain in the WM service sector which is widely perceived as requiring extensive expertise. In so doing, NongHyup Bank vows to take the lead in improving the general public's access to WM services so that anyone may easily consult professionals to meet their WM needs.

### Retirement Pension

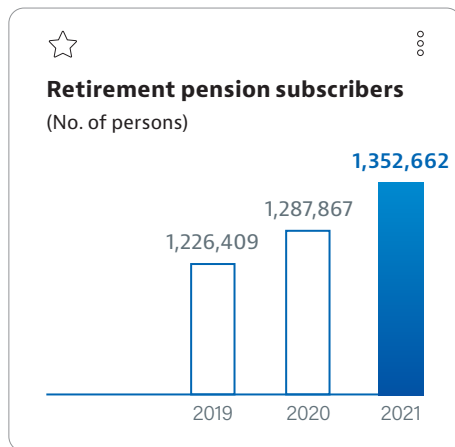
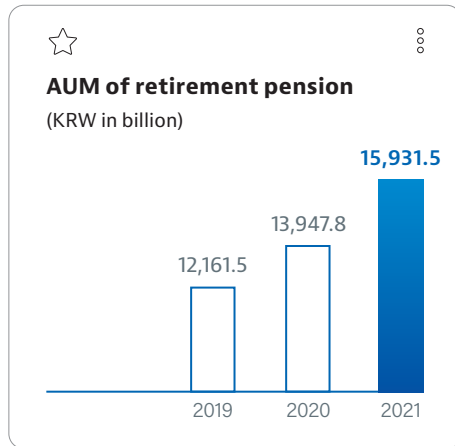
As of the end of 2021, our retirement pension deposits amounted to KRW 15,931.5 billion and we recorded KRW 67.8 billion in commission income, demonstrating the growth of retirement pension business as our primary commission business.

In particular, personal IRP deposits skyrocketed by 30.9% y-o-y or KRW 577.9 billion to lay the basis to attract high net worth retirees. To improve the quality of our business by delivering greater customer returns, we continue to protect the stability of our customers' retirement life by expanding product lineups, providing portfolio recommendations, and conducting regular consulting for customers' asset rebalancing.

As the Retirement Pension Department became an independent business department, we hired retirement pension consulting experts to build professional consulting infrastructure, further

reinforced our personalized consulting services in line with customers' investment preferences, and adopted varying digital consulting methods (web meeting, web seminar, virtual conference, et.) amid the global pandemic to elevate our efficiency and mainstream our products. We operate a separate website for retirement pension business (<https://pension.nonghyup.com>) to make it more convenient for our retirement pension subscribers to access digital channels.

We will provide high-interest rate, principal & interest-protected products from various financial institutions and present product lineups across diverse sectors in line with market conditions. This will not only bring improved customer satisfaction and returns but also deliver retirement finance that truly cares for customers so that we become a companion for our customers' flourishing retirement life.



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**Corporate Banking**

In 2021, our corporate loans increased by KRW 8.1 trillion from the previous year to proactively provide funding support to corporate customers to resolve business difficulties amid the economic woes brought by COVID-19. We were honored with the Presidential Commendation in the group sector at the 26th SME and Venture Financial Support Awards in recognition of our contributions to offering financial support to SMEs and venture firms.

We signed KRW 2.2 trillion financial support agreements with credit guarantee agencies to facilitate funding support to ESG management, digital/Green New Deal leading companies, and smart innovative growth companies the government aims to nurture. Concluding a 'no guarantee fee/security/document/interest rate' safe financial support agreement with Seoul City, we improved customer convenience by providing them contactless, swift access to our services.

We implemented the RM system at our sales headquarters to support field marketing operations, and hosted video conferences to provide field support to corporate banking, strengthening field-centered marketing activities. This came in tandem with the provision of corporate banking RM training and the creation of a new RM job competency level system to reinforce our HR capabilities. We also reinforced the role of existing corporate management consulting by establishing regional consulting centers, expanding the scope of consulting services, and hiring professional consulting staff to remain focused on offering customer-centric services.

As a financial partner for corporate customers, we will continue with our support for productive and inclusive finance, and set the following business directions of pursuing digital transformation in corporate finance based on our corporate finance marketing innovation cell, identifying new customers to expand the basis for sustainable growth,

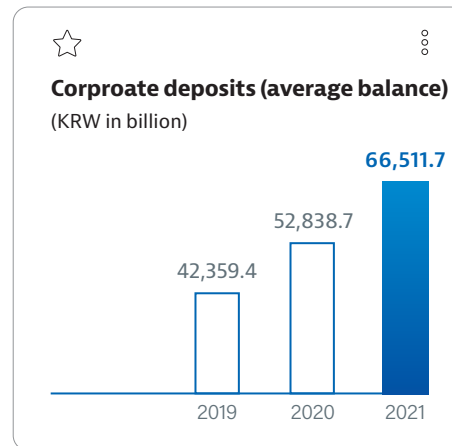
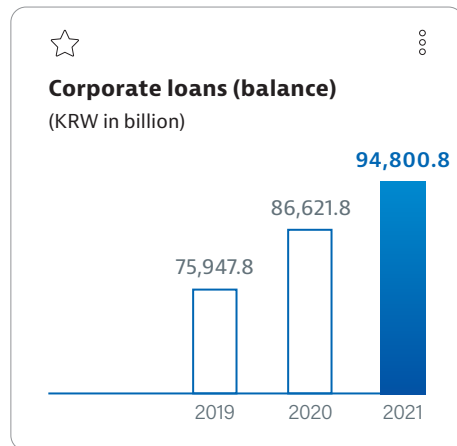


strengthening the fundamentals of our corporate finance portfolio, providing field-driven marketing support, and improving our customer services. In so doing, we will do our utmost to drive the sustainable growth of our corporate banking business.

**Investment Banking**

In 2021, our investment banking business posted KRW 338.3 billion in income, up by KRW 114.0 billion from the previous year. Contributing more than KRW 200 billion to the profit of NongHyup Bank for three consecutive years, our investment banking business is emerging as a key profit generator within the bank.

As of the end of 2021, our investment assets amounted to KRW 15.4 trillion, which have been on the constant rise for the past three years. We are committed to expanding our investment banking operations by diversifying our investment asset portfolio to establish a reliable foundation for profit growth.



In 2021, we successfully arranged large-scale projects to cement our position as a leader in investment banking. We broadened our market influence by serving as a financial arranger for the integrated development of KT's Gangbuk headquarters and other large-sized real estate development projects while arranging the Seoul Metropolitan region's largest cogeneration plant refinancing project to elevate our arrangement capabilities to engage in large-scale power generation projects. The sum of such efforts allowed us to proactively expand the presence of NongHyup Bank in the investment banking market.

We focused on the expansion of our international investment banking business to secure a reliable mid/long-term source of profit and tap into new business areas, and this resulted in a net growth of nearly KRW 900 billion in foreign currency loan balance. We also engaged as a co-arranger in SK Hynix's acquisition of Intel's NAND memory business to consistently expand our business territory.



**Investment Assets**

(KRW in trillion)

15.4

(KRW in billion)

	2019	2020	2021
Interest income	69.0	92.9	103.4
Commissions	36.9	46.9	56.8
Gain/loss on marketable securities	104.1	84.5	178.1
Total	210.0	224.3	338.3

(KRW in billion)

	2019	2020	2021
Loans	6,684.0	7,288.4	8,385.1
Marketable securities	1,689.6	1,848.3	2,203.8
Credit	2,928.7	4,937.8	4,893.6
Total	11,302.3	14,074.5	15,482.6

In 2022, we aim to increase our GIB channel collaboration and global investment. We will expand our overseas investment on the back of our IB desk in New York, the US, and our network with global financial institutions while diversifying our portfolio by increasing our assets in overseas real estate project financing, infrastructure financing and object-based financing (ships and airplanes) to pave the way for sustainable growth in investment banking.

Furthermore, we will continue to increase investment in renewable energy from photovoltaics and wind to biomass in line with the government's Green New Deal policy and NongHyup Bank's green new deal action plans in order to fully advance ESG management.

We will proactively conduct financial arrangement and advisory business to continuously increase profits in our investment banking operations. By expanding our business in domestic/international real estate finance, power generation project undertaking and such alternative investment as PEF and

VC, fully capitalizing on acquisition finance for mid/large-sized companies, and facilitating credit-based structured finance for profitable companies, we will further solidify our status as a key profit generator at NongHyup Bank.

**Agricultural Finance**

**Financial Support for Farmers and Agrifood Companies**

In 2021, we newly provided KRW 6,635 billion in agricultural policy funds to swiftly offer much-needed farming funds and better serve the interest of farmers in so doing (KRW 19,594.6 billion in loan balance as of the end of 2021), and engaged in free-of-charge agricultural finance consulting on 294 occasions to help strengthen competitiveness in the agriculture and agrifood sectors. We also increased our corporate loans extended to agrifood companies by KRW 1,736.7 billion from the previous year (KRW 27,221.9 billion in loan balance as of the end of 2021).

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**NH Agrifood Green Growth Loan surpassing KRW 2 trillion in balance**

In October 2021, the NH Agrifood Green Growth Loan exceeded KRW 2 trillion in new loans extended in just one year since its launching. Designed to provide favorable loan conditions to companies with outstanding innovation performance in the green sector, this loan program supports businesses conducting agrifood-related business with working capital and facility funds (KRW 2,404 billion in balance as of the end of 2021).

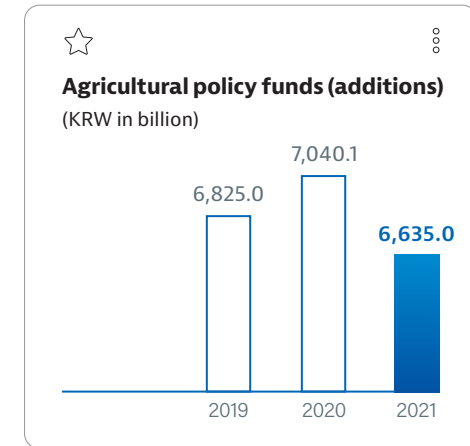
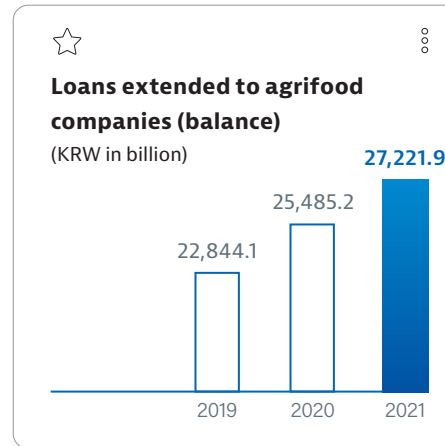
Going forward, we will continue with our execution and media publicity activities so that this program positions itself as the No. 1 agricultural finance product of NongHyup Bank.

**Creating the Companions for Farmers program and selecting the first beneficiary**

We operated the Companions for Farmers program that targets high-performing agrifood manufacturers whose annual purchase of domestic agricultural produce exceeds 10% of their total sales. Selected companies are provided with a range of preferential services spanning special loan interest, increased sales opportunities and corporate public relations. As part of our pilot run in 2021, we chose 'Chuncheon Potato Bread' as the first beneficiary of this program, and we plan to extend its scope by selecting 10 or more companies each year from 2022 onwards.

**Supporting farmers affected by COVID-19**

To help farmers alleviate their financial burden and preemptively support them to recover from any damage caused by COVID-19, we allow for deferment and interest rate cuts on a portion of the agricultural policy funds. In 2021, payments were deferred on a total of 3,632 loans valued at KRW 61.6 billion, and interest rates were reduced by 0.3%~1.0%p on 17,513 loans worth KRW 460.9 billion. Furthermore, farmers affected by COVID-19



**NH Agrifood Green Growth Loan**

(unit: KRW in trillion)

2.4

were newly provided with KRW 5 billion in disaster management funds, up to KRW 50 million per farming household.

We will continue to propose to the government interest rate reduction and loan deferment on policy funds to assist farmers in weathering the COVID-19 crisis.

**CEO's filed management to publicize our expertise in agricultural finance**

Our CEO engaged in on-site discussions with an aim to support young farmers starting their own business and put farmers at the center of our system development.. The CEO visited smart farms in Asna, Chungnam and Pocheon, Gyeonggi-do to share their startup know-how and difficulties in conducting farming business and to discuss possible system improvements to support farmers. The CEO also toured around agrifood businesses in Jinchon and Gyeryong, Chungbuk to award appreciation plaques and encourage employees, reaching closer to stakeholders in the field to promote the development of the agrifood industry.

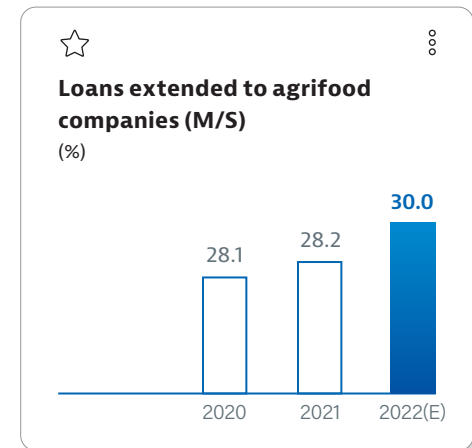
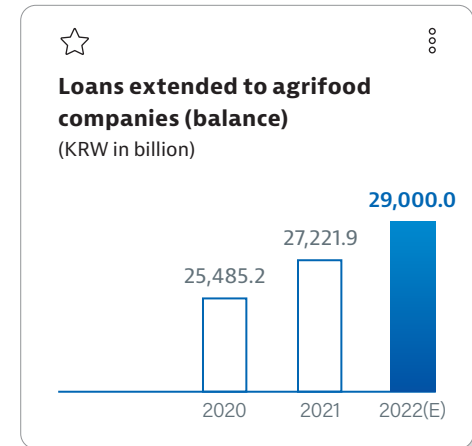
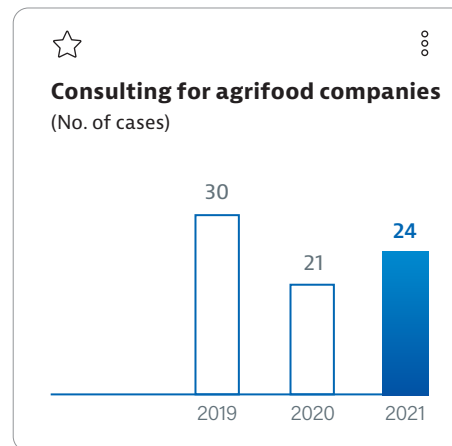
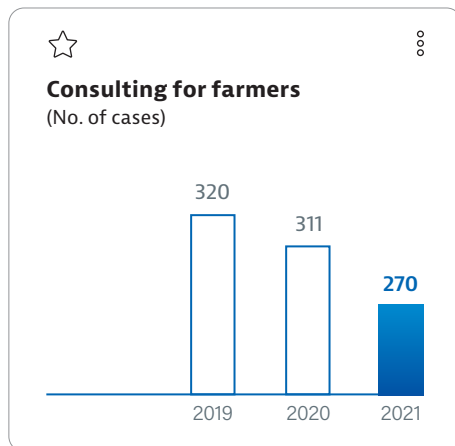
**Advancing agricultural finance consulting tools**

We have developed a new consulting system in reflection of the latest agricultural conditions and management analysis techniques to improve the consulting efficiency of our branches. While we previously operated the system on our online website, we relocated it to our integrated work system to improve its accessibility and convenience, and the adoption of cutting-edge management analysis algorithms helps generate high-quality consulting outcomes. Developing and distributing a facility investment adequacy verification program enables our branches to determine the adequacy of loan value in reviewing facility loan applications and also helps farmers make informed decisions in investing in their facilities.

**Pursuing digital transformation in agricultural finance**

We pursued the digital transformation of our agricultural banking operations to improve the efficiency of our branch operations and expedite our funding support in so doing. While the limit allocation of policy funds was performed and managed manually, this was computerized to establish an automatic allocation and approval system. The Chat-Fit service was also introduced to facilitate counseling at our branches to reduce the time taken for our employees at branches and the headquarters to make and address work-related inquiries. In addition, the notification of eligibility for agricultural policy funds was computerized to reduce related workloads and the possibility of any errors occurring in extending loans.

We will continue to digitize our agricultural banking operations to improve work efficiency and better serve the interest of farmers.



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**Providing free-of-charge management consulting to farmers and agrifood companies**

Even as COVID-19 made it difficult to provide consulting, we switched to virtual online means to continuously engage in consulting to support farmers on 270 occasions and agrifood companies on 24 occasions in 2021. We offered farms customized financial consulting services aligned with agricultural finance along each phase of the farm's growth cycle, and provided agrifood companies with comprehensive management consulting services to assess their overall management, identify issues and present solutions.

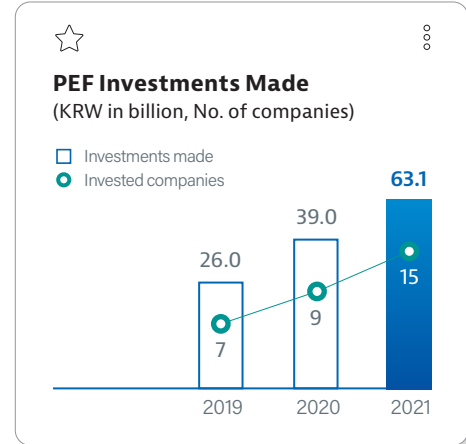
In 2022, we will improve our systems and work processes to deliver greater real-life benefits to farmers and newly add KRW 6.3 trillion to agricultural policy funds. To expand digital smart farming, we will streamline its application procedures and extend the scope of eligibility while reorganizing our existing agricultural finance consulting into the tailor-made 'smart 3-S consulting' scheme to meet the diverse needs of farmers. Farmers and agrifood companies demonstrating exceptional performance in advancing ESG management will be eligible for our preferential financial services, which will boost our evolution into a leading Green New Deal bank.

Fully implementing our NH Agrifood Green Growth Loan program, we will cement its position as our 'Best Product' for agrifood companies, and increase our loans granted to agrifood companies to KRW 29 trillion. This in turn will help us raise our market share in agrifood company loans to 30% and solidify our status as Korea's No. 1 agriculture finance bank. We will also consistently expand the Companions for Farmers program to position this as a flagship brand embodying possible synergy between agrifood companies and finance.

**Agrifood Investment**

To support the growth of SMEs and venture companies in the agricultural industry, we created private equity funds (PEF) worth KRW 60 billion in September 2020, which has grown to KRW 120 billion in AUM.

In 2021, we have identified agricultural businesses with exceptional growth potential and newly invested KRW 24.1 billion out of the PEF in six innovative startups, increasing our PEF investments to KRW 63.1 billion and successfully reaching 48% in investment return through exits.





In 2022, we will expand our agrifood investments to nurture the agricultural industry as a new future growth engine. By restructuring our agrifood investment business into an independent business department of the agrifood investment group, we have created new funds worth KRW 80 billion and plan to expand its AUM further ahead. Reaching KRW 200 billion in AUM and expanding our investment support in so doing, we will identify future unicorn businesses that will lead our agricultural industry and pursue win-win growth. In particular, we will focus on green bio and digital farming companies expected to play a pivotal role in the future agrifood ecosystem to ensure our sustained growth and deliver social value.



### Public Sector Banking

We have developed unrivaled expertise in public sector banking throughout our long history of credit cooperative business. In 2021, we renewed the 63 coffer contracts with local governments and education offices, and posted a y-o-y net increase of 45 in the number of public institutions and local public corporations who do business with us as a main bank. We also participated in open bids hosted to select a public deposit bank for courts, and attracted 11 new courts as our customers including district courts in Jeonju, Chuncheon and Changwon.

Successfully renewing coffer contracts and adding new customers doing business with us as a main bank have driven up our average balance in public deposits by nearly KRW 8 trillion from the end of the previous year to help us fulfill our role as a reliable window of fund raising. By way of local government agreement loans that intend to support local SMEs and micro enterprises, we also increased our financial support by nearly KRW 1 trillion from the end of the previous year to KRW 7.9 trillion in terms of balance.

We donated necessary supplies to healthcare professionals at COVID-19 screening centers working hard at the forefront of fighting this global pandemic, and joined the 'Milk of Love' program to provide milk to nationwide juvenile protection agencies in collaboration with the Ministry of Justice to promote the health of teens living in such facilities and the consumption of milk. In addition, we supported the digitally-underprivileged in rural communities and supported the donation of Dokdo Sarang laptops to help educationally-disadvantaged students with virtual learning as part of our firm commitment to giving back to society.

In 2022, we expect the profile of NongHyup Bank's public sector finance to rise further as a business partner for central/local governments and public institutions. We will pursue the quality of our growth by managing coffer and institutional contracts with local governments and education offices, engaging in marketing for public officials and employees

at public institutions, pursuing local government agreement loans, and facilitating agency business that serves the public interest. Catering to the needs of public sector finance customers and conducting a range of businesses in line with digital transformation, we will lay the basis for the sustainable development of our public sector finance.



**Local Government Agreement Loans**  
(KRW in trillion)

7.9

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**Trusts**

In 2021, our trust AUM (based on balance) amounted to KRW 30,750.3 billion, up by 1.8% or KRW 555.8 billion from the previous year. The following is the breakdown of our trust AUM: KRW 20,328.2 billion in money trust (66% of total), KRW 10,422.1 billion in estate trust, (34% of total), and KRW 16,923.5 billion in special money trust as part of money trust, up by 6.8% or KRW 1,079.7 billion from the previous year.

In 2020, the Trust Department will improve its work processes by harnessing digital transformation to better serve customers and deliver more competitive products to pursue growth hand-in-hand with customers.

**Improving customer convenience through DT-driven work process improvement**

We will develop and introduce a contactless video call-assisted transaction system for our ELT and ETF trust offerings to provide a wider spectrum of subscription channels for trust customers while embracing

a notification service enabled by KakaoTalk to inform customers of our trust products and increase customer convenience as a result.

**Pursuing business growth by developing ETF Trusts and preparing to enter the comprehensive asset trust segment**

We will identify and preemptively launch ETF products that hold high growth potential in line with emerging industries and rapidly-shifting market conditions to render our products more competitive. We will also launch products that reflect the needs of super-aging society and fully prepare to advance into the comprehensive asset trust segment while strengthening support for dedicated management branches to focus on the real estate mortgage trust of agricultural/livestock cooperatives.

Undertaking the above key initiatives, the Trust Department will establish customer-centric total financial services and further evolve into the core commission business of NongHyup Financial Group.

**Risk Management**

The Risk Management Department plays a key role in improving the soundness and stability of business operations and laying the basis for sustainable management by efficiently managing risks across all sectors that may arise in NongHyup Bank's overall business conduct.

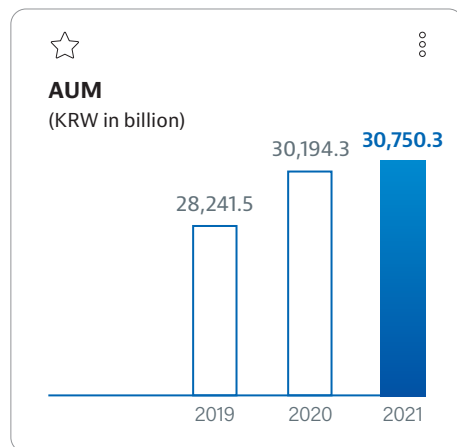
We identify and measure phase-specific potential risks in developing management plans to ensure that such risks are integrated in the management planning process. To establish capital adequacy and promote efficient capital allocation, we set and manage risk limits while also setting limits in fund management by industry and sector to systematically manage concentration risks.

In response to internal and external risks including the prolonged pandemic and interest rate hikes, we reviewed major risk indicators and promptly developed and implemented management measures for any signs of risk. In particular, we strengthened our preemptive risk responses by constantly monitoring vulnerabilities and high-risk assets including marginal businesses and COVID-19 loans.

In preparation for Basel III to be initiated from 2023, we established a market/operational risk management system to smooth our transition into new regulations while developing recovery plans and creating resolution processes to independently recover our soundness in the event of crises. We have also developed a retail loan analysis and management system to proactively detect potential delinquent borrowers by leveraging machine learning, and improved our portfolio management system by advancing big data-enabled corporate credit assessment system.

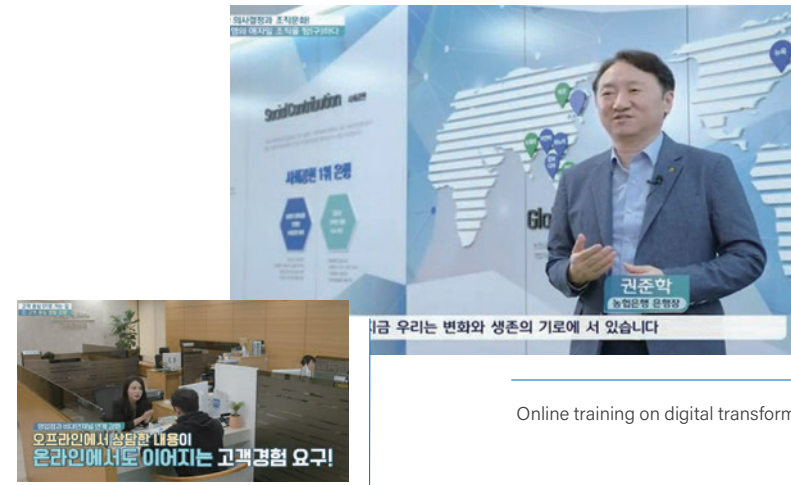
We proposed loan execution guidelines for businesses selected for positive industry outlook and reflected the characteristics of ESG-related industries in our exposure limit management as a way to respond to risk exposure that may expand in line with new business undertakings. Conducting stress tests on carbon-emitting industries allowed us to pave the way for promptly shifting to ESG management, and expanding the application of monitoring indicators for operational risks that are highly likely to occur helped reinforce loss prevention.

The year 2022 is expected to witness such major risks as expanding volatility in the financial market, tightening supervisory regulations and the increasing risk of insolvency among vulnerable borrowers as a result of worsening polarization by industry and income level. This prompted us at the Risk Manage-





4th Industrial Revolution Strategy Committee



Online training on digital transformation

ment Department to set a goal of 'establishing a risk management system for sustained growth' in 2022 and preemptively respond to increasing internal/external uncertainties while establishing a risk management system to strengthen our risk reviews on overseas locations and to reliably pursue new ESG-related business, expanding our support for continued growth.

**Digital Transformation Strategy**

In 2021, NongHyup Bank defined digital transformation as its key strategy and initiated its full-scale implementation.

We remained focused on delivering customer (user)-centric banking services by systematically managing customer journey across all departments

(167 tasks) and digital transformation (187 tasks) while operating 15 cells as agile organizations to disseminate a horizontal and flexible corporate culture and swiftly cater to customer needs by creating a digital platform, improving our loan process and increasing branch-level work efficiency.

The Digital Transformation meeting led by the CEO of NongHyup Bank (4th Industrial Revolution Strategy Committee) was operated to disseminate company-wide directions for digital transformation implementation, digital trends were shared through various channels (in-house apps, the website and online training) to build wider consensus on digital transformation at all levels.

In addition, we expanded expert training with a goal of developing digital professionals to help our employees improve their digital competency. As of 2021, 675 employees completed digital training on diverse topics including data and AI.

We also reviewed the expanded application of new technologies including AI and RPA to our day-to-day business operations. We plan to harness AI technology for incomplete sales monitoring by identifying department-level needs for AI and verifying the technology. The expansion of RPA from the headquarters to branches resulted in improvement of work efficiency among branch employees. This was specifically noteworthy in automating highly sophisticated work through the use of AI and non-structured data.

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NH Digital Challenge+ at our Digital R&D center (134 startups moved in on a cumulative basis as of 2021) enabled us to support startups, and we operated a range of programs such as Demo-Day and hackathons to create a digital ecosystem and generate synergy between NongHyup-wide affiliates and participating companies.

In 2022, we aim to accelerate digital transformation (DT) under the strategic goal of emerging as a customer-centric, super-innovative digital bank. We will attain this goal by creating a competitive platform (in-person and virtual), expanding the use of data, and developing services that bring even greater benefits to customers, taking our company-wide digital transformation system to new heights.

We will improve our implementation system from selecting DT tasks and customer journeys to reviewing and supporting their execution. In particular, the DT assessment system will be upgraded to engage all departments and expand the use of data while creating corporate culture conducive to inter-organizational collaboration. In addition, employees' work processes will be consistently improved to set the condition to better serve our customers. Documents that are widely used across branches will be digitized and work areas will be identified for their potential to implement RPA to render our work environment more efficient while saving costs.

Last but not least, we will strengthen the foundation for digital transformation by building relevant infrastructure to expand our blockchain/AI-powered business. We plan to develop blockchain-based services including the issuance of NFTs by creating our blockchain platform, and are preemptively responding to the Central Bank Digital Currency (CBDC) which is under review for their feasibility on



Hackathon (application of metaverse)

a nation-wide level. To increase the application of AI employees created through deep learning across our day-to-day work, we will build the necessary infrastructure and facilitate and internalize AI technology to bring real-life benefits to customers.

**Personal Digital Platform**

In 2021, the number of NongHyup Bank's personal digital platform users amounted to 7.8 million for AllOne Bank (y-o-y net increase of 1.94 million), and 10.33 million for smart banking (y-o-y net increase of 1.4 million). The number of monthly app users (MAU) reached 2.75 million for AllOne Bank and 6.3 million for smart banking, taking our status as a leading digital bank to a notch higher.

**AI employees**



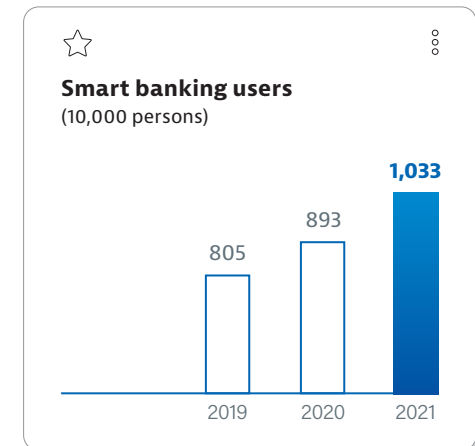
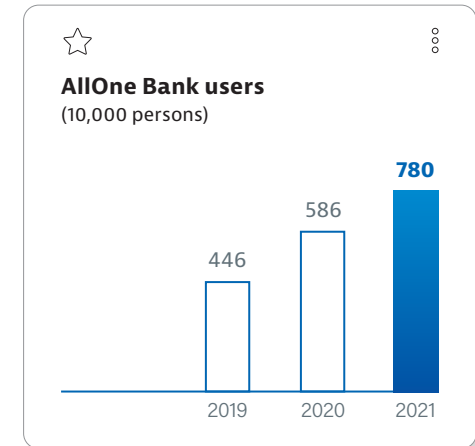
Lee, Ro-Un  
(manager in her 30's)

Jeong, Ee-Deun  
(manager in his 20's)



To deliver a customer-centric platform, we aim to integrate virtual channels and become an everyday financial platform while providing financial services that meet the wide-ranging needs of our customers in their daily lives. AllOne Bank offers a gamut of everyday affiliated services, including 'AllOnexLYVLY' provided in alignment with livestock products-only online platforms, 'AllOnexFlower', a tailor-made flower delivery service, 'AllOnexDelivery' a delivery application/shipping service where the delivery person visits the customers' house, and 'AllOne Group Buying' which provides discounts on agricultural/livestock products, to improve customer convenience while strengthening NongHyup-wide synergy.

To establish our platform competitiveness, we adopted NHOOnePASS as an open integrated authentication service to provide our customers with a 'single point of access' to our affiliate services across life insurance, property & casualty insurance, and distribution and to extend the scope of service offerings in so doing. Furthermore, we became the first in the financial industry to sign an MOU with Korea Airports Corporation to provide a differentiated authentication service which allows our customers to conveniently board domestic flights through NH Son Hanaro Authentication, the biometric authentication service of NongHyup Bank. Capitalizing on our unique strength of operating a higher number of branches compared to other banks, we launched marketing initiatives connecting online and offline. Fully leveraging NH Mobile



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Branch, we ensure that even those customers who are not familiar with online transactions can subscribe to digital products and conveniently engage in transactions without the need to install additional apps or certificates. For customers who may be relatively disadvantaged amid the expansion of online services, we continue to support them through our 'big font size service' for online/smart banking, 'slow speech service for telebanking, and 'app accessibility' improvement.

In 2022, the Personal Digital Platform Department will move beyond the realm of easy banking to deliver 'New AllOne Bank as a comprehensive financial platform' that provides any and all financial services desired by customers on a single platform so that we become a platform that our customers are willing to visit and spend their time. Beside full-banking services, we will extend the breath of our comprehensive financial services to include securities, card, and insurance offered by affiliates to further complete our customer journey.

In addition to financial services, we will introduce 'NH Dokdo Bus' as our metaverse platform to reach closer to customers and expand the implementation of such everyday life services as small sum investment service and real estate application/sale information service to become a platform frequented by customers.

Acquiring an electronic signature authentication business license and establishing a related business system, we will strengthen the alignment among our virtual platforms and extend this further to connect with public institutions and external services to provide customers with a safer and more convenient authentication experience. To build dominance amid the fierce competition in the authentication ecosystem, we will pursue a variety of authentication

services on our own platform by initiating mobile ID connection business, expanding the scope of work supported by biometric authentication, and building infrastructure necessary to designate one's authentication body.

**Data Business**

In 2021, we obtained a MyData business license and launched four types of new services that meet the everyday financial needs of customers - year-end tax adjustment consulting, financial planner, My Car Management, and My Government Support Benefits in addition to NH Asset+, to provide customers with data-based, differentiated and personalized service experience.

In particular, NH Asset+ surpassed 1.1 million in subscribers as of November 2021. We also published the 'NH National Financial Map' by analyzing and visualizing our customers for their financial life based on the four key areas of income, consumption, savings and loan by region across 17 cities and provinces through big data analytics to ultimately allow for the comparison and analyses of current transaction conditions.

Leveraging the NH National Financial Map, we plan to support local governments in developing finance-related policies and plans to further cement the public finance business partnership we forged with local governments. The regional financial life report created based on the map was included on the data sales list under the data voucher project through the Korea Data Exchange (KDX), which helped us secure data distribution channels.



We laid the institutional foundation for data standardization and data-based marketing innovation in 2021, and we plan to build enabling infrastructure in 2022. This will support our effort to establish a data-driven business culture and consistently identify new services powered by MyData to push our boundary into new data businesses as future growth drivers.

### Global Business

#### Setting focus areas in respective global markets

Since 2017 when the Global Business Department was created, we have been fully committed to going global. In 2021, we elaborated on NongHyup Bank's mid/long-term global development strategy to establish our market entry strategy in line with the local conditions of respective regions. In such advanced financial markets as the US, Hong Kong, Australia and the UK, we will serve as the outpost to identify global banking trends while facilitating fund management and fulfilling a role as a profit center. In Vietnam, China and India, our priority will be to expand our profit base with a focus on corporate loans and offer financial support for businesses operating in the ASEAN market.

In Cambodia and Myanmar, we will first establish a business foundation within these Southeast Asian countries by building retail presence and then expand our business at full scale by developing country-specific tailor-made strategies. By pursuing M&A opportunities across the ASEAN market with abundant potential including Vietnam, Cambodia, the Philippines, and Indonesia, we will pave the way for the inorganic growth of NongHyup Bank's global business. Differentiated business strategies that reflect the characteristics of respective markets and countries will drive the evolution of our global business.



#### Expanding the overseas network and facilitating global business

Expanding the overseas network is only essential in conducting global business at NongHyup Bank. In 2021, the Global Business Department successfully opened the London Representative Office to fully advance into the European market and opened the Hong Kong Branch in the financial hub of Asia. We also continued with the swift transition of sales channels at our offices in Beijing, New Delhi, and Ho Chi Minh all while sending our staff to Sydney, Australia to open a new branch and fully embark on making necessary preparations, securing new sales channels across different regions.

Our Hanoi Branch in Vietnam and our subsidiary in Cambodia have moved beyond the initial business stabilization phase to fully play their role as a profit center in Southeast Asia. In the course of 2021, each of these business organizations achieved growth all across total assets, loan balance and the number of customers in the face of limitations imposed amid COVID-19.

#### Supporting global business and reinforcing infrastructure

As COVID-19 spread worldwide, we established emergency business plans in consideration of country-specific conditions. To respond to this challenge and ensure our business continuity, we created alternative worksites for respective overseas locations and introduced a working-from-home system to enable uninterrupted business execution even amid the spread of COVID-19. The uncertainties that arose in Myanmar prompted us to establish a business continuity plan in accordance with our global crisis management system, and we did our utmost to keep our employees at local subsidiaries and their families safe and protect our corporate assets.

On the internal front, we reinforced our performance management system for overseas locations to ensure consistency and unity in performance appraisal, continued with training programs to secure global talent, and advanced our IT system to strengthen our risk management and competitiveness through improved internal controls.

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**Laying the basis as a global profit center and responding to the digital environment**

After years of effort to establish a network of key regional locations to lay the basis for full-fledged global profit generation, we are set to complete the first expansion phase of our network development next year. We will ensure that we fulfill our role as an essential profit center for NongHyup Bank by generating profits early on through swift business stabilization across respective markets and by upgrading our business model in countries where we operate. In line with the rapidly-shifting global business landscape, we will introduce digital channels distinguished by country and business model, and proactively pursue the advancement of our digital operations in reflection of global trends.

**Green Finance**

In March 2021, we launched the NH preferential loan for green businesses to provide favorable conditions to businesses that achieved green certifications and/or businesses joining the governments' green campaigns. By proactively seeking out eco-friendly businesses and offering them benefits, this loan program reached KRW 2 trillion in loans extended in just nine months since its debut.

**Joining ESG global initiatives including the CDP and the Equator Principles**

We joined the Carbon Disclosure Project (CDP) as a signatory in May 2021 to lay the foundation to use the carbon emissions data of major businesses in our credit review process and to measure their risks

accordingly. In August 2021, we also adopted the Equator Principles, a voluntary agreement signed by financial institutions not to provide funding support for new project financing deals if they involve environmental destruction or human rights infringement.

**Joining government-led ESG campaigns and signing ESG-related MOUs with central/local governments**

We joined the K-RE100 initiative which aims to make a full transition to renewable energy by 2050 and the K-EV100 initiative to fully shift to zero-emission cars for business operations by 2030. We signed ESG-related MOUs with 12 central/local governments and public institutions including the Korea Forest Service, and in so doing, proactively joined in on the carbon neutrality policies and carbon point promotion efforts of central and local governments.

**Incorporating ESG considerations into internal business operations**

We continued with our efforts for ESG management by shifting to eco-friendly business vehicles, installing photovoltaic panels on the buildings housing our branches, fully introducing an electronic approval system to reduce our paper consumption and suspending the use of disposables.

In 2022, we will measure our carbon emissions and declare our commitment to carbon neutrality while developing plans to achieve this goal. NongHyup Bank and NongHyup Financial Group officially endorsed the TCFD in October 2021, and measure internal carbon emissions accordingly. Furthermore, we measured GHG emissions on the loans and investments of NongHyup Bank, and plan to develop and disclose Scope 1, 2, and 3 emissions reduction plans.





We vow to further expand our ESG management. To advance the ESG agenda through finance, we will increase our investment in green businesses and industries and provide stronger support for socially disadvantaged groups including low-income individuals and micro enterprises.

We will also fully comply with the Equator Principles. These principles will be incorporated into the completion of our credit review process and will be fully applied to our undertaking of large-scale project financing deals. To this end, we will provide training to working-level employees, expand the recruitment of professionals and advance our review techniques.

### Consumer Protection

In response to the enforcement of the Financial Consumer Protection Act (Mar. 25, 2021), NongHyup Bank expanded the Consumer protection Department as a dedicated financial consumer protection organization into the Financial Consumer Protection Bureau and appointed the Chief Consumer Officer to be responsible for all related matters in 2021. We also set up the Financial Consumer Protection Act Task Force and aligned our company-wide regulations and processes to ensure a stable adaptation of our banking operational procedures to this newly enacted law.

The Non-deposit Product Committee joined by executives was created and operated to go through preliminary deliberations in deciding on the launching of non-deposit products. We became the first in the banking industry to establish an integrated non-deposit product management system to enable the integrated monitoring of non-deposit products and prevent consumers from suffering any damage. In addition, we stipulated internal control regulations on financial consumer protection and regulations

on financial consumer protection standards while establishing and operating the internal control committee for financial consumer protection chaired by the CEO of NongHyup Bank.

We created the NongHyup Bank VOC system to collect and analyze the varying feedback of consumers on NongHyup Bank and the data gained is used to swiftly improve our products and services.

We produced videos to prevent voice phishing damages while broadcasting them on TVs installed in our branches and uploading them on social network websites. Such reinforced activities to prevent financial fraud helped us protect customer assets worth KRW 24.7 billion in total in 2021.

- Expanded the dedicated financial consumer protection organization and appointed the Chief Consumer Officer to be responsible for financial consumer protection

- Created the non-deposit product committee and established an integrated non-deposit product management system
- Created the internal control committee for financial consumer protection
- Developed a NongHyup Bank VOC system
- Recorded KRW 24.7 billion in customer assets protected through our efforts to prevent financial fraud in 2021

In 2022, we will achieve the Customer Centered Management (CCM) certification for four consecutive times, which will be the very first in the banking industry, and earn the 'excellence' grade in financial consume protection evaluations to cement our profile as a leading bank in consumer protection.

In line with the enforcement of the Financial Consumer Protection Act, we will create a consumer protection review team dedicated to relevant internal control operations and deploy an internal control



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system for financial consumer protection to ensure systemic monitoring. To ensure complete sales, we will also develop an AI-enabled product sales recording and monitoring system so that we do our utmost in providing accurate product information to customers in the course of financial product counseling.

Our financial fraud prevention system will be reinforced to fully protect the invaluable assets of our customers, and wide-ranging systems will be developed and support will be provided for the financially-underserved so that we lead the banking industry in protecting the rights and interests of financial consumers.

**Customer Information Protection**

To protect customer's personal data, we place robust internal controls throughout the entire process of information processing spanning collection, storage, use, provision and disposal to safeguard customer information and improve our processes to this end.

In 2021, we took stock of our management and protection of personal credit data in line with the amended Credit Information Act and were rated grade 1 in the regular data protection assessments conducted for the first time under the supervision of the Financial Services Commission. We applied AI technology to upgrading our monitoring system designed to prevent the misuse and breach of personal data, and expanded/reinforced a variety of reviews made through virtual means (remote, RPA).

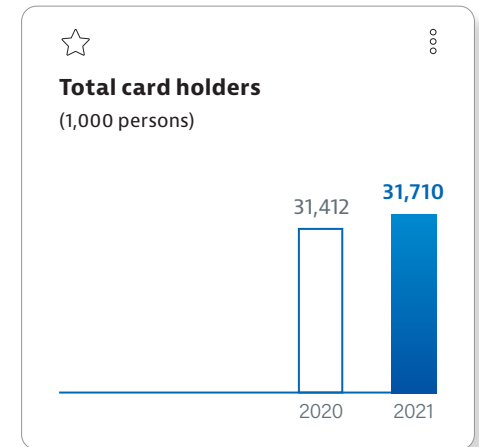
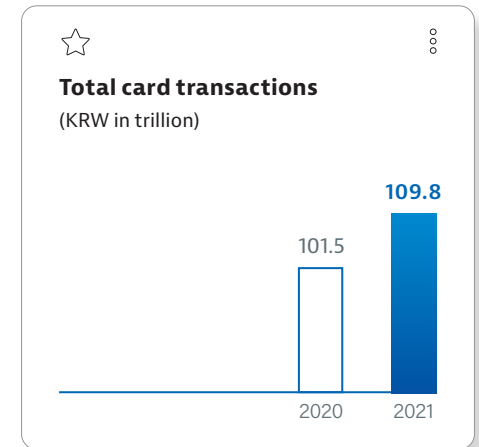
In 2022, we will prepare comprehensive information security measures to ensure preemptive and systemic response to digital transformation and other changing conditions to deliver customer-centric and trustworthy information protection and digital finan-

cial security services. We will achieve the Personal Information and Information Security Management System (ISMS-P) certification as well as the highest rating in regular data protection assessments to gain trust in our information security system and further safeguard the personal data of our customers.

**NHCard**

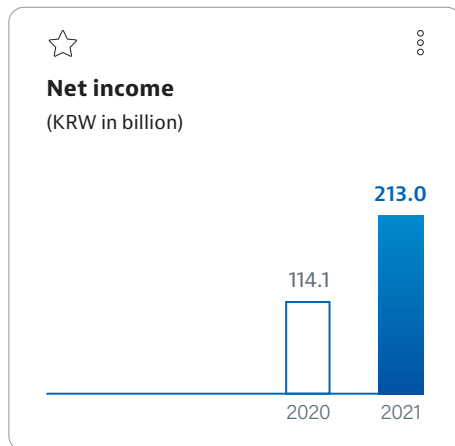
In 2021, NHCard totaled KRW 109.8 trillion in total card transactions and KRW 213 billion in net income. Even in the face of challenging business conditions, including the spread of COVID-19, financial business regulations and the resulting uncertainties that sustained internally and externally, we proactively expanded our participation in government-led policy projects and public projects, tightened our risk management, and pursued cost efficiency to achieve the best-ever performance in our history and proudly fulfilled our role as a major profit center of NongHyup Bank.

As a variety of economic indicators deteriorated amid the prolonged COVID-19, we proactively participated in the government's disaster support fund project undertaken to stimulate consumption in local economies and cushion the shock that low-income groups suffered. As the sole participant in the disaster support fund project for farmers, we provided full support to 470,000 farming and forest households. Our company-wide response to such projects through the organization of an internal task force enabled us to rank 1st in the industry for two consecutive years with KRW 1,522.2 billion in support funds granted and 19.8% in market share. We also proactively joined the local currency projects led by local governments to reinvigorate the local economy: we launched a total of 49 new local government products in 2021 and solidified our position as the No. 1 local currency card business.



We unveiled products that proactively reflected customer needs such as the NH1961 Card created in celebration of NongHyup's 60th anniversary and the SOHO Dasaroi Card designed to meet the special needs of privately-owned businesses, which led us to post one million in new credit cardholders for seven consecutive years. The Ryan Cheese/Apeach Sweet Check Cards that appeal with charming character designs and everyday benefits steadily gained popularity among young generations and surpassed 1.6 million in the combined number of cards issued.

As AllOne pay was re-launched as NH pay as NongHyup's flagship integrated payment platform in August 2021, we expanded its universal application by introducing account payment and open banking services and connected with NongHyup Mall to increase NongHyup-wide synergy between economics and finance, reaching four million in membership earlier than expected.



NHCard set a 2022 strategic goal of 'positioning itself as a key business for NongHyup-wide synergy generation' and will improve the competitiveness of its card business. Expanding new businesses and virtual channels and reinforcing the product lineups will help us attract more customers while participating in more public service projects including the government's disaster support fund project will enable us to fulfill a key role in such public project undertakings.

We will expand the functionality and service of NH pay as NongHyup-wide integrated payment platform and embrace an AI chatbot system

to digitize our customer contact points and strengthen our marketing capabilities as a result while pursuing marketing innovation by harnessing NongHyup-wide big data collected from its card, banking and Members business. To ensure that we stay true to our intrinsic mandate at NHCard, we will continuously provide support to improve profits at agricultural/livestock cooperatives through customized consulting, and engage in customer-centric operations by safeguarding our consumers and preventing financial fraud.

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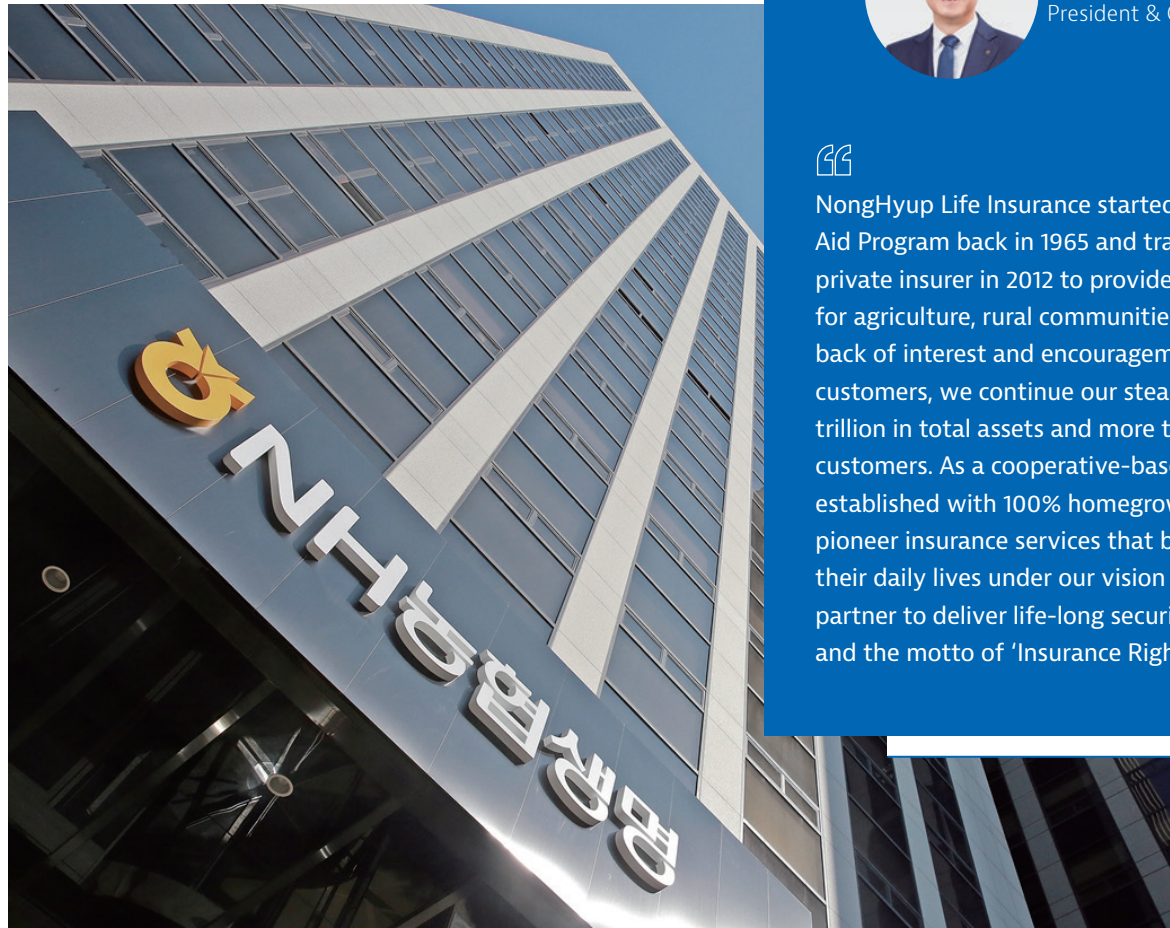
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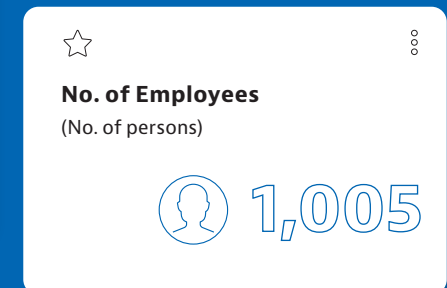
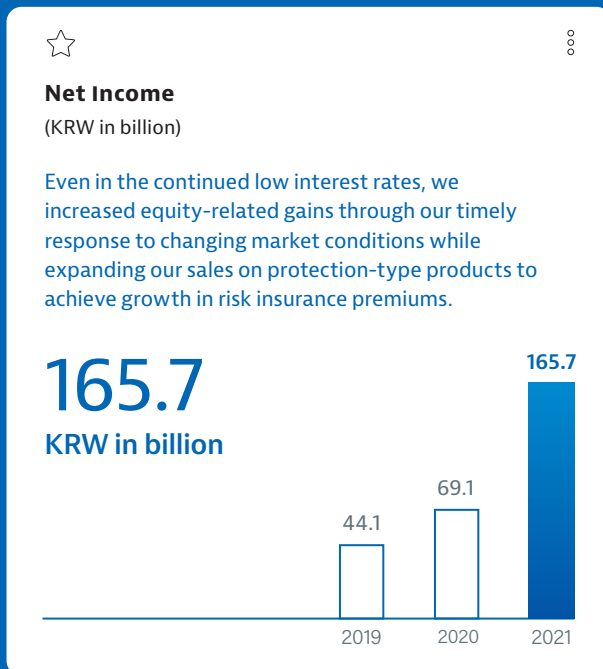
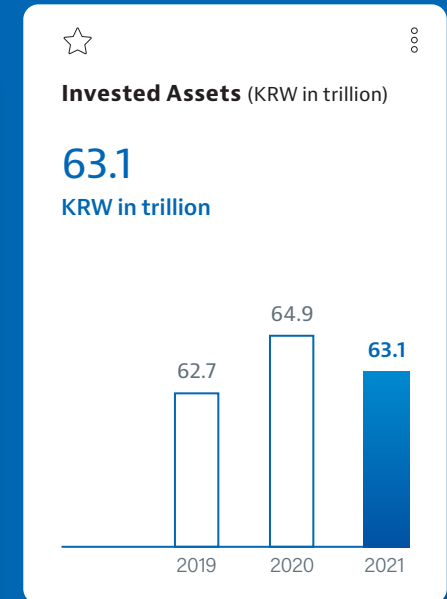
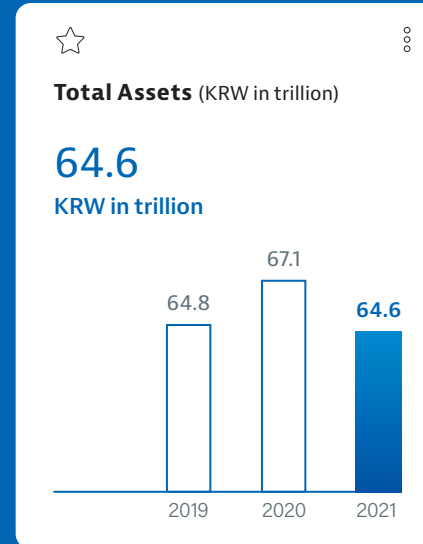
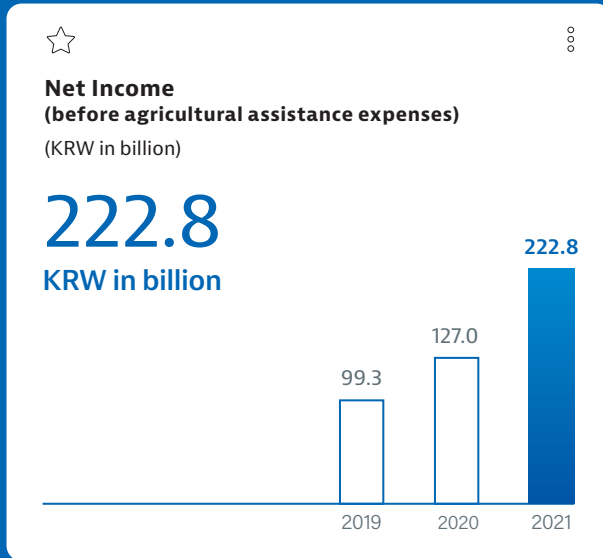
# NongHyup Life Insurance



**Kim, In-Tae**  
President & CEO



NongHyup Life Insurance started as the NACF Life Mutual Aid Program back in 1965 and transformed itself into a private insurer in 2012 to provide reliable financial support for agriculture, rural communities and farmers. On the back of interest and encouragement extended by our customers, we continue our steady growth with KRW 65 trillion in total assets and more than three million customers. As a cooperative-based insurance company established with 100% homegrown capital, we aim to pioneer insurance services that benefit our customers in their daily lives under our vision 'Your everyday finance partner to deliver life-long security and daily convenience' and the motto of 'Insurance Right by Your Side'. 



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2021 Highlights



## Making a nation-wide declaration for the 'Please Farm Safely' campaign

Mar. 4, 2021

- Launched to raise farmers' safety awareness and create a safe agricultural environment
- Included campaigns for farmers to prevent accidents and continued year-round until the end of 2021

#safe agricultural #campaign #please farm safely



## Joining the UNEP FI Principles for Sustainable Insurance

Sep. 15, 2021

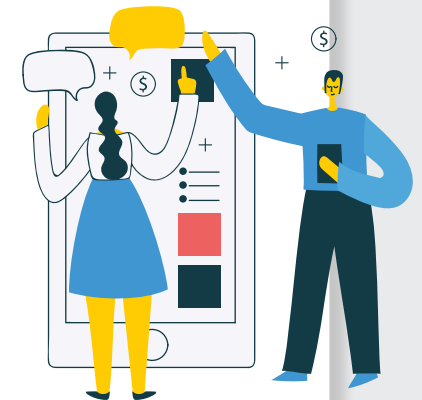
- Joined the Principles for Sustainable Insurance (PSI) of the UNEP Financial Initiative
- Will develop sustainable plans across the entire business operations, including management strategy, risk management, product development, and sales & marketing, to comply with the Principles for Sustainable Insurance

## 'TM Insurance Smart Customer Check Service' named an innovative financial service by the Financial Services Commission

Jul. 22, 2021

Enables customers to view product descriptions on the mobile platform and to directly subscribe to the plan chosen, along with the TM insurance solicitor explaining the product on the phone

#tm insurance #innovative financial





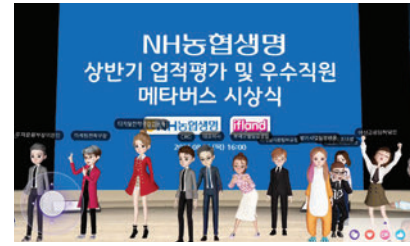
## Achieving the ISO 14001 international environmental management standard

Dec. 8, 2021

Proactively advancing eco-friendly management by increasing green investments in photovoltaics and fuel cells, establishing a paperless work environment, and launching ESG campaigns for employees

#iso14001 #environmental  
#esg campaign

Save the Planet

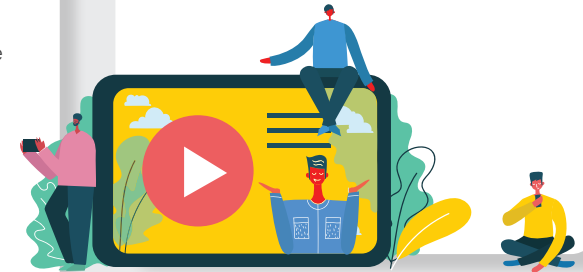


## Hosting the awards ceremony on a metaverse platform

Aug. 27, 2021

- Hosted the annual awards on a metaverse platform amid COVID-19
- Recognized top-performing departments and employees in the first half in accordance with the comprehensive performance reward program

#metaverse #platform



## Launching 'NHLife TV', an in-house broadcasting station for NongHyup Life Insurance

Mar. 16, 2021

- Broadcast through the IPTVs installed across nation-wide branches with regular broadcasts aired twice per week
- Used for two-way communication between the NongHyup Life Insurance headquarters and the sales field and for virtual training

#in-house broadcasting #nhlife tv



# RPA

## Reducing 40,000 hours of work annually through RPA

Dec. 15, 2021

Reduced 44,087 hours of work annually across 31 work tasks in total by implementing the phase 2 of the Robotic Process Automation (RPA) project

#robotic process automation #work



## Becoming the first in the industry to launch the QR code-enabled terms & conditions service

Oct. 15, 2021

- Launched an on/offline hybrid method for customers to directly download the terms & conditions using the QR code printed on the paper-based subscription form
- Strengthened the protection of insurance consumers' rights and interests by making it possible to refer to terms & conditions conveniently at any given time during the subscription process



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In the face of the spread of COVID-19, the prolonged low-interest rates and other unfavorable business conditions, NongHyup Life Insurance executed its 'corporate value-driven management strategy' and improved its business fundamentals with a focus on profitability to generate even better y-o-y business outcomes as evidenced in major financial indicators. As of the end of 2021, our net income surged by nearly 171% from the previous year to KRW 165.7 billion (consolidated basis),

## FINANCIAL HIGHLIGHTS (Consolidated)

(unit: KRW in billion, %)

		FY2021	FY2020
Consolidated BS	Total assets	64,615.2	67,142.9
	Total liabilities	60,629.6	62,077.6
	Total equity	3,985.6	5,065.3
Consolidated IS	Operating income	277.3	182.9
	Pre-tax income	188.3	96.1
	Net income	165.7	61.2
	Net income before agricultural assistance expenses	222.8	119.1
Business Volume	Invested assets	63,127.4	64,914.0
	Premium income	5,868.1	6,382.5
	Initial premium	605.2	588.6
Key Ratios	RBC ratio	210.53	286.96
	New business ratio	10.75	12.74
	Expense ratio	8.68	8.66
	Invested assets/total assets ratio	97.70	96.68
	Investment yield	2.75	2.72

\* Prepared and presented based on K-IFRS No. 1039



## At a glance

### Strengthening competitiveness in Strategy/leadership/human resources

We remain focused on the execution of our management strategy centered around 'long-term corporate value' and pursue qualitative growth in our key business areas of product/channel/asset management. We are shifting the focus of our sales portfolio to protection-type plans with an emphasis on strategic products to establish a stable profit base, and seek value growth of our channels by focusing on such efficiency indicators as persistency rates and productivity. In particular, we are reinforcing our sector-specific internal expert development training system across the major job functions of life insurance (product/actuarial/risk management) as well as in Digital Transformation to lay the basis for our long-term growth.

### Conducting external business and CSR activities

We have strengthened our online communication channels in response to the growing demand for contactless services amid the spread of COVID-19. Our online insurance channel, since its market debut in 2017, has been growing continuously by expanding customized product lineups and marketing campaigns. Specifically, the channel is reinforcing its virtual communication with customers through diverse video content produced and distributed through Youtube, blogs and other social network channels. Furthermore, we assisted COVID-19 prevention activities, extended a helping hand to farmers through employee volunteering, operated traveling healthcare clinics, and provided financial literacy education to children in rural communities as part of our proactive Corporate Social Responsibility (CSR) initiatives to show our support for farmers, customers and the general public experiencing this unprecedented challenge.

### Leading financial innovation

In 2021, our TM Insurance Smart Customer Check service was named an innovative financial service by the Financial Services Commission, which testifies to our efforts to pursue digitally-enabled innovation across diverse business areas. By establishing infrastructure and platforms that support big data analytics, we also identified marketing opportunities and adopted Robotic Process Automation (RPA) for high-efficiency work to reduce 40,000 hours of work on an annual basis.

### Realizing the value of NongHyup

As the sole life insurer operating policy insurance, we take the initiative in supporting farmers with stably leading their farming business. As of the end of 2021, the number of policy insurance subscribers set a new record of more than 900,000 thanks to our proactive solicitation efforts. We specifically encouraged the subscription of 'occupational health & insurance-type plans' which strengthened protection to the level of occupational health and safety insurance to fulfill our role as a provider of the social safety net. We also joined a relay campaign to help floriculturists suffering sluggish demand, purchased agricultural/livestock products for donation, contributed to farmers' welfare funds, and launched the 'Please Farm Safely' campaign to promote the safety of farming activities for farmers, realizing the value of NongHyup to contribute to agriculture and the national economy.



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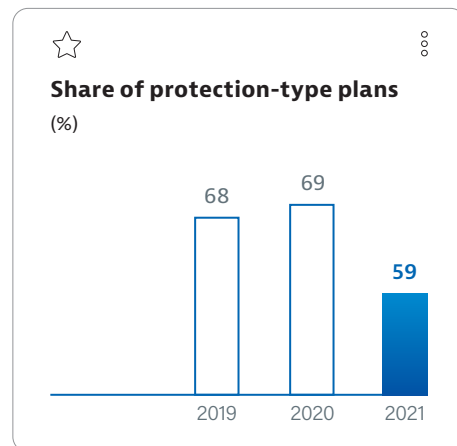
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## Review of operation

### CPC Strategy

While external conditions have degraded in the wake of COVID-19 along with aging population and the continued low interest rates, we proactively responded to improve our profitability and sales efficiency.

In line with the expansion of protection-type plans, we simultaneously engaged in marketing strategy execution and support to increase our sales promotion capabilities while laying the basis to improving the efficiency of our sales operations in system/evaluation/policy and goal management. Such efforts resulted in a significant rise in the share of protection-type plans from 33% in 2016 to 51% in 2017 and 59% in 2021, upgrading our business fundamentals towards protection-type offerings.



### Monthly Premium Equivalent for Protection-type Insurance Over the Past 5 Years

(unit: KRW in billion)

	2017	2018	2019	2020	2021	CAGR
NongHyup Life Insurance	30.5	29.1	39.7	29.8	16.0	△15%
·Agricultural/livestock cooperatives	18.4	16.0	16.8	17.7	12.6	△9%
·New channels	12.1	13.0	16.7	12.0	3.0	△29%
Ratio of new channels	40%	45%	42%	40%	19%	△17%
Ratio of protection-type plans	51%	57%	68%	69%	59%	4%

To reinforce the management of operating expenses and product profitability, we operate the commission system in reflection of channel-specific characteristics while further motivating our sales operations through the systemic management of performance and the operation of reward programs. We have also developed and are operating a comprehensive persistency ratio management plan to improve contractual soundness and prevent unprofitable contracts early on from the new contract signing phase.

We have expanded online insurance marketing in alignment with NH Members to respond to non-face-to-face sales through digital innovation, and worked to improve customer convenience by offering preferential service to top customers. We also pursue a digital healthcare platform to deliver new and differentiated content to customers, and connect such a platform with health promotion products to contribute to rural communities, farmers and ESG management.

In 2022, we will implement in earnest our marketing strategy centered around value and profit. We will support new product marketing in line with

customer demand to ensure the continued growth of agricultural/livestock cooperatives, and employ small yet strong new channels to respond to the competition so that we maintain our product competitiveness at the highest-possible level and seek efficiency gains. To establish a customer-driven sales culture, we will systematize customer analytics and align our marketing with market trends and customer preferences while leveraging digital healthcare and MyData-linked data analytics to put customer satisfaction first in our sales operations.

### Product Development

We focused on improving profitability through increased product competitiveness and on facilitating on-site sales. We raised the market share of our protection-type insurance by launching products that cater to customer/social trends, and developed specialized products in line with business conditions to boost our performance.

Product profitability was improved through continuous product sales monitoring and profit/loss analysis, and expense/interest rate adjustments

were made to preemptively address interest rate risks triggered by COVID-19 and other social environmental changes. Our healthcare service helped strengthen customer loyalty and our products' non-price competitiveness, and the continued upgrade of our subscription planning system led to the reinforced customer marketing competitiveness of our sales representatives.

Our 2022 business priorities will be to operate product strategies with a focus on new business value to increase profitability and to ensure the time supply of products to reinvigorate our sales channels. To this end, we will strengthen the protection-type product lineups that contribute significantly to our profit while developing and delivering specialized products in line with channel-specific sales conditions. We will develop new products through strengthened research on market and customer needs, and improve our subscription planning system from the sales perspective in order to beef up our marketing capabilities.

### Customer Support

We improved our business across all aspects to strengthen customers' trust in NongHyup Life Insurance and pursue profitability.

To improve our service from the viewpoint of customers and field operations, we reflected 54 improvement ideas through close collaboration with the customer panel. The CS Weather Service, our 24/7 customer feedback channel, was introduced for our mobile window to immediately integrate the improvement ideas proposed by customers following their business transactions. In addition, the Customer Satisfaction Index survey was conducted three times to take stock of our services and assist in service quality improvement.

We sent 63 types of 4.89 million notifications in total through the customer-friendly channel of Kakao Notification Talk. Expanding the use of mobile notifications, we were able to provide greater customer convenience and reduced KRW 3.6 billion in cost compared to paper-based notifications. Our call center was separated and relocated to cope with COVID-19 and other disaster situations, posting 96% in customer response, and contributed to extending KRW 461.7 billion of policy loans annually and closing 200 new contracts through the referral and registration of prospects.

We upgraded our claim review process and strengthened SIU activities to contribute to improving on mortality gains/loss.

We improved our contract management process from multiple aspects to better service our customers at the sales contact point while conducting regular customer satisfaction surveys, launching the customer data overhaul campaign to organize data on nearly 40,000 customers, and continuing with our campaign to help customers identify their unknown assets with an aim to enhance our external credibility.

In 2022, we will contribute to managing mortality gain/loss and reducing expenses by improving our accident insurance disbursement process and reinforcing on-site SIU guidance activities, and to attaining the company's profit goal by actively supporting sales operations.

We will improve our operational efficiency by creating and advancing function-specific systems, and proactively digitize our claim reviews and customer contract management to deliver improved customer convenience.

We will ensure that we achieve the KSQI certification for excellence in call center operations supervised by the Korea Management Association for seven consecutive years through the continued call center quality improvement, and build thorough preparedness against COVID-19 to fully cater to customer service needs. Concerning customer satisfaction, we will analyze and integrate the voice of diverse internal/external customers to help boost our corporate competitive edge, and pursue innovative management to bring greater efficiency to our field work.



**Achieving the KSQI certification for excellence in call center operations for 6 consecutive years to gain customer trust**

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**Agricultural/Livestock Cooperatives**

The Agricultural/Livestock Cooperatives Department consists of the agricultural/livestock cooperatives channel responsible for local agricultural/livestock cooperatives, the banca channel handling bank partnership sales, and the policy insurance channel.

In 2021, we led the way in ensuring that NongHyup Life Insurance provides insurance that meet the pressing needs of farmers and promote win-win partnerships with local agricultural/livestock cooperatives. As a key channel of NongHyup Life Insurance, we did our utmost in laying the solid basis for the company amid such fluctuating business conditions as COVID-19 by striking the right balance between value-driven management and stable growth.

**Agricultural/Livestock Channel**

We posted KRW 53.1 billion in new business conversion value and exceeded the set goal through the strategic activities undertaken with a focus on new business value, and supported employees at agricultural/livestock cooperatives through wide-ranging theme-based training including level/position-specific video training and itinerant training.

**Banca Channel**

Our protection-type insurance posted a y-o-y 252% growth in performance, which is attributable to the launching of new banca channel-only products and the expansion of financial institution partners selling protection-type offerings. We became the first in the industry to provide mobile health insurance plans that are designed by customers themselves to successfully enter the mobile insurance market.



**New business conversion value**  
(KRW in billion)

53.1

**Policy Insurance Channel**

Even in the face of the global pandemic, we reached 900,000 in subscribers, setting a new record since the initiation of our policy insurance business. We also took the lead in building a safety net for farmers by launching a farmer safety insurance plan dedicated to workers suffering occupational injuries and the Please Farm Safely campaign to reduce injuries that occur in relation to agricultural work.

In 2022, the Agricultural/Livestock Cooperatives Department will commit to building the basis for sustainable management and new growth drivers to fuel NongHyup Life Insurance's evolution into Korea's leading cooperative insurer. On the back of the four key values of customer centricity, value management, digital innovation and win-win cooperation, we will pave the way for mutual growth among agricultural/livestock cooperatives, NongHyup Life Insurance and NongHyup as a whole.



**Agricultural/Livestock Channel**

We aim to focus on strengthening our sales basis and capabilities. We will build growth momentum through the intensive management of low-performing agricultural/livestock cooperatives, and motivate our learning organizations through performance-based and tailored support. We will help improve sales capabilities by assisting employees at agricultural/livestock cooperatives with level-specific training according to their work experience and performance, and continue with activities to strengthen our ties with cooperatives through the development council, annual awards, and senior management's on-site visits.

**Banca Channel**

We will strengthen our operational efficiency by pursuing the qualitative improvement of our banca business. Our focus will be on continuously broadening the portfolio of protection-type plans and reinforcing the competitiveness of our key product category of accident insurance. We will also expand our mobile-only product lineups and deliver differentiated optional services to lead the mobile insurance market.

**Policy Insurance Channel**

Our goal is to strengthen the social safety net for farmers and expand our business base. While encouraging existing customers to renew their contract and increasing new subscriptions to widen our business base, we will pursue system improvements by introducing an annuity payment method for the farmer safety insurance plan and developing family-friendly products that provide premium discounts to those operating family farms, reinforcing our role as a social safety net for farmers.

The Agricultural/Livestock Cooperatives Department will faithfully fulfill its role as a cash cow and a key channel for NongHyup Life Insurance on the strength of synergy generated through communication and cooperation among its agricultural/livestock cooperatives, banca and policy insurance channels.

**AM Business**

We proactively engage in training and promotion of NongHyup Life Insurance's products through the insurance sales delegation contracts entered into with GAs. In 2021, we partnered with a total of 128 GAs, whom we delegated to sell all our products available on face-to-face channels.

In 2021, we focused on increasing our channel efficiency concerning the intensive management of incomplete sales and productivity gains, and on laying a reliable sales base by pursuing new GA partnerships. In particular, our sales organization was restructured from 12 AM branches to three bureaus and 12 AM branches to allow for more careful management of GAs.

In 2022, we plan to open new regional bureaus to realign our organization into four bureaus and 16 AM branches to raise the sales of protection-type plans through increased local sales staffing, and will provide full support to on-site operations by hiring more sales training heads and introducing a planning manager system to assist on-site subscription planning.

We will select 11 out of 128 GAs for their potential to increase sales and provide them with intensive marketing and product support, and engage in additional promotion to increase the share of protection-type plans.



To build competitiveness and pursue sustainable growth in the AM channel, we will continuously expand GA partners and operational branches to pave the way for our growth as a key sales channel.

**FC Non-Face-to-Face Business**

The FC Non-Face-to-Face Department consists of the three channels of the FC channel which serves as the face-to-face channel for financial consultants, the DM channel which combines both non-face-to-face and face-to-face operations, and the CM online channel.

In 2021, the FC channel focused on efficiency gains through the intensive management of our persistency rates and productivity improvement,

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and the DM channel increased its productivity per employee through the expansion of database supply in compliance with our data privacy policy. The CM channel broadened its customer contact points through affiliate marketing.

- FC channel: Increased its persistency rate at 13th renewal by 2.2%p y-o-y to 76.5% by strengthening its customer retention service.
- DM channel: Posted KRW 1.87 million in monthly productivity per employee at FC complex branches through the expansion of DB supply
- CM channel: Ranked 7th place out of 16 online insurance peers (KRW 290 million in first-month premium) and expanded its product lineups

In 2022, our goal is to pursue efficiency-enabled sustained growth: the FC channel will conduct business with a focus on efficiency and productivity, the DM channel will continue to increase its productivity through new partnerships and strengthened DB marketing, and the CM channel will focus on improving its online insurance competitiveness.

**Asset Management (Investment Strategy)**

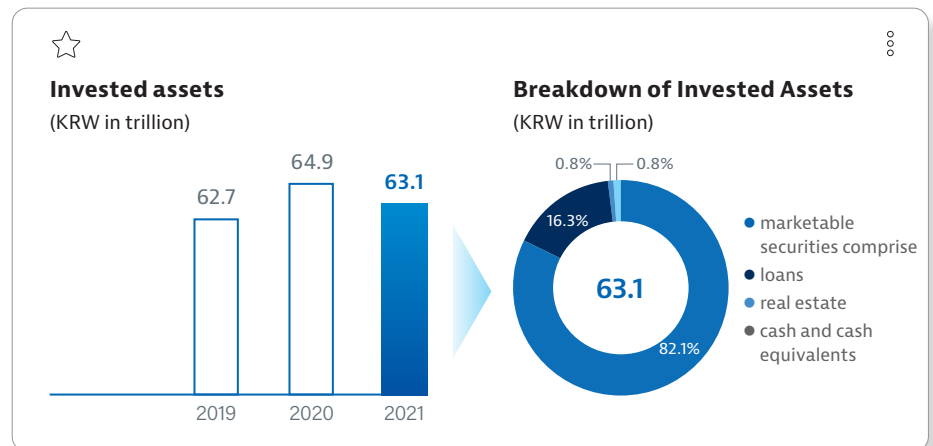
The Asset Management Department serves as an asset manager while fulfilling its fiduciary duty in ensuring stability, liquidity, profitability and public interests in accordance with the Regulation on Supervision of Insurance Business. Our asset management spans a wide array of asset classes, including securities (domestic and overseas stocks and bonds), loans (household and corporate loans), and alternative vehicles based on a diversified investment portfolio.

As of the end of 2021, NongHyup Life Insurance's invested assets totaled approximately KRW 63 trillion, which ranks us in 5th place in the domestic life insurance industry. Our assets consist of 82.1% securities, 16.3% loans, 0.8% real estate, and 0.8% cash and cash equivalents.

In 2022, the Investment Strategy Department will develop asset class-specific investment plans through tactical asset allocations made in consideration of monthly financial market trends and outlooks. Once the plans are approved by the Investment Asset Committee, such plans will dictate how the Asset Management Department and the Alternative Investment Team manage assets within the preset investment limits for each asset class. Our asset management strategies and management processes are subject to continual performance analysis and monitoring.

As such, the Investment Strategy Department, the Asset Management Department, and the Alternative Investment Team follow the strategy-execution-analysis process in managing assets, and engage in a variety of activities including the identification and execution of improvement tasks, to elevate the value of our asset portfolio.

In preparation for the new accounting standards of IFRS 9/17 and the supervisory regulations of K-ICS, we will endeavor to raise our risk-adjusted return with a focus on interest-bearing assets while continuously managing our portfolio to maintain a stable asset portfolio over the mid-to-long term. We will also actively consider and seek out the Green New Deal and other new business opportunities as well as ESG-related investments.



In 2022, our goal will be to maintain the optimal mix of our asset portfolio, reinforce our asset management capabilities and lay the basis for future competitiveness in order to promote the sustainable growth of asset management at NongHyup Life Insurance.

**IT Support**

To advance our IT infrastructure and improve our security and system performance accordingly, we upgraded our database, replaced outdated equipment and relocated our computer center.

A KakaoPay-aligned deposit service was developed to ensure convenience in premium payment and keep pace with the shifting financial landscape. A smartphone-based mobile subscription system was also created to facilitate non-face-to-face channels in line with the paradigm shift towards virtual insurance sales as well as changing consumer trends, sharpening our sales competitiveness in so doing. Furthermore, we deployed a non-face-to-face channel authentication (PIN) service to increase access to and reliability of simple electronic signature and to reinvigorate our virtual sales operations.

In 2022, we will focus on timely support and development for our field operations and the advancement of our work practices through the upgrade of the training center reservation system and the re-development of a product factory-based disbursement system. We will also collect feedback from sales operations and build close relationships between working-level departments and their IT counterparts to extend even greater support for strengthened IT competitiveness.

To keep abreast of changing internal/external conditions, we plan to build a mobile-based subscription system for online insurance and the TM Insurance Smart Customer Check Service, and will contribute to the wider adoption of digital finance for productivity and efficiency gains by improving our work processes based on AI OCR (Optical Character Recognition) and by developing a big data portal system and a call center voice recognition system.



**Invested assets**  
(KRW in trillion)

63.1

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# NongHyup Property & Casualty Insurance

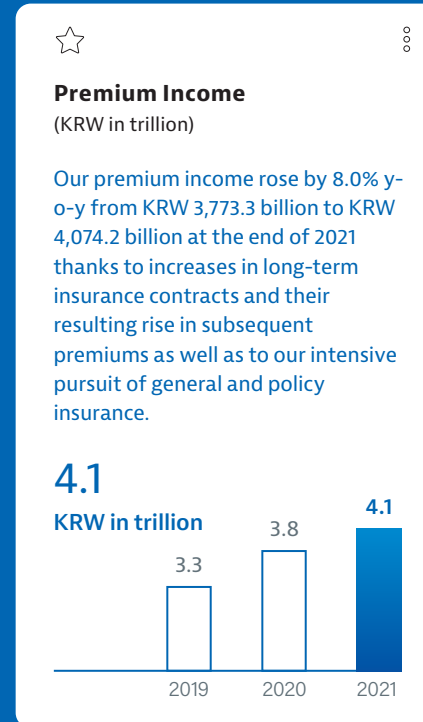
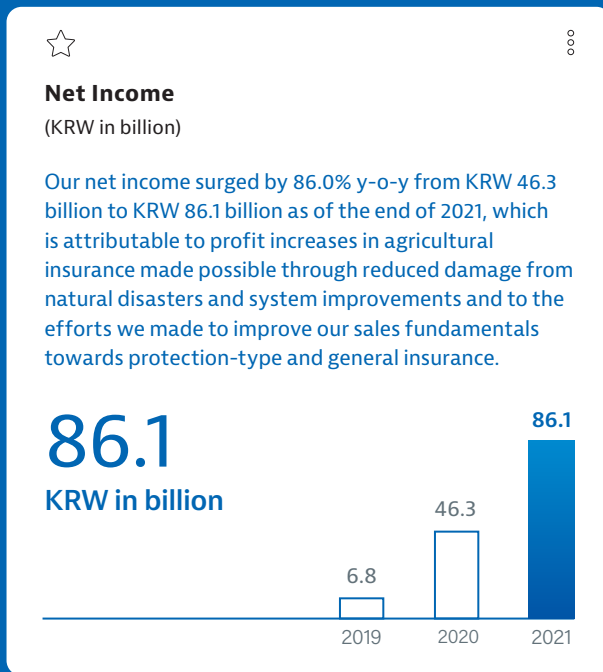
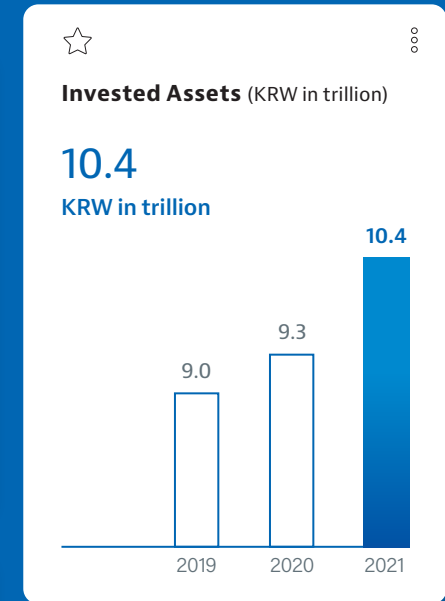
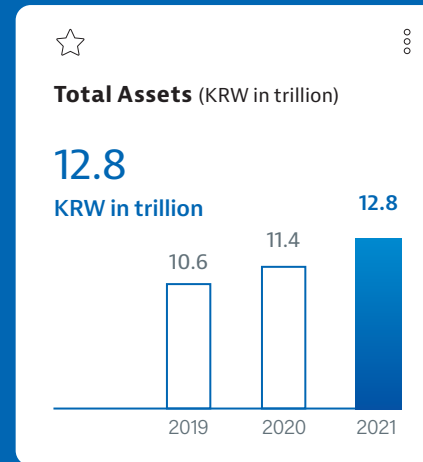
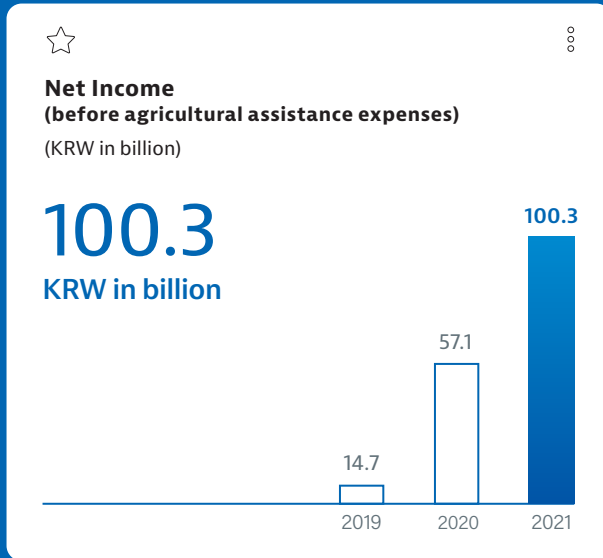


**Choi, Mun-Seop**  
President & CEO



NongHyup Property & Casualty Insurance develops a range of customer-focused products spanning agricultural policy insurance and storm and flood insurance as well as long-term and general insurance to keep its customers safe and protect their property. To keep abreast of the digitalization era, we are also deploying and expanding our RPA system to pave the way to emerge as an innovative leader in the insurance industry. 





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## 2021 Highlights



## Launching the ESG Advisory Committee

Feb. 2, 2021

- Declared the vision of 'ESG Friendly 2025' and created the 'ESG Advisory Committee' to build an ESG (Environmental, Social, and Governance)-driven management system
- Signed an 'ESG bond discretionary investment contract' with NH-Amundi Asset Management to proactively implement the goal of 'expanding ESG investment'

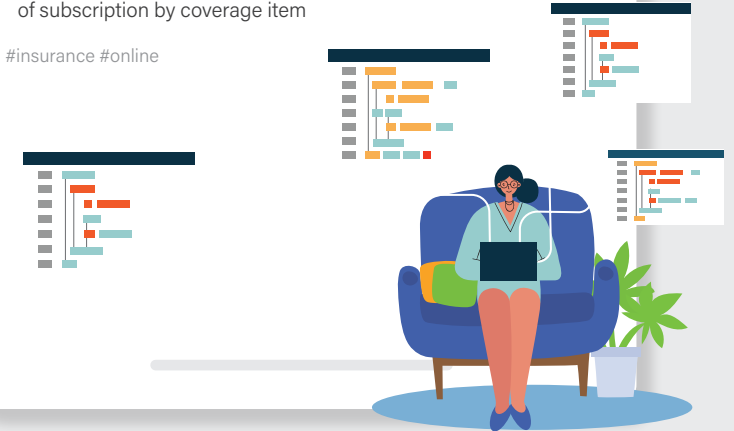
#esg advisory committee #esg bond #esg investment

## Opening a self-initiated coverage analysis service

Nov. 1, 2021

- Allows customers to take stock of the coverage of the plans they purchased online
- Calculates scores based on the level of subscription and proposes the appropriate value of subscription by coverage item

#insurance #online

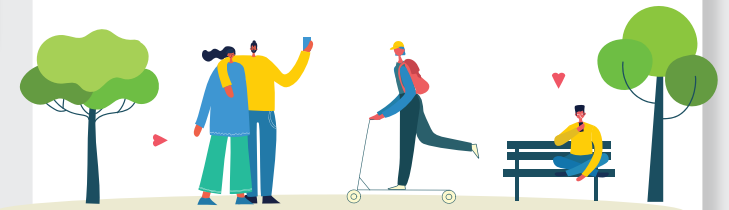


## Achieving certification under the CSR in the Community program of the Ministry of Health and Welfare

Nov. 1, 2021

Certified under the program created in partnership with a non-profit to recognize the Corporate Social Responsibility activities undertaken for local communities

#csr #community program



☰ ?

## Undertaking CSR Activities for Local Communities



- Donated learning supplies and toys to children with disabilities (Apr. 14, 2021)
- 'Hearim Volunteer Team' offered a helping hand to farmers during the farming season (Jun. 28, 2021)
- Visited pig farms and apple orchards damaged by heat waves (Aug. 13, 2021)
- Donated agricultural products to the 'Anna's House', a soup kitchen for the homeless (Sep. 8, 2021)

#csr #local communities

☰ 🔍 🖨️



## Joining the UN's Principles for Sustainable Insurance

Oct. 1, 2021

- Joined the Principles for Sustainable Insurance declared by the UNEP Financial Initiative
- Outlining the application of sustainability-related factors to the overall management of insurance businesses to respond to climate change and diffuse a culture of sustainable insurance management

#sustainable insurance #UNEP FI



● ○ ○

Learn more

☰ ★

## Teamed up with KakaoPay to launch a non-participating 2040 NH plan to cover the diagnostic expenses of three major diseases

Jan. 7, 2021

 NH농협손해보험 X  pay

- Launched a direct-to-consumer insurance plan to primarily cover the diagnostic expenses of cancer, cerebrovascular diseases and heart diseases
- Subscription made available through KakaoPay and the NongHyup Property & Casualty Insurance website and mobile app

#insurance #kakaopay #2040 nh plan




☰ 👤

## Launched a non-participating healthcare plan for heart/cerebrovascular diseases

Oct. 13, 2021

- Launched as a new product dedicated to heart/cerebrovascular diseases, made accessible to the elderly and those with specific medical conditions
- Focused on covering heart/cerebrovascular diseases

#insurance #healthcare



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In 2021, our total assets posted an y-o-y growth of 12.3% to KRW 12,755.5 billion, and invested assets rose by 12.1% to KRW 1,381.9 billion during the same period. The balanced growth we achieved across long-term insurance, general insurance, and policy insurance resulted in a 8.0% y-o-y growth in premium income which translated into KRW 4,074.2 billion. Our loss ratio and expense ratio both improved from the previous year and this boosted our net income by KRW 39.8 billion y-o-y to KRW 86.1 billion.

## FINANCIAL HIGHLIGHTS (Consolidated)

		(unit: KRW in billion, %)	
		FY2021	FY2020
Consolidated BS	Total assets	12,755.5	11,362.7
	Total liabilities	11,847.0	10,497.3
	Total equity	908.5	865.4
Consolidated IS	Operating income	136.8	78.9
	Pre-tax income	116.1	63.8
	Net income	86.1	46.3
	Net income before agricultural assistance expenses	100.3	57.1
Business Volume	Invested assets	10,381.9	9,259.0
	Premium income	4,074.2	3,773.3
	Initial premium	1,729.5	1,583.3
Key Ratios	RBC ratio	196.49	188.78
	Loss ratio	86.56	93.15
	Expense ratio	21.15	21.80
	Invested assets/total assets ratio	81.39	81.49
	Investment yield	2.62	2.90

\* Prepared and presented based on K-IFRS No. 1039

## At a glance

NongHyup Property & Casualty Insurance announced its new vision 2025 of 'A warm companion, creating a future together', and is committed company-wide to serving customers as a partner for their flourishing life and emerging as a quality-driven non-life insurer through digital innovation. On the back of our identity as a cooperative, we will help customers improve the quality of life and build a tight financial safety net so as to become a company that farmers and customers can always rely on.

### Improving fundamentals to meet market needs

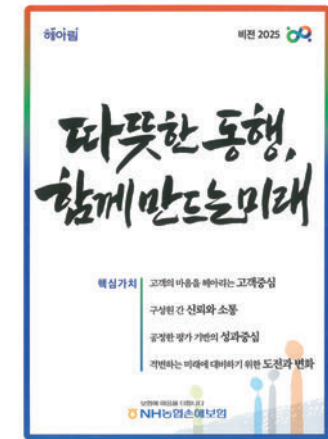
We will proactively implement a channel-specific growth strategy to seek the fundamental change of our sales channels, develop competitive products, operate a flexible acquisition strategy to strengthen our market response capabilities, and diversify our asset management strategy.

### Pursuing innovative growth

We will improve our digital work process for strengthened digital competitiveness, and sharpen our competitive edge in virtual channel operation. We will expand the basis for new growth momentum by generating connectivity-driven synergy and reinvigorating new growth drivers.

### Elevating corporate value

We will build a customer-driven organizational culture to improve our customer business process while widely disseminating ESG management across our corporate culture. Our business management will focus on long-term value to establish a 'soft landing' process in implementing new standards and strengthen our value-driven management paradigm.



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## Review of operation

### Asset Management

The Asset Management Department manages assets with an aim to faithfully fulfill its duty as an insurer by generating solid investment returns, pursue the sustained growth of the company, and promote the rights and interest of stakeholders. We are committed to increasing the value of our asset management portfolio through diversified investments that consider the risk/return profile of investment assets, and contribute to the sustainability management of NongHyup Property & Casualty Insurance by consistently generating stable excess returns through efficient asset allocation.

In 2021, our invested assets totaled KRW 1,0381.9 billion, and investment revenue amounted to KRW 270.4 billion to exceed the set target by KRW 7.4 billion. Our interest gains surpassed the initial target by KRW 4.2 billion to KRW 55 billion to contribute

to the stability of our insurance operations and a healthy balance sheet. In particular, we improved our holding period yield and expanded our market duration through bond swaps between long-term and short-term bonds that capitalize on market volatility. We also proactively increased our ESG investments to create a sustainable portfolio and pave the way to generate reliable returns over the mid-to-long term.

The Bank of Korea forecasts that the global economy will stay well on track in recovery in 2022, and expects the Korean economy to maintain its recovery buoyed by increased vaccinations and booming exports.

In 2022, we aim to reinforce our fundamentals in asset management for the mid/long term by improving our holding period yield. We will identify new investment destinations by considering changes occurring in the investment landscape, including tightening regulations on the housing market, the continued global pandemic, and the



expanding initiative of the Green New Deal while further mainstreaming two-track investments to pursue both stability and profitability. In preparation for the full implementation of IFRS9 and K-ICS, we will continue to manage the ratio of FVPL assets and our asset duration. In 2022, we will remain committed to driving the sustainable growth of the company by generating reliable excess returns.

### Market Strategy

Even as we faced difficulties in expanding our operations amid the spread of COVID-19 and changing regulations, we were able to exceed the VNB (Value of New Business) target set for general insurance (KRW 363.8 billion, 118.4%) while falling short of reaching the VNB (Value of New Business) target for long-term insurance (KRW 30.6 billion, 74.2%). We improved our persistency rates to pursue growth in subsequent premium through the thorough management of existing contracts, which enabled us to reach the set target for total premium income in long-term insurance (KRW 2,361.5 billion, 101.7%).



In an effort to generate future value, we have categorized products by their VNB and profitability into high, medium, and low and performed on-site sales evaluations based on profit contribution to build profitability into our sales practices.

We ran a CRM pilot project to examine ways to conduct customer-based data analyses and create marketing opportunities, and plan to further pursue customer centricity in our insurance operations. We have officially opened a sales support system (SFA) to extend our sales territory to mobile platforms, and have delivered customized customer services through the introduction of a coverage analysis system.

We facilitated virtual training as COVID-19 brought disruptions to the sales training environment, and renewed our cyber training center with a focus on diverse training content to help sales representatives continue to develop their product expertise and to ensure the proper sales of products for customers.



In line with digital transformation, we provided various options for non-contact channel authentication and electronic signature, and increased convenience from the viewpoint of customers including virtual self-coverage service, CM package subscription, and self-authentication for the insured.

In 2022, we set business targets of reaching KRW 35.5 billion in monthly initial premium equivalent of long-term protection-type insurance and KRW 361.8 billion in net general insurance premium under the management goal of 'turning change into opportunity, leaping forward through innovative growth'.

To attain these targets, we have set three key priorities of 'systematizing channel management, sharpening product competitiveness, and advancing customer-driven sales support'.

To ensure more systemic channel management, the strategic channel business team managing our key market channels of GAs and FCs will be promoted into an independent unit to support its own strategy development and execution while a middle-manager organization will be created to improve work efficiency and fine-tune our sales management. Our strategic focus for agricultural/livestock cooperatives will be on building unrivaled market dominance and for banca on pursuing productivity gains in consideration of industry trends. To render our products more competitive, we will launch and improve channel-specific flagship products to cater to market needs, and expand our market presence by creating new types of coverage to tap into new markets and respond to new businesses and by participating in statutory and policy insurance business. In an aim to advance our customer-driven sales support, we will



Premium income in long-term insurance  
(KRW in billion)

2,361.5

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expand our CRM project initiated last year to establish a full-scale system and improve our overall sales infrastructure (omni-subscription, touch monitors, SFA, etc.). We will also expand our sales training team to better provide channel-specific tailor-made training and help solicitors who are at the very forefront of interacting with customers strengthen their expertise.

We will doubly make sure that we achieve the business goal set for this year by implementing our sales strategy with a focus on channels, products and customers.

**Agricultural/Livestock Cooperatives**

In 2021, our agricultural/livestock cooperatives channel posted KRW 21.5 billion which is KRW 2 billion short of KRW 23.5 billion, a target set for long-term protection-type insurance, reaching 91.5% in target attainment amid the sluggish product sales and the continued spread of COVID-19. This raises



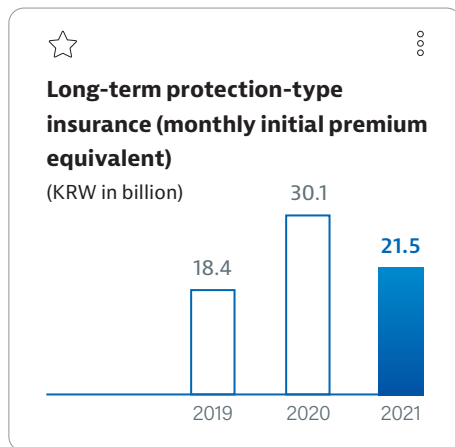
the need to improve our operational efficiency and facilitate virtual marketing. In general insurance, we achieved a y-o-y 5.8% growth by diversifying our products including fire insurance and elevator liability insurance.

In 2022, we will continue to improve our long-term insurance revenue portfolio and further reinforce our sales support by laying the basis for promoting general insurance with an aim to drive the long-term growth of our company as a key sales channel capable of generating sustained profits even amid the rapidly-shifting financial landscape. Boosting the capabilities of our agricultural/livestock cooperatives channel, we will seek mutual development with regional cooperatives and ensure the stability of our cooperative members to do our part as a core sales channel for NongHyup Property & Casualty Insurance in its pursuit of shared growth with customers.

**Corporate Business**

The Corporate Business Department posted KRW 183.3 billion in premium written, delivering a high growth rate of 22.4% or KRW 33.6 billion increase from the previous year. Such sales growth was made possible as we facilitated synergy businesses by maximizing performance in title insurance connected with loan products of NH affiliates and in bovine blood splash insurance while focusing our capabilities and increasing success rates in public corporation biddings by becoming an aviation insurer for four major national institutions and regaining our market position in collective accident insurance for public officials working at nationwide education offices.

We also secured new future sources of profit by successfully attracting large businesses and public corporations through our storm and flood insurance, another stream of revenue for us, to cement our





	(KRW in billion)		
	2019	2020	2021
Corporate Business Insurance (original)	125.0	144.4	175.4
Corporate Business insurance (storm and flood)	1.9	5.3	7.9
Total	126.9	149.7	183.3

position in the internal/external markets, contribute to dramatic performance growth of general insurance, and play a leading role as a key sales channel for general insurance.

It is forecast that the general insurance market will continue to slow down in 2022 due to the protracted COVID-19 and its resulting lack of growth momentum. To grow faster than the market in 2022 when face-to-face sales operations are increasingly challenged, we will continuously expand synergistic marketing business at the NongHyup-wide level, identify and tap into large project-based businesses, and explore opportunities for group accident insurance for public corporations, achieving sustained growth through differentiated sales strategy and thorough preparation and execution.

Our goal for 2022 at the Corporate Business Department is to emerge as a leading sales channel for general insurance by doing our utmost in expanding profit-based solid revenue as well as new revenue streams for future growth.

### Strategic Channels

In 2021, our strategic channels continuously faced fierce competition across the market landscape. The race to recruit FCs further intensified, and GAs, despite their sustained growth, became subject to numerous operational limitations including the 1,200% rule. To address such challenges, our FC

and GA channels engaged in consulting for their mid/long-term development and continued with their efforts for sales expansion. In addition, one FC branch and one GA branch were operated to pursue sustained growth.

In 2022, we will lay the basis for our channel growth by applying the expertise gained through consulting the previous year into actual sales operations while facilitating business to strengthen our market competitive edge by creating regional centers, advancing branch operations, standardizing distinctive sales processes, and improving productivity/efficiency indicators for exclusively-contracted FCs. We plan to pave the way for our sustainable growth as a strategic channel for the company by improving the organizational efficiency through institutional improvement, preemptively tightening our loss ratio management, and improving our field work process and pursuing organizational efficiency.



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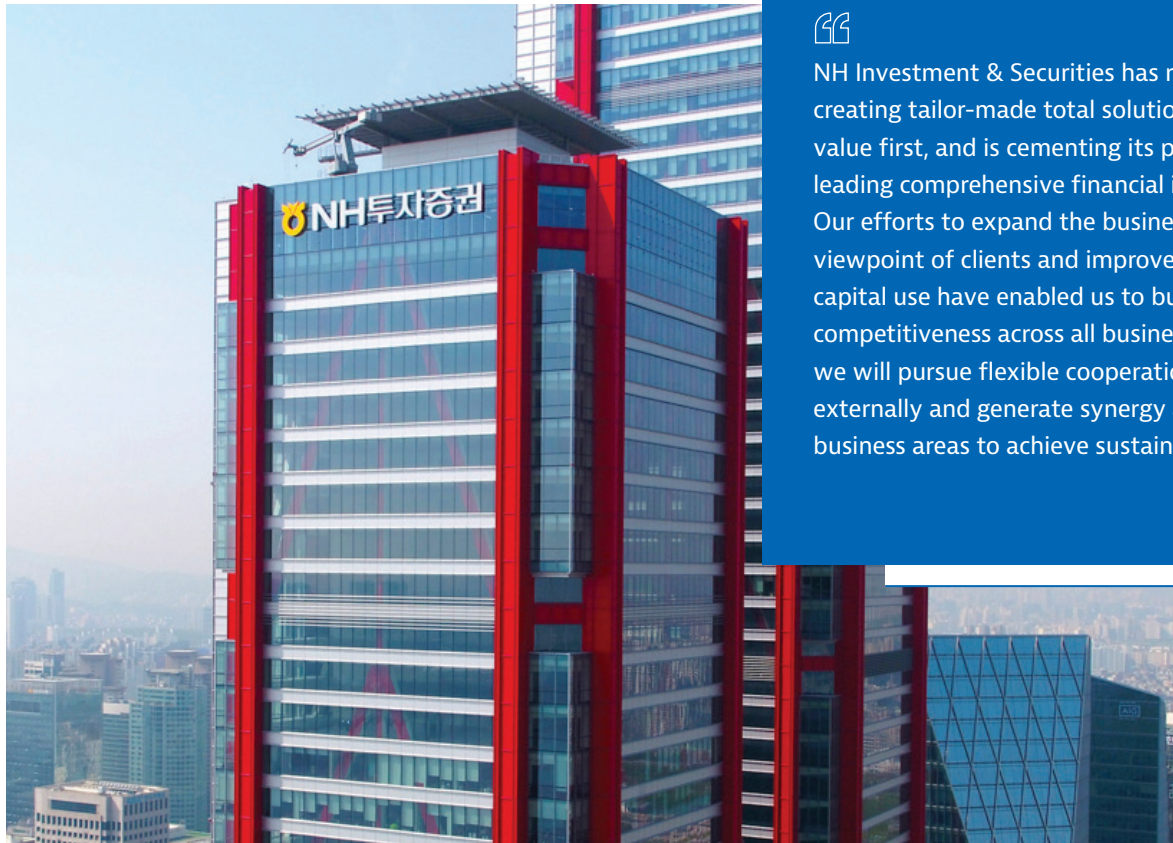
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# NH Investment & Securities



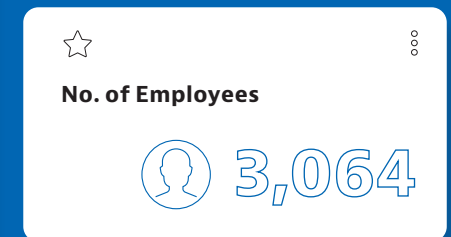
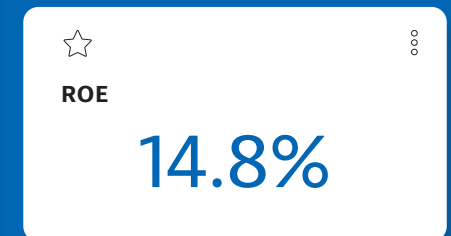
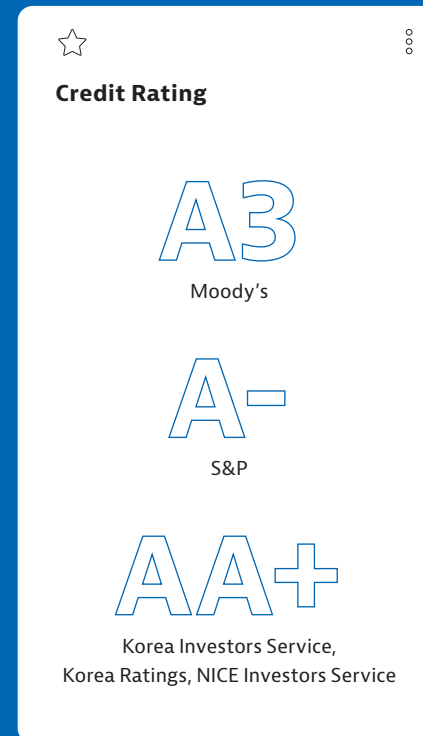
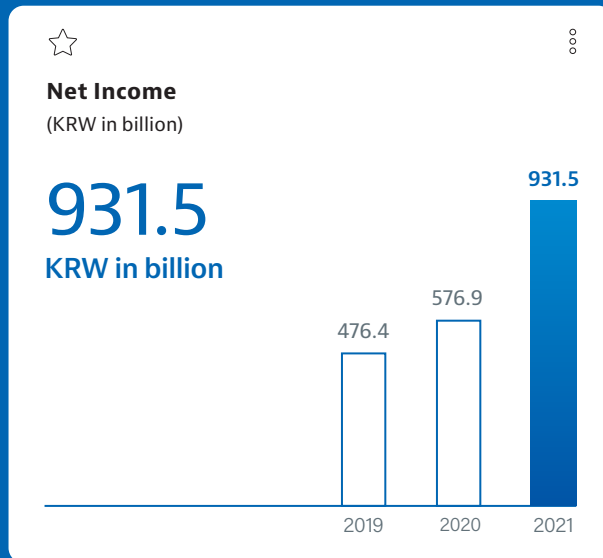
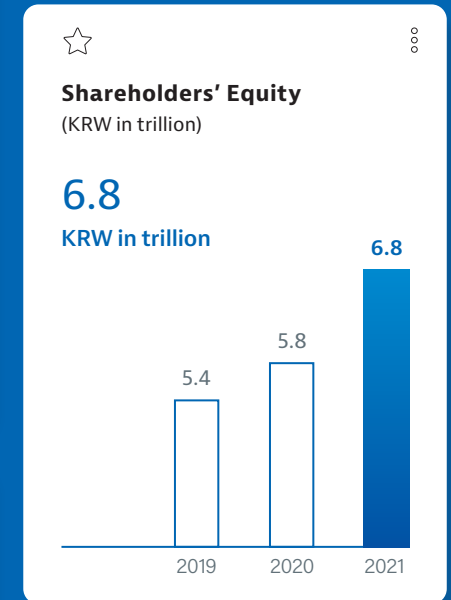
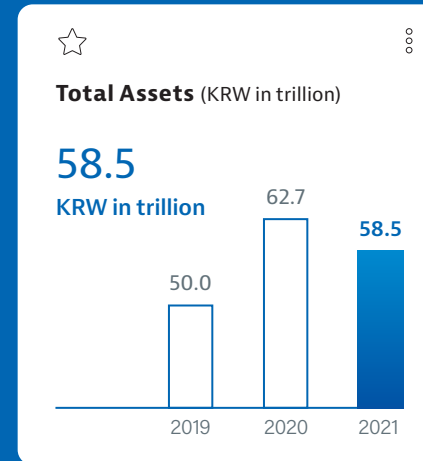
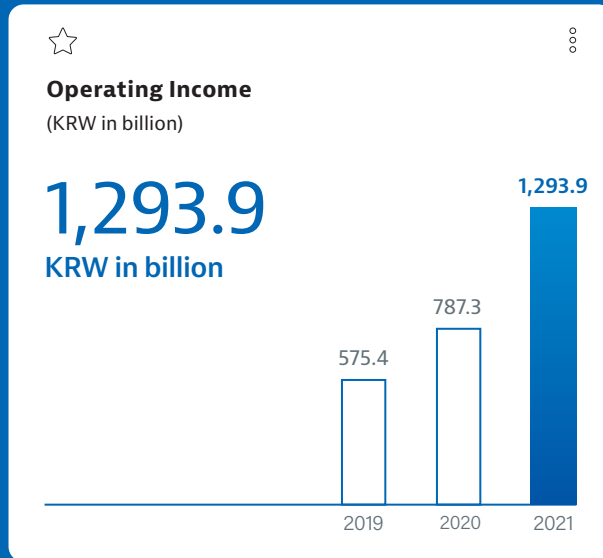
**Jeong, Young-Chae**

President & CEO



NH Investment & Securities has remained focused on creating tailor-made total solutions by putting client value first, and is cementing its position as Korea's leading comprehensive financial investment company. Our efforts to expand the business model from the viewpoint of clients and improve the efficiency of capital use have enabled us to build unrivaled competitiveness across all business areas. Going forward, we will pursue flexible cooperation internally and externally and generate synergy among all affiliates and business areas to achieve sustained growth.





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NongHyup Property & Casualty Insurance

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# NH Investment & Securities

## 2021 Highlights



### Relocating to NH Finance Tower in Parc.1, Yeouido

Apr. 26, 2021

- Start anew at Parc.1 a landmark in Yeouido, in 16 years since the last relocation
- Expected to create synergy from the integration of previously distributed HQ organizations into the new office building

#nh finance tower #parc.1, Yeouido #seoul korea

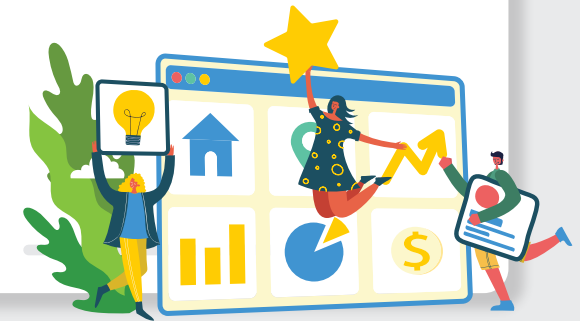
### "NH Super Stock Market" event held under the theme of "stock investment" for MZ generation

Mar. 26, 2021

Opened at 'The Hyundai Seoul', a hot spot in Yeouido, to target Millennials and Gen Z

- Display domestic and international stocks including Samsung Electronics, Kakao, Amazon, Tesla and Netflix
- Provide unique experience of investing in stocks just as shopping as well as virtual counseling service

#nh super stock market #shopping



### Rated A3, the highest standard of credit rating in the industry, by Moody's

Jun. 23, 2021

- Rated A3, an upgrade from Baa1, in long-term corporate credit rating by the international credit ratings agency Moody's
- Attributed to profit generation and potential support available through synergy among NHFG affiliates

#moody's #credit rating #synergy





## Opening a brand digital platform 'Investment as Culture' for Millennials and Gen Z

Aug. 20, 2021



- Opened a brand platform 'Investment as Culture' to strengthen our online branding
- Launched with a 'investment playground' concept to provide Generation MZ clients without previous investment experience with easy and fun access to investment opportunities

#digital platform #investment



## NH Investment & Securities - Timo initiating Vietnam's first mobile account opening service

Nov. 29, 2021

Launched a virtual account opening service with Timo, the largest online banking platform in Vietnam

Expected to generate continued synergy as a cooperation project undertaken under the MOU signed between the two companies in June 2021

Plan to diversify cooperation into the sale of mutual funds and wealth management service in addition to account opening service

#vietnam #mobile account opening service



## Honored with the Presidential Award at the Korea Digital Management Innovation Awards

Dec. 3, 2021



## Obtaining the official MyData license

Nov. 15, 2021

- Officially launched NH Investment & Securities' MyData service on Dec. 1, 2021
- Provide innovative online wealth management services powered by MyData

#online asset management #mydata



## Hosting the Financial Consumer Protection Conference and appointing an external expert

Jul. 27, 2021

- Discussed and made decisions on the realignment of corporate regulations to implement the Financial Consumer Protection Act and reported H1 activities
- Appointed professor Byung-Yeon Kim as an external expert to collect objective and comprehensive expert feedback on policies in relation to the Financial Consumer Protection Act

#Financial Consumer Protection #Conference



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In 2021, NH Investment & Securities reached KRW 931.5 billion (+61.5% y-o-y) in net income and KRW 2,340.6 billion in net operating revenue (+39.2%, y-o-y), setting a new record in its history. During the course of the year, abundant market liquidity led us to achieve robust brokerage profits, and our performance also improved in traditional investment banking and acquisition financing. All this drove our exceptional performance across all business areas and we proudly surpassed the KRW 1 trillion mark in operating income for the first time since our founding.

## FINANCIAL HIGHLIGHTS (Consolidated)

(unit: KRW in billion, %)

		FY2021	FY2020
Balance	Total assets	58,542.0	62,738.4
	Total liabilities	51,718.7	56,935.6
	Shareholders' equity	6,823.3	5,802.9
Income	Net operating revenue (after gain/loss on loans)	2,340.6	1,680.9
	Selling general & administrative expenses	1,046.6	893.6
	Operating income	1,293.9	787.3
	Pre-tax income	1,302.1	789.1
	Net income	931.5	576.9
	Net income attributable to controlling interest	931.5	577.0
Profitability	ROE (%)	14.8%	10.3%
	Operating margin (%)	55.3%	46.8%
	SG&A/NOR ratio (%)	44.7%	53.2%
	Earnings per share (KRW, common stock)	3,136	2,050
	Operating profit per employee (KRW million)	422	258
	Dividend yield (% , common stock)	7.8	6.0

\* ROE= Net income of controlling interest/Average controlling interest equity

## At a glance

In 2021, NH Investment & Securities was committed to expanding its role as a leading 'Platform Player' in the capital market by putting client value before all else amid the favorable market environment. Our gaze is set beyond short-term performance to focus more on process-driven value from the long-term perspective and the pursuit of sustainable growth.

We have defined our role as an 'advisor' to provide solutions across the entire financial life of clients, rather than a mere 'broker' who mainly intends to generate profits, building a differentiated investment banking platform by strengthening our expert capabilities across each function of deal sourcing and sales among others. Furthermore, we have pursued company-wide business innovation and improved our operational system while realigning our overall global business strategy by promoting new business at key global locations and ever expanding our overseas network. The sum of such endeavors has enabled us to achieve balanced growth across all business areas and reach KRW 1 trillion in ordinary income in 2021.

## At NH Investment & Securities, we will focus on the following three priorities in 2022.



# 1

**First, we aim to further 'differentiate our services' by advancing our capabilities as an advisor.**

We will reinforce our expertise across respective channels of retail wealth management business and establish a total solution proposal system for corporate clients and for institutional clients.



# 2

**Second, we will build optimal 'content and infrastructure competitiveness' from the viewpoint of clients.**

We will strengthen our differentiated product/solution supply system, and create a tailor-made solution proposal system from the viewpoint of clients while delivering robust client platform infrastructure.



# 3

**Third, we will expand our business portfolio and advance socially responsible management.**

We will step up to expand our business toward new markets and new businesses, and advance our management system to support the transformation of our business. We will also develop an ESG-driven management system and upgrade our socially responsible management system by establishing investor protection mechanisms.

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**Wealth Management Division**

We will elevate the value of our client-centered PB platform service to emerge as a top-tier 'advisor' delivering optimal solutions based on client needs and trust in the wealth management market.

To cater to the diversifying client needs in the rapidly-shifting market landscape, NH Investment & Securities is pursuing transformation from a mere 'broker' of financial products into an 'advisor' who provides optimal customized financial solutions serving as a consultant delivering customer satisfaction. We are fully committed to enhancing client value across the entire process, from the moment we prepare for client meetings and identify their needs to the moment we provide the best-possible solutions and follow-up services. Forging sustained relationships with clients, we fulfill our role as a partner who helps clients set the course for their wealth management.

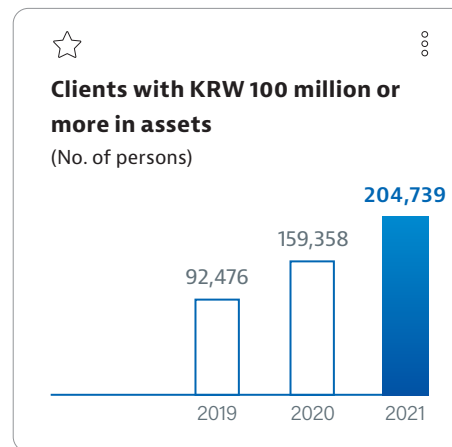
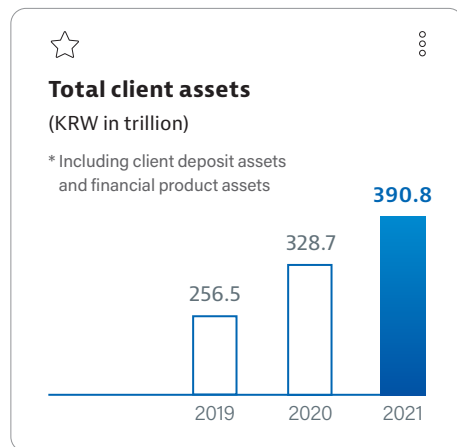
The Wealth Management (WM) Division established a process-driven corporate culture in 2021: we reflected the needs of diverse clients, newly established mega-sized financial centers, operated pop-up stores, and prepared to establish flagship centers to diversify the type of branches. Operating our digital asset management center, we also upgraded our communication infrastructure and developed a service model through the analyses of mass/mass affluent clients to strengthen our overall business system.

Our client-centric and process-driven sales operations have allowed us to expand our client base and increase the number of clients with KRW 100 million or more in assets to 205,000 persons (45,000 persons more than the previous year counting). We launched a range of experience-based promotion and new events to communicate positive messages on our brand reputation and investment, which resulted in the opening of 750,000 new accounts. Our efforts to restructure the client classification for our long-term growth also enabled us to open 330,000 accounts for New Generation clients aged in their 20's through 40's.

In an effort to improve the diversity of its service offerings for Ultra High Net Worth (UHNW) clients, the Premier Blue Head Office has launched a family office service for clients with KRW 10 billion or more in assets. This service provides clients with information on UHNW investment trends, personalized wealth management services, and access to exclusive mobile webpages and special events.

At NH Investment & Securities, we have established a system to heed the voice of clients on a regular basis to identify the solutions that meet the need of clients, and are currently leveraging the system in developing and executing sales strategies. We consistently monitor our client profile and their changing needs based on our on-going customer satisfaction survey system powered by a robust digital platform. Furthermore, we are realigning our channels with a focus on clients to offer the optimal platform and maximize customer satisfaction in so doing.

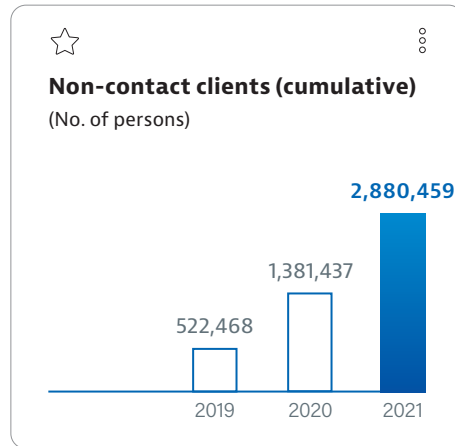
We believe that our competitive edge in personal service offerings will lie in our differentiated 'WM platform service' and 'advisor capabilities'. On the strength of our infrastructure tools, we will set the right condition to promote client centricity and reinforce our advisor expertise and capabilities to elevate the value of our personal services. We also aim to reorganize the structure of our client services, establish new service models for High Net Worth and Mass clients, and leverage new technology while improving our work efficiency to better support our clients, evolving into a 'bespoke service platform in the WM market' preferred by all clients.





### WM Digital Division

The WM Digital Division will improve its work processes to deliver financial products and solutions optimized to meet client needs and create a best-in-industry digital wealth management platform.



\* The number of digital clients was calculated by including non-face-to-face NAMUH accounts, non-face-to-face QV accounts, and bank-linked accounts.

The WM Digital Division consists of NAMUH Group and Platform Transformation Group responsible for marketing and client management to attract non-contact clients and for offering customized solutions on the digital platform respectively.

On the back of the emerging trend of non-contact channels, we recruited 1.74 million new non-face-to-face clients by expanding affiliated channels with KakaoBank and other external partners in 2021. Our

efforts to put client convenience first in designing a mobile application account opening process and to improve the content and UI/UX of overseas stock trading ranked us in 1st place in the securities firm category of the affiliate application competitiveness evaluations both in the 1st and 2nd half of 2021. Our MTS came in 1st in the mobile usability assessment made by the Korea Consumer Agency in 2021 and won the Award of the Financial Supervisory Service Governor in the MTS innovation category at the Asia Smart Finance Awards 2021, widely testifying to the competitiveness of our MTS. Specifically, our MTS reorganized its 'trading' home menu into a three-layered structure into trading, products & solutions, and my assets to improve accessibility in reflection of client needs while integrating pension applications to enable clients to manage both their investment assets and pension assets through one single application, reinforcing our wealth management service in so doing. Furthermore, we continue to sharpen the competitive edge of our overseas securities platform by international money transfer/foreign currency-denominated trading services and by extending the trading time for after-hours in the US stock market for the first time in the industry.

To provide differentiated client experience to the quickly-growing client group of Millennials and the Generation Z, we have opened a premium membership service. We also became the first securities firm to create our own metaverse service to support our clients in viewing investment content in a virtual office and freely interact with us and other clients in the metaverse virtual space.

We successfully obtained the official license as a 'MyData Service' provider in conformity with the amended three major data laws in Korea, and are currently delivering tailor-made wealth management services including 'integrated asset inquiry', 'invest-



ment performance report' and 'consumption pattern analysis'.

We are proactively pursuing collaboration with fin-tech businesses, academia and other external partners to harness big data/AI digital technology. In conjunction with the Graduate School of Data Science at Seoul National University, we are engaged in joint research on 'analyzing stock connections based on stock keywords and supply chains' to improve our keyword search system from the viewpoint of clients.

We are rapidly adapting to changing regulations and exploring differentiated services to consistently secure new growth drivers in the digital wealth management market, and we vow to do our utmost to provide client-centric solutions.

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### Investment Banking Division I

The Investment Banking Division I is leveraging its best-in-industry investment banking (IB) know-how and its robust client network to drive the evolution of NH Investment & Securities from Korea's top-tier player into Asia's leading IB as a financial partner that delivers greater corporate value.

We uphold our market leadership in the Korean capital market on the back of our accumulated know-how in investment banking and our robust client network. From the traditional IB revenue sources of Debt Capital Market (DCM) and Equity Capital Market (ECM) to corporate advisory and underwriting, we are widely recognized as a top-notch advisor capable of delivering end-to-end IB solutions.

In 2021, we maintained our top-tier market share in lead management and underwriting in the ECM and DCM markets. In particular, we have boosted our lead management of issuing specialized Credit Finance Bonds since 2018 and ranked 1st in this segment as of the end of 2021. Besides, we

underwrote KRW 2.8 trillion (the largest number of 69 deals in total) in ESG-certified corporate bonds (based on SB and FB) in 2021 to achieve 12.7% in market share on the league table, serving as a proactive underwriter of ESG bonds and making significant contributions to the mainstreaming of ESG finance across the financial market.

As a lead manager of numerous big IPO deals (Krafton, SK Bioscience, SD Biosensor, etc.), we contributed to the revitalization of the stock market by floating blue-chip companies. In particular, we are proactively promoting SPACs<sup>1)</sup> to identify unicorn companies that hold great potential and help them raise funds through IPOs. In 2021, we became the first in the securities market and the KOSDAQ market to list a large-size SPAC to assist the Korean SPAC market take one step further.

We have consistently strengthened our corporate advisory capabilities over the years to establish an unrivaled position in the domestic securities market. In line with the rapidly-shifting business environment that our corporate clients face in the break-

out of COVID-19, we are reorganizing our business structure, reinforcing our M&A advisory service system, extensively collaborating with the WM Division, and extending the scope of our IB service offerings to SMEs.

We are extending our business beyond the boundary of Korea into overseas IB markets in search of additional profit growth opportunities. In particular, we collaborated with our Hong Kong subsidiary to arrange four deals valued at KRW 628.5 billion in total, establishing outstanding records in the global acquisition finance market. Going forward, we will fully leverage our global corporate client network to take the lead in exploring overseas acquisition finance and investment opportunities.

In 2022, we will be fully committed to fulfilling our role as a financial partner for corporate clients providing end-to-end financial solutions through company's life cycle, from fund-raising to governance improvement, all while maintaining our unparalleled status in the traditional IB sector. Furthermore, we will proactively secure overseas IB deals on the strength of our competitiveness and expertise as Korea's leading IB and evolve into a top-notch IB in the Asian market.

1) SPAC: Special Purpose Acquisition Company

### IB League Table

	Domestic Bond Underwriting (excluding ABS and FB)	IPO Underwriting	Rights Issue Underwriting
Market share	14.6%	12.4%	19.3%
Rank	2 <sup>nd</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>

\* As of the end of 2021

### Investment Banking Division II

**We will become the new growth driver of the company and clients by strengthening our expertise for the full spectrum of alternative investment on the back of the competitive edge and know-how that we have accumulated as a leading IB.**

The Investment Banking Division II is leveraging its extensive knowledge in alternative asset sourcing to position itself as the No. 1 alternative investment market player in Korea and abroad. In 2021, we engaged in diverse real estate deals, including the prime office development project in the Soopyo district, Jung-gu, Seoul, the knowledge industry center development project in Cheongna, Incheon, and the Inspire Entertainment resort development project in Youngjongdo while unveiling a new REITs offering through the listing of D&D Platform REITs. Even amid the continued COVID-19 pandemic, we formed strategic partnerships with major overseas asset managers and engaged in new deals including logistics centers and successfully closed existing deals in an effort to address the limitations we encountered in our global alternative investment business.



**Standing out as the No.1 player in the domestic and international alternative asset market**

In the face of the market turmoil brought by COVID-19, we identified attractive overseas alternative investment deals to institutional investors such as data centers, logistics centers and PPP infrastructure deals, constantly diversifying our product portfolio in so doing.

In particular, we tapped into diverse overseas deal sourcing channels to respond to a slump in new overseas infrastructure deals, and broadened the scope of our alternative investment sales into a gamut of assets such as real estate, power generation, and SOC<sup>1)</sup> mainly in the US and Europe.

Our 2021 performance highlights include the Zalando logistics center project in the Netherlands, a senior loan extended to an Australian waste processing company, senior loan investment fund in the Australian East Link PPP<sup>2)</sup>, and the acquisition of a UK hospital PPP portfolio. Successfully closing these global infrastructure deals, we enhanced the status of the company and NHFG, and completed multiple projects all while conducting on-site due diligence on overseas locations to build on our track records of engaging in large-sized alternative investment deals and elevate the market status of our company in so doing.

Turning to the domestic market, we also focused on identifying and developing new revenue streams. While challenges remained in line with tightening real estate regulations and the increasing stock market volatility, we are working to create a total solution platform across the entire real estate development business. To this end, we participate in deals in their early project phase by leveraging our IB alternative investment seeding book to move ahead of the competition in order to seize opportunities in real estate project finance and close more deals.

Work is underway to build an internal system to establish real estate PEFs and conduct GP<sup>3)</sup>



business, and our business territory expanded as such will add to our revenue stream. We serve the full spectrum of real estate finance, including but not limited to local housing cooperative projects, public projects of local governments, special private park projects, and the securitization of high-quality corporate-owned real estate.

The intensifying competition in the domestic and international alternative investment market will further highlight the importance of expertise in apprehending good-quality assets. We will selectively approach these prime assets through rigorous risk assessments and proactively pursue the sell-down of deals acquired to continue with sustainable profit growth. Serving as a financial and advisory service provider across all phases of alternative asset investment for real estate and other diverse assets, we will cement our status as an industry-leading total service player.

1) SOC: Social Overhead Capital  
 2) PPP: Public-Private partnership  
 3) GP: General Partner

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**Investment Division**

**We will ensure trading profitability and stability through efficient asset allocation and prompt response in line with market volatility, and deliver a range of product solutions that cater to the investment preferences of clients.**

In 2021, the Investment Division performed exceptionally even in the face of headwinds including but not limited to rising interest rates in Korea and the US and the strong dollar and its resulting depreciation of emergency market currencies. Notably, we set a new record in profit in our mezzanine and unlisted equity investments, and established a virtuous cycle in expanding new investments in sectors with growth potential.

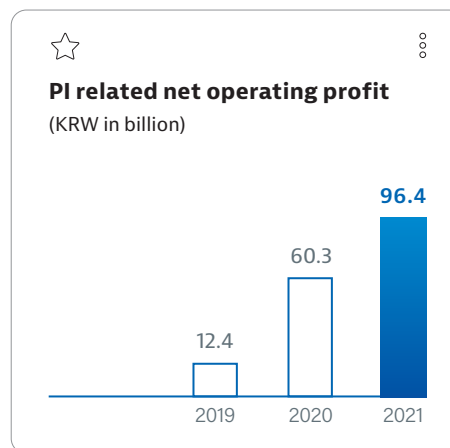
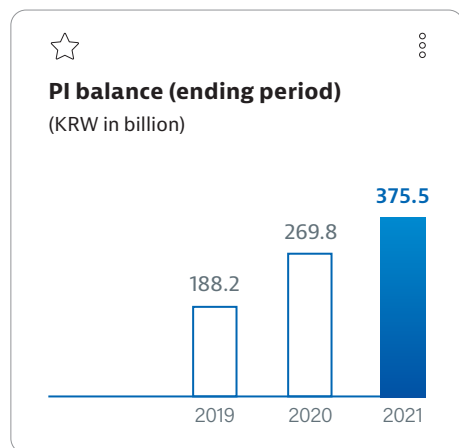
We reduced our RWAs<sup>1)</sup> to improve the stability of trading profits and risk-adjusted profitability, and increased the efficiency of our workforce management and focused on resource reallocation accordingly. Rendering our derivative business and FI business more efficient, we established a marketable asset-driven organization.

The need to respond to unpredictable market conditions such as COVID-19 prompted us to establish a long-term trading strategy. We have readjusted our asset allocation and evaluation methodology to lay the basis for stable profit generation, and are developing trading strategies to maximize our risk-adjusted management efficiency. Such proactive market responses have enabled us to maximize capital gains and improve our ROA on the back of increases in profit.

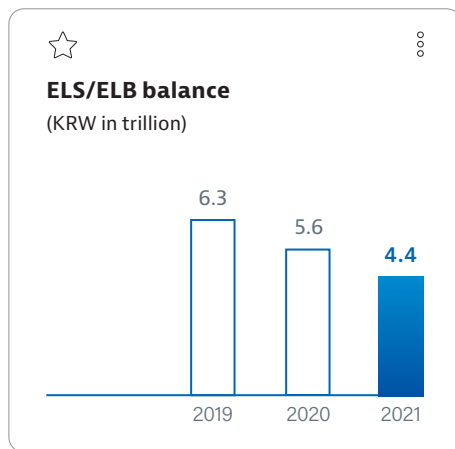
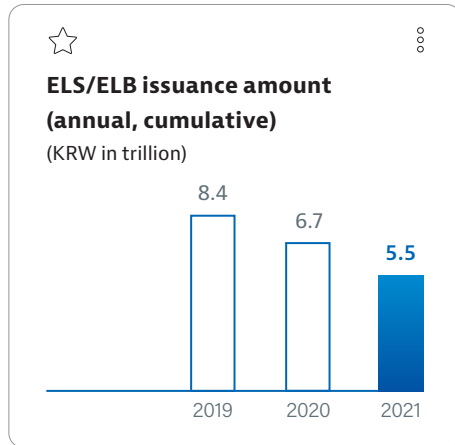
As market volatility in Korea and abroad is expected to exacerbate further in 2022, we aim to step up our efforts to identify new business opportunities and expand our market territory to improve trading profit and stability. Our Global Trading Center (GTC) has increased fixed-income investment in emerging market through efficient country-based asset allocation and hedge strategies, and has started to increase staffing for overseas investment destinations and product categories.

The year 2022 is also forecast to experience expanding fluctuations in the traditional asset markets of stocks and bonds among others. The reinforced supervision of real estate and alternative investment vehicles will make risk management a critical determinant for the success of trading operations. We will ensure agility in responding to domestic/international market conditions through meticulous global market research and the closer monitoring of liquidity trends, paving the way for reliable performance generation. We will also focus on developing new products and solutions to assist our clients in investing properly in consideration of their preferences and purposes and in stably managing their investments.

1) RWA: Risk Weighted Assets



**Generating huge profits through strengthened PI capabilities**



Improving profit stability and quality by preemptively reducing ELS balance and diversifying underlying assets

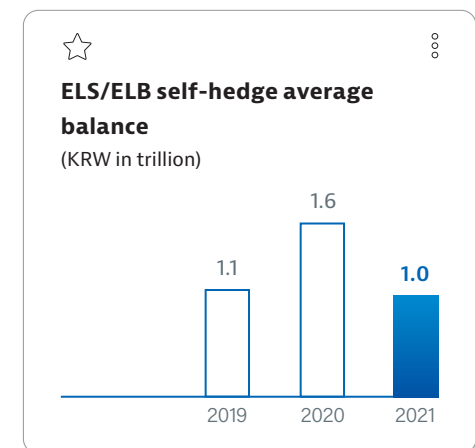
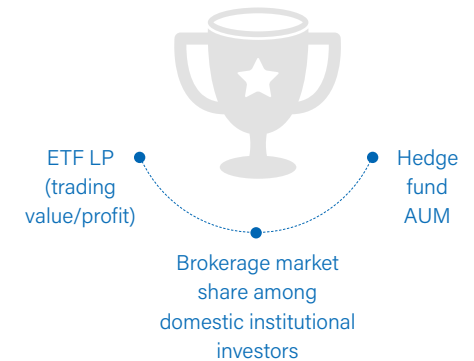
### Wholesale Division

Leveraging the deep-rooted trust we established with institutional clients and our tailor-made solution capabilities, we will secure competitiveness to become a best-in-industry Brokerage Platform.

The Wholesale Division focuses on building long-term trust-based relationships as a financial partner for institutional clients. We are providing new solutions and building strong sales capabilities to cater to the increasingly diversifying needs of institutional clients. We take great pride in our best-in-industry competitiveness as evidenced in our leadership established across all sectors of sales: we are top-ranked in domestic brokerage market share (for domestic institutional investors), ETF LP<sup>1</sup> trading value and hedge fund AUM.

We have defined as our key priorities increasing synergy within the division, advancing the infrastructure, and pursuing sustained growth by expanding new revenue streams. To this end, we established conventional meetings mainly attended by hands-on managers for respective businesses to promote sales cooperation with asset managers and jointly operate night desks for international stock trading, generating synergy in so doing. We also enhanced our ETF trading system and developed a CFD<sup>2</sup> platform for professional investors, trading monitoring system, and an overseas derivatives products development system as part of our efforts for infrastructure advancement. Turning to profit growth, our market maker operations have been established as a solid source of profit, and work is underway to pursue significant profit growth by discovering trust channels for banks and to directly engage in trust business as mid/long-term project undertakings.

### Industry's No. 1 Player



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The Equity Sales Group responsible for domestic/international stock brokerage for institutional investors in Korea and overseas is recognized as an unrivaled leading player in the industry on the back of the steadfast trust it has built with public offering funds, pension funds/mutual aid associations, and foreign investors. This has enabled us to receive grade 1 by the National Pension Service for three consecutive years and be chosen by Korea Investment Corporation (KIC) for its international stock trading securities firm.

The Passive Solution Group serves as an ETF liquidity provider engaging in equity/derivatives brokerage and index arbitrage for passive funds and offering quotation to facilitate ETF trading and as a market-maker in the exchange by providing quotations for low liquidity stocks. The department has generated stellar performance of 40% in profit CAGR over the past five years on the strength of increasing passive market funds, favorable conditions in the ETF market and its industry-leading revenue generation capabilities.

The Prime Brokerage Group provides Prime Brokerage Services (PBS) including brokerage and swap trading for hedge funds and professional investors as well as trust fund operations while engaging in brokerage and arrangement of securities lending and borrowing for institutional and retail investors. We are ranked 1st in hedge fund AUM, attributed to our distinctive trading monitoring capabilities and our focus on the sales of hedge funds with growth potential. In conducting stock lending and borrowing business, we are positioned as a top-performer in the sector by building strong relationships with global IBs amid the difficulties caused by short selling regulations and improving the efficiency of our retail lending pool through the use of big data models.

This year, we forecast market uncertainties to increase in line with the decreasing market trading volume and rising interest rates across the operational landscape. We also face intensifying competition in profit/growth businesses across the industry as well as tightening regulations of the supervisory authorities, including the expanded scope of responsibility for securities firms. The Wholesale Division will strengthen its global capabilities, improve efficiency through synergy, and secure new business lines to pursue continued growth and maintain exceptional competitiveness.

- 1) LP: Liquidity Provider
- 2) CFD: Contact for Difference

**OCIO Division**

**We deliver OCIO solutions that meet client needs as a leading platform player capable of catering to diverse client groups on the OCIO platform to cement our position as a top-tier platform player in the capital market and evolve into an OCIO pioneer that outperforms asset managers.**

Our OCIO (Outsourced Chief Investment Officer) Division focuses on reinforcing its capabilities as an industry-leading Product Solution Provider to deliver OCIO solutions, financial product solutions such as trust and wrap to meet the financial product needs of varying client segments, from retail investors and mid/small-sized corporations to large financial institutions.



We are establishing unmatched leadership across all sectors of business, dominating in market share of OCIO bids placed (asset managers and securities firms combined), in market share of overseas derivatives sales for four consecutive years, and in market share of trust management balance.

We are the pioneer in the securities industry to create the OCIO Division to advance our OCIO business platform. To distinguish ourselves from asset management companies that are traditional strong players in the OCIO market, we will focus at all levels on strengthening our position as a top-tier player in the capital market and emerge as a pioneer in this specific sector to outperform asset managers.

The OCIO Consulting Department provides solutions on the OCIO platform that cater to the OCIO needs of different client segments. Not only were we selected as the exclusive OCIO fund manager for MOLIT(Ministry of Land, Infrastructure, and Transport) Housing Fund, Infrastructure and Transport, we also served as the OCIO for Kangwon Land and the Korea Financial Investment Association. In 2019, received KRW 1.3 trillion in performance compensation funds from the Korea SMEs and Startups Agency in 2020, and were chosen as a successful bidder in four OCIO bids out of seven that we participated in 2021, which ranked us 1st in OCIO market share among all asset managers and securities firms and solidified our position to lead the growth of the OCIO market.

The OCIO Consulting Department is recognized for its best-in-industry competitiveness in alternative investment products as well as in the conventional sales of financial products. The department is forging stronger partnerships mainly with top-tier international asset managers to ensure stable



management, which is often considered the most critical need among institutional investors, and to deliver customized products that help secure liquidity. The department is also expanding its network with global asset managers specialized in specific regions and sectors.

The OCIO Management Department provides tailor-made solutions for clients' asset management by engaging in trust and investment delegation as well as advisory product development and management for a variety of clients. Our trust management business is renowned for top-notch competitiveness with its unrivaled No. 1 position in trust management balance, and the expansion of our investment delegation and advisory product lineups has allowed

us to build asset management capabilities to meet varying client needs, leading the growth of the mid-cap OCIO market in so doing.

Amid the shifting market landscape in the break of COVID-19, the OCIO Department will ensure optimization as well as diversity in its production solution offerings to evolve into a best-in-industry OCIO platform provider.

# NH-Amundi Asset Management

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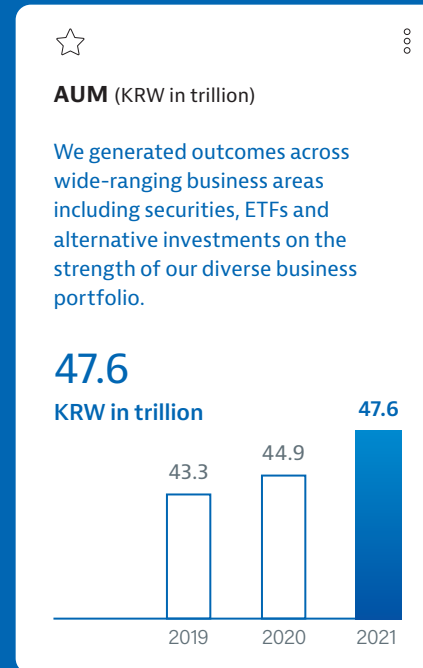
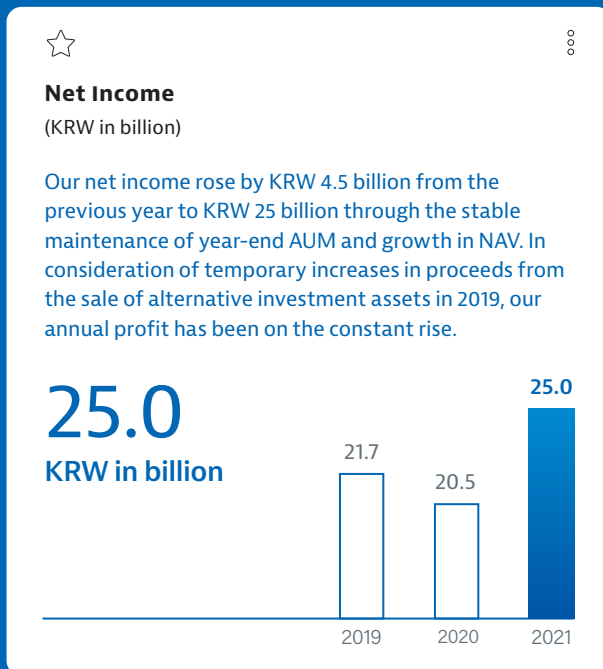
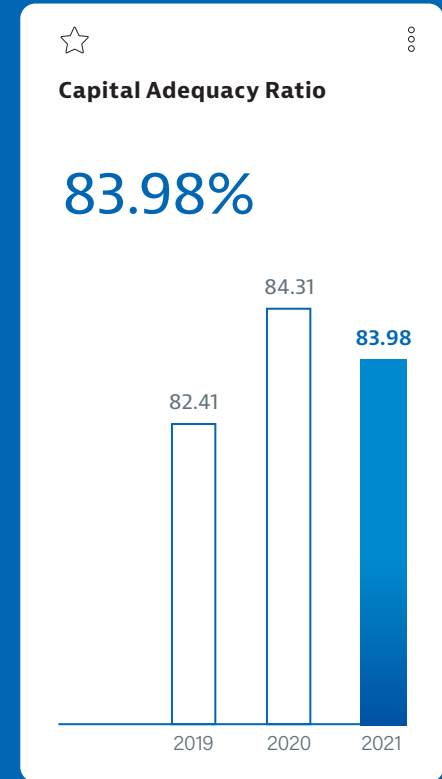
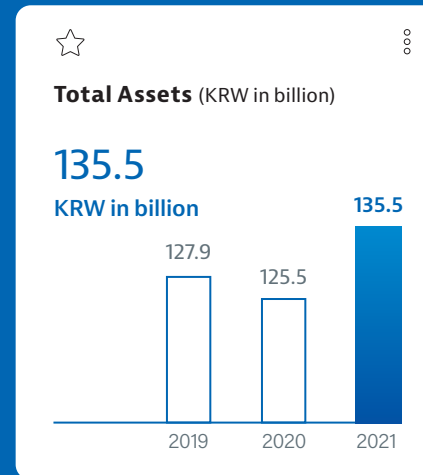
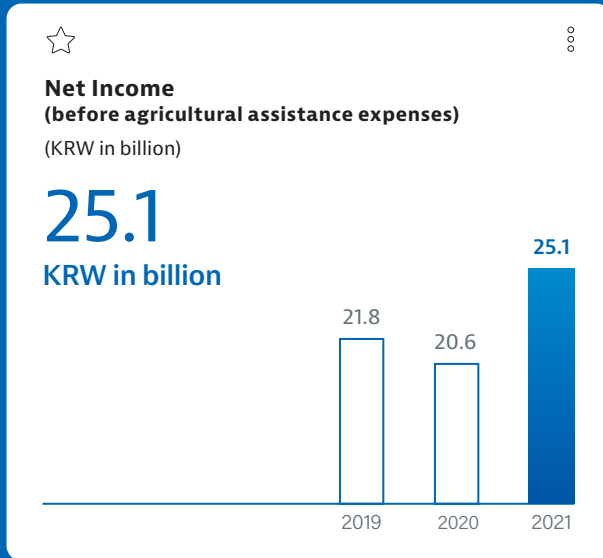
**Park, Hak-Joo**  
President & CEO



NH-Amundi Asset Management was established as a joint venture between NongHyup Financial Group, Korea's leading financial group, and Amundi, the largest asset manager in France, in January 2003. On the back of the extensive support provided by the two shareholder companies, we have grown to become the 7th largest full-service asset management firm with more than KRW 48 trillion in AUM. The shared set of values and extensive know-how between the two companies will fuel our commitment to delivering best-possible investment services and operational outcomes to all our investors.







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# NH-Amundi Asset Management

## 2021 Highlights



### Fully initiating ESG management

Mar. 24, 2021

- Initiated full-scale ESG management by launching the ESG Committee and a task force
- Defined the ESG vision of 'ESG First' to put ESG first in making any and all decisions on our management strategy, investment strategy and investment system while cementing our status as Korea's top-notch ESG leader

#esg management #esg vision #esg first

### Green Korea Fund surpassing KRW 200 billion in AUM

Feb. 26, 2021

- Designed as an ESG-focused domestic equity fund investing in sustainable companies under the overarching green (environment) theme
- Exceeded KRW 200 billion in AUM in just five months since launching, and posted 33.3% in returns after its establishment

#green korea fund #aum #esg



**THINK Green**

### Creating an ESG mobility infrastructure fund

Sep. 17, 2021

- Created a KRW 240 billion ESG mobility infrastructure fund (to invest in acquisition finance for semipublic city bus operators)
- Became the first in Korea to be rated S1, the highest rating in the ESG certification assessments conducted by Korea Ratings

#moody's #credit rating #synergy



☰ ?

## Publishing an ESG report in 2021

Dec. 9, 2021



Published our 2021 ESG Report to share our vision, philosophy and performance in establishing an ESG management system

#esg #report

ESG Report


☰ >

## Developing an ESG evaluation model for bond issuers

Dec. 13, 2021


- Developed an ESG evaluation model to independently rate bond issuers for their ESG performance
- Recognized as a significant achievement in laying the basis for ESG evaluation for bond investors, considering that ESG-related evaluations in Korea are primarily made on listed companies from the equity viewpoint

#esg evaluation model #bond issuers



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## Victory Korea providing scholarships

Dec. 5, 2021



- Victory Korea fund: Launched on August 14, 2019 as Korea's first fund to invest in materials, parts and equipment businesses
- Reached KRW 1,102.2 billion in cumulative sales, KRW 373 billion in net asset value, and 108.7% in cumulative returns since its establishment as of November 22, 2021
- Set aside 25bp, a half of its carried interest (50bp), in public interest funds and donated them as scholarships to 12 universities selected by the Ministry of Commerce, Industry and Energy as a materials, parts, and equipment technology strategy advisor

#scholarships #victory korea

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In 2021, NH-Amundi Asset Management posted KRW 25 billion in net income, and its profit continues to grow. Operating a diversified business portfolio, we generated performance across various business areas including securities, ETFs and alternative investments. Going forward, we will speed up our ESG management to further drive our business operations through win-win partnerships.

## FINANCIAL HIGHLIGHTS (Consolidated)

(unit: KRW in billion, %)

		FY2021	FY2020
Consolidated BS	Total assets	135.5	125.5
	Total liabilities	21.7	19.7
	Total equity	113.8	105.8
Consolidated IS	Operating revenue	78.0	65.2
	Operating expenses	43.9	37.7
	Operating income	34.1	27.6
	Pre-tax income	33.9	27.8
	Net income	25.0	20.5
	Net income before agricultural assistance expenses	25.1	20.6
Key ratios	Capital adequacy ratio	84.0	84.3

## At a glance

In 2021, we reinforced our new businesses by promoting ESG business and boosting the ETF business while providing a range of innovative products and investment solutions, sharpening our competitive edge as a comprehensive asset manager. This spurred the continued growth of our AUM, which reached KRW 47.6 trillion in 2021. Our net income amounted to KRW 25 billion to exceed KRW 19 billion, a target we set for 2021, setting a new record in our history.

By product category, our AUM achieved growth of KRW 2.1 trillion in domestic bond funds, KRW 1 trillion in alternative investments, and KRW 0.3 trillion in derivatives.



**Net income**  
(unit: KRW in billion)

25.0



**AUM**  
(unit: KRW in trillion)

47.6

We were able to set a new record in net income in 2021 as we generated exceptional performance in stock investment (Victory Korea, 100-year Enterprise Fund, etc.), which in turn led to growth in income generated by increasing AUM of high-fee public offering funds (+KRW 360 billion) and collecting carried interest (+KRW 3.7 billion).

Our alternative investment operations also made noteworthy progress. We continued to increase staffing and pursued business expansion, and were able to surpass KRW 6 trillion in AUM in just six years after initiating our alternative investment business, posting a stellar CAGR of 85% since 2015.

Our 2022 business plan is to deliver truly impressive customer experience by meeting customer expectations in delivering solutions and investment outcomes and to strengthen synergy-driven cooperation with our shareholder companies to establish a NongHyup-wide win-win partnership.

We will reinforce our investment capabilities in the alternative/overseas investment sectors (hiring more professionals) while building on the outstanding performance produced in our flagship products (Victory Korea, 100-year Enterprise Green Korea). We will also focus on advancing ESG management, facilitating retirement pension business, strengthening ETF competitiveness, and building stronger global investment capabilities as our top priorities for 2022. Proactively responding to changes in the retirement pension system (introduction of default options, etc.), we will commit to growing our retirement pension business on the back of the Hanaro Target Date fund and the synergy generated across NongHyup Financial Group.

## ESG Vision and Strategy

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In March 2021, we announced our company-wide ESG vision of 'ESG First', along with creating the ESG Committee and an ESG implementation organization. This means that we will put ESG first in our management directions and strategies and aim to emerge as an ESG leader in the asset management industry. To this end, we are advancing ESG management at all levels with the philosophy that ESG is at the very core of what NongHyup is about and what NH-Amundi is about.

At NH-Amundi Asset Management, we continue to expand our ESG investments as a leading ESG-driven asset manager on the back of our longest track records of ESG investments since responsible investing was first introduced in Korea back in 2006. In addition to such leading ESG funds as 100-year Enterprise Green Korea, we have continued to launch diverse thematic ETF products in the areas of green energy, carbon emissions and climate change while consistently increasing our alternative investments in renewable energy among others. In so doing, we intend to faithfully fulfill our role and responsibility to the environment and society as a financial institution.

### ESG Assets under Management

(KRW in billion)

	2019	2020	2021
Stock investment	849.0	1,444.5	1,656.9
Bond investment	-	100.0	140.1
Global investment	776.3	786.2	1,020.7
Alternative investment	-	-	5.7
Total	1,625.3	2,330.7	2,823.4

### ESG Strategic Framework

Our ESG vision of ESG First embodies our commitment to put ESG considerations First before all else in our entire decision-making processes and to cement our position as the First ESG-minded asset manager as a leader in the Korean ESG asset management sector.

NH-Amundi's  
ESG Vision

### ESG First !

Put ESG considerations First in making any and all decisions

Cement our position as the First ESG-minded asset manager with our ESG leadership in Korea

ESG Goal

“  
Fulfill our environmental/social role and responsibility as a leading ESG asset manager  
”

ESG Strategy

#### E nvironmental



#### Facilitate eco-friendly green finance

- Develop green financial products and expand investments
- Proactively respond to climate change and carbon neutrality issues
- Internalize eco-friendly management

#### S ocial



#### Increase social value for all stakeholders

- Expand socially-responsible investments and maintain outstanding performance
- Protect employees and financial consumers while promoting their rights and interests
- Expand CSR activities by contributing to rural and local communities

#### G overnance



#### Advance our sustainability management system

- Advance our ESG strategy and management system
- Upgrade our ESG investment process in reflection of asset class-specific characteristics
- Expand internal/external communication with ESG stakeholders

## Review of operation

### Equities

It is no exaggeration to say that ETFs ruled the stock market in 2021. While public offering funds were sluggish, ETFs rose to KRW 74 trillion in net assets. Even in the face of headwinds, we listed 12 new ETFs and achieved 12.5% in quantitative growth to stay at the very forefront of competition as a late mover, ranking 5<sup>th</sup> in the industry and maintaining a 3%-range market share.

Our equity funds continued to outperform the market, and our flagship fund Victory Korea exceeded 10% in excess returns. As ESG became such a hotly debated topic last year, our 100-year Enterprise Green Korea fund drew much attention and surpassed KRW 500 billion in cumulative sales. Both Victory Korea and Green Korea are raising their profile as our leading fund offerings.

Since ESG will remain a key agenda for the years to come, we endeavored to position ourselves as a market leader in ESG investment all while aligning our internal investment process, establishing an investment company monitoring system, and conducting weekly reviews to support investment decision-making. The year 2021 marked the beginning of our embracing and disseminating ESG as part of our investment process. We promise to our stakeholders that we will fulfill our role as the industry' largest responsible investing fund manager and set an example as an ESG investor and asset manager.

The competition grows fiercer in the ETF market with market expansion and an influx of new participants. Given the significance of ETFs in advanced markets, we still have a long way to go. As a late mover, we will distinguish ourselves from other asset managers and aim to deliver unique products to customers. To seize the opportunity made available in the ETF market, we will ensure diversity in our product offerings to build a competitive business. Our goal is to elevate our ranking to 3<sup>rd</sup> in the industry and will make human resource and physical investments while cooperating with Amundi to provide customers with global products.

We plan to focus on equity funds as well by leveraging our stable internal research organization. In addition to diverse theme-based products, we will also develop leading products that meet long-term investment needs. Taking into account customer needs and reasonably operating our portfolio, we will earn trust from customers.

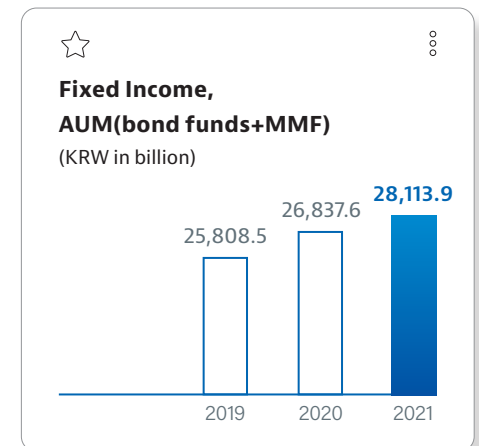
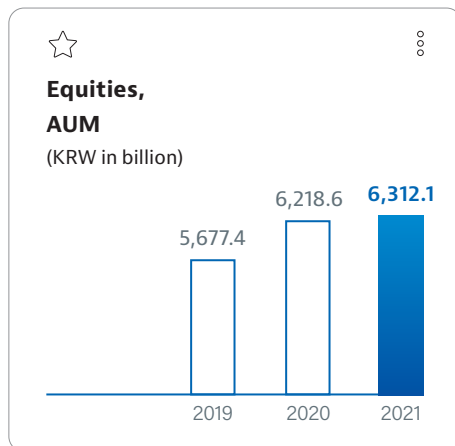
### Fixed Income

In 2021, the cycle began to normalize countries' monetary policy in the wake of COVID-19 and the market remained extremely bearish with both base



**Laying the foundation for future business by strengthening new businesses (ETF/ESG)**

rates and market interest rates rising significantly. Still, we increased the accuracy of our market prediction through reinforced macroeconomic research and our major institutional funds outperformed the benchmark by 19bp on average. This resulted in an increase of KRW 2.4 trillion in external institutional funds. In particular, the inflow of funds from retirement pension pools (Samsung, Mirae, NH-Ministry of Land, Infrastructure, and Transport) that hold great future growth potential rose by KRW 2.5 trillion to establish an optimistic outlook for our fixed income business in 2022 and beyond.



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To strengthen our organizational capabilities, we recruited professionals to be exclusively responsible for macroeconomic research in 2021 to improve the research quality of our fixed income business and generate better outcomes as a result while providing a range of market data and reinforcing our research service competency for institutional customers.

In addition, we initiated our ESG business at full scale. We were chosen as an ESG asset manager for the National Health Insurance Corporation as our first public corporation customer and as a 'rookie' asset manager for Samsung's retirement pension funds. We were one of the first asset managers in Korea to develop an ESG evaluation model that includes non-listed companies and explore new opportunities in ESG bond evaluation. We have strengthened our ESG process by developing and integrating ESG universe/process, and this allowed two of our ESG funds currently under management to outperform the benchmark by 10.3bp on average. Looking ahead, we will pursue proactive collaboration with Amundi, an established ESG global leader, to continuously set the trend in the market.

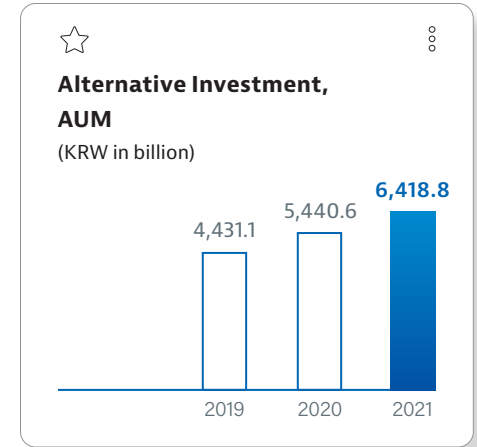
**Alternative Investment**

Since we entered into the alternative investment market in 2015, we have made noteworthy progress to reach KRW 6.4 trillion in AUM in 2021. Our alternative investment business has been driven by growth in overseas infrastructure and corporate banking, and we are working to advance into the overseas real estate market in 2022 to make it to the top 3 by 2026. We aim to leverage our robust partnership with Amundi of France, our strategic partner and shareholder, to strengthen our cooperation with global partners and expand our stable high-quality offerings to domestic institutions as well as NongHyup

Financial Group in order to emerge as a top-tier asset manager in the alternative investment sector.

With our frontier spirit, we will boost our efforts to explore untapped territories and identify high-quality deals and supply such deals to the market, evolving into a leading asset manager in the alternative investment domain.

Our strategy will center around strengthening cooperation with domestic/international partners with an aim to supply products on stable assets and position ourselves as a top-tier asset manager in the alternative investment sector.

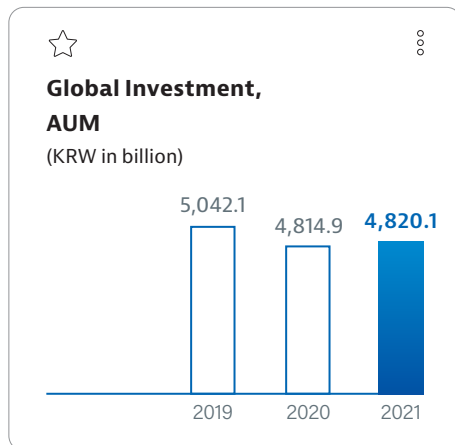




### Global Investment

Our global investment business was launched in 2017 by consolidating internal organizations working in relation to overseas investment. This was followed by the creation of the global solution department to be exclusively responsible for global asset allocation and multi-asset investment strategy as well as the reinforcement of our established overseas securities/bond investment capabilities, paving the way to deliver wide-ranging overseas investment solutions that cater to investor needs.

In 2021, we attracted global investment funds from major pension funds and other domestic institutional investors as well as our own affiliates. In line with our policy to promote leading public offering funds for global investment, our Global Innovative Company Equity Fund exceeded KRW 180 billion in AUM as of the end of 2021.



Since the second half of 2020, we have strengthened cooperation with Amundi, our shareholder, in the areas of credit research, asset allocation process and relevant infrastructure. Specifically, the global business strategy department created in 2022 will commit to developing global investment products and engaging in joint marketing for business expansion in conjunction with Amundi.

On the back of our strengthened internal investment capabilities, we will perform in-depth analyses on a wide spectrum of global asset classes, investment destinations and strategies while building a global network with world-renowned asset managers in order to deliver tailor-made global investment solutions.



Global Innovative Company  
Equity Fund  
(KRW in billion)

180

# NH Capital

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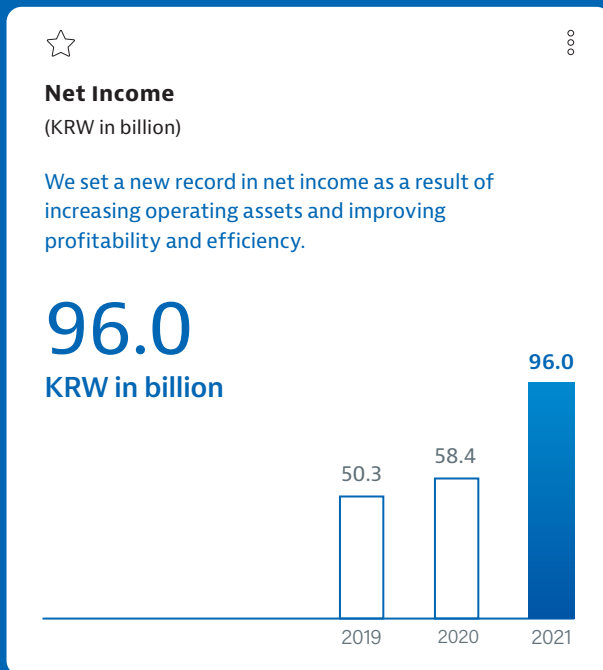
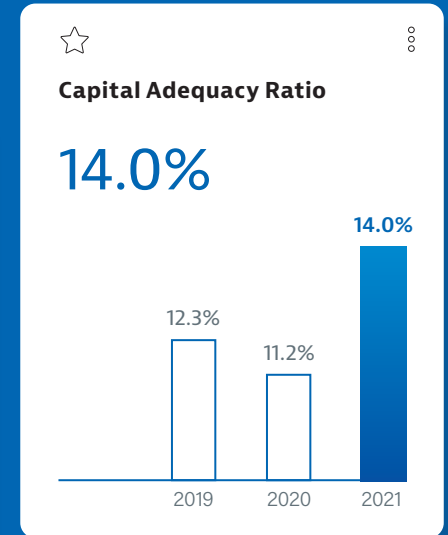
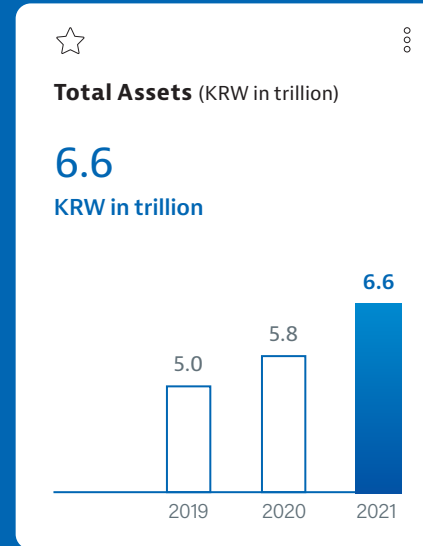
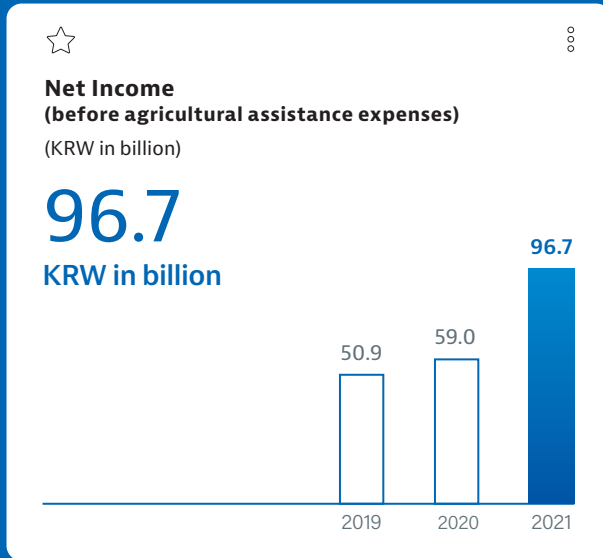


**Cho, Du-Sik**  
President & CEO



Since its incorporation into the NACF as its financial arm in July 2008, NH Capital has served as a specialized credit finance company providing comprehensive financial services spanning installment/lease finance, personal credit loans, corporate finance, long-term car rental, and investment banking including new technology finance. We were rated AA- in domestic credit rating, which is on par with leading industry peers, in 2018 and have since achieved sustained growth. Through successful digital transformation and ESG management befitting the status of NHFG, we will set the trend in the market.





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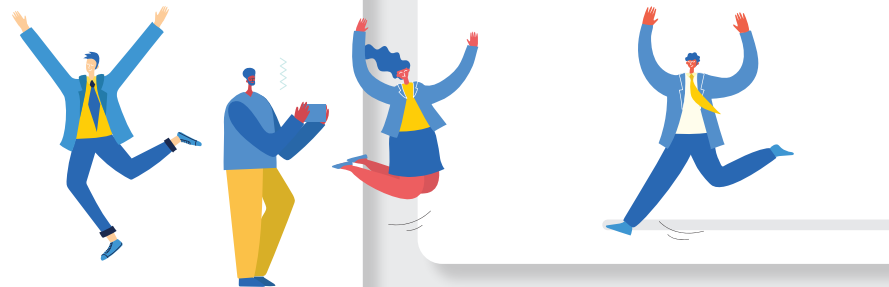
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# NH Capital

## 2021 Highlights



### Declaring our vision of 'becoming a financial company pushing the boundary for a shared future'

Feb. 19, 2021

Presented a future vision of moving beyond national borders through globalization, pushing the boundary of finance through digitalization, and exceeding customer expectations through customer centricity

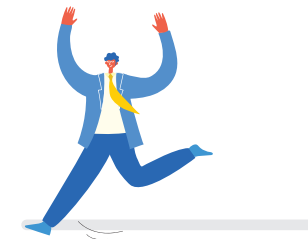
#vision #globalization #digitalization #customer centricity

## Holding a rally for financial consumer protection

Mar. 23, 2021

- Hosted a rally to pledge our commitment to protecting financial consumers as a way to practice customer-driven management
- Recognized customer value improvement as NH Capital's top priority

#financial consumer protection



## Creating a dedicated ESG team

Apr. 16, 2021

- Created an ESG team and assigned dedicated ESG staff to expedite the development of our ESG management system
- Proactively reviewed the development and launching of ESG investment products and participation in ESG investments

#esg #esg investment




☰ ?

## Becoming the first in the financial industry to develop a financial product related to EV chargers

Apr. 26, 2021

- Signed an MOU with Korea Electric Vehicle Charging Service to engage in business cooperation on EV charging infrastructure
- Strengthened our ESG management by delivering greater social value

#esg #ev chargers #financial product




☰ >

## Issuing ESG bonds worth KRW 100 billion


Jul. 21, 2021

- Issued ESG bonds worth KRW 100 billion for farmers as part of our ESG facilitation policy
- Supported specialized auto finance products for farmers and credit loan services for low-income demographics considering that the purpose of ESG bonds lies in the creation of social value

#esg bonds #farmers #social value



☰ ★



## Launching a campaign to stimulate flower consumption

Mar. 4, 2021

- Supported floriculturists facing difficulties amid the protracted COVID-19
- Arranged a flower-decorated photo zone at the headquarters and hosted an event to facilitate flower consumption through social network publicity activities

☰ 🔍 🖼️

## Issuing ESG bonds worth KRW 100 billion for the second time

Oct. 18, 2021

Issued ESG bonds as social bonds used to finance businesses that create social value, and plan to use such bonds to support the financially-underserved including those with medium or low credit scores

☰ 🕒

## Signing an MOU with Asia Technology

Dec. 9, 2021

Signed an MOU on financial partnership with Asia Technology, an agricultural machinery manufacturer, to assist farmers in purchasing farming machines

#mou #financial #farming machines



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In the face of mounting uncertainties in the financial market amid COVID-19, NH Capital continued with its robust growth through quality-driven management. As of the end of 2021, our total assets reached approximately KRW 6.5 trillion to pave the way to evolve into a large credit finance company, and our net income surged by 64.4% y-o-y to KRW 96 billion to break our own records for eight consecutive years. Our NPL ratio, an asset quality indicator, improved 0.2% from the previous year to 1.10%, and our adjusted capital ratio and leverage multiple, that serve as regulatory indicators, remained stable.

## FINANCIAL HIGHLIGHTS (Consolidated)

(unit: KRW in billion, %)

		FY2021	FY2020
Consolidated BS	Total assets	6,570.8	5,791.5
	Total liabilities	5,636.4	5,137.3
	Total equity	934.4	654.2
Consolidated IS	Operating revenue	441.2	415.0
	Operating expense	310.6	333.9
	Operating income	130.6	81.0
	Pre-tax income	128.5	80.0
	Net income	96.0	58.4
	Net income before agricultural assistance expenses	96.7	59.0
	Adjusted capital ratio (%)	14.68	12.01
Key ratios	NPL ratio (%)	1.10	1.30
	Leverage (times)	7.08	9.04

## At a glance

### Setting a new record in business performance amid COVID-19 in 2021

In the face of uncertainties brought by the prolonged COVID-19 in 2021, we achieved the highest-ever net income in our history for eight consecutive years. Facing such headwinds, we yet again broke our own record in profit generation to build upon the success we have reaped over the years. While the year 2022 is expected to present even greater uncertainties concerning Debt Service Ratio regulations and interest rate hikes, we at NH Capital will be fully committed to overcoming challenges.

### Improving asset quality indicators

Our proactive risk management amid COVID-19 and years of efforts to successfully rebalance our portfolio have resulted in the lowest-ever delinquency rate and NPL ratio. Our NPL ratio improved from 1.30% in 2020 to 1.10% in 2021, and our delinquency rate has also declined from 0.92% to 0.64% during the same period, which is translated into a 0.12%p improvement against the competition. Our asset quality that has improved as such will positively impact our future profitability.



## Declaring the 2022 slogan of “Twenty Two → Take us to the Top”

In January 2022, we defined 2022 as a critical turning point in implementing our mid/long-term strategy for future growth. In this regard, we will swiftly select and undertake 22 top priority tasks aligned with our 2025 mid/long-term strategy to establish future growth drivers in line with the rapidly-shifting trends of our time and the changing financial landscape.



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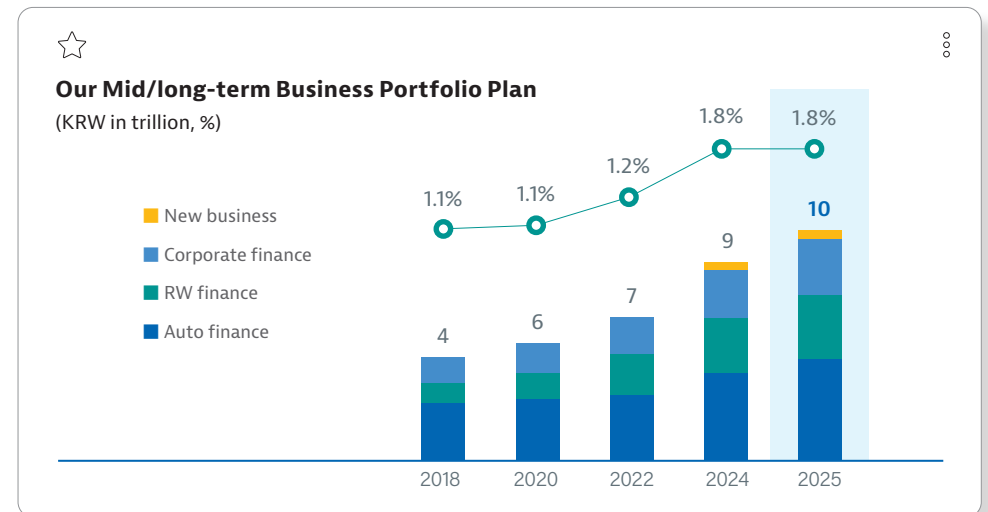
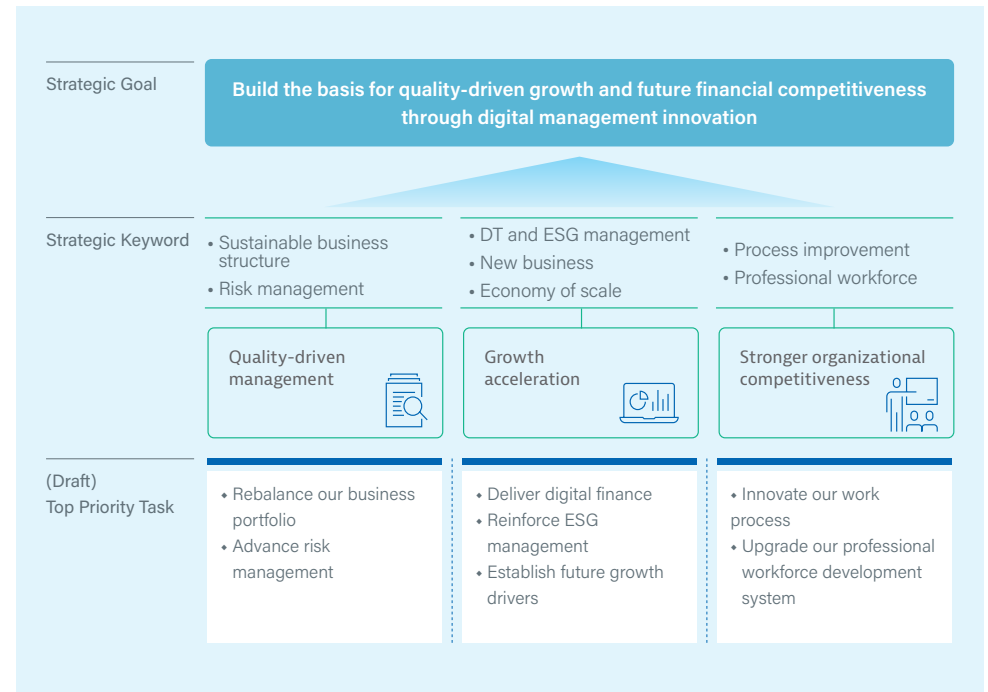
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**2022 Management Strategy**

In January 2022, our CEO Cho, Du-Sik defined the following three pillars of our management strategy: 1) growth acceleration, 2) stronger organizational competitiveness, and 3) quality-driven management. This will drive our efforts to pursue quality-driven growth through digital management innovation and reinforce our ESG management, paving the way to build competitiveness in the future financial landscape.





## Review of operation

### Corporate Finance

In 2021, our corporate finance business reached KRW 2 trillion in size. On the back of NHFG's network, we are pursuing solid growth with a focus on safe assets, and are building a diversified investment portfolio spanning corporate loans, real estate PF, investment banking and alternative investment to expand the breath of investment experience.

In 2022, our aim is to accelerate the profitability and reliable growth of corporate finance as a key pillar of NH Capital's portfolio.



### Retail Finance

Our auto finance business delivers a range of products spanning from passenger cars to construction vehicles and produced the best-ever performance in new loans, assets and operating income in 2021. Meanwhile, our personal credit business achieved stable growth by improving its product strategy and strengthening competitiveness as a result. In particular, we reduced the ratio of industrial goods and returned to profit in operating income through the rebalancing of the auto finance portfolio while facilitating special products for farmers to contribute to increasing the income of farming households. In 2022, we will strategically raise the portion of products for green automobiles (hydrogen/electric vehicles) in sync with our ESG management agenda, and diversify our core business in line with the creation of the retail finance department by pursuing NongHyup-wide affiliated business.

### Digital Finance

Leveraging direct personal credit loans, direct auto loans, stock loans and other diverse product offerings, the digital finance department posted KRW

850 billion in operating assets in 2021. We established an API platform in relation to the emerging digital financial agenda of MyData to lay the foundation for MyData/affiliated services, and expanded our digital channels and publicized our products by capitalizing on our NongHyup-wide partnerships (NongHyup Bank, NH Partners, NongHyup Mall, etc.) and platform partnerships (Finda, FinMart, and Modeal).

In 2022, we plan to complete the development of our digital channel app and website and engage in NongHyup-wide NHFG project collaborations including the Digital Marketing Platform (DMP) and the AllOne app comprehensive platform. To continuously pursue digital transformation, we will explore new digital finance technologies (PV ARS, paperless, etc.).



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# NH Savings Bank

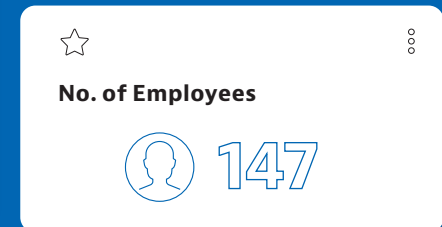
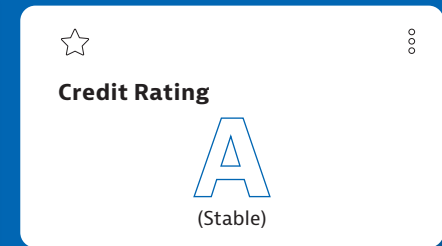
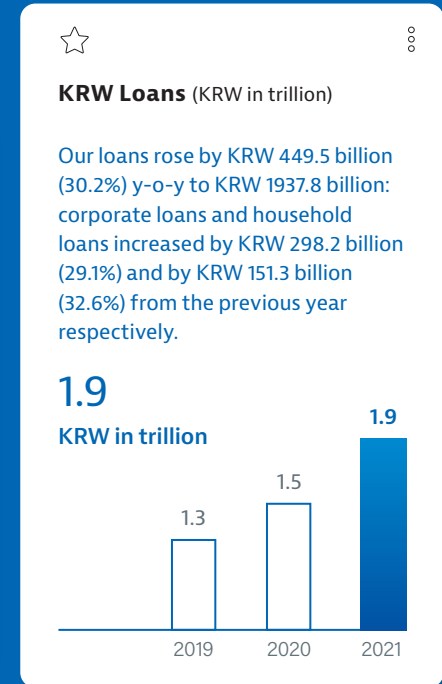
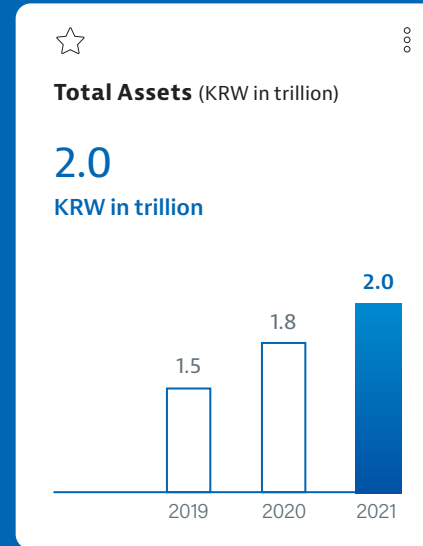
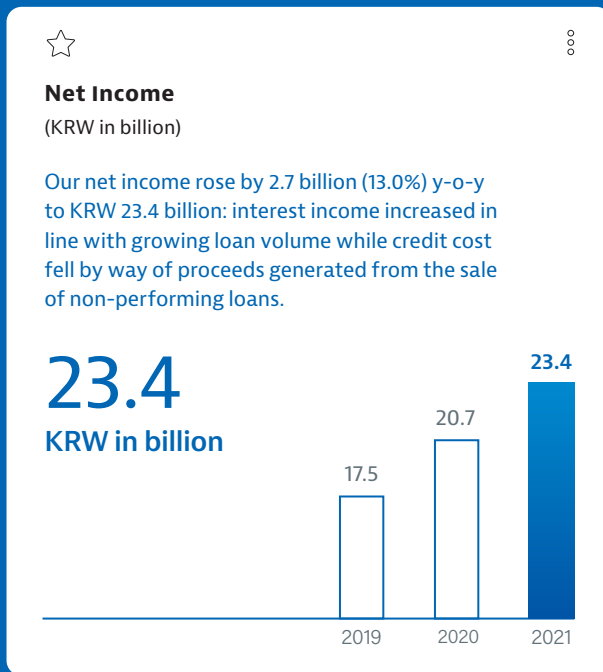
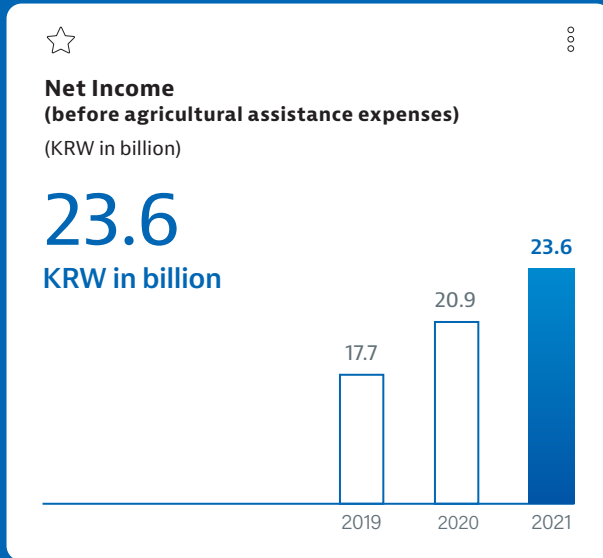


**Choi, Gwang-Su**  
President & CEO



NH Savings Bank engages in deposit and loan business for low-income individuals and medium/small-sized enterprises to provide financial support for underprivileged and vulnerable groups while promoting the economic life of low-income groups. We handle guarantee-based products and mid-interest rate loans to expand funding support for medium/small-sized businesses and deliver tailor-made financial services on our mobile financial platform to duly fulfill our role as a microfinance institution representing NongHyup. 





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# NH Savings Bank

## 2021 Highlights



### Declaring NH Savings Bank's vision of '100-year partner NongHyup, a digitally-based top-tier savings bank'

Jul. 9, 2021

- Leap forward on the basis of digitally-driven transformation and innovation in response to the future landscape
- Presented the four key values or DT innovation, quality-driven growth, ESG management and talent expansion

#vision #digitally-driven



### Awarded the excellence award in recognition of our CSR achievements

Mar. 4, 2021

Honored with the excellent award for three consecutive years in recognition of our efforts and achievements in fulfilling corporate social responsibility (Deputy Prime Minister and Strategy and Finance Minister Award)

#corporate social responsibility #award



### Contributing to public interest funds to promote farming startups as part of our ESG initiative

Jun. 14, 2021

Donate 0.1% of the proceeds generated from the special annual sale of the Farming Love Time Deposit to the Agricultural Development Fund for the development of agriculture, rural communities and farmers

#esg initiative #agricultural development fund


☰ ?

## Launching NH FIC Bank as a mobile financial platform

Apr. 26, 2021

- Delivers more convenient banking experience through open banking and check card services
- NH FIC Bank, created through the combination of finance and pick, conveys the meaning that our 'smart discerning customers pick financial know-how'.

#nh fic bank #mobile financial platform



☰ ➤



## Awarded the excellence award in recognition of our CSR achievements

Mar. 4, 2021

Honored with the excellent award for three consecutive years in recognition of our efforts and achievements in fulfilling corporate social responsibility (Deputy Prime Minister and Strategy and Finance Minister Award)

#virtual map #fic bank world

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## Issuing ESG bonds worth KRW 100 billion for the second time

Oct. 18, 2021

Issued ESG bonds as social bonds used to finance businesses that create social value, and plan to use such bonds to support the financially-underserved including those with medium or low credit scores

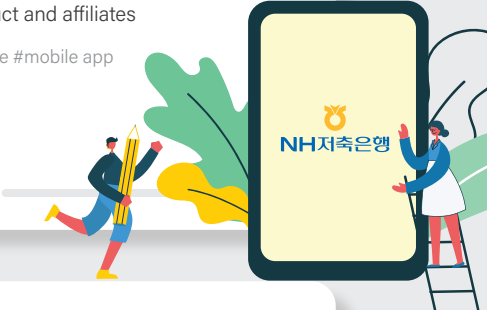
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## Providing mid-interest rate loans to support microfinance


Apr. 8, 2021

- Provided a virtual mid-interest rate work credit loan through the NH Savings Bank mobile app
- NH Savings Bank's mid-interest rate loan product and affiliates

#microfinance #mobile app



☰ 🔔



## Opening fic Bank World as a virtual map

Dec. 24, 2021

Opened fic Bank World as a virtual reality map on ZEPETO, a global metaverse platform serviced by Naver Z

#metaverse platform #virtual map

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Our assets amounted to KRW 2,029.9 billion, up by KRW 194.6 billion y-o-y as we scaled-up our operations, and our total equity increased by KRW 23.5 billion y-o-y to KRW 226.2 billion. With the continued profit growth, our net income reached KRW 23.4 billion and our deficit carried forward was completely eliminated, resulting in KRW 16.8 billion in earned surplus. Preemptive asset quality management led to a 0.72%p y-o-y decrease in NPL ratio which stood at 1.45%, and our NPL coverage ratio posted 269.35%, indicating our loss absorption was reinforced to allow for sound business operations.

## FINANCIAL HIGHLIGHTS (Consolidated)

(unit: KRW in billion, %)

		FY2021	FY2020
BS (based on IFRS)	Total assets	2,029.9	1,835.3
	Total liabilities	1,803.7	1,632.6
	Total equity	226.2	202.7
IS (based on IFRS)	Operating revenue	103.9	92.1
	Operating expense	72.5	66.6
	Operating income	31.4	25.5
	Pre-tax income	31.1	25.3
	Net income	23.4	20.7
	Net income before agricultural assistance expenses	23.6	20.9
Key ratios	Capital ratio	14.05	15.86
	NPL ratio	1.45	2.17
	NPL coverage ratio	269.35	263.27

## At a glance

Our focus for the year 2021 was to pursue **innovation to become a digital savings bank**.

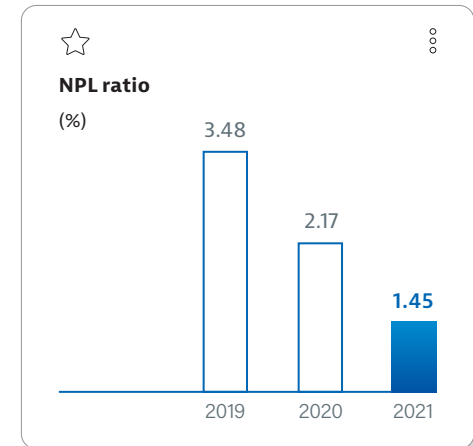
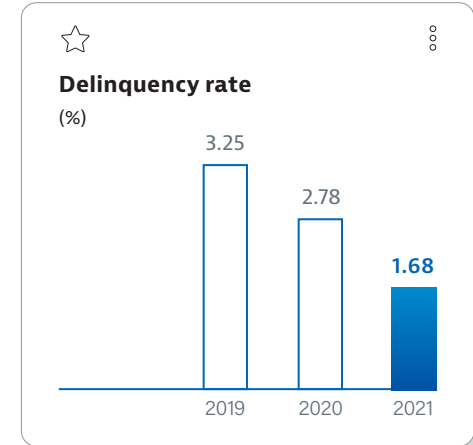
We declared our mid/long-term vision of '100-year partner NongHyup, a digitally-based top-tier savings bank' as our digital innovation-driven development strategy, and are working to achieve our goal of becoming a leading savings bank through sustained business growth by 2025. Our mobile upgrade initiative undertaken between November 2020 and August 2021 allowed us to dramatically improve transaction convenience for customers. We also remain focused on our work process improvement through digital transformation by introducing RPA across the company and expanding the virtual automatic loan process.

Along with initiating mobile business advancement, we launched a new brand NH FIC Bank. The brand name, created through the combination of finance and pick, conveys the meaning that our 'smart discerning customers pick financial know-how'. We have been operating this brand by opening social

network accounts on Facebook and Youtube and through blogging, and are engaging in in-app brand advertising by leveraging metaverse to attract millennial and Gen Z customers. Such digitally-enabled strategic endeavors allowed us to reach nearly 85,000 in the number of non-face-to-face customers as of the end of December 2021, and our household credit loans recorded a net increase of KRW 141.1 billion, which more than doubled from the previous year.

As we were aware of concerns over deteriorating asset quality in line with increasing marginal borrowers amid the protracted economic downturn, we strengthened preemptive risk management and proactively reduced non-performing loans, which ultimately enabled us to maintain best-in-industry performance across asset quality indicators with 1.68% in delinquency rate, 1.45% in NPL ratio, and 269.35% in NPL coverage ratio as of the end of December 2021. In 2022, we aim to maintain our outstanding performance as measured through such indicators through the continued advancement of risk management.

Note) Savings bank industry average (as of Q3 2021): 3.94% in delinquency rate, 4.71% in NPL ratio



(KRW in billion, %)

	2019 (a)	2020		2021	
		(b) Balance	(b-a) Increase	(c) Balance	(c-b) Increase
Household credit	215.0	280.9	65.9	422.0	141.1
Guarantee-based	203.7	225.9	22.2	258.5	32.6
Mid-interest rate	11.3	55.0	43.7	163.5	108.5
Demand deposit	10.0	24.6	14.6	36.5	11.9



NPL ratio  
Best-in-industry asset quality

1.45%

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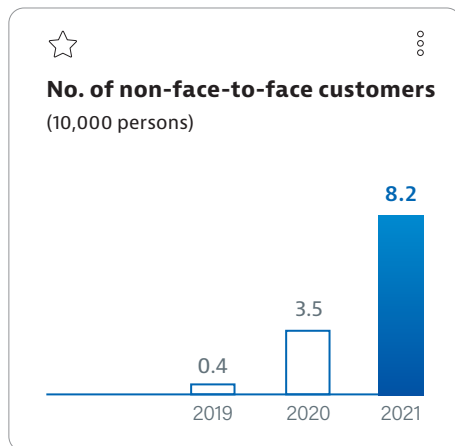
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In 2022, we set a management goal of 'creating value as a digital savings bank through continuous innovation' and aim to increase our profit to KRW 26 billion, up by 11.1% from the previous year and scale up our loans to KRW 2.2 trillion, up by over 13.5% during the same period.

To this end, we plan to pursue balanced growth by building an efficient loan/deposit portfolio, accelerating digital financial innovation, systemizing risk management and strengthening non-performing loans. Furthermore, work is underway to increase our capital through NongHyup Financial Group, which will help us establish a stable financial foundation through increased BIS ratios and pave the way for sustained business growth.

We will fully commit to digital finance innovation by building a regular upgrade system for digital innovation, going paperless in the office environment by adopting a digital window work system, and proactively advancing our CSS credit evaluation model.




## Laying the Basis for Digital Innovation




**Improving customers' convenience through mobile operational advancement**

- Develop additional demand deposit transaction services to expand our customer base
- Improve on inconveniences experienced in our existing mobile app operation and apply newly-introduced financial services



**Launching a new mobile app brand 'NH FIC Bank'**

- Establish a new brand identity and unveil an improved UI/UX (main design) for more intuitive user experience
- Establish brand marketing channels by way of Facebook, Youtube and blogging



**Improving digitally-based internal process capabilities**

- Expand RPA across the board, run a pilot run on MyData business, and expand virtual affiliate sales channels



## Review of operation

### Expanding the Profit Base through Balanced Growth

We will diversify our loan assets with a focus on profitability by consistently expanding our household and credit loans and managing our portfolio of corporate/household loans and real estate mortgage/credit loans in so doing. We will also create a prime customer program and launch new products by proactively increasing low-cost deposit products provided through virtual channels. In 2022, the government is expected to maintain its household debt aggregate regulations as it did in 2021 and this may limit the potential growth of our household loans. In response, we are planning to extend household loans in consideration of revenue contribution by expanding mid-interest rate credit loans, and will attain the set loan target by increasing high-performing corporate loans both in terms of profitability and asset quality.

### Accelerating Digital Finance Innovation

We plan to increase our customer base doing business with us through virtual channels by using our MyData and open banking services and to launch innovative marketing campaigns through social network and channels and metaverse to accelerate the traffic of millennials and Gen Z, pursuing dramatic growth in our digitally-enabled business.

We will also operate a maintenance system led by permanently-based professional developers to swiftly respond to needs to develop virtual channels while continuously advancing our mobile operations through UI/UX consulting to strengthen our digital financial competitiveness.

Our focus in 2021 was on improving inconveniences experienced in our mobile app by adding easy

payment functionality and expanding authentication options. In 2022, we will pursue customer-centric convenience improvement by expanding personalized services and increasing the user convenience of our app.

### Systemizing Risk and Asset Management

To maintain best-in-industry asset quality, we will strengthen our asset portfolio management to preemptively control concentration risks, and tighten non-performing loan management by upgrading our CSS credit evaluation model and facilitating credit reviews, establishing the quality of our assets as a result.

### Building a Social Value-driven Organization

We will provide preferential loan interest rates to customers owning green vehicles powered by electricity, hydrogen or in hybrid mode to elevate our corporate reputation. Furthermore, we plan to shift to electronic documentation on digital devices in our financial operations to establish a digital window system while operating all meetings based on tablet PCs to create a paperless, digital work environment. In so doing, we aim to embed ESG management into our business routine and further reinforce our organizational competitiveness. By upgrading our financial consumer protection operational system and performing regular monitoring, we will expand our financial consumer protection activities to impose more stringent internal controls to this end and contribute to providing a safer and more wholesome financial environment for financial consumers.



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# NongHyup REITs Management



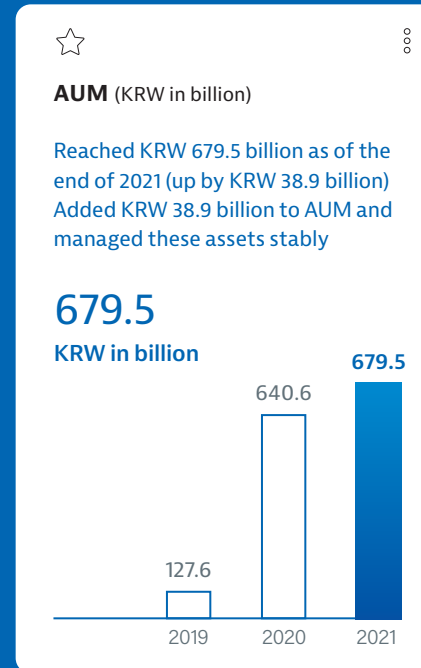
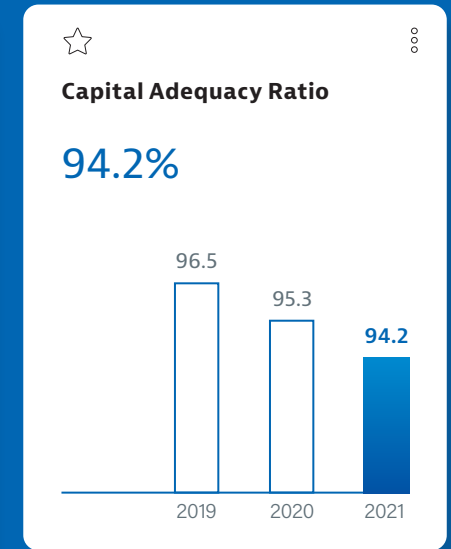
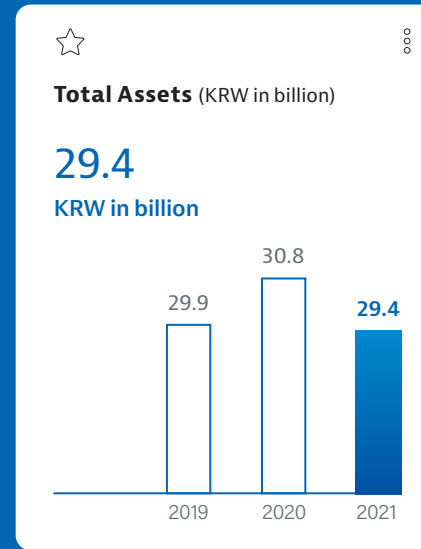
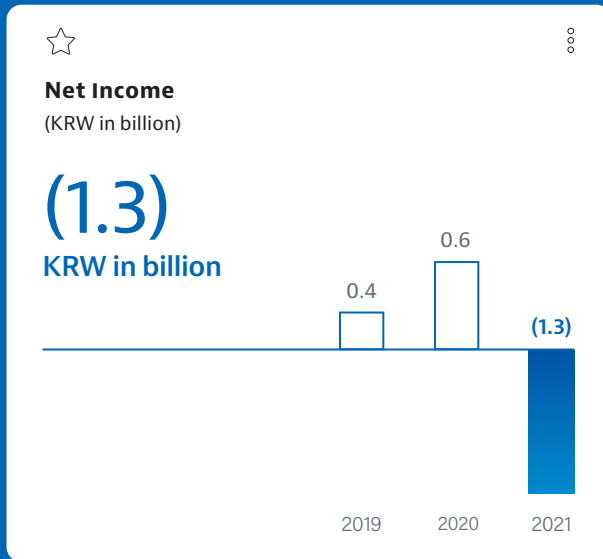
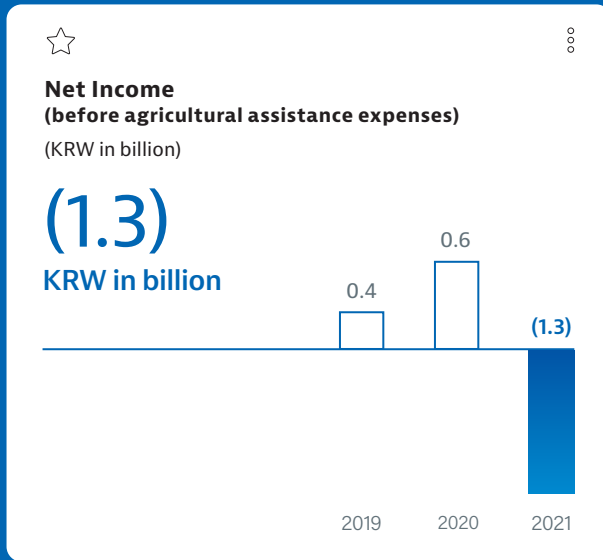
**Seo, Cheol-Su**

President & CEO



As of the end of 2021, NongHyup REITs Management engaged in asset management company business and professional private equity fund business in accordance with the Real Estate Investment Company Act and the Financial Investment Services and Capital Markets Act respectively. Fully capitalizing on our strength of being an alternative investment management company under NongHyup Financial Group, we will lead the Korean alternative investment market and ensure the reliable management of customer assets so that we become an investment partner that can be trusted in times of uncertainty. 





☆ ☰

**Private Equity Fund Business Registration**

The availability of both REIT and fund vehicles makes it possible that we design our asset operation to meet investor needs and that we can expand our AUM and business areas in the future through access to broader investable asset classes.

☆ ☰

**No. of Employees**

 **33**

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In 2021 when investor confidence shrank rapidly amid interest rate rises and credit crunch in the wake of COVID-19, NongHyup REITs Management established and was operating a total of five REITs. Our AUM amounted to KRW 679.5 billion at the end of 2021 to place us in the top 20 in the Korean REIT market. Engaging in private equity fund business, we have set and are operating funds worth KRW 38.9 billion and continuously pursue synergy between REITs and funds.

## FINANCIAL HIGHLIGHTS (Consolidated)

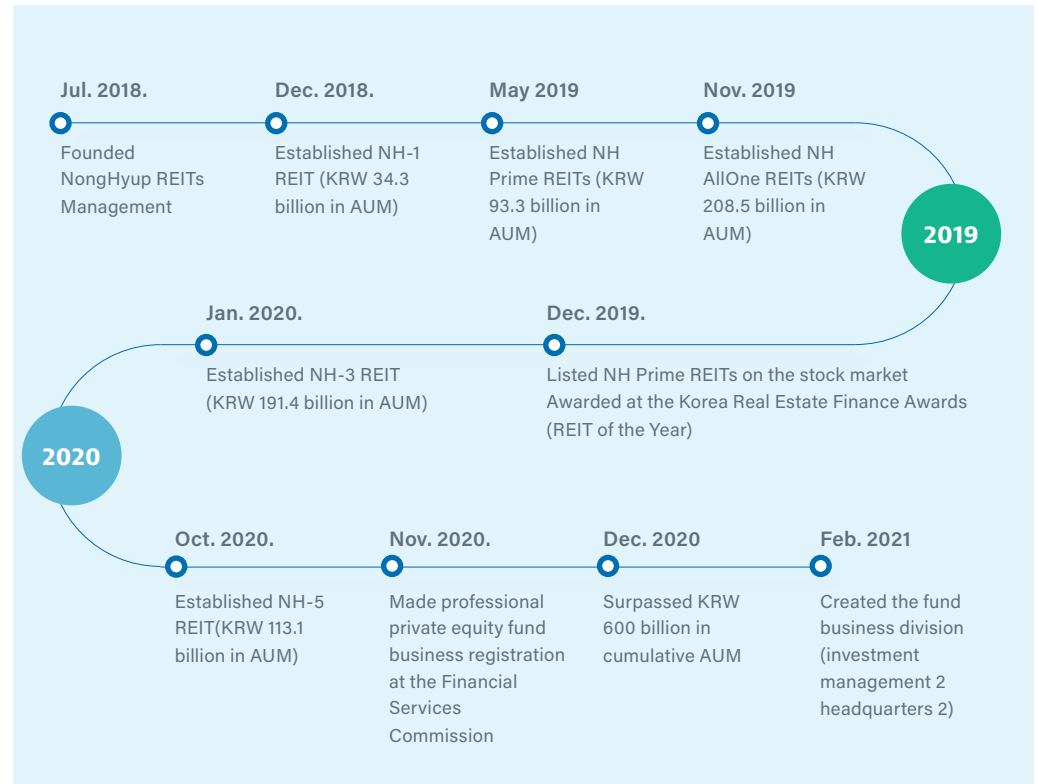
(unit: KRW in billion, %)

		FY2021	FY2020
Consolidated BS	Total assets	29.4	30.8
	Total liabilities	1.7	1.4
	Shareholders' equity	27.7	29.4
Consolidated IS	Operating revenue	3.7	4.7
	Operating expenses	5.3	5.0
	Net operating income (NOI)	-1.6	-0.3
	Non-operating revenue	0.1	1.2
Consolidated IS	Non-operating expenses	0.11	0.02
	Net income	-1.3	0.6
	Net income (before agricultural assistance expenses)	-1.3	0.6
Key ratios	Capital adequacy ratio	94.2	95.3

## At a glance

NongHyup REITs Management was launched on July 2, 2018 with KRW 30 billion capital fully invested by NongHyup Financial Group to elevate its expertise in real estate finance. Celebrating our 3rd anniversary in 2021, we faced a number of headwinds in the market, including interest rate rises, investment rigidity and excessive competition, let alone COVID-19. Still yet, we added KRW 38.9 billion to our AUM and successfully navigated through challenging market conditions.

NongHyup REITs Management will continue to launch competitive REIT and fund products to emerge as a market-leading, highly profitable alternative investment management company.



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## Review of operation

### Performance in 2021

#### Successfully listing AllOne REITs on the stock market

Last November, we successfully listed AllOne REITs on the stock market and emerged as a manager of multi-asset listed REITs valued at KRW 514.6 billion in total AUM. AllOne REITs also posted KRW 10.7 trillion in retail subscription deposit, which is the second largest among listed REITs.

#### Prime REITs providing reliable dividends and continuously incorporating high-quality assets

Our Prime REITs posted a stable dividend yield of 5.2% and engaged in proactive IR activities. Prime REITs also committed to incorporating high-quality assets (real assets and marketable securities) in Korea and overseas, and participated in bids hosted for offices (Seoul, Pangyo) and logistics centers (Gyeonggi-do region) in Korea.

#### Initiating fund business

We expanded our workforce in our newly-established fund business and set up the “real estate” and “ESG and infrastructure” teams. We also created a fund worth KRW 38.9 billion and are working to add new assets to this fund.

(unit: KRW in billion)

REIT under Management	AUM	Asset
NH-1 Fund	38.9	-
NH-1 REIT	34.3	Chungnam Building
NH Prime REITs	93.3	Seoul Square, Samsung C&T Seocho Office, Gangnam N Tower, Samsung SDS Tower
NH AllOne REITs (parent REIT)	208.5	Bundang Square, Vision World
NH-3 REIT (subsidiary REIT)	191.4	A1 Tower Dangsan / Ingye
NH-5 REIT (subsidiary REIT)	113.1	Icheon Doji Logistics Center
<b>Total</b>	<b>679.5</b>	<b>10 assets</b>



**Plans for 2022**

We believe that the year 2022 will be a critical turning point for our strategic growth into a market-leading top-notch alternative investment management company.

**First, we will strengthen our REIT business capabilities by improving our business structure and product competitiveness.**

We shifted the focus of our REIT organization from products to functionality: each of our listed REIT team, strategic investment team and development investment team has developed their own expertise and established an efficient work system. We will also commit to acquiring new assets by leveraging blind funds. In tandem with this, we will increase the competitiveness of the two listed REITs that we currently operate to stabilize asset prices and improve dividend yields.

**Second, we will raise our market share in the alternative investment market on the back of our distinctive business capabilities and blind funds.**

We aim to generate project fund performance by harnessing our intrinsic capabilities. Our pool of professionals will bring their extensive market experience to secure achievable projects, and we will create internally-developed blind funds to improve our execution of development business. Furthermore, we will establish real asset-focused blind funds to secure funding competitiveness and funding alignment with other affiliates. This will enable us to access a variety of deal sourcing channels and maximize both profitability and stability.

**Third, we will preemptively respond to risks by strengthening our review and management functionality and introducing a preliminary consultation system.**

We will establish a more robust investment review system and nurture risk review professionals to strengthen our preemptive risk management. Our Board of Directors will expand its engagement in business management and we will secure a competent workforce in risk compliance as well as fund and F/X operations. In doing so, we will introduce a preliminary consultation system and reinforce our daily work processes.

**Fourth, we aim to reach the set financial targets of KRW 1.5 billion in net income and 4.8% in ROE.**

Our goal is to increase our operating revenue by over KRW 2.5 billion from the previous year by tapping into new business territories. We will maximize our sales by proactively adding new assets and improving our business competitiveness while minimizing expenses through stable cost management so that we can attain the set goal just as planned.



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## 2022 Management Goal

“Increasing our M/S in the alternative investment market by strengthening the foundation for core business and securing new growth drivers”



- Strengthen competitiveness in REIT business
- Generate tangible outcomes in fund business
- Tighten risk management
- Diversify our business portfolio
- Identify future investment assets
- Establish a global network
- Generate stronger business synergy
- Build a relationship-focused organizational culture
- Continue with CSR activities







# NongHyup REITs Management

## 2021 Highlights

### Strengthening ESG investments

Mar. 9, 2021

- Established a large-size green project fund in 2021 to advance into the PEF market
- Currently preparing four project funds in consideration of investment needs from NongHyup affiliates (hydrogen fuel cell, photovoltaic power generation and other renewable energy-related areas, and LNG power plants)

#esg #investments #green project fund



### Catching three birds with one stone - in real estate, infrastructure, and ESG

Aug. 17, 2021

- Signed a land purchase contract for a 200MW capacity fuel cell (green energy) development project
- We will list a REIT containing offices and logistics centers in the second half of the year and an alternative investment fund that consists of high-quality infrastructure assets next year.

#esg #real estate #infrastructure



### Listing NH AllOne REITs on the KOSPI

Nov. 2, 2021

- Became the most competitive-ever among REITs listed this year with a total of 860 institutional investors participating in demand forecasting and posting 628:1 in competition rate
- NH AllOne REITs is currently investing in four domestic assets – Bundang Square, A1 Tower Dangsang, A1 Tower Ingye, and Doji Logistics Center – and has raised KRW 70.5 billion through its pre-IPO.

#ipo #reits #nh allone reits



### NongHyup REITs Management at the center of NHFG's ESG investment

Mar. 5, 2021

- Leveraging our strength made available through wide-ranging alternative investment players across mutual finance, life insurance, property & casualty insurance, securities, banking and capital
- Proactively cater to the needs of society and NHFG in line with the emerging ESG agenda

#esg #investments #alternative investment

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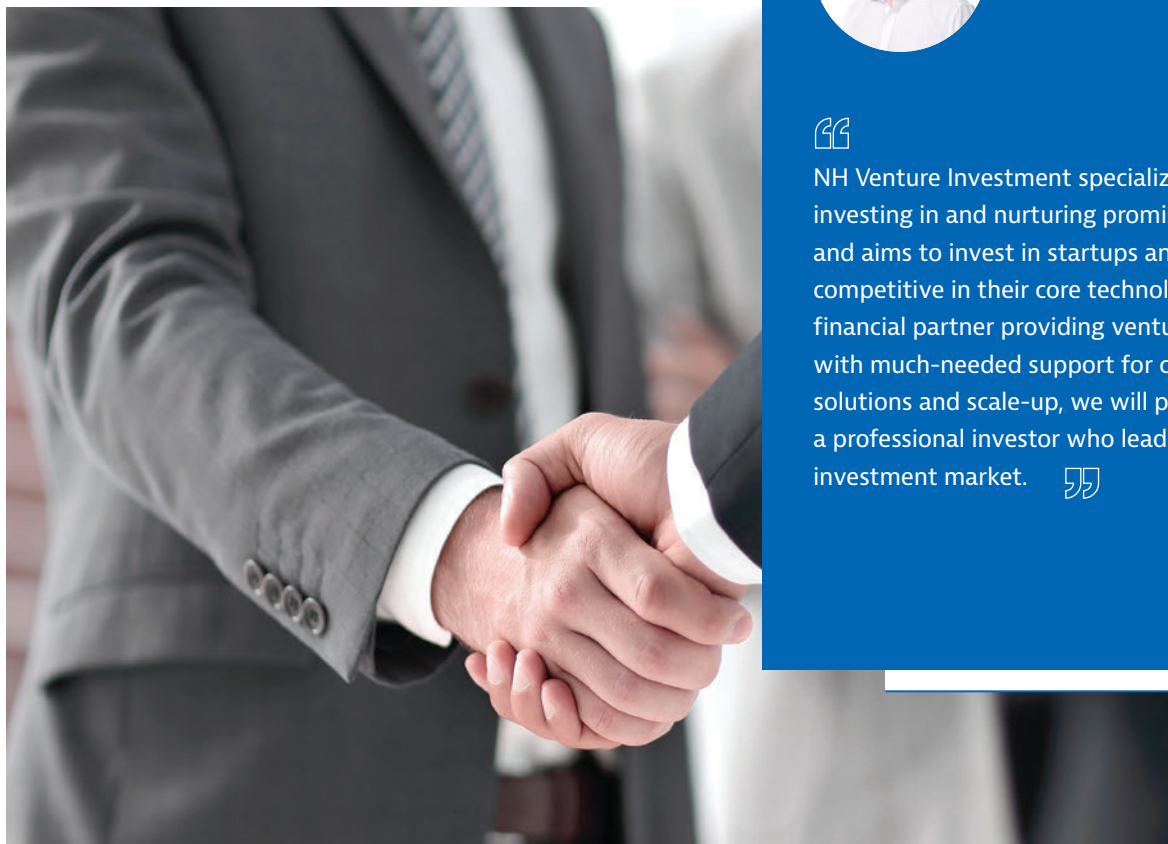
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# NH Venture Investment

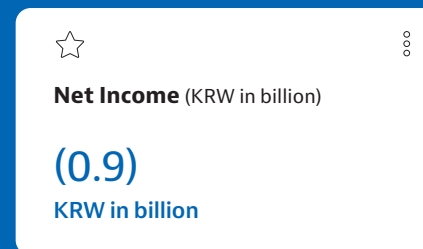
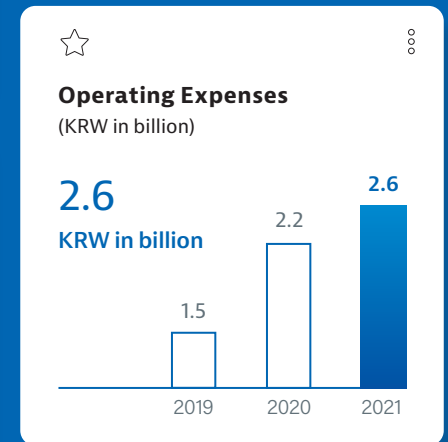
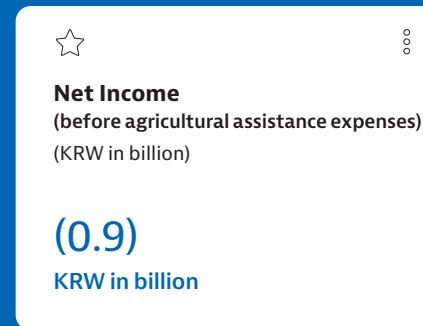
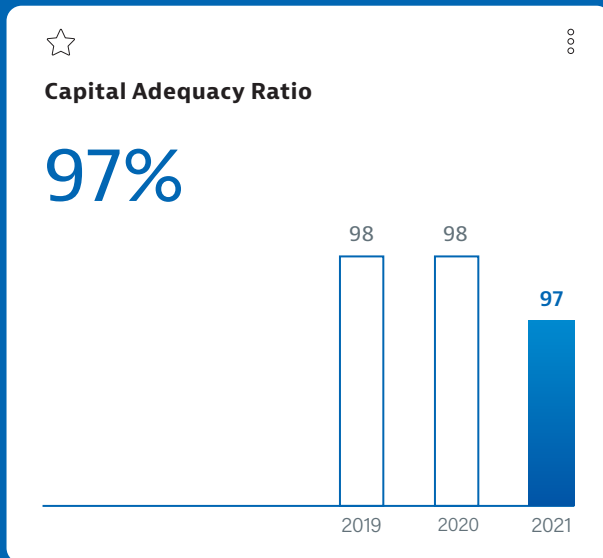
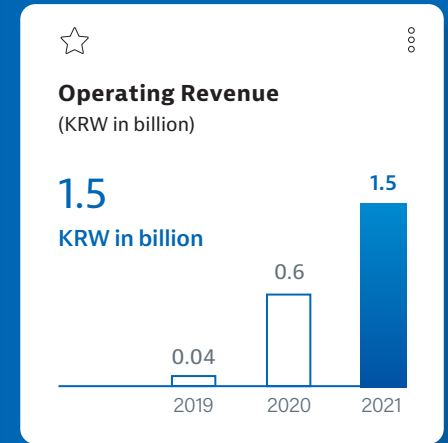
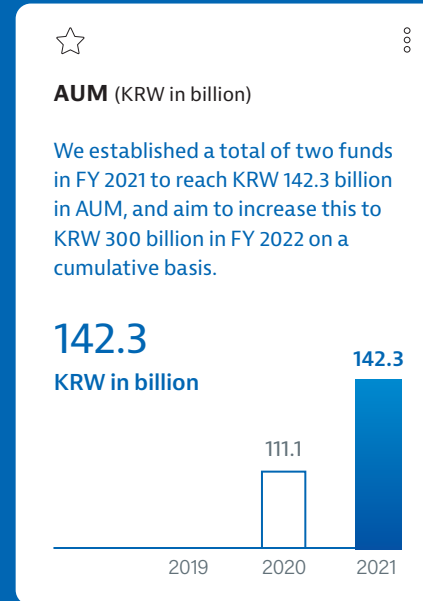
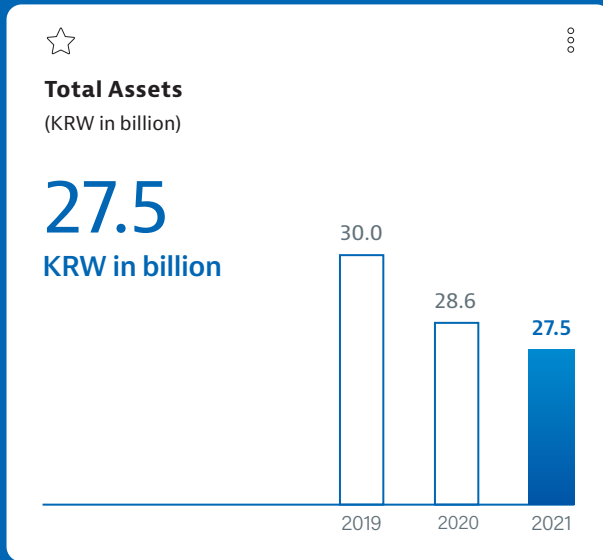


**Kang, Seong-Bin**

President & CEO



NH Venture Investment specializes in identifying, investing in and nurturing promising venture businesses and aims to invest in startups and SMEs that are competitive in their core technology areas. As a trusted financial partner providing venture firms and investors with much-needed support for capital finance, financial solutions and scale-up, we will pursue shared growth as a professional investor who leads the venture investment market. 



# NH Venture Investment

In 2021, we recruited talented individuals and aligned our internal operations to ensure our stable entry into the venture investment market and pursue organizational stabilization while forging close cooperative relationships with NongHyup-wide organizations, external professional organizations and investors. Establishing a total of five funds, we reached over KRW 142.2 billion in AUM, and invested in promising venture businesses.

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- NH Futures
- NH Hedge Asset Management

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## FINANCIAL HIGHLIGHTS (Consolidated)

(unit: KRW in billion, %)

		FY2021	FY2020
Consolidated BS	Total assets	27.5	28.6
	Total liabilities	0.7	0.7
	Shareholders' equity	26.8	27.9
Consolidated IS	Operating revenue	1.5	0.6
	Operating expenses	2.6	2.2
	Operating income	(1.1)	(1.6)
	Net income	(0.9)	(1.4)
	Net income before agricultural assistance expenses	(0.9)	(1.4)
Key ratios	Capital adequacy ratio	97%	98%

## At a glance

NH Venture Investment became the 9th subsidiary to join NongHyup Financial Group on November 25, 2019 after years of preparation made to lay the basis for the new future growth of NHFG in line with the shifting industrial landscape and governmental policy initiatives.

On the back of our best-in-industry investment capabilities, we are creating a virtuous cycle where we set up funds, invest in venture firms, increase their value and finally maximize our returns. As part of our business strategy, we specifically invest in promising innovative industries in Korea and overseas – fintech, big data, and parts/materials/equipment – as well as agriculture and agrifood companies that possess core technology competitiveness. Furthermore, we are strengthening our collaboration with our NongHyup-wide stakeholders - the NACF, NHFG, and NongHyup Agribusiness Group – and external professional organizations in identifying investment targets, supporting their development and leveraging these invested companies.

The year 2021 marks the initiation of our full-scale investments and we focused on the quality of our operations by hiring talented individuals to ensure our successful market entry and organizational stability. Establishing two additional funds, we reached over KRW 142.2 billion in AUM. Creating and operating fund offerings mainly from venture investment funds available on a NongHyup-wide level, we widely publicized NHFG's commitment to nurturing its venture investment business.

We will ensure that all our employees are aligned towards the shared goal of making NH Venture Investment a professional investor and a cooperation partner trusted by all stakeholders, including venture businesses and investors.

## Review of operation

Investing in and developing promising SMEs and venture firms, we help NHFG better fulfill its role by pursuing mutual growth between business and finance while growing into a venture investor delivering high returns.

We also remain focused on investing in venture businesses identified for their potential to contribute to investors and society at large and communicating NHFG's initiative to promote venture investments.

On the external front, we aim to reach KRW 300 billion in cumulative AUM in 2022. We will continue to establish blind funds and participate in bids hosted to select policy fund asset managers to secure investment resources and consistently forge closer partnerships with policy financial institutions. As an investor for promising venture firms, we will serve the interest of all our stakeholders and our society as a whole.

Another key part of our 2022 plan is to establish our unique business model. By constantly reinforcing our internal/external collaboration with the NACF, NHFG, NongHyup Agribusiness Group, NongHyup Bank's NH Digital R&D Center, the Federation of Middle-Market Enterprises of Korea, and the Foundation of Agricultural Technology Commercialization & Transfer, we will assist NHFG in creating a customized support system in line with the corporate growth cycle and facilitate NongHyup-wide affiliation projects.

300

Cumulative AUM in 2022  
(unit: KRW in billion)

# NH Venture Investment

2021 Highlights

## Creating a fund for sustainable growth

Sep. 16, 2021

Invested in companies developing systems and materials that help conserve energy and mitigate carbon emissions through the KRW 10.83 billion NH-IRIS ESG new technology investment cooperative in September 2021

#fund #esg #investment



## Establishing a fund to invest in emerging technologies

Dec. 16, 2021

Established the Korea-ASEAN Technology Fund 1 valued at KRW 20.3 billion in December 2021 and plan to invest in a digital credit card company (BNPL) through this fund

#fund #emerging technologies #digital credit card company

# NH Futures

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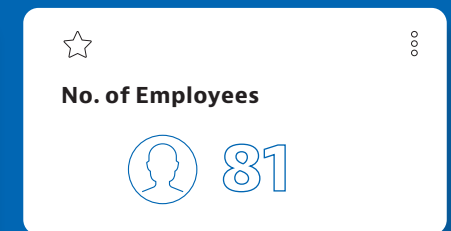
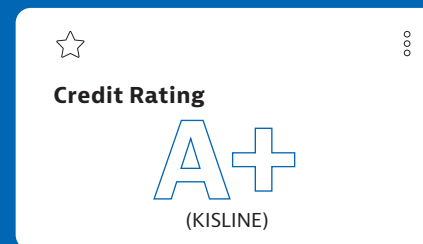
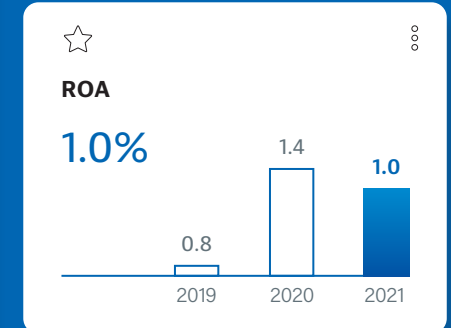
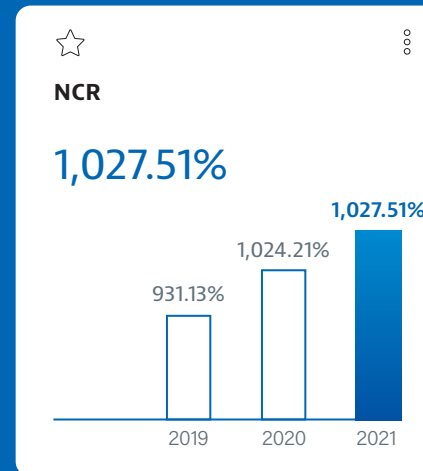
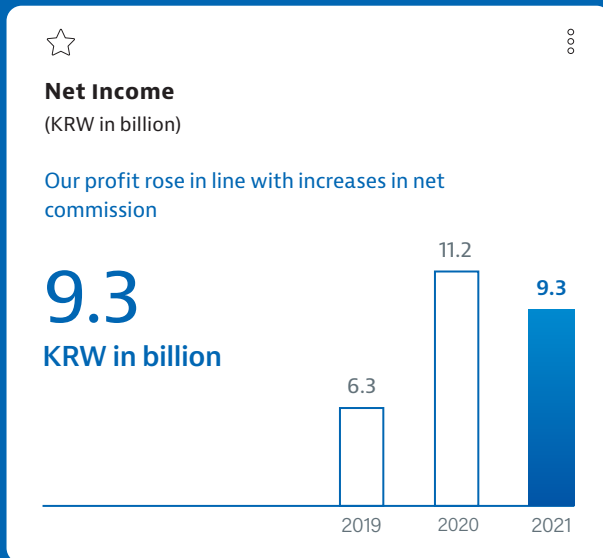
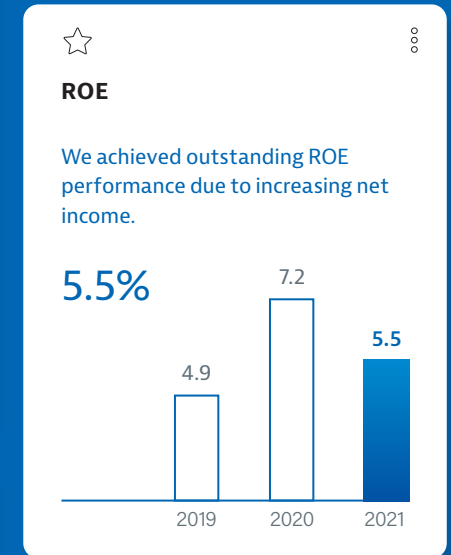
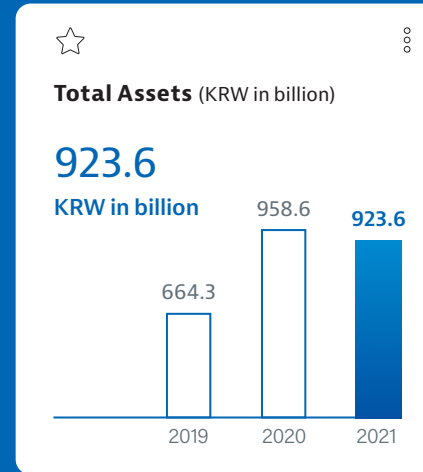
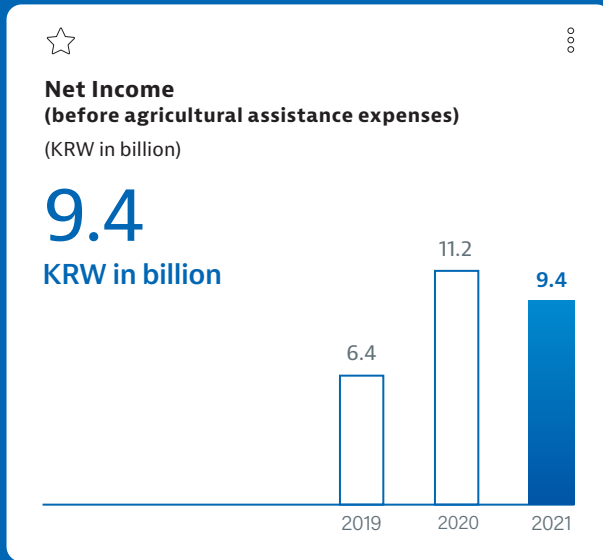
**Chang, Seung Hyeon**

President & CEO



Since its inception in July 1992 when the futures market barely existed in Korea, NH Futures has cemented its position as a top-tier player on the back of unwavering support from customers. Today, as a member of NongHyup Financial Group, we play a leading role in the domestic derivatives sector. To further build upon what we have become, we will strengthen our customer engagement and complete the development of our next-generation system to better serve our customers.





# NH Futures

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Since 2020, mounting volatility in the financial market following the outbreak of COVID-19 resulted in growth in transaction volume across the derivatives market.

As a major brokerage in the Korean derivatives market, we have recorded over KRW 10 billion in pre-tax income for two consecutive years since 2020 in line with increasing customer transactions. In addition, our profit performance was driven by the valuation gains generated as a result of our subscription of surplus funds to collective investment securities.

## FINANCIAL HIGHLIGHTS (Consolidated)

(unit: KRW in billion, %)

		FY2021	FY2020
BS	Total assets	923.6	958.6
	Total liabilities	749.0	795.8
	Shareholders' equity	174.6	162.8
IS	Operating revenue	52.6	48.5
	Operating income	12.6	14.7
	Pre-tax income	12.4	14.7
	Net income	9.3	11.2
	Net income before agricultural assistance expenses	9.4	11.2
Key ratios	NCR	1,027.51%	1,024.21%
	ROE	5.5%	7.2%
	ROA	1.0%	1.4%



## At a glance

NH Futures, open 24/7, has successfully catered to customers' varying investment needs on the back of its top-notch workforce and cutting-edge system. We now aim further to pursue transformation on multiple fronts to maintain our leadership as a brokerage in the derivatives market.

### Establishing best-in-industry digital competitiveness

To build best-in-industry IT competitiveness, we focus all our company-wide resources for two years to eventually open our next-generation system on January 24, 2022. This allowed us to establish a virtual ledger system for customers' ultra-high-speed transactions, and we overhauled our hardware and software to deliver the highest-possible trading speed in the derivatives market. The performance improvement that we gained in so doing spanned our back office/middle office systems as well as our trading system.

From Q2 of 2022, we will initiate the upgrade of our next-generation system to more proactively reflect customer requirements on a system level and fully respond to the Korea Exchange's next-generation system development.

### Securing new growth drivers

In celebration of our 30th anniversary, we will push our business territory from the derivatives market and focus on scaling-up our business to identify new revenue streams.

To this end, we created a new business task force to lay the basis for new business. As part of our initial-phase efforts, work is underway to submit to the financial authorities business license applications for swap brokerage and real estate PF brokerage among others.

### Earning greater trust from consumers

We believe that our reason for existence as a business lies in 'creating value for customers' and 'building greater consumer trust'. To expand customer-centric services and extend strengthened financial consumer protection, we have completed the restructuring of our sales organization and the reinforcement of workforce within the compliance team. Our customer suggestion channels have been also expanded to the HTS and the company website to fully reflect customer feedback.

## Review of operation

### International Sales Department (Foreign Customer Sales)

Following the creation of the International Sales Headquarters, we have broadened our sales expertise targeting foreign investors (inbound sales), and are diversifying our sales, which previously depended excessively on index-linked products, to successfully increase both market dominance and sales of our interest rate/currency/equity products. We also expanded our FX service support for foreign investors to add yet another stable revenue stream.

To improve the competitiveness of our DMA services for foreign investors, we continued with hardware/software upgrades and expanded our datacenter facility.

To make our sales operations systemic and effective, we will reorganize the sales team under the International Sales Headquarters to expand its size and



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workforce, which will help us gain advantages over competitors including large-sized securities firms in the derivatives sales market that serves foreign investors.

**Smart Sales Department (Retail Customer Sales and New Business Operation)**

We are reinforcing our workforce and investment to expand our retail customer base, integrate marketing operations, and build an efficient customer response system.

We host year-round discount events to offer the lowest-possible fees on overseas futures transactions and reduce customers' fee burden in derivatives trading all while boosting our marketing and publicity efforts to elevate our brand power among retail customers. To ensure improved access and convenience for new customers, we offer a linked account opening service leveraging our NHFG network of branches and MTS of NongHyup Bank, NH Investment & Securities and other NHFG affiliates.

In 2022, we will develop a specialized HTS and a next-generation MTS to establish system infrastructure on par with professional online brokerage in order to speed up trading and improve customer convenience. We will also completely reorganize our system trading to provide services that satisfy customer needs. Work is underway to launch marketing activities to attract customers in alignment with external platforms, and we plan to deliver more convenient customer experience by upgrading our website and opening a customer feedback channel. In addition, we will build a simulation trading system and expand work automation, along with corporate PR activities undertaken through Youtube and other social network channels.

**Institutional Sales Department (Institutional Customer Sales)**

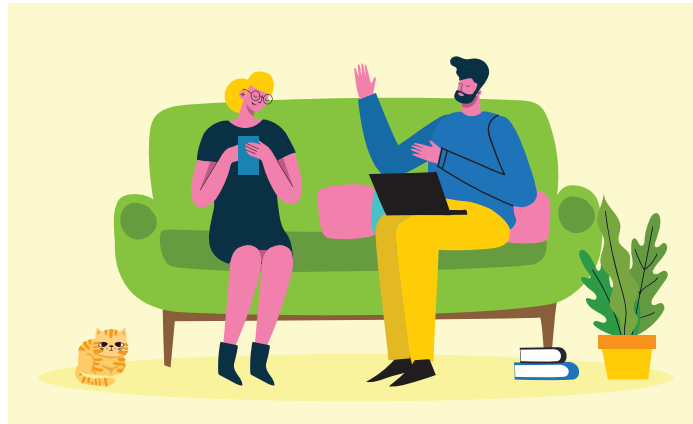
In 2021, we achieved outstanding market share performance in the national bond futures and currency futures sectors where institutional customers engage in trading most actively, demonstrating our market-leading competitiveness.

In 2022, we plan to collaborate with swap/spot brokerage companies to stabilize our prime brokerage in the national bond/currency futures sector, and to strengthen our market intelligence operations by providing national bond/currency-related chartbooks. We will endeavor to attract system trading management companies, identify EV battery companies to improve our profitability in the commodity sector, and reinforce our sales operation targeting securities firms and asset managers.



# NH Futures

## 2021 Highlights



### Strengthening virtual channels for improved customer convenience

Mar. 9, 2021

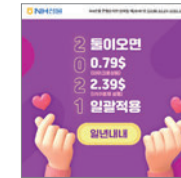
- Plan to establish an independent account opening process as the first pure-play futures player to do so in 2022
- Plan to upgrade the website for customer convenience and open a customer feedback channel in 2022

#financial consumers #compliance #sales



### Please take care of my overseas futures fees

Jan. 2021 – Dec. 2021



Set our overseas futures fee at USD 2.39, the lowest in the industry, in celebration of our 29th anniversary to reduce customers' burden

#overseas futures #fee #event



### Smart Account Opening event

Jul. 2021 – Oct. 2021



Hosted an account opening event to attract new customers

#smart account opening #event



### Overseas futures investment return competition

Aug. 2021 ~ Oct. 2021



Hosted an investment return competition to facilitate overseas futures trading and provide investors with motivation

#overseas futures #investment #event

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# NH Hedge Asset Management

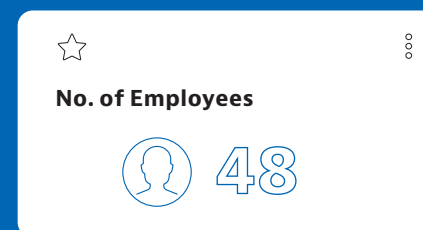
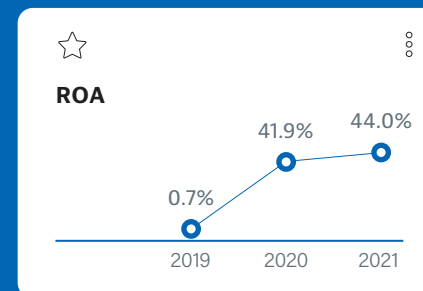
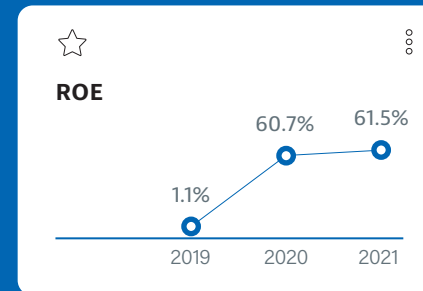
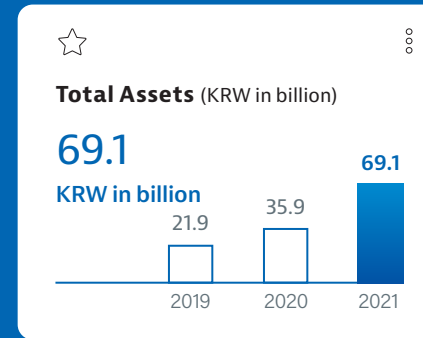
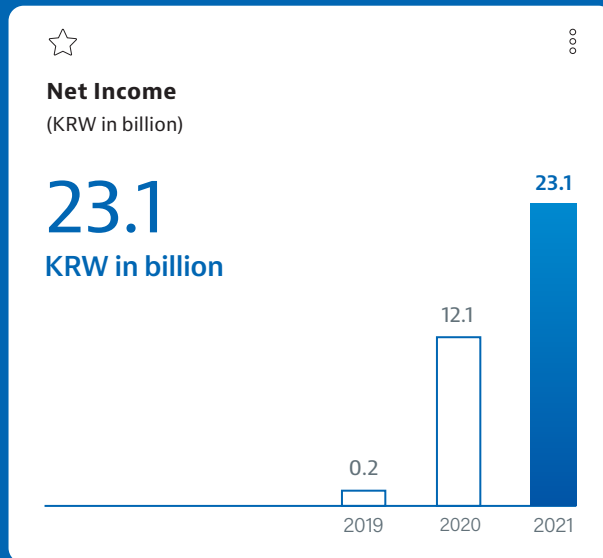
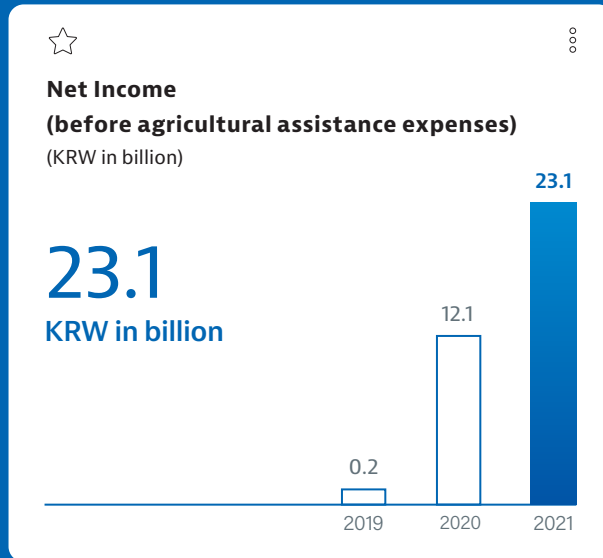


**Lee Dong Hoon**

President & CEO



NH Hedge Asset Management is an asset management company specialized in hedge fund management. It was established on December 26, 2019. It has broadened the boundary of Korean hedge fund market to cover increasing alternative investment needs of these investors as well as the institutional investors' needs. Over the mid-to-long term, we are evolving into a global hedge fund manager that will take the place of overseas hedge funds as the investment vehicle of the National Pension Service and other renowned institutional investors. 



☆

**AUM (combined)**  
(KRW in billion)

**946.7**  
KRW in billion

Year	AUM (KRW in billion)
2019	768.4
2020	710.8
2021	946.7

The NH Absolute Return Fund, our flagship fund launched as of August 2016, has recorded 65.72% in cumulative return since its launching. The fund recorded 17.20% in annual return in FY 2021 to outperform KOSPI's return of 3.63% by 13.57%p, and posted 6.04% in annualized volatility, which is below KOSPI's annualized volatility of 16.99% during the same period. Maintaining low volatility while generating high returns, the fund produced exceptional performance.

# NH Hedge Asset Management

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NH Hedge Asset Management was established on December 26, 2019 and initiated full-scale operation in 2020. We posted KRW 48.3 billion in annual operating revenue in FY 2021, which surged by 80% from KRW 26.9 billion in FY2020. In FY2021 which marked our third anniversary, we recorded KRW 31.2 billion in ordinary income and KRW 23.1 billion in net income, which skyrocketed by nearly 200% from the previous year.

## FINANCIAL HIGHLIGHTS (Consolidated)

(unit: KRW in billion, %)

		FY2021	FY2020
BS	Total assets	69.1	35.9
	Total liabilities	20.0	9.9
	Shareholders' equity	49.1	26.0
IS	Operating revenue	48.3	26.9
	Operating expenses	17.1	11.3
	Operating income	31.2	15.6
	Pre-tax income	31.2	15.6
	Net income	23.1	12.1
	Net income before agricultural assistance expenses	23.1	12.1
Key ratios	ROE	61.5%	60.7%
	ROA	44.0%	41.9%
	Capital adequacy ratio	71.1%	72.5%

## At a glance

NH Hedge Asset Management was spun-off from NH Investment & Securities and launched as a specialized hedge fund asset manager on December 26, 2019.

Our forerunner is the Prop. Trading Department at NH Investment & Securities, which was the first in the securities industry to initiate hedge fund management business in August 2016 with KRW 260 billion in AUM. To overcome the limitations of hedge funds operated by securities firms and facilitate the attraction of institutional funds, we decided to establish a specialized hedge fund management company. Concluding the business transfer contract on December 26, 2019, NH Hedge Asset Management was officially launched.

As of the end of 2021, our total AUM based on NAV amounted to KRW 946.7 billion: we operate the NH Absolute Return Fund valued at KRW 633.2 billion and a total of six thematic funds worth KRW 313.5 billion. Our flagship fund NH Absolute Return Fund is the single largest domestic hedge fund and is the sole institutional investor-only hedge fund which receives investments exclusively from institutional investors. This sets us apart from other asset managers who have grown on the basis of hedge funds that serve retail customers. With our flagship funds playing a pioneering role, we are pushing the boundary of Korea's institutional investor-only hedge fund market.

Building on our success that we have achieved as a hedge fund manager for institutional investors, we launched NH Absolute KOSDAQ Venture Mezzanine Fund valued KRW 60 billion to target high-net-worth individuals in September 2021.

In 2022, we will solidify our status as an asset manager operating Korea's single largest hedge fund and pave the way to go global as Asia's leading hedge fund company.

### Continuously promoting the NH Absolute Return as our flagship fund

Our flagship fund, the NH Absolute Return Fund, maintained its unrivaled No. 1 position in the domestic hedge fund market in terms of AUM as of the end of December 2021, just as it did in 2020. We will continuously scale-up this fund in 2022 to further cement its profile as an industry leader.

### Expanding our fund lineups by launching a variety of thematic funds

In 2021, we successfully launched a total of three institutional investor-only funds and one for high-net-worth individuals. In 2022, we will continue to unveil thematic funds that meet the needs of institutional investors and high-net-worth individuals to diversify our fund lineups and expand our new investor base.

### Paving the way to go global as Asia's leading fund manager

In partnership with NH Investment & Securities' Global Business Headquarters, we will develop plans to advance into global markets with NH ARP in Singapore playing a central role. This is to be fully initiated from 2022 onwards, and will proceed flexibly in line with the COVID-19 situation.

## Review of operation

Coming into the third year of business operation in 2021, we achieved significant growth both in AUM and profit.

Our AUM posted a 33% y-o-y growth to KRW 946.7 billion at the end of 2021, attributable to the continued inflow of new funds into our flagship funds and the creation of a total of four new thematic funds. This outstrips the AUM of the Korean hedge fund market by 14%p, which grew by 19% in AUM when bond and real estate funds were excluded during the same period.

In 2021, our operating revenue amounted to KRW 48.3 billion, up by 80% from the previous year, and our net income surged by 91%.

In the face of KOSPI's high volatility in 2021, our funds pursued absolute returns on the back of our rigorous distribution of assets, strategies, and managers to eventually maintain low volatility while generating outstanding performance.



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**Promoting flexible exposure management in the domestic stock market**

To flexibly manage our exposure to the Korean stock market, we pursued maximum operating revenue by focusing on indices and large cap stocks while generating alpha by way of events and individual risks in line with our market-neutral strategy, seeking absolute returns in the rapidly-shifting market.

**Investing in non-marketable assets and domestic/international carry assets**

As to non-marketable assets, we distribute our investments into mezzanine debts in listed companies and non-listed stocks among others. Concerning carry assets, we invest across domestic/international alternative assets, including acquisition finance, asset securitization and real assets.

**Strengthening risk management capabilities**

We set limits by asset class and strategy, and establish and implement the risk management process consisting of regular/ad-hoc checks, reporting and follow-ups. We also perform asset class/strategy-specific credit risk reviews and preemptively check risks through due diligence to regularly monitor the assets incorporated into our portfolio.

**Reinforcing the internal control system**

We have established a counterparty inspection process, and are minimizing any internal control issues that may arise in managing fund assets by reviewing legal risks that occur due to the transaction structure and the adequacy of our approval procedures. We preemptively respond to increasingly tightening domestic private equity fund regulations so that we generate optimal performance all while complying with applicable regulations.

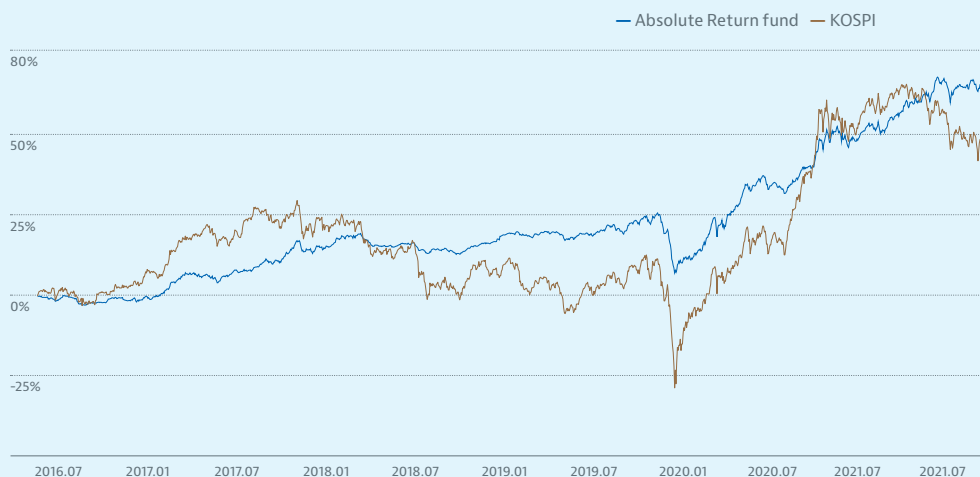
(unit: %)

	FY2019	FY2020	FY2021	Since Established
Annual return of flagship funds				
NH Absolute Return <sup>1</sup>	8.88%	15.16%	17.20%	65.72%
Annualized volatility (NH Absolute Return)	3.85%	5.57%	6.04%	-
KOSPI's annualized volatility	12.18%	17.35%	16.99%	-

1) Return for CS class (Date of establishment: Aug. 8, 2016)

**Cumulative Performance of the Absolute Return Fund**

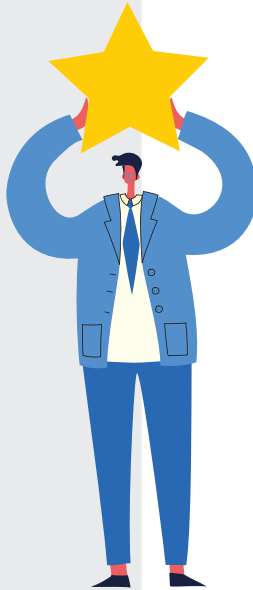
(as of Dec. 31, 2021)





# NH Hedge Asset Management

2021 Highlights



## Named the Rising Star Hedge Fund of the Year

Feb. 24, 2021

- Named the Rising Star Hedge Fund of the Year at the 2021 Korea Wealth Management Awards
- Our flagship fund 'Absolute Return Fund' generating steady performance

#hedge fund #awards #rising star



## Expanding the Absolute lineup

Jul. 29, 2021



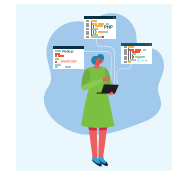
Expanded our hedge fund lineups exclusive for institutional investors to respond to the segmented needs of institutional investors

Aim to meet 'global hedge fund'



## Launching the first fund targeting HNW individuals

Oct. 6, 2021



Launched a KRW 60.9 billion fund for high-net-worth individuals in collaboration with NH Investment & Securities' PB center

Reinforced stability by investing our own property into the fund



## Expanding the mezzanine + IPO lineup

Dec. 29, 2021



Launched four new funds one after another, including the NH Absolute KOSDAQ Venture Mezzanine Alpha in 2021



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The global economy was put back on the recovery path in line with the increasing vaccinations in spite of the exacerbating spread of COVID-19, and the domestic economy also posted growth in the 4% range amid the recovering consumption and increasing exports. Still, the continued emergence of variants and their rapid dissemination resulted in sustained socioeconomic uncertainties and mounting volatility in the financial market along with tightening regulations on household loans, rising inflation, and increases in benchmark interest rates.

In the face of such challenging conditions, NongHyup Financial Group made meaningful achievements as follows.

We officially committed to transforming ourselves into a leading ESG financial institution for sustainable management by establishing an ESG management system and announcing our carbon neutrality initiative. Laying the basis for MyData business and pursuing a customer-centric comprehensive financial platform, we paved the way to reinforce our digital competitiveness. Extending the insurance exceptions granted to agricultural/livestock cooperatives, expanding the stable business foundation for crop disaster insurance, renewing all local government coffer contracts, and acquiring approval to open NongHyup Bank's branch in Beijing are just some of the numerous accomplishments that we made.

All this drove us to post over KRW 2 trillion in net income for the first time since the inception of NHFG to faithfully fulfill our role as a NongHyup-wide profit center.

In 2021, our total assets rose by KRW 23.5 trillion from the previous year to KRW 506.9 trillion, and our total shareholders' equity amounted to KRW 27.9 trillion. Our net income stood at KRW 2,291.9 billion, and net income before agricultural assistance expenses that go to support agriculture and rural communities was KRW 2,603.4 billion.

The year 2022 marks the 10th anniversary of founding NongHyup Financial Group.

Over the past decade, we emerged as a leading financial group by laying the foundation for profit generation and pursuing M&A opportunities, paving the way for sustainable growth through improved business fundamentals and digital innovation.

For the next decade to come, we at NHFG will build differentiated competitiveness with a focus on digital, global and ESG in the face of uncertain conditions including but not limited to the 4th Industrial Revolution, the New Cold War and the New Normal. With a goal of evolving into Korea's top-notch financial business, we will do our utmost to reach even closer to our customers.

## NHFG Financial Highlights and Management Indicators

(unit: KRW in billion, %)

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		2021	2020	YoY	%
	Total assets	506,938.1	483,460.7	23,477.4	4.9
	Total assets including AUM	687,008.0	646,642.0	40,366.0	6.2
Business Volume	Shareholders' equity	27,949.6	26,042.8	1,906.8	7.3
	Attributable to controlling interests	23,766.5	22,680.1	1,086.4	4.8
	Loan assets	318,639.9	287,880.9	30,759.0	10.7
	Deposit liabilities	299,502.1	278,480.4	21,021.7	7.5
	Operating income	4,263.4	3,223.9	1,039.5	32.2
	Consolidated net income	2,814.4	2,048.8	765.6	37.4
	Net income attributable to controlling interests	2,291.9	1,735.9	556.0	32.0
Profitability	Net income attributable to controlling interests (before agricultural assistance expenses)	2,603.4	2,035.3	568.1	27.9
	RoA	0.56	0.44	0.12	
	RoE	9.89	7.87	2.02	
	RoA (before agricultural assistance expenses)	0.63	0.51	0.12	
	RoE (before agricultural assistance expenses)	11.23	9.22	2.01	
Capital adequacy	Total capital ratio	15.45	15.18	0.27	
	Common equity tier 1 ratio	12.50	12.55	(0.05)	
	Tier 1 ratio	13.99	13.69	0.30	
Asset quality	NPL ratio	0.36	0.48	(0.12)	
	NPL coverage ratio	187.49	140.01	47.48	

## Operating Performance

In 2021, our net income (attributable to controlling interests) reached KRW 2,291.9 billion (KRW 2,605.3 billion before agricultural assistance expenses), up by KRW 556 billion(32%) from the previous year.

Stable asset growth drove up our interest income by KRW 524.4 billion(6.6%) y-o-y increase, to KRW 8,511.2 billion. Our commission income rose by KRW 188.2 billion(11.6%) as our securities commission income increased amid the booming stock market and on the back of our strengthening Investment Banking competitiveness, along with the facilitation of non-interest income business.

Provisions for credit loss declined by 51% from the previous year to KRW 312.5 billion, SG&A expenses rose by 4.5% y-o-y to KRW 4,836.8 billion and operating income surged by 32.2%(KRW 1,039.5 billion) y-o-y to KRW 4,263.4 billion.

Both our bank and non-bank subsidiaries posted significantly improved performance against the previous year.

NongHyup Bank, NongHyup Life Insurance, and NH Investment & Securities recorded KRW 1,555.6 billion, KRW 165.7 billion and KRW 931.5 billion respectively in consolidated net income attributable to controlling interests.

NongHyup Property & Casualty Insurance, NH-Amundi Asset Management, NH Capital, and NH Savings Bank posted KRW 86.1 billion, KRW 25 billion, KRW 96 billion, and KRW 23.4 billion respectively in net income.

NH-Amundi Asset Management is not a consolidated subsidiary of NHFG, but a joint enterprise subject to equity method accounting and is thus reflected in the equity method gains/losses.

### Consolidated Income Statement

(unit: KRW in billion, %)

	2021	2020	YoY	%
Gross operating income	9,412.7	8,487.9	924.9	10.9
Interest income	8,511.2	7,986.8	524.4	6.6
Non-interest income	1,731.4	1,469.9	261.5	17.8
Other gain/loss	(829.9)	(968.8)	138.9	(14.3)
Provisions for credit loss	312.5	637.7	(325.2)	(51.0)
Operating income before SG&A expenses	9,100.2	7,850.2	1,250.0	15.9
SG&A expenses	4,836.8	4,626.3	210.5	4.5
Operating income	4,263.4	3,223.9	1,039.5	32.2
Agricultural assistance expenses	446.0	428.1	17.8	4.2
Other non-operating income	14.2	50.7	(36.5)	-
Income before income taxes	3,831.7	2,846.5	985.2	34.6
Income tax expenses	1,017.3	797.7	219.6	27.5
Consolidated net income	2,814.4	2,048.8	765.6	37.4
Net income attributable to controlling interests	2,291.9	1,735.9	556.0	32.0
Net income attributable to non-controlling interests	522.5	312.9	209.6	67.0
Net income before agricultural assistance expenses (attributable to controlling interests)	2,603.4	2,035.3	568.1	27.9

## Income by Subsidiary

(unit: KRW in billion)

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FY2021	Bank	Non-bank									Adjustment	Consolidated profit/loss
	NH Bank	NH Life Insurance	NH Property & Casualty Insurance	NH Investment & Securities	NH-Amundi Asset Management	NH Capital	NH Savings Bank	NH REITs Management	NH Venture Investment	Subtotal		
Interest income	5,890.8	1,499.1	191.5	769.7	0.7	115.6	67.6	0.1	0.2	2,644.5	(24.1)	8,511.2
Commission income	731.7	0	0	1,183.1	76.7	0.3	(1.2)	1.9	1.3	1,262.1	(179.1)	1,814.7
Other operating gain/loss	(4,131.9)	(1,221.8)	(54.7)	(658.8)	(43.3)	14.8	(35.0)	(3.6)	(2.6)	(2,005.0)	74.4	(6,062.5)
Operating income	2,490.6	277.3	136.8	1,294.0	34.1	130.7	31.4	(1.6)	(1.1)	1,901.6	(128.8)	4,263.4
Equity method gain/loss	(1.7)	0	0	32.8	0	0.2	0	0	0	33.0	11.8	43.1
Other non-operating gain/loss	(345.3)	(88.9)	(20.7)	(24.7)	(0.2)	(2.3)	(0.3)	(0.1)	0	(137.2)	7.7	(474.8)
Net income before income taxes	2,143.6	188.4	116.1	1,302.1	33.9	128.6	31.1	(1.7)	(1.1)	1,797.4	(109.3)	3,831.7
Income tax expenses	588.0	22.7	30.0	370.6	8.9	32.6	7.7	(0.4)	(0.2)	472.0	(42.7)	1,017.3
Net income	1,555.6	165.7	86.1	931.5	25.0	96.0	23.4	(1.3)	(0.9)	1,325.4	(66.6)	2,814.4
Controlling interests	1,555.6	165.7	86.1	931.6	25.0	96.0	23.4	(1.3)	(0.9)	1,325.5	(589.2)	2,291.9
Non-controlling interests	0	0	0	(0.1)	0	0	0	0	0	(0.1)	522.5	522.5

Note 1) NongHyup Life Insurance and NongHyup Property & Casualty Insurance are in accordance with K-IFRS No.1039.

Note 2) NH Savings Bank is in accordance with K-GAAP.

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(unit: KRW in billion)

FY2020	Bank	Non-bank									Adjustment	Consolidated profit/loss
	NH Bank	NH Life Insurance	NH Property & Casualty Insurance	NH Investment & Securities	NH-Amundi Asset Management	NH Capital	NH Savings Bank	NH REITs Management	NH Venture Investment	Subtotal		
Interest income	5,393.9	1,559.0	198.5	696.0	1.0	124.1	60.4	0.2	0.4	2,639.6	(46.7)	7,986.8
Commission income	704.5	0	0	1,025.1	63.6	(27.6)	(0.5)	4.4	0.2	1,065.2	(143.2)	1,626.5
Other operating gain/loss	(3,886.4)	(1,376.1)	(119.6)	(933.8)	(37.0)	(15.5)	(34.3)	(4.9)	(2.2)	(2,523.4)	20.4	(6,389.4)
Operating income	2,212.0	182.9	78.9	787.3	27.6	81.0	25.6	(0.3)	(1.6)	1,181.4	(169.5)	3,223.9
Equity method gain/loss	24.4	0	0	42.9	0	0.3	0	0	0	43.2	30.2	97.8
Other non-operating gain/loss	(331.0)	(86.8)	(15.2)	(41.1)	0.2	(1.3)	(0.3)	1.2	0	(143.3)	(0.9)	(475.2)
Net income before income taxes	1,905.4	96.1	63.7	789.1	27.8	80.0	25.3	0.9	(1.6)	1,081.3	(140.2)	2,846.5
Income tax expenses	534.7	34.9	17.4	212.2	7.3	21.6	4.6	0.3	(0.2)	298.1	(35.1)	797.7
Net income	1,370.7	61.2	46.3	576.9	20.5	58.4	20.7	0.6	(1.4)	783.2	(105.1)	2,048.8
Controlling interests	1,370.7	61.2	46.3	577.0	20.5	58.4	20.7	0.6	(1.4)	783.3	(418.1)	1,735.9
Non-controlling interests	0	0	0	(0.1)	0	0	0	0	0	(0.1)	313.0	312.9

Note 1) NongHyup Life Insurance and NongHyup Property & Casualty Insurance are in accordance with K-IFRS No.1039.

Note 2) NH Savings Bank is in accordance with K-GAAP.

**Non-Interest Income**

(unit: KRW in billion)

	2021	2020	YoY
<b>Total non-interest income</b>	<b>1,731.4</b>	<b>1,469.9</b>	<b>261.5</b>
Commission income	1,814.7	1,626.5	188.2
Gain/loss on securities	777.5	1,213.1	(435.6)
FX transactions/financial derivatives	434.2	(241.9)	676.1
Others	(1,295.0)	(1,127.8)	(167.2)

**SG&A Expenses**

(unit: KRW in billion)

	2021	2020	YoY
<b>Total SG&amp;A expenses</b>	<b>4,836.8</b>	<b>4,626.3</b>	<b>210.5</b>
Employee expenses	3,183.8	3,076.0	107.8
Wages	2,200.8	2,055.3	145.5
Severance benefits	285.6	336.5	(50.9)
Layoff payments	47.5	76.2	(28.7)
Fringe benefit expenses	649.9	608.0	41.9
Depreciation	552.6	556.3	(3.7)
Others	1,100.4	994.0	106.4

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As of the end of 2021, our consolidated assets rose by KRW 23.5 trillion(4.9%) y-o-y to KRW 506.9 trillion, and our consolidated liabilities totaled KRW 480 trillion, up by KRW 21.6 trillion(4.7%) y-o-y.

Loan assets increased by nearly KRW 30.8 trillion (10.7%) y-o-y to KRW 318.6 trillion, and corporate loans and household loans rose by KRW 9.7 trillion (7.9%) and KRW 8.5 trillion (6.4%) respectively.

Deposit liabilities totaled KRW 299.5 trillion, up by KRW 21.1 trillion(7.5%) y-o-y, and low-cost demand deposits grew by 12.7% to KRW 60.3 trillion y-o-y.

Borrowings fell by KRW 1.2 trillion while debentures rose by KRW 3.1 trillion y-o-y.

Shareholders' equity rose by KRW 1,906.8 billion y-o-y to KRW 27,949.6 billion thanks to KRW 2,814.4 billion that we posted in net income (KRW 2,291.9 billion in net income attributable to controlling interests).

### Financial Position Summary-Consolidated

(unit: KRW in billion)

	2021	2020	YoY	%
<b>Total assets</b>	<b>506,938.1</b>	483,460.7	23,477.4	4.9
Cash & cash equivalents	12,845.1	17,254.0	(4,408.9)	(25.6)
Financial assets	154,488.0	156,553.3	(2,065.3)	(1.3)
Loans and receivables	331,329.4	301,630.8	29,698.6	9.8
Tangible assets	4,374.7	4,241.9	132.8	3.1
other assets	3,900.9	3,780.7	120.2	3.2
<b>Total liabilities</b>	<b>478,988.5</b>	457,417.9	21,570.6	4.7
Deposit liabilities	299,449.5	278,480.4	20,969.1	7.5
Financial liabilities recognized through profit or loss	14,888.8	15,349.5	(460.7)	(3.0)
Borrowings	35,783.2	37,023.2	(1,240.0)	(3.3)
Other liabilities	128,867.0	126,564.8	2,302.2	1.8
<b>Total shareholders' equity</b>	<b>27,949.6</b>	26,042.8	1,906.8	7.3
Shareholders' equity attributable to controlling interests	23,766.5	22,680.1	1,086.4	4.8
Shareholder's equity attributable to non-controlling interests	4,183.1	3,362.7	820.4	24.4
<b>Total liabilities and shareholders' equity</b>	<b>506,938.1</b>	483,460.7	23,477.4	4.9



**Loan Assets and Deposit Liabilities**

(unit: KRW in billion, %)

	2021	2020	YoY	%
<b>Loan assets</b>	<b>318,639.9</b>	<b>287,880.9</b>	<b>30,758.9</b>	<b>10.7</b>
KRW loan assets	280,809.6	262,178.6	18,631.0	7.1
(Corporate loans)	133,016.1	123,301.1	9,714.9	7.9
(Household loans)	141,701.7	133,199.2	8,502.4	6.4
(Public financing)	5,745.0	5,234.5	510.5	9.8
(Integrated)	346.9	443.8	(96.9)	(21.8)
FX loan assets	3,591.7	2,714.1	877.5	32.3
Other loan assets	34,238.6	22,988.2	11,250.4	48.9
(Credit card receivables)	8,081.7	7,381.8	700.0	9.5
Deductibles such as loan loss provisions	1,509.1	1,420.4	88.7	6.2
<b>Net book value of loan assets</b>	<b>317,130.7</b>	<b>286,460.5</b>	<b>30,670.3</b>	<b>10.7</b>
	2021	2020	YoY	%
<b>Deposit liabilities</b>	<b>299,502.1</b>	<b>278,480.4</b>	<b>21,021.7</b>	<b>7.5</b>
Demand deposits	60,322.6	53,545.8	6,776.8	12.7
Time deposits	230,177.6	216,689.6	13,488.0	6.2
Certificates of deposit	1,430.9	1,226.4	204.5	16.7
Customer deposits for securities trading	7,571.0	7,018.6	552.4	7.9

**Profitability Indicators**

We demonstrated robust profit-generating capabilities through the balanced growth of affiliates and the diversification of our profit portfolio. In 2021, our consolidated net income (including the portion attributable to non-controlling interests) totaled KRW 2,814.4 billion, up by KRW 765.6 billion from the previous year. As of the end of 2021, ROA and ROE stood at 0.56% and 9.89%, up by 0.12%p and 2.02%p y-o-y respectively.

**NongHyup Financial Group on a Consolidated Basis**

(unit: %)

		2021		2020	
		ROA*	ROE**	ROA*	ROE**
NHFG	Before agricultural assistance expenses***	0.63	11.23	0.51	9.22
	After agricultural assistance expenses	0.56	9.89	0.44	7.87

\* ROA: Based on consolidated net income and the average of total assets

\*\* ROE: Based on net income attributable to controlling interests and the average of shareholders' equity attributable to controlling interests

\*\*\* Criteria concerning before agricultural assistance expenses

Net income data used for calculating ROA and ROE are converted into net income before agricultural assistance expenses (effective rate of 27.5% applied)

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# Asset Quality Indicators

Our efforts to improve our loan portfolio with a focus on asset quality, strengthen follow-up management, and preemptively deposit loan loss provisions in preparation for the termination of COVID-19 loan support all enabled us to make improvements: our substandard and below loans (NPL) ratio and NPL coverage ratio improved by 0.12%p and 47.48%p y-o-y to 0.36% and 187.49% respectively.

At NongHyup Bank, its NPL ratio and NPL coverage ratio remained solid at 0.29% and 207.71%, improving by 0.13%p and 71.10%p y-o-y respectively.

## NHFG (Consolidated)

(unit: KRW in billion, %, %p)

	2021	2020	YoY
Total loans	3,043,521	2,808,376	235.145
Substandard & Below Loans (NPL)(A)	10,985	13,611	(2,626)
NPL Ratio	0.36	0.48	0.12
Loan Loss Reserves (B)	20,596	19,057	1,539
NPL Coverage Ratio (B/A)	187.49	140.01	47.48
Reserves for Credit Losses (C)	18,568	18,945	(377)
NPL Coverage Ratio II [(B+C)/A]	356.53	279.20	(77.33)

## Subsidiaries (Separate)

(unit: %)

		2021		2020	
		NPL ratio	NPL coverage ratio	NPL ratio	NPL coverage ratio
Subsidiaries	NH Bank	0.29	207.71	0.42	136.61
	NH Life Insurance	0.20	136.01	0.22	240.55
	NH Investment & Securities	1.71	106.45	1.65	125.35
	NH Capital	1.10	137.67	1.30	132.06
	NH Savings Bank	1.45	269.35	2.17	263.27

## Capital Adequacy Indicators

As of the end of December 2021, our risk-weighted assets and total shareholders' equity amounted to KRW 159,057.2 billion and KRW 24,571.1 billion respectively on a consolidated basis, which puts our consolidated total capital ratio at 15.45%. NongHyup Bank's total capital ratio stood at 18.31%.

### Consolidated Total Capital Ratios

(unit: KRW in billion, %, %p)

	2021	2020	YoY
Risk-weighted assets (A)	159,057.2	150,419.9	8,637.3
Total shareholders' equity (B)	24,571.1	22,834.6	1,736.5
Common equity tier 1 capital (C)	19,876.2	18,873.8	1,002.4
Tier 1 capital (D)	22,244.3	20,586.6	1,657.7
Total capital ratio (B/A)	15.45	15.18	0.27
Common equity tier 1 ratio (C/A)	12.50	12.55	(0.05)
Tier 1 ratio (D/A)	13.99	13.69	0.30

### Subsidiaries' Capital Adequacy Indicators

(unit: %, %p)

Company	Indicator	2021	2020	YoY	
NH Bank <sup>(Note 1)</sup>	Total capital ratio	18.31	17.70	0.61	
	Common equity tier 1 ratio	15.30	14.98	0.32	
	Tier 1 ratio	15.76	15.11	0.65	
NH Life Insurance <sup>(Note 2)</sup>	Risk-based capital ratio	210.53	286.96	(76.43)	
NH Property & Casualty Insurance <sup>(Note 2)</sup>	Risk-based capital ratio	196.49	188.78	7.71	
Subsidiaries	NH Investment & Securities	Net capital ratio	2,076.74	1,226.00	810.74
	NH-Amundi Asset Management	Shareholders' equity (KRW in billion)	1,138.36	1,058.06	80.30
		Minimum net operating capital (KRW 100 million)	224.99	212.92	12.07
	NH Capital	Adjusted capital adequacy ratio	14.68	12.01	2.67
	NH Savings Bank <sup>(Note 3)</sup>	BIS capital adequacy ratio	14.05	15.86	(1.81)
	NH Venture Investment	Adjusted capital adequacy ratio	271.89	574.45	(302.56)

Note 1) NongHyup Bank's capital adequacy indicators were calculated in accordance with Basel III.

Note 2) The risk-based capital ratios of NongHyup Life Insurance and NongHyup Property & Casualty Insurance were calculated in accordance with the RBC method.

Note 3) NH Savings Bank's capital adequacy indicators were calculated in accordance with Basel I.



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# CONSOLIDATED FINANCIAL STATEMENTS

## Independent Auditors' Report

To the Board of Directors and Shareholders of NongHyup Financial Group Inc.:

### Report on Audited Consolidated Financial Statements

#### Audit Opinion

We have audited the accompanying consolidated financial statements of NongHyup Financial Group Inc. and its subsidiaries ( collectively , the "Group" ), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020 , respectively , and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows , all expressed in Korean won, 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 , respectively , and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standard as adopted by the Republic of Korea ( " K - IFRS s " ).

#### Basis for Audit Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audits of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRSs, 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.

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

**Auditors' Responsibilities for the Audits of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing 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 Korean Standards on Auditing, 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 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

March 11, 2022

*Deloitte IDNJIN LLC*

**Notice to Readers**

This report is effective as of March 11, 2022, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditors' report.



# Consolidated Statements of Financial Position

December 31, 2021 and 2020

NongHyup Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	2021	2020
<b>Assets</b>		
Cash and due from banks	₩ 12,845,129	₩ 17,254,021
Financial assets at fair value through profit or loss (FVTPL)	59,967,770	62,396,854
Derivative assets	1,140,865	2,789,839
Financial assets at fair value through other comprehensive income (FVOCI)	49,836,843	48,306,155
Securities at amortized cost (AC)	43,542,559	43,058,847
Loans and receivables at AC	331,329,375	301,630,802
Investments in associates and joint ventures	739,063	609,985
Tangible assets	3,488,751	3,383,148
Right-of-use assets	267,629	275,975
Investment properties	885,912	858,762
Intangible assets	682,619	582,649
Current income tax assets	12,112	10,886
Deferred tax assets	281,919	262,733
Other assets	1,917,505	2,080,192
Assets classified as held for sale	15	15
<b>Total assets</b>	<b>₩ 506,938,066</b>	<b>₩ 483,500,863</b>
<b>Liabilities</b>		
Deposits	₩ 299,449,460	₩ 278,480,369
Financial liabilities at FVTPL	5,940,043	3,757,710
Financial liabilities designated at FVTPL	7,577,692	9,496,354
Derivative liabilities	1,371,022	2,061,339
Borrowings	35,783,151	37,023,177
Debentures	34,642,151	31,534,041
Provisions	510,930	709,706
Net defined benefit liabilities	486,726	589,533
Insurance contract liabilities	70,025,136	70,009,194
Current income tax liabilities	290,992	414,786
Deferred tax liabilities	81,780	4,220
Other liabilities	22,829,412	23,508,441
<b>Total liabilities</b>	<b>478,988,495</b>	<b>457,588,870</b>
<b>Equity</b>		
Capital stock	1,414,095	1,414,095
Other paid-in capital	14,999,804	14,567,011
Retained earnings	8,754,921	7,225,487
Accumulated other comprehensive loss	(1,402,341)	(657,329)
Equity attributable to equity holders of the parent	23,766,479	22,549,264
Non-controlling shareholder's equity	4,183,092	3,362,729
<b>Total equity</b>	<b>27,949,571</b>	<b>25,911,993</b>
<b>Total liabilities and equity</b>	<b>₩ 506,938,066</b>	<b>₩ 483,500,863</b>

# Consolidated Statements of Comprehensive Income

Years Ended December 31, 2021 and 2020

NongHyup Financial Group Inc. and Subsidiaries

(In millions of Korean won, except per share amounts)

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	2021	2020
<b>Net interest income</b>		
Interest income		
Interest income calculated using the effective interest method	₩ 10,533,076	₩ 10,649,537
Interest income on financial instruments at FVTPL	635,770	621,641
Interest expense	11,168,846	11,271,178
	(2,657,602)	(3,284,440)
	8,511,244	7,986,738
<b>Net commission income</b>		
Commission income	2,668,444	2,409,918
Commission expenses	(853,736)	(783,395)
	1,814,708	1,626,523
<b>Gain on financial instruments at FVTPL, net</b>		
Net gain before adjustment under overlay approach	703,398	832,413
Net gain adjusted under overlay approach	112,174	(74,509)
	815,572	757,904
<b>Gain (loss) on financial instruments designated at FVTPL, net</b>	(85,838)	246,938
<b>Gain on financial investment assets, net</b>	47,735	257,026
<b>Loss from insurance compensation, net</b>	(829,922)	(968,805)
<b>Other operating expenses, net</b>	(860,792)	(1,418,472)
<b>Operating income before credit losses and general and administrative expenses</b>	9,412,707	8,487,852
<b>Provision of allowances for expected credit losses</b>	(312,527)	(637,678)
<b>Operating income before general and administrative expenses</b>	9,100,180	7,850,174
<b>General and administrative expenses</b>		
Employee benefits	3,183,723	3,075,971
Depreciation and amortization expenses	552,649	556,380
Other general and administrative expenses	1,100,404	993,964
	4,836,776	4,626,315
<b>Operating income</b>	4,263,404	3,223,859
<b>Share of net income of associates</b>	43,061	97,808
<b>Other expenses, net</b>	(474,794)	(475,181)
<b>Income before income tax expense</b>	3,831,671	2,846,486
<b>Income tax expense</b>	(1,017,305)	(797,725)
<b>Net income</b>	₩ 2,814,366	₩ 2,048,761
Equity holders of the parent	2,291,895	1,735,879
Non-controlling interests	522,471	312,882



**NongHyup Financial Group Inc. and Subsidiaries**

(In millions of Korean won, except per share amounts)

	2021	2020
<b>Other comprehensive income (loss)</b>		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit liabilities plan	(2,952)	(29,312)
Gain on valuation of financial liabilities designated as at FVTPL	9,603	2,000
Gain (loss) on disposal of financial assets at FVOCI (equity securities)	(164)	4,780
Gain on valuation of financial assets at FVOCI (equity securities)	150,240	165,982
Gain (loss) on translation of financial assets at FVOCI (equity securities)	9	(6,540)
	156,736	136,910
Items that may be reclassified subsequently to profit or loss:		
Loss on valuation of financial assets at FVOCI (debt securities)	(822,750)	(65,891)
Gain (loss) on valuation of investments in associates	131	(131)
Adjustment amount under overlay approach	(102,425)	(20,732)
Gain (loss) on valuation of cash flow hedge	3,151	(32,445)
Gain (loss) on overseas business translation	74,231	(48,368)
	(847,662)	(167,567)
	(690,926)	(30,657)
<b>Total comprehensive income</b>	<b>₩ 2,123,440</b>	<b>₩ 2,018,104</b>
Equity holders of the parent	1,546,882	1,711,585
Non-controlling interests	576,558	306,519
<b>Earnings per share (Korean won)</b>		
Basic earnings per share	<b>₩ 8,041</b>	<b>₩ 6,086</b>
Diluted earnings per share	8,041	6,086

# Consolidated Statements of Changes in Equity

Years Ended December 31, 2021 and 2020

NongHyup Financial Group Inc. and Subsidiaries

(In millions of Korean won)

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FY2020	Capital stock	Other paid-in capital			Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling shareholders' equity	Total equity
		Capital surplus	Capital adjustments	Hybrid equity securities				
Balance at January 1, 2020	₩ 1,414,095	₩ 15,344,567	₩ (1,195,409)	₩ 418,011	₩ 6,159,287	₩ (633,035)	₩ 3,156,023	₩ 24,663,539
Changes in accounting policy	-	-	-	-	(240,122)	-	-	(240,122)
	1,414,095	15,344,567	(1,195,409)	418,011	5,919,165	(633,035)	3,156,023	24,423,417
Reversal of reserve of insurance contract liabilities and contribution to reserve for guarantee	-	-	-	-	98,879	-	-	98,879
Net income for the year	-	-	-	-	1,735,879	-	312,882	2,048,761
Dividends	-	-	-	-	(500,000)	-	(81,645)	(581,645)
Remeasurements of the defined benefit plan	-	-	-	-	-	(23,066)	(6,246)	(29,312)
Gain on valuation of financial liabilities designated at FVTPL	-	-	-	-	-	923	1,077	2,000
Gain on valuation of financial assets at FVOCI	-	-	-	-	-	81,690	18,401	100,091
Loss on translation of financial assets at FVOCI	-	-	-	-	-	(6,540)	-	(6,540)
Gain (loss) on disposal of financial assets at FVOCI	-	-	-	-	(14,278)	2,205	2,575	(9,498)
Loss on foreign currency translation of foreign operation	-	-	-	-	-	(26,719)	(21,649)	(48,368)
Loss on valuation of cash flow hedge	-	-	-	-	-	(31,924)	(521)	(32,445)
Loss on valuation of investments in associates	-	-	-	-	-	(131)	-	(131)
Amount of ownership changes in subsidiaries	-	-	-	-	-	-	(1,760)	(1,760)
Ownership changes in subsidiaries	-	(705)	769	-	512	-	672	1,248
Increase in paid-in capital in subsidiaries	-	-	(222)	-	-	-	-	(222)
Adjustment amount under overlay approach	-	-	-	-	-	(20,732)	-	(20,732)
Dividends on hybrid equity securities	-	-	-	-	(14,670)	-	(17,080)	(31,750)
Balance at December 31, 2020	₩ 1,414,095	₩ 15,343,862	₩ (1,194,862)	₩ 418,011	₩ 7,225,487	₩ (657,329)	₩ 3,362,729	₩ 25,911,993

NongHyup Financial Group Inc. and Subsidiaries

(In millions of Korean won)

FY2021	Other paid-in capital				Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling shareholders' equity	Total equity
	Capital stock	Capital surplus	Capital adjustments	Hybrid equity securities				
Balance at January 1, 2021	₩ 1,414,095	₩ 15,343,862	₩ (1,194,862)	₩ 418,011	₩ 7,225,487	₩ (657,329)	₩ 3,362,729	₩ 25,911,993
Net income for the year	-	-	-	-	2,291,895	-	522,471	2,814,366
Annual dividends paid	-	-	-	-	(347,000)	-	(113,925)	(460,925)
Interim dividends paid	-	-	-	-	(333,000)	-	-	(333,000)
Remeasurements of the defined benefit plan	-	-	-	-	-	8,970	(11,922)	(2,952)
Gain on valuation of financial liabilities designated at FVTPL	-	-	-	-	-	4,560	5,044	9,604
Gain (loss) on valuation of financial assets at FVOCI	-	-	-	-	-	(698,544)	26,033	(672,511)
Gain on translation of financial assets at FVOCI	-	-	-	-	-	9	-	9
Loss on disposal of financial assets at FVOCI	-	-	-	-	(64,742)	(79)	(85)	(64,906)
Gain on foreign currency translation of foreign operation	-	-	-	-	-	39,470	34,761	74,231
Gain on valuation of cash flow hedge	-	-	-	-	-	2,896	255	3,151
Gain on valuation of investments in associates	-	-	-	-	-	131	-	131
Amount of ownership changes in subsidiaries	-	67,726	-	-	-	-	(67,664)	62
Increase in paid-in capital in subsidiaries	-	-	-	-	-	-	-	(1,107)
Adjustment amount under overlay approach	-	-	(1,107)	-	-	(102,425)	-	(102,425)
Issuance of hybrid equity securities	-	-	-	366,174	-	-	449,320	815,494
Dividends on hybrid equity securities	-	-	-	-	(17,719)	-	(23,925)	(41,644)
Balance at December 31, 2021	₩ 1,414,095	₩ 15,411,588	₩ (1,195,969)	₩ 784,185	₩ 8,754,921	₩ (1,402,341)	₩ 4,183,092	₩ 27,949,571

# Consolidated Statements of Cash Flows

Years Ended December 31, 2021 and 2020

NongHyup Financial Group Inc. and Subsidiaries

(In millions of Korean won)

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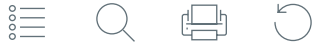
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	2021	2020
<b>Operating activities</b>		
Income before income tax expense	₩ 3,831,671	₩ 2,846,486
Adjustments to reconcile net income before income tax expense to net cash provided by used in operating activities:		
Net interest income	(8,511,243)	(7,986,738)
Dividend income	(412,257)	(378,435)
Net loss (gain) on financial instruments at FVTPL	340,266	(532,505)
Net loss (gain) adjusted under overlay approach	(112,174)	74,509
Net gain of financial instruments designated as at FVTPL	(188,490)	(307,599)
Net loss (gain) of financial assets at FVOCI	10,952	(209,840)
Net gain of securities at AC	(18,699)	(5,175)
Net loss (gain) of hedging derivatives	670,514	(321,136)
Net gain of investments in associates	(51,499)	(88,547)
Depreciation and amortization	609,691	563,742
Other loss (gain) of tangible and intangible assets	2,807	(580)
Provision of allowance for expected credit losses	312,526	637,678
Loss from insurance compensation	557,193	911,973
Net loss (gain) on foreign currency translation	(911,161)	563,799
Retirement expenses	262,233	318,456
Other losses (gains)	234,193	506,742
	(7,205,148)	(6,253,656)
Changes in operating assets and liabilities:		
Due from banks	5,057,398	(5,959,354)
Financial assets at FVTPL	3,302,322	(5,701,611)
Derivative assets	2,218,236	686,080
Loans	(30,924,046)	(32,739,384)
Other assets	835,728	(1,328,080)
Deposits	20,489,136	37,395,829
Financial liabilities at FVTPL	2,273,397	(566,031)
Financial liabilities designated at FVTPL	(1,716,927)	(2,613,907)
Derivative liabilities	(2,227,832)	(562,985)
Net defined benefit obligation	(368,490)	(326,730)
Other liabilities	(1,177,986)	5,604,106
	(2,239,064)	(6,112,067)

**NongHyup Financial Group Inc. and Subsidiaries**

(In millions of Korean won)

	2021	2020
Interest receipts	11,221,914	11,776,539
Interest payments	(2,712,542)	(3,615,032)
Dividend receipts	638,754	368,614
Payment of tax expense	(833,307)	(640,784)
<b>Net cash flows provided by (used in) operating activities</b>	<b>2,702,278</b>	<b>(1,629,900)</b>
<b>Investing activities</b>		
Acquisition of financial assets at FVTPL	(25,217,834)	(28,459,991)
Disposal of financial assets at FVTPL	24,367,371	26,581,883
Acquisition of financial assets at FVOCI and securities at AC	(52,817,760)	(72,229,629)
Disposal of financial assets at FVOCI and securities at AC	50,591,995	63,824,111
Acquisition of investment in associates	(264,856)	(136,889)
Disposal of investment in associates	155,583	34,941
Acquisition of investment properties	(6,187)	(11,173)
Disposal of investment properties	7,155	954
Acquisition of tangible assets	(452,073)	(453,856)
Disposal of tangible assets	48,670	103,895
Acquisition of intangible assets	(312,644)	(183,035)
Disposal of intangible assets	4,184	3,877
Increase in guarantee deposits paid	(17,820)	(8,265)
Decrease in guarantee deposits paid	25,290	15,047
Cash inflow from hedging derivatives	767,068	401,743
Cash outflow for hedging derivatives	(684,829)	(762,666)
Others	(2,772)	(13,711)
<b>Net cash flows used in investing activities</b>	<b>(3,809,459)</b>	<b>(11,292,764)</b>
<b>Financing activities</b>		
Dividends paid and dividends on hybrid equity securities	(835,567)	(613,394)
Issuance of hybrid equity securities	366,174	-
Increase in non-controlling interests	449,320	-
Net increase in borrowings	(1,738,648)	8,077,471
Increase in debentures	81,479,813	61,862,214
Decrease in debentures	(78,674,518)	(56,192,563)
Others	38,322	713,109
<b>Net cash flows provided by financing activities</b>	<b>1,084,896</b>	<b>13,846,837</b>



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**NongHyup Financial Group Inc. and Subsidiaries**

(In millions of Korean won)

	<b>2021</b>	<b>2020</b>
Net increase (decrease) in cash and cash equivalents	(22,285)	924,173
Cash and cash equivalents at the beginning of the year	5,636,005	4,735,016
Effect of exchange rate changes on cash and cash equivalents	97,141	(23,184)
Cash and cash equivalents at the end of the year	<b>₩ 5,710,861</b>	₩ 5,636,005



# SEPARATE FINANCIAL STATEMENTS

## Independent Auditors' Report

To the Board of Directors and Shareholders of NongHyup Financial Group Inc.:

### Report on the Audited Separate Financial Statements

#### Audit Opinion

We have audited the accompanying separate financial statements of NongHyup Financial Group Inc. (the "Company"), which comprise the separate statements of financial position as of December 31, 2021 and 2020, respectively, and the related separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, respectively, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRSs").

#### Basis for Audit Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audits of the separate financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### 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 K-IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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 Company'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 Company or to cease operations.

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

**Auditors' Responsibilities for the Audits 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing 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 Korean Standards on Auditing, 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

March 11, 2022

*Deloitte Idnjin LLC*

**Notice to Readers**

This report is effective as of March 11, 2022, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the separate financial statements and may result in modifications to the auditors' report.





# Separate Statements of Financial Position

December 31, 2021 and 2020

NongHyup Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	2021	2020
<b>Assets</b>		
Cash and due from banks	₩ 3,385	₩ 208
Financial assets measured at fair value through profit or loss (FVTPL)	94,747	171,315
Loans and receivables	378,432	765,285
Investments in subsidiaries and joint ventures	22,453,081	21,039,181
Tangible assets	1,413	1,048
Right-of-use assets	531	1,854
Intangible assets	9,079	5,259
Deferred tax assets	1,449	2,408
Other assets	279	177
<b>Total assets</b>	₩ 22,942,396	₩ 21,986,735
<b>Liabilities</b>		
Debentures	₩ 3,925,574	₩ 3,686,171
Net defined benefit liabilities	3,093	6,595
Provisions	588	408
Current income tax liabilities	78,617	284,555
Other financial liabilities	12,514	16,380
Other non-financial liabilities	99,711	82,537
<b>Total liabilities</b>	4,120,097	4,076,646
<b>Equity</b>		
Ordinary share	1,414,095	1,414,095
Other paid-in capital	15,974,638	15,608,465
Retained earnings	1,434,405	890,566
Accumulated other comprehensive loss	(839)	(3,037)
<b>Total equity</b>	18,822,299	17,910,089
<b>Total liabilities and equity</b>	₩ 22,942,396	₩ 21,986,735

# Separate Statements of Comprehensive Income

Years Ended December 31, 2021 and 2020

NongHyup Financial Group Inc. and Subsidiaries

(In millions of Korean won, except per share amounts)

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	2021	2020
<b>Net interest income</b>		
Interest income	₩ 5,015	₩ 2,361
Interest expense	(77,835)	(84,838)
	(72,820)	(82,477)
<b>Net commission income</b>		
Commission income	-	-
Commission expenses	(28)	(21)
	(28)	(21)
<b>Gain on financial instruments measured at FVTPL</b>	3,411	3,014
<b>Net other operating income</b>		
Other operating income	845,712	898,276
Other operating expenses	(81)	(92)
	845,631	898,184
<b>Provision (reversal) of allowance for expected credit losses</b>	185	(291)
<b>Selling and administrative expenses</b>		
Employee benefits	27,431	24,936
Depreciation and amortization expenses	3,209	3,327
Other selling and administrative expenses	17,736	15,514
	48,376	43,777
<b>Operating income</b>	728,003	774,632
<b>Net non-operating income</b>		
Non-operating income	514,040	259
Non-operating expenses	(361)	(406)
	513,679	(147)
<b>Net income before income tax expense</b>	1,241,682	774,485
Income tax expense (benefit)	124	(13,852)
<b>Net income</b>	₩ 1,241,558	₩ 788,337
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to profit or loss:	2,198	827
Remeasurements of the defined benefit liabilities plan	2,198	827
Items that may be reclassified subsequently to profit or loss:	-	-
	2,198	827
<b>Total comprehensive income</b>	₩ 1,243,756	₩ 789,164
<b>Earnings per share (Korean won)</b>		
Basic earnings per share	₩ 4,327	₩ 2,736
Diluted earnings per share	4,327	2,736

# Separate Statements of Changes in Equity

Years Ended December 31, 2021 and 2020

NongHyup Financial Group Inc. and Subsidiaries

(In millions of Korean won)

FY2020	Capital stock	Other paid-in capital		Accumulated other comprehensive income (loss)	Retained earnings	Total equity
		Capital surplus	Hybrid equity securities			
Balance at January 1, 2020	₩ 1,414,095	₩ 15,190,453	₩ 418,012	₩ (3,864)	₩ 627,145	₩ 17,645,841
Net income for the year	-	-	-	-	788,337	788,337
Remeasurements of the net defined benefit liabilities	-	-	-	827	-	827
Dividend of hybrid equity securities	-	-	-	-	(14,670)	(14,670)
Dividends	-	-	-	-	(500,000)	(500,000)
Consolidated tax effect	-	-	-	-	(10,246)	(10,246)
Balance at December 31, 2020	₩ 1,414,095	₩ 15,190,453	₩ 418,012	₩ (3,037)	₩ 890,566	₩ 17,910,089

FY2021	Capital stock	Other paid-in capital		Accumulated other comprehensive income (loss)	Retained earnings	Total equity
		Capital surplus	Hybrid equity securities			
Balance at January 1, 2021	₩ 1,414,095	₩ 15,190,453	₩ 418,012	₩ (3,037)	₩ 890,566	₩ 17,910,089
Net income for the year	-	-	-	-	1,241,558	1,241,558
Remeasurements of the net defined benefit liabilities	-	-	-	2,198	-	2,198
Issuance of hybrid equity securities	-	-	366,173	-	-	366,173
Dividend of hybrid equity securities	-	-	-	-	(17,719)	(17,719)
Annual dividends paid	-	-	-	-	(347,000)	(347,000)
Interim dividends paid	-	-	-	-	(333,000)	(333,000)
Balance at December 31, 2021	₩ 1,414,095	₩ 15,190,453	₩ 784,185	₩ (839)	₩ 1,434,405	₩ 18,822,299

# Separate Statements of Cash Flows

Years Ended December 31, 2021 and 2020

NongHyup Financial Group Inc. and Subsidiaries

(In millions of Korean won)

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	2021	2020
Operating activities		
Net income before income tax expense	₩ 1,241,682	₩ 774,485
Adjustments to reconcile income before income tax expense to net cash provided by operating activities:		
Interest expense	77,835	84,838
Retirement expense	1,865	1,933
Redundancy payments	-	313
Provision of allowance for expected credit losses	-	291
Depreciation	530	363
Depreciation of right-of-use assets	1,514	1,479
Amortization of intangible assets	1,165	1,485
Others	58	78
	82,967	90,780
Adjustments (deduction) to reconcile net income to net cash flows:		
Interest income	(5,015)	(2,361)
Dividend income	(845,712)	(898,140)
Reversal of impairment losses on investments in subsidiaries and joint ventures	(513,900)	-
Reversal of allowance for expected credit losses	(185)	-
Gain on valuation of financial assets measured at FVTPL	(3)	(198)
Others	(2)	(137)
	(1,364,817)	(900,836)
Changes in operating assets and liabilities:		
Financial assets measured at FVTPL	76,571	30,492
Accounts receivable	(1,288)	(31)
Prepaid expenses	(111)	(21)
Net defined benefit liabilities	(2,335)	(2,527)
Accrued expenses	(1,092)	826
Payables	(1)	(119)
Other deposits	42	44
Taxes withheld	156	247
Taxes payable	(518)	1,980
Other assets	10	(9)
	71,434	30,882

**NongHyup Financial Group Inc. and Subsidiaries**

(In millions of Korean won)

	2021	2020
Cash received from operating activities:		
Interest receipts	5,471	1,353
Dividend receipts	845,712	898,140
	851,183	899,493
Cash payment for operating activities		
Interest payments	(77,470)	(83,781)
	(77,470)	(83,781)
<b>Net cash flows provided by operating activities</b>	<b>804,979</b>	<b>811,023</b>
<b>Investing activities</b>		
Cash inflows related to investing activities	-	-
Cash outflows related to investing activities:		
Acquisition of loans at amortized cost	-	(400,000)
Acquisition of tangible assets	(782)	(350)
Acquisition of investments in subsidiaries	(700,000)	(300,000)
Acquisition of intangible assets	(4,985)	(1,668)
Acquisition of guarantee deposits paid	(580)	-
<b>Net cash flows used in investing activities</b>	<b>(706,347)</b>	<b>(702,018)</b>
<b>Financing activities</b>		
Cash inflows related to financing activities:		
Issuance of debentures	1,197,684	1,347,270
Issuance of hybrid equity securities	366,173	-
	1,563,857	1,347,270
Cash outflows related to financing activities:		
Redemption of debentures	(960,000)	(940,000)
Dividends paid	(680,000)	(500,000)
Payment of the distribution of hybrid equity securities	(17,719)	(14,670)
Redemption of lease liabilities	(1,593)	(1,546)
	(1,659,312)	(1,456,216)
<b>Net cash flows used in financing activities</b>	<b>(95,455)</b>	<b>(108,946)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,177</b>	<b>59</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>208</b>	<b>149</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>₩ 3,385</b>	<b>₩ 208</b>

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