Daegu Bank’s Sustainability Management Reporting & Communication

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(Chief of Sustainability Working Committee, Daegu Bank)
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Ⅰ. About Daegu Bank
Bank Profile

The first regional bank in Korea
(Established in Oct. 7, 1967)

Total Asset Size: 22 billion Dollars

Market Share:
44% in Daegu, 20% in Gyeongbuk

Branches (Nr.): 209

Employee (Nr.): 2,825
Financial Performance

- **Total Asset** (Unit: Trillion Won)
  - 2003: 18.2
  - 2004: 19.7
  - 2005: 20.5
  - 2006: 23.1
  - 2007: 25.4

- **Total Loan & Deposit** (Unit: Trillion Won)
  - 2003: 15.2
  - 2004: 15.9
  - 2005: 16.8
  - 2006: 18.0
  - 2007: 19.6

- **Net Income** (Unit: billion Won)
  - 2003: 110.8
  - 2004: 123.5
  - 2005: 175.3
  - 2006: 240.5
  - 2007: 260.8

- **ROA** (Unit: %)
  - 2003: 25.4
  - 2004: 1.2
  - 2005: 1.2
  - 2006: 0.9
  - 2007: 0.7
  - 2008: 0.7
  - 2009: 1.2
  - 2010: 1.2
II. Sustainability Mgmt & Reporting
Sustainability Management

Global Leading Regional Bank

Sharing Dreams and Prosperity with the Region

Enhanced Brand Value
Seeking New Opportunities
Securing Social Leadership
Sustainable Finance
Social Contribution
Ethics Management
Corporate Culture
Environment Management

Focus on Balance among the Bank’s Stakeholders
Obtained GRI A grade for the first time in the Korean banking sector
The report integrates the annual report
GRI G3 guideline reflects additional financial indicators in advance
The report also reflects VfU (i.g. German environmental guideline for financial institutions)
Printed in eco-friendly paper using bean oil
SM Organizational Structure

Organizational structure designed to promote sustainability management

- **Sustainability Mgmt Committee**
  - (Chair : CEO)
  - (Chief : Head of DGB Economic Research Division)

  - **Corp.Culture-Ethics Working Group**
    - HR Support Dept.
    - Compliance Dept.
    - HR Training Dept.
    - IT Planning Dept.
    - Employee Satisfaction Survey
    - Family Care Program
  - **Social Contribution Working Group**
    - Public Finance Dept.
    - Performance Mgmt
    - Publicity Dept.
    - Marketing Dept.
    - Planning Social Activities Evaluation of Feedback
  - **Environment Mgmt Working Group**
    - General Affairs Dept.
    - Public Finance Dept.
    - Marketing Dept.
    - Planning Green Activities
    - Energy Consumption Control
  - **Sustainable Finance Working Group**
    - Loan Planning Dept.
    - Strategic Alliance Dept.
    - IB Dept.
    - Marketing Dept.
    - Developing Sustainability Products
    - Eco-friendly Investment
III. Internal Communication
CEO Focused on Sustainability Management

**CEO LETTER**
- Every staff receives weekly CEO Letter
- Sharing the SM core value
- Provides the relevant information

**In-service Training & Conference**
- AGM, General Managers Meeting, In-service training of the newly recruited
- PR materials
Declaration Ceremony of DGB Sustainability Management

- September 27, 2006
- Sustainability Mgmt declared in public
  - Started publishing sustainability report in accordance with GRI guideline
  - Formulated Sustainability Management strategy considering ESG
- Joined the UNEP Financial Initiatives

Sustainability Management declared for the first time in the Korean banking sector
Sustainability Management Initiatives

DGB STOP CO₂ Resolution

- March 25, 2008
- DGT STOP CO₂ Plan
  - Energy consumption control by energy sources (electric power, using water, fuels for heating and company vehicles, and others)
- STOP CO₂ Campaign MOU Signed
  - Daegu Bank & Korea Green Foundation

Low Carbon Plan
### Energy Saving Plan by Source

#### CO₂ Emission by Electric Power Usage

<table>
<thead>
<tr>
<th>Year</th>
<th>Emission (CO₂ Ton)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3,044</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>3,102</td>
<td>1.9%</td>
</tr>
<tr>
<td>2007</td>
<td>3,336</td>
<td>7.5%</td>
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<tr>
<td>2008</td>
<td>3,503</td>
<td>5.0%</td>
</tr>
<tr>
<td>2009</td>
<td>3,328</td>
<td>-5.0%</td>
</tr>
</tbody>
</table>

(Unit: CO₂ Ton)

#### CO₂ Emission by Fuel for Heating

<table>
<thead>
<tr>
<th>Year</th>
<th>Emission (CO₂ Ton)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>490.4</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>427.6</td>
<td>-12.8%</td>
</tr>
<tr>
<td>2007</td>
<td>328.4</td>
<td>-23.2%</td>
</tr>
<tr>
<td>2008</td>
<td>295.6</td>
<td>-10.0%</td>
</tr>
<tr>
<td>2009</td>
<td>266.0</td>
<td>-10.0%</td>
</tr>
</tbody>
</table>

#### CO₂ Emission by Fuel for Automobile

<table>
<thead>
<tr>
<th>Year</th>
<th>Emission (CO₂ Ton)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>202.92</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>234.92</td>
<td>15.8%</td>
</tr>
<tr>
<td>2007</td>
<td>261.17</td>
<td>11.2%</td>
</tr>
<tr>
<td>2008</td>
<td>277.88</td>
<td>6.4%</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td>5.0%</td>
</tr>
</tbody>
</table>
Environment Management

Activities in the past
- Built Gyeongsang Gamyoung Park
- Built Bronze Statue of “Win-win Hand”
- Gumi Dongrak Park tree plantation
- Conserving Dokdo Island, Shincheon & Nakdong River

On-going Activities
- DGB Solar Power Plant at a branch (Banyawol br.)
- Energy Saving Campaign
- Regional Energy Saving Movement

Plan
- Activities to reduce CO$_2$ emission
- Tree Planting : Mongol, Daegu region
- Strengthened Eco-friendly Investment
The employee survey on the Sustainability Management Program facilitates the internal communication (Survey: June 10~12, 2008)

**Importance of Sustainability Management**
- Very Important: 23.2%
- Important: 44.9%
- Slightly important: 28.06%
- Don’t know: 23.2%
- Not important at all: 3.57%
- Very Big: 9.69%
- Neither big nor small: 34.69%
- Big: 46.94%
- Small: 7.65%
- No impact at all: 1.02%

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**Impact of SR on Stakeholder Focused Mgmt**
- Not important at all: 0.26%
- Slightly important: 3.57%
- Important: 44.9%
- Very Important: 23.2%
- Don’t know: 28.06%
- No impact at all: 1.02%
- Small: 7.65%
- Neither big nor small: 34.69%
- Big: 46.94%
- Very Big: 9.69%
IV. External Communication
Joining global initiatives, Daegu Bank pursues sustainability management program that lives up to global standard

- Jul.18, 2006 – Joined the UN Global Compact
- Sep.27, 2006 – Adopted the UNEP FI Manifesto
- Jan.5, 2007 – Joined the CDP 5
- Oct.23, 2007 – CEO participated in the UNEP FI AGM & Global Roundtable (First Timer in the Korean banking sector)
Communication with the investors on the Sustainability Management Program

**Communication with Investors**

**CEO’s IR Activities**

- Non-deal Roadshow & Conference: 15 times

**IR Activities (2007)**

- Quarterly Analyst Meeting: 4 times
- Non-deal Roadshow & Conference: 78 times
- Conference Call: 28 times
- One-on-One & Small group meetings: 19 times

Investors support Sustainability Management Program
Communication with Regional Society

Social contribution as a tool for promoting communication with the regional society

DGB Community Service Corps

- Launched in 2002 with 23 divisions (2,626 staffs joined)
- Environmental activities, blood donations, etc.
- Frequency of Community Activities

![Graph showing frequency of community activities from 2004 to 2006](chart.png)

Senior management is actively engaged in

- Various social volunteering activities
- Writing relevant articles in newspapers
- Delivering lectures at workshops & conferences
**Support for growth of sustainable finance through cooperation with government**

2005

Engaged in a research project with MOE for introducing Credit Management System taking into account environmental information of borrowers

2006

Engaged in the evaluation of environmental risks (Project Finance) driven by MOE

2007

Engaged in the evaluation of environmental risks (Pilot Project) driven by Ministry of Environment (MOE)

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**Cooperation with the local governments and public institutions**

- Local government officers (Daegu) in-service training on the agenda of sustainability management
- Gumi received consultation on sustainable growth / Provided support service for joining the Global Compact
- Daegu City signed MOU for Solar City Project: Solar power plant (50MW) should be built on the buildings of public institutions in the region

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**Eco-friendly Loan Product Development**

**DGB Solar Power Plant**
Achievements of Sustainability Management

**Upgraded Credit Ratings**
- *Moody’s Rating upgraded 3 notches: ‘06 Baa2 → ‘07 A2/Stable*

**Improved Financial Performance**
- *All-time High Net Income (250 million dollars for 2007)*

**Enhanced Corporate Brand Value**
- *‘08 Ranked 297th: The Global 500 banking brand index (The Banker)*

**Awards**
- *‘06 Grand Prize for Eco-friendly Management (The Korea Economic Daily)*
- *‘07 LOHAS Management Prize (Korea Green Foundation)*
- *‘07 The 2nd Sustainability Management Award (Ministry of Commerce, Industry and Commerce • The Korea Chamber of Commerce & Industry)*
- *‘08 Grand Prize for Customer Satisfaction (The Korea Economic Daily)*
- *‘08 “2007 Asia’s Best Managed Company” (Asiamoney)*
Thank You!

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