KEB Hana Bank (D) Aktiengesellschaft
Frankfurt am Main

Short-Form Audit Report
Annual Financial Statements as of December 31, 2020, Management Report for Financial Year 2020 and Auditors' Report

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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Translation of the German independent auditor's report concerning the audit of the annual financial statements and management report prepared in German

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Note:

We have issued the auditor's report presented below in compliance with legal and professional requirements subject to the conditions described in the enclosed "Engagement Terms, Liability and Conditions of Use.

If an electronic version of this document is used for disclosure in the elektronischer Bundesanzeiger [Electronic German Federal Gazette], only the files containing the financial reporting and, in the case of a statutory audit, the audit opinion or the report thereon are intended for this purpose.

Translation of the German independent auditor's report concerning the audit of the annual financial statements and management report prepared in German

Independent auditor's report

To KEB Hana Bank (D) Aktiengesellschaft, Frankfurt am Main

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of KEB Hana Bank (D) Aktiengesellschaft, Frankfurt am Main, which comprise the balance sheet as at 31 December 2020, and the income statement for the fiscal year from 1 January 2020 to 31 December 2020, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of KEB Hana Bank (D) Aktiengesellschaft, Frankfurt am Main, for the fiscal year from 1 January 2020 to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Institution as at 31 December 2020 and of its financial performance for the fiscal year from 1 January 2020 to 31 December 2020 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Institution's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the annual financial statements and of the management report” section of our auditor’s report. We are independent of the Institution in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Identification of impaired loans and advances to customers in the corporate credit portfolio

Reasons why the matter was determined to be a key audit matter

The identification of impaired loans and advances to customers entails uncertainties and is subject to various assumptions and factors which require the use of judgment or estimates. Expectations as to future cash inflows are developed on the basis of the assessment of the customers' economic situation and the collateral furnished. These judgments can have a significant effect on the necessity to recognize a risk provision.

In view of the business model of KEB Hana Bank (D) AG, which focuses on the corporate credit portfolio, which in turn comprises a significant portion of the Bank's assets, and increased uncertainty in connection with estimates due to the coronavirus pandemic, we determined the identification of impaired loans and advances to customers in the corporate credit portfolio to be a key audit matter.

Auditor's response

We examined the process for identifying impaired loans and advances to customers in the corporate credit portfolio. We assessed the controls implemented for this process in terms of their operating effectiveness with regard to identifying impaired loans and advances to customers.

In addition, we performed substantive procedures and tested in a credit file review whether impairment was required to be recognized for the loan exposures in our sample. To this end, we assessed the economic situation of the collateral providers, largely on the basis of the financial information published, and examined the recoverability of the collateral furnished by the collateral providers, mainly in the form of guarantees. We selected our sample in particular on the basis of the amount outstanding, the internal rating of the collateral provider and the industries hit especially hard by the coronavirus pandemic.

Our procedures did not give rise to any reservations regarding the identification of impaired loans and advances to customers in the corporate credit portfolio.

Reference to related disclosures in the annual financial statements and the management report

Information on loans and advances to customers is provided in section 2. “Accounting and valuation principles” of the notes to the financial statements. The management report contains information on the identification of impaired loans and advances to customers in section 7. “Outlook, opportunities and risks” under “Counterparty default risk.”

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Institution’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Institution's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Institution's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Institution's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report 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 these systems of the Institution.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' 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 Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Institution's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 17 June 2020. We were engaged by the Supervisory Board on 30 November 2020. We have been the auditor of KEB Hana Bank (D) Aktiengesellschaft without interruption since fiscal year 2017.

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We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Mr. Christoph Hultsch.

Eschborn/Frankfurt am Main, 31 May 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Hultsch	Distler
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

ERNST & YOUNG GMBH * WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT * ZWEIGNIEDERLASSUNG ESCHBORN/FRANKFURT AM MAIN * WIRTSCHAFTS- PRÜFUNGS- GESELLSCHAFT SIEGEL STUTTGART

Balance sheet as of 31 December 2020 of KEB Hana Bank (D) Aktiengesellschaft, Frankfurt/Main

Assets

	EUR	EUR	EUR	EUR	Prior year EUR k
1. Cash reserve					
a) Cash on hand			1.024,31		2
b) Balances at central banks			246.139.033,77		172.228
thereof at Deutsche Bundesbank	246.139.033,77				0
c) Postal giro balances			0,00	246.140.058,08	0
2. Loans and advances to banks					
a) Payable on demand			4.254.928,93		13.639
b) Other loans and advances			12.583.927,27	16.838.856,20	71.207
3. Loans and advances to customers				264.316.760,24	214.474
4. Debt securities and other fixed-income securities					
a) Bonds and debt securities					
aa) issued by the public sector		80.946.352,77			25.429
thereof eligible as collateral with Deutsche Bundesbank	80.946.352,77				
(prior year: EUR 25,429k)					
ab) issued by other borrowers		191.601.779,58	272.548.132,35		157.924
thereof eligible as collateral with Deutsche Bundesbank	12.467.475,80				
(prior year: EUR 10,438k)					
				272.548.132,35	
5. Intangible assets					
a) Purchased franchises, industrial and similar rights and assets and licenses in such rights and assets				3.325,67	3
6. Property and equipment				66.748,34	89
7. Other assets				101.366,96	193
Total assets				800.015.247,84	655.188

Liabilities and equity

	EUR	EUR	EUR	Prior year EUR k
1. Liabilities to banks				
a) Payable on demand		51.491.175,01		56.295
b) With an agreed term or period of notice		43.912.690,85	95.403.865,86	127.956
2. Liabilities to customers				
a) Other liabilities				
aa) Payable on demand	349.648.470,02			219.678
ab) With an agreed term or period of notice	271.988.350,48	621.636.820,50	621.636.820,50	171.884
3. Other liabilities			238.271,35	19
4. Deferred income			95.017,21	36
5. Provisions				
b) Tax provisions		0,00		7
c) Other provisions		293.207,72	293.207,72	330
6. Equity				
a) Called capital				
Subscribed capital	23.008.135,44	23.008.135,44		23.008
b) Capital reserves		2.556.459,41		2.557
c) Revenue reserves				
ca) Other revenue reserves	55.100.679,87	55.100.679,87		51.665
d) Net retained profit/accumulated loss		1.682.790,48	82.348.065,20	1.753
Total liabilities and equity			800.015.247,84	655.188

	EUR	EUR	EUR
Contingent liabilities			
a) Acceptances and endorsements	0,00		0
b) Guarantees	36.684.396,84		9.358
c) Assets pledged as collateral for third-party liabilities	0,00	36.684.396,84	0
Other obligations			
a) Commitments arising out of sale and repurchase transactions	0,00		0
b) Placement and underwriting commitments	0,00		0
c) Irrevocable loan commitments	1.744.159,63	1.744.159,63	4.343

Income statement of KEB Hana Bank (D) Aktiengesellschaft, Frankfurt/Main,
for the period from 1 January to 31 December 2020

	EUR	EUR	EUR	Prior year EUR k
1. Interest income from				
a) Lending and money market business	3.088.512,03			4.204
less negative interest from lending and money market business	-968.869,00			-791
b) Fixed-income securities and government-inscribed debt	2.698.554,22	4.818.197,25		3.270
2. Interest expenses	-937.244,32			-3.414
Plus negative interest on credit balances from deposit business	344.456,08	-592.788,24	4.225.409,01	170
3. Commission income		7.129.916,80		7.431
4. Commission expenses		-200.267,37	6.929.649,43	-202
5. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-2.414.915,70			-2.320
bb) Social security, pension and other benefit costs	-316.184,36	-2.731.100,06		-303
thereof for old-age pensions: EUR 39,016.17 (prior year: EUR 41k)				
b) Other administrative expenses		-2.748.653,03	-5.479.753,09	-2.224
6. Amortization, depreciation and impairment of intangible assets and property and equipment			-21.732,69	-31
7. Other operating income			32.837,06	3
8. Write-downs of and allowances on loans and advances and certain securities as well as allocations to provisions for possible loan losses			-545.633,11	-480
9. Income from write-ups of loans and advances and certain securities and from the reversal of provisions for possible loan losses			-	-
10. Income from write-ups of equity investments, shares in affiliates and securities classified as fixed assets				0
11. Other operating expenses			-125.439,34	-63
12. Result from ordinary activities			5.015.337,27	5.250
13. Income taxes			-1.649.148,31	-1.744
14. Other taxes			-608,00	-1
15. Net income/net loss for the year			3.365.580,96	3.505
16. Allocations to the revenue reserves				
a) to other revenue reserves		1.682.790,48	1.682.790,48	1.753
17. Net retained profit/accumulated loss			1.682.790,48	1.753

KEB Hana Bank (D) AG

Frankfurt am Main

Financial statements as of 31 December 2020

Management report for fiscal year 2020

1. Description of the business model and the macroeconomic and industry-specific framework conditions

1.1 Organizational structure of the Institution

The Bank is a small bank in Germany with a total of 29 employees (including the Management Board). The governing bodies of the Bank comprise the annual general meeting, a three-member Supervisory Board and the Management Board (Board Chairman and one other member). There are no further committees in these boards. The Bank was established as a stock corporation in December 1992 and since then has been wholly owned by KEB Hana Bank located in Seoul, Korea. KEB Hana Bank, Seoul, Korea, is also a non-listed institution and since 2013 has been wholly owned by Hana Financial Group Inc., Seoul, Korea, which itself is listed on the Seoul stock exchange.

1.2 Locations of the Bank

As in the prior year, the Bank does not maintain locations or branches apart from its headquarters in Frankfurt am Main. Only within the scope of our cross-border service transactions did the Bank establish a representative office in Ostrava, Czech Republic, in October 2008 to serve existing customers in the Czech Republic. Since then, this office has been maintained unchanged and is currently staffed by two people.

1.3 Products and services

The Bank is authorized to perform all banking transactions within the meaning of the German Banking Act ["Kreditwesengesetz": KWG]. The Bank is particularly active in the area of import and export financing and supporting Korean subsidiaries in Germany as well as in central and eastern Europe. Its products and services are divided into three areas:
1) Commercial Banking: the existing products corporate loans, mortgage loans and payments have been expanded to include promissory note loans and commercial real estate loans (mostly in the form of syndicated loans) to local non-Korean borrowers. 2) Trade Finance: documentary collection, documentary credits and non-recourse financing. 3) Financial Institutions (FI) business: banker's acceptances, interbank lending and foreign exchange business. As in the past, private customer business is only conducted to a very limited extent.

1.4 Business processes

The Bank's business processes are described in the detailed organization manuals. Given the size of the Institution, the Management Board is already directly involved in the initial stages of entering into large exposures. The Management Board is informed of all changes in the Bank which are relevant to risk and is personally involved in the decision-making processes.

1.5 External influential factors

Due to its focus on the support of Korean subsidiaries and its close involvement in the Hana Financial Group and KEB Hana Bank, both located in Seoul, Korea, the economic development in Germany as well as in Korea is a crucial factor for the Bank's business success.

1.6 Changes to the business model

As in the prior year, the Bank's business model has been largely unchanged with some new products introduced for local non-Korean customers. The transactions have a Korean background since they are initiated by Hana Financial Investment Co. Ltd., Seoul.

1.7 Macroeconomic and industry-specific conditions

1.7.1 Overall economic environment

Following the historical slump in the second quarter of 2020, the third quarter saw the global economy recuperate a substantial portion of the production losses suffered in the first half of the year as a result of the COVID-19 pandemic. Global production grew by almost 9% in the third quarter of 2020, topping even the optimistic expectations. Although a new wave of infections and measures to contain it have put the brakes on recovery, at a global level production remains on the up. While GDP in Europe will likely decline again in the fourth quarter of 2020, it is set to rise in most other parts of the world; in China the economy is roaring back to robust growth. Unlike in the spring of 2020, no serious negative impacts from the pandemic on production in the manufacturing industry, global trade or commodity prices are currently discernible. With the anticipated reduction in infection rates, economic activity is also expected to pick up again in the course of the first quarter of 2021 in those sectors that experienced tangible dips. For the rest of 2021, with the ramped up vaccination rollout for the general population, the risk of infection will fall and conditions are also expected to quickly return to normal for the particularly contact-intensive industries.

1.7.2 Economic development in South Korea

The Republic of Korea is a G-20 country and has been a member of the OECD since 1996. With a gross domestic product of USD 1,630b (2018), it ranked 12th out of the world's economies. At the end of 2020, GDP came to USD 1,587b after USD 1,647b at the end of 2019, which was USD 30,644 per capita at the end of 2020 after 31,846 per capita at the end of 2019.

The economy has been severely hit by the virus despite the extremely favorable outlook for 2020 published by the Organization for Economic Cooperation and Development (OECD). According to the Bank of Korea, South Korea's GDP grew by 1.1% on a quarter-by-quarter basis in the last three months of 2020, compared with an expansion of 2.1% in the previous period and the market consensus of 0.7%, as indicated by preliminary data. Private consumption shrank by 1.7% while government spending declined by 0.4%. In the meantime, gross fixed asset investments rose by 2.6% after a decrease by 1.4%, bolstered by a 6.5% expansion in the construction sector. In terms of trade, exports grew by 5.2% and imports by 2.1%. GDP fell by 1.4% year on year following a decrease of 1.1% on the previous quarter due to the strain put on the economy by coronavirus.

On 16 March 2020, the Bank of Korea lowered its main policy rate by 50 basis points to 0.75% and allowed bank bonds to serve as collateral for its open market operations. On 26 March, it pledged to provide unlimited liquidity for financial institutions for the three months of April, May and June 2020. On 28 May 2020, it lowered the main policy rate by a further 25 basis points to 0.5%.

1.7.3 Economic activity in Germany

Based on initial calculations by the German Federal Statistical Office (Destatis), inflation-adjusted gross domestic product (GDP) was 5.0% lower in 2020 than in the prior year. After a 10-year growth phase, the German economy thus went into a deep recession in 2020, the year of the coronavirus crisis, similar to the financial and economic crisis in 2008/2009. However, according to provisional calculations, the economic slump in 2020 was not as strong as in 2009 at -5.7%.

The coronavirus pandemic left a clear mark on virtually all economic sectors in 2020. Production was in some cases significantly curbed in both the services and manufacturing sectors. Manufacturing (not including construction), which accounts for around one quarter of total economic output, saw an inflation-adjusted 9.7% drop in output compared to 2019, while the processing industry decreased by 10.4%. Industry was hit particularly hard by the effects of the coronavirus pandemic in the first half of the year after, for example, global supply chains were temporarily severed.

The economic slump had a particularly strong impact on the services sectors, some of which saw historically strong declines. For example, the combined economic output of retail, mobility and hospitality was down 6.3% (inflation-adjusted) on 2019. There were also disparate developments, with online retail thriving while some bricks-and-mortar retail operations clocked up huge deficits. The major restrictions affecting hotels and restaurants led to a record decline in hospitality.

The effects of the coronavirus pandemic were also clearly noticeable on the demand side, but in contrast to the financial and economic crisis, where overall spending propped up the economy, private consumer spending declined by 6.0% (inflation-adjusted) year on year in 2020, the largest decline recorded so far. By contrast, government consumer spending rose by 3.4% adjusted for inflation and had a stabilizing effect even in the coronavirus crisis, aided, among other things, by the procurement of protective equipment and hospital services.

The inflation-adjusted 3.5% decline in gross capital expenditure represented the largest decline since the financial and economic crisis in 2008/2009. However, in contrast with this trend, construction investment increased by 1.5%. By contrast, adjusted for inflation, investments in machines, equipment and vehicles declined by an inflation-adjusted 12.5% year on year in 2020. Other investments, including investments in research and development, fell by 1.1% adjusted for inflation according to preliminary estimates.

The coronavirus pandemic also had a huge impact on foreign trade with exports and imports of goods and services declining in 2020 for the first time since 2009, exports by 9.9%, imports by 8.6%, adjusted for inflation. There was an especially large drop in services imports, which was chiefly the result of the substantial decrease in travel.

In 2020, Germany's economic output was produced by an average of 44.8 million people in employment, a decrease of 477,000 people compared to 2019 (down 1.1%). The coronavirus pandemic thus marked the end of an upward trend in employment rates that lasted 14 years and even survived the financial crisis of 2008/2009. Minijobbers and the self-employed were particularly heavily impacted, while the number of employees subject to social security contributions remained stable. In particular, the expanded scope of short-time working arrangements is likely to have prevented redundancies.

Accordingly to preliminary calculations, government budgets closed the year 2020 with a financing gap of EUR 158.2b. This was the first deficit since 2011 and the second highest since German reunification, topped only by the record deficit of 1995 when the debt of the Treuhand agency, for privatizing East German industry, was integrated into the government budget. The German federal government accounted for the largest portion of the funding deficit at EUR 98.3b followed by the federal states (EUR 26.1b), social security funds (EUR 31.8b) and municipalities (EUR 2.0b). Measured in terms of nominal GDP, the government calculated a deficit ratio of 4.8% for 2020. Germany therefore failed to comply with the European stability and growth pact benchmark of 3% and the national ceiling on borrowing. However, due to the coronavirus pandemic, these ratios will not be enforced in 2020 and 2021.

1.7.4 Financial markets

Investments in 2020 were not for the faint hearted. Initially, there was a seamless continuation of the remarkable investment year of 2019 with equity indices climbing to new highs in the first weeks. Then the pandemic arrived. In February the stock markets collapsed and the financial markets were given a thorough shake up. Several major indices shed up to a third of their value within the space of weeks. Following all-time highs, the stock markets endured the steepest and most rapid bear market declines in history. Numerous market players were left floundering with no liquidity and started to monetize their gold reserves. The price of gold, normally a safe haven in a crisis, lost more than 10% within a matter of days. Stock prices started to recover as early as March, buoyed by the hope that economic activity would quickly return to normal. These hopes were strengthened by the prospect of the imminent availability of vaccines against COVID-19 and have persisted until this day. Not even second or third waves of infections that have swept over some parts of the world have spoiled the recovery.

2. Assets, liabilities, financial position and financial performance

The Bank's total assets were up by EUR 144.8m on the prior year to EUR 800.0m. With regard to the use of working capital, there was a EUR 73.9m rise in the cash reserve to EUR 246.1m. By contrast, loans and advances to banks decreased by EUR 68.0m to EUR 16.8m, while receivables from customers rose by EUR 49.8m to EUR 264.3m. Securities rose by EUR 89.2m to EUR 272.5m and other assets decreased from EUR 285k to EUR 171k.

The equity and liabilities side showed a EUR 230.0m increase in customer deposits to EUR 621.6m compared to EUR 391.6m in the prior year. Liabilities to banks were down by EUR 88.9m year on year to EUR 95.4m. As of the reporting date, subscribed capital amounted to EUR 23.0m (prior year: EUR 23.0m). The capital reserves remained unchanged on the prior year at EUR 2.6m. Due to the reinvestment of the prior-year net income, other revenue reserves rose to EUR 55.1m (prior year: EUR 51.7m). As in prior years, the Management Board will propose to the annual general meeting that the entire net retained profit be transferred to revenue reserves. If the annual general meeting follows this proposal, the Bank's own funds will amount to EUR 82.3m (prior year: EUR 79.0m).

Net interest income increased by EUR 787k on the prior year to EUR 4,225k. The EUR 2,651k decrease in interest expenses to EUR 593k was contrasted by a EUR 1,865k decrease in interest income. As in the prior year, the development of net interest income in 2020 was shaped by the persistently low interest rate level.

Net commission income decreased slightly by EUR 299k from EUR 7,229k to EUR 6,930k year on year. The decline in net commission income is due in particular to the EUR 142k decline in commission income from payment transactions and documentary collections.

Personnel expenses increased by EUR 108k to EUR 2,731k (prior year: EUR 2,623k). The rise stems from salary increases and a slight increase in the average number of employees.
Non-staff operating expenses increased by EUR 524k year on year to EUR 2,749k. Significant changes relate to a VAT backpayment for prior years (2013 to 2017) of EUR 486k.

Loss allowances were up by EUR 546k in the reporting period. The change is primarily the result of an increase of EUR 574k rise in general bad debt allowances on customer loans. As in the prior year, a conservative general bad debt allowance of 0.75% of unsecured loans and advances to customers was recognized on the basis of a forward-looking analysis. The amount of 0.75% was calculated by risk management and is based on the PDs and LGDs of the respective borrowers.

Loss allowances (in EUR k):	2020	2019
Specific bad debt allowance	0	0
General bad debt allowance	1,986	1,412
Provisions for guarantees	10	7
Prudential reserve pursuant to Sec. 340f HGB	42	74
Total:	2,038	1,493

Due to the small size, the low level of complexity of the operations and the manageable business volume, internal management using only a few financial performance indicators. A comparison with prior-year figures and quantitative guidelines from the parent company is performed on a monthly, quarterly and annual basis. The Bank's return on equity in relation to the subscribed capital was 14.6% as of 31 December 2020 (prior year: 15.2%).

The return on assets to be reported in accordance with Sec. 26a (1) KWG, calculated as the net income divided by total assets, was 0.004 on the reporting date (prior year: 0.005).

A meaningful presentation of non-financial performance indicators is not possible for a niche bank such as KEB Hana Bank (D) AG and due to the small base size. Because of the limited number of customers, there is always direct contact between customers and management.

All in all, we are satisfied with the economic development in the reporting year.

3. Comparison of the forecast made in the prior period and the actual business development

In summary, in the management report for fiscal year 2019, the Management Board of the Bank already assumed that its development would be positive in the medium term, even though the persistently high regulatory and margin pressure would continue to impact earnings in the short term.

The forecast of a slight rise in earnings was not achieved. The improvement in earnings due to an increase in net interest income contrasted in particular with a significant rise in loss allowances and a one-time effect from backpayments recognized in administrative expenses, which ultimately led to lower earnings for the fiscal year overall.

The Bank succeeded in increasing its balance sheet volume in the fiscal year despite forecasts of persistent regulatory and margin pressure. This was primarily attributable to the growth forecast through the expansion of business relationships with Korean corporate customers in Eastern Europe and the addition of business with local borrowers with no ties to Korea to the product portfolio, as explained above.

The Bank's net income is only slightly down on the prior year, which is due in particular to the higher loss allowances and one-time effects from backpayments recognized in administrative expenses. The Bank's long established business model also provided a stable commercial basis in 2020.

Explanation of the capital structure

As in the prior year, the Bank's subscribed capital of EUR 23.0m comprised 45,000 no-par registered shares.

A statutory reserve pursuant to Sec. 150 (2) AktG ["Aktiengesetz": German Stock Corporation Act] did not have to be recognized as of the reporting date, since the capital reserves amount to more than 10% of the capital stock.

As in the prior year, the basis for the refinancing was customer deposits of EUR 482.2m on average (prior year: EUR 341.6m) and liabilities to banks. EUR 108.4m on average (prior year: EUR 101.0m) related to liabilities to the parent company.

The Bank's off-balance sheet liabilities of EUR 10.2k (prior year: EUR 9.6k) did not change significantly in terms of their structure, volume and risk compared to the prior year after deduction of the compensating balance and provisions for indemnification claims. Thus they do not have a relevant impact on the Bank's risk situation.

4. Breakdown of operating income according to products, regions and currencies

Interest income fell to EUR 4.8m (prior year: EUR 6.7m). As in the prior year, Asia accounted for the largest share of interest income, at 54% compared to 67% in the prior year. Europe's share rose to 50% in 2020 compared to 35% in the prior year and Germany's share also doubled to -4% compared to the prior-year figure of -2%. The percentage stated for Germany includes negative interest charged on the balances held at Deutsche Bundesbank in excess of the minimum reserves.

Total commission income decreased slightly against the prior year from EUR 7.4m to EUR 7.1m. As in the prior year, the largest items here were payment transactions and documentary collections of EUR 4.5m (prior year: EUR 4.6m), followed by foreign exchange business of EUR 1.2m (prior year: EUR 1.3m), non-recourse receivables sales of EUR 0.8m (prior year: EUR 0.7m) and letter of credit business of EUR 0.4m (prior year: EUR 0.6m). As in the prior year, Germany accounted for the largest share of commission income at 76% (prior year: 77%), followed by Europe at 14% (prior year: 12%) and Asia at 10% (prior year: 10%).

5. Liquidity, unutilized irrevocable credit lines

The Bank was solvent at all times. The provisions concerning the liquidity coverage ratio (LCR) were complied with at all times.

IT systems which are used to prepare forecast calculations are available for ongoing LCR monitoring. The functional department determines the LCR on a daily basis and informs the Management Board in the context of risk reporting. All contractually agreed and possible cash and cash equivalents and payment obligations are taken into account. Liquidity management is performed separately for each currency.

The LCR is managed in such a way that it always exceeds the 110% minimum threshold specified by the Bank. If the LCR falls short of the minimum threshold specified by the Bank, the Management Board is notified immediately. The LCR ratios for the reporting year are as follows:

Month 2020	Average LCR	Median LCR	Month End LCR
Januar	135,75	129,61	116,11
Februar	149,84	144,69	185,97
März	169,21	170,72	207,77
April	145,86	147,49	138,78
Mai	132,25	122,83	144,56
Juni	144,55	151,36	107,63
Juli	147,27	147,18	157,65
August	150,74	147,27	162,94
September	153,02	148,14	142,13
Oktober	126,79	122,87	135,10
November	136,06	135,31	172,53
Dezember	143,95	131,67	182,91

As of the reporting date, the LCR was 182.91%.

As of 31 December 2020, there were no unutilized irrevocable credit lines, as was the case at the same reporting date of the prior year.

6. Analysis of relationships with related parties

In the reporting period, there were no loans granted to members of the Bank's governing bodies. There are loan commitments in place to the Hana Bank Group, Seoul, and KEB Hana Bank, Seoul. These intrabank loans were within the permissible range pursuant to the GroMiKV ["Grosskredit- und Millionenkreditverordnung": German Regulation Governing Large Exposures and Loans of EUR 1.0m or More]. The terms of the loans were always in line with market conditions.

Overall the Bank's assets, liabilities, financial position and financial performance continued to be in order.

7. Outlook, opportunities and risks

Economic development in 2021

For 2021, the Institute for the World Economy (IfW) in Kiel expects worldwide production (measured on the basis of purchasing power parities) to increase by 6.1% after dropping to 3.8% in 2020. Global activity is also expected to increase more sharply than the medium-term trend at 4.1% in 2022. However, production is likely to remain significantly below the pre-crisis level in the long term. For global trade, the IfW projects an increase of 8.8% in 2021 following a decrease of 5.4% in 2020.

The IfW expects Germany to grow its GDP by just 3.1% in 2021. In the winter months, economic development will be noticeably impaired by the measures taken in November and December to combat the second wave of infections. The IfW assumes that by the summer of 2021, the infection protection measures will gradually cease to apply and no longer hinder economic activity. The recovery process will therefore likely be delayed by nearly half a year, before returning with strong momentum once the pandemic eases.

For 2021, the Bank of Korea (BoK) anticipates real GDP growth of 3.0%, but has also projected two additional scenarios with growth of 2.2% and 3.8% due to the high level of uncertainty. The country's success in combating the pandemic to date, the fact that there has been no lockdown or shutdown and that the economy in the electronic industry, which is important for South Korea, is intact overall have been positive factors. The government of president Moon took a greater interest in economic affairs during the coronavirus crisis. The securities and foreign exchange markets were stabilized and businesses were given access to urgently required liquidity. The government also unveiled a New Deal with a focus on investments in digitalization. Telecommunications companies are expected to invest more than UDS 20b in their 5G networks by 2022. In addition to memory chips, Samsung Electronics is increasing its investments in logic chips and the contract manufacturing of semiconductors. The Hyundai Motor Group is investing heavily in electric and fuel cell cars, autonomous driving and personal air vehicles (PAV) and robotics. The companies are focusing on state-of-the-art OLED displays. The battery manufacturers LG Chem, Samsung SDI and SK Innovation are building plants outside of South Korea. Many companies are also driving forward projects in biotechnology.

The worldwide government interventions in the economy as a result of the coronavirus crisis have not had any significant negative effects on our customers and on the Bank's earnings to date. Programs launched by the Korean government to fund investments in digital infrastructure and electromobility are having a positive effect on the business activities of our customers. For example, our Bank is involved in financing new plants for battery manufacturers in eastern Europe. The Management Board expects earnings to be slightly up again in fiscal year 2021.

Risk-relevant framework conditions

The objective of the Bank's business strategy is generating earnings by consciously taking controlled risks to the greatest extent possible, while limiting and avoiding potential losses.

In order to limit unavoidable risks specific to banking, the Bank captures, manages and limits these risks. To this end, the Management Board has implemented risk limitation processes that are based on the Bank's risk strategy and comply with legal and supervisory requirements. The risk strategy is designed to both ensure that the supervisory requirements are met and that the risks which may arise through the business strategy are limited to the greatest extent possible.

The full Management Board carries responsibility for defining the risk strategy and for properly organizing and monitoring business transactions subject to risk.

The Bank's overall risk exposure is contained by the Management Board determining the Bank's internal capital adequacy and imposing limits for risk categories (counterparty default risk, market risk, liquidity risk, operational risk and other risks). Compliance with these limits is reviewed regularly. In addition, stress scenarios are defined by management and the results of these scenarios are in turn compared to the overall risk coverage potential.

The risks are quantified when calculating internal capital adequacy. The opportunities are not quantified because the Bank's internal management is based on significant risks only, rather than opportunities determined to be significant.

There is a risk management committee in the Bank in which all risk-relevant business divisions and the Management Board are represented. The committee analyzes the current risk situation each quarter and evaluates all the risk reports which are prepared. If necessary, meetings are called at short notice. The committee's meeting minutes are submitted to the Supervisory Board shortly thereafter for its information and explained in a meeting.

Risk management system

All material risks have been recorded in an inventory, determined to be complete by the risk management committee and included in a risk manual. The risk inventory is subject to an annual review and to confirmation by the risk management committee in the event of significant changes.

The Bank uses a risk control and management system comprising risk capture, risk measurement, risk analysis, risk assessment and ongoing risk monitoring. This system is the basis for risk management. All these processes are designed in pursuit of the objective of ensuring compliance with supervisory regulations, especially the MaRisk ["Mindestanforderungen an das Risikomanagement": Minimum Requirements for Risk Management].

The Management Board, the Supervisory Board and the parent company of the Bank are informed continually of the Bank's risk situation.

There is a written multi-year internal audit plan in place including all operational and business divisions, taking the volume of business activities and inherent risk into account. Aside from the business processes, the design and operating effectiveness of risk capture, risk measurement, risk analysis, risk assessment and risk monitoring are tested. The audit cycle for each area is defined based on risk aspects and is generally three years. Particularly risk-relevant fields are subject to an annual audit cycle. The audit plan is coordinated annually and approved by the Management Board.

Risk strategies

The risk strategy is aligned with the business strategy, and with the requirements of the KEB Hana Bank Group. In addition, the objective of risk management is compliance with all future supervisory requirements (particularly capital requirements). The risk strategy takes into account the objectives and plans of the Institution's significant business activities as set forth in the business strategy and the risks of material outsourcing arrangements as well as the limitation of risk concentrations. The level of detail contained in the strategies depends on the scope and complexity as well as the inherent risk of the planned business activities. The risk strategy is broken down into the risk types set out in the risk inventory.

All working processes and business divisions were subject to a risk inventory with the goal of identifying significant risks. Taking the nature, scope and complexity of the operating activities into account, the Management Board has defined the following risks as significant and quantified them separately:

- Counterparty default risk
    - Default risk
    - Country risk
    - Concentration risk
- Operational risk
- Market risk
    - Interest rate risk in the banking book
    - Currency risk
- Liquidity risk
    - Funding risk
- Business risk

In order to limit the risks, the Bank has defined limits for the significant risks as part of the internal capital adequacy calculation.
The Bank consistently considers risks on a gross basis, i.e., before countermeasures, recognized provisions or payments which have already been made.

Concentration risk is monitored and managed group-wide in consultation with KEB Hana Bank, Seoul.

The risk strategy is reviewed at least once a year by the Management Board to ensure that it is up to date and adapted if necessary. It is submitted to the responsible department heads and the Supervisory Board for their information.

Organization of risk management

The members of the Management Board are jointly responsible for risk management. The procedural regulations for risk management system are laid out in a dedicated organizational manual and supplementary work instructions.

Risk reporting is based on the quarterly risk report. Besides risk quantification, it includes comments on the current development of the individual risk types which are discussed in the risk management committee that meets quarterly. The risk report is addressed to the Bank's Supervisory Board, along with the Management Board and the risk management committee. The Management Board is notified immediately of any unplanned and risk-relevant events in the form of ad hoc reports from the respective department head.

Internal capital adequacy calculation

The Bank's internal capital adequacy calculation is based on profit and loss and the balance sheet. The Bank applies a normative-economic perspective in managing its internal capital adequacy. The Bank determines risk coverage potential both for a base scenario and for stress scenario at least quarterly and additionally as required.

In the base scenario, the impact of the risks from ordinary business activities on financial performance is calculated with a confidence level of 99%. In the stress scenario, three different scenarios (historic scenario, hypothetical scenario and a severe economic downturn) are simulated with a confidence level of 99.9%.

For default risk, a deterioration of creditworthiness is mainly assumed, with the rating of the debtor downgraded in steps.

Country risk is calculated based on spreads in accordance with the country risk premium. In the stress scenarios, the country ratings are downgraded.

Concentration risk is determined by reference to the Herfindahl-Hirschman Index (HHI). The HHI is the sum of all of squared market shares of the competing firms in the industry sectors in the Bank's portfolio. The concentration risk is calculated as the product of the HHI and the default risk. The confidence level is 99% in the base scenario and 99.9% in the stress scenarios. Furthermore, internal limits are set for defined industries and compliance with these limits is monitored on a continuous basis.

CVA risk is calculated using the standard approach and is part of default risk. The Bank does not state this separately in calculating internal capital adequacy.

For market risk, the base scenario includes the six scenarios determined by the regulator and the worst value. This is generally a parallel shift in the yield curve of 200 bp. In the stress scenarios, these are weighted by significant foreign currency position and upscaled with a confidence level of 99.9%.

For currency risk, only currencies above the 5% materiality threshold (USD) are taken into account. However, for historical reasons the pound sterling is included in both the hypothetical stress and severe economic crisis scenarios even if the currency is below the materiality threshold. The calculation is performed with a confidence level of 99.9% in the historical stress test. In the hypothetical stress test and for the assumption of a severe economic crisis, the internal limits for open positions are utilized to the fullest extent and, depending on the scenario, the historically worst exchange rate value or a reciprocal negative effect of USD or GBP is assumed for the Bank.

Operational risk is calculated on the basis of the standardized approach and is maintained at a constant value in all scenarios.

In measuring liquidity risk (funding cost risk), different assumptions are made for each scenario (normal scenario, internally triggered scenario, scenario triggered by the market and a scenario triggered both internally and by the market). For each scenario, the following assumptions are made with scenario-dependent values.

A) Deterioration in assets
B) Decrease in the interest margin and poor exchange rates
C) Delay or reduction in cash inflows
D) Decrease in or outflow of demand deposits and savings deposits
E) Increase in contingent liabilities

Business risk is an analysis of the historical actual-actual gap of the business months with a confidence level of 99% over a historical period of 10 years.

In addition, the Bank established, analyzed and documented reverse stress test scenarios in the reporting period. The reverse stress tests are performed using the base scenario by carrying out a reverse analysis when all positions except the stressed position remain the same. This is divided into an interest rate shock, simultaneous default by one or two top debtors and default of a portfolio of the smallest relevant debtors.

Internal capital adequacy is determined by comparing the risk coverage potential and the calculated risk potential. Offsetting diversification effects between the separate types of risk are not considered. The Bank distinguishes between available risk capital in the narrower sense and available risk capital in the broader sense.

Available risk capital in the narrower sense comprises realized profit after tax as of the reporting date, but no more than the budget figure for the current year, which is adjusted to reflect current developments throughout the year.

For available risk capital in the broader sense, the Bank includes both own funds and the accumulated profit for the year, less the respective regulatory capital requirements pursuant to the CRR.

The calculation of risk potential for the individual risk types is based on the following calculation methods:

Risk type	Risk measurement method
Counterparty default risk	Credit value-at-risk based on the Gordy model with parameters PD and LGD
Country risk	Country risk premium
Market risk	Exchange rate risk: Net open position*8%
Interest rate risk	VaR
Liquidity risk	Scenario-based approach
Operational risk	Standardized approach
Concentration risk	HHI
Business risk	VaR

The Bank has set limits based on its risk coverage potential for the significant risk categories (counterparty default risk, market risk, liquidity risk, operational risk, concentration risk). Significant, but non-quantifiable risks are covered by a management buffer.

For the risk scenario, the risk limit is allocated to the following risk categories:

Risk Situation	normative perspective	economical perspective
Risk Coverage Potential	29.387	29.391
Base Scenario		
RCP utilization	79%	79%
Risk Coverage Mass (risk limits)	25.900	25.900
thereof utilization (TEUR)	*18.184*	*23.261*
thereof utilization (%)	*70%*	*90%*
Risk Buffers	3.487	3.491
thereof utilization (%)	0%	0%

The total risk coverage potential amounted to EUR 29,391k in the economic perspective as of 31 December 2020. The internal limits totaled EUR 25,900k. Total utilization comes to 79% of risk coverage potential, or in terms of the risk limits, 70% in the normative and 90% in the economic perspective.

Risk Situation	normative perspective	economical perspective
Risk Coverage Potential	29.387	29.391
Stress: Historic Scenario		
RCP utilization	113%	113%
Risk Coverage Mass (risk limits)	25.900	25.900
thereof utilization (TEUR)	*26.764*	*33.346*
thereof utilization (%)	*103%*	*129%*
Risk Buffers	2.624	-3.956
thereof utilization (%)	25%	213%

In the historical stress scenario, total utilization comes to 113%, or 103% in the normative and 129% in the economic perspective. The risk buffer utilization is 25% in the normative perspective and in the economic perspective the risk buffer is fully absorbed with utilization of 213%.

Risk Situation	normative perspective	economical perspective
Risk Coverage Potential	**29.387**	**29.391**
Stress: Hypothetical Scenario		
RCP utilization	132%	132%
Risk Coverage Mass (risk limits)	25.900	25.900
thereof utilization (TEUR)	*31.843*	*38.782*
thereof utilization (%)	*123%*	*150%*
Risk Buffers	-2.456	-9.391
thereof utilization (%)	170%	369%
Stress: Severe Economic Downturn		
RCP utilization	151%	151%
Risk Coverage Mass (risk limits)	25.900	25.900
thereof utilization (TEUR)	*37.116*	*44.459*
thereof utilization (%)	*143%*	*172%*
Risk Buffers	-7.728	-15.068
thereof utilization (%)	322%	532%

In the hypothetical stress scenario total utilization is 132% and 151% in the severe economic scenario. The maximum amount in breach of the risk coverage potential for severe economic risk is EUR 15,068k. In all scenarios, the absorption of the own funds ratio of 3.2% and the countercyclical capital buffer (CCyB) of 0.16% has not been taken into account. If these are considered, the risk coverage potential increases by EUR 10,874k to EUR 40,261k if the SREP add-on is retained, such that in a severe economic scenario, the remaining amount that cannot be absorbed by the risk coverage potential is EUR 4,198k.

	normative perspective				economical perspective (pillar 1+)			
	RCP actual data 31.12.2020 in TEUR		RCP planned data until 31.12.2020 in TEUR		RCP actual data 31.12.2020 in TEUR		RCP planned data until 31.12.2020 in TEUR	
Tier 1 capital	78.983		78.983		78.983		78.983	
paid up capital		23.008		23.008		23.008		23.008
capital reserves		2.556		2.556		2.556		2.556
other retained earnings		53.418		53.418		53.418		53.418
hidden reserves / liabilities								
financial result 2020	3.365		3.882		3.365		3.882	
net earnings 2019[1]								
financial result 30.09.2020		3.365		3.365		3.365		3.365
extrapolation 01.10.-31.12.2020				517				517
deductible items	-52.960		-52.960		-52.957		-52.957	
intangible assets		-3		-3				
total capital ratio 8%		-25.896		-25.896		-25.896		-25.896
capital conservation buffer 2,5%		-8.092		-8.092		-8.092		-8.092
countercyclical buffers 0,16%		-518		-518		-518		-518
SREP-surcharge 5%		-16.185		-16.185		-16.185		-16.185
net target equity ratio 0,7%		-2.266		-2.266		-2.266		-2.266
risk coverage potential	29.387		29.904		29.391		29.908	

The significant utilization of the risk coverage potential was triggered by country risk and market risks, caused primarily by the deterioration in country spreads due to the COVID-19 pandemic and the fact that the exposure was extended to more countries as a result of securities purchases. In the same context, the securities purchases prolonged the term of the portfolio, resulting in higher interest rate risks.

In the period from 31 December 2019 to 31 December 2020, the total risk exposure increased from EUR 253,163k to EUR 323,696k. The total capital rate dropped from 29.84% on 31 December 2019 to 24.42% on 31 December 2020.

type of risk	limit	base scenario		Stress: Historical (mild)		Stress: Hypothetical (severe)		severe economic downturn (worst)	
	EUR	actual EUR	utilization %	actual EUR	utilization %	actual EUR	utilization %	actual EUR	utilization %
normative perspective									
counterparty default risk	17.000	16.411	97%	24.991	147%	30.070	177%	35.343	208%
default risk		12.008	71%	19.246	113%	23.064	136%	26.872	158%
concentration risk		759	4%	1.224	7%	1.476	9%	1.726	10%
country risk		3.644	21%	4.521	27%	5.530	33%	6.745	40%
market risk									
FX risk		16	0%	18	0%	263	5%	288	5%
operational risk	2.000	1.773	89%	1.773	89%	1.773	89%	1.773	89%
subtotal	19.000	18.184		26.764		31.843		37.116	
economic perspective									
market risk	5.500	4.916	89%	6.422	117%	6.667	121%	6.692	122%
IR risk (pUp 200)		4.899	89%	6.403		6.403		6.403	
liquidity risk	1.000	0	0%	0	0%	111	11%	491	49%
other risk	400	161	40%	161	40%	161	40%	161	40%
business risk		161		161		161		161	
risk buffers		3.487		-3.959		-9.395		-15.072	
subtotal	6.900	5.076		6.583		6.939		7.343	
total utilization rcp	25.900	23.261	90%	33.346	129%	38.782	150%	44.459	172%

An overview of the top 5 industries that account for 64% of the default risk volume, or EUR 323,987k is presented below.

	Customers		Risk volume		Unsecured volume	
	Number	Percentage	EUR k	Percentage	EUR k	Percentage
Automotive suppliers	18	18.2%	113,800	22.4%	3,000	2.6%
Financial services/asset management companies	5	5.1%	64,439	12.7%	0	0.0%
Chemical sector	6	6.1%	58,970	11.6%	0	0.0%
Trading	7	7.1%	52,493	10.3%	0	0.0%
Retail	2	2.0%	34,285	6.7%	18,000	52.5%
Share of TOP 5 industries in corporate customer business	**38**	**38%**	**323,987**	**64%**	**21,000**	**6%**
Other industries	61	61.6%	184,699	36.3%	7,278	3.9%
Total corporate customer business	**99**	**100%**	**508,686**	**100%**	**28,278**	**6%**

The following table shows a breakdown of customers by rating method.

Customer lending by rating method

	Customers		Risk volume	
	Number	Percentage	EUR k	Percentage
Rating method A (internal)	27	31.4%	207,114	40.7%
Rating method B (external)	32	37.2%	212,187	41.7%
Unrated	27	31.4%	89,493	17.6%
Total customer lending	**86**	**100%**	**508,794**	**100%**

A breakdown of customers by rating class is presented below.

Customer lending by rating class						
Rating on master scale	**Customers**		**Risk volume**		**Unsecured volume**	
	Number	Percentage	EUR k	Percentage	EUR k	Percentage
Class 1: 1 / A1	0	0.0%	0	0.0%	0	0.0%
Class 2: 2 / A2	2	2.3%	17,800	3.5%	0	0.0%
Class 3: 2 / A3	32	37.2%	212,187	41.7%	0	0.0%
Class 4: 3 / A4	17	19.8%	163,114	32.1%	0	0.0%
Class 5: 4 / A5	3	3.5%	8,100	1.6%	0	0.0%
Class 6: 5(+) / A7	2	2.3%	7,000	1.4%	0	0.0%
Class 7: 5(+) / A7	3	3.5%	11,100	2.2%	0	0.0%
Unrated	27	31.4%	89,493	17.6%	28,311	100.0%
Total customer lending	**86**	**100%**	**508,794**	**100%**	**28,311**	**100%**

The result of the internal capital adequacy calculation is submitted on a quarterly basis to the risk management committee and subsequently to the Supervisory Board for its information.

Counterparty default risk

The Bank considers counterparty default risk to be the potential default of a business partner (borrower, counterparty, issuer or other contractual partner) or the potential decline in the value of a transaction involving primary or derivative instruments which would result from the failure of the corresponding business partner to render the performance specified in the contract. The Bank includes default risk, country risk and concentration risk in counterparty default risk.

The Bank's counterparty default risks arise primarily from the customer and bank loan business.

At customer level, the Bank's default risk is mitigated by setting limits. The basis for the limits is the relevant risk assessment by the front and back offices. Each limit is approved by the Management Board and, if above a certain amount, it is coordinated with the Bank's parent company in the context of group-wide limit setting.

Counterparty risks are countered by the careful selection of business partners. Here, also, each limit is approved by the Management Board and, if above a certain amount, it is coordinated with the Bank's parent company in the context of group-wide limit setting. All securities purchases are approved individually by the Management Board.

In addition to a credit assessment which is continuously monitored, safeguards are used to avoid counterparty risks. The credit assessment is based on an internal evaluation system which classifies the counterparties into rating classes.

The ongoing monitoring of counterparty default risk is the responsibility of the back office. The back office has software programs at its disposal which were specially designed for this purpose and provide comprehensive information for monitoring purposes. Moreover, this information and control system is designed to ensure that limits cannot be exceeded without authorization, not even during the day.

If, during the monitoring process, anything comes to the Bank's attention which points to an elevated risk, the loan is transferred to intensified loan management.

Loss allowances in the form of appropriate bad debt allowances are recognized if an acute default risk is identified for a loan exposure and the realistic value of the collateral no longer covers the exposure.

General bad debt allowances and reserves under Sec. 340f HGB are recognized for general counterparty default risks, taking the probability of default into account.

Concentration risk is also countered by appropriate limits.

Concentration risks related to certain countries, industries, loan types and certain borrower risk groups to which the Bank is inevitably exposed because of its position within the group structure are covered and managed at within the group in consultation with the head office. The CRR liquidity ratios including the observation ratios pursuant to the LCR and the tier 1 capital ratios pursuant to the CRR are used for management in the Bank on a daily basis. The Bank uses the registered office and industry of the parent company as an allocation criterion for counterparty default risk.

In the absence of any defaults of our own, the probabilities of default to which KEB Hana Bank, Seoul, is exposed are used for the purpose of calculating internal capital adequacy for counterparty default risks, since the Bank uses the same internal rating system for loan exposures as KEB Hana Bank, Seoul, and the majority of counterparty default risks relate to the subsidiaries of Korean companies. In the stress scenarios we apply a premium to the probability of default used.

Liquidity risk

Liquidity risk is the risk that the Bank cannot meet its current and future payment obligations fully or in a timely manner. Refinancing risk is a material liquidity risk for the Bank.

Liquidity management is performed across departments at the Bank.

IT systems which are used to prepare forecast calculations are available for ongoing liquidity monitoring. The functional department determines the liquidity status on a daily basis and informs the Management Board in the context of risk reporting. All contractually agreed and possible cash and cash equivalents and payment obligations are taken into account. Liquidity management is performed separately for each currency.

Funding matrices prepared for short-term, medium-term and long-term liquidity to illustrate the forward liquidity exposure facilitate the monitoring and management of liquidity. The liquidity ratio LCR of > 100% was complied with daily in 2019. The liquidity reserves in the assets are always maintained so as to secure the Bank against unexpected liquidity outflows or bottlenecks. In managing liquidity, attention is also paid to ensuring that various market players are utilized for this purpose. Until further notice, the Bank has determined an internal threshold of 110%. If the liquidity ratio falls below this limit, the Management Board must be notified immediately. This occurred nine times in the reporting year.

For the internal capital adequacy calculation, a certain percentage of the deposits is deducted, which would then have to be covered at short notice at a certain premium on the money market. For this purpose, money market lines with customers and a USD 300m line from our parent company are available. In the calculation of the stress scenarios, the Bank applies higher percentages and higher premiums.

Market risk positions

For the Bank, market risk means potential losses due to unfavorable changes in interest rates and exchange rates.

Most interest rate agreements concluded mature in three months at the latest and are tied to the LIBOR interest rate.

In addition to always arranging the refinancing of assets on a back-to-back basis, IT systems are used to check the interest-bearing loans and advances and liabilities daily for interest rate risk. The Management Board is notified of existing interest rate risks daily.

The imposition of limits on net foreign exchange positions reduces currency risks. The net foreign exchange positions are continuously monitored using IT systems. The Management Board is informed daily concerning the utilization of the limits. As of the reporting date, the net foreign exchange position was EUR 202k (2019: EUR 224k).

There are no commodity risk positions, net interest positions, trading book risk positions or other market risk positions.

To calculate internal capital adequacy, a certain change in the exchange rate is used for currency risk and an assumed change in the interest rate based on a fixed-interest schedule is used for interest rate risk. For the stress scenarios, a significant increase in the exchange rates and interest rates is assumed. As of the reporting date, the interest rate risk under the IRRBB procedure was EUR 4,899k (prior year: EUR 6,200k using the alternative procedure).

Provisions did not have to be recognized for potential losses resulting from transactions which were already contracted and pending as of the reporting date.

Operational risk (including operating and legal risk)

For the Bank, operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. For the Bank, this mainly includes transaction risk, control risk, system risk, method-based risk, business risk, legal risk as well as risk arising from the loss of reputation.

In order to limit operational risk, a set of written rules has been prepared and controls have been implemented. Control risk is mitigated, among other procedures, by stipulating the application of the principle of dual control for certain transactions, the IT-supported monitoring of compliance with all prescribed limits as well as by access restrictions to the Bank's IT systems.

The Bank also counters operating risks by outsourcing the activities of certain functions to external service providers.

General risks are covered by back-up systems, contingency plans, disaster plans and insurance contracts which provide coverage at a level that is normal for the banking industry.

The Bank also addresses possible operational risks and defines necessary responses in the risk analysis which is prepared annually. When preparing the risk analysis, the effectiveness of existing responses is also reviewed.

A loss database is available for recording all significant loss cases at the group level of KEB Hana Bank, Seoul.

With respect to legal risks, the Bank distinguishes between

- Consultancy risks
- Risks arising from loan agreements and agreements for providing collateral
- Risks from the application of foreign law and foreign or international provisions
- Regulatory risks

No significant consultancy risks are incurred because the Bank does not operate any consulting-based private client or securities business.

The Bank uses standard agreements customary on the banking market (Bank-Verlag) in order to prevent legal risks from arising from contracts. Most loan agreements are individual contracts with individual passages or text modules whose legal enforceability has also been reviewed, using external lawyers where appropriate, in particular where foreign law applies.

There are currently no litigation risks.

Summary

As regards the limitation of risks, the Management Board has largely taken the organizational measures required for risk management and risk monitoring. In particular, this includes a risk manual, the implementation of the MaRisk, a risk management committee and regulations for risk classification and early risk detection.

Risks are covered by the available equity. Loss allowances are reflected in the balance sheet. The total capital ratio pursuant to the CRR was 24.42% on the reporting date (prior year: 29.84%). EUR 79,053k in equity was available to comply with the total capital ratio. We anticipate a further reduction in the total capital ratio in 2021 because we are planning to further expand the lending volume.

The worldwide government interventions in the economy in 2020 as a result of the coronavirus crisis did not have any significant negative effects on our customers and on the Bank's earnings. Once the restrictions to contain the coronavirus have been lifted in spring/summer 2021, we expect a strong economic recovery as projected by the IfW, which will also be felt by our customers. Moreover, we will continue to benefit from our increased involvement in the business of our sister company Hana Financial Investment Co., including, e.g., the financing of German locations of international logistics centers. The Management Board nonetheless expects only a slight increase in earnings for fiscal year 2021.

8. Proposal for the appropriation of profit

We propose to the annual general meeting that the net retained profit of EUR 1,683k be transferred to the revenue reserves.

9. Our employees

At the end of 2020, the Bank had 29 employees, including the Management Board. As in the prior years, we promoted the continuing education of our employees, in particular through our membership with the Association of Foreign Banks. We wish to express our gratitude and appreciation to all employees for their dedication to serving the interests of our customers and the Bank.

10. Relationships with affiliates

In accordance with Sec. 312 AktG, the Bank has compiled a report on relationships with affiliates as of 31 December 2020 in which the Bank discloses all its legal transactions with affiliates and actions or omissions at the instigation of or in the interest of affiliates.

The Management Board's report on relationships with affiliates in accordance with Sec. 312 AktG concludes with the following statement:

> The Institution received appropriate consideration for each of the legal transactions disclosed in the report on relationships with affiliates of which the Institution was aware at the time the transactions occurred. There were no actions or omissions in the reporting period.

Frankfurt am Main, 29 March 2021

KEB HANA BANK (D) AG

The Management Board

Hyuk-Jun Kim Dr. Franz Siener-Kirsch

Notes to

the financial statements for fiscal year 2020

of

KEB Hana Bank (D) AG

1. General

KEB Hana Bank (D) AG (hereinafter also referred to as the "Bank" or the "Institution") was founded by an agreement dated 29 July 1992 and commenced operations on 22 December 1992. The Institution, having its registered office in Frankfurt am Main, is entered in the commercial register of Frankfurt am Main Local Court under HRB no. 36083.

The Bank is a non-listed company. It is a wholly owned subsidiary of KEB Hana Bank, Seoul, Korea. The latter is likewise a non-listed company and since 2013 has been wholly owned by Hana Financial Group Inc., Seoul, Korea, which itself is listed on a stock exchange.

2. Notes to the financial statements

The Bank's balance sheet and income statement were prepared in accordance with the provisions set out in the HGB ["Handelsgesetzbuch": German Commercial Code] and the RechKredV ["Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute": German Bank Accounting Directive]. The financial statements also meet the requirements of the AktG ["Aktiengesetz": German Stock Corporation Act].

Accounting and valuation principles

The cash reserve is recognized at nominal value.

Loans and advances to banks and customers are reported at nominal value plus accrued interest, net of bad debt allowances.

General and specific bad debt allowances are recognized to cover potential and acute default risks. In addition, prudential reserves pursuant to Sec. 340f HGB are recognized.

Debt securities and other fixed-income securities comprise securities held as current and fixed assets. In accordance with a resolution of the Management Board, two listed government bonds are allocated to the liquidity reserve and thus to current assets. The remaining securities are held as fixed assets. Securities classified as current assets are valued according to the strict lower of cost or market principle. Securities classified as fixed assets are valued in accordance with the modified lower of cost or market principle.

Property and equipment and intangible assets are recognized at acquisition cost and are depreciated or amortized straight-line over their estimated useful lives, which are based on tax regulations. Write-downs are recognized in the event of expected permanent impairment. Assets qualifying as low-value assets under tax law are written off in the year of acquisition.

Other assets are recognized at their nominal value, applying the strict lower of cost or market principle.

Liabilities to banks, customers and other liabilities are recognized at the settlement value plus accrued interest.

Provisions are recognized for uncertain liabilities and for potential default risks from contingent assets at the settlement value deemed necessary according to prudent business judgment.

Subscribed capital is stated at the nominal amount.

Amounts in foreign currencies are translated pursuant to Sec. 340h HGB in conjunction with Sec. 256a HGB. Foreign currency assets and liabilities were translated using the ECB reference rates as of the reporting date. Foreign exchange transactions were translated using the closing rates on the transaction date.

The cash amounts are determined on the reporting date and also reported in other assets and liabilities. Amounts affecting profit and loss are shown as other comprehensive income.

Deferred income contains only interest and fees received for future accounting periods.

Expenses and income are accounted for on an accrual basis.

There was no need to recognize a provision for potential losses for the net liability from business involving interest rate-related financial instruments in the banking book.

1. The procedure for determining the net realizable value of the banking book is as follows:
    - The subject of valuation is the banking book, comprising all on-balance sheet and off-balance sheet interest rate-related financial instruments outside of the trading book (including securities). Interest on the interest rate-related financial instruments of the banking book is accrued via the Bank's interest book.
    - We use an income statement approach to determine whether a provision for potential losses pursuant to Sec. 340a in conjunction with Sec. 249 (1) Sentence 1 Alternative 2 HGB has to be recognized.

2. In this context, we made the following decisions on the matters set out in IDW AcP BFA 3:
    - Inclusion of risk costs: No risk costs had to be included as a sufficient general bad debt allowance had already been recognized.
    - Inclusion of administrative expenses: Administrative expenses are accounted for using a flat rate approach, based on the ratio of interest income to total income.
    - Accounting for the refinancing effect of equity: Equity is not included in the calculation.
    - Cash flows were not discounted as residual terms were not longer than 12 months.

The accounting policies have changed against the prior year.

Notes to the balance sheet

The item "Loans and advances to banks" (asset item no. 2) contains unsecuritized loans and advances to affiliates of EUR 1,183k (prior year: EUR 6,062k) and the item "Liabilities to banks" (liability item no. 1) contains unsecuritized liabilities to affiliates of EUR 95,384k (prior year: EUR 180,777k), excluding accrued interest in each case.

Breakdown of balance sheet items by residual maturity as of 31 Dec 2020

Loans and advances to banks	31 Dec 2020 EUR k	31 Dec 2019 EUR k
Payable on demand	4,255	13,639
Up to three months	1,525	66,739
More than three months and up to one year	11,050	4,354
More than one year and up to five years	-	-
More than five years	-	-
Accrued interest	9	117
General bad debt allowance	0	-3
	16,839	84,846

Loans and advances to customers	31 Dec 2020 EUR k	31 Dec 2019 EUR k
Payable on demand	15,116	12,905
Up to three months	46,983	40,618
More than three months and up to one year	81,126	70,604
More than one year and up to five years	114,259	83,204
More than five years	8,249	8,250
Specific bad debt allowance	-	-
General bad debt allowance	-1,850	-1,409
Sec. 340f HGB	-42	-74
Accrued interest	476	376
	264,317	214,474

Liabilities to banks	31 Dec 2020 EUR k	31 Dec 2019 EUR k
Payable on demand	51,491	56,295
Up to three months	645	75,461
More than three months and up to one year	43,268	52,490
More than one year and up to five years	0	0
More than five years	0	0
Accrued interest	0	5
	95,404	184,251

Other liabilities to customers with an agreed term or period of notice

	31 Dec 2020 EUR k	31 Dec 2019 EUR k
Up to three months	810	109,308
More than three months and up to one year	211,155	2,479
More than one year and up to five years	60,000	60,000
More than five years	22	22
Accrued interest	1	75
	271,988	171,884

Liabilities to customers payable on demand amount to EUR 349,649k (prior year: EUR 219,678k).

The total amount of all assets and liabilities denominated in foreign currency and all contingent liabilities breaks down as follows:

	31 Dec 2020 EUR k	31 Dec 2019 EUR k
Total amount of assets	261,696	194,337
Total amount of liabilities	256,316	194,369
Total amount of contingent liabilities	8,425	1,803

Holdings of debt securities and other fixed-income securities which are negotiable on a stock market and listed have a nominal value of EUR 88,260k (prior year: EUR 34,000k). The other securities held are non-listed floating rate notes (corporate bonds), which are, however, negotiable on a stock market. The USD-denominated notes have a nominal value of USD 161,000k (prior year: USD 131,000k) while the EUR-denominated notes have a nominal value of EUR 48,000k (prior year: EUR 30,000k).

The Bank has securities with a book value of EUR 61,148k (prior year: EUR 16,981k) that will mature in 2021.

The item debt securities and other fixed-income securities include debt securities recognized at a book value of EUR 38,318k, above their fair value of EUR 38,149k. No impairment loss to reflect the lower net realizable value was recognized since impairment is not expected to be permanent. The Bank intends to hold the securities to maturity.

Fixed assets

(in EUR k)

	Acquisition cost 1 Jan 2020	Additions	Reclassifications	Exchange rate fluctuations	Disposals	Amortization, depreciation and impairment		Residual carrying amount	Residual carrying amount
						Accumulated 31 Dec 2020	Fiscal year	31 Dec 2020	31 Dec 2019
Intangible assets software	6	0	0	0	0	3	1	3	3
Office equipment	511	0	0	0	1	443	20	67	88
Securities classified as fixed assets	157,446	115,597	0	-8,933	16,981	0	0	247,129	157,446
Total	157,962	115,597	0	-8,933	16,982	446	21	247,199	157,537

Contingent liabilities and other obligations before deduction of compensating balances and provisions for indemnification claims:

(in EUR k)

31 Dec 2020	31 Dec 2019	
26	-	from letters of credit for customers
24,438	7,815	from guarantees for customers
12,221	3,632	from guarantees for banks
=====	=====	
36,684	11,446	

As of the reporting date, there were compensating balances for guarantees of EUR 1,859k (prior year: EUR 2,350k) and general bad debt allowances on indemnification claims of EUR 10k (prior year: EUR 7k). Security totaling EUR 7,241k (prior year: EUR 6,871k) had also been granted for overdraft facilities.

The contingent liabilities were primarily performance guarantees for import and export business (on behalf of and for the account of foreign banks), performance bonds, payment guarantees, warranties and a customs guarantee for reputable companies.

We do not expect any significant claims to be made.

The other obligations relate to irrevocable loan commitments of EUR 1,744k (prior year: EUR 4,343k) which are expected to lead to an outflow of resources.

Interest income breaks down by percentage to the following geographical regions:

2020	2019	
54	67	Asia
-4	-2	Germany
50	35	Europe
0	0	Other

The percentage stated for Germany includes negative interest charged on the balances held at Deutsche Bundesbank in excess of the minimum reserves (-EUR 968,869.00).

Interest expenses include interest income for deposit business of EUR 344,456.08.

Commission income breaks down by percentage to the following geographical regions:

2020	2019	
10	10	Asia
76	77	Germany
14	12	Europe
0	1	Other

The currency result of EUR 125k is presented under other operating expenses (prior year: other operating expenses of EUR 63k).

We will propose to the annual general meeting a resolution to transfer the net retained profit for 2020 in full to the other revenue reserves, as in the prior year.

Other financial obligations break down as follows:

(in EUR k)

	2021	2022	2023	2024
Rent	182	178	178	178
Service charges	48	53	53	53

The current lease runs until 30 June 2021. A follow-on lease has been entered into with another lessor for another building for the period from 1 July 2021.

3. Other notes

The Institution employed an average of 27 persons, including the members of the Management Board, in fiscal year 2020 (prior year: 26). Five of these were seconded by the parent company.

The total fee charged by the auditor for fiscal year 2020 was EUR 135k plus VAT (prior year: EUR 150k) and comprised audit services (EUR 118k; prior year: EUR 130k) and tax services (EUR 17k; prior year: EUR 20k). As in the prior year, no audit-related services were provided. The audit services in fiscal year 2020 related exclusively to the audit of the statutory financial statements. The tax services related to the preparation and submission of tax returns.

Management Board

The Management Board comprised the following members in the fiscal year:

Seagull Kim (Chairman), banker

Dr. Franz Siener-Kirsch, banker

Remuneration of the Management Board is not disclosed pursuant to Sec. 286 (4) HGB.

Supervisory Board

The Supervisory Board members in the fiscal year were:

Youngchan Seo, Seoul, banker (Chairman), KEB Hana Bank, Seoul (since 20 March 2020)

Hong Bae Moon, Seoul, banker (Deputy Chairman), KEB Hana Bank, Seoul (since 20 March 2020)

Kum Hoe Huh, bank officer (employee representative)

Ki Jung Sung, Seoul, banker (Chairman), KEB Hana Bank, Seoul (until 20 March 2020)

Jin Kwon Namkoong, Seoul, banker (Deputy Chairman), KEB Hana Bank, Seoul (until 20 March 2020)

As in the prior years, the members of the Supervisory Board do not receive any remuneration for their activities.

Loans to managers, etc.

As in the prior year, there were no credit lines or loans granted to the members of the Management Board or the Supervisory Board as of the reporting date.

Capital stock

Since 1 January 2015, there have been 45,000 registered shares with a notional value of EUR 511.29 each (20,000 of which originally had a value of DM 1,000.00).

Parent company

The Bank's financial statements are included in the consolidated financial statements of Hana Financial Group, Seoul, the largest group of consolidated companies, and can be requested from Hana Financial Group – Financial Planning Division – Seoul, Korea. The consolidated financial statements may also be downloaded from www.hanafn.com. In addition to these consolidated financial statements, subgroup consolidated financial statements are also prepared, especially for KEB Hana Bank, Seoul, Korea. These subgroup consolidated financial statements can likewise be downloaded from the aforementioned website.

Subsequent events

There were no special events after the reporting date which affected the assets, liabilities or financial performance.

Frankfurt am Main, 29 March 2021

KEB Hana Bank (D) AG

The Management Board

Seagull Kim	Dr. Franz Siener-Kirsch

Translation from the German language

Engagement Terms, Liability and Conditions of Use

We, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, conducted our audit of this financial reporting on behalf of the Company. Besides satisfying the legal disclosure requirement (Sec. 325 HGB ["Handelsgesetzbuch": German Commercial Code]) for statutory audits, the auditor's report is addressed exclusively to the Company and was issued for internal purposes only. It is not intended for any other purpose or to serve as a decision-making basis for third parties. The result of voluntary audits summarized in the auditor's report is thus not intended to serve as a decision-making basis for third parties and must not be used for purposes other than those intended.

Our work is based on our engagement letter for the audit of this financial reporting and the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungs-gesellschaften" [German Public Auditors and Public Audit Firms] as issued by the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer": IDW] on 1 January 2017.

To clarify, we point out that we assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the auditor's report to reflect events or circumstances arising after it was issued, unless required to do so by law.

It is the sole responsibility of anyone taking note of the summarized result of our work contained in this auditor's report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Allgemeine Auftragsbedingungen
für
Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften
vom 1. Januar 2017

1. Geltungsbereich

(1) Die Auftragsbedingungen gelten für Verträge zwischen Wirtschaftsprüfern oder Wirtschaftsprüfungsgesellschaften (im Nachstehenden zusammenfassend „Wirtschaftsprüfer“ genannt) und ihren Auftraggebern über Prüfungen, Steuerberatung, Beratungen in wirtschaftlichen Angelegenheiten und sonstige Aufträge, soweit nicht etwas anderes ausdrücklich schriftlich vereinbart oder gesetzlich zwingend vorgeschrieben ist.

(2) Dritte können nur dann Ansprüche aus dem Vertrag zwischen Wirtschaftsprüfer und Auftraggeber herleiten, wenn dies ausdrücklich vereinbart ist oder sich aus zwingenden gesetzlichen Regelungen ergibt. Im Hinblick auf solche Ansprüche gelten diese Auftragsbedingungen auch diesen Dritten gegenüber.

2. Umfang und Ausführung des Auftrags

(1) Gegenstand des Auftrags ist die vereinbarte Leistung, nicht ein bestimmter wirtschaftlicher Erfolg. Der Auftrag wird nach den Grundsätzen ordnungsmäßiger Berufsausübung ausgeführt. Der Wirtschaftsprüfer übernimmt im Zusammenhang mit seinen Leistungen keine Aufgaben der Geschäftsführung. Der Wirtschaftsprüfer ist für die Nutzung oder Umsetzung der Ergebnisse seiner Leistungen nicht verantwortlich. Der Wirtschaftsprüfer ist berechtigt, sich zur Durchführung des Auftrags sachverständiger Personen zu bedienen.

(2) Die Berücksichtigung ausländischen Rechts bedarf – außer bei betriebswirtschaftlichen Prüfungen – der ausdrücklichen schriftlichen Vereinbarung.

(3) Ändert sich die Sach- oder Rechtslage nach Abgabe der abschließenden beruflichen Äußerung, so ist der Wirtschaftsprüfer nicht verpflichtet, den Auftraggeber auf Änderungen oder sich daraus ergebende Folgerungen hinzuweisen.

3. Mitwirkungspflichten des Auftraggebers

(1) Der Auftraggeber hat dafür zu sorgen, dass dem Wirtschaftsprüfer alle für die Ausführung des Auftrags notwendigen Unterlagen und weiteren Informationen rechtzeitig übermittelt werden und ihm von allen Vorgängen und Umständen Kenntnis gegeben wird, die für die Ausführung des Auftrags von Bedeutung sein können. Dies gilt auch für die Unterlagen und weiteren Informationen, Vorgänge und Umstände, die erst während der Tätigkeit des Wirtschaftsprüfers bekannt werden. Der Auftraggeber wird dem Wirtschaftsprüfer geeignete Auskunftspersonen benennen.

(2) Auf Verlangen des Wirtschaftsprüfers hat der Auftraggeber die Vollständigkeit der vorgelegten Unterlagen und der weiteren Informationen sowie der gegebenen Auskünfte und Erklärungen in einer vom Wirtschaftsprüfer formulierten schriftlichen Erklärung zu bestätigen.

4. Sicherung der Unabhängigkeit

(1) Der Auftraggeber hat alles zu unterlassen, was die Unabhängigkeit der Mitarbeiter des Wirtschaftsprüfers gefährdet. Dies gilt für die Dauer des Auftragsverhältnisses insbesondere für Angebote auf Anstellung oder Übernahme von Organfunktionen und für Angebote, Aufträge auf eigene Rechnung zu übernehmen.

(2) Sollte die Durchführung des Auftrags die Unabhängigkeit des Wirtschaftsprüfers, die der mit ihm verbundenen Unternehmen, seiner Netzwerkunternehmen oder solcher mit ihm assoziierten Unternehmen, auf die die Unabhängigkeitsvorschriften in gleicher Weise Anwendung finden wie auf den Wirtschaftsprüfer, in anderen Auftragsverhältnissen beeinträchtigen, ist der Wirtschaftsprüfer zur außerordentlichen Kündigung des Auftrags berechtigt.

5. Berichterstattung und mündliche Auskünfte

Soweit der Wirtschaftsprüfer Ergebnisse im Rahmen der Bearbeitung des Auftrags schriftlich darzustellen hat, ist alleine diese schriftliche Darstellung maßgebend. Entwürfe schriftlicher Darstellungen sind unverbindlich. Sofern nicht anders vereinbart, sind mündliche Erklärungen und Auskünfte des Wirtschaftsprüfers nur dann verbindlich, wenn sie schriftlich bestätigt werden. Erklärungen und Auskünfte des Wirtschaftsprüfers außerhalb des erteilten Auftrags sind stets unverbindlich.

6. Weitergabe einer beruflichen Äußerung des Wirtschaftsprüfers

(1) Die Weitergabe beruflicher Äußerungen des Wirtschaftsprüfers (Arbeitsergebnisse oder Auszüge von Arbeitsergebnissen – sei es im Entwurf oder in der Endfassung) oder die Information über das Tätigwerden des Wirtschaftsprüfers für den Auftraggeber an einen Dritten bedarf der schriftlichen Zustimmung des Wirtschaftsprüfers, es sei denn, der Auftraggeber ist zur Weitergabe oder Information aufgrund eines Gesetzes oder einer behördlichen Anordnung verpflichtet.

(2) Die Verwendung beruflicher Äußerungen des Wirtschaftsprüfers und die Information über das Tätigwerden des Wirtschaftsprüfers für den Auftraggeber zu Werbezwecken durch den Auftraggeber sind unzulässig.

7. Mängelbeseitigung

(1) Bei etwaigen Mängeln hat der Auftraggeber Anspruch auf Nacherfüllung durch den Wirtschaftsprüfer. Nur bei Fehlschlagen, Unterlassen bzw. unberechtigter Verweigerung, Unzumutbarkeit oder Unmöglichkeit der Nacherfüllung kann er die Vergütung mindern oder vom Vertrag zurücktreten; ist der Auftrag nicht von einem Verbraucher erteilt worden, so kann der Auftraggeber wegen eines Mangels nur dann vom Vertrag zurücktreten, wenn die erbrachte Leistung wegen Fehlschlagens, Unterlassung, Unzumutbarkeit oder Unmöglichkeit der Nacherfüllung für ihn ohne Interesse ist. Soweit darüber hinaus Schadensersatzansprüche bestehen, gilt Nr. 9.

(2) Der Anspruch auf Beseitigung von Mängeln muss vom Auftraggeber unverzüglich in Textform geltend gemacht werden. Ansprüche nach Abs. 1, die nicht auf einer vorsätzlichen Handlung beruhen, verjähren nach Ablauf eines Jahres ab dem gesetzlichen Verjährungsbeginn.

(3) Offenbare Unrichtigkeiten, wie z.B. Schreibfehler, Rechenfehler und formelle Mängel, die in einer beruflichen Äußerung (Bericht, Gutachten und dgl.) des Wirtschaftsprüfers enthalten sind, können jederzeit vom Wirtschaftsprüfer auch Dritten gegenüber berichtigt werden. Unrichtigkeiten, die geeignet sind, in der beruflichen Äußerung des Wirtschaftsprüfers enthaltene Ergebnisse infrage zu stellen, berechtigen diesen, die Äußerung auch Dritten gegenüber zurückzunehmen. In den vorgenannten Fällen ist der Auftraggeber vom Wirtschaftsprüfer tunlichst vorher zu hören.

8. Schweigepflicht gegenüber Dritten, Datenschutz

(1) Der Wirtschaftsprüfer ist nach Maßgabe der Gesetze (§ 323 Abs. 1 HGB, § 43 WPO, § 203 StGB) verpflichtet, über Tatsachen und Umstände, die ihm bei seiner Berufstätigkeit anvertraut oder bekannt werden, Stillschweigen zu bewahren, es sei denn, dass der Auftraggeber ihn von dieser Schweigepflicht entbindet.

(2) Der Wirtschaftsprüfer wird bei der Verarbeitung von personenbezogenen Daten die nationalen und europarechtlichen Regelungen zum Datenschutz beachten.

9. Haftung

(1) Für gesetzlich vorgeschriebene Leistungen des Wirtschaftsprüfers, insbesondere Prüfungen, gelten die jeweils anzuwendenden gesetzlichen Haftungsbeschränkungen, insbesondere die Haftungsbeschränkung des § 323 Abs. 2 HGB.

(2) Sofern weder eine gesetzliche Haftungsbeschränkung Anwendung findet noch eine einzelvertragliche Haftungsbeschränkung besteht, ist die Haftung des Wirtschaftsprüfers für Schadensersatzansprüche jeder Art, mit Ausnahme von Schäden aus der Verletzung von Leben, Körper und Gesundheit, sowie von Schäden, die eine Ersatzpflicht des Herstellers nach § 1 ProdHaftG begründen, bei einem fahrlässig verursachten einzelnen Schadensfall gemäß § 54a Abs. 1 Nr. 2 WPO auf 4 Mio. € beschränkt.

(3) Einreden und Einwendungen aus dem Vertragsverhältnis mit dem Auftraggeber stehen dem Wirtschaftsprüfer auch gegenüber Dritten zu.

(4) Leiten mehrere Anspruchsteller aus dem mit dem Wirtschaftsprüfer bestehenden Vertragsverhältnis Ansprüche aus einer fahrlässigen Pflichtverletzung des Wirtschaftsprüfers her, gilt der in Abs. 2 genannte Höchstbetrag für die betreffenden Ansprüche aller Anspruchsteller insgesamt.

(5) Ein einzelner Schadensfall im Sinne von Abs. 2 ist auch bezüglich eines aus mehreren Pflichtverletzungen stammenden einheitlichen Schadens gegeben. Der einzelne Schadensfall umfasst sämtliche Folgen einer Pflichtverletzung ohne Rücksicht darauf, ob Schäden in einem oder in mehreren aufeinanderfolgenden Jahren entstanden sind. Dabei gilt mehrfaches auf gleicher oder gleichartiger Fehlerquelle beruhendes Tun oder Unterlassen als einheitliche Pflichtverletzung, wenn die betreffenden Angelegenheiten miteinander in rechtlichem oder wirtschaftlichem Zusammenhang stehen. In diesem Fall kann der Wirtschaftsprüfer nur bis zur Höhe von 5 Mio. € in Anspruch genommen werden. Die Begrenzung auf das Fünffache der Mindestversicherungssumme gilt nicht bei gesetzlich vorgeschriebenen Pflichtprüfungen.

(6) Ein Schadensersatzanspruch erlischt, wenn nicht innerhalb von sechs Monaten nach der schriftlichen Ablehnung der Ersatzleistung Klage erhoben wird und der Auftraggeber auf diese Folge hingewiesen wurde. Dies gilt nicht für Schadensersatzansprüche, die auf vorsätzliches Verhalten zurückzuführen sind, sowie bei einer schuldhaften Verletzung von Leben, Körper oder Gesundheit sowie bei Schäden, die eine Ersatzpflicht des Herstellers nach § 1 ProdHaftG begründen. Das Recht, die Einrede der Verjährung geltend zu machen, bleibt unberührt.

10. Ergänzende Bestimmungen für Prüfungsaufträge

(1) Ändert der Auftraggeber nachträglich den durch den Wirtschaftsprüfer geprüften und mit einem Bestätigungsvermerk versehenen Abschluss oder Lagebericht, darf er diesen Bestätigungsvermerk nicht weiterverwenden.

Hat der Wirtschaftsprüfer einen Bestätigungsvermerk nicht erteilt, so ist ein Hinweis auf die durch den Wirtschaftsprüfer durchgeführte Prüfung im Lagebericht oder an anderer für die Öffentlichkeit bestimmter Stelle nur mit schriftlicher Einwilligung des Wirtschaftsprüfers und mit dem von ihm genehmigten Wortlaut zulässig.

(2) Widerruft der Wirtschaftsprüfer den Bestätigungsvermerk, so darf der Bestätigungsvermerk nicht weiterverwendet werden. Hat der Auftraggeber den Bestätigungsvermerk bereits verwendet, so hat er auf Verlangen des Wirtschaftsprüfers den Widerruf bekanntzugeben.

(3) Der Auftraggeber hat Anspruch auf fünf Berichtsausfertigungen. Weitere Ausfertigungen werden besonders in Rechnung gestellt.

11. Ergänzende Bestimmungen für Hilfeleistung in Steuersachen

(1) Der Wirtschaftsprüfer ist berechtigt, sowohl bei der Beratung in steuerlichen Einzelfragen als auch im Falle der Dauerberatung die vom Auftraggeber genannten Tatsachen, insbesondere Zahlenangaben, als richtig und vollständig zugrunde zu legen; dies gilt auch für Buchführungsaufträge. Er hat jedoch den Auftraggeber auf von ihm festgestellte Unrichtigkeiten hinzuweisen.

(2) Der Steuerberatungsauftrag umfasst nicht die zur Wahrung von Fristen erforderlichen Handlungen, es sei denn, dass der Wirtschaftsprüfer hierzu ausdrücklich den Auftrag übernommen hat. In diesem Fall hat der Auftraggeber dem Wirtschaftsprüfer alle für die Wahrung von Fristen wesentlichen Unterlagen, insbesondere Steuerbescheide, so rechtzeitig vorzulegen, dass dem Wirtschaftsprüfer eine angemessene Bearbeitungszeit zur Verfügung steht.

(3) Mangels einer anderweitigen schriftlichen Vereinbarung umfasst die laufende Steuerberatung folgende, in die Vertragsdauer fallenden Tätigkeiten:

a) Ausarbeitung der Jahressteuererklärungen für die Einkommensteuer, Körperschaftsteuer und Gewerbesteuer sowie der Vermögensteuererklärungen, und zwar auf Grund der vom Auftraggeber vorzulegenden Jahresabschlüsse und sonstiger für die Besteuerung erforderlicher Aufstellungen und Nachweise

b) Nachprüfung von Steuerbescheiden zu den unter a) genannten Steuern

c) Verhandlungen mit den Finanzbehörden im Zusammenhang mit den unter a) und b) genannten Erklärungen und Bescheiden

d) Mitwirkung bei Betriebsprüfungen und Auswertung der Ergebnisse von Betriebsprüfungen hinsichtlich der unter a) genannten Steuern

e) Mitwirkung in Einspruchs- und Beschwerdeverfahren hinsichtlich der unter a) genannten Steuern.

Der Wirtschaftsprüfer berücksichtigt bei den vorgenannten Aufgaben die wesentliche veröffentlichte Rechtsprechung und Verwaltungsauffassung.

(4) Erhält der Wirtschaftsprüfer für die laufende Steuerberatung ein Pauschalhonorar, so sind mangels anderweitiger schriftlicher Vereinbarungen die unter Abs. 3 Buchst. d) und e) genannten Tätigkeiten gesondert zu honorieren.

(5) Sofern der Wirtschaftsprüfer auch Steuerberater ist und die Steuerberatervergütungsverordnung für die Bemessung der Vergütung anzuwenden ist, kann eine höhere oder niedrigere als die gesetzliche Vergütung in Textform vereinbart werden.

(6) Die Bearbeitung besonderer Einzelfragen der Einkommensteuer, Körperschaftsteuer, Gewerbesteuer, Einheitsbewertung und Vermögensteuer sowie aller Fragen der Umsatzsteuer, Lohnsteuer, sonstigen Steuern und Abgaben erfolgt auf Grund eines besonderen Auftrags. Dies gilt auch für

a) die Bearbeitung einmalig anfallender Steuerangelegenheiten, z.B. auf dem Gebiet der Erbschaftsteuer, Kapitalverkehrsteuer, Grunderwerbsteuer,

b) die Mitwirkung und Vertretung in Verfahren vor den Gerichten der Finanz- und der Verwaltungsgerichtsbarkeit sowie in Steuerstrafsachen,

c) die beratende und gutachtliche Tätigkeit im Zusammenhang mit Umwandlungen, Kapitalerhöhung und -herabsetzung, Sanierung, Eintritt und Ausscheiden eines Gesellschafters, Betriebsveräußerung, Liquidation und dergleichen und

d) die Unterstützung bei der Erfüllung von Anzeige- und Dokumentationspflichten.

(7) Soweit auch die Ausarbeitung der Umsatzsteuerjahreserklärung als zusätzliche Tätigkeit übernommen wird, gehört dazu nicht die Überprüfung etwaiger besonderer buchmäßiger Voraussetzungen sowie die Frage, ob alle in Betracht kommenden umsatzsteuerrechtlichen Vergünstigungen wahrgenommen worden sind. Eine Gewähr für die vollständige Erfassung der Unterlagen zur Geltendmachung des Vorsteuerabzugs wird nicht übernommen.

12. Elektronische Kommunikation

Die Kommunikation zwischen dem Wirtschaftsprüfer und dem Auftraggeber kann auch per E-Mail erfolgen. Soweit der Auftraggeber eine Kommunikation per E-Mail nicht wünscht oder besondere Sicherheitsanforderungen stellt, wie etwa die Verschlüsselung von E-Mails, wird der Auftraggeber den Wirtschaftsprüfer entsprechend in Textform informieren.

13. Vergütung

(1) Der Wirtschaftsprüfer hat neben seiner Gebühren- oder Honorarforderung Anspruch auf Erstattung seiner Auslagen; die Umsatzsteuer wird zusätzlich berechnet. Er kann angemessene Vorschüsse auf Vergütung und Auslagenersatz verlangen und die Auslieferung seiner Leistung von der vollen Befriedigung seiner Ansprüche abhängig machen. Mehrere Auftraggeber haften als Gesamtschuldner.

(2) Ist der Auftraggeber kein Verbraucher, so ist eine Aufrechnung gegen Forderungen des Wirtschaftsprüfers auf Vergütung und Auslagenersatz nur mit unbestrittenen oder rechtskräftig festgestellten Forderungen zulässig.

14. Streitschlichtungen

Der Wirtschaftsprüfer ist nicht bereit, an Streitbeilegungsverfahren vor einer Verbraucherschlichtungsstelle im Sinne des § 2 des Verbraucherstreitbeilegungsgesetzes teilzunehmen.

15. Anzuwendendes Recht

Für den Auftrag, seine Durchführung und die sich hieraus ergebenden Ansprüche gilt nur deutsches Recht.