

# Happiness with You

**BNK** Financial Group



# About This Report

## Reporting Principles and Standards

The 2015 Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) G4 which serves as the international sustainability standard in accordance with the Core Option. This report covers the seven core aspects for sustainability based on the current internal status and external environment analyses and issues devised through the stakeholder engagement. Moreover, the report explains the background of selecting the core aspects and materiality of the issues, BNK Financial Group's major policies, activities and performance through the Disclosures on Management Approach (DMA). Details can be found in the main part of the report.

## Reporting Period

The Sustainability Report is based on data from January 2015 to December 2015. Key management activities include data from previous year and the first quarter of 2016. Data for the three years, from 2013 to 2015 is presented to help readers quantitatively identify progress.

## Reporting Boundary

The scope of the report covers eight affiliates under BNK Financial Group - Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information and BNK System. Financial information is written on a consolidated basis in accordance with the Korean International Financial Reporting Standards (K-IFRS). The amount of balance for loans and deposits, customer satisfaction indicators, GHG emissions and investment in social contribution are covered in the report based on exclusive standards of BNK Financial Group.

## Third Party Assurance

An independent assurance provider, DNV GL, assured this report in an official verification procedure, in order to ensure the reliability and fairness of the reporting process, data, and content. The results of assurance are detailed on pages 124 to 125. An independent auditor audited financial information, and verification of greenhouse gas emissions and energy usage was conducted in accordance with the principles of the "Guideline for the Greenhouse Gas and Energy Target Management System".

## For More Information

For additional information or inquiries about this report, please contact us.

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30 Munhyeongeumyung-ro Nam-gu, Busan

Tel. 051-620-3034

Fax. 051-620-3040

E-mail: [sustainability@bnkfg.com](mailto:sustainability@bnkfg.com)

Website: [www.bnkfg.com](http://www.bnkfg.com)

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BNK Financial Group	<a href="http://www.bnkfg.com">www.bnkfg.com</a>
Busan Bank	<a href="http://www.busanbank.co.kr">www.busanbank.co.kr</a>
Kyongnam Bank	<a href="http://www.knbank.co.kr">www.knbank.co.kr</a>
BNK Securities	<a href="http://www.bnkfn.co.kr">www.bnkfn.co.kr</a>
BNK Capital	<a href="http://www.bnkcapital.co.kr">www.bnkcapital.co.kr</a>
BNK Savings Bank	<a href="http://www.bnksb.com">www.bnksb.com</a>
BNK Asset Management	<a href="http://www.bnkasset.co.kr">www.bnkasset.co.kr</a>
BNK Credit Information	<a href="http://www.bnkci.co.kr">www.bnkci.co.kr</a>
BNK System	<a href="http://www.bnksys.co.kr">www.bnksys.co.kr</a>



### Incorporation into the Dow Jones Sustainability Index (DJSI)

BNK Financial Group has been incorporated into the Asia-Pacific Index of the Dow Jones Sustainability Index jointly developed by S&P Dow Jones of the U.S. and Robeco SAM of Switzerland, which are global sustainability evaluators and investors. BNK Financial Group was highly ranked in ethical management, corporate governance, risk management, higher customer satisfaction and social contribution activities. This has triggered BNK Financial Group to exert its status as a global financial institution with a high level of sustainability. BNK Financial Group aim to generate an outstanding financial performance to achieve sustainable growth within the region as a global financial institution, and take the lead in socially responsible management.

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## CEO Message

BNK's 'Happiness with You' will make a world of happiness giving hope.





**BNK Financial Group will leap higher as a 'Global Best Regional Financial Group by 2020'. To this end, the 'Happiness with You' project will be more passionately practiced to grow sustainably alongside customers, shareholders and communities.**

In March 2011, BNK Financial Group was launched as a financial holdings company for the first time as a regional bank. We incorporated Kyongnam Bank as an affiliate in 2014, and BNK Asset Management as another affiliate in 2015, thereby comprising eight affiliates with total assets of KRW 100 trillion. We have established our presence by being ranked Korea's fifth largest financial group. BNK Financial Group was incorporated into the Asia-Pacific Index of the world's most renowned Dow Jones Sustainability Index (DJSI) associated with sustainability. Moreover, we were ranked 178th among the World's Top 250 Safest Banks, and 3rd among domestic banks by The Banker, thereby indicating our acceptance as Korea's representative financial group. We would like to extend our gratitude to our customers, shareholders and communities for upholding consistent trust and love to in the company. As we seek to turn the current management environment where financial paradigms are rapidly changing into opportunities for development of the group, we plan to return your encouragement and love for us by successfully achieving 'Vision 2020, Global Best Regional Financial Group', our mid-and long-term management plan announced in January 2016. We set 'Great Innovation 2016, Establishing a System for Profit-Oriented Sustainable Growth' as our management measure, and plan to proceed with the following strategic tasks intensively in 2016 when we take the first step to grow higher as one of 'Asia's Top 40 Financial Groups' by 2020.

**First, we will solidify 'a system for sustainable growth' through great innovation.**

While launching 'SUM Bank', a mobile bank in the group level last March, we dramatically strengthened the group's future competitiveness by establishing a customer-oriented business and face-to-face and non-face-to-face omni-channels using fin-tech including big data and non-face-to-face certification. We will also beef up the fundamentals of the group to turn crises into opportunities through continued efficiency in corporate management.

**Second, we will secure a differentiated basis for growth exclusive to BNK Financial Group by gathering competencies of affiliates.**

We will maximize cross-affiliate synergies throughout our business in the group level by strengthening the group's roles as a control tower. We will take closer steps to 'completing a financial triangle in Asia', a mid-and long-term vision for global businesses by implementing success models in our overseas market entry, especially focusing on Busan Bank and BNK Capital.

**Lastly, we will take the lead in creating a world of love by spearheading socially responsible management in the financial sector.**

We will establish systematic strategies for socially responsible management and initiate the expansion of differentiated social contribution projects to upgrade our 'Happy Finance' projects that have been carried on since 2012. We will enhance customers' happiness and trust by fully enforcing righteousness and ethical management as well as the protection of financial consumers which are required of a financial group.

We promise you that BNK Financial Group will proactively practice sustainability that nurtures happiness of diverse stakeholders including customers and shareholders based on our management motto, 'To the world with the region, to a better future with the customers.'

We ask for your unwavering support and encouragement for us to leap higher as 'Asia Top 40 and Global Best Regional Financial Group by 2020'.

Thank you.

June 2016



Chairman and CEO of BNK Financial Group **Se Whan Sung**

# Korea's Super Regional Financial Group

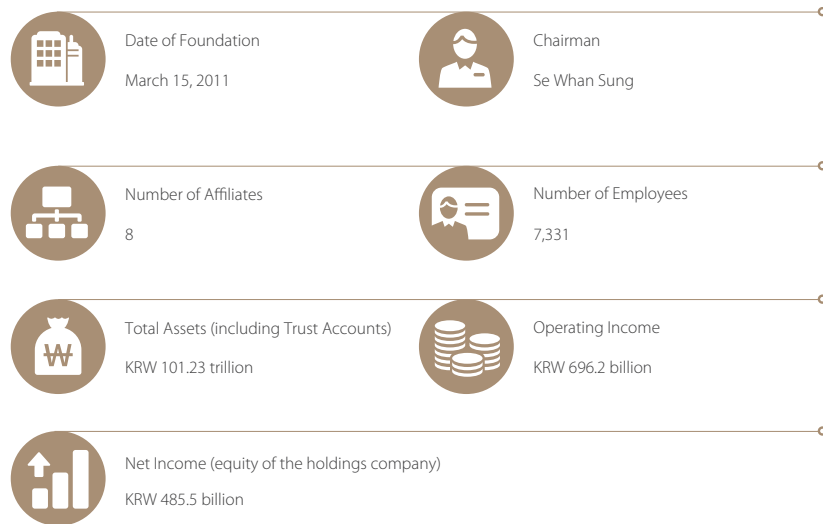
## Korea's First and Best Regional Financial Group

Since its launch as the first financial holdings company as a regional bank in March 2011, BNK Financial Group has established itself as Korea's representative regional financial group with eight affiliates - Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information and BNK System. Successfully leading the incorporation of Kyongnam Bank and BNK Asset Management into the group and entry of Busan Bank and BNK Capital into Southeastern Asia, we have established our presence as one of Korea's top five financial groups. Driven by the management motto of 'To the world with the region, to a better future with the customers', BNK Financial Group will leap higher as 'Asia' Top 40 and Global Best Regional Financial Group by 2020' with a big scale and profitability by 2020.

## Current Status of Affiliates

Busan Bank and Kyongnam Bank as banking affiliates of BNK Financial Group cover wide-ranging banking operations, mostly loan and deposit operations, as their key businesses including card, foreign exchange, bancassurance and sales of beneficiary certificates. Non-banking affiliates i.e. - BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information and BNK System - are involved in a whole list of operations such as investment trading, investment brokerage, installment financing, facility leasing, domestic exchange, fund management, debt collection, credit investigation and financial IT business. BNK Financial Group is growing into a reliable financial group for all stakeholders with transparent and accountable management for the success of customers and the region.

## Outline of BNK Financial Group



## Share Ratio of Affiliates

(As of 2015-end)

(Unit: %)

Company	Share ratio (%)
<b>BNK</b> Busan Bank	100.00%
<b>BNK</b> Kyongnam Bank	100.00%
<b>BNK</b> Securities	100.00%
<b>BNK</b> Capital	100.00%
<b>BNK</b> Savings Bank	100.00%
<b>BNK</b> Asset Management	51.01%
<b>BNK</b> Credit Information	100.00%
<b>BNK</b> System	100.00%

## Shareholder Status

(As of 2015-end)

(Unit: %)



Shareholder	Share ratio (%)
● Lotte Confectionary Co. Ltd., and related parties (8 companies)	12.01
● National Pension Service	10.54
● Parkland Co., Ltd., and related parties	6.51
● The Oakmark International Small Cap Fund	3.44
● The Government of Singapore	1.81
● Aberdeen Global	1.77
● Hsbc Pooled Investment Fund-Hsbc Pooled	1.30
● Meritz Securities Co. Ltd.	1.21

## Credit Ratings

Company	Moody's		Fitch	
	Long-term	Short-term	Long-term	Short-term
Busan Bank	A2	P-1	BBB+	F2
Kyongnam Bank	A2	P-1	-	-

## Business Models of BNK Financial Group



### Banking **BNK** Busan Bank **BNK** Kyongnam Bank

Busan Bank and Kyongnam Bank usually undertake their exclusive deposit and loan businesses along with exchange services including domestic and foreign exchange, payment guarantee, issuance of securities and investment. Other businesses include various auxiliary operations associated with bank laws including treasury receipt and safeguard deposit, trust operation, card and bancassurance businesses.



### Financial Investment **BNK** Securities **BNK** Asset Management

We efficiently allocate capital stock by providing investment opportunities to investors as well as financing measures for financial consumers. Financial investment businesses are categorized into investment trading, investment brokerage, collective investment and discretionary investment business in accordance with the Capital Market and Financial Investment Services Act.



### Specialized Credit Finance **BNK** Capital

This is a comprehensive financial business covering installment financing, facility leasing, general loan and financing in new technologies, generating profits in many areas – lease financing, auto financing and corporate loans, etc.



### Savings Banking **BNK** Savings Bank

This business supplies funds in forms of short-term and long-term loans to financial consumers with the fund acquired through deposits, etc. as the main financial source, covering financial operations including domestic exchange and operations for Korea Financial Telecommunications and Clearings Institute.



### Credit Investigation and Collection Agency Service **BNK** Credit Information

It is an agency service to conduct credit investigation for the property of debtors and recover debts on behalf of lenders, covering credit investigation, request for debt redemption, tender acceptance and identification of debtors' whereabouts.



### System Development and Supply **BNK** System

We clearly analyze customer needs to proactively respond to the changing financial environment, providing financial IT services covering system consulting, setup and operation.

## Status of Networks

(Unit: sites)

Classification		Domestic			Overseas			Total
		Branches	Offices	Representative Offices	Branches	Offices	Representative Offices	
Financial Holding Company Affiliate	BNK Financial Group	1	-	-	-	-	-	1
	Busan Bank	202	67	-	1	-	2	272
	Kyongnam Bank	157	12	-	-	-	-	169
	BNK Securities	5	-	-	-	-	-	5
	BNK Capital	13	10	-	-	-	-	23
	BNK Savings Bank	3	4	-	-	-	-	7
	BNK Asset Management	1	-	-	-	-	-	1
	BNK Credit Information	1	-	-	-	-	-	1
	BNK System	1	-	-	-	-	-	1
Grandchild Company	BNKC (Cambodia) Microfinance Institution Plc.	-	-	-	1	-	-	1
	BNK Capital Myanmar Co., Ltd	-	-	-	5	-	-	5
	BNK Capital Lao Leasing Co., Ltd	-	-	-	1	-	-	1
Total		384	93	-	8	-	2	487

※ The head branch is included as a single branch in the number of domestic branches.

# BNK Financial Group Vision

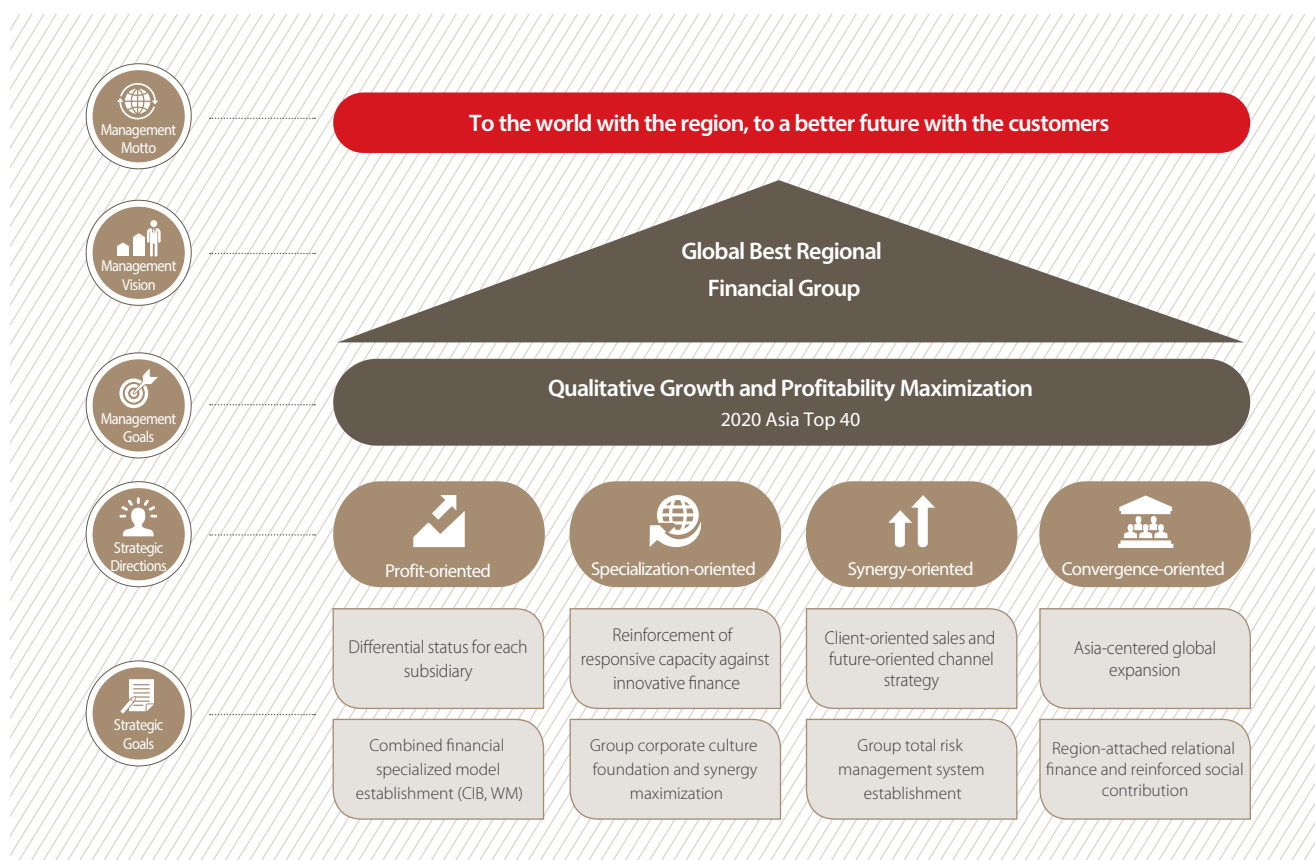
## Great Innovation in Management

BNK Financial Group announced its new mid-and long-term vision - 'Vision 2020, Global Best Regional Financial Group' in January 2016. We will initiate 'great innovation in management' which dramatically improves the management landscape to cater to the directions of the group in 2016 – the initial year to commence mid and long-term management plans. This will push us to create a new trigger for further development, while overcoming the challenging management environment of low growth, low interest rate and low profit.

## Establishing a System for Sustainable Growth

We are establishing a system for sustainable growth for the group as all employees are proactively engaged towards great innovative thinking and acting to nurture their own competencies in line with the group's management motto. We will achieve the group's mid-and long-term vision by discovering new profit sources through differentiated competencies of each affiliate, dynamically responding to future financing including fin-tech, maximizing synergies of the two-bank management and establishing a system to nurture competent talents.

### Visions of BNK Financial Group





## Happy Finance Giving Hopes

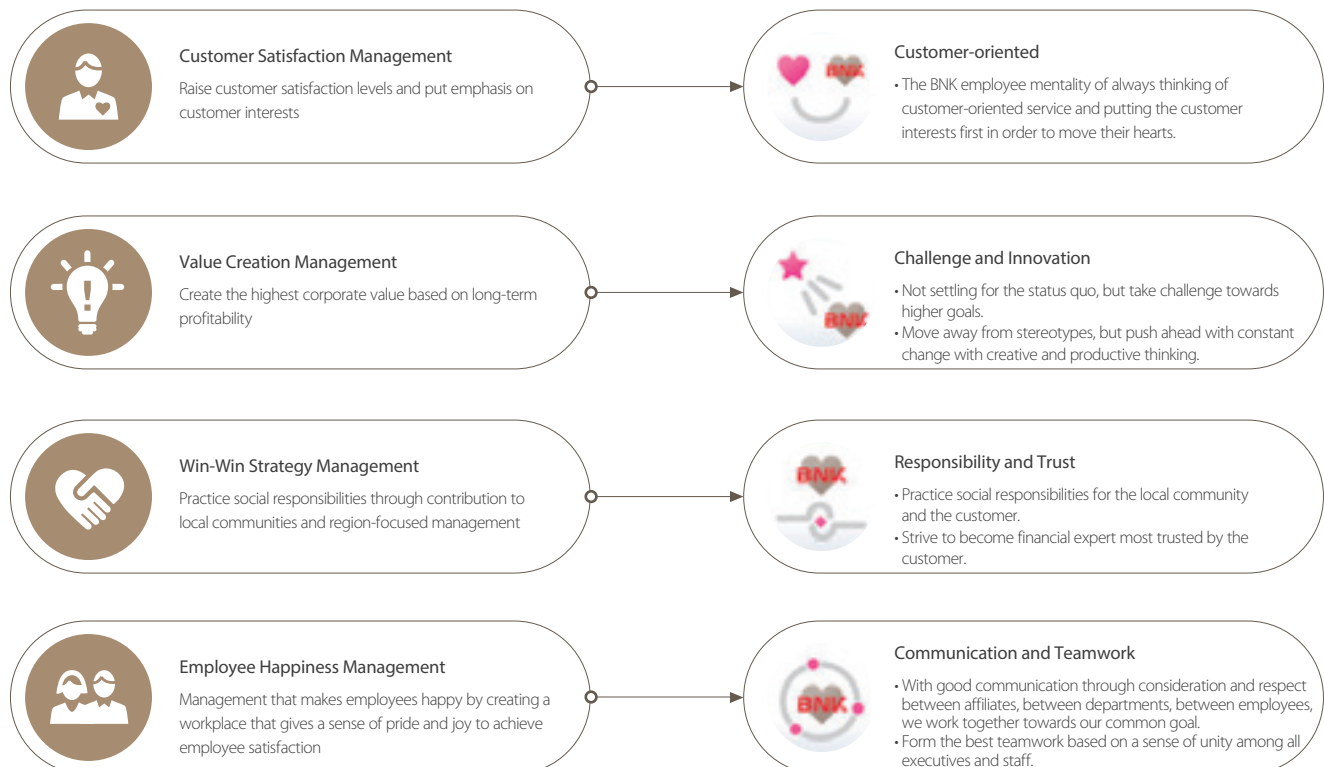
BNK Financial Group abides by four management principles – customer satisfaction management, value creation management, win-win strategy management and employee happiness management. All affiliates are painting a happy future with their stakeholders by being dynamically engaged in practicing ‘Happy Finance’ based on the principles. We are leading creative financing as well as socially responsible financing through ‘Happy Finance’, our representative socially responsible project, practicing ‘Happy Finance Giving Hope for the Future and Happy Finance Creating a Heart-warming World’.



## Mascots of ‘Happy Finance’ - Mr. B and Angel K

We introduced ‘Mr. B’ and ‘Angel K’ as mascots of BNK Financial Group portraying the will- ingness and passion of BNK Financial Group, and seeking to become the wings of hope for customers in the southeastern zone in Korea. The motif for Mr. B came from the ‘Daddy Long Legs’, a reliable partner who believes in pro-active measures rather than mere words alone, while thinking of the underprivileged at all times. Angel K’s motif was derived from an angel giving -happiness to all and whose joy lies in making dreams and hopes of people come true. We aim to take the lead in making a happy world for all along with Mr. B and Angel K, the happy financial characters.

## Management Principles and Core Values



# Stable Corporate Governance

## Composition of the Board of Directors

BNK Financial Group as a financial holding company consists of seven directors with expertise and experience in the fields of finance, economy, management and accounting. The CEO of BNK Financial Group concurrently holds the position as the chair of the BOD. We guarantee the check and monitoring functions of the BOD through internal regulations in order to ensure efficient and transparent management.

## Securing the Independence of the BOD

Our executive directors are appointed at the shareholders' meeting according to the independence criteria. There is no gender discrimination. The number of outside directors can be three or more, or a majority of the total according to the Articles of Association. They are appointed at the shareholders' meeting following recommendation at the Outside Director Nominating Committee. Upon appointing outside directors, those that have special interests that might influence corporate governance and their influence are to be excluded, according to the corporate bylaws. The tenure of outside directors cannot exceed two years except for special occasions. As the CEO holds the title of the BOD chair, senior outside directors for appointment are selected to maintain the fairness of the management of BOD at all times.

## Strengthening Expertise of the Board of Directors

Outside directors are selected among candidates who fulfil the expertise standard prescribed in the Articles of Association, by the Outside Director Nominating Committee. Those selected are trained to secure specialized competencies which can contribute to our sustainable development, based on which they can add value to productive management activities.

## Transparent Operation of the Board of Directors

The BOD holds either regular or ad-hoc board meetings. Directors with special interests cannot exercise their decision-making right, and decisions are made upon the presence of a majority of registered directors if there is no specific provision in relevant laws or the articles of association. The minimum attendance rate required is 80% or higher. If one cannot attend for unavoidable reasons, conference calls may also be arranged. As such, we try hard to increase proactive participation of directors in corporate management.

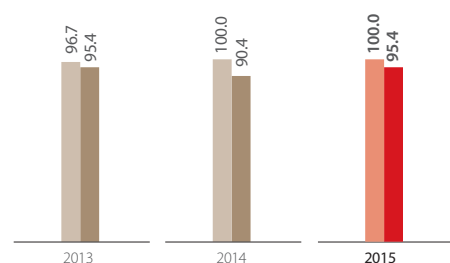
### Status of the Operation of the BOD

	2013	2014	2015	Unit
Number of times the BOD has been operated	15	8	15	Number of times
Number of agenda discussed	66	59	79	Number of cases
Number of decisions deliberated on	39	36	47	Number of cases
Number of matters reported	27	23	34	Number of cases

### Status of Attendance at the BOD

(Unit: %)

- Average attendance rate of internal directors
- Average attendance rate of outside directors



### Status of Subcommittees of the BOD



### Standing Directors

1. Se Whan Sung Chairman of BNK Financial Group
2. Min Ju Chung Vice President of BNK Financial Group

### Non-standing Directors

3. Bong Cheol Lee  
Lotte Shopping's Vice President of Policy Division

### Outside Directors

4. Chang Soo Kim  
Current Professor of Pusan National University
5. Il Jae Mun  
Former director at the Ministry of Finance and Economy
6. Yong Kyu Cha  
Former CEO of OBS Gyeongin TV
7. Chan Hong Kim  
Current professor of Myongji University



### Current Compensation for the BOD

(Unit: persons, KRW million)

Type	Number of people	Total amount paid	Average compensation per individual	Note
Registered directors	3	607	202	Standing directors, Non-standing directors
Outside directors	1	52	52	Excluding members of the Audit Committee
Audit Committee members or auditors	4	176	44	Outside directors as Audit Committee members
Total	8	835	104	-

\* Total amount paid and number of personnel: total amount of compensation for executives paid in 2015 (number of personnel converted on a yearly basis)

\* Average amount paid per individual: total amount paid/number of personnel

\* Standard of payment for executives' compensation: decided at the BOD within the scope approved at the shareholders' meeting

## Performance Evaluation and Compensation

Performance evaluation and compensation of the top management is conducted based on comprehensive consideration of opportunities and crises in the management environment according to the financial holding company's compensation for performance standards. The ceiling of the compensation for directors, meanwhile, is approved at the shareholders' meeting, and the details are decided through the BOD resolutions. For outside directors and non-standing directors, quantitative assessment based on the attendance rate at the subcommittee and qualitative assessment on capacities, expertise, interest and participation level in the BOD, and participation level in corporate development by themselves, employees and among directors through the multi-dimensional evaluation.

## Committees under the BOD

The BOD manages eight committees to enhance independence and efficiency of the BOD. Each committee consists of outside directors as a majority of members. The Audit Committee and the Audit Committee Member Nominating Committee entirely consisting of outside directors conduct effective monitoring on the top management.



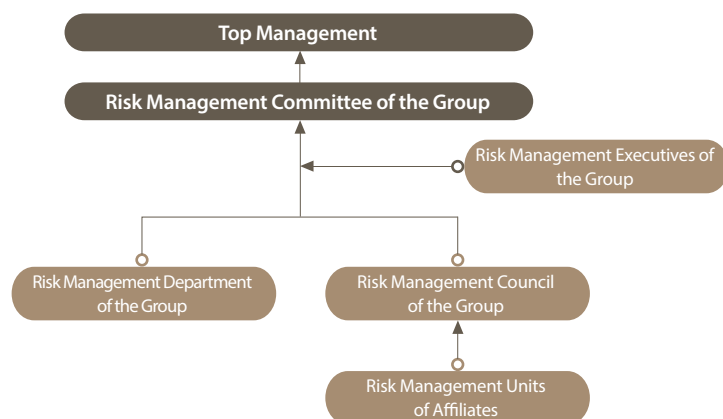
# Preemptive Risk Management

## Risk Management Principle

We establish risk management strategies complying with a principle which states, "All members of the group seek for continued growth and development of the group through a balance between risks and profits in conducting activities." We have a procedure to check and decide on matters that might impact risks. Such matters include entry into new businesses and product/service development and creation of new policies.

## Risk Management System

BNK Financial Group is operating an integrated risk management system at the group level by unifying the definition and response process for risks by affiliates and risk factor. We maintain a balance between risks and profits, while regularly monitoring the status of the group and affiliates' risk management. For risks that have been derived, information is organically shared with relevant departments and appropriate responses are made by holding meetings.



### Risk Management Committee

As the top decision-making body for risk management in the BOD level, the Risk Management Committee consists of five directors including standing directors and outside directors. The Committee decides on the basic directions and strategies for the Group's risk management, monitors the current risk level and status of risk management activities, and reviews and approves key items in the agenda. Moreover, the Committee executes the Group's risk policies and specific tasks through the Risk Committee and Risk Management Unit in each affiliate.

### Risk Management Council

The Risk Management Council consists of the group's chief risk manager as the chair, and other members including the head of the holding company's risk management department and the chief risk officer of each affiliate. Meetings are held once or more to share risk management issues and information at the group level and by affiliate, to make decisions on risk policies and strategies.

### Risk Management Department

The Risk Management Department of the Group implements the Group's specific policies on risk management and monitors risk management of affiliates pursuant to the operation handling procedures.



## Key Tasks in Risk Management

### Key Tasks



Preemptive risk management against the challenging management environment  
- Responding to Industrial Restructuring and Changes in the Financial Market



For non-banking affiliates, preventing defaults and strengthening follow-up management of loans



Advancing the risk management system by adopting the Foundation – IRB (FIRB) of the group



Making responses in the group level to the adoption of the Basel by phase

### Risk Response Activities

- Intensifying preventive risk management, e.g. restructuring of marginal firms and household loan defaults
- Intensifying liquidity management resulting from changes in the money movement including facilitating fin-tech and account transfer system
- Securing risk management capabilities against changes in the financial market including a higher interest rate and a higher exchange rate

- Responding to the aggravation of loan soundness through loan inspection and loan review
- Thoroughly managing the internal loan ceiling for preventing defaults of high-amount loans
- Reviewing prior risks on new products and new projects and intensifying internal control

- Raising capital adequacy by improving the BIS ratio calculation system in the group
- Strengthening integrated risk management in the group by establishing a single corporate credit evaluation model of the group
- Increasing asset soundness through integrated information management of bankruptcies

- Preparing to respond to global capital regulations, Pillar 2 and liquidity regulations
- Responding to the adoption of changes in the calculation criteria for new standard methods of BIS
- Strengthening a cross-affiliate cooperative system through a task force to respond to the Basel III

### Risk Management in Major Affiliates

Affiliates	Strategy Goals	Plans and Activities to Achieve Goals
<b>BNK Busan Bank</b>	<ul style="list-style-type: none"> <li>• Establishing a risk management culture in advance</li> <li>• Raising responsiveness to the financial environment and stronger regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Improving the functions to analyze marginal firms and playing policy leading roles</li> <li>• Establishing a portfolio management system amid the adoption of the Foundation – IRB (FIRB)</li> <li>• Devising loan and deposit strategies in consideration of timely response to regulations and profitability</li> <li>• Intensifying capabilities to respond to crises and the analytical process</li> </ul>
<b>BNK Kyongnam Bank</b>	<ul style="list-style-type: none"> <li>• Making preemptive responses to the new normal financial environment</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitating retail banking by improving retail models and ensuring flexible management</li> <li>• Developing a system to detect accounting frauds and aligning with the early warning system</li> <li>• Easing the skewedness to loan portfolios</li> <li>• Establishing a market risk system to counter intensified trading regulations</li> </ul>
<b>BNK Securities</b>	<ul style="list-style-type: none"> <li>• Establishing a preemptive risk management system for changes in the regulatory environment</li> </ul>	<ul style="list-style-type: none"> <li>• Intensifying the management of Principal Investment (PI) and debt guarantee</li> <li>• Distributing and managing the ceilings efficiently per department</li> <li>• Managing the target NCR by applying the new NCR</li> </ul>
<b>BNK Capital</b>	<ul style="list-style-type: none"> <li>• Establishing a risk management system in consideration of characteristics of the portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Securing soundness by prior and follow-up loan management</li> <li>• Managing adequate liquidity through monitoring and emergency plans</li> <li>• Strengthening internal control functions by conducting the Risk &amp; Control Self-Assessment (CSA)</li> </ul>
<b>BNK Savings Bank</b>	<ul style="list-style-type: none"> <li>• Managing risks systematically and stably by improving the loan portfolios and diversifying risks</li> </ul>	<ul style="list-style-type: none"> <li>• Diversifying risks against economic fluctuations</li> <li>• Strengthening the management of credit concentration by adjusting loan portfolios</li> <li>• Managing interest rate risks stably by managing adequate spreads for assets/debts</li> <li>• Improving the management structure by intensifying liquidity risk management</li> </ul>
<b>BNK Asset Management</b>	<ul style="list-style-type: none"> <li>• Managing risks preemptively using systematic risk measurement indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening the management of investment ceilings by proactively leveraging exclusive property</li> <li>• Reinforcing preemptive liquidity risk management by establishing emergency procurement plans for operating funds</li> <li>• Spreading the risk management culture by sharing risk-related issues</li> <li>• Putting in place a risk management system by devising the crisis management guideline</li> </ul>

# Transparent Ethical Management

## Ethical Management System of the Group

BNK Financial Group applies the code of ethics and action plans for employees in the enterprise level. Regulations for employees are prescribed such as the prohibition on exchanges of gifts or entertainment, requirements for external activities, investment activities regarding equity securities, etc., anti-money laundering and the whistleblowing system for ethics violators. Matters regarding the code of ethics are available on the website of BNK Financial Group along with a code of action and relevant principles.

## Expanding the Ethical Awareness among Employees

The code of ethics at BNK Financial Group is applicable to all employees and is also notified to our partners to enable them to abide by it.

### Signing and Submitting the Integrity Pact

BNK Financial Group strives to establish transparent contractual relationships in accordance with the Employees' Code of Ethics and Code of Actions. The Integrity Pact completely bans the acquisition of customary fees, personal acquisition of unfair earnings and the exchanges of gifts among those in contractual and transactional relationships.

### Reflecting Ethical Values in Evaluating Employees' Performance

There is an item on compliance and fulfillment of the code of actions in the employees' performance assessment, which ensures that employees should be equipped with a proper awareness of ethical acts at all times.

### Managing Ethical Training Programs

We conduct programs and events to create an ethical corporate culture including theme-specific training on ethical management, Day of Self-Check on Ethics (compliance) and a system to practice ethical management. We also run a system to prevent unethical acts by prior reporting to a compliance officer on the counter party, and the detailed explanation about exchange of benefits arising from work including money, goods and other benefits. Kyongnam Bank emphasizes morality and integrity to employees in the manager position or higher by making a Code of Actions for Ethical Management for supervisors of Grade 3 or higher for the first time in the financial sector.

## Employees' Code of Ethics and Code of Actions for Employees in the Group

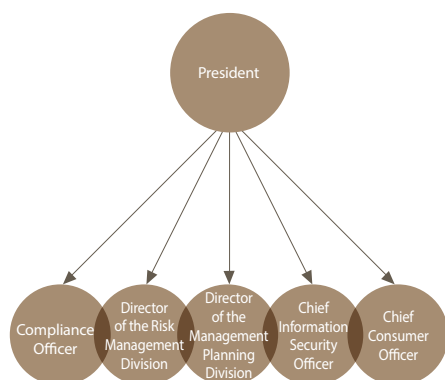


Kyongnam Bank, 'Ethical Management Action Rally'

## Status of Training on Ethics and Internal Control

Classification	Busan Bank			Kyongnam Bank			Unit
	2013	2014	2015	2013	2014	2015	
Training on Financial Accident Prevention	All employees	All employees	All employees	-	All employees	All employees	Persons
Accident prevention education for new employees and new branch heads	186	222	220	-	173	229	Persons
Job training for branches	93	246	327	-	577	657	Persons
Number of hours of ethical training per person	6	6	12	-	12	13	Hours
Number of times for holding ethical training courses	12	12	12	-	59	63	Number of times

### Organizational Chart of the Internal Control Council



### Compliance with Norms for Internal Control for Banks and the Compliance Officer

The Financial Supervisory Service implemented the 'Norms for Internal Control for Banks and the Compliance Officer' for internal control in the banking sector. Busan Bank and Kyongnam Bank launched the Internal Control Council, and promoted independence in work by bringing up the prestige and guaranteeing the tenure for compliance officers. We have added self-assessment and standing monitoring operations, while establishing diverse monitoring systems.

### Management of the Internal Control Council

The Internal Control Council of BNK Financial Group is a consultative body among managers in charge of internal control operations in affiliates and the group. It has been operational to increase internal control of affiliates. Its key activities include establishing an enterprise-wide response system for internal control, protection of customer information and IT security. The Internal Control Council of each affiliate is separately operated and makes self-assessment of overall internal control, identifies matters to be improved and continuously checks on internal control.

### Whistleblowing System and Protection of Informants

A guideline on the whistleblowing system is dissipated at the group level to help employees report to the group's compliance officers on violations of the code of ethics and the code of actions. Anonymity is guaranteed with the presence of multiple reporting channels. Moreover, regular training is offered so that all employees are fully informed of the whistleblowing system.

### Prevention of Money Laundering and Insider Trading

Employees are banned from engaging in illegal money laundering, which is reported based on a procedure for reporting suspicious transactions. Illegal acts that might occur from insider trading including the usage of undisclosed information and adjustment of the market price of securities are completely blocked.

### Managing Money Laundering Prevention Programs

We have established regulations to prevent money laundering prescribed in the 'Act on the Reporting of Certain Financial Transactions' and the 'Proceeds of Crime Act' and illegal financing activities including terrorist financing pursuant to the 'Act against Terrorist Financing'. High-risk customer transactions are monitored through money laundering prevention programs for complying with major internal control provisions for money laundering, which include an obligation for customer identification, reporting of suspicious transactions and reporting of high-amount cash transactions. Track records on preventing money laundering are reported periodically to the management, the BOD and the president of Korea Finance Intelligence Unit.

# Stakeholder Engagement

## Directions of Stakeholder Engagement

We define five major stakeholder groups in consideration of their impact on the sustainability execution and their criticality – a group of customers, a group of employees, a group for shared growth, a policy supervision group and the media environment group. Diverse engagement and communication channels are in place to identify each group's expectations. BNK Financial Group does the utmost to grow alongside all stakeholders through dynamic communication.

### Stakeholder Engagement Policy

- BNK Financial Group defines the minimal participation of stakeholders as providing management information, mutual communication and mutual activity propelling for stakeholders.
- BNK Financial Group is doing its best provide to stakeholders, such as customers, employees, shareholders and investors, local society with trust-worthy and transparent information.
- BNK Financial Group is currently running a communication channel, open to stakeholders at any time, regardless of issue.
- In the case of a company-wide crisis that may severely affect BNK Financial Group, the reason for the occurrence, major contents and countermeasures will be provided to stakeholders in a timely matter to protect stakeholder rights.

Type	Management Principle	Stakeholders	Core Expectations and Requirements
Customer Group	<ul style="list-style-type: none"> <li>Customer satisfaction management</li> <li>Value creation management</li> </ul>	<ul style="list-style-type: none"> <li>Corporate customers</li> <li>Individual customers</li> </ul>	<ul style="list-style-type: none"> <li>Profit maximization</li> <li>Expansion of products/services to cater to the customer demand</li> </ul>
Employee Group	<ul style="list-style-type: none"> <li>Employee happiness management</li> </ul>	<ul style="list-style-type: none"> <li>Employees</li> <li>Labor union</li> </ul>	<ul style="list-style-type: none"> <li>Self-realization and competency development, welfare benefits</li> <li>Cooperative labor-management relationships</li> </ul>
Shared Growth Group	<ul style="list-style-type: none"> <li>Value creation management</li> <li>Win-win management</li> <li>Employee happiness management</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders and investors</li> <li>Competitors</li> <li>Communities</li> </ul>	<ul style="list-style-type: none"> <li>Financial stability, diversification of business areas</li> <li>Sharing of information in the financial industry and joint response</li> <li>Facilitation of regional economy, investment in social infrastructure</li> </ul>
Policy Supervision Group	<ul style="list-style-type: none"> <li>Value creation management</li> <li>Win-win management</li> </ul>	<ul style="list-style-type: none"> <li>Government and the National Assembly</li> <li>Financial Supervisory Service</li> </ul>	<ul style="list-style-type: none"> <li>Achieving the purpose of foundation, complying with regulations</li> <li>Soundness of a financial institution, protection of financial information</li> </ul>
Medial Environment Group	<ul style="list-style-type: none"> <li>Customer satisfaction management</li> <li>Value creation management</li> <li>Win-win management</li> </ul>	<ul style="list-style-type: none"> <li>Media</li> <li>Environmental organizations</li> <li>Academia</li> </ul>	<ul style="list-style-type: none"> <li>Advertisements, providing issues</li> <li>Environmental protection</li> <li>Engagement in financial projects, industry-academia cooperation</li> </ul>



## Stakeholder Selection and Feedback Gathering Process

### Step 1. Stakeholder Selection

We identify our stakeholder groups in consideration of our actions for and relevance of sustainability at BNK Financial Group. We select key stakeholders critically impacting our sustainable growth through a clearly defined process.

### Step 2. Stakeholder Engagement

BNK Financial Group runs communication channels to gather feedback of diverse stakeholders for sustainable growth. We pursue endless communication by frequently organizing the shareholders' meeting, customer panels, the Labor-Management Council and meetings with community.

### Step 3. Sharing Stakeholder Issues

In order to share opinions and feedback of stakeholders on the execution of sustainability, BNK Financial Group shares issues with and runs organizations consisting of personnel in each affiliate.

### Step 4. Reflecting Management Activities

Stakeholder opinions and core performance of sustainability critically impacting BNK Financial Group are frequently discussed at the group, which are then partially reflected in establishing a sustainable growth system.

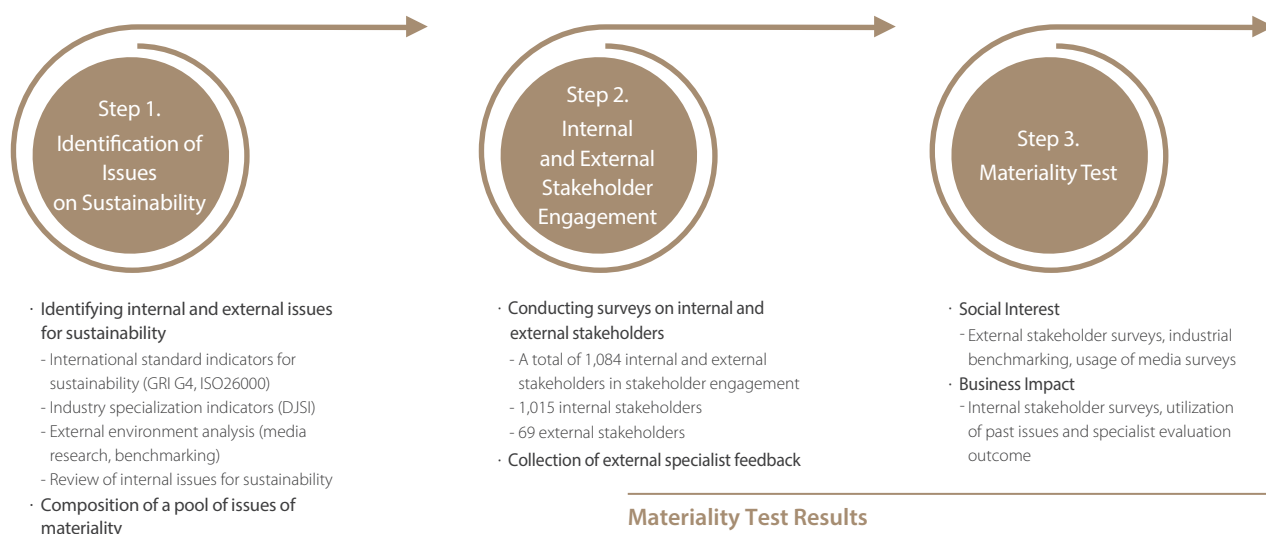
Goals Shared	Communication Channels	Channel Management Cycle
<ul style="list-style-type: none"> <li>• Securing financial stability and maximizing investment returns</li> </ul>	<ul style="list-style-type: none"> <li>• Shared growth agreements, corporate CEO seminars, training and support for excellent corporate customers</li> <li>• Customer centers, customer satisfaction surveys, customer evaluation organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Frequent</li> <li>• Frequent</li> </ul>
<ul style="list-style-type: none"> <li>• Strengthening specialized capacities for finance</li> <li>• Forming a culture of communication and teamwork</li> </ul>	<ul style="list-style-type: none"> <li>• Employee surveys (satisfaction), employee discussion, company newsletter, in-house broadcasting</li> <li>• Labor-Management Council</li> </ul>	<ul style="list-style-type: none"> <li>• Frequent</li> <li>• Frequent</li> </ul>
<ul style="list-style-type: none"> <li>• Partnership and social responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders' meeting, investors relations, business reports, management disclosure</li> <li>• Korea Federation of Bank, product and service benchmarking</li> <li>• Employee volunteering group, social contribution activities, financial products for public interests</li> </ul>	<ul style="list-style-type: none"> <li>• Regular</li> <li>• Frequent</li> <li>• Frequent</li> </ul>
<ul style="list-style-type: none"> <li>• Strengthening competitiveness in the financial industry and forging trust-based ties</li> </ul>	<ul style="list-style-type: none"> <li>• Engaging in government projects</li> <li>• Audit and sanctions, regulations and guidelines, financial authorities' seminars</li> </ul>	<ul style="list-style-type: none"> <li>• Frequent</li> <li>• Regular</li> </ul>
<ul style="list-style-type: none"> <li>• Forming an environment which is friendly to public opinions</li> </ul>	<ul style="list-style-type: none"> <li>• Newspaper (local, daily), broadcasting, radio</li> <li>• Environmental protection (clean-up) activities, financial products for environmental protection</li> <li>• Industry-academia cooperation, financial training programs</li> </ul>	<ul style="list-style-type: none"> <li>• Frequent</li> <li>• Frequent</li> <li>• Frequent</li> </ul>

# Selection of Core Issues for Sustainability

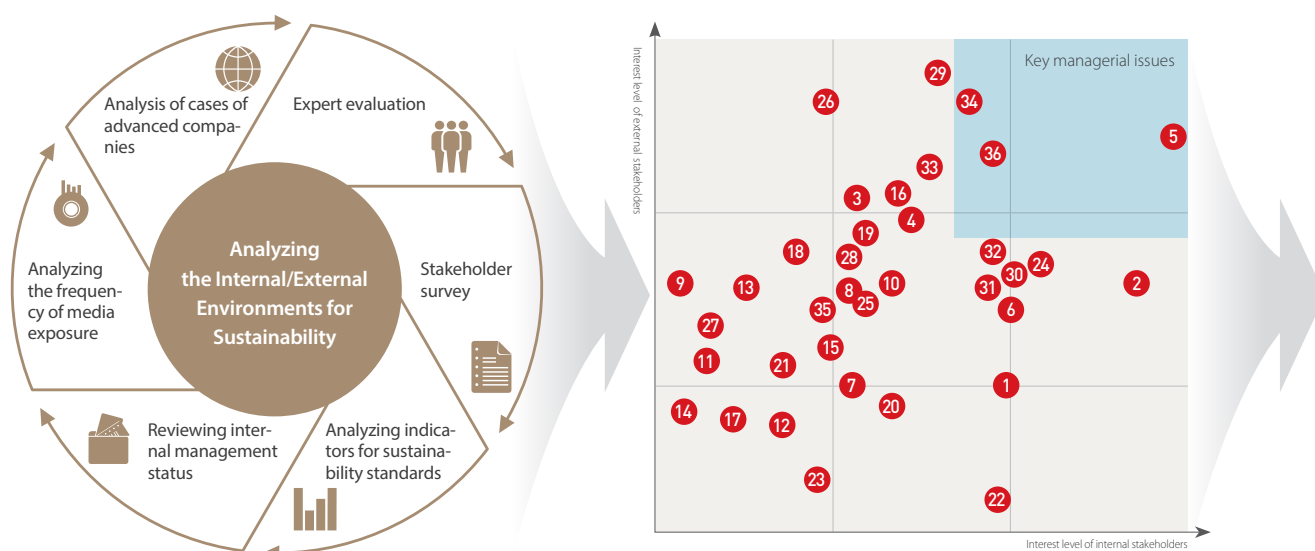
## Process of Selecting Core Issues

Core issues of sustainability in BNK Financial Group are determined through the materiality test process. A pool of sustainability issues was generated in consideration of international standard indicators and the external environment, and the current management status of the group based on comprehensive analysis. In addition, internal and external surveys and collection of specialised feedback was done according to AA1000SES, which is the global standard for stakeholder engagement. The materiality test was conducted in accordance with the social interest and the business impact. As a result of the materiality test, 31 core issues on sustainability of BNK Financial Group were selected.

## Process of Devising and Reflecting Core Issues



## Materiality Test Results



## Deciding on the Core Aspects of Sustainability

As a result of the materiality test, 31 core issues on sustainability of BNK Financial Group were discovered. We comprehensively reviewed inclusiveness and responsiveness of core issues to reconfigure them into seven core aspects. We explain the materiality, crises and opportunities on the reporting aspects, and introduce our policies, measures, activities and future plans to respond to specific topics.



Core Aspects	Number	Title of Core Issues	Core Aspects	Number	Title of Core Issues
Aspect 01 Establishing a sustainable growth system	03	Advancing into the global market and expanding business networks	Aspect 04 Shared development with communities	29	Efforts for win-win growth with communities
	04	Creating added values through the expansion of business areas	Aspect 05 Establishing a system to foster financial specialists	15	Prohibiting discrimination against employees (gender, age, minorities, race, etc.)
	05	Achieving a stable management performance		16	Conducting training programs for intensifying competencies of employees
	06	Securing differentiated competitiveness to respond to future finance		19	Increasing employment and securing stability in employment
	07	Maximizing profitability through management innovation	Aspect 06 Establishing a culture of a great working environment	17	Ensuring free subscription to the labor union and facilitating its management
	08	Maximizing cross-affiliate synergies		18	Strengthening welfare benefits systems for employees
	30	Developing products and services to increase customers' assets		20	Spreading an efficiency working culture and a corporate culture
				21	Facilitating the grievance handling system on labor and human rights
Aspect 02 Providing services for customer satisfaction	31	Managing personal information of financial consumers	Aspect 07 Leading Environmentally Friendly Management within the World of Finance	09	Expanding green purchasing and ensuring efficient use of consumables
	32	Enhancing the brand and corporate image		10	Managing the amount of energy consumed and expanding the use of renewable energies
	33	Preventing financial accidents/crimes		11	Conducting environmental protection activities around our business districts
	34	Retaining customers through customer satisfying services		12	Establishing a system for risk management against climate change
	35	Providing accurate information on products and services		13	Developing eco-friendly products for environmental protection
	36	Expanding financial accessibility of financial consumers		14	Sophisticating strategies, policies and systems for environmental management
Aspect 03 Leading social responsibilities through Finance	23	Evaluating sustainability for loan/investment targets			
	26	Expanding support for SMEs and micro-financing			
	27	Implementing social contribution activities using business competencies			
	28	Developing public interest goods for social contribution			

\* Excluded from the core aspects are items for general standard disclosure: 01 (Composition of the BOD and securing transparency in its management), 02 (Securing asset soundness through preemptive risk management), 22 (Securing a risk management system for loans/investment), 24 (Strengthening a system for ethical management and internal control) and 25 (Coming up with measures related to anti-corruption).

# SUSTAINABILITY CORE ASPECTS



Aspect 01  
Establishing a Sustainable  
Growth System



Aspect 02  
Providing Services  
for Customer  
Satisfaction



Aspect 03  
Leading Social Responsibilities  
through Finance





**Aspect 07**  
Leading Environmentally Friendly  
Management within the World of  
Finance



**Aspect 06**  
Establishing a Culture of  
a Great Working  
Environment



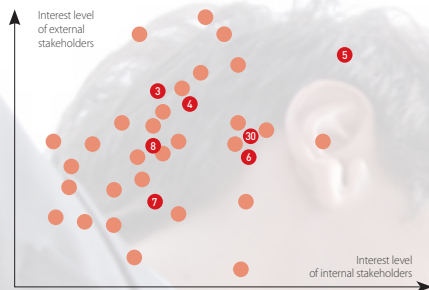
**Aspect 05**  
Establishing a System to  
Foster Financial Specialists



**Aspect 04**  
Shared Development with  
Communities



### Step. 01 Materiality Test Map



### Step. 02 List of Core Issues

Core Issue. 03	Advancing into the global market and expanding business networks
Core Issue. 04	Creating added values through the expansion of business areas
Core Issue. 05	Achieving a stable management performance
Core Issue. 06	Securing differentiated competitiveness to respond to future finance
Core Issue. 07	Maximizing profitability through management innovation
Core Issue. 08	Maximizing cross-affiliate synergies
Core Issue. 30	Developing products and services to increase customers' assets



## Aspect 01

# Establishing a Sustainable Growth System

## Importance of Establishing a Sustainable Growth System

In order for a financial group to survive and grow over the long term amid the rapidly changing management environment, it must pursue its core values by establishing a sustainable growth basis. In 2016, in particular, economic uncertainties are forecast to persist including the fluctuation in the financial market and shrinkage in investment sentiment. Consequently, efforts to achieve sustainable growth are required. BNK Financial Group will strengthen its profitability in its existing businesses through stronger business efficiency and competencies to respond to changes in the financial environment. This will help us take the lead in establishing a collaborative system among affiliates to maximize synergies within the group and exploring new engines for sustainable growth.

### Crises and Opportunities

#### • Opportunities

BNK Financial Group successfully established the portfolio basis for the group by diversifying non-banking affiliates with banking as its core business. We achieved a balanced growth between assets and profits by suggesting a management philosophy and consistent business directions and building up sustainable growth milestones. Driven by the external changes in regional development policies in Busan, Ulsan and Gyeongnam and also by the formation of a financial market there, and successful experiences with a region-focused business model, banking affiliates will intensify their market presence with retailing business at the center, while non-banking affiliates are poised to beef up their prestige within the market.

#### • Crises

External changes have unfolded including innovation in channels due to advancement in digital technologies, increases in investment in financial products and regulatory and institutional changes in the financial industry. There is also a continuum of a low-growth and low-margin structure in the industry. BNK Financial Group is prone to risks due to strong dependency on the interest income-oriented profit structure targeting clients of its banks and regional economy. We will secure trust from customers and the society by establishing a sustainable growth basis through management innovation and stronger profitability to overcome the uncertainties in the financial industry and inherent risks within.



### Step. 03 Composition of Core Aspects

Establishing  
a Sustainable  
Growth System

### Step. 04 Table of Content for Core Aspects

Establishing a System for Profit-oriented Sustainable Management

Strengthening Competencies to Respond to the Future Finance

Maximizing Synergies of the Group

Expanding the Business Scope and Establishing the Business Network

Developing Customized Products

## Performance and Goals

BNK Financial Group recognizes the importance of establishing a sustainable growth basis in order to leap higher to become one of Asia's top 40 financial groups under the management vision of 'Global Best Regional Financial Group'. We aim to improve our future-oriented management system by not only enhancing the existing competitiveness and profitability but also continuing to achieve management innovation and strengthen competencies. As a representative regional financial group, we will offer products and services for shared growth with the region. In addition, we will focus on our growth as a global financial group that leads the future finance by establishing a differentiated presence for each affiliate and securing maximized inter-group synergies and the basis for sustainable profits.

Type	KPIs (Short-run · a Long-Term Strategy)		
Strengthening profitability	Sharing networks among affiliates <ul style="list-style-type: none"><li>· Developing hybrid financial products</li><li>· Securing customers and saving cost by preventing investment overlaps</li></ul>	Intensifying the management of branch network <ul style="list-style-type: none"><li>· Maximizing efficiency by adjusting the branch network based on profitability assessment</li></ul>	Forming the basis for stronger profitability <ul style="list-style-type: none"><li>· Establishing community-based retail banking business strategies</li><li>· Seeking for measures to respond to the future finance</li></ul>
Expanding networks	Securing the basis for business in Korea <ul style="list-style-type: none"><li>· Launching mobile bank and regional branches with growth potentials</li><li>· Establishing the group-level business nationwide using face-to-face and non-face-to-face channels</li></ul>	Expanding advancement into global markets <ul style="list-style-type: none"><li>· Building up overseas business networks including China, India and Southeast Asia.</li><li>· Forging business partnerships with overseas local financial institutions</li></ul>	Completing the process to become a comprehensive financial group <ul style="list-style-type: none"><li>· Launching in-house projects and establishing an integrated financial environment by M&amp;A</li></ul>

# Establishing a System for Profit-Oriented Sustainable Management

## Strategic Directions

BNK Financial Group's total assets (including trust accounts) stood at approximately KRW 101 trillion as of 2015-end, which is approximately a 2.4-fold growth in its asset volume within four years since the launch of the group in 2011. With the incorporation of Kyongnam Bank, we have successfully managed a two-bank system, strengthened our profitmaking capabilities to respond to the rapidly changing environment, and expanded our market dominance, thus establishing a system for sustainable growth.

## Key Activities

### Management Principles of Affiliates in 2016

Establishing a System for Profit-oriented Sustainable Management	
<b>BNK</b> Busan Bank	Securing unparalleled presence(profit-oriented) within the southeastern economic zone by establishing a customer-oriented management system
<b>BNK</b> Kyongnam Bank	Leaping higher as a leading bank in retail banking
<b>BNK</b> Securities	"Quantum Jump 2016" Realizing maximized profits by strengthening competitiveness and achieving efficiency in management
<b>BNK</b> Capital	Becoming a globally renowned capital company siding with customers
<b>BNK</b> Savings Bank	Laying the basis for sustainable profitmaking and higher corporate value
<b>BNK</b> Asset Management	"New Start 2016" Making a new start for a higher leap in the mid and long term
<b>BNK</b> Credit Information	Maximizing synergies of the group and expanding the business areas
<b>BNK</b> System	Maximizing the IT synergies in the group by intensifying financial IT competencies

### Initiating the 'Hidden Profit' Contest

Busan Bank initiates the bank-wide 'Hidden Profit' Contest to secure the basis for future growth amid protracted low growth and low interest rates. The bank conducted innovative campaigns by providing feedback throughout the business process in raising profits and reducing cost, exploring profit sources amid deregulation and institutional changes and adopting best practices of other banks. Consequently, the bank discovered 77 tasks in 2015 and improved the profit of an enterprises.

### Running the Profit Management Committee

Kyongnam Bank has run the Profit Management Committee since January 2015 to spread the culture on of profit making among employees and achieve profit-oriented corporate management. Regular meetings of the committee are held every week to review the NIM (net interest margin), net interest spread, asset soundness and the current equity status of supply and demand. As a result, profitability has skyrocketed with a dramatic improvement of the NIM year on year.



178<sup>th</sup> ranking of the World's Safest Banks selected by 'The Bankers', a global financial magazine

BNK Financial Holding was ranked 178<sup>th</sup> in the World's Top 250 Safest Banks and 3<sup>rd</sup> among domestic financial institutions by 'The Bankers', a global financial monthly magazine of the U.K.

\* Selection criteria are on five areas of global major financial institutions – profitability, asset soundness, capital adequacy, liquidity and risk environment.

# Strengthening Competencies to Respond to the Future Finance

## Strategic Directions

We devise omni-channel strategies converging face-to-face and non-face-to-face channels as more customers using financial services resort to the latter, e.g. online banking and smartphone banking. Busan Bank and Kyongnam Bank have pioneered the efforts to establish an advanced mobile banking system, and has launched the Fin-tech Development Council to preemptively counter the rapidly changing financial environment driven by the development of the fin-tech industry. Kyongnam Bank is currently setting up a future channel system to provide new online banking and mobile banking.

## Key Activities

### Launching the BNK Fin-tech Development Council

Busan Bank and Kyongnam Bank launched the BNK Fin-tech Development Council consisting of 10 specialists in banking, academia and related industries to develop the regional fin-tech industry. The bank seeks to facilitate the regional fin-tech industry, while preemptively countering the rapidly changing market situations. Moreover, the bank plans to enter the overseas fin-tech market over the long term while discovering and developing promising fin-tech companies in the region.

### Issuing the Smart OTP Service

Busan Bank and Kyongnam Bank provide the smart OTP service, using the fin-tech. Once the OTP card touches a smartphone, using the NFC (near field communication) technology, a disposable certification number is generated automatically in the smart OTP service. It can be used semi-permanently, ensuring a high level of security by blocking the number leakage in an e-financial scam.

### Providing the Withdrawal Service at the Window Using the BNK Smart Bankbook

Busan Bank launched the BNK Smart Bankbook for improving customer convenience and facilitating non-face-to-face transactions. Once a six-digit certification number is entered into the fin-pad at a bank window, which is received via smart banking, cash withdrawal is made available in a 'withdrawal service without a bankbook at a branch window using the BNK Smart Bankbook'. The service is expected to save costs and secure a stable profit base by expanding the non-bankbook financial product portfolio.

### Expanding the 'Tablet Branch' Service to All branches

Busan Bank runs the 'tablet branch' service in 205 branches where a tablet can be used to immediately subscribe to financial products. It has enabled the expansion of the branches offering the services, and diverse financial transactions including new deposit and credit loans that have become more convenient and fulfill customer needs.

### Launching 'SUM BANK', a Mobile Banking Service

BNK Financial Group launched 'SUM BANK', a mobile banking service standing for 'Simple' (and convenient), 'Useful' and 'Mobile' (mobile operations for all banking transactions). SUM BANK proactively explores mobile banking by providing a wide range of benefits to customers such as opening new accounts through non-face-to-face real-name certification, providing credit loan services, and offering the combination of Lotte Group's retail network and banking.



Launching 'SUM BANK', a Mobile Banking Service

# Maximizing Synergies of the Group

## Strategic Directions

BNK Financial Group has aligned a systematic management system for affiliates in line with global standards, and unified cross-affiliate business standards and policies, facilitating easier collaboration. In order to maximize synergies of the group based on a close collaborative system among affiliates, we have put in place a corporate culture for the group titled 'YES! BNK' and spread the culture to all employees within the group. We seek for greater synergies in profit-making efforts driven by the expanded customer base by providing high-quality services to customers including sharing of products and services, and ensuring joint and aligned services. We continue to explore business areas where cost can be reduced by initiating the establishment of an integrated IT center, thereby sharing resources and enabling joint procurement.

## Key Activities

### Securing Management Competencies with the Two-Bank System

BNK Financial Group has established an organizational system within the holding company to strengthen coordinating, planning and supporting functions, and raise operational efficiency of the two-bank system. While designating employees in charge of corporate management in each affiliate for its efficient management and support, the group has emphasized the roles to maximize synergies as a control tower by supervising various operations including the formation of a corporate culture, social contribution activities and promotion.

### Conducting Cross Services of Busan Bank and Kyongnam Bank for the First Time in the Financial Industry

Bank windows of Busan Bank and Kyongnam Bank conduct cross services for accounts of both banks in line with the measures set by the Financial Supervisory Commission to strengthen competitiveness of the financial holding companies. The ATMs of both banks are made compatible without adding new ATMs. Moreover, fees are exempted in all banking services including online banking and smart banking. Wide-ranging financial services will be up for grabs through the launch of joint financial products aligned with non-banking affiliates.

### Opening the Branch In Branch (BIB) in Gyeongnam and Ulsan

Kyongnam Bank opened the Branch In Branch (BIB) for the first time in the Busan, Ulsan and Gyeongnam region. BNK Securities has opened a sales department in Gyeongnam and Ulsan, to help customers for banking services in the region. Customers can thus be served with efficient and comprehensive asset management services for various financial products from the banks and securities branches in a single place.

### Organizing the 'BNK's Integrated PB Seminar'

The 'BNK's Comprehensive PB Seminar' was held for 80 private bankers (PBs) of Busan Bank, Kyongnam Bank and BNK Securities. The seminar which was organized in the group level for the first time aimed to maximize synergies of a financial hybrid branch jointly operated by the banks and the securities company – a new trend in finance. PBs taking part in the seminar exchanged various ideas to improve investment portfolios suited to the financial hybrid branch and customer profits.

### Organizing the Groundbreaking Ceremony for the 'IT Center of BNK Financial Group'

The groundbreaking ceremony for the 'IT Center of BNK Financial Group' was organized on January 15, 2016 to strengthen IT competitiveness in the future and take the lead in the financial environment. The IT center is to accommodate eight IT centers of the group's affiliates, integrating the management of the existing IT centers of affiliates that have been scattered. The venture is expected to generate high synergies in greater work efficiency and cost.



Opening Ceremony of the Ulsan Financial Hybrid Branch



Organizing BNK's Integrated PB Seminar'



# Expanding the Business Scope and Establishing the Business Network

## Strategic Directions

We are expanding our domestic and overseas networks to leap higher as a global financial group. We are also initiating business diversification to establish a balanced business portfolio of banking and non-banking affiliates. We will explore new growth engines by overcoming limitations in generating income in Korea as we concentrate on stably expanding the financial network, especially in Southeast Asia and China.

## Key Activities

### Securing Overseas Networks

Driven by the opening of the Busan Bank Qingdao Branch in China, which was the first of its kind to be opened by a regional bank, BNK Financial Group does its best to establish new overseas networks in China, Southeast Asia and India. The Ho Chi Minh Representative Office that opened in Vietnam in 2011 is poised to be escalated as a branch in August 2016. We will seek for further growth within the market with our existing presence, and push for setting up overseas business networks in the Asian triangle zone connecting China, India and Southeast Asia.

### Qingdao Branch of China acquiring the full certification for operations in Chinese yuan

The Busan Bank Qingdao Branch acquired the full approval for business to be conducted in Chinese yuan by the China Banking Regulatory Commission in December 2015. China imposes regulations where only foreign banks meeting its threshold are eligible to apply for business approval in yuan. The Qingdao Branch acquired the full approval for business in yuan which has expanded the business scope from the U.S. dollar-oriented one. Busan Bank is accelerating its efforts for localization and its entry into the global financial market by extending further financial support to Chinese local high-yield SMEs based on the stable business capabilities of the Qingdao Branch.



Busan Bank Opening its Sihwa Industrial Complex Branch

### Busan Bank Entering the Gyeonggi Region for the First Time

Busan Bank opened its first branch in Gyeonggi, which is the Sihwa Industrial Complex Branch, in June 2015. The bank plans to lay the foundation for a wide-area network in the metropolitan area covering Seoul, Incheon and Gyeonggi, while starting its business operations in the region through the branch. The Sihwa Banwol National Industry Complex where the Sihwa Industrial Complex Branch is located is Korea's largest industrial complex accommodating 19,000 corporate tenants. The branch will provide BNK-exclusive comprehensive financial services while easing financial inconveniences of Busan Bank customers in Gyeonggi. The customers are mostly corporate customers of Busan Bank and companies whose hometown is Busan, Ulsan or Gyeongnam. Consequently, Busan Bank will exert all-out efforts as a new financial partner that leads economic vitalization in Gyeonggi.

### Incorporating BNK Asset Management as a Subsidiary

BNK Financial Group incorporated BNK Asset Management as its eighth subsidiary in July 2015, seeking for diversification of income sources of the group by advancing into the asset management business and expansion of cross-affiliate synergies. BNK Asset Management established in 2008 is an asset management company specializing in securities funds. The company strives to significantly intensify business activities through the incorporation, and generate synergies by leveraging the business networks of Busan Bank, Kyongnam Bank and non-banking affiliates.

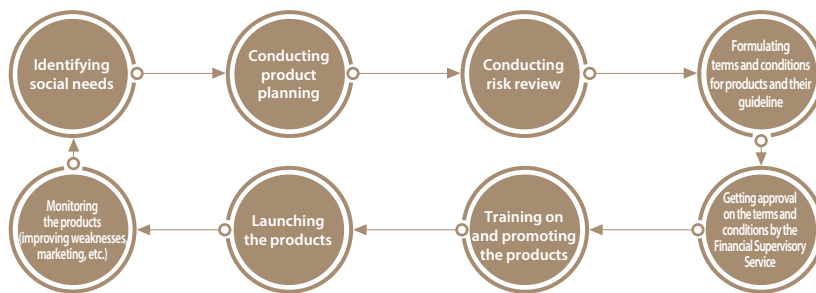
# Developing Customized Products

## Strategic Directions

BNK Financial Group as a financial group that prioritizes customers makes fullest efforts to proactively respond to customer needs and enhance customer satisfaction. We offer products and services catered to the needs of each financial consumer bracket and communities by continuously communicating with customers and preemptively identifying the financial trend. BNK Financial Group that prioritizes customer benefits will touch their hearts to the fullest by developing wide-ranging products and services.

## Key Activities

### Financial Product Development Process



## Providing Customized Comprehensive Asset Management Services

Busan Bank has introduced the Wealth Management System (WMS) to offer customized asset management services to customers. The WMS was developed to enable simple asset planning at a bank window and to providing a precise asset management services for high-net-worth individuals. The bank offers services befitting various circumstances and needs of customers based on diverse options that might occur in different milestones in a lifecycle, e.g. purchase of house, preparation for marriage and education funds along with broad asset management and post-retirement life design for all the customers using Busan Bank.

## Allocating One Asset Manager per Branch

All branches of Busan Bank have established the 'one-branch, one-asset manager' system where a specialized asset manager is allocated for customers to conveniently use the asset management service. As of September 2015, 15 private bankers (PBs) and 189 preliminary financial advisors (PFAs) have been allocated to 204 branches of Busan Bank. Additional units are also in operation to provide comprehensive customer-oriented specialized consulting. These include 'BNK Asset Management Doctors' Team' consisting of specialists in each field to address issues requiring further expertise by having one specialist in one branch, and 'Post-Retirement Life Design Center', a specialized unit for life planning for the elderly customers after their retirement.

## Beefing Up Marketing Competencies by Allocating a Branch Retail Manager (BRM)

A Branch Retail Manager (BRM) has been allocated to 75 branches of Busan Bank and 67 branches of Kyongnam Bank to intensify marketing competencies in retail banking. Assistant branch managers of Grade 3 who hold financial certificates and tout superb competencies are allocated as retail banking managers to enable outbound business to strengthened to target the self-employed, small-office home-office (SOHO) companies and small-scale businesses around each branch.



Inaugural Ceremony for Branch Retail Managers (BRMs) in 2016

## Performance of Customized Deposit Products

As of December 31, 2015

Type	Content	Performance
Busan Bank	Life-Time Bankbook	KRW 115.2 billion
	BNK Yeonriji Savings Deposit	KRW 10.3 billion
	Good-Choice Free Installment Deposit	KRW 9.1 billion
	e-Blue Sea Free Installment Deposit	KRW 38.3 billion
Kyongnam Bank	Bankbook with Pension Benefits	KRW 39.4 billion
	Child Dream Free Installment Deposit	KRW 25.6 billion
	Female Only_Ruby	KRW 4.4 billion
	Female Only_Diamond Time Deposit	KRW 103.6 billion
	Female Only_Emerald Installment Deposit	KRW 5 billion

Amount used KRW **85,642** million

### BNK Card

- Discounting up to 4.5% for the amount used depending on consumption patterns
- Accumulating 0.1% of the amount used in traditional markets as the Win-Win Fund for Busan, Ulsan and Gyeongnam

Amount used KRW **22,276** million

### THE CARD 1472

- Providing comprehensive benefits for four core services in transportation, fuel, restaurants and communication
- Offering transportation-specialized services including KTX and air travel

Amount used KRW **16,745** million

### REX Card

- A product specialized in various coupons and high-end services mainly targeting premium-level VIPs of the bank

Amount used KRW **24,282** million

### Child-Happiness Card

- A product providing specialized services for paying national welfare facilities including nurseries and kindergartens and childcare

## Selling the Housing Subscription Synthesized Savings Account for the First Time as a Regional Bank

It has been suspended to newly subscribe to the existing housing subscription time deposits/savings deposits in order to integrate the all related products into a housing subscription savings account. Accordingly, Busan Bank launched the housing subscription synthesized savings account for the first time as a regional bank. The bank also organized events to increase the number of new customers by targeting the key customer bracket earlier than competitors as the bank account switching system is implemented, giving out gifts to new subscribers and providing the initial amount for underprivileged subscribers. By selling the housing subscription synthesized savings account, utmost efforts will be poured in so that inconveniences arising from having to apply for subscription in specific banks could be eased and customer churning could be prevented.

## Launching Products amid the Bank Account Switching System

New products were launched to retain the existing customers and attract new ones upon responding to the bank account switching system that has been implemented since July 2015.

Life-Time Bankbook	A bankbook enhancing the convenience in bank transactions and reflecting customer features in their life cycle as it can be used for one's life time as a multi-purpose bankbook
BNK Yeonriji Savings Deposit ('yeonriji' means that two trees with different roots can grow together as one)	A savings deposit product to provide mileage points for cross-affiliate transactions and respond to the bank account switching service as a cross-affiliate convergence-exclusive product
BNK Sarangbang Time Deposit	A time deposit product offering beneficial interest rates to new customers and main ones to respond to the bank account switching service

## Kyongnam Bank Achieving 'Total Deposits of KRW 30 Trillion'

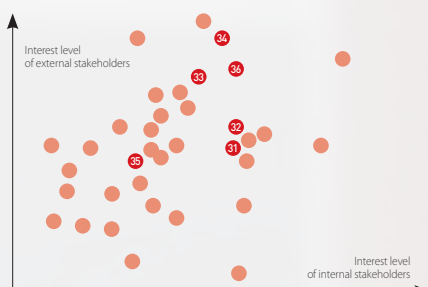
Kyongnam Bank achieved the 'total deposits of KRW 30 trillion' on May 13, 2015. The feat came two years after achieving total deposits of KRW 25 trillion in April 2013. It is attributable to the popularity of deposit products including Damoa Time Deposit offering a high interest rate amid the low interest trend and BNK Baram Bankbook providing benefits of various bank charge exemptions.

## Designated as Korea's Prestige Brands

THE CARD 1472 (2015) and BNK Card (2016) were designated as Korea's prestigious brands as they were highly ranked for providing superb financial benefits and enhancing practical customer values. The excellent performance of the two cards was recognized in the actual evaluation of strategic excellence, current and future values and visions.



### Step. 01 Materiality Test Map



### Step. 02 List of Core Issues

Core Issue. 31	Managing financial consumers' personal information
Core Issue. 32	Upgrading the brand and corporate image
Core Issue. 33	Preventing financial accidents/crimes
Core Issue. 34	Retaining customers through customer satisfaction services
Core Issue. 35	Providing accurate information on products and services
Core Issue. 36	Expanding financial accessibility of financial consumers



## Aspect 02

# Providing Services for Customer Satisfaction

## Importance of Providing Services for Customer Satisfaction

As domestic customer needs for financial services have escalated to the extent of being global class, financial companies conduct various services to practically satisfy customers beyond their existing customer services. BNK Financial Group seeks to establish a customer-friendly image and brand that leads the market by providing advanced financial services prioritizing customer benefits, by anticipating customer requirements.

### Crises and Opportunities

#### • Opportunities

The financial industry maximizes customer satisfaction by further focusing on counseling functions upon selling financial products and sophisticated customer management after sales. BNK Financial Group improves the procedure of managing customer complaints in a preemptive manner by catering to comprehensive financial needs for one-stop services as well as after-sales financial product management needs. Expertise and promptness have been enhanced at bank windows for customer counseling to listen to VoC and handle their complaints. CS training is provided to branch employees and security guards to enhance the convenience of handling customer services. As such, we take the lead in establishing a customer-oriented culture.

#### • Crises

Financial companies that are our competitors are upgrading their services to be more customer-friendly beyond merely being polite at a bank window. At a time when financial services for customers are facilitated, providing financial services that are not differentiated might lead to a shake-up of the existing and potential customers, directly impacting profit reduction for companies. Innovative activities need to take place at customer contact points which accompany differentiated services for customers.



### Step. 03 Composition of Core Aspects

Providing Services  
for Customer Satis-  
faction

### Step. 04 Table of Content for Core Aspects

Discovering Customer Satisfying Services

Strengthening Customer Satisfaction Competencies

Preventing Financial Accidents and Protecting Information

## Performance and Goals

BNK Financial Group provides courses in customer response skills and response to complaints at bank windows, and on-site coaching programs for all employees at branches to maximize customer satisfaction. VoC is transferred from customer events, seminars for honorary branch managers and seminars with CEOs of SMEs in order to enhance the customer satisfying services. We will strengthen the security awareness of personal information employees and customers through education. Also, we plan to expand authentication of information protection management system of all affiliates and strengthen the process of detection of suspicious transactions and high-amount cash transactions through the information protection system. We will do our best in the prevention of financial accident and the damage of the customer.

Type	KPIs (Short-run · a Long-Term Strategy)		
Improving customer satisfying services	Strengthening training on customer satisfaction · Increasing cost and time for employee training on customer satisfaction	Improving financial accessibility · Securing competitiveness in non-face-to-face channels to enhance financial convenience and timeliness	Improving the score in the customer satisfaction survey · Providing practically satisfying services based on customer satisfaction needs
Preventing financial accidents and crimes	Expanding training on the prevention of financial accidents · Strengthening the security check for PC and mobile media · Continuing to train on fundamentals including the awareness of information protection and security	Strengthening the monitoring of money laundering and illegal transactions · Standardizing a system for continuous initiation and reporting of high-risk customer monitoring · Expanding the programs to block the leakage of personal information	Completing a system to prevent financial accidents · Initiating the certification of an information protection management system for all affiliates in the group and completing the encryption of personal information

# Discovering Customer Satisfying Services

## Strategic Directions

In order to become a trusted life-time financial partner for customers, we prescribed the BNK Financial Group Charter on Financial Consumer Protection, developed the financial consumer protection system, and improved the complaint response process. As such, we enhance customer rights by providing excellent customer satisfying services. We also strive to achieve shared growth with customers by differentiating service coverage and mode suited to customer propensity and needs beyond providing financial benefits.

## Key Activities

### Securing a Standard System to Respond to Customer Complaints

Busan Bank and Kyongnam Bank run the financial consumer protection system to protect rights of financial consumers and enhance work efficiency. Securing a standard system to respond to customer complaints by complying with the rules on financial consumers has enabled efficient handling of business operations since all employees can share the current status on complaints to make proactive responses.

### Strengthening Promptness and Expertise in Customer Response

Busan Bank and Kyongnam Bank extend counseling services on demand at customer centers upon the request of branches which experience peak volumes, with their phone line in order to fulfill customer satisfaction. Busan Bank runs 214 lines in 214 branches as of December 2015, and Kyongnam Bank runs 227 lines in 141 branches, making prompt customer responses and providing specialized counseling services.

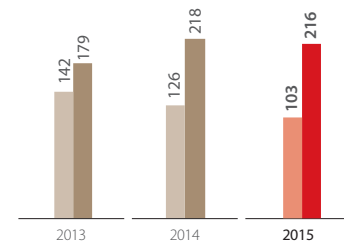
### Customer Complaint Management Procedure

Busan Bank and Kyongnam Bank have designated one financial consumer protection manager at the supervisor level and above at each department/division/branch in order to make early responses to complaints and prevent their escalation. Customer suggestions and complaints are reflected in improving systems in banks, and some of them are utilized to improve products and services through an internal review procedure. Customer complaints received through customer centers and various customer accessible channels are transferred to relevant branches and handled accordingly. The department in charge of complaint handling reports the results back to relevant customers.

### Current Status of Customer Complaints at Busan Bank

(Unit: number of cases)

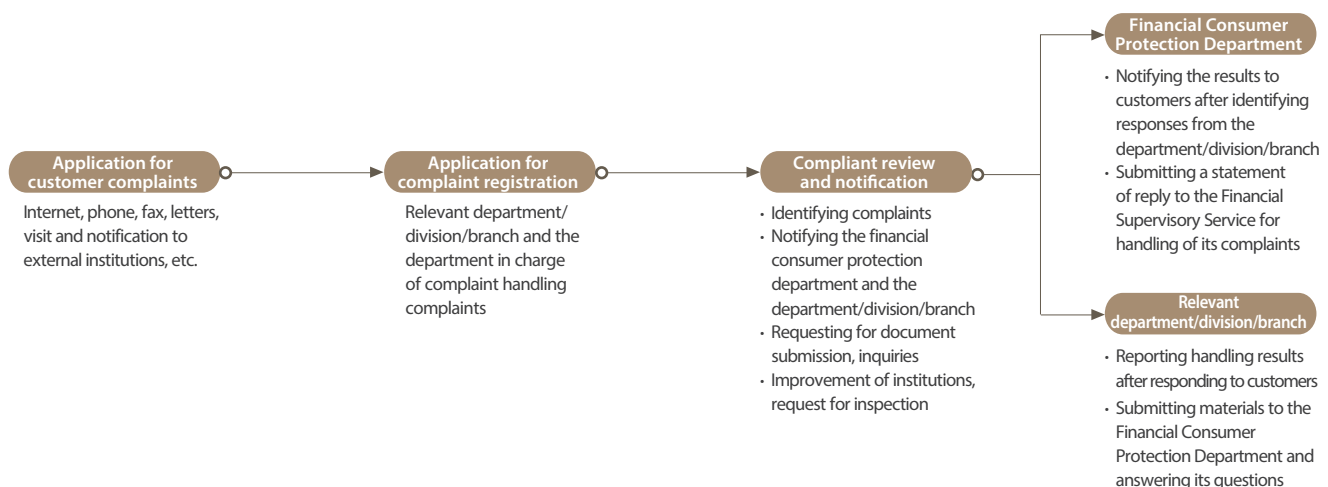
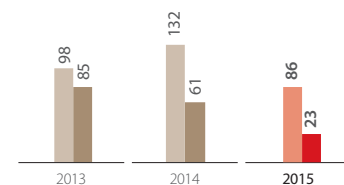
- Complaints of the Financial Supervisory Service
- Internally handled complaints



### Current Status of Customer Complaints at Kyongnam Bank

(Unit: number of cases)

- Complaints of the Financial Supervisory Service
- Internally handled complaints

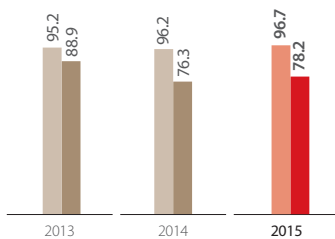




### Results of the Customer Satisfaction Survey at Busan Bank

(Unit: point)

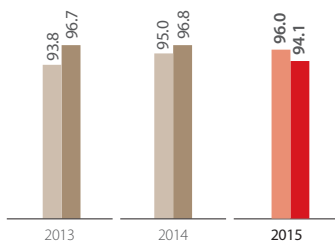
- Customer Satisfaction Index (CSI)
- Service Monitoring System (SMS)



### Results of the Customer Satisfaction Survey at Kyongnam Bank

(Unit: point)

- Customer Satisfaction Index (CSI)
- Service Monitoring System (SMS)



### Appointing Honorary Branch Managers

Busan Bank and Kyongnam Bank select opinion leaders every year among representatives of competent clients at each branch, who are appointed as honorary branch managers. Busan Bank has expanded its existing appointment ceremony at each branch, and in 2015, the management and branch managers at the HQ offered plaques of appointment and gratitude to 200 honorary branch managers. Kyongnam Bank appointed 228 honorary branch managers at its own appointment ceremony.

### Providing CS Training to External Institutions and Competent Clients

We provide customer satisfaction (CS) training to external institutions and competent clients, strengthen ties with external institutions, and seek for shared development with the region and customers. Training covers CS mindset, service leadership, communication skills, business manners, telephone response, image making, prevention of sexual harassment at workplace, jobs for students and interviewing skills. Lectures were provided free of charge to 2,857 people on 45 occasions in 2015.

### Operating the BNK Women's Academy

Busan Bank runs the BNK Women's Academy as a differentiated marketing activity for female customers. The academy runs two-month courses for annually for approximately 50 competent female customers in different areas. Thanks to high acclaims from female customers, the academy has established itself as the bank's representative cultural group and is in its fourth year.

### Launching BNK Retirement Planning

Busan Bank launched 'BNK Retirement Planning Center' and its exclusive brand of 'BNK Retirement Planning'. The bank provides comprehensive retirement planning solutions for customers to effectively in the aging society by allocating retirement specialists in branches. We have expanded the brand of BNK Retirement Planning to all affiliates, and seek to lead the post-retirement financial planning market by strengthening services and products.



Appointment Ceremony for Kyongnam Bank 100 Years<sup>+</sup> Companies

### Running the System for 'Kyongnam Bank 100 Years<sup>+</sup> Companies'

Kyongnam Bank adopted the system for 'Kyongnam Bank 100 Years<sup>+</sup> Companies' to achieve shared development with regional SMEs. The bank selects companies eligible for 'Kyongnam Bank 100 Years<sup>+</sup> Companies' following screening at the Selection Council which evaluates seven items including credit, technologies, business competency and social responsibilities, and provides incentives including plaques of recognition and various financial benefits. The on-site tour for 'Kyongnam Bank 100 Years<sup>+</sup> Companies' takes place with the participation of CEOs of regional SMEs, which serves as a bridge between regional SMEs and competent enterprises.



Kyongnam Bank's Seminar with CEOs

### Kyongnam Bank Organizing the 'Seminar with CEOs' of Regional Companies

Kyongnam Bank organized the 'Seminar with CEOs', an interactive forum to understand labor issues confronted by regional companies and seek for solutions and invited about 100 local business managers such as major customers. The seminar was held under the title of 'improving the labor market structure and devising corporate responsive measures' to share ideas on the extension of the retirement age and the wage peak system and measures for a labor-management harmony.

# Strengthening Customer Satisfaction Competencies

## Strategic Directions

BNK Financial Group conducts field-oriented CS training programs to strengthen their internal competencies for greater customer satisfaction. Training for new employees is focused on improving customer response skills over phone and in person to help them upgrade their fundamental attributes as members of BNK Financial Group. We also made the 'CS Handbook' that includes customer satisfaction cases by type and response skill. Meanwhile, we improve the efficiency of CS training and our commitment for CS actions through the 'BNK Guinness System' to give rewards to qualified employees in CS.

## Key Activities

### Conducting the CS-exclusive Coaching Program

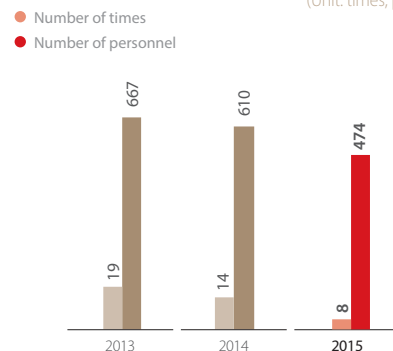
We have conducted the CS-exclusive coaching program since March 2016 to intensify service competencies of individual employees. The program is subject to non-disclosure where employees who have a CS score below the threshold or employees in need of a CS specialist can make applications. Coaching is via phone and visit over once a week. We expect to see all and upgraded CS level for all by enhancing their service mindset as we set CS-related goals for individuals and provide feedback to them.

### Implementing the CS Hidden Hero Program

We have implemented the CS Hidden Hero Program where competent security guards are selected in order to enhance their basic CS competencies and CS mindset. Financial rewards and opportunities for a yacht tour are provided to 15 CS Hidden Heroes as all-out efforts are poured in to make the 'kindest bank' through CS boom-up throughout the bank.

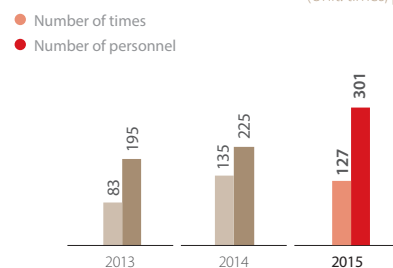
### Telephone Consultation Training of Head Office Employees at Busan Bank

(Unit: times, persons)



### Number of Times and Personnel for Security Guard Training for Security Guards at Busan Bank

(Unit: times, persons)



## CS Training Program

**CS Program for New Employees**  
Improving new employees' response skills at the counter and fostering basic qualities required for customer response

**Basic CS Training Program**  
Improving basic CS skills and the mindset for customer response

**Advanced CS Training Program**  
Training on how to respond to each complaint case at the counter based on the basic CS training program

**CS Training Program for New Security Guards**  
Developing the security guards' response skills and basic qualities required for CS

**On-site CS Coaching for Security Guards**  
Providing one-on-one customized intensive training by visiting security guards in branches on site

**Level Up CS**  
Providing coaching on CS at branches and improving the awareness on implementing CS

## CS Talk of Today



Hello, customers!  
The weather has become  
very dry. You might need  
to put on some cream.

### CS Tip

We are now airing BNK Hi-Way for 2016. It is broadcast to all affiliates every day, so we hope that you could do your best to create a consistent image as BNK employees and share the corporate culture.

\* Starting Date: February 22 (Mon), 2016

\* Broadcasting Time: 08:50 ~ 08:53 a.m.

BNK Hi-Way UCC Contest will be held in May, so we ask for your great interest.

## Consulting of Customer Satisfaction Specialists

Busan Bank dispatches the CS Pilot Management Team consisting of CS specialists including relevant managers, employees and security guards from among those that requested for on-site training to be conducted in their branches. The CS Pilot Operation Team checks basic etiquettes on customer satisfaction, neat dressing and environmental check-up on sites, thus contributing to a better image of the bank's services.

## BNK Hi-Way – Sharing the Corporate Culture

BNK Hi-Way is a video clip produced to realize the 'kindest bank', generate consistent images of employees in all affiliates, and share the corporate culture with them. They watch the video every morning to form a consensus on CS, which improves the satisfaction level of customers. In 2015, the CS score in branches rose, and group-level activities to spread the CS culture and the UCC Contest are conducted to make a consistent group culture full of vitality.

## CS Talk – Raising Interest in Customer Response

Employees in all branches receive information on various subjects including making expressions to provoke customers' interest, CS tips and major issues via the messenger before their business operation starts in the morning. We are creating a customer-oriented culture where customer satisfaction is our top priority through steady communication and empathy with customers.

## Operating CS Leader (CS Angel) Program

CS leaders are selected through the public consensus among employees who have outstanding customer service capabilities. They act as a CS team in a branch and promote an enjoyable workplace environment. They also contribute to spreading an excellent culture for customer satisfaction by collecting internal feedback while acting as a liaison to provide information and issues regarding customer satisfaction.



### CS Clinic

Inspecting the service status in branches and on-site coaching



### CS Remind

Enhancing customer response skills and training on communication



### CS Refresh

Training on raising awareness about customer response for new employees who have worked for the bank for six months or higher



### Training CS managers

Training on communication and mindset to facilitate CS in branches



### Training on CS for employees specialized in bancassurance

Training on communication skills and image making



### Training on CS for peak timers

Enhancing the basic etiquettes on CS and customer response mindset

# Preventing Financial Accidents and Protecting Information

## Strategic Directions

We have established a systematic security system and implement precise monitoring to preemptively respond to social needs and interests in protecting the information of financial consumers and minimizing the damage from various financial accidents. Training on the protection of financial information takes place for employees and customers. Activities to prevent the personal information leakage of financial consumers and e-financial accidents are strengthened by providing a systematic security system.

## Key Activities

### Operating the Information Protection Management System and Acquiring the Certification

We continue to manage and run the information protection management system according to the ISO 27001, an international standard on information protection. We analyze weaknesses of the e-financial infrastructure pursuant to the e-financial supervision rules, and strengthen the information protection management system amid the amended regulations. We have also devised plans to implement the weakness inspection results. Kyongnam Bank acquired the ISMS certification on the information protection management system for the first time as a regional bank. Consequently, we could enhance objective credibility while securing adequacy of the information protection management system and service stability.

### Expanding the Fraud Detection System (FDS)

We strengthen security in e-financial transactions based on the analysis of past financial transaction records to accurately detect frauds that might occur in new financial frauds and also on the case analysis of detection policies of the Financial Security Institute and advanced banks. We have expanded the FDS to cover not only online banking and smart banking but also tele-banking so that suspicious transactions are checked out with customers' confirmation via phone. In 2015, four cases out of 344 suspicious transactions have been identified, preventing the possible damage of KRW 211,687,000 in total.

### Encrypting Identifiable Numbers of Customers for the First Time in the Financial Sector

Busan Bank succeeded in encrypting the entire identifiable numbers of customers including resident registration numbers, which the bank holds. The encryption of identifiable numbers that took place for the first time in the financial sector is concurrently applied to the account system, the information system and all unit operations. Such efforts prevent misuse/abuse and illegal leakage of related data including customer information, and block the identification of data related to identifiable numbers. This enhanced customer reliability of the protection of personal information. We will serve as a secure financial institution where assets of customers are given priority by continuously reinforcing the information protection system and security policies.

### Preventing Financial Accidents and Training on Information Protection

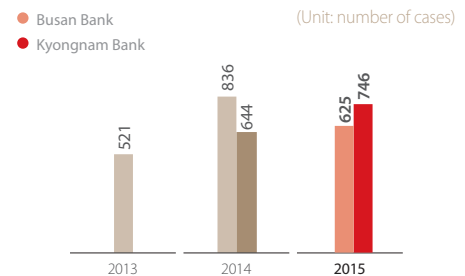
Busan Bank and Kyongnam Bank implement the security check for PCs at work by designating the monthly 'Cyber Security Check Day' to prepare against the leakage of personal information and e-financial accidents. We have made it mandatory for all employees to complete training on preventing financial accidents. Training is provided on the ethical fundamentals of protection of information by rank, basic knowledge on security by task and the IT Security Specialist Course. These courses aim to enhance security awareness of all employees and strengthen their contingency competency pursuant to the e-financial supervisory regulations.



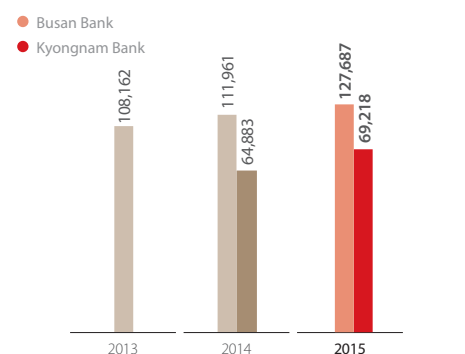
Kyongnam Bank Acquiring the ISMS Certification for the First Time as a Regional Bank

Kyongnam Bank acquired the ISMS, a certification on the information protection management system for the first time as a regional bank. Accordingly, its steady efforts for information protection have been recognized, including revising security-related work processes and risk management activities per IT system.

### Number of Suspicious Transactions Reported



### Number of High-amount Cash Transactions Reported

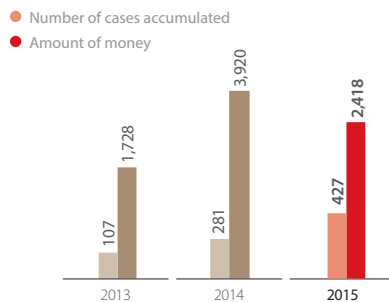




Organizing the On-site Financial Consumer Protection Event

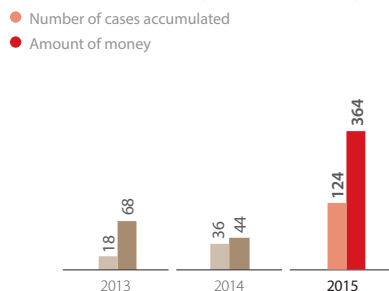
### Status of Preventing Tele-financial Frauds at Busan Bank

(Unit: number of cases, KRW million)



### Status of Preventing Tele-financial Frauds at Kyongnam Bank

(Unit: number of cases, KRW million)



## Conducting the 'Safe Account Locking Service' to Prevent e-Financial Frauds

Busan Bank provides a new service to prevent e-financial frauds thereby protecting customers from financial frauds and strengthening security. The 'Safe Account Locking Service' enables customers to set a blocking feature against withdrawal of money from their account, preventing illegal withdrawals due to financial frauds. The 'Safe Security Card Service' blocks the leakage of a security card number by sending an indication number on the security card to the mobile phones of customers via text message when they transfer money online. Kyongnam Bank is developing the 'payment suspension service' which can prevent illegitimate withdrawals by setting up a lock to the transfer function of an account for a period set by a customer.

## Acquiring Additional Confirmation for Subscribers to the Device Designation Service

Busan Bank implemented a procedure for additional certification of the device designation service including PCs to prevent the reoccurrence of misusing the service for illegal transactions after acquiring personal information and security card numbers. When the daily cumulative amount exceeds KRW 2 million, a phone call is made automatically to the pre-registered phone number for confirmation (2-channel confirmation) to check the authenticity of the and then approve of the transaction. By doing so, we proactively respond to e-financial frauds and prevent damage to customers.

## Organizing the On-site Financial Consumer Protection Event

Kyongnam Bank organized the 'On-site Financial Consumer Protection Event' to prevent financial frauds for local residents who visited the floor of the Sales Division at the head branch. Ten employees at the Financial Consumer Protection Department conducted activities to prevent financial frauds for customers that visited the Sales Division and provided counseling on their financial complaints. They explained ways to prevent and handle financial frauds to the elderly who are prone to financial frauds. Kyongnam Bank strives to protect financial consumers as a representative regional bank by making considerate attempts for individuals and recognizing the importance of strengthening systems and security devices.

## Counseling on the Prevention of Financial Frauds to the Elderly Living Alone

Kyongnam Bank enables its counselors to form a one-on-one relationship with the elderly living alone and calls them twice a week to check on their well being and counsel on scam prevention. The purpose is to prevent financial frauds against the elderly locals living alone. In 2013, the bank signed an MOU with the Ministry of Health and Welfare for the first time as a regional bank on the Solitary Elderly Love Campaign. The bank has informed of ways to prevent damage from voice phishing and illegal private finance to 33 senior citizens living alone. The bank also, checks on their health status and provides practical information to ease their life. The bank plans to strengthen activities to protect the financial information by continuous expansion of the one-on-one ties.

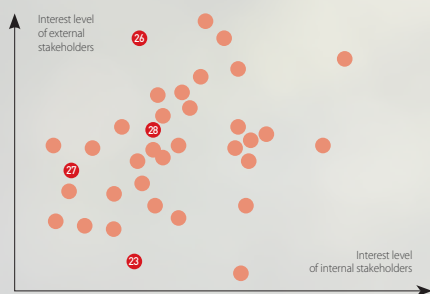
## Making Preemptive Responses against DDos Attacks

We run the reinforced information security system by establishing a security check system on employees' PCs for official use and a solution to protect personal information on print-outs, re-establishing a response system against DDos attacks and conducting countering drills. Our preemptive defense against DDos attacks in June 2015 estimated to have been performed by a hacking group located in Europe was evaluated to be a best practice by the Financial Security Institute.





### Step. 01 Materiality Test Map



### Step. 02 List of Core Issues

Core Issue. 23	Evaluating sustainability of deposit/investment targets
Core Issue. 26	Expanding support for SMEs and micro-financing
Core Issue. 27	Conducting social contribution activities leveraging business competency
Core Issue. 28	Developing public interest products for social contribution



## Aspect 03

# Leading Social Responsibilities through Finance

## Importance of Leading Social Responsibilities through Finance

The essence of the financial business lies in not only stably generating income by managing customers' money but also practicing social responsibilities enabling companies, customers and the society to grow together through finance. Providing public-interest products and services driven by finance amid the rapidly changing global environment and the prolonged economic slowdown can contribute to the development of a sustainable community. BNK Financial Group is leading financial activities for shared growth in multifaceted aspects by offering specialized loan products and technological financing for SMEs, and launching micro-financing products.

### Crises and Opportunities

#### • Opportunities

BNK Financial Group can establish a closer trust relationship with the community by providing products and services suited to customers and companies thanks to its nature as a representative financial institution in the community. By enhancing our image as a trustworthy financial partner, we can retain loyal customers and increase the scope of prospective customers. We can take the lead in sustainable growth, while contributing to facilitating the regional economy through practices of social responsibilities required of finance.

#### • Crises

Financial products and services supporting SMEs and the working class for finance to make social contribution might induce short-term financial burdens because of higher cost and lower profitability. Systematic and professional risk management in operations is required as customers eligible for the products and services might be prone to moral hazards by perceiving them as lenient financial support.

### Step. 03 Composition of Core Aspects

Leading Social  
Responsibilities  
through Finance

### Step. 04 Table of Content for Core Aspects

Extending Specialized Financial Support for SMEs  
Supporting to Stabilize Livelihood of the Working Class  
Developing Financial Products for Public Good

### Performance and Goals

BNK Financial Group continues to expand financial support to practice 'Happy Finance' to give hopes to SMEs and the working class. Loans extended to SMEs by Busan Bank and Kyongnam Bank stood at approximately KRW 37,710 billion. They have lowered the loan interest rate to ensure financial stability for those under financial stress and run programs for credit recovery. We will lead the efforts of fulfilling social responsibilities through finance based on closely developed ties with the community as well as our differentiated competencies including technological and relationship financing.

Type	KPIs (Short-run · a Long-Term Strategy)		
Discovering region-specific business models	Facilitating site-oriented localized business · Expanding technological and relationship financing · Establishing on-site service infrastructure (setting up mobile platforms including portable branches)	Establishing a system to provide customized products and services · Reinforcing management consulting competencies and a supporting system for regional companies	Reinforcing ties with communities and establishing a system for shared growth · Developing programs to support win-win cooperation with the government and regional public agencies · Supporting to form cross-company networks to facilitate region-specific projects
Strengthening projects for win-win growth with small enterprises and the working class	Supporting comprehensive micro-financing · Strengthening micro-financing support for low-income class, the financially underprivileged and high interest-rate debt holders · Facilitating micro-deposit product sales specialized for low-income class	Raising the satisfaction level of financial services for the financially underprivileged · Strengthening financial services in financially alienated regions through mobile branches · Reinforcing the operation of flexible operating hours in banks	Reinforcing support for small enterprises · Expanding the scale of credit loans aligned with partner agencies and guaranteed loans · Providing services to improve competencies for management consulting and fund management



# Extending Specialized Financial Support for SMEs

## Strategic Directions

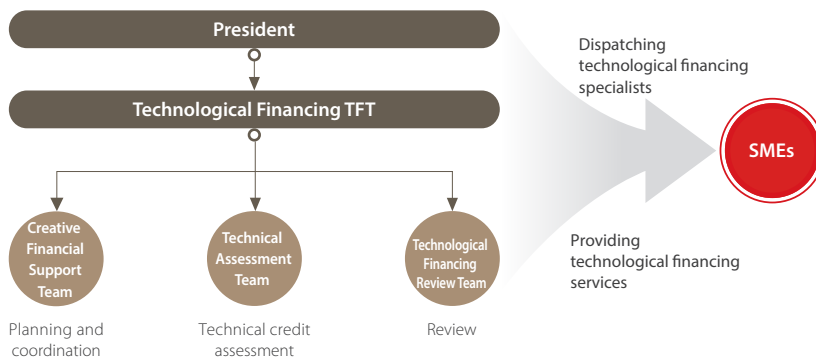
We are keenly involved in activities to support growth of local SMEs despite the challenging economic situations. Fin-tech services have been upgraded for SMEs with competent technologies and top-notch performance has been generated in relationship financing thanks to the continued localized business strategies.

Information including the morality of CEOs, their management capabilities and social reputation on business competencies will be reflected in loan reviews so that local SMEs can be sustainably discovered and fostered.

## Key Activities

### Launching the Exclusive Technological Financing Team

Busan Bank runs an exclusive task force with technological financing TFT falling directly under the president to extend systematic technological financing support. The bank dispatches technological financing specialists on sites, preemptively discovers SMEs with superb technical skills but lacking in financial capabilities, and provides systematic technological financing services ranging from technical assessment to consulting on financial support.



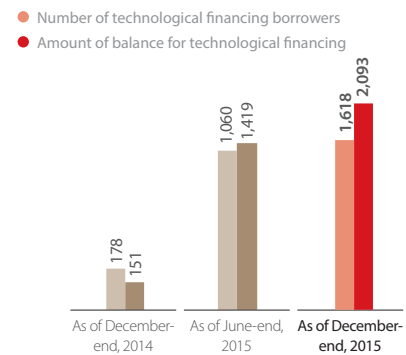
### Expanding the Signing of Technological Financing MOUs

We sign technological financing MOUs to extend financial support for local SMEs with superb technicality and growth potential, and discover and foster competitive hidden champions.

	Signed with	Fund scale	Targets for support	Support coverage
MOU to facilitate the creative economy	• Korea Technology Finance Corporation	• BNK IP Agreement-Guaranteed Special Loan, maximum KRW 10 billion per company	• Local SMEs	• Creative Loan for Innovative Enterprises • BNK Special Loan for IP Agreement Guarantee • BNK Special Loan for Agreement Guarantee for Excellent Tech Companies 1+1
MOU to discover and foster creative companies	• Korea Credit Guarantee Fund	• KRW 300 billion to be raised by Busan Bank and Kyongnam Bank, respectively	• SMEs contributing to facilitating the regional economy	• Special Loan for V-Plus Agreement Guarantee • BNK Special Loan for Tech SMEs
Agreement on financial support for Gyeongnam's Core Strategic Industries for the Next 50 Years	• South Gyeongsang Provincial Government	• Ceiling of KRW 500 billion	• Companies related to Gyeongnam's Core Strategic Industries for the Next 50 Years	• Kyongnam Bank Cluster Corporate Loan • Considering sustainability of SMEs by concurrently assessing technical capabilities, financial stability and records of social contribution

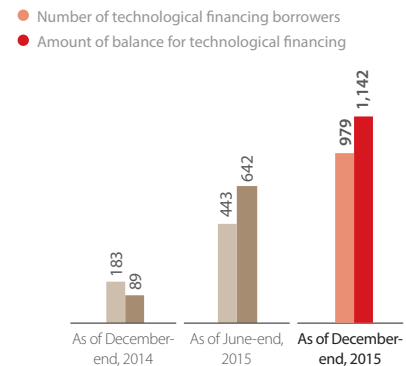
### Busan Bank's Track Records on Technological Financing

(Unit: number of cases, KRW billion)

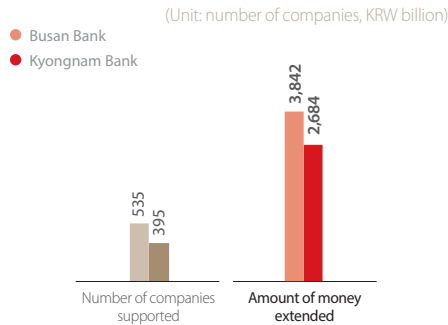


### Kyongnam Bank's Records on Technological Financing

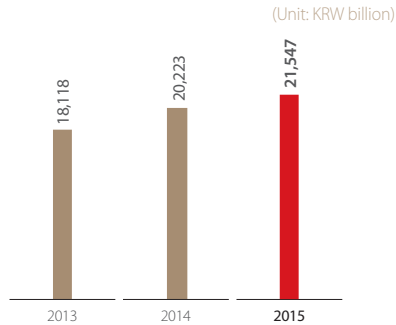
(Unit: number of cases, KRW billion)



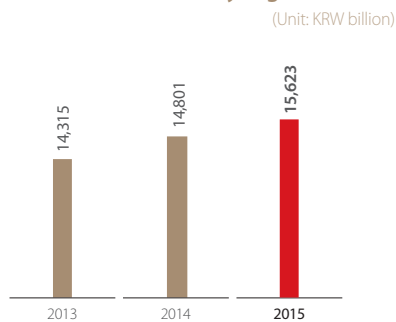
### Records of Relationship Financing Loans



### Balance of SME Loans at Busan Bank



### Balance of SME Loans at Kyongnam Bank



Selected as an excellent institution supporting SMEs

### Busan Bank Ranked First for Three Times in a Row at the Technological Financing Performance Assessment

Busan Bank was ranked first three times in a row, as the only domestic bank having its largest technological financing support for SMEs in Korea in the technological financing assessment in the 'Innovativeness Assessment of Banks' organized by the Financial Services Commission. Also, Kyongnam Bank ranked second followed by Busan Bank in the second half of 2015 and received excellent qualitative and quantitative assessment.

### Enhancing the Relationship Financing Performance through Localized Business

Busan Bank opened the SME Support Center, an exclusive management consulting organization, providing 325 management consulting cases free of charge to SMEs. Kyongnam Bank allocated credit-marketing officers (CMOs) as a special workforce in relationship financing to branches and related departments. The bank also provided training opportunities to raise competitiveness of SMEs by running the Academy for SME Employees in conjunction with the Small and Medium Business Administration (SMBA). Consequently, Busan Bank was ranked first among all the banks in Korea, and Kyongnam Bank was rated second among regional banks in terms of the loan balance in relationship financing.

### Launching the Special Loan for Win-Win Growth with SMEs

Busan Bank and Kyongnam Bank launched the Special Loan for Win-Win Growth with SMEs, a win-win fund worth KRW 1 trillion in total to facilitate regional SMEs in Busan, Ulsan and Gyeongnam and the economy for the working class. Busan Bank extended loans of KRW 878.8 billion in 3,129 cases to SMEs holding excellent technological capabilities local native companies that have used the bank for long and small-scale companies. Utmost efforts are poured in as financial support for financially struggling SMEs due to the economic slowdown by extending loans promptly.

### Busan Bank, Designated as 'an Excellent Institution for SME Support'

Busan Bank was selected 'an excellent institution for SME support' at the 'award ceremony for individuals that contributed to the eradication of five financial evils harming people's livelihood in 2015' organized by the Financial Services Commission. 'The bank's efforts for steadily initiating relationship financing were highly recognized, which have been practically helpful to SMEs. These include creation of jobs in SMEs, support for the Win-Win Growth Fund, and discovery of and development support for local hidden champions. The bank will proactively practice shared growth with SMEs as regional financial partners driven by relationship financing and local SME support.

### Records of Customized Loans for SMEs

(Unit: KRW 100 million)

Type	Explanations	Records
<b>Win-Win Growth Loan for SMEs</b>	It is a special support fund for strategic industries of local governments and knowledge integration-based creative companies	10,629
<b>Fisheries Warehouse Finance</b>	It is a product to extend finance with fisheries stocked in a container ship or a warehouse as collateral	6,697
<b>Partner Loan</b>	It is a financial product supporting regional SMEs with high growth potentials	6,717
<b>Loan for Land Subscription Fund</b>	It is a loan product to extend a subscription fund in partnership with local governments and Korea Land Corporation	3,240
<b>Corporate Loan for Regional Investment</b>	It is a loan product to support companies investing in business facilities in the region	972

# Supporting to Stabilize Livelihood of the Working Class

## Strategic Directions

We initiate programs for financial support and job creation for small enterprises and the self-employed, the low-income group and the financially underprivileged. We contribute to revitalizing the regional economy by reducing the financial burden of the working class, the basis of the regional economy through diverse financial support projects.

## Key Activities

### Signing an MOU for Financial Support for Small Companies and Exempting the Interest Rate for Loans

Busan Bank signed an 'MOU for financial support for small companies to revitalize the regional economy' with Busan Credit Guarantee Foundation. The bank extended KRW 3 billion for a guarantee fund, KRW 100 billion for the MOU-covered loan and Korea Credit Guarantee Fund-guaranteed loan of KRW 50 billion, totaling KRW 200 billion. Kyongnam Bank additionally waived the loan interest rate of maximum 0.3% for small regional enterprises with a long history and the socially vulnerable. Benefits of loan interest rate exemptions were provided to 72 self-employed individuals who have completed cyber financial training.

### Signing an MOU on O2O (On-line to Off-line) Marketing Support

Busan Bank signed an MOU with Busan Metropolitan Government and the Small Enterprise and Market Service to support O2O (On-line to Off-line) marketing. The bank provides the O2O marketing service to small enterprises in Busan. The service sends marketing messages to smartphones of customers in a certain boundary, using the beacons as mobile marketing tools for near field communication. The service has been provided on a pilot scale to 100 small enterprises for the first time in the financial sector. It will be expanded to 5,000 stores throughout Busan by 2017.

### Operating Credit Recovery Supporting Programs

Kyongnam Bank conducted the '2015 Credit Recovery Supporting Program' to give hopes to the financially underprivileged. The program aims to ease the burden to debt holders through a debt relief depending on debt holding period, and cancel the information of individuals of default to enable their normal financial transactions. The debt relief rate was differentially applied depending on the holding period and the amount. Recipients of the livelihood protection scheme, in particular, are subject to another 20% relief from the rate.



Signing a Comprehensive MOU to Revitalizing Housing Finance and Housing Welfare of Local Residents

Busan Bank and Kyongnam Bank decided to initiate joint projects to enhance the housing welfare of local residents by launching and promoting housing finance products to revitalize housing finance for the working class, and jointly conduct regional customized social contribution activities.



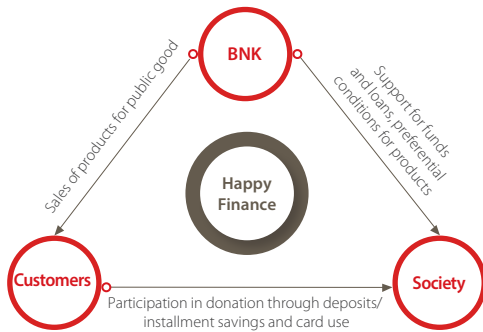
Signing an MOU for O2O Marketing Support

## Major Records of Microcredit Loans

(Unit: KRW 100 million)



# Developing Financial Products for Public Good



Forming a Public Interest Trust for the Youth Hope Fund

## Strategic Directions

As a representative regional financial group, BNK Financial Group fulfills social responsibilities and launches diverse products for public interest to provide opportunities for indirect social contribution to customers through products designed for public good.

## Key Activities

### Launching Jointly Developed Deposit Products, 'BNK Danbi (Sweet Rain) Savings Account' and 'BNK Baram (Wish) Savings Account'

Busan Bank and Kyongnam Bank jointly launched 'BNK Danbi (Sweet Rain) Savings Account' and 'BNK Baram (Wish) Savings Account' as deposit products for public good. A part of the revenues from the product sales will be extended to three organizations of Community Chest in Busan, Ulsan and Gyeongnam, respectively, for the next three years.

### Forming the Charitable Trust for the Youth Hope Fund

Busan Bank and Kyongnam Bank launched the 'Charitable Trust for the Youth Hope Fund' to create jobs for the youth. All its branches have an exclusive counter for the charitable trust so that anyone who would like to donate can subscribe to it in a subscription-friendly environment. Employees of affiliates under BNK Financial Group as trendsetters, donated 50% of their voluntary returned wages, which will be used for projects to create jobs for youths.

## Major Loan Products

(As of December of 2015)

Product Name	Number of Cases	Amount of Balance	Major Characteristics
Extending Special Financial Support for SMEs Hit Hard by MERS	238 cases	KRW 9.7 billion	A management stabilization fund at a low interest rate and suspending the loan repayment in order to ease the financial burden for struggling SMEs due to MERS
Special Guarantee Loan to Stabilize the Management of Small Enterprises	1,647 cases	KRW 39.7 billion	A low-interest rate fund to small enterprises financially struggling due to the economic slowdown amid the spread of MERS by signing an MOU with Korean Federation Of Credit Guarantee Foundations
Facilitating the Employment of the Disabled and Extending the Occupation Rehabilitation Fund	46 cases	KRW 4.1 billion	A low-interest rate loan for the cost for procurement and improvement of facilities and equipment for the disabled/elderly to entrepreneurs employing or planning to employ the disabled/elderly
Extending a One-Stop Loan for SMEs	59 cases	KRW 189.6 billion (Based on the volume coverage)	A public interest loan product to give scholarships to children of employees of borrowing firms

## Major Deposit/Installment Savings Products and Card Products

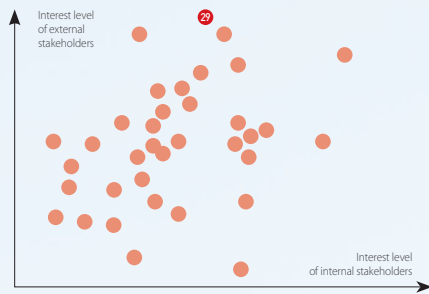
(As of December of 2015)

Product Name	Remaining Balance/Amount Used	Year-on-Year Change	Major Characteristics
BNK Community Love Savings Account	KRW 821.5 billion	KRW 132 billion	Daily donation of KRW 365,000 accumulated for 365 days to create money for the Love Temperature 36.5°C Relay Donation that makes donations when required
BNK Hope Fostering Installment Saving	KRW 3.9 billion	KRW 2.1 billion	An installment saving scheme that gives high interest rates for socially neglected classes, including livelihood security recipients, child-headed households, North Korean defectors and multi-cultural families
BNK Happiness Keeper Savings Account	KRW 1.6 billion	KRW 0.7 billion	A product for protecting the socially underprivileged, including the basic livelihood security recipients, so that they can deposit only the money received in accordance with law
Social Welfare Facility Subsidy Card	KRW 50.2 billion	KRW 4.7 billion	Exempting finance charges of social welfare facilities that receive subsidies from Busan, Ulsan and Gyeongnam and donating a certain percentage of the amount used to such facilities
B Smart Card	KRW 98.5 billion	KRW 20.3 billion	Money accumulated from card usage being used for constructing a library in local community





### Step. 01 Materiality Test Map



### Step. 02 List of Core Issues

Core Issue. 29	Efforts for Win-Win Growth with Communities
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## Aspect 04

# Shared Development with Communities

## Importance of Shared Development with Communities

A company is given the responsibility to play an exemplary role in the society as its significantly influential member. Social contribution activities as a form of corporate social responsibilities, accompany systematic activities to identify and resolve actual issues in the society beyond mere donation. Under the management motto, 'To the world with the region, to a better future with the customers', BNK Financial Group with its roots in communities is opening up a way to ease economic and social imbalances in communities and grow along with everyone.

### Crises and Opportunities

#### • Opportunities

Forming close ties with local residents based on balanced development with communities and the establishment of foundation for self-sufficiency of the socially vulnerable is considered as a precious asset for companies. Social contribution activities that identify diverse needs of residents and consider specifics of communities can help companies enjoy a higher reputation and brand recognition and generate win-win values.

#### • Crises

Communities gradually demand companies to be involved in social contribution activities. Companies conduct various forms of social contribution activities pursuant to government policies that encourage voluntary and proactive social responsibilities to be played by companies. Against this backdrop, companies that consider social contribution activities as one-time formalities may be neglected by communities. However, if they implement such activities with genuineness and creativity over the long term, they would be able to remain as long-lasting companies that stay with communities.

### Step. 03 Composition of Core Aspects

Shared  
Development  
with Communities

### Step. 04 Table of Content for Core Aspects

Initiating Strategic Social Contribution

Key Social Contribution Activities

### Performance and Goals

BNK Financial Group is steadily engaged in social contribution activities with creativity and tradition. We seek to become a financial group that co-prospers with regional residents through public interest projects for co-existence with communities as well as mecenat projects to expand cultural accessibility and projects for sharing with the underprivileged. In 2015, we introduced social contribution characters – 'Mr. B' and 'Angel K' to help us to strategically implement social contribution activities. We will further strive to devise matters for improvement and solve them in order to establish our social contribution brand and have a wider presence.

Type	KPIs (Short-run · a Long-Term Strategy)		
Engaging in Strategic Social Contribution Activities	Securing an exclusive representative presence as a social contribution company in Busan, Ulsan and Gyeongnam • Discovering partnering projects with regional companies and strengthening the generation of shared values with regional public agencies and retailers	Turning BNK's social contribution efforts as a brand and spreading it to a wider region • Establishing an exclusive social contribution brand by continuously initiating core projects in each social contribution sector	Globalizing the social contribution brand • Achieving the management vision of 'Global Best Regional Financial Group' by globalizing social contribution through consistent development of global social contribution activities



# Initiating Strategic Social Contribution

## Strategic Directions

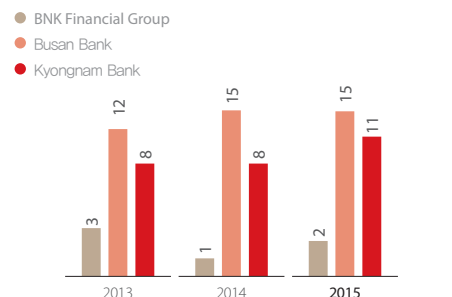
Under the corporate slogan of 'Happiness with You,' we establish social contribution strategies and conduct systematic activities. We plan to raise the quality of activities based on continued feedback, and maximize win-win effects with communities by realigning projects to be associated with profits. We will establish areas of social contribution activities exclusive to ourselves by proactively initiating joint projects of Busan Bank and Kyongnam Bank, and creating a new win-win model with communities covering Busan, Ulsan and Gyeongnam.

### Launching 'BNK Talent Donation Volunteering Group'

Busan Bank launched 'BNK Talent Donation Volunteering Group' to differentiate regional social contribution activities and change a paradigm for volunteering. The volunteering group consists of teams in seven sectors – financial training, language, mountain climbing, art, story-telling of children's books, IT and music. It is run through talent donation of 150 volunteering employees. Applications from recipient institutions are accepted over once a month in order for us to provide customized volunteering for communities, satisfying both volunteers and recipients.

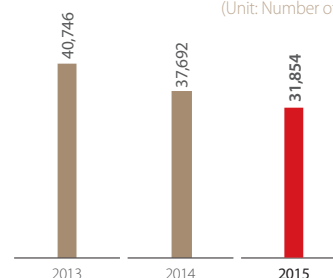
### Number of Employees Exclusively in Charge of Social Contribution at BNK Financial Group

(Unit: Number of persons)

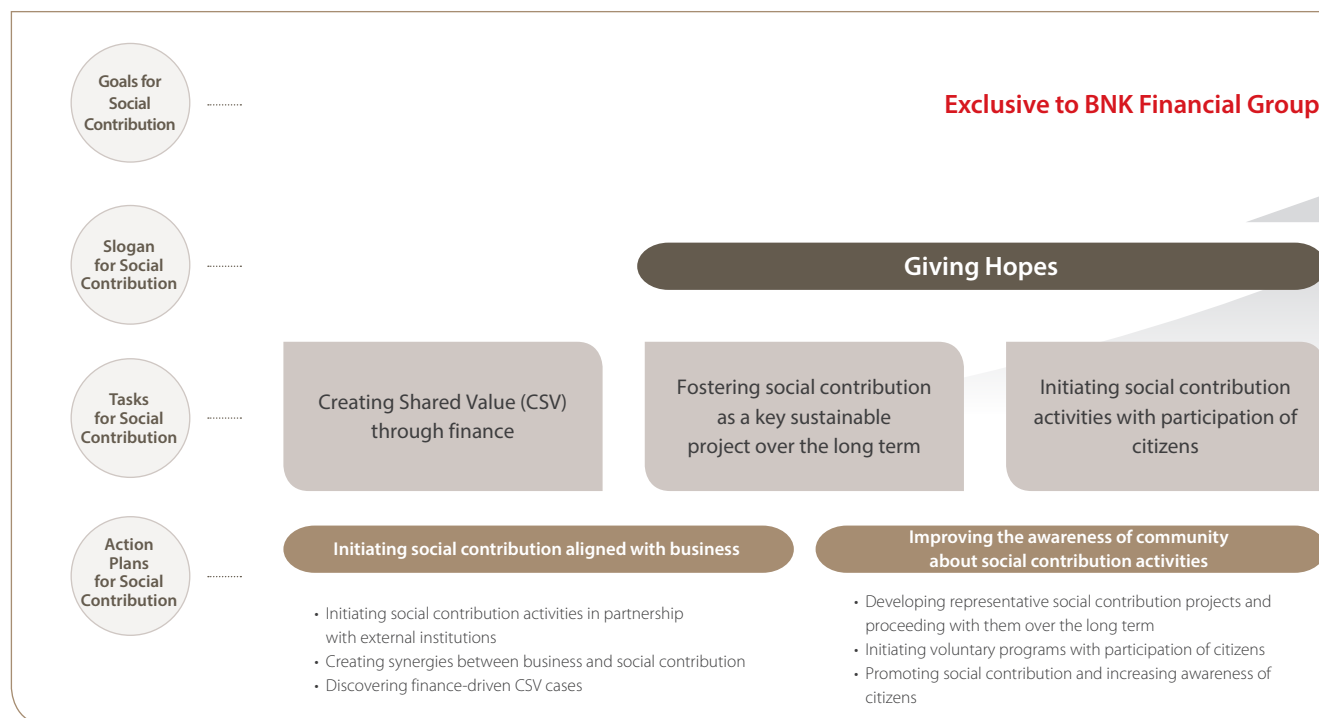


### Number of Volunteers for Social Contribution at BNK Financial Group

(Unit: Number of persons)



## Strategies for Social Contribution







2015 National Sharing Grand Award

### Busan Bank, Winning the Presidential Prize at the 'National Sharing Grand Award'

Busan Bank won the presidential prize at the '2015 National Sharing Grand Award'. The award was co-developed by the Ministry of Health and Welfare and the Community Chest of Korea in order to spread the culture of sharing. BNK Financial Group was awarded the best prize in corporate social contribution due to its steady regional social contribution activities. All affiliates in the group recognize regional social contribution activities as not only a core value but also a praiseworthy corporate culture. We will imbue warmth in communities by passionately practicing social contribution.



Running 'BNK Talent Donation Volunteering Group'

### Amount Invested for Social Contribution (including micro-financing)

(Unit: KRW 100 million)

Type	2013	2014	2015
<b>BNK</b> Financial Group	22.7	0.1	0.2
<b>BNK</b> Busan Bank	317	372	292
<b>BNK</b> Kyongnam Bank	159	134	164
<b>BNK</b> Securities	0.07	0.21	0.2
<b>BNK</b> Capital	0.83	0.4	0.4
<b>BNK</b> Savings Bank	2.45	2.3	0.1
<b>BNK</b> Credit Information	0	0	0
<b>BNK</b> Asset Management	0	0.1	0.1
<b>BNK</b> System	0	0.12	0.1
Total	502	509	457

## Areas of Social Contribution Activities

### Happy Finance

Revitalizing volunteering activities

Combining region win-win growth and social contribution

Conducting BNK Happy Donation Sharing Project

#### Social contribution activities with stories

- Engaging in genuine and heart-touching social contribution
- Discovering activities to turn regional agenda into stories
- Contributing to a higher quality of life for many citizens

#### Lifting employees' mind ('Mind-up') to facilitate volunteering

- Running 'BNK Talent Donation Volunteering Group'
- Improving the program to encourage excellent volunteers

## Key Social Contribution Activities

### Organizing the Sisterhood Ceremony for 'One Company One School for Financial Education Program'

We take the lead in providing financial education programs to students by catering to the interest of schools as well as the Financial Supervisory Service's 'One Company One School for Financial Education Program'. The program is for employees to provide financial education by forging sisterhood ties with elementary, middle and high schools near the head branch or branches of financial companies. Busan Bank signed a sisterhood agreement with 85 schools in Busan, and Kyongnam Bank did the same with 61 schools in Gyeongnam and Ulsan. They will provide diverse financial education sessions and job experience programs down the road.



Signing Ceremony for the One Company One School for Financial Education Program.

### Education and Scholarships

BNK Financial Group conducts education and scholarship projects to foster future talents and enhance financial knowledge of consumers. We do the best to foster the future of our society through continued initiation of education and scholarship projects specialized in each target group ranging from elementary school students to university students.



Plaque Hanging Ceremony for Creating BNK Happy Study Room



#### Creating BNK Happy Study Room

Another project of ours is a social contribution activity partnering with eight construction companies. The project aims to improve the environment of regional childcare centers and study rooms that support children of low-income households through remodeling. We have sponsored the remodeling projects for 68 study rooms in Busan, Ulsan and the Gyeongnam regions with the total cost of KRW 2.1 billion.



#### Organizing the Essay Contest for Women and the Drawing Performance Contest for Children

We organized the Essay Contest for Women and the Drawing Performance Contest for Children to provide them with opportunities for creative art experience. The contests are representative regional culture events with the participation of 80,000 residents in Gyeongnam and Ulsan, serving as gateways for regional potential artists and grounds for cultural and educational enrichment.



Organizing the Essay Contest for Women and the Drawing Performance Contest for Children



#### Providing On-site/In-house Financial Education

Instructors specialized in financial education at BNK Financial Group provide 'on-site financial education' and 'in-house financial education' to the financially underprivileged. Hands-on classes on financial classes were offered 1,515 times to 163,719 students in Busan, Ulsan and Gyeongnam.



#### Organizing BNK Junior Business Leaders Course

The volunteering team for financial education at Busan Bank organized a tour of major financial institutions as well as courses on finance, economy and business manners every Saturday for 45 students at commercial high schools for girls in the region.



Completion Ceremony at BNK Junior Business Leaders Course



Being Recognized as the Excellent Sponsor of Culture and Art

## Being Recognized as the Excellent Sponsor of Culture and Art for the third consecutive years

Busan Bank won the 'ArtisTree Sponsor Award' given to corporate sponsors in culture and art for three consecutive years by the Arts Council of Korea with the bank's efforts being recognized for having facilitated the regional culture and art for the first time as a regional bank. Busan Bank has conducted diverse activities to develop culture and art in communities including 'BNK Happy Music Camp,' 'BNK Art Contest for Young Artists' and 'BNK Art Gallery'.



Musical on Safety Experiences, 'Help Me, Mr. Safety'

## Culture and Art

We expand opportunities for the development of culture and art in communities, and the culturally underprivileged in experiencing culture and art. Driven by the uniqueness and traditions of BNK Financial Group, we plan to make steady efforts to create values in culture and art that can be felt by everyone in communities.



Opera Watching Event for Regional Residents



### Producing a Musical on Safety Experiences

We produced a musical for children's safety experiences titled 'Help Me, Mr. Safety' in partnership with Busan Office of Education and the Metropolitan City Fire Safety Headquarters. We visited elementary schools in Busan on 16 occasions for students to learn safety rules and be engaged in safety programs.



### BNK SSAMZIE Economic Concert

We organize performances by visiting patients in medical institutions with lack of access to cultural performances due to long years of illness. Classical concerts and musical gala concerts are offered under contracts with hospital associations in Busan, Ulsan and Gyeongnam.



### Opera Watching Event for Regional Residents

We provide opportunities for enjoying cultural experiences including operas to 1,600 regional residents. Kyongnam Bank has contributed to the development of the regional culture by sponsoring operas by signing a sisterhood contract with Gyeongnam Opera Troupe since 2002 for 14 years.



Walkathon on Dullegil (Trail) in Changwon



### Walkathon on Dullegil (Trail) in Changwon

Kyongnam Bank held a walkathon in Dullegil in Changwon to celebrate the completion of constructing the trail in Changwon in September 2015 and to revitalize the regional economy for the working class. We spent a meaningful time to enjoy the natural landscape and work on health improvement with 7,000 residents in the region.

## Winning the 2015 Changwon Commerce and Industry Award for Regional Contribution

The Changwon Commerce and Industry Award is the most authoritative award in the regional economic circles by promoting the regional commerce and industry and discovering dignitaries that have contributed to volunteering in the region. Kyongnam Bank won the Changwon Commerce and Industry Award for the first time as a regional bank. It was attributable to its leadership roles in diverse social contribution projects including social volunteering, support for culture and art, scholarship and job creation in the region by founding Kyongnam Bank Love Sharing Foundation. Kyongnam Bank will fulfil its roles as a regional bank by spreading such sharing practices.



Winning the Changwon Commerce and Industry Award for Regional Contribution

## Love Sharing

We focus on creating the basis for shared growth by co-prospering with communities. To this end, we declared 'Giving Hopes through Happy Finance' as our management slogan. We do our best to become a financial group that can give better hopes and happiness to communities.



### Creating BNK Kid Giggle Park

We formed 'BNK Kid Giggle Park', a water park-type theme park, which is open throughout four seasons for anyone in partnership with Busan Metropolitan Government. We will make sure that the park could be full of laughter and happiness as the name expresses children's laughter.



BNK Kid Giggle Park



### BNK Yes! Leader (The Junior Board)

The Youth Board of Busan Bank and the Junior Board of Kyongnam Bank conducted environmental cleanup including waste collection in the seaside road of 2km. They enjoyed a festival with 11 disabled children in Gyeongnam Social Welfare Center and gave them souvenirs, conducting genuine social contribution activities.



Volunteering of BNK Yes! Leader (The Junior Board)



### Sharing Samgyetang out of Love

We served samgyetang (chicken ginseng soup), an energizing food, to the elderly in hot summer. The event took off with an intent for them to overcome the scorching heat in summer in a healthy way by providing samgyetang to 37,000 neighbors since 2008.



Sharing Samgyetang out of Love



### Changwon Himang (Hope) Food Market

Kyongnam Bank supports low-income and underprivileged people in the region by running 'Changwon Himang (Hope) Food Market' in conjunction with Changwon City Government. Recipients can select food and daily necessities worth KRW 30,000, and the volunteering group conducts such activities as packaging, delivery and giving guidance.





Presenting Ceremony of the Donation Fund from Gonggam Donation Project

## Giving 'Gonggam (Empathy or Like) Donation Fund' Raised through Clicks of Regional Residents

Busan Bank conducts 'Gonggam Donation Fund Project' for the first time in the financial sector. An amount of donation worth KRW 1,000 is accumulated per click to show one 'likes' or 'empathizes with' stories of the underprivileged posted on the website on social contribution. A maximum of KRW 3 million is given out as a donation fund per story for two stories a week. About KRW 30 million has been donated to 20 stories as of October 2015. Our social contribution activities will be carried on which can be empathized by citizens.



Busan Bank, Plaque Hanging Ceremony for the Village Superintendent's Office, 'Masil'

## Communities

We continuously conduct social contribution activities to provide hope and happiness to the underprivileged as a financial group that grows together with the region. Our environmental protection activities are steadily progressing. This tops the common agenda for mankind, where we strive to make a greener environment and a greener city.



Busan Bank, the Event of Urban Green Gardening



### Making Happy Villages

We established the Village Superintendent's Office, Masil, along with Urimaul, a welfare organization, to restore impoverished villages with a poor residential environment. We plan to set an alternative example of urban restoration by addressing issues confronted by villages, by talking with their residents. This is not a local government-led campaign.



### Urban Green Gardening Event

We have carried on diverse volunteering activities to make Busan Citizens Park, a landmark in Busan, a more beautiful and pleasant space. We aim to conduct steady activities to turn the park into a pleasant premium park by removing hazardous plans and weeds in the park.



Kyongnam Bank, Visiting Job Counseling Counter



### Donating Gift Certificates for Regional Traditional Markets in Busan, Ulsan and Gyeongnam

Every year since 2008, BNK Financial Group purchased gift certificates for traditional markets worth KRW 4.5 billion for the New Year, chuseok holidays (Korean Thanksgiving) and year-end celebrations. In 2016, Busan Bank and Kyongnam Bank offered the gift certificates worth KRW 630 million to 12,600 underprivileged households in Busan, Ulsan and Gyeongnam before the New Year's Day.



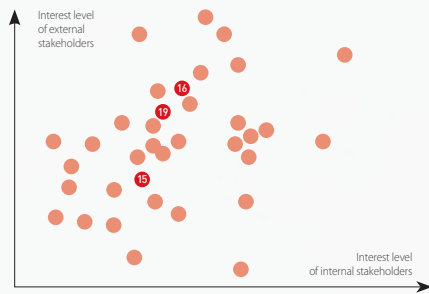
### Visiting Job Counseling Counter

We operated the Visiting job-counseling center to resolve regional unemployment and achieve economic growth. Jobseekers are provided with information on jobs and training programs through systematic counseling from job counselors, and companies looking for new employees are matched with suitable candidates, which contributes to job creation.





### Step. 01 Materiality Test Map



### Step. 02 List of Core Issues

Core Issue. 15	Prohibiting discrimination against employees
Core Issue. 16	Conducting training programs for intensifying competencies of employees
Core Issue. 19	Increasing employment and securing stability in employment



## Aspect 05

# Establishing a System to Foster Financial Specialists

## Importance of Establishing a System to Foster Financial Specialists

As customer needs for financial products and services have diversified, and the global financial environment has rapidly changed, discovering and fostering competent talents with expertise and passion has become a prerequisite for sustainable growth of corporates. Retaining excellent financial specialists in the financial industry is now their core competitiveness. As such, innovative thinking and building up of competencies is essential for long-term survival of companies in the competitive financial market.

### Crises and Opportunities

#### • Opportunities

The goal of securing financial specialists in the global financial market and achieving stronger growth through expertise build-up has become more important, regardless of time and space within the financial industry. If developing human resources based on their competencies takes place based on alignment with corporate strategies, performance orientation and formation of specific goals, it can be a new innovative methodology to achieve corporate management mottos.

#### • Crises

Securing and developing excellent human resources in the financial industry, a representative service industry, is now core competitiveness for companies. Hasty pursuit of performance orientation without making investments for strengthening competencies of employees might put them in a danger of losing long-term growth potentials, instead of generating short-term performance. In order to induce employees to generate performance, institutions need to improve the quality of human resources, and corresponding activities must precede the same.

### Step. 03 Composition of Core Aspects

Establishing  
a System to Foster  
Financial Specialists

### Step. 04 Table of Content for Core Aspects

Managing Competency-Oriented Financial Specialists

Operating Programs Fostering Financial Specialists

## Performance and Goals

BNK Financial Group runs training programs in multiple areas including competency build-up by seniority to foster talents, preparations to advance into the global market and enhancing fundamental attributes required for financial specialists. The goal is to develop talents suited to the ideal talents we have in mind such as innovative challengers, value creators and professional financial specialists. We also take the lead in establishing a productivity-oriented working culture through fair and rational performance evaluation and rewards, and improving the job environment in Korea by recruiting talents from specialized high schools, regional talents, women and the socially underprivileged.

Type	KPIs (Short-run · a Long-Term Strategy)		
Establishing a system for personnel management	Employing competent talents <ul style="list-style-type: none"><li>· Operating a differentiated recruitment process by job type</li><li>· Expanding the employment opportunities for graduates of specialized high schools and interns</li></ul>	Setting up a rational performance evaluation system <ul style="list-style-type: none"><li>· Forming consensus on setting performance goals and strengthening feedback</li><li>· Reshuffling the performance-oriented wage system</li></ul>	Supporting the post-retirement life planning for retiree candidates <ul style="list-style-type: none"><li>· Transferring know-how on high skills and business operations</li><li>· Running programs to suggest measures to utilize one's career in the financial industry</li></ul>
Devising a system to foster financial talents	Strengthening global talents <ul style="list-style-type: none"><li>· Developing a program to upgrade global talents with the entry of our overseas projects</li></ul>	Suggesting career growth paths <ul style="list-style-type: none"><li>· Fostering specialists by developing customized career growth paths by job category</li></ul>	Evaluating the productivity of human capital <ul style="list-style-type: none"><li>· Establishing a productivity evaluation model for human capital against the amount of investment made for training</li></ul>

# Managing Competency-Oriented Financial Specialists

## Strategic Directions

The ideal talents pursued by BNK Financial Group are financial specialists that create new values with passion and innovation by challenging themselves for all types of tasks with a sense of ownership. We create a sound working environment by establishing an open recruitment system with no discrimination against anyone regardless of gender, religion and type of work and a fair compensation scheme to provide equal opportunities to all employees.

## Ideal Talents of BNK Financial Group

<b>Innovative Challengers</b>	Proactively participating in all relevant tasks by exploring the future with a sense of ownership
<b>Value Creators</b>	Passionately leading all relevant tasks driven by performance-oriented thinking and dynamic actions
<b>Professional Financial Specialists</b>	Growing as professional financial specialists with the highest level of expertise and job capabilities

## Key Activities

### Busan Bank and Kyongnam Bank, Jointly Organizing a Unique Job Show

Busan Bank and Kyongnam Bank set the same time period for recruiting new employees and the same recruitment requirements to maximize synergies of the two-bank system, and jointly held 'BNK Financial Group Job Show'. Participants of the show were selected through prior registration among university students and graduates. The show garnered a hugely positive feedback as it covered various topics in the order of the latest recruitment trends, and BNK strategies for each job opening.

### Hiring More Recruits from Graduates of Specialized High Schools

We recruited 28 new employees from specialized high schools in 2015, sponsoring 50% of tuition fees in undergraduate programs for bankers wishing to enter college after they acquire a job organized through the industry-university cooperation. We also hire high school graduates from districts where our branches are located beyond the ones in Busan, Ulsan and Gyeongnam through the locally specialized recruitment scheme.

### Increasing Employment of Employees with Disabilities

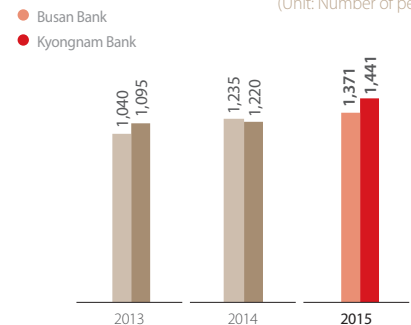
We seek to increase the employment of the disabled according to the provision on mandatory employment in the Employment Promotion and Vocational Rehabilitation of Disabled Persons Act. Three specialized employees with disabilities were recruited thanks to the wage of executives they returned, and a subcontracting agreement on recruiting the disabled has been signed with a sheltered workplace for the disabled to outsource printing and publication of books and advertisement. Work opportunities are steadily provided to the disabled and we were listed as one of the best practices in a booklet on case studies of hiring the disabled published by Korea Employment Agency for the Disabled in 2015.

### Non-discriminatory Composition of Employees

Employee evaluation takes place through a transparent procedure. We ensure against discrimination based on gender or disabilities by complying with laws including the Labor Standards Act and the Gender Equality Act. Busan Bank appointed a woman as department director for the first time in 2016. We will increase the ratio of female managers through various schemes including a female executive quota.

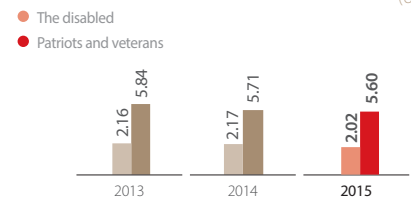
### Accumulated Number of Interns

(Unit: Number of persons)



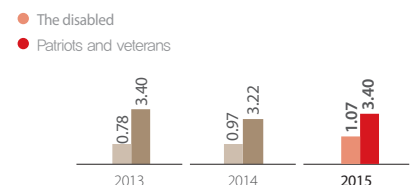
### Ratio of the Socially Vulnerable Employed at Busan Bank

(Unit: %)



### Ratio of the Socially Vulnerable Employed at Kyongnam Bank

(Unit: %)





Winning the Presidential Award for the Merit of Job Creation

### Status of Re-employment of Retirees at Kyongnam Bank

(Unit: Number of persons)

Type	2014	2015
Internal branch audit	18	33
Branch managers	3	13
Others	-	6
Total	21	52

### Winning the Presidential Award for Category of Job Creation

Busan Bank won the presidential award in the category of support for job creation at the '2015 Ceremony for Government Awards for the Merit of Job Creation'. The bank has steadily carried out activities to create new jobs by increasing the recruitment of new employees, recruiting the socially underprivileged and graduates of specialized high schools and re-employing retirees. Financial site tours and job shows are annually conducted every year, and large-scale job shows are organized for university students in Busan, Ulsan and Gyeongnam for them to obtain financial jobs. These efforts of ours manifest the diversification of our job creation programs.

### Guaranteeing Favorable Economic Conditions for Retirees

We guarantee favorable post-retirement economic conditions by implementing the re-employment scheme for retirees. We strive to expand job openings by discovering new jobs using the operational know-how of retirees to increase the usefulness of employees. Kyongnam Bank formulated a guideline on re-employment of retirees thereby enhancing the work satisfaction of retirees based on fair and rational re-employment standards. There has been no case of dismissal following restructuring and organizational changes as of the end of 2015.

### Management by Objectives (MBO)

We increased the efficiency of the existing performance evaluation system to enhance employees' contribution to performance and job immersion. The cycle of performance evaluation has been changed from yearly to quarterly to enable a more accurate performance evaluation. The HQ sets strategic tasks for objective management in consideration of characteristics by department, and key performance indicators reflecting them are reflected in evaluation. Branches are evaluated based on key performance indicators and objectives depending on environmental factors, and work-related complaints gathered by employees are reflected in the performance evaluation system.

### Leadership Assessment

Leadership of assistant branch managers and supervisors is evaluated at Kyongnam Bank to help them check and improve their own attributes and competencies. Random IDs and passwords are given to each branch for anonymous evaluation so that employees can provide genuine feedback. The results are used as references to address drawbacks and enhance leadership. We will improve a communication culture among employees, while strengthening efforts to develop leadership based on continued evaluation.

### Providing Reasonable Compensation

We make a comprehensive review of the results of systematic performance evaluation and employees' contribution to performance in providing various types of compensation to employees in the form of profit sharing, incentives and others. Bonuses, incentives and additional scores for personnel rating are provided to high performing employees in various campaigns and promotional activities, thereby increasing their motivation for work.



# Operating Programs Fostering Financial Specialists

## Strategic Directions

We operate systematic courses to foster financial specialists to develop talents as proactive challengers. We foster them as global financial talents by providing customized training programs depending on their competency. Such talents are selected through our recruitment process which is open and fair. The whole group shares the importance of continued talent development by emphasizing the importance of self-development to employees and offering diverse opportunities for their goals.

## Key Activities

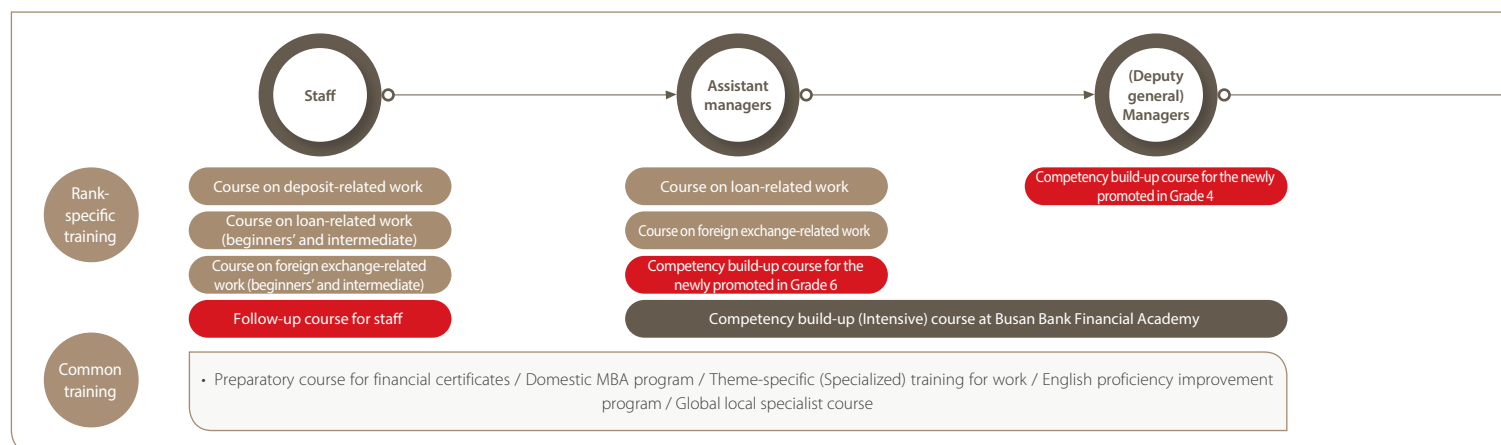
### Implementing the 'One Hundred-Year Plan for Talents'

Busan Bank implemented the 'One Hundred-Year Plan for Talents' as a program to develop talents to help them to be equipped with global competitiveness. In order to strengthen specialized competencies and global competitiveness of employees, the bank has invested KRW 10 billion for three years since 2015, which will be used to run systematic training programs including financial training, expansion of the MBA program, language proficiency courses and overseas trips for financial experiences. The bank will establish its presence as a global bank by fostering future talents and raising its competitiveness.

### Running Special Programs for Corporate Managers and Candidates for Corporate Manager

Busan Bank runs two-track training programs for corporate manager candidates and current corporate managers to seek for management stability and achieve sustainable growth as a global bank. The SERI-CEO course takes place every morning for them to identify trends in diverse fields including corporate management, economy and literature and make creative decisions. Renowned guest speakers are invited for special lectures at least once a month. The current management is induced to take the CEO courses organized by universities and outside institutions. We plan to run special training programs to share the management philosophy of the CEO and solve issues.

## Training Programs for Competency Build-up per Rank at Busan Bank





## Running Domestic MBA Programs

We conduct domestic MBA programs to foster specialists in specific banking areas. In 2015, 46 employees were selected to be trained as financial talents with expertise in 10 selected fields (risk management, accounting, marketing, statistics, law, international commerce, HR, real estate, IT and ship financing). They are provided complete support to complete masters' programs in universities they have selected themselves.

## Fostering Globally Competitive Financial Specialists

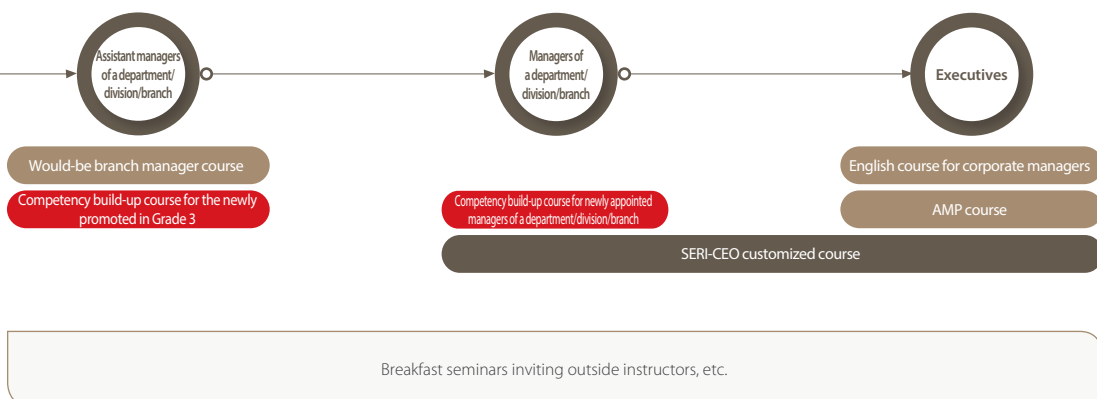
Overseas job training is provided to foster globally competitive financial specialists in Japan, Hong Kong, Singapore and the U.K. Specialists in each department benchmark their counterparts in advanced financial institutions overseas. We also take part in specialist courses in overseas universities to foster local financial specialists. Such types of localized talent development policies contribute to business activities of overseas subsidiaries of our existing partners and companies, which have advanced abroad and are locally aligned.

## Conducting the Work and Learning Dual System

Busan Bank conducts the work and learning dual system for the first time as a bank. The aim is to be proactively engaged in realizing a meritocratic society as part of the government's national agenda, helping newly hired employees better adapt to the work environment and enhancing their business skills. The curriculum covers deposit-related work, e-banking services, protection of financial consumers and practical guidance of financial products. Group training was carried out for 159 new employees, and on-site training took place under the instruction of two relevant employees in each branch.

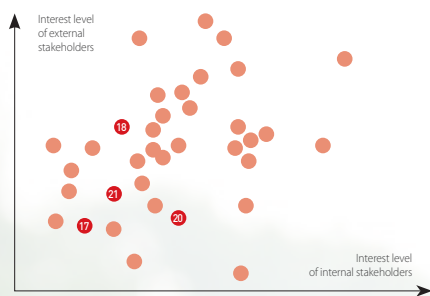
## Conducting a Mentoring Program for New Employees

We have designated employees with ranks equal to or higher than assistant managers as mentors for new employees as mentees in a mentoring program with activities more than once a week. The mentoring program helps new employees to adapt to their organization faster and enhance their business competencies, while providing opportunities for sustainable growth. Starting with 41 mentor-mentee pairs in 2009, about 1,010 pairs are working together.





### Step. 01 Materiality Test Map



### Step. 02 List of Core Issues

Core Issue. 17	Enabling flexible subscription to the labor union and facilitating its operation
Core Issue. 18	Intensifying welfare benefits for employees
Core Issue. 20	Spreading the culture of efficiency in work and the corporate culture
Core Issue. 21	Vitalizing the grievance handling system on labor and human rights



## Aspect 06

# Establishing a Culture of a Great Working Environment

## Importance of Establishing a Culture of a Great Working Environment

Having a pleasant working environment and providing family-friendly working conditions are important indicators for a great work place with a good work-life balance. We continuously strive for creating a good group culture where employees can work and do well at work and home. Activities are carried out to establish a culture of a great group to work for, by focusing on communication among employees, safety and health and a work-life balance, thus satisfying employees to a greater extent. As a financial group making external expansion, we integrate diversified corporate cultures among affiliates, and imbue a sense of pride in the hearts of all employees of BNK Financial Group. We endorse the Universal Declaration of Human Rights, and comply with domestic laws and protocol of the International Labor Organization (ILO) to prevent human rights violation including labor issues.

### Crises and Opportunities

#### • Opportunities

Giving fair opportunities to members, removing prejudice against the socially vulnerable and creating a corporate culture where people can communicate freely leads to forming a basis for higher creativity and productivity among employees. In the financial industry as a representative service industry, competencies of human capital are important. In order to utilize competencies of human capital as much as possible, ensuring a pleasant working environment and improving the welfare system would be essential as stepping-stones.

#### • Crises

Public awareness of welfare has gone up amid economic growth, while lack of humane consideration for others has emerged as a critical social issue. Expenses have increased in companies to eradicate human rights violation and improve employees' welfare and their working environment. Employers also strive to integrate a culture of mutual respect and consideration. A culture of respect and consideration needs to scale up, which might be neglected the daily working environment, and welfare expenditures that may hamper corporate growth need to be prevented.



### Step. 03 Composition of Core Aspects

Establishing  
a Culture of a Great  
Working  
Environment

### Step. 04 Table of Content for Core Aspects

Operating Customized Welfare Benefits

Establishing a Corporate Culture of Communication

### Performance and Goals

BNK Financial Group put in place diverse welfare schemes and communication channels including grievance counseling, health check-ups and BNK Yes! Leader (the Junior Board) to ensure the protection of employees' human rights, their proper health management and a culture of freely participating in corporate management. Seeking to proactively gather and resolve employees' feedback and grievances, we will regularly hold communication channels with the CEO, expand labor unions of affiliates and facilitate participation of employees in corporate management. We hope our workplace is able to satisfy all employees driven by the expansion of programs for a work-life balance.

Type	KPIs (Short-run · a Long-Term Strategy)		
Creating an excellent employment environment	Diversifying welfare systems and communication programs · Developing diverse family engagement programs for employees and maternal protection programs · Expanding vertical and horizontal communication channels	Raising employees' satisfaction by enhancing the work-life balance · Improving the culture of getting off work · Strengthening support for club activities for employees · Accepting grievances and complaints, selecting and executing key areas for key improvement	Establishing a culture of a great group to work · Improving the score for GWP (Great Work Place) survey · Maintaining the family-friendly company certification · Facilitating activities for engagement of employees in management for transformation and innovation

# Operating Customized Welfare Benefits

## Strategic Directions

We strive to create a culture of a great group to work for, by creating a working environment to guarantee health and safety and strike a work-life balance. We intended to achieve 'a happy workplace for employees' by enhancing accessibility of the welfare system and operating programs for differentiated health management and family-friendly programs. We will carry out activities for continued improvement to improve satisfaction of employees and create an advanced working environment.

## Key Activities

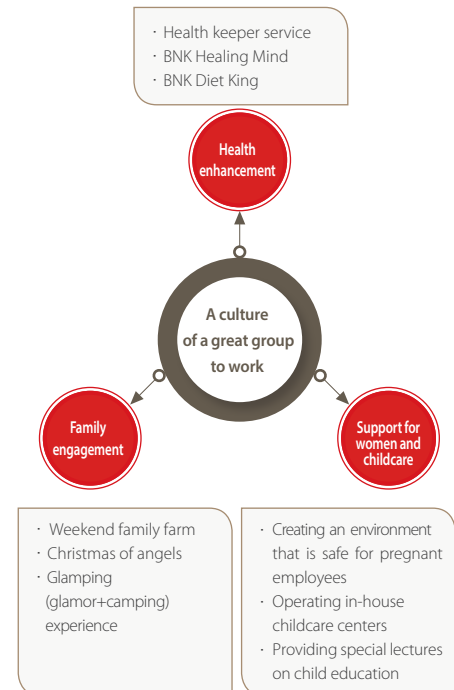
### Inscribing our Welfare System into the Mobile App for Operational Support

We inscribed our welfare system into our mobile app for operational support in order to increase convenience in using the welfare system and provide seamless funeral service, especially for deaths that happen during weekends. The welfare system consists of 24 items including a procedure supporting funeral expenses, expenditure for congratulations and condolences, tuition fees for children, medical fees, use of resort condominiums and other types of resorts. Prompt services via the mobile app raise satisfaction levels of employees.

### Supporting Health Management and Disease Prevention

Busan Bank prescribes rules for health improvement of workers and provides free health check-ups, group accident insurance, and subsidies for nursing and medical fees. The bank also runs funds for quitting smoking and going on a diet for health management and periodic customized health management services. The bank creates an environment for employees to boost their health by constructing a gym at the head branch and employing professional health trainers.

## Directions for Running the Welfare Benefit System



### Health keeper service

Busan Bank employed two health keepers who are certified massage therapists to provide free massages to employees. This can increase job opportunities for the disabled and improve employees' health. There are 'on-site health keeper service' to provide the service to a group of applicants, and 'Siwonhadei (Super Relaxing)' service is offered on Wednesday every two weeks for individuals applying for the service.

### BNK Healing Mind

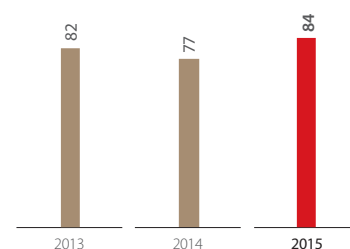
Counseling is provided to all employees and their spouse to prevent work stress-induced disorders and increase efficiency in work. One-on-one in-depth interviews with professional counselors help them ease various types of problems: work stress and interpersonal relationships, emotional issues and health problems.

### BNK Diet King

At the gym on 4F of the head branch, personal training sessions, fit food, training suits and sneakers are provided free of charge to four employees selected out of all the applicants. Their 'before vs. after' photos are disclosed via in-house broadcasting to awaken employees of a need for exercise and form a sound corporate culture.

## Results of the GWP Employee Satisfaction Survey at Busan Bank

(Unit: points)





In-house Childcare Center, BNK Geumjeong Childcare Center

## Maternal and Childcare Support

We provide support for childbirth and childcare for female employees to solve social issues including low birth rate and women whose career has been interrupted. We create a culture for a work-life balance for women by running systems to support the pregnant and working moms and in-house childcare centers and special lectures on child education.

### Creating an Environment for Maternal Protection

We create an environment of being considerate of female employees' childbirth and childcare. Busan Bank provides diverse forms of institutional support by allowing for flexible working hours for the pregnant, appointing female employees who have returned to work after childbirth in a branch near their house, and running a flexible working system for employees on childcare leave.

### Running In-house Childcare Centers

Busan Bank opened 'BNK Geumjeong Childcare Center' and 'BNK Saha Childcare Center' following the ones in Jeonpo-dong and Haeundae-gu. In a total of four in-house childcare centers, 100 children of employees are taken care of. We are thinking of opening more to respond to a high demand among employees. Kyongnam Bank opened 'BNK Ulsan Childcare Center' at Ulsan Sales Division, which takes care of infants and babies and performs education for their creativity and character buildup.

### Providing a Special Lecture on Child Education

Busan Bank provided a special lecture of an education specialist on the theme of 'Proper Strategies will Change the Future of My Child in the Rapidly Changing Educational Environment' to employees and their children by partnering with an excellent institution specialized in education. The lecture covered self-driven learning and relevant strategies by individuals to enter high schools and universities.

## Running Family Participating Programs

Busan Bank holds diverse programs and events for employees to spend a high-quality time with their family. They include 'BNK Weekend Farm for Families', 'BNK Happy Family Day' and 'BNK Family Angel's Christmas'. Kyongnam Bank offered glamping opportunities ('Dad! Let's Go Together!') amid greater popularity of camping for employees and their families to have a time for heart-to-heart communication.

### BNK Weekend Farm for Families'

We provide a land of 16.5m<sup>2</sup> for a vegetable garden to each family for employees to have a leisure time with their family and healthy organic food. We have allocated a space for employees and their families: 1,322m<sup>2</sup> in Geumjeong (for 80 people) and 1,157m<sup>2</sup> in Gangseo (for 70 people).

### BNK Family Angel's Christmas

A total of 480 employees and their families watched a family musical and a bubble magic show in the Christmas season. A great feedback was on a joint year-end performance among three BNK in-house childcare centers.

### Glamping Experience - Dad! Let's Go Together!

Kyongnam Bank provides glamping opportunities to employees with elementary school kids and their families. A group of 40 families from 10 households get together to learn the importance of family through outdoor activities while boosting employees' morale.



# Establishing a Corporate Culture of Communication

## Strategic Directions

Diverse programs are up for grabs to facilitate engagement in corporate management and innovate the corporate culture based on one of our core values i.e. 'communication and trust'. In order for the CEO and employees to share common values and establish a mutually cooperative relationship, we create a vibrant working atmosphere and continue to carry on a trust-based corporate culture.

## Key Activities

### Putting in Place Cooperative Labor-Management Relations

In order to put in place cooperative labor-management relations, we stipulated three labor rights – the right to organize, the right to collective bargain and the right to collectively act – through the operating rules of the labor-management council. The council meetings are held every quarter via the official labor union with unionists with the exclusive duty on the labor union at Busan Bank and Kyongnam Bank.

### Running BNK Yes! Leader (the Junior Borad)

We run BNK Yes! Leader to seek for innovative improvement in the corporate culture. Members of BNK Yes! Leader are excellent talents in head branch departments and branches, serving as internal and external communication channels while suggesting ideas on corporate management. BNK Yes! Leader conducts annual exchange activities, maximizing synergies in management innovation.

### Busan Bank, Running the Alpha Leaders Program

Busan Bank has run the 'Alpha Leaders', a leadership program for employees every year since 2008 to spread the culture of change, innovation and communication. Employees who volunteered to become alpha leaders and got selected are involved in various activities to lead changes and innovation within the bank. These include strengthening their competency at 'BNK-WAY Leadership Training' and fostering their challenging spirit and mindset for cooperation through promotional flash mobs, trekking at Halla Mountain and seminars at 'Jeju BNK-WAY'.

### Organizing the Concert of Happiness and Hope

Kyongnam Bank created an occasion for all its 3,100 employees to be united and have fun, marking its 45-year anniversary. A concert was held for them to enjoy as a breather, casual party and morale booster. The concert enhanced satisfaction of employees while serving as a trigger for communication and change for a higher leap of Kyongnam Bank.



Winning the Prime Ministerial Prize of the Labor-Management Culture Award

Kyongnam Bank was the only domestic bank selected at the '2015 Best Labor and Management Culture Enterprise' by the Ministry of Employment and Labor to win the Prime Ministerial Prize of the Labor-Management Culture Award.



Busan Bank, Running the Alpha Leaders Program



Concert of Happiness and Hope



Closer Talk with the CEO



Cultural Events with the CEO

## Communication with the CEO

Busan Bank and Kyongnam Bank are creating diverse forums to facilitate communication between corporate managers and employees. Busan Bank conducts the 'Cultural Events with the CEO' and 'Gonggam Madang' which gives opportunities for enjoying cultural events including movies and theatrical plays and communicating with one another. Kyongnam Bank held events including 'Closer Talk with the CEO', 'Good morning 7080' and the 'CEO's special lecture', establishing trust and improving satisfaction of employees.

### Cultural Events with the CEO

In the Cultural Events with the CEO, employees and the CEO enjoy cultural activities such as watching plays or movies and enjoying time together for dialogue. Diverse events are organized afterwards to offer a time of joy and harmony to employees.

### '2015 Gonggam Madang' with the CEO - Unlimited Challenge!

Gonggam Madang took place on four occasions for heart-to-heart communication between department/division/branch employees and reassurance of our commitment for achieving business goals for 2015. The CEO and department/division/branch employees enjoyed a fruitful get-together.

### Closer Talk with the CEO

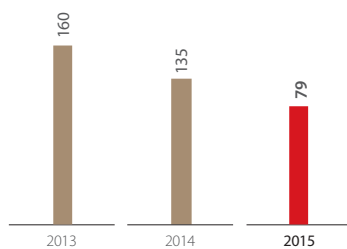
The CEO and 430 assistant branch managers of Grade 3 and supervisors of Grade 4 in each region were gathered together according to the management guideline on four occasions where they listened to issues on the field and sought for solutions.

### Walk & Talk with the CEO

We conduct the 'Walk & Talk with the CEO' for healthy communication harmony. Employees and the CEO had a genuine dialogue as they walked together outside. We plan to carry on the Walk & Talk program for a culture of communication to take roots.

## Current Status of Handling Complaints at Busan Bank

(Unit: number of cases)



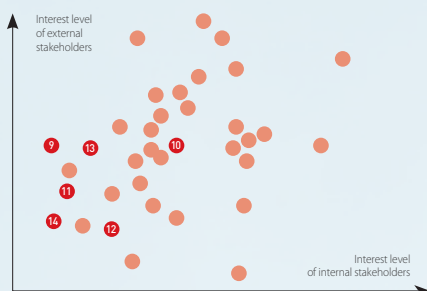
## Operating the Ombudsman Channel

Busan Bank runs two Ombudsman channels: 'Angel Call' and 'Meoshirago', providing counseling services and providing one-on-one on-site interviews upon employees' request by visiting them in person. The interview details are reported to the executives to be reflected in making improvements. In 2015, Busan Bank had 79 grievances registered in total, while Kyongnam Bank resolved 31 complaints out of 60 internal ones and two external ones.





### Step. 01 Materiality Test Map



### Step. 02 List of Core Issues

Core Issue. 09	Expanding green purchasing and ensuring efficient use of consumables
Core Issue. 10	Managing the amount of energy consumed and expanding the use of renewable energies
Core Issue. 11	Conducting environmental protection activities around our business districts
Core Issue. 12	Establishing a system for risk management against climate change
Core Issue. 13	Developing eco-friendly products for environmental protection
Core Issue. 14	Sophisticating strategies, policies and systems for environmental management



## Aspect 07

# Leading Environmentally Friendly Management within the World of Finance

## Importance of Leading Environmentally Friendly Management within the World of Finance

Issues related to the environment such as weather abnormalities, a higher usage rate of natural resources and the occurrence of environmental pollutions have been rampant everywhere. BNK Financial Group strengthens the internal management system on the environment to preemptively and effectively respond to the changing environment policies of the government and environmental needs of stakeholders, while fulfilling environmental responsibilities required for a corporate citizen. We seek to further cherish the environmental value by reducing the negative environmental impact that occurs in operating branches by efficiently reducing the amounts of resources and energy used for corporate management and reducing waste.

### Crises and Opportunities

#### • Opportunities

The financial industry finds new investment opportunities as R&D on financial derivatives is facilitated, covering regulations against climate change and GHG emissions. Companies are prepared against unpredictable challenging risks through risk management in climate change for responding to natural disasters and creating the environmental value. They can generate performance in new business areas by monitoring the launch of new financial products and developing relevant products.

#### • Crises

Environmental changes resulting from weather abnormalities and corresponding natural disasters hugely impact the lives of humans, damage housing of residents, destroying the eco-system and ultimately, inducing corporate asset losses. Engagement of advanced governments and global enterprises in efforts to minimize social issues resulting from climate change can reduce financial and non-financial damage that might occur due to natural disasters from abnormal climate.



### Step. 03 Composition of Core Aspects

Leading  
eco-friendly  
management in the  
financial industry

### Step. 04 Table of Content for Core Aspects

Building an Environmentally Friendly Management System

Developing Financial Products for Environmental Protection

## Performance and Goals

BNK Financial Group establishes specific action plans by recognizing the importance of climate change response and management. We support stakeholders in the society to be interested and take part in environmental protection by launching loan and deposit products aligned with climate change. We also make long-term plans by establishing GHG management strategies and setting up corresponding systems to respond to the government policies on regulations for climate change response and GHG emissions, and enable actions to be taken based on the goals for reducing the environmental impact.

Type	KPIs (Short-run · a Long-Term Strategy)		
Reducing GHG	<b>Establishing Environmentally Friendly management strategy for the group</b> <ul style="list-style-type: none"><li>· Designating environmental management vision, goals, core strategic directions and specific strategic task.</li></ul>	<b>Building an Environmentally Friendly Management System for the group</b> <ul style="list-style-type: none"><li>· Inspecting the use of resources and energy by all affiliates and the current status of waste and GHG emissions</li></ul>	<b>Reducing GHG emissions</b> <ul style="list-style-type: none"><li>· Setting the system for performance management based on GHG emission tracking management and target goals</li></ul>
Saving Energy	<ul style="list-style-type: none"><li>· Preemptive responding to designated GHG and energy target management</li></ul>	<ul style="list-style-type: none"><li>· Managing GHG and energies systematically by establishing the GHG inventory in the group level</li></ul>	<b>Expanding energy reduction goals</b> <ul style="list-style-type: none"><li>· Expanding the targets for energy saving</li><li>· Upgrading and updating goals for operational systems</li></ul>

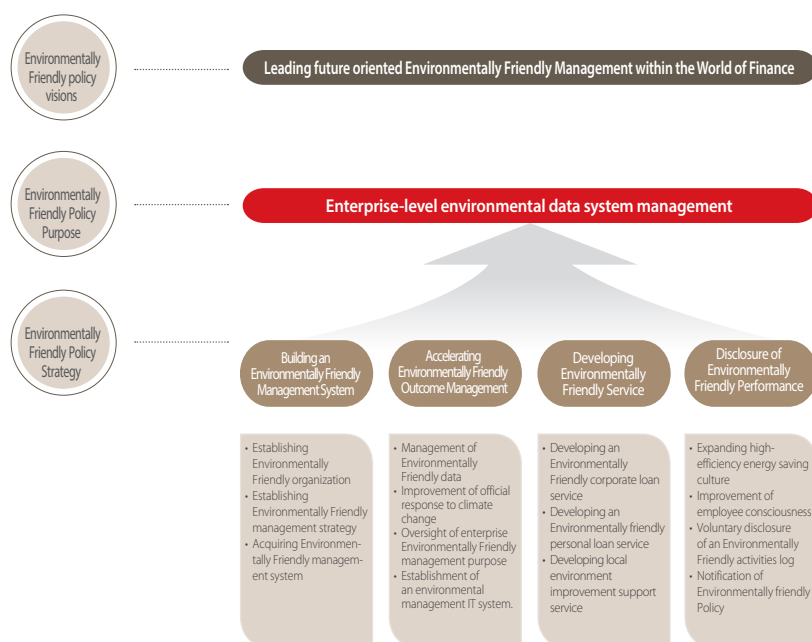


# Building an Environmentally Friendly Management System

## Strategic Directions

We set group-level directions for responding to climate change issues, and recognize and manage diverse risks resulting from climate change in accordance with government policies. Since proactive engagement and efforts of responding are required to manage climate change including the reduction of energy use, we have completed the establishment of environmental management strategies and a data management system.

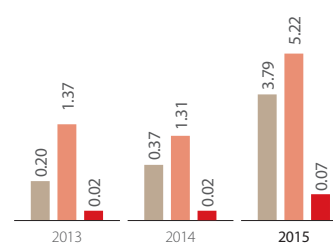
## Environmentally Friendly Policy Vision and Purpose



## GHG Intensity of the Group

(Unit: tCO<sub>2</sub>eq / KRW billion)

- Total Direct Emissions (Scope 1)
- Total Indirect Emissions (Scope 2)
- Total Other Indirect Emissions (Scope 3)



\*Data reported in 2013 and 2014 have been changed due to changes in the standard to calculate the GHG basic unit.

## Key Activities

### Establishing Environmentally Friendly Management Strategies

Environmentally Friendly Policy of BNK Financial Group is to be defined as a form of policy which acknowledges the environmental issues (i.e. climate change measures · Energy Reduction · Resource Depletion) as a crisis and focuses on 'Risk Management' through "Environmentally friendly Policy" and 'Growth Chance,' all acknowledged as integral parts of "Green Policy". The policy contains BNK Financial Group's Environmentally Friendly Policy, written to minimize the environmental impact, and to turn crisis into opportunity as a principal finance institution.

### Environmental Data System Management in the Group

As the scale of our income increases along with our external expansion by incorporating Kyongnam Bank and BNK Asset Management, it is expected that BNK Financial Group would be designated as a company subject to the GHG and energy target management scheme in the national level. BNK Financial Group completed setting up the system for the management of environmental data to manage the current status of GHG emissions in an integrated manner, which has been sporadically carried out. We commissioned verification by a professional verifier to track the environmental data of all our eight subsidiaries besides BNK Financial Holdings.

## Activities and Performance of Saving Major Energies and Goods

### Busan Bank and Kyongnam Bank, Jointly Operating Logistics

We save the transport cost and reduce the GHG emissions by establishing integrated logistical paths connecting branches in the same region.

### Introducing Electric Vehicles for Work

We procured and operated five electric vehicles to lower gas emissions from vehicles and ensure eco-friendly travel.

### Reducing Billboards and Signage

We contributing to saving the amount of electricity used by reducing the number of billboards by 100 to save the utility fees and reduce cost.

### Adopting Solutions for Managing Print Toners

We reduce the cost of approximately KRW 68 million by identifying the remainder of toners in real time, placing orders to replace toners automatically and adjusting the printout density.

## Waging a Campaign to Save Energy and Goods

Busan Bank conducted an intensive campaign to save energy and goods under a slogan, '2015 Unlimited Challenge! Saving Energy and Goods'. We established a guideline to practice energy saving under the theme of 'Changing Habits, Changing Thoughts'. The guideline covers automatic turn-off of lights during lunch time, HVAC operation in consideration of the outside temperature and a walking campaign within the building. We have also created a guideline to practice saving of goods including implementing the Clear Day of Office Goods, recycling idle property and saving stationery consumables. Kyongnam Bank saved costs of approximately KRW 190 million for office goods through an annual energy and goods saving campaign. Energy-saving products are adopted by phase to target branches which are subject to improvement of the environment. Such products include automatic switches for LED sensors, outlets to cut off standby power and sensor faucets for auto watering. We also participate in saving goods through workout of certificates. In 2016, we are waging a campaign for energy saving by setting a 5% reduction goal in the budget plan in the category of electric bills and office goods.

## Saving the Amount of Electric Power Use in Branches

Busan Bank analyzes the status of variation of the amount of electricity used for 187 branches that are to be issued with electric bills in partnership with Korea Electric Power Corporation (KEPCO) on a quarterly basis. As a result of the energy saving campaign and on-site consulting, we were able to save electricity worth 15,502kW year on year as of December-end, 2015. We plan to implement continued guidance activities and measures to strengthen control for energy saving.

## Providing Incentives for Managing Climate Change

Our work proposal system is up and running for employees to respond to climate change in order to raise awareness about climate change and the environment. Moreover, we selected excellent branches and offices in energy saving and announced those selected to praise their efforts for the cause. The selected branches and employees receive additional incentives to create a culture of energetic engagement of employees.

## Providing On-site Consulting on Energy Saving

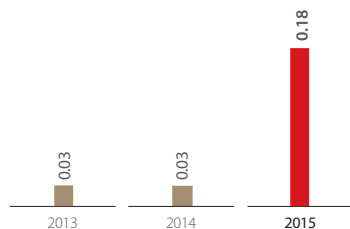
Busan Bank conducted quarterly on-site consulting services to branches whose energy saving performance is lagging behind others. We analyzed factors that increased the amount of electric power used and provided information on energy saving measures by visiting 55 branches whose employees were also trained on 12 ways to save energy in their daily life. Such branches will also be selected to be under intensive management in 2016 so that we can verify the effects of consulting and continuously inspect and manage if reduction has been made or not.

## Analyzing the Current Status of Expenditure of Consumables

Busan Bank allocates budgets for 14 categories including the utility bill, fuel cost and consumables which are spent on a monthly basis, and analyzes the status of variation. Causes for the year-on-year variation are identified based on the monthly basis, and measures to save per item of variation are established and implemented. We could save KRW 146 million for fuel cost for vehicles and KRW 100 million for consumables compared to the previous year as of end of December, 2015.

## Energy Intensity of the BNK Financial Group

(Unit: TJ / KRW billion)



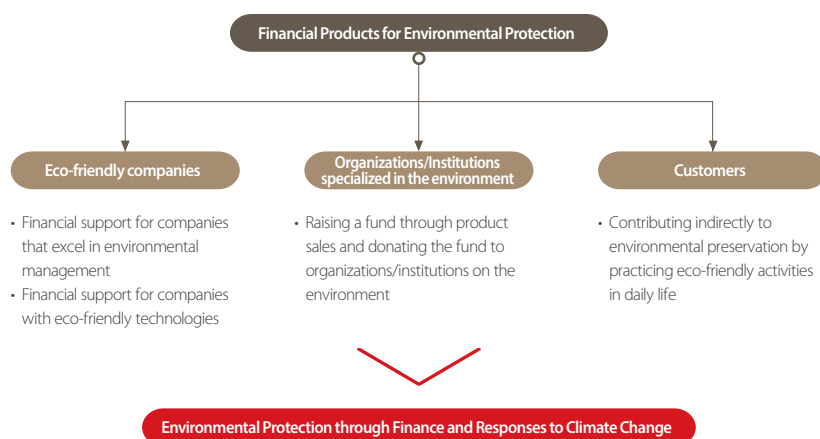
\*Data reported in 2013 and 2014 have been changed due to changes in the standard to calculate the energy basic unit.

# Developing Financial Products for Environmental Protection

## Strategic Directions

BNK Financial Group provides benefits to companies that conduct business in the field of new growth engines of low carbon and high efficiency, including financial support, interest rate reduction and premium banking charges. When extending loans and investment for Project Financing (PF), Busan Bank seeks to generate business opportunities associated with the environment and climate change. Therefore, we make it mandatory to identify if developers conduct the environmental impact assessment pursuant to the Environmental Impact Assessment Act, indirectly reflecting the results of the assessment on projects.

## Key Activities



### Financial Support for Eco-friendly Companies

Busan Bank discovers SMEs that excel in environmental management and extend low-interest funds to them in partnership with the Korea Environmental Industry and Technology Institute under the Ministry of Environment. We contribute to the development of eco-friendly technologies and the growth of related companies by providing premium loan interest rates and exempting banking charges for companies specialized in new and renewable energies, energy service companies (ESCO) and companies with green certification.

### Supporting Environmental Organizations/Institutions

We raise funds by selling products designed for environmental protection and donate them to environmental organizations and institutions, including BNK ECO Installment Saving and Galmaetgil Installment Saving. We support environmental projects by donating a part of after-tax interest rates.

### Raising Environmental Awareness among Customers

We sell products providing benefits depending on customers' records of environmental activities including energy saving. This helps to spread awareness about environmental preservation and climate change response, and induces behavioral changes of customers.

## Major Loan Products

(As of December 31, 2015)

Product Name	Number of Cases Extended	Balance Amount	Major Characteristics
Loans for the Fund to Foster the Recycling Industry	119 cases	KRW 26.8 billion	Manufacturing and supporting technology development of products using recyclable resources including automobiles and electronic products
Loans for the Fund to Improve the Environment and Foster the Environmental Industry	67 cases	KRW 17.3 billion	Financing facilities and project cost for manufacturing and selling environmental technologies and establishments and green products
Loans for the Fund to Purchase BNK CNG Buses	11 cases	KRW 1.4 billion	Financing bus companies that are willing to purchase eco-friendly Compressed Natural Gas (CNG) buses with a low level of gas emissions
Prime Loan for BNK Clean Green Companies	130 cases	KRW 22.3 billion	Offering the prime loan to eco-friendly companies or companies with environmental growth potentials - companies recognized in Busan Bank's eco-friendly company review and evaluation table, companies specialized in new and renewable energies and companies specialized in energy saving
Loans for the Energy Usage Rationalization Fund	1,546 cases	KRW 154.8 billion	Financing a part of business expenses for SMEs that install energy saving facilities to reduce energy and GHG.

## Introduction of Deposit/Installment Saving and Card Products

(As of December 31, 2015)

Product Name	Remaining Balance/Used Amount	Year-on-Year Change	Major Characteristics
BNK Eco Installment Saving	KRW 26.4 billion	KRW △2.6 billion	The product is designed to protect migratory birds and the ecosystem where 3% of the interest rate after tax is accumulated in a fund to contribute to environmental organizations and institutions.
Galmaetgil Installment Saving	KRW 546.4 billion	KRW △46.7 billion	A fund is accumulated with 2% of the interest after-tax from a matured account to be donated to local organizations and governments that carry out projects for public interest associated with environmental preservation.
Busan Bank Green Card	KRW 385.7 billion	KRW 17.3 billion	It is a product to accumulate mileage points upon purchasing eco-friendly products associated with saving water, town gas and electric energy. Up to 50% of discounts are offered for using cultural and leisure facilities in 150 local governments nationwide.
Busan Bank Green Corporate Check Card	KRW 70.8 billion	KRW 14.8 billion	
Busan Bank My Zone Green Check Card	KRW 69.2 billion	KRW △4.9 billion	
Kyongnam Bank Green Card (credit/check)	KRW 211 billion	KRW △5.1 billion	Kyongnam Bank offers services to customers to be naturally engaged in green living including saving energy, public transit usage and purchase of eco-friendly products in daily lives
Kyongnam Bank Green Corporate Card (credit/check)	KRW 81.3 billion	KRW △9.3 billion	



# HAPPY FINANCING, TOGETHER PRACTICE

It is  
a representative  
financial group of Korea  
that makes a new future  
in economic zone of  
Asia.

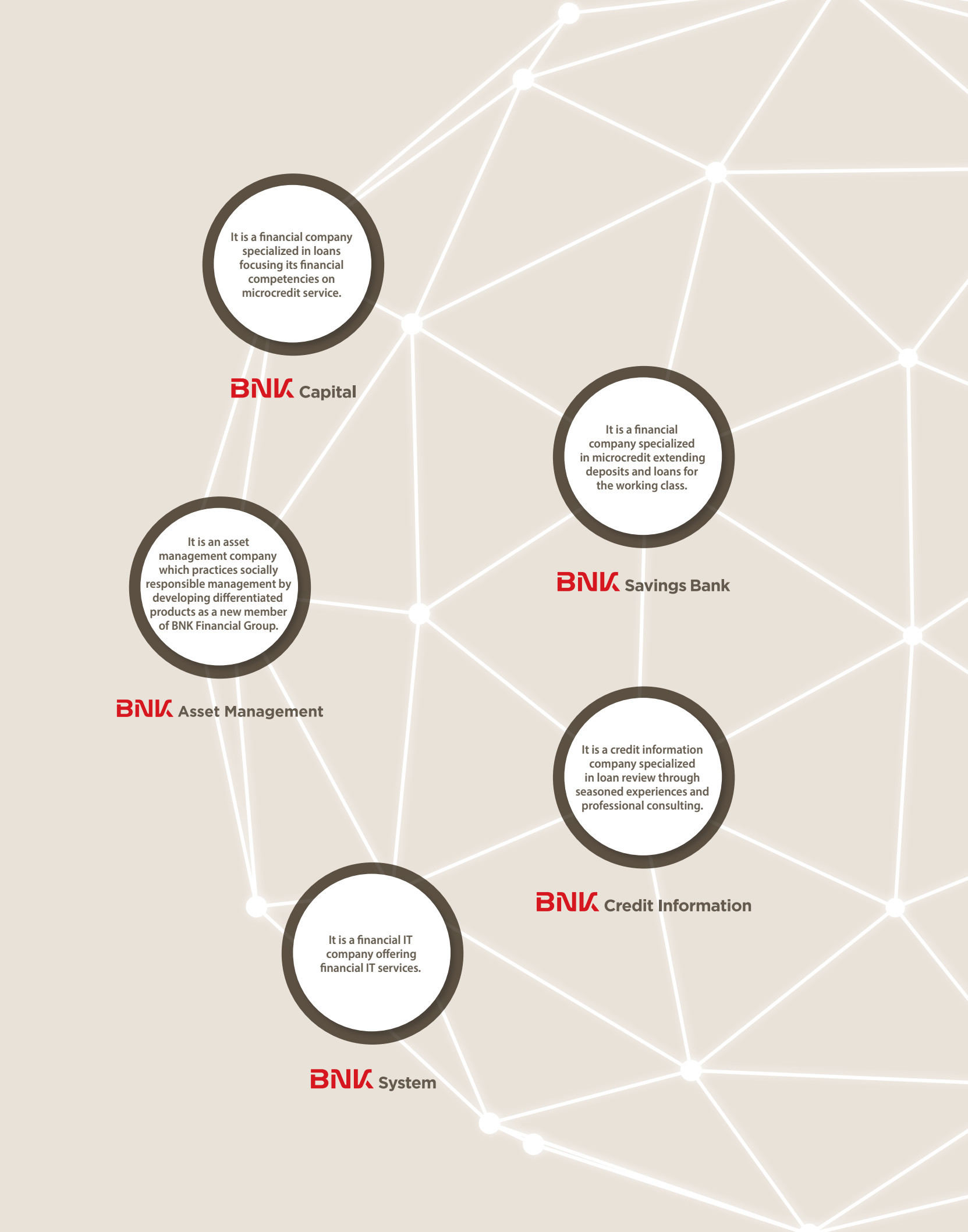
**BNK** Busan Bank

It is  
a comprehensive  
securities company  
established to facilitate  
the regional financial  
industry and the  
capital market.

**BNK** Securities

It is a native  
bank representing  
the Gyeongnam and  
Ulsan regions giving  
'Happiness to Customers  
and Hope to the  
Regions'

**BNK** Kyongnam Bank



It is a financial company specialized in loans focusing its financial competencies on microcredit service.

**BNK** Capital

It is a financial company specialized in microcredit extending deposits and loans for the working class.

**BNK** Savings Bank

It is an asset management company which practices socially responsible management by developing differentiated products as a new member of BNK Financial Group.

**BNK** Asset Management

It is a credit information company specialized in loan review through seasoned experiences and professional consulting.

**BNK** Credit Information

It is a financial IT company offering financial IT services.

**BNK** System

# BNK Busan Bank

Despite a continuum of internal and external economic uncertainties, Busan Bank has achieved its management performance befitting its No.1 prestige as a regional bank through customer-friendly services and risk management. The bank has further established its growth basis by aggressively advancing into the global market including China, Vietnam, Myanmar and India while making inroads into Gyeonggi Province for the first time as a regional bank. While initiating continued internal innovation for practicing thorough customer value-oriented management, Busan Bank will reinvigorate the regional economy by expanding support for SMEs and livelihood for the working class, and focusing on management rationalization earlier than others and substance-oriented management. Consequently, the bank is prepared to make a leap forward toward the next quarter century. The bank promises to serve as a cornerstone giving hope by holding an umbrella of hope when the region and customers confront challenges.

President of Busan Bank, **Se Whan Sung**



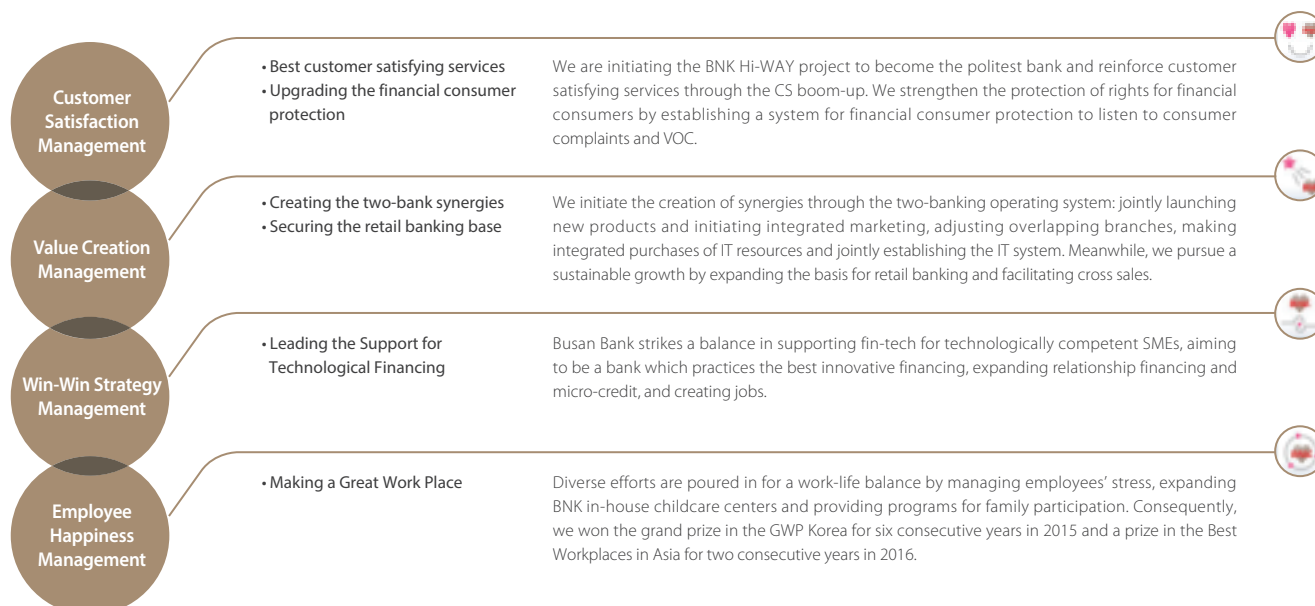
## Company Introduction

Busan Bank is a representative local financial institution that has grown together with the region for forty-nine years since its foundation in October 1967, to revitalize the local economy. Even during the 1997 financial crisis and global financial crisis, the Bank was able to withstand the crisis through localized business strategies. As of the end of 2015, the Bank became one of the best regional banks with total assets of KRW 56.54 trillion (including trust accounts), net income of KRW 320.3 billion, 270 branches and 3,555 employees. Moreover, Busan Bank set its mid-and long-term management goal for 2015 as 'Visions 2020: Busan Bank of Korea as A New Future in Asia's Finance'. The bank continues to strive to become a global company under the new goal.

## Company Information

Date of Foundation	October 10, 1967
Shareholders' Equity	KRW 4,773.9 billion
Headquarters Address	30, Munhyeongeumyung-ro, Nam-gu, Busan Metropolitan City
Employees	3,555 persons
Homepage	<a href="http://www.busanbank.co.kr">www.busanbank.co.kr</a>

## Sustainability Activities per Management Principle



<b>Busan Bank</b>	BNK Savings Bank
Kyongnam Bank	BNK Asset Management
BNK Securities	BNK Credit Information
BNK Capital	BNK System

## Core Activities per Strategic Task

Strategic tasks	Core activities	Major explanations
Expanding the basis for sustainable growth for the future	<ul style="list-style-type: none"> <li>Expanding the domestic and global business networks</li> <li>Establishing a strategic management system for human resources</li> </ul>	We have expanded our business bases by dynamically initiating the advancement of branches and offices abroad in places including China, Vietnam, Myanmar and India, while securing business networks in major cities nationwide. Moreover, we initiate sustainability by adopting BNK-style wage system and a specialized personnel nurturing system for ensuring advanced personnel management.
Securing competitiveness by practicing customer value-oriented management	<ul style="list-style-type: none"> <li>Expanding on-site financial services</li> <li>Intensifying Customer-Oriented Marketing Using Big Data</li> </ul>	We have expanded on-site financial services by distributing tablet branches to all branches and adopting the BRM system, a retail banking business unit. We have proactively initiated enhancing the customer value by identifying customers' financial needs and providing customized marketing through the big data analysis following the launch of the Customer Analysis Team in 2016.
Sophisticating risk management and internal control	<ul style="list-style-type: none"> <li>Approval of F-IRB</li> <li>Reinforcing the Preemptive Soundness Management System</li> </ul>	We have improved the capital ratio by initiating to have the F-IRB approved, strengthening pre-training and improving the loan process. We will integrate different units for loan planning-inspection-follow-up management into a single process, and sophisticate the loan review process. This will help us to manage asset soundness systematically and preemptively.
Expanding Win-Win Strategy Management and Fulfilling Social Responsibilities	<ul style="list-style-type: none"> <li>Strengthening support for SMEs and micro-credit</li> <li>Expanding social contribution activities along-side communities</li> </ul>	We have expanded financial support for financially struggling SMEs and other companies in communities due to the slow economic recovery. We have signed agreements with the Ministry of Employment and Labor and Busan Metropolitan Government, expanding financial support and sales channels for social enterprises. The New Hope Seed, a representative micro-credit product, amounted to KRW 71.1 billion, exceeding the target volume.



Granting of Scholarship to Vietnamese Students



Busan Financial Museum Road Project

## Activities to Practice Happy Finance

### Global Talent Development Project

We signed a talent development agreement with five private universities (Kyungsoo University, Dong-A University, Dong-eui University, Busan University of Foreign Studies and Silla University) in Busan City, its nearby region and the Ministry of Education of Vietnam. The 'Global Talent Development Project' has been carried on, which sponsors tuition fees and accommodation allowances worth KRW 8 million for four years to each Vietnamese student according to the agreement. We have selected eight Vietnamese students studying in Korea and aim to support them in 2016, carrying on from 2015. After Opening of the Ho Chi Minh Branch of Busan Bank, we plan to them prior job offers if they wish to work for the branch.

### Management of the Busan Financial Museum Road Project

We have expanded the scope of social contribution activities through solidarity with regional companies as a part of efforts for a joint social contribution project with public institutions that have been relocated to Busan. Such activities include the Busan Financial Museum Road Project and BIFC financial courses. We also run the Busan Financial Museum Road Project aligned with the Financial Museum (Promotional Hall, Exhibition Hall, etc.) of financial public institutions and the like as well as our bank located in the Busan International Finance Center to help citizens to broadly understand finance and experience it. We will promote the prestige of Busan as the financial center through Korea's only tour program specialized in the financial museum in partnership with the Bank of Korea, Korea Exchange, Korea Technology Credit Guarantee and Busan Ilbo (daily newspaper).



# BNK Kyongnam Bank

Kyongnam Bank has established a cornerstone to become 'a strong and consistent bank' with the help of the region and its residents amid the challenging management environment of home and abroad. The bank has acquired the highest credit rating as a regional bank driven by the robust capital capacity, thereby cementing relationships with communities. The bank set a management measure of 'leaping higher as an advanced bank in retail banking' in 2016, and is ready to concentrate its competencies on responding to the rapidly changing financial environment. The bank will extend full financial support for regional SMEs and residents based on region-oriented services it touts as its strength. Kyongnam Bank will take closer steps to customers based on its initial belief to 'give happiness to customers and hopes to the regions'.



President of Kyongnam Bank, Kyo deok Sohn

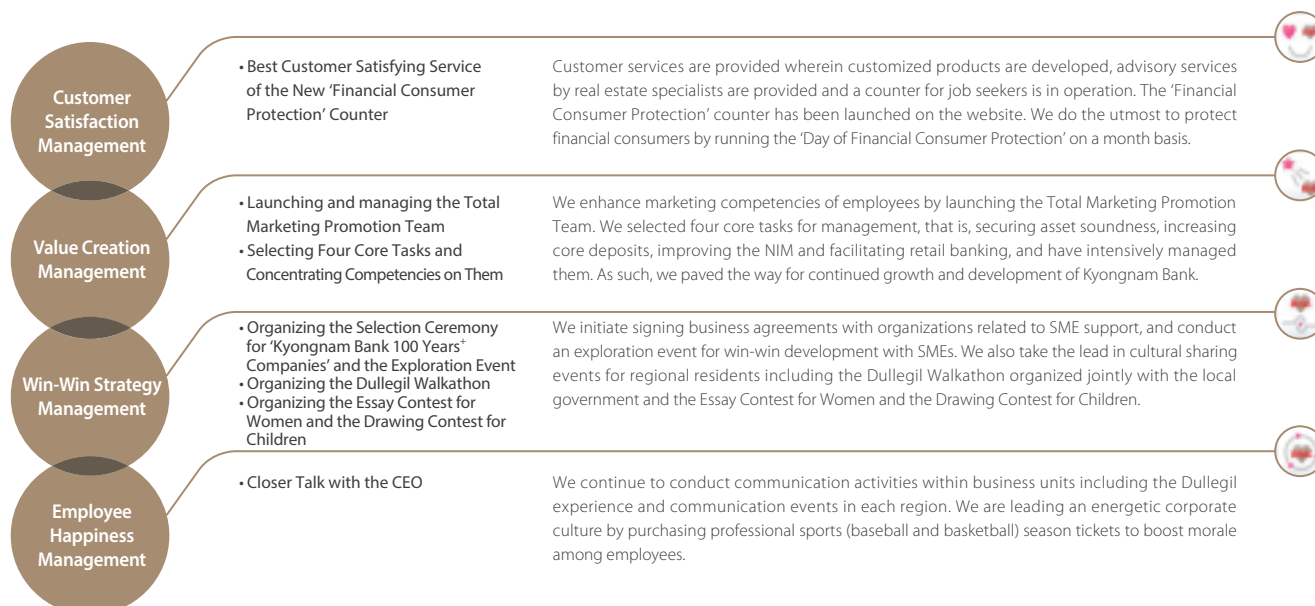
## Company Introduction

Kyongnam Bank as a representative native bank of Gyeongnam and Ulsan has played strong supporting roles for 46 years. It made a new start as a member of BNK Financial Group in 2015 since it was privatized, undergoing a year of change and innovation. The bank has fulfilled its roles as a regional representative bank by supporting SMEs with growth potentials through relationship and technological financing. The bank has expanded genuine social contribution projects through the Love Sharing Foundation of Kyongnam Bank, a public interest foundation established by a regional bank in Korea for the first time. The bank does the utmost to practice 'finance of happiness and hope' while serving regional residents with all its heart.

## Company Information

Date of Foundation	April 18, 1970
Shareholders' Equity	KRW 2,457.6 billion
Headquarters Address	642, 3-15-daero, MasanHoewon-gu, Changwon, Gyeongsangnamdo Province
Employees	2,693 persons
Homepage	<a href="http://www.knbank.co.kr">www.knbank.co.kr</a>

## Sustainability Activities per Management Principle



Busan Bank	BNK Savings Bank
Kyongnam Bank	BNK Asset Management
BNK Securities	BNK Credit Information
BNK Capital	BNK System

## Core Activities per Strategic Task

Strategic tasks	Core activities	Major explanations
<b>Focusing competencies on retail banking</b>	<ul style="list-style-type: none"> <li>• Nurturing retail specialists</li> <li>• Sophisticating retail products and services</li> <li>• Intensifying competitiveness in the retirement finance market</li> </ul>	We allocate retail banking specialists to serve as a leading bank in retail banking and develop new products to dominate the market for mid-interest rate loans. Premium financial services will be offered by upgrading the product line-up to bring up competitiveness in the retirement finance market and reinforcing competencies of PBs, WMs and counter staff in all branches.
<b>Enhancing management efficiency</b>	<ul style="list-style-type: none"> <li>• Raising adequate capital</li> <li>• Continuously initiating four core tasks</li> <li>• Ensuring higher efficiency in managing the HQ and branches</li> </ul>	We wish to satisfy the Common Equity Tier 1 ratio through capital increase with consideration in the second phase in 2016 followed by capital increase with consideration in the first phase and issuance of subordinate security in 2015.
<b>Establishing the customer-oriented on-site management support system</b>	<ul style="list-style-type: none"> <li>• Proactively responding to the account transfer system</li> <li>• Securing customers through total marketing</li> <li>• Reinforcing fin-tech responsiveness</li> </ul>	We will maximize customer convenience and service competitiveness by establishing a future channel system in mobile branches, while initiating to develop financial products using non-face-to-face channels for convenient financial transactions. We will also provide customized services per customer group by sophisticating the customer management system.
<b>Leading synergies of the group</b>	<ul style="list-style-type: none"> <li>• Reinforcing activities with profit-generating synergies</li> <li>• Maximizing cost reduction synergies</li> <li>• Opening hybrid branches (BIB)</li> </ul>	We maximize synergies as a major affiliate of BNK Financial Group driven by dynamic exchanges and cooperation among affiliates. We reduce cost by expanding synergies through integrated logistical management of both banks and an integrated maintenance agreement through IT standardization.
<b>Spreading the corporate culture of BNK</b>	<ul style="list-style-type: none"> <li>• Spreading a new corporate culture of BNK</li> <li>• Creating a happy workplace</li> <li>• Spreading the performance-oriented culture</li> </ul>	We have waged a campaign titled 'Three Go (Go Up!, Go Home!, Go Playing!)' since March 2016 so that employees can spare their time on self-development and family on weekdays. As such, we are engaged in diverse activities for work-life balance.

## Activities to Practice Happy Finance

### Managing specialized branches including financial hybrid branches and branches with flexible operating hours

We have operated the Branch In Branch (BIB) in the head business division and Ulsan business division with BNK Securities to provide an active response and differentiated comprehensive asset management services to the changing financial environment. Branches with flexible operating hours are available until 7:00pm with banking services in Changwon and Jinju. Moreover, The Sunday Overseas Remittance Center is also functional for foreigners living in Changwon, Ulsan and Gimhae as we do the utmost to cater to customer needs.



MOU Ceremony for Win-Win Development with the Regional Commerce and Trade

### Recovering Relationships with Local Governments and Achieving Win-Win Development with Regional Trade and Commerce

We have successfully renewed treasury agreements with 10 cities and counties including Changwon City. The treasury commissioning contracts were to expire in 2015. We have also recovered our trust with South Gyeongsang Province which we comparatively did not pay much attention to in the process of privatization. We will strengthen our cooperative ties with regional chambers of commerce and industry, and expand financial services to struggling regional companies due to the economic slowdown and shrinkage in the domestic demand, thus taking the lead in the community development and facilitation of the regional economy.

# BNK Securities

BNK Securities seeks to grow as a financial investment company with the highest competitiveness in Busan, Ulsan and Gyeongnam by securing differentiated competitiveness in the region and maximizing cross-affiliate synergies. The company contributes to job creation through sustainable growth, and practices sharing-oriented management giving hopes and mutual benefits with communities by providing distinctive financial services for social contribution and regional residents. We promise to do our best to leap higher as a financial investment company with world-class competitiveness beyond Korea by achieving shared growth with the region.



CEO of BNK Securities, Hyo Jun Ahn

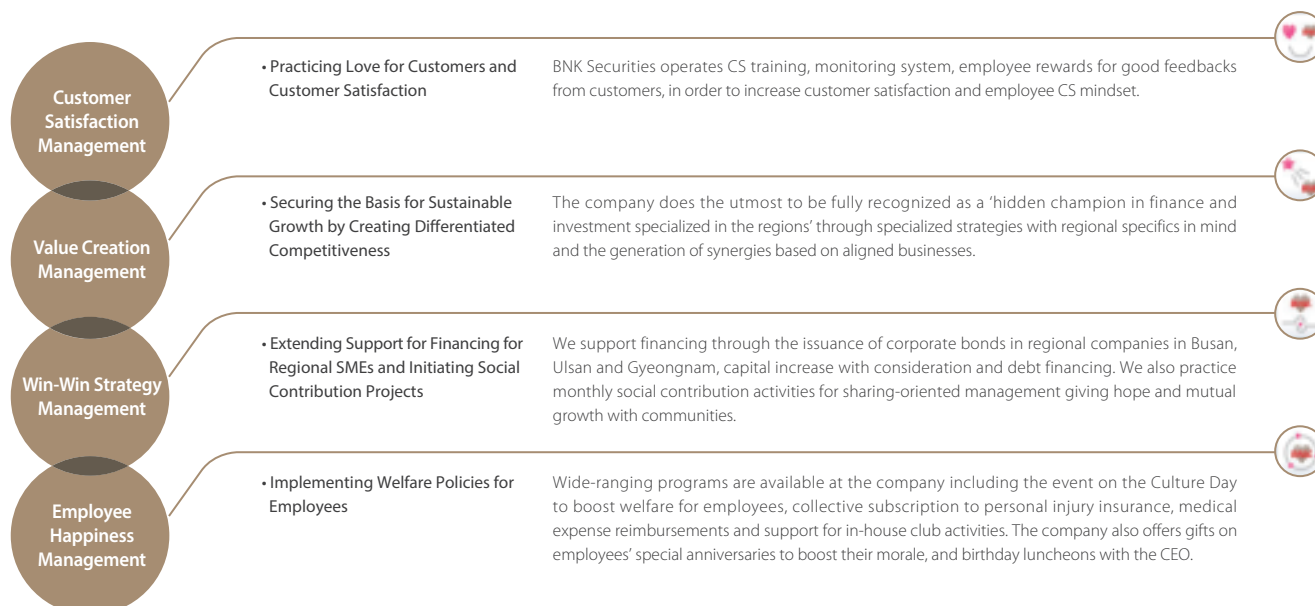
## Company Introduction

BNK Securities which started off as a futures company in 1997 is establishing its presence as a representative regional financial investment company with 20 years of history. Since tapping onto the securities business in 2009, the company has achieved steady growth through business expansion by phase in IB and asset management. Excellent results have been shown by reaching the highest net income for two consecutive years recently. has laid the foundation for business throughout Busan, Ulsan and Gyeongnam by opening Gyeongnam Business Division in May 2015 and Ulsan Business Division in November 2015. The company is doing the utmost to serve as a regional representative securities company in Busan, Ulsan and Gyeongnam by 2020, while setting mid-and long-term strategies of laying the foundation for sustainable growth, expanding the market dominance, maximizing cross-affiliate synergies and ensuring specialization and differentiation.

## Company Information

Date of Foundation	June 2, 1997
Shareholders' Equity	KRW 155.3 billion
Headquarters Address	1, Saessak-ro, Busanjin-gu, Busan Metropolitan City
Employees	173 persons
Homepage	<a href="http://www.bnkfn.co.kr">www.bnkfn.co.kr</a>

## Sustainability Activities per Management Principle



Busan Bank	BNK Savings Bank
Kyongnam Bank	BNK Asset Management
<b>BNK Securities</b>	BNK Credit Information
BNK Capital	BNK System

## Core Activities per Strategic Task

Strategic tasks	Core activities	Major explanations
<b>Specialized in IB and Strengthening Competitiveness</b>	<ul style="list-style-type: none"> <li>Specialized in Regional Corporate Financing in Busan, Ulsan and Gyeongnam</li> </ul>	We plan to provide financial support to regional companies driven by a strong network of BNK Financial Group. We will support companies in the expansionary stage to be listed through SPAC and KONEX along with investment solutions for each growth stage, while providing financial advice and financing to companies in the early start-up stage. Consequently, we strengthen our competitiveness as a securities firm specialized in IB in Busan, Ulsan and Gyeongnam.
<b>Reviewing Entry into New Businesses</b>	<ul style="list-style-type: none"> <li>Registering the investment advisory business</li> <li>Registering the business on collective investment for private equity</li> </ul>	We will continue to strive for securing new income sources through the registration of the investment advisory business by providing such services on real estate and IPO. By registering the business on collective investment for private equity and managing our exclusive private fund products, we aim to improve our business competitiveness through the development of customized high-yield financial products.
<b>Maximizing Cross-Affiliate Synergies</b>	<ul style="list-style-type: none"> <li>Strengthening Synergies in Corporate Financing</li> </ul>	We installed the IB Support Division within the group and negotiated on ways to generate cross-affiliate synergies through regular and ad-hoc meetings. As such, we establish a close cooperation system by maximizing cross-affiliate synergies.
<b>Practicing the Principle-based Management</b>	<ul style="list-style-type: none"> <li>Intensifying Internal Control</li> </ul>	We strengthen internal control policies to practice the principle-based management by intensifying regulations against employees' proprietary trading, management of personal credit information and the information security system.



Signing an MOU titled 'I Love You, Busan!'



Giving out financial support to the elderly living alone for New Year's Day

## Activities to Practice Happy Finance

### Establishing a Win-Win Cooperation System for Regional Companies

We signed a cooperation system for win-win growth with regional companies by signing an MOU with native companies in Busan. The MOU is titled 'I Love You, Busan!'. We do the utmost to facilitate the regional economy by strengthening cross-enterprise mutual promotional support and encouraging the use of products from regional companies by employees and acquaintances. We also plan to upgrade our cooperation with them through personnel and information exchanges to practice our love for the region and achieve win-win development.

### Conducting Financial Support for Start-ups and Innovative Companies

We conducted equity investment for crowd funding to extend necessary funds for promising venture firms and SMEs for their start-up and growth. We will do the utmost for financial support for regional start-ups by discovering promising venture firms and SMEs in Busan, Ulsan and Gyeongnam and supporting them to take part in crowd funding.



# BNK Capital

BNK Capital offers diverse financial services to create greater customer happiness and values. We take the lead in social contribution activities for employees to be happy. We practice growth and sharing-oriented management through win-win development with employees, customers and communities. We launched overseas subsidiaries in the financial market in Southeast Asia including Cambodia, Myanmar and Laos without being complacent about settling in the domestic market, and helped them to be stably established early. We fulfill our roles in leading overseas entry in line with the group's management vision to achieve 'Global Best Regional Financial Group'. Under the management motto of 'To the world with the region, to a better future with the customers', we promise you that all the employees at BNK Capital will make unwavering efforts for the company to develop into a global premium capital company alongside customers.

CEO of BNK Capital, Il Su Kim



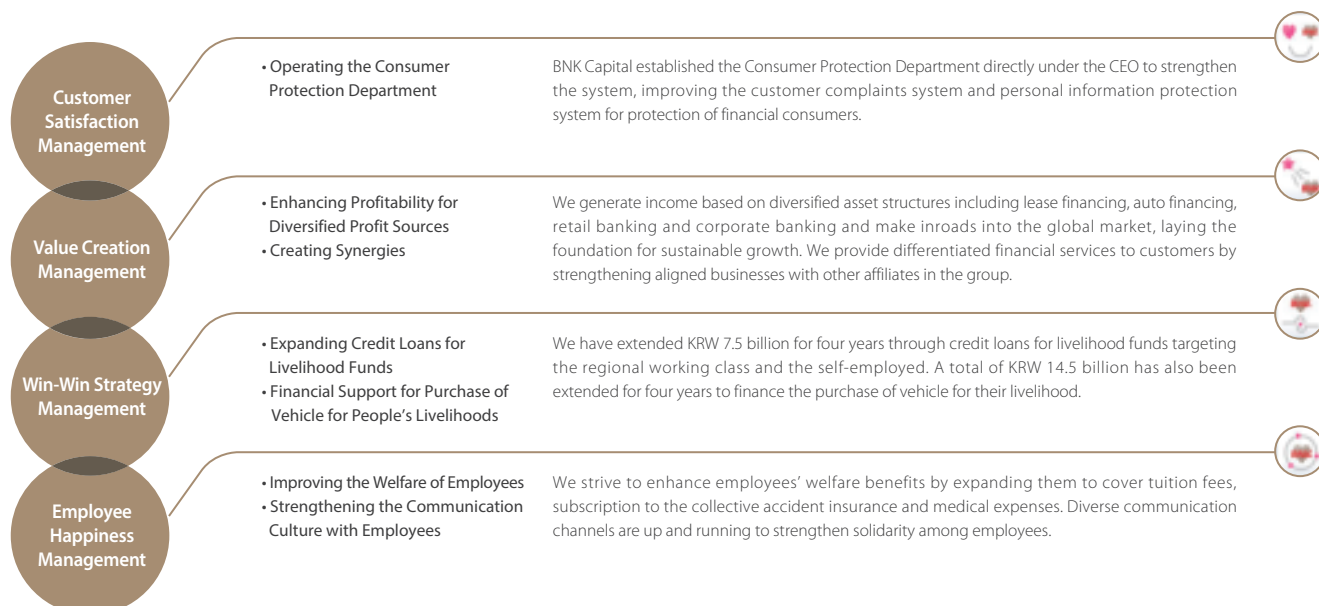
## Company Introduction

BNK Capital which was established in 2010 as a financial company specializing in loans has 23 branches nationwide including those in Seoul and the metropolitan area, and is making steady growth with wide-ranging financial services including lease finance, auto finance, retail banking and corporate finance. We seek for regional economic development by supporting the regional working class and SMEs. We have recently established local subsidiaries in Cambodia, Myanmar and Laos and focus on their stable landing. As such, we do our best to explore new growth engines and diversify our income sources. We will advance further to become an exemplary financial company to be benchmarked and have started from the region under the management motto, 'To the world with the region, to a better future with the customers' and are steadily growing into a world-class financial company.

## Company Information

Date of Foundation	July 15, 2010
Shareholders' Equity	KRW 505.4 billion
Headquarters Address	1, Saessak-ro, Busanjin-gu, Busan Metropolitan City
Employees	551 persons
Homepage	<a href="http://www.bnkcapital.co.kr">www.bnkcapital.co.kr</a>

## Sustainability Activities per Management Principle



Busan Bank	BNK Savings Bank
Kyongnam Bank	BNK Asset Management
BNK Securities	BNK Credit Information
<b>BNK Capital</b>	BNK System

## Core Activities per Strategic Task

Strategic tasks	Core activities	Major explanations
<b>Stable Growth with Diverse Product Portfolios</b>	<ul style="list-style-type: none"> <li>• Expanding partners for auto leasing</li> <li>• Diversifying corporate financing</li> <li>• Expanding the market share for car rental</li> <li>• Developing new mid-interest rate products for retail banking</li> </ul>	We have achieved steady asset growth by covering products reflecting customer needs including not only auto financing, industrial product leasing and credit loans but also corporate loans and car rentals. We pursue a balanced internal and external growth based on diversified product portfolios and a stable profit structure with total assets of KRW 4.2872 trillion and net income of KRW 43.6 billion in 2015.
<b>Advancing into the overseas market to discover new growth engines</b>	<ul style="list-style-type: none"> <li>• Acquiring permit and approval for local business operations abroad and securing the basis for business</li> <li>• Providing advanced financial services targeting the financially underprivileged abroad</li> </ul>	BNK Capital has established a business base by launching local subsidiaries in three countries – Cambodia, Myanmar and Laos, and acquired the business permit and approval there. BNK Capital provides differentiated advanced financial services including small loans and lease financing for the financially underprivileged locals through seamless localization strategies. We plan to serve as a cornerstone for overseas advancement of BNK Financial Group by discovering new growth engines and generating new income sources through the expansions of target areas.



BNK Capital Cambodia



Conducting Environmental Clean-up Activities with Employees



Visiting a Local Orphanage in Myanmar and Volunteering by Employees

## Activities to Practice Happy Finance

### Strengthening Micro-Credit Support for the Region and Win-Win Growth

We strive to be upgraded into a company specialized in consumer financing to grow alongside the region, while providing diverse financial services to the financially underprivileged. In order to achieve continued development of 'Happy Finance', a socially responsible project of the group, we have expanded the number of counters for micro-credit to 23 branches and loan centers nationwide, and allocated personnel exclusive for micro-credit, carrying out counseling and loan services. We have facilitated mid-interest rate loan products aligned with guarantee insurance, providing opportunities for conversion into a low interest rate for low-credit and low-income customers who are using high interest rate products in private financing. We also extend installment products to the working class who are willing to purchase vehicles for their living, thus contributing to the community.

### Employees' Volunteering to Practice Love for the Region

BNK Capital runs a regional volunteering group with participation of all employees. Volunteering takes place over once a month to practice love for the region. In 2015, we took the lead implementing corporate social responsibilities by engaging in social contribution activities for welfare facilities including child welfare centers and conducting environmental cleaning activities. In order to conduct local social contribution activities, overseas subsidiaries have been steadily engaged in volunteering necessary to the locale from the initial phase of their foundation. Such activities include visiting orphanages charity work of different type practiced by employees.

# BNK Savings Bank

We would like to express deep gratitude to customers for extending love for and interest in BNK Savings Bank at all times. Employees at BNK Savings Bank do their best to fulfill their inherent roles at the micro-credit service provider without being complacent about past and present performances. Driven by the group's management slogan, 'Giving Hopes through Happy Finance,' we hope to fulfill the groups' mid-and long-term vision through endless changes and innovation. We aim to rise higher as Korea's representative savings bank as a specialized micro-credit provider through dynamic management for customer satisfaction, management for employees' satisfaction and compliance and principle-based management. We ask for your continued love and encouragement for BNK Savings Bank and wish you and your family good health and happiness.



CEO of BNK Savings Bank, **Seong Mo Kim**

## Company Introduction

BNK Savings Bank was launched with the paid-in capital of KRW 115 billion on January 10, 2012, achieving asset growth driven by substantial management. We offer best services to customers with three branches in Busan and four in Seoul by nurturing competent personnel in finance and developing differentiated products. In order to innovate the management and business practices of savings banks of the past and create a new savings bank model, we applied Busan Bank's community-friendly business operations and advanced risk management techniques to befit the reality of savings banks. As a result, BNK Savings Bank has risen as a high-yield savings bank with 107 employees, the BIS capital adequacy ratio of 11.83% and total assets of KRW 771.6 billion.

## Company Information

Date of Foundation	January 10, 2012
Shareholders' Equity	KRW 106.6 billion
Headquarters Address	177, Beomil-ro, Busanjin-gu, Busan Metropolitan City
Employees	107 persons
Homepage	<a href="http://www.bnksb.com">www.bnksb.com</a>

## Sustainability Activities per Management Principle



Busan Bank	<b>BNK Savings Bank</b>
Kyongnam Bank	BNK Asset Management
BNK Securities	BNK Credit Information
BNK Capital	BNK System

## Core Activities per Strategic Task

Strategic tasks	Core activities	Major explanations
<b>Initiating Profit-oriented Stable Growth</b>	<ul style="list-style-type: none"> <li>Expanding Business Ali-gned with Affiliates</li> <li>Expanding Household Loans and Relationship Financing</li> </ul>	We focus our competencies on strategic joint loan support schemes among affiliates (loan extensions in consortiums), and expand profitability by developing one-stop process for individual CSS credit loans and products applied with bank-aligned mid-interest rate loans.
<b>Exploring Niche Markets</b>	<ul style="list-style-type: none"> <li>Developing Exclusive Specialized Products</li> </ul>	We will select target markets for specific job categories by sharing information on specialized products of other savings banks, and launch relationship financing products as we plan to conduct strategic benchmarking and development for exploring niche markets.
<b>Securing the Business Base for the Non-Interest Rate Sector</b>	<ul style="list-style-type: none"> <li>Facilitating the Sales Agent Service for Credit Cards and Gold Bars</li> </ul>	We will continue to expand our business base for the non-interest rate sector by seeking for ways for business diversification including commission fees business for BC card membership recruiting for Busan Bank and Kyongnam Bank, while facilitating the sales commissioning service for gold bars.
<b>Strengthening the Non-Face-to-Face Business Channels</b>	<ul style="list-style-type: none"> <li>Laying the Foundation to Prepare against the Era of Fin-tech</li> </ul>	We plan to proactively respond to the institutions and market changes amid the non-face-to-face business channels by establishing mobile banking and sophisticated Internet banking services.
<b>Adopting the Risk Management System</b>	<ul style="list-style-type: none"> <li>Strengthening the Protection of Financial Consumers and Devising Diverse Standards for Measuring Risk Management</li> </ul>	We will systematically manage risks and conduct continued improvement activities by establishing the Risk & Control Self-Assessment and selecting Key Risk Indicators (KRI), while devising internal management regulations for complying with credit information management standards.
<b>Strengthening Organizational Competencies</b>	<ul style="list-style-type: none"> <li>Upgrading Organizational and Employees' Competencies</li> </ul>	We will enhance customer satisfaction by reinforcing employees' competency and raising their organizational loyalty. To this end, we will nurture our capabilities for inspecting and conducting follow-up management in conjunction with banking affiliates, organizing training and seminars on jobs and expanding performance-oriented HR policies.



Social contribution activities of the Love Sharing Volunteering Group



Meetings by job rank

## Activities to Practice Happy Finance

### Strengthening Social Contribution Activities of the Love Sharing Volunteering Group

The Love Sharing Volunteering Group of BNK Savings Bank, being engaged in fulfilling corporate social responsibilities, secures continuity and symbolism instead of one-time social contribution activities. The volunteering group strives to reach out to the community by visiting various institutions including vocational rehabilitation facilities, nursing homes and childcare centers. Volunteering activities will continue to be conducted as part of the bank's self-driven events to practice sharing.

### Nurturing Specialized Financial Personnel

We run a mentoring system to match new employees with employees in the supervisory position to encourage new employees to adapt themselves to a new life faster and help them to complete a training program centered around matters associated with jobs and related knowledge. We make complete efforts to nurture competent personnel specialized in finance by offering diverse educational and training programs and opportunities to acquire financial certificates.

### Organizing Seminars for Each Job Rank

We organize seminars for employees in each job rank on a quarterly basis to strengthen communication among employees and enhance their sense of belonging. The seminars enable them to share their opinions for diverse goals in a comfortable atmosphere and enhance their solidarity. They make consistent efforts to realize a corporate culture where everyone can be united.



# BNK Asset Management

There have been environmental changes for the asset management market including the low growth and low interest rate environment, intensified competitions internally and externally, and market needs for diverse investment techniques and investment assets. Nevertheless, BNK Asset Management does the utmost to upgrade operational competencies and provide diverse and competitive products and innovative solutions. In order to raise investment performance and properly manage invaluable customer assets, we endlessly demand their high ethical standards and expertise. We will practice sustainability to achieve our mid-and long-term vision of becoming 'the most reliable asset management company by customers'. We promise to become an asset management company that leads the domestic asset management market, while practicing socially responsible management and growing alongside the region as a member of BNK Financial Group.



CEO of BNK Asset Management, **Seok geun Son**

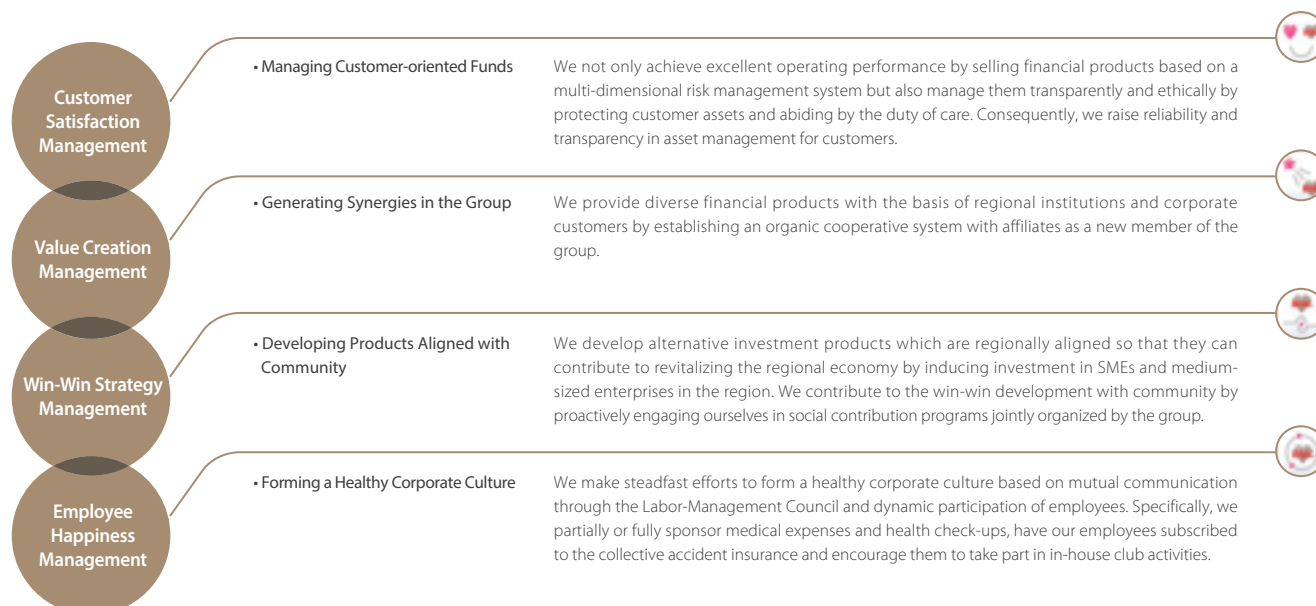
## Company Introduction

Established in July 2008 to manage customer assets, BNK Asset Management provides diverse products to customers by focusing on continuity and stability in the rate of return on investment. Having been integrated in BNK Financial Group in July 2015, we start our second goal to grow into one of Korea's top 20 comprehensive asset management companies. We will make steadfast efforts to grow as a comprehensive asset management company equipped with differentiated performance and management philosophies by establishing our exclusive brand platform. To this end, we develop differentiated products including those that contribute to the regional economy, products as solutions, products as alternative investment, retirement-related products and global products.

## Company Information

Date of Foundation	July 15, 2008
Shareholders' Equity	KRW 10 billion
Headquarters Address	28 Gukjegeumyung-ro 2-gil, Youngdeungpo-gu, Seoul
Employees	33 persons
Homepage	<a href="http://www.bnkasset.co.kr">www.bnkasset.co.kr</a>

## Sustainability Activities per Management Principle



Busan Bank	BNK Savings Bank
Kyongnam Bank	<b>BNK Asset Management</b>
BNK Securities	BNK Credit Information
BNK Capital	BNK System

## Core Activities per Strategic Task

Strategic tasks	Core activities	Major explanations
<b>Strengthening Competencies in Asset Management</b>	<ul style="list-style-type: none"> <li>Improving the Management Performance and Process</li> </ul>	We reinforce responsibilities of asset managers, and improve the management performance evaluation process. We also focus on attracting new competent personnel and reinforcing operational competencies of the existing personnel, while establishing rational compensation systems and key performance indicators.
<b>Laying the Basis for Stable Income through Synergies</b>	<ul style="list-style-type: none"> <li>Developing Diverse Financial Investment Products</li> <li>Strengthening Training on Fund Products</li> </ul>	We maximize synergies by developing new profit models through the development and sales of products in conjunction with affiliates and engagement in the group councils including WM business promotion and asset management. Also, we strengthen sale support for sales channels of affiliates through training on presentation on fund products.
<b>Advancing into New Projects and Establishing the Status as a Comprehensive Asset Management Company</b>	<ul style="list-style-type: none"> <li>Advancing into New Projects Including Alternative Investment</li> </ul>	We are preparing to tap into alternative investments including non-performing loans (NPLs), real estate and PEF by acquiring new licenses, and strengthening structured financial product line-ups for the global/solution sector.
<b>Achieving the Economies of Scale through area of Entrusted Management Companies</b>	<ul style="list-style-type: none"> <li>Entering the Arena of Entrusted Management Companies for Institutional Investors</li> </ul>	Our prioritized marketing direction lies in entering a pool of entrusted management companies for institutional investors including pension funds and large insurers by improving the management performance. We also focus on expanding customized private funds targeting institutional investors.
<b>Embodying the Corporate Culture in the Group</b>	<ul style="list-style-type: none"> <li>Managing Programs for Early Settlement of the Corporate Culture of the Group</li> </ul>	We conduct programs and training to solidify employees' corporate loyalty. We also include matters on the corporate culture in our key performance indicators to successfully embody our corporate culture.



Developing Financial Investment Products and Analyzing Performance



Workshop on Early Settlement of the Group's Corporate Culture

## Activities to Practice Happy Finance

### Cultural Exploration Teams for Better Communication among Employees

We have formed one to two cultural exploration teams consisting of about three employees a year and send them for a trip of two days and one night. We extend continued support for activities of the teams to help employees gain a better understanding of the Korean history and culture and enjoy additional benefits of cross-organizational communication and networking throughout their experiences.

### Introducing the Mentoring Program for New Employees

BNK Asset Management selects mentors among employees and runs the mentoring programs to help new employees become more comfortable with one another. They are taught the corporate culture, encouraged to have a stronger solidarity and educated on basic attitudes.

### Conducting the Social Contribution Activity for the Love of Nature

We take the lead in the efforts for natural and environmental protection by voluntarily engaging in environmental cleaning campaigns in Yeouido Park near our office and the nearby Bukhansan Mountain and Umyeonsan Mountain on a yearly basis. We will continue to be engaged in environmental cleanup activities to realize the preciousness of the environment and to protect it.

## BNK Credit Information

We are committed to establishing ourself as a high-yield credit information company that represents the regional communities. BNK Credit Information has fulfilled its roles as a consultant for customers driven by seasoned experiences and competent talents with expertise despite the challenging management environment including the stagnation in the debt collection market. We will pour in consistent efforts in providing upgraded debt collection and credit investigation services by adopting a high-quality work system. We promise you that we will establish ourselves as a high-yield credit information company that represents the region by dynamically exploring new profitable projects.



CEO of BNK Credit Information, Myeong Hwan Seong

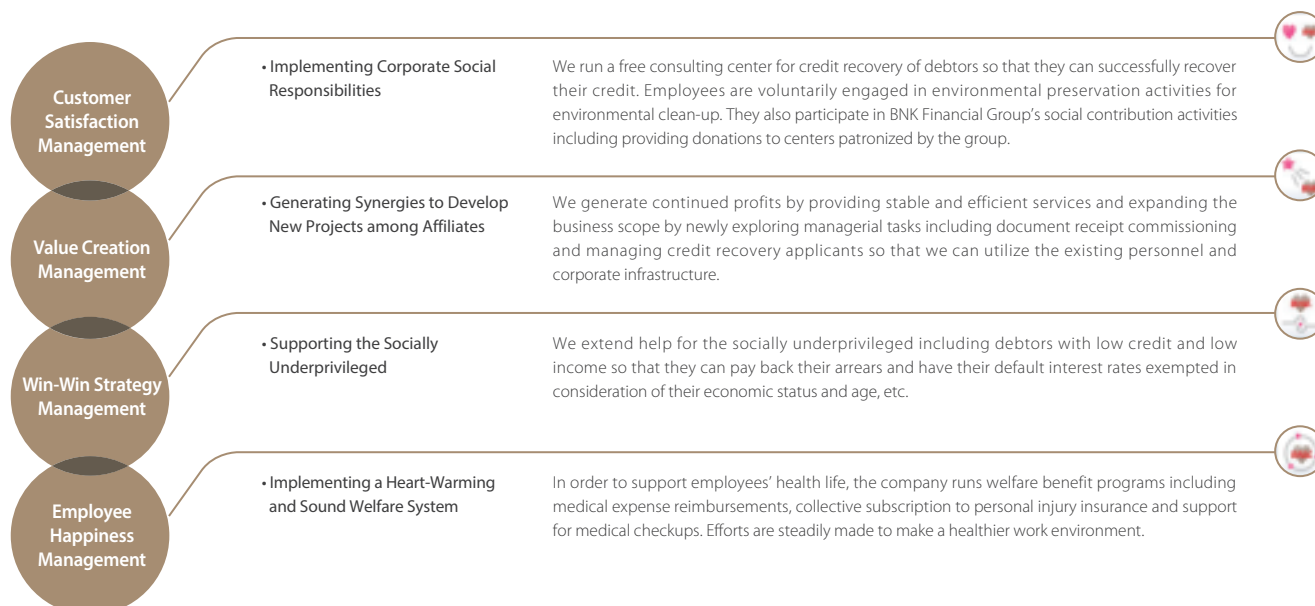
### Company Introduction

As a credit information company completely established through investments of BNK Financial Group, BNK Credit Information implements the duties of bond collection and credit check. In order to achieve a sound credit society, the company offers excellent expertise and cutting-edge IT systems so that it plays a leading role for a credit-based society while facilitating financial transactions. The company will grow higher as a superior company in the credit information industry driven by higher efficiency in the organization, management innovation, and entry into new business areas.

### Company Information

Date of Foundation	June 17, 2003
Shareholders' Equity	KRW 7.3 billion
Headquarters Address	92, Beomil-ro, Dong-gu, Busan Metropolitan City
Employees	25 persons
Homepage	<a href="http://www.bnkci.co.kr">www.bnkci.co.kr</a>

### Sustainability Activities per Management Principle



Busan Bank	BNK Savings Bank
Kyongnam Bank	BNK Asset Management
BNK Securities	<b>BNK Credit Information</b>
BNK Capital	BNK System

## Core Activities per Strategic Task

Strategic tasks	Core activities	Major explanations
Expanding Synergies in Work	• Regularly Holding Cross-Affiliate Meetings	We seek for continued intensification and substantiation of our existing entrustment services. We maximize synergies and reinforce reliability by stably conducting entrustment services for affiliates.
Securing Profitability by Nurturing Suitable Personnel	• Strengthening the Comprehensive Work Evaluation System	We nurture adequate personnel for the credit information industry by establishing work standard processes and training employees systematically, and seek for higher performance by securing competent personnel.
Expanding External Receivables Traders as Clients	• Expanding Personnel for the External Receivables Team • Supporting All Employees' Business Activities for Receivables Orders	We plan to expand the orders on receivables from external agencies and public institutions on the basis of the Gyeongnam area. We also enable all employees to be dynamically engaged in business operations by providing incentives in receivables business for civil receivables whose commercial transactions and titles are confirmed.
Securing New Profit Sources	• Developing New Projects	We collect debts for public institutions including KAMCO, Korea Housing Guarantee Co. and Gyeongnam Credit Guarantee Foundation, and explore bases for generating sustainable income by expanding new clients for entrustment of civil and commercial bonds in the southeastern zone of Korea.
Responding to the Changes in the Management Environment	• Expanding Personnel in Planning Management	We strive to provide excellent credit information through dynamic responses to the internal and external management environments related to the credit information business. For instance, there have been amendments to the Credit Information Act, the Resident Registration Act and the Personal Information Protection Act and the permit of bond trading of credit information companies.

## Activities to Practice Happy Finance

### Conducting Environmental Clean-up for Social Contribution

BNK Credit Information is engaged in social contribution activities with a focus on the environmental sector. We make efforts to conserve the natural environment and create a healthy ecological environment through voluntary environmental clean-up activities. We plan to initiate dynamic social contribution activities to protect the environment of our community, recognizing the importance of environment conservation.

### Supporting the Socially Underprivileged with Debt Repayment

BNK Credit Information provides debt repayment suspension and benefits to the socially underprivileged including people for livelihood protection, the disabled and patients with severe diseases, and the economically vulnerable. We run a counseling counter for financially struggling debtors including the financially underprivileged by providing activities to support their stable debt repayment and help them maintain economic activities.



# BNK System

BNK System is a specialized financial IT company in charge of IT services within the group. We have played pivotal roles in the IT sector of the Group, standing beside BNK Financial Group throughout its continued growth and development. We make utmost efforts to secure technological competencies and nurture core talents to dynamically respond to the rapidly changing financial IT environment. To this end, we utilize a specialized workforce in each sector including system operation, system integration, maintenance and integrated purchase and our know-how in developing financial operations. BNK System as an IT service leader in the fin-tech sector including smart financing will make further progress as a core affiliate of BNK Financial Group, achieving win-win growth with the region and providing best-in-class IT services.



CEO of BNK System, Young Woo Lee

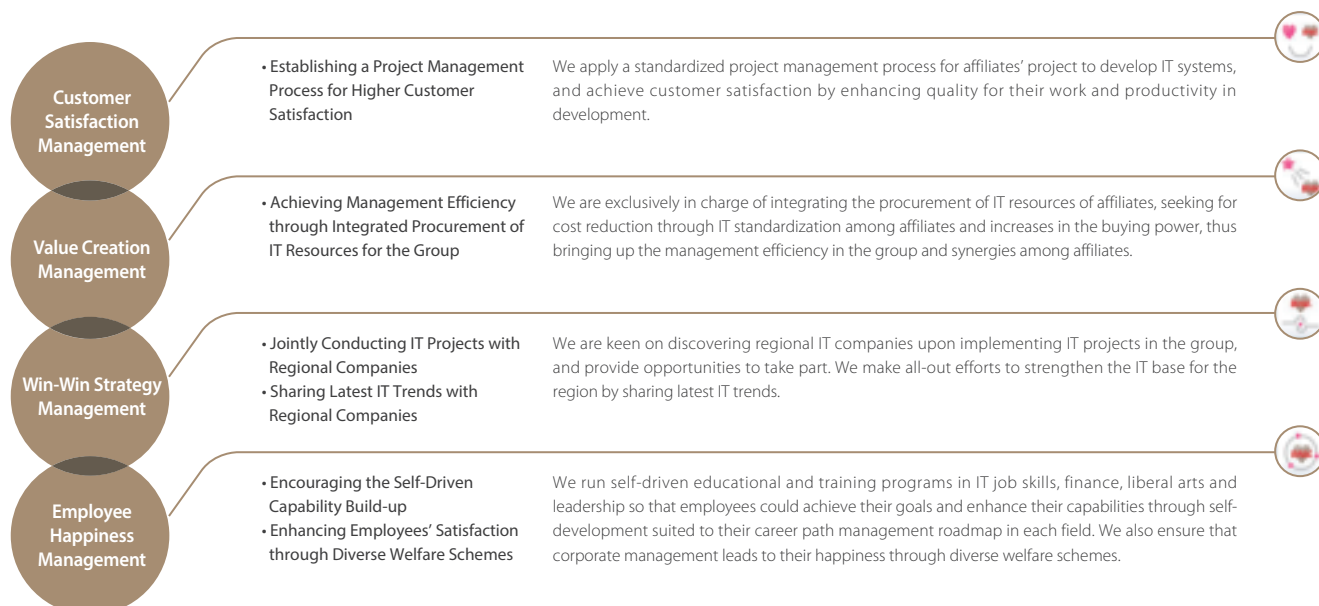
## Company Introduction

BNK System has grown as a financial IT company that leads smart financing since its foundation as an IT specialized affiliate of BNK Financial Group in May 2011. We contribute to the creation of cross-affiliate synergies by expanding our work scope including maintenance of electronic devices, system integration and integrated procurement of IT, starting with the operation of work systems in the group's affiliates. We have reinforced our competencies in fin-tech and smart financing by dynamically responding to the latest IT trends. We are making progress as an IT enterprise that develops alongside the region by discovering and collaborating with competent IT companies in the region, creating jobs by recruiting regional talents and running programs for the underprivileged.

## Company Information

Date of Foundation	May 20, 2011
Shareholders' Equity	KRW 5.6 billion
Headquarters Address	13, GwangbokJungang-ro, Jung-gu, Busan Metropolitan City
Employees	130 persons
Homepage	<a href="http://www.bnksys.co.kr">www.bnksys.co.kr</a>

## Sustainability Activities per Management Principle



Busan Bank	BNK Savings Bank
Kyongnam Bank	BNK Asset Management
BNK Securities	BNK Credit Information
BNK Capital	<b>BNK System</b>

## Core Activities per Strategic Task

Strategic tasks	Core activities	Major explanations
<b>Raising Synergies among Affiliates through Stable Operation of Integrated Procurement</b>	• Managing Business-Specific Differentiated Procurement Strategies and Sophisticating the System for Procurement Operations	We manage distinctive procurement strategies for each business type by expanding the joint IT system setup project within affiliates, purchasing electronic devices for office use in lump sum, and signing joint agreements for maintenance. We maximize synergies within IT in the group through multiple activities by sophisticating the procurement system and discovering new competent companies.
<b>Strengthening Financial IT Expertise by Focusing on Specific Areas</b>	• Concentrating Executive Competencies on Specialized Areas and Dynamically Engaging on Related Projects	We dynamically allocate our specialized workforce in specialized areas upon setting up systems – UI/UX planning, infrastructure design and solution integration. We also spread our accumulated know-how to projects at other affiliates.
<b>Raising Quality for IT Services by Nurturing Core Talents</b>	• Operating Programs to Nurture Core Talents and Expanding Technical Seminars for Acquiring Latest Technical Skills and IT Qualifications	We manage diverse programs including career management roadmaps for core talents for the future and programs to nurture global talents. We strengthen employees' technical competencies through various programs such as theme-specific training for acquiring IT certificates, a point mileage system for rank-specific training, group training, cyber education and correspondence education.
<b>Securing the Basis for Stable Business Operation by Developing Proprietary Solutions</b>	• Developing and Sophisticating Corporate Fund Management Solutions and a Common Framework	We develop our proprietary solutions by sophisticating solutions for fund management and disseminating them to affiliates, commercializing products by standardizing the previously developed work systems and sophisticating the existing frameworks.

## Activities to Practice Happy Finance

### Conducting IT Seminars

Open IT seminars are regularly organized with the attendance of affiliates to discuss new information technologies, latest trends and development methodologies, helping affiliates to internally accumulate their knowledge and enhance competencies of regional IT companies.

### Donation of Talents in IT and Social Contribution Activities

We conduct 'IT sharing activities' to inspect IT devices and provide free repair services in social welfare centers and childcare centers in Busan, Ulsan and Gyeongnam in order to improve the IT training environment for the information have-nots. We carry out environmental clean-ups in public spaces and fulfill corporate social responsibilities with voluntary participation of employees on a monthly basis.

### Practicing Win-Win Growth with Regional Companies

Upon initiating IT projects requested by the group, we strive to contribute to the development of the regional IT industry by discovering specialized IT companies and providing opportunities for them to take part. We seek for win-win growth by registering them as regional IT companies and enabling them to be engaged in IT projects of affiliates.

### Establishing the Integrated Procurement System

By establishing the integrated procurement system, we have standardized procurement operations, enhanced work efficiency and reduced cost, raising transparency, reliability and customer satisfaction in procurement operations.

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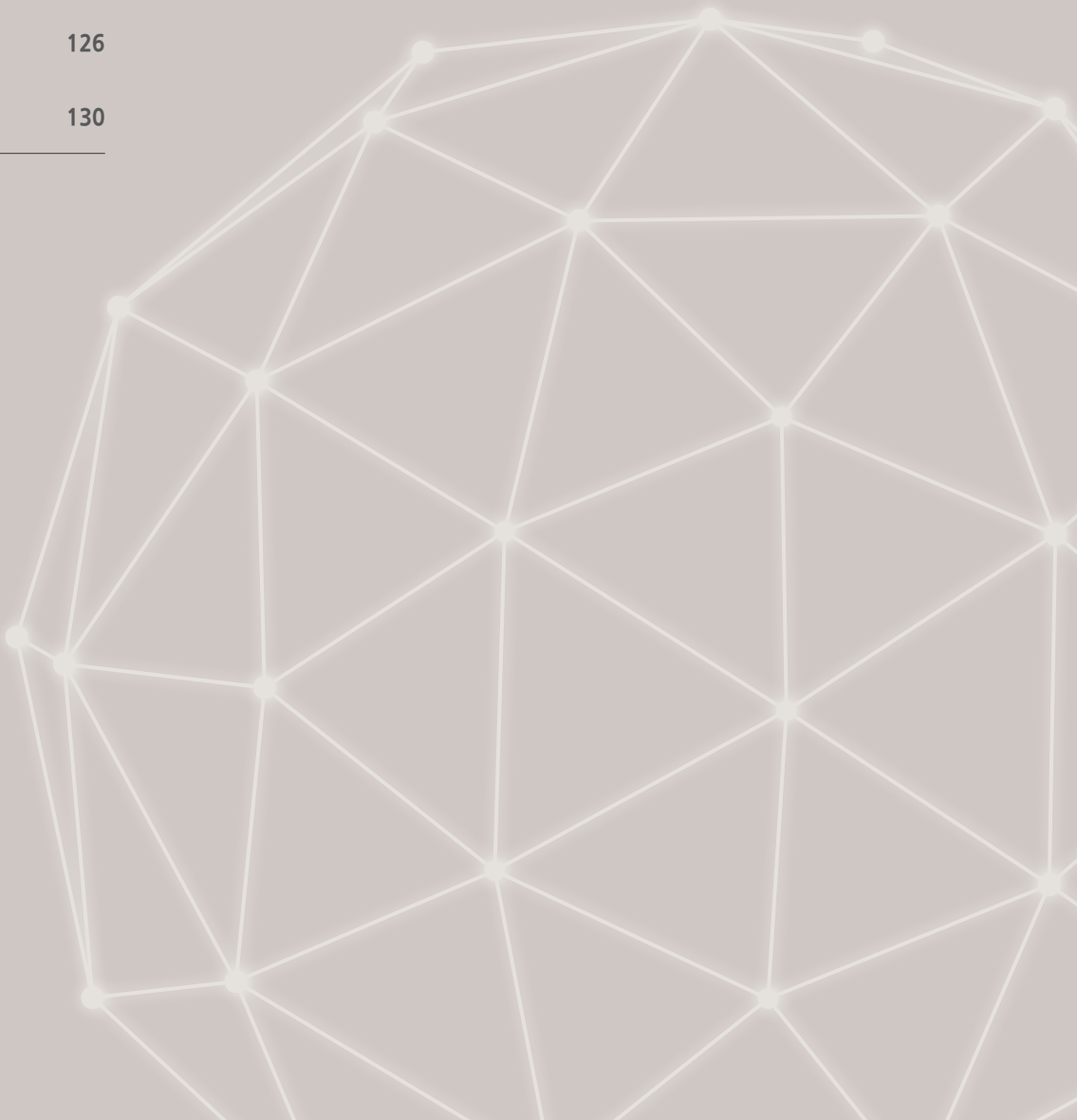
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# Management's Discussion and Analysis

## 1. Outline

In 2015, BNK Financial Group could pave the way for a new growth base and a higher leap amid the financial environment of low growth and low interest rate. In March 2015, the corporate name and the CI was converted into 'BNK' which symbolizes 'the encounter of Busan Bank and Kyongnam Bank' and 'Beyond No.1 in Korea', realigning the organization. We could refurbish ourselves as a comprehensive financial group by newly incorporating BNK Asset Management to strengthen our non-banking portfolios and diversify our businesses. In 2015, we generated favorable management performances in many areas as a result of all employees making all-out efforts to do their best with respect and modesty, which is one of the top values in the group. Total assets of the group reached KRW 101.2285 trillion, up KRW 7.9060 trillion year-on-year. The net income of the group increased about 34% (excluding the previous year's gain from bargain purchase - a temporary income - resulting from the acquisition of Kyongnam Bank in 2014) from the previous year to KRW 485.5 billion. As a result, the ROE as the profitability indicator reached the highest in the industry with 9.02%, recording the NPL ratio of 1.3% as an indicator for asset soundness and the ratio of loans in arrears of 0.69%, achieving favorable levels in management indicators.

Performance of major subsidiaries are as follows:

The net income of Busan Bank stood at KRW 320.3 billion, down KRW 34.9 billion from the previous year, and that of Kyongnam Bank went up KRW 118.3 billion year-on-year to KRW 210.5 billion along with that of BNK Securities at KRW 7.8 billion up KRW 2.1 billion, that of BNK Capital at KRW 43.5 billion up KRW 7.2 billion and that of BNK Savings Bank at KRW 4.8 billion down KRW 5.7 billion. The BIS ratio, as a determinant for capital adequacy reached 11.69% and the Common Equity Tier 1 ratio stood at 7.28%, which are somewhat lagging behind other financial holding companies. In order to recover the somewhat low capital adequacy, and preemptively counter capital adequacy regulations amid changes in the external environment and adoption of the Basel III, we implemented the capital increase with consideration in January 2016. Consequently, we could pave the way for a stable growth momentum and sustainable growth. We seek to direct ourselves toward 'Vision 2020, Global Best Regional Financial Group', which is BNK Financial Group's mid-and long-term management vision, based on capital expansion. BNK Financial Group will do the utmost to leap higher as the Global Best Regional Financial Group through substantial growth and dramatic innovation.

### Major Financial Performance and Management Indicators

(Unit: %, %p)

	Major Indicators	2015 (A)	2014 (B)	Change (C=A-B)
Profitability	ROA	0.6	1.47	-0.87
	ROE	9.02	20.5	-11.48
Asset Soundness	NPL ratio	1.3	1.42	-0.12
	Delinquency ratio	0.69	0.83	-0.14
	Coverage ratio	129.24	111.08	18.16
Capital Adequacy	BIS Ratio	11.69	11.91	-0.22
	CET1 ratio	7.28	7.69	-0.41
	Tangible Common Equity ratio	6.86	6.5	0.36

### Status of Asset Quality

(Unit: KRW 100 million, %, %p)

Classification	2015 (A)	2014 (B)	Change (C=A-B)
Total loans	685,364	652,742	32,622
NPL	8,904	9,255	-351
NPL ratio	1.3	1.42	-0.12
Coverage Ratio	129.24	109.79	19.45
Delinquent loans	4,665	5,316	-651
Delinquency rate	0.69	0.83	-0.14

## 2. Matters on the Financial Status and Business Performance

The net interest margin (NIM) is continuously dropping due to the challenging financial environment due to the domestic economic situation that has converted into a phase of elongated uncertainties in the financial market and of low interest rate and low growth. However, the consolidated entity had the increase in the interest income by KRW 606.8 billion year-on-year based on preemptive risk management. To this end, we expanded interest income assets resulting from higher loans, especially to high-yield SMEs, incorporated Kyongnam Bank as an affiliate and converted it into a wholly owned subsidiary. The non-interest income increased by KRW 90.3 billion in the area of fee income thanks to continuously diversified efforts in the profit structure. The gain from bargain purchase worth KRW 447.9 billion resulting from the incorporation of Kyongnam Bank as a subsidiary in the previous year led to a drop in the total non-interest income worth KRW 382.8 billion year-on-year. The transfer to reserve increased by KRW 116.9 billion by accumulating the allowances for preemptive risk management due to delays in the domestic economic turnaround, manufacturing industry-led economic slowdown and the occurrence of massive NPLs. 'Other operating expenses' increased by KRW 352 billion year-on-year due to base effects where the depreciation cost increased amid the expansion in investment in banking infrastructure, the volume of voluntary retirements expanded to make the personnel structure more efficient, and Kyongnam Bank was incorporated as an affiliate in October 2014 (in 2014, the total SG&A amount of Kyongnam Bank reaching KRW 363.3 billion and KRW 113.5 billion reflected in the consolidation of the group). Despite the expansion in economic uncertainties at home and abroad, low interest rates and the prolonged low oil prices, our profitability improved after initiating profit-oriented corporate management and incorporating Kyongnam Bank as an affiliate, reaping the net income of controlling interests at KRW 485.5 billion (up KRW 122.4 billion from KRW 363.1 billion, excluding the previous year's gain from bargain purchase).

### (1) Financial Status

(Unit: KRW billion, %)

Classification	2015 (A)	2014 (B)	Change (C=A-B)	Change (D=C/B)
I. Cash and due from banks	30,913	32,063	-1,150	-3.59
II. Investment financial assets	131,031	122,264	8,767	7.17
III. Loans and receivables	720,580	665,559	55,021	8.27
IV. Derivative assets	1,779	3,385	-1,606	-47.44
V. Relationship business investment	350	-	350	-
VI. Tangible assets	7,959	7,934	25	0.32
VII. Intangible assets	3,676	4,122	-446	-10.82
VIII. Investment of property	1,324	1,335	-11	-0.82
IX. Non-current assets held for sale	293	-	293	-
X. Deferred tax assets	159	-	159	-
XI. Other assets	4,731	3,839	892	23.24
Total assets	902,795	840,501	62,294	7.41
I. Deposits	643,615	599,065	44,550	7.44
II. Borrowings	60,258	66,643	-6,385	-9.58
III. Debentures	81,528	72,995	8,533	11.69
IV. Derivative liabilities	1,703	2,906	-1,203	-41.4
V. Retirement benefit obligation	230	604	-374	-61.92
VI. Provisions	1,490	1,957	-467	-23.86
VII. Current income tax liabilities	641	528	113	21.4
VIII. Deferred income tax liabilities	755	483	272	56.31
IX. Other liabilities	50,669	40,680	9,989	24.56
Total liabilities	840,889	785,861	55,028	7
I. Equity attributable to the owners of controlling equity	58,862	47,657	11,205	23.51
1. Capital stock	12,797	11,719	1,078	9.20
2. Hybrid securities	2,593	-	2,593	-
3. Other paid-in capital	6,728	3,537	3,191	90.22
4. Retained earnings	239	234	5	2.14
5. Retained earnings	36,505	32,167	4,338	13.49
II. Non-controlling equity	3,044	6,983	-3,939	-56.41
Total equity	61,906	54,640	7,266	13.3
Total liabilities and equity	902,795	840,501	62,294	7.41

## (2) Operational Performance

(Unit: KRW billion, %)

Classification	2015 (A)	2014 (B)	Change (C=A-B)	Change (D=C/B)
I. Net interest income	20,340	14,272	6,068	42.52
II. Net commission income	2,045	1,142	903	79.07
III. Net income of investment financial assets	1,362	471	891	189.17
IV. Provision for credit loss	-4,473	-2,664	-1,809	67.91
V. Other operating expenses, net	-12,311	-3,810	-8,501	223.12
VI. Operating income	6,962	9,411	-2,449	-26.02
VII. Non-operating income, net	39	-221	260	-117.65
VIII. Income before income tax expense	7,001	9,191	-2,190	-23.83
IX. Income tax expense	-1,696	-994	-702	70.62
X. Net income	5,305	8,197	-2,892	-35.28
1. Net income attributable to owners of the company	4,855	8,098	-3,243	-40.05
2. Net income attributable to non-controlling interests	450	99	351	354.55
XI. Other comprehensive income (loss), net of tax	-2	-37	35	-94.59
XII. Total comprehensive income	5,302	8,160	-2,858	-35.02
1. Total comprehensive income attributable to owners of the company	4,861	8,072	-3,211	-39.78
2. Total comprehensive income attributable to non-controlling interests	441	88	353	401.14
XIII. Earnings per share (KRW)	1,967	3,809	-1,842	-48.36

## (3) BIS ratio

(Unit: KRW billion, %, %p)

Classification	2015 (A)	2014 (B)	Change (C=A-B)
Equity capital	76,143	73,375	2,768
Core capital	52,956	60,332	2,624
Core Tier I capital	47,427	47,360	67
Risk-weighted Asset	651,379	616,141	35,238
BIS ratio	11.69	11.91	-0.22
Tier I	8.13	8.17	-0.04
CET1 ratio	7.28	7.69	-0.41

The BIS capital adequacy ratio is used as an indicator to judge the appropriate level of capital resilience on risk-weighted assets held by the consolidated entity. A higher capital adequacy ratio can be evaluated as a high financial soundness. The consolidated entity has adopted the Basel III capital regulations since December 2013, and manages the ratio by calculating the equity and risk-weighted assets. As of 2015-end, the BIS capital adequacy ratio, Tier I ratio and Common Equity Tier 1 somewhat dropped from the previous year to 11.69%, 8.13% and 7.28%, respectively. This is attributable to the effect of converting Kyongnam Bank as a wholly owned subsidiary through the stock exchange. We will do the best to increase capital adequacy by maximizing cross-subsidiary synergies and implementing profit-oriented business activities.

# Audit Report of Independent Auditors

## To the Shareholders and the Board of Directors of BNK Financial Group Inc.:

We audited the consolidated financial statements of BS Financial Group Inc. and its affiliates attached hereunder. The consolidated financial statements consist of consolidated statements of financial position, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows as of as of December 31, 2015 and 2014, respectively. They also include the companies' significant accounting policy summaries and other explanations.

### Accountability of the Top Management on the Consolidated Financial Statements

The top management is eligible to write these consolidated financial statements and indicate them fairly according to the Korean International Financial Reporting Standards ("K-IFRS"). It is also accountable for internal control necessary to write the consolidated financial statements with no critical misstatements resulting from irregularities or errors.

### Accountability of Auditors

Our accountability is to express our opinions on the consolidated financial statements based on our audit. We conducted our audit in conformity with K-IFRS, which is a standard that requires us to comply with ethical requirements and to gain rational confidence on possible presence of distorted indications of criticality on the consolidated financial statements.

The audit includes the implementation of a procedure to collect evidence for auditing on the amounts and disclosure of the consolidated financial statements. The procedure might vary depending on the judgments of auditors including assessment on distorted indication risks of criticality in the consolidated financial statements resulting from irregularities or errors. We consider internal control on the corporate writing on the consolidated financial statements and fair indication to design an adequate auditing procedure to assess such risks. However, this is not to indicate opinions on the effectiveness of internal control. Our audit includes not only the assessment over overall indication in the consolidated financial statements but also the adequacy of the accounting policy adopted by the top management and rationality of accounting estimates devised by the top management.

We believe that the auditing evidence we collected is sufficient and adequate as grounds for auditing opinions.

### Auditors' Opinions

In our opinions, the companies' consolidated financial statements fairly indicate financial performance and cash flows in the criticality aspect of K-IFRS during both of the reporting periods ending on December 31, 2014 and 2015, respectively as well as the current financial status for BS Financial Group and its affiliates.

March 17, 2016  
10 Gukjeumyung-ro Yeongdeungpo-gu, Seoul

Anjin Deloitte LLC  
CEO **Jong Ho Ham**

咸鍾浩

This report is effective as of the auditors' report date (March 18, 2015). Certain subsequent events or circumstances that could significantly affect the accompanying consolidated financial statements may have occurred between the auditors' report date and the time the auditors' report is read. This may result in modifications to the auditors' report.

# BNK Financial Group \_ Consolidated Statements of Financial Position

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014	December 31, 2013
<b>ASSETS</b>			
I. CASH AND DUE FROM BANKS	3,091,259,795,281	3,206,316,978,580	1,860,886,039,971
II. INVESTMENT FINANCIAL ASSETS	13,103,066,976,373	12,226,359,372,039	7,833,791,139,549
1. Financial assets at fair value through profit or Loss (FVTPL)	1,011,442,821,218	885,064,112,441	666,354,861,001
2. Available-for-sale (AFS) financial assets	5,247,715,481,081	4,997,538,279,653	2,794,062,773,184
3. Held-to-maturity (HTM) financial assets	6,843,908,674,074	6,343,756,979,945	4,373,373,505,364
III. LOANS AND RECEIVABLES	72,057,993,312,851	66,555,893,244,087	36,200,193,891,753
IV. DERIVATIVE ASSETS	177,928,413,220	338,510,567,656	120,020,911,144
V. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	34,951,476,778	-	-
VI. TANGIBLE ASSETS	795,929,110,164	793,389,725,103	508,722,105,985
VII. INTANGIBLE ASSETS	367,601,785,509	412,219,415,666	134,892,639,539
VIII. INVESTMENT OF PROPERTY	132,409,739,983	133,508,413,565	87,890,074,218
IX. NON-CURRENT ASSETS HELD FOR SALE	29,295,737,806	-	10,658,898,025
X. DEFERRED INCOME TAX ASSETS	15,886,357,038	-	-
XI. OTHER ASSETS	473,225,402,072	383,866,210,004	159,835,110,840
<b>TOTAL ASSETS</b>	<b>90,279,548,107,075</b>	<b>84,050,063,926,700</b>	<b>46,916,890,811,024</b>
<b>LIABILITIES</b>			
I. DEPOSITS	64,361,451,158,459	59,906,495,454,005	31,058,903,803,104
II. BORROWINGS	6,025,842,385,424	6,664,307,425,428	4,391,127,175,771
III. DEBENTURES	8,152,822,161,590	7,299,509,154,641	4,740,193,120,195
IV. DERIVATIVE LIABILITIES	170,331,267,224	290,544,299,745	90,218,613,268
V. RETIREMENT BENEFIT OBLIGATION	23,012,061,193	60,430,473,197	12,388,251,389
VI. PROVISIONS	149,008,521,243	195,701,320,579	32,946,492,830
VII. CURRENT INCOME TAX LIABILITIES	64,066,981,250	52,846,362,565	20,433,956,378
VIII. DEFERRED INCOME TAX LIABILITIES	75,473,596,589	48,337,434,682	77,206,704,645
IX. OTHER LIABILITIES	5,066,857,352,224	4,067,948,107,598	2,892,607,827,387
<b>TOTAL LIABILITIES</b>	<b>84,088,865,485,196</b>	<b>78,586,120,032,440</b>	<b>43,316,025,944,967</b>
<b>SHAREHOLDERS' EQUITY</b>			
I. EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING INTERESTS	5,886,216,134,196	4,765,683,316,153	3,501,013,866,057
1. Capital stock	1,279,676,230,000	1,171,899,495,000	966,899,495,000
2. Hybrid Securities	259,277,011,000	-	-
3. Other paid-in capital	672,809,192,535	353,678,831,743	47,023,304,997
4. Other components of equity	23,958,713,189	23,363,971,072	25,972,578,211
5. Retained earnings	3,650,494,987,472	3,216,741,018,338	2,461,118,487,849
II. NON-CONTROLLING EQUITY	304,466,487,683	698,260,578,107	99,851,000,000
<b>TOTAL EQUITY</b>	<b>6,190,682,621,879</b>	<b>5,463,943,894,260</b>	<b>3,600,864,866,057</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>90,279,548,107,075</b>	<b>84,050,063,926,700</b>	<b>46,916,890,811,024</b>



# BNK Financial Group \_ Consolidated Statements of Comprehensive Income

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014	December 31, 2013
I. NET INTEREST INCOME	2,033,981,462,321	1,427,234,921,418	1,154,457,909,029
1. Interest income	3,319,185,191,036	2,495,772,998,558	2,117,574,023,749
2. Interest expenses	-1,285,203,728,715	-1,068,538,077,140	-963,116,114,720
II. NET FEE AND COMMISSION INCOME	204,483,110,776	114,208,590,167	85,126,538,438
1. Commission income	339,804,123,562	203,013,988,292	150,831,028,995
2. Commission expenses	-135,321,012,786	-88,805,398,125	-65,704,490,557
III. NET INCOME OF INVESTMENT FINANCIAL ASSETS	136,167,229,469	47,083,425,865	36,200,875,952
1. Net income of financial assets at FVTPL	4,750,945,468	13,731,467,299	8,775,341,790
2. Net income of AFS financial assets	131,416,284,001	33,351,958,566	27,425,534,162
IV. PROVISION FOR CREDIT LOSS	-447,318,390,085	-266,360,634,030	-232,305,332,320
V. NET OTHER OPERATING INCOME	-1,231,137,101,589	-381,026,074,904	-630,741,709,062
1. Net gain (loss) from foreign exchange trading	16,357,213,366	29,301,463,894	-107,228,766,337
2. Net income from derivatives	26,088,518,506	7,975,470,594	141,695,753,156
3. General and administrative expenses	-1,103,580,136,151	-751,503,545,769	-573,767,553,444
4. Other operating revenues	163,314,012,181	542,240,362,274	45,925,758,102
5. Other operating expenses	-333,316,709,491	-209,039,825,897	-137,366,900,539
VI. OPERATING INCOME	696,176,310,892	941,140,228,516	412,738,282,037
VII. NON-OPERATING INCOME, NET	3,884,599,231	-22,076,541,235	-9,879,814,495
1. Share of Profit (Loss) of Associates	675,557,642	-	-
2. Non-operating income	37,505,701,566	13,728,941,831	12,011,576,536
3. Non-operating expense	-34,296,659,977	-35,805,483,066	-21,891,391,031
VIII. EARNINGS BEFORE INCOME TAX	700,060,910,123	919,063,687,281	402,858,467,542
IX. INCOME TAX EXPENSE	-169,589,709,241	-99,395,490,266	-97,336,386,701
X. NET INCOME	530,471,200,882	819,668,197,015	305,522,080,841
1. Net income attributable to controlling interests	485,512,282,267	809,768,902,209	304,513,329,755
2. Net income attributable to non-controlling interests	44,958,918,615	9,899,294,806	1,008,751,086
XI. OTHER COMPREHENSIVE INCOME	-228,729,817	-3,684,060,738	-3,514,219,501
1. Items that are not subsequently reclassified to profit or loss:	-12,812,044,323	-28,012,783,828	-8,406,679,035
1) Remeasurement elements of defined benefit plan	-12,812,044,323	-28,012,783,828	-8,406,679,035
2. Items that are subsequently reclassified to profit or loss	12,583,314,506	24,328,723,090	4,892,459,534
1) Gain (loss) on fair value of AFS financial assets	10,750,861,836	23,273,333,912	5,240,583,868
2) Gain on valuation of cash flow hedge	86,913,999	42,807,181	-
3) Gain (loss) on overseas operations translation	1,745,538,671	1,012,581,997	-348,124,334
XII. TOTAL COMPREHENSIVE INCOME	530,242,471,065	815,984,136,277	302,007,861,340
1. Total comprehensive income attributable to controlling interests	486,107,024,384	807,160,295,070	300,999,110,254
2. Total comprehensive income attributable to non-controlling interests	44,135,446,681	8,823,841,207	1,008,751,086
XIII. EARNINGS PER SHARE			
1. Basic and diluted net earnings per share (in currency units)	1,967	3,809	1,576

# BNK Financial Group \_ Consolidated Statements of Changes in Shareholders' Equity

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit: KRW)

Description	Capital stock	Hybrid securities	Other paid-in capital	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
Balance at January 1, 2013	966,899,495,000	-	44,751,592,737	29,486,797,712	2,220,420,524,764	3,261,558,410,213	-	3,261,558,410,213
Annual dividends	-	-	-	-	-63,815,366,670	-63,815,366,670	-	-63,815,366,670
Disposal of treasury stock	-	-	2,271,712,260	-	-	2,271,712,260	-	2,271,712,260
Issuing hybrid bonds	-	-	-	-	-	-	99,851,000,000	99,851,000,000
Dividends for hybrid bonds	-	-	-	-	-	-	-1,008,751,086	-1,008,751,086
Total Comprehensive income:	-	-	-	-	-	-	-	-
Net income	-	-	-	-	304,513,329,755	304,513,329,755	1,008,751,086	305,522,080,841
Other comprehensive income (loss):	-	-	-	-	-	-	-	-
Remeasurement elements of defined benefit plans	-	-	-	-8,406,679,035	-	-8,406,679,035	-	-8,406,679,035
Evaluation of AFS financial assets	-	-	-	5,240,583,868	-	5,240,583,868	-	5,240,583,868
Loss on overseas operations translation	-	-	-	-348,124,334	-	-348,124,334	-	-348,124,334
Balance at December 31, 2013	966,899,495,000	-	47,023,304,997	25,972,578,211	2,461,118,487,849	3,501,013,866,057	99,851,000,000	3,600,864,866,057
Balance at January 1, 2014	966,899,495,000	-	47,023,304,997	25,972,578,211	2,461,118,487,849	3,501,013,866,057	99,851,000,000	3,600,864,866,057
Annual dividends	-	-	-	-	-54,146,371,720	-54,146,371,720	-	-54,146,371,720
Issuance of common stock	205,000,000,000	-	306,655,526,746	-	-	511,655,526,746	-	511,655,526,746
Dividends for hybrid bonds	-	-	-	-	-	-	-8,285,162,500	-8,285,162,500
Changes due to business combination	-	-	-	-	-	-	597,870,899,400	597,870,899,400
Total Comprehensive income:	-	-	-	-	-	-	-	-
Net income	-	-	-	-	809,768,902,209	809,768,902,209	9,899,294,806	819,668,197,015
Other comprehensive income (loss):	-	-	-	-	-	-	-	-
Remeasurement elements of defined benefit plans	-	-	-	-26,082,653,478	-	-26,082,653,478	-1,930,130,350	-28,012,783,828
Evaluation of AFS financial assets	-	-	-	22,437,076,471	-	22,437,076,471	836,257,441	23,273,333,912
Gain on overseas operations translation	-	-	-	1,012,581,997	-	1,012,581,997	-	1,012,581,997
Gain on valuation of cash flow hedge	-	-	-	24,387,871	-	24,387,871	18,419,310	42,807,181
Balance at December 31, 2014	1,171,899,495,000	-	353,678,831,743	23,363,971,072	3,216,741,018,338	4,765,683,316,153	698,260,578,107	5,463,943,894,260
Balance at January 1, 2015	1,171,899,495,000	-	353,678,831,743	23,363,971,072	3,216,741,018,338	4,765,683,316,153	698,260,578,107	5,463,943,894,260
Annual dividends	-	-	-	-	-46,875,979,800	-46,875,979,800	-	-46,875,979,800
Issuance of common stock	107,776,735,000	-	213,881,100,330	-	-	321,657,835,330	-	321,657,835,330
Issuance of hybrid securities	-	259,277,011,000	-	-	-	259,277,011,000	-	259,277,011,000
Dividends for hybrid securities	-	-	-	-	-4,882,333,333	-4,882,333,333	-16,435,450,000	-21,317,783,333
Acquisition of treasury stock	-	-	-639,063,626	-	-	-639,063,626	-	-639,063,626
Disposal of treasury stock	-	-	303,352,252	-	-	303,352,252	-	303,352,252
Stock exchange with kyongnam bank	-	-	105,584,971,836	-	-	105,584,971,836	-426,721,137,807	-321,136,165,971
Changes from business combination	-	-	-	-	-	-	5,227,050,702	5,227,050,702
Total comprehensive income:	-	-	-	-	-	-	-	-
Net income	-	-	-	-	485,512,282,267	485,512,282,267	44,958,918,615	530,471,200,882
Other comprehensive loss:	-	-	-	-	-	-	-	-
Remeasurement elements of defined benefit plans	-	-	-	-11,726,042,638	-	-11,726,042,638	-1,086,001,685	-12,812,044,323
Evaluation of AFS financial assets	-	-	-	10,599,633,955	-	10,599,633,955	151,227,881	10,750,861,836
Gain on overseas operations translation	-	-	-	1,745,538,671	-	1,745,538,671	-	1,745,538,671
Loss on valuation of cash flow hedge	-	-	-	-24,387,871	-	-24,387,871	111,301,870	86,913,999
Balance at December 31, 2015	1,279,676,230,000	259,277,011,000	672,809,192,535	23,958,713,189	3,650,494,987,472	5,886,216,134,196	304,466,487,683	6,190,682,621,879

# BNK Financial Group \_ Consolidated Statements of Cash Flows

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014	December 31, 2013
I. CASH FLOWS FROM OPERATING ACTIVITIES	746,420,688,192	-130,549,477,590	-794,301,715,851
1. Net income	530,471,200,882	819,668,197,015	305,522,080,841
2. Adjustments for non-cash items	-1,429,989,648,756	-1,404,517,827,818	-834,312,605,365
Interest income	-3,319,185,191,036	-2,495,772,998,558	-2,117,574,023,749
Interest expenses	1,285,203,728,715	1,068,538,077,140	963,116,114,720
Net gain (loss) on financial assets at FVTPL	-918,133,521	569,573,017	-688,295,487
Net gain (loss) of available for sale financial assets	-131,416,284,001	-33,351,958,566	-27,438,578,162
Provision for credit loss	434,480,305,772	266,326,436,015	223,285,561,417
Gain (loss) on foreign currency translation	-5,169,347,644	-2,804,728,086	29,995,737,298
Net gain (loss) on valuation of derivative financial instruments	-8,932,126,827	-15,586,054,358	-30,771,491,649
Depreciation and amortization	134,629,140,265	76,462,727,578	2,584,812,538
Provision for severance benefits	49,463,297,958	29,870,945,933	22,643,431,854
Net other operating income (expense)	-38,033,608,672	46,417,206,277	385,864,977
Share of profit (loss) of associates	-675,557,642	-	-
Net gain (loss) on property, equipment and intangible assets	1,009,833,375	4,499,487,286	2,811,874,177
Net gain on disposal of non-current assets held for sale	-35,414,739	-1,160,974,199	-
Income tax expense	169,589,709,241	99,395,490,266	97,336,386,701
Gain from bargain purchase	-	-447,921,057,563	-
3. Changes in working capital	-44,699,385,860	-130,549,477,590	-1,394,602,240,992
Increase (decrease) in due from banks	481,391,391,341	819,668,197,015	10,917,239,252
Increase (decrease) in financial assets at FVTPL	-128,916,792,852	-1,404,517,827,818	142,750,356,836
Increase (decrease) in loans receivable	-5,881,057,235,254	-3,584,198,906,706	-3,990,006,013,079
Increase (decrease) derivative financial instruments	47,869,666,036	1,381,443,992	29,194,130,367
Increase (decrease) in other assets	-99,269,463,290	-256,928,992,874	-100,782,342,438
Increase (decrease) in deposits	4,488,943,518,409	3,717,517,013,206	2,456,711,959,581
Increase (decrease) in financial guarantee contract liabilities	-4,275,034,690	-7,196,655,569	-470,815,783
Increase (decrease) in other liabilities	1,153,897,363,513	-283,445,614,282	77,460,441,187
Increase (decrease) in defined benefit liabilities	-11,613,632,858	-16,419,913,185	-7,490,749,681
Increase (decrease) in benefit plan assets	-91,669,166,215	-17,399,427,433	-12,886,447,234
4. Interest revenue received	3,268,714,895,559	2,652,632,764,159	2,158,017,788,555
5. Dividend income received	33,583,028,988	22,316,768,328	20,764,814,492
6. Interest expense paid	-1,472,043,306,758	-721,926,116,916	-957,258,294,056
7. Income tax paid	-139,616,095,863	-36,605,069,082	-92,433,259,326
II. CASH FLOWS FROM INVESTING ACTIVITIES	-855,488,548,738	-1,237,468,526,924	-375,207,771,320
Disposal of available for sale financial assets	8,325,382,928,279	2,578,227,294,655	2,773,365,705,186
Acquisition of available for sale financial assets	-8,522,545,701,914	-2,758,052,672,275	-2,825,516,098,030
Disposal of held-to-maturity financial assets	2,590,979,622,534	1,390,126,873,162	853,788,630,910
Acquisition of held-to-maturity financial assets	-3,091,577,947,941	-1,306,771,516,721	-747,450,539,905
Disposal of property and equipment	1,115,973,271	1,956,448,430	6,943,662,918
Acquisition of property and equipment	-105,066,952,655	-175,020,986,360	-130,297,502,950
Disposal of intangible assets	1,393,854,706	404,810,727	-
Acquisition of intangible assets	-17,004,759,578	-17,489,223,745	-33,820,719,229
Business combination, net of cash acquired	-8,656,646,304	-780,396,976,076	-
Others	-29,508,919,136	-170,452,578,721	-272,220,910,220
III. CASH FLOWS FROM FINANCING ACTIVITIES	436,095,461,897	1,366,428,864,949	930,576,943,168
Increase in debts	101,522,518,271,474	896,520,926,821	365,430,913,362
Decrease in debts	-102,124,242,088,080	-1,065,556,309,197	-403,992,623,748
Increase in debentures	2,466,537,740,330	1,338,488,854,533	1,606,697,361,600
Redemption of debentures	-1,618,926,250,000	-278,500,350,711	-930,780,550,000
Issuance of common stock	-	511,655,526,746	-
Issuing hybrid bonds	259,277,011,000	-	99,851,000,000
Payment of dividends	-68,193,763,133	-62,431,534,220	-64,827,460,914
Others	-875,459,694	26,251,750,977	258,198,302,868
IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)	327,027,601,351	-1,589,139,565	-238,932,544,003
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	777,613,057,862	767,118,225,881	1,038,586,920,369
VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCY	39,245,872,519	12,083,971,546	-32,536,150,485
VII. CASH AND CASH EQUIVALENTS, END OF YEAR	1,143,886,531,732	777,613,057,862	767,118,225,881

# Busan Bank \_ Consolidated Statements of Financial Position

## BUSAN BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014	December 31, 2013
<b>ASSETS</b>			
I. CASH AND DUE FROM BANKS	1,715,636,191,296	2,176,559,855,531	1,741,082,352,535
II. INVESTMENT FINANCIAL ASSETS	8,025,437,414,553	7,495,324,441,096	7,431,584,899,460
1. Financial assets at fair value through profit or Loss (FVTPL)	431,278,961,072	308,898,302,665	285,471,517,145
2. Available-for-sale (AFS) financial assets	3,050,122,462,436	2,908,812,798,173	2,776,789,934,523
3. Held-to-maturity (HTM) financial assets	4,544,035,991,045	4,277,613,340,258	4,369,323,447,792
III. LOANS AND RECEIVABLES	39,647,996,111,398	35,733,862,440,087	32,935,266,211,178
1. Loans	36,204,870,196,364	33,432,816,174,030	30,614,590,759,684
2. Receivables	3,443,125,915,034	2,301,046,266,057	2,320,675,451,494
IV. DERIVATIVE ASSETS	128,504,356,075	261,518,859,534	119,726,181,144
V. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	25,066,442,336	-	-
VI. TANGIBLE ASSETS	532,773,012,132	551,904,244,496	497,576,434,719
VII. INTANGIBLE ASSETS	63,475,860,268	82,232,632,382	78,209,017,007
VIII. INVESTMENT OF PROPERTY	87,002,374,695	90,007,730,913	59,426,403,528
IX. NON-CURRENT ASSETS HELD FOR SALE	29,295,737,806	-	10,658,898,025
X. OTHER ASSETS	7,504,794,459	7,202,432,715	8,493,476,002
<b>TOTAL ASSETS</b>	<b>50,262,692,295,018</b>	<b>46,398,612,636,754</b>	<b>42,882,023,873,598</b>
<b>LIABILITIES</b>			
I. DEPOSITS	36,954,663,220,893	34,144,016,873,594	30,573,634,638,817
II. BORROWINGS	3,213,384,261,722	3,477,938,159,902	3,877,554,188,737
III. DEBENTURES	2,353,143,414,012	2,159,219,224,613	2,144,118,523,859
IV. DERIVATIVE LIABILITIES	123,822,353,040	254,438,657,622	89,976,153,268
V. NET DEFINED BENEFIT LIABILITIES	7,932,926,724	31,633,764,923	9,362,046,198
VI. PROVISIONS	26,119,495,961	43,234,677,222	32,556,234,921
VII. CURRENT INCOME TAX LIABILITIES	29,029,182,562	43,613,601,375	20,162,383,540
VIII. DEFERRED INCOME TAX LIABILITIES	61,931,249,768	55,853,432,782	60,984,621,696
IX. OTHER LIABILITIES	3,690,564,843,088	2,759,797,783,611	2,594,494,414,659
<b>TOTAL LIABILITIES</b>	<b>46,460,590,947,770</b>	<b>42,969,746,175,644</b>	<b>39,402,843,205,695</b>
<b>EQUITY</b>			
I. EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING INTERESTS	3,802,101,347,248	3,428,866,461,110	3,479,180,667,903
1. Capital stock	959,418,250,000	948,418,250,000	948,418,250,000
2. Hybrid securities	99,851,000,000	99,851,000,000	99,851,000,000
3. Capital surplus	233,870,092,000	134,924,946,000	134,924,946,000
4. Other components of equity	18,998,640,488	20,400,069,761	20,305,251,976
5. Retained earnings	2,489,963,364,760	2,225,272,195,349	2,275,681,219,927
Provided reserve for bad debts at December 31, 2015			
Accumulated reserves: ₩ 141,428,000,000			
Planned provision of regulatory reserve for credit loss:			
₩ 66,396,000,000			
Provided reserve for bad debts at December 31, 2014			
Accumulated reserves: ₩ 118,899,000,000			
Planned provision of regulatory reserve for credit loss:			
₩ 22,529,000,000			
II. NON-CONTROLLING INTERESTS	-	-	-
<b>TOTAL EQUITY</b>	<b>3,802,101,347,248</b>	<b>3,428,866,461,110</b>	<b>3,479,180,667,903</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>50,262,692,295,018</b>	<b>46,398,612,636,754</b>	<b>42,882,023,873,598</b>

# Busan Bank \_ Consolidated Statements of Comprehensive Income

## BUSAN BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014	December 31, 2013
I. NET INTEREST INCOME	1,095,673,264,006	1,087,324,511,877	1,001,911,025,525
1. Interest income	1,749,181,248,142	1,865,765,586,570	1,842,857,579,178
2. Interest expenses	-653,507,984,136	-778,441,074,693	-840,946,553,653
II. NET FEE AND COMMISSION INCOME	112,495,676,536	81,247,300,270	65,216,970,442
1. Commission income	188,809,431,348	143,096,062,963	122,114,631,605
2. Commission expenses	-76,313,754,812	-61,848,762,693	-56,897,661,163
III. NET INCOME OF INVESTMENT FINANCIAL ASSETS	50,052,741,262	35,103,830,886	32,007,436,347
1. Net gain (loss) on financial assets at FVTPL	-3,228,417,332	4,573,496,351	2,770,628,864
2. Net income of AFS financial assets	53,281,158,594	30,530,334,535	29,236,807,483
IV. PROVISION FOR CREDIT LOSS	-199,088,867,933	-139,917,915,383	-138,927,886,463
V. OTHER OPERATING EXPENSES, NET	-640,317,350,545	-606,910,192,399	-549,070,769,813
1. Net gain (Loss) on foreign exchange	19,237,448,433	31,305,675,244	-107,232,538,126
2. Net gain (loss) from derivatives	2,483,664,992	-5,348,040,113	140,066,253,516
3. General and administrative expenses	-577,156,094,710	-533,038,260,431	-489,822,333,574
4. Other operating income	28,778,851,020	25,128,358,229	11,279,198,069
5. Other operating expenses	-113,661,220,280	-124,957,925,328	-103,361,349,698
VI. OPERATING INCOME	418,815,463,326	456,847,535,251	411,136,776,038
VII. NON-OPERATING INCOME, NET	-3,884,710,879	-17,858,166,807	-5,080,298,628
1. Non-operating income	11,685,968,341	10,605,824,798	11,655,233,787
2. Non-operating expenses	-15,570,679,220	-28,463,991,605	-16,735,532,415
VIII. INCOME BEFORE INCOME TAX EXPENSE	414,930,752,447	438,989,368,444	406,056,477,410
IX. INCOME TAX EXPENSE	-94,589,550,386	-83,787,175,172	-87,437,446,060
X. NET INCOME	320,341,202,061	355,202,193,272	318,619,031,350
(Net income after provision of reserve for bad debts: 253,945 million in 2015 and 332,673 million in 2014)			
XI. OTHER COMPREHENSIVE INCOME (LOSS)	-1,401,429,273	94,817,785	-1,956,220,736
Items that are not subsequently reclassified to profit or loss:	-4,956,204,833	-22,186,114,624	-7,918,720,336
1. Remeasurement elements of defined benefit plan	-4,956,204,833	-22,186,114,624	-7,918,720,336
Items that are subsequently reclassified to profit or loss	3,554,775,560	22,280,932,409	5,962,499,600
1. Gain (loss) on fair value of AFS financial assets	1,406,321,662	21,259,889,289	6,310,623,934
2. Gain (loss) on overseas operations translation	2,148,453,898	1,021,043,120	-348,124,334
XII. TOTAL COMPREHENSIVE INCOME	318,939,772,788	355,297,011,057	316,662,810,614
XIII. NET INCOME ATTRIBUTABLE TO :			
1. Owners of the company	320,341,202,061	355,202,193,272	318,619,031,350
2. Non-controlling interests	-	-	-
XIV. TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :			
1. Owners of the company	318,939,772,788	355,297,011,057	316,662,810,614
2. Non-controlling interests	-	-	-
XV. EARNINGS PER SHARE			
1. Basic and diluted net earnings per share (in currency units)	1,650	1,843	1,697



# Busan Bank \_ Consolidated Statements of Changes in Shareholders' Equity

## BUSAN BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	Capital stock	Hybrid securities	Capital surplus	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
Balance at January 1, 2013	933,418,250,000	-	-	22,261,472,712	2,050,067,509,913	3,005,747,232,625	-	3,005,747,232,625
Payment of interim dividends	-	-	-	-	-91,996,570,250	-91,996,570,250	-	-91,996,570,250
Issuance of common stock	15,000,000,000	-	134,924,946,000	-	-	149,924,946,000	-	149,924,946,000
Issuing hybrid bonds	-	99,851,000,000	-	-	-	99,851,000,000	-	99,851,000,000
Dividends for hybrid bonds	-	-	-	-	-1,008,751,086	-1,008,751,086	-	-1,008,751,086
Total Comprehensive Income								
Net income	-	-	-	-	318,619,031,350	318,619,031,350	-	318,619,031,350
Remeasurement elements of defined benefit plan	-	-	-	-7,918,720,336	-	-7,918,720,336	-	-7,918,720,336
Gain (loss) on fair value of AFS financial assets	-	-	-	6,310,623,934	-	6,310,623,934	-	6,310,623,934
Gain (loss) on overseas operations translation	-	-	-	-348,124,334	-	-348,124,334	-	-348,124,334
Balance at December 31, 2013	948,418,250,000	99,851,000,000	134,924,946,000	20,305,251,976	2,275,681,219,927	3,479,180,667,903	-	3,479,180,667,903
Balance at January 1, 2014	948,418,250,000	99,851,000,000	134,924,946,000	20,305,251,976	2,275,681,219,927	3,479,180,667,903	-	3,479,180,667,903
Payment of interim dividends	-	-	-	-	-400,042,817,850	-400,042,817,850	-	-400,042,817,850
Dividends for hybrid bonds	-	-	-	-	-5,568,400,000	-5,568,400,000	-	-5,568,400,000
Total Comprehensive Income:								
Net income	-	-	-	-	355,202,193,272	355,202,193,272	-	355,202,193,272
Remeasurement elements of defined benefit plan	-	-	-	-22,186,114,624	-	-22,186,114,624	-	-22,186,114,624
Gain (loss) on fair value of AFS financial assets	-	-	-	21,259,889,289	-	21,259,889,289	-	21,259,889,289
Gain (loss) on overseas operations translation	-	-	-	1,021,043,120	-	1,021,043,120	-	1,021,043,120
Balance at December 31, 2014	948,418,250,000	99,851,000,000	134,924,946,000	20,400,069,761	2,225,272,195,349	3,428,866,461,110	-	3,428,866,461,110
Balance at January 1, 2015	948,418,250,000	99,851,000,000	134,924,946,000	20,400,069,761	2,225,272,195,349	3,428,866,461,110	-	3,428,866,461,110
Payment of interim dividends	-	-	-	-	-50,081,632,650	-50,081,632,650	-	-50,081,632,650
Dividends for hybrid bonds	-	-	-	-	-5,568,400,000	-5,568,400,000	-	-5,568,400,000
Issuance of common stock	11,000,000,000	-	98,945,146,000	-	-	109,945,146,000	-	109,945,146,000
Total Comprehensive Income:								
Net income	-	-	-	-	320,341,202,061	320,341,202,061	-	320,341,202,061
Remeasurement elements of defined benefit plan	-	-	-	-4,956,204,833	-	-4,956,204,833	-	-4,956,204,833
Gain (loss) on fair value of AFS financial assets	-	-	-	1,406,321,662	-	1,406,321,662	-	1,406,321,662
Gain (loss) on overseas operations translation	-	-	-	2,148,453,898	-	2,148,453,898	-	2,148,453,898
Balance at December 31, 2015	959,418,250,000	99,851,000,000	233,870,092,000	18,998,640,488	2,489,963,364,760	3,802,101,347,248	-	3,802,101,347,248

# Busan Bank \_ Consolidated Statements of Cash Flows

## BUSAN BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014	December 31, 2013
I. CASH FLOWS FROM OPERATING ACTIVITIES	432,070,958,134	482,809,419,320	166,617,704,066
1. Net income	320,341,202,061	355,202,193,272	318,619,031,350
2. Adjustments for non-cash items	-763,448,744,804	-807,162,119,014	-824,677,477,347
Interest income	-1,749,181,248,142	-1,865,765,586,570	-1,842,857,579,178
Interest expenses	653,507,984,136	778,441,074,693	840,946,553,653
Net income of financial assets at FVTPL	2,028,396,372	-1,338,156,361	-339,828,902
Net income of AFS financial assets	-53,281,158,594	-30,530,334,535	-29,236,807,483
Provision for credit loss	204,860,763,805	141,397,123,611	127,034,700,429
Gain (loss) on foreign currency translation	-15,041,966,838	-6,031,963,335	29,995,737,298
Net gain (loss) on valuation of derivative financial instruments	-5,391,236,466	-8,212,175,561	-30,857,618,850
Depreciation	69,127,572,383	58,215,596,974	33,013,260,244
Provision for severance benefits	26,822,511,056	21,751,877,542	19,072,574,142
Net other operating income (expense)	8,327,158,521	21,793,680,342	-58,771,012,248
Share of profit (loss) of associates	-66,442,336	-	-
Net gain (loss) on property, equipment and intangible assets	284,785,652	490,543,213	-114,902,512
Net gain on disposal of non-current assets held for sale	-35,414,739	-1,160,974,199	-
Income tax expense	94,589,550,386	83,787,175,172	87,437,446,060
3. Changes in working capital	43,354,173,270	-83,392,340,370	-194,444,534,225
Net decrease (increase) due from banks	542,007,686,882	-673,104,829,019	45,624,113,855
Net decrease (increase) in financial assets at FVTPL	-124,442,334,779	-22,093,219,159	-22,815,797,964
Net increase in loans	-2,989,047,228,485	-2,969,826,477,555	-2,722,290,345,945
Increase in Receivables	-1,055,498,698,883	-12,952,461,359	-20,110,275,689
Increase (decrease) derivative financial instruments	6,146,489,726	30,882,001,525	29,246,400,367
Increase (decrease) in other assets	-342,675,338	313,747,880	3,433,644,783
Net increase in deposits	2,819,744,767,793	3,570,776,072,006	2,466,759,457,960
Increase (decrease) in other liabilities	902,250,315,219	21,387,739,112	44,023,112,211
Increase (decrease) in net defined benefit liabilities	-57,061,878,058	-28,774,913,801	-18,314,843,803
Increase (decrease) in provisions	-402,270,807	-	-
4. Interest revenue received	1,668,983,870,367	1,843,298,132,054	1,819,276,478,289
5. Dividend received	17,321,393,248	20,766,203,307	20,269,369,536
6. Interest expense paid	-751,832,205,806	-800,517,839,538	-887,384,915,273
7. Income tax paid	-102,648,730,202	-45,384,810,391	-85,040,248,264
II. CASH FLOWS FROM INVESTING ACTIVITIES	-424,761,500,689	-72,588,282,370	-365,027,761,472
Disposal of available for sale financial assets	5,705,780,402,056	2,049,276,739,600	2,733,382,526,352
Acquisition of available for sale financial assets	-5,812,253,596,953	-2,146,322,545,664	-2,788,675,212,728
Disposal of held-to-maturity financial assets	2,161,368,151,531	1,168,758,756,162	853,678,227,887
Acquisition of held-to-maturity financial assets	-2,409,644,337,311	-1,055,852,453,000	-747,450,539,905
Acquisition of investments in subsidiaries and associates	-25,000,000,000	-	-
Disposal of property and equipment	396,409,000	1,612,841,379	2,739,534,200
Acquisition of property and equipment	-53,403,614,446	-143,329,400,241	-125,914,127,710
Disposal of intangible assets	260,000,000	-	-
Acquisition of intangible assets	-6,837,921,600	-5,816,229,935	-31,845,828,329
Disposal of non-current assets held for sale	2,210,000,000	11,819,872,224	-
Decrease in others	12,363,007,034	47,264,137,105	-260,942,341,239
III. CASH FLOWS FROM FINANCING ACTIVITIES	69,063,648,528	-665,255,953,622	21,929,760,180
Increase in debts	342,328,660,551	-	388,108,698,526
Decrease in debts	-594,506,652,886	-400,333,484,861	-258,077,823,308
Increase in debentures	399,630,845,378	449,619,692,894	149,852,600,000
Redemption of debentures	-242,926,250,000	-454,339,800,000	-670,780,550,000
Issuance of common stock	109,945,146,000	-	249,775,946,000
Payment of dividends	-55,650,032,650	-404,602,343,624	-93,005,321,336
Increase in others	110,241,932,135	144,399,981,969	256,056,210,298
IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)	76,373,105,973	-255,034,816,672	-176,480,297,226
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	459,803,801,285	697,431,127,308	906,496,981,739
VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCY	4,710,916,674	17,407,490,649	-32,585,557,205
VII. CASH AND CASH EQUIVALENTS, END OF YEAR	540,887,823,932	459,803,801,285	697,431,127,308

# Kyongnam Bank \_ Consolidated Statements of Financial Position

## KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014	December 31, 2013
<b>ASSETS</b>			
Cash & cash equivalents	404,398,724,057	467,891,410,119	445,642,756,091
Financial assets at fair value through profit or Loss (FVTPL)	225,952,434,094	307,156,908,720	277,826,462,616
Available-for-sale (AFS) financial assets	2,177,936,191,943	2,069,437,895,142	2,227,058,053,544
Held-to-maturity (HTM) financial assets	2,276,197,198,549	2,019,883,245,170	2,096,370,429,877
Loans and receivables	29,006,714,326,481	27,481,373,908,853	26,338,340,980,384
Investments in subsidiaries and associates	60,017,919,114	0	0
Investment of Property	13,965,529,461	12,012,372,294	12,010,611,743
Tangible Assets	243,038,162,791	220,652,962,005	192,628,005,086
Intangible Assets	73,808,960,895	83,426,207,605	11,817,593,435
Other Assets	92,659,986,953	121,403,804,161	66,546,264,322
Current Tax Assets	0	5,703,372,212	5,445,425,518
Deferred Tax Assets	67,303,575,071	65,694,294,608	40,540,227,580
<b>TOTAL ASSETS</b>	<b>34,641,993,009,409</b>	<b>32,854,636,380,889</b>	<b>31,714,226,810,196</b>
<b>LIABILITIES</b>			
Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)	46,380,674,184	35,650,339,744	30,841,442,125
Deposits	26,897,703,891,003	25,147,247,923,362	23,773,242,173,508
Borrowings	2,325,044,702,956	2,598,289,894,799	2,731,988,980,522
Debentures	1,549,020,356,719	1,565,044,587,176	1,445,232,831,061
Retirement Benefit Obligation	10,942,435,490	24,598,600,934	4,390,749,012
Provisions	122,130,163,544	151,756,477,360	211,869,827,133
Current income tax liabilities	21,562,456,609	0	0
Others financial liabilities	1,183,981,545,499	1,148,685,042,037	1,218,946,193,565
Other liabilities	27,619,540,784	36,169,845,865	37,432,277,719
Derivative liabilities	0	428,302,379	0
<b>TOTAL LIABILITIES</b>	<b>32,184,385,766,788</b>	<b>30,707,871,013,656</b>	<b>29,453,944,474,645</b>
<b>EQUITY</b>			
Equity attributable to the owners of controlling interests	2,457,607,242,621	2,146,765,367,233	2,260,282,335,551
Capital stock	407,104,560,000	392,104,560,000	290,250,185,000
Hybrid Securities	199,698,980,000	199,698,980,000	315,696,480,000
Other Paid-in Capital	1,042,599,774,556	1,101,970,610,882	95,480,234,232
Other components of equity	9,693,112,723	48,742,019,289	36,739,298,918
Retained earnings	798,510,815,342	404,249,197,062	1,522,116,137,401
Provided reserve for bad debts at December 31, 2015			
Accumulated reserves: ₩238,442 million			
Non-accumulation of reserve:			
Provision of regulatory reserve for credit loss: ₩23,620 million			
Planned provision of regulatory reserve for credit loss: ₩23,620 million			
Provided reserve for bad debts at December 31, 2014			
Accumulated reserves:			
Non-accumulation of reserve: ₩1,965,630 million			
Provision of regulatory reserve for credit loss: ₩41,912 million			
Planned provision of regulatory reserve for credit loss: ₩238,442 million			
Non-controlling interests	—	—	—
<b>TOTAL EQUITY</b>	<b>2,457,607,242,621</b>	<b>2,146,765,367,233</b>	<b>2,260,282,335,551</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>34,641,993,009,409</b>	<b>32,854,636,380,889</b>	<b>31,714,226,810,196</b>

# Kyongnam Bank \_ Consolidated Statements of Comprehensive Income

KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014	December 31, 2013
Net interest income	726,628,612,640	698,057,456,481	695,534,925,073
Interest revenues	1,242,017,205,386	1,341,239,449,368	1,367,900,907,662
Interest expenses	515,388,592,746	643,181,992,887	672,365,982,589
Net commission income	53,620,043,895	40,111,292,085	51,049,429,842
Commission revenues	100,032,375,623	85,852,278,365	92,112,694,966
Commission expenses	46,412,331,728	45,740,986,280	41,063,265,124
Dividend income	16,153,158,563	9,559,440,629	12,953,217,053
Gain (loss) on fair value through profit or loss assets	13,671,599,639	35,210,548,247	80,191,771,773
Gain (loss) on available-for-sale financial assets	65,280,405,763	4,216,474,660	1,940,652,292
Impairment losses due to credit loss	144,234,376,212	-177,751,212,953	-172,010,081,768
General and administrative expenses	387,842,311,454	-363,111,833,801	-327,720,736,474
Net other operating income (expense)	-82,642,835,789	-120,931,139,048	-181,966,135,684
Operating income	260,634,297,045	125,361,026,300	159,973,042,107
Non-operating income, net	9,207,226,393	-6,035,974,444	-7,871,370,300
Share of profit (loss) of associates	741,999,978	0	0
Income before income tax expense	270,583,523,416	119,325,051,856	152,101,671,807
Income tax expense	60,045,855,136	27,144,550,868	21,920,864,791
Net income	210,537,668,280	92,180,500,988	130,180,807,016
Other comprehensive income (loss), net of tax	-39,048,906,566	12,002,720,371	-3,309,485,679
Items that are not subsequently reclassified to profit or loss:	-6,705,337,801	-9,435,608,862	-2,780,549,131
Remeasurement elements of defined benefit plan	-6,705,337,801	-9,435,608,862	-2,780,549,131
Items that are subsequently reclassified to profit or loss	-32,343,568,765	21,438,329,233	-528,936,548
Gain (loss) on fair value of AFS financial assets	-32,602,238,564	21,696,999,032	-528,936,548
Gain (loss) on valuation of cash flow hedge	258,669,799	-258,669,799	0
Total comprehensive income	171,488,761,714	104,183,221,359	126,871,321,337
Net income attributable to:	210,537,668,280	92,180,500,988	130,180,807,016
Net income attributable to owners	210,537,668,280	89,440,304,680	130,180,807,016
Net income attributable to non-controlling interests	0	2,740,196,308	0
Total comprehensive income attributable to:	171,488,761,714	104,183,221,359	126,871,321,337
Total comprehensive income attributable to owners of the company	171,488,761,714	101,443,025,051	126,871,321,337
Total comprehensive income attributable to non-controlling interests	0	2,740,196,308	0
Basic and diluted net earnings per share (in currency units)	2,515	1,083	2,043

## Kyongnam Bank \_ Consolidated Statements of Changes in Shareholders' Equity

### KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	Capital stock	Hybrid securities	Other paid-in capital	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
Balance at May 01, 2014	392,104,560,000	-	1,387,770,988,098	40,225,295,637	65,727,877,086	1,885,828,720,821	199,698,980,000	2,085,527,700,821
Dividends for hybrid bonds	-	-	-	-	-4,518,172,607	-4,518,172,607	-2,740,196,308	-7,258,368,915
Acquisition of treasury stock	-	-	-400,377,216	-	-	-400,377,216	-	-400,377,216
Net income	-	-	-	-	57,639,492,583	57,639,492,583	2,740,196,308	60,379,688,891
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	18,046,071,856	-	18,046,071,856	-	18,046,071,856
Gain (loss) on valuation of cash flow hedge	-	-	-	-258,669,799	-	-258,669,799	-	-258,669,799
Remeasurement elements of defined benefit plan	-	-	-	-9,270,678,405	-	-9,270,678,405	-	-9,270,678,405
Included owner equity according to merger	-	199,698,980,000	-	-	-	199,698,980,000	-199,698,980,000	-
Changes in equity due to merger	-	-	-285,400,000,000	-	285,400,000,000	-	-	-
Balance at December 31, 2014	392,104,560,000	199,698,980,000	1,101,970,610,882	48,742,019,289	404,249,197,062	2,146,765,367,233	-	2,146,765,367,233
Balance at January 1, 2015	392,104,560,000	199,698,980,000	1,101,970,610,882	48,742,019,289	404,249,197,062	2,146,765,367,233	-	2,146,765,367,233
Issuance of common stock	15,000,000,000	-	134,925,503,000	-	-	149,925,503,000	-	149,925,503,000
Reserve of retained earnings	-	-	-194,591,000,000	-	194,591,000,000	-	-	-
Dividends for hybrid bonds	-	-	-	-	-10,867,050,000	-10,867,050,000	-	-10,867,050,000
Net income	-	-	-	-	210,537,668,280	210,537,668,280	-	210,537,668,280
Disposal of treasury stock	-	-	294,660,674	-	-	294,660,674	-	294,660,674
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	-32,602,238,564	-	-32,602,238,564	-	-32,602,238,564
Gain (loss) on valuation of cash flow hedge	-	-	-	258,669,799	-	258,669,799	-	258,669,799
Remeasurement elements of defined benefit plan	-	-	-	-6,705,337,801	-	-6,705,337,801	-	-6,705,337,801
Balance at December 31, 2015	407,104,560,000	199,698,980,000	1,042,599,774,556	9,693,112,723	798,510,815,342	2,457,607,242,621	-	2,457,607,242,621



# Kyongnam Bank \_ Consolidated Statements of Cash Flows

## KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>	541,648,316,346	-367,745,486,935
1. Net income	210,537,668,280	57,639,492,583
2. Adjustments for non-cash items	-682,735,916,067	-454,715,742,772
Income tax expense	60,045,855,136	18,638,381,338
Interest income	-1,242,017,205,386	-897,366,983,578
Interest expense	515,388,592,746	428,730,594,237
Dividend income	-16,153,158,563	-4,717,734,769
3. Add expense without cash used	207,622,862,093	151,797,398,631
Loss on valuation of financial assets at FVTPL	364,895,542	-
Impairment loss on AFS financial assets	2,975,598,109	-
Losses on disposals of tangible assets	626,983,091	122,448,068
Losses on disposals of intangible assets	115,381,200	-
Depreciation Expenses on investment of property	107,505,780	62,251,610
Depreciation expenses on tangible assets	18,773,480,963	11,091,099,428
Depreciation expenses on intangible assets	19,931,981,502	5,607,552,153
Provision for severance benefits	18,557,461,582	9,961,882,188
Contribution to other provisions liabilities	1,481,302,727	2,133,222,712
Losses on Valuation of Derivative Instruments	66,513,583	-
Loss on foreign currency translation, net	387,381,802	1,421,993,871
Impairment losses due to credit loss	144,234,376,212	121,396,948,601
4. Deduction revenue without cash provided	-101,000,271,569	-20,879,978,062
Gains on valuation of financial assets at FVTPL	399,470,422	5,786,009,295
Net gain (loss) on valuation of derivative financial instruments	3,555,200,361	2,416,007,846
Gain on disposal of AFS financial assets	68,256,003,872	5,803,303,053
Reversal of impairment loss on AFS financial assets	-	1,672,112,687
Reversal of other provisions liabilities	25,398,038,006	-
Share of profit (loss) of associates	741,999,978	-
Gains on disposals of property, plant and equipment	21,178,521	47,191,414
Gains on Disposal of Intangible Assets	3,133,810	-
Gain on foreign currency translation, net	2,625,246,599	5,155,353,767
5. Changes on Asset and liability according to operations	224,983,711,094	-575,807,484,105
Net decrease in financial assets at FVTPL	84,794,249,867	110,124,920,237
Net increase loans and receivables	-1,688,317,995,601	-1,006,101,312,621
Net decrease in other assets	28,677,303,625	26,596,597,102
Net increase of financial assets at FVTPL	10,643,285,094	1,259,628,444
Net increase in deposits	1,750,057,996,353	577,259,677,916
Provision for severance benefit	-1,739,726,160	-2,223,586,785
Net increase in plan assets	-39,319,992,951	-1,429,933,744
Net decrease of provision liabilities	-3,464,702,300	-19,089,840,313
Increase (decrease) of others financial liabilities	92,018,241,775	-258,946,213,889
Net decrease of other liabilities	-8,364,948,608	-3,257,420,452
6. Income tax paid	-21,922,505,473	-46,682,859,075
7. Interest revenue received	1,256,329,440,004	912,628,681,566
8. Interest expense paid	-568,895,911,443	-396,442,730,470
9. Dividend income	16,729,239,427	4,717,734,769
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>	-456,703,425,246	-32,899,058,989
1. Cash inflows resulting from investing activities	3,048,674,660,517	1,866,286,768,919
Disposal of available for sale financial assets	2,619,602,526,223	1,396,760,607,856
Redemption of held-to-maturity financial assets	427,617,231,114	469,408,311,063
Disposal of property and equipment	623,655,180	97,850,000
Disposal of intangible assets	831,248,000	20,000,000
2. Cash outflows resulting from investing activities	-3,505,378,085,763	-1,899,185,827,908
Disposal of available for sale financial assets	2,710,611,466,861	1,342,769,751,702
Acquisition of held-to-maturity financial assets	681,933,610,630	441,657,910,588
Acquisition of investments in subsidiaries and associates	57,295,000,000	-
Acquisition of property and equipment	47,555,814,500	89,821,836,874
Acquisition of intangible assets	7,982,193,772	24,936,328,744
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>	-150,675,441,959	389,736,724,576
1. Cash inflows resulting from financial activities	56,091,657,779,780	31,674,000,984,887
Increase in debts	55,541,881,564,754	31,224,000,984,887
Increase in issued debenture	399,556,051,352	450,000,000,000
Issuance of common stock	149,925,503,000	-
Disposal of treasury stock	294,660,674	-
2. Cash outflows resulting from financial activities	-56,242,333,221,739	-31,284,264,260,311
Decrease in debts	55,815,466,171,739	31,099,345,710,488
Decrease in issued debenture	416,000,000,000	180,000,000,000
Acquisition of treasury stock	-	400,377,216
Payment of dividends	-	4,518,172,607
Dividends for hybrid bonds	10,867,050,000	-
<b>IV. NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)</b>	-65,730,550,859	-10,907,821,348
<b>V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	467,891,410,119	475,065,871,571
<b>VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCY</b>	2,237,864,797	3,733,359,896
<b>VII. CASH AND CASH EQUIVALENTS, END OF YEAR</b>	404,398,724,057	467,891,410,119

# BNK Securities \_ Consolidated Statements of Financial Position

## BNK SECURITIES AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
I. CASH & DUE FROM BANKS	59,841,526,326	75,770,368,171
1. Cash & cash equivalents	11,015,029,217	22,939,821,770
2. Due from banks	48,826,497,109	52,830,546,401
II. INVESTMENT SECURITIES	372,807,264,544	362,724,083,287
1. Financial assets designated at fair value through profit and loss	355,592,265,834	345,919,924,941
2. Financial investments - available-for-sale	17,214,998,710	16,804,158,346
III. LOANS & RECEIVABLES	100,065,580,465	63,803,564,293
1. Loans	72,807,092,168	43,105,802,521
2. Receivables	27,258,488,297	20,697,761,772
IV. TANGIBLE ASSETS	1,289,271,553	1,757,844,351
V. INTANGIBLE ASSETS	1,166,832,358	1,445,758,019
VII. OTHERS	4,773,683,740	6,455,465,758
<b>TOTAL ASSETS</b>	<b>539,944,158,986</b>	<b>511,957,083,879</b>
<b>LIABILITIES</b>		
I. DEPOSITS	71,926,448,735	84,739,649,517
1. Won deposits	61,111,417,514	77,952,515,578
2. Foreign currency deposits	10,815,031,221	6,787,133,939
II. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)	10,640,920,000	21,127,693,040
1. Financial liabilities of trading securities	10,512,680,000	21,100,693,040
2. Derivative liabilities	128,240,000	27,000,000
III. BORROWINGS	273,407,890,746	266,159,218,275
1. Borrowings	65,637,626,301	49,600,000,000
2. Bonds sold under repurchase agreement (RP)	207,770,264,445	216,559,218,275
IV. RETIREMENT BENEFIT OBLIGATION	626,982,058	566,003,922
V. CURRENT INCOME TAX LIABILITIES	1,134,798,035	688,307,795
VI. DEFERRED INCOME TAX LIABILITIES	1,810,893,620	1,946,775,455
VII. PROVISIONS	201,389,215	198,104,539
VIII. OTHER LIABILITIES	24,928,775,629	18,948,605,988
<b>TOTAL LIABILITIES</b>	<b>384,678,098,038</b>	<b>394,374,358,531</b>
<b>SHAREHOLDERS' EQUITY</b>		
I. EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING EQUITY	155,266,060,948	117,582,725,348
1. Capital stock	88,000,000,000	85,000,000,000
2. Other paid-in capital	26,985,600,000	-
3. RETAINED EARNINGS	33,999,079,127	26,201,690,869
(Provided reserve for bad debts at December 31, 2015 KRW 226,687,900 Planned provision of regulatory reserve for credit loss : KRW 644,388,576 Provided reserve for bad debts at December 31, 2014 KRW 140,868,746 Planned provision of regulatory reserve for credit loss : KRW 85,439,415)		
4. OTHER CAPITAL COMPONENTS	6,281,381,821	6,381,034,479
II. NON-CONTROLLING INTERESTS	-	-
<b>TOTAL EQUITY</b>	<b>155,266,060,948</b>	<b>117,582,725,348</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>539,944,158,986</b>	<b>511,957,083,879</b>

# BNK Securities \_ Consolidated Statements of Comprehensive Income

## BNK SECURITIES AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014
I. OPERATING REVENUE	138,510,951,975	108,161,691,198
1. Commission revenues	32,878,377,311	23,001,016,797
2. Net gain on financial instruments at FVTPL	92,449,334,428	71,664,615,886
3. Interest Revenue	12,126,346,048	12,844,559,095
4. Gains On Loan Receivables	446,874,590	3,078,959
5. Gains On Foreign Exchange	514,118,494	200,576,817
6. Other operating income	95,901,104	447,843,644
II. OPERATING EXPENSES	128,302,092,207	100,229,527,566
1. Fee and Commission Expense	10,980,722,328	4,769,285,853
2. Net loss on financial instruments at FVTPL	77,525,647,653	57,624,819,329
3. Interest expense	6,546,791,615	7,528,553,379
4. Losses on sale of loans	187,874,057	-
5. Expenses on Foreign Exchange	514,120,099	200,430,841
6. General and administrative expenses	32,524,817,096	29,965,608,962
7. Others	22,119,359	140,829,202
III. OPERATING INCOME	10,208,859,768	7,932,163,632
IV. NON-OPERATING REVENUE	278,240,650	9,416,269
V. NON-OPERATING EXPENSE	145,123,026	223,473,437
VI. INCOME BEFORE INCOME TAXES EXPENSES	10,341,977,392	7,718,106,464
VII. TAXES EXPENSES	2,544,589,134	1,984,334,845
VIII. NET INCOME	7,797,388,258	5,733,771,619
(Net income after provision of reserve for bad debts: KRW 7,152,999,682 in 2015 and KRW 5,648,332,204 in 2014)		
IX. OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	-99,652,658	-89,094,064
1. Items that are not subsequently reclassified to profit or loss:		
Remeasurement elements of defined benefit plan	-138,707,545	-118,436,872
Tax that are not reclassified to profit or loss:	30,515,660	26,056,112
2. Items that are subsequently reclassified to profit or loss	8,539,227	3,286,696
Gain on fair value of AFS financial assets	10,947,727	4,213,713
Tax that could be reclassified to profit or loss:	-2,408,500	-927,017
X. TOTAL COMPREHENSIVE INCOME	7,697,735,600	5,644,677,555
XI. NET INCOME ATTRIBUTABLE TO:	7,797,388,258	5,733,771,619
1. Owners of the company	7,797,388,258	5,733,771,619
2. Non-controlling interests	-	-
XII. TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	7,697,735,600	5,644,677,555
1. Owners of the company	7,697,735,600	5,644,677,555
2. Non-controlling interests	-	-
XIII. EARNINGS PER SHARE		
1. Basic and diluted net earnings per share (in currency units)	450	337

# BNK Capital \_ Consolidated Statements of Financial Position

## BNK CAPITAL AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
I. CASH & DUE FROM BANKS	168,204,310,275	47,807,715,713
1. Cash & cash equivalents	142,883,251,373	47,802,151,713
2. Due from banks	25,321,058,902	5,564,000
II. INVESTMENT SECURITIES	2,008,300,000	2,014,295,000
1. Available-for-sale (AFS) financial assets	2,000,000,000	2,000,000,000
2. Held-to-maturity (HTM) financial assets	8,300,000	14,295,000
III. LOANS & RECEIVABLES	2,435,006,605,900	1,890,965,006,063
1. Loans	2,389,494,576,483	1,854,629,773,182
2. Receivables	45,512,029,417	36,335,232,881
IV. INSTALLMENT FINANCIAL ASSETS	781,457,298,611	744,833,658,370
V. LEASED BOND	523,565,211,278	647,531,950,671
VI. LEASED ASSETS	361,028,283,068	231,056,072,728
VII. TANGIBLE ASSETS	5,385,451,206	4,552,614,538
VIII. INTANGIBLE ASSETS	4,021,480,041	3,454,698,227
IX. OTHERS	6,432,598,373	11,037,313,690
<b>TOTAL ASSETS</b>	<b>4,287,109,538,752</b>	<b>3,583,253,325,000</b>
<b>LIABILITIES</b>		
I. BORROWINGS	3,486,494,262,878	2,871,744,220,288
1. Borrowings	350,000,000,000	265,000,000,000
2. Bonds	3,136,494,262,878	2,606,744,220,288
II. DEFERRED INCOME TAX LIABILITIES	11,823,387,115	15,377,771,544
III. PROVISIONS	437,319,633	341,068,316
IV. DEFINED BENEFIT OBLIGATION	2,639,843,719	1,553,641,930
V. OTHERS FINANCIAL LIABILITIES	263,374,213,823	252,266,801,611
VI. OTHERS	17,055,653,993	19,299,832,167
<b>TOTAL LIABILITIES</b>	<b>3,781,824,681,161</b>	<b>3,160,583,335,856</b>
<b>SHAREHOLDERS' EQUITY</b>		
I. EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING INTERESTS	504,760,632,022	422,669,989,144
1. Capital stock	218,000,000,000	213,000,000,000
2. Other paid-in capital	161,907,469,650	116,931,506,650
3. Retained earnings	127,056,127,431	93,605,948,411
4. Other components of equity	-2,202,965,059	-867,465,917
II. NON-CONTROLLING EQUITY	524,225,569	-
<b>TOTAL EQUITY</b>	<b>505,284,857,591</b>	<b>422,669,989,144</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>4,287,109,538,752</b>	<b>3,583,253,325,000</b>

# BNK Capital \_ Consolidated Statements of Comprehensive Income

## BNK CAPITAL AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014
I. NET INTEREST INCOME	195,023,464,393	156,963,952,612
1. Interest revenues	302,954,101,419	261,461,153,610
2. Interest expenses	-107,930,637,026	-104,497,200,998
II. NET COMMISSION INCOME	17,124,517,358	14,648,045,829
1. Commission revenues	21,381,498,647	17,074,066,545
2. Commission expenses	-4,256,981,289	-2,426,020,716
III. IMPAIRMENT LOSSES ON FINANCIAL ASSETS	-75,208,720,126	-86,492,079,021
1. Provision of allowance for loan losses	-75,208,720,126	-86,492,079,021
IV. OTHER OPERATING PROFIT	-81,580,797,324	-38,147,613,937
1. Selling general and administrative expenses	-54,211,692,833	-43,830,022,438
2. Other operating income	103,858,287,823	63,524,062,529
3. Other operating expenses	-131,227,392,314	-57,841,654,028
V. OPERATING INCOME	55,358,464,301	46,972,305,483
VI. NON-OPERATING INCOME	-38,074,809	-26,058,540
1. Non-operating revenues	103,665,009	61,100,092
2. Non-operating expenses	-141,739,818	-87,158,632
VII. INCOME BEFORE INCOME TAXES	55,320,389,492	46,946,246,943
VIII. INCOME TAXES EXPENSES	-11,874,069,903	-10,635,182,719
IX. NET INCOME	43,446,319,589	36,311,064,224
(Net income after provision of reserve for bad debts: KRW 43,446,319,589 in 2015 and KRW 36,311,064,224 in 2014)		
X. OTHER COMPREHENSIVE LOSS	-1,319,314,142	-320,213,613
1. Items that are not subsequently reclassified to profit or loss	-916,398,915	-311,752,490
Remeasurement elements of defined benefit plan	-916,398,915	-311,752,490
2. Items that are subsequently reclassified to profit or loss	-402,915,227	-8,461,123
Gain on overseas operations translation	-402,915,227	-8,461,123
XI. TOTAL COMPREHENSIVE INCOME	42,127,005,447	35,990,850,611
XII. Net income attributable to:	43,446,319,589	36,311,064,224
1. Owners of the company	43,478,179,020	36,311,064,224
2. Non-Controlling Equity	-31,859,431	-
XIII. TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO	42,127,005,447	35,990,850,611
1. Owners Of The Company	42,142,679,878	35,990,850,611
2. Non-Controlling Equity	-15,674,431	-
XIV. EARNINGS PER SHARE		
Basic and diluted net earnings per share	1,014	875



# BNK Savings Bank \_ Consolidated Statements of Financial Position

## BNK SAVINGS BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
I. CASH & DUE FROM BANKS	134,155,530,922	100,918,512,418
(1) Cash	48,974,223	54,217,651
(2) Due from banks	134,106,556,699	100,864,294,767
II. SECURITIES	2,461,405,829	29,420,367,327
(1) Available for sale securities	480,558,292	480,558,292
(2) Held to maturity securities	1,980,847,537	3,972,809,035
(3) Investment in Equity Securities	-	24,967,000,000
III. LOANS	550,590,275,056	565,277,086,838
(1) Loans secured by deposits	751,700,000	1,257,943,765
(2) General purpose loans	565,455,239,925	581,938,032,799
(3) Consumer loans	14,233,222,441	10,337,363,022
(4) Other loans	241,144,336	3,224,616,955
IV. TANGIBLE ASSETS	1,550,141,288	1,871,379,841
(1) Office equipment	2,086,854,975	2,048,336,475
(2) Other tangible assets	2,703,664,060	2,623,964,060
V. OTHERS	89,935,783,375	58,718,003,352
(1) Deposits provided	9,128,485,008	9,048,485,008
(2) Accrued revenues	2,207,785,832	2,486,741,531
(3) Non-trade receivables	1,593,396,711	-
(4) Prepaid expenses	15,563,113	14,868,084
(5) Advance payments	69,056,000	69,056,000
(6) INTANGIBLE ASSETS	43,088,676,446	44,801,637,096
(7) INVESTMENT OF PROPERTY	29,939,481,296	-
(8) Current income tax assets	-	50,941,010
(9) DEFERRED INCOME TAX ASSETS	155,252,958	-
(10) Domestic exchanges	4,698,290,648	1,974,003,010
(11) OTHER ASSETS	633,192,074	272,271,613
<b>TOTAL EQUITY</b>	<b>778,693,136,470</b>	<b>756,205,349,776</b>
<b>LIABILITIES</b>		
I. DEPOSITS	646,752,030,220	636,060,915,838
(1) Withholdings	646,751,011,997	636,059,870,639
(2) Issued notes	1,018,223	1,045,199
II. OTHERS	19,289,289,435	18,204,925,160
(1) Provision for severance benefits	1,114,224,379	1,007,248,181
(2) Non-trade payables	404,426,218	340,262,992
(3) Accrued expenses	9,785,897,078	11,390,944,713
(4) Leasehold deposits received	896,210,669	-
(5) Unearned revenues	2,979,188	915,520,893
(6) Other Provisions liabilities	85,482,184	85,482,184
(7) Deferred income tax liabilities	-	37,539,894
(8) Current income tax liabilities	1,422,544,532	-
(9) Taxes withheld	244,185,351	150,910,130
(10) Domestic exchanges	5,544,277,309	4,598,709,779
(11) Others	416,563,948	393,419,364
<b>TOTAL LIABILITIES</b>	<b>666,041,319,655</b>	<b>654,265,840,998</b>
<b>SHAREHOLDERS' EQUITY</b>		
I. NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	106,587,191,098	101,939,508,778
(1) Capital stock	31,000,000,000	31,000,000,000
1. Common stock	31,000,000,000	31,000,000,000
(2) Capital surplus	83,849,192,500	83,849,192,500
1. Additional paid-in capital	83,849,192,500	83,849,192,500
(3) Accumulated deficit	-8,262,001,402	-12,909,683,722
1. Outstanding deficit	-8,262,001,402	-12,909,683,722
II. NON-CONTROLLING INTERESTS	6,064,625,717	-
<b>TOTAL EQUITY</b>	<b>112,651,816,815</b>	<b>101,939,508,778</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>778,693,136,470</b>	<b>756,205,349,776</b>

# BNK Savings Bank \_ Consolidated Statements of Income

## BNK SAVINGS BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2015	December 31, 2014
I. OPERATING REVENUES	25,552,343,911	50,893,563,788
(1) Interest revenues	23,226,402,034	43,692,544,714
1. Interest on due from banks	920,627,542	1,487,966,509
2. Interest on held to maturity securities	38,897,662	151,535,295
3. Interest on loans	22,231,280,885	41,825,369,892
4. Other interest income	35,595,945	227,673,018
(2) Valuation and Gain on disposition of securities	-	136,502,376
1. Gain on sale of trading securities	-	136,502,376
(3) Valuation and gain on disposition of loans	1,027,731,800	5,202,994,819
1. Gains on sale of loans	1,027,731,800	5,202,994,819
(4) Commission Received	699,887,419	1,831,521,879
1. Fees on remittance	519,500	1,042,520
2. Fees on early withdrawal	185,367,060	279,949,203
3. Other fees	514,000,859	1,550,530,156
(5) Dividend income	-	30,000,000
1. Dividends of available for sale financial securities	-	30,000,000
(6) Other operating income	598,322,658	-
1. Miscellaneous revenues	598,322,658	-
II. OPERATING EXPENSES	19,637,918,837	57,280,853,168
(1) Interest expenses	7,636,040,638	15,800,401,644
1. Interest on deposits	7,622,068,895	15,760,811,627
2. Discount fees on cover notes sold	-	6,320,273
3. Others	13,971,743	33,269,744
1) Interest on domestic exchanges	13,971,743	33,269,744
(2) Valuation and loss on disposition of loans	1,851,828,858	21,124,888,421
1. Bad debt expenses	1,851,828,858	21,124,888,421
(3) Commission expenses	878,998,738	2,019,466,559
1. Fees on remittance	498,000	865,000
2. Other fees	878,500,738	2,018,601,559
(4) Other operating expenses	1,555,932,000	2,853,384,000
1. Deposit insurance premium	1,555,932,000	2,853,384,000
(5) General and administrative expenses	7,715,118,603	15,482,712,544
1. Labor costs	2,418,749,286	5,542,184,358
2. Expenses	5,296,369,317	9,940,528,186
III. OPERATING INCOME (LOSS)	5,914,425,074	-6,387,289,380
IV. NON-OPERATING REVENUES	819,962,556	27,792,909
1. Miscellaneous revenues	819,962,556	25,926,380
2. Gains on disposition of property and equipment	-	1,866,529
V. NON-OPERATING EXPENSES	38,705,110	380,739,088
1. Impairment losses due to intangible assets	-	298,183,240
2. Loss on sale of marketable securities	-	68,266,188
3. Donations	12,597,000	14,147,000
4. Miscellaneous losses	26,108,110	142,660
VI. INCOME BEFORE INCOME TAX (LOSS)	6,695,682,520	-6,740,235,559
VII. INCOME TAXES EXPENSES (INCOME)	1,279,269,885	-243,730,229
VIII. NET INCOME (LOSS)	5,416,412,635	-6,496,505,330
1. Net income attributable to controlling interests (loss)	5,404,365,999	-6,496,505,330
2. Net income attributable to non-controlling interests	12,046,636	-
IX. EARNINGS PER SHARE	874	-1,048
1. Basic and diluted net earnings per share (loss)	874	-1,048

## BNK Asset Management \_ Statements of Financial Position

### BNK ASSET MANAGEMENT INFORMATION

(Unit: KRW)

Description	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
I. CASH AND DUE FROM BANKS	7,182,700,294	4,362,555,969
1. Cash and cash equivalents	4,182,700,294	1,762,555,969
2. Due from financial institutions	3,000,000,000	2,600,000,000
II . DUE FROM FINANCIAL INSTITUTIONS	498,300,000	498,300,000
1. Available for sale financial securities	498,300,000	498,300,000
III . LOANS	115,480,244	254,637,100
1. Short-term loans	115,480,244	254,637,100
2. Allowance for doubtful accounts	0	0
IV. TANGIBLE ASSETS	146,027,800	175,554,086
1. Office equipment	700,745,962	924,373,829
2. Accumulated depreciation	554,718,162	748,819,743
V. OTHER ASSETS	2,487,627,099	2,212,880,279
1. Accrued revenues	398,918,261	436,983,161
2. Advance payments	42,388,651	40,824,826
3. Intangible assets	208,328,490	197,179,650
4. Deferred income tax assets	1,483,194,997	1,276,824,242
5. Others financial assets	354,796,700	261,068,400
6. Allowance for doubtful accounts	0	0
<b>TOTAL ASSETS</b>	<b>10,430,135,437</b>	<b>7,503,927,434</b>
<b>LIABILITIES</b>		
I . DEPOSITS	41,763,702	67,976,331
1. Others	41,763,702	67,976,331
II . OTHER LIABILITIES	359,969,873	283,224,223
1. Provision for severance benefits	0	0
2. Provisions	80,500,000	47,806,253
3. Others financial liabilities	279,469,873	235,417,970
4. Unearned revenues	0	0
III . DEMAND REPAYMENT OF SHARES	0	0
1. Callable preferred stock	0	0
2. Present value discount (preferred stock on repayment )	0	0
<b>TOTAL LIABILITIES</b>	<b>401,733,575</b>	<b>351,200,554</b>
<b>EQUITY</b>		
I . CAPITAL STOCK	17,050,000,000	13,000,000,000
1. Common stock	17,050,000,000	13,000,000,000
2. Preferred stock	0	0
II . CAPITAL SURPLUS	27,065	19,467,065
1. Consideration for conversion rights	0	0
2. Additional paid-in capital	27,065	19,467,065
V. RETAINED EARNINGS	-7,021,625,203	-5,866,740,185
1. Unappropriated retained earnings	-6,866,232,302	-5,711,347,284
(Surplus at the beginning of a period)	0	0
2. Cumulative effect of accounting changes	-155,392,901	-155,392,901
IV. CAPITAL ADJUSTMENTS	0	0
1. Discount on stock issuance	0	0
IV . ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	0	0
1. Other components of equity	0	0
*Net income (loss)	-1,154,885,018	-336,322,598
<b>TOTAL EQUITY</b>	<b>10,028,401,862</b>	<b>7,152,726,880</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>10,430,135,437</b>	<b>7,503,927,434</b>

# BNK Asset Management \_ Statements of Income

## BNK ASSET MANAGEMENT INFORMATION

(Unit: KRW)

Description	December 31, 2015	December 31, 2014
I . OPERATING REVENUES	3,278,379,946	4,144,133,845
1. Commission income	3,163,631,151	4,022,599,211
1) Asset management fees	149,134,213	331,715,825
2) Fees of collective investment vehicle	2,867,829,664	2,794,393,164
3) Investment consulting fees	82,339,208	137,032,340
4) Other fees	64,328,066	759,457,882
2. Interest income	114,748,795	121,534,634
1) Interest on loans	5,200,410	7,863,940
2) Interest on deposits	109,548,385	113,670,694
3) Others interest	0	0
3. Reversal of allowance for recovery provisions	0	0
1) Reversal of allowance for recovery provisions	0	0
II . OPERATING EXPENSES	4,633,653,654	4,544,421,876
1. Interest expense	0	0
Share capital repayable on demand	0	0
2. Selling and administrative expenses	4,632,957,009	4,543,490,976
1) Salaries expenses	2,484,609,956	2,535,249,023
2) Provision of allowance for losses	361,687,506	386,257,236
3) Employee benefits	138,296,698	107,497,779
4) Electronic data processing expenses	194,227,977	193,553,097
5) Rental expenses	358,333,734	346,091,600
6) Service fees	197,038,783	141,544,302
7) Entertainment expenses	142,243,315	151,885,185
8) Depreciation	99,565,799	108,727,565
9) Research Expenses	3,341,400	2,571,980
10) Training Expenses	1,332,000	3,501,300
11) Amortization expenses on intangible assets	6,228,160	17,603,256
12) Taxes and dues	218,958,003	182,446,064
13) Consignment fees	3,567,548	14,648,207
14) Registration and legal fees	0	0
15) Conference expenses	141,300	354,000
16) Publication expenses	38,570,961	5,009,000
17) Travel expenses	13,233,219	7,013,040
18) Vehicles maintenance expenses	72,723,328	73,477,375
19) Supplies expenses	25,382,752	17,068,372
20) Utility expenses	176,707,716	168,662,695
21) Insurance premium	7,518,614	6,233,780
22) Event expenses	67,983,570	52,173,919
23) Others	21,264,670	21,922,201
3. Other operating expenses	696,645	930,900
1) Others bad debt expenses	0	0
2) Provisions	696,645	930,900
4. Commission expense	0	0
1) Investment consulting expenses	0	0
III . OPERATING INCOME (LOSS)	-1,355,273,708	-400,288,031
IV . NON-OPERATING REVENUES	54,941,262	0
1) Miscellaneous revenues	54,941,262	
V . NON-OPERATING EXPENSES	60,923,327	0
1) Impairment losses on intangible assets	0	
2) Loss on sale of marketable securities	59,923,327	
VI . EARNINGS BEFORE INCOME TAX	-1,361,255,773	-400,288,031
VII . INCOME TAX EXPENSE	-206,370,755	-63,965,433
VIII . NET INCOME (LOSS)	-1,154,885,018	-336,322,598

## BNK Credit Information \_ Statements of Financial Position

### BNK CREDIT INFORMATION

(Unit: KRW)

Description	December 31, 2015	December 31, 2014	Remarks
<b>ASSETS</b>			
I. ASSETS	5,972,341,931	5,506,681,352	
Cash	112,905	962,815	
Other due from financial institutions	786,605,826	540,813,550	
Short-term financial instruments	4,970,000,000	4,870,000,000	
Accrued revenues	50,370,057	85,610,616	
Non-trade receivables	15,662,299	496,100	
Prepaid expenses	4,723,179	6,761,086	
Advance payments	144,980,570	3,000,000	
II. NON-CURRENT ASSETS	1,738,068,184	1,603,465,646	
(1) Investments	20,477,663	22,393,681	
Available for sale financial securities	2,869,700	2,869,700	
Long-term Loans	17,607,963	19,523,981	
(2) Tangible assets	448,590,521	312,071,965	
Vehicles	33,066,310	67,550,630	
(Accumulated depreciation)	-7,495,030	-23,925,493	43,625,137
Office equipment	1,513,991,503	1,283,481,957	
(Accumulated depreciation)	-1,092,761,429	-1,015,035,129	268,446,828
Leased facilities improved rights	1,951,818		
(Accumulated depreciation)	-162,651	1,789,167	
(3) Others non-current assets	1,269,000,000	1,269,000,000	
Leasehold deposits provided	1,269,000,000	1,269,000,000	
<b>TOTAL ASSETS</b>	<b>1,738,068,184</b>	<b>1,603,465,646</b>	
<b>LIABILITIES</b>			
I. CURRENT LIABILITIES	408,641,649	374,889,853	
Non-trade payables	110,738,808	53,934,711	
Withholdings	7,646,820	5,172,560	
Value added tax withheld	67,977,470	56,032,850	
Deferred income tax liabilities	11,081,413	18,834,336	
Others current liabilities	33,934,825	44,236,249	
Accrued expenses	177,262,313	196,679,147	
II. LONG-TERM LIABILITIES			
Provision for severance benefits	276,303,510	199,523,937	
(Invested asset of retirement pension)	-276,303,510	-199,523,937	
<b>TOTAL LIABILITIES</b>	<b>408,641,649</b>	<b>374,889,853</b>	
<b>EQUITY</b>			
I. CAPITAL STOCK	3,000,000,000	3,000,000,000	
Capital stock	3,000,000,000	3,000,000,000	
II. RETAINED EARNINGS	4,301,881,371	3,736,219,960	
Unappropriated retained earnings	4,301,881,371	3,736,219,960	
<b>TOTAL EQUITY</b>	<b>7,301,881,371</b>	<b>6,736,219,960</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7,710,523,020</b>	<b>7,111,109,813</b>	



# BNK Credit Information \_ Statements of Income

## BNK CREDIT INFORMATION

(Unit: KRW)

Description	December 31, 2015	December 31, 2014	Remarks
I. SALES	3,220,247,473	2,783,441,369	
Debt collection fees	1,962,997,473	1,721,808,369	
Credit investigation fees	1,257,250,000	1,061,633,000	
II. SELLING AND ADMINISTRATIVE EXPENSES	2,593,812,507	2,278,716,030	
Salaries expenses	1,000,016,127	875,886,062	
Provision for severance benefits	165,510,091	114,637,106	
Employee benefits	118,018,891	105,969,852	
lunch money	20,938,525	15,105,322	
Prize money	160,000		
Night duty pay	2,500,000	2,460,000	
Travel expenses	5,765,731	7,637,940	
Advertising expenses	15,245,000	18,136,373	
Taxes and dues	20,254,340	18,770,068	
Business operating expense	41,615,440	23,767,636	
Communication expenses	108,630,053	107,875,525	
Electronic data processing expenses	23,187,263	52,230,845	
Event expenses	1,252,329	1,985,652	
Utility expenses	15,168,290	16,713,474	
Supplies expenses	11,432,726	9,737,429	
Subscription	4,641,950	3,686,060	
Publication expenses	3,887,641	3,346,263	
Registration and legal fees	1,186,900	1,247,360	
Repairs expenses		200,000	
Vehicles maintenance expenses	15,213,059	17,509,511	
Freight expenses and custody charges	131,773	198,546	
Rental expenses	16,629,898	7,534,699	
Service contract expenses	44,444,328	52,071,857	
Insurance premium	23,671,010	12,292,487	
Training Expenses		2,500,000	
Conference expenses	5,980,774	7,059,926	
Miscellaneous expenses	120,000	20,000	
Service fees	842,826,387	740,133,052	
Depreciation expenses	85,383,981	60,002,985	
III. OPERATING INCOME	626,434,966	504,725,339	
IV. NON-OPERATING REVENUES	115,335,722	157,459,794	
Interest income	113,529,247	157,414,869	
Gains on disposition of property and equipment	350,264		
Miscellaneous revenues	1,456,211	44,925	
V. NON-OPERATING EXPENSES	10,100,000	34,361,830	
Donations	10,100,000	10,100,000	
Loss on sale of marketable securities		24,261,830	
VI. GAIN BEFORE EXTRAORDINARY GAINS/LOSSES AND INCOME TAXES	731,670,688	627,823,303	
VII. EXTRAORDINARY GAINS			
VIII. EXTRAORDINARY LOSSES			
IX. EARNINGS BEFORE INCOME TAX	731,670,688	627,823,303	
X. INCOME TAX EXPENSE	166,009,277	140,309,536	
XI. NET INCOME	565,661,411	487,513,767	

## BNK System \_ Statements of Financial Position

### BNK SYSTEM

(Unit: KRW)

Description	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
I. CURRENT ASSETS	7,834,296,407	4,817,134,222
(1) Quick assets	7,834,296,407	4,817,134,222
1. Cash and cash equivalents	4,507,437,782	1,996,743,178
2. Short-term financial instruments	1,502,643,760	1,800,000,000
3. Trade receivables	1,731,767,883	930,857,091
4. Accrued revenues	1,771,810	14,402,626
5. Prepaid expenses	22,242,481	19,236,852
6. Deferred income tax assets	68,432,691	55,894,475
II. NON-CURRENT ASSETS	2,553,414,649	1,980,345,563
(1) Tangible assets	879,090,873	402,810,508
1. Vehicles	25,110,694	60,523,725
Accumulated depreciation	-23,018,137	-31,570,993
2. Lease assets facilities	184,520,547	179,127,820
Accumulated depreciation	-150,435,808	-113,531,699
3. Office equipment	1,301,976,805	581,353,696
Accumulated depreciation	-459,063,228	-273,092,041
(2) Intangible assets	238,282,819	170,867,855
1. Software	238,282,819	170,867,855
(3) Others	1,436,040,957	1,406,667,200
1. Leasehold deposits provided	1,433,000,000	1,406,667,200
2. Deferred income tax assets	3,040,957	-
<b>TOTAL ASSETS</b>	<b>10,387,711,056</b>	<b>6,797,479,785</b>
<b>LIABILITIES</b>		
I. CURRENT LIABILITIES	4,708,627,967	1,872,684,640
1. Trade payables	3,646,068,620	868,806,470
2. Other Payables	136,073,100	160,970,334
3. Advances from customers	178,210,000	-
4. Withholdings	53,383,552	125,287,314
5. Accrued Expenses	417,924,139	464,856,949
6. Value added tax withheld	276,968,556	252,763,573
II. NON-CURRENT LIABILITIES	103,874,968	88,716,603
1. Provision for severance benefits	1,456,618,810	1,005,259,915
Retirement pension asset	-1,352,743,842	-923,487,638
2. Deferred income tax liabilities	-	6,944,326
<b>TOTAL LIABILITIES</b>	<b>4,812,502,935</b>	<b>1,961,401,243</b>
<b>SHAREHOLDERS' EQUITY</b>		
I. CAPITAL STOCK	3,000,000,000	3,000,000,000
1. Common stock	3,000,000,000	3,000,000,000
II. CAPITAL ADJUSTMENT	-	-16,497,000
1. Discount on stock issuance	-	-16,497,000
III. RETAINED EARNINGS	2,575,208,121	1,852,575,542
1. Unappropriated retained earnings	2,575,208,121	1,852,575,542
<b>TOTAL EQUITY</b>	<b>5,575,208,121</b>	<b>4,836,078,542</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>10,387,711,056</b>	<b>6,797,479,785</b>

# BNK System \_ Statements of Income

## BNK SYSTEM

(Unit: KRW)

Description	December 31, 2015	December 31, 2014
I. SALES	38,009,723,417	17,028,284,984
1. Sales-merchandise	25,387,134,899	2,850,429,098
2. Sales-services	12,622,588,518	14,177,855,886
II. COST OF GOODS SOLD	35,335,688,206	14,825,301,039
1. Cost of merchandise sold	24,738,015,868	2,758,685,279
2. Cost of Service sold	10,597,672,338	12,066,615,760
III. GROSS PROFIT	2,674,035,211	2,202,983,945
IV. SELLING AND ADMINISTRATIVE EXPENSES	1,770,756,818	1,326,215,498
1. Salaries expenses	639,656,607	605,814,173
2. Provision for severance benefits	97,849,983	86,006,785
3. Employee benefits	230,310,285	217,414,748
4. Travel expenses	5,393,604	2,457,604
5. Entertainment expenses	21,522,970	20,796,400
6. Communication expenses	25,064,804	22,661,086
7. Utility expenses	21,673,350	20,457,630
8. Taxes and dues	15,185,454	11,736,720
9. Service fees	25,568,654	8,804,280
10. Depreciation expenses	144,981,709	76,293,591
11. Amortization expenses on intangible assets	44,738,133	30,963,489
12. Repairs expenses	2,097,419	1,925,000
13. Insurance premium	999,712	947,777
14. Vehicles maintenance expenses	27,860,147	11,814,904
15. Conference expenses	2,494,947	515,369
16. Training expenses	3,006,134	2,413,997
17. Publication expenses	10,353,785	5,536,525
18. Supplies expenses	26,157,520	16,530,335
19. Advertising expenses	3,325,273	7,635,973
20. Service contract expenses	422,516,328	175,489,112
V. OPERATING INCOME	903,278,393	876,768,447
VI. NON-OPERATING REVENUES	66,112,905	76,544,029
1. Interest income	65,998,693	76,365,498
2. Gains on disposition of property and equipment	22,833	-
3. Miscellaneous revenues	91,379	178,531
VII. NON-OPERATING EXPENSES	11,085,005	12,053,042
1. Donations	11,085,000	12,053,030
2. Miscellaneous losses	5	12
VIII. EARNINGS BEFORE INCOME TAX	958,306,293	941,259,434
IX. INCOME TAX EXPENSE	219,176,714	216,983,000
X. NET INCOME	739,129,579	724,276,434
XI. EARNINGS PER SHARE		
1. Basic and diluted net earnings per share	1,232	1,207

# Performance Data of Sustainability Management

## G4.11 Labor union subscription rate

(Unit: %)

Type	2013	2014	2015
Busan Bank	99.60	99.57	98.31
Kyongnam Bank	-	99.88	99.80

\* BNK Financial Holdings, BNK Investment and Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information and BNK System run a labor-management council where the same number of representatives from the labor and the management are subscribed

## G4.11 Number of times labor union meetings were held

(Unit: times)

Type	2013	2014	2015
Busan Bank	-	-	4
Kyongnam Bank	-	-	4

## EC.03 Status of managing retirement benefits

(Unit: KRW 100 million, persons)

Type	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Securities	BNK Capital	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
Date of account opening	2011.05.19	2010.07.30	2010.06.30	2007.11.26	2011.11.28	2013.03.29	2013.12.19	2007.11.12	2013.11.12
Amount under management	51	2,064	1,130	30	38	6	0	3	13
Number of subscribers	87	3,180	2,620	74	0	99	0	15	117
Number of subscribers	0	0	2	51	0	0	29	0	0

## EC.05 Wage of new employees compared to the minimum age

(Unit: KRW, %)

Type	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Securities	BNK Capital	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
Statutory wage of new employees_hourly wage	5,580	5,580	5,580	5,580	5,580	5,580	5,580	5,580	5,580
Wage of new employees_hourly wage (men)	20,925	20,925	14,795	13,955	13,157	11,364	18,229	11,660	11,973
Wage of new employees_hourly wage (women)	14,050	14,050	14,024	13,158	9,569	8,772	18,229	9,273	10,292
Rate compared to the minimum wage (women)	375	375	265	250	236	204	327	209	215
Rate compared to the minimum wage (men)	252	252	251	236	171	157	327	166	184

## EC.06 Number of employees dispatched and recruited abroad

(Unit: persons)

Type	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Securities	BNK Capital	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
Total									
Number of employees dispatched abroad	0	6	0	0	9	0	0	0	0
Number of local employees abroad	0	17	0	0	133	0	0	0	0
Number of local managers abroad	0	0	0	0	16	0	0	0	0

## EN1. Materials used by weight or volume

(Unit: ton, calculating the weight (11.7kg per box))

Amount of copy paper purchased	2013	2014	2015	Scope of Date
BNK Financial Group	3	3	4	As for the purchasing amount at the head branch
Busan Bank	46	49	257	As for the purchasing amount at the head branch
Kyongnam Bank			40	As for the purchasing amount at the head branch
BNK Securities	2	1	1	As for the purchasing amount at the head branch
BNK Capital	9	10	6	As for the purchasing amount at the head branch
BNK Savings Bank	0	7	13	As for the purchasing amount at the head branch
BNK Asset Management			1	As for the purchasing amount at the head branch
BNK Credit Information	2	1	1	As for the purchasing amount at the head branch
BNK System	1	1	1	As for the purchasing amount at the head branch
Total	63	104	325	

### EN3. Energy consumptions within the organization

### EN4. Energy consumption outside the organization

(Unit: TJ)

Type	2013	2014	2015	Remarks
Amount of direct energy consumed	10	22.83	366.19	
Amount of diesel	0	0.39	0.00	
Amount of LNG	1	10.31	304.77	Buildings for city gas (Amount of LNG)
Amount of boiler oil			0.41	Add new energy consumption standards
Amount of LPG	0	0.56	0.00	
Amount of gasoline for vehicles	9	11.35	50.69	
Amount of diesel for vehicles			9.58	
Amount of LPG for vehicles	0	0.24	0.77	
Amount of indirect energy consumed (electricity)	89	126.83	555.94	Buildings for electricity usage
Total amount of energy consumed	99	149.66	922.17	

### EN8. Total water withdrawal by source

### EN22. Total water discharge by quality and destination

(Unit: m<sup>3</sup>)

Surface water	2013	2014	2015
BNK Financial Group	1,815	1,144	1,979
Busan Bank	20,632	23,627	168,933
Kyongnam Bank		18,892	52,320
BNK Securities	1,437	1,334	1,373
BNK Capital	1,573	1,461	2,394
BNK Savings Bank	486	491	2,094
BNK Asset Management			680
BNK Credit Information	344	291	10,023
BNK System	17,820	307	412
Total	44,107	47,547	240,208

### EN23. Total weight of waste by type and disposal method

#### a. General wastes (commissioned waste disposal company)

(Unit: ton)

Type	2013	2014	2015
Busan Bank		131	278
Kyongnam Bank	21	15	15
BNK Savings Bank			1
BNK Credit Information		7	7
BNK System		1	1

#### b. Commercial wastes (If there is the genesis of the renovated building)

(Unit: ton)

Type	2013	2014	2015
Busan Bank		410	289
Kyongnam Bank	8	164	185

### EN29. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

(Unit: cases)

Type	Activities	2015	Remarks
Environmental laws and regulations	Number of violating environmental laws and regulations	0	N/A

### EN31. Total environmental protection expenditures and investments

(Unit: KRW)

Type	Division	2015	
		Activities	Estimated amount
Busan Bank	Maximization of efficiency in utilizing energy	Reduced energy consumption by installing LED lighting and high luminance lamp in bank headquarters and stores (a total of 4,600)	448,000,000 (Including labor costs)
	Energy saving machinery and equipment	Installing of energy saving machinery and equipment (Electric car - a total of 1)	19,641,385
Kyongnam Bank	Maximization of efficiency in utilizing energy	Reduced energy consumption by installing LED lighting and high luminance lamp in bank headquarters and stores (a total of 8,456)	708,303,040 (Including labor costs)
	Energy saving machinery and equipment	Installing of energy saving machinery and equipment (Electric car - a total of 4)	81,725,200



# Performance Data of Sustainability Management

## EN15. Direct greenhouse gas (GHG) emissions

## EN16. Indirect greenhouse gas (GHG) emissions

## EN17. Other indirect greenhouse gas (GHG) emission

(Unit: tCO<sub>2</sub>eq)

Type	2013	2014	2015	
BNK Financial Group	Direct Emissions (Scope1)	49	87	74
	Indirect Emissions (Scope2)	102	95	154
	Other Indirect Emission (Scope3)	5	5	18
Busan Bank	Direct Emissions (Scope1)	351	444	16,013
	Indirect Emissions (Scope2)	3,686	3,840	17,418
	Other Indirect Emission (Scope3)	18	16	33
Kyongnam Bank	Direct Emissions (Scope1)		730	2,529
	Indirect Emissions (Scope2)		1,653	7,440
	Other Indirect Emission (Scope3)		41	165
BNK Securities	Direct Emissions (Scope1)	26	128	40
	Indirect Emissions (Scope2)	100	86	105
	Other Indirect Emission (Scope3)	8	21	48
BNK Capital	Direct Emissions (Scope1)	113	74	819
	Indirect Emissions (Scope2)	171	194	1,432
	Other Indirect Emission (Scope3)	14	11	62
BNK Savings Bank	Direct Emissions (Scope1)	41	34	83
	Indirect Emissions (Scope2)	137	170	315
	Other Indirect Emission (Scope3)	3	1	7
BNK Asset Management	Direct Emissions (Scope1)			16
	Indirect Emissions (Scope2)			17
	Other Indirect Emission (Scope3)			5
BNK Credit Information	Direct Emissions (Scope1)	16	17	17
	Indirect Emissions (Scope2)	59	54	49
	Other Indirect Emission (Scope3)	1	1	1
BNK System	Direct emissions (Scope1)	26	27	29
	Indirect emissions (Scope2)	68	68	71
	Other indirect emission (Scope3)	1	1	3
Total	Direct Emissions (Scope1)	621	1,541	19,621
	Indirect Emissions (Scope2)	4,322	6,160	27,001
	Other Indirect Emission (Scope3)	49	95	340

## EN4. Energy consumption outside the organization

## EN17. Other indirect greenhouse gas (GHG) emission (SCOPE3)

## EN30. Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce

### Scope3 (Other indirect emissions)

(Unit: tCO<sub>2</sub>eq)

Type		2015	tCO <sub>2</sub> eq	Scope of Data
Business trip	Airline (domestic)	1,572,496 km	105.27	BNK Financial Group, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information, BNK System
	Railroad	4,031,579 km	121.05	BNK Financial Group, Busan Bank, Kyongnam Bank, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information, BNK System
	Bus + Vehicle	779,218 km	113.95	Kyongnam Bank, BNK Capital, BNK Credit Information
Product and service purchase	Printing paper	27,817 Box		BNK Financial Group, Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information, BNK System
	Credit card	571,615		Busan Bank
	Savings account	3,012,285		Busan Bank, BNK Savings Bank
Capital goods	Laptop	118		BNK Capital, BNK Savings Bank
	PC desktop	145		BNK Financial Group, BNK Savings Bank
	Monitor	183		BNK Financial Group, BNK Savings Bank
	Printer	31		BNK Financial Group, BNK Savings Bank
	LED light (50W)	13,056		Busan Bank, Kyongnam Bank
	Credit card waste	0 kg		
	Savings account waste	1,470 kg		BNK Savings Bank
Waste	General waste (incinerated)	133,747 kg		Busan Bank
	General waste (buried)	144,348 kg		Busan Bank
	Poor building waste (If there is the genesis of the renovated building)	474 ton		Busan Bank, Kyongnam Bank
	Recycled waste (paper)	0 kg		
	Recycled waste (Styrofoam)	0 kg		
	Recycled waste (glass)	0 kg		
	Recycled waste (plastic)	0 kg		

\*The scope of reporting on data in 2013 and 2014, and the one in 2015 are different due to changes in the scope and criteria in data collection in the course of integrating data within the Group's environment by setting up an environmental data management system for the Group.

## LA.01 Current status of employees

(Unit: persons)

Type	2013				2014				2015			
	Total number of employees	Number of regular employees (excluding executives)	Number of contract-based employees (excluding executives)	Number of executives	Total number of employees	Number of regular employees (excluding executives)	Number of contract-based employees (excluding executives)	Number of executives	Total number of employees	Number of regular employees (excluding executives)	Number of contract-based employees (excluding executives)	Number of executives
BNK Financial Group	Men 54 Women 7 Total 61	40 6 46	6 1 7	8 0 8	53 7 60	42 6 48	8 1 9	3 0 3	58 6 64	41 5 46	9 1 10	8 0 8
Busan Bank	Men 1,726 Women 1,545 Total 3,271	1,579 1,384 2,963	135 161 296	12 0 12	1,752 1,622 3,374	1,573 1,435 3,008	161 187 348	18 0 18	1,794 1,761 3,555	1,604 1,561 3,165	185 200 385	5 0 5
Kyongnam Bank	Men 1,211 Women 1,098 Total 2,309	1,081 957 2,038	112 141 253	18 0 18	1,335 1,172 2,507	1,197 1,023 2,220	118 149 267	20 0 20	1,423 1,270 2,693	1,292 1,103 2,395	125 167 292	6 0 6
BNK Securities	Men 119 Women 46 Total 165	70 36 106	44 10 54	5 0 5	124 43 167	78 37 115	43 6 49	3 0 3	128 45 173	86 38 124	37 7 44	5 0 5
BNK Capital	Men 247 Women 138 Total 385	188 47 235	56 91 147	3 0 3	340 169 509	219 72 291	118 97 215	3 0 3	367 184 551	247 88 335	112 96 208	8 0 8
BNK Savings Bank	Men 71 Women 36 Total 107	61 26 87	5 10 15	5 0 5	72 31 103	61 21 82	6 10 16	5 0 5	74 33 107	61 22 83	7 11 18	6 0 6
BNK Asset Management	Men - Women - Total -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	22 11 33	13 11 24	5 0 5	4 0 4
BNK Credit Information	Men 18 Women 3 Total 21	4 3 7	13 0 13	1 0 1	20 3 23	4 3 7	14 0 14	2 0 2	22 3 25	3 2 5	15 1 16	4 0 4
BNK System	Men 108 Women 9 Total 117	91 6 97	14 3 17	3 0 3	116 10 126	98 7 105	14 3 17	4 0 4	119 11 130	106 8 114	9 3 12	4 0 4

## LA.01 Number of new employees and retirees

(Unit: persons)

Type	2013		2014		2015	
	Number of new employees	Number of retirees	Number of new employees	Number of retirees	Number of new employees	Number of retirees
BNK Financial Group	0	0	0	1	3	3
Busan Bank	200	58	135	60	234	34
Kyongnam Bank	35	51	106	30	235	62
BNK Securities	13	12	7	17	22	14
BNK Capital	160	55	180	97	181	145
BNK Savings Bank	20	21	20	24	18	20
BNK Asset Management	1	6	2	2	11	14
BNK Credit Information	7	3	7	5	9	8
BNK System	37	7	19	11	19	7

## LA.03 Current status of using childcare leave

(Unit: persons)

Type	Number of workers who used childcare leave in 2015			Number of workers who returned to work after childcare leave in 2015			Number of workers who have worked for one year or higher after returning to work from childcare leave by December 31, 2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
BNK Financial Group	0	0	0	0	0	0	0	0	0
Busan Bank	0	125	125	0	93	93	0	91	91
Kyongnam Bank	0	167	167	0	82	82	0	77	77
BNK Securities	0	5	5	0	3	3	0	0	0
BNK Capital	0	3	3	0	3	3	0	0	0
BNK Savings Bank	0	5	5	0	1	1	0	2	2
BNK Asset Management	0	1	1	0	1	1	0	1	1
BNK Credit Information	0	0	0	0	0	0	0	0	0
BNK System	0	2	2	0	1	1	0	0	0

## LA.06 Number of total absence days due to disease and injury

(Unit: persons, days)

Type	2013		2014		2015	
	Number of absent days due to disease and injury (excluding leave)	Number of absent days due to disease and injury occurrence while working	Number of absent days due to disease and injury (excluding leave)	Number of absent days due to disease and injury occurrence while working	Number of absent days due to disease and injury (excluding leave)	Number of absent days due to disease and injury occurrence while working
BNK Financial Group	68	70	53	95	0	0
Busan Bank	1,385	808	1,276	480	1,033	457
Kyongnam Bank	404	615	970	987	774	627
BNK Securities	0	0	9	0	0	0
BNK Capital	0	0	80	0	66	0
BNK Savings Bank	0	0	90	92	0	0
BNK Asset Management	-	-	-	-	0	0
BNK Credit Information	0	0	0	0	8	25
BNK System	0	0	4	0	0	0

# Performance Data of Sustainability Management

## LA.09 Cost and hours for training per employee

(Unit: KRW 10,000, hours/individual)

Type	Training cost per individual			Training hours per individual		
	2013	2014	2015	2013	2014	2015
BNK Financial Group	40	27	58	16	10	20
Busan Bank	56	73	83	135	153	137
Kyongnam Bank	76	35	62	92	59	92
BNK Securities	10	36	7	25	24	17
BNK Capital	28	16	32	12	15	20
BNK Savings Bank	16	17	20	25	25	30
BNK Asset Management	-	-	9	-	-	15
BNK Credit Information	0	0	0	6	6	6
BNK System	33	47	45	59	80	108

## LA.11 Rate of conducting employees' performance evaluation

(Unit: persons, %)

Type	2013			2014			2015		
	Number of employees who are subject to evaluation	Total number of employees	Rate of performance evaluation	Number of employees who are subject to evaluation	Total number of employees	Rate of performance evaluation	Number of employees who are subject to evaluation	Total number of employees	Rate of performance evaluation
BNK Financial Group	53	61	87	57	60	95	55	56	98
Busan Bank	2,661	3,271	81	2,663	3,374	79	2,873	3,550	80
Kyongnam Bank	2,056	2,309	89	2,193	2,507	87	2,458	2,687	91
BNK Securities	121	165	73	136	167	81	142	168	85
BNK Capital	340	385	88	391	509	77	467	543	86
BNK Savings Bank	97	107	91	93	103	90	96	101	95
BNK Asset Management	-	-	-	-	-	-	29	29	100
BNK Credit Information	-	21	-	-	23	-	8	21	38
BNK System	107	117	91	107	126	85	109	126	87

## SO.03 Number of business sites where corruption risks were evaluated

(Unit: sites)

Type	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Securities	BNK Capital	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System	Total
Total number of business sites (HQ, sales offices, branches)	1	272	169	5	23	7	1	1	1	480
Number of business sites where corruption risks analysis (diagnosis) took place	1	204	162	4	23	7	1	1	1	404

## SO.05 Identified corruption cases and actions taken

Kyongnam Bank	<ul style="list-style-type: none"> <li>Acts of negligence of employees (arbitrary cancellation of fix collateral for self-owned collateralized real estate): compensation to be made by individuals who caused such incidences (disciplinary dismissal), disciplinary measures on related employees and strengthening internal control</li> <li>Inspection of internal and external compliance by visiting all business sites over twice year, and local guidance and implementation of corrective measures on weaknesses as a result of inspection <ul style="list-style-type: none"> <li>Non-thoroughness in managing critical sheets: related employees subject to disciplinary measures</li> <li>Non-compliance with the other operation handling procedure: reminding to be cautious about using the name of the president of the bank by related employees and taking actions to remind of such cautiousness</li> </ul> </li> </ul>
BNK Capital	<ul style="list-style-type: none"> <li>Adequacy inspection on Hanil World-related rental business: making improvement with cautiousness in management, and implementing disciplinary dismissal</li> <li>Inspection by the Financial Supervisory Service (November 19 ~ December 4, 2015): notifying of actions to be taken based on inspection results (slated for May 2016)</li> </ul>

## SO.08 Sanctions and fines for legal and regulatory violations

(Unit: cases, KRW million)

Type	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Securities	BNK Capital	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
Number of sanctions imposed	0	0	1	0	0	0	0	0	0
Amount of fines	0	0	40	0	0	0	0	0	0
Kyongnam Bank	<ul style="list-style-type: none"> <li>Imposing administrative penalties on violations of the obligation to explain financial investment products</li> <li>Institutional sanctions (caution) against the occurrence of vault cash embezzlement, management of vault cash in branches and non-thoroughness in internal control operations</li> </ul>								

# Assurance Statement on GHG Emissions

## Introduction

DNV GL Business Assurance Korea Ltd. ("DNV GL") was commissioned by BNK FNC Group to verify the BNK FNC Group's Greenhouse Gas Inventory Report for the calendar year 2015 ("the report") based upon a limited level of assurance. BNK FNC Group is responsible for the preparation of the GHG emissions data on the principles set out in ISO 14064-1:2006. Our responsibility in performing this work is to the management of BNK FNC Group only and in accordance with terms of reference agreed with them. DNV GL expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

## Scope of Assurance

The emissions data covered by our examination comprise Direct emissions (Scope 1), Energy indirect emissions (Scope 2), and Other indirect emissions (Scope 3) from the BNK FNC Group boundary;

- GHG emissions under verification: GHG emissions from 2015
- Organizational boundary: BNK FNC Group (BNK Financial Group Inc., Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Asset Management, BNK Savings Bank, BNK Credit Information, BNK System)

## Verification Approach

The verification has been conducted by DNV GL from May through June 2016 and performed in accordance with the verification principles and tasks outlined in ISO 14064-3:2006. We planned and performed our work so as to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion with 5% materiality level, concerning the completeness of the emission inventory as well as the reported emission figures in ton CO<sub>2</sub> equivalent. As part of the verification process:

- We have reviewed and verified the BNK FNC Group's Greenhouse gas Management System and inventory tool
- We have reviewed and verified the process to generate, aggregate and report the emissions data

## Conclusions

Based on the above verification core elements, it is DNV GL opinion that the data and the information reported in the GHG assertion are free of errors, omissions and misrepresentations providing a fair and balanced quantification, in compliance to the above reported verification criteria. The GHG Emissions of BNK FNC Group for the year 2015 were confirmed as below;

### Greenhouse Gas Emissions of BNK FNC Group from Yr 2015

(Unit: ton CO<sub>2</sub> equivalent.)

BNK FNC Group	Direct emissions (Scope 1)	Energy indirect emissions (Scope 2)	Other indirect emissions (Scope 3)	Total emissions
Year 2015	19,621	27,001	340	46,962

※ In order to report the GHG emissions as an integer, the rounded number on the statement might be different from the number on the system with  $\pm 1$  tCO<sub>2</sub>.

※ Total emissions = Scope 1 + Scope 2 + Scope 3

10<sup>th</sup> June 2016

**Se-Hee Park**  
Lead Verifier

**In-Kyoon Ahn**  
Country Manager

DNV GL Business Assurance Korea Ltd

## Appendix I

Based on the verification, the details of GHG emissions from BNK FNC Group are as below;

### Greenhouse Gas Emissions of BNK FNC Group from Yr 2015

(Unit: ton CO<sub>2</sub> equivalent.)

BNK FNC Group	Direct emissions (Scope 1)	Energy indirect emissions (Scope 2)	Other indirect emissions (Scope 3)	Total emissions
BNK Financial Group Inc.	74	154	18	246
Busan Bank	16,013	17,418	33	33,464
Kyongnam Bank	2,529	7,440	165	10,134
BNK Securities	40	105	48	193
BNK Capital	819	1,432	62	2,313
BNK Savings Bank	83	315	7	405
BNK Asset Management	16	17	5	38
BNK Credit Information	17	49	1	68
BNK System	29	71	3	103

※ In order to report the GHG emissions as an integer, the rounded number on the statement might be different from the number on the system with  $\pm 1$  tCO<sub>2</sub>.

This Assurance Statement is valid as of the date of the issuance (10th June 2016). Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of BNK FNC Group is subsequently brought to our attention. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

## Third - Party Assurance Report

### Introduction

BNK Financial Group, Inc. (hereinafter referred to as "BNK Financial Group") commissioned DNV GL Business Assurance Korea Ltd. (hereinafter referred to as "DNV GL"), part of DNV GL Group, to undertake independent assurance of the 'BNK Financial Group Sustainability Report 2015' (the "Report"). The directors of BNK Financial Group have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of BNK Financial Group in accordance with the terms of reference. DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

### Scope of assurance

The scope of assurance included a review of sustainability activities and performance data over the reporting period 1<sup>st</sup> January to 31<sup>st</sup> December 2015. This included:

- Evaluation of the principles for defining the sustainability report content in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 4.0
- Verification of disclosures to check the Report is prepared 'In accordance' with the GRI Guidelines G4 (Core option) (Verification on aggregated level of data and activities that refers to the period between January and December in 2015)
- Evaluation of the process for determining material aspects for reporting and the management approach to material issues and the process for generating, gathering and managing the quantitative and qualitative data in the Report.

### Basis of our opinion

We performed our work using DNV GL's assurance methodology VeriSustain<sup>TM1</sup>, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We applied the limited level of assurance. The audit was carried out in May and June 2016. The site visits were made to BNK Financial Group. We undertook the following activities as part of the assurance process:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system and associated reporting systems as they relate to selected content and performance data;
- reviewed the outcomes of the materiality assessment report.

### Limitations

The engagement excludes the sustainability management, performance and reporting practices of BNK Financial Group's suppliers, contractors and any third-parties except for BNK subsidiaries (Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information and BNK System) mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as BNK Financial Group's website (<http://www.bnkfg.com/01/01.jsp>). These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

TM1) The VeriSustain protocol is available upon request at [www.dnvgl.com/assurance/reporting/verification.html](http://www.dnvgl.com/assurance/reporting/verification.html)



### Opinion and Observation

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly describe the adherence to the Principles for defining report content in GRI G4 nor is prepared 'in accordance' with GRI G4 Core option. Further opinions with regards to the adherence to the following Principles are made below;

### Stakeholder Inclusiveness

BNK Financial Group has identified internal and external stakeholder groups such as a group of customers, a group of employees, a group for shared growth, a policy supervision group and the media environment group. The report presents the engagement policy and major expectations of respective stakeholder groups and communication processes. Stakeholder engagement process has been managed by selected business units or functions but it is recommended to be applied across the organization at the corporate level to maintain consistent approach.

### Sustainability Context

BNK Financial Group's key policy, activities and performances are partially addressed in the report with justification of selecting material aspects reported and business risk and opportunity.

BNK Financial Group, operating in a diverse range of sector, sizes and locations, needs to consider how to ensure its subsidiaries' sustainability performances can be integrated into group's performance so that overall sustainability performances of BNK Financial Group can be evaluated and subsequently reported in the broader sustainability context.

### Materiality

The Report presents the material assessment process and outcomes of selected material issues. The relevant issue pool was derived from internal (sustainable management issue) and external sources (GRI G4, ISO 26000, FTSE4GOOD, industry specific index (DJSI), media research, and analysis of peer group reports). Material issues were prioritized with two aspects, the business impact and stakeholder interest which are rated through the internal & external stakeholder survey including sustainability expert opinion. Audit team evaluated that the material issues were selected in accordance with BNK Financial Group's procedure.

### Completeness

The audit team has not noted that the material information is intentionally omitted that may influence the decision making process of stakeholders during the engagement. The Report covers sustainability aspects of economic, environmental and social impacts for the reporting period.

### Accuracy and Reliability

Any errors and misstatements identified during the engagement were corrected prior to the Report being published. Based on the sampling check and the evidence provided by BNK Financial Group, the audit team observed that the data and information described in the Report are accurate and reliable in general, however the accuracy and reliability can be more improved by regular internal monitoring and verification on the environmental data and information such as greenhouse gas emissions.

### Competence and Independence

DNV GL Business Assurance is part of DNV GL Group and a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. Our environmental and social assurance specialists are present in over 100 countries. The assurance work was performed by independent team which meets DNV GL's competence requirements. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.



3 June 2016  
Seoul, Republic of Korea

A handwritten signature in black ink, appearing to read "In-Kyoon Ahn".

**In-Kyoon Ahn**  
Country Representative  
DNV GL Business Assurance Korea Ltd.

# GRI Guideline Index

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## SpecificZ Standard Disclosures

### Economics

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### Environments

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<b>Biodiversity DMA (Disclosures on Management Approach)</b>			-
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas	SDG.06, SDG.14, SDG.15	Not applicable
G4-EN12	Description of significant impacts of activities, products, and services on Biodiversity	SDG.06, SDG.14, SDG.15	Not applicable
G4-EN13	Habitats protected or restored	SDG.06, SDG.14, SDG.15	Not applicable
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	SDG.06, SDG.14, SDG.15	Not applicable
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G4-EN30	Significant environmental impacts of transporting products and other goods and materials off the organization's operations, and transporting members of the workforce	SDG.11, SDG.12, SDG.13	120
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G4-EN31	Total environmental protection expenditures and investments by type	SDG.07, SDG.09, SDG.12, SDG.13, SDG.14, SDG.15, SDG.17	119
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G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken		-
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## Labor

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<b>Occupational Health and Safety DMA (Disclosures on Management Approach)</b>			58-59
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<b>Training and Education DMA (Disclosures on Management Approach)</b>			52-53
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G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	SDG.08	55
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	SDG.05, SDG.08	122
<b>Diversity and Equal Opportunity DMA (Disclosures on Management Approach)</b>			58-59
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G4-LA14	Percentage of new suppliers that were screened using labor practice criteria	SDG.05, SDG.08, SDG.16	-
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<b>Labor Practices Grievance Mechanisms DMA (Disclosures on Management Approach)</b>			58-59
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## Product Responsibility

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G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	SDG.16	Not applicable
<b>Product and service labeling DMA (Disclosures on Management Approach)</b>			-
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G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	SDG.16	122
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G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	SDG.16	-
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G4-FS5	Interaction between customers, investors and business partners in association with environmental and social risks and opportunity elements	SDG.10	40-43
G4-FS6	Percentage of the portfolio for business lines by specific region, size and by sector	SDG.01, SDG.08, SDG.09	7
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G4-FS9	Scope and frequency of the application of audits that assess the implementation of environmental and social policies and risk assessment process	SDG.10	-
G4-FS10	Ratio of assets subject to environmental and social reviews among that have incorporated portfolios of financial institutions	SDG.10	-
G4-FS11	Ratio of assets subject to environmental and social reviews through both positive and negative methods	SDG.10	-
G4-FS12	Measures on decision-making of shareholders on environmental and social issues within the scope where reporting agencies have the influence in making decisions		-
<b>Communities DMA (Disclosures on Management Approach)</b>			30-31
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G4-FS14	Initiatives to improve access to financial services for the underprivileged	SDG.01, SDG.08, SDG.10	31, 39, 73
<b>Product and Service Labeling DMA (Disclosures on Management Approach)</b>			30-31
G4-FS15	Policies on fair design and sales of financial products and services	SDG.10	28
G4-FS16	Initiatives to intensify financial knowledge (education) by recipient type	SDG.01, SDG.08, SDG.10	37

## Sustainable Development Goals (SDGs) - 17 goals

SDG 01	No Poverty	SDG 07	Affordable and Clean Energy	SDG 13	Climate Action
SDG 02	Zero Hunger	SDG 08	Decent Work and Economic Growth	SDG 14	Life below Water
SDG 03	Good Health and Well-Being	SDG 09	Industry Innovation and Infra	SDG 15	Life on Land
SDG 04	Quality Education	SDG 10	Reduced Inequalities	SDG 16	Peace, Justice and Strong Institutions
SDG 05	Gender Equality	SDG 11	Sustainable Cities and Communities	SDG 17	Partnerships for the Goals
SDG 06	Clean Water and Sanitation	SDG 12	Responsible Consumption & Production		



# BNK Financial Group History

## 2011.03.15

Launching BS Financial Holdings Co., Ltd. (launching a holding company for the first time among regional banks)  
Busan Bank Co., Ltd., BS Capital Co., Ltd., BS Investment and Securities Co., Ltd., BS Credit Information Co., Ltd.  
Establishing BS Financial Holdings through comprehensive stock transfer

## 2011.05.20

Incorporating BS Information System Co., Ltd. as a subsidiary

## 2011.12.28

Incorporating BS Savings Bank Co., Ltd. as a subsidiary

## 2012.07.05

Winning the 2012 Korea Global CEO  
(social contribution sector)

## 2012.09.27

Selected as the Socially Responsible Management Company for Coexistence in 2012

## 2013.02.14

Selected as Korea's Most Influential CEO in 2013

## 2013.06.26

Winning the Grand Prize at Korea's Creative Economic Leader Award (win-win management sector)

## 2013.08.14

Se Whan Sung appointed as the second chairman of BS Financial Holdings Co., Ltd.

## 2013.11.27

Winning the 2013 Korea's Best Entrepreneur  
(creative management sector)

## 2013.12.31

Kyongnam Bank Co., Ltd. selected as the preferred bidder in takeover

## 2014.01.21

Signing a win-win agreement for regional finance development with Kyongnam Bank Co., Ltd.

## 2014.03.07

KBSC (Cambodia) MSI PLC Capital  
Establishing a subsidiary in Cambodia (grandchild company)

## 2014.03.21

BS Capital Myanmar Co., Ltd.  
Establishing a subsidiary in Myanmar (grandchild company)

## 2014.07.15

Conducting the first capital increase with consideration (KRW 514.6 billion)

## 2014.09.24

Winning the Grand Prize at the Money Today's IR Award

## 2014.10.10

Incorporating Kyongnam Bank Co., Ltd. as a subsidiary (equity ratio: 56.97%)

## 2015.01.22

Selected as Korea's Most Influential CEO in 2015

## 2015.02.24

Winning the FSC Presidential Prize at the 2015 Korea's Best Banker Award

## 2015.03.30

Registering the corporate name (BNK Financial Holdings Co., Ltd.)

## 2015.04.20

Launching ceremony of BNK Financial Group's Professional Golf Team

## 2015.04.24

BS Capital Lao Leasing Co., Ltd Capital  
Establishing a subsidiary in Laos (grandchild company)

## 2015.06.04

Completely incorporating Kyongnam as a subsidiary (equity ratio after stock exchange: 100%)

## 2015.06.15

BNK Financial Group's CI unveiling ceremony and character declaration ceremony

## 2015.07.28

Incorporating BNK Asset Management Co., Ltd. as a subsidiary

## 2015.09.10

Newly incorporated into the Asia-Pacific section of the Dow Jones Sustainability Index) Asia-Pacific in 2015

## 2015.09.14

Selected as one of the world's top 250 safest banks selected by 'The Banker', a global financial monthly magazine  
Ranking 178<sup>th</sup> (3rd among domestic financial institutions)

## 2016.01.27

Conducting the second capital increase with consideration (KRW 472.5 billion)





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