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BS Financial Group Sustainability Report 2013



BS Financial Group  
Sustainability Report  
2013

# Happiness with You





Happiness  
with You

 BS Financial Group

# About This Report

## Report Outline

At BS Financial Group, we are striving to contribute to the healthy development of our society based on continuous development and possibilities for local communities. In addition to financial performance achieved, we aim to achieve non-financial performance that takes into consideration of social and environmental factors, while also disclosing the results transparently to create a communication space with our stakeholders. As the second Sustainability Report published under the name of BS Financial Group, the report provides easy and convenient access to an overview of BS Financial Group's sustainable future.

## Guidelines

This report has been prepared in accordance with the GRI G3.1 Guidelines, the international guidelines for sustainability reports, and the GRI G4, the next-generation standard for basic directions, including the structure of the report, etc. In order to verify whether the report has been drawn up based on the reliability of performance data and appropriate writing process, the third-party assurance has been conducted in accordance with the requirements of VeriSustain by DNV GL as a neutral verification body, which are available on pages 108~109.

## Others

### Reporting Period

The data of this report covers the period from January 2013 to December 2013. The activities until June 2014 have been included in the major fields of economy, environment and society. In case of quantitative performance, the data for the last three years from 2011 has been provided to understand trend changes and improve comparability.

### Reporting Scope

The reporting scope of the report is the same as in the previous year, covering the head offices and branches of six affiliates, including BS Financial Group Inc. The financial information applied K-IFRS, and the environmental information based on the performance of head offices of BS Financial Group Inc. and its affiliates. In case of some quantitative data and performance indicators, there is a difference compared to the previous year's report results because of changes in evaluation standards and adjustments of data collection scope.

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## We will make the world a happy place through our corporate slogan of 'Happy Finance'.

Since the establishment of Busan Bank in 1967, the company has grown together with local communities to be founded as BS Financial Group in 2011, and developed into Korea's representative regional financial group with six affiliates in just three short years.

In particular, after Kyongnam Bank is incorporated as a group affiliate in October 2014, we plan to become a global super regional financial group which is among Asia's top 30 and one of the top 100 global financial groups by 2020 based on the realization of economies of scale, through seeking new growth opportunities and expanding non-banking sector businesses.

BS Financial Group, which is growing with continuous love and support of customers and local communities, has established 'Happy Finance Shared with Others by Sharing' as the group's management slogan, to focus all its abilities on developing and implementing BS's own specialized corporate social responsibilities (CSR).

The scheme of 'Happy Finance', which has been implemented since 2012, involves taking the lead in making the world a happy place through in management based on profit sharing. It has become the group's key implementation program that cannot be ignored no matter how difficult the financial environment is.

As a result of continuously implementing 'Happy Finance' with story and affection, we received the Korea Donation for Education Award, the Busan Education Mecenat Towers and the Top Ten Korea Cultural Sponsorship Corporation Award in recognition of our contributions made in various programs. We received favorable comments at home and abroad for opening a new prospect in CSR activities.

Furthermore, BS Financial Group is maintaining excellent levels of major management indicators compared to other financial holding companies, by achieving KRW 51.13 trillion of total assets and KRW 304.5 billion of net income despite the difficult financial environment last year. These financial achievements were possible due to the long years of trust built between BS Financial Group and its customers and local communities.

BS Financial Group has made its own differentiated value for sustainable growth, to transcend the regional limitation and emerge as a global financial group. In order to achieve this, we have selected and will execute the following tasks :

Firstly, we will expand the group's sustainable growth foundation, implementing the ideology of management that aim to take the right path. We will enter into overseas markets, mainly in the Southeast Asian region with high growth potential for banks and capitals. As the holding company, we will establish a balanced business portfolio to acquire the group's new growth engine, ensuring that there is no negligence regarding the protection of financial consumers and the implementation of ethical management.

Secondly, we will focus on acquiring management efficiency and profitability. In order to strengthen sales capacity, we will improve the operating systems for organization, manpower and branches by affiliate, as well as go into retrenchment, new businesses development, diversification of profit sources and profitability improvement by affiliates.

Lastly, we will implement CSR programs together with all employees, such as conducting specialized corporate social responsibilities at the group level and expanding the scope of social contribution activities from the Busan region to Gyeongnam and Ulsan regions. We will work towards achieving our corporate social responsibilities to coexist with local communities so that more local residents in the region can be a part of it by providing the BS Financial Group's benefits of social contribution programs to more regions.

In the future, based on BS Financial Group's management philosophy of advancing higher to the world with the community and to a better future with customers, we promise to make continuous progress so that we can stand out in the world as a successful holding company model that started off in the region to become a global financial company.

We would like to express our thanks to our stakeholders, customers, shareholders and local communities, for their continuous interest and support for BS Financial Group's sustainable growth.

August 2014

*Se Whan Sung*

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

## The first regional bank transformed into a financial group

In March 2011, BS Financial group was established as a financial group to provide comprehensive financial services to customers. It is the first regional bank which transformed into a financial group, to aggressively respond to the financial industry's conglomeration and diversification. Since its establishment, BS Financial Group has become a financial group consisting of six affiliates in just three short years. Based on the stable performance of Busan Bank, the main affiliate, we have achieved remarkable results both internally and externally, while also securing a profit-making foundation for nonbanking affiliates, including BS Securities, BS Capital and BS Savings Bank.

## Declaration of the second establishment

BS Financial Group is taking the leap to create history by opening an era of the head office in Munhyun-dong, incorporating Kyongnam Bank as an affiliate and expanding into overseas markets. After the incorporation of Kyongnam Bank as an affiliate is completed in the second half of 2014, we will strive to become a strong financial group equipped with specialized competitiveness as a regional financial group. Under a Two bank system of Busan Bank and Kyongnam Bank, we will maximize the group's synergy effect to pursue the second establishment and become a global super regional financial group.

### Outline of BS Financial Group

(As of December. 31, 2013)

<b>Date of Foundation</b>	March 15, 2011
<b>Chairman</b>	Se Whan Sung
<b>No. of Affiliates</b>	6
<b>No. of Employees</b>	4,089
<b>Total Assets</b>	KRW 51.13 trillion (including Trust Accounts)
<b>Operating Income</b>	KRW 412.7 billion
<b>Net Income</b>	KRW 304.5 billion

### Credit Ratings \_Busan Bank

Moody's \_Long-term

**A2**

Moody's \_Short-term

**P1**

### Share ratio of Affiliates

(As of December. 31, 2013)

<b>Busan Bank</b>	100%
<b>BS Securities</b>	100%
<b>BS Capital</b>	100%
<b>BS Savings Bank</b>	100%
<b>BS Credit Information</b>	100%
<b>BS Information System</b>	100%

(As of December. 31, 2013)

Fitch \_Long-term

**BBB+**

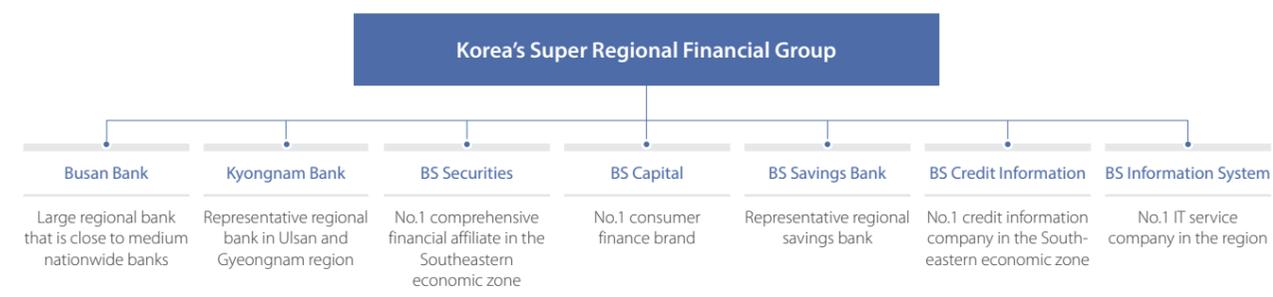
Fitch \_Short-term

**F2**

## Future of regional financial industry

As a representative regional financial group, BS Financial Group is playing a responsible role in supporting SMEs and Microcredit Service. Similar to the way in which we extended loans to SMEs to actively help in the recovery of local economies after the financial crisis in 2008, we will strive to achieve win-win growth with SMEs. We will further strengthen our support for SMEs and Microcredit Service and expand start-up support mainly for technologies and ideas, to contribute in establishing the foundation for continuous growth of local communities. In order to fulfill the role of being a representative regional financial group in the Southeastern economic zone of Korea, we plan to expand the win-win management in the region by expanding the geographical scope of CSR programs to include Gyeongnam and Ulsan region. The reason we have chosen 'Happy Finance Shared with Others by Sharing' as the group's management slogan for three consecutive years is an expression of our commitment to work towards achieving regional social development by conducting CSR programs at the group level. In the future, we will be passionate about making all efforts to become a global super regional financial group as Korea's representative regional financial group.

## Introduction of the group's medium and long-term business lines



## Shareholder Status

(As of December. 31, 2013, Unit : %)

A	B	C	D	E	F	G	H	I	J
A. Lotte confectionery co., Ltd.			<b>13.59</b>	E. Park Land Co., Ltd.			<b>4.09</b>	H. Adu Dhabi Invest Authority Lendi	<b>1.05</b>
B. National Pension Service			<b>8.41</b>	F. The Oakmark International Small Cap Fund			<b>1.99</b>	I. The Government of Singapore	<b>1.04</b>
C. Saudi Arabian Monetary Agency			<b>4.28</b>	G. Samsung Asset Management			<b>1.83</b>	J. Others	<b>59.59</b>
D. Aberdeen Global			<b>4.13</b>						

## Status of Networks

(As of December. 31, 2013)

Type		Domestic			Overseas			
		Branches	Offices	Representative Offices	Total	Offices	Representative Offices	Total
Financial Holding Company	<b>BS Financial Group</b>	1(Head Office)	-	-	-	-	-	1
Affiliate	<b>Busan Bank</b>	208	55	-	1	-	1	265
	<b>BS Securities</b>	4	-	-	-	-	-	4
	<b>BS Capital</b>	14	3	-	-	-	-	17
	<b>BS Savings Bank</b>	3	4	-	-	-	-	7
	<b>BS Credit Information</b>	1	-	-	-	-	-	1
	<b>BS Information System</b>	1	-	-	-	-	-	1
<b>Total</b>		232	62	-	1	-	1	296

## In the 1960s

- 1967. 10. 10 Established Busan Bank
- 1967. 10. 25 Busan Bank commenced business operations



- 1968. 11. 01 Managed trust operations

## In the 1970s

- 1972. 06. 15 Listed on the Korea Stock Exchange
- 1972. 08. 16 Opened Seoul Branch for the first time as a regional bank



- 1978. 01. 16 Opened online operations



## In the 1980s

- 1982. 06. 21 Relocated the headquarters (from Sinchang-dong to Beomil-dong)
- 1985. 06. 01 Commenced credit card operations

## In the 1990s

- 1990. 08. 13 Began online operations for loan business
- 1997. 06. 02 Established BS Futures Co., Ltd
- 1997. 09. 18 Opened new comprehensive online systems

## In 2000

- 2000. 03. 06 Commenced Internet banking services
- 2000. 11. 02 Selected as Busan City's main treasury bank



## In 2001

- 2001. 06. 19 Awarded the Presidential commendation as a patriot for reaching out to the impoverished in 2001
- 2001. 08. 01 Commenced the operation for comprehensive income management system

## In 2002

- 2002. 02. 18 Completed the establishment of next-generation banking system
- 2002. 12. 31 Awarded the Commendation for Fostering SMEs in Busan in 2002

## In 2003

- 2003. 01. 06 Awarded the Gold Prize in the banking sector at the 12th Dasan Finance Award
- 2003. 06. 17 Established Busan Credit Information
- 2003. 11. 11 Re-selected as Busan City's main treasury bank

## In 2004

- 2004. 04. 23 Awarded Korea's Entrepreneurs Award
- 2004. 10. 15 Awarded the 2004 CSR Award

## In 2005

- 2005. 01. 16 Conducted the Business Process Re-engineering(BPR) in all branches
- 2005. 06. 24 Selected as the Company of Excellence in Corporate Governance by the Corporate Governance Service
- 2005. 12. 22 Received the Gold Prize in the banking category of 14th Dasan Financial Award

## In 2006

- 2006. 01. 18 Conducted the Customers' Cash Transaction Reporting system and Know Your Customer (anti-money laundering activities)
- 2006. 05. 22 Selected as a depository for deposits by Busan District Court

## In 2007

- 2007. 04. 19 Awarded the 5th Korea Service Satisfaction Award
- 2007. 11. 05 Opened the Cyber History Museum
- 2007. 12. 07 Launched the Scholarship Culture Foundation

## In 2008

- 2008. 06. 12 Awarded the Grand Prize in the financial service sector
- 2008. 12. 09 Awarded the Presidential award at the National Conference on Volunteering and Service
- 2008. 12. 17 Issued hybrid bonds for the first time as a local bank

## In 2009

- 2009. 01. 05 Received the Gold Prize in the banking category of 18th Dasan Financial Award
- 2009. 04. 24 Acquired a Grade 1 rating in the 2008 evaluation of complaints carried out by the Financial Supervisory Service
- 2009. 12. 21 Awarded the Presidential Award for supporting job creation

## In 2010

- 2010. 01. 05 Received the Gold Prize in the banking category of 19th Dasan Financial Award
- 2010. 04. 13 Quarterly Net Income exceeded KRW 100 billion for the first time as a local bank
- 2010. 07. 15 Established BS Capital
- 2010. 10. 08 Acquired "AAA" credit ratings from domestic credit rating agencies
- 2010. 12. 01 Designated a '2010 Fortune GWP' (Great Work Place) to be awarded with the Grand Prize in the financial sector by Fortune
- 2010. 12. 15 Received preliminary approval to become BS Financial Group

## In 2011

- 2011. 01. 05 Received the Gold Prize in the banking category of 20th Dasan Financial Award
- 2011. 03. 15 Launched BS Financial Group



- 2011. 05. 20 Launched BS Information System
- 2011. 12. 13 Launched BS Savings Bank

## In 2012

- 2012. 01. 10 Commenced business operations for BS Savings Bank
- 2012. 01. 25 Opened the 「Neo BS」 the next-generation system
- 2012. 03. 07 Acquired approval for comprehensive securities business for BS Securities
- 2012. 06. 27 Opened the newly built Training Center
- 2012. 06. 27 Declared the 'BS Smart Wave' to design a creative corporate culture
- 2012. 07. 04 Declared 'Happy Finance'
- 2012. 12. 26 Opened the Qingdao Branch in China



## In 2013

- 2013. 03. 15 Declared 'BS ONE' as BS Financial Group's corporate culture
- 2013. 03. 27 Opened 'B-Smart Square' as the regional bank's first new-concept smart branch
- 2013. 07. 11 Received the Moran Medal for the Order of Civil Merit on the 2nd Population Day
- 2013. 07. 24 Established BS Financial Group's integrated groupware
- 2013. 08. 14 Appointed Se Whan Sung as the 2nd Chairman and CEO of BS Financial Group
- 2013. 11. 07 Received Korea's Top 100 Great Work Place and Best CEO Award for four consecutive years



- 2013. 12. 16 Received the Korea Donation for Education Award for the first time as a regional bank
- 2013. 12. 31 Named as the preferred bidder for Kyongnam Bank

## In 2014

- 2014. 01. 03 Received the first prize in the banking section of the 23rd Dasan Finance Award
- 2014. 03. 07 Established BS Capital Cambodia Corporation
- 2014. 03. 21 Established BS Capital Myanmar Corporation
- 2014. 03. 14 Acquired web accessibility quality mark
- 2014. 03. 17 Announced the 3rd 'Happy Finance' for 2014 CSR program
- 2014. 06. 30 Signed a Stock Purchase Agreement (SPA) regarding the sale of Kyongnam Bank



## Corporate Governance

BS Financial Group operates an independent and transparent Board of Directors (BOD) for the purpose of representing the rights of stakeholders and enhancing management activities. Also, we strive to improve corporate value by conducting the activities of committees under the BOD.

### Members of the Board of Directors

The Board of Directors (BOD) consists of eight directors with expertise and experience in the field of economy, finance, ethics and law, while the CEO of BS Financial Group concurrently holds the position as the chair of the BOD. Outside directors are appointed pursuant to the independence standard in accordance with the Financial Holding Company Act and the Capital Market and Financial Investment Business Act. The appointment is made at the shareholders' meeting through the nomination of the Outside Director Nominating Committee. The Articles of Association prescribe that the number of outside directors should be three or above which is a majority of the quorum of all the directors. A representative outside director is elected to represent outside directors. Meanwhile, we provide various educational opportunities for all outside directors so that they can contribute to the company's management activities by strengthening their professional competencies, while operating cumulative voting and written voting to protect the voting rights of shareholders. Besides these, the Audit Committee is established as an entity independent of the BOD and execution bodies to conduct accounting and auditing of business operations.

### Introduction of the holding company's BOD

(As of March 28, 2014)

Standing Directors	Non-standing Directors	Outside Directors	
			
<b>Se Whan Sung</b> Chairman of BS Financial Group	<b>Bong Cheol Lee</b> Lotte Shopping's Managing Director of Policy Headquarters	<b>Sung Ho Kim</b> President of Happy World Foundation	<b>Woo Suk Kim</b> Chairman of Yeil Accounting Corporation
			
<b>Min Ju Jung</b> Vice President of BS Financial Group		<b>Jong Soo Lee</b> Honorary Professor of Hansung University	<b>Jae Woo Moon</b> Advisor of Yulchon LLC
			
		<b>Chang Soo Kim</b> Professor of Pusan National University	

### Status of the Operation of BOD in 2013

Total number of the BOD meetings held

**15** No. of times

Total number of agendas deliberated

**38** No. of times

Average attendance rate of outside directors

**95.4%**

### Operation of the BOD

In 2013, the BOD meetings were held fifteen times to deliberate and decide on major management agendas including the group's management plans, operation of the internal accounting management system and capital investment in affiliates. During this period, the total number of agendas deliberated upon was 38, and the average attendance rate of outside directors was 95.4%. The BOD holds either regular or ad-hoc board meetings. The regular BOD meeting is held quarterly, while the ad-hoc BOD meeting is summoned if the BOD chair deems it is necessary, if a majority of directors in attendance agree to it, or if the Audit Committee or the CEO/Chairman makes the demand. Decisions are made upon the presence of a majority of registered directors and the approval of a majority of directors that are present. Directors with special interests are directed through internal regulations not to exercise their decision-making rights.

### Subcommittees of the BOD

The BOD has six subcommittees, including the Board Operation Committee, the Risk Management Committee, the Business Management Compensation Committee, the Outside Director Nominating Committee, the Auditor Nominating Committee and the Audit Committee. The subcommittees consist of a majority of its members as outside directors whose role is to enhance the efficiency and independence of the BOD so that it can faithfully fulfill the functions of supervising and checking top management.

### Status of Subcommittees of the BOD

Title	Objectives	Composition
<b>The Board Operation Committee</b>	<ul style="list-style-type: none"> <li>Deciding on improvement policies for efficient operations of the BOD and its subcommittees and policies to improve corporate governance</li> <li>Deliberating and deciding on agenda commissioned by the BOD</li> </ul>	One Standing Director and Three Outside Directors
<b>The Risk Management Committee</b>	<ul style="list-style-type: none"> <li>Overseeing and supervising the approval on and compliance with policies on various risks in the Group and its affiliates</li> </ul>	One Standing Directors and Four Outside Directors
<b>The Business Management Compensation Committee</b>	<ul style="list-style-type: none"> <li>Establishing measures to enhance management performance for corporate development</li> <li>Establishing systems to set, evaluate and reward performance goals of top management</li> </ul>	One Non-standing Director and Five Outside Directors
<b>The Outside Director Nominating Committee</b>	<ul style="list-style-type: none"> <li>Nominating outside directors to be appointed at the shareholders' meeting</li> <li>Matters on forming the Nominating Committee and its operation</li> </ul>	One Standing Director and Three Outside Directors
<b>The Auditor Nominating Committee</b>	<ul style="list-style-type: none"> <li>Nominating audit directors to be appointed at the shareholders' meeting</li> <li>Matters on forming the Nominating Committee and its operation</li> </ul>	Five Outside Directors
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>Devising and executing audit plans for the Group, assessing outcome, taking follow-up measures and suggesting improvement measures</li> <li>Laws, Articles of Association and matters commissioned by the BOD</li> </ul>	Four Outside Directors

### Performance evaluation and compensation

The wages and retirement pay of the directors are decided at the shareholders' meeting. According to the outside director standards, qualitative assessment is conducted for outside directors and non-standing directors through the multi-dimensional evaluation, including self-assessment, BOD assessment and employee assessment. Quantitative assessment is also conducted through the attendance rate at the BOD and subcommittee meetings. Performance assessment of the top management is conducted by providing short and long-term performance assessment standards according to the financial holding company's compensation for performance standards, which reflects various risks and opportunity factors in management environment and avoids assessment on short-term external expansion. The results of these assessment standards are reflected in the performance assessment and compensation with the resolutions of the Business Executives Management Committee and the BOD.

# Integrated Risk Management

BS Financial Group has established and is operating an integrated risk management system to promptly respond to crisis situation resulting from various risk factors that might arise in the process of management activities, as well as changes in domestic and foreign financial environment.

## Risk Management System

BS 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.

## Key Initiatives for Risk Management



## Risk Management Organization

BS Financial Group has established an independent organization and reporting system for risk management so that adequate and safe checks can be exerted for organizations/units in operation.

### 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 major agenda items. 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 involves 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.

## Risk Response Activities

BS Financial Group is supporting sustainable growth at the group level by maintaining a balance between risks and profits. To achieve this, we have established the group's integrated risk management goal strategies, while the performances by affiliates are comprehensively managed according to the implementation of key initiatives.

### Established the Group's Risk Management System in Response to Basel II and III

In order to improve the group's risk measurement and analysis functions through warehouse (RDP) in response to strengthened supervision standards, such as adopting Basel II and III, we established the group's risk management data warehouse, the BIS ratio calculation system for Basel III and the group's total exposure management system in October 2013.

### Monitored Affiliates' Risk Management Systems and Strengthened Internal Control

In May 2013, BS Financial Group conducted a reality evaluation on the risk management systems of major non-banking affiliates to strengthen the overall risk management systems, including taking on-site measures on insufficient areas and establishing improvement plans. In August 2013, we established an advanced risk management plan for each affiliate to implement feedback on them. Also, we facilitated information exchanges on risk management through the group's Risk Management Committee. To achieve these, we held the Risk Management Committee meetings Regularly more than once every quarter so that the group and affiliates can share issues and information on risk management.

### Strengthening of the group's monitoring system for crisis situations

BS Financial Group established a contingency plan for the group's risk management by adding capital adequacy to the existing contingency plan on liquidity risk. Meanwhile, we reorganized the contingency plan on risk management for the non-banking affiliates and conducted the group's integrated crisis situation analysis more than once every quarter.

## Risk Management of Major Affiliates

Affiliate	Strategic objectives	Business plan
<b>Busan Bank</b>	<ul style="list-style-type: none"> <li>Supporting the foundation for sustainable growth by improving the risk management quality</li> <li>Establishing a risk management system that provides pre-emptive suggestions through strengthening internal capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Implementing 2nd phase project for adopting internal grades</li> <li>Improving loan portfolio management method (strengthening pre-analysis function)</li> <li>Responding to the reshuffle of supervisory regulations (Basel III regulations, etc.)</li> <li>Strengthening international liquidity monitoring (on a regular basis)</li> <li>Improving the risk management system for overseas branches</li> </ul>
<b>BS Securities</b>	<ul style="list-style-type: none"> <li>Establishing the risk management infrastructure to meet the level of medium-sized companies engaging in OTC</li> </ul>	<ul style="list-style-type: none"> <li>Expanding and strengthening the capability of the risk management organization</li> <li>Complementing the improvement of risk reality evaluation (expanding risk theme reports, etc.)</li> <li>Managing goal indicators regarding risks (net operating capital ratio, liquidity ratio, etc.)</li> </ul>
<b>BS Capital</b>	<ul style="list-style-type: none"> <li>Establishing a risk management system to strengthen internal control and soundness</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a control self-assessment (CSA) process for operational risks</li> <li>Adopting the ALM system</li> <li>Establishing the credit risk management system (including credit concentration risk)</li> </ul>
<b>BS Savings Bank</b>	<ul style="list-style-type: none"> <li>Establishing a preemptive risk management system and strengthening internal control</li> </ul>	<ul style="list-style-type: none"> <li>Improving the liquidity management process through establishing the ALM system</li> <li>Acquiring stable margin through analyzing loan/deposit products by Reorganizing the risk management system</li> <li>Strengthening the loan screening and post management (adopting an early warning system, etc.)</li> </ul>

## Environmental Management

As the social interests in and necessity of the industry's active response to environmental management, BS Financial Group pursues the task of fulfilling its environmental responsibilities by conducting energy saving activities internally as well as releasing eco-friendly financial products externally.

### Implementing Energy Saving Policies

BS Financial Group has been implementing intensive energy saving policies to reduce social environmental costs and respond to national policies on reducing GHG emissions. It sets the appropriate in-door temperature (26°C in summer, 20°C in winter) for heating and air conditioning, turns off lights in non-operational areas and during non-business hours, and encourages wearing proper clothing for different season and environment. Moreover, all of our office supplies are energy conservative products, and we also use automatic control system for air-conditioning. Besides these, automatic timers for lights, power-saving switches for counter sensors and zone-specific switches are installed to shut off power waste for lights systematically. We promote energy saving policies in daily life by installing the stand-by power shut-off switches and stand-by power auto shut-off multi-tabs to prevent unnecessary stand-by power, while also encouraging employees taking public transportation when they go on business trips.

### Strengthening energy management in each branch

Busan Bank designated the branches with the top ten percent of increase in electricity use for 2013 as intensive care branches, to identify the amount of increase and conduct monitoring activities. Also, branches that showed an increase of more than fifteen percent in electricity bill compared to the previous year were designated as poor performance branches where employees held sharing meetings and branches submitted their own reduction plans, thereby creating energy-saving atmosphere all across the company.

### Response to Climate Change

As a corporate citizen, BS Financial Group is striving to minimize environmental impacts on climate change. To achieve this, we have established a system to minimize regulatory, cost and physical impacts on climate change.

### Establishing the group's GHG inventory

Since BS Financial Group is expected to be on the list of companies subject to the national GHG and energy target management, we have established the GHG inventory in 2013 to identify the status of GHG emissions at the group level. Also, we have identified the GHG emissions of BS Financial Group and six affiliates to conduct a third party assurance from an independent verification body.

### Status of the group's GHG emissions in 2013

Scope1

621 tCO<sub>2</sub>eq

Scope2

4,322 tCO<sub>2</sub>eq

Scope3

49 tCO<sub>2</sub>eq

### Promoting eco-friendly culture

Environmental protection starts with little things. BS Financial Group implements action plans for saving energy and goods in work environment so that all employees can make eco-friendly thinking and behavior as a way of life.

### Activities for Reducing Paper use

In order to reduce the amount of paper used in large volumes every year, BS Financial Group is actively implementing the use of on-line fax services and the adoption of electronic payment system. After adopting the new computer attendance management system, we set on-line fax as the basic requirement within the document management program, while making it a practice to print on both sides when printing papers for general business activities.

### Activities for Reducing Wastes

BS Financial Group refrains from using disposable items and promotes separate garbage collection and recycling at the workplace to reduce the amount of general wastes generated. As part of the 3-STOP campaign, we stopped purchasing stationery, using color printers, and using disposable items, while recycling stationery which is sleeping inside desk drawers and habituating use of individual cups.

### Environmental conservation activities

Busan is located where there are lots of famous mountains, rivers and the ocean right next to it. Therefore, BS Financial Group is striving to make Busan to be a beautiful and comfortable green city. We release young fishes, spray the soil and attempt to purify rivers in the city to make the rivers in the city cleaner, and plant trees to make the city greener, supplying trees for creating urban parks and cleaning the beaches. In addition, we are actively participating in essay contests and festivals to share the value of the environment.



Release of young fishes into rivers

## Ethical Management

BS Financial Group establishes ethical management principles group-wide so that all employees can voluntarily implement ethical management in their daily lives. Based on the ethical business management, we will once again grow as a reliable company that can be trusted by stakeholders.

### Strengthening of the execution of ethics

BS Financial Group strengthens the execution of ethics by stipulating the ethical standards and procedures that are essential in employees' jobs. Also, we have pledges for code of ethics and differentiated self-inspection tables for legal compliance by job position, so that individual employees' performances in implementing ethical management can be identified and managed. Meanwhile, a compliance officer who overlooks the group's internal control system is appointed to check the operation status of internal control system and problems related to internal control duties by affiliate, while improvements that have been derived are actively reflected in internal control duties.

### Promoting law-abiding spirit among employees

Busan Bank provides employees with education on the code of ethics and compliance to promote the implementation of ethical management and internal control. The Code of ethics education consists of financial accident prevention education, for new employees and new branch heads and practical training for branches. In 2013, we achieved 6 hours of ethical education per person. Besides the financial accident prevention activities, we conducted ethical management activities with various themes, such as the ethical management campaigns during the year-end holidays, personnel transfers during vacation season, so that the ethical management is internalized as a part of corporate culture and the law-abiding spirit is promoted among employees.

### Whistleblowing System and Protection of Informants

BS Financial Group has operated "the Compliance Plaza" within the corporate groupware as a whistleblowing channel on unethical behaviors. In addition, we eased whistleblowing through diverse online and offline channels including by phone and a box for reporting. We have an operational guideline for the whistleblowing system to protect and maintain the secrecy of the identities of informants who reported on unethical and illegal acts. In particular, informants are thoroughly protected to ensure that they do not receive unreasonable treatment under any circumstances.

### Participation in Ethics, Compliance and Internal Control Courses

Classification	Unit	2011	2012	2013
Training on Financial Accident Prevention (via broadcasting system)	persons	All employees	All employees	All employees
Accident prevention education for new employees and new branch heads	persons	110	216	186
Job training for branches	persons	-	12	93
Number of hours of ethical training per person	hours	6	6	6
Number of times for holding ethical training courses	number	12	12	12

\*Based on Busan Bank

### Internal Control Council of the Group

Based on the internal control response system established by the group, the Internal Control Council focuses on managing internal areas of weakness as follows: ①innovative reengineering of management and reform of awareness; ②strengthening customer information protection; ③reinforcing Ethical management; ④strengthening IT security; and ⑤strengthening preemptive inspections. In addition, we expect the group's internal control to be strengthened through continuous inspection, system improvement and reform of employees' ethics regarding the implementation of internal control.

## Stakeholder Engagement

BS Financial Group is striving to reflect the opinions of stakeholders throughout the management activities by placing their participation and communication as the top priority of corporate management. In addition to the corporate growth driven by communication and empathy, we are committed to fostering the happiness of all stakeholders.

### Stakeholders of BS Financial Group

The main stakeholders of the group are customers, shareholders and investors, local communities, partner companies and employees. We categorized these stakeholders by taking into consideration of their mutual influence and the level of significance with the Group. We lead an active engagement of stakeholders by vitalizing communication channels.

### Stakeholder Communication Channels

BS Financial Group regularly collects stakeholders' opinions, reflects them on its business activities, and discloses the outcome in real time. Besides the website and various media, we make efforts to narrow the gap with our stakeholders by making personal visits and conducting surveys.

### Stakeholder Communication Channel

Communication Channels		Contents of Communication
Customer Service Center / Customer Satisfaction Survey / Website / Customer Evaluation System	 Customers	<ul style="list-style-type: none"> <li>Sharing customer awareness and expectations about products and services</li> <li>Evaluating the Group's brand recognition</li> <li>Conducting discussion and support for small and medium sized enterprises</li> </ul>
Shareholders' Meeting / Investor Conference / Business Report / Website / Annual Report / Management Disclosure	 Shareholders and Investors	<ul style="list-style-type: none"> <li>Participating in the strategic decision-making process</li> <li>Reaching consensus in the course of business and market development</li> </ul>
Local Volunteering Group / Public Hearing / Seminars	 Community	<ul style="list-style-type: none"> <li>Sharing performance on CSR activities and giving feedback</li> <li>Sharing roles on revitalization of the local economy</li> </ul>
Regular Seminars / Partner Company Workshop	 Partner Companies	<ul style="list-style-type: none"> <li>Creating opportunities for joint growth based on mutual cooperation with partner companies</li> </ul>
Employee Survey / Employee Meetings / Company Newsletter / Labor Union / Labor Management Council / In-house Broadcasting	 Employees	<ul style="list-style-type: none"> <li>Discussing agenda including recruitment, talent development, performance evaluation, compensation, welfare benefits and working environment</li> <li>Monitoring the internal satisfaction of employees</li> </ul>

# Materiality Test Process

BS Financial Group identifies sustainability issues through mutual communication with five major groups of stakeholders that are influential to its performance. Based on this, we acquire an objective and new view on the group's sustainability management activities.

## Materiality Test Process

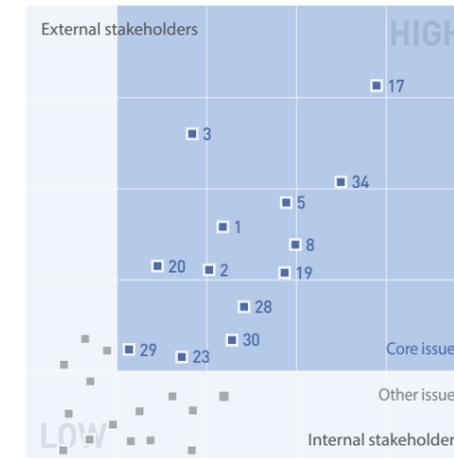
BS Financial Group has a pool of issues identified through investigating internal and external environmental factors and stakeholders' interested issues based on the global sustainability management standard indicators. Afterwards, the core issues are derived through the stakeholders' actual participation and evaluation process. The methodology used was the materiality test method of AA1000SES, which is the global standard for stakeholder engagement, while a total of 13 core issues for sustainability management were selected from the assessment results.

### Materiality Test Process



# Materiality Test Results

## Materiality Test Results



No.	List of core issues
17	Enhancing partnership through financial support to SMEs
34	Efforts made for actual guarantee of work-life balance for employees
5	Innovative activities for continuous improvement of management profits
8	Development of customer-oriented products and services
1	Integrated risk management for economy, society and environment
19	Expansion of economic support for local communities and the socially vulnerable
3	Strengthening of transparency and responsibility of corporate governance
2	Compliance with the code of ethics and laws
20	Reinforcement of support systems to foster local talents
28	Guarantee of stable employment for employees
30	Fair performance evaluation and differentiated compensation
23	Efforts made for the protection of financial consumer information
29	Strengthening of the system for developing financial talents

\*Core issues of No.1, 2 and 3 are reported in the categories of transparency and responsible management

## Decisions on reporting perspective of sustainability management

Based on 13 issues of sustainability management derived through materiality test process, we decided on a total of five core aspects by taking into consideration of inclusivity and responsiveness, excluding the general management area. The report method begins with the policies and directions by issues for different areas where the past, present and future activities of sustainability management by core aspects confronted by BS Financial Group are provided in the order of activities, roles, promises and goals.

### Core issues of sustainability management

No.	Core issues	No.	Core aspects	Page
5	Innovative activities for continuous improvement of management profits	> 1	Creating Profit through Management Innovation	22
8	Development of customer-oriented products and services	> 2	Development of Customer Satisfaction Products and Services	30
23	Efforts made for the protection of financial consumer information	> 3	Financial Consumer Protection Efforts	38
17	Enhancing partnership through financial support to SMEs	}	4	Expansion of Creating Social Value
19	Expansion of economic support for local communities and the socially vulnerable			
20	Reinforcement of support systems to foster local talents			
34	Efforts made for actual guarantee of work-life balance for employees	}	5	Employee Development and Support
28	Guarantee of stable employment for employees			
30	Fair performance evaluation and differentiated compensation			
29	Strengthening of the system for developing financial talents			

# Core Aspects of Reporting for Sustainability Management





2013 Total Assets

KRW **51.13** trillion

Net Income

**304.5** billion

BIS Ratio

**13.85** %

## Creating Profit through Management Innovation

### Social interests and the Group's role

BS Financial Group's core competencies are being evaluated in various fields, including the improvement of internal management process and expansion of business opportunities to achieve financial performance like increasing shareholder income. Also, in order to support them, we have introduced attractive products and developed excellent human resources. As part of our efforts to make the first entry into global financial market, we will make continuous growth through clear management innovation.

### Introduction and status of issues

BS Financial Group have identified the sustainability issues of internal and external stakeholders derived from materiality test through core perspective reporting of sustainability management. The first aspect provided on the current page is about creating profit through management innovation which covers BS Financial Group's management innovation activities conducted to improve the profitability in a low-interest low-growth era after the global financial crisis.

### Map of core issues for sustainability management



### Reflecting core aspects for sustainability management

5. Innovative activities for continuous improvement of management profits

Creating Profit through Management Innovation

### Stakeholder Interview

Senior Analyst of CIMB Securities **Dae-Hyun Kim**

One of the important factors requested by investors recently in the global financial market redistribute profits to the society through shareholder-friendly capital policies like dividends. Profits will return so that sustainable growth is ensured through investments and reinvestments, while it is essential to create a virtuous cycle which makes profits distribute to stakeholders. BS Financial Group has played a pivotal role in overcoming difficult financial crisis situations and bringing prosperity to local communities. Future efforts made for a balance between growth and distribution will act as an important foundation for BS Financial Group to become a genuine company of social value as well as a global financial leader.



# Creating Profit through Management Innovation

## Policies and Directions

BS Financial Group pursues both growth and profit simultaneously by expanding asset size and business line-ups and developing non-banking business, thereby solidifying its basis for sustainable growth. For business diversification, we acquired a connection channel for creating synergy and strengthening differentiated characteristics in banking and non-banking areas, while also striving to strengthen market dominance by establishing sales network in major metropolitan cities across the nation and focusing on entering into overseas markets in Southeast Asian region.

### Differentiated Strategies by Affiliates

BS Financial Group implements differentiated strategies by affiliates to strengthen their capabilities. In order to develop into a specialized financial group in the financial hub of Busan, BS Financial Group is strengthening its work capabilities and networking with relevant institutions. Busan Bank has tried to establish a sustainable growth system to secure competitiveness by increasing asset size and net income. On the other hand, affiliates in the non-banking sector have implemented strategies for securing domestic brand power, establishing the foundation as a global financial company, strengthening their business capabilities and diversifying earnings foundation.

### Establishing differentiated status by business Line-ups

In order to acquire sustainable growth and appropriate scale, BS Financial Group implements differentiated and specialized strategies according to business lines. We have established strategic status for each affiliate to maximize group value and achieve balanced development for the affiliates in banking and non-banking sectors. Also, we are striving to establish differentiated status in the industry for each affiliate.



## Activities and Roles

### Improving Management Efficiency and Securing Earning Power

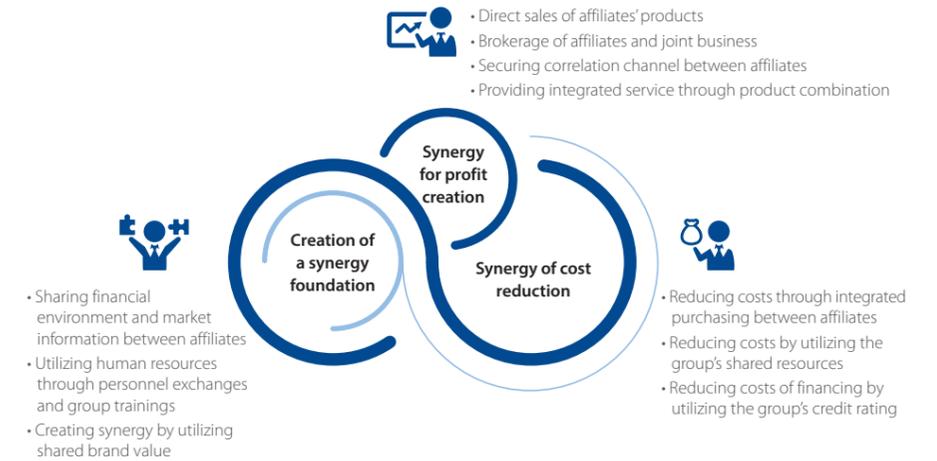
BS Financial Group improves the operation systems of organizations, manpower and branches for each affiliate to strengthen sales capacity so that the earning power is acquired to improve management efficiency. We have continuously made efforts at the group level to improve net interest margin (NIM) and reduce various costs, including non essential and urgent budgets. Also, we have improved profitability by strengthening sales capacity in non-interest incomes, developing specialized products, reinforcing target marketing for various customer groups and expanding the investment areas of operating assets. Besides, we have diversified profit sources by developing new products and services in preparation of low interest and aging population, while also strengthening competitiveness in IB area.

## Promoting Synergy Implementation

BS Financial Group actively seeks ways to vitalize connected sales and joint sales between affiliates through promoting the Synergy Implementation Council. In particular, we are focusing on developing combined products and services for new synergy business and between affiliates. We have established a close cooperative system between bank and securities to maximize synergy, while establishing a synergy sales system for performance management of synergy business and business proposal to increase synergy.

### Areas of Synergy Creation

BS Financial Group established a One-Stop Service System for joint sales and direct product sales by securing a connected channel between affiliates. Also, we are aiming to maximize synergy creation by expanding the target of performance evaluation and including cooperation between affiliates into the scope of performance. BS Financial Group acts as a strategic helper in promoting synergy creation between affiliates.



## Expanding Market Dominance

Based on long years of experience in the region, BS Financial Group strengthens its market dominance by implementing localized management. Through profits generated from management activities, we have contributed to the growth of local economies as well as social contribution programs, to establish a strong trusting relationship with local communities to expand the market.



### Expanding Business Areas

In March 2011, BS Financial Group established the holding company to become the first regional financial group. Before the establishment of the holding company, it diversified its business by setting up BS Securities and BS Capital, while establishing BS Savings Bank and BS Information System after the founding of the holding company.

### Expanding Domestic Branch Network

In 2011, Busan Bank newly established a branch in Daegu and the Guro Digital Branch in Seoul. In 2013, we expanded domestic branch network that went beyond the Southeast economic zone of Korea to set up the Namdong Industrial Complex Branch in Incheon. Also, we continuously expanded branches to set up the Changwon's Palyongdong Branch in 2011, the Haman's Chilwon Branch, Ulsan's Ujeongdong Branch and Yangsan Industrial Complex Branch in 2012, and Ulsan's Onsan Industrial Complex Branch, Gimhae's Andong Industrial Complex Branch, Hanlim Branch and Yulha Branch in 2013. BS Capital acquired a nation-wide sales channel in Busan, Seoul, Daegu, Daejeon, Gwangju, Incheon and Bucheon. BS Savings Bank operates four branches in Seoul, excluding Busan. In the future, BS Financial Group plans to further expand the nation-wide network to increase the branch network of affiliates.

### Efforts Made for Differentiation between Affiliates

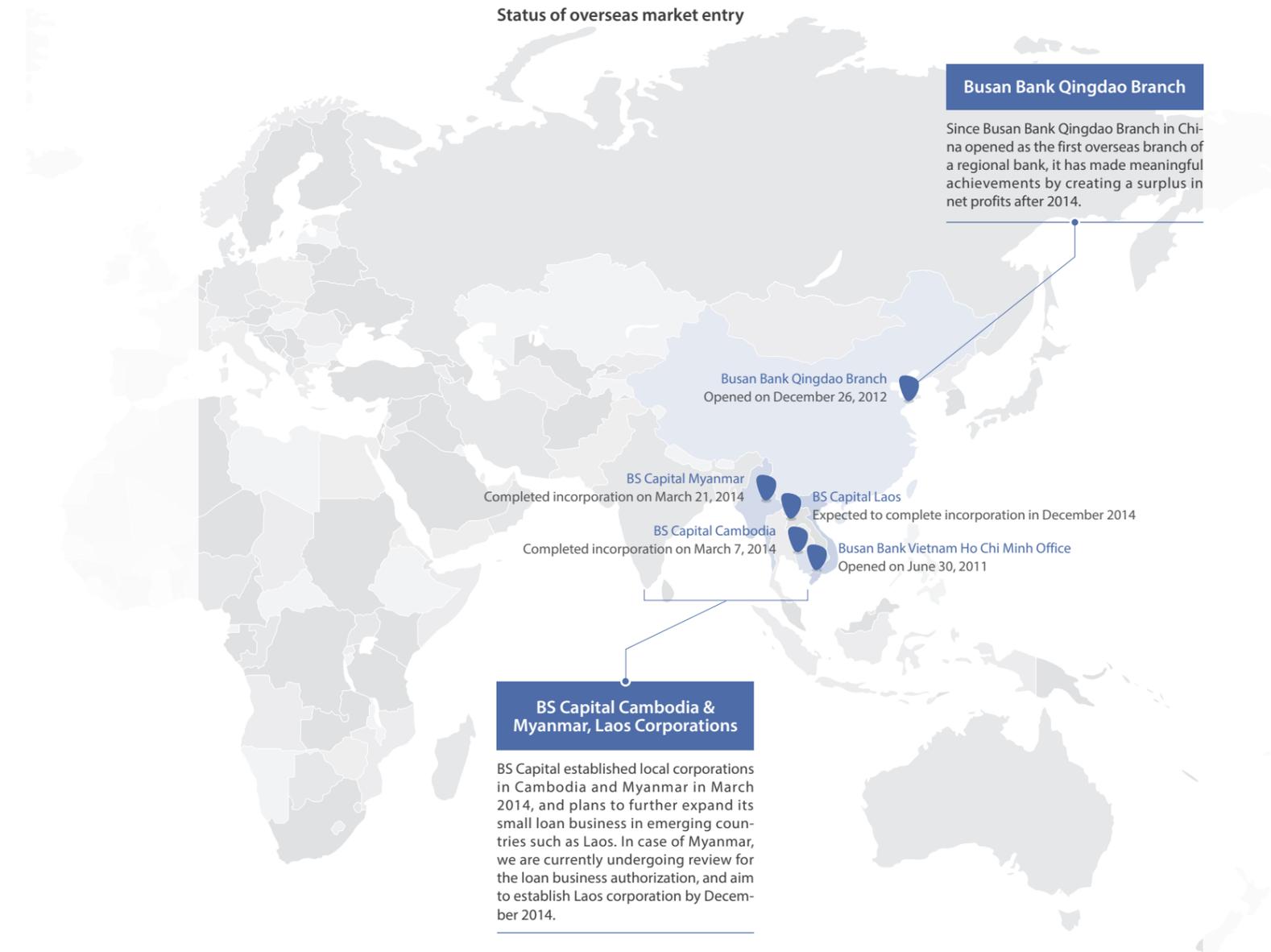
Busan Bank focuses on expanding business size and profitability to strengthen its leading position as a regional bank. BS Securities has secured the top IB sales capabilities and sales network in the region, while BS Capital has established the foundation for becoming a global financial company by securing domestic brand power as well as establishing the foundation for entry into Southeast Asian market. In addition, BS Savings Bank has acquired the position as the best savings bank in the region, BS Credit Information has strengthened the group synergy and external sales capabilities and BS Information System has implemented profit-based diversification strategies and strengthened SI(System Integration) business capabilities.

	
<p>Becoming a large regional bank and strengthening the leading position as a regional bank</p>	<p>Establishing the status as the representative securities company in the Southeast Economic Zone of Korea by strengthening IB sales capabilities specialized to local SMEs</p>
	
<p>Acquiring domestic brand power and establishing the foundation to become a global financial company by improving differentiation and professionalism for specialized strategies</p>	<p>Securing the position as the leading savings bank in the region through localized management</p>
	
<p>Strengthening market competitiveness through reinforced capabilities and systematic sales</p>	<p>Becoming the leading IT company in the Southeastern economic zone of Korea by developing and providing IT services</p>

### Expanding Overseas Market Entry

In 2013, BS Financial Group selected overseas market entry as the corporate business strategy, and promotes it by setting up organizations in charge of overseas entry for major affiliates, including BS Financial Group, Busan Bank and BS Capital. Instead of the markets of advanced countries that are already saturated, we have chosen emerging countries in Southeast Asia with high growth potentials where many Korean companies have already entered, including China, Vietnam, Cambodia and Myanmar. Busan Bank plans to expand sales in China and Vietnam where many companies from Busan, Ulsan and Gyeongnam regions are in business. Based on the lease and installment of durable goods, personal loan screening for automobile finance, risk management and product operation know-hows, BS Capital focuses on entering into the Indo-China peninsula where localization is possible through a small financial company.

### Status of overseas market entry



### Strengthening Financial Competency

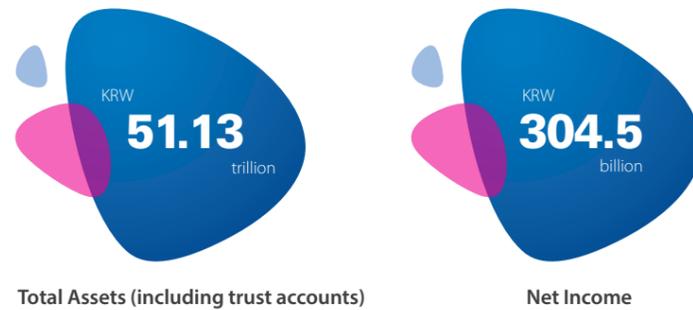
Based on stable business foundation and outstanding profit creation, BS Financial Group has improved its corporate value to fulfill the management philosophy by placing the win-win management alongside its stakeholders, including customers, local communities, shareholders and employees.

#### Enhancing profitability and growth by strengthening finance based on relationships through localized management

Based on relational finance such as localized management, BS Financial Group established a differentiated market position and expanded market share and maintained high profit. At the end of 2013, we became the first regional holding company to exceed the total assets of KRW 50 trillion (total asset of KRW 51.13 trillion including trust accounts), and achieved net income of 304.5 billion.

#### Major Management Performance

(As of December 31, 2013)



#### Strengthening Systematic Asset Soundness Management

Despite the difficult financial environment where profitability has been downgraded due to intensive competition of the financial industry and the long-term low-interest and low-growth period, BS Financial Group still maintains asset soundness throughout its group by taking preemptive measures. We minimized the occurrence of bad expenses through thorough risk management, including preventing bad debts in advance by utilizing the merits of finance based on relationship to acquire excellent market information, effectively distributing the risks of loan portfolio and establishing advanced risk management system and systematic decision-making process.

#### Securing risk management ability and future growth engine through prior management of capital adequacy

In order to preemptively respond to the adoption of the global capital standard Basel III, the holding company issued KRW 200 billion of subordinated bonds in the second half of 2013, while Busan Bank acquired financial stabilization by preemptively increasing capital through the capital increase by issuing new stocks of KRW 150 billion, issuing new equity capitals of KRW 100 billion and subordinated bonds of KRW 150 billion.

#### ROA

(Unit : %)



#### ROE

(Unit : %)



#### NPL Ratio

(Unit : %)



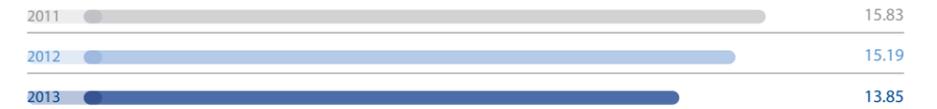
#### Delinquency Rate

(Unit : %)



#### BIS Ratio

(Unit : %)



#### Tier I Ratio

(Unit : %)



### Promises and goals

BS Financial has selected the Great Innovation for Establishing New Growth System as the group's management policy to become a global financial group that transcends regional limitation by creating differentiated value. Based on the management philosophy of advancing higher to the world with the community and to a better future with customers, we will continuously make advancements to become the most successful model of a regional holding company that developed into a global financial company.



## Development of Customer Satisfaction Products and Services

### Social Interests and BS Financial Group's Role

Advanced financial products and services provide customer convenience and are helpful for future growth. The products and services that are subdivided according to customers' purposes and demands with easier accessibility, in particular, increase customer satisfaction and further play a significant role in business development. BS Financial Group will strive to become a life-oriented financial company that provides customized services by identifying local communities' needs.

### Introduction and Status of Issues

BS Financial Group identified the sustainability issues of internal and external stakeholders derived from materiality test through core perspective reporting of sustainability management. The second aspect provided on the current page is about development of customer satisfaction products and services, which provides products that take into consideration of customers, local communities and environment, as well as handling the activities of BS Financial Group for customer satisfaction.

### Map of core issues for sustainability management



### Reflecting core aspects for sustainability management

8. Development of customer-oriented products and services

Development of Customer Satisfaction Products and Services

### Stakeholder Interview

Director of Chunil Development **Yong-Kwon Park**

I believe that Busan Bank thinks with a set of values that 'it can grow only through a shared growth with local communities'. Beside business matters, employees at Busan Bank allures customers to re-visit it with their kind and compassionate treatment. Meanwhile, BS Financial Group not only prioritizes customers by offering better plans for financial products prior to loan recovery and deposit maturity, but also provides additional interest rate for deposits by local business. These services of BS Financial Group definitely indicate its efforts to value customers as Korea's representative financial group.



Balance of the BS Community Love Savings Account

KRW **554.6** billion

Total amount of Green Card used

KRW **308,284** million

CSI

**95.2** points

## Development of Customer Satisfaction Products

### Policies and Directions

Busan Bank operates the pre-deliberation system to decide on the appropriate level of rate and fees in developing financial products. Moreover, media releases and consumer survey results are analyzed in advance to provide products and services that reflect consumers' demands. We will continue to offer products and services specialized for customers and local communities through a process that actively reflects customers' opinions.

### Activities and Roles

#### Sweet Life Time Deposit

Our 'Sweet Life Time Deposit' provides partial principal with interests at maturity as same way as the regular deposit and pays the remaining principal with interests monthly. This also is a monthly paid product to offer fixed amount of cash flow daily to retirees, social workers, housekeepers, and others. It has a short benefit period with the guarantee of principal if the deposit is cancelled before maturity. Also, the account holders are exempt from transaction fees if they assign the principal of 'Sweet Life Time Deposit' in 'Sweet Life Time Account'.

#### DingDing Check Card for the 1020 Generation

Busan Bank released the DingDing Check Card, which is a check card customized for the 1020 generation. The DingDing Check Card is specialized for young people from the late teens to the early twenties, providing a wide range of discount services with the maximum limit of KRW 30,000 per month according to the results of usage in previous month. Also, if the BS Community Love Savings Account is designated as the payment account and there is the result of usage for DingDing Check Card, the account holder can enjoy the benefit of getting exemption on various fees for internet banking, phone banking, mobile banking and cash withdrawal.

#### Product Release with Consideration of Customers' Life Cycle

BS Financial Group strengthens customer satisfaction by establishing an effective financial product line suited for diverse needs and the lifecycle of customers according to changes in the financial environment.

### Introduction of Customer-Oriented Products

#### Loan/Deposit

Children	Youngster	University Student	Office Worker	Senior
Children Dream Savings Account Children Love Installment Savings	Children Love Free Installment Savings BS Invisible Youth Savings Account	BS Invisible Youth Savings Account	Merit Wage Savings Account BS Public Official Preferential Savings Account	Silver Premium Fixed Deposit Sweet Life Fixed Deposit Sweet Life Fixed Installment Savings Sweet Life Savings Account

#### Credit Card

University Student	Male Office Worker	20s – 30s Females	40s – 50s Females	Senior
YO Check Card 369 Invisible Youth Check Card	DingDing Credit Card Life Support Card 365IL Save Card	BS Culture Love Card Hyundai Department Store Check Card Ding Ding Check Card	Green Card She's Card	BUVIX Card Busan Dandi Card

### Indirect Participation in Social Contribution through Public Interest Products

BS Financial Group releases diverse public interest products to provide opportunities of indirect participation in social contribution. In case of BS Community Love Savings Account, we have generated donation of KRW 365,000 on a daily basis to secure a total annual donation of KRW 133 million, and use them to support the economic development of local communities, such as public interest programs concerning social welfare and culture. BS Happiness Keeper Savings Account is an exclusive product for protecting ordinary people including livelihood security recipients, basic old-age pensioners and disability support pensioners, which only allows legally approved deposits and prohibits account seizures. We plan to continuously implement CSR management that utilizes finance business in the future by developing a product for the recipients of single parent family payment through the computer.

#### Galmae-gil Installment Savings

In order to promote one of its zero carbon activities, the walking program, BS Financial Group offers the preferential treatment of Galmae-gil Installment Savings to customers who sign the pledge to walk, participate in the walking event and visit the Galmae-gil Tambang. In particular, we contribute to low-carbon green growth and local communities' public interest programs to promote the walking program of Busan's Galmae-gil by providing free accident insurances and donating part of the profits to the walking program.

#### Introduction of Galmae-gil Installment Savings Course

Igidae Coastal Walkway	Gadeokdo Dulle-gil	Yeongdo Coastal Walkway	Haeundae Sampo-gil	Ilgwang Theme Forest Road	Baekyang Forest Road
One or more courses Preferential interest rate of 0.1%		Three or more courses Preferential interest rate of 0.2%		Six or more courses Preferential interest rate of 0.3%	



Launching of Customer-Oriented Products

### Introduction of Major Public Interest Products

(As of December 31, 2013)

Product Name	Remaining Balance/ Used Amount	Major Features
<b>BS Community Love Savings Account</b>	Balance of KRW 554.6 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 donation when it is necessary.
<b>BS Hope Fostering Installment Savings</b>	-	An installment saving that gives high interest rates for socially neglected classes, including livelihood security recipients, child-headed households, North Korean defectors and multi-cultural families.
<b>Preferential Installment Savings for the Lower Income Group</b>	-	Products that give high interest rates are provided for customers of the lower income group confirmed by the Busan Metropolitan City, including the Household Preferential Fixed Installment Savings and the BS Community Love Free Installment Savings.
<b>Preferential Installment Savings for the Homeless</b>	-	Support provided for the homeless designated by the Busan Metropolitan City through high interest rate products like the BS Community Love Free Installment Savings.
<b>BS Happiness Keeper Savings Account</b>	Balance of KRW 465 million	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.
<b>Social Welfare Facility Subsidy Card</b>	Used Amount of KRW 30,052 million	Convenience of using cards at social welfare facilities that receive subsidies from the Busan Metropolitan City and exemptions provided on finance charges.
<b>B Smart Card</b>	Used Amount of KRW 28,392 million	Money accumulated from card usage is used for constructing a library in local community. (KRW 25 million)

### Realizing a Green City through Environmental Financial Products

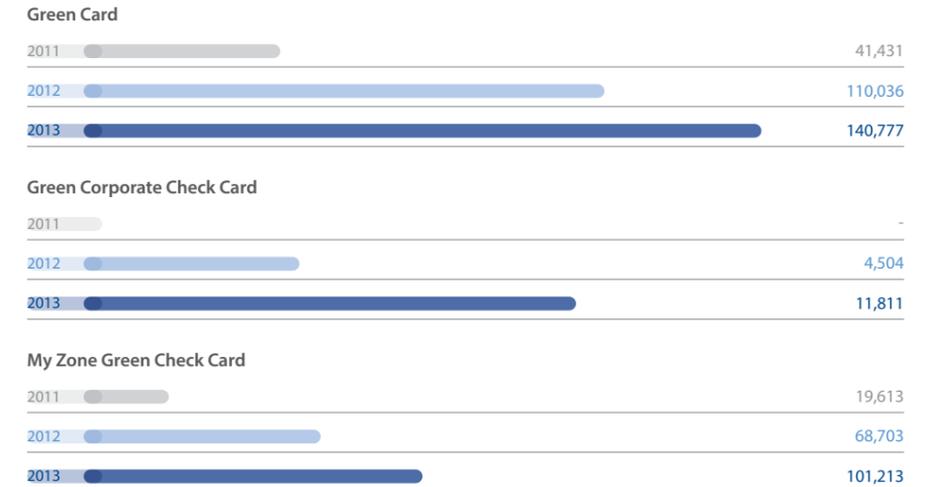
In order to create green environment with clients of financial services, Busan Bank included the environment in its financial products. Due to the financial consumer's increasing awareness of the importance of environmental protection, the value of green financial products has continuously increased. In this regard, BS Financial Group provides loan/deposit and card products that realize low-carbon green city and support green businesses. We also created the fund for protecting the community's ecosystem through green financial products, while encouraging financial consumers to actively participate in saving energy and purchasing eco-friendly products.

### Introduction of Major Green Financial Products

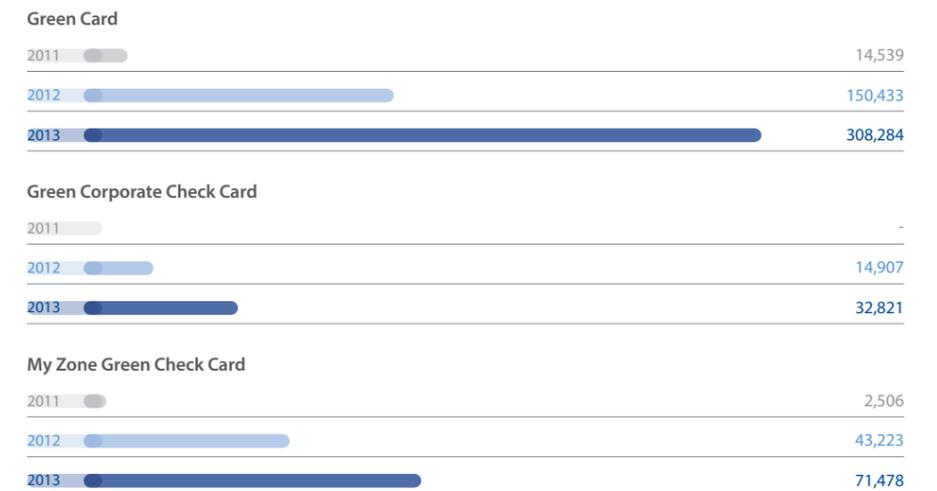
(As of December 31, 2013)

Product Name	Balance/ Used Amount	Major Features
<b>BS Eco Installment Savings</b>	Balance of KRW 4.7 billion	<ul style="list-style-type: none"> <li>• Donate to eco-friendly organizations and institutions by setting a fund of 3% of interest after taxes</li> <li>• For the goal of protecting migratory birds and the ecosystem</li> </ul>
<b>Clean Green Fixed Savings Account</b>	Balance of KRW 2.1 billion	• Accumulate a donation of KRW 1,000 per account to support low-carbon green city and green businesses
<b>Clean Green Fixed Installment Savings</b>	Balance of KRW 4.8 billion	• Set up a fund of 3% of interest after taxes for withdrawal after maturity to support low-carbon green city and green businesses
<b>Green Card</b>	Used Amount of KRW 308,284 million	<ul style="list-style-type: none"> <li>• Accumulate points for saving energy, including water supply, city gas and electricity, and purchasing eco-friendly products</li> <li>• A maximum of 50% discounts for using about 150 local authorities' cultural and leisure facilities across the nation</li> </ul>
<b>My Zone Green Check Card</b>	Used Amount of KRW 71,478 million	
<b>Green Corporate Check Card</b>	Used Amount of KRW 32,821 million	

### Total number of accounts by type for green financial products (As of June 25, 2014) (Unit : accounts)



### Used Amount by type for green financial products (As of December 31, 2013) (Unit : KRW million)



### Promises and Goals

BS Financial Group strives to maximize customer satisfaction and customer profits by developing a variety of financial products that meet the needs of customers. As a leading financial company in the region, we also plan to continuously release financial products to set up a fund for the development of local communities and to protect the economically underprivileged. Besides developing green financial products that can provide actual benefits to customers of loan, deposit, card, insurance and other products for supporting low-carbon green industries and encouraging financial consumer's environmental protection, we provide direct inducements to contribute to local communities and protect the environment, such as discount services at cultural and leisure facilities, lower interest rates and preferential treatment on various fees.

# Customer Satisfaction Services

## Policies and Directions

BS Financial Group work towards providing customer-oriented services by identifying the needs of customers through continuous communication with customers to reflect them on business activities. We operate systems and programs that further improve the quality of according to customer situations and pursue the convenience of customers and the stability of transactions.

### CS (Customer Satisfaction) Angel Program

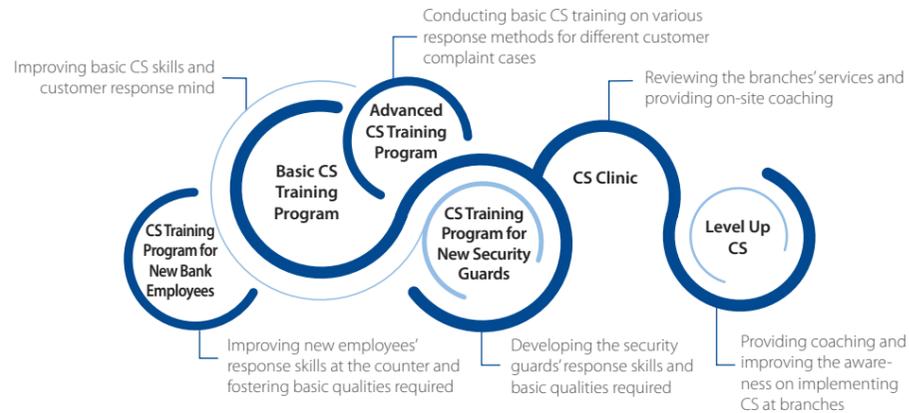
In order to promote CS culture, Busan Bank operates the CS Angel Program to select CS leaders through the public opening among the employees who have outstanding customer service capabilities in creating a lively atmosphere at branches. The selected CS leaders act as a CS team within the branch, to implement activities to improve service quality of the branch and promote an enjoyable workplace environment. They also spread major issues and information on customer satisfaction and act as a liaison for communication by gathering internal opinions.

## Activities and Roles

### Conducting CS training programs

BS Financial Group conducts CS training programs to improve the awareness on customer satisfaction and encourage active CS activities. On-site CS training programs are provided to the branches that requested or in need, and are focused on improving customer response skills required in each branch. Also, we made the 'CS Handbook' that includes information about customer satisfaction, including various cases, response skills and FAQs, to strengthen the customer response efficiency. Meanwhile, we improved our commitment to implement customer satisfaction by providing rewards to the outstanding CS employees through the BS (Best Surprise) Guinness System.

### Major CS Training Programs

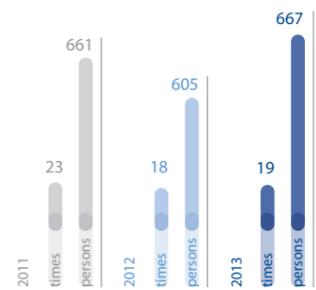


### Communication with Customers through SNS

Busan Bank's SNS provides customers with necessary information or contents that can be appreciated rather than just promotional articles. In addition to notifying security knowledge and guidance recommended by the Financial Supervisory Service through reliable means, Busan Bank also promptly responds to relevant inquiries made. Also, as a 'Culture Mecenat Bank', it satisfies customers' need for culture and art by providing information about BS Gallery exhibit, discounts on cultural performance, and local festivals.

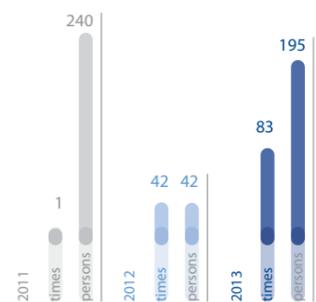
### Telephone Consultation Training of Head Office Employees

(Unit : times, persons)



### Security Guard Training for Supporting Visiting Customers

(Unit : times, persons)



### Busan Bank's SNS Operation Channel

facebook.com/busanbank  
twitter.com/busanbank

### Results of Customer Satisfaction Survey

CSI(Customer Satisfaction Index)

(Unit : points)

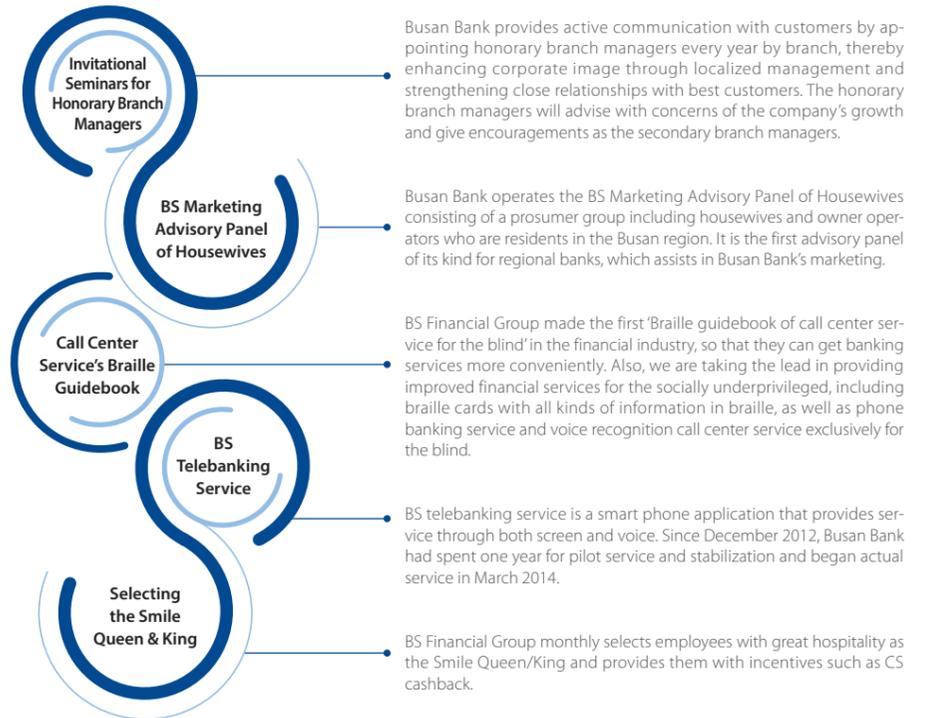


### SMS(Service Monitoring System)

(Unit : points)



## Representative Customer Satisfaction Service Activities



## Promises and Goals

BS Financial Group conducts CS monitoring based on objective data obtained from customer surveys and by listening to customers' opinions, to respond sensitively to the changes in customers' perception of financial services. We will continue to head towards the future together with our customers to become a representative financial company that lead the regional finance through continuous CS innovation that goes beyond change.

## Case Study

### Innovation of Face-to-Face Channel 'Smart-branch'

Busan Bank operates the Smart-branch, a future-oriented branch where customers can directly use a wide range of financial services, including using the existing CD/ATM, opening checking accounts, making new deposit and installment savings, getting check cards and applying for e-banking through Smart ATM. In order to acquire potential customers for the future, Smart ATM provides higher prime rates than the counter and offers exemption of commission fees such as check card issuing fee. Also, we plan to operate the tablet branch, a visiting financial service provided at anytime and anywhere customers want, instead of their visiting to branches.





Complaint Evaluation by Financial Supervisory Service

Grade **2** High Ranks

Training Concerning Financial Accident Prevention

Conducted **1** Every Month

Result of the Prevention of Financial Scams by Telephone

**99** cases, KRW **1.6** billion

## Financial Consumer Protection Efforts

### Social Interests and Our Role

The development of information processing technology and the gradual changes into a customer-oriented financial market have eased consumers' accessibility. On the other hand, there are widespread social concerns concerning declining consumer confidence and increased anxiety over financial accidents resulting from personal information leakage. In this regard, BS Financial Group will strive to improve customer satisfaction in line with its political efforts to protect the financial consumers' personal information and restore their confidence to ensure the reliability of the financial industry.

### Introduction and Status of Issues

BS Financial Group identified the sustainability issues of internal and external stakeholders derived from materiality test through core perspective reporting of sustainability management. The third area provided on the current page is financial consumer protection efforts, which covers BS Financial Group's response activities conducted to protect the personal information of financial consumers as the social interests and concerns on them have grown recently.

### Map of core issues for sustainability management



### Reflecting core aspects for sustainability management

23. Efforts made for the protection of financial consumer information

Financial Consumer Protection Efforts

### Stakeholder Interview

Busan Bank's Customer **Soo Ryeon Choi**

Whenever I go to Busan Bank, I feel great because the employees greet me with such a friendly manner. Compared to other commercial banks, Busan Bank offers high interest rates on deposit and installment savings and has convenient accessibility, which made me a long-time customer of the bank.

Recently, there have been lots of financial accidents involving personal information breach in the financial industry, but Busan Bank didn't have a single case of information leakage. Its receiving of Grand Prize for Financial Consumer Protection further ensures safe transactions.



# Financial Consumer Protection Efforts

## Policies and Directions

BS Financial Group reinforces the implementation system for protecting financial consumers by expressing the CEO's strong commitment and enacting the management policy on financial consumer protection. We listen to customer complaints received through various channels, including website and call center, while also implementing the Pre-VOC and improving the handling processes to ensure prompt response.

## Financial Consumer Protection Process

In order to protect financial consumers, BS Financial Group established a widespread financial consumer protection process that covers the development, sale and post-management of financial products. We have guidelines in phases for prior deliberation system, employee training, utilization of computer system and post-management of financial consumer protection activities.

## Consumer Protection Activities by Stage

Development Stage	Sales Stage	Follow-up Stage
Reflecting consumers' perspectives and rights while developing financial products	Providing complete information and adequate explanation	Effectively operating the complaint handling system and improving wrongful business operations
<ul style="list-style-type: none"> <li>Operating the New Product Development Council</li> <li>Conducting the deliberation system on the disclosure of financial products</li> <li>Conducting the pre-monitoring service e.g. on terms and conditions for financial products</li> <li>Implementing pre-audit on a daily basis</li> </ul>	<ul style="list-style-type: none"> <li>Conducting employee training on financial products and services</li> <li>Obligating the placement of product brochures and explanations on terms and conditions</li> <li>Preventing unfair business practices</li> </ul>	<ul style="list-style-type: none"> <li>Operating the system to handle operations for protecting transactions</li> <li>Implementing the complaint handling system</li> <li>Running the Deliberation Committee on Compensation of Damages for Transactions</li> <li>Operating the VOC</li> </ul>

## Customer Complaint Handling Process



## No. of Customer Complaints

(Unit : cases)

	2011	2012	2013
FSS complaints	93	134	142
Internally handled complaints	169	235	179
<b>Total</b>	<b>262</b>	<b>369</b>	<b>321</b>

## Customer Information Management System

BS Financial Group has established the customer information management system to respond to personal information leakage. We not only supervise the use and provision of customer information between the holding company and its affiliates, but also monthly report each affiliate's request and provision of the customer information to the holding company. Moreover, we strengthened the computerized control on access to personal information so that it is mandatory to manage sensitive customer information separately.

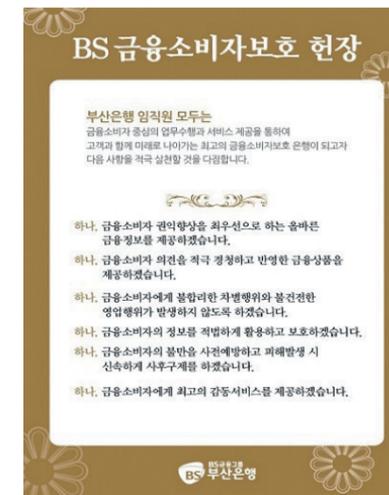
## Financial Consumer Protection Council

Busan Bank established the Financial Consumer Protection Council consisting of the financial consumer protection officer, the sales support department head, the compliance support head and each business unit head. The council discusses agendas with relevant departments, including the policy direction of financial consumer protection, matters regarding system improvement for financial consumer protection and product development and sale, to come up with the best results for protecting financial consumers.

## Activities and Roles

### Enacting the Charter of BS Financial Consumer Protection

BS Financial Group enacted the Charter of BS Financial Consumer Protection that puts the first priority on protecting financial consumers. The charter places prioritizes on improving the rights of financial consumers by providing financial products that reflect financial consumers' opinions, prohibiting unreasonable discriminations and unfair business conducts, legally utilizing financial consumer information and implementing customer-oriented business practices and services. All of the employees at BS Financial Group signed the Charter of BS Financial Consumer Protection to once again reinforce their commitment for financial consumer protection.



Charter of BS Financial Consumer Protection



Financial Consumer Protection Oath

### Spreading the Awareness of Customer Information Protection to Employees

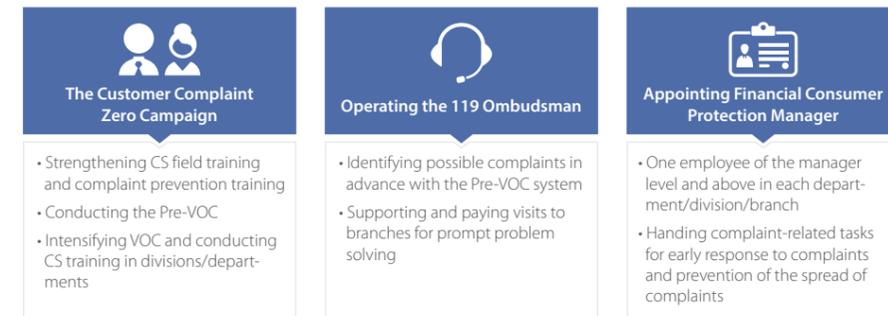
As part of the internal control for protecting customer information, BS Financial Group conducts monitoring through employees' self-inspection table and business reports. Meanwhile, we provide information security training programs and corporate information protection training programs concerning personal information protection every month, while also working towards improving the awareness and importance of managing customer information protection by conducting a separate cyber training program. We designate a person to handle personal information and the person in charge of personal information protection in each department. As a result of the integrated customer information management, there has not been any legal limitation caused by personal information leakage and misuse during the past three years.

#### Major Activities of Customer Information Protection



### Conducting Customer Complaint Preventive Activities

In order to minimize customer complaints, BS Financial Group strengthens the CS training programs for employees and implements the Pre-VOC for its prompt response to customer complaints. Also, we appointed the financial consumer protection manager to handle relevant duties including receiving customer complaints at the early stage on the spot.



Financial Consumer Protection Efforts

### Status of the Prevention of Financial Phone Scams

Prevention Results

**99 cases**

Amount Prevented

**KRW 1.6 billion**

### Number of Cases Reported Concerning Money Laundering Prevention

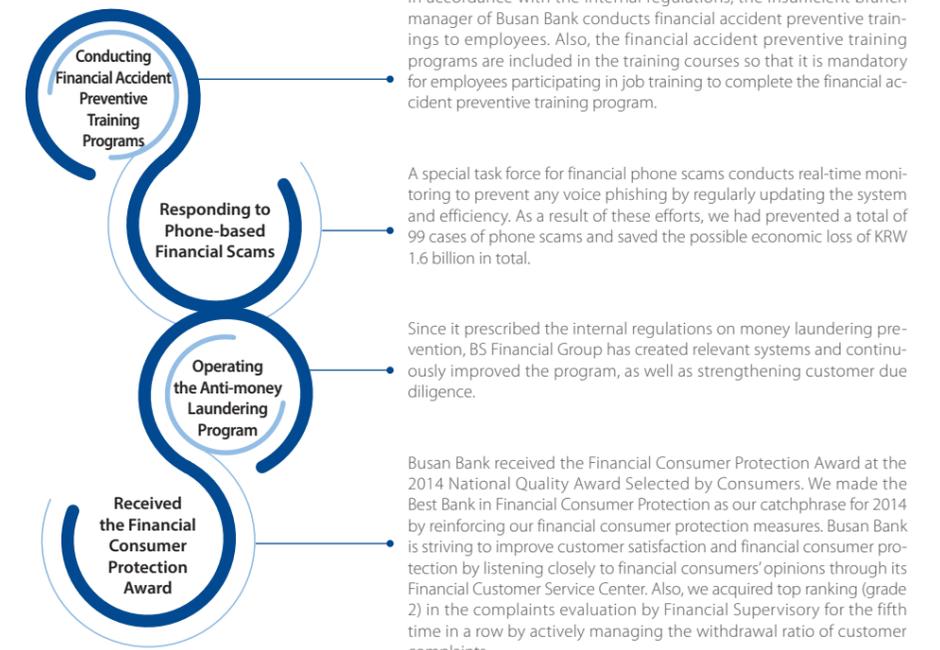
Number of Cases Reported on Suspicious Transactions

**521 cases**

Number of Cases Reported on High-amount Cash Transactions

**108,162 cases**

### Representative Activities for Financial Consumer Protection



Busan Bank's Special Task Force for Financial Phone Scams

### Promises and Goals

Busan Bank plans to continuously implement improvement activities for financial consumer protection by reinforcing internal employee training on financial consumer protection and expanding the implementation of financial education to external customers. Also, we will reduce the occurrence of customer complaints by developing advanced financial consumer protection products, while also doing our best to come up with policies for achieving the highest ranking in relevant evaluations.



Social Contribution Investments

KRW **34.3** billion

Balance of SME Loans

KRW **18,112.8** billion

Loan Support for Self-employed

KRW **156.4** billion

## Expansion of Creating Social Value

### Social Interests and Our Role

Since the development and growth of companies and society come first, some areas have been found insufficient in terms of win-win growth in relation to society and welfare. Therefore, along with national policies, individual companies are putting a lot of effort in seeking ways to achieve a win-win situation with regard to development of individual companies. As a regional financial company, BS Financial Group strives to help in creating social value by focusing on our customers.

### Introduction and Status of Issues

BS Financial Group identified the sustainability issues of internal and external stakeholders derived from materiality test through core perspective reporting of sustainability management. The fourth area provided on the current page is expansion of creating social value, which covers BS Financial Group's social contribution activities, win-win growth with SMEs and microcredit support.

### Map of core issues for sustainability management



### Reflecting core aspects for sustainability management

- 17. Enhancing partnership through financial support to SMEs
- 19. Expansion of economic support for local communities and the socially vulnerable
- 20. Reinforcement of support systems to foster local talents

Expansion of Creating Social Value

### Stakeholder Interview

Team Leader of Korea Mecenat Association **Soon Yi Joo**

If the social contribution activity for solving poverty is for developing a healthy body, we can say that social contribution conducted through Mecenat is for feeding a healthy heart.

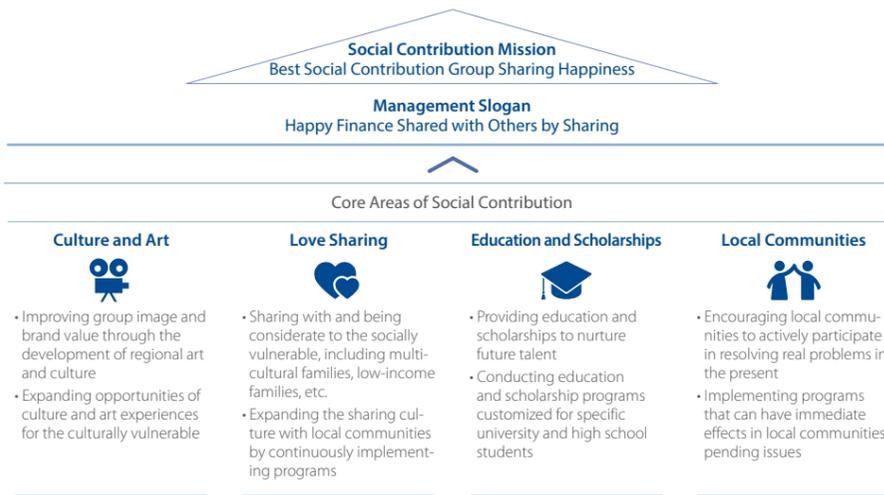
BS Financial Group has been taking the lead in creating healthy local communities through social contribution activities in various fields including education and scholarship, art and culture. In particular, BS Financial Group has provided opportunities for cultural neglected regions, including non-metropolitan and mountainous areas, to receive cultural benefits. We hope that BS Financial Group will provide more opportunities to people living outside of Busan region who have been neglected, to enable them to enjoy cultural benefits.



# Expanding the theme of Love Sharing with Local Communities and the Socially Vulnerable

## Policies and Directions

BS Financial Group has played a leading role through its contribution in creating a beautiful society for the happiness of local communities, citizens and customers, there by aiming to become the best social contribution group that has carried out its corporate social responsibilities well. We have established medium and long-term implementation plans for social contribution to ensure systematic implementation of these activities. Meanwhile, social contribution programs are implemented to establish a corporate culture where all employees including the CEO can participate in them with enthusiasm. In the future, we have plans to reorganize the direction of social contribution programs and collaborate in different areas of social contribution aimed at consistent and continuous achievements.

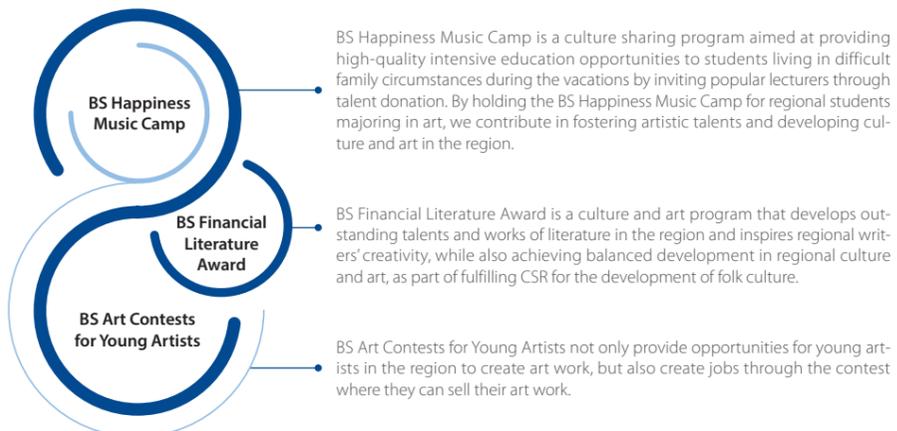


## Activities and Roles

### Culture and Art

In order to not only develop local culture and art, but also provide cultural experiences to those without much opportunity, BS Financial Group runs various support programs for culture and art. We provide talent nurturing programs for university and high school students so that they can use their vacations to receive high level education. Also, we hold contests and awards to foster outstanding culture and art talent and art works in the region.

### Representative Culture and Art Activities



## Love Sharing

BS Financial Group provides financial aid to the underprivileged people living in socially prejudiced and poor environments in both domestic and overseas areas and further pursues plans for their growth. We also give charity opportunities to employees, thereby fulfilling their needs for a sense of inclusion as a member of BS Financial group and their desire to participate in social causes.

### Representative Love Sharing Activities



Invitational Tour in Korea for Families of Multi-cultural Family Wives



Vietnam and Laos Support Programs



BS Happiness Music Camp



BS Happiness Study Room

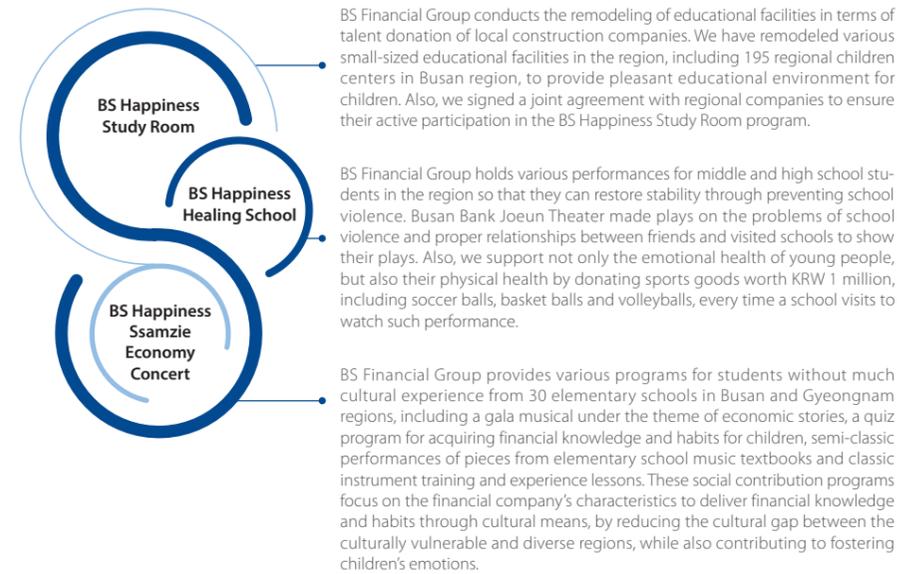


BS Happiness Healing School

### Education and Scholarships

In order to help children follow their dreams and hopes, BS Financial Group strives to enhance students' personality and solve social issues by not only running 'Happiness Study Room' by repairing old educational facilities, but also operating 'BS Happiness Healing School' to prevent violence in school.

#### Representative Activities for Education and Scholarships



### Case Study

#### Developing Global Financial Talents for Busan Happiness Creation

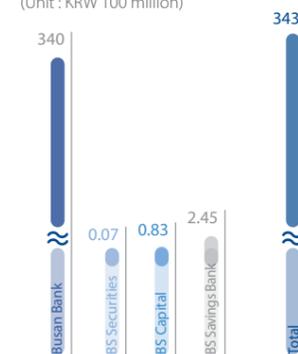
Along with five Busan private universities, BS Financial Group conducts programs that provide scholarships for Vietnamese high school graduates to study at private Universities in Busan region. We select 10 persons with Korean proficiency higher than a certain level and support them with full scholarship and dormitory facilities to complete the regular undergraduate courses. Also, they are given the opportunities of prior employment through Busan Bank's foreign student internship program and the chance to participate in promotional activities conducted by university students. We also have plans to hire these Vietnamese students as local employees later when the Ho Chi Minh Representative Office becomes a branch office.



Signing Ceremony of Win-Win Partnership to Promote Traditional Markets

#### 2013 Social Contribution Investments

Including Microcredit Service  
(Unit : KRW 100 million)



### Local Communities

In order to establish active communication and pursue a healthy and reliable relationship with local communities, BS Financial Group conducts various social contribution activities that can bring actual help to local communities. We work towards extending help to neighbors who have been isolated financially and psychologically by identifying the difficulties local communities face and encouraging employees' active participation to resolve them, as well as providing overseas cooperation.

#### Representative Local Communities Activities



#### Number of Social Contribution Volunteers

(Unit : persons)

2011	25,399
2012	26,703
2013	27,540

#### Number of Employees in Charge of Social Contribution

(Unit : persons)

2011	6
2012	5
2013	12

### Promises and Goals

In order to maintain continuous contribution to the society, BS Financial Group will come up with ways to facilitate social contributions by developing and implementing social contribution activities that meet the needs of local communities. We also plan to operate the Social Contribution Working Council to discuss ways to facilitate and develop social contribution programs and conduct social contribution activities connected with sales, to facilitate the social contribution of affiliates.



## Win-win Growth with SMEs and Microcredit Service Support

### Policies and Directions

Since its foundation, BS Financial Group has been leading in giving back the fund created within the region as a representative institution supporting SMEs in the Southeastern economic zone. We support SMEs that are the backbone of the Korean economy so that we can work towards mutual development, while also providing financial support needed by the financially underprivileged, like the low-income families by providing microcredit service support. Meanwhile, we continuously contribute to facilitating regional economy through job creation and our comprehensive support programs for finance for the working-class.

### Activities and Roles

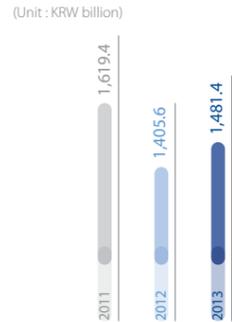
#### Expanding SME Loans

From 2009 to 2013, BS Financial Group had expanded the SME loans to KRW 6.8 trillion over the five year period. In particular, after the financial crisis in 2009, by providing active support, the increased amount of SME loans surpassed the increased amount of total loans, ensuring sound regional SMEs didn't undergo the liquidity crisis.

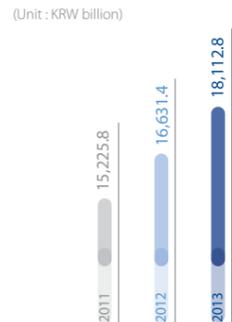
#### Developing Customized Financial Support for Regional SMEs

Busan Bank practices consumer-oriented finance by developing customized loan products for regional SMEs, as well as supporting their management activities by providing management consulting services to SMEs and operating the BS Job Center to resolve the labor shortages experienced by them.

Increased amount of Busan Bank's SME loans



Balance of Busan Bank's SME loans



Title	Description	Amount of Extensions (As of the end of 2013)
Energy Up Loan	Special support for companies lacking in collateral but having high growth potentials	KRW 500 billion
Win-win Growth Loan for SMEs	Encouraging win-win growth and seeking outstanding SMEs in the region by providing financial support to SMEs	KRW 834.6 billion
Dream Factory Loan	A loan to buy a plant for the first time in life	KRW 314.6 billion
Financing for Fisheries Warehousing	A specialized product to extend financing with fisheries as a collateral – fisheries loaded in a carrier or fish stocks stored in fish warehouses	KRW 633.2 billion
Small Giants 300 Project	Focusing on finding SMEs in Busan, Ulsan and Gyeongnam regions with high growth potential as representative regional companies which are small in size	KRW 1058.7 billion
Win-win Growth Fund	Supporting companies with creative technology that are expected to reside in the industrial complexes of Busan, Ulsan and Gyeongnam regions, but lack funds, and are sensitive to the economy	KRW 7.2 billion
Operating the BS Job Center	Resolving labor shortages of SMEs and creating jobs in the region	Results of recruitment 5,502 new employees at 4,644 companies
Free-of-charge Provision of SME Management Consulting	Consulting services on family business succession, investment inducement, taxation and legal issues	76 Cases

### Introduction of Support Activities for the Working-class Finance



Since 2013, the Happiness Fund program has been launched to resolve excessive debts of the working class and support the credit recovery of credit delinquents. It exempts the debts of delinquents up to 50% (70% for the livelihood security recipients) and allows them to pay back in installments over a maximum period of 10 years. As a result, we successfully resolved the debts (KRW 53,662 million) of 8,770 people subject to debt settlement, including credit loan delinquents and university student loan borrowers.

In order to provide differentiated financial support to the self-employed, BS Financial Group supported a total of KRW 300 billion to the regional self-employed, with KRW 150 billion each in 2011 and 2012. In 2013, we offered credit loans and secured loans totaling KRW 156.4 billion, and provided comprehensive consulting services for free of charge, including improving management for the self-employed and changing businesses through the BS Self Employment Support Center.

BS Financial Group provided the loan ceiling of KRW 100 billion to people hoping to open a new franchise store. Compared to the ordinary loans, applicants are given diverse benefits, including preferential treatment on interest rates and help with recruitment and various services for start-ups.

BS Financial Group runs various support programs such as business startup and job fair, business startup contest, summer camp for business startup clubs in colleges, and product fair by young entrepreneurs. Through 'Selecting Young Hopes Store', a program to wish youth's success in their business startup, we provided a hundred Young Hopes Stores with financial support, free consulting, marketing, and sales increase.

### Promises and Goals

BS Financial Group plans to continually promote mutual growth programs for SMEs and the self-employed by facilitating the local economy and supporting the working-class with finance. We plan to create jobs and fulfill our CSR by achieving win-win growth through financial support for SMEs as well as to the self-employed and young entrepreneurs.

Financial Support to SMEs in Southeastern Economic Zone	<ul style="list-style-type: none"> <li>Develop financial products to expand the liquidity of SMEs</li> <li>Convert to loans in Korean won for SMEs with foreign-exchange losses arising from their foreign currency loans</li> </ul>
Win-win Growth with SMEs	<ul style="list-style-type: none"> <li>Conduct job creation programs through the BS Job Center</li> <li>Support consulting services for the continuous growth of SMEs</li> </ul>
Support Programs for the Success of the Self-employed	<ul style="list-style-type: none"> <li>Fulfill CSR by creating jobs and facilitating finance for the working-class</li> <li>Support management for the successful business of the self-employed</li> </ul>
Support Program for the Success of the Start-ups of Young Entrepreneurs	<ul style="list-style-type: none"> <li>Provide training programs for business start-ups to university clubs</li> <li>Hold fairs for exhibiting and promoting products of the start-ups of young entrepreneurs</li> </ul>



GWP Employee Satisfaction  
Survey Result

**85** points

Operational Amount of  
Retirement Pension

KRW **147,891** million

Ratio of Returning to Work after  
Childcare and Maternity Leave

**99** %

## Employee Development and Support

### Social Interests and Our Role

Securing and cultivating outstanding talents are very important not only for the growth of the company, but also to provide good products and services to customers. In order to acquire outstanding talents, improving employee satisfaction through fair performance evaluation and improved welfare benefits are necessary. BS Financial Group aims to achieve work-life balance that takes into consideration the lifecycle of employees, while also striving to provide them with a better working environment.

### Introduction and Status of Issues

BS Financial Group identified the sustainability issues of internal and external stakeholders derived from materiality test through core perspective reporting of sustainability management. The fifth area provided on this page is about employee development and support and it covers various activities of BS Financial Group to ensure employee nurturing system and work-life balance, as a step to become global financial group.

### Map of core issues for sustainability management



### Reflecting core aspects for sustainability management

- 34. Efforts made for actual guarantee of work-life balance for employees
  - 28. Guarantee of stable employment for employees
  - 30. Fair performance evaluation and differentiated compensation
  - 29. Strengthening of the system for cultivating financial talents
- Employee Development and Support

### Stakeholder Interview

Employee of Busan Bank Head Office

Busan Bank operates diverse programs to improve employee competency. These educational programs involve courses aimed for the overseas market including the second language course and exclusive Vietnam course, courses to train financial experts including online finance course and training course at domestic and foreign colleges. Busan Bank plans to diversify its recruitment system by expanding contest types and internship, and further grow into a successful regional bank in and outside Korea.



# Financial Specialist Cultivation System

## Policies and Directions

BS Financial Group strives to acquire financial specialists with passion and creativity for its future growth engine. In order to develop employees into financial specialists and implement an open recruitment system with fair opportunities, we conduct training programs for strengthening capabilities of job position and duties. Also, we provide training environment and programs that help employees in self-development.

### Ideal Talents



### Busan Bank's New Employee Recruitment Direction



## Activities and Roles

### BS Hope Internship

The Group runs the BS Hope Internship as part of the job sharing initiative and offer opportunities through career searches and buildup talent. Candidates may vary from Korean students to foreign exchange students and the socially vulnerable such as married immigrant women. In 2013, in particular, we hired 30 interns from specialized high schools in order to engage in solving one of the social issues, employment of high school graduates.

### Operating the Mentoring Program

A mentoring program for new employees is operated to create a corporate culture where the newly hired can soon get used to the organization, easily adapt to work life and increase their work capabilities. We have designated our employees with ranks equal to or higher than assistant managers as mentors to carry out mentoring activities more than once a week for a year. This will strengthen the bonding between senior and junior employees and enable new employees to advance their skills.

## Operating the Point System for Training Program Completion

Busan Bank enforces the point system for training programs completed in a job position to strengthen the employee capabilities. We are also making efforts to reinforce individual and organizational abilities by designating 120 hours of mandatory training courses that individual employees are required to complete per year.

### BS Pro-Way

BS Financial Group operates various specialist development programs to foster financial experts and 'BS Pro-way' is one of the representative programs. We provide a roadmap for developing core specialists in various fields of specialties, including personal finance, corporate finance, foreign exchange, asset management, international finance and IB, as well as manage them through the CDP (Career Development Program).

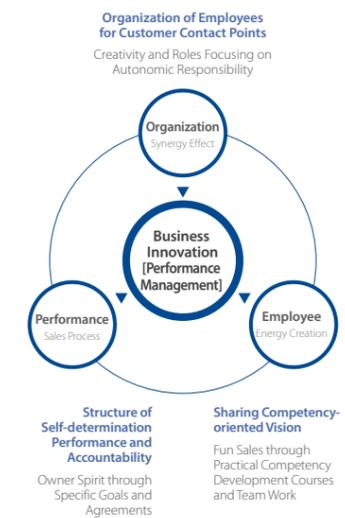
## Business Innovation Program

The Business Innovation Program is a field-oriented sales training program for strengthening marketing capabilities and improving employee productivity. As an on-site training program of Busan Bank, it has been developed based on sales processes to bring change and innovation by achieving continuous growth through sales skills, self-learning of products and communication abilities.

## Promises and Goals

BS Financial Group plans to foster experienced workforce through practical lectures on duty and cultivate competent financial experts through phased trainings such as programs in Korea Banking Institute and other institutions. These internal and external education and training programs will enable BS Financial Group's employees to further develop their abilities and competencies to become professional financial specialists.

### Core Concept Mapping of Business Innovation Program



## Case Study

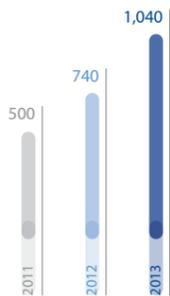
### Developing Employees through On-the-job Training (OJT) Overseas

BS Financial Group develops global specialists who implement sales activities and support works for overseas offices and branches of the existing customers and local companies already in foreign market. We conduct overseas placement training for China and Vietnam, while also providing OJT abroad as a duty in regions such as Hong Kong, Japan and Singapore and benchmarking the training of advanced financial institutions. We have also strengthened professionalism in various fields by arranging for participation in specialist courses set up at foreign universities.



Accumulative Number of Recruited Interns in Busan Bank Status

(Unit : persons)



## Fair Performance Evaluation and Compensation

### Policies and Directions

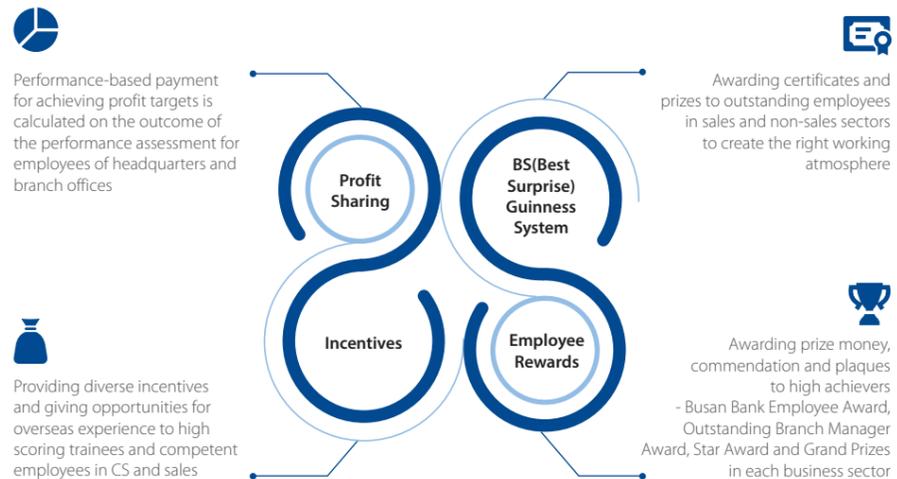
BS Financial Group has a performance evaluation system that considers creating short-term as well as medium-and long-term performance, in a comprehensive manner that conforms to the group's vision. We are also taking into consideration organizational development and employee nurturing through performance assessment, while ensuring that employees have a stable life by increasing wages to reflect inflation rates and matching compensation to performance evaluation.

### Performance Evaluation

In order to increase their employees' sense of commitment and performance, BS Financial Group has increased the frequency of performance evaluation and made it annual rather than quarterly. The headquarters implement performance evaluations in connection with the Key Performance Indicators (KPI) to reflect the departmental characteristics through the strategic tasks of the Management by Objectives (MBO). For branches, we conduct evaluations by differentiating KPI and goals by considering environmental factors. We also provide consultation on performance evaluation for each employee and reflect the interview results concerning the improvement of the performance evaluation methods.

### Compensation System

BS Financial Group provides annual salary, profit sharing, incentives and various rewards to its employees. Their rewards are decided fairly and systematically according to the performance evaluation results and the level of contribution. Besides these, we hold the 'Hanmaeum Contest' to give financial compensation, commendations, additional points for performance evaluation and training opportunities to employees with outstanding performance, thereby improving the satisfaction and motivation of employees.



### Promises and Goals

BS Financial Group seeks to continually improve performance evaluation and the compensation system for fair evaluation culture by expanding differential incentives based on individual performance. In order to precisely assess an employee's job and tasks, we evaluate both individual performance and KPI, and further aim to offer enough compensation by increasing payments for evaluation targets and different ratings.

## Non-discriminatory Work Environment

### Policies and Directions

BS Financial Group not only prohibits forced labor and child labor in compliance with the Korean laws and the agreements with the International Labor Organization (ILO), but also prevents discrimination on the basis of gender, religion and nationality. We also value both contract workers and employees from the vulnerable class and aim to create a fair and non-discriminate working environment.

### Engagement in Corporate Management

Busan Bank annually assigns an Alpha Leader to encourage a vibrant corporate atmosphere and induce change and innovation in the organization. The Alpha Leaders are taking the lead in improving creativity and change in corporate culture, by establishing a consensus among employees, encouraging participation in change and innovation activity programs, proposing various suggestions regarding management and coming up with innovative ideas. Also, we have appointed a Junior Board to improve the employees' sense of ownership and allow them to suggest new ideas for engaging in corporate management. We support the members of the Junior Board so that they can grow into the talent group for leading Busan Bank's future.

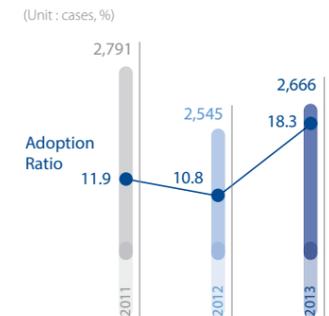


Busan Bank's Alpha Leader

Ideal Talent of Alpha Leader	
	Enterprising Alpha Leader who leads in changing the organization with flexible and creative mindset
	Courageous Alpha Leader who has a sense of responsibility and is not afraid of failure
	Active Alpha Leader who is always setting examples with the spirit of ownership
	Charming Alpha Leader who is considerate and understanding of others

### Status of Busan Bank's Work-related Suggestion System

Number of Suggestions Made and Adoption Ratio



### Work Proposal System

Busan Bank has instituted a work proposal system to listen to employees' suggestions and to encourage their participation in decision-making. Besides receiving various ideas on work through the system, we also gather requests for directions aimed at improvement and welfare enhancement of the system. The requests made are considered for work improvement after the proposal reviewers' evaluation.



Busan Bank's Work-related Suggestion System

## Activities and Roles

### Stable Employment

BS Financial Group has improved job stability by implementing the system of converting part-time employees into full-time employees. The new full-time employees continue to perform their usual jobs and also receive fair treatment regarding promotion, compensation, welfare and benefits. Also, if there are major changes in business operations, Busan Bank provides a 60 day-prior notification to its employees and strives to protect the workers' rights by holding negotiations with the union.

### Employment of the Socially Vulnerable

BS Financial Group is taking the lead in guaranteeing the economic activities of the socially vulnerable through preferential recruitment for the disabled, women, patriots and veterans and local residents of communities. In conjunction with the Korea Employment Agency for the Disabled, we have increased the employment of the disabled, and hold quarterly meetings with them to resolve any difficulty faced by them in their job. The complaints received from disabled employees are thoroughly reviewed for improvement, while we provide both financial and technical support for their convenience. Also, together with the Ministry of Patriots & Veterans, we select a certain ratio of patriots and veterans to be hired as our employees, contributing to the vitalization of regional economy by prioritizing the hiring of local residents of communities.

### Freedom of Association and Collective Bargaining

BS Financial Group keeps the labor-management communication channel open, while also stipulating the Collective Agreement and the operation regulations of the Labor-Management Council for the three labor rights, including the right to organize, the right to bargain and the right of collective action. Regarding agendas on the management status and employee welfare, we have cooperative labor-management relations based on active discussions between the two sides. In case of Busan Bank, the Labor-Management Council meets every quarter. At the end of 2013, 99.6% of employees participated in collective bargaining. BS Securities also operates an official Labor-Management Council.

### Retiree Support Program

BS Financial Group runs the support program for retirees' planning of post-retirement life. In order to provide jobs for retirees, we are implementing the re-employment program for retirees. In 2013, we rehired 36 retirees. We also operate a retirement pension program to guarantee a stable life after retirement and strengthen pension rights.

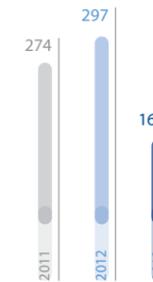
## Promises and Goals

BS Financial Group strives to create an advanced labor-management culture with strong trust between the labor and management to ensure mutual development. We decide on the labor conditions of employees and comply with labor-related laws and internal regulations by signing collective agreements based on labor-management agreements. Also, we plan to provide fair opportunities that suit individual performance and abilities, to increase the recruitment of disabled and children of patriots and veterans to improve the economic conditions of the socially vulnerable.

## Work-life Balance

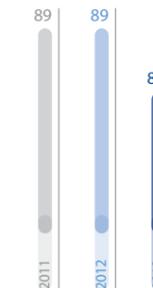
### Status of Ombudsman Consultation Results

(Unit : cases)



### GWP Employee Satisfaction Survey Result

(Unit : cases)



## Policies and Directions

BS Financial Group operates various family-friendly programs to create a happy workplace for employees. These programs include stress management, ombudsman channel, childcare and maternity protection, along with guaranteed time with families. Also, we set 'communication and trust' as our business slogan and plan to enhance job satisfaction by facilitating face-to-face communication of employees.

### Ombudsman Channel

BS Financial Group operates the ombudsman channel called 'Meoshirago', which aims to enhance the level of concentration at the workplace through listening and resolving employee grievances and improving the employees' quality of life. We have designated two employees to address the ombudsman communication received through exclusive hotline Angel Call and the on-line bulletin. Our reply to the ombudsman is provided within five business days, while replies on matters that need consultation with relevant departments are provided within ten business days. If there is a request for ombudsman consultation, we conduct one-on-one interviews by visiting in person and the interview details are reported to the executives to be reflected in making improvements. We create a work environment where everyone can work happily by actively listening to the employees' grievances through various channels.

## Activities and Roles

### Operating the BS Healing Mind Program

BS Financial Group operates the BS Healing Mind program, a psychological consultation service, to reduce the stress of employees and resolve their psychological problems. Employees can receive psychological consultation from experts through the external agency, Korea Employee Assistance Professions Association, which is conducted with the confidentiality of the employees and details of consultation. In 2013, the program was only available to the head office employees, but starting from 2014, we expanded the operation for the benefit of all our employees.

### Creating a Woman-friendly Work Environment

BS Financial Group strives to create a female-friendly work environment. We operate the Working-mom First program that supports childbirth and maternity protection so that female employees can continue their careers. Also, we enable flexible working hours for pregnant employees, assign the workplace near the homes of female employees who are returning to work after maternity leave, give electromagnetic wave prevention clothing and enable flexible working hours for those taking maternity leave. In order to reduce the burden of childcare, we opened and operate the BS Child Love Childcare Center.

## Case Study

### Received the Moran Medal of the Order of Civil Merit on the 2nd Population Day

On July 11, 2013, Busan Bank received the Moran Medal of the Order of Civil Merit at the 2nd Population Day Contest hosted by the Ministry of Health & Welfare in recognition of contributions made in spreading the culture of social considerations for pregnancy and childbirth. We also operate various programs for achieving work-life balance, including implementing the family experience program and holding family days twice a week. In addition, we actively adhered to governmental policies concerning childbirth and childcare in diverse areas, such as putting up posters for the Population Day at branches, setting up counters exclusively for pregnant customers and introducing childbirth and childcare products on ATM screens.



### Expanding Communication with the CEO

BS Financial Group operates the CEO communication programs for communication between the executives and employees. We listen to employees' voices and expand opportunities for face-to-face meetings between the CEO and employees, thereby providing time for all employees to share their opinions.

#### Oh! Refreshing Lunch with the CEO

The CEO of BS Financial Group invites outstanding employees to a meeting with different theme each month in order to praise their work and encourage them by charging their five senses including communion, sympathy, empathy, warmth, and confidence.

#### Place for Consensus with the CEO

BS Financial Group implements on-site management of listening to the voices of field employees by establishing a communication channel without barriers between the CEO and the branch managers through the Place for Consensus with the CEO.

#### Major Communication Channels with the CEO

Classification	Representative Activities
T-table	On-line Communication Channels between the CEO and Employees
CEO Letter	Delivering Management Philosophy and Vision
Happy Voice	Video Message from the CEO
CEO Schedule	Introduction of the CEO's Recent Schedule
BS Culture Day	Application of Culture Events Together with the CEO and Employees
BS Book Cafe	Application of Monthly Recommended Books by the CEO
Invitational Dinner to the CEO's House	Establishing Consensus with Employees and the CEO's Servant Leadership



BS Consensus Concert

### Health Management and Disease Prevention for Employees

In order to improve employees' quality of life and allow them to focus on work without any worries about health, we operate various health management programs, including bearing the medical checkup expenses, joining the group's Accident Insurance and reimbursing medical expenses. BS Financial Group stipulates regulations on enhancing employee health by improving safety, welfare and other work environments. Busan Bank operates the Health Management Department so that customized and systematic health management services are provided for employees. Depending on the medical checkup results, we provide health information for maintaining employees' health and conduct regular examinations to prevent the employee suffering from the disease getting worse.

#### Operating the Family Experience Program

Busan Bank operates various family experience programs to achieve work-life balance, including setting up tents with families, holding the BS Family Camping Experience program to make precious memories with families through camp fire, providing tidal flat experience of building good memories with families by catching fish with bare hands and digging out clams, other agricultural experience programs and maple leaf trekking experience programs. These programs allow employees to spend time with families and feel their families' love. In 2014, we expanded the programs with high satisfaction, while also developing new experience programs, including experiences of cheese village, history and ecology. We also plan to operate family experience programs suitable for the mega bank of Southeastern economic zone.

### Promises and Goals

In order to create a happy workplace for employees, BS Financial Group focuses on implementing the programs to make the workplace, home and leisure time happy for employees. Through these efforts, we pursue the work-life balance for employees, while also creating a corporate culture of participation by establishing mutual trust through various communication channels. Under the slogan, BS One, we promise to establish a strong consolidation among employees for a happy corporate culture.

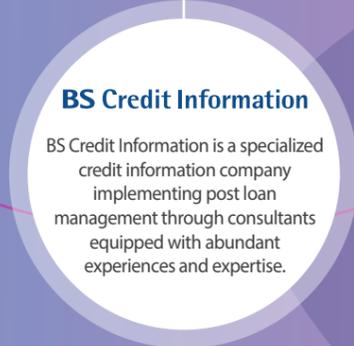
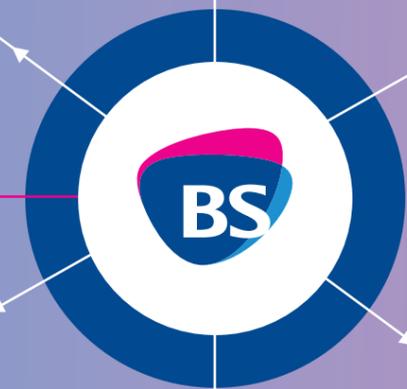


BS Family Camping Experience Program

# Affiliates of BS Financial Group

## BS Financial Group's Network

BS Financial Group has established a network based on the love and support of local communities in order to make continuous growth. Now, we have upgraded our corporate social responsibilities to local communities by leading in sharing management, while also taking the lead in making the world a happy place.





## Busan Bank

Busan Bank strives to take a step closer to customers through the second startup, a new phase. Busan Bank has overcome the rapidly changing domestic and foreign environments through customer-oriented sales, preemptive risk management and continual innovation, to become the top regional bank. In 2014, we have plans to advance further by taking the opening of the new head office as the starting point of the second Foundation. Based on the three principles of customer-oriented management, communication/team work and responsibility and trust, the employees at Busan Bank will do their best to ensure the bank's new initiative will act as the foundation for developing the happiness of customers and local communities.

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-seven years since its foundation in October 1967, to revitalize the local economy. Even during the 1997 financial crisis and global financial crisis, the Bank could withstand the crisis through localized business strategies. As of the end of 2013, the Bank became one of the best regional banks with its total assets of KRW 47 trillion (including trust accounts), net income of KRW 318.2 billion, 265 branches and 3,200 employees. The Bank continues to initiate Win-Win management policies to reinvigorate the local economy as a pivotal financial institution in the region, while spearheading CSR activities in the region to provide hope to the underprivileged. In 2012, the Bank set its medium and long-term management goal, that is, Vision 2015, as the "No.1 local bank with nationwide networks in Korea," making continual efforts to advance into a globally competitive bank.

### Company Information

(As of December 31, 2013)

Date of Foundation	October 10, 1967	Employees	3,216 persons
Shareholders' Equity	KRW 4,456.1 billion	Homepage	www.busanbank.co.kr
Headquarters Address	92 Beomil-ro Dong-gu, Busan		

### Achievements of Sustainability Management

 Win-Win Management	Supporting Microcredit Service	Busan Bank actively supports microcredit service loans to finance the working-class. In 2013, we provided loans amounting to a total of KRW 91 billion via schemes such as the New Hope Seed Loan, the Change Dream Loan and the Baronuri Loan.
 Customer Satisfaction Management	Establishing the Financial Consumer Protection Department	Following an organizational restructure, the Bank has set up the Financial Consumer Protection Department as an independent unit under the CEO so that customer satisfaction, VOC and customer complaints are handled and managed comprehensively.
 Employee Happiness Management	Offering Family-Friendly Programs	The Bank encourages family engagement through various initiatives; from weekends together at farms, to maternity protection for female employees, to encourage giving birth.
 Value Creation Management	Generating Synergy	Busan Bank creates synergy in profits through cross-affiliate arrangements and joint projects among BS Securities, BS Capital and BS Savings Bank.

## Financial Value Growth

### Setting Precedent in Business Rationalization

Busan Bank has changed the paradigm of the financial industry, and created new opportunities for advancement. In June 2013, we set up a taskforce for business rationalization to remodel the bank's business infrastructure.

We developed a total of 70 tasks for the bank's overall management, including organizational operation efficiency, manpower operation efficiency, branch operation efficiency, the rationalization of sales and management expenses, and cleaning up the quality of assets. Simultaneously, we held a workshop with the executives and branch managers on business rationalization, to seek efficient management directions for the bank. By implementing both, horizontal innovation and vertical innovation at the same time, we laid a foundation for overcoming the period of three lows: low interests, low growth and low profits.

These voluntary and active business rationalization processes of Busan Bank will prove a valuable experience in enhancing the innovation mindset of all employees, as well as achieving sustainable growth.

### Strengthening profitability through management efficiency

Despite the low profitability of banks in 2013, Busan Bank achieved a net income of KRW 979.2 million per employee, recording the highest productivity among all Korean banks. In particular, we overcame the limitations of being a regional bank and acquired management efficiency that can compete with commercial banks in Korea. We consider these achievements part of our continuous social contribution and efforts for economic vitalization, and plan to use them as the basis for improved sustainability management.

## Social Value Creation

### Selected as the Best Bank Korea by Finance Asia

In June 2014, Busan Bank was selected the Best Bank in Korea in the awards that Finance Asia nominates for being the best bank of each country in Asia. Finance Asia nominated Busan Bank for outstanding financial performance, support to SMEs, and its high growth potential. As a result, Busan Bank's status in the global market has soared beyond the domestic market, so that it can be confident about entering the Asian market, starting with the opening of its Qingdao branch in China. In the future, Busan Bank plans to actively enter into the Asian market by converting the Vietnam's Ho Chi Minh representative office into a branch and establishing new offices in Yangon, Myanmar, to establish a new foreign business model.



Establish the Precedent of Business Rationalization Selected as the Best Bank Korea



## BS Securities

BS Securities will implement win-win management with local communities and customers. We hope to pursue our efforts to become Korea's best financial investment company through expanding differentiated specialization strategies. Moreover, we will achieve growth and implement sharing management through mutual development with customers, employees and local communities under the management principle of continuous growth, job creation and social contribution. We promise to always do our best in creating happiness and value for customers and become their partners in making successful investments. Therefore, we ask for your continuous interest and encouragement so that we can become the leading financial investment company that brings trust and satisfaction.

CEO of BS Securities **Dong Won An**

### Company Introduction

Busan BS Securities founded its head office in 1997, and began its operation as "Bueun Futures", a professional derivative trading company. BS Securities has grown based on its business policy of prioritizing customers' profits and the support of customers, to enter into the securities business in 2009 to facilitate its entry into the regional financial industry and capital market. Through the expansion of business areas in stages, BS Securities became a comprehensive securities company by acquiring the approval for business in dealing in investment in 2012. It is the only Korean securities company with its head office located in the region to provide diverse and specialized financial services to regional companies and investors.

### Company Information

(As of December 31, 2013)

Date of Foundation	June 2, 1997	Employees	167 persons
Shareholders' Equity	KRW 111.9 billion	Homepage	www.bsfn.co.kr
Headquarters Address	1 Saessak-ro Busanjin-gu, Busan		

### Achievements of Sustainability Management

 Win-Win Management	Supporting the Funding of Regional SMEs	Since 2012, BS Securities has participated as the main underwriter and the underwriting group for issuing bonds of regional companies in Busan, Ulsan and Gyeongnam regions to support funds.
 Customer Satisfaction Management	Practicing Love for Customers and Customer Satisfaction	BS Financial Group operates CS training, monitoring system, employee rewards for good feedbacks from customers, in order to increase customer satisfaction and employee CS mindset.
 Employee Happiness Management	Fostering Talents and Creating a Space for Communication	The Company operates a mentoring program for new employees to adapt to work life better and faster. The Company holds Hof & Hope Day and company presentations for employees and seminars to make the workplace a happy one to work in, by keeping communication channels open to employees.
 Value Creation Management	Securing the Basis for Sustainable Growth by Creating Differentiated Competitiveness	BS Securities strives to serve as a "strong financial investment company specialized in local services" by formulating medium- and long-term management plans, and creating synergy through specialized and localized strategies with aligned businesses among affiliates.

## Financial Value Growth

### Proved as the Leading Company in Strategic Industries by the Busan Metropolitan City

The Busan Metropolitan City selected five strategic industries that reflect the regional characteristics and development potentials to lead in the advancement and upgrading of regional industries through choice and focus. The five strategic industries include marine industry, convergence part material industry, creative culture industry, bio-health industry and knowledge infrastructure industry. Since 2011, BS Securities has contributed to the development of local communities by being selected as the leading company in knowledge infrastructure (finance) industry.

### Signing of the Together Busan Agreement

BS Securities signed the Together Busan Agreements with nine representative regional companies and the Solidarity of the Citizens for the economic recovery of Busan, including Green Joy, Dae-sun, Busan Fish Product Cooperative, Busan Milk, Vilac, Treksta, Parkland and Mudmat. We carry out joint promotions targeting Busan citizens through various campaigns with the message that regional companies have to do well in order for the regional economy to recover, including the campaign to use locally produced products, field trips to plants and the Busan Metropolitan City's campaign of Buy Busan (purchasing Busan products), thereby strengthening cooperative relations and exchange human resources to achieve win-win development and give back to the region.



Signing Ceremony of Together Busan Agreement

## Social Value Creation

### Customer Information Protection

BS Securities operate the information protection systems, including the DLP (Data Loss Prevention) system and the DRM (Digital Rights Management) system and the WIPS (Wireless Intrusion Prevention Systems), to prevent leakages and hacking. Through various channels, we established regulations and manuals for safe use and provision of customer information, and decide adequacy of employees' storing customer information. In order to recognize the importance of information protection, BS Securities' employees signed the pledge of customer information protection, as well as improving the systems and programs by raising the awareness of information protection through regular training.

### Protecting Financial Consumers

In May 2013, BS Securities announced the Charter for Financial Consumer Protection to enact the regulations and manuals for financial consumer protection and implement the customer-oriented ethical management. We reflect any customer complaint on performance evaluation of relevant employee or manager and intensify pre-deliberation of product development and sales, thereby respecting customer value and enhancing customer rights.



## BS Capital

In May 2013, BS Securities announced the Charter for Financial Consumer Protection to enact the regulations and manuals for financial consumer protection and implement the customer-oriented ethical management. We reflect any customer complaint on performance evaluation of relevant employee or manager and intensify pre-deliberation of product development and sales, thereby respecting customer value and enhancing customer rights.

CEO of BS Capital **Sang Chun Lee**

### Company Introduction

BS Capital, established as a company specialized in credit finance in 2010, provides diverse financial services of lease finance, automobile finance, retail finance and corporate finance throughout 17 branches in Korea. Also, in conjunction with the BS Financial Group, all of the employees at BS Capital work together to become the leading capital company specializing in consumer finance through developing financial products, exploring new businesses and making endless innovations and efforts for customer value.

### Company Information

(As of December 31, 2013)

Date of Foundation	July 15, 2010	Employees	387 persons
Shareholders' Equity	KRW 306.7 billion	Homepage	www.bsccapital.co.kr
Headquarters Address	1 Saessak-ro Busanjin-gu, Busan		

### Achievements of Sustainability Management

Win-Win Management	Credit Loans for Livelihood Funds	BS Capital supported a total of KRW 1.5 billion as credit loans for livelihood funds to help with the residents and self-employed in the region.
	Supporting the Purchase of Livelihood-type Vehicles	In 2013, BS Capital supported a total of KRW 4.3 billion to purchase livelihood-type vehicles to make a living.
Customer Satisfaction Management	Operating the Consumer Protection Department	BS Capital established the Consumer Protection Department directly under the CEO to strengthen the system improvement, customer complaints and personal information protection system for financial consumer protection.
Employee Happiness Management	Improving the Welfare of Employees	BS Capital strives to enhance the welfare of employees by expanding welfare benefits such as supporting educational expenses, joining accident insurance, supporting club activities and medical expenses through various communication channels with employees.
Value Creation Management	Improving Profitability through Diversifying Profit Sources	BS Capital realized economic value creation by continuously achieving profits through the diversification of profit sources, including entering into the installment finance of durable goods, and opening rental business based on the diverse and stable asset structure of lease finance, automobile finance, retail finance and corporate finance.

## Financial Value Growth

### Improving External Growth and Profitability

BS Capital handles a wide range of products that reflect customer needs, including automobile finance, leasing of industrial goods, credit loans and corporate loans, to expand the sales network across the nation to cover Suwon and Jeju Island. The total assets at the end of 2013 showed an increase of 63.2% to record KRW 2.809 trillion compared to the total assets at the end of 2012 amounting to KRW 1.722 trillion. The net income in 2013 recorded KRW 28.5 billion, which is an increase of 35.7% compared to the previous year.

### Becoming a Global Capital Company through Overseas Market Entry

In December 2013, BS Capital acquired the approval for establishing local companies in Myanmar and Cambodia from the Financial Services Commission. Since Myanmar and Cambodia have huge growth potentials, BS Capital plans to provide high-quality financial services through developing products that meet the diverse financial demands based on its abundant business and operational know-hows. Also, BS Capital will continuously conduct market researches when entering into the overseas market to create new profit sources and act as the bridgehead for BS Financial Group's overseas market entry in the future. Under the group's vision of becoming a global premier regional financial group by 2020, BS Capital strives to achieve sustainable growth and enhance profitability through developing new overseas growth engines that go beyond the domestic financial market, which has reached the limits of growth.

## Social Value Creation

### Job Creation and Social Contribution with Local Communities

BS Capital is the first capital company with the head office in the region. In 2013, we hired 39 new employees and 90 experienced workers from local regions. In the case of outstanding talented individuals from local regions who are in Seoul, we provided opportunities for them to return to their hometown, which contributed to the region's balanced development and stronger competitiveness by deterring the outflow of local talent. Meanwhile, we have started a regional volunteer group of 385 employees and provide community restoration through volunteer activities more than once every month. In 2013, we led in corporate social responsibilities by conducting various activities for senior citizens living alone or the socially vulnerable, including delivering lunch boxes and briquettes and conducting environmental cleanup activities at the Busan International Film Festival's event halls.



Delivering the Briquette of Love



Environmental Purification Activities

### Reinforcing the Working-class Finance Support

BS Capital strives to become a consumer finance company that achieves mutual development with local communities by providing various financial services. In order to promote the 2nd year of 'Happiness Finance', BS Capital supported a total of KRW 5.8 billion in expanding the consultation counters to 20 branches and loan centers across the nation, assigning employees exclusively for microcredit service and carrying out loan support duties. Also, we provided opportunities for the socially vulnerable using loans of high interest rates to convert to low interest rates, while increasing our contributions to local communities and the working class by supporting installment products for the members of the working class who want to purchase vehicles to make a living.



## BS Savings Bank

BS Savings Bank maintains outstanding performances in all areas of transparency and profitability through establishing the foundation for growth in appropriate level of good assets and improving the qualitative structure of assets. In the future, BS Savings Bank will faithfully play its role as a financial institution that fulfils CSR by complying with the principles of ethical management and supporting the working-class finance through localized management. We ask for your continuous love and support to BS Savings Bank and wish happiness and health to your family.

CEO of BS Savings Bank **Jae Young Jung**

### Company Introduction

In celebration of its third year of foundation, BS Savings Bank has established an asset foundation for continuous growth to facilitate the working-class finance. Also, BS Savings Bank has developed into a leading savings bank representing the Southeastern economic zone by maximizing the group's synergy. In 2014, all of the employees at BS Savings Bank will strive to become representatives of the regional financial institution for the working class by improving on the present to achieve the great goal of management innovation of BS Financial Group's management.

### Company Information

(As of December 31, 2013)

Date of Foundation	January 10, 2012	Employees	112 persons
Shareholders' Equity	KRW 107.2 billion	Homepage	<a href="http://www.bssavingsbank.com">http://www.bssavingsbank.com</a>
Headquarters Address	177 Beomilro Busanjin-gu, Busan		

### Achievements of Sustainability Management

 Win-Win Management	Supporting Regional Microcredit Service	BS Savings Bank provided KRW 53.1 billion of Sunshine Loan by reducing high-interest loan to lower interest loans.
 Customer Satisfaction Management	Upgrading of the Consumer Protection System	To counter threats on personal information that have become more intelligent and diverse, the regulation on the provision of customer information as a regulation to handle customers' personal information protection has been prescribed and managed.
 Employee Happiness Management	Conducting the Employee Satisfaction Program	In order to improve the satisfaction level of employees at the workplace and to raise their morale, BS Savings Bank strives to make the workplace feel like a second home to employees by supporting various activities, including promoting internal club activities, designating a family day, offering congratulatory cards and presents on anniversaries, and implementing the Zero Complaint campaign.
 Value Creation Management	Initiating the Growth of High-Yield Assets in the Appropriate Level and Improving Loan Portfolios	Stable management performance is achieved through the expansion of microcredit by forming assets with competent collateral-backed corporate loans and developing diverse microcredit products.

### Financial Value Growth

#### Expanding the Profit Foundation for Stable Asset Growth

BS Savings Bank handles outstanding corporate secured loans for stable asset management. As part of the efforts to expand the working-class finance, we supported a total of KRW 627.1 billion of loans by actively providing various products of credit loan, Sunshine Loan and middle payment loan, to record an increase of 26.5% compared to the previous year. Among them, we reduced the loans acquired from delinquent financial institutions to 14.6% compared to the total loans. Due to the expansion of the working-class finance, we reduced the unequal distribution of corporate loans, so that the ratio of household loans increased by 5.6% compared to the previous year to promote the expansion of profit foundation through improving the qualitative structure of assets. Our efforts for strict internal management and risk management resulted in business stabilization, thereby increasing new quantitative assets.

### Social Value Creation

#### Intensifying Social Contribution Activities

In order to fulfill corporate social responsibilities, BS Savings Bank acquired continuity and symbolism that surpassed the limitations of one-time social contribution activities. BS Savings Bank expanded the corporate culture of sharing by carrying out employee volunteer activities. In particular, BS Savings Bank established a volunteer group of love sharing consisting of 8 teams in 2013, to conduct volunteer work every month. We aim to develop along with local communities through win-win management, so that we can grow together with society.

#### Strengthening Microcredit Service Support

BS Savings Bank pursues localized business that fulfills the intrinsic role as a savings bank of supporting microcredit service by focusing on the happiness of customers. We extend the scope of shared growth between working-class and local community by supporting business loan and living expenses to the self-employed and social workers and by providing 'Sunshine Loan' for low-creditors.



Love Sharing Volunteer Group of BS Savings Bank



## BS Credit Information

BS Credit Information prioritizes customer-oriented bond management. We have faithfully fulfilled our role as a consultant for our customers through professionals with abundant experience and expertise, while also striving to provide high-quality bond management services to customers by developing scientific bond collection techniques and developing specialists at the same time. Through our continuous efforts to expand profit sources, we will grow into the leading credit information company located in the Busan region.

CEO of BS Credit Information **Nam Seok Bae**

### Company Introduction

As a credit information company established through one hundred percent investments of BS Financial Group, BS Credit Information implements the duties of bond collection and credit check. In order to achieve the advancement of Korean financial industry and establish scientific and systematic credit culture, we provide high-quality services of carrying out bond collection and credit check duties, including developing outstanding specialists and operating advanced computer system. BS Credit Information promises to become a leading credit information company that represents the region by utilizing the infrastructure it has accumulated over the years as the leader for establishing the regional credit society in the 21st century.

### Company Information

(As of December 31, 2013)

Date of Foundation	June 17, 2003	Employees	24 persons
Shareholders' Equity	KRW 6.2 billion	Homepage	www.bs-ci.co.kr
Headquarters Address	610 Gayadaero Busanjin-gu, Busan		

### Achievements of Sustainability Management

Win-Win Management	Implementing the Debtor Rehabilitation Program	The installment repayment system for overdue loans is underway for debtors as the socially vulnerable, considering their income level, require assistance in debt repayment with temporarily delayed and default interest written off.
Customer Satisfaction Management	Corporate Contribution Group Sharing Happiness	Befitting the features of a credit information company, the Company actively takes part in CSR activities of BS Financial Group including free consulting on credit recovery and environmental clean-up of communities.
Employee Happiness Management	Expanding the Employee Happiness System	The Company conducts fair performance assessments and reward system for employees, and extends aids with medical expenses for their family, holds cultural events to help them lead a well-balanced life.
Value Creation Management	Initiating the Group's Synergy Management	Fully tapping into the Group's local base and utilizing cross-affiliate synergy-driven operations, the Company conducts localized business and takes the initiative to expand its business scope beyond southeastern Korea.

## Financial Value Growth

### Strengthening Synergy Creation and Entering into New Businesses

As a result of strengthening external sales capabilities with the group's relevant businesses to achieve synergy and profitability, BS Credit Information achieved sales and net profits of KRW 2.793 billion and KRW 716 million, respectively, which showed an increase of 17% and 31%, respectively. As the group's business areas expanded to Ulsan and Gyeongnam regions, it will expand to other areas besides Busan region to actively develop new businesses, such as being an agency for receiving documents and handling the post-management of bonds, to create synergy through promoting relevant businesses between affiliates and grow into a sustainable company.

## Social Value Creation

### CSR Activities with the Community

The Company is engaged in the continued local environmental clean-up for fulfilling corporate social responsibility making communities happy. In 2012, BS Credit Information participated in tree-planting activity held by Busan Metropolitan city as an initial step towards social contribution. We also carried out cleaning of trails on Eomgwang Mountain in Busan. The Company will continue to be engaged in corporate social responsibility activities by expanding them, ranging from environmental clean-up to tree planting and volunteering for broken families and the elderly living alone.

### Busan Citizens Park's Tree Planting Campaign

BS Credit Information participated in the Citizen Environmental Movement of creating a 'Forest of Participation' in the Busan Citizens Park. The park is built on a site of 530,000m<sup>2</sup> in the old Kamp Hialeah, which provides rest and leisure, as well as fun and enjoyment, to the Busan citizens after being returned to the public as Busan's first large-scale urban park.

### Consideration for the Socially Vulnerable

BS Credit Information allows a temporary delay for debt repayment for debtors struggling to maintain normal economic activities including recipients of livelihood protection, the disabled and the severely ill. Moreover, a partial waiver is offered for delayed fees and service fees, and installment repayment for overdue loans is allowed given the debtors' income level. This enables them to maintain normal economic activities and repay their debts in a stable manner for debtors who cannot repay their overdue loans.



Letter of Appreciation for Tree Planting Campaign of the Busan Citizens Park



Busan Citizens Park's Tree Planting Campaign



## BS Information System

BS Information System strives to become the leading regional IT service provider. Based on this goal, BS Information System has been established to satisfy the IT demands of affiliates, while also contributing to improving the competitiveness of regional companies by developing and supplying IT solutions to regional SMEs. We will continually grow and develop into the leading regional IT service provider by prioritizing customer value creation and implementing core values of providing high-quality IT services, focusing on innovation and talent, establishing mutual trust and promoting national peace.

CEO of BS Information System **Young Woo Lee**

### Company Introduction

BS Information System, as a IT specialized financial company, plans to preemptively react to complicated finance and changes in IT with know-how from experience, thereby providing essential services in IT area for BS Financial Group to become the best regional bank. Also, we enhanced the competitiveness of regional companies by cooperating with them to achieve win-win development for regional IT companies, while also fulfilling our corporate social responsibilities through social contribution activities and IT talent donations to grow together with local communities.

### Company Information

(As of December. 31, 2013)

Date of Foundation	May 20, 2011	Employees	121 persons
Shareholders' Equity	KRW 4.1 billion	Homepage	www.bsisis.co.kr
Headquarters Address	13 Gwangbok Jungang-ro Jung-gu, Busan		

### Achievements of Sustainability Management

<p>Win-Win Management</p>	<p>Conducting Joint IT Projects for Developing and Promoting Regional Companies</p>	<p>When implementing IT projects of affiliates within BS Financial Group, BS Information System developed regional IT companies with outstanding capabilities and implemented joint projects to achieve win-win development, thereby contributing to improving the competitiveness of regional companies and increasing their sales.</p>
<p>Customer Satisfaction Management</p>	<p>Expanding the Web Accessibility for the Information Alienated Groups</p>	<p>BS Information System acquired the certification mark of web accessibility by developing responses for preventing discrimination against the disabled through the websites of affiliates. BS Information System strives to enable convenient use of searching for information and receiving on-line financial services for the information alienated groups, including the disabled and senior citizens.</p>
<p>Employee Happiness Management</p>	<p>Providing Opportunities for Self-development through Training Management System</p>	<p>In order to develop employees into IT experts, BS Information System conducts job education through career path road map and keeps individual training record through training management system.</p>
<p>Value Creation Management</p>	<p>Increasing Synergy through Sharing the Latest IT Technology Information within the Group</p>	<p>BS Information System shares the latest IT information with other IT personnel within the BS Financial Group by holding regular IT sharing seminars and establishing the IT Sharing Room on the group's website, and also contributes to value creation through maximizing synergy between affiliates.</p>

### Financial Value Growth

#### Achieving Continuous Growth Based on Stable Business Implementation

BS Information System provides stable and differentiated IT services required for business by acquiring the human resources and management competency. Since its foundation, BS Information System has annually achieved stable external growth by actively participating in the improvement of IT subsidiaries of the BS Financial Group.

#### Received the 2013 Best Award in Smart Application Banking

Our business in 'Smart Banking Service Application for Clients' was recognized for its design, technology, contents, and services, and was nominated as the 'Best Mobile Banking Application' in 2013 Smart App Award by Korea Internet Professional Association (KIPFA).

### Social Value Creation

#### Acquired the Certification Mark of Outstanding Web Accessibility (WA) for the Disabled

BS Information System aims to make web services available to those who do not have easy accessibility to information. We eased the access to our website to provide fair service to anyone including the disabled and elders. By resolving information gaps and providing convenient use of on-line financial services, BS Information System acquired the outstanding WA certification mark for contributing in meeting governmental policies and improving the rights of the information alienated groups.

#### Creating Jobs in the Local Area

BS Information System, through its continuous growth with stable business operation, not only prevents outflow of local talents by creating quality jobs, but also provides stable employment environment for the local talents. Also, we help plan and propose career path road map for individuals according to their ability and experience, and further conduct customized training for them. We established the training management system for systematic management of training programs, which established the foundation for developing high-quality IT experts, contributing to regional development through fostering talented individuals.

#### IT Talent Donation



IT Talent Donation

BS Information System supplies laptop computers and regular maintenance to the Sebit Christianity Orphanage, a sisterhood organization, for educational improvement. During the Family Month or national holidays, we implement our 'Happy Finance' by visiting the amusement park with the children. Also, we monthly visit the welfare centers in the region to inspect the computers in classrooms and provide free maintenance services for the computers, to conduct social contribution activities that take advantage of the industry's characteristics.



Outstanding Web Accessibility (WA) Certification Mark



Best Smart Application Award in Banking

# Financial Statements

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## Management's Discussion and Analysis

### 1. Overview

In 2013, BS Financial Group announced the new management philosophy, "Advance to the World with the Community, and to the Future with Clients". Also based on its corporate vision to become 'Korea's Representative Regional Financial Group' by 2015 and 'Global Regional Financial Group' by 2020, the Group solidifies its position with outstanding financial services. As we were selected as the priority negotiator for sale of Kyongnam Bank on December 31 2013, we not only achieved mutual growth with the community, but also took our first step toward securing specialized competitiveness as a regional financial group.

In 2013, the total asset of the Group reached KRW 51.13 trillion, which increased by 10.4% since 2012 due to the increase in Bank loan and asset growth of non-banking affiliates such as BS Capital. However, net income recorded KRW 304.5 billion which is lower than the last term by KRW 61.4 billion.

Moreover, the net incomes for each affiliate are as follows:

Busan Bank recorded KRW 318.6 billion, which went down KRW 37.1 billion. BS Securities recorded KRW 300 million, which went down KRW 2.8 billion year-on-year. BS Capital recorded KRW 28.5 billion, which went up KRW 7.3 billion year-on-year. BS Savings Bank recorded KRW 11.9 billion, which went down KRW 17.2 billion year-on-year.

Our BIS ratio, a standard of capital adequacy, recorded 13.85%, ROA and ROE were 0.67% and 0.01% respectively, and NPL ratio and delinquency recorded 1.30% and 0.77, which indicates that major business indexes are stably maintained among other holding companies in Korea.

BS Financial Group set its business policy as 'Great Innovation to Build New Growth System' in order to create differentiated value and to become global financial group even in the crisis, and will move forward an exemplary model of globally successful holding company based on its management philosophy, 'Advance to the World with the Community, and to the Future with the Client'.

### Major financial performance and management indicators

(Unit : %, %p)

	Major Indicators	2013 (A)	2012 (B)	Change (C=A-B)
Profitability	ROA	0.67	0.88	▲ 0.21
	ROE	9.01	11.65	▲ 2.64
	NIM	2.46	2.73	▲ 0.27
Asset Quality	Asset Quality	1.3	1.2	0.1
	Delinquency Rate	0.77	0.69	0.08
	Coverage Ratio	120.66	128.1	▲ 7.44
Capital Adequacy	BIS Ratio	13.85	15.19	▲ 1.34
	Tier I Ratio	9.75	10.84	▲ 1.09
	Core Capital Ratio	7.46	7.59	▲ 0.13

## 2. Financial Status and Operational Performance

### (1) Financial Status

Classification	(Unit : KRW 100 million, %)			
	2013 (A)	2012 (B)	Change (C=A-B)	Ratio of Change (D=C/B)
Cash and due from banks	18,609	21,433	▲ 2,824	▲ 13.18
Investment financial assets	78,338	79,998	▲ 1,660	▲ 2.08
Loans and receivables	362,002	322,018	39,984	12.42
Derivative assets	1,200	1,014	186	18.34
Tangible assets	5,087	4,164	923	22.17
Intangible assets	1,349	1,221	128	10.48
Investment of property	879	752	127	16.89
Non-current assets held for sale	107	107	0	0
Other assets	1,598	926	672	72.57
Total assets	469,169	431,633	37,536	8.7
Deposits	310,589	286,022	24,567	8.59
Borrowings	43,911	44,282	▲ 371	▲ 0.84
Debentures	47,402	41,285	6,117	14.82
Derivative liabilities	902	733	169	23.06
Retirement benefit obligation	124	17	107	629.41
Provisions	329	289	40	13.84
Current income tax liabilities	204	379	▲ 175	▲ 46.17
Deferred income tax liabilities	772	534	238	44.57
Other liabilities	28,927	25,476	3,451	13.55
Total liabilities	433,160	399,017	34,143	8.56
Equity attributable to the owners of controlling equity	35,010	32,616	2,394	7.34
Capital stock	9,669	9,669	0	0
Other paid-in capital	470	448	22	4.91
Other components of equity	260	295	▲ 35	▲ 11.86
Retained earnings	24,611	22,204	2,407	10.84
Non-controlling equity	999	0	999	100
Total equity	36,009	32,616	3,393	10.4
Total liabilities and equity	469,169	431,633	37,536	8.7

\*The performance for 2012 was drawn up retroactively to the enacted and amended the K-IFRS (Korean International Financial Reporting Standards) applied starting from January 1, 2013.

The consolidated total asset of the Group increased KRW 3.7536 trillion (8.70%) year-on-year. Our lending increased by KRW 3.6837 (12.23%) due to increased demands for loans followed by rate falls in standard interest and new loans, and the operational deposit of Busan Bank also increased as it launched various products satisfying customer needs and improved its marketing. The total assets of major affiliates are KRW 42.882 trillion, KRW 495.5 billion, KRW 2.8098 trillion and KRW 743.4 billion for Busan Bank, BS Securities, BS Capital and BS Savings Bank, respectively.

Consolidated total liabilities increased by KRW 3.4143 trillion year-on-year, which is because deposit liabilities increased by KRW 2.4567 trillion (8.59%). The increase in deposits liabilities is caused by capital inflow due to decreased demands for investment and higher preferences for safe asset in global economic crisis. The total liabilities of major affiliates recorded KRW 39.4028 trillion, KRW 383.6 billion, KRW 2.5031 trillion and KRW 635.2 billion for Busan Bank, BS Securities, BS Capital and BS Savings Bank, respectively.

### (2) Operational Performance

Classification	(Unit : KRW 100 million, %)			
	2013 (A)	2012 (B)	Change (C=A-B)	Ratio of Change (D=C/B)
Net interest income	11,544	11,431	113	0.99
Net commission income	851	1,091	▲ 240	▲ 22.00
Net income of investment financial assets	362	411	▲ 49	▲ 11.92
Provision for credit loss	△ 2,323	-2,006	▲ 317	15.8
Other operating expenses, net	△ 6,307	-5,991	▲ 316	5.27
Operating income	4,127	4,936	▲ 809	▲ 16.39
Non-operating income, net	△ 99	-87	▲ 12	13.79
Income before income tax expense	4,028	4,849	▲ 821	▲ 16.93
Income tax expense	△ 973	-1,190	217	▲ 18.24
Net income	3,055	3,659	▲ 604	▲ 16.51
Net income attributable to owners of the company	3,045	3,659	▲ 614	▲ 16.78
Net income attributable to non-controlling interests	10	0	10	100
Other comprehensive income (loss), net of tax	△ 35	59	▲ 94	▲ 159.32
Total comprehensive income	3,020	3,718	▲ 698	▲ 18.77
Total comprehensive income attributable to owners of the company	3,010	3,718	▲ 708	▲ 19.04
Total comprehensive income attributable to non-controlling interests	10	0	10	100
Earnings per share(KRW)	1,576	1,893	▲ 317	▲ 16.75

\*The performance for 2012 was drawn up retroactively to the enacted and amended the K-IFRS (Korean International Financial Reporting Standards) applied starting from January 1, 2013.

Net Interest Margin (NIM) is continuously decreasing due to the extension of global economic recession and uncertainty in financial market, along with the trends of lower interest rate and growth in domestic economy. However, the interest income increased by KRW 11.3 billion year-on-year due to increased asset of interest profit caused by SMEs, based on preemptive risk management. The non-interest income dropped KRW 4.9 billion year-on-year due to the declined interest rates and fall in stock prices. Selling and administrative expenses and loan loss provisions increased KRW 4.9 billion and KRW 53.4 billion, respectively, while other operating income, including derivative-related income, decreased KRW 29 billion year-on-year and the non-interest income dropped KRW 92.2 billion.

The total selling and administrative expenses increased KRW 4.9 billion to record KRW 573.8 billion, which went up 0.87% year-on-year, due to retroactive wage payment, special retirement benefits for the quasi-retirement age group, profit sharing system and additional accumulation of retirement benefit provisions. For Busan bank, additional reserves of provisions for loans with future default risk and loan loss provisions increased according to the Financial Supervisory Service's stronger measures on asset quality. BS Capital also increased its loan loss provisions due to the loan growth driven by business expansion. BS Savings Bank that commenced operations during the period set aside loan loss provisions. As such, loan loss reserves increased KRW 53.4 billion year-on-year.

### 3. Capital Adequacy and Asset Quality

#### (1) BIS Capital Adequacy Ratio

BIS capital adequacy ratio is used as an index for determining the appropriate level of capital buffer for the risk-weighted assets shown in consolidated results. The higher the capital adequacy ratio is, the higher it is evaluated as having good financial soundness. Starting from December 12, 2013, after the adoption of BASEL III capital requirements, the equity capital and risk-weighted assets will be calculated to be managed in ratio. As of the end of the period, the BIS ratio is 13.85% (15.19% at the end of last year) and the Tier I ratio is 9.75% (10.84% at the end of last year), to maintain a stable level of capital adequacy.

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

Classification	2013 (A)	2012 (B)	Change (C=A-B)
Tier I capital	32,993	31,142	1,851
Tier II capital	13,856	12,477	1,379
Equity capital	46,849	43,619	3,230
Risk-weighted Asset	338,229	287,214	51,015
Tier I	9.75	10.84	▲ 1.09
Tier II	4.1	4.34	▲ 0.24
BIS ratio	13.85	15.19	▲ 1.34

#### (2) Status of Asset Quality

As of the end of 2013, the total loans increased from KRW 30,821.7 billion to 34,432.3 billion, while the NPL ratio went up from KRW 369.1 billion to KRW 447.7 billion. The coverage ratio dropped from 127.28% to 120.90%, but both the NPL ratio and the delinquency rate recorded 1.30% and 0.77%, to maintain favorable standards compared to other Korean financial holding companies for the major management indexes.

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

Classification	2013 (A)	2012 (B)	Change (C=A-B)
Total loans	344,323	308,217	36,106
NPLs	4,477	3,691	786
NPL ratio	1.3	1.2	0.1
Coverage Ratio	120.9	127.28	▲ 6.38
Delinquent loans	2,061	2,070	▲ 9
Delinquency rate	0.77	0.69	0.08

## BS Financial Group \_Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of BS Financial Group Inc. (the "Company") and its subsidiaries (the "Consolidated Group"). The consolidated financial statements consist of the consolidated statements of financial position as of December 31, 2013 and 2012, respectively, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended December 31, 2013 and 2012, respectively. The Consolidated Group's management is responsible for the preparation and fair presentation of the consolidated financial statements, and our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Group as of December 31, 2013 and 2012, respectively, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, respectively, in conformity with Korean International Financial Reporting Standards ("K-IFRS").

*Deloitte* *Abj'in* *LLC*

March 12, 2014

This report is effective as of March 12, 2014, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.

## BS Financial Group \_Consolidated Statements of Financial Position

### BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2013	December 31, 2012	December 31, 2011
<b>ASSETS</b>			
I. CASH AND DUE FROM BANKS	1,860,886,039,971	2,143,271,973,711	2,595,546,725,278
II. INVESTMENT FINANCIAL ASSETS	7,833,791,139,549	7,999,763,683,467	7,339,614,617,118
1. Financial assets at fair value through profit or Loss (FVTPL)	666,354,861,001	808,416,922,350	374,800,493,947
2. Available-for-sale (AFS) financial assets	2,794,062,773,184	2,732,854,784,164	2,773,419,447,960
3. Held-to-maturity (HTM) financial assets	4,373,373,505,364	4,458,491,976,953	4,191,394,675,211
III. LOANS AND RECEIVABLES	36,200,193,891,753	32,201,826,417,135	28,737,076,851,970
1. Loans, net of allowance for loan losses	33,803,279,501,972	30,119,557,862,339	26,070,659,760,143
2. Receivables, net of allowance for loan losses	2,396,914,389,781	2,082,268,554,796	2,666,417,091,827
IV. DERIVATIVE ASSETS	120,020,911,144	101,449,091,701	149,075,590,873
V. TANGIBLE ASSETS	508,722,105,985	416,435,557,727	412,636,877,446
VI. INTANGIBLE ASSETS	134,892,639,539	122,054,869,082	24,101,550,319
VII. INVESTMENT OF PROPERTY	87,890,074,218	75,235,207,341	47,962,385,458
VIII. NON-CURRENT ASSETS HELD FOR SALE	10,658,898,025	10,658,898,025	-
IX. OTHER ASSETS	159,835,110,840	92,560,194,078	52,658,019,188
<b>TOTAL ASSETS</b>	<b>46,916,890,811,024</b>	<b>43,163,255,892,267</b>	<b>39,358,672,617,650</b>
<b>LIABILITIES</b>			
I. DEPOSITS	31,058,903,803,104	28,602,191,843,523	24,991,337,377,268
II. BORROWINGS	4,391,127,175,771	4,428,156,539,259	4,638,062,089,721
III. DEBENTURES	4,740,193,120,195	4,128,490,838,398	3,618,063,356,194
IV. DERIVATIVE LIABILITIES	90,218,613,268	73,310,282,308	82,827,935,548
V. RETIREMENT BENEFIT OBLIGATION	12,388,251,389	1,715,337,415	16,574,509,040
VI. PROVISIONS	32,946,492,830	28,899,970,847	30,846,417,049
VII. CURRENT INCOME TAX LIABILITIES	20,433,956,378	37,864,295,761	71,540,955,922
VIII. DEFERRED INCOME TAX LIABILITIES	77,206,704,645	53,398,467,646	31,464,881,226
IX. OTHER LIABILITIES	2,892,607,827,387	2,547,669,906,897	2,923,007,767,382
<b>TOTAL LIABILITIES</b>	<b>43,316,025,944,967</b>	<b>39,901,697,482,054</b>	<b>36,403,725,289,350</b>
<b>SHAREHOLDERS' EQUITY</b>			
I. EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING EQUITY	3,501,013,866,057	3,261,558,410,213	2,954,947,328,300
1. Capital stock	966,899,495,000	966,899,495,000	966,899,495,000
2. Other paid-in capital	47,023,304,997	44,751,592,737	44,751,592,737
3. Other components of equity	25,972,578,211	29,486,797,712	35,982,380,854
4. Retained earnings	2,461,118,487,849	2,220,420,524,764	1,907,313,859,709
(Provided reserve and expected reversal of reserve for bad debts: ₩131,781 million and ₩10,239 million as of December 31, 2013. Provided reserve for bad debts: ₩131,781 million as of December 31, 2012)			
II. NON-CONTROLLING EQUITY	99,851,000,000	-	-
<b>TOTAL EQUITY</b>	<b>3,600,864,866,057</b>	<b>3,261,558,410,213</b>	<b>2,954,947,328,300</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>46,916,890,811,024</b>	<b>43,163,255,892,267</b>	<b>39,358,672,617,650</b>

## BS Financial Group \_Consolidated Statements of Comprehensive Income

### BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2013	December 31, 2012	December 31, 2011
I. NET INTEREST INCOME	1,154,457,909,029	1,143,160,827,804	1,024,566,309,744
1. Interest revenues	2,117,574,023,749	2,165,443,479,818	1,845,025,722,611
2. Interest expenses	-963,116,114,720	-1,022,282,652,014	-820,459,412,867
II. NET COMMISSION INCOME	85,126,538,438	109,063,428,762	96,492,219,593
1. Commission revenues	150,831,028,995	168,796,114,653	152,282,419,096
2. Commission expenses	-65,704,490,557	-59,732,685,891	-55,790,199,503
III. NET INCOME OF INVESTMENT FINANCIAL ASSETS	36,200,875,952	41,091,281,616	47,379,807,183
1. Net income of financial assets at FVTPL	8,775,341,790	5,661,130,450	341,459,637
2. Net income of AFS financial assets	27,425,534,162	35,430,151,166	46,538,350,026
3. Net income of HTM financial assets	-	-	499,997,520
IV. PROVISION FOR CREDIT LOSS	-232,305,332,320	-200,607,893,173	-134,686,298,886
V. OTHER OPERATING EXPENSES, NET	-630,741,709,062	-599,094,174,110	-497,474,716,176
1. Net loss from foreign exchange trading	-107,228,766,337	-100,229,636,411	-126,270,237,127
2. Net income from derivatives	141,695,753,156	137,616,890,605	163,479,702,974
3. General and administrative expenses	-573,767,553,444	-568,891,095,138	-488,558,774,784
4. Other operating revenues	45,925,758,102	24,569,600,906	32,419,576,788
5. Other operating expenses	-137,366,900,539	-92,159,934,072	-78,544,984,027
VI. OPERATING INCOME	412,738,282,037	493,613,470,899	536,277,321,458
VII. NON-OPERATING INCOME, NET	-9,879,814,495	-8,760,648,667	-3,490,815,009
1. NON-OPERATING REVENUES	12,011,576,536	8,730,382,197	13,215,155,574
2. NON-OPERATING EXPENSES	-21,891,391,031	-17,491,030,864	-16,705,970,583
VIII. INCOME BEFORE INCOME TAX EXPENSE	402,858,467,542	484,852,822,232	532,786,506,449
IX. INCOME TAX EXPENSE	-97,336,386,701	-118,979,306,238	-132,490,478,558
X. NET INCOME	305,522,080,841	365,873,515,994	400,296,027,891
(Net income after provision of reserve for bad debts: ₩315,761 million in 2013 and ₩336,365 million in 2012)			
1. Net income attributable to owners of the company	304,513,329,755	365,873,515,994	400,296,027,891
2. Net income attributable to non-controlling interests	1,008,751,086	-	-
XI. OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	-3,514,219,501	5,948,119,314	-22,437,732,724
1. Items that are not subsequently reclassified to profit or loss:	-8,406,679,035	-4,289,640,838	-
1) Remeasurement elements of defined benefit plan	-8,406,679,035	-4,289,640,838	-
2. Items that are subsequently reclassified to profit or loss	4,892,459,534	10,237,760,152	-22,437,732,724
1) Gain (loss) on fair value of AFS financial assets	5,240,583,868	10,325,886,920	-22,437,732,724
2) Gain(loss) on overseas operations translation	-348,124,334	-88,126,768	-
XII. TOTAL COMPREHENSIVE INCOME	302,007,861,340	371,821,635,308	377,858,295,167
1. Total comprehensive income attributable to owners of the company	300,999,110,254	371,821,635,308	377,858,295,167
2. Total comprehensive income attributable to non-controlling interests	1,008,751,086	-	-
XIII. EARNINGS PER SHARE			
1. Basic and diluted net earnings per share (in currency units)	1,576	1,893	2,120

## BS Financial Group \_Consolidated Statements of Changes in Shareholders' Equity

### BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit : KRW)

Description	Capital stock	Other paid-in capital	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
Balance at January 1, 2011	933,418,250,000	-	58,420,113,578	1,553,688,744,318	2,545,527,107,896	-	2,545,527,107,896
Annual dividends	-	-	-	-46,670,912,500	-46,670,912,500	-	-46,670,912,500
Paid-in capital increase	33,481,245,000	41,197,530,483	-	-	74,678,775,483	-	74,678,775,483
Acquisition of treasury stock	-	-76,570,868,856	-	-	-76,570,868,856	-	-76,570,868,856
Disposal of treasury stock	-	80,124,931,110	-	-	80,124,931,110	-	80,124,931,110
Total comprehensive income :							
Net income	-	-	-	400,296,027,891	400,296,027,891	-	400,296,027,891
Other comprehensive loss:							
Evaluation of AFS financial assets	-	-	-22,437,732,724	-	-22,437,732,724	-	-22,437,732,724
Balance at December 31, 2011	966,899,495,000	44,751,592,737	35,982,380,854	1,907,313,859,709	2,954,947,328,300	-	2,954,947,328,300
Balance at January 1, 2012	966,899,495,000	44,751,592,737	35,982,380,854	1,907,313,859,709	2,954,947,328,300	-	2,954,947,328,300
Effect of an accounting change	-	-	-12,443,702,456	18,341,064,761	5,897,362,305	-	5,897,362,305
Equity after prior-period adjustments	966,899,495,000	44,751,592,737	23,538,678,398	1,925,654,924,470	2,960,844,690,605	-	2,960,844,690,605
Annual dividends	-	-	-	-67,631,256,000	-67,631,256,000	-	-67,631,256,000
Total Comprehensive income:							
Net income	-	-	-	365,873,515,994	365,873,515,994	-	365,873,515,994
Other comprehensive income (loss):							
Remeasurement elements defined benefit plans	-	-	-4,289,640,838	-	-4,289,640,838	-	-4,289,640,838
Evaluation of AFS financial assets	-	-	10,325,886,920	-	10,325,886,920	-	10,325,886,920
Loss on overseas operations translation	-	-	-88,126,768	-	-88,126,768	-	-88,126,768
Changes in investment in consolidated subsidiaries	-	-	-	-3,476,659,700	-3,476,659,700	-	-3,476,659,700
Balance at December 31, 2012	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
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 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
Gain on overseas operations translation	-	-348,124,334	-	-88,126,768	-	-	-
XII. Total comprehensive income		302,007,861,340		371,821,635,308		377,858,295,167	
1. Total comprehensive income attributable to owners of the company		300,999,110,254		371,821,635,308		377,858,295,167	
2. Total comprehensive income attributable to non-controlling interests		1,008,751,086		-		-	
XIII. EARNINGS PER SHARE							
1. Basic and diluted net earnings per share (in currency units)		1,576		1,893		2,120	

## BS Financial Group \_Consolidated Statements of Cash Flows

### BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2013	December 31, 2012	December 31, 2011
I. CASH FLOWS FROM OPERATING ACTIVITIES	-794,301,715,851	-931,685,189,000	34,901,430,579
1. Net income	305,522,080,841	365,873,515,994	400,296,027,891
2. Adjustments to reconcile net income to net cash used in operating activities	-834,312,605,365	-965,205,569,145	-709,737,204,120
Loss on valuation of financial assets at FVTPL	1,269,914,625	3,001,196,003	94,633,907,537
Impairment loss on AFS financial assets	18,343,584,174	10,259,669,444	1,988,415,255
Loss on disposal of AFS financial assets	2,481,954,537	154,835,723	9,883,933,746
Provision of allowance for loan losses	223,285,561,417	169,854,498,639	133,473,722,885
Provision for severance benefits	22,643,431,854	20,576,569,742	35,393,130,112
Depreciation	13,653,846,533	49,440,657,962	33,689,322,206
Amortization	23,465,924,584	23,028,733,744	10,685,478,696
Loss on valuation of derivatives, net	70,484,506,404	71,763,423,338	80,783,780,902
Loss on valuation of fair value hedged items, net	86,127,201	81,899,675	541,282,578
Loss on foreign currency translation, net	35,432,968,660	97,158,447,021	50,547,680,036
Loss on bonds payables in foreign currencies	-	-	43,408,080,561
Loss on disposal of tangible assets	49,788,834	73,863,841	171,449,570
Loss on property for business purpose abandoned	15,203,482	-	-
Loss on disposal of intangible assets	4,500,130	-	-
Impairment loss of intangible assets	2,742,381,731	1,333,771,890	-
Provision of allowance for losses on acceptance and guarantees, net	-	758,926,039	278,669,975
Provision of allowance for losses on unused credit limits, net	-	1,415,056,129	1,284,448,664
Provision of allowance for losses on financial guarantees	-	156,049,516	-
Addition of other expenses of non-cash transactions	27,058,331,383	1,709,989,712	4,902,009,018
Provision of allowance for others, net	8,674,065,894	393,934,924	813,894,278
Long-term compensation expense	3,156,283,849	1,628,991,180	142,821,581
Income tax expense	97,336,386,701	118,979,306,238	132,490,478,558
Interest expense	963,116,114,720	1,022,282,652,014	820,459,412,867
Gain on valuation of financial assets at FVTPL	-1,958,210,112	-6,396,663,021	-103,096,370,473
Gain on disposal of AFS financial assets	-27,499,302,381	-26,812,516,674	-39,922,514,112
Gain on disposal of held-to-maturity (HTM) financial assets	-	-	-499,997,520
Gain on valuation of derivatives, net	-101,342,125,254	-101,978,366,325	-112,578,729,135
Gain on valuation of fair value hedged items, net	-	-10,573,272,878	-20,944,346,492
Gain on foreign currency translation, net	-5,437,231,362	-112,518,649,002	-23,194,521,291
Gain on bonds payables in foreign currencies	-68,138,598,176	-110,346,853,540	-
Gain on disposal of tangible assets	-227,061,639	-500,978,301	-54,220,443
Reversal of allowance for losses on acceptances and guarantees	-1,473,588,770	-	-
Reversal of allowance for losses on unused credit limits	-1,153,127,036	-	-
Reversal of allowance for others	-276,409,463	-4,639,702,295	-197,736,765
Deduction of other revenues of non-cash transactions	-1,530,452,884	-1,015,224,406	-774,387,682
Reversal of allowance for losses on financial guarantees	-238,536,760	-	-
Interest income	-2,117,574,023,749	-2,165,443,479,818	-1,845,025,722,611
Dividend income	-20,764,814,492	-19,032,335,659	-19,020,576,621

Description	December 31, 2013	December 31, 2012	December 31, 2011
3. Changes in working capital	-1,394,602,240,992	-1,448,361,128,724	-714,955,624,131
Net decrease due from banks	10,917,239,252	223,105,911,466	77,083,571,530
Net decrease (increase) in financial assets at FVTPL	142,750,356,836	-212,588,518,380	-93,904,928,196
Net increase in loans	-3,899,602,580,750	-3,840,315,715,948	-4,011,208,697,713
Net increase in accrued income	-90,403,432,329	-162,492,144,876	-163,766,533,305
Net decrease (increase) in prepaid expenses	2,039,129,275	-432,306,310	-10,166,967,164
Net increase in guarantee deposits	-6,840,452,074	-12,973,651,903	-11,768,343,131
Net decrease (increase) in derivative assets	-3,143,010,018	62,733,970,666	-1,190,946,863
Net increase in other assets	-95,981,019,639	-47,917,067,926	-33,678,724,968
Net increase in deposits	2,456,711,959,581	2,547,601,952,033	3,442,192,554,203
Net increase (decrease) in accrued expenses	-139,680,273	-10,550,990,708	4,566,048,127
Net increase (decrease) in unearned revenues	-11,608,033,488	4,042,903,103	8,526,086,573
Net increase in other liabilities	90,735,334,762	41,144,872,286	64,437,831,243
Net decrease in taxes withheld	-1,527,179,814	-1,589,618,164	-2,265,225,188
Net increase in derivative liabilities	32,337,140,385	5,589,818,253	39,016,742,798
Net increase (decrease) in financial guarantee contract liabilities	-470,815,783	34,769,987	-1,382,249,158
Net decrease in defined benefit obligation	-7,490,749,681	-8,925,701,965	-4,382,387,606
Net increase in plan assets	-12,886,447,234	-34,829,610,338	-17,063,455,313
4. Cash received from (paid to) operating activities	2,178,782,603,047	2,259,427,875,659	1,935,246,536,480
Interest revenue received	2,158,017,788,555	2,240,395,540,000	1,916,225,959,859
Dividend revenue received	20,764,814,492	19,032,335,659	19,020,576,621
5. Net cash used in operating activities	-1,049,691,553,382	-1,143,419,882,784	-875,948,305,541
Interest expense paid	-957,258,294,056	-1,009,019,246,374	-783,525,964,319
Income tax paid	-92,433,259,326	-134,400,636,410	-92,422,341,222
II. CASH FLOWS FROM INVESTING ACTIVITIES (Note 38)	-375,207,771,320	675,444,685,687	130,075,949,163
1. Cash provided by investing activities	3,634,144,231,470	4,155,945,130,016	3,798,567,343,770
2. Cash used in investing activities	-4,009,352,002,790	-3,480,500,444,329	-3,668,491,394,607
III. CASH FLOWS FROM FINANCING ACTIVITIES (Note 38)	930,576,943,168	-120,776,469,044	455,791,134,863
1. Cash provided by financing activities	2,332,778,992,138	2,976,135,588,126	2,893,040,110,980
2. Cash used in financing activities	-1,402,202,048,970	-3,096,912,057,170	-2,437,248,976,117
IV. NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	-238,932,544,003	-377,016,972,357	620,768,514,605
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,038,586,920,369	1,403,445,799,616	1,962,206,525,226
VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-32,536,150,485	12,158,093,110	-26,539,197,641
VII. CASH AND CASH EQUIVALENTS, END OF YEAR (Note 38)	767,118,225,881	1,038,586,920,369	2,556,435,842,190

## Busan Bank \_Consolidated Statements of Financial Position

### BUSAN BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2013	December 31, 2012	December 31, 2011
<b>ASSETS</b>			
I. CASH AND DUE FROM BANKS	1,741,082,352,535	1,995,772,320,821	2,490,247,453,147
II. INVESTMENT FINANCIAL ASSETS	7,431,584,899,460	7,425,126,288,720	7,010,340,748,250
1. Financial assets at fair value through profit or Loss (FVTPL)	285,471,517,145	262,328,790,279	58,541,013,727
2. Available-for-sale (AFS) financial assets	2,776,789,934,523	2,708,465,982,083	2,760,420,209,012
3. Held-to-maturity (HTM) financial assets	4,369,323,447,792	4,454,331,516,358	4,191,379,525,511
III. LOANS AND RECEIVABLES	32,935,266,211,178	30,047,196,336,243	27,857,164,774,049
1. Loans, net of allowance for loan losses	30,614,590,759,684	28,032,588,731,242	25,267,340,570,968
2. Receivables, net of allowance for loan losses	2,320,675,451,494	2,014,607,605,001	2,589,824,203,081
IV. DERIVATIVE ASSETS	119,726,181,144	101,449,091,701	149,075,590,873
V. TANGIBLE ASSETS	497,576,434,719	403,792,387,415	405,032,398,729
VI. INTANGIBLE ASSETS	78,209,017,007	62,776,863,643	20,847,924,137
VII. INVESTMENT OF PROPERTY	59,426,403,528	46,196,443,891	47,962,385,458
VIII. NET DEFINED BENEFIT ASSETS	-	1,897,128,683	-
IX. NON-CURRENT ASSETS HELD FOR SALE	10,658,898,025	10,658,898,025	-
X. OTHER ASSETS	8,493,476,002	11,962,204,165	10,201,882,715
<b>TOTAL ASSETS</b>	<b>42,882,023,873,598</b>	<b>40,106,827,963,307</b>	<b>37,990,873,157,358</b>
<b>LIABILITIES</b>			
I. DEPOSITS	30,573,634,638,817	28,100,462,881,776	25,024,188,881,482
II. BORROWINGS	3,877,554,188,737	3,745,990,966,621	4,315,746,822,168
III. DEBENTURES	2,144,118,523,859	2,731,353,856,827	2,890,293,518,014
IV. DERIVATIVE LIABILITIES	89,976,153,268	73,310,282,308	82,827,935,548
V. RETIREMENT BENEFIT OBLIGATION	9,362,046,198	-	16,372,443,560
VI. PROVISIONS	32,556,234,921	28,575,130,254	30,577,877,427
VII. CURRENT INCOME TAX LIABILITIES	20,162,383,540	37,009,886,879	71,087,752,320
VIII. DEFERRED INCOME TAX LIABILITIES	60,984,621,696	42,332,169,938	26,704,589,917
IX. OTHER LIABILITIES	2,594,494,414,659	2,342,045,556,079	2,791,509,467,330
<b>TOTAL LIABILITIES</b>	<b>39,402,843,205,695</b>	<b>37,101,080,730,682</b>	<b>35,249,309,287,766</b>
<b>SHAREHOLDERS' EQUITY</b>			
I. EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING EQUITY	3,479,180,667,903	3,005,747,232,625	2,741,563,869,592
1. Capital stock	948,418,250,000	933,418,250,000	933,418,250,000
2. Other components of equity	99,851,000,000	-	-
3. Capital surplus	134,924,946,000	-	-
4. Other components of equity	20,305,251,976	22,261,472,712	28,927,521,389
5. Retained earnings			
(Reserve for bad debts at the end of the period:			
Accumulated reserves : ₩127,030,000,000			
Non-accumulated reserves : -₩			
Amount required for provision of allowance : ₩(8,131,000,000)			
Amount expected for provision of allowance : ₩(8,131,000,000)			
Provided reserve for bad debts at the end of the period :			
Accumulated reserves : ₩101,974,000,000			
Non-accumulated reserves : -₩			
Amount required for provision of allowance : ₩25,056,000,000			
Amount expected for provision of allowance : ₩25,056,000,000)			
II. NON-CONTROLLING EQUITY	-	-	-
<b>TOTAL EQUITY</b>	<b>3,479,180,667,903</b>	<b>3,005,747,232,625</b>	<b>2,741,563,869,592</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>42,882,023,873,598</b>	<b>40,106,827,963,307</b>	<b>37,990,873,157,358</b>

(\*) Drawn up retroactively to the enacted and amended the K-IFRS (Korean International Financial Reporting Standards) applied starting from January 1, 2013.

## Busan Bank \_Consolidated Statements of Comprehensive Income

### BUSAN BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2013	December 31, 2012	December 31, 2011
I. NET INTEREST INCOME	1,001,911,025,525	1,027,160,964,037	987,376,835,989
1. Interest revenues	1,842,857,579,178	1,954,287,531,925	1,796,147,123,706
2. Interest expenses	-840,946,553,653	-927,126,567,888	-808,770,287,717
II. NET COMMISSION INCOME	65,216,970,442	80,064,892,567	84,139,376,113
1. Commission revenues	122,114,631,605	129,878,751,094	133,133,142,309
2. Commission expenses	-56,897,661,163	-49,813,858,527	-48,993,766,196
III. NET INCOME OF INVESTMENT FINANCIAL ASSETS	32,007,436,347	35,091,181,173	51,945,395,302
1. Net income of financial assets at FVTPL	2,770,628,864	323,633,995	-1,622,608,644
2. Net income of AFS financial assets	29,236,807,483	34,767,547,178	53,068,006,426
3. Net income of HTM financial assets	-	-	499,997,520
IV. PROVISION FOR CREDIT LOSS	-138,927,886,463	-146,802,587,240	-120,898,639,165
V. OTHER OPERATING EXPENSES, NET	-549,070,769,813	-519,665,779,346	-470,729,349,405
1. Net loss from foreign exchange trading	-107,232,538,126	-100,244,312,004	-126,279,590,868
2. Net income from derivatives	140,066,253,516	130,638,484,605	154,193,744,429
3. General and administrative expenses	-489,822,333,574	-486,472,232,034	-451,832,262,788
4. Other operating revenues	11,279,198,069	24,262,325,270	32,419,576,788
5. Other operating expenses	-103,361,349,698	-87,850,045,183	-79,230,816,966
VI. OPERATING INCOME	411,136,776,038	475,848,671,191	531,833,618,834
VII. Non-operating income, net	-5,080,298,628	-10,006,762,729	-3,469,083,623
1. NON-OPERATING REVENUES	11,655,233,787	6,815,641,862	13,085,237,905
2. NON-OPERATING EXPENSES	-16,735,532,415	-16,822,404,591	-16,554,321,528
VIII. INCOME BEFORE INCOME TAX EXPENSE	406,056,477,410	465,841,908,462	528,364,535,211
IX. INCOME TAX EXPENSE	-87,437,446,060	-110,189,365,897	-130,064,549,879
X. NET INCOME	318,619,031,350	355,652,542,565	398,299,985,332
(Net income after provision of reserve for bad debts: ₩326,750 million in 2013 and ₩330,596 million in 2012)			
XI. OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	-1,956,220,736	6,120,845,613	-29,492,592,189
Items that are not subsequently reclassified to profit or loss:	-7,918,720,336	-3,489,044,294	
1. Remeasurement elements of defined benefit plan	-7,918,720,336	-3,489,044,294	
Items that are subsequently reclassified to profit or loss	5,962,499,600	9,609,889,907	
1. Gain (loss) on fair value of AFS financial assets	6,310,623,934	9,698,016,675	-29,492,592,189
2. Gain(loss) on overseas operations translation	-348,124,334	-88,126,768	-
XII. TOTAL COMPREHENSIVE INCOME	316,662,810,614	361,773,388,178	368,807,393,143
XIII. Net income attributable to:			
1. Owners of the company	318,619,031,350	355,652,542,565	398,299,985,332
2. Non-controlling interests	-	-	-
XIV. Total comprehensive income attributable to:			
1. Owners of the company	316,662,810,614	361,773,388,178	368,807,393,143
2. Non-controlling interests	-	-	-
XV. EARNINGS PER SHARE			
1. Basic and diluted net earnings per share (in currency units)	1,697	1,905	2,134

(\*) Drawn up retroactively to the enacted and amended the K-IFRS (Korean International Financial Reporting Standards) applied starting from January 1, 2013.

## 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, 2011	933,418,250,000	-	-	58,420,113,578	1,553,688,744,318	2,545,527,107,896	-	2,545,527,107,896
Annual dividends	-	-	-	-	-46,670,912,500	-46,670,912,500	-	-46,670,912,500
Payment of interim dividends	-	-	-	-	-130,118,504,050	-130,118,504,050	-	-130,118,504,050
Comprehensive income :								
Net income	-	-	-	-	398,299,985,332	398,299,985,332	-	398,299,985,332
Other comprehensive income	-	-	-	-29,492,592,189	-	-29,492,592,189	-	-29,492,592,189
Changes in investment in consolidated subsidiaries	-	-	-	-	4,018,785,103	4,018,785,103	-	4,018,785,103
Balance at December 31, 2011	933,418,250,000	-	-	28,927,521,389	1,779,218,098,203	2,741,563,869,592	-	2,741,563,869,592
Balance at January 1, 2012	933,418,250,000	-	-	28,927,521,389	1,779,218,098,203	2,741,563,869,592	-	2,741,563,869,592
Effect of an accounting change	-	-	-	-12,786,894,290	18,684,256,595	5,897,362,305	-	5,897,362,305
Rewritten capital after correction	933,418,250,000	-	-	16,140,627,099	1,797,902,354,798	2,747,461,231,897	-	2,747,461,231,897
Payment of interim dividends	-	-	-	-	-100,062,436,400	-100,062,436,400	-	-100,062,436,400
Comprehensive income :								
Net income	-	-	-	-	355,652,542,565	355,652,542,565	-	355,652,542,565
Other comprehensive income	-	-	-	6,120,845,613	-	6,120,845,613	-	6,120,845,613
Changes in investment in consolidated subsidiaries	-	-	-	-	-3,424,951,050	-3,424,951,050	-	-3,424,951,050
Balance at December 31, 2012	933,418,250,000	-	-	22,261,472,712	2,050,067,509,913	3,005,747,232,625	-	3,005,747,232,625
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
Paid-in capital increase	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
Comprehensive income :								
Net income	-	-	-	-	318,619,031,350	318,619,031,350	-	318,619,031,350
Other comprehensive income	-	-	-	-1,956,220,736	-	-1,956,220,736	-	-1,956,220,736
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

# Busan Bank \_Consolidated Statements of Cash Flows

## BUSAN BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2013	December 31, 2012	December 31, 2011
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>	166,617,704,066	396,757,489,789	1,201,355,024,698
1. Net income	318,619,031,350	355,652,542,565	398,299,985,332
2. Adjustments to reconcile net income to net cash used in operating activities	-824,677,477,347	-913,969,917,937	-700,844,913,531
Loss on valuation of financial assets at FVTPL	281,309,142	2,333,000,868	94,499,194,802
Impairment loss on AFS financial assets	16,553,778,495	10,259,669,444	1,988,415,255
Loss on disposal of AFS financial assets	2,426,584,204	151,112,849	9,883,933,746
Provision of allowance for loan losses	129,894,454,798	128,120,542,924	119,686,063,164
Provision for severance benefits	19,072,574,142	18,012,199,971	33,749,947,200
Depreciation	11,374,227,736	35,400,828,889	30,597,869,858
Amortization	21,639,032,508	21,409,979,561	9,590,107,115
Loss on valuation of derivatives, net	70,484,506,404	71,763,423,338	80,783,780,902
Loss on valuation of fair value hedged items, net	86,127,201	81,899,675	541,282,578
Loss on foreign currency translation, net	35,372,940,935	96,744,758,925	50,544,705,673
Loss on bonds payables in foreign currencies	-	-	43,408,080,561
Loss on disposal of tangible assets	46,721,691	44,844,999	171,449,570
Loss on property for business purpose abandoned	15,203,482	19,789,831	22,419,979
Impairment loss of intangible assets	-	187,771,890	-
Loss on disposal of financial bond	-	2,302,296,805	142,821,581
Loss on supplies destroyed	35,083,380	172,291,423	2,045,900
Provision of allowance for losses on acceptance and guarantees, net	-	758,926,039	278,669,975
Provision of allowance for losses on unused credit limits, net	-	1,405,533,375	1,284,448,664
Provision of allowance for losses on financial guarantees	-	156,049,516	-
Provision of allowance for others, net	8,727,690,704	387,138,875	4,887,943,966
Long-term compensation expense	2,409,996,557	1,035,387,739	813,894,278
Income tax expense	87,437,446,060	110,189,365,897	130,064,549,879
Interest expense	840,946,553,653	927,126,567,888	808,770,287,717
Gain on valuation of financial assets at FVTPL	-608,238,044	-1,554,576,589	-102,718,272,309
Gain on disposal of AFS financial assets	-27,960,700,646	-26,812,516,674	-46,791,872,072
Gain on disposal of held-to-maturity (HTM) financial assets	-	-	-499,997,520
Gain on valuation of derivatives, net	-101,342,125,254	-101,978,366,325	-112,578,729,135
Gain on valuation of fair value hedged items, net	-	-10,573,272,878	-20,944,346,492
Gain on foreign currency translation, net	-5,377,203,637	-112,104,762,519	-23,173,802,562
Gain on bonds payables in foreign currencies	-68,138,598,176	-110,346,853,540	-
Gain on disposal of financial bond	-	-	-187,737,510
Gain on disposal of tangible assets	-176,827,685	-477,654,346	-47,021,443
Reversal of allowance for losses on acceptances and guarantees	-1,473,588,770	-	-
Reversal of allowance for losses on unused credit limits	-1,147,628,839	-	-
Reversal of allowance for losses on financial guarantees	-238,536,760	-	-7,228,623
Reversal of allowance for others	-	-	-197,736,765
Gain on restoration	-1,614,902,451	-1,015,224,406	-582,082,696
Interest income	-1,842,857,579,178	-1,954,287,531,925	-1,796,147,123,706
Dividend income	-20,269,369,536	-18,365,812,797	-18,680,875,061

(\*) Drawn up retroactively to the enacted and amended the K-IFRS (Korean International Financial Reporting Standards) applied starting from January 1, 2013.

Description	December 31, 2013	December 31, 2012	December 31, 2011
3. Changes in working capital	-194,444,534,225	82,805,889,567	727,599,693,370
Net decrease due from banks	45,624,113,855	78,580,263,585	101,540,337,679
Net decrease (increase) in financial assets at FVTPL	-22,815,797,964	13,029,042,174	218,523,190,095
Net increase (decrease) in deferred loan origination fees	-	-	11,630,968,759
Net decrease (increase) in deferred loan origination costs	-	-	-13,867,039,835
Net increase in loans	-2,722,290,345,945	-2,839,656,809,724	-3,222,551,466,020
Net increase in accrued income	-20,110,275,689	-43,805,666,995	-248,160,631,944
Net increase in prepaid expenses	3,282,069,795	-2,141,629,510	-2,638,761,850
Net decrease (increase) in derivative assets	-2,848,280,018	62,733,970,666	-1,190,946,863
Net decrease (increase) in other assets	151,574,988	209,016,637	-395,166,512
Net increase in deposits	2,466,759,457,960	2,829,238,093,325	3,533,624,056,697
Net increase in accrued expenses	47,766,431,558	23,545,948,673	333,868,864,902
Net increase (decrease) in unearned revenues	-1,590,091,651	-3,658,172,032	1,633,721,550
Net increase (decrease) in financial guarantee contract liabilities	-470,815,783	34,769,987	-1,382,249,158
Net increase (decrease) in taxes withheld	-1,682,411,913	233,048,527	-2,335,633,953
Net decrease in defined benefit obligation	-8,173,802,256	-7,697,722,172	-4,461,793,267
Net increase in plan assets	-10,141,041,547	-33,428,081,827	-15,254,499,708
Net increase in derivative liabilities	32,094,680,385	5,589,818,253	39,016,742,798
4. Cash received from (paid to) operating activities	1,839,545,847,825	1,938,700,943,871	1,978,962,590,061
Interest revenue received	1,819,276,478,289	1,920,335,131,074	1,960,281,715,000
Dividend revenue received	20,269,369,536	18,365,812,797	18,680,875,061
5. Net cash used in operating activities	-972,425,163,537	-1,066,431,968,277	-1,202,662,330,534
Interest expense paid	-887,384,915,273	-930,566,482,219	-1,108,717,290,251
Income tax paid	-85,040,248,264	-135,865,486,058	-93,945,040,283
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>	-365,027,761,472	361,265,775,181	256,520,826,647
1. Cash provided by investing activities	3,589,846,520,895	3,825,308,145,604	3,859,851,715,361
2. Cash used in investing activities	-3,954,874,282,367	-3,464,042,370,423	-3,603,330,888,714
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>	21,929,760,180	-1,186,076,028,434	-844,638,921,494
1. Cash provided by financing activities	1,049,085,960,220	1,902,930,478,255	1,790,766,775,369
2. Cash used in financing activities	-1,027,156,200,040	-3,089,006,506,689	-2,635,405,696,863
<b>IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS(I+II+III)</b>	-176,480,297,226	-428,052,763,464	613,236,929,851
<b>V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	906,496,981,739	1,322,391,850,480	1,888,702,022,122
<b>VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	-32,585,557,205	12,157,894,723	-26,557,058,919
<b>VII. CASH AND CASH EQUIVALENTS, END OF YEAR</b>	697,431,127,308	906,496,981,739	2,475,381,893,054

## BS Securities \_Statements of Financial Position

(Unit : KRW)

Description	December 31, 2013	March 31, 2013
<b>ASSETS</b>		
I. CASH & DUE FROM BANKS	31,430,421,591	81,389,073,075
1. Cash & cash equivalents	5,084,687,564	1,311,066,882
2. Due from banks	26,345,734,027	80,078,006,193
II. INVESTMENT SECURITIES	397,805,358,873	542,544,913,245
1. Financial assets designated at fair value through profit and loss	381,178,073,856	523,121,932,592
2. Financial investments - available-for-sale	16,627,285,017	19,422,980,653
III. LOANS & RECEIVABLES	58,493,483,548	72,750,778,115
1. Loans	24,596,848,868	22,594,217,433
2. Receivables	33,896,634,680	50,156,560,682
IV. TANGIBLE ASSETS	2,061,583,840	4,971,672,227
V. INTANGIBLE ASSETS	1,576,556,627	2,482,123,213
VI. OTHERS	4,137,131,543	4,185,882,010
<b>TOTAL ASSETS</b>	<b>495,504,536,022</b>	<b>708,324,441,885</b>
<b>LIABILITIES</b>		
I. DEPOSITS	47,576,782,402	80,493,029,959
1. Won deposits	46,498,772,473	75,466,003,184
2. Foreign currency deposits	1,078,009,929	5,027,026,775
II. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)	91,785,826,710	282,984,560,000
1. Financial liabilities of trading securities	91,543,366,710	282,984,560,000
2. Derivative liabilities	242,460,000	-
III. BORROWINGS	215,029,620,324	167,290,389,730
1. Borrowings	21,322,214,836	30,000,000,000
2. Bonds sold under repurchase agreement(RP)	193,707,405,488	137,290,389,730
IV. RETIREMENT BENEFIT OBLIGATION	356,043,194	634,113,058
V. DEFFERED INCOME TAX LIABILITIES	2,086,873,305	3,079,760,492
VI. OTHER LIABILITIES	26,731,342,294	60,618,993,393
<b>TOTAL LIABILITIES</b>	<b>383,566,488,229</b>	<b>595,100,846,632</b>
<b>SHAREHOLDERS' EQUITY</b>		
I. SHAREHOLDERS' EQUITY	85,000,000,000	85,000,000,000
II. RETAINED EARNINGS	20,467,919,250	20,952,514,680
(Provided reserve and expected provision of reserve for bad debts: ₩131 million and ₩9 million as of December 31, 2013) (Provided reserve and expected reversal of reserve for bad debts: ₩147 million and ₩16 million as of December 31, 2012)		
III. OTHER CAPITAL COMPONENTS	6,470,128,543	7,271,080,573
<b>TOTAL EQUITY</b>	<b>111,938,047,793</b>	<b>113,223,595,253</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>495,504,536,022</b>	<b>708,324,441,885</b>

## BS Securities \_Statements of Income

(Unit : KRW)

Description	December 31, 2013	March 31, 2013
<b>I. OPERATING REVENUE</b>	<b>67,095,302,107</b>	<b>96,398,978,892</b>
1. Fee & commission revenue	12,047,579,819	18,388,190,390
2. Gains on Sales and Valuation of Investment Securities	19,386,297,216	15,473,851,783
3. Gain on Valuation of Derivative Instruments & Derivative Transactions	24,266,494,500	45,068,471,000
4. Interest Revenue	11,198,044,388	16,415,081,235
5. Gains on foreign Exchange	101,109,925	140,320,446
6. Other Operating Revenue	95,776,259	913,064,038
<b>II. OPERATING EXPENSES</b>	<b>66,882,700,773</b>	<b>92,501,999,612</b>
1. Fee and Commission Expense	3,226,137,494	6,159,352,131
2. Losses on Valuation of Security Investment	6,262,109,989	17,416,836,340
3. Losses on Valuation of Derivatives & Derivative Transactions	32,562,399,860	30,241,007,000
4. Interest Expense	4,701,536,763	9,351,608,315
5. Expenses on Foreign Exchange	101,111,224	140,369,639
6. SG&A Expense	19,642,456,539	29,170,125,783
7. Others	386,948,904	22,700,404
<b>III. OPERATING INCOME</b>	<b>212,601,334</b>	<b>3,896,979,280</b>
IV. NON-OPERATING REVENUE	42,584,010	2,143,985
V. NON-OPERATING EXPENSE	948,580,925	23,649,390
VI. INCOME(LOSS) BEFORE INCOME TAXES EXPENSES	-693,395,581	3,875,473,875
VII. INCOME TAXES EXPENSES	-208,800,151	992,194,953
VIII. NET INCOME(LOSS)	-484,595,430	2,883,278,922
(Net income after provision of reserve for bad debts: ₩(-)494 million in 2013 and ₩2,899 million in 2012)		
IX. OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	-800,952,030	-912,387,549
1. Items that are not subsequently reclassified to profit or loss:	136,687,278	-345,912,044
Remeasurement elements of defined benefit plan	136,687,278	-345,912,044
2. Items that are subsequently reclassified to profit or loss	-937,639,308	-566,475,505
Gain (loss) on fair value of AFS financial assets	-937,639,308	-566,475,505
X. TOTAL COMPREHENSIVE INCOME(LOSS)	-1,285,547,460	1,970,891,373
XI. EARNINGS PER SHARE		
1. Basic and diluted net earnings per share	(-)29	170
III. OTHER COMPONENTS OF EQUITY	6,470,128,543	7,271,080,573

## BS Capital \_Statements of Financial Position

(Unit : KRW)

Description	December 31, 2013	December 31, 2012
<b>ASSETS</b>		
I. CASH & DUE FROM BANKS	41,080,839,886	28,117,323,631
1. Cash & cash equivalents	38,075,275,886	25,111,423,631
2. Due from banks	3,005,564,000	3,005,900,000
II. INVESTMENT SECURITIES	14,295,000	14,295,000
1. Held-to-maturity (HTM) financial assets	14,295,000	14,295,000
III. LOANS & RECEIVABLES	998,449,362,066	625,303,246,654
1. Loans	965,112,464,871	602,282,964,787
2. Receivables	33,336,897,195	23,020,281,867
IV. INSTALLMENT FINANCIAL ASSETS	929,823,219,711	510,549,679,818
V. LEASED BOND	688,587,228,306	478,258,980,521
VI. LEASED ASSETS	138,353,746,048	71,956,970,639
VII. TANGIBLE ASSETS	3,895,528,097	3,321,505,572
VIII. INTANGIBLE ASSETS	2,676,844,869	1,660,207,785
IX. OTHERS	6,954,386,814	2,837,318,125
<b>TOTAL ASSETS</b>	<b>2,809,835,450,797</b>	<b>1,722,019,527,745</b>
<b>LIABILITIES</b>		
I. BORROWINGS	2,234,544,489,984	1,327,517,843,204
1. Borrowings	377,000,000,000	549,000,000,000
2. Bonds	1,857,544,489,984	778,517,843,204
II. DEFERRED INCOME TAX LIABILITIES	14,260,100,989	8,304,349,865
III. PROVISIONS	297,336,092	226,420,579
IV. RETIREMENT BENEFIT OBLIGATION	1,660,617,258	351,266,557
V. OTHERS FINANCIAL LIABILITIES	230,108,332,326	141,350,338,816
VI. OTHERS	22,243,035,715	15,822,679,353
<b>TOTAL LIABILITIES</b>	<b>2,503,113,912,364</b>	<b>1,493,572,898,374</b>
<b>SHAREHOLDERS' EQUITY</b>		
I. CAPITAL STOCK	205,000,000,000	200,000,000,000
II. OTHER PAID-IN CAPITAL	44,973,906,550	-493,274,000
III. RETAINED EARNINGS	57,294,884,187	29,240,142,365
IV. OTHER COMPONENTS OF EQUITY	-547,252,304	-300,238,994
<b>TOTAL EQUITY</b>	<b>306,721,538,433</b>	<b>228,446,629,371</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>2,809,835,450,797</b>	<b>1,722,019,527,745</b>

## BS Capital \_Statements of Income

(Unit : KRW)

Description	December 31, 2013	December 31, 2012
I. NET INTEREST INCOME	122,226,054,107	83,759,663,670
1. Interest revenues	202,664,260,763	136,339,064,143
2. Interest expenses	-80,438,206,656	-52,579,400,473
II. NET COMMISSION INCOME	10,320,928,271	5,479,541,031
1. Commission revenues	12,791,730,221	6,396,124,509
2. Commission expenses	-2,470,801,950	-916,583,478
III. IMPAIRMENT LOSSES ON FINANCIAL ASSETS	-65,462,038,520	-42,614,460,183
1. Provision of allowance for loan losses	-65,462,038,520	-42,614,460,183
IV. OTHER OPERATING PROFIT	-28,791,305,809	-18,888,021,272
1. Selling general and administrative expenses	-32,078,143,349	-20,175,354,530
2. Other operating income	32,782,265,241	12,952,568,144
3. Other operating expenses	-29,495,427,701	-11,665,234,886
V. OPERATING INCOME	38,293,638,049	27,736,723,246
VI. NON-OPERATING INCOME	-740,304,562	529,356,806
1. Non-operating revenues	86,709,980	709,974,099
2. Non-operating expenses	-827,014,542	-180,617,293
VII. INCOME BEFORE INCOME TAXES	37,553,333,487	28,266,080,052
VIII. INCOME TAXES EXPENSES	-9,005,317,665	-7,074,796,553
IX. NET INCOME	28,548,015,822	21,191,283,499
(Net income after provision of reserve for bad debts: ₩28,548 million in 2013 and ₩21,191 million in 2012)		
X. OTHER COMPREHENSIVE LOSS		
1. Items that are not subsequently reclassified to profit or loss	-247,013,310	-200,162,613
Remeasurement elements of defined benefit plan	-247,013,310	-200,162,613
2. Items that are subsequently reclassified to profit or loss	-	-
XI. TOTAL COMPREHENSIVE INCOME	28,301,002,512	20,991,120,886
XII. EARNINGS PER SHARE		
Basic and diluted net earnings per share	705	814

## BS Savings Bank \_Statements of Financial Position

(Unit : KRW)

Description	June 30, 2013	June 30, 2012
<b>ASSETS</b>		
I. CASH & DUE FROM BANKS	93,423,805,101	154,651,205,625
1. Cash	40,124,383	21,706,626
2. Due from banks	93,383,680,718	154,629,498,999
II. SECURITIES	30,805,781,946	39,185,422,383
1. Trading securities	-	39,280,000
2. Available for sale securities	26,779,196,189	33,238,707,103
3. Held to maturity securities	4,026,585,757	5,907,435,280
III. LOANS	553,930,181,257	399,406,978,964
IV. TANGIBLE ASSETS	2,879,225,860	1,046,248,760
V. OTHERS	67,434,563,806	66,804,683,664
<b>TOTAL ASSETS</b>	<b>748,473,557,970</b>	<b>661,094,539,396</b>
<b>LIABILITIES</b>		
I. DEPOSITS	606,275,641,269	526,864,390,451
II. OTHERS	21,276,034,448	19,196,518,510
<b>TOTAL LIABILITIES</b>	<b>627,551,675,717</b>	<b>546,060,908,961</b>
<b>SHAREHOLDERS' EQUITY</b>		
I. CAPITAL STOCK	31,000,000,000	31,000,000,000
II. CAPITAL SURPLUS	83,849,192,500	83,849,192,500
III. ACCUMULATED OTHER COMPREHENSIVE INCOME	136,383,000	-121,246,917
IV. RETAINED EARNINGS	5,936,306,753	305,684,852
<b>TOTAL EQUITY</b>	<b>120,921,882,253</b>	<b>115,033,630,435</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>748,473,557,970</b>	<b>661,094,539,396</b>

## BS Savings Bank \_Statements of Income

(Unit : KRW)

Description	June 30, 2013	June 30, 2012
<b>I. OPERATING REVENUES</b>	<b>51,318,671,824</b>	<b>35,025,354,178</b>
(1) Interest revenues	50,682,302,418	34,681,539,008
1. Interest on due from banks	3,364,098,022	3,856,228,484
2. Interest on held to maturity securities	292,687,036	136,052,339
3. Interest on loans	46,962,852,488	30,435,143,875
4. Other interest income	62,664,872	254,114,310
(2) Valuation and Gain on disposition of securities	320,967,617	11,251,175
1. Gain on Valuation of trading securities	-	2,080,000
2. Gain on sale of trading securities	28,916,384	9,171,175
3. Gain on disposal of AFS financial securities	292,051,233	-
(3) Valuation and gain on disposition of loans	10,010,020	-
(4) Commission Received	283,544,404	330,874,728
(5) Dividend income	21,847,365	1,689,267
<b>II. OPERATING EXPENSES</b>	<b>43,013,730,374</b>	<b>34,568,524,633</b>
(1) Interest expenses	21,451,652,624	14,047,744,174
1. Interest on deposits	21,428,186,973	13,987,855,302
2. Discount fees on cover notes sold	-	24,101,279
3. Others	23,465,651	35,787,593
(2) Valuation and loss on disposition of securities	1,789,805,679	3,722,874
(3) Valuation and loss on disposition of loans	2,316,410,988	10,990,775,583
(4) Commission expenses	817,051,666	336,057,643
(5) Other operating expenses	2,655,372,000	1,433,625,000
(6) General and administrative expenses	13,983,437,417	7,756,599,359
<b>III. OPERATING INCOME</b>	<b>8,304,941,450</b>	<b>456,829,545</b>
IV. NON-OPERATING REVENUES	111,788,322	724,649
V. NON-OPERATING EXPENSES	1,154,176,506	52,011,102
VI. INCOME BEFORE INCOME TAX	7,262,553,266	405,543,092
VII. INCOME TAXES EXPENSES	1,631,931,365	99,858,240
VIII. NET INCOME	5,630,621,901	305,684,852
IX. EARNINGS PER SHARE		
1. Basic and diluted net earnings per share	908	54

## BS Credit Information \_ Statements of Financial Position

(Unit : KRW)

Description	December 31, 2013	December 31, 2012
<b>ASSETS</b>		
I. ASSETS	5,975,542,573	5,377,975,273
1. Quick assets	5,975,542,573	5,377,975,273
II. NON-CURRENT ASSETS	629,753,161	401,721,276
1. Investments	1,459,700	1,459,700
2. Tangible assets	238,293,461	47,831,576
3. Others	390,000,000	352,430,000
<b>TOTAL ASSETS</b>	<b>6,605,295,734</b>	<b>5,779,696,549</b>
<b>LIABILITIES</b>		
I. CURRENT LIABILITIES	356,589,541	247,437,350
1. Trade Payables	101,608,769	88,122,984
2. Accrued Expenses	135,927,233	125,720,096
3. Withholdings	5,284,800	4,397,170
4. Vat. Withheld	54,908,210	22,495,800
5. Deferred income tax liabilities	21,036,820	-
6. Others	37,823,709	6,701,300
II. NON-CURRENT LIABILITIES	-	-
1. Provision for severance benefits	168,040,097	243,051,261
2. Retirement pension asset	-168,040,097	-243,051,261
<b>TOTAL LIABILITIES</b>	<b>356,589,541</b>	<b>247,437,350</b>
<b>SHAREHOLDERS' EQUITY</b>		
I. CAPITAL STOCK	3,000,000,000	3,000,000,000
II. RETAINED EARNINGS	3,248,706,193	2,532,259,199
<b>TOTAL EQUITY</b>	<b>6,248,706,193</b>	<b>5,532,259,199</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>6,605,295,734</b>	<b>5,779,696,549</b>

## BS Credit Information \_ Statements of Income

(Unit : KRW)

Description	December 31, 2013	December 31, 2012
I. OPERATING REVENUE	2,792,515,877	2,392,249,998
1. Commission and fees	1,751,216,877	1,586,551,998
2. Credit investigation fees	1,041,299,000	805,698,000
II. OPERATING EXPENSES	2,017,735,972	1,863,094,604
III. OPERATING INCOME	774,779,905	529,155,394
IV. NON-OPERATING INCOME	171,545,606	189,098,836
1. Interest income	171,445,988	185,436,856
2. Gains on disposals of property, plant and equipment	-	3,635,364
3. Miscellaneous income	99,618	26,616
V. NON-OPERATING EXPENSES	100,270	-
VI. INCOME BEFORE INCOME TAXES	946,225,241	718,254,230
VII. INCOME TAXES EXPENSES	229,778,247	170,765,700
VIII. NET INCOME	716,446,994	547,488,530

## BS Information System \_ Statements of Financial Position

(Unit : KRW)

Description	December 31, 2013	December 31, 2012
<b>ASSETS</b>		
I. CURRENT ASSETS	3,530,999,059	2,478,791,718
1. Quick assets	3,530,999,059	2,478,209,900
2. Inventories	-	581,818
II. NON-CURRENT ASSETS	1,578,096,272	1,320,330,020
1. Tangible assets	486,343,309	407,541,116
2. Intangible assets	93,327,483	96,505,765
3. Others	998,425,480	816,283,139
<b>TOTAL ASSETS</b>	<b>5,109,095,331</b>	<b>3,799,121,738</b>
<b>LIABILITIES</b>		
I. CURRENT LIABILITIES	877,555,070	293,272,660
1. Trade Payables	331,682,500	12,534,400
2. Other Payables	360,050,082	166,879,792
3. Withholdings	37,885,428	24,439,560
4. Vat. Withheld	147,937,060	89,418,908
II. NON-CURRENT LIABILITIES	119,738,153	138,573,300
1. Provision for severance benefits	547,451,810	135,546,925
2. Retirement pension asset	-438,546,733	-
3. Deferred income tax liabilities	10,833,076	3,026,375
<b>TOTAL LIABILITIES</b>	<b>997,293,223</b>	<b>431,845,960</b>
<b>SHAREHOLDERS' EQUITY</b>		
I. CAPITAL STOCK	3,000,000,000	3,000,000,000
II. CAPITAL ADJUSTMENT	-16,497,000	-16,497,000
III. RETAINED EARNINGS	1,128,299,108	383,772,778
<b>TOTAL EQUITY</b>	<b>4,111,802,108</b>	<b>3,367,275,778</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>5,109,095,331</b>	<b>3,799,121,738</b>

## BS Information System \_Statements of Income

(Unit : KRW)

Description	December 31, 2013	December 31, 2012
I. OPERATING REVENUE	16,823,674,756	5,859,940,885
II. COST OF SALES	14,857,438,312	4,613,036,057
III. GROSS PROFIT	1,966,236,444	1,246,904,828
IV. SELLING & ADMINISTRATIVE EXPENSES	1,147,880,090	801,785,174
V. OPERATING INCOME	818,356,354	445,119,654
VI. NON-OPERATING INCOME	145,203,933	72,141,655
VII. NON-OPERATING EXPENSE	4,045,150	5
VIII. INCOME BEFORE INCOME TAXES	959,515,137	517,261,304
IX. INCOME TAXES EXPENSES	214,988,807	126,204,633
X. NET INCOME	744,526,330	391,056,671

# Appendix

Performance Data of Sustainability Management	103
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## Economic Performance

### Economic Value Distribution by Stakeholder

(Unit : KRW 100 million)

Classification	2011	2012	2013	
Local Communities	Social contribution Amount (including Microcredit Service)	-	311	343
Customers/Investors	Paid Interest	-	10,127	9,631
Partner Companies	Procurement/Outsourcing	-	1,103	1,051
Shareholders	Dividends	-	638	541
Government	Corporate Taxes	-	1,178	688
Employees	Wages/Welfare Benefits	-	3,031	3,393
CSR Finance	New Hope Seed Loan, Change Dream Loan, Sunshine Loan, etc.	-	2,414	3,300

### Status of GHG Emissions

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

Classification	2011	2012	2013	
BS Financial Group	Direct Emissions (Scope1)	0	27	49.30
	Indirect Emissions (Scope2)	37	79	102.10
	Other Indirect Emissions(Scope 3)	-	-	4.63
Busan Bank	Direct Emissions (Scope1)	385	395	350.71
	Indirect Emissions (Scope2)	3,939	3,961	3686.06
	Other Indirect Emissions(Scope 3)	-	-	18.18
BS Securities	Direct Emissions (Scope1)	45	46	26.00
	Indirect Emissions (Scope2)	120	111	100.00
	Other Indirect Emissions(Scope 3)	-	-	8.26
BS Capital	Direct Emissions (Scope1)	52	89	113.03
	Indirect Emissions (Scope2)	83	154	170.70
	Other Indirect Emissions(Scope 3)	-	-	13.81
BS Savings Bank	Direct Emissions (Scope1)	-	32	40.78
	Indirect Emissions (Scope2)	-	25	136.89
	Other Indirect Emissions(Scope 3)	-	-	2.80
BS Credit Information	Direct Emissions (Scope1)	14	15	15.62
	Indirect Emissions (Scope2)	57	51	58.73
	Other Indirect Emissions(Scope 3)	-	-	0.46
BS Information System	Direct Emissions (Scope1)	2	25	25.69
	Indirect Emissions (Scope2)	12	48	67.71
	Other Indirect Emissions(Scope 3)	-	-	0.84
Subtotal	Direct Emissions (Scope1)	498	629	621.13
	Indirect Emissions (Scope2)	4,248	4,429	4322.20
	Other Indirect Emissions(Scope 3)	-	-	48.97

### CSR Finance (New Hope Seed Loan, Change Dream Loan, Sunshine Loan, etc.)

(Unit : KRW 100 million)

Classification	2011	2012	2013
Busan Bank	-	2,321	2,455
BS Capital	-	36.18	58.14
BS Savings Bank	-	56.37	787

### Energy Usage

(Unit : TJ)

Classification	2011	2012	2013
Amount of total energy consumption	98	102	99
Amount of direct energy consumption	9	11	10
Diesel	0	1	0
LNG	2	1	1
LPG	0	0	0
Gasoline	6	7	9
LPG for vehicles	0	1	0
Amount of indirect energy consumption (electricity)	89	92	89

\*It is for the main building of the Group located in Busan, excluding branches and dormitories.

### Amount of Resources Usage

(Unit : ton)

Classification	2011	2012	2013
Amount of using paper for photocopying	10	18	62
Amount of water usage	31,038	33,821	44,107

\*It is for the main building of the Group located in Busan, excluding branches and dormitories.

### Expense and Investment for Environmental Protection

(Unit : KRW 100 million)

Classification	2011	2012	2013
Procurement of equipment and materials with high energy efficiency	2.2	3.9	5.2
Procurement of energy-efficient products with 1st to second grade	0	0.2	0

\*Based on Busan Bank

## Social Performance

### Status of Employees (Unit : persons)

Classification	2011	2012	2013
<b>Total employees</b>	3,541	3,852	4,089
Men	1,966	2,091	2,311
Women	1,575	1,761	1,778
<b>Employment type</b>			
Regular	3,210	3,445	3,481
Contractual	331	407	608
<b>Employment of the socially vulnerable</b>			
The disabled	35	58	73
Patriots/Veterans	141	184	208

\*Including the employees of BS Financial Group

### Turnover Ratio (Unit : %)

Classification	2011	2012	2013
Turnover Ratio	5.6	4.7	4.7

\*Based on Busan Bank

### No. of Hours for Completing Courses for Each Employee (Unit : hours)

Classification	2011	2012	2013
BS Financial Group	30	40	60
Busan Bank	184	154	152
BS Securities	25	34	25
BS Capital	90	90	25
BS Savings Bank	-	36	42
BS Credit Information	4	4	6
BS Information System	0	15	59

### Cost of Training for Each Employee (Unit : KRW 10 thousand)

Classification	2011	2012	2013
BS Financial Group	16	13	40
Busan Bank	89	70	51
BS Securities	11	15	10
BS Capital	17	11	11
BS Savings Bank	-	86	42
BS Credit Information	-	-	-
BS Information System	0	10	33

\*For BS Credit Information, internal courses only, so no investment expense

### Ratio of New Employee Wages (Unit : %)

Classification	2011	2012	2013
Grade 7	201.1	204.5	229.1

### Ratio of Employees Subject to Performance Assessment (Unit : %)

Classification	2011	2012	2013
BS Financial Group	100	100	100
Busan Bank	93.7	93.5	91
BS Securities	-	80.4	75.2
BS Savings Bank	-	87.0	100
BS Credit Information	90.0	92.8	93.9
BS Information System	90	92.8	93.9

### Scope of Pension Provision (Unit : KRW million, persons)

Classification	Operating Amount	Defined Benefits(DB)		Total Subscribers
		Subscribers	Subscribers	
BS Financial Group	3,042	63	0	63
Busan Bank	140,500	2,839	0	2,839
BS Securities	2,632	99	81	180
BS Capital	1,110	377	0	377
BS Credit Information	168	8	0	8
BS Information System	439	87	0	87

\*BS Savings Bank operate no pension system

### Ratio of Employees Subject to Collective Bargaining (Unit : %)

Classification	2011	2012	2013
Busan Bank	99.3	99.6	99.6

\*As for BS Financial Group, BS Securities, BS Capital, BS Savings Bank, BS Credit Information and BS Information System, the Labor-Management Council consisting of the same number of employers and employees is available

### Status after Returning to Work from Maternity Leave (Unit : %)

Classification	2011	2012	2013
Rate of returning to work from maternity leave	99	99	99
Rate of employees working for over 12 months after maternity leave (retention rate)	97	98	99

\*Based on Busan Bank

## GRI Index

● : Fully reported ○ : Partially reported ○ : Not reported N/A : Not applicable

Indicators	Explanation	Reporting status	Page	Additional information
<b>Corporate profile</b>				
I. Vision and Strategy				
1.1	CEO Message	●	4~5	
1.2	Opportunities and Challenges	●	4~5	
II. Organizational Profile				
2.1	Name of the organization	●	6~7	
2.2	Primary brands and products	●	6~7	
2.3	Operational structure of the organization	●	10~11	
2.4	Location of organization's headquarters	●	64~74	
2.5	Number of countries where the organization operates	●	26~27	
2.6	Nature of ownership and legal form	●	10~11	
2.7	Markets served	●	26~27	
2.8	Scale of the reporting organization	●	6	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	●	6~7, 2	
2.10	Awards received	●	8~9	
III. Report Parameters				
3.1	Reporting period	●	2	
3.2	Date of most recent previous report	●	105	Reported annually
3.3	Reporting cycle	●	2	
3.4	Contact point for questions regarding the report or its contents	●	2	
3.5	Process for defining report content	●	18~19	
3.6	Boundary of the report	●	2	
3.7	State any specific limitations on the scope or boundary of the report	●	2	
3.8	Basis for reporting that can significantly affect comparability from period to period and/or between organizations	●	2	
3.9	Data measurement techniques and the bases of calculations	●	2	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	●	2	
3.11	Significant changes in the scope, boundary, or measurement methods applied in the report	●	2	
3.12	GRI Content Index	●	105~107	
3.13	Policy and current practice with regard to seeking external assurance for the report	●	108~109	
IV. Corporate Governance, Accountability and Engagement				
4.1	Governance structure of the organization	●	10~11	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	●	10	
4.3	Composition of the highest governance body	●	10	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	●	57	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	●	11	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	10	
4.7	Process for determining expertise of the members of the highest governance body leading strategies of economic, environmental, and social performance	●	10	
4.8	Management principles	●	2	
4.9	Procedures of the highest governance body for overseeing the organization's economic, environmental, and social performance	●	11	
4.10	Processes for evaluating the highest governance body's own performance - economic, environmental, and social performance	○	11	
4.11	Approach for prevention or ways to achieve the principle	●	12~13	
4.12	Externally developed economic, environmental, and social initiatives to which the organization subscribes or endorses	●	8~9	
4.13	Memberships in associations such as industry associations, national and international advocacy organization	●	8~9	
4.14	List of stakeholder groups engaged by the organization	●	17	
4.15	Basis for identification and selection of stakeholders with whom to engage	●	17	
4.16	Approaches to stakeholder engagement	●	17	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and the corresponding responses	●	18~19	

● : Fully reported ○ : Partially reported ○ : Not reported N/A : Not applicable

Indicators	Explanation	Reporting status	Page	Additional information
<b>1. Economic Performance</b>				
EC1	Direct economic value generated and distributed	●	103	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	15	
EC3	Coverage of the organization's defined benefit plan obligations	●	104	
EC4	Significant financial assistance received from government	●	106	No case of subsidization
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	●	104	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	●	106	No local procurement policies
EC7	Proportion of senior management hired from the local community at significant locations of operation	●	106	No regional discrimination in recruitment
EC8	Impact of infrastructure investments and services provided primarily for public benefit (through commercial, in-kind, or pro bono engagement)	●	46~51	
EC9	Understanding and describing significant indirect economic impacts (including the extent of impacts)	●	46~51	
<b>2. Environmental Performance</b>				
EN1	Materials used by weight or volume	●	103	
EN2	Percentage of materials used that are recycled input materials	○	-	
EN3	Direct energy consumption by primary energy source	●	103	
EN4	Indirect energy consumption by primary source	●	103	
EN5	Energy saved due to conservation and efficiency improvements	○	-	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	34~35	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	○	-	
EN8	Total water withdrawal by source	●	103	
EN9	Water sources significantly affected by withdrawal of water	●	106	There is no water supply source significantly impacted by the usage of waterworks
EN10	Percentage and total volume of water recycled and reused.	●	106	No recycled water
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	-	Not applicable due to industrial characteristics
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N/A	-	Not applicable due to industrial characteristics
EN13	Habitats protected or restored	N/A	-	Not applicable due to industrial characteristics
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	N/A	-	Not applicable due to industrial characteristics
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A	-	Not applicable due to industrial characteristics
EN16	Total direct and indirect greenhouse gas emissions	●	103	
EN17	Other relevant indirect greenhouse gas emissions	●	103	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	14	
EN19	Emissions of ozone-depleting substances	N/A	-	Not applicable due to industrial characteristics
EN20	NOX, SOX and other significant air emissions	N/A	-	Not applicable due to industrial characteristics
EN21	Total water discharge by quality and destination	○	-	
EN22	Total weight of waste by type and disposal method	○	-	
EN23	Total number and volume of significant spills	N/A	-	Not applicable due to industrial characteristics
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	N/A	-	Not applicable due to industrial characteristics
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	N/A	-	Not applicable due to industrial characteristics
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	34~35	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	N/A	-	Not applicable due to industrial characteristics
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	●	106	No penalties and constraints on the environment
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	○	-	
EN30	Total environmental protection expenditures and investments by type.	●	103	
<b>3. Social Performance</b>				
<b>Labor</b>				
LA1	Total workforce by employment type, employment contract, and region	●	104	
LA2	Total number and rate of employee hires and employee turnover by age, gender and region	●	104	
LA3	Benefits provided to full-time employees	●	59~61	
LA4	Percentage of employees covered by collective bargaining agreements	●	58	
LA5	Minimum notice period(s) regarding significant operational changes.	●	58	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	○	58	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	●	106	No cases of work-related accidents
LA8	Programs in place to assist workforce members and community members regarding serious diseases	●	61	
LA9	Health and safety topics covered in formal agreements with trade unions	●	59, 61	
LA10	Average hours of training per year per employee and by employee category	●	104	
LA11	Programs for lifelong learning that support the continued employability of employees and assist them in managing career endings	●	58	
LA12	Percentage of employees receiving regular performance and career development reviews	●	104	
LA13	Composition of governance bodies and breakdown of employees	●	10, 104	
LA14	Ratio of average salary of women to men by employee category	●	106	No discrimination of staff in terms of wage standards for women and men.
LA15	Rate of return to work and retention rate after maternity leave	●	104	

● : Fully reported ○ : Partially reported ○ : Not reported N/A : Not applicable

Indicators	Explanation	Reporting status	Page	Additional information
<b>Human Rights</b>				
HR1	Percentage of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	●	107	Human rights screening is not taken into consideration for business partners
HR2	Percentage of business partners that have undergone human rights screening, and actions taken	●	107	Human rights screening is not taken into consideration for business partners
HR3	Rate of employees that took training on human rights policies and training	●	16	
HR4	Total number of incidents of discrimination and corrective actions taken	●	107	No case of discrimination
HR5	Freedom of association and collective bargaining	●	58	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	●	107	No business area with risks of child labor
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor	●	107	No business fields with significant risk for incidents of forced or compulsory labor
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights	●	36	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	107	No case of violation of rights against local residents
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	○	-	
HR11	Number of grievances related to human rights filed through formal grievance mechanisms	●	59	
<b>Social Performance</b>				
SO1	Program and case to evaluate and manage the impact on community	●	46~51	
SO9	Operations with significant potential or actual negative impacts on local communities	●	107	No location of business operation with negative impact
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	●	46~51	
SO2	Percentage and total number of business units analyzed for risks related to corruption	○	-	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	●	16	
SO4	Actions taken in response to incidents of corruption	●	107	No case of layoff and disciplinary punishment
SO5	Establishing positions on public policies, setting public policies and engaging in lobbying (prohibiting donation of political funds)	●	107	Engagement by proposing ideas on improving systems as well as policies on financial services
SO6	Total value of contributions to political parties or politicians	●	107	No contributions to parties and for politics
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	●	107	No anti-trust and monopoly practices
SO8	Penalties and non-financial constraints imposed due to violation of laws and regulations	●	107	Busan Bank was imposed with a fine of KRW 4.5 million for one case by the Financial Services Commission
<b>Product Responsibility</b>				
PR1	Policies on customer health and safety	●	40~43	
PR2	No. of violations of regulations on health and safety of products and services	●	107	No case of violation of regulations
PR3	Types of information on products and services needed for procedures	●	40	
PR4	No. of violations of laws on products, service and labeling	●	107	No case of violation of regulations
PR5	Policies and procedures on customer satisfaction	●	36~37	
PR6	Policies and programs on communication such as advertisement and sponsors	●	40~43	
PR7	No. of violation of laws on communication such as advertisement and sponsorship	●	107	No case of violation of regulations
PR8	No. of complaints on violating the protection of customers' personal information	●	107	No case of violation against protection of customers' personal information
PR9	No. and amount of cases of violating laws and regulations on the supply of products and services	●	40	
<b>Additional Indicators in the Financial Industry</b>				
FS1	Policies on environmental and social components applied to the business	●	32~34	
FS2	Assessment and review procedures for environmental and social risks in business fields	●	12~13	
FS3	Process of monitoring the implementation of and compliance with customers' environmental and social needs in a contract or transaction	○	-	
FS4	Process of strengthening employee competency for implementing environmental and social policies and procedures in business fields	●	54~55	
FS5	Interaction between customers, investors and business partners in association with environmental and social risks and opportunity elements	○	-	
FS6	Percentage of the portfolio for business lines by specific region, size(e.g. micro/SME/large) and by sector	○	6~7, 27	
FS7	Currency value of products and services designed to provide certain social benefits in each business field specified by purpose	●	34	
FS8	Currency value of products and services designed to provide certa in environmental benefits in each business field specified by purpose	●	34~35	
FS9	Scope and frequency of the application of audits that assess the implementation of environmental and social policies and risk assessment process	○	12~13	
FS10	Percentage/No. of companies reporting on the impact of environmental and social issues among that have incorporated portfolios of financial institutions	○	-	
FS11	Ratio of assets subject to environmental and social reviews through both positive and negative methods	○	-	
FS12	Measures on decision-making of shareholders on environmental and social issues within the scope where reporting agencies have the influence in making decisions	●	18~19	
FS13	Access points by type in regions with little population or no economic benefits	●	65, 73	
FS14	Initiatives to improve access to financial services for the underprivileged	●	65, 69, 75	
FS15	Policies on fair design and sales of financial products and services	●	40~43	
FS16	Initiatives to intensify financial knowledge (education) by recipient type	○	48	

## Third - Party Assurance Report



### Introduction

DNV GL Business Assurance Korea Ltd. (hereinafter "DNV GL") has been commissioned by BS Financial Group Inc. (hereinafter "BS Financial Group") to carry out an assurance engagement on the BS Financial Group's 2013 Sustainability Management Report (hereinafter "the Report") in its printed format. This engagement focused on the information provided in the Report and the underlying management and reporting processes.

BS Financial Group is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV GL's responsibility in performing the work follows terms of reference and scope of work agreed. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. BS Financial Group's stakeholders are the intended recipients of the assurance statement.

### Scope of Assurance

This Assurance Engagement covered data generated from the operation in Korea and limited data from overseas branches in the calendar year 2013. The scope of DNV GL's Assurance Engagement includes the review and assessment of followings:

- Evaluation of adherence to DNV GL Verification Protocol (VeriSustain™) with Type 1, a moderate level.
- Evaluation of the extent to which the principles and requirements of the Global Reporting Initiative (GRI) Guidelines for Sustainability Reporting (GRI G3.1) are reflected in the Report
- Visit to BS Financial Group office in Busan, Korea in July, 2014.

### Limitation

The engagement excluded the sustainability management, performance and reporting practices of BS Financial Group's suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Any financial information from BS Financial Group's annual report and company reporting on operations in 2013 or other sources are not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and the audited financial statements. The aggregation and calculation process for building economic performances is reviewed and tested by the verification team. The baseline data for Environmental and Social performance are not verified, while the aggregated data 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.

### Verification Methodology

The Assurance Engagement was planned and carried out in accordance with the DNV GL Verification Protocol for Sustainability Reporting (VeriSustain™ V.4.1). As part of the verification, we 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.

DNV GL has examined and reviewed documents, data and other information made available by BS Financial Group and interviewed the person in charge. We performed sample-based audits of;

- The process for determining the materiality of the contents to be included in the Report;
- The process for generating, gathering and managing the quantitative and qualitative data included in the Report.
- The accuracy of data verified.
- Assessment against the Global Reporting Initiative (GRI) Guidelines for Sustainability Reporting (GRI G3.1) and application level

### Conclusion

In DNV GL's opinion, the Report provides a reliable and fair representation of BS Financial Group's policy, practices and performance in 2013. DNV GL confirms that the Report meets GRI G3.1 Application level 'A+'. Further conclusions and observations on the Adherence to the DNV GL verification protocol (VeriSustain™) are made below:

**Completeness** : BS Financial Group has engaged with a wide range of stakeholders regarding sustainability issues. Considering the mutual influence with BS Financial group and materiality, 5 Stakeholder groups which are Employees, Customers, Local communities, Partners and Shareholder are defined in the Report. The materiality determination process is clearly presented in the Report. To determine materiality issues, BS Financial group reviews Global Standard analysis, Global advanced corporation benchmarking, Media research and Stakeholders Survey/Interview. Coverage of the material issues, Indicators and definition of the report boundary reflect significant economic, environmental, and social impacts and enable stakeholders to assess the reporting organization's performance in the reporting period.

**Reliability (Accuracy, Neutrality, Comparability)** : BS Financial Group reports accurate performance information for stakeholders to assess BS Financial Group's performance properly. Quantitative key performances are reported with qualitative management practices and activities on material issues. Key quantitative results are reported for the last 3 years so the readers can compare the performance changes over time. It is advised that the report should be reported in a more balanced way in the future to enable a reasoned assessment of overall performance even though this report covers negative information.

**Responsiveness** : Stakeholder engagement process is established through regular communication channels with stakeholder. BS Financial group reports policies, activities and future goals on the identified material issues based on the completeness principle grouped into 5 aspects.

### Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to BS Financial Group's management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

- Improvement of stakeholder engagement and materiality determination process
  - When planning and analyzing the survey, equity of stakeholders should be considered appropriately and materiality determination process should be operated transparently.
  - Materiality process needs to be operated continuously and fully integrated into decision making and strategy development process.
- Improvement of data control and reporting process
  - Data control process should be established to collect, analysis and report accurate information for subsidiaries

### Statement of Competence and Independence

DNV GL is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists work in over 100 countries. DNV GL was not involved in the Assurance Statement Nr.: AS\_PRJC-503876-2014-AST-KOR\_E Page 3(3) preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the verification process. The verification on BS Financial Group's report was carried out by the verification team composed of qualified experts who have extensive experience.

August 2014  
Seoul, Republic of Korea

 In-Kyoon Ahn  
Country Manager

## Additional Information

For detailed information on BS Financial Group's Sustainability Report, please refer to its website and the website of its affiliates.

<b>BS Financial Group</b>	<a href="http://www.bsfng.com">http://www.bsfng.com</a>
<b>Busan Bank</b>	<a href="http://www.busanbank.co.kr">http://www.busanbank.co.kr</a>
<b>BS Securities</b>	<a href="http://www.bsfm.co.kr">http://www.bsfm.co.kr</a>
<b>BS Capital</b>	<a href="http://www.bsccapital.co.kr">http://www.bsccapital.co.kr</a>
<b>BS Savings Bank</b>	<a href="http://www.bsavingsbank.com">http://www.bsavingsbank.com</a>
<b>BS Credit Information</b>	<a href="http://www.bscc.co.kr">http://www.bscc.co.kr</a>
<b>BS Information System</b>	<a href="http://www.bsisis.co.kr">http://www.bsisis.co.kr</a>

### Inquiry on the Report

This Report is available on the website of  
BS Financial Group.  
<http://www.bsfng.com>

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