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# About This Report

## Reporting Principles and Standards

BNK Financial Group's annual Sustainability Report aims to disclose to stakeholders the economic, environmental, and social performance achieved through sustainability management practices. This is the sixth Sustainability Report published by BNK Financial Group and it was written according to the Core option of the Global Reporting Initiative (GRI) Standards. Core issues were selected based on the outcome of a materiality test and are reported in consideration of "customer satisfaction management", "value creation management", "win-win management" and "employee happiness management". BNK Financial Group seeks to lead the future as a "Global Best Regional Financial Group" through the genuine implementation of CSR.

## Reporting Period

The Sustainability Report is based on sustainability management performance from January 2017 to December 2017. Information about key management activities also include data from before 2017 or the first half of 2018. Data for three years, from 2015 to 2017 is also presented to help readers quantitatively identify progress.

## Scope of Reporting

The report covers eight affiliates of the BNK Financial Group - Busan Bank, Kyongnam Bank, BNK Capital, BNK Securities, BNK Savings Bank, BNK Asset Management, BNK Credit Information, and BNK System. If necessary, performance related to overseas business is disclosed. Financial information is written on a consolidated basis in accordance with the Korean International Financial Reporting Standards (K-IFRS). The balance for loans and deposits, customer satisfaction indicators, GHG emissions, and social contribution investments are covered in the report, based on the individual standards of BNK Financial Group.

## Third Party Assurance

An independent assurance provider, DNV GL, assured this report through an official verification procedure, in order to ensure the fairness and reliability of the reporting process, data, and contents. The results of assurance are detailed on pages 114 to 115. An independent auditor audited financial information, and verification of greenhouse gas emissions and energy usage data was conducted in accordance with the principles of the "Guideline for the Greenhouse Gas and Energy Target Management System".

## BNK Financial Group Included in the DJSI for Three Consecutive Years

For three consecutive years, BNK Financial Group was included in the Dow Jones Sustainability Index Asia-Pacific, an index jointly developed by S&P Dow Jones Indices of the U.S., which serves as a global institution that assesses and invests in sustainability management, and RobecoSAM of Switzerland. DJSI is the world's premier sustainability index for assessing financial performance, social contribution, and impact on the environment each year for the world's top 500 global companies. BNK Financial Group has been included in the DJSI for the past three years, having been recognized for its steady activities and efforts in key assessment areas, including favorable management performance, society, and the environment. BNK Financial Group will do its utmost to grow sustainably as a century-old company, while fulfilling responsibilities as a regional financial group.



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# CEO Message

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BNK Financial Group has grown as Korea's representative regional financial group, with eight affiliates - Busan Bank, Kyongnam Bank, BNK Capital, BNK Securities, BNK Savings Bank, BNK Asset Management, BNK Credit Information and BNK System - since its launch in 2011.

The Group presents its strategy and vision through the annually published Sustainability Report, and shares its values of socially responsible management and future growth plans with both internal and external stakeholders.

In addition, the Group's performance has been recognized in the global market by being included for three consecutive years in the Asia-Pacific section of the world's most renowned Dow Jones Sustainability Index (DJSI), thanks to the steady practice of "Happy Finance, Giving Hopes", which engages all employees in the Group.

"BNK Financial Group promises to all stakeholders to exert its potential enterprise-wide in order to establish itself as a Global Best Regional Financial Group, which is the Group's mid- and long-term management goal. We will intensively focus on the following values in order to pursue sustainable management of mutual growth for all."

**First, we will implement customer-friendly management by "pursuing customer-satisfaction management"**

BNK Financial Group will strive to develop top-notch customer service competencies under the goal to spread a customer-oriented culture, while at the same time realizing differentiated customer values. In addition, we will ensure that we reflect customers' thoughts and voices throughout the corporate management by being considerate of the socially underprivileged, protecting financial consumers from financial crimes, and operating a customer panel program.

**Second, we will actively respond to the external changing environment by "implementing value creation management".**

BNK Financial Group has strengthened its digitally-focused business competitiveness, including through steady investment in fin-tech and mobile services, in order to respond to the coming wave of the Fourth Industrial Revolution and deliver

new value to customers. We will establish a vision of adopting customer-centered digital convergence to acquire digital competitiveness, and conduct R&D on digital business models and financial services at the Group-level through the use of such technologies as AI and blockchain through the BNK Digital Innovation Lab.

**Third, we will serve as a reliable cornerstone for the regional economy while spreading the values of sharing and mutual growth through "implementation of win-win management with the community".**

BNK Financial Group has steadily carried out "Happy Finance" projects as part of its community-based social responsibilities, under a management philosophy to return locally-generated profits to the region. BNK Financial Group will seamlessly meet its social responsibilities through finance by conducting social contribution activities within the region, expanding support for cultural, art, educational and sports projects, and extending proactive support to SMEs and the financially vulnerable, in addition to sharing economic outcomes.

**Fourth, we will maximize our organizational members' capabilities through "employee happiness management", and create a corporate culture that ensures a good workplace with a positive work-life balance.**

BNK Financial Group seeks to create an environment for individuals to exert their full potential, as well as being joyfully immersed in their work, believing "people are the best assets". We opened the Group HR Development Institute to strengthen our future competitiveness and to nurture core talent at the Group-level, and strive to develop a work culture that emphasizes work-life balance.

Last but not least, we are delighted to introduce the past activities of BNK Financial Group to sustain the above values to all of you that have cherished and endeared us.

BNK Financial Group, once again, promises to fulfill its social responsibilities based on the unity of all affiliates in the Group, and sincerely requests your unwavering love and full support for the Group that will rise higher as a Global Best Regional Financial Group.

“BNK Financial Group promises to fulfill its social responsibility, growing together with all its stakeholders, including customers, shareholders and community.”



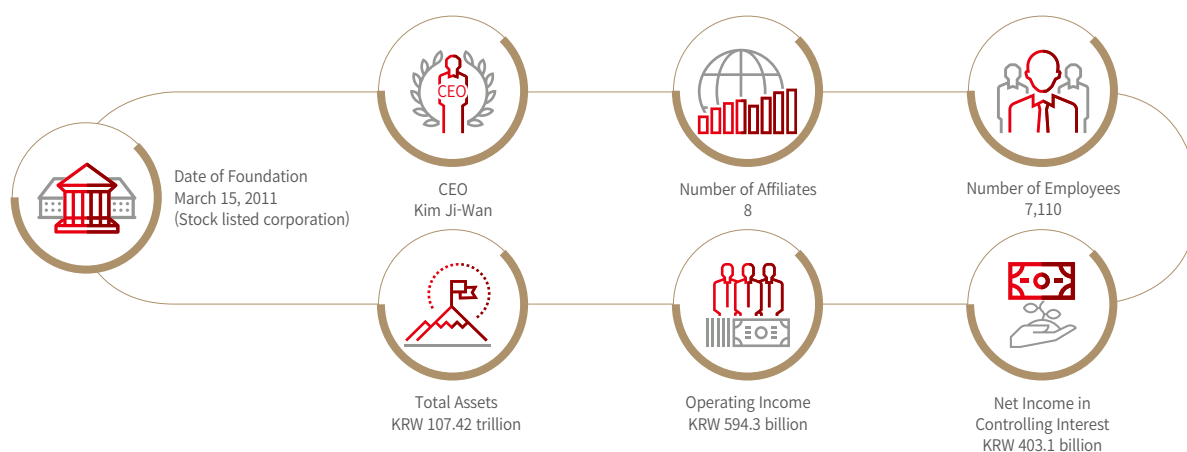
김지완

CEO of BNK Financial Group **Kim Ji-Wan**

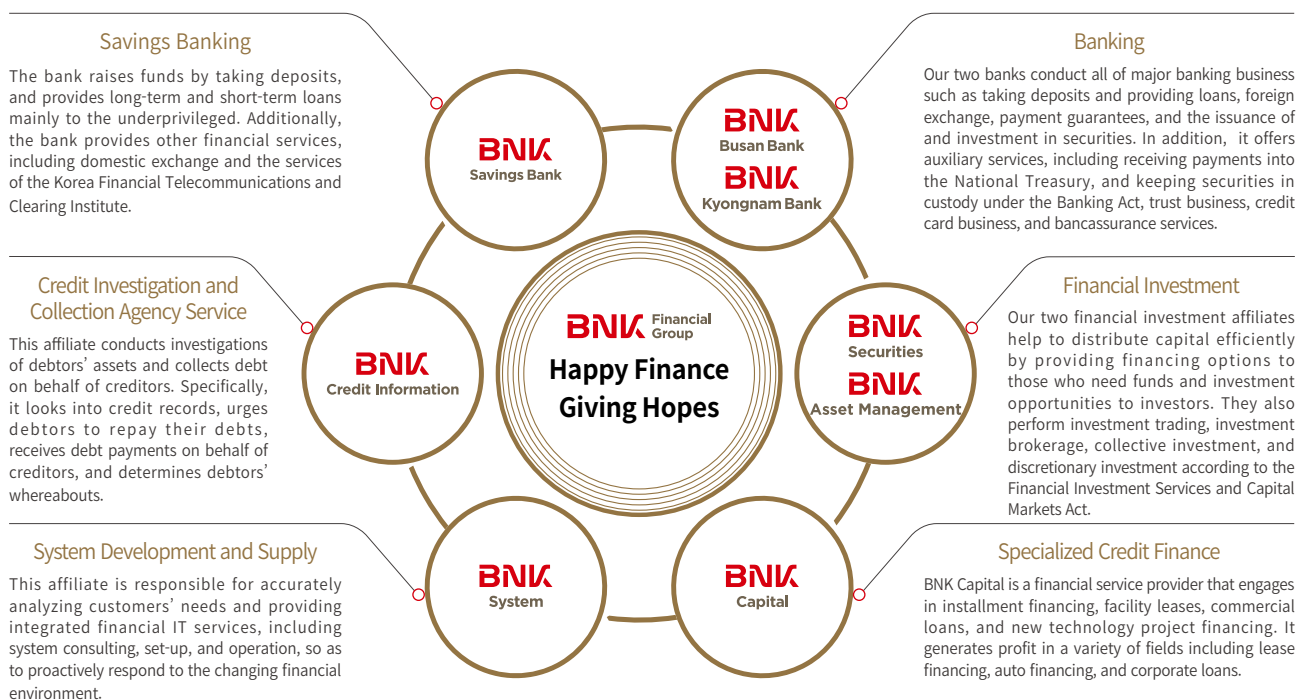
# Introduction of BNK Financial Group

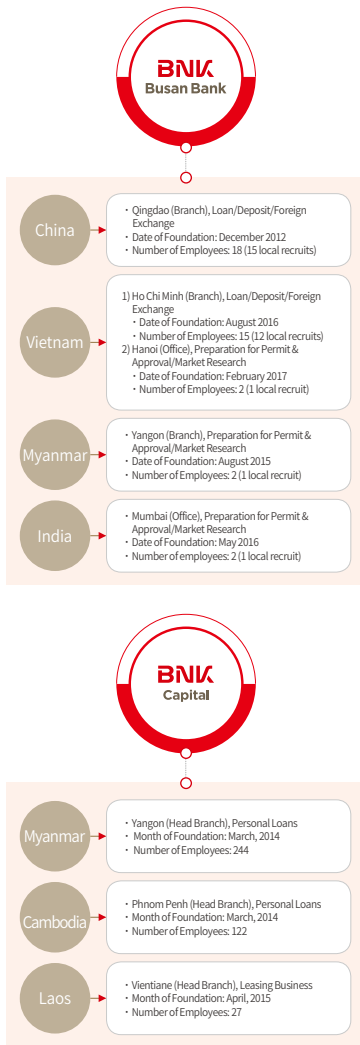
## Leaping Higher to become a 'Global Best Regional Financial Group'

Since its launch as the first financial holdings company from a regional bank in 2011, BNK Financial Group has established itself as Korea's premier regional financial group with eight affiliates as of 2018, after incorporating Kyongnam Bank as an affiliate in 2014. We are committed to generating strong synergy by raising management efficiency to the maximum level through harmonization among the affiliates through the 2018 management motto of "Great Harmony 2018: and Establishing BNK's New Management Platform." We will strive to become a Global Best Regional Financial Group, ranked in the top 40 in Asia, by expanding the business scope beyond Korea towards the global market. This will help us advance towards becoming a global financial company beyond regional finance, driven by growth engines.



## Business Portfolio of Subsidiaries





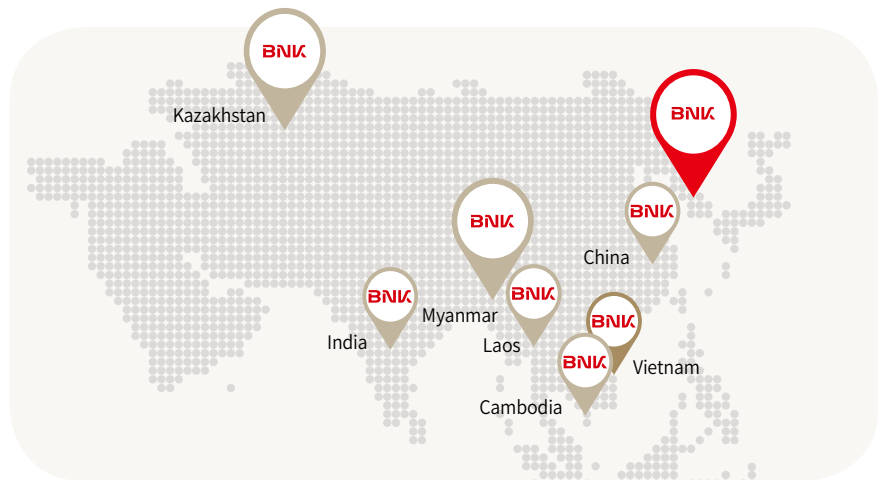
### Total Shares Owned

As of December 2017

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

## Business Network

BNK Financial Group runs 368 branches and 101 offices in Korea, and 18 branches and 3 representative offices abroad as of the end of 2017. BNK Capital, in particular, has subsidiaries in three locations in Southeast Asia, running a sales network focused on microfinance and automotive loans. They are expected to grow rapidly as automotive finance and microfinance markets have gradually expanded in those countries. In the future, we will pave the way to providing comprehensive financial services with the joint advancement of banking and securities businesses, while exploring markets in Central Asia, including Kazakhstan.



## Status of Networks

As of December 31, 2017  
(Unit: sites)

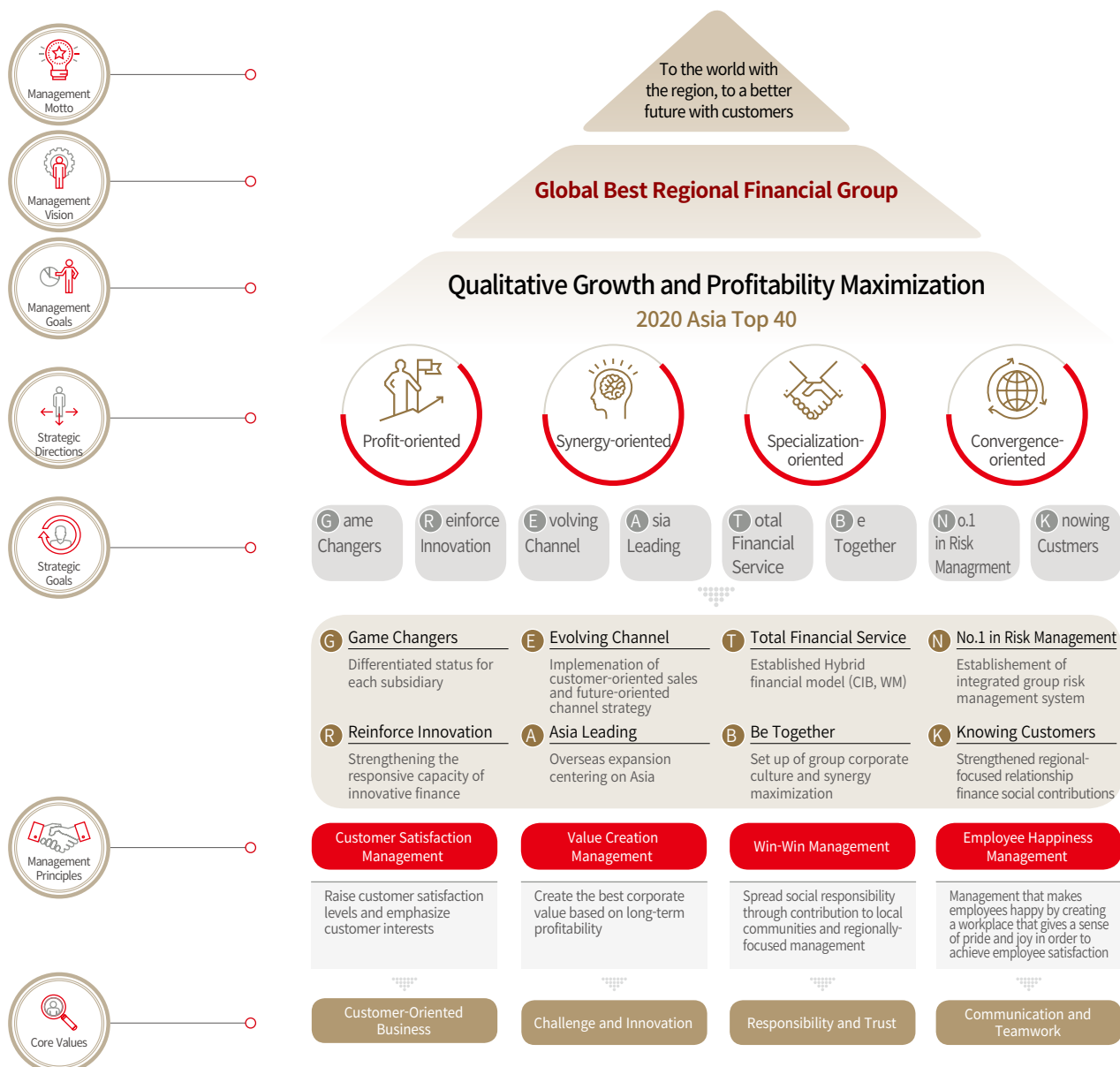
Classification		Domestic		Overseas		Total
		Branches	Offices	Branches	Representative Offices	
Financial Holding Company	BNK Financial Group	1	-	-	-	1
Affiliate	BNK Busan Bank	184	78	2	3	267
	BNK Kyongnam Bank	154	11	-	-	-
	BNK Capital	6	-	-	-	-
	BNK Securities	16	8	-	-	-
	BNK Savings Bank	3	4	-	-	-
	BNK Asset Management	1	-	-	-	-
	BNK Credit Information	2	-	-	-	-
	BNK System	1	-	-	-	-
Sub-subsidiary	BNKC (Cambodia) Microfinance Institution Plc.	-	-	3	-	-
	BNK Capital Myanmar Co., Ltd	-	-	12	-	-
	BNK Capital Lao Leasing Co., Ltd	-	-	1	-	-
Total		368	101	18	3	-

# Leaping Higher to become a 'Global Best Regional Financial Group'

## Strategy and Vision

BNK Financial Group proactively has implemented detailed tasks in tandem with four strategic directions to grow into a “Global Best Regional Financial Group” based on the management motto “Toward the world with the region, toward a better future with customers.” In particular, we established a system to manage sustainability management activities and performance in an integrated manner at the Group-level by managing enterprise-wide sustainability management performance and issues in accordance with four management principles: “customer satisfaction management”, “value creation management”, “win-win management” and “employee happiness management”.

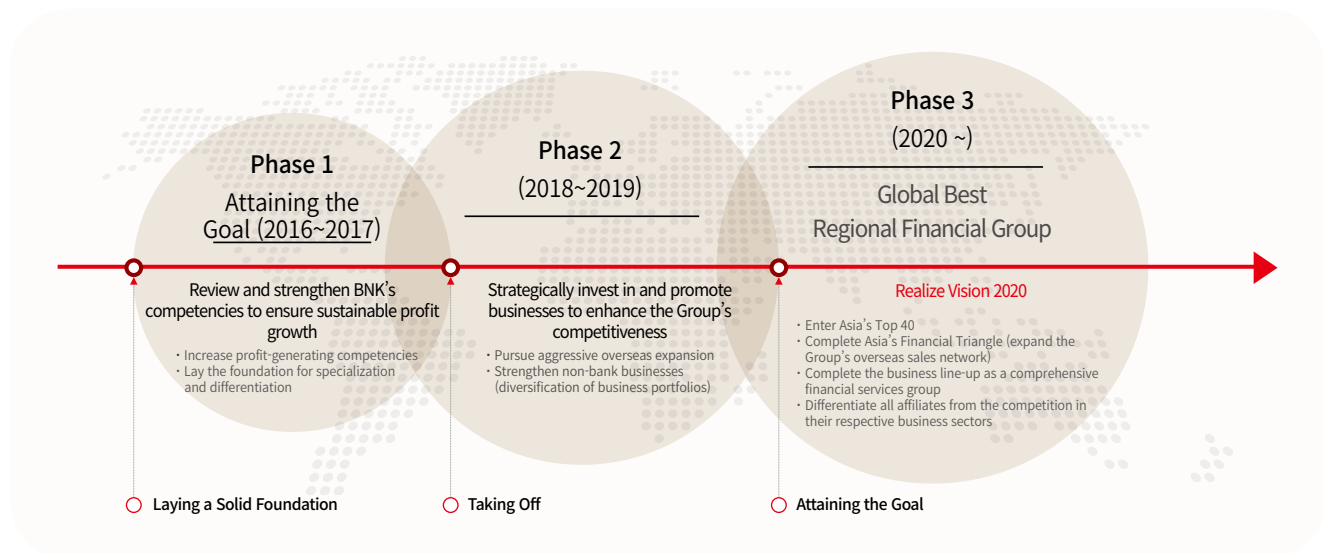
### Vision System



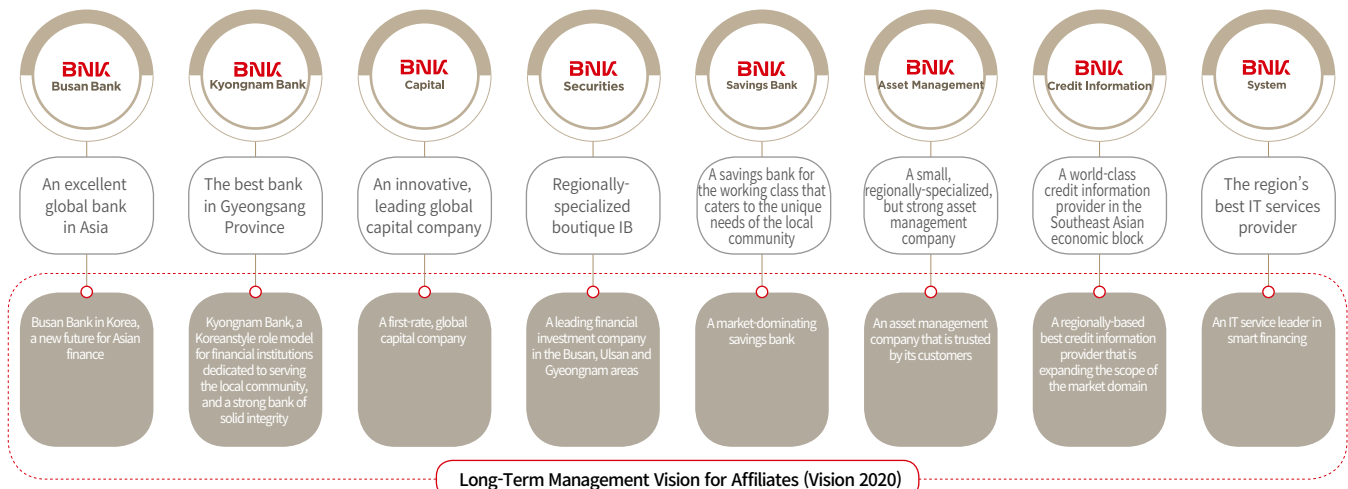
## Mid- to Long-term Development Direction of BNK Financial Group

BNK Financial Group is gathering enterprise-wide competencies in order to generate new forms of business opportunities, both online and offline, by internally overcoming cross-affiliate barriers and externally converging financial & non-financial and ICT companies. In addition, we seek to achieve the management vision of becoming a “Global Best Regional Financial Group” by realigning the directions of the Group to maintain a differentiated prestige of the two banks under the two-bank system, yet steadily raise management efficiency, and complete the key business lines as a comprehensive financial group.

### BNK Financial Group's Roadmap for Long-Term Development



### BNK Financial Group's Long-Term Business Line-Up



## 2017 BNK Financial Group Highlights



### Acquired the Best Rating in for Financial Consumer Protection

Busan Bank acquired the best rating in the “Evaluation of Financial Consumer Protection” conducted by the Financial Supervisory Service (FSS) in 2017. Busan Bank acquired a “favorable” rating in all 10 areas, including the number of complaints, financial accidents, and consumer protection organization and institutions, and was recognized as a company which excels at consumer protection and complaint handling.



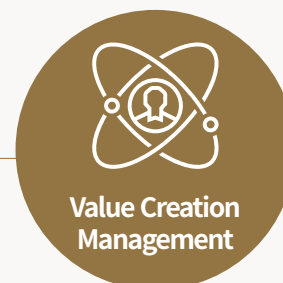
### BNK Financial Group Call Centers, ‘Excellent Call Centers in Korea’ for Three Consecutive Years

The customer service centers of Busan Bank and Kyongnam Bank under BNK Financial Group have been selected as “Excellent Call Centers in Korea” in the local bank category for three consecutive years since 2016, as published in the 2018 Korean Service Quality Index (KSQI) Evaluation of Korean Industries, organized by Korea Management Association Consulting (KMCA). Busan Bank and Kyongnam Bank strengthen customer service by improving the knowledge management system to ensure prompt and accurate customer consultations and consultation quality, and established a consultation analysis system and a monitoring program which utilize big data and AI. Wide-ranging efforts and resources are poured in to improving these processes.

### BNK Financial Group, a Korea Exchange ‘Excellent Corporation’

BNK Financial Group was the only financial sector firm to be listed as an “Excellent Corporation” in the Korea Exchange’s “2017 Award Ceremony for Excellent Listed Corporations in the Securities Market.” The 2017 evaluation included 777 listed corporations, and a total of eight companies, including BNK Financial Group, were selected as “Excellent”. BNK Financial Group has improved the Group’s governance by separating the existing dual titles of the chairman of the holdings company and the CEO of a bank amid the appointment of Kim Ji-Wan as its chairman in 2017, and appointing an external director as the chair of the Board of Directors, while continuously implementing activities to improve corporate transparency. Management transparency has been strengthened with the launch of the Committee of One Hundred-Year Plans for Youth and management of the Transparency Committee, while information is transparently provided to shareholders and investors.

\* Excellent listed corporations are selected based on a comprehensive evaluation by the Korea Exchange, which covers annual performance, including autonomous, voluntary and fair disclosure; the number IR shows; understanding of disclosure-related laws by relevant parties; integrity in work performance; and the establishment of disclosure infrastructure.



### FinanceAsia’s ‘2017 Most Outstanding Bank in Korea’

Busan Bank was designated as the “Most Outstanding Bank in Korea” at the 2017 Country Awards organized by FinanceAsia, a global financial magazine. FinanceAsia annually evaluates items including management performance, market competitiveness, business activities, and mid- and long-term visions and strategies, and gathers feedback from outside investment specialists and analysts to select outstanding banks in each country. Busan Bank was designated the most outstanding bank by FinanceAsia for the third time in 2017, following its recognition in 2014 and 2016. It is earning acclaim as a stable financial institution with high growth potential.



### Most Outstanding Institution for Microfinance and SME Support

Busan Bank was selected as the most outstanding institution in the category of small- and medium-sized bank groups in two areas – microfinance and SME support – by the FSS in 2017. The achievement was attributable to its active implementation of “handling of microfinance products”, “support for low credit and low income people”, and “119 program to extend loans to individual entrepreneurs”. The Bank plans to expand financial support for SMEs temporarily suffering from liquidity crises, as well as the financially underprivileged, in tandem with the government’s financial policy of “inclusive finance”.

### ‘Presidential Commendation’ for Financial Support for Small- and Medium-Sized Startups

Having been recognized for its performance in multidimensional financial support for small- and medium-sized startups in the 22nd Award for Financial Support for Small- and Medium-Sized Startups, Kyongnam Bank received the presidential commendation as the only commercial bank. Kyongnam Bank became the first local bank to launch a Corporate Management Support Team, thereby providing consulting and supporting liquidity at the same time. The Bank plays a leading role in easing the management burden by supporting prompt finance through one-stop service desk programs. The Bank will devote more support and interest to mutual development with small- and medium-sized startups.

### Educational Mecenat Tower Award Recipient for 10 Consecutive Years

Having been recognized for performance in operating educational donation programs for the underprivileged, Busan Bank received the Educational Mecenat Tower for 10 consecutive years. Busan Bank conducts wide-ranging educational Mecenat programs, including the BNK Happy Music Camp, which supports night and day lessons from prestigious professors in Korea for underprivileged music majors; BNK Happy Healing School, a program to support the growth of youth; BNK Ssamzie Economy Concert; and Help Me, Mr. Safety. The Group’s performance in educational contributions to the community has been highly recognized. The Bank will continue to implement educational donation programs to contribute community encourage children’s hope for the future.



### A Great Place to Work in Asia for Four Consecutive Years

Busan Bank was selected as the Best Workplace in Asia for four consecutive years by the Great Place to Work Institute (GPTW), a global consultancy. Busan Bank was selected as one of the “100 Great Workplaces in Korea.” Busan Bank gained positive feedback by not only supporting psychological and physical health of employees through the Anti-Smoking and Diet Funds and psychological counseling, but also providing diverse programs for employees’ happiness thorough formation of a maternally-friendly environment, and culture & recreational life. The Bank also won the grand prize (Busan Mayoral Prize) at the 2017 Contest for Outstanding Companies in Work-Life Balance, co-organized by the Busan Metropolitan Government and Busan Regional Ministry of Employment and Labor.

\* GPTW develops the Trust Management Index through an evaluation of 50 countries, including those in the U.S. and Europe, and selects “Great Workplaces”. Busan Bank was included in the top 10 large companies among Korean firms in the “2018 Best Workplaces in Asia”, which selected 65 companies out of 2,000 globally.

### Chairman Prize of the Financial Services Commission at the ‘2017 Korean Women in Finance Award’

Busan Bank won the Chairman Prize of the Financial Services Commission, the grand prize in the category of gender equality at the 2017 Award Ceremony for Korean Women in Finance. The award, hosted by Korea Network of Women in Finance and sponsored by the Financial Services Commission, the Ministry of Gender Equality and Family, and the Korea Federation of Banks, is awarded to financial institutions that have extended full-fledged support for and worked to develop the activities of female employees. Busan Bank empowers female leaders by developing additional courses for female leaders in order to explore and foster female talent. The Bank also strives to establish a culture of gender equality by raising the promotion ratio of women and strongly recommending childcare leave for men.

The background features a series of concentric circles in the upper half, creating a ripple effect. In the lower half, there are several overlapping circles of different shades of gray, creating a layered, organic feel.

**BNK**

**Great Harmony**



# 1. Establishing a New Management Platform for a New Takeoff 014

# 2. Maximize the management efficiency through synergy among group's subsidiaries 015

# 3. Implementing a Sound Corporate Culture through Communication and Harmony 016

# 4. Discourse on Future Value and CSR with Stakeholders 017

## #1

# Establishing a New Management Platform for a New Takeoff

## BNK's Management Direction

For 2018, BNK Financial Group decided on the management principle of "Great Harmony 2018: Establishing BNK's New Management Platform". This platform aims for all affiliates under the leadership of the Group to generate strong synergy through a great harmony that exceeds the concept of "one company" and which is based on fair and ethical management. It is also shared throughout the enterprise, with the management focus for 2018 being "Reuniting Together to Achieve Goals", as if to bring about a victory through sharing both burdens and prosperity.



### Six Strategic Tasks for 'Great Harmony 2018'

BNK Financial Group determined its six strategic tasks to be as follows: maximizing synergy of the Group in key business areas; strengthening the Group's digital competencies; initiating substantial management based on profitability and soundness; maximizing the Group's management efficiency; nurturing global talent and realigning the corporate culture; and proactively implementing CSR. Strategic tasks are proactively implemented to achieve enterprise-wide management goals. It is hoped that core business areas, in particular, will include corporate investment banking (CIB), wealth management (WM), digitalization, and globalization, and that cross-business synergy will be maximized by forming matrices for business areas. Moreover, business for both the banking and non-banking sectors are to be exponentially expanded to establish a management platform for the generation of future growth engines.



### Corporate Restructuring for a New Management Platform



In March 2018, BNK Financial Group launched a group audit division to supervise affiliates, which will act as a control tower for conducting entire audits for the affiliates, which will improve organizational soundness and transparency through stronger internal control. The Group also established the Group HR Development Institute under the leadership of president of the Group, which is paving the way to strengthen talent by recruiting outside specialists. We will continue enhance our execution capabilities to initiate projects through corporate restructuring in Busan Bank and Kyongnam Bank, in tandem with four core projects.

# 2

## Maximize the management efficiency through synergy among group's subsidiaries

### BNK's Management Direction

BNK Financial Group aims to establish a single management platform at the Group-level by running the BNK IT Center and expanding cross-affiliate personnel exchanges. The one-process system improves work efficiency through the standardization of work and IT processes, IT integration, etc., while maintaining the two-bank system, given the brand values of Busan Bank and Kyongnam Bank. This synergy is expected to generate of KRW 30 billion per year in the IT sector of the two banks, once the "two-bank, one-process" system is completed in 2020.

#### Implementing Work Standardization for the Two-Bank, One-Process System

BNK Financial Group is pushing for work standardization for Busan Bank and Kyongnam Bank, led by the Synergy Promotion Department. We unified the composition of business units, including the titles of each group and department, through corporate restructuring. In 2017, we standardized specific operations, including work regulations and procedures in each department. Efforts have been taken to improve management efficiency through the setup of video conferencing systems in both the head branch of Busan Bank and meeting rooms in the Operation Department in Seoul, and the launch of work efficiency communities within the groupware. Busan Bank and Kyongnam Bank plan to generate synergy by reaffirming brand value as the local representative banks in each region and also by conducting work standardization.



Implementation of the Two-Bank, One-Process System



#### IT Systems of all BNK Affiliates, Relocated to the Mieum IT Center

BNK Financial Group relocated the IT systems of all its affiliates to the IT Center of BNK Financial Group at the Mieum Industrial Complex in Gangseo-gu, Busan, the first among local financial groups to do so. We moved IT systems on 14 occasions for approximately four months, finishing up the setup of the integrated disaster recovery center for all affiliates in Haeundae, Busan. Seismic technology, designed to withstand earthquakes with a magnitude of 7.0 or higher, was installed in the IT building and is currently in operation. We plan to concentrate IT knowledge and abilities by clustering the IT personnel of our affiliates after completing the construction of the development center in September 2018.



# #3

## Implementing a Sound Corporate Culture through Communication and Harmony

### BNK's Management Direction

BNK Financial Group strives to implement a positive corporate culture based on the management's leadership and labor-management trust. First of all, we pay special attention to health and welfare of employees by offering health mileage point systems, anti-smoking, and diet funds, and maintaining fitness centers. We plan to secure future competitiveness by expanding investment in talent development, including overseas MBA courses and knowledge mileage programs.

#### Strengthening the Group's Role in Spreading Corporate Culture

BNK Financial Group annually selects BNK Yes! Leaders to spearhead changes and innovation for the progress of affiliates. Cohorts of BNK Yes! Leaders take on various roles, including proposing their ideas for establishing and spreading a desirable corporate culture, and convey the voices of each branch on various management agendas, as well as communicate changes and brainstorm innovative activities for bank development. Comparing and analyzing the corporate culture of the two banks, which will be inherited and improved, proved to be an insightful experience, and improvements to be made were shared during a workshop held in 2017.



#### Creating a Sound Corporate Culture



BNK Financial Group conducts the "Health Mileage" program to encourage a healthy corporate culture. Employees accumulate mileage points by engaging in a wide range of healthy activities, including commuting to and from work by walking, taking the stairs at work, and mountain climbing. Outstanding employees are nominated each year, and employees are provided with incentives, including a cultural field trip abroad, in order to encourage them to lead a healthy life.

#### Strengthening Management Competency

We conduct the "BNK Knowledge Mileage" program for managers of all affiliates to develop their skills and improve management competency. In other words, executive competency is boosted by receiving mileage points depending on the amount of time they spend voluntarily engaging in seminars, forums, and lectures. Moreover, we conduct the "Educational Mileage Program" for employees, thereby forming an atmosphere for them to voluntarily develop their individual competencies and strengthen corporate competitiveness.



#### Expanding the Communication Buildup Program for Affiliate Employees

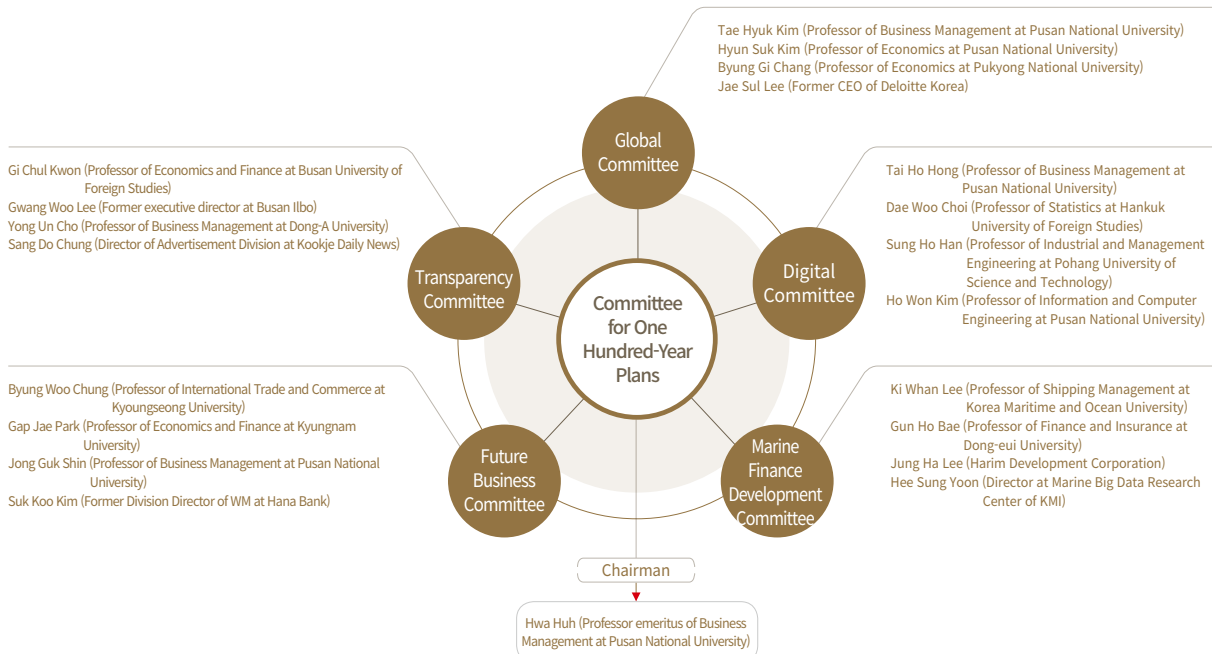


We provide BNK Family Training courses to expand communication through intensive exchanges of employees. Training programs include a mini sports day, a workshop, and a special lecture by outside instructors for each department/division/branch in the banks. We also offer opportunities to recognize the importance of cross-organizational communication and collaboration. Meanwhile, we strive to strengthen communication within organizations by facilitating exchanges among employees by through club activities in each department/division/branch, supporting their sports activities and providing programs to communicate with the CEO.

# 4 Discourse on Future Value and CSR with Stakeholders

## Committee for One Hundred-Year Plans


BNK Financial Group launched the BNK Committee for One Hundred-Year Plans in December 2017 to promote higher transparency and organizational innovation in corporate management within the Group. The BNK Committee for One Hundred-Year Plans is expected to develop a blueprint for the 'One Hundred-Year Plans' of BNK Financial Group, and has worked to improve the fairness and transparency of the Group and eliminate obsolete organizational practices during the one year since its launch.



## Managing the Committee for One Hundred-Year Plans

BNK Financial Group's Committee for One Hundred-Year Plans shared topics to be researched throughout the year in briefing sessions of each of the five subcommittees on March 21, 2018. The Transparency Committee plans to conduct research on critical issues financial institutions for corporate transparency, and also cover issues involving accountable management, internal control, ethical management, and social responsibility. Moreover, the committee plans to conduct evaluations of organizational transparency and soundness, and make recommendations to raise transparency.





# Strategic Approach to Sustainability

TOPIC 01  
**Pursuing Customer  
'Satisfaction Management'**



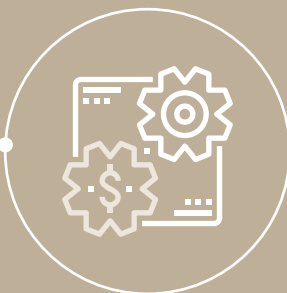
TOPIC 02  
**Implementing the Future Value  
of 'Creative Management'**



TOPIC 03  
**Implementing 'Win-Win  
Management'  
with the Community**



TOPIC 4  
**Realizing Employee  
'Happiness Management'**



01  
TOPIC

# Pursuing Customer 'Satisfaction Management'

## Key Outcomes



**Record of Prevention of Telephone  
Financial Fraud App. KRW 4 billion**  
(64 cases reported compared to the previous year,  
and the amount of prevention up KRW 1 billion)



**Customer Satisfaction  
Survey CSI 97.06**  
(up 0.5 points from the  
previous year)  
**Service Monitoring  
Survey SMS 90.54**  
(up 4.2% from  
the previous year)



**Financial Consumer Protection  
Status Evaluation  
Best Rating**

## Crises & Opportunities

### Crisis Factors

Financial companies continuously provide differentiated services and products, including low-interest rate products and better consumer protection services, in order to attract new customers or retain existing ones. In addition, preemptive responses to financial scams and information protection for financial consumers have become critical considering the diversification of channels for financial transactions, including the Internet and smartphones. Financial companies that fail to cater to customers amid such environmental changes and consumer demand end up facing customer churns, which might lead to lower profitability in the short-term and long-term weaker reputation and corporate competitiveness.

### Opportunities

Financial companies that consider customer needs in advance and prioritize customer profit can themselves enjoy higher profits and improve their competitiveness based on reputation and customer value. Such performance cannot be achieved in the short-term; only when an enterprise-wide culture for consumer protection and CS is formed can a genuine sense of CS management be achieved. Furthermore, developing new customized products and providing differentiated financial services through stronger customer service competency can serve as opportunities, enabling the acquisition of loyal customers.



## Significance of Customer Satisfaction Management

Amid the higher demands of customers that use financial services, global financial companies have begun to provide diverse products and services by attempting to predict customer demands in advance through multifaceted channels. We too make preemptive responses to protect financial consumers by strengthening digital finance and information security in order to effectively protect customers' assets from falling victim to ever-more sophisticated and intelligent financial frauds.

## BNK Financial Group's Responsive Strategies and Key Outcomes

BNK Financial Group strives to spread the CS-oriented culture by sharing its pledges to customers throughout the Group. We strengthen CS competency through the CS High Touch Leader (CS Angel) program and the CS Certification Rating System. In addition, the "Customized Counter of Happy Finance" for the socially underprivileged, including the elderly and the disabled, demonstrates the Group's consideration of all consumer population brackets. Moreover, we have developed an advanced digital infrastructure to protect financial consumers from various financial accidents and raise personnel competency, thereby realizing customer value.

KPIs  
(short-term  
and  
long-term  
strategies)

Key tasks for 2017	Qualitative evaluation for key tasks*	Strategies tasks of BNK Financial Group for 2018	Mid- and long-term directions
Raising the customer response rate by improving the CS process • Three specific tasks including reinforcing the program to stabilize the mindset of employees in consulting positions	●●●○○	Securing a stable profit base by driving customer-centered business strategies	Realizing values for customer happiness based on customer-centered management philosophies
Driving customer-centered 'CS from scratch' • Establishing a branch-driven CS culture and reinforcing site-centered CS training	●●●○○	Pushing for productive and inclusive finance	
Advancing information security • Five specific tasks including the setup of the next-generation security control systems	●●●○○	Raising creditability in and outside BNK through intensified protection of financial consumers	

\* Based on the internal qualitative evaluation annually conducted for key tasks

## Future Plans and Goals

BNK Financial Group seeks to establish itself as an advanced financial brand by continuously responding to customer needs and lifestyle patterns, developing localized products, and providing customer-friendly financial services. In addition, we will raise the sense of security among customers and reduce financial damage by steadily strengthening the information protection management system and intensifying employee and customer training on financial accidents.



## Providing Differentiated Customer Value

January: Announcing to the customer,  
"We will serve you anew."  
February: Calling a customer's name  
March: Praising the customer  
April: Asking the customer,  
"Do you need any help?"

### Creating a Culture of Customer Happiness

BNK Financial Group actively implements CS management, with a focus on touching customer sentiments and delivering integrity on CS issues for each monthly topic and high- or low-performing items. We strive to reinforce our capability to execute customer-centered services by engaging in diverse activities to carefully listen to and empathize with customers and make improvements based on customer complaints.

### Spreading the Customer-Centered Culture

#### Video Broadcasting : 'Our Pledge to Customers' and Morning Customer Greetings

Busan Bank shares "Our Pledge to Customers" to reaffirm the meaning of and willingness for customer-centered management and disseminate action plans throughout the enterprise. It covers content newly revised in 2018 by putting itself in the shoes of customers and providing trustworthy differentiated services, thereby demonstrating its commitment to realizing the value of customer happiness. In addition, the Bank reinforces employee's commitment to CS through daily morning viewings of "Our Pledge to Customers", and encourages communication with customers with video greetings to welcome customers. Meanwhile, Kyongnam Bank is working to improve employees' interest in customer service by providing air-purifying plants adorned with positive customer service-oriented messages, thereby passing on positive messages to customers and raising their satisfaction.



A video on 'Our Pledge to Customers'

#### Our Pledge to Customers

We pledge the following to become a bank that is trusted by customers and realizes the value of customer happiness.

- We shall think from our customers' points of view at all times.
- We shall wholeheartedly serve our customers and cater to even their smallest needs at all times.
- We shall serve our customers as we would our family with a bright smile and an energetic voice at all times.
- We shall realize the value of customer happiness through the provision of trustworthy differentiated services at all times.



Kyongnam Bank: air-purifying plants with customer service-oriented messages

### CS High Touch Leader (CS Angel) Program

Busan Bank is spearheading innovative changes to improve customer service by appointing 20 CS High Touch Leaders\* in 2018. The Bank is also at the forefront of providing unique services for customer satisfaction by sharing its best practices in customer-centered services and ideas for improving the CS program through monthly missions. Kyongnam Bank conducts collective training on CS management and CS angel activities for 165 CS angels in all of its branches. The Bank has extended vigorous support for CS angels to foster professionalism through outside special lectures on 'Healthy Kyongnam Bank and Healthy Self-Esteem'.

\* CS High Touch Leaders: CS High Touch Leaders are publicly selected from among branch employees and serve as the key leaders that spearhead innovative changes at Busan Bank by touching the hearts of customers and prioritizing communication with customers, instead of providing simply manual-based services in the era of high tech.



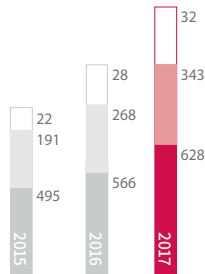
Busan Bank : CS High Touch Leaders appointment ceremony



Busan Bank : Customer-centered management reaffirmation ceremony

### CS Certification Rating System Status

■ CS Teller ■ CS Ace ■ CS Master



### Based on awards at CS-Exclusive Branch Offices at Busan Bank

Type	Awarded Amount
Monthly	100,000
Quarterly	1 <sup>st</sup> - 200,000, 2 <sup>nd</sup> - 100,000
Annually	1 <sup>st</sup> - 300,000, 2 <sup>nd</sup> - 200,000

### Record of Outside CS Training at Kyongnam Bank

(Unit: times, persons)

Type	2015	2016	2017
Times	21	22	16
Persons	1,392	1,195	2,065

## Activities for Building up CS Competencies

### CS Certification Rating System

To enhance customer satisfaction and corporate competitiveness, BNK Financial Group operates a qualification rating system based on practical, on-site CS evaluations. It grants CS Master, CS Ace, and CS Teller qualifications to staffs whose CS mileage score is over 30 according to the internal certification operating standards.

CS Certification Ranking	Acquisition Conditions (CS Mileage)	Required Standards	
		Customer-Friendly Staff Selection	Education Mileage
CS Master	Over 100 Points	More than 8 Times	Over 10 Points
CS Ace	Over 50 Points	More than 6 Times	Over 5 Points
CS Teller	Over 30 Points	More than 4 Times	Over 5 Points

### CS-Exclusive Branch Office Award

BNK Financial Group selects and awards CS-exclusive branches to motivate employees to practice customer-centered CS activities and improve their service-oriented mindset. Examples of the available rewards include the surprise delivery of pizzas each month to the CS Certification Office with the top CS rating, and the regular granting of monthly, quarterly, and yearly awards. Kyongnam Bank also presents gifts and awards to the top two CS Certification Offices in each CS category.

### CS Champion of the Month

Busan Bank selects employees who received ratings of “very satisfied” in all of three items of a service competency evaluation (customer satisfaction, on-site monitoring, and fast handling of operations) as CS “champions of the month”. Kyongnam Bank, meanwhile, awards polite employees (semi-annually and annually), outstanding security guards (semi-annually), and CS angels engaged in outstanding activities (quarterly) based on recommendations from both monitoring agents and customers. Employees with excellence in CS are specialists equipped with both integrity and professionalism, in addition to being polite. These talented employees are taking the lead in sharing their differentiated financial service tips in the monthly newsletter of the Bank and creating a trustworthy CS culture.

### Support for Outside Institutions to Strengthen Their CS Competency

Kyongnam Bank provides training to other companies and public institutions that are or will be in transaction with the Bank by dispatching professional CS instructors to their sites. Customized training based on requested topics is provided, which raises satisfaction about the quality of training. In 2017, the Bank carried out a wide range of courses, including personal image for job interviews (for university students), emotionally touching customer service provision, and workplace etiquette and business manners.



Encouraging CS-Exclusive Branch Offices



CEO visit to branches and customer response



Presenting gifts to CS-Exclusive Branch Offices

## Special Page



## Providing Financial Services Catered to the Socially Vulnerable

### ‘Customized Counters for Happy Finance’ for the Elderly and Disabled

Busan Bank runs “Customized Counters for Happy Finance” at all branches to cater to the needs of the financially underprivileged, including the elderly and the disabled. The Bank provides customized services for elderly financial consumers to help them accurately understand information about financial products and also to enable appropriate financial transactions. For disabled customers, seamless financial consulting services are provided by with full awareness and consideration of dealing with those with various disabilities. Moreover, diverse services for the financially underprivileged are provided to customers with sensory disabilities, including Visible Radio for the hard-of-hearing, voice recognition ARS and Braille security cards for the visually impaired, and clear-language and immediate consultation services for the elderly.



VOICEYE Products

### Services for Visually-Impaired Customers

Busan Bank introduced and runs ‘VOICEYE’, a software for Braille & voice conversion for visually impaired customers, multicultural families, and foreigners. Once the VOICEYE code printed on an advice note is scanned with a smartphone app, the content on the printed material appears, and financial information in the material is delivered in various ways, including augmented letters and voice output, and translation into 58 languages.

### Sign-Language Services for the Hard-of-Hearing

Busan Bank provides sign language-based services for customers with hearing disabilities that cannot easily access financial information to ensure that they easily receive financial services. Financial consultants who hold a sign language license are available in the Bank to provide information on various financial products and services through online video connection.

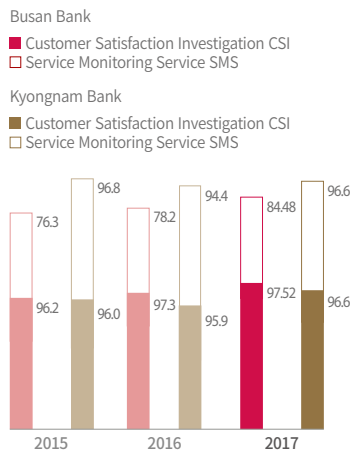
### Designation as a Company with Outstanding Care for the Disabled

Kyongnam Bank conducts regular in-house surveys to ensure the provision of non-discriminatory financial services to disabled customers. As a result, the Yongwon Branch of Kyongnam Bank was designated as an “Outstanding Convenience Facility” by the Welfare Center for the Disabled, commended for providing diverse types of care for the disabled. In particular, the branch was highly acclaimed for installing handicap wheelchair ramps at its entrance and operating an automated teller counter through CD/ATM installation for the disabled, including the visually impaired, those with hearing disabilities, and those in a wheelchair.



## Customer Satisfaction Survey

(Unit: points)



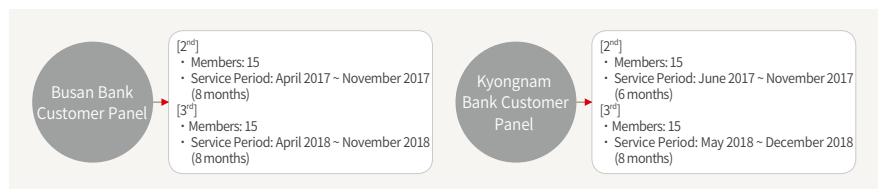
## Raising Customer Satisfaction

BNK Financial Group determines concepts for new products and services through benchmarking and reflection of customer feedback. In addition, customer feedback is consistently and steadily collected to help BNK reflected on areas in need of improvement. Meanwhile, diverse cultural events and “healing” lectures help employees relax and recharge to ensure that they provide the best customer service experience.

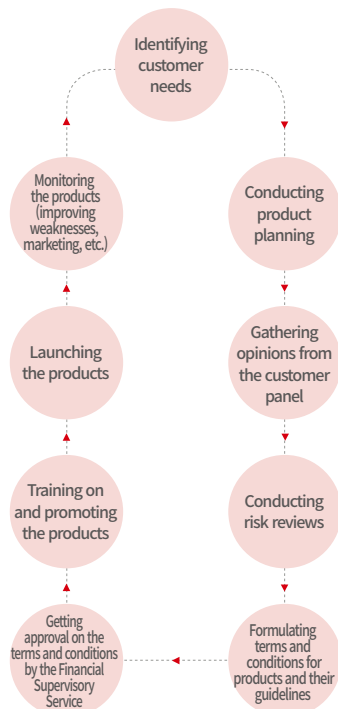
## Strengthening Efforts to Collect Customer Feedback

## Introducing the Customer Panel Program at Busan Bank and Kyongnam Bank

BNK Financial Group runs the customer advisory panel to receive customer feedback and strengthen customer-centered management. Busan Bank and Kyongnam Bank conducted the third customer panel in 2017, collecting feedback not only on new product planning and development but also improvements that can be made for existing products, branch services, and work processes. We will fully utilize the customer panel system as a communication channel with customers through continuous upgrading.



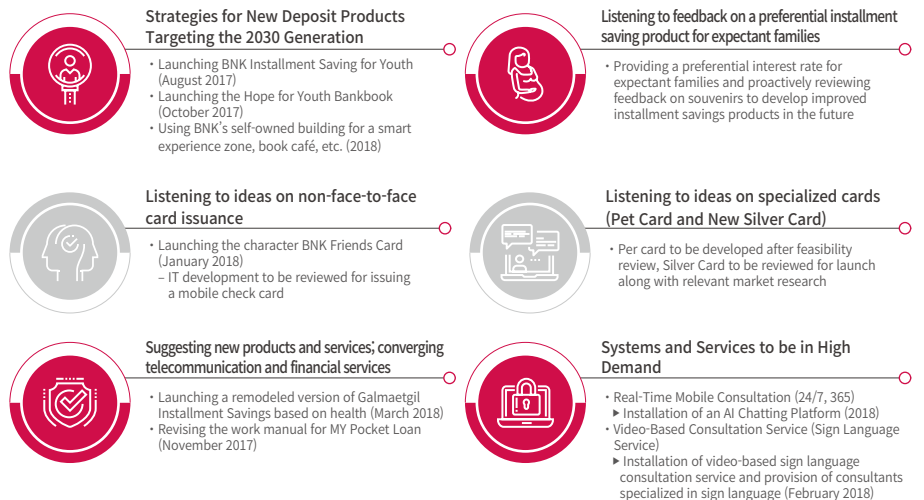
## Financial Product Development Process



## Developing Customized Products

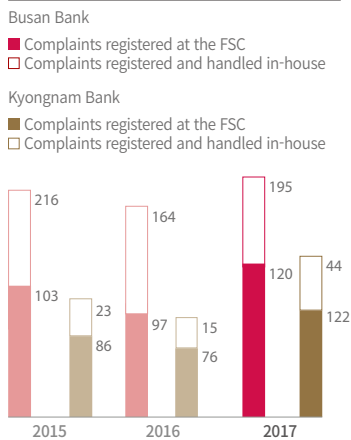
Busan Bank and Kyongnam Bank proactively reflect collected feedback in developing products and improving services. In 2017, they developed new products through reflecting on customer feedback, including new deposit products targeting the 2030 generation and a preferential installment savings product for expectant families, and also improved real-time mobile consultation and sign-language services.

## Key Records Reflecting the Customer Panel's Suggestions



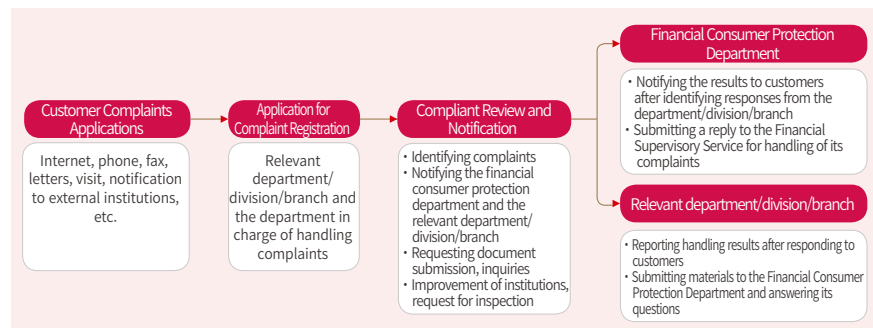
## Current Status of Customer Complaints

(Unit: case)



## Customer Complaint Management Procedures

Busan Bank and Kyongnam Bank both operate a financial customer protection system to guard financial customer rights and improve work efficiency. As such, affairs related to the protection of financial consumers and complaint management are integrated to ensure efficiency in handling operations. In addition, the two banks have designated employees in charge of issues regarding the protection of financial consumers, who strive to make prompt responses to complaints and prevent them from spreading. Customer suggestions and complaints are reflected upon to improve practices and systems within the banks, as well as to improve products and services, in accordance with internal review procedures. Meanwhile, customer complaints are addressed through immediate call-back services when all the customer service lines are busy.



\* KSQI is a system used to certify call centers by evaluating the service quality for deposit conditions, customer response, consultation attitudes, task handling, and closing attitudes, awarding those with a score of 90 points or over as "outstanding". The evaluation includes industrial call centers in all sectors nationwide including, manufacturing, finance, and distribution.

## 'Outstanding Call Center in Korea' as a Local Bank for Three Consecutive Years

The customer service centers of Busan Bank and Kyongnam Bank have been selected as outstanding call centers for three consecutive years in the local bank category of the Korean Service Quality Index (KSQI\*) of Korean Industries by Korean Management Association Consulting in 2018. Busan Bank received 92 points while Kyongnam Bank received 91 points in 2018. Their consultation quality was highly recognized, with high scores in all areas, including prompt handling of tasks and polite guidance.



Specialist's 'Healing' Lecture in 2017

## Recognition of Emotional Labor of Consultants

## 'Healing' Program for Emotional Labor

BNK Financial Group conducts the "Happy Together" program to create a happy workplace for employees at call centers. In particular, "healing" lectures are delivered by professionals on topics such as stress managing techniques to ease the emotional burden of customer service work. Other various programs are offered, including Movie Day, turning scattered holidays into long weekends, and providing special experiences for high-performing employees, as we strive to provide a decent working environment.



Busan Bank CEO visit to customer service center to encourage employees



## 'Healing' Lectures Delivered by Professional Instructors

- Healing Lectures by Invited Professional Instructors: Stress Management Techniques (February and April, 2017), Coaching Communication and Emotional Labor Management (November 2017)
- BNK Family Training: Conducted at Busan Bank Training Center for four consecutive years



## Providing a Decent Working Environment

- Movie Day (March and September, 2017 and April, 2018)
- Turning scattered holidays to turn into long weekends
- Casual uniforms
- Offering overseas trips and yachting experiences to selected high-performing employees (September 2017)



# Strengthening the Protection of Financial Consumers



Condition Forecasting for Financial Consumer Protection

## Preventing Financial Accidents and Protecting Personal Information

As the possible methods to conduct financial transactions have recently diversified, especially through social media networks and online, financial fraud involving the leakage of personal information and the number and types of criminal activities have rapidly increased. As such, BNK Financial Group has further strengthened its system to prevent financial fraud by adopting the Fraud Detection System (FDS), which utilizes deep learning technologies and encrypts all unstructured customer information. Training and activities are conducted to protect financial consumers and prevent complaints.

## Prevention Activities for Protecting Financial Consumers

### Strengthening Activities to Protect Financial Consumers and Prevent Complaints

Busan Bank runs a program to help forecast conditions for protection of financial consumers, which enables the bank to share issues on financial consumer protection via newsletter with the aim of preventing complaints and strengthening the protection of financial consumers. Moreover, the Bank runs the mentor-mentee program to prevent the spread of complaints through preemptive consultations and proactive responses in the initial stages of a complaint occur. Each sales division has a designated manager who is responsible for keeping a consultation channel open at all times. Furthermore, all employees are aware of a five-item checklist of actions to be taken to protect the rights of financial customers, which can also be found at a pop-up in branch offices.



Checklist of Five Actions



Pop-Up Notification in Groupware on Protection of Financial Consumers



Information Guidelines for Financial Consumers

### Key Prevention Activities for the Protection of Financial Consumers

#### Strengthening the Financial Consumer Rights Protection Information Service

BNK Financial Group offers a large body of information on financial consumer protection to customers, as it believes protecting the rights of financial consumers should be a top priority. Busan Bank runs the Consumer Information Portal, which consists of the following menu options: The Consumer Protection System; Best Practices for Consumer Protection; and the Information Portal for Financial Consumers of the FSC. The portal enables customers to access all the necessary information for financial consumers. In addition, the 'Information Guideline for Financial Consumers, which covers useful financial information for financial consumers to be aware of, is available on the bank website, and serves to further enhance consumers' accessibility to financial information.

#### Financial Consumer Protection Day

Busan Bank designates and runs "Financial Consumer Protection Day" on the first business day of each month to emphasize their dedication to protecting financial consumers and preventing complaints. On this day, all employees log into the financial consumer protection system to thoroughly review complaints of individual customers. Employees who are in charge of protecting financial consumers in a department/division/branch conduct training on financial consumer protection to employees by using training materials which are prepared in advance.

#### Financial Consumer Pop-Up Notifications in the Groupware

BNK Financial Group notifies employees of frequently occurring types of complaints via a pop-up on BNK Eye. In particular, things to note for protecting financial consumers are made available to all employees, including compliance with the real-name financial transaction system, prevention of incomplete sales, and financial fraud via phone.



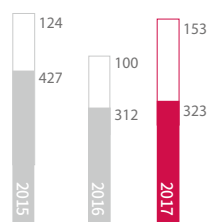
### Record of Information Security Training

Type	Times
Executives	3 hours
General Employees	6 hours
IT Staff	9 hours
Security Staff	Over 12 hours

### Record of Prevention of Telephone Financial Fraud

(Unit: case)

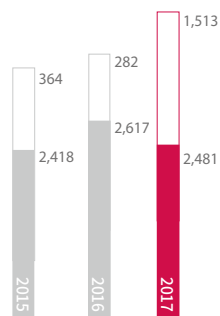
■ Busan Bank □ Kyongnam Bank



### Amount Saved from Prevention of Telephone Financial Fraud

(Unit: KRW million)

■ Busan Bank □ Kyongnam Bank



### Training on Financial Accident Prevention and Information Protection

BNK Financial Group conducts training on IT and information protection to raise employees' awareness about information protection issues and intensify the key competencies required to effectively respond to financial emergencies. Training help raise employee awareness about information protection, safe e-financial transactions, personal (credit) information protection principles, and financial IT security threats and responses. Customized training is carried out for executives, employees, IT staff, and security staff. In 2017, a total of 2,714 employees completed information protection training courses. Moreover, simulation drills are conducted each year based on scenarios of personal information leakage by the Information Protection Department to strengthen each department's emergency response skills.

### Activities to Prevent Incomplete Sales

BNK Financial Group implements a mystery-shopping system to determine if incomplete sales occur. In this system, professional monitoring agents disguised as customers looking to subscribe to financial products, in any branch office, checks for compliance with complete sales procedures for financial investment products and the sales processes. By doing so, deficiencies are identified and improved upon, which strengthens the obligation to complete sales, as well as to protect financial consumers, and contributes to the prevention of incomplete sales.

#### Designing the Mystery Shopping Research for Financial Product Sales at Busan Bank in 2017

Products for Research	Number of Times	Number of Samples	Research Methodology	Research Period
Fund	Once	183 Branch Offices (excluding small ones and offices)	Mystery shopping by monitoring agents disguised as customers subscribing to financial products	March ~ April
Short-Term Bond	Once			April ~ May
Saving Insurance	Once			June ~ July
ELF	Once			July ~ August
Variable Life Insurance	Once			September ~ October
ISA (Trust+Discretionary)	Once			November ~ December

### Monitoring to Prevent Telephone Financial Fraud

BNK Financial Group aims to prevent damage from financial fraud by installing a monitoring system for electronic communication-related financial fraud and operating the Monitoring Team for Financial Fraud Prevention, making it easier to make immediate responses to various types of telephone financial fraud issues. In particular, the head branch and branch offices systematically cooperate on handling suspicious transactions. Training on cases of damage from voice phishing is provided to sales staff in the Group's efforts to strengthen response competency. Since this system was implemented, there have been more cases of preventing voice phishing incidents thanks to prompt responses of employees in branch offices. In 2017, these efforts led to the prevention of customer damage worth approximately KRW 4 billion.



#### "Busan Bank : Moitoring Team's Prompt Rspnse to Telephone Financial Fraud"



In August 2017, a strange customer requested withdrawal checks at the Daechangdong Branch of Busan Bank. The Financial Fraud Monitoring Team under the Financial Consumer Protection Department at Busan Bank detected it as a transaction suspected as financial fraud, because an account which had no balance for a long time suddenly received a large deposit, and the customer immediately request its withdrawal. Therefore, the Monitoring Team urgently demanded that the branch office suspend the payment. The Monitoring Team determined that it was a case of financial fraud by someone purporting to be from the Prosecutors' Office and immediately reported the incident to the Cyber Bureau in the jurisdiction, and the suspect was arrested by plain-clothes police who were immediately called. In recognition of such an accomplishment, the Daechang-dong Branch of Busan Bank was designated an outstanding institution in preventing telephone financial fraud by the Busan Jungbu Police Station.

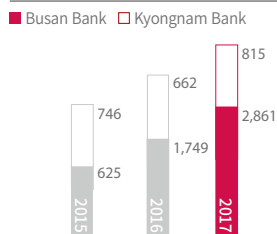
### Kyongnam Bank Acquiring the ISMS Certification for the First Time as a Regional Bank



Operation of Internet Banking Service (Website, Mobile)  
Apr. 10, 2017 ~ Apr. 9, 2020

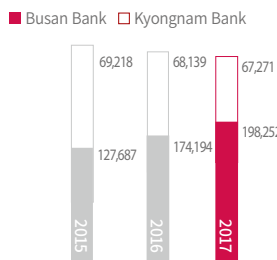
#### No. of Suspicious Transaction Reports

(Unit: case)



#### No. of Large Cash Transaction Reports

(Unit: case)



## Strengthening the Information Protection System

### Operating and Obtaining Information Protection Management System Certification

BNK Financial Group continuously runs its information protection management system in accordance with ISO 27001, the international standard on information protection. Inspection of the information protection management system is strengthened by analyzing the weaknesses of the e-finance infrastructure, in accordance with e-financial authorities, and relevant rule revision. We make improvements by reflecting the results of weaknesses identified during inspection when we make plans for the implementation of system improvements. Kyongnam Bank acquired the certification for the Information Security Management System (ISMS) for the first time as a local bank, and further strengthened its information security by acquiring new certification for ISMS for a new Internet banking system (a future channel).

### Bolstering the Financial Fraud Prevention System

Busan Bank installed the Fraud Detection System (FDS), which uses AI “deep learning” technology, to monitor the presence of suspicious transactions which might occur through e-financial systems. It is a system to automatically block Internet banking transactions if a case is judged to be e-financial fraud by analyzing customers’ routine transaction patterns. Its accuracy has been improved through the application of optimal deep learning technology. In 2017, the Bank used the system to detect 117 suspicious transactions and prevented damage worth a total of KRW 7.6 billion.

### Strengthening Security through Customer Information Encryption

Busan Bank has installed and runs an IT system to encrypt and manage unstructured information, including customers’ address, phone number, images, and voice files, to strengthen the protection of personal information and increase the security of financial transactions. Busan Bank is capable of blocking illegal leakage of information from the source, while also preventing misuse or abuse of customer information. It is the first bank in the financial sector to installing an encryption system for unstructured information. The same process is used at Kyongnam Bank, which will continuously strive to protect customer assets by installing a more robust system for information protection.

#### Key Projects for Strengthening Information Protection in 2017

##### Re-Establishing the Integrated Log Management System

We have expanded the systems for log loading to prepare for the aging of log management equipment and an excess of disk quota. All security systems are monitored and analyzed in an integrated manner by using big data technology, rather than simply loading logs, in order to be used as next-generation security control platforms. We also maximized synergy by linking them with various security systems including the system for constant monitoring of personal information.

##### Utilizing the Deep Learning-Based Fraud Detection System (FDS)

We improved the FDS to prepare for new types of e-financial accidents, seek efficiency in time and cost for verification of detection patterns (rules), and improve false positive and false negative detection of suspicious transactions. By improving the false negative rate, prevention of unrecognized types of fraud and suspicious transactions has been strengthened. A higher true positive rate enabled improved customer service by blocking suspicious transactions and minimizing the procedure for additional certification of the ARS.

##### Report on the Completion of On-Site Personal (Credit) Consignment Business Inspection

To prevent leakage of customer information and enhance information security, BNK conducted an inspection of 23 consignment businesses. The inspection was based on 29 criteria from the bank trust co-consignee inspection checklist, and made recommendations were made on the following: IP-based access control for the personal information handling system; inspection of log-in records for the personal information handling system; and safety measures for device management.

##### On-Site Inspection of the Status of Protection of Personal Information in Overseas Branches

We conducted on-site inspections based on the instructions of the FSC and overseas branches on information leakage prevention. Key focus areas included preventive measures against information leakage, shortcomings in internal management of personal information, the management status of customer information in account systems, and the availability of training on information protection.

##### Sophisticating the Intranet-Based Attack Analysis System

Features for the collection, statistics, and analysis of data on the Intranet have become more sophisticated and have a higher capacity to detect security risks. We provide a highly accurate analytical environment upon the occurrence of security issues by aligning it with an integrated platform for information protection. This has enabled managers in charge to take prompt measures when security risks and signs of anomaly occur.

##### Advancing the Constant Monitoring System for Personal Information

We established visualized integrated security control through the interconnected analysis of various signals, including the leakage of personal information and outside attacks, by integrating data analysis functions in each security system. We also strengthened the pre-/post-information protection controls, as well as timely responses to intrusions, as the management and staff identify the current status of security policies that are integrated with the unified data view.

## 02 TOPIC

# Implementing the Future Value of 'Creative Management'

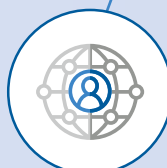
### Key Outcomes



Increasing the records for SUM Bank  
(630,000 members, KRW 119.6 billion for  
deposits and KRW 29.3 billion for loans)



Opening the  
BNK Digital  
Innovation Lab



Maximizing the Group's  
synergies for four  
core business areas

## Crises and Opportunities

### Crisis Factors

Financial companies make new attempts in launching customized branches which align operating hours and forms of operation with the demand of target customers at a time when conventional offline branches are on the verge of extinction, as online banking and the mobile-driven financial lifestyle has become the norm. Amid accelerated innovation in digital channels, financial companies have no option but to lag behind if they lack digital services competency befitting the changes of the times.

### Opportunities

There are now opportunities for higher growth beyond the offline space because the foundation for finance has shifted from offline to online, especially with the launch of Internet-only banks and mobile innovation. In addition, competitiveness in non-face-to-face channels is determined by the capability to expand the work scope to handle operations which do not require an offline visit and also to handle operations conveniently and efficiently.



## Significance of Creative Management

Significant changes are expected when it comes to competition in the financial industry, being driven by the development of new technologies, including fintech, AI, and big data, in the era of the Fourth Industrial Revolution. As discussed at the Davos Forum in 2018, the innovation of financial services will continue on through the use of AI and big data, which will bring about rapid changes. Additionally, cyber crimes will become more sophisticated and exert greater damage. As such, financial companies are required to take preemptive actions in sophisticating customer services and strengthening information defense systems by leveraging the latest in IT technology, including AI, big data, and cloud computing.

## BNK Financial Group's Responsive Strategies and Key Outcomes

BNK Financial Group makes the utmost effort to intensify business competitiveness and deliver new value to customers, in line with changes in the financial paradigm driven by digitalization, which includes fintech and mobile technology. In particular, we launched SUM Bank, a mobile bank which combines retail and finance, for the first time in the domestic banking sector. This enables us to create new opportunities in fintech-driven convergent finance. Not only that, we are also developing innovative services, including a digital self-bank which uses finger vein authentication for the first time in Korea, and a marketing system based on big data.

KPIs  
(short-term  
and  
long-term  
strategies)

Key tasks for 2017	Qualitative evaluation for key tasks*	Strategies tasks of BNK Financial Group for 2018	Mid- and long-term directions
Increasing members for SUM Bank and non-face-to-face records by facilitating services	●●●●○	Driving innovation in customer-centered digital finance	Securing growth engines for the future through digital transformation (deploying a customer-centered digital convergence)
Advancing the mobile bank (SUM Bank) • Installing a mobile platform for integrated authentication and improving the customer-centered mobile channels	●●●●○	Raising efficiency in managing branches and personnel through innovation in business processes	
Ensuring stable management of short-term funds and improving profitability	●●●●●	Initiating digitalization of internal infrastructure by embracing the Fourth Industrial Revolution	

\* Based on the internal qualitative evaluation annually conducted for key tasks

## Future Plans and Goals

BNK Financial Group will build up its forward-looking innovative finance capabilities through stronger competitiveness on mobile platforms, including SUM Bank, as well as differentiated customer services, by developing creative products and services where digital and finance are converged. We will also install face-to-face and non-face-to-face omni-channels and put in place customer-oriented business processes through the effective use of data analysis. By implementing Group-led digital innovation to lead the financial industry into the Fourth Industrial Revolution, we plan to establish our prestige as one of Asia's Top 40 by leaping higher as a "Global Best Regional Financial Group" which is regionally specialized in Busan, Ulsan, and Gyeongnam in Korea, as well as throughout Asia.



# Laying the Foundation for Sustainable Growth

## Driving Substantial Management Focused on Profitability and Soundness

BNK Financial Group seeks to implement the Group's management goal of "maximization of qualitative growth and profitability" by actively responding to the rapidly changing financial environment, which includes low growth and interest rates, as well as the spread of fintech. In particular, we are committed to creating our own model for maximizing synergy by strengthening portfolios in the non-banking sector, including in securities and asset management, with a focus on the Group's four key businesses: WM, CIB, globalization and digitalization.

### Risks & trends in the Financial Industry

### Potential Impact

#### Digital Finance

- Spread of digital finance represented through the Fourth Industrial Revolution and intensified competitions in platforms and digital financial services among financial service operators

- Advancement of fintech technologies and expansion of digital financial services including robot advisors take place in the composition of financial products and usage of financial services. Notably, intensified competitions are accelerated in platform development and management that have raised user convenience within the financial industry. Moreover, as they are applied to major areas of financial services including investment advisory and trading, and detection of suspicious financial transactions, and the importance is gradually on the rise, we need more investment in digital finance and prompt responses.

→ BNK's actions in response: p. 34-37

#### Stronger Protection of Information

- Spotlight on the importance of protecting personal information amid the dissemination of non-face-to-face financial services and e-financial transactions, and related laws and regulations made more reinforced

- As non-face-to-face financial transactions are expanded based on ICT driven by the Fourth Industrial Revolution and means of payment and settlement have become more simplified and diversified, the importance of protecting personal information has been further amplified. Efforts to establish a system to protect the bio-authentication information including credit information of individuals and reinforce the protection of digitalized information are key elements for financial competitiveness. It has become essential to expand the system to protect customer information based on non-face-to-face financial services.

→ BNK's actions in response: p. 27-29, p. 69

#### Intensified Competitions in the Financial Industry

- Competitions with Internet-only banks projected to be fiercer, and possibly further differentiation from small- and medium-scale securities companies on the heels of the launch of a mega-scale IB

- Competitions in the financial sector have become more intense with the launch of the first-ever Internet-only banks and mega-scale investment banks. Notably, the existing conventional way of doing business in the financial industry has ushered in a new landscape of competitions with the advent of the Internet-only banks including K Bank and Cacao Bank in Korea. The profit model of Internet-only banks derived from heterogeneous industries is starkly different from that of traditional banks, bringing in a new type of competition. Therefore, it is essential to acquire competitiveness in CS by providing differentiated services for customers.

→ BNK's actions in response: p. 22-26

#### Delays in the Economic Turnaround in the Southeastern Region of Korea

- Slower growth in major industries in the southeastern region including steel and automobile amid the U.S.' stronger trade protectionism

- Volatility is on the rise due to the recent interest rate hikes and stronger trade protectionism of the U.S., which negatively hits key industries in the southeastern economy of Korea covering steel and automobile, etc. It is essential to focus on improving asset portfolios in consideration of soundness and profitability, while checking and strengthening risk management capabilities against economic unexpectedness.

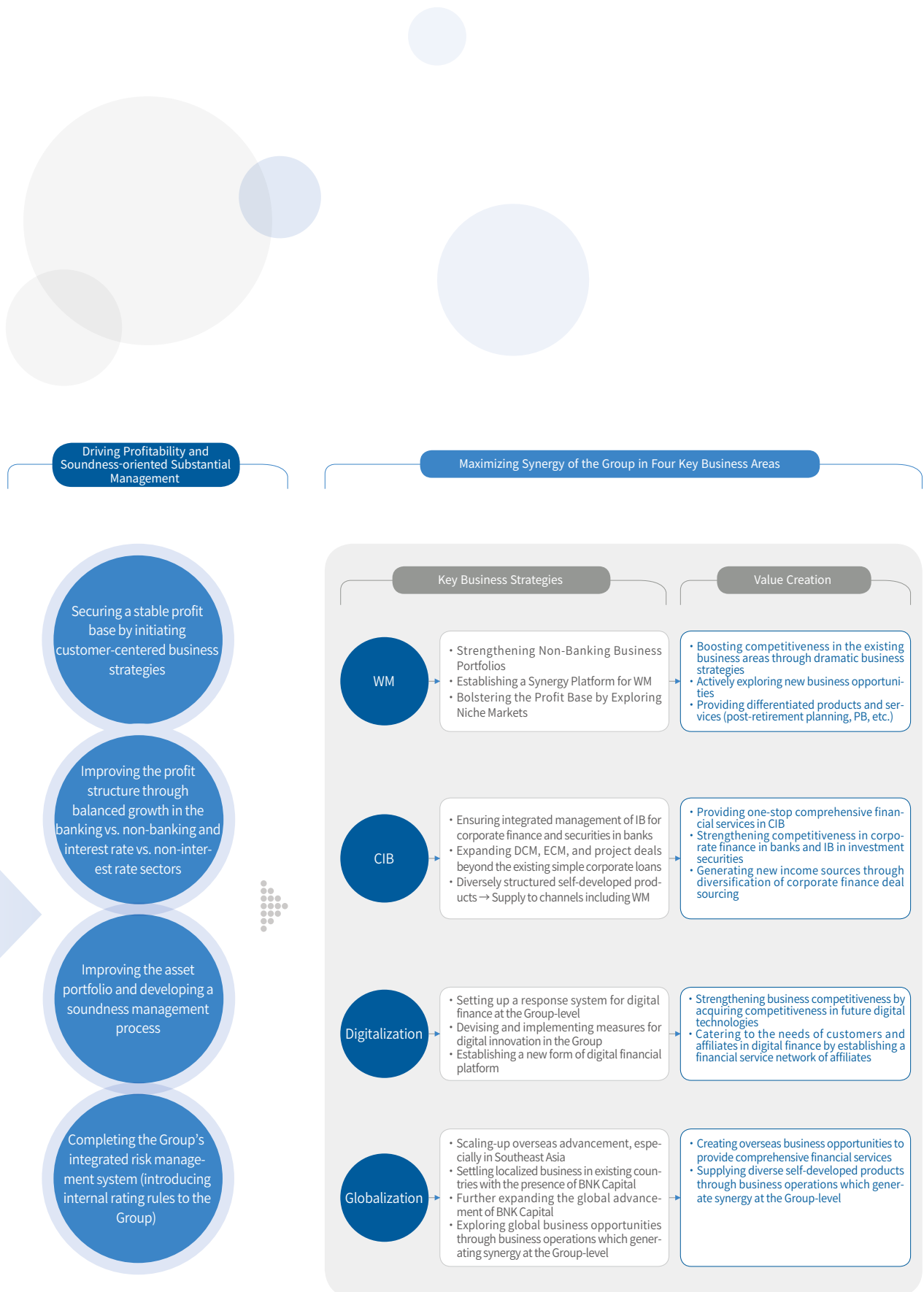
→ BNK's actions in response: p. 40-49, p. 67-68

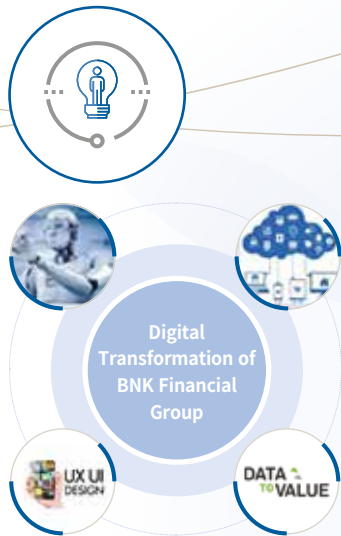
#### Stronger Regulations and Higher Volatility in the Financial Market

- Stronger regulations on liquidity in Basel III and higher volatility in the financial market as a result of higher interest rates

- It is expected that the growth of the banking sector would be limited due to the government's regulations on household debts and stronger rights of financial consumers. Moreover, there might arise some impact of changes in the regulatory environment due to the financial authorities' robust soundness policies including lowering of maximum interest rates and phase-specific intensification of standards for accumulating loan-loss provisions. It is critical to secure growth engines by considering profitability and soundness at a time of rapid changes due to higher volatility in the financial market as such.

→ BNK's actions in response: p. 67-68





## Strengthening Competitiveness in Future Finance

### Implementing Innovation in Customer-Centered Digital Finance

BNK Financial Group is taking many approaches to understand how the driving forces of the Fourth Industrial Revolution, which include AI, big data, and block chain technology, can be used to revolutionize the financial services industry. In particular, we strive to acquire future competitiveness by solidifying our presence as a digital leader financial corporation by implementing the full-fledged renewal of mobile channels, creating new customer through the improvement of UI/UX, digitalizing branch offices, and nurturing outstanding talent.

### Securing Competitiveness in Digital Finance for Industry 4.0 at the Group-Level

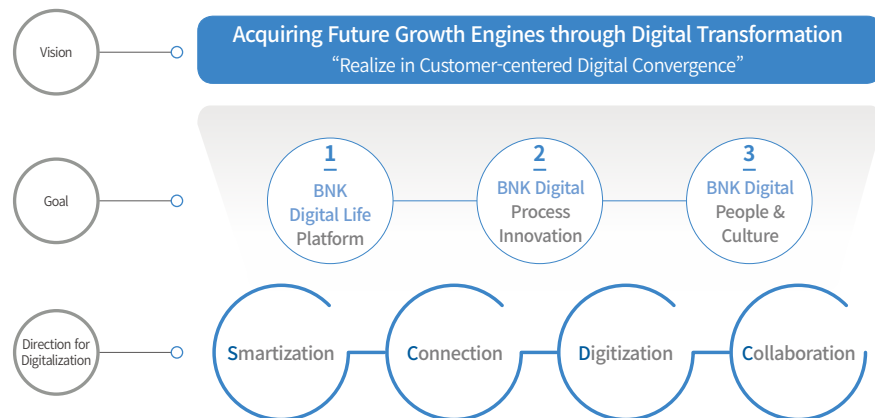
#### Operating an Exclusive Business Unit within the Group and Acting as a Control Tower

BNK Financial Group creates new customer value through the convergence of diverse industries, while also establishing a vision for the implementation of customer-centered digital convergence, to strengthen the digital competitiveness of the Group. At the end of 2017, we launched the Group Digital Division, strengthening our digital competencies by engaging in R&D on digital finance, and signing agreements on industry-academic cooperation with domestic universities (Pohang University of Science and Technology, Hankuk University of Foreign Studies, UNIST, and Pusan National University). In 2018, we opened the BNK Digital Innovation Lab, where specialists in digital technologies, including AI and block chain, conduct R&D on digital business models and financial services at the Group-level.



Opening Ceremony of the Digital Innovation Lab

#### Customer Management System at Branches

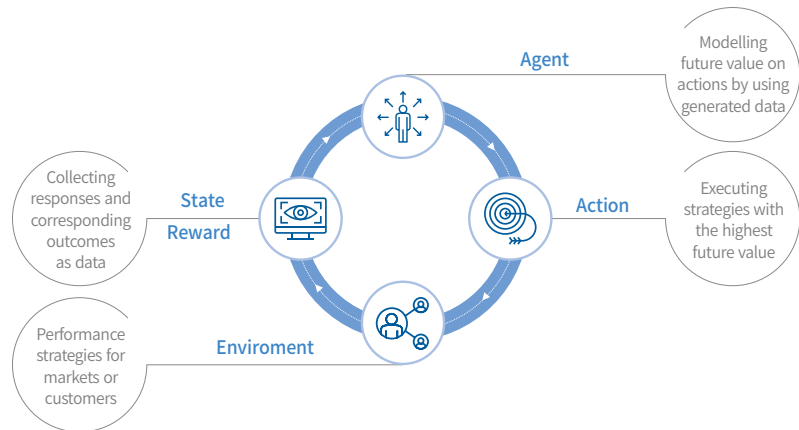


#### Establishing Big Data-Based Customer-Centered Business Processes

BNK Financial Group has developed professional analytic techniques and business analysis competencies through the formation of a group of big data specialists. We plan to collect and analyze significant internally- and externally-generated data, create business insights, raise efficiency in business operations with forecasting models, and engage in activities to make preemptive responses to situations. Meanwhile, having installed a big data customer management system at our branches, we can not only acquire information prior to the customer's visit, but also find the latest information on all businesses in the area, thereby raising the chances of success in business.

### Developing AI Services

Busan Bank plans to provide innovative services in its internal operations and customer service operations by adopting machine learning & deep learning-based recognition technologies (text, voice, and image recognition, etc.) earlier than other AI technologies. The Bank will install chat bots and real-time consultation systems in 2018, starting with a STT solution-based text analytics project. The Bank will further develop infrastructure through the continuous evolution of innovative services by the internalization of AI technologies.



### Providing the On-line to Off-line (O2O)-Based Marketing and Services

Busan Bank and Kyongnam Bank began to provide On-line to Off-line (O2O) marketing services after acquiring a Location Information Business Provider license from the Korea Communications Commission. Busan Bank installed the O2O infrastructure to connect the member stores of small businesses in Busan, thereby raising customer convenience by not only providing information on products, but also expanding services. In particular, O2O services are provided in combination with financial services, including notifications of deposits and withdrawals, and lifestyle convenience services, including the issuance of coupons.

### BNK Fintech Development Council

Aiming to fully implement social responsibility for shared growth with community and regional development, Busan Bank suggests that alternative strategies developed through discussion with digital specialists can lead to fruitful results, and as such extends its full support. In particular, key activities carried out under the same vein include: the (7th) BNK Fintech Development Council, comprised of industrial and academic specialists; the Global Fintech Industry Promotion Center, which pushes for projects to revitalize local fintech ecosystems; and the (2nd) Finternship Program, which focuses on exploring and nurturing top local talent. The Bank is committed to fulfilling its social responsibility as Korea's representative local bank by sharing the latest fintech trends at home and abroad, and continuously exploring and nurturing related companies.



2<sup>nd</sup> Finternship Program (January ~ June, 2018)



7<sup>th</sup> BNK Fintech Development Council (April 2018)

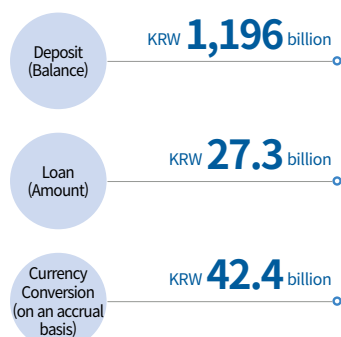


Global Fintech Industry Promotion Center (December 2017)



### Records of SUM Bank

Number of Members 630,000  
(on an accrual basis, as of April 2018)



## Strengthening Competitiveness through Innovation in Non-Face-to-Face Channels

### Renewal of Customer-Centered Mobile Banking

As the innovation of digital channels is accelerating, banks cannot survive without being equipped with digital services competencies that keep up with the times. Against the backdrop of this trend, Busan Bank decided on the full-fledged renewal of key non-face-to-face channels which have the highest customer usage rates. The digital services of Busan Bank are expected to be continuously upgraded once the product and service process is streamlined with the transformation of UI/UX.

### BNK Busan Bank's SUM Bank: Converged Finance-Retail-Communication Services

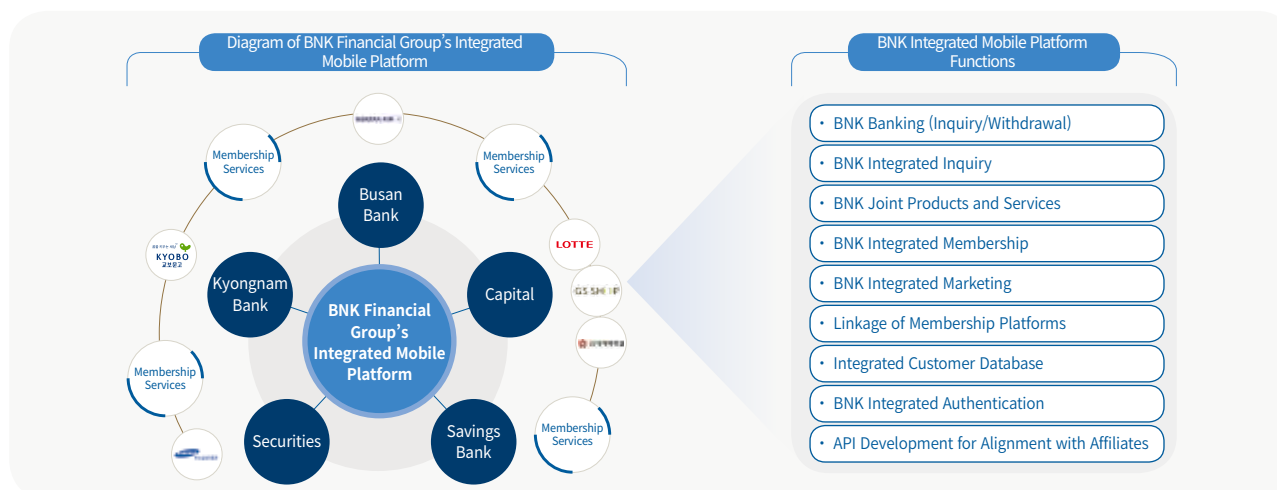
In 2016, Busan Bank launched SUM Bank, a mobile-exclusive new-concept bank which combines finance and retail, the first domestic bank to do so. The Bank provides differentiated services by combining integrated mileage points and payment services under an alliance agreement with Lotte Group, which has both online and offline retail networks nationwide. In 2017, the Bank signed a business agreement with LG U+, and was thus able to provide diverse convergent services based on the tripartite alliance of finance, retail, and communication, for the first time in Korea. In particular, financial services centered on lifestyle and cultural contents have been dramatically strengthened, thereby raising customer convenience through the acquisition of various lifestyle contents. This includes SUM Life, a service that offers domestic and international travel-related content and movies, music, and product subscriptions to telecom carriers.

### To You Bank

Kyongnam Bank provides a wide-range of financial services via 'To You Bank', a mobile application. Customers can conveniently log in with their fingerprint, and can use various services such as deposit inquiry, transfers, cards and loans, etc. In addition, multilingual services are available, including in English, Chinese, Vietnamese, and Cambodian. Products and inquiries about and subscribed to in real-time through online consultations at the Smart Consulting Center at the Financial Product Mall. In particular, the To You Credit Loan and the To You Minus Loan were launched in October 2017 achieved a sales volume of KRW 100 billion within 88 business days from their launch.

### Launching the Group's Integrated Mobile Platform

BNK Financial Group is expected to provide an integrated mobile platform for customers to conveniently use the diverse financial services offered by affiliates. We will rise higher as a comprehensive lifestyle financial platform by creating synergy through the continued discovery of affiliate-aligned products and services and serve as a hub for joint marketing.



## Forming a Localized Digital Financial Ecosystem

Customers are offered more convenient and innovative services through the digitalization of finance, and banks can enjoy a more efficient working environment. Busan Bank has recently opened a flagship branch to raise the brand value and launched a digital bank which encompasses cutting-edge technologies, including biometrics, digital queuing, and digital signage on a pilot scale, thereby creating new value as a leading bank in the era of Industry 4.0.



### Jangeondong Flagship Branch

Busan Bank opened a flagship branch in Jangeondong as a major initiative to boost its brand value through change and innovation. The Bank seeks to maintain its prestige as a leading bank through opening up a new era and creating new value by forming a space which connects the basement floor and the rooftop with coexistence of the past and the present, and serves as the offline branch office that has been digitalized to the highest level.



### Paperless Finance: The Futuristic Digital Bank

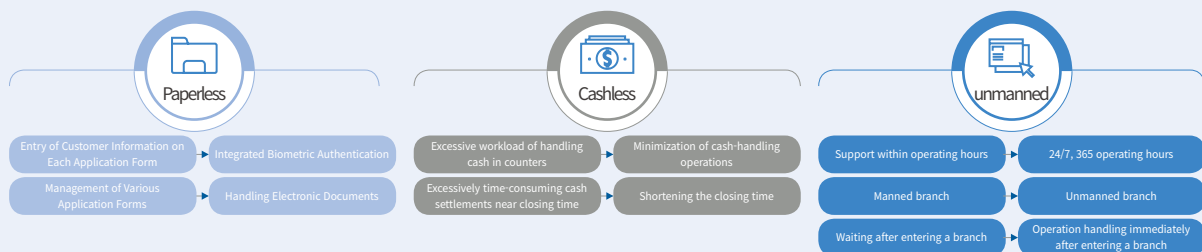
Busan Bank opened the futuristic Digital Bank No.1 in Haeundae in January 2018. The digital bank provides diverse financial services for loans, deposits, and consultations through smart ATM and tablet PCs instead of paper, as a "paperless" branch. The smart ATM installed in the digital bank is embedded with video consultation cameras, biometric finger vein readers, ID card scanners, card printers, and bankbook printers. It is a new concept branch where customers can handle over 85% operations that previously had to be handled in bank counters. Kyongnam Bank also provides paperless services for proceeds payments, notices, inquiry of sent/received documents, and trade remittances.



### A Mobile Branch with On-Site Financial Services

Busan Bank is eliminating financial blind spots by providing financial services through a mobile branch for financially marginalized areas, including economically sluggish areas. As of the end of 2017, the Bank runs two mobile branches, and one vehicle is in operation for an average of 330 days. On-site operations are mostly conducted on weekdays, and support for festivals and events and foreign currency exchanges on international cruises are offered on weekends. Customer-centered on-site and on-demand financial services will be further strengthened to allow the provision of nighttime and weekend services for office workers and dual-income households, and reach out to apartment complexes that are on the financial peripherals.

#### Direction of Next-Generation Digital Branches



03  
TOPIC

# Implementing 'Win-Win Management' in the Community

Key Outcomes



Evaluation of tech finance  
Acquisition of Level 3



BNK Happy Together  
for celebrating  
the anniversary  
Volunteering Festival



Amount of investment  
for CSR projects  
KRW 4,070.2 billion

## Crises and Opportunities

### Crisis Factors

Due to changes in the external environment, including higher interest rates at home and abroad, stricter regulations on household loans, and fiercer competition in the auto finance industry, the self-employed and companies within such regions as Busan, Gyeongnam and Ulsan, etc. are expected to undergo financial struggles. In addition, as household debt increases for owners and employees of SMEs and domestic demand slows down, it has become essential to provide systematic support in consideration of the CSR of local financial companies, which is based on the local community: revitalizing the local economy, providing financial products and services in consideration of social values for the mutual benefit of stakeholders; and engaging in social contribution activities.

### Opportunities

BNK Financial Group works to foster trust with the working class and companies by actively providing localized products and services and practicing "happy finance", especially targeting the working class and SMEs in the southeastern part of Korea. As the No.1 financial company serving as a reliable cornerstone for the local economy, BNK Financial Group will create new business opportunities based on the firm trust of the working class and companies in Busan, Gyeongnam, and Ulsan.



## Significance of Win-Win Management

Since higher market interest rates have become inevitable in Korea due to externalities such as higher interest rates in the U.S., the household economy is ceaselessly at stake because of a continued hike in domestic inflation and living expenses in Korea. Therefore, efforts to stabilize the household economy through financial support for SMEs, small enterprises, and the underprivileged, as well as to raise profitability, are required of domestic financial companies. As such, financial companies need to create shared value by engaging in social contribution to drive the development of the local community and performing social contribution activities aligned with their business.

## BNK Financial Group's Responsive Strategies and Key Outcomes

BNK Financial Group implements "productive financing" and "inclusive finance" by selecting business that generates shared value based on its inherent role as a financial company. In particular, financial products and services are provided with consideration paid SMEs and small enterprises in order to facilitate the stabilization of the local economy. Stable financial support is made available for the underprivileged – strengthening microfinance services and supporting low-credit customers to be self-sufficient again - to contribute to strengthening the fundamental local economy. Furthermore, diverse social contribution activities are conducted, including providing educational scholarships, outreach activities to share love, and culture, art, and sports activities. We strive to evolve into a financial group that can grow together with community.

KPIs  
(short-term  
and  
long-term  
strategies)

Key tasks for 2017	Qualitative evaluation for key tasks*	Strategies tasks of BNK Financial Group for 2018	Mid- and long-term directions
Driving specialized projects to celebrate the 50 <sup>th</sup> anniversary of BNK • Three tasks including specialized youth projects suited to topics for the future	●●●●○	Setting directions for practicing CSR of BNK • Inducing renewal of BNK's CSR projects	Initiating strategic social contribution and selecting projects based on BNK Financial Group's mid- and long-term management plans
Initiating social contribution based on communication with community • Pushing for the Volunteering Festival for communication with community	●●●●○	Pushing for productive and inclusive finance	

\* Based on the internal qualitative evaluation annually conducted for key tasks

## Future Plans and Goals

BNK Financial Group will continue to promote win-win development with the community by vigorously providing financial products and services for local SMEs, small enterprises, the working class and the underprivileged as a representative regional financial group, and also by engaging in multiple social contribution activities. In particular, we will passionately drive productive financing to provide new opportunities to companies through tech financing and other services, and fulfil our responsibilities by steadily developing inclusive financial products that can guarantee the basic rights of the working class and the underprivileged.

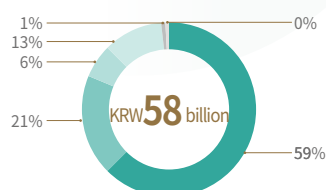


### Charitable Donations and Sponsorships

BNK Financial Group determines the charitable donation and sponsorship system through an internal deliberation procedure. Criteria for extending donations is deliberated, reviewed, and executed based on the “Standard for Extending Donations to Implement Projects of Public Interest”. We do our utmost to ensure that donations are managed fairly and transparently.

### Breakdown of Donations (Unit: %)

Community & Public Interest   Microfinance  
Academia & Training   Mecenat & Training  
Environment   Global



### Busan Bank

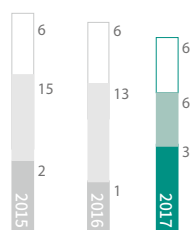
Partnership project cost (Busan City Government, etc. and KRW 7.9 billion), microfinance support (Korea Inclusive Finance Agency, KRW. 7.6 billion), donation to the Hope Sharing Foundation of BNK Financial Group (KRW 5 billion) and Busan Credit Guarantee Foundation (contributions, KRW 2.5 billion), etc.

### Kyongnam Bank

Contribution to the project cost of the Love Sharing Foundation (KRW 1.5 billion), payment of contributions as a custodial bank for deposits (KRW 1 billion), sponsorship of Pyeongchang Olympics (KRW 500 million), the School Development Fund, etc.

### No. of staff dedicated to social contribution (Unit: persons)

BNK Financial Group  
Busan Bank   Kyongnam Bank



## Implementing ‘Happy Finance’ through Shared Growth with Community

### BNK Financial Group’s Social Contribution Activities

BNK Financial Group implements localized social contribution activities based on the management philosophy of “returning locally-generated profits to the community”, as a representative regional financial institution, in Busan, Ulsan, and Gyeongnam. In particular, “Happy Finance” projects such as BNK finance’s exclusive localized CSR projects are actively carried out. Through this, BNK Financial Group will enhance its corporate value and create a happy community by initiating systematic CSR programs which reflect the nature and resources of the financial industry.

### Establishing a System to Drive Social Contribution

#### BNK’s Strategies to Drive Social Contribution

BNK Financial Group is engaged in diverse social contribution activities to share hopes and achieve shared growth with the community under the management slogan of “happy finance”. Happy finance projects, which engaging all affiliates each year, are carried out to implement socially responsible management. We do our utmost not only for social value creation, but also for higher corporate value.



### Driving Social Contribution

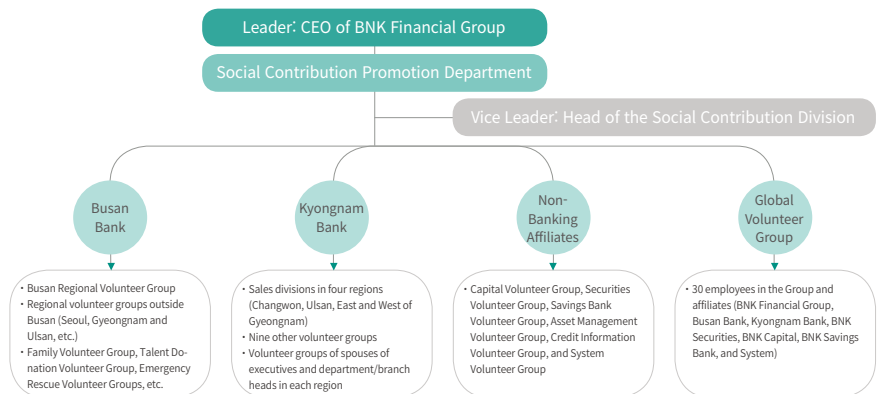
BNK Financial Group formed and runs a social contribution volunteering group with its affiliates, which consists of about 8,000 employees, in order to initiate continued social contribution activities. In addition, social contribution projects are managed through a single channel of the Social Contribution Promotion Department, to facilitate the systematic management of CSR projects within the Group. This department is in charge of devising strategies for social contribution, exploring related ideas, and gathering information on social contribution outcomes and activities.

### No. of Social Contribution Volunteers

(Unit: persons)



### BNK Hope Dream Volunteering Group



## Operating Programs for Social Contribution

### Running the Online “Empathy-Driven Project” with Citizen Engagement

BNK Financial Group runs the “Empathy-Driven Project” with citizen engagement, where KRW 1,000 (maximum KRW 3 million) is donated per click on the social contribution website of people who are driven by empathy towards a story of the underprivileged. We will work to boost engagement in the project so that the culture of donation can spread broadly.

### Driving New Social Contribution Projects for Mutual Benefit

BNK Financial Group steadily introduces new social contribution projects through underscoring the mutual benefits that both the Group and the community can receive in working and living together to make the world a better place. This concept has evolved in a way that promotes improved awareness and engagement of citizens beyond the existing social contribution projects to newer projects, such as those dealing with rescue and support. We encourage people to change their perception of local single mothers and help these women to become self-sufficient, beyond boosting their morale, through the Single Mothers Outreach Program, launched in February 2017. Moreover, the BNK Model Citizen Award is presented to local residents that have humbly practiced charity towards others in the name of social justice. We plan to gather exemplary cases, and select and encourage winners throughout the year by forming a Selection Committee, which will consist of six outside dignitaries.

### Global Social Contribution Activities

BNK Financial Group organized a financial seminar by inviting delegations from three countries – Cambodia, the Philippines, and Mongolia – to Busan Bank. They were dispatched from Busan’s sister cities in these countries. They were briefed on digital finance and retail finance at Busan Bank, and ideas were exchanged on the development of the financial industry in each country. The overseas delegations from Busan’s sister cities had an opportunity to get to understand the financial industry of Korea through a field trip to the head branch of Busan Bank at the Munhyeon Financial Complex in Busan, as well as to financial public corporations at the Busan International Finance Center, and stayed in Busan for a total of eight days and seven nights.

### BNK’s 50th Anniversary Happy Together Volunteer Festival

BNK Busan Bank organized the BNK Happy Together Volunteer Festival with employee volunteers for about three months, from August to October 2017, to celebrate the 50th anniversary of Busan Bank. Starting with a theme-based volunteering activity, “Hope Volunteer Bus”, the Bank engaged in volunteer activities at local childcare facilities and welfare centers for the elderly and the disabled, and conducted CPR training to strengthen the community safety net. During the period, employees carried out volunteer activities over 240 times, and each employee received KRW 10,000 (maximum KRW 50 million), which was donated to those in need.

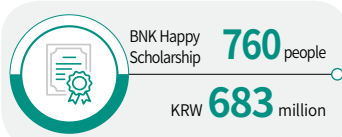
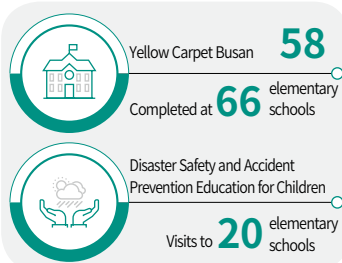
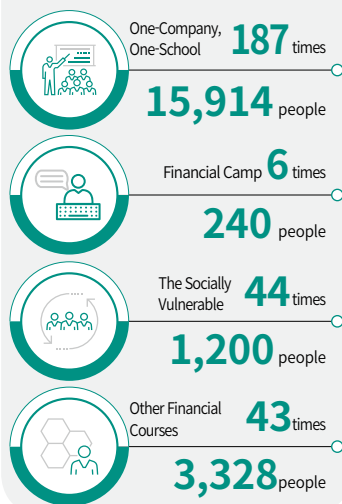
## Linking UN SDGs



\* Goal 4  
Providing High-Quality Education

\* Goal 10  
Reducing Inequality

## Key Performance



## Happy Culture &amp; Education Programs

BNK Financial Group provides education and scholarship programs for children and youth to grow into positive adults without being marginalized by society, believing that they are the leaders of the future. We conduct courses on finance for the underprivileged to understand the financial business, fully utilizing the nature of our business. We are also engaged in diverse forms of educational donations, including the Happy Scholarship and the School Development Fund. As such, BNK Financial Group carries out a wide range of programs to help children and youth achieve their dreams.

## Key Outcomes of Social Contribution

## Finance Courses for Consumers and the Underprivileged

BNK Financial Group conducts a wide range of educational voluntary activities, targeting not only elementary, middle, and high school students but also the financially vulnerable and ordinary citizens in local areas to foster proper financial knowledge. In particular, we offer on-site financial courses to reach out to schools under the One-Company, One-School campaign, and also the Financial & Career Youth Camp, as well as financial courses for the underprivileged. As such, we are tapping into new opportunities to offer customized financial education.

## Children's Traffic and Safety Education Projects

Busan Bank conducts a project to paint "yellow carpets" on crosswalks near elementary schools to prevent traffic accidents for children. The "yellow carpet" serves as a means of improving visibility for drivers by painting the crosswalk in yellow to prevent traffic accidents. We have also strived to prevent different types of accidents by distributing safety items and yellow cards to schools and visiting the schools to provide disaster safety and accident prevention programs for children.

## BNK Happy Scholarship

BNK Financial Group carries out the educational Mecenat program by selecting and extending scholarships to outstanding talented youth in order to nurture future talent in community. In particular, scholarships are offered to high school and university students that are struggling in their studies due to financial difficulties, thereby raising the self-realization and academic achievement rates for the underprivileged in local regions. Moreover, we continue to provide other scholarship programs, including a development fund for local universities and supporting educational costs in childcare facilities.

## Women's Essay Contest and Children's Drawing Contest

We hold the Essay Contest for Women and the Drawing Contest for Children annually in Changwon, Jinju, Gimhae, and Ulsan, to provide an opportunity to take part in a creative art experience. The contests are representative of regional culture events, and around 80,000 residents in Gyeongnam and Ulsan participate. The events also serve as gateways for the development of local artists and an opportunity for cultural and educational enrichment.



Volunteer Ceremony for Busan Financial Road



Hope Finance Education Camp



Drawing Contest for Children

## Cultural, Arts, and Sports Social Contribution

BNK Financial Group strives to provide diverse and high-quality cultural and art experiences to local residents as a representative regional financial institution. In particular, we are involved in the campaign “Making Busan a City of Culture” by continuously sponsoring cultural projects in community. Efforts are also devoted to passionately nurture talented members of the community who excel in the arts or sports despite financial difficulties. We seek to raise the quality of life by providing opportunities for local residents that lack opportunities to experience culture and the arts.

## Key Performances for Social Contribution

### Sponsoring Culture and Arts Development

Busan Bank sponsors year-round cultural projects for local festivals to draw in citizens and tourists, thereby contributing to the revitalization of the local economy. In particular, we continuously sponsor iconic local festivals including the Busan Fireworks Festival, the Busan Sea Festival, and the Busan Port Festival in partnership with the Busan Culture & Tourism Festival Organizing Committee. We actively support a wide range of organizations that organize local cultural events, including the Busan Cultural Foundation and the Busan Artistic Organization.

### Community Cultural Charity Events

BNK Financial Group organizes cultural charity events to provide opportunities for the community to experience diverse cultural and art performances. Examples include the BNK Happy Healing School, a musical performance for schools; Ssamzie Financial Concert, which combines classical music and finance; and BNK Busan Bank's Joeun Theater Naming Project. Meanwhile, diverse cultural events are held to invite single mothers, multicultural families and the underprivileged to have a relaxing time with family members.

### Nurturing Local Talents Excelling in Arts or Sports through 'BNK Happy Music Camp', etc.

Busan Bank recruits the most renowned music professors in Korea to support the donation of their talent for financially struggling music majors through the Happy Music Camp program, through which students can take private lessons and attend concerts. There are about 600 music majors actively pursuing their music career in Korea that have gone through the camp. The Bank also founded the local professional golf team, paving the way for local youth with golf talent to pursue their dreams.

### Jinju Nam River Walkathon

Kyongnam Bank organizes a walkathon on the trails around the Jinju Nam River in the Gyeongnam region every year to promote the vitality of local residents. In 2017, participants were able to enjoy the beautiful scenery of the Nam River, and the walkathon contributed to improving both local residents' physical and mental health.

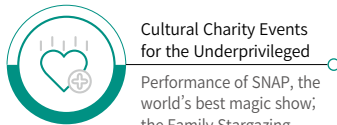


BNK Happy Healing School Season 5



Cultural Charity Event

BNK Ssamzie Financial Concert (June 1 ~ July 31, 2017, 30 elementary schools)



Cultural Charity Events for the Underprivileged

Performance of SNAP, the world's best magic show; the Family Stargazing Science Camp; etc.



Happy Music Camp

- Date: July 17 ~ 22, 2017
- Venue: Hall of Movies, BNK Training Institute (graduation concert)
- Records: 109 participants (28 professors)



Jinju Nam River Walkathon

- Date: April 1, 2017
- No. of participants: approximately 3,500



Family Stargazing Science Camp



Busan Bank's Magic Show for Local Residents



5th Happy Music Camp Concert

## Linking UN SDGs



\* Goal 3  
Healthy and  
High-Quality Life



\* Goal 10  
Reducing Inequality



Noodle sharing volunteer activities (Mae-Chuk-Ji)



Love Donation 2017



Delivering briquettes for heating in winter for the underprivileged



Volunteering to clean up riverside parks



Volunteering in baking events organized by the Red Cross

## Community-Based Happy Finance

As a representative regional financial institution in Busan, Ulsan, and Gyeongnam, BNK Financial Group achieves growth through community-based projects. We are engaged in social contribution activities for mutual benefits with the region to return the trust and love gained from community and to bring pragmatic help to the underprivileged in community. We will take proactively spread the love and sharing to each corner of community and to achieve mutual benefits.

## Key Outcomes of Social Contribution

### BNK Electric Blanket and Summer Items Support Project

BNK Financial Group reaches out to the underprivileged in the community to help them overcome severe weather conditions. We provide new electric blankets to local residents that might be exposed to danger by using old ones during the winter season, and help low income residents to enjoy a pleasant summer by giving them summer items such as fans. As such, BNK Financial Group seeks to provide heart-felt love for its neighbors by thinking about what the underprivileged people in the community need each season.

### 'i-Care' Child Patient Support Project

BNK Busan Bank initiated the i-Care project to assist with covering medical costs for low-income families of child patients, or those who are at risk of entering a low income bracket due to the overwhelming burden of treatment costs. The Bank made a modest contribution to help bring a happy smile to the faces of children from low-income households their families in Busan with the donation of KRW 100 million. The donation was generated from the KRW 50 million revenue of Labor-Management Harmony Beer Day; KRW 37 million generated through employees' individual contributions; and KRW 13 million from Cosmos Group, an employees' charity organization. The Bank will continue to carry out charity programs to help local children.

### Traditional Market Gift Cards for the Underprivileged

BNK Financial Group provided gift cards for traditional open markets to each local government to financially support the underprivileged in their preparations for ancestral memorial services. The gift cards were distributed to 18,400 households in Busan, Gimhae, and Yangsan, and to 9,200 households in Gyeongnam and Ulsan to prepare for the New Year's holiday and Chuseok, the Korean thanksgiving holiday. We hope that such efforts enable the underprivileged working class to have heart-warming traditional holidays and revitalize the sluggish traditional open markets to reinvigorate the local economy.

### 'Kimchi Sharing' Event

Kyongnam Bank held the "Kimchi Sharing" event for local socially vulnerable people from November 27 to December 9, 2017. Participating volunteers made 5,000 heads (18t) of kimchi, which was then delivered through welfare centers to 5,407 socially vulnerable households living in Gyeongnam and Ulsan through welfare centers. The Bank will hold the Kimchi Sharing event every year, with the goal to deliver hopeful messages to the socially marginalized.



## Linking UN SDGs



\* Goal 8  
High-quality jobs  
and economic  
benefits



\* Goal 11  
Stable city and  
community

# Implementing Social Responsibilities through Finance

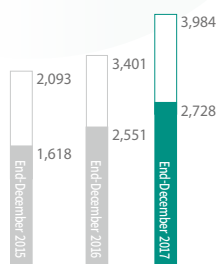
## Productive Financing

To promote productive financing, BNK Financial Group is expanding tech financing to evaluate the technological capability and growth potential of local SMEs to extend funds and investment. In 2017, in particular, we were classified as a Level 3 company in the tech financing evaluation, and we will further devote our efforts to supporting local companies – the inherent role of a local bank – by expanding and supporting tech financing.

## Tech Financing Results, Busan Bank

(Unit: loans, KRW billion)

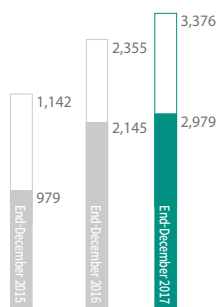
■ No. of borrowers □ Tech financing balance



## Tech Financing Results, Kyongnam Bank

(Unit: loans, KRW billion)

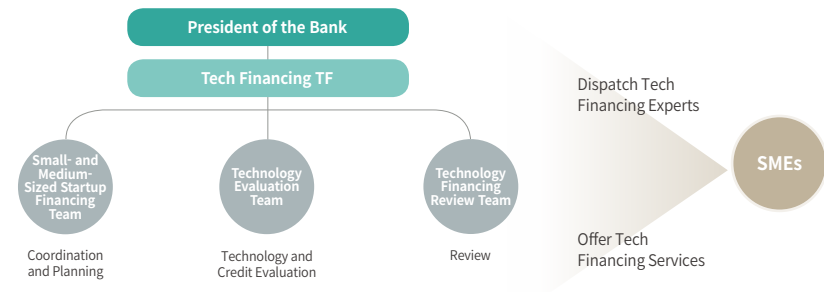
■ No. of borrowers □ Tech financing balance



## Specialized Financial Support for SMEs

### Exclusive Tech-Financing Division

Busan Bank and Kyongnam Bank have formed an exclusive division, led by a tech financing taskforce, under the direct supervision of the bank presidents. This division has proactively tapped into tech financing that extends loans to financially struggling SMEs, which suffer from a shortage of funds despite having outstanding technological capabilities. In particular, SMEs with high growth potential are selectively explored by dispatching tech financing specialists to the sites. The banks systematically ensure tech financing through a thorough evaluation of technological capabilities and consultations for financial support.

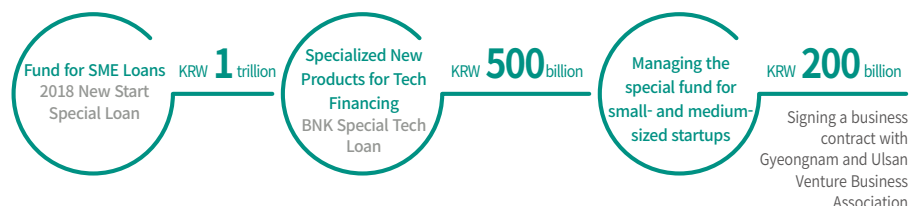


### Specialized Products for Local SMEs

BNK Financial Group strives to implement productive financing by extending financial support to tech-savvy companies, and lowering the interest rates for job-creating companies. In 2018, starting with the New Start Special Loan, Busan Bank has developed several specialized products, including the BNK Special Tech Loan (a special loan for tech financing) and the Speed-up Special Loan for SMEs/High-yield Companies, thereby extending multifaceted support to local SMEs. Kyongnam Bank has strengthened its practical support for tech startups since June 2017 by managing a special fund worth KRW 200 billion and providing preferential interest rates.



Over KRW **2** trillion  
Launching Specialized  
Products for SME Support





### Busan Bank and Kyongnam Bank: High Tech Financing Evaluation Scores

Busan Bank was ranked the second, with Kyongnam Bank being the first, in the second half of the FSC performance evaluation of tech financing in the banking sector for both first and second halves of 2017. The two banks received a Level 3 ranking the Roadmap for Establishing Tech Financing Loans, the first as local banks. In 2016, they acquired Level 1 after installing a tech evaluation system for the first time, and Level 2 from the Tech Credit Bureau, according to the Roadmap for Tech Credit Loans, setup in October 2017.

## Support for Companies Struggling after Corporate Restructuring

### SME Special Support Team

#### Roles of SME Special Support Team

- Selecting companies from among low-credit companies that are capable of normalizing management
- Providing in-house management consulting or external consulting
- Devising measures to support each company and implementing such measures
- Negotiating on business operations with related divisions and departments

Busan Bank launched the SME Special Support Team, which consists of such specialists as management consultants, attorneys, certified accountants, etc. to devise measures to garner mutual benefits with local SMEs suffering economic hardship both at home and abroad. In particular, intensive support is provided to auto, steel, and shipbuilding material companies that are transiently struggling due to changes in the market environment, despite high growth potential. The Bank extends practical help to such companies by suggesting options to overcome management challenges through various measures, such as loan extensions, through management consulting and M&A through equity investments.

### Special Loan for the Auto Parts Industry in Busan

BNK Financial Group signed a business agreement to extend preferential guarantees on extending emergency funds to local Auto Parts companies in partnership with the Busan Credit Guarantee Foundation in April 2018. The foundation extended a special guarantee worth KRW 100 billion based on the resource amount of KRW 5 billion – a special contribution of the Busan City Government – and Busan Bank and Kyongnam Bank preemptively extended loans in the financial sector.



Visit the sites of supporting SMEs

## Supporting Job Creation for the Community

### Startup & Job Fair in South Gyeongsang Province

Kyongnam Bank has held the Gyeongnam Startup & Job Fair in partnership with the Gyeongnam Regional Small Medium Business Administration since 2016. The event runs diverse programs, including the Startup Pavilion, the Fair, and the Youth Career & Job Festival, thereby providing practical information to would-be startup entrepreneurs and job seekers. In addition, the Bank organizes an accelerating camp for would-be young entrepreneurs to help their successful entrepreneurial start in local regions, and helps develop their key skills when it comes to starting a new business through lectures and workshops on various topics.

### Supporting Small Enterprises through the Higher Minimum Wage Issue

In order to ease the wage burden after the minimum wage increased, Busan Bank extended a management fund to SMEs and small enterprises through a guarantee on an agreement to extend special funds to small enterprises with growth potential in Busan. In addition, the Bank extended funds to social enterprises that provide jobs to the underprivileged and social services to help them continue to achieve growth. For job seekers and rookies that have just landed new jobs, the Bank launched the Meomuljari Loan – a loan guaranteeing deposits on leases – to help them to have a stable place in society.



Signing financial support contract for innovation growth and job creation

## Inclusive Finance

BNK Financial Group is expanding financial support for SMEs which are undergoing temporary liquidity crises, as well as the underprivileged working class, in line with the government's financial policy of inclusive finance. In particular, we will work to ease the financial burden of the working class and support stabilizing the household economy by offering diverse financial products, while improving accessibility to finance.

### Status of Microfinance-Exclusive Counters

Type	2016	2017	Note
Busan Bank	5	15	△ 10
Kyongnam Bank	3	5	△ 2

## Strengthening Support for Microfinance

### Exclusive Counter for Microfinance Accessibility

Busan Bank extends its full support to specialized consultations on financial products for the financially struggling working class by operating the microfinance-exclusive counter. The Bank further enhanced accessibility to and convenience of microfinance products by launching the Cyber Financial Branch for accessing financial products online in May 2018. Kyongnam Bank also plans to expand the microfinance-exclusive counter, which is currently available in five branches, to all its branches.

### SUM Bank: On-Site Loan Consultation Service

BNK Financial Group runs an on-site consultation service for customers that cannot easily visit a bank. It is an expanded version of Busan Bank's SUM Bank, a loan consultation service which was developed for Internet banking. It enables consultation on and application for a corporate loan for small enterprises, as well as mortgage loans, housing deposits, and used car loans, without having to personally visit a branch. Kyongnam Bank provides on-site financial consulting by reaching out to people through a moving bank and a tablet branch. Visits are made to rural areas and industrial complexes to provide information on microfinance products. On-site support is also provided to prevent the ever-more sophisticated financial fraud of voice phishing and the resulting damage.

### Preferential Support for the Underprivileged Working Class

Busan Bank exempts the entire amount of ATM fees of the Bank, from the point of subscribing to a loan to the point of payback of the total amount, targeting users of policy-driven microfinance loans through loan options such as the New Hope Seed Loan, Stepping Stone Loan, and Dream Changing Loan as of April, 2018. Starting in May 2018, the interest rate for the New Hope Seed Loan will be preferentially lowered by 0.20%p for young adults (aged 29 and lower), the old-age population (aged 65 and lower), the disabled and those that have completed financial training.

## Financial Support for Low-Credit and Low-Income People

### Support for Mid-Interest Rate Loans to Ease Payback Burdens

BNK Financial Group is committed to practicing inclusive finance by easing the burden of financial cost through the expansion of mid-interest rate loans for the financially underprivileged, including high-interest rate debtors. Busan Bank has expanded its mid-interest rate loan support through the Stepping Stone Medium-Rate Loan and MY SUM Credit Loan for customers who hold high-interest rate debts in non-banking financial institutions. The Bank launched the BNK Safety Net Loan for socially disadvantaged members of the community who lack access to loans from financial institutions by converting high interest rates into the Bank's lower ones. Kyongnam Bank also supports the finance of low-credit users through various financial products, including the New Hope Seed Loan, the Stepping Stone Loan, the Dream Changing Loan, the Safety Net Loan, and the Stepping Stone Mid-Interest Rate Loan, while developing a mid-interest rate credit evaluation model and implementing various systems.



## Housing Deposit Loan for Microfinance Users

Busan Bank launched a loan product for housing deposits, which supports stable housing for microfinance-using customers, by signing business agreements with Korea Inclusive Finance Agency and Korea Housing Finance Corporation in April, 2018. The product was designed for the working-level by enabling bullet repayment and installment payments, along with a preferential loan interest rate of minimum 2.92%, down 0.3% compared to mortgage loans, for microfinance users, up to KRW 50 million.

## Housing Stability for the Financially Underprivileged

### Business Agreement with Korea Association of Realtors

Busan Bank signed a business agreement with the Busan Branch of Korea Association of Realtors for a low-interest housing deposit loan and expansion of recipients in order to stabilize the livelihood of local residents. In order to provide practical assistance for them to pay for housing deposits, the Bank provides a loan with 3% interest per year – the minimum interest rate in the banking sector. Incentives were provided to high-performing certified realtors. All in all, the Bank has expanded financial support to enhance and stabilize housing welfare for the working class.

### BNK Housing Deposit Loan for the Working Class

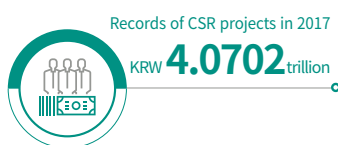
Busan Bank launched the BNK Housing Deposit Loan to guarantee the payback of housing deposits and loans for housing deposits in partnership with Korea Housing & Urban Guarantee Corporation (HUG) in August 2017 for the purpose of stabilizing housing conditions for the working class. This product can extend the loan by up to 80% of the total amount for housing deposits worth KRW 400 million or less, with a total target amount of KRW 30 billion. Ceiling inquiries and loan calculations are made possible through real-time alignment with HUG when the loans are applied for. From the point of launch to March 2018, 79 loans worth a total of KRW 10.2 billion have been extended.

### Exclusive Housing Deposit Loan for SME employees

In September 2017, Busan Bank launched the Exclusive Housing Deposit Loan, a financial product exclusive for customers who have worked at an SME for over one year, through a business agreement with Korea Housing Finance Corporation (KHFC). The same product can also be used by employees of organizations approved by the KHFC from among those that have signed a comprehensive business agreement with Busan Bank. The product enables lump-sum repayment or installment-based repayment of the principal with a preferential interest of 0.10%p, lower than the existing rate for housing deposit loans.

Preferential Interest Rate for Deposit Products for Low Income Customers

	Type	Targets	Content
Busan Bank	BNK Hope Fostering Installment Savings	Recipients of basic living security benefits, child breadwinners, defectors from North Korea, multicultural families, single-parent families, and the disabled	<ul style="list-style-type: none"> <li>Amount: KRW 10,000 ~ KRW 250,000 per month</li> <li>Period: 12 months ~ 36 months</li> <li>Preferential rate: 4.5% ~ 4.9% per subscription period</li> </ul>
	Hopeful Future Installment Savings	Lower income groups, as identified by Busan City Government	<ul style="list-style-type: none"> <li>Amount: KRW 10,000 ~ KRW 250,000 per month</li> <li>Period: 12 months ~ 36 months</li> <li>Preferential rate: Installment Savings deposits preferential to households + 3%</li> </ul>
Kyongnam Bank	Hopefulness Installment Saving	Recipients of basic living security benefits, child breadwinners, recipients of earned income subsidies, multicultural families (couples), beneficiaries of single-parent family support, and those subscribed to the Unemployed Youth Subsidy Program	<ul style="list-style-type: none"> <li>Amount: KRW 10,000 ~ KRW 0 per month</li> <li>Period: 12 months</li> <li>Preferential rate: Maximum 4.7% per year for regular accrual, maximum 3.7% per year for savings deposits</li> </ul>
	Campus Dream Installment Saving	One account per person (aged 18 up to 27)	<ul style="list-style-type: none"> <li>Amount: KRW 10,000 ~ KRW 100,000 per month</li> <li>Period: 36 months</li> <li>Preferential rate: Maximum 3.15% per year</li> </ul>



## 'Happy Finance'

BNK Financial Group has implemented the 'Happy Finance' project since 2012 to fulfill its social responsibilities and to grow together with the community. In 2017, we initiated a Happy Finance project worth approximately KRW 4 trillion to support outstanding tech companies, enable mutual growth with the working class, and help out small enterprises. We will strive to create a society full of happy neighbors by expanding the Happy Finance project with integrity for the community.

### Records of CSR Projects

(Records on 'financial inclusivity' as results of 'SME finance and microfinance')

(As of December 31, 2017)

(Unit: cases, KRW 100 million)

#### Program to Support Outstanding Tech Companies

Type	2017	
	Number of Cases	Amount Covered
Both Banks	Tech Finance	5,491
	Busan Bank	1,780
	Kyongnam Bank	3,711
	Relationship Financing	612
	Busan Bank	203
	Kyongnam Bank	409
Kyongnam Bank	Financial Support for Key Strategic Industries of Local Governments	197
Capital	Supporting Equipment Investment for Certified SMEs	8
Total	6,308	20,361

#### Mutual Growth Projects for the Working Class – Group-Led Comprehensive Microfinance

Type	2017	
	Number of Cases	Amount Covered
Both Banks	New Hope Seed Loan	10,913
	Stepping Stone Loan	1,843
	Stepping Stone Loan	1
	Dream Changing Loan	156
Kyongnam Bank	Baronuri Loan	1,394
	BNK Housing Deposit Loan	56
	BNK Auto Loan for Used Cars	95
	Middle Loan	81
Capital	CAR Loan for Happy Dream	2,888
	Happy Village Loan	123
Savings Bank	Sunshine Loan / Stepping Stone 2 Loan	8,929
	Retail Finance for Self-Employed Small Businesspeople	183
Total	26,662	3,522

#### Programs to Support Local SMEs and Small Enterprises

Type	2017	
	Number of Cases	Amount Covered
Both Banks	Special Loan for Shipbuilding and Marine Equipment Companies in Busan	55
	Busan Bank	54
	Kyongnam Bank	1
Busan Bank	5050 Special Retail Loan	19,523
	Special Loan for Companies Damaged by Restructuring in the Marine Business	1,858
	Loan for the Era of Success for the Self-Employed	6,585
	Special Loan for Good Companies	35
	Preferential Loan for BNK Card Membership Stores	161
Kyongnam Bank	Special Loan for Shared Growth of Large Enterprises and SMEs	32
	With-Us Loan	644
Total	28,893	16,598

#### Mutual Growth Projects for the Working Class: Exclusive Deposit Products

Type	2017	
	Number of Cases	Amount Covered
Busan Bank	Hope Nurturing Installment Savings	3,368
	Hope Future Installment Savings	188
	Hopefulness Installment Savings	588
Kyongnam Bank	Campus Dream Installment Savings	1,093
Total	5,237	66

#### Projects for Youth Startups and Job Creation

Type	2017	
	Number of Cases	Amount Covered
Busan Bank	Special Loan for Outstanding Companies for Job Creation in Busan	952
		221

# 04 TOPIC

## Key Outcomes



Certified for Family-Friendly Management  
Renewal and Certification



'Outstanding  
Work-Life Balance  
Company'  
Nomination  
Busan Mayoral Prize



A Great Workplace in Asia  
Selected for Four Consecutive  
Years

# Realizing Employee 'Happiness Management'

## Crises and Opportunities

### Opportunities

It has become critical for a company to acquire outstanding human resources in order to strengthen its competitiveness in digital finance and target the global market, thereby acquiring future growth engines, in the era of the Fourth Industrial Revolution. Failing to do so can threaten a company's core competitiveness in the diversified financial industry amid the advancement of digital technologies and rapid increases in non-face-to-face services.

### Opportunities

BNK Financial Group is engaged in a wide range of businesses, including banking and non-banking, so enormous synergy can be developed if think tanks from each sector are clustered together. We launched the Group HR Development Institute under the umbrella of affiliates to nurture key talent in competency buildup programs in order to drive the four key business areas in each affiliate. In addition, we strive to create a positive corporate culture with great consideration paid to work-life balance, improvement of health, and better welfare benefits, the benefits of which are crystalized in the boosted creativity and productivity of employees.



## Significance of Happy Management

Companies must prepare for their future by acquiring top talent in order to survive in such a competitive environment. A decent working environment must be guaranteed for employees to be immersed in their work and exert their full potential. Thus, the top priority for applicants in selecting their job is a corporate culture which guarantees a good work-life balance along with opportunities for self-realization through skill development. Advanced companies intensively carry out a variety of programs to improve the work-life balance, along with basic welfare policies, to attract top talent.

## BNK Financial Group's Response Strategies

BNK Financial Group opened the Group HR Development Institute to encourage enterprise-wide talent development in order to systematically nurture pioneering and proactive talent. Through the institute, which will be in charge of staff training for all affiliates, BNK Financial Group will be able to generate the synergy of "one company" by clustering enterprise-wide competencies together. Moreover, we strive to create a joyful corporate culture through a wide range of welfare-enhancing programs, including forming an environment to ensure a work-life balance as well maternal protection, health management, and disease prevention.



Key tasks for 2017	Qualitative evaluation for key tasks*	Strategies tasks of BNK Financial Group for 2018	Mid- and long-term directions
Nurturing core talents for the future • Intensifying multitasking capabilities, conducting training on innovation	●●●○	Devising a Group-wide system for mid- and long-term talent development	
Implementing 'HomeFuny' through a work & life balance • Creating a 'Happy Workplace' through communication and trust • Creating a 'Happy Place for Life' through employee satisfaction • Creating a 'Happy Place for Play' through actions for 'fun' management	●●●●○	Strengthening training programs for nurturing talents for the future	Implementing the goals by phase based on a mid- and long-term talent nurturing system of the Group
Disseminating a performance-centered culture • Expanding promotion by selection and intensifying management of low achievers	●●●●○	Managing programs for realigning and spreading a corporate culture of the Group	

\* Based on the internal qualitative evaluation annually conducted for key tasks

## Future Plans and Goals

BNK Financial Group plans to expand systematic training programs led by the Group HR Development Institute to intensify its future competitiveness and foster financial specialists. In particular, we plan to intensively carry out training programs to acquire and nurture talents in four key areas. By taking opinions of employees proactively, we will strive to ensure a great workplace for all the employees through talent development and formation of a corporate culture of a work-life balance.



# Nurturing Future Talent

Ideal  
Employees of  
BNK Financial  
Group

Value  
Creators

Passionately leading  
all tasks, driven by  
performance-oriented  
thinking and dynamic  
actions

Innovative  
Challengers

Proactively  
participating in all  
relevant tasks by  
exploring the future  
with a sense of  
ownership

Professional  
Financial  
Specialists

Growing as  
professional financial  
specialists with  
the highest level of  
expertise and job  
capabilities



Group HR Development Institute

## Makeup of Training Mileage Points

B

Baeum (Learning)

Mileage points based on time  
spent in voluntary  
self-development

N

Nanum (Sharing)

Mileage points based on time  
spent in knowledge sharing  
(lectures)

K

Kium (Development)

Mileage points based on time  
spent attending weekend  
courses in one's organization

## Nurturing Key Talent at the Group-Level

Ideal employees of BNK Financial Group are individuals that are passionate about what they do, demonstrated through pioneering and innovative thinking and actions, and challenge themselves with passion and creativity. They are also required to proactively take part in new tasks by utilizing their expertise as financial specialists. In particular, we strive to nurture future financial specialists that can imbue new values to the financial industry, while encouraging innovation through overcoming challenges.

## Group-Led Talent Development System

### Group HR Development Institute

BNK Financial Group opened the Group HR Development Institute under the direct leadership of its chairman to strengthen its future competitiveness and nurture the growth of financial specialists. The institute is expected to implement diverse training programs, including not only joint training for all affiliates, but also customized training for individuals, programs to foster top executives in the Group, BNK's CEO courses, and programs for nurturing global key talent. We will generate synergy such as "one company" through which all affiliates are united through the institute.

### BNK Training Mileage Points

BNK Financial Group creates a corporate culture to encourage the self-development of individual employees by reflecting on its CEO's philosophy, and raises its organizational competitiveness by inducing an atmosphere for employees to voluntarily develop their skills. In 2017, we launched BNK Training Mileage Points' Group employees and all affiliates, providing mileage for their voluntary self-development activities. Incentives are provided when they reach a certain threshold to encourage their skill buildup.

### Joint Training Courses

BNK Financial Group conducts joint training courses to form a sense of solidarity in the Group and boost organizational competitiveness. In 2018, weekend training programs consisting of 41 courses, including customer-centered sales, corporate finance, WM, and CIB/foreign exchange, were made available, and after conducting surveys on courses for each affiliate, relevant joint training was conducted. We motivate employees to voluntarily take part in the courses in order to minimize work vacuums and encourage a self-driven learning culture.

Area	Content
Customer-Driven Sales	8 courses, including Reconfiguration of Customer Relationships, Storytelling-Based Customer Management, VIP Customer Consultation, and Trend Korea 2018
Corporate Financing	15 courses, including Financial Analysis, Industrial Analysis, Loan Review Case Studies, and Case Studies on Corporate Insolvency Prediction
WM	11 courses, including Funds, Trust, Real Estate, Bonds, Post-Retirement Planning, and Taxation
CIB/FX	7 courses, including Understanding CIB Operations and Aligned Business Strategies, FX Transaction Laws of Foreign Countries, and Export & Import Practicums

## Programs for Fostering Financial Specialists

### Intensifying Competency Buildup Programs in Four Key Areas of the Group

BNK Financial Group is working to strengthen its training programs to boost its future competitiveness by nurturing key talent in employees that will lead the four key business areas of BNK: corporate investment banking (CIB), wealth management (WM), digitalization, and globalization.



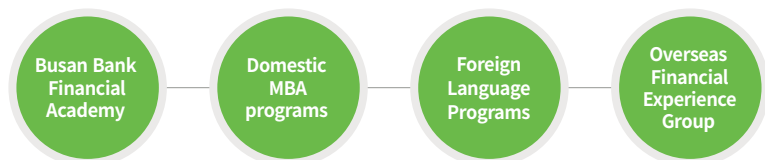
### Results of the 'One Hundred-Year Plan for Talents'

(Unit: persons)

Program	Accumulated Outcomes for Three Years (2015 to 2017)
Busan Bank Financial Academy	433
Domestic MBA programs	98
Foreign Language Programs	1,234
Overseas Financial Experience Group	275

### One Hundred-Year Plan for Talent

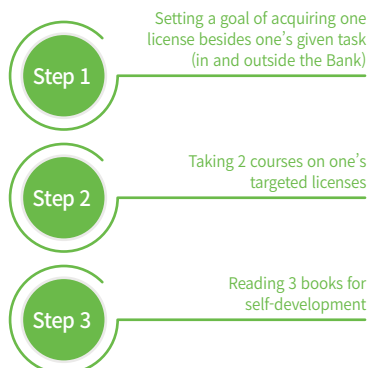
Busan Bank fosters financial talent through a two-track system: strengthening specialized competencies for three years (from 2015 to 2017) and nurturing globally competitive talent. The Bank is encouraging a growing number of employees to join the Busan Bank Financial Academy and domestic MBA programs to help them expand their professional competencies, while foreign language programs and the overseas financial experience group are aimed at developing globally competitive human resources.



### Kyongnam Bank: Outreach Training at Local Headquarters

Kyongnam Bank has classified its business into Changwon, Ulsan, Seobu Gyeongnam, and Gimhae & Busan districts, given the nature of its business environment. However, its training institute is located in only Changwon, which restricts the attendance of employees due to long distance and traveling time. As such, Kyongnam Bank began to provide outreach training in which instructors visit employees at each local headquarters, reflecting the needs of employees. Thus, employees can both work and learn on weekdays and focus on their personal life on the weekend. Meanwhile, Chinese courses have been opened in Nurimadang at the head branch so that employees can study the language in their workplace after work.

## '1, 2, 3 Step-Up' Courses



## Competency Development Program for Multitasking Operations

Busan Bank has implemented "1, 2, 3 Step-Up" courses to boost one-stop consultation competencies in branch offices, as a response to the rapidly changing business environment and to revitalize sales and promotion at counters. As a result of setting and practicing the direction for learning in each step, the total number of employees amounted to 5,198 in 2017 (including 2,161 net participants), meaning over 70% of the employees took more than one course out of 92. The program encouraged participating employees to take courses dealing with tasks they are not involved in, instead of taking the courses related to their regular work, thereby arousing interest in one-stop consultation competencies and raising the relevant competencies. Furthermore, the program served as an opportunity for employees to upgrade their work abilities through self-driven learning and inducing them to concentrate on practical training within the Bank.

## Rank-Specific Competency Enhancement Program

Busan Bank nurtures talent through training on roles and competencies required in each rank. The Bank encourages employees to set their career goals from the moment they join, and helps them develop a career suited to their goals. In addition, they are guided to take tasks they want depending on the level of execution, thereby suggesting clear directions for self-development in the Bank. Moreover, diverse training courses are provided on changes that should be embraced in order to proactively respond to the rapidly changing financial environment, strengthen employees' innovative mindset, and foster leadership, share organizational visions, and realign roles. We steadily develop courses to upgrading employees' competencies, with 36 courses on intra-Bank practicum (2,623 trainees in total), 18 courses to prepare for acquiring financial licenses (961 in total), and 5 courses on leadership & change and innovative mindsets (347 in total) developed in 2017.

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

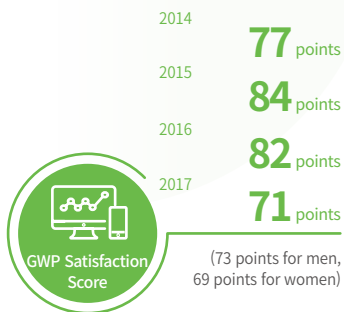




## Creating Value for Employees

### Creating a Sound Corporate Culture based on Communication and Collaboration

BNK Financial Group strives to form a sound corporate culture where employees can be passionately engaged in their work, and to realize a positive work-life balance.



\* (2017: 1,346 respondents out of 1,919 (surveys conducted by gender, age, continuous service year, rank and business unit))

### Communication Culture

#### Employee Satisfaction Surveys

BNK Financial Group conducts surveys of employees' satisfaction to create a great work place in order to receive a favorable evaluation by Great Place to Work (GPTW), a global consultancy. The Trust Index is a means of measuring a company's eligibility to be recognized as a great workplace, where employees' trust indicators are calculated based on 57 questions - 39 questions on trust (fairness, trust and respect), 8 questions on pride, and 10 on affection towards peers. It is not only used as a criterion for the GWP Award evaluation but also serves as basic data for corporate management activities by outlining strengths and weaknesses through comparison with competitors. The point for the index in 2017 dropped 11 points from the previous year, and it was estimated that the drop was mostly attributable to lower creditability and fairness year on year. This is assumed to be the impact of the management vacuum in the aftermath of arrest of the CEO and exposure to negative media coverage, etc. It is expected that follow-up measures would recover the corporate reputation after we reinforce communication programs between the management and employees and redefine the principles for fair personnel appointment.



Employee lunch with the CEO to improve communication

#### Communication with the CEO

BNK is creating various opportunities to promote communication between management and employees. Busan Bank is facilitating communication between the CEO and employees by holding the "Cultural Event with the CEO" and the "Five Senses-Stimulating Lunch/Dinner", among other initiatives. For its part, Kyongnam Bank holds "Talk to Get Close" and the CEO's Special Lecture to help build employees' trust in the CEO.

#### Culture Trip with the CEO

We organize the "CEO Culture Trip" for employees to have a heart-to-heart dialogue with the CEO by watching a movie together. After watching the movie, employees participate in a variety of events and have networking time with the CEO. In particular, they were presented with surprises and joy in the best event at the year's end last winter when actors and actresses from the movie greeted them on the stage and joined in for photos with employees.

330 employees for cool culture trips in summer, 881 employees for warm culture trips in winter

#### Mentoring for the CEO and Management

Management mentoring, for the CEO and the management staff, is a program conducted to practice field-oriented management. It consists of three events: "Early Bird", an event to visit branch offices in the morning; "Special Lunch", where employees have lunch together; and "Yes! Bank", a drinking and dinner event. Employees can have a heart-to-heart dialogue in a comfortable atmosphere with the management staff whom they cannot easily meet, freely sharing their personal thoughts and suggestions.

#### Busan Bank's Love Beer Day

Busan Bank organized "Busan Bank's Love Beer Day" in the backyard of BIFC, marking its 50th anniversary. The CEO and the management had time to communicate with about 2,600 employees over beer. In addition, Busan Bank prepared an additional space in front of the head branch, providing draft beer and food to local residents. The Bank donated a total of KRW 50 million to the community through employees' voluntary funding and grant-matching.



## Group Culture as a Great Workplace

### Work-Life Balance

BNK Financial Group guarantees free evening time for employees by running a PC shut-down system, forcefully shutting down office PCs at 7:00 pm every day, to ensure a happy work place. We encourage employees to enjoy their hobbies and immerse themselves in after-work studying. They can also go to home matches of the Lotte NC Dinos, a local baseball team, by applying for the tickets per branch or family, which has been well-received. Meanwhile, we encourage them to use up different types of vacations – “vitamin vacation”, “vacation anytime throughout the year”, and “refresh vacation”. We strongly recommend employees to use their vacations by paying vacation fees for those who use their leave for five days or more.



#### Family Engagement Program

BNK Financial Group is creating BNK's exclusive family engagement culture for employees to spend quality time with their families. Diverse experience programs for families of employees are offered on a monthly basis, including porcelain art class, zip lining and rafting, rural/wetland/glamping experiences, depending on the season. Furthermore, we offer trips for parents of employees and family events on Family Day, helping them make unforgettable memories.



#### Helping Employees Have Wonderful Vacations

We run condominiums and year-round and summer resorts for employees to have wonderful vacations. Kyongnam Bank, meanwhile, organizes a photography contest for photos taken with families and friends, awarding winners, and supporting others to enjoy meaningful vacations.

#### Records of Busan Bank

- Zip line and rafting (79 people from 31 teams)
- 'Romantic Camp - a Starry Night'
- Glamping experience (153 people from 40 teams (families and groups))
- Accommodation in year-round and summer resorts (7 resorts made available)

#### Records of Kyongnam Bank

- Opening year-round resorts for camping (5 resorts)
- Trips for parents of employees (33 people)
- Wetland experience event (20 people)
- Accommodation in condominiums and summer resorts (31 rooms in 5 places)

#### Creating a Sound Working Environment

- Ergonomic office space: purchasing and placing office chairs that are ergonomically designed to reduce physical stress for keeping proper postures, and placing office items (PCs and monitors, etc.) to be optimized in optimized angles and distances for the human body
- Lighting: installing lighting apparatuses in consideration of an appropriate level of brightness and identical illumination for the eye health, and placing stand-type lighting products with adjustable brightness and angles, considering personal differences
- Noise: placing partitions and sound masking system in noisy places including customer centers
- Indoor air quality: conducting regular monitoring to for creating an environment with a pleasant indoor air in the head branch and branches, etc., and placing air purifiers, if needed
- Humidity and temperature: checking out and managing an appropriate level of temperature and humidity by season (spring and autumn (19.23 °C, 50 %), summer (24.27 °C, 60 %), winter (18.21 °C, 40 %))



#### Support for Cultural Events

Both Busan Bank and Kyongnam Bank organize cultural events during breaks for employees (heart-warming culture trips (Busan Bank) and Hope Concert (Kyongnam Bank)), as well as baseball and basketball matches (providing year-round season tickets). They also support diverse club activities, including baseball, mountain climbing, and marathons, for employees to enjoy healthy breaks.



#### After-Work Self-Development Programs

BNK Financial Group has opened and run diverse lectures as requested by employees to proactively support their self-development, including barrister courses, emotional healing, foreign language courses, and special courses on childcare.



## Maternal and Childcare Support

BNK Financial Group is at the forefront of establishing a family-friendly corporate culture for employees to strike a positive work-life balance. In particular, we address social issues such as career interruption and low birth rates. To this end, we have expanded in-house childcare centers in Busan, Changwon, and Ulsan, and create a childcare-friendly environment for employees by being considerate of their arrival time to work and positioning them near worksites. Furthermore, diverse programs for pregnant employees are available, including the provision of special clothes to block electronic waves and special nameplates.



#### Creating an Environment for Maternal Care

BNK Financial Group provides clothes to block electronic waves for fetal protection for pregnant employees. Nameplates indicating pregnancy are set up at counters and notices to be considerate of pregnant employees are distributed. As such, we strive to create a positive environment for maternal care.



#### Childcare Centers

Busan Bank runs four childcare centers in Jeonpo-dong, Haeundae, Geumjeong, and Saha, and 159 children of employees are registered in these wide spaces which have the latest facilities, as well as outstanding teachers. Kyongnam Bank also accommodates 49 children of employees in 2 in-house childcare centers specialized in infant care and provides creative and character-building education.



#### Support for Cultural Events

We run a flexible working-hour system for employees on maternal leave to help employees on leave to better adapt to their work life. They have shorter working hours, from 1:00 to 6:00 in the afternoon, and are paid with 60% of the normal wage. In addition, we proactively support childbirth and childcare, as well as maternal care, by allowing the pregnant to arrive at work flexibly.



#### Parenting Classes

Busan Bank provides lectures on character and career/job guidance, as well as consultations for college entrance by recruiting child/youth consultants and education specialists in order to support employees' children's education. In 2017, two parent classes including 'My Family Has Changed' and 'Daedongyeojinro (Career Search)' were conducted with 163 participants. Individual counseling was provided for 27 people.



### Support for Health Management and Disease Prevention

BNK Financial Group launched the Health Mileage Point program to give points per item of exercise to ensure 'a work place where one's body and mind are healthy'. Points are given for various activities, including walking up the stairs, commuting by walking, and running on a treadmill, along with financial support for healthcare, such as subsidization for regular health checkups (general/comprehensive), collective damage insurance, medical care fees, and other medical costs. Moreover, we strive to provide a healthy corporate culture by operating the BNK Fitness Center, the Diet Fund and the Anti-Smoking Fund.



#### Health Keeper Service

Busan Bank provides an on-site "health keeper" service for a group of applicants, and a "Siwonhadei (Super Relaxing)" service. The Bank recruited one nurse and two health keepers to the health management room to regularly measure employees' blood pressure and provide on-site health keeper service. As such, the Bank checks employees' health and helps prevent musculoskeletal diseases.



#### BNK Healing Mind

We run specialized counseling services to raise employees' satisfaction and work efficiency by helping them deal with mental health issues, including depression and sleep disorders. The targets include not only employees but also their spouse and children. Employees' health is cared for in many ways through professional counseling on work stress, inter-personal relationships, emotions, health, and childcare. In 2017, 163 people took part in two sessions of parent class - 'My Family is Changed' and 'Daedongyeo Jinro (Career-seeking Journey)' - by reaching out to companies, and individual consultation took place for 27 people.

- Busan Bank runs a staff cafeteria to ensure a balance in health and nutrition for employees. The food menu is thoroughly managed and hygienically controlled by professional nutritionists for employees, and health and balanced diets are offered through culinary staff training and nutritional analysis.



#### Health Funds

We run the Diet Fund for employees that wish to lose weight in order to ease problems faced by employees who might be suffering from weight issues due to a sedentary working style. We also operate the Anti-Smoking Fund to help employees in their efforts to quit smoking. Benefits are provided depending on the results of being on a diet for a certain period of time and achievements of quitting smoking, along with the fund subscription fees, including congratulatory fees for success and primary allocation for booking for resorts and special holidays.



#### Stairs UP! Health UP! Campaign

Busan Bank runs the BNK Fitness Center, which has all the most advanced workout equipment, on the fourth floor of the head branch. There, professional trainers run three courses each in the early morning, evening, and at night - three times in total. Kyongnam Bank also conducts the "Take the Stairs Campaign" with the slogan "Stairs UP! Health UP!" for employees who want to improve their health. The Bank emphasizes the necessity of exercise and encourages employees to take part in such programs.

#### Records of Busan Bank

- Busan Bank's YES! BNK Anti-Smoking Fund: 88 people participated in 2017 (Second-Half Anti-Smoking Fund: Created to strengthen the willpower of smokers wishing to quit and also their colleagues)
- Diet Fund: Not conducted (organized biannually)
- Fitness Center Usage: 647 people

#### Records of Kyongnam Bank

- Anti-Smoking Fund: March ~ September 2017, participation of 78 people -> success of 41 (success rate of 52.6%)
- Diet Fund: April ~ June 2017, participation of 198 -> success of 132 (success rate of 66.7%)
- Number of Participants: 122 employees from the head branch
- Records: On average, one employee walking 16 floors per day



# Sustainability Management

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## Materiality Test

### Materiality Test Process

BNK Financial Group wrote this report with full consideration of the four reporting principles of the Global Reporting Initiative (GRI): “Sustainability Context”, “Materiality”, “Stakeholder Engagement” and “Completeness”. In addition, we created a pool of issues related to sustainable management through the analysis of international sustainability standards and indices, as well as the benchmarking of advanced companies and media research, and implemented the materiality test and prioritization through stakeholder surveys and expert reviews. The core issues, which were selected based on the outcome of the materiality test, are fully disclosed in this report, consistent with the four management measures of BNK Financial Group.

#### Step 01.

#### Breakdown of the Issue Pool

International standards and indicators, benchmarking of advanced companies, analysis of internal data, and media were analyzed to form 30 pools of potential issues based on their impact on the economy, environment, and society associated with BNK Financial Group.

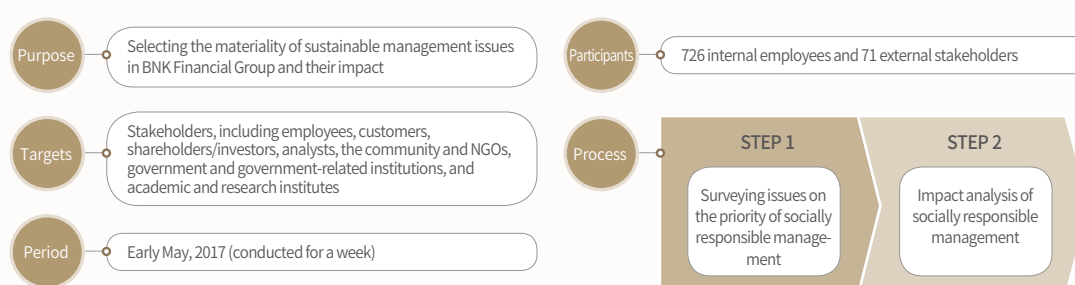
Analysis of International Standards and Indicators	Benchmarking	Media Research	Analysis of Internal Data
<ul style="list-style-type: none"> <li>Analyzing requirements of global initiatives related to sustainable management and identifying potential issues</li> <li>Targets for analysis: GRI Standards, ISO 26000, FTSE4GOOD and DJSI, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Identifying key issues on sustainable management and related activities in the same industry</li> <li>Targets for analysis: Identifying issues and trends in the sustainability reports of advanced companies at home and abroad</li> </ul>	<ul style="list-style-type: none"> <li>Identifying stakeholder sustainability interests by reviewing media articles</li> <li>Analysis period: Reviewing articles written from January 2017 ~ December 2017</li> </ul>	<ul style="list-style-type: none"> <li>Review business outcomes and plans, and data on management strategies</li> <li>Interviews of employees in the major departments associated with sustainable management</li> </ul>

#### Step 02.

#### Prioritization of Issues

The materiality test was conducted based on internal/external stakeholder surveys and expert reviews, as well as quantification of the analytical outcome of international standards and media research based on the 30 selected pools of potential issues.

#### Outline of Stakeholder Surveys



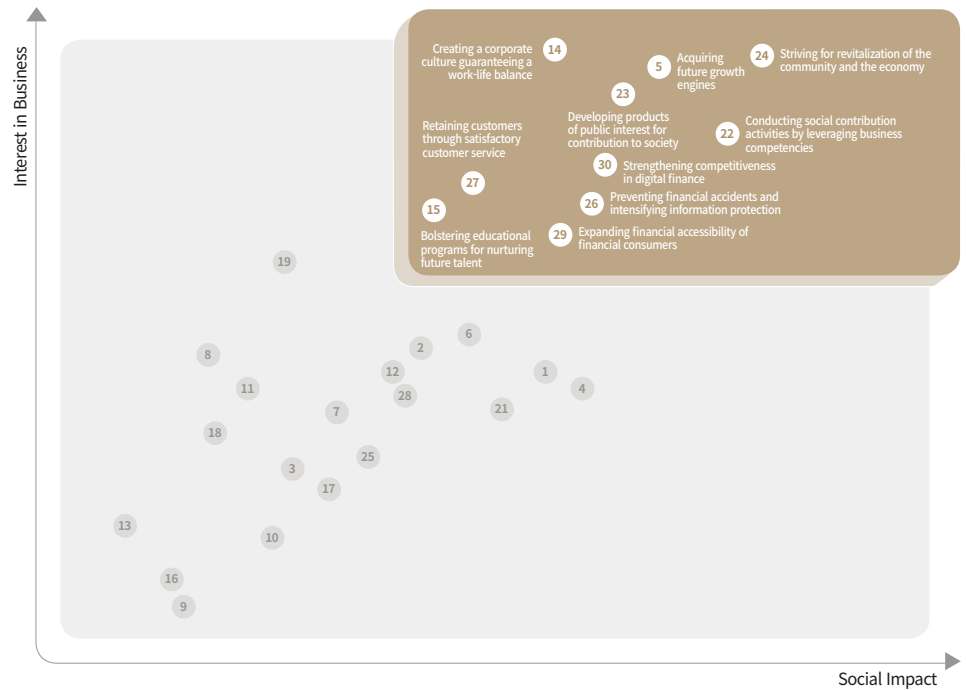
## Step 03.

## Outcome of the Materiality Test

The 10 core issues selected through the materiality test are reflected in the report through comprehensive consideration of the scope, aspects, and boundaries. Relation to business, approaches, future plans, and major outcomes of key issues selected from the materiality test are available on the pages on the Management Approach (MA) of individual topics for reporting.

Core Issues	Topic Composition	Page
26. Preventing financial accidents and intensifying information protection 27. Retaining customers through satisfactory customer service 29. Expanding financial accessibility of financial consumers	Topic 1. Pursuing Customer 'Satisfaction Management'	20~29
5. Acquiring future growth engines 30. Strengthening competitiveness in digital finance	Topic 2. Implementing the Future Value of 'Creative Management'	30~37
22. Conducting social contribution activities by leveraging business competencies 23. Developing products of public interest for contribution to society 24. Striving for revitalization of the community and the economy	Topic 3. Implementing 'Win-Win Management' with the Community	38~49
14. Creating a corporate culture guaranteeing a work-life balance 15. Bolstering educational programs for nurturing future talent	Topic 4. Realizing Employee 'Happiness Management'	50~57

## Materiality Test Matrix



Ranking	Title of Issues	GRI Topics	Impact Targets					Issue Impact		
			Employees	Customers	Shareholders/ Investors	Suppliers	Government Institutions	Community	Financial Impact	Market Competitiveness
1	Striving for revitalization of the community and the economy	GRI 413 Local Communities				●	●	●		●
2	Acquiring future growth engines	GRI 201 Economic Performance	●		●					●
3	Conducting social contribution activities by leveraging business competencies	GRI 413 Local Communities	●					●		●
4	Creating a corporate culture guaranteeing a work-life balance	GRI 401 Employment	●							●
5	Developing products of public interest for contribution to society	GRI 413 Local Communities				●		●		●
6	Strengthening competitiveness in digital finance	GRI 201 Economic Performance		●			●			●
7	Preventing financial accidents and intensifying information protection	GRI 418 Customer Privacy		●			●	●		●
8	Retaining customers through satisfactory customer service	Added Topic		●					●	
9	Expanding financial accessibility of financial consumers	GRI 413 Local Communities		●				●		●
10	Bolstering educational programs for nurturing future talent	GRI 404 Training and Education	●							●

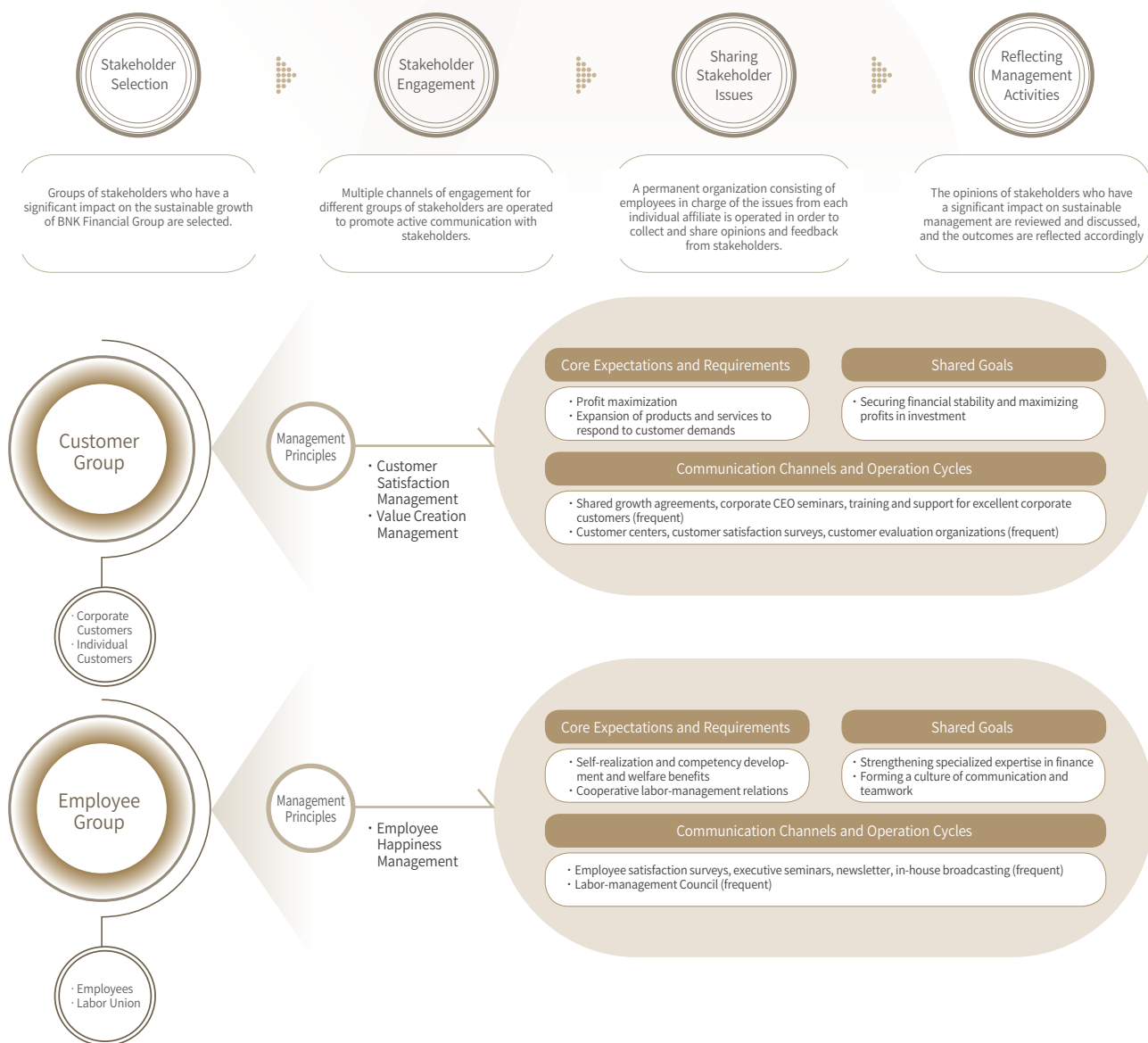


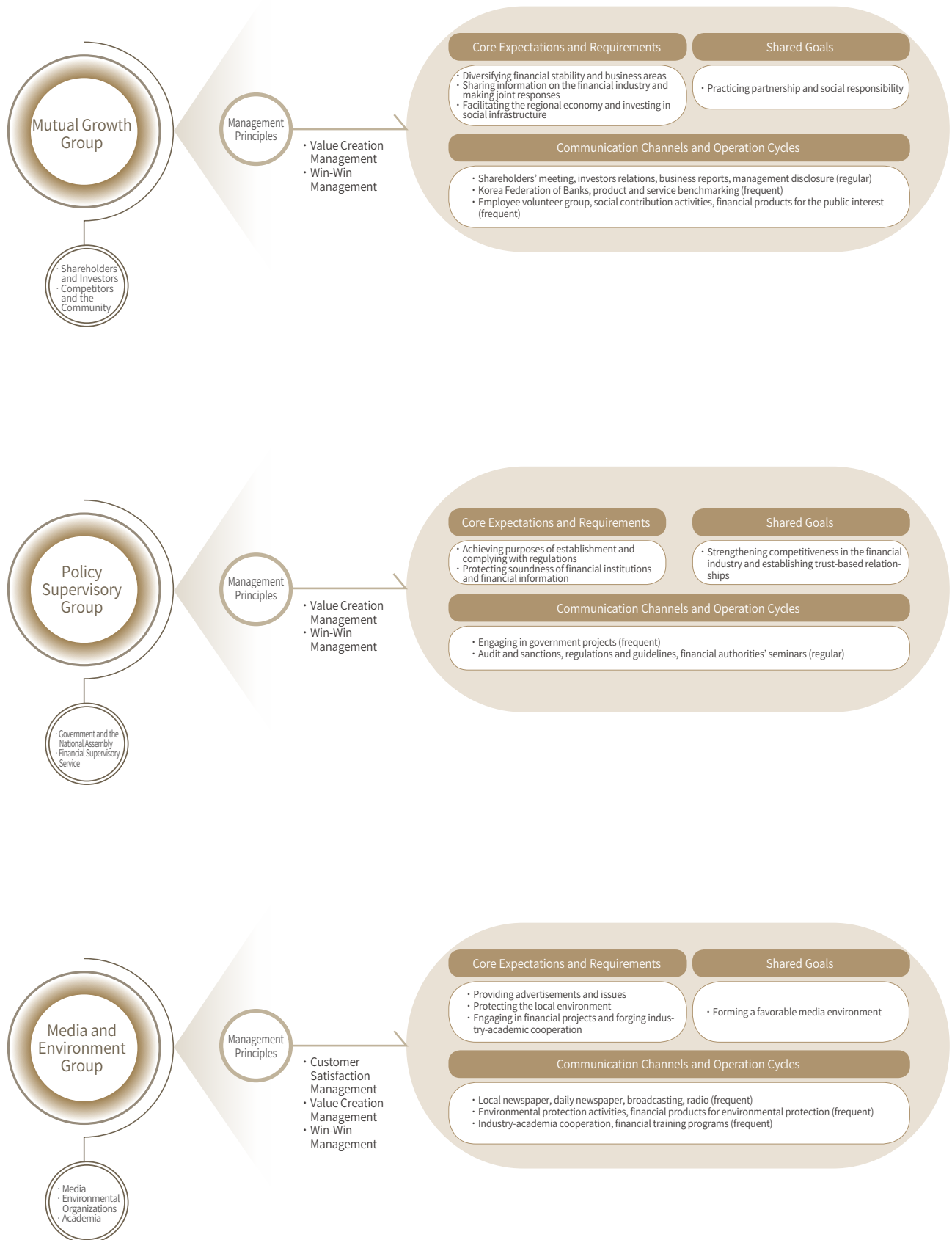
# Communication with Stakeholders

## Engagement with Stakeholders

Considering the materiality and impact of stakeholders, BNK Financial Group systematically manages five key interest groups: customers, employees, the mutual growth group, the policy supervision group, and the media and environment group. In particular, diverse communication channels are available to express opinions on or expectations of sustainable management of BNK Financial Group per stakeholder group. BNK Financial Group strives for mutual development with all stakeholders, while fully responding to selected issues and demands on sustainable management.

## Stakeholder Selection and Feedback-Gathering Process







#### Reasons for Disqualification on Independence of Directors

1. Directors, executive directors, and employees who are engaged in the regular business a related company, or directors, auditors, executive directors, and employees who have engaged in the regular business of a related company within the last two years;
2. The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases wherein the largest shareholder is a natural person;
3. Directors, auditors, executive directors, and employees of the corporation, in cases wherein the largest shareholder is a corporation;
4. Spouses, lineal ascendants, and lineal descendants of directors, auditors, and executive directors;
5. Directors, auditors, executive directors, and employees of a parent company or a subsidiary of a related company;
6. Directors, auditors, executive directors, and employees of a corporation with significant interest in the relevant company, such as business relations with the company;
7. Directors, auditors, executive directors, and employees of another company where directors, executive directors, and employees of a related company serve as directors and executive directors.

## Corporate Governance

### Composition of the Board of Directors

BNK Financial Group's board of directors (BOD) is composed of one CEO, one standing director and seven external (non-standing) ones as of March, 2018. The BOD makes decisions on matters prescribed by the decrees and the Articles of Association, matters entrusted by the shareholders' meetings, and key matters on basic directions of corporate management and execution of work. In addition, the BOD supervises overall internal control, and conducts supervision on the directors' execution of roles. BNK Financial Group appoints the chairman of the BOD from among the external directors in order to secure the independence of the BOD and provide a system of checks and balances. Moreover, we ensure transparent management by guaranteeing fairness, checks, and supervision in managing the Board of Directors and committees through ensuring that every committee head under the board is an external director.

(As of March 2018)

Type	Name	Career	Specialization	Note (date of appointment ~ end of tenure)	Note
Outside Director (Chairman of the BOD)	1. Yong Kyu Cha	Former Standing Auditor of Harim Holdings Former Vice president of Media QBS	Finance and Accounting	March 25, 2016 ~ March, 2019 Regular Shareholders' Meeting	Independent director
Standing Director (CEO)	2. Ji Wan Kim	CEO of BNK Financial Group Former Vice Chairman of Hana Financial Group	Finance	September 27, 2017 ~ March, 2020 Regular Shareholders' Meeting	
Standing Director	3. Jae Kyung Park	Standing Director of BNK Financial Group Former President of BNK Financial Group	Finance	September 27, 2017 ~ March, 2020 Regular Shareholders' Meeting	
Outside Director	4. Il Jae Moon	Vice Chairman of Korea Petroleum Association Former Director at the Ministry of Finance and Economy	Economy	March 25, 2016 ~ March, 2019 Regular Shareholders' Meeting	Independent director
Outside Director	5. In Tae Yun	Leading Lawyer of Law Firm YOON & KO Former president of Busan High Court	Law	March 24, 2017 ~ March, 2019 Regular Shareholders' Meeting	Independent director
Outside Director	6. Young Jae Kim	Professor of Economics/Trade College at Busan National University President of Korean Economic and Business Association	Economics	March 24, 2017 ~ March, 2019 Regular Shareholders' Meeting	Independent director
Outside Director	7. Kee Young Chung	Professor emeritus of the Department of Accounting at Keimyung University Former Chairman of the BOD at KB Financial Group	Treasury and Accounting	March 23, 2018 ~ March, 2020 Regular Shareholders' Meeting	Independent director
Outside Director	8. Jung Joon Yoo	Certified Accountant at Shinhan Accounting Corporation Former CEO and President of Hanyang Securities	Treasury and Accounting	March 23, 2018 ~ March, 2020 Regular Shareholders' Meeting	Independent director
Outside Director	9. Kwang Ik Son	Chairman of East Dream Synopex CEO of Lotte Cinema	Business Management	March 23, 2018 ~ March, 2020 Regular Shareholders' Meeting	Independent director

\* All the members of the BOD are Koreans.

### Independent Management of the BOD

Our executive directors are appointed at the shareholders' meeting according to independent criteria. There is no discrimination based on age, gender, nationality, or academic background. In addition, the number of external directors can be three or more, or a majority of the total according to the Articles of Association (the current ratio of external directors is 78%).

Directors are appointed at the shareholders' meeting following a procedure of verification and recommendation by the Executive Nominating Committee, which consists of all external directors, and the confirmation of candidates for the BOD. In addition, those appointed should be independent from stakeholders in order to prevent conflicts of interest.

#### Statutory Disqualifications of External Directors (Laws on Corporate Governance of Financial Companies)

- Largest shareholders and related parties
- Major shareholders, their spouses, and immediate family members
- Spouses and immediate family members of executives
- Full-time employees of corporations that are in a statutorily critical transaction with BNK, or in business competition or partnership with BNK

## BNK Financial Group's Measures for Managing an Independent BOD

1. Directors are appointed through several steps through the Executive Nominating Committee, BOD, and shareholders' meetings.
2. Upon appointing directors, their qualifications are thoroughly reviewed, in compliance with the decrees and internal regulations.
3. The tenure of external directors is confined to two years and cannot exceed five years to prevent collusion.
4. CEO succession is transparently and fairly collateralized, and according to internal regulations, the CEO is prohibited from appointing external directors, thus the exclusion of the CEO and chairman from the Executive Nominating Committee.
5. An external director is appointed as the chairman of the BOD to guarantee independent management of the BOD.
6. Major issues of the Group are regularly reported to the BOD to minimize information asymmetry and facilitate BOD discussions on key issues.

#### Records of Training for External Directors

Number of People	Number of Training Sessions	Total Training Hours in 2017
5 people	10 times	61 hours

#### Candidates for External Directors (Women)

Type	Total Number of Candidates	Number of Female Candidates*	Variation
February 2016	43	1	
February 2017	53	3	△ 2
February 2018	72	4	△ 1

\* In 2016, 1 person for treasury and accounting; in 2017, 1 person for treasury and accounting, 1 person for financial consumers, and 1 legal expert; and in 2018, 1 person for treasury and accounting, 1 for financial consumers, 1 legal expert, and 1 specialist in the financial industry

## Strengthening the Expertise and Diversity of the BOD

BNK Financial Group guarantees independence in forming the BOD, and strives to expand expertise and diversity in forming the BOD. In addition, we devote our utmost efforts to appoint directors with diverse backgrounds and expertise, in line with our principles and regulations, and strive to establish a sound corporate governance through voluntary management of the BOD.

We determine if external directors are equipped with sufficient work experience and expertise in related fields – finance, economy, corporate management, accounting, law, consumer protection, and IT – by reflecting the qualifications of external directors in the Articles of Association and the internal regulations. Decisions are made to see if they are capable of conducting operations fairly in the interest of all shareholders and financial consumers conflict of interest; if they have a sense of ethics and accountability suited to the execution of their roles; and if they can afford sufficient time and effort to carry out their role as an external director. We provide each director with regular training to benefit from their contribution to sustainable development, based on their expertise their each field. Internal training is provided on the decrees and internal regulations of the BOD and on the management of the BOD upon appointment. Regular training on risk management is offered along with training based on the research materials of the BNK Financial Management Research Institute. Furthermore, we extend support for the directors to improve their individual expertise and competencies in various fields by organizing, lectures given by outside speakers/instructors, and diverse forums and seminars, and publicly disclose related information.

## Transparent Management of the BOD

The BOD holds either regular or ad-hoc board meetings, convened by the chairman of the BOD. Each director has one voting right per agenda, but those with special interests cannot exercise their voting right. Decisions are made by the affirmation of a majority of the registered directors in attendance. The minimum attendance rate required for the BOD and committees is 80%. In addition, we provide a preliminary briefing session to external directors so that relevant agenda items can be fully considered before the BOD meetings. Sufficient explanations on the agenda are provided and requests are responded to prior to BOD meetings.

#### Performance of the BOD

Type	2015	2016	2017
No. of Meetings	15	9	25
No. of Items Discussed	79	63	63
No. of Decisions	47	35	35
No. of Reports	34	28	28
Attendance of Outside Directors	95	97	97

Type	Qualitative (Multi-Dimensional)			Quantitative
	Self	BOD	Employee	
Evaluator	External director and non-standing director	All directors except the evaluator	Division leader and part leader responsible for supporting the BOD	Attendance rate for the BOD and committee evaluation
Evaluation Items	<ul style="list-style-type: none"> <li>• Key Items</li> <li>• Competency and expertise</li> <li>• Interest and engagement in the BOD</li> <li>• Contribution to company growth</li> </ul>			
Evaluation Weight	20%	50%	20%	10%

\* Amount of remuneration deferred among the amount of remuneration for performance was subject to deferred payment for three years

## Performance Evaluation and Compensation

Performance evaluation and compensation of the management is conducted based on the evaluation and decision-making of the Compensation Committee. It is evaluated by comprehensively considering opportunities and crises in the management environment. The compensation ceiling for directors, meanwhile, is approved at the shareholders' meeting, and the details are decided through the BOD resolutions. Performance evaluation of external directors takes place by comprehensively considering the quantitative evaluation based on their attendance rate in committees of the BOD and BOD meetings, and the qualitative evaluation through mutual evaluation between themselves and executives based on their contribution to corporate development through their engagement in the BOD, competencies, and expertise. Moreover, qualification evaluations are carried out anonymously to ensure fair evaluation. In cases where diagnosis of external specialists is deemed to be necessary for smooth operation of the BOD and the designation of external director roles, the internal regulations prescribe that external evaluation is to take place.

## Performance Evaluation of the Management

The BOD and the Compensation Committee are obliged to abide by their fiduciary duty according to BNK's compensation practices, which require that the compensation system align with the risk structure. In addition, the compensation system is designed in a way that controls excessive risk-taking for high compensation. Compensation policies are established and managed in a sound manner in order to raise shareholder and stakeholder values in the long-term. A significant portion of compensation for the management is rewarded on a variable basis, and is made based on deferred differentials for a number of years depending on performance outcome. The period of deferred payment is three or more years, and is determined by aligning the nature and risks of business operations with the activities of the management. Compensation is paid in cash, consistent with BNK's stock prices. Short-term outcomes are paid 40% in cash compensation and 60% in stock price-linked cash compensation for the chairman and standing director/presidents. For other executives, the ratio is 40% for the former and 60% for the latter. For long-term outcomes, cash compensation is 40~60%, and stock price-linked compensation is 60~40% in the contract. Cash compensation is paid within one month from the finalized performance evaluation and cash compensation linked to stock prices is paid on a deferred basis, in alignment with three-year stock prices, depending on the performance achievement rate since three years from the contract signing date.

## Committees under the BOD

The BOD manages five committees to guarantee efficient management and expertise. Each committee is required by internal regulations to be composed of a majority of external directors. All committee members are appointed from among the external directors to ensure more independent operation of committees. In addition, independence has been strengthened to put in place a transparent and fair procedure for CEO succession and executive appointment through the exclusion of standing directors from the Executive Nominating Committee, which carries out executive nominations, including recommendations for CEO, chairman, external directors, and members of the Audit Committee.

(As of March 2018)

Committee	Members	Functions	No. of meetings in 2017
Board Steering Committee	Four external directors	• Decisions on efficient operations of the BOD and its subcommittees and policies for improving corporate governance	1
Risk Management Committee	Four external directors	• Oversight and supervision of approval of and compliance with risk policies within the Group and its affiliates	7
Executive Nominating Committee	Seven external directors	• Exploration, review, and recommendation of executive candidates that hold the expertise and leadership required of executives, and catering to the strategic goals of the Group	13
Compensation Committee	Four external directors	• Establishment of measures to raise corporate management performance, and formation and evaluation of performance goals for management	7
Audit Committee	Four external directors	• Management and supervision to improve the sound management and transparency of the Group, by auditing and assessing the overall work of directors and top management	9



# Risk Management

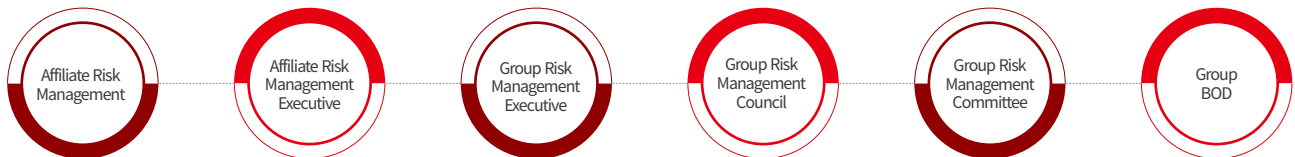
## Risk Management System

Based on the risk management principle which stipulates that “All members of the Group seek the continued growth and development of the Group by maintaining a balance between risk and profit when conducting business activities”, BNK Financial Group efficiently manages risks that can occur at the overall Group operation level. For systematic management, the Group recognizes, measures, reports, and controls potential risks according to the risk management policy. Notably, as Kyongnam Bank has become part of the Group, to manage the risks under two banks, various risk management systems such as risk type, risk measurement methods, and risk management systems are being standardized. This principle is being extended to include BNK Capital, BNK Securities, BNK Savings Bank, and BNK Asset Management in order to build a total risk management system and improve our overall risk management capability.

Affiliate	2015	2016	2017
No. of Affiliate Risk Management Meetings	35	39	44
No. of Employees Dedicated to Affiliate Risk Management	148	150	161

## Risk Management Organization

BNK Financial Group operates an integrated risk management system at the Group-level by unifying the definition and response process for risks by affiliate and by risk factor. We maintain a strict balance between risk and profit, while regularly monitoring the status of the Group's and our affiliates' risk management. For risks that have been derived, information is shared with the relevant departments and appropriate responses are made at meetings held for that purpose.



## Risk Management Direction

Amid the recent low-growth trend of the domestic economy, the management environment, which includes the restructuring of marginal companies and household debts, has emerged as a social issue, and fiercer competition in the industry make it challenging to explore growth drivers. Emerging risks that may affect the future business of BNK Financial Group raise credit risk and intensify competition in the financial industry. First, while uncertainty is increasing due to long-term corporate restructuring and recovery of the real estate market is slow, the potential credit risk is expected to increase due to the ever-growing number of households and small business owners who have reached their credit limit. BNK Financial Group is preemptively managing this risk by analyzing the risk effects of weak elements based on historic empirical data from both within and outside Korea, establishing action plans for each scenario, and enhancing the management of potential risk. Furthermore, given the trend towards fintech and block chain technologies and other fusions between ICT and finance, as well as further competition for platform dominance, we conduct risk analysis whenever an affiliate tries to enter an overseas market, while working to strengthen the reduction of risk transfer among affiliates, in order to improve our future financial response capability.

Basic Direction of the Group's Business Plans	Risk Management Direction
<ul style="list-style-type: none"> <li>• Realigning the Group's business portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• (Banking) Improving the quality of existing business portfolios and reducing the credit cost</li> <li>• (Non-banking) Intensifying features to support risk management in light of business expansion and diversification</li> </ul>
<ul style="list-style-type: none"> <li>• Strengthening cross-affiliate collaborative systems and maximizing their synergy</li> </ul>	<ul style="list-style-type: none"> <li>• Making the Group-level responses to the phase-out adoption of Basel regulations</li> <li>• Continuously expanding standardization, including risk measurement standards and ceiling calculation standards</li> </ul>
<ul style="list-style-type: none"> <li>• Proactively practicing 'productive finance' and 'inclusive finance'</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewing risks in advance upon launching new products and projects</li> <li>• Establishing a management system at the Group-level on reputation risks</li> </ul>
<ul style="list-style-type: none"> <li>• Achieving management focused on profitability and soundness</li> </ul>	<ul style="list-style-type: none"> <li>• Conducting post-supervision of large-scale loans and devising measures to control the inflow of marginal companies</li> <li>• Devising Phase 2 risk management advancement plans for each affiliate</li> </ul>
<ul style="list-style-type: none"> <li>• Establishing a management system for 'two banks-one process'</li> </ul>	<ul style="list-style-type: none"> <li>• Raising the BIS ratio by introducing internal rating methods to the Group</li> <li>• Preparing for the new regulations of the Financial Supervisory Commission and regulatory/market risks of LCR</li> </ul>

## Key Tasks for Risk Management

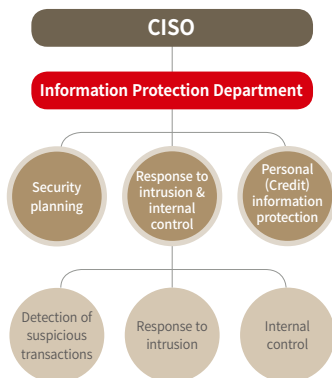
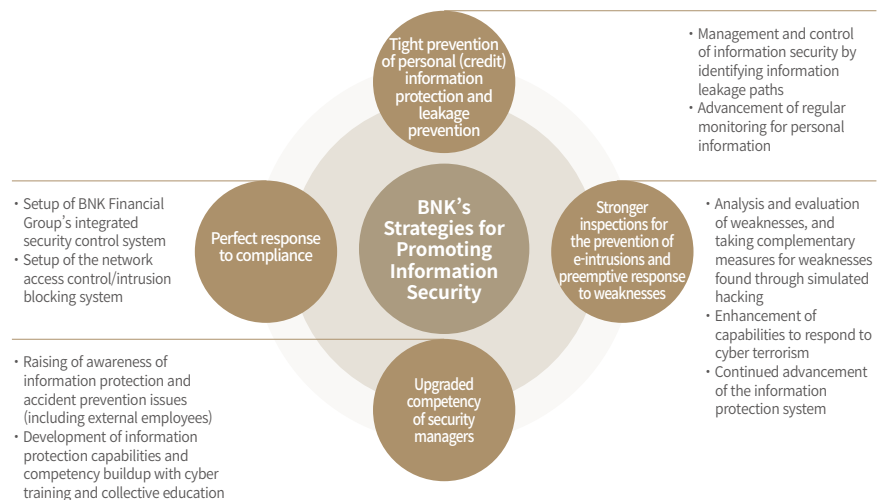
Key Tasks	Activities for Risk Response
<ul style="list-style-type: none"> <li>• Strengthening the Group-led risk management system to be suited to changes in the corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Making joint responses in the Group to prepare for the gradual introduction of the Basel regulations</li> <li>• Introducing the RORWA scheme to each affiliate to increase capital efficiency</li> </ul>
<ul style="list-style-type: none"> <li>• Strengthening risk management roles for banking affiliates</li> </ul>	<ul style="list-style-type: none"> <li>• Setting diverse management goals to flexibly respond to changes in the financial environment</li> <li>• Setting risk ceilings and regularly setting management goals, to be reflected to the Group's risk management policies</li> <li>• Reducing credit cost through concentrated risk management</li> </ul>
<ul style="list-style-type: none"> <li>• Inducing the evolution of risk management of and strengthening support for non-banking affiliates</li> </ul>	<ul style="list-style-type: none"> <li>• Intensifying support in response to business expansion and diversification</li> <li>• Bolstering monitoring functions for new large-scale loans</li> <li>• Devising Phase 2 risk management advancement plans</li> </ul>
<ul style="list-style-type: none"> <li>• Introducing and utilizing response systems to Basel III at the Group-level</li> </ul>	<ul style="list-style-type: none"> <li>• Improving efficiency in managing capital adequacy by acquiring approval for internal rating methods in the Group</li> <li>• Responding to new interest rate risks on banking book (IRRBB), liquid coverage ratio (LCR), and a revision in market risks (2020)</li> </ul>

## Risk Management of Major Affiliates

Affiliate	Strategic Goals	Achievement Plans and Activities
<b>BNK</b> Busan Bank	<ul style="list-style-type: none"> <li>• Making timely responses to changes in the financial market and the institutional environment</li> <li>• Strengthening the system to improve the qualitative structure of assets and debts</li> </ul>	<ul style="list-style-type: none"> <li>• Devising risk reduction measures to prepare for broader liquidity in the financial market</li> <li>• Managing possible operational and reputational risks driven by the digitalization of finance</li> <li>• Making preemptive responses to the insolvencies of marginal companies and household borrowers</li> <li>• Supporting higher profitability through deposit and loan portfolio management</li> </ul>
<b>BNK</b> Kyongnam Bank	<ul style="list-style-type: none"> <li>• Innovating risk management and regular monitoring in response to changes in the future environment</li> <li>• Establishing stable portfolios in response to higher interest rates and low growth</li> </ul>	<ul style="list-style-type: none"> <li>• Managing risks for digital finance and suggesting loan policy direction by sector</li> <li>• Supporting strengthening business competitiveness by developing advancing risk management techniques</li> <li>• Strengthening goal management for optimizing asset/debt portfolios</li> <li>• Bolstering loan monitoring to improve the qualitative structure of assets</li> </ul>
<b>BNK</b> Capital	<ul style="list-style-type: none"> <li>• Ensuring stable asset formation through optimized income generation and risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening monitoring through large-scale loan (PF loan, etc.) review</li> <li>• Managing interest rate risks by adjusting the proportion of borrowings</li> <li>• Strengthening liquidity management through emergency planning when financing issues occur</li> </ul>
<b>BNK</b> Securities	<ul style="list-style-type: none"> <li>• Establishing a risk management system for mid-size companies</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing risk-based performance analysis systems</li> <li>• Developing advanced methodologies and scenarios for analyzing risk circumstances</li> <li>• Securing the risk management basis for growth</li> </ul>
<b>BNK</b> Savings Bank	<ul style="list-style-type: none"> <li>• Establishing risk management infrastructure and strengthening related competencies</li> </ul>	<ul style="list-style-type: none"> <li>• Managing liquidity risks for imbalances in asset and debt maturity</li> <li>• Thoroughly managing key management indicators and operation ceilings</li> </ul>
<b>BNK</b> Asset Management	<ul style="list-style-type: none"> <li>• Improving the fundamentals for risk management to support the foundation for the growth of new products</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening competencies for risk management of new products</li> <li>• Establishing regulations for systematic management and bolstering ceiling management</li> </ul>

## Strategies for Managing Information Security Risks

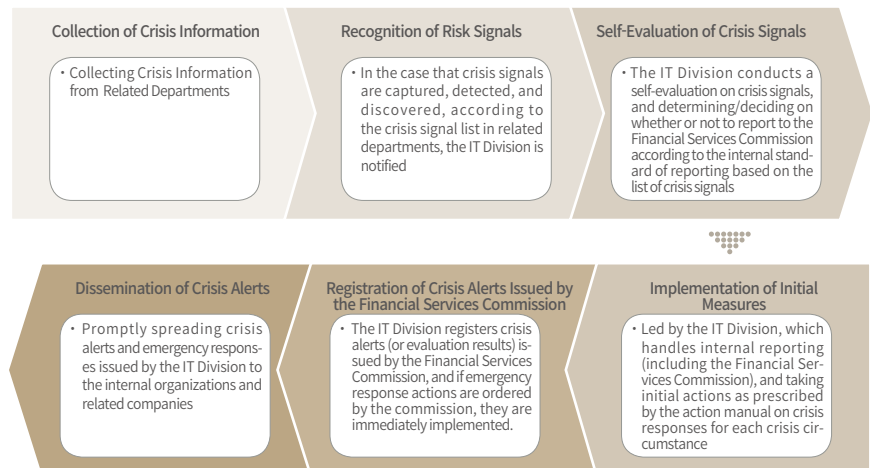
BNK Financial Group works to strengthen risk management for information security based on four strategies for promoting information security: perfect response to compliance; tight prevention of the leakage of personal (credit) information and its protection; tighter inspections to prevent e-intrusions; and preemptive response to weaknesses. First, we make preemptive responses after identifying various threats that might impact the confidentiality, integrity, and availability of major information systems, including servers and networks, by systematizing the procedure for diagnosing and managing weaknesses in information security. We are in the process of installing an integrated security control system, network access control and intrusion blocking systems, and more at the IT Development Center, which is currently under construction. The flow of personal information leakage is monitored in real time through the use of personal profiling. Threat actors are summoned for vindication to prevent risks within a tight system for personal (credit) information protection and leakage prevention.



## Risk Management for Information Security

BNK Financial Group appointed a Chief Information Security Officer (CISO), and information security operations are categorized into security planning, intrusion response and internal control and personal (credit) information protection divisions, and are being led by the Information Protection Department. In addition, an information security and crisis response manual is abided by in times of crisis to ensure effective risk response according to a six-stage process, ranging from information collection to information dissemination.

### Crisis Response Procedure for Information Security

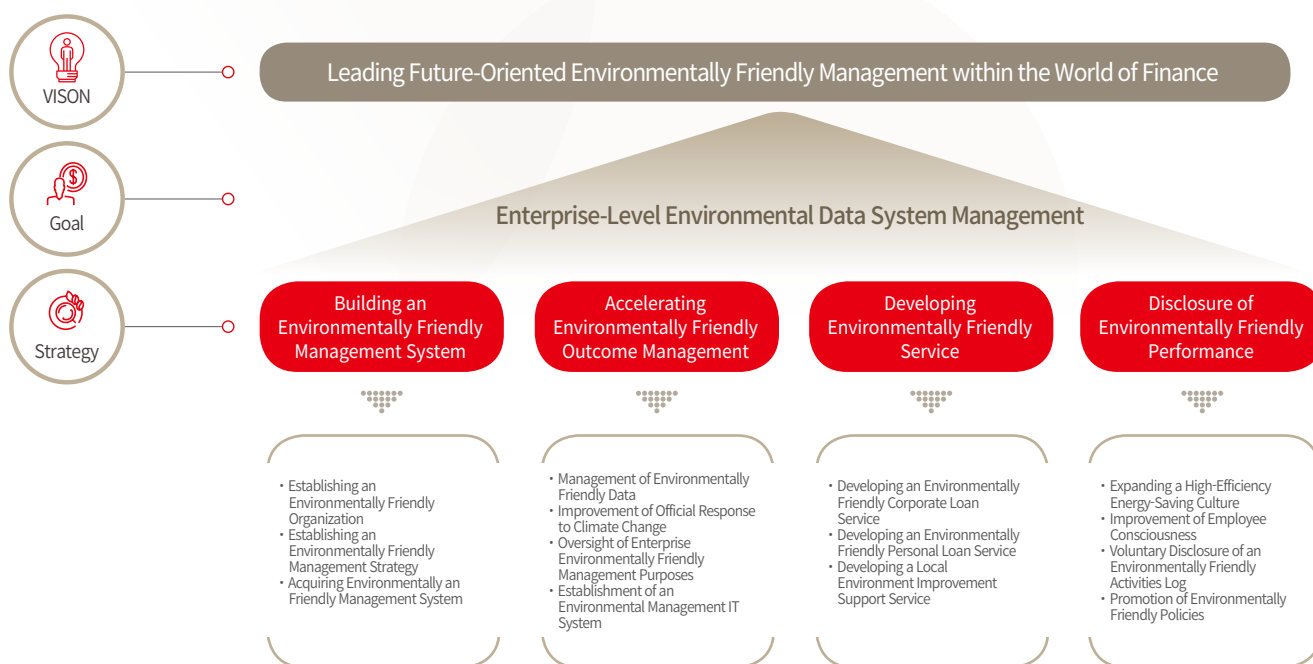




# Environmental Management

## Direction for BNK's Environmental Management

BNK Financial Group takes preemptive responses to minimize environmental risks, and stands at the forefront of developing eco-friendly products, thereby implementing environmental management strategies in order to leverage opportunities to spearhead future-oriented eco-friendly management in the financial industry. We seek to spread the eco-friendly culture by developing products that provide diverse financial benefits to the public and also put green life into action through eco-friendly management strategies, and expanding corporate financial support to respond to the government's eco-friendly strategies



## Management of the Environmental Management System

Having established an environmental management system at the Group-level in 2016, BNK Financial Group collects environmental data from all of the eight affiliates, including data on GHG emissions, energy and water consumption, and waste discharge, as well as the distance of travel for business trips. Departments in charge of the environment of BNK Financial Group and its eight affiliates efficiently manage environmental data, based on which environmental management can be efficiently practiced efficiently by initiating energy saving measures.

## Dissemination of Resource-Saving Activities

BNK Financial Group seeks to contribute to resource-saving and environmental conservation by reducing the usage of paper. Various incentives are provided to customers when no paper is issued, including exemption of fees and preferential interest rates. Moreover, the amount of paper used is cut down by promoting the use of non-face-to-face transaction channels, including Internet banking and smartphone banking.

#### Busan Bank's Resource-Saving Activities

Busan Bank conducts paperless meetings on all occasions at the head branch. If printed materials are essential, tablet PCs are used to reduce unnecessary waste of paper and raise efficiency. In addition, the Bank plans to open Digital Bank No. 1 as a green bank where no paper is needed, and it will serve as a futuristic branch based on smart ATMs and tablet PCs.

#### Kyongnam Bank's Resource-Saving Activities

Kyongnam Bank initiated efforts to save resources by preventing excessive application or ownership of critical certificates and general goods through shrinking 12 types of their packaging, including CD slips, queue waiting tickets, and bankbooks. In addition, we could save about KRW 15 million per year by replacing the ink for new ATMs with recyclable products, which also reduced costs due to imports cartridge imports, with no significant difference in quality.



10 points for saving energy and goods in 2017

### Strengthening Energy-Saving Activities

Busan Bank and Kyongnam Bank chose “Yes! BNK Save Together!” as their slogan, and waged the “5GO campaign for saving energy and supplies in 2017.” These five action items (5GO) include unplugging cables and turning off lights to save energy, saving and reducing materials, and encouraging employees to spend more time walking rather than using other energy-consuming methods of transportation. Notably, their head branches have “energy half-time”, during which they use half the energy they would normally use during certain hours. The two banks also focus on saving general goods through continuously increasing joint purchasing, and raising their employees’ awareness of energy-saving through internal announcements and videos on energy- and goods-saving, which are played in the elevators of the head branches. On the 14th Energy Day, organized by Korea NGO’s Energy Network, they took part in increasing the preset air conditioner temperature by two degrees Celsius, along with the nationwide concurrent lights-off event, striving to reduce GHG emissions and control the electric power peak.

#### Busan Bank's Activities for Energy-Saving

Busan Bank saves goods and materials by taking stock of the general goods and returning any excess. To this end, the Bank holds “Environmental Maintenance Day” at each department/division/branch every month to improve the environment within the company, also “Clear Day” to clear out general and office goods. Through the energy and goods saving campaigns, the Bank successfully saved KRW 130 million on its total electric bills compared to 2016.

#### Kyongnam Bank's Energy-Saving Activities

Kyongnam Bank conducts a self-inspection for energy saving on the 15th of each month, and organizes “Clear Day” to clear out general goods on the 25th of each month. Records on savings at each department and branch are shared through e-documents on a monthly basis. Such efforts to save energy and goods led the Bank to save about KRW 266 million (6.9%) on electric bills and the general goods cost compared to the previous year.

### On-Site Energy-Saving Consultation

Busan Bank demands branches to maintain low energy usage in summer and that they submit a plan to reduce their electricity bill, and encourages them to conduct internal training. Branches selected to undergo this process three times or more per year may be subject to intensive management. Branch office employees are to receive regular on-site training and consulting to raise awareness of saving energy and sharing ways to save. It is recommended that employees maintain an appropriate indoor temperature to prevent the reckless usage of energy. They are also encouraged to turn off their electronic devices upon finishing their day so that energy- and goods-saving efforts can continue.

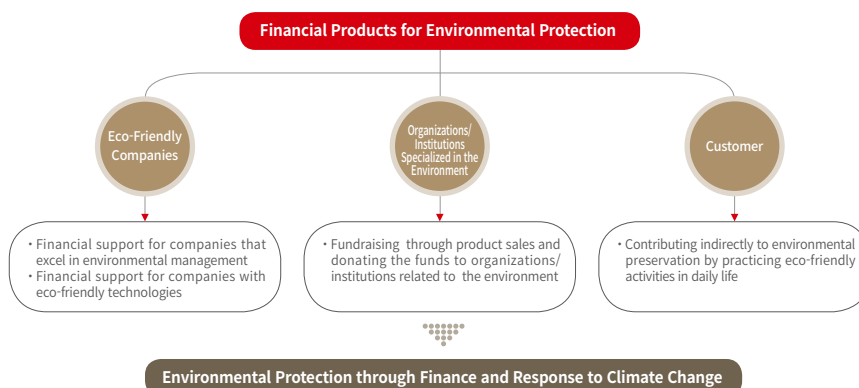
### Day-Based Car Usage System for Commuting

We encourage active participation of employees in the day-based car usage system for commuting in order to facilitate efforts to save energy and use more public transit (head branch: mandatory participation, branch offices: voluntary participation). Notably, we signed a contract with Busan City Government, the Transportation Corporation, and the Bus Operation Business Alliance to take part in reducing fine dust emissions and traffic volume, and taking public transportation and walking for commutes, thereby establishing a sound corporate culture.



## Eco-Friendly Financial Products

BNK Financial Group provides such benefits as financial support, lower interest rates, and premium banking charges to companies seeking to conduct eco-friendly projects and purchase eco-friendly equipment. When extending loans and investment for Project Financing (PF), Busan Bank seeks to generate business opportunities associated with the environment and climate change. Therefore, we make it mandatory to identify whether developers conduct the environmental impact assessment pursuant to the Environmental Impact Assessment Act, indirectly reflecting the results of the assessment on projects.



## Financial Support for Eco-Friendly Companies

BNK Financial Group works to discover SMEs that excel in environmental management and extend low interest funds to them, in partnership with the Korea Environmental Industry and Technology Institute. We also partially sponsor projects for SMEs which install energy-saving facilities. In addition, we contribute to the development of eco-friendly technologies by providing premium loan interest rates and eliminate banking charges for companies specialized in new and renewable energies, as well as companies with green certification.

### Walkable Galmaetgil Installment Savings

Busan Bank



**874** cases,  
KRW **782** million

Galmaetgil Installment Savings was launched as a product for the public interest by signing an MOU with Busan City Government to encourage people to walk more and promote Galmetgil, a trekking course. Premium interest rates are made available depending on the number of walking courses taken by customers.

### Dullegil Savings Account

Kyongnam Bank



**226** cases,  
KRW **410** million

A savings product with an additional rate on savings if customers walk along the Dullegil, a trekking course

### Financial Support for Eco-Friendly Companies

Busan Bank		Kyongnam Bank	
Loans for the Energy Usage Rationalization Fund*	<b>85</b> CASES, KRW <b>9.8</b> billion	Energy Usage Rationalization Fund	<b>113</b> CASES, KRW <b>11</b> billion
Recycling Industry Development Fund	<b>23</b> CASES, KRW <b>6.1</b> billion	Recycling Support Fund	<b>8</b> CASES, KRW <b>25</b> billion
Environmental Improvement and Development Fund	<b>17</b> CASES, KRW <b>3.6</b> billion	Environmental Improvement and Development Fund	<b>21</b> CASES, KRW <b>10.2</b> billion
Fund for Installing Natural Gas Supply Facilities	<b>5</b> CASES, KRW <b>4.5</b> billion	Fund for Installing Natural Gas	<b>2</b> CASES, KRW <b>0.6</b> billion



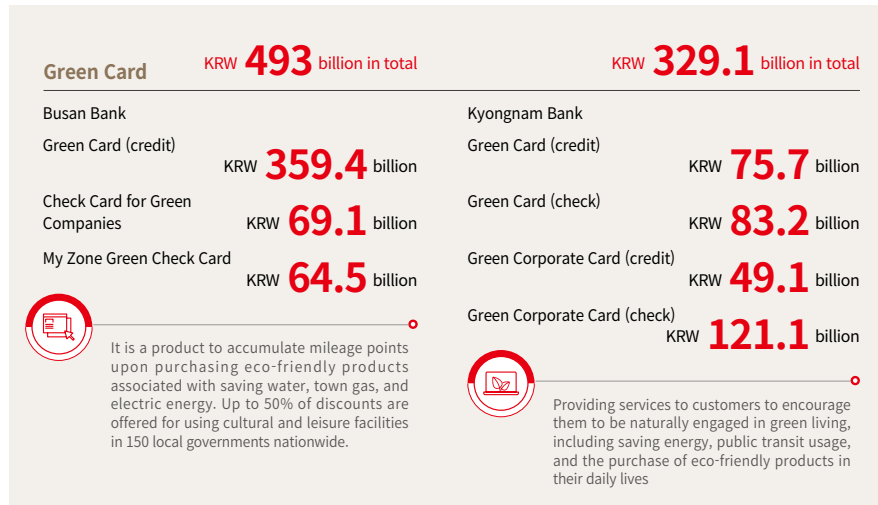
\* Partially sponsoring projects of SMEs installing energy saving facilities to save energy and reduce GHG emissions

## Supporting Environmental Organizations/Institutions

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

### Raising Environmental Awareness among Customers

We sell products providing benefits depending on customers' records of environmental activities, including energy saving. A representative product includes the Green Card, which supports people in their efforts to develop eco-friendly lifestyle. This helps to spread awareness about environmental preservation and climate change response, and induces behavioral changes in customers.



### BNK Capital: Striving to Expand the Spread of EVs

BNK Capital signed an agreement with Renault Samsung Motors for a project to support the “Busan Cheongchun (Youth) Dream Car” to ease difficulties caused by the youth job shortage and the labor shortage at SMEs in the region. It is a project to partially subsidize the monthly rental fees of EVs for newly employed youth and also to support SMEs in the industrial complex in the western part of Busan, which are suffering from a severe shortage of young labor. BNK Capital decided to collaborate on the project because it empathized with the need to disseminate EVs in Busan and stimulate youth job creation. The Company plans to continuously engage in expanding the EV market – the future of the auto industry – and contributing to public interest through active participation in the project.

### Providing “Green Card V2” for Eco-Friendly Lifestyles

BNK Financial Group provides ‘Green Card V2’ to accumulate mileage points to be usable in cash, once customers purchase eco-friendly products. The product has steadily raised the number of green consumers preferring eco-friendly products, and also citizens’ interest in such products. The card enables customers to accumulate maximum one percent of the amount they used in nationwide membership stores in ‘eco-money’ points, and maximum 25% can be accumulated even upon using the public transportation. Moreover, eco-money is accumulated for using online shopping malls and making automatic money transfer for paying telecommunication and utility bills. Furthermore, it induces customers to lead an eco-friendly lifestyle by offering diverse benefits including free admission or discounted tickets for using cultural and sporting facilities nationwide.

### Extending and Investing in Loans with Consideration of Environmental Risks

BNK Financial Group makes it a rule to review the results of the environmental impact and social impact assessments because it is a prerequisite to get permit and approval upon extending and investing PF-related loans. In order to get permit and approval for extending and investing in PF-related loans, the environmental impact assessment is mandatorily conducted when a developer is subject to the assessment prescribed by the Environmental Impact Assessment Act, and approval is to be gained from government agencies including the Ministry of Environment and Korea Forest Service. Although the assessment outcome is not directly reflected, verification of relevant approval is underway in an indirect manner. Meanwhile, Busan Bank strives to comply with the principles of responsible investment endorsed by the UN, PRI and UNEP FI, etc. The Bank reviews business feasibility based on the permit and approval (of the environmental impact assessment) as a part of the loan and investment process, and ensures to have a final review of the presence of approval prior to execution of a loan. Items reviewed in the assessment are indicated differently depending on the type of a project as prescribed in the Act. Moreover, the Bank collaborates with NGOs, community and experts upon developing investment and financial products.



# Ethical Management

## Ethical Management System

BNK Financial Group pours in efforts to practice genuine ethical management with employees putting the top priority on ethical values in order to leap higher as the “Global Best Regional Financial Group” based on the management motto. Notably, we systematically make sure that all affiliates could share the values for ethical management led by the Group. We comply with the code of conduct and principles for actions disclosed on the website, and initiate substantial ethical management by running diverse ethical management programs.

### Guideline for Practicing a Code of Ethics for BNK Employees



### Revising a Code of Ethics for Employees in the Group

BNK Financial Group revised ‘a code of ethics’ at the Group level to create a sound corporate culture and raise a sense of awareness on ethical management for all employees. It is expected to strengthen such provisions as eradication of inappropriate acts of hospitality and prohibition of gifting among employees, while avoiding drinking-focused gatherings, thereby creating a sound culture of get-togethers.

### Revised Provisions Under a Code of Ethics

Type	Revision
Article 13, Article 36 (Receipt of money and goods)	Expansion of the scope of prohibited acts to eradicate inappropriate acts of hospitality
Article 35 (Cross gifting among employees)	Prohibition of gifting among employees (banning the provision of goods in the name of traditional holiday gifting)
Article 28 (Improvement of the quality of life)	Formation of a sound culture for gatherings (avoiding liquor drinking-oriented gatherings)
Article 41 (Reprimands and sanctions)	Formation of applicable standards/specific applicable standards for reprimand and sanctions

### Action Principles of a Code of Ethics

BNK Financial Group includes roles and responsibilities of major stakeholders including customers, community, employees, competitors and partners in a code of ethics and principles of actions.

#### ‘Enhancing Responsibilities for Community Development’

BNK Financial Group contributes to regional development with diverse social contribution activities as well as cooperation with community as a specialized regional financial group in order to fulfill ‘responsibilities for community development.’ In addition, we comply with environmental statutory requirements applied to all areas of activities and international standards and practices for environmental protection. Environmental preservation should be considered a key element in establishing the group’s policies, standards and procedures, and efforts should be made to operate in an environmentally-friendly manner in all our activities.

#### ‘Enhancing Fair Trade with Competitors and Contractors’

BNK Financial Group strives to respect the economic order and to compete fairly with other financial companies according to the principles of free competition and capitalism, complying with fair trade-related laws. In addition, we pursue common ethical values by sharing the philosophy and content of our code of ethics with our contractors so as to build up mutual trust. Furthermore, we ensure that selection and trading with our contractors comply with our code of ethics, and all kinds of wrongdoing such as forcing them to use group services or purchase products with our authorities.

### Implementing the ‘System for Reporting Records of Virtual Currency Trading’

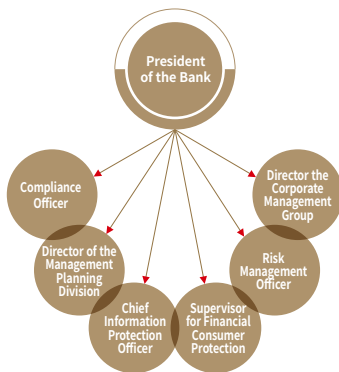
Kyongnam Bank implements the ‘System for Reporting Records of Virtual Currency Trading’ to prevent excessive investment of employees and raise a sense of urgency to them amid higher risks including induced speculation in virtual currencies. The Bank encourages employees to make voluntary reporting under their responsibilities, starting from December 2017, through which excessive virtual currency trading is prevented to raise a sense of urgency in reckless investment in assets through loans, etc.

## Complying with the Improper Solicitation and Graft Act

BNK Financial Group prohibits improper solicitation and the receipt of money, goods, etc. prescribed in the Improper Solicitation and Graft Act, in principle. If anyone receives money, goods or gifts unavoidably, he/she should return them immediately and submit the return report to his/her supervisor by way of his/her compliance staff. If return of the goods is not possible due to other reasons, he/she should submit the return report to his/her supervisor by way of his/her compliance staff after reporting to the compliance staff and the head of the department, and donate the received money or goods to a charitable cause. Also, once the receipt of money, goods or gifts has been reported, the relevant member of the compliance staff should record their receipt in the logbook for received money, goods and gifts.

## Enhancing the Internal Control System

BNK Financial Group formed the BNK Internal Control Council and strengthens the independence of compliance officers by raising their prestige and guaranteeing their tenure. Compliance officers are required to inspect whether or not internal control standards are complied with. Upon violating internal control standards, it is to be investigated and reported to the Audit Committee. Meanwhile, the BNK Internal Control Council is in action as a council of internal control officers in each affiliate and the Group in order to intensify internal control in affiliates. The council not only consults on institutional improvement and negotiation related to internal control but also conducts inspection including self-diagnosis and discovery of matters to be improved.



## Operating the Whistleblowing System

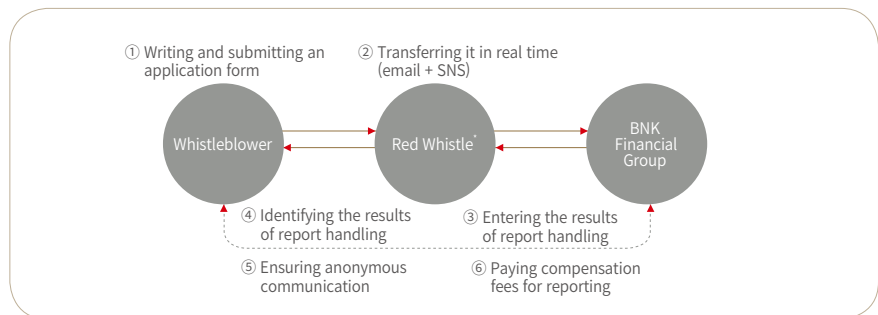
BNK Financial Group runs the Whistleblowing System for employees to whistle-blow cases of violation of a code of ethics and measures for actions to the Group's compliance officer. Recently, convenience in access has been raised by enabling them to use online and a mobile app. Anonymity is also tightly guaranteed. WE will further bolster ethical management by raising the use of the system through its promotion more broadly.

### Red Whistle



\* In Android-based smartphones, the 'BNK Help-Line' that is, the BNK-exclusive mobile app, can be logged in. In iPhones, Red Whistle app can be used to make direct reporting to a relevant affiliate.

### Reporting process via BNK Help-Line Whistleblower Reporting App



#### BNK Help-Line

BNK Financial Group shares Q&A cases on targets to be whistle-blown when employees log onto their PC on the first business day of each month in a pop-up window. Upon checking in the items for reporting, they are guided to a screen for reporting to 'BNK Help-Line', and once details to be reported are entered, they are automatically sent to the head of the Compliance Monitoring Department. The right to peruse what is reported only belongs to the person in charge, through which identity of whistleblowers is protected.



#### Introducing the BNK Help-Line Whistleblowing App

BNK Financial Group installed the 'BNK Help-Line', a whistleblowing system using a mobile app in 2017. The mobile app ensures a higher convenience for employees by adding diverse reporting channels including a mobile web and QR Code, and further intensified guaranteed anonymity of whistleblowers by adding such features as disallowing IP tracking of whistleblowers and encryption of what is reported, etc.

\* Conducted for 165 employees except for those in the headquarters of Changwon, the Western Region, Ulsan, the Eastern Region and Seoul in 2017

### Busan Bank's records of training on anti-money laundering

Type	Records
Online training on anti-money laundering	11 times
On-site training	100 branches offices
Producing videos and regularly airing IPTV	Mandatorily conducting video-based training for all employees
Reflecting on the job competency evaluation to raise training effects to prevent money laundering	Adding anti-money laundering to job evaluation
Acquisition of certificates from an outside specialized institution	Korean Banking Institute's key agents for preventing money laundering (specialist, basic) 245 people

### Organizing 'Compliance Officer Visits'

Kyongnam Bank provides training on ethical management and internal control to the branch heads of each sales division\* as the compliance officer visits them in their sales strategy meeting in each region. The Bank raises awareness of the importance of ethical management and internal control by establishing the compliance officer system, and vigorously reflects suggestions from branch offices to making institutional improvement.

### Strengthening Prevention of Money Laundering

BNK Financial Group checks the implementation status of internal control and money laundering prevention for overseas branch offices in compliance with Article 27 of the Business Regulation on Prevention of Money Laundering and the Prohibition of Terrorist Financing. Busan Bank, meanwhile, intensively conducted education and training for all employees to prevent acts of money laundering and prohibition of terrorist financing in compliance with Article 5-3 of the Certain Financial Information Act.

#### Inspection of the current status of internal control and prevention of money laundering in overseas branch offices

Branch title	Inspection period	Post-inspection plans
Qingdao Branch, China	Aug. 16 ~ 17, 2017	• Business regulations on anti-money laundering for Qingdao Branch is expected to be revised with the relevant system to be modified in accordance with revision of the Anti-Money Laundering Regulations of the People's Bank of China.
Ho Chi Min City Branch, Vietnam	Nov. 20 ~ 21, 2017	• An IT system is expected to be set up for efficient inspection of suspicious transactions

#### BNK Financial Group's seven taxation policies

1. Duly reporting on earnings (income) and complying with rules on tax payment
2. Disclosing financial records on taxation rationally and transparently
3. Protecting shareholder values
4. Managing taxation-related risks
5. Exploring specialists by fostering taxation-related human resources
6. Complying with the tax law and regulations of countries with BNK's overseas sites
7. Complying with laws on tax adjustment across countries

### BNK Financial Group's Taxation Strategies

BNK Financial Group duly pays various types of taxes including corporate tax, value added tax and local tax in accordance with the taxation procedure prescribed by the tax law. We evaluate perceived taxation risks, and establish and implement taxation policies on activities to manage relevant risks. The Group's tax paying policies consist of seven parts, defining tax-related risk types (tax risks and reputation risks), evaluating risk-specific levels, and categorizing into and managing three levels: basic, worse and severe stages. In addition, we efficiently manage taxation risks which might occur to us by routinely performing activities to prevent and manage taxation risks in both ex-ante and ex-post manners. Financial statements cover analysis of corporate tax cost of the past and current periods, corporate tax cost pursuant to the applicable tax rate, and specifics on other adjustments and deferred tax assets (debts). The amount of taxes paid on the cash flow table in 2017 include year-end balance of tax amount and interim estimated tax of paying a half the amount of the previous year. Therefore, despite a drop in the pre-tax income compared to the previous year, the amount of taxes paid are significantly reflected, showing a high percentage of the effective tax rate. And yet, such a difference does not mean a high taxation risk, and we report and pay the corporate tax in accordance with the taxation law.

Financial reporting	2016	2017	Average amount
Pre-tax income	688,403,972,643	557,749,944,428	
Amount of taxes paid	170,289,570,788	132,785,897,405	
Reported tax rate (%)	24.74%	23.81%	24.32%
Actual amount of taxes paid	150,272,200,631	183,908,836,309	
Effective tax rate (%)	21.83%	32.97%	26.82%



# Talent Management

## Human Rights Management of BNK Financial Group

BNK Financial Group endorses the 'UN Universal Declaration of Human Rights' and 'UN Guiding Principles on Business and Human Rights' of the United Nations Commission on Human Rights, and complies with national and regional labor laws in areas it conducts business.

## Human Rights Management Policy of BNK Financial Group

BNK Financial Group defines the roles and responsibilities of protecting human rights as one of the most fundamental principles of doing business. In order to respect and protect the human rights of not only all employees in the Group but also customers, partners, and community stakeholders, we practice the equal application of our human rights management policy.

1. We prevent unfair labor practices including forced labor and child labor, and comply with labor principles recommended by the International Labor Organization (ILO) for the health, safety, and working hours of employees.
2. We allow no wrongful discrimination on the basis of academic or regional ties, age, gender, race, or religion in personnel management, including recruitment, retention of employment, evaluation, promotion, and wage payment, and we respect diversity.
3. We conduct periodic training to prevent infringements of human rights for employees, and devote efforts to improve their awareness of human rights issues.
4. We conduct periodic investigations to evaluate the implementation of our human rights management policy, inspect and work to prevent cases of human rights infringement, and operate channels for reporting on human rights-related cases once they occur, as per a predefined manual.
5. Employees, customers, partners, and community stakeholders report human rights-related issues through related channels, and we take appropriate action lest similar cases should reoccur.
6. We strive to enhance the financial accessibility of the underprivileged in using financial products and services, and do not discriminate against customers for reasons of race, gender, age, or disability.
7. We take action to prevent possible infringements of human rights resulting from the leakage of customers' personal information, thoroughly manage personal information in doing business, and collect only the minimum amount of information required for financial activities.
8. We consider possible human rights infringement factors, including forced labor and child labor, when making investment decisions, including the provision of financial products and services such as project financing.

## Activities for Human Rights Protection at BNK Financial Group

### Protecting Rights of Stakeholders Through Self-Inspection

BNK Financial Group preemptively identifies human rights issues of stakeholders that might occur in implementing business operations, striving to manage risks of stakeholders with potential issues. Audits on personnel appointment are conducted in 264 sites of Busan Bank and 165 sites of Kyongnam Bank as well as in the Group. The current status of human rights violation issues that might occur in and outside the companies are identified.

Key issues on human rights	Activities for guaranteeing rights	Scope	Key activities	page
Guaranteeing rights of employees in the companies	<ul style="list-style-type: none"> <li>Forming an employee base without discrimination</li> <li>Handling grievances of employees</li> <li>Intensifying training to prevent sexual harassment</li> </ul>	100%	<ul style="list-style-type: none"> <li>Having 47% of all employees as women</li> <li>Handling 268 cases of grievances</li> <li>Distributed videos on prevention of sexual harassment (for all employees)</li> </ul>	55~57, 78
Guaranteeing human rights of customer counselors	<ul style="list-style-type: none"> <li>Providing human rights training for employees and counselors at bank counters</li> </ul>	100%	<ul style="list-style-type: none"> <li>Distributing a book on the 'Guideline for Responding to Consumers with Problematic Behaviors'</li> <li>Making a manual for responding to 'black consumers'</li> </ul>	26, 79
Being considerate of the socially vulnerable in community	<ul style="list-style-type: none"> <li>Expanding the recruitment of the socially under-represented</li> <li>Providing financial services in consideration of the socially vulnerable</li> </ul>	100%	<ul style="list-style-type: none"> <li>Improving the ratio of employing the disabled and patriots &amp; veterans</li> <li>Operating 'Customized Counters for Happy Finance' for the old-age population and the disabled</li> </ul>	24, 78~79
Guaranteeing customer rights	<ul style="list-style-type: none"> <li>Conducting preventive activities for protecting financial consumers</li> <li>Intensifying the efforts to collect customer feedback</li> </ul>	100%	<ul style="list-style-type: none"> <li>Records of preventing phone-based financial scams (476 cases, app. KRW 4 billion)</li> <li>Management of customer complaints registered (481 cases registered and responded to)</li> </ul>	27~29

### Non-Discriminatory Composition of Employees

As of the end of 2017, approximately 51% of all permanent employees of the Group are female and all employees are evaluated fairly according to a transparent process. BNK complies with the Labor Standards Act and the Equal Opportunities and Work-Family Balance Assistance Act and ensures that no employee - including men, women, and disabled persons - is discriminated against. In 2018, the number of female executives in the Group increased to three from one. The Group offers diverse welfare benefits to enable diversity in jobs, expansion in training and a work & life balance.



### Operating the Ombudsman Process

BNK Financial Group is running a counseling channel for personal grievances as part of its efforts to listen to its employees' problems and help them resolve them. Busan Bank conducts in-depth interviews on grievances registered in a procedure where problem-solving is led to making improvements. In 2017, a total of 187 grievances were handled through counseling: 66 cases through 'Healing Mind', 1 case through 'Meoshirago ("Cheonsa-Call")' and 161 cases through 'OneHR'. Kyongnam Bank runs a grievance handling unit for handling employees' grievances, striving to vigorously address them. In 2017, 71 cases of grievance were registered through the 'Labor Union 119' channel, and 37 were handled.

### Intensifying Training for Preventing Sexual Harassment

BNK Financial Group conducted practical preventive training against sexual harassment by inviting specialized instructors for executives and heads of departments and branches at the head branch to raise an awareness of employees against sexual harassment amid the 'Me Too' campaign which being socially spotlighted. In addition, a preventive training against sexual harassment for employees was produced (running time of 6 minutes, and aired four times) to train on the roles of counselors when such cases happen, and the reporting and handling procedures for such cases. Guidance was provided on laws on sexual harassment and procedures for grievance counseling and handling for victims, providing a trigger to change the mindset of employees.

### Expanding the Employment of the Socially Under-Represented

Busan Bank newly recruited two disabled people to provide a stable training environment for the disabled athletes in September 2017. To guarantee stable employment of non-regular employees, five of them were converted into regular ones in October 2017. In December,

### Ratio of the Socially Vulnerable

(Unit : %)

Type		2014	2015	2016	2017
Busan Bank	The Disabled	2.17	2.02	1.94	2.06
	Patriots and Veterans	5.71	5.6	5.34	5.49
Gyeongnam Bank	The Disabled	0.97	1.07	1.18	1.38
	Patriots and Veterans	3.22	3.4	3.70	3.63

\* Ratio of the socially underprivileged in 2017: 8.7% (including the disabled, veterans, patriots, foreigners and graduates of specialized high schools, etc.)

#### Black consumer response handling process

1<sup>st</sup> warning (consultant) – 2<sup>nd</sup> warning (consultant) – 3<sup>rd</sup> warning (consultant) converted into ARS – ARS announcement (information on legal process and follow-up actions to be taken) – follow-up actions (operation manager) – Complaint Handling Division

### Status of Re-Employment of Retirees at Busan Bank

(Unit : persons)

Type	2015	2016	2017
Internal Branch Audit	29	25	30
Branch Managers	10	16	20
Others	71	55	50
Total	110	96	100

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

(Unit : persons)

Type	2015	2016	2017
Internal Branch Audit	33	29	27
Branch Managers	13	15	7
Others	6	12	21
Total	52	56	55

2017, five disabled and patriots & veterans were specially recruited to be considerate of the underprivileged. Moreover, the Bank carries out activities to create jobs for the socially under-represented steadily to create jobs for youths and increase employment of the socially under-represented. The Bank employed eight people from specialized high schools for the banker positions, two from multicultural families, one patriot & veteran and one disabled person.

### Protecting Human Rights of Counselors at Customer Centers

In order to protect financial consumers, as well as the human rights of employees at bank counters handling face-to-face customer services at Busan Bank and Kyongnam Bank, we distribute a booklet of Guidelines to Respond to Consumers with Problematic Behaviors, published by the Korea Federation of Banks, to all branches, and incorporated a system for the protection of financial consumers lest cases of human rights violation occur. Notably, a letter of notification is sent to branches to provide training for all their employees. Additionally, a manual with measures for response has been made and distributed to prevent human rights violation of counselors at customer (call) centers. The manual aims to protect counselors from aggressive consumers who are insulting, sexually harass employees, and hamper others concentrating on their work. Customers are segmented for suitable counseling and response, including those that are insulting and verbally aggressive, and those that hamper counselors trying to do their jobs.

## Establishing a Culture for Fair and Equal Performance Management and Personnel Appointment

### Cooperative Labor-Management Relations

BNK has clearly written three key labor rights, namely the right to independent association, the right to collective bargaining, and the right to collective action, into its collective agreement and the operation rules of the Labor-Management Council. Busan Bank and Kyongnam Bank hold regular quarterly meetings with the labor union, which is operated by full-time staff. Busan Bank and Kyongnam Bank make sure that all of their PCs are automatically shut down when employees are to finish their work in order to help their employees maintain a healthy work-life balance. This practice is the result of labor-management cooperation. The banks, thus, are maintained as “certified family-friendly companies”. In 2017, the two banks won the Busan Mayoral Prize, which is the grand prize in the Work-Life Balance Competition for Outstanding Companies as they strive to establish a reliable labor-management culture.

### Management by Objectives (MBO)

BNK Financial Group established policy directions to evaluate performance in the long-term, while avoiding short-term performance in performance evaluations in order to manage the organizations in a stable manner. In the same vein, bank-wide campaigns, which used to be carried out to improve short-term performance during the period evaluation period, were reduced in volume so that branch offices could initiate their business based on their own plans. In addition, the HQ sets strategic tasks for objective management in consideration of characteristics by department, and key performance indicators of these tasks are reflected in evaluation.

### Providing Reasonable Compensation

In order to establish a truly performance-oriented corporate culture, BNK shares its profits with, and offers rewards and incentives to, its employees based on the results of the performance evaluation and the employees' contribution. Employees who achieve excellent performance in campaigns and promotions are recognized with rewards, incentives, and advantages in promotion to keep them motivated.

### Guaranteeing Favorable Economic Conditions for Retirees

We guarantee favorable post-retirement economic conditions by implementing a reemployment scheme for retirees. We strive to expand job openings by discovering new jobs using the operational know-how of retirees to increase the usefulness of employees. Kyongnam Bank formulated a guideline on the re-employment of retirees, thereby enhancing the work satisfaction of retirees based on fair and rational re-employment standards. There have been no dismissals following restructuring and organizational changes as of the end of 2017.

# Happy Financing, Practice Together

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

**BNK** Busan Bank

It is a native bank representing the Gyeongnam and Ulsan regions, which gives "Happiness to Customers and Hope to the Regions".

**BNK** Kyongnam Bank

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

**BNK** Securities

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

**BNK** Capital

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

**BNK** Credit Information

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

**BNK** Savings Bank

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

**BNK** Asset Management

It is a financial IT company offering financial IT services.

**BNK** System

# BNK Busan Bank



Busan Bank has made numerous efforts for digital transformation to consider a rapidly changing financial environment as opportunities for new growth, and to leap higher as an advanced bank that leads digital finance in the Fourth Industrial Revolution. In addition, the Bank implements customer-centered management by prioritizing customer values, believing that forming relationships with customers based on trust counts the most in order to achieve sustained growth. Busan Bank promises to become a financial institution that can deliver happiness to customers, employees, and all members of the community through diverse endeavors in management innovation and the initiation of social contribution activities.

President of Busan Bank Bin Daein

## Company Information

Date of Foundation	October 10, 1967
Shareholders' Equity	KRW 5.1734 trillion
Headquarters Address	30, Munhyeongeumyung-ro, Nam-gu, Busan Metropolitan City
Employees	3,273 persons
Homepage	<a href="http://www.busanbank.co.kr">www.busanbank.co.kr</a>

(As of December 31, 2017)

## Key Management Performance

### Strategic Tasks

### Core Activities

### Key Content

#### Substantial Balanced Growth

- Intensifying substantial management driven by soundness and continuously improving asset portfolios
- Maintaining profitmaking capabilities by raising non-interest income and improving the structure for interest income assets

While performing both early investigations as well as real-situation inspections against borrowers who are likely to form bad debt, and establishing a pre-inspection system for those who meet such criteria, we are also planning to continue profitability- and soundness-driven substantial management, primarily by continuously improving our asset portfolio through the vitalization of retail loans. At the same time, we focus on raising our profitmaking capabilities by diversifying our income sources through the expansion of non-interest areas such as IB, WM, and trust, improving the financing structure through higher deposits at counters and core deposits, and raising interest income assets through the expansion of SME loans.

#### Financial Digitalization and Comprehensive Financial Services

- Implementing renewal of customer-centered mobile banking
- Digitalizing branch offices by adopting new technologies for the Fourth Industrial Revolution
- Developing AI services
- Establishing a big data-based prediction model

The Bank strives to create optimized customer experiences, including shortening the product subscription and services process, by implementing a complete renewal of the mobile channel – the core non-face-to-face channel – amid accelerated innovation in the digital channels. In addition, the Bank will introduce a big data analytical system with machine learning and deep learning technologies as its core, and launch customized marketing in consideration of customer behaviors and patterns, as well as a 24/365 chat bot service. As such, the Bank will introduce infrastructure for launching innovative services through the incorporation of AI.

#### Better 50 Years Standing Alongside the Community

- Initiating productive and inclusive finance for small- and medium-sized enterprises and the financially underprivileged
- Implementing social contribution activities for a happy community by contributing to the revitalization of the regional economy through financial support aligned with regional growth strategies

The Bank is expected to give multifaceted support, including management consulting and equity investments, for the early normalization of local companies suffering from temporary management challenges due to the economic downturn by launching the Special Support Team for SMEs. In addition, the Bank continues to expand measures to save money and improve financial accessibility by exempting banking fees for ATMs for the financially underprivileged, providing preferential interest rates, and launching the Counter for Counseling on Debt Restructuring, while also extending customized loans for SMEs worth a total of KRW 2.1 trillion. The goal here is to vigorously push for inclusive products and inclusive finance. At the same time, the Bank is conducting a project titled Work & Life Culture in Busan throughout the year to provide high-quality cultural performances for a happy community and implementing social contribution activities to ease the safety blind spot in the region. As such, the Bank will further broaden its social contribution activities to ensure the engagement of residents, including the underprivileged, as well as that of the greater community.

#### Establishing a People-Centered Corporate Culture

- Making a decent workplace in pursuit of work-life happiness and balance

The Bank plans to make continued and diverse efforts to realize a genuine "Homepany" by providing experience-based programs on end engaging employees and their family, as well as facilitating the management of BNK in-house childcare centers, while steadily pushing for a work-life balance through normalized working hours for employees.

## Company Introduction

As the region's flagship financial institution, Busan Bank has been working together with the local community since its foundation in October 1967 to maintain vigor in the local economy. For the past half-century, the bank proudly withstood both the 1997 financial crisis and the 2008 global financial crisis and continued to lead the industry in profits even during periods of stalled growth and fierce competition. As a result of such steady growth for long periods of time, Busan Bank has become one of the nation's top regional banks with 264 branches, 3,273 employees, KRW 57.693 trillion in total assets (including trust accounts), and a net income of KRW 202.3 billion as of the end of 2017. While paying attention to securing new growth channels without being complacent about the current performance, the Bank has made consistent efforts to prepare for the future by intensifying its prestige as a leading bank in digitalization.

## Key Management Performance



'The Most Outstanding Institution in Microfinance and SME Support' designated by the Financial Supervisory Commission



Organizing the ceremony for the 50-year anniversary



Selected as a 'Great Place to Work in Asia' for four consecutive years

## Major Activities per Strategic Direction

Type

Key Activities



Customer Satisfaction Management

Busan Bank provides differentiated services for customer satisfaction management by delivering essential information for asset management for customers through the organization of the 2018 Economic Outlook Seminar and management of BNK Asset Management Doctors Team, and providing consultation, if necessary. In addition, the Bank implements points to be improved upon for customer services by appointing CS High Touch Leaders, and strengthens CS competencies internally through the CS certificate ranking and the CS Champion of the Month. At the same time, diverse phone-based financial scam patterns are analyzed and immediately monitored to prevent damage to customers in order to protect customers' assets from financial scams.



Value Creation Management

Busan Bank launched SUM Bank, a mobile bank combining finance, retail, and communication, for the first time in Korea, providing financial services centered on lifestyle and culture. In addition, the Bank started the "renewal of customer-centered mobile banking", which will completely revise the UI/UX, and adopted rapidly changing cutting-edge technologies, including big data analytical systems and a next-generation authentication service. Moreover, the Bank will open pilot branches with digitalization covering bio-authentication, digital queuing, and digital signage, while opening flagship branches to raise the brand value of Busan Bank, thereby carrying on the prestige as a leading bank that creates new value in a new era.



Win-Win Management

The Bank strives to fulfill its social responsibilities with financial education, support for culture and art, and charity work for the underprivileged and youth in the community. In addition, the Bank pays the way for win-win benefits by adopting broadly inclusive financial policies for the underprivileged, including the working class and young adults, while also providing opportunities for SMEs to make a higher jump through more intensive financial support.



Employee Happiness Management

The Bank guarantees a work-life balance to ensure free time at night for employees, and PCs are automatically turned off at 6:00 pm every day. In addition, the Bank creates a decent and sound work culture by continuously initiating the expansion of in-house childcare centers, and the introduction of experiential programs such as family programs and programs to promote a healthy body and mind. As a result, the Bank was honorably designated as a Best Work Place in Asia for four consecutive years.

# BNK Kyongnam Bank



BNK Kyongnam Bank places the highest value on the happiness of customers. All products and services will be redesigned to be customer-centered and customized financial services will be provided, thereby delivering the best value. In addition, the Bank will further expand genuine regional contribution projects and imbue the warmth of finance throughout the community. The Bank promises to provide convenient and optimized financial services to customers by fully adopting new digital technologies in order to become a digitally strong bank in the era of digitalization. The Bank will serve as a reliable regional partner as a representative regional bank with the unwavering love and trust of customers.

President of Kyongnam Bank Hwang Yunchol

## Company Information

Date of Foundation	April 18, 1970
Shareholders' Equity	KRW 3.1087 trillion
Headquarters Address	642, 3-15-daero, MasanHoewon-gu, Changwon-si, Gyeongsangnam-do
Employees	2,558 persons
Homepage	<a href="http://www.busanbank.co.kr">www.busanbank.co.kr</a>

(As of December 31, 2017)

## Key Management Performance

### Strategic Tasks

### Core Activities

### Key Content

#### Substantial Balanced Growth

- Balanced growth for SME loans and retail loans
- Focus on non-interest income
- NIM management at an appropriate level
- Preemptive risk management

The Bank will achieve a balanced growth in SME loans and retail loans by expanding financial support to local SMEs, and continue to improve a profit structure tilted to the interest income by intensifying its IB capabilities, aligned with the Group's CIB units and competencies in the fee business. Continuous efforts will be poured into implementing management tasks, including managing asset sounds and adequate NIM management, in order to bolster substantial balanced growth in the region despite economic challenges.

#### Responding to Financial Digitalization and Establishing Comprehensive Financial Services

- Selling products 24/7 throughout the year
- Accelerating digital transformation
- Strengthening competencies for providing one-stop comprehensive financial counseling service

The Bank seeks to accomplish prompt and convenient financial transactions by ensuring 24/7 transactions throughout the year through non-face-to-face channels, and to improve processes to broaden all financial transactions to such channels. Moreover, the Bank works to strengthen the competencies of its employees to break down the distinction and boundaries of business operations through encouraging broader cross-functions of staff who are in charge of deposits/loans and F/X. This will enable the Bank to achieve its goal of creating a one-stop shop for comprehensive financial counseling.

#### Better 50 Years Standing Alongside the Community

- Spearheading regional productive and inclusive finance
- Extending funds suited to changes in the ecosystem of the regional economy
- Serving as a genuine regional partner

The Bank expands a variety of projects to support struggling SMEs, and will spearhead regional productive finance through the timely supply of liquidity amid changes in the Environment, including industrial growth and maturity. Moreover, the Bank will put sharing into action for the underprivileged and expand local events that can be participated in by local residents and make them happy as a company that fulfils social responsibilities for the region.

#### Establishing a People-Oriented Corporate Culture

- Forming a sound corporate culture
- Striking a work-life balance
- Boosting the morale of employees by improving the vacationing culture
- Strengthening competencies to respond to future finance

The Bank is creating a new corporate culture in which employees can work better voluntarily through barrier-less communication and mutual praise and encouragement. In addition, the Bank will put into place sound and transparent practices by applying more stringent ethical yardsticks than is socially required in overall job functions, while vigorously initiating diverse projects to improve the health of employees.

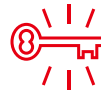
## Company Introduction

Kyongnam Bank has served as a reliable partner in regional finance thanks to the unwavering love and encouragement of customers and the community. At a time when digitalization has accelerated in all fields with the advent of the Fourth Industrial Revolution, the Bank works to strengthen diverse digital channels, including the To You Bank and the Tablet Branch, to promote convenience for customers through non-face-to-face channels. Moreover, the Bank does its utmost to touch customers the most by expanding customized financial services suited to customer needs and redesigning all products and services to be customer-centered. The Bank promises to make a better 50 years beyond the past 48 years that it has stood alongside regional customers.

## Key Management Performance



Ranked first in the Technology Finance Evaluation  
Ranked first in the results of the 119 Management Performance Evaluation for Entrepreneurs



Opened a branch in the metropolitan area for the first time in 21 years



Winning the Presidential Commendation in the 22<sup>nd</sup> Awards for Financial Support for Small- and Medium-Sized Startups

## Major Activities per Strategic Direction

Type

Key Activities



Customer Satisfaction Management

The Bank installed a system to enable Outdoor Sales (ODS) for employees to visit customers and doing consultations through an IT program in order to strengthen financial consumer-oriented business, and maximize customer satisfaction through the immediate handling of transactions. In January 2018, the Bank launched low-cost and high-efficiency mini branches in Changwon and Ulsan to broaden the 2030 customer base as well as to raise the satisfaction of customers in their 60s and 70s, thereby providing generation-specific differentiated financial services.



Value Creation Management

The Bank launched a task force to innovate the management system, whose job is to devise measures for innovation, including evaluation, compensation, personnel appointment, organizations, welfare schemes, and channels. This will enable the Bank to have a transparent corporate culture to prepare for the next 100 years of BNK from a new perspective. The Bank will accelerate digital transformation in all fields by strengthening digital channels, and adopting AI and broadening the utility of big data in asset management.



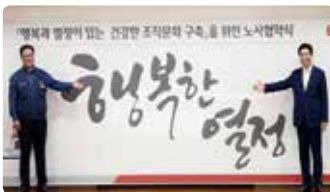
Win-Win Management

The Bank has created the Great People's Award and gives prizes to the qualified in order to praise local residents and organizations that have shown their devotion for their country, made sacrifices to realize social justice, and done good acts for others. The Bank also provides experience-based training and financial education courses by providing "moving banks" to areas lacking financial access, especially remote areas. The Bank runs the Microfinance Service Center on a weekly basis with South Gyeongsang Province for microfinance counseling. Seeking to help local traditional markets and the self-employed of a small scale, the Bank produces promotional videos. Employees receive a certain portion of their wage as gift cards for traditional markets, hinting at the Bank's diverse measures to reinvigorate traditional markets.



Employee Happiness Management

The labor and management formed a joint task force to implement "Four Themed Projects" for a work-life balance, covering happiness, passion, health, and the future. The Bank supports employees to realize a work-life balance in a sound corporate culture where they can be happily and passionately immersed in their work.



Labor-Management Agreement Ceremony



Walkathon with Citizens

# BNK Capital



BNK Capital makes numerous efforts to provide diverse and specialized financial services in the rapidly changing financial environment.

BNK Capital promises to endlessly raise customer satisfaction with transparent ethical management as a reliable company that leads the future financial market through development of new products, exploration of new business areas, and recruitment of top talent in preparation for the upcoming Fourth Industrial Revolution and the subsequent changes in the financial environment.

CEO of BNK Capital Lee Duho

## Company Information

Date of Foundation	July 15, 2010
Shareholders' Equity	KRW 610.3 billion
Headquarters Address	1 Saessak-ro, Busanjin-gu, Busan Metropolitan City
Employees	569 employees
Homepage	<a href="http://www.bnkcapital.co.kr">www.bnkcapital.co.kr</a>

(As of December 31, 2017)

## Key Management Performance

### Strategic Tasks

### Core Activities

### Key Content

#### Profit-Driven Substantial Management

- Facilitating the used car business, and diversifying and digitalizing ways of doing business
- Revitalizing the car rental business

As areas exclusive to financial institutions gradually vanish and competition becomes more intense, the Company is working to strengthen the used car sales and car rental businesses that generate higher profits in order to increase profitability. The Company shows its efforts by providing diverse financial services to strengthen profitability by entering into a major used car trading complex; establishing Dongwha Capital, a capital company specialized in second-hand car business; and providing the Company's rental products to the EV rental program implemented by Busan City Government. The Company will stand at the forefront of raising customer satisfaction by seeking for higher profits through substantial management and providing low-interest rate products.

#### Strengthening Digital Finance

- Revitalizing the online platform
- Strengthening direct finance

BNK Capital launched the Digital Business Department to strengthen the digital finance business, and plans to develop a digital platform not only for auto finance products, including the existing online platforms of SUM Car and Auto Moa, but also entire products. By doing so, the Company will provide convenient financial services using diverse types of content, while also providing online membership to provide convenient financial transactions and products for customers and offer tangible benefits.

#### Strengthening Dominance in the Overseas Market

- Exploring new overseas markets
- Seeking continued growth of the existing overseas subsidiaries

BNK Capital is the first capital firm to expand into three Southeast Asian countries in the overseas market. The Company will strengthen its prestige as a global financial company by maintaining its presence as a leading capital company through the extension of business funds, including additional investment in the existing overseas subsidiaries, reviewing advancement into the lease market in Myanmar, and proactively pushing new entry in Kazakhstan.

## Company Introduction

BNK Capital has come to manage 24 branch offices and three overseas subsidiaries since its launch in 2010. The Company provides not only auto finance covering passenger cars, commercial cars, imported brand cars, and rental cars, but also leases and installment payments, and rentals for medical devices, industrial machinery, and construction equipment. The Company also plans to endlessly implement innovation by exploring new projects and advancing to overseas markets, in addition to providing financial services, thereby putting the top priority on customer happiness, spearheading social contribution, and solidifying prestige as global premium capital company.

## Key Management Performance



**Stabilizing overseas subsidiaries**  
(achieving KRW 1.2 billion in the current net income combined for the three subsidiaries)



**Facilitating the business operations for car rental**  
(covering 5,035 units in 2017)



**Happy Finance**  
(covering KRW 42.3 billion including auto financing for livelihood purposes)

## Major Activities per Strategic Direction

Type

Key Activities



**Customer Satisfaction Management**

The Company protects financial consumers by complying with all relevant laws, including the protection of personal information and improving related institutions, and installed and operates the Consumer Protection Center to raise customer satisfaction. In addition, the Company strives to provide convenient financial services, while professionally responding to various consumer complaints by operating the Customer Satisfaction Center.



**Value Creation Management**

The Company seeks to diversify income sources by bolstering the financing business for used cars as a tenant in the used car trading complex, and expanding the car rental business. The Company strives to generate revenue through overseas market entry to Myanmar, Cambodia, and Laos in order to acquire future growth engines, avoiding the already saturated domestic capital market. Moreover, diverse and differentiated financial services are provided to customers through continued aligned business with affiliates in the Group.



Donating and volunteering in an elementary school



**Win-Win Management**

The Company runs a regional volunteer team which engages all employees, practicing love for the region through volunteer activities more than once a month. Notably, the Company spearheads implementing corporate social responsibilities in welfare centers, including a child welfare center, and environmental clean-ups in major places in the region. In addition, the Company stands at the forefront of providing essential financial services to citizens, including auto purchasing funds for livelihood purposes and the housing stability fund for the working class. To this end, the Company is proactively engaged in the government's initiative for inclusive finance and productive finance to further revitalize the economy, while also raising financial accessibility and providing opportunities for self-sufficiency for the financially underprivileged.



Offering donations to Cambodia



**Employee Happiness Management**

The Company manages welfare schemes covering education and medical fees, and sponsors in-house club activities for stronger welfare benefits for employees. All PCs are turned off at 7pm every weekday, thus enabling employees to spend their evenings with their family and improve their quality of life. Meanwhile, the Company strives to improve the work environment for employees by passionately engaging in a "campaign to make a decent workplace one wants to be a part of". Specifically, the Company is expanding support for education fees for preschoolers, runs a scheme that allows male employees forego wearing ties, and improves meeting culture.

# BNK Securities



BNK Securities pushes its efforts to acquire growth engines for the future to leap higher as a mid-size securities company by recently raising the amount of capital and expanding the business organization. The Company will continue to strive to become Korea's representative top-notch specialized financial investment company beyond Busan, Ulsan, and Gyeongnam through differentiated specialized strategies. In addition, BNK Securities promises to do its utmost to create greater happiness for customers and becoming the closest partner for customers in making successful investments.

CEO of BNK Securities CHO Kwangsik

## Company Information

Date of Foundation	June 2, 1997
Shareholders' Equity	KRW 210.2 billion
Headquarters Address	1 Saessak-ro, Busanjin-gu, Busan Metropolitan City
Employees	225 employees
Homepage	www.bnkfn.co.kr

(As of December 31, 2017)

## Key Management Performance

### Strategic Tasks

### Core Activities

### Key Content

#### Reaching Higher to become a Mid-Size Securities Company

- Raising capital by KRW 200 billion
- Bolstering organizational competencies

BNK Securities laid the foundation to grow further as a renowned mid-size securities company with equity capital of KRW 410 billion by raising capital by KRW 200 billion in March 2018. In addition, the Company intensified its business competencies through organizational an reshuffle by launching the Real Estate Finance Division, S&T Division, and WM Business Division, and the formation of the Risk Management Division headed by the CRO, thereby strengthening the risk management system.

#### Strengthening the Core Businesses

- Intensively Fostering the IB Business

The Company is proactively engaging in business by recruiting top talent under a goal to become the industry's top performer in underwriting short-term finance, including CP and asset-backed short-term bonds and loan-specified financial bonds. Having launched the Real Estate Financial Division, the Company can now offer higher quality real estate financial products. Moreover, stable profit bases will be come about by intensively nurturing the entire IB business, including structured finance and alternative investments.

#### New Income Sources

- Initiating new projects to acquire new income
- Registering as a new tech business
- Establishing a PEF and introducing the stock loan service
- Registering as an investment advisory business

The Company has completed its registration of the new tech business in the financial industry in March 2018, allowing it to acquire new revenue sources, and is currently reviewing financial support for promising new tech entrepreneurs related to the Fourth Industrial Revolution. The Company is also pushing to establish a PEF on the aerospace and machinery industry. Preparation is underway, meanwhile, to introduce the stock loan service for assets under credit exposure and registration of investment advisory business to conduct financial advisory operations.

#### Maximizing Cross-Affiliate Synergy

- Intensifying IB synergy in the Group
- Strengthening the function to supply products to BNK Financial Group's business channels

We implemented a new set of KPIs that reflect IB performance, as well as the Double Counting system in order to help strengthen IB-related synergy among affiliates. We opened the Busan CIB Center in December 2017 and the Seoul CIB Center in January 2018, conducting joint discovery and business for IB customers. In addition, we launched the WM Business Support Division within the Group to supervise and manage the WM business departments in each affiliate. By doing so, we plan to provide more differentiated asset management services to customers by developing professional asset distribution services and product development by leveraging expertise in each field.

## Company Introduction

Funded solely by the BNK Financial Group, BNK Securities was established in June 1997 as the group's futures trading arm. Since then, it has grown over the last 20 years into a flagship financial investment company for Busan, Ulsan, and Gyeongnam. The Company mainly flourished in 2009 after venturing into the securities business and expanding its business territory to include investment banking and asset management. Recently, the Company laid the foundation for further growth in order to leap higher as a mid-sized securities company through capital increase and expansion of business organizations. To this end, BNK Securities has set its mid- to long-term strategy as follows: establishing the groundwork for sustainable growth; expanding market power; maximizing synergy between affiliates; and pursuing product specialization and differentiation. As the year 2020 draws near, we promise to do our best to live up to our reputation as the leading financial investment company of Busan, Ulsan, and Gyeongnam.

## Key Management Performance



Achieving equity capital of KRW 410 billion by raising capital worth KRW 200 billion (March 2018)



Revising the CP credit rating from A2 to A2+ (stronger requirements for equity capital through capital increase)



Achieving the 8<sup>th</sup> in rank in the bond underwriting volume in the capital market of the first quarter of 2018

## Major Activities per Strategic Direction

Type

Key Activities



Customer Satisfaction Management

BNK Securities organized events to reduce the transaction cost for customers through eliminating banking fees for stock trading and lowering the credit exposure interest rate for bank-aligned new accounts in November 2017. In addition, the Company does its utmost at all times to practice love for customers and satisfy them by providing regular employee CS training, running programs to monitor response to customers, and organizing events to express gratitude to customers.



Value Creation Management

BNK Securities opened the Seoul CIB Center in January 2018, following the Busan CIB Center in December 2017, thereby establishing a close collaborative system with the corporate finance departments in Busan Bank, Kyongnam Bank, and BNK Capital to gain differentiated competitiveness in IB within the market. Moreover, the Company actively implements financial support for promising new tech entrepreneurs related to the Fourth Industrial Revolution, having recently advanced into new tech business in the financial industry.



Regular mountain climbing activities for employees



Win-Win Management

The Company provides financing by issuing corporate bonds to local companies in Busan, Ulsan, and Gyeongnam, issuing new shares for capital increases, and offering acceptance credit. It also participates in social contribution activities every month in order to give back to the local community and promote win-win management by volunteering at senior welfare centers and nursing homes, for example. For win-win management with regional traditional markets, the Company strives to contribute to their stronger vitality by providing a certain portion of monthly wages for employees as gift cards for traditional markets.



Volunteering in welfare centers for the elderly



Employee Happiness Management

The Company offers various employee welfare and benefit programs such as Culture Day, group accident insurance, medical fee reimbursement, and in-house club activities. In order to boost employee morale, we also hand out gifts on special anniversaries and host birthday parties with the CEO in attendance. The Company also implemented a system to establish a culture that enables employees to leave work on time through the PC turn-off system at a designated time and a work immersion system.

# BNK Savings Bank



BNK Savings Bank will establish itself as Korea's representative savings bank by duly achieving "BNK Financial Group's Mid- and Long-Term Vision" through endless changes and innovation under BNK's management slogan of "Happy Finance Giving Hopes" and implementing dynamic customer satisfaction management, employee satisfaction management, and compliance- and principle-based management.

CEO of BNK Savings Bank Seong Myunghwan

## Company Information

Date of Foundation	January 10, 2012
Shareholders' Equity	KRW 127.5 billion
Headquarters Address	92, Beomil-ro, Dong-gu, Busan Metropolitan City
Employees	109 employees
Homepage	<a href="http://www.bnksb.com">www.bnksb.com</a>

(As of December 31, 2017)

## Key Management Performance

### Strategic Tasks

### Core Activities

### Key Content

#### Continuously initiating substantial management focusing on profitability and soundness

- Stably generating income by improving the loan asset structure
- Strengthening support for micro-loans by continuously expanding products for policy financing for the working class

The Company seeks higher quality in the asset structure by distributing the amount of loans for each customer through the expansion of support for retail companies, and implements higher customer convenience by simplifying the business process and facilitating non-face-to-face channels.

#### Maximizing Cross-Affiliate Synergy

- Strengthening continued communication with branches of affiliated banks
- Launching branches in Changwon

The Company continues to conduct on-site consulting services to working-level staff in affiliated banks, while making prompt decisions to maximize cross-affiliate synergy. The Company established a stable business basis to acquire aligned customers by leveraging the branch network of Kyongnam Bank and opening on-site mobile branches specialized in loans in Changwon which can serve as hubs to do business in the western part of Gyeongnam.

#### Operating Risk Management for Substantial Management Support

- Managing liquidity risks for imbalances in asset and debt maturities
- Managing the expanded scope of the internal capital ceiling

The Company is expanding the scope of measurement through reducing the asset-debt gap by improving the maturity structure for deposits, and additionally incorporating imposition of ceilings on existing credit, market and interest rate risks, and management of internal ceilings confined to specifics into credit concentration risks.

#### Improving Management Efficiency

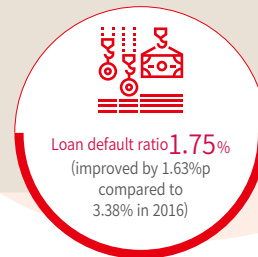
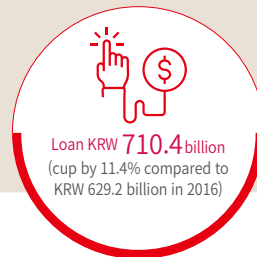
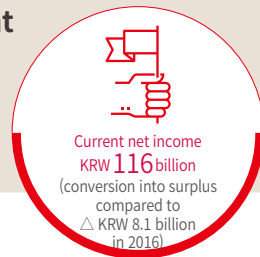
- Devising and implementing measures to improve efficiency in branch management
- Upgrading employees' job competencies and establishing a culture for training

BNK Savings Bank strives to nurture talented employees suited for working-level positions by strengthening their individual competencies and introducing a parallel work-study program through planning for annual training programs, while reducing the cost of leasing with the relocation of the head branch and raising business stability through long-term leases.

## Company Introduction

Since its foundation on December 13, 2011 with paid-in capital of KRW 115 billion, BNK Savings Bank has rapidly achieved a steady growth of its assets on the basis of sound substantial management. Operating out of three branches in Busan, one in Gyeongnam, and four in Seoul, we offer only the best services to our clients by not only hiring and fostering competent finance experts, but also by developing distinguished products based on our customers' needs. As part of our efforts to innovate management style and business practices of conventional savings banks and to devise a new savings bank business model, we have incorporated Busan Bank's community-oriented operations and advanced risk management know-how to reflect the current scene of the industry. As a result, BNK Savings Bank has become a high-yield savings bank with 102 employees, a BIS capital adequacy rate of 14.20%, and total assets of KRW 849.8 billion (as of December 2017).

## Key Management Performance



## Major Activities per Strategic Direction

Type	Key Activities
<p>Customer Satisfaction Management</p>	<p>The Bank protects customer information by strengthening the IT security system and applying the network separating system between the business network and that of Internet for employees' PCs as ever-more-intelligent threats against personal information and e-finance have become more common.</p>
<p>Value Creation Management</p>	<p>The Bank realizes the creation of economic value by constructing profitable assets through the handling of corporate loans oriented to high-yield collaterals and developing diverse microcredit loan products, thereby expanding microfinance.</p>
<p>Win-Win Management</p>	<p>The Bank is broadening the scope of mutual benefits with the community by extending stable funds to the potentially marginalized self-employed in the financial sector and providing opportunities to convert high-interest rate loans into low-interest rate ones for the working class. The Bank also strives to fulfill corporate social responsibilities through regular social contribution activities on a monthly basis.</p>
<p>Employee Happiness Management</p>	<p>The Bank is committed to boosting employee morale and productivity by improving the available range of perks and benefits, such as holding Family Day, funding resort trips and subsidizing medical expenses. In addition, we have allocated more resources to employee training in the form of various workshops and financial license opportunities.</p>



Relocating the head branch of BNK Savings Bank



Conducting environmental clean-up activities

# BNK Asset Management



The asset management business consists of the top-notch specialists in the financial industry and the nature of a successful asset management company is found in “a company that brings in people”. We hope to foster BNK Asset Management into a company where top-notch talent is gathered by providing the highest incentives in the industry. By doing so, we will do our best to become “the asset management company that is most trusted by customers”, one of our corporate visions, as well as “a company customers are looking for” while generating the best performance.

CEO of BNK Asset Management Lee Yunhak

## Company Information

Date of Foundation	July 15, 2008
Shareholders' Equity	KRW 40.9 billion
Headquarters Address	24, Gukjegeumyung-ro 2-gil, Yeongdeungpo-gu, Seoul, Republic of Korea
Employees	35 employees
Homepage	<a href="http://www.bnkasset.co.kr">www.bnkasset.co.kr</a>

(As of December 31, 2017)

## Key Management Performance

### Strategic Tasks

### Core Activities

### Key Content

#### Raising Product Competitiveness

- Improving management competencies
- Diversifying product portfolios

BNK Asset Management is growing into the top-tier specialist collective by attracting top talent through realigned processes and performance-based compensation systems and strengthening competencies of the existing personnel. In addition, the Company raises profitability through entry into hedge funds, alternative investment product markets, and global investment product markets, and avoids monotonous product portfolios, thereby lowering market volatility and evolving into a steadily growing company.

#### Strengthening Synergy of the Group

- Strengthening the functions for supplying products
- Implementing shared growth with WM in the Group

The Company flexibly supplies customized products suited to customer needs as well as public equity funds, allocates marketing personnel in each region of their relevance, and strengthens training and support for products. As such, more focus is on services for regional channels which used to be relatively ignored compared to metropolitan areas.

#### Market Status

- Strengthening marketing in the wholesale market
- Nurturing representative funds

The institutional investor market, which takes up 90% of the asset management market, is a core area for quantitative growth. As such, the Company seeks to raise competencies for wholesale marketing and intensively target the institutional investor market, including the National Pension Service, which could serve as a basis for quantitative growth. Moreover, plans are underway to intensively foster representative funds to magnify the Company's external presence in the market.

#### Efficiency of Capital

- Strengthening product competitiveness through early product settlement and accountable management
- Securing profitability and capital efficiency

Efforts will be devoted to raising profitability and bolstering corporate competitiveness by leveraging the increased capital. Expansion of initial investments in the Company's proprietary assets for newly developed funds could be of great significance to secure stability in initial asset management. The Company's accountable management will be focused on the marketing aspect, which will significantly contribute to stronger mid- and long-term product competitiveness.

## Company Introduction

BNK Asset Management established the foundation for a new leap forward through the Group's proactive investment, given the importance of product management. Internally, Lee Yunhak, a asset management specialist, was newly appointed as the CEO, while reshuffling the Management Division, and newly jumping into the hedge fund and alternative investment markets, thus enhancing responsiveness to market changes. Financially, the Company acquired full external equity, completing its incorporation into BNK Financial Group as a 100%-owned affiliate, and was able to improve management stability with a capital injection of KRW 30 billion. BNK Asset Management will make continued efforts to become the most trusted asset management company, while also developing diversified and differentiated products through proactive responses to the market and expanding the customer base through stable management performance.

## Key Management Performance



Advancing into the Korean-type hedge fund market (set at two months and KRW 43 billion)



Strengthening the lineup by launching public equity-type stock funds (set at two months and KRW 36 billion)



Growing 100% in stock-type deposits from the previous year (management fee up by 120%)

## Major Activities per Strategic Direction

Type

Key Activities



Customer Satisfaction Management

The Company not only achieves excellent operating performance by selling financial products based on a multidimensional risk management system, but also manages them transparently and ethically by protecting customer assets and abiding by the duty of care. Consequently, the Company raises reliability and transparency in asset management for customers.



Value Creation Management

The Company provides diverse financial products with the basis of regional institutions and corporate customers by establishing an organic cooperative system with affiliates as a new member of the group.



Win-Win Management

The Company develops alternative investment products which are regionally aligned, with the intention of contributing to revitalizing the local economy, by promoting investment in local SMEs and medium-sized enterprises. It contributes to win-win development with the community by proactively engaging in social contribution programs jointly organized by the Group.



Employee Happiness Management

The Company makes steadfast efforts to form a healthy corporate culture based on mutual communication through the Labor-Management Council and the dynamic participation of employees. Specifically, it partially or fully sponsors medical expenses and health check-ups, subscribes employees to collective accident insurance, and encourages them to take part in in-house club activities.



Workshop with employee participation



Monthly "Happy Sharing" mountain climbing activity

# BNK Credit Information



BNK Credit Information seeks to provide high-quality debt management and credit investigation services to establish an advanced and sound credit culture. In addition, the Company fulfills its responsibilities for the community by continuously engaging in activities of hope sharing and environmental clean-up. BNK Credit Information promises to do its utmost as a reliable financial partner that empowers customers and a partner for credit recovery by spearheading the future market based on principle-based and ethical management.

CEO of BNK Credit Information Hong Sungpyo

## Company Information

Date of Foundation	June 17, 2003
Shareholders' Equity	KRW 8.9 billion
Headquarters Address	92, Beomil-ro, Dong-gu, Busan Metropolitan City
Employees	29 employees
Homepage	<a href="http://www.bnkci.co.kr">www.bnkci.co.kr</a>

(As of December 31, 2017)

## Key Management Performance

### Strategic Tasks

### Core Activities

### Key Content

#### Expanding External Business Capabilities

- Expanding order placement of debt from public financial institutions and private and commercial holders

The Company signed a consignment agreement on debt collection with Gyeongnam Credit Guarantee Foundation, a public financial institution, and is pushing for the exploration and expansion of operations to handle overseas non-performing loans through a consignment agreement for overseas debt collection.

#### Expanding Operations which Generate Synergy with Affiliates

- Strengthening business, private, and commercial debt referrals
- Expanding new cross-affiliate projects

The Company is expanding its income sources through the referral of private and commercial non-performing loans of corporate clients of the two banks, and is also strengthening cross-affiliate synergy by expanding outsourcing operations in the Group.

#### Maximizing Debt Collection Competency

- Selectively managing high-amount debts
- Nurturing specialized talents and establishing a manual for debt recovery

Selective management is systematically performed for long-term fixed high-amount debts, and a relevant manual is continuously updated on outstanding cases on collection. Further, we routinely conduct intensive training to nurture specialized talent through license acquisition.

#### Bolstering Operational Risk Control

- Practicing principle-based and ethical management

The Company strives to strengthen efforts for legal compliance of the Fair Collection Act and other regulations and internal control, thereby ensuring employees' legal compliance and zero complaints from customers.

## Company Introduction

Established solely via investments by the BNK Financial Group, BNK Credit Information is a specialized credit information company authorized to perform the duties of debt collection and credit investigation services, and has risen higher as a regional credit information company to represent Busan, Ulsan and Gyeongnam. Under the management slogan of “lenient debt collection, reliable credit management”, the Company practices principle-based and ethical management, doing its utmost to glow alongside the community. The Company will do its utmost to bring about a credit-driven society and happy finance in order to ensure the effective credit recovery of customers and a sound order for credit.

## Key Management Performance



Revenues and current net income up by KRW 5.52 million (12.6%) and KRW 1.76 million (25.6%), respectively, from the previous year



Accepting a delegation of 608 cases of debt collection worth KRW 5.6 billion (signed a consignment agreement on debt collection with Gyeongnam Credit Guarantee Foundation)



Expanding the areas of business by signing a consignment agreement on overseas debt collection (Bluestone Recoveries)

## Major Activities per Strategic Direction

Type

Key Activities



Customer Satisfaction Management

A free consulting program on credit recovery is in operation through a credit information company. Upon sending and receiving phone calls on debt collection, better guidance is offered for the sake of customer convenience by providing consistent and standardized explanations. In addition, support for the financially underprivileged has been bolstered, including debt suspension and reduction in default interests for low-income debtors, such as citizens who receive basic livelihood security allowances or recipients of earned income tax credit.



Value Creation Management

Revenue is generated from debt collection, credit investigations, and agency services for documentation on formal complaints, and the areas of business has been expanded through signing of a consignment agreement on overseas debt collection. The Company provides top-notch services to customers through stronger synergy among affiliates.



Volunteering at Jaseongdae



Win-Win Management

Charity events for sharing hope are conducted for the socially challenged in community. Boxes for hope-sharing consisting of daily essentials and ancestral ritual equipment are delivered to financially struggling indebted customers on the New Year's and Chuseok (Korean Thanksgiving) holidays to help the Company grow alongside community.



Happy Hope Sharing Event for New Year's Day



Employee Happiness Management

The Company strives to raise the quality of life for employees by improving the vacationing culture for employees; creating a culture for managing the health of employees through walkathon campaigns and anti-smoking funds; and encouraging book-reading. In addition, the Company devotes efforts to better welfare and health benefits for employees, including support for medical fees such as health check-ups; payment of transportation and clothing fees; subscription to workers' compensation insurance; scholarships for children; and cash gifts for family events.

# BNK System



BNK System, as the Group's affiliate specialized in IT, has provided stable and differentiated financial IT services, achieving continued growth alongside the Group. The Company will strive for further development as a core IT affiliate of BNK Financial Group without being complacent about the past performances, leveraging the rapidly changing financial IT environment as an opportunity.

CEO of BNK System Park Yanggi

## Company Information

Date of Foundation	May 20, 2011
Shareholders' Equity	KRW 7.1 billion
Headquarters Address	13, Gwangbokjungang-ro, Jung-gu, Busan Metropolitan City
Employees	171 employees
Homepage	<a href="http://www.bnksys.co.kr">www.bnksys.co.kr</a>

(As of December 31, 2017)

## Key Management Performance

### Strategic Tasks

### Core Activities

### Key Content

#### Expanding the Role of BNK Growth Engines for New Financial Technologies

- Vigorously engaging in new financial technology within the Group
- Researching new technology and exploring new projects

The Company pushes for the expansion of engagement in BNK's new tech projects in order to proactively respond to new financial IT trends related to the Fourth Industrial Revolution. Continued efforts are poured in to generating new income and diversifying income channels by exploring new projects. To this end, new technology & project-exclusive business units are being formed, leveraging the outcomes of existing projects.

#### Providing High-Quality Services by Improving Proprietary Solutions

- Diversifying products for BNK IN-BANK CMS (BIC) solutions
- Standardizing the development framework in the Group

Seeking to acquire a new customer bracket for BIC solutions, products are segmented per customer scale and specialized products are explored through solutions that can be aligned. The Company strives to reduce installation costs by applying the Group's standards to the proprietary developed framework and enhance efficiency in its maintenance.

#### Increasing IT Synergy in the Group by Strengthening Integrated Purchasing Competencies

- Nurturing specialized personnel to raise purchasing competencies and improving the purchasing operation
- Inducing transparent and fair competition by exploring partners and expanding engagement

The Company continues to nurture of specialized procurement personnel and improve work processes in order to strengthen its specialty in integrated purchasing and enable efficient job operation. Various channels are used to explore outstanding IT companies in the region and they are encouraged to engage in integrated purchasing. As such, the Company puts in its utmost efforts into realizing fair competition, reducing purchasing costs, and raising the quality of goods to be purchased.

#### Customized Staff Training System and Theme-Specific New Technology Training

- Establishing a NCS-based training system for systematic customized training for all employees
- Providing theme-specific new IT training to respond to the Fourth Industrial Revolution

Theme-specific training on core IT is provided to nurture specialized personnel, as a response to changes in the paradigm in the financial industry, while providing segmented customized training based on the National Competency Standards (NCS) as systematic specialist training for all employees.

## Company Introduction

As an IT professional affiliate of the BNK Financial Group, BNK System has contributed to the creation of synergy among affiliates by expanding the scope of its business through computer equipment maintenance, system integration, and IT integration purchasing, starting with the operation of affiliated companies' business systems. The Company is consistently strengthening its competencies in the field of smart finance to actively respond to the rapidly changing financial IT environment. Additionally, it strives to become an IT company that grows with the local community by locating and collaborating with top local IT companies, creating jobs through the hiring of local talented people, and operating a support program for the underprivileged class.

## Key Management Performance



Selected as one of Busan's High-Employment Companies (valid for three years from 2016 to 2018)



Leveraging internally developed solutions (BIC) to attract customers in bank affiliates within the Group



Establishing a NCS-based training system

## Major Activities per Strategic Direction

Type

Key Activities



Customer Satisfaction Management

The Company aims to enhance the quality of services and productivity by implementing a group-wide electronic system that standardizes the delivery of services. Moreover, it has been collecting feedback at the conclusion of each project to improve further and modify products based on clients' needs.



Value Creation Management

Through the purchase of its IT affiliate, the Company has achieved business efficiency by consolidating the purchase of IT resources, thereby jointly setting up business systems, signing an integrated maintenance agreement for same-day items, and saving money through the joint purchase of IT office goods, including PCs. The Company has secured a basis for stable business operations by developing customized software solutions in-house.



Win-Win Management

The Company is committed to finding and working with local IT companies when conducting IT business within the Group, thereby facilitating higher sales and competitiveness for local companies. Furthermore, by hosting IT seminars, the Company aims to share knowledge on the latest IT trends with local IT firms and service providers.



Employee Happiness Management

In addition to operating numerous welfare programs to increase employee satisfaction, it is committed to implementing focused development programs on IT services, finance, culture, and leadership to promote lifelong career development and help employees achieve their personal goals.



Donating IT talents IT



Volunteering in environmental clean-ups



## BNK Affiliates: Engaged in Representative Social Contributions to Reflect the Nature of their Business

Affiliates of BNK Financial Group are passionately engaged in social contribution activities for community development and neighborly love. In addition, their major activities are reported on the social contribution activity report, which can be found on the website of the Korea Federation of Banks. Efforts will continue on to spread the culture of sharing by passionately engaging in support for the underprivileged in the region.



### BNK Capital: Implementing Global Social Contribution Activities

BNK Capital strives to rise higher as a trustworthy and reliable company by engaging in social contributions from the very beginning through visits to welfare facilities and outreach to flood victims

### BNK Securities: Conducting Love-Driven Social Contribution Activities

BNK visits welfare facilities for the elderly, nursing homes, and orphanages, every month in order to, for example, help look after senior citizens suffering from Alzheimer's disease and do laundry and cleaning for them. The Company participates in various planned projects such as holiday giveaways, fundraisers for needy neighbors, and kimchi sharing with the community.



### BNK System: Engaged in IT Talent Donation

As part of efforts to improve the IT training environment for the information have-nots, BNK System continues to conduct a monthly IT sharing event at the BNK Happy Study Room, as well as social welfare centers and childcare centers across Busan, Ulsan, and Gyeongnam, during which the Company provides free IT device inspections and repairs. Furthermore, employees periodically engage in voluntary environmental cleanup of public areas and help fulfill various corporate social responsibilities.



### BNK Savings Bank: One-Company One-School Program for Financial Education

BNK Savings Bank held a signing ceremony for the One-Company, One-School Financial Education program to provide education for students in elementary, middle, and high schools near its head branch and branch offices after signing sisterhood agreements. The Bank works to raise students' understanding of financial and economic knowledge in easier and more interesting ways through on-site and experiential education, while providing diverse programs to help them develop proper economic mindsets.

### BNK Credit Information: Special Bond Debt Reduction Campaign

In partnership with Kyongnam Bank, BNK Credit Information has been providing special debt relief to those who are recipients of social services, including basic livelihood recipients, persons with disabilities, patriots and veterans, the elderly aged 65 and older, and child breadwinners. In 2017, the Company helped 415 individuals restore their credit with the regular and ad-hoc debt relief programs. As such, the Company strives to ease the debt burden for regional debtors who are financially underprivileged and help be engaged in ordinary economic activities.

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# Management's Discussion and Analysis

## 1. Outline

The global economy witnessed higher volatility in 2017 despite the global economic turnaround, due to higher interest rates and stronger protectionism in the U.S., hinting at greater uncertainties in the domestic economy of Korea, including higher household debts and stronger geopolitical risks. Notably, BNK Financial Group, with a focused business presence in Busan, Ulsan, and Gyeongnam underwent a challenging year because of the sluggish local economy and higher unemployment, especially in the shipbuilding, shipping, and auto industries. One of the key factors for somewhat lower performance in 2017 was a significant rise in loan-loss provisions under the Group's preemptive efforts for sound management for potentially insolvent companies as well as higher insolvencies.

In addition, former CEO Seong Sehwan of BNK Financial Group and others were charged with allegedly violating the Capital Market Act (alleged stock price manipulation) at the time of the second paid-in capital increase. This led to higher anxiety in the market over BNK due to lower reliability both in and outside BNK and a vacuum in the management. And yet, we newly realigned the corporate structure and laid the cornerstone for a balanced business line between the banking-non-banking sectors through organizational and personnel convergence, which will help us perform better in 2018.

At the end of the year, the Group's total assets increased from KRW 107.4172 trillion, up KRW 1.593 trillion from the previous year. Net income dropped KRW 98.5 billion to KRW 403.1 billion ( $\triangle 19.6\%$ ) from last year (based on the equity of controlling shareholders). As a result, ROE as a profitability indicator reached 5.77%, and ROA stood at 0.45%, with the NPL ratio as an indicator of asset soundness pegged at 1.32% and the ratio of loans in arrears at 0.73%.

Performance of key affiliates of BNK is as follows:

The net income of Busan Bank reached KRW 203.2 billion, down KRW 123.7 billion from the previous year, and that of Kyongnam Bank increased KRW 13.3 billion to KRW 221.5 billion. BNK Capital's net income went up KRW 5.4 billion to stand at KRW 62.6 billion year on year. Meanwhile, the net income of BNK Securities dropped KRW 7.5 billion to KRW 1.9 billion. BNK Savings Bank, which was in the red last year, managed a surplus to gain a net income of KRW 11.6 billion.

As of the end of 2017, meanwhile, BNK Financial Group's BIS ratio and common equity Tier 1 ratio increased by 0.21%p and 0.40%p through stable management of risk-weighted assets (RWAs), respectively, to reach 13.07% and 9.61%. Multifaceted steady efforts have been poured into improving capital adequacy, which dropped upon the acquisition of Kyongnam Bank in 2014. The Group has already achieved the required BIS ratio which should be reached by 2019, but plans to continuously improve capital adequacy through RWA management, stable achievement of net income, and the introduction of rules on internal ratings.

BNK Financial Group will devote its efforts to become "Global Best Local Financial Group" through substantial growth and drastic innovation.

## Major Financial Performance and Management Indicators

(Unit: %, %p)

Classification	Major Indicators	2017	2016	Change
Profitability	ROA	0.45	0.56	-0.11
	ROE	5.77	7.7	-1.93
Asset Soundness	NPL ratio	1.32	0.97	0.35
	Delinquency ratio	0.73	0.65	0.08
	Coverage ratio	84.61	97.54	-12.93
Capital Adequacy	BIS Ratio	13.07	12.86	0.21
	CET1 ratio	9.61	9.21	0.4
	Tangible Common Equity ratio	8.11	7.58	0.53

1) ROA: net income/total assets

2) ROE: net income/equity capital

3) NPL ratio: (NPL/total loans) \* 100

4) Coverage ratio: (NPL/balance for bad debt allowance) \* 100

The balance for bad debt allowance is the sum of total allowances for non-performing loans (including total loans, allowance for bad debts, allowance for acceptances and guarantees of losses, and balance for allowances for the valuation of receivables) and loan loss reserves

5) BIS capital adequacy ratio: BIS total capital/risk-weighted assets \* 100

CET1 ratio: Core Tier I capital/risk-weighted asset \* 100

## 2. Financial Status and Business Performance

Interest income exceeded KRW 140.2 billion compared to last year due to raising interest income assets and strengthening NIM management in terms of business operations. Despite a cut in SG&A through higher cost efficiency, the Group experienced low performance compared to the previous year due to higher allowance provisions driven by the occurrence of insolvency of high-amount loans. However, positive points include a favorable level of cost management amid a positive flow of income generation through business operations, and a stronger income basis of the Group including improved performance in Kyongnam Bank and non-banking affiliates. Specifically, along with a stable increase in interest income assets, the net interest margin (NIM) of Busan Bank and Kyongnam Bank reached 2.30% and 2.20%, respectively, up 3bp and 5bp compared to the previous year, which caused the Group's interest income to rise by 6.55% (KRW 140.2 billion) from last year. Despite factors for higher costs, including new construction and the transfer of an integrated IT center, the Group strived to reduce costs continuously, improving the cost income ratio (CIR) by 0.73%p to reach 49.99%. Busan Bank's net income was somewhat sluggish, standing at KRW 203.2 billion, but Kyongnam's net income rose 6.4% from the previous year to KRW 221.5 billion, and that of (six) non-banking affiliates increased 30.6% to KRW 78 billion – positive signals for improving the Group's mid- and long-term profit structure.

### (1) General Financial Information

#### A. Financial Status

(Unit: KRW billion, %)

Classification	2017 (A)	2016 (B)	Change (C=A-B)	Change(D=C/B)
I . Cash and due from banks	31,422	34,141	-2,719	-7.96
II . Financial assets designated at fair value through profit and loss	14,001	16,686	-2,685	-16.09
III. Available-for-sale financial assets	58,220	61,399	-3,179	-5.18
IV. Held-to-maturity financial assets	66,713	62,015	4,698	7.58
V . Loans and receivables	752,919	740,870	12,049	1.63
VI. Derivative assets	796	1,572	-776	-49.36
VII. Relationship business investment	630	324	306	94.44
VIII. Tangible assets	8,556	8,010	546	6.82
IX. Intangible assets	3,128	3,249	-121	-3.72
X . Investment of property	1,864	1,378	486	35.27
XI. Non-current assets held for sale	-	262	-262	-100
XII. Deferred tax assets	17	14	3	21.43
XIII. Other assets	5,234	4,902	332	6.77
<b>Total assets</b>	<b>943,500</b>	<b>934,822</b>	<b>8,678</b>	<b>0.93</b>
I . Deposits	698,246	676,044	22,202	3.28
II . Borrowings	51,164	63,327	-12,163	-19.21
III. Debentures	88,074	87,816	258	0.29
IV. Derivative liabilities	1,158	1,567	-409	-26.1
V . Retirement benefit obligation	317	75	242	322.67
VI. Provisions	450	1,084	-634	-58.49
VII. Current income tax liabilities	339	819	-480	-58.61
VIII. Deferred income tax liabilities	210	379	-169	-44.59
IX. Other liabilities	26,982	32,839	-5,857	-17.84
<b>Total liabilities</b>	<b>866,940</b>	<b>863,950</b>	<b>2,990</b>	<b>0.35</b>
I . Equity attributable to the owners of the parent company	70,576	67,826	2,750	4.05
1. Capital stock	16,297	16,297	-	-
2. Hybrid securities	2,593	2,593	-	-
3. Other paid-in capital	7,868	7,898	-30	-0.38
4. Elements of other stockholders' equity	-361	21	-382	-1,819.05
5. Retained earnings	44,179	41,017	3,162	7.71
II . Non-controlling equity	5,984	3,046	2,938	96.45
<b>Total equity</b>	<b>76,560</b>	<b>70,872</b>	<b>5,688</b>	<b>8.03</b>
<b>Total liabilities and equity</b>	<b>943,500</b>	<b>934,822</b>	<b>8,678</b>	<b>0.93</b>

## B. Operational Performance

(Unit: KRW billion, %)

Classification	2017 (A)	2016 (B)	Change (C=A-B)	Change(D=C/B)
I. Net interest income	22,806	21,404	1,402	6.55
II. Net commission income	1,597	1,681	-84	-5
III. Net income (loss) associated with financial assets designated at fair value through profit and loss	150	42	108	257.14
IV. Net income (loss) associated with available-for-sale financial assets	382	551	-169	-30.67
V. Other operating expenses, net	-6,195	-4,314	-1,881	43.6
VI. General administration cost	-11,377	-11,222	-155	1.38
VII. Other operating expenses, net	-1,421	-1,019	-402	39.45
VIII. Operating income	5,943	7,123	-1,180	-16.57
IX. Non-operating income, net	-366	-239	-127	53.14
X. Income before income tax expense	5,577	6,884	-1,307	-18.99
XI. Income tax expense	-1,328	-1,703	375	-22.02
XII. Net income	4,250	5,181	-931	-17.97
1. Net income attributable to owners of the company	4,031	5,016	-985	-19.64
2. Net income attributable to non-controlling interests	219	165	54	32.73
XIII. Other comprehensive income (loss), net of tax	-382	-218	-164	75.23
XIV. Total comprehensive income	3,867	4,963	-1,096	-22.08
1. Total comprehensive income attributable to owners of the company	3,649	4,798	-1,149	-23.95
2. Total comprehensive income attributable to non-controlling interests	219	165	54	32.73
XV. Earnings per share (KRW)	1,200	1,522	(322)	-21.16

## C. BIS ratio

(Unit: KRW billion, %)

Classification	2017년	2016년	Change
Equity capital	87,228	85,463	1,765
Core capital	70,829	66,330	4,499
Core Tier I capital	64,089	61,220	2,869
Risk-weighted Asset	667,239	664,788	2,451
BIS ratio	13.07	12.86	0.21
Tier I	10.62	9.98	0.64
CET1 ratio	9.61	9.21	0.40

The BIS capital adequacy ratio is used as an indicator to judge the appropriate level of capital resilience on risk-weighted assets held by the consolidated entity. A higher capital adequacy ratio can be evaluated as a high financial soundness.

The equity capital and risk-weighted assets of the consolidated entity are computed and managed under the Basel III capital regulations introduced in December 2013. As of the end of 2017, BIS capital adequacy ratio rose 0.21%p to 13.07%, Tier 1 capital ratio grew 0.64%p to 10.62%, and Core Tier 1 capital ratio increased 0.40%p to 9.61% from a year earlier. These results are attributable to the effect of introducing the rules on internal rating at Busan Bank (approved on June 28, 2017), and the issuance of conditional hybrid securities at Busan Bank and Kyongnam Bank. We will do our utmost to raise capital adequacy through maximized cross-affiliate synergy and profitability-driven business operations in 2018.

# Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of BNK Financial Group Inc. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

### Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion


In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of BNK Financial Group Inc. and its subsidiaries as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean IFRS.

### Other Matters

The consolidated financial statements of BNK Financial Group Inc. and its subsidiaries for the year ended December 31, 2016, were audited by Deloitte Anjin LLC who expressed an unqualified opinion on those statements on March 15, 2017. Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

March 15, 2018  
Seoul, Korea

Samil PwC  
CEO Kim Young-Sik

咸鍾浩 

This report is effective as of March 15, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

# BNK Financial Group Consolidated Statements of Financial Position

BNK FINANCIAL GROUP INC. and Subsidiaries

(Unit: KRW)

Description	2017	2016	2015
<b>Assets</b>			
I . Cash and due from banks	3,142,147,320,394	3,414,050,510,649	3,091,259,795,281
II . Financial assets at fair value through profit or loss ("FVTPL")	1,400,099,999,335	1,668,566,686,612	1,011,442,821,218
III. Available-for-sale ("AFS") financial assets	5,822,006,109,848	6,139,927,683,718	5,247,715,481,081
IV. Held-to-maturity ("HTM") financial assets	6,671,316,718,778	6,201,445,157,642	6,843,908,674,074
V . Loans receivable and receivables	75,291,882,068,200	74,087,010,344,356	72,057,993,312,851
VI. Derivative assets	79,604,560,012	157,203,376,708	177,928,413,220
VII. Investments in associates	62,997,721,427	32,350,879,977	34,951,476,778
VIII. Property and equipment	855,644,312,783	801,044,562,958	795,929,110,164
IX. Intangible assets	312,768,959,746	324,939,472,089	367,601,785,509
X . Investment property	186,415,376,259	137,814,307,269	132,409,739,983
XI. Non-current assets held for sale	-	26,172,201,760	29,295,737,806
XII. Deferred tax assets	1,657,669,151	1,432,682,560	15,886,357,038
XIII. Other assets	523,436,383,208	490,231,456,109	473,225,402,072
<b>Total assets</b>	<b>94,349,977,199,141</b>	<b>93,482,189,322,407</b>	<b>90,279,548,107,075</b>
<b>Liabilities</b>			
I . Deposit liabilities	69,824,591,903,980	67,604,391,266,663	64,361,451,158,459
II . Borrowings	5,116,421,496,416	6,332,707,672,452	6,025,842,385,424
III. Debentures	8,807,407,756,997	8,781,597,538,084	8,152,822,161,590
IV. Derivative liabilities	115,822,808,698	156,714,181,965	170,331,267,224
V . Net defined benefit liabilities	31,729,109,541	7,538,020,304	23,012,061,193
VI. Provisions	44,972,787,975	108,431,694,771	149,008,521,243
VII. Current tax liabilities	33,878,940,118	81,861,079,405	64,066,981,250
VIII. Deferred tax liabilities	20,976,941,795	37,879,396,951	75,473,596,589
IX. Other liabilities	2,698,155,958,136	3,283,915,640,637	5,066,857,352,224
<b>Total liabilities</b>	<b>86,693,957,703,656</b>	<b>86,395,036,491,232</b>	<b>84,088,865,485,196</b>
<b>Equity</b>			
I . Equity attributable to owners of the Parent Company	7,057,560,777,912	6,782,618,382,474	5,886,216,134,196
1. Share capital	1,629,676,230,000	1,629,676,230,000	1,279,676,230,000
2. Hybrid equity securities	259,277,011,000	259,277,011,000	259,277,011,000
3. Other paid-in capital	786,782,981,343	789,802,175,625	672,809,192,535
4. Other components of equity	-36,056,130,481	2,190,823,969	23,958,713,189
5. Retained earnings	4,417,880,686,050	4,101,672,141,880	3,650,494,987,472
II . Non-controlling interest	598,458,717,573	304,534,448,701	304,466,487,683
<b>Total equity</b>	<b>7,656,019,495,485</b>	<b>7,087,152,831,175</b>	<b>6,190,682,621,879</b>
<b>Total liabilities and equity</b>	<b>94,349,977,199,141</b>	<b>93,482,189,322,407</b>	<b>90,279,548,107,075</b>

# BNK Financial Group\_Consolidated Statements of Comprehensive income

BNK FINANCIAL GROUP INC. and Subsidiaries

(Unit: KRW)

Description	2017	2016	2015
I . Net interest income	2,280,621,371,763	2,140,392,859,154	2,033,981,462,321
1. Interest income	3,353,377,247,296	3,256,535,300,338	3,319,185,191,036
2. Interest expenses	-1,072,755,875,533	-1,116,142,441,184	-1,285,203,728,715
II . Net fee and commission income	159,712,829,583	168,061,892,618	204,483,110,776
1. Commission income	312,532,837,787	307,239,773,710	339,804,123,562
2. Commission expenses	-152,820,008,204	-139,177,881,092	-135,321,012,786
III. Gain on financial assets at FVTPL	15,013,894,084	4,230,436,908	4,750,945,468
IV. Gain on AFS financial assets	38,224,989,205	55,069,047,007	131,416,284,001
V . Contribution to provision for credit loss	-619,465,509,457	-431,383,707,796	-447,318,390,085
VI. General and administrative expenses	-1,137,666,864,868	-1,122,152,339,883	-1,103,580,136,151
VII. Other operating income (expenses)	-142,117,043,881	-101,937,532,050	-127,556,965,438
1. Gain on foreign currency transaction	60,631,526,003	9,059,274,434	16,357,213,366
2. Gain (loss) from derivatives	-21,733,154,549	17,535,784,993	26,088,518,506
3. Other operating income	185,235,534,476	218,031,443,287	163,314,012,181
4. Other operating expenses	-366,250,949,811	-346,564,034,764	-333,316,709,491
VI. Operating profit	594,323,666,429	712,280,655,958	696,176,310,892
VIII. Non-operating income (expenses)	-36,573,722,001	-23,876,683,315	3,884,599,231
1. Share of profit (loss) of associates	-152,189,851	649,233,863	675,557,642
2. Other income	17,600,406,863	21,018,927,311	37,505,701,566
3. Other expenses	-54,021,939,013	-45,544,844,489	-34,296,659,977
VIII. Profit before income tax	557,749,944,428	688,403,972,643	700,060,910,123
IX. Income tax expense	-132,785,897,405	-170,289,570,788	-169,589,709,241
X . Profit for the year	424,964,047,023	518,114,401,855	530,471,200,882
1. Owners of the Parent Company	403,100,234,100	501,610,990,837	485,512,282,267
2. Non-controlling interest	21,863,812,923	16,503,411,018	44,958,918,615
XI. Other comprehensive income, net of tax	-38,246,954,450	-21,767,889,220	-228,729,817
1. Items that will not be reclassified to profit or loss	-17,929,163,222	-1,254,889,923	-12,812,044,323
1) Remeasurements of net defined benefit liabilities	-17,929,163,222	-1,254,889,923	-12,812,044,323
2. Items that may be subsequently reclassified to profit or loss	-20,317,791,228	-20,512,999,297	12,583,314,506
1) Changes in the fair value of AFS financial assets	-15,922,772,966	-19,348,895,016	10,750,861,836
2) Gain on valuation of cash flow hedge	-	-	86,913,999
3) Exchange differences on translation of foreign operations	-13,665,481,863	4,504,304,528	1,745,538,671
4) Gain (loss) on valuation of hedges of net investments in foreign operations	9,270,463,601	-5,602,600,841	-
5) Share of other comprehensive income of associates	-	-65,807,968	-
XII. Total comprehensive income for the year	386,717,092,573	496,346,512,635	530,242,471,065
1. Owners of the Parent Company	364,853,279,650	479,843,101,617	486,107,024,384
2. Non-controlling interests	21,863,812,923	16,503,411,018	44,135,446,681
XIII. Earnings per share (in Korean won)			
1. Basic and diluted earnings per share	1,200	1,522	1,947

# BNK Financial Group Consolidated Statements of Changes in Equity

BNK FINANCIAL GROUP INC. and Subsidiaries

(Unit: KRW)

Description	Share capital	Hybrid equity securities	Other paid-in capital	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
Balance at January 1, 2015	1,171,899,495,000	-	353,678,831,743	23,363,971,072	3,216,741,018,338	4,765,683,316,153	698,260,578,107	5,463,943,894,260
Dividends	-	-	-	-	-46,875,979,800	-46,875,979,800	-	-46,875,979,800
Issuance of common stock	107,776,735,000	-	213,881,100,330	-	-	321,657,835,330	-	321,657,835,330
Issuance of hybrid securities	-	259,277,011,000	-	-	-	259,277,011,000	-	259,277,011,000
Dividends on hybrid equity securities	-	-	-	-	-4,882,333,333	-4,882,333,333	-16,435,450,000	-21,317,783,333
Acquisition of treasury stock	-	-	-639,063,626	-	-	-639,063,626	-	-639,063,626
Disposal of treasury stock	-	-	303,352,252	-	-	303,352,252	-	303,352,252
Stock exchange with kyongnam bank	-	-	105,584,971,836	-	-	105,584,971,836	-426,721,137,807	-321,136,165,971
Changes from business combination	-	-	-	-	-	-	5,227,050,702	5,227,050,702
Total comprehensive income :								
Net income	-	-	-	-	485,512,282,267	485,512,282,267	44,958,918,615	530,471,200,882
Other comprehensive income :								
Remeasurements of net defined benefit liabilities	-	-	-	-11,726,042,638	-	-11,726,042,638	-1,086,001,685	-12,812,044,323
Changes in the fair value of the AFS financial assets	-	-	-	10,599,633,955	-	10,599,633,955	151,227,881	10,750,861,836
Exchange differences on translation of foreign operations	-	-	-	1,745,538,671	-	1,745,538,671	-	1,745,538,671
Gains on valuation of cash flow hedge	-	-	-	-24,387,871	-	-24,387,871	111,301,870	86,913,999
Balance at December 31, 2015	1,279,676,230,000	259,277,011,000	672,809,192,535	23,958,713,189	3,650,494,987,472	5,886,216,134,196	304,466,487,683	6,190,682,621,879
Balance at January 1, 2016	1,279,676,230,000	259,277,011,000	672,809,192,535	23,958,713,189	3,650,494,987,472	5,886,216,134,196	304,466,487,683	6,190,682,621,879
Dividends	-	-	-	-	-38,388,058,650	-38,388,058,650	-	-38,388,058,650
Issuance of shares	350,000,000,000	-	116,992,983,090	-	-	466,992,983,090	-	466,992,983,090
Dividends on hybrid equity securities	-	-	-	-	-12,045,777,779	-12,045,777,779	-16,435,450,000	-28,481,227,779
Total comprehensive income :								
Profit for the period	-	-	-	-	501,610,990,837	501,610,990,837	16,503,411,018	518,114,401,855
Other comprehensive income :								
Remeasurements of net defined benefit liabilities	-	-	-	-1,254,889,923	-	-1,254,889,923	-	-1,254,889,923
Changes in the fair value of the AFS financial assets	-	-	-	-19,348,895,016	-	-19,348,895,016	-	-19,348,895,016
Exchange differences on translation of foreign operations	-	-	-	4,504,304,528	-	4,504,304,528	-	4,504,304,528
Loss on valuation of hedges of net investments in foreign operations	-	-	-	-5,602,600,841	-	-5,602,600,841	-	-5,602,600,841
Share of other comprehensive income of associates	-	-	-	-65,807,968	-	-65,807,968	-	-65,807,968
Balance at December 31, 2016	1,629,676,230,000	259,277,011,000	789,802,175,625	2,190,823,969	4,101,672,141,880	6,782,618,382,474	304,534,448,701	7,087,152,831,175
Balance at January 1, 2017	1,629,676,230,000	259,277,011,000	789,802,175,625	2,190,823,969	4,101,672,141,880	6,782,618,382,474	304,534,448,701	7,087,152,831,175
Dividends	-	-	-	-	-74,961,689,930	-74,961,689,930	-	-74,961,689,930
Issue of shares	-	-	-	-	-	-	298,904,960,000	298,904,960,000
Dividends for hybrid equity securities	-	-	-	-	-11,930,000,000	-11,930,000,000	-21,496,783,333	-33,426,783,333
Acquisition of BNK Asset Management Co. Ltd's equity	-	-	-3,019,194,282	-	-	-3,019,194,282	-5,347,720,718	-8,366,915,000
Total comprehensive income :								
Profit for the period	-	-	-	-	403,100,234,100	403,100,234,100	21,863,812,923	424,964,047,023
Other comprehensive income :								
Remeasurements of net defined benefit liabilities	-	-	-	-17,929,163,222	-	-17,929,163,222	-	-17,929,163,222
Changes in the fair value of AFS financial assets	-	-	-	-15,922,772,966	-	-15,922,772,966	-	-15,922,772,966
Loss on overseas operations translation	-	-	-	-13,665,481,863	-	-13,665,481,863	-	-13,665,481,863
Gain on valuation of hedges of net investments in foreign operations	-	-	-	9,270,463,601	-	9,270,463,601	-	9,270,463,601
Balance at December 31, 2017	1,629,676,230,000	259,277,011,000	786,782,981,343	-36,056,130,481	4,417,880,686,050	7,057,560,777,912	598,458,717,573	7,656,019,495,485

# BNK Financial Group\_Consolidated Statements of Cash Flows

BNK FINANCIAL GROUP INC. and Subsidiaries

(Unit: KRW)

Description	2017	2016	2015
I. Cash flows from operating activities	1,530,250,471,022	-1,125,805,874,331	746,420,688,192
1. Profit for the year	424,964,047,023	518,114,401,855	530,471,200,882
2. Adjustments to profit for the year	-1,363,825,843,997	-1,465,565,808,122	-1,429,989,648,756
Interest income	-3,353,377,247,296	-3,256,535,300,338	-3,319,185,191,036
Interest expense	1,072,755,875,533	1,116,142,441,184	1,285,203,728,715
Gain on financial assets at FVTPL, net	-15,013,894,084	-4,230,436,908	-918,133,521
Changes in fair value of the AFS financial assets	-38,224,989,205	-55,069,047,007	-131,416,284,001
Contribution to provision for credit loss	549,025,525,828	413,934,409,956	434,480,305,772
Loss (gain) on foreign currency translation	-25,477,933,053	6,764,395,213	-5,169,347,644
Loss (gain) on valuation of derivatives, net	11,557,363,960	-3,636,579,221	-8,932,126,827
Depreciation and amortization	137,282,028,092	139,347,140,175	134,629,140,265
Post-employment benefits	51,878,542,133	52,710,261,498	49,463,297,958
Other operating expenses, net	109,206,671,848	-62,403,002,356	-38,069,023,411
Share of loss (profit) of associates	152,189,851	-649,233,863	-675,557,642
Loss on property and equipment, and intangible assets	3,624,124,99	17,769,572,757	1,009,833,375
Income tax expense	132,785,897,405	170,289,570,788	169,589,709,241
3. Changes in operating assets and liabilities	223,917,109,888	-2,148,619,232,720	-44,699,385,860
Decrease (increase) in due from banks	426,468,002,219	-608,065,329,329	481,391,391,341
Decrease (increase) in financial assets at FVTPL	283,214,770,398	-653,695,434,701	-128,916,792,852
Decrease in loans receivable	-1,950,860,199,907	-2,417,411,748,247	-5,881,057,235,254
Increase or decrease in derivative assets and liabilities	27,987,056,827	10,747,545,621	47,869,666,036
Increase in other assets	-170,163,991,944	-14,550,612,931	-99,269,463,290
Increase in deposit liabilities	2,298,832,122,056	3,232,671,961,957	4,488,943,518,409
Decrease in provisions	-314,856,205	-698,589,946	-4,275,034,690
Decrease in other liabilities	-637,353,846,802	-1,627,928,025,117	1,153,897,363,513
Decrease in defined benefit obligation	-27,521,700,975	-24,405,821,118	-11,613,632,858
Decrease (increase) in plan assets	-26,370,245,779	-45,283,178,909	-91,669,166,215
4. Interest received	3,393,994,900,410	3,249,847,466,121	3,268,714,895,559
5. Dividend received	33,443,713,535	42,717,120,128	33,583,028,988
6. Interest paid	-998,334,619,528	-1,172,027,620,962	-1,472,043,306,758
7. Income tax paid	-183,908,836,309	-150,272,200,631	-139,616,095,863
II. Cash flows from investing activities	-427,306,520,699	-371,881,886,098	-855,488,548,738
Proceeds from disposal of AFS financial assets	3,439,326,964,324	5,079,414,744,384	8,325,382,928,279
Payments for AFS financial assets	-3,171,588,176,777	-5,978,920,384,209	-8,522,545,701,914
Proceeds from disposal of HTM financial assets	1,163,333,794,401	1,919,324,866,137	2,590,979,622,534
Payments for HTM financial assets	-1,638,449,308,248	-1,272,785,562,669	-3,091,577,947,941
Proceeds from disposal of investments in associates	75,455,818,410	30,838,187,140	-
Payments for investments in associates	-90,403,150,000	-27,305,000,000	-
Proceeds from disposal of property and equipment	4,189,094,309	614,749,921	1,115,973,271
Payments for property and equipment	-151,337,245,365	-104,104,028,527	-105,066,952,655
Proceeds from disposal of intangible assets	456,669,440	550,671,014	1,393,854,706
Payments for intangible assets	-57,780,538,681	-20,899,259,226	-17,004,759,578
Business combination, net of cash acquired	-	-	-8,656,646,304
Others	-510,442,512	1,389,129,937	-29,508,919,136
III. Cash flows from financing activities	-931,953,074,152	1,197,840,457,604	436,095,461,897
Increase in borrowings	-1,201,061,750,489	189,452,254,392	-601,723,816,606
Issuance of debentures	2,982,579,104,600	2,576,148,728,773	2,466,537,740,330
Repayment of debentures	-2,895,620,000,000	-1,968,000,000,000	-1,618,926,250,000
Capital increase with consideration	-	466,992,983,090	-
Issuance of hybrid equity securities	298,904,960,000	-	259,277,011,000
Dividends paid	-108,388,473,263	-66,753,508,651	-68,193,763,133
Others	-8,366,915,000	-	-875,459,694
IV. Net increase (decrease) in cash and cash equivalents (I+II+III)	170,990,876,171	-299,847,302,825	327,027,601,351
V. Cash and cash equivalents at the beginning of the year	858,611,917,771	1,143,886,531,732	777,613,057,862
VI. Effects of exchange rate changes on cash and cash equivalents	-15,024,522,068	14,572,688,864	39,245,872,519
VII. Cash and cash equivalents at the end of the year	1,014,578,271,874	858,611,917,771	1,143,886,531,732

# Performance Data of Sustainability Management

## GRI Universal Standards (GRI 100)

### (102-8) Information on employees and workers

(Unit: %)

Type		2015				2016				2017			
		Total no. of employees	No. of regular employees (excluding executives)	No. of contract-based employees (excluding executives)	No. of executives	Total no. of employees	No. of regular employees (excluding executives)	No. of contract-based employees (excluding executives)	No. of executives	Total no. of employees	No. of regular employees (excluding executives)	No. of contract-based employees (excluding executives)	No. of executives
BNK Financial Group	Men	58	41	9	8	69	53	9	7	106	82	17	7
	Women	6	5	1	0	5	5	0	0	18	10	8	0
	Total	64	46	10	8	74	58	9	7	124	92	25	7
Busan Bank	Men	1,794	1,604	185	5	1,728	1,552	171	5	1,645	1,456	183	6
	Women	1,761	1,561	200	0	1,678	1,563	115	0	1,632	1,527	105	0
	Total	3,555	3,165	385	5	3,406	3,115	286	5	3,277	2,983	288	6
Kyongnam Bank	Men	1,423	1,292	125	6	1,379	1,247	125	7	1,318	1,186	123	9
	Women	1,270	1,103	167	0	1,262	1,105	157	0	1,240	1,092	148	0
	Total	2,693	2,395	292	6	2,641	2,352	282	7	2,558	2,278	271	9
BNK Capital	Men	367	247	112	8	360	264	90	6	373	285	83	5
	Women	184	88	96	0	184	105	79	0	200	124	76	0
	Total	551	335	208	8	544	369	169	6	573	409	159	5
BNK Securities	Men	128	86	37	5	152	90	59	3	164	98	58	8
	Women	45	38	7	0	49	42	7	0	58	45	13	0
	Total	173	124	44	5	201	132	66	3	222	143	71	8
BNK Savings Bank	Men	74	61	7	6	67	54	8	5	74	56	13	5
	Women	33	22	11	0	35	22	13	0	43	31	12	0
	Total	107	83	18	6	102	76	21	5	117	87	25	5
BNK Asset Management	Men	22	11	5	6	23	8	8	7	24	4	13	7
	Women	11	11	0	0	10	9	1	0	10	8	2	0
	Total	33	22	5	6	33	17	9	7	34	12	15	7
BNK Credit Information	Men	22	3	15	4	24	6	14	4	28	8	16	4
	Women	3	2	1	0	4	3	1	0	4	3	1	0
	Total	25	5	16	4	28	9	15	4	32	11	17	4
BNK System	Men	119	106	9	4	139	120	14	5	159	135	20	4
	Women	11	8	3	0	15	14	1	0	14	13	1	0
	Total	130	114	12	4	154	134	15	5	173	148	21	4

### (102-41) Labor union subscription rate

(Unit: %)

Type	2015	2016	2017
Busan Bank	98.31	99.80	99.79
Kyongnam Bank	99.80	99.89	99.94

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

### Number of labor union meetings

(Unit: times)

Type	2015	2016	2017
Busan Bank	4	4	4
Kyongnam Bank	4	4	4

## GRI Topic specific Standards (GRI 200, 300, 400)

### (201-1) Direct economic value generated and distributed

(Unit: KRW)

Type		2015	2016	2017
Creation of direct economic values (revenues)		5,174,024,845,488	4,912,675,732,997	4,820,335,333,299
Distribution of economic values	Wage and welfare of benefits of employees	698,936,000,000	720,965,000,000	721,385,000,000
	Payment of dividends and interests	46,875,979,800	38,388,058,650	74,961,689,930
	Payment of interests	34,736,350,000	35,845,400,000	30,529,200,000
	Tax (corporate tax cost)	169,589,709,241	170,289,570,788	132,785,897,405
	Investment in community (donation and support for social contribution activities)	45,710,000,000	42,480,000,000	61,036,000,000

## (201-3) Defined benefits retirement pension scheme of the organization

(Unit: KRW 100 million, persons)

Type	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
Date of account opening	2011.05.19	2010.07.30	2010.06.30	2011.11.28	2007.11.26	2013.03.29	2013.12.19	2007.11.12	2013.11.12
Amount under management	72	2,480	1,452	6	33	10	-	6	25
No. of subscribers (DB)	141	3,011	2,493	488	159	113	-	22	141
No. of subscribers (DC)	-	-	1	-	35	-	30	-	-

## (202-1) Ratios of standard entry level wage by gender compared to local minimum wage

\* The national minimum wage as of April 2018 is KRW 7,530.

(Unit : on an hourly basis; for organizations with the annual salary scheme, dividing the annual salary into an hourly wage)

Type	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
National minimum wage, hourly	7,530	7,530	7,530	7,530	7,530	7,530	7,530	7,530	7,530
Wage for new employees, hourly (for men)	13,536	13,536	15,489	13,157	15,151	11,962	18,229	8,555	11,351
Wage for new employees, hourly (for woman)	13,536	13,536	14,689	11,961	15,151	11,164	18,229	8,555	11,568
Rate (men)	180%	180%	206%	175%	201%	159%	242%	114%	151%
Rate (women)	180%	180%	195%	159%	201%	148%	242%	114%	154%

## (202-2) Proportion of senior management hired from the local community

Type	Unit	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
Total number of workers abroad	Number of local dispatched workers	persons	-	9	-	10	-	-	-	-
	Number of local recruits	persons	-	26	-	372	-	-	-	-
	Percentage of recruitment of local employees	%	0.00%	74.30%	0.00%	97.40%	0.00%	0.00%	0.00%	0.00%
Number of key managers appointed from local residents (including high-ranking managers of the manager position and above)		persons	-	27	-	36	-	-	-	-
	Percentage of managers appointed from local residents (Myanmar and Vietnam, etc.)	%	0.00%	76.40%	0.00%	9.40%	0.00%	0.00%	0.00%	0.00%

## (203-1) Infrastructure investments and services supported

## a. Amount of investment in social contribution by affiliate (Unit: KRW 100 million)

Type	2015	2016	2017
BNK Financial Group	0.2	0.0	30.1
Busan Bank	292.0	276.0	377.75
Kyongnam Bank	164.0	148.0	202.27
BNK Capital	0.4	0.3	0.11
BNK Securities	0.2	0.2	0.08
BNK Savings Bank	0.1	0.1	0.01
BNK Asset Management		0.1	0.01
BNK Credit Information	0.1	0.1	0.02
BNK System	0.1	0.1	0.01
Total	457.1	424.8	610.36

## b. No. of employees participating in social contribution (Unit: persons)

Type	2015	2016	2017
BNK Financial Group	31	48	37
Busan Bank	22,183	20,139	17,896
Kyongnam Bank	9,122	9,894	2,179
BNK Capital	103	157	196
BNK Securities	110	102	97
BNK Savings Bank	100	216	208
BNK Asset Management	0	0	0
BNK Credit Information	10	44	42
BNK System	195	137	161
Total	31,854	30,737	20,816

\* BNK Financial Group's scholarships for South Gyeongsang Province omitted in the records for 2015 and 2016 are to be reflected from 2017

\* Busan Bank: increases in the amount of investment by expanding social contribution projects to complete social responsibilities for community and practice Happy Finance in celebrating the 50th anniversary of Busan Bank in 2017

\* Kyongnam Bank: calculating by adding cost for partnership cost with local governments, and contributions to Korea Credit Guarantee Fund and foundations in the same level with that of Busan Bank from 2017

## (205-1) Total number and percentage of operations assessed for risks related to corruption\*

Type	Unit	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System	Total
(A) Total number of sites: number of headquarters, branch offices and branches	sites	1	264	165	23	5	7	1	2	1	469
(B) Number of sites for which analysis took place in 2017 out of total sites	sites	1	264	165	23	5	7	1	2	1	469

\* (A) Total number of sites: number of headquarters, branch offices and branches, (B) Number of sites for which analysis took place in 2017 out of total sites

## (419-1) Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area

Specific items	Unit	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System	Total
No. of monetary sanctions	Number of cases	0	0	0	1	1	0	0	0	0	1
Amount of fines	million won	0	0	0	720	0	0	0	0	0	720
No. of non-monetary sanctions	Number of cases	0	0	0	0	0	0	0	0	0	0
No. of cases filed through arbitration methods	Number of cases	0	0	0	0	0	0	0	0	0	0

\* Correction to be made for errors in the 2016 Sustainability Report: sanctions and penalties described for BNK Capital were finally imposed in 2017, so the figures for the number of sanctions and penalties were corrected to 'zero' and the same content was written for the 2017 Sustainability Report.

## (205-2) Communication and training on anti-corruption policies and procedure

Type	Unit	Busan Bank			Kyongnam Bank		
		2015	2016	2017	2015	2016	2017
Training on Financial Accident Prevention (TV)	No. of subjects	persons	All employees	All employees	All employees	All employees	All employees
Accident prevention education for new employees and new branch heads	No. of subjects	persons	220	83	86	229	100
Job training for branches	No. of subjects	persons	327	405	1020	657	205
No. of hours of ethical training per person	No. of hours of training per person	hours	12	12	12	13	12
No. of times ethical training courses were held	No. of times	times	12	12	12	63	49

## (205-3) Corruption cases identified and countermeasures

Date of sanctions	Explanation of the sanctions
2017	· Violation of the obligation for real-name verification in financial transactions (one case for Busan Bank) and unfair inquiry of personal credit information (one case for Busan Bank, salary reduction and autonomous treatment)

\* Disclosed as agenda reported to the supervisory authority (items for autonomous disclosure) although they are not corruption cases

## (206-1) Legal actions for anti-competitive behavior, anti-trust, and monopoly practices

Sub-Item (2017)	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System	Total
Lawsuits in progress	0	0	0	0	0	0	0	0	0	0
Finished lawsuits	0	0	0	0	0	0	0	0	0	0

## (301-1) Materials used by weight or volume

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

Amount of copy paper purchased	2015	2016	2017	Scope of Data
BNK Financial Group	4	3	4	As for the purchasing amount at the head branch.
Busan Bank	257	253	240	As for the purchasing amount at the head branch.
Kyongnam Bank	208	241	213	As for the purchasing amount at the head branch.
BNK Capital	6	11	7	As for the purchasing amount at the head branch.
BNK Securities	1	3	4	As for the purchasing amount at the head branch.
BNK Savings Bank	13	7	9	As for the purchasing amount at the head branch.
BNK Asset Management	1	1	1	As for the purchasing amount at the head branch.
BNK Credit Information	1	2	1	As for the purchasing amount at the head branch.
BNK System	1	1	1	As for the purchasing amount at the head branch.
Total	493	522	480	

Type	Unit	2015	2016	2017
Product and service purchase	Printing Paper	Box	42,183	44,582
	Credit card	sites	780,815	634,900
	Bankbook	sites	4,470,285	3,690,373

## (301-1) Energy consumption within the organization (301-2) Energy consumption outside the organization

(Unit: TJ)

Type (Energy consumption)	2015	2016	2017
BNK Financial Group	4	4	5
Busan Bank	385	390	411
Kyongnam Bank	195	183	190
BNK Capital	41	3	23
BNK Securities	3	3	2
BNK Savings Bank	8	7	10
BNK Asset Management	1	1	1
BNK Credit Information	1	1	0
BNK System	2	2	2
Total	641 (66,748 MWh)	627 (65,270 MWh)	644 (67,082 MWh)

## (303-1) Total water withdrawal by source

(Unit: m³)

Surface water	2015	2016	2017
BNK Financial Group	1,979	2,051	3,520
Busan Bank	168,933	160,125	178,147
Kyongnam Bank	52,320	47,181	69,957
BNK Capital	2,394	3,068	3,370
BNK Securities	1,373	1,343	2,220
BNK Savings Bank	2,094	1,554	3,364
BNK Asset Management	680	286	4,223
BNK Credit Information	653	680	1,282
BNK System	412	323	611
Total	230,838	216,611	266,693

## (305-1) Direct greenhouse gas (GHG) emissions, (305-2) Indirect greenhouse gas (GHG) emissions,

## (305-3) Other indirect greenhouse gas (GHG) emissions \*

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

Type		2015	2016	2017
BNK Financial Group	Direct Emissions (Scope1)	74	86	88
	Indirect Emissions (Scope2)	154	132	150
	Other Indirect Emissions (Scope3)	18	18	6
Busan Bank	Direct Emissions (Scope1)	1,735	1,806	1,211
	Indirect Emissions (Scope2)	17,418	17,537	19,095
	Other Indirect Emissions (Scope3)	33	105	65
Kyongnam Bank	Direct Emissions (Scope1)	2,529	2,157	1,930
	Indirect Emissions (Scope2)	7,440	7,151	7,709
	Other Indirect Emissions (Scope3)	165	133	150
BNK Capital	Direct Emissions (Scope1)	819	956	788
	Indirect Emissions (Scope2)	1,432	1,089	561
	Other Indirect Emissions (Scope3)	62	71	95
BNK Securities	Direct Emissions (Scope1)	40	39	36
	Indirect Emissions (Scope2)	105	104	94
	Other Indirect Emissions (Scope3)	48	29	33
BNK Savings Bank	Direct Emissions (Scope1)	83	93	194
	Indirect Emissions (Scope2)	315	259	312
	Other Indirect Emissions (Scope3)	7	5	2
BNK Asset Management	Direct Emissions (Scope1)	16	37	47
	Indirect Emissions (Scope2)	17	15	1
	Other Indirect Emissions (Scope3)	5	5	7
BNK Credit Information	Direct Emissions (Scope1)	17	14	15
	Indirect Emissions (Scope2)	49	58	7
	Other Indirect Emissions (Scope3)	1	2	4
BNK System	Direct Emissions (Scope1)	29	26	30
	Indirect Emissions (Scope2)	71	61	69
	Other Indirect Emissions (Scope3)	3	2	4
Subtotal	Direct Emissions (Scope1)	5,343	5,214	4,337
	Indirect Emissions (Scope2)	27,001	26,406	27,998
	Other Indirect Emissions (Scope3)	340	370	366

\* Scope 3: mostly occurred due to business trips. The total distances travelled are 6,383,294km, 6,440,724km for 2016 and 6,969,727km for 2017.

## (306-2) Waste by type and disposal method\*

(Unit: tons)

Type	2015	2016	2017
Busan Bank	567	406	513
Kyongnam Bank	200	147	270

\* The amount of waste discharged for each affiliate including Busan Bank and Kyongnam Bank is collected, but the due to the minimal amount, the content is excluded from the report.

## (307-1) Number of non-compliance with environmental laws and regulations

(Unit: case)

Type	2015	2016	2017
Number of cases of violating environmental laws and regulations	0	0	0

## (401-1) New employee hires and employee turnover

(Unit: persons)

Type	2015		2016		2017	
	No. of new employees	No. of retirees	No. of new employees	No. of retirees	No. of new employees	No. of retirees
BNK Financial Group	3	3	2	5	1	1
Busan Bank	234	34	85	3	91	31
Kyongnam Bank	235	62	58	43	77(joined the Bank in January 2018)	126
BNK Capital	181	145	118	56	29	33
BNK Securities	22	14	14	13	10	10
BNK Savings Bank	18	20	20	18	34	24
BNK Asset Management	11	14	7	7	8	8
BNK Credit Information	9	8	7	6	7	4
BNK System	19	7	19	5	33	13

## (401-3) Return to work and retention rates of employees that took parental leave, by gender

(Unit: persons)

Type	No. of workers who took childcare leave in 2017			No. of workers who returned to work after taking childcare leave in 2017			No. of workers who had worked for one year or more after returning to work from childcare leave by December 31, 2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
BNK Financial Group	-	-	-	-	-	-	-	-	-
Busan Bank	1	120	121	1	143	144	-	92	-
Kyongnam Bank	-	194	194	-	71	71	-	57	57
BNK Capital	3	14	17	-	8	8	-	4	-
BNK Securities	-	6	6	-	3	3	-	2	2
BNK Savings Bank	-	3	3	-	1	1	-	3	-
BNK Asset Management	-	1	1	-	-	-	-	-	-
BNK Credit Information	-	-	-	-	2	2	-	-	-
BNK System	-	1	1	-	3	3	-	-	-

## (403-2) Number of injury and rates of injury, occupational diseases, lost days, and absenteeism\*, and number of work-related fatalities by region and gender. (Unit: persons)

Type	2015		2016		2017	
	No. of days of absence due to illness or injury (excluding leave)	No. of days of absence due to illness or injury sustained while working	No. of days of absence due to illness or injury (excluding leave)	No. of days of absence due to illness or injury sustained while working	No. of days of absence due to illness or injury (excluding leave)	No. of days of absence due to illness or injury sustained while working
BNK Financial Group	0	0	72	60	0	0
Busan Bank	1,033	457	1,956	959	1,794	1,008
Kyongnam Bank	774	627	1,323	895	997	475
BNK Capital	66	0	36	0	66	0
BNK Securities	0	0	0	25	0	0
BNK Savings Bank	0	0	0	0	0	0
BNK Asset Management	0	0	0	0	0	0
BNK Credit Information	8	25	0	19	0	0
BNK System	0	0	0	0	0	0

\* Busan Bank &amp; Kyongnam Bank the rate of absenteeism of Busan Bank &amp; Kyongnam Bank : 2015 0.13%, 2016 0.24%, 2017 0.22%

## (404-1) Average hours of training per year per employee

Type	Training cost per employee			Training cost per employee (hours/ person)		
	2015	2016	2017	2015	2016	2017
BNK Financial Group	58	91	44	20	62	36
Busan Bank	83	129	89	137	184	133
Kyongnam Bank	62	0	51	92	100	78
BNK Capital	32	28	34	20	19	43
BNK Securities	7	8	35	17	17	18
BNK Savings Bank	20	35	35	30	40	30
BNK Asset Management	9	62	19	15	14	14
BNK Credit Information	0	2	-	6	7	13
BNK System	45	35	20	108	92	57

## (404-3) Percentage of employees receiving regular performance and career development reviews

Type	Unit	2015			2016			2017		
		No. of employees subject to evaluation	Total no. of employees	Rate of performance evaluation	No. of employees subject to evaluation	Total no. of employees	Rate of performance evaluation	No. of employees subject to evaluation	Total no. of employees	Rate of performance evaluation
BNK Financial Group	persons, %	55	56	98%	66	67	99%	85	108	79%
Busan Bank	persons, %	2,873	3,550	80%	2,953	3,386	87%	2,907	3,256	89%
Kyongnam Bank	persons, %	2,458	2,687	91%	2,349	2,634	89%	2,286	2,558	89%
BNK Capital	persons, %	467	543	86%	453	540	84%	474	569	83%
BNK Securities	persons, %	142	168	85%	150	201	75%	174	222	78%
BNK Savings Bank	persons, %	96	101	95%	97	102	95%	88	106	83%
BNK Asset Management	persons, %	29	29	100%	29	29	100%	30	30	100%
BNK Credit Information	persons, %	8	21	38%	5	24	21%	8	23	35%
BNK System	persons, %	109	126	87%	137	154	89%	140	167	84%

## Other sustainable management performances

### Current status of employees' stock ownership

Name	Number of shares held
Ji Wan Kim (Chairman)	9,000
Jae Kyung Park (President)	6,824
Nam Hwan Oh (Vice President)	6,291
Chung Kyo Chung (Vice President)	6,730
Hun Gi Park (Vice President)	1,000
Duk Soo Shin (Managing Director)	1,165
Hyung Guk Myung (Managing Director)	5,399
Kyo Sung Koo (Managing Director)	3,639

### Current status of total remuneration for employees (based on records of BNK Financial Group)

Type	Total remuneration amount for employees (A)	Net income before corporate tax (B)	Ratio (A/B)	Number of employees (C)	Average remuneration of employees (A/C)
2016	9 billion won	700.1 billion won	1.20%	120 persons	75 billion won
2017	11 billion won	688.4 billion won	1.60%	186 persons	59 billion won

### Current status of remuneration for the CEO

(Unit : KRW million)

Type	Type of remuneration*	Total
CEO and Chairman Se Whan Sung (January 2017 ~ August 2017)	Earned income/wage	150
	Earned income/other income	159
CEO and Chairman Ji Wan Kim (September 2017 ~ December 2017)	Earned income/wage	115
	Earned income/other income	16
Current status of remuneration for the CEO	Earned income/wage	265
	Earned income/other income	175

\*Calculation criteria and methods

- Earned income/wage: basic annual salary as per the executive remuneration regulations  
 - Earned income/other income: other income including the basic annual salary such as short/long-term performance pay for executives, and retirement benefits as per the Income Tax Act  
 - Criteria for setting variable remunerations for the CEO: financial performances of profitability indicators according to short/long-term performance evaluation standards for the management (ROE, ROA, RAROC), indicators for capital adequacy (BIS capital adequacy ratio, BIS Common Equity Tier 1), soundness indicators (NPL ratio, ratio of loans in arrears), an efficiency indicator (CIR), stability indicators (double leverage ratio, debt ratio) and a shareholder return indicator (relative TSR) are reflected.

### Turnover rate

(Unit : %)

Busan Bank	2015	2016	2017
Busan Bank	Total turnover rate	0.06	0.18
	Voluntary turnover rate	0.06	0.18
Kyongnam Bank	Total turnover rate	2.69	1.80
	Voluntary turnover rate	2.69	1.80

### Current status of shareholders of BNK Financial Group

(as of the end of 2017)  
(Unit : number of shareholders, %)

Current status of major shareholders	Number of stocks (common stocks)	Shareholding rate (%)
National Pension Service	37,604,467	11.54
Lotte Confectionary Co., Ltd. and related parties (9 companies)*	36,320,167	11.14
Parkland Co., Ltd. and related parties	20,519,866	6.30
Employee stock ownership association of BNK Financial Group	14,108,008	4.33
THE OAKMARK INTERNATIONAL SMALL CAP FUND	12,466,758	3.82
Minority shareholders (3% and lower)	204,915,980	62.87
Total number of stocks issued	325,935,246	100

\*Includes related shareholders under the defacto control of the same persons.

### Current status of remuneration for directors and auditors

(as of March 31, 2018)  
(Unit : KRW million)

Type	Number of employees	Total remuneration amount	Average remuneration amount per head **
Registered directors (excluding outside directors and the Audit Committee)	3	1,315	438
Outside directors*	-	-	-
Members of the Audit Committee	5	286	57

\* Excluding outside directors as members of the Audit Committee (N/A)

\*\* Average remuneration amount per head: total remuneration amount paid/annualized number of personnel

### Percentage of total remuneration per year for employees and the CEO

(Unit : KRW million, %)

Total remuneration for the CEO	Average remuneration for employees	Ratio
440	59	7.45

### Labor productivity

(Unit : KRW 100 million)

Type	2015	2016	2017
Group-adjusted operating income (a)	21,962	22,124	22,756
Total number of employees in the Group (b)	6,572	6,691	6,584
Per-capita labor productivity (c=a/b)	3.34	3.31	3.46

### Ratio of female employees in Busan Bank and Kyongnam Bank

(Unit : %)

Type	2015	2016	2017
Ratio of women (as for regular employees)	47.8	48.7	49.6
Ratio of female managers*	14.6	16.2	17.6

\*Female managers: Level 4 and over (including executives)

### BNK Financial Group's measures for political engagement

BNK Financial Group cannot donate political funds to foreigners and corporations and organizations at home and abroad as per Chapter 6 and Article 31 of the Political Fund Act. It is also prescribed that nobody is allowed to donate political funds with funds related to corporations and organizations at home and abroad. Therefore, BNK Financial Group is not involved in any political activities according to laws, and employees may participate in politics, but are prohibited from conducting any suspicious activities causing misunderstanding at the corporate level.

#### Records of payment of membership fees to key associations for Busan Bank and Kyongnam Bank in 2017

Korea Chamber of Commerce and Industry	KRW 289 million
Korea Federation of Banks	KRW 1,368 million
Korea Financial Telecommunications and Clearings Institute	KRW 612 million

# Third- Party Assurance Report

## Introduction

BNK Financial Group, Inc. (hereinafter referred to as “BNK Financial Group”) commissioned DNV GL Business Assurance Korea Ltd. (“DNV GL”), part of DNV GL Group, to undertake independent assurance of the Sustainability Report 2017 (the “Report”). DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

## Scope of assurance

The scope of assurance includes a review of sustainability activities and non-financial performance data over the reporting period from 1<sup>st</sup> January to 31<sup>st</sup> December 2017. This also includes:

- Evaluation of the Report on the adherence to the principles for defining the sustainability report content set forth in the Global Reporting Initiative (GRI) Sustainability Reporting Standards
- Evaluation of the process for determining material topics for reporting and the management approach to material topics and the process for generating, gathering and managing the quantitative and qualitative data in the Report

## Basis of our opinion

The assurance engagement was planned and carried out using DNV GL’s assurance methodology VeriSustain<sup>1)</sup>, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We provide the limited level of assurance. The audit was carried out in April through June 2018 and the site visits were made to the Headquarters of BNK Financial Group in Busan, Korea. We undertook the following activities as part of the assurance process:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments;
- reviewed the materiality assessment report.

## Limitations

The assurance engagement excludes the sustainability management, performance and reporting practices of BNK Financial Group’s associated companies, contractors, suppliers and any third-parties except for following BNK subsidiaries such as Busan Bank([www.busanbank.co.kr](http://www.busanbank.co.kr)), Kyongnam Bank([www.knbank.co.kr](http://www.knbank.co.kr)), BNK Capital([www.BNK Capital.co.kr](http://www.BNK Capital.co.kr)), BNK Securities([www.bnkfn.co.kr](http://www.bnkfn.co.kr)), BNK Savings Bank([www.bnksb.com](http://www.bnksb.com)), BNK Asset Management([www.bnkasset.co.kr](http://www.bnkasset.co.kr)), BNK Credit Information ([www.bsci.co.kr](http://www.bsci.co.kr)) and BNK System([www.bnksys.co.kr](http://www.bnksys.co.kr)) mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Financial statements of BNK Financial Group, data announced on DART system of the Financial Supervisory Service(<http://dart.fss.or.kr>), and data on the websites of BNK Financial Group ([www.bnkg.com](http://www.bnkg.com)) and 8 subsidiaries listed above are not included in the scope of assurance. Data assurance was conducted by checking the basis in a limited scope, including inquiry, analysis, and limited sampling method, on the data collected by BNK Financial Group. The aggregation and calculation process for building economic performances was reviewed by the verification team. Also, environmental and social data were verified using the aggregated data. The directors of BNK Financial Group have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of BNK Financial Group in accordance with the terms of reference. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

## Conclusion

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

## Stakeholder Inclusiveness

BNK Financial Group has identified internal and external stakeholder groups such as customers group, employees group, shared growth group (Shareholders and Investors, Competitors and Local communities), policy supervision group(Authority and National assembly, and Financial Supervisory Service) and media environment group (Journalist, Environmental NGOs and Academia). BNK Financial Group engages with the stakeholders at the company and business unit levels through various channels. The examples of engagement approaches, goals, major expectation and concerns from selected stakeholders are described in the Report.

1) The VeriSustain protocol is available upon request at DNV GL Website ([www.dnvgl.com](http://www.dnvgl.com))

### Sustainability Context

BNK Financial Group's key policy, activities and performances are partially addressed in the report with justification of determining material topics reported and business risk and opportunity. The 10 material issues identified through materiality assessment are reported in the categories of Customer-Driven Management, Value Creation Management, Win-Win Management and Employee Happiness Management and the key performances achieved in 2017 are presented in the Report, which would help the stakeholder understand the management approaches toward the material topics.

### Materiality

BNK Financial Group has conducted materiality assessment to prepare the Report. Various issues were derived by analysing the topics covered in various global initiatives and standards, major stakeholder expectations, industry issues and journalist reports, internal survey results. Subsequently the issues are prioritized by taking into account the social concern and internal business impact on BNK Financial Group. In addition, BNK Financial Group has grouped the 10 material issues into 5 disclosures as defined in GRI Standards and presented its management approaches on the respective aspects in the Report. The verification team has reviewed the materiality assessment process and nothing comes to our attention that would cause us to believe that material issues identified from the assessment are not reported.

### Completeness

The Report has covered the sustainability strategy, management approach and sustainability performances of BNK Financial Group for the reporting period and nothing comes to our attention that would cause us to believe that the nonfinancial sustainability performances associated with material aspects are not reported.

Further opinions on the report quality is as follows;

### Report quality: Accuracy and Reliability

DNV GL verified the accuracy and reliability of the selected data (Waste volume, Water consumption, Absentee rate, Special loan for SMEs & Low credit score home, economically disadvantaged class) in the Report through sampling. The verification team did not identify any intentional errors or misleading descriptions. The data are provided in the report was gathered from the subsidiaries and processed by Headquarters of BNK Financial Group to meet the purpose. The verification team conducted interviews with the responsible individuals and reviewed the process of data gathering and data processing and verified the supporting documents and records. The depth of data verification is limited to the input data in the data gathering templates submitted by respective subsidiaries. The personnel responsible for the data control can demonstrate to trace the origin of the selected data and interpretation of the selected data in a reliable manner. The verification team concludes that the selected data are results of stable and repetitive activities.

### Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct<sup>2)</sup> during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. During 2017~2018, DNV GL has verified the greenhouse gas emissions in BNK Financial Group. Verification service which DNVGL provided to BNK Financial Group is not considered as a conflict of independence or impartiality of the Report verification.



June 2018  
Seoul, Korea

In Kyoong Ahn  
Country Representative  
DNV GL Business Assurance Korea Ltd.

A handwritten signature in black ink, appearing to read "ahnk".

2) You can check this at DNV GL Website ([www.dnvgl.com](http://www.dnvgl.com))

# Assurance Statement on GHG Emissions

## Introduction

DNV GL Business Assurance Korea Ltd. ("DNV GL") was commissioned by BNK FNC Group to verify the BNK FNC Group's Greenhouse Gas Inventory Report for the calendar year 2017 ("the report") based upon a limited level of assurance. BNK FNC Group is responsible for the preparation of the GHG emissions data on the principles set out in ISO 14064-1:2006. Our responsibility in performing this work is to the management of BNK FNC Group only and in accordance with terms of reference agreed with them. DNV GL expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

## Scope of Assurance

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

- GHG emissions under verification : GHG emissions from 2017
- Organizational boundary : BNK FNC Group (BNK Financial Group Inc., BNK Busan Bank, BNK Kyongnam Bank, BNK Securities, BNK Capital, BNK Asset Management, BNK Savings Bank, BNK Credit Information, BNK System)

## Verification Approach

The verification has been conducted by DNV GL from May through June 2018 and performed in accordance with the verification principles and tasks outlined in ISO 14064-3:2006. We planned and performed our work so as to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion concerning the completeness of the emission inventory as well as the reported emission figures in ton CO<sub>2</sub>e equivalent. As part of the verification process:

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

## Conclusions

Based on the process and procedures conducted, there is no evidence that the GHG assertion is not materially correct and is not a fair representation of GHG data and information, and has not been prepared in accordance with a related standard on GHG quantification, monitoring and reporting. The GHG Emissions of BNK FNC Group for the year 2017 were confirmed as below;

### Greenhouse Gas Emissions of BNK FNC Group from Yr 2017

(Unit: ton CO<sub>2</sub>e)

BNK FNC Group	Direct emissions(Scope1)	Energy Indirect emissions (Scope2)	Other Indirect emissions (Scope3)	Total emissions
2017	4,337	27,998	366	32,071

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

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

15<sup>th</sup> June 2018



DLV GL Business Assurance Korea

Country Manager

In-Kyoon Ahn

This Assurance Statement is valid as of the date of the issuance (15th June 2018). Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of BNK FNC Group is subsequently brought to our attention. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

Annex to AS\_PRJC-581320-2018-AST-KOR Verification Statement

Based on the verification, the details of GHG emissions from 9 subsidiaries in BNK FNC Group are as below;

### Greenhouse Gas Emissions of BNK FNC Group from Yr 2017

(Unit: ton CO<sub>2</sub>e)

BNK FNC Group	Direct emissions(Scope1)	Energy Indirect emissions (Scope2)	Other Indirect emissions (Scope3)	Total emissions
BNK Financial Group Inc.	88	150	6	244
Busan Bank	1,211	19,095	65	20,370
Kyongnam Bank	1,930	7,709	150	9,788
BNK Capital	36	94	33	163
BNK Securities	788	561	95	1,443
BNK Asset Management	47	1	7	55
BNK Savings Bank	194	312	2	507
BNK Credit Information	15	7	4	26
BNK System	30	69	4	103

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

# GRI Guideline Index

## Universal Standards Disclosures

Topic	No.	Description of the Indicators	Page	Remarks
GRI 101: Foundation				
GRI 102: Organization Profile	102-1	Name of the organization	6	
	102-2	Activities, brands, products, and services	6	
	102-3	Location of headquarters	6, 121	
	102-4	Location of operations	7	
	102-5	Ownership and legal form	6~7	
	102-6	Markets served	6~7, 82~98	
	102-7	Scale of the organization	6, 108	
	102-8	Information on employees and other workers	6~7, 108	
	102-9	A description of the organization's supply chain, including its main elements as they relate to the organization's activities, products, and services	6~7	
	102-10	Significant changes to the organization and its supply chain	6~7	
	102-11	Precautionary Principle or approach	67~68	
	102-12	External initiatives	40, 73, 77	
	102-13	Membership of associations	2, 10~11, 77	
GRI 102: Strategy	102-14	Statement from senior decision-maker	4~5	
	102-15	Key impacts, risks, and opportunities	14~17, 32~33, 67~68	
GRI 102: Ethics and Integrate	102-16	Values, principles, standards, and norms of behavior	74~76	
	102-17	Mechanisms for advice and concerns about ethics	75	
GRI 102: Governance	102-18	Governance structure	64~66	
GRI 102: Stakeholder Engagement	102-40	List of stakeholder groups	62~63	
	102-41	Percentage of total employees covered by collective bargaining agreements	108	
	102-42	Identifying and selecting stakeholders	62~63	
	102-43	Approach to stakeholder engagement including frequency of engagement by type and by stakeholder group	62~63	
	102-44	Key topics and concerns raised that have been raised through stakeholder engagement	62~63	
GRI 102: Reporting Practice	102-45	Entities included in the consolidated financial statements	2, 6~7, 82~98	
	102-46	Defining report content and topic Boundaries	60~61	
	102-47	List of material topics identified in the process for defining report content.	60~61	
	102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements.	2, 108~113	
	102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	2	
	102-50	Reporting period	2	
	102-51	Date of most recent report	2	
	102-52	Reporting cycle	2	
	102-53	Contact point for questions regarding the report	121	
	102-54	Claims of reporting in accordance with the GRI Standards	2, 117~119	
	102-55	GRI content index	117~119	
	102-56	A description of the organization's policy and current practice with regard to seeking external assurance for the report.	114~115	

## Topic-specific Standards Disclosures

### Economic Performance (GRI 200)

Topic	No.	Description of the Indicators	Page	Remarks
GRI 201: Economic Performance	103	Management Approach	30~31	
	201-1	Direct economic value generated and distributed	32~37, 100~108	
	201-3	Defined benefit plan obligations and other retirement plans	79, 109	
GRI 202: Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	109	
	202-2	Proportion of senior management hired from the local community	109	
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported	40~49, 109	
	203-2	Significant indirect economic impacts	40~49	
GRI 205: Anti-corruption	205-1	Total number and percentage of operations assessed for risks related to corruption.	74~76, 109	
	205-2	"Communication and training about anti-corruption policies and procedures"	74~76, 110	
	205-3	Confirmed incidents of corruption and actions taken	74~76, 110	
GRI 206: Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	74~76, 110	

### Environmental Performance (GRI 300)

Topic	No.	Description of the Indicators	Page	Remarks
GRI 301: Materials	301-1	Materials used by weight or volume	110	
GRI 302: Energy	302-1	Energy consumption within the organization	110	
	302-2	Energy consumption outside of the organization	110	
GRI 303: Water	303-1	Water withdrawal by source	111	
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	111	
	305-2	Energy indirect (Scope 2) GHG emissions	111	
	305-3	Other indirect (Scope 3) GHG emissions	111	
GRI 306: Effluents and Waste	306-2	Waste by type and disposal method	111	
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	111	

### Social Performance (GRI 400)

Topic	No.	Description of the Indicators	Page	Remarks
GRI 401: Employment	103	Management Approach	50~51	
	401-1	New employee hires and employee turnover	112	
	401-2	Benefits provided to full-time employees	56~57	
	401-3	Return to work and retention rates of employees that took parental leave, by gender.	112	
GRI 403: Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	112	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	26, 57, 78~79	
GRI 404: Training and Education	103	Management Approach	50~51	
	404-1	Average hours of training per year per employee	52~53, 112	
	404-2	Programs for upgrading employee skills and transition assistance programs	52~53, 112	
	404-3	Percentage of employees receiving regular performance and career development reviews	79, 112	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	65, 79, 108	
	405-2	Ratio of basic salary and remuneration of women to men for each employee category,	109	
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	77~78	
GRI 407: Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	79	
GRI 408: Child Labor	408-1	아동노동 발생위험이 높은 사업분야 또는 공급업체 및 아동노동 근절을 위한 조치	77~79	
GRI 409: Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents forced or compulsory labor	77~79	
GRI 410: Security Practices	410-1	Security personnel trained in human rights policies or procedures	77~79	

Topic	No.	Description of the Indicators	Page	Remarks
GRI 411: Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	77~79	
GRI 412: Human Rights and Assessment	412-1	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	78~79	
	412-2	Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations	78	
GRI 413: Local Communities	103	Management Approach	38~39	
	413-1	Percentage of operations with local community engagement, impact assessments, and development programs	40~49	
GRI 415: Public Policy	415-1	Total monetary value of financial and in-kind political contributions made by country and recipient/beneficiary.	40, 113	
GRI 418: Customer Privacy	103	Management Approach	20~21	
	418-1	“Substantiated complaints concerning breaches of customer privacy and losses of customer data”	27~29	Not Applicable (Reference : Business Report 413 ~ 414)
GRI 419: Socioeconomic Compliance	419-1	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area	110	

## Sector Specific Indicators

Title	Description of the Indicators	Page
G4-FS1	Policies on environmental and social components applied to the business	45~49, 72~73
G4-FS2	Assessment and review procedures for environmental and social risks in business fields	67~68, 73
G4-FS3	Process of monitoring the implementation of and compliance with customers' environmental and social needs in a contract or transaction	25~26, 72~73
G4-FS4	Process of strengthening employee competency for implementing environmental and social policies and procedures in business fields	52~54
G4-FS5	Interaction between customers, investors and business partners in association with environmental and social risks and opportunity elements	45~49
G4-FS6	Percentage of the portfolio for business lines by specific region, size and by sector	6~7
G4-FS7	Currency value of products and services designed to provide certain social benefits in each business field specified	45~49
G4-FS8	Currency value of products and services designed to provide certain in environmental benefits in each business field specified	72~73
G4-FS9	Scope and frequency of the application of audits that assess the implementation of environmental and social policies and risk assessment process	-
G4-FS10	Ratio of assets subject to environmental and social reviews among that have incorporated portfolios of financial institutions	-
G4-FS11	Ratio of assets subject to environmental and social reviews through both positive and negative method	-
G4-FS12	Measures on decision-making of shareholders on environmental and social issues within the scope where reporting agencies have the influence in making decisions	-
지역사회 DMA(Disclosures on Management Approach)		38~39
G4-FS13	Access points by type in regions with little population or no economic benefits	24, 27, 36~37, 42~49
G4-FS14	Initiatives to improve access to financial services for the underprivileged	
G4-FS15	Policies on fair design and sales of financial products and services	25~26
G4-FS16	Initiatives to intensify financial knowledge (education) by recipient type	42

# BNK Financial Group History

## 2011

**Mar. 15. 2011**

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

**May 20. 2011**

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

**Dec. 28. 2011**

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

## 2012

**Jul. 05. 2012**

Winning the 2012 Korea Global CEO (social contribution sector)

**Sep. 27. 2012**

Selected as the Socially Responsible Management Company for Coexistence in 2012

## 2013

**Jun. 26. 2013**

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

**Aug. 14. 2013**

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

## 2015

**Oct. 10. 2014**

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

**Sep. 24. 2014**

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

**Jul. 15. 2014**

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

**Mar. 21. 2014**

BS Capital Myanmar Co., Ltd. Establishing a subsidiary in Myanmar (sub-subsidiary)

**Mar. 07. 2014**

KBSC (Cambodia) MSI PLC Capital Establishing a subsidiary in Cambodia (sub-subsidiary)

**Jan. 21. 2014**

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

## 2014

**Dec. 31. 2013**

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

**Jan. 22. 2015**

Selected as Korea's Most Influential CEO in 2015

**Feb. 24. 2015**

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

**Mar. 30. 2015**

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

**Apr. 24. 2015**

BS Capital Lao Leasing Co., Ltd. Capital Establishing a subsidiary in Laos (sub-subsidiary)

**Jun. 04. 2015**

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

**Jun. 15. 2015**

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

**Jul. 28. 2015**

Incorporated BNK Asset Management Co., Ltd. as an affiliate

**Sep. 10. 2015**

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

## 2016

**Mar. 14. 2018**

Designated as the 'corporation with excellence in disclosure' in 2017

**Jan. 10. 2018**

Opening ceremony for BNK Financial Group's HR Development Institute

**Dec. 21. 2017**

Launch ceremony for the BNK Committee of One Hundred-Year Plans

**Dec. 16. 2017.**

Completed the relocation of the IT system of the Group's IT center

**Dec. 13. 2017.**

Acquired remaining equities of BNK Asset Management Co., Ltd. (post-merger shareholding rate: 100%)

**Sep. 27. 2017**

Ji Wan Kim inaugurated as the third Chairman of BNK Financial Group Co., Ltd.

**Sep. 07. 2017**

Included in the Asia-Pacific index of the 2017 Dow Jones Sustainability Index for 3 consecutive years

## 2017

**Sep. 08. 2016**

Included in the Asia-Pacific index of the 2016 Dow Jones Sustainability Index for 2 consecutive years

**Jan. 27. 2016**

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



## BNK Financial Group Sustainability Report



## For More Information

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

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



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