

BS Financial Group
Sustainability Report
2012

Happiness with You



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Sustainability Report
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Happiness with You



About This Report

Report Outline

At BS Financial Group, we are implementing sustainable management through generating economic value and seeking for social development, while contributing to environmental protection. Accordingly, every year we intend to communicate our sustainability efforts including social, environmental and financial performance with stakeholders by publishing our first Sustainability Report in August 2013.

Guidelines

This report has been prepared in accordance with the GRI G3.1 Guidelines and GRI FSSS, the international guidelines for sustainability reports, and the ISO26000, the international standard for social responsibilities. Content of the stakeholder engagement, pursuant to the stakeholder engagement standard (AA1000SES), has been disclosed. Assurance based on three principles of the third-party assurance (AA1000AS) has been conducted. The GRI Application Level Check met the requirements for BS Financial Group to receive a statement that verifies a level B+ by GRI. The third-party assurance statement and the GRI verification statement are available in the Appendix.

Reporting Period

This report covers the period January 1, 2012, to December 31, 2012. In case of quantitative performance, the data from the last three years from 2010 to 2012 have been provided for understanding of recent trends in comparison with the past. For major issues, some activities and performance in 2013 are also included for timeliness of the report.

Reporting Scope

The reporting scope of the report includes the headquarters and sales networks of six affiliates as well as BS Financial Group Inc. For financial information, consolidated standards applying the K-IFRS have been used, and for environmental information, reporting is based on the performance of BS Financial Group Inc. and that of the headquarters of six affiliates.

Usage of the Subject

When the subject in this report is “BS Financial Group” and when there is no subject, it refers to all activities of BS Financial Group. For content applied to affiliates, their names were specifically indicated.

BS Financial Group Sustainability Report 2012

This is the first Sustainability Report of BS Financial Group which contains **the Group’s activities and performance in social, environmental and economic responsibility.**

BS Financial Group will spearhead the efforts to practice sharing profits with its local communities and make the world a happy place through the corporate slogan of **“Happiness with You.”**

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Win-Win Management



Customer Satisfaction Management



Employee Happiness Management



Value Creation Management

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CEO Message

We are advancing higher **to the world with the community and to a better future with customers** as the first local financial group with six affiliates launched in 2011. We have grown together with local communities and enhanced the corporate values under our management slogan of “Happiness with You.” As such, we are committed to concentrating all our competencies on strengthening our corporate social responsibilities.

Seeking to share our promises with stakeholders including customers, communities, shareholders and investors, partner companies, and to incorporate their feedback, our first sustainability report was published this year.

Acts of Happiness with You can be driven by Win-Win management. We are committed to serve as a financial company sharing an umbrella on a rainy day with SMEs that play pivotal roles in job creation in the local region. A wide range of strategies is based on joint growth including customized microcredit services, promoting financial inclusion, support for cultural and art activities as well as philanthropic investments in the local region.

We believe that only a company that steadily raises its corporate value can contribute to customers and communities. Despite the challenging situations such as the economic downturn in Korea and fiercer competitions between financial companies, we made an achievement of increasing total assets over 10% last year. Even profitability went down year-on-year, it is a higher outcome than expected given the economic circumstances. Capital adequacy was maintained at the level of world-class financial groups, securing an unyielding management basis against external shocks.

In addition, the current movements of overseas networks are scaling up. In 2011, Busan Bank’s Ho Chi Minh Representative Office in Vietnam was opened, and Busan Bank’s Qingdao Branch was opened for the first time as Korea’s local bank in 2012. Investor Relations abroad are moving beyond Asia, including Hong Kong and Singapore, to Europe including the U.K. and Sweden.

We promise to further foster employees’ expertise, challenging spirit and innovativeness, and value creation capabilities to make financial lives better by sharing. We ask for your continuous love and interest to BS Financial Group.

Thank you.

We will continue to
make financial lives better by sharing.



Lee, Jang-ho
Chairman and CEO of BS Financial Group

Introduction of BS Financial Group

Company Overview

BS Financial Group was launched as the first financial group based in the local region on March 15, 2011. The Group is positioning itself as an iconic financial group in the southeastern economic region of Korea consisting of six affiliates, namely, Busan Bank, BS Securities, BS Capital, BS Savings Bank, BS Credit Information and BS Information System.

Stable growth is achieved through 282 domestic networks, while Qingdao Branch in China and Ho Chi Minh Representative Office in Vietnam were opened by Busan Bank as the first local bank to do so, making its grand entry as a global financial group. The Group will continue to secure competitiveness in the global financial market, while strengthening local finance.

Management Motto of BS Financial Group

As a financial company with a dominant local presence, BS Financial Group seeks to grow with local communities and progress further beyond Korea to benefit global standards. Moreover, the Group is committed to making a brighter future for customers by imbuing hopes for the future and assisting them in their success as their life-long financial partner.

Credit Ratings

(As of the end of 2012)

Company Name	Moody's		Fitch	
	Long-term	Short-term	Long-term	Short-term
Busan Bank	A2	P1	BBB+	F2

Management Vision of BS Financial Group

BS Financial Group will serve as Korea's super regional financial group by 2015. The Group will grow into a global super regional financial group by 2020.

- To achieve management visions, the Group set seven management goals:
- ① To establish a differentiated status by business line, ② To maximize synergies within the Group,
 - ③ To expand the market dominance, ④ To scale up Busan as a financial hub,
 - ⑤ To strengthen roles of the holding company as the control tower,
 - ⑥ To establish the corporate culture for the Group,
 - ⑦ To bolster corporate social responsibility



*CSR: Corporate Social Responsibility

Outline of BS Financial Group

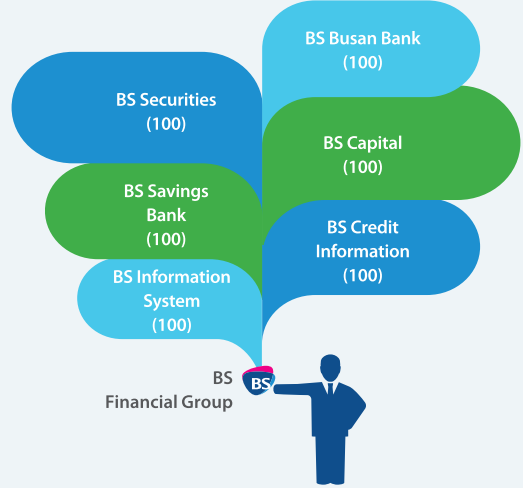
(As of the end of 2012)

Date of foundation	March 15, 2011
Chairman	Lee, Jang-ho
No. of affiliates	6
No. of employees	3,852
Total Assets	KRW 42.9 trillion
Operating Income	KRW 488.0 billion
Net Income	KRW 361.1 billion

BS Financial Group's Affiliates and Stakes of Equity in Each Affiliate

(As of the end of 2012)

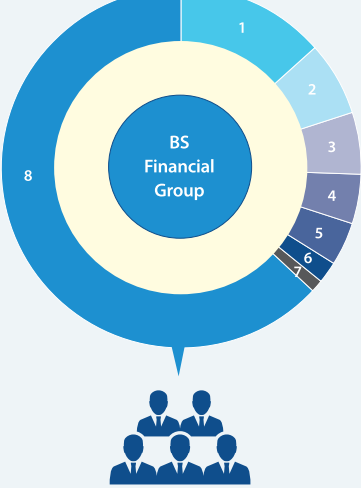
(Ratio of equity holdings: %)



Shareholder Status

(As of the end of 2012)

(Ratio of equity holdings: %)



- 1. Lotte Confectionary Co., Ltd: 13.6
- 2. ABERDEEN GLOBAL: 6.6
- 3. National Pension Service: 5.5
- 4. SAUDI ARABIAN MONETARY AGENCY: 4.3
- 5. Park Land Co., Ltd.: 4.1
- 6. VANGUARD EMERGING MARKETS STOCK INDEX: 1.8
- 7. Samsung Asset Management: 1.2
- 8. Others: 62.9

Status of Networks

(As of the end of 2012)

(Unit: No.)

Type	Domestic		Total
	Branches	Representative Offices	
Busan Bank	212	45	259*
BS Securities	4	-	4
BS Capital	10	2	12
BS Savings Bank	3	4	7
BS Credit Information	1	-	1
BS Information System	1	-	1
Total	231	51	284*

* Including Qingdao Branch of China(1) and Ho Chi Minh Representative Office of Vietnam(1)



BS Financial Group History



1967. 10. 25 Busan bank commenced business operations



1972. 8. 16 Opened the Seoul Branch for the first time as a local bank



1978. 1. 16 Opened online operations



2000. 11. 2 Selected as Busan City's main treasury bank



2010. 7. 15 Established BS Capital



2011. 3. 15 Launched BS Financial Group



2012. 7. 4 Declared "Happiness with You"



2012. 12. 26 Opened the Qingdao Office in China

1960

- In the 1960s**
- 1967.10. 10 Established Busan Bank
 - 1967.10. 25 Busan Bank commenced business operations
 - 1968.11. 1 Managed trust operations
- In the 1970s**
- 1972. 6. 15 Listed on the Korea Stock Exchange
 - 1972. 8. 16 Opened Seoul Branch for the first time as a local bank
 - 1978. 1. 16 Opened online operations
- In the 1980s**
- 1982. 6. 21 Relocated the headquarters (from Sinchang-dong to beomil-dong)
 - 1985. 6. 1 Commenced credit card operations
- In the 1990s**
- 1990. 8. 13 Began online operations for loan business
 - 1997. 6. 2 Established BS Futures Co., Ltd
 - 1997. 9. 18 Opened new comprehensive online systems
- In 2000**
- 2000. 3. 6 Commenced Internet banking services
 - 2000.11. 2 Selected as Busan City's main treasury bank
 - 2000.11. 23 Awarded the Prime Ministerial commendation in 2000
- In 2001**
- 2001. 6. 19 Awarded the Presidential commendation as a patriot for reaching out to the impoverished in 2001
 - 2001. 8. 1 Commenced the operation for comprehensive income management system

2002

- In 2002**
- 2002. 1. 29 Implemented the RM system
 - 2002. 2. 18 Completed the establishment of next-generation devices
 - 2002.12. 31 Awarded the Commendation for Fostering SMEs in Busan in 2002
- In 2003**
- 2003. 1. 6 Awarded the Gold Prize in the banking sector at the 12th Dasan Finance Award
 - 2003. 6. 17 Established Busan Credit Information
 - 2003.11. 11 Re-selected as Busan City's main treasury bank
- In 2004**
- 2004. 4. 23 Awarded Korea's Entrepreneurs
 - 2004.10. 15 Awarded the 2004 CSR Award
- In 2005**
- 2005. 1. 16 Conducted the Business Process Re-engineering (BPR) in all branches
 - 2005. 6. 24 Selected as the Company of Excellence in Corporate Governance by the Corporate Governance Service
 - 2005.12. 22 Received the Gold Prize at the Dasan Financial Awards
- In 2006**
- 2006. 1. 18 Conducted the Customers' Cash Transaction Reporting system and Know Your Customer(anti-money laundering activities)
 - 2006. 4. 21 Awarded in the CSR sector at the Korea Marketing Award
 - 2006. 5. 22 Selected as a depository for deposits by Busan District Court

2007

- In 2007**
- 2007. 4. 19 Awarded the 5th Korea Service Satisfaction Award
 - 2007. 11. 5 Opened the Cyber History Museum
 - 2007. 12. 7 Launched the Scholarship Culture Foundation
- In 2008**
- 2008. 6. 12 Awarded the Grand Prize in the financial service sector
 - 2008.12. 9 Awarded the Presidential award at the National Conference on Volunteering and Service
 - 2008.12. 17 Issued hybrid bonds for the first time as a local bank
- In 2009**
- 2009. 1. 5 Received the Gold Prize in the banking category of 18th Dasan Financial Award
 - 2009. 4. 24 Acquired a Grade 1 rating in the 2008 evaluation of complaints carried out by the Financial Supervisory Service
 - 2009.12. 21 Awarded the Presidential award for supporting for job creation
- In 2010**
- 2010. 1. 5 Received the Gold Prize at the 19th Dasan Financial Awards for the second straight year
 - 2010. 4. 13 Quarterly net income exceeded KRW 100 billion for the first time as a local bank in Korea
 - 2010. 6. 9 Acquired the approval to make investments in subsidiaries to establish BS Capital
 - 2010. 7. 15 Established BS Capital
 - 2010.10. 8 Acquired "AAA" credit ratings from domestic credit rating agencies
 - 2010.12. 1 Designated a "2010 Fortune GWP" (Great Work Place) to be awarded with the Grand Prize in the financial sector by Fortune
 - 2010.12. 15 Received preliminary approval to become BS Financial Group

2011

- In 2011**
- 2011. 1. 5 Won the Gold Prize in the Banking Sector at the Dasan Financial Awards
 - 2011. 3. 2 Acquired approval to establish BS Financial Group
 - 2011. 3. 15 Launched BS Financial Group
 - 2011. 5. 20 Launched BS Information System
 - 2011.12. 13 Launched BS Savings Bank
 - 2011.12. 28 Acquired approval to commence business operations for BS Savings Bank
- In 2012**
- 2012. 1. 10 Commenced business operations for BS Savings Bank
 - 2012. 1. 25 Opened the 「Neo BS」 the next-generation system
 - 2012. 3. 7 Acquired approval for comprehensive securities business for BS Securities
 - 2012. 6. 27 Opened the newly built Training Center
 - 2012. 6. 27 Declared the "BS Smart Wave" to make a creative corporate culture
 - 2012. 7. 4 Declared "Happiness with you"
 - 2012.12. 26 Opened the Qingdao Branch in China

Transparent and Accountable Management

Corporate Governance

BS Financial Group operates an independent Board of Directors and the Audit Committee for the purpose of creating a transparent and sound management environment, thereby protecting stakeholder rights and raising the corporate value.

Composition of the Board of Directors

The Board of Directors (BOD) consists of nine inside and outside accounting directors with expertise in their field of law, economy, accounting and ethics, and is chaired by the CEO of the Group. Training and performance assessment is conducted to strengthen the expertise and independence of their field. Cumulative voting and written voting are in place to protect the decision-making rights of shareholders.

• Decision-making Process of the BOD

The BOD holds regular and ad-hoc board meetings, and the regular BOD meeting is held once a quarter. The ad-hoc BOD meetings are summoned upon the demand of a majority of registered directors, the Audit Committee or the CEO/Chairman. Decisions are made upon the presence of a majority of the registered members, and the approval of a majority of directors that are present. Directors with special interests are prescribed not to exercise their decision-making rights.

• Independence of the BOD

Outside directors are appointed pursuant to the independence standard in accordance with the Financial Holdings Company Act and the Act on the Capital Act and Financial Investment Business. The Articles of Association prescribe that the number of outside directors is three and above and a majority of the quorum of all the directors. Outside directors are appointed at the shareholders' meeting through the nomination of the Nominating Committee for outside directors. The Audit Committee is established as an independent entity from decision-making and execution bodies of the BOD and other departments to conduct accounting and auditing of business operations.

Operation of the BOD

In 2012, the BOD meetings were held eight times to deliberate and make decisions on major management agenda including the Group's management plans, operation of the internal accounting management system and capital investment in subsidiaries. The total number of agenda addressed in 2012 was 26, and the average attendance rate of outside directors was 89.2%.

• Performance evaluation and compensation

Directors' rewards and compensation are decided at the shareholders' meeting. According to the outside director standards, qualitative assessment is conducted for outside directors and non-standing directors via the 360 degrees evaluation including self-assessment, BOD assessment and employee assessment. Quantitative assessment is also conducted through the attendance rate at the BOD and subcommittee meetings. Performance assessment of the top management is carried out pursuant to the performance assessment standards for financial holdings companies where risks are reflected, staying away from short-term external expansion. Moreover, their performance assessment is decided according to the standards of the Business Executives Management Committee and BOD.

• Subcommittees under the BOD

The BOD has six subcommittees: Corporate Governance Committee, Risk Committee, Business Executives Management Committee, Nominating Committee for outside directors, Nominating Committee for Auditors and Audit Committee. The committees consist of a majority of its members as outside directors whose role is to enhance the efficiency and independence of the BOD by fulfilling the functions of monitoring and checking top management.

• Status of Subcommittees of the BOD

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

Introduction of the BOD

Standing Directors



Lee, Jang-ho
Chairman of
BS Financial Group



Lim, Young-rok
Vice President of
BS Financial Group

Non-standing Directors



Sung, Se-whan
President of
Busan Bank



Chae, Jung-byung
President of
Lotte Shopping Co., Ltd.

Outside Directors



Kim, Sung-ho
President of
Happy World Foundation



Kim, Woo-suk
Chairman of
Yeil Accounting Corporation



Lee, Jong-soo
Honorary Professor of
Hansung University



Oh, Keo-don
President of
Korea Maritime Federation



Park, Maeng-eon
Professor of
Pukyong University

Responses to Risks

BS Financial Group classified risks to be managed into five categories: credit, market, interest rate, liquidity and operational risks. Response activities are devised after identifying the factors and possibilities for risks for each risk type.

In 2013, the Group plans to bolster its risk analysis capacity in preparation against long-term economic downturns, higher volatility in the financial market and stronger regulations, while establishing a management system in response to the adoption of Basel II · III in the Group.



Risk Management of Major Affiliates

BS Busan Bank	Objective	· Paving the way for sound management through preemptive risk management against long-term economic slowdown
	Key Tasks	· Preemptively managing risks in response to the sluggish economy and household debts · Responding to the regulations of Basel III through adjustment of asset/liability portfolios · Strengthening the protection of financial consumers and improving internal control
BS Securities	Objective	· Establishing a risk management system befitting a mid-size company
	Key Tasks	· Scaling up management in the trading sector · Improving the regulations and management process for operational risks
BS Capital	Objective	· Managing profitability centering on small-scale safe assets
	Key Tasks	· Strengthening the asset soundness management about high-volume loans · Expanding the portion of stable assets and managing liquidity
BS Savings Bank	Objective	· Establishing a risk management system
	Key Tasks	· Managing possible household debt insolvencies in the savings bank business operations · Establishing DB for adoption of the ALM system

Stakeholder Engagement

Stakeholder Engagement

For the purpose of implementing “Happiness with You,” BS Financial Group actively reflects opinions of stakeholders and seeks to disclose activities and performance periodically in each sector. The Group is committed to boosting stakeholders’ happiness along with the corporate growth driven by communication and empathy.

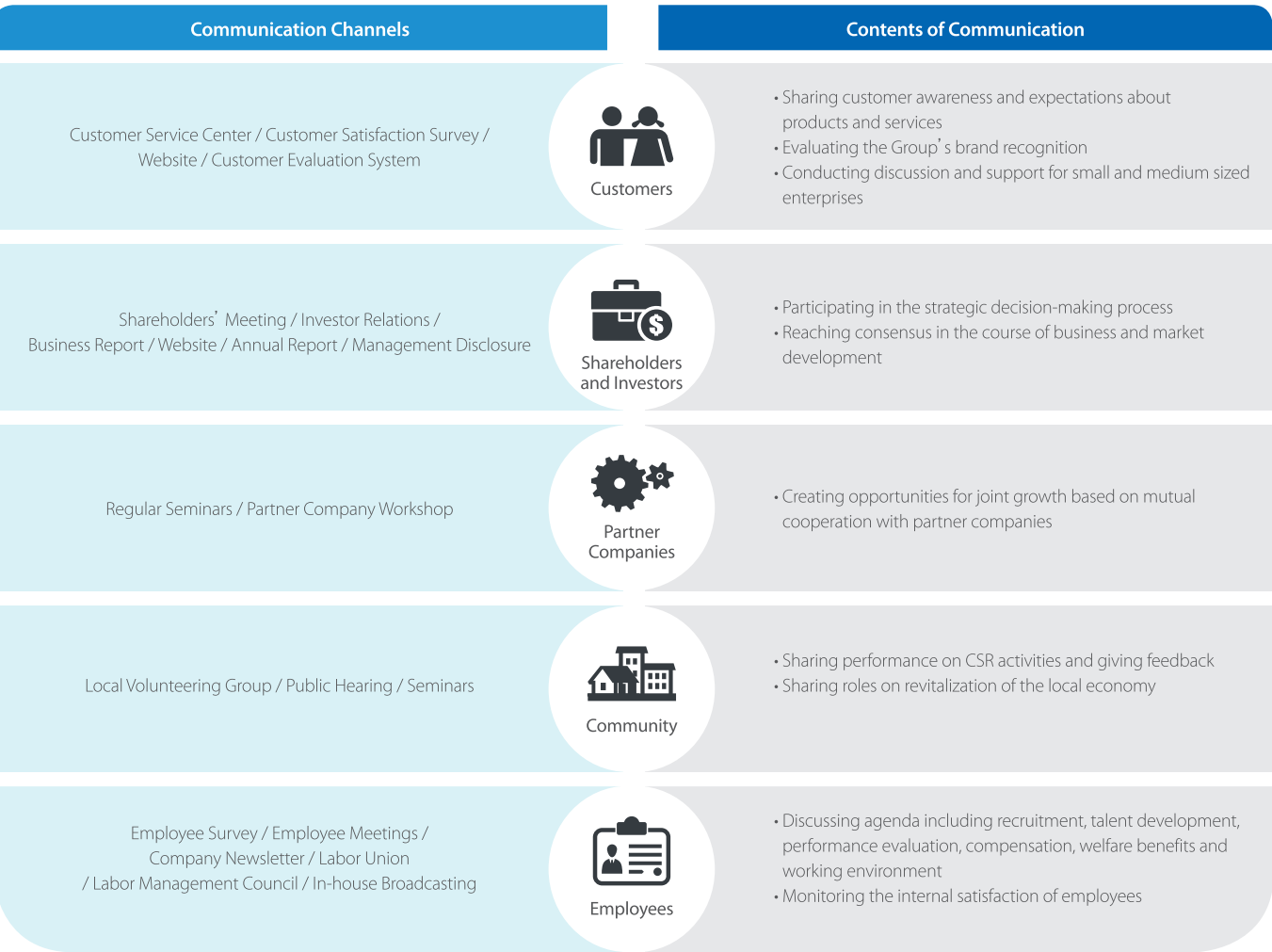
Stakeholders of BS Financial Group

Stakeholders are defined as customers, shareholders and investors, partner companies, communities and employees considering

mutual influence and the level of significance with the Group. The Group will specify the happiness expected by each stakeholder and come up with specific actions.

Stakeholder Communication Channels

Communication channels for each stakeholder are in operation to scale up regular communication with them. Moreover, opinions collected through communication are actively reflected in management activities, while activities and performance are disclosed through the website and printed materials.



Materiality Assessment Process

BS Financial Group has implemented the materiality assessment process to identify matters of interest from various stakeholders, and to make issues of and report them. The process unfolded in three stages.

First, issues making a significant impact on the Group's sustainable management were identified through the international standards on sustainable management (ISO 26000, GRI 3.1, ESG Rating), media research and analysis of advanced companies. As a result, 32 issues of sustainability were selected.

Second, major issues were selected from the Group's and external perspectives through the participation of stakeholders. In the participation process, stakeholder interviews and surveys were conducted. Throughout the survey, 1,092 internal and external stakeholders took part.

Materiality assessment was carried out based on the selected issues on sustainability and the results of stakeholder engagement. The methodology used was the materiality assessment method of the AA1000SES, the standard on stakeholder engagement. As a result of the assessment, a total of 14 core issues were selected in each field of the economy, environment and society.

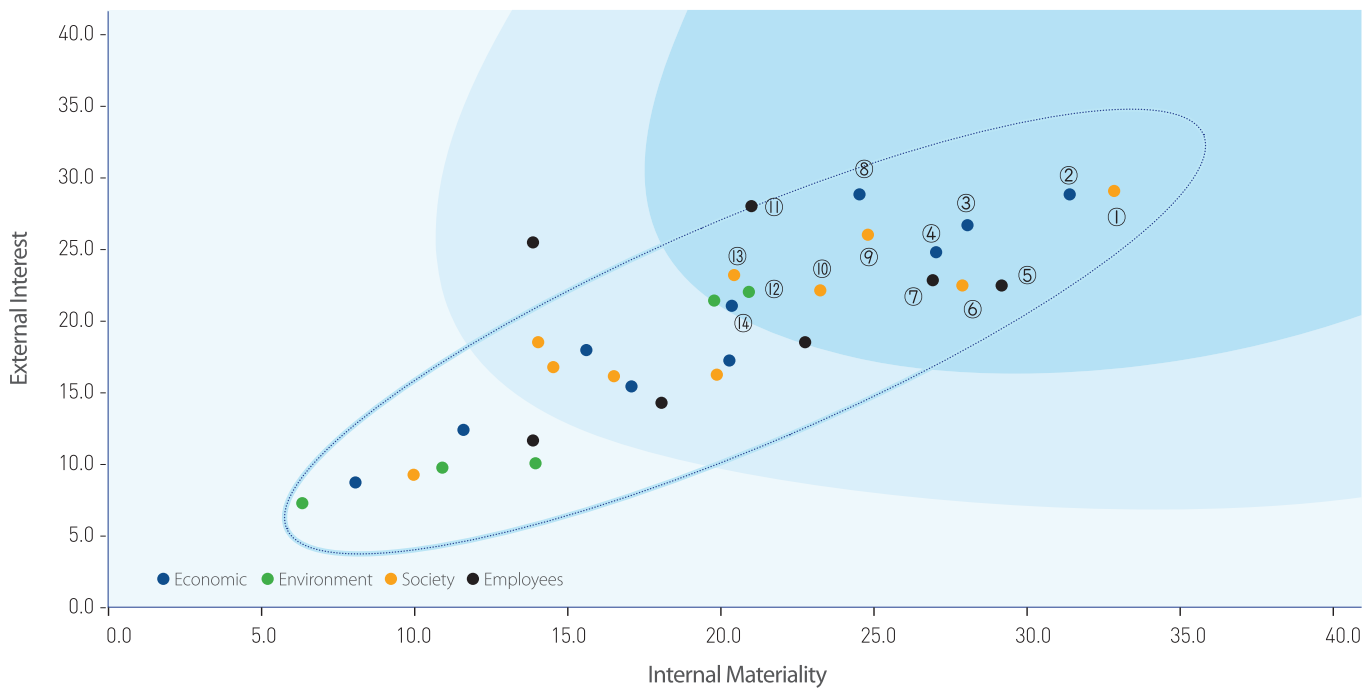
Materiality Assessment Process



Major Issues in Sustainable Management

A total of 14 issues in the sector of economy, environment and society devised through the materiality process are critical factors for BS Financial Group to fulfill Win-Win growth with its stakeholders. Activities and performance are intensively elaborated in the Report according to the GRI Guideline.

Results of Materiality Assessment



Major Issues of Sustainable Management

Field	Issue No.	Title of Issues	Page for Reporting
Economy	②	Development of specialized products/services	25-26, 39
	③	Innovative activities for improving income continuously	56-57
	④	Integrated risk management for sustainable management	15-16
	⑧	Corporate brand management	58
Environment	⑭	Stronger synergy-driven management at the Group level	58
	⑫	Creation of an eco-friendly culture	33-34
	①	Support for SME banking	24-25
Society	⑥	Expansion of the financial support for the socially vulnerable	26, 31-32
	⑬	Specialized CSR activities	29-32
	⑨	Provision of secure financial transaction services	42-43
	⑩	Efforts to enhance customer satisfaction	38-41
	⑤	Buildup of the talent development system	47
	⑦	Fair performance evaluation and management	48
	⑪	Work/Life balance for employees	49

Happiness with You

Making Financial Lives Better by Sharing

BS Financial Group has grown thanks to love and support of the community.

Now is the time to upgrade itself in corporate social responsibility towards the community to lead management based on profit sharing and making the world a happy place.



Happiness with You

The Group that has grown together with the region has set its management slogan as "Making Financial Lives Better by Sharing" to strengthen corporate social responsibility towards communities. Happiness with You projects refer to CSR projects where many people can feel happy.

Now, the Group recognizes corporate social responsibility not as an option but a must. The Group will grow to imbue happiness to all stakeholders under the new management paradigm of conducting story-telling projects, focusing on recipient-oriented customized support not mere donating or charity activities.

CSR Development Stages

CSR activities of the Group have expanded in scale and scope every year. Starting with the voluntary donation stage in 2007 prior to the conversion into the holding company, the Group expanded CSR from the adoption of socially responsible projects to leading social innovation. In 2012, the Group announced its long-term perspective changes and promises through Happiness with You. In particular, the Group's iconic projects for Happiness with You include financial support projects making local residents happier, CSR projects making communities happier and projects supporting cultural and art performances making local residents happier.

The Group will fulfill corporate social responsibility so that all stakeholders feel happy as the Group practices social changes and innovation through Happiness with You.

Corporate Contribution of BS Financial Group

Type	2007	2008	2009	2010	2011	2012
Ratio of Philanthropic Investments against Net Income (%)*	5.69	5.78	13.99	8.16	8.36	9.50
No. of Participants Volunteering and Engagement (persons)	18,180	19,044	21,811	21,904	25,399	26,703

*Including Microcredit Service

Scheme of Happiness with You

Happiness with You is practiced through Win-Win management, Customer Satisfaction Management, Employee Happiness Management and Value Creation Management. Under the leadership of the holding company, all affiliates will take part in practicing Happiness with You projects, fostering happiness among stakeholders.



Promises for Happiness with You



BS Financial Group's growth is driven by trust and interests of stakeholders. Now, we are committed to providing and giving greater happiness for each stakeholder. This will require Win-Win management with communities and SMEs, management that can satisfy every customer, management that can imbue a sense of self-esteem among employees towards the company and management that creates values for the better.

BS Financial Group will unfold practical projects by communicating with communities better beyond extending mere donations or charity work. We will do the utmost so that many people can feel happy.

Happiness with You is the core value of the Group that moves to the world with the community and to a better future with customers, and also its promise to be kept with stakeholders. Happiness with You will be continuously expanded for BS Financial Group to achieve its management motto.



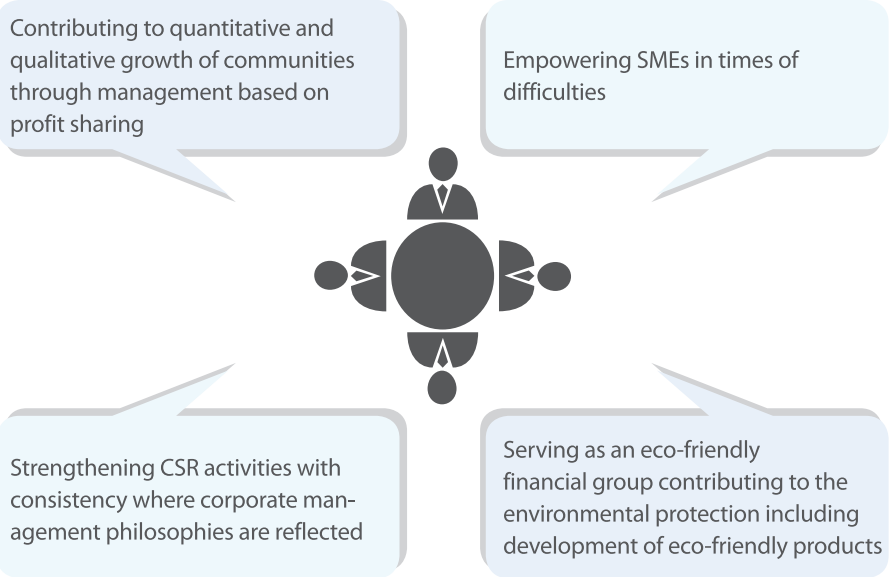
Win-Win Management



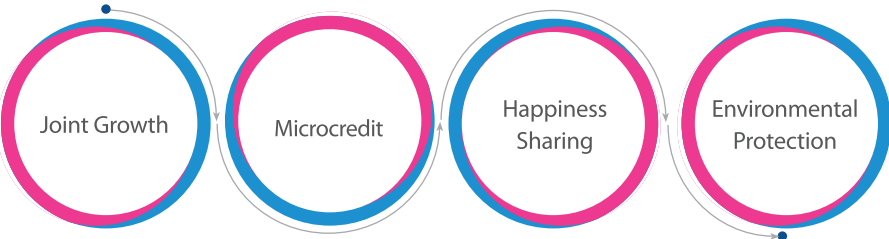
DMA

Disclosures on Management Approach

Major Opinions of Stakeholders

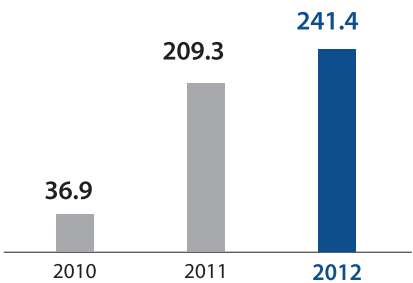


BS Financial Group's Approach



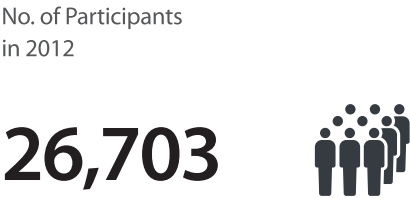
CSR Finance

(Unit: KRW billion)



* Records for 2010 and 2011 are based on Busan Bank, and records for 2012 are based on BS Financial Group

Employee Volunteering and Engagement



Win-Win Management



Win-Win Management
Customer Satisfaction Management
Employee Happiness Management
Value Creation Management

Joint Growth

BS Financial Group’s management motto is “To the world with the community, To a better future with customers.” The Group will grow into a global financial leader beyond Korea by opening up the horizons for the future along with regional communities.

Growing together with SMEs

The Group extends support for SMEs – the key drivers of the national economy - to grow further, while working hard to overcome crises together in times of difficulties.

Busan Bank has been at the forefront of supporting 40,000 SMEs since the 2008 global financial crisis, increasing loans of KRW 4.6 trillion for four years from 2009 to 2012. In 2009, in particular, the increase in SME loans exceeded the increase in total loans to protect SMEs from liquidity shortage. For the first time as a domestic bank in Korea, Busan Bank extends a temporary delay to SMEs upon installment payment, backing up the local economy at all times.

BS Capital and BS Savings Bank have maintained their long-standing commitment to support lower-credit SMEs. BS Capital extended loans to SMEs worth KRW 1.1 trillion out of total loans of KRW 1.7 trillion as of the end of 2012. BS Savings Bank, meanwhile, extended loans of KRW 387 billion to SMEs out of total loans of KRW 495.8 billion as of the end of 2012.

Busan Bank SME Loans (Unit: KRW billion)				
Type	2009	2010	2011	2012
Increase in SME Loans	450.5	1,121.2	1,619.4	1,405.6
Balance of SME Loans	12,485.2	13,606.4	15,225.8	16,631.4

Awarding Ceremony for Appointing Small Giants at Busan Bank



Specialized Support for Local SMEs

Busan Bank’s loan products specialized for local SMES enable the customer-driven banking services. The Bank’s SME services include management consulting and the BS Job Center to ease labor shortage for SMEs.

Title	Description	Year of Implementation	Amount of Ceiling (KRW billion)	Amount of Extensions (As of the end of 2012)	Remark
Energy Up Loan	Special support for companies lacking in collateral but having high growth potentials	2012	500	KRW 500 billion	Total amount depleted
Dream Factory Loan	A loan to buy a plant for the first time in life	2012		KRW 113.5 billion	Accumulative amount of extension
Love for Ulsan Company Loan	Special support for materials manufacturers in Ulsan with competent technologies and high growth potentials	2012	150	KRW 150 billion	Total amount depleted
Financing for Fisheries for Warehousing	A specialized product to extend financing with fisheries as a collateral – fisheries loaded in a carrier or fish stocks stored in fish warehouses	1999		KRW 607.4 billion	
Special Loans for SME	Marking the 45th year of anniversary	2012	500	KRW 137.9 billion	
Small Giants 300 Project	A specialized product to extend financing with fisheries as a collateral – fisheries loaded in a carrier or fish stocks stored in fish warehouses	2011	1,000	KRW 616.6 billion	Targeting to extend to 300 companies in 3 years So far, 126 companies have been selected New loan extensions of KRW 616.6 billion and scholarship extensions of KRW 140 million for 205 people
Joint Growth Fund	Support for local companies	2012		KRW 7.2 billion	14 companies
SME Support through Agreement Guarantee with Special Contributions of Guarantor Agencies	Financial support for local SMEs				Contributions worth KRW 22 billion extended for the past three years to Korea Credit Guarantee Fund, Korea Technology Credit Guarantee Fund and Busan Credit Guarantee Foundation
Establishing of BS Job Center	Easing the labor shortage for SMEs	2009		5,502 new employees at 4,644 companies	Accumulative amount
Free-of-charge Provision of SME Management Consulting	Consulting services on family business succession, investment inducement, taxation and legal issues	2012		37 Cases	Legal issues, taxation, management, real estate, family business success, etc
Opening of a Plaza for Foreign Workers	Managing employee management for SMEs with foreign employees and contributing to easing the labor shortage for SMEs	2011			Operating a plaza for foreigners from 09:00 to 18:00 on every Saturday and holidays

Microcredit

BS Financial Group extends microcredit services and supports the self-employed as their primary guardian in microcredit. In July 2012, the Group opened the Happiness with You Consulting and Service Center to provide financial services for the financially vulnerable including the low-income class, high-interest debt holders and the self-employed of small scale operations. The center is with the participation of Busan Bank, BS Capital and BS Savings Bank.

Livelihood-type Microcredit Service

Livelihood-type Microcredit Service is a joint project of the Group’s affiliates. BS Capital extended special credit loans of KRW 2.9 billion at a low interest rate for local residents that are financially struggling in their livelihood. To support local residents seeking to earn living expenses by purchasing a vehicle, a total auto financing amount of KRW 0.7 billion was available for owners of vehicles driven for such purposes, offering a low interest rate with the exemption of auxiliary loan expenses.

BS Savings Bank, meanwhile, extended unsecured loans of KRW 4.6 billion to traditional market merchants and the self-employed for their business and living expenditures and to convert high-interest loans borrowed from money lenders into low-interest ones. To support low-income and low-credit customers, KRW one billion was extended under the Sunshine Loan and Sunshine Conversion Loan.

Products for the Financially Neglected

Busan Bank offers financial products at preferential interest rates for the financially neglected including the lower income group, multicultural families and child-headed households. The Bank will do the utmost for everyone to enjoy financial benefits and make advancements for the better by developing customized products.

(As of the end of 2012)

Title	Targets	Description	Remarks
Hope Fostering Savings Deposit	<ul style="list-style-type: none">· Livelihood security recipients· Child-headed households· North Korean defectors(seoteomin)· Multicultural families (married immigrants)· Single parent families	An additional offer of a preferential interest rate (2.50%) upon product subscription among the target customers - One-year: 6.00% - Two-year: 6.20% - Three-year: 6.40%	<ul style="list-style-type: none">· Launched on October 25, 2012· KRW 83 million for 142 accounts
BS Happiness Keeper Bankbook	<ul style="list-style-type: none">· Livelihood security recipients· Basic old-age pensioners· Recipients of pension for the disabled· Recipients of disability allowances· Recipients of allowances for disabled children	Disallowing any types of restraints on deposits including seizure even when the legally allowed anti-seizure payments alone are deposited and the court seizure order is in effect.	<ul style="list-style-type: none">· Launched on April 1, 2011· KRW 264 million for 2,640 accounts
Hope for Future Bankbook	<ul style="list-style-type: none">· Lower income group (recipients to be selected by Busan Metropolitan Government)	An additional offer of a preferential interest rate - One-year: 6.00% - Two-year: 6.20% - Three-year: 6.40%	<ul style="list-style-type: none">· Launched on February 1, 2010· KRW 1,251 million for 504 accounts
BS Laughter Loan	<ul style="list-style-type: none">· Multicultural family customers whose annual income is less than KRW 40 million and who are income earners or business operators	Preferential interest rate - Multi-child households with three children and more under the age of 20 - Households with elderly parents of 60 years old and higher	<ul style="list-style-type: none">· Launched on July 4, 2012· KRW 49 million for 7 cases
BS Baro Nuri Loan	<ul style="list-style-type: none">· For customers who have maintained their business for over three months or who are employed, especially those under high interest rate loans from other financial companies	- Exemption of prepayment charges - No reduction of the existing credit loans upon setting the loan ceiling	<ul style="list-style-type: none">· Launched on September 12, 2012· KRW 882 million for 147 cases



Win-Win Management

Customer Satisfaction Management

Employee Happiness Management

Value Creation Management

Debt Waiver for Young and Middle-Age Credit Defaulters

To recover credit of young and middle-age credit defaulters, Busan Bank initiates a service to waive debts for young and middle-age credit defaulters to assist them in getting a job and start their life anew. As for holders of special bonds (outstanding bonds even after the Bank’s bad debt write-off) in the young and middle age group (born before 1963), 70% of bank debts are written off, and upon the repayment of 30% of the principle (including the installment repayment), the remaining debts (principle and interest) are written off to be excluded from the list of credit defaulters. Throughout 2012, 469 holders of special bonds in the young and middle age group had their debts worth KRW 2.5 billion (KRW 1 billion as of the principle) written off.

Support for the Self-employed

To extend differentiated financial support for the self-employed that stabilize the local economy, Busan Bank implemented a program called “Special Loans for the Success of the Self-Employed” in April 2011. Throughout 2011, a total of KRW 150 billion was extended to the locally self-employed. In the second year of the program that started in February 2012, KRW 142 billion was extended in unsecured and collateral loans.

The BS Self Employment Support Center opened in April 2011 to provide one-stop total services for the self-employed. The Center offers free-of-charge consulting services for the self-employed to improve their management and convert their business type. Information is provided by the Center on the complicated procedure to apply for policy funds along with the provision of vicarious services for aggregate taxation on financing income and reporting of value added tax.

Support for Start-ups of Young Entrepreneurs

To ease youth unemployment and revitalize the regional economy, the Group has initiated a project to support start-ups of young entrepreneurs under the age of 40. The Group extended KRW 30 billion (KRW 26 billion for loans, KRW 3 billion capital injection and KRW 1 billion for other support like promotion) to 300 companies selected by the Busan Economic Promotion Agency in 2012.

Support for Franchise Store Start-ups

For retirees seeking to have their start-up by running a franchise store – confectionary, apparels, cosmetics, convenience store or coffee shop, services on interest rate along with preferential treatment were offered within the loan ceiling of KRW 100 billion. In addition, the BS Job Center helped such companies with their recruitment, and in conjunction with the BS Self Employment Support Center, various services for start-ups were available including insect pest control programs and provision of souvenirs for start-up entrepreneurs.

BS Self Employment Support Center



Happiness Sharing

BS Financial Group set its management slogan as “Making Financial Lives Better by Sharing ,” spearheading the efforts to make the world a happy place by fulfilling its corporate social responsibility with integrity. Sharing is practiced to make society a happy place through various programs: profit sharing projects for the socially vulnerable, public interest projects for communities, Mecenat projects for the development of culture and art, scholarship and training projects to develop future talents, and supporting workers from multicultural families and foreign workers.

Stories of Happiness Sharing

Declaration of Happy Financial Lives Better by Sharing



Activities of Disaster Relief Volunteer Team



Corporate social responsibility is the core value of BS Financial Group, serving as a corporate culture where all the employees take part together. Since the launch of the financial holding company, BS Financial Group has strived to share greater happiness with communities, people and the financially disadvantaged. With the declaration of “Making Happy Financial Lives Better by Sharing,” the Group is actively engaged in corporate social responsibility by announcing wide-ranging projects: CSR projects, culture and art projects and microcredit projects.

• BS Financial Group Sharing Happiness

Under the corporate social responsibility vision of “No.1 social responsible group that shares happiness” to initiate the Group-wide systematic social responsibility, the Group designated three core areas to be engaged in diverse social responsible activities: Mecenat projects to revitalize culture and art; love-sharing projects for the socially vulnerable; and education and scholarship projects to foster future talents.

• Community Volunteers at the Forefront of Practicing Community Love

BS Financial Group operates 53 Volunteer Groups nationwide consisting of 4,000 employees of affiliates including Community Volunteers, the Family Volunteer conducting volunteering on weekdays, and the Disaster Relief Volunteer Team. Volunteering activities take place 90 times a month to practice community love. As a result of such enthusiastic volunteering, Busan Bank’s Community Volunteers were awarded with the Presidential Award in the Volunteering Sector in 2008.



Win-Win Management
Customer Satisfaction Management
Employee Happiness Management
Value Creation Management

Culture and Art Sharing

Sponsorship Awarding Ceremony for the Development of Culture, Art and Volunteering Organizations



BS Financial Literature Award



BS Cultural Award



Support for Busan International Film Festival



BS Financial Group contributes to revitalizing the development of local culture and art by sharing joy from cultural and artistic creation with communities, and reinvigorating culture and art projects. BS Financial Group will always be with communities in times of happiness generated from culture and art. As a result of such efforts, Busan Bank was designated as one of the top ten companies, as the only bank, in the support for culture and art sector in 2012 organized by the Korea Mecenat Council.

• KRW 1 Billion Sponsorship for Culture & Art and Volunteering Organizations

To support culture & art and volunteering organizations that are financially struggling, the Group conducted a project to extend sponsorships worth KRW 1 billion in July 2012. The number of applications skyrocketed: 356 cases in 12 fields including art, music and dance, amounting to KRW 6 billion. Among them, 304 cases were selected in the areas of creative work and volunteering. As such, the Group is contributing to revitalize the local culture and art, and volunteering.

• BS Financial Literature Award · Busan Cultural Award

To enhance the community interest in literature as well as encourage local literati’s creative works, the Group designated the “BS Financial Literature Award” in 2012 to offer sponsorships to awardees. Meanwhile, in conjunction with MBC Busan, the Group selects citizens with contributory acts in communities in such fields as culture and art, social responsibility and volunteering annually to award the “Busan Cultural Award.”

• BS Taking Part in Local Cultural Festivals

BS Financial Group has been always taking part in culture and art festivals, be they large or small in scale, held in the local region. The Group has participated in Busan International Film Festival (BIFF), Asia’s No.1 film festival that has been spotlighted by the global film circles every October. The Group has also joined diverse festivals such as: Busan International Short Film Festival, Busan International Performing Arts Festival, Busan International Dance Festival, Grand Art Exhibition of Busan, Korea Youth Arts Festival and Busan Fireworks Festival. On these special festivals that have refurbished Busan as a world-class premium city, BS Financial Group has showcased its presence, practicing its community love by means of culture.

• Extension of Low-interest Loans for Performance Funds

The Group extends funds necessary to develop low-interest loan products for local cultural and art organizations seeking to put on a performance. This is conducive to the development of new fields which a financial group can tap into and achieve the self-sufficient growth of the industry.



BS Financial Group formed the "BS Busan Bank Chamber Orchestra" with its members from local employees that majored in classical music to touch the hearts of local residents while reinvigorating classical music. Since its formation, the orchestra has visited companies, social welfare facilities, schools and public agencies to perform over 200 concerts, garnering positive acclaims from the region and its people. The Group is at the forefront of contributing donations for the preservation of cultural performances.

BS Financial Group opened the BS Busan Bank Joeun Theater based on the Bank's small theater naming project, serving as an iconic cultural zone in the local region. The theater puts on high-quality cultural performances and many more, while contributing to greater accessibility to cultural events by offering free-of-charge admission. Moreover, the Group sponsors the operation of the theater, operates cultural experience programs for students and performs cultural performances for the audiences. The theater also recruits local residents that majored in theater, contributing to job creation in the region.

The Group holds exhibitions inviting local artists who are active in the local art community circles but have not been properly evaluated or spotlighted despite their ability so that their artworks can be introduced and accumulated along with exhibitions for young artists. These exhibitions have been positively acclaimed by both cultural communities and local residents.

Busan Bank held an opening ceremony for the "BS Busan Bank Gallery" in Busan Bank Sinchangdong Branch in April 2011. The gallery was held on the 2nd floor of the branch office and has the floor area of 364m² with a single exhibition room. The rental fees are all free to support creative works of artists and cater to cultural needs of residents. Professional curators are recruited to serve as a bridge between artworks and viewers. In 2012, 490 artists showcased their works for 290 days, communicating with local residents via art.

The meaning and joy of sharing have been felt together with local residents with their presence in different outreach activities. The Group holds the largest local bazaar for a single company, and organizes the "Kimchi" preparation event for the underprivileged with 1,500 local volunteers to practice love with local residents.

Education and Scholarships

Hope Sharing Foundation Awarding
Scholarship Certificates



Book Exchange Exhibition for
Local Residents



Children's Reading Economy
Experience School



Supporting for Meal expenses of Children
from Low-income Families



The Group has unfolded education and scholarship projects for students as the leaders of the future to grow in a bright and healthy way, achieve their dreams and grow as talented leaders for society.

• Sponsorship for the Hope Sharing Foundation

The Hope Sharing Foundation of BS Financial Group has sponsored KRW 400 million to 287 academically gifted students despite their financial struggles among 25 universities and 30 high schools in Busan, Ulsan and Gyeongnam region in August 2012. The periodic scholarships have been extended to 1,853 students, amounting to KRW 2.2 billion.

• Encouraging Children to Read Books

BS Financial Group has imbued the joy of reading and sharing that joy to children by organizing the Book Exchange Exhibition since 2003. The exhibition held on Children's day every year contributes to activating the reading culture by exchanging 20,000 used books with new books. For local elementary, middle and high school students, the Children's Reading Economy Experience School is operational and available to attend. Meanwhile, the "One Book One Busan" campaign is underway as a book reading promotion campaign that triggers citizens to read a book designated by the Group in conjunction with the Education Office of Busan Metropolitan Government, thus sharing the joy of reading among Busan residents including children.

• Supporting Children from Low-income Families

"Busan Education Love Card," launched in May 2004 for public officials in the Education Office of Busan Metropolitan Government and private schools, gives out a certain portion of the expenditures in card usage every year to the education office for sponsoring children of low-income families, and the amount worth KRW 1.1 billion has been extended up to date.

At the same time, a portion of monthly wages is donated voluntarily by employees, the Bank takes part in the form of matching grants in the meal sponsorship project for children of low-income families. Under the project, 3,929 employees took part for three years since 2010, and KRW 1.1 billion worth of meal expenses were offered to elementary, middle and high school students amounting to 2,185 recipients.

• Fostering Future Talents

Under the "Project to Foster Young Talents" has been carried on since 2011, the Group explores talents that will lead the future and extend assistance for those trying to achieve their dream. Under the project to explore 15 young talents each year, the project will be carried out driven by the community's strong interest and encouragement.



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Management
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Environmental
Protection

Amid the increasing importance of the environment, environmental responsibilities of financial institutions have scaled up. The Group is committed to fulfilling environmental responsibilities while protecting the environment by initiating a response to climate change, spreading the eco-friendly culture, conserving the environment and developing eco-friendly financial products.

Response to Climate Change

The Group establishes a system to respond to climate change to minimize regulatory, cost and physical impact resulting from climate change.

• Establishing the Group GHG Inventory

As the Group is expected to be on the list of companies subject to the national GHG and energy target management, the Group identified its GHG emissions and established the Group GHG inventory. GHG emissions of BS Financial Group's seven affiliates were detected along with a third-party verification, and a management scheme was set up for continuous emissions management. IT-based GHG management systems will be developed and the scope of management will be expanded to cover all buildings.

• Implementing Energy Saving Policies

The Group has been enthusiastically engaged in energy saving to respond to national policies and reduce GHG emissions: complying with the appropriate in-door temperature (26℃ in summer, 20℃ in winter) when heaters/air conditioners are turned on; switching off lights in areas besides office rooms throughout the building; and providing Cool Biz and Warm Biz apparels for summer and winter, respectively. Energy-saving devices are distributed to and used by all departments/divisions/branches. Air conditioner-control systems are adopted to save cooling/heating expenses to maintain the appropriate in-door temperature (26℃ in summer, 20℃ in winter). Automatic timers for lights, power-saving switches for counter sensors and zone-specific switches are installed to shut off power waste for lights systematically. Unnecessary stand-by power is shut off to save energy by installing the stand-by power shut-off switches and stand-by power auto shut-off multi-tabs. Furthermore, the Group seeks to purchase high-efficiency energy saving products and induce the usage of public transit by paying transportation incentives to encourage taking public transportation.



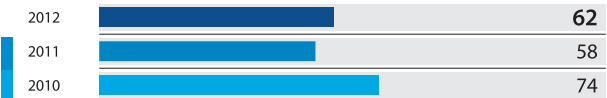
Busan Bank took part as a signatory to CDP (Carbon Disclosure Project) and carbon information disclosure since 2009.

Status of the Group's GHG Emissions

*Buildings of the HQ of the Group in Busan (branches and dormitory) are excluded.

Direct Emission (Scope 1) _ Fixed Combustion

(Unit: tCO₂eq)



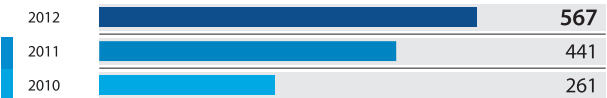
Indirect Emission (Scope 2) _ External Power

(Unit: tCO₂eq)



Direct Emission (Scope 1) _ Mobile Combustion

(Unit: tCO₂eq)



Total

(Unit: tCO₂eq)



Spreading Green Culture

Believing that eco-friendliness of the Group starts from small acts, all employees are encouraged to live a green life. Efforts to spread the eco-friendly culture will continue on as measures are taken to save energy and goods in daily life.

• Cutting the Paper Usage

It is paper as one of many resources that a financial company uses in lump sums. As such, the Group strives to cut the paper usage as much as possible, replacing paper documents with electronic documents and initiating to use of online fax services.


To this end, a new time and attendance management system is up and running while document management programs have the online fax as the default feature along with a double-sided print-out setup.

• Reducing Waste

The usage of disposables is constrained to reduce the amount of waste and garbage that is separately collected by type while employees adhere to recycling practices in their workplace. Cups or mugs are distributed to employees to minimize the usage of paper cups. A space is available for the separation of garbage to increase the waste recycling rate. Moreover, employees are encouraged to lower the amount of waste by utilizing used paper and purchasing pen refills. As such, reduction of waste and cost is driven by wide-ranging campaigns.

BS Energy Up! Saving Energy and Goods



 **BS Story**

BS Saving Energy and Goods

Busan Bank wages the “BS Saving Energy and Goods” campaign to reduce the usage of resources such as energy and water: maintain the appropriate level of the indoor temperature, shutting off the standby power button and prohibiting the individual usage of electric heaters. As a result of periodic campaigns in each department/division/branch, electric bills were saved by about KRW 105 million, down 3.12% year-on-year.

To save goods, the volume applied for and the inventory stock must be typed in electronically in applying for various slips and application forms, etc. so that the inventory stock can be properly managed, preventing the waste of goods. Employees are encouraged to use less paper by printing on used paper and restricting the usage of disposables (including paper cups).

Environmental Protection and Financial Services

BS Financial Group carries out environmental conservation activities with community engagement. The Group will spearhead the efforts in environmental protection for communities and creating a cleaner future by operating eco-friendly financial products.

• Tree-planting Event

In March 2012, 700 employees from all affiliates took part in the tree-planting event to make Busan a low-carbon green city in the green zone of the Hwajeon Industrial Complex in Gangseo-gu, Busan. Marking the first anniversary of the Group, 1,500 employees from 20 regions nationwide including Busan, Seoul, Daegu and Ulsan attended the ceremony.

• Clean Gwanganri Beach

Busan Bank held an event titled “Clean Gwanganri Beach with Busan Bank!” on the Gwanganri Beach in Suyeong-gu, Busan in August 2012. Prior to the event, 250 tongs, 1,000 pairs of gloves and 50 brooms were donated to Suyeong District Office.

• Flower Seed Sharing Event

Under the slogan of “Happy Spring with Hopes by Sharing” in March 2012, Busan Bank waged an event to share flower seeds. Co-organized with Busan Metropolitan Government, flower seeds were given out to the public with words of greetings for the temperate seasons of spring. As a part of emotional marketing in conjunction with Busan City’s campaign to “Making Busan a low-carbon premium green city,” the event was highly acclaimed by the public on their way to work, imbuing the impression that Busan Bank is with the people of Busan.

• Development of Eco-friendly Financial Products

The Group is developing and managing eco-friendly financial products in each business field including funds, loans and cards to make the community eco-friendly.

The “Transform Card” is made of eco-friendly materials; the “Clean Green Savings” offers a preferential interest rate to customers taking part in carbon mileage points to make Busan cleaner and greener; and 0.1% point reduction in interest rate are offered for customers participating in green activities in subscribing to mortgage loans and the BS Job Sharing Loan.

Moreover, Busan Bank’s exclusive eco-friendly loan products including the BS CNG Bus Purchase Loan and BS Clean Green Company Loan offer preferential treatment in loan ceiling, loan interest rate and fees to eco-friendly companies and companies with green growth. They encourage more companies to participate and establish CSR initiatives.



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- Value Creation Management

Tree-planting Event in the Noksan Hwajeon Industrial Complex



Clean Gwanganri Beach





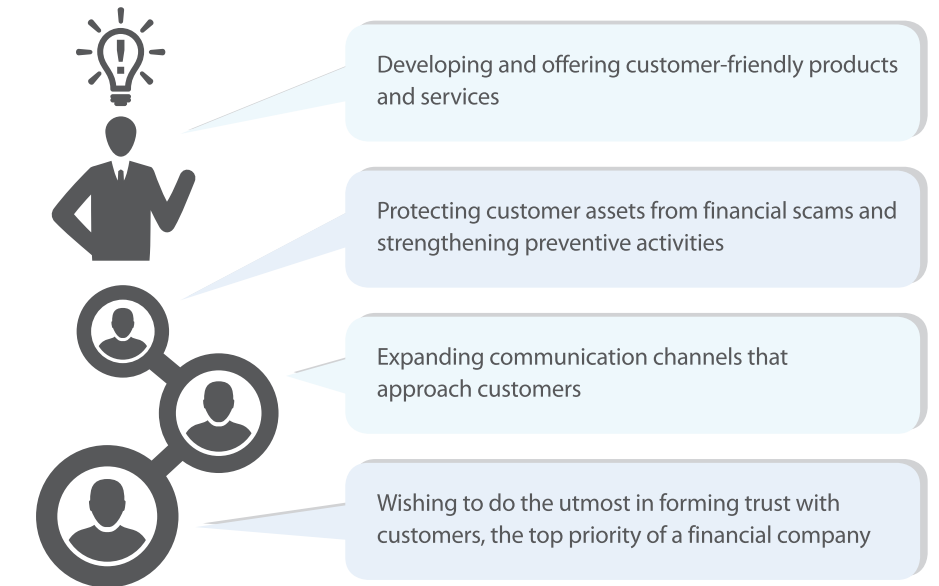
Customer Satisfaction Management



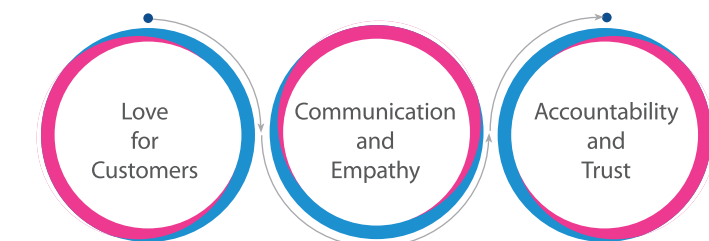
DMA

Disclosures on Management Approach

Major Opinions of Stakeholders

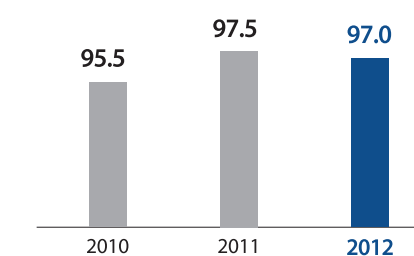


BS Financial Group's Approach



Customer Satisfaction Index of Busan Bank

(Unit: Points)



Prevention of Phone-based Financial Scams of Busan Bank in 2012

92 cases

KRW

2,314 million



Customer Satisfaction Management



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Love for Customers

BS Financial Group formed a customer satisfaction service scheme to offer differentiated value to 3 million customers. The Group will act out its love for customers by proactively responding to changing customer needs and implementing corporate management which customers can relate to.

Customer Satisfaction Service Scheme

The Group operates an exclusive customer unit to provide better services to customers. In addition, diverse activities are underway to satisfy customers including employee training to improve their CS mindset, customer satisfaction surveys and monitoring of customer needs.

• Financial Consumer Protection Unit

Busan Bank operates the Financial Consumer Protection Department as an independent unit under the Bank’s president. Positive outcomes are seen in customer satisfaction and efficient protection of customers by unifying different tasks such as: the handling of customer complaint, customer satisfaction operations and VOC service. For non-banking affiliates, a system and a process for consumer protection are underway along with CS training.

• Customer Satisfaction Survey

Busan Bank conducts the customer satisfaction survey and service monitoring on a monthly basis to detect the status quo and find improvements to be made. Customer satisfaction surveys are assessed via telephone on customers visited in branch offices and the assessment outcome is disclosed. Service monitoring is to survey the dress code, state of the environment and the level of crowdedness in branch. The results are reflected in management assessment, while rewards are given to branches and employees of high competence.

• CS Angel

Busan Bank operates the CS Angel program to spread an autonomous and enjoyable CS culture in branch offices. To foster a few selected CS leader groups, CS leaders are chosen through the public opening among branch office employees. In 2012, 30 CS Angels were selected and rewards were given to competent employees on a quarterly and annual basis.

• Buildup of Employee Awareness of CS

CS training is conducted to raise employee awareness of customer satisfaction. Specifically, on-site CS training in branches, CS seminars and CS topic-specific training practical for employees are performed. Under the BS Guinness Program, rewards are offered to employees with high competency in CS to enhance their willingness to practice CS.

Enhancing Customer Satisfaction to the Fullest

BS Financial Group is moving a step closer to achieve customer satisfaction by providing customized services and customer-centric products by thinking from the customers perspective at all times.

• Providing Customized Services

Busan Bank provides customized services by enhancing the work processes to provide services that customers want, putting itself in their shoes. Uniformity in services in each branch office is guaranteed through a standardized manual in each customer contact point.

• Developing Customer-centric Products and Processes

Busan Bank operates the pre-deliberation system to decide on the appropriate level of rate and fees in developing financial products. Moreover, analysis of media releases and consumer surveys in advance lead to the provision of products and services where consumers’ demands are reflected. The Bank’s products and services will be specialized for customers and communities through a process that passionately reflects customers’ opinions.

• Providing Financial Conveniences for Foreign Tourists

Busan Bank offers services for financial convenience for foreign tourists under a business cooperation agreement with the Busan Tourism Organization in 2013. Mobile branch vehicles are dispatched to international events and exhibitions, and preferential coupons for currency exchanges are provided to tourism information centers in Busan and tourist brochures. Such services will certainly contribute to making Busan into a global metropolitan city.

• Advocating Policies to Encourage Birth Rate and Childcare

Busan Bank has been at the forefront of making an environment friendly for pregnant women and mothers with babies. In October 2010, a woman-exclusive preferential product titled “More Beautiful than Flowers” was launched, and in March 2011, “Baby Sound Installment Savings” was launched to offer benefits to families with pregnancy, birth giving or multiple children. As such, the Bank explores giving-birth/childcare-friendly products to advocate population increase in Busan. Moreover, a customer counter for pregnant women was opened for the first time as a local bank in all branches in April 2012, striving to overcome the social issue of low birth rate while creating an environment that is considerate to pregnant women.

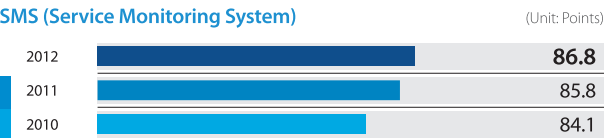
Operation of a Customer Counter for Pregnant Women



Results of Customer Satisfaction Survey for Busan Bank



CSI: Busan Bank’s exclusive survey results are commissioned to outside agencies for analysis
*Outside agencies: NICE R&C



SMS: Surveys commissioned to outside agencies

Communication and Empathy

Voice of Customers (VOC)

The first step in customer satisfaction management is communication. BS Financial Group is committed to preventing customer complaints in the initial stage through active communication with customers, and being committed to customer satisfaction through passionate communication.

Busan Bank listens to customer complaints and requests submitted to its website and call centers. For prompt handling, prevention activities and improvement of the handling process are underway.

Consumer Protection Activities by Stage

Development Stage	Sales Stage	Follow-up Stage
Reflecting consumers' perspectives and rights in developing financial products	Providing complete information and adequate explanation	Effectively operating the complaint handling system and improving wrongful business operations
<div><div>• Operating the New Product Development Council</div><div>• Conducting the deliberation system on the disclosure of financial products</div><div>• Conducting the pre-monitoring service e.g. on terms and conditions for financial products</div><div>• Implementing pre-audit on a daily basis</div></div>	<div><div>• Conducting employee training on financial products and services</div><div>• Obligating the placement of product brochures and explanations on terms and conditions</div><div>• Preventing unfair business practices</div></div>	<div><div>• Operating the system to handle operations for protecting transactions</div><div>• Implementing the complaint handling system</div><div>• Running the Deliberation Committee on Compensation of Damages for Transactions</div><div>• Operating the VOC</div></div>

• Launching the Pre-VOC Process

To detect customer complaints in an initial stage and make appropriate responses, the Pre-VOC is up and running. Not only that, field-oriented CS training and complaint prevention training for all employees are offered as utmost efforts are poured in to enhance customer satisfaction.

Customer Complaint Handling

Type	Main Services
Waging the Customer Complaint Zero Campaign	<div><div>• Strengthening CS field training and complaint prevention training</div><div>• Conducting the Pre-VOC</div><div>• Intensifying VOC and conducting CS training in divisions/departments</div></div>
Operating the 119 Ombudsman	<div><div>• Detecting possible complaints in advance with the Pre-VOC system</div><div>• Supporting and paying visits to branches for prompt problem solving</div></div>
Designating Complaint Handling Managers	<div><div>• One employee of the manager level and above in each department/division/branch</div><div>• Handing complaint-related tasks for early response to complaints and prevention of the spread of complaints</div></div>

No. of Customer Complaints in Busan Bank



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Value Creation Management

Customer Communication

• Establishing a Prompt Follow-up Process

To promptly resolve customer complaints, a follow-up process is operated along with a standard manual to handle tasks is needed. Once complaints are submitted, requests to make improvements are sent to each department/division/branch by the Financial Consumer Protection Department, which, in turn, reports on the results of its follow-up measures, promptly resolving such complaints.

BS Financial Group operates an online and offline communication channels to better communicate with customers.

• Customer Communication through SNS(Social Networking Service)

Busan Bank operates online communication channels through social networking services (SNS) such as Facebook and Twitter to intensify communication with customers. News updates on Busan Bank and the local region are provided to customers via SNS, a platform of communication to listen to customers' ideas and feedback in real time.

Busan Bank's characters, "Nao" and "Narae" were dispatched to serve as "Nadaeri," a cyber-employee in charge of communication on Facebook and Twitter. Using such character employees customers can find familiarity in communicating with Busan Bank in an easier way.

• "Customers to be Grateful For in October" – a Book with Beautiful Memories with Customers

Busan Bank published a book titled "Customers to be Grateful For in October" with 80 beautiful memories with customers that employees have in the form of a contest in all branches. Disseminated to all branches, the book is available for customers to read. The book is on the Bank's must-read book list for the stories of customer satisfaction to be shared among employees.

"Nadaeri," a Cyber-employee in Charge of Communication at Busan Bank



A Book Titled "Customers to be Grateful For in October"



Accountability and Trust

Protection of Customer Information

BS Financial Group continues to improve programs and systems to protect the information of customers, which is an invaluable asset, while striving to prevent financial accidents.

To protect customer information thoroughly, the Group is equipped with a system comprehensively protecting financial consumers from the prevention stage to ex-post management.

• Operating the Regulations on Customer Information Protection

To respond to threats to invaluable personal information in recent times, the Group prescribed the Guideline for Personal Information Protection. The Guideline stipulates details on the collection, usage and handling of personal information. The system for customer information protection has been strengthened along with the operation of the consumer protection system. For instance, regulations on handling customer complaint operations and regulations on operations to protect transactions are in place. Moreover, stringent oversight and supervision is operational on the usage and provision of customer information between the Group and its affiliates for enhancing customer information protection.

• Establishing the System for Customer Information Management

The Group-wide customer information system has been established for systematic management of customer information, and requests on customer information of affiliates as well as the status of provisions are reported to the holding company on a monthly basis. Sensitive information is subject to special management for customer information protection in devising data on customer details. Moreover, rights to access the personal information handling system are imposed in a differentiated manner, thus bolstering the online control of personal information.

• Appointing Customer Information Managers

Executives in each affiliate are appointed as customer information managers to increase the management of customer information. Damages to customers are minimized by devising a procedure to handle customer damages resulting from mishandling of customer information.

• Spreading the Employee Awareness about Protecting Customer Information

Under the goal to enhance the importance of employees’ personal information protection and management, training is underway on security in association with personal information protection and also on corporate information protection. Internal control has been established on personal information by conducting monitoring based on employees’ self-analysis table for personal information protection and business reports. Of particular note, integrated management takes place by designating personal information protection managers in each department as well as personal information managers along with cyber education. As such, efforts are underway to raise awareness about protecting customer information. As a result, there have been no legal sanctions resulting from personal information leakage and misuse for the past three years.



Win-Win Management
Customer Satisfaction Management
Employee Happiness Management
Value Creation Management

Prevention of Financial Accidents

The Group conducts activities to prevent financial scams that have recently risen rapidly and protect customers’ invaluable asset.

• Responding to Phone-based Financial Scams

Monitoring is underway by type and amount to prevent phone-based financial scams, while prompt measures are taken against suspicious accounts in real time. Activities to prevent phone-based financial scams are intensively unfolding to protect consumers via a preventive campaign to spread the reported cases of such scams. In 2012, Busan Bank prevented 92 cases of such scams, saving the possible economic loss of KRW 2,314 million in total.

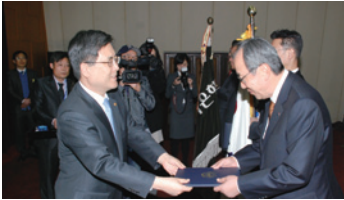
• Conducting Training on Financial Accident Prevention

Busan Bank ensures that training is conducted by the head of departments/divisions/branches to prevent financial accidents for employees every month pursuant to the internal regulations. The Inspection Department includes the hours of financial accident prevention training in the general job training courses. Since 2011, specific efforts have been included to prevent such accidents through video broadcasting covering major issues to consider various inspections of the oversight authorities, and wide-ranging reminders and institutions to prevent accidents more than three times annually.

• Operating the Anti-money Laundering Program

Since prescribing the internal regulations on anti-money laundering in 2001, Busan Bank has proactively responded to the prevention of money laundering by intensifying the customer authentication system and establishing the required online system. As a result, the Bank was awarded the Prime Ministerial Commendation on the “4th Anti-Money Laundering Day” in 2010 for its high level of prevention efforts. In 2011, the Bank operated the new anti-money laundering system as an upgraded version, actively managing the prevention of money laundering.

Awarded the Prime Ministerial award for preventing money laundering



Busan Bank Status of Preventing Phone-based Financial Scams

(Unit: Cases, KRW million)

	2012
No. of Cases of Phone-based Financial Scams	92
Amount Prevented	2,314



Employee Happiness Management



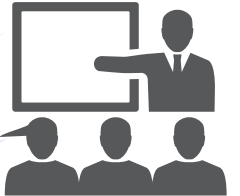
DMA

Disclosures on Management Approach

Major Opinions of Stakeholders

Conducting barrier-free communication along with a uniform corporate culture in the Group

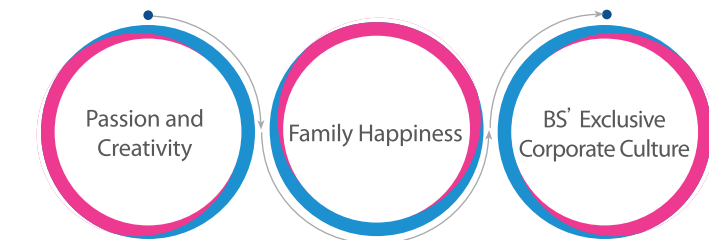
Guaranteeing and considering the conditions for various welfare systems



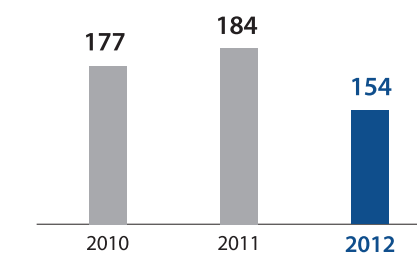
Making long-term investment and management for developing global-minded talents

Wishing that fair HR management and fair compensation are critical

BS Financial Group's Approach



No. of Training Hours per Employee of Busan Bank
(Unit: Hours)



Re-employment of Retirees

At Busan Bank for the Past Three Years

42 employees



Employee Happiness Management



Win-Win Management
Customer Satisfaction
Management
**Employee Happiness
Management**
Value Creation Management

Passion and Creativity

Performance in the financial sector is determined by human resources, corporate values and customer satisfaction differ depending on employees’ competency. Amid the globalization in the financial world, boundaries between regions and businesses are blurry, and more and more financial services are offered online thanks to the rapid development of information and communications technology. Accordingly, profit-making opportunities have expanded while risks amplified. The Group is fostering value creators, innovators with a challenging spirit as professional financial specialists while responding to challenges.

Recruitment of Happy Talents

To secure potential financial specialists with passion and creativity as growth engines of the future, the Group operates open recruitment offering fair opportunities to candidates.

• Talent Recruitment Principle

The Group’s open recruitment is to secure talents that are the basis for its future competitive-ness. Local talents befitting its management motto are recruited, while the number of recruits such as women, the disabled and patriots/veterans are continuously on the rise.

• BS Hope Internship

The Group runs the BS Hope Internship as part of the job sharing initiative and offer opportunities through career searches and buildup talent. Candidates may vary from Korean students to foreign exchange students and the socially vulnerable such as married immigrant women. In 2012, in particular, 30 interns from specialized high schools were selected to ease one of the social problems of recruitment of high school graduates.

Busan Bank Status of Recruitment of Interns(accumulative) (Unit: Persons)

2012		740
2011		500
2010		300

Status of Employees at BS Financial Group

(Unit: Persons, %)

	2010	2011	2012
No. of Employees	3,251	3,541	3,852
Ratio of Male Employees	58.1	55.5	54.3
Ratio of Female Employees	41.9	44.5	45.7
Turnover rate*	4.6	6.2	6.7

*The turnover rate is for Busan Bank.

BS Story

Mentoring of New Employees

A mentoring program for new employees is available so that a corporate culture for new hires can be rooted down without delays while easily adapting to work life and being fostered as the future talents of the Group. Assistant managers and above are designated as mentors and they conduct mentoring for more than once a week for a period of one year. This strengthens bonding between senior and junior employees and enables new employees to build their work experience and advance their skills.

Making Happy Human Resource Development

The Group runs a program to develop professional financial specialists who can lead the future of the Group while responding to environmental changes at home and abroad. Various programs are available including sponsorship for foreign language studies and a course completion system with mandatory hours of training. With such training programs, self-driven learning is encouraged.

• Educational Course Completion System

Busan Bank operates an educational course completion system with credit points where employees by rank are to fulfill their duties by completing the courses designated to enhance their competencies. Moreover, 120 hours of mandatory course work a year are given to each individual. As such, the Bank strives to strengthen the competency advancement for individuals and the Bank itself.

• Development of Financial Specialists

The Group offers diverse specialist development programs so that employees could grow into financial specialists. One classic example is the “BS Pro-way.” Financial specialist courses are open and employees are dispatched in conjunction with Pusan National University, Korea Advanced Institute of Science and Technology (KAIST) and Korea Banking Institute to foster specialists in credit, foreign exchanges (F/X) and financing. In 2012, 12 employees participated in the BS-way program to obtain a MBA from Pusan National University or a MBA from KAIST. The Group also operates the Sales Stimulation Program (SSP) to bolster an innovative business mindset and sales competency while also operating the Business Innovation Program (BIP), a sales innovation program based on financial sales processes and procedures.

• Operation of Clubs

Busan Bank has run club activities since 2008 to create a vibrant and joyful working environment. Approximately 3,000 employees take part in 39 clubs including those for enhancing knowledge to strengthen expertise in the financial sector.

Status of Busan Bank's Training in 2012

(Unit: Persons)

Type	No. of Trainees
Training by Job Title	555
Task Training	1,186*
CS Training	390
CRM Training	156

* Excluding courses of Korea Banking Institute (group, communications and cyber training)

No. of Training Hours Completed by Employees of Busan Bank

(Unit: Hours)

2012		154
2011		184
2010		177

Opening Ceremony for BS Financial Group Busan Bank Training Institute



BS Story

BS Financial Group - Busan Bank Training Institute

BS Financial Group - Busan Bank Training Institute was opened under the vision of achieving “BS financial services flying high” in Ilgwang-myeong Gijang-gun in Busan in 2012. The Institute was built on a land area of 36,092m² and can accommodate 300 trainees in its lodging facilities with rooms that are also accessible for the disabled. It is equipped with facilities for physical training including a soccer field with artificial turf lawn. As a cradle to foster financial specialists, the Institute will serve as a center for employee training and corporate harmony by being leased to local companies and public agencies without a training center. The Institute will position itself as a representative training center to foster financial specialists that will develop new horizons in Busan as the global financial hub.

Fair Performance Evaluation and Reward

BS Financial Group creates an environment to boost employees’ morale and progress further by providing adequate rewards under a fair performance-based system and rewards.

• Performance Evaluation


Annually performance assessments are carried out for all organizations and employees. The organization’s headquarters reflects strategic tasks of Key Performance Indicators (KPI) and Management by Objectives (MBO) in tandem with features and challenges of each unit. Branches conduct assessment by differentiating points for KPI and MBO scores by considering environmental factors.


• Reward System

A fair reward system is conducted depending on the outcome of each performance assessment. For high achieving employees and units, the “Hanmaeum Race” is held to give rewards including financial rewards, commendations, additional points for performance, appraisal and training opportunities.

Busan Bank Performance-based Reward System

Type	Explanation
Profit Distribution	Performance-based payment for achieving profit targets depending on the outcome of the performance assessment for employees of the headquarters and branch offices
BS(Best Surprise) Guinness System	Awarding certificates and prize awards for outstanding employees in sales and non-sales sectors to create a pleasant working atmosphere by promoting a competitive sentiment
Incentives	Providing diverse incentives and giving opportunities for overseas experience for high scoring trainees, and competent employees in CS and sales
Employee Rewards	Awarding prize money, commendation and plaques to high achieving employees -Busan Bank Employee Award, Outstanding Branch Manager Award, Star Award and Grand Prizes in each business sector

 BS Story



Hanmaeum Race

Busan Bank acclaims employees’ efforts and offers awards and prizes to high achieving employees at the beginning of every year with the participation of all employees. Such employees and units are congratulated and acclaimed by all employees, and high achievers are given cash rewards and plaques along with extra points in performance appraisal which are reflected in their promotion evaluation.



Win-Win Management
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Employee Happiness Management
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Family Happiness

Family-friendly Programs

BS Financial Group operates family-friendly programs to make a decent workplace where all employees can work with happiness without any discrimination for reasons of title or gender.

The Group operates family-friendly programs to give happiness to employees in their workplace and provide their family: health management and enhancement programs for employees; stress management; childcare and maternal protection programs for female employees; and a program to allocate time to spend with family. Moreover, efforts are underway to make employees’ home a happy place through various family-friendly programs including BS Financial Group Dream Festival and Happy Journey-Couple’s Date.

• Consideration of Female Employees


The Group runs the “Working-mom First” program to encourage female employees to give birth and induce maternal protection and working hours of the pregnant employees are made flexible. Female employees that have returned to work after maternity leave are dispatched to work sites near their homes. Electromagnetic wave shielding apparels are distributed to pregnant employees, and a flexible work system is operated for those taking maternity leave. Further efforts will be extended for female employees to perform their work with no concerns about giving birth or raising a child. The “BS Child Love Childcare Center,” an in-house childcare facility, has been operated since 2011, and three more will be opened by 2014.


• Employee Health Management

The Group provides medical support by extending fees for health check-ups, collective subscriptions to workers’ compensation insurance and nursing fees to maintain employees’ health and provide the optimal working conditions. The Group also indicates and operates the regulations on workers’ health enhancement including safety, and health and improvement in working environments within the Labor-Management Council’s regulations. Busan Bank runs a health management office at the head branch for employees’ health maintenance. In 2012, the Bank launched the “Diet Boom-up Fund” program to reduce obesity, the cause of adulthood diseases for a vibrant working environment.

• Concerts for Families of Employees

Busan Bank held a concert inviting employees and their children to create an environment where employees can have a happy home. Under the theme of Animation & Classical Music, the concert was staged with the Busan YMCA Philharmonic Orchestra, inviting 400 employees and their families, to experience a wonderful time at the concert.

 BS Story



BS Healing Mind

To ease employees’ stress and help solve psychological issues, Busan Bank operates the “BS Healing Mind” program as a counseling service. Employees’ stress is diagnosed through interviews and online questioning and necessary measures that are to be taken are provided. Moreover, it is up and running in conjunction with the Bank’s stress management program to enable employees to overcome problems that might affect job satisfaction or affect productivity.

Working Environment without Discrimination

The Group strives to create a working environment that offers equal opportunities with no discrimination, especially considering part-time employees, the underprivileged and female employees, into extra consideration.

Stable Employment

For employment stability, part-time employees convert into full-time employees. The conversion system is not to separate job classifications or job operations from the existing full-time employees but to offer equivalent job opportunities and welfare benefits with full-time employment. Even after the conversion, it is ensured that there is no discrimination or unfair treatment in promotion and rewards. Upon major changes in business operations such as inevitable layoffs, the Bank provides a 60 day-prior notification and negotiates with the Union, protecting workers’ rights to the fullest.

Employment of the Socially Vulnerable

To guarantee economic opportunities for the socially vulnerable, affirmative actions are taken for the disabled, women, patriots/veterans and local residents of communities. In conjunction with the Korea Employment Agency for the Disabled for job creation for the disabled, the number of jobs available for such groups is on the rise. Moreover, quarterly meetings with disabled employees are held to listen to their complaints and ease their inconveniences in their work life. Disability allowances and assistive engineering devices for the disabled are offered by reflecting the feedback that arose from such meetings.

A certain portion of the recruits are national patriots/veterans in alignment with their patriotic performance. To facilitate job creation in communities, local residents in such communities are given priority in recruitment.

Support for Retirees

For retired employees, post-retirement life design programs are offered along with a system for re-retirement pensions to save stable living expenses. Moreover, a re-employment program for retirees is underway, and in 2012, 11 retirees were re-employed.

Ratio of Employees by Contract Type at BS Financial Group

	2010	2011	2012
Regular Employees	92.7	90.7	89.4
Contractual Employees	7.3	9.3	10.6

Employment rate of the socially vulnerable at the Group

	2010	2011	2012
No. of the Disabled Employees	4.3	5.2	7.9
No. of Patriot/Veteran Employees	5.3	6.4	8.1

Status of Returning to Work after Maternity Leave at Busan Bank

	2010	2011	2012
Rate of returning to work after maternity leave	99	99	99
Rate of workers for over 12 months after returning to work (retention rate)	98	97	98



Win-Win Management
Customer Satisfaction Management
Employee Happiness Management
Value Creation Management

BS’ Exclusive Corporate Culture

BS Financial Group established the “BS One,” a new corporate culture in 2013 in a bid to create a corporate culture with the sense of unity among all employees and the best team spirit. An open corporate culture will be in place through happy communication among the CEO and employees.

BS One

The BS One came into being as a unique corporate culture of energetic and dynamic BS employees driven by the sense of pride and unity. Core values were selected to establish a corporate culture where employees can be one under the BS One culture. Efforts are underway to spread the values at the Group level and practice them.



Happy Communication

The objective for happy management in 2012 was “Participation and Communication,” To this end, various communication programs are in operation to make the workplace happy and decent with autonomous participation and barrier-free communication.

Communication with the CEO

The Group runs diverse programs for employees to communicate with the CEO as a channel for top management to communicate with employees. Voices of employees are periodically monitored to expand more opportunities between the CEO and employees to encounter one another and have a heart-to-heart networking opportunity.

Specifically, there are “T-table for Communication with the CEO,” an online space for the CEO to have conversations with employees, “Happy Communication Day” to build bonding among employees while breaking down barriers, and “Meetings of Disabled Employees” to listen to grievances and difficulties of disabled employees.

Each month Busan Bank has conducted meetings with employees selected as the most polite, and outstanding in volunteering and employees take part in voluntary staff meeting at the head office. Starting from 2012, the CEO has visited employees to have lunch together under the “Heart-to-heart Lunch” and its name was changed to “Oh Refreshing Lunch” in 2013 in order for the CEO and employees have a heart-to-heart dialogue while sharing a meal.

Spring mountain climbing with the CEO



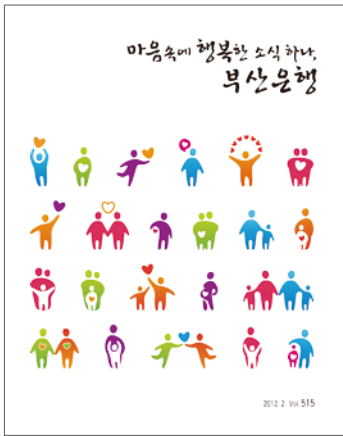
Busan Bank Status of Work-related Suggestions

	2010	2011	2012
No. of Suggestions	2,829	2,791	2,545
Adoption Rate	15.7	11.9	10.8

Core Values and Beliefs of BS One



Magazine published every month



Alpha Leader program



• Participation in Corporate Management

Busan Bank operates the Alpha Leader program to imbue self-esteem among employees, create a vibrant work atmosphere and bring about changes and innovation in the organization. Alpha Leaders are selected every year to play various roles: spreading the atmosphere for changes in the organization and forming consensus, inducing employees to participate in programs for change and innovation, making diverse proposals on management, and making suggestions on innovative ideas. The program contributes to creating a corporate culture and leading changes.

The Junior Board is in operation to collect diverse and fresh ideas of young employees. By reflecting their ideas and encouraging them to take part in management, they are fostered as a group of leaders with a sense of ownership and a capacity to lead the organization.

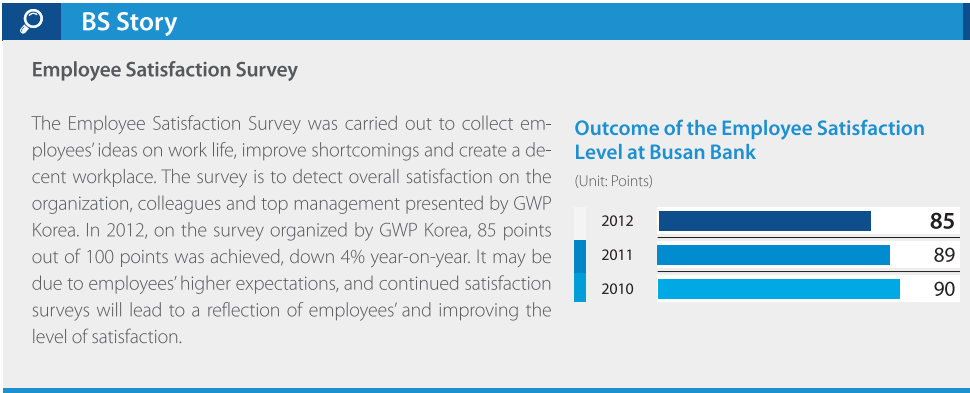
• Making Work-related Suggestions

Busan Bank runs a system of making proposals to keenly listen to work-related suggestions and for employees to take part in the decision-making process. Not only different ideas on work but also improvements to be taken for the current system and demands for improved welfare are collected under the system. The proposed requests are reflected to improve the status of operations through supervision of a panel of judges consisting of managers in each division and department.

• Operating the Information Sharing Channel

Busan Bank operates “ilsacheolri,” the corporate intranet to create a space of information exchange between the company and employees. The intranet informs various news updates of the Group, and shares information on polite CS for customer satisfaction, impolite behavior, mutual compliments among employees and sales information.

Busan Bank publishes a monthly magazine titled “Be Story,” and has an in-house broadcasting network to broadcast information on the Bank each morning and night.



Win-Win Management
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Employee Happiness Management
Value Creation Management

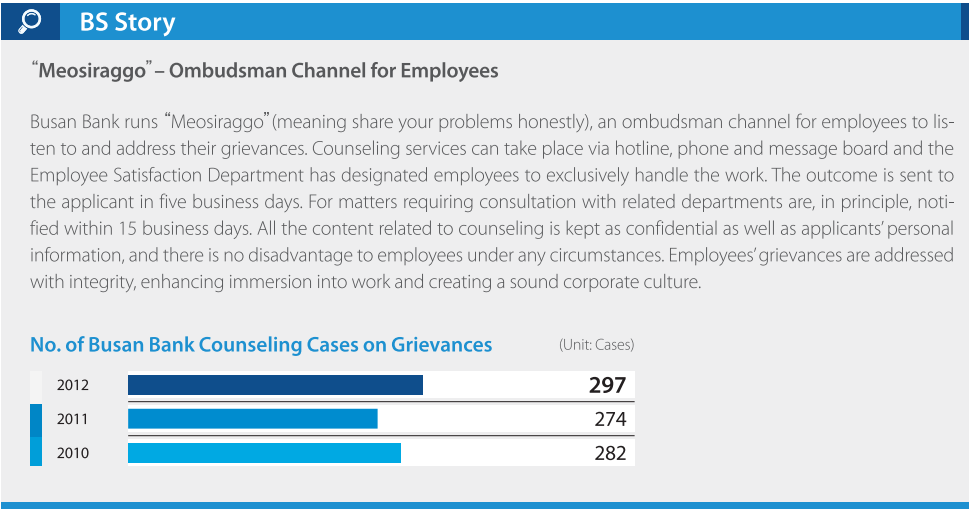
• Operation of the Ombudsman Channel

BS Financial Group runs an Ombudsman channel to communicate better with employees and resolve their grievances. Problems or issues that employees confront at the workplace are addressed through online and offline systems: counseling on grievances, Open Plaza – information on HR and appointment, Voice of Employees, and counseling on grievances of the Labor Union. Efforts will be underway to make the workplace a sound environment by addressing suggestions made for improving the work environment: HR-related grievances, conflicts with employees, sexual harassment and discrimination.

• Operation of the Labor-Management Communication Channel

BS Financial Group operates a communication channel for cooperative labor-management relationships. Three labor rights organizations, perform collective bargaining and follow actions that are stipulated in the Collective Agreement and Regulations of the Labor-Management Council. Moreover, quarterly labor-management council meetings are regularly held along with ad-hoc employee meetings to discuss matters on management, employees’ welfare, and active discussions between the labor and the management take place, creating a cooperative labor-management culture.

Busan Bank holds quarterly labor-management council meetings and as of the end of 2012, the rate of employees subject to the collective bargaining amounted to 99.6%. BS Securities holds official labor-management council meetings throughout each year.





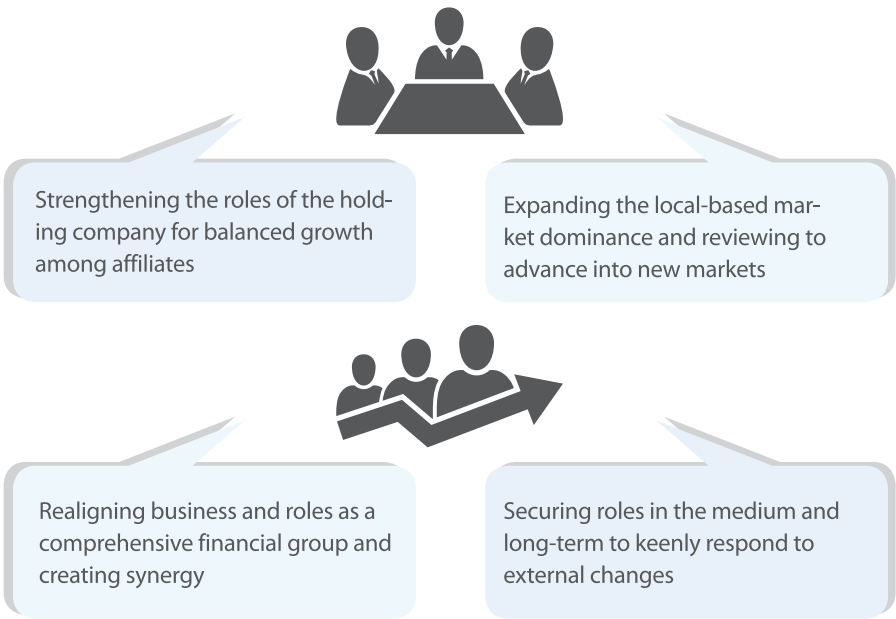
Value Creation Management



DMA

Disclosures on Management Approach

Major Opinions of Stakeholders

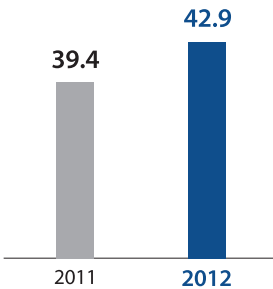


BS Financial Group's Approach



Total Assets

(Unit: KRW trillion)



Credit Ratings

2012 Moody's:
A2 Credit Rating for
Busan Bank

A2



Value Creation Management



Win-Win Management
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Value Creation Management

Strengthening Financial Competency

Higher Profitability through Intensive Business Operations

BS Financial Group raises corporate value and practices Win-Win growth with stakeholders by making stable profits and securing soundness in asset quality.

The Group creates stable management records by strengthening business activities. As of the end of 2012, the Group's total assets exceeded KRW 46 trillion (including trust accounts) for the first time as a local financial group, and its net income amounted to KRW 361.1 billion, maximizing shareholder value. As of 2012, the Return on Assets (ROA) and Return on Equity (ROE) reached 0.88% and 11.65%, respectively, showing a drop year-on-year, but given the market conditions, the levels are assessed to be high. Moreover, high growth was achieved by affiliates in the non-banking sector including BS Capital and BS Savings Bank, which contributes to higher corporate value.

Strengthening Asset Quality

• Community-based Management

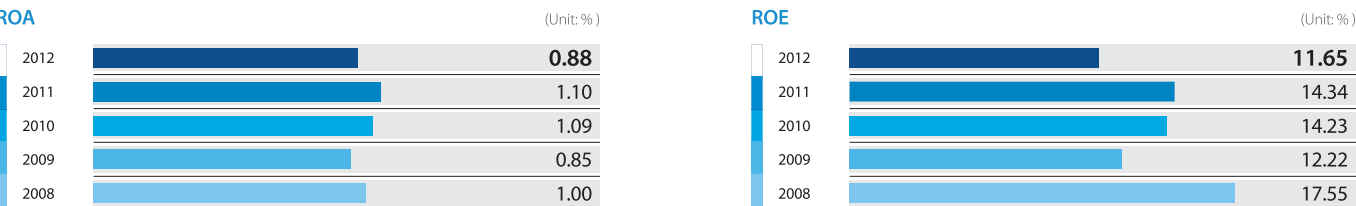
Driven by seasoned experience with the local region, localized management and systematic risk management, the Group strengthens asset quality. This is an achievement of having stakeholders' feedback reflected in management, and generated income, in turn, contributes to the local economic growth as well as CSR activities. As such, the Group forms robust reliable relations with stakeholders.

• Preemptive Risk Management

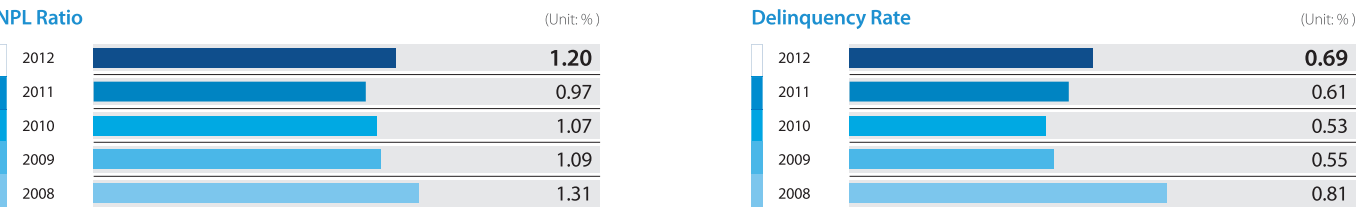
The Group conducts preemptive risk management amid global economic circumstances and regional economic fluctuations. There is relatively fewer real estate PF and corporate restructuring loans. While reducing loan-loss provisions, the Group conducts efficient risk management through localized business strategies. The NPL ratio and delinquency rate reached 1.20% and 0.69%, respectively.

Profitability

*for records prior to 2011, the records are based on Busan Bank



Asset Quality



Distributing Economic Value

• Maintaining Capital Adequacy

In March 2009, capital increase with rights issuance of KRW 200 billion, and as positive net profits have been achieved continuously, capital adequacy has been maintained at a higher level. As of the end of 2012, the Group's BIS ratio hovers around 15.19% while the Tier I ratio stays at 10.84%, maintaining a stable level. Preemptive measures are prepared for the adoption of Basel III to make BS Financial Group a robust financial company.

BS Financial Group practices the management philosophy to return corporate profits to society. Starting with the declaration of Win-Win management to create jobs and revitalize the economy in 2010, the management slogan for 2012 is "Happy Financial Lives Better by Sharing" to practice shared-driven growth management. In 2012, dividend payout ratio was 17.7%, and the Group extended KRW 241.4 billion for CSR finance such as New Hope Seed Loan, Change Dream Loan and Sunshine Loan and KRW 31.1 billion for philanthropic investments.

The Group will grow together with shareholders, customers, employees, SMEs and communities by increasing the corporate value and distributing the value transparently.

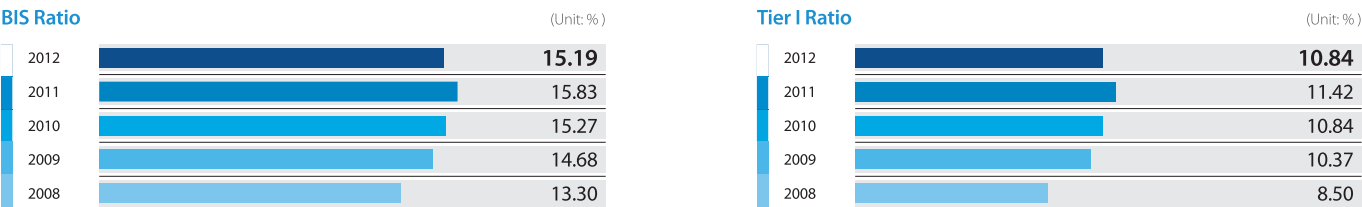
Distribution of the Economic Value by Stakeholder in 2012

(Unit: KRW billion)

Stakeholders	Distribution of Value	Amount
Community	Philanthropic Investments (including microcredit)	31.1
Customers/Investors	Interest Paid	1,012.7
Partner Companies	Procurement of Goods and Services	110.3
Shareholders	Dividends	63.8
Government	Corporate Tax	117.8
Employees	Wages and Welfare Benefits	303.1
CSR Finance	New Hope Seed Loan, Change Dream Loan and Sunshine Loan, etc.	241.4

Capital Adequacy

*for records prior to 2011, the records are based on Busan Bank



Expanding Business Scopes

Diversifying Business

The Group establishes medium-and long-term growth strategies by systematically planning to strike a balance in growth among different affiliates, and expands the business scope by establishing the synergy infrastructure.

• Expanding the Operation Scope

BS Financial Group positioned itself as the first local financial group by establishing BS Financial Group Inc. in March 2011. Prior to the foundation of the holding company, BS Securities(2009, Changed the name from BS Futures to BS Securities) and BS Capital(2010) were established. Then, the Group added BS Savings Bank(2011) and BS Information System(2011) after launching the holding company to diversify its business product lineup. The Group continues to explore future growth engines, while establishing management strategies for the medium and long term including business diversification strategies to enhance execution capability.

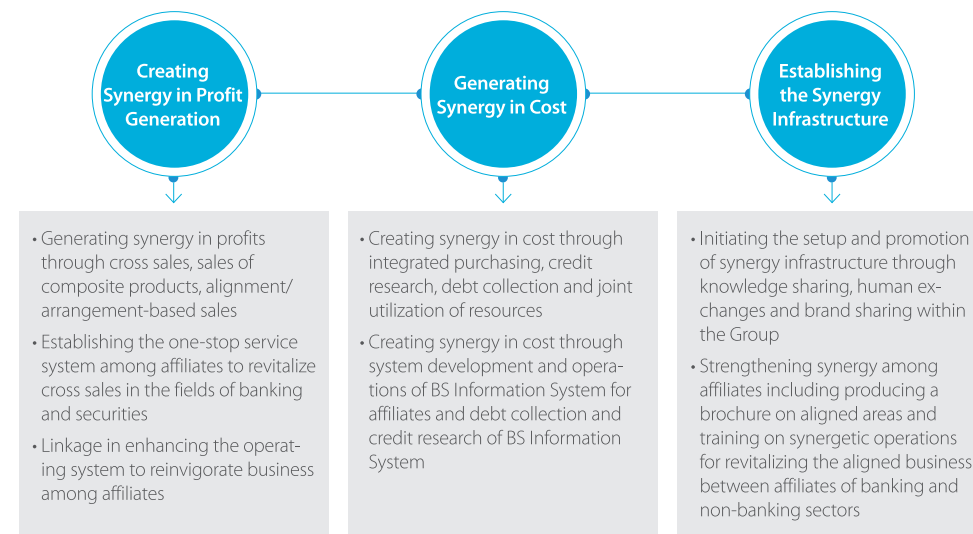
• Balance in the Development of Affiliates

The Group crystalizes stability and growth at the Group level while lowering the portion in the banking sector and striking a balance in growth among affiliates, which has been regarded as a setback of a domestic financial group.

Maximizing the Synergies of the Group

The Group seeks to strengthen competitiveness by forming a close cooperative system. To strengthen its function as a control tower, the Group is committed to forming an exclusive unit, setting synergy-generating plans befitting the Group's features and maximizing the generation of synergy through establishing infrastructure.

Organization-wise, continuous synergy-driven management is initiated under the leadership of the Synergy Promotion Council. Specifically, marketing will increase among affiliates, composite financial products and services will be developed and joint marketing will be performed. Starting from 2013, a program to train on shifting one's mindset will be underway to form a sense of solidarity, the core element in maximizing the Group's synergy.



Win-Win Management
Customer Satisfaction Management
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Value Creation Management

Expanding Networks

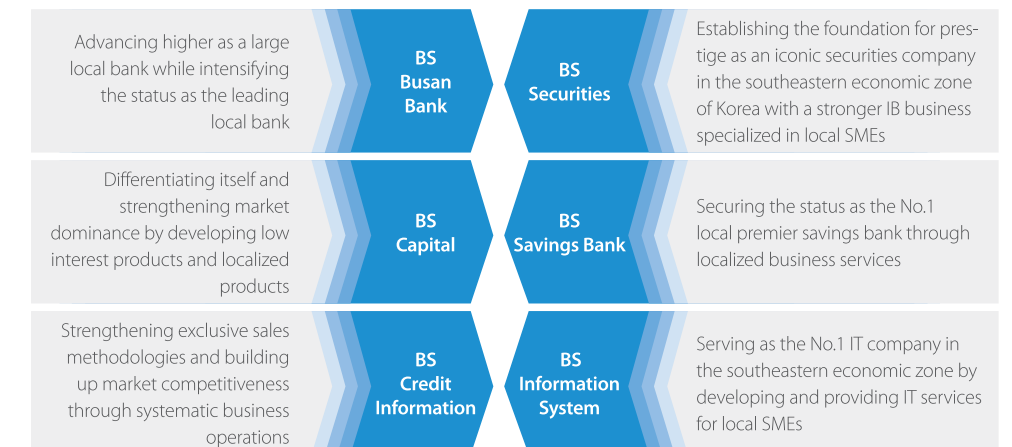
Securing Domestic Branches

BS Financial Group, as a representative local group, is ready for rapid development by expanding business and exploring overseas markets beyond Busan.

Busan Bank opened the Daegu Sales Department and Seoul Guro Digital Branch in 2011, and the Incheon Namdong Industrial Complex Branch in 2013. As such, the Bank is expanding its domestic network beyond the southeastern region. Moreover, network expansion has been steadily rising by opening the Changwon Palyoungdong Branch in 2011, Haman Chilwon Branch, Ulsan Ujeong-dong Branch and Yangsan Industrial Complex Branch in 2012, Ulsan Onsan Industrial Complex Branch, Gimhae Andong Industrial Complex Branch, Hanrim Branch and Yulha Branch in 2013.

BS Capital touts a nationwide business network in Seoul, Daegu, Daejeon, Gwangju, Incheon and Bucheon, while BS Savings Bank operates four branches in Seoul excluding the branch office in Busan. BS Financial Group is committed to expanding its nationwide network of affiliates by moving beyond domestic territories.

Establishing Prestige by Securing Differentiated Competitiveness in Each Affiliate



Expanding Overseas Business

To transcend the limitations in growth of the domestic financial market and generate new profit sources, the Group opened Busan Bank Qingdao Branch, the first overseas branch of a local bank in Korea in December 2012. It was the Group's first step forward advancing as a global financial group. Opening Ho Chi Minh Representative Office in Vietnam in 2011, the Group is making systematic preparation by forming a unit to lead efforts to make Busan a financial hub and fostering global-minded talents.

Conducting Overseas IR Non-Deal Roadshows

In order to raise recognition beyond overseas Investor Relations primarily in Asia including Hong Kong and Singapore, BS Financial Group held Investor Road Shows in 10 countries including the U.K. and Sweden. It was a great opportunity to recognize strong attention to the economy of Busan and the Group, which is likely to expand the momentum for the Group to grow into a globally competitive financial group.

Working Together for Happiness with You

Affiliates of BS Financial Group

BS Busan Bank	BS Securities	BS Capital	BS Savings Bank	BS Credit Information	BS Information System
Busan Bank is a representative local bank in the southeastern region of Korea	BS Securities is a comprehensive securities company established to revitalize the regional financial industry and capital market.	BS Capital is a credit financial company focusing on financial extensions for citizens ordinary	It is a microcredit-oriented financial company extending services for deposits and loans for the mass.	BS Credit Information is a specialized credit information company implementing ex-post loan management through consultants equipped with abundant experiences and expertise.	BS Information System is a financial IT company providing IT services related to finance.



We will always be with you as a reliable bank in times of difficulties.

We have achieved good management performance driven by preemptive risk management and continued innovation. To implement the Group's management slogan, "Making Financial Lives Better by Sharing," we have deepened Win-Win management and systematically initiated CSR activities for communities where the Bank operates. We will pay back the trust of customers as their empowering bank that is with them at all times.



Busan Bank CEO
Sung, Se-whan

Introduction of the Company

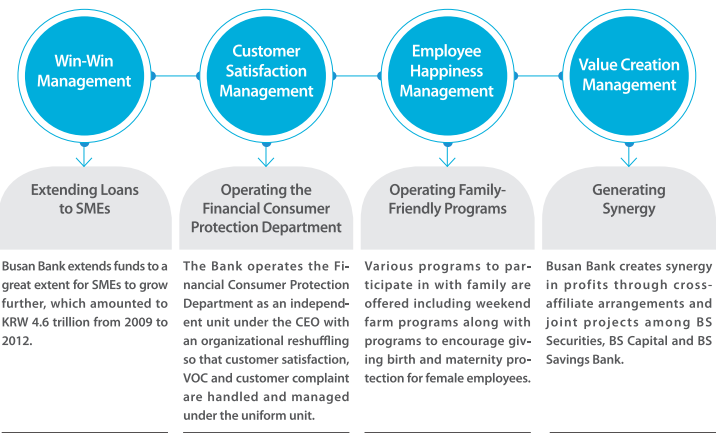
Busan Bank is a representative local financial institution that has grown together with the region for 46 years since its foundation in October 1967 to revitalize the local economy with a capital stock of KRW 300 million and 92 employees. Even during the 1997 financial crisis and global financial crisis, the Bank could withstand the crisis through localized business strategies. As of the end of 2012, the Bank holds total assets of KRW 43 trillion (including trust accounts), net income of KRW 351.7 billion, 259 branches and 3,100 employees as the No.1 local bank in Korea. The Bank continues to initiate Win-Win management to reinvigorate the local economy as a pivotal financial institution in the region, while spearheading CSR activities in the region to provide hope to the underprivileged. In 2012, the Bank set its medium and long-term management goal, that is, the Vision 2015, the "No.1 local bank with nationwide networks in Korea," making continued efforts to advance into a globally competitive bank.

Company Information

(As of the end of 2012)

Date of Foundation	October 10, 1967
Shareholders' Equity	KRW 2,999.4 billion
Employees	3,119 persons
Headquarters Address	92 Beomil-ro Dong-gu, Busan

Sustainable Management of Busan Bank



Distribution of the Economic Value CSR Investment

(As of 2012)

Community	Philanthropic Investments	KRW 31.0 billion
Customers · Investors	Interest Paid	KRW 917.5 billion
Partner Companies	Procurement of Goods and Services	KRW 98.8 billion
Government	Corporate Tax	KRW 108.9 billion
Employees	Wage and Welfare Benefits	KRW 260.6 billion
CSR Finance	New Hope Seed Loan, etc.	KRW 232.1 billion



Official Commendation from the Minister of Security and Public Administration

Grand Prize in the financial sector at the "2010 Fortune GWP in Korea" awards, jointly organized by Great Work Place and Fortune Korea

2012 Major Activities

Activities of Volunteer Groups at Busan Bank

Busan Bank has carried out CSR activities with an exclusive department on corporate contribution. All its employees take part in the District Volunteer Service Groups, and the Bank passionately sponsors their voluntary charity work.

The District Volunteer Service Groups, founded in 2002, has carried on volunteering activities steadily. There are 18 District Volunteer Service Groups covering Busan, Ulsan, Gimhae, Yangsan, and they are conducted volunteering activities every Saturday, the Day of District Volunteering. Each group identifies activities needed in the district, having an efficient volunteering system focusing on the demand side. Busan Bank is expanding the targets and scope of volunteering to develop the region further.



BS Smart Wave Campaign

Even under the volatile and uncertain financial market conditions in 2012, the Bank removed inefficient practices, customs and systems to secure creativity, and conducted innovative campaigns to enthusiastically cope with changes in the financial environment in 2012. To this end, the Bank removed inefficient practices, customs and systems to secure creativity in 64 tasks including establishing the corporate culture, enhancing productivity in work and bringing innovation to work. This brought about higher productivity through improvement in practices and systems. It was a significant opportunity to communicate with employees and share best practices with an element of fun management.



Opening an Overseas Branch in Qingdao, China for the First Time as a Local Bank

After a preparatory period of 4.5 years, the Bank opened an office in Qingdao, China in June 2008, and opened the Qingdao Branch for the first time as a local bank of Korea in December 2012. It was the first step for the Bank to advance into the global financial market.

Qingdao is a port city as a logistical hub in Northeast Asia. It is also a symbol of economic development in China as home to 4,000 Korean companies taking up one third of foreign companies. The city even has an exclusive industrial complex for local companies of Busan. Busan Bank can now provide the same financial services as those in Korea to companies that have advanced to China.





Certified leading company in strategic industries of Busan Metropolitan Government [January 2011 ~ January 2014]

We will unfold Win-Win management with communities and customers.

BS Securities seeks to serve as Korea’s No.1 financial investment company by developing localization strategies and expanding differentiated specialized strategies. Moreover, under the management principles of sustainable growth, job creation and corporate contribution, we practice growth and sharing-driven management through Win-Win development of customer, employees and communities. We promise to do the utmost at all times for customer happiness, value creation and closest partnership with customers in their successful investment. We ask for your generous interest and encouragement for us to keep growing as the No.1 financial investment company that offers trust and satisfaction.



Introduction of the Company

BS Securities was established on June 2, 1997 to maintain the futures trading business pursuant to the Futures Transaction Act. The Company began its operation as the Korea Futures Exchange opened on April 29, 1999. The company name was changed from BS Futures to BS Securities upon being permitted to conduct securities business in November 2009. Since its launch of securities business, the Company became a comprehensive securities company by acquiring the permit on investment and trading business including acquisition in 2012 through phase-out business expansion to revitalize the local banking industry and capital market. BS Securities is the only securities company headquartered in the local region, being ready to provide diversified and specialized financial services to local companies and investors.

Company Information		(As of the end of 2012)
Date of Foundation	June 2, 1997	
Shareholders' Equity	KRW 113 billion	
Employees	163 persons	
Headquarters Address	1 Saessak-ro Busanjin-gu, Busan	

Sustainable Management of BS Securities



Distribution of the Economic Value			(As of 2012)
Community	Philanthropic Investments	KRW 19 million	
Customers · Investors	Interest Paid	KRW 9,652 million	
Partner Companies	Procurement of Goods and Services	KRW 6,703 million	
Government	Corporate Tax	KRW 951 million	
Employees	Wage and Welfare Benefits	KRW 17,088 million	

2012 Major Activities

Strengthening Preemptive Response through Risk Management

BS Securities perceives risk management as a core element in corporate management strategies, and conducts risk management through adequate procedures and control mechanisms. Comprehensive management takes place for all risks rampant in management activities including market risk, credit risk, operational risk, legal risk and reputational risk. To prevent the concentration of risks in certain areas, risks are classified to be managed, for which risk management can be detached from genuine business operations and settlement tasks. Moreover, for systematic risk management, risk management plans are set up prior to every fiscal year.

BS Securities establishes preemptive response measures by identifying potential risks and core issues in a timely manner through a risk management system and analyzing the risk impact. To start, departments in general perceive risk factors and report to the Risk Management Department where risk factors are measured and assessed according to objective and rational standards. The Department controls risks so that each department can afford an appropriate level of risks through distribution policies. The three-tier monitoring system is maintained through departments in general by the Risk Management Department and Internal Audit Department. The Risk Management Department analyzes monitoring outcomes and reports findings to top management periodically, which, then, requires necessary measures for risk management on what has been reported so that the risk management system can be seamlessly operated.

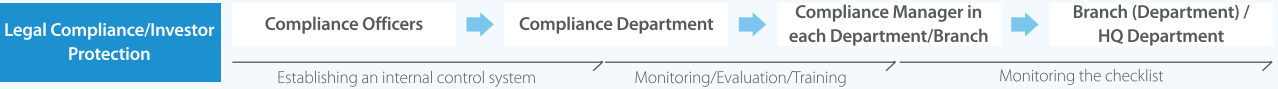


Spreading Ethical Management and Strengthening Internal Control

The Company stipulates and implements the Whistleblowing System Guideline according to Article 23 of the Internal Control Standard. It is prescribed that all employees shall fulfill their obligation for compliance according to the Company’s internal Code of Ethics and Action Guideline. Along with regular training on internal control, “Compliance Plaza” is established in the Company’s groupware. Activities are underway to enhance employee’s ethical and compliance awareness by posting the relevant regulations and work manuals while informing of notices from the financial authorities

For internal unethical acts, the Company operates the Whistleblowing Center, while the financial authorities, including the Financial Supervisory Service, offers and operates systems for whistleblowing through various channels including “Reporting on Unfair Transactions in Securities.” To protect whistleblowers, anonymity is guaranteed for whistleblowers, and no harm shall be given during HR performance appraisals under the regulation. Moreover, the anti-money laundering procedure is in place to implement various tasks including customer authentication, risk assessment, high-amount cash transaction reporting and reporting on suspected transactions. The Compliance Department conducts monitoring to prevent money laundering so that customers’ assets can be transparently managed.

To prevent and respond to financial crimes, the Compliance Department strengthens internal control by conducting monitoring on a daily basis based on the “Compliance Daily Report” from January 2012. Moreover, all employees including internal control managers accumulate financial knowledge through training on anti-money laundering operations including yearly group training, online training and also provided training materials. For the working-level employees in departments, work-related professional training is offered to spread ethical management and strengthen internal control.





We will serve as a reliable partner in microcredit.

The customer value is BS capital's top priority and all of our employees are moving in the same direction in unity to make financial lives better. Since our foundation in 2010, we have developed aligned products with BS Financial Group's affiliates, providing competitive interest rate products to customers. Furthermore, we have developed products and services for lower income customers, growing into a consumer banking institution that leads the financial industry. We will make endless efforts to become a financial company specialized in loans that can contribute to society and make employees happy.



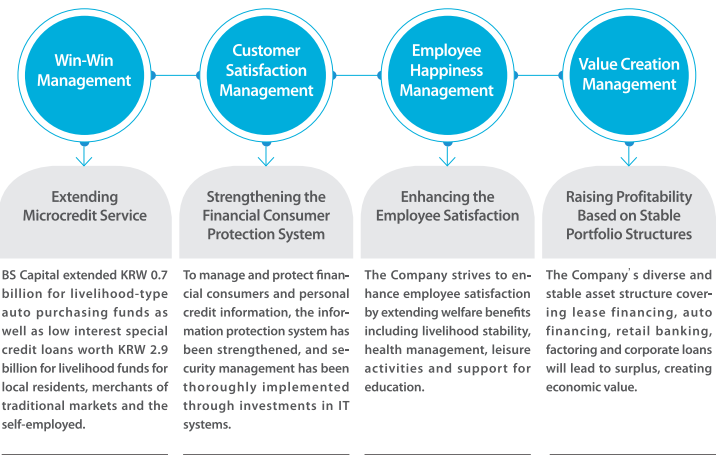
BS Capital CEO
Lee, Sang-chun

Introduction of the Company

BS Capital as a financial company specialized in loans holds such portfolios as lease finance, auto finance, retail banking and corporate banking. The Company focuses its competency on the creation of corporate value based on the robust nationwide sales networks to broaden customers' contact points. To leap into a capital company specialized in retail banking, the Company acquires financial know-how and fosters specialized workforce.

Company Information		(As of the end of 2012)
Date of Foundation	July 15, 2010	
Shareholders' Equity	KRW 228.5 billion	
Employees	266 persons	
Headquarters Address	1 Saessak-ro Busanjin-gu, Busan	

Sustainable Management of BS Capital



Distribution of the Economic Value			(As of 2012)
Community	Philanthropic Investments	KRW 47 million	
Customers · Investors	Interest Paid	KRW 47,150 million	
Partner Companies	Procurement of Goods and Services	KRW 2,760 million	
Government	Corporate Tax	KRW 7,010 million	
Employees	Wage and Welfare Benefits	KRW 11,271 million	
CSR Finance	Special Credit Loans, etc.	KRW 3,618 million	

2012 Major Activities

Improving Access to Financial Products and Services

BS Capital provides information on financial products and related services to offer conveniences to customers and improve access to financial services. In particular, to improve the financial access of the financially vulnerable, low interest special credit loans and livelihood-type auto-financing products are available. Moving further in 2013, for high interest private financing, private financing loan rescheduled products to extend low interest loans and livelihood-type auto financing products will be available. Moreover, amid the expansion of the Disability Discrimination Act, the Company set a website renewal plan to raise the financial accessibility of the disabled, which will be applied from 2013.

System Enhancement for Customer Conveniences and Information Accessibility	<ul style="list-style-type: none">Website renewal and information on products available on mobile web to be offeredProviding convenience by operating the Customer Satisfaction Center (call center) and ARSProviding information by e-mail of bill and repaymentImplementing immediate payday loan service onlineProviding the e-application form service via the website for customer convenience especially for customers in remote areasProviding various customer conveniences in various forms of agreeing to provide credit information (mobile phone, audio-taping, document certification)
Diversification of Product Lineup	<ul style="list-style-type: none">Providing CD/ATM service using loan cardOffering stock loan products (stock-backed loans)Offering diversified customized products including auto/loan/installment/lease/factoring/PF, etc. (alliance marketing)Offering product diversity through BS-aligned marketing (for customers of Busan Bank)

Buildup of Customer Information Protection

BS Capital conducts systematic and thorough management for provisions of customer information between BS Financial Group and BS Capital. As e-banking becomes more common, technical protection means having intensified protection including personal information coding and cross-affiliate customer information is provided in an encoded manner through the customer information sharing system. For personal information handling, a procedure to manage customers' opinions or complaints is in place, and upon the occurrence of complaints, immediate actions are taken.

To provide proper information to consumers and strengthen their awareness about information protection, periodic training for all the employees takes place along with monitoring and e-media-based promotion. Consumers are provided with a key manual for products for periodic training and monitoring to eradicate the incomplete sales. Damage prevention campaigns are waged periodically against voice phishing and pharming. Besides, training and monitoring on provisions of consumer information are steadily underway as the Company increases scales up the efforts to spread the awareness of protecting customer information and control the protection of customer information.

Strengthening Customer Information Protection

Strengthening the Electronic Control	Mandatorily indicating an extra mark on sensitive information for protection of customers' personal information in inquiring customers' information records and withdrawing materials through the business operation system
Establishing the Customer Information Sharing System	Upon the cross-affiliate request for and provision of customer information, reporting the status quo to BS Financial Group on transfer/acceptance and management and the state of request for and provision of customer information on a monthly basis

BS Savings Bank



We will serve as a microcredit institution imbuing dreams and hopes to people.

BS Savings Bank seeks to grow into a high-yield savings bank representing the southeastern region of Korea by establishing the basis for asset growth and revitalizing microcredit. We provide top-notch services to maximize customer satisfaction, and practice corporate social responsibility through active participation in corporate contribution.

We promise to grow into a reliable and dependable microcredit institution by prioritizing customer value and listening to customers' opinions and feedback. We will serve as a representative regional microcredit institution without complacency, and in this respect, we sincerely ask for your continued love and support as stakeholders.



BS Savings Bank CEO
Kim, Jae-woong

Introduction of the Company

BS Financial Group founded BS Savings Bank as a wholly owned subsidiary by taking over quality assets and liabilities such as deposits from the Prime Mutual Savings Bank and Parangsae Mutual Savings Bank in 2011. Each of the deposits totaled KRW 50 million or less, respectively. The Bank will lead the changes in the savings bank sector by inducing the Group-wide management efficiency, managing risks comprehensively and utilizing financial networks of the Group.

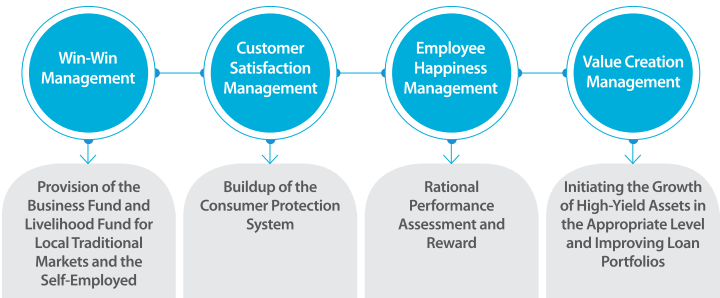
Company Information

(As of the end of 2012)

Date of Foundation	December 13, 2011
Shareholders' Equity	KRW 115.0 billion
Employees	99 persons
Headquarters Address	177 Beomilro Busanjin-gu, Busan

* Shareholders' Equity and the No. of employees are as of the end of June, 2012.

Sustainable Management of BS Savings Bank



To help the conversion from high interest loans from pay-day lenders to low interest loans, credit loans worth KRW 900 million for merchants from traditional markets and the self-employed were extended to them.

To counter threats on personal information that have become more intelligent and diverse, the regulation on the provision of customer information as a regulation to handle customers' personal information protection has been prescribed and managed.

Efforts are underway for employees and the Bank to grow together driven by fair rewards and promotion systems based on assessment outcomes, while implementing composite work evaluation reflecting achievement evaluation.

Stable management performance is achieved through the expansion of microcredits by forming assets with competent collateral-backed corporate loans and developing diverse microcredit products.

Distribution of the Economic Value

(As of 2012)

Community	Philanthropic Investments	KRW 1 million
Customers · Investors	Interest Paid	KRW 24,804 million
Partner Companies	Procurement of Goods and Services	KRW 102 million
Government	Corporate Tax	KRW 484 million
Employees	Wage and Welfare Benefits	KRW 5,183 million
CSR Finance	Sunshine Loan, etc.	KRW 5,637 million

2012 Major Activities

Buildup of Employee Competency

BS Savings Bank operates HR development programs to strengthen employees' competency buildup. Customized courses are available by title, that is, new employees, up to assistant managers and up to managers.

To help new employees adapt to work life, a mentoring program has been adopted. For employees up to assistant managers, courses on job functions and work-related knowledge are offered. For employees up to managers, courses mostly on management and leadership are offered. Furthermore, diverse courses to enhance expertise, including job training on general finance and job training in specific fields are available for employees and are encouraged and supported to take part in such courses.



Moreover, opportunities are offered for employees to acquire financial certificates so that their work competencies can be boosted and expertise can be enhanced such as: Financial Risk Managers (FRM), credit review analyst certificate, and certificates to sell funds and bancassurance.

Provision of Livelihood-type Microcredit Service

BS Savings Bank offers livelihood-type microcredit service to achieve Win-Win growth with the local region and fulfill roles as a microcredit institution. The Bank extended KRW 5.6 billion for microcredit services, which will be increased annually.

For traditional market merchants, the self-employed and office worker that are likely to be neglected in the banking sector, business funds and livelihood expenses are extended. For high interest rate loan user, opportunities to shift to low interest loans are given. To support low-income households, low-credit borrowers, the Sunshine Loan and Sunshine Conversion Loan were extended, playing a positive role to local residents and communities.



BS Credit Information



We put the top priority on customer-centric collection management

We have implemented its roles with integrity as a consultant for customers driven by competent talents equipped with abundant experiences and expertise. We have tried to offer high-quality debt management services to customers by developing scientific debt collection techniques and fostering a specialized workforce. We will grow into the No.1 credit information company with its center of operation in Busan driven by continued exports to expand its profit sources.



BS Credit Information CEO
Lee, Jeong-su

Introduction of the Company

BS Credit Information has conducted debt collection and credit research business founded as a professional credit information company in 2003. Debt collection and credit research are conducted with the injection of high quality services including a competent specialized workforce and cutting-edge electronic systems in order to advance the domestic financial industry and establish a scientific and efficient credit culture. The Company promises to serve as a premier credit information company that represents the communities by utilizing the accumulated infrastructure as a pioneer of laying the foundation of rooting down the local credit culture in the 21st century.

Company Information

(As of the end of 2012)

Date of Foundation	June 17, 2003
Shareholders' Equity	KRW 5.5 billion
Employees	55 persons
Headquarters Address	610 Gayadaero Busanjin-gu, Busan

Sustainable Management of BS Credit Information



Distribution of the Economic Value

(As of 2012)

Partner Companies	Procurement of Goods and Services	KRW 45 million
Government	Corporate Tax	KRW 171 million
Employees	Wage and Welfare Benefits	KRW 950 million

2012 Major Activities

Consideration for the Socially Vulnerable

BS Credit Information allows a temporary delay for debt repayment for debtors struggling to maintain normal economic activities including recipients of livelihood protection, the disabled and the severely ill. As such, the Company fulfills its corporate social responsibility with a special consideration of the socially vulnerable. Moreover, a partial waiver is offered for delay fees and service fees, and installment repayment for overdue loans is allowed given the debtors' income level. This enables them to maintain normal economic activities and repay their debts in a stable manner for debtors that cannot repay their overdue loans.



CSR Activities with the Community

The Company is engaged in the continued local environmental clean-up for fulfilling corporate social responsibility making communities happy. In 2012, the initial step of CSR was taken focusing on the environmental clean-up of the local region. The Company took part in the volunteering activities the Group engaged in which is organized by the Busan Metropolitan Government. Clean-up was carried out around the mountain trail of Eomgwang Mountain along with an environmental clean-up campaign. The Company will continue to be engaged in corporate social responsibility activities by expanding them on end ranging from the environmental clean-up to tree planting and volunteering for broken families and the elderly living alone.



BS Information System



We will become the No.1 local IT service company.

BS Information System, as an expert IT company, was founded to become the No.1 local IT service provider. We have contributed to raising local companies' competitiveness by catering to the IT demands of affiliates and developing and supplying IT solutions for local SMEs. Moreover, local talents are recruited and fostered as specialists, contributing to the local development in the region. All employees will continue to prioritize on creating customer value and practice core values of sophisticated IT services, innovativeness, focus on talents, mutual trust and solidarity, growing into a representative local IT service provider.



Introduction of the Company

The Company was founded to maximize differentiated services in the financial IT sector in 2011. While providing optimal services to customers amid the complicated financial environment and IT development, the Company not only offers financial IT but also together with local SMEs, explores, develops and supplies IT solutions that companies require for mutual value creation. The Company is committed to serving as a representative local IT solution provider that offers a full variety of low-cost and high-quality IT services.

Company Information

(As of the end of 2012)

Date of Foundation	May 20, 2011
Shareholders' Equity	KRW 3.4 billion
Employees	82 persons
Headquarters Address	13 Gwangbok Jungang-ro Jung-gu, Busan

Sustainable Management of BS Information System



Distribution of the Economic Value

(As of 2012)

Partner Companies	Procurement of Goods and Services	KRW 1,861 million
Government	Corporate Tax	KRW 126 million
Employees	Wage and Welfare Benefits	KRW 2,903 million

2012 Major Activities

Win-Win Growth with Local Companies

The Company provides information system services for all affiliates of the Group and explores local partner companies in conducting SI projects. Through joint projects with local companies, the Company realizes Win-Win growth by enhancing the sales of local companies and their competitiveness. In 2012, information system services were provided to Busan Bank, BS Capital and BS Savings Bank jointly with three new local partner companies. By establishing Eoullim Banking Service, the Company's collaboration with three local companies could maximize mutual synergy.



Job Creation in Local Community

BS Information System prevents outflow of talented workers in the IT sector in the region. By providing opportunities to local talents to return to their hometown, a stable job environment is provided to such talents, while contributing to the development of the community.

In 2012, the Company recruited 12 new employees and 40 experienced hires from the local region, creating jobs continuously despite challenging economic conditions, thus significantly contributing to the balanced development of the region and stronger competitiveness.

Corporate Contribution through Donation of Talent in IT

The Company conducts continuous and systematic contribution activities according to the management motto and vision of the Group. By fully utilizing employees' expertise and skills in IT, the Company donated their talent to local welfare centers with PC maintenance and upgrades. In 2012, 80 PCs were repaired in IT training rooms and the IT environment was refurbished in four social welfare centers including Junggu Social Welfare Center in 2012. As a result, the Company contributed to establishing the IT training infrastructure for the less fortunate.



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Management’s Discussion and Analysis

1. Overview

Despite the challenging financial environment resulting from the higher volatility in the global financial market and the domestic economic downturn and lower interest rates in 2012, BS Financial Group concentrated its competencies on paving the way to grow into a global premier regional financial group. Even under the economic setbacks, the Group expanded the scale of deposits and loans, while intensifyin g the profit base through business diversification including advancement into the savings bank business.

The Group opened BS Financial Group Busan Bank Training Institute which will serve as a cradle to foster future talents, and moreover Busan Bank was re-selected to manage Busan City’s budget funds – a feat that has been reaffirmed by the community. In December, the Bank opened the Qingdao Branch in China for the first time as a local bank, taking the first step to leap into a global financial group.

The Group’s total assets as of the end of 2012 amounted to KRW 42.9 trillion (KRW 46.3 trillion if trust accounts are included), up

9.0% year-on-year, showing total assets of all affiliates went up. Net income in 2012 went down 9.8% year-on-year to KRW 361.1 billion, due to the increase in SG&A and loan loss provisions despite higher income from asset management including interest income and fee income. The ROA and ROE stood at 0.88% and 11.65%, respectively, while NIM dropped 0.26% point to 2.73% year-on-year.

Net income for each affiliate is KRW 351.7 billion for Busan Bank, KRW 2.8 billion for BS Securities, KRW 21 billion for BS Capital and KRW 5.3 billion for BS Savings Bank. As such, the performance of BS Capital as a non-banking affiliate significantly went up, implying that business diversification resulting from conversion into a financial group has been partially fulfilled.

As a standard to measure capital adequacy, the BIS ratio maintained 15.19% at the end of 2012, while NPL ratio and delinquency rate recorded 1.20% and 0.69%, respectively.

Major financial performance and management indicators

(Unit: %, %p)

	Major Indicators	2012(A)	2011(B)	Change (C=A-B)
Profitability	ROA	0.88	1.10	Δ0.22
	ROE	11.65	14.34	Δ2.69
	NIM	2.73	2.99	Δ0.26
Capital Adequacy	BIS Ratio	15.19	15.83	Δ0.64
	Tier I Ratio	10.84	11.42	Δ0.58
	Core Capital Ratio	7.59	7.51	0.08
Asset Quality	NPL Ratio	1.20	0.97	0.23
	Delinquency Rate	0.69	0.61	0.08
	Coverage Ratio	127.28	154.45	Δ27.17

Management’s Discussion and Analysis

2. Financial Status and Operational Performance

(1) Financial Status

(Unit: KRW billion, %)

	2012 (A)	2011 (B)	Change (C=A-B)	Ratio of Change(D=C/B)
Cash and due from banks	2,143.3	2,595.5	Δ452.2	Δ17.4
Investment financial assets	7,750.1	7,339.6	410.5	5.6
Loans and receivables	32,179.7	28,737.1	3,442.6	12.0
Derivatives assets	101.4	149.1	Δ47.7	Δ32.0
Tangible assets	416.4	412.6	3.8	0.9
Intangible assets	122.1	24.1	98.0	406.6
Investment property	75.2	48.0	27.2	56.7
Non-current assets held for sale	10.7		10.7	
Other assets	92.5	52.7	39.8	75.5
Total assets	42,891.4	39,358.7	3,532.7	9.0
Deposits	28,345.7	24,991.3	3,354.4	13.4
Borrowings	4,428.2	4,638.1	Δ209.9	Δ4.5
Debentures	4,128.5	3,618.1	510.4	14.1
Derivative liabilities	73.3	82.8	Δ9.5	Δ11.5
Retirement benefit obligation	1.7	16.6	Δ14.9	Δ89.8
Provisions	28.9	30.8	Δ1.9	Δ6.2
Income tax liabilities	37.9	71.5	Δ33.6	Δ47.0
Deferred tax liabilities	51.4	31.5	19.9	63.2
Other liabilities	2,540.6	2,923.0	Δ382.4	Δ13.1
Total liabilities	39,636.2	36,403.7	3,232.5	8.9
Shareholders’ equity	966.9	966.9		
Other capital components	91.0	80.8	10.2	12.6
Retained earnings	2,197.3	1,907.3	290.0	15.2
Total equity	3,255.2	2,955.0	300.2	10.2
Total liabilities and shareholders’ equity	42,891.4	39,358.7	3,532.7	9.0

The Group’s total assets increased KRW 3.5 trillion (9.0%) year-on-year. This is driven by the increase in loans by KRW 3.4 trillion (12.0%) due to a drop in interest rate for new loans amid the lower interest rate environment. Total assets of major affiliates, such as Busan Bank, BS Securities, BS Capital and BS Savings Bank are KRW 39.8 trillion, KRW 694.3 billion, KRW 1.7 trillion and KRW 662.3 billion, respectively. Liabilities, meanwhile, increased by KRW 3.2 tril-

lion (8.9%) year-on-year, among which deposits increased by KRW 3.4 trillion (13.4%) year-on-year. The increase of deposits is due to the capital inflow amid the crisis of savings banks as well as the decline in the investment demand and flight to quality amid the turbulence in the financial market.

(2) Operational Performance

(Unit: KRW billion, except per share amounts, %)

	2012 (A)	2011 (B)	Change (C=A-B)	Ratio of Change(D=C/B)
Interest income	1,139.7	1,024.6	115.1	11.2
Fee income	109.1	96.5	12.6	13.1
Other operating income	Δ18.5	43.5	Δ62.0	turning in the red
Provision expense	168.0	139.7	28.3	20.3
SG&A	574.3	488.6	85.7	17.5
Operating income	488.0	536.3	Δ48.3	Δ9.0
Non-operating income	Δ9.1	Δ3.5	Δ5.6	160.0
Income before income tax	478.9	5,32.8	Δ53.9	Δ10.1
Income tax expense	Δ117.8	Δ132.5	14.7	Δ11.1
Net income	361.1	400.3	Δ39.2	Δ9.8
Other comprehensive income	10.2	Δ22.4	32.6	Δ145.5
Comprehensive net income	371.3	377.9	Δ6.6	Δ1.8
Income per share	1,869	2,120	251	Δ11.8

Net income stood at KRW 361.1 billion, down by KRW 39.2 billion, year-on-year due to a drop in other operating income and higher loan loss provision and SG&A despite the increase of interest and fee income.

While NIM declined due to the elongated low interst rate environment and severe competition in financial industry, the loan growth in high-performing SMEs based on pre-emptive risk management increased interest income by KRW 115.1 billion year-on-year.

The non-interest income dropped KRW 49.4 billion year-on-year. Strong sales capacities including expansion of cross-selling products such as bancassurance and beneficiary certificates increased fee income by KRW 12.6 billion year-on-year. However, securities-related income went down due to lower interest rate and fall in stock prices. And other operating income decreased due to higher fees to Credit Guarantee Fund and premiums to Korea Deposit Insurance Corporation, and a drop in derivatives-related income.

For Busan Bank, loan loss provisions increased according to the Financial Supervisory Service’s stronger measures on asset quality as well as additional reserves of provisions for loans with future default risk. BS capital also increased its loan loss provision due to the loan growth driven by business expansion. BS Savings Bank that commenced operations during the period sets aside loan loss provisions. As such, loan loss reserves increased KRW 28.3 billion year-on-year.

The SG&A increased by KRW 85.7 billion year-on-year to KRW 574.3 billion mostly because of retroactive wage payment, special retirement benefits for the quasi-retirement age group, profit-sharing system and additional accumulation of retirement benefit provisions.

Management’s Discussion and Analysis

3. Capital Adequacy and Asset Quality

(1) Capital Adequacy

BS Financial Group measures and manages equity capital and credit risk & market risk-weighted assets pursuant to the Basel I according to the Enforcement Rule of the Financial Holdings Companies Act. As of the end of 2012, BIS ratio dropped from 15.83%

to 15.19%, while Tier I ratio decreased from 11.42% to 10.84% at the end of last year, but maintaining a stable level far exceeding the regulatory ratio.

(Unit: KRW billion, %, %p)

	2012(A)	2011(B)	Change (C=A-B)
Tier I capital	3,114.2	2,947.9	1,66.3
Tier II capital	1,247.7	1,137.0	1,10.7
Equity capital	4,361.9	4,084.9	2,77.0
Risk-weighted Asset	28,721.4	25,808.5	2,912.9
Tier I ratio	10.84	11.42	Δ0.58
Tier II ratio	4.34	4.41	Δ0.07
BIS ratio	15.19	15.83	Δ0.64

(2) Asset Quality

As of the end of 2012, the NPL ratio went up from 0.97% to 1.20% year-on-year, while the delinquency rate increased from 0.61% to 0.69% and the coverage ratio dropped from 154.45% to 127.28%. Amid the sluggish economic growth, the NPL-related ratio in the

first half of the year aggravated, but it was significantly improved in the latter half driven by stronger risk management.

(Unit: KRW billion, %, %p)

	2012(A)	2011(B)	Change (C=A-B)
Total loans	30,826.2	26,769.9	4,056.3
NPLs	368.9	259.2	109.7
NPL ratio	1.20	0.97	0.23
Coverage ratio	127.28	154.45	Δ27.17
Delinquent loans	207.0	159.1	47.9
Delinquency rate	0.69	0.61	0.08

BS Financial Group

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2012 AND 2011

(Unit: KRW in millions)

	2012	2011
ASSETS		
Cash and due from banks	2,143,272	2,595,547
Investment financial assets		
Financial assets at fair value through profit or loss	558,736	374,800
Available-for-sale (AFS) financial assets	2,732,854	2,773,420
Held-to-maturity (HTM) financial assets	4,458,492	4,191,395
	7,750,082	7,339,615
Loans and receivables		
Loans, net of allowance for loan losses	30,100,423	26,070,660
Receivables, net of allowance for loan losses	2,079,233	2,666,417
	32,179,656	28,737,077
Derivative assets	101,449	149,076
Tangible assets	416,436	412,637
Intangible assets	122,055	24,101
Investment property	75,235	47,962
Non-current assets held for sale	10,659	
Other assets	92,560	52,658
	42,891,404	39,358,673
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits	28,345,668	24,991,337
Borrowings	4,428,157	4,638,062
Debentures	4,128,491	3,618,063
Derivative liabilities	73,310	82,828
Retirement benefit obligation	1,715	16,575
Provisions	28,900	30,847
Current income tax liabilities	37,864	71,541
Deferred tax liabilities	51,383	31,465
Other liabilities	2,540,700	2,923,008
	39,636,188	36,403,726
SHAREHOLDERS' EQUITY		
Equity attributable to the owners of controlling equity:		
Capital stock	966,899	966,899
Other paid-in capital	44,752	44,752
Other components of equity	46,220	35,982
Retained earnings		
(Accumulated reserve and expected provision of reserve for bad debts: ₩102,272 million and ₩29,509 million as of December 31, 2012	2,197,345	1,907,314
Accumulated reserve for bad debts: ₩102,272 million as of December 31, 2011)		
	3,255,216	2,954,947
Non-controlling equity		
	42,891,404	39,358,673

BS Financial Group

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Unit: KRW in millions, except per share amounts)

	2012	2011
NET INTEREST INCOME		
Interest revenues	2,152,353	1,845,026
Interest expenses	(1,012,667)	(820,460)
	1,139,686	1,024,566
NET COMMISSION INCOME		
Commission revenues	168,796	152,282
Commission expenses	(59,723)	(55,790)
	109,073	96,492
NET INCOME OF INVESTMENT FINANCIAL ASSETS		
Net income of financial assets at FVTPL	6,056	341
Net income of AFS financial assets	35,430	46,539
Net income of HTM financial assets		500
	41,486	47,380
PROVISION FOR CREDIT LOSS	(200,580)	(134,686)
OTHER OPERATING EXPENSES, NET		
Net loss from foreign exchange trading	(100,230)	(126,270)
Net income from derivatives	137,617	163,480
General and administrative expenses	(574,289)	(488,559)
Other operating revenues	26,979	32,419
Other operating expenses	(91,724)	(78,545)
	(601,647)	(497,475)
OPERATING INCOME	488,018	536,277
NON-OPERATING REVENUES	8,341	13,215
NON-OPERATING EXPENSES	(17,491)	(16,706)
INCOME BEFORE INCOME TAX EXPENSE	478,868	532,786
INCOME TAX EXPENSE	(117,730)	(132,490)
NET INCOME		
(Net income after provision of reserve for bad debts: ₩331,629 million in 2012 and ₩362,869 million in 2011)	361,138	400,296
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Gain (loss) on fair value of AFS financial assets	10,326	(22,438)
Foreign currency translation losses on overseas operation	(88)	
	10,238	(22,438)
TOTAL COMPREHENSIVE INCOME	371,376	377,858
Net income attributable to:		
Owners of the Company	361,138	400,296
Non-controlling interests		
	361,138	400,296
Total comprehensive income attributable to:		
Owners of the Company	371,376	377,858
Non-controlling interests		
EARNINGS PER SHARE	371,376	377,858
Basic and diluted net earnings per share (in currency units)	1,869	2,120

BS Financial Group

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Unit: KRW in millions)

	Capital stock	Other paidin capital	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
Balance at January 1, 2011	933,418		58,420	1,553,689	2,545,527		2,545,527
Annual dividends				(46,671)	(46,671)		(46,671)
Paid-in capital increase	33,481	41,198			74,679		74,679
Acquisition of treasury stock		(76,571)			(76,571)		(76,571)
Disposal of treasury stock		80,125			80,125		80,125
Comprehensive income:							
Net income				400,296	400,296		400,296
Other comprehensive loss			(22,438)		400,296		(22,438)
Balance at December 31, 2011	966,899	44,752	35,982	1,907,314	2,954,947		2,954,947
Balance at January 1, 2012	966,899	44,752	35,982	1,907,314	2,954,947		2,954,947
Annual dividends				(67,630)	(67,630)		(67,630)
Comprehensive income:							
Net income				361,138	361,138		361,138
Other comprehensive income			10,238		10,238		10,238
Changes in investment in consolidated subsidiaries				(3,477)	(3,477)		(3,477)
Balance at December 31, 2012	966,899	44,752	46,220	2,197,345	3,255,216		3,255,216

BS Financial Group

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Unit: KRW in millions)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	361,138	400,296
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Gain on fair value change of financial assets at FVTPL, net	(4,174)	(8,462)
Gain on AFS financial assets, net	(26,658)	(30,039)
Gain on sales of HTM financial assets, net		(500)
Impairment loss on AFS financial assets	10,260	1,988
Provision of allowance for loan losses	169,826	133,474
Provision for severance benefits	25,975	35,393
Depreciation and amortization	72,470	44,374
Gain on valuation of derivatives, net	(30,215)	(31,795)
Gain on valuation of fair value hedged items, net	(10,491)	(20,403)
Loss (gain) on foreign currency translation, net	(15,360)	27,353
Provision of allowance for losses on acceptance and guarantees, net	759	279
Provision of allowance for losses on unused credit limits, net	1,415	1,284
Provision of (reversal of) allowance for others, net	(4,246)	4,704
Long-term compensation expense	1,035	814
Loss (gain) on bonds payables in foreign currencies	(110,347)	43,408
Income tax expense	117,730	132,490
Interest expense	1,012,667	820,459
Interest income	(2,152,353)	(1,845,026)
Dividend income	(19,032)	(19,021)
Others, net	2,350	(514)
	(958,389)	(709,740)
Changes in working capital		
Net decrease due from banks	157,521	77,084
Net increase in financial assets at FVTPL	(179,724)	(93,905)
Net increase in deferred loan origination fees and costs	(30,834)	(15,196)
Net increase in loans	(3,833,385)	(3,996,012)
Net decrease (increase) in derivative assets	62,734	(1,191)
Net increase in accrued income	(152,856)	(163,767)
Net increase in prepaid expenses	(432)	(10,167)
Net increase in sundry assets	(60,891)	(45,447)
Net increase in deposits	2,538,184	3,442,193
Net (decrease) increase in accrued expenses	(27,446)	4,566
Net increase in unearned revenues	4,043	8,526
Net (decrease) increase in financial guarantee contract liabilities	35	(1,382)
Net decrease in taxes withheld	(1,590)	(2,265)
Net increase in derivative liabilities	5,590	39,017
Net decrease in defined benefit obligation	(8,613)	(4,382)
Net increase in plan assets	(34,830)	(17,063)
Net increase in other liabilities	41,145	64,438
	(1,521,349)	(714,953)

(Unit: KRW in millions)

	2012	2011
Cash received from (paid to) operating activities:		
Interest revenue received	2,218,085	1,916,226
Dividend revenue received	19,032	19,021
Interest expense paid	(986,129)	(783,526)
Income tax paid	(134,400)	(92,422)
	1,116,588	1,059,299
Net cash (used in) provided by operating activities	(1,002,012)	34,902
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash provided by investing activities	4,155,633	3,798,567
Cash used in investing activities	(3,480,501)	(3,668,491)
Net cash provided by investing activities	675,132	130,076
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash provided by financing activities	2,981,190	2,893,040
Cash used in financing activities	(3,096,912)	(2,437,249)
Net cash (used in) provided by financing activities	(115,722)	455,791
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(442,602)	620,769
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,556,436	1,962,207
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	12,158	(26,540)
CASH AND CASH EQUIVALENTS, END OF YEAR	2,125,992	2,556,436

BS Financial Group _ Independent Auditors’ Report

English Translation of a Report Originally Issued in Korean



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

We have audited the accompanying consolidated financial statements of BS Financial Group Inc. (the “Company”) and its subsidiaries (the “Consolidated Group”). The consolidated financial statements consist of the consolidated statements of financial position as of December 31, 2012 and 2011, respectively, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders’ equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended December 31, 2012 and 2011, respectively. The Consolidated Group’s management is responsible for the preparation and fair presentation of the consolidated financial statements, and our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Group as of December 31, 2012 and 2011, respectively, and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011, respectively, in conformity with Korean International Financial Reporting Standards (“K-IFRS”).

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

Deloitte Anjin LLC

March 19, 2013

Notice to Readers

This report is effective as of March 19, 2013, the auditors’ report date. Certain subsequent events or circumstances may have occurred between the auditors’ report date and the time the auditors’ report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors’ report.

Busan Bank _ BUSAN BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2012 AND 2011

(Unit: KRW in millions)

	2012	2011
ASSETS		
Cash and due from banks	1,995,772	2,490,247
Investment financial assets		
Financial assets at fair value through profit or Loss (FVTPL)	12,647	58,541
Available-for-sale (AFS) financial assets	2,708,466	2,760,420
Held-to-maturity (HTM) financial assets	4,454,332	4,191,380
	7,175,445	7,010,341
Loans and receivables		
Loans, net of allowance for loan losses	28,013,454	25,267,341
Receivables, net of allowance for loan losses	2,011,572	2,589,824
	30,025,026	27,857,165
Derivative assets	101,449	149,076
Tangible assets	403,792	405,032
Intangible assets	62,777	20,848
Investment property	46,197	47,962
Retirement benefit assets	1,897	
Non-current assets held for sale	10,659	
Other assets	11,962	10,202
	39,834,976	37,990,873
LIABILITIES AND SHAREHOLDERS’ EQUITY		
LIABILITIES		
Deposits	27,843,933	25,024,189
Borrowings	3,745,991	4,315,747
Debentures	2,731,354	2,890,293
Derivative liabilities	73,310	82,828
Retirement benefit obligation		16,372
Provisions	28,575	30,578
Current income tax liabilities	37,010	71,088
Deferred tax liabilities	40,317	26,705
Other liabilities	2,335,075	2,791,509
	36,835,571	35,249,309
SHAREHOLDERS’ EQUITY		
Equity attributable to the owners of controlling equity:		
Capital stock	933,418	933,418
Other components of equity	38,538	28,928
Retained earnings		
(Provided reserve and expected provision of reserve for bad debts: ₩101,974 million and ₩25,056 million as of December 31, 2012;		
Provided reserve for bad debts:	2,027,449	1,779,218
₩101,974 million as of December 31, 2011)		
	2,999,405	2,741,564
Non-controlling equity		
	39,834,976	37,990,873

Busan Bank

BUSAN BANK AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Unit: KRW in millions, except per share amounts)

	2012	2011
NET INTEREST INCOME		
Interest revenues	1,941,197	1,796,147
Interest expenses	(917,511)	(808,770)
	1,023,686	987,377
NET COMMISSION INCOME		
Commission revenues	129,879	133,133
Commission expenses	(49,804)	(48,994)
	80,075	84,139
NET INCOME OF INVESTMENT FINANCIAL ASSETS		
Net income of financial assets at FVTPL	718	(1,623)
Net income of AFS financial assets	34,768	53,068
Net income of HTM financial assets		500
	35,486	51,945
PROVISION FOR CREDIT LOSS	(146,775)	(120,898)
OTHER OPERATING EXPENSES, NET		
Net loss from foreign exchange trading	(100,244)	(126,280)
Net income from derivatives	130,638	154,194
General and administrative expenses	(491,070)	(451,832)
Other operating revenues	26,671	32,420
Other operating expenses	(87,414)	(79,231)
	(521,419)	(470,729)
OPERATING INCOME	471,053	531,834
NON-OPERATING REVENUES	6,426	13,085
NON-OPERATING EXPENSES	(16,822)	(16,554)
INCOME BEFORE INCOME TAX EXPENSE	460,657	528,365
INCOME TAX EXPENSE	(108,939)	(130,065)

(Unit: KRW in millions, except per share amounts)

	2012	2011
NET INCOME		
(Net income after provision of reserve for bad debts: ₩326,662 million in 2012 and ₩361,171 million in 2011)	351,718	398,300
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Gain (loss) on fair value of AFS financial assets	9,698	(29,493)
Foreign currency translation losses on overseas operation	(88)	
TOTAL COMPREHENSIVE INCOME	361,328	368,807
Net income attributable to:		
Owners of the Company	361,328	368,807
Non-controlling interests		
Total comprehensive income attributable to:		
Owners of the Company	361,328	368,807
Non-controlling interests		
EARNINGS PER SHARE		
Basic and diluted net earnings per share (in currency units)	1,884	2,134

Busan Bank

BUSAN BANK AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Unit: KRW in millions)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	351,718	398,300
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on fair value change of financial assets at FVTPL, net		(8,219)
Gain on AFS financial assets	(26,813)	(36,908)
Impairment loss on AFS financial assets	10,260	1,988
Provision of allowance for losses on loans	128,092	119,686
Provision for severance benefits	22,610	33,750
Depreciation and amortization	56,811	40,188
Gain on derivatives instruments, net	(30,215)	(31,795)
Gain on valuation of fair value hedged items, net	(10,491)	(20,403)
Loss (gain) on foreign currency translation, net	(15,360)	27,371
Provision of allowance for losses on acceptance and guarantees, net	759	279
Provision of allowance for losses on unused credit limits, net	1,406	1,284
Provision of (reversal of) allowance for others, net	(4,130)	4,690
Long-term compensation expense	1,035	814
Loss (gain) on bonds payables in foreign currencies	(110,347)	43,408
Income tax expense	108,939	130,065
Interest expense	917,511	808,770
Interest income	(1,941,197)	(1,796,147)
Dividend income	(18,366)	(18,681)
Others, net	1,542	(986)
	(907,954)	(700,846)
Changes in working capital		
Net decrease due from banks	12,996	101,540
Net increase in financial assets at FVTPL	45,894	218,523
Net increase in deferred loan origination fees and costs	(18,068)	(2,236)
Net increase in loans	(2,845,492)	(3,222,551)
Net decrease (increase) in derivative assets	62,734	(1,191)
Net increase in accrued income	(34,170)	(248,161)
Net increase in prepaid expenses	(2,142)	(2,639)
Net decrease (increase) in sundry assets	209	(395)
Net increase in deposits	2,819,820	3,533,624
Net increase in accrued expenses	6,650	333,869
Net increase (decrease) in unearned revenues	(3,658)	1,634
Net increase (decrease) in financial guarantee contract liabilities	35	(1,382)
Net increase (decrease) in taxes withheld	233	(2,336)
Net increase in derivative liabilities	5,590	39,017
Net decrease in defined benefit obligation	(7,385)	(4,462)
Net increase in plan assets	(33,428)	(15,254)
	9,818	727,600

(Unit: KRW in millions)

	2012	2011
Cash received from (paid to) operating activities:		
Interest revenue received	1,898,025	1,960,282
Dividend revenue received	18,366	18,681
Interest expense paid	(907,676)	(1,108,717)
Income tax paid	(135,866)	(93,945)
	872,849	776,301
Net cash (used in) provided by operating activities	326,431	1,201,355
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash provided by investing activities	3,824,995	3,859,852
Cash used in investing activities	(3,464,042)	(3,603,331)
Net cash provided by investing activities	360,953	256,521
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash provided by financing activities	1,907,986	1,790,767
Cash used in financing activities	(3,089,007)	(2,635,406)
Net cash (used in) provided by financing activities	(1,181,021)	(844,639)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(493,637)	613,237
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	2,475,381	1,888,701
EFFECT OF EXCHANGE RATE CHANGES OF CASH AND CASH EQUIVALENTS	12,158	(26,557)
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	1,993,902	2,475,381

BS Securities _ STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2013 AND 2012

(Unit: KRW in millions)

	2013	2012
ASSETS		
Cash & due from banks		
Cash	1,311	2,671
Due from banks	80,078	141,741
	81,389	144,412
Investment securities		
Financial assets designated at fair value through profit and loss	523,122	498,470
Financial investments - available-for-sale	19,423	19,291
	542,545	517,761
Loans & receivables		
Loans	22,594	26,462
Receivables	50,157	44,877
	72,751	71,339
Tangible assets	4,972	5,294
Intangible assets	2,482	2,647
Others	4,186	3,774
	708,324	745,227
LIABILITIES		
Deposits		
Won deposits	75,466	87,969
Foreign currency deposits	5,027	3,186
	80,493	91,155
Borrowings		
Borrowings	30,000	20,000
Bonds sold under repurchase agreement(RP)	137,290	201,142
Securities sold	282,985	275,978
	450,275	497,120
Deffered income tax liabilities	3,080	3,025
Others	61,253	42,674
	595,101	633,974
SHAREHOLDERS' EQUITY		
Capital stock	85,000	85,000
Other paid-in capital		(246)
Retained earnings	20,607	18,315
Other capital components	7,617	8,183
	113,224	111,253
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	708,324	745,227

BS Securities _ STATEMENTS OF INCOME

FOR THE PERIOD FROM APRIL 1 TO MARCH 31, 2013 and 2012

(Unit: KRW in millions)

	2013	2012
OPERATING REVENUE		
Fee & commission revenue	18,388	17,973
Gains on Sales and Valuation of Investment Securities	15,474	6,675
Gain on Valuation of Derivative Instruments & Derivative Transactions	45,068	27,107
Interest Revenue	16,415	7,062
Gains on foreign Exchange	140	148
Other Operating Revenue	913	419
	96,399	59,385
OPERATING EXPENSES		
Fee and Commission Expense	6,159	5,026
Losses on Valuation of Security Investment	17,417	2,303
Losses on Valuation of Derivatives & Derivative Transactions	30,241	17,428
Interest Expense	9,352	3,928
Expenses on Foreign Exchange	140	139
SG&A Expense	29,440	23,690
Others	23	77
	92,772	52,592
OPERATING INCOME	3,627	6,793
NON-OPERATING REVENUE	2	13
NON-OPERATING EXPENSE	24	93
INCOME BEFORE INCOME TAXES	3,606	6,714
INCOME TAXES EXPENSES	1,068	1,751
NET INCOME	2,537	4,963

BS Capital _ STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2012 AND 2011

(Unit: KRW in millions)

	2012	2011
ASSETS		
Cash & due from banks		
Cash & cash equivalents	25,111	24,359
Due from banks	3,006	3,003
	28,117	27,362
Investment securities	14	14
Loans & receivables		
Loans	602,283	426,584
Receivables	23,020	12,914
	625,303	439,499
Installment financial assets	510,550	134,402
Leased assets	550,216	308,169
Tangible assets	3,322	2,055
Intangible assets	1,660	1,601
Others	2,837	5,029
	1,722,020	918,129
LIABILITIES		
Borrowings		
Short-term borrowings	211,000	110,000
Long-term borrowings	338,000	410,000
Bonds	778,518	209,374
	1,327,518	729,374
Deffered income tax liabilities	8,304	2,403
Provisions	226	156
Defined benefit liability	351	114
Others	157,173	78,133
	1,493,573	810,181
SHAREHOLDERS' EQUITY		
Capital stock	200,000	100,000
Other paid-in capital	(493)	(390)
Retained earnings	28,940	8,338
	228,447	107,949
TOTAL LIABILITIES & SHAREHOLDERS' EUQITY	1,722,020	918,129

BS Capital _ STATEMENTS OF INCOME

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012 and 2011

(Unit: KRW in millions)

	2012	2011
NET INTEREST INCOME		
Interest revenues	136,339	58,200
Interest expenses	(52,579)	(22,470)
	83,760	35,730
NET COMMISSION INCOME		
Commission revenues	6,393	2,224
Commission expenses	(917)	(604)
	5,477	1,621
IMPAIRMENT LOSSES ON FINANCIAL ASSETS	(42,460)	(14,546)
OTHER OPERATING PROFIT & LOSS		
Selling general and administrative expenses	(20,439)	(9,697)
Other operating income	12,944	1,736
Other operating expenses	(11,665)	(2,525)
	(19,161)	(10,486)
OPERATING INCOME	27,615	12,319
NON-OPERATING INCOME		
Non-operating revenues	721	41
Non-operating expenses	(335)	(106)
	387	(65)
INCOME BEFORE INCOME TAXES	28,002	12,253
INCOME TAXES EXPENSES	(7,011)	(2,403)
NET INCOME	20,991	9,850

BS Savings Bank _ STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2012

(Unit: KRW in millions)	
2012	
ASSETS	
Cash & due from banks	
Cash	22
Due from banks	154,629
	154,651
Securities	
Trading securities	39
Available for sale securities	33,239
Held to maturity securities	5,907
	39,185
Loans	399,407
Tangible assets	1,046
Others	66,805
	661,095
LIABILITIES	
Deposits	526,864
Others	19,197
	546,061
SHAREHOLDERS' EQUITY	
Capital stock	31,000
Capital surplus	83,849
Accumulated other comprehensive income	(121)
Retained earnings	306
	115,034
TOTAL LIABILITIES & SHAREHOLDERS' EUQITY	661,095

Note) BS Savings Bank applies K-GAAP (Korea Generally Accepted Accounting Principles) for accounting standards according to Article 37 of the Savings Bank Supervision Regulations and Articles 25, 26 and 34 of its Oversight Enforcement Rules.

BS Savings Bank _ STATEMENTS OF INCOME

FOR THE PERIOD FROM DECEMBER 13, 2011 (DATE OF INCORPORATION) TO JUNE 30, 2012

(Unit: KRW in millions)	
2012	
OPERATING REVENUES	
Interest revenues	
Interest on due from banks	3,856
Interest on held to maturity securities	136
Interest on loans	30,435
Other interest income	254
	34,682
Valuation and Gain on disposition of securities	
Gain on Valuation of trading securities	2
Gain on sale of trading securities	9
	11
Commission Received	311
Dividend income	
	35,025
OPERATING EXPENSES	
Interest expenses	
Interest on deposits	13,988
Discount fees on cover notes sold	24
Others	36
	14,048
Valuation and loss on disposition of securities	4
Valuation and loss on disposition of loans	10,991
Commission expenses	336
Other operating expenses	1,434
General and administrative expenses	7,757
	34,569
OPERATING INCOME	457
NON-OPERATING REVENUES	1
NON-OPERATING EXPENSES	52
INCOME BEFORE INCOME TAX	406
INCOME TAXES EXPENSES	100
NET INCOME	306

BS Credit Information _ STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2012 AND 2011

(Unit: KRW in millions)

	2012	2011
ASSETS		
Current assets		
Quick assets	5,378	4,788
Non-current assets		
Investments	1	1
Tangible assets	48	78
Others	352	352
	402	432
	5,780	5,220
LIABILITIES		
Current liabilities		
Trade Payables	88	10
Withholdings	4	5
Vat. Withheld	22	16
Accrued Expenses	126	132
Payments of Income taxes payable		67
Others	7	5
	247	235
Non-current liabilities		
	247	235
SHAREHOLDERS' EQUITY		
Capital stock	3,000	3,000
Retained earnings	2,532	1,985
	5,532	4,985
TOTAL LIABILITIES & SHAREHOLDERS' EUQITY	5,780	5,220

BS Credit Information _ STATEMENTS OF INCOME

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012 and 2011

(Unit: KRW in millions)

	2012	2011
SALES		
Commission and fees	1,587	1,489
Credit investigation fees	806	739
	2,392	2,229
COST OF SALES		
GROSS PROFIT	2,392	2,229
SELLING & ADMINISTRATIVE EXPENSES	1,863	1,738
OPERATING INCOME	529	490
NON-OPERATING INCOME		
Interest income	185	170
Gains on disposals of property, plant and equipment	4	
Miscellaneous income		1
	189	171
NON-OPERATING EXPENSES		
INCOME BEFORE INCOME TAXES	718	661
INCOME TAXES EXPENSES	171	130
NET INCOME	547	531

BS Information System _ STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2012 AND 2011

(Unit: KRW in millions)		
	2012	2011
ASSETS		
Current assets		
Quick assets	2,478	2,256
Inventories	1	
	2,479	2,256
Non-current assets		
Investments		
Tangible assets	408	313
Intangible assets	97	80
Others	816	442
	1,320	834
	3,799	3,090
LIABILITIES		
Current liabilities		
Trade Payables	13	
Other Payables	167	64
Withholdings	24	10
Vat. Withheld	89	32
Deferred income tax liabilities	3	
	296	107
Non-current liabilities	136	
	432	107
SHAREHOLDERS' EQUITY		
Capital stock	3,000	3,000
Capital adjustment	(16)	(16)
Retained earnings	384	
	3,367	2,984
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	3,799	3,090

BS Information System _ STATEMENTS OF INCOME

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012 and 2011

(Unit: KRW in millions)		
	2012	2011
SALES		
Merchandise	761	17,973
Service	5,099	6,675
	5,860	24,649
COST OF SALES		
Cost of Merchandise Sold	718	96
Cost of Service	3,895	545
	4,613	641
GROSS PROFIT	1,247	317
SELLING & ADMINISTRATIVE EXPENSES	802	358
OPERATING INCOME	445	(42)
NON-OPERATING INCOME	72	42
NON-OPERATING EXPENSE		
INCOME BEFORE INCOME TAXES	517	1
INCOME TAXES EXPENSES	126	1
NET INCOME	391	0.3

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Key Performance in Sustainable Management

Win-Win Management

Local Procurement Policy and Procurement Rate¹⁾

Type	Unit	2010	2011	2012
Amount of procuring goods and equipment via all suppliers	KRW million	-	588,385	630,111
Amount of procuring goods and equipment via all suppliers	KRW million	-	377,247	498,421
Local procurement rate	%	-	64	79

CSR Activities

Type	Unit	2010	2011	2012
No. of volunteers	persons	21,904	25,399	26,703
No. of volunteers	persons	6	6	5

Energy Usage³⁾

Type	Unit	2010	2011	2012
Amount of total energy consumption	TJ ⁴⁾	120	98	102
Amount of direct energy consumption	TJ	45	9	11
Diesel	TJ	1	0	1
LNG	TJ	40	2	1
LPG	TJ	0	0	0
Gasoline	TJ	4	6	7
LPG for vehicles	TJ	0	0	1
Amount of indirect energy consumption (electricity)	TJ	75	89	92

Amount of Resources Usage³⁾

Type	Unit	2010	2011	2012
Amount of using paper for photocopying	ton	8	10	18
Amount of water usage	ton	28,740	31,038	33,821

Value of Green Financial Products by Type²⁾

Type	Unit	2010	2011	2012
Green Card	accounts	-	41,431	110,036
	KRW million	-	14,539	140,433
Green Company Check Card	accounts	-	-	4,504
	KRW million	-	-	14,907
My Zone Green Check Card	accounts	-	19,613	68,703
	KRW million	-	2,506	43,223

Status of GHG Emissions³⁾

Type	Unit	2010	2011	2012	2012
Amount of Total GHG Emissions	tCO ₂ eq		4,009	4,746	5,058
BS Financial Group	Direct Emissions(Scope 1)	tCO ₂ eq	-	0	27
	Indirect Emissions(Scope 2)		-	37	79
Busan Bank	Direct Emissions(Scope 1)	tCO ₂ eq	290	385	395
	Indirect Emissions(Scope 2)		3,498	3,939	3,961
BS Securities	Direct Emissions(Scope 1)	tCO ₂ eq	24	45	46
	Indirect Emissions(Scope 2)		101	120	111
BS Capital	Direct Emissions(Scope 1)	tCO ₂ eq	8	52	89
	Indirect Emissions(Scope 2)		18	83	154
BS Savings Bank	Direct Emissions(Scope 1)	tCO ₂ eq	-	-	32
	Indirect Emissions(Scope 2)		-	-	25
BS Credit Information	Direct Emissions(Scope 1)	tCO ₂ eq	13	14	15
	Indirect Emissions(Scope 2)		57	57	51
BS Information System	Direct Emissions(Scope 1)	tCO ₂ eq	-	2	25
	Indirect Emissions(Scope 2)		-	12	48
Sub-total	Direct Emissions(Scope 1)	tCO ₂ eq	335	498	629
	Indirect Emissions(Scope 2)		3,674	4,248	4,429

Movement of Employees⁵⁾

Type	Unit	2010	2011	2012
Distance of travel for business trips	km	7,388,139	153,413,994	77,297,473

Expense and Investment for Environmental Protection²⁾

Type	Unit	2010	2011	2012
Procurement of equipment and materials with high energy efficiency	KRW 100 million	3.4	2.2	3.9
Procurement of energy-efficient products with 1 st to second grade	KRW 100 million	0	0	0.2

¹⁾Based on the data of BS Financial Group
²⁾Based on the data of Busan Bank
³⁾It is for the main building of the Group located in Busan, excluding branches and dormitories.The amount of energy usage is rounded off to be reported in integers, so the amount is ±1 from the actual amount. There could be a difference below TJ.
⁴⁾TJ (Terajoule) is an energy measurement unit
⁵⁾It is based on the distance of domestic travel for business trips of employees of the main branch of the Group located in Busan.

Key Performance in Sustainable Management

Customer Satisfaction Management

Results of Customer Satisfaction Survey¹⁾

Type	Unit	2010	2011	2012
CSI (Customer Satisfaction Index)	points	95.5	97.5	97.0
SMS (Service Monitoring Service)	points	84.1	85.8	86.8

Status of Customer Complaints¹⁾

Type	Unit	2010	2011	2012
Complaints reported by the Financial Supervisory Service	cases	126	93	134
Complaints internally treated	cases	369	169	235
Total	cases	495	262	369

No. of Cases Reported on Anti-Money Laundering¹⁾

Type	Unit	2010	2011	2012
No. of cases for suspicious transactions	cases	324	648	418
No. of cases for reporting high- amount cash transactions	cases	64,492	92,570	100,638

¹⁾Based on Busan Bank

Employee Happiness Management

Status of Employees

Type	Unit	2010	2011	2012
Total employees	persons	3,251	3,541	3,852
Men	persons	1,888	1,966	2,091
Women	persons	1,363	1,575	1,761
Employment type				
Regular	persons	3,015	3,210	3,445
Contractual	persons	236	331	407
Employment of the socially vulnerable				
The disabled	persons	141	185	306
Patriots/Veterans	persons	173	228	312

No. of Hours for Completing Courses for Each Employee

Type	Unit	2010	2011	2012
BS Financial Group	hours	-	30	40
Busan Bank	hours	177	184	154
BS Securities	hours	27	25	34
BS Capital	hours	90	90	90
BS Savings Bank	hours	-	-	36
BS Credit Information	hours	4	4	4
BS Information System	hours	-	0	15

Participating in Ethics, Compliance and Internal Control Courses²⁾

Type	Unit	2010	2011	2012
Prevention of financial accidents (via broadcasting media)	persons	-	all employees	all employees
For new employees and new branch heads	persons	176	110	216
For auditors for each department	persons	303	-	-
Practical training for branches	persons	-	-	12
No. of hours of ethical training for each employee	hours	6	6	6
No. of holding ethical training courses	times	12	12	12

¹⁾For BS Credit Information, internal courses only, so no investment expense

²⁾Based on Busan Bank

Ratio of Employees Subject to Performance Assessment¹⁾

Type	Unit	2010	2011	2012
BS Financial Group	%	-	100	100
Busan Bank	%	92.2	93.7	93.5
BS Securities	%	-	-	80.4
BS Savings Bank	%	-	-	87.0
BS Information System	%	-	90.0	92.8

Labor Discrimination

Type	Unit	2012
Total number of discrimination	cases	0
Sexual ²⁾	cases	0
Academic	cases	0
Age	cases	0
Regional	cases	0

Status of Work-related Disasters including Injury and Work-related Diseases

Type	Unit	2010	2011	2012
No. of the injured	persons	0	0	0
Injury rate	%	0	0	0

Status after Returning to Work from Maternity Leave³⁾

Type	Unit	2010	2011	2012
Rate of returning to work from maternity leave	%	99	99	99
Rate of employees working for over 12 months after maternity leave (retention rate)	%	98	97	98

Scope of Pension Provision⁴⁾

Type	Operating Amount (KRW million)	Defined Benefits(DB) Subscribers (persons)	Defined Contributions(DC) Subscribers (persons)	Total Subscribers (persons)
BS Financial Group	2,781	54	-	54
Busan Bank	115,516	2,789	-	2,789
BS Securities	965	53	73	126
BS Capital	951	266	-	266
BS Credit Information	248	18	-	18

Ratio of Employees Subject to Collective Bargaining⁵⁾

Type	Unit	2010	2011	2012
Busan Bank	%	99.5	99.3	99.6

Results of Employee Satisfaction³⁾

Type	Unit	2010	2011	2012
Employee Satisfaction	points	90	89	85

Status of Handling Grievances³⁾

Type	Unit	2010	2011	2012
No. of handling grievances	cases	282	274	297

¹⁾For BS Credit Information, performance assessment is to be conducted from 2013

²⁾Including sexual harassment cases

³⁾Based on Busan Bank

⁴⁾BS Savings Bank and BS Information System operate no pension system

⁵⁾As for BS Financial Group, BS Securities, BS Capital, BS Savings Bank, BS Credit Information and BS Information System, the Labor-Management Council consisting of the same number of employers and employees is available.

Value Creation Management

Distribution of the Economic Value by Stakeholder

Type	Value Distribution	Unit	2012
Community	Philanthropic Investments (including microcredit)	KRW billion	31.1
Customers/Investors	Interest Paid	KRW billion	1,012.7
Partner Companies	Procurement of Goods and Services	KRW billion	110.3
Shareholders	Dividends	KRW billion	63.8

Type	Value Distribution	Unit	2012
Government	Corporate Tax	KRW billion	117.8
Employees	Wages and Welfare Benefits	KRW billion	303.1
CSR Finance	New Hope Seed Loan, Change Dream Loan and Sunshine Loan, etc.	KRW billion	241.4

Awards

Date	Titles	Awardees	Awarding Organizations
2012. 12. 20	5 th Education Mecenat Tower	CEO of Busan Bank Sung, Se-whan	Busan Education Office
2012. 12. 13	Plaque of commendation for contributing to the development of municipal affairs of Busan City and professional baseball	CEO of Busan Bank Sung, Se-whan	Mayor of Busan City
2012. 11. 14	Plaque of appreciation for the Gold Medal in the athletics (male) at the 93 th National Sports Festival	CEO of Busan Bank Sung, Se-whan	Mayor of Busan City and Chairman of Busan Sports Council
2012. 11. 6	Designated as one of the 2013 Korea's Most Influential CEOs	Chairman of BS Financial Group Lee, Jang-ho	Chosun Ilbo/TV Chosun
2012. 10. 25	Grand Prize for three consecutive years as one of Korea's Top 100 GWP's	Busan Bank	GWP Korea
2012. 10. 19	Prize of appreciation for contributing to the development of administrative affairs of police on the 67 th Police Day	CEO of Busan Bank Sung, Se-whan	Commissioner of the National Police Agency
2012. 8. 17	Plaque of appreciation for contributing to revitalizing the Green Card program	Busan Bank	Minister of Environment
2012. 7. 5	Designated as a 2012 Korea's Global CEO	Chairman of BS Financial Group Lee, Jang-ho	Joong Ang Daily
2012. 6. 11	Plaque of commendation for contributing to the development of Busan City	CEO of Busan Bank Sung, Se-whan	Busan City's National Council of Women
2012. 5. 25	Selected for the 2012 CSR Conference for Win-win Growth	BS Financial Group	Joong Ang Daily/JTBC
2012. 5. 4	Plaque of commendation at the 2012 Busan Super Cup International Yacht Competition	CEO of Busan Bank Sung, Se-whan	Busan Yacht Association
2012. 3. 14	Excellence prize at the 2012 the bell Risk Manager Awards	Busan Bank	Chairman Park Byeong-won of the Korea Federation of Banks (organized by Money Today)
2012. 3. 6	2012 Happiness Plus CSR Award	Busan Bank	Chairman of Journalists Association of Korea/ CEO of Donga Ilbo
2012. 2. 18	Plaque of commendation for contributing to the development of community, art and culture	CEO of Busan Bank Lee, Jang-ho	Federation of Korean Arts
2012. 2. 17	Letter of commendation for contributing to the stabilization of the local economy by cooperating with administrative affairs of police and executing cooperative security	CEO of Busan Bank Lee, Jang-ho	Commissioner of the National Police Agency
2012. 2. 17	Grand prize in Korea's Best Banker as the 2012 Best Bank	Busan Bank	CEO of Financial Supervisory Service
2012. 1. 16	4 th Education Mecenat Tower	Busan Bank	Mayor of Busan City, Superintendent of Busan City, Chairman of Busan Chamber of Commerce and Industry, CEO of Busan Daily
2011. 12. 31	Plaque of commendation for contributing to the development of deposit insurance	Busan Bank	Korea Deposit Insurance Corporation
2011. 12. 20	Plaque of commendation for contributing to successful organization of the High Level Forum on Aid. Effectiveness	CEO of Busan Bank Lee, Jang-ho	Minister of Foreign Affairs and Trade
2011. 12. 15	Plaque of commendation for devoting to reach out to the underprivileged/extending special support for CBS development	Chairman of BS Financial Group Lee, Jang-ho	CEO of Christian Broadcasting System
2011. 11. 10	Designated as one of 2011 Korea's Top 100 GWP's	Busan Bank	GWP Korea
2011. 10. 27	Plaque of commendation for the development of art and culture in Ulsan	CEO of Busan Bank Lee, Jang-ho	Chairman of Ulsan Federation of Korean Art and Cultural Organizations
2011. 10. 6	Plaque of contribution for financially supporting and sponsoring Busan International Film Festival (BIFF)	CEO of Busan Bank Lee, Jang-ho	Chairman of the Organizing Committee of BIFF, Mayor of Busan City
2011. 9. 1	Prize in the CSR sector at the 2011 The Global CEO of Korea	CEO of Busan Bank Lee, Jang-ho	Joong Ang Daily/FORBES KOREA
2011. 8. 5	Plaque of commendation for supporting to organize the 2011 Volleyball World Grand Prix	CEO of Busan Bank Lee, Jang-ho	Korea Volleyball Association
2011. 7. 28	Plaque of commendation for contributing to revitalize volunteering in Busan	CEO of Busan Bank Lee, Jang-ho	Mayor of Busan City
2011. 6. 3	Prize for being a GWP in Busan in 2011	Busan Bank	Ministry of Knowledge Economy, Busan City
2011. 5. 18	Plaque of commendation for supporting events of Busan Women's Organization Conference	CEO of Busan Bank Lee, Jang-ho	Chairman of Busan Women's Organization Conference
2011. 5. 9	Prize for contributing to the national economy and social development with highly esteemed and outstanding management philosophy and management innovation and globalization of Korean industries	CEO of Busan Bank Lee, Jang-ho	Chairman of Korea Management Association
2011. 4. 14	Plaque of commendation for contributing to the development in the creation of culture and art	Busan Bank	Chairman of Arts Council Korea
2011. 4. 12	Prize of contribution for supporting the Next Generation Entrepreneur Club	CEO of Busan Bank Lee, Jang-ho	Members of the Next Generation Entrepreneur Club
2011. 3. 31	Prize at the 2011 Socially Responsible Management for Win-win Growth	CEO of Busan Bank Lee, Jang-ho	CEO of Chosun News Press
2011. 3. 14	Plaque of commendation for donating scholarships	President of Busan Bank Hope Sharing Foundation Lee, Jang-ho	CEO of Dong Ui Institute of Technology
2011. 1. 24	Prize of contribution for contributing to the development of athletics in Korea	Busan Bank	Chairman of Korea Association of Athletics Federations
2011. 1. 17	UP School 3 rd Education Mecenat Tower	Busan Bank	Mayor of Busan City, Superintendent of Busan City, Chairman of Busan Chamber of Commerce and Industry, CEO of Busan Daily
2011. 1. 5	Gold Prize in the local bank sector at the 20 th Dasan Finance Award	Busan Bank	CEO of Financial Supervisory Commission, Korea Economic Daily

GHG Third-Party Verification Statement

PRJC-477299-2013-AST-KOR



Introduction

DNV Certification Ltd. (hereinafter referred to as "DNV") was commissioned by BS Financial Group to verify Greenhouse Gas Emissions in the calendar year of 2010~2012, based upon a limited level of assurance. BS Financial Group is responsible for the preparation of the GHG emissions data on the basis set out within the principles set out in ISO 14064-1:2006. Our responsibility in performing this work is to the management of BS Financial Group only and in accordance with terms of reference agreed with them. DNV expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

Scope of Verification

The emissions data covered by our examination comprise Direct GHG Emissions (Scope 1) and Energy indirect emissions (Scope 2) at the following scope in Korea as provided in the statement:

- Reporting period: Calendar year of 2010 ~ 2012
- Reporting boundary: Head office

Verification Approach

The verification was conducted by DNV in July 2013 and performed in accordance with the verification principles and tasks outlined in ISO 14064-3:2006. DNV planned and performed the verification work to obtain all the information deemed necessary to provide us with sufficient evidence so that verification opinion can be concluded regarding the completeness of the statement dated on 17th July 2013 and the reported emission figures in ton CO2 equivalent. The verification team carried out the desk review on the statement as well as the relevant evidences and conducted the site visits as parts of the verification activities.

Conclusion

As a result of the work described above, in our opinion nothing has come to our attention that would cause us to believe that the GHG emissions data indicated below are not materially correct except the qualification given below. The GHG Emissions of BS Financial Group for the year from 2010 to 2012 were confirmed as below;

		(Unit: tCO ₂ eq)		
Company Name	Reporting boundary	Yr. 2010	Yr. 2011	Yr. 2012
BS Financial Group Inc.	Beomil-Dong Annex, Bujeon-Dong Annex, Busan Bank Head Office (2012.5-7)		37	107
Busan Bank Co., Ltd.	Head office, Beomil-Dong Annex, Bujeon-Dong Annex, Jeonpo-Dong Annex	3,788	4,324	4,356
BS Securities Co., Ltd.	Head office (In Bujeon-Dong Annex)	125	165	157
BS Capital Co., Ltd.	Head office (In Bujeon-Dong Annex)	26	135	242
BS Savings Bank Co., Ltd.	Head office (177 Beomil-ro, Dong-gu, Busan)			57
BS Credit Information Co., Ltd.	Head office (610 Gaya-Daero, Busanjin-gu, Busan)	70	72	66
BS Information System Co., Ltd.	Head office (#8-2, Sinchang-dong 1-ga, Jung-gu, Busan)		14	73
Total (Scope 1&2)		4,009	4,746	5,058

※ In order to report the GHG emissions as an integer, the rounded number on the statement might be different from actual number with ± 1 tCO₂-eq.

22nd July 2013
Seoul, Korea

 **Duk-Keun Oh**
Lead verifier

 **In-Kyoon Ahn**
Country Manager
DNV Certification Ltd.

This Assurance Statement is valid as of the date of the issuance (22nd July 2013). Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions is subsequently brought to our attention.
In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

Third-Party Assurance Report



INTRODUCTION

Det Norske Veritas Certification Ltd. (hereinafter referred to as ‘DNV’) is commissioned to carry out verification on BS FINANCIAL GROUP Sustainability Report 2012 (hereinafter referred to as ‘the Report’). BS FINANCIAL GROUP is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV’s responsibility in performing the work commissioned is solely to the management of BS FINANCIAL GROUP, in accordance with terms of reference and scope of work agreed. BS FINANCIAL GROUP’s stakeholders are the intended recipients of the assurance statement.

SCOPE OF ASSURANCE

This Assurance Engagement covered data and information of BS Financial Group’s 7 affiliates* from the calendar year 2012. The scope of DNV’s Assurance Engagement, as agreed with BS FINANCIAL GROUP, included the verification of:

- Data and activities related to the environment, health and safety management, social aspects, and corporate governance issues that refer to the period between January 2012 and December 2012 as contained in the Report
- Evaluation of the reporting principles for defining the sustainability report content and the quality as expressed in the Sustainability Reporting Guidelines GRI G3.1
- Evaluation of Accountability Principles and Performance Information with a moderate level of assurance, according to AA1000 Accountability Principles Standard 2008 and AA1000 Assurance Standard 2008

LIMITATIONS

The audit was conducted in a manner to verify data and information made available by BS FINANCIAL GROUP. The visits to subsidiaries were not made in the course of verification. No external verification activities related to stakeholder dialogue or to BS FINANCIAL GROUP’s suppliers, contractors and any third-parties mentioned in the Report were not conducted. Any financial information from BS FINANCIAL GROUP’s annual report and company reporting on operations in 2012 or other sources was not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and the audited financial statements. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. Hence, our conclusion is based on the discussion with management of BS FINANCIAL GROUP and our review of sampled documents provided by BS FINANCIAL GROUP.

VERIFICATION METHODOLOGY

This Assurance Engagement was planned and carried out in accordance with AA1000AS (2008). The Report was evaluated with regard to the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness with Moderate level of assurance as set forth in AA1000AS(2008)
- Sampling technique for data verification

As part of the verification, we examined and reviewed documents, data and other information made available to DNV by BS FINANCIAL GROUP. We performed sample-based audits and we interviewed the personnel who are involved in the operational management of matters covered in the Report. The verification was conducted at the BS Economic Research Institute in July 2013.

STATEMENT OF COMPETENCE AND INDEPENDENCE

DNV is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries.

DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward stakeholders interviewed during the verification process.

DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

* BS Financial Group: BS Financial Group Inc., Busan Bank Co., Ltd., BS Securities Co., Ltd., BS Capital Co., Ltd., BS Savings Bank Co., Ltd., BS Credit Information Co., Ltd., BS Information System Co., Ltd.

CONCLUSIONS

In DNV’s opinion, and based on the scope of this Assurance Engagement, nothing has come to our attention to suggest that the Report is not fairly stated. Further conclusions and observations on the adoption of reporting principles are made below:

Stakeholder Inclusivity

BS FINANCIAL GROUP has engaged with a wide range of stakeholders regarding sustainability issues via survey and interview. The stakeholder engagement covered a wide range of stakeholders. Stakeholder communication channels were stated in detail in the Report. Five Stakeholder groups that are Customer, Investors and shareholders, Employees, business partners and Local community were identified. Respective companies under BS FINANCIAL GROUP’s umbrella identified the interest of stakeholders by engaging them with various ways. Stakeholder engagement was conducted independently. In our view, the level at which the Report adheres to the principle of Stakeholders inclusiveness is ‘Good’.

Materiality

External significant issues were identified with three steps approach. External and internal sustainability issues were gathered and analysed. Stakeholders’ opinions were integrated into the materiality determination process. The output of the process clearly brought out material issues. The Report generally provides an account of performance on the issues which are most significant to BS FINANCIAL GROUP, respective member companies, and which are most relevant to its stakeholders. In our view, the level at which the Report adheres to the principle of materiality is ‘Good’.

Responsiveness

Stakeholders’ views, interests and expectations sought from stakeholder communications were considered in the preparation of the Report and in the formulation of BS FINANCIAL GROUP’s sustainability management approach. The Report communicates the response on material issues. BS FINANCIAL GROUP needs to establish targets corresponding to respective material issues and measure the performances so that progress of sustainability management can be presented to the stakeholders. In addition, the policy on how to handle the issues, which are determined as material but not reported, should be addressed. In our view, the level at which the Report adheres to the principle of Responsiveness is ‘Acceptable’.

Completeness

The scope and boundary of the Report cover the issues and activities that are of most significance to BS FINANCIAL GROUP and relevance to its stakeholders. No material omissions are found in data or information verified. However, the report generally presents qualitative contents. It is recommended to balance qualitative side with qualitative contents for the next report. In our view, the level at which the Report adheres to the principle of Completeness is ‘Acceptable’.

Principle of report quality

The tone in the Report is relatively neutral. No biased information is observed. Other than GRI-specified indicators, it would strengthen Neutrality of the report by developing specified indicators only for BS FINANCIAL GROUP to report both favorable and unfavorable performance to the full extent, in accordance with the Vision and Strategy of the organization.

Data and information presented in the report are generally reliable. However, in order to improve the data quality, periodical internal assessment of data and information needs to be implemented. In our view, the level at which the Report adheres to the principle of the report quality is ‘Acceptable’.

OPPORTUNITIES FOR IMPROVEMENT

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

- Set up the objectives for sustainability vision and strategy at Group level and targets at respective subsidiary level so that the progress of achievement can be at least annually measured and reported
- Establish documented procedure for accounting and reporting criteria for data gathering so that the consistency along the subsidiaries can be achieved
- Conduct internal audits of data management processes and data presented in the report (as part of the existing internal audit program) to ensure the accuracy and reliability of reported information

Seoul, Korea

July, 2013



 In Kyoon Ahn
Country Manager

Note: Assurance engagement was conducted based on the Report written in Korean. In the event of ambiguity or contradiction in the Report between English version and Korean version, Korean one shall be given precedent.

GRI Application Level Statement



Statement GRI Application Level Check

GRI hereby states that **BS FINANCIAL GROUP INC** has presented its report “BS Financial Group Sustainability Report 2012” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 23 July 2013



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The “+” has been added to this Application Level because BS FINANCIAL GROUP INC has submitted (part of) this report for external assurance. GRI accepts the reporter’s own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 15 July 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

GRI G3.1 Index

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

Indicators	Explanation	Reporting status	Page	Additional information
Corporate profile				
I. Vision and Strategy				
1.1	CEO Message	●	6	
1.1	Opportunities and Challenges	●	6	
II. Organizational Profile				
2.1	Name of the organization	●	8	
2.2	Primary brands and products	●	8	
2.3	Operational structure of the organization	●	8-9	
2.4	Location of organization’s headquarters	●	8	
2.5	Number of countries where the organization operates	●	9	
2.6	Nature of ownership and legal form	●	9	
2.7	Markets served	●	9	
2.8	Scale of the reporting organization	●	8	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	●	11	
2.10	Awards received	●	104	
III. Report Parameters				
3.1	Reporting period	●	4	
3.2	Date of most recent previous report	●	-	This is the first Sustainability Report.
3.3	Reporting cycle	●	4	
3.4	Contact point for questions regarding the report or its contents	●	113	
3.5	Process for defining report content	●	18-19	
3.6	Boundary of the report	●	4	
3.7	State any specific limitations on the scope or boundary of the report	●	4	
3.8	Basis for reporting that can significantly affect comparability from period to period and/or between organizations	●	4	
3.9	Data measurement techniques and the bases of calculations	●	4	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	●	-	This is the first Sustainability Report.
3.11	Significant changes in the scope, boundary, or measurement methods applied in the report	●	-	This is the first Sustainability Report.
3.12	GRI Content Index	●	109-111	
3.13	Policy and current practice with regard to seeking external assurance for the report	●	105-108	
IV. Corporate Governance, Accountability and Engagement				
4.1	Governance structure of the organization	●	12-13	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	●	12-13	
4.3	Composition of the highest governance body	●	12-13	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	●	12-13	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	●	13	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	12	
4.7	Process for determining expertise of the members of the highest governance body leading strategies of economic, environmental, and social performance	●	12	
4.8	Management principles	●	9	
4.9	Procedures of the highest governance body for overseeing the organization’s economic, environmental, and social performance	●	12	
4.10	Processes for evaluating the highest governance body’s own performance - economic, environmental, and social performance	●	12	
4.11	Approach for prevention or ways to achieve the principle	●	15-16	
4.12	Externally developed economic, environmental, and social initiatives to which the organization subscribes or endorses	●	18, 33, 108	
4.13	Memberships in associations such as industry associations, national and international advocacy organization	●	18, 33	
4.14	List of stakeholder groups engaged by the organization	●	17	
4.15	Basis for identification and selection of stakeholders with whom to engage	●	17	
4.16	Approaches to stakeholder engagement	●	17	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and the corresponding responses	●	17	
1. Economic Performance				
EC1	Direct economic value generated and distributed	●	57	
EC2	Financial implications and other risks and opportunities for the organization’s activities due to climate change	●	33-35	
EC3	Coverage of the organization’s defined benefit plan obligations	●	103	
EC4	Significant financial assistance received from government	●	-	No case of subsidization
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	●	-	214% for BS Financial Group
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	●	101	No local procurement policies
EC7	Proportion of senior management hired from the local community at significant locations of operation	●	46	There is no discrimination in terms of local region upon recruitment
EC8	Impact of infrastructure investments and services provided primarily for public benefit (through commercial, in-kind, or pro bono engagement)	●	24-27	
EC9	Understanding and describing significant indirect economic impacts (including the extent of impacts)	●	24-32, 57	

GRI G3.1 Index

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

Indicators	Explanation	Reporting status	Page	Additional information
2. Environmental Performance				
EN1	Materials used by weight or volume	●	101	
EN2	Percentage of materials used that are recycled input materials	○	-	
EN3	Direct energy consumption by primary energy source	●	101	
EN4	Indirect energy consumption by primary source	●	101	
EN5	Energy saved due to conservation and efficiency improvements	●	34	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	34	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	33	
EN8	Total water withdrawal by source	●	101	
EN9	Water sources significantly affected by withdrawal of water	●	-	There is no water supply source significantly impacted by the usage of waterworks
EN10	Percentage and total volume of water recycled and reused.	●	-	No recycled water
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	-	N/A due to the features of the financial industry
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N/A	-	N/A due to the features of the financial industry
EN13	Habitats protected or restored	N/A	-	N/A due to the features of the financial industry
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	N/A	-	N/A due to the features of the financial industry
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A	-	N/A due to the features of the financial industry
EN16	Total direct and indirect greenhouse gas emissions	●	33	
EN17	Other relevant indirect greenhouse gas emissions	○	-	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	33	
EN19	Emissions of ozone-depleting substances	N/A	-	N/A due to the features of the financial industry
EN20	NOx, SOx, and other significant air emissions	N/A	-	N/A due to the features of the financial industry
EN21	Total water discharge by quality and destination	○	-	
EN22	Total weight of waste by type and disposal method	○	-	
EN23	Total number and volume of significant spills	N/A	-	N/A due to the features of the financial industry
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	N/A	-	N/A due to the features of the financial industry
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	N/A	-	N/A due to the features of the financial industry
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	35	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	○	-	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	●	-	No penalties and constraints on the environment
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	○	-	
EN30	Total environmental protection expenditures and investments by type.	●	101	
3. Social Performance				
Labor				
LA1	Total workforce by employment type, employment contract, and region	●	50, 102	
LA2	Total number and rate of employee hires and employee turnover by age, gender and region	●	50, 102	
LA3	Benefits provided to full-time employees	●	49	
LA4	Percentage of employees covered by collective bargaining agreements	●	103	
LA5	Minimum notice period(s) regarding significant operational changes,	●	50	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	●	-	Through the Labor-Management Council, employees' safety, health, improvement of the working environment and health enhancement are discussed
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	●	103	
LA8	Programs in place to assist workforce members and community members regarding serious diseases	●	49	
LA9	Health and safety topics covered in formal agreements with trade unions	●	53	
LA10	Average hours of training per year per employee and by employee category	●	45, 102	
LA11	Programs for lifelong learning that support the continued employability of employees and assist them in managing career endings	●	50	
LA12	Percentage of employees receiving regular performance and career development reviews	●	102	
LA13	Composition of governance bodies and breakdown of employees	●	12-13	
LA14	Ratio of average salary of women to men by employee category	●	-	No discrimination of staff in terms of wage standards for women and men.
LA15	Rate of return to work and retention rate after maternity leave	●	50	

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

Indicators	Explanation	Reporting status	Page	Additional information
Human Rights				
HR1	Percentage of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	●	-	Adding phrases in ethical compliance part in contract and requiring employees to sign the contract
HR2	Percentage of business partners that have undergone human rights screening, and actions taken	●	-	Stipulating integrity-related contractual items in the contract according to the internal policy for the contractual fulfillment, and taking action upon violation such as restrictions in bidding, termination of the contract and suspension of the contract
HR3	Rate of employees that took training on human rights policies and training	●	-	Conducting training for all employees on ethical management and internal control
HR4	Total number of incidents of discrimination and corrective actions taken	●	-	No case of discrimination
HR5	Freedom of association and collective bargaining	●	53	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	●	-	No business area with risks of child labor
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	●	-	No business area with risks of child labor
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights	○	-	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	-	No case of violation of rights against local residents
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	○	-	
HR11	Number of grievances related to human rights filed through formal grievance mechanisms	●	53	
Social Performance				
SO1	Program and case to evaluate and manage the impact on community	●	28-32	
SO2	Percentage and total number of business units analyzed for risks related to corruption	○	-	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	●	14, 102	
SO4	Actions taken in response to incidents of corruption	●	-	No case of layoff and disciplinary punishment
SO5	Establishing positions on public policies, setting public policies and engaging in lobbying (prohibiting donation of political funds)	●	-	Engagement by proposing ideas on improving systems as well as policies on financial services
SO6	Total value of contributions to political parties or politicians	●	-	No contributions to parties and for politics
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	●	14	
SO8	Penalties and non-financial constraints imposed due to violation of laws and regulations	●	-	No case of legal action
SO9	Operations with significant potential or actual negative impacts on local communities	●	-	No location of business operation with negative impact
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	●	24-32	
Product Responsibility				
PR1	Policies on customer health and safety	●	35	
PR2	No. of violations of regulations on health and safety of products and services	●	-	No case of violation of regulations
PR3	Types of information on products and services needed for procedures	●	40	
PR4	No. of violations of laws on products, service and labeling	●	-	No case of violation of laws
PR5	Policies and procedures on customer satisfaction	●	38-41	
PR6	Policies and programs on communication such as advertisement and sponsors	●	14	
PR7	No. of violation of laws on communication such as advertisement and sponsorship	●	-	No case of violation
PR8	No. of complaints on violating the protection of customers' personal information	●	-	No case of violation against protection of customers' personal information
PR9	No. and amount of cases of violating laws and regulations on the supply of products and services	●	-	No case of violation of laws
Additional Indicators in the Financial Industry				
FS1	Policies on environmental and social components applied to the business	●	25-26	
FS2	Assessment and review procedures for environmental and social risks in business fields	●	15-16	
FS3	Process of monitoring the implementation of and compliance with customers' environmental and social needs in a contract or transaction	○	-	
FS4	Process of strengthening employee competency for implementing environmental and social policies and procedures in business fields	●	47	
FS5	Interaction between customers, investors and business partners in association with environmental and social risks and opportunity elements	●	17	
FS6	Percentage of the portfolio for business lines by specific region, size(e.g. micro/SME/large) and by sector	●	8-9	
FS7	Currency value of products and services designed to provide certain social benefits in each business field specified by purpose	●	101	
FS8	Currency value of products and services designed to provide certa in environmental benefits in each business field specified by purpose	●	101	
FS9	Scope and frequency of the application of audits that assess the implementation of environmental and social policies and risk assessment process	○	-	
FS10	Percentage/No. of companies reporting on the impact of environmental and social issues among that have incorporated portfolios of financial institutions	○	-	
FS11	Ratio of assets subject to environmental and social reviews through both positive and negative methods	○	-	
FS12	Measures on decision-making of shareholders on environmental and social issues within the scope where reporting agencies have the influence in making decisions	●	12-13	
FS13	Access points by type in regions with little population or no economic benefits	●	26-27	
FS14	Initiatives to improve access to financial services for the underprivileged	●	39	
FS15	Policies on fair design and sales of financial products and services	●	39-40	
FS16	Initiatives to intensify financial knowledge (education) by recipient type	●	43	

Glossary

Term	Explanation
AA1000AS (AA1000 Assurance Standard)	An international specification to assure the Sustainability Report prescribed in AccountAbility, a non-profit organization, whose three principles are inclusivity, materiality and responsiveness
AA1000SES (AA1000 Stakeholder Engagement Standard)	An international standard indicating the level of stakeholder engagement prescribed by the AccountAbility, a non-profit organization
Asset Liability Management	Administration of policies and procedures that address financial risks associated with changing interest rates and other factors that can affect a company's liquidity
CDP (Carbon Disclosure Project)	A name of a non-profit organization and global project led by a financial institution targeting major listed companies of different countries commissioned by global financial investment institutions: they are requested to respond to a questionnaire covering responses to climate change issues, related corporate governance, risks and opportunities, strategies, GHG emission accounting and communication
CRM (Customer Relationship Management)	A methodology and software for a company to manage customer relationships
Currency Transaction Report	A system to make automatic reporting to the Financial Information Unit (FIU) upon transaction including cash payment of over KRW 20 million per day at a financial institution
DB (Defined Benefit Retirement Pension)	A retirement pension scheme where the amount that workers receive is preset and the amount to be paid by users fluctuates depending on the outcome of managing reserves
DC (Defined Contribution Retirement Pension)	A retirement pension system where the dues to be paid by users are preset and retirement benefits to be paid to workers may vary according to the outcome of managing reserves
ESG (Environmental, Social and Governance)	Corporate performance in environment, social and governance sectors excluding financial performances in measuring corporate performance
GRI (Global Reporting Initiative)	An independent non-profit organization suggesting the Guideline on Sustainable Management, whose guideline is classified into three categories of economy, environment and society
Incomplete Sales	To sell financial products to customers without information on basic details of products and investment risks
ISO 26000 (International Organization for Standardization 26000)	An international standard announced by the International Organization for Standardization on November 1, 2010 on CSR, prescribing accountabilities to benefit the society a company belongs when all organizations or companies of the society make decisions or conduct activities
Know Your Customer	A state in which a financial institution pays attention to customer transactions including customers' identity and transaction status so that one's services are not illegally used in money laundering
Matching grant	An example of a corporate social activity and system to pay grants via one-on-one matching by a company to the same extent of the donations paid by employees to a non-profit organization/institution regularly
MBO (Management by Objectives)	A performance management system where a company sets prior goals for the organization/individuals for a certain period time and assess performance after achieving the goals efficiently, whose results are used for appropriate and rational compensation
Mecenat	A word that encompasses all corporate activities to support public interest projects conducted in the social and humanitarian levels ranging from art to culture, science and sports
Suspicious Transaction Report	A system to report suspicious financial transactions pursuant to internal standards of a financial institution to Financial Intelligence Unit (FIU)
VOC (Voice of Customer)	Information including customers' inquiries, complaints and suggestions to companies in their corporate management

Additional Information

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

BS Financial Group	http://www.bsfng.com
Busan Bank	http://www.busanbank.co.kr
BS Securities	http://www.bsfm.co.kr
BS Capital	http://www.bscapital.co.kr
BS Savings Bank	http://www.bssavingsbank.com
BS Credit Information	http://www.bsci.co.kr
BS Information System	http://www.bsisys.co.kr

Inquiry on the Report

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

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