

2019.3Q Earnings Conference Call Script

(Page 1) Greetings

Dear shareholders,

I am Hyoung Guk Myoung, CFO of BNK Financial Group.

Thank you for joining our 2019.3Q Earnings Conference Call.

I will start with the 'Highlights' portion in the PT.

(Page 3) 2019.3Q Group Earnings Highlights

-Group Earnings & Profitability

19.3Q NI of 178.0 KRW bn, 19.3Q Accumulated NI of 529.2 KRW bn, YoY -1.9%; however, by excluding SG&A dispersement over the 3 quarters, 19.3Q Accumulated NI increased by +3.9%(20.8 KRW bn).

Tight provision control & higher non-bank earnings enabled sound profitability, amidst lower interest income due to bank's NIM decrease.

Interest Income decreased YoY, due to bank's NIM decrease, and change in the accounting method for credit cards, lowered interest income.

Fee Income increased by 17.1%(28.7 KRW bn) YoY, led by major subsidiaries' PF fee income & decrease in credit card fee expense based on accounting change.

Other Income increased by 76.5 KRW bn YoY, due to growth in gains on securities & accounting change for loan sales.

Next, SG&A will be explained.

Group SG&A increased 9.6% YoY; however, by excluding 4Q seasonal impact (30.9 KRW bn as of 3Q) dispersed throughout 1~3Q, YoY growth was 5.6%.

Also by taking out sg&a dispersement for banks, BSB +5.5%, KNB +6.2% YoY, and YoY SG&A growth on the group level will be maintained within 2.6% by the yearend.

Provision Expense(279.9 KRW bn) decreased by 12.4%(39.7 KRW bn) YoY, due to lower insolvencies in larger-size loans, provision writeback based on financial structure improvements etc.

Next, Subsidiaries will be explained.

Although both BSB & KNB saw an increase in fee & other income, decrease in interest income & annual dispersement of sg&a led a YoY decrease in earnings.

Most of the other major subsidiaries saw earnings growth YoY.

The Capital company, even with interest income decrease, continued YoY growth of 13.4%, led by PF fee income growth & gains on NPL Sales etc..

The Securities business earnings grew by 11.2 KRW bn YoY, due to the base effect from the China ABCP loss last year & securities gains etc.

The Savings Bank maintained stable provision levels, while showing interest & fee income increase, +30.3% earnings growth YoY.

The Asset Management, although it's net income is not large, AUM growth has led to fee income increase etc. and has continued rapid growth in earnings.

While we recover the banks' earnings, additional growth in non-bank earnings will continue by improving non-interest income growth amongst non-banks & looking into potential product lines that can add value.

(Page 4) Bank NIMs & Loans Growth

19.3Q Bank's NIM(BSB 2.03%, KNB 1.90%) saw 7bps & 8bps decrease QoQ. 19.3Q Group NIM recorded 1.97%, an 8bp decrease QoQ.

Both banks' NIM decreased mainly due to falling market rates after BOK's July benchmark rate cut.

Widening interest gap amongst loan customers(by credit quality) while decreasing higher market funding etc. will continue to stabilize falling NIM within the 2 banks. Although NIM improvements may be difficult, due to additional benchmark rate cut in October & weaker global economic outlooks, group level efforts will be made to stabilize NIM.

Next, the Banks' Loan Growth will be explained.

BSB 19.3Q KRW Loans increased 1.2%, 4.3% each QoQ, YoY, continuing stable growth.

SOHO under SME recorded +5.1% YTD. Household continued stable loan growth based on group loans etc. recording +8.2% YTD.

As for KNB, KRW Loan growth increased by 1.5%, 1.4% each QoQ, YoY, due to SME focused corporate loan growth regardless of the large-scale Group Loans maturing.

Under the corporate book, SOHO increased +6.2% YTD, while household decreased 5.6% YTD, due to maturing Group Loans of 2.6 KRW tn.

For 4Q, BSB should continue a solid growth trend, exceeding the FY growth target, while KNB is expected to show lower-than expected FY growth.

(Page 5) Asset Quality & Capital Adequacy

19.3Q Group NPL Ratio recorded 1.18%, improved by 2 bps QoQ, due continued decrease in new NPL formation, NPL sales/write-offs. BSB NPL Ratio saw a large-scale decrease down to 0.89%, 10 bps down QoQ, while KNB NPL Ratio recorded 1.23%, 9bps up QoQ.

If we exclude the following impact(17.4Q BSB's preemptive NPL asset reclassification of 71.3 KRW bn & 18.4Q government-led stricter

provision guidance related NPL transfers of 64.4 KRW bn), Group NPL would be around 1.03%.

19.3Q Group Delinquency Ratio 0.87%, up by 6bps QoQ, while BSB, KNB recorded 0.62% & 0.83%, each up by 4bps, 11bps.

NPL sales & write-offs and slower formation of insolvencies etc. will lead to better Group NPL level by the yearend.

19.3Q Accumulated Group Provision Expense was 279.9 KRW bn, -12.4% YoY, due to decrease in larger-scale insolvencies & provision writeback \ etc., while Credit Costs also recorded 46bps, down by 9bps YoY.

Continued asset quality improvements & provision writebacks etc, will enable a lower than expected yearend provision expense(around 400.0 KRW bn).

Next, Capital Adequacy will be explained.

19.3Q BIS Ratio recorded 13.19%, up by 4bps YTD, 19.3Q CET1 Ratio recorded 9.73%, up by 18bps YTD due to sound earnings.

Since I have briefly explained the Highlights, I will now summarize.

With both bank NIMs continuing to fall until 3Q, there has been a huge drop in net interest income. However, with lower insolvencies with higher credit quality loan growth & provision writeback based on financial structure improvements etc. has led to a large-scale decrease in provision expense.

In addition, focus on non-banks has led a growth in non-interest income, while diversifying our earnings channels.

October's benchmark rate cut & lower market rates, NIM will be hard to improve. Even so, efforts to better control NIM & continued tight control over provision expenses, and also increase non-bank earnings will continue to meet the yearend net income target.

Also, while meeting FY targets, we expect to maintain stable growth in DPR to give back more to our shareholders.

That ends our 3Q call.

Thank you.