

**2020.1Q Earnings
Conference Call
Script**

(Page 1) Greetings

Dear shareholders,

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

Thank you for joining our 2020.1Q Earnings Conference Call.

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

(Page 3) 2019.3Q Group Earnings Highlights

-Group Earnings & Profitability

20.1Q Group Net Income recorded 137.7 KRW bn, YoY -39.4 KRW bn(-22.2%).

Even with lower provision expense based on slower NPL formation & IB led fee income growth, quarterly earnings was negatively effected by net interest income decrease(led by falling bank NIMs) & the based effect of 19.1Q large provision writeback(BSB -32.2 KRW bn) leading to a quarterly earnings decrease.

Net interest income decreased due to falling bank's NIMs by 21.4 KRW bn(-3.8%), while fee income increased due to non-bank PF fee income growth by 14.7 KRW bn(+27.3%).

Next, SG&A will be explained.

As for Group SG&A, BSB's one-off led the +6.3% YoY increase.

Better control & slower NPL formation, provision expense YoY -9.6 KRW bn, -10.3%. If there was no large provision writeback(19.1Q -32.2 KRW bn) last year, lower provision expense(-33.4%) would have been expected.

Next, the subsidiaries' earnings will be explained.

BSB's 1Q Net Income recorded 87.4 KRW bn, regardless of slower NPL formation in the region, decrease in net interest income etc. led to lower net income(YoY -25.7 KRW bn, -22.7%)

Considering no large provision writeback such as 19.1Q(-32.2 KRW bn), BSB has maintained stable earnings.

KNB recorded Net Income of 47.4 KRW bn in 1Q(YoY - 24.2%), due to falling NIM leading the interest income decrease regardless of stabilized provision expense.

Among non-banks, the Capital company is continuing stable earnings growth, while other non-banks are showing decreases in earnings due to the unstable financial market.

(4p) Bank NIMs & KRW Loan Growth

BSB's 1Q NIM recorded 1.94%, -4bps QoQ, while KNB recorded 1.82%, +1bps QoQ.

Even with BSB's increasing gap between KRW lending yields & KRW deposit rates, credit card interest income loss based on Corona19 led the quarterly decrease in NIM.

On the otherhand, KNB's maturing high yield time deposits & growth in core deposits led the NIS increase leading to a slight increase in quarterly NIM.

2Q NIM is expected to decrease due to BOK's March cut, however; with core deposit inflow & high yield time deposit maturing, we expect the decrease to be minimal.

Next, banks KRW Loan growth will be explained.

BSB's 1Q KRW Loan growth +0.4%, while KNB recorded +0.9%.

Both, BSB & KNB recorded corporate loan of +1.6% & +2.9% each, which was based on growth in SMEs, while household loans decreased due to maturing group loans lowering each bank's overall quarterly KRW Loan growth.

(5p) Asset Quality & Capital Adequacy

Group 1Q NPL Ratio recorded 1.08%, +4bps QoQ, due to no bank NPL Sales in 1Q(both banks expect 2Q NPL Sales) even under slower formation in insolvencies.

Group 1Q Delinquency Ratio recorded 0.84%, +16bps QoQ, due to no bank NPL Sales & slight increase in new delinquencies.

1Q Group Provsion Expense recorded 83.2 KRW bn, -9.6 KRW bn(-10.3%) YoY, led by slower formation in insolvencies. Group Credit Cost also recorded 41bps, which we expect to maintain under FY guidance(50bps).

Next, Capital Adequacy will be explained.

1Q CET1 recorded 9.53%, -1bps QoQ, due to slight increase in RWA.

However, with the ongoing Group IRB transfer & the final application of Basel III in 2Q, capital ratio improvement will positively impact the Group CET1 going forward.

Next, dividend policy will be explained.

As a means of improving shareholder value, we improved DPR for 2019's earnings up to 20.9%(YoY +1.4%p), with a DPS of 360 KRW.

Although it will be hard to improve dividend payout due to FSC's stricter

guidance under Corona19, we will definitely work on trying to gradually improve DPR to give back more to our faithful shareholders.

That ends 1Q Highlights. Now for the revised 2020 guidance.

Net Income has been revised to 510.0 KRW bn, -16.4% from the previous target.

Compared to when the 2020 guidance was made, the global pandemic is affecting every aspect of the global economy, that can naturally affect our group leading to the decision to revise the guidance.

The revised guidance includes total asset growth of +3.5%, a lower KRW loan growth of +3.0% for both banks.

With the uncertainties in the market, controlled asset growth accompanied by asset quality management will be crucial.

Group NIM target has been lowered to 1.85%(from 2.00%), with regards to BOK's March cut & additional market rate decreases based on slowdown in economic recovery. Also, the Group Credit Cost has been slightly increased to 50bps(from 48bps).

Our preemptive revision for 2020's guidance is to provide a better idea for what to expect in the near future, and we will focus on asset quality to achieve the revised guidance.

That ends our call.

Thank you.