



**BNK Financial Group**  
Sustainability Report 2020

# New Happiness, Everyone's Growth

# About The Report

## Outline of the Report

This is the ninth edition of the Sustainability Report of BNK Financial Group. BNK Financial Group publishes its annual Sustainability Report to transparently disclose its annual sustainability management activities and performance achievements. The latest report was made in July 2020.

## Period and Target of Reporting

This Sustainability Report covers BNK Financial Group's sustainable management activities and performance from January 1 to December 31, 2020. To deliver clearer insights to our stakeholders, the report includes selected data, such as governance, up to the first half of 2021. It also covers quantitative results over the past three years to enhance comparability.

## Scope of Reporting

The report covers the nine affiliates of BNK Financial Group, including BNK Busan Bank, BNK Kyongnam Bank, BNK Capital, BNK Securities, BNK Savings Bank, BNK Asset Management, BNK Credit Information, BNK System, and BNK Venture Capital. Where necessary, the report also discloses performance information related to our overseas businesses.

## Reporting Principles and Standards

This report has been written in accordance with the Core Option of the Global Reporting Initiative (GRI) Standards. Financial information is presented on a consolidated basis in line with the Korean International Financial Reporting Standards (K-IFRS). Banking balances, customer satisfaction index, GHG emissions, and the amount of our investment in social contribution activities are covered in the report, in keeping with the exclusive standards of BNK Financial Group.

## Third-party Verification

In order to ensure the accuracy and reliability of all reported information, the report has been verified by the Korean Foundation for Quality, a third-party assurance agency. The agency's opinions concerning verification are presented on pp. 100-101 of this report. The report contains financial information that has been audited by an independent auditor.

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# CEO Message

The changes in our society since the COVID-19 pandemic have caused rapid transformations in the business environment. The development of new technologies such as digital and information technologies has many ripple effects on the financial industry. The growing environmental crisis due to climate change also suggests the need for a new business model that is different from existing management activities.

In 2021, BNK Financial Group aims to actively respond to these changes in the business environment by setting "establishing a sustainable management system through enhanced core competitiveness and digital innovation" as the group management policy with 6 strategic tasks. The era of relying solely on traditional commercial banking is over. We must boldly transform into a financial company that specializes in investment to guarantee our future as a 100-year financial group.

First, we will enhance ordinary earning power by strengthening profitability-oriented asset growth and non-interest and non-bank sector performance through the structural reform of our business model. Second, we will reduce bad account costs and maximize management efficiency by controlling unnecessary sales, general, and administrative expenses and preemptively managing various financial risks. Third, we will strengthen our ability to generate profit by diversifying the group's portfolio beyond its core business areas, while pursuing balanced growth in our business areas. Fourth, we will promote digital transformation to respond to changes in the digital environment and enhance the overall digital competitiveness of the group. Fifth, we will advance ESG (Environmental, Social, and Governance) management to strengthen sustainability and fulfill our social responsibility in finance. Sixth, we will strengthen the protection of financial consumers and establish ethical management in line with the purpose of the enforcement of the Financial Consumer Protection Act, which is actively promoted by financial authorities.

BNK Financial Group will fulfill social responsibilities and realize sustainable financing in all areas of ESG, which includes environment, society, and governance. In March 2021, the ESG Committee was established with all members of the BOD at two BNK banks and its holding company. In June 2021, BNK Financial Group held a ceremony to declare ESG management under the slogan "ESG BNK, Building Sustainable Finance Together." We also expressed our determination to actively respond to climate change by registering as a Carbon Disclosure Project (CDP) investor signatory and declaring support for TCFD (Task Force on Climate-related Financial Disclosures).

As a representative local financial group, we perform transparent governance, prioritize a corporate culture that respects human rights and customer satisfaction as our top values, and actively strive to protect financial consumers, and we will expand financial support for the Green New Deal and eco-friendly projects in the southeastern region. We will support carbon neutrality to cope with the climate change crisis, and create an eco-friendly culture in which customers, employees, and partners all work together. We support the ESG transition of companies in the southeast region, strengthening inclusive finance for socially vulnerable groups, and creating win-win value with the local community.

There is a saying, "Byun-jeuk-tong-gu" (變卽通久). It means "the more we change, the longer we endure." We will do our best to improve profitability and strengthen the foundation for future growth with a spirit embracing new challenges, to turn crisis into opportunity rather fearing change amid a rapidly transforming financial environment. We are confident that such efforts will pave the way for BNK Financial Group to grow into a truly global standard financial group.

We look forward to your continued interest and support. Thank you.

CEO of BNK Financial Group  
Ji-wan Kim

기시완

“It is important to strengthen core competitiveness and establish our sustainable management system through digital innovation”

“Growing into a global standard finance group by transforming into an investment financial group”



# Introduction to BNK Financial Group

Launched on March 15, 2011 as South Korea's first financial holding company of local banks, BNK Financial Group acquired Kyongnam Bank in 2014 as its affiliate, and changed its name to BNK Financial Group Inc. in 2015. The group has become the nation's leading regional and total financial group with nine affiliates. It is now striving to take a major leap forward to grow into a global standard financial group by 2023.

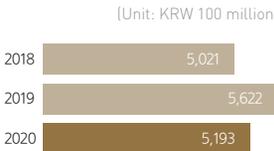
### Operating Income (Consolidated)

(Unit: KRW 100 million)



### Net Income (Consolidated)

(Unit: KRW 100 million)



### Asset Quality

Non-performing loan ratio

**0.70%**

Improvement of 0.34% year-on-year

BIS Tier 1 Capital Ratio

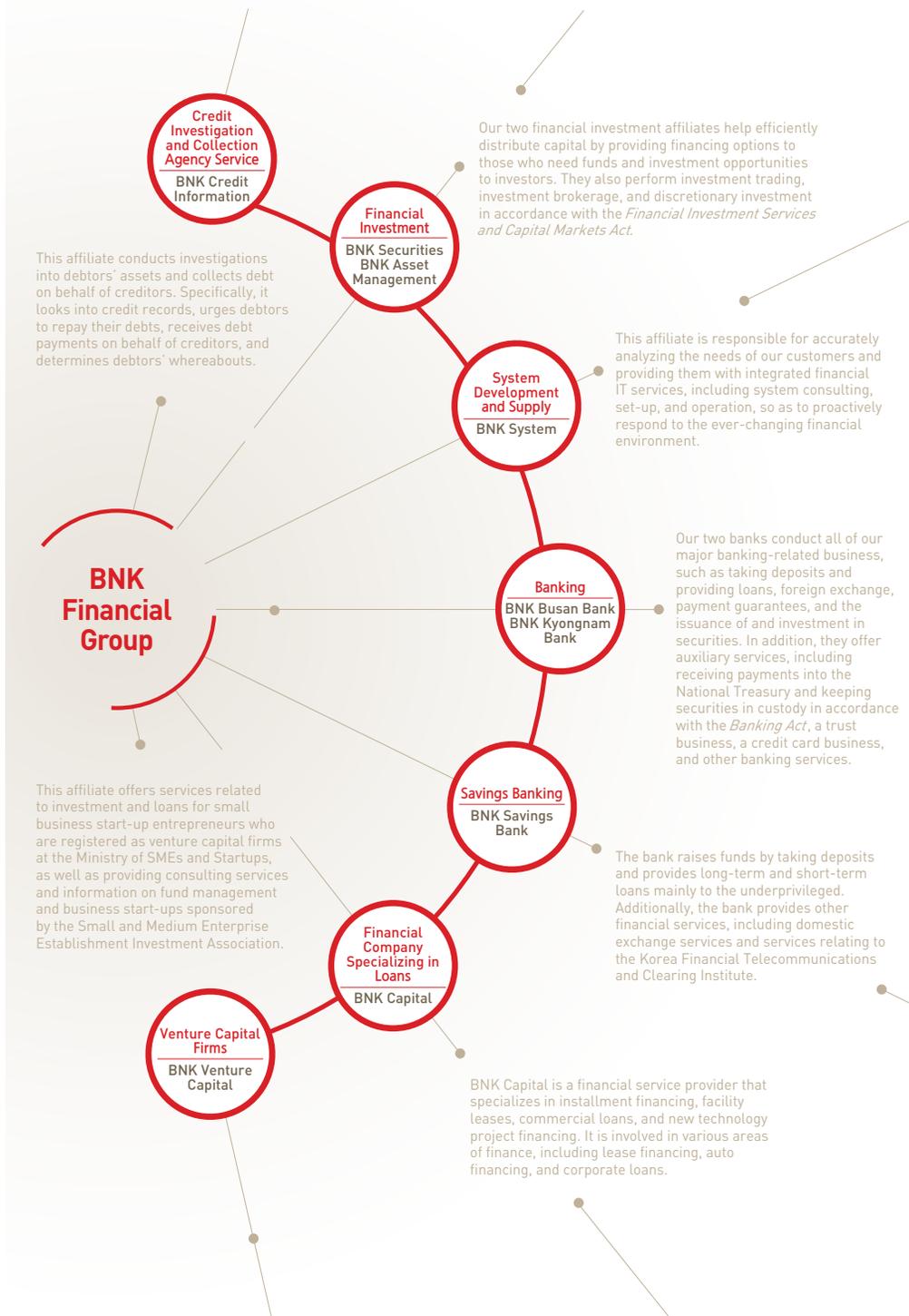
**11.38%**

Increase of 0.25% year-on-year

### Credit Rating

Korea Ratings  
Korea Investors Service Inc.  
NICE Information Service Co., Ltd

**AAA**



### Overview of BNK Financial Group

\* As of December 31, 2020

#### Date of Foundation

March 15, 2011

#### Location of Headquarters

30 Munhyeongeumyung-ro,  
Nam-gu, Busan

#### CEO

Ji-wan Kim

#### Total Assets

KRW 136.6 trillion  
(including trust assets)

#### Organization and Employees

9 subsidiaries,  
4 subsidiaries and 7,030 persons



### BNK Financial Group Organization and Global Network

As of the end of 2020, BNK Financial Group is growing into a leading financial group in the global financial market based on its network of 334 domestic branches and 59 overseas branches. In 2019, the company further expanded its existing business areas based on its system of 9 major subsidiaries, including BNK Venture Investment, which was incorporated to discover promising new start-ups in the region, play a key role as a supplier of venture capital, and prepare new growth engines for the group. By doing so, we continue to strengthen profitability in the non-interest and non-bank sectors and strengthen the fundamentals of the group.

		Domestic		Overseas		Total
		Branches	Offices	Branches	Offices	
Financial holding company	BNK Financial Group	1	-	-	-	1
	BNK Busan Bank	155	77	3	3	238
	BNK Kyongnam Bank	147	-	-	-	147
	BNK Capital	16	1	-	-	17
	BNK Securities	4	-	-	-	4
Subsidiaries	BNK Savings Bank	4	3	-	-	7
	BNK Asset Management	1	-	-	-	1
	BNK Credit Information	2	-	-	-	2
	BNK System	1	-	-	-	1
	BNK Venture Capital	2	-	-	-	2
Sub-subsidiaries	BNKCI(Cambodia) Microfinance Institution Plc.	-	-	10	-	10
	BNK Capital Myanmar Co., Ltd	-	-	40	-	40
	BNK Capital Lao Leasing Co., Ltd	-	-	2	-	2
	MFO BNK Finance Kazakhstan LLP	-	-	1	-	1
<b>Total</b>		<b>334</b>	<b>82</b>	<b>56</b>	<b>3</b>	<b>473</b>

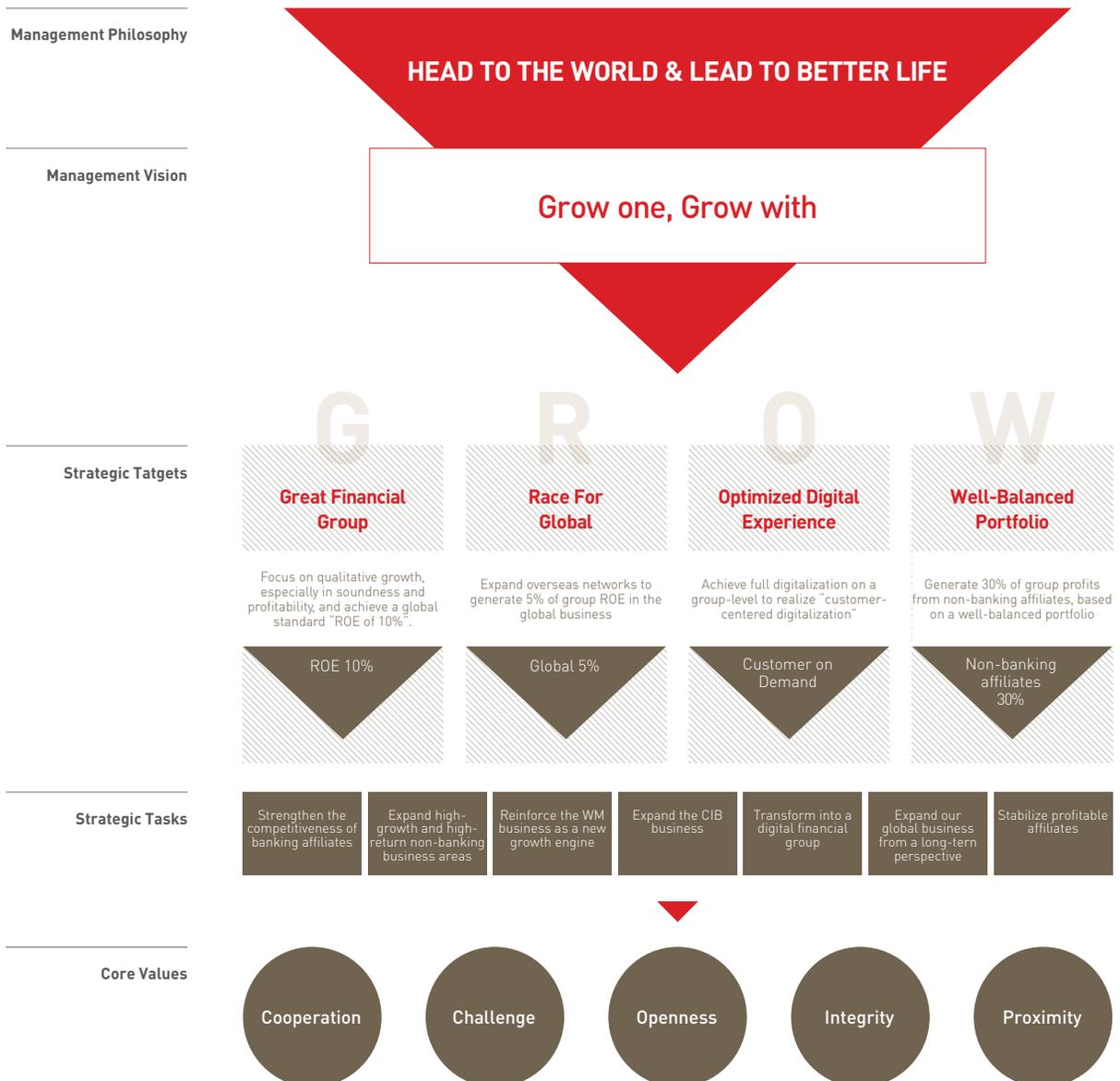
\* In the total of domestic and overseas offices, the main office is counted as one office.

# Vision and Management Strategy

## BNK Financial Group's Vision and Management Policy

BNK Financial Group is making concerted efforts to implement diverse business activities in tandem with its medium and long-term management vision titled GROW 2023. This encapsulates the group's goal of growing into a global standard financial group based on the management philosophy "HEAD TO THE WORLD & LEAD TO BETTER LIFE". We have established our management policy for 2021 as "establishing a sustainable management system through enhanced core competitiveness and digital innovation," and are actively responding to internal and external conditions that may negatively affect the group's management environment such as the COVID-19 crisis and prolonged ultra-low interest rates, while strengthening our profitability by focusing on enhancing our core competencies for sustainable growth.

### BNK Financial Group's Vision Map



# GROW 2023

## Great Financial Group

BNK Financial Group has set a target of 10% return on equity (ROE) to make a leap to become a truly "Great Financial Group" through qualitative and quantitative growth by 2023. This reflects our determination to achieve the group's net profit of KRW 1 trillion in the mid- to long-term by enhancing our competitiveness in the bank business sector and strengthening our non-bank business sector based on high growth and high profits.

### Business Performance

As of the end of 2020, the group's total assets amounted to KRW 136 trillion, continuing its growth centered on banks and capital, and gradually approaching the group's mid- to long-term goals. Profitability indicators such as the group's net income and ROE have also remained strong compared to its plan, due to profit improvements in non-bank affiliates and non-interest sectors despite sluggish bank interest rates caused by the impact of the COVID-19 pandemic and market interest rates. BNK Financial Group will continue to grow into a global standard financial group with the goal of achieving KRW 1 trillion in net profit and 10% ROE in 2023 by strengthening competitiveness.

## Race For Global

BNK Financial Group is reaching beyond the domestic market characterized by where low-growth, low-margins, and the growing limitations on regional financial groups to promote entry into new markets with high growth potential and profitability, such as the markets in Southeast Asia and Central Asia. We are reinforcing our overseas networks with the goal of generating 5% of group ROE in the global business.

### Business Performance

BNK Financial Group is reorganizing the strategic value of each country its affiliates have already entered and establishing a mid- to long-term global entry strategy to further explore new Asian markets. While reviewing the market attractiveness of each country we have already entered based on market growth and profitability, we are also using the successful model of overseas expansion to refine BNK's market strategy.

## Optimized Digital Experience

"Optimized digital experience" refers to the transition to a customer-centered digital financial group by achieving full digitalization on a group-level. BNK Financial Group is pursuing digitalization as a long-term development area for its future survival, which is in line with our management emphasis on digital innovation.

### Business Performance

BNK Financial Group has established a digital roadmap for company-wide digital innovation and growth to direct our approach to full digitalization at the group level. We have selected advanced digital channels, digital-based operational innovation, digital-linked affiliate synergy, and digital-based financial expansion as key elements for our digitalization implementation, and will enhance our entire digital capabilities by 2023.

## Well-Balanced Portfolio

BNK Financial Group has established a strategic goal titled "Well-Balanced Portfolio" to expand group profits from non-banking affiliates and diversify our businesses to meet the global standard. By doing so, we are pushing to achieve 30% of group profits from non-banking affiliates, generate stable profits based on a well-balanced portfolio, and expand our absolute profit scale.

### Business Performance

In response to low growth and low interest rates, domestic financial groups are endeavoring to generate profits in the non-bank sector by diversifying their businesses, rather than focusing on bank interest profit. BNK Financial Group is working to diversify its business by launching new businesses for non-bank affiliates such as over-the-counter derivatives and REITs to strengthen our high-growth and high-profit non-banking businesses. By doing so, the group profit ratio from non-banking affiliates has increased from 15.6% in 2017 to 24.4% in 2020. We plan to continue to invest effort toward our goal of expanding the profit ratio to 30%.

# ESG STRATEGY & PROGRESS

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to Climate Change





# BNK Financial Group ESG Strategy



## ESG Management Ceremony

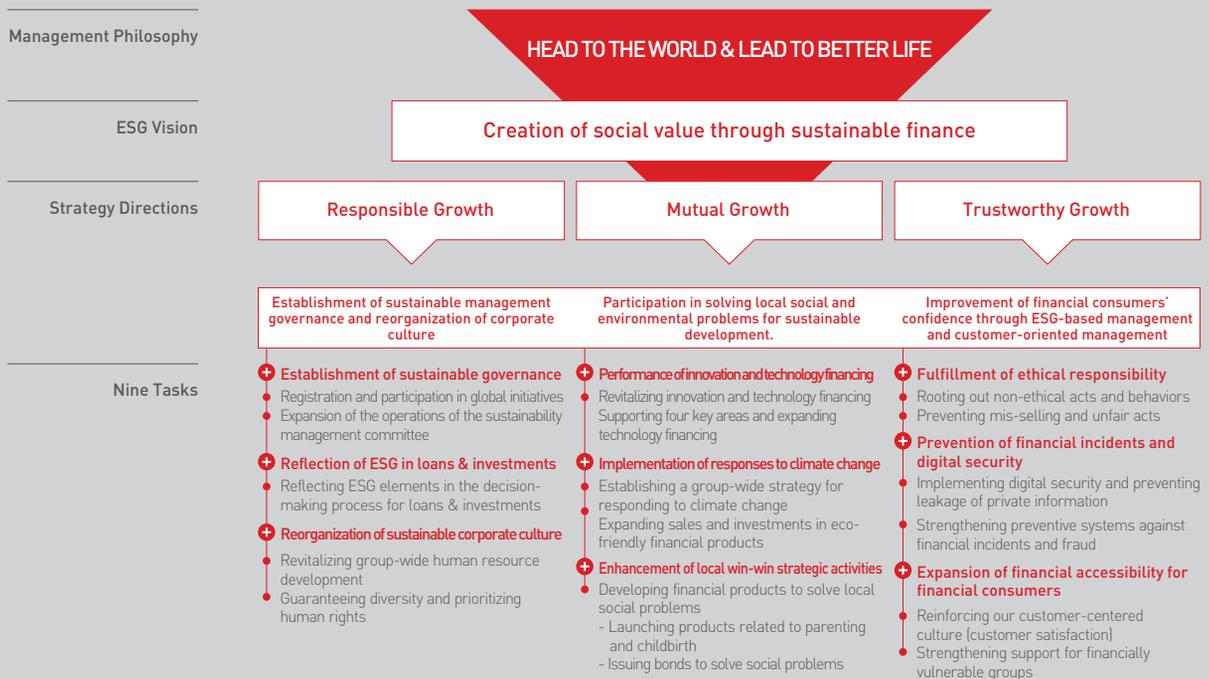
On June 17, BNK Financial Group held a ceremony to declare ESG management under the slogan “ESG BNK, Building Sustainable Finance Together,” which was attended by management from all affiliates. As a financial group representing the region, we expressed in this ceremony our commitment to actively promote ESG management to expand financial support for the Green New Deal and eco-friendly projects in the southeast region, while supporting the ESG transformation of local companies and implementing ESG management to turn the climate crisis into a new opportunity.

We also expressed our commitment to joining the international community’s efforts to combat climate change by signing up as one of the Carbon Disclosure Project (CDP) investor signatories and declaring support for the TCFD (Task Force on Climate-related Financial Disclosures).

BNK Financial Group will do its best to become a global standard financial group by fulfilling its social responsibilities in all areas of ESG, which includes environment, society, and governance and practicing sustainable finance. We aspire to grow together with our various stakeholders, including customers, shareholders, and local communities.

## ESG Strategy

BNK Financial Group has defined its ESG vision as the “creation of social value by realizing sustainable finance” and established the following three strategic directions: Responsible Growth, Mutual Growth, and Trustworthy Growth. We are implementing detailed strategies to increase the mid- to long-term value of all stakeholders and to promote sustainable management tailored to global sustainable management initiatives.





### BNK Financial Group ESG Management Resolution

To fulfill our social responsibilities and realize sustainable financing in all areas of ESG, which includes environment, society, and governance, BNK Financial Group declares:

- We support carbon neutrality to respond to the climate change crisis, shall establish our group-level response strategy, and shall actively promote ESG management.
- We shall strengthen financial support for renewable energy utilization, eco-friendly technological innovation, expand the provision of eco-friendly financial products and services for the transition to a low carbon economy.
- We shall support the ESG transition of companies in the southeast region, strengthen inclusive finance for socially vulnerable groups, and create win-win value with the local community.
- We prioritize transparent governance and a corporate culture that respects human rights and customer satisfaction as our top values and actively strive to protect financial consumers.
- We create an eco-friendly culture in which customers, employees, and partners all work together and actively practice energy conservation and resource recycling in our daily lives.

All employees of BNK Financial Group

### ESG Medium-and Long-term Roadmap

BNK Financial Group established a medium-and long-term roadmap that implements ESG's strategic system in three stages for the practical realization of sustainable finance, to proactively respond to environmental changes and sustainable management trends in the financial industry while establishing a foundation for internalizing sustainable financial organizational culture.

#### ESG Medium-and Long-term Roadmap



# ESG Highlight

## Participation in the “Climate Finance Support Declaration” to Achieve Carbon Neutrality by 2050

On March 9, 2021, BNK Financial Group participated in the “Climate Finance Support Declaration Ceremony to Achieve Carbon Neutrality by 2050” and declared its six major commitments to implement climate finance in support of the 2050 carbon neutrality policy of the South Korean government.

- ① Active support for 2050 carbon neutrality policy
- ② Integrating ESG elements, including climate risks, throughout financial businesses
- ③ Active efforts to support the disclosure of information on international standards related to climate change and disclosure of financial information
- ④ Active requests for companies to disclose ESG information, including climate change
- ⑤ Active efforts to inflow capital from high carbon industries to de-carbonizing industries through various climate actions
- ⑥ Launching of various financial products supporting climate change responses

As specific efforts toward achieving these aims, we are undertaking various actions to spread climate finance, such as declaration of support for TCFD and registration as a member of CDP.



## Issuance of ESG Bonds by BNK Busan Bank and BNK Kyongnam Bank (KRW 100 billion, respectively)

BNK Busan Bank succeeded in issuing KRW 100 billion worth of SRI (Social Responsible Investment) bonds, the first such achievement for a local bank, in November 2020. The funds raised through the bond will be used not only for eco-friendly projects to revitalize the Green New Deal and Green Finance, but also for projects related to local needs such as support for local SMEs and small business owners. Meanwhile, in April 2021, BNK Kyongnam Bank obtained SB1 certification\*, the highest rating for social bonds, from Korea Credit Rating, and issued ESG bonds worth KRW 100 billion. By doing so, we have established an ESG bond management system that meets the guidelines of the International Capital Market Association (ICMA). The funds raised through the bond will be provided to local SMEs, venture businesses and social enterprise financial services. BNK Financial Group aims to implement sustainable management and fulfill social responsibilities as a representative local financial company by strengthening support for the Green New Deal, Green Finance, socially disadvantaged groups, and SMEs.

\* Highest rating in the social bond sector for the ESG bond certification of the Korea Investors Service

## Expansion of Inclusive Finance for Vulnerable Social Groups

As the largest financial institution in southeastern Korea, BNK Financial Group has been providing various inclusive financial programs for socially vulnerable groups, especially those that have been affected by the duration of the COVID-19 pandemic, such as SMEs, small merchants, and social enterprises. We plan to expand customized support for financially vulnerable groups, such as the elderly, the disabled, and small business owners, while promoting substantively inclusive finance in line with the government’s inclusive finance plan to alleviate polarization for financial consumers. We have selected six major tasks such as expanding financial accessibility, expanding financial safety net for self-support/rehabilitation, and raising rights and interests of financial consumers to achieve substantive progress toward inclusive finance.



### Participated in the UN Global Compact

BNK Financial Group participated in the UN Global Compact in July 2020 to achieve the sustainable development goals (SDGs) established by the UN and contribute toward a sustainable future.

The United Nations Global Compact is a non-binding United Nations pact to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies, with more than 5,200 companies and organizations from 120 countries around the world.

The UN Global Compact focuses on the top 10 principles of human rights, labor, environment and anti-corruption. BNK is making its utmost effort to establish itself as an externally trusted company by complying with the principles of the UN Global Compact.



Participated in the  
UN Global Compact  
2020. 7

Attended the  
Financial Day  
ceremony

### Local Economy Reinvigoration through Innovative Finance

BNK Financial Group fulfills its role and responsibility as a local financial company by promoting innovative finance specializing in the Busan, Ulsan and Gyeongnam areas. In 2019, BNK Financial Group announced a plan to provide KRW 21 trillion of support over three years through the plan titled "BNK Innovative Finance for the Busan, Ulsan and Gyeongnam Regions." We have committed ourselves to supporting innovative finance by identifying various businesses in loans, capital investment, digital, and job innovation.

As a result, BNK Busan Bank awarded by the Chairman of the Financial Services Commission for our achievements in Innovation Finance (Organization) at the 5th Financial Day ceremony in October 2020. Through this award, bank received external commendation for its various efforts in innovative finance, such as offering the largest regional bank support for technology finance and promoting innovative blockchain-based financial services.



### Composition of the ESG Committee

In March 2021, BNK Financial Group established an ESG committee under the BOD to implement consistent policies according to the group's ESG management system and roadmap, including climate change response strategies and expansion of ESG financial products.

The ESG Committee consists of all 8 members of the BOD including the chairman and is expected to play a major role in realizing sustainable finance, serving as a control tower for BNK ESG management and driving our development into a regional representative financial group that meets the global standard.

In addition, BNK Financial Group will set up ESG committees at BNK Busan Bank and BNK Kyongnam Bank respectively to accelerate ESG management. BNK will become the first in South Korea to establish an ESG committee in a bank separate from its holding company. Our ESG project will be performed more strongly through the direct involvement of the presidents and external directors of both banks.

## GOVERNANCE

Established the ESG  
Committee  
2021. 3

Awarded the title  
of Best Governance  
Company  
2020. 10. 27.

### BNK Financial Group Designated an "Excellent Corporate Governance Enterprise" for Two Consecutive Years

BNK Financial Group was designated an "excellent corporate governance enterprise" in the 2020 ESG evaluation by the Korea Corporate Governance Service (KCGS) for two consecutive years since 2019. The award for the second year honored our efforts to improve governance, such as becoming the first South Korean financial holding company to introduce a system of limiting the CEO to three consecutive terms, establishing a board-centered decision-making system, and reinforcing responsible management by improving the performance evaluation system of group executives.

As a result of these efforts, the company was selected as one of the top 3 excellent corporate governance enterprises amongst 110 domestic financial institutions and received a governance rating of A+ in the ESG integrated evaluation of 908 listed companies for two consecutive years. We are recognized internally and internationally as a South Korean financial company with outstandingly sound corporate governance.



# BNK Financial Group's Response to Climate Change

BNK Financial Group aims to practice ESG management through active management of climate change. After joining the TCFD as a supporter in 2021, we will identify the actual and potential impacts of climate change and set reduction goals through governance strategies to respond to climate change.

## TCFD Recommendations and BNK Financial Group's Implementations

The Task Force on Climate-Related Financial Disclosures (TCFD) was created in 2015 by the Financial Stability Board (FSB) at the request of the G20 to set the standard for companies to analyze risks and opportunities for climate change and disclose its financial impact. As a supporter of TCFD, BNK Financial Group has reviewed risks and opportunities that may arise from climate change and has set its directions for climate change response according to the guidelines of the TCFD-Based Information Disclosure. We will gradually expand our disclosure of related information by establishing a management system that conforms to the TCFD recommendations.

Category	Main Contents and Response Directions
Governance	<ul style="list-style-type: none"> <li>- Improve governance for managing risks and opportunities related to climate change</li> <li>- Strengthen the role of the board of directors, management, and responsible organizations to manage climate change and ESG issues</li> </ul>
Strategies	<ul style="list-style-type: none"> <li>- Analyze risks and opportunities related to climate change</li> <li>- Disclose risks and opportunities from climate change on business, strategy and finance</li> <li>- Establish company-wide strategies taking account of climate change scenarios</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>- Establish procedures for identifying and managing physical and transitional risks and opportunities for climate change</li> <li>- Integrate risk and opportunity management factors related to climate change into the company-wide risk management system</li> </ul>
Indicators / Targets	<ul style="list-style-type: none"> <li>- Disclose quantitative indicators to respond to climate change risks and opportunities</li> <li>- Set reduction targets and monitor performance to systematically respond to climate change</li> </ul>

## Governance

To manage risks and opportunities from climate change, there is a need for strong decision-making on major business activities. In the case of financial institutions, decision-making on climate change risks and opportunity factors that may occur in the process of investment and loans in addition to internal greenhouse gas management can have a significant impact on management. BNK Financial Group recognizes the importance of responding to climate change and manages and makes decisions on climate change through the ESG Committee under the BOD. We analyze the issues of climate change with the leadership of management and responsible organizations to review important risks and reflect these findings in our business processes. We plan to respond to climate change from a macro perspective by linking the group's strategic directions with risk management, through efforts such as group-level climate change scenario analysis.

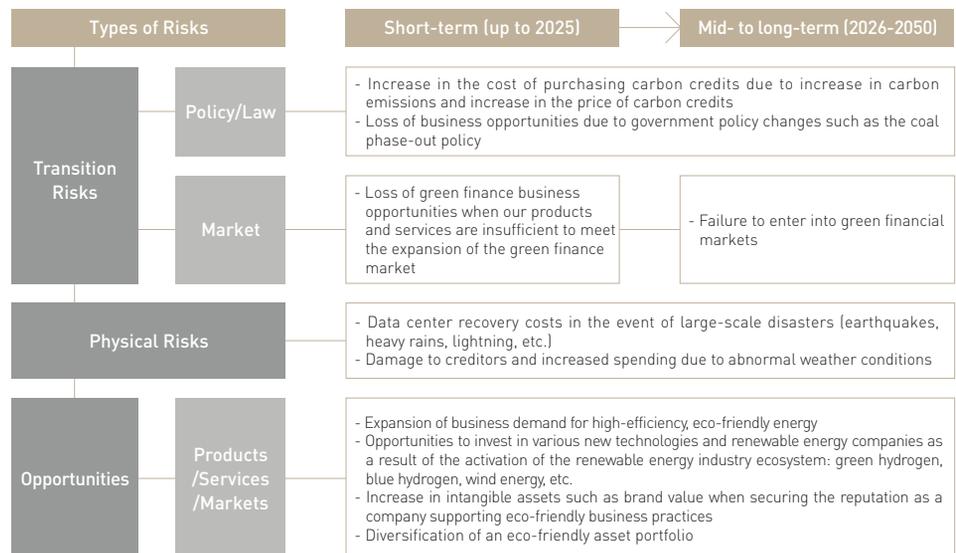
### Climate Change Management Governance and Key Activities



## Strategy

BNK Financial Group identifies risks and opportunities to establish countermeasures for climate change and prepares countermeasures to mitigate each risk by comprehensively analyzing risk factors and their impact on business. Climate change risks are classified by risk types, such as maintaining capital adequacy and sound portfolio management from an integrated risk perspective, and managed according to risk recognition, risk assessment and measurement, and management and control procedures. We endeavor to classify risks from climate change into physical risks and transition risks, and to prevent climate change from spreading to existing risk types.

### Climate Change Risks and Opportunities



BNK Financial Group is setting goals for reducing internal greenhouse gas emissions and aims to promote eco-friendly finance with the goal of making the group's asset portfolio "net zero" by 2050. We will contribute to the transition to a low-carbon economy by managing loans and investments in high-carbon emission companies and industries and expanding eco-friendly financial support in the industry.

### Directions for Climate Change Response

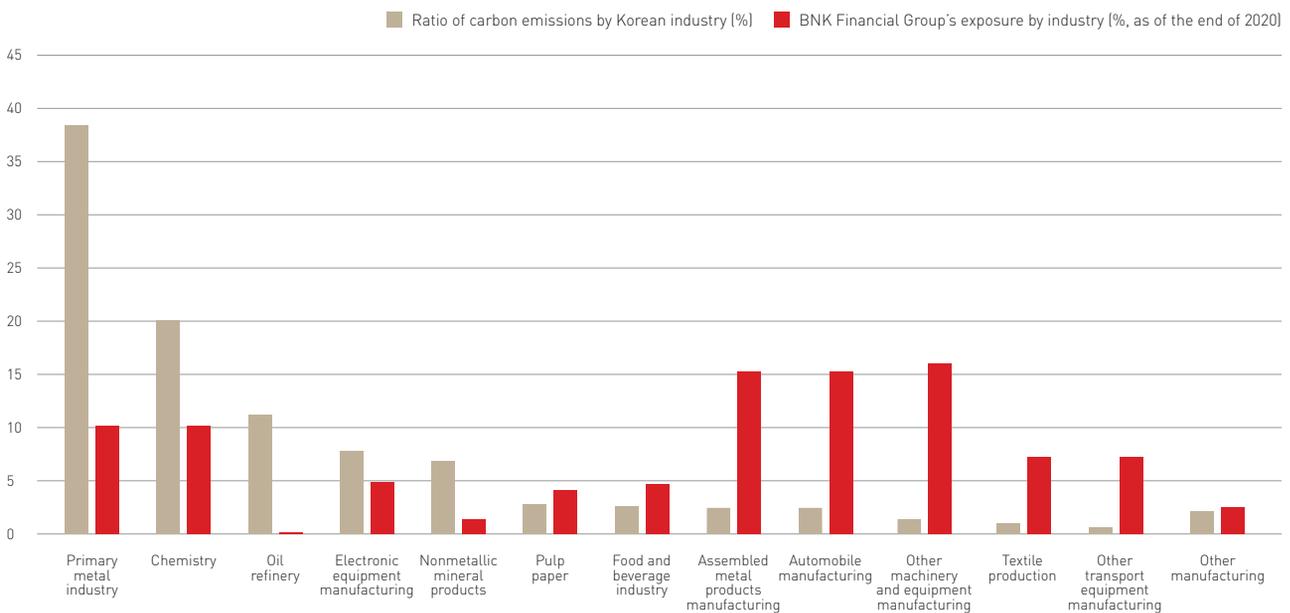


# BNK Financial Group's Response to Climate Change

## Business Strategy for Transition Risk

BNK Financial Group separately monitors high-carbon emission industries to manage transition risks caused by the rapid transition to a low-carbon economy. We analyzed the amount of loans by industries of BNK Financial Group based on comparison to industries with high carbon emissions according to the statistics on GHG emissions by industry in Korea. BNK Financial Group's exposure to the top five industries with high carbon emissions accounted for 27.4% of the total, with a total exposure of KRW 10.5 trillion. BNK Financial Group takes account of additional carbon costs to be borne by the group's creditors based on future carbon price scenarios. For industries with high carbon emissions, such as the primary metal industry and chemical industry, we will identify and manage the reduction in EBITA margins and establish policies to reduce greenhouse gases emitted through our loans. Through the scenarios presented by the IEA, we will derive more specific countermeasures to respond to transition risks caused by climate change.

Ratio of Carbon Emissions by Industry and Ratio of BNK Financial Group Loans by Industry



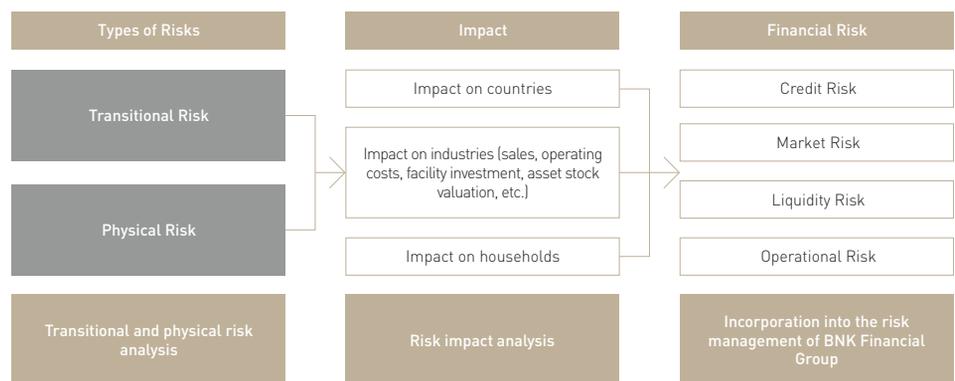
## Strategy for Responding to Physical Risk

The direct impact on BNK Financial Group in terms of physical risks from climate change was not high. However, natural disasters caused by climate change can have a high impact on financial assets, and therefore we review physical risks by assets and analyze their sensitivities according to various scenarios. Our scenario analysis of physical risk will apply the three climate change scenarios based on the Representative Concentration Pathways (RCP) and Intergovernmental Panel on Climate Change (IPCC).

## Risk Management

BNK Financial Group has established a system to reflect climate change risks in group-wide risk management items. We will identify the impact of risks from climate change (transitional and physical risks) on existing risk management items such as credit, market, liquidity and operational risks, and establish a system to manage those risks.

### Climate Change Risk Management



## Management Indicators and Targets

BNK Financial Group will set reduction targets for internal GHG emissions and asset portfolios to address climate change. For internal greenhouse gas emissions, targets for 2030 and 2050 will be planned according to national greenhouse gas reduction targets, and the asset portfolio will be set to reflect the financial impact of GHG emissions by creditors as of 2020. BNK Financial Group will set specific targets for responding to climate change and strive to achieve the global target of net zero by 2050.



# ESG MANAGEMENT

**22** STRATEGY 1. Responsible Growth

**36** STRATEGY 2. Mutual Growth

**56** STRATEGY 3. Trustworthy Growth





## STRATEGY 1.

# Responsible Growth

**A+** Excellent Rating

Corporate Governance Rating by KCGS (2019-2020)

Excellent corporate governance for 2 consecutive years (2019-2020)

- 24 #1 Establishment of Sustainable Governance
- 28 #2 Reflection of ESG in Loans and Investment
- 30 #3 Reorganization of a Sustainable Corporate Culture
- 34 #4 Human Rights Management Activities

KRW **819** billion

Eco-friendly financial performance  
(loans / receiving / cards)  
(Increase of 12.2% from the previous year)

**36,035** hours

No. of hours of human rights training

## Business Relevance

Governance is an important measure of corporate management activities and decision-making structures. The ability to quickly detect external environmental changes and administer the company in the proper direction is an essential requirement for corporate survival. This leads to social demands for transparent non-financial information (ES) disclosures beyond governance improvements (G). The happiness and human rights issues of employees are emerging as major elements of the management agenda as the MZ generation takes a leading role in society. Accordingly, many companies have been investing much attention to fostering a sustainable corporate culture and management practices that promote human rights.

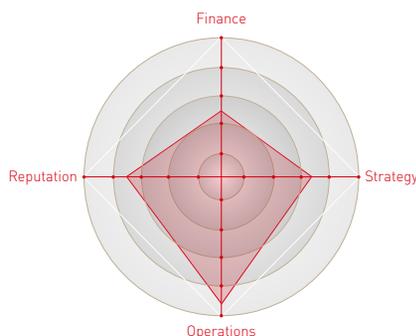
## BNK's Approach

BNK Financial Group has recognized the importance of establishing a sound governance structure and protecting stakeholder rights. In 2020, we acquired an A+ rating in the governance evaluation of KCGS for the second consecutive year. In addition, we are continuously expanding investments from an ESG perspective based on a new sustainability management strategy, creating an environment where our employees can work happily and actively responding to human rights issues.

## Our Plan

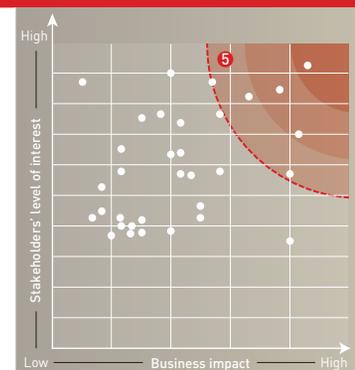
BNK Financial Group plans to establish a transparent and sound governance structure and strengthen its competitiveness through the systematic expansion of our ESG investments. We will do our best to create a happy workplace for our employees through education and training, personnel management, and improvements in our organizational culture and continue to strive to promote human rights in our management practices in keeping with the growing awareness of human rights issues in the broader society.

### Core Issues and Business Relationships



### Core Issues

Ranking	Core issues
1	Developing public service products with consideration for vulnerable social groups, including working class and middle class citizens, and SMEs
2	Strengthening digital finance competitiveness in areas such as AI and big data
3	Strengthening the ethical management and compliance management system
4	Contributing to revitalizing the local economy by supporting New Deal finance and innovative growth
5	<b>Implementing sound governance and enhancing transparency</b>
6	Strengthening integrated financial/non-financial risk management



# #1 Establishment of Sustainable Governance

## Composition and Operation of Sound Governance

BNK Financial Group is striving to establish transparent and sound governance in order to ensure the company's mid- to long-term growth and development, and to protect the rights and interests of all its stakeholders—including shareholders, financial consumers and local communities. In recognition of our efforts, we received a governance rating of A+ and were selected as a corporation with excellent governance by the Korea Corporate Governance Service (KCGS) in 2020 for two consecutive years.

### Board Composition

BNK Financial Group's Board of Directors (BOD) is its permanent top decision-making body, and according to Group bylaws, should be composed of a majority of external directors whose independency and expertise have been verified in order to strengthen checks and balances on management. In particular, the chairman of the BOD is appointed from among the external directors, separating the role from the CEO, and every committee head under the board is an external director to achieve management transparency. As of the end of March 2021, the Group's BOD is composed of one internal director and seven external directors whose independency and expertise have been verified. We aim to increase the number of women in the BOD in the near future to secure diversity in the BOD.

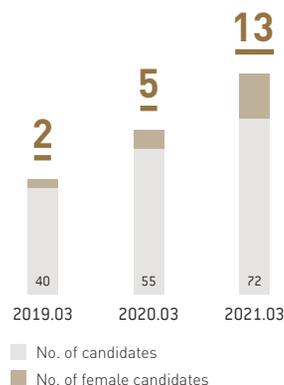
Roles	Name	Experience	Specialization	Tenure(date of appointment - end of tenure)	Remarks
CEO	Ji-wan Kim	CEO of BNK Financial Group Former vice-chairman of Hana Financial Group	Finance	Sep. 27, 2017 - Mar. 2023. Regular shareholders' meeting	
External director (Chairman of the BOD)	Kee-young Chung	Professor emeritus of the Department of Accounting, Keimyung University Former chairman of the BOD at KB Financial Group	Treasury and Accounting	Mar. 23, 2018 - Mar. 2022. Regular shareholders' meeting	Independent director
External director	Jung-joon Yoo	Certified accountant at Shinhan Accounting Corporation Former CEO and President of Hanyang Securities	Treasury and Accounting	Mar. 23, 2018 - Mar. 2022. Regular shareholders' meeting	Independent director
External director	Jin-ho Heo	Lawyer at Law Firm Grace Former president of the Korea Legal Aid Corporation	Law	Mar. 28, 2019 - Mar. 2022. Regular shareholders' meeting	Independent director
External director	Chang-lok Kim	Former president of the Korea Development Bank Former director at the Ministry of Finance and Economy	Finance	Mar. 20, 2020 - Mar. 2022. Regular shareholders' meeting	Independent director
External director	Kyung-soo Choi	Former CEO and President of Hyundai Securities Former president of the Korea Exchange	Finance	Mar. 26, 2021 - Mar. 2023. Regular shareholders' meeting	Independent director
External director	Tae-seop Lee	Former Head of Busan and South Gyeongsang Province of KEB Hana Bank Former professor of the Department of Business Administration, Kyungsung University	Business management	Mar. 26, 2021 - Mar. 2023. Regular shareholders' meeting	Independent director
External director	Woo-shin Park	Former head of General Support/Ethics Management Division, Lotte Chemical Former CEO and President of SEETEC	Business management	Mar. 26, 2021 - Mar. 2023. Regular shareholders' meeting	Independent director

### Statutory Disqualifications of External Directors

(Act on Corporate Governance of Financial Institutions)



### No. of (Female) External Director Candidates



### Independence of BOD

BNK Financial Group appoints its directors in accordance with the independence criteria prescribed in the 'Act on Corporate Governance of Financial Institutions' and the relevant internal regulations of the Group. In particular, the Articles of Association specify that a majority of the members of the BOD should be external directors whose independence has been verified. As of March 2020, our BOD is composed of seven external directors out of eight members, accounting for 87.5%, i.e. more than required by the criteria. Directors are appointed at the shareholders' meeting following a verification and recommendation procedure conducted by the Executive Nominating Committee, which is composed entirely of external directors, the results of which are then confirmed by the BOD. Notably, our external directors are appointed from among those who are free from the influence of stakeholders who could have an effect on corporate governance.

#### Our Group's Measures for Operating an Independent BOD

- Directors are appointed in several steps by the Executive Nominating Committee, the BOD, and shareholders' general meetings.
- Upon appointing directors, their qualifications are thoroughly reviewed in compliance with the relevant decrees and internal regulations.
- The tenure of external directors is confined to two years and shall not exceed five years, to prevent collusion.
- The transparent and fair succession of management and the exclusion of the CEO and Chairman in the appointment of external directors is ensured via internal regulations that bar the CEO and Chairman from the Executive Nominating Committee.
- An external director is appointed as the chairman of the BOD to guarantee the independent management of the BOD.
- The Group's major issues are regularly reported to the BOD to minimize information asymmetry and to facilitate the activities of the BOD.

### Expertise and Diversity of the BOD

BNK Financial Group appoints external directors with diverse backgrounds and expertise to prevent the unequal distribution of certain backgrounds and professional groups. We do our utmost not to discriminate on the grounds of age, sex, nationality and others, and appoint experts with sufficient work experience and professional knowledge in finance, economy, business management, accounting, laws, consumer protection, information technology and other areas, in accordance with relevant laws and internal regulations. In addition, the appointment of directors is determined by considering whether they are capable of conducting operations fairly in the interest of all shareholders and financial consumers; whether they have the sense of ethics and accountability required for the execution of their roles; and whether they can afford sufficient time and effort to carry out their role as an external director.

We continuously provide our external directors with training programs to bolster their contribution to sustainable development, based on their expertise and know-how in the relevant fields. In order to improve their understanding of the Group, we run training programs related to the Group's status, the laws and internal regulations related to the BOD, internal training on the operation of the BOD and regular training on risk management, as well as training based on the research materials of the Financial Management Research Institute. Furthermore, we support external directors in their efforts to strengthen their capabilities in various fields by organizing workshops, lectures by external instructors, and diverse forums and seminars.

#### External Directors' Areas of Expertise

Finance	2
Treasury & accounting	2
Business management	2
Laws	1

#### 2020 Training Performance Concerning External directors

No. of persons	Number of trainings	Total training hours
7	28 sessions	382 hours

# #1 Establishment of Sustainable Governance

## Operation of the Committees under the BOD

According to the internal regulations of BNK Financial Group, the committees under the BOD are composed of a majority of external directors (more than 2/3 for the Audit Committee), and the head of each committee is also appointed from among the external directors. As of March 2021, the BOD operates six committees, all of whose members are appointed from among the external directors to ensure their independence. In particular, by excluding the CEO from the Executive Nominating Committee, their independence has been strengthened to ensure a transparent and fair procedure for CEO succession and executive appointment. In 2020, the committees under the BOD were convened 40 times and 73 decisions were deliberated and reported, with an attendance rate of 98.8%.

Committee	Members	Reported Agenda in 2020	Operation in 2020
Board Steering Committee	5 external directors	- Operation of the BOD and its subcommittees - Decisions on policies for improving corporate governance	3 meetings/Attendance : 100%
Risk Management Committee	4 external directors	- Approval of risk policies - Oversight and supervision of compliance with risk policies within the Group and its affiliates	9 meetings/Attendance : 97.2%
Executive Nominating Committee	5 external directors	- Exploration, review, and recommendation of executive candidates	9 meetings/Attendance : 97.8%
Compensation Committee	4 external directors	- Establishment of measures for raising the corporate management performance - Formation and evaluation of performance goals for management	8 meetings/Attendance : 100%
Audit Committee	4 external directors	- Supervision of job execution of directors and the management - Auditing and evaluation of overall tasks including the internal control system	11 meetings/Attendance : 100%

\* ESG committee (established in March 2021): composed of all directors (8 members), Submission of the Group ESG strategies and policies, etc.

## Efficient Operation of the BOD

The BOD holds regular (quarterly) and ad hoc board meetings which are held when certain criteria are met. Directors with special interests cannot exercise their voting right and decisions are made by affirmation of a majority of the registered directors in attendance. In addition, the minimum attendance rate of directors required for the BOD and committee meetings is prescribed as more than 80%.

In 2020, a total of 11 BOD meetings were held to cover a total of 74 agenda items, including 35 items to be deliberated and 39 to be reported, with an average BOD attendance rate of 100%, greatly exceeding the minimum required attendance rate of 80% at BOD and committee meetings. Meanwhile, we aim to improve the operational efficiency of the BOD by holding preliminary meetings and briefing sessions to facilitate the sharing and proper consideration of the agenda before BOD meetings.

[Unit: times, cases, %]

## Operation of the BOD

Category	2018	2019	2020
No. of meetings	12	9	11
No. of items discussed	65	64	74
- No. of decisions	26	24	35
- No. of reports	39	40	39
Attendance of external directors	98.7	98.6	100.0

## Fair Remuneration and Evaluation of the BOD



### Major Performance Measurement Indicators (2020)

Financial Indicators
- Profitability ROE, ROA, RAROC
- Soundness Real non-performing loan ratio, Real overdue loan and bond ratio
- Capital adequacy BIS total capital ratio, BIS common equity tier 1 capital ratio
- Efficiency CIR (Cost Income Ratio)
- Stability Double leverage ratio, debt ratio
- Shareholder return Relative TSR (total shareholder return)
Non-financial Indicators
- Performance of the 'Group's management innovation tasks'
- Strategic tasks 'assigned to each business division'
- 'Personal competency evaluation of management' and 'level of collaboration between the Group's affiliates' to maximize the synergy and improve task performance

### Performance Evaluation of the BOD

In order to check whether the BOD properly fulfills the roles and responsibilities required by the relevant laws and internal regulations, we evaluate the composition and operation of the BOD from January to February every year.

The results of the evaluation are reported to the BOD and the general meeting of stockholders, and are also used as fundamental data for the Group's efforts to improve the operational efficiency of the relevant committees and to establish future policies. The evaluation of the BOD consists of the seven items, with ten detailed contents, such as ability to present strategies, efficiency of management control and supervision, adequacy of BOD's authority and performance functions.

For external directors, we conduct both mutual evaluations and self-evaluations to ensure independence, as well as an employee evaluation targeting division leaders and the department leaders responsible for supporting the BOD. The qualitative evaluation is conducted anonymously in the form of written documents to ensure fairness, while the quantitative evaluation considers the attendance rate of directors. In addition, in cases where the opinions of external specialists are deemed necessary for the effective operation of the BOD and the designation of external directors' roles, an external evaluation is conducted in accordance with the regulations.

### Performance Evaluation Process concerning the External Directors

Type of quantitative evaluation	Qualitative (Multi-dimensional) evaluation			Quantitative evaluation
	Self	BOD	Employees	
Evaluator	External director & non-standing director	All directors except the evaluator (excluding internal director)	Division leader and department leader responsible for supporting the BOD	Attendance rate for the BOD and committee evaluation
Evaluation items	Key items - Competency and expertise: 6 items	- Ethical awareness and accountability: 7 items	- Job fairness: 7 items	
Evaluation weight	5%	60%	20%	15%

### Strengthening of the BOD Remuneration System

The Compensation Committee establishes and implements transparent and sound compensation policies aimed at raising value for shareholders and stakeholders. The Compensation Committee establishes the management's compensation and performance evaluation system, and manages and supervises the system accordingly. If necessary, an external organization can be hired to design and operate the compensation system and perform an adequacy evaluation.

We are currently preparing performance evaluation indicators that account for long-term performance and profitable financial soundness while avoiding short-term efforts to increase business, and are also forming a reasonable compensation system to control risks that may occur due to excessive management compensation.

### Management Compensation System

A significant portion of the variable compensation for management consists of compensation deferred over a number of years, which depends on both position and level of responsibility. The period of deferred payment (equity-linked cash compensation) is set at three years to reflect long-term management performance through linkage with the stock price at the time of payment. Moreover, if a personal work loss occurs, or business performance worsens, the payment is determined after reducing the amount of payment in accordance with the redemption rate, which is separately determined.

The payment rate for short-term outcomes is determined by the Compensation Committee through an evaluation of annual management performance, key tasks for implementation, and individual competencies. It is compensated in full in cash next year. For long-term performance, the payment rate is determined by the committee through an evaluation of long-term outcomes over a three-year period from the contract signing date, and the payment (equity-linked cash compensation) is set at three years to reflect long-term management performance through linkage with the stock price at the time of payment.

## #2 Reflection of ESG in Loans and Investment

### Realization of Sustainable Finance by Increasing ESG Investment

Recently, global companies have begun to apply ESG (Environmental, Social, and Governance) criteria to measure the sustainability impact of their company's development, and these criteria are now becoming important investment guidelines for investors too. For global pension funds and the National Pension Service in Korea, ESG criteria are considered to be highly important factors in determining corporate value from a long-term investment perspective. BNK Financial Group plans to establish standards for its ESG products and systematically manage them for each item in accordance with the sustainability management strategies established in 2020, in order to gradually expand investment in ESG products.

#### Project Financing based on ESG Factors

BNK Financial Group reviews the results of both environmental impact assessments and social impact assessments as they are preconditions for approving licenses for Project Financing (PF)-related loans and investment. A candidate company must undergo an environmental impact assessment to obtain approval for a license for PF-related loans and investment, and the result of such an assessment must be approved by a governmental organization such as the Ministry of Environment or the Korea Forest Service. The result of the environmental impact assessment is not directly reflected in the approval of a license, but it is checked indirectly by the candidate company.

#### Sales of Socially Responsible Investment Fund

BNK Financial Group strives to comply with the principle of responsible investment supported by PRI, UNEP FI, etc. Recently, the sales of socially responsible investment products, which are invested in companies that pursue eco-friendly management and fulfill their social responsibilities, have been increasing. These products consider not only the financial factors of a company, but also non-financial factors such as environmental, social and governance factors. We are increasing investment in excellent ESG companies with high stability and sustainable profitability, and such investment can contribute to creating appropriate social values as well as guaranteeing stable profits for the Group.



#### Sales of the Socially Responsible Investment Fund (2020)

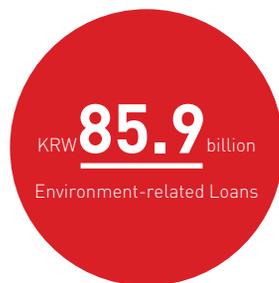
Product Name	Unit	Balance
KB Shareholder Value Focus Securities Investment Trust (Share)	KRW 100 million	8.8
VI Social Responsible Investment Securities Investment Trust (Share)	KRW 100 million	7.8
Korea Investment & Securities Credit Focus ESG Securities Investment Trust (Bond)	KRW 100 million	7.1
Korea Investment & Securities E Short-Term Bond ESG Securities Investment Trust (Bond)	KRW 100 million	5.8
KB ESG Growth Leaders Securities Investment Trust (Share)	KRW 100 million	5.5
Samsung Global Alternative Energy Securities Investment Trust 1 (Share)	KRW 100 million	0.6
Samsung Global Water Securities Investment Trust 1 (Share)	KRW 100 million	0.5
HDC Good Corporate Governance Securities Feeder Investment Trust (Share)	KRW 100 million	0.4
NH-AMUNDI Long-term Growth Representative Companies Securities Investment Trust (Stock)	KRW 100 million	0.3
Total	KRW 100 million	36.8

KRW **3.68** billion

Sales of Socially Responsible Investment Fund

## Expansion of Eco-friendly Financing

BNK Financial Group provides benefits such as financial support, lower interest rates, and premium banking charges to companies seeking to conduct eco-friendly projects and purchase eco-friendly equipment. In addition, we are striving to raise public awareness of environmental preservation and respond to climate change by selling financial products that offer financial benefits in accordance with each individual customer's performance regarding eco-friendly activities in their daily lives.



### Financial Support for Eco-friendly Companies

BNK Financial Group provides various financial benefits to eco-friendly companies that practice energy efficiency, promote the recirculation and, and prevent environmental pollution. BNK Busan Bank provides financial support to excellent environmental companies through a business agreement with the Korea Environmental Industry & Technology Institute. In July 2020, it launched the Eco-Friendly Bus Purchase Loan, which was remodeled from the existing CNG bus purchase fund to support the loan limit and premium interest rate when purchasing eco-friendly bus vehicles. BNK Kyongnam Bank operates the Solar ECO Corporate Loan and energy use rationalization funds for solar power generation facilities. It strives to support companies with high potential in the environmental field, such as developers of eco-friendly products and technologies, through its Promising Small and Medium Business Selection System.

We have designated our major branches in the region as 'E-Green Branches' so that applicable companies can easily use the 'Energy Use Rationalization Fund', which is jointly supported by the Korea Energy Agency. In this way, we are able to proactively provide eco-friendly financing services, ranging from the introduction of relevant facilities to consultation on loans to companies that require funds for investing in energy-saving facilities. In addition, we have been providing eco-friendly companies in the energy efficiency and renewable energy facility business with Korea Development Bank's 'Special On-Lending Loan'. We are also expanding our financial support to promote the supply of renewable energy, including via the new 'loan for photovoltaic power generation facilities'.



### Promoting Customer's Eco-friendly Consumption

BNK Busan Bank and BNK Kyongnam Bank operate the Green Card system so that customers can participate in eco-friendly activities, such as saving energy, using eco-friendly vehicles, and purchasing eco-friendly products in their everyday lives. In particular, we offer green card users a 50% discount on charging fees for their electric vehicles. We also provide a mini air purifier (drawn by lottery) to customers who purchase a fine dust event product so as to promote eco-friendly consumption. In addition, we actively carry out green marketing whereby customers applying for digital billing statements instead of paper statements receive a mobile coupon and a free gift.



### Eco-friendly Deposits and Installment Savings Products

BNK Financial Group raises funds through environmental protection products to contribute environmental organizations and institutions. BNK Busan Bank and BNK Kyongnam Bank provide products designed to protect the environment, such as our Galmaetgil Installment Savings and Dullegil Installment Savings, a portion of the post-tax interest is donated to eco-friendly organizations and institutions to assist their environmental projects.

# #3 Reorganization of a Sustainable Corporate Culture

## Invigoration of Talent Cultivation

To realize its management vision of ‘Growing into a Global Standard Financial Group,’ BNK Financial Group strives to cultivate talent that can pursue innovation and create new values. BNK FG’s ideal talent are value creators who, through performance-oriented thinking and action, passionately take the lead in everything they do; innovative challengers who take ownership of their work and actively participate as pioneers of the future; and professional financial specialists equipped with top-tier expertise and workplace capabilities.

### Reinforcement of Companywide Talent Cultivation Education

In 2018, BNK FG launched the BNK HR Development Institute, which reports directly to the chairman, to nurture competitive financial specialists. The institute currently offers various education programs, such as joint training and individualized coursework for all affiliate companies, groupwide management training programs, and global core talent courses.

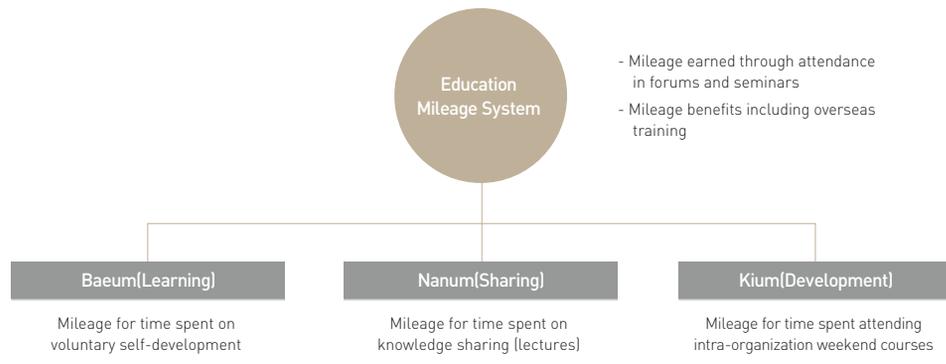
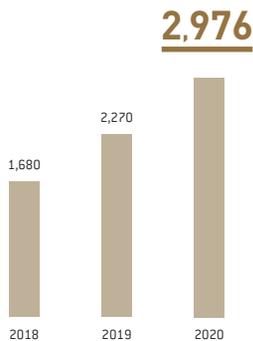
BNK also focuses on fostering professional experts by actively supporting global talent training courses, such as overseas MBA courses and Silicon Valley training programs, as well as domestic MBA programs at the Graduate School of Finance and the Department of Digital Finance. We also independently run AMP (Advanced Management Program) courses to enhance our management capabilities. We enhance the group’s future competitiveness by strategically fostering talent in key areas such as digital finance, CIB, and WM.

BNK conducts joint training for all its affiliates with the purpose of creating a sense of unity, while also boosting organizational competitiveness at the group level. We also launched a weekend, open-theme training course through our employees’ voluntary participation. Active attendance not only enhanced their individual competencies but also brought significant changes to our corporate training culture.

### Invigoration of the BNK Education Mileage System

BNK runs the BNK Education Mileage System to foster a corporate culture that encourages self-development, as advocated in the CEO’s management philosophy. We provide mileage reimbursement to those who have voluntarily participated in self-development activities, with benefits ranging from gift certificates to overseas training opportunities. The number of participants has been steadily increasing every year since 2018 when the education mileage system was launched. In 2020, the global training program for excellent employees of the education mileage system was replaced by national tourism gift due to COVID-19 pandemic situation.

Number of participants in the education mileage system



<b>CIB Specialized Training</b>
- Content Project finance, syndicated loans, M&A, IPO, PI, PEF structured finance, etc.
<b>WM Specialized Training</b>
- Content Real estate/taxation consulting, financial planning, asset market analysis, stock/bond portfolio, etc.
<b>Digitalization Specialized Training</b>
- Content Digital marketing, financial ICT trends, commercialization strategies, data analysis, etc
<b>Globalization Specialized Training</b>
- Goal Hands-on experience of advanced finance and overseas channels - No training in 2020 due to the COVID-19 pandemic

**Number of Participants in Specialist Programs in Four Key Areas**  
(Unit: person)

Category	2018	2019	2020
CIB	69	72	48
WM	40	93	30
Digital	92	50	60
Global	50	62	0
Total	251	277	138

## Enhancement of Specialist Programs in Four Key Areas

In a bid to continue fostering core talent that can lead its future development, BNK FG offers specialist training courses in four key areas-corporate investment banking (CIB), wealth management (WM), digitalization, and globalization. In 2020, we trained a total of 148 staff and executives in the key areas, despite most of the scheduled group trainings were canceled due to COVID-19 pandemic situation.

## Support for Training of Digital Finance Experts

In collaboration with a domestic university, BNK FG has opened a master's degree in digital finance to foster digital talent that can lead in the era of the Fourth Industrial Revolution. In 2020, we dispatched 30 new employees to the masters program in digital finance offered by Dong-A University, and they successfully completed advanced courses in both the digital and IT fields, with 30 employees selected for the program in the previous year. With the goal of fostering specialists optimized for an increasingly complex financial environment and further boosting our competitiveness in the financial industry, we dispatched our employees for MBA courses to Pusan National University's Graduate School of Finance to major in derivatives, and to Korea Maritime & Ocean University to study maritime finance, laying the foundation for talent cultivation in specialized areas. Five employees who dispatched to the first phase of the courses in 2018 graduated with excellent grades. In 2020, we dispatched six new employees to the courses to grow into talent in specialized areas.

## Full Support for Global MBA Programs

BNK FG runs the Global MBA Sponsorship Program\*, which is open to all employees, for the purpose of fostering talented individuals who can work effectively on the global stage. We have dispatched 6 employees (4 from BNK Busan and 2 from BNK Kyongnam) to Emory University, Indiana University, Boston University, and Texas University in the United States, respectively, for the full-time MBA programs, and a total of 9 additional employees are currently developing their capabilities. Moreover, as part of our global talent cultivation program, we dispatch talented members of our team to Silicon Valley for a year so that they can gain hands-on experience of the latest state-of-the-art technologies being introduced. The 2020 program has been temporarily postponed due to COVID-19 pandemic situation.

Master's Program in Digital Finance	Digital convergence courses in collaboration with a local university (Dong-A University) → 30 employees to be dispatched with full tuition support
Domestic MBA Courses	MBA courses in financial derivatives at Pusan National University and maritime finance at Korea Maritime & Ocean University → 6 new employees selected, 12 employees dispatched (2020)
Global MBA Courses	- TOFEL and GMAT test fees twice a year (in the first and second halves of the year) for two years plus a round-trip ticket for the final interview (one round trip) - Full tuition fees, up to US\$30,000 a year in stipend, and full salary during the course of the MBA program → 6 new employees admitted to MBA programs overseas (9 employees dispatched)

\* BNK pays tuition fees and living expenses while also paying salaries in full to its employees with more than seven years of employment who are admitted to top 30 MBA programs in the U.S. (USA News), Peking University or Tsinghua University in China, the Hong Kong University of Science and Technology in Hong Kong, or the National University of Singapore in Singapore.

## Support for Obtaining Certified Loan Officer (CLO) Qualification

BNK actively supports its employees' efforts to acquire loan officer certification. Through this certification, employees can contribute to the effective supply of loanable funds to the Busan-Ulsan-Gyeongnam region through innovative situation analyses when reviewing loan applications, as well as implementing more sophisticated credit evaluation practices. Since the second half of 2018, BNK FG has provided customized training for those eligible to take the loan officer qualification test, such as certified credit analysts or graduates of credit evaluation and credit legislation courses, so that they may have ample time to prepare for the test in more stable conditions. Though unfortunately we cannot currently provide group training for credit evaluation and credit legislation courses due to the COVID-19 pandemic, as of the end of 2020, BNK Financial Group had secured 60 certified loan officers, the number having steadily increased over the years. BNK also actively supports its employees' efforts to acquire loan officer certification.

# #3

## Reorganization of a Sustainable Corporate Culture

### Creation of a Good Workplace Culture

BNK Financial Group is leading the movement towards a more family-friendly corporate culture where employees will feel joy and satisfaction when they come to their workplace. With our tailored welfare system(annual leave encouragement policy, vacation encouragement policy, Day of Families, flexible working hours), we are trying to create the right balance between workplace and family and an office atmosphere that leaves workers happy.

#### Ensuring a Healthy Work-Life Balance

With the country's formal adoption of the 52-hour work week, BNK Financial Group has begun to operate the PC Shutdown Policy to ensure a healthy work-life balance for all employees. Under this policy, all the PCs in company offices are automatically shut down at 6pm every day. We also prohibit meetings from starting before 9:00 AM and from lasting longer than one hour. We have introduced these measures in a bid to instill a sensible meeting culture. We are trying to ensure work-life balance for employees through various systems such as a self-determination system and a refresh vacation system to create an autonomous vacation use culture.

Encourage leisured time use and guaranteed "life with evening time"	<ul style="list-style-type: none"> <li>- PC shutdown policy takes effect, Lunch Saver is activated to turn off employee PCs during lunchtime</li> <li>- Sponsorship of company club activities, provision of after-office-hours self-development programs</li> </ul>
Improved vacation policy to ensure adequate rest for employees	<ul style="list-style-type: none"> <li>- Incentive money for taking a vacation (KRW 300,000)</li> <li>- Vacation self-determination system: guaranteed free use of leave by registering two months in advance</li> <li>- Expansion of the refresh leave system (conservation of the number of vacation days)</li> </ul>
Family program in which all family members can spend time together	<ul style="list-style-type: none"> <li>- Incentive money for Family Month (KRW 150,000)</li> <li>- Filial piety trips, sports and movie watching with families(Sumbank women's basketball games, NC Dinos baseball games, etc.).</li> <li>- Matriculation gifts for children, encouragement gift for students taking college entrance exams</li> </ul>

#### Maternity and Childcare Support

BNK Financial Group actively supports maternity protection by helping female employees during childbirth and infant care periods. In particular, we are striving to create a good environment for employees by increasing the capacity of our workplace daycare centers and implementing flexible work systems for employees with elementary school children in order to alleviate the burden of taking care of their children during working hours. We have also introduced policies specifically aimed at helping pregnant employees, for example, we have distributed EMI shield dresses and "Expectant Mom" signs to soon-to-be mothers. In 2020, we introduced new policies such as family care leave, and 10 o'clock work start system for child care.

Workplace daycare centers for employees' children	4 BNK Busan Bank sales branches / 2 BNK Kyongnam Bank sales branches
Maternity and infant care vacation/leave of absence policy	<ul style="list-style-type: none"> <li>- Family care paid leave policy (10 days per year)</li> <li>- Family care paid leave / introduction of shorter working hour policy for family care</li> </ul>
Flexible working hours	- Flexible working hours are applicable to employees returning from infant care leave and employees with children entering elementary school
Others	<ul style="list-style-type: none"> <li>- Expectant Mom signs placed in teller windows, Happy Mom Box (congratulatory gifts on birth of a child)</li> <li>- Matriculation money for children of employees entering school(elementary/ middle/ high school/university)</li> </ul>

## Health Management Support for Employees

BNK Financial Group is always looking at ways of improving its health management program so that its employees can stay healthy. For example, earlier this year we expanded workers' compensation insurance benefits and the eligibility of those receiving medical checkups. We also pay close attention to the mental health of our employees through a mental counseling service in order to alleviate the many forms of work-related stress.

Basic Welfare Program	- Strengthening of collective injury insurance coverage(addition of traffic accidents, increased death insurance premiums) - Expansion of medical expense coverage(medical examination fees for treatment purposes, CT, MRI, ultrasound scanning expenses)
Help with Preventing Illness/Disease	Preparation of rapid and systematic countermeasures through the COVID-19 emergency response team
Bucket Fund	- Operation of funds for employee fitness and health, e.g. diet fund and quit smoking fund - Operation of funds to support work-life balance, e.g. learning instruments fund and reading books fund
EAP Program	Operation of a professional counseling service for the mental health of employees
Others	Operation of a physical fitness center and leisure lounge

### Ministry of Culture, Sports and Tourism Leisure-friendly Management

Certified  
BNK Busan Bank,  
BNK Kyongnam Bank

### Ministry of Gender Equality and Family: Family-friendly Enterprise

Recertified  
BNK Busan Bank,  
BNK Kyongnam Bank  
(-End of 2021)

## Employee Communication and Satisfaction Improvements

As a way of promulgating the core values of the group and increasing a sense of belonging among employees, BNK Financial Group runs a program designed to build team spirit and promote closer communication, in which all employees take part. We have worked especially hard to open diverse communication channels, with initiatives such as executive mentoring sessions where employees can freely engage in dialogue with top executives, "Hof Day" for fostering friendly labor-management relations, and the labor management council, which functions as a communication channel between labor and management. These events enable the Bank to collect employee feedback regarding key issues related to the company's business and improvements in working conditions and welfare benefits. BNK Busan Bank and BNK Kyongnam Bank received the Family-Friendly Enterprise Certification issued by the Ministry of Gender Equality and Family and the Leisure-friendly Management Certification issued by the Ministry of Culture, Sports and Tourism. We are committed to strengthening employee satisfaction and establishing an advanced corporate culture.



## Impartial Job Performance Evaluation and Compensation System

BNK Financial Group has a well-structured and logical system of performance evaluation. Under this system, the group first establishes the organizational targets of each department, division, and sales branch around its long-term and current-year business directions and strategic agenda. Then, each employee defines his or her individual targets, aligning them with those of the organization. Furthermore, to create a performance-centered organizational culture, we provide very fair compensation (promotions, awards) based on the reviews of the performance results of the entire company, each organization, and each individual. At the same time, through external consulting and TFT research, we are constantly improving our HR system by refining an objective and a reasonable job performance evaluation system.

# #4 Human Rights Management Activities

## Respect for Diversity and Human Rights

BNK FG supports the protection of human rights and fundamental freedoms, as promulgated by the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. We strictly comply with labor-related local laws and regulations in countries where we conduct business, including the *Labor Standards Act* at home and abroad.

### BNK FG's Human Rights Management Strategies

In accordance with its human rights management policies, BNK strives to identify potential human rights issues and prevent human rights violations in all its business activities, such as customer service, transactions with suppliers, community impact, and investment considerations, as well as promoting the internal protection of employee rights. We consider our human rights management efforts to be an integral part of our ethical management endeavors and always do our utmost to respect all stakeholders' rights.

#### BNK Financial Group's Declaration of Human Rights

1. We proactively prevent unfair labor practices, such as forced labor and child labor, and comply with the labor principles ratified by the State regarding the health, safety and working hours of employees, as recommended by the International Labor Organization (ILO).
2. We denounce any form of discrimination based on academic or regional background, age, gender, race, religion, etc., in our personnel management, including in hiring, employment maintenance, evaluation, promotion, and pay, while cherishing diversity.
3. We regularly conduct employee training to prevent human rights violations, while striving to raise awareness of human rights.
4. We carry out regular evaluations to check the implementation of our human rights management policies and identify any human rights violation cases. We also operate a channel through which human rights violations can be reported, in accordance with a relevant manual.
5. When human rights issues arise concerning our employees, customers, suppliers, or local community members, we report them through the relevant channel while taking appropriate measures to prevent similar cases from recurring.
6. We endeavor to improve financial accessibility for disadvantaged groups in the utilization of financial products and services, and strive not to discriminate on the basis of the race, gender, age, or disability.
7. We take steps to prevent our customers from suffering infringement of their rights due to the leakage of their personal information. We strictly protect their personal information during business transactions and collect the minimum personal information necessary.
8. When making investment decisions on financial products and services, including project financing, we consider the risks of potential human rights violations, including forced and child labor.

### Evaluation of Human Rights Vulnerabilities

In order to manage potential human rights issue risks, BNK preemptively identifies possible human rights issues of stakeholders during projects. In addition, we conducts audits on personnel management, sexual harassment, anti-corruption, etc. of our affiliates, including holding company, and identifies and takes measures for all possible human rights violations.

#### Key Areas of Human Rights Management





#### Key Programs to Strengthen Protection of Counselors' Human Rights (2020)

BNK Busan Bank
<ul style="list-style-type: none"> <li>- Mental health education for customer service center managers (including suppliers' centers)</li> <li>- Education on the protection of the rights of emotional laborers</li> <li>- Healing Camps (emotional catharsis, imago therapy, cultural walks) and Communication-Empathy-Happiness Workshops</li> </ul>
BNK Kyongnam Bank
<ul style="list-style-type: none"> <li>- 2020 Fun event for digital customer service centers (90 employees)</li> <li>- Improved amenities in convenience facilities (2 air purifiers and 4 foot massage machines in the lounge)</li> </ul>

## BNK FG's Human Rights Management Programs

### Handling of Employee Grievances

BNK FG operates a grievance counseling process to listen to and resolve its employee's grievances. BNK Busan, for example, has opened a mobile channel called BNK Busan Bank Dudeorim' to handle employees grievances at anytime, anywhere. In 2020, we handled a total of 192 grievances through our grievance channels, Healing Mind and OneHR, through in-depth interviews and customized solutions. BNK Kyongnam also runs a grievance handling system, 'Personnel Grievance Troubleshooter Visits', devoted to the resolution of its employees' grievances. In 2020, it solved 184 grievances through the system. The bank operated 'Personnel Grievance Troubleshooter Visits' to find solutions to its employees' grievances in ways more comfortable to the relevant employees, including in-person interviews, telephone calls and e-mails.

### Socially Equitable Employment

BNK FG runs a fair recruitment process based on the Standard Hiring Procedures for the Bank Sector', whereby no job applicant is discriminated on the grounds of nationality, gender, or religion. We continue to promote the conversion of contract workers into regular workers in a bid to bring job security to those employees, while also striving to expand the proportion of local employment.

BNK Busan Bank is making various efforts to expand employment opportunities for multi-cultural families, people of national merit, and the disabled who are experiencing economic hardship due to COVID-19 situation. It is creating jobs by introducing a home-working system for the disabled to support social participation of people with severe disabilities who may have difficulty commuting to work. BNK Kyongnam has signed an agreement with the 'Changwon Personalized Training Center for Persons with Disabilities' to promote employment among disadvantaged groups. It offers employment opportunities after selecting candidates and providing them with customized training. From 2020, we have signed an agreement with Gyeongnam branch of the Korea Employment Agency for the Disabled and the Gyeongsangnam-do branch of the Korea Paralympic Committee, and have employed excellent athletes with disabilities in the region to support their training in a stable environment.

### Education on Sexual Harassment Prevention and Human Rights Protection

BNK FG conducts groupwide sexual harassment prevention training for all its employees to raise awareness about human rights concerns that have emerged as social issues, including "gapjil" (bullying or abuse by people in power) and sexual harassment in the workplace, in addition to customized human rights education at the affiliate level. We have invited external professionals to assess the adequacy of our workplace sexual harassment prevention mechanisms, and we implement preventive measures while also disseminating information on sexual harassment regulations, providing grievance counseling and remedial processes, and establishing preventive measures, both online and offline. BNK Busan provides education on sexual harassment reporting and handling procedures, as well as relevant disciplinary measures to underperforming branch offices. BNK Kyongnam holds a self-reflection day focusing on the theme of the preventing sexual harassment as part of its efforts to raise awareness of workplace sexual harassment. BNK System takes the lead in the prevention of sexual harassment in the workplace by educating new employees on its guidelines for the prevention of offenses against public decency (sexual harassment), as well as by familiarizing all employees with the Ministry of Employment and Labor's manual on responses to sexual harassment.

### Improved Protection of Counselors' Human Rights

BNK FG is doing its utmost to protect the human rights of its customer service center counselors, who may experience stress and mental health problems due to intensified emotional exertion. We are taking preemptive measures to prevent any infringement of our counselors' human rights by a minority of customers, by means of familiarizing employees with our manual on how to respond to different types of difficult customers, giving customers prior notice of the relevant details of the Occupational Safety and Health Act, and conducting education on sexual harassment prevention. In addition, we strive to boost the job satisfaction of counselors and guarantee their human rights by providing various mental health education programs and workplace stress relief programs, while also improving convenience facilities in the workplace and expanding welfare benefits. To prevent COVID-19 infections in our call centers, we have proactively taken various countermeasures, including greater social distancing between counselors' workstations, virtual meetings, and adjusting the distribution of work and childcare leaves.

## STRATEGY 2.

# Mutual Growth

- 38 #1 Innovative Financing /Technology Financing
- 44 #2 Enhancement of Local Win-Win Activities
- 48 #3 Strategic Social Contribution Activities
- 54 #4 Implementation of Climate Change Response

KRW **7.4547** trillion

Innovative Finance (134% of our target)

Fifth Financial Day

# Innovative Finance Category

Received award from the Chairman of the Financial Services Commission (BNK Busan Bank)

**ISO14001** Certified

Environmental management system (BNK Busan Bank)

## Business Relevance

Globally, there has been increasing demand for responsible management activities for responding to climate change and sustainable development. As the financial industry plays a pivotal role in the economic system, we need to consider the impact of our business activities on the environment and society. This need has led to the discovery of products and services that contribute to the sustainability of our society, beyond fulfilling our basic social responsibilities such as environmental management and other social contributions.

## BNK's Approach

BNK Financial Group has developed and sold public Interest financial products designed to support SMEs and build shared growth with the local community, and financial products for financially underprivileged groups to help them overcome financial challenges. In 2021, we declared support for the Task Force on Climate-related Financial Disclosures (TCFD) to respond to the ever-escalating problems of climate change and initiated activities to analyze and respond to climate risks from a more strategic perspective.

## Our Plan

Above all, BNK Financial Group prioritizes mutual growth with local communities. As the largest financial institution in southeastern Korea, we will actively fulfill our social responsibilities and further expand inclusive financial support for SMEs and small business owners in the region who may be suffering from recession and the aftermath of the COVID-19 pandemic.



## #1

# Innovative Financing/Technology Financing

## Strengthened Digital Competitiveness

BNK Financial Group is pursuing continuous innovation to prepare for the era of the 4th industrial revolution and to create new business opportunities in the rapidly changing digital environment. Building on the establishment of the group D-IT division in 2018 and the opening of the group IT center in 2020, we have achieved systematic innovation of customer channels and business processes using digital technology to make a successful transition toward becoming a “customer-oriented digital financial group.”

### Digital Management Strategy and Roadmap

#### Digital Management Strategy

BNK Financial Group promotes digital innovation in various customer channels, such as mobile, sales branches, and customer centers, and provides intelligent financial services through customer analysis, product recommendations, and personalized marketing based on our secured data capabilities. In addition, we plan to develop competitive digital products and services, and diversify sales channels to overcome existing regional limitations and explore new markets in the Seoul metropolitan area.

#### Digital Transition Roadmap

The group’s digital transformation is implemented based on a three-step roadmap from a mid- to long-term perspective.

##### - Phase 1: Building a foundation for digital innovation (2018)

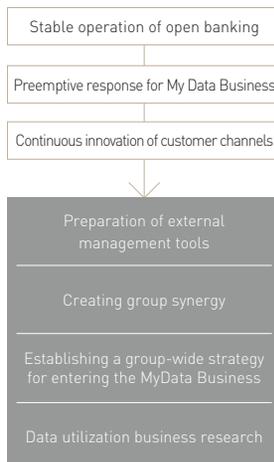
In 2018, the BNK Financial Group recruited Chief Digital Officers (CDO) to secure digital leadership across the group, developed a digital organization and governance system, and established a mid-to-long term digital strategy to build our human and strategic foundations for digital management.

##### - Phase 2: Digital transformation (2019 - 2020)

BNK Financial Group has actively introduced digital technologies and strengthened company-wide utilization through innovations in mobile banking, digitalization of branches, construction of a future-oriented contact center, and the expansion of our scope of new digital technologies. This has empowered the group to accelerate our digital transformation.

##### - Phase 3: Digital performance (2021 - )

In 2021, we plan to secure our digital growth engine and develop new markets in the Seoul metropolitan area and overseas. By doing so, we will achieve strong, substantive digital performance improvements and implement customer-oriented digital convergence.



### Continuous growth through the digital financial infrastructure: securing digital customers

The expansion of untact practices and the digitization of finance after the outbreak of COVID-19 has unleashed fundamental changes to existing face-to-face channels. BNK Financial Group strives to pursue sustainable growth by transforming its entire retail banking into digital banking from a mid-to-long term perspective.

#### Systematic Response to Changes in the Financial Business Environment

BNK Financial Group strives to secure competitiveness in response to market changes while responding quickly to government-led financial innovation policies. BNK Busan Bank and BNK Kyongnam Bank have improved customer satisfaction through the stable operation of open banking services and the offering of specialized products. Non-banking affiliates of the group are also preparing open banking services. In addition, we plan to establish and implement strategies to pioneer new markets with differentiated business models by obtaining new permits for electronic financial businesses such as MyData, My Payment Service, and our Comprehensive Payment and Settlement Business.

### Online and Offline Customer Channel Innovation

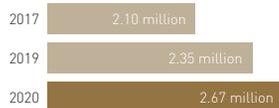
BNK Financial Group continues to strengthen its competitiveness in the open banking era by constantly innovating all online and offline customer channels and promoting digital marketing. For online, we have made efforts to strengthen remote channel capabilities without face-to-face contact and activate no-contact sales through the application of new digital technologies. For offline, we have expanded the distribution of digital technology to front-line channels such as branch offices and made it easier for customers to utilize our financial services.

BNK Busan Bank	BNK Kyongnam Bank	Affiliates	
<ul style="list-style-type: none"> <li>- Reorganization of corporate internet and mobile banking</li> <li>- Building and extending Tablet Branch 2.0</li> <li>- Advancement of "Sum Store," a small business platform</li> <li>- Launching of fully mobile banking</li> <li>- Introduction of the Sumbank Financial Secretary Service</li> </ul>	<ul style="list-style-type: none"> <li>- Completed construction of new mobile banking services</li> <li>- Expansion of transactions and branches for biometric authentication</li> <li>- Advancement and expansion of electronic documents for branches</li> <li>- Revamping of the customer center system</li> </ul>	<ul style="list-style-type: none"> <li>(BNK Savings Bank)</li> <li>(BNK Securities)</li> <li>(BNK Capital)</li> </ul>	<ul style="list-style-type: none"> <li>- Advancement of mobile banking</li> <li>- Advancement of MTS</li> <li>- Activation of mobile branches</li> <li>- Digitization of overseas subsidiaries</li> </ul>

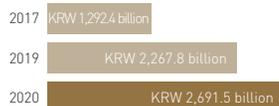


#### Access to Digital Finance

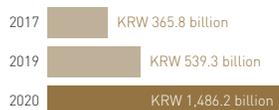
##### Number of Customers



##### Non-face-to-face reception (balance)



##### Non-face-to-face loans (balance)

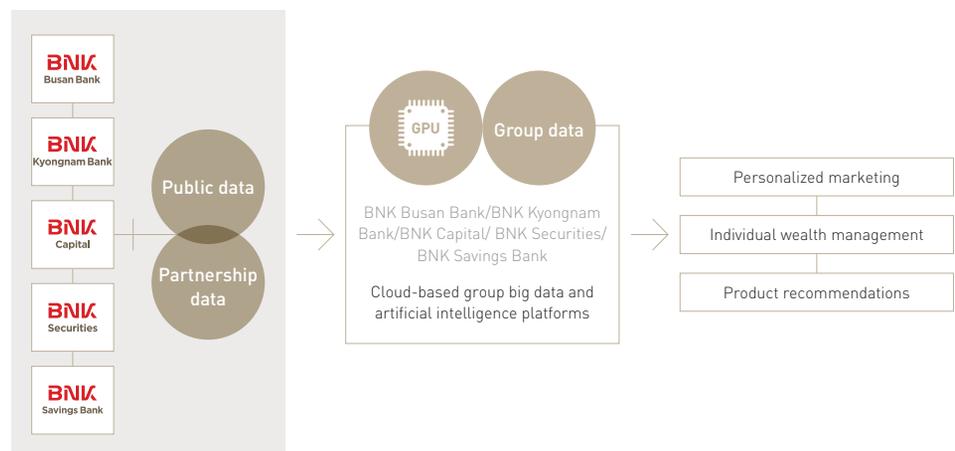


### Strengthening Mobile App Competitiveness

BNK Financial Group strives to maximize customer convenience through UX/UI improvement based on ongoing customer experience analysis. We implement the foundation for personal asset management and daily financial services, with the goal of evolving from "simple and convenient banking" to offering a "comprehensive financial service channel." BNK Gyeongsangnam-do Bank has completely reorganized its BNK Kyongnam Bank mobile banking services to enhance convenience and accessibility by implementing the latest security technology, improving customer-centric usability, and providing a full range of banking services with all transactions accessible in one app. As a result, it received the grand prize in the financial service sector at the Mobile Awards Korea 2020 in April 2020, and the grand prize in the banking sector at the Smart App Awards 2020 in October 2020. BNK Busan Bank also received the grand prize at the Smart App Awards 2020 for two consecutive years in recognition of its achievements in improving customer convenience, examples of which include a service which issues 25 types of documents such as certificate of deposit balance and confirmation of financial transactions through mobile channels and the "curation" service for guiding customers using new services through push messages.

### Personalized and Intelligent Financial Services

BNK Financial Group set 2020 as its launch year for adopting core AI technologies for the future, and launched pilot projects for validation in a variety of areas of work, and it has thereby established a comprehensive big data/artificial intelligence strategy at the group level. In February 2021, the BNK Digital Center, an organization dedicated to R&D within the group, was established to build a cloud-based group big data/artificial intelligence platform for collecting and analyzing internal and external data. We will strengthen the group's artificial intelligence competitiveness by developing intelligent algorithms for areas such as personalized marketing, personal asset management, and product recommendations.



# #1 Innovative Financing/Technology Financing

## Transitioning to Digital Banking through the Active Adoption and Utilization of New Digital Technologies: Improving Internal Work Efficiency

Advancements in digital technology is not only changing banking channels, but also transforming our operating methods. BNK Financial Group aims to drive true customer service innovation that focuses more on our customers by converting to a digital bank through enhancements in work efficiency based on digital technology.

### Digital-based Work Efficiency

BNK Busan Bank plans to develop paperless service to handle business without paper documents within the second half of 2021. Paperless service is a digital teller system that utilizes tablet PCs and electronic pens while minimizing documentation for customers, which not only enhances customer convenience but also reduces work processing time, while having a positive impact on the risk of information leakage and saving resources used in paper handling.

### Transition to a Future-oriented Customer Center

BNK Financial Group's customer center is evolving into a future-oriented contact center that actively utilizes artificial intelligence technology, transitioning away from the conventional manner in which many counselors respond to customers. We are strengthening our business efficiency and marketing capabilities by establishing a visible ARS system, identifying marketing opportunities through an advanced consultation analysis system, responding to complaints, and introducing artificial intelligence chatbots and voice robots.

### Digital Voucher Service

In 2019, Busan was designated a Busan Blockchain Regulation-Free Zone and has conducted projects in four areas, including tourism and financial services. In October 2020, BNK Busan Bank officially launched its Digital Voucher Service, a project in its financial services business. The Digital Voucher Service provides a new blockchain-based digital wallet that can be used for the same services accessible in mobile banking, such as payments and remittances, and manages the government's grants and corporate welfare points. The issued digital voucher is stored in the Busan Bank mobile app and can be used freely at Sumpass membership shops. We predict that the distribution of new blockchain-based digital currency in the region will contribute to revitalizing the local economy and improve local governments' policy budgets and administrative efficiency. We will work hard to create an ecosystem for related industries in connection with operations in the Blockchain Regulation-Free Zone.

## Current Strategic Alliances

Holding company	Kakao Enterprise, Busan National University
BNK Busan Bank	Eight companies including Microsoft, Busan National University Hospital and Lemon Healthcare
BNK Kyongnam Bank	Kakao Pay, Raon Secure, PINK
BNK Capital	KT, KCB
BNK Savings Bank	Payco

## Non-face-to-face Loan Performance in Partnership with Fintech Companies

Category	Number of cases	Cumulative Amount
BNK Busan Bank	1,953	KRW 111.2 billion
BNK Kyongnam Bank	23,925	KRW 488.1 billion
BNK Capital	14,167	KRW 268.1 billion
BNK Savings Bank	2,226	KRW 23.6 billion

## Contributing to the Creation and Growth of the Fintech Ecosystem by Supporting Startups: Strengthening External Collaboration

Along with the development of digital technology, various fintech companies are growing and entering the financial world, as both new competitors and partners in the financial industry. BNK Financial Group responds to the changing business environment by nurturing and supporting the fintech ecosystem, while striving to secure new growth engines.

### Support for FinTech Start-ups

BNK Financial Group is strengthening group-level fintech management and support activities to discover new growth engines and secure technologies. In January 2020, we opened the BNK Fintech Lab to select 9 companies in the 1st phase and 20 companies in the 2nd phase, and have provided them with a professional accelerating program to support nurture entrepreneurship and growth. In addition, we have operated the BNK FinTech Council with seven affiliates of the group and we continue to engage in initiatives in new digital businesses through various business and technology partnerships with BNK FinTech participants.

### Fintech Ecosystem Support and Strategic Alliances

BNK Financial Group aims to discover new future growth engines and secure new revenue sources through strategic partnerships with various fintech companies. BNK's specialized products are loaded into loan interest rate comparison services provided by fintech apps such as Toss and Kakao Pay to achieve substantive performance improvement through diversification and the promotion of sales channels. In addition, BNK Financial Group will continue to expand its customer base and strengthen its ecosystem by providing BNK's unique financial services through partnerships with various industries.

## Promotion of Innovative Finance for Shared Growth with Citizens

### Innovation Finance Budget and Accumulated Implementation (2020)

Loan Sub-Committee

KRW 19,600 billion

KRW 17,225.3 billion

Job Creation Sub-Committee

KRW 700 billion

KRW 687.8 billion

Capital Investment Sub-Committee

KRW 400 billion

KRW 364.9 billion

Digital Sub-committee

KRW 1.3 billion

KRW 1.4 billion

KRW **20.7** trillion

Support plan for three years  
(from 2019 to 2021)

■ Support plan

■ Implementation in 2020

As a partner of the regional economy, BNK FG supports the growth of local companies and is playing a leading role in helping the local economy overcome challenges. In 2019, we undertook various efforts to support local SMEs and to promote regionwide shared growth with the vision of innovative finance expanding beyond the concept of productive finance.

### Promotion of Support for Innovative Finance

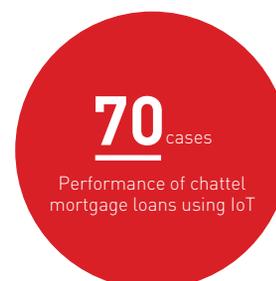
In September 2019, BNK FG announced the "BNK Innovative Finance Support Plan for the Busan-Ulsan-Gyeongnam Region" to respond to the government's innovation financing policy and support innovative finance. BNK Financial Group announced a plan to invest KRW 20.7 trillion in innovative finance earmarked for the Busan-Ulsan-Gyeongnam region. This investment is focused on supporting innovative growth companies in four sectors including loans, job creation, capital investment, and digitalization. We have launched the BNK Innovative Finance Council headed by the group chairman and consisting of the representatives of our affiliates as well as BNK Financial Group executives to provide financial support for those sectors. As of the end of 2020, BNK FG has provided KRW 18,279.4 billion, or 88% of the target amount for the entire period.

#### Innovative Finance Achievements in 2020

Category	2020			Remarks
	Goal	Achievements	Achievement ratio	
Loan Sub-Committee	KRW 5.1253 trillion	KRW 7.0874 trillion	138%	Improving lending practices, expanding technology finance, expanding movable asset loans, etc.
Capital Investment Sub-Committee	KRW 135.5 billion	KRW 135.0 billion	99%	Job creation, local talent cultivation
Digitalization Sub-Committee	KRW 0.7 billion	KRW 0.7 billion	100%	Innovative growth, discovery of promising companies, etc.
Job Creation Sub-committee	KRW 303.6 billion	KRW 231.6 billion	76%	Identifying promising fintech companies, developing digital platforms, etc.
Total	KRW 5.5651 trillion	KRW 7.4547 billion	134%	

### Expanding Financial Support for Innovative Companies

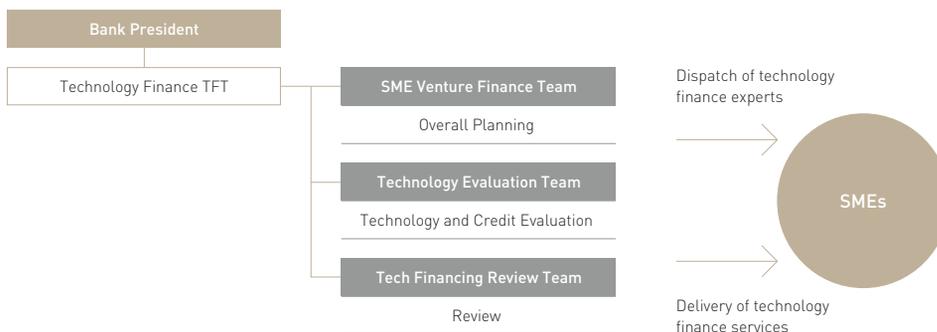
BNK FG is making various efforts to implement innovative financing by providing financial support to companies with excellent technology and pushing for interest rate cuts for job-creating companies. BNK Busan Bank signed a business agreement with the Korea Technology Finance Corporation to revitalize intellectual property (IP) finance in 2020 and released a new product called Intellectual Property (IP) Fast Guarantee Loan to provide financial support to SMEs with excellent technology. In addition, it is actively supporting innovative companies through its Ki-teuk Loan (a special technical finance loan for technical companies), the first demonstration of intellectual property valuation in the banking sector, and chattel mortgage loans using IoT services. BNK Kyongnam Bank provides support for innovative companies with excellent technology, through means such as the 2020 Power Loan Special Loan and the BNK Active Intellectual Property Mortgage launched in 2021.



# #1 Innovative Financing/Technology Financing

## Operation of Exclusive Technology Finance Organizations

BNK Busan and BNK Kyongnam have launched technology finance organizations that report directly to their presidents to support SMEs that have developed prominent technology on their own, but which have had financial difficulties. The two dispatch experts in technology finance to the companies to select those with high growth potential provide technology finance in a systematic way through technology evaluation and funding consultancy. Since 2018, they are also running SME Support TFTs that provide management consulting services to SMEs that are struggling financially.



BNK Busan and BNK Kyongnam operate Technology Evaluation Teams in their Credit Evaluation Divisions which serve as their respective technology credit bureaus (TCBs) that issue certificates for local technologically advanced SMEs, in accordance with the guidelines on technology financing published by the Korea Credit Information Services. In the evaluation process, the SMEs' sustainability management practices are also reviewed through an assessment of their representatives' external activities and reputation, the scope of the companies' local engagement, and acquisition of eco-friendly certificates.

Description	Roles	Remarks
Technology Finance TFT-Innovative Finance Promotion Team	Overall control and support for technology finance	Under bank president's direct control
Technology Evaluation Team*	Technology & credit evaluation for technologically advanced companies	In Credit Evaluation Dept
Tech Financing Review Team	Technology funding reviews	In Credit Review Division
SME Support Team	Technology finance planning and marketing	In Credit Planning Division

\* Level-4 approval by the FSC for the first time among regional banks in Korea (April 2019)

## Increased Investment in Technology Finance and Movable Asset Finance

BNK FG is striving to expand its supply of technology finance and revitalize its movable asset finance as part of efforts to increase its financial support for innovative SMEs. As of the end of 2020, BNK Busan Bank provided innovative SMEs with KRW 2.4349 trillion or 174% of the target sum, offered as technology finance. In 2021, we are also expanding a special loan for SMEs worth KRW 1.5 trillion to expand support for innovative finance. BNK Kyongnam Bank determined that new technology development through innovative companies is the most important initiative for the Korean economy as it recovers from the COVID-19 pandemic. It made efforts to develop an evaluation model that determines companies' ability to commercialize technologies, and to enhance its expertise for technology finance. As a result, it ranked first in the small bank technology finance performance evaluation (TECH evaluation) in the first and second halves of 2020.



### Current Status of SUM Incubator Support

Company

A total of **56** companies

Investment

**4** companies  
KRW **12.64** billion

Loan support

**11** companies  
KRW **0.98** billion

### Proactive Support for Startup Companies

BNK FG is contributing to the revitalization of the local economy by expanding its investment in local innovative companies and discovering and fostering local startups. In July 2019, for the first time among regional banks in Korea, BNK Busan Bank launched a startup support center called the SUM Incubator to provide customized financial and non-financial services to local startups from inception to growth. In particular, BNK Busan Bank has activated investment in companies with excellent technology through its SUM (Start Up Matching) Incubator by linking with affiliates such as BNK Venture, attracting a total of KRW 12.64 billion in investment for four companies. In addition, it is actively supporting customized development programs such as favorable loan limits interest rates and management consulting.

BNK Kyongnam Bank signed a joint business support agreement for nurturing local small and medium-sized enterprises with the Gyeongnam and Ulsan Regional Small and Medium Venture Business Administrations, respectively, to promote cooperation in nurturing promising local start-ups and SMEs. It is also preparing opportunities to revitalize the local SMEs by actively supporting local start-up companies in festivals, job fairs, and purchase conferences.



### Financial Support for Job-creating Companies

BNK FG operates a variety of job preferential support systems to fulfill its mission as a local bank in revitalizing the local economy. We offer a variety of benefits to outstanding job-creating creation companies including preferential interest rates and special loans for job creation. BNK Busan Bank signed a financial support agreement with the Korea Housing Finance Corporation in 2020 to create jobs for small and medium-sized businesses in the region. It also signed a business agreement with the Busan Credit Guarantee Foundation to create and maintain jobs for small and medium-sized companies in the region by providing 0% rate loans for two years to companies that maintain employment despite prolonged economic recession.

BNK Kyongnam Bank has established a customized cooperative system with Gyeongsangnam-do Province and Korea Aerospace Industries (KAI) to supply smart factories and support the aerospace industry. A total of KRW 100 billion will be provided to support the spread of smart factories and to foster aviation manufacturers, which is expected to greatly contribute to the development of SMEs and job creation in the region.



## #2 Enhancement of Local Win-Win Activities

### Realization of Inclusive Finance

As the largest financial institution in southeastern Korea including Busan, Ulsan and Gyeongnam, BNK Financial Group has been providing various inclusive financial programs aimed at promoting shared growth and reinvigoration of the regional economy. Most notably, we have offered customized financial and non-financial programs to support the working class, small merchants, social enterprises, and multicultural families as part of our efforts to alleviate their financial burdens and stabilize the livelihoods of ordinary citizens. In April 2020, we launched the Inclusive Finance Team in the Financial Consumer Protection Department. We have published a group-level manual on inclusive finance and proceeded with the cause more systematically by holding the group inclusive finance meeting every half-year. In addition, we plan to establish a clear direction of inclusive finance in accordance with the Financial Supervisory Service's work plan every year to proceed practical inclusive finance.

### Reinforced Support for the Financially Vulnerable

#### Enhanced Banking Loan Services for Individuals with Lowest Credit Scores

In September 2019, BNK Busan Bank and BNK Kyongnam Bank launched Sunshine Loan 17\*, a financial product jointly offered by the country's banking sector, to support people with the lowest credit scores who would otherwise be forced to turn to loan sharks that operate in various forms in the country. Until the end of 2020, this project provided KRW 16.6 billion in a total of 3,964 cases. BNK Busan Bank registered customized loan services at the Korea Inclusive Finance Agency in September 2020, and launched the Mobile Sunshine Loan 17\* in September 2020 to offer a variety of services to bolster customers in financial blind spots. In addition, in December 2020 it launched the Speed Loan, a pre-approved loan for mid-credit customers, recording a high performance of KRW 5.2 billion within one month of the launch.

Meanwhile, in March 2020 BNK Kyongnam Bank also launched BNK Mobile Credit Loan Plus, a mid-interest credit loan product that relieves the burden of interest rates on people in the low-credit class who find it difficult to access the first banking sector and provided a total of KRW 291.3 billion by December 2020. It has applied an advanced credit rating system to evaluate users' ability to repay loans using AI-based machine learning techniques, so that more people are able to borrow loans at lower interest rates.

\* Sunshine Loan 17 is a product of the National Happiness Fund in the Korea Inclusive Finance Agency (launched in September 2, 2019), with KRW 14 million per creditor for those with the lowest credit rating, and a fixed interest rate of 17.9% per year (100% guaranteed by the National Happy Fund).

#### Sunshine Loan 17

Category	Number of applications	Amount
2019	588 cases	KRW 4.7 billion
2020	3,376 cases	KRW 11.9 billion
Total	3,964 cases	KRW 16.6 billion



#### Launch of Loans to Ease the Housing Cost Burden Among the Underprivileged

BNK Financial Group has launched a variety of financial products to support the housing needs of vulnerable groups. In partnership with the Busan Metropolitan City and the Korea Housing Finance Corporation, we launched the Busan Metropolitan City Jeonse (key money) and Monthly Rent Loan for Newlyweds in April 2020 to reduce their deposit for leasing and provided KRW 63.9 billion for 609 cases up to December 2020. Having entered into partnership with the Income-Led Growth Committee and the Korea Housing Finance Corporation for the first time in the banking sector in June 2020, we established teller windows dedicated to housing pensions in all branches to conduct guarantee trust business to support senior citizens who have difficulty maintaining their housing and livelihoods. The total number of housing pension consignment applications were 378 cases in 2020.

## Deposit Products Exclusive for the Working Class

### Card Products and Systems for the Socially Disadvantaged

BNK FG offers various card products and systems designed to support the socially disadvantaged. Examples include braille cards for the visually impaired and the Multicultural Love Card for multicultural families. We exempt debit card issuance fees for seniors 65 years or older and for people with disabilities.

BNK Busan Bank offers the Busan Youth Stepping Stone Card+ that provides young job seekers with expense vouchers in addition to card products that offer welfare points to young people working for SMES. Prepaid cards that can be used as local currency in Busan are also offered and contribute to the revitalization of the local economy.

### Card Products for the Socially Disadvantaged

(Unit: KRW million)

Category	2018	2019	2020	Remarks
Multicultural Love Card	84	75	58	A card available to marriage immigrants and their spouses, offering credit/debit card services, preferential treatment in deposit/loan interest rates, and exemption from various fees
Multi-child Love Card	36,677	49,356	46,073	A card that provides credit/check card services specialized for multi-child families, provided by the Ulsan Metropolitan City
B SMART Card	97,637	89,827	74,236	A card that provides matching funds in proportion to its use and contributes to the construction of small libraries in association with local libraries and membership stores with the purpose of increasing interest in reading books, creating a social atmosphere encouraging reading habits, and promoting the use of local bookstores
Braille Card	72	65	61	Braille cards for the visually impaired: Green Card, My Zone Debit Card and NEW Dandi card
Happy Kid Card	77,171	73,747	70,367	A card that has integrated the Child Love Card of the Ministry of Health and Welfare to help with fees paid to childcare centers (children of up to five years) and Child Fun Card of the Ministry of Education to help with kids' education fees (children of 3-5 years old)
Happy People Card	53,745	63,735	80,282	A card that can be used as vouchers for teen pregnancy and childbirth, care of new mothers and infants, childcare fees and kindergarten fees, product purchase, energy costs, childcare expenses, social welfare services, and young women's sanitary goods
Busan Youth Stepping Stone Card +	4,366	2,265	6,183	A card that pays job search expenses to young job seekers in Busan between 18 and 35 years old
Kyongnam Youth Support Card	-	1,105	1,767	A card that pays for the job search expenses of young job seekers in Gyeongsangnam-do, Ulsan-si, and Changwon-si

\*Data modified due to changes in internal calculation criteria

### Preferential Interest Deposits & Installment Savings for Low-income People

BNK Financial Group offers low-income people various deposits and installment savings with preferential interest rates. Examples include BNK Hope Fostering Installment Savings and BNK Regional Love Free Installment Savings that offer preferential interest rates to the financially disadvantaged, people in the second-lowest income bracket, and the homeless, so that they can get practical assistance in their money-saving efforts.

We also offer a variety of products in the public interest such as the Education Love Card, which supports low income children's food costs, and the UNICEF Gift Card to help underprivileged children across the world by setting up a fund to which is added a certain percentage of card payments. We are planning to continue to expand such goods of public interest as a way to contribute to shared growth with local communities.

### Deposits and Installment Savings for Low-income People

(Unit: KRW 100 million)

Category	2018	2019	2020	Remarks	
Busan Bank	BNK Hope Fostering Installment Savings	205	276	326	Beneficiaries: recipients of basic livelihood security allowances, child breadwinners, North Korean defectors, multicultural families, single-parent families, people with disabilities
	Regional Love Free Installment Savings	169	139	135	Beneficiaries: people in the second-lowest income bracket and the homeless offered a special interest rate of 3% a year as part of the bank's social engagement efforts
	Hope for Youth Bankbook	15	35	39	Beneficiaries: working young people in Busan selected by the Busan Metropolitan Government as part of the municipal government's policy efforts
Kyongnam Bank	Hope Collection Installment Savings	17	20	20	Beneficiaries: recipients of basic livelihood security allowances, child breadwinners, multicultural families, single-parent families, recipients of work incentives
	Gyeongsangnam-do Mutual Growth Deduction Installment Savings	-	-	17	Beneficiaries: young people in Gyeongsangnam-do
	Changwon Youth Tomorrow Bankbook	-	7	18	Beneficiaries: young working people with low-income in Changwon-si

# #2 Enhancement of Local Win-Win Activities

### Services Provided by Comprehensive Support Centers for the Self-Employed

Description	No. of support cases
Mobile website creation	153
Business consulting	48
Total	201

### Hope Sharing Project for Small Business Owners

Description	2019	2020
Limit	KRW 13 billion	KRW 11 billion
Paid	KRW 10.2 billion	KRW 6.1 billion
Percentage paid	78%	55%

### Support Expansion for the Working Class and Small Business Owners

#### Launch of Self-employed Business Owner Support Center

BNK FG has launched the self-employed Business Owner Support Center\* to help local small business owners and self-employed merchants who are struggling with the demand slowdown in the domestic market. In addition to basic financial counseling, the center helps local small business owners in various sectors switch from high interest rate loans to mid-range-interest rate loans or refinancing by tapping the National Happiness Fund to lower their interest burdens. As part of its Full Smile Project for the Self-Employed, BNK Busan provides financial services at the Self-Employment Support Center as well as comprehensive services including free website creation and commercial district analysis. BNK Kyongnam opened the Support Center for Small Business Owners & Self-employed People at its Changwon-Central branch office to provide them with comprehensive financial services.

#### Hope Sharing Project for Small Business Owners

In partnership with local governments, BNK Kyongnam has implemented the Hope Sharing Project for Small Business Owners 2.0 to provide management consulting services and emergency livelihood security funds for vulnerable groups. The project include the participation of the bank president, the heads of local governments and specialists in charge of loans to SMEs. It is a one-process, field-based financial policy that provides direct consulting on management challenges and financial consulting on site, and quickly supports loans regardless of credit rating at sales branches. As of December 2019, the bank provided KRW 10.2 billion for small business owners and KRW 6.1 billion for small merchants in the region, respectively.



### Regional Mutual Growth and Vitalization of the Local Economy

The southeastern region has been the incubator of BNK Financial Group's growth. As the largest financial institution in southeastern Korea, BNK Financial Group has grown together with the region to where it is today. The group aims to continue to expand its role as a financial institution dedicated to developing and revitalizing the local economy with mutual growth as its top priority.

### Supporting Local Employment Growth

In partnership with the Busan Metropolitan Government and the Busan Ministry of Employment and Labor, the BNK Financial Group held the Busan Online Job Fair to revitalize local employment and relieve the labor shortage of local companies due to COVID-19. In the job fair, the entire recruitment process was conducted non-face-to-face while also providing hiring subsidies for job-seeking companies, non-face-to-face employment briefing sessions and customized employment consulting.





### Financial Support for Shared Growth

BNK Busan Bank signed a shared growth financial support agreement with the Korea Shipping Association and the Korea Ocean Business Corporation the development of the shipping industry, which is the foundation of the local economy in Busan. This program provides practical financial benefits through preferential interest rates to local shipping SMEs who are having difficulties due to the deterioration of the business environment. In partnership with Changwon City and Gimhae City, BNK Kyongnam Bank has prepared a shared growth fund of KRW 20 billion and KRW 9 billion, respectively, to revitalize the management of SMEs in the region.



### COVID-19 Response Activity

#### Support for the Financially Vulnerable

BNK Busan Bank set up and operated the COVID-19 Rapid Response Team to provide prompt support for small business owners suffering difficulties due to the COVID-19 pandemic, through joint bank products such as the "secondary conservation agreement loan for small business owners affected by COVID-19" and the "special guarantee loan for small business owners affected by COVID-19." In addition, the bank dedicated itself to supporting vulnerable groups in various areas through initiatives such as the "Modoon loan (loan for everyone)" agreement to expand inclusive finance for people with low credit ratings, the launch of the "Emergency Livelihood Security Fund for Consigned Lecturers" to stabilize the livelihoods of consigned lecturers who are directly impacted by the spread of COVID-19.

BNK Kyongnam Bank was entrusted with the COVID-19 Special Loan, which was managed by local Credit Guarantee Foundation, to provide guarantee consultation, document reception and contract work. The bank implements measures to enable prompt financial support for small business owners who wish to use the special loan.

#### Support for the Revitalization of Local SMEs

BNK Busan Bank implements the Small and Medium Business Liquidity Support Program to help local SMEs suffering from the impact of COVID-19. For the first time in the banking sector, we are implementing an interest repayment deferral system and are making every effort to minimize the impact on the local economy by actively supporting new funds, interest rate reduction, maturity extension, and repayment deferral. In March 2020, BNK Kyongnam Bank signed a business agreement with the Kyongnam Credit Guarantee Foundation and Ulsan Credit Guarantee Foundation for "special contribution and financial support to revive the local economy." Accordingly, we provided KRW 1 billion for emergency funding to SMEs and small business owners in Kyongnam and Ulsan experiencing difficulties due to COVID-19.

### Emergency Financial Support for Companies Affected by Disaster

In August 2020, BNK Busan Bank and BNK Kyongnam Bank implemented the Emergency Financial Loan for Companies Affected by Disaster due to Heavy Rain and Typhoons for local SMEs affected by unexpected disasters such as localized heavy rain and typhoons. This support program provides emergency management stabilization funds that can provide up to KRW 500 million per company with a maximum interest rate reduction of 1.0%. The program allows our branch managers to quickly handle the extension of the loan deadline and the suspension of repayment of installments in consideration of the extent of damage and urgency of the affected companies.

# #3 Strategic Social Contribution Activities

## Systematic Social Contribution Activities

Under the slogan, "Happy Finance, Giving Hope," BNK Financial Group engages in social contribution activities aimed at sharing hope and achieving win-win growth with the local community. Through efforts to implement ESG management, BNK Financial Group aims to fulfill its social responsibilities by returning corporate profits to the local community according to a detailed and differentiated plan.

### BNK Financial Group's Social Contribution Strategy



### Operation of a Transparent Social Contribution System

BNK Financial Group's Business Support Division oversees all of the different social contribution activities currently undertaken at the group level. BNK Busan Bank and BNK Kyongnam Bank each have a dedicated department for social contribution activities and have established annual plans for implementing social contribution activities that are specifically tailored to each organization.

Specifically, we conduct projects (such as global warming reduction activities in daily living, support for start-up projects) in connection with the group's ESG management plan. In addition, in the interest of pursuing social contribution activities more efficiently, we maintain open communication channels with civic organizations such as regional volunteer centers and professional fundraising institutions such as social welfare funds, listening to the demands from local communities to corporations.

Meanwhile, to ensure impartiality and the proper timing of donations, donation disbursements must be approved in stages by consultative bodies such as the Working Committee, Review Committee, Management Committee, and the BOD. We have also established a transparent process for obtaining approvals from departmental heads, executives and compliance officers, while at the same time maximizing our social contribution activities through close discussions with each division.

### Operating Organizations Dedicated to Social Contribution Activities

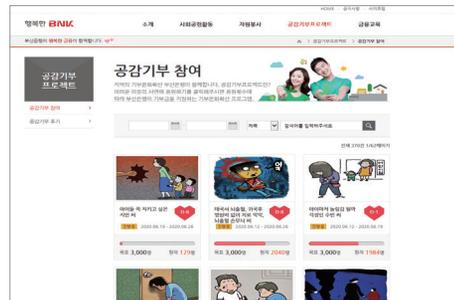
All subsidiary companies of BNK Financial Group operate a team dedicated to social contribution activities. Through the operation of structured social contribution organizations, BNK Busan Bank's Hope Dream Volunteer Group, BNK Kyongnam's Share Love Foundation, and social contribution activity teams in non-banking subsidiaries are expanding their social contribution activities in their respective regions.

## Program Promoting Social Contributions

### BNK Empathy Donation Project with Civic Participation

BNK Busan Bank operates the BNK Empathy Donation Project, a joint project started with media companies and professional fundraising organizations with the goal of fostering a culture of philanthropy in the regions where it operates its business. In this project, the stories of neighbors in need are posted on the bank website every week, and donations from ordinary citizens are collected (based on the number of user clicks) and sent to those in need. In 2020, approximately KRW 183.4 million was raised for 75 individual cases of people in need.

Meanwhile, BNK Kyongnam Bank is financially helping socially neglected individuals in need of help and sponsoring young talent with dreams of forging a career in cultural arts and sports through the Share Love Project (69 households, KRW 226 million raised) and the Teenager Dream Star Program (36 persons, KRW 160 million raised), which it introduced to the public via the newly established Sponsor Happiness and Hope section of its website.



BNK Busan Bank website (participation in Empathy Donation)



BNK Kyongnam Bank's Share Love website

### Busan Social Solidarity Fund (2020)

KRW **1.2** billion  
BNK Busan Bank

KRW **17** million  
BNK Securities

### Employee Participatory Social Contribution Fund

BNK Busan Bank operates a 'Busan social solidarity fund' for which executives and employees contribute a certain amount from their monthly pay to which the bank contributes a matching amount. In 2020, this fund is used to support several projects aimed at helping laborers, small enterprise owners and the economically deprived segment of Busan society, such as low-wage non-regular workers' children financial aid project, job creation support project. The fund is the country's first regional social solidarity fund to be created jointly by both the labor and the management of a company, and taking the lead in revitalizing the local economy and improving social values.

BNK Securities also operates a social solidarity fund in the form of a matching grant, in which employees and the company jointly donate a certain amount. We are actively participating in the spread of sharing culture for the region by supporting local job creation companies in the region.



### Operation of the Volunteer Work Promotion Program

We operate incentive programs such as volunteer mileage and stamp tours to promote a culture of volunteering within our organization. While the recent spread of COVID-19 has led to the promotion of non-face-to-face social contribution programs, we make efforts to prevent the meaning of sharing from fading through steady social contribution engagement.

# #3 Strategic Social Contribution Activities

## Win-Win Finance, the Pillar of the Local

Because at BNK Financial Group we think of ourselves as a company whose fate is tied to that of the local community, we are continuously performing social contribution activities that bring hope and happiness to neighbors experiencing hardships and difficulties. We carried out various projects in 2020 with the aim of providing differentiated social contributions backed with stories and emotions.



## Childbirth Promotion and Assistance for Single Moms

BNK Busan Bank carried out its Happy Mom Box project to encourage childbirth and provide assistance to single moms. Since 2017, the bank has been distributing around 18 childbirth/baby related products (including baby eye focus books made by employees) every year to a total of 200 low-income families to create childbirth and child-friendly environment in Busan. BNK Kyongnam Bank sends childbirth related products and meaningful presents like handwritten letters to expectant mothers with the intention of cheering them up. In addition, we operate the Free Consultation Center for Womens Employment, a regular program which provides customized employment information to women whose careers have been interrupted by the birth of a child and childcare.



## Social Contribution Activities to Overcome COVID-19

As the largest financial institution in southeastern Korea, BNK Busan Bank is not only providing financial support to companies that have been directly affected by COVID-19, but also conducting a wide range of social contributions for various groups such as small business owners, schools, and the underprivileged. The bank participated in local disinfection support activities such as disinfection of 216 traditional markets and the provision of disinfection supplies to 583 local emergency care schools in Busan. It is making efforts to revitalize the local economy: examples include the Hand in Hand Campaign which purchases goods from local social enterprises that are having difficulty in sales due to reduced consumption and delivers the goods to underprivileged members of the local community, participation in the "good landlord" movement to reduce rent, and purchasing goods from local small business owners. It also participates in overcoming local crises by delivering healthy food to medical staff who are working hard to respond to COVID-19 on the frontline, supporting the production of emergency relief sets for those under self-quarantine, and providing the BNK Busan Bank's training center as a treatment center.

BNK Kyongnam Bank is taking the lead in its role as a regional representative bank through customized support for small business owners struggling with COVID-19. The bank provides customized support projects such as the provision of mobile consultation reservation services, financial support for visiting small businesses, and operation of a dedicated window for financial support in response to the pandemic. In addition, it has been fully dedicated to sharing and relief activities such as reduction in monthly rent through the "good landlord" movement, special donations to overcome COVID-19, and support for preventive products. In recognition of these efforts, the bank was awarded the Gyeongsangnam-do Governor's Commendation for its responses to COVID-19.



## National Holiday Sharing Project

On New Year's Day and Chuseok, BNK Financial Group turns its focus to underprivileged people and vigorously pursues sharing projects. In order to revitalize the traditional market in 2020, BNK Busan Bank distributed traditional market gift certificates worth around KRW 450 million to 9,000 low-income households and gift packages (made up of daily necessities produced by local social enterprises) worth around KRW 700 million to 14,000 low-income households.

In 2020, BNK Kyongnam Bank also distributed products from traditional markets with a total value of around KRW 500 million to around 9,500 low-income households, and conducted various other sharing activities. BNK Credit Information has hosted the Happy Hope Sharing Event every holiday since 2016. This is an event that delivers groceries and daily necessities in a Hope Sharing Package to underprivileged neighbors and the families of customers who faithfully repay their debts despite their difficult circumstances.



## 2020 Volunteer Award Recipient

Since 2002, BNK Busan Bank has operated the Hope Dream Volunteer Group, which conducts volunteer activities every week in connection with 40 local social welfare institutions. In 2020, the bank carried out various social contribution activities such as the Senior Financial Education Camp to help financially vulnerable individuals develop their economic awareness and the Summer Beach Environment Cleanup. In recognition of these efforts, the bank received a commendation from the Minister of Public Administration and Security at the 2020 Korea Volunteer Award in December 2020.



### Hope Finance for a Better Future

BNK Financial Group provides financial and career education aimed at instilling teenagers with a proper set of values and supporting their career development activities. We also provide senior citizens with customized educational programs, including voice phishing prevention education, to help them dream of a better tomorrow.

### BNK Happy Scholarship Program

To develop a pool of talented individuals in the local community, we run a Mécénat program whereby we select a group of promising students to be awarded scholarships. Since 2007, BNK Busan Bank has provided scholarships to middle/high school and college students in the Busan region who are unable to afford the cost of attending school. In 2020, the bank established a cooperative system with the Busan Metropolitan City Office of Education and the Busan Community Chest of Korea and selected 180 scholarship students who dedicate themselves to their studies despite difficult circumstances. It has consistently nurtured future talent in the region by providing around KRW 6.6 billion in scholarships to a total of 7,200 people.

BNK Kyongnam Bank also distributed scholarships through its Kyongeun Scholarship Program, which was established in 1971. In 2020, 184 students in Busan, Ulsan, and South Gyeongsang Province were awarded scholarships amounting to about KRW 100 million. So far, scholarships totaling KRW 3.3 billion have been awarded to 5,600 students.



### Children's Safe Walking Program

At a time when protecting children from traffic accidents has become a major public concern, BNK Busan Bank is sponsoring various projects with the goal of making the streets safer for children. Starting with the Children's Yellow Carpet Supply Project, the bank distributed school backpacks with 30km school zone speed limit covers. In 2020, the Children's Yellow Card was distributed to all elementary school students in the first grade to alert drivers and prevent traffic accidents.



### Customized Financial Education

BNK Financial Group provides tailored financial educational programs to students and the elderly with the goal of disseminating correct financial knowledge to the general public. In 2020, we were unable to perform our financial education programs in the same format as in previous years due to the impact of COVID-19. However, we were able to provide selective financial education programs, such as 1-company on 1-school financial education and college students' career experience education. To respond to the prolonged duration of the COVID-19 pandemic, we have prepared a system to enable the conduct of education without face-to-face contact.



### Youth Self-reliance Support Project

In 2020, in partnership with the Busan Social Solidarity Fund, BNK Busan Bank carried out a project to support the independence of youth after the period of protection at orphanages is completed. The bank provides financial, economic, and labor education to foster financial management skills and labor knowledge among young people who have reached the end of their protection period in orphanages. The BNK Talent Donation Volunteer Group makes efforts to help young people who have after their orphanage protection period through coaching projects, such as 1:1 customized education and financial design.

# #3 Strategic Social Contribution Activities



## Art Finance that Local Residents Can Empathize With

Just as the sponsorship of cultural arts by the powerful Medici family of Italy heralded the Renaissance movement in Europe, we believe that culture is the driving force behind economic vitalization. This is the same philosophy that drives BNK Financial Group to fulfill its social responsibility to the local community by funding diverse cultural and artistic endeavors and pursuing social contribution projects of common interest to both local residents and the company.



## Hosting Cultural Performances for Customers and Local Residents

BNK Financial Group regularly holds free cultural performances such as musicals, plays, and classical concerts for the benefit of local residents. Since 2018, BNK Busan Bank has been running a monthly program of cultural performances called the Work-Life Balance Culture in Busan Project at its main building (Ocean Hall Auditorium) with the goal of promoting the cultural arts in Busan. By the end of 2020, some 21,472 citizens had attended 62 of these cultural performances. BNK Kyongnam Bank also expressed gratitude to its customers by hosting an opera and a Mécénat concert to commemorate the 29th anniversary of its founding in 2020. Approximately 2,600 customers came to enjoy these events. We also take pride in contributing to the growth of the local performing arts market by giving local artists opportunities to perform live.



## Support for Sports Activities and Participatory Donations

We provide support aimed at expanding the regional base of sports activities and incubating and training outstanding athletes. We sponsor a BNK track & field team consisting of 1 coach and 6 athletes and endeavor to identify and encourage promising local talent in sports by presenting awards to some of the most outstanding track athletes every year. BNK Kyongnam Bank is steadily engaging in local sports support projects for Gyeongnam FC, Korea Wrestling Association, Gyeongnam Athletics Federation, and Ulsan Fencing Association. The bank is helping low income youngsters with talent in arts and sports to achieve their dreams by sponsoring them through its Teenage Dream Star Project. Furthermore, we participated in building health staircases based on civic donations, which were constructed in 2016 at Kyongsung University and Pukyong National University stations on Busan Subway Line 2 and used by a total of 5.8 million citizens as of 2020. We have raised a total of KRW 80 million (KRW 20 million each year) for treatment of children with incurable diseases, and have worked hard to foster a donation culture by which we can maintain our health and engage in rewarding philanthropy in our daily lives.



## Support for Fine Art Competitions and Art Galleries

BNK Busan Bank has hosted a Children's Art Competition with the theme of "Joy of Walking, Happy Walking" for children, the future of our society, as part of our community communication outreach. The competition invited 1,800 works from 230 elementary schools and winners were given an opportunity to exhibit their works. To nurture young local talent in the arts, we organized and hosted the Young Artists Exhibition to promote the works of 193 promising artists to the broader public. We also run art galleries in BNK Busan Bank (3 branches in Busan) and BNK Kyongnam Bank (headquarters) which offer space for free exhibition of artworks. Through these galleries, we are fulfilling our social responsibilities by providing artists with a space in which to showcase their talents and offering local residents opportunities to enjoy culture.

## Selection of Outstanding Institutions for Cultural and Artistic Sponsorship

Under the slogan of "Art Bank," BNK Busan Bank provides various support in Mécénat programs to beautify the region. We are the only enterprise that has sponsored the Busan International Film Festival (BIFF), which has emerged as a world class film festival, from its inaugural. We regularly participate in regional cultural and artistic festivals in Busan such as the Busan International Fireworks Festival, the Busan International Dance Festival, and the Busan Biennale. BNK Kyongnam Bank sponsored the 2020 Changwon Sculpture Biennale, Korea's only sculpture biennale, to promote local culture and arts. Through the Biennale, in which 85 domestic and foreign teams and 100 artists participated, we provided local residents and artists with the opportunity to enjoy a large-scale art event. BNK Busan Bank and BNK Kyongnam Bank were designated 2020 Outstanding Organizations for Supporting Culture and Arts in recognition of their organizational capabilities, operating system, and sponsorship related to cultural and artistic activity.



### Green Finance for Promoting an Eco-friendly Culture

BNK Financial Group is reacting to the growing environmental problem including atmospheric pollution by carrying out diverse social contribution activities to address the environmental issues of local communities. We selected eco-friendly social contribution activities as a major theme and are now pursuing several projects to transform Busan, Ulsan, and Gyeongsang Province into green cities. We are also taking the lead in publicizing the overwhelming importance of the environment.

#### Fine Dust Reduction Project

BNK Busan Bank has launched a project to reduce fine dust by funding the acquisition of two dust absorption vehicles and two spray vehicles capable of removing fine dust discharged into the air by trailers and ships that travel to and from the docks of Busan. This is a long-term project entailing KRW 1 billion in vehicle leasing costs to be paid out over a 7-year period. This project is expected to remove around 55 tons of fine dust per year and is already contributing to enhancing the air quality in Busan.



#### Environmental Cleanup Volunteer Activities

As South Korea's leading resort city, Busan grapples with mounds of garbage discarded by tourists every year. To lend a hand with the garbage problem, employees of BNK Busan Bank carried out environmental cleanup work at six tourist sites, including the world-famous Haeundae Beach, for one full month in August 2020. In addition, BNK Kyongnam Bank organized beach-combing activities to collect marine waste washed up ashore in major vacation spots in Gyeongnam and Ulsan. BNK Kyongnam Bank also selected 50 sites with walking trails and held "Untact Plogging" volunteering events, where bank employees, together with local residents, walked or jogged along the trails and picked up any trash they came across.



#### Forest Cultivation Project

To improve air quality and support the successful hosting of the Korea-ASEAN Special Summit, BNK Busan Bank invested KRW 1 billion in creating the Dongbaek Symbolic Forest in Haeundae's Dongbaek Park. The planting of 4,000 camellias in the park has turned it into a lush forest. As Busan becomes an internationally renowned tourist city, the bank will continue to engage in supporting projects. BNK Kyongnam Bank is contributing to the development of Ulsan into an eco-friendly city by sponsoring the Ulsan Baekni Bamboo Forest. The bank is actively assisting in the construction of bamboo forests such as those in Maengjongjuk, Wangdae, and the rest shelter in Baengni Bamboo Forest to make the Baekni Bamboo Forest as a leading renowned garden in Korea. Furthermore, through BNK Busan Bank's tree planting festival on Be a Friend to the Park Day and BNK Kyongnam Bank's Life Forest Gardening Volunteer Project, we endeavor to raise public awareness of the importance of greenery and promote a green culture.

#### Commemorating World Water Day

To commemorate the UN-designated World Water Day (March 22), BNK Kyongnam Bank carried out an environmental cleanup campaign in which its employees gathered trash and waste polluting local streams and the surrounding areas. BNK Kyongnam Bank will continue to work with local residents to spread consensus on the seriousness of water shortages and the value of water.



#### Cooperation with Busan Environment Corporation for Busan Eco-City

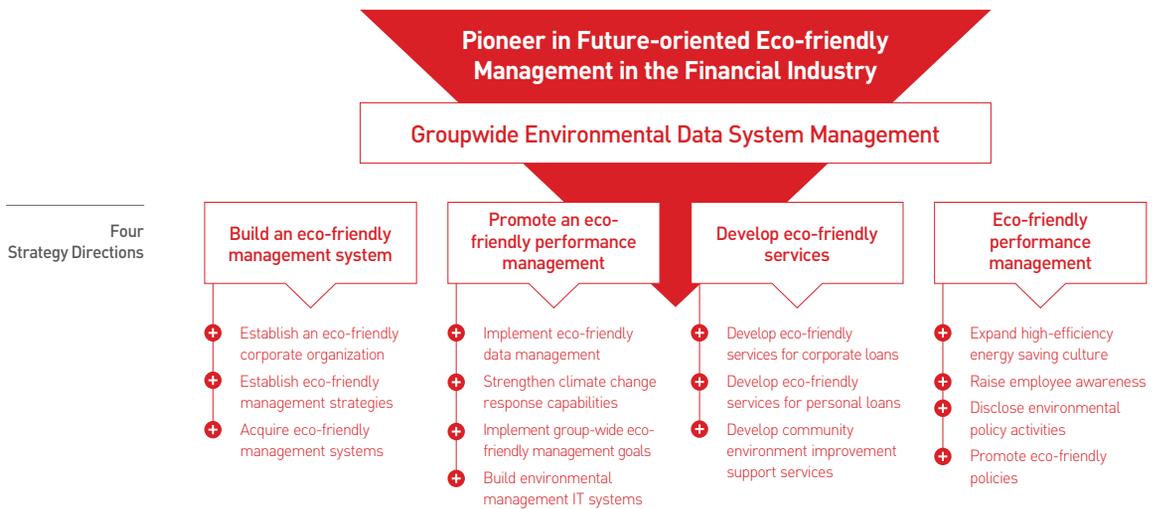
In partnership with the Busan Environment Corporation, BNK Busan Bank has provided a total project cost of about KRW 800 million for four years from 2019 to 2022 for the construction of Busan Eco-City to carry out various environmental improvement activities with three priorities: promoting the welfare of citizens, improving the quality of life for environmental weaker, and environmental culture campaigning.

# #4 Implementation of Climate Change Response

## Enhancement of the Environmental Management System

BNK Financial Group pursues 'future-oriented eco-friendly management' strategies which reflect the characteristics of the financial industry. To this end, we have established an environmental management system and manage companywide environmental data systematically, while providing various eco-friendly financial products and services as a way to contribute to spreading an eco-friendly culture in our society.

### Environmental Management Strategy



### Acquisition and Maintenance of the International Environmental Management Certification (ISO 14001)

Since declaring the slogan of "Green Bank" in September 2018, BNK Busan Bank has striven to reduce disposable products and create a paperless work environment in a bid to promote green management as a key part of its corporate culture. As a result, in July 2019 it acquired the ISO 14001 certification, an international standard for environmental management systems, from the Korea Productivity Center Quality Assurance, and has since maintained this certification. ISO 14001 is the world's most highly regarded set of international standards for environmental management. BNK Financial Group will expand its eco-friendly management practices groupwide to fulfill its corporate social responsibilities.

### Groupwide Efforts for Resource Conservation

#### Building a Paperless Work Environment

We have distributed tablet PCs to our executives and heads of departments while turning most meetings held at our head office into paperless ones. Not only the head office, but branches, as well, have also established electronic payment and reporting systems to reduce printing on paper, while minimizing paper use by replacing paper promotional materials and posters by digital signage. To encourage our customers to participate in our resource conservation efforts, we offer mobile coupons to those that choose to receive bill statements by text or e-mail through Paper Statement Reduction Events.

### Plastic-Free Challenge

In November 2019, BNK FG launched the Plastic-Free Challenge, a relay environmental protection campaign designed to minimize plastic waste including disposable cups, under the sponsorship of the World Wildlife Fund (WWF) and Jeju Pass. This program included the participation of people from all walks of life including politicians and key personnel in the finance and entertainment industries. For instance, the CEO of BNK Kyongnam Bank, who participated in the campaign, has used mugs and tumblers while encouraging employees to join the effort.

KRW **152** million  
Energy Cost Reduction  
(BNK Busan: energy consumption down 3.1% from the previous year)

KRW **382** million  
Energy Cost Reduction  
(BNK Kyongnam: energy consumption down 10.7% from the previous year)



### Resource Conservation Campaigns

After issuing Guidelines on Reducing Disposables, BNK Busan Bank has distributed personal tumblers to all its employees to reduce usage of paper cups. The program also prohibits the purchase of bottle water used for a variety of meetings. However, considering the limitation of using mugs when dealing with customers due to COVID-19 pandemic in 2020, we solved the problem by using 100% compostable eco-friendly paper cups instead of regular paper cups. BNK Kyongnam Bank also strives to recycle waste generated during its organizational restructuring and environmental improvements in its branches. The bank has also installed umbrella rainwater removers in its branches to minimize the utilization of disposable umbrella covers.

### Energy Conservation to Fight Climate Change

#### Energy Conservation Campaigns

BNK Busan Bank has conducted campaigns to spread the energy conservation culture under five action plans including 'complying with recommended indoor temperatures', 'minimizing standby power', 'using stairs instead of the elevator', 'turning unnecessary lights off' and 'improving energy efficiency'. It selects branches with poor results of campaign to establish energy saving plans and provides training on saving measures. BNK Kyongnam Bank also launched an Energy and Resource Conservation Campaign under the four major themes such as 'conserve', 'recycle', 'maximize' and 'rethink' with the purpose of raising employee awareness and practicing conservation on a daily basis, as well as usual energy conservation activities including maintenance of HVAC systems and turning off all lights in the office building after hours. On June 5th every year, World Environment Day, BNK Financial Group held the Save the Earth Campaign to raise environmental awareness and encourage actions related to the cause by presenting gifts to those who posted pictures on one of the three main themes such as 'love for the environment', 'fine dust reduction' and 'plastic-free challenge' on their social media.

#### Eco-friendly Building Operations

BNK Busan Bank Head Office has won a grade-1 building energy efficiency certificate for its adoption of the replacement of lights with LED lights, the installation of solar control glass, the use of geothermal systems, and the introduction of inverter motors for all office air-conditioning units. BNK Kyongnam Bank has created a pleasant working environment by improving indoor air quality through the upgrade of ventilation facilities in branches and the installation of fine dust filters, among others. It runs the training center and the group IT center as ecofriendly buildings by installing PV power stations, LED lighting, and geothermal heating and cooling systems. Some departments in headquarters have increased energy efficiency in heating and cooling through the adoption of a partition-free open office system.

#### Introduction of Low Emission Business Vehicles

BNK Busan Bank is pushing for energy conservation through the replacement of vehicles with eco-friendly ones when they reach maturity. As of the end of 2020, a total of 67 business vehicles were replaced by low emission ones. We will continue to take the lead in reducing air pollutants by introducing low emission vehicles and electric vehicles.

### Environmental Education

BNK Busan Bank continuously conducts environmental education for its employees to ensure that they comply with its own environmental management guidelines as well as relevant laws and regulations. Curricula include Environmental Management Policies, Processes, and System Requirements and Environmental Impacts of BNK Financial Group Products, Services, and Activities, which are delivered via various training methods such as lectures, audio-visual presentations, discussions, and field trips.

## STRATEGY 3.

# Trustworthy Growth

- 58 #1 Fulfillment of Ethical Responsibilities
- 60 #2 Digital Security and Prevention of Financial Incidents
- 63 #3 Expansion of Financial Consumers Access to Finance
- 67 #4 ESG Risk Management

2020 Customer Satisfaction Survey Results

**98.2** points

BNK Busan Bank

**97.4** points

BNK Kyongnam Bank

**0** cases for **3** consecutive years

Leaks of Customers' Personal Information

No. of Hours of Ethical Education Per Employee

**12** hours **15** hours

BNK Busan Bank

BNK Kyongnam Bank

## Business Relevance

Customer satisfaction and trust are important factors in promoting sustainable management as they have a direct impact on corporate performance. As non-face-to-face services using digital technology have been expanded since the COVID-19 pandemic, information security problems are also increasing. Incomplete sales, including the recent lime crisis, have led to strengthening ethical management and financial consumer protection measures in the financial industry.

## BNK's Approach

BNK Financial Group is promoting various ethical management practice programs and strengthening its internal control system to establish a company-wide ethical management system and internalize proper cultural norms. We are making every effort to establish information security systems such as ISO27001 and ISMS and to prevent various financial accidents, and to protect financial consumer rights and reinforce a customer-centered culture.

## Our Plan

As information protection becomes more important, BNK Financial Group plans to strengthen consumer protection programs and information protection systems for safe financial transactions while maintaining a strong ethical management and internal control system. In addition, we will continue to identify differentiated services that meet customer needs by strengthening our internal capabilities and improving accessibility and convenience in financial services.



# #1 Fulfillment of Ethical Responsibilities

## Strengthened Ethical Management System and Internal Regulation

In order to realize its sustainability management vision of “Becoming a Global Standard Financial Group,” BNK Financial Group is strengthening its ethical management system throughout the entire group. After establishing our Code of Ethics in 2011, BNK Financial Group revised it on several occasions in order to satisfy the changing policy requirements of financial authorities and to meet various global initiatives. BNK Financial Group shares its ethical management values with all its affiliates. The group complies with the code of conduct and the principles of conduct, which were declared both internally and externally, and operates a broad range of programs designed to promote sound ethical management.

### BNK Financial Group’s Internal Regulation System

BNK Financial Group has set up an internal regulation system for ethical management to prevent legal sanctions, financial losses, or damage to our reputation due to violations of ethical and compliance regulations. Through the group-level Internal Control Committee, Internal Control Council, and Compliance Officers Council, we operate a preemptive internal regulation system consisting of our own ethical standard diagnosis and inspection practices and identify areas for improvement. We also carry out other kinds of internal regulation activities, such as the monitoring and reporting of ethical/legal compliance violations by the compliance officers and the audit committee, respectively.

#### Conferences on Internal Regulation (2020)

Description	Date
Internal Control Committee	June 2020 and December 2020
Group Internal Control Committee	June 2020 and December 2020
Compliance Officers Council	February 2020 and October 2020
Inclusive Finance Directors’ Meeting	July 2020

#### Internal Control Implementation Check

BNK Busan Bank	1 session
BNK Kyongnam Bank	3 session
Other Affiliate Companies	2 session

### Ethical Management Implementation Inspections

BNK Financial Group provides education and conducts inspections to raise employee awareness of the importance of applying ethical codes of conduct to their work. In particular, we urge our employees to pay close attention to such codes of conduct via official company mails and workplace inspections during national holidays because we are living through a time when conscientious behavior on the part of all employees is particularly required. We frequently check for ethical violations such as unscrupulous expense claims, exchanges of gifts by employees, company dinner culture, office bullying, and sexual harassment.

BNK Busan Bank and BNK Kyongnam Bank are currently reviewing how well the implementation of ethical management is proceeding in their respective organizations. Based on the results of this review, both banks are providing consulting to lower-level branches on how to better regulate the implementation of ethical management in each of the branches. If ethical management cannot be regulated in the lower-level branches, the bank’s president launches internal control watch programs, such as sending messages urging individual employees to exercise caution. The banks are trying to implement ethical management in this way. The banks also designate one day of every month as a day for self-inspections of ethics and compliance. On this day, the banks choose an ethical management keyword and distribute educational materials on its implementation to raise awareness of the importance of ethical management and the importance of internally regulating ethics within the banks’ own organizations.

### Whistleblower Reporting System

BNK Financial Group operates a whistleblower reporting system that allows employees to report violations of the ethical management rules to the Group’s Legal Compliance Auditor. Under this system, potential infringements of the ethical and compliance rules are prevented in advance, while actual infringements are dealt with immediately. In particular, with the Internet/mobile telephone-based BNK Helpline app, employees can report anonymously, while inquiries on compliance can be sent conveniently anytime anywhere. The processing of an inquiry request can be tracked, and the completion of a request can be checked. Through continuous development of this system, we are increasing access and constructing a more systemized whistleblower reporting process.

## BNK Financial Group Ethical management Activities

### Improved Compliance with the Improper Solicitation and Graft Act

BNK Financial Group prohibits the improper solicitation and receipt of money or goods in accordance with the Improper Solicitation and Graft Act. An employee who unwittingly receives money, goods or gifts must return them immediately and fill out a Notice on the Return of Gift/Money and report it to their departmental head by way of the compliance officer within 3 business days. If, for some other reason, return of the gift(or money) is impossible, then it must be used for social contribution purposes in the form of a donation after reporting the matter to the compliance officer and departmental head. The compliance officer assigned to each department records the details of the money or gifts received in a ledger and manages the record transparently.

### Expanded Ethical Education

BNK Financial Group regularly provides ethical education to raise awareness among executives and employees of the importance of ethics and compliance with ethical codes of conduct and to promote an ethical corporate culture. We especially focus on teaching employees about the duty of compliance by selecting a monthly topic on ethical violations that could occur in the office and educating them about laws and cases concerning such violations. In addition, a wider education on our overall ethical management is provided to newly appointed department/division/branch heads, including the Code of Ethics, anti-money laundering system and whistleblower reporting system.



### Consolidated Group Policy on Anti-Money Laundering

To respond pre-emptively to the ever-increasing variety of illegal money laundering schemes and comply with regulations designed to stop such practices, we have completely reformed our anti-money laundering system at the group level. We will proactively respond to increasingly diverse and complex anti-money laundering practices and related regulations. By pursuing these group-wide policies, we expect the management capabilities of our affiliates to be upwardly standardized and the quality of risk management of the entire group to be improved.

### Expanded Anti-Money Laundering Education

Based on the July 2019 revision of the Act on the Reporting and Using Specified Financial Transaction Information and Enforcement Decree, the government has begun to hold financial companies more accountable for preventing money laundering. To fulfill this obligation, affiliate companies under the BNK Financial Group provide education tailored to individuals, based on their annual educational plans. At a workshop for outside directors, lectures were given to the outside directors and executives of BNK Financial Group and its affiliate companies on preventing money laundering. Furthermore, at a group Internal Regulation Committee meeting, lawyers were invited to give lectures on the subject to auditors from BNK Financial Group and its affiliate companies.

# #2 Digital Security and Prevention of Financial Incidents

## Strengthened Financial Mishap and Financial Fraud Prevention System

The popularity of online transactions and non-face-to-face transactions are giving rise to harmful financial incidents including withdrawals from fake deposit accounts and voice phishing. BNK Financial Group has deployed numerous Big Data-based AI solutions throughout its business operations, creating a financial environment where customers can complete transactions with the utmost confidence, and is striving to prevent financial accidents in advance through education and campaigns aimed at detecting financial fraud.



### Enhancement of the Electronic Financial Fraud Prevention System

BNK Busan Bank introduced an AI-based Voice Phishing-Fraud Detection System (V-FDS) in 2019. This advanced financial fraud prevention system uses Big Data to detect signs of voice phishing by analyzing in real time the patterns and money flows of customers' financial transactions. It is capable of not only detecting withdrawals from fake deposit accounts, but also detecting fraudulent transactions that trick customers into approving money transfers. If a transaction is suspected to be fraudulent after a Big Data-based comparative analysis of the customer's regular transaction pattern, that electronic financial transaction is automatically blocked. In 2020, BNK Busan Bank and BNK Kyongnam Bank detected 583 cases of fraudulent transactions, preventing financial damages of around KRW 7.4 billion.



### Financial Fraud Prevention Activities

BNK Financial Group operates easy-to-understand finance education and career-experience programs for children and teenagers, and tailored finance education for members of financially excluded segments of the community, such as teenagers, people with disabilities, and senior citizens. In 2020, we collaborated with a professional webtoon artist to provide a webtoon titled "How to Prevent Voice Phishing" based on case examples of voice phishing. We actively engaged in voice phishing prevention by posting the webtoon on our website and distributing booklets of the webtoon to our customers through our branches. In addition, we are taking the lead in protecting valuable customer property by inserting a phrase to prevent voice phishing in the waiting list for customers who have visited our banks and conducting preventive PR activities closely integrated into everyday life.

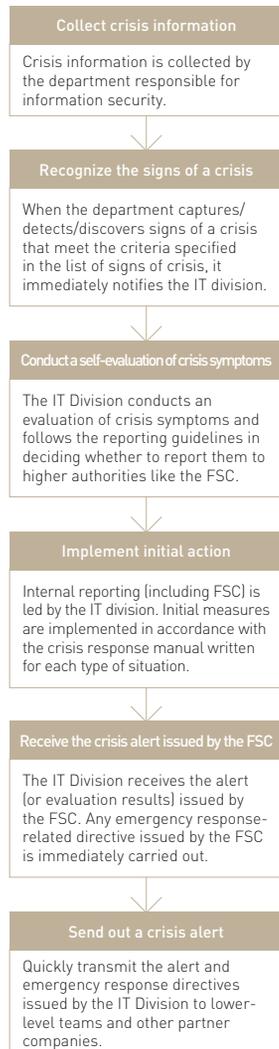
### BNK Financial Group Financial Education Outcomes

Category	Number of persons			Cases		
	BNK Busan Bank	BNK Kyongnam Bank	Subtotal	BNK Busan Bank	BNK Kyongnam Bank	Subtotal
1-company on 1-school financial education	6,983	715	7,698	118	10	128
Financial education for vulnerable social groups	1,003	396	1399	57	31	88
Career experience education	248	0	248	5	0	5
External financial education	154	700	854	4	29	33
<b>Total</b>	<b>8,388</b>	<b>1,811</b>	<b>10,199</b>	<b>184</b>	<b>70</b>	<b>254</b>

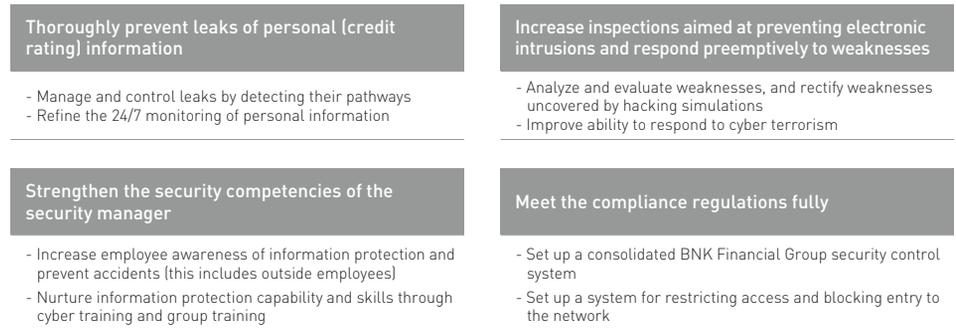
## Digital Security and Prevention of Personal Information Leaks

BNK Financial Group is bolstering its information security risk management based on four major information security strategies. First, we have improved our process for managing the diagnosis of information security weaknesses and built a systemized response system which analyzes (confidentiality, integrity and availability) risk factors that could impact key information systems like servers and networks. In addition, we have established an integrated security control system and network access control and intrusion blocking system in the IT Development Center. The flow of personal information leaks is monitored in real time, and leaks are prevented with the deployment of a personal information(credit rating) protection system.

### Process for Responding to Information Security Risks



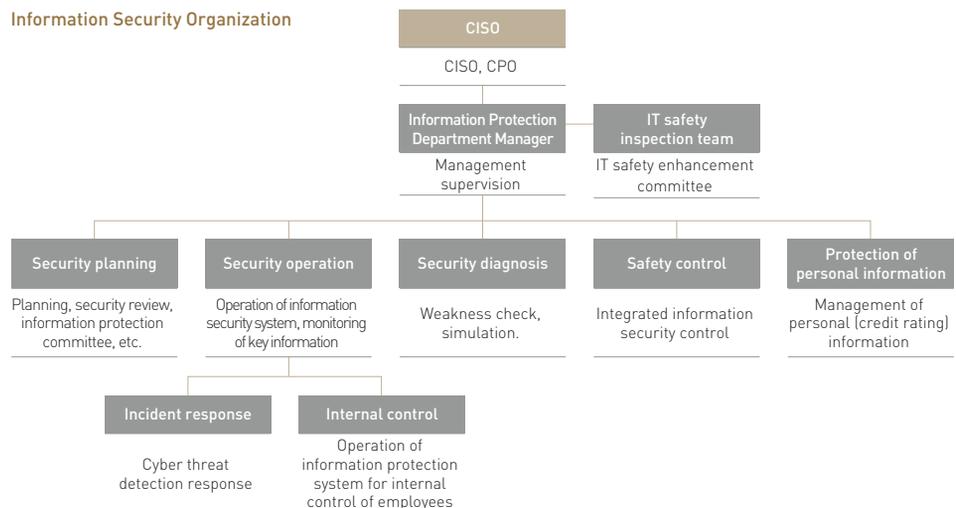
### Information Security Strategy of BNK Financial Group



### Information Security Risk Management Process

BNK Financial Group appoints a Chief Information Security Officer(CISO) to assume overall responsibility for information security, while the Information Protection Department is tasked with security planning, intrusion response and internal control, and personal(credit rating) information protection. In the event of an information security crisis, the bank responds to information security risks by following a six-stage process (ranging from information collection to warning dissemination) described in the bank's crisis response manual.

### Information Security Organization



## #2 Digital Security and Prevention of Financial Incidents



### Strengthened Information Protection System

BNK Financial Group, particularly BNK Busan Bank and BNK Kyongnam Bank, analyzes weaknesses in our electronic financial facilities and continuously upgrade our information protection management system by revising the related regulations based on the stipulations set forth in the Electronic Financial Transactions Act and the Electronic Finance Supervision Regulations. Our efforts to enhance our autonomous security system have greatly strengthened user protection, as has our early adoption of the IT security needed for new electronic financial services such as Fintech.

BNK Busan Bank is managing information protection by adopting the ISO 27001 standard for the bank's information protection policy, physical security, and safety of information access control. BNK Kyongnam Bank was also the first regional bank to obtain the information security management system (ISMS) certification, and since then the bank has been strengthening information security and administering the information protection system by renewing this certification every year. In 2021, we are preparing to acquire additional ISMS certification for the IDC center and electronic financial infrastructure operated by BNK Busan Bank. BNK Kyongnam Bank renewed the information protection management system (ISMS) certification for the new mobile banking system opened in 2020.

### Responding to Information Security incidents

Since COVID-19 pandemic, domestic financial companies become targets for digital attacks due to increased telecommuting and digital attacks. In October 2020, a DDoS attack on domestic banks such as BNK Busan Bank occurred, making it important to respond to threats. BNK Financial Group operates a security control center on a 24/365 basis to continuously monitor cyber-threat information from both inside and outside the bank. We have also created an integrated monitoring environment by diverting all the data collected by the different security systems installed in each section to the bank's central control system. Furthermore, we are fundamentally preventing security mishaps by immediately responding to abnormalities with security alerts.

BNK Financial Group has a systematic and efficient DDoS attack defense system and cooperates with security institutes. We conduct defense training against DDoS attacks more than once a year, and operate a multi-level defense system depending on the size of the attack to ensure stable financial service delivery through our response system. We also have cooperated with the Financial Security Institute in setting up a cloud-based DDOS attack response system. Meanwhile, we have been working to provide stable financial services to our customers by removing attack data from the cloud shelter and sending only normal data to the bank in the event of a massive DDOS attack.

### Strengthened Protection of Customer Personal Information

BNK Financial Group conducts document encryption, personal information masking, and approval procedures for external export of personal information to prevent leakage of personal information. Through regular information protection inspections, we strictly whether essential security software is installed and whether personal information is maintained. In addition, we check the compliance of the information security checklist for employees every month, and report the check result to the CEO.

In order to strengthen the internal control procedures and personal information security for access to personal information, we diagnose and improve security vulnerabilities throughout the process from creation to collection of system access accounts. We also have conducted inspections of how data on personal information processing companies are managed. In order to prevent misuse and abuse of personal information, we operate a system to manage a series of processes such as collection, use, provision, storage, and destruction of personal information, strengthen the internal control system by a department dedicated to personal information protection, and regularly provide training for all employees on raising awareness of information protection and managing personal information.

# ZERO

Total Number of Personal Information Hackings and Leaks in 2020

## #3

## Expansion of Financial Consumers Access to Finance

## Spread of the Customer-Centered Culture



As customers' use of financial services grows from one year to the next, global financial companies are quickly identifying their needs through various channels and providing a variety of products and services designed to fulfill their needs. BNK Financial Group is also striving to strengthen its customer-centered service by listening more intently to customer voices so that it can meet their diverse needs. By increasing access to financial services for the finance-deprived segment of society, we intend to put into practice genuine customer impression management.

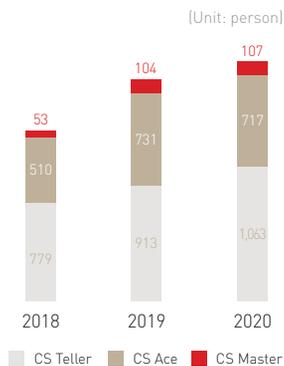
## Customer-Centered Service through Customer Experience Management (CEM)

BNK Busan Bank dispatches CEM (Customer Experience Management) researchers to its branches where they are tasked with promoting the adoption of a CS culture centered on customers. Each researcher starts by "reliving" the experience of a typical customer at the bank. Afterwards, the researcher assesses the sales branch on such factors as customer reception, expert consultation, job support for customer managers, customer lounge guidance activities, attitude towards work, and the work environment. Finally, the researcher selects the most outstanding employee in the field of customer experience management. As one method of enhancing customer value, the bank chooses a monthly CS theme (such as "Do not waste your customer's precious time," "Clean Up! Clean Bank!," "First Phone Received by 3.3.3 principle," "Are You Ready?," etc.) at the beginning of each month. BNK Kyongnam Bank conducts service monitoring (SMS) that dispatches CEM (Customer Experience Management) researchers to its branches for customer contact service, and a telephone customer satisfaction survey (CSI) of customers visiting its branches. The researcher selects the most outstanding employee in the field of customer experience management. To encourage the adoption of appropriate customer service management methods and improve customer service, it selects CS Angels from the branches and provides regular CS trainings through various methods such as face-to-face and non-face-to-face education.

## Enhancing the Competencies of Customer Contact Point Managers

BNK Financial Group concentrates on building its employees' CS competencies, aware that improving customer satisfaction is key to enhancing corporate competitiveness. It conducts regular service competency evaluations and then selects and awards one outstanding CS employee and one outstanding CS sales branch. We encourage employees to voluntarily foster a better CS culture by presenting specially framed caricatures to employees selected on the basis of excellent customer recommendations. We also operate a qualification certification program (CS Master, CS Ace, CS Teller) based on evaluations of CS competency in the field. Furthermore, to engage our customers with financial service experts who are sincere and professional, we provide a wide range of training programs for sales branch employees, such as CS training sessions and group training sessions.

CS Qualification Levels



Qualification levels	Required points (CS mileage)	Required criteria	
		Selection of outstanding employee	Learning mileage
Master	100 pts or above	More than 8 times	10 pts or above
Ace	50 pts or above	More than 6 times	5 pts or above
Teller	30 pts or above	More than 4 times	5 pts or above

## CS Mind Training Results (2020)



# #3 Expansion of Financial Consumers Access to Finance



### Increased Communication with Customers

BNK Financial Group requests all related departments to make improvements and changes\* to the website and systems for the purpose of resolving customer complaints and preventing their recurrence. Through numerous channels including the Customer Center, we listen to the voices of our customers (VoC) and reflect them in diverse aspects of our business, whether it is for developing customer-tailored products or improving the process of collecting the VoC. With the introduction of mentor/mentee counseling and the Pre-VoC service, BNK Busan Bank is working to ensure simple customer discontents do not lead to customer complaints. Furthermore, we analyze the root causes behind customer complaints and request the relevant departments to make the necessary improvements to systems, processes, and programs so as to resolve customer complaints and prevent the recurrence of similar complaints.

### Number of Customer Complaints Received

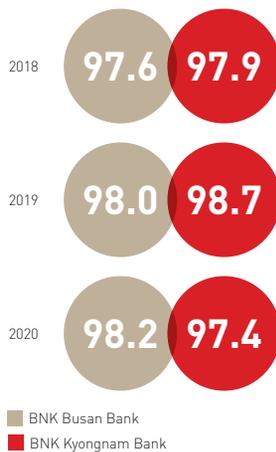
[Unit: ea]

Organization	2018	2019	2020
FSS	142	104	172
BNK Busan Bank	2	-	-
BNK Kyongnam Bank	-	1	1
Total	144	105	173

\* Customer complaints received via our website and considered reasonable.

### Customer Satisfaction Results

[Unit: points]



### Construction of a Future-oriented Contact Center

Digital innovations result not only in advancements of our customer channel operations such as job innovations and platforms, but also have an impact on the VoC responses of our customer centers. BNK Financial Group has established a customer behavior analysis system and a consultation analysis system for the purpose of building a future-oriented contact center and is currently enhancing its knowledge management system. Upon completion of the future-oriented contact center, we will be able to analyze customer behavior and customer counseling data with AI and provide even better products and services to our customers.

### Results of Customer Complaint Prevention Efforts

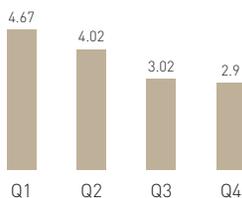
[Unit: ea]

Category	2018	2019	2020
Mentor-Mentee	87	145	134
PRE-VOC	28	68	42
Total	115	213	176



### Customer complain ratio [2020]

[Unit: %]



### Improvement of Customer Satisfaction and Customer Complaint Ratio

BNK Financial Group strives to improve its customer management by conducting a customer satisfaction survey every year while minimizing the customer complaint ratio by improving customer experience. Of particular note is the continuing rise in our customer satisfaction score, which is attributable to the activities we have launched with the aim of providing customers with moving service and conveying our sincerity. In order to provide better service to our customers, we provide monthly CS evaluation reports focused on customer complaints by sales branch, while responding to complaints' VoC and continuously lowering the complaint ratio.

## Expanded Financial Service Support for the Financially Excluded

Access to finance refers not only to the physical distance between customers and sales branches, but can also mean more convenient financial services for underprivileged social groups and expanded financial services for financially excluded people. BNK Financial Group is gradually expanding its services to increase access to financial services for the socially underprivileged.

### Expanded Support Services for the Financially Excluded

BNK Financial Group is making concerted efforts to improve access to financial services for ordinary people who are rarely eligible to receive such services. BNK Busan Bank and BNK Kyongnam Bank have recently expanded, to all of their branches, not just financial support services for working class and small business owners, but also bank teller services(debt restructuring and financial counseling) catering to financially excluded customers. By helping these people regain their credit ratings, normalize financial trading, and accumulate wealth, we are paving the way for their economic "comeback."



### Financial Services for the Socially Vulnerable

BNK Financial Group strives to meet the needs of elderly and teenage customers and customers with physical disabilities. In 2020, BNK Busan Bank signed an MOU with the Busan Braille Library to improve financial accessibility for customers with disabilities, and provided Braille Terms & Conditions and product manuals for persons with visual impairments. Real-time remote "untact" financial education using a video broadcasting system was provided for organizations that in need of financial education for teenagers and seniors through remote learning. In addition, we make efforts to fulfill our social responsibilities through financial education activities in consideration of the financially vulnerable by launching BNK Financial Group Financial Class, an application dedicated to increasing the convenience of financial education with video education contents and training application functions.

Description	Activities to help the financially challenged customer segment
Expansion of services for customers facing financial hardships	<ul style="list-style-type: none"> <li>Developed BNK Financial Group Financial Class, a financial education application               <ul style="list-style-type: none"> <li>Improved access to the bank's financial education contents via online education channels</li> </ul> </li> <li>Implemented real-time remote education to expand non-face-to-face video financial learning               <ul style="list-style-type: none"> <li>Provided live financial education programs nationwide to the vulnerable groups such as children in remote areas</li> </ul> </li> <li>Provided Braille Terms and Conditions for persons with visual impairments               <ul style="list-style-type: none"> <li>Signed MOU with Busan Braille Library</li> </ul> </li> </ul>
Protection of the personal assets of financially challenged customers	<ul style="list-style-type: none"> <li>Promotional activities for easy-to-understand voice phishing prevention guide in webtoon format               <ul style="list-style-type: none"> <li>Distributed contents in webtoon format titled "Easy-to-understand voice phishing prevention method with financial group" to customers</li> </ul> </li> <li>Inserted voice phishing precautions into waiting number tickets at our sales branches in collaboration with the Provincial Police Agency               <ul style="list-style-type: none"> <li>Conducted promotional activities to raise awareness of voice phishing</li> </ul> </li> </ul>

## BANKING GUIDEBOOK for Foreigners

### Specialized Services for Foreign Customers

On May 20, 2020, BNK Financial Group published and distributed a guidebook in six languages (including English and Chinese) containing information on how to open bank accounts, exchange foreign currencies and send remittances, and other information necessary for financial transactions. The bank also launched an ARS service in English, Japanese and Chinese, and assigned consultants to help foreign customers, even those who do not speak Korean, to conveniently access our financial services.

# #3 Expansion of Financial Consumers Access to Finance

## Prevention of Incomplete Sales and Unfair Trade Practices



Financial Consumer Protection Ceremony

The rapid changes taking place in the financial market environments of South Korea and overseas, as well as the introduction of increasingly diverse financial products are leading to increasing calls for the protection of consumer rights. We at BNK Financial Group have formed a dedicated organization tasked with looking after financial consumers and protecting them from any unnecessary harm, and by proactively moving to protect the rights of financial consumers by, for example, taking steps to avert incomplete sales.

### Organizational Reinforcements to Protect the Rights of Financial Consumers

BNK Financial Group develops products and services from the consumer's perspective as part of our focus on consumer-centered management, and continuously improves systems to prevent disadvantages to consumers. Since 2016, the company has been operating a customer panel through which actively collects ideas on improving banking products and services. Since 2018, through partnerships with the Consumer Protection Policy Advisory Board (BNK Busan Bank) and the Financial Consumer Rights Improvement Advisory Board (BNK Kyongnam Bank), both of which are composed of experts from various fields including academia, the legal profession, and civic groups, we have been constantly analyzing and improving our level of consumer protection. In February 2020, BNK Busan Bank established the Consumer Rights Protection Action Task Force, whose mission is to review and restrict negative impacts on consumers by studying risks in financial investment products and analyzing their potential impacts on consumers. Furthermore, we hosted an event in which we pledged our commitment to guard the rights of our financial consumers. The event was held to increase employee awareness of consumer-centered finance management and the importance of protecting the rights of consumers.

Description	Main activities
Consumer rights improvements	<ul style="list-style-type: none"> <li>Customer complaint handling time reduced by 2 business days to speed up customer service - 2 business days shorter than the FSS complaint handling period by type of complaint</li> <li>Establishment of the Consumer Rights Protection Action Task Force</li> <li>Institutional improvement activities</li> <li>Establishment of a "Consumer Impact Analysis Checklist" related to new product development and selection</li> </ul>
Information service	<ul style="list-style-type: none"> <li>Implementation of regular provision of customer information on issues such as consumer rights</li> <li>Selection and management of items for regular provision of customer information on issues such as consumer rights</li> <li>42 cases on rights, such as the right to request a rate cut / 42 cases of burdens, such as loss of profits</li> </ul>

### Activities for Preventing Incomplete Sales

To fully review the possibility of consumer damage, BNK Financial Group implemented financial instruments in accordance with a checklist from the consumer's perspective, and reviewed product development for products with an average score of less than 70.

In addition, we conducted our own "mystery shopping" at all of our sales branches for the purpose of preventing incomplete sales of five financial investment products\*. If the evaluation rating for a sales branch was below 70 points, a department warning was issued and group education performed. To protect financial consumers more effectively, we conducted a step-by-step restriction on the sale of financial investment products according to the number of "poor" ratings for counsellors and branches concerned about incomplete sales and provided them with strong training for preventing incomplete sales.

\* Variable insurance, ELF derivative combined securities, interest rate cut demand guidance, profit securities, ETF specific money trust



5  
rounds  
 Mystery shopping  
BNK Busan Bank (all branches)

4  
rounds  
 Mystery shopping  
BNK Kyongnam Bank (all branches)

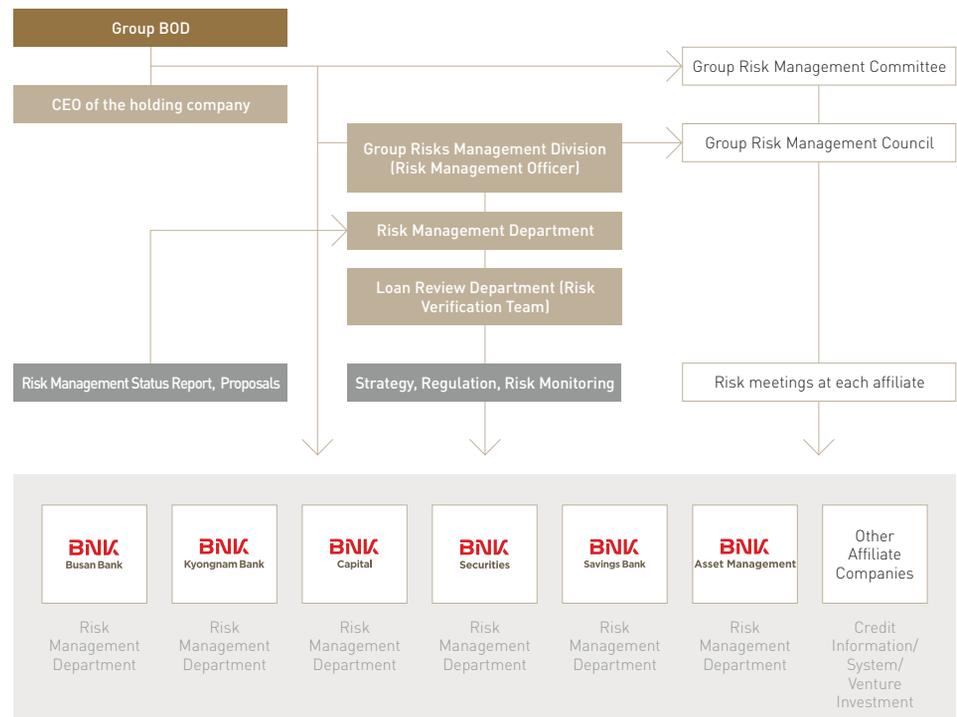
# #4 ESG Risk Management

## Group-wide Risk Management System

BNK Financial Group conducts the risk management activities of its businesses at the group level by first defining the different categories of risk types faced by our company, then developing the plans and policies for managing risks, operating an asset soundness management system, measuring and monitoring risks, and making additional system and infrastructure improvements. In 2020, we raised our capital adequacy by early introduction of the final plan of BASEL III, strengthened our risk management by making improvements to the limitation management system, enhanced proactive risk management due to COVID-19 pandemic situation, and pursued the adoption of an internal grading method across the entire group.

### Risk Management Ownership Structure and Roles

The Risk Management Committee establishes a risk management strategy aligned with the strategic direction set by the BOD and plays the role of the highest decision-making body by approving key risk related decisions. Meanwhile, the Risk Management Council holds discussions on general risk-related issues and makes decisions on important issues, while the Risk Management Department implements detailed policies, procedures, and business processes.



Risk Management Committee	The Group's top decision-making body for risk management. Establishes enterprise-wide risk management strategies and plans
Risk Management Council	Reviews key decisions made by the Risk Management Committee with regard to affiliate companies and review the results of implementation. Reviews new products adopted at the group level
Risk Management Department	Takes care of basic tasks attached to work processing procedures and group risk management policies * Risk Management Officer: Assists the Risk Management Committee, responsible for group risk management
Loan Review Department	Improves asset soundness through better loan management functions, establishes ex-post management policies * Risk Verification Team: Verifies the group risk measurement model and the propriety of the risk management process
Affiliates' Risk Management Unit	Managing the risk management unit and implementing risk policies in each affiliate

# #4 ESG Risk Management

## Management of Different Risk Types

BNK Financial Group recognizes the following risks to be important and manages them with extreme care and attention: credit risk, market risk, interest rate risk, operational risk, credit concentration risk, strategic risk, and reputation risk.

Key Risk Categories		Definition of Risk
Primary Risks	Credit Risk	Potential risk of economic losses arising from debtors' bankruptcy and breaches of contract by business counterparts
	Market Risk	Potential risk of economic losses arising from changing market factors like interest rates, stocks, foreign exchange rates and product pricing
	Interest Risk	The risk of a fall in the value of net assets or a decrease in net interest income when interest rate changes are not favorable for the financial situation
	Operational Risk	Potential risk of losses arising from inappropriate or incorrect work or workforce procedures, system errors, and external events
	Credit Concentration Risk	Risk arising from a single or group exposure which could cause losses large enough to hurt the financial soundness (e.g. Total capital and total assets) of the organization
Other Risks	Liquidity Risk	Risk of losses arising from failure to meet payment obligations (due to inconsistency in the date of funding between assets and liabilities or a sudden outflow of funds), raising funds above market prices, or operating surplus funds at a lower level
	Foreign Currency Payment Risk	Risk of all types of losses arising from foreign exchange transactions
	Strategic Risk	Risk of losses due to an adverse business decision, improper execution of a decision, lack of countermeasures to changes in the business environment, etc.
	Reputational Risk	Risk of economic losses due to worsening external public opinion (among customers and shareholders) due to poor management, financial accidents, and social controversies

## Management of Emerging Risk

BNK Financial Group defines emerging risk as one that could have the most significant impact on future business in a rapidly changing business environment. In particular, we selected the Digital Ecosystem Response and Strengthening Climate Change Response System as major emerging risks for management.

Description	Description of Risk	Effect on Business	Risk Reduction
Digital Ecosystem Response	The digital ecosystem, which is rapidly evolving due to the onset of the Fourth Industrial Revolution, is having a particularly noticeable effect on competitiveness in the financial industry. Digital risks are expected to increase across all financial service operations from organizations to platforms, sales process, and services.	Due to the massive amount of data used in financial service activities, the non-face-to-face portion of the business is expanding. If our technical response to this trend is inadequate, our business could be negatively impacted: for example, customers could depart because they lack confidence in our information security.	To reduce risks, we are constantly identifying potential risk factors produced by the ongoing digitalization of the financial environment and reviewing our management system. We have already enhanced our operational risk evaluation items. In addition, we are lending support aimed at improving infrastructure using digital technologies (refinement of the early warning model using Big Data and deployment of an automated review system).
Strengthen climate change response system	From supporting the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) to participating in the Declaration of Equator financial companies are increasingly responding to climate change. Furthermore, climate change can affect products and services, such as climate change related loans and investments, creating financial risks through both direct and indirect routes.	As regulations related to climate change become increasingly strict, the risk exposure of investment projects is expected to change and returns on investment are expected to decline.	To prepare for the transition to a low carbon economy and the rising consumer demand for green financial services, we are applying various environmental risk management techniques (strengthened environmental management, expanded eco-friendly finance, assessment of environmental impact as part of project financing).

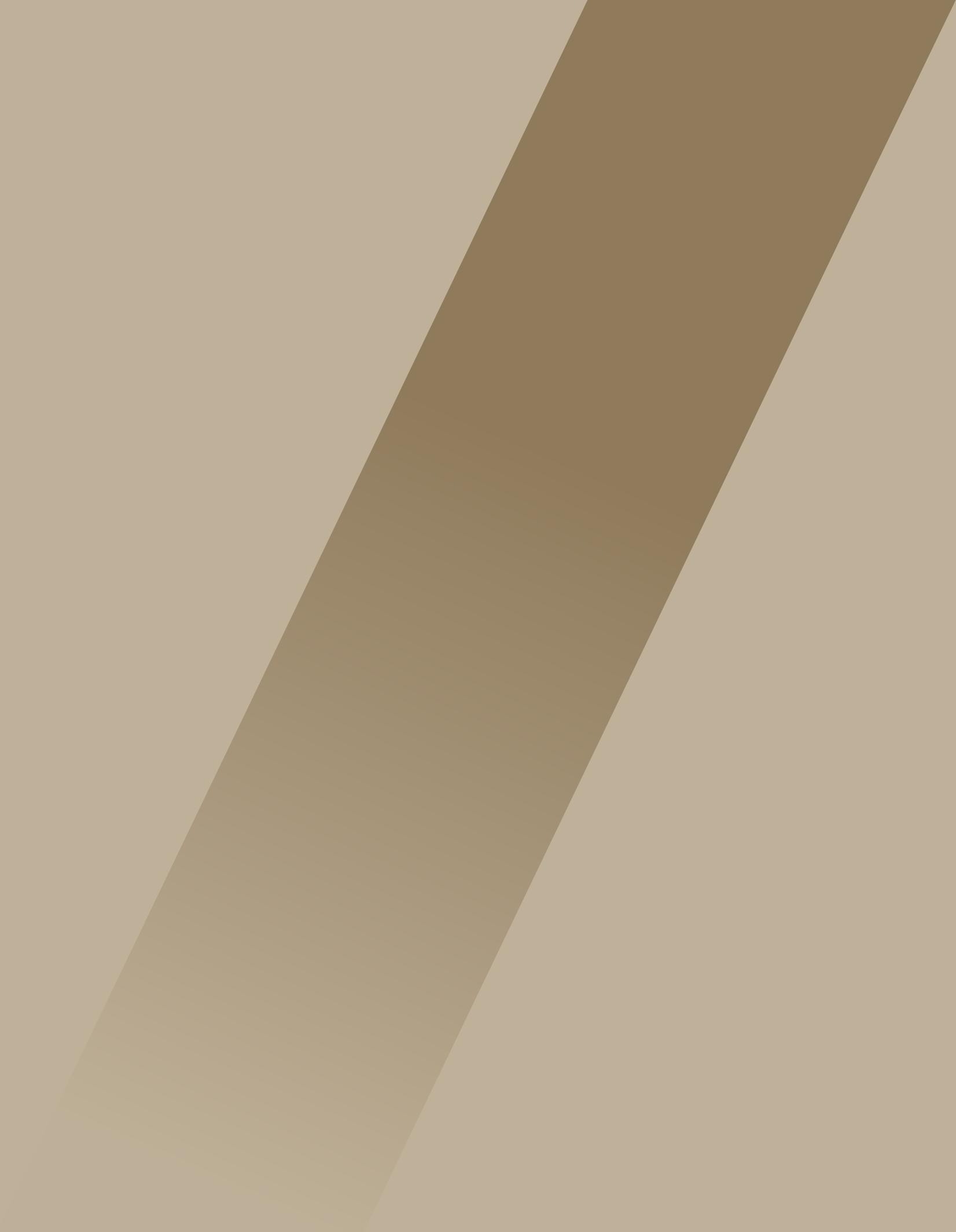
## Selecting and Managing Major Risk Management Areas

In addition to the major and emerging risks discussed above, BNK Financial Group has selected risk management areas that should be addressed in the year to flexibly respond to rapidly changing market conditions and support the group's sustainable growth. In 2020, risks were managed for five areas: capital adequacy improvement, asset soundness management, liquidity risk management enhancement, COVID-19 response, and investor protection. We established a response strategy for each area and carried out risk management activities.

Major Risk Management Areas	Description of Risk
Improving capital adequacy by early introduction of the final plan of BASEL III	BNK Financial Group raised our capital adequacy through the early introduction of the final plan of BASEL III. We have prepared measures to revive the economy in the southeast region through loan support for SMEs and companies that have suffered due to COVID-19 based on improved capital adequacy.
Strengthening asset soundness management by alleviating the concentration of large loans/ suggestion on reserve policy directions	BNK Financial Group has established a new limit to alleviate the group's exposure to large loans, and set appropriate limits for each affiliate. To prevent the spread of insolvency due to COVID-19, a group-level reserve policy direction was suggested for each affiliated company.
Strengthening liquidity risk management in response to internal and external environmental changes	BNK Financial Group has improved its interest rate and liquidity risk management system (liquidity regulation index calculation, liquidity stress test, profit and loss simulation, etc.) through the ALM system to analyze liquidity issues and find solutions for the entire group, including bank affiliates as well as non-bank affiliates.
Preemptive risk management in anticipation of an extended COVID-19 pandemic	BNK Financial Group has established and operated a Group Risk Management Emergency Council to proactively respond to the economic slowdown and downturn in the growth rate due to COVID-19, and to identify possible crisis situations at the group level.
Establishing a risk management system to strengthen investor protection	To reinforce our risk management system to strengthen investor protection, BNK Financial Group has enhance its business processes, such as product selection procedures and customer follow-up management functions, and established a crisis response system.

# APPENDIX

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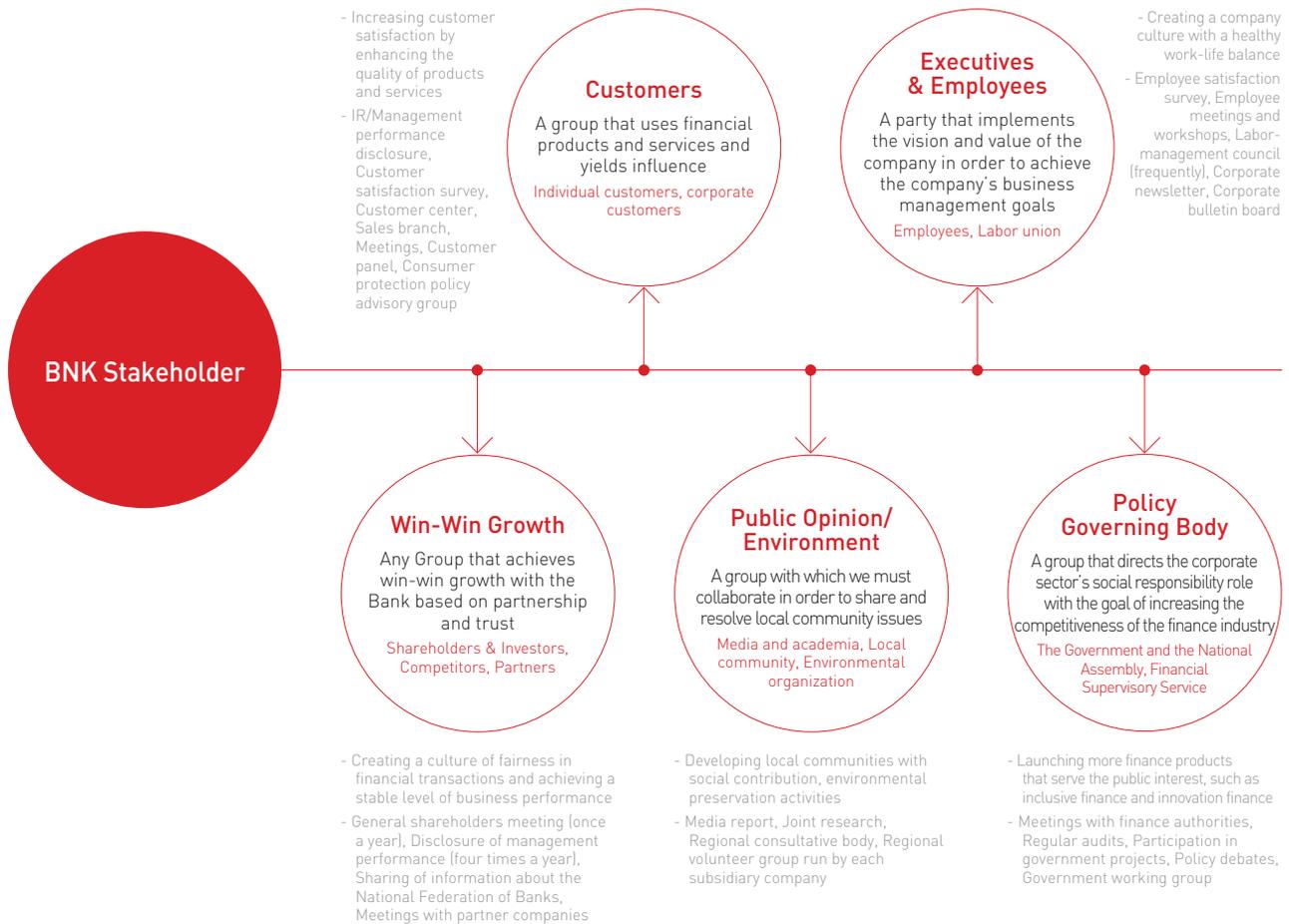
# Stakeholder Inclusiveness and Materiality Test

## Stakeholder Inclusiveness and Materiality Test

BNK Financial Group conducts a materiality test every year to identify issues of interest from stakeholders and effectively reflect them in our business activities. We have established a pool of issues based on international standard indicators related to sustainability management such as GRI Standards, ISO26000, and DJSI, and evaluated priorities of BNK sustainable management issues by reflecting media analysis, benchmarking of other companies, and questionnaires from external sustainability management experts and internal stakeholders. Through this series of processes, the issues selected are disclosed transparently through the sustainability Report.

## Stakeholder Definition

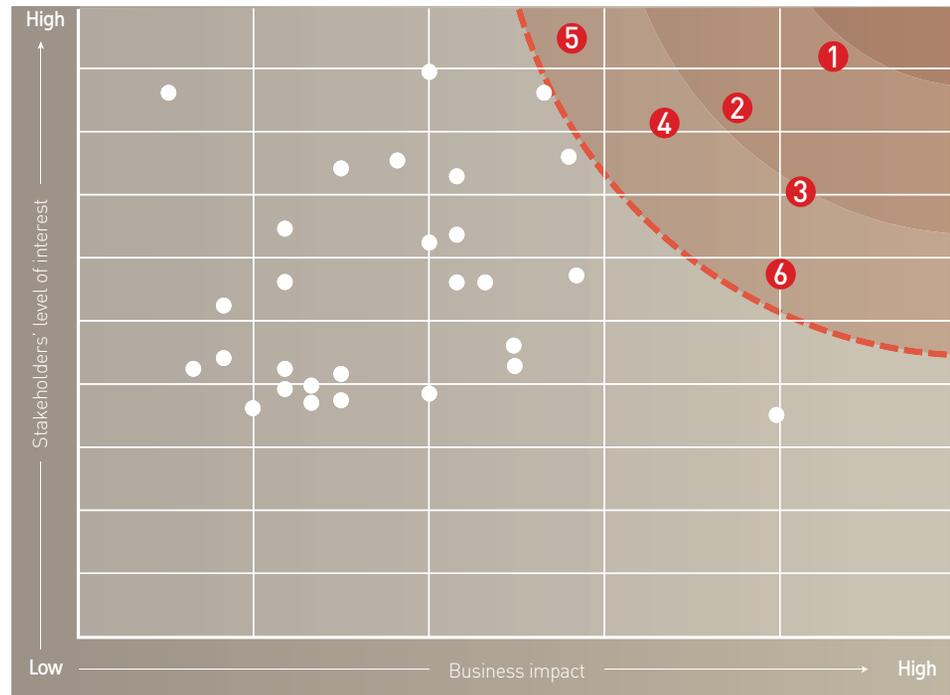
BNK Financial Group has defined five stakeholder groups to more effectively manage the needs of stakeholders that affect our business activities. BNK Financial Group has defined five stakeholder groups to more effectively manage the needs of stakeholders that affect our business activities. In particular, stakeholders were very interested in 'Developing public service products with consideration for vulnerable social groups, including working class and middle class citizens, and SMEs' and 'Strengthening digital finance competitiveness in areas such as AI and big data'. This shows their interest in financial social responsibility and the continued growth of the company. Ethical management is identified as social interest in ethical responsibility of financial institutions. Economic issues received interest from stakeholders who hope to overcome COVID-19 pandemic situation and revitalize the economy.





## Materiality Test and Result

Through the materiality test, six issues with high priority were selected according to business impact on BNK Financial Group and stakeholders' level of interest.



## Key Issues and Approaches

The six key issues finally derived are related to the strategic direction of our sustainability management in economic and social aspects, respectively. BNK Financial Group reflected key issues in the report in a balanced way while striving for transparent reporting.

Ranking	Core issues	Stakeholders	GRI TOPIC	Page
1	Developing public service products with consideration for vulnerable social groups, including working class and middle class citizens, and SMEs	Customer, Policy governing body, Public Opinion/Environment, Win-Win Growth	[203-1] Development and impact of infrastructure investments and services supported	44-47
2	Strengthening digital finance competitiveness in areas such as AI and big data	Customer, Employee, Public Opinion/Environment, Win-Win Growth	[201-1] Creation and distribution of direct economic values	38-40
3	Strengthening the ethical management and compliance management system	Customer, Employee, Policy governing body, Public Opinion/Environment	[205-2] Disclosure of and training on anti-corruption policies and procedures	59, 90
4	Contributing to revitalizing the local economy by supporting New Deal finance and innovative growth	Public Opinion/Environment, Win-Win Growth	[203-1] Development and impact of infrastructure investments and services supported	41-43
5	Implementing sound governance and enhancing transparency	Employee, Policy governing body, Public Opinion/Environment	[102-18] Governance	24-27
6	Strengthening integrated financial/non-financial risk management	Customer, Employee, Policy governing body	[102-11] Principles of proactive prevention, and description of approaches	67-69

# Practicing Happy Financing Together

## BNK Busan Bank

BNK Busan Bank, the leading bank of the Busan region, was established in October 1967 with the mission of revitalizing the local economy and fulfilling the hopes and dreams of Busan's citizens and its business community. To that end, we are expanding our productive and inclusive financing for ordinary citizens, self-employed people, and local SMEs, establishing our ESG management system for sustainable development, and fulfilling our social responsibilities as a local corporation through our 「Environmentally-friendly Green Bank Project」 and our 「Local Win-Win Bank Project」.

### <Company Information>

Date of Establishment	October 10, 1967
HQ Address	30 Munhyeongeumyung-ro, Nam-gu, Busan Metropolitan City
Website	www.busanbank.co.kr
Shareholders' Equity	KRW 5,301 billion
Employees	3,209 persons



BNK Busan Bank will provide the best value and experience to each customer with the most digital and analog financial services, and make efforts to create a better society and a better tomorrow through win-win growth with the local community.

BNK Busan Bank CEO  
Gam-chan Ahn

## BNK Busan Bank's Key ESG Performances

### Main Contents

### Key BP Cases

#### Responsible Growth

- Reflecting the policy of guaranteeing diversity of the Board of Directors when managing candidate group for external directors
- Reflecting ESG elements when setting limits by credit industry
- Making efforts to normalize working hours through work diet (reduction of working hours)

BNK Busan Bank reflected ESG elements in the decision-making process for loans & investments. The environmental risk is classified into five risk levels by measuring the amount of hazardous substances emitted and energy used by each industry. Penalties are given to industries with high environmental risks.

#### Mutual Growth

- Implementing the first demonstration of IP (Intellectual Property) valuation in the banking sector
- Activating investment based on technical evaluation
- Expanding sales and investments in eco-friendly financial products
- Pursuing various social contribution activities to solve local community problems
- Issuance of ESG bonds

BNK Busan Bank issued ESG bonds to prepare a foundation for community responsibility investment, enhance its public image and respond to new investment demands due to the spread of social responsibility investment in the capital market.

- Amount of issue: KRW 100 billion
- Date of issue: November 30, 2020
- Issuance process  
Establishment of ESG bond management system → Verification of external institution management system → Issuance of ESG bonds → Follow-up reporting and use of funds

#### Trustworthy Growth

- Root out non-ethical acts and behaviors
- Preventing incomplete sales and unfair practices by strengthening our own mystery shopping
- Digital Security and Prevention of Personal Information Leaks
- Strengthening preventive systems against financial incidents and fraud
- Development and implementation of various financial services for socially disadvantaged group

BNK Busan Bank conducted our own mystery shopping at all of our sales branches for the purpose of preventing the completed sales of five financial investment products under the same conditions as FSS mystery shopping. (5 sessions in 2020)

To protect more effective financial consumers, we conducted a step-by-step restriction on the sale of financial investment products according to the number of "poor" levels for counsellor and branches who are concerned about incomplete sales and strong training for preventing incomplete sales is provided for them.

## BNK Kyongnam Bank

BNK Kyongnam Bank strives to establish a reasonable and systematic risk management system that reflects the newly changing social order such as ESG and the strengthened financial consumer protection system so that we can join together in various growths of customers and regions. In addition, we will play an active role in recovering major industries in the business area and developing policies in the southeastern region and promote a systematic regional financial strategy for win-win growth with local SMEs.

### <Company Information>

Date of Establishment	✓ May 22, 1970
HQ Address	✓ 642, 3-15-daero, MasanHoewon-gu, Changwon City, South Gyeongsang Province
Website	✓ www.knbank.co.kr
Shareholders' Equity	✓ KRW 3,429 billion
Employees	✓ 2,462 persons



BNK Kyongnam Bank will products and services for customers with customer-centered values as it top priority. In addition, we provide optimized financial services through convenient and secure digital financing, and as a representative local bank, we will become a true partner for local residents and merchants.

BNK Kyongnam Bank CEO  
Hong-young Choi

## BNK Kyongnam Bank's Key ESG Performances

### Main Contents

### Key BP Cases

#### Responsible Growth

- Building a future-oriented organization, human resources and corporate culture
  - Establishing ESG committee under the Board of Directors
  - Conducting the digital innovation leader training course
  - Strengthen the efficiency of future channel strategy and branch operations

In April 2021, BNK Kyongnam Bank established the ESG committee to realize sustainable management and implement systematic ESG strategies. BNK Kyongnam Bank and BNK Busan Bank are the first banks to set up the ESG committee under their Board of Directors, separately from the holding company. BNK Kyongnam Bank will push ahead more robust ESG businesses.

#### Mutual Growth

- Building a corporate culture for creating regional win-win social value
  - Fostering local START-UP companies
  - Using eco-friendly products and conducting energy saving campaigns
  - Expanding sales and investments in eco-friendly financial products
  - Financial products for solving community problems
  - Issuance of ESG bonds

BNK Kyongnam Bank is carrying out various activities to achieve substantial energy savings following the establishment of a company-wide climate change response strategy. As a result of remodeling and using eco-friendly building materials, and high efficiency equipment, we reduced a total of 10.5 tCO<sub>2</sub>e of GHG emissions and the electricity consumption of 120,000kWh (worth around KRW 64 million in electricity bills).

#### Trustworthy Growth

- Proactive risk management for change
  - Rooting out non-ethical acts and behaviors
  - Prohibition of incomplete sales and unfair trade practices
  - Digital security and prevention of personal information leaks
  - Greater access to financial services for finance consumers

BNK Kyongnam Bank is making various efforts to strengthen support for financially excluded people. We support the second of lives of the unemployed and the future retirees in their 50s by providing financial education on the financial and systems. In addition, we established dedicated windows for retirement finance in each branch for counseling and support for the baby boomer generation, contributing to stable retirement preparation and expansion of financial access for the retired generation.

# Practicing Happy Financing Together

## BNK Capital

BNK Capital, as a loan specialist, provides comprehensive financial services from personal finance to leasing finance, installments, and corporate finance. We aim to expand digital-based financial services, establish ESG management systems, and develop new overseas markets such as Southeast Asia and Central Asia to leap forward as a global excellent capital company through constant innovation and challenges.

### <Company Information>

Date of Establishment	July 15, 2010
HQ Address	1, Saessak-ro, Busanjin-gu, Busan
Website	www.bnkcapital.co.kr
Shareholders' Equity	KRW 763 billion
Employees	537 persons



In the face of the coming era of the Fourth Industrial Revolution and the accompanying transition to digital technology, BNK Capital seeks to sustain growth via the digitalization of the financial environment and customer-centered financial services. We shall do our best to fulfill our social responsibilities and establish a transparent corporate culture.

BNK Capital CEO  
Dooho Lee

## BNK Capital's Key ESG Performances

### Main Contents

### Key BP Cases

#### Responsible Growth

- + Reorganization of corporate culture
  - Implementing systems for work-life balance such as smart work, flex-time work
- + Training by position

BNK Capital has implemented a system for smart work and flex-time work for employees so that they maintain the right balance between their lives and work. In 2020, we provided customized training by position for 357 employees under the managerial level to enhance their capabilities and create better organizational performance.

#### Mutual Growth

- + Promoting the growth of sports industry in regions
  - Donation to girls' high school basketball teams in the Busan, Ulsan and Gyeongnam areas
- + Community activities
  - Donation of goods purchased at local traditional markets
- + Contributing quarantine supplies to overseas

BNK Capital is making various efforts to strengthen regional win-win growth activities. We delivered donations for the development of girls' high school basketball teams in the Busan, Ulsan and Gyeongnam areas, while donating goods purchased from local traditional markets to social welfare organizations to revitalize the local economy and support the underprivileged. In addition, we made efforts for international cooperation to overcome COVID-19 pandemic situation by providing quarantine products to Myanmar and Cambodia, where our overseas business sites are located.

#### Trustworthy Growth

- + Greater access to financial services for finance consumers
- + Strengthening security/information transmission infrastructure alliance
- + Establishing the latest security system, strengthening privacy procedures, and partnership with platforms

BNK Capital provides a simple authentication service to strengthen access to financial consumers, and has strengthened technical and administrative information protection policies by establishing the latest security system and strengthening of personal information export procedures to cope with new security threats. In addition, we provide various simple authentication services to financial consumers and contribute to the activation of non-face-to-face financial products through various platform partnerships such as Toss, Kakao Pay, and Banksalad.

## BNK Securities

BNK Securities was established in 1997. After entering the securities market in 2009, we began to expand into securities brokerage, investment banking (IB) and dealing in phases. In 2020, we recorded our largest short-term profits while achieving continuous growth. However, the financial investment industry has become even more competitive, and we are now securing market competitiveness through business innovation, business specialization, and tailored sales strategies. We will continue to make efforts to grow into a strong medium-sized financial investment company that leads the Korean financial market.

### <Company Information>

Date of Establishment	June 2, 1997
HQ Address	1, Saessak-ro, Busanjin-gu, Busan
Website	www.bnkfn.co.kr
Shareholders' Equity	KRW 697.7 billion
Employees	301 persons



Guided by the management principles of sustainable growth, job creation and social contribution, BNK Securities practices management based on growth and sharing with the aim of securing win-win growth with customers, employees, and local communities. We will do our best to become South Korea's leading financial investment company by adopting differentiated strategies."

BNK Securities CEO  
**Byung-young Kim**

## BNK Securities' Key ESG Performances

### Main Contents

### Key BP Cases

#### Responsible Growth

- Sustainable reform of corporate culture
  - Creating a corporate culture that makes the company a good place to work

With the aim of increasing employee welfare, the company offers employee welfare programs like subsidies for group injury insurance fees and financial support for medical expenses, as well as funds to cover employees' club activities. We also give employees gifts on special anniversaries to boost their morale. We help employees effectively maintain separation of work and family by allowing shorter working hours for employees during the infant caring period, along with expanded emergency leave, family participation programs and core-time. We are also doing our best to create a corporate culture that makes the company a good place to work.

#### Mutual Growth

- Pursuing innovation and technology finance
  - Achieving win-win growth with local SMEs

BNK Securities promotes investment in innovative financial companies through various investment methods such as PEF (Private Equity Fund). On the other hand, we are actively investing in eco-friendly companies to respond to climate change, and continue to manage fund settings and invest in related companies and invest in related companies to create jobs in the southeast region.

#### Trustworthy Growth

- Greater access to financial services for finance consumers
  - Improving accessibility and convenience with better customer services

BNK Securities, together with the Busan Regional Post Office of the KOREA POST, held an event to support the free subscription of the 'Post Office Narmi Safety Insurance' for transport industry workers (delivery workers who have not signed an employment contract) in the Busan, Ulsan and Gyeongnam areas. It is a customized traffic accident insurance for transport workers who are in the blind spot of the employment safety net. We contribute to greater access to financial services for finance consumers.

# Practicing Happy Financing Together

## BNK Savings Bank

As a financial institution established in 2012, BNK Savings Bank aims to set a strong example for the savings bank industry by reinforcing social responsibility, ethical management, and the protection of customer assets. We are doing our best to become a financial institution for the working class that is close to the region by increasing cross-company sales to improve group synergy, expanding financial products for the working class, supporting the socially disadvantaged, and strengthening financial consumer protection.

### <Company Information>

Date of Establishment	December 13, 2012
HQ Address	Beomil-ro 92, Dong-gu, Busan
Website	www.bnksb.com
Shareholders' Equity	KRW 168.1 billion
Employees	114 persons



BNK Savings Bank takes the lead in supporting the vulnerable and underprivileged in order to revitalize the local economy while remaining faithful to its original role as a financial institution for the working class. We will practice 'Happy Finance, Giving Hope' through customer happiness, regional win-win growth, and sharing.

BNK Savings Bank CEO  
Myeong-hwan Sung

## BNK Savings Bank's Key ESG Performances

### Main Contents

### Key BP Cases

#### Responsible Growth

- Sustainable reform of corporate culture
  - Continuing to foster key future talent and strengthen staff capabilities

BNK Savings Bank is expanding on-the-job training opportunities that that focus on understanding and responding to changes in the financial environment and securing core competitiveness to nurture key talents. In addition, we promote mental and physical discipline and creativity by encouraging all employees to read, and we share in-depth opinions through the "Book talk" where people can freely share their opinions on reading.

#### Mutual Growth

- Pursuing innovation and technology finance
  - Continuous strengthening of financial support for the working class

BNK Savings Bank continues to strengthen financial support for the working class through policies such as avoiding high-interest-rate business, and voluntary interest rate cuts. In addition, we provide support to small merchants by setting up a dedicated window for them and strive to revitalize the local economy and the regional win-win growth through emergency loans and deferred payment related to COVID-19.

#### Trustworthy Growth

- Greater access to financial services for finance consumers
  - Activation of non-face-to-face service

We improved accessibility to sign up our smart banking to provide more customers with tax-free exceptions for our tax-exempt savings. In addition, we are making further efforts to prevent customer asset protection by strengthening promotion of financial fraud prevention during non-face-to-face withdrawal and transfer transactions, and make it easier for older customers to use the font size of the service.

## BNK Asset Management

Since its incorporation into the Group in 2017, BNK Asset Management has improved its financial structure through the issuance of new shares (a strategic decision taken by the Group), and has continued to grow by enhancing its expertise as a comprehensive asset management company through management of traditional asset (stocks, bonds) management, maintenance of high-level position and investment in high-quality real estate assets in key areas. We have released new differentiable products such as ESG fund and TDF under our ESG management policies. By managing all of these products with a steady hand, we will become an asset management company that contributes to increasing the wealth of our customers.

### <Company Information>

Date of Establishment	July 15, 2008
HQ Address	21F, 32, Gukjegeumyung-ro 2-gil, Yeongdeungpo-gu, Seoul (Yeouido Finance Tower)
Website	www.bnkasset.co.kr
Shareholders' Equity	KRW 26.1 billion
Employees	61 persons



We at BNK Asset Management are wholly committed to managing the valuable assets of our customers by basing our operations on our philosophy of value-based asset management, reliance on research data, and the consistent application of operating principles according to the long-term perspective. In the future, we will rejuvenate ourselves as the asset management company most trusted by the customers through sustainable management practices.

BNK Asset Management CEO  
**Yun-hak Lee**

## BNK Asset Management's Key ESG Performances

### Main Contents

### Key BP Cases

#### Responsible Growth

- Sustainable reform of corporate culture
  - Rationalization of ranking and compensation system

We have simplified our employee ranking system and implanted a new BNK organizational culture in which collaboration occurs and collective intelligence is gathered, while respecting individual creativity and independent decision making. In addition, we attract and maintain excellent employees and pursue the permanence of the company by organizing a reasonable compensation system.

#### Mutual Growth

- Pursuing innovation and technology finance
  - Timely launch of a variety of products to meet customer needs

We have provided customers with a suitable investment opportunity by launching various public funds such as 'Samsung Electronics' small and medium-sized stocks' fund, 'Sum Global EMP' fund (a global asset distribution fund that flexibly controls the proportion of risky and safe assets) and 'Two-year investment' fund.

#### Trustworthy Growth

- Accident-free through proactive response and legal procedures
  - Strengthening the internal control system to prevent unethical sales practices

We are flexibly supplying products to meet the needs of our customers and developing financial investment products in coordination with a comprehensive strategic risk management system. Especially worth mentioning is the fact that we are able to control risk management internally because we have formed a risk management and compliance team within our company. Through preemptive risk management, we are effectively minimizing the likelihood of compliance infringements. We have achieved excellent operating performance and have been able to raise customer trust through ethical operation of customer assets.

# Practicing Happy Financing Together

## BNK Credit Information

As a leading credit information company in the Busan, Ulsan and Gyeongnam areas, BNK Credit Information is committed to establishing ESG management system and fulfilling social responsibilities to the community, and fulfilling ethical responsibilities using ethical management as its management policy. We are actively practicing sustainable finance that can make mutual growth with stakeholders by serving as a financial consultant for creditors to improve asset quality and as a reliable happy partner for debtors in their difficult times.

### <Company Information>

Date of Establishment	June 17, 2003
HQ Address	92, Beomil-ro, Dong-gu, Busan
Website	www.bnkci.co.kr
Shareholders' Equity	KRW 18.6 billion
Employees	27 persons



BNK Credit Information aims to contribute to the sustainable growth of our society through ESG management. BNK Credit Information conducts happy finance according to sound principles and ethics under the management slogan of "Lenient Debt Collection, Reliable Credit Management". We are making our best efforts to win-win growth with our local communities and create social values.

BNK Credit Information CEO  
**Dong-hwa Sung**

## BNK Credit Information's Key ESG Performances

### Main Contents

### Key BP Cases

#### Responsible Growth

- Sustainable reform of corporate culture
  - Establishing a workplace culture with a healthy work-life balance
  - Promoting a culture of respect for human rights

BNK Credit Information aims to realize social values and to manage human rights that put people first. In order to spread a culture of respect for human rights in the organization, human rights education is provided, and a department and a person in charge of handling employee grievances are designated to support listening to difficulties and counseling. We strive to improve our working environment by eradicating workplace harassment and bullying, and providing equal opportunities to employees.

#### Mutual Growth

- Pursuing innovation and technology finance
- Expanding financial safety net for self-support and rehabilitation of the underprivileged

We are resolving blind spots in debt adjustment for financially excluded people and strengthening debt recovery and rehabilitation support. In addition, we are strengthening support for people with limited access to financial services – particularly services related to the deferment of debt repayment, the extension of debt repayment period, the exemption of payment of living property and the reduction of overdue interest for low-income debtors such as recipients of the basic living allowance and work incentives.

#### Trustworthy Growth

- Greater access to financial services for finance consumers
  - Credit rating processing that is fair and sound

We have set ethical Management as our management policy and are performing fair and transparent work based on high ethical values. Thanks to strengthening education and monitoring on the *Fair Collection Act* and the *Personal Information Protection Act*, last year we received 'Zero civil petition', one of the lowest levels of complaints in the credit information industry. We will continue to implement a sound credit order and build an honest and fair organizational culture.

## BNK System

Under the banner of aspiring to be an IT Service Leader in Digital Finance, BNK System is strengthening its competencies in executing smart finance and building competitiveness through core technology R&D, the recruitment of outstanding IT talent, and greater participation in digital business. In addition, we are supplying many types of digital services designed to increase work efficiency to our subsidiary companies, thereby increasing the synergy in our group. Meanwhile, we are also working towards achieving co-prosperity with regional economies by finding promising IT companies, recruiting local talent, and providing help to people on a low income.

### <Company Information>

Date of Establishment	✓ May 20, 2011
HQ Address	✓ 21, Mieumsandan-ro, 127beon-gil, Gangseo-gu, Busan
Website	✓ www.bnksys.co.kr
Shareholders' Equity	✓ KRW 18.2 billion
Employees	✓ 201 persons



The BNK system provides stable and differentiated financial IT services; while against the backdrop of a rapidly changing financial environment, it contributes to the advancement of the IT business environment by developing application technologies that harness IT technology. We will develop into a key affiliate that will be responsible for future sustainable growth based on professional personnel and experience in developing the financial sector.

BNK System CEO  
**Seuk-kuo Kim**

## BNK System's Key ESG Performances

### Main Contents

#### Responsible Growth

- Establishment of sustainable governance
  - Developing a policy to ensure diversity in the Board of Directors
- Reflection of ESG in loans & investments
- Sustainable reform of corporate culture

### Key BP Cases

BNK System has established a policy to ensure diversity in the board to build sustainable governance, which is a key element of the group's ESG strategy. We are reviewing management operational regulations and management personnel principles to reflect diversity principles, and are reorganizing regulations to apply diversity requirements of the board when mandatory disclosure documents are needed in the future.

#### Mutual Growth

- Pursuing innovation and technology finance
- Implementation of climate change response
- Enhancement of local win-win strategy activities

BNK system has promoted computerization and paperless for group-level work efficiency. The major issues are paperless process for overall IT procurement and computerization of management tasks. These issues are conducted to reduce GHG emissions across the BNK Financial Group to respond climate change by utilizing the business characteristics of the BNK system.

#### Trustworthy Growth

- Fulfillment of ethical responsibilities
  - Establishing ethical management system
  - Reviewing anti-corruption policies
- Digital security and prevention of financial incidents

BNK System provides regular training every year to comply with the *Fair Trade and Subcontracting Act*. For practical education, we are promoting education of specialized institutions such as the Fair Trade Commission. In addition, BNK System raises its level of ethical management through preemptive anti-corruption practices such as ethical management and anti-corruption practice pledge of employees and regular audits related to anti-corruption practices.

# Practicing Happy Financing Together

## BNK Venture Capital

BNK Venture Investment became an affiliate of BNK Financial Group in November 2019 and is committed to become a provider of venture capital that can satisfy shareholders, investors, investment companies, and employees as partners and enable continuous growth. In particular, we will strive to create a sound industrial ecosystem in Korea by discovering sustainable and eco-friendly high-tech companies in the major investment fields, such as the 4th industry, renewable energy, bio, and agricultural and fishery industries.

### <Company Information>

Date of Establishment	March 24, 2009
HQ Address	7th floor, Saman Building, 520 Teheran-ro, Gangnam-gu, Seoul
Website	www.bnkvc.co.kr
Shareholders' Equity	KRW 18.8 billion
Employees	14 persons



The management philosophy of BNK Venture Investment is 'Technology and market are complementary'. We will do our best to ensure that many venture companies can continue to grow by serving as a stepping stone to build an ecosystem for specialized venture companies and innovative ventures by sector.

BNK Venture Capital CEO  
Seung-hwan Doh

## BNK Venture Capital's Key ESG Performances

### Main Contents

### Key BP Cases

#### Responsible Growth

- ESG elements in the investment decision making process
  - Establishing ESG policy
  - ESG risk assessment target setting

BNK Venture capital establishes and reviews ESG policies and has established a system to reflect them in the investment process. We define the basic requirements of investment principles, business codes, sustainable finance investment policy considerations, and investment process procedures for ESG risks, and strive to apply ESG perspective to our overall investment decision-making process.

#### Mutual Growth

- Exploring new growth engines for the local economy through vitalization of innovative finance and technology finance, and expansion of investment in innovative companies in the Busan, Ulsan and Gyeongnam areas.
- Establishing/promoting strategies for climate change response, Expanding eco-friendly and alternative energy investment related to policy funds.

We aim to discover new growth engines for the local economy by promoting investments in innovative companies in the Busan, Ulsan and Gyeongnam areas. To this end, a total of KRW 18.9 billion was invested in 13 companies in 2020. In addition, we have formed an investment association with our affiliates to expand investment in innovative companies and actively invest in responding to climate change while doing our best to support innovative companies in various ways.

#### Trustworthy Growth

- Establishing an ethical management system and anti-corruption policies
  - Maintenance of internal regulation system for ethical management system

BNK Venture Capital has completed the enactment and revision of various related regulations to establish an ethical management system. The system includes investment and follow-up management regulations, risk management and internal control, collection of ethics standards pledges and compliance pledges of executives and employees, and other various ethical management statutory and mandatory education. As a result, we are reorganizing the internal regulatory system and approaching the cultivation of a high level of ethical awareness.

# ESG Data

## Financial Performance

### Summary of Consolidated Statements of Financial Position

Category	Unit	2018	2019	2020
Total assets	KRW 100 million	987,936	1,045,388	1,141,569
Total liabilities	KRW 100 million	903,686	953,576	1,045,306
Total equity	KRW 100 million	84,250	91,812	96,263
Total liabilities and equity	KRW 100 million	987,936	1,045,388	1,141,569

### Summary of Consolidated Statements of Comprehensive Income

Category	Unit	2018	2019	2020
Operating income	KRW 100 million	7,498	8,069	7,482
Income before income tax expense	KRW 100 million	7,186	7,934	7,344
Consolidated net income*	KRW 100 million	5,021	5,622	5,193
Total comprehensive income	KRW 100 million	5,574	6,176	5,265

\* Net income attributable to owners of the company

### Operating Income by Business Division

Category	Unit	2018	2019	2020
Banking	KRW 100 million	42,906	43,347	40,212
Financial investment	KRW 100 million	1,493	1,671	2,903
Loans	KRW 100 million	5,968	7,044	8,011
Savings	KRW 100 million	578	660	634
Other	KRW 100 million	1,675	2,474	4,185

### Soundness Indicator: Composition of leverage of the Bank for International Settlements (BIS)

Category	Unit	2018	2019	2020
Core capital (Tier 1)	KRW 100 million	77,651	83,970	87,290
Amount of exposure among Basel III Tier 1 ratio	KRW 100 million	1,086,701	1,157,493	1,259,694
Basel III Tier 1 ratio (%)	%	7.15	7.25	6.93
Basel III Risk Weighted Assets	KRW 100 million	706,946	754,132	767,024
Basel III Tier 1 Capital ratio	%	10.98	11.13	11.38

# ESG Data

## Creation and distribution of direct economic values

Category	Unit	2018	2019	2020		
Creation of direct economic values	KRW 100 million	50,985	52,793	52,124		
Wage and welfare benefits of employees	KRW 100 million	8,180	8,055	9,793		
Distribution of economic values	Payment of dividends and interests	Payment of dividends	KRW 100 million	750	978	1,173
		Payment of interests	KRW 100 million	307	313	259
	Tax (corporate tax expense)	KRW 100 million	1,805	1,944	1,719	
	Investment in community (donation and support for social contribution activities)	KRW 100 million	719	807	726	

## Effective Tax Rate

Category	Unit	2018	2019	2020
Profit before income tax	KRW 100 million	7,186	7,934	7,344
Nominal tax amount	KRW 100 million	1,805	1,944	1,719
Effective tax rate	%	25.12	24.51	23.40
Amount of tax paid	KRW 100 million	1,247	1,145	2,119
Tax rate paid	%	17.36	14.43	28.85

### BNK Financial Group's Taxation Strategies

BNK Financial Group duly pays various types of taxes including corporate tax, value added tax and local tax in accordance with the taxation procedure prescribed by the tax law. The Group's tax paying policies consist of seven parts, defining tax-related risk types (tax risks and reputation risks), evaluating risk-specific levels, and categorizing into and managing three levels: moderate, significant and severe stages.

### 7 Taxation Policies of BNK Financial Group

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

## Environmental Performance

※ Environmental performance data of BNK Venture Capital is not included because it is a new subsidiary.

### Materials used (Amount of copy paper purchased)

Category	Unit	2018	2019	2020
BNK Financial Group	Ton	3	4	4
BNK Busan Bank	Ton	223	211	203
BNK Kyongnam Bank	Ton	231	232	224
BNK Capital	Ton	27	5	5
BNK Securities	Ton	9	7	6
BNK Savings Bank	Ton	5	2	5
BNK Asset Management	Ton	1	2	2
BNK Credit Information	Ton	2	2	2
BNK System	Ton	1	1	1
Total	Ton	502	466	452

1) Based on amount purchased at head and branch / 2) weight(1BOX = 11.7kg)

Category	Unit	2018	2019	2020	
Product and service purchase data (Based on amount purchased at head)	Printing paper	Box	43,018	39,753	38,660
	Credit cards	ea	396,900	417,245	416,462
	Bankbooks	ea	2,962,725	2,734,475	2,413,000

### Waste

\* Other subsidiaries also dispose waste, but in very low amounts when compared to BNK Busan Bank and BNK Kyongnam Bank. Therefore, they were not included in this report.

Category	Unit	2018	2019	2020
BNK Busan Bank	Ton	356	127	161
BNK Kyongnam Bank	Ton	129	168	375

### Energy consumption

Category	Unit	2018	2019	2020
BNK Financial Group	TJ	7	8	8
BNK Busan Bank	TJ	342	330	314
BNK Kyongnam Bank	TJ	172	159	146
BNK Capital	TJ	27	14	7
BNK Securities	TJ	7	9	8
BNK Savings Bank	TJ	6	1	3
BNK Asset Management	TJ	1	1	1
BNK Credit Information	TJ	2	2	2
BNK System	TJ	3	3	5
Total	TJ	567	527	494

# ESG Data

## Water Usage

Category	Unit	2018	2019	2020
BNK Financial Group	m <sup>3</sup>	2,748	3,596	5,695
BNK Busan Bank	m <sup>3</sup>	91,298	96,706	162,266
BNK Kyongnam Bank	m <sup>3</sup>	73,878	72,668	64,503
BNK Capital	m <sup>3</sup>	1,570	3,697	2,840
BNK Securities	m <sup>3</sup>	4,290	2,902	433
BNK Savings Bank	m <sup>3</sup>	1,118	1,209	2,345
BNK Asset Management	m <sup>3</sup>	684	527	27
BNK Credit Information	m <sup>3</sup>	558	1,617	2,219
BNK System	m <sup>3</sup>	386	407	613
<b>Total</b>	<b>m<sup>3</sup></b>	<b>176,530</b>	<b>183,329</b>	<b>241,022</b>

\* Including 81m<sup>3</sup> of water usage for BNK Venture Capital

## Greenhouse gas (GHG) emissions

Category	Unit	2018	2019	2020	
BNK Financial Group	Direct Emissions (Scope1)	tCO <sub>2</sub> eq	77	100	135
	Indirect Emissions (Scope2)	tCO <sub>2</sub> eq	271	307	303
	Other Indirect Emissions (Scope3)	tCO <sub>2</sub> eq	55	24	7
BNK Busan Bank	Direct Emissions (Scope1)	tCO <sub>2</sub> eq	1,663	1,661	1,299
	Indirect Emissions (Scope2)	tCO <sub>2</sub> eq	15,286	14,702	14,254
	Other Indirect Emissions (Scope3)	tCO <sub>2</sub> eq	88	117	36
BNK Kyongnam Bank	Direct Emissions (Scope1)	tCO <sub>2</sub> eq	2,041	1,886	1,564
	Indirect Emissions (Scope2)	tCO <sub>2</sub> eq	6,679	6,214	5,844
	Other Indirect Emissions (Scope3)	tCO <sub>2</sub> eq	200	70	363
BNK Capital	Direct Emissions (Scope1)	tCO <sub>2</sub> eq	735	680	237
	Indirect Emissions (Scope2)	tCO <sub>2</sub> eq	782	194	189
	Other Indirect Emissions (Scope3)	tCO <sub>2</sub> eq	42	75	52
BNK Securities	Direct Emissions (Scope1)	tCO <sub>2</sub> eq	129	191	201
	Indirect Emissions (Scope2)	tCO <sub>2</sub> eq	228	311	225
	Other Indirect Emissions (Scope3)	tCO <sub>2</sub> eq	25	28	14
BNK Savings Bank	Direct Emissions (Scope1)	tCO <sub>2</sub> eq	86	78	72
	Indirect Emissions (Scope2)	tCO <sub>2</sub> eq	235	212	100
	Other Indirect Emissions (Scope3)	tCO <sub>2</sub> eq	2	1	4
BNK Asset Management	Direct Emissions (Scope1)	tCO <sub>2</sub> eq	40	46	52
	Indirect Emissions (Scope2)	tCO <sub>2</sub> eq	6	5	17
	Other Indirect Emissions (Scope3)	tCO <sub>2</sub> eq	15	30	5
BNK Credit Information	Direct Emissions (Scope1)	tCO <sub>2</sub> eq	24	24	24
	Indirect Emissions (Scope2)	tCO <sub>2</sub> eq	59	60	66
	Other Indirect Emissions (Scope3)	tCO <sub>2</sub> eq	1	5	1
BNK System	Direct Emissions (Scope1)	tCO <sub>2</sub> eq	32	32	88
	Indirect Emissions (Scope2)	tCO <sub>2</sub> eq	130	146	156
	Other Indirect Emissions (Scope3)	tCO <sub>2</sub> eq	4	14	1
<b>Total</b>	Direct Emissions (Scope1)	tCO <sub>2</sub> eq	4,827	4,698	3,672
	Indirect Emissions (Scope2)	tCO <sub>2</sub> eq	23,676	22,151	21,154
	Other Indirect Emissions (Scope3)	tCO <sub>2</sub> eq	432	364	483

\* Other Indirect Emissions: Business trip

## Social Performance

\* Data of BNK Venture Capital is not included because it is a new subsidiary.

### Employee Data

Category	Unit	2018				2019				2020			
		Total	Regular	Contracted	Executives	Total	Regular	Contracted	Executives	Total	Regular	Contracted	Executives
BNK Financial Group	Male No. of persons	122	96	19	7	92	71	14	7	94	75	11	8
	Female No. of persons	18	13	5	-	9	4	5	-	10	5	5	-
	Total No. of persons	140	109	24	7	101	75	19	7	104	80	16	8
BNK Busan Bank	Male No. of persons	1,625	1,417	200	8	1,596	1,386	203	7	1,538	1,352	166	20
	Female No. of persons	1,652	1,550	102	-	1,681	1,562	119	-	1,671	1,566	104	1
	Total No. of persons	3,277	2,967	302	8	3,277	2,948	322	7	3,209	2,918	270	21
BNK Kyongnam Bank	Male No. of persons	1,303	1,174	121	8	1,303	1,188	108	7	1,250	1,152	91	7
	Female No. of persons	1,235	1,123	112	-	1,233	1,136	97	-	1,212	1,132	80	-
	Total No. of persons	2,538	2,297	233	8	2,536	2,324	205	7	2,462	2,284	171	7
BNK Capital	Male No. of persons	393	294	92	7	396	317	73	6	375	295	77	5
	Female No. of persons	195	136	59	-	185	150	35	-	162	147	14	1
	Total No. of persons	588	430	151	7	581	467	108	6	537	453	78	6
BNK Securities	Male No. of persons	179	90	83	6	175	83	86	6	213	72	136	5
	Female No. of persons	72	41	31	-	69	43	26	-	88	51	37	-
	Total No. of persons	251	131	114	6	244	126	112	6	301	123	173	5
BNK Savings Bank	Male No. of persons	69	57	7	5	69	56	8	5	65	49	10	6
	Female No. of persons	43	38	5	-	46	42	4	-	49	41	8	-
	Total No. of persons	112	95	12	5	115	98	12	5	114	90	18	6
BNK Asset Management	Male No. of persons	31	2	23	6	39	1	32	6	41	4	32	5
	Female No. of persons	11	6	5	-	15	7	8	-	20	11	9	-
	Total No. of persons	42	8	28	6	54	8	40	6	61	15	41	5
BNK Credit Information	Male No. of persons	23	8	11	4	22	11	7	4	24	10	10	4
	Female No. of persons	4	3	1	-	4	4	-	-	3	3	-	-
	Total No. of persons	27	11	12	4	26	15	7	4	27	13	10	4
BNK System	Male No. of persons	161	140	17	4	176	154	18	4	178	156	18	4
	Female No. of persons	17	17	-	-	22	22	-	-	23	23	-	-
	Total No. of persons	178	157	17	4	198	176	18	4	201	179	18	4
BNK Venture Capital	Male No. of persons					5	2	-	3	12	7	1	4
	Female No. of persons					2	2	-	-	2	2	-	-
	Total No. of persons					7	4	-	3	14	9	1	4

\* Executives are based on registered executives. Non-registered executives are included in the number of regular employees.

### Newly hired employees and employee turnover

Category	Unit	2018		2019		2020	
		New employees	Retired employees	New employees	Retired employees	New employees	Retired employees
BNK Financial Group	No. of persons	3	-	-	-	-	-
BNK Busan Bank	No. of persons	102	20	84	14	55	12
BNK Kyongnam Bank	No. of persons	71	21	32	20	9	16
BNK Capital	No. of persons	23	24	29	16	13	29
BNK Securities	No. of persons	11	20	5	8	2	2
BNK Savings Bank	No. of persons	10	14	19	17	19	14
BNK Asset Management	No. of persons	3	2	3	2	8	3
BNK Credit Information	No. of persons	3	8	7	7	5	2
BNK System	No. of persons	21	13	21	4	12	7
BNK Venture Capital	No. of persons					3	1

### Turnover Rate

Category	Unit	2018	2019	2020	
BNK Busan Bank	Total turnover rate	%	0.31	0.42	0.41
	Voluntary turnover rate	%	0.31	0.42	0.41
BNK Kyongnam Bank	Total turnover rate	%	0.96	1.00	0.79
	Voluntary turnover rate	%	0.92	1.00	0.75

# ESG Data

## Labor union subscription rate

Category	Unit	2018	2019	2020
BNK Busan Bank	%	99.91	99.92	99.92
BNK Kyongnam Bank	%	99.95	99.95	99.94

## Number of labor union meetings

Category	Unit	2018	2019	2020
BNK Busan Bank	sessions	4	4	4
BNK Kyongnam Bank	sessions	4	4	4

## Number of employees who took childcare leave (2020)

Category	Unit	No. of employees who are eligible to take childcare leave			No. of employees who took childcare leave			No. of employees who returned to work after completing childcare leave			No. of employees still working 1 year after returning from childcare leave in the previous year		
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
BNK Financial Group	No. of persons	-	-	-	-	-	-	-	-	-	-	-	-
BNK Busan Bank	No. of persons	479	204	683	2	204	206	-	80	80	-	95	95
BNK Kyongnam Bank	No. of persons	441	591	1,032	4	222	226	1	80	81	1	69	70
BNK Capital	No. of persons	151	45	196	2	16	18	-	8	8	2	6	8
BNK Securities	No. of persons	-	9	9	-	9	9	-	6	6	-	2	2
BNK Savings Bank	No. of persons	59	49	108	-	-	-	-	-	-	-	3	3
BNK Asset Management	No. of persons	9	8	17	-	-	-	-	-	-	-	-	-
BNK Credit Information	No. of persons	4	1	5	-	-	-	-	1	1	-	-	-
BNK System	No. of persons	60	5	65	-	2	2	-	1	1	-	-	-

## Number of days of absence due to illness or injury

Category	Unit	2018		2019		2020	
		No. of days of absence due to illness or injury (vacation days excluded)	No. of days of absence due to illness or injury sustained while working	No. of days of absence due to illness or injury (vacation days excluded)	No. of days of absence due to illness or injury sustained while working	No. of days of absence due to illness or injury (vacation days excluded)	No. of days of absence due to illness or injury sustained while working
BNK Financial Group	No. of persons	50	-	-	-	-	78
BNK Busan Bank	No. of persons	1,307	658	1,865	1,191	1,908	310
BNK Kyongnam Bank	No. of persons	1,924	724	2,454	1,121	3,606	2,364
BNK Capital	No. of persons	195	-	185	-	232	77
BNK Securities	No. of persons	9	-	-	-	25	-
BNK Savings Bank	No. of persons	60	-	-	-	-	-
BNK Asset Management	No. of persons	-	-	-	-	-	-
BNK Credit Information	No. of persons	8	-	7	-	-	-
BNK System	No. of persons	25	-	20	-	60	-

## Performance on diversity (includes data from all subsidiaries)

Category	Unit	2018	2019	2020	
Female Leadership	Executives	No. of persons	1	3	3
	Mid-level supervisors	No. of persons	478	536	599
	Managers	No. of persons	204	239	271
No. of veterans	No. of persons	293	289	286	
No. of employees with disabilities	No. of persons	98	88	85	

## Employee Training

Category	Unit	Training cost per employee			Training hours per employee		
		2018	2019	2020	2018	2019	2020
BNK Financial Group	KRW 10000, hours	98	197	188	65	66	54
BNK Busan Bank	KRW 10000, hours	93	130	96	134	125	118
BNK Kyongnam Bank	KRW 10000, hours	70	89	65	78	71	64
BNK Capital	KRW 10000, hours	56	59	49	48	51	34
BNK Securities	KRW 10000, hours	34	46	33	42	48	21
BNK Savings Bank	KRW 10000, hours	30	52	45	45	48	48
BNK Asset Management	KRW 10000, hours	21	31	91	41	10	29
BNK Credit Information	KRW 10000, hours	13	16	6	41	16	10
BNK System	KRW 10000, hours	29	22	30	78	49	88
BNK Venture Capital	KRW 10000, hours	-	-	139	-	-	18

## Employees receiving regular performance and career development reviews

Category	Unit	2018		2019		2020	
		No. of employees who are subjects of evaluations	Percentage	No. of employees who are subjects of evaluations	Percentage	No. of employees who are subjects of evaluations	Percentage
BNK Financial Group	No. of persons, (%)	106	86	87	90	87	90
BNK Busan Bank	No. of persons, (%)	2,843	88	2,798	85	3,009	94
BNK Kyongnam Bank	No. of persons, (%)	22,281	90	2,282	90	2,180	89
BNK Capital	No. of persons, (%)	479	81	483	84	451	85
BNK Securities	No. of persons, (%)	223	90	202	84	265	89
BNK Savings Bank	No. of persons, (%)	89	82	91	82	91	89
BNK Asset Management	No. of persons, (%)	31	74	42	81	53	87
BNK Credit Information	No. of persons, (%)	8	33	8	33	8	32
BNK System	No. of persons, (%)	145	82	187	95	186	93
BNK Venture Capital	No. of persons, (%)	-	-	-	-	11	85



### Social contribution investment amounts

Category	Unit	2018	2019	2020
BNK Financial Group	KRW million	9,137	14,891	492
BNK Busan Bank	KRW million	40,505	43,622	48,086
BNK Kyongnam Bank	KRW million	22,100	22,073	23,761
BNK Capital	KRW million	141	30	32
BNK Securities	KRW million	14	33	38
BNK Savings Bank	KRW million	8	17	174
BNK Asset Management	KRW million	-	-	10
BNK Credit Information	KRW million	3	2	12
BNK System	KRW million	5	1	7
Total	KRW million	71,913	80,669	72,612

### Number of social contribution volunteer workers

Category	Unit	2018	2019	2020
BNK Financial Group	No. of persons	92	85	82
BNK Busan Bank	No. of persons	18,685	11,023	1,522
BNK Kyongnam Bank	No. of persons	3,550	3,132	1,858
BNK Capital	No. of persons	217	104	-
BNK Securities	No. of persons	129	225	19
BNK Savings Bank	No. of persons	206	259	20
BNK Asset Management	No. of persons	-	-	61
BNK Credit Information	No. of persons	55	26	61
BNK System	No. of persons	101	215	117
Total	No. of persons	23,035	15,069	3,740

#### Establishment of a fair trading culture

We always disclose bidding information through our consolidated purchase system, and by selecting suppliers through a fair competitive process made possible with electronic bidding, we can guarantee fair business participation and transparent transactions to our suppliers. Furthermore, during stages (notice of tender, budget price estimation, bidding and examination of the appropriateness of the contract payment) where supplier companies are competing against each other, we always make sure an auditor is present during the proceedings in order to guarantee impartiality. Even for the implementation part of a project, we manage the output delivery date and inspection date through an online system. This way, we can always monitor possible issues faced by the suppliers. In the interest of managing and evaluating suppliers objectively, regular training is given to purchasing managers to familiarize them with laws related to fair trade (subcontract). Even after a project has ended, we conduct evaluations whenever needed and also

regularly once a year to be perfect in our management of companies who have been contracted to supply IT resources to our group. In the future, we will do our best to create a culture of reliable and fair trading by using the screening process (which is linked to the Korea ON-Line E-Procurement System) in our consolidated purchase system to screen for fraudulent candidates when selecting companies to award contracts.

Number of cases awarded  
through electronic bidding using  
the consolidated purchase system

**319** cases

Number of evaluations to  
check for fair trading

**1,703** cases

# ESG Data

## Current Status of Employee's Stock Ownership

\* As of March 31, 2021

Name	Title	Unit	Number of shares held	Name	Title	Unit	Number of shares held
Ji-wan Kim	Chairman	No. of shares	150,000	Kee-young Chung	External Director	No. of shares	1,300
Jung-joon Yoo	External Director	No. of shares	2,000	Jin-ho Heo	External Director	No. of shares	-
Chang-lok Kim	External Director	No. of shares	-	Kyung-soo Choi	External Director	No. of shares	-
Tae-seop Lee	External Director	No. of shares	150	Woo-shin Park	External Director	No. of shares	-
Sang-yun Kim	Vice President	No. of shares	10,000	Hhyung-guk Myeong	Vice President	No. of shares	45,999
Young-moon Kim	Vice President	No. of shares	10,500	Woo-hyung Choi	Managing Director	No. of shares	9,000
Wi-yeol Kwak	Managing Director	No. of shares	12,963	Sung-joo Kim	Managing Director	No. of shares	20,012
Sung-bin Bang	Managing Director	No. of shares	13,500	Sung-jae Jung	Managing Director	No. of shares	16,000
Kyo-sung Koo	Managing Director	No. of shares	20,185				

## Current Status of CEO Remuneration

Category	Unit	2018	2018	2020	
CEO and Chairman	Earned Income	KRW million	730	729	729
Ji-wan Kim	BONUS	KRW million	41	182	302

※ Calculation criteria and methods

- Earned income: Decided on the basic income of KRW 480 million through the deliberation of the Compensation Committee by comprehensively considering the directors' rank and job function within the income ceiling approved at the shareholders' meeting, and the allowance of business activities of the management paid for business activities of the CEO and the chairman at KRW 250 million per year; KRW 60 million per month was paid for the total annual wage by dividing in 1/12 based on the executive income regulations.

- Bonus: The short-term performance pay for 2019 is evaluated as a quantitative/qualitative index task, while the comprehensive score is calculated based on the comprehensive evaluation table through the evaluation of qualitative indicators consisting of the Group's management innovative tasks, as well as quantitative indicators consisting of profitability (ROA, ROE and RAROC), capital adequacy (BIS ratio and BIS common equity Tier 1 ratio), soundness (actual NPL ratio and actual overdue loan ratio), efficiency, stability and the shareholder return. It is paid within the scope of 0-150% of the basic wage.

## Status of Total Remuneration for Employees (Based on the holding company)

Category	Unit	2018	2019	2020
Total remuneration amount for employees	KRW 100 million	188	178	182
Net income before corporate tax	KRW 100 million	5,577	7,186	7,934
%	%	3.4	2.5	2.3
No. of Employees	persons	211	188	183
Average remuneration of employees	KRW 10,000	8,900	9,500	9,900

\* The total amount of remuneration for employees [A] is stated based on earned income shown on the statement of payment of earned income submitted to the competent tax office pursuant to Article 20 of the Income Tax Act.

\*\* Net income before corporate tax [B] is the amount from the t-1 period [For example if the year is 2020: Enter the net income before tax deduction at the end of 2019].

## Status of Remuneration for Directors and Auditors (2020)

Category	Unit	No. of persons	Total remuneration amount	Remuneration per person
Registered directors	No. of persons, KRW million	1	1,031	1,031
External directors	No. of persons, KRW million	3	210	70
Members of the Audit Committee	No. of persons, KRW million	4	279	70

## Labor Productivity

Category	Unit	2018	2019	2020
Group-adjusted operating income (A)	KRW 100 million	25,168	25,122	26,386
Total number of employees in the Group (B)	Persons	7,168	7,128	7,039
Per-capita labor productivity [C=A/B]	KRW 100 million/ Persons	3.51	3.53	3.75

## Defined benefits retirement pension scheme of the organization

Category	Unit	BNK Financial Group	BNK Busan Bank	BNK Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System	BNK Venture Capital
Date of opening		2011.05.19	2010.07.30	2010.06.30	2007.11.26	2011.11.28	2013.03.29	2013.12.19	2007.11.12	2013.11.12	2012.05.31
Amount under management	KRW 100 million	109	3,375	1,931	156.0	87.9	31.8	8.5	6.0	50.0	2.5
No. of subscribers (DB)	Persons	95	3,054	2,455	533	160	117	-	25	192	11
No. of subscribers (DC)	Persons	-	-	-	-	69	-	61	-	-	-

### Ratios of standard entry level wage by gender compared to local minimum wage

Category	Unit	BNK Financial Group	BNK Busan Bank	BNK Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System	
Hourly wage for new employees	Male	KRW	22,918	22,918	16,591	-	17,145	11,962	13,955	13,072	13,466
	Female	KRW	19,113	19,113	16,591	-	17,145	11,164	13,955	13,240	12,110
%	Male	%	267	267	193	-	200	139	162	152	157
	Female	%	223	223	193	-	200	130	162	154	141

1) Based on 2020 minimum hourly wage of KRW 8,590 / 2) In the case of BNK Capital, new employees are not hired.

### BNK Financial Group Shareholders

\* As of the end of 2020

Shareholder Name	Number of shares (common stocks)	Ownership (%)
National Pension Service	43,995,780	13.50
Busan Lotte Hotel and related parties*	36,320,167	11.14
SNT Motiv Co., Ltd and related parties*	16,163,200	4.96
Employee stock ownership association	13,656,850	4.19
Parkland Co., Ltd and related parties*	12,952,172	3.97
THE OAKMARK INTERNATIONAL SMALL CAP FUND	6,991,092	2.15
MORGAN STANLEY&CO. INTERNATIONAL PLC	4,613,360	1.42
VANGUARD TOTAL INTERNATIONAL STOCK INDEX	4,488,059	1.38
Samsung Asset Management	4,007,573	1.23
Total number of stocks issued	325,935,246	100.00

\* Includes relevant shareholders virtually controlled by the same person.

### BNK Financial Group's Measures for Political Engagement

BNK Financial Group cannot donate political funds to foreigners and corporations and organizations at home and abroad as per Chapter 6 and Article 31 of the Political Fund Act. It is also prescribed that no one should be allowed to donate political funds with funds related to corporations and organizations at home and abroad. Therefore, BNK Financial Group is not involved in any political activities according to laws, and employees may participate in politics, but are prohibited from conducting any suspicious activities causing misunderstanding at the corporate level. However, we donate to associations and areas of public interest which are not related to political engagement, in which case, the current status of donations is strictly managed to fundamentally block possibilities of corruption and irregularities.

### Record of payments of membership fees to key associations (BNK Busan Bank, BNK Kyongnam Bank, BNK Capital, BNK Savings Bank)

Category	Unit	2018	2019	2020
Korea Chamber of Commerce and Industry	KRW	353,278,700	354,026,000	339,105,420
Korea Federation of Banks	KRW	1,682,074,802	1,609,768,491	1,749,410,848
Korea Financial Telecommunication and Clearings Institute	KRW	1,901,711,662	2,133,214,888	2,055,720,516

# ESG Data

## Sustainable Financial Performance

### Deposit Products Exclusive for the Working Class

Category	Unit	2018	2019	2020	
BNK Busan Bank	BNK Hope Fostering Installment Savings	KRW 100 million	205	276	326
	Regional Love Free Installment Savings	KRW 100 million	169	139	135
	Hope for Youth Bankbook	KRW 100 million	15	35	39
	BNK Happiness Protection Bankbook	KRW 100 million	32	42	61
	Subtotal	KRW 100 million	421	492	561
BNK Kyongnam Bank	Hope Collection Installment Savings	KRW 100 million	17	20	20
	Happiness Protection Bankbook	KRW 100 million	7	7	11
	Subtotal	KRW 100 million	24	27	31
Total	KRW 100 million	445	519	592	

### Deposit Products Exclusive for SMEs, small business owners, and local residents

Category	Unit	2018	2019	2020		
BNK Busan Bank	Support for small business owners	Town Boss Preferential Installment Savings (balance)	KRW 100 million	272	204	91
		Lifetime Main Bank Business Owner Bankbook	KRW 100 million	1,286	1,494	1,586
	Support for local residents	BNK Youth Sympathy Installment Savings (balance)	KRW 100 million	197	175	145
		Pusan International Film Festival Bankbook	KRW 100 million	287	301	386
	Subtotal	KRW 100 million	2,042	2,174	2,208	
BNK Kyongnam Bank	Local SMEs	Changwon City Youth Hope Installment Savings	KRW 100 million	0.7	0.2	0
		Changwon City Youth Tomorrow Bankbook	KRW 100 million	0	6.5	18
		Gyeongsangnam-do Mutual Growth Deduction Installment Savings	KRW 100 million	0	0	17
	Support for local residents	Gaya Kingdom Gimhae Love Bankbook (balance)	KRW 100 million	0.1	0.1	2.0
		True Jinju City Love Bankbook (balance)	KRW 100 million	0	16	57
		Ulsan City Love Dream Bankbook (balance)	KRW 100 million	0	279	347
	Subtotal	KRW 100 million	0.8	301.8	441	
Total	KRW 100 million	2,043	2,476	2,649		

### Card Products Exclusive for SMEs, small business owners, and local residents (Accumulated amount)

Category	Unit	2018	2019	2020		
BNK Busan Bank	Support for local residents	Multicultural Love Card	KRW 100 million	0.8	0.8	0.6
		B Smart Card	KRW 100 million	976.4	898.3	742.4
		Braille Card	KRW 100 million	0.004	0.025	0.053
		Happy Kid Card	KRW 100 million	421.1	422.5	437.6
		Happy People Card	KRW 100 million	367.3	442.5	552.7
	Communities	Busan Youth Stepping Stone Card	KRW 100 million	43.7	22.7	61.8
		Youth Pleasure Card	KRW 100 million	-	-	11
		DongbaekJeon Card	KRW 100 million	-	-	2,245
	Social contribution fund	Education Love Card	KRW 100 million	5.0	5.3	5.7
		UNICEF Gift Card	KRW 100 million	0.01	0.01	0.01
	Subtotal	KRW 100 million	1,814.3	1,791.3	4,056.3	
BNK Kyongnam Bank	Support for local residents	Ulsan City Multiple Children Card (credit)	KRW 100 million	348	415	297
		Ulsan City Multiple Children Card (check)	KRW 100 million	19	28	40
		New Ulsan City Multiple Children Card (credit)	KRW 100 million	-	51	124
		Braille Card	KRW 100 million	0.7	0.6	0.6
		Happy Kid Card	KRW 100 million	350.6	314.9	267.0
		Happy People Card	KRW 100 million	170.1	194.8	250.2
		Kyongnam Youth Support Card	KRW 100 million	-	11.1	17.7
Subtotal	KRW 100 million	887.4	937.4	996.5		
Total	KRW 100 million	2,702	2,729	5,053		

## Eco-friendly deposits and installment savings products

Category		Unit	2018	2019	2020
BNK Busan Bank	Walking Galmaetgil Installment Savings	KRW 100 million	977	790	1,686
BNK Kyongnam Bank	Healthy Dullegil Installment Savings	KRW 100 million	42	43	39
Total		KRW 100 million	1,019	833	1,725

\* Sale of an environmental protection products and provision of donations to environmental organizations (Donation of part of after-tax interest)

## Eco-friendly Card Products

Category		Unit	2018	2019	2020
BNK Busan Bank	Green Card	KRW 100 million	3,311	3,382	3,189
	My Zone Green Card	KRW 100 million	573	522	452
	Green Company Check Card	KRW 100 million	644	633	564
	Green Card v2	KRW 100 million	96	89	75
	Subtotal	KRW 100 million	4,624	4,625	4,280
BNK Kyongnam Bank	Green Card (credit)	KRW 100 million	665	502	490
	Green Company (check)	KRW 100 million	675	558	380
	Green Company Card (credit)	KRW 100 million	501	389	356
	Green Company Card (check)	KRW 100 million	114	105	99
	Subtotal	KRW 100 million	1,955	1,554	1,325
Total		KRW 100 million	6,579	6,179	5,606

\* Products that provide benefits to customers based on their performance of green activities, including energy-saving activities

## Loan Products for Supporting Win-Win Projects for the Working Class

Category		Unit	2018	2019	2020	
BNK Busan Bank	Support for the underprivileged	New Hope Seed Loan	KRW 100 million	910	841	802
		Special Fund for Security Deposit	KRW 100 million	372	486	782
		Change Dream Loan	KRW 100 million	17	18	-
		Sunshine Loan 17	KRW 100 million	-	35	104
		Non-Face-to-Face Charter Loan	KRW 100 million	24	27	34
		Charter Loan for Newlyweds and Multicultural Families	KRW 100 million	-	462	863
		Busan Metropolitan City Charter loan for Newlyweds	KRW 100 million	-	-	639
	Mid-range-interest rate loan	Charter and Monthly Rent Loan for Youth	KRW 100 million	-	82	185
		Stepping Stone Mid-Range-Interest Rate Loan	KRW 100 million	260	83	73
		Office Worker Happy Dream Loan	KRW 100 million	124	222	1,406
Subtotal		KRW 100 million	1,707	2,256	4,888	
BNK Kyongnam Bank	Support for the underprivileged	New Hope Seed Loan	KRW 100 million	640	645	561
		Special Fund for Security Deposit	KRW 100 million	17	107	144
		Change Dream Loan (Sales discontinued on Oct. 2019)	KRW 100 million	10	11	-
		Stepping Stone Loan	KRW 100 million	-	1	1
		Belief Loan	KRW 100 million	-	1	0
		Sunshine Loan 17	KRW 100 million	-	12	15
		Charter and Monthly Rent Loan for Youth	KRW 100 million	-	21	16
	Mid-range-interest rate Loan	Stepping Stone Mid-Range-Interest Rate Loan	KRW 100 million	70	64	26
Subtotal		KRW 100 million	737	862	763	
BNK Savings Bank	Financial support for the working class	Sunshine Loan	KRW 100 million	800	1,248	1,328
		Stepping Stone Mid-Range-Interest Rate Loan 2	KRW 100 million	200	102	33
	Subtotal		KRW 100 million	1,000	1,350	1,361
BNK Capital	Financial support for the working class	Successful Dream CAR	KRW 100 million	500	302	347
		Loan for Public Rental Apartments	KRW 100 million	400	0	0
	Subtotal		KRW 100 million	900	302	347
Total		KRW 100 million	4,354	4,770	7,359	

# ESG Data

## Loan Products for Innovative SME Support Program

Category		Unit	2018	2019	2020	
BNK Busan Bank	Support for companies with excellent technology	Technology Finance	KRW 100 million	23,904	28,672	26,811
		Relational Finance	KRW 100 million	450	374	450
		Special Preferential Loan for Technology Finance	KRW 100 million	2,630	1,896	1,289
		Secured Loan for Intellectual Property (IP)	KRW 100 million	-	-	3
		Support for Social Enterprise	KRW 100 million	2	12	12
	Local SMEs	Chattel Mortgage Loan	KRW 100 million	7	57	34
		Speed-Up Special Loan	KRW 100 million	-	30,583	-
		Special Loan for Car Component Industry	KRW 100 million	147	14	6
		Subtotal	KRW 100 million	27,139	61,608	28,605
	BNK Kyongnam Bank	Support for companies with excellent technology	Technology Finance	KRW 100 million	11,651	13,597
Relational Finance			KRW 100 million	64	724	1,230
Support for Social Enterprise			KRW 100 million	34	43	135
Mid-range-interest rate loan		Chattel Mortgage Loan	KRW 100 million	26	56	90
		Support for Industries of the 4th Industrial Revolution	KRW 100 million	174	275	190
		Financial Support for Strategic Projects of Local Governments	KRW 100 million	-	20,874	22,734
Subtotal	KRW 100 million	11,949	35,569	34,198		
BNK Capital	Support for companies with excellent technology	KRW 100 million	50	110	117	
	Support for Local SMEs	KRW 100 million	50	108	244	
	Subtotal	KRW 100 million	100	218	361	
Total		KRW 100 million	39,188	97,395	63,164	

## Loan Products for Local Small Business Owners

Category		Unit	2018	2019	2020	
BNK Busan Bank	2019 Cheer up! Busan Small Business Owners	KRW 100 million	-	1,062	-	
	2019 Full Smile Project for the Self-Employed	KRW 100 million	-	992	-	
	2019 Fly! Busan Small Business Owners	KRW 100 million	-	107	-	
	2019 Dream Special fund	KRW 100 million	-	59	-	
	Loan for Secondary Reception Confirmation Agreement of Small Business Owners	KRW 100 million	-	-	2,066	
	2020 Busan Self-made Agreement Guarantee Loan	KRW 100 million	-	-	1,206	
	Busan Metropolitan City Quasi-Disaster Special Loan	KRW 100 million	-	-	901	
	Support for Small Business Owners affected by Coronavirus	KRW 100 million	-	-	2,072	
	Secondary Financial Support (consignment guarantee) Loan for Small Business Owners	KRW 100 million	-	-	307	
	Modoo Loan (loan for everyone)	KRW 100 million	-	-	66	
	Special Loan for Smart Small Business Owners	KRW 100 million	-	-	1	
	Special Loan for Busan Metropolitan City Strategic Industry Liquidity Support Agreement	KRW 100 million	-	-	397	
	Special Loan for Coronavirus 19 Emergency Liquidity Support	KRW 100 million	-	-	16	
	Special Loan for Busan Metropolitan City Employment Retention Company Salary Support Agreement	KRW 100 million	-	-	4	
	Loan for Agreement with Credit Guarantee Foundation	KRW 100 million	-	30	33	
	Special Loan for Ulsan City SMEs and Small Business Owners	KRW 100 million	12	12	2	
	Special Loan for Companies having difficulties due to minimum wage guarantee	KRW 100 million	20	24	-	
	Subtotal	KRW 100 million	32	2,286	7,071	
	BNK Kyongnam Bank	Hope Sharing Project for Local Small Business Owners	KRW 100 million	-	102	61
		Management Support Program for Small Business Owners and Small Merchants	KRW 100 million	-	3	-
Special Loan for Companies having difficulties due to minimum wage guarantee		KRW 100 million	74	150	1	
Subtotal		KRW 100 million	74	255	62	
Total		KRW 100 million	106	2,541	7,133	

### Youth Start-up and Job Creation Support Program

Category	Unit	2018	2019	2020	
BNK Busan Bank	Special Loans for job creation/innovation growth/platform establishment technical financial support	KRW 100 million	91	513	-
	Guarantee of Agreements for banking sector job creation companies (Korea Credit Guarantee Fund/Korea Technology Finance Corporation)	KRW 100 million	-	136	66
	Innovation Growth and Job Creation (Korea Credit Guarantee Fund)	KRW 100 million	30	185	375
	Innovation Growth and Job Creation (Korea Technology Finance Corporation)	KRW 100 million	61	192	140
	Subtotal	KRW 100 million	182	1,026	581
BNK Kyongnam Bank	Expansion of Guarantee Agreements with Guarantee Authorities	KRW 100 million	-	957	462
	Creation of Smart Factories with Gyeongsangnam-do	KRW 100 million	-	10	99
	Job-creating Companies with Changwon City	KRW 100 million	-	1,000	-
	Shared Growth with Changwon City	KRW 100 million	-	131	209
	Gimhae-style Small Giant Companies	KRW 100 million	-	78	4,840
	Reinvigoration of the Local Economy with Gimhae City	KRW 100 million	-	460	136
	Shared Growth with Gimhae City	KRW 100 million	-	87	136
	Special Management Funds with Ulsan City	KRW 100 million	-	1,024	976
	Reinvigoration of the Local Economy with Jinju City	KRW 100 million	-	128	372
	Subtotal	KRW 100 million	-	3,875	7,230
	Total	KRW 100 million	182	4,901	7,811

### Eco-friendly Loan

Category	Unit	2018	2019	2020	
BNK Busan Bank	Loans from the Energy Use Rationalization Fund	KRW 100 million	65	60	156
	Fund to Foster the Recycling Industry		60	37	79
	Fund to Improve and Foster the Environment		30	21	122
	Fund to Install Natural Gas Supply Facilities	KRW 100 million	4	-	-
	Eco-friendly (semi-public) Bus Purchase Fund	KRW 100 million	-	-	49
	Loan for Photovoltaic Power Generation Facilities	KRW 100 million	-	-	8
	Subtotal	KRW 100 million	159	118	414
BNK Kyongnam Bank	Loans from the Energy Use Rationalization Fund	KRW 100 million	83	122	127
	Fund to Foster the Recycling Industry	KRW 100 million	10	46	46
	Fund to Improve and Foster the Environment		11	1	80
	Fund to Install Natural Gas Supply Facilities		2	-	2
	Photovoltaic Power Eco-friendly Corporate Loan		-	-	190
	Subtotal	KRW 100 million	106	169	445
Total	KRW 100 million	265	287	859	

# GRI Index

## Universal Standards (GRI 100)

Topic	No.	Indicators	Page	Remarks
Organizational Profile	102-1	Name of organization	6	
	102-2	Activities, brands, products, and services	6, 28-29, 45, 94-97	
	102-3	Location of headquarters	7	
	102-4	Location of operations	7	
	102-5	Ownership and legal form	24, 92-93	
	102-6	Markets served	6-7	
	102-7	Scale of the organization	6-7	
	102-8	Information on employees and other workers	87	
	102-9	Supply chain	-	No significant partners due to the nature of the financial industry
	102-10	Significant changes to the organization and its supply chain	-	No material change
	102-11	Principles of proactive prevention, and description of approaches	67-69	
	102-12	External initiatives	104-105	
	102-13	Membership of associations	93	
Strategy	102-14	Statement from senior decision-maker	4, 13	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	34, 58-59	
Governance	102-18	Governance structure	24-26	
Stakeholder Engagement	102-40	List of stakeholder groups	72	
	102-41	Collective bargaining agreements	88	
	102-42	Identifying and selecting stakeholders	72	
	102-43	Approach to stakeholder engagement	72	
	102-44	Key topics and concerns raised through stakeholder engagement	72-73	
Reporting Practice	102-45	Entities included in the consolidated financial statements	7	For more information, see Business Reports
	102-46	Defining report content and topic Boundaries	72-73	
	102-47	List of material topics	73	
	102-48	Restatements of information	-	No significant restatements
	102-49	Changes in reporting	-	No reporting changes
	102-50	Reporting period	2	
	102-51	Date of most recent report	2	
	102-52	Reporting cycle	2	
	102-53	Contact point for questions regarding the report	107	
	102-54	Claims of reporting in accordance with the GRI Standards	2	
	102-55	GRI content index	98-99	
102-56	External assurance	100-101, 104		

## Economic Standards (GRI 200)

Topic	No.	Indicators	Page	Remarks
Economic Performance	201-1	Creation and distribution of direct economic values	84	
	201-2	Financial implications and other risks and opportunities due to climate change	16-19	
	201-3	Defined benefit plan obligations and other retirement plans	92	
Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	93	
Anti-Competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	90	
Tax	207-1	Tax Approach	84	

### Environment Standards (GRI 300)

Topic	No.	Indicators	Page	Remarks
Materials	301-1	Materials used by weight or volume	85	
Energy	302-1	Energy consumption within the organization	85	
Water	303-1	Water withdrawal by source	86	
Emissions	305-1	Direct (Scope 1) GHG emissions	86	
	305-2	Energy indirect (Scope 2) GHG emissions	86	
	305-3	Other indirect (Scope 3) GHG emissions	86	

### Social Standards (GRI 400)

Topic	No.	Indicators	Page	Remarks
Employment	401-1	New employee hires and employee turnover	87	
	401-3	Parental leave	88	
Education and consulting	404-1	Average hours of training per year per employee	89	
	404-2	Programs for upgrading employee skills and transition assistance programs	30-31	
	404-3	Percentage of employees receiving regular performance and career development reviews	89	
Human Rights Assessment	412-2	Employee training on human rights policies or procedures	35	
Protection of personal information	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	62	
Socioeconomic Compliance	419-1	Incidents of non-compliance concerning the health and safety impacts of products and services	90	

### Core Issues

Ranking	Core issues	No.	Indicators	Page
1	Developing public service products with consideration for vulnerable social groups, including working class and middle class citizens, and SMEs	103	Management Approach	37
		203-1	Development and impact of infrastructure investments and services supported	44-47
2	Strengthening digital finance competitiveness in areas such as AI and big data	103	Management Approach	37
		201-1	Creation and distribution of direct economic values	38-40
3	Strengthening the ethical management and compliance management system	103	Management Approach	57
		205-1	Risk assessment of corruption in workplaces	58, 90
		205-2	Disclosure of and training on anti-corruption policies and procedures	59, 90
		205-3	Confirmed corruption cases and actions against them	90
4	Contributing to revitalizing the local economy by supporting New Deal finance and innovative growth	103	Management Approach	37
		203-1	Development and impact of infrastructure investments and services supported	41-43
5	Implementing sound governance and enhancing transparency	103	Management Approach	23
		102-18	Governance	24-27
6	Strengthening integrated financial/non-financial risk management	103	Management Approach	57
		102-11	Principles of proactive prevention, and description of approaches	67-69

# Third-party Assurance Statement

## To Management and Stakeholders of BNK Financial Group,

Korea Foundation for Quality has been commissioned by BNK Financial Group (hereinafter "the Company") to provide an independent assurance statement on its 'Sustainability Report 2020' (hereinafter "the Report"). Korea Foundation for Quality is responsible for independently presenting third-party assurance statement on the Report in accordance with the assurance standards and scope specified below. However, Financial Group management is responsible for the Report.

## Assurance Criteria and Scope

This assurance was planned and performed in accordance with Accountability's AA1000AS v3 and AA1000APS (2018), which are international assurance standards, for the purpose of verifying the activities and performance of the organization disclosed in the Report. The verification procedure is conducted by the assurance team in accordance with "Type 1", which evaluates compliance with the four Accountability principles (inclusivity, materiality, responsiveness, and impact), and "Moderate Level" based on limited evidence. Korea Foundation for Quality evaluated whether the following reporting requirements were met, which are the core options of the GRI Standards.

- GRI Standards Reporting Principles
- Universal Standards
- Topic Specific Standards
  - Management Approach
  - Economic Performance: 201-1, 201-2, 201-3
  - Market Presence: 202-1
  - Indirect Economic Impacts: 203-1
  - Anti-Corruption: 205-1, 205-2, 205-3
  - Anti-Competitive Behavior: 206-1
  - Tax: 207-1
  - Materials: 301-1
  - Energy: 302-1
  - Water and Effluents: 303-1
  - Emissions: 305-1, 305-2, 305-3
  - Employment: 401-1, 401-3
  - Training and Education: 404-1, 404-2, 404-3
  - Human Rights Assessment: 412-2
  - Customer Privacy: 418-1
  - Socioeconomic Compliance: 419-1

## Basis of Our Opinion

The assurance team reviewed the relevant procedures, systems and control methods and available performance data to confirm the validity of the Report based on the above criteria. Non-financial data was compared and reviewed data provided by BNK Financial Group with the Sustainability Report of the previous year, disclosed business reports, and data investigated through the media and the Internet. The assurance team confirmed that the financial data were appropriately drawn retrieved from financial statements verified in the Data Analysis, Retrieval, and Transfer System (<http://dart.fss.or.kr/>). During the on-site verification, interviews were conducted to evaluate the validity of the materiality assessment procedure in the Report, the selection of issues in consideration of stakeholders, the data collection and management, and the report preparation procedure, as well as the validity of the description.

## Competence and Independence

This assurance was carried out by the qualified assurance team. Other than providing this independent assurance statement, Korean Foundation for Quality does not hold any interest in the Company that may affect the independence and fairness of the verification.

## Limitations

Completeness and responsiveness of the performance data presented in the Report has its own limitations depending on the characteristics of the data and how it is determined, calculated, and estimated. The assurance team conducted a comparative review on the data and evidence provided in accordance with the contract, and did not perform a reliability check of the original data.

## Assurance Results

Korean Foundation for Quality's opinion regarding the above principles is as follows:

- **Inclusivity**  
Whether to actively identify stakeholders and engage them in selecting important sustainability topics and response strategies of the organization  
– BNK Financial Group gathers the opinions of various stakeholders (customers, mutual growth, media and environment, employees and policy supervisors) through established communication channels (General Shareholder Meetings, Labor-Management Council, and meetings with financial authorities). – Korean Foundation for Quality is not aware of any key stakeholder group that has been omitted.
- **Materiality**  
Considering the impact of each sustainability topic on the organization and stakeholders, whether priority is given to each topic and the contents are considered throughout management activities  
– BNK Financial Group considers core issues in management by prioritizing them after conducting a materiality test of related issues from the perspective of stakeholder interest and business impact. Korean Foundation for Quality confirms that the Company selected the core topics based on the materiality test and that it could not find any material issue that has been omitted from the report.
- **Responsiveness**  
Whether the Company are responding in a timely manner to the needs, interests and expectations of stakeholders that affect its sustainability performance  
– BNK Financial Group responds to the needs and key concerns received from stakeholders. Korean Foundation for Quality could not find any evidence of omission or misplacement in the Company's reporting of material issues.
- **Impact**  
Whether the impact of material topics is adequately considered based on an understanding of stakeholder concerns  
– Korean Foundation for Quality confirms that BNK Financial Group identifies and monitors the impact of core stakeholder-related issues, such as distribution of economic value and the proportion of loans in high carbon emitting industries, throughout its business activities, and reports them to the possible range.

## Recommendations for Improvement

Korean Foundation for Quality recommends the following to enhance the sustainability management of the Company and improve effective disclosure of the report.

- Korean Foundation for Quality suggests that BNK Financial Group will transparently and actively disclose its GHG reduction target and performance monitoring process for systematic response to climate change to its stakeholders, after the declaration of support for TCFD.
- BNK Financial Group is strengthening its ESG management system by establishing a mid- to long-term ESG roadmap and the ESG committee. Korean Foundation for Quality recommends the Company will enhance its performance and management system of ESG strategic tasks and regularly disclose its performance to all affiliates in the group.



AA1000  
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000-80/V3-3GU2U



*Ji Young Song*

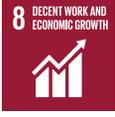
July 29, 2021  
Seoul, Korea  
Korean Foundation for Quality  
CEO Ji-young Song

# Global Initiatives

## UN SDGs

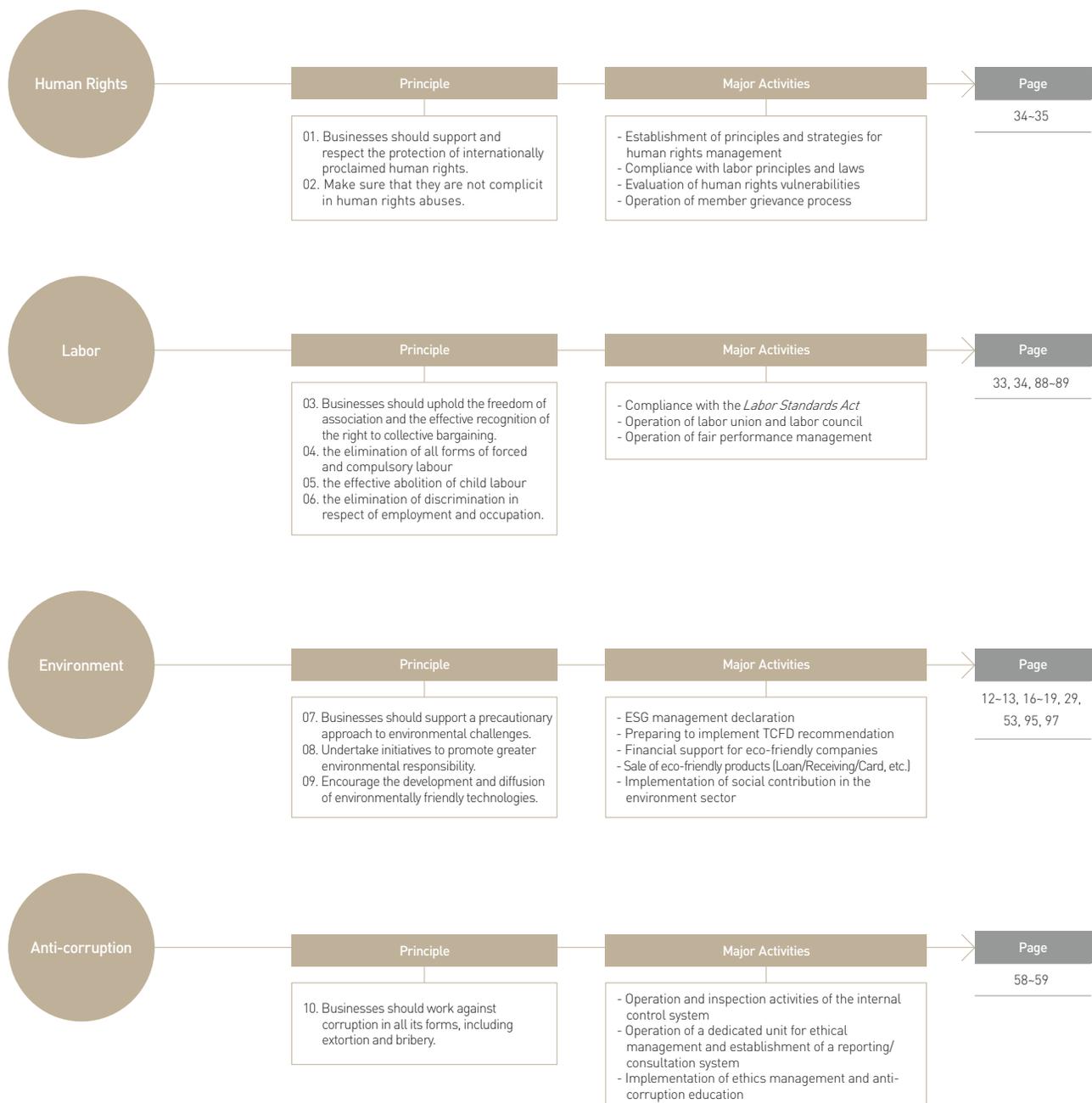
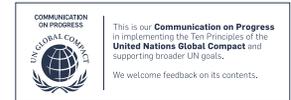
The UN Sustainable Development Goals (SDGs) are the global objectives adopted by the United Nations and the international community to be newly implemented from 2016 to 2030 after the Millennium Development Goals (MDGs), which ended in 2015. In September 2015, the UN General Assembly drew 17 global objectives to establish universal human problems such as poverty and disease, environmental problems, and inclusive economic growth.

BNK Financial Group is making active efforts to solve social problems by linking business activities with the SDGs. As a global standard financial group, we will do our best to create, share, and keep up with stakeholders to create sustainable future values.

UN SDGS	Our Response	Page
 <p>1 NO POVERTY</p> <p>End poverty in all its forms everywhere</p>	<ul style="list-style-type: none"> <li>· Implementation of innovation finance and support for win-win growth with local community</li> <li>· Support youth startups in local areas</li> <li>· Tailored financial education support</li> </ul>	41-47
 <p>4 QUALITY EDUCATION</p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<ul style="list-style-type: none"> <li>· Human talent development was pursued at the group wide level</li> <li>· Provided education for preventing financial frauds and mishaps</li> <li>· Provided education to local area residents like teenagers and senior citizens</li> </ul>	30-31, 51
 <p>5 GENDER EQUALITY</p> <p>Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> <li>· Maternity and Childcare Support</li> <li>· Maternity protection support</li> </ul>	32
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> <li>· Financial support for job creation</li> <li>· Support youth startups in local areas</li> <li>· Priority considerations given to low-income candidates when hiring new employees.</li> </ul>	41-47
 <p>10 REDUCED INEQUALITIES</p> <p>Reduce inequality within and among countries</p>	<ul style="list-style-type: none"> <li>· Implementation of innovation finance and support for win-win growth with local community</li> <li>· Support youth startups in local areas</li> <li>· Tailored financial education support</li> </ul>	41-47
 <p>13 CLIMATE ACTION</p> <p>Take urgent action to combat climate change and its impacts</p>	<ul style="list-style-type: none"> <li>· Company-wide efforts to reduce energy and resource consumption</li> <li>· Development and sale of financial products in renewable energy and environment protection</li> </ul>	16-19, 28-29, 54-55

## UNGC

The UN Global Compact (UNGC) is the world's largest voluntary corporate citizenship initiative that presents ten principles in the areas of human rights, labor, environment, and anti-corruption. BNK Financial Group are working hard to abide by UNGC's ten principles. We will continue to participate in UNGC's ten principles and disclose its achievements transparently to fulfill our responsibility as a corporate citizen for sustainable society,



# GHG Assurance Statement

## Introduction

Korean Foundation for Quality was requested by BNK Financial Group to verify the "GHG emissions report (hereinafter, "Greenhouse Gas Inventory")," which included GHG emissions from January 1, 2020 to December 31, 2020.

## Scope and Criteria of Verification

The verification was conducted on the greenhouse gas emission facilities of all affiliates' buildings and sales branches under the operational control of "BNK Financial Group". Direct and indirect GHG Emissions (Scope 1, 2) were calculated based on the Administrative Guidelines for the Greenhouse Gas Target Management System (Ministry of Environment Notice No. 2016-255) and 2006 IPCC Guidelines. Other Indirect Emissions (Scope 3) was calculated based on BNK's criteria.

## Verification Procedure

The verification was planned and performed according to the procedure set forth under the Administrative Guidelines for the Greenhouse Gas and Energy Target Management System. In particular, the verification was performed at a reasonable level of assurance.

## Limits of Verification

The accuracy and completeness of emissions data in the Greenhouse Gas Inventory implies inherent limits that may occur in the process of applying the standards, BNK's criteria and methods of determining, calculating and estimating data set by the Company.

## Verification Conclusion

Korean Foundation for Quality presents unqualified opinion on GHG Emission data in the Greenhouse Gas Inventory through the verification process such as ISO 14064-3, as follows.

As a result of the 2020 materiality test of GHG emissions at all workplaces of BNK Financial Group in Korea, BNK Financial Group is subjected to a company with less 500,000 tCO<sub>2</sub>-eq capacity to meet the requirements of the Administrative Guidelines for the Greenhouse Gas Target Management System. BNK Financial Group's materiality meets the Guidelines as the materiality test shows less than 5% of total emissions in the Guidelines.

## 2020 BNK Financial Group's GHG Emissions

Description	GHG Emissions (tCO <sub>2</sub> -eq)				
	Direct Emissions (Scope1)	Indirect Emissions (Scope2)	Subtotal (Scope1 + Scope2)	Other Indirect Emissions (Scope3)	Total (Scope1 + Scope2 + Scope3)
BNK Financial Group Inc.	135	303	438	7	445
BNK Busan Bank	1,299	14,254	15,553	36	15,589
BNK Kyongnam Bank	1,564	5,844	7,408	363	7,771
BNK Capital	237	189	426	52	478
BNK Asset Management	201	225	426	14	440
BNK Savings Bank	72	100	172	4	176
BNK Securities	52	17	69	5	74
BNK Credit Information	24	66	90	1	91
BNK System	88	156	244	1	245
Total	3,672	21,154	24,826	483	25,309

\* The above "Total GHG emissions" may differ from the sum of Scope 1 and 2 depending on calculation criteria by workplaces (less than ±1 tCO<sub>2</sub>-eq from the actual value of the system).

\* Other Indirect Emissions (Scope3): Business trip

*Ji Young Song*

July 29, 2021

Seoul, Korea

Korean Foundation for Quality

CEO Ji-young Song

# Awards





## Cover Story



2012



2013



2014



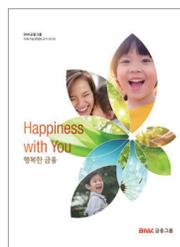
2015



2016



2017



2018



2019



2020

## BNK Financial Group Sustainability Report 2020

You can download the PDF file of 'BNK Financial Group Sustainability Management Report 2020' from the website of BNK Financial Group and check the detailed information about the report. For additional information or with any questions about this report, please contact us through the information shown below.

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