

Happiness with You

HAPPY FINANCE



About the Report

Reporting Principles and Standards

This is the seventh Sustainability Report published by BNK Financial Group. BNK Financial Group's annual Sustainability Report aims to disclose to stakeholders the economic, environmental, and social performance achieved through sustainability management practices.

Reporting Period

The Sustainability Report is based on sustainability management performance of BNK Financial Group from January 1 to December 31, 2018. For information that can have a significant impact on stakeholders' decision-making including governance, the report includes data up to the first half of 2019. Data from the last three years is also presented to help readers quantitatively identify progress.

Scope of Reporting

The report covers eight affiliates of the BNK Financial Group - Busan Bank, Kyongnam Bank, BNK Capital, BNK Securities, BNK Savings Bank, BNK Asset Management, BNK Credit Information, and BNK System. When necessary, performance related to overseas business is disclosed.

Reporting Principles and Standards

This report was written according to the Core option of the Global Reporting Initiative (GRI) Standards.

Financial information is written on a consolidated basis in accordance with the Korean International Financial Reporting Standards (K-IFRS). The balance for loans and deposits, customer satisfaction indicators, GHG emissions, and social contribution investments are covered in the report, based on the exclusive individual standards of BNK Financial Group.

Third Party Assurance

In order to ensure the reliability of reporting information, we have been verified by Korea Quality Foundation, a third party assurance report. The results of the verification are shown on p.102 of this report. Financial information was provided by an independent auditor's audit.

BNK Financial Group Included in the DJSI for Four Consecutive Years

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



Contents



About the Report	02
Contents	03
CEO Message	04
Introduction of BNK Financial Group	06
Vision and Management Strategy	08
2018 Highlights of BNK Financial Group	10
<hr/>	
BNK “GROW 2023”	
# 1. Great Financial Group	14
# 2. Race for Global	15
# 3. Optimized Digital Experience	16
# 4. Well-Balanced Portfolio	17
<hr/>	
BNK Material Issues	
Engagement with Stakeholders and Materiality Test	20
BNK Way 1. Customer-Oriented Business	22
BNK Way 2. Challenge and Innovation	28
BNK Way 3. Responsibility and Trust	36
BNK Way 4. Communication and Teamwork	48
<hr/>	
Sustainability Management	
Risk Management	56
Environmental Management	59
Digital Innovation	62
Human Rights Management	64
<hr/>	
Happy Financing, Practice Together	
BNK Subsidiaries Company Introduction and Key Management Performance	68
<hr/>	
Appendix	
Management’s Discussion and Analysis	85
Independent Auditors’ Report	88
BNK Financial Group’s Financial Performance	90
Performance Data of Sustainability Management	94
Third Party Assurance Report	102
GRI Index	104
Awards and List of Memberships	106
BNK Financial Group History	107



CEO Message

BNK Financial Group, established in March of 2011, has endlessly innovated and challenged itself despite the tough business environment at home and abroad. Such efforts have led the Group to establish itself as Korea's representative financial group with eight affiliates (Busan Bank, Kyongnam Bank, BNK Capital, BNK Securities, BNK Savings Bank, BNK Asset Management, BNK Credit Information, and BNK System). This is attributable to our stakeholder's unwavering trust and support for the Group as customers, shareholders and the local community. I would like to express my genuine gratitude once again on behalf of all employees at BNK Financial Group.

BNK Financial Group has shared not only its business strategies but also the values of corporate social responsibilities and its future roadmap through the annual Sustainability Report. Moreover, the Group has done the utmost to establish a transparent management system and a sound corporate culture under the goal of social responsibilities in the name of "Happy Finance, Giving Hope." As a result, the Group's prestige has been recognized in the global market by being included in the Asia-Pacific Index of the world's renowned DJSI (Dow Jones Sustainability Index) for four consecutive years.

BNK Financial Group promises to pour in further efforts to achieve the Group's mid- to long-term business goal of 'GROW2023, takeoff as a global financial group' through qualitative and quantitative growth, recognizing its calling as a group that has developed alongside the customers and the community for half a century. The Group seeks to implement the following values of priority for its sustainable development:

「Raising values for customers」

BNK Financial Group will provide differentiated customer services to ensure customers' success and financial happiness. The Group will also protect financial consumers from diverse financial difficulties, and run wide-ranging programs to enhance convenience in financial accessibility for financial consumers which will be developed further by reflecting thoughts and voices of customers throughout the business management.

「Boosting transparency in corporate management and governance」

BNK Financial Group will take the lead in making a variety of improvements to satisfy the social demands of 'transparent management systems' and 'advanced corporate governance.' The Group will strive to gain more trust by raising transparency in management and governance by fully guaranteeing the independence of the board of directors and appointing directors equipped with a broad spectrum of experiences and expertise.

「Creating social values in finance」

The Group will solidify the basis for all its affiliates to achieve continued growth together, while being attentive to such issues as human rights, labor, the environment and anti-corruption based on its management principle. Furthermore, the Group will push itself further to develop products with public interests for the underprivileged, and extend loans and investment for SMEs and start-ups. The roots of BNK Financial Group are embedded in the local community. The Group will fulfill the social responsibilities of finance by disseminating social contribution in the community and expanding support for education and mecenat projects.

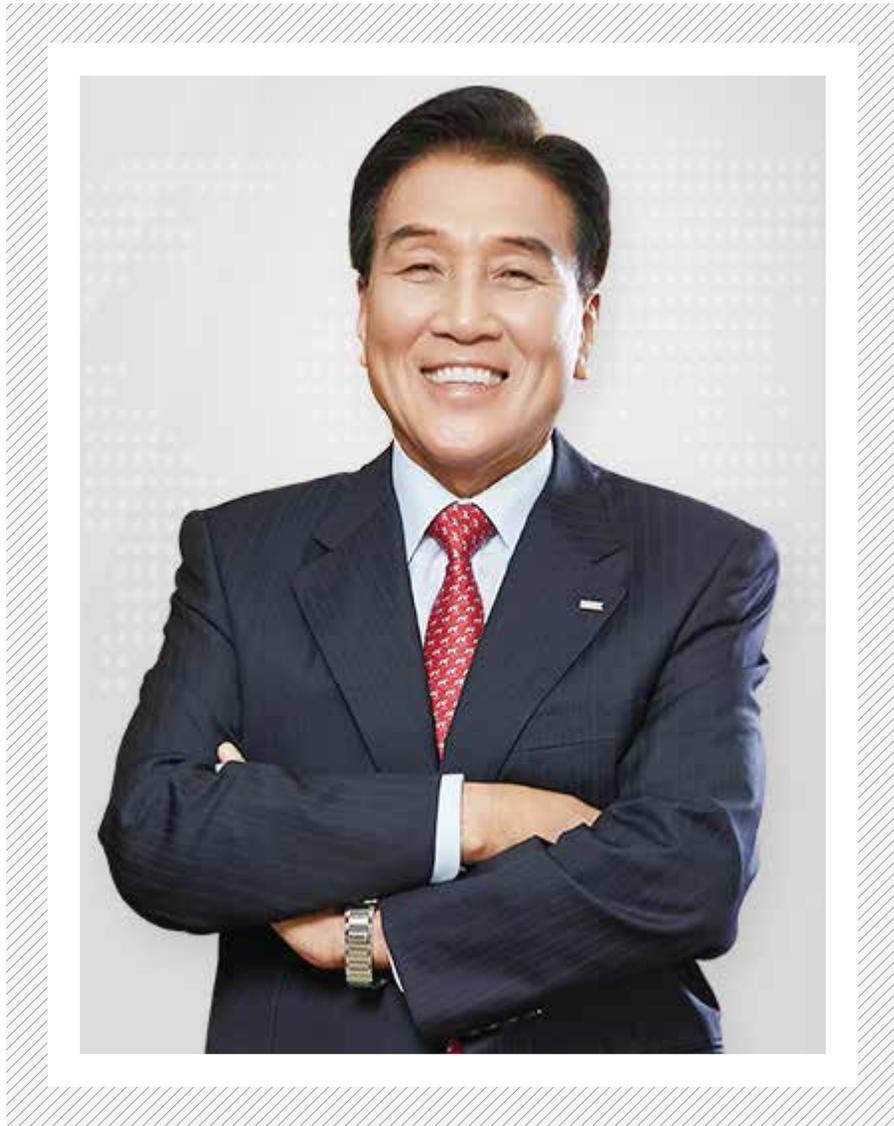
「Fostering talents – investment for the future」

Amid the business expansion of companies in the non-financial sector such as communications, retail and IT, etc. and the launch of internet-only banks brought on by innovation in digital technologies, the financial sector is faced with a new paradigm. Also, the uncertainty in the internal and external management environment requires continuous changes and innovation.

BNK Financial Group plans to pour in significant investment and support for the future of its organization and employees in tandem with the Group's philosophy for talent management – 'Finance is centered on people.' Furthermore, the Group will make further efforts to establish a corporate culture where work-life balance can be embodied within BNK.

Lastly, I look back on what BNK has achieved so far through this report and I am delighted for an opportunity to dream a better future with you – customers, shareholders and the community. BNK Financial Group will make the best efforts to grow and develop with you by fulfilling foundational roles in finance. I sincerely ask for your genuine interest and encouragement.

□□ BNK Financial Group will make
the best efforts to grow and develop
with you by fulfilling foundational roles in finance. □□



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

김지완



Introduction of BNK Financial Group

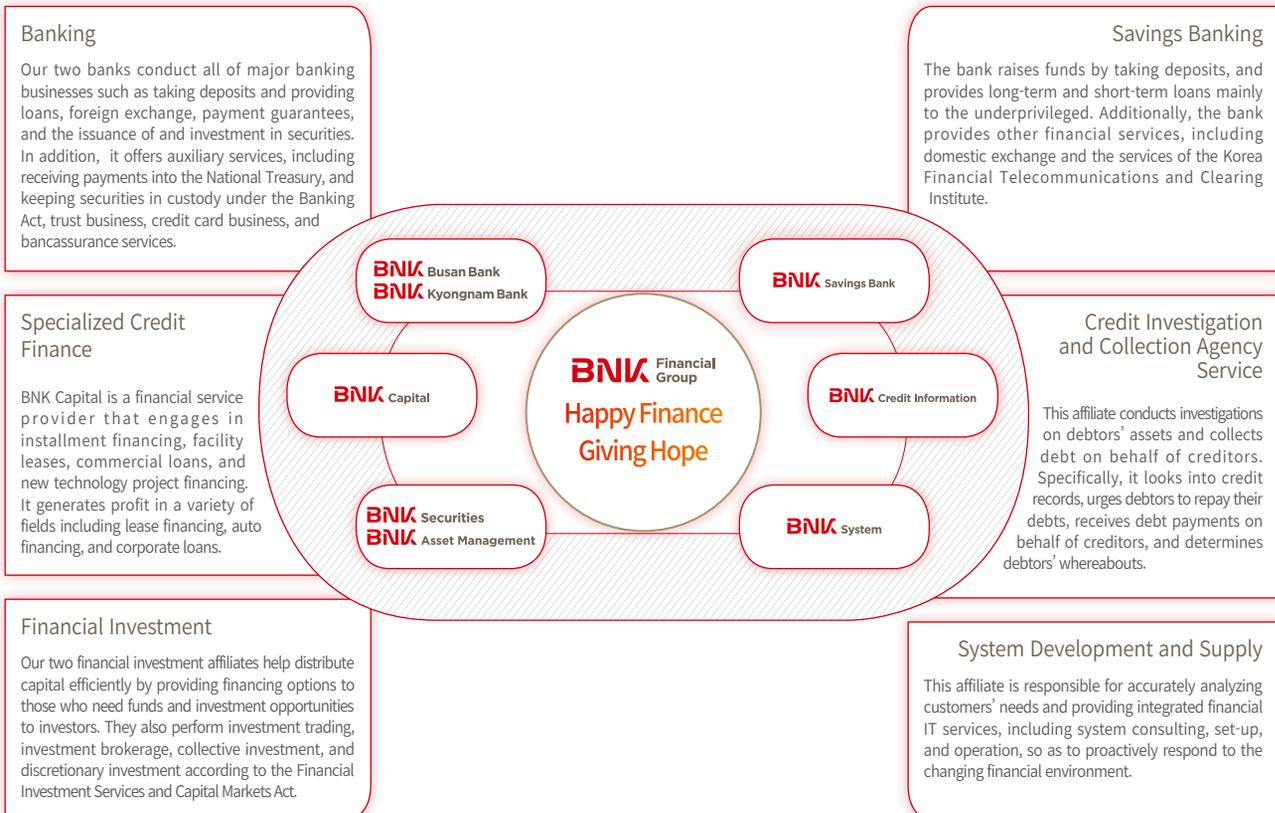
Outline of BNK Financial Group

Established on March 15th, 2011 as Korea's first financial holding company of local banks, BNK Financial Group acquired Kyongnam Bank in 2014 and changed its name into 'BNK Financial Holdings' in 2015. BNK Financial Group has established itself as Korea's top-notch regional financial group with eight affiliates, and for 2019, the Group strives to push for a takeoff as a global-standard financial group by announcing 'GROW 2023', the Group's mid-and long-term business strategy and new management vision.

(2018년 12월 31일 기준)



Business Portfolio of Subsidiaries



Organization and Global Network of BNK Financial Group

BNK Financial Group runs 379 branches and 114 offices in Korea, and 28 branches and 3 representative offices abroad as of the end of 2018. BNK Capital, in particular, has subsidiaries in four locations in Southeast Asia and Central Asia including Myanmar, Laos and Kazakhstan, running a sales network focused on microfinance and automotive loans. They are expected to grow rapidly as automotive finance and microfinance markets have gradually expanded in those countries. Opening of a branch of BNK Capital in Kazakhstan in November 2018 is expected to be a gateway for advancing into the fast-growing Central Asia.



Status of Networks

(Unit: sites)
As of December 31, 2018

Classification		Domestic		Overseas		Total
		Branches	Offices	Branches	Representative Offices	
Financial Holding Company	BNK Financial Group	1	-	-	-	1
Affiliate	BNK Busan Bank	172	80	2	3	257
	BNK Kyongnam Bank	161	29	-	-	190
	BNK Capital	34	-	-	-	34
	BNK Securities	4	-	-	-	4
	BNK Savings Bank	3	5	-	-	8
	BNK Asset Management	1	-	-	-	1
	BNK Credit Information	2	-	-	-	2
	BNK System	1	-	-	-	1
Sub-subsiidiary	BNKC (Cambodia) Microfinance Institution Plc.	-	-	4	-	4
	BNK Capital Myanmar Co., Ltd	-	-	20	-	20
	BNK Capital Lao Leasing Co., Ltd	-	-	1	-	1
	MFO BNK Finance Kazakhstan LLP	-	-	1	-	1
Total		379	114	28	3	524



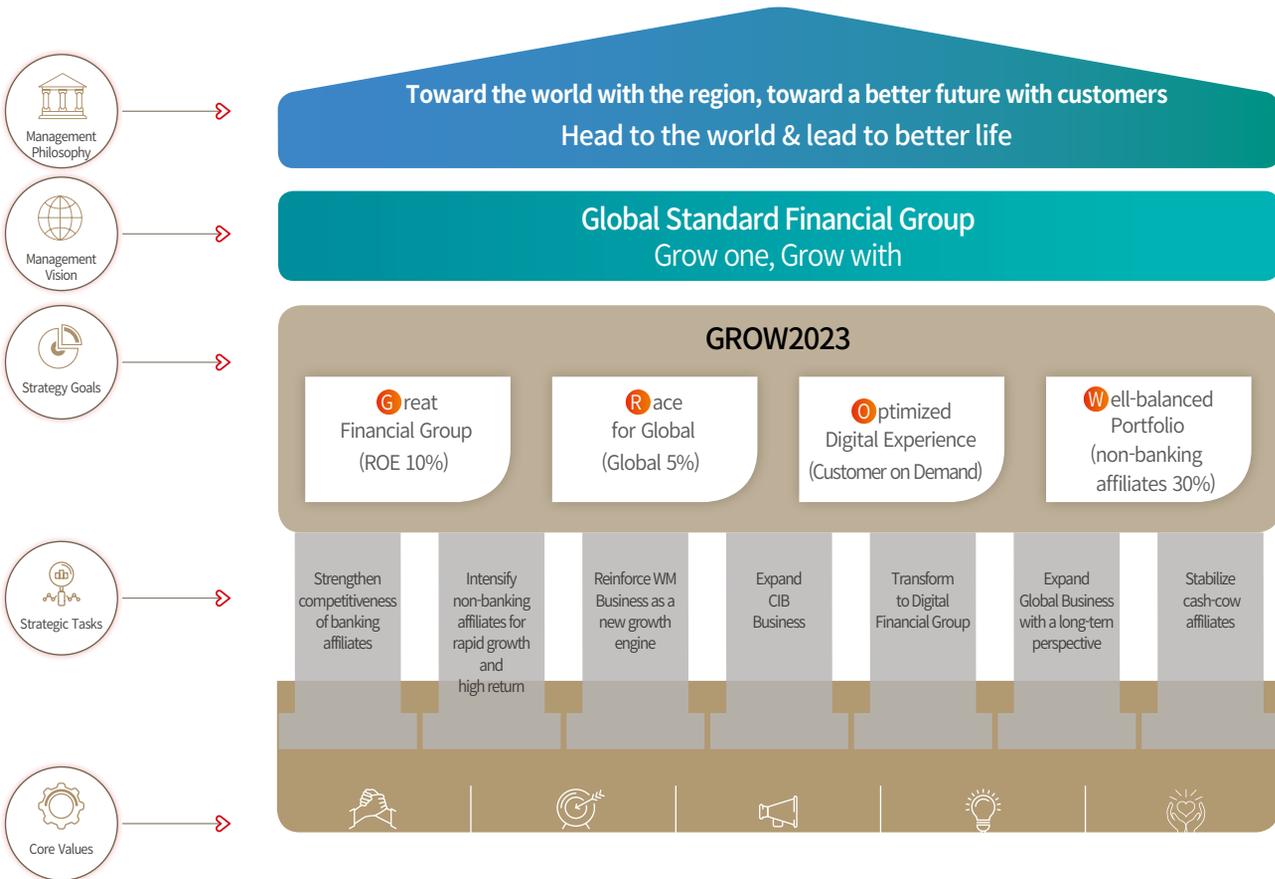
Vision and Management Strategy

Management Philosophy and Vision

BNK Financial Group proactively implements detailed tasks in tandem with new management vision 'GROW2023' to grow into a "Global Standard Financial Group" based on the management Philosophy "Toward the world with the region, toward a better future with customers." BNK Financial Group has served as a reliable partner in regional finance and plans to grow as Global Standard Financial Group with unwavering love and encouragement of customers and the community.

BNK Financial Group will secure the world's best competitiveness based on asset soundness, non-interest income, and expansion of profit from non-banking affiliates to become a substantive Financial Group.

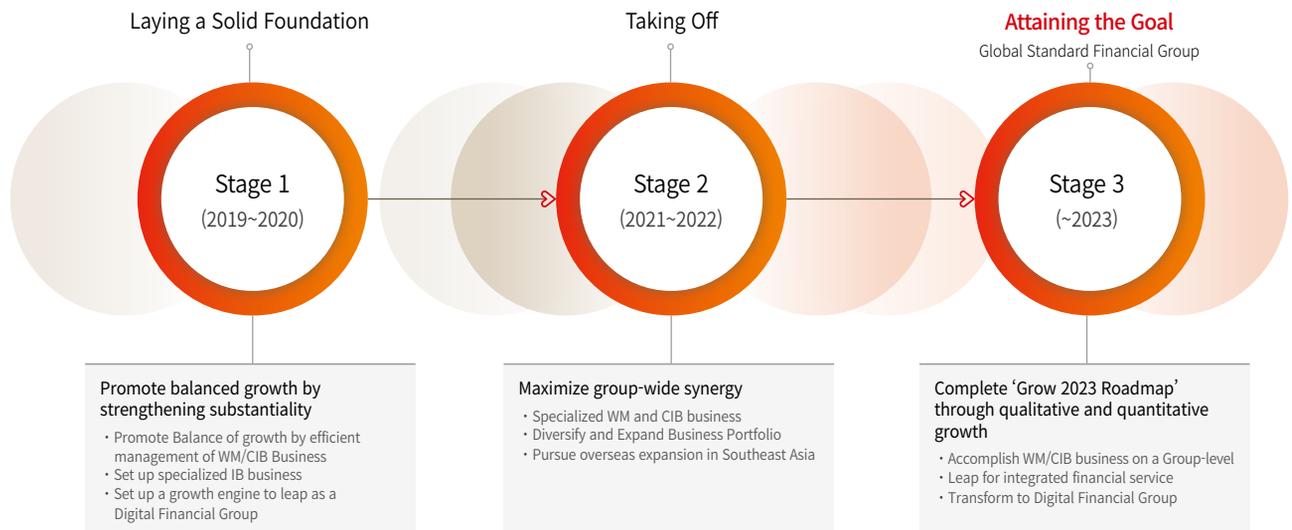
Group's Vision Map



Strategic Goals for the New Management Vision of GROW2023



Medium-and Long-Term Development Roadmap



2018 Highlights of BNK Financial Group

BNK Financial Group, Opening the CIB Center in Seoul

BNK Financial Group opened a CIB Center in Seoul within the Seoul Branch of BNK Securities in Yeouido on January 17, 2019 to reinforce corporate investment banking (CIB) and expand cross-affiliate synergies. Seoul CIB Center provides one-stop corporate banking solutions with 40 people as a specialized workforce in corporate banking (CB) and investment banking (IB) of Busan Bank, Kyongnam Bank and BNK Capital with IB business of BNK Securities at the core. The center offers wide-ranging corporate banking services including capital increase, issuance of corporate bonds, project financing and M&As along with corporate banking products including loans and foreign exchange products.



Opening the CIB Center in Seoul(2018. 1. 17)



BNK Financial Group, Opening 'BNK Talent Development Institute' to Reinforce Talent Development

BNK Financial Group opened BNK Talent Development Institute directly under the chairman on January 10, 2018 to reinforce competitiveness in the future and develop financial specialists. The institute conducts diverse training programs including cross-affiliate joint training, customized training, capacity build-up programs for the top management of the Group and capacity build-up programs for managers to-be (each department/division/branch manager in the banks). Opening of the institute to supervise employee training in all affiliates of BNK is expected to drive synergy as 'One Company.'



Opening 'BNK Talent Development Institute' (2018. 1. 10)

BNK Financial Group, receiving an Excellent grade on the Performance Evaluation in the Technical Financial Bank Sector

The Financial Services Commission conducts performance evaluations on technical financial banks each year in the first and second half of the year. Technical finances, as a system for banks in assessing technical skills and growth potential of companies and supporting funds in the forms of loans and investments, the commission evaluates the technical financial performance of banks by considering the loan scale and support capability. In the first half of 2018, Busan Bank ranked first in the technical financial performance in the small bank sector and Kyongnam Bank ranked second in the second half of the year. BNK Financial Group will continue to make various efforts for the growth of prospective technology startups in the region as a leading technical financial bank.





Busan Bank, 1st place in technical financial performance evaluation in the first half of 2018



Kyongnam Bank, 2nd place in technical financial performance evaluation in the second half of 2018





**BNK Securities,
Opening an Office
in the Financial Hub of Yeouido**

BNK Securities completed a procedure to relocate its office to the main building of Samsung Life Insurance in Yeouido in Yeongdeungpo-gu as of January 1, 2018, reflecting the commitment of the CEO to kick off the securities business anew in Yeouido upon ushering in 2018. Yeouido is a hub of the domestic financial and securities sectors, accommodating Korea Exchange and the Financial Supervisory Service, and a place of flourishing interactions including information exchange with other securities companies.



Relocation of BNK Securities to Yeouido(2018. 1. 1)



**BNK Financial Group,
Opening 'BNK Digital Innovation Center' for
Digital Competency Buildup**

BNK Financial Group opened 'BNK Digital Innovation Center' on 5F of the main branch building of Busan Bank on May 8, 2018 in order to boost the Group-driven R&D competency and spearhead digital transformation. BNK Digital Innovation Center is an organization to research new digital technologies to provide optimized digital services to customers by focusing on competency of digital specialists within the Group. BNK Financial Group plans to do the best to offer the Optimized Digital Experience to customers by opening the innovation center.



Opening of BNK Digital Innovation Center(2018. 5. 8)



**BNK Capital,
Opening MFO BNK Kazakhstan LLP as the
4th Overseas Subsidiary**

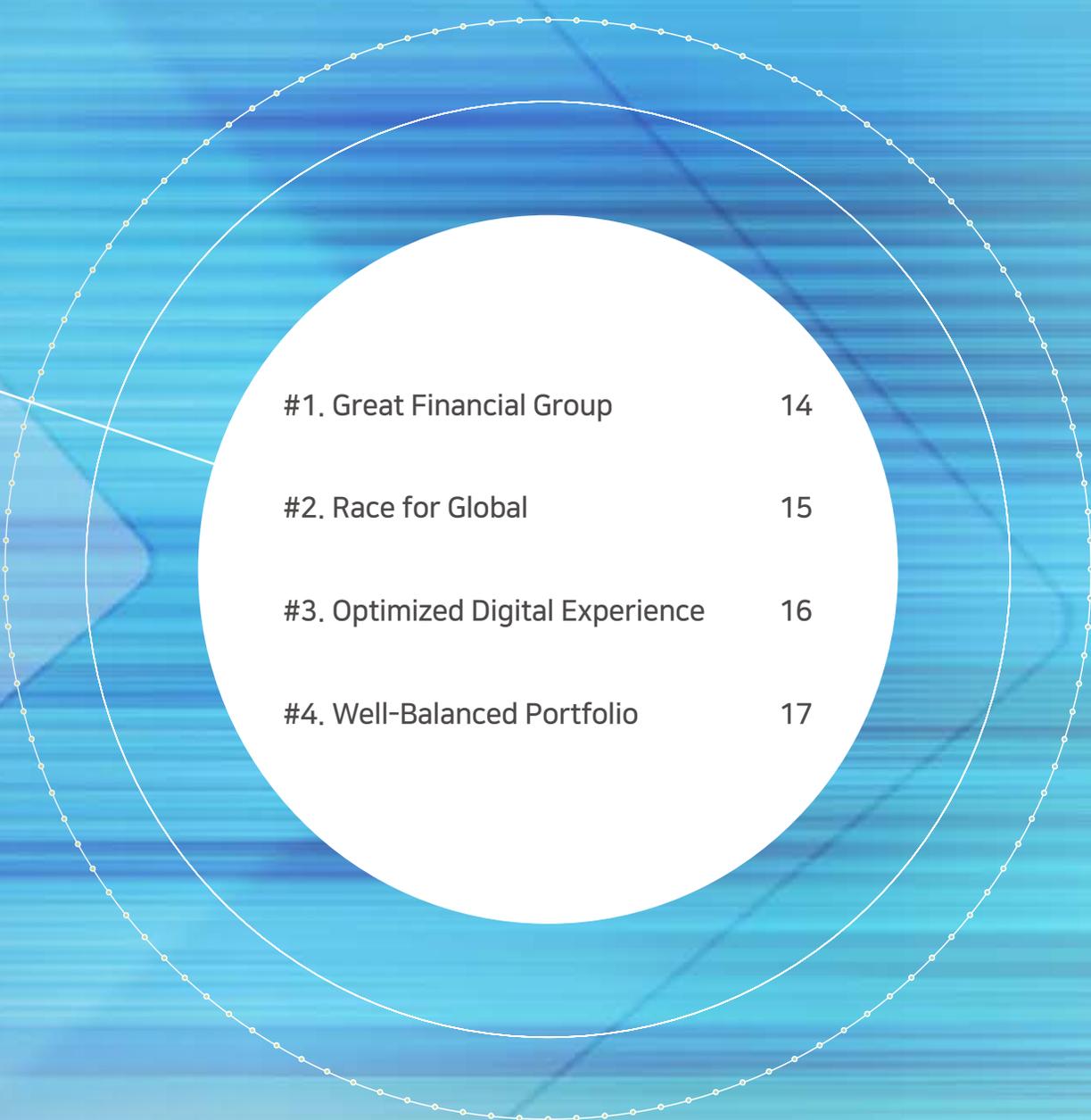
BNK Capital completed the opening of MFO BNK Kazakhstan LLP as the 4th subsidiary after the ones in Myanmar, Laos and Cambodia on November 6, 2018. Kazakhstan as the economic center of Central Asia has huge potentials for future development where the microfinance and automotive finance markets grow fast. While BNK Financial Group contributes to the economic growth of Kazakhstan by successfully tapping onto the retail banking market, the Group strives to achieve the new corporate vision of 'Race for Global.'



BNK Capital, Opening MFO BNK Kazakhstan LLP (2018. 11. 6)

BNK GROW 2023





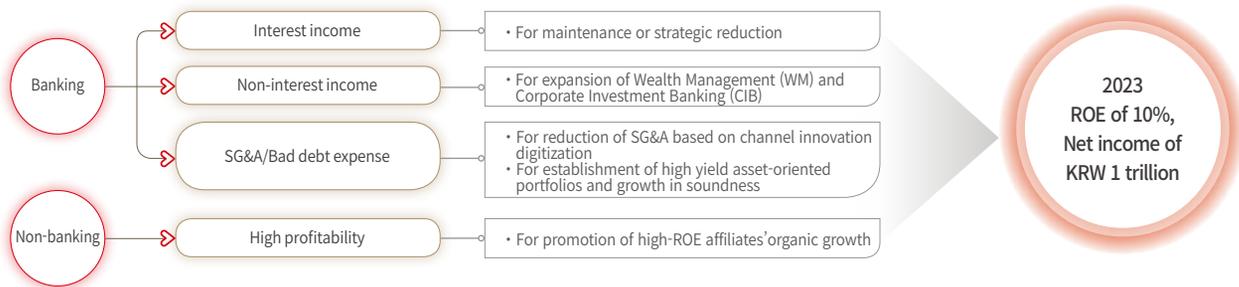
#1. Great Financial Group	14
#2. Race for Global	15
#3. Optimized Digital Experience	16
#4. Well-Balanced Portfolio	17

#1. Great Financial Group

BNK Financial set a target of '10% Return on Equity (ROE)' which is a global standard that will enable us to take off as a Great Financial Group. It implies that we will achieve a net income of KRW 1 trillion through 'qualitative' growth based on soundness and profitability of banking affiliates, and non-banking affiliates with high ROE.

Strategies to become a Great Financial Group

Due to the rapidly changing financial environment, interest income in the banking sector has reached its limits, and on the other hand, growth in the capital market is gaining more attention. As such, BNK Financial Group recognizes that the future competitiveness of the Group lies in boosting competitiveness in the banking sector, enhancing high growth/high yield non-banking businesses, and bolstering WM/CIB. We seek to move forward as a global-standard financial group by attaining a net income of KRW 1 trillion and ROE of 10% by 2023 through robust competitiveness with a mid- to long-term perspective.



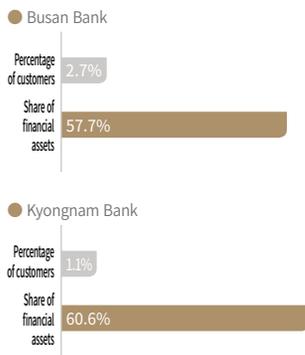
Measures to Intensify Competitiveness of WM and CIB

Reinforcing WM of the Group as a New Growth Engine

BNK Financial Group strives to expand WM customers on a Group level. Expansion of WM customers represents the strategies of dramatically improving the market share of Busan Bank and Kyongnam Bank beyond simply generating non-interest income. In fact, 2.7% of customers with over KRW 50 million in assets in Busan Bank possess 57.7% of total financial assets in the bank, while 1.1% of customers with over KRW 50 million in assets in Kyongnam Bank constitute 60.6% of the financial assets.

Accordingly, BNK plans to provide high-quality customer management services by specifying and sophisticating customer management systems with a focus on core customers of the two banks on a Group level, and strive to make continued efforts to reinforce WM throughout BNK.

Percentage of WM customers (with KRW 50 million ~) and share of financial assets



Expanding the Basis for CIB to Strengthen the Capital Market Business

BNK Financial Group plans to continuously increase non-interest incomes through diversification of profit sources and stabilization of future growth engines. To this end, BNK will promote the expansion of the CIB base by using a two-track strategy of targeting operation in Busan, Ulsan, and Kyongnam and the metropolitan capital market.

In addition, we will not only expand investments in PI to improve the asset structure centered on real estate PF and diversify our portfolio through the expansion of alternative investments for a stable asset portfolio, but continuously strive to identify various models that will lead to creation of new profits.

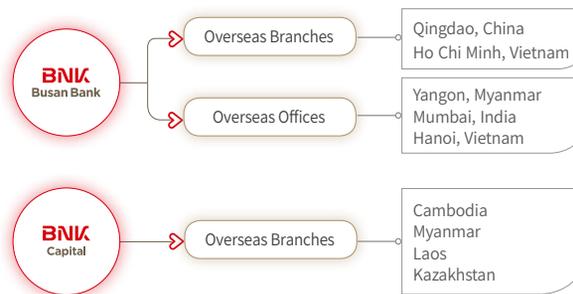
#2. Race for Global

Beyond the domestic market with more limitations as a regional financial group facing low growth and low margins, BNK Financial Group seeks to enter into new markets where growth potential and profitability are guaranteed, such as Southeast Asia and Central Asia. To this end, we are preparing to run the race for global expansion with a goal of reaching 5% in global profit.

Establishing Mid- and Long-Term Globalization Strategies

BNK Financial Group is realigning strategic values of countries where BNK affiliates have already entered and is establishing mid- and long-term strategies for global advancement to explore additional markets in Asia. While reviewing the market attractiveness for each target country based on growth potential and profitability, we are devising sophisticated advancement strategies based on the success models of financial advancement in target countries.

BNK Financial Group's Overseas Advancement



Success Models of BNK Globalization



BNK Capital's Business Model for Southeast Asia

BNK Capital has three overseas subsidiaries in Southeast Asia. The company operates its microfinance business in its subsidiaries in Cambodia and Myanmar, and its subsidiary in Laos mostly deals with auto loans.

Southeast Asia not only has a high population but also is experiencing an increase in the market size and private consumption due to its recent economic growth, so auto finance and microfinance markets are expected to grow.

Moreover, with BNK Capital's advancement into Southeast Asia, Busan Bank and BNK Securities, etc. are reviewing a model for advancement by forming hybrid branches to create synergies with BNK Capital.



BNK Capital, Advancing into the Financial Sector in Kazakhstan

BNK Capital has conducted a market survey of Kazakhstan since 2016 and established a subsidiary there in January 2018. Kazakhstan has great potentials in retail finance with low entry barriers for foreign investors and high interest rates, and its economy is on the rise as an economic hub of Central Asia. BNK Capital plans to target the Kazakhstani market with a two-track strategy considering the local needs and appropriate products. The company plans to focus on auto financing with high-yield products for cities with a high purchasing power, and approach other regions with profit-oriented microfinance products.

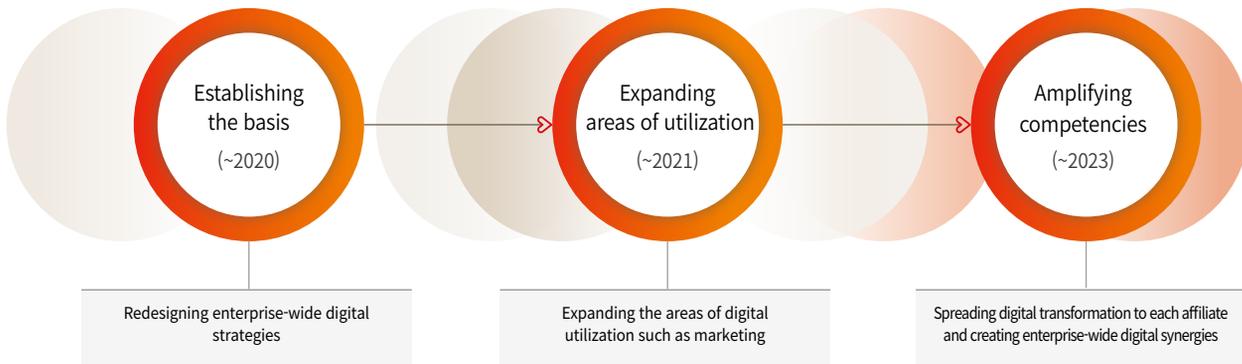
#3. Optimized Digital Experience

“Optimize Digital Experience” is defined as our bank’s transition into a customer-centered digital financial group by achieving full digitalization throughout the Group. BNK Financial Group is committed to promoting digitalization, believing that it is an area for continued investment with a long-term perspective leading future survival.

Operational Strategies to “Optimize Digital Experience”

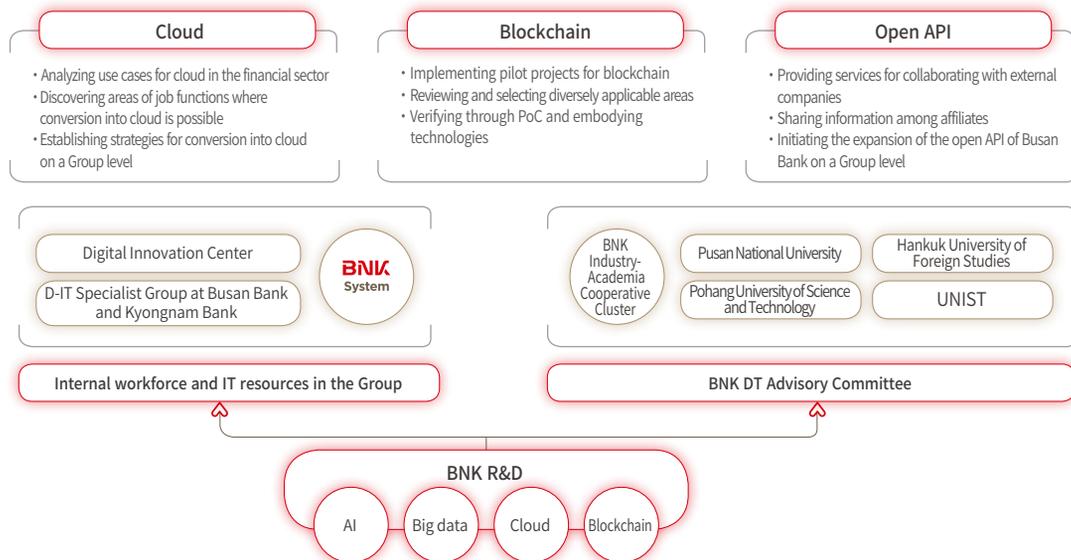
BNK Financial Group established approaches to drive full digitalization on a Group level, while planning the ‘Digital Growth Roadmap’ for enterprise-wide digital innovation and growth. We plan to wage efforts to boost the Group’s digital competencies by 2023 by designating core factors for digitalization as sophisticating digital channels, innovating digital-based operations, facilitating synergies among affiliates through digital alignment, and expanding the digital-based financial business.

BNK’s Roadmap for Digital Growth



Establishing Infrastructure to Achieve Full Digitalization

BNK Financial Group adopts infrastructure to utilize new digital technologies such as cloud, blockchain and open API, through which, the Group takes gradual approaches in establishing a system for full digitalization. Moreover, continued efforts are underway for multi-dimensional digitalization including acquiring a pool of digital specialists to set up digital infrastructure and intensify R&D.

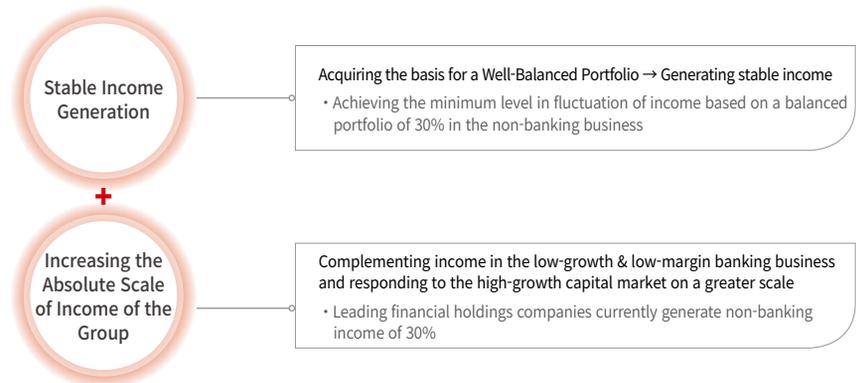


#4. Well-Balanced Portfolio

BNK Financial Group established a strategic goal of 'Well-Balanced Portfolio' to increase the portion of non-banking income, and diversify its business suited to the global standard. With this goal, we plan to achieve 30% in non-banking income, create stable income based on balanced portfolios and initiate expansion of the absolute scale of income.

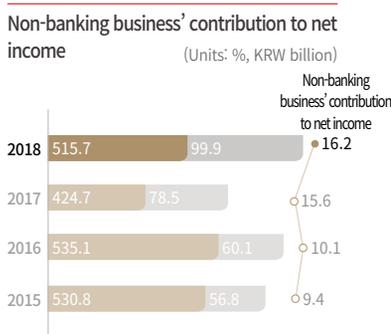
Strategies for a Well-Balanced Portfolio

Financial groups have recently focused on raising profit in the non-banking sector through business diversification instead of resorting to a profitmaking model centered on increasing the interest income of their banks. Establishing diversified business portfolios implies a higher portion of the non-banking business, in which case, stable operating income can be generated despite changes in the external environment such as fluctuation in interest rates, foreign exchange rates and stock prices. BNK Financial Group plans to increase the portion of non-banking income up to 30%, through which, it seeks to put in place a substantial profit model.

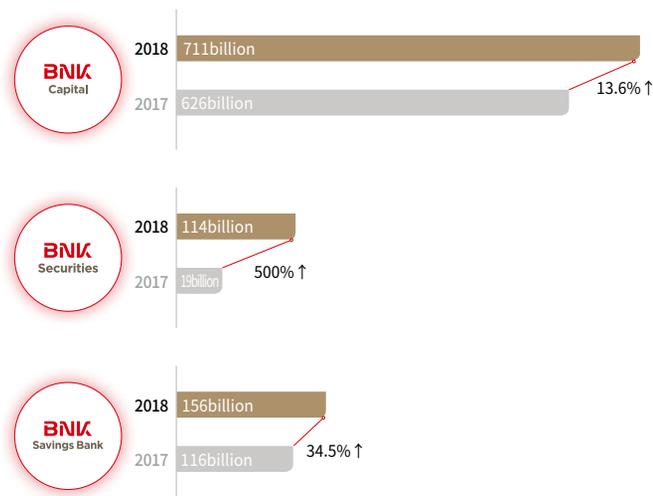


Performance in Non-Banking Business of BNK Financial Group

A higher portion of the non-banking income of BNK has been met with continued growth since 2015. Our net income in the non-banking business constituted 16.2% out of total net income of the Group at KRW 99.9 billion. This is an outstanding achievement compared to the contribution of net income of only 10% in 2015. We plan to make continued efforts to strengthen profitability of non-banking affiliates and attain 30% in the portion of income.



1) Excluding the holdings company's and consolidated returns
 2) Before excluding the net income of non-controlling interests

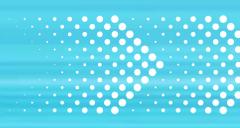
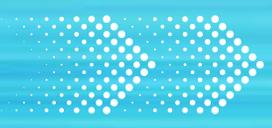




BNK

Material Issues





20

Engagement with Stakeholders
and Materiality Test

22

BNK Way 01
Customer-Oriented Business

28

BNK Way 02
Challenge and Innovation

36

BNK Way 03
Responsibility and Trust

48

BNK Way 04
Communication and Teamwork

Engagement with Stakeholders and Materiality Test

Engagement with Stakeholders and Materiality Test

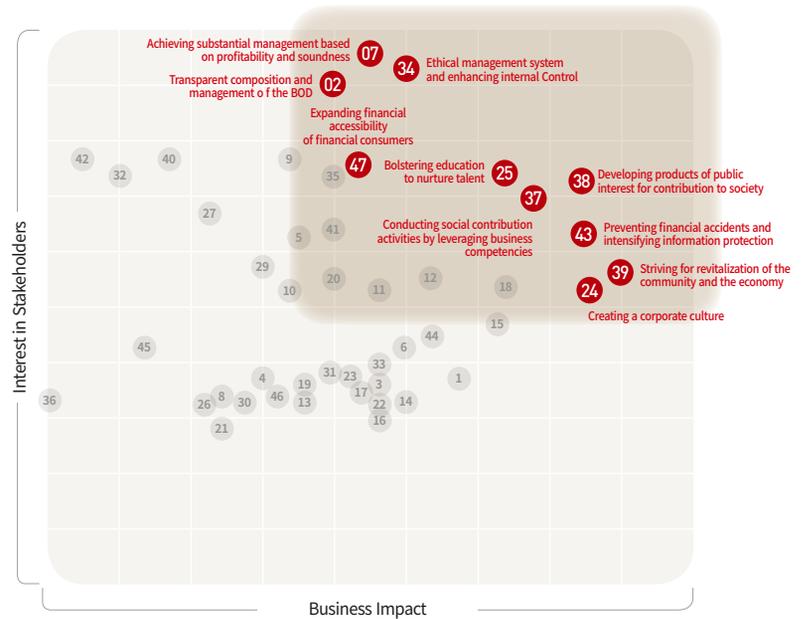
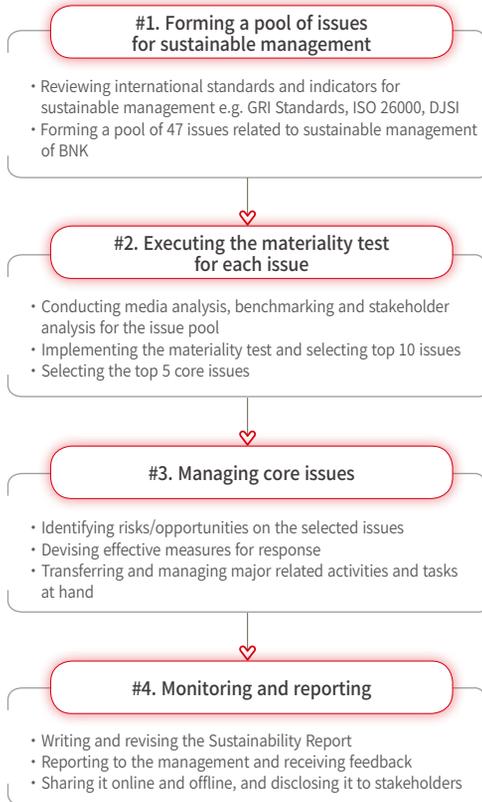
BNK Financial Group conducts a materiality test before publishing the annual Sustainability Report in order to identify interests of the stakeholders and effectively reflect them in our management activities. The Group formed a basic pool of issues based on relevant international standards and sustainable management indicators including GRI Standards, ISO 26000 and DJSI, and assessed priorities of issues for BNK’s sustainable management reflecting results from media analysis, benchmarking of other companies and surveys completed by sustainable management experts and internal stakeholders. The issues that have been finally confirmed through this procedure are transparently disclosed in the Sustainability Report.

Stakeholders

BNK Financial Group defined five stakeholder groups to more efficiently manage the needs of stakeholders impacting our management activities, and communicates with them through diverse communication channels to identify their exclusive needs. Ethical management and economic issues were major concerns of stakeholders this year, which were reflected as key considerations upon selecting core issues for sustainable management of BNK.



Materiality Test and Results



Reporting Topic and Approaches

Reporting Topic	Core Issues	Related Stakeholders	GRI Topic	Reporting Pages
Customer Value	43. Preventing financial accidents and intensifying information protection	Customers	[418] Customer Privacy	24-25
	47. Expanding financial accessibility of financial consumers			26-27
Business Management and Corporate Governance	07. Achieving substantial management based on profitability and soundness	Customers, Shared Growth, Policy Environment	[201] Economic Performance	29-30
	02. Transparent composition and management of the BOD			31-34
Ethical Management	34. Ethical management system and enhancing internal Control	Employees, Media, Shared Growth, etc.	[205] Anti-corruption	36-37
	38. Developing products of public interest for contribution to society			39-40
Social Value Creation	39. Striving for revitalization of the community and the economy	Shared Growth, Media and Environment, Policy Supervisory	[413] Local Communities	41
	37. Conducting social contribution activities by leveraging business competencies			42-44
Talent Management	25. Bolstering education to nurture talent	Employees	[404] Training and Education	46-47
	24. Creating a corporate culture			48



**BNK
WAY** 01



Customer-Oriented Business





Raising Customer Value

Significance of Issues



Financial companies continue to provide differentiated services such as enhancing consumer protection, and developing products including low-interest rates, in order to attract new customers and retain existing ones. With diversified channels for financial transactions including online and smartphones, it has become critical for financial consumers to make preemptive responses to financial scams and information protection. Financial companies failing to cater to the changes in the environment and consumer demands would face customer turnovers, which would lead to lower revenues over the short term, and poorer reputation and competitiveness over the long term.

BNK's Approach



According to the "2017 Evaluation of Financial Consumer Protection" conducted by the Financial Supervisory Service (FSS) in September 2018, Busan Bank and Kyongnam Bank were evaluated to be the most excellent local banks in protection of financial consumers. The results were attributable to BNK Financial Group's wide-ranging efforts for customers including prevention of financial scams, information protection, improvement in customer satisfaction and expansion of financial accessibility.

Future Strategies



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

2018 Key Performance



2018 Fraud Detection
14 cases of preventions
KRW 134 million saved through the prevention efforts



Conducting training on information protection for all employees at BNK financial Group



2018 Customer Satisfaction Survey results
Busan Bank : 97.6points
Kyongnam Bank : 97.9points

KPI of Core Issues

Key Issues	Management Indicators	2018			Future Goals	
		Goals	Performance	Achievement status	2019	2023
Preventing Financial Accidents and Intensifying Information Protection	Number of cases of personal information leakage	0 cases	0 cases	Achievement	0 cases	0 cases
Expanding accessibility of financial consumers	Scores of the customer satisfaction survey	97.5 points	97.8 points	Achievement	98.0 points	98.2 points

Preventing Financial Accidents and Protecting Financial Consumers



Preventing Financial Accidents and Protecting Financial Consumers

Amid increases in online financial transactions and non-face-to-face transactions, financial frauds involving the leakage of personal information have rapidly increased. As such, BNK Financial Group has further strengthened its system to prevent financial fraud by adopting the Fraud Detection System (FDS), which utilizes deep learning technologies and encrypts all unstructured customer information. Training and activities are conducted to prevent financial scams and protect financial consumers.



Pledge to Protecting Rights for Financial Consumers

Activities for Protecting Financial Consumers

BNK Financial Group launched a policy advisor panel for consumer protection to reflect consumer demands to business management such as setting policy directions for protecting financial consumers and discovering improvements to be made in systems and processes in their perspective. The advisor group consisting of external specialists with expertise in consumer protection engages in diverse activities including discussing policies, and discovering and reviewing improvements to be made for consumer protection. The 'Policy advisor panel for consumer protection' was launched at Busan Bank for the first time in the banking sector in Korea in September 2018. In November, an 'advisory panel for consumer rights' was formed at Kyongnam Bank. This will empower consumer rights and better protect the consumers.

In October, a joint campaign for 'preventing voice phishing frauds' was carried out among BNK Financial Group, the Financial Supervisory Service and the provincial police agency. The campaign was designed to promote the severity of the damage of voice phishing crimes and know-how to address voice phishing. It was staged as an on-street campaign in the downtown areas of Busan and Changwon.



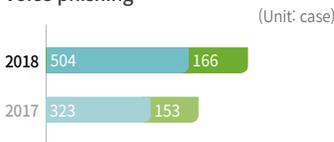
Financial Fraud Prevention Musical for Seniors, "Geumsabangne"

Protecting Financially Underprivileged Consumers

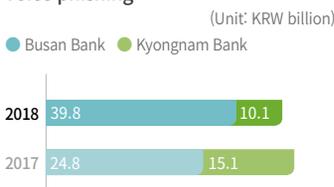
We conducted a project to perform 'Touring musicals to prevent financial frauds' to prevent financial accidents of elderly customers and provide financial education. Musicals on the theme of preventing financial frauds were staged at the main branches of Busan Bank and Kyongnam Bank in September and October of 2018, and 450 and 300 local senior financial consumers attended the shows, respectively.

Branches of the banks have also intensified their programs to protect underprivileged consumers. Windows and services exclusively for the financially underprivileged including the elderly and the disabled have been provided since early 2018 to enhance their convenience. We also make proactive responses to direct financial frauds including voice phishing.

Record of prevented cases of voice phishing



Amount saved from prevention of voice phishing



Monitoring Telephone Financial Fraud(voice phishing)

The scale of damage resulting from voice phishing has increased each year (KRW 243.1 billion in 2017 → KRW 440 billion in 2018), and it is more significant than ever for financial institutions to carry out prevention activities. BNK Financial Group aims to prevent damage from financial fraud by installing a monitoring system for electronic communication-related financial fraud and operating the Monitoring Team for Financial Fraud Prevention, making it easier to make immediate responses to voice phishing. In particular, the head branch and branch offices systematically cooperate on handling suspicious transactions. Training on cases of damage from voice phishing is provided to sales staff in the Group's efforts to strengthen response competency. Since this system was implemented, there have been more cases of prevented voice phishing incidents thanks to prompt responses of employees at branch offices. In 2018, these efforts led to the prevention of customer damage worth approximately KRW 500 million.

Strengthening the Information Protection System



Information Security Management System, ISMS



Fraud Detection System, FDS

BNK Financial Group continuously runs its information protection management system in accordance with ISO 27001, the international standard on information protection. Inspection of the information protection management system is strengthened by analyzing the weaknesses of the e-finance infrastructure, in accordance with e-financial authorities, and revising relevant rules. We make improvements by reflecting the results of weaknesses identified during inspection when establishing implementation measures. Kyongnam Bank acquired the certification for the Information Security Management System (ISMS) for the first time as a local bank, and further strengthened its operation of the information protection system and information security by renewing the certification each year.

Bolstering the Financial Fraud Prevention System

BNK Financial Group installed the Fraud Detection System (FDS), which uses AI “deep learning” technology, to monitor the presence of suspicious transactions which might occur through e-financial systems. It is a system to automatically block internet banking transactions if a case is judged to be an e-financial fraud through an analysis of the customers’ routine transaction patterns. The bank runs a model to dramatically lower the error rate in detecting suspicious transactions by entering over 1,000 cases of FDS accident types into AI for analysis. In 2018, the Bank used the system to detect 14 suspicious transactions and prevented damage worth a total of about KRW 134 million.

Strengthening Security of Customers’ Personal Information

Busan Bank has installed and runs an IT system to encrypt and manage unstructured information, including customers’ address, phone number, images, and voice files, to strengthen the protection of personal information and increase the security of financial transactions. Busan Bank is capable of blocking illegal leakage of information from the source, while also preventing misuse or abuse of customer information. It is the first bank in the financial sector to install an encryption system for unstructured information. Kyongnam Bank is no exception in managing excessive usage of customers’ personal information and leakage of personal information by setting up a system for constant monitoring. In 2018, there were no cases of customers’ personal information leakage, grievances or complaints at BNK Busan Bank and Kyongnam Bank, who will continuously strive to protect customer assets by installing a more robust system for information protection.

Key Information Protection Activities of BNK Financial Group

- Staff training on information protection**
 - Conducting training on information protection for 3-12 hours for all employees in each job title and rank in BNK Financial Group
- Training to counter information infringement**
 - Aiming to secure capabilities to respond to information infringement e.g. hacking, malicious codes and Distributed Denial of Service (DDoS), setting up a training system to counter malicious emails and preventing damage such as leakage of critical information and suspension of business operations
- Security check and support for suppliers**
 - Checking the information management status of contracted companies for handling personal (credit) information, providing BNK security systems and security know-how
- Analysis and evaluation of ICT infrastructure**
 - Checking vulnerabilities in e-banking infrastructure (more than once a year) and removing and complementing vulnerabilities, having received A+ in the inspection for a total of 97 equipment in 7,032 items
- Status check and training on information protection for overseas branches**
 - Conducting check and information training including matters on personal information management for Ho Chi Minh Branch in Vietnam

Expanding Accessibility of Financial Consumers



Spreading the Customer-Centered Culture

As customer demands of financial service users increase, global financial companies provide wide-ranging products and services by predicting customer demands through various channels. BNK Financial Group strives to strengthen customer-centered services to cater to their diverse needs by listening to their voices, and seeks to perform corporate management that touches their hearts by expanding financial accessibility of the financially underprivileged and many others.

Spreading the Customer-centered Culture and Intensifying Competencies for Customer Satisfaction (CS)

BNK Financial Group pours in its utmost efforts to spread the customer-centered culture and beef up competencies for CS to raise the level of CS and its competitiveness. Branches start their day by playing video clips – ‘Our Commitment for Customers’ and ‘Morning Greetings to Welcome Customers’ – to form consensus on the importance of CS. Periodic CS assessment is carried out to select and award top-performing branches and employees in CS to encourage them to voluntarily spread the CS culture.

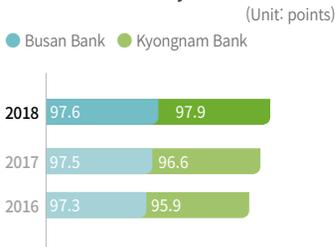
Busan Bank, 'CS High Tough Leader'

- Busan Bank has appointed 20 ‘CS High Tough Leaders’ in 2018, ensuring that they could voluntarily spread the CS culture through active sharing of know-how on CS.

Kyongnam Bank, CS Angels

- Kyongnam Bank conducts weekly CS training by selecting ‘CS Angels’ as excellent staff in CS in all branches, and enables its staff to boost professionalism in CS by offering group training and special lectures from distinguished speakers.

Results of CS Surveys



Efforts to Raise CS and Performance

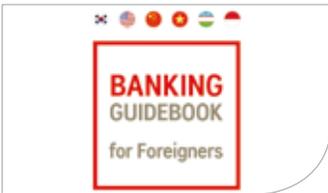
We evaluate ‘BNK Customer-centered Management’ through annual CS surveys, and complement any shortcomings that are found. Thus, Busan Bank and Kyongnam Bank select customer advisors each year (the third quarter of 2018) to listen to customers’ honest feedback such as the voices from the field, conveniences and benchmarking cases of other companies. Such feedback is reflected in various areas to develop customized products and improve the process in collecting the Voice of the Customers (VoC). Moreover, Busan Bank was able to gain positive effects in many fields including CS and increases in the number of excellent staff by intensifying the management of waiting customers in branches by running a campaign titled ‘Please ease the minds of customers in line.’ The bank also strived to listen to the genuine voice of customers through communication with customers by conducting an open call on communication. Kyongnam Bank was selected by Korean Service Quality Index (K-SQI) of the Korean Management Association Consulting (KMAC) in 2019 as an excellent call center of local banks for four consecutive years. BNK Financial Group is committed to further spreading the customer-centered culture by boosting CS.

Expanding Financial Accessibility

Financial accessibility might not only mean the presence and a physical distance of a branch, but also a broad scope of benefits for customers: raising convenience for the elderly and the disabled to access financial services conveniently; and enabling the financially underprivileged due to their credibility to access financial services. BNK Financial Group does the utmost to boost financial accessibility for the socially vulnerable, and seeks to become an endeared BNK by many more people.



Sign Language Service



Specialized Services for Foreign Customers



Services for the Financially Underprivileged



convenient Facilities for the Disabled

Intensifying Financial Services for the Socially Underprivileged

BNK Financial Group has expanded financial services for the socially underprivileged: 'sign language service' and 'visible ARS' for those with disabilities in hearing; 'voice recognition-based ARS', 'Braille-based security cards' and 'Braille-based terms and agreements' for the blind; and 'elderly-exclusive windows' and 'ARS notices in big letters' for the elderly customers.

Providing Specialized Services for Foreign Customers

Busan Bank makes utmost efforts to provide specialized services for expats living in Korea that are not proficient in using Korean including married immigrants and ethnic Koreans returning from other countries. Busan Bank started to provide ARS services in English, Japanese and Chinese from November 2018. The bank produced and distributed a guidebook on financial transactions for foreigners on the 'Together Day' in 2019. The guidebook was produced in six languages: Korean, English, Chinese, Vietnamese, Uzbek and Indonesian.

Intensifying Services for the Financially Underprivileged

BNK Financial Group strives to raise financial accessibility for the financially underprivileged group without the ability to use formal banking services. Busan Bank and Kyongnam Bank expanded the number of exclusive windows for the financially underprivileged in all their branches, providing services including not only microcredit and financial support for small merchants but also debt arbitration and financial consulting. Such efforts support the financially underprivileged to financially turn around, recovering their credit, normalizing their financial transactions and building up assets.

Improving Convenient Facilities for the Disabled

Yongwon Branch of Kyongnam Bank in Jinhae-gu in Changwon was selected as a convenient facility of excellence by Jinhae Welfare Center for the Disabled. Yongwon Branch was highly evaluated for being equipped with diverse convenient facilities for the disabled including wheelchair ramps at the entrance and CDs/ATMs for the blind, the deaf and wheelchair users. BNK Financial Group plans to further enhance physical accessibility for the socially underprivileged with more convenient facilities for mobility like the case of Yongwon Branch.

BNK WAY 02



Challenge and Innovation



Corporate Management and Governance

Significance of Issues



The term ‘corporate social responsibilities’ connotes many meanings, but what is fundamentally required of companies is the economic responsibility. The economic rationale of a company directly impacts not only its related stakeholders’ lives but also its community and the national economy. The root of a company’s sustainable growth including its financial growth originates from a transparent decision-making structure. Promoting transparency in disclosing its governance and establishing a desirable governance not only contribute to investors making reasonable investment decisions but also have a close linkage with improving the corporate image and raising the brand value.

BNK’s Approach



BNK Financial Group makes diverse efforts to flexibly respond to the external changes in the environment. In 2018, in particular, the Group focused its competencies on establishing balanced business portfolios, managing financial risks, and creating reasonable management performance. In addition, numerous efforts have been poured into enhancing the governance scheme for securing a transparent governance.

Future Strategies



BNK Financial Group aims to intensify its pursuit to become a global-standard financial group represented through ‘GROW 2023.’ In order to lay the foundation for growth, the Group’s goal is to establish a system for qualitative growth. The Group will do the utmost to foster its companies to be exemplary with a transparent governance, while enhancing them to generate sound and reasonable management performance.

2018 Key Performance

Consolidated net income
KRW 502.1 billion
(KRW 99 billion ↑
compared to 2017)

**Higher asset soundness
and capital adequacy**

**Appointment of the chairman
of the BOD and members
/heads of committees under
the BOD as Independent Directors**

KPI of Core Issues

Key Issues	Management Indicators	2018			Future Goals	
		Goals	Performance	Achievement status	2019	2023
Achievement of stable business records	BIS ratio	13.29%	13.15%	Achievement	13.05%	14.91%
Transparent Management and Composition of the BOD	Average attendance rate of directors	80%	95%	Achievement	80%	80%

Achieving Stable Management Performance Driven by Profitability and Soundness



Management Strategies and Goals

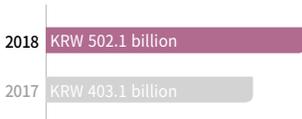
BNK Financial Group, launched as the first local bank to become a financial holdings company in March 2011, has continued to challenge itself to grow into Korea's top-notch regional financial group based on the management motto, "Toward the world with the region, toward a better future with customers." We plan to establish a system for qualitative growth driven by high-yield assets with the 2019 management motto of "Grow one 2019, Establishing a System for Qualitative Growth" as a part of efforts to achieve the Group's mid-and long-term management plan.

Type	Content
Management motto	Grow one 2019, Establishing a System for Qualitative Growth
Six strategic tasks	<ul style="list-style-type: none"> ① Improving the Group's portfolio through strategic asset growth ② Setting up a system for qualitative growth by advancing the Group's core areas ③ Intensifying preemptive soundness and risk management at the Group level ④ Continuously initiating the Group's management efficiency based on digitalization ⑤ Proactively implementing shared growth with the community and fair management ⑥ Spreading BNK's shared value of people-centeredness

2018 Landscape and BNK's Reasonable Management Performance

The global economy in 2018 showed signs of recovery, but volatility in the global financial market intensified due to the U.S.' higher interest rates, and stronger protectionism in trade including the U.S.-China trade disputes. The domestic economy also witnessed various risks including higher household debts, the higher unemployment rate and the sluggish domestic demand, which weakened confidence in economic entities. BNK Financial Group was able to reap a favorable performance by focusing on establishing balanced business portfolios and strengthening risk management to counter such challenges.

Consolidated net income



※ 지배기업지분순이익 기준

Establishing Balanced Business Portfolios

We have implemented continuous realignment of the Group's business portfolios centered on 'non-banking and non-interest income' categories, judging that it is difficult to generate steady performance amid the rapidly changing management environment simply with the banking-oriented management performance.

Interest income



Fee income



Expenses for bad debt



Strengthening Risk Management

We have made consistent efforts to improve asset soundness and capital adequacy for financial risk management. Therefore, we were able to achieve higher outcomes compared to 2017 in various categories including the NPL ratio, coverage ratio and the BIS capital adequacy ratio.



BNK's 2019 and Establishing a System for Qualitative Growth

The global and domestic economies of 2019 are expected to develop in a similar flow as 2018. Despite the continuum of the global economy, U.S.-China trade conflicts will remain the same. We also need to keep in mind the possibilities of higher uncertainties in the financial market of emerging countries due to the higher global interest rates. The domestic economy is projected to be not starkly different from the previous year by undergoing a continuum of the low-growth phase and low productivity. BNK Financial Group plans to make proactive responses to the economic circumstance at home and abroad by fully implementing management strategies based on the 2019 management motto of “Grow one 2019, Establishing a System for Qualitative Growth.”



Transparent Management and Composition of the BOD



Composition of the Board of Directors

BNK Financial Group's board of directors (BOD) makes decisions on matters prescribed by the decrees and the Articles of Association, matters entrusted by the shareholders' meetings, and key matters on basic directions of corporate management and execution of work. In addition, the BOD supervises overall internal control, as well as the directors' execution of roles. BNK Financial Group's board of directors (BOD) is composed of one CEO and seven external (non-standing) directors as of March 31, 2019.

BNK Financial Group appoints the chairman of the BOD from among the external directors in order to secure the independence of the BOD and provide a system of checks and balances. Moreover, we ensure transparent management by guaranteeing fairness, checks, and supervision in managing the Board of Directors and committees by ensuring that every committee head under the board is an external director.

(As of March 31, 2019)

Type	Name	Career	Specialization	Note (date of appointment ~ end of tenure)	Note
CEO	1. Ji Wan Kim	CEO of BNK Financial Group Former Vice Chairman of Hana Financial Group	Finance	September 27, 2017 - March 2020 Regular Shareholders' Meeting	
External Director (Chairman of the BOD)	2. Yong Kyu Cha	Former Auditor of Harim Holdings Former Vice Chairman of Media OBS	Business Management	March 25, 2016 - March 2020 Regular Shareholders' Meeting	Independent Director
External Director	3. Il Jae Moon	Member of the KOSDAQ Market Committee Former director at the Ministry of Finance and Economy	Economy	March 25, 2016 - March 2020 Regular Shareholders' Meeting	Independent Director
External Director	4. Young Jae Kim	Professor of Economics/Trade College at Busan National University President of Korean Economic and Business Association	Economy	March 24, 2017 - March 2019 Regular Shareholders' Meeting	Independent Director
External Director	5. Kee Young Chung	Professor emeritus of the Department of Accounting at Keimyung University Former Chairman of the BOD at KB Financial Group	Treasury and Accounting	March 23, 2018 - March 2020 Regular Shareholders' Meeting	Independent Director
External Director	6. Jung Joon Yoo	Certified Accountant at Shinhan Accounting Corporation Former CEO and President of Hanyang Securities	Treasury and Accounting	March 23, 2018 - March 2020 Regular Shareholders' Meeting	Independent Director
External Director	7. Kwang Ik Son	Chairman of East Dream Synopex Former CEO of Lotte Cinema	Business Management	March 23, 2018 - March 2020 Regular Shareholders' Meeting	Independent Director
External Director	8. Jin Ho Hur	Lawyer at Law Firm Grace Former president of Korea Legal Aid Corporation	Law	March 28, 2019 - March 2021 Regular Shareholders' Meeting	Independent Director



Guaranteeing autonomy in managing the BOD

Our executive directors are appointed at the shareholders’ meeting according to independent criteria. There is no discrimination based on age, gender, nationality, or academic background. In addition, the number of external directors can be three or more, or a majority of the total according to the Articles of Association (As of March 31, 2018 ratio of external directors is 87.5%). Directors are appointed at the shareholders’ meeting following a procedure of verification and recommendation by the Executive Nominating Committee, which consists of all external directors, and the confirmation of candidates for the BOD. In addition, those appointed should be independent from stakeholders in order to prevent conflicts of interest.

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

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

BNK Financial Group’s Measures for Managing an Independent BOD

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

Securing transparency in managing the BOD

The BOD holds either regular or ad-hoc board meetings, convened by the chairman of the BOD. Each director has one voting right per agenda, but those with special interests cannot exercise their voting right. Decisions are made by the affirmation of a majority of the registered directors in attendance. In 2018, a total of 12 BOD meetings were in place to cover a total of 65 agenda to be deliberated and reported on, and the average attendance rate at the BOD reached 95%, exceeding the minimum attendance rate at the BOD and committees. The minimum attendance rate required for the BOD and committees is 98.7%.

In addition, we took actions to facilitate adequate information and idea sharing of the agenda before the BOD meetings by providing a preliminary briefing session to external directors so that relevant agenda items can be fully considered before the BOD meetings.

Performance of the BOD

(Unit: times, cases, %)

Type	2016	2017	2018
No. of Meetings	9	25	12
No. of Items Discussed	63	63	65
No. of Decisions	35	35	26
No. of Reports	28	28	39
Attendance of Independent Directors	97.4	98.4	98.7



Strengthening the Expertise and Diversity of the BOD

Type	Number of People	Number of Training Sessions	Total Training Hours in 2018
Training for External Directors	7 people	17 times	219 hours

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

Committees under the BOD

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

Committee	Members	Functions	No. of meetings in 2018
Board Steering Committee	Five external directors	<ul style="list-style-type: none"> Efficient operations of the BOD and its subcommittees Decisions on policies to improve corporate governance 	2
Risk Management Committee	Four external directors	<ul style="list-style-type: none"> Oversight and supervision of approval of Compliance with risk policies within the Group and its affiliates 	7
Executive Nominating Committee	Five external directors	<ul style="list-style-type: none"> Exploration, review, and recommendation of executive candidates 	4
Compensation Committee	Four external directors	<ul style="list-style-type: none"> Establishment of measures to raise corporate management performance Formation and evaluation of performance goals for management 	7
Audit Committee	Four external directors	<ul style="list-style-type: none"> Supervising job execution of directors and the management Auditing and evaluating overall tasks and operations including the internal control system 	10

Performance Evaluation and Compensation of the Management

Performance evaluation of external directors takes place by comprehensively considering the quantitative evaluation based on their attendance rate in committees of the BOD and BOD meetings, and the qualitative evaluation through mutual evaluation between themselves and executives based on their contribution to corporate development through their engagement in the BOD, competencies, and expertise. Moreover, qualification evaluations are carried out anonymously to ensure fair evaluation. In cases where diagnosis of external specialists is deemed to be necessary for smooth operation of the BOD and the designation of external director roles, the internal regulations prescribe that external evaluation is to take place.

Performance Evaluation Process of the External Director

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

Performance evaluation and compensation of the management are decided through evaluation and deliberation of the Compensation Committee, being subject to comprehensive evaluation based on opportunities and crisis factors in the business environment.

The Compensation Committee establishes and runs compensation policies for raising values for shareholders and stakeholders in the long term. We form our compensation system to be in line with the risk structure to fundamentally control excessive compensation for the management.

A significant portion of compensation for the management is rewarded on a variable basis, and is made based on deferred differentials for a number of years depending on performance outcome. The period of deferred payment is three or more years, and is determined by aligning the nature and risks of business operations with the activities of the management.

The payment rate for short-term outcomes is determined by the Compensation Committee through evaluation on annual management performance, key tasks of implementation and individual competencies. Short-term outcomes are paid 40% in cash compensation and 60% in stock price-linked cash compensation for the chairman. For other executives, the ratio is 60% for the former and 40% for the latter.

The payment rate is determined by the committee through evaluation of long-term outcomes in the span of three years from the contract signing date, and the ratio of cash compensation and stock price-linked cash compensation is run in the same structure with short-term outcomes.

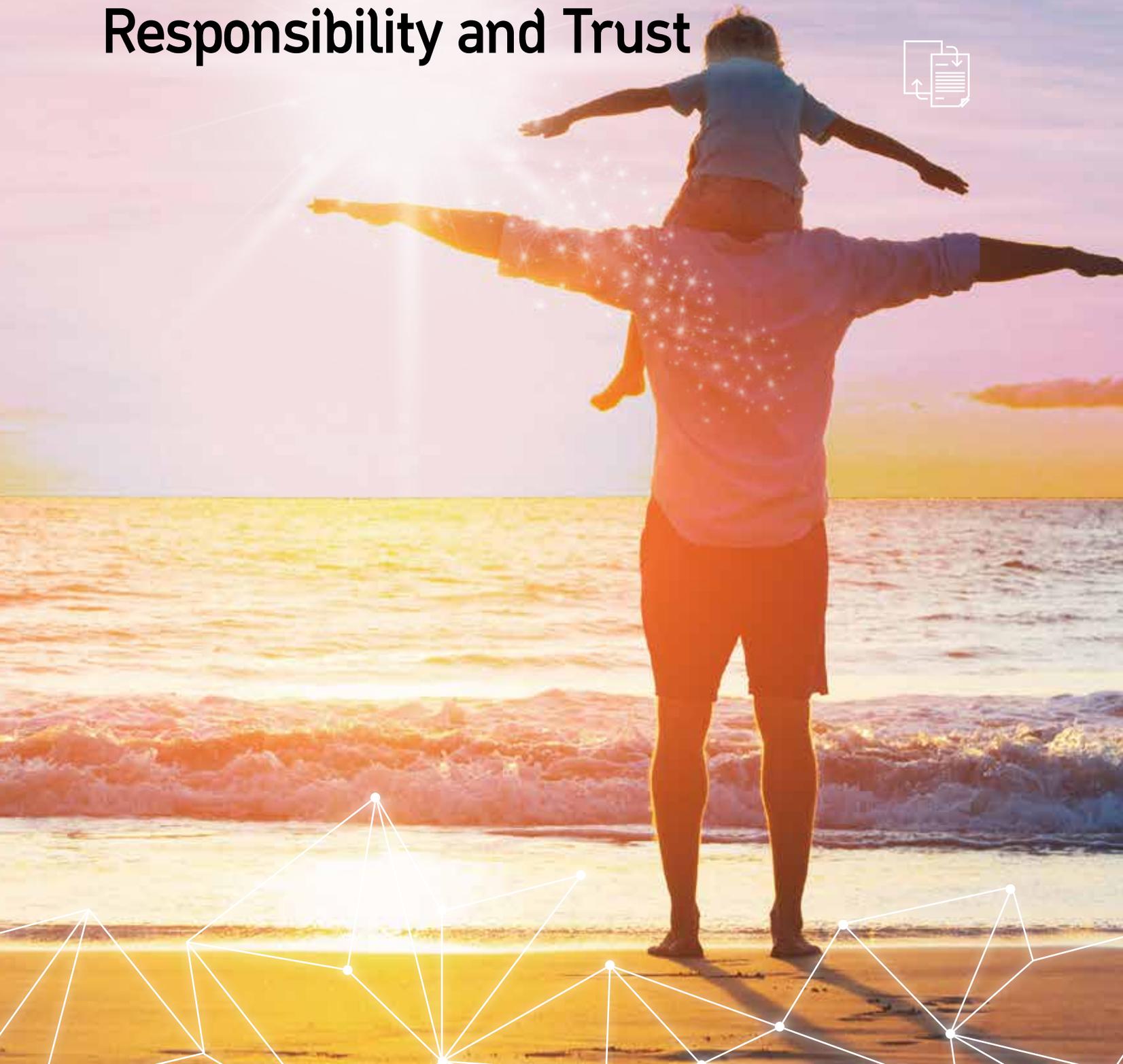


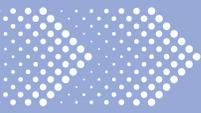
03

BNK
WAY



Responsibility and Trust





Ethical Management

Significance of Issues



Huge fines have been recently imposed by the EU on unfair trade acts of global companies. The demand for companies to comply with fair trade and anti-corruption laws is rising globally. In Korea, various policies and regulations were announced especially by the Fair Trade Commission for ‘establishing a fair market order.’

BNK’s Approach



BNK Financial Group has intensified continued training and actions to root down the system for ethical management and embody the ethical mindset. We will strive further to establish a culture of ethics and compliance by managing the internal check system and reporting channels based on independence and ethics, and accompanying effective preventive measures. Moreover, we consider anti-laundering obligations that are likely to impose high risks given the nature of the financial industry, and manage them accordingly.

Future Strategies



BNK Financial Group has made multifaceted efforts to institutionalize systems for ethical and compliance management including building a standard process to prevent irregularities. We plan to continuously monitor various schemes and systems that are currently in operation. We plan to strive for prevention of legal violations and aberrations to be shared among not only employees at BNK but also those in BNK affiliates and business areas.

2018 Key Performance



KPI of Core Issues

Key Issues	Management Indicators	2018			Future Goals	
		Goals	Performance	Achievement status	2019	2023
Ethical management system and reinforcement of internal control	Number of cases of ethical violations	0 cases	0 cases	Achievement	0 cases	0 cases

Ethical Management System and Reinforcement of Internal Control



Ethical Management System

BNK Financial Group’s Code of Ethics

All employees at BNK Financial Group bolster the system for ethical management to achieve the management motto of “Toward the world with the region, toward a better future with customers” and the vision to takeoff as a global standard financial group. We formulated the code of ethics in 2011 based on our management motto and vision, and have made numerous revisions. BNK Financial Group systematically manages the code of ethics for all its affiliates to share the values of ethical management, and do the utmost to push for substantial ethical management by complying with the code of actions and the principle of actions disclosed on the website, and running various ethical management programs.

Revised Provisions Under the Code of Ethics in 2018

Type	Revision
Article 35 (Cross-gifting among employees)	Notifying a recommended amount per job rank

Revising a Code of Ethics

BNK Financial Group has continued to revise the code of ethics on a Group level to create a sound corporate culture and raise a sense of awareness on ethical management for all employees. In 2018, we formed a sound corporate culture by revising the provision on cross-gifting among employees

Internal Control System

BNK Financial Group has set up an internal control system for ethical management to prevent legal sanctions, financial loss or damage to reputation due to violation of ethical and compliance matters. A variety of internal control activities are performed: formation of the Internal Control Committee at the Group level; operation of the Internal Control Council among the Group and affiliates; monitoring by compliance officers; and reporting to the Audit Committee on ethical and compliance violations. Moreover, we perform self-diagnosis and inspection on the ethical level at the Internal Control Council and explore areas for improvement, while intensifying independence in operations to escalate the rank of compliance officers and guarantee their tenure.

Whistleblowing System

BNK Financial Group runs the whistleblowing system for employees to report violations of a code of ethics and the action guideline to compliance officers at the Group. The aim is to prevent the occurrence of ethical and compliance violations and take immediate actions upon the occurrence of violations. BNK Financial Group runs the online and mobile app-based ‘BNK Helpline,’ raise accessibility for employees through continuous system development and ensure that whistleblowers’ credentials could be protected. WE will further bolster ethical management by raising the use of the system through its promotion more broadly.



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

BNK Financial Group's Ethical Management Programs



Compliance Training for Employees

BNK Financial Group's seven taxation policies

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

Complying with the Improper Solicitation and Graft Act

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

Special Training for Boosting a Compliance Mindset for Employees

Busan Bank conducted 'Special Training for Boosting a Compliance Mindset' eight times from May to December, 2018 to raise an ethical and compliance mindset among employees, prevent financial accidents, raise awareness for legal compliance by reporting legal violations at work, and rooting down a clean corporate culture. Monthly themes are selected on various legal violations that might occur at work, and applicant laws and sanctions per theme and key cases of violations are trained so that employees could raise their ethical and compliance mindset themselves.

Organizing 'Compliance Officer Visits'

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

Reinforcing Anti-laundering Training

BNK Financial Group provides information to customers on key points of the anti-laundering scheme and related laws including the definition of the Customer Due Diligence, relevant transactions and Beneficial Owners. In addition, BNK Asset Management conducted education and training sessions for the working-level staff in charge of anti-money laundering and the management to prevent money laundering and financing of terrorism in accordance with Article 7 of the Code of Practice on Anti-Money Laundering/Combating the Financing of Terrorism. The key topics covered in 2018 include AML/CFT inspection techniques and case studies, highlights on anti-money laundering for the management and key agents for anti-money laundering.

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.

Creating Social Values

Significance of Issues



The importance of ‘inclusive finance’ has surfaced globally, the term defined as increasing financial accessibility for the financially underprivileged by supporting their economic activities. The Korean government emphasizes inclusive finance policies to equally spread opportunities for members of the society to take part in economic activities, which is aligned with efforts in other fields of: reinforcing customized support for the financially underprivileged; expanding social investment; boosting win-win partnership in the region and revitalizing the regional economy; and creating social values through facilitation of social contribution.

BNK’s Approach



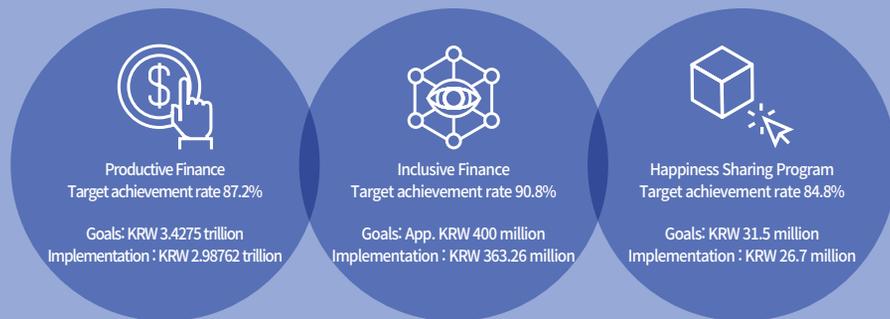
BNK Financial Group has focused on raising competencies for expanding product portfolios for financial support under relevant policies for win-win partnership with regional SMEs and revitalization of the regional economy, while launching products for public interests to support the financially underprivileged in the financial authorities’ directions for inclusive finance and productive finance. Furthermore, we were able to specify the creation of social values through differentiated socially accountable management, while establishing a positive corporate image to be together with the community through steadfast social contribution programs.

Future Strategies



BNK Financial Group plans to fulfill its inherent financial roles based on the Group’s management motto that pursues shared growth and customer-centricity, and reinforce its role as a facilitator for the working class and regional SMEs. All affiliates of BNK will jointly strive for shared growth with the financially underprivileged, the local community, and the creation of social values.

2018 Key Performance



KPI of Core Issues

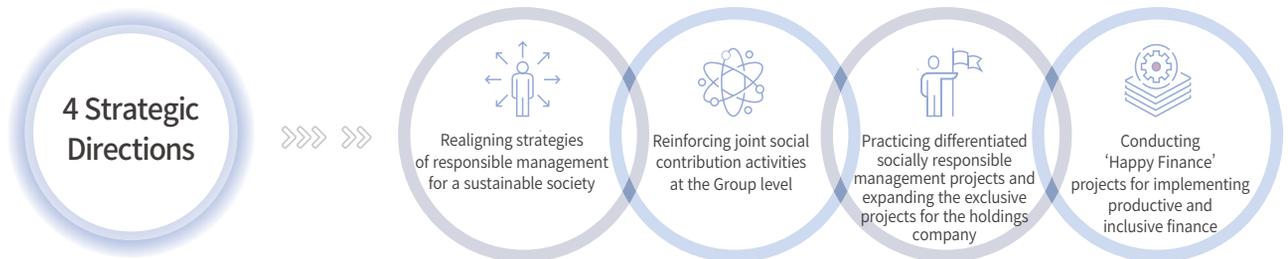
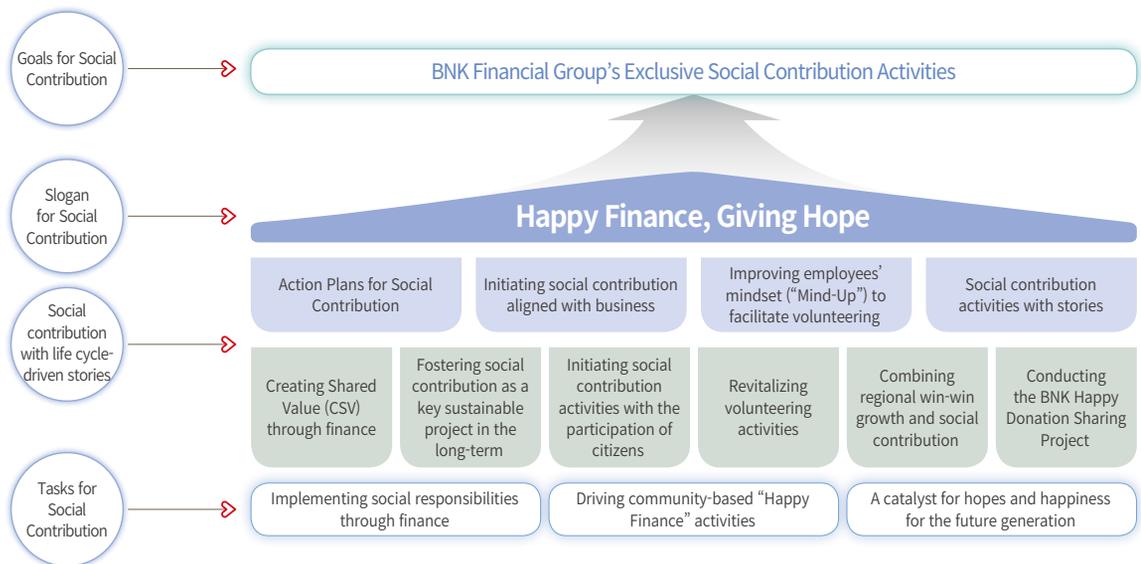
Key Issues	Management Indicators	2018			Future Goals	
		Goals	Performance	Achievement status	2019	2023
Social Contribution Programs	No. of employees participated	22,000 persons	23,035 persons	Achievement	23,500 persons	24,000 persons
Developing products of public interest	Implementation of Inclusive Finance	400 million	360 million	Some achievement	400 million	450 million
Regional win-win growth	Implementation of Productive Finance	3.4 trillion	3 trillion	Some achievement	3.4 trillion	4 trillion

Conducting Social Contribution Activities by Leveraging Business Competencies



BNK Financial Group's Strategies to Drive Social Contribution

BNK Financial Group is engaged in diverse social contribution activities to share hope and achieve shared growth with the community under the management slogan of "Happy Finance, Giving Hope." The goal of social contribution for BNK Financial Group is to acquire continuity and symbolism through the completion of socially responsible management at the Group level, and inspire greater affection in the world with hopes for leading and understanding financial innovation as a leading company in social contribution through differentiated social contribution projects. To this end, we have made diversified efforts by setting four strategic directions for social contribution.



Realigning Strategies of Responsible Management for a Sustainable Society

BNK Financial Group exerted a great effort to establish a system to create joint synergies at the Group by uniting once scattered social contribution competencies in each affiliate. We put in place consistent and unified social contribution strategies and integrated relevant schemes at the Group level in order to intensify its role as a control tower for social contribution, and established a cooperative consensus among the holdings company-affiliates by substantiating the operation of the social contribution council. In addition, we have poured in numerous efforts to maximize synergies in social contribution projects by expanding cross-affiliate mid-and long-term projects.



Bolstering BNK’s Joint Social Contribution Programs

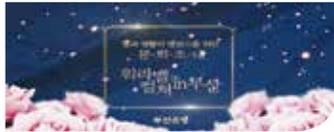
The importance of BNK’s Joint Social Contribution Programs lies in collecting all affiliates’ competencies for social contribution to generate synergies. We avoid one-time or pretentious social contribution programs, and develop genuine programs over the medium and long term.

BNK Healing School	<ul style="list-style-type: none"> • A musical performance for youths to give them dreams and hopes • Visiting 60 schools in Busan and Kyongnam, app. 32,000 students in attendance
Citizen-engaging Social Contribution	<ul style="list-style-type: none"> • ‘Empathetic Donation/Hope Sharing Project’: introducing stories of the underprivileged on the newspaper, raising and donating citizen-engaging funds, donating KRW 155 million in 98 times
Campaign to use gift certificates for traditional markets	<ul style="list-style-type: none"> • Revitalizing the regional economy and traditional markets, purchased app. KRW 1.6 billion
Others	<ul style="list-style-type: none"> • Global volunteering, collective blood donation, campaigns, outreach volunteering, etc.

Practicing Differentiated Socially Responsible Management Projects and Expanding the Group’s Exclusive Projects

Busan Bank

Busan Bank seeks to perform social contribution to inspire hopes and happiness in the hearts of the underprivileged neighbors as a bank that stands together with the region. In 2018, Busan Bank conducted various projects with an aim to achieve differentiated affectionate social contribution with stories to tell.

<p>Cultural Project</p>	<p>At the head branch of Busan Bank, ‘Work-life Balance Culture in Busan’ is held as a cultural show covering many themes through a musical, a play and a classical performance. In 2018, a total of 11,650 citizens watched the cultural shows on 38 occasions. In addition, ‘Young Artist Competition’ is regularly conducted to seek regional cultural and art development and explore regional artists.</p>	 
<p>Various Outreach Programs</p>	<p>In order to contribute to raising the birth rate in the community, Busan Bank donated various childcare items to 100 low-income households under ‘Happy Mom Box.’ Furthermore, the bank strives to secure the right for safety mobility for lower-grade elementary school students by providing 30,000 safety covers for their school bags.</p>	
<p>Programs to improve the Residential Environment</p>	<p>Busan Bank strives to create a safe society by distributing firefighting equipment for houses to target the underprivileged that lack in such devices. In 2018, the bank provided support by installing dry powder fire extinguishers and stand-alone alarm detectors to 5,000 regional underprivileged households.</p>	

Kyongnam Bank

Kyongnam Bank is engaged in wide-ranging social contribution programs as a genuine partner of the region for the happiness of its customers. The bank’s slogan for social contribution is “Happiness to Customers and Hope in the Regions”.

<p>Community-based Social Contribution</p>	<p>Kyongnam Bank organizes a walkathon on the trails in the Kyongnam region every year to support local residents lead a healthy leisurely life and spread the culture of health. In 2018, 13,500 citizens participated in the walkathon in four places including the trails around the Jinju Nam River. The bank also is engaged in forming a rest shelter for them including the Healing Forest with Hinoki Cypress in Changwon.</p>	
<p>Various Outreach Programs</p>	<p>The bank donated vehicles(approximately KRW 150 million) to facilitate distributing free meals to the underprivileged in the region. The bank organized ‘Women’s Essay Contest and Children’s Drawing Contest’ in four areas including Changwon and Ulsan, thus contributing to the regional cultural and art development (a total of 12,000 works were submitted).</p>	
<p>Financial Education</p>	<p>We provided financial education programs for children living near the mountains and foreign workers in the Kyongnam area. We dispatched Moving Bank, which is a mobile store, to Macheon Elementary School and provided 45 school students with various financial services such as ATM and one-day banker experiences. In addition, we trained foreigners residing in Gimhae on opening bank accounts, exchanging money, and transferring money overseas.</p>	

BNK Financial Group

BNK Financial Group plans to continuously promote its own competency for social contribution by expanding its proprietary social contribution programs. In 2018, the Group implemented wide-ranging social contribution programs.

<p>Performance on Prevention of Financial Scams</p>	<p>BNK Financial Group conducted an educational musical on preventing financial scams for senior financial consumers to stably prepare for their post-retirement life. The musical was performed three times in Busan, Changwon and Ulsan, etc. in 2018, and about 1,200 seniors watched the educational musical.</p>	
<p>Other Outreach Programs</p>	<p>Volunteering activities by employees in areas with a high population of seniors, various contribution and donation projects and subscribing to ‘Sharing Leaders’ for the first time in the financial sector to spread the culture of sharing (91 people including the management in the Group and affiliates/heads of each department/division/branch registered.)</p>	

Conducting “Happy Finance” Project for Direct Implementation of Productive and Inclusive Finance

BNK Financial Group intensively carries out ‘Happy Finance’ project, which is BNK’s exclusive community-based program to fulfill social responsibilities. The project is a social contribution program that fully leverages the nature and resources of the financial business. We plan to proactively practice productive and inclusive finance through continued execution of ‘Happy Finance’ project.

Productive Finance		Inclusive Finance		Happiness Sharing Program	
Target amount	KRW 3.4275 trillion	Target amount	App. KRW 400 million	Target amount	KRW 31.5 million
Amount extended in 2018	KRW 2.98762 trillion	Amount extended in 2018	KRW 363.26 million	Amount extended in 2018	KRW 26.7 million
<ul style="list-style-type: none"> Addressing financial difficulties by guaranteeing the minimum wage Special corporate loan Special loan for social enterprises SME loan fund worth KRW 1 trillion, etc. 		<ul style="list-style-type: none"> Happiness and Hope Project Special fund for housing deposits Success Dream CAR, etc. 		<ul style="list-style-type: none"> Win-Win Growth Campaign for Happy Traditional Markets Revitalizing the economy for farms BNK Happy Healing School, etc. 	

Developing Products of Public Interest to Contribute to Society



Practicing Inclusive Finance and developing products that meet public interest

One of the top policies of the financial authorities in 2018 was ‘inclusive finance.’ BNK Financial Group contributes to easing the financial burden of the working class and stabilizing the economy for them through the launch of loan and deposit products for public interests, targeting different brackets including the working class, the socially underprivileged and rookies fresh out of school in line with the government’s financial policy of inclusive finance.

Supporting the Financially Underprivileged including the Working Class

BNK Financial Group has strived to roll out wide-ranging products for the socially underprivileged including the disabled and multicultural families. In addition, we keenly help out the financial underprivileged to be self-sufficient as they cannot easily access banking institutions due to low creditability and income levels.

Busan Bank launched products with preferential interest rates for low-incomers. ‘BNK Hope Fostering Installment Savings’ and ‘Hopeful Future Installment Savings’ are products with preferential interest rates for the socially underprivileged and lower income groups, respectively. Busan Bank ensured to provide tangible assistance for low incomers to build up their assets.

For loan products, we added product portfolios for working class customers with low creditability and income that cannot visit branches despite their need for financial support. ‘New Hope Seed Loan’ and ‘Happy Dream Loan for Employees’ launched this February following the planning phase in 2018 can be executed in 10 minutes through mobile devices. They were designed for employees in need of contingent funds to conveniently access without being constrained by the bank operating hours.

Diverse card products and schemes are also up and running to help out the socially underprivileged. Braille cards for the blind and Multicultural Love Card for assisting multicultural households are also available, and the issuance fees for debit cards for the disabled are exempted.



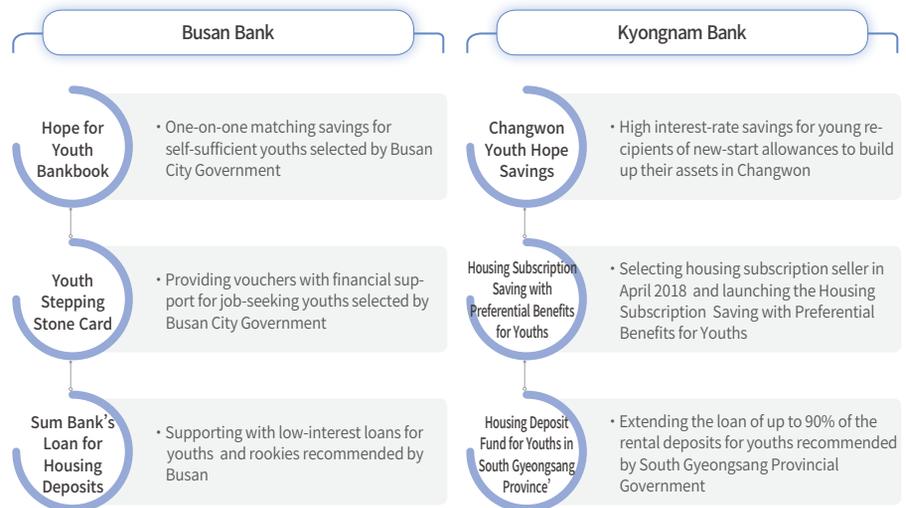
<p>Savings Products with Preferential Interest Rates for Low Incomers</p>	<p>Microcredit Loans</p>
<p>BNK Hope Fostering Installment Savings</p> <ul style="list-style-type: none"> • Benefits the disabled, child breadwinners, defectors, and multicultural families etc. • 4.5% ~ 4.9% per subscription period 	<p>Mobile New Hope Seed Loan</p> <ul style="list-style-type: none"> • Maximum ceiling of KRW 30 million per credit rating of wage earners
<p>Hopeful Future Installment Savings</p> <ul style="list-style-type: none"> • Lower income groups, as identified by Busan City Government 	<p>Mobile Happy Dream Loan for Employees</p> <ul style="list-style-type: none"> • Maximum ceiling of KRW 100 million for the mid-level • credit holders per income percentile (mid-level interest rate product)
<p>Card products/Schemes for the socially underprivileged</p>	
<ul style="list-style-type: none"> • Braille cards for the blind: Green Credit Card, My Zone Debit Card • Multicultural Love Card for supporting multicultural households: credit and debit cards 	<ul style="list-style-type: none"> • Issuance of UNICEF gift cards: accumulating of UNICEF fund for the amount used for gift cards • Exemption of the issuance fees for debit cards for the disabled (since October 2018)

Supporting Youths and Rookies Fresh Out of School



Youth Stepping Stone Card

BNK Financial Group supports youths by rolling out various products for public interests for them to be economically active despite challenging conditions. Busan Bank launched ‘Hope for Youth Bankbook’ to help self-sufficient youths to build up their assets, and ‘Youth Stepping Stone Card’ to provide vouchers for job-seeking youths, thereby providing financial support for low income-earning and job-seeking youths. Kyongnam Bank rolled out ‘Changwon Youth Hope Savings’ to assist recipients of new-start allowances by signing an agreement with Changwon City Government. The bank began to sell housing subscription savings with preferential benefits for youths by being designated as a seller of housing subscription savings products. Meanwhile, ‘Housing Deposit Fund for Youths in South Gyeongsang Province’ was launched for homeless youths as heads of households from this April through the planning phase of 2018.

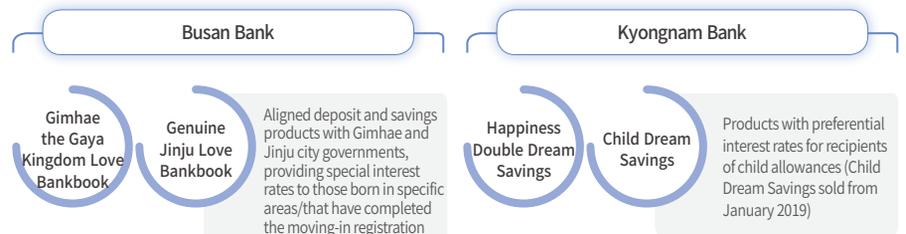


Responding to Low Birth Rate in Conjunction with Local Governments



Happiness Double Dream Savings

BNK Financial Group takes proactive actions with local governments to counter another severe social problem in Korea – low birth rate. Kyongnam Bank runs products to provide special interest rates to the working class that were born in the region and completed the moving-in registration by signing an agreement with city governments of Gimhae and Jinju. The bank also sells special products with preferential interest rates for recipients of child allowances to cater to the government’s child policy.



BNK's Efforts to Revitalize the Economy with the Community



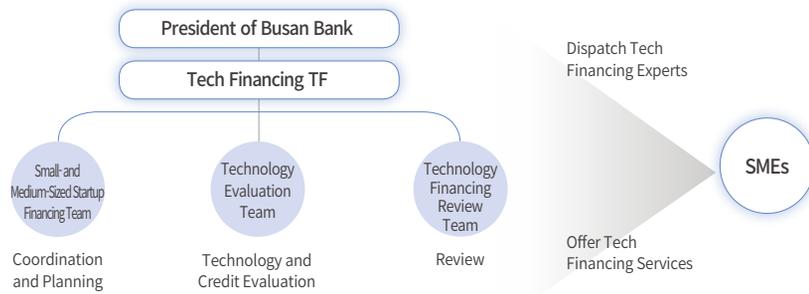
Revitalizing SMEs and the Regional Economy through Productive Finance

Another key financial policy in 2018 initiated by the financial authorities along with inclusive finance was productive finance. BNK Financial Group made wide-ranging efforts to fully support regional SMEs to practice productive finance and contribute to win-win growth with the region.

Specialized Financial Support for SMEs

Exclusive Tech-Financing Division

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



Strong Company Bankbook

Specialized Products for Local SMEs

BNK Financial Group strives to implement productive financing by extending financial support to tech-savvy companies, and lowering the interest rates for job-creating companies. In 2018, starting with the New Start Special Loan, Busan Bank has developed several specialized products, including the Busan Bank Special Tech Loan (a special loan for tech financing) and the Speed-up Special Loan, thereby extending multifaceted support to local SMEs. Kyongnam Bank offers benefits for various operations dealing with corporate bankbooks including benefits in fees for regional SMEs by launching 'Teunteun (Strong) Company Bankbook.' In early 2018, the bank provided a special interest rate for temporarily launching a product titled 'Tantan (Solid) Successful Savings' to celebrate winning of the Presidential Commendation in the 22nd Awards for Financial Support for Small- and Medium-Sized Startups.

BNK Financial Group: High Tech Financing Evaluation Scores

Busan Bank provides substantial financial support for the growth of promising tech start-ups in the region as a leading bank in tech finance, being ranked first in the evaluation of tech finance records in the banking sector in the first half of 2018 conducted by the Financial Services Commission. Kyongnam Bank was ranked first in the FSC performance evaluation of tech finance in the banking sector in the second half of 2017, and second in the second half of 2018. As such, BNK Financial Group has positioned itself anew as a representative bank that leads tech finance. In addition, Busan Bank acquired the accreditation of 'Level 4 in the roadmap for establishing tech credit loans' for the first time as a regional bank. The bank plans to continuously expand consulting services on tech, knowledge and properties by leveraging the relevant specialized workforce in the bank as it entered Level 3 in April 2018 and Level 4 in April 2019.

Facilitating Regional Win-win Growth and the Regional Economy



Auto-Part Industry



Executing Partnership Projects with Small and Medium Business Administration of the Region

Support for Job Creation in the Community



Job Festival



Job creation for revitalization of the regional economy

Financial Support for Suppliers Subject to Restructuring in the Regional Industries

Busan Bank extended financial support for suppliers hit hard by regional industrial restructuring in GM Korea Gunsan Plan and a medium-sized shipbuilding company from April 2018. As such, the bank has pushed for win-win growth with the region through finance by minimizing the impact on the regional economy and turning it around. From July 2018, the recipient list was expanded to include shipbuilding equipment suppliers and companies in specific areas that counter industrial crises (eight areas including Gunsan, Ulsan, Donggu and Geojae). For loans for SMEs in the region, postponement of the maturity up to maximum one year or suspension of installment payment have been applied.

Special Loans for Auto Part Makers in Busan

BNK Financial Group signed a business agreement to extend preferential guarantees for contingency funds for auto part makers in the region in conjunction with Busan Credit Guarantee Foundation in April 2018. The foundation extended special guarantees worth KRW 100 billion with special contributions of Busan City Government, and Busan Bank and Kyongnam Bank in the financial sector primarily executed the loans. Special guarantees are extended up to KRW 800 million for Busan-based auto part makers whose NICE credit rating is B- and above. By doing so, we were able to pave the way for such companies to overcome the crisis as they were financially hit by the sluggish performance of makers of finished cars.

Executing Partnership Projects with Small and Medium Business Administration of the Region

Kyongnam Bank conducts various partnership projects in conjunction with Kyongnam Small and Medium Business Administration and Ulsan Small and Medium Business Administration. The bank carried out various projects with the former including ‘supporting acceleration of start-ups’ and ‘fostering venture capitalist specialists in the southeastern region of Korea.’ With the latter, the bank conducted such projects as ‘supporting traditional markets to subscribe to fire insurance’ and ‘procurement fair for SMEs.’ Kyongnam Bank conducted 11 joint projects with the two small and medium business administrations, contributing to stimulation of the regional economy with funds worth KRW 160 million.

Organizing the Job Fair (Job Festival)

Busan Bank organized ‘2018 Busan Job Festival with BNK’ inviting 170 companies to recruit 900 new hires in total in partnership with Busan City Government, Dong-Eui Institute of Technology, Sunbo Industries Co., Ltd. and the Busan Customized Training Council. The bank proactively contributes to job creation in the community by inducing job creation through one-stop support for landing jobs, raising the employment rate and extending financial support for companies that create jobs.

Signing and Implementing a Business Agreement for Funds for Job Creation and Shared Growth with SMEs

Busan Bank signed a business agreement for Funds for Job Creation and Shared Growth with SMEs to intensify roles of regional banks in job creation and revitalization of the local economy. The fund is worth a total of KRW 20 billion available for helping out SMEs striving for job creation in the region. For an eligible company, a congratulatory cash gift (worth KRW 200,000) is paid for each occasion of recruiting a new hire.



BNK WAY 04



Communication and Teamwork





Talent Management

Significance of Issues



Employee competency equals corporate competitiveness. Raising employee competitiveness has become essential for boosting corporate competitiveness, especially in the era of the Fourth Industrial Revolution. BNK Financial Group was able to reap continued growth despite the rapidly changing business environment thanks to its employees. Meanwhile, guaranteeing a higher quality of life and forming a happy workplace for employees is a continuous source of both corporate competitiveness and improved social benefits. Society is moving towards a focus on work-life balance, as seen in the recent implementation of the '52-hour workweek.'

BNK's Approach



BNK Financial Group recognizes that talent development is a key prerequisite for boosting competitiveness in the future. As such, the Group HR Development Institute was launched under the leadership of the chairman as the Group strives to facilitate enterprise-wide talent development and secure diverse training programs. Moreover, the Group has realigned its work-life balance scheme and reinforced employee welfare benefits in order to create a 'great workplace.'

Future Directions



BNK Financial Group reinforces its sustainability through the execution of advanced talent management. To this end, the Group will further strive to foster creative talents for stronger future competitiveness and intensify welfare benefits for employees. Furthermore, it will create an employee-friendly company by realigning its HR scheme to focus on job functions and performance and expanding its culture of communication with employees.

2018 Key Performance



KPI of Core Issues

Key Issues	Management Indicators	2018			Future Goals	
		Goals	Performance	Achievement status	2019	2023
Intensifying training for talent development	Training hours per individual employee	96 hours	98.5 hours	Achievement	100 hours	102.5 hours
Forming a corporate culture that guarantees work-life balance	GWP satisfaction score	72 points	72 points	Achievement	75 points	77 points

Intensifying Training for Talent Development



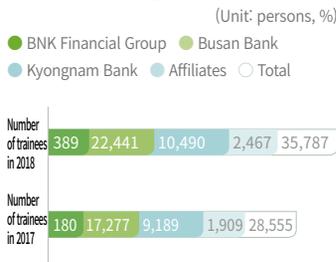
Strategies for Talent Development

BNK Financial Group fosters financial experts that can induce innovation through challenges and create new values by realizing the management vision to takeoff as a global standard financial group. Ideal employees of BNK Financial Group are individuals who are passionate about what they do, as demonstrated through pioneering and innovative thinking and action and who challenge themselves with passion and creativity. They are also required to proactively take part in new tasks by utilizing their expertise as financial specialists.



Facilitating Enterprise-wide Talent Development

Accrued number of trainees per year and the percentage of variation



* Increase of 25% at the Group level

- B** **Baeum, Learning**
Mileage points based on time spent in voluntary self-development
- N** **Nanum, Sharing**
Mileage points based on time spent in knowledge sharing (lectures)
- K** **Kium, Development**
Mileage points based on time spent attending weekend courses in one's organization

BNK HR Development Institute

On January 10, 2018, BNK Financial Group opened the BNK HR Development Institute under the direct leadership of its chairman to strengthen its future competitiveness and nurture the growth of financial specialists. The institute conducts diverse training programs ranging from joint training for all BNK affiliates to specialized training in four core areas of the Group and rank-specific competency buildup programs. We will generate synergy as “one company,” with all affiliates are united through the institute. Since the opening of the institute, employee training has been fully activated, and outstanding achievements have been made in accrued number of participants enrolled in the training and in training performance.

Global MBA Sponsorship Program

BNK Financial Group has conducted the ‘Global MBA Sponsorship Program’ for employees to reinforce employee competency and development global talents. Through this program, three employees from Busan Bank and Kyongnam Bank were able to enter MBA programs at Rice University in the U.S., Hong Kong University of Science and Technology and the National University of Singapore. Moreover, 11 employees entered domestic MBA courses at Pusan National University and Korea Maritime University, reaping the opportunities to develop their competencies.

BNK Training Mileage Points

BNK Financial Group came up with ‘BNK Training Mileage Points’ in March 2018 to create a corporate culture that encourages self-development by reflecting the CEO’s management philosophy. We give mileage points to employees for self-development activities and encourage them to engage in voluntary competency buildup programs by incentivizing them through overseas study and gift vouchers once they reach a certain threshold.

Programs for Fostering Financial Specialists

Intensifying Competency Buildup Programs in Four Key Areas of the Group

BNK Financial Group is working to strengthen its training programs to boost its future competitiveness by nurturing key talent in employees that will lead its four key business areas : CIB (corporate investment banking), WM (wealth management), digitalization, and globalization. In 2018, 435 employees completed training in these areas to grow as futures talents of the Group.



Financial specialist education



Developing core talents

Establishing a Roadmap for Core Specialist Development through the C-HRD Conference

Busan Bank’s key direction for training was designated to ensure that the acquisition of competency would generate the continuous performance to sustain the bank for the next century. Based on this, Busan Bank established a roadmap for fostering diverse financial specialists. The Core-HRD (C-HRD) Conference is a collaborative training system that aims to systematically foster personnel based on the roadmap, while developing customized training courses through department-specific roadmaps for the fostering of core specialists. The conference, held several times a month, raises effectiveness in training by establishing and managing annual training plans for core personnel through collaboration with the institute and designating trainers for each department.

Developing Core Talents for Responding to Future Finance

In 2019, Kyongnam Bank continues to conduct specialist training in digital finance for new hires and current employees in the field of D-IT to develop specialists in big data and machine learning. Moreover, the bank opened the BNK Leaders School (with junior, professional and master levels) to foster talents that have a high understanding of CIB and new industries. To further enable preemptive responses to changes in the business environment, the bank also hosts frequent, special lectures (Understanding Millennials, Collaborative Leadership, etc.) to manage employee development.

Management of Working Level-Competency Buildup Programs

Securing Competencies for Financial Total Care

Busan Bank has strived to secure ‘financial total care competency, aiming to specialize in practical knowledge and strengthen customer communication. ‘Bandi Academy’ was opened as an after-work self-development program running a wide range of courses to boost employees’ practical competencies and productivity at work. Opportunities for voluntary self-development were offered to 2,020 employees through 56 courses in 11 sections in Seoul, Busan and Kyongnam. Moreover, an intensive course titled ‘Building up Sales Competency of Window Staff’ was launched for each level in order to preemptively respond to the changing business environment including the expansion of non-face-to-face channels. The bank was able to raise its capabilities in customer communication by intensifying customer counseling competency for 414 employees, sharing sales know-how in non-face-to-face channels and raising the level of product understanding.



Creating a Corporate Culture That Guarantees a Work-Life Balance

Realizing a 'Work-Life Balance' and Managing the Welfare Benefit Scheme



Baseball watching event

BNK Financial Group is at the forefront of establishing a family-friendly corporate culture for employees to strike a proper balance between work and family life. We run wide-ranging customized welfare benefits for employees to feel a sense of joy and reward through a happy work life. We also strive to improve accessibility to these schemes so that all employees can freely take part.

PC Shutdown	<ul style="list-style-type: none"> • Guaranteeing free evening time for employees, PC shutdown 7:00pm-> 6:00pm
Local Sports Teams	<ul style="list-style-type: none"> • Encouraging watching local sports teams: Lotte Giants, NC Dinos (baseball), LG Sakers (basketball)
Encouraging Vacations	<ul style="list-style-type: none"> • Providing year-round and summer vacation lodgings, such as condominiums
Family Engagement Programs	<ul style="list-style-type: none"> • Conducting family engagement programs, such as ziplining and rafting, and rural and wetland experiences • Providing trips for parents of employees and programs where families are invited
Others	<ul style="list-style-type: none"> • Signing the 'Agreement to Create Decent Jobs through the Practice of a Work-Life Balance' (Busan Regional Employment and Labor Administration) (December, 2018) • Organizing cultural events, running self-development programs after work and providing club programs, etc.

Supporting Maternity and Childcare



BNK Nursery

In order to address the issue of the low birth rate, which has been spotlighted as a severe social problem, BNK Financial Group proactively supports childbirth and childcare for female employees.

In-house Childcare Centers	<ul style="list-style-type: none"> • Busan Bank: 200 children in 4 centers / Kyongnam Bank: 66 children in 2 centers
Flexible Working Hours	<ul style="list-style-type: none"> • Allowing pregnant employees to come to work at a flexible time, flexible work schemes for maternal leave returnees and flexible work schemes for employees with school-age children
Environment for Maternal Protection	<ul style="list-style-type: none"> • Providing clothes to block electronic waves to protect the fetuses of pregnant employees, and setting up nameplates indicating pregnancy at counters
Maternal Leave and Childcare Leave	<ul style="list-style-type: none"> • Paying normal wages during maternal leave (in compliance with law) • Paying an additional 30% of basic wages from the data of maternal leave up to the seventh month

Supporting Employees' Health Management



Employee health check-up

BNK Financial Group runs a number of employee health management programs, paying extra attention to not only their physical health but also psychological health.

Existing Welfare Programs	<ul style="list-style-type: none"> • Periodic health check-up, collective accident insurance, support for rehabilitation/ medical expenses, etc.
Support for Disease prevention	<ul style="list-style-type: none"> • Outreach health keeper service: visits to branches, health management support for employees, CPR (Cardiopulmonary Resuscitation) training, etc.
Health Funds	<ul style="list-style-type: none"> • Managing a Diet Fund and Anti-Smoking Fund, and incentivizing performance
BNK 'Healing Mind'	<ul style="list-style-type: none"> • Providing professional psychological counseling for the mental health of employees, conducting the Smile Day and lectures on healing therapy, etc.
Others	<ul style="list-style-type: none"> • Operating fitness centers and waging the 'Stairs UP! Health UP' campaign, etc.

Fair Performance Management and a Communication-Driven Corporate Culture



Recruitment and Evaluation & Compensation



Career briefing session

Recruitment

We seek to bolster BNK by recruiting new and experienced hires with global competency and expertise. We run a fair recruitment process, during which no applicants are subject to unfair discrimination for reasons of nationality, gender or religion. In addition, Busan Bank shifted 18 contract-based employees to regular status in 2018 to create stable employment for irregular employees, and strives to expand support for jobseekers in the community.

MBO (Management by Objectives)-based Performance Management and Evaluation & Compensation

In order to manage the organization in a stable manner, BNK Financial Group has established a policy direction of looking at long-term performances when conducting evaluations, not short-term results. Furthermore, we provide remuneration and compensation including profit sharing, rewards and other incentives to employees based on their contribution to performance as well as the outcome of systematic performance evaluations, thereby fostering a performance-driven corporate culture.

Establishing a Communication-Driven Corporate Culture

Employee Satisfaction Surveys

(Unit: points)



2017		2018	
Men	73points	Men	74points
Women	69points	Women	71points

Employee Satisfaction Surveys

BNK Financial Group conducts employee satisfaction surveys and questionnaires in line with evaluations by the Great Place to Work Institute (GPTW), a global consultancy on 'Great Workplaces.' Results from the 2018 satisfaction survey showed an increase from the previous year, to 72 points.

Cooperative Labor-Management Relations

Periodic meetings between the Labor Council and labor union are held to forge cooperative ties based on trust between labor and management. Communication channels among employees are facilitated to discuss and negotiate key matters on corporate management, employee treatment and welfare benefits. The diverse employee feedback is reflected in corporate management.

Communication with the CEO

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



Sustainability Management

The image features a background with a color gradient from light purple at the top to a medium blue at the bottom. A large, semi-circular shape composed of white dots of varying sizes is positioned in the upper right quadrant. Below this, there are several solid white circles of different diameters, some overlapping. A thin white line extends from the bottom right towards the center, passing through one of the solid circles. The overall aesthetic is clean, modern, and technical.



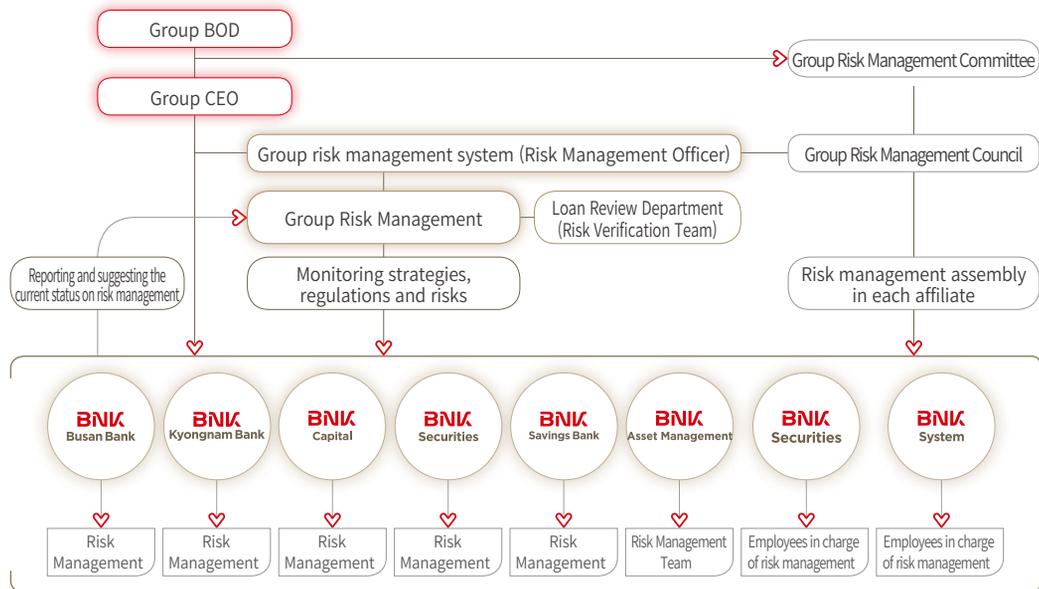
Risk Management



Enterprise-Wide Risk Management System

Based on its risk management principle, which stipulates that “all members of the Group seek the continued growth and development of the Group by maintaining a balance between risk and profit when conducting business activities”, BNK Financial Group efficiently manages risks that can occur at the overall level of Group operation. For systematic management, the Group recognizes, measures, reports, and controls potential risks according to its risk management policy. Risk management takes place through a procedure where all critical risks that might occur in sales and management are recognized, perceived risks are measured and evaluated, evaluation outcomes are monitored and controlled, and then the outcomes are reported to the BOD (Risk Management Committee) of the Group and the management. Each year, the Risk Management Committee sets risk management strategies and the Group’s risk ceilings are aligned with management directions and plans in order to facilitate preemptive responses to potential risks amid the changing financial environment.

Governance and Roles of Risk Management



Risk Management Committee	»	Establishing enterprise-wide risk management strategies and plans as the top decision-making body for risk management at the Group
Risk Management Officer	»	Assisting the Risk Management Committee, supervising risk management operations of the Group
BNK Risk Management Department	»	Undertaking overall operations according to the Group’s risk management policies and procedures
BNK Loan Review Department	»	Raising asset soundness through intensified loan management functions, establishing ex-post management policies
Risk Verification Team	»	Verifying the relevance of the Group’s risk measurement model and risk management operations
Affiliates’ Risk Management Unit	»	Managing the risk management unit and implementing risk policies in each affiliate

Key Risk Management by Type

BNK Financial Group has established a BIS ratio (the capital adequacy ratio vis-à-vis risk assets of a bank) as a standard methodology to proactively respond to changes in the capital regulatory environment. Since February 2016, we have been running a project for the adoption of an internal rating method for the Group to improve its BIS ratio calculation system and risk management system.

Through the project, we have established a single credit rating model at the Group with its two-bank system for the first time in the domestic financial sector. We have advanced the risk control structure at the Group through this consistent credit rating systems for Busan Bank and Kyongnam Bank. Subsidiaries of the banks have established measurement systems for key risks (credit, market, operational and interest rate & liquidity risks) and periodic and systematic risk evaluation.

Type of Key Risks	Bank Subsidiaries' System	Key Functions
Credit Risk	Retail credit evaluation model	Calculating credit ratings of retail borrowers, etc.
	Non-retail credit evaluation model	Calculating credit ratings of non-retail borrowers, etc.
	Credit risk management	Calculating credit risk, monitoring and crisis analysis based on regulatory/internal capital
Market Risk	Market risk management	Calculating credit risk, monitoring, crisis analysis and sensitivity analysis based on regulatory/internal capital
Operational Risk	Operational risk management	Calculating operational risks based on the regulatory capital, self-diagnosis of operational risks and setup of an evaluation system, and management of loss data
Interest Rate/Liquidity Risk	ALM management	Calculating interest rate/liquidity risks, simulation of interest rate/liquidity maturity (gap) and NII, LCR calculation and crisis analysis, etc.

BNK Financial Group Risk Management Direction

Lower corporate productivity and higher household debts have topped the social agenda amid the latest low growth phase of the domestic economy. Digital technologies developing at a rapid pace have intensified competition amongst companies and make it difficult to explore new growth engines. Emerging risks that may affect the future business of BNK Financial Group raise credit risk and intensify competition in the financial industry.

First, the rapidly advancing digital ecosystem, a part of the Fourth Industrial Revolution, exerts a certain impact on the intensified competition in the financial industry. This is because non-face-to-face business has expanded due to the increase in the amount of data being used for financial operations. Without adequate technical responses, there may be negative impacts on business, including customer churn, due to such issues as information security. BNK Financial Group is making enormous efforts in the development of digital technologies including fintech, blockchain, ICT financial convergence and the advancement of digital platforms.

Meanwhile, we are strengthening our system for responding to climate change, which is expected to pose a big threat to the international community over the long term. As changes in the risk exposure of the investment business and a drop in returns on investment are expected amid stronger regulations on climate change, BNK Financial Group is currently applying risk management techniques in diverse environmental fields. We are intensifying environmental management, expanding eco-friendly finance and implementing an environmental impact assessment for executing project financing (PF) in preparation for a higher consumer demand for green financial services as well as for the shift towards a low-carbon economy.

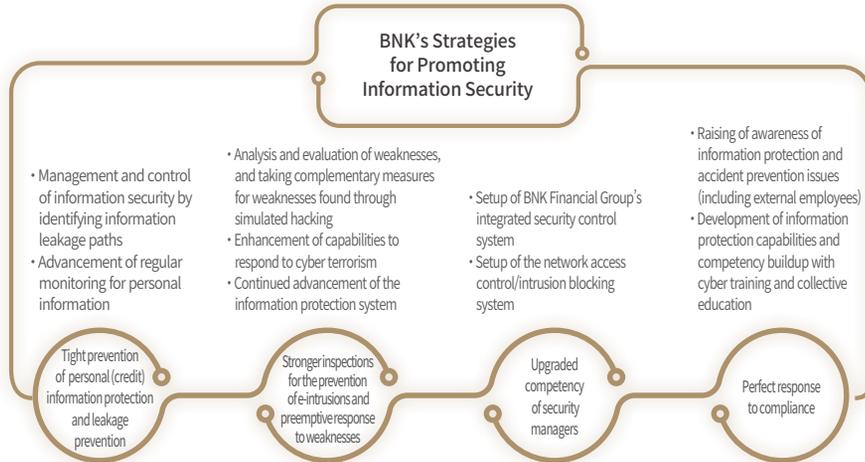


Strategies for Managing Information Security Risks



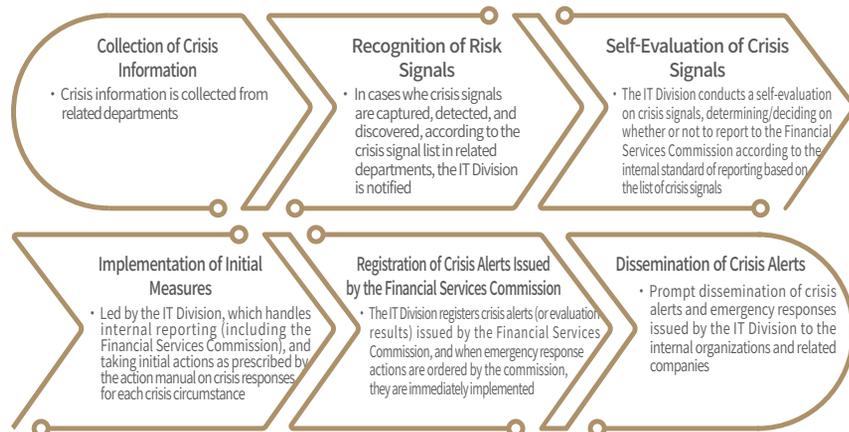
BNK IT Center

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



Risk Management for Information Security Processes

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

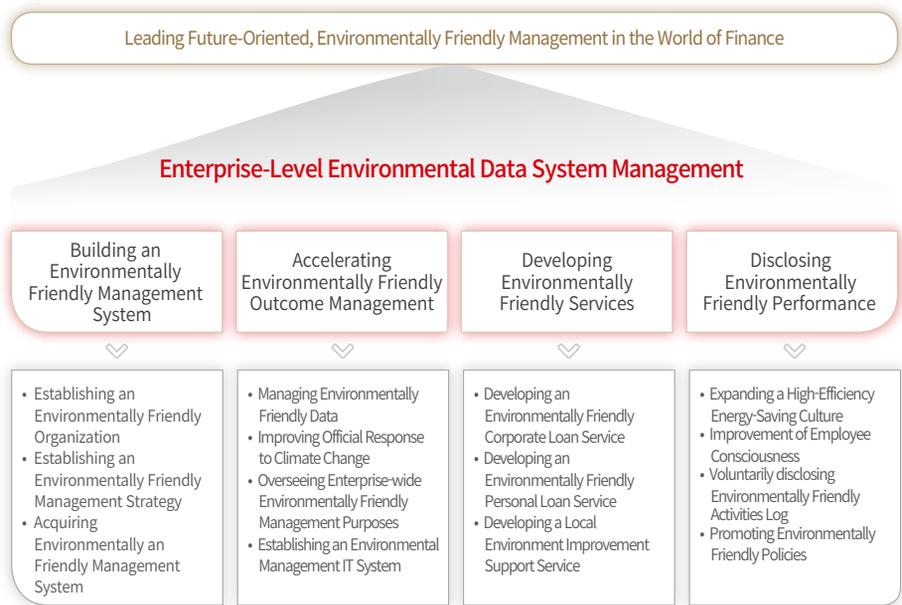


Environmental Management



BNK Financial Group's Environmental Management System

BNK Financial Group implements environmental management strategies to lead forward-looking eco-friendly management in the financial industry. While making practical efforts for energy saving through the enterprise-wide management of environmental data and systems and the internalization of an eco-friendly culture, we also hope to help spread eco-friendly culture throughout society by providing products and services that can offer diverse financial benefits for the public and eco-friendly companies.



Operation of the Environmental Management System

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

BNK Financial Group's Eco-friendly Activities

Eco-friendly Campaign and the Spread of an Eco-friendly Culture

BNK Financial Group strives to spread a culture where employees voluntarily save energy and practice eco-friendly acts through an enterprise-wide campaign for energy saving and eco-friendliness. We have extended the '5GO campaign for saving energy and supplies,' first conducted in 2017, to encourage employees to voluntarily go green. Other green efforts to help an eco-friendly culture take root are a campaign for 'Moderate Indoor Temperature in Summer' and taking part in the lights-off event on the Energy Day.



Energy saving activities



Greenbank Tumbler Distribution

Energy Resource-Saving Activities

BNK Financial Group seeks to contribute to resource saving and environmental conservation by reducing energy and waste generated from doing business. Fees are exempted and other incentives such as preferential interest rates are offered enterprise-wide to customers who opt out of paper documents including bankbooks and documentation product terms and agreements. Additionally, we plan to expand our paperless digital bank branches by facilitating non-face-to-face transaction channels such as Internet and mobile banking and opening smart ATM and tablet-based branches.

Other activities for energy and resource saving at BNK Financial Group are as follows:

Busan Bank	Kyongnam Bank
<ul style="list-style-type: none"> • Conducting the Clear Day for general and office goods - Identifying the stock level for general goods and returning any overstock • Work Diet - Facilitating e-payment and reducing document printouts • Introducing open desks - No partitions and higher energy efficiency • Introducing eco-friendly corporate vehicles - Operating (1) electric vehicle and (31) hybrid vehicles • Saving disposable items - Distributing tumblers and installing devices to remove rainwater from umbrellas, etc. • Introducing eco-friendly paper cups for customers, etc. 	<ul style="list-style-type: none"> • Recycling equipment - Recycling existing counters when remodeling branches • Checking and adjusting the volume of contracted power in branches - Adjusting the volume of contracted power in branches that use high-voltage power • Completely clearing out unused general goods - Removing unused printouts and general goods, etc. • Completely clearing out unused critical certificates (Work-out) - Completely clearing out critical certificates that have become invalid, and collecting and reusing some critical certificates • Replacing imported items from abroad with recycled ones, etc.

On-Site Energy-Saving Consultation

Busan Bank requires branches to maintain low energy usage in summer and to submit a plan to reduce their electricity bill, and encourages them to conduct internal training. Branches selected to undergo this process three times or more per year may be subject to intensive management. Branch office employees are to receive regular on-site training and consulting to raise awareness of energy saving and shar ways to save. Kyongnam Bank implemented measures for energy and material saving through monthly management of the budget for electricity bills and general goods in 2018. In summer, various channels are used to raise awareness about energy saving, including PR posters and bulletin boards in groupware.

Day-Based Car Usage System for Commuting

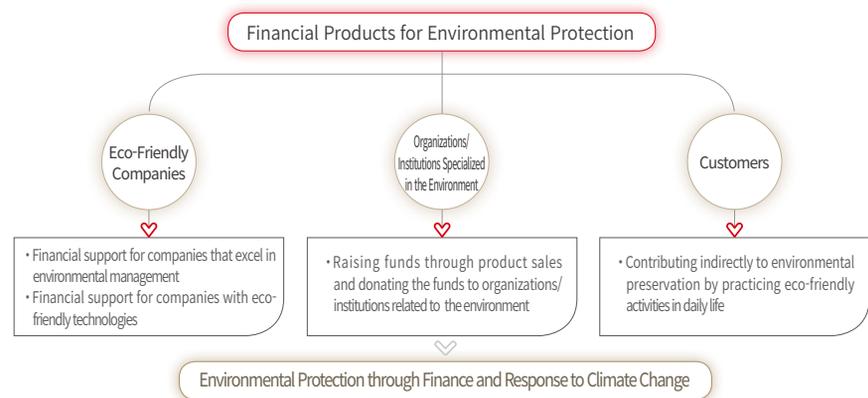
We encourage active participation of employees in the day-based car usage system for commuting in order to facilitate efforts to save energy and use more public transit. Notably, we signed a contract with Busan City Government, the Transportation Corporation, and the Bus Operation Business Alliance to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



Busan Bank, day-based car usage system agreement ceremony

Expansion of Financing for Eco-Friendly Activities

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



Developing Products for Green Finance

Busan Bank offers products with preferential benefits such as interest rate reduction for loans to eco-friendly and green-certified companies. 'BNK Preferential Loan for Clean Green Companies' provides a 0.5% reduction in interest rates for the following companies under the ceiling of KRW 200 billion in total: those that have acquired 60+ points in the eco-friendly company review and evaluation; companies specialized in new and renewable energies; companies specialized in energy saving; and companies of excellence in the eco-friendliness evaluation. In addition, the bank offers the 'BNK Auto Loan,' which provides the benefit of lower interest rates for customers purchasing eco-friendly cars (compact cars, hybrid cars and electric vehicles, etc.), and the 'BNK Compressed Natural Gas (CNG) Bus Purchase Loan' to extend funds for the purchase of buses emitting less exhaust. Kyongnam Bank is no exception in making full efforts to develop and retain eco-friendly financial products. Its 'High-Tech Loan,' launched in 2007, is a financial product designed to foster SMEs recommended by institutions according to the agreement for financial support with Kyongnam Techno Park and Ulsan Techno Park. It provides an interest rate discount of around 1% per year for SMEs involved in eco-friendly energy management. The bank also launched 'Solar Panel Eco Corporate Loan' to foster and support eco-friendly alternative energy projects. This product can be extended up to a 15-year maturity and 90% of facility costs for business operators who sign a long-term, fixed-price contract with an electricity supplier.

Developing Products for Spreading the Eco-friendly Culture

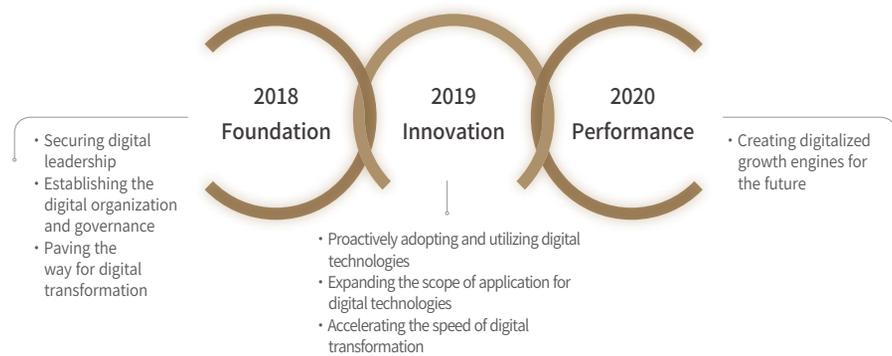
BNK Financial Group sells 'Green Cards,' which provide benefits in proportion to eco-friendly activity records including customers' energy saving activities. The card enables customers to accumulate a maximum of one percent of money spent at nationwide membership stores as 'eco-money' points, and a maximum of 25% just from using public transportation. Moreover, eco-money can be accumulated from using online shopping malls and using automatic money transfers for the payment of telecommunication and utility bills. Furthermore, it induces customers to lead an eco-friendly lifestyle by offering diverse benefits including free admission or discounted tickets for cultural and sporting facilities.

Digital Innovation



Directions for BNK Financial Group's Digital Strategies

Rapid development of digital technologies is transforming the overall landscape of the financial business and its processes, which pushes many financial companies to focus on digital innovation and development of in-house financial infrastructure. BNK Financial Group also heralded its transition to a customer-centered digital financial group through its new management vision of 'GROW 2023.' As such, we are getting ourselves prepared for upcoming changes, while newly aligning the Group's directions for digital strategies.



Establishing Digitalized Customer Channels

Setting Up the Group's Integrated Mobile Platform

Banks need to be equipped with digital service competencies suited to the changes in the times amid the accelerated innovation in digital channels. Against this backdrop, BNK Financial Group has implemented a complete renewal of mobile banking, touting the highest customer utilization rate and integration of mobile platforms in the industry at Busan Bank and Kyongnam Bank. In 2018, we completed consulting on devising directions for the Group's integrated mobile platform strategy, and BNK's financial platform is expected to be integrated within 1~2 years. In addition, there are ongoing efforts to raise the level of digital services at BNK including streamlining product and service processes through the continued development of UI/UX.

Strengthening Competitiveness in Non-Face-to-Face Channels

BNK Financial Group completed the setup of a conversational digital marketing system in 2018 and plans to offer customized financial consultation services starting in 2019, following some complementary work. The conversational digital marketing system is a system for curating necessary products or financial services for all customers, regardless of time or place, by utilizing AI and mobile banking technologies. It is expected to contribute to stronger competitiveness in the two banks' non-face-to-face channels and exclusive products for such channels.

Busan Bank has further sophisticated the currently available SUM Bank, a mobile bank, to improve user-focused conveniences. While focusing on improving SUM Bank and usability, the bank has improved its SUM path (QR/POS payment) and set up a system to connect transport cards with mobile Cashbee.

Kyongnam Bank has provided simpler and easier payment services by introducing QR pay and zero-pay systems for traditional markets that use 'To You Bank,' its mobile platform. The bank also focused on advancing systems for user convenience including its one-click finance management service and a service for extending maturity without meeting face-to-face.

BNK Capital launched 'Auto Moe,' a second car trading platform, and implemented advanced channels by setting up separate apps for customers and employees, and realigning the website.



SUM Bank QR-payment



To You Bank QR-payment

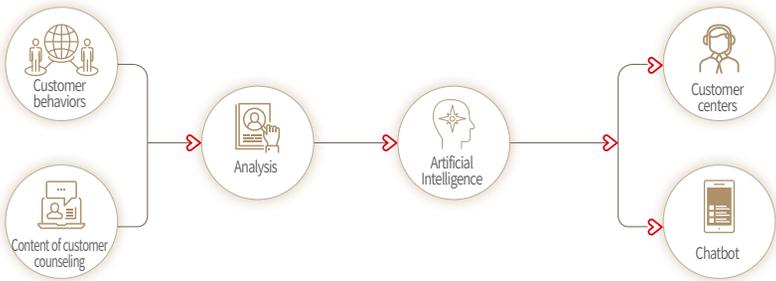
Digitalizing Business Innovation

Automating the Business Process and Realizing a Smart Work Environment

BNK Financial Group strives to create a smart work environment for employees through digital innovation. We have established a business infrastructure that enables collaboration anytime, anywhere through cloud computing of the work system and the formation of diverse accessible environments. We are spreading work automation with the introduction of Robot Process Automation (RPA), with a focus on operations at the headquarters. This serves as a driver for a smart work environment and corporate culture at BNK.

Setting up a Future-Oriented Contact Center

Digital innovation greatly impacts the advance of customer channels including business innovation and platforms and upgrading responses to the Voice of the Customer (VoC) at customer centers. BNK Financial Group completed the setup of a customer behavior analysis system and a counseling analysis system for the establishment of a future-oriented contact center, and is in the middle of advancing its knowledge management system. Once the system setup is completed, data on customer behavior and the content of counseling will be analyzed by AI and optimized products and services will be provided to customers. It is expected that establishing such a future-oriented contact center will be significantly conducive to innovation in digital operations.



Revitalizing the Digital Financial Ecosystem



Signing MOU to Use Big-data

Amid the accelerated financial digitalization, more and more customers are using apps from fintech companies instead of those from banks. Activities that were traditionally regarded as the domain of banks, such as money transfers and financial management, are no longer seen that way. As such, BNK Financial Group is making numerous efforts to revitalize the digital financial ecosystem for mutual benefit with fintech companies, while promoting products and services of Busan Bank and Kyongnam Bank through partnership with fintech companies that have a high penetration rate among customers in order to realize broader contact with customers. In fact, we issued coupons for deposits/savings in partnership with Timon, an online shopping mall, and cooperate with diverse service providers by launching exclusive products aligned with asset management apps (TEAM Wink's 'Alda' and Rainist's 'Banksalad,' etc.). In addition, we have keenly expanded collaboration with such offline channels as convenience stores through the simplification of payment services and expansion of aligned coupons.

Human Rights Management



Human Rights Management of BNK Financial Group

BNK Financial Group endorses the ‘UN Universal Declaration of Human Rights’ and ‘UN Guiding Principles on Business and Human Rights’ of the United Nations Commission on Human Rights, and complies with national and regional labor laws in all areas where it conducts business. We established ‘Human Rights Management Policies of BNK Financial Group’, and we practice the equal application of our human rights management policy in order to respect and protect the human rights of all employees in the Group.

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

BNK Financial Group’s Activities for Human Rights Management

Operating the Ombudsman Process

BNK Financial Group runs a counseling channel for personal grievances as part of its efforts to listen to its employees’ problems and help resolve them. Busan Bank conducts in-depth interviews on reported grievances in a procedure where problem-solving leads to making improvements. In 2018, a total of 210 grievances were handled through ‘Healing Mind’ and ‘OneHR’ counseling. In particular, BNK Busan Bank’s Dudeorim, a mobile channel, was opened to handle employee grievances at any time or place.

Kyongnam Bank runs a grievance handling unit for handling employees’ grievances, striving to vigorously address them. In 2018, 134 cases of grievance were registered through the ‘Labor Union 119’ channel, and 67 were handled.



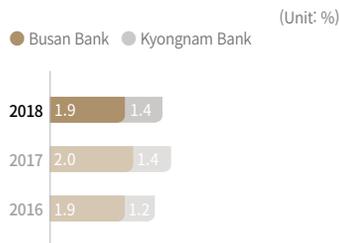
Protecting the Rights of Stakeholders through Self-Inspection

BNK Financial Group preemptively identifies any human rights issues for stakeholders that might occur in the course of doing business, and strives to manage stakeholder risks that might lead to potential issues. Including headquarters, all business sites of Busan bank and Kyongnam Bank are audited for personnel management, and human rights violation issues that may occur inside and outside of the bank are also investigated.

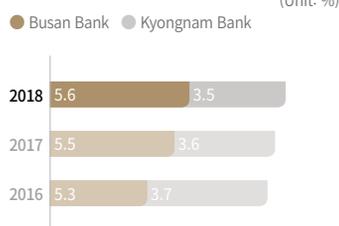
Intensifying Training for the Prevention of Sexual Harassment

BNK Financial Group conducted practical preventive training against sexual harassment at its head branch. Specialized instructors were invited for executives and heads of departments and branches to raise awareness among employees about the socially spotlighted issue of sexual harassment. In addition, a preventive training about sexual harassment was produced for employees (running time of 6 minutes, aired four times) to provide training on the roles of counselors when such cases arise and the reporting and handling procedures. Guidance was provided on sexual harassment laws and procedures for the grievance counseling and handling of victims, providing a trigger to change the mindset of employees.

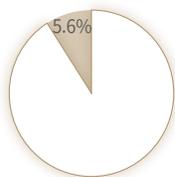
Employment ratio of the disabled



Employment ratio of patriots and veterans



Ratio of the socially vulnerable among total employees : Group



* The socially vulnerable group is defined as people with disabilities, veterans, and foreigners

Guaranteeing Non-Discrimination and Diversity

As of the end of 2018, approximately 47.2% of all permanent employees of the Group are female and there is no discrimination in employee performance evaluations or the provision of training opportunities. BNK complies with the Labor Standards Act and the Equal Opportunities and Work-Family Balance Assistance Act and ensures that no employee is discriminated against on the basis of gender, disability or religion. The Group offers diverse welfare benefits to enable diversity in jobs, expansion in training and a work-life balance.

Expanding Employment for the Socially Under-Represented

Busan Bank shifted 18 contract-based employees into regular positions in 2018 to ensure the job security of non-regular employees. In addition, the bank provides recruitment-oriented counseling by steadily taking part in local job fairs organized by the Office of Patriots and Veterans Affairs and Busan City Government to help jobseekers in the community land on a job. In November 2018, the Bank took the lead in recruiting local talents by hosting BNK's '2018 Busan Job Festival.'

Protecting the Human Rights of Counselors Involved in Emotional Labor

In order to protect the human rights of employees at bank counters who handle face-to-face customer service at Busan Bank and Kyongnam Bank, we distribute a booklet of Guidelines to Respond to Consumers with Problematic Behaviors, published by the Korea Federation of Banks, to all branches, and encourage training for all employees accordingly. As such, BNK Financial Group thoroughly manages to prevent the violation of employees' human rights by problematic customers. Additionally, we strive to protect the human rights of counselors at customer centers, as they must perform intense emotional labor. First of all, we made a 'manual for responding to black consumers,' and are equipped with a system of segmenting the types of aggressive customers, to protect call center employees from black consumers who are insulting, sexually harass employees, or hamper others from concentrating on their work. Moreover, 'healing' lectures are delivered by professionals to ease the emotional burden of customer service work. Other Various other programs are being offered as welfare schemes specialized for call center counselors are expanded, including Movie Day, picnics and overseas travel for top-performing employees.

Happy Financing, Practice Together

A domestic bank, representing the Kyongnam and Ulsan regions, which gives "Happiness to Customers and Hope to the Regions."

BNK
Busan Bank

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

BNK
Kyongnam Bank

A financial company specializing in loans, focusing its financial competencies on microcredit services.

BNK
Capital

A comprehensive securities company established to facilitate the regional financial industry and capital market.

BNK
Securities

A credit information company specializing in loan review through seasoned experience and professional consulting.

BNK
Credit Information

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

BNK
Asset Management

A financial company specializing in microcredit and extending deposits and loans for the working class.

BNK
Savings Bank

A financial IT company offering financial IT services.

BNK
System

BNK Busan Bank



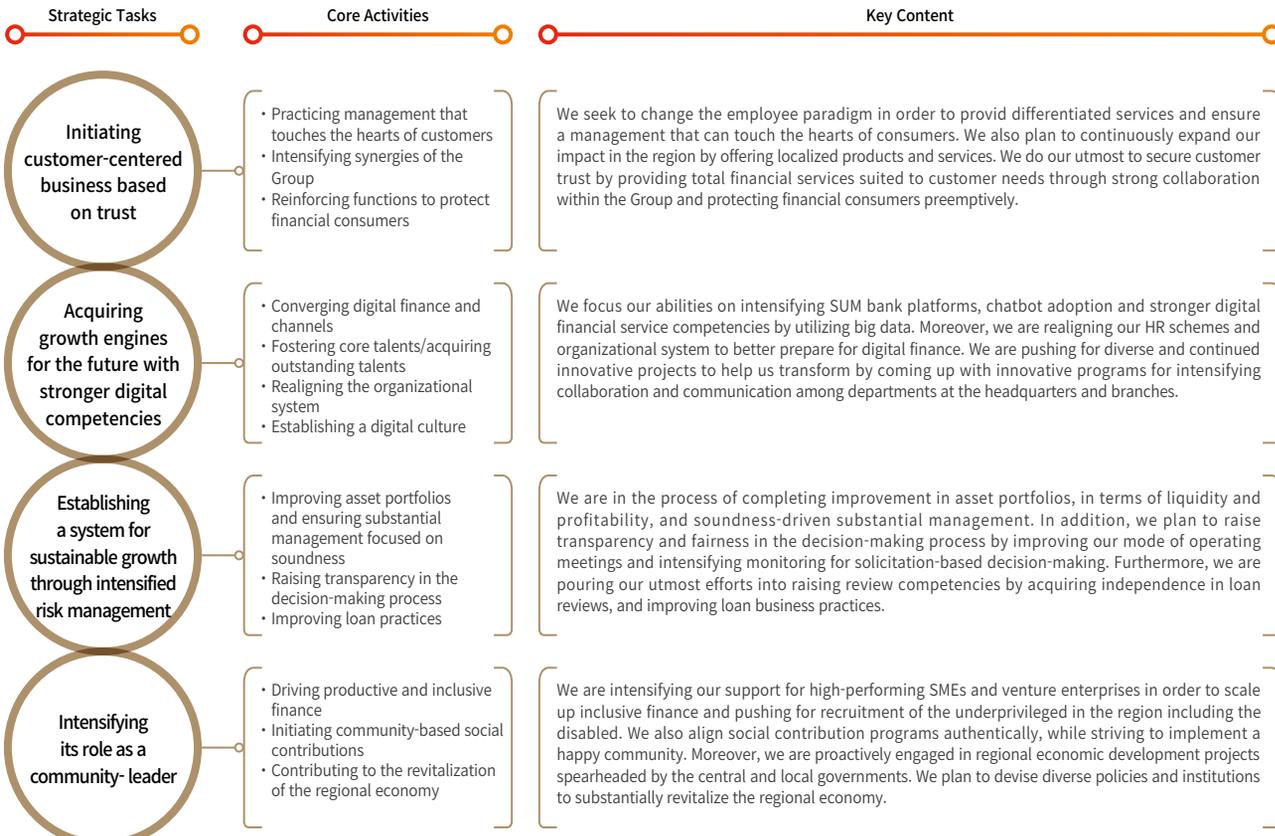
Busan Bank pursues unprecedented changes and innovation in the banking sector, aiming to establish a future-oriented management system amid the rapidly changing financial environment. The bank strives for digital transformation along with talent development for the future as a leading bank in digitalization, while rising to become the most trusted bank by customers through customer-centered management. The bank also practices social responsibility through the eco-friendly management of 'Green Bank', while intensifying inclusive and productive financial support for the working class and SMEs. Busan Bank promises to continuously conduct wide-ranging social contribution projects under the goal of growing together with customers and the community by Creating Shared Value (CSV).

Company Information

Date of Foundation	October 10, 1967
Shareholders' Equity	KRW 5.4763 trillion
Headquarters Address	30 Munhyeongeumyung-ro, Nam-gu, Busan Metropolitan City
Employees	3,277 persons
Homepage	www.busanbank.co.kr

(As of December 31, 2018)

Key Management Performance



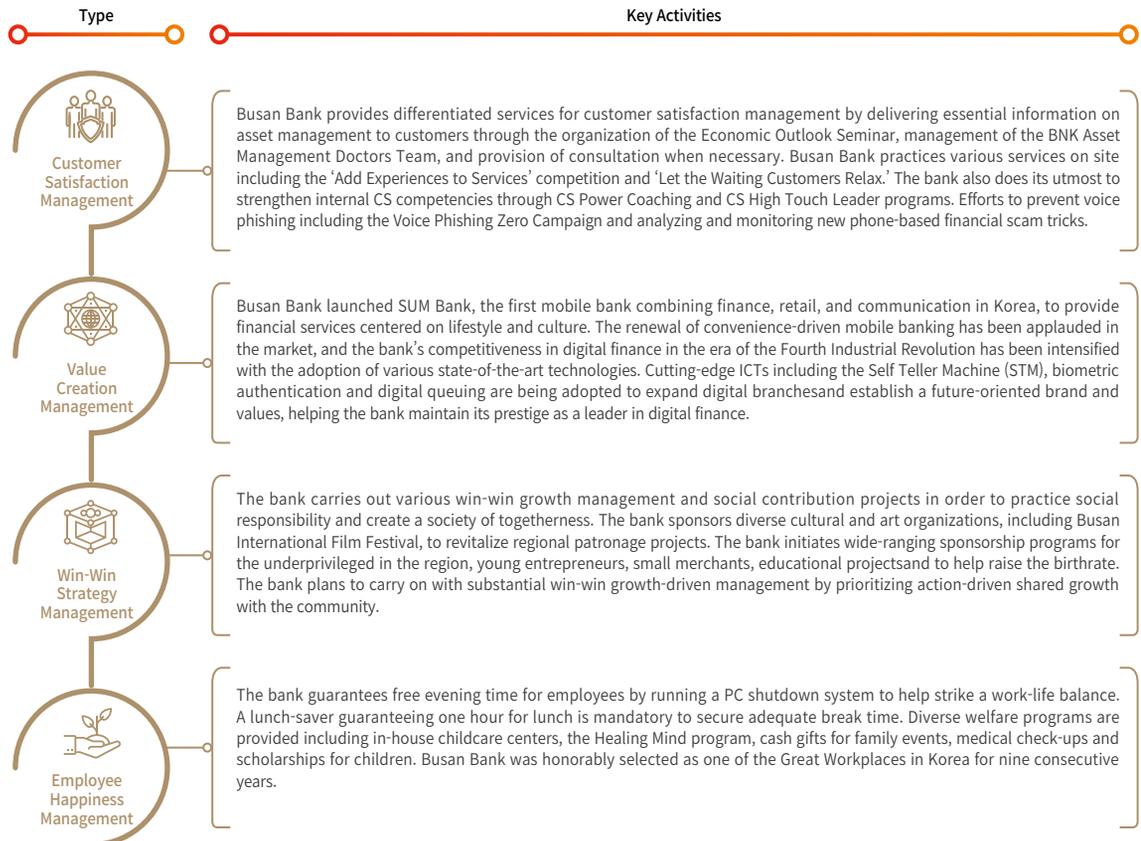
Company Introduction

Busan Bank is a representative regional financial institution established In October 1967 with the mission of revitalizing the regional economy and a strong backing from Busan citizens and regional businesses. For half a century, the bank has shown solid growth thanks to its unique potentials and its ability to overcome numerous challenges, including the 1997 financial crisis and the global financial crisis. As a result of such steady growth over a long period of time, Busan Bank has become one of the nation’s top regional banks with KRW 65.7854 trillion in total assets (including trust accounts), a net income of KRW 346.7 billion, 254 branches and 3,271 employees. Busan Bank will seek for new growth drivers through unprecedent, dramatic innovation in the rapidly changing financial environment. Furthermore as a leading bank in digitization, Busan Bank will seek sustainable growth while providing more convenient and safer financial services.

Key Management Performance



Major Activities per Strategic Direction



BNK Kyongnam Bank



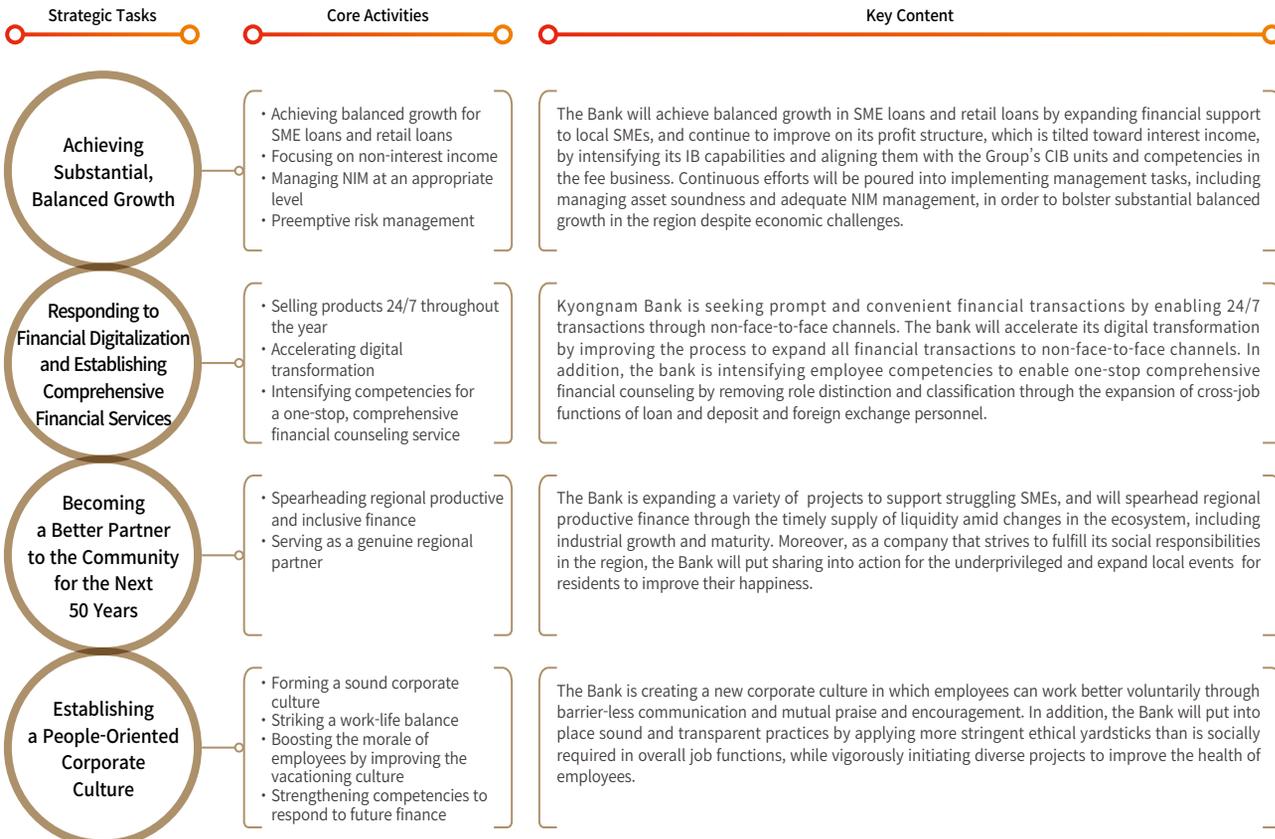
BNK Kyongnam Bank is a regional bank that places the highest value on the happiness of customers and regional development. All products and services are being redesigned to be customer-centered, and the bank will evolve into a bank with a strong competency in digitalization in order to provide the highest convenience and touch the hearts of customers to the greatest degree. In addition, the Bank will further expand genuine regional contribution projects and imbue the warmth of finance throughout the community. The Bank will serve as a reliable regional partner as a representative regional bank with the unwavering love and trust of customers.

Company Information

Date of Foundation	April 18, 1970
Shareholders' Equity	KRW 3.1087 trillion
Headquarters Address	642 3-15-daero, MasanHoewon-gu, Changwon-si, Gyeongsangnam-do
Employees	2,538 persons
Homepage	www.knbank.co.kr

(As of December 31, 2018)

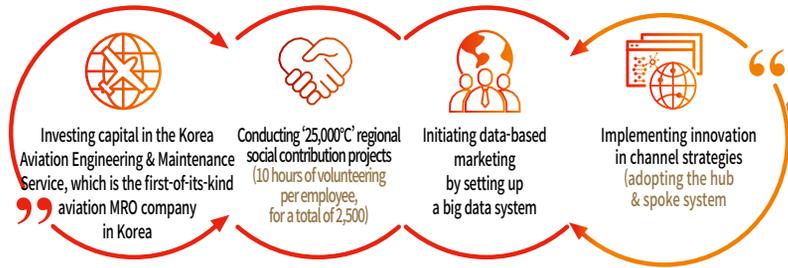
Key Management Performance



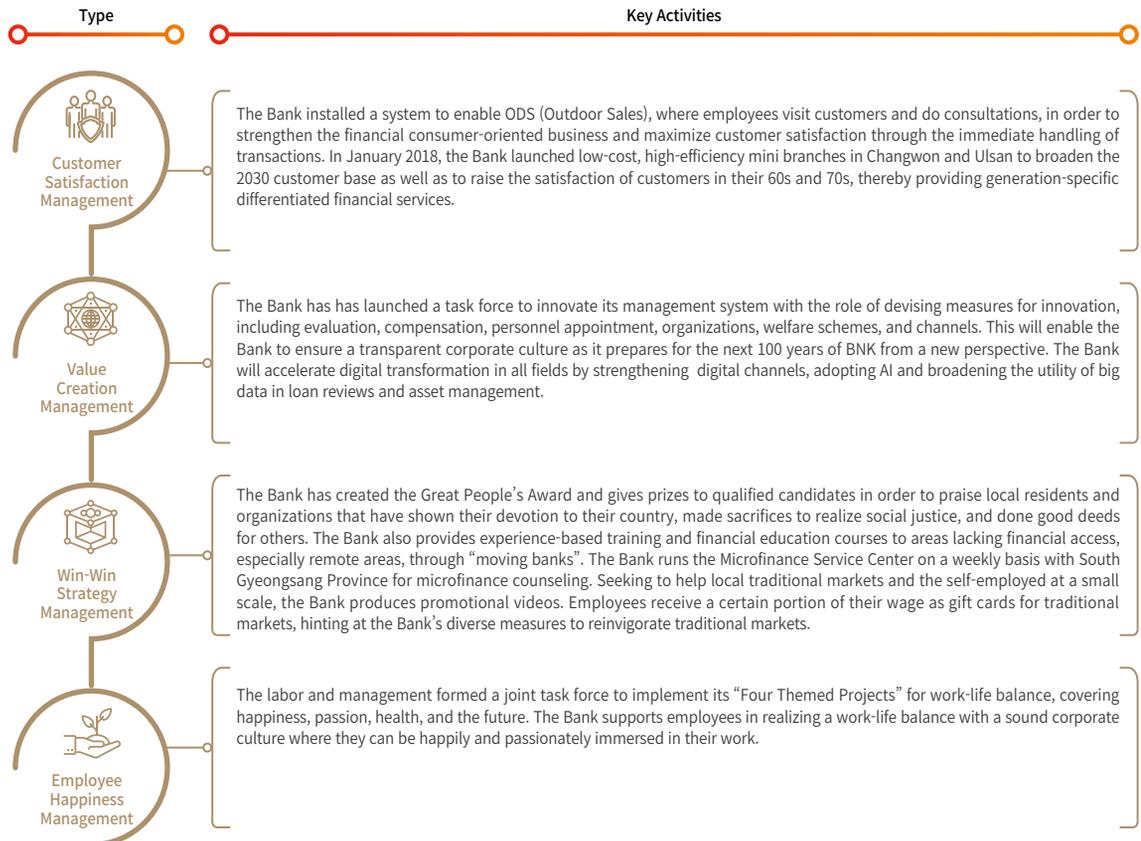
Company Introduction

Kyongnam Bank is a representative regional bank based in Kyongnam and Ulsan, and has grown as BNK Financial Group's representative regional bank thanks to the unwavering love and support of customers and the community since its foundation in 1970. Kyongnam Bank has made wide-ranging efforts to help customers conveniently access financial services anytime and anywhere through digital transformation suited to the rapidly changing financial environment. As a local bank, it extends full support to SMEs and pays back the regional trust through diverse regional contribution projects. Moreover, Kyongnam Bank strives to touch the hearts of all customers to the fullest by expanding specialized financial consulting by corporate and retail financial experts, a service which was only provided at a limited number of branches in the past. Kyongnam Bank promises to offer a better future for the region and customers as a regional representative bank.

Key Management Performance



Major Activities per Strategic Direction



BNK Capital



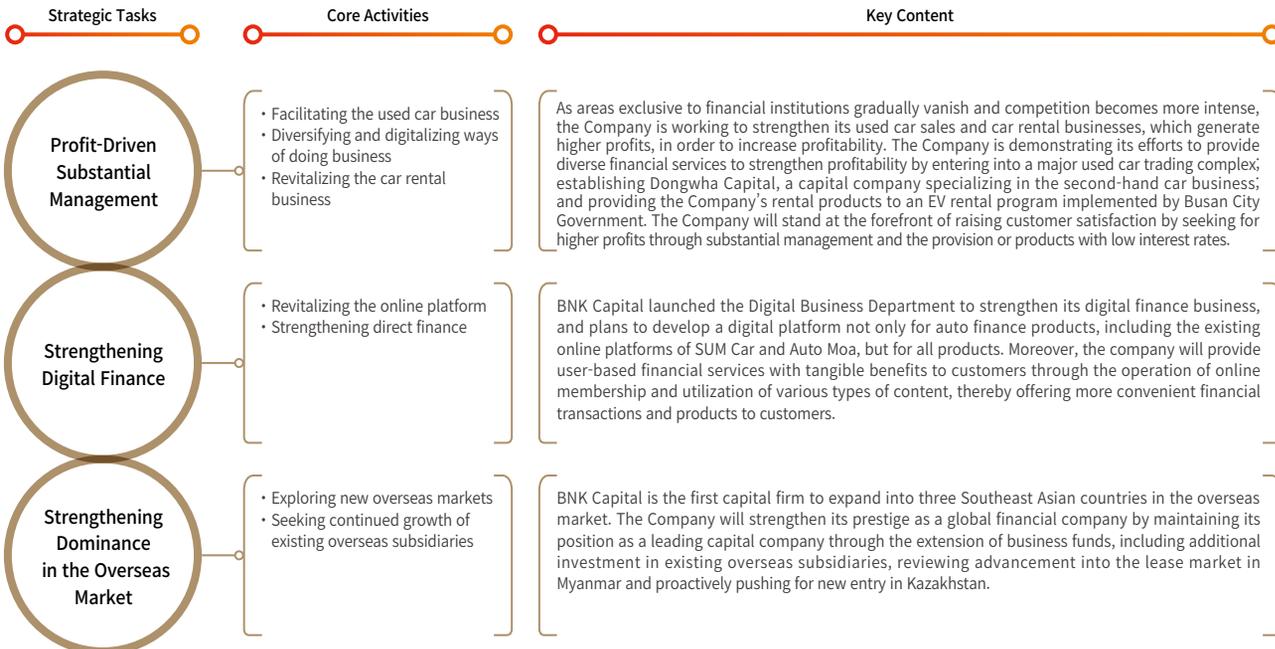
BNK Capital provides diverse and specialized comprehensive financial services ranging from auto and lease financing to corporate finance by putting the top priority on regional economic development through microfinance support. Moreover, the company has made inroads into Southeast Asian and Central Asia including Myanmar, Cambodia, Laos and Kazakhstan, rising higher as a leading global capital company. BNK Capital will further strive to offer customer-centered digital financial services in line with digitalization in the financial environment amid the Fourth Industrial Revolution.

Company Information

Date of Foundation	July 15, 2010
Shareholders' Equity	KRW 644.4 billion
Headquarters Address	1 Saessak-ro, Busanjin-gu, Busan Metropolitan City
Employees	601 employees
Homepage	www.bnkcapital.co.kr

(As of December 31, 2018)

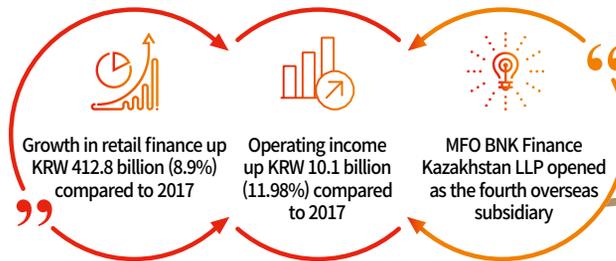
Key Management Performance



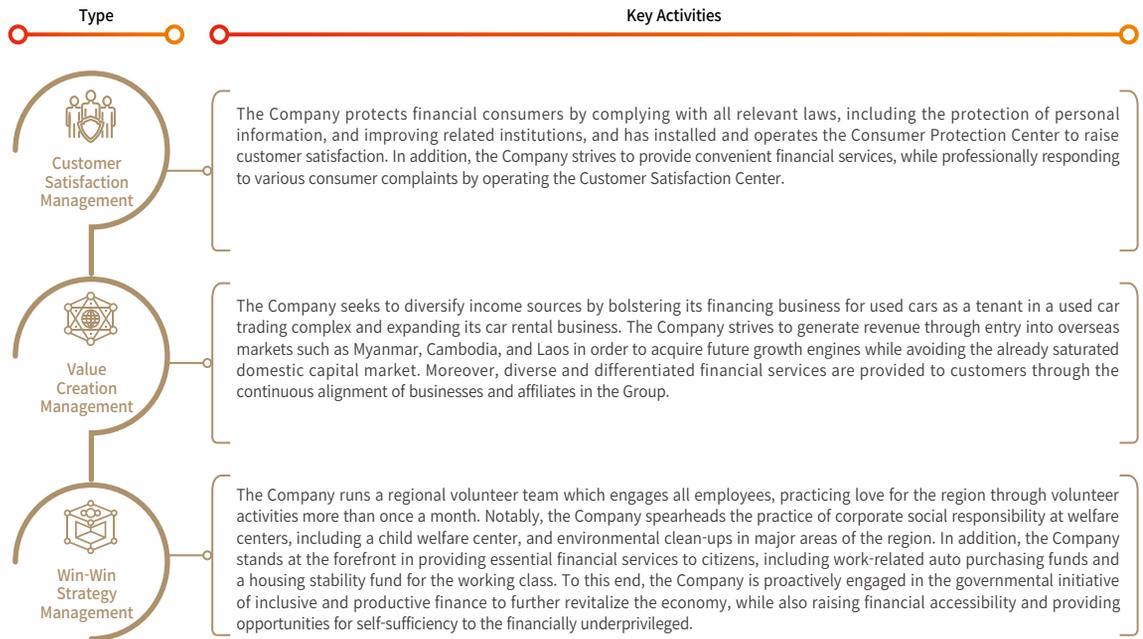
Company Introduction

Since its establishment in 2010, BNK Capital is operating 34 branches in Korea and four overseas subsidiaries. The Company provides not only auto finance and rental cars, but also leases and installment payments, and rentals for medical devices, industrial machinery, and construction equipment. The company plans to solidify its presence as the premier capital company that puts its top priority on customer happiness by providing endless innovation and financial services. These include the exploration of new businesses and overseas markets based on expanded sales networks, especially through schemes established at the headquarters and teams for each business area, and stronger business ties with such affiliates as Busan Bank and Kyongnam Bank.

Key Management Performance



Major Activities per Strategic Direction



BNK Securities



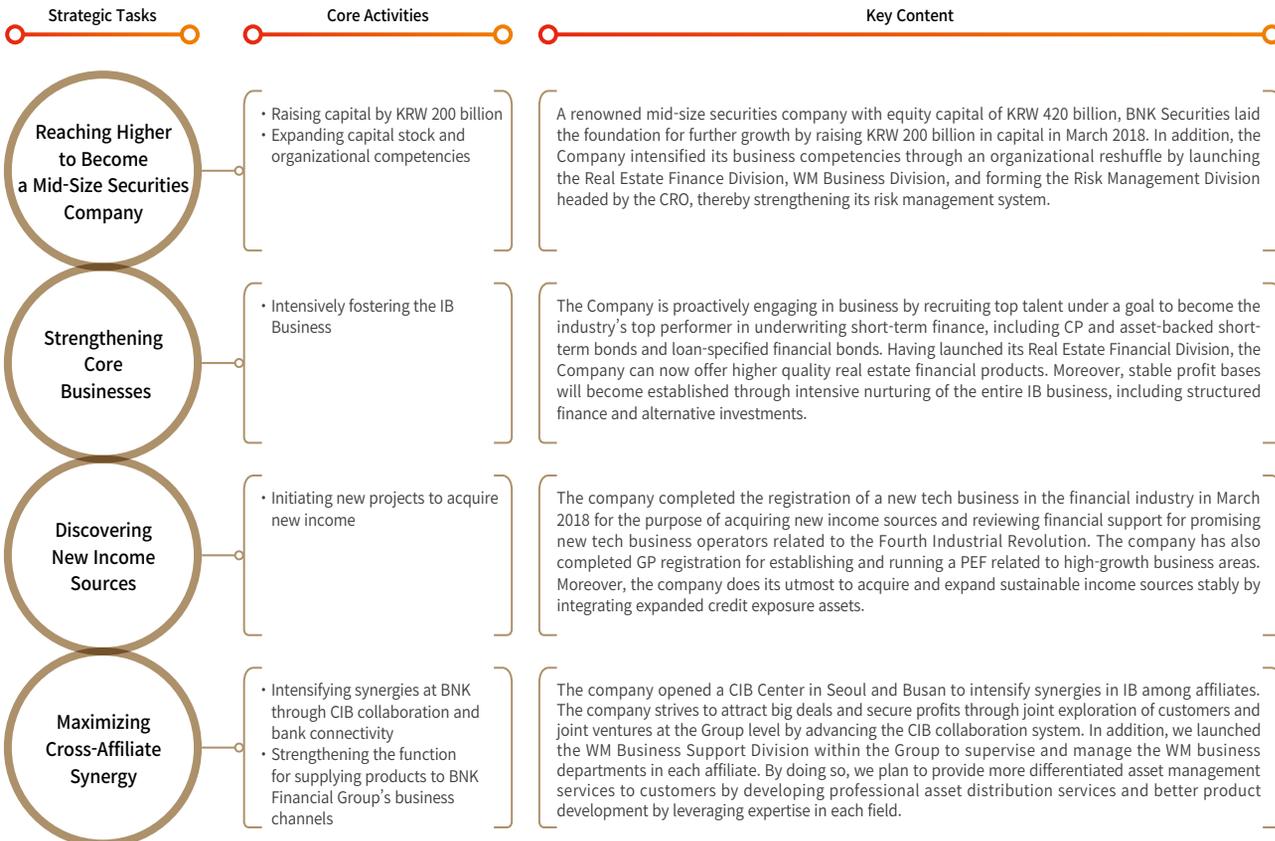
BNK Securities will continue to strive to become Korea's representative top-notch, specialized financial investment company through differentiated, specialized strategies. The company practices growth and sharing-driven management for win-win development with customers, employees and the community under the management principles of continued growth, job creation and social contribution. In addition, BNK Securities promises to do its utmost to create greater happiness for customers and become their closest partner through successful investments. BNK Capital promises to do its best to grow into a premier financial investment company.

Company Information

Date of Foundation	June 2, 1997
Shareholders' Equity	KRW 420.5 billion
Headquarters Address	1 Saessak-ro, Busanjin-gu, Busan Metropolitan City
Employees	247 employees
Homepage	www.bnkfn.co.kr

(As of December 31, 2018)

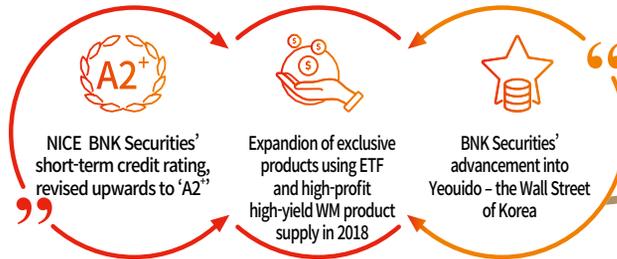
Key Management Performance



Company Introduction

Funded solely by BNK Financial Group, BNK Securities was established in June 1997 as the Group’s futures trading arm. The company mainly flourished in 2009 after venturing into the securities business and expanding its business territory to include investment banking and asset management. With the implementation of the Capital Market Act, competition in the financial investment industry is expected to intensify. Therefore, BNK Securities will try to secure competitiveness in the market by exercising its strengths only through differentiation through business innovation and specialization and also by implementing a customized business strategy for small and medium-sized companies in Busan and South Gyeongsang Province. By 2020, it will establish itself as a financial investment company representing the district of Busan, Ulsan and Kyongnam.

Key Management Performance



Major Activities per Strategic Direction

Type	Key Activities
<p>Customer Satisfaction Management</p>	<p>BNK Securities has organized events to reduce transaction costs for customers by eliminating banking fees for stock trading and lowering the credit exposure interest rate for new accounts of customer banks. In addition, the Company does its utmost at all times to practice love for customers and satisfy them by providing regular employee CS training, running programs to monitor responses to customers, and organizing events to express gratitude to customers.</p>
<p>Value Creation Management</p>	<p>BNK Securities opened the Seoul CIB Center in 2018, following the Busan CIB Center, thereby establishing a close collaborative system between the corporate finance departments of Busan Bank, Kyongnam Bank, and BNK Capital to gain differentiated competitiveness in IB within the market. Moreover, the Company proactively implements financial support for business operators in new promising technologies and other promising fields related to the Fourth Industrial Revolution through advancement into its new tech business and its registration of PEF GP operations in the financial industry.</p>
<p>Win-Win Strategy Management</p>	<p>The Company provides financing by issuing corporate bonds to local companies in Busan, Ulsan, and Kyongnam, issuing new shares for capital increases, and offering acceptance credit. It also participates in social contribution activities every month in order to give back to the local community and promote win-win management by volunteering at senior welfare centers and nursing homes, for example. For win-win management with regional traditional markets, the Company strives to contribute to their stronger vitality by providing a certain portion of monthly wages for employees as gift cards for traditional markets.</p>
<p>Employee Happiness Management</p>	<p>The Company offers various employee welfare and benefit programs such as Culture Day, group accident insurance, medical fee reimbursement, and in-house club activities. In order to boost employee morale, we also hand out gifts on special anniversaries. The Company has implemented a PC turn-off system at a designated time and a work immersion system to establish a culture where employees leave work on time.</p>

BNK Savings Bank



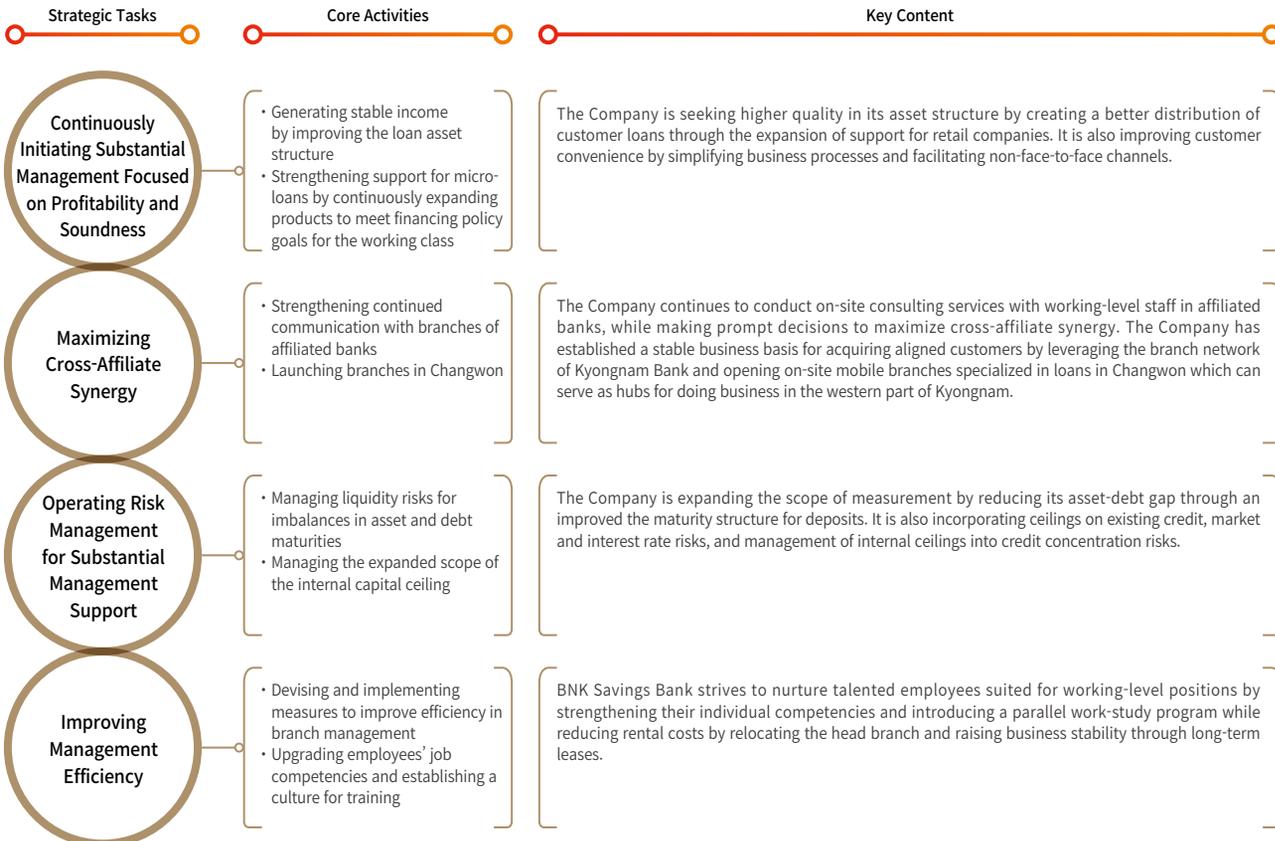
Through endless change and innovation, BNK Savings Bank is striving to live up to the Group's management motto of "To the world with the region, to a better future with customers" and management slogan of "Happy Finance Giving Hope." As an institution specializing in microfinance, BNK Savings Bank will implement dynamic customer satisfaction management, employee satisfaction management, and compliance- and principle-based management. All employees at BNK Savings Bank will do their utmost to create "a representative microfinance bank trusted by customers" as well as Korea's representative savings bank.

Company Information

Date of Foundation	January 10, 2012
Shareholders' Equity	KRW 131.4 billion
Headquarters Address	92 Beomil-ro, Dong-gu, Busan Metropolitan City
Employees	112 employees
Homepage	www.bnksb.com

(As of December 31, 2018)

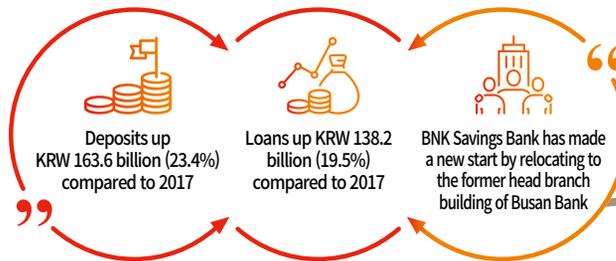
Key Management Performance



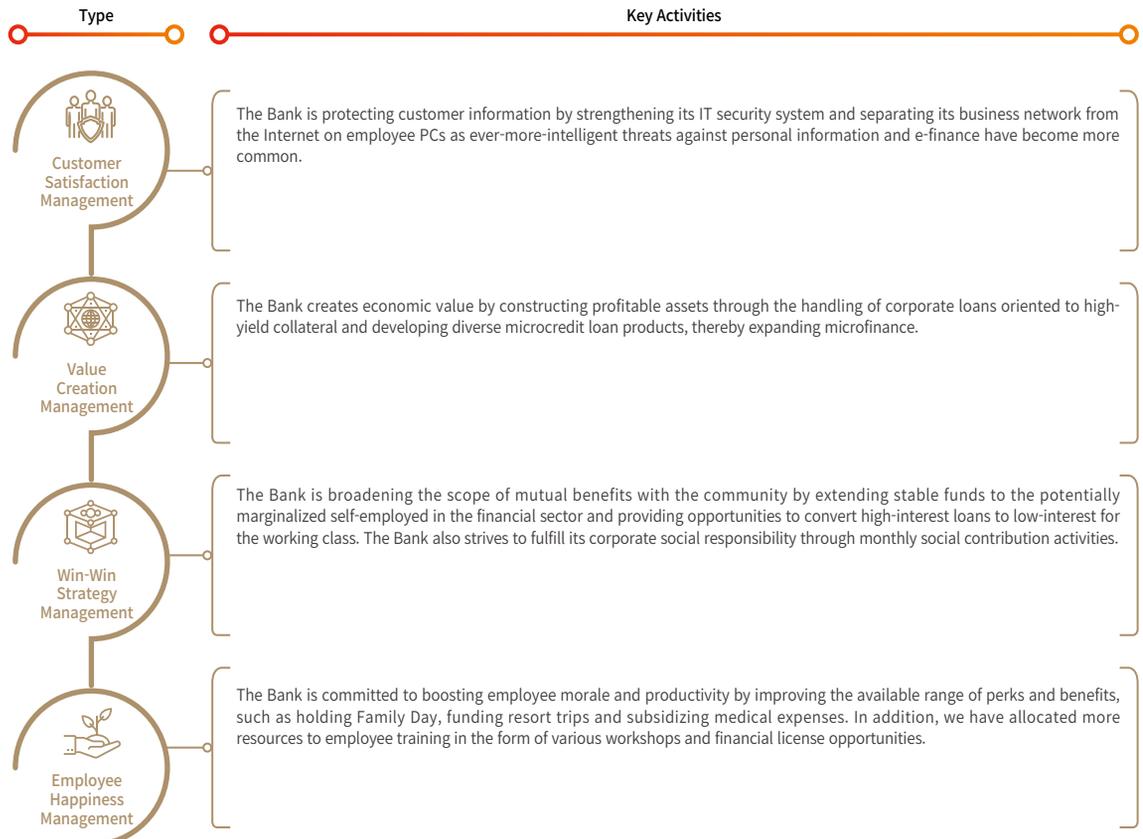
Company Introduction

BNK Savings Bank was founded on January 10, 2012, with paid-in capital of KRW 115 billion, with the goal of proactively contributing to the government’s microfinance policies, stabilizing the financial market, revitalizing the regional economy and fully implementing its corporate social responsibility. Since then, BNK Savings Bank has rapidly achieved a steady growth in assets on the basis of sound substantial management. The bank deals with corporate loans, mortgage loans, discount notes and credit loans based on expanded sales networks that include strong business ties with affiliates including Busan Bank as well as through the established schemes of headquarters and teams for each business area. The bank strives to create a stable profit structure and provide sound loans by forming adequate portfolios for each product.

Key Management Performance



Major Activities per Strategic Direction



BNK Asset Management



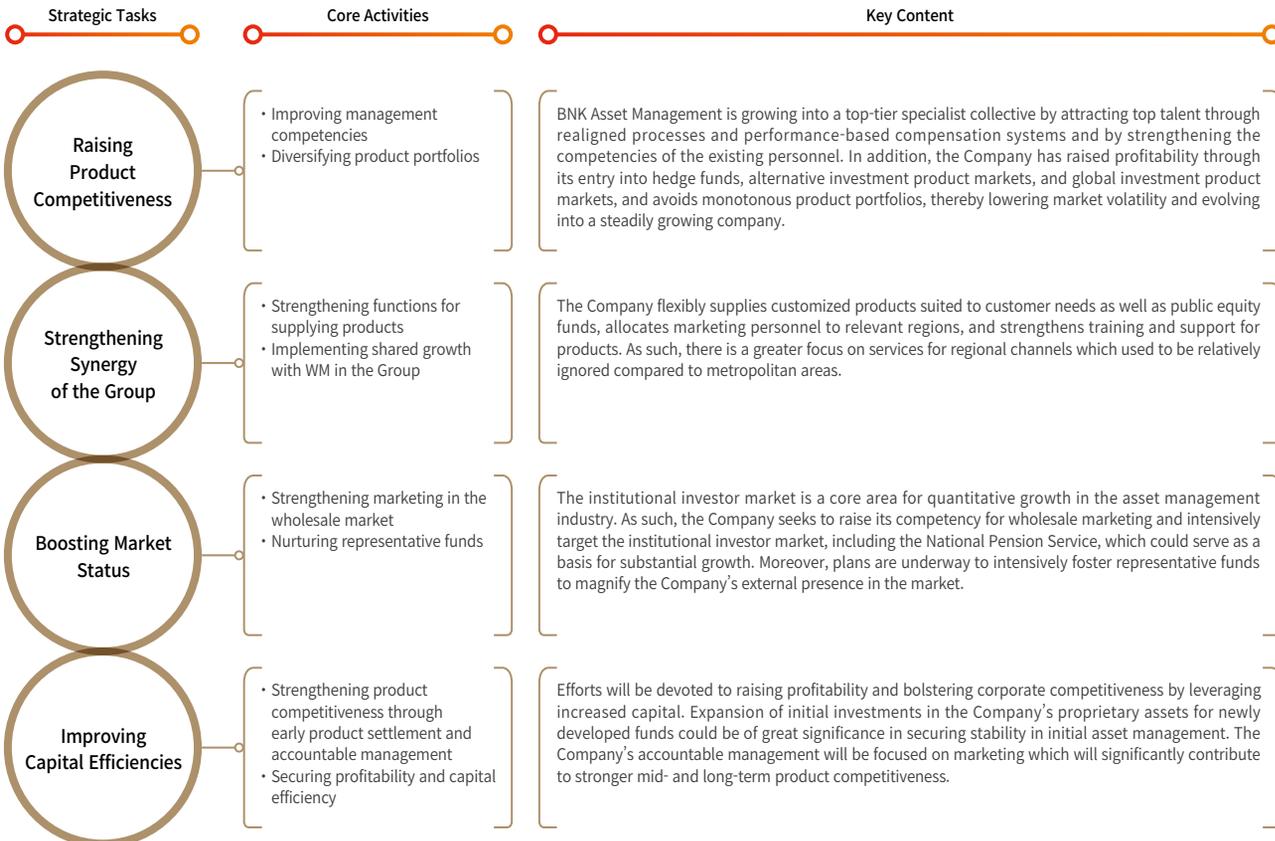
BNK Asset Management is putting its utmost efforts into managing invaluable customer assets, believing in the asset management philosophy of applying long-term, value-driven, research-oriented and consistent management principles. To this end, the company is maximizing the synergies of collective intelligence by forming a corporate culture where individual creativity and independent decision-making are respected. BNK Asset Management will realize its own vision of becoming “the most trusted asset management company by customers” based on its unmatched ethical standards and expertise.

Company Information

Date of Foundation	July 15, 2008
Shareholders' Equity	KRW 70.9 billion
Headquarters Address	24 Gukjegeumyung-ro 2-gil, Yeongdeungpo-gu, Seoul, Republic of Korea
Employees	42 employees
Homepage	www.bnkasset.co.kr

(As of December 31, 2018)

Key Management Performance



Company Introduction

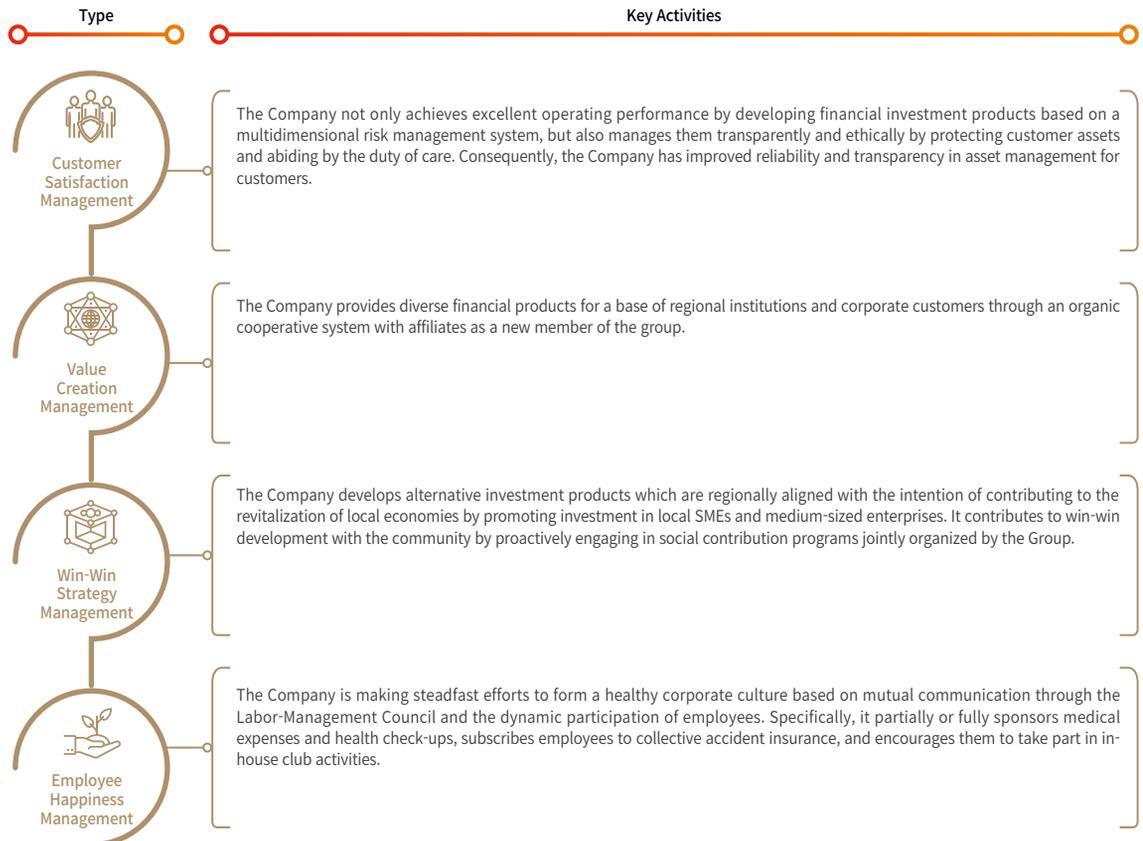
BNK Asset Management has established a basis for new growth thanks to the all-out support given by the Group in consideration of the criticality of product development. It has intensified stability in management through incorporation into BNK Financial Group as a complete affiliate. The Group has acquired all external equities of the Company, thereby paving the way for stable manageability and value-driven asset management over the long term, as well as the development of diversified and differentiated products.

BNK Asset Management will strive to become the most trusted company by customers by developing differentiated products and generating management performance through the expansion of the retirement pension market and the asset management market for the post-retirement life of customers.

Key Management Performance



Major Activities per Strategic Direction



BNK Credit Information



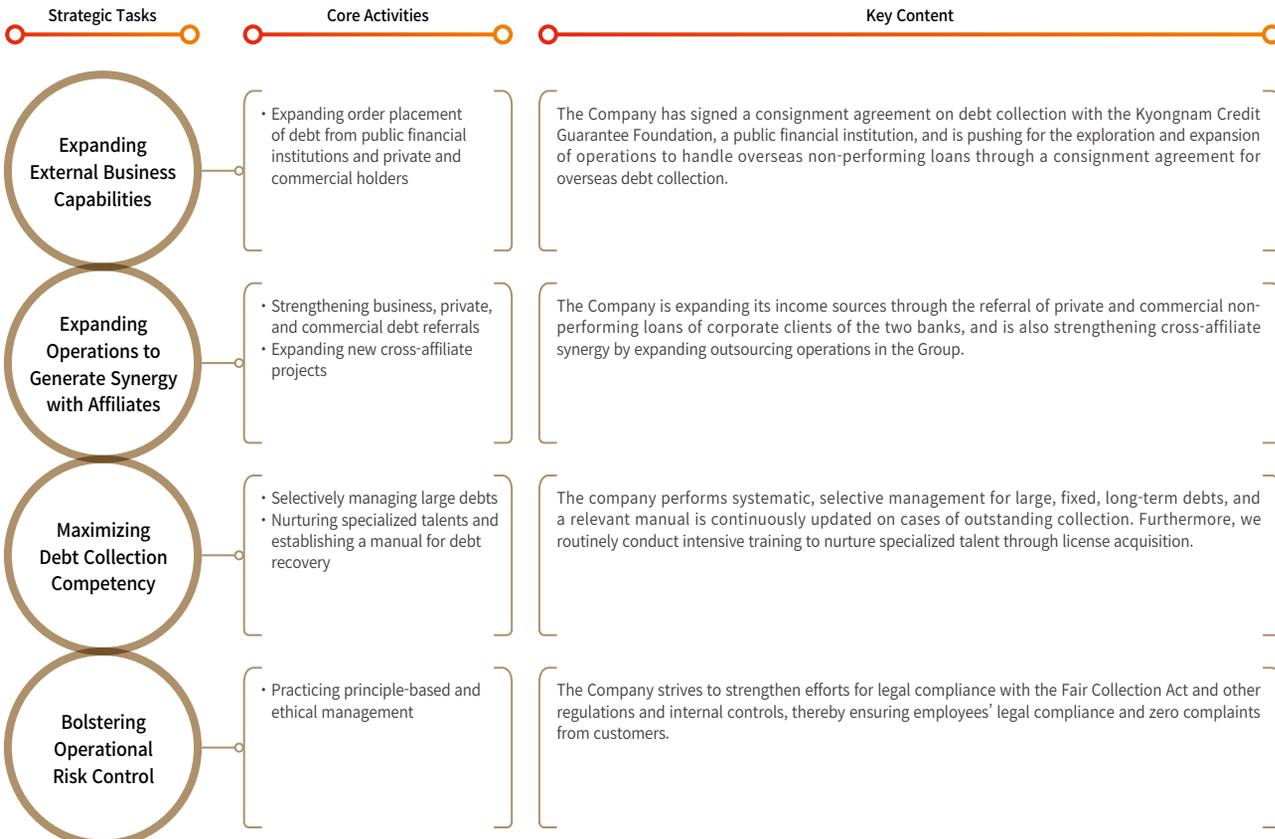
BNK Credit Information provides high-quality services to customers with its outstanding financial specialists and cutting-edge debt management system. Under the management slogan of “Lenient debt collection, reliable credit management”, the company will practice customer-oriented debt management to ensure the effective credit recovery and sound credit score of customers and strive to serve as a company that develops further with the community.

Company Information

Date of Foundation	June 17, 2003
Shareholders' Equity	KRW 8.9 billion
Headquarters Address	92 Beomil-ro, Dong-gu, Busan Metropolitan City
Employees	27 employees
Homepage	www.bnkci.co.kr

(As of December 31, 2018)

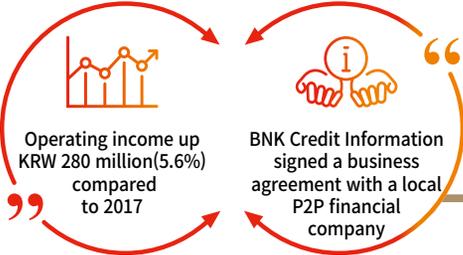
Key Management Performance



Company Introduction

Established solely via investments by the BNK Financial Group, BNK Credit Information is a specialized credit information company authorized to perform the duties of debt collection and credit investigation services, and has expanded regionally to represent Busan, Ulsan and Kyongnam. In order to establish an advanced domestic financial industry and a scientific and efficient credit culture, the company performs debt collection and credit review operations with high-quality services driven by outstanding specialists and a cutting-edge IT system. BNK Credit Information is committed to positioning itself as a world-class credit information provider representing the community and serving as a pioneer in settling a credit-driven society in the region in the 21st century.

Key Management Performance



Major Activities per Strategic Direction

Type	Key Activities
<p>Customer Satisfaction Management</p>	<p>The company operated a free consulting program on credit recovery. When sending or receiving phone calls on debt collection, better guidance is offered with consistent and standardized explanations for the sake of customer convenience. In addition, support for the financially underprivileged has been bolstered, including debt suspension and reduction in default interest for low-income debtors, such as citizens who receive basic livelihood security allowances or recipients of earned income tax credits.</p>
<p>Value Creation Management</p>	<p>Revenue is generated from debt collection, credit investigations, and agency services for documentation on formal complaints, and the area of business has been expanded through a consignment agreement on overseas debt collection. The Company provides top-notch services to customers through stronger synergy among affiliates.</p>
<p>Win-Win Strategy Management</p>	<p>Charity events for sharing hope are conducted for the socially challenged in the community. Hope-sharing boxes, which consist of daily essentials and ancestral ritual equipment, are delivered to financially struggling, indebted customers on the New Year's and Chuseok (Korean Thanksgiving) holidays to help the Company grow alongside the community.</p>
<p>Employee Happiness Management</p>	<p>The Company strives to raise the quality of life for employees by improving the vacationing culture, creating a culture for health management among employees through walkathon campaigns and anti-smoking funds and encouraging book-reading. In addition, the Company devotes efforts to better welfare and health benefits for employees, including support for medical fees such as health check-ups, payment of transportation and clothing fees, subscription to workers' compensation insurance, scholarships for children, and cash gifts for family events.</p>

BNK System



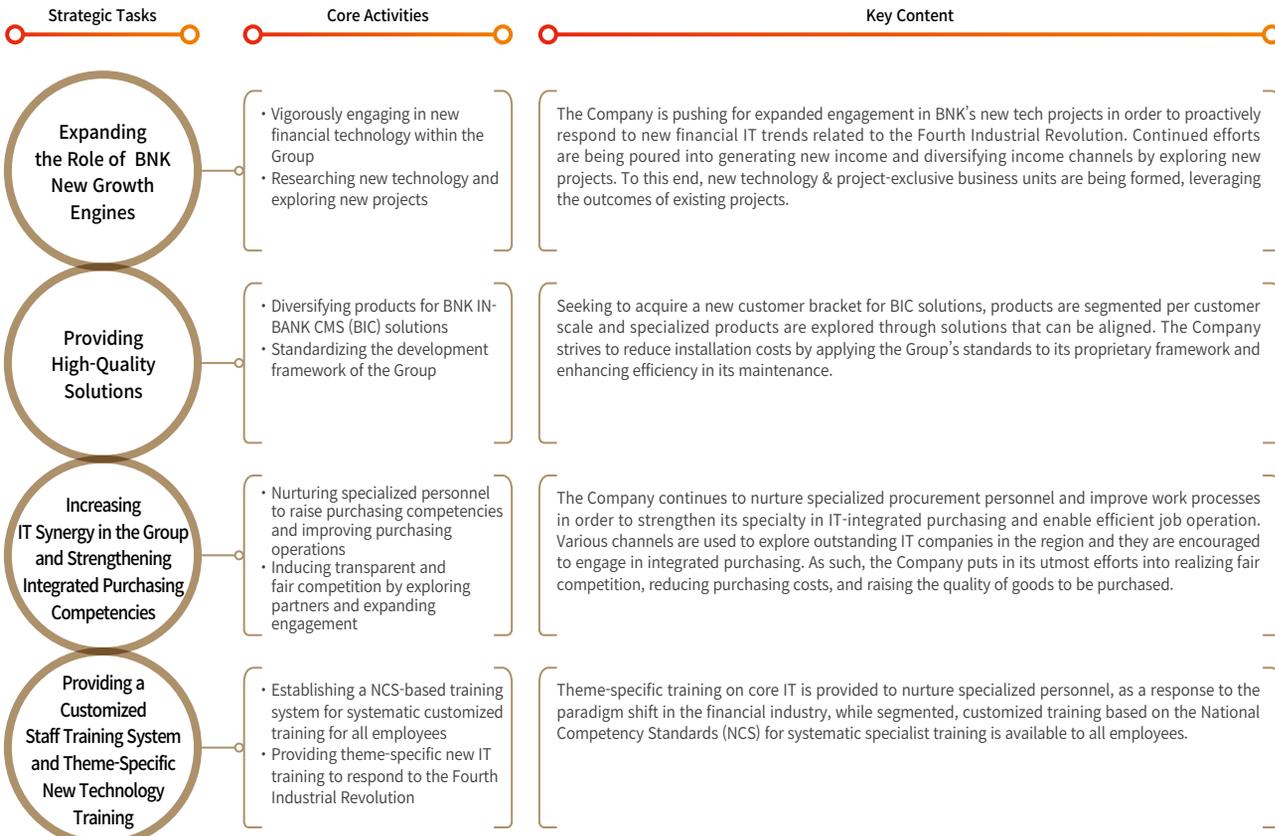
BNK System provides stable and differentiated financial IT services, having achieved continued growth alongside the Group. The company strives to help advance the IT business environment for affiliates by developing application technologies that align the rapidly changing financial environment and IT, driven by experience in the financial sector. BNK System will develop itself further as a key affiliate of BNK Financial Group, providing top-notch IT service to each affiliate based on its specialized financial sector IT workforce and its experience in developing related solutions for the field.

Company Information

Date of Foundation	May 20, 2011
Shareholders' Equity	KRW 7.1 billion
Headquarters Address	13 Gwangbokjungang-ro, Jung-gu, Busan Metropolitan City
Employees	176 employees
Homepage	www.bnksys.co.kr

(As of December 31, 2018)

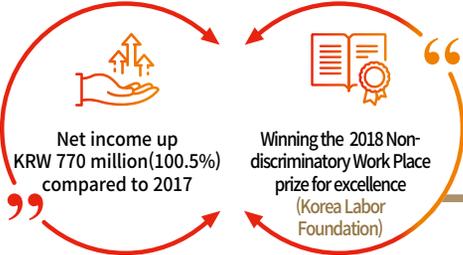
Key Management Performance



Company Introduction

Based on the value of being “an IT service leader in digital finance,” BNK System contributes to regional development and success by developing the IT solutions the region demands based on its experiences in the financial sector. BNK System has contributed to the creation of synergy among affiliates by expanding the scope of its business through system integration, starting with the operation of affiliated companies’ business systems. The Company is consistently strengthening its competencies in the field of smart finance to actively respond to the rapidly changing financial IT environment. Additionally, it strives to become an IT company that grows with the local community by locating and collaborating with top local IT companies, creating jobs through the hiring of local talent and operating a support program for the underprivileged class.

Key Management Performance



Major Activities per Strategic Direction

Type	Key Activities
<p>Customer Satisfaction Management</p>	<p>The Company aims to enhance the quality of services and productivity by implementing a group-wide electronic system that standardizes the delivery of services. Moreover, it has been collecting feedback at the conclusion of each project to further improve and modify products based on clients’ needs.</p>
<p>Value Creation Management</p>	<p>Through the acquisition of its IT affiliate, the Company has achieved business efficiency by consolidating the purchase of IT resources, thereby setting up joint business systems, signing an integrated maintenance agreement for same-day items, and saving money through the joint purchase of IT office goods, including PCs. The Company has secured a basis for stable business operations by developing customized software solutions in-house.</p>
<p>Win-Win Strategy Management</p>	<p>The Company is committed to finding and working with local IT companies when conducting IT business within the Group, thereby facilitating higher sales and competitiveness for local companies. Furthermore, by hosting IT seminars, the Company aims to share knowledge on the latest IT trends with local IT firms and service providers.</p>
<p>Employee Happiness Management</p>	<p>In addition to operating numerous welfare programs to increase employee satisfaction, it is committed to implementing development programs focused on IT services, finance, culture, and leadership to promote lifelong career development and help employees achieve their personal goals.</p>

Financial Report

Management's Discussion and Analysis 85

Independent Auditors' Report 88

BNK Financial Group

Consolidated Statements of Financial Position 90

Consolidated Statement of Comprehensive Income 91

Consolidated Statements of Changes in Equity 92

Consolidated Statements of Cash Flows 93

Appendix

Performance Data of Sustainability Management 94

Third Party Assurance Report 102

GRI Index 104

Awards 106

BNK Financial Group History 107

Management's Discussion and Analysis

1. Outline

BNK Financial Group, with a focused business presence in Busan, Ulsan, and Kyongnam, showed that the profitability and soundness indicators of the fourth quarter of last year fell short of the management plan because of the sluggish local economy, especially in the shipbuilding, shipping, and auto industries, and the impact of the financial authorities' more stringent standards for non-performing loan allowances. And yet, it seems that improvements were made for raising profitability of the Group over the medium and long term where the non-banking sector significantly intensified with a focus on securities and asset management under the management strategy of "intensifying the non-banking sector and expanding non-interest income" and fee income of the Group especially in IB significantly increased compared to the previous year.

Despite the deficit recorded in the last fourth quarter due to a year-on-year larger-scale voluntary resignation and the conservative allowance reserves amid more stringer standards for allowances of the financial authorities, the net income achieved the highest-ever amount of KRW 502.1 billion. This is attributable to an increase of KRW 62.9 billion in interest income and that of KRW 44.3 billion in fee income, and a drop of KRW 41.4 billion in bad debt expense. A steady increase in interest income is due to the growth in loans mostly in retail finance and high-yield borrowers for qualitative improvement of loan portfolios despite the regional economic downturn.

By contrast, this resulted in a relatively lower growth rate in loans in Korean Won compared to other companies, and a lower net interest margin in the banking sector represented by NIM. Growth rate of approximately 28% occurred in the fee income. This is presumably attributable to the intensive development policy of capital investment of KRW 200 billion in BNK Securities under the Group's management strategy of expansion of non-interest income.

BNK Financial Group will do the utmost to rise higher as globally competitive Korea's No.1 regional financial group by fulfilling preemptive risk management functions.

Major Financial Performance and Management Indicators

(Unit: %, %p)

Classification	Major Indicators	2018	2017	Change
Profitability	ROA	0.55	0.45	0.1
	ROE	6.75	5.77	0.38
Asset Soundness	NPL ratio	1.37	1.32	0.05
	Delinquency ratio	0.65	0.73	-0.08
	Coverage ratio	93.49	84.61	8.88
Capital Adequacy	BIS Ratio	13.15	13.07	0.08
	Tier 1 capital ratio	10.98	10.62	0.36
	CET1 ratio	9.55	9.61	-0.06
	Tangible Common Equity ratio	7.15	7.09	0.06

1) ROA: net income/total assets

2) ROE: net income/equity capital

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

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

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

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

CET1 ratio: Core Tier 1 capital/risk-weighted asset * 100

2. Financial Status and Business Performance

BNK Financial Group's BIS ratio stood at 13.15% along with core capital ratio of 10.98% and common equity Tier 1 ratio of 9.55%, respectively. The BIS ratio and core capital ratio went up by 0.08%p and 0.36%p, respectively, year on year, and common equity Tier 1 ratio dropped 0.06%p.

Performance of key affiliates of BNK is as follows:

The net income of Busan Bank reached KRW 346.7 billion, up KRW 143.5 billion from the previous year, and that of Kyongnam Bank dropped KRW 52.5 billion to KRW 169 billion. BNK Capital's net income went up KRW 8.5 billion to stand at KRW 71.1 billion year on year. BNK Savings Bank gained a net income of KRW 15.6 billion, up KRW 4 billion year on year. Meanwhile, the net income of BNK Securities stood at KRW 11.4 billion, up KRW 9.5 billion from the previous year.

(1) General Financial Information

A. Financial Status

(Unit: KRW billion, %)

Classification	2018 (A)	2017 (B)	Change (C=A-B)	Change (D=C/B)
Asset				
I . Cash and due from banks	32,128	31,421	707	0.02
II . Financial assets designated at fair value through profit and loss	34,718	14,000	20,718	1.48
III . Available-for-sale financial assets	-	58,220	-58,220	-1.00
IV . Held-to-maturity financial assets	-	66,713	-66,713	-1.00
V . Loans and receivables	776,298	752,918	23,380	0.03
VI . Derivative assets	303	796	-493	-0.62
VII . Relationship business investment	4,650	629	4,021	6.39
VIII . Tangible assets	8,875	8,556	319	0.04
IX . Intangible assets	2,716	3,127	-411	-0.13
X . Investment of property	1,981	1,864	117	0.06
XI . Non-current assets held for sale	-	-	-	-
XII . Deferred tax assets	-	16	-16	-1.00
XIII . Other assets	7,964	5,234	2,730	0.52
Total assets	987,935	943,499	44,436	0.05
Liabilities				
I . Deposits	733,801	698,245	35,556	0.05
II . Borrowings	56,158	51,164	4,994	0.10
III . Debentures	85,906	88,074	-2,168	-0.02
IV . Derivative liabilities	572	1,158	-586	-0.51
V . Retirement benefit obligation	719	317	402	1.27
VI . Provisions	426	449	-23	-0.05
VII . Current income tax liabilities	350	338	12	0.04
VIII . Deferred income tax liabilities	470	209	261	1.25
IX . Other liabilities	25,278	26,981	-1,703	-0.06
Total liabilities	903,686	866,939	36,747	0.04
Equity				
I . Equity attributable to the owners of the parent company	76,269	70,575	5,694	0.08
1. Capital stock	16,296	16,296	0	0.00
2. Hybrid securities	5,085	2,592	2,493	0.96
3. Other paid-in capital	7,867	7,867	0	0.00
4. Elements of other stockholders' equity	-510	-360	-150	0.42
5. Retained earnings	47,530	44,178	3,352	0.08
II . Non-controlling equity	7,979	5,984	1,995	0.33
Total equity	84,249	76,560	7,689	0.10
Total liabilities and equity	987,935	943,499	44,436	0.05

B. Operational Performance

(Unit: KRW billion, %)

Classification	2018 (A)	2017 (B)	Change (C=A-B)	Change (D=C/B)
I. Net interest income	23,435	22,806	629	2.76
II. Net commission income	2,039	1,597	442	27.68
III. Net income (loss) associated with financial assets designated at fair value through profit and loss	444	150	294	196.00
IV. Other comprehensive income – net income related to financial assets at fair value	141	-	141	-
V. Net income (loss) associated with available-for-sale financial assets	-	382	-382	-100.00
VI. Net loss related to financial assets of amortized cost	-	-	-	-
VII. Other operating expenses, net	-4,626	6,195	1,569	-25.33
VIII. General administration cost	-12,647	11,377	-1,270	11.16
IX. Other operating expenses, net	-1,288	1,421	133	-9.36
X. Operating income	7,498	5,943	1,555	26.17
XI. Non-operating income, net	-312	-366	54	-14.75
XII. Income before income tax expense	7,186	5,577	1,609	28.85
XIII. Income tax expense	-1,805	-1,328	-477	35.92
XVI. Net income	5,381	4,250	1,131	26.61
1. Net income attributable to owners of the company	5,021	4,031	990	24.56
2. Net income attributable to non-controlling interests	360	219	141	64.38
XV. Other comprehensive income (loss), net of tax	193	-382	575	-150.52
XVI. Total comprehensive income	5,574	3,867	1,707	44.14
1. Total comprehensive income attributable to owners of the company	5,214	3,649	1,565	42.89
2. Total comprehensive income attributable to non-controlling interests	360	219	141	64.38
XVII. Earnings per share (KRW)	1,475원	1,200원	275원	22.92

C. BIS ratio

(Unit: KRW billion, %)

Classification	2018	2017	Change
Equity capital	92,955	87,228	5,727
Core capital	77,651	70,829	6,822
Core Tier I capital	67,490	64,089	3,401
Risk-weighted Asset	706,946	667,239	39,707
BIS ratio	13.15	13.07	0.08
Tier I	10.98	10.62	0.36
CET1 ratio	9.55	9.61	▽0.06

The BIS ratio is intended to raise financial soundness by enabling the shareholders' equity of a financial institution to be maintained in a designated scope of assets. If the ratio is not properly handled, it would difficult to borrow overseas, or it would have to pay a high procurement cost. The BIS ratio is used as a criterion for judging a financial institution's soundness including comprehensive finance and credit coffer as well as that of a bank.

Independent Auditors' Report

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

Opinion

We have audited the accompanying separate financial statements of BNK Financial Group Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2018 and 2017, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2018 and 2017, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the separate financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matter

We determined that there is no key audit matter to be reported in our audit of the separate financial statements of the current period.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Won-Dae Kim, Certified Public Accountant.

Seoul, Korea
March 20, 2019

金永植 

This report is effective as of March 20, 2019, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

BNK Financial Group Consolidated Statements of Financial Position

BNK FINANCIAL GROUP INC. and Subsidiaries

(Unit: KRW)

Description	2018	2017	2016
Assets			
I. Cash and due from banks	3,212,849,112,911	3,142,147,320,394	3,414,050,510,649
II. Financial assets designated at fair value through profit and loss	3,471,852,651,980	1,400,099,999,335	1,668,566,686,612
III. Available-for-sale financial assets	-	5,822,006,109,848	6,139,927,683,718
IV. Held-to-maturity financial assets	-	6,671,316,718,778	6,201,445,157,642
V. Loans and receivables	77,629,806,596,567	75,291,882,068,200	74,087,010,344,356
VI. Derivative assets	30,362,048,153	79,604,560,012	157,203,376,708
VII. Relationship business investment	465,098,934,825	62,997,721,427	32,350,879,977
VIII. Tangible assets	887,544,787,397	855,644,312,783	801,044,562,958
IX. Intangible assets	271,651,743,189	312,768,959,746	324,939,472,089
X. Investment of property	198,172,847,593	186,415,376,259	137,814,307,269
XI. Non-current assets held for sale	-	-	26,172,201,760
XII. Deferred tax assets	-	1,657,669,151	1,432,682,560
XIII. Other assets	796,483,173,105	523,436,383,208	490,231,456,109
Total assets	98,793,581,956,621	94,349,977,199,141	93,482,189,322,407
Liabilities			
I. Deposits	73,380,109,621,954	69,824,591,903,980	67,604,391,266,663
II. Borrowings	5,615,888,697,396	5,116,421,496,416	6,332,707,672,452
III. Debentures	8,590,658,437,502	8,807,407,756,997	8,781,597,538,084
IV. Derivative liabilities	57,274,764,803	115,822,808,698	156,714,181,965
V. Retirement benefit obligation	71,999,932,383	31,729,109,541	7,538,020,304
VI. Provisions	42,656,160,276	44,972,787,975	108,431,694,771
VII. Current income tax liabilities	35,069,461,980	33,878,940,118	81,861,079,405
VIII. Deferred income tax liabilities	47,087,687,019	20,976,941,795	37,879,396,951
IX. Other liabilities	2,527,875,309,951	2,698,155,958,136	3,283,915,640,637
Total liabilities	90,368,620,073,264	86,693,957,703,656	86,395,036,491,232
Equity			
I. Equity attributable to the owners of the parent company	7,626,978,183,436	7,057,560,777,912	6,782,618,382,474
1. Capital stock	1,629,676,230,000	1,629,676,230,000	1,629,676,230,000
2. Hybrid securities	508,521,371,000	259,277,011,000	259,277,011,000
3. Other paid-in capital	786,782,981,343	786,782,981,343	789,802,175,625
4. Elements of other stockholders' equity	-51,005,140,203	-36,056,130,481	2,190,823,969
5. Retained earnings	4,753,002,741,296	4,417,880,686,050	4,101,672,141,880
II. Non-controlling equity	797,983,699,921	598,458,717,573	304,534,448,701
Total equity	8,424,961,883,357	7,656,019,495,485	7,087,152,831,175
Total liabilities and equity	98,793,581,956,621	94,349,977,199,141	93,482,189,322,407

BNK Financial Group_Consolidated Statement of Comprehensive Income

BNK FINANCIAL GROUP INC. and Subsidiaries

(Unit: KRW)

Description	2018	2017	2016
I. Net interest income	2,343,540,969,389	2,280,621,371,763	2,140,392,859,154
1. Interest income	3,628,802,880,198	3,353,377,247,296	3,256,535,300,338
2. Interest expenses	-1,285,261,910,809	-1,072,755,875,533	-1,116,142,441,184
II. Net fee and commission income	203,947,489,317	159,712,829,583	168,061,892,618
1. Commission income	353,560,645,967	312,532,837,787	307,239,773,710
2. Commission expenses	-149,613,156,650	-152,820,008,204	-139,177,881,092
III. Gain on financial assets at FVTPL	44,431,976,859	15,013,894,084	4,230,436,908
IV. Gain on AFS financial assets	-	38,224,989,205	55,069,047,007
V. Contribution to provision for credit loss	-462,600,088,668	-619,465,509,457	-431,383,707,796
VI. General and administrative expenses	-1,264,740,277,050	-1,137,666,864,868	-1,122,152,339,883
VII. Other operating income (expenses)	-128,847,624,123	-142,117,043,881	-101,937,532,050
1. Gain on foreign currency transaction	27,496,978,043	60,631,526,003	9,059,274,434
2. Gain (loss) from derivatives	25,093,168,811	-21,733,154,549	17,535,784,993
3. Other operating income	218,669,722,281	185,235,534,476	218,031,443,287
4. Other operating expenses	-400,107,493,258	-366,250,949,811	-346,564,034,764
VI. Operating profit	749,833,212,133	594,323,666,429	712,280,655,958
VII. Non-operating income (expenses)	-31,195,391,835	-36,573,722,001	-23,876,683,315
1. Share of profit (loss) of associates	5,680,339,037	-152,189,851	649,233,863
2. Other income	27,467,359,949	17,600,406,863	21,018,927,311
3. Other expenses	-64,343,090,821	-54,021,939,013	-45,544,844,489
VIII. Profit before income tax	718,637,820,298	557,749,944,428	688,403,972,643
IX. Income tax expense	-180,496,971,326	-132,785,897,405	-170,289,570,788
X. Profit for the year	538,140,848,972	424,964,047,023	518,114,401,855
1. Owners of the Parent Company	502,094,859,921	403,100,234,100	501,610,990,837
2. Non-controlling interest	36,045,989,051	21,863,812,923	16,503,411,018
XI. Other comprehensive income, net of tax	19,264,011,769	-38,246,954,450	-21,767,889,220
1. Items that will not be reclassified to profit or loss	-16,342,912,266	-17,929,163,222	-1,254,889,923
1) Remeasurements of net defined benefit liabilities	-29,780,054,255	-17,929,163,222	-1,254,889,923
2. Items that may be subsequently reclassified to profit or loss	35,606,924,035	-20,317,791,228	-20,512,999,297
1) Changes in the fair value of AFS financial assets	-	-15,922,772,966	-19,348,895,016
2) Gain on valuation of cash flow hedge	-	-	-
3) Exchange differences on translation of foreign operations	1,614,896,853	-13,665,481,863	4,504,304,528
4) Gain (loss) on valuation of hedges of net investments in foreign operations	-3,092,941,000	9,270,463,601	-5,602,600,841
5) Share of other comprehensive income of associates	-	-	-65,807,968
XII. Total comprehensive income for the year	557,404,860,741	386,717,092,573	496,346,512,635
1. Owners of the Parent Company	521,358,871,690	364,853,279,650	479,843,101,617
2. Non-controlling interests	36,045,989,051	21,863,812,923	16,503,411,018
XIII. Earnings per share (in Korean won)			
1. Basic and diluted earnings per share	1,475	1200	1,522

BNK Financial Group Consolidated Statements of Changes in Equity

BNK FINANCIAL GROUP INC. and Subsidiaries

(Unit: KRW)

Description	Share capital	Hybrid equity securities	Other paid-in capital	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
Balance at January 1, 2016	1,279,676,230,000	259,277,011,000	672,809,192,535	23,958,713,189	3,650,494,987,472	5,886,216,134,196	304,466,487,683	6,190,682,621,879
Dividends	-	-	-	-	-38,388,058,650	-38,388,058,650	-	-38,388,058,650
Issuance of shares	350,000,000,000	-	116,992,983,090	-	-	466,992,983,090	-	466,992,983,090
Dividends on hybrid equity securities	-	-	-	-	-12,045,777,779	-12,045,777,779	-16,435,450,000	-28,481,227,779
Total comprehensive income :								
Net income	-	-	-	-	501,610,990,837	501,610,990,837	16,503,411,018	518,114,401,855
Other comprehensive income :								
Remeasurements of net defined benefit liabilities	-	-	-	-1,254,889,923	-	-1,254,889,923	-	-1,254,889,923
Changes in the fair value of the AFS financial assets	-	-	-	-19,348,895,016	-	-19,348,895,016	-	-19,348,895,016
Exchange differences on translation of foreign operations	-	-	-	4,504,304,528	-	4,504,304,528	-	4,504,304,528
Loss on valuation of hedges of net investments in foreign operations	-	-	-	5,602,600,841	-	5,602,600,841	-	5,602,600,841
Share of other comprehensive income of associates	-	-	-	-65,807,968	-	-65,807,968	-	-65,807,968
Balance at December 31, 2016	1,629,676,230,000	259,277,011,000	789,802,175,625	2,190,823,969	4,101,672,141,880	6,782,618,382,474	304,534,448,701	7,087,152,831,175
Balance at January 1, 2017	1,629,676,230,000	259,277,011,000	789,802,175,625	2,190,823,969	4,101,672,141,880	6,782,618,382,474	304,534,448,701	7,087,152,831,175
Dividends	-	-	-	-	-74,961,689,930	-74,961,689,930	-	-74,961,689,930
Issue of shares	-	-	-	-	-	-	298,904,960,000	298,904,960,000
Dividends for hybrid equity securities	-	-	-	-	-11,930,000,000	-11,930,000,000	-21,496,783,333	-33,426,783,333
Acquisition of BNK Asset Management Co. Ltd.'s equity	-	-	-3,019,194,282	-	-	-3,019,194,282	-5,347,720,718	-8,366,915,000
Total comprehensive income :								
Profit for the period	-	-	-	-	403,100,234,100	403,100,234,100	21,863,812,923	424,964,047,023
Other comprehensive income								
Remeasurements of net defined benefit liabilities	-	-	-	-17,929,163,222	-	-17,929,163,222	-	-17,929,163,222
Changes in the fair value of AFS financial assets	-	-	-	-15,922,772,966	-	-15,922,772,966	-	-15,922,772,966
Loss on overseas operations translation	-	-	-	-13,665,481,863	-	-13,665,481,863	-	-13,665,481,863
Gain on valuation of hedges of net investments in foreign operations	-	-	-	9,270,463,601	-	9,270,463,601	-	9,270,463,601
Balance at December 31, 2017	1,629,676,230,000	259,277,011,000	786,782,981,343	-36,056,130,481	4,417,880,686,050	7,057,560,777,912	598,458,717,573	7,656,019,495,485
Balance at January 1, 2018	1,629,676,230,000	259,277,011,000	786,782,981,343	-36,056,130,481	4,417,880,686,050	7,057,560,777,912	598,458,717,573	7,656,019,495,485
Effects of changes in the accounting policy	-	-	-	-34,213,021,491	-66,666,208,579	-100,879,230,070	4,200,003	-100,875,030,067
Dividends	-	-	-	-	-74,961,689,930	-74,961,689,930	-	-74,961,689,930
Issuance of hybrid securities	-	249,244,360,000	-	-	-	249,244,360,000	199,334,960,000	448,579,320,000
Dividends on hybrid equity securities	-	-	-	-	-21,499,628,995	-21,499,628,995	-35,852,189,130	-57,351,818,125
Others	-	-	-	-	7,977,576	7,977,576	-7,977,576	-
Total comprehensive income :								
Net income	-	-	-	-	502,094,859,921	502,094,859,921	36,045,989,051	538,140,848,972
Other comprehensive income :								
Remeasurements of net defined benefit liabilities	-	-	-	-29,780,054,255	-	-29,780,054,255	-	-29,780,054,255
Other comprehensive income								
- Evaluation of financial assets at fair value	-	-	-	50,576,378,479	-	50,576,378,479	-	50,576,378,479
- Disposal of equity products at fair value	-	-	-	-	-3,853,254,747	-3,853,254,747	-	-3,853,254,747
Exchange differences on translation of foreign operations	-	-	-	1,614,896,853	-	1,614,896,853	-	1,614,896,853
Loss on valuation of hedges of net investments in foreign operations	-	-	-	-3,092,941,000	-	-3,092,941,000	-	-3,092,941,000
Bad debt expense of securities recognized as other comprehensive income	-	-	-	-54,268,308	-	-54,268,308	-	-54,268,308
Balance at December 31, 2018	1,629,676,230,000	508,521,371,000	786,782,981,343	-51,005,140,203	4,753,002,741,296	7,626,978,183,436	797,983,699,921	8,424,961,883,357

BNK Financial Group_Consolidated Statements of Cash Flows

BNK FINANCIAL GROUP INC. and Subsidiaries

(Unit: KRW)

Description	2018	2017	2016
I. Cash flows from operating activities	354,436,107,335	1,530,250,471,022	-1,125,805,874,331
1. Profit for the year	538,140,848,972	424,964,047,023	518,114,401,855
2. Adjustments to profit for the year	-1,337,615,745,958	-1,363,825,843,997	-1,465,565,808,122
Interest income	-3,628,802,880,198	-3,353,377,247,296	-3,256,535,300,338
Interest expense	1,285,261,910,809	1,072,755,875,533	1,116,142,441,184
Gain on financial assets at FVTPL, net	5,047,575,700	-15,013,894,084	-4,230,436,908
Changes in fair value of the AFS financial assets	-	-38,224,989,205	-55,069,047,007
Contribution to provision for credit loss	502,247,847,694	549,025,525,828	413,934,409,956
Loss (gain) on foreign currency translation	-2,318,837,202	-25,477,933,053	6,764,395,213
Loss (gain) on valuation of derivatives, net	-8,042,530,335	11,557,363,960	-3,636,579,221
Depreciation and amortization	138,287,289,197	137,282,028,092	139,347,140,175
Post-employment benefits	58,065,576,296	51,878,542,133	52,710,261,498
Other operating expenses, net	147,065,063,506	109,206,671,848	-62,403,002,356
Share of loss (profit) of associates	-5,680,339,037	152,189,851	-649,233,863
Loss on property and equipment, and intangible assets	4,857,372,695	3,624,124,999	17,769,572,757
Income tax expense	180,496,971,326	132,785,897,405	170,289,570,788
3. Changes in operating assets and liabilities	-1,179,941,097,115	223,917,109,888	-2,148,619,232,720
Decrease (increase) in due from banks	60,261,901,763	426,468,002,219	-608,065,329,329
Decrease (increase) in financial assets at FVTPL	-1,004,131,949,433	283,214,770,398	-653,695,434,701
Decrease in loans receivable	-3,115,982,624,818	-1,950,860,199,907	-2,417,411,748,247
Increase or decrease in derivative assets and liabilities	-1,207,395,593	27,987,056,827	10,747,545,621
Increase in other assets	-420,324,797,010	-170,163,991,944	-14,550,612,931
Increase in deposit liabilities	3,550,906,195,848	2,298,832,122,056	3,232,671,961,957
Decrease in provisions	-538,541,410	-314,856,205	-698,589,946
Decrease in other liabilities	-190,951,112,875	-637,353,846,802	-1,627,928,025,117
Decrease in defined benefit obligation	-23,211,734,571	-27,521,700,975	-24,405,821,118
Decrease (increase) in plan assets	-34,761,039,016	-26,370,245,779	-45,283,178,909
4. Interest received	3,657,797,441,656	3,393,994,900,410	3,249,847,466,121
5. Dividend received	7,704,407,579	33,443,713,535	42,717,120,128
6. Interest paid	-1,206,922,509,363	-998,334,619,528	-1,172,027,620,962
7. Income tax paid	-124,727,238,436	-183,908,836,309	-150,272,200,631
II. Cash flows from investing activities	-853,811,627,398	-427,306,520,699	-371,881,886,098
Proceeds from disposal of AFS financial assets	-	3,439,326,964,324	5,079,414,744,384
Payments for AFS financial assets	-	-3,171,588,176,777	-5,978,920,384,209
Proceeds from disposal of HTM financial assets	-	1,163,333,794,401	1,919,324,866,137
Payments for HTM financial assets	-	-1,638,449,308,248	-1,272,785,562,669
Proceeds from disposal of investments in associates	141,511,490,662	75,455,818,410	30,838,187,140
Payments for investments in associates	-532,500,000,000	-90,403,150,000	-27,305,000,000
Proceeds from disposal of property and equipment	8,225,313,170	4,189,094,309	614,749,921
Payments for property and equipment	-125,329,640,300	-151,337,245,365	-104,104,028,527
Proceeds from disposal of intangible assets	3,018,336,883	456,669,440	550,671,014
Payments for intangible assets	-30,504,020,942	-57,780,538,681	-20,899,259,226
Business combination, net of cash acquired	-	-	-
Others	8,467,544,076	-510,442,512	1,389,129,937
III. Cash flows from financing activities	636,379,667,133	-931,953,074,152	1,197,840,457,604
Increase in borrowings	37,018,128,495,998	-1,201,061,750,489	189,452,254,392
Issuance of debentures	2,687,661,279,529	2,982,579,104,600	2,576,148,728,773
Repayment of debentures	-2,917,368,000,000	-2,895,620,000,000	-1,968,000,000,000
Capital increase with consideration	-	-	466,992,983,090
Issuance of hybrid equity securities	448,579,320,000	298,904,960,000	-
Dividends paid	-131,058,352,258	-108,388,473,263	-66,753,508,651
Others	-49,075,407,283	-8,366,915,000	-
IV. Net increase (decrease) in cash and cash equivalents (I+II+III)	137,004,147,070	170,990,876,171	-299,847,302,825
V. Cash and cash equivalents at the beginning of the year	1,014,578,271,874	858,611,917,771	1,143,886,531,732
VI. Effects of exchange rate changes on cash and cash equivalents	-5,951,891,176	-15,024,522,068	14,572,688,864
VII. Cash and cash equivalents at the end of the year	1,145,630,527,768	1,014,578,271,874	858,611,917,771

Performance Data of Sustainability Management

GRI Universal Standards (GRI 100)

(102-8) Information on employees and workers

(Unit: %)

Type		2016				2017				2018			
		Total no. of employees	No. of regular employees (excluding executives)	No. of contractbased employees (excluding executives)	No. of executives	Total no. of employees	No. of regular employees (excluding executives)	No. of contractbased employees (excluding executives)	No. of executives	Total no. of employees	No. of regular employees (excluding executives)	No. of contractbased employees (excluding executives)	No. of executives
BNK Financial Group	Men	69	53	9	7	106	82	17	7	139	107	21	11
	Women	5	5	-	-	18	10	8	-	22	16	6	-
	Total	74	58	9	7	124	92	25	7	161	123	27	11
Busan Bank	Men	1,728	1,552	171	5	1,645	1,456	183	6	1,625	1,417	200	8
	Women	1,678	1,563	115	-	1,632	1,527	105	-	1,652	1,550	102	-
	Total	3,406	3,115	286	5	3,277	2,983	288	6	3,277	2,967	302	8
Kyongnam Bank	Men	1,379	1,247	125	7	1,318	1,186	123	9	1,303	1,174	121	8
	Women	1,262	1,105	157	-	1,240	1,092	148	-	1,235	1,123	112	-
	Total	2,641	2,352	282	7	2,588	2,278	271	9	2,538	2,297	233	8
BNK Capital	Men	360	264	90	6	373	285	83	5	393	294	92	7
	Women	184	105	79	-	200	124	76	-	195	136	59	-
	Total	544	369	169	6	573	409	159	5	588	430	151	7
BNK Securities	Men	152	90	59	3	164	98	58	8	175	79	83	13
	Women	49	42	7	-	58	45	13	-	72	41	31	-
	Total	201	132	66	3	222	143	71	8	247	120	114	13
BNK Savings Bank	Men	67	54	8	5	74	56	13	5	69	57	7	5
	Women	35	22	13	-	43	31	12	-	43	38	5	-
	Total	102	76	21	5	117	87	25	5	112	95	12	5
BNK Asset Management	Men	23	9	10	4	24	4	13	7	31	2	23	6
	Women	10	9	1	-	10	8	2	-	11	6	5	-
	Total	33	18	11	4	34	12	15	7	42	8	28	6
BNK Credit Information	Men	24	6	14	4	28	8	16	4	23	8	11	4
	Women	4	3	1	-	4	3	1	-	4	3	1	-
	Total	28	9	15	4	32	11	17	4	27	11	12	4
BNK System	Men	139	120	14	5	159	135	20	4	161	140	17	4
	Women	15	14	1	-	14	13	1	-	17	17	-	-
	Total	154	134	15	5	173	148	21	4	178	157	17	4

(102-41) Labor union subscription rate

(Unit: %)

Type	2016	2017	2018
Busan Bank	99.80	99.79	99.96
Kyongnam Bank	99.89	99.94	99.95

* Labor union subscription rate = The number of eligible labor unionists / The number of labor union subscribers
The number of eligible labor unionists and the number of labor union subscribers are as of December 31, 2015.

Number of labor union meetings

(Unit: times)

Type	2016	2017	2018
Busan Bank	4	4	4
Kyongnam Bank	4	4	4

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

(201-1) Direct economic value generated and distributed

(Unit: KRW million)

Type	2016	2017	2018	
Creation of direct economic values (revenues)	4,912,676	4,820,335	5,055,270	
Distribution of economic values	Wage and welfare of benefits of employees	720,965	721,385	817,963
	Payment of dividends and interests	38,388	74,962	74,962
	Payment of interests	35,845	30,529	30,728
	Tax (corporate tax cost)	170,289	132,786	180,497
	Investment in community (donation and support for social contribution activities)	42,480	61,036	60,594

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

Type	Unit	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
Date of account opening		2011.05.19	2010.07.30	2010.06.30	2007.11.26	2011.11.28	2013.03.29	2013.12.19	2007.11.12	2013.11.12
Amount under management	KRW 100 million	72	2480	1452	6	33	10	-	6	32
No. of subscribers (DB)	persons	141	3011	2493	488	159	113	-	22	129
No. of subscribers (DC)	persons	-	-	1	-	35	-	40	-	-

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

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

Type	Unit	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
National minimum wage_hourly	(Unit: KRW)	7,530	7,530	7,530	7,530	7,530	7,530	7,530	7,530	7,530
Wage for new employees hourly (for men)	(Unit: KRW)	15,638	15,638	15,204	13,955	15,431	11,962	13,955	9,321	12,591
Wage for new employees hourly (for woman)	(Unit: KRW)	15,638	15,638	15,204	12,759	15,431	11,962	13,955	9,321	11,275
Rate (men)	%	208	208	202	205	185	159	185	124	167
Rate (women)	%	208	208	202	205	169	159	185	124	150

* The statutory minimum wage as of December 2018 is KRW 7,350.

(203-1) Infrastructure investments and services supported**a. Amount of investment in social contribution by affiliate** (Unit: KRW 100 million)

Type	2016	2017	2018
BNK Financial Group	0	30.1	9.4
Busan Bank	276	377.8	404
Kyongnam Bank	148	202.3	221
BNK Capital	0.3	0.1	1.5
BNK Securities	0.2	0.1	0.2
BNK Savings Bank	0.1	0	0.1
BNK Asset Management	0.1	0	0
BNK Credit Information	0.1	0	0.1
BNK System	0.1	0	0.1
Total	424.9	610.4	636.4

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

Type	2016	2017	2018
BNK Financial Group	48	37	92
Busan Bank	20,139	17,896	18,685
Kyongnam Bank	9,894	2,179	3,550
BNK Capital	102	196	217
BNK Securities	157	97	129
BNK Savings Bank	216	208	206
BNK Asset Management	-	-	-
BNK Credit Information	44	42	55
BNK System	137	161	101
Total	30,737	20,816	23,035

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

* Busan Bank: Increases in the amount of investment is caused by the expansion of social contribution projects to complete social responsibilities for community and practice Happy Finance in celebrating the 50th anniversary of Busan Bank in 2017

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

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

Type	Unit	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System	Total
(A) Total number of sites: number of headquarters, branch offices and branches	sites	1	257	190	34	4	8	1	2	1	498
(B) Number of sites for which analysis took place in 2018 out of total sites	sites	1	257	190	34	4	8	1	2	1	498

* (A) Total number of sites: number of headquarters, branch offices and branches, (B) Number of sites for which analysis took place in 2018 out of total sites

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

Specific items	Unit	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System	Total
No. of monetary sanctions	Number of cases	-	3	1	1	-	-	-	-	-	8
Amount of fines	million won	-	205	50	1.2	-	-	-	-	-	265.2
No. of non-monetary sanctions	Number of cases	-	1	-	-	-	-	-	-	-	1
No. of cases filed through arbitration methods	Number of cases	-	-	-	-	-	-	-	-	-	0

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

Type	Unit	Busan Bank			Kyongnam Bank			
		2016	2017	2018	2016	2017	2018	
Training on Financial Accident Prevention (TV)	No. of subjects	persons	All employees					
Accident prevention education for new employees and new branch heads	No. of subjects	persons	83	86	104	100	77	120
Job training for branches	No. of subjects	persons	405	1020	854	205	400	373
No. of hours of ethical training per person	No. of hours of training per person	hours	12	12	12	12	12	13
No. of times ethical training courses were held	No. of times	times	12	12	12	49	42	62

(205-3) Corruption cases identified and countermeasures

Date of sanctions	Explanation of the sanctions
2018	Penalties and fines imposed on people involved in alleged unfair hiring practices

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

Sub-Item (2018)	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Capital	BNK Securities	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System	Total
Lawsuits in progress	0	0	0	0	0	0	0	0	0	0
Finished lawsuits	0	0	0	0	0	0	0	0	0	0

(301-1) Materials used by weight or volume

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

Amount of copy paper purchased	2016	2017	2018	Scope of Data	Type	Unit	2016	2017	2018
BNK Financial Group	3	4	3	As for the purchasing amount at the head branch.	Printing Paper	Box	42,183	44,582	41,178
Busan Bank	253	240	223	As for the purchasing amount at the head branch.	Credit card	sites	780,815	634,900	601,480
Kyongnam Bank	241	213	231	As for the purchasing amount at the head branch.	Bankbook	sites	4,470,285	3,690,373	3,303,558
BNK Capital	11	7	27	As for the purchasing amount at the head branch.					
BNK Securities	3	4	9	As for the purchasing amount at the head branch.					
BNK Savings Bank	7	9	5	As for the purchasing amount at the head branch.					
BNK Asset Management	1	1	1	As for the purchasing amount at the head branch.					
BNK Credit Information	2	1	1	As for the purchasing amount at the head branch.					
BNK System	1	1	1	As for the purchasing amount at the head branch.					
Total	522	480	503						

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

(Unit: TJ)

Type (Energy consumption)	2016	2017	2018
BNK Financial Group	4	5	7
Busan Bank	390	411	342
Kyongnam Bank	183	190	172
BNK Capital	36	23	27
BNK Securities	3	2	7
BNK Savings Bank	7	10	6
BNK Asset Management	1	1	1
BNK Credit Information	1	0	2
BNK System	2	2	3
Total	627(65,270 MWh)	644(67,082 MWh)	565(58,868 MWh)

* The total sum of energy consumption may differ slightly depending on the rounding of the decimal points of each affiliate.

(303-1) Total water withdrawal by source(Unit: m³)

Surface water	2016	2017	2018
BNK Financial Group	2,051	3,520	2,748
Busan Bank	160,125	178,147	91,298
Kyongnam Bank	47,181	69,975	38,959
BNK Capital	3,068	3,370	1,570
BNK Securities	1,343	2,220	4,290
BNK Savings Bank	1,554	3,364	1,118
BNK Asset Management	286	4,223	684
BNK Credit Information	680	1,282	558
BNK System	323	611	386
Total	216,611	266,693	141,611

**(305-1) Direct greenhouse gas (GHG) emissions,
(305-2) Indirect greenhouse gas (GHG) emissions,
(305-3) Other indirect greenhouse gas (GHG) emissions**
(Unit: tCO₂e)

Type	2016	2017	2018	
BNK Financial Group	Direct Emissions (Scope1)	86	88	77
	Indirect Emissions (Scope2)	132	150	271
	Other Indirect Emissions (Scope3)	18	6	55
Busan Bank	Direct Emissions (Scope1)	1,806	1,211	1,663
	Indirect Emissions (Scope2)	17,537	19,095	15,286
	Other Indirect Emissions (Scope3)	105	65	88
Kyongnam Bank	Direct Emissions (Scope1)	2,157	1,930	2,041
	Indirect Emissions (Scope2)	7,151	7,709	6,679
	Other Indirect Emissions (Scope3)	133	150	200
BNK Capital	Direct Emissions (Scope1)	956	788	735
	Indirect Emissions (Scope2)	1,809	561	782
	Other Indirect Emissions (Scope3)	71	95	42
BNK Securities	Direct Emissions (Scope1)	39	36	129
	Indirect Emissions (Scope2)	104	94	228
	Other Indirect Emissions (Scope3)	29	33	25
BNK Savings Bank	Direct Emissions (Scope1)	93	194	86
	Indirect Emissions (Scope2)	259	312	235
	Other Indirect Emissions (Scope3)	5	2	2
BNK Asset Management	Direct Emissions (Scope1)	37	47	40
	Indirect Emissions (Scope2)	15	1	0
	Other Indirect Emissions (Scope3)	5	7	15
BNK Credit Information	Direct Emissions (Scope1)	14	15	24
	Indirect Emissions (Scope2)	58	7	59
	Other Indirect Emissions (Scope3)	2	4	1
BNK System	Direct Emissions (Scope1)	26	30	32
	Indirect Emissions (Scope2)	61	69	130
	Other Indirect Emissions (Scope3)	2	4	4
Subtotal	Direct Emissions (Scope1)	5,214	4,337	4,827
	Indirect Emissions (Scope2)	26,406	27,998	23,670
	Other Indirect Emissions (Scope3)	370	366	432

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

(Unit: ton)

Type	2016	2017	2018
Busan Bank	406	513	356
Kyongnam Bank	147	270	129

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

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

(Unit: cases)

Type	2016	2017	2018
Number of cases of violating environmental laws and regulations	-	-	-

(401-1) New employee hires and employee turnover

(Unit: persons)

Type	2016		2017		2018	
	No. of new employees	No. of retirees	No. of new employees	No. of retirees	No. of new employees	No. of retirees
BNK Financial Group	2	5	1	1	3	-
Busan Bank	85	3	91	31	102	20
Kyongnam Bank	58	43	77	126	71	21
BNK Capital	118	56	29	33	23	24
BNK Securities	14	13	10	10	11	20
BNK Savings Bank	20	18	34	24	10	14
BNK Asset Management	7	7	8	8	21	10
BNK Credit Information	7	6	7	4	3	8
BNK System	19	5	33	13	24	19

(401-3) New employee hires and employee turnover

(Unit: persons)

Type	No. of workers who took childcare leave in 2018			No. of workers who returned to work after taking childcare leave in 2018		
	Men	Women	Total	Men	Women	Total
BNK Financial Group	-	-	-	-	-	-
Busan Bank	-	94	94	-	113	113
Kyongnam Bank	-	200	200	-	73	73
BNK Capital	4	13	17	1	6	7
BNK Securities	-	7	7	-	3	3
BNK Savings Bank	-	5	5	-	1	1
BNK Asset Management	-	3	3	-	-	-
BNK Credit Information	-	-	-	-	-	-
BNK System	-	1	1	-	1	1

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

(Unit: persons)

Type	2016		2017		2018	
	No. of days of absence due to illness or injury (excluding leave)	No. of days of absence due to illness or injury sustained while working	No. of days of absence due to illness or injury (excluding leave)	No. of days of absence due to illness or injury sustained while working	No. of days of absence due to illness or injury (excluding leave)	No. of days of absence due to illness or injury sustained while working
BNK Financial Group	72	60	-	-	50	-
Busan Bank	1,956	959	1,794	1,008	1,307	658
Kyongnam Bank	1,323	895	997	475	1,924	724
BNK Capital	-	25	-	-	9	-
BNK Securities	36	-	66	-	195	-
BNK Savings Bank	-	-	-	-	60	-
BNK Asset Management	-	-	-	-	-	-
BNK Credit Information	-	19	-	-	8	-
BNK System	-	-	-	-	25	-

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

Type	Training cost per employee (KRW 10,000)			Training cost per employee (hours/ person)		
	2016	2017	2018	2016	2016	2018
BNK Financial Group	91	44	98	62	36	65
Busan Bank	129	89	93	184	133	134
Kyongnam Bank	-	51	70	100	78	78
BNK Capital	28	34	56	19	43	48
BNK Securities	8	35	34	17	18	42
BNK Savings Bank	35	35	30	40	30	45
BNK Asset Management	62	19	21	14	14	14
BNK Credit Information	2	0	13	7	13	14
BNK System	35	20	29	92	57	78

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

Type	Unit	2016			2017			2018		
		No. of employees subject to evaluation	Total no. of employees	Rate of performance evaluation	No. of employees subject to evaluation	Total no. of employees	Rate of performance evaluation	No. of employees subject to evaluation	Total no. of employees	Rate of performance evaluation
BNK Financial Group	persons, %	66	67	99	85	108	79	106	123	86
Busan Bank	persons, %	2,953	3,386	87	2,907	3,526	82	2,843	3,241	88
Kyongnam Bank	persons, %	2,349	2,634	89	2,286	2,558	89	2,281	2,538	90
BNK Capital	persons, %	150	201	75	174	222	78	223	247	90
BNK Securities	persons, %	453	540	84	474	569	83	479	588	81
BNK Savings Bank	persons, %	97	102	95	88	106	83	89	109	82
BNK Asset Management	persons, %	29	29	100	30	30	100	36	36	100
BNK Credit Information	persons, %	5	24	21	8	23	35	8	24	33
BNK System	persons, %	137	154	89	140	167	84	145	176	82

Other Sustainable Management Performances

Current status of employees' stock ownership

(as of December 31, 2018) (Unit : number of shareholders)

Name	Job rank	Number of shares held
Ji Wan Kim	Chairman	25,000
Yong-Kyoo Cha	Independent Directors	2,080
In-Tae Yun	Independent Directors	1,290
Young-Jae Kim	Independent Directors	2,000
Kee-Young Chung	Independent Directors	1,300
Jung-Joon Yoo	Independent Directors	2,000
Kwang-Ik Son	Independent Directors	3,000
Nam Hwan Oh	Vice President	7,391
Chung Kyo Chung	Vice President	6,730
Hun Gi Park	Vice President	4,000
Sang-Yun Kim	Vice President	5,000
Kee-Bong Lee	Managing Director	1,133
Duk Soo Shin	Managing Director	1,165
Hyung Guk Myung	Managing Director	9,599
Sang-Hong Kim	Managing Director	3,000
Hong-Young Choi	Managing Director	2,200
Kyo Sung Koo	Managing Director	5,639

Current status of total remuneration for employees

Type	Total remuneration amount for employees (A)	et income before corporate tax (B)	Ratio (A/B)	Number of employees (C)	Average remuneration of employees (A/C)
Unit	billion won	billion won	%	persons	billion won
2017	90	7,001	1.2	120	75
2017	110	6,884	1.6	186	59
2018	188	5,577	3.4	211	89

Current status of remuneration for the CEO

(Unit : KRW million)

Type	Type of remuneration*	Total
CEO and Chairman Ji Wan Kim	Earned income	730
	Bonus	41

* 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 2017 is evaluated as a quantitative/qualitative index task and 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.

Turnover rate

(Unit : %)

Type	2016	2017	2018	
Busan Bank	Total turnover rate	0.18	0.33	0.31
	Voluntary turnover rate	0.18	0.33	0.31
Kyongnam Bank	Total turnover rate	1.8	1.15	0.96
	Voluntary turnover rate	1.8	1.06	0.92

Current status of shareholders of BNK Financial Group

(as of December 31, 2018) (Unit : number of shareholders, %)

Current status of major shareholders	Number of stocks (common stocks)	Shareholding rate (%)
Lotte Confectionary Co., Ltd. and related parties (7 companies)*	36,320,167	11.14
National Pension Service	29,967,741	9.19
FIDELITY INVESTMENT TRUST	13,710,686	4.21
Employee stock ownership association	13,343,855	4.09
PARKLAND CO., LTD. AND RELATED PARTIES*	12,952,172	3.97
THE OAKMARK INTERNATIONAL SMALL CAP FUND	6,826,292	2.09
HSBC POOLED INVESTMENT FUND	5,600,893	1.72
Samsung Asset Management Inc.	5,141,276	1.58
VANGUARD TOTAL INTERNATIONAL STOCK INDEX	4,650,179	1.43
THE GOVERNMENT OF SINGAPORE	4,377,460	1.34
NORGES BANK	3,865,103	1.19

Current status of remuneration for directors and auditors

(Unit : KRW million)

Type	Number of employees	Total remuneration amount	Average remuneration amount per head **
Registered directors (excluding Independent Directors and the Audit Committee)	1	730,000	730,000
Independent Directors*	8	42,249	5,281
Members of the Audit Committee	4	21,266	5,316

* Independent Director Kim Changhon, tenure is March 25, 2016-March 23, 2018. The total number of directors in the BOD is 8 including the CEO (an internal director)

Percentage of total remuneration per year for employees and the CEO

(Unit : KRW million, %)

Total remuneration for the CEO (A)	Average remuneration for employees (B)	Ratio (B/A)
771	98	12.71

Labor productivity

(Unit : KRW 100 million)

Type	2016	2017	2018
Group-adjusted operating income (a)	22,124	22,756	25,168
Total number of employees in the Group (b)	6,691	6,584	7,170
Per-capita labor productivity (c=a/b)	3.31	3.46	3.51

Ratio of female employees in Busan Bank and Kyongnam Bank

(Unit : %)

Type	2016	2017	2018
Ratio of women (as for regular employees)	48.7	49.6	50.0
Ratio of female managers	14.6	17.6	19.7

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.

Records of payment of membership fees to key associations for Busan Bank and Kyongnam Bank in 2018

(Unit: KRW million)

Classification	2015	2016	2017	2018
Korea Chamber of Commerce and Industry	320,862,999	301,790,800	304,852,330	353,278,700
Korea Federation of Banks	1,292,410,729	1,758,740,247	1,371,217,632	1,682,074,802
Korea Financial Telecommunications and Clearings Institute	1,920,929,848	2,357,313,724	2,418,805,115	1,901,711,662

* Data collected based on BNK Financial Group's units since 2017

KPIs in the Environmental and Social Sectors

Area	Key Issues	Management Indicators	2018			Future Goals	
			Goals	Performance	Achievement status	2019	2023
Environmental	Energy	Energy consumption	600TJ	565TJ	Achievement	550TJ	540TJ
	Greenhouse Gas	Greenhouse Gas Emissions (Scope1)	4,800tCO ₂ eq	4,827tCO ₂ eq	Achievement	4,600tCO ₂ eq	4,300tCO ₂ eq
	Waste	waste discharge(Busan+Kyongnam Bank)	500t	485t	Achievement	465t	450t
Social	Talent Development	Training cost per employee*	96hours	98.5hours	Achievement	100hours	102.5hours
	Talent Development	Ratio of employees subject to periodic performance evaluation and career development review	85%	87.70%	Achievement	88%	90%
	Information Protection	Number of cases for personal information leakage*	0cases	0cases	Achievement	0cases	0cases

* Matters selected as core issues as a result of the materiality test

Values of Social Contribution by Sector

(Unit: KRW 100 million)

Types of Social Contribution	Total amount
Cash donation	473.6
Time: Employees' volunteering during work hours	2.9
In-kind donation: Products & services, projects/partnerships, etc.	33.1
Business cost (management cost)	16.4
Total	525.9

Soundness indicator: composition of leverages of the Bank for International Settlements (BIS)

(Unit: KRW million, %)

Classification	2017	2018
Core capital(Tier 1)	7,082,898	7,765,143
Basel III Tier 1 ratio	99,890,246	108,670,086
Amount of exposures among Basel III Tier 1 ratio	7.09	7.15

Operating Income and Corporate Tax by Major Countries

(Unit: KRW)

Classification		2016	2017	2018	
Domestic	Net Income	4,906,325,627,073	4,806,334,247,725	5,036,319,883,567	
	Operating Income	714,305,812,422	589,528,484,135	743,912,144,519	
	Corporate Tax	170,156,607,758	131,599,407,508	179,256,073,878	
Overseas	China (Qingdao)	Net Income	3,407,231,002	6,358,142,409	6,374,231,778
		Operating Income	-992,718,820	3,338,682,966	1,056,613,972
		Corporate Tax	107,556,500	756,408,400	594,682,500
	Vietnam (Ho Chi Minh)	Net Income	150,238,931	1,561,755,052	2,410,486,474
		Operating Income	-417,870,115	-191,607,719	1,233,743,208
		Corporate Tax	0	0	8,572,000
	Cambodia	Net Income	581,382,602	1,017,135,351	1,920,457,539
		Operating Income	-515,806,762	-377,952,055	111,840,064
		Corporate Tax	0	0	0
	Myanmar	Net Income	1,824,552,722	4,043,310,075	6,272,129,109
		Operating Income	185,847,832	1,752,240,506	2,981,266,075
		Corporate Tax	25,406,530	430,081,497	536,195,110
	Laos	Net Income	386,700,667	1,020,742,687	1,660,907,953
		Operating Income	-284,608,599	273,818,596	427,548,374
		Corporate Tax	0	0	101,447,838
Kazakhstan	Net Income	0	0	312,271,108	
	Operating Income	0	0	110,055,921	
	Corporate Tax	0	0	0	
Total	Net Income	4,912,675,732,997	4,820,335,333,299	5,055,270,367,528	
	Operating Income	712,280,655,958	594,323,666,429	749,833,212,133	
	Corporate Tax	170,289,570,788	132,785,897,405	180,496,971,326	

Third Party Assurance Report



Independent Assurance Statement on the 'BNK FINANCIAL GROUP SUSTAINABILITY REPORT 2018'

Responsibility and Independence

KFQ was engaged by BNK Financial Group to provide limited assurance on the BNK FINANCIAL GROUP SUSTAINABILITY REPORT 2018 (further 'the Report'). Our responsibility is to perform a limited assurance engagement and to express a conclusion based on the work performed. We conducted its assurance based on completeness of the data and information that BNK Financial Group provided. BNK Financial Group is responsible for all contents within the Report including the reporting principles and standards. KFQ does not have any other interest in BNK Financial Group business activities, nor does it take any responsibility for stakeholders other than BNK Financial Group in its assurance conclusions. We have also no biased opinion on stakeholders of BNK Financial Group.

Assurance Standards

This assurance was planned and performed based on AA1000 AS (2008), AA1000 APS (2008) and GRI Standards. KFQ identified the followings as its scope

- Sustainable activities and achievements for BNK Financial Group headquarters and all domestic sites described in the Report
- Compliance with the guidelines according to GRI Standards 'Core Option'
- GRI Standards compliance assessment regarding contents of the Report and assurance principles of reporting quality
- Application of Type 1* assurance approach according to AA 1000 APS 2008 and AA 1000 AS 2008 to assess compliance with inclusiveness, materiality and responsiveness principles and reliability of sustainability performance information.

Assurance Procedures

KFQ designed procedures to have reasonable assurance of the Report's critical errors or inappropriate information. We verified the reliability of the contents, processes and systems of data generation and report preparation.

i. Document Review

We reviewed the reliability of non-financial data in respect of the 'Sustainability' by cross-checking the Report with GRI Standards, quantitative data of BNK Financial Group, and internet & media research information. We also confirmed that the financial information has been appropriately extracted from the financial statements of the business report of the following system (<http://dart.fss.or.kr>).

ii. On-site Verification

We visited BNK Financial Group headquarter and conducted on-site verification to confirm reliability of the sustainability activities and performance data contained in the Report and to evaluate the effectiveness of the reporting process. We performed verification in the accuracy topic of the aggregated data from BNK Financial Group. These procedures included the following:

- Materiality assessment process, stakeholders inclusiveness, key issues, internal response procedures, and etc.
- Assessment of data analysis and descriptions and sustainable management performance in the Report
- Consistency between the financial data contained in the Report and the audited financial statements 2018
- Interviews with relevant staff responsible for providing information in the Report

iii. Resolution of Findings

We confirmed that some errors, inappropriate information, and ambiguous expressions found during on-site visit were properly reflected in the final Report. In addition to evaluating the reporting principles for the Report as described above, we conducted a reliability check of data and information on some specific performance indicators (Greenhouse Gas Emissions, Energy Consumption, Water Consumption, and Waste Volume).

* For some environmental data, Type 2 method verification was performed.

iv. Limitations

The Report has been prepared solely for BNK Financial Group in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than BNK Financial Group for our conclusions we have reached in the statement. Completeness and responsiveness of sustainability performance information presented in the Report have inherent limitation due to their nature and the methodology used for determining, calculating and estimating such data.

Conclusion

Based on the assurance activities stated herein, KFQ confirmed that the Report meets the GRI Standards 'Core Option'. According to the principles of AA 1000 APS 2008 and AA 1000 AS 2008, inclusiveness, materiality and responsiveness, sustainability performance information were assessed and we could secure reasonable grounds to provide Type 1 level of assurance with the following confirmation:

Stakeholders Inclusiveness

BNK Financial Group subdivided five stakeholders groups related to the major issues of sustainable management. To hear any concerns and opinions from them, BNK Financial Group had a customized communication strategy for each stakeholder group and reflected their responses and opinions to its sustainable management activities.

Sustainability Context

In terms of sustainability, BNK Financial Group has continuously created sustainable economic performance across all major business segments. BNK Financial Group is actively responding and endeavoring to respond to key topics raised by stakeholders such as customer satisfaction, ethics, social value, and environmental management.

Materiality

BNK Financial Group established issue pools and reviewed by internal guidelines and external assessment criteria (internal standards, GRI Standards, DJSI, UN SDGs, media coverage and benchmark) in compliance with the materiality assessment process. As a result, BNK Financial Group appropriately reflected that ten material topics derived from the process along with key performance in 2018.

Completeness

BNK Financial Group applied reporting scope, boundary and temporal criteria. KFQ confirms that the Report is suitable for stakeholders to assess sustainability performance.

Recommendation

For further advanced sustainable management, BNK Financial Group needs to review the sustainable management vision, strategy and execution of the sustainable management in a mid and long-term perspective, and the result should be reflected on its management activities. Ethical management systems are being strengthened around the world. We recommend that BNK Financial Group establish a global-level ethical management system and raise ethical awareness among its employees to further strengthen its social sustainability management system.

June 2019
Seoul, Korea



A handwritten signature in black ink, appearing to read 'Seok-un. yoon'.

CEO Yoon Seok Un
Korean Foundation for Quality (KFQ)

GRI Index

Universal Standards (GRI 100)

Topic	No.	Description of the Indicators	Page	Remarks
Organizational Profile	102-1	Name of the organization	1, 6	
	102-2	Activities, brands, products, and services	6,	
	102-3	Location of headquarters	6, 110	
	102-4	Location of operations	6, 7	
	102-5	Ownership and legal form	99	
	102-6	Markets served	6-7, 30-31	
	102-7	Scale of the organization	6-7, 30, 68-83, 85, 90-93, 101	
	102-8	Information on employees and other workers	6, 68-83, 94	
	102-9	Supply chain	7, 68-83	
	102-10	Significant changes to the organization and its supply chain		No significant change
	102-11	Precautionary Principle or approach	30, 38-39, 56-58	
	102-12	External initiatives	64	
	Strategy	101-13	Membership of associations	100
102-14		Statement from senior decision-maker	4-5	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	38, 64	
	102-17	Mechanisms for advice and concerns about ethics	38-39, 64-65	
Governance	102-18	Governance structure	32-35	
	102-22	Composition of the highest governance body and its committees	34	
	102-23	Chair of the highest governance body	32	
	102-24	Nominating and selecting the highest governance body	33, 34	
	102-30	Effectiveness of risk management processes	56, 57	
Stakeholder Engagement	102-40	List of stakeholder groups	20-21	
	102-41	Collective bargaining agreements	94	
	102-42	Identifying and selecting stakeholders	20	
	102-43	Approach to stakeholder engagement	20	
	102-44	Key topics and concerns raised	21	
Reporting Practice	102-45	Entities included in the consolidated financial statements	7	
	102-46	Defining report content and topic Boundaries	1, 20-21	
	102-47	List of material topics	21	
	102-48	Restatements of information		No re-statement
	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	2	
	102-54	Claims of reporting in accordance with the GRI Standards	2	
	102-55	GRI content index	104-105	
	102-56	External assurance	102	

GRI Index

Topic Specific Standards

Economic Performance (GRI 200)

Topic	No.	Description of the Indicators	Page	Remarks
Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	57	
	201-3	Defined benefit plan obligations and other retirement plans	95	
Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	95	
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	44-47	
	205-1	Operations assessed for risks related to corruption	95	
Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	96	
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	38-39	

Environmental Performance (GRI 300)

Topic	No.	Description of the Indicators	Page	Remarks
Energy	302-1	Energy consumption within the organization	96	
	302-2	Energy consumption outside of the organization	96	
	302-4	Reduction of energy consumption	59-60	
Water	303-1	Water withdrawal by source	97	
	305-1	Direct (Scope 1) GHG emissions	97	
Emissions	305-2	Energy indirect (Scope 2) GHG emissions	97	
	305-3	Other indirect (Scope 3) GHG emissions	97	
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	97	

Social Performance (GRI 400)

Topic	No.	Description of the Indicators	Page	Remarks
Employment	401-1	New employee hires and employee turnover	103	
	401-3	Parental leave	52, 98	
Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	53	
Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	98	
Training and Education	404-1	Average hours of training per year per employee	98	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	34	
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	64	
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	64	
	412-1	Operations that have been subject to human rights reviews or impact assessments	65	
Human Rights Assessment	412-2	Operations that have been subject to human rights reviews or impact assessments	64-65	
	416-1	Assessment of the health and safety impacts of product and service categories	24-25	
Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	23	
	419-1	Incidents of non-compliance concerning the health and safety impacts of products and services	37	

GRI Index

Material Issues

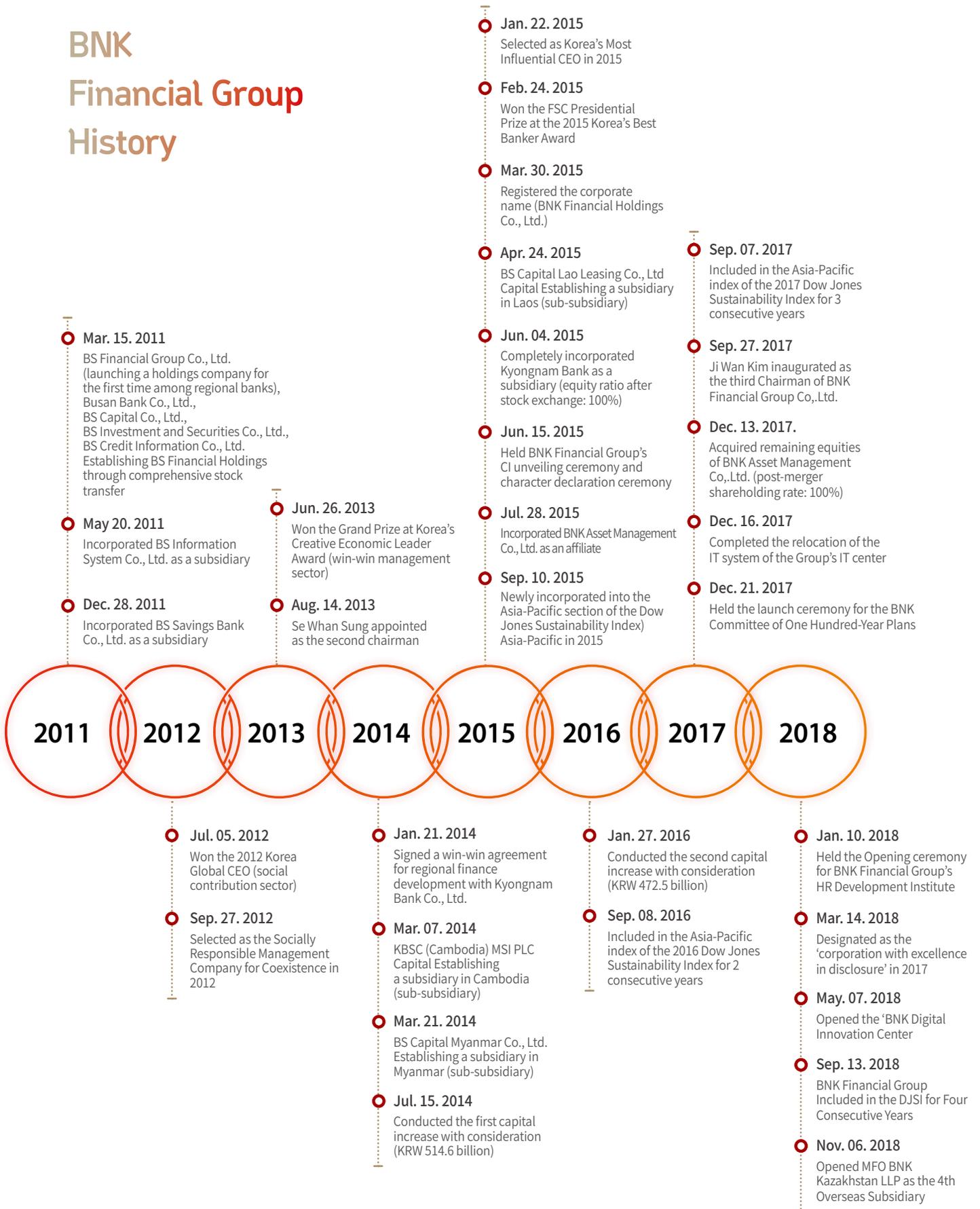
Reporting Issue and Material Issue	Stakeholders	No.	Description of the Indicators	Page	Remarks
Increase customer value • Preventing financial accidents and intensifying Information protection • Expanding financial accessibility of financial consumers	Customers	103	Management Approach	23	
		418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	24~25	
Business Management and Corporate Governance • Achieving substantial management based on profitability and soundness • Transparent composition and management of the BOD	Customer, Mutual Growth, Policy Environment	103	Management Approach	28	
		102-18	Governance	31~34	
		201-1	Direct economic value generated and distributed	29~30	
Ethical management • Ethical management system and enhancing internal Control	Employees, Media, Shared Growth, etc.	103	Management Approach	35	
		205-2	Communication and training about anti-corruption policies and procedures	36~37, 96	
Social Value Creation • Developing products of public interest for contribution to society • Striving for revitalization of the community and the economy • Conducting social contribution activities by leveraging business competencies	Shared Growth, Media and Environment, Policy Supervisory	103	Management Approach	38	
		413-1	Operations with local community engagement, impact assessments, and development programs	39~44	
Human resource Management • Bolstering education to nurture talent • Creating a corporate culture	Employees	103	Management Approach	45	
		401-2, 401-3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, Parental leave	48	
		404-2	Programs for upgrading employee skills and transition assistance programs	46~47	

Awards

BNK Financial Group 2018 Awards History

Date of Award	Awarded subsidiary Company	Awards History
Mar. 14. 2018	BNK Financial Group	Designated as the 'corporation with excellence in disclosure' in 2017
Sep. 13. 2018	BNK Financial Group	Included in the Asia Pacific Index of 2018 Dow Jones Sustainability Index (DJSI)
Apr. 18. 2018	Busan Bank	Selected as 'Best Business in Asia' for 4 consecutive years
May. 04. 2018	Busan Bank	Selected as 'Excellent Call Center in Korea for 3 consecutive years' by Korea Management Association Consulting
Sep. 28. 2018	Busan Bank	Achieved 1st place in technical finance evaluation in the first half of 2018
Nov.08. 2018	Busan Bank	Awarded the Grand Prize of 100 Best Companies to Work in Korea
Apr.06. 2018	Kyongnam Bank	Achieved 1st place in small-group evaluation of technical financial performance in the second half of 2017 (Financial Services Commission)
Apr.06. 2018	Kyongnam Bank	'Personal Business Loan 119' in the second half of 2017 First place in small and medium-sized banks (FSS)
May.02. 2018	Kyongnam Bank	Selected as Korea's best call center branch bank in 2018 for 3 consecutive years (Korea Management Association)
Aug.31. 2018	Kyongnam Bank	Consumer Evaluation in 2018 'Good Bank' 1st in Local Bank (Financial Consumers Union)

BNK Financial Group History



Cover Story



2018

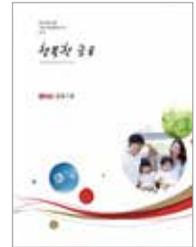
BNK wishes to become a company that offers a happy future for customers. The motif in the shape of flower petals expresses BNK's esteemed commitment to put top priority on customer and shareholder values at all times and create a customer-centered culture.



2012



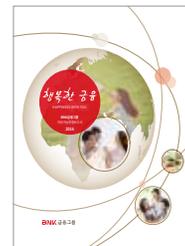
2013



2014



2015



2016



2017

BNK Financial Group Sustainability Report 2018

Detailed information is available on BNK Financial Group's website, and this report is available to download in a PDF version. For additional information or inquiries about this report, please contact us.

Address: 30 Munhyeongeumyung-ro
Nam-gu, Busan (Headquarters)
Tel. +82-51-620-3042
Fax. +82-51-620-3040
E-mail: sustainability@bnkfg.com
Website: www.bnkfg.com



For this report, we used FSC® (Forest Stewardship Council®) certified paper that has been sourced and managed in a socially responsible and economically viable manner. And this report paper was printed by a company that earned an FSC® Chain-of-Custody certificate (certificate No. C005448).

BNK Financial Group

30 Munhyeongeumyung-ro Nam-gu, Busan
(Headquarters)
www.bnkfg.com