

Happiness with You

BNK Financial Group



Contents

Vision Of BNK Financial Group	01
CEO Message	02
The Two-Bank System For Future Potentials	04
BNK Financial Group History	06
Stable Corporate Governance	08
Integrated Risk Management	10
Transparent Ethical Management	12
Initiating Sustainable Management	14
Stakeholder Engagement	15
Materiality Test	16

Sustainability Key Aspects Report

1. Laying the Foundation for Sustainable Growth	20
2. Providing Customer-Centered Financial Services	26
3. Response to Climate and Energy Reduction	34
4. Suggesting a New Win-Win Growth Model with the Regional communities	40
5. Fostering Financial Specialists	48

Reporting Aspects prior to Sustainable Management

Protection of Financial Consumers	56
-----------------------------------	----

Happiness with You, Together Practice

Busan Bank	60
Kyongnam Bank	62
BNK Securities	64
BNK Capital	66
BNK Savings Bank	68
BNK Credit Information	70
BNK System	72

Financial Statements

	74
--	----

Appendix

Performance Data of Sustainability Management	105
GRI Guideline Index	110
Assurance Statement on GHG Emissions	113
Third - Party Assurance Report	114
Explanations about the Report	116



BNK Financial Group Vision

Corporate Vision

With the incorporation of Kyongnam Bank as an affiliate of BNK Financial Group, the group achieved the mid-and long-term management plan under the Vision 2015. As of 2014-end, our total assets reached KRW 93 trillion with approximately 8,000 employees, BNK has emerged as one of the top five financial groups (among financial groups for commercial banks), and we have paved the way to expand our horizons to the global market as Korea's representative regional financial group.

Under a management philosophy of 'To the world with the region and to a better future with the customers' for a higher leap, BNK Financial Group is committed to expanding its business presence beyond the southeastern economic zone of Korea up to the metropolitan area in Korea and major countries in Asia. We plan to become 'a Global Super Regional Financial Group which is among Asia's top 30 and one of the top 100 global financial groups by 2020' to achieve the vision of serving as 'a global premier regional financial group'. To this end, we will continue to explore business for new growth, scale up the share of our non-banking sector businesses and expand our reach overseas focusing especially on Southeast Asia.



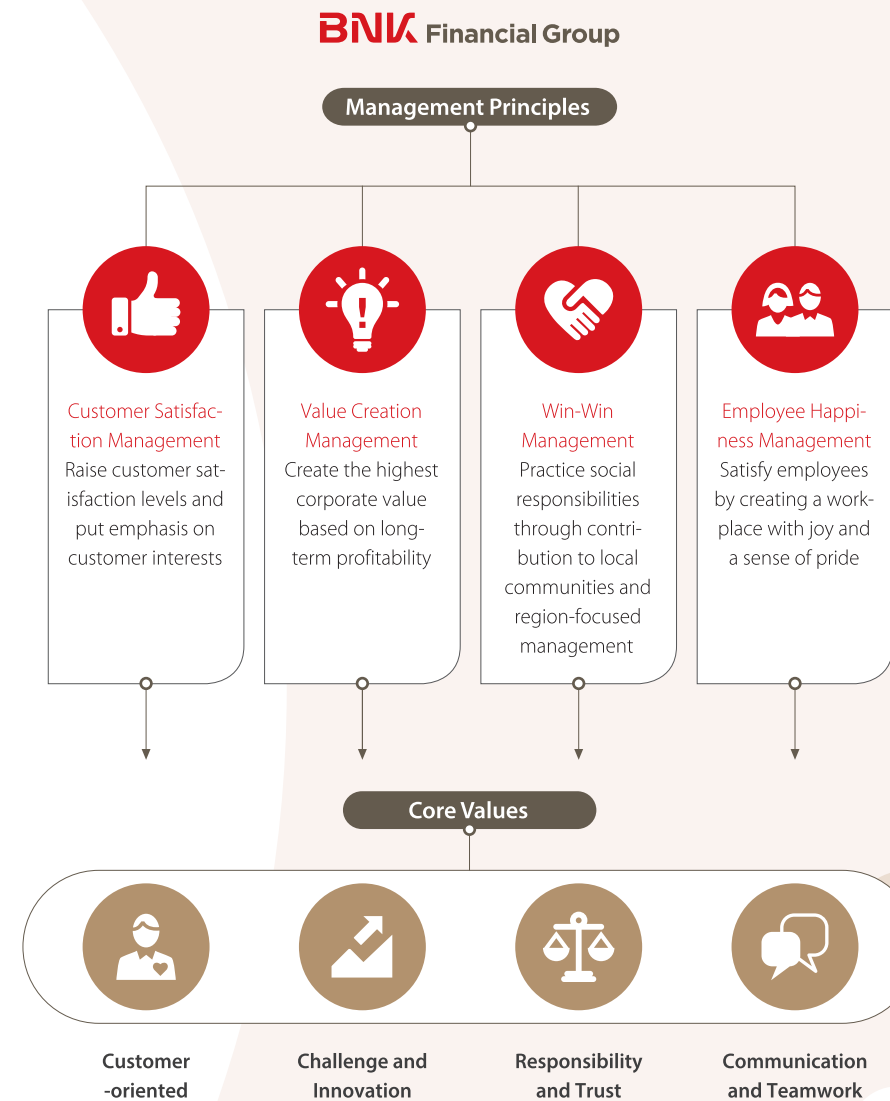
Happiness with You

In Starting 'Happiness with You'

The 'Happiness with You' project that began in 2012 has been highly acclaimed because it laid a new foundation in corporate social contribution activities as BNK Financial Group's customized social contribution project. It has garnered strong trust from local communities and customers as well. We aim to spread the benefits of the project to Busan, Ulsan and Gyeongnam regions to reach out to more local residents.

'Happiness with You' Fostered by BNK Financial Group

BNK Financial Group's corporate slogan is 'Happiness with You'. It implies that we will practice the Happiness with You to create a loving world. The slogan also implies Giving Hope through Happiness for the future by spearheading initiatives for socially responsible management and creative finance. It also conveys our commitment for continued passion toward the development of local communities driven by our key business focused on socially responsible projects in the group level. We are ready to make a happier future with stakeholders as all our affiliates are unwaveringly engaged in practicing the 'Happiness with You' based on the four management principles: win-win strategies, customer satisfaction, value creation and employees' happiness.



BNK Financial Group
Sustainability Report
2014

Happiness with You

BNK Financial Group

CEO Message

Since the establishment of Busan Bank in 1967 that has matured with the local regions, BNK Financial Group was launched in 2011. The group has leaped higher as Korea's representative regional financial group with seven affiliates in a space of merely four years.

With the incorporation of Kyongnam Bank last October, we established a two-bank system. As a result, we have solidified our presence as one of Korea's top five financial groups with total assets of KRW 93 trillion, 8,000 employees and 500 branches as of end-2014.

The corporate title was changed from 'BS Financial Group' into 'BNK Financial Group' because 'BS' might be understood as geographically confined to Busan, while BNK as an acronym for 'Beyond No.1 Korea' and 'Busan and Kyongnam'. This will push us to move forward to become a 'Global Super Regional Financial Group'.

We have intensified the scope and depth of the Happiness with You project that has cemented its presence as an iconic brand of BNK Financial Group while leading socially responsible management practices in the financial sector from 2012. As such, we are committed to practicing noblesse oblige befitting the higher prestige of BNK Financial Group.

This year's corporate slogan for BNK Financial Group is 'Giving Hope through Happiness'. Accordingly, we plan to extend financial services that give hope to local communities and customers by scaling up the creative finance, and initiating region-focused social contribution projects that have stories to tell and touch the hearts of people.

We aim to create our exclusive differentiated values by selecting the following action plans according to our management principle of 'Great Innovation 2015 – Forward-looking Management System' in order to establish the basis for sustainable growth.

First, we will secure engines for sustainable growth by carrying out distinctive strategies. We will establish our unparalleled stature as a leading regional financial group, and boost our roles as a financial group specialized in Busan as the mecca of finance. Seeking to tap into overseas markets where the group's future growth engines lie, we will initiate optimized business model strategies in Asia through cross-affiliate collaboration and enable business localization in a preemptive manner.

Second, we will concentrate on intensifying profitability and management efficiency based on solid management driven by stable growth. Based on strategies that focus on profitability and soundness, all-out efforts will be underway to boost the competencies of all affiliates by exploring new businesses for each affiliate, diversifying income sources, maximizing synergies and establishing a profit-oriented organization.

Lastly, we will practice distinctive socially responsible management to serve as the most trusted financial partner. We will dramatically upgrade the 'Happiness with You' project that has been maintained for the past three years, and take the lead in creating values to be shared in the financial industry. Projects to support the creative finance and facilitation of the regional economies including technology financing, relationship finance and job creation will be further explored and initiated as we do the utmost to fulfill social responsibilities for regional communities and residents.

BNK Financial Group promises to rise as the most exemplary holding company model that has grown into a world-class financial group originating from local regions. This will be driven by the core value of "Dynamic"/"Glocal"/"Partnership" symbolized by BNK and its new CI, and the management motto to grow higher i.e., 'To the world with the region and to a better future with the customers.'

We would like to express our thanks to our stakeholders, customers, shareholders and local communities, for their continuous interest and support for BNK Financial Group's sustainable growth.

May 2015

Sung Se Whan

Chairman and CEO of BNK Financial Group **Se Whan Sung**

BNK's 'Happiness with You' will make a world of happiness giving hopes.










The Two-Bank System for Future Potentials

Expanding Efficiency in Regional Finance






BNK Financial Group generates synergies while raising regional finance by establishing close cooperation as well as seamless exchanges between Busan Bank and Kyongnam Bank. Joint investment is made in financial investment fields such as PF, SOC and ship finance in order to boost the yield, while profits are generated by adopting the common brand card, improving hybrid branches and engaging in mutual cooperation. We laid the foundation to establish an integrated IT center in the group, and concentrate better on customers with stronger cost reduction efforts through joint purchasing, resources sharing and prevention of overlapping investment, and also to share greater benefits as a result.

(As of 2014-end)

Outline of BNK Financial Group

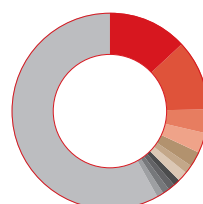
 Date of Foundation	March 15, 2011
 Chairman	Se Whan Sung
 Number of Affiliates	8
 Number of Employees	6,869
 Total Assets (including Trust Accounts)	KRW 93.32 trillion
 Operating Income	KRW 941.1 billion
 Net Income (equity of the holdings company)	KRW 809.8 billion

Share ratio of Affiliates

 BNK Busan Bank	100.00%
 BNK Kyongnam Bank	56.97%
 BNK Capital	100.00%
 BNK Credit Information	100.00%
 BNK Savings Bank	100.00%
 BNK Securities	100.00%
 BNK System	100.00%

Shareholder Status

(Unit: %)



Shareholder	Share ratio
● Lotte confectionery co., ltd.	13.12
● National Pension Service	11.62
● Park Land Co., Ltd.	4.03
● Aberdeen Global	3.40
● The Oakmark International Small Cap Fund	2.34
● Samsung Asset Management	1.55
● Saudi Arabian Monetary Agency	1.54
● Abu Dhabi Investment Authority Lendi	1.25
● The Government Of Singapore	1.11
● UBS Hana Asset Management	1.10
● Norges Bank	1.10
● Others	57.84

Credit Ratings

Company	Moody's		Fitch	
	Long-term	Short-term	Long-term	Short-term
Busan Bank	A2	P-1	BBB+	F2
Kyongnam Bank	A3	P-2	-	-

Status of Networks

Classification		Domestic			Overseas			Total
		Branches	Offices	Representative Offices	Branches	Offices	Representative Offices	
Financial Hold- ing Company	BNK Financial Group	1(Head Office)						1
	Busan Bank	205	66		1			273
	Kyongnam Bank	161					161	
	BNK Securities	4					4	
Affiliate	BNK Capital	13	9		2 (Local Corporations)		24	
	BNK Savings Bank	3	4				7	
	BNK Credit Information	1					1	
	BNK System	1					1	
	Total		389	79		3	1	472

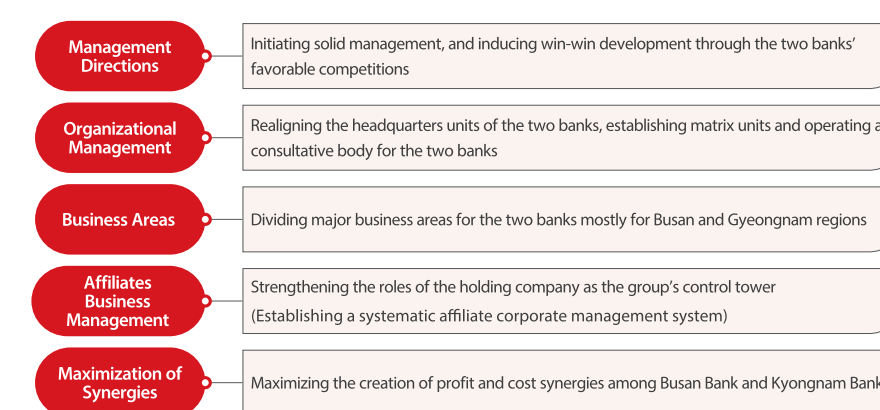
A Representative Regional Financial Group in the Southeastern Economic Zone of Korea

Since the launch of BNK Financial Group as a premier financial holding company among regional banks in March 2011, the group has established itself as a representative financial group in the southeastern economic zone of Korea, equipped with seven affiliates: Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Credit Information and BNK System. Our corporate presence was solidified as one of Korea's top five financial groups by successfully carrying out key operations such as: incorporating Kyongnam Bank as a group affiliate, entry of the new head branch of Busan Bank in Munhyeon-dong and advancement of BNK Capital into Indochina. Armed with the slogan, 'To the world with the region and to a better future with the customers' for a higher jump, we plan to become 'Korea's representative regional financial group' equipped with large scale profitability. We will also belong to Global top 100, Asia's top 30 by 2020 as a global premier regional financial group.

Securing Competencies for the Management of the Two-Bank System

BNK Financial Group has set up a holding company organizational unit and has acquired adequate workforce in order to boost the functions for adjustment, coordination and support and enhance the operational efficiency of the Two-Bank System. We have boosted our roles as a control tower by having the holding company supervise tasks such as synergy generation, corporate culture setup and promotion. Seeking to maximize business consultation and synergies among the banks and affiliates in the group level, we run consultative bodies by sector under the leadership of the holding company such as synergy generation, capital adequacy management, internal control, risk management and IT strategies.

Five Key Initiatives for the Operation of the Two-Bank System



2015 Management Goals of the Group

Total Assets	Over KRW 100 trillion
Net Income	Over KRW 470 billion
ROA	Over 0.60%
ROE	Over 9.50%
BIS ratio	Over 12.5%
NPL ratio	Below 1.4%
Delinquency Ratio	Below 0.8%
Double Leverage Ratio	Within 130%
Debt Ratio	Within 30%

Maximizing the Synergies from the Two-Bank System

Busan Bank and Kyongnam Bank scale up the convenience in collaboration and market competitiveness by integrating the headquarters, business criteria and policies of the two banks. Synergies in profit and cost are maximized in the two-bank system. To this end, high quality services are offered to customers, including the product and service sharing, joint business operations and operational alliance and co-product development, which would lead to higher profits resulting from a bigger market share. Moreover, areas for cost saving will be continuously explored by establishing an integrated IT center, joint procurement and resources sharing.

BNK Financial Group History

1960

In the 1960s

- 1967. 10. 10 Established Busan Bank
- 1967. 10. 25 Busan Bank commenced business operations



In the 1970s

- 1972. 06. 15 Listed on the Korea Stock Exchange
- 1972. 08. 16 Opened Seoul Branch for the first time as a regional bank
- 1978. 01. 16 Opened online operations



In the 1980s

- 1982. 06. 21 Relocated the headquarters (from Sinchang-dong to Beomil-dong)
- 1985. 06. 01 Commenced credit card operations

In the 1990s

- 1990. 08. 13 Began online operations for loan business
- 1997. 06. 02 Established BS Futures Co., Ltd
- 1997. 09. 18 Opened new comprehensive online systems

2000

In 2000

- 2000. 03. 06 Commenced Internet banking services
- 2000. 11. 02 Selected as Busan City's main treasury bank



In 2001

- 2001. 06. 19 Awarded the Presidential commendation as a patriot for reaching out to the impoverished in 2001
- 2001. 08. 01 Commenced the operation for comprehensive income management system

In 2002

- 2002. 02. 18 Completed the establishment of next-generation banking system
- 2002. 12. 31 Awarded the Commendation for Fostering SMEs in Busan in 2002

In 2003

- 2003. 01. 06 Awarded the Gold Prize in the banking sector at the 12th Dasan Finance Award
- 2003. 06. 17 Established Busan Credit Information

In 2004

- 2004. 04. 23 Awarded Korea's Entrepreneurs Award
- 2004. 10. 15 Awarded the 2004 CSR Award

In 2005

- 2005. 01. 16 Conducted the Business Process Re-engineering (BPR) in all branches
- 2005. 12. 22 Received the Gold Prize in the banking category of 14th Dasan Financial Award

In 2006

- 2006. 01. 18 Conducted the Customers' Cash Transaction Reporting system and Know Your Customer (anti-money laundering activities)
- 2006. 05. 22 Selected as a depository for deposits by Busan District Court

In 2007

- 2007. 04. 19 Awarded the 5th Korea Service Satisfaction Award
- 2007. 12. 07 Launched the Scholarship Culture Foundation

2008

In 2008

- 2008. 06. 12 Awarded the Grand Prize in the financial service sector
- 2008. 12. 09 Awarded the Presidential award at the National Conference on Volunteering and Service
- 2008. 12. 17 Issued hybrid bonds for the first time as a local bank

In 2009

- 2009. 01. 05 Received the Gold Prize in the banking category of 18th Dasan Financial Award
- 2009. 04. 24 Acquired a Grade 1 rating in the 2008 evaluation of complaints carried out by the Financial Supervisory Service
- 2009. 12. 21 Awarded the Presidential Award for supporting job creation

In 2010

- 2010. 01. 05 Received the Gold Prize in the banking category of 19th Dasan Financial Award
- 2010. 04. 13 Quarterly Net Income exceeded KRW 100 billion for the first time as a local bank
- 2010. 07. 15 Established BS Capital
- 2010. 10. 08 Acquired "AAA" credit ratings from domestic credit rating agencies
- 2010. 12. 01 Designated a '2010 Fortune GWP' (Great Workplace) to be awarded with the Grand Prize in the financial sector by Fortune
- 2010. 12. 15 Received preliminary approval to become BS Financial Group

In 2011

- 2011. 03. 15 Launched BS Financial Group
- 2011. 05. 20 Launched BS Information System
- 2011. 12. 13 Launched BS Savings Bank



In 2012

- 2012. 01. 10 Commenced business operations for BS Savings Bank
- 2012. 01. 25 Opened the 'Neo BS' the next-generation system
- 2012. 03. 07 Acquired approval for comprehensive securities business for BS Securities
- 2012. 06. 27 Opened the newly built Training Center
- 2012. 07. 04 Declared 'Happy Finance'
- 2012. 12. 26 Opened the Busan Bank Qingdao Branch in China

2013

In 2013

- 2013. 03. 15 Declared 'BS ONE' as BS Financial Group's corporate culture
- 2013. 03. 27 Opened 'B-Smart Square' as the regional bank's first new-concept smart branch
- 2013. 07. 11 Received the Moran Medal for the Order of Civil Merit on the 2nd Population Day
- 2013. 07. 24 Established BS Financial Group's integrated groupware
- 2013. 08. 14 Appointed Se Whan Sung as the 2nd Chairman and CEO of BS Financial Group
- 2013. 12. 16 Received the Korea Donation for Education-Award for the first time as a regional bank
- 2013. 12. 31 Named as the preferred bidder for Kyongnam Bank

In 2014

- 2014. 01. 03 Received the first prize in the banking sector of the 23rd Dasan Finance Award
- 2014. 03. 07 Established BS Capital Cambodia Corporation
- 2014. 03. 17 Announced the 3rd 'Happy Finance' for 2014 CSR program
- 2014. 03. 21 Established BS Capital Myanmar Corporation
- 2014. 06. 30 Signed a Stock Purchase Agreement (SPA) regarding the sale of Kyongnam Bank
- 2014. 10. 10 Kyongnam Bank incorporated as a group affiliate
- 2014. 11. 04 Held an inaugural ceremony for the new head branch of Busan Bank



In 2015

- 2015. 01. 28 Busan Bank 'ranking first in the Bank Innovation Assessment at the Financial Services Commission'
- 2015. 03. 27 Changed the name and CI of the group

Stable Corporate Governance

The Board of Directors (BOD) in BNK Financial Group conducts advanced management activities through transparent and independent operations. The board representing the rights of shareholders, customers and stakeholders enhances the corporate value by supporting activities of the sub-committees.

Members of the Board of Directors

The BOD of BNK Financial Group consists of eight directors with expertise and experience in the fields of law, finance, economy and ethics, and the CEO of BNK Financial Group concurrently holds the position as the chair of the BOD.

BOD Appointment Criteria

Our executive directors are appointed at the shareholders' meeting without any gender discrimination. Upon appointing outside directors, those that have special interests that might influence corporate governance and their influence are to be excluded, according to the corporate bylaws. Outside directors are seasoned experts with practical experiences in finance, economy, law, accounting and media. The appointment is made through the nomination of the Outside Director Nominating Committee among competent experts with over 10 years of experience in financial companies. The appointed outside directors undergo training sessions to be equipped with professional competencies to contribute to the corporate sustainable development, based on which they can contribute to productive management activities. As the CEO holds the title of the BOD chair, senior outside directors for appointment are selected to maintain the fairness of the BOD management at all times.

Operation of the BOD

The BOD holds either regular or ad-hoc board meetings. The regular BOD meeting is held quarterly, while the ad-hoc BOD meeting is summoned if the BOD chair deems it is necessary, if a majority of directors in attendance agree to it, or if the Audit Committee or the CEO/ Chairman makes the demand. Directors with special interests cannot exercise their decision-making right, and decisions are made upon the presence of a majority of registered directors if there is no specific provision in relevant laws or the articles of association. In 2014, eight BOD meetings were held, and the average attendance rate of outside directors was over 90%, thus fulfilling their obligations by taking part in management decision-making in good faith. Such matters as establishing the group's management plans, capital increase and incorporate and capital investment in affiliates were deliberated and decided on.

Introduction of the BOD

(As of March 28, 2014)

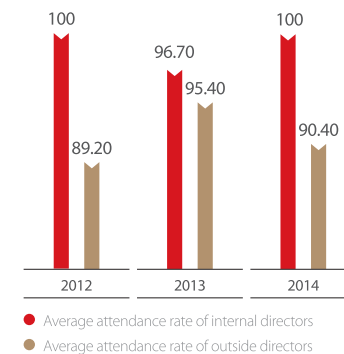


Status of the Operation of the BOD

	2012	2013	2014	Unit
Total number of the BOD-meetings held	8	15	8	Number of times
Total number of agendas deliberated	49	66	59	Number of cases
Decisions decided on	26	39	36	Number of cases
Matters reported	23	27	23	Number of cases

Status of Attendance at the BOD

(Unit: %)



Standing Directors

- Se Whan Sung**
Chairman of BNK Financial Group
- Min Ju Jung**
Vice President of BNK Financial Group

Non-standing Directors

- Bong Cheol Lee**
Lotte Shopping's Vice President of Policy Headquarters

Outside Directors

- Sung Ho Kim**
President of Happy World Foundation
- Woo Suk Kim**
Chairman of Yeil Accounting Corporation
- Jae Woo Moon**
Advisor of Yulchon LLC
- Chang Soo Kim**
Professor of Pusan National University
- Heung Dae Park**
Chief attorney at Yu Seok Law Firm

Subcommittees of the BOD

Subcommittees of the BOD consist of a majority of its members as outside directors. The BOD has eight subcommittees: Board Operation Committee, Business Management Compensation Committee, Risk Management Committee, Audit Committee, Chairman Nominating Committee, Group Executive Nominating Committee, Outside Director Nominating Committee and Auditor Nominating Committee. Their role is to enhance the efficiency and independence of the BOD so that it can faithfully fulfill the functions of supervising and checking top management. Audit Committee and the Auditor Nominating Committee 100 percent consisting of outside directors conduct effective monitoring on the top management.

Status of Subcommittees of the BOD

Title	Objectives	Composition
Board Operation Committee	<ul style="list-style-type: none"> Deciding on improvement policies for efficient operations of the BOD and its subcommittees and policies to improve corporate governance Deliberating and deciding on agenda commissioned by the BOD 	One Standing Director Three Outside Directors
Business Management Compensation Committee	<ul style="list-style-type: none"> Establishing measures to enhance management performance for corporate development Establishing systems to set, evaluate and reward performance goals of top management 	One Non-standing Director Five Outside Directors
Risk Management Committee	<ul style="list-style-type: none"> Overseeing and supervising the approval on and compliance with policies on various risks in the Group and its affiliates 	One Standing Directors Four Outside Directors
Audit Committee	<ul style="list-style-type: none"> Devising and executing audit plans for the Group, assessing outcome, taking follow-up measures and suggesting improvement measures Laws, Articles of Association and matters commissioned by the BOD 	Four Outside Directors
Chairman Nominating Committee	<ul style="list-style-type: none"> Nominating candidates for the chairman position and deciding on the qualifications Searching for and managing chairman candidates, and verifying the qualifications 	One Standing Director One Non-standing Director Five Outside Directors
Group Executive Nominating Committee	<ul style="list-style-type: none"> Verifying, screening and nominating candidates for the group executive positions Searching for and managing the candidates, and deciding on the qualifications, e.g. attributes 	One Standing Director One Non-standing Director Three Outside Directors
Outside Director Nominating Committee	<ul style="list-style-type: none"> Nominating outside directors to be appointed at the shareholders' meeting Matters on forming the Nominating Committee and its operation 	One Standing Director Three Outside Directors
Auditor Nominating Committee	<ul style="list-style-type: none"> Nominating audit directors to be appointed at the shareholders' meeting Matters on forming the Nominating Committee and its operation 	Five Outside Directors

Performance Evaluation and Compensation

Short and long-term performance evaluation and compensation of the top management is conducted based on comprehensive consideration of opportunities and crises in the management environment according to the financial holding company's compensation for performance standards. These decisions are supervised by the Business Management Compensation Committee, and finalized through the resolutions at the BOD following the deliberation procedure. The ceiling of the compensation for directors, meanwhile, is approved at the shareholders' meeting, and the details are decided through the BOD resolutions. For outside directors and non-standing directors, quantitative assessment based on the attendance rate at the subcommittee and BOD meetings, and qualitative assessment including employee assessment are conducted through the multi-dimensional evaluation.

Integrated Risk Management

BNK Financial Group has established and is operating an integrated risk management system to promptly respond to crisis situation resulting from various risk factors that might arise in the process of management activities, as well as changes in domestic and foreign financial environment.

Risk Management System

BNK Financial Group is operating an integrated risk management system at the group level by unifying the definition and response process for risks by affiliates and risk factor. We maintain a balance between risks and profits, while regularly monitoring the status of the group and affiliates' risk management. For risks that have been derived, information is organically shared with relevant departments and appropriate responses are made by holding meetings.

Risk Management Organization

BNK Financial Group has established an independent organization and reporting system for risk management so that adequate and safe checks can be exerted for organizations/units in operation.

Risk Management Committee

As the top decision-making body for risk management in the BOD level, the Risk Management Committee consists of five directors including standing directors and outside directors. The Committee decides on the basic directions and strategies for the Group's risk management, monitors the current risk level and status of risk management activities, and reviews and approves key items in the agenda. Moreover, the Committee executes the Group's risk policies and specific tasks through the Risk Committee and Risk Management Unit in each affiliate.

Risk Management Council

The Risk Management Council consists of the group's chief risk manager as the chair, and other members including the head of the holding company's risk management department and the chief risk officer of each affiliate. Meetings are held once or more to share risk management issues and information at the group level and by affiliate, to make decisions on risk policies and strategies.

Risk Management Department

The Risk Management Department of the Group implements the Group's specific policies on risk management and monitors risk management of affiliates pursuant to the operation handling procedures.

Selecting Core Risks

Core Risks	Reasons for the Risk Selection	Risk Countering Measures
Managing the credit concentration risks and overlapping borrowers among affiliates	<ul style="list-style-type: none"> An emerging importance of managing credit rating-specific exposure by the large-amount exposure and job type, region and credit rating in the group level A need to apply consistent asset soundness classification for overlapping borrowers among affiliates 	<ul style="list-style-type: none"> Thorough management of total exposure by borrower, job type and region, etc. Reinforcement of risk management for high-risk assets, etc. real estate PF.
Making timely responses amid the adoption of the Basel Conventions by phase in Korea	<ul style="list-style-type: none"> Presence of possibilities to change the standards of introducing global financial regulations to Korea by the financial authority A need to prepare for the regulatory adoption, e.g. devising a group-level management system and computerizing the output system An increase of the impact of BIS ratio due to changes in the credit for regulatory standards and the market risk output system 	<ul style="list-style-type: none"> Launching of a 'task force to respond to the Basel Conventions' in the group, thereby managing sectors by regulatory item and designating the relevant managers by affiliate Setup of the group-wide standard by documenting the output standard as per financial regulation Reflection of additional regulatory standards through continued improvement of the group-wide risk management system

Key Risk Management Tasks

Measuring risks of the bank affiliates and standardizing the risk management system

- Standardizing the measurement criteria by risk type: initiating to apply the common criteria for the banks
- Mutually benchmarking competent risk management systems of the banks; upgrading the overall level for the systems

Intensifying the group's asset soundness and the management of total exposure

- Managing the adequate credit exposure for duplicate borrowers and reinforcing reviews on asset soundness
- Thoroughly managing the total exposure by borrower, business type and region
- Strengthening risk management for high-risk assets including real estate PF

Making timely responses to the introduction of global financial regulations by phase

- Forming a task force on responding to the Basel regulations: sharing information among affiliates and making joint responses
- Introducing Basel III on liquidity regulation (within 2015) and making preemptive responses to more stringent disclosure requirements of Pillar III
- Making joint responses to the modification of the calculation system for capital requirements for market risks

Enhancing crisis management capabilities in the unstable financial market

- Analyzing risks on external instabilities and reinforcing the functions of reporting
- Conducting the analysis on crisis situation based on the group's integrated crisis scenarios
- Intensifying integrated risk management functions for overseas branches

Risk Response Activities

BNK Financial Group is supporting sustainable growth at the group level by maintaining a balance between risks and profits. To achieve this, we have established the group's integrated risk management goal strategies, while the performances by affiliates are comprehensively managed according to the implementation of key initiatives.

Responding to Stronger Regulations on Financial Risk Management

We analyze the trends in the financial sector and collect relevant data with a keen eye on the global financial regulations of Basel Conventions. We continuously carry out activities to enhance the risk management system in the group level with the incorporation of Kyongnam Bank.

Scaling up the Risk Management System for Overseas Branches and Local Corporations

We spearhead activities to improve weaknesses by devising risk management measures as our affiliates make inroads into overseas markets. We identify crises and opportunities in global networks by coming up with a system for regular reporting on overseas risk management.

Managing the Group's Total Exposure and Regularly Reviewing the Status Quo on Asset Soundness

We monitor the large exposure in the group level and the status quo of exposure by business type, region and credit rating in order to respond to credit concentration risks. Asset soundness is reviewed and reported in the group level so that asset soundness could be stably maintained at all times.

Risk Management in Major Affiliates

Major Affiliates	Strategy Goals	Key Tasks
Busan Bank	<ul style="list-style-type: none"> Supporting stable growth centered on soundness in line with changes in the financial environment Seeking for potential obstacles against soundness and reinforcing functions to reduce them 	<ul style="list-style-type: none"> Strengthening theme-specific analysis in response to the higher volatility in the financial market and concentration risk management Supporting stable Profit Basis and adjusting portfolios proactively Initiating to acquire approval for the Foundation – IRB (FIRB) and devising regulation management measures
Kyongnam Bank	<ul style="list-style-type: none"> Enhancing the functions to adjust loan and deposit portfolios by improving the basis for risk management 	<ul style="list-style-type: none"> Initiating to acquire additional approval for the Foundation – IRB (FIRB) Sophisticating the market risk measurement in response to stronger trading regulations Managing liquidity preemptively amid the adoption of the Liquidity Coverage Ratio (LCR) Devising and standardizing the group-wide integrated risk awareness system
BNK Securities	<ul style="list-style-type: none"> Raising the functions to adjust loan/deposit portfolios by enhancing the basis for risk management 	<ul style="list-style-type: none"> Initiating measures to acquire additional approval on the Internal Ratings Based Approach for credit risks Sophisticating the measurement of market risks in response to stronger trading regulations Preemptively managing liquidity amid the introduction of Liquidity Coverage Ratio (LCR) Devising and standardizing an integrated risk perception system in the group level Upscaling expertise in reviewing unstructured products Maximizing profits against the risk ceiling through risk-adjusted performance analysis Establishing an enterprise-wide risk management culture through risk management training
BNK Capital	<ul style="list-style-type: none"> Preemptively strengthening the risk management system 	<ul style="list-style-type: none"> Strengthening monitoring on large loans, and managing the loss rate and delinquency rate Managing liquidity in a sophisticated manner using the ALM system Computerizing the control self-assessment (CSA) and improving the assessment items
BNK Savings Bank	<ul style="list-style-type: none"> Raising the competencies for managing risky assets by establishing a systematic risk management system 	<ul style="list-style-type: none"> Managing the asset and debt portfolios for the compliance of regulatory ratios Enhancing capabilities to respond to potential crises resulting from market volatility Stably managing interest rate risks through adequate spread management Managing operational risks and reinforcing internal control

Transparent Ethical Management

BNK Financial Group fosters a deep trust and ties with stakeholders based on ethical management. Establishing transparent ethical management principles and forming an ethical compliance culture within the organization will lay a solid foundation for the group to fly higher.

Strengthening the Ethical Awareness

BNK Financial Group applies the code of ethics and action plans for employees in the enterprise level. Regulations for employees are prescribed such as the prohibition on exchanges of gifts or entertainment, etc. requirements for external activities, investment activities regarding equity securities, etc., anti-money laundering and the whistleblowing system for ethics violators. Matters on the code of ethics are available on the website of BNK Financial Group along with a code of actions and relevant principles.

Promoting Law-abiding Spirit among Employees

The code of ethics at BNK Financial Group is applicable to all employees, which is also notified to our partners to abide by it. All employees in the group shall be prohibited from any acts indulging to do with in corruption including cash transactions and briberies as well as accepting gifts or entertainment from corporations in transaction according to the code of ethics and the code of actions.

Anti-trust and Prohibition of Anti-competition Practices

Any acts that disturb financial orders including unfairly increasing customers' financial expenses or violating their rights are prevented. Unsound business acts including abusing dominant positions are harshly banned.

Ethical Management Unit

BNK Financial Group enables the Compliance Department to systematically conduct tasks in fulfilling the code of actions and the code of ethics. Details for effective implementation of the code of ethics are clearly stipulated through the internal polices and guidelines including the Employees' Code of Ethics, Internal Control Regulations and the Compliance Operation Guideline. The whistleblowing system is up and running and informants are fully protected.

Internal Control Council

The 'Internal Control Council' is in operation in order to intensify internal control as a consultative body among those involved in internal control operations in affiliates and the group. Its main activities include establishing an enterprise-wide response system for internal control and engaging in customer information protection operations and IT security. Moreover, it continues to review the genuine implementation of internal control, while reinforcing internal control in the group by improving the existing systems. The 'Internal Control Council by Affiliate' is a consultative body that is managed separately. It identifies matters to be improved based on self-analysis on overall internal control by affiliates and conducts continued internal control checks.

Executing the Ethical Management

BNK Financial Group completely bans exchanges of gifts among those in contractual and transactional relationships, the acquisition of customary fees and personal acquisition of unfair earnings in accordance with the Employees' Code of Ethics and Code of Actions. Provisions on integrity are to be reflected in a contract in accordance with the provision on signing integrity contracts. We also induce companies in transaction to sign and submit the 'Integrity Pact' in order to establish a transparent contractual relationship.

Prevention of Money Laundering and Insider Trading

Employees in the group are banned from engaging in illegal money laundering, which is reported based on a procedure for reporting suspicious transactions. Illegal acts that might occur from insider trading including the usage of undisclosed information and adjustment of the market price of securities are completely blocked.

Whistleblowing System and Protection of Informants

A guideline on the whistleblowing system is dissipated in the group level so that employees may report to the group's compliance officers on violations of the code of ethics and the code of actions, and the anonymity is guaranteed with the presence of multiple reporting channels. Moreover, regular training is offered so that all employees are fully informed of the whistleblowing system.

Help Desk Operation

Diverse reporting channels such as registered mail, telephone call recorder, fax and e-mail are in operation to ensure efficient operation of the whistleblowing system and to guarantee the anonymity.

Reflection in the Employees' Performance Assessment

There is an item on compliance and fulfilment of the code of actions in the employees' performance assessment, which ensures that employees should be equipped with a proper awareness of ethical acts at all times.

Participation in Ethics, Compliance and Internal Control Courses

Classification	2012	2013	2014		Unit
	Busan Bank	Busan Bank	Busan Bank	Kyongnam Bank	
Training on Financial Accident Prevention(via broadcasting system)	All employees	All employees	All employees	All employees	Persons
Accident prevention education for new employees and new branch heads	216	186	222	173	Persons
Job training for branches	12	93	246	577	Persons
Number of hours of ethical training per person	6	6	6	12	Hours
Number of times for holding ethical training courses	12	12	12	59	Number of times

Initiating Sustainable Management

BNK Financial Group reflects stakeholders' feedback collected through various channels in overall management activities, while paying attention to expanding the stakeholder engagement and communication. Moreover, we seek to contribute to happiness and growth of everyone in the society as well as corporate growth through sustainable management.

Background for Initiating Sustainable Management

The environmental destruction resulting from climate change and the expansion of democratic socialization raise doubts over corporate competitiveness not only in terms of financial growth but also in the fundamental aspect. That is why there is greater interest on the development of sustainability where the growth of social and environmental values is fully considered. Companies have internally strived to generate new growth engines and also to produce products and services befitting environmental and social responsibilities, while emphasizing their roles and responsibilities as sustainable players. BNK Financial Group is no exception. We offer diverse products and solutions to seek for sustainable development. All stakeholders including our customers and social community, initiate social contribution activities with participation by employees, and empower the sustainable growth in Busan and Gyeongnam regions.

Sustainable Management Unit

BNK Financial Group operates the Group's Corporate Management Council consisting of the Chairman and CEOs of affiliates. The council sets integrated sustainable management strategies and policy directives for the holding company and affiliates. The Strategy and Planning Division of BNK Financial Group under the council is in charge of sustainable management operations. A task force on sustainable management is formed that includes those in charge of the operations in the holding company and affiliates. They devise and review the performance while addressing sustainable-management issues that come up every year.

Goals and Plans for Sustainable Management

BNK Financial Group seeks for sustainable growth with unity with Busan and Gyeongnam regions. We also hope to find triggers to enhance the financial sustainability of local communities including win-win growth with them and the development of financial specialists. As a regional financial group trusted by customers and regional communities, we will secure reliability in management by establishing an anti-corruption and ethical management system and strengthening the capabilities for integrated risk management. For environmental responsibilities, we plan to extend support in setting up eco-friendly infrastructure in the society by proactively reinforcing climate change responses and reducing energy.

Stakeholder Engagement

BNK Financial Group is committed to rising higher as a group inducing engagement where stakeholders are at the center based on proactive participation and information exchange among stakeholders. To this end, multifaceted endeavors for policy improvement are underway so that we could devise ways for broader stakeholder engagement and induce more passionate engagement and evaluation from their side.

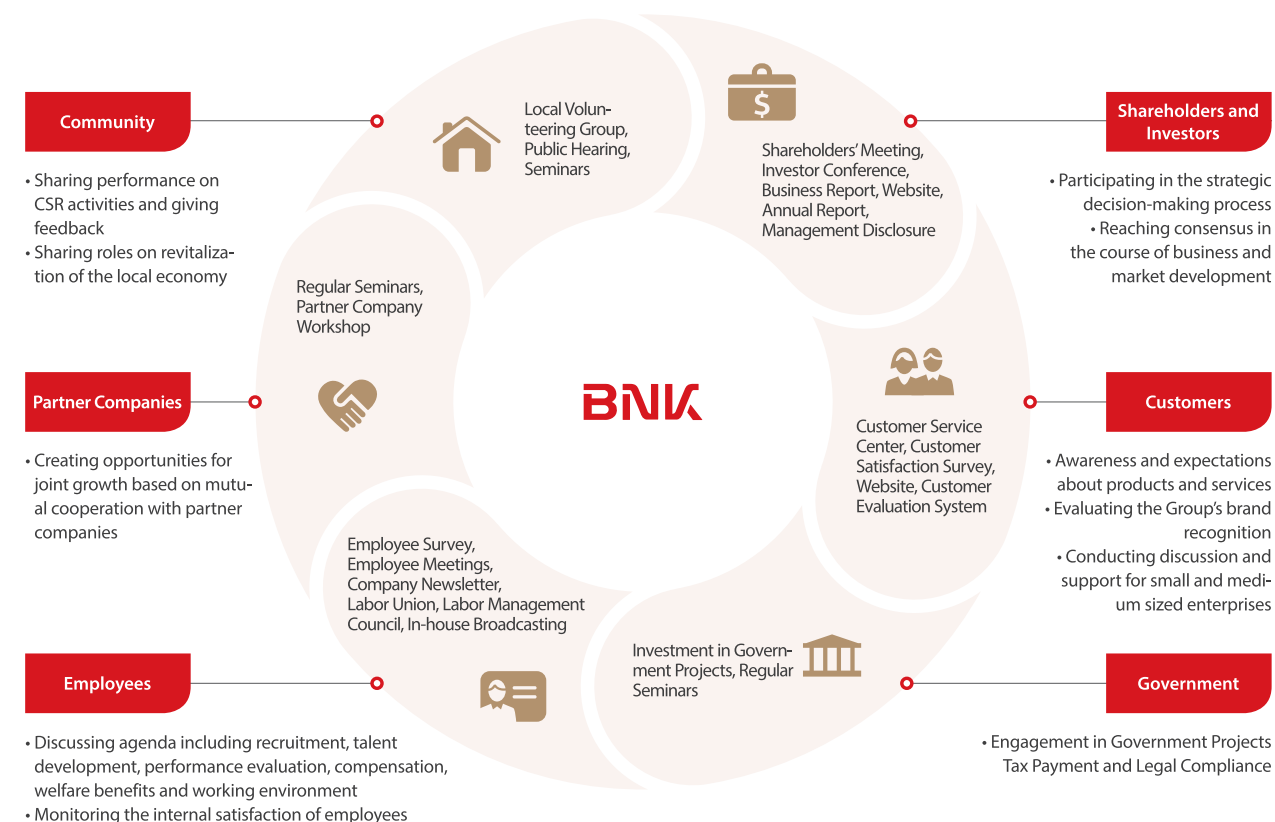
Stakeholders of BNK Financial Group

BNK Financial Group takes financials and non-financials such as environmental and social values into consideration in a comprehensive manner, and selects and manages six major stakeholder categories: customers, employees, communities, partners, shareholders and investors. The domains of each stakeholder group are with differentiated approaches in consideration of sector-specific features and relevance to BNK Financial Group.

Stakeholder Communication Channels

Various channels to gather feedback are being developed to narrow the gap in communication among stakeholders. We ensure that stakeholders are provided information in an easier and faster way and present their feedback by participating in various social media as well as surveys, actual visits and the website.

Stakeholder Communication Channel



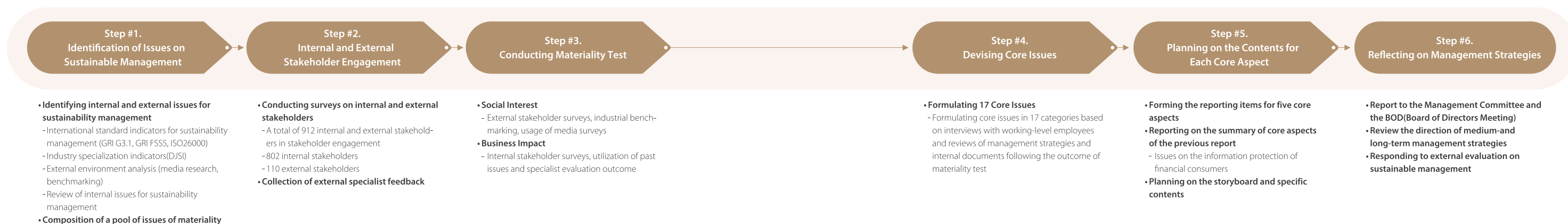
Materiality Test

BNK Financial Group makes analysis in an objective perspective on issues and aspects of materiality identified from internal and external stakeholders including employees, customers and communities. We operate responding processes to suggest corporate directions and efforts for improvement based on the generated outcome.

Materiality Test Process

Core aspects of sustainable management in BNK Financial Group are determined through the materiality test process. A pool of sustainability issues was generated in consideration of the external image of BNK Financial Group exposed via the media and internally discussed management issues. Afterwards, internal and external surveys and collection of specialist feedback took place according to AA1000SES, which is the global standard for stakeholder engagement. We also suggested the roles and responsibilities of BNK Financial Group for topics selected as the core aspects of key materiality throughout 2014.

Materiality Test Process



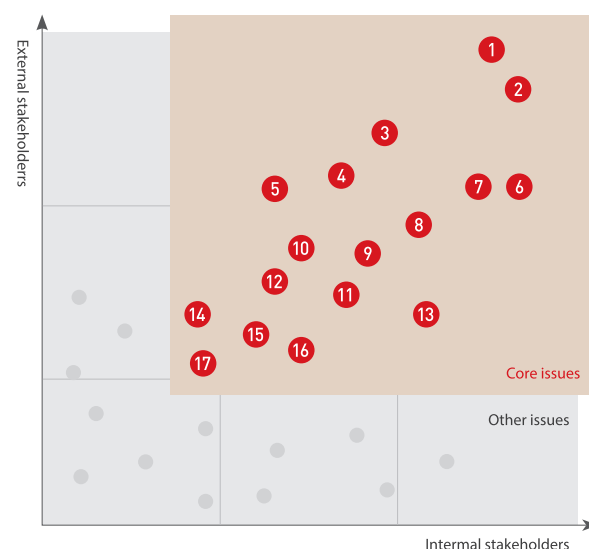
Reviewing the Directions for Mid-and Long-term Management Strategies

We formed the Sustainability TFT to discuss core issues of sustainable management generated from the materiality test where the issues are discussed together with major management agenda. The outcome of issues discussed in this process is either immediately reflected in management activities or handled as mid-and long-term strategy tasks. The outcome reflected in management activities is disclosed via the website and the Sustainability Report. We will make the utmost efforts to be externally recognized for our sustainability management system and activity performance by realizing social responsibilities and establishing channels to communicate with stakeholders.

Deciding on the Reporting Aspects of Sustainable Management

We identified 17 sustainable management issues as a result of materiality test. The core issues identified were reconfigured into five core aspects after reviewing the inclusivity and responsiveness. With regard to the methodologies for reporting, the status quo is introduced in both business and sustainable management perspectives for all aspects, and comprehensive goals are suggested. For specific topics, policies and activities initiated by BNK Financial Group are introduced so that our sustainability performance could be identified in an objective perspective.

Materiality Test Results



No.	Core Issue List
1	Conducting strategic social contribution activities in consideration of social aspects of the regions
2	Reinforcing the system for customer satisfaction and customer relationship management
3	Scaling up activities to initiate win-win growth policies with companies within the regions
4	Advancing into the global financial market
5	Developing financial products and services for public benefit
6	Intensifying the financial accessibility of financial consumers
7	Intensifying the system for employees' welfare benefits
8	Introducing a training program for employees' competency buildup
9	Seeking measures to generate synergies by expanding business areas and networks
10	Engaging in management innovation activities for continued improvement of management profits
11	Establishing and enhancing a fair and transparent performance assessment system
12	Reducing GHG to respond to climate change and the amount of energy used
13	Conducting consumer training on financial products and services
14	Devising effective social contribution activity plans and managing relevant performance
15	Introducing an eco-friendly culture and engaging in communities
16	Developing products and services in consideration of eco-friendly factors
17	Embracing employees' complaints and struggles and facilitating the Ombudsman system

No.	Core Issue List	Type	Core Aspects	page
4	Advancing into the global financial market	Aspect. 1	Laying the Foundation for Sustainable Growth	20~25
9	Seeking for measures to generate synergies by expanding business areas and networks			
10	Engaging in management innovation activities for continued improvement of management profits			
2	Reinforcing the system for customer satisfaction and customer relationship management	Aspect. 2	Providing customer-centered financial services	26~33
5	Developing financial products and services to realize the public good			
6	Intensifying the financial accessibility of financial consumers			
13	Conducting consumer training on financial products and services			
16	Developing products and services in consideration of eco-friendly factors			
12	Reducing GHG to respond to climate change and the amount of energy used	Aspect. 3	Responding to Climate Change and Energy Reduction	34~39
15	Introducing an eco-friendly culture and engaging in communities			
1	Conducting strategic social contribution activities in consideration of social aspects of the regions	Aspect. 4	Suggesting a new win-win growth model with the regional communities	40~47
3	Scaling up activities to initiate win-win growth policies with companies within the regions			
14	Devising effective social contribution activity plans and managing relevant performance			
7	Intensifying the system for employees' welfare benefits	Aspect. 5	Fostering financial specialists	48~55
8	Coming up with a training program for employees' competency buildup			
11	Establishing and enhancing a fair and transparent performance assessment system			
17	Embracing employees' complaints and struggles and facilitating the Ombudsman system			
11	Establishing and enhancing a fair and transparent performance assessment system			

SUSTAINABILITY KEY ASPECTS REPORT



Aspect 1

1. Laying the Foundation for Sustainable Growth



Importance of the Foundation for Sustainable Growth

For the long-term survival and growth of a financial group in the era of low interest rates and low growth, it is critical to lay the foundation for sustainable growth. In 2015, in particular, uncertainties are expected to rise in the financial market, while investment confidence in risky capital may shrink. Hence, utmost efforts must be poured in to achieve stable and sustainable growth. As such, BNK Financial Group scales up the existing projects by enhancing business capabilities and reducing cost, and generates synergies and explores new markets and projects through establishing cooperative working system with affiliates.

Crises and Opportunities

• Business Review

With the onset of the global financial crisis in 2008, customers have realized that financial products are not the income source that guarantees a high yield and thus started to demand more stable financial products and groups. Against this backdrop, companies have strived to fulfil corporate performance through overall innovation in business activities and by building trust with customers and in the society. No doubt, such management innovation reduces corporate risks and contributes to higher yield, thus generating stronger performance and establishing soundness.

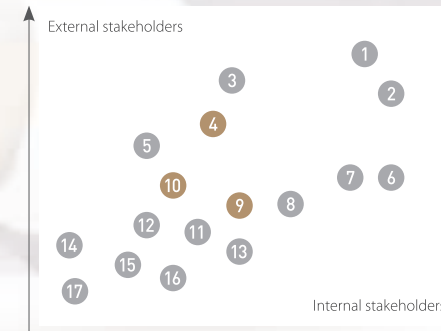
• Sustainability Review

Corporate bankruptcies resulting from corporate failure would generate higher costs throughout the society. However, if a company strives to generate a sound performance through continued innovation, it would contribute to stronger corporate and national development. BNK Financial Group does its best to rise higher, doing its best to improve sustainable growth of society by scaling up new growth engines based on the expansion of affiliates and entry into overseas markets, developing competent workforce and improving the financial environment.

Performance and Goals

BNK Financial Group recognizes the importance of setting up the foundation for sustainable growth, thus striving to establish a forward-looking management system based on the management slogan of 'Great Innovation 2015'. Whilst maximizing the existing core competitiveness and profitability, we will tap into exclusively new growth engines based on continued improvement and innovation for the management system. Believing that we are a regional financial group representing regional finance, we develop specialized products and services specific to a region, secure affiliate-specific competitiveness and create synergies, thus beefing up profitability and management efficiency.

• Materiality Test Map



Core Issue. 4	Advancement into global financial markets
Core Issue. 9	Seeking for measures to generate synergies by expanding business areas and business networks
Core Issue. 10	Conducting management innovation to make continued improvement for management profits

Laying the Foundation for Sustainable Growth

Prospect and Response Plan in Financial Environments

Opportunities in the Financial Environment

The global economy that showed signs of recovery from 2013 is somewhat sluggishly turning around in 2014. However, the recovery flow, albeit gradual, is being witnessed from the latter half of 2014. In 2015, the U.S.' economic upturn will continue on, and the Eurozone will hit a gradual growth phase amid the recovery momentum led by advanced countries. Moreover, in the U.S. and the Eurozone, the ultra-low interest rate policies of the central banks will continuously proceed, so the intensity of fiscal cliff will ease, which is expected to contribute to the growth momentum.

Risks in the Financial Environment

The inflationary interest rate in the U.S. is expected to emerge from the latter half of 2015. Many analyze that the interest rate spread between the U.S. and emerging countries will shrink to stir upward pressure and increase the possibilities of capital leakage from emerging countries. In the event that the U.S.' interest rate hike becomes more dramatic than what the market expects, or foreign exchange crises emerge in volatile emerging countries due to capital outflow, concerns arise that the Korean financial market is likely to undergo higher volatility.

Response to Changes in the Financial Environment

BNK Financial Group garnered the five-fold asset growth within nine years as of 2014-end with KRW 93 trillion (including trust accounts). We will continue to exert efforts for endless changes and innovation to maximize profits based on prompt decision-making and robust execution capacities which are the core competitiveness of the group. We establish a sustainable future growth system amid the rapidly changing management environment as we forecast the year 2015 as a period of new opportunities and crises.

Maximization of Profit-Oriented Management Core Competencies

We continuously maintain and develop core competencies of the group, that is, prompt decision-making, consistent strategic directions and robust business execution capacities. We reinforce our profit-generating capabilities and expand market dominance by initiating multi-dimensional relationship finance based on regional community-focused business. Moreover, we reinforce preemptive risk management activities to solidify our business fundamentals through thorough asset soundness management and maintenance of capital adequacy.

Setup of the Forward-Looking Management System

We establish the systematic affiliate management system exclusive to BNK Financial Group, which befits the global standards. We put in place a united corporate culture in the group level by establishing close cooperative systems between Busan Bank, Kyongnam Bank and affiliates to maximize the group-wide synergies. In order to reinforce expertise in the financial sector, we introduce programs to train the top management and intermediate-level managers and specialized programs for core experts.

Proactive Response to Changes in the Regulatory and Financial Environments

Policies and Directions

BNK Financial Group closely reviews its impact on the regional economy by responding to changes in the global financial environment and beefs up preemptive responses. We set department-specific response strategies to be in line with changes in various regulations and institutions while considering business features of affiliates. We also focus on devising preemptive measures including prior actions for top agenda. Moreover, we strive for the growth of the customer base by expanding the convergent customer contact points in tandem with the expansion of online finance.

Activities and Roles

Preemptive Responses to Changes in the Financial Environment

BNK Financial Group utilizes the regulatory changes as opportunities to expand the customer base through preemptive responses to the business, product and service development of each affiliate. Busan Bank is bracing for the bank innovativeness assessment by dissipating technology finance, improving financial practices and fulfilling social responsibilities. Kyongnam Bank, meanwhile, scales up the eligible targets amid the increasing demand for lower interest rates, and improves the practices on redundant and excessive documentation. The bank also extends service for export finance and the finance for technological assessment basis and initiates rationalizing the conditions to issue credit cards. BNK Securities is prepared for deregulations on private equity funds, e.g., flourishing M&As and IPOs. BNK Capital, meanwhile, is striving to respond to the introduction of specialized services for corporate loans and realignment of the loan business requirements.

Response to Basel III

Seeking to enhance international alignment in capital regulations, Basel III was adopted for capital regulation for holding companies of banks from December 2013. BNK Financial Group has established the group-wide risk management system to proactively respond to changes in the capital regulations and manages the group-wide BIS ratio befitting Basel III. We calculate the group-wide standardized risk-weighted assets (RWA), and the methods for calculating RWAs to calculate the regulatory capital ratio include the credit risk standardized approach, market risk standardized approach, and the basic indicator approach for operating risks. We also run a task force to respond to the Basel Conventions to prepare for soon-to-be-adopted global financial regulations (LCR, leverage ratio and Three Pillar disclosure, etc.).

Innovation in Channel Strategies

We devise omni-channel strategies converging face-to-face and non-face-to-face channels and initiate corresponding activities in the group level as more customers using financial services resort to the latter, e.g. online banking and smartphone banking. We forge seamless alignment and integration among the existing non-face-to-face channels such as online banking, smartphone banking and call centers, and offline branches. We also develop products and services specialized for smartphone banking, thus maximizing the convenience for non-face-to-face channel users. Moreover, we maximize the channel efficiency within the southeaster economic zone in Korea by modifying services in our banks.

Initiating Differentiation Strategies and Expanding the Business Scope

Policies and Directions

BNK Financial Group is committed to solidifying its presence as a regional financial group leader by intensifying distinctiveness and expanding the business scope. We seek to secure continued growth and an adequate corporate scale for the group by adopting differentiation strategies after considering distinctive features of each affiliate. To this end, we do the utmost to intensify the group's brand value by striking a balance of development in each affiliate by setting strategic positions for non-banking affiliates as well as banks, and establishing differentiated positions in the industry.

Activities and Roles

Securing the Domestic Business Network

Busan Bank paved the way for nationwide businesses by opening business divisions in Gwangju Gumi and Daejeon in 2014. Moreover, we secure expertise in ship finance and derivatives in banking and securities sectors to secure prestige as a specialized financial group in the financial center of Busan.

Establishing Global Networks

We conduct review on business diversification to establish balanced business portfolios among affiliates in the banking and non-banking sectors, while jumping higher as a global financial group through overseas advancement. Our Qingdao Branch is the first of its kind to be opened by a regional bank, which earned the net income of USD 640,000 in 2014 with a stable presence. The Ho Chi Minh Representative Office that opened in Vietnam in 2011 is poised to be upgraded into a branch. Moreover, utmost endeavors are poured in to launch local subsidiaries, initiate M&As and open branches for expansion of overseas business not only in Southeast Asia including Vietnam, Cambodia and Myanmar and but also in China.

Differentiated Strategies by Affiliate

Type	Activities
Activities of Affiliates	Banking Affiliates 1. Establishing a balanced asset portfolio by intensifying retail banking services 2. Initiating in-depth relationship banking through regional-focused operations • Setting the presence as the leading bank in relationship banking and as 'a bank that knows its customers best' • Increasing the information quality through intensified customer relations, initiating cross-selling based on quantitative data and providing products and services catering to customer needs in specific regions 3. Facilitating the existing transactions with public institutions and their employees
	Busan Bank • Fulfilling roles as a leading bank for the regional financial center by specializing in maritime finance and derivatives
	Kyongnam Bank • Streamlining the systems for better efficiency including CRM and comprehensive profit management • Providing financial conveniences to local residents by opening branches on weekends • Fostering regional financial specialists and intensifying one-stop marketing
BNK Securities	• Establishing the region's leading IB business network
BNK Capital	• Differentiating strategies and raising expertise by exploring new niche markets and initiating specialization strategies • Forming the foundation for overseas business and making them stable
BNK Savings Bank	• Conducting region-focused operations, advancing into new projects, creating specialized business models
BNK Credit Information	• Expanding cross-affiliate synergies and intensifying competencies for external business operations
BNK System	• Diversifying the profit base by reinforcing business competencies in SI and conducting integrated IT procurement

Busan Bank Intensifying Retail Banking



BNK Retirement Planning Center



Reinforcing Profitability and Raising Management Efficiency

Policies and Directions

BNK Financial Group focuses its enterprise-wide competencies on raising profitability and management efficiency. The group thoroughly manages asset soundness and NIM, while expanding the portion of cross-selling and up-selling for the existing customers, thus striving to enhance profitability and soundness at all times. Business capabilities are maximized and management efficiency is boosted by developing new differentiated projects, products and services for each affiliate, facilitating synergies of each affiliate realigning the organizational structure of the two banks, i.e. Busan Bank and Kyongnam Bank and establishing a cooperative scheme. Furthermore, we proceed with structural innovation for the whole group, and reduce unnecessary budgets so that strategic cost reduction and tightening management could be here to stay.

Activities and Roles

Strengthening Profitability

Busan Bank is making multifaceted efforts to upgrade its profitability. Business capabilities in the non-interest rate sector are reinforced and investment competencies are fostered by improving specialized capacities and reinforcing customer relationship management in order to scale up profits in the non-interest rate field. Meanwhile, Kyongnam Bank launched the Profit Management Committee to focus on competencies to improve the bank's profitability. Continued efforts are underway to raise the NIM(Net Interest Margin) through improved procurement structure and more robust credit card business operations. Non-interest rate sector continues to witness a higher yield also through the bank's advanced entry into the retirement market, higher competitiveness of fund products and stronger profits in the trading of assets under management.

Launch of BNK Retirement Planning Center

Busan Bank launched the 'BNK Retirement Planning Center' and the service of 'BNK retirement planning' in 2014, allocates more retirement specialists in each branch and provides comprehensive retirement planning solutions so that customers could effectively adapt to an aging society. The brand of 'BNK Retirement Planning' will spread to all affiliates in BNK Financial Group, while leading the regional retirement banking sector through reinforced service and product portfolios.

Promises of BNK Financial Group

We will carry out diversification strategies for profit sources by initiating affiliate-specific differentiation strategies and steadfastly tapping onto new projects. Cross-affiliate synergies will be maximized, while customer trust is boosted through our unwavering efforts as a global super financial group.

Type	KPIs		
	Short-term	Mid-term	Long-term
Network Expansion	Securing the domestic business basis • Opening branches in areas with growth potentials • Establishing nation-wide business networks in the group level	Expansion of Overseas Advancement • Establishing new overseas corporations • Aligning partnership operations with local financial institutions abroad	Fulfilling Roles as a Comprehensive Financial Group • Establishing an integrated financial environment by launching in-house projects and M&As
Reinforcing profitability	Laying the foundation for stronger profitability • Devising community-based retail banking business strategies	Strengthening the Branch Network Management • Maximizing efficiency through the integration of branch networks based on profitability evaluation	Sharing the Affiliate Network • Developing hybrid financial products • Securing customers and reducing cost through the prevention of investment overlaps

Aspect 2

2. Providing Customer-Centered Financial Services

Importance of Customer-centered Financial Services

There is a greater need for developing specific financial products depending on the purpose and attributes of customers since they are the final consumers of the financial products and services. That is why global financial companies make unsparing efforts to offer customized financial products based on diverse customer needs and upgrade the customer convenience. BNK Financial Group strives to present differentiated financial services to leap higher as a regional financial group representing Asia without any complacency about being one of Korea's top five financial Groups. Please take a closer look at the paths of BNK Financial Group that makes further development through win-win growth with local communities driven by sharing-oriented management, technological finance and relationship banking under the slogan of 'Giving Hopes through Happiness.'

Crises and Opportunities

• Business Review

In 2015, we forecast higher expectations for economic turnaround and stronger potentials of recovery in the global investment confidence. Yet, there will be a continuum of economic uncertainties and financial aggravation for companies and consumers. In the financial industry at home and abroad, endeavors will be reinforced to ensure lower volatility in the financial situation of customers and to enhance their trust in order to offer customer-centered financial services. Moreover, there also rises a need to scale up stability throughout the national economy through sound household banking, thus contributing to win-win growth of financial companies and the national economy.

• Sustainability Review

Information sharing takes place in real time amid the development and expansion of global networks. As the usage of financial services in the Internet environment is made easier, the launch and development of numerous products and the expansion of the number of branches are not enough to expect the vision for sustainable growth in this challenging world. As a result, a need for R&D to establish a customer-centered financial environment is rising higher.

Performance and Goals

BNK Financial Group strives to offer community-focused financial products and services as a representative regional financial group of Busan, Ulsan and the Gyeongnam region. In line with the 'two-bank' system with Busan Bank following the incorporation of Kyongnam Bank, we try to make efforts for policy improvement to better support customers' financial accessibility and contribute to win-win growth with regional communities as well as customers as a regional financial group by striving to come up with various communication channels.

• Materiality Test Map



Core Issue. 2	Reinforcing the system for customer satisfaction and customer relationship management
Core Issue. 5	Developing financial products and services for the interest of public interest
Core Issue. 6	Strengthening financial accessibility of financial consumers
Core Issue. 13	Conducting consumer training on financial products and services
Core Issue. 16	Developing products and services in consideration of environmental factors

Providing Customer-Centered Financial Services

Development of Customer Satisfaction Products

Policies and Directions

BNK Financial Group strives to enhance customer satisfaction and convenience by proactively reflecting customer voices. We are to offer products and services specialized in customers and regional communities by applying the needs of each consumer bracket identified through continued customer communication to management activities. We will pursue a greater customer convenience and transactional Safety as a financial group that puts the top priority on customers.

Financial Products for Public Interest

BNK Financial Group launches wide-ranging public interest products to offer opportunities for indirect social contribution through such products for customers, while fulfilling social responsibilities as a representative regional financial group.

Promotion of Employment of the Disabled and Loan Extension for Employment Funds

Loan extensions are offered at a low interest rate to employers employing or seeking to employ the disabled or the elderly to procure and improve the facilities or equipment that are required for the disabled.

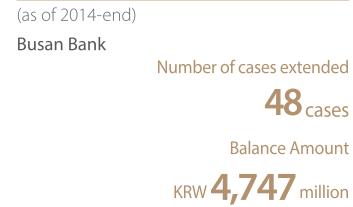
Extension of Scholarships for Employees in SMEs

SME One-stop Loans are offered to extend scholarships to children of employees working for SMEs. Kyongnam Bank won the 'Financial Services Commission Chairman Prize' at the Korea Financial Industry Awards for community-focused operations for public interest.

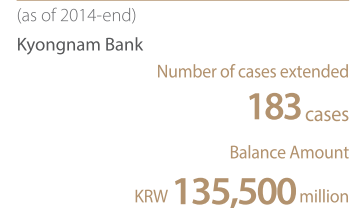
Introduction of Major Public Interest Products (as of 2014-end)

Product Name	Remaining Balance/Used Amount	Year-on-Year Change	Major Features
BNK Community Love Savings Account	Balance of KRW 689.5 billion	Increase KRW 134.9 billion	• Daily donation of KRW 365,000 accumulated for 365 days to create money for the Love Temperature 36.5°C Relay Donation that makes donations when required.
BNK Hope Fostering Installment Savings	Balance of KRW 1.8 billion	-	• An installment saving that gives high interest rates for socially neglected classes, including livelihood security recipients, child-headed households, North Korean defectors and multi-cultural families.
Preferential Installment Savings for the Lower Income Group	Balance of KRW 2.2 billion	-	• Products that give high interest rates are provided for customers of the lower income group confirmed by the Busan Metropolitan City, including the Household Preferential Fixed Installment Savings and the BNK Community Love Free Installment Savings.
BNK Happiness Keeper Savings Account	Balance of KRW 753 million	Increase KRW 288 million	• A product for protecting the socially underprivileged, including the basic livelihood security recipients, so that they can deposit only the money received in accordance with law.
Himang Moa Installment Savings	Balance of KRW 2,316 million	-	• Opportunities are offered to the socially vulnerable to accumulate a big amount of money at a high interest rate.
Social Welfare Facility Subsidy Card	Used Amount of KRW 33,811 million	Increase KRW 3,759 million	• Convenience of using cards at social welfare facilities that receive subsidies from the Busan Metropolitan City and exemptions provided on finance charges.
B Smart Card	Used Amount of KRW 78,193 million	Increase KRW 49,801 million	• Money accumulated from card usage is used for constructing a library in local community.

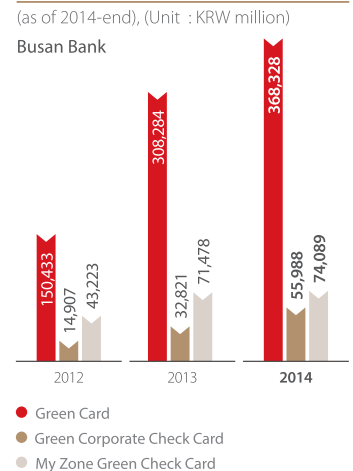
Promotion of Employment of the Disabled and Loan Extension for Employment Funds Performance records



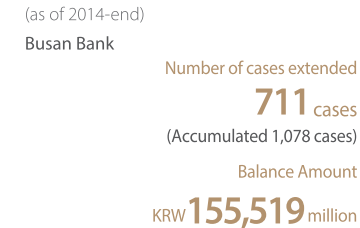
Extension of Scholarships for Employees in SMEs Performance records



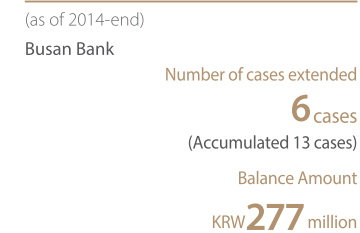
Used Amount by Category for Environmental Financial Products



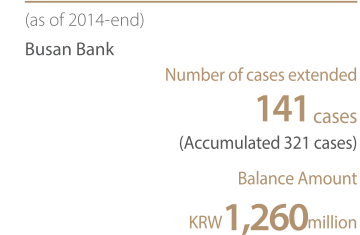
Loans for the Energy Usage Rationalization Fund Performance records



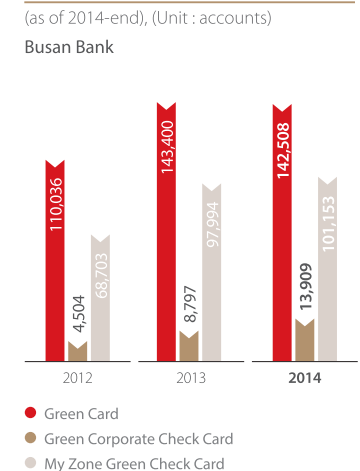
BNK Loan for the Purchase of CNG Buses Performance records



Prime Loan for BNK Clean Green Companies Performance records



Total Number of Accounts by Category for Environmental Financial Products



20	1. Laying the Foundation for Sustainable Growth	40	4. Suggesting a New Win-Win Growth Model with the Regional Communities
26	2. Providing Customer-Centered Financial Services	48	5. Fostering Financial Specialists
34	3. Responding to Climate Change and Energy Reduction		

Eco-friendly Financial Products

BNK Financial Group provides products and services associated with the environment and climate changes in its efforts to reduce climate change risks. Busan Bank develops and runs financial products in various fields so that business opportunities could be generated. The bank mandatorily checks if companies extending PF-related loans and making investments conduct the environmental impact assessment pursuant to the Environmental Impact Assessment Act, thus indirectly reflecting the outcome of the environmental impact assessment on project.

Loans for the Energy Usage Rationalization Fund

We finance a part of business expenses for SMEs that install energy saving facilities to reduce energy and GHG.

BNK Loan for the Purchase of CNG Buses

We contribute to eco-friendly green finance by extending necessary funds for bus companies to purchase the Compressed Natural Gas (CNG) Buses which emit lesser exhaust fumes.

Prime Loan for BNK Clean Green Companies

We take part in communities' green growth by launching products exclusive for the attraction, exploration and development of eco-friendly companies e.g., companies recognized in Busan Bank's eco-friendly company review and evaluation table, companies specialized in new and renewable energies and companies specialized in energy saving or green growth companies.

Introduction of Major Environmental Financial Products (as of 2014-end)

Product Name	Remaining Balance/Used Amount	Year-on-Year Change	Major Features
BNK Eco Installment Saving	Balance of KRW 29 billion	Increase KRW 24.3 billion	• The product is designed to protect migratory birds and the ecosystem where 3% of the interest rate after tax is accumulated in a fund to contribute to environmental organizations and institutions.
Galmaetgil Installment Saving	Balance of KRW 593.1 billion	-	• A fund is accumulated with 2% of the interest after-tax from a matured account to be donated to local organizations and governments that carry out projects for public interest associated with environmental preservation.
Busan Bank Green Card	Used Amount of KRW 368,328 million	Increase KRW 60,044 million	• It is a product to accumulate mileage points upon purchasing eco-friendly products associated with saving water, town gas and electric energy. Up to 50% of discounts are offered for using cultural and leisure facilities in 150 local governments nationwide.
Busan Bank Green Corporate Check Card	Used Amount of KRW 55,988 million	Increase KRW 23,167 million	
Busan Bank My Zone Green Check Card	Used Amount of KRW 74,089 million	Increase KRW 2,611 million	
Kyongnam Bank Green Card (credit/check)	Used Amount of KRW 216,027 million	-	• Kyongnam Bank offers services to customers to be naturally engaged in green living including saving energy, public transit usage and purchase of eco-friendly products in daily lives.
Kyongnam Bank Green Corporate Card (credit/check)	Used Amount of KRW 90,666 million	-	

Offering Customer Satisfaction Services

Policies and Directions

The '2014 CS New Start' project kicked off under a goal to become a bank with well-mannered services by generating customer values and forming a vibrant ambience within an organization. The project covers energetic greeting and farewell, polite phone calls, all employees' participating in a passionate chanting prior to work, neat clothing, and environmental check-ups.

Procedure for Customer Complaint Handling

Utmost care is taken to enhance the rights of financial consumers by prescribing the 'BNK Charter on Financial Consumer Protection.' One employee at the managerial level and above in each department/division/branch at Busan Bank is appointed as a financial consumer protection manager to handle complaints by conducting initial responses and preventing a possible scale-up of the complaints. Customers' feedback and complaints are reflected in improving the systems at the bank, while some of the complaints are utilized to upgrade products and services following an internal review process. The complaints are transferred to and handled at the relevant branches as they are registered through the Customer Center and various customer accessing channels. The complaint handling department gives relevant feedback to customers.

CS(Customer Satisfaction) Angel Program

CS leaders are selected through the public consensus among employees who have outstanding customer service capabilities. They act as a CS team to implement activities to improve service quality of the branch and promote an enjoyable workplace environment. They also contribute to spreading excellent culture for customer satisfaction by collecting internal feedback while acting as a liaison to provide information and issues regarding customer satisfaction.

Activities and Roles

Conducting CS Training Programs

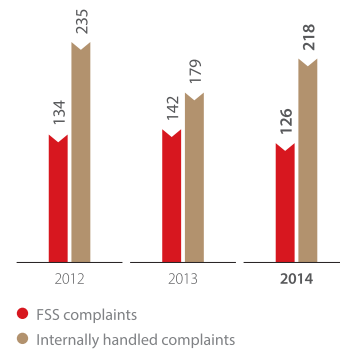
BNK Financial Group conducts field-oriented CS training programs for branches that request for it or are in need of it according to the environment of each branch. Training for new employees is focused on improving customer response skills over phone and in person to help them upgrade their fundamental attributes as members of BNK Financial Group. We also made the 'CS Handbook' that includes customer satisfaction cases by type and response skills. Meanwhile, we improve the efficiency of CS training and our commitment for CS actions through the 'BNK Guinness System' to give rewards to qualified employees in CS.

Major CS Training Programs



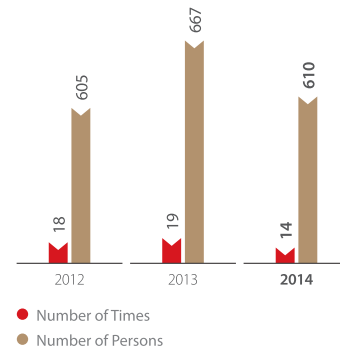
Number of Customer Complaints

(Unit : cases)
Busan Bank



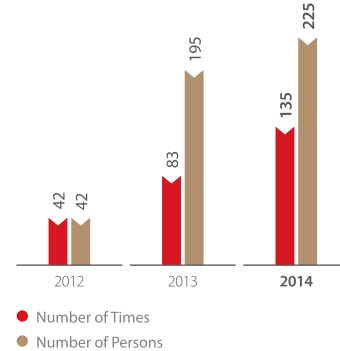
Telephone Consultation Training of Head Office Employees

(Unit : times, persons)
Busan Bank



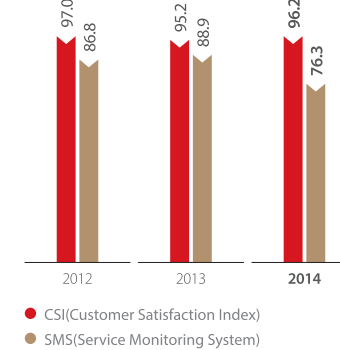
Security Guard Training for Customers Visiting Us

(Unit : times, persons)
Busan Bank



Results of Customer Satisfaction Survey

(Unit : points)
Busan Bank



Invitational Seminars for Honorary Branch Managers



BNK Women's Academy



20	1. Laying the Foundation for Sustainable Growth	40	4. Suggesting a New Win-Win Growth Model with the Regional Communities
26	2. Providing Customer-Centered Financial Services	48	5. Fostering Financial Specialists
34	3. Responding to Climate Change and Energy Reduction		

Introduction of the Biz Brand Call

We adopted the 'Biz Brand Call' service to prevent voice phishing and for better self-promotion in the form of 'caller identification' for the first time in the financial sector in 2014. The service indicates a caller's number, name and image on the screen of a connected customer's smartphone only when the call is recognized to be secure by checking out if a caller company and the outgoing call number are of the same source. It prevents electronic financial scams including voice phishing, thus securing stability in electronic financial transactions.

Consulting of Customer Satisfaction Specialists

Busan Bank utilizes the CS Pilot Management Team consisting of CS specialists including relevant managers, employees and security guards from among those in branches that requested for training to be conducted in their branches. The CS Pilot Operation Team checks out on basic etiquettes on customer satisfaction, neat dressing and environmental check-up on sites, thus contributing to a better image of the bank's services.

Conducting the CS-exclusive Coaching Program

Busan Bank conducts the CS-exclusive coaching program by selecting branches required to obtain higher scores for CS evaluation as well as low-score ones based on CS assessment outcome. Managers in charge of the Financial Consumer Protection Unit visit the branches or conduct video conferences on a monthly basis to conduct training for customer enriching services. The coaching program exclusive for each branch contributes to upgrading the CS level, based on which BNK Financial Group's competent services are spread to branches.

Invitational Seminars for Honorary Branch Managers

Invitational seminars for honorary branch managers are held to enhance the corporate image through community-focused management and to strengthen continued ties with best customers. Honorary branch managers are appointed in each branch to strengthen communication with customers. Retired branch managers are encouraged to serve as advisors that extend feedback and encouragement for the growth of the branches and the company.

Operation of BNK Women's Academy

Busan Bank runs the BNK Women's Academy as a differentiated marketing activity for leading socially active female customers. The academy runs two-month courses for 50 or so competent female customers a year in different areas. Thanks to highest acclaims from female customers, the academy has established itself as the bank's representative cultural group and is in its fourth year.

Call Center Service's Braille Guidebook

The 'braille guidebook of call center service for the blind' is a specially designed information service for blind people who find banking services inconvenient. We do the utmost to offer better financial services in terms of financial conveniences by providing the braille cards with various information in braille and by providing phone banking services exclusively for the blind.

Offering the Wealth Management System

Busan Bank opened the Wealth Management System (WMS) which is optimized to provide customized asset management services for local customers. The WMS was developed to enable precise asset management services for high net worth individuals and simple asset portfolio consulting at bank windows. The bank offers services befitting various circumstances and needs of customers based on diverse options in mind that might occur in different milestones in a lifecycle, e.g. house purchase, preparation for marriage and education funds along with broad asset management and post-retirement life design for all the customers using Busan Bank.

Enhancing Competitiveness in Non-face-to-face Channels

Busan Bank introduced a new Internet banking service by attaching the cutting-edge pin-tech technology to the existing Internet and mobile banking to provide a customer-oriented online financial environment. This serves as the basis to present personal financial services in an improved security environment. Kyongnam Bank, meanwhile, improved its smart banking service based on the outcome collected from the public opinions of customers via a smart banking app. As a consequence, Busan Bank won various prizes: 'Special Grand Prize in the Monthly Web for Internet Banking', the financial and banking sector at the 'Web Award Korea 2014', 'BS Mobile Web Grand Prize' and the 'Grand Prize in Social Contribution Innovation of BIFF Cyber Branch.' Kyongnam Bank won the Grand Prize in the financial service sector at the 'App of the Year at the App Award Korea 2014.'

Introduction of the Tablet Branch

We have recently introduced Korea's first-of-its-kind 'Tablet Branch' following the smart branch that uses a smart ATM for opening a bank book for deposits and withdrawals. The smart ATM can also be used to issue a check card. The 'Tablet Branch Application' that enables employees to handle financial operations directly assists customers to subscribe to products and also offers consulting services. The tablet also facilitates e-signatures, thereby making customers' financial transactions even more convenient.

Upgrading Financial Accessibility for the Disabled

We take a great interest in improving financial accessibility for financial consumers that have difficulty in using financial services including the disabled and the elderly customers. The websites of BNK Financial Group, Busan Bank and the Busan Bank CEO Club recognized as excellent websites for web accessibility and offer explanations, speech information and braille service as visible information. We offer financial conveniences and benefits to a variety of people including the elderly by complying with the Anti-Discrimination against and Remedies for Persons with Disabilities Act, and by enriching web accessibility.

Operation of SNS for Customer Communication

The Customer Center at Busan Bank collects and handles customer complaints via phone 24/7. The website (www.busanbank.co.kr) is used to take customer complaints and suggestions and also to serve as a channel for various consulting purposes. The bank provides customers with security provisions and notices recommended by the Financial Supervisory Service via SNS. The bank fulfils its role as 'a bank of cultural mecenat' by uploading information on exhibitions at BNK Gallery, local festivals and price discounts for cultural performances.

BNK Wealth Management System



Busan Bank won 3 Grand Prize at Web Award Korea 2014



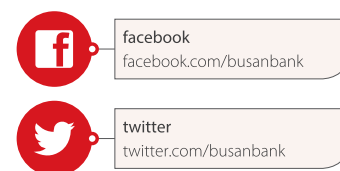
Kyongnam Bank won Grand Prize at App Award Korea 2014



Introduction of the Tablet Branch



Busan Bank's SNS Operation Channel



20	1. Laying the Foundation for Sustainable Growth	40	4. Suggesting a New Win-Win Growth Model with the Regional Communities
26	2. Providing Customer-Centered Financial Services	48	5. Fostering Financial Specialists
34	3. Responding to Climate Change and Energy Reduction		

Initiating the Two-Bank System Operations and the Management System

Policies and Directions

BNK Financial Group strives to provide differentiated financial products and services to enrich customer convenience and satisfaction. We hope to maximize synergies between Busan Bank and Kyongnam Bank based on seamless exchanges and cooperation. This will help us improve the customer satisfaction levels and scale up the group's competitiveness and market share.

Activities and Roles

Joint Development of Products and Services

Busan Bank and Kyongnam Bank are equipped with a joint development system for new products. New products and services are jointly planned by mutually benchmarking marketing techniques and products between the two by operating a product development council. This leads to higher customer satisfaction as well as stronger product competitiveness.

Connected Sales and Joint Sales between Affiliates

The two banks formed a business operation council among their regional headquarters. Efficiency in management and customer convenience are beefed up by strengthening the competencies as a corporate investment bank, implementing cross-transactions and prohibiting reckless competitions. Moreover, recruiting capabilities are improved and higher sales performance is pursued by sharing competent HR networks and sales know-how.

Joint Usage of ATMs

BNK Financial Group enhanced the customer convenience by enabling the joint usage of ATMs. The ATMs of both banks are made compatible without adding new ATMs. Moreover, fees are exempted in all banking services including money transfer between the two banks, which raises the awareness internally and externally that both the two banks are of the same family.

Promises of BNK Financial Group

As a leading regional financial group, BNK Financial Group seeks to fulfill roles for environmental protection by protecting customer rights, supporting the low carbon green industry and developing green financial products. BNK Financial Group promises to grow with customers by offering efficient services and conveniences while leaping higher as Global Super Regional Financial Group as well as being Korea's representative regional group.

Type	KPIs		
	Short-term	Mid-term	Long-term
Providing customerized financial products	A higher portion of used amount and balance amount of products associated with public interest and the environment • Increasing 10% portion of used amount and balance amount of deposit/installment saving products associated with public interest and the environment	Intensifying monitoring activities on products associated with public interest and the environment and devising measures for improvement	Developing a model to evaluate loans • Developing an environmental/social impact evaluation model in dealing with loans
Enhancing customer satisfaction services	Intensifying training for customer satisfaction • A higher portion of employee training cost and time for customer satisfaction	Improving financial accessibility • Securing competitiveness in non-face-to-face channels to enhance financial convenience and timeliness	Enhancing the score for customer satisfaction surveys • Providing pragmatic services by identifying the demand for customer satisfaction

Aspect 3

3. Responding to Climate Change and Energy Reduction



Importance of Responding to Climate Change and Energy Reduction

BNK Financial Group fulfills its roles and responsibilities in the environmental sector and aims to fly higher as a more sustainable player. We measure the amount of energy used by affiliates nationwide and establish an inventory system in order to respond to climate changes and lower the amount of energy used. We are at the forefront of fulfilling environmentally responsible activities within the financial industry, e.g. calculating and disclosing GHG emissions as per the head branch of major affiliates even earlier than the imposition of the government's institutional regulations.

Crises and Opportunities

• Business Review

Abnormal climatic patterns and environmental changes as global phenomena have scaled up to the point of making a significant impact on the global corporate management environment including generating losses in corporate investment or opportunities for new investment as a result of the natural environment. Such changes in the global corporate environment pose possibilities of creating new opportunities as well as risk management aspects in investment and loans for companies.

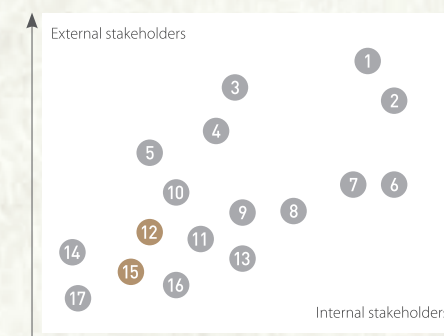
• Sustainability Review

Unlike the environment of the financial market with a high volatility, the environment for air and the earth is challenging to recover once its balance is lost, and is expected to require an enormous amount of cost as a result. As such, multifaceted efforts have unfolded to improve social awareness of environmental management spearheaded by governments and companies in advanced countries, and to improve the social perception to minimize the potential social cost according to climate change.

Performance and Goals

BNK Financial Group recognizes the importance of climate change response and management, and sets specific action plans. We develop financial products to manage diverse economic, social and environmental risks resulting from climate change, and launch climate change countering financial derivatives. As such, we pay attention to responding to environmental changes and impact that we can associate with in our daily lives. We also set long-term plans to rouse the interest and engagement of stakeholders in the society as we strive to respond to climate change through financial products.

• Materiality Test Map



Core Issue. 12	Reducing GHG by countering climate changes and the amount of energy used
Core Issue. 15	Introducing an eco-friendly culture and encouraging the community engagement

Responding to Climate Change and Energy Reduction



Response to Climate Change

Policies and Directions

BNK Financial Group recognizes and manages diverse risks resulting from climate change in tandem with government policies, while securing response directions in the group level on climate change issues. Amid a need for more proactive responses in the financial industry in reducing GHG through climate change response, we have a mid-and long-term review on the environmental management system to manage the data.

System Improvement

We adopted the 'Data Center Infrastructure Management (DCIM)' solution in 2013 to reduce the amount of electricity used in taking up a big portion in GHG emissions and managing it effectively. In 2014, we completed the adoption of the DCIM solution in two spots, that is, the data center and the back-up center of Busan Bank. Consequently, there was energy saving of over 20%, and lower operational costs of over 10%.

Improvement in Data Management

The head branch of Busan Bank adopted a system to manage data including the amount of electricity used on each floor and in each department, which is now up and running. The scope will be expanded in the future by adopting a data management system on the amount of electricity used and GHG emissions for all branches in the group.

Activities and Roles

Setup of the GHG Inventory in the Group

With the increase in the scale of the group after acquiring Kyongnam Bank and the rise in profits, we expect ourselves to be designated as a company subject to the national GHG and energy target management system. BNK Financial Group proceeds to establish a GHG inventory to standardize and manage the status quo of GHG emissions that used to be randomly taken care of within the group. Eight affiliates as well as BNK Financial Holding have conducted the specialized verification from a third party to track the GHG data. Moreover, we are establishing an internal management system for continued and reliable management and reporting of emissions.

Offering Incentives for Climate Change Management

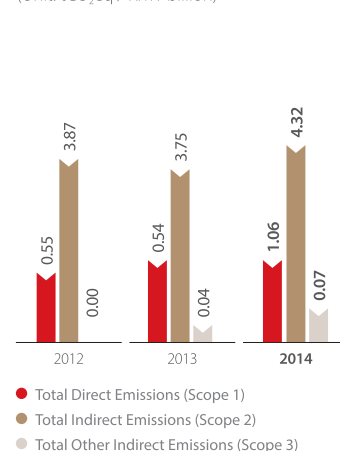
We operate a job proposal system to respond to climate changes to enhance the awareness toward climate changes and the environment, and minimize the environmental impact. Five work-sites, i.e. branches and offices have been selected for saving energy and announcements are made when they come up with best ideas screened through a fair process on a monthly basis. Moreover, extra incentives are paid to selected employees and branches to create a proactive engaging culture for employees.

Launching Products and Services to Counter Climate Change

From 2011 Busan Bank has issued the 'Green Card' as a means to practice green living along with the government. It is a program which includes Korea's major financial companies as well as Busan Bank. It provides mileage points in setting up the platform for the 'Green Card' and acting out green living for consumers in conjunction with eco-friendly product manufacturers and distributors. By doing so, the eco-friendly value chain is completed for green consumption and green production. It also indirectly contributes to the GHG reduction in the non-industrial sector such as general households since the level of emissions accounts for 43% of the national GHG emissions.

GHG Intensity of the Group

(Unit: tCO₂e / KRW billion)



Portion of Sales for Products against Climate Change

6.44 %

20	1. Laying the Foundation for Sustainable Growth	40	4. Suggesting a New Win-Win Growth Model with the Regional Communities
26	2. Providing Customer-Centered Financial Services	48	5. Fostering Financial Specialists
34	3. Responding to Climate Change and Energy Reduction		

Saving Energy

Policies and Directions

BNK Financial Group is not currently mandated to comply with the government's regulation on the GHG and energy target management system. Because of the inherent features of banking operations where the portion of GHG emissions is high mostly due to the usage of energy within buildings, higher energy costs are expected resulting from abnormal climates in winter and summer. As a result, plans are underway to carry on the management directions to establish measures to manage energy over the middle and long-term in the group level.

Managing the Amount of Energy Used

Busan Bank continues to manage the amount of energy used every month compared to the previous year by collecting the information on the electricity used by branch in contractual partnership with Korea Electric Power Corporation. By the end of December-2014, we could save the amount of energy used by 1.62 million Kw and approximately KRW 96 million year-on-year. Moreover, the newly constructed head branch that opened in September 2014 adopted a department-specific energy usage amount management system, and is reviewing on the introduction of a management system for the amount of energy used on a gradual basis.

Activities and Roles

Waging a Campaign to Save Energy and Goods

Busan Bank conducts a bank-wide campaign on saving energy and goods every year. In 2014, the bank waged the 'Big Step 2014 Energy and Goods Saving Campaign' and 'Unlimited Challenge! 2015 Energy and Goods Saving Campaign.' The bank strived to keep the indoor temperature at an appropriate level, save articles of consumption and recycle idle assets. Kyongnam Bank, meanwhile, initiated an energy saving campaign by constraining the usage of elevators in the bank level (a campaign to walk one more floor), turning off the lights that are not used, wearing warm inner-wear to reduce the heating usage in winter, and wearing no neck ties in summer so that use of air conditioning could be reduced. The usage of fluorescent lights in underground parking lots in the head branch is halved, while the number of hours for lighting the signboards for the head branch has been reduced from 24 hours to 23 hours. These efforts prove the bank's execution of measures to save energy.

Acquisition of the Eco-Friendly Building Certification

Various eco-friendly facilities are installed in the newly build head branch of Busan Bank whose construction was completed in 2014. It acquired various certifications awarded for an eco-friendly building, Grade 1 in energy efficiency and Grade 2 in intelligent buildings. Continued efforts will be underway to introduce and improve various systems to reduce the GHG emissions in the future.

Selecting Branches for Intensive Energy Saving

Busan Bank checks if the monthly electricity bills have increased in all branches and offices to select the ones that lag behind in saving energy. The branches that are selected are obligated to submit their annual reduction plans and hold internal meetings on the issues under the drive for making a significant improvement. Branches whose annual electric bills have exceeded 15% are selected as the branches subject to intensive energy saving. The bank's General Affairs Department intensively-monitors the amount of various GHG emissions every month and intensively manages the trends.

Spreading the High-Efficiency and Energy Saving Culture

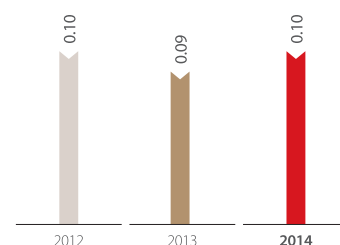
We try to save the social environmental cost by reducing the GHG emissions, while proactively engaging in energy saving policies. These policies are in line with government policies and all employees participate in them. The air conditioning control system is installed in each branch to control the temperatures at appropriate levels: 26°C in summer and 20°C in winter. Optimized energy saving campaigns are waged according to changing seasons so that lights can be turned off except during working hours and in the workplace. Diverse energy saving devices are installed to minimize unnecessary electricity consumption, for e.g.; automatic lighting control timers that automatically turn off the lights in branches after operating hours, counter sensor light saving switches and zone-specific switches. We contribute to lowering the amount of energy used and emissions of GHG resulting from field trips by fully utilizing video conferences through advanced IT systems at the head branch.

Status of Energy Saving

Type	Activities	Amount of Energy Saved
Busan Bank	Increasing the building energy efficiency	Lowering the amount of electricity used by installing LEDs and high-brightness lamps 2,210,410Kw
	Energy-saving devices	Installing energy-saving devices (Air Handling Unit (AHU), hot & cold water circulation pumps, booster pumps) 717,927Kw
	Installing water saving devices	Washbasin faucets in bathrooms, flushing water for wall-hung toilets 1,698m³
Kyongnam Bank	Increasing the energy efficiency for buildings	Reducing the electrical bill by replacing the fluorescent lights in offices at the head branch and outdoor lights with LED lights (lamps) KRW 8,690,000
	Practicing energy saving in daily life	Lowering the number of hours for lighting on signboards as well as turning down the fluorescent lights in underground parking lots at the head branch KRW 22,412,000

Energy Intensity of the Group

(Unit: TJ / KRW billion)



Promises of BNK Financial Group

BNK Financial Group is committed to generating values and scaling up the performance for cost saving based on energy saving policies and activities within the group. We implement the internal review to establish an environmental management system over the medium and long term to manage the environmental management performance and indicators.

Type	KPIs		
	Short-term	Mid-term	Long-term
Reducing GHG	Establishing the GHG management system • Systematically managing GHG by establishing the GHG inventory in the group level	Setting strategies to counter climate change • Establishing strategies and policies to counter climate change in the group level	Reducing GHG emissions • Setting the system for performance management based on GHG emission tracking management and target goals
Saving energy	Monitoring the company-wide energy consumptions • Reviewing the status quo of total energy consumed by affiliates	Establishing strategies for energy response in the group level • Setting strategies and policies for energy in the group level	Expanding energy reduction targets • Expanding the targets for energy saving • Upgrading the management program targets and updating the management programs



Completing the Head Branch of Busan Bank

Busan Bank relocated its head branch to Munhyeon Financial Complex in Busan that aims to serve as the international financial center in November 2014, equipping itself as the head branch befitting its prestige for the group and the bank. The new head branch can now play leading roles in environmental responsibilities in the financial sector by applying environmental standards that exceed the global standards.

Using Eco-friendly Materials that are Harmless for Humans

The building was designed as an eco-friendly one qualified with a high level in the Green Building Certification Standard by excluding materials that contain certain harmful materials to protect the ozone layer and using eco-friendly materials that are not harmful to humans.

Introducing the Intelligent Building System

Web-based real-time monitoring and control are performed for the facilities, and the relevant data is adjusted at the Facility Management System by checking out the amount of energy consumer in real time.

Certified with Grade 1 in Energy Efficiency

The building was constructed to be certified as Grade 1 in energy efficiency, which is rare for a building with curtain walls where the façade of the building is in glass.

Enhancing the Energy Efficiency

Grade 1 facilities in energy efficiency are used by placing various inverter devices, for e.g.; the inverter air handling unit that controls the output of various facilities depending on the internal and external environments, inverter hot & cold pumps and inverter booster pumps. The power consumption is reduced by 20~40% when using these devices against the existing output devices.

Establishing the Energy Recycling System

Cutting-edge environment facilities are in place including the rainwater usage facility system that enables the recycling of rainwater to save new and renewable energies including geothermal energy and water resources.

Creating an Eco-friendly Place for Local Residents

We have created a shelter in a city area for local residents using the eco-friendly green space in the open area outside the building. Trees, movable flower beds, benches and sculptures are installed along with a small fountain, instead of removing the 1F parking space



Aspect 4

4. Suggesting a New Win-Win Growth Model with the Regional Communities



Importance of a New Win-Win Growth Model with the Regional Communities

The growth model of the past that centered on companies and large cities has resulted in a social issue: the imbalance of income and population between large cities and small-and medium-sized cities. A significant gap in culture and welfare has been exposed bare. As a problem shooter, steadfast measures have unraveled along with a greater emphasis on the importance of win-win growth regional communities under the leadership of the government and large enterprises. BNK Financial Group, as a financial group rooted in regional communities, is committed to fulfilling roles in easing such economic and social imbalances and fostering mutually complementary relationships with them.

Crises and Opportunities

• Business Review

At a time when the low growth trend is prolonged, the severity of creative synergies between large enterprises and regional communities has been spotlighted. Wide-ranging growth policies are suggested for balanced development with regional communities spearheaded by companies and the government. In finance, infrastructure investment for community development is induced more and the capital injection from outside flourishes. Continued efforts are poured in by financial institutions to further facilitate the capital of regional communities so that it could be invested in those communities in a virtuous cycle.

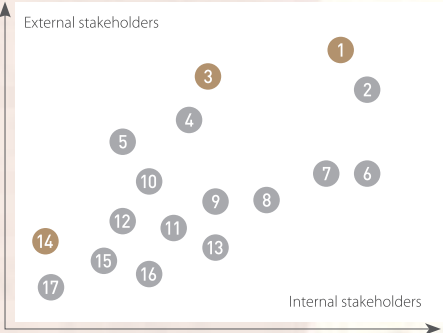
• Sustainability Review

The stable growth of regional communities is essential for corporate sustainability, especially when the corporate growth basis is in regional communities. In this aspect, many community-based companies return a part of income from corporate management to the society and customers through social investment and contribution activities, while striving to forge better ties with them. The scope of socially responsible projects has become broader in pursuit of regional community-focused activities and they have concentrated on presenting practical benefits.

Performance and Goals

BNK Financial Group plans to reconfigure business portfolios through close feedback on socially responsible projects that are continuously carried on and thus sustain the systematic management scheme. Plans are underway to establish a strategy scheme for enterprise-wide social contribution activities and to seek for uniform and pragmatic win-win development with regional communities. Exploration of new specialized social contribution projects that imbue stories and heart-warming sentiments is in our pipeline along with various other existing social contribution activities and financial support projects. Moreover, we plan to enhance the promotional effects through CSR branding.

• Materiality Test Map



Core Issue. 1	Implementing strategic social contribution activities in consideration of social features of regions
Core Issue. 3	Intensifying activities for initiating win-win growth policies with companies within regions
Core Issue. 14	Devising effective social contribution activity plans and managing their performance

Win-Win Development with Regional Communities

Policies and Directions

BNK Financial Group is poised to devise the group's uniform system for social contribution strategies to implement systematic socially responsible projects. To this end, qualitative upgrading of Corporate Social Responsibility(CSR) project will be achieved based on the feedback of the existing social contribution activities, while generating sales synergies by realigning the projects to be linked to income and business. In particular, uniform social contribution strategies will be initiated targeting Busan, Ulsan and the Gyeongnam region to generate business synergies. The two banks will also jointly carry out the existing cultural and art sponsorships and charity programs, and will also conduct new social contribution projects. This will catapult us to come up with a new win-win model with regional communities.

Launching a Practical Unit for Social Contribution

As a regional financial group that has grown together with regions, BNK Financial Group has a strong belief that fulfilling social responsibilities for regional communities is linked to corporate growth and development. In order to conduct more systematic and ongoing social contribution projects, Busan Bank launched the Social Contribution Division, an independent unit titled the Social Contribution Team within the existing Regional Development, and Promotion Division under the 2014 second-half organizational reshuffle.

Activities and Roles

Culture and Art

BNK Financial Group is upgrading its corporate image by engaging in the cultural and art development of regional communities by supporting the sectors, and expands opportunities for the culturally underprivileged in experiencing culture and art. Our cultural and art activities that are highly acclaimed from different walks of life will steadfastly continue on with BNK Financial Group's uniqueness and traditions.

Representative Cultural and Art Programs

Category	Iconic Activities
BNK Financial Literary Award	The award ceremony is organized to enhance regional literati's creative intellect and explore culturally talented people and excellent works within regions. It is our social contribution activity to contribute to balanced development of the regional culture.
Launching of 'MUSE', a Culture and Art Troupe in BNK Financial Group	We launched a cultural and art troupe consisting of five small-scale specialized young music teams that are up and running in Busan, Ulsan and the Gyeongnam regions. We sponsor 50 concerts annually for each team which helps them to build up a stable career and stage performances.
BNK Art Contest for Young Artists	We hold public opening for the contest to sell artworks of young artists, thereby providing indirect jobs to regional young artists.
BNK SSAMZIE Economic Concert	The BNK SSAMZIE Economic Concert presents both a concert and a theatrical performance by visiting elementary schools that are culturally neglected. Visits to 30 schools in Busan, Ulsan and the Gyeongnam region enable us to conduct training on economic knowledge and share cultural activities.

Launching of BNK MUSE



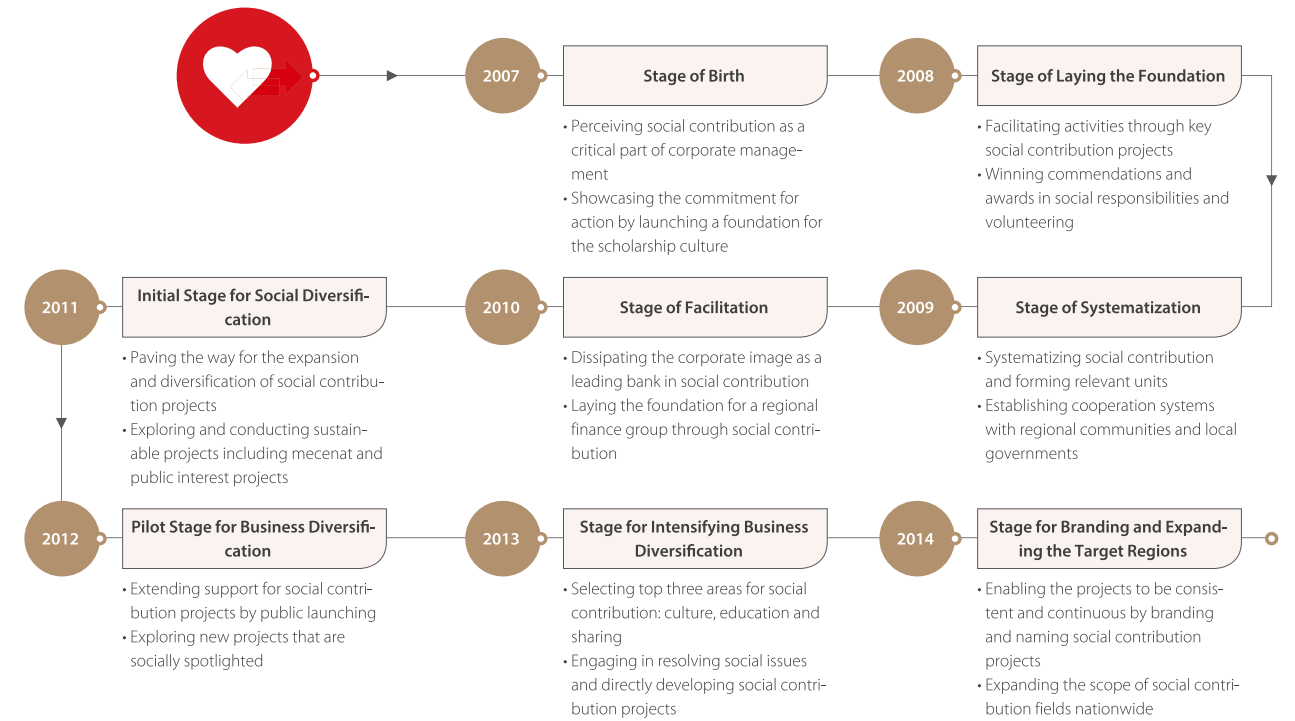
BNK Music Camp Completion Concert



BNK Art Contest for Young Artists



Trends of Social and Cultural Activities



Love Sharing

BNK Financial Group has a deep consideration of the socially vulnerable such as multi-cultural families and low-income households. We dissipate the sharing culture among such socially vulnerable classes by working along with regional communities driven by a continuum of projects and also take part in resolving practice issues facing regional communities.

Representative Love Sharing Programs

Category	Iconic Activities
The Bag of Good Fortunes	With the participation of 900 employees including those at Busan Bank and the group of their family volunteers, 5,000 Bags of Good Fortunes worth KRW 2.5 million and gift certificates worth KRW 2 million for traditional markets were given to 9,000 people in low income brackets in Busan, Ulsan and the Gyeongnam region.
Group Wedding Ceremony for Multi-Cultural Couples	Jointly with the Korean Red Cross Busan Branch, we have carried out Happiness Projects for multi-cultural families since 2012. Wide-ranging events including a group wedding ceremony for 40 couples, a gift of rings for them and the honeymoon program have been conducted for the past three years.
Gifts of Fans for the Underprivileged	We gave 10,140 fans worth KRW 3.2 million to low-income people in Busan, Ulsan and the Gyeongnam region for them to have a cool summer. Since 2008, fans worth KRW 1,180 million were given to 37,000 households.
The Park Expedition	We run 'The Park Expedition' where employees take part as local zoo guides during the opening hours. It is a volunteering activity to help the disabled, children and youths that find it difficult to tour around the zoos alone are guided by them through the one-on-one matching service to ensure their safe tour.

The Bag of Good Fortunes with Happiness



Group Wedding Ceremony for Multi-Cultural Couples



20	1. Laying the Foundation for Sustainable Growth
26	2. Providing Customer-Centered Financial Services
34	3. Responding to Climate Change and Energy Reduction

40	4. Suggesting a New Win-Win Growth Model with the Regional Communities
48	5. Fostering Financial Specialists

Winning the Busan Education Mecenat Towers for Seven Consecutive Years

Busan Bank won the Busan Education Mecenat Towers for seven consecutive years at the ceremony organized by the Busan Education Office at the Busan Chamber of Commerce and Industry on December, 2014. Busan Bank is honorably ranked as the only award winner for seven consecutive times in the region. In 2014, Busan Bank produced a musical titled 'After School' to touch upon teenagers' concerns. The musical was conducted in 50 schools in Busan. Physical exercise goods were also sponsored during each visit. The bank also extended support for lessons and musical orchestration by inviting Korea's top-notch music professors for 120 students at the 'BNK Happiness Music Camp' to foster musical talents in the region. Moreover, annual scholarships worth KRW 613 million were extended in 2014, hinting at our leading roles in donation for education.

Signing an Agreement on Educational and Cultural Donation

BNK Financial Group signed an agreement on educational donation for educating regional adolescents on proper character buildup and fostering creative talents along with the Education Office of Busan Metropolitan Government. We strive for mutual cooperation in facilitating educational donation for regional adolescents by offering financial and career education using amenities such as Busan Bank Financial History Museum, while organizing events to cheer up regional adolescents. We also signed an 'Agreement to Sponsor Cultural Performances' by holding 'BNK SSAMZIE Economic Concert' to easily convey financial knowledge to elementary school students.

Education and Scholarships

BNK Financial Group conducts education and scholarship projects to foster future talents. In other words, we foster the future of our society through continued initiation of education and scholarship projects specialized in each target group of college students and high school students.

Representative Educational and Scholarship Programs

Category	Iconic Activities
BNK Happiness Study Room	Another project of ours is to make 'BNK Happiness Study Room' to improve the environment of regional childcare centers and study rooms that support children of low-income households. We have sponsored the remodeling projects for 24 study rooms in Busan, Ulsan and the Gyeongnam regions in 2014, as well as 16 rooms in Busan in 2013 with the participation of regional construction companies.
BNK Happiness Healing School	We stage performances on such themes as proper relationships among friends and school violence for middle and high school students in the region by creating a musical. Also, we support not only the emotional health of young people, but also their physical health by donating sports goods, including soccer balls and basket balls, every time a school visits to watch such performance.
Development of Global Financial Talents for Busan Happiness Creation	We select 10 Vietnamese high school graduates every year, and sponsor their tuition and dormitory fees for them to complete regular undergraduate schools in private schools in Busan. They are given opportunities of prior employment by taking part in university ambassador activities and internships in Busan Bank. We also have plans to hire these Vietnamese students as local employees prior to other candidates at the Ho Chi Minh Representative Office.

Signing an Agreement on Educational and Cultural Donation with the Education Office of Busan Metropolitan Government



Signing an Agreement on BNK Happiness Study Room

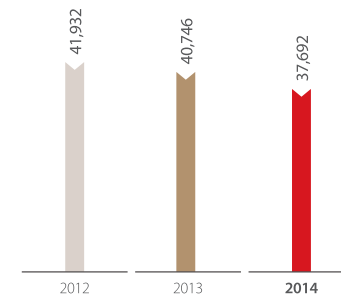


Kyongnam Bank Won Grand Prize on Financial Education



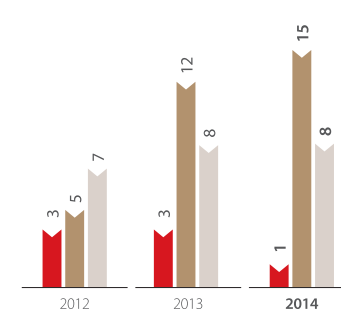
Number of Volunteers for Social Contribution at BNK Financial Group

(Unit: Number of persons)



Number of Employees Exclusively in Charge of Social Contribution

(Unit: Number of persons)



● BNK Financial Group
● Busan Bank
● Kyongnam Bank

New Store Campaign for College Students in Busan, Ulsan and Gyeongnam



Participation in Reviving Regional Traditional Market



Performance of Win-Win Development with Regional Communities

As a regional financial group that has grown together within regions, we strongly believe that fulfilling our social responsibilities for regional communities would always be beneficial for the growth and development of BNK Financial Group. Busan Bank pursues economic supporting projects and develops various social contribution projects to give above 10% of net income to local communities and customers, and used KRW 37.8 billion, that is, 10.48% of net income for social contribution activities in 2014.

Amount invested for social contribution (including micro-financing) (Unit: KRW billion)

	2013	2014
BNK Financial Group	23	0.1
Busan Bank	317	372
Kyongnam Bank	159	134
BNK Securities	0.07	0.21
BNK Capital	0.83	0.4
BNK Savings Bank	2.45	2.3
BNK Credit Information	-	0.1
BNK System	-	0.12
TOTAL	502	509

Regional Communities

We extend practical help to regional communities by employees proactively participating in social contribution activities. We also sponsor a lot of external charity programs, thus resolving regional social issues, forging trust with local residents and seeking for more engaging communication.

Representative Regional Community Programs

Category	Iconic Activities
New Store Campaign for College Students in Busan, Ulsan and Gyeongnam (Bu-Ul-Gyeong)	The management support volunteer group consisting of university students and the mentors consisting of business management experts provide various ideas to improve the management of the small business stores and their owners. The participants can learn the know-how for systematic start-up in the future, thereby achieving win-win development for everyone.
Promoting the Use of Traditional Markets	Employees of all affiliates of BNK Financial Group buy gift certificates for traditional markets to revive the regional traditional markets. We also provide credit card payment terminals there and promote them in our branches. We also plan to launch a website to introduce our branches within the markets, and offer GPS and mobile search functions for the same.
Creation of Jobs for Youths and Support for their Start-up	BNK Financial Group runs various support programs such as business start-up contests, summer camp for business start-ups and joint brand promotional support for young entrepreneurs in Busan to lay a sound foundation for young entrepreneurs. By selecting 'Young Hopes Store', a program to wish success to young people in their business start-ups, we provide practical support including consulting services and financial advice on starting up a business.

20	1. Laying the Foundation for Sustainable Growth	40	4. Suggesting a New Win-Win Growth Model with the Regional Communities
26	2. Providing Customer-Centered Financial Services	48	5. Fostering Financial Specialists
34	3. Responding to Climate Change and Energy Reduction		

Win-Win Growth with SMEs and Financial Support for the Working Class

Policies and Directions

BNK Financial Group is a representative institution to support SMEs in Republic of Korea. We take leadership roles for win-win growth with SMEs while assisting their sound growth under the challenging economic environment. Financial support is extended to holders of high-interest debts, small-scale entrepreneurs and the financially neglected among low-income households. Moreover, our wide-ranging efforts are underway to facilitate the regional economy through job creation and comprehensive financial support programs.

Activities and Roles

Developing Financial Support Specialized in Regional SMEs

Busan Bank runs the 'Big Step 2014 Special Loan for SMEs,' a win-win fund worth KRW 1 trillion to support SMEs that are financially struggling due to the economic downturn. The fund has reinforced the regional economy by extending KRW 700 billion to 930 local native enterprises of various types such as those involved in strategic industries in Busan, Ulsan and the Gyeongnam regions, and tech-savvy SMEs and tenants in promising industrial complexes. Moreover, we proactively strive to come up with diverse supporting measures beyond mere financial support, for e.g.: creating jobs to resolve the labor shortage setback for SMEs, and extension of the Win-Win Growth Fund along with mid-tier enterprises. As a consequence of such passionate support for SMEs, we won the presidential award at the '19th SME Financial Support Award' on December 10, 2014.

Strengthening Financial Support Specialized for SMEs and

Kyongnam Bank addresses financial hurdles for SMEs in consideration of specific characteristics of 2,270 SMEs as tenants in the Changwon National Industrial Complex. Under our management philosophy that a company is like a living creature, we make steady visits to corporate sites where we listen to complaints and suggestions shared by entrepreneurs and come up with valid supporting measures at the 'One-Stop Information Desk for Corporate Finance.'

Services offered

As of 2014-end

Title of Projects	Content	Performance
Win-Win Growth Loan for SMEs	A special support fund for strategic industries for local governments and companies engaged in the creation of knowledge convergence	KRW 844.8 billion
Big Step 2014 Special Loan for SMEs	A special fund for tech-savvy SMEs and companies engaged in strategic industries designated by local governments	KRW 700 billion
Warehoused Fishery Finance	Specialized products extending financing with fisheries as collateral, e.g. fisheries loaded in carriage vessels and warehoused fish	KRW 654.1 billion
Partner Loan	A financial product supporting SMEs with high growth potentials	KRW 834.5 billion
Free Management Consulting for SMEs	Extending consulting services necessary for corporate management, e.g. succession of family business, taxation, legal matters and foreign exchange risks	90 cases by Busan Bank 21 cases by Kyongnam Bank

Presidential Award at The '19th SME Financial Support Award'

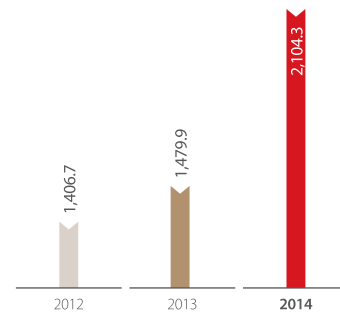


Agreement to Support SMEs for their Stable Management Activities



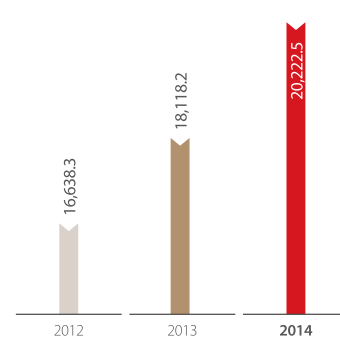
Amount of Increase for SME Loans at Busan Bank

(Unit: KRW billion)



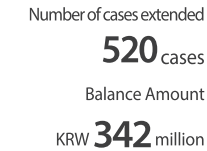
Balance of SME Loans at Busan Bank

(Unit: KRW billion)



Scholarships for Employees' children in SMEs Performance records

(as of 2014-end)



BNK SMEs Scholarships for Employees' children



Award Ceremony for Excellent Employees in Partner Companies



Intensifying Microcredit Services

(as of 2014-end, Balance amount of loans)

	New Hope Seed Loan	A loan product to enhance our roles as a regional bank in the society and thus provide better finance to the working class through microcredit service loans for workers and entrepreneurs whose annual income is below KRW 40 million	KRW 120.1 billion
	BNK Baronuri Loan	A loan product to reinvigorate microcredit services needed for stable living through financial support targeted at small-scale entrepreneurs and individuals whose credit rating is low	KRW 7.7 billion
	BNK Change Dream Loan	We extend microcredit services by converting loans of high interest of over 15~20% a year held by low-credit households and the self-employed in a small scale from loan companies, savings banks, hire-purchase finance houses, etc. into low-interest ones.	KRW 19.8 billion
	BNK High-Interest Conversion Loan for Youths and College Students	We convert loans of high interest of over 15~20% a year held by youths and college students from loan companies, savings banks, hire-purchase finance houses, etc. into low-interest ones.	KRW 0.8 billion

'Award Ceremony for Excellent Employees in SMEs' on Labor Day

Kyongnam Bank held an award ceremony for 50 excellent employees among those in SMEs on the Labor Day. We support employment stability in regional SMEs by boosting their work morale for excellent employees at SMEs.

Promises of BNK Financial Group

BNK Financial Group seeks to strengthen the business impact and enhance business profits as well as social benefits by carrying out strategic social contribution activities. Over the long haul, our social contribution projects will be made more systematic. To this end, we will establish a strategy system in the group level and boost the linkage with our business activities, thus generating synergies among social contribution activities. Support for SMEs and entrepreneurs in regions will reinvigorate the regional economy and strengthen soundness and stability in the economy for the working class.

Type	KPIs		
	Short-term	Mid-term	Long-term
Strategic implementation of social contribution activities	Strengthening mecenat projects for the cultural and art development • Spreading mecenat projects widely and intensifying activities linked to charity projects	Spearheading the development of social contribution activities • Developing engagement projects to resolve social and pending issues	Branding social contribution activities and spreading them out • Establishing an exclusive social contribution brand by continuously initiating key projects by social contribution sector
Extending economic support for small entrepreneurs and the self-employed	Creating jobs for youths • Organizing youth start-up contests and start-up camps on end	Increasing the amount of loans for the self-employed • Expanding business operation funds for the self-employed and loans for stable livelihood	Developing models for extension of support • Establishing an exclusive business model by strengthening consulting capacities for youth start-ups and the self-employed
Developing finance specialized in SMEs	Expanding support for local native companies • Expanding the scale of Big Step 2014 Special Loan for SMEs	Continuously increasing loans for SMEs • Maintaining the balance for SME loans worth KRW 20,000 billion	Developing models to explore SMEs • Exploring competent SMEs with potentials for win-win growth and developing models to extend support to them

20	1. Laying the Foundation for Sustainable Growth
26	2. Providing Customer-Centered Financial Services
34	3. Responding to Climate Change and Energy Reduction

40	4. Suggesting a New Win-Win Growth Model with the Regional Communities
48	5. Fostering Financial Specialists

Aspect 5

5. Fostering Financial Specialists



Importance of Fostering Financial Specialists

In order to offer high-quality financial products and services to consumers, corporate growth and competent human resources need to be secured and fostered. Competent HR is a strong competitive edge as it is, and it requires hard work to attract excellent talents and create a better working environment. BNK Financial Group carries out continued investment to make improvement for a transparent recruitment process and sound HR development and welfare conditions to further develop the human capital.

Crises and Opportunities

• Business Review

The goal to achieve higher growth by securing financial specialists and developing their capacities for expertise in the global financial market is gaining more weight regardless of time and space in the financial industry. Accordingly, the demand for competent financial talents has been always high, and competitions to attract them have flourished, which leads to high cost and strong efforts to attract and retain a specialized workforce. On the other side of the coin, there are concerns over the utility in suggesting visions to highly paid financial specialists and maintaining such workforce amid the shrinkage in investment conditions due to the downturn in the financial market as in the global financial crisis.

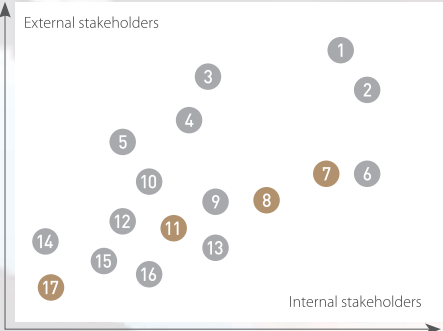
• Sustainability Review

It has become relatively easier to secure competitiveness over the financial capital amid globalization and the importance of ICT. However, it is time-consuming to secure and develop competent human resources. Training specialists might offer long-term and continuous comparative advantages for companies which cannot be easily copied by their competitors. Therefore, companies need to recognize their competitive edge equals that of all human resources comprising the companies, and thus make extra efforts to steadfastly develop the expertise of their employees.

Performance and Goals

BNK Financial Group secures excellent HR through competency-based recruitment and a decent working environment while offering them training opportunities befitting employees' demand and reflecting latest trends. We also seek to boost morale in their self-development by heightening their satisfaction and involvement in the organization. We plan more endeavors to develop and maintain financial specialists as the core growth engine to help us grow further as 'Global Super Regional Financial Group' over the long haul.

• Materiality Test Map



Core Issue. 7	Intensifying the welfare benefit system for employees
Core Issue. 8	Devising training programs to boost employees' competencies
Core Issue. 11	Establishing and improving a fair and transparent performance evaluation system
Core Issue. 17	Embracing employees' complaints and grievances, and facilitating the Ombudsman system

Fostering Financial Specialists

Intensifying Employees' Competencies

Policies and Directions

BNK Financial Group does the utmost to foster passionate and creative financial specialists through systematic training for the core workforce. Top talents are secured through fair evaluation as well as the open recruitment scheme, and customized training is provided in tandem with their individual capacities. By providing opportunities for their voluntary self-development, we plan to spread the perception throughout the group that talents are a precious corporate asset and a future growth engine.

Developing Global Talents

Busan Bank implemented the 'One Hundred-Year Plan for Talents' as a program to develop talents so that they could be equipped with global competitiveness. It is a program to foster future talents by injecting KRW 10 billion for three years to strengthen the specialized competencies and foster global talents. Busan Bank will solidify its regional and global presence as a bank by launching several initiatives: an integrated course to strengthen employees' work competencies through the scale-up of financial training and MBA courses, language proficiency courses and the launching of overseas finance experiencing teams.

Implementing the Program to Foster Corporates

We conduct a capacity build-up program by sectors such as management planning, loan and marketing for corporates, and a group of candidates for corporates. The results of the program are comprehensively evaluated through years of management performance and leadership. The program is expected to be spread to non-banking affiliates after first being applied to the holding company and banks in the group to beef up competencies of all corporates in the group level.

Strengthening the Development of Core Specialized Workforce

We plan to continuously initiate a program to develop specialists in five future growth areas for the group including ship finance, derivatives financing and new growth projects. Training opportunities in five core programs and investment in training will be expanded to foster core financial talents that lead the future of the group.

Offering Prior Training for Workforce to be Dispatched Abroad

We offer overseas OJT training and other training programs to benchmark advanced financial institutions in Japan, Hong Kong, Singapore, etc. through business operations to develop global financial specialists. Moreover, we foster financial specialists in other countries by taking part in specialized courses in foreign universities. This type of local-specific talent development policy is conducive to the business activities of our existing customers' overseas subsidiaries, and branches and companies that have advanced to overseas markets.

Activities and Roles

Operating the Financial MBA Courses

Seeking to foster financial talents with expertise, we sponsor about 10 financial talents in Busan Bank every year in conjunction with Graduate School of Management at Pusan National University. Sponsored courses are master degree ones on finance, securities and futures. We also sponsor employees to attend Korea Maritime University's ship finance course for them to gain expertise in derivative finance, while partnering the financial MBA course at KAIST(Korea Advanced Institute of Science and Technology).

Ceremony for new employees, 'Ribbon toward Dreams'



Talent development program, 'One Hundred-Year Plan for Talents'



Current Status of Busan Bank's Training Programs

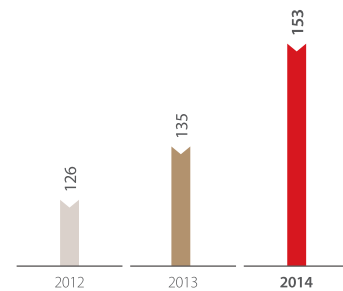
(Unit: Number of persons)

Type	Number of participants
Training by job rank	341
Training by job type	16,329
CS training	1,754
Other training	1,857

Number of Training Hours per Employee

(Unit: hours/individual)

Busan Bank



Dream High Hanmaeum Contest



Transparent Performance Assessment

Conducting a Mentoring Program

We have designated employees with ranks equal to or higher than assistant managers as mentors for new employees. Starting with 41 mentor-mentee pairs, about 850 pairs are working together and they conduct mentoring activities more than once a week for a year. This helps new employees to adjust faster to the organization and job competencies and also offers opportunities for growth potentials.

Mileage Point System for Course Completion

Busan Bank operates the mileage point system for course completion whereby mandatory courses are offered with mileage points designated for each job rank in order to boost employees' capacity buildup. Moreover, 120 hours per year are mandatorily imposed on each individual as the bank strives to reinforce capacity buildup for individuals and its organization.

Policies and Directions

BNK Financial Group is equipped with rational and diverse performance evaluation and compensation systems, offering opportunities for fair compensation and growth to employees. We foster them further by enhancing their motivation and job involvement, which also contributes to the development throughout the organization. We take the lead in improving the group-wide performance evaluation and compensation system by gradually narrowing the discrepancies between the two banks in terms of wage and welfare, and unifying the performance pay scheme.

Activities and Roles

Rational Performance Evaluation

Our performance evaluation scheme has become more efficient to help scale up the employees' contribution to performance and involvement in their work. The frequency of performance evaluation was changed from the yearly basis to the quarterly one so that more accurate performances can be reflected. The organization at the head office sets strategic tasks for target management in consideration of department-specific features, which is reflected in performance evaluation through the key performance indicators. Then, its branches distinguish and evaluate key performance indicators in a differentiating manner by setting targets in consideration of environmental factors so that complaints on jobs collected from employees is reflected in the performance evaluation system.

Measurement of Social Performance

We evaluate the performance of socially responsible projects linked to our business activities. Results of implementing management innovation tasks including the evaluation for social contribution performance and contribution to the establishment of corporate culture are reflected in measuring performance. This leads to the evaluation of values for non-quantifiable activities beyond the achievement of business performance by employees, which is then reflected in performance so that more objective evaluation could take place.

Fair Compensation System

Comprehensive review is made on the results of systematic performance evaluation and employees' contribution level on performance. Based on the results, wide-ranging compensation is offered to employees including profit sharing, incentives and commendations. Besides these, we offer commendations and incentives to employees with outstanding performance in various campaigns including the Hanmaeum Contest and also those with excellent promotional performance, thereby improving the motivation of employees. We also give additional points for performance evaluation.

Non-discriminatory Work Environment

Policies and Directions

BNK Financial Group promises on employment security to provide a stable work environment for employees. We prohibit child labor and forced labor in compliance with the Korean laws and provisions in the International Labor Organization (ILO). We also prevent discrimination on the basis of gender, religion, work type, and employment of the underprivileged, their appointment, promotion and training. We aim to create a sound and non-discriminatory working environment.

Activities and Roles

Non-discriminatory Employment of New Employees

Busan Bank recruited 14 high school graduates from specialized high schools in 2012, 19 in 2013 and 23 in 2014. The bank held a job seminar in the financial sector for students in specialized high schools, introduced the latest job search trends in the sector and conducted pilot interviews, garnering positive feedback from students and regional communities. The number of the disabled employees are rising, and their work environment is being improved through quarterly meetings with disabled employees to review their complaints. Prior employment for regional residents also takes place. As such, the bank contributes to employment security for people in different walks of life and contributes to the vibrancy in the economy.

Conducting the BNK Hope Internship

We implement the BNK Hope Internship for various talents. Candidates may vary from Korean students to the socially vulnerable and foreign exchange students. We gave regional talents opportunities for their career search and contributed to creating jobs in regions. In 2014, 20 interns were recruited from specialized high schools so that more high school graduates could get employment. In January 2015, we recruited 10 interns from such schools, thereby expanding the recruitment scale compared to the previous year.

Fostering Female Managers

BNK Financial Group conducts the employee evaluation through a fair and transparent procedure. We ensure non-discrimination by gender or for disabled employees by complying with the Labor Standards Act and the Act on Equal Employment. In 2014, we had no female executives but this is due to the absence of candidates under the seniority system. We plan to increase the portion of female managers through the female executive quota system in mid-long term.

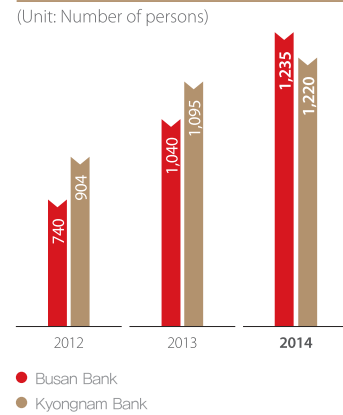
Selected as a Company of Excellence in Gender Equality in Employment

Kyongnam Bank selected as a company of excellence in gender equality in employment makes multifaceted efforts to improve its work environment so that woman employees could exert their capacities as much as they can. Female employees are encouraged to take part in various training sessions to build up their skills required for the manager level as the bank extends full support for their self-development. Kyongnam Bank won the prime ministerial commendation in 2014 by being designated as an 'Excellent Company in Gender Equality in Employment' in the overall evaluation categories: performance on improvement in employment of women, gender quality in capability buildup, maternal protection and support for work/life balance.

Status of Employees by Contractual Form at Busan Bank



Accumulated Number of Interns



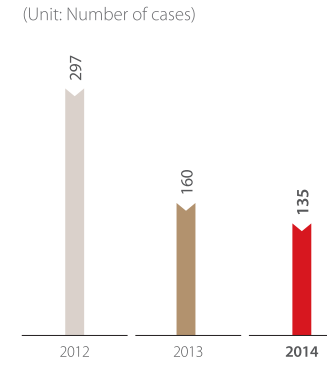
Status of Employing the Socially Vulnerable at BNK Financial Group in 2014

Type	The Disabled	Patriots and veterans
Busan Bank	4	11
Kyongnam Bank	5	6
BNK Savings Bank	-	1
BNK Credit Information	-	1

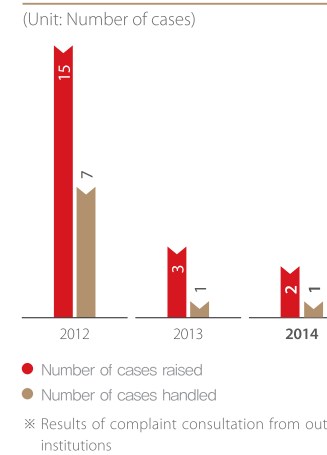
Ratio of the Socially Vulnerable Employed at Busan Bank

Type	2012	2013	2014
The disabled	1.98	2.16	2.17
Patriots and veterans	5.85	5.84	5.71

Number of Handling Complaints at Busan Bank



Current Status of Handling Complaints at Kyongnam Bank



BNK Young Board's Group Promotion Activity



Employee Engagement and Communication

Policies and Directions

BNK Financial Group reinforces the system for employees to participate in corporate management to create a more vibrant working atmosphere and to induce changes and innovation in the organization. Participation in management is encouraged through various activities and employees propose innovative ideas. This contributes to the development of corporate culture, and establishment of a forward-looking corporate culture.

Operation of the Labor-Management Council

BNK Financial Group stipulates the Collective Agreement and the operation regulations of the Labor-Management Council for the three labor rights, including the right to organize, the right to bargain and the right of collective action. Busan Bank and Kyongnam Bank have an official labor union with full-time unionists and runs the Labor-Management Council that meets every quarter.

Improvement of the Working Environment

BNK Financial Group's specific initiatives include the prevention of ungrounded restructuring, and improvement in the current discrepancies between employment security, wage and welfare. We also reinforce business capacities by realigning the mid-term HR supply and demand plan for Kyongnam Bank and Busan Bank and reallocating the surplus labor in a head office to branches under business-centered strategies. The holdings company and affiliates take the lead to give notice to workers on any critical changes in business 60 days prior to the execution, and adequate consultation with the labor union must take place, thereby protecting the workers' rights.

Activities and Roles

Conducting the Work Proposal System

Busan Bank and Kyongnam Bank conduct a work proposal system to listen to employees' requests including proposals for improvement on work and welfare. The ideas suggested through the system are applied to work improvement after the evaluation of proposal reviewers consisting of managers in different departments. For those that proposed excellent suggestions, such commendations as overseas training are delivered.

Operating the BNK Young Board

Busan Bank and Kyongnam Bank operate the Young Board to improve the corporate culture to be creative and innovative. The board members are those whose job competencies have been verified at the departments of the head branch and sales branches, serving their roles as communicators for internal and external communication while suggesting ideas for management innovation. The Young Board of Busan Bank and Kyongnam Bank carry on mutual exchange programs every year. They conducted a joint promotion program that heralds a new start for BNK Financial Group in April 2015.

Operating the Ombudsman Channel

BNK Financial Group operates the ombudsman channel called 'Meoshirago'. Busan Bank listens to employees' complaints through two exclusive channels, that is, the hotline of 'Angel Call' and the online bulletin of 'Meoshirago'. If there is a request for ombudsman consultation, we conduct one-on-one interviews by visiting in person and the interview details are reported to the executives to be reflected in making improvements. In 2014, Busan Bank had 135 complaints registered in total, while Kyongnam Bank resolved 31 complaints out of 60 internal ones and 2 external ones.

Welfare Benefits for Employees

Policies and Directions

We do the utmost to make 'a happy workplace for employees.' To this end, we practice happiness-oriented management for work/life balance and health management and improvement programs covering both physical and mental health. Under the group core values of 'communication and trust', communication channels between the CEO and employees are reinvigorated. As such, an advanced work environment is in place where mutual trust is scaled up based on common goals.

Activities and Roles

Health Management and Disease Prevention for Employees

Busan Bank stipulates regulations on improvement of employees' health. Its diverse health management programs are up and running: annual health check-ups, collective subscription to personal injury insurance, payment of nursing fees, reimbursement for medical fees, and operation of the anti-smoking and diet fund. Busan Bank runs the health management service room to offer customized health management service for employees, regular health check-ups and health information. Two health keepers are available to prevent the musculoskeletal disease for employees. The bank built a fitness center within the head branch for employees to work out with the help of professional health trainers.

Creating a Women-Friendly Environment

Busan Bank runs various programs for women to ease their burden from childbirth and child raising. These include flexible working hours for pregnant employees, assigning workplace near the homes of female employees who are returning to work after maternity leave, and offering gifts at the time of child birth. Kyongnam Bank runs the Working Mom First Program and Would-Be Mom Supporters Program to help female employees work in a burden-free environment with regard to childbirth and childcare.

Running In-house Childcare Centers

Busan Bank offers 'BNK Family Birth Gifts' to employees on childbirth. The bank has run in-house childcare centers since 2011 to ease the childcare burden for employees. In 2015, the 'Haeundae Childcare Center' which is the second one of its kind opened, and the third is set to open in Geumjeong.

Holding the Family Experience Program

Busan Bank runs 'BNK Weekend Farm' and 'Refreshing Parents Class' to foster happiness in family. Family love is deepened through diverse experience programs for family members such as wetland experience, camping experience, etiquette class, cheese making, maple leaf sightseeing and job experience. Kyongnam Bank, meanwhile, offers a camping program ('Dad! Let's Go Together!') with its employees and their children to spread a camping culture where communication and bonding with family members are enriched through various experiences.

Facilitating Communication with the CEO

Busan Bank runs channels to forge trust between employees and the top management. The 'Cultural Events with the CEO' and 'Gonggam Madang' are held every month where they watch films, plays and other cultural events for networking and communication, thereby enhancing the employee satisfaction. The bank also organized the 'Communication Relay with the CEO, Mr. President~ I Have a Question' to facilitate the corporate culture so that voices from branches could be heard.

Cultural Events with the CEO

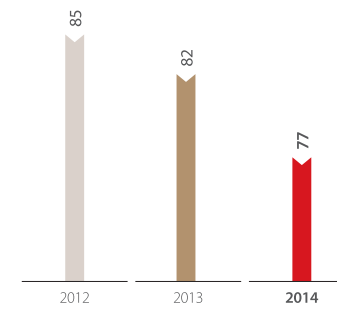


Mr. President~ I Have a Question!



Results of the GWP Employee Satisfaction Survey

(Unit: points)



※ As for Busan Bank

Records of Reemploying Retired Employees

As of 2014-end, (Unit: Persons)

91 persons

Guaranteeing Economic Conditions for Retired Employees

A life design program in the post-retirement life is offered for retirees. Their stable elderly living is supported by empowering their recipient rights for retirement benefits by adopting the retirement pension system. Moreover, jobs were offered to them through re-employment of retirees, while guaranteeing stable economic conditions in the post-retirement stage for them. As of 2014-end, there has been no layoff resulting from corporate restructuring or reshuffle.

Prized for the Top 100 Companies for Great Work Place in Korea

Wide-ranging employee programs are up for grabs at Busan Bank to make a joyful and decent workplace. A lot of efforts take place to strike a work/life balance, ranging from childbirth, childcare and educational subsidies to family-friendly programs like family experiences. Experience programs such as family camping, wetland experience, farm experience and history experience, in particular, which differ by month are greatly acclaimed by employees. As a result, Busan Bank has been prized for the 'Top 100 Companies for Great Work Place in Korea' by GPTW, a global consulting firm.



Received the Moran Medal of the Order of Civil Merit

Kyongnam Bank received the Moran Medal of the Order of Civil Merit in recognition of contributions made in spreading the culture of social considerations for pregnancy and childbirth, while improving work/life balance systems on the 'Population Day in 2014'. This contributed to enhancing the bank's image and boosting the morale of employees.



Promises of BNK Financial Group

We seek to achieve 'HomeFunny (Home + Fun + Company)', a workplace where work/life balance is struck. To this end, family experience programs and working mom support programs will continue on and in-house childcare centers will increase up to five. Diverse programs will be expanded to improve employees' mental and physical health. We also hope to forge mutual trust through communication and create a participatory corporate culture. As a result, a culture of exchanging compliments and encouragement will root down, heart-to-heart communication programs will scale up and the employee satisfaction will be managed through indexation, thereby steadfastly managing the employee satisfaction.

Type	KPIs		
	Short-term	Short-term	Long-term
Establishing a system to foster financial talents	Strengthening global competencies • Developing the global competency buildup program with the entry of projects abroad	Suggesting career growth paths • Developing competent specialists by developing job-specific customized career growth paths	Evaluating the productivity of human capital • Establishing a model to evaluate the productivity of the human capital vis-à-vis making investment in training
Creating an excellent working environment	Making the work network more efficient • Preventing inefficiencies in work thanks to the network integration among affiliates	Operating the labor union • Increasing the subscription rate to the labor union for employees in the holding company and affiliates of the group	Enhancing the score for GWP review • Raising the employee satisfaction by upgrading the work/life balance

20	1. Laying the Foundation for Sustainable Growth
26	2. Providing Customer-Centered Financial Services
34	3. Responding to Climate Change and Energy Reduction

40	4. Suggesting a New Win-Win Growth Model with the Regional Communities
48	5. Fostering Financial Specialists

Core Aspects in the Previous Report



History on the Reporting Aspects

BNK Financial Group decides on the reporting aspects based on the results of the materiality test process every year, which is then shared with stakeholders. In case the core aspects reported in the previous year are excluded in the materiality aspects of the current year, we include additional pages to thoroughly report on continuous management and whether the previous goals have been met.

Protection of Financial Consumers

There has been an increasing social demand and interest in the information protection of financial consumers. Accordingly, BNK Financial Group intensifies comprehensive supervision and monitoring by developing measures for managing personal financial information to protect financial consumers. We focus on protecting the information of financial consumers. For instance, we operate the Intranet detached from the outside Internet network and adopted the 24/7 security system at the newly built IT center, thereby fighting against attempts to leak personal information.

A Response Team for the Protection of Financial Consumers

We launched a consultative body under the supervisor for the protection of financial consumers and regularly operate it for effective consultations within the bank on the same issue. The Financial Consumer Protection Council generates the best outcome for the protection of financial consumers by setting policy directions and basic plans for the protection of financial consumers, improving the institutions and sharing the outcome of complaint analysis.

Representative Activities for Financial Consumer Protection

Fraud Detection System

We manage stability in electronic financial transactions against new financial scams resulting from voice phishing and malicious codes. We also operate the fraud detection system to prevent electronic financial scams using big data, establish the relevant system and secure operating capabilities. The fraud detection system enables us to utilize and analyze big data solutions including past financial transaction logs and PC security control logs. When illegal withdrawals are suspected upon real-time money transfer, there is the ARS authentication process for the customers. If they turn out to be illegal withdrawal attempts, they are automatically shut off and customers are notified of the detection.

Manual for Financial IT Services against Crises

In the financial IT service response manual, there are crisis alerts, guidance on countering and deciding on crises and specifics on the system of implementing crisis management operations. We implement responsive activities by stages of interest, cautiousness, warning and high severity, etc., while managing and assessing items of crisis signals as counter measures against each alert level. We are fully aware that adequate measures could be taken against various crisis response situations including natural or technical disasters.

Review of the Information Security Standard (ISO27001)

We continuously manage and run the information protection management system pursuant to the ISO27001. We analyze weaknesses for e-finance facilities in accordance with standards for the protection of IT. We also strengthen the review for the information protection management system based on amendments of the related regulations and implement the plans based on the outcome of the weakness check.

Stronger Customer Identification Capabilities

We provide a service to reinforce the customer identification capabilities based on security certificates and authentication certificates if a customer's online account is opened. Security is beefed up through various schemes: 'My Own Image Service' enabling the identification of a customer's log-in in a certified website by indicating the image designated by a customer; 'New Account Designation Service for Deposit' setting the ceiling on the amount that can be deposited in an undesignated account, while enabling the money transfer only to registered deposit accounts; and 'Authentication through Graphics' for authentication based on modifiable image combinations are a few of them.

Anti-Voice Phishing

We run a task force to counter voice phishing. The task force established a monitoring system to prevent voice phishing, conducted periodic improvement activities and adopted efficient preventive techniques. In 2014, we prevented a total of 270 voice phishing cases, thereby blocking the customer damage worth about KRW 3.7 billion.

Anti-Money Laundering Program

Busan Bank and Kyongnam Bank run an anti-money laundering program as due diligence to ferret out customers with risk potentials. We thoroughly prescribe regulations through a manual on job operations so that financial services are not used for funds being suspected to be managed for money laundering and terrorist activities, and established the Anti-Money Laundering (AML) system. We set and manage the cycle to reaffirm on the obligation of customer identification depending on customer risks. If the level of risks goes up upon monitoring transaction, we fulfill the duty of care for customers.

Training on Financial Accident Prevention

At Busan Bank and Kyongnam Bank, the heads of each department, division and branch train on the prevention of financial accidents for employees once a month. In the training course for each rank of the bank's employees, they are mandated to complete the training on financial accident prevention, especially the relevant job training for employees.

Information Protection Training for Employees

We seek to enhance all employees' security awareness and strengthen emergency response capabilities pursuant to the 'Standard on Information Protection in the IT Sector'. To this end, a certain number of hours of courses are offered to employees such as basic character build-up in information protection ethics by job title; basic knowledge on security by job type; and a course on IT security experts. Training on security is delivered to those in IT departments, covering major security equipment handling, trends on malicious codes, and security issues within the financial sector.

Major Performance and Continuous Operations (Busan Bank, Kyongnam Bank)

KPI	Year	Performance				Future Objectives			
		2012	2013	2014		2015		2016	
		Busan Bank	Busan Bank	Busan Bank	Busan Bank	Busan Bank	Kyongnam Bank	Busan Bank	Kyongnam Bank
Number of Suspicious Transactions Reported (anti-money laundering)		450	521	836	644	920	700	1,000	770
Number of Cases Reported on High-amount Cash Transactions		100,638	108,162	111,961	62,628	123,000	68,000	135,000	75,000
Status of the Prevention of Financial Phone Scams (Unit : times, KRW million)	Records	92	99	270	75	290	83	320	90
	Amount	2,314	1,600	3,699	550	4,000	600	4,400	660

HAPPY FINANCING, TOGETHER PRACTICE

Happiness with You by Acting Together

Busan Bank

It is a representative financial group of Korea that make a new future in economic zone of Asia.

Kyongnam Bank

It is a native bank representing the Gyeongnam and Ulsan regions giving 'Happiness to Customers and Hopes to the Regions'

BNK Savings Bank

It is a financial company specialized in microcredit extending deposits and loans for the working class.

BNK Securities

It is a comprehensive securities company established to facilitate the regional financial industry and the capital market.

BNK Capital

It is a financial company specialized in loans focusing its financial competencies on microcredit service.

BNK System

It is a financial IT company offering financial IT services.

BNK Credit Information

It is a credit information company specialized in loan review through seasoned experiences and professional consulting.

Busan Bank

Busan Bank will lay the foundation for your greater happiness and hopes.

Busan Bank achieved stable growth by improving the customer value through community-oriented business and streamlining corporate management earlier than others even amid the challenges of unprecedentedly low growth and low interest rate. As a result, the bank could further solidify its presence the leading regional bank. The bank will upgrade its overall capabilities, innovate the management structure to intensify its competitiveness and fulfill its given roles in the financial sector. This will create a virtuous cycle of win-win growth to enhance the regional, customers' and the bank's values and help the bank in being your reliable partner. The bank will promise to be with you at all times with 'Happiness with You' giving greater happiness and hopes for the future by proactively fulfilling socially responsible management.



President of Busan Bank, **Se Whan Sung**

Company Introduction

Busan Bank is a representative local financial institution that has grown together with the region for forty-eight years since its foundation in October 1967, to revitalize the local economy. Even during the 1997 financial crisis and global financial crisis, the Bank could withstand the crisis through localized business strategies. As of 2014-end, the Bank became one of the best regional banks with its total assets of KRW 51 trillion (including trust accounts), net income of KRW 355.2 billion, 272 branches and 3,374 employees. Moreover, Busan Bank set its mid-and long-term management goal for 2015 as 'Visions 2017: Busan Bank of Korea as A New Future in Asia's Finance.' The bank continues to strive to become a global company under the new goal.

Company Information

Date of Foundation	October 10, 1967
Shareholders' Equity	KRW 4,405.6 billion
Headquarters Address	30, Munhyeongeumyung-ro, Nam-gu, Busan Metropolitan City
Employees	3,374 persons
Homepage	www.busanbank.co.kr

Achievements of Sustainability Management

<p>Win-Win Management</p>	<ul style="list-style-type: none"> Revitalizing the Regional Economy Leading the Support for Technological Finance 	<p>The bank formed a fund worth KRW 500 million for financial support for companies that have been relocated to Busan, and dispatched its employees to Busan Metropolitan Government to attract new companies to the city. For the first time as a regional bank, the bank launched 'BNK Loan for Creative and Innovative Companies', an exclusive product for technological finance in August 2014, which has been extended to 106 companies with KRW 52.3 billion as of December-end, 2014.</p>
<p>Customer Satisfaction Management</p>	<ul style="list-style-type: none"> Operating the Financial Consumer Protection Department Preventing Voice Phishing 	<p>The bank listens to the voices of customers, improves processes and takes preventive measures by running the Financial Consumer Protection Department. The bank established the Fraud Detection System for the first time as a regional bank in 2014, and has applied it to the highly used mobile banking sector since 2015, thereby strengthening activities to prevent voice phishing.</p>
<p>Employee Happiness Management</p>	<ul style="list-style-type: none"> Managing Family-Friendly Programs 	<p>Various programs for work/life balance are up for grabs ranging from childbirth, child-rearing and training support to family-friendly programs including camping, wetland experience, farming experience and historical experience.</p>
<p>Value Creation Management</p>	<ul style="list-style-type: none"> Generating Synergies 	<p>Busan Bank implements joint marketing with other affiliates including Kyongnam Bank, BNK Securities, BNK Capital and BNK Savings Bank to generate business synergies. The bank also runs hybrid branches with BNK Securities to provide differentiated services and expand synergies.</p>

60	Busan Bank	68	BNK Savings Bank
62	Kyongnam Bank	70	BNK Credit Information
64	BNK Securities	72	BNK System
66	BNK Capital		

Financial Value Growth

Focusing on Substantial Management Based on Growth and Innovation

Total assets of Busan Bank hit KRW 43 trillion in 2012, KRW 47 trillion in 2013 and KRW 51 trillion in 2014, maintaining the 9% growth on average for the past three years. The bank carries out its solid growth even amid the low interest and low yield structure, while steadily exceeding the net income of KRW 300 billion for the past three years, transcending its external growth. The secret behind Busan Bank's continuous growth lies in its efficient system and employees' devotion. This is proven by productivity indicators where the pre-provision income per employee recorded KRW 220 million in 2014, firming its No.1 presence as a bank in Korea. Moreover, Busan Bank makes endless efforts to respond to the changes in the financial environment and fulfill its given roles at given times. As a result of spearheading the efforts to improve some obsolete practices in the financial sector and proactively engaging in the spread of technological finance, the bank ranked first among regional banks in the evaluation of banks' innovativeness in the second half of 2014.

Initiating Projects with Core Values

Initiating Projects with Core Values



In order to respond to the changes in the paradigms in the financial industry and achieve the new goal of starting up a new business, Busan Bank carried out the core value creating project in February 2014, and brought about major innovation in customer-centered thoughts and acts. The bank, meanwhile, proposed clear visions to enhance the sense of ownership among its members and create a sense of unity among them. The bank preemptively selected 74 tasks throughout the bank's management including trust-based management, communication-based management, differentiated management, management with a challenging spirit for the future and enhancement of the sense of ownership. The selection was based on the results of the corporate image diagnosis through external researches and employee surveys. As such, utmost care is on to enhance the customer value and employee value.

Social Value Creation

Selected as the Top 10 Companies for Sponsoring Culture and Art

Selected as the Top 10 Companies for Sponsoring Culture and Art



Busan Bank makes continuous efforts to facilitate art and culture in the regions of Busan, Ulsan and the Gyeongnam regions as a means to implement social responsibilities. The bank selected 120 young Korean traditional musical instrument majors to help develop the musically talented in these regions, and offers them customized lessons. By hosting the 'Art Contest for Young Artist' targeted at young artists in the regions, the bank fosters the artistic talents of the young in the regions. Other type of support is offered including the hosting of art exhibitions at all times by running its exclusive art gallery. As a result, Busan Bank has been selected as one of the top ten excellent companies to sponsor culture and art for two consecutive years since 2013.

Financial Support to Attract Competent Companies

An Agreement to Attract Competent Companies



Busan Bank plays roles to extend key support to sign 'an agreement to attract competent companies' and attract such companies for job creation in partnership with Busan Metropolitan Government. Busan Bank provides top-notch benefits for financial support exclusively for public institutions when target companies are confirmed to be relocated to Busan. The bank extends the relocation expense by forming a low-interest rate financial fund worth KRW 500 billion, and offers the highest credit loan ceilings and preferential treatments for interest rates to employees of the companies that are to be relocated. Moreover, the bank offers management consulting to competent companies in such diverse fields as taxation and real estate management so that the relocation companies could make stable settlement in an early phase.

Kyongnam Bank

We will rise higher as a financial partner gaining customer trust in a renewed state.

All employees at Kyongnam Bank will grow as a reliable financial partner for customers with refreshing facets under the management principle of 'a strong and consistent bank' that is not wavered by any crises. This will be driven by the basic tributes for all bankers' i.e. accuracy, promptness and politeness. Moreover, in 2015, the bank will focus on competencies across the bank for new growth engines in the middle and long term, including leading the future finance to make a new leap as a region-based bank for the next 100 years. The bank will also focus on the generation of profits. With a high priority on financial convenience for regional residents with regional SMEs, the bank promises to do the utmost to serve as a bank that 'gives happiness to customers and hopes to the regions.'



President of Kyongnam Bank, **Kyo deok Sohn**

Company Introduction

Kyongnam Bank is a native bank established in April 1970, representing the Gyeongnam and Ulsan regions. It has served as a solid partner in regional finance for the past 45 years. As a result of successful privatization in October 2014, the bank has been incorporated into BNK Financial Group as its affiliate, and paved the way for autonomous management. Continuous efforts will be made for long-term qualitative growth by achieving adequate growth and generating adequate profits.

Company Information

Date of Foundation	April 18, 1970
Shareholders' Equity	KRW 2,145.7 billion
Headquarters Address	642, 3-15-daero, MasanHoe-won-gu, Changwon, Gyeongsangnamdo Province
Employees	2,507 persons
Homepage	www.knbank.co.kr

Achievements of Sustainability Management

<p>Win-Win Management</p>	<ul style="list-style-type: none"> Extending Microcredit Services and Reinigorating Traditional Markets Developing Culture and Art in the Regions Spreading the Culture of Sharing Imbuing Hopes 	<p>The bank is proactively engaged in operating a desk channel exclusively for microcredit services and reinvigorating the traditional markets. The bank also conducts customer participatory projects for social contribution in the regions including an art gallery, operas, concerts and plays. The bank is also at the forefront of spreading the culture of sharing that imbues hopes and a campaign to search for missing children and disabled people who are missing.</p>
<p>Customer Satisfaction Management</p>	<ul style="list-style-type: none"> Offering Top-notch Customer Satisfying Services Protecting the Rights of Financial Consumers and Customers' Information 	<p>The bank does the best to protect the rights of financial consumers and their information by running the Thank You Day and activities to prevent voice phishing as well as diverse customer services including a tour of Dullegil Road with customers, free legal services for local residents and job creation for customers.</p>
<p>Employee Happiness Management</p>	<ul style="list-style-type: none"> Operating Programs to Encourage Childbirth and Family Engagement 	<p>Kyongnam Bank runs the Three No's Day for work/life balance and the PC-OFF campaign, and creates a culture for social consideration to encourage pregnancy and childbirth. Moreover, wide-ranging family engagement programs are up and running including a tour program with Mom to express gratitude and love and an experience program for children of its employees.</p>
<p>Value Creation Management</p>	<ul style="list-style-type: none"> Selecting and Initiating Top Ten Core Tasks 	<p>Indicators are selected and continuously managed in five different categories: profitability, soundness, growth potentials, capital adequacy and expansion of the basis. Kyongnam Bank has come up with a profit structure for sustainable development and is operating it.</p>

60	Busan Bank	68	BNK Savings Bank
62	Kyongnam Bank	70	BNK Credit Information
64	BNK Securities	72	BNK System
66	BNK Capital		

Financial Value Growth

Securing Asset Soundness and Financial Stability

Kyongnam Bank's new management principle is 'to become a strong and consistent bank' through solid growth. To achieve this goal, the bank has set main strategic directions such as enhancing profitability dramatically and securing top-notch asset soundness in the banking sector, and it is continuously strengthening its financial capabilities. The bank is boosting asset soundness through preemptive risk management carried out through various measures against the financial environment with a continuum of poorer profitability amid the prolonged economic downturn; minimizing the occurrence of non-performing assets through the improved culture and upgraded reviews for loan extensions; enabling a virtuous cycle for assets by attracting new high-yield customers; dissipating risks effectively for loan portfolios; and establishing an advanced risk management system. In addition, the bank issued new equity securities worth KRW 200 billion and subordinated bonds worth KRW 200 billion in 2013 to make preemptive responses to the adoption of Basel III, a global capital regulation. In 2014, the bank issued contingent subordinated bonds worth KRW 150 billion in the second half of 2014, thereby securing financial stability by scaling up the capital preemptively.

Social Value Creation

Ranked First among Regional Banks in the Korea Customer Surprise Brand Index

As a representative regional bank, Kyongnam Bank contributes to the regional economic development through various activities including preventing the offshore leakage of regional funds, serving as a reliable partner for regional SMEs, recruiting regional top talents, creating high-quality jobs and passionately engaging in regional social contribution activities. The bank declared a motto of 'Giving Happiness to Customers and Hopes to the Regions,' and devised a list of actions to achieve the goal, thereby spearheading the efforts to develop the regional economy. The bank seeks for changes and innovation, improves customer services to achieve the customer-satisfying management and conducts genuine social contribution activities. Kyongnam Bank ranked first among regional banks in the 2014 Korea Customer Surprise Brand Index, and will strive to beef up customer satisfaction with united efforts of all employees.

Giving Happiness to Customers and Hopes to the Regions

Under the motto of 'Giving Happiness to Customers and Hope to the Regions', Kyongnam Bank created an seven point agenda which included support to develop regional SMEs, extending microcredit services and reinvigorating traditional markets, offering top-notch customer satisfaction services, protecting the rights of financial consumers and protecting customer information, creating jobs in the regions, developing culture and art in the regions, and spreading the culture of sharing imbuing hopes. These efforts lead to creating happy customers and giving hope to the regions. Moreover, the bank declared a five point agenda for taking action and practices them. The agenda concentrates on fostering and supporting regional SMEs, eradicating unsound business activities and irrational discriminatory acts, prioritizing the protection of customer information, leading the communication culture within the organization, and developing exemplary regional with a strong ethical mindset.

Operating the Management Advisory Group

Kyongnam Bank appointed five opinion leaders in regional communities as members of the management advisory group to lay the foundation for sustainable management. The advisors hold quarterly meetings and extend advice to the bank in an objective manner. They brainstorm and recommend on various information for regional community development and measures to create new growth engines in the regions under the title of 'creating the region-based finance for the future.' Kyongnam Bank, as a representative financial institution, will make steadfast communication with community opinion leaders, and facilitate various communication channels including the management advisory group to reflect the voices of the communities to the bank's management as much as possible.

Declaration Ceremony on Seven Action Agenda



Appointment Ceremony for Management Advisors



BNK Securities

BNK Securities - the Partner for Successful Investment

BNK Securities seeks to become Korea's representative financial investment company with top-notch specialized services to scale up differentiated specialization strategies. The company practices corporate management based on growth and sharing for win-win development with customers, employees and regional communities under the management principles of sustainable growth, job creation and social contribution. Moreover, the company does its utmost to serve as a close partner that gives greater happiness to customers, creates values and enables successful investment. BNK Securities promises to strive hard to grow as a top-notch financial investment company.



CEO of BNK Securities, **Dong Won An**

Company Introduction

The company started business operations as 'PB Futures', a company specialized in derivatives, headquartered in Busan from 1997. BNK Securities has made steady growth driven by its policies of prioritizing customer profits and customer support has risen. BNK Securities has grown into a renowned comprehensive securities firm by acquiring the license for investment and trading business in 2012, by expanding business scopes by phase after tapping into the securities business in 2009. The company offers diverse and specialized financial services to customers by recently diversifying businesses to include IB, asset management and FICC.

Company Information

Date of Foundation	June 2, 1997
Shareholders' Equity	KRW 117.6 billion
Headquarters Address	1, Saessak-ro, Busanjin-gu, Busan Metropolitan City
Employees	167 persons
Homepage	www.bnkfn.co.kr

Achievements of Sustainability Management

Win-Win Management 	<ul style="list-style-type: none"> Extending Support for Financing for Regional SMEs and Initiating Social Contribution Projects 	The company participates as financial advisor and syndicate upon the issuance of bonds by companies in Busan, Ulsan and the Gyeongnam region, and extends financing for them. The company conducts monthly social contribution activities to give hopes to regional communities and practice sharing-based management for win-win growth.
Customer Satisfaction Management 	<ul style="list-style-type: none"> Practicing Love for Customers and Customer Satisfaction 	BNK Securities operates CS training, monitoring system, employee rewards for good feedbacks from customers, in order to increase customer satisfaction and employee CS mindset.
Employee Happiness Management 	<ul style="list-style-type: none"> Expanding the Welfare Policies for Employees 	Wide-ranging programs are available at the company including the event on the Culture Day to boost welfare for employees, collective subscription to personal injury insurance, medical expense reimbursements and support for in-house club activities. The company also offers gifts on employees' special anniversaries to boost their morale, and birthday luncheons with the CEO.
Value Creation Management 	<ul style="list-style-type: none"> Securing the Basis for Sustainable Growth by Creating Differentiated Competitiveness 	The company does the utmost to be fully recognized as a 'hidden champion in finance and investment specialized in the regions' through specialized strategies with regional specifics in mind and the generation of synergies based on aligned businesses.

60	Busan Bank	68	BNK Savings Bank
60	Kyongnam Bank	70	BNK Credit Information
64	BNK Securities	72	BNK System
66	BNK Capital		

Financial Value Growth

Certified as a Leading Company in one of the Strategic Industries in Busan Metropolitan Government

BNK Securities has contributed to the development of regional communities by being selected as a leading company in knowledge infrastructure among the five strategic industries selected by Busan Metropolitan Government: marine, convergent component, creative culture, bio-healthcare and knowledge infrastructure.

Establishing a Stable Profit Basis through Diversification of the Profit Structure

BNK Securities expanded its IB and asset management business areas to achieve sustainable growth throughout 2014, e.g. launching the FICC Team. As such, its business diversification led to diverse profit structures, thus establishing a stable profit basis. The company will make further efforts to scale up profitability by strengthening IB business in Busan, Ulsan and the Gyeongnam region, tapping onto captive markets, and expanding the profit basis on structured finance and property finance.

Securing the regional(Busan, Ulsan, Gyeongnam) business basis

BNK Securities has opened a sales department of Head Branch of Gyongnam Bank in May 2015 which is located in South Gyeongnam Province Changwon City. Gyeongnam sales department are the first regional(Busan, Ulsan, Gyeongnam) complex financial branch (BIB: Branch in Branch) that banking and security business in a space at the same time it can be solved. Gyeongnam customers can now receive a comprehensive asset management service more convenient. Future, BNK Securities will be opened complex financial branch in Ulsan as well as Gyeongnam area and will continue to try constantly to the local financial industry and to boost local economy.

Gyeongnam Sales Department, the First regional BIB



Engaging in Protection Programs for the Elderly with Dementia



"사랑해요, 부산!" MOU 체결



Social Value Creation

Continuously Engaging in Social Contribution Activities

All employees at BNK Securities are proactively engaged in regional social contribution activities by forming an in-house volunteering group to fulfill corporate social responsibilities. The group conducts volunteering activities for regional communities more than once a month by extending support for welfare centers, engaging in protection programs for the elderly with dementia and conducting regional environmental clean-up activities. The company also participates in events organized by external institutions including fundraising events held at the end of the year to help the needy.

Establishing a Cooperation System for Win-Win Growth with Regional Companies

BNK Securities signed an MOU titled 'I Love You, Busan!' with native companies in Busan, including DaesunJujo (liquor), Vilac (dairies), Park Land (apparels) and Busan Milk, thereby forging a system for cooperation for win-win growth with regional companies. The company strives to facilitate the regional economy by strengthening support for mutual support among companies that signed the MOU and encourage its employees and acquaintances to use their products. The company plans to strengthen cooperative ties through personnel and information exchanges to express love for the regions and achieve win-win development.

'Start up fund' investments for start-ups and innovative SME

BNK Securities invests a 'Start up fund' to support financial capital required to start and grow the promising venture enterprise and SME. In particular, the company devotes to boost local economy and provide local SME to catch investment opportunities by investing the 'fund' that focus on manufacturing based technological industries in Busan and Gyeongnam region. Further, the company are continuously striving to offer superior financial services to SME located in Busan and Gyeongnam region through financial advisory or direct investments to SME.

BNK Capital

We will strive to become No.1 company specialized in retail finance that can lead the field.

BNK Capital will grow as a company where all employees are happy by prioritizing customer happiness and spearheading social contribution. The company is striving hard to become the leading consumer banking company in the industry as per the group's management vision of 'Global Super Regional Financial Group'. The company will serve as a financial company that empowers the working class upon times of difficulties by developing specialized products and services. To this end, the company will extend funds for the financially neglected to purchase vehicles for their livelihood and opportunities to convert their existing loans into low interest rate ones. Employees at the company will work hard to help BNK Capital to serve as a premium loan expertise company that can contribute to the society and where employees can work happily.



CEO of BNK Capital, **Sang Chun Lee**

Company Introduction

BNK Capital which was established in 2010 as a financial company specializing in loans has 22 branches nationwide including those in Seoul and the metropolitan area, and is making steady growth with wide-ranging financial services including lease finance, auto finance, retail finance and corporate finance. Employees at the company focus on working hard to enable their company to grow as the most exemplary financial company in countries such as Myanmar, Cambodia and Laos by establishing local subsidiaries. The company will move forward as the leading financial company in the industry through continued overseas entries and endless innovation.

Company Information

Date of Foundation	July 15, 2010
Shareholders' Equity	KRW 422.6 billion
Headquarters Address	1, Saessak-ro, Busanjin-gu, Busan Metropolitan City
Employees	509 persons
Homepage	www.bnkcapital.co.kr

Achievements of Sustainability Management

Win-Win Management	<ul style="list-style-type: none"> Credit Loans for People's Livelihoods: The company extended credit loans worth KRW 6.8 billion for livelihoods for the working class and the self-employed in the regions for three years Financial Support for Vehicle Purchase for People's Livelihoods: The company extended financial support worth KRW 5.6 billion for three years to purchase vehicles to support people's livelihoods.
Customer Satisfaction Management	<ul style="list-style-type: none"> Operating the Consumer Protection Department: BNK Capital established the Consumer Protection Department directly under the CEO to strengthen the system, improving the customer complaints system and personal information protection system for protection of financial consumers.
Employee Happiness Management	<ul style="list-style-type: none"> Improving the Welfare of Employees: BNK Capital strives to enhance the welfare of employees by expanding welfare benefits such as supporting educational expenses, joining accident insurance, supporting club activities and medical expenses through various communication channels with employees
Value Creation Management	<ul style="list-style-type: none"> Enhancing Profitability for Diversified Profit Sources: The company realizes continued profits and economic values by diversifying income sources including the rental of durable goods and car rentals based on diversified and stable asset structures ranging from lease finance, auto finance, retail finance and corporate loans.

60	Busan Bank	68	BNK Savings Bank
62	Kyongnam Bank	70	BNK Credit Information
64	BNK Securities	72	BNK System
66	BNK Capital		

Financial Value Growth

Developing Product Portfolios for a Stable Profit Structure

Since its foundation in 2010, the company has achieved steady asset growth by handling various products reflecting customer needs that vary including corporate loans, rentals and car rentals, as well as auto finance, industrial goods leasing and credit loans. The company's stable profit structure based on these wide-ranging portfolios and BNK Financial Group's strong support for the company was highly recognized to the extent of earning upgraded credit ratings (from A+ to AA-) in December 2014 from three credit rating firms in Korea.

Jumping Higher as a Global Capital Company by Tapping into the Financial Market in Southeast Asia

BNK Capital is seeking for continued growth by tapping into the financial market in Southeast Asia beyond Korea in accordance with the group's vision of becoming a 'Global Super Regional Financial Group' by 2020. In 2014, the company established the basis for business by acquiring business licenses for local subsidiaries in Myanmar, Cambodia and Laos. The company offers financial services including microcredit services for the financially neglected in far out regions in Myanmar. Moreover, the company plans to unfold social contribution activities that are localized by country such as 'Korean Class', 'Hallyu Cultural Performance', and 'Well Digging in Areas with Water Shortage'. The company will serve as a bridge for BNK Financial Group to advance to overseas markets by exploring new growth engines and new profit sources.

Acquiring Business Licenses for Local Subsidiaries in Myanmar



Social Value Creation

Engaging in Social Contribution and Creating Jobs

BNK Capital operates a regional volunteering group consisting of 509 employees to reciprocate the love of their customers. Volunteering activities are conducted more than once a month to practice community love. In 2014, the company's leading socially responsible projects included 'delivering free lunch boxes', 'delivering free briquettes' and 'running free laundromats' for the elderly living alone and the socially neglected. Moreover, the company gives opportunities to leading talents from local regions that have moved to Seoul to return to their hometowns, while recruiting employees from local regions. This enables a regional balance and stronger competitiveness for the regions by controlling the outflow of best talents outside the regions.

Socially Responsible Projects 'Delivering Free Briquettes'



Intensifying Microcredit Services

The company scaled up consulting desks to 22 branches and loan centers nationwide, allocated employees exclusively for microcredit services for consulting and loan extensions for continuous development of "happiness finance", - a social responsibility project conducted throughout the group. Moreover, the company runs moving branch programs to increase accessibility for the financially neglected. The company's overseas subsidiaries offer products for the livelihood of the working class based on continued microcredit service know-how and competencies, thereby contributing to better lives for the people and improvement in local communities.

BNK Savings Bank

BNK Savings Bank will serve as a genuine partner for customers in achieving their dream as the bank pursues to become No.1 savings bank to represent Korea.

BNK Savings Bank would like to extend heart-felt gratitude to you for your deep affection and encouragement to the bank at all times. BNK Savings Bank was launched on December 13, 2011, and has achieved outstanding growth for the past three years and will continue to position itself as a regional microcredit service provider that endears customers and the regions based on trust. The bank will safely protect customers' assets by putting itself in their shoes, and working for regional communities to offer 'Happiness Finance Giving Hopes'. BNK Savings Bank wishes you good health and happiness.



CEO of BNK Savings Bank, **Jae Young Jung**

Company Introduction

BNK Savings Bank has three branches in Busan and four in Seoul by acquiring the (former) Primes Savings Bank and (former) Parangsae Savings Bank on January 10, 2012 as an affiliate of BNK Financial Group. The bank has sought to dramatically innovate the previous management strategies and business practices as a savings bank, and establish a new savings bank model. It applied Busan Bank's community-focused and advanced risk management techniques to the mechanisms of the savings bank as Busan Bank is an outstanding regional bank in the southeastern region in Korea. As a result, BNK Savings Bank touts 108 employees, equity capital of 10.76% and total assets of KRW 711.4 billion as of December 2014, and will continuously work harder to grow further.

Company Information

Date of Foundation	January 10, 2012
Shareholders' Equity	KRW 101.6 billion
Headquarters Address	177, Beomil-ro, Busanjin-gu, Busan Metropolitan City
Employees	103 persons
Homepage	www.bnksb.com

Achievements of Sustainability Management

Win-Win Management	<ul style="list-style-type: none"> Supporting Regional Microcredit Service 	BNK Savings Bank provided KRW 53.1 billion of Sunshine Loan by reducing high-interest loan to lower interest loans.
Customer Satisfaction Management	<ul style="list-style-type: none"> Strengthening the Financial Consumer Protection 	To counter threats on personal information that have become more intelligent and diverse, a regulation has been prescribed and is being managed on the provision of customer information as a regulation to handle customers' personal information protection.
Employee Happiness Management	<ul style="list-style-type: none"> Conducting the Employee Satisfaction Program 	In order to improve the satisfaction level of employees at the workplace and to raise their morale, BNK Savings Bank strives to make the workplace feel like a second home to employees by supporting various activities, including promoting internal club activities, designating a family day, offering congratulatory cards and presents on anniversaries, and implementing the Zero Complaint campaign.
Value Creation Management	<ul style="list-style-type: none"> Initiating the Growth of High-Yield Assets in the Appropriate Level and Improving Loan Portfolios 	Stable management performance is achieved through the expansion of microcredit by forming assets with competent collateral-backed corporate loans and developing diverse microcredit products.

60	Busan Bank	68	BNK Savings Bank
62	Kyongnam Bank	70	BNK Credit Information
64	BNK Securities	72	BNK System
64	BNK Capital		

Financial Value Growth

Intensifying Stable Growth for Solid Management Microcredit Services

The bank utilizes the relationship finance from the beginning of its foundation for regional SMEs lacking collateral capacities despite growth potentials, and the regional working class with low income and low credit ratings. Since high interest rate loans of around 30% from lenders and non-bank financial institutions have become a social issue, BNK Savings Bank has preemptively adopted the personal CSS system to enable the sales of mid-tier interest rate loan products. In 2014, our excessive investment enabled us to redevelop the personal CSS system and interest rate calculation system for about five months. As a result, we launched 'My Loan', a personal credit loan of 10% interest rate for low-income and low-credit holders. Moreover, we block the usage of non-institutional lenders like loan sharks for customers by shedding a light on cross-affiliate synergies in customers' perspective. For SMEs, the bank is proactively engaged in aligned businesses to prioritize them for continued growth as well as reduction of financial costs by offering financial consulting services.

Securing Competitiveness for the IT Upgrade System

BNK Savings Bank opened an IT advancement system to embrace various customer needs, respond to changes in IT trends, and secure business competitiveness by catering to the needs of various departments. The bank recently set up the banking account ledger calibration system, and redeveloped loan review functions, comprehensive income management functions and e-document management system, and improved its operations for corporate management information. The bank also enhanced prompt customer response and customer convenience by developing customized programs and establishing systematic service manuals toward supplementing customized systems. Moreover, the bank offers a secure environment for customers to conduct transactions by significantly beefing up the personal information protection functions that have been focused on in the recent days.

Social Value Creation

Continuously Increasing Jobs for Youths

At a time when savings banks in Korea do not recruit new employees amid challenges in the management environment at home and abroad, BNK Savings Bank makes it no exception to recruit new employees to foster core talents for the future and ease youth unemployment. Moreover, a variety of personnel development programs are offered including mentoring programs and encouragement to delve into self-development. As a consequence, a total 19 new employees are trained to serve as key talents in the company.

Reinvigorating Social Contribution Activities

The bank's social contribution activities are not options but musts as essential corporate activities engaged by all employees as a corporate culture. The target areas and scope of volunteering have expanded to contribute to making a society where everyone is happy. Specifically, the bank takes part in social contribution activities for regional development and exchange activities to reach out to the needy heart to hear.

Volunteering Group at BNK Savings Bank



Donation Ceremony for Water Dispense Systems



BNK Credit Information

We are committed to establishing itself as a high-yield credit information company that represents the regional communities.

BNK Credit Information has fulfilled its roles as a consulting firm for customers based on abundant experiences and professional talents with expertise. The company will make continued efforts to provide upgraded debt collection and credit check services by adopting the high-quality working system. The company is committed to serving as a super credit information company representing the regions by actively exploring new high-yield projects.



CEO of BNK Credit Information, **Nam Seok Bae**

Company Introduction

As a credit information company completely established through investments of BNK Financial Group, BNK Credit Information implements the duties of bond collection and credit check. In order to achieve a sound credit society, the company offers excellent expertise and cutting-edge IT systems so that it plays a leading role for a credit-based society while facilitating financial transactions. The company will grow higher as a superior company in the credit information industry driven by higher efficiency in the organization, management innovation, and entry into new business areas.

Company Information

Date of Foundation	June 17, 2003
Shareholders' Equity	KRW 6.2 billion
Headquarters Address	92, Beomil-ro, Dong-gu, Busan Metropolitan City
Employees	23 persons
Homepage	www.bnkci.co.kr

Achievements of Sustainability Management

Win-Win Management	<ul style="list-style-type: none"> Supporting Socially Vulnerables 	The company provides help for borrowers with low income and low credit ratings to pay back their delinquent accounts in a phased manner. Benefits include the redemption of debt repayment and exemption of overdue interest, on due consideration of their income.
Customer Satisfaction Management	<ul style="list-style-type: none"> Implementing Corporate Social Responsibilities 	The company runs a free consulting room for credit recovery that fully utilizes the functions of a credit information company. Employees are voluntarily engaged in environmental preservation activities for environmental clean-up. They also participate in BNK Financial Group's social contribution activities including providing donations to centers patronized by the group.
Employee Happiness Management	<ul style="list-style-type: none"> Implementing the Heart-Warming and Sound Welfare System 	In order to support employees' health life, the company runs welfare benefit programs including medical expense reimbursements, collective subscription to personal injury insurance and support for medical check-ups. Efforts are steadily made to make a healthier work environment.
Value Creation Management	<ul style="list-style-type: none"> Generating Synergies to Develop New Projects among Affiliates 	The company provides stable and efficient services by exploring a new service of taking documents as a proxy entity for affiliates of the group so that the existing personnel and organizational infrastructure could be utilized and expands the business scope, thereby generating continued profits.

60	Busan Bank	68	BNK Savings Bank
62	Kyongnam Bank	70	BNK Credit Information
64	BNK Securities	72	BNK System
64	BNK Capital		

Financial Value Growth

Tapping into New Business Fields and Strengthening Synergies

The company intensifies cross-affiliates synergies and profit-oriented external business capacities. As the business target areas of the group are expanded to Ulsan and the Gyeongnam, the company has expanded its presence outside Busan and has proactively explored new business areas: receiving documents for affiliates of the group as a proxy entity and ex-post management of debts collected. The company, as a result, is growing as a synergy generator and sustainable company through cross-affiliate businesses.

Stable Financial Structure

BNK credit information is the first regional subsidiary among the domestic financial group and ensures the financial stability through external audit, creating stable revenue, transparent management and accounting process. As a result of these efforts, BNK Credit Information has achieved the industry's highest level of sales operating margin, stable debt-to-equity ratio and net profit to sales.

Exploring New Projects for Future Growth

BNK Credit Information strives for debt collection and credit search in continued business alliance with the existing clients, while securing new ones. The company is prepared to expand business proactively for the possible opening of new markets due to the expansion of business areas. The company invests in developing IT systems in preparation for indorsement for collection of tax claims upon the amendment of relevant laws. The company systematically conducts the preparatory work for the opening of new markets including the research on profit models supervising the work ranging from debt purchase to asset management in preparation for the permit on the purchase of non-performing loans.

Social Value Creation

Eco-friendly Social Contribution

BNK Credit Information is engaged in social contribution activities focusing on the environment. The company conducted environmental clean-ups, campaigns in and around mountaineering paths in Busan, and tree donating campaigns in the Busan Citizen Park. Employees were voluntarily engaged in environmental clean-ups to be aware of the value of the nature and of the need for preservation of the environment. Continued efforts will be made for social contribution activities to make the mountains and trails even greener.

Support for the Socially Vulnerable and the Underprivileged Borrowers

BNK Credit Information redeems the debt repayment for financially stricken and socially vulnerable borrowers including recipients of the livelihood protection scheme, the disabled and the severely ill. The company extends support to them for their stable debt repayment as they maintain their normal economic life. Moreover, an exclusive desk service is available for the financially neglected borrowers.

Social Contribution Programs with Love for the Environment



BNK System

BNK System provides stable and distinctive financial IT services and has achieved continued growth with BNK Financial Group.

The company is committed to contributing to advancing the affiliates' IT work environment by developing convergent technologies covering the rapidly changing financial environment and IT. The company will grow further as a key affiliate of the group that offers top-notch IT services to each affiliate based on financial IT experts and experiences of development in the financial sector.



CEO of BNK Information System, **Young Woo Lee**

Company Introduction

BNK System established as an IT exclusive affiliate of BNK Financial Group in May 2001 is growing as a professional IT company offering the regions' top-notch IT consulting and services. Starting off with the operational task for affiliates' work systems, the company has expanded its work scope to include maintenance of electronic facilities, system integration and integrated purchasing, thereby contributing to generating synergies in the IT sector for affiliates. The company is focused on smart finance, fin-tech and information protection technologies to cater to the rapidly changing technologies and trends. Moreover, the company strives to develop further with the regions by searching for and collaborating with excellent IT companies in the regions, creating jobs by recruiting local talents and running programs for the socially neglected.

Company Information

Date of Foundation	May 20, 2011
Shareholders' Equity	KRW 4.8 billion
Headquarters Address	13, GwangbokJungang-ro, Jung-gu, Busan Metropolitan City
Employees	126 persons
Homepage	www.bnksys.co.kr

Achievements of Sustainability Management

<p>Win-Win Management</p>	<ul style="list-style-type: none"> Jointly Conducting IT Projects with Regional Companies Sharing Latest IT Trends with Regional Companies 	<p>BNK Financial Group explores excellent regional IT companies with expertise and enables them to participate in IT projects conducted by its affiliates, thereby contributing to their higher sales and competitiveness. Moreover, we hold IT seminars to share latest IT trends with regional IT companies to help them scale up their IT base.</p>
<p>Customer Satisfaction Management</p>	<ul style="list-style-type: none"> Establishing a Project Management Process for Higher Customer Satisfaction 	<p>We apply a standardized project management process for affiliates' project to develop IT systems, and achieve customer satisfaction by enhancing quality for their work and productivity in development.</p>
<p>Employee Happiness Management</p>	<ul style="list-style-type: none"> Encouraging the Self-Driven Capability Build-up Implementing the Welfare System to Enhance the Satisfaction Level for Work 	<p>We offer the in-house career path management roadmap to encourage voluntary job skill development and practice corporate management systems that makes employees happy through various welfare schemes.</p>
<p>Value Creation Management</p>	<ul style="list-style-type: none"> Contributing to Higher Synergies for Affiliates through Joint Purchasing of IT Resources 	<p>We jointly purchase IT devices for affiliates including various IT devices for work, security vaccines and security devices, thereby reducing cost and raising work efficiency based on standardization. This expands cross-affiliate synergies.</p>

60	Busan Bank	68	BNK Savings Bank
62	Kyongnam Bank	70	BNK Credit Information
64	BNK Securities	72	BNK System
64	BNK Capital		

Financial Value Growth

Conducting Voluntary Roles for IT Projects within the Group

Taking the lead in business operation in IT within the group, we have made steady growth after our launch by securing excellent human resources and management capacities by operating the work business efficiently within each affiliate, developing new IT systems, doing the maintenance for IT devices and procuring IT devices. In particular, we contribute to synergy generation and cost saving for affiliates by enabling efficient personnel management in each of them. To this end, we take part in operating affiliates' work system, utilizing our specialist workforce.

Winning the Grand Prize in Finance-Linked Service Category at the 2014 Smart App Award

BNK System developed a regional bank's first emotion-based channel or SNS in the name of 'BNK Friends Talk' held by Busan Bank. The excellence of the creative design and the user-oriented content configuration were highly recognized and won the Grand Prize in Finance-Linked Service Category at the '2014 Smart App Award' organized by Korea Internet Professionals Association. The technological excellence was reaffirmed following the top excellence prize.

Winning the Grand Prize at the Smart App Award



Social Value Creation

Seeking for Win-Win Growth with Regional Companies

We induce regional companies to take part in SI projects of affiliates and conduct projects based on mutual cooperation including the integrated group ware of Kyongnam Bank, new Internet banking system of Busan Bank, foreign exchange document management system, comprehensive asset management system, the ALM system of BNK Capital and the network separation for the IT system of BNK Savings Bank. This enables win-win growth these companies.

Managing the Master Plan to Develop Talents

We set a guideline to develop IT specialists in each sector based on the career path management roadmap categorized for 11 employment groups and established ranks in the job groups. Customized training is offered to enhance employees' capabilities and continuously develop talents that befit the corporate directions for further development.

Practicing Happiness Finance through Social Contribution Activities

We regularly clean up the environment in public places including citizen parks and hot springs based on employees' voluntary engagement. Moreover, we practice happiness finance for the information have-nots through the IT device check and free repair services for computers installed in social welfare centers and childcare centers in Busan and the Gyeongnam region as a means of IT charity service on their sites.

Volunteering through Experiences with Children at a Local Orphanage

BNK System Volunteering Group went to a theme park with children at Saebit Christian Orphanage in the family month of May. The volunteers paired with the children on a one-on-one basis to explore the theme park, touring in various facilities and having a great time with them. For new hires, apart from the pleasure of being newly employed, it was a special opportunity to experience a rewarding sentiment from the social contribution activity. BNK System Volunteering Group will ensure that the company grows closer to local residents through various social contribution activities to act out 'Happiness with You' through sharing-oriented management.

Implementing the Environmental Clean-up



Volunteering through Experiences with Children at a Sisterhood Center



Financial Statements

Management's Discussion and Analysis	75
BNK Financial Group	78
Busan Bank	84
Kyongnam Bank	89
BNK Securities	94
BNK Capital	96
BNK Savings Bank	98
BNK Credit Information	100
BNK System	102

Management's Discussion and Analysis

1. Overview

In 2013, BNK Financial Group announced the new management philosophy, "Advance to the World with the Community, and to the Future with Clients". Also based on its corporate vision to become 'Korea's Representative Regional Financial Group' by 2015 and 'Global Regional Financial Group' by 2020, the Group solidifies its position with outstanding financial services

Since we were selected as the preferred bidder on the sell-off of Kyongnam Bank as on December 31, 2013 at the end of the year, in particular, we took our successful first step to secure specialized competitiveness as a regional financial group by making win-win growth with the regions as the balance payment and stock incorporation at Korea Deposit Insurance Corporation were completed on October 10, 2014.

Total assets of the group in 2014 (based on the combination of separated financial statements and including trust accounts) stood at KRW 93.3225 trillion. As a result of incorporating Kyongnam Bank as an affiliate, the bank's growth in loans and the asset growth of non-banking affiliates like BNK Capital, the total assets increased by 82.5% year-on-year. Net income based on the group's consolidated ones reached KRW 809.8 billion, up KRW 505.3 billion from the previous year.

Busan Bank's net income reached KRW 355.2 billion, up from KRW 36.6 billion from the previous year. BNK Securities' net income, meanwhile, rose to KRW 5.7 billion, up KRW 5.4 billion year-on-year, while that of BNK Capital hit KRW 36.3 billion, up from KRW 7.8 billion from the previous year. BNK Savings Bank's reached the net income of KRW 10.5 billion by turning in the black year-on-year. Kyongnam incorporated as an affiliate realized the net income of KRW 8.7 billion in the fourth quarter.

Our BIS ratio, a standard of capital adequacy, recorded 11.91%, ROA and ROE were 1.47% and 20.5% respectively, and NPL ratio and delinquency recorded 1.42% and 0.83%, which indicates that major business indexes are stably maintained among other holding companies in Korea.

Since complacency about the status quo could lead to the confrontation of survival issues in the rapidly changing management environment, we set our management principle for the group as 'Great Innovation 2015: Establishing a Forward-looking Management System.' This implies that we are to inherit and develop the successful ways of the past, thus maximizing key competitiveness and profitability, and to establish BNK's own sustainable future growth system based on endless changes and innovation. Based on the management motto to make a bigger jump, that is, 'To the world with the region and to a better future with the customers,' we will make continued advances so that we can stand alone as a successful holdings company model that began from regions and grew to become a world-class financial company.

Major Financial Performance and Management Indicators

(Unit: %, %p)

Major Indicators		2014(A)	2013 (B)	Change (C=A-B)
Profitability	ROA	1.47	0.67	0.80
	ROE	20.50	9.01	11.49
Asset Soundness	NPL ratio	1.42	1.3	0.12
	Delinquency ratio	0.83	0.77	0.06
	Coverage ratio	111.08	120.90	(9.82)
Capital Adequacy	BIS Ratio	11.91	13.85	(1.94)
	Tier I Ratio	8.17	9.75	(1.58)
	Core Capital Ratio	6.50	7.46	(0.96)

Status of Asset Quality

(Unit: KRW billio, %, %p)

Classification	2014(A)	2013 (B)	Change (C=A-B)
Total loans	652,742	344,385	308,357
NPLs	9,255	4,477	4,778
NPL ratio	1.42	1.30	0.12
Coverage Ratio	111.08	120.90	(9.82)
Delinquent loans	5,316	2,601	2,715
Delinquency rate	0.83	0.77	0.06

2. Financial Status and Operational Performance

(1) Financial Status

(Unit : KRW billion, %)

Classification	2014 (A)	2013 (B)	Change (C=A-B)	Ratio of Change (D=C/B)
I. Cash and due from banks	32,063	18,609	13,454	72.30
II. Investment financial assets	122,264	78,338	43,926	56.07
III. Loans and receivables	665,559	362,002	303,557	83.86
IV. Derivative assets	3,385	1,200	2,185	182.08
V. Tangible assets	7,934	5,087	2,847	55.97
VI. Intangible assets	4,122	1,349	2,773	205.56
VII. Investment of property	1,335	879	456	51.88
VIII. Non-current assets held for sale	-	107	(107)	(100.00)
IX. Other assets	3,839	1,598	2,241	140.24
Total assets	840,501	469,169	371,332	79.15
I. Deposits	599,065	310,589	288,476	92.88
II. Borrowings	66,643	43,911	22,732	51.77
III. Debentures	72,995	47,402	25,593	53.99
IV. Derivative liabilities	2,906	902	2,004	222.17
V. Retirement benefit obligation	604	124	480	387.10
VI. Provisions	1,957	329	1,628	494.83
VII. Current income tax liabilities	528	204	324	158.82
VIII. Deferred income tax liabilities	483	772	(289)	(37.44)
IX. Other liabilities	40,680	28,927	11,753	40.63
Total liabilities	785,861	433,160	352,701	81.43
I. Equity attributable to the owners of controlling equity	47,657	35,010	12,647	36.12
1. Capital stock	11,719	9,669	2,050	21.20
2. Other paid-in capital	3,537	470	3,067	652.55
3. Retained earnings	234	260	(26)	(10.00)
4. Retained earnings	32,167	24,611	7,556	30.70
II. Non-controlling equity	6,983	999	5,984	599.00
Total equity	54,640	36,009	18,631	51.74
Total liabilities and equity	840,501	469,169	371,332	79.15

BIS Capital Ratio

BIS capital adequacy ratio is used as an index for determining the appropriate level of capital buffer for the risk-weighted assets shown in consolidated results. The higher the capital adequacy ratio is, the higher it is evaluated as having good financial soundness.

The group adopted the capital regulation of Basel III in December 2013, and manages the ratios for equity capital and risk-weighted assets. As of 2014-end, the BIS capital ratio stood at 11.91% along with the Tier I ratio of 8.17%, showing a slight drop year-on-year. This is attributable to the high growth ratio of risk-weighted assets against the BIS capital increase following the affiliate incorporation. In 2015, we will do the utmost to enhance capital adequacy based on profit-oriented business activities by creating synergies through the incorporation of Kyongnam Bank as an affiliate.

(Unit : KRW billion, %, %p)

Classification	2014 (A)	2013 (B)	Change (C=A-B)
Equity capital	73,375	46,849	26,526
Core capital	50,332	32,993	17,339
Core Tier I capital	47,360	31,993	15,367
Risk-weighted Asset	616,141	338,229	227,912
BIS ratio	11.91	13.85	(1.94)
Tier I	8.17	9.75	(1.58)
CET1 ratio	7.69	9.46	(1.77)

(2) Operational Performance

(Unit : KRW billion, %)

Classification	2014 (A)	2013 (B)	Change (C=A-B)	Ratio of Change (D=C/B)
I. Net interest income	14,272	11,544	2,728	23.63
II. Net commission income	1,142	851	291	34.20
III. Net income of investment financial assets	471	362	109	30.11
IV. Provision for credit loss	(2,664)	(2,323)	(341)	14.68
V. Other operating expenses, net	(3,810)	(6,307)	2,497	(39.59)
VI. Operating income	9,411	4,127	5,284	128.03
VII. Non-operating income, net	(221)	(99)	(122)	123.23
VIII. Income before income tax expense	9,191	4,028	5,163	128.18
IX. Income tax expense	(994)	(973)	(21)	2.16
X. Net income	8,197	3,055	5,142	168.31
1. Net income attributable to owners of the company	8,098	3,045	5,053	165.94
2. Net income attributable to non-controlling interests	99	10	89	890.00
XI. Other comprehensive income (loss), net of tax	(37)	35	(2)	5.71
XII. Total comprehensive income	8,160	3,020	5,140	170.20
1. Total comprehensive income attributable to owners of the company	8,072	3,010	5,062	168.17
2. Total comprehensive income attributable to non-controlling interests	88	10	78	780.00
XIII. Earnings per share(KRW)	3,809	1,576	2,233	141.69

The NIM continued to drop in the challenging financial environment amid the global economic downturn and the prolonged uncertainties in the financial market, and the domestic economic circumstances with low interest rates and low growth. However, the group's interest income rose KRW 272.8 billion year-on-year by incorporating Kyongnam Bank as an affiliate while expanding interest income assets due to higher loans to high-yield SMEs driven by preemptive risk management.

The non-interest income hinted at a slight drop due to several factors: reduction in securities-related income resulting from lower interest rate and shrinkage in stock price volatility; reduction in yield in fees by scaling up the support for the socially underprivileged as well as protecting financial consumers; and increases in bad debt expenses due to economic uncertainties. However, the group's total non-interest income increased KRW 433.4 billion from the previous year due to the gain from bargain purchase of KRW 447.9 billion, a temporary income recognized in incorporating Kyongnam Bank as an affiliate.

The Selling, General & Administrative Expense (SG&A) went up KRW 177.7 billion from the previous year due to seasonal increases including the back pay for the pay increase, quasi retirement pay, profit sharing system and severance and retirement benefits, and the incorporation of Kyongnam Bank as an affiliate.

The net income of the group stood at KRW 809.8 billion, up KRW 505.3 billion year-on-year due to the gain from bargain purchase following the incorporation of Kyongnam Bank as an affiliate as well as improved performance of major affiliates.

BNK Financial Group _ Audit Report of Independent Auditors

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

We audited the consolidated financial statements of BS Financial Group Inc. and its affiliates attached hereunder. The consolidated financial statements consist of consolidated statements of financial position, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows as of as of December 31, 2014 and 2013, respectively. They also include the companies' significant accounting policy summaries and other explanations.

Accountability of the Top Management on the Consolidated Financial Statements

The top management is eligible to write these consolidated financial statements and indicate them fairly according to the Korean International Financial Reporting Standards ("K-IFRS"). It is also accountable for internal control necessary to write the consolidated financial statements with no critical misstatements resulting from irregularities or errors.

Accountability of Auditors

Our accountability is to express our opinions on the consolidated financial statements based on our audit. We conducted our audit in conformity with K-IFRS, which is a standard that requires us to comply with ethical requirements and to gain rational confidence on possible presence of distorted indications of criticality on the consolidated financial statements.

The audit includes the implementation of a procedure to collect evidence for auditing on the amounts and disclosure of the consolidated financial statements. The procedure might vary depending on the judgments of auditors including assessment on distorted indication risks of criticality in the consolidated financial statements resulting from irregularities or errors. We consider internal control on the corporate writing on the consolidated financial statements and fair indication to design an adequate auditing procedure to assess such risks. However, this is not to indicate opinions on the effectiveness of internal control. Our audit includes not only the assessment over overall indication in the consolidated financial statements but also the adequacy of the accounting policy adopted by the top management and rationality of accounting estimates devised by the top management.

We believe that the auditing evidence we collected is sufficient and adequate as grounds for auditing opinions.

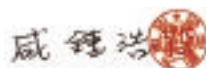
Auditors' Opinions

In our opinions, the companies' consolidated financial statements fairly indicate financial performance and cash flows in the criticality aspect of K-IFRS during both of the reporting periods ending on December 31, 2013 and 2014, respectively as well as the current financial status for BS Financial Group and its affiliates.

Others

The consolidated financial statements of the reporting period that ends on December 31, 2013 for BS Financial Group and its affiliates were audited in conformity with K-IFRS.

March 18, 2015
10 Gukjegeumyung-ro Yeongdeungpo-gu, Seoul
Anjin Deloitte LLC
CEO **Jong Ho Ham**



This report is effective as of the auditors' report date (March 18, 2015). Certain subsequent events or circumstances that could significantly affect the accompanying consolidated financial statements may have occurred between the auditors' report date and the time the auditors' report is read. This may result in modifications to the auditors' report.

BNK Financial Group _ Consolidated Statements of Financial Position

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012
ASSETS			
I. CASH AND DUE FROM BANKS	3,206,316,978,580	1,860,886,039,971	2,143,271,973,711
II. INVESTMENT FINANCIAL ASSETS	12,226,359,372,039	7,833,791,139,549	7,999,763,683,467
1. Financial assets at fair value through profit or Loss (FVTPL)	885,064,112,441	666,354,861,001	808,416,922,350
2. Available-for-sale (AFS) financial assets	4,997,538,279,653	2,794,062,773,184	2,732,854,784,164
3. Held-to-maturity (HTM) financial assets	6,343,756,979,945	4,373,373,505,364	4,458,491,976,953
III. LOANS AND RECEIVABLES	66,555,893,244,087	36,200,193,891,753	32,201,826,417,135
1. Loans, net of allowance for loan losses	63,488,027,161,490	33,803,279,501,972	30,119,557,862,339
2. Receivables, net of allowance for loan losses	3,067,866,082,597	2,396,914,389,781	2,082,268,554,796
IV. DERIVATIVE ASSETS	338,510,567,656	120,020,911,144	101,449,091,701
V. TANGIBLE ASSETS	793,389,725,103	508,722,105,985	416,435,557,727
VI. INTANGIBLE ASSETS	412,219,415,666	134,892,639,539	122,054,869,082
VII. INVESTMENT OF PROPERTY	133,508,413,565	87,890,074,218	75,235,207,341
VIII. NON-CURRENT ASSETS HELD FOR SALE	-	10,658,898,025	10,658,898,025
IX. OTHER ASSETS	383,866,210,004	159,835,110,840	92,560,194,078
TOTAL ASSETS	84,050,063,926,700	46,916,890,811,024	43,163,255,892,267
LIABILITIES			
I. DEPOSITS	59,906,495,454,005	31,058,903,803,104	28,602,191,843,523
II. BORROWINGS	6,664,307,425,428	4,391,127,175,771	4,428,156,539,259
III. DEBENTURES	7,299,509,154,641	4,740,193,120,195	4,128,490,838,398
IV. DERIVATIVE LIABILITIES	290,544,299,745	90,218,613,268	73,310,282,308
V. RETIREMENT BENEFIT OBLIGATION	60,430,473,197	12,388,251,389	1,715,337,415
VI. PROVISIONS	195,701,320,579	32,946,492,830	28,899,970,847
VII. CURRENT INCOME TAX LIABILITIES	52,846,362,565	20,433,956,378	37,864,295,761
VIII. DEFERRED INCOME TAX LIABILITIES	48,337,434,682	77,206,704,645	53,398,467,646
IX. OTHER LIABILITIES	4,067,948,107,598	2,892,607,827,387	2,547,669,906,897
TOTAL LIABILITIES	78,586,120,032,440	43,316,025,944,967	39,901,697,482,054
SHAREHOLDERS' EQUITY			
I. EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING EQUITY	4,765,683,316,153	3,501,013,866,057	3,261,558,410,213
1. Capital stock	1,171,899,495,000	966,899,495,000	966,899,495,000
2. Other paid-in capital	353,678,831,743	47,023,304,997	44,751,592,737
3. Other components of equity	23,363,971,072	25,972,578,211	29,486,797,712
4. Retained earnings	3,216,741,018,338	2,461,118,487,849	2,220,420,524,764
II. NON-CONTROLLING EQUITY	698,260,578,107	99,851,000,000	-
TOTAL EQUITY	5,463,943,894,260	3,600,864,866,057	3,261,558,410,213
TOTAL LIABILITIES AND EQUITY	84,050,063,926,700	46,916,890,811,024	43,163,255,892,267

BNK Financial Group _ Consolidated Statements of Comprehensive Income

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012
I. NET INTEREST INCOME	1,427,234,921,418	1,154,457,909,029	1,143,160,827,804
1. Interest revenues	2,495,772,998,558	2,117,574,023,749	2,165,443,479,818
2. Interest expenses	(1,068,538,077,140)	(963,116,114,720)	(1,022,282,652,014)
II. NET COMMISSION INCOME	114,208,590,167	85,126,538,438	109,063,428,762
1. Commission revenues	203,013,988,292	150,831,028,995	168,796,114,653
2. Commission expenses	(88,805,398,125)	(65,704,490,557)	(59,732,685,891)
III. NET INCOME OF INVESTMENT FINANCIAL ASSETS	47,083,425,865	36,200,875,952	41,091,281,616
1. Net income of financial assets at FVTPL	13,731,467,299	8,775,341,790	5,661,130,450
2. Net income of AFS financial assets	33,351,958,566	27,425,534,162	35,430,151,166
IV. PROVISION FOR CREDIT LOSS	(266,360,634,030)	(232,305,332,320)	(200,607,893,173)
V. OTHER OPERATING EXPENSES, NET	(381,026,074,904)	(630,741,709,062)	(599,094,174,110)
1. Net loss from foreign exchange trading	29,301,463,894	(107,228,766,337)	(100,229,636,411)
2. Net income from derivatives	7,975,470,594	141,695,753,156	137,616,890,605
3. General and administrative expenses	(751,503,545,769)	(573,767,553,444)	(568,891,095,138)
4. Other operating revenues	542,240,362,274	45,925,758,102	24,569,600,906
5. Other operating expenses	(209,039,825,897)	(137,366,900,539)	(92,159,934,072)
VI. OPERATING INCOME	941,140,228,516	412,738,282,037	493,613,470,899
VII. NON-OPERATING INCOME, NET	(22,076,541,235)	(9,879,814,495)	(8,760,648,667)
1. NON-OPERATING REVENUES	13,728,941,831	12,011,576,536	8,730,382,197
2. NON-OPERATING EXPENSES	(35,805,483,066)	(21,891,391,031)	(17,491,030,864)
VIII. INCOME BEFORE INCOME TAX EXPENSE	919,063,687,281	402,858,467,542	484,852,822,232
IX. INCOME TAX EXPENSE	(99,395,490,266)	(97,336,386,701)	(118,979,306,238)
X. NET INCOME	819,668,197,015	305,522,080,841	365,873,515,994
1. Net income attributable to owners of the company	809,768,902,209	304,513,329,755	365,873,515,994
2. Net income attributable to non-controlling interests	9,899,294,806	1,008,751,086	-
XI. OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(3,684,060,738)	(3,514,219,501)	5,948,119,314
1. Items that are not subsequently reclassified to profit or loss:	(28,012,783,828)	(8,406,679,035)	(4,289,640,838)
1) Remeasurement elements of defined benefit plan	(28,012,783,828)	(8,406,679,035)	(4,289,640,838)
2. Items that are subsequently reclassified to profit or loss	24,328,723,090	4,892,459,534	10,237,760,152
1) Gain (loss) on fair value of AFS financial assets	23,273,333,912	5,240,583,868	10,325,886,920
2) Gain on valuation of cash flow hedge	42,807,181	-	10,325,886,920
3) Gain(loss) on overseas operations translation	1,012,581,997	(348,124,334)	(88,126,768)
XII. TOTAL COMPREHENSIVE INCOME	815,984,136,277	302,007,861,340	371,821,635,308
1. Total comprehensive income attributable to owners of the company	807,160,295,070	300,999,110,254	371,821,635,308
2. Total comprehensive income attributable to non-controlling interests	8,823,841,207	1,008,751,086	-
XIII. EARNINGS PER SHARE			
1. Basic and diluted net earnings per share (in currency units)	3,809	1,576	1,893

BNK Financial Group _ Consolidated Statements of Changes in Shareholders' Equity

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit : KRW)

Description	Capital stock	Other paid-in capital	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
Balance at January 1, 2012	966,899,495,000	44,751,592,737	35,982,380,854	1,907,313,859,709	2,954,947,328,300	-	2,954,947,328,300
Effect of an accounting change	-	-	(12,443,702,456)	18,341,064,761	5,897,362,305	-	5,897,362,305
Equity after prior-period adjustments	966,899,495,000	44,751,592,737	23,538,678,398	1,925,654,924,470	2,960,844,690,605	-	2,960,844,690,605
Annual dividends	-	-	-	(67,631,256,000)	(67,631,256,000)	-	(67,631,256,000)
Total comprehensive income :							
Net income	-	-	-	365,873,515,994	365,873,515,994	-	365,873,515,994
Other comprehensive loss:							
Remeasurement elements defined benefit plans	-	-	(4,289,640,838)	-	(4,289,640,838)	-	(4,289,640,838)
Evaluation of AFS financial assets	-	-	10,325,886,920	-	10,325,886,920	-	10,325,886,920
Loss on overseas operations translation	-	-	(88,126,768)	-	(88,126,768)	-	(88,126,768)
Changes in investment in consolidated subsidiaries	-	-	-	(3,476,659,700)	(3,476,659,700)	-	(3,476,659,700)
Balance at December 31, 2012	966,899,495,000	44,751,592,737	29,486,797,712	2,220,420,524,764	3,261,558,410,213	-	3,261,558,410,213
Balance at January 1, 2013	966,899,495,000	44,751,592,737	29,486,797,712	2,220,420,524,764	3,261,558,410,213	-	3,261,558,410,213
Annual dividends	-	-	-	(63,815,366,670)	(63,815,366,670)	-	(63,815,366,670)
Disposal of treasury stock	-	2,271,712,260	-	-	2,271,712,260	-	2,271,712,260
Issuing hybrid bonds	-	-	-	-	-	99,851,000,000	99,851,000,000
Dividends for hybrid bonds	-	-	-	-	-	(1,008,751,086)	(1,008,751,086)
Total Comprehensive income:							
Net income	-	-	-	304,513,329,755	304,513,329,755	1,008,751,086	305,522,080,841
Other comprehensive income (loss):							
Remeasurement elements defined benefit plans	-	-	(8,406,679,035)	-	(8,406,679,035)	-	(8,406,679,035)
Evaluation of AFS financial assets	-	-	5,240,583,868	-	5,240,583,868	-	5,240,583,868
Loss on overseas operations translation	-	-	(348,124,334)	-	(348,124,334)	-	(348,124,334)
Balance at December 31, 2013	966,899,495,000	47,023,304,997	25,972,578,211	2,461,118,487,849	3,501,013,866,057	99,851,000,000	3,600,864,866,057
Balance at January 1, 2014	966,899,495,000	47,023,304,997	25,972,578,211	2,461,118,487,849	3,501,013,866,057	99,851,000,000	3,600,864,866,057
Annual dividends	-	-	-	(54,146,371,720)	(54,146,371,720)	-	(54,146,371,720)
Paid-in capital increase	205,000,000,000	306,655,526,746	-	-	511,655,526,746	-	511,655,526,746
Dividends for hybrid bonds	-	-	-	-	-	(8,285,162,500)	(8,285,162,500)
Changes due to business combination	-	-	-	-	-	597,870,899,400	597,870,899,400
Total Comprehensive income:							
Net income	-	-	-	809,768,902,209	809,768,902,209	9,899,294,806	819,668,197,015
Other comprehensive income (loss):							
Remeasurement elements defined benefit plans	-	-	(26,082,653,478)	-	(26,082,653,478)	(1,930,130,350)	(28,012,783,828)
Evaluation of AFS financial assets	-	-	22,437,076,471	-	22,437,076,471	836,257,441	23,273,333,912
Loss on overseas operations translation	-	-	1,012,581,997	-	1,012,581,997	-	1,012,581,997
Gain on valuation of cash flow hedge	-	-	24,387,871	-	24,387,871	18,419,310	42,807,181
Balance at December 31, 2014	1,171,899,495,000	353,678,831,743	23,363,971,072	3,216,741,018,338	4,765,683,316,153	698,260,578,107	5,463,943,894,260

BNK Financial Group _ Consolidated Statements of Cash Flows

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012
I. CASH FLOWS FROM OPERATING ACTIVITIES	(130,549,477,590)	(794,301,715,851)	(931,685,189,000)
1. Net income	819,668,197,015	305,522,080,841	365,873,515,994
2. Adjustments to reconcile net income to net cash used in operating activities	(1,404,517,827,818)	(834,312,605,365)	(965,205,569,145)
Loss on valuation of financial assets at FVTPL	1,116,548,493	1,269,914,625	3,001,196,003
Impairment loss on AFS financial assets	10,621,041,112	18,343,584,174	10,259,669,444
Loss on disposal of AFS financial assets	373,211,562	2,481,954,537	154,835,723
Provision of allowance for loan losses	259,440,856,229	223,285,561,417	169,854,498,639
Provision for severance benefits	29,870,945,933	22,643,431,854	20,576,569,742
Depreciation	42,569,267,399	13,653,846,533	49,440,657,962
Amortization	33,893,460,179	23,465,924,584	23,028,733,744
Loss on valuation of derivatives, net	239,478,502,601	70,484,506,404	71,763,423,338
Loss on valuation of fair value hedged items, net	131,584,671	86,127,201	81,899,675
Loss on foreign currency translation, net	242,918,272,515	35,432,968,660	97,158,447,021
Loss on disposal of tangible assets	1,077,479,701	49,788,834	73,863,841
Loss on disposal of intangible assets	18,805,080	4,500,130	-
Loss on property for business purpose abandoned	15,531,978	15,203,482	-
Impairment loss of intangible assets	3,809,607,471	2,742,381,731	1,333,771,890
Loss on disposal of non-current assets held for sale	1,282,563,025	-	-
Provision of allowance for losses on acceptance and guarantees, net	10,114,968,127	-	758,926,039
Provision of allowance for losses on unused credit limits, net	3,538,869	-	1,415,056,129
Provision of allowance for losses on financial guarantees	78,643,394	-	156,049,516
Provision of allowance for others, net	22,819,970,646	8,674,065,894	393,934,924
Addition of other expenses of non-cash transactions	51,476,132,983	30,214,615,232	1,709,989,712
Income tax expense	99,395,490,266	97,336,386,701	118,979,306,238
Interest expense	1,068,538,077,140	963,116,114,720	1,022,282,652,014
Gain on valuation of financial assets at FVTPL	(195,345,821)	(1,958,210,112)	(6,396,663,021)
Gain on available-for-sale financial assets	(2,471,820,889)	-	-
Gain on disposal of AFS financial assets	(19,909,251,678)	(27,499,302,381)	(26,812,516,674)
Gain on valuation of derivatives, net	(255,196,141,630)	(101,342,125,254)	(101,978,366,325)
Gain on foreign currency translation, net	(245,723,000,601)	(5,437,231,362)	(112,518,649,002)
Gain on bonds payables in foreign currencies	-	(68,138,598,176)	(110,346,853,540)
Gain on disposal of tangible assets	(421,936,944)	(227,061,639)	(500,978,301)
Gain on disposal of non-current assets held for sale	(2,443,537,224)	-	-
Reversal of allowance for losses on acceptances and guarantees	-	(1,473,588,770)	-
Reversal of allowance for losses on unused credit limits	(3,311,570,604)	(1,153,127,036)	-
Reversal of allowance for others	(9,610,494,689)	(276,409,463)	(4,639,702,295)
Reversal of allowance for losses on financial guarantees	-	(238,536,760)	-
Deduction of other revenues of non-cash transactions	(18,268,402,663)	(1,530,452,884)	(1,015,224,406)
Interest income	(2,495,772,998,558)	(2,117,574,023,749)	(2,165,443,479,818)
Dividend income	(22,316,768,328)	(20,764,814,492)	(19,032,335,659)
Profit from bargain purchase	(447,921,057,563)	-	-

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012
3. Changes in working capital	(1,462,118,193,276)	(1,394,602,240,992)	(1,448,361,128,724)
Net decrease (increase) due from banks	(1,334,936,106,628)	10,917,239,252	223,105,911,466
Net decrease (increase) in financial assets at FVTPL	319,508,966,203	142,750,356,836	(212,588,518,380)
Net increase in loans	(3,378,536,171,168)	(3,899,602,580,750)	(3,840,315,715,948)
Net increase in accrued income	(196,732,982,540)	(90,403,432,329)	(162,492,144,876)
Net decrease (increase) in prepaid expenses	(8,969,829,719)	2,039,129,275	(432,306,310)
Net increase (decrease) in guarantee deposits	40,076,721	(6,840,452,074)	(12,973,651,903)
Net decrease (increase) in derivative assets	(184,208,659,417)	(3,143,010,018)	62,733,970,666
Net increase in other assets	(256,928,992,874)	(95,981,019,639)	(47,917,067,926)
Net increase in deposits	3,717,517,013,206	2,456,711,959,581	2,547,601,952,033
Net decrease in accrued expenses	(294,859,403,346)	(139,680,273)	(10,550,990,708)
Net increase (decrease) in unearned revenues	(206,652,514)	(11,608,033,488)	4,042,903,103
Net increase in other liabilities	8,533,279,122	90,735,334,762	41,144,872,286
Net decrease in taxes withheld	(105,761,760)	(1,527,179,814)	(1,589,618,164)
Net increase in derivative liabilities	185,590,103,409	32,337,140,385	5,589,818,253
Net decrease of allowance for losses on acceptance and guarantees	(3,093,489,816)	-	-
Net decrease of allowance for others	(4,103,165,753)	-	-
Net increase (decrease) of allowance for losses on financial guarantee	3,192,924,216	(470,815,783)	34,769,987
Net decrease in defined benefit obligation	(16,419,913,185)	(7,490,749,681)	(8,925,701,965)
Net increase in plan assets	(17,399,427,433)	(12,886,447,234)	(34,829,610,338)
4. Cash received from (paid to) operating activities	2,674,949,532,487	2,178,782,603,047	2,259,427,875,659
Interest revenue received	2,652,632,764,159	2,158,017,788,555	2,240,395,540,000
Dividend revenue received	22,316,768,328	20,764,814,492	19,032,335,659
5. Net cash used in operating activities	(758,531,185,998)	(1,049,691,553,382)	(1,143,419,882,784)
Interest expense paid	(721,926,116,916)	(957,258,294,056)	(1,009,019,246,374)
Income tax paid	(36,605,069,082)	(92,433,259,326)	(134,400,636,410)
II. CASH FLOWS FROM INVESTING ACTIVITIES (Note 38)	(1,237,468,526,924)	(375,207,771,320)	675,444,685,687
1. Cash provided by investing activities	4,193,303,144,311	3,634,144,231,470	4,155,945,130,016
2. Cash used in investing activities	(5,430,771,671,235)	(4,009,352,002,790)	(3,480,500,444,329)
III. CASH FLOWS FROM FINANCING ACTIVITIES (Note 38)	1,366,428,864,949	930,576,943,168	(120,776,469,044)
1. Cash provided by financing activities	2,909,958,850,779	2,332,778,992,138	2,976,135,588,126
2. Cash used in financing activities	(1,543,529,985,830)	(1,402,202,048,970)	(3,096,912,057,170)
IV. NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	(1,589,139,565)	(238,932,544,003)	(377,016,972,357)
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	767,118,225,881	1,038,586,920,369	1,403,445,799,616
VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	12,083,971,546	(32,536,150,485)	12,158,093,110
VII. CASH AND CASH EQUIVALENTS, END OF YEAR (Note 38)	777,613,057,862	767,118,225,881	1,038,586,920,369

Busan Bank _ Consolidated Statements of Financial Position

BUSAN BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012(*)
ASSETS			
I. CASH AND DUE FROM BANKS	2,176,559,855,531	1,741,082,352,535	1,995,772,320,821
II. INVESTMENT FINANCIAL ASSETS	7,495,324,441,096	7,431,584,899,460	7,425,126,288,720
1. Financial assets at fair value through profit or Loss (FVTPL)	308,898,302,665	285,471,517,145	262,328,790,279
2. Available-for-sale (AFS) financial assets	2,908,812,798,173	2,776,789,934,523	2,708,465,982,083
3. Held-to-maturity (HTM) financial assets	4,277,613,340,258	4,369,323,447,792	4,454,331,516,358
III. LOANS AND RECEIVABLES	35,733,862,440,087	32,935,266,211,178	30,047,196,336,243
1. Loans, net of allowance for loan losses	33,432,816,174,030	30,614,590,759,684	28,032,588,731,242
2. Receivables, net of allowance for loan losses	2,301,046,266,057	2,320,675,451,494	2,014,607,605,001
IV. DERIVATIVE ASSETS	261,518,859,534	119,726,181,144	101,449,091,701
V. TANGIBLE ASSETS	551,904,244,496	497,576,434,719	403,792,387,415
VI. INTANGIBLE ASSETS	82,232,632,382	78,209,017,007	62,776,863,643
VII. INVESTMENT OF PROPERTY	90,007,730,913	59,426,403,528	46,196,443,891
VIII. NET DEFINED BENEFIT ASSETS	-	-	1,897,128,683
IX. NON-CURRENT ASSETS HELD FOR SALE	-	10,658,898,025	10,658,898,025
X. OTHER ASSETS	7,202,432,715	8,493,476,002	11,962,204,165
TOTAL ASSETS	46,398,612,636,754	42,882,023,873,598	40,106,827,963,307
LIABILITIES			
I. DEPOSITS	34,144,016,873,594	30,573,634,638,817	28,100,462,881,776
II. BORROWINGS	3,477,938,159,902	3,877,554,188,737	3,745,990,966,621
III. DEBENTURES	2,159,219,224,613	2,144,118,523,859	2,731,353,856,827
IV. DERIVATIVE LIABILITIES	254,438,657,622	89,976,153,268	73,310,282,308
V. RETIREMENT BENEFIT OBLIGATION	31,633,764,923	9,362,046,198	-
VI. PROVISIONS	43,234,677,222	32,556,234,921	28,575,130,254
VII. CURRENT INCOME TAX LIABILITIES	43,613,601,375	20,162,383,540	37,009,886,879
VIII. DEFERRED INCOME TAX LIABILITIES	55,853,432,782	60,984,621,696	42,332,169,938
IX. OTHER LIABILITIES	2,759,797,783,611	2,594,494,414,659	2,342,045,556,079
TOTAL LIABILITIES	42,969,746,175,644	39,402,843,205,695	37,101,080,730,682
SHAREHOLDERS' EQUITY			
I. EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING EQUITY	3,428,866,461,110	3,479,180,667,903	3,005,747,232,625
1. Capital stock	948,418,250,000	948,418,250,000	933,418,250,000
2. Hybrid securities	99,851,000,000	99,851,000,000	-
3. Capital surplus	134,924,946,000	134,924,946,000	-
4. Other components of equity	20,400,069,761	20,305,251,976	22,261,472,712
5. Retained earnings	2,225,272,195,349	2,275,681,219,927	2,050,067,509,913
Provided reserve for bad debts at December 31, 2014			
Accumulated reserves : 118,899,000,000			
Amount expected for provision of allowance : 22,529,000,000			
Provided reserve for bad debts at December 31, 2013			
Accumulated reserves : 127,030,000,000			
Amount expected for provision of allowance : (-)8,131,000,000원			
Provided reserve for bad debts at December 31, 2012			
Accumulated reserves : ₩101,974,000,000원			
Amount expected for provision of allowance : 25,056,000,000원			
II. NON-CONTROLLING EQUITY	-	-	-
TOTAL EQUITY	3,428,866,461,110	3,479,180,667,903	3,005,747,232,625
TOTAL LIABILITIES AND EQUITY	46,398,612,636,754	42,882,023,873,598	40,106,827,963,307

(*) Drawn up retroactively to the enacted and amended the K-IFRS (Korean International Financial Reporting Standards) applied starting from January 1, 2013.

Busan Bank _ Consolidated Statements of Comprehensive Income

BUSAN BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012(*)
I. NET INTEREST INCOME	1,087,324,511,877	1,001,911,025,525	1,027,160,964,037
1. Interest revenues	1,865,765,586,570	1,842,857,579,178	1,954,287,531,925
2. Interest expenses	(778,441,074,693)	(840,946,553,653)	(927,126,567,888)
II. NET COMMISSION INCOME	81,247,300,270	65,216,970,442	80,064,892,567
1. Commission revenues	143,096,062,963	122,114,631,605	129,878,751,094
2. Commission expenses	(61,848,762,693)	(56,897,661,163)	(49,813,858,527)
III. NET INCOME OF INVESTMENT FINANCIAL ASSETS	35,103,830,886	32,007,436,347	35,091,181,173
1. Net income of financial assets at FVTPL	4,573,496,351	2,770,628,864	323,633,995
2. Net income of AFS financial assets	30,530,334,535	29,236,807,483	34,767,547,178
IV. PROVISION FOR CREDIT LOSS	(139,917,915,383)	(138,927,886,463)	(146,802,587,240)
V. OTHER OPERATING EXPENSES, NET	(606,910,192,399)	(549,070,769,813)	(519,665,779,346)
1. Gain(Loss) on foreign Exchange	31,305,675,244	(107,232,538,126)	(100,244,312,004)
2. Net income from derivatives	(5,348,040,113)	140,066,253,516	130,638,484,605
3. General and administrative expenses	(533,038,260,431)	(489,822,333,574)	(486,472,232,034)
4. Other operating revenues	25,128,358,229	11,279,198,069	24,262,325,270
5. Other operating expenses	(124,957,925,328)	(103,361,349,698)	(87,850,045,183)
VI. OPERATING INCOME	456,847,535,251	411,136,776,038	475,848,671,191
VII. Non-operating income, net	(17,858,166,807)	(5,080,298,628)	(10,006,762,729)
1. NON-OPERATING REVENUES	10,605,824,798	11,655,233,787	6,815,641,862
2. NON-OPERATING EXPENSES	(28,463,991,605)	(16,735,532,415)	(16,822,404,591)
VIII. INCOME BEFORE INCOME TAX EXPENSE	438,989,368,444	406,056,477,410	465,841,908,462
IX. INCOME TAX EXPENSE	(83,787,175,172)	(87,437,446,060)	(110,189,365,897)
X. NET INCOME	355,202,193,272	318,619,031,350	355,652,542,565
(Net income after provision of reserve for bad debts: 332,673 million in 2014 and 326,750 million in 2013) 330,596 million in 2012)			
XI. OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	94,817,785	(1,956,220,736)	6,120,845,613
Items that are not subsequently reclassified to profit or loss:	(22,186,114,624)	(7,918,720,336)	(3,489,044,294)
1. Remeasurement elements of defined benefit plan	(22,186,114,624)	(7,918,720,336)	(3,489,044,294)
Items that are subsequently reclassified to profit or loss	22,280,932,409	5,962,499,600	9,609,889,907
1. Gain (loss) on fair value of AFS financial assets	21,259,889,289	6,310,623,934	9,698,016,675
2. Gain(loss) on overseas operations translation	1,021,043,120	(348,124,334)	(88,126,768)
XII. TOTAL COMPREHENSIVE INCOME	355,297,011,057	316,662,810,614	361,773,388,178
XIII. NET INCOME ATTRIBUTABLE TO :			
1. Owners of the company	355,202,193,272	318,619,031,350	355,652,542,565
2. Non-controlling interests	-	-	-
XIV. Total COMPREHENSIVE INCOME ATTRIBUTABLE TO :			
1. Owners of the company	355,297,011,057	316,662,810,614	361,773,388,178
2. Non-controlling interests	-	-	-
XV. EARNINGS PER SHARE			
1. Basic and diluted net earnings per share (in currency units)	1,843	1,697	1,905

(*) Drawn up retroactively to the enacted and amended the K-IFRS (Korean International Financial Reporting Standards) applied starting from January 1, 2013.

Busan Bank _ Consolidated Statements of Changes in Shareholders' Equity

BUSAN BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	Capital stock	Hybrid securities	Capital surplus	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
Balance at January 1, 2012	933,418,250,000	-	-	28,927,521,389	1,779,218,098,203	2,741,563,869,592	-	2,741,563,869,592
Effect of an accounting change	-	-	-	(12,786,894,290)	18,684,256,595	5,897,362,305	-	5,897,362,305
Rewritten capital after correction	933,418,250,000	-	-	16,140,627,099	1,797,902,354,798	2,747,461,231,897	-	2,747,461,231,897
Payment of interim dividends	-	-	-	-	(100,062,436,400)	(100,062,436,400)	-	(100,062,436,400)
Comprehensive income :								
Net income	-	-	-	-	355,652,542,565	355,652,542,565	-	355,652,542,565
Other comprehensive income	-	-	-	6,120,845,613	-	6,120,845,613	-	6,120,845,613
Changes in investment in consolidated subsidiaries	-	-	-	-	(3,424,951,050)	(3,424,951,050)	-	(3,424,951,050)
Balance at December 31, 2012	933,418,250,000	-	-	22,261,472,712	2,050,067,509,913	3,005,747,232,625	-	3,005,747,232,625
Balance at January 1, 2013	933,418,250,000	-	-	22,261,472,712	2,050,067,509,913	3,005,747,232,625	-	3,005,747,232,625
Payment of interim dividends	-	-	-	-	(91,996,570,250)	(91,996,570,250)	-	(91,996,570,250)
Paid-in capital increase	15,000,000,000	-	134,924,946,000	-	-	149,924,946,000	-	149,924,946,000
Issuing hybrid bonds	-	99,851,000,000	-	-	-	99,851,000,000	-	99,851,000,000
Dividends for hybrid bonds	-	-	-	-	(1,008,751,086)	(1,008,751,086)	-	(1,008,751,086)
Comprehensive income :								
Net income	-	-	-	-	318,619,031,350	318,619,031,350	-	318,619,031,350
Other comprehensive income	-	-	-	(1,956,220,736)	-	(1,956,220,736)	-	(1,956,220,736)
Balance at December 31, 2013	948,418,250,000	99,851,000,000	134,924,946,000	20,305,251,976	2,275,681,219,927	3,479,180,667,903	-	3,479,180,667,903
Balance at January 1, 2014	948,418,250,000	99,851,000,000	134,924,946,000	20,305,251,976	2,275,681,219,927	3,479,180,667,903	-	3,479,180,667,903
Payment of interim dividends	-	-	-	-	(400,042,817,850)	(400,042,817,850)	-	(400,042,817,850)
Dividends for hybrid bonds	-	-	-	-	(5,568,400,000)	(5,568,400,000)	-	(5,568,400,000)
Comprehensive income :								
Net income	-	-	-	-	355,202,193,272	355,202,193,272	-	355,202,193,272
Other comprehensive income	-	-	-	94,817,785	-	94,817,785	-	94,817,785
Balance at December 31, 2014	948,418,250,000	99,851,000,000	134,924,946,000	20,400,069,761	2,225,272,195,349	3,428,866,461,110	-	3,428,866,461,110

Busan Bank _ Consolidated Statements of Cash Flows

BUSAN BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012(*)
I. CASH FLOWS FROM OPERATING ACTIVITIES	482,809,419,320	166,617,704,066	396,757,489,789
1. Net income	355,202,193,272	318,619,031,350	355,652,542,565
2. Adjustments to reconcile net income to net cash used in operating activities	(807,162,119,014)	(824,677,477,347)	(913,969,917,937)
Loss on valuation of financial assets at FVTPL	270,942,732	281,309,142	2,333,000,868
Impairment loss on AFS financial assets	10,483,981,028	16,553,778,495	10,259,669,444
Loss on disposal of AFS financial assets	362,333,489	2,426,584,204	151,112,849
Provision of allowance for loan losses	143,397,697,778	129,894,454,798	128,120,542,924
Provision for severance benefits	21,751,877,542	19,072,574,142	18,012,199,971
Depreciation	34,464,547,411	11,374,227,736	35,400,828,889
Amortization	23,751,049,563	21,639,032,508	21,409,979,561
Loss on valuation of derivatives, net	223,792,178,041	70,484,506,404	71,763,423,338
Loss on valuation of fair value hedged items, net	131,584,671	86,127,201	81,899,675
Loss on foreign currency translation, net	239,255,622,420	35,372,940,935	96,744,758,925
Loss on disposal of tangible assets	863,321,335	46,721,691	44,844,999
Loss on property for business purpose abandoned	15,531,978	15,203,482	19,789,831
Loss on disposal of non-current assets held for sale	1,282,563,025	-	-
Impairment loss of intangible assets	26,666,443	-	187,771,890
Loss on disposal of financial bond	-	-	2,302,296,805
Loss on supplies destroyed	211,360,135	35,083,380	172,291,423
Provision of allowance for losses on acceptance and guarantees, net	318,544,368	-	758,926,039
Provision of allowance for losses on unused credit limits, net	-	-	1,405,533,375
Provision of allowance for losses on financial guarantees	78,643,394	-	156,049,516
Provision of allowance for others, net	21,983,262,010	8,727,690,704	387,138,875
Long-term compensation expense	11,510,161,229	2,409,996,557	1,035,387,739
Income tax expense	83,787,175,172	87,437,446,060	110,189,365,897
Interest expense	778,441,074,693	840,946,553,653	927,126,567,888
Gain on valuation of financial assets at FVTPL	(1,604,509,093)	(608,238,044)	(1,554,576,589)
Gain on disposal of AFS financial assets	(2,471,820,889)	-	-
Gain on disposal of held-to-maturity (HTM) financial assets	(18,143,214,856)	(27,960,700,646)	(26,812,516,674)
Gain on valuation of derivatives, net	(232,004,353,602)	(101,342,125,254)	(101,978,366,325)
Gain on valuation of fair value hedged items, net	-	-	(10,573,272,878)
Gain on foreign currency translation, net	(245,287,585,755)	(5,377,203,637)	(112,104,762,519)
Gain on bonds payables in foreign currencies	-	(68,138,598,176)	(110,346,853,540)
Gains on disposals of property, plant and equipment	(414,976,543)	(176,827,685)	(477,654,346)
Gain on disposal of non-current assets held for sale	(2,443,537,224)	-	-
Reversal of allowance for losses on acceptances and guarantees	-	(1,473,588,770)	-
Reversal of allowance for losses on unused credit limits	(2,397,761,929)	(1,147,628,839)	-
Reversal of allowance for losses on financial guarantees	-	(238,536,760)	-
Reversal of allowance for others	(9,609,971,988)	(276,409,463)	-
Gain on restoration	(2,432,715,715)	(1,614,902,451)	(1,015,224,406)
Interest income	(1,865,765,586,570)	(1,842,857,579,178)	(1,954,287,531,925)
Dividend income	(20,766,203,307)	(20,269,369,536)	(18,365,812,797)

Busan Bank _ Consolidated Statements of Cash Flows

BUSAN BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012(*)
3. Changes in working capital	(83,392,340,370)	(194,444,534,225)	82,805,889,567
Net decrease (increase) due from banks	(673,104,829,019)	45,624,113,855	78,580,263,585
Net decrease (increase) in financial assets at FVTPL	(22,093,219,159)	(22,815,797,964)	13,029,042,174
Net increase in loans	(2,969,826,477,555)	(2,722,290,345,945)	(2,839,656,809,724)
Net increase in accrued income	(12,952,461,359)	(20,110,275,689)	(43,805,666,995)
Net decrease (increase) in prepaid expenses	1,684,140,503	3,282,069,795	(2,141,629,510)
Net decrease(increase) in financial derivatives	30,882,001,525	29,246,400,367	68,323,788,919
Net decrease (increase) in other assets	(604,457,351)	151,574,988	209,016,637
Net increase in deposits	3,570,776,072,006	2,466,759,457,960	2,829,238,093,325
Net increase in accrued expenses	20,296,335,602	47,766,431,558	23,545,948,673
Net increase (decrease) of allowance for losses on financial guarantees	(765,935,272)	(1,590,091,651)	(3,658,172,032)
Net increase (decrease) of allowance for losses on financial guarantees	852,794,401	(470,815,783)	34,769,987
Net increase (decrease) in taxes withheld	238,609,109	(1,682,411,913)	233,048,527
Net decrease in defined benefit obligation	(8,529,484,781)	(8,173,802,256)	(7,697,722,172)
Net increase in plan assets	(20,245,429,020)	(10,141,041,547)	(33,428,081,827)
4. Interest revenue received	1,843,298,132,054	1,819,276,478,289	1,920,335,131,074
5. Dividend received	20,766,203,307	20,269,369,536	18,365,812,797
6. Interest expense paid	(800,517,839,538)	(887,384,915,273)	(930,566,482,219)
7. Income tax paid	(45,384,810,391)	(85,040,248,264)	(135,865,486,058)
II. CASH FLOWS FROM INVESTING ACTIVITIES	(72,588,282,370)	(365,027,761,472)	361,265,775,181
1. Cash provided by investing activities	3,335,432,423,175	3,589,846,520,895	3,825,308,145,604
2. Cash used in investing activities	(3,408,020,705,545)	(3,954,874,282,367)	(3,464,042,370,423)
III. CASH FLOWS FROM FINANCING ACTIVITIES	(665,255,953,622)	21,929,760,180	(1,186,076,028,434)
1. Cash provided by financing activities	638,847,247,701	1,049,085,960,220	1,902,930,478,255
2. Cash used in financing activities	(1,304,103,201,323)	(1,027,156,200,040)	(3,089,006,506,689)
IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS(I+II+III)	(255,034,816,672)	(176,480,297,226)	(428,052,763,464)
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	697,431,127,308	906,496,981,739	1,322,391,850,480
VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	17,407,490,649	(32,585,557,205)	12,157,894,723
VII. CASH AND CASH EQUIVALENTS, END OF YEAR	459,803,801,285	697,431,127,308	906,496,981,739

(*) Drawn up retroactively to the enacted and amended the K-IFRS (Korean International Financial Reporting Standards) applied starting from January 1, 2013.

Kyongnam Bank _ Consolidated Statements of Financial Position

KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012(*)
ASSETS			
CASH & CASH EQUIVALENTS	467,891,410,119	445,642,756,091	462,394,617,654
Financial assets at fair value through profit or Loss (FVTPL)	307,156,908,720	277,826,462,616	595,541,685,704
Available-for-sale (AFS) financial assets	2,069,437,895,142	2,227,058,053,544	2,028,304,227,486
Held-to-maturity (HTM) financial assets	2,019,883,245,170	2,096,370,429,877	2,068,838,094,153
LOANS AND RECEIVABLES	27,481,373,908,853	26,338,340,980,384	23,443,417,005,473
INVESTMENT OF PROPERTY	12,012,372,294	12,010,611,743	12,591,883,432
TANGIBLE ASSETS	220,652,962,005	192,628,005,086	174,450,495,501
INTANGIBLE ASSETS	83,426,207,605	11,817,593,435	11,705,553,395
OTHER ASSETS	121,403,804,161	66,546,264,322	125,655,966,827
CURRENT TAX ASSETS	5,703,372,212	5,445,425,518	-
DEFERRED TAX ASSETS	65,694,294,608	40,540,227,580	22,468,292,211
TOTAL ASSETS	32,854,636,380,889	31,714,226,810,196	28,945,367,821,836
LIABILITIES			
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)	35,650,339,744	30,841,442,125	101,470,612,564
DEPOSITS	25,147,247,923,362	23,773,242,173,508	20,767,849,662,884
BORROWINGS	2,598,289,894,799	2,731,988,980,522	3,346,348,542,608
DEBENTURES	1,565,044,587,176	1,445,232,831,061	1,345,265,030,692
RETIREMENT BENEFIT OBLIGATION	24,598,600,934	4,390,749,012	8,149,187,165
PROVISIONS	151,756,477,360	211,869,827,133	242,911,256,192
CURRENT INCOME TAX LIABILITIES	-	-	27,572,911,347
OTHERS FINANCIAL LIABILITIES	1,148,685,042,037	1,218,946,193,565	1,098,268,737,108
OTHER LIABILITIES	36,169,845,865	37,432,277,719	38,442,558,573
DERIVATIVE LIABILITIES	428,302,379	-	-
TOTAL LIABILITIES	30,707,871,013,656	29,453,944,474,645	26,976,278,499,133
SHAREHOLDERS' EQUITY			
EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING EQUITY	2,146,765,367,233	2,260,282,335,551	1,969,089,322,703
Capital stock	392,104,560,000	290,250,185,000	290,250,185,000
HYBRID SECURITIES	199,698,980,000	315,696,480,000	115,997,500,000
OTHER PAID-IN CAPITAL	1,101,970,610,882	95,480,234,232	95,480,234,232
Other components of equity	48,742,019,289	36,739,298,918	40,048,784,597
Retained earnings	404,249,197,062	1,522,116,137,401	1,427,312,618,874
TOTAL EQUITY	2,146,765,367,233	2,260,282,335,551	1,969,089,322,703
TOTAL LIABILITIES AND EQUITY	32,854,636,380,889	31,714,226,810,196	28,945,367,821,836

Kyongnam Bank _ Consolidated Statements of Comprehensive Income

KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012
NET INTEREST INCOME	468,636,389,341	695,534,925,073	688,280,348,773
Interest revenues	897,366,983,578	1,367,900,907,662	1,392,668,701,097
Interest expenses	428,730,594,237	672,365,982,589	704,388,352,324
NET COMMISSION INCOME	24,384,500,473	51,049,429,842	46,593,289,880
Commission revenues	56,405,841,579	92,112,694,966	85,998,209,163
Commission expenses	32,021,341,106	41,063,265,124	39,404,919,283
DIVIDEND INCOME	4,717,734,769	12,953,217,053	10,893,035,513
GAIN(LOSS) ON FAIR VALUE THROUGH PROFIT OR LOSS ASSETS	18,961,356,919	80,191,771,773	97,750,291,081
GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	7,475,415,740	1,940,652,292	(7,377,444,260)
GAIN (LOSS) ON HELD-TO-MATURITY (HTM) FINANCIAL ASSETS	-	-	10,213,323
IMPAIRMENT LOSSES DUE TO CREDIT LOSS	(121,396,948,601)	(172,010,081,768)	(105,201,906,713)
General and administrative expenses	(252,498,942,228)	(327,720,736,474)	(292,730,618,008)
OTHER OPERATING EXPENSES, NET	(65,783,706,232)	(181,966,135,684)	(199,408,866,648)
OPERATING INCOME	84,495,800,181	159,973,042,107	238,808,342,941
NON-OPERATING INCOME, NET	(5,477,729,952)	(7,871,370,300)	(11,211,178,237)
INCOME BEFORE INCOME TAX EXPENSE	79,018,070,229	152,101,671,807	227,597,164,704
INCOME TAX EXPENSE	18,638,381,338	21,920,864,791	46,880,809,938
NET INCOME	60,379,688,891	130,180,807,016	180,716,354,766
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	8,516,723,652	(3,309,485,679)	4,928,385,468
Items that are not subsequently reclassified to profit or loss:	(9,270,678,405)	(2,780,549,131)	(2,540,634,658)
Remeasurement elements of defined benefit plan	(9,270,678,405)	(2,780,549,131)	(2,540,634,658)
Items that are subsequently reclassified to profit or loss	17,787,402,057	(528,936,548)	7,469,020,126
Gain (loss) on fair value of AFS financial assets	18,046,071,856	(528,936,548)	7,278,197,063
GAIN(LOSS) ON VALUATION OF CASH FLOW HEDGE	(258,669,799)	-	190,823,063
TOTAL COMPREHENSIVE INCOME	68,896,412,543	126,871,321,337	185,644,740,234
NET INCOME ATTRIBUTABLE TO:			
NET INCOME ATTRIBUTABLE TO OWNERS	57,639,492,583	130,180,807,016	180,716,354,766
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	2,740,196,308	-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	66,156,216,235	126,871,321,337	185,644,740,234
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	2,740,196,308	-	-
Basic and diluted net earnings per share (in currency units)	678	2,043	2,978

Kyongnam Bank _ Consolidated Statements of Changes in Shareholders' Equity

KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	Capital stock	Hybrid securities	Other paid-in capital	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
Balance at May 01, 2014	392,104,560,000	-	1,387,770,988,098	40,225,295,637	65,727,877,086	1,885,828,720,821	199,698,980,000	2,085,527,700,821
Dividends for hybrid bonds	-	-	-	-	(4,518,172,607)	(4,518,172,607)	(2,740,196,308)	(7,258,368,915)
Acquisition of treasury stock	-	-	(400,377,216)	-	-	(400,377,216)	-	(400,377,216)
Net income	-	-	-	-	57,639,492,583	57,639,492,583	2,740,196,308	60,379,688,891
Gain(loss) on valuation of available-for-sale financial assets	-	-	-	18,046,071,856	-	18,046,071,856	-	18,046,071,856
Gain(loss) on valuation of cash flow hedge	-	-	-	(258,669,799)	-	(258,669,799)	-	(258,669,799)
Remeasurement elements of defined benefit plan	-	-	-	(9,270,678,405)	-	(9,270,678,405)	-	(9,270,678,405)
Included owner equity according to merger	-	199,698,980,000	-	-	-	199,698,980,000	(199,698,980,000)	-
Equity change according to merger	-	-	(285,400,000,000)	-	285,400,000,000	-	-	-
Balance at December 31, 2014	392,104,560,000	199,698,980,000	1,101,970,610,882	48,742,019,289	404,249,197,062	2,146,765,367,233	-	2,146,765,367,233

Description	Capital stock	Hybrid securities	Other paid-in capital	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
Balance at January 01, 2012	290,250,185,000	115,997,500,000	95,480,234,232	38,561,497,782	1,257,471,979,451	1,797,761,396,465	-	1,797,761,396,465
Effect of an accounting change	-	-	-	(3,441,098,653)	4,942,286,617	1,501,187,964	-	1,501,187,964
Balance after accounting change	290,250,185,000	115,997,500,000	95,480,234,232	35,120,399,129	1,262,414,266,070	1,799,262,584,431	-	1,799,262,584,431
Annual dividends	-	-	-	-	(7,976,162,595)	(7,976,162,595)	-	(7,976,162,595)
Dividends for hybrid bonds	-	-	-	-	(7,841,839,365)	(7,841,839,365)	-	(7,841,839,365)
Net income	-	-	-	-	180,716,354,766	180,716,354,766	-	180,716,354,766
Gain(loss) on valuation of available-for-sale financial assets	-	-	-	7,278,197,063	-	7,278,197,063	-	7,278,197,063
Remeasurement elements of defined benefit plan	-	-	-	(2,540,634,658)	-	(2,540,634,658)	-	(2,540,634,658)
Gain(loss) on valuation of financial derivatives	-	-	-	190,823,063	-	190,823,063	-	190,823,063
Balance at December 31, 2012	290,250,185,000	115,997,500,000	95,480,234,232	40,048,784,597	1,427,312,618,874	1,969,089,322,703	-	1,969,089,322,703
Balance at January 01, 2013	290,250,185,000	115,997,500,000	95,480,234,232	40,048,784,597	1,427,312,618,874	1,969,089,322,703	-	1,969,089,322,703
Issuing hybrid bonds	-	199,698,980,000	-	-	-	199,698,980,000	-	199,698,980,000
Annual dividends	-	-	-	-	(23,769,191,970)	(23,769,191,970)	-	(23,769,191,970)
Dividends for hybrid bonds	-	-	-	-	(11,608,096,519)	(11,608,096,519)	-	(11,608,096,519)
Net income	-	-	-	-	130,180,807,016	130,180,807,016	-	130,180,807,016
Gain(loss) on valuation of available-for-sale financial assets	-	-	-	(528,936,548)	-	(528,936,548)	-	(528,936,548)
Remeasurement elements of defined benefit plan	-	-	-	(2,780,549,131)	-	(2,780,549,131)	-	(2,780,549,131)
Balance at December 31, 2013	290,250,185,000	315,696,480,000	95,480,234,232	36,739,298,918	1,522,116,137,401	2,260,282,335,551	-	2,260,282,335,551

Kyongnam Bank _ Consolidated Statements of Cash Flows

KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012
I. CASH FLOWS FROM OPERATING ACTIVITIES	(367,745,486,935)	577,870,401,253	(123,210,319,785)
1. Net income	57,639,492,583	130,180,807,016	180,716,354,766
2. Adjustments to reconcile net income to net cash used in operating activities	(454,715,742,772)	(686,567,277,335)	(652,292,574,348)
Income tax expense	18,638,381,338	21,920,864,791	46,880,809,938
Interest income	(897,366,983,578)	(1,367,900,907,662)	(1,392,668,701,097)
Gain on valuation of financial assets at FVTPL	428,730,594,237	672,365,982,589	704,388,352,324
Dividend income	(4,717,734,769)	(12,953,217,053)	(10,893,035,513)
3. Add expense without cash used	151,797,398,631	269,188,895,316	249,689,496,215
Loss on valuation of trading securities	-	239,832,373	101,341,993
Impairment loss on AFS financial assets	-	3,625,808,605	14,580,297,223
Losses on disposal of AFS financial assets	-	90,716,583	350,000,000
Impairment loss on credit loss	121,396,948,601	172,010,081,768	105,201,906,713
Losses on disposals of tangible assets	122,448,068	147,048,018	83,930,383
Losses on disposals of intangible assets	-	4,400,000	-
Losses on disposals of investment of property assets	-	226,226	-
Depreciation of tangible, intangible and property assets	16,760,903,191	11,635,352,168	9,678,092,520
Losses on Valuation of Derivative Instruments	-	27,118,710,414	57,218,896,246
Provision for severance benefits	9,961,882,188	12,290,454,070	11,094,368,080
Provision of allowance for losses	2,133,222,712	42,026,265,091	51,291,072,407
Loss on foreign currency translation, net	1,421,993,871	-	-
Other operating expenses	-	-	89,590,650
4. Deduction revenue without cash provided	(20,879,978,062)	38,851,383,060	74,244,684,387
Gain on valuation of trading securities	474,209,295	2,549,061,342	510,491,575
Gains on valuation of financial assets at FVTP	5,311,800,000	-	-
Gains on valuation of financial derivatives	2,416,007,846	30,569,782,893	66,155,091,487
Gain on disposal of AFS financial assets	5,803,303,053	5,657,177,479	7,552,852,962
Reversal of impairment loss on AFS financial assets	1,672,112,687	-	-
Reversal of impairment loss on held to maturity securities	-	-	10,213,323
Gains on disposals of property, plant and equipment	47,191,414	6,062,346	16,035,040
Gains on disposal investment of property	-	44,019,000	-
Gain on foreign currency translation, net	5,155,353,767	-	-
Other operating expenses, net	-	25,280,000	-
5. Changes on Asset and liability according to operations	(575,807,484,105)	290,060,572,936	(423,167,088,190)
Net decrease in financial assets at FVTPL	110,124,920,237	323,475,524,536	(295,153,968,975)
Net increase loans and receivables	(1,006,101,312,621)	(3,091,561,708,977)	(2,949,189,752,110)
Net decrease in other assets	26,596,597,102	58,906,807,545	(107,027,118,490)
Net increase of financial assets at FVTPL	1,259,628,444	(70,629,170,439)	(27,980,697,239)
Net increase in deposits	577,259,677,916	3,004,687,795,147	2,576,007,835,606
Provision for severance benefit	(2,223,586,785)	(1,364,341,542)	(2,213,189,345)

KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	December 31, 2013	December 31, 2012
Net increase in plan assets	(1,429,933,744)	(18,352,821,302)	(10,614,228,171)
Net decrease of provision liabilities	(19,089,840,313)	(75,731,842,591)	(2,171,357,208)
Net decrease of other financial liabilities	(258,946,213,889)	160,267,734,060	394,163,192,042
Net decrease of other liabilities	(3,257,420,452)	362,596,499	1,012,195,700
6. Income tax paid	(46,682,859,075)	(71,954,539,091)	(64,417,460,002)
7. Interest revenue received	912,628,681,566	1,383,748,388,939	1,372,451,202,316
8. Interest	(396,442,730,470)	(710,888,280,521)	(722,838,598,168)
9. Dividend income	4,717,734,769	12,953,217,053	10,893,032,013
II. CASH FLOWS FROM INVESTING ACTIVITIES	(32,899,058,989)	(243,352,170,005)	(100,359,950,103)
1. Cash provided by investing activities	1,866,286,768,919	3,754,371,394,475	4,311,735,857,282
Disposal of AFS financial assets	1,396,760,607,856	3,224,667,807,876	3,545,977,721,945
Disposal held to maturity financial assets	469,408,311,063	525,363,196,575	763,197,579,307
Disposal of tangible assets	97,850,000	3,728,443,129	2,560,556,030
Disposal of intangible assets	20,000,000	200,000,000	-
Disposal of investment property	-	411,946,895	-
2. Cash used in investing activities	(1,899,185,827,908)	(3,997,723,564,480)	(4,412,095,807,385)
Acquisition of AFS financial assets	1,342,769,751,702	3,416,467,605,076	3,722,082,219,263
Acquisition of held to maturity financial assets	441,657,910,588	547,673,233,818	674,104,412,255
Acquisition of tangible assets	89,821,836,874	31,181,409,846	14,647,708,037
Acquisition of intangible assets	24,936,328,744	2,401,315,740	1,261,467,830
III. CASH FLOWS FROM FINANCING ACTIVITIES	389,736,724,576	(350,433,334,400)	398,310,533,867
1. Cash provided by financing activities	31,674,000,984,887	71,482,607,523,396	56,635,419,402,794
Increase of borrowing liabilities	31,224,000,984,887	71,082,908,543,396	56,335,521,130,314
Increase of issued debentures	450,000,000,000	200,000,000,000	299,898,272,480
Issuing hybrid bonds	-	199,698,980,000	-
2. Cash used in financing activities	(31,284,264,260,311)	(71,833,040,857,796)	(56,237,108,868,927)
Decrease of borrowing liabilities	31,099,345,710,488	71,697,663,569,307	55,881,290,866,967
Decrease of issued debentures	180,000,000,000	100,000,000,000	340,000,000,000
Acquisition of treasury stock	400,377,216	-	-
Annual dividends paid	4,518,172,607	23,769,191,970	7,976,162,595
Dividends for hybrid bonds	-	11,608,096,519	7,841,839,365
IV. NET DECREASE IN CASH AND CASH EQUIVALENTS(=II+III)	(10,907,821,348)	(15,915,103,152)	174,740,263,979
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	475,065,871,571	462,394,617,654	289,748,475,687
VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,733,359,896	(836,758,411)	(2,094,122,012)
VII. CASH AND CASH EQUIVALENTS, END OF YEAR	467,891,410,119	445,642,756,091	462,394,617,654

BNK Securities _ Statements of Financial Position

BNK SECURITIES AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	March 31, 2014
ASSETS		
I. CASH & DUE FROM BANKS	75,770,368,171	31,430,421,591
1. Cash & cash equivalents	22,939,821,770	5,084,687,564
2. Due from banks	52,830,546,401	26,345,734,027
II. INVESTMENT SECURITIES	362,724,083,287	397,805,358,873
1. Financial assets designated at fair value through profit and loss	345,919,924,941	381,178,073,856
2. Financial investments - available-for-sale	16,804,158,346	16,627,285,017
III. LOANS & RECEIVABLES	63,803,564,293	57,231,823,447
1. Loans	43,105,802,521	24,596,848,868
2. Receivables	20,697,761,772	32,634,974,579
IV. TANGIBLE ASSETS	1,757,844,351	2,061,583,840
V. INTANGIBLE ASSETS	1,445,758,019	1,576,556,627
VI. CURRENT TAX ASSETS	-	1,261,660,101
VI. OTHERS	6,455,465,758	4,137,131,543
TOTAL ASSETS	511,957,083,879	495,504,536,022
LIABILITIES		
I. DEPOSITS	84,739,649,517	47,576,782,402
1. Won deposits	77,952,515,578	46,498,772,473
2. Foreign currency deposits	6,787,133,939	1,078,009,929
II. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)	21,127,693,040	91,785,826,710
1. Financial liabilities of trading securities	21,100,693,040	91,543,366,710
2. Derivative liabilities	27,000,000	242,460,000
III. BORROWINGS	266,159,218,275	215,029,620,324
1. Borrowings	49,600,000,000	21,322,214,836
2. Bonds sold under repurchase agreement(RP)	216,559,218,275	193,707,405,488
IV. RETIREMENT BENEFIT OBLIGATION	566,003,922	356,043,194
V. CURRENT INCOME TAX LIABILITIES	688,307,795	-
VI. DEFERRED INCOME TAX LIABILITIES	1,946,775,455	2,086,873,305
VII. PROVISIONS	198,104,539	-
VI. OTHER LIABILITIES	18,948,605,988	26,731,342,294
TOTAL LIABILITIES	394,374,358,531	383,566,488,229
SHAREHOLDERS' EQUITY		
I. EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING EQUITY	117,582,725,348	111,938,047,793
II. SHAREHOLDERS' EQUITY	85,000,000,000	85,000,000,000
III. RETAINED EARNINGS	26,201,690,869	20,467,919,250
Provided reserve for bad debts at December 31, 2014 KRW 140,868,746		
Amount expected for provision of allowance : KRW 85,439,415		
Provided reserve for bad debts at December 31, 2013 KRW 131,193,614		
Amount expected for provision of allowance : KRW 9,675,582		
III. OTHER CAPITAL COMPONENTS	6,381,034,479	6,470,128,543
IV. NON-CONTROLLING INTERESTS	-	-
TOTAL EQUITY	117,582,725,348	111,938,047,793
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	511,957,083,879	495,504,536,022

BNK Securities _ Statements of Comprehensive Income

BNK SECURITIES AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	March 31, 2014
I. OPERATING REVENUE	108,161,691,198	67,095,302,107
1. Commission revenues	23,001,016,797	12,047,579,819
2. Gains on Sales and Valuation of Investment Securities	23,230,456,824	19,386,297,216
3. Gain on Valuation of Derivative Instruments & Derivative Transactions	48,434,159,062	24,266,494,500
4. Interest Revenue	12,844,559,095	11,198,044,388
5. Gains on Loan Receivables	3,078,959	-
6. Gains on foreign Exchange	200,576,817	101,109,925
7. Other Operating Revenue	447,843,644	95,776,259
II. OPERATING EXPENSES	100,229,527,566	66,882,700,773
1. Fee and Commission Expense	4,769,285,853	3,226,137,494
2. Losses on Valuation of Security Investment	12,591,032,807	6,262,109,989
3. Losses on Valuation of Derivatives & Derivative Transactions	45,033,786,522	32,562,399,860
4. Interest Expense	7,528,553,379	4,701,536,763
5. Expenses on Foreign Exchange	200,430,841	101,111,224
6. SG&A Expense	29,965,608,962	19,642,456,539
7. Others	140,829,202	386,948,904
III. OPERATING INCOME	7,932,163,632	212,601,334
IV. NON-OPERATING REVENUE	9,416,269	42,584,010
V. NON-OPERATING EXPENSE	223,473,437	948,580,925
VI. INCOME(LOSS) BEFORE INCOME TAXES EXPENSES	7,718,106,464	(693,395,581)
VII. INCOME TAXES EXPENSES	1,984,334,845	(208,800,151)
VIII. NET INCOME(LOSS)	5,733,771,619	(484,595,430)
(Net income after provision of reserve for bad debts: (-494,271 million in 2013 and 2,899,692 million in 2012)		
IX. OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(89,094,064)	(800,952,030)
1. Items that are not subsequently reclassified to profit or loss: Remeasurement elements of defined benefit plan	(92,380,760) (118,436,872)	136,687,278 175,240,100
Tax that are not reclassified to profit or loss:	26,056,112	(38,552,822)
2. Items that are subsequently reclassified to profit or loss: Gain (loss) on fair value of AFS financial assets	3,286,696 4,213,713	(937,639,308) (1,202,101,677)
Tax that could be reclassified to profit or loss:	(927,017)	264,462,369
X. TOTAL COMPREHENSIVE INCOME(LOSS)	5,644,677,555	(1,285,547,460)
XI. NET INCOME ATTRIBUTABLE TO:	5,733,771,619	(484,595,430)
1. Owners of the company		(484,595,430)
2. Non-controlling interests		-
XII. TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	5,644,677,555	(1,285,547,460)
1. Owners of the company		(1,285,547,460)
2. Non-controlling interests		-
XIII. EARNINGS PER SHARE		
1. Basic and diluted net earnings per share (in currency units)	337	(29)

BNK Capital _ Consolidated Statements of Financial Position

BNK CAPITAL AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	March 31, 2014
ASSETS		
I. CASH & DUE FROM BANKS	47,807,715,713	41,080,839,886
1. Cash & cash equivalents	47,802,151,713	38,075,275,886
2. Due from banks	5,564,000	3,005,564,000
II. INVESTMENT SECURITIES	2,014,295,000	14,295,000
1. Available-for-sale (AFS) financial assets	2,000,000,000	-
2. Held-to-maturity (HTM) financial assets	14,295,000	14,295,000
III. LOANS & RECEIVABLES	1,890,965,006,063	1,251,375,646,740
1. Loans	1,854,629,773,182	1,218,038,749,545
2. Receivables	36,335,232,881	33,336,897,195
IV. INSTALLMENT FINANCIAL ASSETS	744,833,658,370	676,896,935,037
V. LEASED BOND	647,531,950,671	688,587,228,306
VI. LEASED ASSETS	231,056,072,728	138,353,746,048
VII. TANGIBLE ASSETS	4,552,614,538	3,895,528,097
VIII. INTANGIBLE ASSETS	3,454,698,227	2,676,844,869
IX. OTHERS	11,037,313,690	6,954,386,814
TOTAL ASSETS	3,583,253,325,000	2,809,835,450,797
LIABILITIES		
I. BORROWINGS	2,871,744,220,288	2,234,544,489,984
1. Borrowings	265,000,000,000	377,000,000,000
2. Bonds	2,606,744,220,288	1,857,544,489,984
II. DEFERRED INCOME TAX LIABILITIES	15,377,771,544	14,260,100,989
III. PROVISIONS	341,068,316	297,336,092
IV. DEFINED BENEFIT OBLIGATION	1,553,641,930	1,660,617,258
V. OTHERS FINANCIAL LIABILITIES	252,266,801,611	230,108,332,326
VI. OTHERS	19,299,832,167	22,243,035,715
TOTAL LIABILITIES	3,160,583,335,856	2,503,113,912,364
SHAREHOLDERS' EQUITY		
I. Net income attributable to owners of the company	422,669,989,144	306,721,538,433
I. CAPITAL STOCK	213,000,000,000	205,000,000,000
II. OTHER PAID-IN CAPITAL	116,931,506,650	44,973,906,550
III. RETAINED EARNINGS	93,605,948,411	57,294,884,187
IV. OTHER COMPONENTS OF EQUITY	(867,465,917)	(547,252,304)
II. NON-CONTROLLING EQUITY	-	-
TOTAL EQUITY	422,669,989,144	306,721,538,433
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	3,583,253,325,000	2,809,835,450,797

BNK Capital _ Consolidated Statements of Comprehensive Income

BNK SAVINGS BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	March 31, 2014
I. NET INTEREST INCOME	156,963,952,612	122,226,054,107
1. Interest revenues	261,461,153,610	202,664,260,763
2. Interest expenses	(104,497,200,998)	(80,438,206,656)
II. NET COMMISSION INCOME	14,648,045,829	10,320,928,271
1. Commission revenues	17,074,066,545	12,791,730,221
2. Commission expenses	(2,426,020,716)	(2,470,801,950)
III. IMPAIRMENT LOSSES ON FINANCIAL ASSETS	(86,492,079,021)	(65,462,038,520)
1. Provision of allowance for loan losses	(86,492,079,021)	(65,462,038,520)
IV. OTHER OPERATING PROFIT	(38,147,613,937)	(29,543,221,875)
1. Selling general and administrative expenses	(43,830,022,438)	(32,078,143,349)
2. Other operating income	63,524,062,529	32,790,612,973
3. Other operating expenses	(57,841,654,028)	(30,255,691,499)
V. OPERATING INCOME	46,972,305,483	37,541,721,983
VI. NON-OPERATING INCOME	(26,058,540)	11,611,504
1. Non-operating revenues	61,100,092	78,362,248
2. Non-operating expenses	(87,158,632)	(66,750,744)
VII. INCOME BEFORE INCOME TAXES	46,946,246,943	37,553,333,487
VIII. INCOME TAXES EXPENSES	(10,635,182,719)	(9,005,317,665)
IX. NET INCOME	36,311,064,224	28,548,015,822
(Net income after provision of reserve for bad debts: 36,311 million in 2014 and 28,548 million in 2013)		
X. OTHER COMPREHENSIVE LOSS	(320,213,613)	(247,013,310)
1. Items that are not subsequently reclassified to profit or loss	(311,752,490)	(247,013,310)
Remeasurement elements of defined benefit plan	(311,752,490)	(247,013,310)
2. Items that are subsequently reclassified to profit or loss	(8,461,123)	-
Gain on overseas operations translation	(8,461,123)	-
XI. TOTAL COMPREHENSIVE INCOME	35,990,850,611	28,301,002,512
XII. Net income attributable to:	36,311,064,224	28,548,015,822
1. Owners of the company	36,311,064,224	28,548,015,822
2. Non-Controlling Equity	-	-
XIII. TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO	35,990,850,611	28,301,002,512
1. Owners Of The Company	35,990,850,611	28,301,002,512
2. Non-Controlling Equity	-	-
XII. EARNINGS PER SHARE		
Basic and diluted net earnings per share	875	705

BNK Savings Bank _ Consolidated Statements of Financial Position

BNK SAVINGS BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	March 31, 2014
ASSETS		
I. CASH & DUE FROM BANKS	53,322,193,296	94,073,579,595
1. Cash	44,148,224	40,124,383
2. Due from banks	53,278,045,072	94,033,455,212
II. SECURITIES	4,793,695,294	5,662,981,946
1. Available for sale securities	780,033,292	1,636,396,189
2. Held to maturity securities	4,013,662,002	4,026,585,757
III. LOANS	486,172,785,518	555,109,181,257
IV. TANGIBLE ASSETS	2,874,561,221	2,879,225,860
V. OTHERS	94,017,937,747	98,170,161,078
TOTAL ASSETS	641,181,173,076	755,895,129,736
LIABILITIES		
I. DEPOSITS	508,678,917,848	606,275,641,269
II. OTHERS	24,483,693,187	28,775,270,651
TOTAL LIABILITIES	533,162,611,035	635,050,911,920
SHAREHOLDERS' EQUITY		
I. CAPITAL STOCK	31,000,000,000	31,000,000,000
II. CAPITAL SURPLUS	83,849,192,500	83,849,192,500
III. ACCUMULATED OTHER COMPREHENSIVE INCOME	106,138,500	(741,000)
IV. RETAINED EARNINGS	(6,936,768,959)	5,995,766,316
TOTAL EQUITY	108,018,562,041	120,844,217,816
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	641,181,173,076	755,895,129,736

BNK Savings Bank _ Consolidated Statements of Income

BNK SAVINGS BANK AND ITS SUBSIDIARIES

(Unit : KRW)

Description	December 31, 2014	March 31, 2014
I. OPERATING REVENUES	54,432,618,494	52,382,226,957
(1) Interest revenues	52,521,437,583	50,740,717,806
1. Interest on due from banks	1,638,218,778	3,364,098,022
2. Interest on held to maturity securities	152,781,491	292,687,036
3. Interest on loans	50,486,081,491	46,962,852,488
4. Other interest income	244,355,823	121,080,260
(2) Valuation and Gain on disposition of securities	-	320,967,617
1. Gain on sale of trading securities	-	28,916,384
2. Gain on disposal of AFS financial securities	-	292,051,233
(3) Valuation and gain on disposition of loans	452,364,370	10,010,020
(4) Commission Received	310,046,483	283,544,404
(5) Dividend income	9,000,000	21,847,365
(6) Other operating income	1,139,770,058	1,005,139,745
II. OPERATING EXPENSES	67,160,402,167	43,996,822,485
(1) Interest expenses	18,520,038,712	21,466,517,514
1. Interest on deposits	18,495,053,372	21,428,186,973
2. Discount fees on cover notes sold	1,746,575	-
3. Others	23,238,765	38,330,541
(2) Valuation and loss on disposition of securities	9,939,662	1,789,805,679
(3) Valuation and loss on disposition of loans	29,180,430,920	2,316,410,988
(4) Commission expenses	774,749,075	942,925,534
(5) Other operating expenses	2,927,143,000	2,655,372,000
(6) General and administrative expenses	15,748,100,798	14,825,790,770
III. OPERATING INCOME	(12,727,783,673)	8,385,404,472
IV. NON-OPERATING REVENUES	29,762,598	111,788,322
V. NON-OPERATING EXPENSES	501,856,893	1,154,216,658
VI. INCOME BEFORE INCOME TAX	(13,199,877,968)	7,342,976,136
VII. INCOME TAXES EXPENSES	(267,342,693)	1,652,894,672
VIII. NET INCOME	(12,932,535,275)	5,690,081,464
IX. NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	(12,932,535,275)	5,690,081,464
X. Net income attributable to non-controlling interests	-	-
XI. EARNINGS PER SHARE OF NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		
1. Basic and diluted net earnings per share	(2,086)	918

BNK Credit Information _ Statements of Financial Position

BNK CREDIT INFORMATION

(Unit : KRW)

Description	December 31, 2013	December 31, 2012
ASSETS		
I. ASSETS	5,507,644,167	5,975,542,573
1. Quick assets	5,507,644,167	5,975,542,573
II. NON-CURRENT ASSETS	1,603,465,646	629,753,161
1. Investments	22,393,681	1,459,700
2. Tangible assets	312,071,965	238,293,461
3. Others	1,269,000,000	390,000,000
TOTAL ASSETS	7,111,109,813	6,605,295,734
LIABILITIES		
I. CURRENT LIABILITIES	374,889,853	356,589,541
1. Trade Payables	53,934,711	101,608,769
2. Accrued Expenses	196,679,147	135,927,233
3. Withholdings	5,172,560	5,284,800
4. Vat. Withheld	56,032,850	54,908,210
5. Deferred income tax liabilities	18,834,336	21,036,820
6. Others	44,236,249	37,823,709
II. NON-CURRENT LIABILITIES	-	-
1. Provision for severance benefits	199,523,937	168,040,097
2. Retirement pension asset	(199,523,937)	(168,040,097)
TOTAL LIABILITIES	374,889,853	356,589,541
SHAREHOLDERS' EQUITY		
I. CAPITAL STOCK	3,000,000,000	3,000,000,000
II. RETAINED EARNINGS	3,736,219,960	3,248,706,193
TOTAL EQUITY	6,736,219,960	6,248,706,193
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	7,111,109,813	6,605,295,734

BNK Credit Information _ Statements of Income

BNK CREDIT INFORMATION

(Unit : KRW)

Description	December 31, 2013	December 31, 2012
I. OPERATING REVENUE	2,783,441,369	2,792,515,877
1. OPERATING REVENUE	1,721,808,369	1,751,216,877
2. Credit investigation fees	1,061,633,000	1,041,299,000
II. OPERATING EXPENSES	2,278,716,030	2,017,735,972
III. OPERATING INCOME	504,725,339	774,779,905
IV. NON-OPERATING INCOME	157,459,794	171,545,606
1. Interest income	157,414,869	171,445,988
2. Miscellaneous income	44,925	99,618
V. NON-OPERATING EXPENSES	34,361,830	100,270
VI. INCOME BEFORE INCOME TAXES	627,823,303	946,225,241
VII. INCOME TAXES EXPENSES	140,309,536	229,778,247
VIII. NET INCOME	487,513,767	716,446,994

BNK System _ Statements of Financial Position

BNK SYSTEM		(Unit : KRW)	
Description	December 31, 2013	December 31, 2012	
자산			
I. CURRENT ASSETS	4,817,134,222	3,530,999,059	
1. Quick assets	4,817,134,222		
II. NON-CURRENT ASSETS	1,980,345,563	1,578,096,272	
1. Tangible assets	402,810,508	-	
2. Intangible assets	170,867,855	-	
3. Others	1,406,667,200	-	
TOTAL ASSETS	6,797,479,785	5,109,095,331	
LIABILITIES			
I. CURRENT LIABILITIES	1,872,684,640	877,555,070	
1. Accounts Payables	868,806,470	-	
2. Other Payables	160,970,334	-	
3. Withholdings	125,287,314	-	
4. Vat. Withheld	252,763,573	-	
5. Accrued Expenses	464,856,949	-	
II. NON-CURRENT LIABILITIES	88,716,603	119,738,153	
1. Provision for severance benefits	1,005,259,915	547,451,810	
2. Retirement pension asset	-923,487,638	-438,546,733	
3. Deferred income tax liabilities	6,944,326	10,833,076	
TOTAL LIABILITIES	1,961,401,243	997,293,223	
SHAREHOLDERS' EQUITY			
I. CAPITAL STOCK	3,000,000,000	3,000,000,000	
II. CAPITAL ADJUSTMENT	-16,497,000	-16,497,000	
III. RETAINED EARNINGS	1,852,575,542	1,128,299,108	
TOTAL EQUITY	4,836,078,542	4,111,802,108	
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	6,797,479,785	5,109,095,331	

BNK System _ Statements of Income

BNK SYSTEM		(Unit : KRW)	
Description	December 31, 2013	December 31, 2012	
I. OPERATING REVENUE	17,028,284,984	16,823,674,756	
II. COST OF SALES	14,825,301,039	14,857,438,312	
III. GROSS PROFIT	2,202,983,945	1,966,236,444	
IV. SELLING & ADMINISTRATIVE EXPENSES	1,326,215,498	1,147,880,090	
V. OPERATING INCOME	876,768,447	818,356,354	
VI. NON-OPERATING INCOME	76,544,029	145,203,933	
VII. NON-OPERATING EXPENSE	12,053,042	4,045,150	
VIII. INCOME BEFORE INCOME TAXES	941,259,434	959,515,137	
IX. INCOME TAXES EXPENSES	216,983,000	214,988,807	
X. NET INCOME	724,276,434	744,526,330	

Appendix

Performance Data of Sustainability Management	105
GRI Guideline Index	110
Assurance Statement on GHG Emissions	113
Third-Party Assurance Report	114
Explanations about the Report	116

Performance Data of Sustainability Management

G4-10. Type and contract of employment, and status of employment by region

		2012				2013				2014			
		Total number of employees	Number of regular employees (excluding executives)	Number of con-tract-based employees (excluding executives)	Number of executives	Total number of employees	Number of regular employees (excluding executives)	Number of con-tract-based employees (excluding executives)	Number of executives	Total number of employees	Number of regular employees (excluding executives)	Number of con-tract-based employees (excluding executives)	Number of executives
BNK Financial Group	Men	58	42	8	8	54	40	6	8	53	42	8	3
	Women	8	4	4	0	7	6	1	0	7	6	1	0
	Total	66	46	12	8	61	46	7	8	60	48	9	3
Busan Bank	Men	1,645	1,524	110	11	1,726	1,579	135	12	1,752	1,573	161	18
	Women	1,476	1,345	131	0	1,545	1,384	161	0	1,622	1,435	187	0
	Total	3,121	2,869	241	11	3,271	2,963	296	12	3,374	3,008	348	18
Kyongnam Bank	Men	1,179	1,064	98	17	1,211	1,081	112	18	1,335	1,197	118	20
	Women	1,156	868	288	0	1,098	957	141	0	1,172	1,023	149	0
	Total	2,335	1,932	386	17	2,309	2,038	253	18	2,507	2,220	267	20
BNK Securities	Men	118	73	39	6	119	70	44	5	124	78	43	3
	Women	43	32	11	0	46	36	10	0	43	37	6	0
	Total	161	105	50	6	165	106	54	5	167	115	49	3
BNK Capital	Men	173	121	49	3	247	188	56	3	340	219	118	3
	Women	90	19	71	0	138	47	91	0	169	72	97	0
	Total	263	140	120	3	385	235	147	3	509	291	215	3
BNK Savings Bank	Men	67	58	4	5	71	61	5	5	72	61	6	5
	Women	28	26	2	0	36	26	10	0	31	21	10	0
	Total	95	84	6	5	107	87	15	5	103	82	16	5
BNK Credit Information	Men	18	7	10	1	18	4	13	1	20	4	14	2
	Women	5	2	3	0	3	3	0	0	3	3	0	0
	Total	23	9	13	1	21	7	13	1	23	7	14	2
BNK System	Men	80	67	11	2	108	91	14	3	116	98	14	4
	Women	6	4	2	0	9	6	3	0	10	7	3	0
	Total	86	71	13	2	117	97	17	3	126	105	17	4
Total		6,150	5,256	841	53	6,436	5,579	802	55	6,869	5,876	935	58

G4-11. Rate of employees where the labor collective agreement is applied

(Unit: Number of Individuals, %)

Type	Number of those subject to the subscription to the labor union in 2014	Number of those subscribed to the labor union in 2014	Subscription rate
Busan Bank	2,311	2,305	99.57
Kyongnam Bank	1,738	1,736	99.88

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

Performance Data of Sustainability Management

EC3. Status of managing retirement benefits

(Unit : KRW trillion, Number of individuals)

Amount	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Securities	BNK Capital	BNK Savings Bank	BNK Credit Information	BNK System
Date of account opening	-	2010.07.30	2010.06.30	2007.11.26	2011.11.28	2013.03.29	2007.11.12	2013.11.12
Amount under management	32	1,549	721	23	26.86	2	2	9
Number of subscribers (DB)	72	3,103	2,219	79	332	81	17	105
Number of subscribers (DC)	0	0	1	60	0	0	0	0

EC5. Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation

(Unit : %)

Type	Minimum wage in 2014	Men	Women
BNK Financial Group		373	204
Busan Bank		373	225
Kyongnam Bank		344	254
BNK Securities	5,210 KRW	268	253
BNK Capital		230	184
BNK Savings Bank		218	168
BNK Credit Information		217	173
BNK System		216	193

EN1. Materials used by weight or volume

(Unit : ton)

Type	2012	2013	2014
BNK Financial Group	-	-	2.80
Busan Bank	-	-	49.30
Kyongnam Bank	-	-	32.00
BNK Securities	-	-	1.15
BNK Capital	-	-	10.00
BNK Savings Bank	-	-	7.09
BNK Credit Information	-	-	1.20
BNK System	-	-	0.82
Total	18	62	104.36

EN8. Total water withdrawal by source

(Unit : m³)

Type	2012	2013	2014
BNK Financial Group	-	-	1,144
Busan Bank	-	-	23,627
Kyongnam Bank	-	-	18,892
BNK Securities	-	-	1,334
BNK Capital	-	-	1,461
BNK Savings Bank	-	-	491
BNK Credit Information	-	-	291
BNK System	-	-	307
Total	33,821	44,107	47,547

* It is for the main building of the Group located in Busan, excluding branches and dormitories.

EC6. Proportion of senior management hired from the local community at significant locations of operation

Type	2014	
Total number of employees working abroad	Number of employees dispatched abroad	7
	Number of local employees	16
	Rate of recruiting local employees	69.6%
Number of the senior management employed	4	
Rate of the senior management employed	17.4%	

* For Busan Bank and BNK Capital

EN3. Energy consumptions within the organization

(Unit : TJ)

Type	2012	2013	2014
Amount of direct energy consumed	11	10	22.83
Diesel	1	0	0.39
LNG	1	1	10.31
LPG	0	0	0.56
Gasoline for vehicles	7	9	11.35
LPG for vehicles	1	0	0.24
Amount of indirect energy consumed (electricity)	92	89	126.83
Total amount of energy consumed	113	109	149.66

EN23. Total waste by type and disposal method

a. General waste

(Unit : ton)

Type	2012	2013	2014
Busan Bank	-	-	131
Kyongnam Bank	24.81	21.25	15.13
BNK Credit Information	-	-	6.5
BNK System	-	-	0.5

* Waste generated upon newly constructing the head branch of Busan Bank

* Waste generated upon remodeling and reconstructing the head branch of Kyongnam Bank

b. Waste from construction sites (remodeling and reconstruction)

(Unit : ton)

Type	2012	2013	2014
Busan Bank	-	-	410.38
Kyongnam Bank	74	8	164

EN30. Significant environmental impact due to employee' business trip

(Unit : km)

Type	Airport	Railway	Bus
BNK Financial Group	6,357	155,535	-
Busan Bank	-	536,955	-
Kyongnam Bank	16,120	1,189,649	31,523
BNK Securities	261,061	105,102	-
BNK Capital	158,077	1,125	-
BNK Savings Bank	2,070	11,443	-
BNK Credit Information	-	7,205	-
BNK System	6,437	16,104	-

EN15. Total direct greenhouse gas emissions, EN16. Total indirect greenhouse gas emissions, EN17. Other indirect greenhouse gas emissions

(Unit : tonCO₂eq)

Type	2012	2013	2014	
Total greenhouse gas emissions				
BNK Financial Group	Direct Emissions (Scope1)	27	49	87
	Indirect Emissions (Scope2)	79	102	95
	Other Indirect Emissions (Scope 3)	-	5	5
Busan Bank	Direct Emissions (Scope1)	395	351	444
	Indirect Emissions (Scope2)	3,961	3,686	3,840
	Other Indirect Emissions (Scope 3)	-	18	16
Kyongnam Bank	Direct Emissions (Scope1)	-	-	730
	Indirect Emissions (Scope2)	-	-	1,653
	Other Indirect Emissions (Scope 3)	-	-	41
BNK Securities	Direct Emissions (Scope1)	46	26	128
	Indirect Emissions (Scope2)	111	100	86
	Other Indirect Emissions (Scope 3)	-	8	21
BNK Capital	Direct Emissions (Scope1)	89	113	74
	Indirect Emissions (Scope2)	154	171	194
	Other Indirect Emissions (Scope 3)	-	14	11
BNK Savings Bank	Direct Emissions (Scope1)	32	41	34
	Indirect Emissions (Scope2)	25	137	17
	Other Indirect Emissions (Scope 3)	-	3	1
BNK Credit Information	Direct Emissions (Scope1)	15	16	170
	Other Indirect Emissions (Scope 3)	-	1	1
BNK System	Direct Emissions (Scope1)	25	26	27
	Indirect Emissions (Scope2)	48	68	68
	Other Indirect Emissions (Scope 3)	-	1	1
Total amount of greenhouse gas emissions	Direct Emissions (Scope1)	629	621	1,541
	Indirect Emissions (Scope2)	4,429	4,322	6,160
	Other Indirect Emissions (Scope 3)	-	49	95

Performance Data of Sustainability Management

SO3. Number of sites (business sites, branches, offices) that evaluated corruption risks

(Unit : Number of cases)

Type	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Securities	BNK Capital	BNK Savings Bank	BNK Credit Information	BNK System	Total
Total number of sites	1	207	162	4	22	7	1	1	405
Number of sites (head office or branches) where corruption risks analysis (diagnosis) takes place	1	207	162	4	22	7	1	1	405

SO8. Amount of major penalties on violating laws and regulations and number of non-financial sanctions

Busan Bank	Imposition of fines and sanctions on related employees due to the act of 'transferring the cost on insurance subscription by abusing a dominant position' (strengthening internal control (intensifying internal control on relevant operations))
Kyongnam Bank	Sentence of imprisonment by discovering a cash embezzlement case in a branch through self-inspection, and taking criminal prosecution measures against the employees / Sanctions including punishment and warnings on the related employees
BNK Securities	Sanctions have been imposed including warnings on the institution and employee reprimand from the Financial Supervisory Service (FSS) due to the violation of control obligations on the Front End Processor (FES) for overseas investors and a lack of management and operational appropriateness, and sanctions of the warning on the member and employee reprimand were imposed from Korea Exchange The overseas investor FEP control system has been improved by checking the provisioning of consignor-exclusive firewalls and removing bypasses (results of the action reported to the FSS)

LA1. Number and rate of employee hires and employee turnovers

(Unit : Number of individuals)

Type	2012		2013		2014	
	Number of employee turnovers	Number of employee hires	Number of employee turnovers	Number of employee hires	Number of employee turnovers	Number of employee hires
BNK Financial Group	-	-	-	-	1	-
Busan Bank	75	159	58	200	60	135
Kyongnam Bank	52	158	51	35	30	106
BNK Securities	12	20	12	13	17	7
BNK Capital	66	147	55	160	97	180
BNK Savings Bank	28	26	21	20	24	20
BNK Credit Information	2	2	3	7	5	7
BNK System	10	53	7	37	11	19

LA3. Rate of return to work and retention rate after maternity leave

(Unit : Number of individuals, %)

Type	Number of employees who used maternity leave			Rate of employees that returned to work after maternity leave			Retention rate of employees returning after one year of maternity leave		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
BNK Financial Group	-	-	-	-	-	-	-	-	-
Busan Bank	-	121 persons	121 persons	-	96.74 %	96.74 %	-	92.56 %	92.56 %
Kyongnam Bank	1 persons	113 persons	114 persons	100.00 %	93.81 %	93.86 %	100 %	93.81 %	93.86 %
BNK Securities	-	5 persons	5 persons	-	-	-	-	-	-
BNK Capital	-	1 persons	1 persons	-	1 persons	1 persons	-	-	-
BNK Savings Bank	-	5 persons	5 persons	-	2 persons	2 persons	-	1 persons	1 persons
BNK Credit Information	-	-	-	-	-	-	-	-	-
BNK System	-	2 persons	2 persons	-	-	-	-	-	-

LA6. Type of injury, Rate of injury occurrence, Rate of injury occurrence while working, Ratio of absent days, Absence rate, Number of deaths related to work

(Unit: Number of individuals, Number of days)

Type	2012		2013		2014	
	Number of the sick and the injured	Number of absences due to disease and injury	Number of the sick and the injured	Number of absences due to disease and injury	Number of the sick and the injured	Number of absences due to disease and injury
BNK Financial Group	1	2	3	70	4	95
Busan Bank	12	594	18	808	15	480
Kyongnam Bank	17	372	17	615	15	987
BNK Securities	-	-	-	-	-	-
BNK Capital	-	-	-	-	-	-
BNK Savings Bank	-	-	-	-	1	92
BNK Credit Information	-	-	-	-	-	-
BNK System	-	-	-	-	-	-

LA9. Employee training_Training expenses per individual

(Unit : KRW billion)

Type	2012	2013	2014
	BNK Financial Group	13	40
Busan Bank	27	56	73
Kyongnam Bank	92	76	35
BNK Securities	15	10	36
BNK Capital	21	28	16
BNK Savings Bank	15	16	17
BNK Credit Information	-	-	-
BNK System	10	33	47

LA9. Employee training_Number of training hours per individual

(Unit: hours/individual)

Type	2012	2013	2014
	BNK Financial Group	8	16
Busan Bank	126	135	153
Kyongnam Bank	87	92	59
BNK Securities	34	25	24
BNK Capital	15	12	15
BNK Savings Bank	25	25	25
BNK Credit Information	6	6	6
BNK System	15	59	80.37

LA11. Ratio of employees subject to performance assessment and career development review

(Unit : Number of individuals, %)

Type	Number of employees evaluated	2012			2013			2014		
		Total number of employees	Ratio of performance assessment	Number of employees evaluated	Total number of employees	Ratio of performance assessment	Number of employees evaluated	Total number of employees	Ratio of performance assessment	
BNK Financial Group	58	66	88	53	61	87	57	60	95	
Busan Bank	2,607	3,121	84	2,661	3,271	79	2,663	3,374	79	
Kyongnam Bank	2,013	2,335	86	2,056	2,309	89	2,193	2,507	87	
BNK Securities	129	161	80	121	165	73	136	167	81	
BNK Capital	-	-	-	-	-	-	-	-	-	
BNK Savings Bank	95	95	100	97	107	91	93	103	90	
BNK Credit Information	-	-	-	-	-	-	-	-	-	
BNK System	78	86	91	107	117	91	107	126	85	

GRI Guideline Index

General Standard Disclosures

Indicators	Description of the Indicators	Page	Additional information	External assurance
Strategy and Analysis				
G4-1	CEO Message	2~3		●
G4-2	Description of key impacts, risks, and opportunities	2~3		●
Company Profile				
G4-3	Name of the organization	4		●
G4-4	Primary brands, products, and/or services	28~29, 46~47		●
G4-5	Location of organization's headquarters	116		●
G4-6	names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics in the report	24		●
G4-7	Nature of ownership and legal form	4		●
G4-8	Markets served(region-specific, business area, customer/beneficiary type)	28~29, 46~47		●
G4-9	Scale of the reporting organization	4		●
G4-10	Total workforce by employment type, employment contract, and region	105		●
G4-11	Percentage of employees covered by collective bargaining agreements	105		●
G4-12	Major features of the supply chain related to major activities, products and services of the organization reported	61, 65		●
G4-13	Significant changes during the reporting period regarding size, structure, or ownership	BNK Financial GroupVision		●
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	10~11		●
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Explanations about the Report		●
G4-16	Memberships in associations and/or national/international advocacy organizations	73		●
Aspects of materiality and boundaries identified				
G4-17	Operational structure of the organization covering major departments, companies in operation, subsidiaries, and joint ventures	4		●
G4-18	Process for defining report content	16~17		●
G4-19	The aspect of materiality identified in the process of defining the content reported	16~17		●
G4-20	Boundary of the internal report(e.g. nation, business department, subsidiary, leased facility, joint venture, supplier)	16~17		●
G4-21	Boundary of the external report(e.g. nation, business department, subsidiary, leased facility, joint venture, supplier)	16~17		●
G4-22	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Explanations about the Report		●
G4-23	Significant changes in the scope, boundary, or measurement methods applied in the report	Explanations about the Report		●
Stakeholder Engagement				
G4-24	List of stakeholder groups engaged by the organization	15		●
G4-25	Basis for identification and selection of stakeholders with whom to engage	15		●
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	15		●
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	16~17		●
Report Profile				
G4-28	Reporting period	Explanations about the Report		●
G4-29	Date of most recent previous report	Explanations about the Report		●
G4-30	Reporting cycle	Explanations about the Report		●
G4-31	Contacts for questions regarding the report or its contents	Explanations about the Report		●
G4-32	Table identifying the location of the Standard Disclosures in the report	Explanations about the Report		●
G4-33	Policy and current practice with regard to seeking external assurance for the report	Explanations about the Report		●
Governance				
G4-34	Governance structure of the organization	8~9		●
Ethics and Integrity				
G4-56	The code of actions and principles on missions and core values internally developed in association with the economic, environmental and social performance	BNK Financial GroupVision		●

Specific Standard Disclosures

Economics

Indicators	Description	Page	Additional information	External assurance
Economic Performance DMA(Disclosures on Management Approach)				
G4-EC1	Economic value generated and distributed	20~21		●
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	75~103		●
G4-EC3	Coverage of the organization's defined benefit plan	34~35		●
G4-EC4	Significant financial assistance received from government	106		●
Market status DMA(Disclosures on Management Approach)				
G4-EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	20~21		●
G4-EC6	Rate of local residents in the upper-rank managers	106		●
Indirect economic effects DMA(Disclosures on Management Approach)				
G4-EC7	Development and impact of infrastructure investments and services provided primarily for public benefit	26~27, 40~41		●
G4-EC8	Indirect economic impacts	28~29, 42~47		●

Environments

Energy DMA(Disclosures on Management Approach)				
G4-EN3	Direct energy consumption within the organization	34~35		●
G4-EN4	Energy consumption outside the organization	106		●
G4-EN5	Unit of energy source	-		●
G4-EN6	Amount reduced for energy usage	38		●
G4-EN7	Amount of energy reduction in products and services	38		●
G4-EN7	Amount of energy reduction in products and services	-		●
Emissions DMA(Disclosures on Management Approach)				
G4-EN15	Direct greenhouse gas emissions by weight	34~35		●
G4-EN16	Indirect greenhouse gas emissions by weight	107		●
G4-EN17	Other relevant indirect greenhouse gas emissions by weight	107		●
G4-EN18	Source unit for GHG emissions	107		●
G4-EN19	GHG reduction	36		●
G4-EN19	GHG reduction	-		●
G4-EN20	Emissions of ozone-depleting substances by weight	-	No use of ozone-depleting substances	●
G4-EN21	NOx, SOx, and other significant air emissions by type and weight	-		●

Labor

Employment DMA(Disclosures on Management Approach)				
G4-LA1	Total number and rate of employee hires and employee turnover	48~49		●
G4-LA2	Benefits provided to full-time employees	108		●
G4-LA3	Rate of return to work and retention rate after maternity leave	54~55		●
G4-LA3	Rate of return to work and retention rate after maternity leave	108		●
Labor management DMA(Disclosures on Management Approach)				
G4-LA4	Prior notice period resulting from operational changes	48~49		●
G4-LA4	Prior notice period resulting from operational changes	53		●
Training and education DMA(Disclosures on Management Approach)				
G4-LA9	Average hours of training per year per employee by employee category	48~49		●
G4-LA9	Average hours of training per year per employee by employee category	50, 109		●
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	50~51		●
G4-LA11	Ratio of employees that were subject to regular reviews on performance & career development (by gender/employee type)	109		●
Diversity and non-discrimination DMA(Disclosures on Management Approach)				
G4-LA12	Composition of employees and the board of directors based on diversity indicators, including gender, age and minorities and other diversity-related indicators	48~49		●
G4-LA12	Composition of employees and the board of directors based on diversity indicators, including gender, age and minorities and other diversity-related indicators	105		●
Ombudsman mechanism on labor practice DMA(Disclosures on Management Approach)				
G4-LA16	Number of complaints resulting from labor practices and number of complaints resolved through the official Ombudsman mechanism	48~49		●
G4-LA16	Number of complaints resulting from labor practices and number of complaints resolved through the official Ombudsman mechanism	53		●

GRI Guideline Index

Specific Standard Disclosures

Human Rights

Indicators	Description	Page	Additional information	External assurance
Non-discrimination DMA(Disclosures on Management Approach)		48~49		●
G4-HR3	Total number of incidents of discrimination and actions taken	52		●
Freedom of collective bargaining and the right to organize DMA(Disclosures on Management Approach)		48~49		●
G4-HR4	Business areas or suppliers with high possibilities of violating the freedom of association and collective bargaining and preventive measures	52		●
Child labor DMA(Disclosures on Management Approach)		48~49		●
G4-HR5	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	52		●
Forced labor DMA(Disclosures on Management Approach)		48~49		●
G4-HR6	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	52		●

Society

Communities DMA(Disclosures on Management Approach)		40~41		●
G4-SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	43~46		●
G4-SO2	Locations of operations that might harm community significantly either potentially or in practice	43~46		●

Product Responsibility

Product and service labeling DMA(Disclosures on Management Approach)		26~27		●
G4-PR3	Product and service information, and information type of products and services required in the labeling procedure	28~29, 46~47		●
G4-PR4	Number and form of violating laws and voluntary regulations on product and service information labeling	28~29, 46~47		●
G4-PR5	Number and form of violating laws and voluntary regulations on product and service information labeling	31		●
Marketing DMA(Disclosures on Management Approach)		26~27		●
G4-PR6	Products whose sales are banned or which has stirred disputes	-	No cases that Products whose sales are	●
G4-PR7	Number and form of violating laws and voluntary regulations on marketing communication including advertisement, promotion and sponsorship	108		●
Regulations DMA(Disclosures on Management Approach)		26~27		●
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	108		●

Financial Services

Product portfolios DMA(Disclosures on Management Approach)		26~27		●
G4-FS1	Policies on environmental and social components applied to the business	-		●
G4-FS2	Assessment and review procedures for environmental and social risks in business fields	-		●
G4-FS3	Process of monitoring the implementation of and compliance with customers' environmental and social needs in a contract or transaction	30		●
G4-FS4	Process of strengthening employee competency for implementing environmental and social policies and procedures in business fields	-		●
G4-FS5	Interaction between customers, investors and business partners in association with environmental and social risks and opportunity elements	38		●
G4-FS6	Percentage of the portfolio for business lines by specific region, size and by sector	-		●
G4-FS7	Currency value of products and services designed to provide certain social benefits in each business field specified	29		●
G4-FS8	Currency value of products and services designed to provide certain in environmental benefits in each business field specified	30		●
G4-FS9	Scope and frequency of the application of audits that assess the implementation of environmental and social policies and risk assessment process	-		●
G4-FS10	Ratio of assets subject to environmental and social reviews among that have incorporated portfolios of financial institutions	-		●
G4-FS11	Ratio of assets subject to environmental and social reviews through both positive and negative methods	-		●
G4-FS12	Measures on decision-making of shareholders on environmental and social issues within the scope where reporting agencies have the influence in making decisions	-		●
Communities DMA(Disclosures on Management Approach)		26~27		●
G4-FS13	Access points by type in regions with little population or no economic benefits	32		●
G4-FS14	Initiatives to improve access to financial services for the underprivileged	32		●
Product Responsibility DMA(Disclosures on Management Approach)		26~27		●
G4-FS15	Policies on fair design and sales of financial products and services	28		●
G4-FS16	Initiatives to intensify financial knowledge (education) by recipient type	31~32		●

Assurance Statement on GHG Emissions

Introduction

DNV GL Business Assurance Korea Ltd. ("DNV GL") was commissioned by BNK FNC Group to verify the BNK FNC Group's Greenhouse Gas Emissions for the calendar year 2014 ("the report") based upon a limited level of assurance. BNK FNC Group is responsible for the preparation of the GHG emissions data on the principles set out in ISO 14064-1:2006. Our responsibility in performing this work is to the management of BNK FNC Group only and in accordance with terms of reference agreed with them. DNV GL expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

Scope of Assurance

The emissions data covered by our examination comprise Direct emissions (Scope 1 emissions), Energy indirect emissions (Scope 2 emissions) and Other indirect emissions(Scope 3 emissions) from the BNK FNC Group boundary;

- Reporting period under verification: Calendar year 2014
- Organizational boundary: BNK Financial Group Inc., Busan Bank (Excluding sales offices), Kyongnam Bank (Head office), BNK Securities Co., Ltd., BNK CAPITAL CO., LTD., BNK savings bank (Excluding branch offices), BNK Credit Information Co., Ltd, BNK SYSTEM CO., LTD.

Verification Approach

The verification has been conducted by DNV GL from 14th April through 15th April 2015 and performed in accordance with the verification principles and tasks outlined in ISO 14064-3:2006. We planned and performed our work so as to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion with 5% materiality level, concerning the completeness of the emission inventory as well as the reported emission figures in ton CO₂ equivalent. As part of the verification process:

- We have reviewed and verified the BNK FNC Group's Greenhouse gas Management System
- We have reviewed and verified the process to generate, aggregate and report the emissions data

Conclusions

Based on the above verification core elements, it is DNV GL opinion that the data and the information reported in the GHG assertion are free of errors, omissions and misrepresentations providing a fair and balanced quantification, in compliance to the above reported verification criteria. The GHG Emissions of BNK FNC Group for the year 2014 were confirmed as below;

BNK FNC Group	Direct emissions (Scope 1)	Indirect emissions (Scope 2)	Other indirect emissions (Scope 3)	Total emissions
Year 2014	1,541	6,160	95	7,796

(Unit: ton CO₂e)

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

29th April 2015



In-Kyoon Ahn

In-Kyoon Ahn
Country Manager
DNV GL Business Assurance Korea Ltd

Duk-Keun Oh

Duk-Keun Oh
Lead Verifier

This Assurance Statement is valid as of the date of the issuance (29th April 2015). Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of BNK FNC Group is subsequently brought to our attention. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

Third - Party Assurance Report

Introduction

DNV GL Business Assurance Korea Ltd. (hereinafter "DNV GL") is commissioned to carry out the assurance engagement of the 2014 Sustainability Report (hereinafter "the Report") of BNK Financial Group. This engagement focused on the information provided in the Report and the underlying management and reporting processes. BNK Financial Group is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV GL's responsibility in performing the work follows terms of reference and scope of work agreed. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. BNK Financial Group's stakeholders are the intended recipients of the assurance statement.

Scope of Assurance

This Assurance Engagement covered data and information presented only in the report. The scope of DNV GL's Assurance Engagement includes the review and assessment of followings:

- Evaluation of the reporting principles for defining the sustainability report content and the quality in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 4.0
- Evaluation of adherence to Reporting Principles defined in GRI G4.0
- Check of GRI 4.0 Disclosure level against GRI 4.0 Disclosure option
- Visit to Headquarter of BNK Financial Group

Limitation

The engagement excludes the sustainability management, performance and reporting practices of BNK Financial Group's suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Any financial information from BNK Financial Group's annual report and company reporting on operations in 2014 or other sources are not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and the audited financial statements. The aggregation and calculation process for building economic performances is reviewed and tested by the verification team. The baseline data for Environmental and Social performance are not verified, while the aggregated data are used for the verification. DNV GL expressly disclaims any liability or coresponsibility for any decision a person or an entity may make based on this Assurance Statement.

Verification Methodology

The Assurance Engagement was planned and carried out in accordance with the DNV GL Verification Protocol for Sustainability Reporting (VeriSustain™ V.4.1). As part of the verification, we challenged the sustainability related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. In accordance with the Protocol, the Report was evaluated with regard to the following criteria: DNV GL has examined and reviewed documents, data and other information made available by BNK Financial Group. We performed sample-based audits of;

- The process for determining the materiality of the contents to be included in the Report.
- The process for generating, gathering and managing the quantitative and qualitative data in the Report.
- The accuracy of data
- Disclosure option of GRI G4.0

Conclusion

In DNV GL's opinion, and based on the scope of this Assurance Engagement, the report provides a reliable and fair representation of BNK Financial Group's sustainability strategy, policy, practices and performance in 2014. The report is prepared "In accordance with Core option" of GRI G4.0. Further opinions with reporting principles in the GRI G4.0 are made below;

1. Stakeholder Inclusiveness

Regarding sustainability issues, BNK FINANCIAL GROUP has engaged with a wide range of stakeholders. 6 stakeholder groups which are customers, employees, local communities, business partners, shareholders and investors are defined in the Report. Various ways of engaging stakeholders and key issues associated with Assurance Statement Nr.: AS_PRJC-517272-2014-AST-KOR_En Page 2/2 respective stakeholder groups are also presented in the Report. Concerns of the stakeholders are reflected in the report through the survey.

2. Materiality

The materiality determination process is clearly presented in the Report. The inventory of material issues is reviewed every year. Material issues have been determined through review of peer group benchmarking, media analysis, survey and interview based on the international standard (GRI G4 Aspects). The material issues have been identified and prioritized based on the stakeholder's opinion.

3. Completeness:

Materiality issues determined from the materiality determination process are presented without omission in the report.

4. Findings in relation to specific sustainability performance information:

DNV GL has evaluated the reliability of data and information about Greenhouse gas, waste, Business Travel distance, occupational accidents. DNV GL has interviewed the personnel responsible for the data and information in order to figure out the generation, aggregation and processing of data and information and reviewed the relevant documents and records based on which the statements in the Report are addressed. The reporting of the sustainability performance presented in the Report make it possible to understand the company's impact in economic, social and environmental areas, as well as the company's achievements in those regards. BNK Financial Group has developed an effective methodology for gathering the specific information and data respectively for reporting. The personnel responsible for the data are able to demonstrate to trace the origin and interpret the data in a reliable manner as per internal process. Therefore, the specific data and information are found to be identifiable and traceable. From our analysis of the data and information and BNK Financial Group's processes, DNV GL concludes that the data and information included in the Report are the results of stable and repeatable activities.

Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to BNK Financial Group's management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

- It is recommended that BNK Financial Group establish internal reporting principles, frameworks or guidelines for consistent sustainability reporting from subsidiaries.

Statement of Competence and Independence

DNV GL is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the verification process.



May 2015
Seoul, Republic of Korea

In-Kyoon Ahn
Country Representative
DNV GL Business Assurance Korea Ltd.

Explanations about the Report

BNK Financial Group practices the Happiness with You to make a loving world. We have published our third Sustainability Report of BNK Financial Group and we hope to form a creative financial market environment based on sustainability principles to fulfill social responsibilities in finance and take the lead in future finance that makes every stakeholder happy.

Guidelines

The 2014 Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) G4 serving as the international sustainability standard. The third-party assurance has been conducted in accordance with the requirements of VeriSustain by DNV GL as a neutral verification body, and the assurance level is Type 1 (applying Type 2 for some items). Details are available in the third-party assurance report on p.111.

Reporting Period and Scope

The data of this report covers the period from January 2014 to December 2014. In case of quantitative performance, the data for the last three years from 2012 to 2014 has been provided for a better understanding of trend changes and comparability. The scope of the report covers the head offices and branches of seven affiliates, including BNK Financial Group, Busan Bank and Kyongnam Bank, and the data from overseas offices and branches has been quoted. For financial data, K-IFRS has been applied on a consolidated basis. For modifications in evaluation criteria and the scope of data collection, reasons for the modification and outcome are notified on the relevant items.

Inquiries on the Sustainability Report

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

Strategy and Planning Division of BNK Financial Group

30 Munhyeongeumyung-ro, Nam-gu, Busan

Tel. 051-620-3042

Fax. 051-620-3040

E-mail : sustainability@bnkfg.com

BNK Financial Group	http://www.bnkfg.com
Busan Bank	http://www.busanbank.co.kr
Kyongnam Bank	http://www.knbank.co.kr
BNK Securities	http://www.bnkfn.co.kr
BNK Capital	http://www.bnkcapital.co.kr
BNK Savings Bank	http://www.bnksb.com
BNK Credit Information	http://www.bnkci.co.kr
BNK System	http://www.bnksys.co.kr

