



**BNK** Financial Group

# Corporate Value-Up Plan

From Challenges to Changes

2024. 10

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# Executive Summary

## Current Valuation Assessment

### Why low valuation?

Market indicators

Financial indicators

### Shareholder preferences

Cash dividend  
vs.  
Share buyback

## Top Priority

### Enhancing Profitability

Sustainable ROE

above **10%**

## Midterm Targets

### Growth Discipline

**CET1 Ratio**  
up to **12.5%**

**RWA Growth Rate**  
max **4%**

### Shareholder Return

**2027  
TSR Payout**  
above **50%**

### Dividend Payout/Share Buyback

**While ensuring no  
DPS cut,**

**Maximizing share  
buyback/cancellation**

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## II. Corporate Value-up Plan

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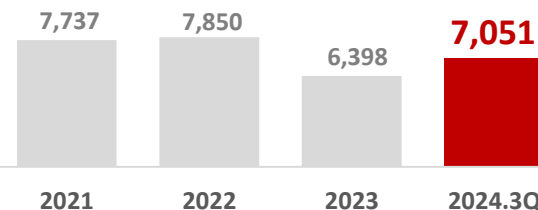
# 1 Company Profile

## Company status

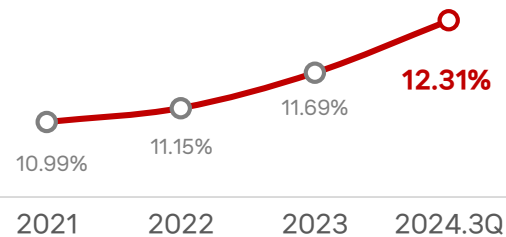
Company name	BNK Financial Group
CEO	Bin Dae-in
Location	30,Munhyeongeumyung-ro Nam-gu, Busan
Establishment Date	2011.03.15
Total issued shares	320,436,727
Credit rating	AAA(KIS/KR/NICE)

## Financial status

Controlling Company  
Net income(Consolidated, in 100 million)



CET 1 Ratio



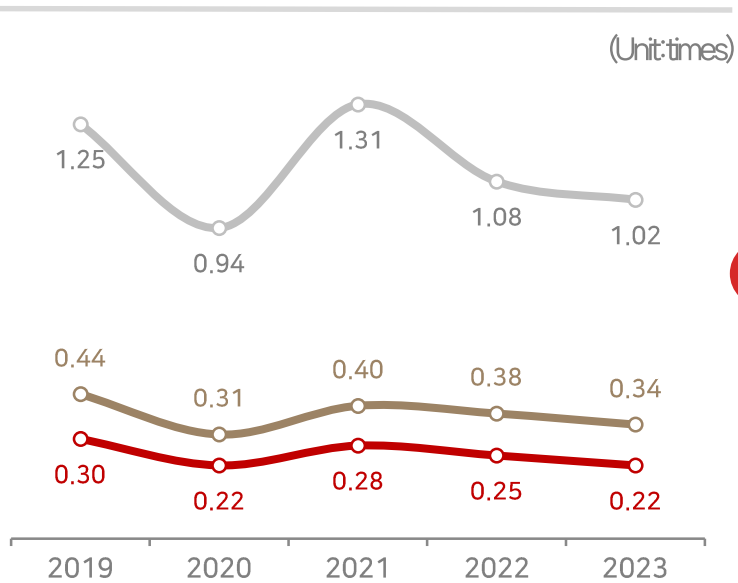
## BNK Financial Group - Subsidiaries Overview

Sector	Name	Content
Holding Company	BNK Financial Group	Establishing business goals and approving business plans for subsidiaries.
		Corporate governance decisions and management responsibilities, including the inspection of business and financial status.
Banking	Busan Bank Kyongnam Bank	Investment and financial support for subsidiaries.
		Performing deposit and loan operations, payment guarantee operations, issuance and investment of securities.
Credit Finance	BNK Capital	Performing various tasks related to banking law such as treasury receipt, safeguard deposits, trust business, and card business.
		Facility leasing business, installment financing business, general loans and new technology venture capital business.
Financial Investment	BNK Securities BNK Asset Management	Performing lease finance, auto finance, and corporate loans.
		Providing financing and investment opportunities to investors.
Savings Bank	BNK Savings Bank	Efficiently allocating capital and performing investment trading, investment brokerage, collective investment, and discretionary investment in accordance with the 'FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT'.
		Providing short/long-term loans to people focused on microfinance, and performing domestic exchange and Korea Financial Telecommunications & Clearing Institute services.
Venture Investment	BNK Venture Capital	Investing in and providing loans to small enterprises registered as Set-up Investment Company.
		Managing funds of small enterprises set-up fund partnership and performing consulting and providing information related to set-up.
Credit Investigation & Collection Agency	BNK Credit Information	Acting as an agent for credit investigation, requesting payment of debts, collecting payment, and locating debtors.
System provision and Development	BNK System	Providing integrated financial IT services from system consulting, construction, and operation based on customer needs analysis to actively respond to the changing financial environment.

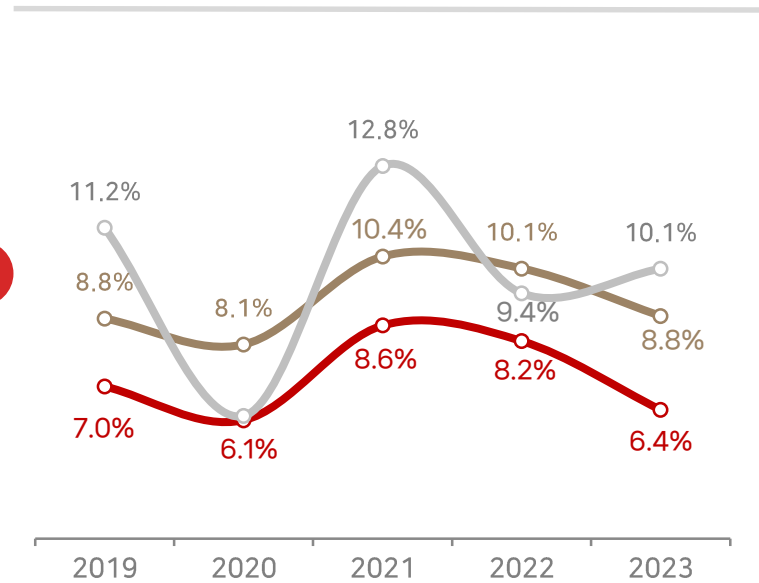
# 1 Assessment of Current Valuation

## Market indicator analysis

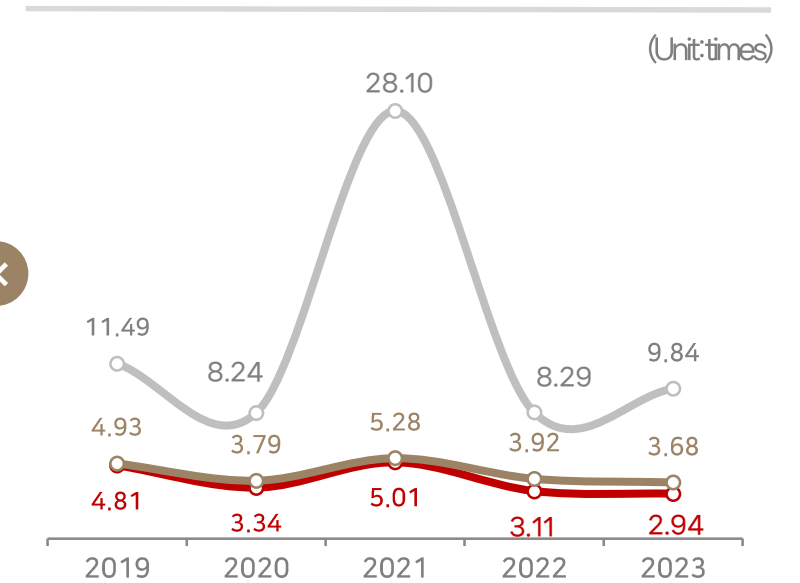
**PBR** ■ GlobalFinancialGroup ■ DomesticFinancialGroup ■ BNK



**ROE** ■ GlobalFinancialGroup ■ DomesticFinancialGroup ■ BNK



**PER** ■ GlobalFinancialGroup ■ DomesticFinancialGroup ■ BNK



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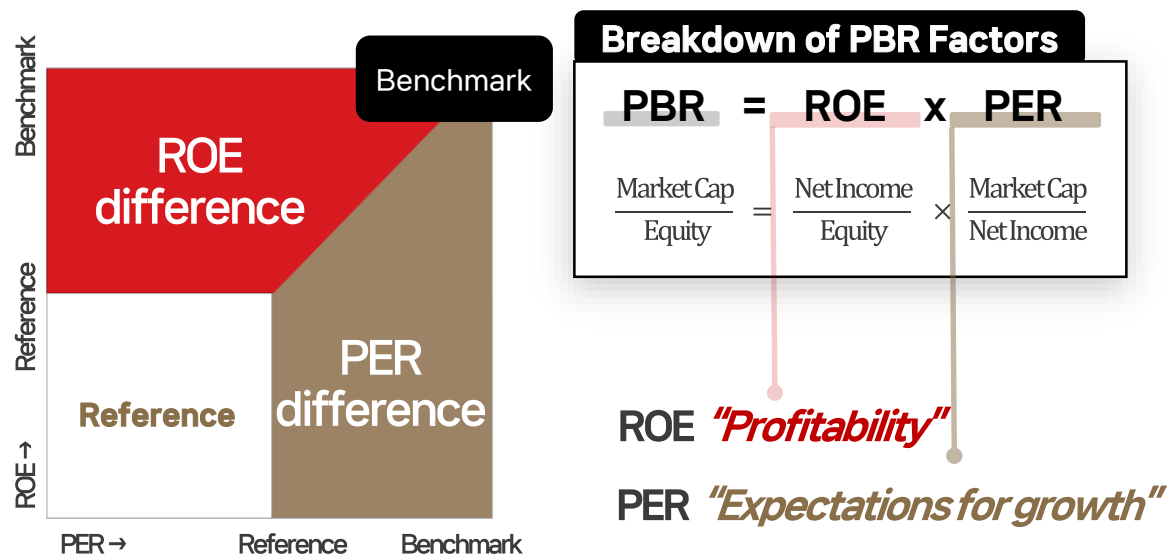
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- Over the past five years, BNK has maintained a low PBR with an average of 0.25, experiencing minimal fluctuations.
- Lower ROE and PER than those of domestic and global financial institutions

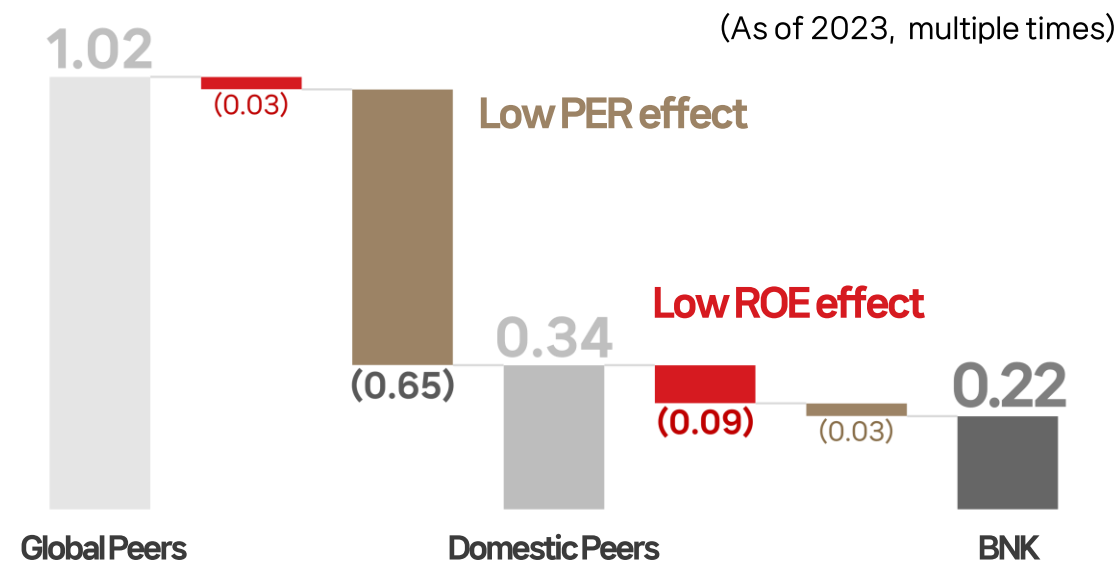
# 2 Assessment of Current Valuation

## PBR Breakdown

### Breakdown



### Analysis results

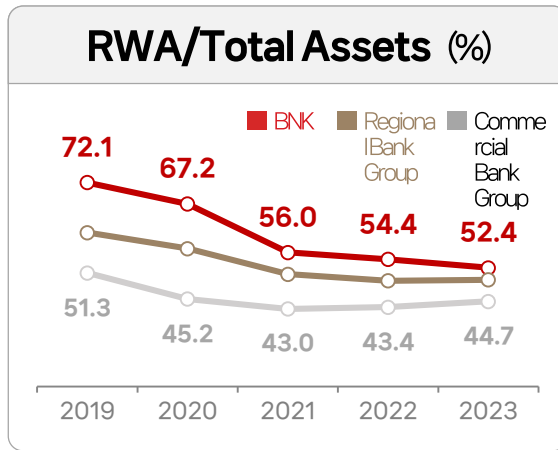
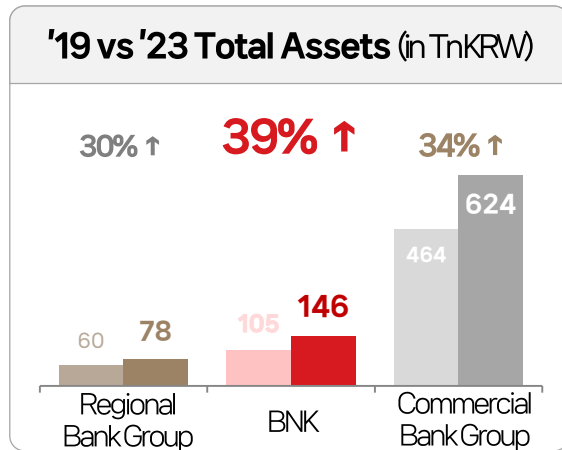


- **PER (expectations for growth) difference** is the primary reason for the PBR gap between domestic and global financial peers.
- **ROE (profitability) difference** is the primary reason for the PBR gap between BNK and domestic peers.

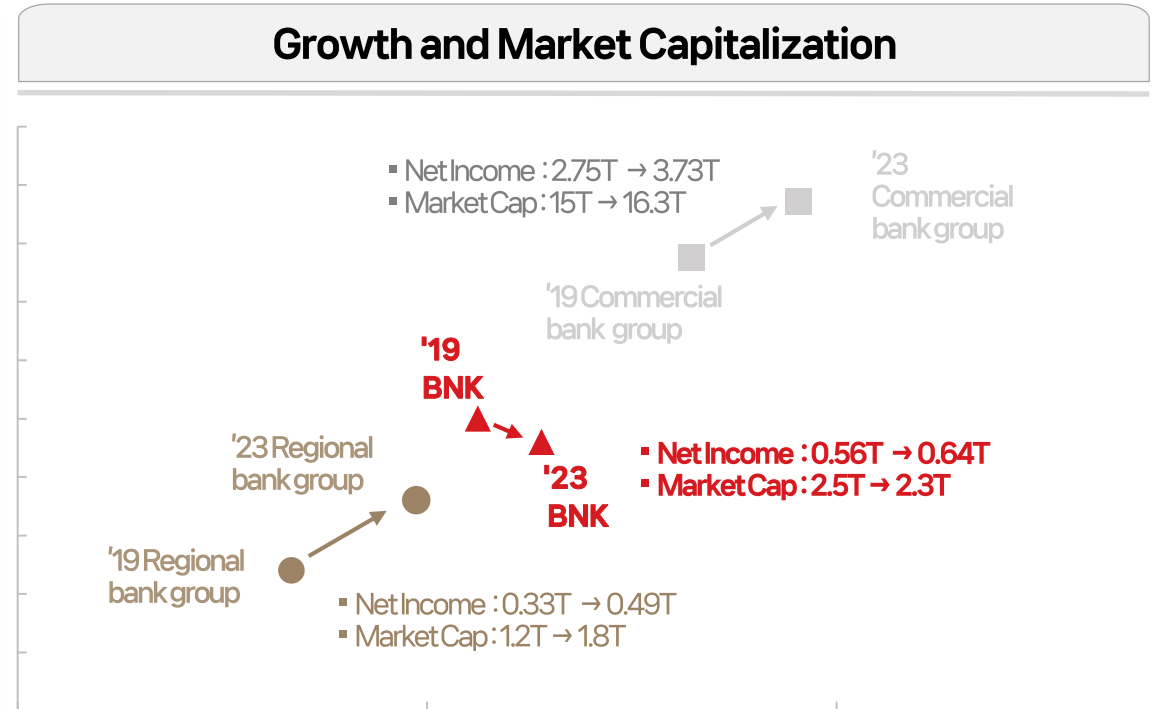
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# Assessment of Current Valuation\_ Tilted towards asset growth

## Financial Indicators analysis



RWA : Risk Weighted Asset  
 Regional Bank Group : DGB, JB / Commercial Bank Group : KB, Shinhan, Hana, Woori  
 Source : Bloomberg

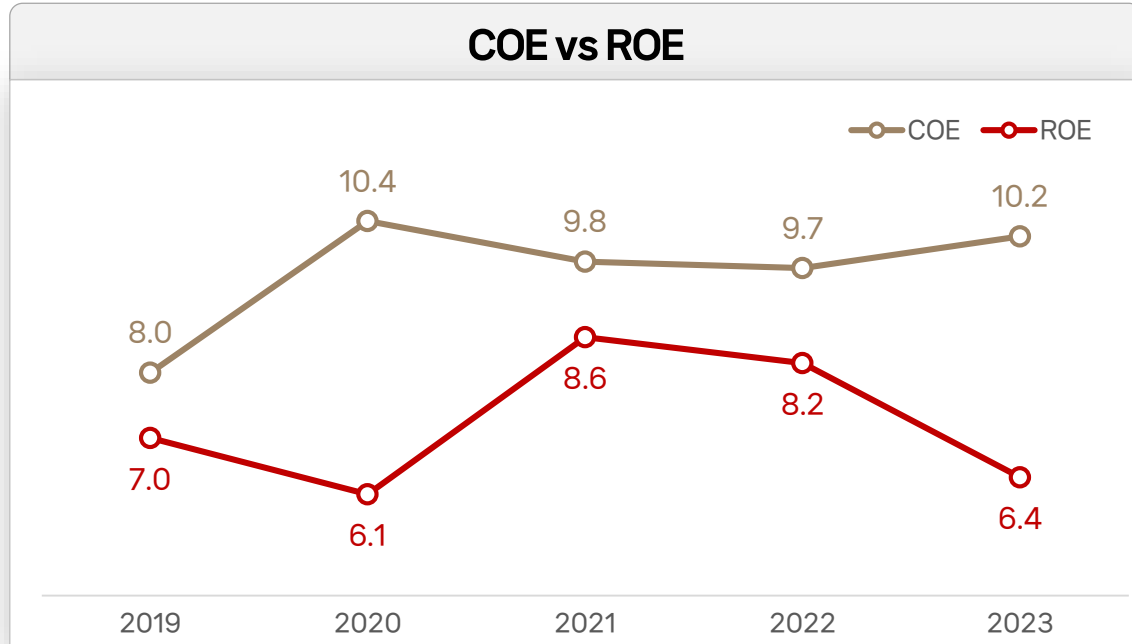


Market Cap decreased in spite of Growth  
 → Striking the balance between growth and profitability

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# Assessment of Current Valuation\_ ROE lower than the cost of equity

- When profitability falls below the market required rate of return, prioritizing **profitability** over **asset growth** is essential



COE : Cost of Equity  
 CAPM (Capital Asset Pricing Model) : Risk free rate + market risk premium \* beta  
 Risk free rate : 10-year government bond yield , market expected return: median market risk premium, Beta : 2-year weekly adjusted beta  
 Source : Bloomberg

✓ 8% Sustainable profitability and 10% COE are estimated

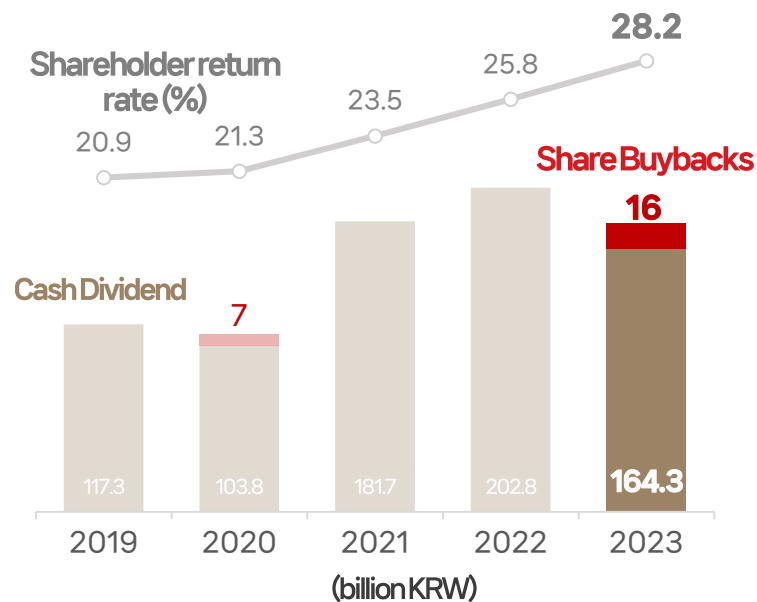
- COE?
  - Company's perspective: opportunity cost of capital
  - Investor's perspective: required return on investment
- In periods when ROE is below COE  
**Asset growth is unlikely to enhance corporate value**

✓ Focus on profitable growth when ROE is below COE,

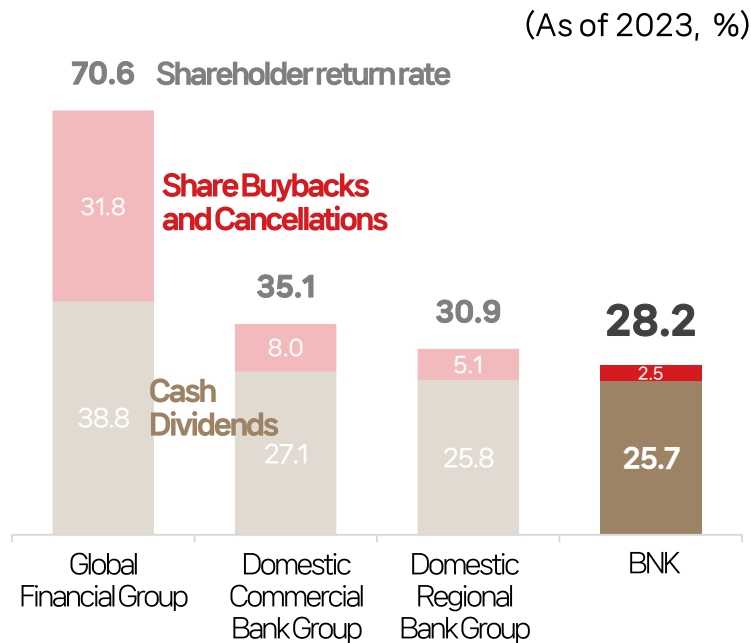
- Need a solid growth strategy** focusing on **clear objectives** like customer expansion and future growth while limiting asset growth

# 4 Shareholder Return Policy

## TSR payout trends



## Comparison of TSR Payout



## Shareholder Preferences

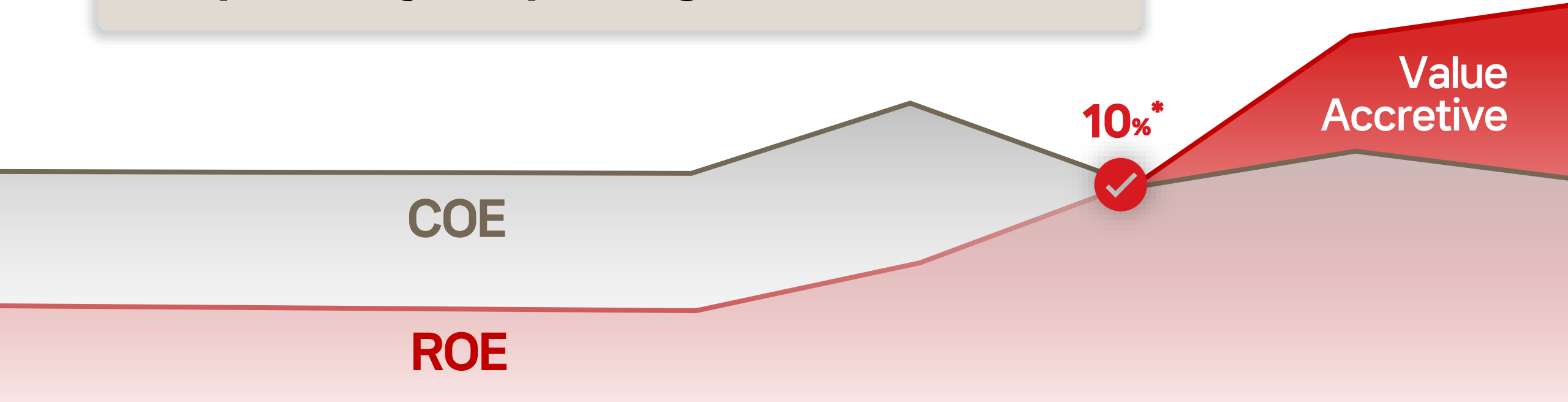
- Liquidity**
  - Cash dividends
  - Cash Dividends: Maintain Existing Shares
  - Share Buybacks and Cancellation: Reduce Existing Shares
- Tax**
  - Share Buybacks
  - Cash Dividends: Outflow of Dividend Income Tax
  - Share Buybacks and Cancellation: No Cash Outflow
- Future Cash Inflow**
  - Preference for stable DPS growth
  - Choosing the dividend payout ratio and share repurchase proportion for stable DPS growth

$$DPS = \frac{\text{Net income} \times \text{Cash dividend ratio}}{\text{Number of Share}}$$

**Expanding the portion of share buybacks can be a prudent move given the current market undervaluation and long-term investor preferences**

# Goal Setting

Top Priority : Improving **ROE over COE**



\* Considering the average COE over the past 5 years ('19 ~ '23)

## 2 Goal Setting \_ Key Financial Targets (2027)

### ○ Aiming for a 50% TSR by 2027 controlling RWA growth to achieve the target ROE

#### ✓ Profitability

above ROE 10%

- Restoring ROE above COE level as quickly as possible

#### ✓ Capital Adequacy

Managerial target of CET 1 ratio 12.5%

- Minimum CET1 ratio 12%
- Responding to macroeconomic environment and regulatory changes
- Ensuring strategic flexibility and capacity for dividend payouts

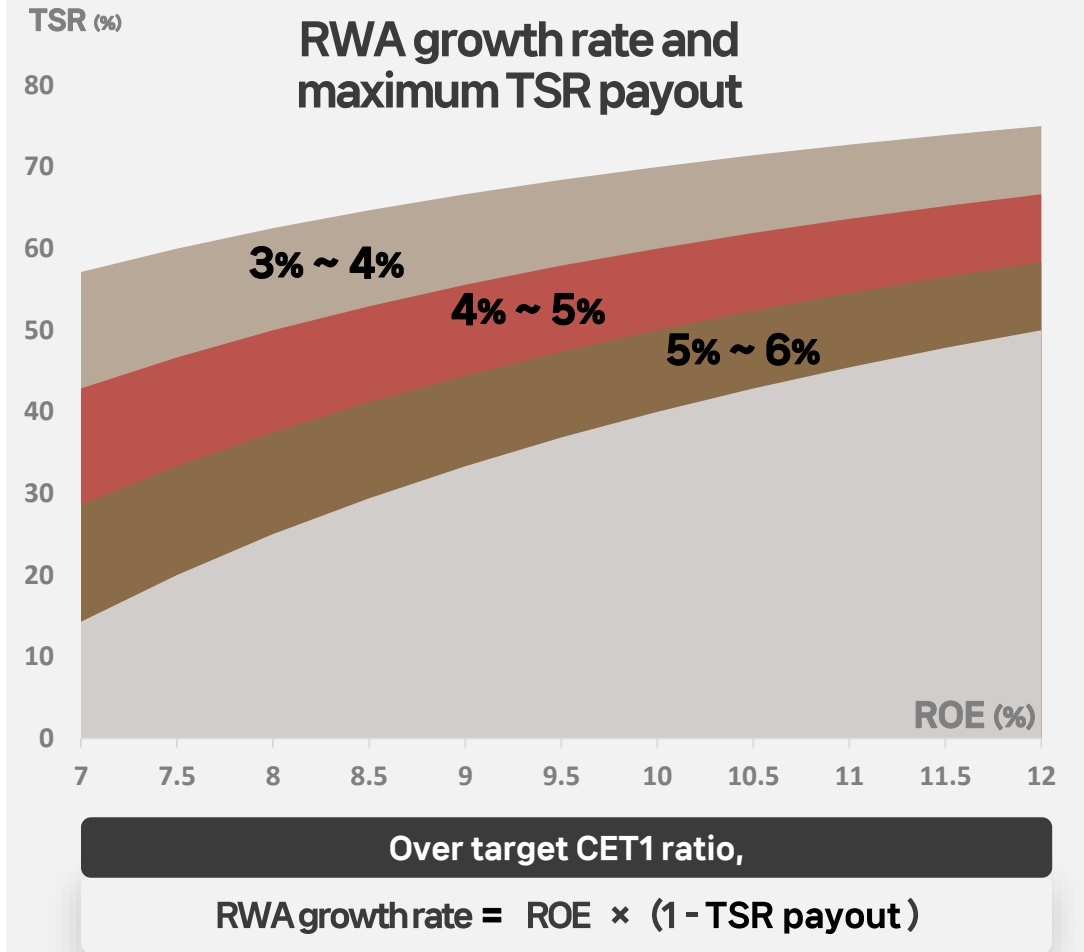
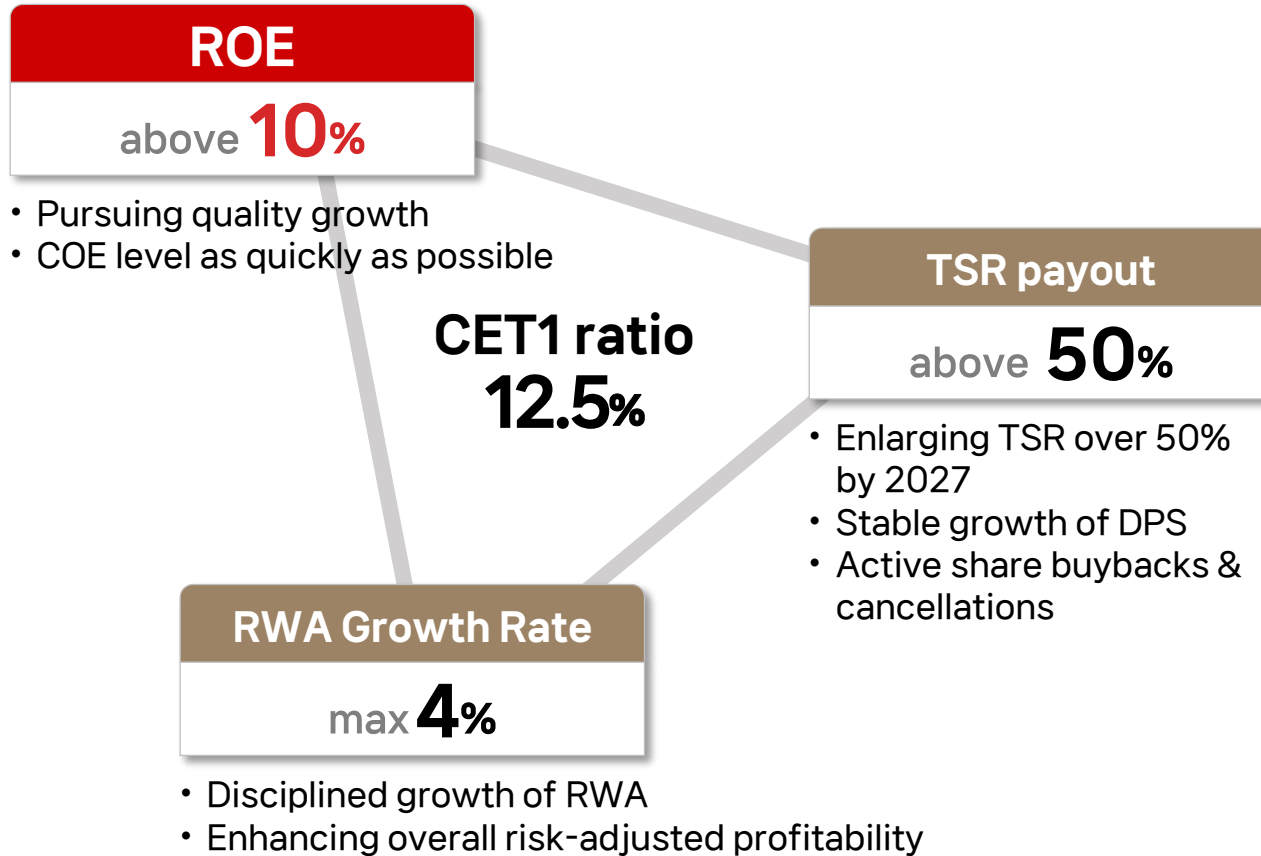
#### ✓ Enhancing capital efficiency

Restraining RWA growth to 4%, while enlarging shareholder returns

- Capital growth rate equals RWA growth rate over target CET1 ratio
- Managing RWA growth based on risk-adjusted profitability
- If RWA growth rate is managed under 4%, TSR can go over 50%

# 2 Goal Setting \_ Key Financial Targets (2027)

## ○ How we got this balance among targets



# 1 Transformative Priorities (BRICK Framework)

## Balance sheet management

- Improving credit quality incl. real estate PF exposure
- Rebalancing loan portfolio based on risk-adjusted profitability

- Striking balance b/w growth and profitability
- Enhancing funding structure and ALM practice

## Revenue growth

- Deepening product offerings in the core markets
- Revitalizing traditional banking businesses like wealth management, trade finance, and FX-related services

- Finding new growth engine and geographic footprints
- Strengthening capital market businesses and cross-selling opportunities through non-bank subsidiaries

## Innovation

- Optimizing delivery channels in a more customer-centric way
- Developing innovative products and services for online channels

- Accelerating digital onboarding through strategic partnerships with various fintechs

## Cost management

- Removing inefficiencies coming from the two banks
- Enhancing back-office efficiency through automation technology and systems

- Enhancing operational efficiency through channel optimization and workforce reallocation

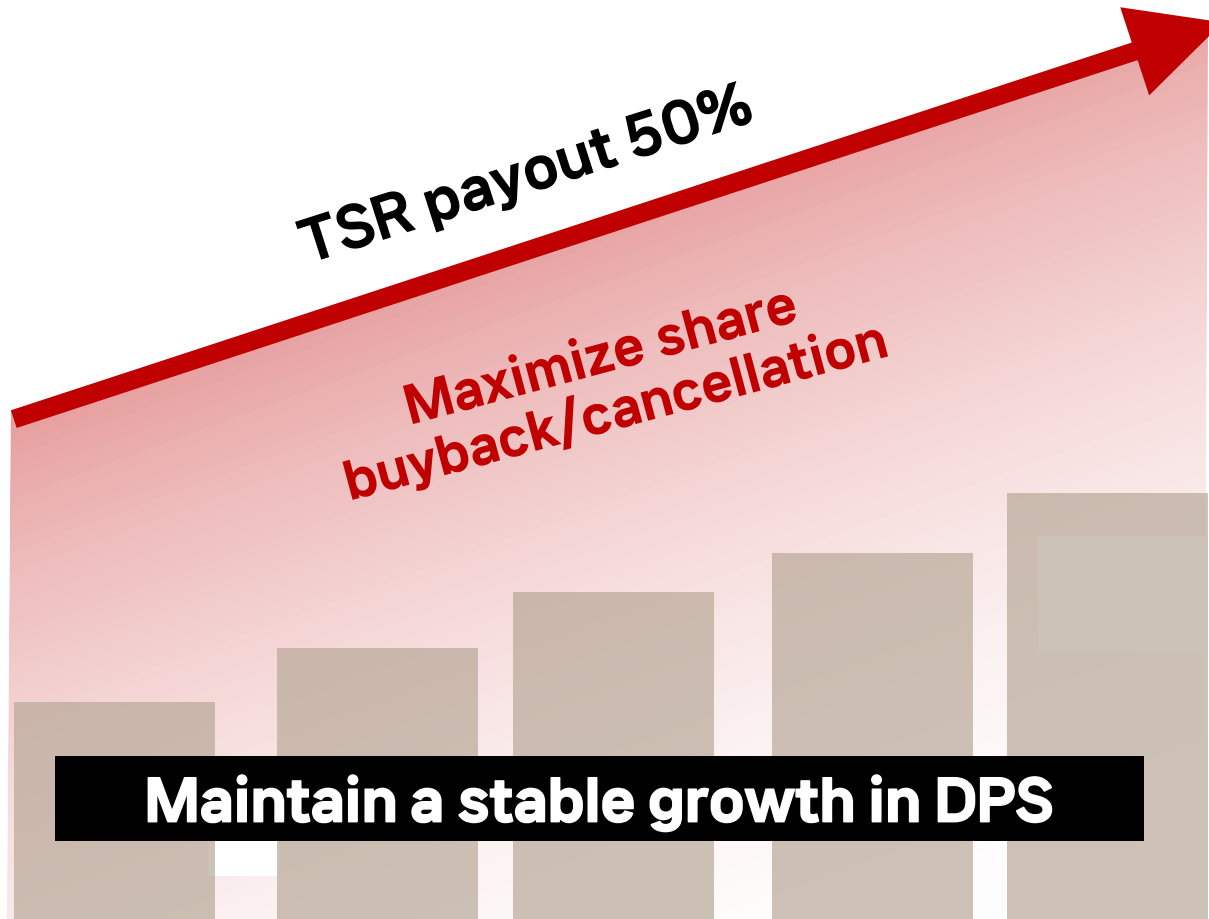
## Keystone

- Resolving workforce demand-supply mismatches
- Strengthening talent management

- Overhauling HR policies and practices
- Rationalizing performance evaluation and compensation schemes

## 2 Progressive Dividend Policy

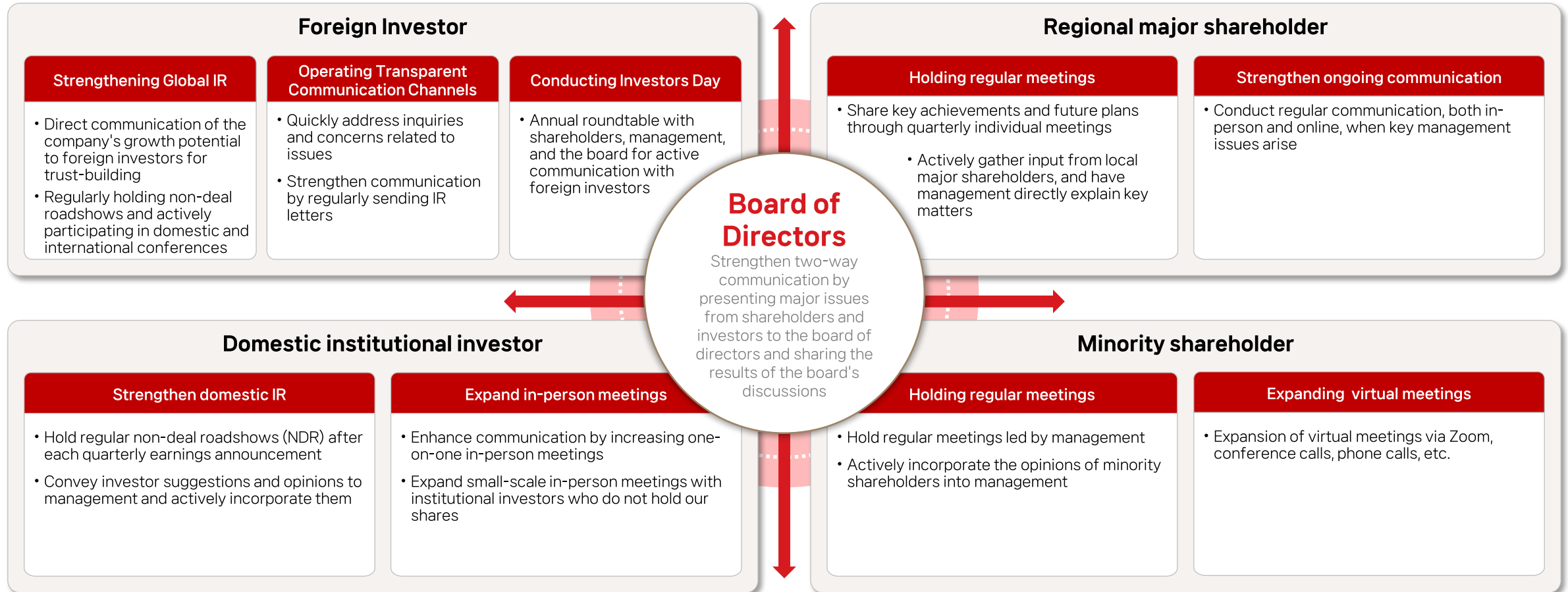
### ○ Maximizing share buybacks while ensuring a stable growth in DPS



**Maximize share buybacks given the current undervaluation**

- ① Achieve over 50% TSR payout by 2027
- ② Maintain a stable growth in DPS
- ③ Maximize share buyback/cancellation as long as ensuring such a DPS growth

# 1 Communication



※Conducting open IR sessions led by management with all investors

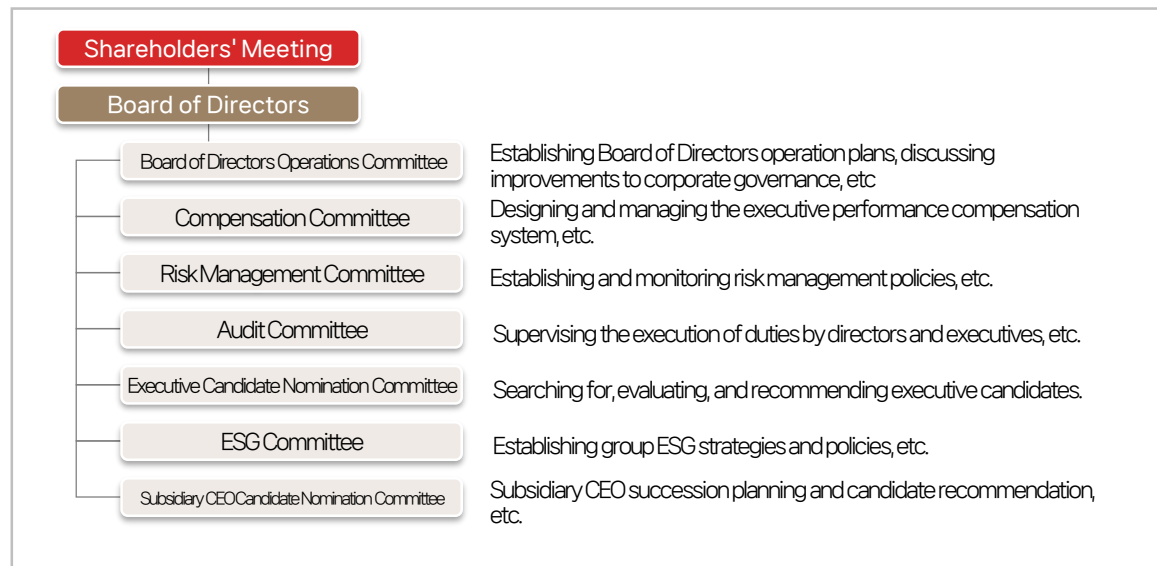
- First in the industry to hold management-led corporate briefings (meetings) for individual shareholders (1) In-person meeting (first): August 30, 2023 (Wednesday), (2) Zoom meeting (second): August 28, 2024 (Wednesday)
- Conducting transparent communication through open IR sessions that all investors can attend (1) Change in earnings announcement method: Conference call → Zoom meeting, (2) Change in participants: Shareholders, analysts → All investors who wish to attend

# 1 Corporate Governance

## Operation of the board and committees focused on outside directors

- The chair of the board and the chairs of all committees are appointed as outside directors.
- Committees under the Corporate Governance of Financial Companies\* are composed entirely of outside directors  
\*the Compensation Committee, the Risk Management Committee, the Audit Committee, and the Executive Candidate Nomination Committee
- The board of directors is composed primarily of outside directors whose independence and expertise have been verified.  
- Composition of the Board of Directors (as of October 2024): Out of a total of 8 members, 7 are outside directors (proportion of outside directors: 87.5%).

## Board of Directors and Committees Status



## Implementing advanced corporate governance by complying with the best practices issued by Financial Supervisory Service

Category	Implementation Status
Support Organization and System for Outside Directors	<ul style="list-style-type: none"> <li>• Strengthening support for independent board operations by establishing a Board Secretariat under the Board of Directors</li> <li>• Support the enhancement of the diligence, independence, and expertise of outside directors through the establishment of a support system for outside directors, holding exclusive meetings for outside directors, and strengthening training and education programs</li> </ul>
CEO Appointment and Succession Planning Procedures	<ul style="list-style-type: none"> <li>• Establish a fair and transparent succession plan from managing the candidate pool to selecting the final candidate</li> <li>• Strengthen the evaluation and verification of the candidate pool by initiating the succession process early and allowing sufficient time for each step</li> </ul>
Collective Suitability and Independence of Board Composition	<ul style="list-style-type: none"> <li>• The term of the Chairman of the Board is one year, with the possibility of reappointment only once and at least one new outside director shall be appointed each year.</li> <li>• To diversify the recommendation channels for the pool of outside director candidates, ensure collective alignment during the appointment of outside directors, and strengthen the verification of qualifications such as independence and expertise</li> </ul>
Evaluation System for the Board of Directors and Outside Directors	<ul style="list-style-type: none"> <li>• Conduct annual evaluations of the Board of Directors and outside directors, and disclose the evaluation results. Request evaluation procedures from external evaluation agencies to enhance the fairness of the evaluation.</li> <li>• Use evaluation results for the reappointment of outside directors, etc.</li> </ul>

# **BNK** Financial Group