2021.4Q Earnings Conference Call Script

BNK FINANCIAL GROUP

(P1) Greetings

Dear shareholders,

I am Seong Jae Jeong, CFO of BNK Financial. It is unfortunate that I can't meet you and explain the results due to the prolonging of Covid19.

We thank you for joining our Earnings Conference Call.

Now, the 'Highlights' portion in the PT will be explained.

(P3) 2021.3Q Group Earnings Highlights
-Group Earnings & Profitability

2021 Acc. Group NI recorded 791.0 KRW bn, YoY +271.7 KRW bn, +52.3%.

Even amidst Covid19 situations, all major subsidiaries have shown yearly improvements in earnings,

and not only banks but also non-bank subsidiaries have shown growth in earnings power, overall improving group's normalized earnings.

Next, earnings will be explained in detail.

Net Interest Income increased +387.3 KRW bn, +17.7% YoY, due to banks & capital interest earning asset growth & NIM improvements.

Net Fee Income increased +96.7 KRW bn, +26.6% YoY, showing large growth due to securities based PF Fee Income increase.

As for Others, even with the gains on securities increase, Gains on NPL Sales decrease & credit guarantee•deposit insurance increase, FX•derivative gains decrease led the overall yearly decrease(18.2 KRW bn, -20.2%).

Next, cost will be explained.

2021 Acc. SG&A increased 160.9 KRW bn, +11.2% YoY.

With large-scale Banks ERP & earnings-linked bonuses for Securities etc. labor cost growth led the overall SG&A growth.

Excluding Banks ERP & Securities' bonuses, YoY SG&A growth was at a minimal level.

Group Provision Expense recorded 414.7 KRW bn, -38.9 KRW bn, -8.6% YoY. This decrease was due to banks strengthened AQ control leading to lower insolvencies, lower preemptive Covid19 provisions etc.

Next, subsidiaries' earnings will be explained.

2021 Acc. Banks NI increased +160.1 KRW bn, +33.8% YoY, due to banks net interest income increase & provision expense decrease.

2021 Acc. BSB NI recorded 402.6 KRW bn, +94.1 KRW bn, 30.5% YoY, while 2021 Acc. KNB NI recorded 230.6 KRW bn, 66.0 KRW bn, +40.1% YoY.

Non-banks have shown earnings growth, mainly from the Capital & Securities NI improvements by 138.1 KRW bn YoY.

2021 Acc. Capital NI recorded 133.2 KRW bn, even with NPL write-offs leading the provision exp. up, mainly driven by loan growth accompanied interest income, gains on securities enabling the +61.3 KRW bn, 85.3% YoY income growth.

2021 Acc. Securities NI recorded 116.1 KRW bn, due to PF fee income & securities gains leading the +62.7 KRW bn, +117.4% YoY earnings growth.

MSB has continued to produce strong earnings through loan growth accompanied interest income growth,

while AM has also seen continuous growth in AUM leading fee income growth & PI profit growth, both enabling earnings improvement.

(4p) Bank NIMs & KRW Loan Growth

21.4Q Group NIM recorded 1.92%, +1bps QoQ.

21.4Q BSB NIM recorded 1.97%, QoQ +3bps, while KNB NIM recorded 1.86%, QoQ flat.

With BOK's rate hike, both banks' lending yield has largely increased,

While deposit rates driven by KNB's decrease in low-cost deposits due to growth in 4Q local gov. public finance spendings led KNB's deposit rate up, limiting overall quarterly group NIM improvement.

For 2022, Group NIM is expected to improve by 7bps, while BSB and KNB are expecting 8bps and 5bps improvements each.

Considering FOMC & BOK's Rate hike trend, banks high floating rate portion, we expect to achieve the guidance.

<u>Next, Banks KRW Loan Growth will be explained.</u>

21.4Q BSB KRW Loan Growth recorded +11.9% YTD, while KNB KRW Loan Growth recorded +10.3% YTD.

Corporate Loans for both banks have shown growth mostly in non-manufacturing(BSB +12.4% YTD, KNB 9.8% YTD).
Household Loans for both banks have shown growth mainly in mortgages etc. (BSB +11.3% YTD, KNB 11.5% YTD).

The government's household lending regulation led the decrease in loan growth for household loans in 4Q.

As for 2022, BSB and KNB are currently targeting 6%, 5% loan growth.

(5p) Asset Quality & Capital Adequacy

21.4Q Group NPL Ratio recorded 0.45%, -25bps YTD, while Group Delinquency Ratio recorded 0.36%, -12bps YTD.

Both banks' AQ ratios have been maintained at low stable levels due to continued risk management & efforts to lower NPLs.

Capital's NPL Ratio(0.32%) and Delinquency Ratio(0.56%) have been maintained well due to constant write-offs etc. AQ control, even compared to local peers.

Group Credit Cost recorded 0.42%, down by 9bps YoY.

Next, Capital Adequacy will be explained.

21.4Q Group CET1 Ratio recorded 11.02%, YoY +122bps, due to Group IRB transfer & earnings growth, regardless of strong asset growth.

2022 CET1 Ratio should be maintained over 11%, with subsidiaries' earnings growth & RWA focused risk management, to maintain continued growth in the future.

(Ending Comment)

Although it should be finalized during our March AGM, 2021 DPS and DPR was decided during today's BOD as 560 KRW, 23% each. Market yield is expected to be around 6.3%.

We aim to continue improving shareholder value through gradual DPR growth efforts, based on stable capital ratios & upgraded earnings levels

Also, for 2022, FY NI Guidance is 870.0 KRW bn.

We will focus on improving the quality of earnings, while also managing cost better to overall achieve the yearend earnings target.

In the recent decade, the Southeastern GRDP has been lower than the overall domestic GDP growth. This in turn has negatively affected our stock price.

However, Southeastern main industries such as shipbuilding, auto, steel etc. are expected to recover, narrowing the gap between domestic GDP growth.

After years of growth with higher credit quality customers, AQ has drastically improved, and with market yield improving this year, we expect larges interest income growth based on higher growth.

Also, applying Business Unit(BU)s under the group, investment-focused BU(formed by non-bank subsidiaries) will overlook IB, PI etc. focusing on finding new business areas to continue group investment income growth.

With efforts to improve our fundamentals, we will in turn continue to improve shareholder value.

We ask for your continued interest & support for our group.
That ends our call.

Thank you.