

Happiness with You

BNK Financial Group
Sustainability Report

2016



About This Report

Reporting Principles and Standards

The 2016 Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) G4, which serves as the international sustainability standard in accordance with the Core Option. This report covers the seven core aspects for sustainability, based on the current internal status and external environment analyses and issues devised through the stakeholder engagement. Moreover, the report explains the background of selecting the core aspects and materiality of the issues, BNK Financial Group's major policies, activities and performance through the Disclosures on Management Approach (DMA). Details can be found in the main part of the report.

Reporting Period

The Sustainability Report is based on data from January 2016 to December 2016. Key management activities include data from the previous year and the first quarter of 2017. Data for the three years, from 2014 to 2016 is also presented to help readers quantitatively identify progress.

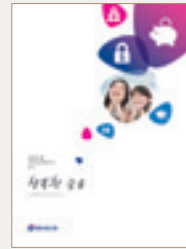
Reporting Boundary

The scope of the report covers eight affiliates under BNK Financial Group - Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information and BNK System. Financial information is written on a consolidated basis in accordance with the Korean International Financial Reporting Standards (K-IFRS). The amount of balance for loans and deposits, customer satisfaction indicators, GHG emissions and investment in social contribution are covered in the report based on exclusive standards of BNK Financial Group.

Third Party Assurance

An independent assurance provider, DNV GL, assured this report in an official verification procedure, in order to ensure the reliability and fairness of the reporting process, data, and content. The results of assurance are detailed on pages 124 to 125. An independent auditor audited financial information, and verification of greenhouse gas emissions and energy usage was conducted in accordance with the principles of the "Guideline for the Greenhouse Gas and Energy Target Management System".

Sustainability Report of BNK Financial Group



2013



2014



2015



2016

For More Information

For additional information or inquiries about this report, please contact us.

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BNK Financial Group
Busan Bank
Kyongnam Bank
BNK Securities
BNK Capital
BNK Savings Bank
BNK Asset Management
BNK Credit Information
BNK System

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MEMBER OF
Dow Jones
Sustainability Indices
 In Collaboration with RobecoSAM

BNK Financial Group incorporated into DJSI for second consecutive year

BNK Financial Group was incorporated into the Dow Jones Sustainability (DJSI) Asia Pacific Index for a second consecutive year in 2016, indicating that its sustainability management activities meets both domestic and international standards. The DJSI is a major sustainability index developed jointly by S&P Dow Jones, a global sustainability management evaluator and investment bank based in the U.S., and Robeco SAM of Switzerland. BNK Financial Group has been recognized for its effective risk and ethics management, social contribution programs and other sustainability management activities and systems, thereby raising its profile as a global financial institution. The Group will continue to generate solid financial results and grow together with its local communities to become a global financial institution and a leader in the field of CSR management.

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Happy Finance, Together Practice

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BNK Financial Group Message

**Global Best Regional
Financial Group**



“BNK Financial Group, a reliable partner for its customers, shareholders, and the residents of local communities in creating a new and better future, will accelerate its efforts to promote “Happy Finance” our leading CSR brand, and strive hard to make a leap forward in achieving our goal of becoming “Global Best Regional Financial Group” by 2020.”

Dear Stakeholders,

First of all, I would like to thank our stakeholders for their steadfast support.

This year marks the sixth anniversary of the launch of BNK Financial Group, and in this brief span of time it has emerged as one of the country’s leading regional financial groups, with eight affiliates including Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information and BNK System.

BNK is taking steps to become a leader of digital finance, with activities which include beginning the construction in 2016 of the Group IT Center, which will be the cornerstone for developing the competitiveness of the group’s IT, launching “SUM Bank”, Korea’s first mobile bank to combine finance and distribution, and introducing the futuristic unmanned bank branch Self-Bank.

In addition to these innovative moves, BNK has been incorporated into the Dow Jones Sustainability Asia Pacific Index, one of the world’s most-widely recognized sustainability indices, for the second consecutive year in recognition of its efforts to promote “Happy Finance” and to keep all of its employees involved in the cause. As a result, BNK has been able to further consolidate its status not only in Korea, but also in the global market.

We would like to express our deepest thanks to our customers, shareholders and local communities for giving us their unwavering trust and support, and thereby helping us to take a big leap forward. We promise to do our best to put our heads and resources together, cope with the challenging business environments at home and abroad, and ultimately grow into a stronger and sustainable financial services group with a two-bank system. To that end, we have set the annual goal of “Great Innovation 2017, establishing a system for future growth and raising management efficiency” and intend to meet our business goals by performing the following tasks.

First, BNK will further harness its system for future growth by actively conducting the “Great Innovation” a management innovation initiative, building upon the progress made in 2016.

More specifically, BNK will establish a customer-oriented sales system that uses big data and omni-channel marketing, while dramatically improving its mobile platform by bringing together all of its fin-tech resources, including SUM Bank, the BNK Group’s key future channel, robo advisory and IoT. Furthermore, BNK will enhance its long-term competitiveness by steadily increasing its operational efficiency through the creation of a two-bank, one-process system that integrates the operations of Busan Bank and Kyongnam Bank.

Second, to distinguish itself from its rivals, BNK will expand its foundation for growth by increasing the rate of future-oriented qualitative growth and the role of non-bank affiliates.

Moreover, BNK will adopt a profit-centered management approach to every aspect of the group’s business management with the focus on pursuing qualitative growth, maximizing the synergistic effects across affiliates, and expanding businesses that do not carry interests, so as to diversify BNK’s revenue sources and raise its future value.

Finally, BNK will actively practice socially responsible management and exert leading efforts to make the world a happier place in which finance breeds hope.

As a regionally-based financial group, BNK, under the management motto, “Toward the world with the region, toward a better future with the customers” will build a model for mutual success in which everybody can grow together.

Once again, BNK has reaffirmed its pledge to promote “Happy Finance” that breeds hope for the present and the future of our stakeholders, including customers and shareholders, and to pursue sustainability management more actively in the years to come. We ask you to extend unsparing affection and encouragement to us, as we take bold steps to grow as a first-rate global-regional financial group by 2020.

Thank you.

July 2017

All Members of BNK Financial Group

About BNK Financial Group

Emerging as Korea's Leading Regional Financial Group

Since its launch as the first financial holdings company as a regional bank in March 2011, BNK Financial Group has established itself as Korea's representative regional financial group with eight affiliates - Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information and BNK System. In particular, BNK is strengthening the basis for sustainable growth of Busan Bank and Kyongnam Bank by expanding its presence in Seoul and Gyeonggi Province, and steadily broadening its global network by opening a Busan Bank branch in Ho Chi Min City, Vietnam, and another branch in Mumbai, India, as part of its efforts to lay solid foundations for extending its boundary beyond the region and into the global market and growing into a global financial group. Driven by the management motto of 'To the world with the region, to a better future with the customers', BNK Financial Group will leap higher as 'Asia' Top 40 and Global Best Regional Financial Group by 2020' with a big scale and profitability by 2020.

Share Ratio of Affiliates

As of 2016-end

Affiliates	Share ratio(%)
BNK Busan Bank	100.00
BNK Kyongnam Bank	100.00
BNK Securities	100.00
BNK Capital	100.00
BNK Savings Bank	100.00
BNK Asset Management	51.01
BNK Credit Information	100.00
BNK System	100.00

Shareholder Status

As of 2016-end

Shareholder	Share ratio(%)
National Pension Service	12.40
Lotte Confectionary Co., Ltd. and related parties (9 companies)*	11.33
Parkland Co., Ltd.*	6.30
THE OAKMARK INTERNATIONAL SMALL CAP FUND	3.43

*Includes related shareholders under the de facto control of the same persons.

Credit Ratings

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

Outline of BNK Financial Group



Date of Foundation
March 15, 2011



Chairman
Se Whan Sung



Number of
Affiliates 8



Number of
Employees 7,183



Total Assets (Including Trust
Accounts) KRW 106.36 trillion



Operating Income
KRW 712.3 billion



Net Income (Equity of the
Holdings Company)
KRW 501.6 billion

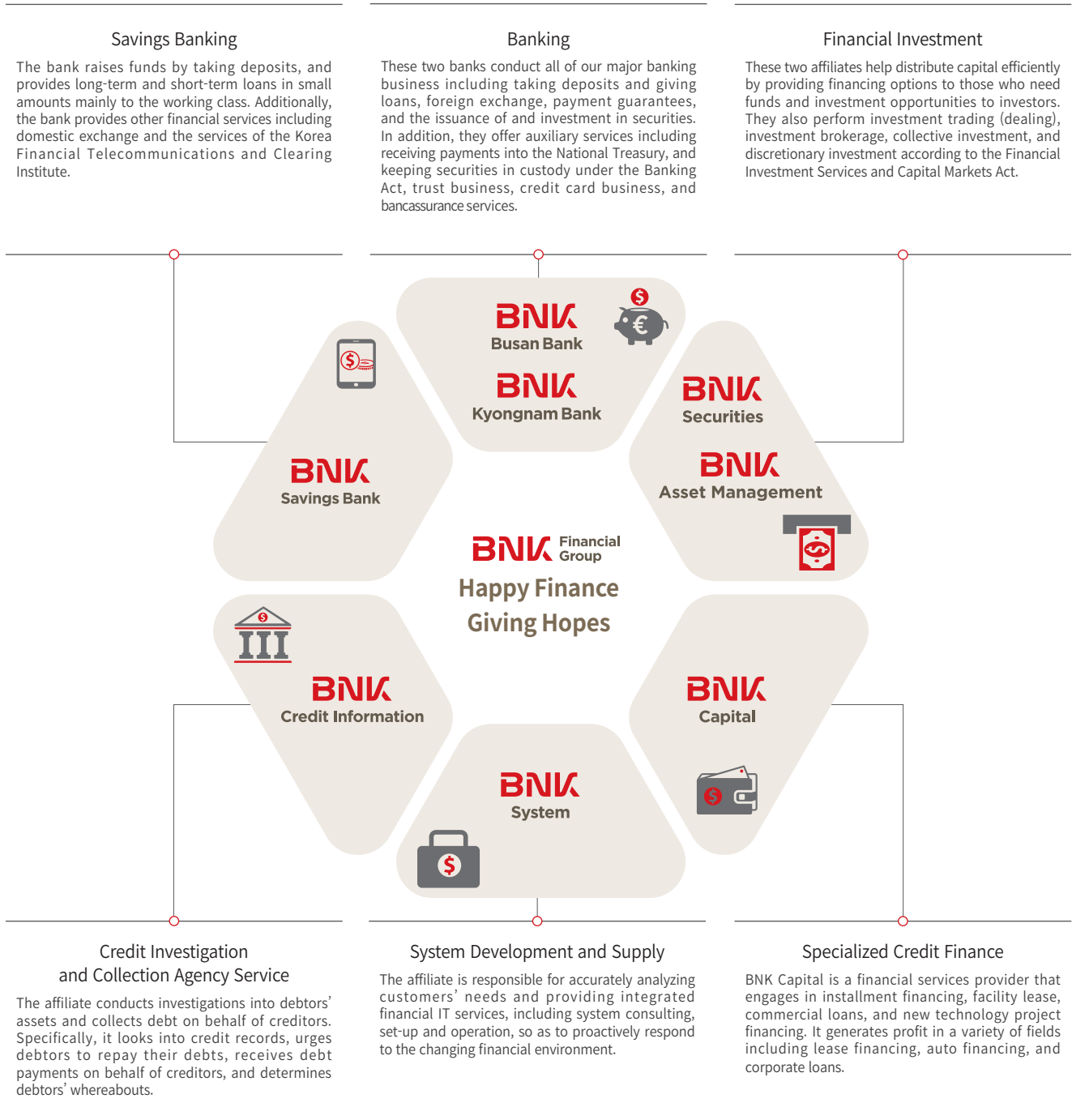
Status of Networks

(Unit: sites)

Classification		Domestic			Overseas			Total
		Branches	Offices	Representative Offices	Branches	Offices	Representative Offices	
Financial Holding Company	BNK Financial Group	1						1
Affiliate	Busan Bank	194	71		2		3	270
	Kyongnam Bank	156	12					168
	BNK Securities	7						7
	BNK Capital	15	8					23
	BNK Savings Bank	3	3					6
	BNK Asset Management	1						1
	BNK Credit Information	2						2
	BNK System	1						1
Grandchild Company	BNKC (Cambodia) Microfinance Institution Plc.				3			3
	BNK Capital Myanmar Co., Ltd				9			9
	BNK Capital Lao Leasing Co., Ltd				1			1
Total		380	94		15		3	492

BNK Financial Group

BNK Financial Group has two major bank affiliates including Busan Bank and Kyongnam Bank, and diverse non-bank affiliates including BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information and BNK System.

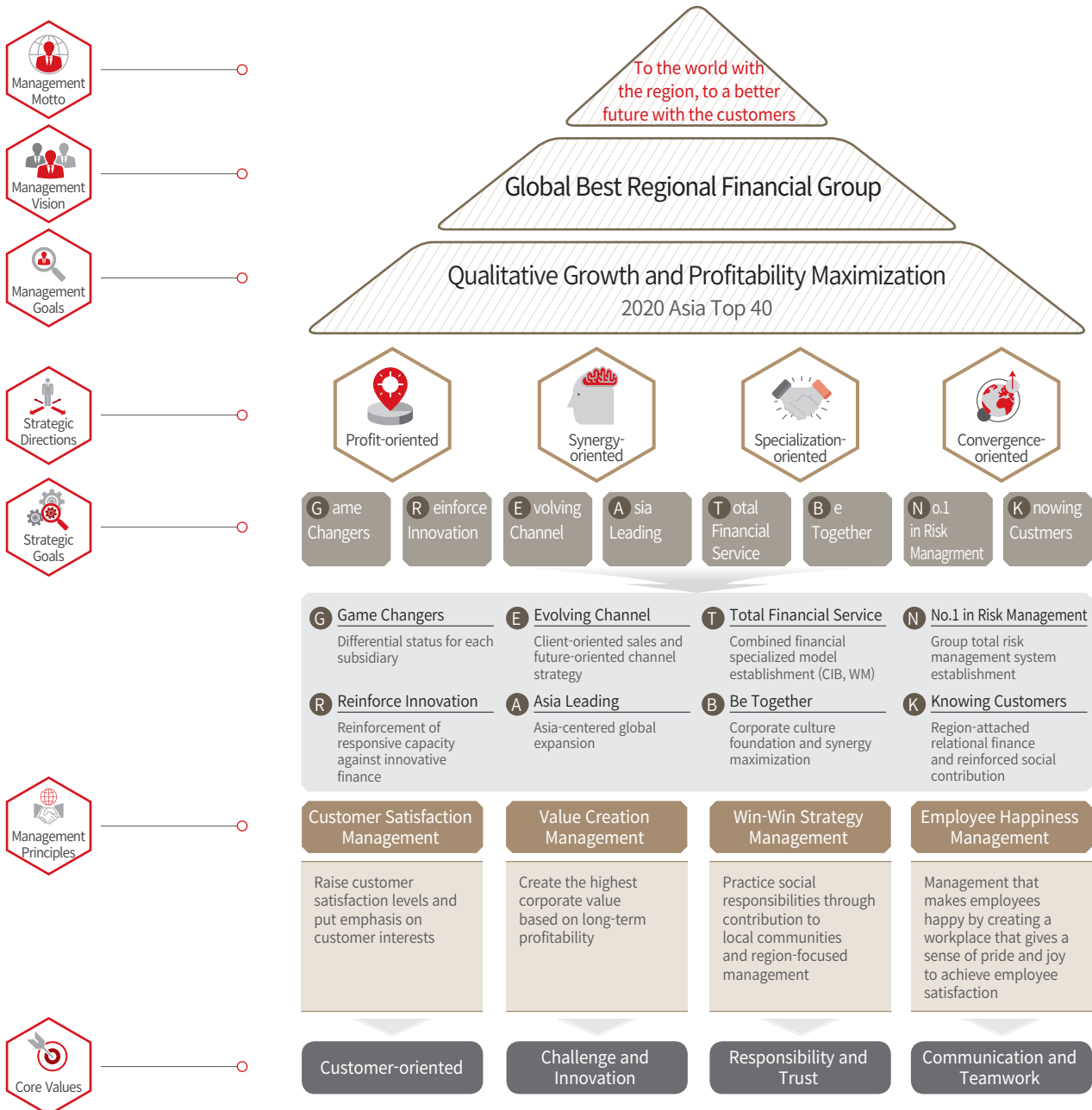


Strategy and Vision

BNK Financial Group has declared its vision of becoming “Global Best Regional Financial Group”

In January 2016, BNK Financial Group declared its new long-term vision, entitled “Vision 2020, Global Best Regional Financial Group.” Under this new vision, BNK has been striving to meet eight GREAT BNK long-term strategic goals in phases, and is consistently pushing ahead with the initiative titled “Great Innovation in Management” in a bid to drastically overhaul the entire management system in line with the group’s direction for growth. Building upon these initiatives, BNK will step up its efforts to emerge as a first-rate regional financial group that is capable of competing globally, with the focus on Asia from a global perspective, and on Busan, Ulsan, and Gyeongnam area in Korea.

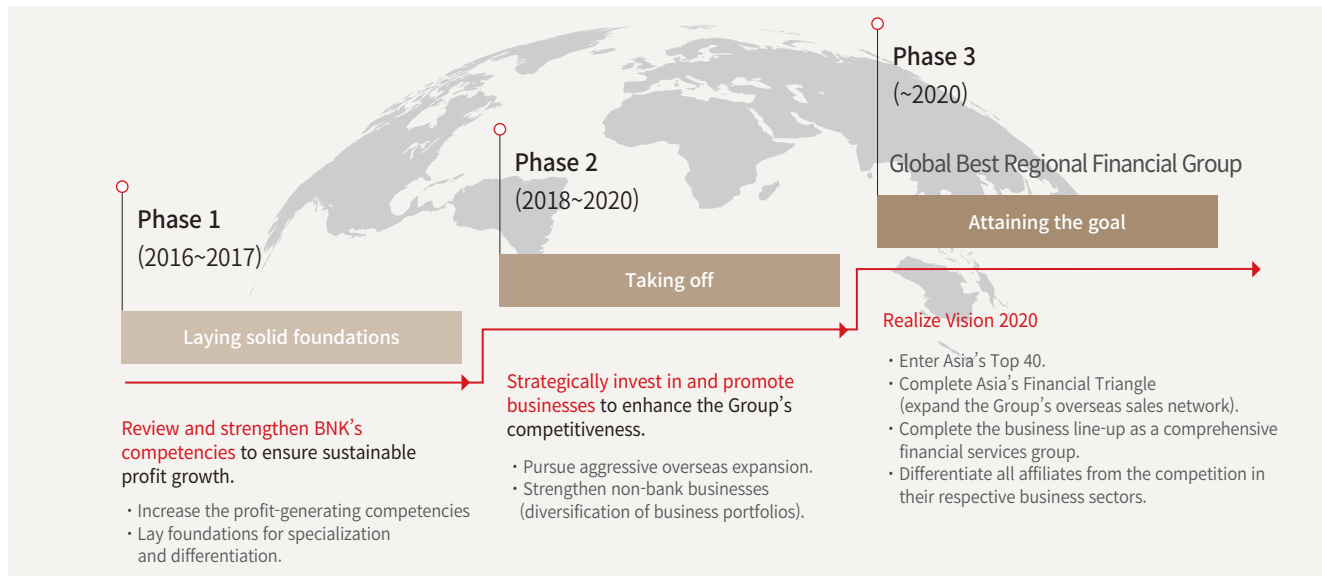
Vision System



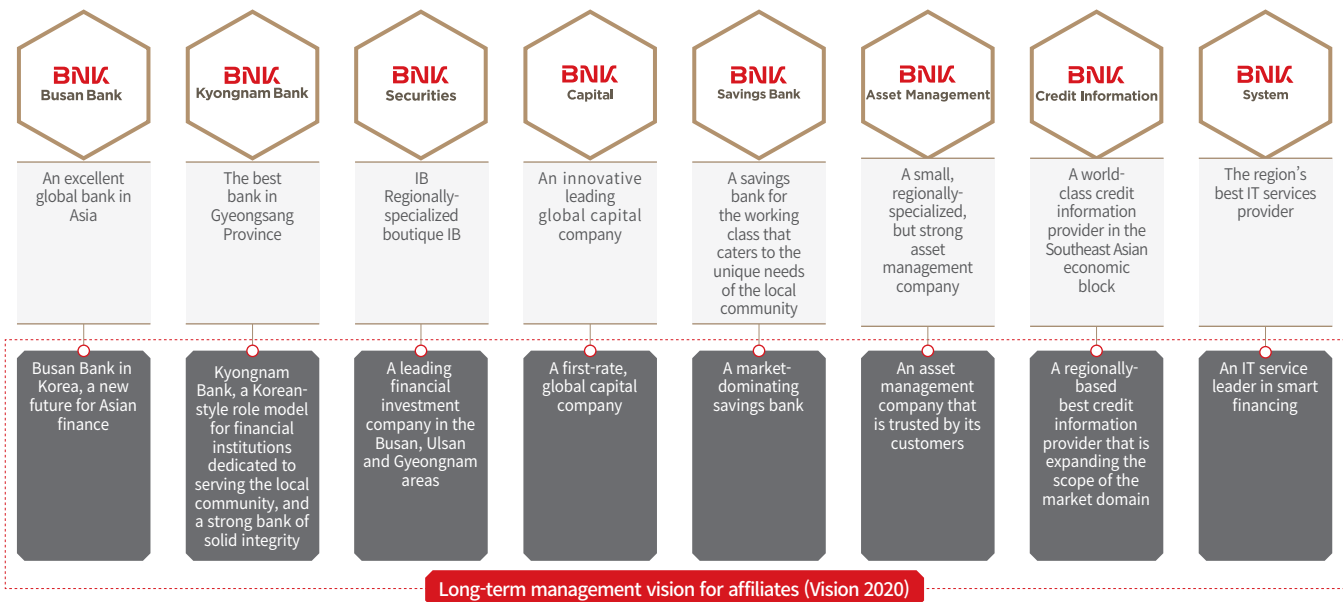
Establishing a System for Sustainable Growth

BNK Financial Group is strengthening its basis for sustainable profit growth by requiring all of its affiliates to implement profit-focused management. It is proactively and systematically responding to changes in the digitally-oriented future financial environment by raising the competitiveness of mobile platforms and creating a customer-centered sales system based on big data. In addition, it is working to establish a “two-bank, one-process management system” to maximize operational efficiency under the two-bank system, with the aim of putting in place a system for sustainable growth for the Group and, ultimately, of realizing its management philosophy and long-term vision.

BNK Financial Group’s Roadmap for Long-Term Development



BNK Financial Group’s Long-Term Business Line-up

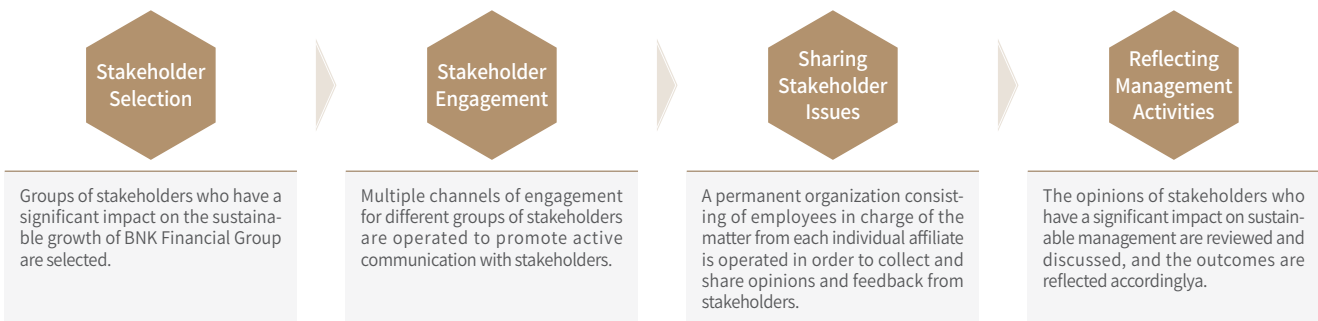


Stakeholder Engagement

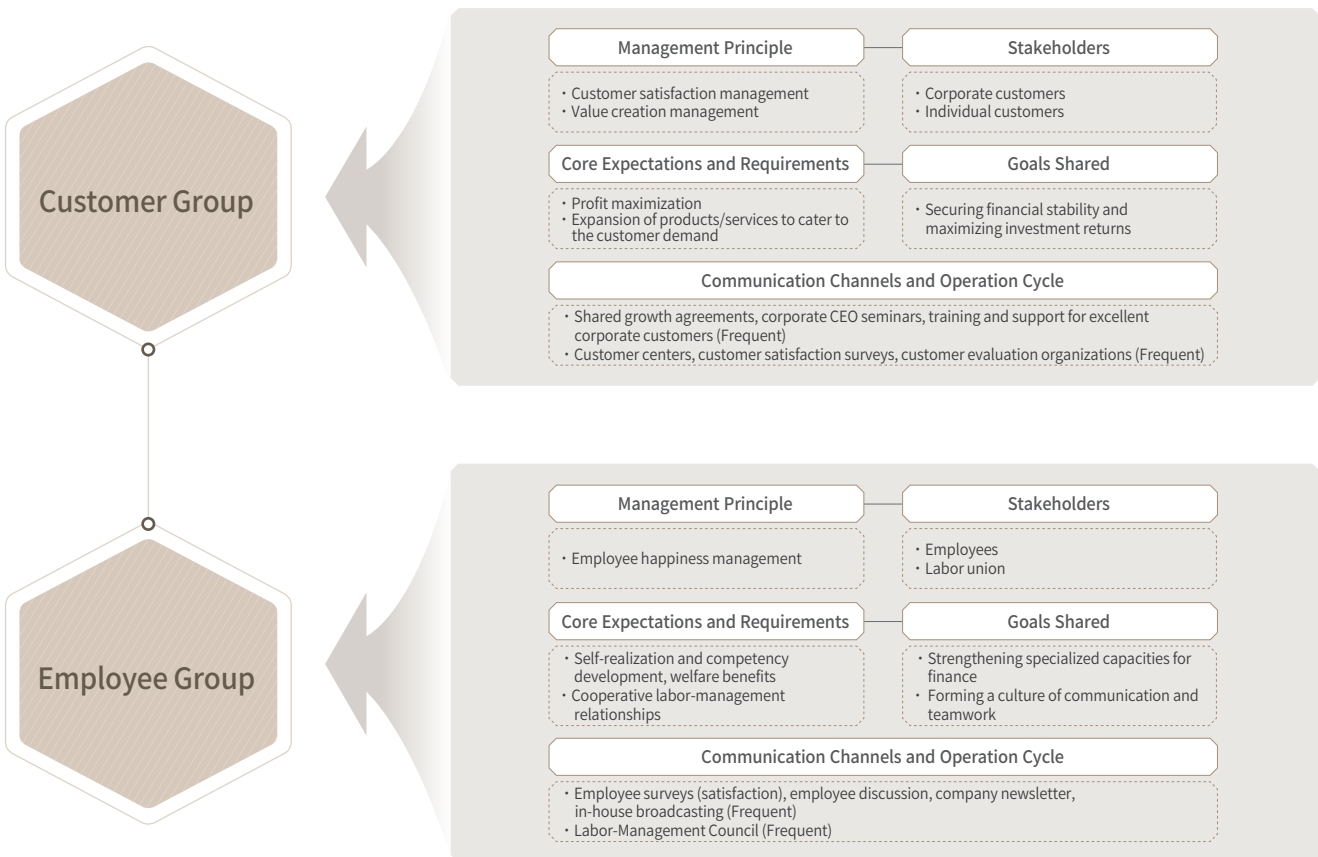
Stakeholder Engagement

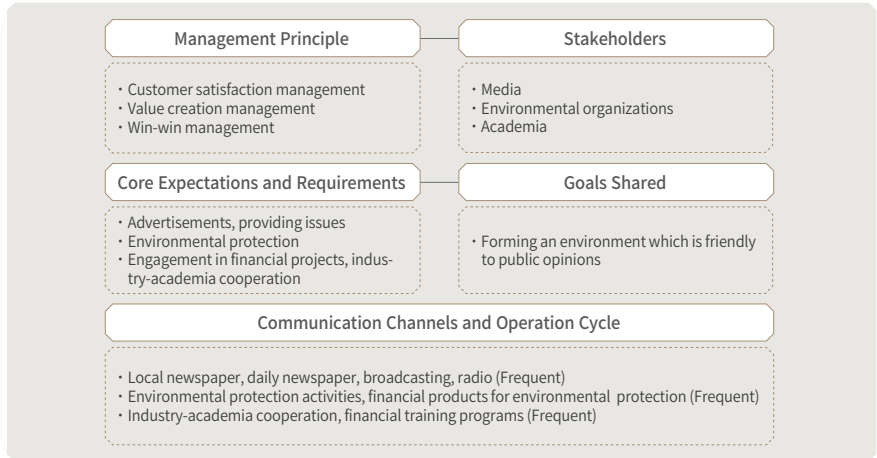
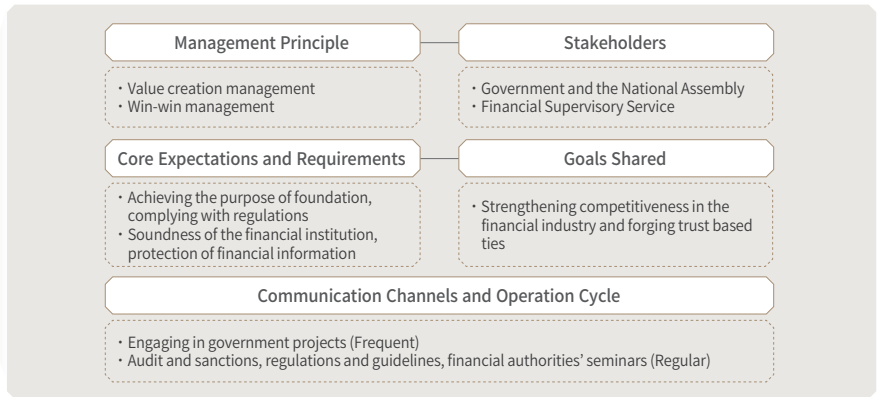
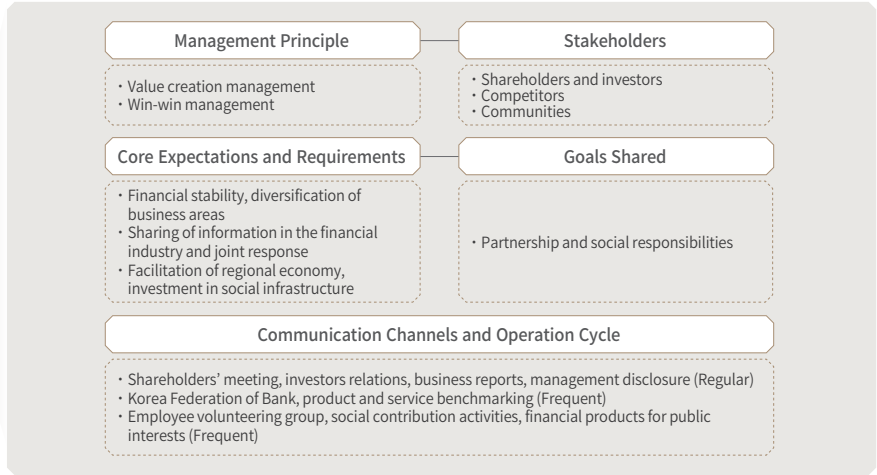
BNK Financial Group categorizes its stakeholders into five major groups including customers, employees, shared growth, policy regulation, and public opinions, and has put in place multiple communication channels in order to identify expectations by stakeholder group. BNK responds sincerely to the demands of its stakeholders and is striving to grow together with them so as to ensure sustainable management.

Stakeholder Selection and Feedback Gathering Process



Stakeholders of BNK Financial Group



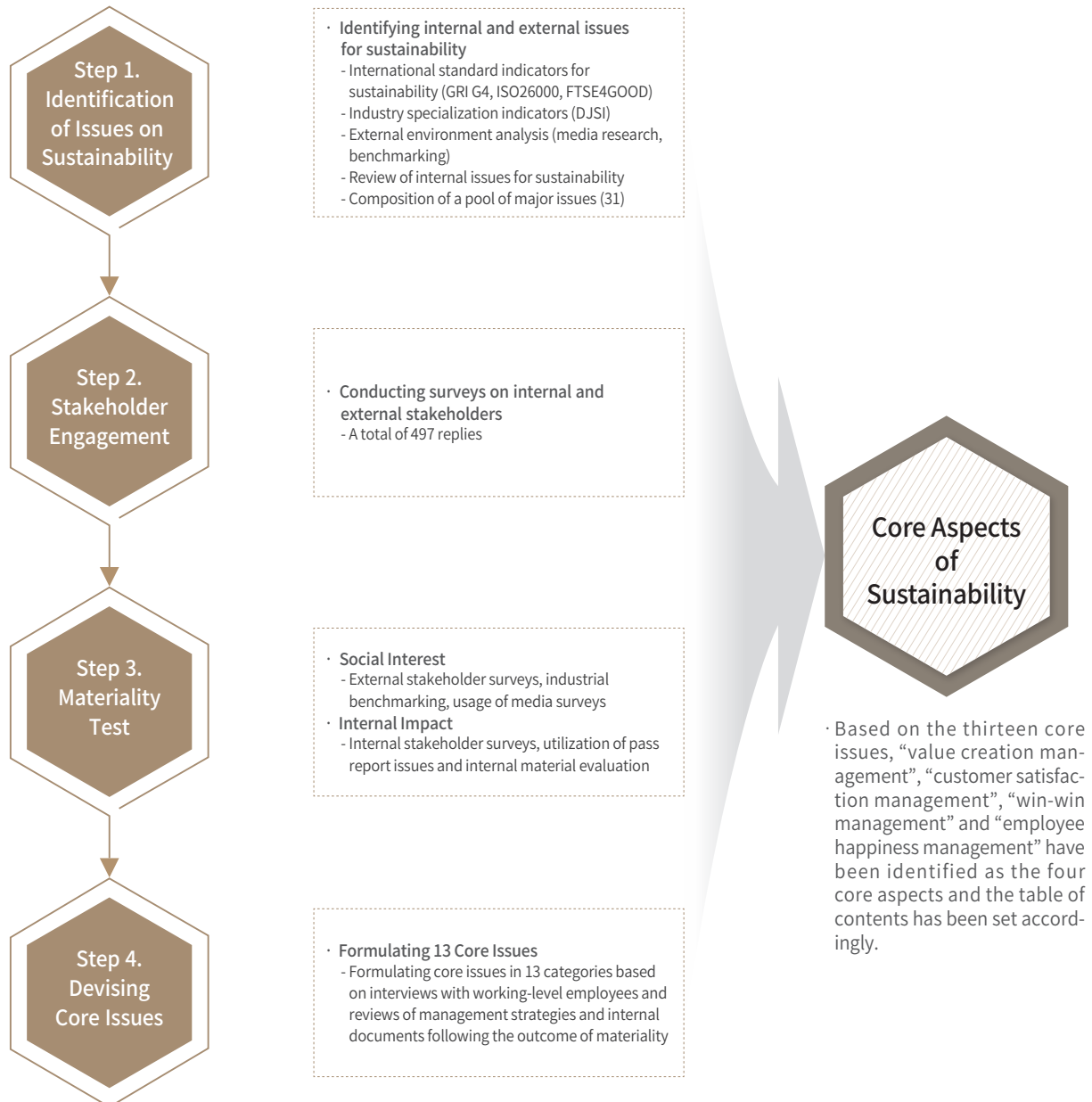


Materiality Test

Materiality Test

A pool of issues was created based on an analysis of the internal and external environments surrounding BNK Financial Group, including international sustainability standards and indexes, media research, and benchmarking. Subsequently, internal and external stakeholders were surveyed, and experts reviewed the issues in order to identify the core issues. The core issues, which were selected based on the outcome of the materiality test, are fully disclosed in this report and will be faithfully reflected in our future sustainability management.

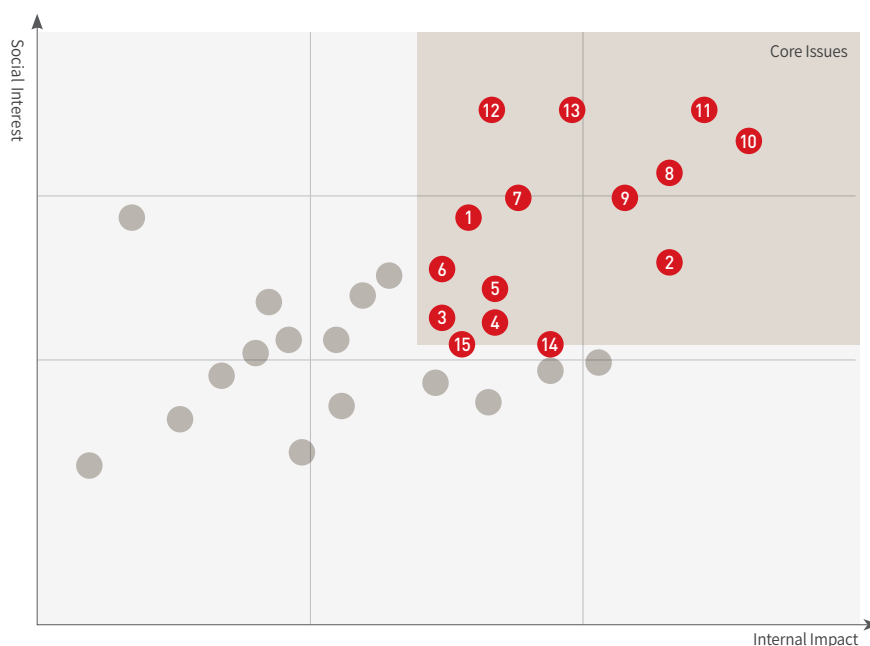
Process of Devising Core Issues



Deciding on the Core Aspects of Sustainability

As a result of the materiality test, 13 core issues on sustainability of BNK Financial Group were discovered. We comprehensively reviewed inclusiveness and responsiveness of core issues to reconfigure them into four core aspects. Details of the core aspects, including Strategic Directions and key implementation tasks, are available in the section of the report titled “Core Aspects of Sustainability”.

Materiality Test Results



Core Aspects	No.	Issues
Value Creation Management (18-31p.)	1	Build and reinforce a system of sustainability management.
	2	Create added value by expanding business domains.
	3	Develop eco-friendly products and services.
	9	Offer products that serve the public interest as a means of social contribution.
Customer Satisfaction Management (32-41p.)	11	Create products and services that serve to expand the customers' assets.
	12	Prevent financial accidents and fraud.
	13	Retain customers through better customer satisfaction services.

Core Aspects	No.	Issues
Win-Win Strategy Management (42-51p.)	4	Manage and reduce GHG emissions and energy consumption.
	5	Develop advanced and sophisticated environmental management strategies, policies and systems.
	8	Utilize business resources in designing and conducting social contribution activities.
	10	Make efforts to grow together with the local communities.
Employee Happiness Management (52-61p.)	6	Improve employee welfare programs.
	7	Provide training programs designed to enhance employees' competencies.

* Separately reported are items for general standard disclosure: 14) Composition of the BOD and securing transparency in its management and 15) Preemptive risk management.

2016 BNK Financial Group Highlights



BNK declares its vision, GREAT BNK 2020!

In 2016, BNK declared its vision, "GREAT BNK 2020", by which it will strive to increase its total assets to KRW 140 trillion and make Asia's top 40 by 2020. In addition, BNK set itself the goal of growing into a global, first-rate regional financial group and becoming the first regional financial group to generate a net profit of KRW 1 trillion. BNK has also established eight long-term strategic goals, based on four strategic themes: profit-oriented, specialization-oriented, synergy-oriented, and convergence-oriented. Furthermore, BNK announced its slogan, 'YES BANK' in which YES stands for "Young", "Excellent" and "Special", to create a corporate culture wherein all employees are ready to say "yes" to the core values of BNK Financial Group.



BNK launches "SUM Bank", a mobile banking service

BNK is the first regional bank to launch a mobile banking service, SUM Bank. SUM Bank, designed exclusively for mobile banking services, has a three-tiered meaning. "SUM" as a homonym of 'sum' (i.e. addition or total), means that the more you use the bank, the more benefits will accrue to you. SUM also stands for "Simple", "Useful" and "Mobile". Finally, SUM sounds like a homonym in the Korean language, a recent buzzword that roughly translates as "to be excited in the early stage of a romantic relationship, with one's true feelings still kept hidden". With enhanced banking convenience and new services made available by SUM Bank, BNK aims to be a bank that customers can get excited about. SUM Bank is also the first banking service in Korea to introduce high-tech biometrics including fingerprint and iris recognition, and facial recognition, based on FIDO (fast identity online) technology.



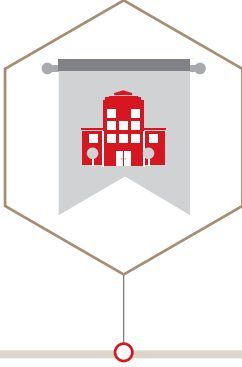
Busan Bank and Kyongnam Bank work together under a two-bank, one process system

Busan Bank and Kyongnam Bank, BNK's two bank subsidiaries, are working together to build a two-bank, one process system designed to eliminate overlaps between them and to enable them to function efficiently as if they were a single entity, even though they operate as two separate banks. As of 2017, the banks have agreed to standardize their unit business processes, maximize their cost efficiency, raise the levels of their business and IT competencies, and encourage HR exchanges in order to further enhance management efficiency.



KRW 6 trillion spent on "Happy Finance"

BNK spent the record amount of KRW 6 trillion on "Happy Finance" in 2016. "Happy Finance" is a social contribution type of financial project that BNK has been implementing since 2012 as part of its efforts to fulfill its social responsibilities toward local communities and promote win-win growth. Particularly in 2016, Happy Finance focused on five themes including creative finance, support for SMEs and small businesses, win-win growth with the working class, support for business start-ups by youth, and job creation for youth to promote shared growth. BNK will continue executing Happy Finance projects to help establish warm and bountiful local communities.



Busan Bank named one of the 100 biggest job creators in Korea

Busan Bank became the only bank in the banking industry to make the Top 100 Job Creators in 2016. Previously in 2012, Industrial Bank of Korea made the top 100, but no bank made the list after that until Busan Bank in 2016. Busan Bank was able to make the list because, unlike other banks, it implemented a series of unique employment strategies. Recently, banks and other financial companies have been downsizing their workforce in response to the changing business environment including the introduction of fin-tech (finance + technology). Busan Bank, however, has been hiring more employees over the past 5 to 6 years, bucking the industry trend. In 2015, the bank hired 16 veterans including persons of national merit, and disabled people, which increased from the previous year, while new hires of college graduates increased by around 71%, to 225 persons, compared to 2014. Going forward, BNK will present a role model case for win-win partnership between corporations and society by steadily expanding employment.



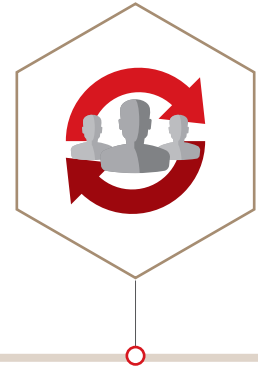
Busan Bank voted Korea's best bank by Asiamoney

Busan Bank was chosen as the Best Domestic Bank in Korea at the 2016 Best Domestic Bank Awards hosted by the global financial magazine Asiamoney. Asiamoney, one of Asia's top three monthly financial magazines based in Hong Kong, and a sister magazine of UK's Euromoney, selects the best bank in each country in Asia each year, based on a thorough evaluation by professional investors and analysts of the market power, growth potential and innovativeness of their products and services. Busan Bank was highly rated for its high ROA and ROE, its maximization of the controlling interest through the parent BNK's acquisition of a 100% stake in Kyongnam Bank, its outstanding support programs for SMEs, the stable inflow of low-cost funds via deposits, and the high growth potential of its assets.



Busan Bank selected as a "Great Place to Work in Asia" for the third consecutive years

Busan Bank was voted a "Great Place to Work in Asia" for the third consecutive year by Great Place to Work (GPTW), a global consultancy firm. Every year, GPTW releases the Trust Management Index in 50 countries in North America, Europe, and other parts of the world. The survey, which was conducted on more than 1,000 companies in nine countries in Asia, measured the degree of trust among employees within the organization, and sustainability, and the direction to pursue in building trust. Busan Bank gained high marks for running a variety of employee happiness programs including its weekend farm, manners school, preferential treatment for pregnant employees, and support for club activities.



Kyongnam Bank certified as family-friendly workplace

Kyongnam Bank was certified as a family-friendly workplace by the Ministry of Gender Equality and Families in 2016. The certification program is intended to support the reconciliation of work and family life. With this certification, the bank was recognized for its various family-friendly programs and achievements, including support for childbirth and childcare, a flexible working schedule system, and its promotion of a family-friendly corporate culture. The bank gained high marks particularly in the implementation of family-friendly programs and the management's leadership. The bank will remain committed to supporting a healthy balance between work and family life by pushing further forward with its family-friendly programs, including running a daycare center, holding family events, and organizing trips and excursions with elderly parents.

Sustainability Core Aspects

Aspect 02
Customer
Satisfaction
Management



Aspect 01
Value Creation
Management





Aspect 03
**Win-Win Strategy
Management**



Aspect 04
**Employee
Happiness
Management**



Crises & Opportunities



Crises

The trend in low interest rates and low profit persists, while the external environment surrounding BNK remains turbulent as innovative online financial channels are fast emerging, investments in financial products are increasing, and financial regulations and policies are changing. As a result, BNK needs to put in place a system for sustainable growth by embracing innovative management approaches and raising profitability. In addition, BNK often provides the financial services for SMEs and micro-financing as part of financially social contribution efforts, which entails high risks due to rising household debts and sluggish domestic demand, and thus require systematic and professional risk management.

Opportunities

BNK, as a full-service financial group, has successfully built a business portfolio that consists of banking, securities, capital and asset management. Based on the steadfast trust that citizens and businesses in Busan, Gyeongnam and Ulsan place in BNK, as well as on its solid business foundation, BNK is actively extending its business boundaries beyond Korea toward emerging markets such as Southeast Asia in order to create new business opportunities. BNK is taking proactive steps including consistently expanding its business infrastructure and competencies in the area of non-face-to-face channels, in a drive to lead the new era of fin-tech and mobile finance.

Future Plans and Goals



Guided by the vision of becoming a “global, top-notch regional financial group”, BNK will continue drastically overhauling its business paradigm to create a business system that will enable it to make Asia’s top 40. To that end, BNK will concentrate its resources and competencies on achieving future-oriented qualitative growth and enhancing its competitive edge so as distinguish itself from other financial groups. BNK will also accelerate fin-tech-based digital-finance integration and make its mobile platform more competitive to proactively respond to the fast-changing financial industry. BNK’s customer base will be expanded by strengthening relationship finance, asset management and the credit card business, which will serve as a foundation for BNK to generate higher profits. As the region’s leading financial group, BNK will further step up its endeavors to develop and expand its public interest-serving financial instruments in order to grow together with local SMEs, small businesses, the working class and the socially-marginalized class in the community.

KPIs (short-term and long-term strategies)

Improve profitability	Share the networks of subsidiaries <ul style="list-style-type: none"> • Develop financial products that integrate subsidiaries’ services. • Attract more customers and reduce costs by avoiding overlaps in investments. 	Tighten the management of branch offices <ul style="list-style-type: none"> • Maximize efficiency by adjusting the network of branches based on profit analysis. 	Build the base for improving profitability <ul style="list-style-type: none"> • Devise marketing strategies to promote regionally-based retail finance. • Explore ways of dealing with future finance.
Expand network	Secure a base for domestic sales <ul style="list-style-type: none"> • Open new branches in areas with growth potential and introduce mobile banking services. • Use face-to-face and non-face-to-face channels to expand the nationwide sales network under the management of BNK Financial Group. 	Expand overseas businesses <ul style="list-style-type: none"> • Build an overseas sales network with the focus on China, India and Southeast Asia. • Form business alliances with local financial institutions in other countries. 	Grow into a complete, full-service financial group <ul style="list-style-type: none"> • Create a framework for integrated finance by developing creative business projects and diversifying the business portfolio.
Develop region-specific businesses	Increase field-oriented services involving increased contact with customers <ul style="list-style-type: none"> • Expand technology financing and relationship financing. • Build the infrastructure for providing mobile-branch services (e.g. portable branches and other mobile platforms). 	Establish systems for customized products and services <ul style="list-style-type: none"> • Enhance the ability to provide consulting and support to local businesses. 	Strengthen ties with local communities and build a system for shared growth <ul style="list-style-type: none"> • Work with the government and local public organizations to develop win-win programs. • Create a network of partner companies to promote region-specific businesses.



Aspect 01

Value Creation Management

Significance of Value Creation Management



The domestic economy has been under pressure since the hike in interest rates after the U.S. raised its benchmark rates, and is facing great uncertainty amid a prolonged trend of low economic growth that is weighing heavily on the financial industry and the household economy as well. As a result, financial institutions are required to make a paradigm shift in their management towards higher profitability and to exert various efforts aimed at stabilizing the household economy and ensuring their survival and sustainable growth. As corporations are increasingly expected to fulfill their social responsibilities, it is necessary to develop a new business model that enables corporations to extend the boundaries of their social contributions and generate greater profits through value-creating activities in connection with finance, which can create positive external effects for society and the environment.

Response Strategy of BNK Financial Group



BNK is taking strategic initiatives in various areas in order to lay a solid foundation for sustainable growth. To that end, BNK is increasing profitability by raising the operational efficiency of its existing businesses, and establishing a business system that will allow it to lead the era of next-generation digital finance that will be ushered in by fin-tech and mobile banking. In addition, BNK is creating new business opportunities by aggressively expanding its business overseas and building systems to create synergy between the subsidiaries under its roof as a full-service financial group, based on relationship financing. Furthermore, BNK offers an array of financial products that take advantage of the resources it possesses as a financial services provider in order to support SMEs, small businesses, and the household economy, as part of its wider efforts to fulfill its social responsibilities and help strengthen the fundamentals of the national economy. On top of these efforts, BNK is also encouraging its customers to take part in creating environmental value by developing and selling financial products designed to generate environmental value.

Major Achievements



Launch of SUM Bank, a new concept of mobile banking service that integrates finance and distribution



Ranking in the Technology Finance Evaluation conducted by the Financial Services Commission

First half _ Busan Bank(1st),
Kyongnam Bank(2nd)
Second half _ Kyongnam Bank(1st),
Busan Bank(2nd)



Korea's first regional bank to enter the Vietnamese and Indian markets

A Profit-Focused System for Sustainable Growth

Strategic Directions

As of the end of 2016, BNK Financial Group's total assets stood at around KRW 106 trillion. With this solid financial base, BNK intends to build a profit-focused system for healthy and sustainable growth, rather than pursuing the rapid expansion of its assets. In this context, BNK is working on completing a two-bank, one process system for Busan Bank and Kyongnam Bank to raise their operational efficiency, and is further strengthening its profit-creating capacity to better respond to the fast-changing business environment and increase its market power.

Key Activities

Introduction of the Branch Retail Manager System at Busan Bank and Kyongnam Bank

In a bid to promote retail finance and thereby improve profitability, Busan Bank and Kyongnam Bank introduced the Branch Retail Manager (BRM) System, an outbound sales force composed of high-performing employees, in 2016. Busan Bank and Kyongnam Bank appointed seventy-five BRMs and sixty-four BRMs, respectively. BRMs play a pivotal role in outbound sales efforts targeting small businesses and the employees of highly profitable companies operating in and around their branches. In 2017, Busan Bank increased the number of BRMs to one hundred and set up a new department dedicated to selling retail finance products and services to boost retail finance. In the same vein, Kyongnam Bank test-operated a retail finance branch and accelerated its efforts to promote retail finance in Seoul in 2016.

Assign Wealth Managers and Sell High-Profit Products

In January 2017 Busan Bank assigned 194 wealth managers to all its branches with the responsibility of increasing profitability by expanding its asset management business. The bank has contributed to making asset management popular by lowering the bar for access to wealth management services. The bank will expand sales of high-profit products by conducting target marketing based on an analysis of a sophisticated customer database and by developing premium customers including those who need post-retirement financial planning services. The bank will also continue improving its wealth management competencies to better meet the needs of customers.



Busan Bank was chosen as Korea's Best Bank at the Country Awards for Achievement 2016 hosted by Finance Asia, a global financial publication headquartered in Hong Kong. Finance Asia announced in a statement that Busan Bank had been highly rated in recognition of its active support programs for SMEs, its stable yet high asset growth rate, and its efficient NPL management among other factors.

Quantum Jump! Triple R Project

Busan Bank launched the Quantum Jump! Triple R (reduction, research, return) project in 2016 to enhance management efficiency by effectively managing the budget and developing strategies to generate new revenues. The bank kept rent increases for its branch offices to a minimum, identified new cost-cutting items, and strategically rented office spaces in buildings owned by the bank in order to reduce costs and develop new revenue sources. A total of seventeen tasks were developed and implemented, resulting in cost savings of approximately KRW 1,636 million. Meanwhile, the Hidden Profit Contest was held in 2015 and 2016 as part of the innovation campaign, with the focus on profit generation and cost reduction, resulting in the completion of 60 tasks in total in 2016, as well as increased profitability.

Increased Ability to Respond to Future Finance

Strategic Directions

Developments in mobile technology and fin-tech are creating a new financial ecosystem wherein customers can conduct financial activities anytime anywhere without even visiting a bank. As such, BNK Financial Group is exerting various efforts to take the lead in the future financial market. Specifically, BNK launched SUM Bank, a mobile banking service that integrates finance and distribution, and expanded its channels for non-face-to-face financial transactions by introducing the smart ATM, non-face-to-face real name verification, and biometrics in order to build a solid basis for future finance. Furthermore, BNK played a leading role in launching the Fin-tech Development Association, thereby adding to its fin-tech market-leading competency.

Key Activities

SUM Bank, Banking at My Fingertips

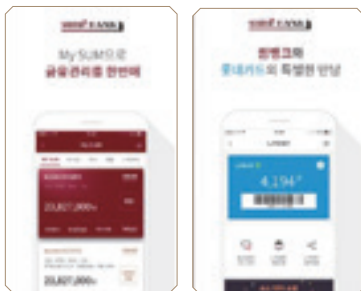
The financial environment is undergoing dramatic changes as fin-tech advances at a rapid pace. Against this backdrop, financial companies are responding swiftly by offering mobile-based financial services and thus improving customer convenience. BNK went one step further and launched SUM Bank in March 2016 in order to provide differentiated services as well as to improve customer convenience.



SUM Bank is a new concept of mobile banking service that combines existing mobile banking services with L-Point and L-Pay, the integrated point collection and payment services of Lotte Group, which has nationwide online and off-line distribution networks. Customers can convert the L-Points that they accumulate from shopping through the distribution networks of Lotte Group into cash and deposit it into a savings account, while they can receive discounts and collect L-Points for payments that they make with a SUM Bank card when shopping through the distribution networks of Lotte Group. SUM Bank offers specialized services to differentiate itself from its rivals, including the newly opened Point Shopping Mall Service which offers up to 10% discounts when customers pay with L-Points or a SUM Bank Lotte card.

With SUM Bank's easier and simpler account-opening and authentication procedures, customers can purchase products through mobile, non-face-to-face real name verification, without ever having to visit a bank in person. In addition, SUM Bank is the first mobile banking service in Korea to adopt FIDO*-based biometrics, ensuring security and convenience during the log-in process. With its differentiated functions and user-friendly services, SUM Bank has been well received by customers; while deposits received through SUM Bank totaled KRW 63 billion, with the amount of lending reaching KRW 14 billion and the number of service users exceeding 250,000.

* FIDO: Authentication system that uses biometrics including fingerprints, iris, and facial recognition



	<p>Open an account and receive up to 3,000 L-points</p> <p>Enjoy shopping, dining, transportation, leisure, finance, and much more at our partner businesses in the L-Point network.</p>		<p>Collect L-Points and have the points deposited into your savings account</p> <p>Collect L-Points from our partner businesses and the points will be automatically deposited into your savings account.</p>
	<p>Smart log-in through a simple log-in process and fingerprint authentication</p> <p>Enjoy the smart log-in with a simple log-in process and fingerprint verification.</p>		<p>Use only phone numbers for simple money transfer without an account number</p> <p>Money transfer has been made easy and simple, and now takes only 3 seconds. All you need is the phone numbers saved in your mobile phone.</p>
	<p>Open a mobile bank account without visiting a bank</p> <p>Open a bank account via your mobile phone. There's no need to visit your bank branch.</p>		<p>First dual bankbook to combine bankbook and savings account</p> <p>SUM Bank presents the first product in Korea to combine a bankbook with a savings account.</p>

Services available at Smart ATMs

- Deposits & withdrawals of cash, money transfer.
- Opening a check account.
- Opening new time-deposit and installment savings accounts.
- Applications for Internet and smart banking services.
- Issuance of cards and security cards, etc.



Test-Operation and Expansion of Smart ATMs

A Smart ATM is a financial transaction device that allows customers to conduct diverse financial transactions and services by themselves, most of which were previously only available through bank tellers. Customers can now perform 85% of bank services through smart ATMs, thus eliminating long waits and dramatically improving customer convenience. Notably, BNK's smart ATM is the first ATM in Korea to use finger vein authentication and video chat technologies for non-face-to-face authentication, further improving both customer convenience and security. Busan Bank started the test operation of its new Smart ATMs at the head office in August 2016, and expanded the service to a total of five branches at the end of the year. Smart ATMs are expected to replace small-sized branches and enhance operational efficiency in the future.

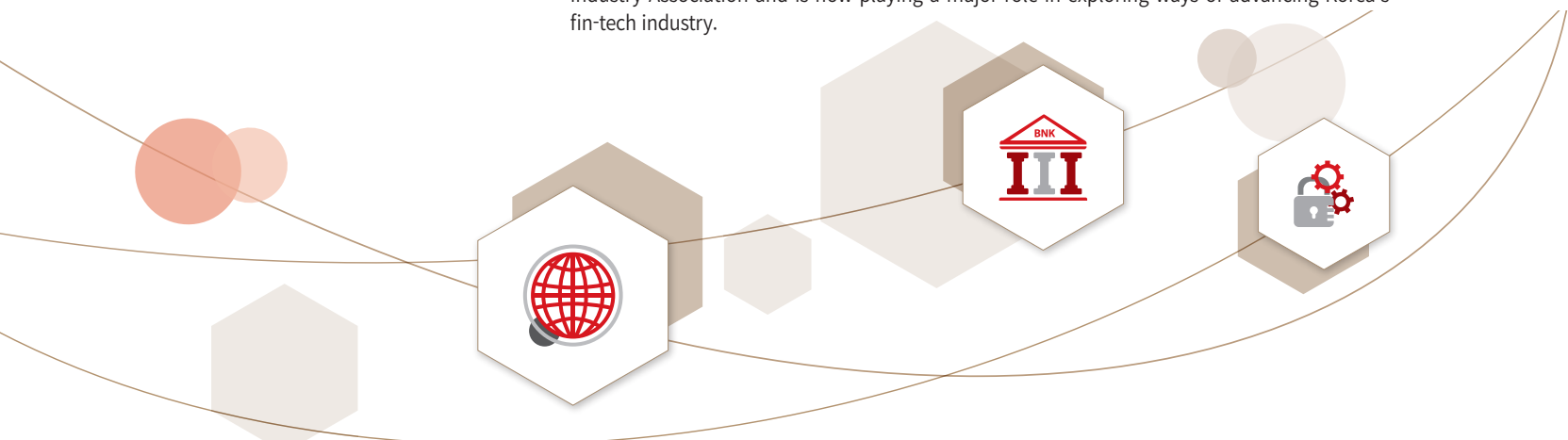
Introduction of Non-Face-to-Face Real Name Verification and Biometrics

Busan Bank developed a mobile application in 2016 for non-face-to-face real name verification to provide even greater security and customer convenience, a key element for a mobile banking service provider. It also opened a customer service center exclusively for non-face-to-face transactions, enabling customers to open a bank account via a mobile device without having to make a personal visit to a bank. In order to prevent problems relating to real name authentication that may be caused by the growing use of non-face-to-face channels, Busan Bank has introduced the mobile iris recognition service and equipped its Smart ATMs with finger vein authentication technology. In July 2016 Kyongnam Bank launched the Talk Customer Service Center, the industry's first video chat reservation system, and the mobile banking service Tuyu Bank, which uses fingerprint authentication technology.

Fin-Tech Development Association

As fin-tech services that bring together finance and IT are being adopted throughout the entire financial industry, they are emerging as a new growth engine for financial companies in this era of low interest rates and slow economic growth. In February 2016, BNK Financial Group launched the Fin-tech Development Association, which is composed of experts from Busan Bank, Kyongnam Bank, the industry and academia, to enhance its competencies in developing and executing fin-tech projects.

The Association will help financial companies share the latest fin-tech trends at home and abroad, develop and promote fin-tech business partners, and develop new financial business models, products and services to find new growth engines for the future. For its part, Kyongnam Bank organized a fin-tech knowledge club to help its employees learn about fin-tech and share fin-tech information and knowledge, with the ultimate goal of building the competencies required to usher in the fin-tech era. In addition, BNK joined the Korea Fintech Industry Association and is now playing a major role in exploring ways of advancing Korea's fin-tech industry.



Maximize the Group's Synergy Effects

Strategic Directions

Since its inception in 2011 as Korea's first regionally-based financial group and its acquisition of Kyongnam Bank as an affiliate in 2014, BNK has grown into a full-service financial group with eight subsidiaries operating in such fields as securities, capital, savings bank, and asset management. BNK has established a systematic affiliate management system to maximize the synergy effects between subsidiaries, and has harmonized the business standards and policies of different subsidiaries to raise management efficiency. The subsidiaries share products and services, and conduct joint sales activities and joint product development, to provide high-quality services and thereby expand the customer base, which will lead to greater synergy in generating profits.

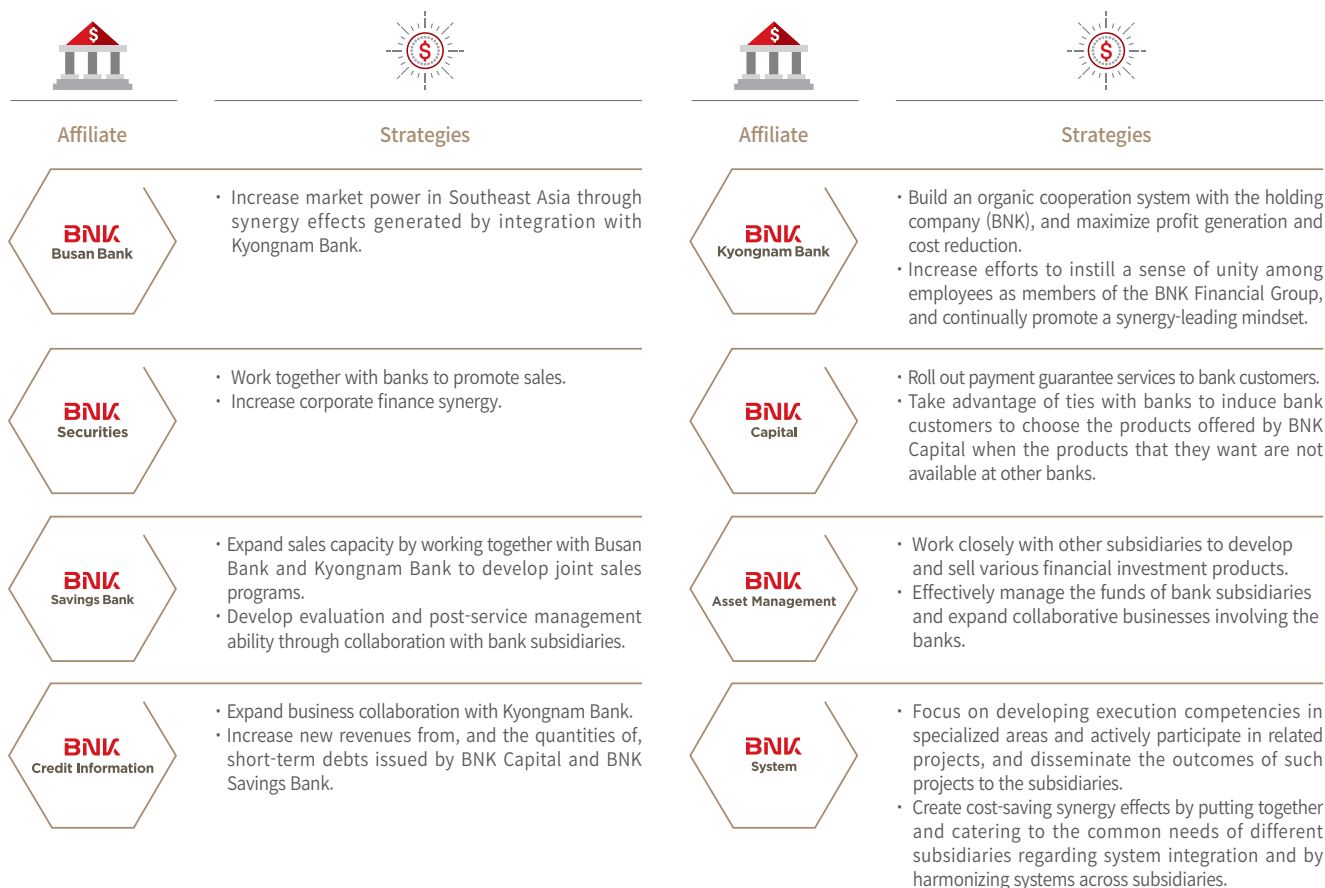
Key Activities

Two-Bank, One Process System

BNK has been working on creating a two-bank, one-process system that integrates the business processes of Busan Bank and Kyongnam Bank so as to enhance their operational efficiency and create IT synergy effects. In 2016, BNK carried out IT standardization and harmonization, and improved and expanded the Group's integrated IT resources procurement process. In addition, BNK provided its IT-related employees with training opportunities to learn about the advanced technologies of other countries through benchmarking, while improving management efficiency by standardizing systems and work processes.

Synergy-Creation Strategies of Individual Subsidiaries

(As of December 31, 2016)



Expand the Business Sphere and Sales Network

Strategic Directions

The domestic financial market has reached its limit regarding profit generation due to the prolonged trend of slow economic growth and low interest rates. In an attempt to break through that limit and rise as a global financial group, BNK Financial Group is taking steps toward expanding its domestic and international networks, and diversifying its business portfolio in such a way as to find a balance between the business portfolios of the bank and non-bank subsidiaries. In particular, BNK is concentrating its efforts on expanding its stable financial network in Southeast Asia and China, where there is high potential demand for financial services, in order to develop new growth momentum.

Key Activities

Korea's First Regional Bank to Operate in Vietnam and India

Busan Bank became the first regional bank in Korea to open a branch in Ho Chi Min City, Vietnam in February 2016. It is the bank's second overseas branch after the opening of the first branch in Qingdao, China in 2012. These overseas branches are offering financial support including corporate finance and trade finance to Korean SMEs operating in the respective areas. Going forward, the Ho Chi Min branch plans to receive deposits from, and provide loans to, local companies in Vietnam and offer retail financial services to local customers. BNK opened its representative office in Mumbai, India in May to offer a variety of financial services to Korean companies operating in India as well as to local corporations. BNK Capital is also doing business in Myanmar, Laos, and Cambodia, serving as a bridge between China, India and Southeast Asia in "Asia's Financial Triangle" which BNK is seeking to complete under its global vision.

BNK's Overseas Operations



Opening of Retail Finance-Focused Branches in Seoul and Gyeonggi Province

As a growing number of people from the southeast, the main target region of Busan Bank, are moving to Seoul and the Gyeonggi area, Busan Bank has opened four new branches in commercial districts and other areas in Seoul and Gyeonggi-do with high demand for retail finance, in order to provide better services to customers who are originally from Busan and the Gyeongnam area but are currently residing in Seoul and Gyeonggi-do. As a result, Busan Bank now has a total of ten branches in Seoul and Gyeonggi-do, including six in Seoul, one in Incheon, and three in Gyeonggi-do. Building upon this newly expanded sales network, Busan Bank and Kyongnam Bank will take full advantage of their strength in "relationship sales" to enhance their competencies in retail finance and eventually grow beyond a regional financial group into a financial group operating nationwide.

SUM Bank Launches Asset Management Services

Busan Bank signed an agreement in April 2016 with Yuanta Securities and Lotte Members to offer fin-tech-based services that integrate banking, securities, and distribution. The agreement has allowed Busan Bank to provide a series of fin-tech-based services, including the opening of securities accounts and use of T-Radar 2.0, an AI-based stock-trading system developed by Yuanta Securities. SUM Bank users can accumulate additional L-POINTS offered by Lotte Group, according to their stock trading amounts, and more customer services will be introduced to SUM Bank.

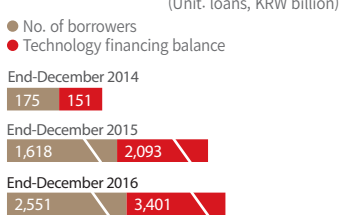
Financial Support for SMEs

Strategic Directions

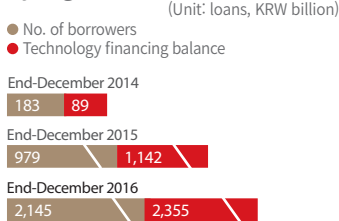
In order to ensure continued development of the national economy, BNK believes SMEs need to be strengthened to overcome economic challenges. As such, BNK aims to increase community-based relationship-oriented sales, and is expanding technology financing in order to support small businesses with superior technologies. BNK develops and offers a wide range of loan products to help small businesses and SMEs, the backbone of the local economy, thereby meeting its social responsibilities as a regional financial group.

Key Activities

Technology Financing Results, Busan Bank



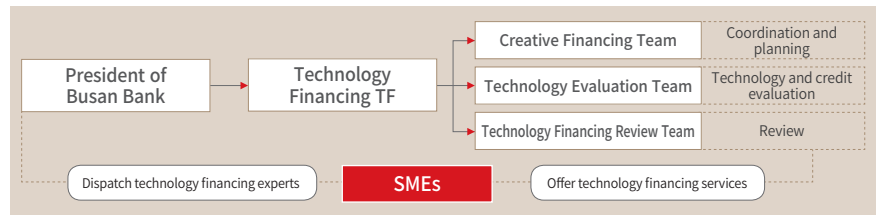
Technology Financing Results, Kyongnam Bank



* The FSC performs a semiannual TCB competency evaluation to allow banks to conduct their own technology credit evaluation and provide loans based on the results thereof, instead of outsourcing it to external private TCBs.

Technology Financing Unit

Technology financing helps technologically strong SMEs experiencing financial difficulties by providing loans using the companies' technologies as collateral. Busan Bank created a technology financing unit, the "Technology Financing TFT", which plays a leading role in technology financing. Not only do technology financing experts identify companies that qualify for technology financing, but they also provide the entire spectrum of technology financing from technology evaluation to financing consulting.



Busan Bank and Kyongnam Bank Rated Highly for Technology Financing Performance

Busan Bank and Kyongnam Bank were ranked 1st and 2nd respectively in the technology financing performance evaluation of the banking sector conducted by the Financial Services Commission (FSC) in the first half of 2016. In the second-half evaluation, Kyongnam Bank topped the list followed by Busan Bank in 2nd place. These results demonstrate the banks' superior capabilities and expertise on technology financing-associated risk management and systems. Busan Bank and Kyongnam Bank are the first regionally-based banks to have acquired FSC approval as a level 1 Tech Credit Bureau (TCB)*.

Expanding the Technology Financing Network

BNK is expanding its cooperative network through technology financing by entering into agreements with more local SMEs that possess superior technology and strong growth potential.

(Unit: KRW 100 million)

Agreements signed in 2016	Parties to agreement	Content	Amount
Agreement on the promotion of technology transfer-linked technology financing	Busan Bank, Kyongnam Bank - Korea Technology Finance (KIBO) Corporation	<ul style="list-style-type: none"> Proactive identification of SMEs in need of technology transfer and recommendation thereof to the Korea Technology Finance Corporation (KIBO). KIBO calculates the technology demand and acts as a broker. Up to KRW 3 billion in guarantee per company and lower or zero interest rates. 	-
Agreement on One-Stop Guarantee & Financing Support for Reinvigoration of Busan's Economy	Busan Bank - Korea Technology Finance Corporation	<ul style="list-style-type: none"> Up to KRW 800 million in loans to technology innovation companies and companies that operate knowledge and cultural businesses. Special contribution of KRW 600 million to support payment of guarantee fees for letters of technology guarantee. 	1,000
Promotion and Financial Support for Changwon INBEC 20 Strategic Industries	Kyongnam bank - Changwon	<ul style="list-style-type: none"> Provision of special loans to companies related to Changwon INBEC Strategic Industries, at preferential interest rates. 	3,000

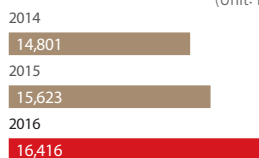
Busan Bank's Loan Balance to SMEs

(Unit: KRW billion)



Kyongnam Banks Balance of Loans to SMEs

(Unit: KRW billion)



Agreement for Shared Growth with Companies in the Aerospace Industry

Kyongnam Bank signed the Agreement for Shared Growth with Companies in the Aerospace Industry with Gyeongsangnam-do Provincial Government, Korea Aerospace Industries, Ltd., Korea Commission for Corporate Partnership, and other partner companies. The agreement promotes development in aerospace, a core strategic industry for Gyeongsangnam-do, for the next 50 years. Under the agreement, the bank will provide loans amounting to KRW 40 billion at preferential rates to partner companies of Korea Aerospace Industries.

Busan Bank Launches "Success Catalyst Loan for Small Business Owners"

In 2016, Busan Bank signed the Agreement on Financial Support for Small Business Owners with the Busan Credit Guarantee Foundation (BCGF). The bank contributed KRW 2.0 billion to the BCGF to provide guarantees to small business owners and proprietors in Busan and Gyeongsangnam-do and to initiate the "6th Success Catalyst Loan for Small Businesses" with a cap of KRW 200 billion. This will provide loans of up to KRW 100 million per company. The loan includes credit loans (KRW 50 billion), contract-based guarantee loans (KRW 100 billion), and letter of guarantee-based loans (KRW 50 billion). The bank provided 4,189 loans equaling KRW 128.9 billion.

Increased Financial Support for Small Businesses

To reinvigorate the local economy, Kyongnam Bank signed the Agreement on Greater Financial Support for Small Businesses with the Small Enterprise and Market Service (SEMAS) in November 2016. Kyongnam Bank will recommend direct-loan candidate businesses to SEMAS, while SEMAS will recommend proxy-loan candidates to Kyongnam Bank. Furthermore, Kyongnam Bank will be a priority partner in SEMAS' financial support projects and programs and work closely with SEMAS to financially support the local economy.

O2O (On-line to Off-line) Marketing

In 2016, Busan Bank became the first financial sector company to become a licensed location information operator from the Korea Communications Commission, and subsequently launched its location-based financial service "On-line to Off-line (O2O) Marketing". With O2O marketing, an app locates customers and sends out marketing messages to their smart phones whenever they are near related services. Busan Bank signed the Agreement on Free O2O Marketing Support for Small Businesses (based on Beacon) with Busan and SEMAS and is working on the related infrastructure. The bank will develop more services that connect on-line and off-line elements to increase convenience, help local businesses expand sales, and subsequently contribute to the local economy.

2016 Creative Financing Results		(As of December 31, 2016)	
(Unit: case, KRW 100 million)			
Classification	Type	No. of loans	Amount
BNK Busan Bank	Technology financing	3,842	20,047
	Relationship financing	1,197	7,432
BNK + BNK Kyongnam Bank	Support for technology transfers and commercialization involving SMEs	10	22
BNK Busan Bank	The Dream Special Loan	484	927
BNK Capital	Support for Facility Investment in Certified SMEs	26	54

2016 Support for Local SMEs and Small Business Owners			
(As of December 31, 2016) (Unit: case, KRW 100 million)			
Classification	Type	No. of loans	Amount
BNK Busan Bank	Special Loan for Good Companies	46	517
	Success Catalyst Loan for Small Business Owners	4,189	1,289
BNK Kyongnam Bank	YES Special Loan for Retail Companies	6,915	3,059
	Cluster Enterprise Loan	102	765
	With-Us Loan	460	2,553

Supporting to Stabilize Livelihood of the Working Class

Strategic Directions

BNK Financial Group helps reduce the financial burden of the working class - the backbone of the local economy - and helps to stabilize the working-class economy through various financial support programs. BNK also provides financial aid to small businesses, sole proprietors and the financially disadvantaged class including low-income families in the local community. In addition, BNK is implementing programs to create jobs for local youth as part of its efforts to fulfill its social responsibilities as the representative regional financial group.

Key Activities



Busan Bank's Special Loan for the Working Class

Busan Bank granted loans totaling KRW 100 billion to individuals, small businesses, and sole proprietors in Busan, Ulsan and Gyeongnam that are experiencing financial difficulties due to the economic slowdown, to celebrate its selection as Korea's Best Bank by Asiamoney, a globally authoritative financial publication. The bank lowered interest rates by 0.2% to 0.5% depending on the product, and made rate cuts available to individuals and businesses with low credit ratings.

“Stepping Stone Medium-Rate Loan” for Low-Credit Customers

Busan Bank and Kyongnam Bank released the BNK Stepping Stone Medium-Rate Loan jointly with the Seoul Guarantee Insurance Corporation (SGI), for customers with low and medium credit ratings who were previously unable to obtain loans from banks. This loan program uses the internally developed credit evaluation model to review loan applications from individuals with medium and low credit ratings, who are eligible for a guarantee insurance certificate issued by SGI, and who meet the income requirement (earned, business, pension). It also offers preferential rates and credit limits that are highly competitive compared to other banks. The maximum loan amount is KRW 200 million and the annual interest rate can be as low as 5%. Customers can repay only the principle or the principle and interest together in installments over up to 5 years.

Financial Support for the Financially Disadvantaged Class for Residential Amenities

In 2016, Busan Bank and Kyongnam Bank signed an agreement with the Korea Housing Finance Corporation to ease the financial burden associated with housing costs and to improve residential amenities for the elderly and other financially-disadvantaged residents in Busan and Ulsan. Under this agreement the banks will help the elderly better enjoy their life through reverse mortgages, reduce residential costs and increase livelihood stability by providing loans for rent to financially disadvantaged people.

Financial Support for Vitalization of Traditional Markets

In May 2017, Busan Bank signed the Agreement on Support for the Vitalization of Traditional Markets with the Busan Merchants Association to provide financial assistance for businesses to set up credit card readers and other financial services. Under the agreement, Busan Bank will open mobile branches in major traditional markets in Busan and use tablet branches to offer financial services on demand.

Major Results for Loans to the Working Class

(As of December 31, 2016)

(Unit: case, KRW 100 million)

Performance for 2016: 18,603 Cases, KRW 217.6 Billion

Classification	Type	No. of loans	Amount
BNK Busan Bank +	New Hope Seed Loan	11,074	1,328
	Stepping Stone Loan	7	2
BNK Kyongnam Bank	Change Dream Loan	283	41
BNK Busan Bank	Baronuri Loan	1,412	98
BNK Kyongnam Bank	Hope Share Loan	84	4

Classification	Type	No. of loans	Amount
BNK Capital	Happy Refinancing	95	16
	Happy Together CAR Loan	1,019	93
BNK Savings Bank	Eugbyeongcha Loan	33	19
	Eutteum Loan/My Loan	1,907	315
	Sunshine Loan	2,669	260

Development of Financial Products to Promote the Public Interest

Strategic Directions

As the representative financial group in Busan and Ulsan, BNK develops and sells public interest-oriented products that allow customers to indirectly participate in social contribution efforts. One implementation is BNK's "happy finance" which promotes co-prosperity within the local community.

Key Activities

Public Interest-Serving Products, 'BNK Danbi' and 'BNK Baram'

In 2015, Busan Bank and Kyongnam Bank jointly launched BNK Danbi and BNK Baram to serve the public interest. The banks donate part of the products' proceeds to Community Chest of Korea in Busan, Ulsan, and the Gyeongnam area to help marginalized community members. In 2016, Busan Bank donated KRW 150 million of Danbi account sales to the Community Chest of Korea Busan branch, while Kyongnam Bank donated KRW 100 million of Baram account sales to the Gyeongnam and Ulsan branches.



Donation using Danbi & Baram Bankbooks

Love Bankbook to Support the Growth of Local Communities

Kyongnam Bank launched the Community Support Bankbook, an account offering preferential rates to residents who move into Gyeongnam and support regional development. Likewise, the bank launched the True Jinju Love Bankbook in Jinju and the Gimhae Love Bankbook in Gimhae in 2017.

Sunshine Plus Loan to Help the Socially Vulnerable People Become Self-Reliant

In 2016, Busan Bank signed the Agreement on Micro Credit* for Self-Reliance of the Socially Vulnerable Class with the Busan Credit Guarantee Foundation, the Busan Metropolitan Rehabilitation Center, and the Busan Community Rehabilitation Centers' Association. Busan Bank initiated the BNK Sunshine Loan Plus Special Loans with Contract-Based Guarantees and provided low interest-rate loans of up to KRW 200 million to candidates selected by the Busan Rehabilitation Center and Community Rehabilitation Centers. This helped the socially vulnerable class become financially independent.

* Micro Credit: Small loans provided without collateral or guarantee to socially disadvantaged members of the community who lack access to loans from financial institutions and need business opportunities and funds to start or operate a business.

Major Loan Products				(As of December 31, 2016)
				(Unit: case, KRW 100 million)
Product	No. of loans	Balance	Key features	
Financial Support for SMEs and Individuals Affected by Typhoon Chaba	41	27	Business stabilization funds are provided to SMEs and individuals affected by Typhoon Chaba, and they are allowed to postpone the repayment of loans.	
Special Loan with Exceptional Guarantees for Job Creation in Busan	786	180	This special loan ensures the smooth supply of funds to job-creating corporations and start-up businesses in Busan, and thus stimulates the local economy by inducing job creation and lowering the unemployment rate.	
Loan for Employment of the Disabled and Occupational Rehabilitation	49	48	Low interest-rate loans are provided for the purpose of purchasing or improving the facilities and equipment of disabled persons and the elderly.	
One-Stop Loan for SMEs	207	2,384	Scholarships are provided to children of employees who work for companies and have taken out loans, based on the employees' transactions with the bank, including the amount of salary deposited into their bank account, credit(check) card use, and amounts of automatic transfers.	

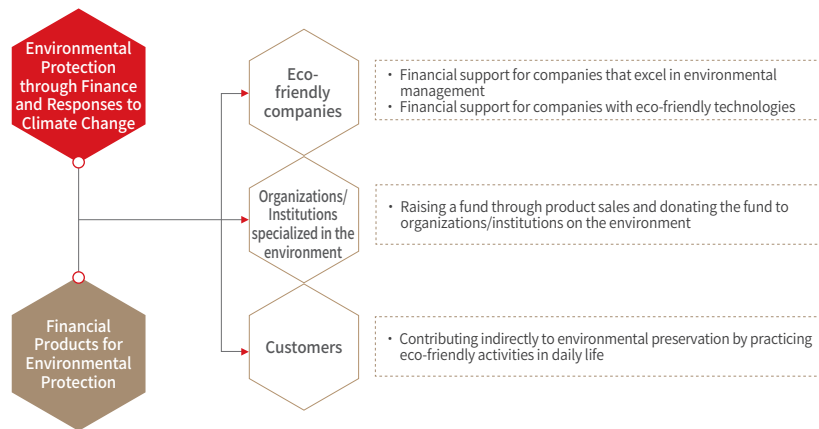
Major Deposit and Savings Products, and Credit Cards				(As of December 31, 2016)
				(Unit: KRW 100 million)
Product	Balance	Increase from one year ago	Key features	
B Smart Card	1,020	+36	A card that is funded in proportion to the amount of the card used for the purpose of raising funds for the establishment of the Busan Metropolitan Simin Municipal Library	
Childcare Only Bankbook	35	(New)	This account is used exclusively to receive the government's childcare subsidy. Fees are waived, depending on the deposits, automatic transfers and other services that customers use through this account. Under an agreement with Ulsan, 0.1% of the average balance is contributed to the fund.	
Subsidy for Social Welfare Facilities Card	466	+36	Fees are waived for social welfare facilities that receive subsidies from the local governments of Busan, Ulsan and the Gyeongnam area, and a certain portion of their transaction amount is donated back to the facilities.	
BNK Baram Bankbook	2,487	+ 607	Part of the proceeds raised from selling products is donated to three branches of Community Chest of Korea in Busan, Ulsan and Gyeongnam to assist the socially-marginalized class.	
BNK Happiness Keeper Bankbook	3	+ 1	Basic living security benefits are received into this account - held by recipients of basic living security benefits - to ensure that their minimum basic livelihood security cannot be seized by creditors according to Article 35 of the National Basic Living Security Act (Prohibition of Seizure).	

Developing Financial Products for Environmental Protection

Strategic Directions

BNK Financial Group provides benefits to companies that conduct business in the field of new growth engines of low carbon and high efficiency, including financial support, interest rate reduction and premium banking charges. When extending loans and investment for Project Financing (PF), Busan Bank seeks to generate business opportunities associated with the environment and climate change. Therefore, we make it mandatory to identify if developers conduct the environmental impact assessment pursuant to the Environmental Impact Assessment Act, indirectly reflecting the results of the assessment on projects.

Key Activities



Financial Support for Eco-friendly Companies

Busan Bank discovers SMEs that excel in environmental management and extend low-interest funds to them in partnership with the Korea Environmental Industry and Technology Institute under the Ministry of Environment. We contribute to the development of eco-friendly technologies and the growth of related companies by providing premium loan interest rates and exempting banking charges for companies specialized in new and renewable energies, energy service companies (ESCO) and companies with green certification.

Supporting Environmental Organizations/Institutions

We raise funds by selling products designed for environmental protection and donate them to environmental organizations and institutions, including BNK ECO Installment Saving and Galmaetgil Installment Saving. We support environmental projects by donating a part of after-tax interest rates.

Raising Environmental Awareness among Customers

We sell products providing benefits depending on customers' records of environmental activities including energy saving. This helps to spread awareness about environmental preservation and climate change response, and induces behavioral changes of customers.

Green Card V2 for Eco-Friendly Life

In 2016, Busan Bank and the Ministry of Environment jointly rolled out the Green Card V2 (an upgraded version of the existing Green Card), which is made of a wooden material, to celebrate the 5th anniversary of Green Card. When customers use this card at member stores across the nation, they can have up to 1% of the amount that they spend saved in their eco money points, which encourages customers to get involved in protecting the environment as a normal part of their everyday life. Customers can also save up to 25% of their public transportation fares into their eco money points when they use buses, subway, trains or express buses. They will save 5% on online shopping, and automatic transfers of communication and electricity charges, and a discount of KRW 2,000 will apply to their online reservations of movie tickets. Other benefits attached to this card include free admission to cultural and sports facilities across the country and discounted rates for the use of such facilities.

Mandatory Removal of Paper Bankbooks

As part of the 20 Financial Practice Innovation Tasks set by the Financial Services Commission, Busan Bank and Kyongnam Bank are actively participating in phasing out paper bankbooks by offering such incentives as preferential interest rates and fee exemption for customers who open accounts without the issuance of a paper bankbook. The bank will use similar incentives for the products it intends to launch in the future, and will ensure that customers can open accounts for existing products without a paper bankbook via online banking and smart phone banking services. The bank also plans to revise its rules and systems to make the non-issuance of paper bankbooks mandatory instead of optional in 2017, and the non-issuance of paper bankbook will become mandatory for all savings accounts that the bank is currently selling in order to reduce the use of paper and help preserve the environment.

Major Loan Products			
(As of December 31, 2016)			
(Unit: case, KRW 100 million)			
Product name	Number of cases extended	Balance amount	Major characteristics
Loans for the Energy Usage Rationalization Fund	1,494	1,587	Loan to assist a part of business expenses for SMEs that install energy saving facilities to reduce energy and GHG
Loans for the Fund to Purchase CNG Buses	10	6	Loan to assist the purchase of bus companies that are willing to purchase eco-friendly Compressed Natural Gas (CNG) buses with a low level of gas emissions
Prime Loan for Clean Green Companies	195	195	Offering the prime loan to eco-friendly companies or companies with environmental growth potentials - companies recognized in ecofriendly company review and evaluation table, companies specialized in new and renewable energies and companies specialized in energy saving

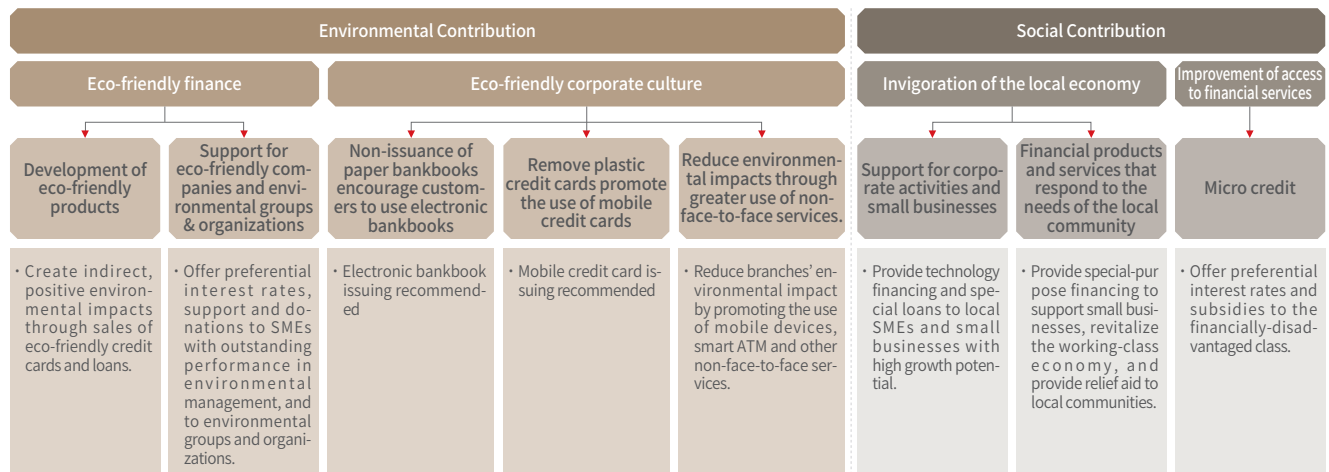
Introduction of Deposit/Installment Saving and Card Products		
(As of December 31, 2016)		
(Unit: KRW 100 million)		
Product name	Remaining balance/Used amount	Major characteristics
Dullegil Savings Account	32	Customers who hold this account will receive a 0.2% additional rate on their savings if they walk 50km or more along the Dullegil, a trekking course. The product is designed to introduce and promote trekking paths in the Busan, Ulsan and Gyeongnam areas and to promote customers' health
Busan Bank Green Card(Credit)	3,686	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	690	
Busan Bank My Zone Green Check Card	681	
Kyongnam Bank Green Card (credit/check)	1,924	Kyongnam Bank offers services to customers to be naturally engaged in green living including saving energy, public transit usage and purchase of ecofriendly products in daily lives
Kyongnam Bank Green Corporate Card (credit/check)	681	

Value Creation including Social and Environmental Impacts

Strategic Directions

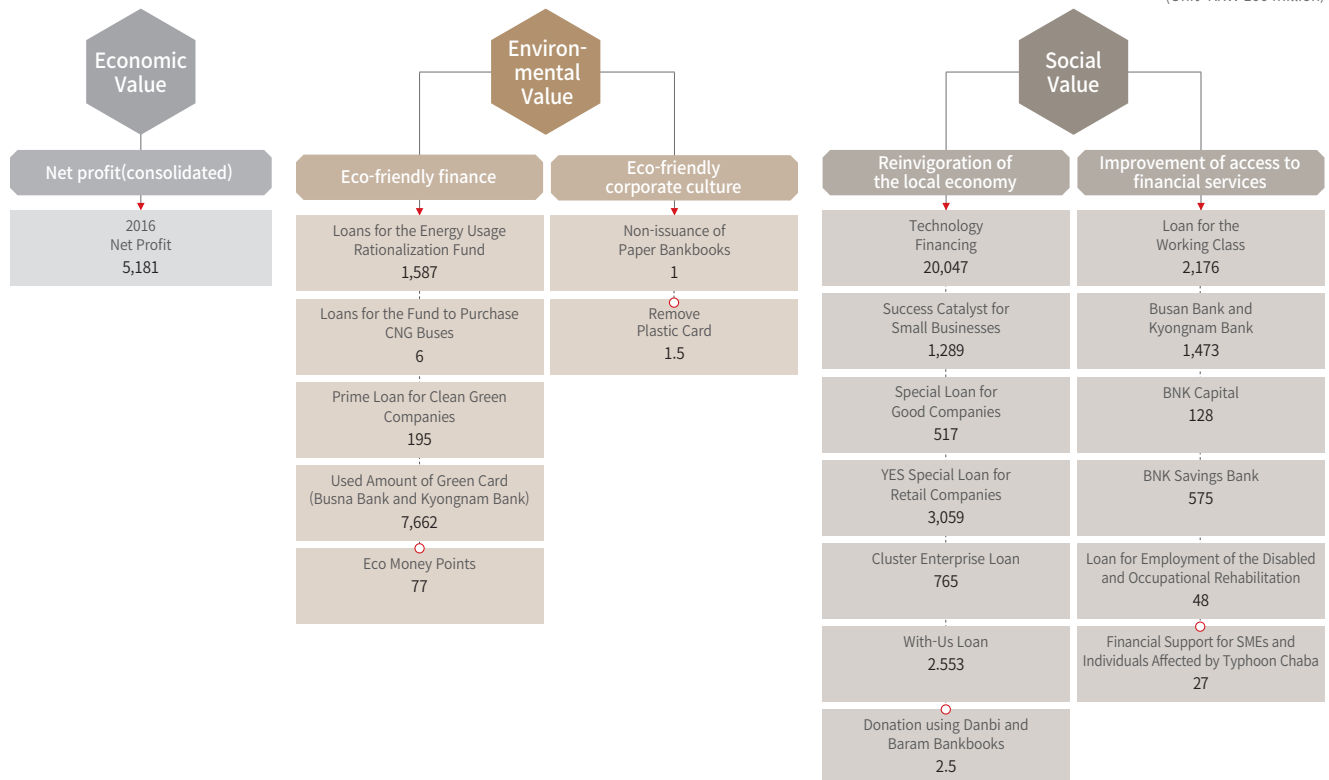
BNK intends to exercise a positive impact on society and the environment through its business activities, including lending and investing, and to manage various risks from the economic, social and environmental perspectives. BNK considers sustainability management an important factor in making decisions on lending and investments in order to generate stable profits. BNK is creating greater economic value through its social and environmental contributions.

Key Activities



2016 BNK's Value Creation including Social and Environmental Impacts

(Unit: KRW 100 million)





Crises & Opportunities

Crises

Financial companies are competing fiercely to diversify services amid the growing diversification of their business channels, including online banking and smart banking services. Failure to satisfy the expectations of customers, who are becoming increasingly sophisticated, may result in losing customers to competitors, which directly translates into lower profitability. Therefore, BNK should strengthen the group-wide CS competencies and provide differentiated services that have a tangible impact on how customers actually feel about the services in order to retain existing customers and attract new customers.

Opportunities

The financial industry is working diligently to maximize customer satisfaction throughout the entire spectrum of its services and operations, from the identification of customer needs in the product development phase to sale and sophisticated post-sale customer management, in addition to conventional customer services that focus primarily on product sales. BNK forms a panel of customers at the product development stage to gather customer opinions, and operates the VOC as a vehicle through which it collects and responds to customer demands and complaints. Furthermore, it is striving to create differentiated customer value by building an advanced infrastructure comprising O2O systems and a system of future channels.



Future Plans and Goals

BNK is running various programs including the CS Leader Program, CS Customized Training, and CS Specialist Coaching to maximize customer satisfaction and strengthen CS competencies. It is building an advanced finance access system consisting of O2O marketing and a system of future channels, while working on the establishment of a CS-focused culture across the board by getting all employees involved in promoting the culture and the CS slogans. BNK is also stepping up PR and training for its employees and customers to raise their awareness of financial security, to obtain certification of information security management for a broader range of its businesses, and to improve its ability to detect suspicious transactions and large-amount transactions. All of these actions will enable BNK to further strengthen its information security system and better prevent financial frauds and accidents.

KPIs (short-term and long-term strategies)

Improving customer satisfying services	Strengthening training on customer satisfaction <ul style="list-style-type: none"> Increasing cost and time for employee training on customer satisfaction 	Improving financial accessibility <ul style="list-style-type: none"> Securing competitiveness in non-face-to-face channels to enhance financial convenience and timeliness 	Improving the score in the customer satisfaction survey <ul style="list-style-type: none"> Providing practically satisfying services based on customer satisfaction needs
Preventing financial accidents and crimes	Expanding training on the prevention of financial accidents <ul style="list-style-type: none"> Strengthening the security check for PC and mobile media Continuing to train on fundamentals including the awareness of information protection and security 	Strengthening the monitoring of money laundering and illegal transactions <ul style="list-style-type: none"> Standardizing a system for continuous initiation and reporting of high-risk customer monitoring Expanding the programs to block the leakage of personal information 	Completing a system to prevent financial accidents <ul style="list-style-type: none"> Initiating the certification of an information protection management system for all affiliates in the group and completing the encryption of personal information



Aspect 02

Customer Satisfaction Management

Significance of Customer Satisfaction Management

As technology advances and the financial environment continues to change, customers' demands are becoming increasingly sophisticated, and products and services are being diversified to meet the varying needs of different customer groups including individuals and corporations. In order for banks to ensure sustainable growth amid the growing use of digital technology by customers and the rapidly evolving patterns of how they use such technology, it is crucial for banks to further strengthen their customer- and field-centered business models and offer differentiated services for greater customer satisfaction. In particular, it is also becoming increasingly important to provide a wider range of convenient financial services that impose no time or spatial restrictions, as making a personal visit to a bank is becoming difficult for a growing number of customers for various reasons. As customers' expectations about financial services become ever higher, financial companies must move beyond simply improving how they respond to customers, and instead concentrate on securing customer satisfaction by providing products and services that meet their actual demands and needs.

Response Strategy of BNK Financial Group

BNK is committed to building a leading financial brand by offering customer-friendly financial services that put customers and their interests first. Notably, BNK is actively promoting the establishment of a unified customer service (CS) culture across the entire group by collecting the voices of the customers through a customer panel and reflecting them in the development of products, by creating slogans and videos aimed at raising the quality of customer service, and by rewarding branches that provide the most outstanding customer service. In addition, BNK is implementing programs to improve the group's customer service competencies, including the CS Leader Program and the CS Certification Program. BNK is also creating the necessary infrastructure and expanding its human resources to protect financial consumers from a variety of financial frauds and accidents, and to create greater customer value.

Major Achievements



Launch of
the customer panels



The call centers of Busan Bank
and Kyongnam Bank
were voted
Korea's Best Call
Centers in 2016



Busan Bank/Kyongnam Bank
became the first regional
banks to acquire
certification of their
information protection
system

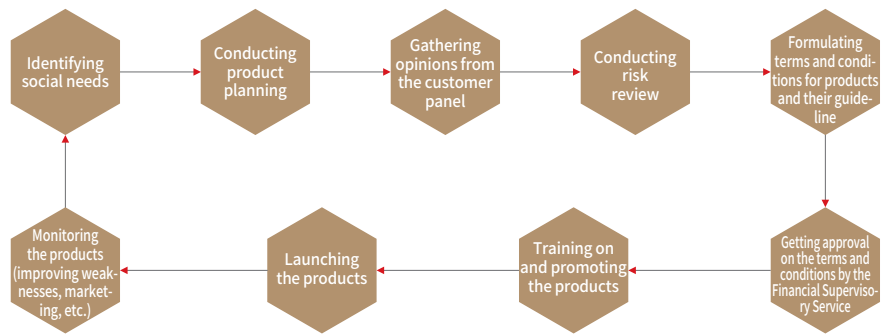
Developing Customized Products

Strategic Directions

BNK's customer satisfaction management aims to proactively identify financial trends and communicate with customers more closely. Customer interest is our top priority, while the development and offering of customized products and services is an integral part of our efforts to enhance customer satisfaction. Recently, BNK has been gathering customers' opinions through a customer panel, from the product development stage, and it also plans to design customized products and services that cater to the varying needs of different customers by using big data.

Key Activities

Financial Product Development Process



Inaugural Ceremony for the 2nd customer panel (April 7, 2017)

Busan Bank and Kyongnam Bank Introduce the Customer Panel

Both Busan Bank and Kyongnam Bank have been operating a customer panel since 2016 to better protect financial consumers and further improve their customer-oriented management practices. The panel presents opinions from the customers' perspective for a certain period of time during the new product design and development phase, and suggestions on how to improve existing products and services offered by branches, and the banks' work processes and policies. The panel submits a monthly report on their activities, participates in panel discussions, and gathers opinions from financial consumers. Going forward, the panel will be upgraded to serve as a channel of communication with the customers.

1 st Busan Bank customer panel	<ul style="list-style-type: none"> Members: 10 Service period: April 2016 ~ November 2016 (8 months) 	1 st Kyongnam Bank customer panel	<ul style="list-style-type: none"> Members: 10 Service period: June 2016 ~ November 2016 (6 months)
2 nd Busan Bank customer panel	<ul style="list-style-type: none"> Members: 15 Service period: April 2017 ~ November 2017 (8 months) 	2 nd Kyongnam Bank customer panel	<ul style="list-style-type: none"> Members: 15 Service period: June 2017 ~ November 2017 (6 months)

The Marketing System Based on Big Data

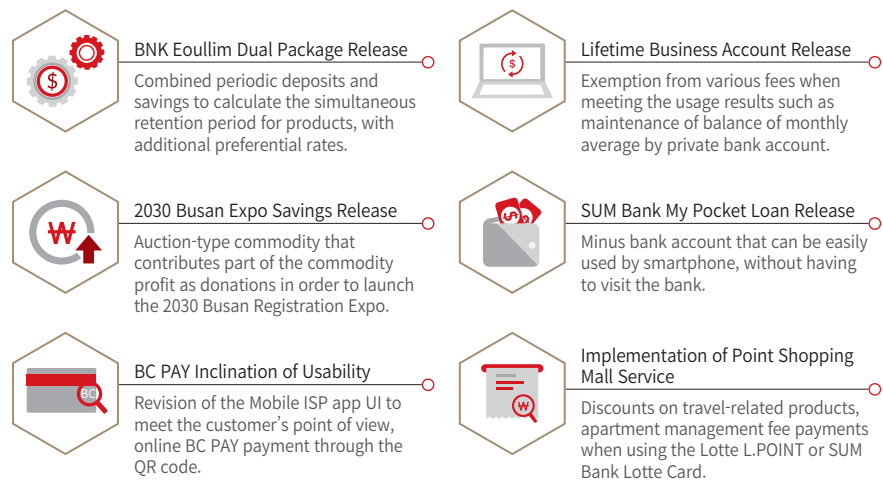
Busan Bank has developed the industry's first marketing system based on big data to increase its ability to analyze data and enhance customer satisfaction. The bank designs customized financial services based on its analysis of occupations, spending patterns and other information obtained from the customer information DB and product purchase records. The system also allows the bank to predict customer behavior patterns and recommend products that fit the hidden needs of customers. The use of big data will also enable the bank to develop savings and loan products that the customers actually want, and to offer customized and systematic customer care, thereby upgrading the quality of its financial services.

Kyongnam Bank Enhancement of Non-Banking Affiliates Financial Products

Kyongnam Bank has completely restructured its Internet and Smart Banking services in order to improve customer access. By releasing the 'To You Financial Center' app, Kyongnam Bank has made the core functions - such as inquiry, deposit, transfer, etc. - available with just a few simple touches, making financial transactions quicker and easier than ever before. Additionally, Kyongnam Bank released non-banking-affiliate deposit products such as 'To You Time Deposits', 'To You Free Savings', 'To You Checking Account', and the loan product 'To You Instant Loan', which enables customers to use financial products without having to visit their branches. Kyongnam Bank has also strengthened the marketing system of non-banking affiliates, which can recommend products that satisfy customers.

Development of Customized Products

In 2016, BNK Financial Group selected ten customer panels and acted for six months, replicating their opinions in product development and service and system improvements, and actively reflecting them in bank management. As a result, products such as the Eoullim Dual Package, Lifetime Business Account, Busan Expo Savings, and My Pocket Loan, and increased BC PAY convenience and implemented Point Shopping Mall Services.



Designated as Korea's Prestige Brands in Card Sector

BNK card (2016) and REX card (2017) were selected as Prestige Brands of Korea for their excellent financial benefits and substantial customer value. The BNK card, as a joint product of Busan Bank and Kyongnam Bank, offers discounts at all merchant stores in addition to regular store discounts. The REX card is a community-friendly premium card that analyzes in depth the VIP data of VIP customers. The BNK and REX cards have been recognized for their strategic excellence, current and future value, and vision.

Customer Satisfaction Enhancement

Strategic Directions

In order to become a dependable lifelong financial companion that is trusted and loved by the customers, BNK Financial Group analyzes the latest financial trends and provides the best possible service. In recent years, BNK Financial Group has built an advanced service infrastructure, including an O2O system and a future channel system, to provide superior customer satisfaction services in recognition of the importance of differentiated customer value. Furthermore, BNK Financial Group is striving to become a BNK Financial Group that spreads the CS culture and fully grasps the needs of customers.

Key Activities

Results of Busan Bank Customer Satisfaction Survey

(Unit: Points)

- Customer Satisfaction Investigation CSI
- Service Monitoring Service SMS

2014

96.2 76.3

2015

96.7 78.2

2016

97.3 82.5

Kyongnam Bank Customer Satisfaction Survey Results

(Unit: Points)

- Customer Satisfaction Investigation CSI
- Service Monitoring Service SMS

2014

95.0 96.8

2015

96.0 94.1

2016

95.9 94.4

O2O(On-line to Off-line) Marketing Development Strategy

In 2016, Kyongnam Bank began providing O2O (On-line to Off-line) marketing services after obtaining the permission of the Korea Communications Commission (KCC) to use the 'Location Information Business', quickly following in the footsteps of Busan Bank, which implemented the service first in 2015. Busan Bank concluded a business agreement with Busan Metropolitan City and the Small Business Development Corporation for the "O2O marketing free subsidy service for small business owners" to build an O2O infrastructure to connect customers to merchants. BNK Financial Group not only provides product information to the customers of business branches, but is also constructing the O2O system with the aim of expanding its services for small business owners. In the future, BNK Financial Group will enhance customer convenience through various FinTech services linked both to online and offline, while contributing to activation of the regional economy activation by increasing the sales of local small business owners.

'O2O Marketing' is an online and offline type of marketing that sends a marketing message - such as a discount coupon - to a smartphone in real time when a customer enters a specific area where the relevant service is provided, after pinpointing the location with a smartphone app

Kyongnam Bank's Future Channel System

Kyongnam Bank completed the construction of its Future Channel System, a new Internet banking and smart-banking system, in December 2016, and launched its full-scale service. Kyongnam Bank has also implemented 'open banking', providing the same services to various browsers and Operating Systems (OS), and expanded the usage of multilingual services such as English, Chinese, Vietnamese and Cambodian, making the financial services easier to access for foreign users. A non-banking affiliation marketing platform that recommends products to users based on the e-CRM has also been established, while a fingerprint login service combining Fast Identity Online (FIDO) with information security has also been added to enhance user convenience.

Selected as 'Best Call-Center' by the BNK Financial Customer Center

The Customer Centers of Busan Bank and Kyongnam Bank have been designated as the "Best Call Center" of a local bank for a second consecutive year as the Korean Service Quality Index (KSQI) Call Center. The KSQI Call Center Designation certifies excellent call centers that achieve scores of 90 or more after measuring the quality of their consultations, such as currency connectivity, customer greetings, consulting attitude, and business processing for various industrial call centers in manufacturing, finance, and distribution. The Busan Bank and Kyongnam Bank Customer Centers (Call Center) earned high scores in every category including fast work process, accurate and friendly guidance, as well as counseling attitude. The Customer Centers of Busan Bank and Kyongnam Bank has established a one-stop service that enables customers to consult all banking services, through ongoing employee training. In order to improve the quality of consultation, the 'Healing' program is being run simultaneously.

Busan Bank Customer Complaints Status

(Unit: case)

- Financial Supervisory Service Complaint
- Self-processing Complaint

2014



2015



2016



Kyongnam Bank Customer Complaints Status

(Unit: case)

- Financial Supervisory Service Complaint
- Self-processing Complaint

2014



2015



2016



Implementation of CS Culture Participation Campaign amongst Headquarters Staff

By promoting good manners and politeness on-the-job and office etiquette, CS is implementing a continuous campaign to raise awareness that it applies to branch staff as well as other staff. Using fun and sympathetic examples, training in on-the-job manners and office etiquette has been conducted, using the bank characters for educational animations while regularly broadcasting them in office and TVs in elevators. This campaign enabled voluntary participation and change among staff members. The CS culture is being established to maintain and manage the service mindset of personnel who are circulated to the headquarters and sales offices during their headquarters positions.

「YES! BNK, YES! CS」, Production of a Slogan that Reflects the CS Beliefs of Kyongnam Bank

Through the votes of the CS manager (CS Angel) at each branch, the slogan that best reflects the core CS beliefs of Kyongnam Bank has been selected. The slogan is designed to spread three meanings in groupware documentation and CS education to make sure that every employee is aware of the service direction that Kyongnam Bank aims to follow and to create a culture of customer satisfaction.

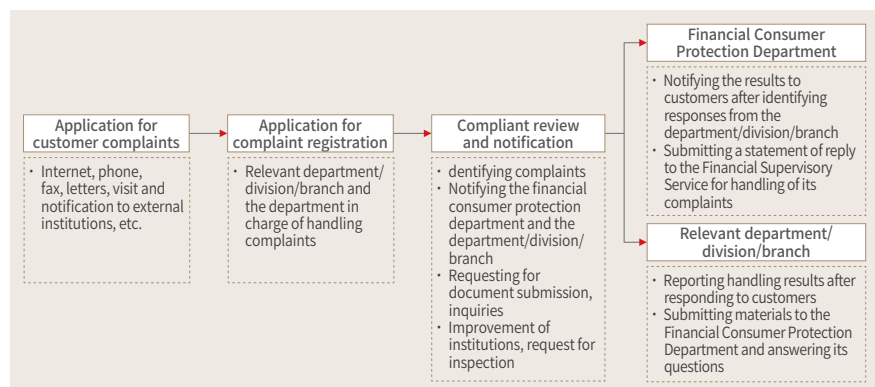


Acquisition of Standard System for Customer Complaint Response

Busan Bank and Kyongnam Bank operate a financial customer protection system to guard financial customer rights and improve work efficiency. By establishing a standard system for processing customer complaints according to financial customer standards, all staff members are able to respond appropriately to complaints, while work processes are being carried out competently.

Customer Complaint Management Procedures

Busan Bank and Kyongnam Bank have each appointed one person to take charge of financial consumer protection above the level of supervisor by department and by point of discharge to take responsibility for early response to and prevention of customer complaints. Customer suggestions and complaints are reflected in the improvement of the system within the bank. Some of the contents are being used to improve products and services through an internal reviewing process. Customer complaints received through the Customer Center and various other easily accessible channels are handed over to the relevant departments, and the civil affairs department returns the response to the customers.



Strengthen Customer Satisfaction Competence

Strategic Directions

In order to establish a CS-oriented corporate culture that promotes customer value, Kyongnam Bank operates the CS video distribution and CS leader system, and strives to enhance CS competence through CS-customized training, CS-dedicated coaching system, and social gatherings. Simultaneously, BNK Financial Group conducts CS training every morning at each branch office and strengthens the determination to ensure customer satisfaction through awards for CS exclusive branches.

Key Activities

♥ CS TALK Delivered by CS Angel ♥



Hello^^!
I am Kim Sarang from the Daeyo-dong Branch. Why don't we recommend the Fall Baseball Time Deposits after expressing our interest at the opening of professional baseball season?
Have a cheerful day^^!

BNK Hi-Way, Sharing the Corporate Culture

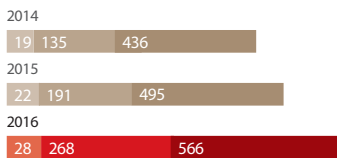
BNK Hi-Way is a video produced to spread the CS culture of BNK Financial Group. With this initiative, BNK Financial Group aims to create a CS-oriented corporate culture that welcomes customers with a lively attitude and creates a unified imagine for all affiliates' staff, thereby realizing the 'Kindest Bank'. Not only do all staff members foster and share a common sense of CS by watching videos every day, but they also contribute to the spread of CS culture by participating in UCC contests promoted by the group.

Operating CS Leader (CS Angel) Program

BNK Financial Group selects CS leaders from among staff with excellent customer service competencies by holding office contests. Through the daily CS Talk held every morning, the CS leader shares issues and information about customer satisfaction, such as customer interest expressions, CS tips, and major issues, and collects internal issues to contribute to the establishment of an excellent customer satisfaction culture. For BNK Financial Group, CS Angels at all branch offices conduct training once a week using the educational materials provided by the CS department.

CS Certification Rating System Status

● CS Master ● CS Ace ● CS Teller



CS Certification Rating System

To enhance customer satisfaction and corporate competitiveness, BNK Financial Group operates a qualification rating system based on a practical on-site CS evaluation. It grants CS Master, CS Ace, and CS Teller qualifications to staffs whose CS mileage score is over 30 according to the internal certification operating standards.

CS Certification Rank	Acquisition Conditions (CS Mileage)	Required Standards	
		Customer-friendly Kind Staff Selection	Education Mileage
CS Master	Over 100 Points	8 times and more	Over 10 Points
CS Ace	Over 50 Points	6 times and more	Over 5 Points
CS Teller	Over 30 Points	4 times and more	Over 3 Points

CS Training Program



Training Programs for Employees

- CS Program for New Employees
- CS Refresh
- CS Basic Program
- CS Advanced Program
- CS Remind
- CS Basic Program



On-Site Program in Operating Office

- Level-up CS
- CS Clinic
- CS & Sales Theme Program



Program by Position

- Training Program for CS Manager
- CS Training Program for Bancassurance Employees
- Group Program for Peak Timers
- On-site CS Coaching for Security Guards

Conducting the CS-exclusive Coaching Program

Target	240 employees
Result	Increase of Kind Employee Selection (458 times YoY)

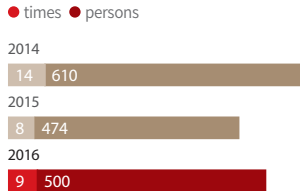
Awarded Amount

(Unit: KRW)

Classification	Amount of Award
Monthly	100,000
Quarterly	1 st - 200,000, 2 nd - 100,000
Annually	1 st - 300,000, 2 nd - 200,000

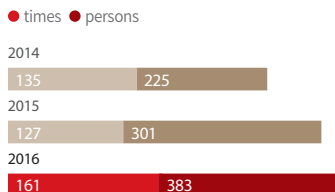
Busan Bank Headquarters Staff Telephone Consultation Training

(Unit: times, persons)



Busan Bank Private Policemen Training

(Unit: times, persons)



Conducting the CS-exclusive Coaching Program

As the competition within the financial industry is becoming increasingly intense due to the emergence of Internet banking specialists, BNK Financial Group is carrying out a CS-dedicated coaching system to strengthen the service competencies of individual staff. This system is designed for staff members who are subordinate to level 5 or who desire subordinate CS-friendly staff or CS professionals, and is expected to equalize the CS of all personnel through service incentives by making phone calls, visiting for coaching once a week, setting CS goals for each individuals, and feedback.

CS-Exclusive Branch Office Award

Busan Bank runs a system of rewards for CS-exclusive branches to motivate them to develop their customer service. Examples of the available rewards include the surprise delivery of pizzas at 5:00pm on the first business day of each month to the CS Certification Office with the top CS rating, and the regular granting of monthly, quarterly, and yearly awards. Kyongnam Bank selects staff members who make a significant contribution to customer satisfaction through their excellent CS activities and provides special signposts on a quarterly, semi-annual and annual basis. The CS nameplate not only improves the self-esteem of the staff concerned, but also serves as publicity for customers who visit the counter.

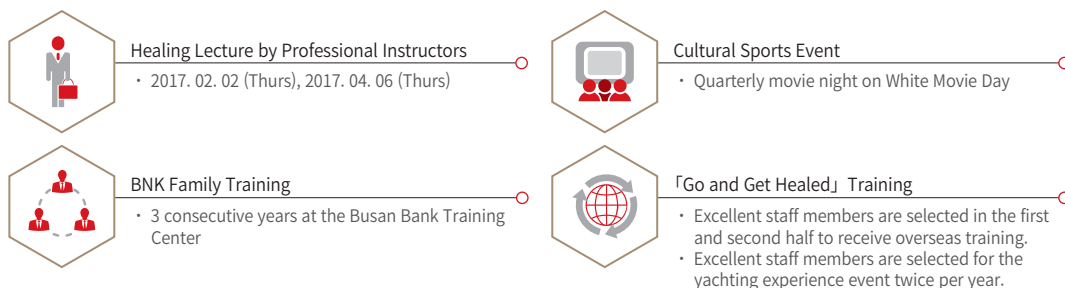
Morning Gymnastics with a Fitness Instructor

At Kyongnam Bank, branch and sales staff can practice morning gymnastics with trained professional fitness instructors directly at departments. In order to provide a friendly and lively service, the morning gymnastics education training, conducted with customer liaison/gesture training of CS instructors, has been able to advance the basics of customer service and form a lively atmosphere before start of the day. Through morning gymnastics education, improve staffs' health, improve customer satisfaction, and realize creating a lively way of living.

Private Policeman Meetings of CCO and CS Instructors

Kyongnam Bank is performing meetings in which the CCO (Chief Consumer Officer) and CS instructors visit regionally to consult with the private policemen who meet customers. The CS team instructors' personalized response to situations CS training was conducted as well as communication time with CCO to listen to the difficulties of private policemen, make improvements to their work environment, and explore various ways to raise their morale in order to satisfy both internal and external customers.

Emotional Labor Healing Program : The "Happy Together" healing Program was held to create a harmonious and happy workplace for staff



Preventing Financial Accidents and Protecting Information

Strategic Directions

A systematic security system has been built to protect financial consumer information from various financial accidents and minimize the damages, and is being systematically managed in accordance with ISO27001, the international standard for information security. It has also acquired the ISMS (Information Security Management System) certification. Training on financial information protection for staff and customers has also been provided, and a systematic security system designed to strengthen the efforts to prevent financial information leakage and electronic financial accidents has been put in place as well.

Key Activities

Kyongnam Bank Acquiring the ISMS Certification for the First Time as a Regional Bank



Operation of Internet Banking Service (Website, Mobile)
Apr. 10, 2017 ~ Apr. 9, 2020

Kyongnam Bank acquired the ISMS, a certification on the information protection management system for the first time as a regional bank. Accordingly, its steady efforts for information protection have been recognized, including revising security-related work processes and risk management activities per IT system.

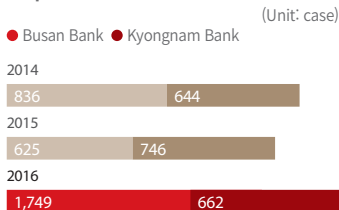
Strengthening Financial Fraud Prevention System

Busan Bank introduced the Financial Consumer Protection System in 2015 in order to protect financial consumer rights, enhance customer value, and establish a standardized business system. Since January 2016, Busan Bank has provided 'Financial Consumer Protection Visitation Training'. Furthermore, in order to monitor fraud transactions through Internet banking and smart banking, telebanking, and automation banking, etc., the bank has built and implemented the Fraud Detection System (FDS), which is designed to prevent damage by electric financial fraud such as voice phishing, pharming, and 'smsing' through the real-time detection of suspicious transactions by customers shown to have an unusual transaction pattern by big data analysis. Through this system, more than 195 suspicious transactions were detected and fraudulent transactions amounting to 2,897,704,000 were prevented in 2016.

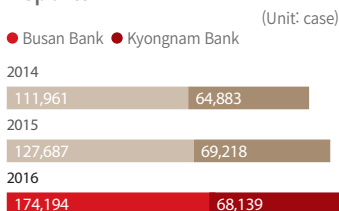
Operating the Information Protection Management System and Acquiring the Certification

BNK Financial Group continuously manages and operates the Information Security Management System (ISMS) in accordance with ISO270001, the international standard for information security. According to the Electronic Financial Supervisory Regulation, BNK analyzes the weaknesses of the electronic financial infrastructure, strengthens the inspection of ISMS based on a revision of the related regulations, and establishes an implementation plan based on the result of the vulnerability check. As well as being the first local bank to obtain the ISMS certification in 2016, Kyongnam Bank obtained the ISMS certification for the new Internet banking system (Future Channel) in April 2017.

No. of Suspicious Transaction Reports



No. of Large Cash Transaction Reports



Preventing Financial Accidents and Training on Information Protection

Busan Bank and Kyongnam Bank have designated the monthly 'Cyber Security Diagnosis Day' to prepare for and prevent leakages of personal information and electronic financial accidents, conduct security checks on business PCs, and eliminate vulnerabilities. In order to prevent information leakages, strict and thorough security policies are implemented with document security, external storage media control, illegal software blocking, PC vaccine operation, output control, approval procedure when sending external emails, login policies, network history storage, and periodic security patches etc. To respond to personal information leakages and recognize the roles and responsibilities of the related departments, BNK has developed personal information leakage cases and conducted on-the-ground training on the reporting procedures based on internal and external procedures.

In addition, BNK has established a training program to protect staff members' IT and personal (credit) information protection in order to comply with the Electronic Financial Supervisory Regulations and the Credit Information Protection Act, and to enhance staff awareness of information security and emergency response competencies. In 2016, 2,800 employees completed the information security training, which consisted of 3 hours for executives, 6 hours for regular staff, 9 hours for IT staff, and 12 hours for security staff. The training curriculum focuses on the value of information security, self-level diagnosis, compliance to prevent leakages of internal information, information security knowledge by position, the importance of personal (credit) information, matters to be attended to, and the terms of obedience for each step of the process.

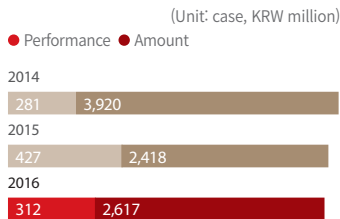
Strengthening Incomplete Sales Prevention Activities

BNK conducts self-regulated mystery shopping in order to observe the full sales procedure of financial investment products, inspect the sales process, and strengthen the responsibility of full sales for financial consumer protection. A professional monitoring agent who pretends to be a customer of a financial product evaluates whether the product sales process complies fully with the full explanation of the product. Based on the results of these assessments, BNK identifies and improves any imperfections and contributes to the prevention of incomplete sales.

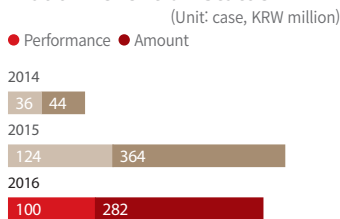
Expansion of Encryption of Customer Information to Enhance Personal Information Security

Busan Bank has established a computerized system that encrypts the customers' address, telephone number, image, voice file, and other items of their personal information in order to enhance privacy protection and further improve the stability of financial transactions. In January 2016, BNK applied encryption technology in accordance with the government's comprehensive measures to prevent the recurrence of personal information leakages in the financial sector. The encryption of unstructured data such as the customer's full name, resident registration number, and recent address and phone number has also been implemented. As a result, Busan Bank has been able to prevent the abuse of customer information and illegal leakages of the entire range of customer information. Kyongnam Bank operates the same system and will do its very best to protect customers' assets by strengthening its information security systems and security policy together with Busan Bank.

Busan Bank Fraud Prevention Status



Kyongnam Bank of Telephone Fraud Prevention Status



Strengthening Prevention Monitoring of Telephone Finance Fraud

In order to prevent telephone finance fraud, BNK has established the Telecommunication Fraud Monitoring System and operates a Fraud Prevention Monitoring Team to analyze various patterns of phone fraud and actively prevent financial fraud damages through immediate monitoring. Recently, a case arose in which a fraudster impersonated a member of the prosecution office in an attempt to extort KRW 51 million in cash from customers in their 30s who visited the branch office. This fraud was prevented through the monitoring system and resulted in the arrest of four people in cooperation with the local police on the spot. To prevent cash value types of fraud, BNK distributes a checklist to dealers to prevent telephone financial fraud. In the case of suspicious transactions, BNK has paid out KRW 2.6 billion over the past year and KRW 700 million by March of this year in its efforts to prevent customer damages.

Representative Information Protection Business in 2016

<p>On-site Inspection of Personal (Credit) Information Consignment Businesses</p> <p>To prevent leakages of customer information and enhance information security, BNK conducted one annual written inspection and one on-the-spot inspection to check on the management status of 16 consignment businesses (13 in Busan and 3 in Seoul). A total of 3 per group (2 from the information security department and 1 from the department in charge) were dispatched to inspect the 29 criteria of the bank trust co-consignor inspection checklist.</p>	<p>Propulsion of Secondary Customer Information Encryption</p> <p>Following the encryption of the resident registration number, all unauthorized customer information (such as scanned images and phone, customer consultation voice recordings, etc.) has been encrypted with BNK's own technology. BNK plans to further strengthen customer information security by complying with the relevant laws, improving customer confidence, and creating synergies with technology sharing among group affiliates.</p>	<p>Construction of Consistent Monitoring System for Personal Information</p> <p>NK has established an internal control system to prevent leakages and abuses of personal information, and is checking the appropriateness of its staff members' handling of personal information in real time. In order to monitor the illegal use of personal information at all times, BNK integrates data and logs related to the use of personal information within the bank. By releasing the Monthly Information Security Prevention Activities Report on a monthly basis, the relevant departments and representatives are provided with the information required for effective decision making.</p>
<p>Construction of Outsourced Staff Management System</p> <p>In order to systematically control outsourced staff management, BNK is monitoring the network outsourcing staff's network access control and mobile control from beginning to end of contract, the real-time status of outsourcing staff by department and task, and the operating outsourcer control procedures management by departments. In 2016, 359 outsourced staff members in 52 projects were managed.</p>	<p>Construction of Internet Web Service Privacy Detection System</p> <p>In order to secure the privacy of the Internet web service server, BNK built a personal information detection system to conduct systematic search and management of personal information, and conducted a survey. BNK checks the status of personal information from time to time, and notifies the person in charge of protecting personal information and deleting or encrypting the associated files.</p>	

Crises & Opportunities



Crises

One-time, one-sided social contribution activities can have a negative impact in the long term, whereas sustainable development can be achieved when a company grows alongside the community through authentic sharing and service.

In recent years, the depletion of fossil fuels and the destruction of the ecosystem due to climate change have started having a direct effect on our lives. As such, it is time for corporations to make tackling this era of crisis the most important of its management priorities, and to work together for the sustainability of the corporation and for the clear and transparent life of manhood.

Opportunities

Based on the local community, BNK Financial Group can build strong ties with customers and communities grounded in the needs of the local community, and realize the value of mutual growth whereby companies and society can grow together through various social contribution activities. The financial industry is making concerted efforts to respond to climate change and invest in derivative financial products related to greenhouse gas emission regulation, launching new products and creating results for environment-related new businesses.

Future Plans and Goals



BNK Financial Group has set its social contribution goal as ‘Establishing Areas of Social Contribution Activities Exclusive to BNK Financial Group’ and is actively promoting win-win management for this purpose. In the mid to long term, BNK will secure its status as a leading social contribution corporation in the Busan, Ulsan and Kyongnam regions, and plans to refine its profile as a global top-tier corporation through globalization and broadening its brand of social contribution. In the meantime, BNK Financial Group has established eco-friendly management strategies to realize the value of win-win through eco-friendly management and is pursuing its management activities accordingly. Based on the established system and vision, we plan to build an inventory to monitor and manage the resources, energy use, waste, and greenhouse gas emissions of the entire group in the future, and manage the use and emissions of environmental resources more systematically.

KPIs (short-term and long-term strategies)

Strategic Social Contribution Activities	Secure a Unique Position as a Leading Social Contribution Corporation in the Busan, Ulsan and Kyongnam Areas <ul style="list-style-type: none"> • Formation of partnerships with local businesses and creation of shared values that link them with local public agencies and distributors 	Brand and Broaden Social Contribution Activities <ul style="list-style-type: none"> • Establishment of an independent social contribution brand through continuous promotion of core business by division 	Globalize the Social Contribution Brand <ul style="list-style-type: none"> • Global social contribution activities
Greenhouse Gas Reduction and Energy Saving	Establish Group Eco-friendly Management Strategy <ul style="list-style-type: none"> • Eco-friendly management vision, goal, key Strategic Directions and detailed strategic task selection • Preparations for response to greenhouse gas and energy target management system designation 	Reduce Greenhouse Gas Emissions <ul style="list-style-type: none"> • Establishment of the performance management system based on greenhouse gas emissions management and reduction targets Expand Energy Saving Targets <ul style="list-style-type: none"> • Expansion of energy saving targets • Upgrading and updating of operating system goals 	



Aspect 03

Win-Win Strategy Management

Significance of Win-Win Strategy Management



In recent years, win-win strategy management has evolved into a form that meets two major economic values, namely the economic value of the enterprise and the social value of the community, through various activities that take advantage of the characteristics of the business rather than just drawing on one-sided support. Domestic and overseas advanced companies are striving to reflect these social values among corporate management and put them into practice, and are actively responding to global environmental issues such as the depletion of fossil fuels and climate change. In particular, financial corporations that are closely related to our society and exert a powerful influence will continue to pay attention to such social problems and actively promote activities aimed at solving them.

Response Strategy of BNK Financial Group



BNK Financial Group is a community-based financial group that helps to resolve economic and social imbalances in the community by opening up paths to mutual growth. To this end, BNK is promoting education scholarship, love sharing, culture, arts and physical education, regional and global social contribution activities, and is striving to become a financial group that coexists with the local community. In addition, BNK Financial Group is strengthening its internal environmental management system to fulfill its corporate environmental responsibilities and actively participate in resolving environmental issues in a timely fashion. BNK fully recognizes the importance of responding to climate change and establishing concrete action plans to respond to government policies, while pursuing long-term eco-friendly management through eco-friendly management strategies and systems.

Major Achievements



Grand Prize of
the Fifth Education
Donation of Korea



Launch of
BNK Global
Volunteers



Amount of GHG
emissions Reduced by 694
tco_{2e} compared
to 2015

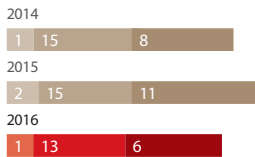
Promoting Strategic Social Contributions

Strategic Directions

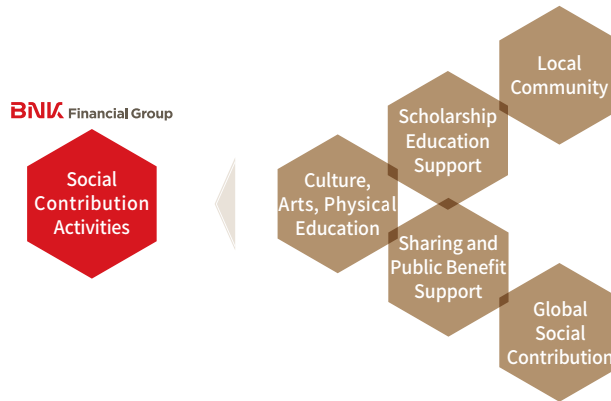
No. of Staff Dedicated to Social Contribution

(Unit: persons)

- BNK Financial Holdings
- Busan Bank
- Kyongnam Bank

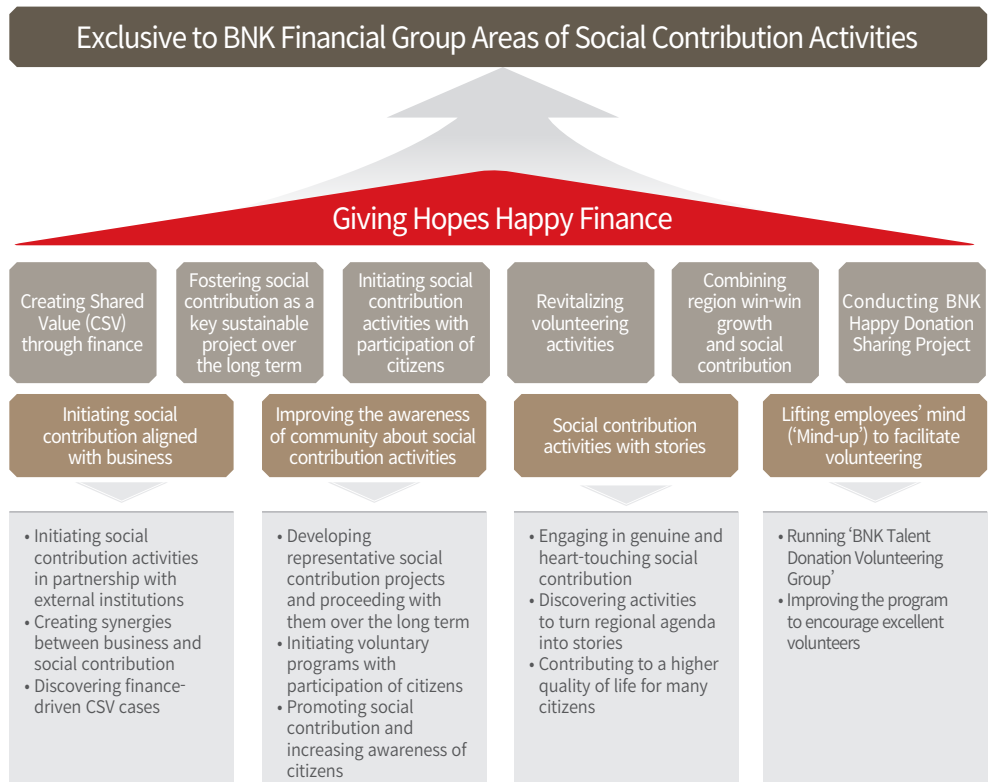


BNK Financial Group practices a sharing relationship with the local community through its social contribution activities as a key management activity for realizing sustainable management of the corporation. Under the slogan “Happy Finance Giving Hope, we are practicing sharing with the local community through five social contribution activities: culture, arts and physical education; scholarship education support; sharing and public benefit support; local community; and global social contribution. In the future, BNK Financial Group will promote systematic social contribution activities that take full advantage of the characteristics and resources of the financial sector, thereby enhancing corporate values and creating a happy community.



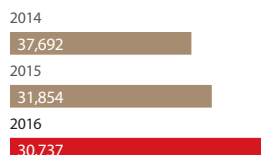
Strategy for Promoting Social Contribution

- Goals for Social Contribution
- Slogan for Social Contribution
- Tasks for Social Contribution
- Action Plans for Social Contribution



No. of Social Contribution Volunteers

(Unit: persons)



Promoting Sharing-type Social Contribution Activities

Busan Bank and Kyongnam Bank are promoting mutually beneficial social contribution activities along with the local community. We are working to expand community-based social contribution activities by developing businesses that are optimized for creating synergies with local governments, citizen groups, and corporations, and striving to convince participating social contribution projects to include citizens as the participants. In addition, we are supporting cooperation projects with social enterprises so that target corporations can secure self-sufficiency.

Launch of the BNK Global Volunteering Group

BNK Financial Group operates the BNK Hope Dream Volunteering Group, which is composed of about 8,000 employees, making it the largest volunteering group in the region, the Talent-Sharing Volunteering Group, which is composed of staff members who contribute by sharing their talents, and the Emergency Disaster Relief Volunteering Group. Furthermore, we launched the BNK Global Volunteering Group in order to positively implement the group slogan "Happy Finance that Gives Hope!" in overseas regions where branches and offices of each affiliate have been established. A volunteer group composed of thirty executives and personnel of BNK Finance are engaged in overseas medical service activities in cooperation with local universities and medical institutions, and overseas volunteer activities such as digging wells, building schools, and providing free meals, which will be further expanded through the staff's talent-sharing activities (repairing computers and electric devices).

Busan Bank Awarded the 'Education Donation Prize'

In 2016 Busan Bank was awarded the Education Donation Prize at the awards ceremony of the Fifth Education Donation Prize of Korea - the only time that the prize has been awarded to a bank and the second time after 2013. Busan Bank's representative educational donation projects include 'Building BNK Happy Learning Rooms', the BNK Happy Healing School, in which volunteers produce and perform an educational musical, and the BNK Happy Music Camp, in which a free camping lesson was given by the best professionals from Korea and overseas. In September 2016, we installed the Bank Experience Booth and held the 2016 Education Donation & Afterschool Expo of Korea at BEXCO in Haeundae, Busan.

Amount Invested for Social Contribution

(Unit: KRW 100 million)

Type	2014	2015	2016
BNK Financial Group	0.1	0.2	0.0
BNK Busan Bank	372	292	276
BNK Kyongnam Bank	134	164	148
BNK Securities	0.21	0.2	0.2
BNK Capital	0.4	0.4	0.3
BNK Savings Bank	2.3	0.1	0.1
BNK Asset Management	0.0	0.0	0.0
BNK Credit Information	0.1	0.1	0.1
BNK System	0.12	0.1	0.1
Total	509	457	425

Education and Scholarships

Strategic Directions

Children and youth are the future of our society. BNK Financial Group runs diverse education and scholarship programs including school development funds, scholarship support, and educational facilities support to help nurture the dreams of students - who are the future of our society - to grow brighter and to grow into socially talented individuals. To brighten the future of our society with the smiles of our children, we support children and youth within our communities and foster their dreams for the future beyond environmental constraints through our education and scholarship programs.

Key Activities



Award Ceremony of the Happiness Scholarship



Agreement Ceremony of the BNK Happy Healing School



Award Ceremony of the 27th Essay Contest for Women and the Drawing Performance Contest for Children



Ceremony for Agreement on Cooperation in Financial Education



Musical on Safety Experiences, "Help Me, Mr. Safety"

BNK Happiness Scholarship Support

Since 2007, we have received recommendations from educational institutes of around 400 to 500 elementary, middle, high school and university students who have difficulties in performing academically due to financial difficulties every year, and offered them regular scholarships at the end of August each year. We provide scholarships to universities and high schools located in the Busan, Ulsan, and Gyeongnam regions to promote the discovery and development of local talents, and strive to enhance their academic talent by providing them with stable long-term support. Furthermore, we are continuing with our scholarship programs including the BNK Happy Hope Talent Development program and the Academic Support for Youths Living in Social Welfare Facilities program.



BNK Happy Healing School

Youth issues and other educational issues through musical performances in order to form a channel of communication and to overcome difficulties through mutual dialogue and discussion in the communicative space of the school, and to suggest directions for their dreams and future. We are providing opportunities to cultivate healthy emotions.



Women's Book Fair and Children's Nature Drawing Competition

We organized the Essay Contest for Women and the Drawing Performance Contest for Children to provide them with opportunities for creative art experience every year in Changwon, Jinju, Gimhae, and Ulsan. The contests are representative regional culture events with the participation of 80,000 residents in Gyeongnam and Ulsan, serving as gateways for regional potential artists and grounds for cultural and educational enrichment.



Providing On-site/In-house Financial Education

BNK Financial Group's Happy Financial and Economic Class provides students with a sound economic mindset and brings bright hope for the future to all local residents including kindergarten to college students, social rookies, and financially vulnerable members of society, through various methods such as education through house visits, financial history and model branch invitation education, and the economic finance camp.



Children's Safety Experience "Help Me, Mr. Safety" Performance

This is the nation's very first educational musical program for elementary schools with the theme of safety education and the prevention of children's safety accidents. Along with its educational effect, we are also raising awareness of the need for and interest in safety education, including such dangers as fire and earthquake, by increasing the demand for outdoor performances through the establishment of a complete safety education program over the years.

Culture, Arts, and Physical Education

Strategic Directions

Key Activities

BNK Financial Group is strengthening its support for cultural and artistic activities so that everyone in the community can enjoy high-quality cultural arts activities and experience creative delight. It provides opportunities for various high-quality arts experiences, free visits to famous performances, and support for free entrance or visits to art galleries, thereby expanding the region's culture and arts infrastructure and contributing to enhancing cultural competitiveness and dissolution of culturally marginalized areas.



Cooperation agreement ceremony for cultural performance support of BNK's Happy SSAMZI Gonggam Concert



Customer Invitation Movie Event



BNK Financial Group Professional Golf Club



Kyongnam Bank's 2016 Dullegil (Trail) Walkathon in Changwon

BNK Happy Music Camp

Since 2013, BNK has organized the annual BNK Happy Music Camp, a 5-night six-day program in which thirty famous Korean and foreign professors give intensive lessons and orchestral classes to 100 high school and university students from a low-income background who are majoring in instrumental music, with the aim of motivating talented musicians and developing local culture and arts. On the last day of the camp, we invite Busan residents to a free concert at Busan's famous theater as part of a cultural project designed to expand the students' musical skills by giving orchestral performances. All the necessary costs of the program are covered by Busan Bank.



BNK SSAMZIE Economic Concert

We run a special learning program that makes it easier and more fun to learn classical music and receive financial economic education through musical commentaries and plays. We mainly visit hospitals and other places where it is difficult to stage cultural activities and stage performances, to promote the emotional stability of residents and contribute to the encouragement of local cultures and arts.



Free Cultural Performance for Local Residents

We annually support regional opera performances to promote regional culture and arts, as well as world famous opera concerts and free concerts by famous singers, so as to provide local residents with invaluable cultural experiences.



BNK Professional Golf Club

We have established the first community-based professional golf club for the purpose of fostering talented golf players from the region and continue to conduct vigorous activities. Unlike other golf clubs, it is composed of new star players who are not famous but are likely to grow in the future, thereby providing a foundation for them to realize their dreams.



Dullegil Walkathon of Kyongnam Bank in 2016

In order to revitalize the local economy, the Dullegil Walkathon held in Gyeongnam (Changwon, Ulsan, Jinju) region is leading the promotion of local residents' health every year. This local event allows participants to enjoy the beauty of nature with their loved ones by walking along the region's nature trails.

Love and Sharing

Strategic Directions

The local community is also the foundation of, and a source of nutrients for, the growth and development of local financial groups. As a local corporation rooted in the local community, BNK Financial Group will continue to be a partner for the local community by carrying out continuous social contribution activities aimed at community development.

Key Activities

BNK Electric Blanket and Summer Blanket Support Project

BNK Financial Group is sharing warmth with others by sharing with local neighbors. Like the saying ‘Sharing joy doubles it, sharing sadness halves it’, we share sorrow and joy within the region. We offer love in the sincere belief that this is what a troubled neighborhood within the community needs according to the season. In particular, during the winter season, local residents are exposed to the danger of using outdated electric blankets. In order to solve this problem, providing electric blankets in winter and summer blankets during the summer has become the leading support project of Busan Bank, which strives to put sharing into practice on a daily basis.



Kyongnam Bank Happy Summer Support Project



Donation Delivery Ceremony of the Gonggam Donation Fund



BNK Health Donation Staircase



BNK Financial Group Hope Sharing Foundation, New Year's Traditional Open Markets Giftcard Support



Gonggam (Empathy or Like) Donation Fund

The Gonggam Donation Fund is a donation culture expansion program whereby donations are supported according to the amount of encouragement given by ordinary citizens upon hearing stories about vulnerable people. We contribute to expanding the culture of donation through storytelling and impressive stories with local leading daily newspapers (Busan Ilbo and International Newspaper), and fulfil our social responsibility for community development by making periodic donations for the vulnerable class.



Citizen Happiness Health Contribution Stairs Creation Project

This type of contribution activity with citizen participation aims to encourage citizens who use the subway to use stairs to collect donations instead of escalators. Everyone can easily participate in this public health project, which also gives out the message that “donation is not difficult” and creates citizen donation participation and health promotion effects.



Sharing Samgyetang out of love

During the hot summer season, we provide the Korean dish called samgyetang as a seasonal health food service to the elderly. Launched in 2008, this annual event was born out of the desire for elderly people to be able to spend the Sambok season healthily, and has served an invigorating dish of samgyetang to more than 45,000 local residents to date.



Holiday Season Love Sharing Project

To allow the more vulnerable citizens of the region to spend their holidays and the end of the year warmly, and to activate local traditional open markets, we hold the Regional Traditional Open Market Giftcard sharing project on an annual basis. BNK Financial Group believes that this scheme will help revitalize the local economy through the donation of giftcards to the vulnerable class and become a ‘circulation structure’ that returns economic benefits to the vulnerable classes of society.

Communities

Strategic Directions

Key Activities

BNK Financial Group understands the community the direction to be taken in order to develop it together better than any other bank. We actively conduct activities aimed at spreading the meaning of love and sharing, and are developing them together by visiting our local communities. We are now extending the base of our social contribution to the wider world and for the future.

Global Social Contribution Activities in Southeast Asia

BNK Financial Group has provided various forms of emergency aid and relief including 10,000 items of clothing and 5,000 sets of school supplies to countries affected by the typhoon in Southeast Asia. After signing the 'Agreement with Ho Chi Minh City to Support the Construction of Schools' with Ho Chi Minh City, Vietnam, we provided financial support including the project costs. In addition, we donated money for patients suffering from the effects of defoliants used in the Vietnam War. Furthermore, we participated in a variety of events in Southeast Asia aimed at promoting Busan and acted as civil ambassadors to Korea, thus contributing to the forging of friendly relations with Southeast Asian countries.



Inaugural Ceremony of Volunteer Group



Ceremony of Happy Community Building Activity



Volunteer of BNK Financial Group Removing Weeds in the Park



Granting of Scholarship to Vietnamese Students



Making Happy Villages

In order to revitalize communities afflicted by poor residential environments, we established the Village Superintendent's Office, Masil, together with 'Urimaul', a welfare organization. We plan to create alternative practices for urban regeneration by communicating with residents, instead of acting through the municipal government.



BNK Happy Alley Gardening Project

As part of our citizen participation-based social contribution activities, we have created small-scale flower gardens to improve the aesthetics of neglected areas of the region. Alley gardens are leading to citizen participation-based social contribution activities which include environmental cleanups in areas contaminated by various types of garbage and dirt speculation, as well as the prevention of secondary speculation along with post-cleanup management.



BNK Financial Group Volunteering Group

There are many people in various parts of the region who live in difficult conditions due to economic and psychological hardships. BNK Financial Group's volunteer group consists of 39 regional volunteer groups (staff) and 16 family volunteer groups, all of whom are dedicated to providing love and service to help make their lives pleasanter and healthier.



Support for Vietnamese high school graduates to study at private universities in the Busan area

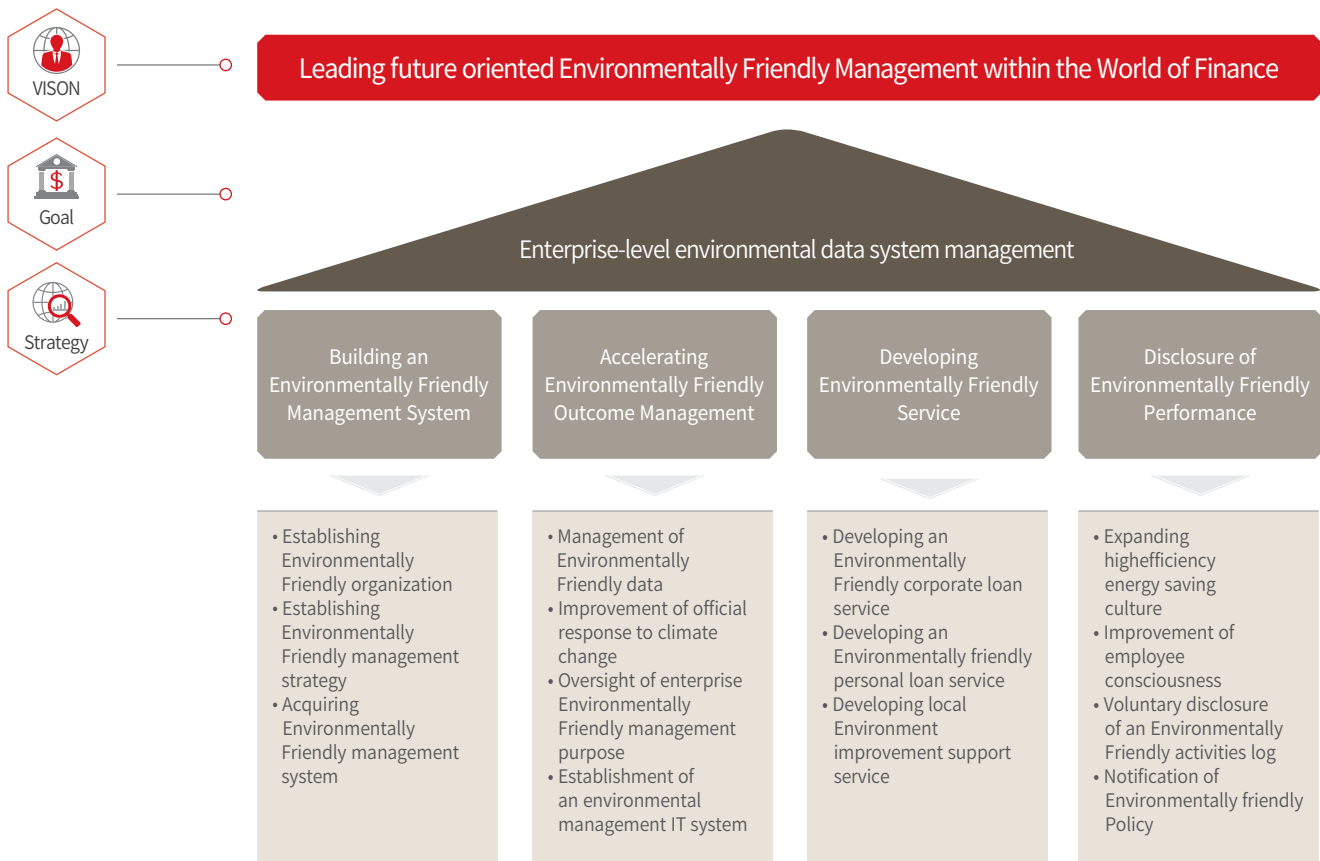
We support Vietnamese high school graduates from low-income backgrounds with proven Korean language ability to attend five private universities (Kyungsoo University, Donga University, Dong Eui University, Busan University of Foreign Studies, and Silla University) in the Busan area, including scholarships, support for living expenses, and internships during breaks.

Leading Eco-friendly Business

Strategic Directions

As interest in global climate change issues and awareness of the importance of environmental protection increases, eco-friendly business is being directly linked to the corporation's business performance. BNK Financial Group is promoting environmental business policies that include "environmental policies" focused on the "risk management" of environmental issues, such as countermeasures to climate change, and "green policies" that recognize these risks as growth opportunities. Through these eco-friendly business strategies, BNK Financial Group seeks to minimize environmental risks and to utilize them as business opportunities.

Environmentally Friendly Policy Vision and Purpose



Key Activities

Energy Intensity of the BNK Financial Group

(Unit: TJ, KRW billion)

2014

0.03

2015

0.12

2016

0.14

* The energy intensity of 2015 differs from the previous year's figures due to fluctuations in energy use estimates

GHG Intensity of the BNK Group

(Unit: tCO₂e, KRW billion)

- Total Direct Emissions (Scope1)
- Total Indirect Emissions (Scope2)
- Total Other Indirect Emissions (Scope3)

2014

0.31 1.25 0.02

2015

1.03 5.22 0.07

2016

1.14 5.76 0.08

* The Group's greenhouse gas intensities for 2014 and 2015 are different from the previous year's figures due to changes in greenhouse gas emissions estimates

Climate Change Response Strategy

Busan Bank responds to climate change issues through the Saving Energy and Goods campaign under the slogan "YES! 2016 Saving Energy and Goods Campaign!". Having compliance of adequate indoor temperature for a department/division/branch, energy half-time has been performed at the power peak time, 'Me First' practice has been set as the energy saving practice guideline, and CLEAR-DAY for use of item has been initiated, practice of using various items for over 2 years have been established as guidelines for conserving resources. Additionally, in the second half of 2016, energy conservation participation awareness was promoted by reducing the use of electric lamps and implementing the Headquarters' department car pool system in order to achieve energy saving through the establishment of an eco-friendly management system. Also, we encourage the use of electric cars for business purposes and contribute to promoting the use of eco-friendly transportation to reduce vehicle gas emissions. In 2016, Kyongnam Bank adopted Yes! One! Two! Three! (One: Starting with me; Two: Changing my ideas and habits; Three: Saving on daily-usage fees such as electricity, maintenance and resource fees) as the slogan for its Saving Energy and Goods campaign. We have promoted the adoption of pop-ups within the banking system, conducted self-inspections, organized usable items and promoted work-outs, resulting in a saving of KRW 382 million (8.1%) against the 2016 budget plan.

Energy Saving Visiting Consultation

Busan Bank carried out comprehensive consulting on energy conservation for its branch offices in the first half of the year. We visited forty-nine branch offices to analyze the causes of increases in electricity consumption and to provide them with consultation on measures for reducing their energy use. Branch office personnel have now been trained to use the performance checklist and implement energy conservation methods. We will continue to inspect and manage energy saving failure points in order to achieve our energy saving targets through such measures as establishing energy saving plans and restricting the additional allocation of current expenses.

Analysis of Enforcing Expendable Supplies Status

Busan Bank analyzes the increase and decrease status of expendable supplies of fifteen items including electricity, water, vehicle fuel expenses, and stationary consumables. This has enabled us to achieve a saving of about KRW 161 million in vehicle fuel expenses and KRW 244 million in consumable expenses by identifying the causes of each item and establishing a reduction plan.

Establishment of Videoconference System and Base Meeting Room

Due to the distance between Kyongnam Bank and Busan Bank's headquarters, we decided to introduce a videoconference system starting from 2016 in lieu of making frequent business trips for business consultation. The videoconference system was completed in February 2017, thereby reducing the number of business trips. Furthermore, we have set up a joint meeting room at the self-service branch located midway between both banks in order to shorten the distance traveled by staff and to reduce the use of business vehicles for business trips.

Busan Bank Major Saving Energy and Goods Activities

Business Vehicle Car Pool System of Headquarters

The Business Vehicles Car Pool System has been introduced as the headquarters' response to vehicle use acceptance and business trips using business vehicles. Under the scheme it is not necessary to purchase a separate vehicle, thus reducing the budget and greenhouse gas emissions.

'Take Out One lightbulb' Campaign

We are making efforts to prevent unnecessary energy use and reduce power consumption through the 'Take Out One Lightbulb' campaign in non-business spaces such as public spaces (bathrooms, utility rooms, etc.) at the headquarters and the sales office.

Installation of power-off timers in office spaces

We have installed power-off timers in 73 office spaces at the headquarters to turn off unused water purifiers after working hours and thereby prevent unnecessary power consumption, which is expected to result in a cost saving of about KRW 7 million per year.

Crises & Opportunities



Crises

As the financial industry is gradually diversifying with the advent of digital technology, securing talent is set to become a key element in developing competitiveness. Failure to invest in improving employees' competencies on a continuing basis may result in lowering the key growth engines. In the same context, it is important for companies to properly manage and ultimately eradicate the fundamental causes of human rights issues, including abusive language, sexual harassment, and excessive overtime, as part of a wider effort to manage factors that may undermine corporate sustainability.



Opportunities

The ability to recruit financial experts from the global financial market and strengthen professional competencies can directly translate into higher corporate competitiveness. Developing human resources with the focus on enhancing competency in tandem with corporate strategies, adopting a performance-oriented approach, and setting specific goals and targets can all be effective steps in realizing the corporate management philosophy. Employees will become more creative and productive if everyone is given equal opportunities and if a corporate culture of effective communication is in place. To achieve this, fair rewards and effective welfare programs are essential.

Future Plans and Goals



BNK runs a wide range of training programs to help its employees become professional financiers, including competency enhancement training by position, and a mentoring program for new employees. Human rights issues and other complaints are addressed in steps through a grievance settlement process, while our employee welfare system is designed to promote a healthy balance between work and family life, and a family-friendly corporate culture, thereby helping employees to create more value. Going forward, BNK will pay close attention to what its employees have to say, support HR development, and create a corporate culture wherein employees can achieve a healthy balance between work and family life, thus creating a great workplace for all.

KPIs (short-term and long-term strategies)

Building an HR management system	Talent recruitment <ul style="list-style-type: none"> Use different recruiting processes for different jobs Hire more people from among graduates of specialized high schools and increase the number of interns Recruit regional talent through "Track", a customized HR development program run by Gyeongsangnam-do Province 	Establish a fair evaluation system <ul style="list-style-type: none"> Set performance targets by agreement and provide more feedback Reform the wage system into a performance-oriented system 	Provide support for post-retirement life planning <ul style="list-style-type: none"> Highly-skilled employees will transfer their know-how Run a program on ways of using experience in the financial sector
Establish a training system to develop financial experts	Strengthen global competencies <ul style="list-style-type: none"> Develop global competency-enhancement programs to meet the needs of expanding global businesses 	Provide a career development path <ul style="list-style-type: none"> Train specialists by presenting customized career development paths by job category 	Assess the productivity of human capital <ul style="list-style-type: none"> Create a model for evaluating the productivity of human capital against training investments
Create a superior employment environment	Introduce various welfare and communication programs <ul style="list-style-type: none"> Develop diverse events in which the families of employees can participate, and maternity protection programs Expand vertical and horizontal channels of communication 	Raise the level of employees' satisfaction by providing greater support for a balanced work and family life <ul style="list-style-type: none"> Collect complaints and grievances, identify core areas for improvement, and take the appropriate action Organize and provide financial support for trips for the elderly parents of employees 	Promote a great workplace culture <ul style="list-style-type: none"> Reflect the results of the GWP (Great Work Place) survey in measures for improvement Retain the certification as a family-friendly corporation



Aspect 04

Employee Happiness Management

Significance of Employee Happiness Management



Self-realization through the enhancement of one's competencies, a good work-life balance, and a family-friendly corporate culture are the key factors that today's young people consider in the early stage of their career when choosing a company to work for. Against this changing social background, leading corporations are working to create a positive corporate image by actively disclosing their efforts to enhance employee welfare including basic employee welfare programs, family-friendly support programs, company policies designed to ensure a healthy balance between work and family life, and programs that promote employees' mental and physical health. BNK has put in place a series of welfare programs designed to help employees develop their personal value by improving their competencies and wellbeing throughout the entire spectrum of their career from joining the company to retirement. These policies and programs contribute to building a positive corporate culture while allowing the company to attain its goals and its employees to create value, which in turn leads to higher profits and sustainable growth engines.

Response Strategy of BNK Financial Group



BNK Financial Group is trying to nurture its employees into "innovators who are ready to meet challenges" and "professional financiers and creators who grow value," and to create a culture in which employees can concentrate on their tasks at work and fulfill their duties at home as well. BNK runs training programs that are customized to fit the needs of individual employees, and trains employees to develop the ability to work and compete globally in order to raise corporate competitiveness and meet the company's goal of evolving into a global bank. In addition, our efforts to create a great corporate culture include support for employees' leisure activities, health management, and family-friendly programs. Meanwhile, the different corporate cultures of our individual subsidiaries are being integrated to build a unified group culture and to instill a sense of pride in all employees as members of BNK Financial Group. BNK also supports the Universal Declaration of Human Rights and complies with the domestic laws and ILO conventions so as to prevent violations of human rights including labor issues.

Major Achievements



Named one of the
"Top 100 Job Creators"



GWP Survey
(Score: 82 points)



Certification of
Family-friendly
Management
(renewed and retained)

Managing Competency-Oriented Financial Specialists

Strategic Directions

BNK’s ideal employee is ready to face challenges, be innovative in their thinking, and display passion and creativity in every area of activity. Our goal is to create financial experts who utilize their professional knowledge to take on new challenges, create value and innovate themselves through such challenges.



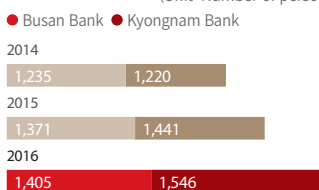
Key Activities

Tour of BNK’s Field Operations

BNK Financial Group and its subsidiaries jointly conducted the “Tour to BNK Field Operations”. The tour was conceived to provide students from local specialized high schools who wish to work in the financial sector with opportunities to visit bank branches, perform certain activities at the branch, and thus gain an understanding of how things work in a bank. In addition to the tour, the participants received education on workplace etiquette and a special lecture on how to get a job in the financial sector, in order to prepare them for the job market.

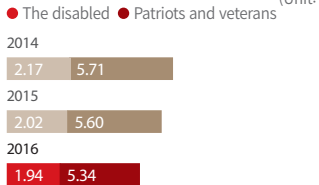
Accumulated Number of Interns

(Unit: Number of persons)



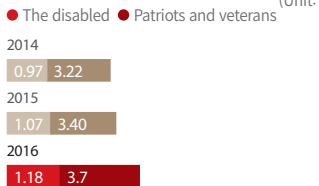
Ratio of the Socially Vulnerable Employed at Busan Bank

(Unit: %)



Ratio of the Socially Vulnerable Employed at Kyongnam Bank

(Unit: %)



Busan Network of Future Financial Leaders (BUFF)

BUFF, jointly operated by Busan Bank and the Korea Asset Management Corporation (KAMCO), is an academia-industry cooperation project designed to share financial and economic knowledge and know-how with local college students aspiring to work in the financial industry and to train local human resources who can meet financial companies’ expectations of their future employees. Busan Bank designated some of its employees to serve as mentors and offered a special lecture on the recruitment process and potential job opportunities. Students with excellent performance were provided with an opportunity to gain field experience at a department that matches their career expectations and major.

Recruitment of Local Talent through Track Agreement

Kyongnam Bank signed the Gyeongnam Enterprise Track Agreement, an initiative jointly undertaken by industry, academia and the local government to create jobs for local college students in Gyeongsangnam-do. Under this agreement, local college graduates who apply for a position at the bank will have an advantage in the review of their application documents to encourage the employment of local talent. Of the new employees recruited by the bank in 2016, 20.7% of them were candidates recommended under the agreement. In addition, the bank joined the job fair hosted by Changwon as part of its ongoing efforts to hire local talent.

Expanded Support for Job Creation for the Disabled

BNK Financial Group recruits people with disabilities every year according to the Act on Employment Promotion and Vocational Rehabilitation for Disabled Persons. BNK is actively involved in creating jobs for the disabled, taking part in the employment sponsorship program for the disabled and the advisory group on employment for the disabled. In addition, BNK signed an agreement on indirect employment with local businesses that are run to promote a spirit of self-reliance among the disabled to ensure that these businesses can continue hiring severely-handicapped people. In 2016, BNK signed the same agreement with a new business that hires ten disabled persons, thereby upholding the value of shared growth through indirect employment.

Status of Re-employment of Retirees at Busan Bank

(Unit: Number of persons)

Type	2014	2015	2016
Internal branch audit	22	29	25
Branch managers	10	10	16
Others	59	71	55
Total	91	110	96

Status of Re-employment of Retirees at Kyongnam Bank

(Unit: Number of persons)

Type	2014	2015	2016
Internal branch audit	18	33	29
Branch managers	3	13	15
Others	-	6	12
Total	21	52	56



Named one of the Top 100 Job Creators in Korea

Busan Bank received a presidential citation for job creation at the Government Awards for Job Creators 2015, was named one of the Top 100 Job Creators in Korea in 2016. Busan Bank plays an active role in creating jobs for youth, and has been making consistent efforts to create new jobs for the socially vulnerable class and retirees. Furthermore, Busan Bank organizes a tour of the bank's field operations for students from local specialized high schools, as well as holding recruiting information sessions for students each year. Busan Bank also holds large-scale job fairs for college students from Busan, Ulsan and Gyeongnam aspiring to work in the financial sector.

Non-discriminatory Composition of Employees

As of March 2017, approximately 51% of all permanent employees are female and all employees are evaluated fairly according to a transparent process. BNK complies with the Labor Standards Act and the Equal Opportunities and Work-Family Balance Assistance Act and ensures that no employee - including men, women, and disabled persons - is discriminated against. In 2016, Busan Bank elected its first female vice president. In addition, the bank increased the female workforce, diversified the jobs assigned to female employees, expanded its training programs for female employees, and put in place a series of welfare programs to support a healthy work-family life balance.

Guaranteeing Favorable Economic Conditions for Retirees

We guarantee favorable post-retirement economic conditions by implementing the re-employment scheme for retirees. We strive to expand job openings by discovering new jobs using the operational know-how of retirees to increase the usefulness of employees. Kyongnam Bank formulated a guideline on re-employment of retirees thereby enhancing the work satisfaction of retirees based on fair and rational re-employment standards. There has been no case of dismissal following restructuring and organizational changes as of the end of 2016.

Management by Objectives (MBO)

We increased the efficiency of the existing performance evaluation system to enhance employees' contribution to performance and job immersion. The cycle of performance evaluation has been changed from yearly to quarterly to enable a more accurate performance evaluation. In addition, the HQ sets strategic tasks for objective management in consideration of characteristics by department, and key performance indicators reflecting them are reflected in evaluation. Branches are evaluated based on key performance indicators and objectives depending on environmental factors, and work-related complaints gathered by employees are reflected in the performance evaluation system.

Leadership Assessment

The heads of offices, departments and branches, and other employees in leadership positions are subject to an annual leadership evaluation to help them reflect upon and improve their own professional qualities and competencies, and to build a healthy corporate culture through closer communication among employees and leadership improvement. Each branch is assigned an ID and PW to ensure the evaluation is anonymous and thus help employees to be honest and sincere in their evaluation. The evaluation is also intended to serve as a reminder for employees in non-leadership positions to develop their leadership skills. The evaluation is also intended to help employees step up their efforts to develop their leadership and improve their communication skills.

Providing Reasonable Compensation

In order to establish a truly performance-oriented corporate culture, BNK shares its profits with, and offers rewards and incentives to, its employees based on the results of the performance evaluation and the employees' contribution. Employees who achieve excellent performance in campaigns and promotions are recognized with rewards, incentives, and advantages in promotion to keep them motivated.

Operating Programs Fostering Financial Specialists

Strategic Directions

We operate systematic courses to foster financial specialists to develop talents as proactive challengers. The training programs are tailored to meet the varying needs of different groups of employees in different positions so as to foster financial specialists who are globally competitive and can contribute to developing BNK’s banking subsidiaries into “glocal” banks. The whole group shares the importance of continued talent development by emphasizing the importance of self-development to employees and offering diverse opportunities for their goals.

Key Activities

BNK Busan Bank Holds the Launch Ceremony for Wealth Managers

Busan Bank held a launch ceremony for wealth managers, placed 194 wealth managers at branches across the country, and lowered the minimum amount of financial assets that a customer should have to qualify for wealth management services to KRW 50 million, in a bid to make wealth management popular. Wealth managers working at individual branches will offer a wide range of wealth management services including inheritance and gifts, post-retirement financial planning, and advice on financial investment products. Wealth managers will take various training programs to enhance their ability to meet the needs of customers.

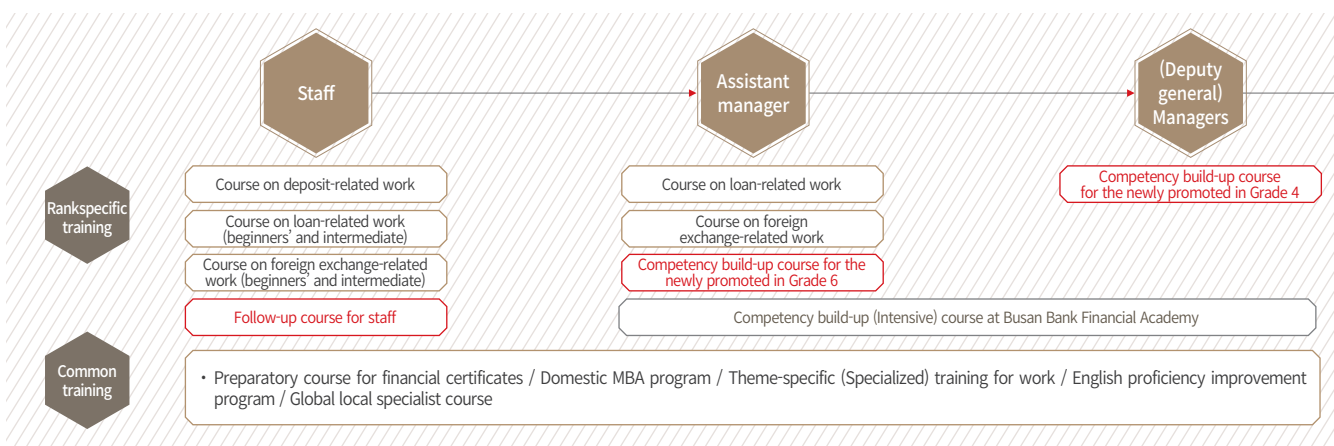
Conducting a Mentoring Program for New Employees

New employees are paired with a senior coworker with three years of service or longer, a manager, or a senior manager to meet up at least once a week as a mentor and a mentee. The mentoring program helps new employees to adapt to their organization faster and enhance their business competencies, while providing opportunities for sustainable growth. Starting with 41 mentor-mentee pairs in 2009, about 1,000 pairs are working together.

Competency Enhancement Programs by Position

Busan Bank’s HR development focuses on roles by position and competency training. Employees are required to set their career goals as soon as they join the bank, according to which they then develop their career, and are given the kinds of assignments that they want to work on according to how much progress they have made in meeting their goals, thereby clearly presenting a blueprint for professional development within the organization. The training programs are adjusted and improved based on the feedback given on individual programs.

Training Programs for Competency Build-up per Rank at Busan Bank



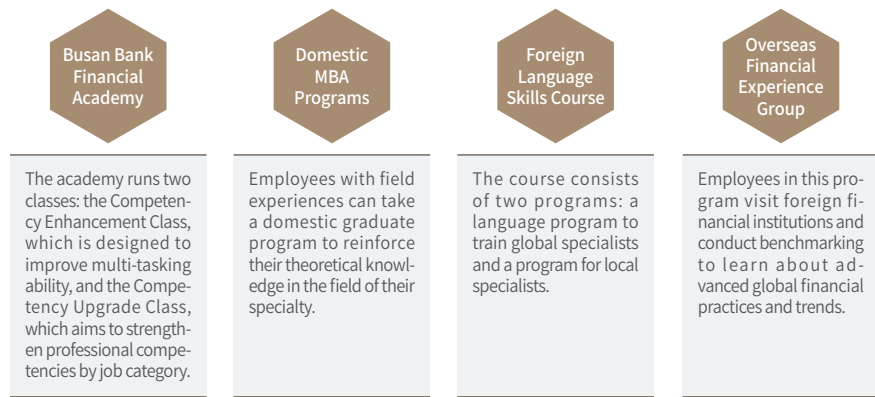
Results of the 'One Hundred-Year Plan for Talents'

(Unit: Number of persons)

Program	2015	2016	Total
Busan Bank Financial Academy	139	274	413
Domestic MBA programs	6	46	52
Language skills enhancement programs	729	300	1,029
Overseas financial experience group	82	168	250

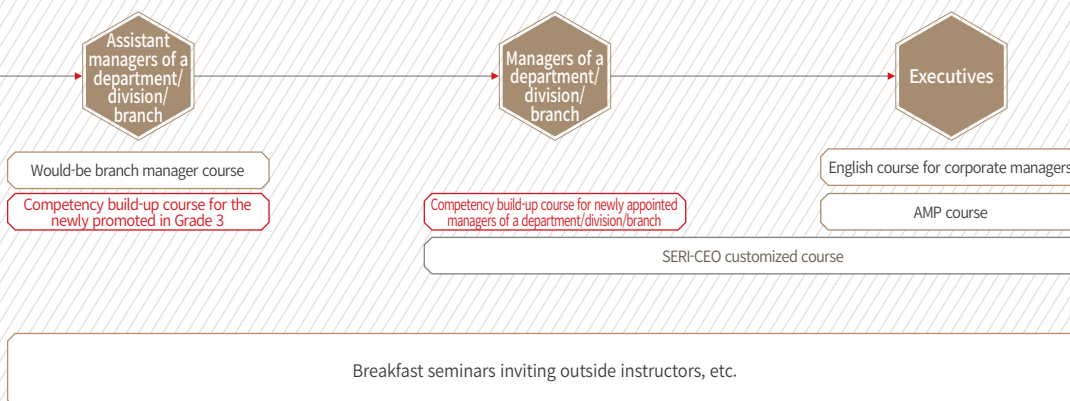
Implementing the 'One Hundred-Year Plan for Talents'

For the last three years (since 2015) Busan Bank has earmarked a special budget for the development of globally competitive human resources, and has adopted a two-track approach to the enhancement of professional competencies and the fostering of globally competitive human resources. The bank is encouraging a growing number of employees to join the Busan Bank Financial Academy and domestic MBA programs to help them expand their professional competencies, while foreign language programs and the overseas financial experience group are aimed at developing globally competitive human resources.



CS Competency Enhancement Programs

Busan Bank conducts QA training sessions every Thursday to increase employees' CS competency, and offers level-up training every quarter for new consultants, credit card consultants and loan consultants. Busan Bank is the first bank in the banking sector to implement a work-study parallel program with the aim of training employees with two years' service experience or less to be able to provide quality customer services. Kyongnam Bank held the 1st Economic Knowledge Contest to encourage all of its employees to increase their economic knowledge and consequently improve their ability to respond to customer inquiries. In addition, the bank sent its employees to visit foreign financial institutions and learn about advanced financial practices, and conducted the CS competency improvement training program Yes! BNK PRIDE-UP!



Operating Customized Welfare Benefits

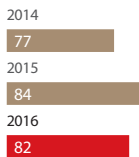
Strategic Directions

We run a system of customized welfare programs in various fields including leisure, health management and family care to help employees feel happy and rewarded at work. Welfare programs have been made more accessible to all employees so that they can use the programs freely without any reservations or restrictions, and continuous efforts are being made to create a trend-setting, advanced working environment.

Key Activities

Busan Bank's GWP Survey

(Unit: point)



Welfare Programs to Boost Domestic Spending

BNK encourages its employees to take leave in the summer and offers accommodation during the summer season in order to not only promote employee wellbeing but also stimulate the sluggish domestic market. Busan Bank runs seven accommodation facilities in seven cities and counties and encourages its employees to take trips and stay in one of those facilities on weekends and during the vacation season, thereby contributing to boosting domestic consumption. Kyongnam Bank introduced the "Spend the Summer Vacation in Korea" campaign, under which the bank covered the entire cost of using a condominium twice a year and provided financial support for accommodation to those of its employees who spent their summer vacation in Korea. The bank also held a contest in which employees were invited to submit their vacation plans or essays on their trips, the winners of which were offered vouchers to use domestic resorts and water parks, thereby helping to stimulate the domestic economy.

Supporting Health Management and Disease Prevention

BNK offers subsidies for health checkups, group accident insurance, nursing and medical fees. Other healthcare programs include the Health Keeper Service, BNK Healing Mind, BNK SUM Diet Fund, and HAHA Day Exercise.

Results of Health Management Programs 2016

Health Keeper Service	<ul style="list-style-type: none"> • 172 branches: 1,273 persons • HQ: 1,083 persons *Siwonha Day 88persons
BNK Healing Mind	• 66 cases
BNK SUM Diet Fund	• 173 participants
Stretching exercise by Health Keepers on Demand	<ul style="list-style-type: none"> • 26 teams at the HQ participated for two months • 28 sessions



Busan Bank employed two health keepers who are certified massage therapists to provide free massages to employees. This can increase job opportunities for the disabled and improve employees' health. There are 'on-site health keeper service' to provide the service to a group of applicants, and 'Siwonhadei (Super Relaxing)' service is offered on Wednesday every two weeks for individuals applying for the service.



Counseling is provided to all employees and their spouse to prevent work stress-induced disorders and increase efficiency in work. One-on-one in-depth interviews with professional counselors help them ease various types of problems: work stress and interpersonal relationships, emotional issues and health problems.



This program is intended for employees who want to lose weight or reduce their body fat. It helps employees lose weight and stay healthy by providing them with weight-reduction equipment and information. Six persons will be selected from among all the participants and be given training uniforms and free vouchers to use a fitness center. Their progress in losing weight will be disclosed to all employees to raise awareness of how important exercise is and to encourage other employees to join the program.



Before the daily routine begins, "Health Keepers on Demand" visit the office to lead a series of stretching exercises for employees to follow. Taste vs. Taste is an event designed to help employees reduce their salt intake. BNK also keeps employees informed of health management news and information so that its employees can stay healthy and happy.



The opening ceremony of Saha daycare facility

Maternal and Childcare Support

We are making proactive efforts to establish a family-friendly corporate culture wherein employees can maintain a healthy balance between work and family life. In particular, we concentrate on providing support for childbirth and childcare to address various social issues, including low birth rates and career interruptions for women, and to protect maternity. To that end, we are working to create a workplace where pregnant employees and female employees with young children can work and take care of their family at the same time by allowing them to adjust their working-hour schedule and placing them at a branch close to their homes. BNK branches in Changwon, Ulsan and Busan are expanding their daycare facilities within the workplaces to better accommodate the childcare needs of their employees. Meanwhile, Parenting Education on Demand was conceived to provide time-pressed working parents with useful child-rearing and education information.

Creating an Environment for Maternal Protection

We create an environment of being considerate of female employees' childbirth and childcare. Busan Bank provides diverse forms of institutional support by allowing for flexible working hours for the pregnant, appointing female employees who have returned to work after childbirth in a branch near their house, and running a flexible working system for employees on childcare leave.

Running In-house Child care Centers

Busan Bank opened the 'BNK Saha Childcare Center' in March 2016, following on from those opened in Jeonpo-dong, Haeundae, and Geumjung. 125 children of its employees are taken care of at the four daycare centers, and - given the high demand - the bank is considering expanding the centers' staff and opening more daycare centers. Kyongnam Bank is operating two daycare centers that care for 33 children in Ulsan and Changwon. The centers not only provide childcare services but also offer creativity-oriented and character-development education.

Parenting Education on Demand

Busan Bank hires professional child and youth counselors and education specialists to give lectures on academic development, career guidance, and college entrance examinations to employees who have children attending elementary, middle or high schools. The service was offered twice in 2016, with a total of 519 employees attending the lectures.



BNK's Strawberry-picking experience with family

Running Family Participating Programs

Busan Bank designated the five days of the week as "family days" in December 2015 and reorganized its infrastructure in such a way that all PCs are turned off at 7pm every weekday, thus enabling employees to spend their evenings with their family and improve their quality of life. As a result, overtime has been decreased while job efficiency has been increased. In addition, employees' families are invited to participate in seasonal family events on one weekend per month, including a baking program, working on weekend farms, visits to strawberry farms, 'glamping', and picking clams and playing in mud flats. These family events have become a unique element of Busan Bank's employee welfare programs.

Busan Bank Weekend Farm

Each family is provided with 17 square meters (5 pyeong) of farmland to help employees and their families spend their weekend together in a healthy and productive way. Employees and their families learn about mother nature and the joy of growing and harvesting vegetables on a farm measuring 1,653 square meters (500 pyeong) that can accommodate 100 families, located in Dugu-dong, Geumjung-gu, Busan. Families can build stronger bonds as they work the farm together on weekends.

BNK Family Day! Happiness+

In celebration of May, the month of the family, 480 people including employees and their family members were invited to the head office of Busan Bank. They toured the head office including the Art Gallery and the corporate PR center, watched the children's musical CAT and the movie Inside Out, and created fun and happy memories.

Glamping BNK Nostalgia Camp

Glamping is a great opportunity to recharge the body and mind during the hot summer time. Accompanied by their families and coworkers, the participating employees were able to appreciate the joys of mother nature to their heart's content, and enjoyed a campfire and a mini concert featuring an acoustic guitar performance. They were also able to express their gratitude to their family members and coworkers and enjoy a soul-healing time during the two-day event.

Nostalgia Camp 2016 : 29 teams(families and groups), 115 persons

Establishing a Corporate Culture of Communication

Strategic Directions

BNK is striving to establish a dynamic workplace atmosphere based on a culture of effective communication. A wide array of programs have been put in place to encourage employees to get involved in making decisions, and to create a culture of effective communication in which the CEO and employees share common values and work together to prepare for the future. To this end, innovation is encouraged across the board within the organization and a healthy corporate culture is being promoted. Furthermore, BNK is leading the efforts to promote a future-oriented corporate culture.

Key Activities

Putting in Place Cooperative Labor-Management Relations

BNK has clearly written the three key labor rights, namely the right to independent association, the right to collective bargaining and the right to collective action, into its collective agreement and the operation rules of the Labor-Management Council. Busan Bank and Kyongnam Bank hold regular quarterly meetings with the labor union operated by full-time staff.

Forging Labor-Management Relations for Mutual Success, Based on Trust and Cooperation

Busan Bank and Kyongnam Bank make sure that all of their PCs are automatically shut down at 7pm every weekday to help their employees maintain a healthy work-family balance, which is the result of labor-management cooperation. The banks give pregnant workers preferential treatment and operate six daycare centers to that end. In recognition of their efforts to ease the childcare burden for working mothers, the banks have been certified as “family-friendly corporations” by the Ministry of Gender Equality and Family, and have been working on building cooperative labor-management relations based on mutual trust. Furthermore, BNK spares no effort to further consolidate its status as the leading financial group in Busan and Gyeongnam, based on a labor-management relationship oriented toward mutual success.



Operating the Ombudsman Channel

Busan Bank is running a counseling channel for personal grievances as part of its efforts to listen to its employees’ problems and help them resolve them. The bank keeps two additional channels ‘Angel Call’ and ‘Meoshirago,’ which enable employees to discuss their issues and request one-to-one, face-to-face counseling at their workplace. Grievances filed through these channels are reported according to the grievance-handling process, and follow-up action is taken to make the necessary improvements. Busan Bank addressed 228 cases of grievance settlement in 2016, while Kyongnam Bank resolved 39 out of 70 internal counseling cases.

Ombudsman Channel Process





Closer Talk with the CEO (Kyongnam Bank)



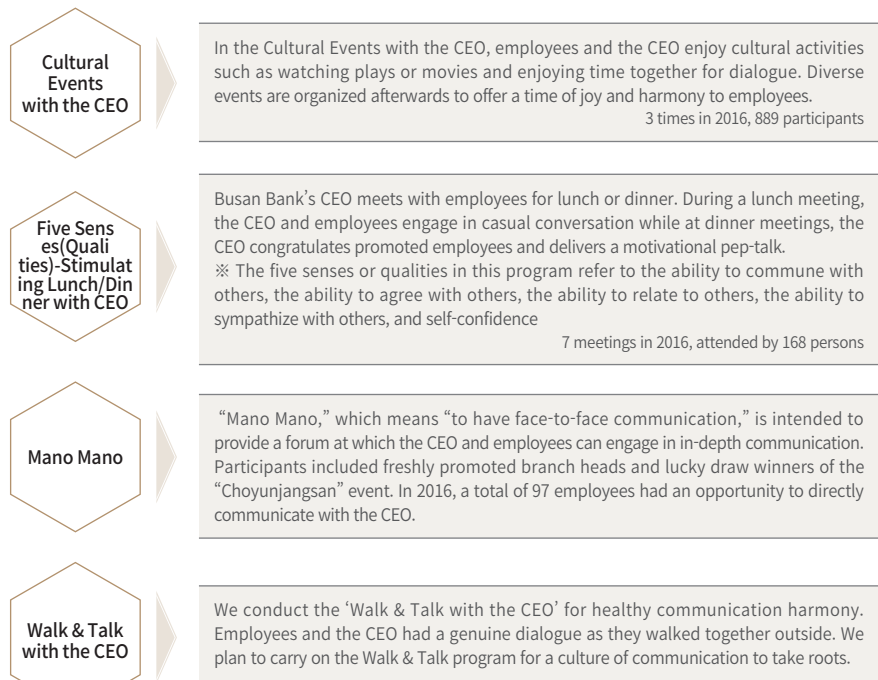
Cultural Events with the CEO (Busan Bank)

Kyongnam Bank Conducts the Training Program Yes! BNK PRIDE-UP!

Yes! BNK PRIDE-UP, Kyongnam Bank's employee training program, is designed to boost employee's self-confidence and passion for work by having them reflect upon their current status and that of the organization to which they belong, and to establish a vision for both. The program has contributed to promoting a positive corporate culture by creating a forum for communication among employees in similar positions who tend to have similar thoughts and issues, and by bringing together employees from the HQ and those from branches to discuss issues and share ideas, thereby helping them to understand each other better. As employees discuss their issues and work out solutions with others who are actually in charge of specific issues, they develop a new understanding of the roles of those in charge, which in turn encourages them to come up with more effective ways of performing their own roles and duties. The training program has led to the development of a more positive attitude among the participants, as well as boosting their self-esteem and sense of loyalty and belonging to the company.

Communication with the CEO

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



2017 Busan Bank Selected as a Best Workplaces in Asia

Named one of the GPW Asia

In 2017 Busan Bank was named one of the "Great Places to Work in Asia" for the third consecutive year by GPTW, a US-based global consultancy firm, in recognition of its successful operation of an employee-oriented, customized welfare system and its efforts to establish a culture of dynamic communication right across the organization.

Happy Finance, Together Practice

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

BNK Kyongnam Bank

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

BNK Busan Bank

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

BNK Securities

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

BNK Capital

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

BNK Savings Bank

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

BNK Asset Management

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

BNK Credit Information

It is a financial IT company offering financial IT services.

BNK System

BNK Busan Bank

Company Information

Date of Foundation	October 10, 1967
Shareholders' Equity	KRW 4.774 trillion
Headquarters Address	30, Munhyeongeumyung-ro, Nam-gu, Busan Metropolitan City
Employees	3,406 persons
Homepage	www.busanbank.co.kr

Company Introduction

As the region's flagship financial institution, Busan Bank has been working together with the local community for the last 50 years since its foundation in October 1967 to maintain vigor in the local economy. For the past half-century, the bank proudly withstood both the 1997 financial crisis and global financial crisis and continued to lead the industry in profits even during periods of stalled growth and fierce competition. As a result of such steady growth for long periods of time, Busan Bank had become one of the nation's top regional banks with 267 branches, 3,406 employees, KRW 59.23 trillion in total assets (including trust accounts), and net income of KRW 326.9 billion as of the end of 2016. While devoted to expanding its business network in urban areas and overseas in hope of securing new growth engines, Busan Bank is also preparing for the near future by making huge advancements in financial technology or FinTech. Some examples include the development and launch of "SUM Bank," the nation's first mobile bank to integrate financial and retail services, and the introduction of Self-Bank, which is a self-service branch as the name suggests.

Sustainable Management Activities by Business Principle



Principle	Core activities	Description
<p>Customer Satisfaction Management</p>	<ul style="list-style-type: none"> Providing high-end customer satisfaction Establishing a monitoring system for fraud prevention 	<p>Busan Bank has not only announced its new policy to strengthen services and customer satisfaction known as the BNK Hi-Way; it has also provided a total of 29 CS training sessions for 1,369 people, allowing overall improvement in customer service for both customers of Busan Bank and local community in general. In addition, in order to help protect customers from fraudulent activities that are becoming more advanced and intelligent each day, Busan Bank has performed various analyses of telephone-based financial fraud and other direct monitoring activities. As a result, the bank had been able to prevent 287 potential frauds roughly equivalent to KRW 2.3 billion in 2016 alone.</p>
<p>Value Creation Management</p>	<ul style="list-style-type: none"> Launch of "SUM Bank," a new type of mobile banking service that combines financial and retail services Introduction of futuristic, automated digital self-bank Promoting management efficiency via its "Multi-Brand, Single Platform" Pursuing the "All-In" project, which is geared toward corporate innovation 	<p>Not only has Busan Bank launched SUM Bank -- its new mobile banking service and the nation's first to combine financial and retail services -- in order to create new value for customers under the constantly changing financial paradigm in the digital world; it has also introduced the digital self-bank - which utilizes the automated ID authentication system found in Smart ATMs -- so that customers can enjoy easier access to various banking services whenever and wherever they may be. In addition to having opened a new chapter in the integration of financial technology, Busan Bank is also moving forward with its "Multi-Brand, Single Platform" project, which primarily focuses on improving management efficiency and productivity. Furthermore, the bank is also developing various other value creation projects such as the "All-In" project, which is aimed at simplifying and computerizing business processes.</p>
<p>Win-Win Strategy Management</p>	<ul style="list-style-type: none"> Promoting joint social contribution projects that involve the local community Promoting "Teen Tomorrow," a comprehensive support program for teenagers 	<p>Busan Bank has been working hard to spread positive influence on donation and charity efforts within the region via exciting projects such as fundraisers based on the number of clicks received by an individual online for sharing his or her story. Such social contribution project, which requires the community's involvement, is also the first of its kind within the financial sector. Likewise, we have been focusing on helping teens stay on track by offering comprehensive teenager support programs that cover various fields of study like humanities, liberal arts, and art and culture.</p>
<p>Employee Happiness Management</p>	<ul style="list-style-type: none"> Creating a workplace that seeks well-balanced life and happiness for employees 	<p>In addition to stressing the importance of normal work hours and maintaining a good work-life balance, we have also built more BNK day care centers and continued to host sponsored events for employees' families, truly realizing the concept of "Homepany." As a result of such efforts, we were given the grand award for the "Top 100 Best South Korean Companies to Work for" for seven straight years and had also been selected as one of the "Best Workplaces in Asia" for two years in a row.</p>

Core Activities based on Strategic Tasks



Strategic task	Core activities	Major explanations
Establishing a distinct management platform based on regional finance	<ul style="list-style-type: none"> Improving managerial efficiency via “Multi-Brand, Single Platform” Expanding the “Family Group” strategy 	By establishing a “Multi-Brand, Single Platform” between Busan Bank and Kyongnam Bank in order to bounce back from periods of low growth and respond preemptively to the changing financial environment in the future, we are able to achieve the same level of management efficiency that one would expect to see when managing just a single bank. The family group (FG) strategy, which refers to different branches under the same business territory cooperating on various business processes and operations, has now been expanded to 9 groups across 61 branches; thus generating more synergy in communication and mutual exchanges between different branch employees, improving management efficiency as well as customer satisfaction.
Seeking profit-oriented management	<ul style="list-style-type: none"> Establishing a preemptive soundness management system Rebalancing the asset portfolio through the vitalization of retail loans Expanding the network for new markets (global markets included) 	While performing both early investigations as well as real-situation inspections against borrowers who are likely to form bad debt and establishing a pre-inspection system for those who warrant such, we are also planning to continue profitability- and soundness-driven substantial management primarily by rebalancing our asset portfolio through the vitalization of retail loans. To this end, we plan on expanding the number of specialized branches for retail banking in urban areas to help secure new growth engines, at the same time focusing on reinforcing and localizing the profit-oriented overseas branches.
Digitalizing customer-driven financial services	<ul style="list-style-type: none"> Establishing a digital finance ecosystem driven by SUM Bank Promoting personalized marketing based on location info and big data 	We will foster a digital finance platform by refining and expanding the functions of SUM Bank (a fintech-driven mobile bank). As the only bank in the financial realm that has been authorized to use location services, we also plan on providing personalized financial information services using the real-time location information of customers. In addition, we will continue to boost customer satisfaction and improve customer convenience by utilizing a big data marketing system based on past customer transactions and subsequently providing the right kind of financial products and services depending on customer needs.
Building confidence via win-win strategy and principle-based management	<ul style="list-style-type: none"> Establishing a win-win strategy fund of KRW 505 billion in commemoration of the bank’s 50th anniversary Pursuing customer appreciation and social contribution projects 	Busan Bank will establish a special fund of KRW 505 billion in commemoration of its 50th anniversary and begin by providing financial support for small businesses, independent business owners as well as mortgages and living expenses for the working class. This is primarily aimed at helping with the delayed recovery of our economy and assisting those affected by the corporate restructuring of marginal firms. In addition, we will not only explore customer appreciation projects so that we may thank our loyal customers -- who in a way have been our greatest supporter and companion over the last half-century -- in a meaningful way; we will also continue to build our reputation within the community by pursuing social contribution projects that truly invest in the community’s future.

Other Activities

Establishment of Specialized Branches for Retail Banking in Urban Areas

In 2016, Busan Bank opened four branches in Seoul’s Mapo and Seongsu-dong areas as well as in Bucheon and Suwon of Gyeonggi Province. Unlike existing branches responsible for corporate loans and fund raising, these new branches focus on retail banking for shopkeepers by minimizing investment costs and utilizing relationship banking. These branches will help spread services beyond the southeast region and solve logistical inconveniences for businesses. We also plan to work with mobile-banking service SUM Bank and support customers in major cities.

Named “Best Bank in Korea” by Global Financial Publications

Busan Bank was named “Best Bank in Korea” by renowned financial publications FinanceAsia and Asiamoney in 2016. This award acknowledges Busan Bank’s skill in supporting SMEs, maintaining high asset growth rates, and managing nonperforming loans (NPL). As the flagship regional bank, Busan Bank aims to grow assets steadily using risk thorough risk management practices, while providing even better support for local SMEs at the same time.

Establishment of the BNK Fintech Development Council

In 2016, Busan Bank launched an industry-academy-government consultative group called the BNK Fintech Development Council. Its goal is to advance the local fintech industry and strengthen the capacity for new projects. Consisting of six rising domestic fintech firms, the council’s quarterly meetings focus on industry information and trends domestically and internationally. The outlook for the digital finance sector and ways to improve the local fintech industry are also discussed. Beginning in 2017, the council will seek to foster fintech startups and entrepreneurs with high potential in order to contribute to local fintech industry development. In connection with the BNK Fintech Creative Lab, the council aims to discover new business models backed by financial technology.

BNK Kyongnam Bank

Company Information

Date of Foundation	April 18, 1970
Shareholders' Equity	KRW 2.847 trillion
Headquarters Address	Masanhoewon-gu, Changwon, Gyeongsangnamdo
Employees	2,641 persons
Homepage	www.knbank.co.kr

Company Introduction

As the main regional bank for Gyeongnam and Ulsan, Kyongnam Bank has played a crucial role in keeping the regional economy and finances viable for the last 47 years. Despite last year's tough economic conditions characterized by low interest rates and stalled growth, the bank was still able to attain the necessary capital ratio for its desired rate of growth primarily by issuing new stocks and increasing capital by KRW 250 billion. We had also made some improvements to our profitability by stimulating the retail banking sector and expanding our high-yield assets. Additionally, we launched the "Future Channel System" in response to the rapidly changing financial environment and constantly growing customer needs. Furthermore, thanks to the faith and confidence of customers and local community in us, we succeeded in renewing our treasury agreement with Gyeongnam Province and, in the process, reinstating ourselves as the leading community bank. We also participate in earnest social contribution projects led by the Kyongnam Bank Welfare Foundation, which is also the nation's first-ever public foundation to be established by a regional bank. Finally, we try our best to grow side-by-side with the local community, always treating the residents with respect and sincerity and always keeping in mind our slogan of "bringing happiness for customers and hope for the community."

Sustainable Management Activities by Business Principle



Principle	Core activities	Description
 <p>Customer Satisfaction Management</p>	<ul style="list-style-type: none"> Launching the "Future Channel System" Marketing activities for customer-based solidarity lending (group loans) 	<p>In November 2016, we successfully launched the "Future Channel System" as our upgraded online and smart banking system. We have added various new features to improve customer convenience such as online loan agreement system as well as omni-channel retailing. In the case of large-scale apartment sales, we dispatch several employees (roughly 50 or so) to the actual model house to handle tax consultations and install any temporary equipment or devices necessary for banking services.</p>
 <p>Value Creation Management</p>	<ul style="list-style-type: none"> Establishment of BRM system Selecting and focusing on five core objectives 	<p>In accordance with our management policy of "leading the industry in retail banking," we established the BRM (Branch Retail Manager) system and assigned a BRM team leader in order to help satisfy the financial needs of individuals and private business owners. We are also strengthening our substantial management for low-growth regions by selecting and focusing on five core objectives that are currently deemed most important: securing asset quality; increasing core deposits; improving the net interest margin; stimulating retail banking; and boosting efficiency in sales management expenses.</p>
 <p>Win-Win Strategy Management</p>	<ul style="list-style-type: none"> Selecting prospective SMEs and business partners Dullegil Walkathon co-hosted by the local government Writing and drawing contest for women and children Support for restoration following flood damage 	<p>By selecting SMEs with bright prospects within the region as prospective SMEs and business partners, we are able to provide them with various kinds of support such as portable banks, invitations to seminars, and other activities geared toward mutual growth and prosperity. As a community bank, our main goal has always been to make sincere social contributions such as forming natural disaster relief groups, co-hosting the Dullegil Walkathon with the local government, or hosting writing and drawing contests for women and children.</p>
 <p>Employee Happiness Management</p>	<ul style="list-style-type: none"> Enforcing the "PC Shut Down" movement "Heart to heart Luncheon" Selected as a certified "Family-Friendly Management" company 	<p>We continue to host the "Heart to heart Luncheon" wherein employees are invited to a special luncheon with the CEO and given the opportunity to voice opinions or express concerns directly. We are also establishing a corporate culture that tries to adhere to normal work hours via the "PC Shut Down" movement and looks after its employees as well as their families. As a result of these efforts, we have been selected by the Ministry of Gender Equality and Family as a certified "Family-Friendly Management" company.</p>

Core Activities based on Strategic Tasks



Strategic task	Core activities	Major explanations
Focusing on capacity for retail banking	<ul style="list-style-type: none"> Newly implementing the BRM system Changing KPIs to help expand retail banking Facilitating CRM and updating key marketing strategies 	We newly established the BRM system to help stimulate our retail banking sector and altered the KPIs of our branches to help expand the retail financing available to individuals and private business owners. Not only are we able to facilitate very systematic and efficient customer management through our customer management system; we can now provide personalized services as well via our system of one-on-one professional assistance.
Improving management efficiency in response to the evolving financial environment	<ul style="list-style-type: none"> Raising the capital requirement Operating a Revenue Management Committee Fulfilling the five core management objectives Streamlining the organizational structure of HQ 	Despite the tough economic conditions, we were still able to attain the capital ratio that would support our desired rate of growth by issuing new stocks and increasing our capital by KRW 250 billion. Likewise, by operating a Revenue Management Committee, we have consistently worked toward not only improving actual profits but also cultivating a profit-seeking mindset among our employees. We promise to continue strengthening our community-based substantial management even during poor economic periods by primarily focusing on the five core managerial tasks.
Establishing a customer-oriented, on-site management support system	<ul style="list-style-type: none"> Launch of the “Future Channel System” Active response to the account transfer system Operating a 24-hour customer service center Taking financial services directly to people’s doors 	We are planning to provide quick, convenient financial transactions for our customers by introducing an upgraded online and smart banking system known as the Future Channel System. We are also taking our financial services to financially alienated regions via our portable banks and branches.
Creating and directing group synergies	<ul style="list-style-type: none"> Reducing costs via joint business projects Promoting joint marketing strategies for groups Standardization of tasks 	We are reducing any unnecessary costs by facilitating joint projects with affiliate companies and maximizing the level of synergy created through combined marketing strategies. We are also improving our business efficiency by standardizing information technology and business processes such as our “Multi-Brand, Single Platform.”
Spreading the corporate culture of BNK	<ul style="list-style-type: none"> Expanding the performance-based corporate culture Experiencing the advanced financial services of other countries Encouraging communication Carrying out sincere social contribution projects 	We have been providing opportunities to experience more advanced financial services from abroad as part of our efforts to learn and understand the global financial trend. We have also introduced performance-related bonuses, and we are hoping to lead the overall movement toward a more performance-based corporate culture.

Other Activities

「Technological Financing Performance Evaluation」, Ranked First In the Small Banks Category for the Latter Half Of 2016

Kyongnam Bank ranked first among small banks in the technological financing performance evaluation conducted by the Financial Services Commission for the second half of 2016. The bank was recognized for its supply of and investment in technological financing services as well as its efforts to implement technological financing in the lending process. We will continue to discover highly skilled and technologically advanced firms and also expand our support for rising tech-based SMEs.

Dulle Walkathon for Local Residents

In cooperation with the local government, Kyongnam Bank has been co-hosting regional walkathons to help residents stay strong and healthy. Various pre-ceremonial events, such as cheerleading performances, have made the walkathon quite popular as well as a major event within the region. As a community bank, we will continue to seek and expand sincere social contribution projects that will allow us to be closer to the local residents.

Facilitating Retail Banking

As part of our management policy to become the leader in retail banking, we are moving forward with various projects that can help vitalize the retail banking sector. We not only serviced financial products for private business owners and offered special credit lines for retail loans; we also introduced several promotional products targeting niche markets such as preferential treatment for licensed real estate agents, franchise owners, specialized professionals and so forth. Furthermore, we made huge improvements in customer convenience by introducing products exclusive to our online system.

BNK Securities

Company Information

Date of Foundation	June 2, 1997
Shareholders' Equity	KRW 214.1 billion
Headquarters Address	1 Saesak-ro, Busanjin-gu, Busan Metropolitan City
Employees	201 employees
Homepage	www.bnkfn.co.kr

Company Introduction

Funded solely by the BNK Financial Group, BNK Securities was established in June 1997 as the group's futures trading arm. Since then, it has grown over the last 20 years into a flagship financial investment company for Busan, Ulsan, and Gyeongnam. The company mainly flourished in 2009 after venturing into the securities business and expanding its business territory to include investment banking and asset management. Recently, it has recorded its highest net profit for three consecutive years. We are also continuing our efforts to provide distinguished financial services to our local customers by cooperating with other BNK Financial Group affiliates such as Busan Bank, Kyongnam Bank, and BNK Capital. To this end, BNK Securities has set its mid- to long-term strategy as follows: establishing the groundwork for sustainable growth; expanding market power; maximizing synergies between affiliates; and pursuing product specialization and differentiation. As the year 2020 draws near, we promise to do our best to live up to our reputation as the leading financial investment company of Busan, Ulsan, and Gyeongnam.

Sustainable Management Activities by Business Principle



Principle	Core activity	Description
 <p>Customer Satisfaction Management</p>	<ul style="list-style-type: none"> Ensuring customer satisfaction 	<p>We do our best to ensure customer satisfaction by hosting various customer appreciation events, managing a customer reception monitoring system, and conducting regular CS training for employees in order to inspire the proper mindset.</p>
 <p>Value Creation Management</p>	<ul style="list-style-type: none"> Establishing the groundwork for sustainable growth by securing differential competitiveness 	<p>Using the synergy created from linked business operations between affiliates and a differentiated specialization strategy targeting the region, we are hoping to be recognized as "hidden champions in locally specialized financial investment"</p>
 <p>Win-Win Strategy Management</p>	<ul style="list-style-type: none"> Providing financing for local SMEs and pursuing social contribution projects 	<p>We provide financing by issuing corporate bonds to local companies in Busan, Ulsan, and Gyeongnam, issuing new shares for capital increase, and offering acceptance credit. We also participate in social contribution activities every month in order to give back to the local community and enforce win-win management.</p>
 <p>Employee Happiness Management</p>	<ul style="list-style-type: none"> Enforcing employee welfare policies 	<p>We offer various employee welfare and benefit programs such as Culture Day, group accident insurance, medical fee reimbursements, and in-house club activities. In order to boost employee morale, we also hand out gifts on special anniversaries and host birthday parties with the CEO in attendance.</p>

Core Activities based on Strategic Tasks



Strategic task	Core activities	Major explanations
Improving the groundwork for sustainable income	<ul style="list-style-type: none"> Expanding the IB sector Securing a foundation for stable income 	We plan to continue enhancing our capacity for new profits by expanding the organization of our IB sector. We are especially gaining more ground in IB competitiveness through the expansion of our IB operations within the ECM and our corporate structure. Furthermore, we are securing a foundation for stable income by attaining a new client base through the targeted marketing of large agencies, diversifying the methods of bond management, and expanding our client base for brokerage.
Constructing a specialized IB business model for Busan, Ulsan, and Gyeongnam	<ul style="list-style-type: none"> Specialized IB for local companies in Busan, Ulsan, and Gyeongnam Building a business foundation for IB in Busan, Ulsan, and Gyeongnam 	We will work toward providing financial services customized for each stage of a company's growth process by utilizing the group's network to pursue - systematically and continuously - projects involving local companies in Busan, Ulsan, and Gyeongnam. We have especially built a new IB center at our Busan headquarters to help expand our foundation for IB in the region.
Optimizing synergy between affiliates	<ul style="list-style-type: none"> Building synergy for IB Expanding education and PR activities for synergy-based operations 	We implemented a new set of KPIs that reflect IB performance and the Double Counting system in order to help strengthen IB-related synergies among affiliates. We are also pursuing joint projects and making joint efforts to discover potential IB customers via promotions. Furthermore, we are continuing our securities-related training for affiliate employees as well as various PR activities.
Improving management efficiency	<ul style="list-style-type: none"> Improving HR efficiency via corporate restructuring Establishing an efficient customer management system 	We carried out corporate restructuring as part of our efforts to expand our IB sector, merge our branches, improve our organizational functions, and enhance labor efficiency. We also introduced a CRM program to help pursue a more systematic business approach through the proper management of customer information and activities.

Other Activities

Newly Established IB Center to Expand Financial Support for Local Companies in Busan, Ulsan, and Gyeongnam

By establishing a new IB center at its Busan headquarters, BNK Securities is now able to provide financial services to local SMEs that are alienated from the capital market. We will continue to develop our services in order to provide financial support for more local SMEs in the future.

Community Love-Driven Social Contribution Activities

Out of love for the local community and its neighbors, BNK Securities actively participates in social contribution activities every month. We regularly visit orphanages, nursing homes, and welfare facilities for the elderly in order to do laundry and cleaning and to help look after senior citizens suffering from Alzheimer's disease. We also participate in various planned projects such as holiday giveaways, fundraisers for needy neighbors, and kimchi sharing with the community. We plan to continue with these activities and gradually expand our volunteer efforts for the financially and socially disadvantaged.



Community service at a welfare facility for senior citizens



Environmental Clean-up Activities at Busan Citizens' Park

BNK Capital

Company Information

Date of Foundation	July 15, 2010
Shareholders' Equity	KRW 562.4 billion
Headquarters Address	1 Saessak-ro, Busanjin-gu, Busan Metropolitan City
Employees	544 employees
Homepage	www.bnkcapital.co.kr

Company Introduction

Established in 2010 as a specialized credit finance company, BNK Capital currently has 24 branches nationwide - including those in Seoul and other urban areas - and provides a wide range of financial services such as lease financing, auto financing, retail banking, and corporate banking. BNK Capital, which focuses on improving the regional economy by providing financial support to the working class, has emerged as a top-tier credit finance company within the industry thanks to the wholehearted support of its customers and the BNK Financial Group. Recently, the company has established a foundation to grow into a globally renowned capital market company by successfully launching and managing foreign branches in Cambodia, Myanmar, and Laos. Based on our management motto of "To the world with the region, to a better future with the customers," we promise to continue our best efforts in becoming a global premium capital company while pursuing the growth of our customers.

Sustainable Management Activities by Business Principle



Principle	Core activity	Description
 <p>Customer Satisfaction Management</p>	<ul style="list-style-type: none"> Operating a consumer protection department Managing a customer satisfaction center 	<p>By operating a consumer protection department directly under the CEO's supervision, BNK Capital is strengthening its financial consumer protection via systems improvements and its personal information protection system based on strict observance of the law. We are also able to handle professionally all of the various complaints we receive through our customer satisfaction center, which is aimed at improving customer convenience with regard to financial services.</p>
 <p>Value Creation Management</p>	<ul style="list-style-type: none"> Improving profitability through the diversification of profits Creating synergies 	<p>We are not only generating income based on our diversified portfolio, which includes lease financing, auto financing, retail banking, and corporate banking; we are also seeking to enter the overseas financial market in order to discover new growth engines. By establishing a separate task force for the pursuit of new growth, we are able to respond to the rapidly changing financial environment and seek sustainable management based on the diversification of profits. Moreover, we are also able to provide more differentiated financial services to our customers after having strengthened our aligned businesses with other affiliates in the group.</p>
 <p>Win-Win Strategy Management</p>	<ul style="list-style-type: none"> Expanding credit loans for living expenses Auto financing for livelihood purposes 	<p>For five years, we have extended KRW 9.1 billion in credit loans to support the living expenses of the working class and the self-employed. Another KRW 25.7 billion has been extended toward auto financing for livelihood purposes.</p>
 <p>Employee Happiness Management</p>	<ul style="list-style-type: none"> Enhancing employee welfare Strengthening communication among employees 	<p>We strive to improve employee welfare by expanding the welfare program to include benefits such as educational fees, group accident insurance, and medical expenses. We are also operating various communication channels in order to help strengthen overall solidarity among employees.</p>

Core Activities based on Strategic Tasks



Strategic task	Core activities	Major explanations
Successful entry into Used Car Dealerships	<ul style="list-style-type: none"> Establishing Dongwha Capital, a joint capital venture that specializes in used cars Joining the Busan OnePark Used Car Lot 	The launch of Dongwha Capital as a joint investment with Dongwha M-Park, the nation's largest used car dealership, is expected to help the company strengthen its position in the used car financial market in urban cities. The establishment of the Busan OnePark Used Car Lot will also contribute to profitability as it will serve as a secure foundation for used car financing.
Profit-driven substantial growth	<ul style="list-style-type: none"> Seeking a stable source of profit with a diversified product portfolio 	We provide not only the common services of a capital market company such as financing and leasing but also various products and services that reflect other customer needs, such as rental cars, corporate loans, and credit loans. We developed surety insurance packages to help us focus on substantial management rather than external growth, and we were able to record KRW 4.7 trillion in total assets and KRW 57.2 billion in net profit for 2016 by providing advanced financing based on the consumer credit evaluation model.
Stabilization of overseas businesses	<ul style="list-style-type: none"> Stabilization of business operations abroad including the first-ever surplus from the Myanmar subsidiary 	BNK Capital has established three local subsidiaries abroad (Cambodia, Myanmar, and Laos), and it is in the process of building a strong business foundation such as acquiring certain business licenses. The subsidiaries have also been able to provide advanced financial services thanks to the complete and thorough localization of business operations. Each subsidiary, which started out with an investment of USD 5 million, has contributed an additional USD 5 million in 2016 via steady growth. The Myanmar subsidiary in particular has recorded its first surplus within three years of its establishment.

Other Activities

Providing Education and Training for Employee Satisfaction at Our Foreign Branches

BNK Capital continues to provide education and training programs for employees at its overseas branches. In 2016, we invited 16 exceptional employees from our branches in Myanmar, Cambodia, and Laos and provided them with the opportunity to learn about our business processes and the pride of the BNK Financial Group.

BNK Signed an MOU to Promote Medium-Interest Rate Loans

In May 2016, BNK Capital signed an MOU with Korea Easy Loan to develop mid-interest rate loan products for supporting micro-financing. Under the MOU, BNK Capital launched "BNK Easy Loan" a credit loan with medium interest rates. As an online-only loan that requires neither personal visit to apply for and receive a loan nor additional paperwork, BNK Easy Loan is intended to act as a stimulus for the working-class economy.

Donation of Baseball Game Supplies to the Laos Youth Baseball Team Visiting Busan

BNK Capital delivered baseball game items to Lao Brothers, the only baseball team in Laos. The team visited Busan at the invitation of the Busan Foundation for International Foundation in August 2016, and BNK Capital donated items needed by the team to play baseball games in the hope that the players achieve balanced growth in body and mind through baseball, in spite of the challenging circumstances.



Signing of MOU on Mid-Interest Rate Credit Loan



Sponsoring the Laos Youth Baseball Team

BNK Savings Bank

Company Information



Date established	January 10, 2012
Net worth	KRW 115.4 billion
Headquarters	177, Beomil-ro, Busanjin-gu, Busan Metropolitan City
No. of Employees	102 employees
Website	www.bnksb.com

Company Introduction

Since its foundation on December 13, 2011 with paid-in capital of KRW 115 billion, BNK Savings Bank has rapidly achieved steady growth of its assets on the basis of sound substantial management. Operating out of three branches in Busan and three in Seoul, we offer only the best services to our clients by not only hiring and fostering competent finance experts, but also by developing distinguished products based on our customers' needs. As part of our efforts to introduce innovations to the management style and business practices of conventional savings banks and to devise a new savings bank business model, we have incorporated Busan Bank's community-oriented operations and advanced risk management know-how to reflect the current scene of the industry. As a result, BNK Savings Bank has become a high-yield savings bank with 102 employees, a BIS capital adequacy rate of 13.67%, and total assets of KRW 768.8 billion (as of December 2016).

Sustainable Management Activities by Business Principle



Principle	Core activity	Description
 <p>Customer Satisfaction Management</p>	<ul style="list-style-type: none"> Strengthening of financial consumer protection 	<p>Amid the growing use of e-finance and online banking, we have strengthened our IT security and are using a customer information sharing system to provide encrypted customer information. Furthermore, we continue to provide our employees with the necessary training and are carrying on with our campaign against voice phishing and pharming via our website in order to raise awareness of how to prevent and avoid scams.</p>
 <p>Value Creation Management</p>	<ul style="list-style-type: none"> Promotion of optimal growth of high-yield assets and improvement of loan portfolios 	<p>We are creating economic value by building live assets via secured corporate loans and by expanding micro-financing via various microcredit services.</p>
 <p>Win-Win Strategy Management</p>	<ul style="list-style-type: none"> Reinforcement of regional small loans 	<p>We are continuing to expand areas of mutual benefit with the local community by offering opportunities for working-class families to replace high-interest loans with low interest rate loans and ensuring that private business owners and workers can receive the financial support they need.</p>
 <p>Employee Happiness Management</p>	<ul style="list-style-type: none"> Operation of an employee satisfaction program 	<p>We are committed to boosting employee morale and productivity by improving the available range of perks and benefits, such as developing the Family Day, funding resort trips and subsidizing medical expenses. In addition, we have allocated more resources to employee training in the form of various workshops and financial license opportunities.</p>

Core Activities based on Strategic Tasks



Strategic task	Core activities	Major explanations
To Promote Profit-oriented Substantial Management	<ul style="list-style-type: none"> Substantial management via the optimization of high-yield asset based portfolios Broadening the foundation for small personal loans via the expansion of retail loans 	By rejecting corporate loans and promoting stable growth through mortgages, we are not only stimulating sales via the development and renewal of new financial products, but also endorsing our policy finance loans, such as the Sunshine Loan and the Saitdol 2 Loan, in order to help expand smaller personal loans for working-class people.
To Explore New Future-oriented Projects	<ul style="list-style-type: none"> Strengthening capacity for financial futures 	In order to heighten interest and enthusiasm for new sources of profit, we are constantly inviting and encouraging employees to submit new ideas. We plan to explore new future-oriented financial products by sharing information with other financial institutions and using them as a benchmark. We also plan to strengthen our capacity for financial futures by improving customer convenience via the expansion of our online and mobile processes and implementing customer-based business processes backed by data.
To Maximize Synergy between Affiliates	<ul style="list-style-type: none"> Continued improvement of linked operation processes and bolstering communication 	We are continuing with our efforts to maximize the synergy between affiliates not only by taking employee feedback into account, but also by promoting and taking examples from other successful cases.
To Employ Sustainable Profit and Growth-oriented Risk Management	<ul style="list-style-type: none"> Plans to enhance relational financing through systematic management 	We are implementing a model strategy that may fluidly adapt to changing patterns in the market and in consumer behavior. We are also utilizing timely risk management data made available via the development of various analysis techniques in order to strengthen our credit risk monitoring capabilities.
Boosting Management Efficiency	<ul style="list-style-type: none"> Promoting the efficiency of HR management via the sharing of corporate culture and values 	We will reduce management risks and operational interruptions by devising a mid- to long-term plan for labor supply and demand, and will also boost our employees' loyalty and sense of pride in BNK by establishing highly favorable working conditions.

Other Activities

Savings Bank Excellence Award

Branch manager Kang Jung-gu of the Deokcheon branch was awarded the 2017 Savings Bank Excellence Award by the Korea Federation of Savings Banks in recognition of his efforts in sales and more particularly in the corporate loan sector. This served as an opportunity to publicize the superior competency of BNK Savings Bank's employees.

Continued Social Contribution Efforts

The Love Sharing Volunteer Group, as an organization dedicated to giving back to the local community, goes beyond mere one-off social contributions and seeks to establish long-lasting and symbolic volunteer work for the group. To that end, the group is committed to maintaining its unwavering efforts to help the underprivileged in such facilities as vocational rehabilitation centers, nursing homes and orphanages.

Establishment of Mobile Banking and Sophistication of Online Banking Services

In order to strengthen our online business operations and interactions, BNK Savings Bank formed a "financial technologies task force" in 2015, with the remit of strengthening the bank's competitiveness in the Fintech era via the establishment of mobile banking, the sophistication of online banking services, and the introduction of automated ID authentication.

BNK Asset Management

Company Information

Date of Foundation	July 15, 2008
Shareholders' Equity	KRW 10.2 billion
Headquarters Address	6 Mugyo-ro, Jung-gu, Seoul (12th floor, Geumsegi Bldg.)
Employees	33 employees
Homepage	www.bnkasset.co.kr

Company Introduction

Established in July 2008 to manage customer assets, BNK Asset Management provides diverse products to customers by focusing on continuity and stability in the rate of return on investment. Having been integrated in BNK Financial Group in July 2015, we start our second goal to grow into one of Korea's top 20 comprehensive asset management companies. We will make steadfast efforts to grow as a comprehensive asset management company equipped with differentiated performance and management philosophies by establishing the BNK Asset Management's exclusive brand platform. To this end, we develop differentiated products including those that contribute to the regional economy, products as solutions, products as alternative investment, retirement-related products and global products.

Sustainable Management Activities by Business Principle



Principle	Core activity	Description
<p>Customer Satisfaction Management</p>	<ul style="list-style-type: none"> Managing Customer-oriented Funds 	<p>We not only achieve excellent operating performance by selling financial products based on a multi-dimensional risk management system but also manage them transparently and ethically by protecting customer assets and abiding by the duty of care. Consequently, we raise reliability and transparency in asset management for customers.</p>
<p>Value Creation Management</p>	<ul style="list-style-type: none"> Generating Synergies in the Group 	<p>We provide diverse financial products with the basis of regional institutions and corporate customers by establishing an organic cooperative system with affiliates as a new member of the group.</p>
<p>Win-Win Strategy Management</p>	<ul style="list-style-type: none"> Developing Products Aligned with Community 	<p>We develop alternative investment products which are regionally aligned so that they can contribute to revitalizing the regional economy by inducing investment in SMEs and medium-sized enterprises in the region. We contribute to the win-win development with community by proactively engaging ourselves in social contribution programs jointly organized by the group.</p>
<p>Employee Happiness Management</p>	<ul style="list-style-type: none"> Forming a Healthy Corporate Culture 	<p>We make steadfast efforts to form a healthy corporate culture based on mutual communication through the Labor-Management Council and dynamic participation of employees. Specifically, we partially or fully sponsor medical expenses and health check-ups, have our employees subscribed to the collective accident insurance and encourage them to take part in in-house club activities.</p>

Core Activities based on Strategic Tasks



Strategic task	Core activities	Major explanations
Strengthening Competencies in Asset Management	<ul style="list-style-type: none"> Improving the Management Performance and Process 	We reinforce responsibilities of asset managers, and improve the management performance evaluation process. We also focus on attracting new competent personnel and reinforcing operational competencies of the existing personnel, while establishing rational compensation systems and key performance indicators.
Expanding the volume of entrustment by strengthening institutional operations	<ul style="list-style-type: none"> Strengthening the Marketing Strategies for Entrusted Management Companies 	Our prioritized marketing direction lies in entering a pool of entrusted management companies for institutional investors including pension funds and large insurers by improving the management performance. We also focus on expanding customized private funds targeting institutional investors.
Optimizing synergies by strengthening cooperation between affiliates	<ul style="list-style-type: none"> Strengthening Cooperation for Wealth Management Entering the Market for Synergy-driven Retirement Plans 	We are optimizing the level of synergy by cooperating with our affiliates in developing new profit models and by engaging in various councils of the group such as the Asset Management Council. We are also reinforcing our sales support by educating and briefing the sales channels of our affiliates on the different funds and financial products available. Furthermore, by establishing preemptive counterstrategies such as introducing a fund-type product to cope with the changes in the retirement pension market, we are a step closer to developing a purpose-driven fund that utilizes the product design of retirement plans.
Securing new sources of profit by expanding the product range	<ul style="list-style-type: none"> Expanding Private Equity Funds and Other Customized Financial Products for the Exceptionally Wealthy Engaging in New Projects Including Alternative Investments 	We are enhancing our market responsiveness via mid-risk, mid-profit solution-type funds such as global bond funds, absolute return funds, and international stock funds. Furthermore, we are preparing to acquire a new securities license that will allow us to tap into alternative investments such as non-performing loans (NPL), real estate, and private equity funds (PEF). We are also working closely with the holding company's IB project division and affiliate investment division to explore regionally specialized business opportunities.
Improving management performance via management efficiency	<ul style="list-style-type: none"> Reducing Cost via Management Efficiency Reinforcing Employee Awareness Befitting a Financial Group 	We are continuously working to improve our financial performance through the proper management of unallocated budgets and other SG&A expenses. We also operate a security awareness program that strengthens the risk management policies for employees in order to help prevent any financial accidents.

Other Activities

Cultural Exploration Teams for Better Communication among Employees

We have formed one to two cultural exploration teams consisting of about three employees a year and send them for a trip of two days and one night. We extend continued support for activities of the teams to help employees gain a better understanding of the Korean history and culture and enjoy additional benefits of cross-organizational communication and networking throughout their experiences.

Introducing the Mentoring Program for New Employees

BNK Asset Management selects mentors among employees and runs the mentoring programs to help new employees become more comfortable with one another. They are taught the corporate culture, encouraged to have a stronger solidarity and educated on basic attitudes.

Conducting the Social Contribution Activity for the Love of Nature

We take the lead in the efforts for natural and environmental protection by voluntarily engaging in environmental cleaning campaigns in Yeouido Park near our office and the nearby Bukhansan Mountain and Umyeonsan Mountain on a yearly basis. We will continue to be engaged in environmental cleanup activities to realize the preciousness of the environment and to protect it.

BNK Credit Information

Company Information

Date of Foundation	June 17, 2003
Shareholders' Equity	KRW 8 billion
Headquarters Address	92 Beomil-ro, Dong-gu, Busan Metropolitan City
Employees	28 employees
Homepage	www.bnkci.co.kr

Company Introduction

Established solely via investments by the BNK Financial Group, BNK Credit Information is a specialized credit information company authorized by the Financial Services Commission to perform the duties of debt collection and credit investigation services. As a company that believes strongly in transparency and ethical management – as well as in working together with the local community for mutual benefit – our ultimate goal is to help realize a credit-based society in the region. By providing distinguished services using infrastructure backed by years of know-how and expertise in the field of debt collection and systematic debt management, we are contributing to the integrity of the BNK Financial Group.

Sustainable Management Activities by Business Principle



Principle	Core activity	Description
<p>Customer Satisfaction Management</p>	<ul style="list-style-type: none"> Lenient debt collection, reliable credit management 	<p>We provide various financial opportunities even for the financially excluded by taking into account factors like the individual's age or financial situation. For instance, we may offer deferments or overdue interest reductions to low-income debtors, such as second-class citizens who receive Basic Livelihood Security allowances or recipients of earned income tax credit.</p>
<p>Value Creation Management</p>	<ul style="list-style-type: none"> Ensuring customer satisfaction through the expansion of business territory 	<p>We are expanding our business territory in credit investigation particularly in areas where we can utilize our existing HR and organizational infrastructure. By doing so, we are able to continue creating profits and providing various other customer satisfaction services.</p>
<p>Win-Win Strategy Management</p>	<ul style="list-style-type: none"> Pursuing social contribution projects catering to the local community 	<p>For self-supporting debtors, we offer various types of relief, such as food, to debtors who are disabled or financially disadvantaged. We have also been regularly facilitating environment purification projects as part of our efforts to realize mutual benefit and sustainability in the local community.</p>
<p>Employee Happiness Management</p>	<ul style="list-style-type: none"> Expanding employee welfare Developing communication channels 	<p>In order to provide better quality of life for all employees, we have been expanding our various employee benefit and compensation programs such as medical expense subsidy, accident insurance, educational spending and more. We have also continued our efforts to encourage more communication from our employees by hosting receptions or discussions with the CEO.</p>

Core Activities based on Strategic Tasks



Strategic task	Core activities	Major explanations
Strengthening group synergy	<ul style="list-style-type: none"> Expansion of regional synergies through partnership with Kyongnam Bank 	We have been developing cross-functional synergies by employing targeted campaigns aimed at improving debt collection and credit investigations.
Consolidating human capital	<ul style="list-style-type: none"> Conducting the HR management process 	We are committed to providing the highest quality of service by recruiting professionals with background in financial services. In addition to retaining talent, we invest in professional development by hosting numerous specialized training programs relevant to the credit information industry.
Establishing a foundation for revenue outside the group	<ul style="list-style-type: none"> Expanding the debt collection range to include non-affiliates 	We continue to expand our debt collection duties to include public financial institutions as well as civilian and corporate loans.
Minimizing complaints	<ul style="list-style-type: none"> Monitoring complaints Facilitating internal audits 	Considering the nature of the credit industry, BNK Credit Information is tasked with managing and responding to various complaints. In order to minimize complaints, BNK Credit Information utilizes a dual management system overseen by the internal complaints management and business affairs departments. Employees also undergo training on complaint management and reduction strategies on a monthly basis. The results of these initiatives are being officially recorded.

Other Activities

Giving Hope through Credit Management

BNK Credit Management is committed to improving the community. We currently oversee various programs for underprivileged groups including food support for people with disabilities and those in poverty. In the future, we are planning employment support initiatives for debtors and information sessions on how to restore credit proactively.

Special Debt Reduction

In partnership with Kyongnam Bank, BNK Credit Information has been providing special debt relief to those who are recipients of social services including basic livelihood recipients, persons with disabilities, and caregivers. In 2016, BNK helped 118 individuals restore their credit with the debt relief program. We continue to strive toward creating a society with sound credit by providing incentives to local debtors to restore their credit.

Creating an Eco-Friendly Community

BNK Credit Information is also investing in the creation of an eco-friendly community. We continue to be mindful of our environmental footprint by taking deliberate action to reduce our energy consumption and waste production.



BNK System

Company Information

Date of Foundation	May 20, 2011
Shareholders' Equity	KRW 6.3 billion
Headquarters Address	13 GwangbokJungang-ro, Jung-gu, Busan Metropolitan City
Employees	154 employees
Homepage	www.bnksys.co.kr

Company Introduction

As an IT professional affiliate of the BNK Financial Group, BNK System was established in May 2011. Since its foundation, it has grown into a leading financial IT company specializing in smart finance. During the early days of its establishment, it has contributed to the creation of synergies among subsidiaries by expanding the scope of its business through computer equipment maintenance, system integration, and IT integration purchasing, starting with the operation of affiliated companies' business systems. We are consistently strengthening our competencies in the field of smart finance to respond actively to the rapidly changing financial IT environment. Additionally, we strive to become an IT company that grows with the local community by locating and collaborating with top local IT companies, creating jobs through the hiring of local talented people, and operating a support program for the underprivileged class.

Sustainable Management Activities by Business Principle



Principle	Core activity	Description
<p>Customer Satisfaction Management</p>	<ul style="list-style-type: none"> Establishing a project management process to enhance customer satisfaction 	<p>We aim to enhance the quality of our services and productivity by implementing a group-wide electronic system that standardizes the delivery of services. Moreover, we have also been collecting feedback at the conclusion of each project to improve further and modify our products based on our clients' needs.</p>
<p>Value Creation Management</p>	<ul style="list-style-type: none"> Achieving efficiency in management through IT purchases Stable business development through customized solutions 	<p>Through the purchase of our IT affiliate, we have achieved business efficiency by consolidating our IT resources. We have reduced costs by standardizing our internal systems and developing customized software solutions in-house.</p>
<p>Win-Win Strategy Management</p>	<ul style="list-style-type: none"> Collaborating on IT projects with local firms Sharing information on the latest IT trends with local firms 	<p>We are committed to finding and working with local IT companies when conducting our IT businesses within the group, thereby facilitating the development of regional capabilities and competitiveness. Furthermore, by hosting IT seminars, we aim to share knowledge on the latest IT trends with local IT firms and service providers.</p>
<p>Employee Happiness Management</p>	<ul style="list-style-type: none"> Strengthening personal capacities by fostering vital human capital Enhancing employee satisfaction through various welfare programs 	<p>We want our employees to enjoy both personal and professional success. In addition to operating numerous welfare programs to increase employee satisfaction, we are committed to implementing focused development programs on IT services, finance, culture, and leadership to promote lifelong career development and help employees achieve their personal goals.</p>

Core Activities based on Strategic Tasks



Strategic task	Core activities	Major explanations
Expanding the business territory by operating a group IT center	<ul style="list-style-type: none"> Relocating a group affiliate's IT center and providing managerial assistance Developing proper experts to ensure the smooth operation of the IT center 	We were able to adapt to the IT environment of an affiliate by participating in the developing project of its IT center. We joined in the operation and management of the relocated IT center by cultivating and providing expert human resources where needed and, in doing so, effectively expanded our business scope.
Reducing IT costs via combined purchasing	<ul style="list-style-type: none"> Boosting synergy between strategic procurement and reduction in IT costs Reducing cost and improving efficiency through the integration of maintenance agreements 	We have been expanding the level of synergy between strategic procurement and reduction in IT costs. Strategic procurement may involve jointly pursuing similar projects with group affiliates, directly negotiating with manufacturers of widely used data processing equipment, and intensifying the competition through the discovery of fungible goods. This, coupled with integrated maintenance, has helped improve cost and management efficiencies.
Establishing a single IT platform for the group via joint projects	<ul style="list-style-type: none"> Contributing to the standardization of IT systems via joint projects Providing a unified work environment through the joint implementation of in-house solutions 	We have contributed to the standardization of IT between affiliates through the joint establishment of business systems and provided a unified work environment via the joint implementation of in-house solutions. We are also preparing the groundwork for reducing construction costs and consolidating maintenance efforts.
Securing a foundation for future growth through the systematic development of IT talents	<ul style="list-style-type: none"> Personalized education using individual career development systems (CDP) Managing a labor pool for the stable supply of human resources 	To prevent skilled financial IT specialists from drifting off-course and help strengthen their individual capacities, we have been aiding employees in their career development process, ensuring that they can do so according to their individual aptitudes and growth needs. We are also enhancing our tailored education program and doing our best to secure a stable source of labor by utilizing labor pools and various channels to scout exceptional IT specialists.

Other Activities

Selected as One of Busan's "High-Employment" Companies

Having hired as many as 50 employees over the last 3 years despite the bad economy, BNK System has been selected as a "high-employment" company. It was especially recognized for its contribution to regional IT competitiveness, which was accomplished by moving human resources (originating from the suburbs but had moved to work at larger cities) back to suburban areas and then taking additional measures to help prevent them from flowing out of the region.

Acquired the Web Accessibility (WA) Mark

We upgraded the accessibility of our website and our affiliates' websites so that we can improve user convenience overall and provide equal services to everyone, including senior citizens and the disabled. Having satisfied the government policy that seeks to mitigate the information gap and provide users with convenient web services, BNK System has acquired the Web Accessibility (WA) mark authorized by the Korea Federation of Organizations of the Disabled and the KOFOD Institute of Web Accessibility Certification and Value.

Pursuing Win-Win Business Strategy with Local Firms

We have been developing IT and generating mutual benefit within the local community by primarily contributing to revenue growth and technological advancements for local companies. By pursuing the group's new IT projects, we not only provide companies with information on opportunities to participate in the project via the Combined Purchasing System but also help in the discovery of new local IT companies and encourage them to participate.

Talent Donation of IT and Social Contribution Activities

As part of our efforts to improve the IT training environment for the information have-nots, we continue to conduct our monthly "IT sharing" event at the BNK Happy Study Room as well as social welfare centers and childcare centers across Busan, Ulsan, and Gyeongnam, during which we provide free IT device inspections and repairs. Furthermore, our employees periodically engage in voluntary environmental cleanup of public areas and help fulfill various corporate social responsibilities.

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Management's Discussion and Analysis

1. Outline

In 2016, the global economy was characterized by growing uncertainty from the interest rate hikes in the US, Brexit, and slowing Chinese economy, among others. The domestic economy grew at a much slower pace due to the restructuring of marginalized corporations, growing household debts, and sluggish domestic consumption, amid the persistent trend of slow growth and low interest rates. Guided by the spirit of battenning down the hatches, all of us at the BNK Financial Group exerted our best efforts to detect future risks and work out countermeasures; thus turning crises into opportunities. As a result, BNK was able to produce solid earnings despite the adverse circumstances both at home and abroad by concentrating its resources and competencies on creating a balanced business portfolio and managing risks.

At the end of the year, the group's total assets increased from 5,129.4 billion won a year ago to 106,357.9 billion won, growing by 418.1 billion won from the previous quarter. Net income grew 3.3% from 485.5 billion won a year ago to 501.6 billion won. As a result, ROE as a profitability indicator reached 7.70%, and ROA stood at 0.56%, with NPL ratio as an indicator of asset soundness pegged at 0.97% and the ratio of loans in arrears at 0.65%.

Performance of major subsidiaries are as follows:

As for the earnings of our major subsidiaries, Busan Bank's net income rose 6.6 billion won to 326.9 billion won, whereas Kyongnam Bank saw its net income fall 2.3 billion won to 208.2 billion won during the same period. The net income of BNK Investment increased 1.6 billion won to 9.4 billion won, and BNK Capital added 13.7 billion won to make its net income 57.2 billion won. On the other hand, BNK Savings Bank posted net loss of 8.1 billion won.

BNK increased its capital by issuing new stocks in January 2016 in order to improve the capital adequacy ratio and take proactive steps to cope with the changing external environment and new capital regulations under the BASEL II to be implemented. As of the end of last year, BNK Group's BIS ratio rose 1.17%p to 12.86%, Tier 1 capital ratio increased 1.85%p to 9.98%, and common equity Tier 1 ratio grew 1.93%p to 9.21%.

BNK Financial Group will do the utmost to leap higher as the Global Best Regional Financial Group through substantial growth and dramatic innovation.

Major Financial Performance and Management Indicators

(Unit: %, %p)

Classification	Major Indicators	2016	2015	Change
Profitability	ROA	0.56	0.60	-0.04
	ROE	7.70	9.02	-1.32
Asset Soundness	NPL ratio	0.97	1.30	-0.33
	Delinquency ratio	0.65	0.69	-0.04
	Coverage ratio	97.54	129.24	-31.7
Capital Adequacy	BIS Ratio	12.86	11.69	1.17
	CET1 ratio	9.21	7.28	1.93
	Tangible Common Equity ratio	7.58	6.86	0.72

1) ROA: net income/total assets

2) ROE: net income/equity capital

3) NPL ratio: (NPL/total loans) × 100

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

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

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

CET1 ratio: Core Tier I capital/risk-weighted asset × 100

2. Financial Status and Business Performance

Despite the adverse financial market conditions due to low interest rates and slow growth, BNK Group's interest income increased by 106.4 billion won from a year ago. This is attributed mainly to significant increases in Kyongnam Bank's net interest margin (NIN) and Busan Bank's interest income as a result of the bank's proactive risk management. In spite of continuing efforts to diversify the revenue sources, non-interest income slightly fell mainly due to the previous year's base effect from the one-time income of 49.2 billion won generated by the sale of its stake in Korea Housing and Urban Guarantee Corporation. Despite the corporate restructuring in the shipping and shipbuilding industries and the delay in the recovery of the domestic economy, consistent risk management resulted in a reduction of 18.5 billion won in transfer to reserves compared to the previous year. "Other operating expenses" increased by 18.6 billion won as depreciation rose due to expanded infrastructure investments in the banking business and increased severance payments to employees who voluntarily retired as part of efforts to streamline the workforce. BNK's net profit rose 16.1 billion won to 501.6 billion won from a year ago despite the challenging circumstances including low interest rates and corporate restructuring. The robust earnings are a result of BNK's profit-focused management. In 2017, BNK plans to concentrate its resources on raising its management efficiency by taking full advantage of the two-bank, one-process system.

(1) General Financial Information

A. Financial Status

(Unit: KRW 100 million, %)

Classification	2016 (A)	2015 (B)	Change (C=A-B)	Change(D=C/B)
I. Cash and due from banks	34,141	30,913	3,228	10.44
II. Financial assets designated at fair value through profit and loss	16,686	10,114	6,572	64.98
III. Available-for-sale financial assets	61,399	52,477	8,922	17.00
IV. Held-to-maturity financial assets	62,015	68,439	(6,424)	(9.39)
V. Loans and receivables	740,870	720,580	20,290	2.82
VI. Derivative assets	1,572	1,779	(207)	(11.64)
VII. Relationship business investment	324	350	(26)	(7.43)
VIII. Tangible assets	8,010	7,959	51	0.64
IX. Intangible assets	3,249	3,676	(427)	(11.62)
X. Investment of property	1,378	1,324	54	4.08
XI. Non-current assets held for sale	262	293	(31)	(10.58)
XII. Deferred tax assets	14	159	(145)	(91.19)
XIII. Other assets	4,902	4,732	170	3.59
Total assets	934,822	902,795	32,027	3.55
I. Deposits	676,044	643,615	32,429	5.04
II. Borrowings	63,327	60,258	3,069	5.09
III. Debentures	87,816	81,528	6,288	7.71
IV. Derivative liabilities	1,567	1,703	(136)	(7.99)
V. Retirement benefit obligation	75	230	(155)	(67.39)
VI. Provisions	1,084	1,490	(406)	(27.25)
VII. Current income tax liabilities	819	641	178	27.77
VIII. Deferred income tax liabilities	379	755	(376)	(49.80)
IX. Other liabilities	32,839	50,669	(17,830)	(35.19)
Total liabilities	863,950	840,889	23,061	2.74
I. Equity attributable to the owners of the parent company	67,826	58,862	8,964	15.23
1. Capital stock	16,297	12,797	3,500	27.35
2. Hybrid securities	2,593	2,593	0	0.00
3. Other paid-in capital	7,898	6,728	1,170	17.39
4. Elements of other stockholders' equity	21	240	(219)	(91.25)
5. Retained earnings	41,017	36,505	4,512	12.36
II. Non-controlling equity	3,046	3,045	1	0.03
Total equity	70,872	61,907	8,965	14.48
Total liabilities and equity	934,822	902,795	32,027	3.55

• The total assets (bank accounts) of the consolidated entity increased 3.55% to 3,202.7 billion won from a year ago.

• The total consolidated assets of Busan Bank amounted to 51,649.5 billion won, those of Kyongnam Bank, 35,559.5 billion won, those of BNK Investment, 1,064.1 billion won, those of BNK Capital, 4,692.6 billion won, and those of BNK Savings Bank, 769.1 billion won. Please see "3. Results by Type of Business" in "II. Contents of Business" for details on the financial status and operation performance of individual subsidiaries.

B. Operational Performance

(Unit: KRW 100 million, %)

Classification	2016 (A)	2015 (B)	Change (C=A-B)	Change(D=C/B)
I. Net interest income	21,404	20,340	1,064	5.23
II. Net commission income	1,681	2,045	(364)	(17.80)
III. Net income (loss) associated with financial assets designated at fair value through profit and loss	42	48	(6)	(12.50)
IV. Net income (loss) associated with available-for-sale financial assets	551	1,314	(763)	(58.07)
V. Other operating expenses, net	(4,314)	(4,473)	159	(3.55)
VI. General administration cost	(11,222)	(11,036)	(186)	1.69
VII. Other operating expenses, net	(1,019)	(1,276)	257	(20.14)
VIII. Operating income	7,123	6,962	161	2.31
IX. Non-operating income, net	(239)	39	(278)	(712.82)
X. Income before income tax expense	6,884	7,001	(117)	(1.67)
XI. Income tax expense	(1,703)	(1,696)	(7)	0.41
XII. Net income	5,181	5,305	(124)	(2.34)
1. Net income attributable to owners of the company	5,016	4,855	161	3.32
2. Net income attributable to non-controlling interests	165	450	(285)	(63.33)
XIII. Other comprehensive income (loss), net of tax	(218)	(2)	(216)	10,800.00
XIV. Total comprehensive income	4,963	5,302	(339)	(6.39)
1. Total comprehensive income attributable to owners of the company	4,798	4,861	(63)	(1.30)
2. Total comprehensive income attributable to non-controlling interests	165	441	(276)	(62.59)
XV. Earnings per share (KRW)	1,522	1,947	(425)	(21.83)

C. BIS Ratio

(Unit: KRW 100 million, %, %p)

Classification	2016	2015	Change
Equity capital	85,463	76,143	9,320
Core capital	66,330	52,956	13,374
Core Tier I capital	61,220	47,427	13,793
Risk-weighted Asset	664,788	651,379	13,409
BIS ratio	12.86	11.69	1.17
Tier I	9.98	8.13	1.85
CET1 ratio	9.21	7.28	1.93

The BIS capital adequacy ratio is used as an indicator to judge the appropriate level of capital resilience on risk-weighted assets held by the consolidated entity. A higher capital adequacy ratio can be evaluated as a high financial soundness.

The equity capital and risk-weighted assets of the consolidated entity are computed and managed under the Basel III capital regulations introduced in December 2013. As of the end of 2016, BIS capital adequacy ratio rose 1.17%p to 12.86%, Tier 1 capital ratio grew 1.85%p to 9.98%, and Core Tier 1 capital ratio increased 1.93%p to 9.21% from a year earlier. The gains in these ratios are attributed mainly to the capital increase made in early 2016. We will do our best to increase capital adequacy by maximizing cross-subsidiary synergies and implementing profit-oriented business activities.

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of BNK Financial Group Inc. (the "Company") and its subsidiaries (the "Consolidated Entity"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, respectively, and the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the BNK Financial Group Inc. and its subsidiaries as of December 31, 2016 and 2015, respectively, and its financial performance and its cash flows for the year then ended in accordance with K-IFRS.

March 15, 2017

10, Gukjegeumyung-ro, Youngdeungpo-gu, Seoul

Anjin Deloitte LLC
CEO Jong Ho Ham

咸鍾浩 

This report is effective as of March 15, 2017, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and 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, 2016	December 31, 2015	December 31, 2014
ASSETS			
I . CASH AND DUE FROM BANKS	3,414,050,510,649	3,091,259,795,281	3,206,316,978,580
II . INVESTMENT FINANCIAL ASSETS	14,009,939,527,972	13,103,066,976,373	12,226,359,372,039
1. Financial assets at fair value through profit or Loss (FVTPL)	1,668,566,686,612	1,011,442,821,218	885,064,112,441
2. Available-for-sale (AFS) financial assets	6,139,927,683,718	5,247,715,481,081	4,997,538,279,653
3. Held-to-maturity (HTM) financial assets	6,201,445,157,642	6,843,908,674,074	6,343,756,979,945
III . LOANS AND RECEIVABLES	74,087,010,344,356	72,057,993,312,851	66,555,893,244,087
IV . DERIVATIVE ASSETS	157,203,376,708	177,928,413,220	338,510,567,656
V . INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	32,350,879,977	34,951,476,778	-
VI . TANGIBLE ASSETS	801,044,562,958	795,929,110,164	793,389,725,103
VII . INTANGIBLE ASSETS	324,939,472,089	367,601,785,509	412,219,415,666
VIII . INVESTMENT OF PROPERTY	137,814,307,269	132,409,739,983	133,508,413,565
IX . NON-CURRENT ASSETS HELD FOR SALE	26,172,201,760	29,295,737,806	-
X . DEFERRED INCOME TAX ASSETS	1,432,682,560	15,886,357,038	-
XI . OTHER ASSETS	490,231,456,109	473,225,402,072	383,866,210,004
TOTAL ASSETS	93,482,189,322,407	90,279,548,107,075	84,050,063,926,700
LIABILITIES			
I . DEPOSITS	67,604,391,266,663	64,361,451,158,459	59,906,495,454,005
II . BORROWINGS	6,332,707,672,452	6,025,842,385,424	6,664,307,425,428
III . DEBENTURES	8,781,597,538,084	8,152,822,161,590	7,299,509,154,641
IV . DERIVATIVE LIABILITIES	156,714,181,965	170,331,267,224	290,544,299,745
V . RETIREMENT BENEFIT OBLIGATION	7,538,020,304	23,012,061,193	60,430,473,197
VI . PROVISIONS	108,431,694,771	149,008,521,243	195,701,320,579
VII . CURRENT INCOME TAX LIABILITIES	81,861,079,405	64,066,981,250	52,846,362,565
VIII . DEFERRED INCOME TAX LIABILITIES	37,879,396,951	75,473,596,589	48,337,434,682
IX . OTHER LIABILITIES	3,283,915,640,637	5,066,857,352,224	4,067,948,107,598
TOTAL LIABILITIES	86,395,036,491,232	84,088,865,485,196	78,586,120,032,440
SHAREHOLDERS' EQUITY			
I . EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING INTERESTS	6,782,618,382,474	5,886,216,134,196	4,765,683,316,153
1. Capital stock	1,629,676,230,000	1,279,676,230,000	1,171,899,495,000
2. Hybrid securities	259,277,011,000	259,277,011,000	-
3. Other paid-in capital	789,802,175,625	672,809,192,535	353,678,831,743
4. Other components of equity	2,190,823,969	23,958,713,189	23,363,971,072
5. Retained earnings	4,101,672,141,880	3,650,494,987,472	3,216,741,018,338
II . NON-CONTROLLING EQUITY	304,534,448,701	304,466,487,683	698,260,578,107
TOTAL EQUITY	7,087,152,831,175	6,190,682,621,879	5,463,943,894,260
TOTAL LIABILITIES AND EQUITY	93,482,189,322,407	90,279,548,107,075	84,050,063,926,700

BNK Financial Group – Consolidated Statements of Comprehensive Income

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
I. NET INTEREST INCOME	2,140,392,859,154	2,033,981,462,321	1,427,234,921,418
1. Interest income	3,256,535,300,338	3,319,185,191,036	2,495,772,998,558
2. Interest expenses	-1,116,142,441,184	-1,285,203,728,715	-1,068,538,077,140
II. NET FEE AND COMMISSION INCOME	168,061,892,618	204,483,110,776	114,208,590,167
1. Commission income	307,239,773,710	339,804,123,562	203,013,988,292
2. Commission expenses	-139,177,881,092	-135,321,012,786	-88,805,398,125
III. NET INCOME OF INVESTMENT FINANCIAL ASSETS		136,167,229,469	47,083,425,865
1. Net income of financial assets at FVTPL	4,230,436,908	4,750,945,468	13,731,467,299
2. Net income of AFS financial assets	55,069,047,007	131,416,284,001	33,351,958,566
IV. PROVISION FOR CREDIT LOSS	-431,383,707,796	-447,318,390,085	-266,360,634,030
V. NET OTHER OPERATING INCOME	-101,937,532,050	-1,231,137,101,589	-381,026,074,904
1. Net gain (loss) from foreign exchange trading	9,059,274,434	16,357,213,366	29,301,463,894
2. Net income from derivatives	17,535,784,993	26,088,518,506	7,975,470,594
3. General and administrative expenses	-1,122,152,339,883	-1,103,580,136,151	-751,503,545,769
4. Other operating revenues	218,031,443,287	163,314,012,181	542,240,362,274
5. Other operating expenses	-346,564,034,764	-333,316,709,491	-209,039,825,897
VI. OPERATING INCOME	712,280,655,958	696,176,310,892	941,140,228,516
VII. NON-OPERATING INCOME, NET	-23,876,683,315	3,884,599,231	-22,076,541,235
1. Share of Profit (Loss) of Associates	649,233,863	675,557,642	-
2. Non-operating income	21,018,927,311	37,505,701,566	13,728,941,831
3. Non-operating expense	-45,544,844,489	-34,296,659,977	-35,805,483,066
VIII. EARNINGS BEFORE INCOME TAX	688,403,972,643	700,060,910,123	919,063,687,281
IX. INCOME TAX EXPENSE	-170,289,570,788	-169,589,709,241	-99,395,490,266
X. NET INCOME	518,114,401,855	530,471,200,882	819,668,197,015
1. Net income attributable to controlling interests	501,610,990,837	485,512,282,267	809,768,902,209
2. Net income attributable to non-controlling interests	16,503,411,018	44,958,918,615	9,899,294,806
XI. OTHER COMPREHENSIVE INCOME	-21,767,889,220	-228,729,817	-3,684,060,738
1. Items that are not subsequently reclassified to profit or loss:	-1,254,889,923	-12,812,044,323	-28,012,783,828
1) Remeasurement elements of defined benefit plan	-1,254,889,923	-12,812,044,323	-28,012,783,828
2. Items that are subsequently reclassified to profit or loss	-20,512,999,297	12,583,314,506	24,328,723,090
1) Gain (loss) on fair value of AFS financial assets	-19,348,895,016	10,750,861,836	23,273,333,912
2) Gain on valuation of cash flow hedge	-	86,913,999	42,807,181
3) Gain (loss) on overseas operations translation	4,504,304,528	1,745,538,671	1,012,581,997
4) Loss on Valuation of Net Investment in Foreign Operations	-5,602,600,841	-	-
5) Gains on Valuation of Equity Method Securities	-65,807,968	-	-
XII. TOTAL COMPREHENSIVE INCOME	496,346,512,635	530,242,471,065	815,984,136,277
1. Total comprehensive income attributable to controlling interests	479,843,101,617	486,107,024,384	807,160,295,070
2. Total comprehensive income attributable to non-controlling interests	16,503,411,018	44,135,446,681	8,823,841,207
XIII. EARNINGS PER SHARE			
1. Basic and diluted net earnings per share (in currency units)	1,522	1,967	3,809

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

BNK FINANCIAL GROUP INC. 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 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
Issuance of common stock	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 of 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
Gain 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
Balance at January 1, 2015	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
Annual dividends	-	-	-	-	-46,875,979,800	-46,875,979,800	-	-46,875,979,800
Issuance of common stock	107,776,735,000	-	213,881,100,330	-	-	321,657,835,330	-	321,657,835,330
Issuance of hybrid securities	-	259,277,011,000	-	-	-	-259,277,011,000	-	259,277,011,000
Dividends for hybrid securities	-	-	-	-	-4,882,333,333	-4,882,333,333	-16,435,450,000	-21,317,783,333
Acquisition of treasury stock	-	-	-639,063,626	-	-	-639,063,626	-	-639,063,626
Disposal of treasury stock	-	-	303,352,252	-	-	303,352,252	-	303,352,252
Stock exchange with kyongnam bank	-	-	105,584,971,836	-	-	105,584,971,836	-426,721,137,807	-321,136,165,971
Changes from business combination	-	-	-	-	-	-	5,227,050,702	5,227,050,702
Total comprehensive income:	-	-	-	-	-	-	-	-
Net income	-	-	-	-	485,512,282,267	485,512,282,267	44,958,918,615	530,471,200,882
Other comprehensive loss:								
Remeasurement elements of defined benefit plans	-	-	-	-11,726,042,638	-	-11,726,042,638	-1,086,001,685	-12,812,044,323
Evaluation of AFS financial assets	-	-	-	10,599,633,955	-	10,599,633,955	151,227,881	10,750,861,836
Gain on overseas operations translation	-	-	-	1,745,538,671	-	1,745,538,671	-	1,745,538,671
Gains on valuation of cash flow hedge	-	-	-	-24,387,871	-	-24,387,871	111,301,870	86,913,999
Balance at December 31, 2015	1,279,676,230,000	259,277,011,000	672,809,192,535	23,958,713,189	3,650,494,987,472	5,886,216,134,196	304,466,487,683	6,190,682,621,879
Balance at January 1, 2016	1,279,676,230,000	259,277,011,000	672,809,192,535	23,958,713,189	3,650,494,987,472	5,886,216,134,196	304,466,487,683	6,190,682,621,879
Annual dividends	-	-	-	-	-38,388,058,650	-38,388,058,650	-	-38,388,058,650
Issuance of common stock	350,000,000,000	-	116,992,983,090	-	-	466,992,983,090	-	466,992,983,090
Dividends for hybrid bonds	-	-	-	-	-12,045,777,779	-12,045,777,779	-16,435,450,000	-28,481,227,779
Total Comprehensive income:								
Net income	-	-	-	-	501,610,990,837	501,610,990,837	16,503,411,018	518,114,401,855
Other comprehensive income (loss):								
Remeasurement elements of defined benefit plans	-	-	-	-1,254,889,923	-	-1,254,889,923	-	-1,254,889,923
Evaluation of AFS financial assets	-	-	-	19,348,895,016	-	19,348,895,016	-	19,348,895,016
Gain on overseas operations translation	-	-	-	4,504,304,528	-	4,504,304,528	-	4,504,304,528
Loss on Valuation of Net Investment in Foreign Operations	-	-	-	-5,602,600,841	-	-5,602,600,841	-	-5,602,600,841
Gains on Valuation of Equity Method Securities	-	-	-	65,807,968	-	65,807,968	-	65,807,968
Balance at December 31, 2016	1,629,676,230,000	259,277,011,000	789,802,175,625	2,190,823,969	4,101,672,141,880	6,782,618,382,474	304,534,448,701	7,087,152,831,175

BNK Financial Group _ Consolidated Statements of Cash Flows

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
I. CASH FLOWS FROM OPERATING ACTIVITIES	-1,125,805,874,331	746,420,688,192	-130,549,477,590
1. Net income	518,114,401,855	530,471,200,882	819,668,197,015
2. Adjustments for non-cash items	-1,465,565,808,122	-1,429,989,648,756	-1,404,517,827,818
Interest income	-3,256,535,300,338	-3,319,185,191,036	-2,495,772,998,558
Interest expenses	1,116,142,441,184	1,285,203,728,715	1,068,538,077,140
Net gain (loss) on financial assets at FVTPL	-4,230,436,908	-918,133,521	569,573,017
Net gain (loss) of available for sale financial assets	-55,069,047,007	-131,416,284,001	-33,351,958,566
Provision for credit loss	413,934,409,956	434,480,305,772	266,326,436,015
Gain (loss) on foreign currency translation	6,764,395,213	-5,169,347,644	-2,804,728,086
Net gain (loss) on valuation of derivative financial instruments	-3,636,579,221	-8,932,126,827	-15,586,054,358
Depreciation and amortization	139,347,140,175	134,629,140,265	76,462,727,578
Provision for severance benefits	52,710,261,498	49,463,297,958	29,870,945,933
Net other operating income (expense)	-62,403,002,356	-38,033,608,672	46,417,206,277
Share of profit (loss) of associates	-649,233,863	-675,557,642	-
Net gain (loss) on property, equipment and intangible assets	17,769,572,757	1,009,833,375	4,499,487,286
Net gain on disposal of non-current assets held for sale	-	-35,414,739	-1,160,974,199
Income tax expense	170,289,570,788	169,589,709,241	99,395,490,266
Gain from bargain purchase	-	-	-447,921,057,563
3. Changes in working capital	-2,148,619,232,720	-44,699,385,860	-130,549,477,590
Increase (decrease) in due from banks	-608,065,329,329	481,391,391,341	819,668,197,015
Increase (decrease) in financial assets at FVTPL	-653,695,434,701	-128,916,792,852	-1,404,517,827,818
Increase (decrease) in loans receivable	-2,417,411,748,247	-5,881,057,235,254	-3,584,198,906,706
Increase (decrease) derivative financial instruments	10,747,545,621	47,869,666,036	1,381,443,992
Increase (decrease) in other assets	-14,550,612,931	-99,269,463,290	-256,928,992,874
Increase (decrease) in deposits	3,232,671,961,957	4,488,943,518,409	3,717,517,013,206
Increase (decrease) in Provisions	-698,589,946	-4,275,034,690	-7,196,655,569
Increase (decrease) in other liabilities	-1,627,928,025,117	1,153,897,363,513	-283,445,614,282
Increase (decrease) in defined benefit liabilities	-24,405,821,118	-11,613,632,858	-16,419,913,185
Increase (decrease) in benefit plan assets	-45,283,178,909	-91,669,166,215	-17,399,427,433
4. Interest revenue received	3,249,847,466,121	3,268,714,895,559	2,652,632,764,159
5. Dividend income received	42,717,120,128	33,583,028,988	22,316,768,328
6. Interest expense paid	-1,172,027,620,962	-1,472,043,306,758	-721,926,116,916
7. Income tax paid	-150,272,200,631	-139,616,095,863	-36,605,069,082
II. CASH FLOWS FROM INVESTING ACTIVITIES	-371,881,886,098	-855,488,548,738	-1,237,468,526,924
Disposal of available for sale financial assets	5,079,414,744,384	8,325,382,928,279	2,578,227,294,655
Acquisition of available for sale financial assets	-5,978,920,384,209	-8,522,545,701,914	-2,758,052,672,275
Disposal of held-to-maturity financial assets	1,919,324,866,137	2,590,979,622,534	1,390,126,873,162
Acquisition of held-to-maturity financial assets	-1,272,785,562,669	-3,091,577,947,941	-1,306,771,516,721
Disposal of relationship business investment stock	30,838,187,140	-	-
Acquisition of relationship business investment stock*	-27,305,000,000	-	-
Disposal of property and equipment	614,749,921	1,115,973,271	1,956,448,430
Acquisition of property and equipment	-104,104,028,527	-105,066,952,655	-175,020,986,360
Disposal of intangible assets	550,671,014	1,393,854,706	404,810,727
Acquisition of intangible assets	-20,899,259,226	-17,004,759,578	-17,489,223,745
Business combination, net of cash acquired	-	-8,656,646,304	-780,396,976,076
Others	1,389,129,937	-29,508,919,136	-170,452,578,721
III. CASH FLOWS FROM FINANCING ACTIVITIES	1,197,840,457,604	436,095,461,897	1,366,428,864,949
Net Increase (decrease) in Borrowings	189,452,254,392	-601,723,816,606	-169,035,382,376
Increase in debentures	2,576,148,728,773	2,466,537,740,330	1,338,488,854,533
Redemption of debentures	-1,968,000,000,000	-1,618,926,250,000	-278,500,350,711
Issuance of common stock	466,992,983,090	-	511,655,526,746
Issuing hybrid bonds	-	259,277,011,000	-
Payment of dividends	-66,753,508,651	-68,193,763,133	-62,431,534,220
Others	-	-875,459,694	26,251,750,977
IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)	-299,847,302,825	327,027,601,351	-1,589,139,565
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,143,886,531,732	777,613,057,862	767,118,225,881
VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCY	14,572,688,864	39,245,872,519	12,083,971,546
VII. CASH AND CASH EQUIVALENTS, END OF YEAR	858,611,917,771	1,143,886,531,732	777,613,057,862

Busan Bank _ Consolidated Statements of Financial Position

BUSAN BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
ASSETS			
I . CASH AND DUE FROM BANKS	2,213,276,166,448	1,715,636,191,296	2,176,559,855,531
II . INVESTMENT FINANCIAL ASSETS	8,003,309,800,966	8,025,437,414,553	7,495,324,441,096
1. Financial assets at fair value through profit or Loss (FVTPL)	451,653,638,323	431,278,961,072	308,898,302,665
2. Available-for-sale (AFS) financial assets	3,597,650,243,158	3,050,122,462,436	2,908,812,798,173
3. Held-to-maturity (HTM) financial assets	3,954,005,919,485	4,544,035,991,045	4,277,613,340,258
III . LOANS AND RECEIVABLES	40,570,595,018,599	39,647,996,111,398	35,733,862,440,087
1. Loans	38,447,721,815,493	36,204,870,196,364	33,432,816,174,030
2. Receivables	2,122,873,203,106	3,443,125,915,034	2,301,046,266,057
IV . DERIVATIVE ASSETS	122,117,565,909	128,504,356,075	261,518,859,534
V . INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	33,822,909,973	25,066,442,336	-
VI . TANGIBLE ASSETS	543,833,923,271	532,773,012,132	551,904,244,496
VII . INTANGIBLE ASSETS	44,840,538,744	63,475,860,268	82,232,632,382
VIII . INVESTMENT OF PROPERTY	84,001,050,912	87,002,374,695	90,007,730,913
IX . NON-CURRENT ASSETS HELD FOR SALE	26,172,201,760	29,295,737,806	-
X . OTHER ASSETS	7,523,217,385	7,504,794,459	7,202,432,715
TOTAL ASSETS		50,262,692,295,018	46,398,612,636,754
LIABILITIES			
I . DEPOSITS	39,147,767,398,073	36,954,663,220,893	34,144,016,873,594
II . BORROWINGS	2,840,450,456,661	3,213,384,261,722	3,477,938,159,902
III . DEBENTURES	2,701,557,617,689	2,353,143,414,012	2,159,219,224,613
IV . DERIVATIVE LIABILITIES	124,703,480,153	123,822,353,040	254,438,657,622
V . NET DEFINED BENEFIT LIABILITIES	2,826,966,559	7,932,926,724	31,633,764,923
VI . PROVISIONS	23,542,947,619	26,119,495,961	43,234,677,222
VII . CURRENT INCOME TAX LIABILITIES	48,171,118,050	29,029,182,562	43,613,601,375
VIII . DEFERRED INCOME TAX LIABILITIES	40,906,131,586	61,931,249,768	55,853,432,782
IX . OTHER LIABILITIES	2,506,081,335,638	3,690,564,843,088	2,759,797,783,611
TOTAL LIABILITIES	47,436,007,452,028	46,460,590,947,770	42,969,746,175,644
EQUITY			
I . EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING INTERESTS	4,213,484,941,939	3,802,101,347,248	3,428,866,461,110
1. Capital stock	977,418,250,000	959,418,250,000	948,418,250,000
2. Hybrid securities	99,851,000,000	99,851,000,000	99,851,000,000
3. Other paid-in capital	395,780,618,000	233,870,092,000	134,924,946,000
4. Other components of equity	9,127,922,675	18,998,640,488	20,400,069,761
5. Retained earnings	2,731,307,151,264	2,489,963,364,760	2,225,272,195,349
(Provided reserve for bad debts at December 31, 2016			
Accumulated reserves: KRW 207,824,000,000			
Planned provision of regulatory reserve for credit loss: KRW 7,221,000,000			
Provided reserve for bad debts at December 31, 2015			
Accumulated reserves: KRW 141,428,000,000			
Planned provision of regulatory reserve for credit loss: KRW 66,396,000,000			
Provided reserve for bad debts at December 31, 2014:			
Accumulated reserves: KRW 118,899,000,000			
Planned provision of regulatory reserve for credit loss: KRW 22,529,000,000)			
II . NON-CONTROLLING INTERESTS	-	-	-
TOTAL EQUITY	4,213,484,941,939	3,802,101,347,248	3,428,866,461,110
TOTAL LIABILITIES AND EQUITY	51,649,492,393,967	50,262,692,295,018	46,398,612,636,754

Busan Bank _ Consolidated Statements of Comprehensive Income

BUSAN BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
I. NET INTEREST INCOME	1,152,256,335,220	1,095,673,264,006	1,087,324,511,877
1. Interest income	1,699,572,290,302	1,749,181,248,142	1,865,765,586,570
2. Interest expenses	-547,315,955,082	-653,507,984,136	-778,441,074,693
II. NET FEE AND COMMISSION INCOME	75,330,314,415	112,495,676,536	81,247,300,270
1. Commission income	159,371,847,341	188,809,431,348	143,096,062,963
2. Commission expenses	-84,041,532,926	-76,313,754,812	-61,848,762,693
III. NET INCOME OF INVESTMENT FINANCIAL ASSETS	33,972,613,004	50,052,741,262	35,103,830,886
1. Net gain (loss) on financial assets at FVTPL	-1,988,532,610	-3,228,417,332	4,573,496,351
2. Net income of AFS financial assets	35,961,145,614	53,281,158,594	30,530,334,535
IV. PROVISION FOR CREDIT LOSS	-189,840,540,254	-199,088,867,933	-139,917,915,383
V. OTHER OPERATING EXPENSES, NET	-645,110,298,210	-640,317,350,545	-606,910,192,399
1. Net gain (Loss) on foreign exchange	3,324,767,309	19,237,448,433	31,305,675,244
2. Net gain (loss) from derivatives	-4,425,686,825	2,483,664,992	-5,348,040,113
3. General and administrative expenses	-579,007,143,212	-577,156,094,710	-533,038,260,431
4. Other operating income	48,892,756,475	28,778,851,020	25,128,358,229
5. Other operating expenses	-113,894,991,957	-113,661,220,280	-124,957,925,328
VI. OPERATING INCOME	426,608,424,175	418,815,463,326	456,847,535,251
VII. NON-OPERATING INCOME, NET	-5,680,807,810	-3,884,710,879	-17,858,166,807
1. Non-operating income	10,444,044,840	11,685,968,341	10,605,824,798
2. Non-operating expenses	-16,124,852,650	-15,570,679,220	-28,463,991,605
VIII. INCOME BEFORE INCOME TAX EXPENSE	420,927,616,365	414,930,752,447	438,989,368,444
IX. INCOME TAX EXPENSE	-94,062,617,011	-94,589,550,386	-83,787,175,172
X. NET INCOME	326,864,999,354	320,341,202,061	355,202,193,272
(X. NET INCOME (Net income after provision of reserve for bad debts: 319,644 million in 2016, 253,945 million in 2015 and 332,673 million in 2014)			
XI. OTHER COMPREHENSIVE INCOME (LOSS)	-9,870,717,813	-1,401,429,273	94,817,785
Items that are not subsequently reclassified to profit or loss:	74,482,099	-4,956,204,833	-22,186,114,624
1. Remeasurement elements of defined benefit plan	74,482,099	-4,956,204,833	-22,186,114,624
Items that are subsequently reclassified to profit or loss	-9,945,199,912	3,554,775,560	22,280,932,409
1. Gain (loss) on fair value of AFS financial assets	-8,273,674,790	1,406,321,662	21,259,889,289
2. Gain (loss) on overseas operations translation	3,931,075,719	2,148,453,898	1,021,043,120
3. Loss on Valuation of Net Investment in Foreign Operations	-5,602,600,841	-	-
XII. TOTAL COMPREHENSIVE INCOME	316,994,281,541	318,939,772,788	355,297,011,057
XIII. NET INCOME ATTRIBUTABLE TO :			
1. Owners of the company	326,864,999,354	320,341,202,061	355,202,193,272
2. Non-controlling interests	-	-	-
XIV. TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :			
1. Owners of the company	316,994,281,541	318,939,772,788	355,297,011,057
2. Non-controlling interests	-	-	-
XV. EARNINGS PER SHARE			
1. Basic and diluted net earnings per share (in currency units)	1,647	1,650	1,843

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, 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
Total Comprehensive Income:								
Net income	-	-	-	-	355,202,193,272	355,202,193,272	-	355,202,193,272
Remeasurement elements of defined benefit plan	-	-	-	-22,186,114,624	-	-22,186,114,624	-	-22,186,114,624
Gain (loss) on fair value of AFS financial assets	-	-	-	21,259,889,289	-	21,259,889,289	-	21,259,889,289
Gain (loss) on overseas operations translation	-	-	-	1,021,043,120	-	1,021,043,120	-	1,021,043,120
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
Balance at January 1, 2015	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
Payment of interim dividends	-	-	-	-	-50,081,632,650	-50,081,632,650	-	-50,081,632,650
Dividends for hybrid bonds	-	-	-	-	-5,568,400,000	-5,568,400,000	-	-5,568,400,000
Issuance of common stock	11,000,000,000	-	98,945,146,000	-	-	109,945,146,000	-	109,945,146,000
Total Comprehensive Income:								
Net income	-	-	-	-	320,341,202,061	320,341,202,061	-	320,341,202,061
Remeasurement elements of defined benefit plan	-	-	-	-4,956,204,833	-	-4,956,204,833	-	-4,956,204,833
Gain (loss) on fair value of AFS financial assets	-	-	-	1,406,321,662	-	1,406,321,662	-	1,406,321,662
Gain (loss) on overseas operations translation	-	-	-	2,148,453,898	-	2,148,453,898	-	2,148,453,898
Balance at December 31, 2015	959,418,250,000	99,851,000,000	233,870,092,000	18,998,640,488	2,489,963,364,760	3,802,101,347,248	-	3,802,101,347,248
Balance at January 1, 2016	959,418,250,000	99,851,000,000	233,870,092,000	18,998,640,488	2,489,963,364,760	3,802,101,347,248	-	3,802,101,347,248
Payment of interim dividends	-	-	-	-	-79,952,812,850	-79,952,812,850	-	-79,952,812,850
Dividends for hybrid bonds	-	-	-	-	-5,568,400,000	-5,568,400,000	-	-5,568,400,000
Issuance of common stock	18,000,000,000	-	161,910,526,000	-	-	179,910,526,000	-	179,910,526,000
Total Comprehensive Income:								
Net income	-	-	-	-	326,864,999,354	326,864,999,354	-	326,864,999,354
Remeasurement elements of defined benefit plan	-	-	-	74,482,099	-	74,482,099	-	74,482,099
Gain (loss) on fair value of AFS financial assets	-	-	-	-8,273,674,790	-	-8,273,674,790	-	-8,273,674,790
Gain (loss) on overseas operations translation	-	-	-	3,931,075,719	-	3,931,075,719	-	3,931,075,719
Loss on Valuation of Net Investment in Foreign Operations	-	-	-	-5,602,600,841	-	-5,602,600,841	-	-5,602,600,841
Balance at December 31, 2016	977,418,250,000	99,851,000,000	395,780,618,000	9,127,922,675	2,731,307,151,264	4,213,484,941,939	-	4,213,484,941,939

Busan Bank _ Consolidated Statements of Cash Flows

BUSAN BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
I. CASH FLOWS FROM OPERATING ACTIVITIES	-158,484,096,430	432,070,958,134	482,809,419,320
1. Net income	326,864,999,354	320,341,202,061	355,202,193,272
2. Adjustments for non-cash items	-829,287,413,298	-763,448,744,804	-807,162,119,014
Interest income	-1,699,572,290,302	-1,749,181,248,142	-1,865,765,586,570
Interest expenses	547,315,955,082	653,507,984,136	778,441,074,693
Net income of financial assets at FVTPL	1,981,933,164	2,028,396,372	-1,338,156,361
Net income of AFS financial assets	-35,961,145,614	-53,281,158,594	-30,530,334,535
Provision for credit loss	185,547,386,011	204,860,763,805	141,397,123,611
Gain (loss) on foreign currency translation	5,414,081,417	-15,041,966,838	-6,031,963,335
Net gain (loss) on valuation of derivative financial instruments	3,662,704,904	-5,391,236,466	-8,212,175,561
Depreciation	68,656,797,150	69,127,572,383	58,215,596,974
Provision for severance benefits	26,477,256,898	26,822,511,056	21,751,877,542
Net other operating income (expense)	-27,261,139,180	8,327,158,521	21,793,680,342
Share of profit (loss) of associates	-537,032,211	-66,442,336	-
Net gain (loss) on property, equipment and intangible assets	243,570,941	284,785,652	490,543,213
Net gain on disposal of non-current assets held for sale	523,536,046	-35,414,739	-1,160,974,199
Income tax expense	94,062,617,011	94,589,550,386	83,787,175,172
Other Adjustments	158,355,385	-7,021,284	-
3. Changes in working capital	-702,704,881,272	43,354,173,270	-83,392,340,370
Net decrease (increase) due from banks	-506,461,405,016	542,007,686,882	-673,104,829,019
Net decrease (increase) in financial assets at FVTPL	-22,356,610,415	-124,442,334,779	-22,093,219,159
Net increase in loans	-2,447,091,624,349	-2,989,047,228,485	-2,969,826,477,555
Increase in Receivables	1,334,558,854,017	-1,055,498,698,883	-12,952,461,359
Increase (decrease) derivative financial instruments	3,608,227,522	6,146,489,726	30,882,001,525
decrease (increase) in other assets	-222,252,778	-342,675,338	313,747,880
Net increase in deposits	2,192,959,437,857	2,819,744,767,793	3,570,776,072,006
Increase (decrease) in other liabilities	-1,226,110,754,351	902,250,315,219	21,387,739,112
Increase (decrease) in net defined benefit liabilities	-31,484,955,719	-57,061,878,058	-28,774,913,801
Increase (decrease) in provisions	-103,798,040	-402,270,807	-
4. Interest revenue received	1,693,106,332,853	1,668,983,870,367	1,843,298,132,054
5. Dividend received	17,530,515,639	17,321,393,248	20,766,203,307
6. Interest expense paid	-571,199,187,361	-751,832,205,806	-800,517,839,538
7. Income tax paid	-92,794,462,345	-102,648,730,202	-45,384,810,391
II. CASH FLOWS FROM INVESTING ACTIVITIES	11,542,777,903	-424,761,500,689	-72,588,282,370
Disposal of available for sale financial assets	2,835,635,469,535	5,705,780,402,056	2,049,276,739,600
Acquisition of available for sale financial assets	-3,372,860,096,694	-5,812,253,596,953	-2,146,322,545,664
Disposal of held-to-maturity financial assets	1,375,929,462,249	2,161,368,151,531	1,168,758,756,162
Acquisition of held-to-maturity financial assets	-771,759,702,763	-2,409,644,337,311	-1,055,852,453,000
Acquisition of investments in subsidiaries and associates	-8,500,000,000	-25,000,000,000	-
Disposal of investments in subsidiaries and associates	218,387,140	-	-
Disposal of property and equipment	228,903,501	396,409,000	1,612,841,379
Acquisition of property and equipment	-56,862,779,662	-53,403,614,446	-143,329,400,241
Disposal of intangible assets	250,000,000	260,000,000	-
Acquisition of intangible assets	-1,534,262,772	-6,837,921,600	-5,816,229,935
Disposal of non-current assets held for sale	2,600,000,000	2,210,000,000	11,819,872,224
Increase in others	8,197,397,369	12,363,007,034	47,264,137,105
III. CASH FLOWS FROM FINANCING ACTIVITIES	123,162,634,766	69,063,648,528	-665,255,953,622
Increase (decrease) in debts	-369,382,554,787	-252,177,992,335	-400,333,484,861
Increase in debentures	430,364,674,373	399,630,845,378	449,619,692,894
Redemption of debentures	-100,000,000,000	-242,926,250,000	-454,339,800,000
Issuance of common stock	179,910,526,000	109,945,146,000	-
Payment of dividends	-85,521,212,850	-55,650,032,650	-404,602,343,624
Increase in others	67,791,202,030	110,241,932,135	144,399,981,969
IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)	-23,778,683,761	76,373,105,973	-255,034,816,672
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	540,887,823,932	459,803,801,285	697,431,127,308
VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCY	14,957,253,897	4,710,916,674	17,407,490,649
VII. CASH AND CASH EQUIVALENTS, END OF YEAR	532,066,394,068	540,887,823,932	459,803,801,285

Kyongnam Bank _ Consolidated Statements of Financial Position

KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
ASSETS			
Cash & cash equivalents	333,610,976,434	404,398,724,057	467,891,410,119
Financial assets at fair value through profit or Loss (FVTPL)	321,757,821,329	225,952,434,094	307,156,908,720
Available-for-sale (AFS) financial assets	2,520,324,651,880	2,177,936,191,943	2,069,437,895,142
Held-to-maturity (HTM) financial assets	2,233,564,895,800	2,276,197,198,549	2,019,883,245,170
Loans and receivables	29,615,946,250,470	29,006,714,326,481	27,481,373,908,853
Investments in subsidiaries and associates	43,050,522,392	60,017,919,114	-
Investment of Property	21,837,072,959	13,965,529,461	12,012,372,294
Tangible Assets	233,165,787,114	243,038,162,791	220,652,962,005
Intangible Assets	89,147,338,596	73,808,960,895	83,426,207,605
Other Assets	86,336,664,784	92,659,986,953	121,403,804,161
Current Tax Assets	-	-	5,703,372,212
Net defined benefit cost asset	1,200,869,983	-	-
Deferred Tax Assets	59,589,769,315	67,303,575,071	65,694,294,608
TOTAL ASSETS	35,559,532,621,056	34,641,993,009,409	32,854,636,380,889
LIABILITIES			
Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)	44,568,353,464	46,380,674,184	35,650,339,744
Deposits	28,115,396,598,251	26,897,703,891,003	25,147,247,923,362
Borrowings	2,394,931,696,848	2,325,044,702,956	2,598,289,894,799
Debentures	1,448,975,524,964	1,549,020,356,719	1,565,044,587,176
Retirement Benefit Obligation	-	10,942,435,490	24,598,600,934
Provisions	84,102,988,512	122,130,163,544	151,756,477,360
Current income tax liabilities	16,258,865,543	21,562,456,609	0
Others financial liabilities	583,994,738,517	1,183,981,545,499	1,148,685,042,037
Other liabilities	23,783,269,934	27,619,540,784	36,169,845,865
Derivative liabilities	-	0	428,302,379
TOTAL LIABILITIES	32,712,012,036,033	32,184,385,766,788	30,707,871,013,656
EQUITY			
Equity attributable to the owners of controlling interests	2,847,520,585,023	2,457,607,242,621	2,146,765,367,233
Capital stock	432,104,560,000	407,104,560,000	392,104,560,000
Hybrid Securities	199,698,980,000	199,698,980,000	199,698,980,000
Other Paid-in Capital	667,581,959,098	1,042,599,774,556	1,101,970,610,882
Other components of equity	-7,498,928,961	9,693,112,723	48,742,019,289
Retained earnings	1,555,634,014,886	798,510,815,342	404,249,197,062
(Provided reserve for bad debts at December 31, 2016:			
Accumulated reserves	KRW 262,062 million		
Planned provision of regulatory reserve for credit loss	KRW 8,396 million		
Provided reserve for bad debts at December 31, 2015:			
Accumulated reserves	KRW 238,442 million		
Planned provision of regulatory reserve for credit loss	KRW 23,620 million		
Provided reserve for bad debts at December 31, 2014:			
Accumulated reserves			
Non-accumulation of reserve	KRW 196,530 million		
Provision of regulatory reserve for credit loss	KRW 41,912 million		
Planned provision of regulatory reserve for credit loss	KRW 238,442 million)		
Non-controlling interests	-	-	-
TOTAL EQUITY	2,847,520,585,023	2,457,607,242,621	2,146,765,367,233
TOTAL LIABILITIES AND EQUITY	35,559,532,621,056	34,641,993,009,409	32,854,636,380,889
SUBSIDIARIES INCLUDED IN CONSOLIDATION	16	16	20

Kyongnam Bank _ Consolidated Statements of Comprehensive Income

KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
Net interest income	784,656,336,855	726,628,612,640	698,057,456,481
Interest revenues	1,197,929,766,915	1,242,017,205,386	1,341,239,449,368
Interest expenses	413,273,430,060	515,388,592,746	643,181,992,887
Net commission income	46,314,336,048	53,620,043,895	40,111,292,085
Commission revenues	95,276,366,724	100,032,375,623	85,852,278,365
Commission expenses	48,962,030,676	46,412,331,728	45,740,986,280
Dividend income	14,937,164,139	16,153,158,563	9,559,440,629
Gain (loss) on fair value through profit or loss assets	10,114,017,420	13,671,599,639	35,210,548,247
Gain (loss) on available-for-sale financial assets	11,264,105,145	65,280,405,763	4,216,474,660
Gains (losses) on held-to-maturity investments	-9,424,607	-	-
Impairment losses due to credit loss	144,566,556,627	144,234,376,212	-177,751,212,953
General and administrative expenses	399,449,102,554	387,842,311,454	-363,111,833,801
Net other operating income (expense)	-55,368,611,344	-82,642,835,789	-120,931,139,048
Operating income	267,892,264,475	260,634,297,045	125,361,026,300
Net other non-operating income	-619,187,865	9,207,226,393	-6,035,974,444
Share of profit (loss) of associates	1,352,224,600	741,999,978	-
Income before income tax expense	268,625,301,210	270,583,523,416	119,325,051,856
Income tax expense	60,460,192,804	60,045,855,136	27,144,550,868
Net income	208,165,108,406	210,537,668,280	92,180,500,988
Other comprehensive income (loss), net of tax	-17,192,041,684	-39,048,906,566	12,002,720,371
Items that are not subsequently reclassified to profit or loss:	120,867,516	-6,705,337,801	-9,435,608,862
Remeasurement elements of defined benefit plan	120,867,516	-6,705,337,801	-9,435,608,862
Items that are subsequently reclassified to profit or loss	-17,312,909,200	-32,343,568,765	21,438,329,233
Gain (loss) on fair value of AFS financial assets	-17,312,909,200	-32,602,238,564	21,696,999,032
Gain (loss) on valuation of cash flow hedge	-	258,669,799	-258,669,799
Current total comprehensive income	190,973,066,722	171,488,761,714	104,183,221,359
Net income attributable to:	208,165,108,406	210,537,668,280	92,180,500,988
Net income attributable to owners	208,165,108,406	210,537,668,280	89,440,304,680
Net income attributable to non-controlling interests	-	-	2,740,196,308
Total comprehensive income attributable to:	190,973,066,722	171,488,761,714	104,183,221,359
Total comprehensive income attributable to owners of the company	190,973,066,722	171,488,761,714	101,443,025,051
Total comprehensive income attributable to non-controlling interests	-	-	2,740,196,308
Basic and diluted net earnings per share (in currency units)	2,298	2,515	1,083

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	-
Changes in equity due 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
Balance at January 1, 2015	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
Issuance of common stock	15,000,000,000	-	134,925,503,000	-	-	149,925,503,000	-	149,925,503,000
Reserve of retained earnings	-	-	-194,591,000,000	-	194,591,000,000	-	-	-
Dividends for hybrid bonds	-	-	-	-	-10,867,050,000	-10,867,050,000	-	-10,867,050,000
Net income	-	-	-	-	210,537,668,280	210,537,668,280	-	210,537,668,280
Disposal of treasury stock	-	-	294,660,674	-	-	294,660,674	-	294,660,674
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	-32,602,238,564	-	-32,602,238,564	-	-32,602,238,564
Gain (loss) on valuation of cash flow hedge	-	-	-	258,669,799	-	258,669,799	-	258,669,799
Remeasurement elements of defined benefit plan	-	-	-	-6,705,337,801	-	-6,705,337,801	-	-6,705,337,801
Balance at December 31, 2015	407,104,560,000	199,698,980,000	1,042,599,774,556	9,693,112,723	798,510,815,342	2,457,607,242,621	-	2,457,607,242,621
Balance at January 1, 2016	407,104,560,000	199,698,980,000	1,042,599,774,556	9,693,112,723	798,510,815,342	2,457,607,242,621	-	2,457,607,242,621
Dividends Capital Stock	-	-	-	-	-30,044,316,528	-30,044,316,528	-	-30,044,316,528
Interim Dividend Capital Stock	-	-	-	-	-10,024,825,792	-10,024,825,792	-	-10,024,825,792
Issuance of common stock	25,000,000,000	-	224,876,468,000	-	-	249,876,468,000	-	249,876,468,000
Reserve of retained earnings	-	-	-600,000,000,000	-	600,000,000,000	-	-	-
Dividends for hybrid bonds	-	-	-	-	-10,867,050,000	-10,867,050,000	-	-10,867,050,000
Net income	-	-	-	-	208,165,108,406	208,165,108,406	-	208,165,108,406
Reserve for loss on disposal of treasury stock	-	-	105,716,542	-	-105,716,542	-	-	-
Gain (loss) on valuation of cash flow hedge	-	-	-	-17,312,909,200	-	-17,312,909,200	-	-17,312,909,200
Remeasurement elements of defined benefit plan	-	-	-	120,867,516	-	120,867,516	-	120,867,516
Balance at December 31, 2016	432,104,560,000	199,698,980,000	667,581,959,098	-7,498,928,961	1,555,634,014,886	2,847,520,585,023	-	2,847,520,585,023

Kyongnam Bank _ Consolidated Statements of Cash Flows

KYONGNAM BANK AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
I. CASH FLOWS FROM OPERATING ACTIVITIES	113,733,114,933	541,648,316,346	-367,745,486,935
1. New income	208,165,108,406	210,537,668,280	57,639,492,583
2. Adjustments for non-cash items	-739,133,308,190	-682,735,916,067	-454,715,742,772
Income tax expense	60,460,192,804	60,045,855,136	18,638,381,338
Interest income	-1,197,929,766,915	-1,242,017,205,386	-897,366,983,578
Interest expense	413,273,430,060	515,388,592,746	428,730,594,237
Dividend income	-14,937,164,139	-16,153,158,563	-4,717,734,769
3. Add expense without cash used	215,382,514,458	207,622,862,093	151,797,398,631
Loss on valuation of financial assets at FVTPL	1,484,503,578	364,895,542	-
Impairment loss on AFS financial assets	4,601,494,453	2,975,598,109	-
Losses on disposals of Available-for-sale financial assets	216,058,288	-	-
Losses on disposals of held-to-maturity assets	19,823,757	-	-
Losses on disposals of tangible assets	224,020,634	626,983,091	122,448,068
Losses on disposals of intangible assets	-	115,381,200	-
Depreciation Expenses on investment of property	135,188,800	107,505,780	62,251,610
Depreciation expenses on tangible assets	21,388,599,466	18,773,480,963	11,091,099,428
Depreciation expenses on intangible assets	21,984,408,931	19,931,981,502	5,607,552,153
Provision for severance benefits	20,643,669,865	18,557,461,582	9,961,882,188
Contribution to other provisions liabilities	13,831,842	1,481,302,727	2,133,222,712
Losses on Valuation of Derivative Instruments	-	66,513,583	-
Loss on foreign currency translation, net	104,358,217	387,381,802	1,421,993,871
Impairment losses due to credit loss	144,566,556,627	144,234,376,212	121,396,948,601
4. Deduction revenue without cash provided	-60,143,501,761	-101,000,271,569	-20,879,978,062
Gains on valuation of financial assets at FVTPL	140,764,341	399,470,422	5,786,009,295
Net gain (loss) on valuation of derivative financial instruments	3,655,635,009	3,555,200,361	2,416,007,846
Gain on disposal of AFS financial assets	16,081,657,886	68,256,003,872	5,803,303,053
Reversal of impairment loss on AFS financial assets	-	-	1,672,112,687
Reversal of other provisions liabilities	10,399,150	-	-
Share of profit (loss) of associates	36,185,413,110	25,398,038,006	-
Reversal of other reserves	81,891,225	-	-
Gains on investments in associates	1,352,224,600	741,999,978	-
Gains on disposals of property, plant and equipment	248,870,780	21,178,521	47,191,414
Gains on Disposal of Intangible Assets	-	3,133,810	-
Gain on foreign currency translation, net	2,386,645,660	2,625,246,599	5,155,353,767
5. Changes on Asset and liability according to operations	-224,091,183,561	224,983,711,094	-575,807,484,105
Net Increase (decrease) in financial assets at FVTPL	-93,493,491,463	84,794,249,867	110,124,920,237
Net increase loans and receivables	-760,302,384,408	-1,688,317,995,601	-1,006,101,312,621
Net decrease in other assets	6,405,213,394	28,677,303,625	26,596,597,102
Net increase (decrease) of financial assets at FVTPL	-1,812,320,720	10,643,285,094	1,259,628,444
Net increase in deposits	1,217,690,260,032	1,750,057,996,353	577,259,677,916
Net decrease in Defined benefit obligation	-5,495,833,528	-1,739,726,160	-2,223,586,785
Net increase in plan assets	-27,131,685,984	-39,319,992,951	-1,429,933,744
Net decrease of provision liabilities	-767,289,349	-3,464,702,300	-19,089,840,313
Increase (decrease) of others financial liabilities	-556,215,486,976	92,018,241,775	-258,946,213,889
Net decrease of other liabilities	-2,968,164,559	-8,364,948,608	-3,257,420,452
6. Income tax paid	-52,561,226,017	-21,922,505,473	-46,682,859,075
7. Interest revenue received	1,207,425,220,184	1,256,329,440,004	912,628,681,566
8. Interest expense paid	-456,684,859,864	-568,895,911,443	-396,442,730,470
9. Dividend income	15,374,351,278	16,729,239,427	4,717,734,769
II. CASH FLOWS FROM INVESTING ACTIVITIES	-355,172,211,747	-456,703,425,246	-32,899,058,989
1. Cash inflows resulting from investing activities	2,817,497,756,595	3,048,674,660,517	1,866,286,768,919
Disposal of available for sale financial assets	2,243,133,751,287	2,619,602,526,223	1,396,760,607,856
Redemption of held-to-maturity financial assets	543,387,708,888	427,617,231,114	469,408,311,063
Disposal of investments in associates	30,619,800,000	-	-
Disposal of property and equipment	356,496,420	623,655,180	97,850,000
Disposal of intangible assets	-	831,248,000	200,000,000
2. Cash outflows resulting from investing activities	-3,172,669,968,342	-3,505,378,085,763	-1,899,185,827,908
Disposal of available for sale financial assets	2,602,768,988,034	2,710,611,466,861	1,342,769,751,702
Acquisition of held-to-maturity financial assets	500,027,219,694	681,933,610,630	441,657,910,588
Acquisition of investment assets in associates	12,805,000,000	57,295,000,000	-
Acquisition of property and equipment	38,543,822,186	47,555,814,500	89,821,836,874
Acquisition of intangible assets	18,524,938,428	7,982,193,772	24,936,328,744
III. CASH FLOWS FROM FINANCING ACTIVITIES	168,369,061,748	-150,675,441,959	389,736,724,576
1. Cash inflows resulting from financial activities	55,150,691,321,625	56,091,657,779,780	31,674,000,984,887
Increase in debts	54,501,175,136,825	55,541,881,564,754	31,224,000,984,887
Increase in issued debenture	399,639,716,800	399,556,051,352	450,000,000,000
Issuance of common stock	249,876,468,000	149,925,503,000	-
Disposal of treasury stock	-	294,660,674	-
2. Cash outflows resulting from financial activities	-54,982,322,259,877	-56,242,333,221,739	-31,284,264,260,311
Decrease in debts	54,431,386,067,557	55,815,466,171,739	31,099,345,710,488
Decrease in issued debenture	500,000,000,000	416,000,000,000	180,000,000,000
Acquisition of treasury stock	-	-	400,377,216
Payment of dividends	40,069,142,320	-	4,518,172,607
Dividends for hybrid bonds	10,867,050,000	10,867,050,000	-
IV. NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	-73,070,035,066	-65,730,550,859	-10,907,821,348
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	404,398,724,057	467,891,410,119	475,065,871,571
VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCY	2,282,287,443	2,237,864,797	3,733,359,896
VII. CASH AND CASH EQUIVALENTS, END OF YEAR	333,610,976,434	404,398,724,057	467,891,410,119

BNK Securities – Consolidated Statements of Financial Position

BNK SECURITIES AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
ASSETS			
I. CASH & DUE FROM BANKS	61,013,856,301	59,841,526,326	75,770,368,171
1. Cash & cash equivalents	24,456,078,082	11,015,029,217	22,939,821,770
2. Due from banks	36,557,778,219	48,826,497,109	52,830,546,401
II. INVESTMENT SECURITIES	908,387,233,405	372,807,264,544	362,724,083,287
1. Financial assets designated at fair value through profit and loss	888,460,749,193	355,592,265,834	345,919,924,941
2. Financial investments - available-for-sale	19,926,484,212	17,214,998,710	16,804,158,346
III. LOANS & RECEIVABLES	85,350,035,093	100,065,580,465	63,803,564,293
1. Loans	52,137,218,057	72,807,092,168	43,105,802,521
2. Receivables	33,212,817,036	27,258,488,297	20,697,761,772
IV. TANGIBLE ASSETS	2,751,531,506	1,289,271,553	1,757,844,351
V. INTANGIBLE ASSETS	1,065,231,121	1,166,832,358	1,445,758,019
VI. OTHERS	5,552,618,923	4,773,683,740	6,455,465,758
TOTAL ASSETS	1,064,120,506,349	539,944,158,986	511,957,083,879
LIABILITIES			
I. DEPOSITS	64,747,266,000	71,926,448,735	84,739,649,517
1. Won deposits	51,043,607,928	61,111,417,514	77,952,515,578
2. Foreign currency deposits	13,703,658,072	10,815,031,221	6,787,133,939
II. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)	219,287,496,654	10,640,920,000	21,127,693,040
1. Financial liabilities of trading securities	219,181,926,654	10,512,680,000	21,100,693,040
2. Derivative liabilities	105,570,000	128,240,000	27,000,000
III. BORROWINGS	533,143,592,289	273,407,890,746	266,159,218,275
1. Borrowings	95,000,000,000	65,637,626,301	49,600,000,000
2. Bonds sold under repurchase agreement (RP)	438,143,592,289	207,770,264,445	216,559,218,275
IV. RETIREMENT BENEFIT OBLIGATION	946,771,374	626,982,058	566,003,922
V. CURRENT INCOME TAX LIABILITIES	436,170,950	1,134,798,035	688,307,795
VI. DEFERRED INCOME TAX LIABILITIES	2,119,265,764	1,810,893,620	1,946,775,455
VII. PROVISIONS	287,731,271	201,389,215	198,104,539
VIII. OTHER LIABILITIES	29,024,847,222	24,928,775,629	18,948,605,988
TOTAL LIABILITIES	849,993,141,524	384,678,098,038	394,374,358,531
SHAREHOLDERS' EQUITY			
I. EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING EQUITY	155,266,060,948	155,266,060,948	117,582,725,348
1. Capital stock	93,000,000,000	88,000,000,000	85,000,000,000
2. Other paid-in capital	71,961,566,000	26,985,600,000	-
3. RETAINED EARNINGS	43,355,281,090	33,999,079,127	26,201,690,869
(Provided reserve for bad debts at December 31, 2016			
KRW 871,076,476			
Planned provision of regulatory reserve for credit loss :			
KRW 62,442,253			
Provided reserve for bad debts at December 31, 2015			
KRW 226,687,900			
Planned provision of regulatory reserve for credit loss :			
KRW 644,388,576)			
4. OTHER CAPITAL COMPONENTS	5,810,517,735	6,281,381,821	6,381,034,479
II. NON-CONTROLLING INTERESTS	-	-	-
TOTAL EQUITY	214,127,364,825	155,266,060,948	117,582,725,348
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	1,064,120,506,349	539,944,158,986	511,957,083,879

BNK Securities – Consolidated Statements of Comprehensive Income

BNK SECURITIES AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
I. OPERATING REVENUE	157,749,551,370	138,510,951,975	108,161,691,198
1. Commission revenues	31,516,023,792	32,878,377,311	23,001,016,797
2. Net gain on financial instruments at FVTPL	109,559,549,734	92,449,334,428	71,664,615,886
3. Interest Revenue	15,851,795,600	12,126,346,048	12,844,559,095
4. Gains On Loan Receivables	2,789,695	446,874,590	3,078,959
5. Gains On Foreign Exchange	636,174,536	514,118,494	200,576,817
6. Other operating income	183,218,013	95,901,104	447,843,644
II. OPERATING EXPENSES	145,231,104,697	128,302,092,207	100,229,527,566
1. Fee and Commission Expense	9,437,336,980	10,980,722,328	4,769,285,853
2. Net loss on financial instruments at FVTPL	92,096,324,527	77,525,647,653	57,624,819,329
3. Interest expense	7,869,900,522	6,546,791,615	7,528,553,379
4. Losses on sale of loans	-	187,874,057	-
5. Expenses on Foreign Exchange	636,174,544	514,120,099	200,430,841
6. General and administrative expenses	35,087,784,151	32,524,817,096	29,965,608,962
7. Others	103,583,973	22,119,359	140,829,202
III. OPERATING INCOME	12,518,446,673	10,208,859,768	7,932,163,632
IV. NON-OPERATING REVENUE	143,188,309	278,240,650	9,416,269
V. NON-OPERATING EXPENSE	15,818,713	145,123,026	223,473,437
VI. INCOME BEFORE INCOME TAXES EXPENSES	12,645,816,269	10,341,977,392	7,718,106,464
VII. INCOME TAX EXPENSE	3,289,614,306	2,544,589,134	1,984,334,845
VIII. NET INCOME	9,356,201,963	7,797,388,258	5,733,771,619
(Net income after provision of reserve for bad debts: KRW 9,418,644,216 in 2016 and KRW 7,152,999,682 in 2015)			
IX. OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	-470,864,086	-99,652,658	-89,094,064
1. Items that are not subsequently reclassified to profit or loss:			
Remeasurement elements of defined benefit plan	-483,968,115	-138,707,545	-118,436,872
Tax that are not reclassified to profit or loss:	106,472,985	30,515,660	26,056,112
2. Items that are subsequently reclassified to profit or loss	-93,368,956	8,539,227	3,286,696
Gain on fair value of AFS financial assets	-119,703,790	10,947,727	4,213,713
Tax that could be reclassified to profit or loss:	26,334,834	-2,408,500	-927,017
X. TOTAL COMPREHENSIVE INCOME	8,885,337,877	7,697,735,600	5,644,677,555
XI. NET INCOME ATTRIBUTABLE TO:	9,356,201,963	7,797,388,258	5,733,771,619
1. Owners of the company	9,356,201,963	7,797,388,258	5,733,771,619
2. Non-controlling interests	-	-	-
XII. TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	8,885,337,877	7,697,735,600	5,644,677,555
1. Owners of the company	8,885,337,877	7,697,735,600	5,644,677,555
2. Non-controlling interests	-	-	-
XIII. EARNINGS PER SHARE			
1. Basic and diluted net earnings per share (in currency units)	520	450	337

BNK Capital – Consolidated Statements of Financial Position

BNK CAPITAL AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
ASSETS			
I . CASH & DUE FROM BANKS	291,497,290,523	168,204,310,275	47,807,715,713
1. Cash & cash equivalents	239,540,377,869	142,883,251,373	47,802,151,713
2. Due from banks	51,956,912,654	25,321,058,902	5,564,000
II . INVESTMENT SECURITIES	1,338,996,962	2,008,300,000	2,014,295,000
1. Financial investments - available-for-sale	1,338,391,962	2,000,000,000	2,000,000,000
2. Held-to-maturity (HTM) financial assets	605,000	8,300,000	14,295,000
III . JOINT VENTURE EQUITY SECURITIES	5,845,778,723	-	-
IV . LOANS & RECEIVABLES	2,684,047,803,938	2,435,006,605,900	1,890,965,006,063
1. Loans	2,631,383,284,379	2,389,494,576,483	1,854,629,773,182
2. Receivables	52,664,519,559	45,512,029,417	36,335,232,881
V . INSTALLMENT FINANCIAL ASSETS	892,338,969,590	781,457,298,611	744,833,658,370
VI . LEASED BOND	417,147,581,041	523,565,211,278	647,531,950,671
VII . LEASED ASSETS	381,899,457,994	361,028,283,068	231,056,072,728
VIII . TANGIBLE ASSETS	6,122,640,559	5,385,451,206	4,552,614,538
IX . INTANGIBLE ASSETS	3,762,737,982	4,021,480,041	3,454,698,227
X . OTHERS	8,576,621,043	6,432,598,373	11,037,313,690
TOTAL ASSETS	4,692,577,878,355	4,287,109,538,752	3,583,253,325,000
LIABILITIES			
I . BORROWINGS	3,868,130,998,426	3,486,494,262,878	2,871,744,220,288
1. Borrowings	380,000,000,000	350,000,000,000	265,000,000,000
2. Bonds	3,488,130,998,426	3,136,494,262,878	2,606,744,220,288
II . DEFERRED INCOME TAX LIABILITIES	9,614,843,008	11,823,387,115	15,377,771,544
III . PROVISIONS	496,420,326	437,319,633	341,068,316
IV . DEFINED BENEFIT OBLIGATION	3,175,514,432	2,639,843,719	1,553,641,930
V . OTHERS FINANCIAL LIABILITIES	233,083,281,418	263,374,213,823	252,266,801,611
VI . OTHERS	15,721,483,017	17,055,653,993	19,299,832,167
TOTAL LIABILITIES	4,130,222,540,627	3,781,824,681,161	3,160,583,335,856
SHAREHOLDERS' EQUITY			
I . EQUITY ATTRIBUTABLE TO THE OWNERS OF CONTROLLING INTERESTS	561,792,947,255	504,760,632,022	422,669,989,144
1. Capital Stock	218,000,000,000	218,000,000,000	213,000,000,000
2. Other paid-in capital	161,891,576,784	161,907,469,650	116,931,506,650
3. Retained earnings	184,277,953,340	127,056,127,431	93,605,948,411
4. Other components of equity	-2,376,582,869	-2,202,965,059	-867,465,917
II . NON-CONTROLLING EQUITY	562,390,473	524,225,569	-
TOTAL EQUITY	562,355,337,728	505,284,857,591	422,669,989,144
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	4,692,577,878,355	4,287,109,538,752	3,583,253,325,000

BNK Capital _ Consolidated Statements of Comprehensive Income

BNK CAPITAL AND ITS SUBSIDIARIES

(Unit: KRW)

Description	December 31, 2016	December 31, 2015	December 31, 2014
I. NET INTEREST INCOME	211,771,781,110	195,023,464,393	156,963,952,612
1. Interest revenues	313,595,127,042	302,954,101,419	261,461,153,610
2. Interest expenses	-101,823,345,932	-107,930,637,026	-104,497,200,998
II. NET COMMISSION INCOME	14,689,312,764	17,124,517,358	14,648,045,829
1. Commission revenues	22,359,069,952	21,381,498,647	17,074,066,545
2. Commission expenses	-7,669,757,188	-4,256,981,289	-2,426,020,716
III. IMPAIRMENT LOSSES ON FINANCIAL ASSETS	-78,828,691,361	-75,208,720,126	-86,492,079,021
1. Provision of allowance for loan losses	-78,828,691,361	-75,208,720,126	-86,492,079,021
IV. OTHER OPERATING PROFIT	-73,305,119,464	-81,580,797,324	-38,147,613,937
1. Selling general and administrative expenses	-59,954,729,341	-54,211,692,833	-43,830,022,438
2. Other operating income	127,527,519,024	103,858,287,823	63,524,062,529
3. Other operating expenses	-140,877,909,147	-131,227,392,314	-57,841,654,028
V. OPERATING INCOME	74,327,283,049	55,358,464,301	46,972,305,483
VI. NON-OPERATING INCOME	173,457,940	-38,074,809	-26,058,540
1. Non-operating revenues	381,861,811	103,665,009	61,100,092
2. Non-operating expenses	-208,403,871	-141,739,818	-87,158,632
VII. INCOME BEFORE INCOME TAXES	74,500,740,989	55,320,389,492	46,946,246,943
VIII. INCOME TAX EXPENSES	-17,293,374,528	-11,874,069,903	-10,635,182,719
IX. NET INCOME	57,207,366,461	43,446,319,589	36,311,064,224
(Net income after provision of reserve for bad debts: KRW in 52,342,520,832 2016 and KRW in 43,446,319,589 2015)			
X. OTHER COMPREHENSIVE LOSS	-136,886,324	-1,319,314,142	-320,213,613
1. Items that are not subsequently reclassified to profit or loss	-644,307,165	-916,398,915	-311,752,490
Remeasurement elements of defined benefit plan	-644,307,165	-916,398,915	-311,752,490
2. Items that are subsequently reclassified to profit or loss	507,420,841	-402,915,227	-8,461,123
Gain on overseas operations translation	573,228,809	-402,915,227	-8,461,123
Gains on Valuation of Equity Method Securities	-65,807,968	-	-
XI. TOTAL COMPREHENSIVE INCOME	57,070,480,137	42,127,005,447	35,990,850,611
XII. NET INCOME ATTRIBUTABLE TO:	57,207,366,461	43,446,319,589	36,311,064,224
1. Owners of the company	57,221,825,909	43,478,179,020	36,311,064,224
2. Non-Controlling Equity	-14,459,448	-31,859,431	-
XIII. TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO	57,070,480,137	42,127,005,447	35,990,850,611
1. Owners Of The Company	57,048,208,099	42,142,679,878	35,990,850,611
2. Non-Controlling Equity	22,272,038	-15,674,431	-
XIV. EARNINGS PER SHARE			
Basic and diluted net earnings per share	1,312	1,014	875

BNK Savings Bank – Statements of Financial Position

BNK SAVINGS BANK

(Unit: KRW)

Description	December 31, 2016	December 31, 2015
ASSETS		
I . CASH & DUE FROM BANKS	75,829,331,852	133,061,957,865
(1) Cash	68,948,167	48,974,223
(2) Due from banks	75,760,383,685	133,012,983,642
II . SECURITIES	4,143,136,593	26,719,908,695
(1) Available for sale securities	728,102,506	480,558,292
(2) Held to maturity securities	3,415,034,087	1,980,847,537
(3) Investment in Equity Securities	3,415,034,087	24,258,502,866
III. LOANS	608,263,095,314	550,590,275,056
(1) discounted bill	1,901,117,590	-
(2) Loans secured by deposits	856,602,796	751,700,000
(3) General purpose loans	617,501,055,352	565,455,239,925
(4) Consumer loans	8,669,962,882	14,233,222,441
(5) Other loans	300,367,181	241,144,336
IV. TANGIBLE ASSETS	31,407,976,783	1,550,141,288
(1) Land	29,527,908,710	-
(2) Buildings	954,681,290	-
(3) Office equipment	2,326,056,101	2,086,854,975
(4) Other tangible assets	2,276,260,626	2,703,664,060
V . OTHERS	49,111,832,771	59,668,966,503
(1) Deposits provided	8,582,485,008	9,128,485,008
(2) Non-trade receivables	943,890	-
(3) Accrued revenues	2,778,000,848	2,206,946,574
(4) Prepaid expenses	17,090,457	1,652,009
(5) Advance payments	363,835,718	69,056,000
(6) INTANGIBLE ASSETS	34,245,196,486	43,088,676,446
(7) DEFERRED INCOME TAX ASSETS	-	155,252,958
(8) Domestic exchanges	2,799,021,125	4,698,290,648
(9) OTHER ASSETS	371,174,497	420,606,860
TOTAL ASSETS	768,755,373,313	771,591,249,407
LIABILITIES		
I. DEPOSITS	635,935,826,224	646,752,030,220
(1) Withholdings	635,934,808,424	646,751,011,997
(2) Issued notes	1,017,800	1,018,223
II. OTHERS	17,388,155,288	18,252,028,089
(1) Provision for severance benefits	1,245,604,667	1,114,224,379
(2) Non-trade payables	1,040,037,269	400,243,386
(3) Accrued expenses	9,796,528,097	9,649,029,233
(4) Unearned revenues	72,692,274	2,979,188
(5) Deposits Received	896,210,669	-
(6) Other Provisions liabilities	80,101,616	85,482,184
(7) Deferred income tax liabilities	212,155,398	-
(8) Current income tax liabilities	1,836,055,193	1,422,544,532
(9) Taxes withheld	240,145,129	244,185,351
(10) Domestic exchanges	2,915,830,945	5,544,277,309
(11) Others	106,729,215	416,563,948
TOTAL LIABILITIES	653,323,981,512	665,004,058,309
SHAREHOLDERS' EQUITY		
I . CAPITAL STOCK	31,000,000,000	31,000,000,000
(1) Common stock	31,000,000,000	31,000,000,000
II . CAPITAL SURPLUS	83,849,192,500	83,849,192,500
(2) Additional paid-in capital	83,849,192,500	83,849,192,500
III. ACCUMULATED DEFICIT	582,199,301	-8,262,001,402
(3) Outstanding deficit	582,199,301	-8,262,001,402
TOTAL EQUITY	115,431,391,801	106,587,191,098
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	768,755,373,313	771,591,249,407

BNK Savings Bank _ Statements of Income

BNK SAVINGS BANK

(Unit: KRW)

Description	December 31, 2016	December 31, 2015
I . OPERATING REVENUES	50,702,571,729	24,945,910,817
(1) Interest revenues	45,182,583,016	23,218,291,598
1. Interest on due from banks	1,183,485,019	912,517,106
2. Interest on held to maturity securities	76,489,170	38,897,662
3. Interest on loans	43,863,967,702	22,231,280,885
4. Other interest income	58,641,125	35,595,945
(2) Gain on Sale and Assessment of Loans	4,173,634,022	1,027,731,800
1. Reversal of Allowance for Doubtful Accounts	1,699,542,192	-
2. Gains on sale of loans	2,474,091,830	1,027,731,800
(3) Commission Received	1,301,354,691	699,887,419
1. Fees on remittance	1,296,400	519,500
2. agency commission received	36,649,494	-
3. Fees on early withdrawal	526,331,527	185,367,060
4. Other fees	737,077,270	514,000,859
(4) Dividend income	45,000,000	-
1. Dividends of available for sale financial securities	45,000,000	-
II . OPERATING EXPENSES	32,821,039,087	19,091,703,035
(1) Interest expenses	12,744,820,582	7,636,040,638
1. Interest on deposits	12,707,548,967	7,622,068,895
2. Others	37,271,615	13,971,743
(2) Valuation and loss on disposition of securities	181,744,09	-
1. Gain or loss on Available for Sale Securities	181,744,096	-
(3) Valuation and loss on disposition of loans	-	1,788,908,856
1. Bad debt expenses	-	1,788,908,856
(4) Commission expenses	1,497,280,28	814,351,693
1. Fees on remittance	1,059,500	498,000
2. Other fees	1,496,220,789	813,853,693
(5) Other operating expenses	3,026,253,000	1,555,932,000
1. Deposit insurance premium	3,026,253,000	1,555,932,000
(6) General and administrative expenses	15,370,941,120	7,296,469,848
1. Labor costs	5,636,229,116	2,418,749,286
2. Expenses	9,734,712,004	4,877,720,562
III . OPERATING INCOME	17,881,532,642	5,854,207,782
IV . NON-OPERATING REVENUES	367,127,445	819,946,667
1. Miscellaneous revenues	116,336,729	819,946,667
2. Gain on Valuation of Equity Method Securities	100,982,352	-
3. rental revenues	149,808,364	-
V . NON-OPERATING EXPENSES	6,580,119,424	747,202,244
1. Loss on sale of marketable securities	130,766,651	-
2. Impairment losses due to intangible assets	5,703,000,000	-
3. Donations	6,608,500	12,597,0
4. Miscellaneous losses	239,345,420	26,108,11
5. Losses on Valuation of Equity Method Securities	-	708,497,134
6. Proceeds from Sale of Equity Method Securities	500,398,853	-
VI . INCOME BEFORE INCOME TAX	11,668,540,663	5,926,952,205
VII . INCOME TAX EXPENSE	2,824,339,960	1,279,269,885
VIII . NET INCOME	8,844,200,703	4,647,682,320
IX . EARNINGS PER SHARE	1,426	750
1. Basic and diluted net earnings per share	1,426	750

BNK Asset Management – Statements of Financial Position

BNK Asset Management INFORMATION

(Unit: KRW)

Description	December 31, 2016	December 31, 2015
ASSETS		
I . CASH AND DUE FROM BANKS	6,827,332,227	7,182,700,294
II . FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE	498,300,000	498,300,000
III. LOANS	121,222,980	115,480,244
IV. TANGIBLE ASSETS	452,435,349	146,027,800
V . INTANGIBLE ASSETS	200,073,126	208,328,490
VI. DEFERRED INCOME TAX ASSETS	1,432,682,560	1,483,194,997
VII. OTHERS FINANCIAL ASSETS	981,200,140	753,714,961
VIII. OTHER ASSETS	110,599,451	42,388,651
TOTAL ASSETS	10,623,845,833	10,430,135,437
LIABILITIES		
I . PROVISIONS	90,739,000	80,500,000
II . CURRENT TAX LIABILITIES	6,717,700	-
III. OTHERS FINANCIAL LIABILITIES	312,286,853	279,469,873
IV. OTHER LIABILITIES	47,010,890	41,763,702
TOTAL LIABILITIES	456,754,443	401,733,575
EQUITY		
I . CAPITAL STOCK	17,050,000,000	17,050,000,000
II . OTHER CAPITAL PAID IN	27,065	27,065
III. DEFICIT	-6,882,935,675	-7,021,625,203
TOTAL EQUITY	10,167,091,390	10,028,401,862
TOTAL LIABILITIES AND EQUITY	10,623,845,833	10,430,135,437

BNK Asset Management _ Comprehensive Statements of Income

BNK Asset Management INFORMATION

(Unit: KRW)

Description	December 31, 2016	December 31, 2015
I. OPERATING REVENUES	5,032,209,568	3,278,379,946
1. Commission income	4,921,231,749	3,163,631,151
2. Interest income	110,977,819	114,748,795
II. OPERATING EXPENSES	4,827,730,054	4,633,653,654
1. Selling expenses	43,873,743	99,971,651
2. Administrative expenses	4,783,856,311	4,533,682,003
III. OPERATING INCOME (LOSS)	204,479,514	-1,355,273,708
IV. NON-OPERATING REVENUES	60,056,339	54,941,262
V. NON-OPERATING EXPENSES	68,083,338	60,923,327
VI. EARNINGS BEFORE INCOME TAX (LOSS)	196,452,515	-1,361,255,773
VII. INCOME TAX EXPENSE (REVENUE)	57,762,987	-206,370,755
VIII. NET INCOME (LOSS)	138,689,528	-1,154,885,018
IX. OTHER COMPREHENSIVE INCOME	-	-
X. TOTAL COMPREHENSIVE INCOME (LOSS)	138,689,528	-1,154,885,018
XI. EARNINGS OR LOSSES PER SHARE		
1. Basic and Diluted Earnings or Losses Per Share	41	-391

BNK Credit Information – Statements of Financial Position

BNK CREDIT INFORMATION

(Unit: KRW)

Description	December 31, 2016	December 31, 2015
ASSETS		
I . ASSETS	6,492,556,364	5,972,454,836
(1) Quick Assets	6,492,556,364	5,972,454,836
1. Cash & cash equivalents	1,363,200,546	786,718,731
2. Short-term financial instruments	4,770,000,000	4,970,000,000
3. Trading Securities	300,000,000	-
4. Accrued revenues	34,660,487	50,370,057
5. Non-trade receivables	11,930,600	15,662,299
6. Prepaid expenses	9,225,211	4,723,179
7. Advance payments	3,539,520	144,980,570
II . NON-CURRENT ASSETS	2,094,541,482	1,738,068,184
(1) Investments	17,083,102	20,477,663
1. Available for sale financial securities	1,410,000	2,869,700
2. Long-term Loans	15,673,102	17,607,963
(2) Tangible assets	676,458,380	448,590,521
1. Vehicles	33,066,310	33,066,310
Accumulated depreciation	-13,711,496	-7,495,030
2. Office equipment	1,880,247,830	1,513,991,503
Accumulated depreciation	-1,226,519,598	-1,092,761,429
3. Leased facilities improved rights	4,111,818	1,951,818
Accumulated depreciation	-736,484	-162,651
(3) Others non-current assets	1,401,000,000	1,269,000,000
1. Leasehold deposits provided	1,401,000,000	1,269,000,000
TOTAL ASSETS	8,587,079,846	7,710,523,020
LIABILITIES		
I . CURRENT LIABILITIES	598,616,809	408,641,649
1. Non-trade payables	149,068,676	110,738,808
2. Withholdings	12,546,936	7,646,820
3. Value added tax withheld	96,604,219	67,977,470
4. Deferred income tax liabilities	7,588,312	11,081,413
5. Others current liabilities	54,556,049	33,934,825
6. Accrued expenses	278,252,617	177,262,313
II . LONG-TERM LIABILITIES		
1. Provision for severance benefits	386,074,200	276,303,510
Invested asset of retirement pension	-386,074,200	-276,303,510
TOTAL LIABILITIES	598,616,809	408,641,649
EQUITY		
I . CAPITAL STOCK	3,000,000,000	3,000,000,000
Common Stock	3,000,000,000	3,000,000,000
II . RETAINED EARNINGS	4,988,481,037	4,301,881,371
Unappropriated retained earnings	4,988,481,037	4,301,881,371
TOTAL EQUITY	7,988,481,037	7,301,881,371
TOTAL LIABILITIES AND EQUITY	8,587,097,846	7,710,523,020

BNK Credit Information _ Statements of Income

BNK CREDIT INFORMATION

(Unit: KRW)

Description	December 31, 2016	December 31, 2015
I. OPERATING REVENUE	4,374,771,808	3,220,247,473
1. Debt collection fees	2,762,765,808	1,962,997,473
2. Credit investigation fees	1,612,006,000	1,257,250,000
II. OPERATING EXPENSE	3,554,550,202	2,593,812,507
1. Salaries expenses	1,260,236,744	1,000,016,127
2. Provision for severance benefits	208,418,028	165,510,091
3. Welfare expenses	166,066,447	141,617,416
4. Travel expenses	7,101,758	5,765,731
5. Advertising expenses	17,477,618	15,245,000
6. Taxes and dues	24,003,447	20,254,340
7. Business operating expense	50,839,270	41,615,440
8. Communication expenses	121,010,759	108,630,053
9. Electronic data processing expenses	29,929,233	23,187,263
10. Event expenses	6,235,146	1,252,329
11. Utility expenses	18,198,606	15,168,290
12. Supplies expenses	16,237,701	11,432,726
13. Subscription	4,956,310	4,641,950
14. Publication expenses	3,482,016	3,887,641
15. Registration and legal fees	1,046,200	1,186,900
16. Vehicles maintenance expenses	13,259,373	15,213,059
17. Freight expenses and custody charges	225,000	131,773
18. Rental expenses	20,787,874	16,629,898
19. Service contract expenses	95,126,246	44,444,328
20. Insurance premium	15,068,258	23,671,010
21. Conference expenses	7,606,498	5,980,774
22. Service fees	1,326,489,202	842,826,387
23. Depreciation expenses	140,548,468	85,383,981
24. Miscellaneous expenses	200,000	120,000
III. OPERATING INCOME	820,221,606	626,434,966
IV. NON-OPERATING REVENUES	87,150,072	115,335,722
1. Interest income	87,009,740	113,529,247
2. Miscellaneous revenues	140,332	1,456,211
3. Gains on disposition of property and equipment	-	350,264
V. NON-OPERATING EXPENSES	5,138,500	10,100,000
Donations	5,100,000	10,100,000
Loss on sale of marketable securities	38,500	-
VI. EARNINGS BEFORE INCOME TAX	902,233,178	731,670,688
VII. INCOME TAX EXPENSE	215,633,512	166,009,277
VIII. NET INCOME	686,599,666	565,661,411
IX. EARNINGS OR LOSSES PER SHARE		
1. Basic and Diluted net Earnings Per Share	1,144	943

BNK System _ Statements of Financial Position

BNK SYSTEM

(Unit: KRW)

Description	December 31, 2016	December 31, 2015
ASSETS		
I . CURRENT ASSETS	5,865,851,538	7,834,296,407
(1) Quick assets	5,865,851,538	7,834,296,407
1. Cash & cash equivalents	1,688,357,802	4,507,437,782
2. Short-term financial instruments	3,015,381,032	1,502,643,760
3. Trade receivables	1,075,525,421	1,731,767,883
4. Accrued revenues	1,861,516	1,771,810
5. Prepaid expenses	22,267,060	22,242,481
6. Deferred income tax assets	62,458,707	68,432,691
II. NON-CURRENT ASSETS	2,855,683,583	2,553,414,649
(1) Tangible assets	688,459,621	879,090,873
1. Vehicles	25,110,694	25,110,694
Accumulated depreciation	-25,109,694	-23,018,137
2. Lease assets facilities	184,520,547	184,520,547
Accumulated depreciation	-172,725,463	-150,435,808
3. Office equipment	1,415,681,634	1,301,976,805
Accumulated depreciation	-710,446,050	-459,063,228
Government grants	-28,572,047	-
(2) Intangible assets	184,938,111	238,282,819
1. Software	184,938,111	238,282,819
(3) Others	1,982,285,851	1,436,040,957
1. Leasehold deposits provided	1,976,000,000	1,433,000,000
2. Deferred income tax assets	6,285,851	3,040,957
TOTAL ASSETS	8,721,535,121	10,387,711,056
LIABILITIES		
I . CURRENT LIABILITIES	2,344,407,400	4,708,627,967
1. Trade payables	1,265,469,071	3,646,068,620
2. Other Payables	120,554,199	136,073,100
3. Advances from customers	-	178,210,000
4. Withholdings	59,647,137	53,383,552
5. Accrued Expenses	628,855,944	417,924,139
6. Value added tax withheld	269,881,049	276,968,556
II . NON-CURRENT LIABILITIES	34,969,103	103,874,968
1. Provision for severance benefits	2,085,893,856	1,456,618,810
Retirement pension asset	-2,050,924,753	-1,352,743,842
TOTAL LIABILITIES	2,379,376,503	4,812,502,935
SHAREHOLDERS' EQUITY		
I. CAPITAL STOCK	3,000,000,000	3,000,000,000
1. Common stock	3,000,000,000	3,000,000,000
II . RETAINED EARNINGS	3,342,158,618	2,575,208,121
1. Unappropriated retained earnings	3,342,158,618	2,575,208,121
TOTAL EQUITY	6,342,158,618	5,575,208,121
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	8,721,535,121	10,387,711,056

BNK System_ Statements of Income

BNK SYSTEM

(Unit: KRW)

Description	December 31, 2016	December 31, 2015
I. SALES	59,754,999,873	38,009,723,417
1. Sales-merchandise	44,559,448,619	25,387,134,899
2. Sales-services	15,195,551,254	12,622,588,518
II. COST OF GOODS SOLD	56,779,716,034	35,335,688,206
1. Cost of merchandise sold	43,187,865,944	24,738,015,868
2. Cost of Service sold	13,591,850,090	10,597,672,338
III. GROSS PROFIT	2,975,283,839	2,674,035,211
IV. SELLING AND ADMINISTRATIVE EXPENSES	2,040,911,913	1,770,756,818
1. Salaries expenses	778,511,894	639,656,607
2. Provision for severance benefits	127,485,313	97,849,983
3. Employee benefits	254,091,639	230,310,285
4. Travel expenses	3,806,284	5,393,604
5. Entertainment expenses	15,805,700	21,522,970
6. Communication expenses	24,140,489	25,064,804
7. Utility expenses	21,985,450	21,673,350
8. Taxes and dues	29,933,371	15,185,454
9. Service fees	93,001,350	25,568,654
10. Depreciation expenses	190,831,600	144,981,709
11. Amortization expenses on intangible assets	62,361,301	44,738,133
12. Repairs expenses	2,061,819	2,097,419
13. Insurance premium	1,613,606	999,712
14. Vehicles maintenance expenses	29,487,710	27,860,147
15. Conference expenses	2,360,145	2,494,947
16. Training expenses	3,025,857	3,006,134
17. Publication expenses	7,376,068	10,353,785
18. Supplies expenses	21,881,138	26,157,520
19. Advertising expenses	3,330,796	3,325,273
20. Service contract expenses	367,820,383	422,516,328
V. OPERATING INCOME	934,371,926	903,278,393
VI. NON-OPERATING REVENUES	65,630,345	66,112,905
1. Interest income	65,297,309	65,998,693
2. Gains on disposition of property and equipment	-	22,833
3. Miscellaneous revenues	333,036	91,379
VII. NON-OPERATING EXPENSES	5,950,000	11,085,005
1. Donations	5,950,000	11,085,000
2. Miscellaneous losses	-	5
VIII. EARNINGS BEFORE INCOME TAX	994,052,271	958,306,293
IX. INCOME TAX EXPENSE	227,101,774	219,176,714
X. NET INCOME	766,950,497	739,129,579
XI. EARNINGS PER SHARE		
1. Basic and diluted net earnings per share	1,278	1,232

Appendix

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Sound Corporate Governance

Composition of the Board of Directors



BNK Financial Group’s board of directors is composed of seven directors including three standing directors and four external (non-standing) ones. The BOD makes decisions concerning the general shareholders’ meeting, general management, affiliate management, and the establishment and revision of major articles. The chair of the BOD is annually selected from non-standing directors according to a resolution of the BOD. Currently, the CEO of BNK Financial Group is the chair of the BOD. The operation of the BOD is checked and monitored through internal regulations in order to ensure transparent management.

Director	Name	Career	Specialization
Standing	1. Se Whan Sung	<ul style="list-style-type: none"> Chairman of BNK Financial Group Head of Busan Bank 	Finance
	2. Bong Cheol Lee	<ul style="list-style-type: none"> Vice President/Finance Innovation Team, Management Innovation Office at Lotte Shopping Vice President/Support Office, Policy Division at Lotte Shopping 	Finance
Non-standing	3. Yong Kyu Cha	<ul style="list-style-type: none"> Former Auditor of Harim Holdings Former Vice Chairman of Media OBS 	Media
	4. Il Jae Mun	<ul style="list-style-type: none"> Former Auditor of UAMCO Former Director at the Ministry of Finance and Economy 	Economy
	5. Chan Hong Kim	<ul style="list-style-type: none"> Non-standing Auditor of the General Insurance Association of Korea Professor of Business Management at Myongji University 	Accounting
	6. In Tae Yun	<ul style="list-style-type: none"> Attorney with Haein Law Firm Former Chief Justice of Busan High Court 	Law
	7. Yeong Jae Kim	<ul style="list-style-type: none"> Dean of Economy/Trade College and Head of the Graduate School at Busan University Chairman of the Busan China Business Forum 	Economy

Securing the Independence of the Board of Directors

Our executive directors are appointed at the shareholders’ meeting according to the independence criteria. There is no gender discrimination. The number of external directors can be three or more, or a majority of the total according to the Articles of Association. They are appointed at a shareholders’ meeting following a recommendation of the Outside Director Nominating Committee. Upon appointing the outside directors, those who have special interests which might influence corporate governance and their influence are to be excluded, according to the corporate bylaws. The tenure of outside directors cannot exceed two years except in special circumstances.

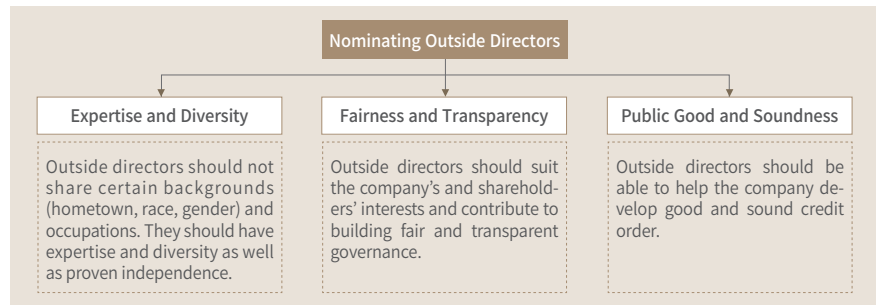
Independence of Outside Directors(Disqualification, Article 32 of the Commercial Act)

To secure the independence of outside directors, we screen outside directors with the pool in/out system from the selection step. Their qualification is thoroughly controlled by the applicable law and regulations. Those falling under the following cases cannot be appointed as outside directors:

1. Directors, executive directors, and employees who are engaged in the regular business of the relevant company or directors, auditors, executive directors, and employees who have engaged in the regular business of the relevant company within the last two years;
2. The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases wherein the largest shareholder is a natural person;
3. Directors, auditors, executive directors, and employees of the corporation, in cases wherein the largest shareholder is a corporation;
4. Spouses, lineal ascendants, and lineal descendants of directors, auditors, and executive directors;
5. Directors, auditors, executive directors, and employees of a parent company or a subsidiary company of the relevant company;
6. Directors, auditors, executive directors, and employees of a corporation with significant interest in the relevant company, such as business relations with the company;
7. Directors, auditors, executive directors, and employees of another company where directors, executive directors, and employees of the relevant company serve as directors and executive directors.

Strengthening the Expertise and Diversity of the Board of Directors

The BNK Financial Group ensures that the BOD is independent, and that expertise and diversity are considered in nominating, appointing, accessing, and compensating outside directors. Following principles and regulations, we strive to build sound governance in the composition and implementation of the BOD. Outside directors are selected from among candidates who are experienced in finance, economy, law, accounting and media, and fulfill the expertise standard prescribed by the Outside Director Nominating Committee and set forth in the Articles of Association. Those selected are trained to secure specialized competencies which can contribute to our sustainable development, based on which they can add value to our productive management activities.



Performance Evaluation and Compensation

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. 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 qualitative assessment on capacities, expertise, interest and participation level in the BOD, and participation level in corporate development by themselves, employees and among directors through the multi-dimensional evaluation.

Compensation for the BOD				
(Unit: KRW million)				
Type	2014	2015	2016	
Total Compensation	672	835	883	
Average Compensation per Standing Director	155	278	309	
Average Compensation per Non-Standing Director	47	52	55	
Average Compensation per Outside Director	40	52	49	
Average Compensation per Audit Committee Member or Auditor	36	44	49	

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

Support for CEO Management Succession

BNK Financial Group operates a system designed to allow the CEO's management succession to grow sustainably by consistently maintaining the company's management philosophy and values and enhancing the CEO's competency. The CEO succession is initiated by the executive nominating committee. When the CEO is absent, the process is expedited to prevent a management void. The CEO succession plan is verified by the BOD at least once per year.

Transparent Operation of the Board of Directors

Performance of the BOD			
(Unit: times, cases, %)			
Type	2014	2015	2016
No. of Meetings	8	15	9
No. of Items Discussed	59	79	63
No. of Decisions	36	47	35
No. of Reports	23	34	28
Attendance of Standing Directors	100	100	100
Attendance of Outside Directors	90.4	95.4	97.4

The BOD holds either regular or ad-hoc board meetings convened by the chairman of the BOD. Each director has one voting right, but those with special interests cannot exercise their voting right. Decisions are made with a majority of the registered directors in attendance if there is no specific provision in the relevant laws or the articles of association. The minimum attendance rate required is 80% or higher. If a director cannot attend for an unavoidable reason, a conference call may also be arranged. As such, we are committed to increasing the proactive participation of directors in corporate management.

Committees under the BOD

The BOD manages nine committees to enhance its independence and efficiency. Each committee is composed of outside directors as a majority of its members. The Audit Committee and the Audit Committee Member Nominating Committee, which consist entirely of outside directors, conduct effective monitoring of the top management.

Committee	Members	Function	No. of Meetings in 2016
Board Steering Committee	<ul style="list-style-type: none"> One standing director Three outside directors 	<ul style="list-style-type: none"> Deliberation and decision on items of agenda commissioned by the BOD. Decision on improvement policies for efficient operation of the BOD and its subcommittees and policies for improving corporate governance. 	1
Risk Management Committee	<ul style="list-style-type: none"> One standing director Four outside directors 	<ul style="list-style-type: none"> Overseeing and supervision of the approval of and compliance with policies on various risks within the Group and its affiliates. 	7
Executive Nominating Committee	<ul style="list-style-type: none"> One standing director One non-standing director Three outside directors 	<ul style="list-style-type: none"> Verification and nomination of candidates for executive positions. Search for and management of candidates, and decision on their qualifications. 	-
Management & Development Compensation Committee	<ul style="list-style-type: none"> One non-standing director Three outside directors 	<ul style="list-style-type: none"> Establishment of measures to enhance management performance for corporate development, and systems to set goals and evaluate and reward the performance of top management 	4
Outside Director Nominating Committee	<ul style="list-style-type: none"> One standing director Three outside directors 	<ul style="list-style-type: none"> Matters related with the formation of the Nominating Committee and its operation, including the nomination of outside directors who will be appointed at the shareholders' meeting. 	4
Audit Committee Member Nominating Committee	<ul style="list-style-type: none"> Four outside directors 	<ul style="list-style-type: none"> Matters related with the formation of the Nominating Committee and its operation, including the nomination of audit directors who will be appointed at the shareholders' meeting. 	2
Audit Committee	<ul style="list-style-type: none"> Four outside directors 	<ul style="list-style-type: none"> Management and supervision to improve the sound management and transparency of the Group, by auditing and assessing the overall work of directors and top management. 	6
Group Executive Nominating Committee	<ul style="list-style-type: none"> One standing director One non-standing director Three outside directors 	<ul style="list-style-type: none"> Recommendation and finding of candidates who have the expertise, leadership and competency required to attain the Group's strategic goals. 	6
CEO Nominating Committee	<ul style="list-style-type: none"> One standing director One non-standing director Four outside directors 	<ul style="list-style-type: none"> Matters related with the formation of the Nominating Committee and its operation, including the nomination of candidates for the chairman position. 	3

Risk Management

Risk Management System

Based on the risk management principle which states ‘All members of the group seek the continued growth and development of the group by maintaining a balance between risks and profits when conducting business activities’, BNK Financial Group recognizes, measures, controls and reports potential risks according to the risk management policy for the efficient management of risks that can occur at the overall group operation level. Notably, as Kyongnam Bank has become part of the Group, to manage the risks under two banks, various risk management systems such as risk type, risk measurement methods, and risk management systems are being standardized. This principle is being extended to include BNK Securities, BNK Capital, BNK Savings Bank and BNK Asset Management in order to build a total risk management system and improve our overall risk management capability.

Risk Management Organization

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



Risk Management Direction

As the financial market is expected to grow slowly due to the ongoing trend of low growth and low interest rates, the main emerging risks that may affect the future business of BNK Financial Group include increased credit risk and fiercer competition in the financial industry. First, while uncertainty is increasing due to long-term corporate restructuring and recovery of the real estate market is slow, the potential credit risk is expected to spread due to the increasing number of households and small business owners who have reached their credit limit. BNK Financial Group is preemptively managing risk by analyzing the risk effects of weak elements based on historic empirical data in and outside Korea, establishing action plans for each scenario, and enhancing the management of potential risk. Furthermore, given the trend towards fintech, block chain, fusion between ICT and finance, and further competition for platform dominance, we analyze the risks whenever an affiliate tries to enter an overseas market, while strengthening the prevention of risk transfer among affiliates, in order to improve our future financial response capability.

Key Performance Indicators			
	(unit: times, persons)		
Classification	2014	2015	2016
No. of Affiliate Risk Management Meetings	40	35	39
No. of Employees Dedicated to Management of Affiliate Risk	134	148	150

Basic Direction of Group Business Plan	Risk Management Direction
Profit-centered Management	<ul style="list-style-type: none"> Reduction of risk-added assets Enhancement of the management of risk and exposure limits Improvement of the procurement structure to prepare for low growth and low interest rates Management of credit bias by reducing overlapping borrowers among affiliates Enhancement of the risk management of household loans and high-risk assets
Two-Bank One Process	<ul style="list-style-type: none"> Standardization of the risk management process of two banks Application of the new total exposure management system to both banks Introduction of the single corporate credit assessment model
Enhancement of Future Finance Response Capability	<ul style="list-style-type: none"> Management of risk whenever an affiliate tries to enter an overseas market Review of the risks for new products and businesses Enhancement of risk transfer prevention among affiliates
Maximization of Synergy Among Affiliates	
Implementation of GREAT BNK 2020	<ul style="list-style-type: none"> Improvement of the BIS by introducing the internal grading system Preparation for the reshuffling usually refers solely to the changing of ministerial positions within the Cabinet of FSS, LCR regulation/ market risk Improvement of the integrated risk analysis system

Key Tasks in Risk Management



Key Tasks

- Enhancement of credit risk management for the group loan portfolio
- Standardization of risk management systems and work processes among affiliates
- Improvement of the integrated risk management system by introducing internal ranking
- Preemptive response to the introduction of global financial regulations



Risk Response Activities

- Continuing reduction of large loans and overlapping borrower exposure among affiliates.
- Early establishment of the primary/secondary bank designation system to overlapping borrowers among affiliates, and expansion of its subjects.
- Enhancement of the management of industry limit, real estate PF/equity investment limit to reduce credit-biased risk.
- Establishment of the mid/long-term standardization plan for risk calculation standards/systems and computing systems.
- Introduction of new total exposure to establish the actual loan limit for each firm.
- Introduction of the single credit assessment system to apply single credit assessment rankings to affiliates.
- Improvement of capital efficiency by introducing the internal ranking system for credit risk.
- Sharing of risk information (bankruptcy, soundness, etc.) among affiliates for preemptive loan risk management.
- Improvement of risk analysis capability by developing integrated risk scenarios and computerizing the analysis system.
- Establishment of the daily calculation system in view of the fact that the LCR (Liquidity Coverage Rate) will be introduced in 2017.
- Preparation of a group-level response to the overhaul of market risk calculation systems (to be introduced in 2019).

Risk Management at Major Affiliates

Affiliate	Strategy Goals	Plans and Activities to Achieve Goals
BNK Busan Bank	<ul style="list-style-type: none"> • To improve the resistance to financial shock and optimize profit/risk management. 	<ul style="list-style-type: none"> • Enhancement of credit risk management against low growth and external impacts. • Creation of a stable profit foundation against market volatility. • Improvement of performance assessment systems in consideration of risk, and optimization of assets/debts.
BNK Kyongnam Bank	<ul style="list-style-type: none"> • To build a sustainable and stable portfolio by improving and refining risk management. 	<ul style="list-style-type: none"> • Management of potential risk caused by continued low growth/low interest rate. • Coordination of the asset/debt portfolio to expand sustainable growth power. • Establishment and checking of the system for monitoring retail finance at all times.
BNK Securities	<ul style="list-style-type: none"> • To enhance management soundness and advance mid/long-term risk management. 	<ul style="list-style-type: none"> • Enhancement of the management of soundness index, PI, and obligation guarantee. • Checking of limit suitability to improve capital efficiency. • Training of risk managers and establishment of the minimum risk handling guideline for each investment task.
BNK Capital	<ul style="list-style-type: none"> • To build stable assets by optimizing profits and risks. 	<ul style="list-style-type: none"> • Development of the loan portfolio based on borrowers/collaterals/arrears. • Management of rate risk by setting the borrowing ratio. • Enhancement of liquidity management with the emergency plan for procurement issues.
BNK Savings Bank	<ul style="list-style-type: none"> • To manage risk to support sustainable profit growth. 	<ul style="list-style-type: none"> • Pursuit of relationship banking (consumer banking) growth through systematic risk management. • Enhancement of credit risk monitoring by developing product/industry analysis techniques. • Establishment of foundation for risk control by compensating management weaknesses.
BNK Asset Management	<ul style="list-style-type: none"> • To systemize risk management by advancing risk management processes. 	<ul style="list-style-type: none"> • Enhancement of the risk headquarter role by diversifying risk management techniques. • Establishment of a systematic risk management plan for new products. • Systematization of group risk management through computerization.

Transparent Ethical Management

Ethical Management System

BNK Financial Group is committed to sharing and practicing ethical values in order to become Korea's major financial group based on its management philosophy. To this end, we have established the code of ethics and disclose all matters pertaining to it on the website of BNK Financial Group along with the code of action and the relevant principles.

Enhancing Corporate Ethical Management

We upgrade the code and principles of ethical management on a consistent basis to establish an ethical corporate culture and prevent financial accidents.

Enhancing Fair Trade with Competitors and Contractors

BNK Financial Group strives to respect the economic order and to compete fairly with our competitors according to the principles of free competition and capitalism. In addition, we pursue common ethical values by sharing the philosophy and content of our code of ethics with our contractors so as to build up mutual trust. Furthermore, we ensure that selection and trading with our contractors complies with our code of ethics, and all kinds of wrongdoing such as forcing them to use group services or purchase products with our authorities.

Enhancing Responsibility for Community Development

In 2016, BNK Financial Group, in a bid to fulfill its responsibilities and obligations for community development, added new articles on disaster prevention and environment preservation to the existing articles on community collaboration and social services in its code of ethics. With the adoption of this measure we are now able to comply with all environmental regulations in all our business areas and respect the international standards and practices for environmental preservation. Environmental preservation should be considered a key element in establishing the group's policies, standards and procedures, and efforts should be made to operate in an environmentally-friendly manner in all our activities.

Complying with the Improper Solicitation and Graft Act

BNK Financial Group has established and implements a code of conduct on improper solicitation. Improper solicitation and the receipt of money, goods, etc. are strictly prohibited in accordance with the Improper Solicitation and Graft Act enacted in September 2016. If anyone receives money, goods or gifts unavoidably, he/she should return them immediately and submit the return report to his/her supervisor by way of his/her compliance staff. If return of the goods is not possible due to other reasons, he/she should submit the return report to his/her supervisor by way of his/her compliance staff and donate the received money or goods to a charitable cause. Also, once the receipt of money, goods or gifts has been reported, the relevant member of the compliance staff should record their receipt in the logbook for received money, goods and gifts.

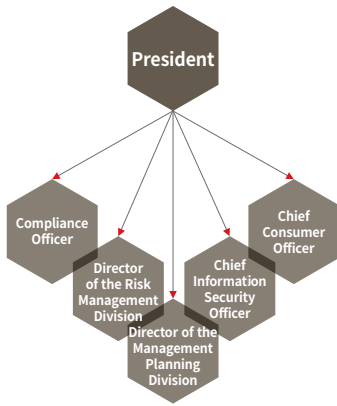


Explanation of Improper Solicitation and Graft Act to Employees

Explanation of Improper Solicitation and Graft Act to Employees

Before the Improper Solicitation and Graft Act took effect, we invited attorneys from the Kim & Jang Law Firm and held meetings to explain the law to employees at the headquarters of Busan Bank and Kyongnam Bank. With around 550 employees attending, the key content of the law was explained, and various case scenarios were discussed. BNK Financial Group's compliance office is committed to preventing violations by providing guidelines, checklists, Q&A bulletin board, continuous training, and checkups to the holding company and its affiliates.

Organizational Chart of the Internal Control Council



BNK Help-Line

In order to strengthen internal control through activation of insider notification system, Busan Bank has implemented pop-up case examples (6 items) to be reported to insiders when the user login from PC on the first business day of each from since November 2016. By checking on the report item, it is directed to the report screen and once contents are entered, it will be automatically sent to the Compliance Officer. To protect the identity of the claimant, the right of access is granted only to the Compliance Officer, and mobile apps to enable insider notification is under construction for future release.

Enhancing the Internal Control System

BNK Financial Group formed the internal control council to enhance the independence of compliance officers by raising their prestige and guaranteeing their tenure. Also, we have added self-assessment and standing monitoring operations to the compliance office dedicated to internal control, while establishing diverse monitoring systems. In 2016, Kyongnam Bank introduced the compliance officer system to enhance its internal control system.

Managing the Internal Control Council

To enhance internal control, BNK Financial Group established the group internal control council, a consultative body composed of managers responsible for internal control in affiliates and the group. We are initiating discussions and sharing information related to the improvement of internal control policies. The internal control council of each affiliate is separately operated, and conducts a self-assessment of its overall internal control, identifies matters to be improved, and continuously monitors internal control.

Enhancing the Monitoring Function

Kyongnam Bank revised part of its self-assessment audit guidelines and improved the dedicated self-assessment system to enhance its monitoring function. In January 2016, a new computing system was introduced to reduce workloads and improve efficiency, while compliance is ensured by pre-monitoring all daily work in all branches. Furthermore, when the sales strategy meeting is held in each regional office (excluding West Changwon, East Ulsan, Seoul), the compliance officer visits them (once per quarter, 12 times in total) to provide training on ethical management and internal control to the branch heads of each sales division (164 in total).

Managing the Whistleblowing System

According to the guidelines on the whistleblowing system, BNK Financial Group has set up various channels to help employees to report violations of the code of ethics and the code of actions to the group’s compliance officers. Anonymity is guaranteed, and regular training is offered to ensure that all employees are fully aware and informed of the whistleblowing system.

Prevention of Money Laundering and Insider Trading

BNK Financial Group prohibits all activities related to illegal money laundering. In particular, insider trading including the usage of undisclosed information and adjustment of the market price of securities are completely blocked. We have also established regulations to prevent money laundering as stipulated in the Act on the Reporting of Certain Financial Transactions and the Act on the Proceeds of Crime Act, and illegal financing activities including terrorist financing pursuant to the Act against Terrorist Financing. High-risk customer transactions are monitored through money laundering prevention programs to ensure compliance with the major internal control provisions on money laundering, which include the obligation for customer identification, and the reporting of suspicious transactions and large cash transactions. Our track record on the prevention of money laundering is reported periodically to the management, the BOD and the president of the Korea Finance Intelligence Unit.

Classification	Unit	Busan Bank			Kyongnam Bank		
		2014	2015	2016	2014	2015	2016
Training on Financial Accident Prevention	Persons	All employees	All employees	All employees	All employees	All employees	All employees
Accident prevention education for new employees and new branch heads	Persons	222	220	83	173	229	100
Job training for branches	Persons	246	327	405	577	657	205
No. of hours of ethical training per person	Hours	6	12	12	12	13	12
No. of times ethical training courses were held	No.	12	12	12	59	63	49

Human Rights Management

Human Rights Management at the BNK Financial Group

Human Rights Policy at the BNK Financial Group

The BNK Financial Group follows the global standards and regulations provided by the ILO (International Labor Organization), UN Global Compact, UN (United Nations) and other international organizations to manage their business and labor affairs and supports the UN Universal Declaration of Human Rights.

The BNK Financial Group has established the following policy for human rights management, striving to treat its employees as well as its contractors, the community, and other shareholders according to such policy:

1. In our business, we protect human rights as one of our basic responsibilities and equally apply this principle to communities where our sites are located and vendors in a contractual relationship with us as well as our sites.
2. Our human rights policy is applied equally to customers, contractors, communities, and all shareholders as well as our employees.
3. We comply with all of the applicable labor laws in all countries and regions where we do business.
4. We strive to ensure stable employment and provide better working conditions to all of our employees in terms of economy and society.
5. We educate employees regularly to prevent human rights violations and strive to raise employees' awareness of human rights.
Based on the employee protection standard, we protect our employees from customers' abuse, sexual harassment, and violence.
In addition, we make efforts to protect our employees through various human rights programs such as lectures and events. Especially, we regularly invite professional instructors to give lectures to our employees at the customer center.
6. We carry out evaluations to check if our human rights policy is followed and if there are any human rights violations and have a reporting channel in place to enable employees to report human rights issues according to the manual.
With consulting channels such as "Cheonsa-Call" and "Meosirakko," we have dealt with a total of 290 cases in 2016.
7. If a human rights violation occurs, the responsible department will investigate the case and take suitable measures to prevent its recurrence.

Activities for Human Rights Management

Activity	Page No.
Employment Equality (Local Talent, People with Disability)	54
Fair Employment	55
Improved Healthcare, Disease Prevention, and Welfare for Employees	58, 68-78
Improved Childcare Support	59
Family-Friendliness, Work-Life Balance	59, 64, 66

Performance Data of Sustainability Management

General Disclosure

G4.11 Labor union subscription rate

(Unit: %)

Type	2014	2015	2016
Busan Bank	99.57	98.31	99.80
Kyongnam Bank	99.88	99.80	99.89

* BNK Financial Holdings, BNK Investment and Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information and BNK System run a labor-management council to which the same number of representatives from labor and management subscribe.

G4.11 Number of labor union meetings

(Unit: Times)

Type	2014	2015	2016
Busan Bank	-	4	4
Kyongnam Bank	-	4	4

Specific Disclosure

EC.03 Status of managing retirement benefits(As of Dec. 31, 2016)

(Unit: KRW 100 million, person)

Type	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Securities	BNK Capital	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
Date of account opening	2011.05.19	2010.07.30	2010.06.30	2007.11.26	2011.11.28	2013.03.29	2013.12.19	2007.11.12	2013.11.12
Amount under management	51.5	2,253	1,417	20	5.3	10.8	0	4	21
No. of subscribers (DB)	96	3,256	2,583	97	464	102	0	19	132
No. of subscribers (DC)	-	-	1	52	-	-	32	-	-

EC.05 Wage of new employees compared to the minimum wage(2016 Statuary minimum wage: 6,030)

(Unit: KRW, %)

Type	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Securities	BNK Capital	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
Statutory hourly wage of new employees	6,030	6,030	6,030	6,030	6,030	6,030	6,030	6,030	6,030
Hourly wage of new employees (men)	13,040	13,040	15,039	14,354	13,157	11,164	18,229	7,599	13,193
Hourly wage of new employees (women)	13,040	13,040	14,130	13,755	9,569	9,968	18,229	7,599	11,825
Rate compared to the minimum wage (men)	216	216	250	238	218	185	302	126	219
Rate compared to the minimum wage (women)	216	216	237	228	159	165	302	126	196

EC.06 Number of employees dispatched and recruited abroad

(Unit: persons)

Type	BNK Financial Group	Busan Bank	Kyongnam Bank	BNK Securities	BNK Capital	BNK Savings Bank	BNK Asset Management	BNK Credit Information	BNK System
Total no. of employees abroad	No. of employees dispatched broad	-	10	-	-	11	-	-	-
	No. of local employees abroad	-	25	-	-	259	-	-	-
	No. of local managers abroad	-	0	-	-	27	-	-	-

EC7. Development and impact of SOC investment and support services(Data of social contribution)

a. Social contributions by affiliate(Including micro-financing)

(Unit: KRW 100 million)

Type	2014	2015	2016
BNK Financial Group	0.1	0.2	0.0
Busan Bank	327.0	292.0	276.0
Kyongnam Bank	134.0	164.0	148.0
BNK Securities	0.2	0.2	0.2
BNK Capital	0.4	0.4	0.3
BNK Savings Bank	2.3	0.1	0.1
BNK Asset Management			0.1
BNK Credit Information	0.1	0.1	0.1
BNK System	0.1	0.1	0.1
Total	509.2	457.1	424.8

b. No. of BNK Financial Group employees participating in social contribution

(Unit: Persons)

Type	2014	2015	2016
BNK Financial Group	508	31	48
Busan Bank	29,307	22,183	20,139
Kyongnam Bank	7,877	9,122	9,894
BNK Securities	0	110	102
BNK Capital	0	103	157
BNK Savings Bank	0	100	216
BNK Asset Management	0	0	0
BNK Credit Information	0	10	44
BNK System	0	195	137
Total	37,692	31,854	30,737

c. No. of employees dedicated to social contribution activities

(Unit: Persons)

Type	2014	2015	2016
BNK Financial Group	1	2	1
Busan Bank	15	15	13
Kyongnam Bank	8	6	6
Total	24	23	20

EN1. Materials used by weight/volume

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

Amount of copy paper purchased	2014	2015	2016	Scope of Data
BNK Financial Group	3	4	3	As for the purchasing amount at the head branch.
Busan Bank	222	257	253	As for the purchasing amount at the head branch.
Kyongnam Bank	235	208	241	As for the purchasing amount at the head branch.
BNK Securities	1	1	3	As for the purchasing amount at the head branch.
BNK Capital	10	6	11	As for the purchasing amount at the head branch.
BNK Savings Bank	7	13	7	As for the purchasing amount at the head branch.
BNK Asset Management		1	1	As for the purchasing amount at the head branch.
BNK Credit Information	1	1	2	As for the purchasing amount at the head branch.
BNK System	1	1	1	As for the purchasing amount at the head branch.
Total	480	492	522	

EN3. Energy consumption within the organization, EN4. Energy consumption outside the organization

(Unit: Tj)

Type	2014	2015	2016	Remarks
Amount of direct energy consumed	25.73	84.83	82.89	
Amount of diesel	0.23	0.00	0.12	
Amount of LNG	10.31	23.38	23.18	City gas for buildings (Amount of LNG)
Amount of boiler oil	-	0.41	0.24	
Amount of LPG	0.56	0.00	0.64	
Amount of vehicle gasoline	11.75	50.69	45.40	
Amount of vehicle diesel	0.78	9.58	12.02	
Amount of vehicle LPG	2.10	0.77	1.29	
Amount of indirect energy consumed (electricity)	126.83	555.94	543.70	Electricity use for buildings
Total amount of energy consumed	152.56	640.77	626.59	

EN8. Total water withdrawal by source(Unit: m³)

Surface water	2014	2015	2016
BNK Financial Group	1,114	1,979	2,051
Busan Bank	23,627	168,933	160,125
Kyongnam Bank	18,892	52,320	47,181
BNK Securities	1,334	1,373	1,343
BNK Capital	1,461	2,394	3,068
BNK Savings Bank	491	2,094	1,554
BNK Asset Management		680	286
BNK Credit Information	291	653	680
BNK System	307	412	323
Total	47,547	230,838	216,611

EN23. Total weight of waste by type and disposal method**a. General wastes(commisioned waste disposal company)**

(Unit: ton)

Type	2014	2015	2016
Busan Bank	131	278	146
Kyongnam Bank	15	15	13
BNK Savings Bank		1	0
BNK Credit Information	7	7	1
BNK System	1	1	1

b. Commercial waste(If there is the genesis of the renovated building)

(Unit: ton)

Type	2014	2015	2016
Busan Bank	410	289	260
Kyongnam Bank	164	185	134

EN29. The monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with the environmental laws and regulations

(Unit: cases)

Type	Activities	2016	Remarks
Environmental laws and regulations	No. of violations of environmental laws and regulations	0	N/A

EN31. Total environmental protection expenditure/investment

(Unit: KRW)

Type	Division	2016	Estimated Amount
		Activities	
Busan Bank	Maximization of efficiency in utilizing energy	Reduced energy consumption by installing LED lighting and high luminance lamp in bank headquarters and stores (a total of 5,795)	822,571,520 (including labor costs)
Kyongnam Bank	Maximization of efficiency in utilizing energy	Reduced energy consumption by installing LED lighting and high luminance lamp in bank headquarters and stores (a total of 6,812)	770,000,000 (including labor costs)

EN15. Direct greenhouse gas (GHG) emissions, EN16. Indirect greenhouse gas (GHG) emissions, EN17. Other indirect greenhouse gas (GHG) emissions

(Unit: tCO₂eq)

Type		2014	2015	2016
BNK Financial Group	Direct Emissions (Scope1)	87	74	86
	Indirect Emissions (Scope2)	95	154	132
	Other Indirect Emissions (Scope3)	5	18	18
Busan Bank	Direct Emissions (Scope1)	444	1,735	1,806
	Indirect Emissions (Scope2)	3,840	17,418	17,537
	Other Indirect Emissions (Scope3)	16	33	105
Kyongnam Bank	Direct Emissions (Scope1)	730	2,529	2,157
	Indirect Emissions (Scope2)	1,653	7,440	7,151
	Other Indirect Emissions (Scope3)	41	165	133
BNK Securities	Direct Emissions (Scope1)	128	40	39
	Indirect Emissions (Scope2)	86	105	104
	Other Indirect Emissions (Scope3)	21	48	29
BNK Capital	Direct Emissions (Scope1)	74	819	956
	Indirect Emissions (Scope2)	194	1,432	1,089
	Other Indirect Emissions (Scope3)	11	62	71
BNK Savings Bank	Direct Emissions (Scope1)	34	83	93
	Indirect Emissions (Scope2)	170	315	259
	Other Indirect Emissions (Scope3)	1	7	5
BNK Asset Management	Direct Emissions (Scope1)		16	37
	Indirect Emissions (Scope2)		17	15
	Other Indirect Emissions (Scope3)		5	5
BNK Credit Information	Direct Emissions (Scope1)	17	17	14
	Indirect Emissions (Scope2)	54	49	58
	Other Indirect Emissions (Scope3)	1	1	2
BNK System	Direct Emissions (Scope1)	27	29	26
	Indirect Emissions (Scope2)	68	71	61
	Other Indirect Emissions (Scope3)	1	3	2
Total	Direct Emissions (Scope1)	1,541	5,343	5,214
	Indirect Emissions (Scope2)	6,160	27,001	26,406
	Other Indirect Emissions (Scope3)	95	340	370

EN4. Energy consumption outside the organization, EN17. Other indirect greenhouse gas (GHG) emission (SCOPE3), EN30. Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce

(Unit: tCO₂eq)

Type	2016	Emissions (tCO ₂ eq)	Scope of Data
Business Trip	Airline	2,636,968km	177 BNK Financial Group, Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management
	Railroad (KTX)	3,159,345km	95 BNK Financial Group, Busan Bank, Kyongnam Bank, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information, BNK System
	Bus + Vehicle	644,411km	98 BNK Financial Group, Busan Bank, Kyongnam Bank, BNK Capital, BNK Savings Bank, BNK Credit Information, BNK system
Product and service purchase	Printing Paper	44,582Box	BNK Financial Group, Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Asset Management, BNK Credit Information, BNK system
	Credit card	624,900	Busan Bank, Kyongnam Bank
	Savings account	3,690,373	Busan Bank, Kyongnam Bank, BNK Savings Bank
Capital Goods	Laptop	56	BNK Financial Group, Busan Bank, BNK Credit Information, BNK system
	PC desktop	981	BNK Financial Group, Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Credit Information, BNK system
	Monitor	1,391	BNK Financial Group, Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Savings Bank, BNK Credit Information, BNK system
	Printer	233	BNK Financial Group, Busan Bank, BNK Securities, BNK Credit Information
	LED light (50W)	12,607	Busan Bank, Kyongnam Bank
Waste	Credit card waste	0kg	
	Savings account waste	0kg	
	General waste (incinerated)	159,743kg	Busan Bank, Kyongnam Bank
	General waste (buried)	393,800kg	
	Poor building waste(If there is the genesis of the renovated building)	1,720kg	BNK Credit Information, BNK System
	Recycled waste (paper)	0kg	
Recycled waste (Glass)	0kg		

LA.01 Current status of employees

(Unit: persons)

Type		2014				2015				2016			
		Total no. of employees	No. of regular employees (excluding executives)	No. of contract-based employees (excluding executives)	No. of executives	Total no. of employees	No. of regular employees (excluding executives)	No. of contract-based employees (excluding executives)	No. of executives	Total no. of employees	No. of regular employees (excluding executives)	No. of contract-based employees (excluding executives)	No. of executives
BNK Financial Group	Men	53	42	8	3	58	41	9	8	69	53	9	7
	Women	7	6	1	0	6	5	1	0	5	5	-	-
	Total	60	48	9	3	64	46	10	8	74	58	9	7
Busan Bank	Men	1,752	1,573	161	18	1,794	1,604	185	5	1,728	1,552	171	5
	Women	1,622	1,435	187	0	1,761	1,561	200	0	1,687	1,563	115	-
	Total	3,374	3,008	348	18	3,555	3,165	385	5	3,406	3,115	286	5
Kyongnam Bank	Men	1,335	1,197	118	20	1,423	1,292	125	6	1,379	1,247	125	7
	Women	1,172	1,023	149	0	1,270	1,103	167	0	1,262	1,105	157	-
	Total	2,507	2,220	267	20	2,693	2,395	292	6	2,641	2,352	282	7
BNK Securities	Men	124	78	43	3	128	86	37	5	152	90	59	3
	Women	43	37	6	0	45	38	7	0	49	42	7	-
	Total	167	115	49	3	173	124	44	5	201	132	66	3
BNK Capital	Men	340	219	118	3	367	247	112	8	360	264	90	6
	Women	169	72	97	0	184	88	96	0	184	105	79	-
	Total	509	291	215	3	551	335	208	8	544	369	169	6
BNK Savings Bank	Men	72	61	6	5	74	61	7	6	67	54	8	5
	Women	31	21	10	0	33	22	11	0	35	22	13	-
	Total	103	82	16	5	107	83	18	6	102	76	21	5
BNK Asset Management	Men	-	-	-	-	22	13	5	4	23	9	10	4
	Women	-	-	-	-	11	11	0	0	10	9	1	-
	Total	-	-	-	-	33	24	5	4	33	18	11	4
BNK Credit Information	Men	20	4	14	2	22	3	15	4	24	6	14	4
	Women	3	3	0	0	3	2	1	0	4	3	1	-
	Total	23	7	14	2	25	5	16	4	28	9	15	4
BNK System	Men	116	98	14	4	119	106	9	4	139	120	14	5
	Women	10	7	3	0	11	8	3	0	15	14	1	-
	Total	126	105	17	4	130	114	12	4	154	134	15	5

LA.01 No. of new employees and retirees

(Unit: persons)

Type	2014		2015		2016	
	No. of new employees	No. of retirees	No. of new employees	No. of retirees	No. of new employees	No. of retirees
BNK Financial Group	0	1	3	3	2	5
Busan Bank	135	60	234	34	85	3
Kyongnam Bank	106	30	235	62	58	43
BNK Securities	7	17	22	14	14	13
BNK Capital	180	97	181	145	118	56
BNK Savings Bank	20	24	18	20	20	18
BNK Asset Management	2	2	11	14	7	7
BNK Credit Information	7	5	9	8	7	6
BNK System	19	11	19	7	19	5

LA.03 Current status of using childcare leave

(Unit: persons)

Type	No. of workers who took childcare leave in 2016			No. of workers who returned to work after taking childcare leave in 2016			No. of workers who had worked for one year or more after returning to work from childcare leave by December 31, 2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
BNK Financial Group	-	-	-	-	-	-	-	-	-
Busan Bank	1	129	130	-	74	74	-	72	72
Kyongnam Bank	-	156	156	-	57	57	-	89	89
BNK Securities	-	4	4	-	1	1	-	2	2
BNK Capital	1	7	8	-	2	2	-	3	3
BNK Savings Bank	-	5	5	-	2	2	-	2	2
BNK Asset Management	-	-	-	-	-	-	-	1	1
BNK Credit Information	-	2	2	-	-	-	-	-	-
BNK System	-	3	3	-	-	-	-	-	-

LA.06 Total no. of days of absence due to illness or injury

(Unit: persons, days)

Type	2014		2015		2016	
	No. of days of absence due to illness or injury (excluding leave)	No. of days of absence due to illness or injury sustained while working	No. of days of absence due to illness or injury (excluding leave)	No. of days of absence due to illness or injury sustained while working	No. of days of absence due to illness or injury (excluding leave)	No. of days of absence due to illness or injury sustained while working
BNK Financial Group	53	95	0	0	72	60
Busan Bank	1,276	480	1,033	457	1,956	959
Kyongnam Bank	970	987	774	627	1,323	895
BNK Securities	9	0	0	0	-	25
BNK Capital	80	0	66	0	36	-
BNK Savings Bank	90	92	0	0	-	-
BNK Asset Management	-	-	0	0	-	-
BNK Credit Information	0	0	8	25	-	19
BNK System	4	0	0	0	-	-

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 ("GHG") Emissions for the calendar year 2016 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), Energy indirect emissions (Scope 2), and Other indirect emissions (Scope 3) from BNK Environmental Management System;

- GHG emissions under verification : GHG emissions from 2016
- Organizational boundary : BNK FNC Group (BNK Financial Group Inc., Busan Bank, Kyongnam Bank, BNK Securities, BNK Capital, BNK Asset Management, BNK Savings Bank, BNK Credit Information, BNK System)

Verification Approach

The verification has been conducted by DNV GL from May through June 2017 and performed in accordance with the verification principles 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 verification opinion.

As part of the verification process, the audit team:

- reviewed activity data (cost, fuel consumption and mileage), formula and emission factors applied in BNK Environmental Management System;
- interviewed data owner of BNK FNC Group for the emission information and data collection process.

Conclusions

Based on the above verification core elements, nothing comes to our attention to believe us that the GHG assertion has intentional errors, omissions or material misrepresentations. The GHG Emissions of BNK FNC Group for the year 2016 were estimated as below;

Greenhouse Gas Emissions of BNK FNC Group from Yr 2016

(Unit: ton CO₂e)

BNK FNC Group	Direct emissions (Scope 1)	Energy Indirect emissions (Scope 2)	Other Indirect emissions (Scope 3)	Total emissions
2016	5,214	26,406	370	31,990

※ 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.

※ Total emissions = Scope 1 + Scope 2 + Scope 3(business trip)

June 2017



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

This Assurance Statement is valid as of the date of the issuance (30th June 2017). 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.

Appendix I

Based on the verification, the details of GHG emissions from BNK FNC Group are as below;

Greenhouse Gas Emissions of BNK FNC Group from Yr 2016

(Unit: ton CO₂e)

BNK FNC Group	Direct Emissions (Scope1)	Energy indirect emissions (Scope 2)	Other indirect emissions (Scope 3)	Total emissions
BNK Financial Group Inc.	86	132	18	236
Busan Bank	1,806	17,537	105	19,448
Kyongnam Bank	2,157	7,151	133	9,441
BNK Securities	39	104	29	172
BNK Capital	956	1,089	71	2,116
BNK Savings Bank	93	259	5	357
BNK Asset Management	37	15	5	57
BNK Credit Information	14	58	2	74
BNK System	26	61	2	89
TOTAL	5,214	26,406	370	31,990

※ 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.

Third - Party Assurance Report

Introduction

BNK Financial Group, Inc. (hereinafter referred to as “BNK Financial Group”) commissioned DNV GL Business Assurance Korea Ltd. (“DNV GL”), part of DNV GL Group, to undertake independent assurance of the Sustainability Report 2016 (the “Report”). DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

Scope of assurance

The scope of assurance includes a review of sustainability activities and performance data over the reporting period from 1st January to 31st December 2016. This also includes:

- Evaluation of the Report on the adherence to the principles for defining the sustainability report content set forth in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 4.0
- Evaluation of the process for determining material aspects for reporting and the management approach to material issues
- Verification of 2016 performance data and information described in the Report against the internal documents and records

Basis of our opinion

The assurance engagement was planned and carried out using DNV GL’s assurance methodology VeriSustain^{TM1}, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We provide the limited level of assurance. The audit was carried out in April through June 2017 and the site visits were made to the Headquarters of BNK Financial Group in Busan, Korea. We undertook the following activities as part of the assurance process:

- 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;
- interviewed representatives from the various departments;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system and associated reporting systems as they relate to selected content and performance data;
- reviewed the materiality assessment report.

Limitations

The engagement excludes the sustainability management, performance and reporting practices of BNK Financial Group’s associated companies, contractors, suppliers and any third-parties except for following BNK subsidiaries such as Busan Bank(www.busanbank.co.kr), Kyongnam Bank(www.knbank.co.kr), BNK Securities(www.bnknfn.co.kr), BNK Capital(www.bnkcapi.co.kr), BNK Savings Bank(www.bnksb.com), BNK Asset Management(www.bnkasst.co.kr), BNK Credit Information (www.bsci.co.kr) and BNK System(www.bnksys.co.kr) mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Financial statements of BNK Financial Group, data announced on DART system of the Financial Supervisory Service(<http://dart.fss.or.kr>), and data on the websites of BNK Financial Group (www.bnkfg.com) and 8 subsidiaries listed above are not included in the scope of assurance. Data assurance was conducted by checking the basis in a limited scope, including inquiry, analysis, and limited sampling method, on the data collected by BNK Financial Group. The aggregation and calculation process for building economic performances is reviewed by the verification team. Also, environmental and social data were verified using the aggregated data. The directors of BNK Financial Group have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of BNK Financial Group in accordance with the terms of reference. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly describe the adherence to the Principles for defining report content in GRI G4 nor is prepared ‘in accordance’ with GRI G4 Core option. Further opinions with regards to the adherence to the following Principles in the GRI G4 are made below;

¹ The VeriSustain protocol is available upon request at DNV GL Website (www.dnvgl.com)

Stakeholder Inclusiveness

BNK Financial Group has identified internal and external stakeholder groups such as customers group, employees group, shared growth group (Shareholders and Investors, Competitors and Local communities), policy supervision group (Authority and National assembly, and Financial Supervisory Service) and media environment group (Journalist, Environmental NGOs and Academia). BNK Financial Group engages with the stakeholders at the company and business unit levels through various channels. The examples of approaches to engagement with selected stakeholders are described in the Report. In the future, BNK Financial Group could present the reasonable expectations and interests of stakeholders and report corresponding actions taken in the Report.

Sustainability Context

BNK Financial Group's key policy, activities and performances are partially addressed in the report with justification of determining material aspects reported and business risk and opportunity. The 13 material issues identified through materiality assessment are reported in the categories of Value Creation Management, Customer-Driven Management, Win-Win Management and Employee Happiness Management and the key performances achieved in 2016 are presented in the Report, which would help the stakeholder understand the management approaches toward the material aspects.

Materiality

BNK Financial Group has conducted materiality assessment to prepare the Report. Various issues were derived by analysing the topics covered in various global initiatives and standards, major stakeholder expectations, industry issues and journalist reports, internal survey results. Subsequently the issues are prioritized by taking into account the social concern and internal business impact on BNK Financial Group. In addition, BNK Financial Group has grouped the 13 material issues into 9 aspects as defined in GRI G4 and presented its management approaches on the respective aspects in the Report. The verification team has reviewed the materiality assessment process and nothing comes to our attention that would cause us to believe that material issues identified from the assessment are not reported.

Completeness

The Report has covered the sustainability strategy, management approach and sustainability performances of BNK Financial Group for the reporting period and nothing comes to our attention that would cause us to believe that the non-financial sustainability performances associated with material aspects are not reported.

Report quality: Accuracy and Reliability

We found a limited number of non-material errors and these were corrected prior to inclusion in the Report. The data presented in the report were gathered from the teams responsible for data control in BNK Financial Group. The verification team interviewed the Person-in-charge, reviewed the process of gathering and processing data and information, and the supporting documents and records. The depth of data verification is limited to the aggregated data. Based on sampling verification and other reported information and available evidence, nothing comes to our attention that would cause us to believe that the data and information presented in the Report have any intentional error or material misstatement.

Competence and Independence

DNV GL Business Assurance is part of DNV GL Group and a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. Our environmental and social assurance specialists are present in over 100 countries. The assurance work was performed by independent team which meets DNV GL's competence requirements. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. The verification team has complied with DNV GL's Code of Conduct.

30 June 2017
Seoul, Republic of Korea

In-Kyoon Ahn

Country Representative DNV GL Business Assurance Korea Ltd.



A handwritten signature in black ink, appearing to read "In-Kyoon Ahn".

GRI Guideline Index

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G4-EN19	Reduction of greenhouse gas (GHG) emissions	50-51	
G4-EN20	Emissions of ozone-depleting substances by weight	N/A	
G4-EN21	NOx, SOx, and other significant air emissions by type and weight	-	
Effluents and Waste DMA (Disclosures on Management Approach)		-	
G4-EN22	Total water discharge by quality and destination	-	
G4-EN23	Total weight of waste by type and disposal method	119	
G4-EN24	Total number and volume of significant spills	N/A	
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous	N/A	
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	N/A	
Products and Services DMA (Disclosures on Management Approach)		-	
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	29-30	
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	-	
Compliance DMA (Disclosures on Management Approach)		-	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	119	
Transport DMA (Disclosures on Management Approach)		-	
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	119-120	
Overall DMA (Disclosures on Management Approach)		-	
G4-EN31	Total environmental protection expenditures and investments by type	119	
Supplier Environmental Assessment DMA (Disclosures on Management Approach)		-	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	-	
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	-	
Environmental Grievance Mechanisms DMA (Disclosures on Management Approach)		-	
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	-	

Labor

Indicators	Description of the Indicators	Page	Remarks
Employment DMA (Disclosures on Management Approach)			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	121	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	-	
G4-LA3	Return to work and retention rates after parental leave, by gender	121	
Labor/Management Relations DMA (Disclosures on Management Approach)			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	-	
Occupational Health and Safety DMA (Disclosures on Management Approach)			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	-	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	121	
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	-	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	-	
Training and Education DMA (Disclosures on Management Approach)			
G4-LA9	Average hours of training per year per employee, by gender, and by employee category	122	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	55-57	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	122	
Diversity and Equal Opportunity DMA (Disclosures on Management Approach)			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	54-55, 121	
Equal remuneration for women and men DMA (Disclosures on Management Approach)			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	118, 122	
Supplier Assessment for Labor Practices DMA (Disclosures on Management Approach)			
G4-LA14	Percentage of new suppliers that were screened using labor practice criteria	-	
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	-	
Labor Practices Grievance Mechanisms DMA (Disclosures on Management Approach)			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	60	

Human Rights

Indicators	Description of the Indicators	Page	Remarks
Investment DMA (Disclosures on Management Approach)			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	116	
Non-discrimination DMA (Disclosures on Management Approach)			
G4-HR3	Total number of incidents of discrimination and actions taken	55, 60	
Freedom of collective bargaining and the right to organize DMA (Disclosures on Management Approach)			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	122	
Child labor DMA (Disclosures on Management Approach)			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	52, 117	
Forced labor DMA (Disclosures on Management Approach)			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	52, 117	
Security Practices DMA (Disclosures on Management Approach)			
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	39	
Indigenous Rights DMA (Disclosures on Management Approach)			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	-	
Assessment DMA (Disclosures on Management Approach)			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	122	
Supplier Human Rights Assessment DMA (Disclosures on Management Approach)			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	-	
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	-	
Human Rights Grievance Mechanisms DMA (Disclosures on Management Approach)			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	60	

Society

Indicators	Description of the Indicators	Page	Remarks
Communities DMA (Disclosures on Management Approach)			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	44-49	
G4-SO2	Operations with significant actual and potential negative impacts on local communities	44-49	
Anti-corruption DMA (Disclosures on Management Approach)			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	122	
G4-SO4	Communication and training on anti-corruption policies and procedures	115-116, 122	
G4-SO5	Confirmed incidents of corruption and actions taken	122	
Public Policy DMA (Disclosures on Management Approach)			
G4-SO6	Total value of political contributions by country and recipient/beneficiary	-	
Anti-competitive Behavior DMA (Disclosures on Management Approach)			
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	122	
Compliance DMA (Disclosures on Management Approach)			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	122	
Supplier Assessment for Impacts on Society DMA (Disclosures on Management Approach)			
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	-	
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	-	
Grievance Mechanisms for Impacts on Society DMA (Disclosures on Management Approach)			
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	-	

Product Responsibility

Indicators	Description of the Indicators	Page	Remarks
Customer Health and Safety DMA (Disclosures on Management Approach)			
G4-PR1	Percentage of significant products and services categories for which health and safety impacts are assessed for improvement	N/A	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	N/A	
Product and service labeling DMA (Disclosures on Management Approach)			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and services subject to such information requirements	-	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	122	
G4-PR5	Results of surveys measuring customer satisfaction	36	
Marketing DMA (Disclosures on Management Approach)			
G4-PR6	Sale of banned or disputes products	N/A	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	N/A	
Customer Privacy DMA (Disclosures on Management Approach)			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	40-41	
Regulations DMA (Disclosures on Management Approach)			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	122	

Financial Services

Indicators	Description of the Indicators	Page	Remarks
Product portfolios DMA (Disclosures on Management Approach)			
G4-FS1	Policies on environmental and social components applied to the business	25-31	
G4-FS2	Assessment and review procedures for environmental and social risks in business fields	113-114	
G4-FS3	Process of monitoring the implementation of and compliance with customers' environmental and social needs in a contract or transaction	34-37	
G4-FS4	Process of strengthening employee competency for implementing environmental and social policies and procedures in business fields	54-57	
G4-FS5	Interaction between customers, investors and business partners in association with environmental and social risks and opportunity elements	25-31	
G4-FS6	Percentage of the portfolio for business lines by specific region, size and by sector	6-7	
G4-FS7	Currency value of products and services designed to provide certain social benefits in each business field specified	30-31	
G4-FS8	Currency value of products and services designed to provide certain environmental benefits in each business field specified	30-31	
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)			
G4-FS13	Access points by type in regions with little population or no economic benefits	27-28, 44-49	
G4-FS14	Initiatives to improve access to financial services for the underprivileged	27-28, 44-49	
Product and Service Labeling DMA (Disclosures on Management Approach)			
G4-FS15	Policies on fair design and sales of financial products and services	34-35	
G4-FS16	Initiatives to intensify financial knowledge (education) by recipient type	40-41	

BNK FINANCIAL GROUP HISTORY

2011

Mar. 15. 2011.

Launching BS Financial Holdings Co., Ltd. (launching a holdings company for the first time among regional banks) Busan Bank Co., Ltd., BS Capital Co., Ltd., BS Investment and Securities Co., Ltd., BS Credit Information Co., Ltd. Establishing BS Financial Holdings through comprehensive stock transfer

May 20. 2011.

Incorporating BS Information System Co., Ltd. as a subsidiary

Dec. 28. 2011.

Incorporating BS Savings Bank Co., Ltd. as a subsidiary

2013

2012

Jun. 26. 2013.

Winning the Grand Prize at Korea's Creative Economic Leader Award (win-win management sector)

Feb. 14. 2013.

Selected as Korea's Most Influential CEO in 2013

Sep. 27. 2012.

Selected as the Socially Responsible Management Company for Coexistence in 2012

Jul. 05. 2012.

Winning the 2012 Korea Global CEO (social contribution sector)

2014

Aug. 14. 2013.

Se Whan Sung appointed as the second chairman of BS Financial Holdings Co., Ltd.

Nov. 27. 2013.

Winning the 2013 Korea's Best Entrepreneur (creative management sector)

Dec. 31. 2013.

Kyongnam Bank Co., Ltd. selected as the preferred bidder in takeover

Jan. 21. 2014.

Signing a win-win agreement for regional finance development with Kyongnam Bank Co., Ltd.

Oct. 10. 2014.

Incorporating Kyongnam Bank Co., Ltd. as a subsidiary (equity ratio: 56.97%)

Sep. 24. 2014.

Winning the Grand Prize at the Money Today's IR Award

Jul. 15. 2014.

Conducting the first capital increase with consideration (KRW 514.6 billion)

Mar. 21. 2014.

BS Capital Myanmar Co., Ltd. Establishing a subsidiary in Myanmar (grandchild company)

Mar. 07. 2014.

KBSC (Cambodia) MSI PLC Capital Establishing a subsidiary in Cambodia (grandchild company)

2015

Jan. 22. 2015.

Selected as Korea's Most Influential CEO in 2015

Feb. 24. 2015.

Winning the FSC Presidential Prize at the 2015 Korea's Best Banker Award

Mar. 30. 2015.

Registering the corporate name (BNK Financial Holdings Co., Ltd.)

Apr. 20. 2015.

Launching ceremony of BNK Financial Group's Professional Golf Team

Apr. 24. 2015.

BS Capital Lao Leasing Co., Ltd Capital Establishing a subsidiary in Laos (grandchild company)

Sep. 14. 2015.

Selected as one of the world's top 250 safest banks selected by 'The Banker', a global financial monthly magazine Ranking 178th (3rd among domestic financial institutions)

Sep. 10. 2015.

Newly incorporated into the Asia-Pacific section of the Dow Jones Sustainability Index Asia-Pacific in 2015

Jul. 28. 2015.

Incorporating BNK Asset Management Co., Ltd. as a subsidiary

Jun. 15. 2015.

BNK Financial Group's CI unveiling ceremony and character declaration ceremony

Jun. 04. 2015.

Completely incorporating Kyongnam Bank as a subsidiary (equity ratio after stock exchange: 100%)

2016

Jan. 27. 2016.

Conducting the second capital increase with consideration (KRW 472.5 billion)

May 17. 2016.

Signing of agreement for BNK Happy Healing School

Jul. 23. 2016.

Launching of BNK Global Service Corps

Sep. 08. 2016.

Included in the Asia-Pacific index of the 2016 Dow Jones Sustainability Index for 2 consecutive years



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