

2018 1Q Financial Results

2018.05.02

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

BNK Financial Group

Contents

I. 2018 1Q Group Highlights

1.	Highlights – Profitability	3
2.	Highlights – Profitability, Growth	4
3.	Highlights – Asset Quality, Capital Adequacy	5
4.	Group Structure	6

II. Profitability

1.	Group Earning Results	8
2.	Subsidiaries Earning Results	9
3.	Banks Earning Results	10
4.	Banks NIM	12
5.	SG&A	13

III. Growth

1.	Group Assets	15
2.	Banks Loans / Deposits	16

IV. Asset Quality

1.	Group Asset Quality	19
2.	Banks Asset Quality	20
3.	Group Provisioning	22
4.	Banks Provisioning / Write-offs & NPL Sales	23

V. Capital Adequacy

1.	Capital Adequacy	26
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VI. Appendix

1.	Banks KRW Loan Portfolio	28
2.	Cyclical Sector	29
3.	BNK Capital	30
4.	Group Networks & Major Industries	32

DISCLAIMER

The financial information presented herein is prepared on the basis of pre-audited financial of BNK Financial Group and is based upon the plans, strategies and expectations of the FG's management. All information described in this presentation should be treated as forward looking statements that are subject to risks and uncertainties. Actual results could vary materially from the expectations reflected in this presentation, thus the statements presented herein do not purport to be a complete description of the group's operations or future developments. Readers are cautioned not to place under reliance on these statements, which speak only as of the date of this presentation BNK Financial Group does not undertake any obligation to publicly release any revisions to these statements to reflect any future events.

- Kyongnam Bank has been added October 10, 2014, with earnings consolidated starting from 4Q of 2014. As of June 4, 2015, Kyongnam Bank has become a 100% subsidiary of BNK Financial Group
- BNK Asset Management has been added July 28, 2015, and earnings will be consolidated starting from August 2015

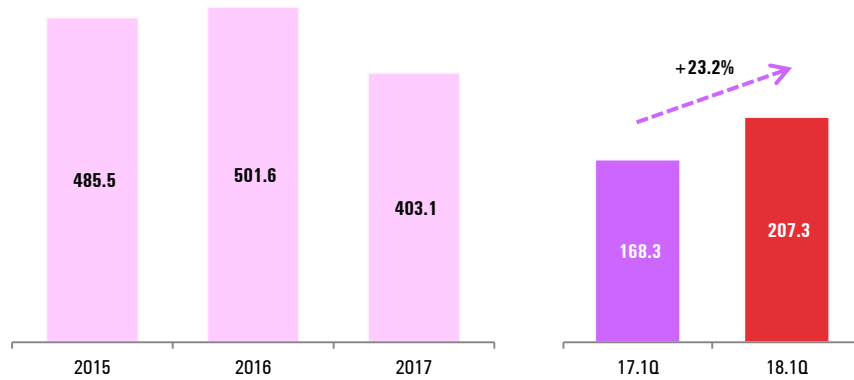
I . 2018 1Q Group Highlights

1. Highlights – Profitability	3
2. Highlights – Profitability, Growth	4
3. Highlights – Asset Quality, Capital Adequacy	5
4. Group Structure	6

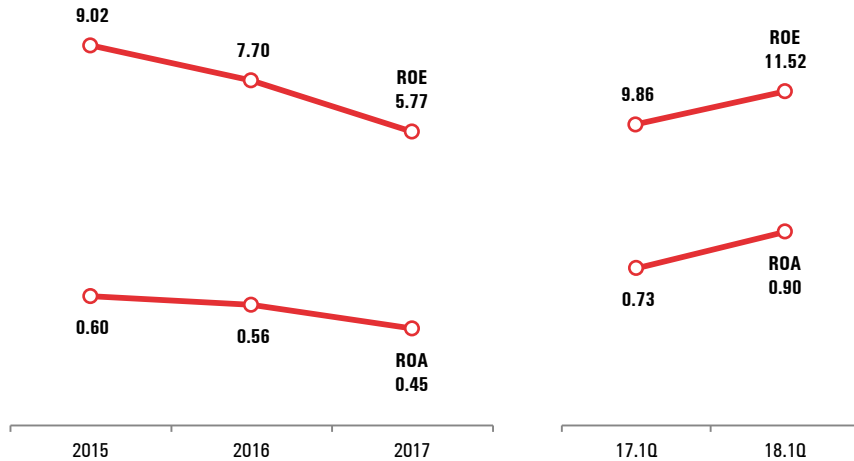
1. Highlights – Profitability

Profitability – Group Net Income, Group & Banks ROA, ROE

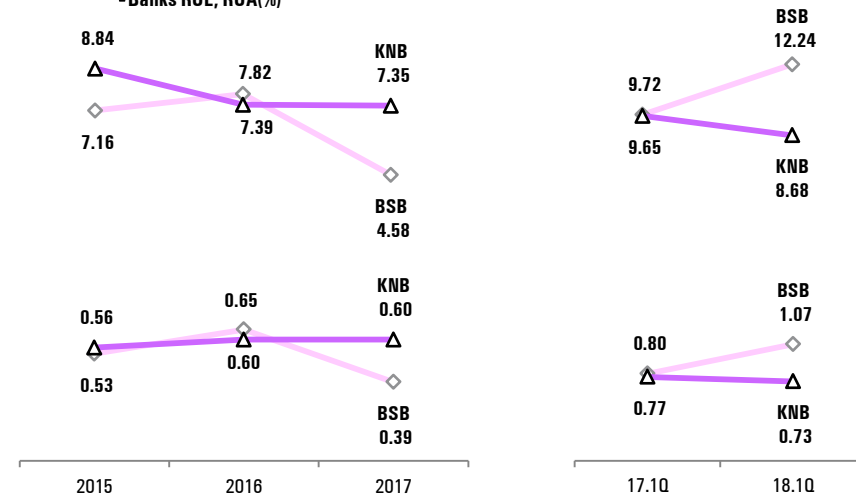
Group Net Income(KRW bn)



Group ROE, ROA(%)



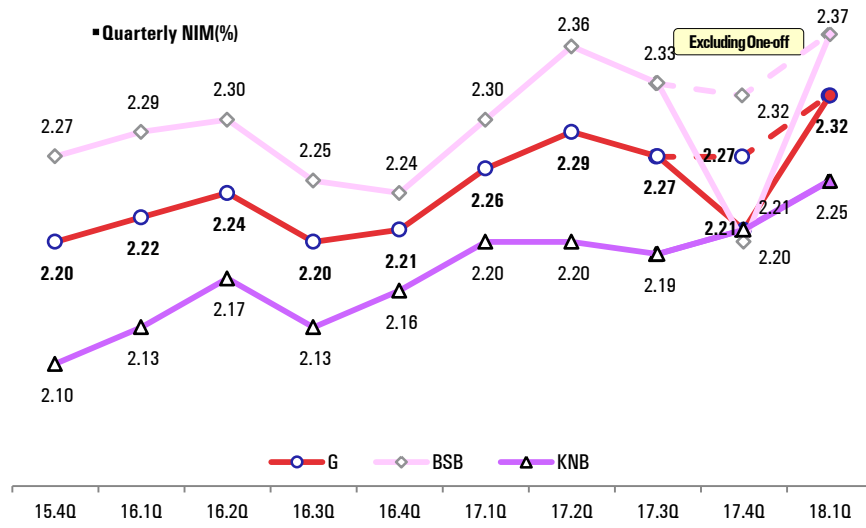
Banks ROE, ROA(%)



- Recorded Net Income of 207.3 KRW bn in 18.1Q, which is the highest quarterly level(Excluding NGW-added 14.4Q)
- With recovering normalized earning levels(NIM enhancement leading to higher net interest income, strong investment banking activities improving fee income, lower provision expense), large NPL sales led to the highest quarterly profits
 - ※ NPL sales related Profits 53.0 KRW bn (Impact on Net Income +39.2 KRW bn)

2. Highlights – Profitability, Growth

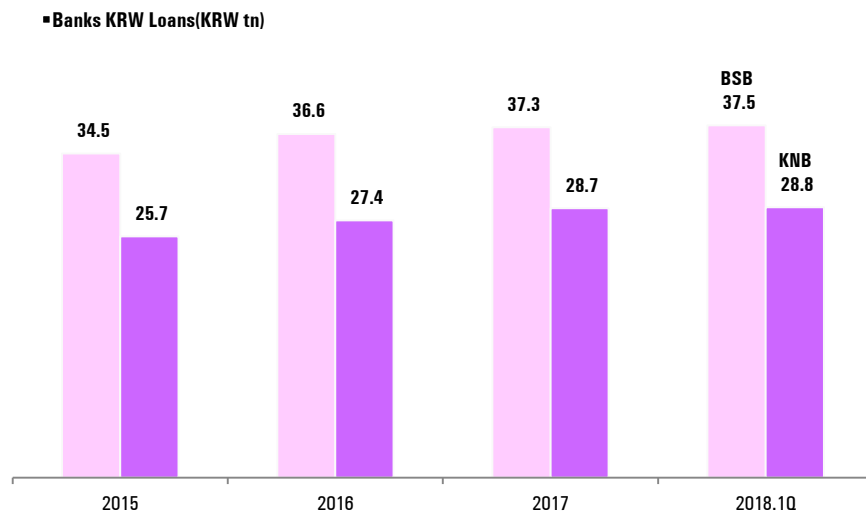
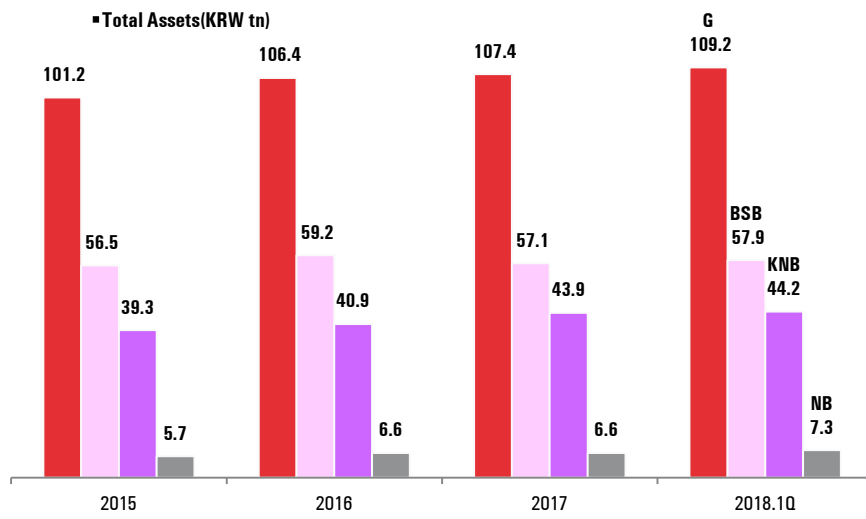
Profitability, Growth – Quarterly NIM, Total Assets, Banks KRW Loans



- Group NIM 2.32%, large increase of 11bps QoQ (Excluding 17.4Q Busan's one-off impact, +5bps QoQ)

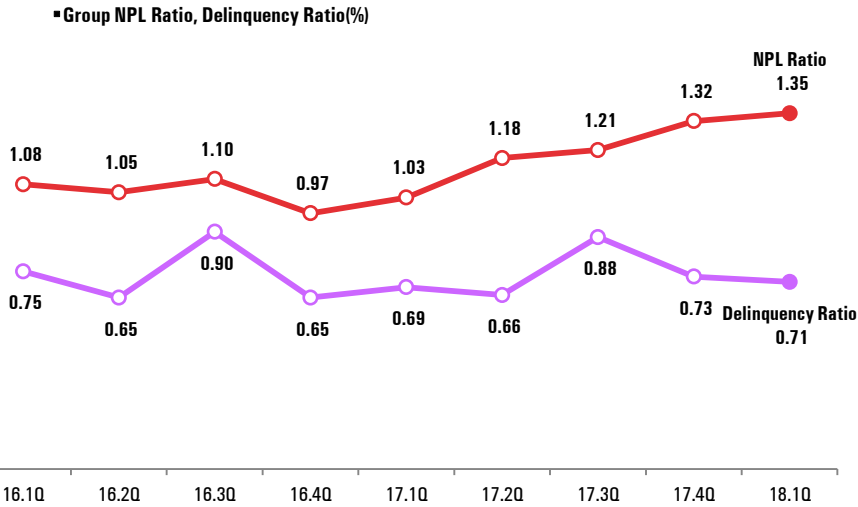
- Busan NIM, +17bps QoQ(Excl. One-off → +5bps)
- Kyongnam NIM, +4bps

- 17.4Q Benchmark rate increase effect & profitability focused portfolio management led to NIM improvement
- Increasing Core Corps(incl. SOHO) loans continued; however, due to public loan repayment & NPL sales, KRW loans showed limited growth

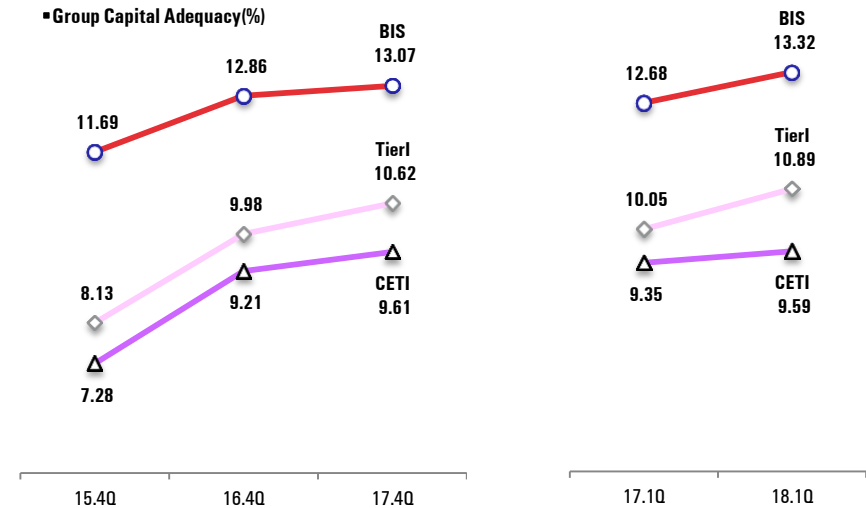
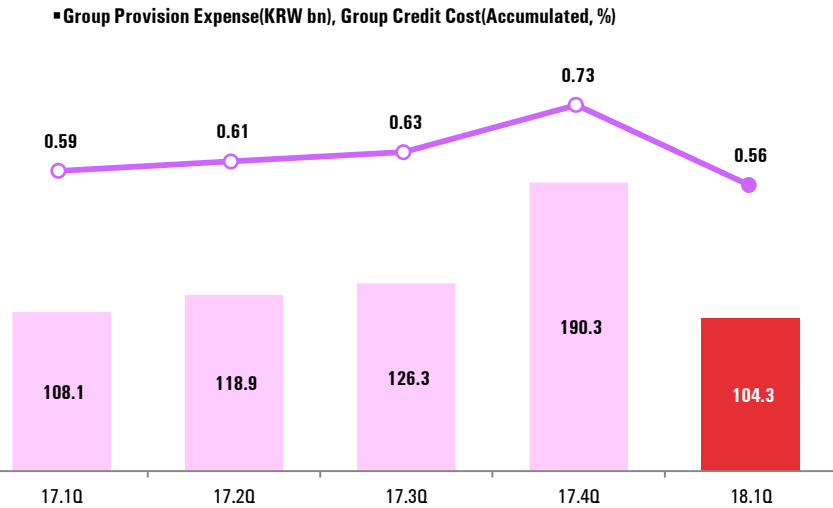


3. Highlights – Asset Quality, Capital Adequacy

Asset Quality, Capital Adequacy – NPL & Delinquency Ratio, Group Capital Adequacy



- Group NPL & Delinquency Ratio were maintained flat due to Kyongnam Bank's one-offs & still recovering economy in the region
- Group Credit Cost saw drastic improvement due to decrease in large size problematic loans in Busan Bank & provision writeback from NPL Sales
- Regardless of increased earnings, IFRS9 & changes in RWA calculation led to Group CETI drop by 2bps



4. Group Structure

(%, KRW bn, Accumulated)

BNK Financial Group

Establishment : 2011.03.15
 Total Assets : 109,248.7
 Net Income : 207.3
 Employees : 8,295

Busan Bank

Estbmt : 1967.10.10
 Branches : 267
 Employees : 3,853

Total Shares Owned

100%

Total Assets

57,851.7

Net Income

135.3

Kyongnam

Estbmt : 1970.05.22
Added : 2014.10.10
 Branches : 195
 Employees : 3,016

Total Shares Owned

100%

Total Assets

44,166.4

Net Income

66.5

Capital

Estbmt : 2010.07.15
 Branches : 27
 Employees : 603

Total Shares Owned

100%

Total Assets

4,876.0

Net Income

18.3

Securities

Estbmt : 1997.06.02
 Sec. Added : 2009.11
 Branches : 4
 Employees : 253

Total Shares Owned

100%

Total Assets

1,509.4

Net Income

6.2

MSB

Estbmt : 2011.12.13
 Branches : 7
 Employees : 122

Total Shares Owned

100%

Total Assets

835.8

Net Income

4.6

Asset Mgt.

Estbmt : 2008.07.15
Added : 2015.07.28
 Employees : 38

Total Shares Owned

100%

Total Assets

41.5

Net Income

0.0

Credit Info.

Estbmt : 2003.06.17
Industry : Collection
 Employees : 86

Total Shares Owned

100%

Total Assets

9.6

Net Income

0.2

System

Estbmt : 2011.05.20
Industry : IT related
 Employees : 177

Total Shares Owned

100%

Total Assets

11.3

Net Income

0.4

Cambodia

Establishment : 2014.03.07
 Employees : 133
 Total Share's Owned : 100%
 Total Assets : 9.5 KRW bn
 2015.06 Start Operations

Myanmar

Establishment : 2014.03.21
 Employees : 283
 Total Share's Owned : 99.9%
 Total Assets : 18.6 KRW bn
 2014.12 Start Operations

Laos PDR

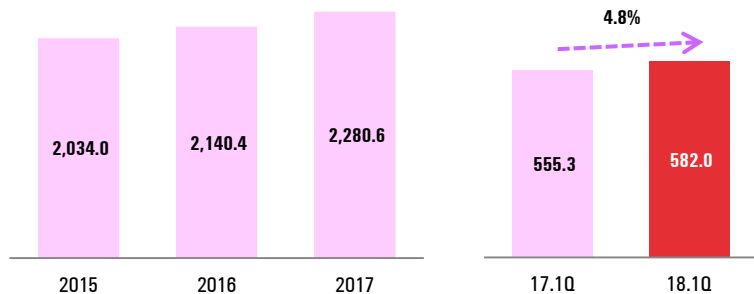
Establishment : 2015.04.24
 Employees : 27
 Total Share's Owned : 95%(BSB 5%)
 Total Assets : 16.2 KRW bn
 2015.07 Start Operations

II . Profitability

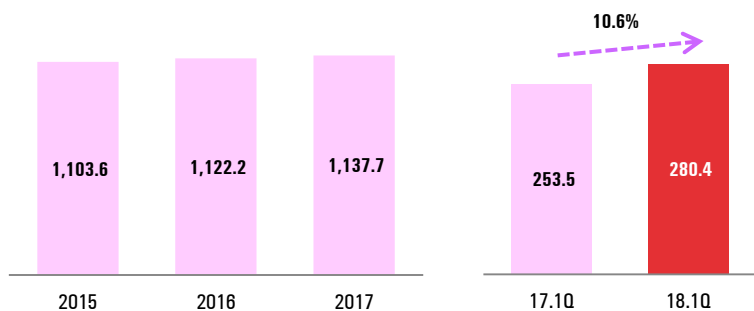
1. Group Earning Results	8
2. Subsidiaries Earning Results	9
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4. Banks NIM	12
5. SG&A	13

1. Group Earning Results

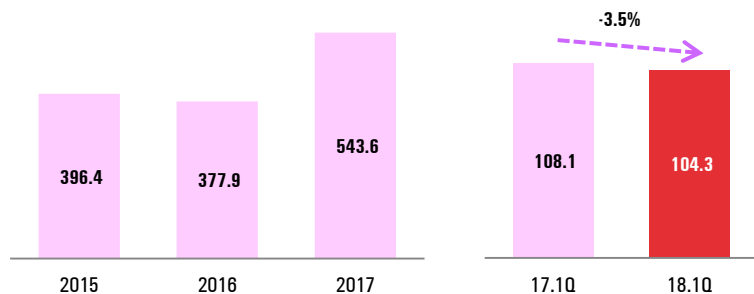
Interest Income(% , KRW bn)



SG&A(% , KRW bn)



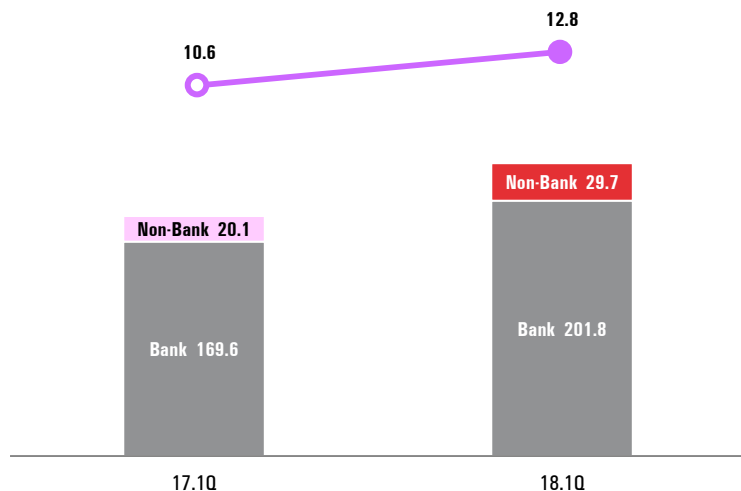
Provisioning(% , KRW bn)



(KRW bn, %)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Net Interest Income	582.0	555.3	4.8	566.7	2.7
Net Fee Income	55.8	43.2	29.2	29.5	89.2
Others	30.9	-7.8	Net Gain	-114.6	Net Gain
SG&A(-)	280.4	253.5	10.6	367.8	-23.8
Provision Expense(-)	104.3	108.1	-3.5	190.3	-45.2
Non-Operating Income	-2.6	-3.7	-	-24.6	-
Earnings Before Income Tax	281.4	225.4	24.8	-101.1	Net Gain
Income Tax Expense(-)	66.5	52.9	25.7	-25.6	-
Net Income(A)	214.9	172.5	24.6	-75.5	Net Gain
Net Income in Non-Controlling Interest(B)	7.6	4.2	81.0	7.7	-1.3
Net Income in Controlling Interest(C) (C) = (A) - (B)	207.3	168.3	23.2	-83.2	Net Gain

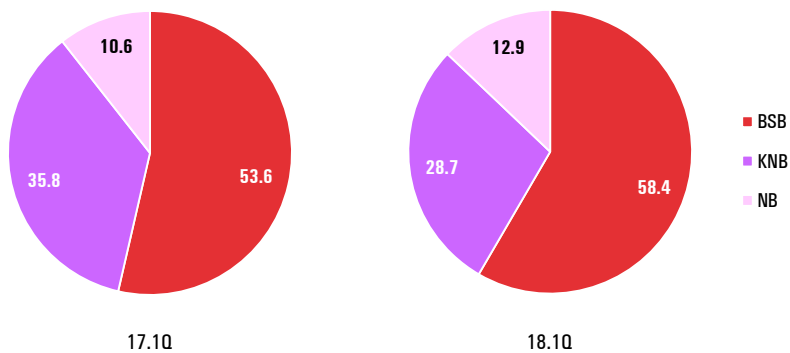
2. Subsidiaries Earning Results

Non-Bank Net Income Contribution(%, KRW bn)



- 1) Exclude Holding Corps. & Unconsolidated Portion
- 2) Include Non-Controlling Interest

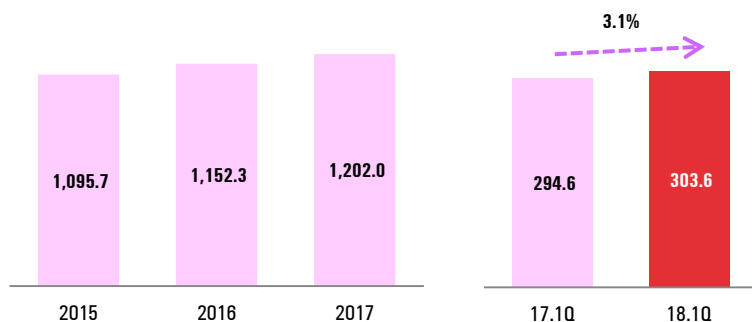
Banks & Non-Bank Net Income Portion(%)



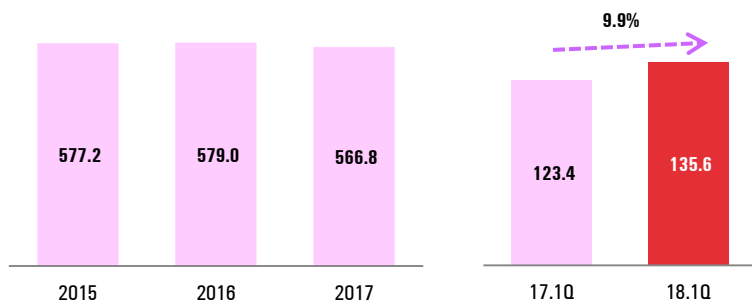
(KRW bn, %)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Bank(A)	201.8	169.6	19.0	-60.3	Net Gain
Busan	135.3	101.7	33.0	-80.5	Net Gain
Kyongnam	66.5	67.9	-2.1	20.2	229.2
Non-Bank(B)	29.7	20.1	47.8	7.7	285.7
Capital	18.3	17.8	2.8	7.0	161.4
Securities	6.2	-0.8	Net Gain	-1.2	Net Gain
MSB	4.6	2.6	76.9	1.4	228.6
Asset Management	0.0	0.2	-100.0	0.0	-
Credit Info	0.2	0.2	0.0	0.3	-33.3
System	0.4	0.1	300.0	0.2	100.0
Financial Group & Unconsolidated Portion(C)	-16.6	-17.2	-	-22.9	-
Net Income in Non-Controlling Interest(D)	7.6	4.2	81.0	7.7	-1.3
Net Income in Controlling Interest(E) (E=A+B+C-D)	207.3	168.3	23.2	-83.2	Net Gain

3. Banks Earning Results - Busan

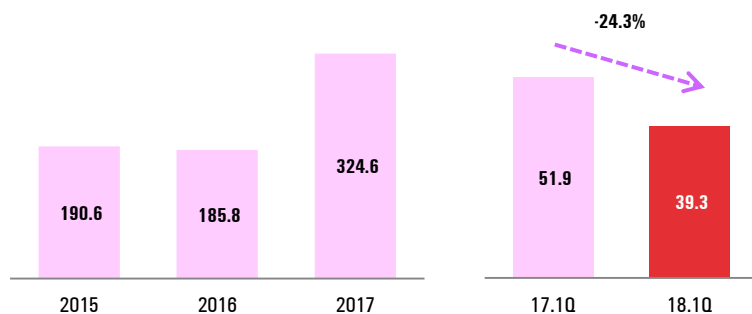
Interest Income(% , KRW bn)



SG&A(% , KRW bn)



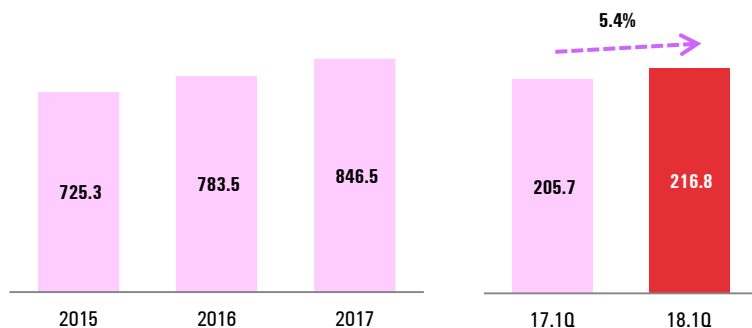
Provision Expense(% , KRW bn)



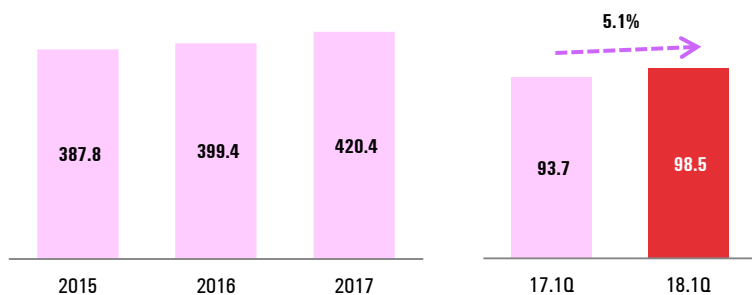
(KRW bn, %)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Net Interest Income	303.6	294.6	3.1	290.1	4.7
Net Fee Income	21.5	19.8	8.6	9.7	121.6
Fees from Trust Account	6.3	5.4	16.7	5.3	18.9
Others	19.9	-10.7	Net Gain	-84.8	Net Gain
SG&A(-)	135.6	123.4	9.9	186.3	-27.2
Provision Expense(-)	39.3	51.9	-24.3	130.8	-70.0
Net Operating Income	176.4	133.8	31.8	-96.8	Net Gain
Non-Operating Income	-3.2	-2.6	-	-8.6	-
Earnings Before Income Taxes	173.2	131.2	32.0	-105.4	Net Gain
Income Tax Expenses(-)	37.9	29.5	28.5	-24.9	-
Net Income	135.3	101.7	33.0	-80.5	Net Gain

3. Banks Earning Results - Kyongnam

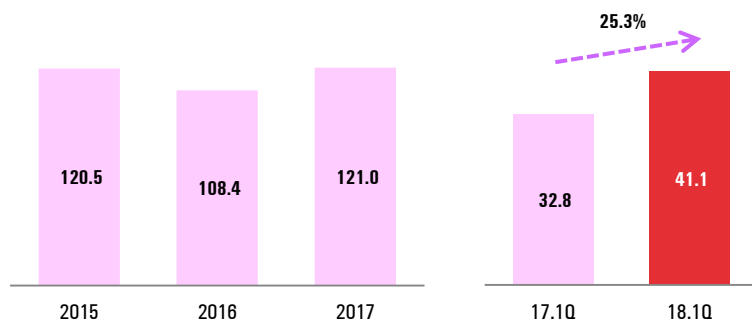
Interest Income(% , KRW bn)



SG&A(% , KRW bn)



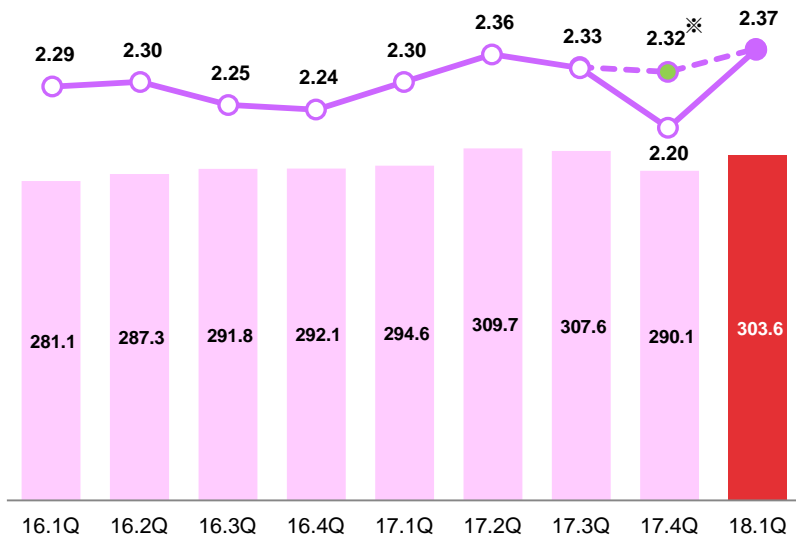
Provision Expense(% , KRW bn)



(KRW bn, %)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Net Interest Income	216.8	205.7	5.4	217.4	-0.3
Net Fee Income	13.1	10.7	22.4	6.9	89.9
Fees from Trust Account	2.1	1.8	16.7	1.8	16.7
Others	-5.1	-2.9	-	-29.1	-
SG&A(-)	98.5	93.7	5.1	138.1	-28.7
Provision Expense(-)	41.1	32.8	25.3	30.1	36.5
Net Operating Income	87.3	88.8	-1.7	28.8	203.1
Non-Operating Income	1.0	-1.4	Net Gain	-11.9	Net Gain
Earnings Before Income Taxes	88.3	87.4	1.0	16.9	422.5
Income Tax Expenses(-)	21.8	19.5	11.8	-3.3	-
Net Income	66.5	67.9	-2.1	20.2	229.2

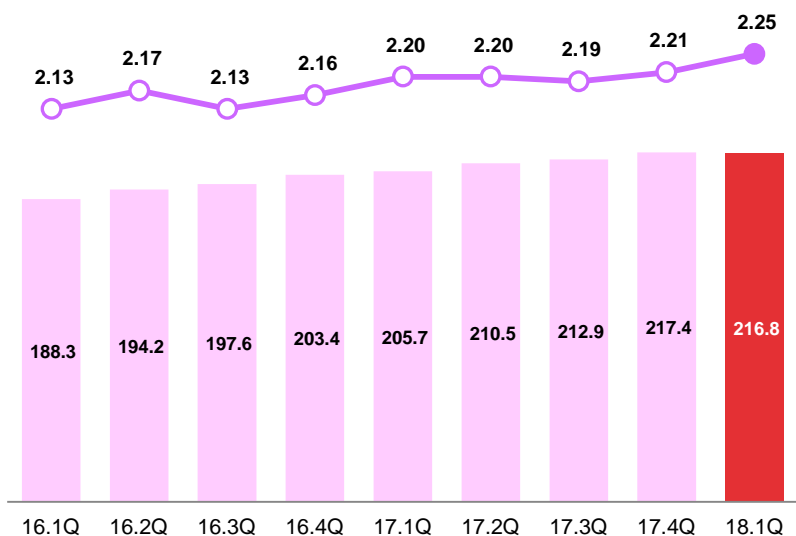
4. Banks NIM

Busan Quarterly Interest Income & NIM (% , KRW bn)



※ Excluding one-off Real Estate PF, 17.4Q NIM 2.32%

Kyongnam Quarterly Interest Income & NIM(% , KRW bn)



Busan

(%, KRW tn)	18.1Q	17.4Q	17.3Q	17.2Q	17.1Q
Quarterly NIM	2.37	2.20	2.33	2.36	2.30
Quarterly NIS	2.70	2.46	2.63	2.67	2.67
Interest Rate on KRW Loans	3.99	3.66 ¹⁾	3.78	3.81	3.82
Interest Rate paid on KRW Deposits	1.29	1.20	1.15	1.14	1.15
Average Interest Earning Assets	46.5	47.0	47.0	46.9	46.1
Accumulated NIM	2.37	2.30	2.33	2.33	2.30

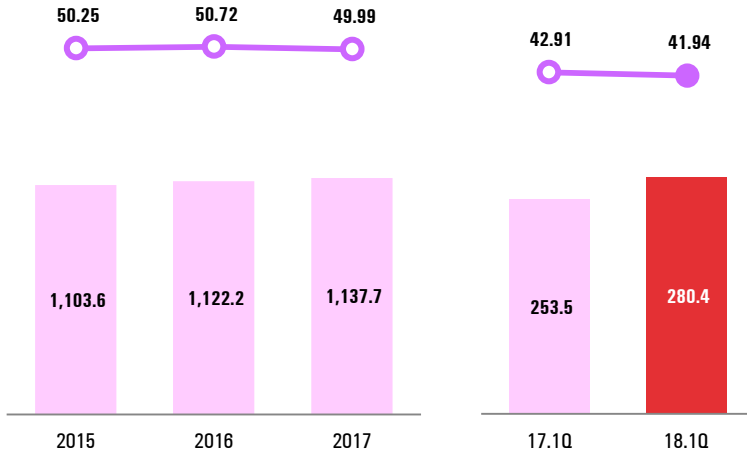
1) Excluding one-off PF impact → 3.80%

Kyongnam

(%, KRW tn)	18.1Q	17.4Q	17.3Q	17.2Q	17.1Q
Quarterly NIM	2.25	2.21	2.19	2.20	2.20
Quarterly NIS	2.50	2.44	2.45	2.47	2.48
Interest Rate on KRW Loans	3.93	3.78	3.74	3.74	3.74
Interest Rate paid on KRW Deposits	1.43	1.34	1.29	1.27	1.26
Average Interest Earning Assets	34.6	34.6	34.2	34.0	33.6
Accumulated NIM	2.25	2.20	2.20	2.20	2.20

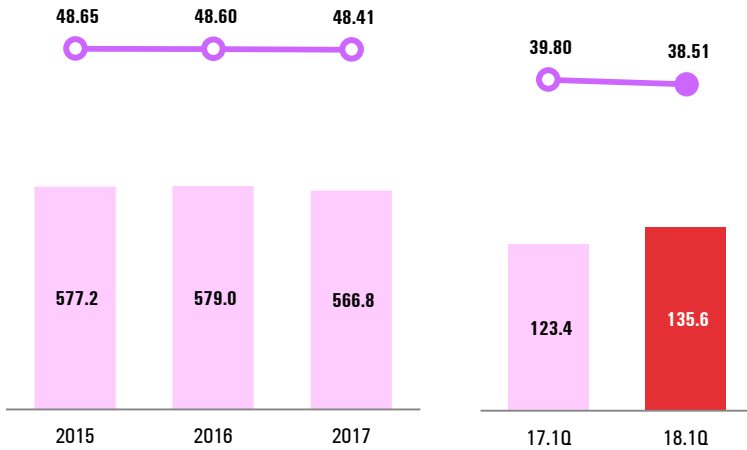
5. SG&A

□ Group SG&A & CIR (% , KRW bn)

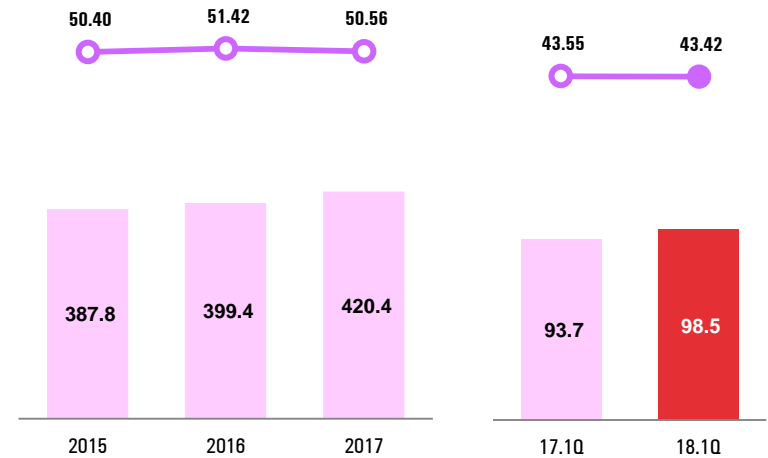


(KRW bn,%)	18.1Q	17.1Q	YoY	17.4Q	QoQ
SG&A	280.4	253.5	10.6	367.8	-23.8
CIR	41.94	42.91	-0.97		

□ Busan SG&A & CIR (% , KRW bn)



□ Kyongnam SG&A & CIR (% , KRW bn)

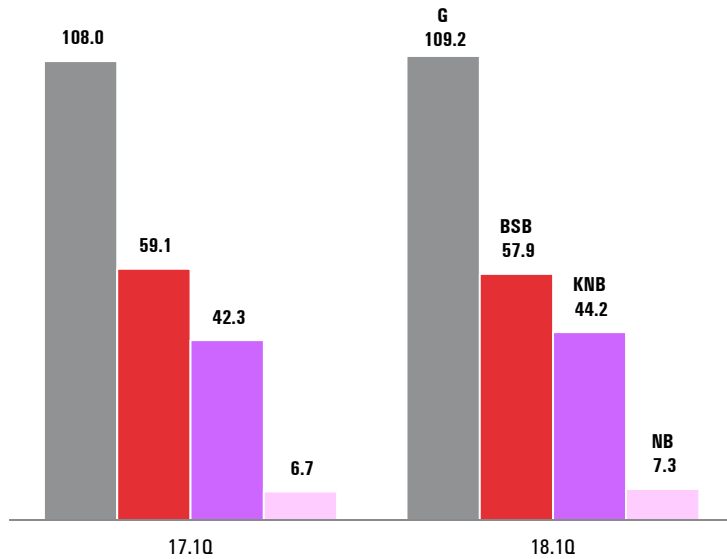


III. Growth

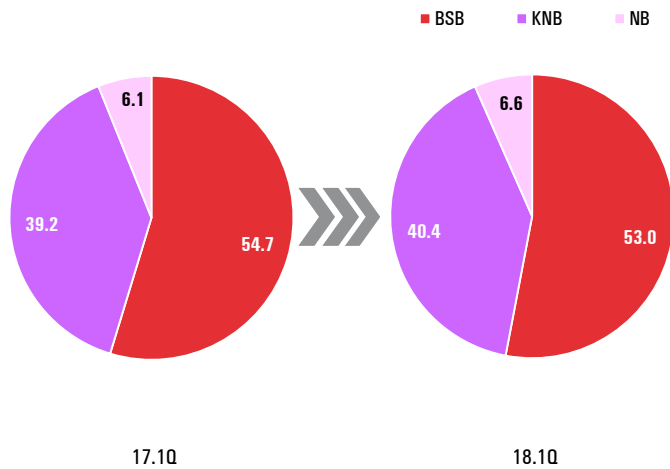
1. Group Assets	15
2. Banks Loans / Deposits	16

1. Group Assets

☐ Total Assets(KRW tn)



☐ Banks & Non-Banks Portion(%)

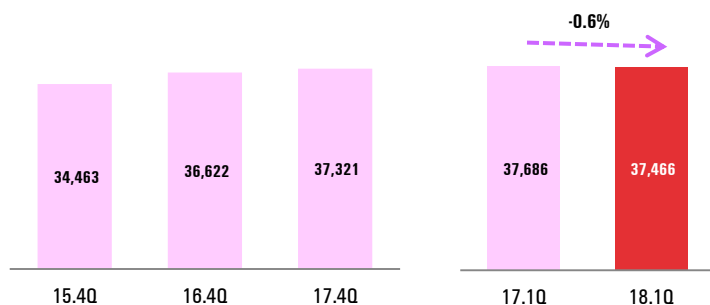


☐ Group Total Assets

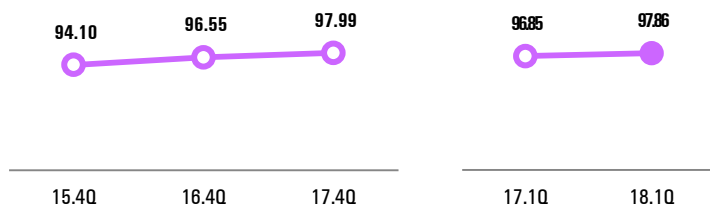
(KRW bn, %)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Bank	102,018.1	101,473.3	0.5	100,982.9	1.0
Busan	57,851.7	59,139.2	-2.2	57,069.3	1.4
Kyongnam	44,166.4	42,334.1	4.3	43,913.6	0.6
Non-Bank	7,283.6	6,749.0	7.9	6,608.9	10.2
Capital	4,876.0	4,709.2	3.5	4,812.0	1.3
Securities	1,509.4	1,248.4	20.9	886.1	70.3
MSB	835.8	761.8	9.7	849.8	-1.6
Asset Mgt.	41.5	10.8	284.3	41.8	-0.7
Credit Info	9.6	8.9	7.9	9.4	2.1
System	11.3	9.9	14.1	9.8	15.3
Financial Group & Unconsolidated Portion	-53.0	-198.9	-	-174.6	-
Group Total Assets	109,248.7	108,023.4	1.1	107,417.2	1.7

2. Banks Loans / Deposits - Busan

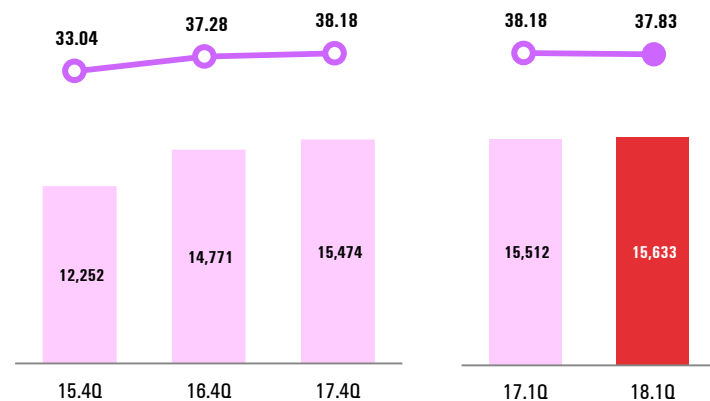
☐ KRW Loans(% , KRW bn)



☐ LDR(%)



☐ Low Cost Deposits & Ratio(% , KRW bn)



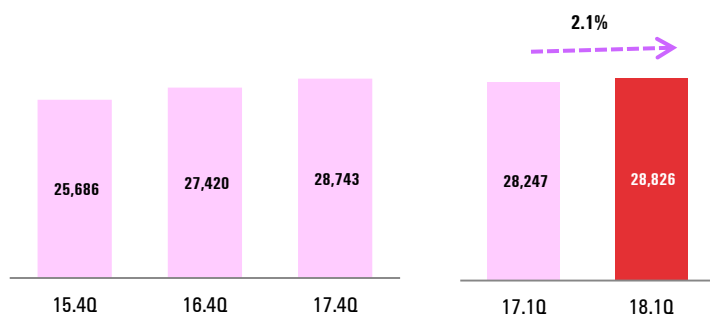
(KRW bn, %, Balance)	18.1Q	17.1Q	YoY	17.4Q	QoQ
KRW Loans¹⁾	37,466.0	37,686.2	-0.6	37,321.0	0.4
Corporate	25,372.0	25,437.8	-0.3	25,161.6	0.8
SME	23,142.7	23,018.8	0.5	22,995.7	0.6
(Core Corps.)	10,961.4	10,299.6	6.4	6,241.4	2.6
Large Corps.	2,229.3	2,419.0	-7.8	2,165.9	2.9
Household	10,825.5	10,462.6	3.5	10,840.0	-0.1
Mortgage	7,344.1	7,478.2	-1.8	7,404.0	-0.8
Public	1,268.5	1,785.8	-29.0	1,319.4	-3.9
Foreign Currency Loans¹⁾	556.2	590.4	-5.8	554.8	0.3
KRW Deposits¹⁾	37,749.7	38,123.2	-1.0	37,798.6	-0.1
Core Deposits	13,213.0	12,316.3	7.3	12,399.4	6.6
MMDA	3,147.5	3,195.5	-1.5	3,174.5	-0.9

(KRW bn, %, %p, Average Balance)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Low-Cost Deposits(A)	15,633.1	15,511.8	0.8	15,474.2	1.0
Core Deposits ²⁾	12,287.7	12,316.3	-0.2	12,466.0	-1.4
MMDA	3,345.4	3,195.5	4.7	3,008.2	11.2
KRW Deposits(B)	37,812.4	37,510.2	0.8	38,000.2	-0.5
Tot. Deposits(Bank)(C)	41,319.6	40,624.8	1.7	41,105.1	0.5
Tot. Deposits(Bank + Trust)(D)	46,171.4	45,314.5	1.9	45,827.7	0.7
A / B	41.34	41.35	-0.01	40.72	0.62
A / C	37.83	38.18	-0.35	37.65	0.18
A / D	33.86	34.23	-0.37	33.77	0.09

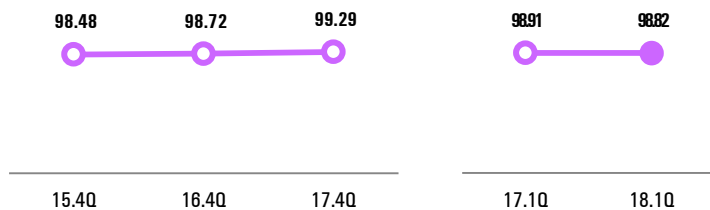
1) Unconsolidated FS, 2) Core Corps : SME or SOHO(≤3 KRW bn), 3) Core Deposits : Demand + Savings(Ex. MMDA)

2. Banks Loans / Deposits - Kyongnam

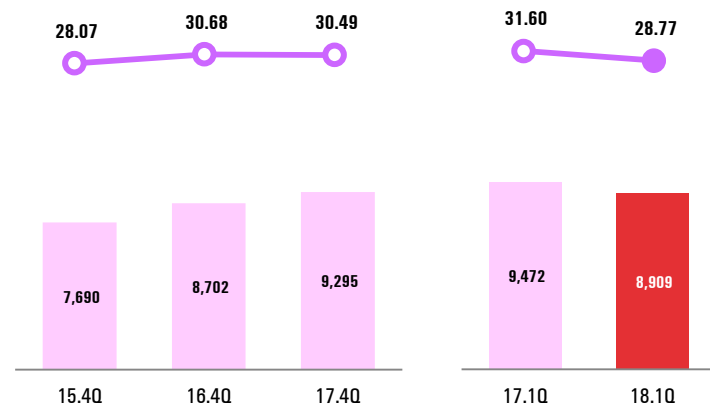
□ KRW Loans(% , KRW bn)



□ LDR(%)



□ Low-Cost Deposits & Ratio(% , KRW bn)



(KRW bn, %, Balance)	18.1Q	17.1Q	YoY	17.4Q	QoQ
KRW Loans¹⁾	28,826.3	28,246.6	2.1	28,742.6	0.3
Corporate	18,281.1	18,294.6	-0.1	18,311.3	-0.2
SME	16,913.9	16,605.9	1.9	16,888.7	0.1
(SOHO)	5,099.2	4,402.4	15.8	4,775.0	4.2
Large Corps.	1,367.2	1,688.7	-19.0	1,422.6	-3.9
Household	10,225.9	9,513.0	7.5	10,102.2	1.2
Mortgage	8,584.8	7,990.4	7.4	8,458.7	1.5
Public	319.3	439.0	-27.3	329.1	-3.0
Foreign Currency Loans¹⁾	106.0	106.5	-0.5	107.3	-1.2
KRW Deposits¹⁾	28,776.9	28,141.8	2.3	28,744.6	0.1
Core Deposits	7,225.1	7,587.8	-4.8	7,122.5	1.4
MMDA	1,580.9	1,842.2	-14.2	1,361.8	16.1

(KRW bn, %, %p, Average Balance)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Low-Cost Deposits(A)	8,909.0	9,472.1	-5.9	9,295.0	-4.2
Core Deposits ²⁾	7,426.0	7,566.6	-1.9	7,545.3	-1.6
MMDA	1,483.0	1,905.5	-22.2	1,749.7	-15.2
KRW Deposits(B)	29,119.5	28,054.6	3.8	28,661.4	1.6
Tot. Deposits(Bank)(C)	30,969.4	29,976.2	3.3	30,480.5	1.6
Tot. Deposits(Bank + Trust)(D)	33,325.7	32,189.9	3.5	32,755.0	1.7
A / B	30.59	33.76	-3.17	32.43	-1.84
A / C	28.77	31.60	-2.83	30.49	-1.72
A / D	26.73	29.43	-2.70	28.38	-1.65

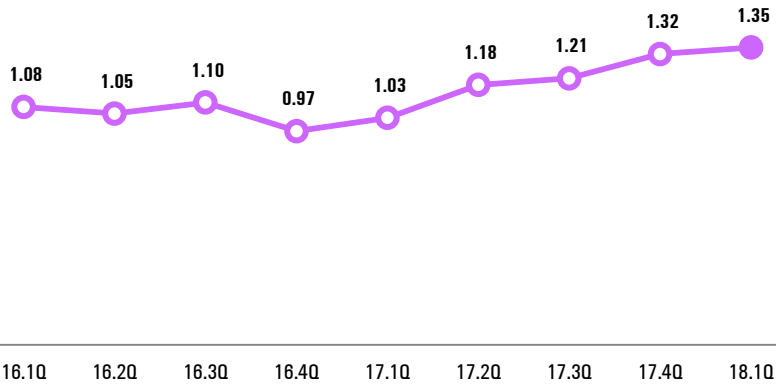
1) Unconsolidated FS, 2) Core Deposits : Demand + Savings(Ex. MMDA)

IV. Asset Quality

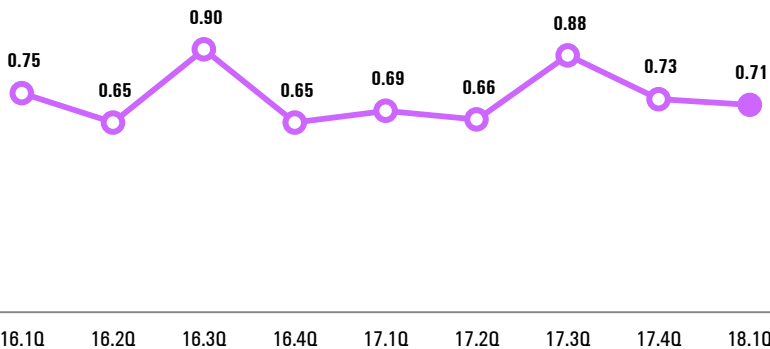
1. Group Asset Quality	19
2. Banks Asset Quality	20
3. Group Provisioning	22
4. Banks Provisioning / Write-offs & NPL Sales	23

1. Group Asset Quality

□ SBL(NPL) Ratio(%)



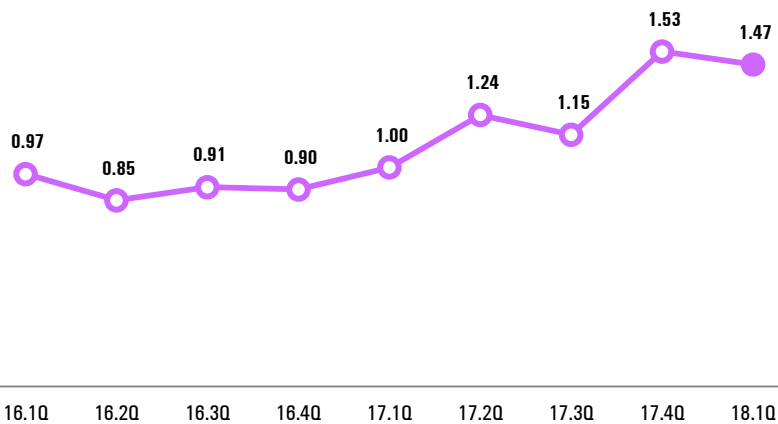
□ Delinquency Ratio(%)



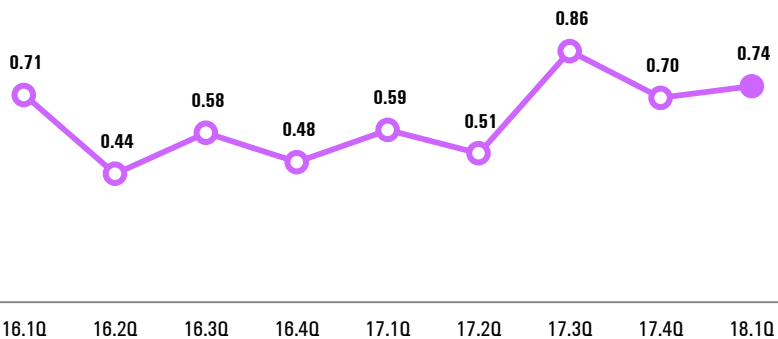
(KRW bn, %, %p)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Total Credits	75,289.5	74,584.8	0.9	74,678.1	0.8
Normal	73,054.2	72,617.8	0.6	72,386.3	0.9
Precautionary	1,216.3	1,200.4	1.3	1,302.6	-6.6
Substandard	614.2	399.8	53.6	596.4	3.0
Doubtful	188.9	144.0	31.2	217.1	-13.0
Expected Loss	215.9	222.8	-3.1	175.7	22.9
SBL(Substandard & Below Loans)	1,019.0	766.6	32.9	989.2	3.0
SBL Ratio	1.35	1.03	0.32	1.32	0.03
SBL Coverage Ratio (Ratio before Reserve deduction)	82.92 (134.17)	92.36 (146.27)	-9.44 (-12.10)	84.61 (140.02)	-1.69 (-5.85)
Delinquency Ratio	0.71	0.69	0.02	0.73	-0.02
Loan Amount	74,366.0	73,521.6	1.1	73,726.6	0.9
Delinquent Amount	529.5	509.4	3.9	534.9	-1.0

2. Banks Asset Quality - Busan

□ SBL(NPL) Ratio(%)



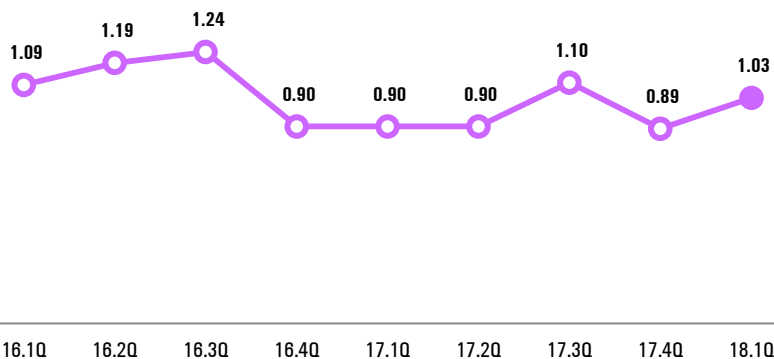
□ Delinquency Ratio(%)



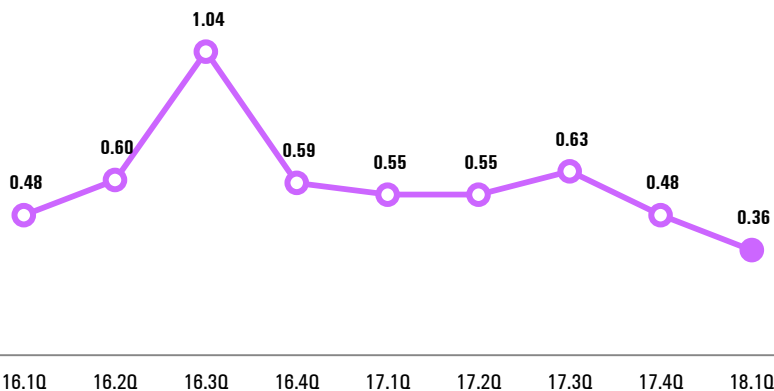
(KRW bn, %, %p)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Total Credits	39,691.4	40,073.1	-1.0	39,560.9	0.3
Normal	38,563.7	39,162.3	-1.5	38,337.7	0.6
Precautionary	545.4	510.9	6.8	619.7	-12.0
Substandard	379.5	199.4	90.3	374.0	1.5
Doubtful	61.1	46.6	31.1	98.7	-38.1
Expected Loss	141.7	153.9	-7.9	130.8	8.3
SBL(Substandard & Below Loans)	582.3	399.9	45.6	603.5	-3.5
SBL Ratio	1.47	1.00	0.47	1.53	-0.06
SBL Coverage Ratio (Ratio before Reserve deduction)	88.56 (127.70)	106.82 (155.10)	-18.26 (-27.40)	86.82 (126.15)	1.90 (1.55)
Delinquency Ratio	0.74	0.59	0.15	0.70	0.04
Loan Amount	38,972.8	39,273.6	-0.8	38,814.9	0.4
Delinquent Amount	290.0	230.8	25.6	272.2	6.5

2. Banks Asset Quality - Kyongnam

□ SBL(NPL) Ratio(%)



□ Delinquency Ratio(%)



(KRW bn, %, %p)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Total Credits	29,739.8	29,315.5	1.4	29,663.3	0.3
Normal	29,240.5	28,818.6	1.5	29,164.0	0.3
Precautionary	192.9	232.0	-16.9	234.2	-17.6
Substandard	178.0	161.0	10.6	171.0	4.1
Doubtful	69.6	43.5	60.0	63.0	10.5
Expected Loss	58.8	60.4	-2.6	31.1	89.1
SBL(Substandard & Below Loans)	306.4	264.9	15.7	265.1	15.6
SBL Ratio	1.03	0.90	0.13	0.89	0.14
SBL Coverage Ratio (Ratio before Reserve deduction)	79.47 (155.76)	68.17 (170.67)	11.30 (-14.97)	77.68 (177.75)	1.79 (-21.99)
Delinquency Ratio	0.36	0.55	-0.19	0.48	-0.12
Loan Amount	29,535.0	29,051.9	1.7	29,457.9	0.3
Delinquent Amount	105.8	160.8	-34.2	141.0	-25.0

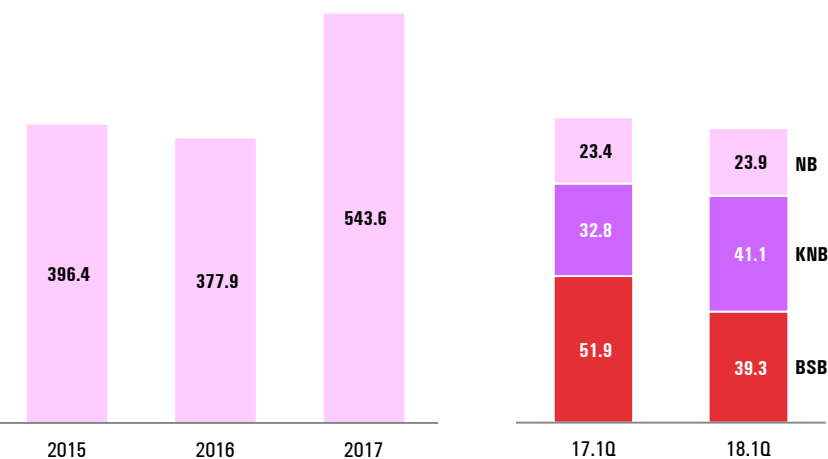
3. Group Provisioning

Provision Expense

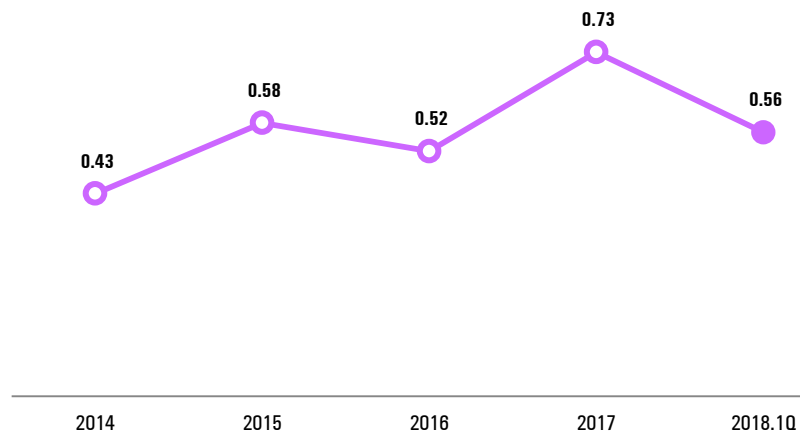
(KRW bn, %)	2018 1Q	2017					2016				
			17.4Q	17.3Q	17.2Q	17.1Q		16.4Q	16.3Q	16.2Q	16.1Q
Total Provisions(A)	104.3	543.6	190.3	126.3	118.9	108.1	377.9	86.6	114.8	82.9	93.6
Total Credits(B)	75,289.5	74,678.1	74,678.1	74,918.2	74,930.9	74,584.8	72,623.0	72,623.0	72,012.9	71,291.3	69,686.4
¹⁾ Credit Cost(A/B)	0.56	0.73	1.01	0.67	0.64	0.59	0.52	0.47	0.63	0.47	0.54

1) Accumulated

Banks & Non-Bank Provision Breakdown(KRW bn)

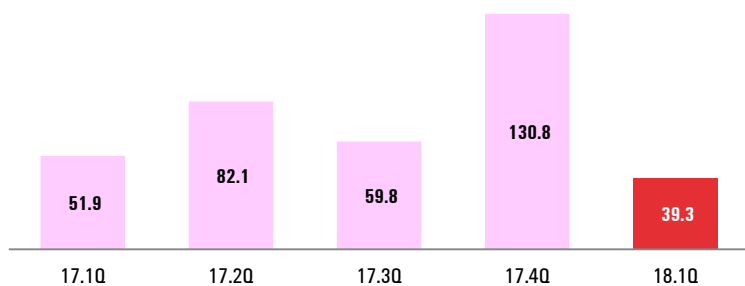


Credit Cost(%)

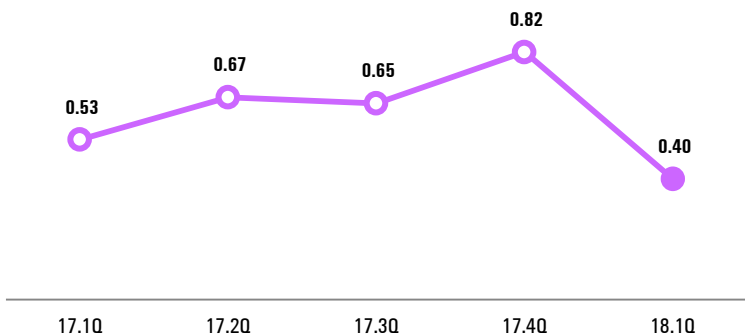


4. Provisioning / Write-offs & NPL Sales - Busan

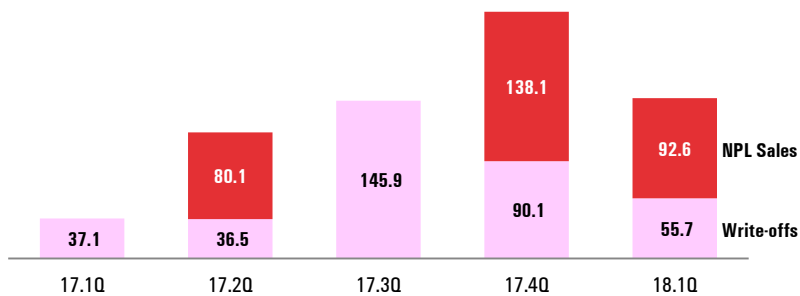
□ Provision Expense(KRW bn)



□ Credit Cost(%)



□ Write-offs & NPL Sales(KRW bn)

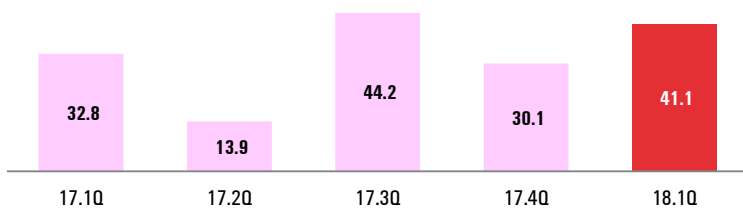


□ Provision Expense / Write-offs & NPL Sales

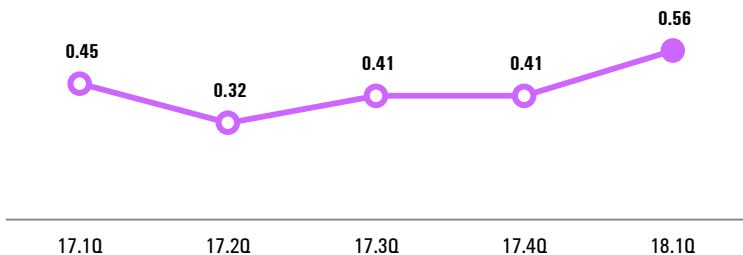
(KRW bn, %)	18.1Q	17.4Q	17.3Q	17.2Q	17.1Q
Corporate	30.5	125.7	51.9	75.0	44.4
Household	3.4	4.0	3.1	3.2	2.3
Credit Card	5.6	6.6	4.1	5.3	4.9
Others	-0.2	-5.5	0.7	-1.4	0.3
Total(A)	39.3	130.8	59.8	82.1	51.9
Total Credits(B)	39,691.4	39,560.9	40,003.5	40,362.8	40,073.1
Credit Cost(A/B)	0.40	1.31	0.59	0.82	0.53
Total Write-Offs	55.7	90.1	145.9	36.5	37.1
Corporate	46.6	78.7	137.1	25.6	28.5
Household	3.1	5.9	3.6	3.0	3.4
Credit Card	6.0	5.5	5.2	7.9	5.2
Total NPL Sales	92.6	138.1	0.0	80.1	0.0
(NPL Sales for SBL Loans)	87.0	132.8	0.0	78.1	0.0
Corporate	91.2	135.6	0.0	79.5	0.0
Household	0.5	1.9	0.0	0.2	0.0
Credit Card	0.9	0.6	0.0	0.4	0.0

4. Provisioning / Write-offs & NPL Sales - Kyongnam

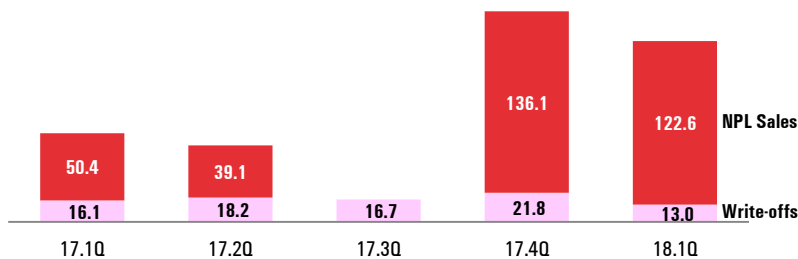
□ Provision Expense(KRW bn)



□ Credit Cost(%)



□ Write-offs & NPL Sales(KRW bn)



□ Provision Expense / Write-offs & NPL Sales

(KRW bn, %)	18.1Q	17.4Q	17.3Q	17.2Q	17.1Q
Corporate	45.1	2.5	35.8	7.7	28.7
Household	1.5	-1.5	2.2	2.3	0.9
Credit Card	-8.1	1.3	4.8	4.0	4.0
Others	2.6	27.8	1.4	-0.1	-0.8
Total(A)	41.1	30.1	44.2	13.9	32.8
Total Credits(B)	29,739.8	29,663.3	29,636.4	29,317.1	29,315.5
Credit Cost(A/B)	0.56	0.40	0.59	0.19	0.45
Total Write-Offs	13.0	21.8	16.7	18.2	16.1
Corporate	5.8	13.9	9.1	13.5	12.0
Household	3.3	3.8	3.2	1.5	1.1
Credit Card	3.9	4.1	4.4	3.2	3.0
Total NPL Sales	122.6	136.1	0.0	39.1	50.4
(NPL Sales for SBL Loans)	115.7	132.6	0.0	34.6	48.8
Corporate	122.5	135.7	0.0	39.0	48.7
Household	0.0	0.2	0.0	0.1	1.6
Credit Card	0.1	0.2	0.0	0.0	0.1

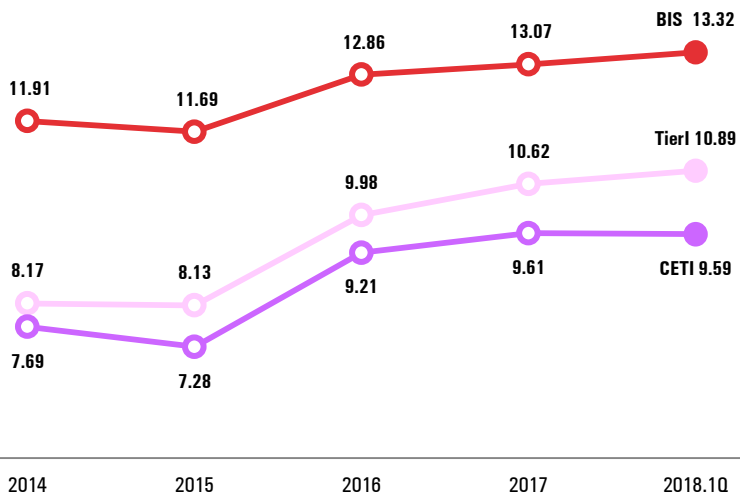
V . Capital Adequacy

1. Capital Adequacy

26

1. Capital Adequacy

Group Capital Adequacy(%)



Group

(KRW bn, %, %p, Basel III Standard)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Tot. Risk Adjusted Capital	9,065.2	8,496.5	6.7	8,722.8	3.9
Tier I	7,412.5	6,733.9	10.1	7,082.9	4.7
(CETI)	6,525.5	6,264.0	4.2	6,408.9	1.8
Tot. R.W.A.	68,062.1	66,994.0	1.6	66,723.9	2.0
BIS Capital Ratio	13.32	12.68	0.64	13.07	0.25
Tier I	10.89	10.05	0.84	10.62	0.27
(CETI)	9.59	9.35	0.24	9.61	-0.02

Busan

(KRW bn, %, %p, Basel III I.R.B.)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Tot. Risk Adjusted Capital	5,186.6	5,427.7	-4.4	5,173.4	0.3
Tier I	4,347.5	4,242.6	2.5	4,253.5	2.2
(CETI)	4,098.2	4,142.7	-1.1	4,004.2	2.3
Tot. R.W.A.	33,029.3	36,048.6	-8.4	32,260.1	2.4
BIS Capital Ratio	15.70	15.06	0.64	16.04	-0.34
Tier I	13.16	11.77	1.39	13.19	-0.03
(CETI)	12.41	11.49	0.92	12.41	0.00

Kyongnam

(KRW bn, %, %p, Basel III I.R.B.)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Tot. Risk Adjusted Capital	3,559.0	3,350.1	6.2	3,539.3	0.6
Tier I	2,824.3	2,588.7	9.1	2,807.7	0.6
(CETI)	2,548.5	2,430.8	4.8	2,500.4	1.9
Tot. R.W.A.	21,604.7	21,536.3	0.3	21,439.8	0.8
BIS Capital Ratio	16.47	15.56	0.91	16.51	-0.04
Tier I	13.07	12.02	1.05	13.10	-0.03
(CETI)	11.80	11.29	0.51	11.66	0.14

VI. Appendix

1. Banks KRW Loan Portfolio	28
2. Cyclical Sector	29
3. BNK Capital	30
4. Group Networks & Major Industries	32

1. Banks KRW Loan Portfolio

Busan Bank

(KRW bn, %, Balance)	2018 1Q			
	Amount	Ratio	YoY	QoQ
Manufacturing	9,126.0	24.4	-7.7	0.1
Steel Metal Products	2,690.0	7.2	-6.9	1.5
Automobile Parts	2,037.4	5.4	-11.7	-1.0
Machinery	1,240.1	3.3	-9.6	-0.4
Petroleum, Rubber, etc.	1,009.6	2.7	-4.5	-0.1
Fabric	214.6	0.6	1.6	3.5
Garment & Shoes	293.2	0.8	-14.3	3.6
Kitchen Units	292.0	0.8	2.7	2.1
Electronics	516.3	1.4	-13.0	-0.9
Paper, Paper Mills	114.0	0.3	10.8	-0.4
Others	718.8	1.9	-1.6	-3.3
Non-Manufacturing	17,514.5	46.7	1.0	0.9
Wholesale & Retail	2,895.7	7.7	-0.9	1.6
Public	142.0	0.4	-83.4	-43.6
Construction & Engineering	1,306.2	3.5	-21.3	-1.2
Real Estate	7,055.8	18.8	22.6	2.5
Insurance & Financing	454.8	1.2	-3.8	-1.6
Transportation	1,240.0	3.3	-9.2	-2.2
Hotel & Food	1,085.8	2.9	-1.7	1.6
Others	3,334.2	8.9	4.3	2.3
Households	10,825.5	28.9	3.5	-0.1
KRW Loans	37,466.0	100.0	-0.6	0.4

Kyongnam Bank

*Sectors are based on FSS Business Report

(KRW bn, %, Balance)	2018 1Q			
	Amount	Ratio	YoY	QoQ
Manufacturing	9,279.7	32.2	-5.3	-2.4
Steel Metal Products	2,244.2	7.8	-7.7	-2.3
Automobile Parts	2,599.9	9.0	-4.8	-1.4
Machinery	2,445.4	8.5	-5.2	-2.8
Petroleum, Rubber, etc.	265.2	0.9	-3.3	1.0
Fabric	62.5	0.2	-13.6	-4.7
Garment & Shoes	10.7	0.0	-18.3	-6.1
Kitchen Units	197.0	0.7	15.8	-2.1
Electronics	614.9	2.1	-5.5	-7.3
Paper, Paper Mills	82.8	0.3	-11.5	-1.1
Others	757.1	2.6	-2.5	-1.1
Non-Manufacturing	9,320.7	32.3	4.3	2.0
Wholesale & Retail	1,770.4	6.1	2.8	1.8
Public	0.4	0.0	-	0.0
Construction & Engineering	590.1	2.0	9.3	13.2
Real Estate	3,447.6	12.0	10.9	1.6
Insurance & Financing	162.0	0.6	-26.0	-25.5
Transportation	329.4	1.1	-6.5	0.4
Hotel & Food	659.7	2.3	13.7	3.4
Others	2,361.1	8.2	0.9	2.6
Households	10,225.9	35.5	7.5	1.2
KRW Loans	28,826.3	100.0	2.1	0.3

※ KSIC(Korea Standard Industry Classification) Change(July 1,2017) applied

2. Cyclical Sector

	2018.1Q					
	Steel	Auto	Construction	Shipbuilding	Shipping	Chemical
(KRW bn, %)						
Exposure	3,643.1	3,010.1	1,984.3	1,454.2	609.8	678.2
(% of Total Credits)	5.3	4.4	2.9	2.1	0.9	1.0
Collateral & Provision	2,428.4	1,912.0	870.9	1,018.1	303.7	423.1
Collateral & Provision Coverage	66.7	63.5	43.9	70.0	49.8	62.4
No# of Creditors	2,448	1,928	3,813	1,144	204	635

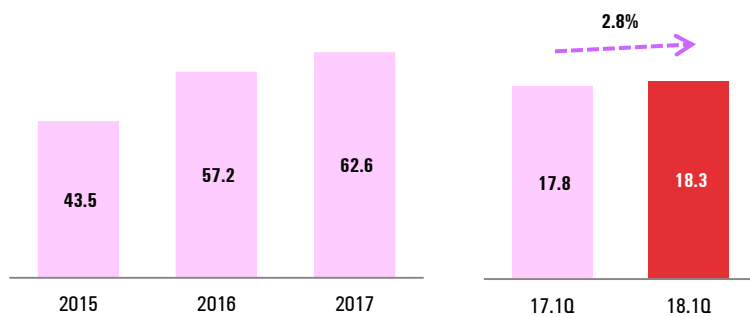
Note 1) Exposure & Total Credits are the sum of Busan & Kyongnam Bank

Note 2) Sectors are based on FSS Business Report

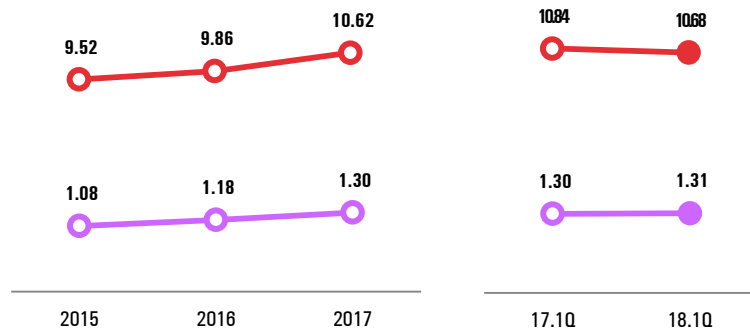
Note 3) Construction includes Real Estate PF(Ref. Collateral for Real Estate PFs are evaluated based on future cash flow that does not include land, buildings under construction etc. hence the overall low construction coverage)

3. BNK Capital - 1

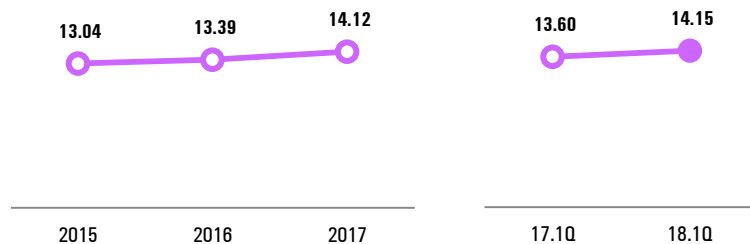
Net Income(% , KRW bn)



ROA, ROE(%)



Adjusted Capital Ratio(%)



(KRW bn, %, Balance)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Net Interest Income	57.8	54.9	5.3	56.8	1.8
Fee Income	4.4	3.1	41.9	2.9	51.7
Others	2.0	0.5	300.0	-4.3	Net Gain
SG&A(-)	16.9	14.7	15.0	18.5	-8.6
Provision Expense(-)	22.6	19.9	13.6	26.8	-15.7
Non-Operating Income	-0.3	-0.6	-	-0.2	-
Earnings Before Income Tax	24.4	23.3	4.7	9.9	146.5
Income Tax Expenses(-)	6.1	5.5	10.9	2.9	110.3
Net Income	18.3	17.8	2.8	7.0	161.4

(KRW bn, %, Balance)	18.1Q	17.1Q	YoY	17.4Q	QoQ
Assets	4,876.0	4,709.2	3.5	4,812.0	1.3
Cash and Dues	201.8	303.4	-33.5	249.2	-19.0
Securities	0.0	0.0	-	0.0	-
Loans	2,943.8	2,643.7	11.4	2,857.3	3.0
Venture Capital Business	2.7	3.1	-12.9	2.6	3.8
Durables Installment Financing Assets	670.2	872.1	-23.2	733.7	-8.7
Leased Assets	969.2	809.8	19.7	892.4	8.6
Fixed Assets	6.5	6.0	8.3	6.0	8.3
Other Assets	81.8	71.1	15.0	70.8	15.5
Liability & Shareholder's Equity	4,876.0	4,709.2	3.5	4,812.0	1.3
Borrowings	4,013.5	3,880.5	3.4	3,943.2	1.8
Other Liabilities	268.4	261.3	2.7	258.5	3.8
Shareholder's Equity	594.1	567.4	4.7	610.3	-2.7

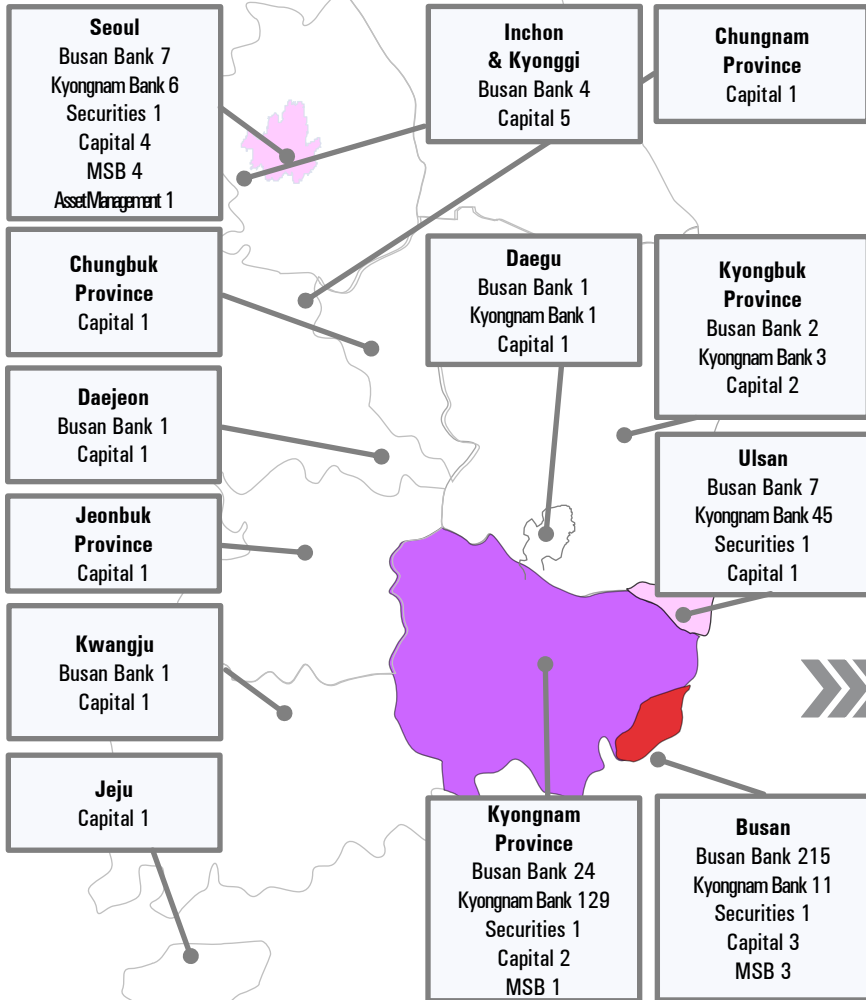
3. BNK Capital - 2

☐ Loan Portfolio

(KRW bn, %, Balance)	18.1Q	Portion	QoQ	17.4Q	17.3Q	17.2Q	17.1Q	16.4Q	16.3Q	16.2Q	16.1Q
Total	4,783.5	100.0	3.1	4,640.4	4,599.7	4,501.4	4,466.1	4,450.6	4,403.6	4,283.5	4,137.2
Loans	1,636.7	34.2	8.8	1,503.8	1,458.5	1,369.3	1,388.0	1,381.3	1,382.6	1,265.2	1,198.2
Household	874.0	18.3	4.0	840.2	836.3	825.4	807.3	790.3	795.4	764.1	733.7
Corporate	762.7	15.9	14.9	663.6	622.2	543.9	580.7	591.0	587.2	501.1	464.5
Auto Financing	2,561.2	53.5	-0.2	2,567.0	2,552.8	2,537.8	2,482.5	2,465.1	2,388.6	2,342.5	2,244.3
Commercial Vehicle	712.0	14.9	-3.7	739.6	747.8	741.0	700.8	681.8	680.5	681.5	684.9
Passenger Vehicle	1,849.2	38.7	1.2	1,827.4	1,805.0	1,796.8	1,781.7	1,783.3	1,708.1	1,661.0	1,559.4
Lease/Installments	583.1	12.2	2.8	567.1	586.4	592.3	592.5	602.9	631.0	674.3	692.7
Machine Tools	124.4	2.6	-0.2	124.7	135.2	140.2	141.4	147.9	157.8	174.8	190.8
Medical Instruments	174.9	3.7	3.2	169.4	167.1	165.1	162.7	161.3	160.7	161.9	156.8
Others	283.8	5.9	4.0	273.0	284.1	287.0	288.4	293.7	312.5	337.6	345.1
Venture Capital Business	2.5	0.1	0.0	2.5	2.0	2.0	3.1	1.3	1.4	1.5	2.0

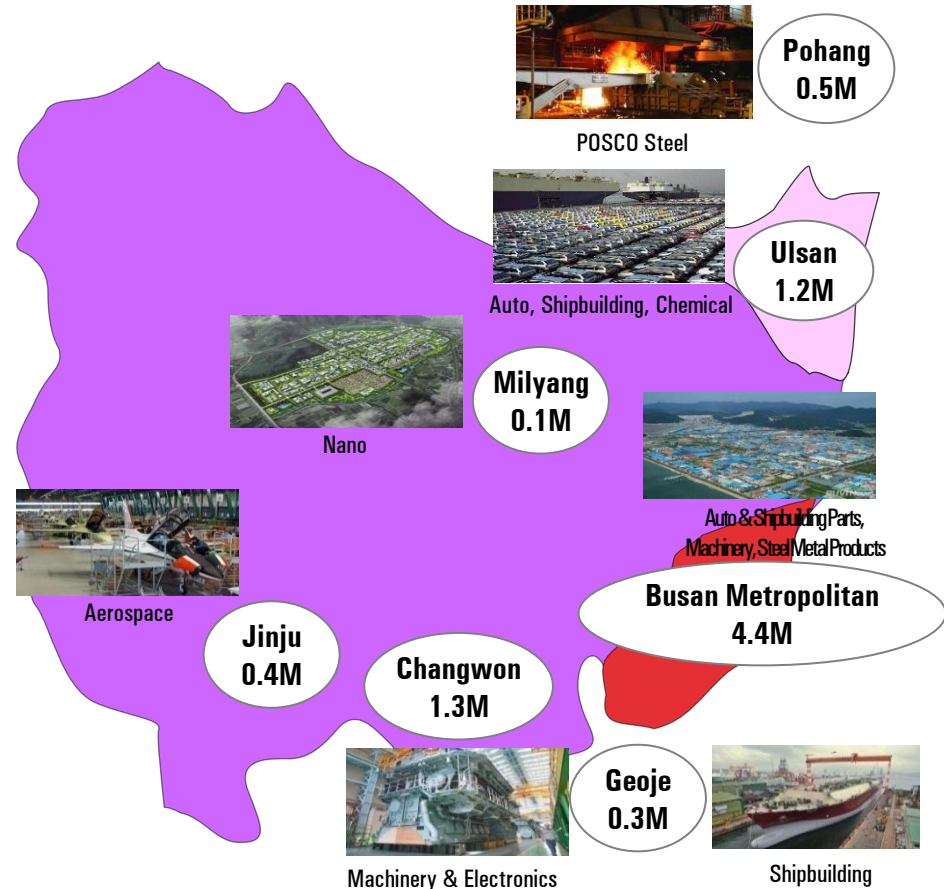
❑ Networks across Korea(as of Mar. 2018) : 502 Locations

- Busan Bank 267(Qingdao & Vietnam Branch, Yangon, Mumbai Office included), Kyongnam Bank 195, Capital 27 (Myanmar, Cambodia, Laos included), Securities 4, MSB 8, Asset Management 1



❑ Population & Major Industries

- Southeastern Conurbation (8.1 Mn, 15.6% of Total Population), making up 15.9% of GRDP(2016)
- Exports : 141.3 USD bn(2017)
- Imports : 62.4 USD bn(2017)



* Southeastern region includes Busan, Ulsan, and Kyongnam