

2018 2Q Financial Results

2018.07.31

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



BNK Financial Group

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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

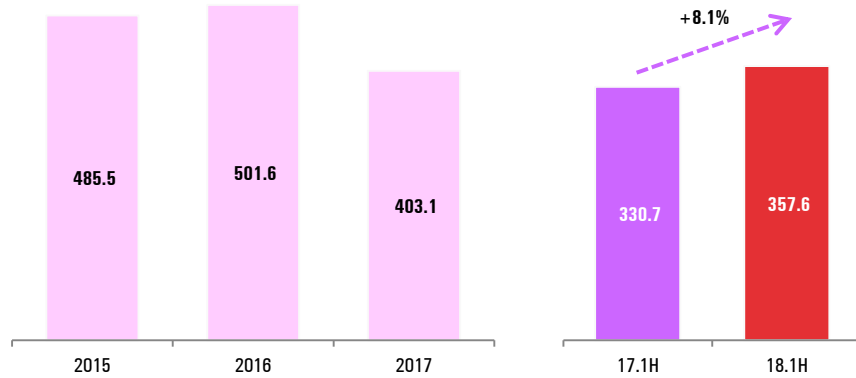
I . 2018 2Q Group Highlights

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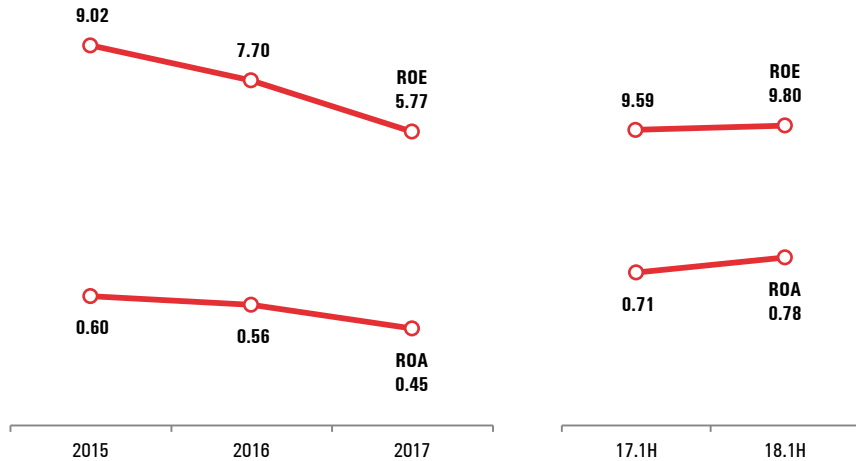
1. Highlights – Profitability

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

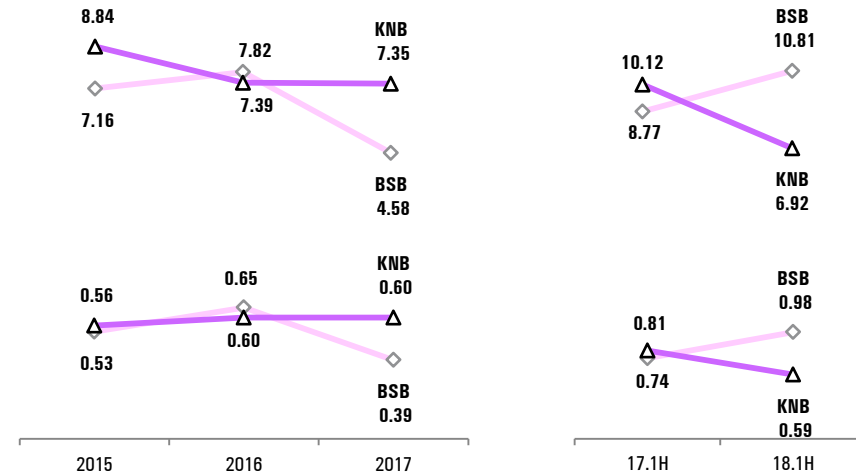
Group Net Income(KRW bn)



Group ROE, ROA(%)



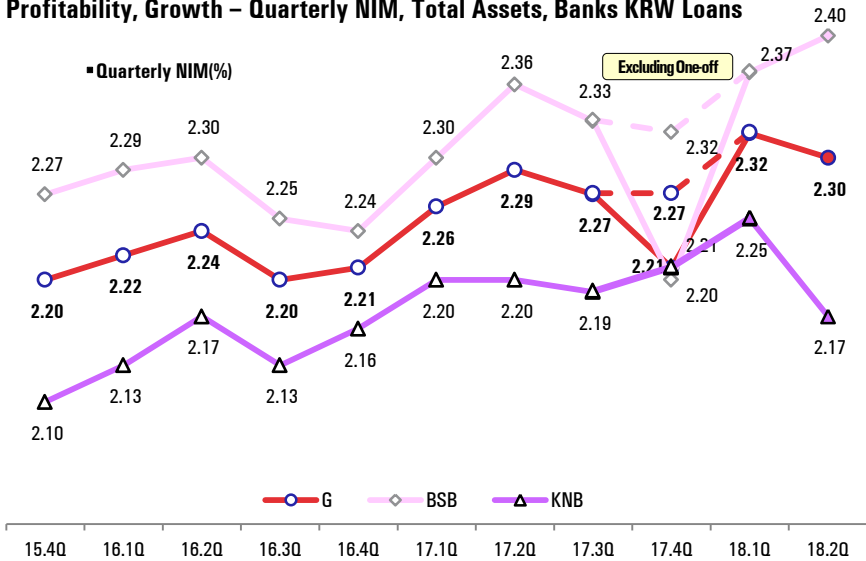
Banks ROE, ROA(%)



- Highest 1H Net Income of 357.6 KRW bn in 18.1H, YoY +8.1%
- IB fee income growth in subsidiaries & reduced provisions, and NPL sales gains made it possible
- 2Q One-offs
 - BSB : NPL sales gain 25.4 KRW bn, Real Estate PF loan auction related provision writeback 17.6 KRW bn
 - KNB : Shipbuilding component co. related provisions 21.8(incl. subs.)
 - Securities : Chinese Public Enterprise related ABCP Loss from valuation 15.0 KRW bn

2. Highlights – Profitability, Growth

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



- Group NIM 2.30%, temporary market funding from KNB leading to rise in funding costs resulting in -2bps QoQ

Busan NIM : +3bps QoQ, Kyongnam NIM : -8bps

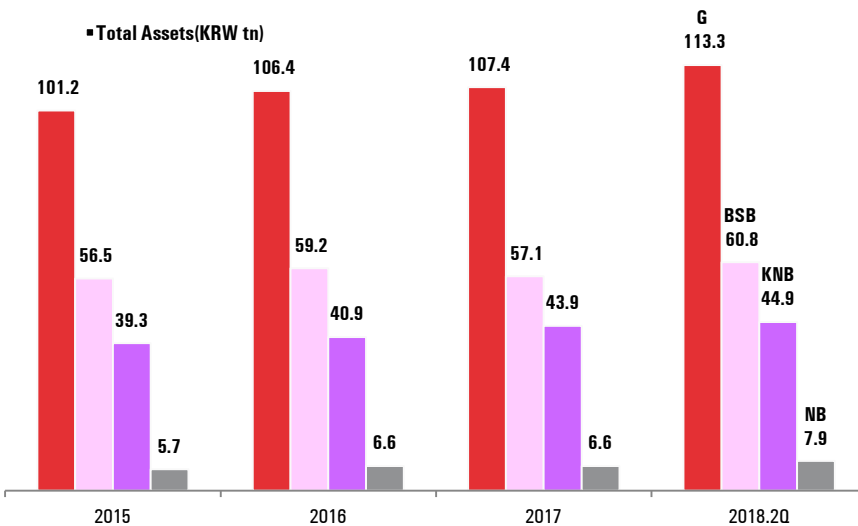
- Stable growth shown for each bank's Core Corps., Although drop in large loans & NPL sales led to avg. 1% YTD KRW loan growth

- BSB : KRW loan growth YTD +1.0%

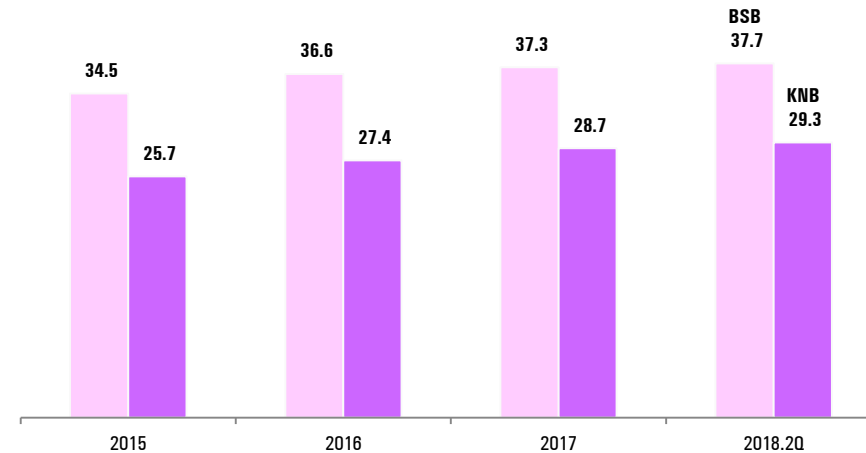
(Core Corps. +YTD 5.7%)

- KNB : KRW loan growth YTD +1.8%

(Core Corps. +YTD 6.7%)

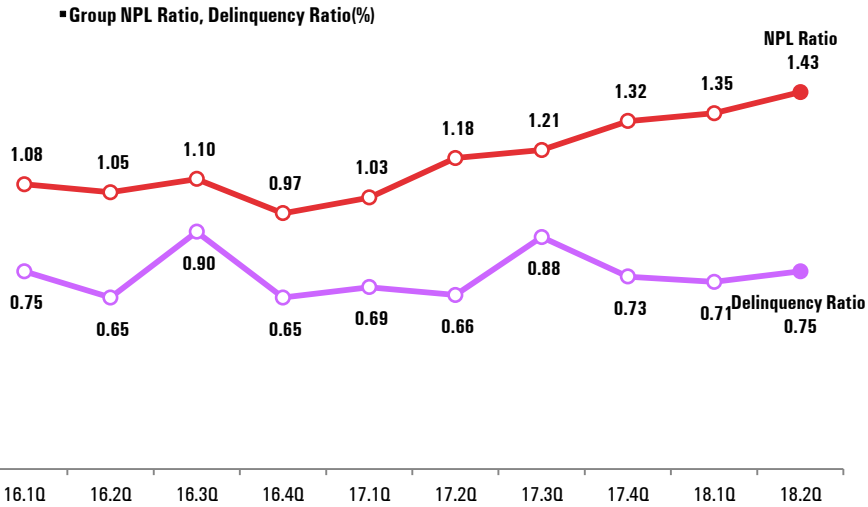


Banks KRW Loans(KRW tn)

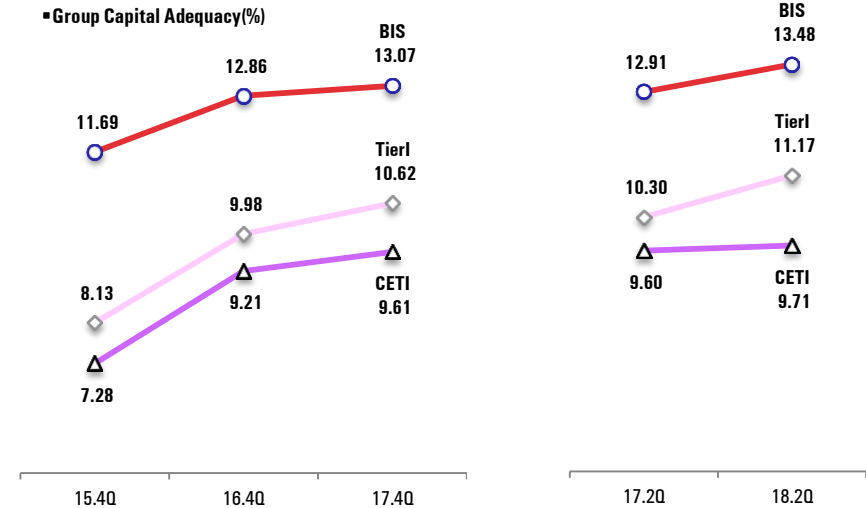
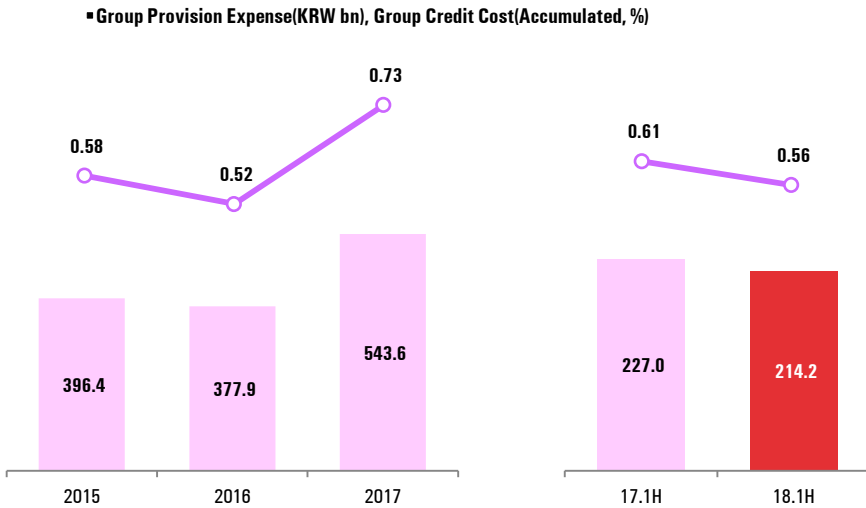


3. Highlights – Asset Quality, Capital Adequacy

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



- **Group NPL & Delinquency Ratio increased due to KNB’s insolvent exposure for shipbuilding component co.**
- NPL(BSB : QoQ -4bps, KNB : QoQ +26bps)
- **Group Provisions dropped by 12.8 KRW bn YoY, regardless of KNB’s increased provisions, due to BSB’s drastic drop in provisions**
- Group Credit Costs maintained flat at 56bps, on a quarterly basis
- **With earnings & RWA management, Group CETI recorded 9.71%, +12bps QoQ**



4. Group Structure

(%, KRW bn, Accumulated)

BNK Financial Group

Establishment : 2011.03.15
 Total Assets : 113,314.6
 Net Income : 357.6
 Employees : 8,263

Busan Bank

Estbmt : 1967.10.10
 Branches : 267
 Employees : 3,842

Total Shares Owned

100%

Total Assets

60,771.9

Net Income

248.2

Kyongnam

Estbmt : 1970.05.22
Added : 2014.10.10
 Branches : 195
 Employees : 2,991

Total Shares Owned

100%

Total Assets

44,912.3

Net Income

108.7

Capital

Estbmt : 2010.07.15
 Branches : 28
 Employees : 607

Total Shares Owned

100%

Total Assets

4,903.1

Net Income

38.2

Securities

Estbmt : 1997.06.02
 Sec. Added : 2009.11
 Branches : 4
 Employees : 261

Total Shares Owned

100%

Total Assets

2,012.5

Net Income

2.4

MSB

Estbmt : 2011.12.13
 Branches : 8
 Employees : 121

Total Shares Owned

100%

Total Assets

889.2

Net Income

8.6

Asset Mgt.

Estbmt : 2008.07.15
Added : 2015.07.28
 Employees : 39

Total Shares Owned

100%

Total Assets

41.7

Net Income

0.2

Credit Info.

Estbmt : 2003.06.17
Industry : Collection
 Employees : 85

Total Shares Owned

100%

Total Assets

9.8

Net Income

0.3

System

Estbmt : 2011.05.20
Industry : IT related
 Employees : 174

Total Shares Owned

100%

Total Assets

12.5

Net Income

0.9

Cambodia

Establishment : 2014.03.07
 Employees : 130
 Total Share's Owned : 100%
 Total Assets : 15.6 KRW bn
 2015.06 Start Operations

Myanmar

Establishment : 2014.03.21
 Employees : 334
 Total Share's Owned : 99.9%
 Total Assets : 24.8 KRW bn
 2014.12 Start Operations

Laos PDR

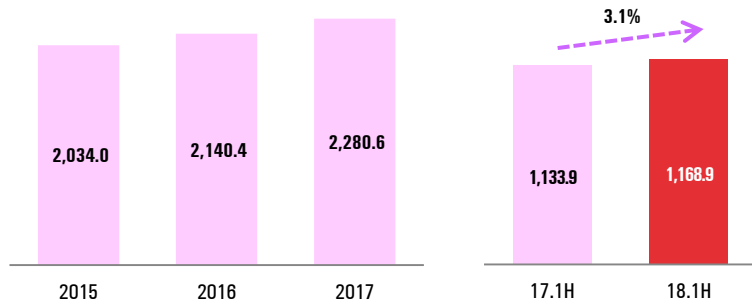
Establishment : 2015.04.24
 Employees : 27
 Total Share's Owned : 95%(BSB 5%)
 Total Assets : 16.3 KRW bn
 2015.07 Start Operations

II . Profitability

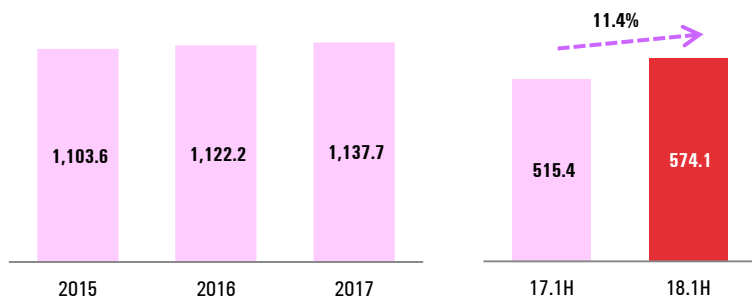
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2. Subsidiaries Earning Results	9
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4. Banks NIM	12
5. SG&A	13

1. Group Earning Results

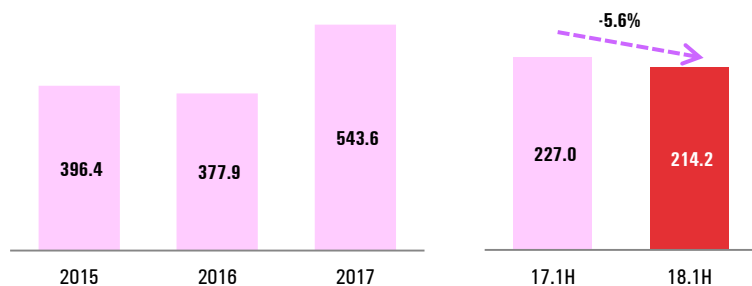
Interest Income(% , KRW bn)



SG&A(% , KRW bn)



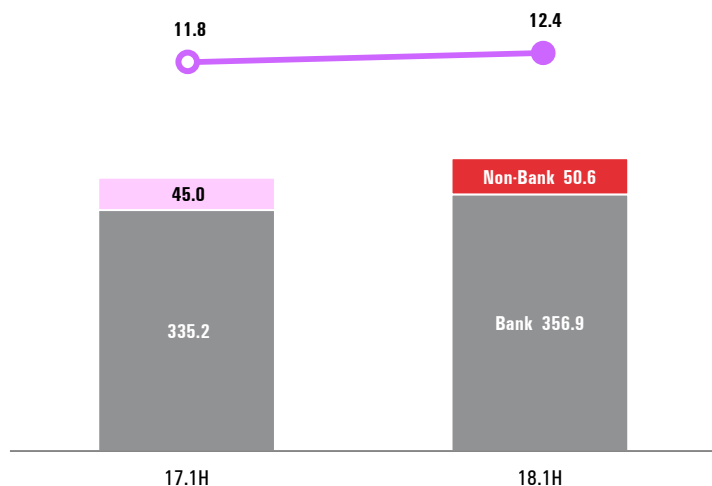
Provisioning(% , KRW bn)



(KRW bn, %)	18.1H	17.1H	YoY	18.2Q	18.1Q	QoQ
Net Interest Income	1,168.9	1,133.9	3.1	586.9	582.0	0.8
Net Fee Income	110.3	87.4	26.2	54.5	55.8	-2.3
Others	14.6	-27.2	Net Gain	-16.3	30.9	Net Loss
SG&A(-)	574.1	515.4	11.4	293.7	280.4	4.7
Provision Expense(-)	214.2	227.0	-5.6	109.9	104.3	5.4
Non-Operating Income	-7.8	-7.0	-	-5.2	-2.6	-
Earnings Before Income Tax	497.7	444.7	11.9	216.3	281.4	-23.1
Income Tax Expense(-)	124.1	105.5	17.6	57.6	66.5	-13.4
Net Income(A)	373.6	339.2	10.1	158.7	214.9	-26.2
Net Income in Non-Controlling Interest(B)	16.0	8.5	88.2	8.4	7.6	10.5
Net Income in Controlling Interest(C) (C) = (A) - (B)	357.6	330.7	8.1	150.3	207.3	-27.5

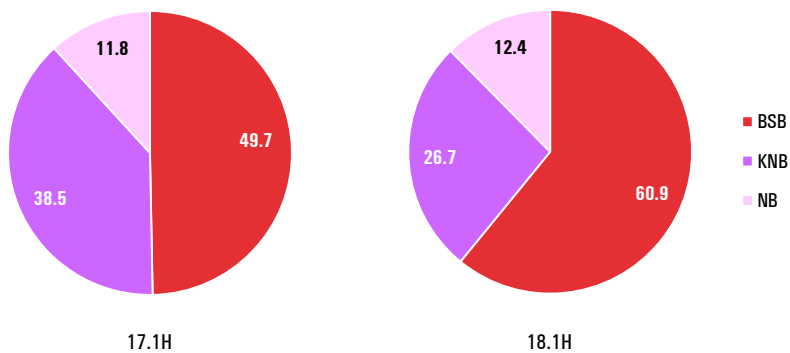
2. Subsidiaries Earning Results

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



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

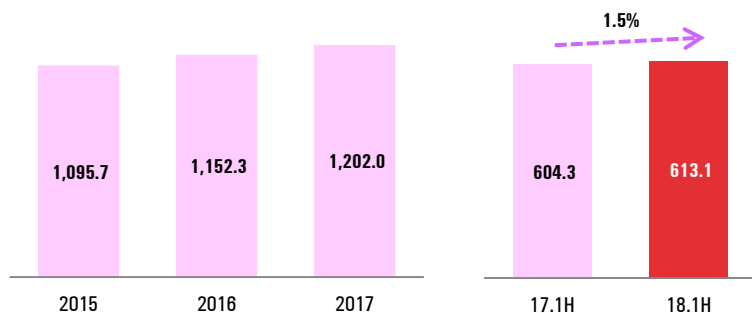
Banks & Non-Bank Net Income Portion(%)



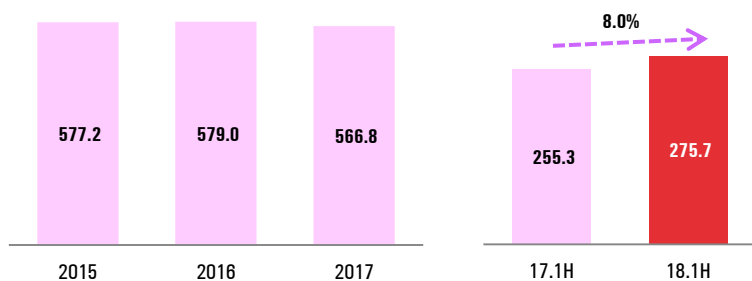
(KRW bn, %)	18.1H	17.1H	YoY	18.2Q	18.1Q	QoQ
Bank(A)	356.9	335.2	6.5	155.1	201.8	-23.1
Busan	248.2	189.0	31.3	112.9	135.3	-16.6
Kyongnam	108.7	146.2	-25.6	42.2	66.5	-36.5
Non-Bank(B)	50.6	45.0	12.4	20.9	29.7	-29.6
Capital	38.2	35.5	7.6	19.9	18.3	8.7
Securities	2.4	2.2	9.1	-3.8	6.2	Net Loss
MSB	8.6	6.0	43.3	4.0	4.6	-13.0
Asset Management	0.2	0.5	-60.0	0.2	0.0	-
Credit Info	0.3	0.5	-40.0	0.1	0.2	-50.0
System	0.9	0.3	200.0	0.5	0.4	25.0
Financial Group & Unconsolidated Portion(C)	-33.9	-41.0	-	-17.3	-16.6	-
Net Income in Non-Controlling Interest(D)	16.0	8.5	88.2	8.4	7.6	10.5
Net Income in Controlling Interest(E) (E=A+B+C-D)	357.6	330.7	8.1	150.3	207.3	-27.5

3. Banks Earning Results - Busan

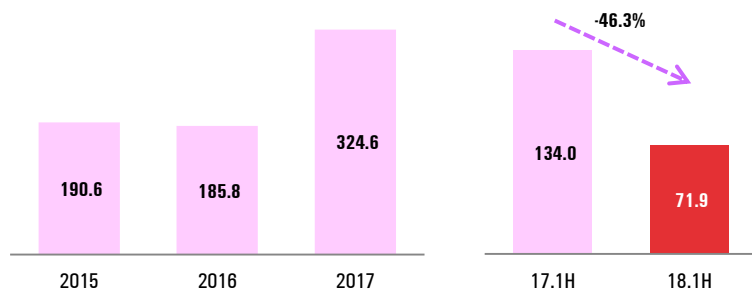
Interest Income(% , KRW bn)



SG&A(% , KRW bn)



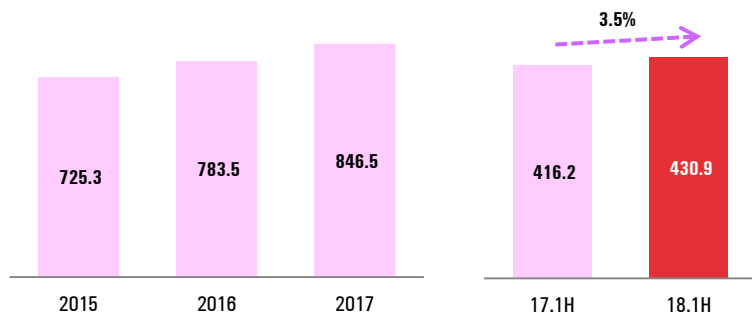
Provision Expense(% , KRW bn)



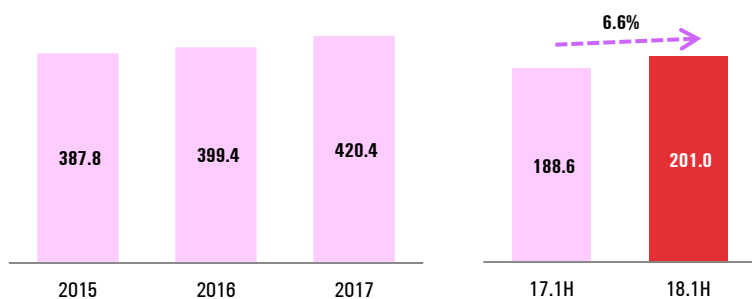
(KRW bn, %)	18.1H	17.1H	YoY	18.2Q	18.1Q	QoQ
Net Interest Income	613.1	604.3	1.5	309.5	303.6	1.9
Net Fee Income	40.1	42.5	-5.6	18.6	21.5	-13.5
Fees from Trust Account	12.4	10.9	13.8	6.1	6.3	-3.2
Others	14.0	-21.4	Net Gain	-5.9	19.9	Net Loss
SG&A(-)	275.7	255.3	8.0	140.1	135.6	3.3
Provision Expense(-)	71.9	134.0	-46.3	32.6	39.3	-17.0
Net Operating Income	332.0	247.0	34.4	155.6	176.4	-11.8
Non-Operating Income	-7.7	-3.2	-	-4.5	-3.2	-
Earnings Before Income Taxes	324.3	243.8	33.0	151.1	173.2	-12.8
Income Tax Expenses(-)	76.1	54.8	38.9	38.2	37.9	0.8
Net Income	248.2	189.0	31.3	112.9	135.3	-16.6

3. Banks Earning Results - Kyongnam

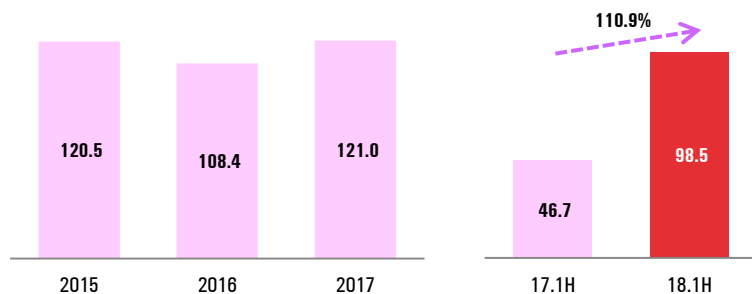
Interest Income(% , KRW bn)



SG&A(% , KRW bn)



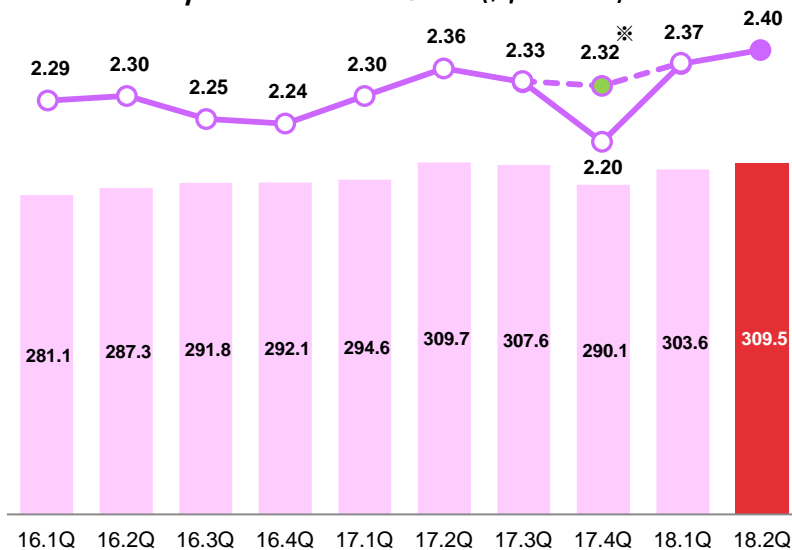
Provision Expense(% , KRW bn)



(KRW bn, %)	18.1H	17.1H	YoY	18.2Q	18.1Q	QoQ
Net Interest Income	430.9	416.2	3.5	214.1	216.8	-1.2
Net Fee Income	23.6	19.5	21.0	10.5	13.1	-19.8
Fees from Trust Account	4.6	3.5	31.4	2.5	2.1	19.0
Others	-17.4	-15.2	-	-12.3	-5.1	-
SG&A(-)	201.0	188.6	6.6	102.5	98.5	4.1
Provision Expense(-)	98.5	46.7	110.9	57.4	41.1	39.7
Net Operating Income	142.2	188.7	-24.6	54.9	87.3	-37.1
Non-Operating Income	0.5	-1.5	Net Gain	-0.5	1.0	Net Loss
Earnings Before Income Taxes	142.7	187.2	-23.8	54.4	88.3	-38.4
Income Tax Expenses(-)	34.0	41.0	-17.1	12.2	21.8	-44.0
Net Income	108.7	146.2	-25.6	42.2	66.5	-36.5

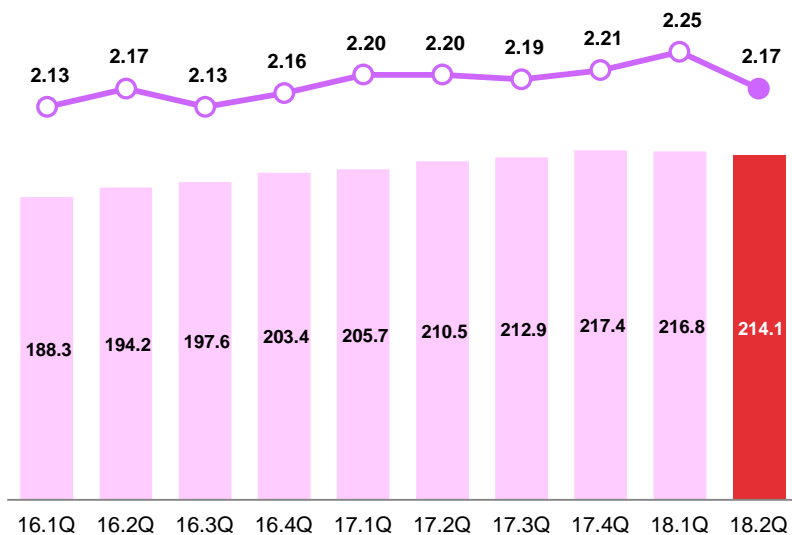
4. Banks NIM

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)	18.2Q	18.1Q	17.4Q	17.3Q	17.2Q
Quarterly NIM	2.40	2.37	2.20	2.33	2.36
Quarterly NIS	2.72	2.70	2.46	2.63	2.67
Interest Rate on KRW Loans	4.06	3.99	3.66 ¹⁾	3.78	3.81
Interest Rate paid on KRW Deposits	1.34	1.29	1.20	1.15	1.14
Average Interest Earning Assets	46.6	46.5	47.0	47.0	46.9
Accumulated NIM	2.38	2.37	2.30	2.33	2.33

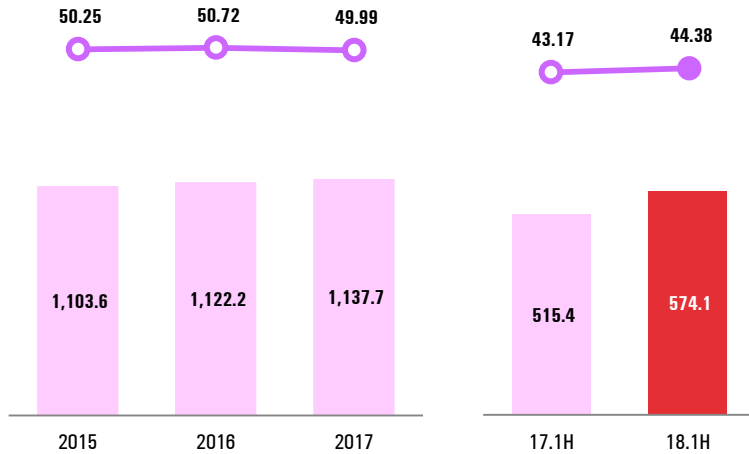
1) Excluding one-off PF impact → 3.80%

Kyongnam

(%, KRW tn)	18.2Q	18.1Q	17.4Q	17.3Q	17.2Q
Quarterly NIM	2.17	2.25	2.21	2.19	2.20
Quarterly NIS	2.42	2.50	2.44	2.45	2.47
Interest Rate on KRW Loans	3.96	3.93	3.78	3.74	3.74
Interest Rate paid on KRW Deposits	1.54	1.43	1.34	1.29	1.27
Average Interest Earning Assets	34.9	34.6	34.6	34.2	34.0
Accumulated NIM	2.21	2.25	2.20	2.20	2.20

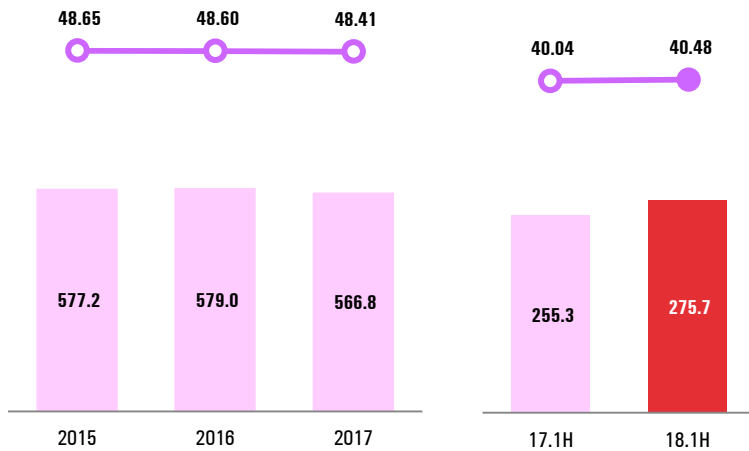
5. SG&A

□ Group SG&A & CIR (% , KRW bn)

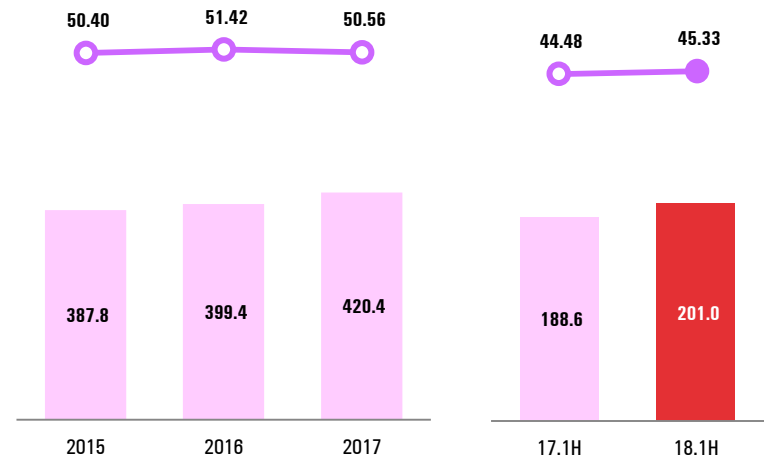


(KRW bn,%)	18.1H	17.1H	YoY	18.2Q	18.1Q	QoQ
SG&A	574.1	515.4	11.4	293.7	280.4	4.7
CIR	44.38	43.17	1.21			

□ Busan SG&A & CIR (% , KRW bn)



□ Kyongnam SG&A & CIR (% , KRW bn)

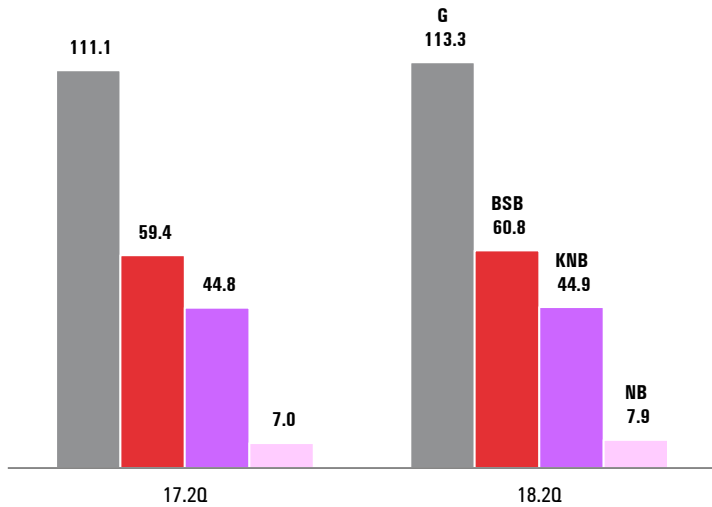


III. Growth

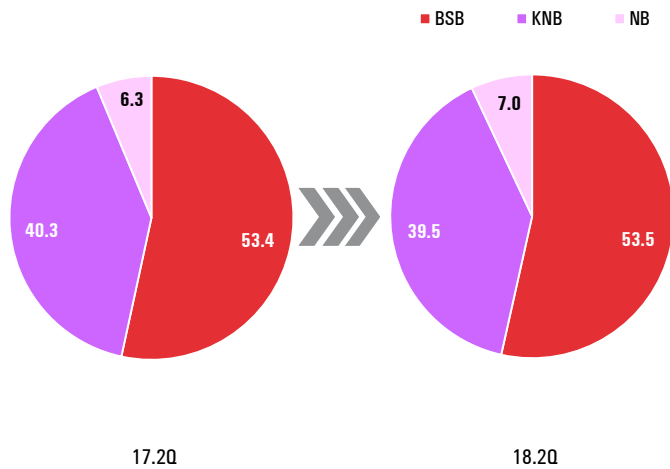
1. Group Assets	15
2. Banks Loans / Deposits	16

1. Group Assets

☐ Total Assets(KRW tn)



☐ Banks & Non-Banks Portion(%)

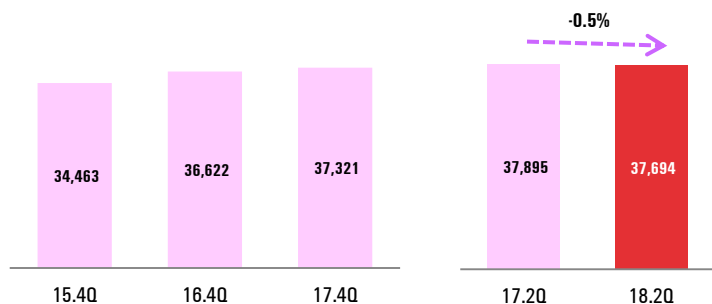


☐ Group Total Assets

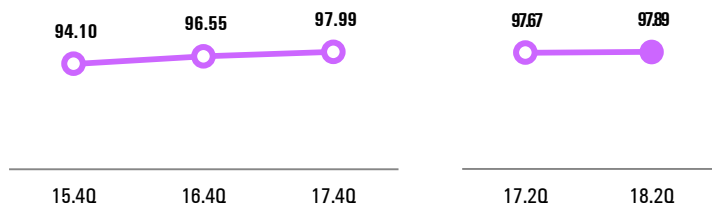
(KRW bn,%)	18.2Q	17.4Q	YTD	18.1Q	QoQ
Bank	105,684.2	100,982.9	4.7	102,018.1	3.6
Busan	60,771.9	57,069.3	6.5	57,851.7	5.0
Kyongnam	44,912.3	43,913.6	2.3	44,166.4	1.7
Non-Bank	7,868.8	6,608.9	19.1	7,283.6	8.0
Capital	4,903.1	4,812.0	1.9	4,876.0	0.6
Securities	2,012.5	886.1	127.1	1,509.4	33.3
MSB	889.2	849.8	4.6	835.8	6.4
Asset Mgt.	41.7	41.8	-0.2	41.5	0.5
Credit Info	9.8	9.4	4.3	9.6	2.1
System	12.5	9.8	27.6	11.3	10.6
Financial Group & Unconsolidated Portion	-238.4	-174.6	-	-53.0	-
Group Total Assets	113,314.6	107,417.2	5.5	109,248.7	3.7

2. Banks Loans / Deposits - Busan

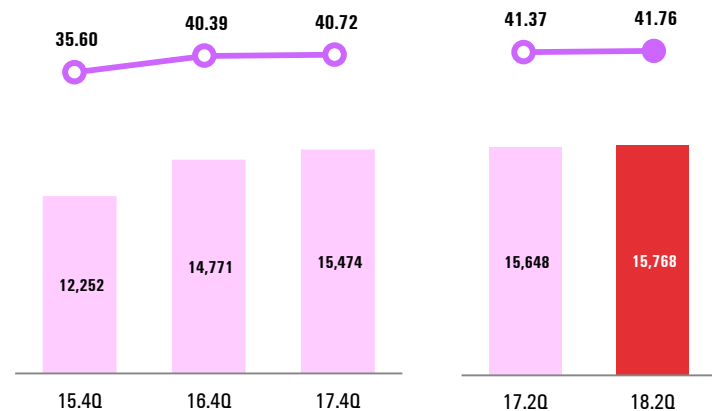
□ KRW Loans(% , KRW bn)



□ LDR(%)



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



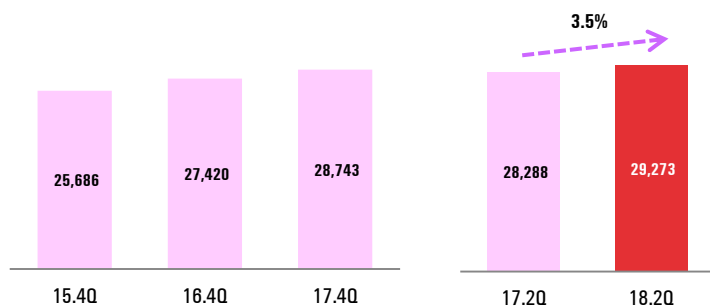
(KRW bn, %, Balance)	18.2Q	17.4Q	YTD	18.1Q	QoQ
KRW Loans¹⁾	37,694.3	37,321.0	1.0	37,466.0	0.6
Corporate	25,468.7	25,161.6	1.2	25,372.0	0.4
SME	23,292.7	22,995.7	1.3	23,142.7	0.6
(Core Corps.) ²⁾	11,290.5	10,683.2	5.7	10,961.4	3.0
Large Corps.	2,176.0	2,165.9	0.5	2,229.3	-2.4
Household	10,939.0	10,840.0	0.9	10,825.5	1.0
Mortgage	7,382.4	7,404.0	-0.3	7,344.1	0.5
Public	1,286.6	1,319.4	-2.5	1,268.5	1.4
Foreign Currency Loans¹⁾	584.8	554.8	5.4	556.2	5.1
KRW Deposits¹⁾	37,881.2	37,798.6	0.2	37,749.7	0.3
Low Cost Deposits	16,418.4	15,573.9	5.4	16,360.5	0.4
Core Deposits	12,755.6	12,399.4	2.9	13,213.0	-3.5
MMDA	3,662.8	3,174.5	15.4	3,147.5	16.4

(KRW bn, %, %p, Average Balance)	18.2Q	17.4Q	YTD	18.1Q	QoQ
Low-Cost Deposits(A)	15,767.7	15,474.2	1.9	15,633.1	0.9
Core Deposits ²⁾	12,305.2	12,466.0	-1.3	12,287.7	0.1
MMDA	3,462.5	3,008.2	15.1	3,345.4	3.5
KRW Deposits(B)	37,754.0	38,000.2	-0.6	37,812.4	-0.2
A / B	41.76	40.72	1.04	41.34	0.42

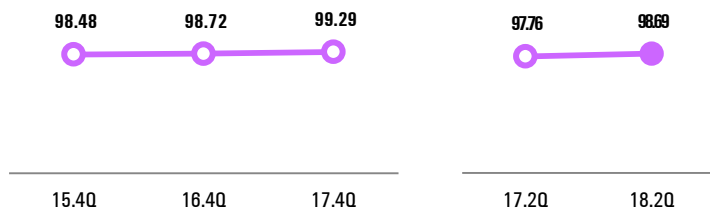
1) Unconsolidated FS, 2) Core Corps : SME or SOHO(≤3 KRW bn), 3) Core Deposits : Demand + Savings(Ex. MMDA)

2. Banks Loans / Deposits - Kyongnam

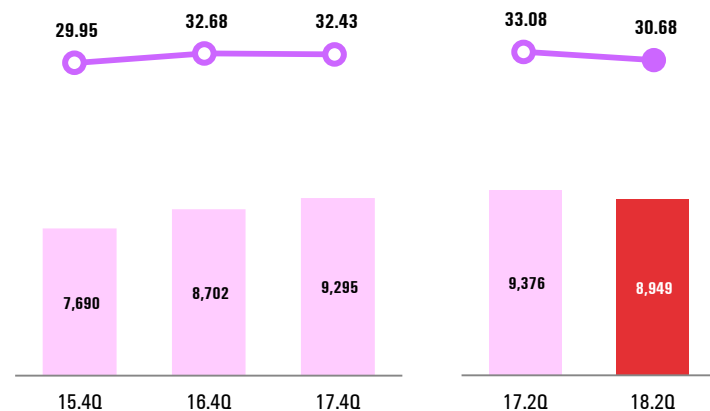
□ KRW Loans(% , KRW bn)



□ LDR(%)



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



(KRW bn, %, Balance)	18.2Q	17.4Q	YTD	18.1Q	QoQ
KRW Loans¹⁾	29,272.9	28,742.6	1.8	28,826.3	1.5
Corporate	18,378.0	18,311.3	0.4	18,281.1	0.5
SME	17,004.9	16,888.7	0.7	16,913.9	0.5
(Core Corps.) ²⁾	5,220.7	4,894.3	6.7	5,099.2	2.4
Large Corps.	1,373.1	1,422.6	-3.5	1,367.2	0.4
Household	10,575.8	10,102.2	4.7	10,225.9	3.4
Mortgage	8,887.7	8,458.7	5.1	8,584.8	3.5
Public	319.1	329.1	-3.0	319.3	-0.1
Foreign Currency Loans¹⁾	107.1	107.3	-0.2	106.0	1.0
KRW Deposits¹⁾	29,450.1	28,744.6	2.5	28,776.9	2.3
Low Cost Deposits	9,060.2	8,484.3	6.8	8,806.0	2.9
Core Deposits	7,370.2	7,122.5	3.5	7,225.1	2.0
MMDA	1,690.0	1,361.8	24.1	1,580.9	6.9

(KRW bn, %, %p, Average Balance)	18.2Q	17.4Q	YTD	18.1Q	QoQ
Low-Cost Deposits(A)	8,949.0	9,295.0	-3.7	8,909.0	0.4
Core Deposits ²⁾	7,378.7	7,545.3	-2.2	7,426.0	-0.6
MMDA	1,570.3	1,749.7	-10.3	1,483.0	5.9
KRW Deposits(B)	29,168.9	28,661.4	1.8	29,119.5	0.2
A / B	30.68	32.43	-1.75	30.59	0.09

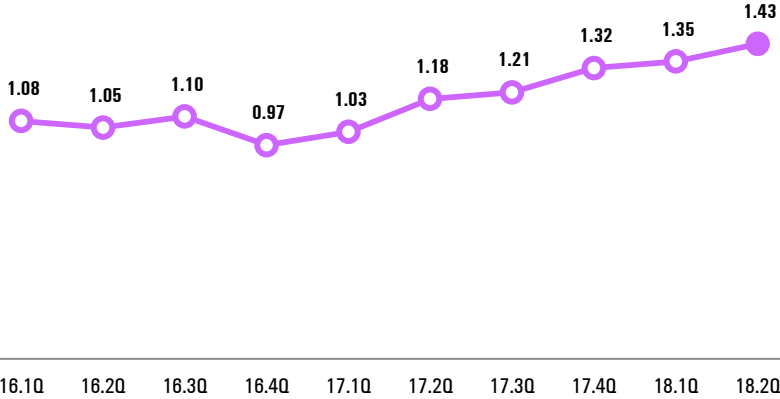
1) Unconsolidated FS, 2) Core Deposits : Demand + Savings(Ex. MMDA)

IV. Asset Quality

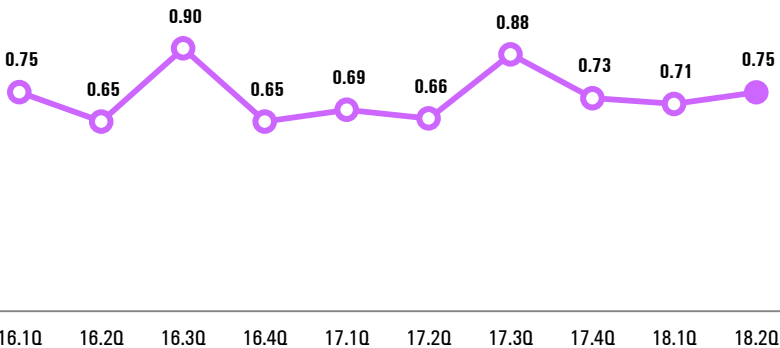
1. Group Asset Quality	19
2. Banks Asset Quality	20
3. Group Provisioning	22
4. Banks Provisioning / Write-offs & NPL Sales	23

1. Group Asset Quality

□ SBL(NPL) Ratio(%)



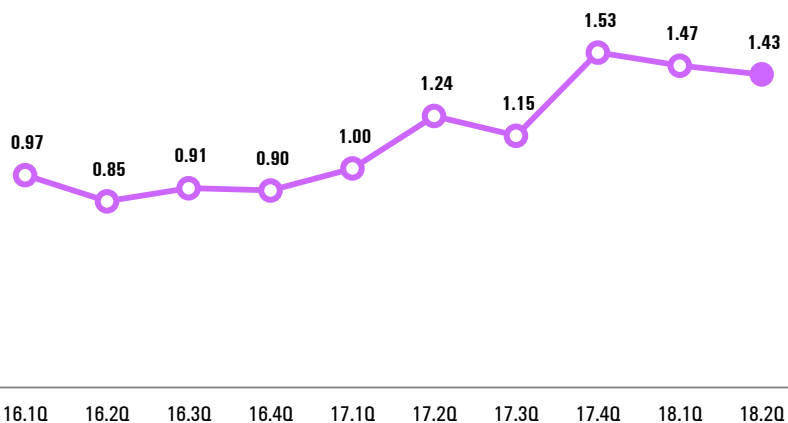
□ Delinquency Ratio(%)



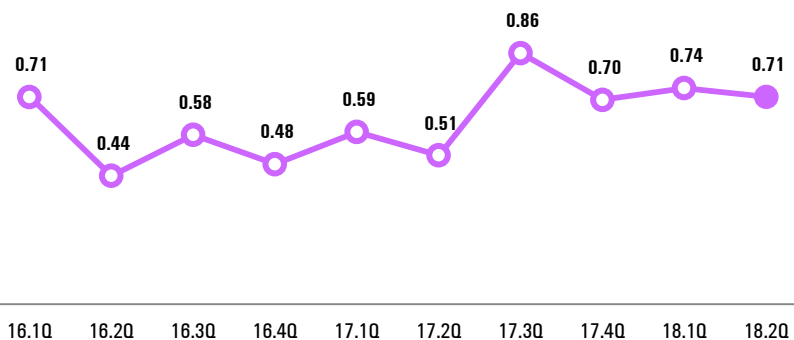
(KRW bn, %, %p)	18.2Q	17.4Q	YTD	18.1Q	QoQ
Total Credits	76,491.5	74,678.1	2.4	75,289.5	1.6
Normal	74,125.2	72,386.3	2.4	73,054.2	1.5
Precautionary	1,271.2	1,302.6	-2.4	1,216.3	4.5
Substandard	663.3	596.4	11.2	614.2	8.0
Doubtful	145.2	217.1	-33.1	188.9	-23.1
Expected Loss	286.6	175.7	63.1	215.9	32.7
SBL(Substandard & Below Loans)	1,095.1	989.2	10.7	1,019.0	7.5
SBL Ratio	1.43	1.32	0.11	1.35	0.08
SBL Coverage Ratio (Ratio before Reserve deduction)	85.80 (131.89)	84.61 (140.02)	1.19 (-8.13)	89.84 (141.09)	-4.04 (-9.20)
Delinquency Ratio	0.75	0.73	0.02	0.71	0.04
Loan Amount	75,542.4	73,726.6	2.5	74,366.0	1.6
Delinquent Amount	563.5	534.9	5.3	529.5	6.4

2. Banks Asset Quality - Busan

□ SBL(NPL) Ratio(%)



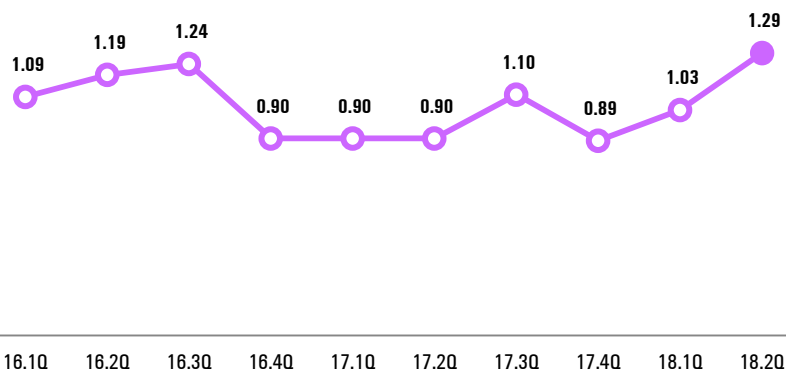
□ Delinquency Ratio(%)



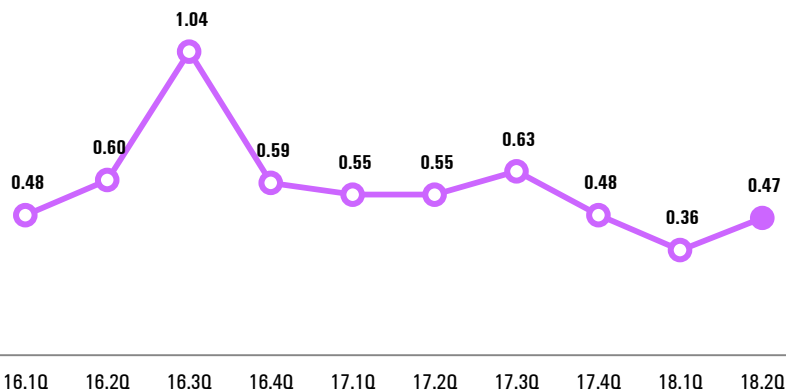
(KRW bn, %, %p)	18.2Q	17.4Q	YTD	18.1Q	QoQ
Total Credits	40,077.4	39,560.9	1.3	39,691.4	1.0
Normal	38,862.6	38,337.7	1.4	38,563.7	0.8
Precautionary	642.7	619.7	3.7	545.4	17.8
Substandard	313.4	374.0	-16.2	379.5	-17.4
Doubtful	50.2	98.7	-49.1	61.1	-17.8
Expected Loss	208.5	130.8	59.4	141.7	47.1
SBL(Substandard & Below Loans)	572.1	603.5	-5.2	582.3	-1.8
SBL Ratio	1.43	1.53	-0.10	1.47	-0.04
SBL Coverage Ratio (Ratio before Reserve deduction)	90.73 (124.77)	86.82 (126.15)	3.91 (-1.38)	88.56 (127.70)	2.17 (-2.93)
Delinquency Ratio	0.71	0.70	0.01	0.74	-0.03
Loan Amount	39,328.5	38,814.9	1.3	38,972.8	0.9
Delinquent Amount	278.7	272.2	2.4	290.0	-3.9

2. Banks Asset Quality - Kyongnam

□ SBL(NPL) Ratio(%)



□ Delinquency Ratio(%)



(KRW bn, %, %p)	18.2Q	17.4Q	YTD	18.1Q	QoQ
Total Credits	30,241.9	29,663.3	2.0	29,739.8	1.7
Normal	29,671.2	29,164.0	1.7	29,240.5	1.5
Precautionary	180.5	234.2	-22.9	192.9	-6.4
Substandard	293.1	171.0	71.4	178.0	64.7
Doubtful	35.0	63.0	-44.4	69.6	-49.7
Expected Loss	62.1	31.1	99.7	58.8	5.6
SBL(Substandard & Below Loans)	390.2	265.1	47.2	306.4	27.3
SBL Ratio	1.29	0.89	0.40	1.03	0.26
SBL Coverage Ratio (Ratio before Reserve deduction)	65.91 (129.25)	77.68 (177.75)	-11.77 (-48.50)	79.47 (155.76)	-13.56 (-26.51)
Delinquency Ratio	0.47	0.48	-0.01	0.36	0.11
Loan Amount	30,041.7	29,457.9	2.0	29,535.0	1.7
Delinquent Amount	140.5	141.0	-0.4	105.8	32.8

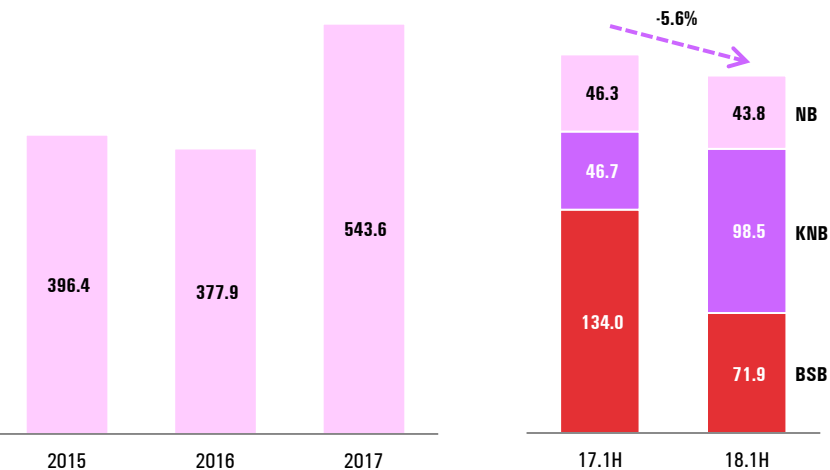
3. Group Provisioning

Provision Expense

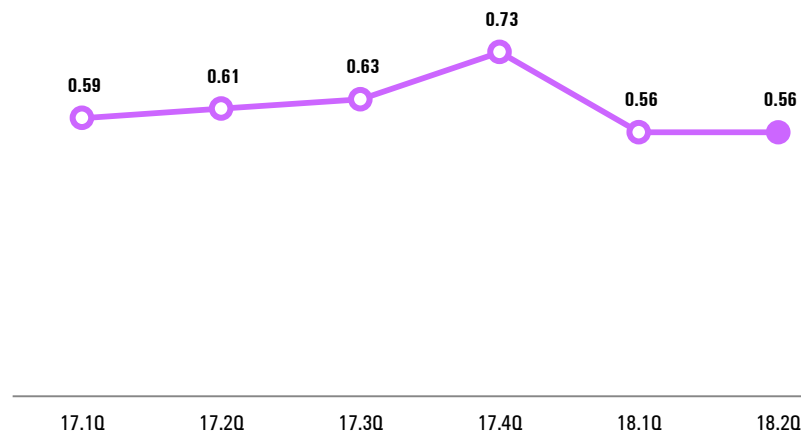
(KRW bn, %)	2018			2017					
	1H	2Q	1Q	17.4Q	17.3Q	1H	17.2Q	17.1Q	
Total Provisions(A)	214.2	109.9	104.3	543.6	190.3	126.3	227.0	118.9	108.1
Total Credits(B)	76,491.5	76,491.5	75,289.5	74,678.1	74,678.1	74,918.2	74,930.9	74,930.9	74,584.8
¹⁾ Credit Cost(A/B)	0.56	0.58	0.56	0.73	1.01	0.67	0.61	0.64	0.59

1) Accumulated

Banks & Non-Bank Provision Breakdown(KRW bn)

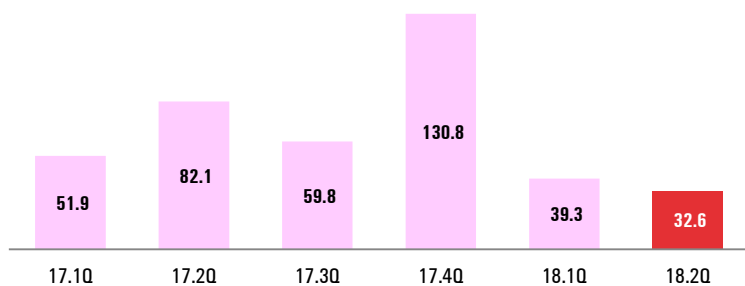


Credit Cost(% , Accumulated)

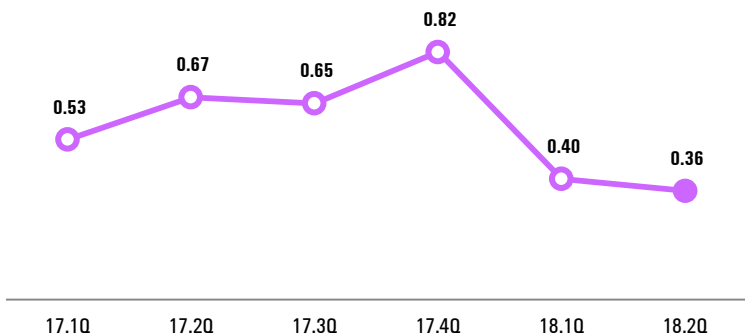


4. Provisioning / Write-offs & NPL Sales - Busan

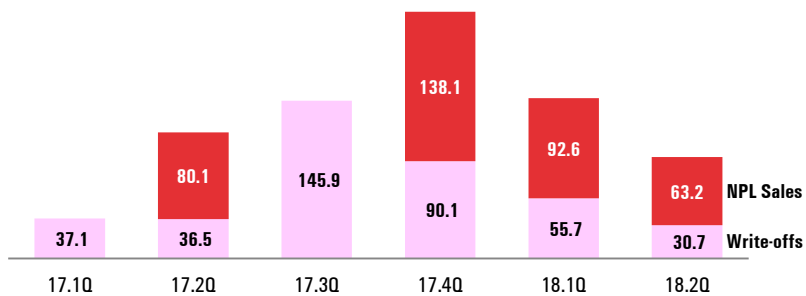
□ Provision Expense(KRW bn)



□ Credit Cost(%)



□ Write-offs & NPL Sales(KRW bn)

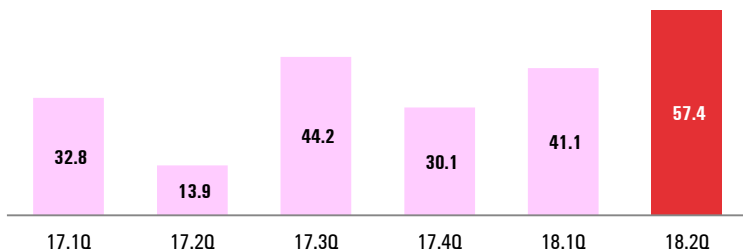


□ Provision Expense / Write-offs & NPL Sales

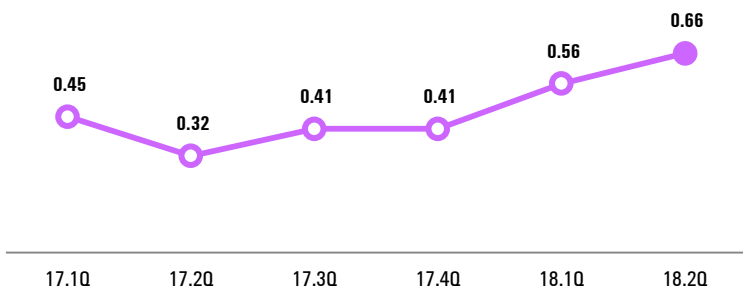
(KRW bn, %)	18.2Q	18.1Q	17.4Q	17.3Q	17.2Q	17.1Q
Corporate	25.9	30.5	125.7	51.9	75.0	44.4
Household	2.9	3.4	4.0	3.1	3.2	2.3
Credit Card	5.3	5.6	6.6	4.1	5.3	4.9
Others	-1.5	-0.2	-5.5	0.7	-1.4	0.3
Total(A)	32.6	39.3	130.8	59.8	82.1	51.9
Total Credits(B)	40,077.4	39,691.4	39,560.9	40,003.5	40,362.8	40,073.1
Credit Cost(A/B)	0.33	0.40	1.31	0.59	0.82	0.53
Total Write-Offs	30.7	55.7	90.1	145.9	36.5	37.1
Corporate	20.7	46.6	78.7	137.1	25.6	28.5
Household	4.1	3.1	5.9	3.6	3.0	3.4
Credit Card	5.9	6.0	5.5	5.2	7.9	5.2
Total NPL Sales	63.2	92.6	138.1	0.0	80.1	0.0
(NPL Sales for SBL Loans)	56.6	87.0	132.8	0.0	78.1	0.0
Corporate	59.0	91.2	135.6	0.0	79.5	0.0
Household	3.4	0.5	1.9	0.0	0.2	0.0
Credit Card	0.8	0.9	0.6	0.0	0.4	0.0

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

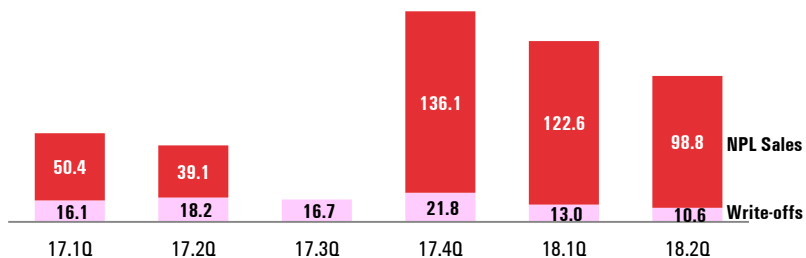
□ Provision Expense(KRW bn)



□ Credit Cost(%)



□ Write-offs & NPL Sales(KRW bn)



□ Provision Expense / Write-offs & NPL Sales

(KRW bn, %)	18.2Q	18.1Q	17.4Q	17.3Q	17.2Q	17.1Q
Corporate	47.0	45.1	2.5	35.8	7.7	28.7
Household	3.6	1.5	-1.5	2.2	2.3	0.9
Credit Card	4.4	-8.1	1.3	4.8	4.0	4.0
Others	2.4	2.6	27.8	1.4	-0.1	-0.8
Total(A)	57.4	41.1	30.1	44.2	13.9	32.8
Total Credits(B)	30,241.9	29,739.8	29,663.3	29,636.4	29,317.1	29,315.5
Credit Cost(A/B)	0.76	0.56	0.40	0.59	0.19	0.45
Total Write-Offs	10.6	13.0	21.8	16.7	18.2	16.1
Corporate	3.8	5.8	13.9	9.1	13.5	12.0
Household	3.1	3.3	3.8	3.2	1.5	1.1
Credit Card	3.7	3.9	4.1	4.4	3.2	3.0
Total NPL Sales	98.8	122.6	136.1	0.0	39.1	50.4
(NPL Sales for SBL Loans)	94.3	115.7	132.6	0.0	34.6	48.8
Corporate	98.6	122.5	135.7	0.0	39.0	48.7
Household	0.0	0.0	0.2	0.0	0.1	1.6
Credit Card	0.2	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)	18.2Q	17.4Q	YTD	QoQ
Tot. Risk Adjusted Capital	9,300.4	8,722.8	6.6	2.6
Tier I	7,709.2	7,082.9	8.8	4.0
CETI	6,699.5	6,408.9	4.5	2.7
Tot. R.W.A.	69,002.7	66,723.9	3.4	1.4
BIS Capital Ratio	13.48	13.07	0.41	0.16
Tier I	11.17	10.62	0.55	0.28
CETI	9.71	9.61	0.10	0.12

Busan

(KRW bn, %, %p, Basel III I.R.B.)	18.2Q	17.4Q	YTD	QoQ
Tot. Risk Adjusted Capital	5,413.4	5,173.4	4.6	4.4
Tier I	4,558.0	4,253.5	7.2	4.8
CETI	4,209.0	4,004.2	5.1	2.7
Tot. R.W.A.	32,904.4	32,260.1	2.0	-0.4
BIS Capital Ratio	16.45	16.04	0.41	0.75
Tier I	13.85	13.19	0.66	0.69
CETI	12.79	12.41	0.38	0.38

Kyongnam

(KRW bn, %, %p, Basel III I.R.B.)	18.2Q	17.4Q	YTD	QoQ
Tot. Risk Adjusted Capital	3,658.1	3,539.3	3.4	2.8
Tier I	2,962.5	2,807.7	5.5	4.9
CETI	2,587.1	2,500.4	3.5	1.5
Tot. R.W.A.	21,900.7	21,439.8	2.1	1.4
BIS Capital Ratio	16.70	16.51	0.19	0.23
Tier I	13.52	13.10	0.42	0.45
CETI	11.81	11.66	0.15	0.01

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 2Q			
	Amount	Ratio	YTD	QoQ
Manufacturing	9,053.9	24.0	-0.7	-0.8
Steel Metal Products	2,719.0	7.2	2.6	1.1
Automobile Parts	1,958.5	5.2	-4.8	-3.9
Machinery	1,228.8	3.3	-1.3	-0.9
Petroleum, Rubber, etc.	985.4	2.6	-2.5	-2.4
Fabric	235.3	0.6	13.5	9.6
Garment & Shoes	281.1	0.7	-0.7	-4.1
Kitchen Units	300.3	0.8	5.0	2.8
Electronics	478.7	1.3	-8.1	-7.3
Paper, Paper Mills	119.4	0.3	4.3	4.7
Others	747.4	2.0	0.6	4.0
Non-Manufacturing	17,701.4	47.0	1.9	1.1
Wholesale & Retail	2,966.7	7.9	4.1	2.5
Public	122.6	0.3	-51.3	-13.7
Construction & Engineering	1,213.4	3.2	-8.2	-7.1
Real Estate	7,183.3	19.1	4.4	1.8
Insurance & Financing	429.3	1.1	-7.2	-5.6
Transportation	1,245.0	3.3	-1.8	0.4
Hotel & Food	1,143.0	3.0	7.0	5.3
Others	3,398.1	9.0	4.2	1.9
Households	10,939.0	29.0	0.9	1.0
KRW Loans	37,694.3	100.0	1.0	0.6

Kyongnam Bank

*Sectors are based on FSS Business Report

(KRW bn, %, Balance)	2018 2Q			
	Amount	Ratio	YTD	QoQ
Manufacturing	9,042.9	30.9	-4.8	-2.6
Steel Metal Products	2,194.0	7.5	-4.5	-2.2
Automobile Parts	2,568.8	8.8	-2.6	-1.2
Machinery	2,298.8	7.9	-8.6	-6.0
Petroleum, Rubber, etc.	275.1	0.9	4.8	3.7
Fabric	64.0	0.2	-2.4	2.4
Garment & Shoes	10.0	0.0	-12.3	-6.5
Kitchen Units	197.1	0.7	-2.0	0.1
Electronics	608.5	2.1	-8.2	-1.0
Paper, Paper Mills	80.9	0.3	-3.3	-2.3
Others	745.7	2.5	-2.6	-1.5
Non-Manufacturing	9,654.2	33.0	5.7	3.6
Wholesale & Retail	1,789.7	6.1	3.0	1.1
Public	1.1	0.0	175.0	175.0
Construction & Engineering	649.1	2.2	24.5	10.0
Real Estate	3,641.5	12.4	7.4	5.6
Insurance & Financing	168.4	0.6	-22.5	4.0
Transportation	330.3	1.1	0.7	0.3
Hotel & Food	670.0	2.3	5.0	1.6
Others	2,404.1	8.2	4.4	1.8
Households	10,575.8	36.1	4.7	3.4
KRW Loans	29,272.9	100.0	1.8	1.5

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

2. Cyclical Sector

	2018.2Q					
	Steel	Auto	Construction	Shipbuilding	Shipping	Chemical
(KRW bn, %)						
Exposure	3,638.2	2,926.7	1,947.1	1,439.0	605.0	667.6
(% of Total Credits)	5.3	4.2	2.8	2.1	0.9	1.0
Collateral & Provision	2,391.1	1,826.5	1,003.1	1,026.3	356.2	406.9
Collateral & Provision Coverage	65.7	62.4	51.5	71.3	58.9	60.9
No# of Creditors	2,406	1,882	3,879	1,128	212	642

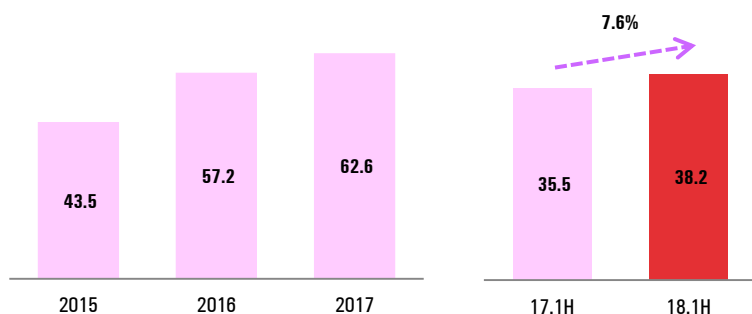
Note 1) Exposure & Total Credits are the sum of Busan & Kyongnam Bank

Note 2) Sectors are based on FSS Business Report

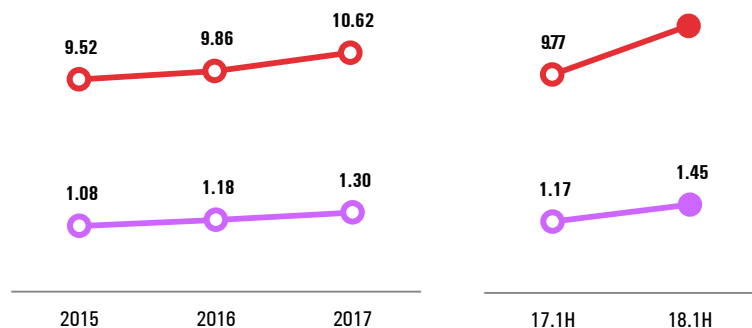
Note 3) Construction includes Real Estate PF(Ref. Collateral for Real Estate PFs are evaluated based on future cash flow that does not include land, buildings under construction etc. hence the overall low construction coverage)

3. BNK Capital - 1

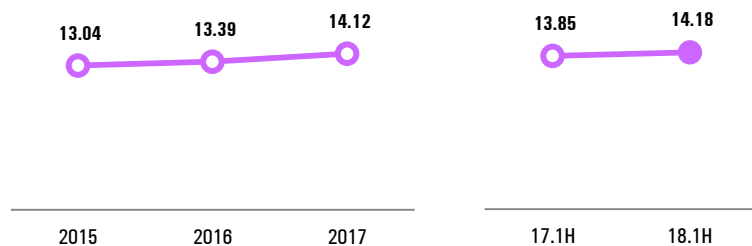
Net Income(% , KRW bn)



ROA, ROE(%)



Adjusted Capital Ratio(%)



(KRW bn, %, Balance)	18.1H	17.1H	YoY	18.2Q	18.1Q	QoQ
Net Interest Income	115.4	109.9	5.0	57.6	57.8	-0.3
Fee Income	9.7	5.7	70.2	5.3	4.4	20.5
Others	3.9	1.9	105.3	1.9	2.0	-5.0
SG&A(-)	34.2	29.5	15.9	17.3	16.9	2.4
Provision Expense(-)	41.9	40.8	2.7	19.3	22.6	-14.6
Non-Operating Income	-0.3	-1.2	-	0.0	-0.3	-
Earnings Before Income Tax	52.6	46.0	14.3	28.2	24.4	15.6
Income Tax Expenses(-)	14.4	10.5	37.1	8.3	6.1	36.1
Net Income	38.2	35.5	7.6	19.9	18.3	8.7

(KRW bn, %, Balance)	18.2Q	17.4Q	YTD	18.1Q	QoQ
Assets	4,903.1	4,812.0	1.9	4,876.0	0.6
Cash and Dues	38.9	249.2	-84.4	201.8	-80.7
Securities	0.0	0.0	-	0.0	-
Loans	3,806.8	2,857.3	8.0	2,943.8	4.9
Venture Capital Business	2.7	2.6	3.8	2.7	0.0
Durables Installment Financing Assets	615.4	733.7	-16.1	670.2	-8.2
Leased Assets	1,072.1	892.4	20.1	969.2	10.6
Fixed Assets	6.7	6.0	11.7	6.5	3.1
Other Assets	80.5	70.8	13.7	81.8	-1.6
Liability & Shareholder's Equity	4,903.1	4,812.0	1.9	4,876.0	0.6
Borrowings	4,008.1	3,943.2	1.6	4,013.5	-0.1
Other Liabilities	280.7	258.5	8.6	268.4	4.6
Shareholder's Equity	614.3	610.3	0.7	594.1	3.4

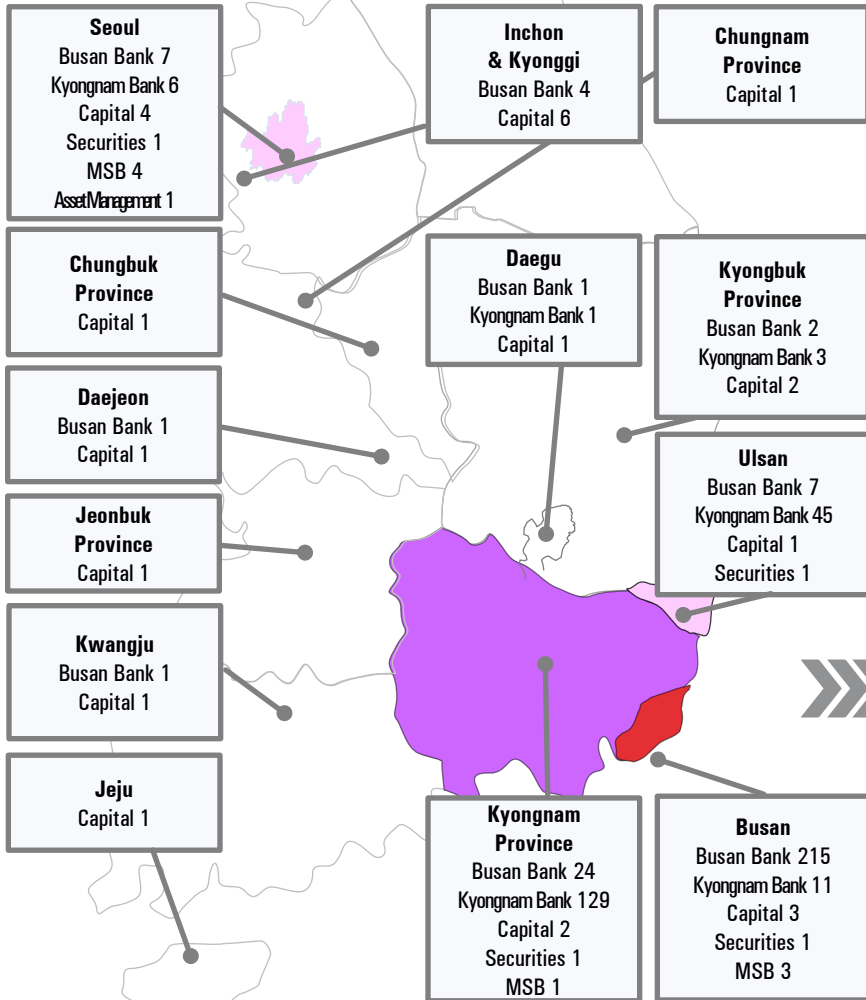
3. BNK Capital - 2

Loan Portfolio

(KRW bn, %, Balance)	18.2Q	Portion	18.1Q	QoQ	17.4Q	17.3Q	17.2Q	17.1Q	16.4Q	16.3Q	16.2Q	16.1Q
Total	4,986.0	100.0	4,783.5	4.2	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	1,813.9	36.4	1,636.7	10.8	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	905.1	18.2	874.0	3.6	840.2	836.3	825.4	807.3	790.3	795.4	764.1	733.7
Corporate	908.8	18.2	762.7	19.2	663.6	622.2	543.9	580.7	591.0	587.2	501.1	464.5
Auto Financing	2,565.7	51.5	2,561.2	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	674.4	13.5	712.0	-5.3	739.6	747.8	741.0	700.8	681.8	680.5	681.5	684.9
Passenger Vehicle	1,891.3	38.0	1,849.2	2.3	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	603.9	12.0	583.1	3.6	567.1	586.4	592.3	592.5	602.9	631.0	674.3	692.7
Machine Tools	132.0	2.6	124.4	6.1	124.7	135.2	140.2	141.4	147.9	157.8	174.8	190.8
Medical Instruments	191.8	3.8	174.9	9.7	169.4	167.1	165.1	162.7	161.3	160.7	161.9	156.8
Others	280.1	5.6	283.8	-1.3	273.0	284.1	287.0	288.4	293.7	312.5	337.6	345.1
Venture Capital Business	2.5	0.1	2.5	0.0	2.5	2.0	2.0	3.1	1.3	1.4	1.5	2.0

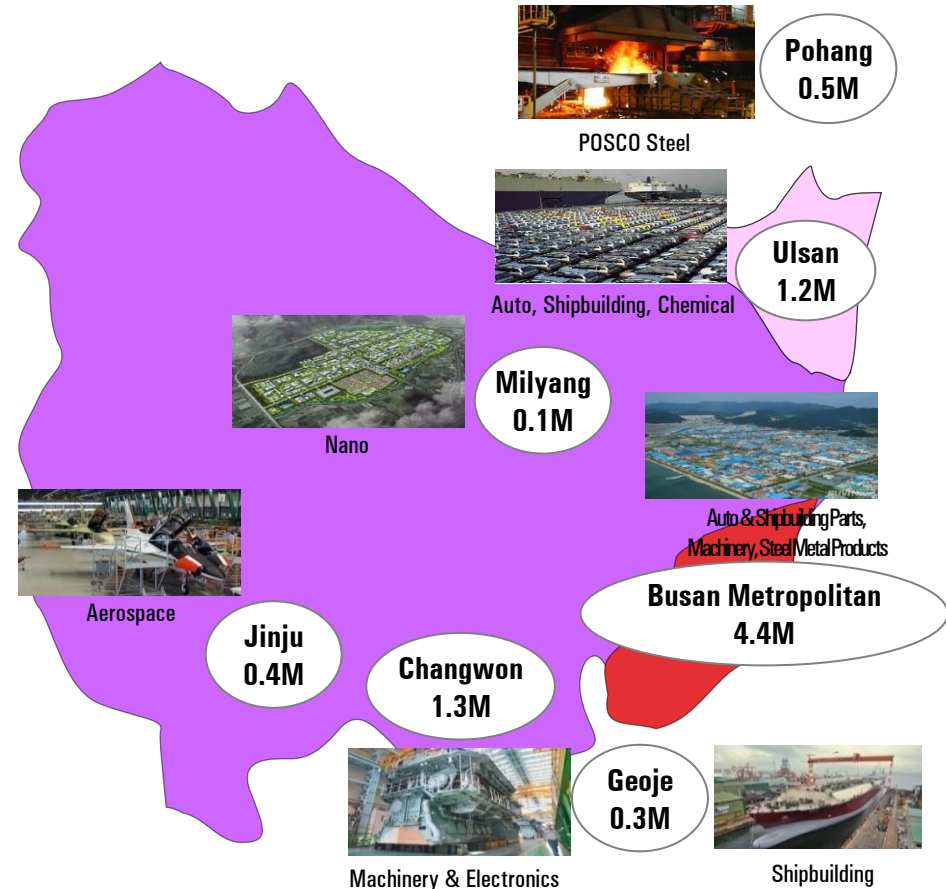
❑ Networks across Korea(as of June 2018) : 503 Locations

- Busan Bank 267(Qingdao & Vietnam Branch, Yangon, Mumbai Office included), Kyongnam Bank 195, Capital 28(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