

# 2018 3Q Financial Results

2018.10.31

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 3Q Group Highlights

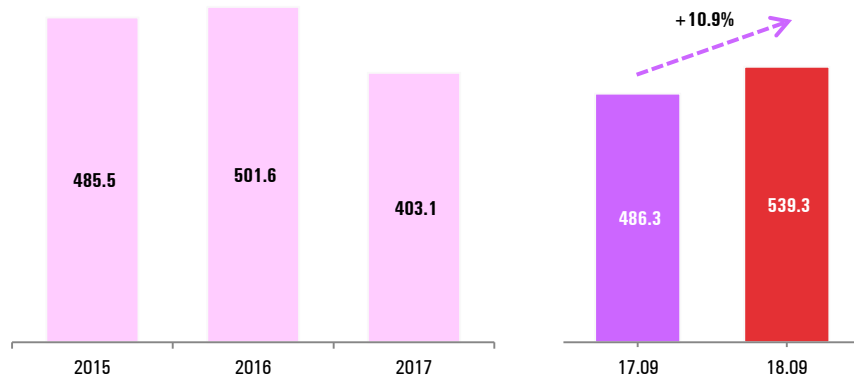
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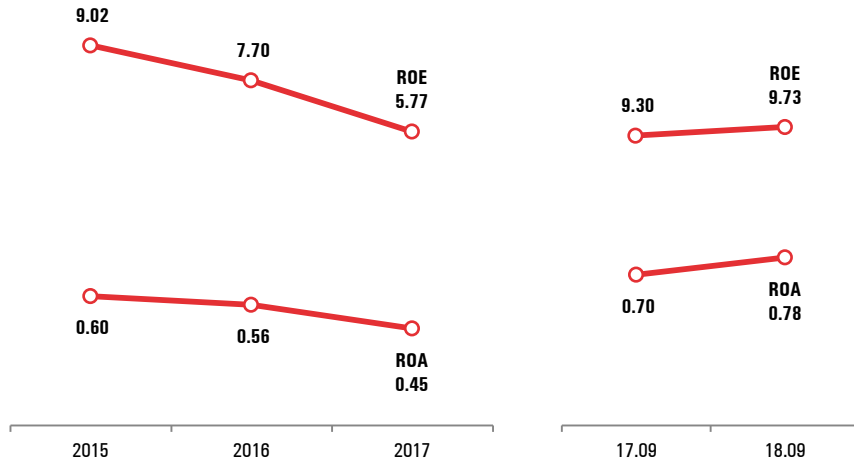
# 1. Highlights – Profitability

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

Group Net Income(KRW bn)



Group ROE, ROA(%)



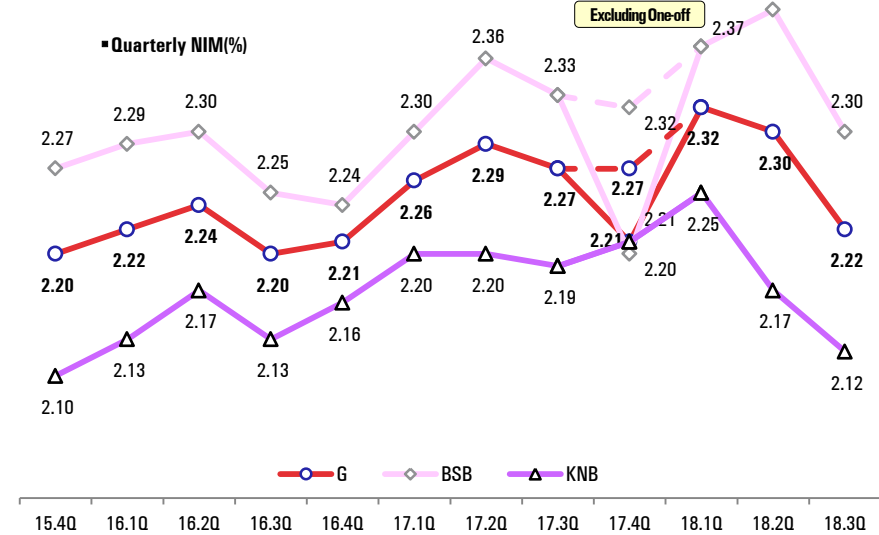
Banks ROE, ROA(%)



- **Highest 3Q Accumulated NI of 539.3 KRW bn, YoY +10.9%**
  - IB fee income growth in subsidiaries, reduction in provisions, and NPL sales gains etc.
- **18.3Q Group NI 181.7 KRW bn  $\Rightarrow$   $\downarrow$  sg&a,  $\downarrow$  provision expense,  $\uparrow$  gains on securities, leading to 31.4 KRW bn higher NI QoQ**
- **3Q One-offs**
  - Non-marketable securities etc. gains on valuation 9.4 KRW bn (BSB 5.9 KRW bn, KNB 3.5 KRW bn)
  - BSB : provision writeback of 17.4 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 -8bps QoQ

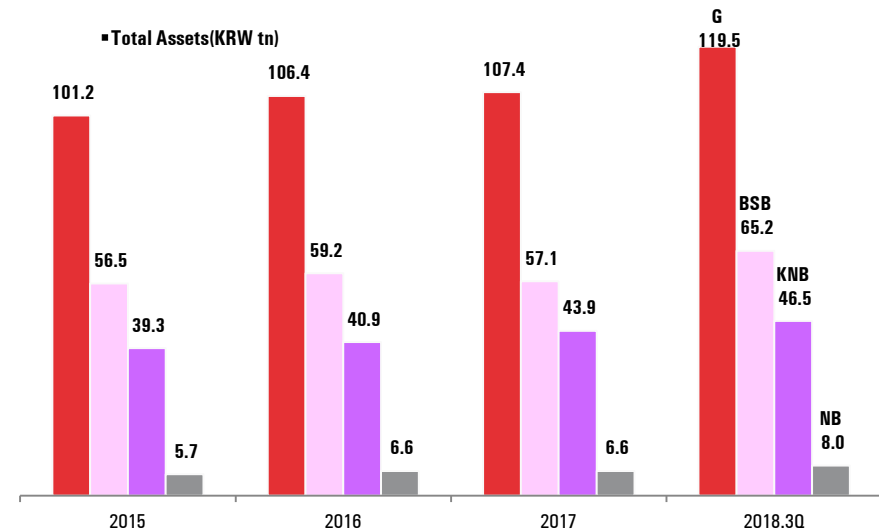
BSB NIM : -10bps QoQ, KNB NIM : -5bps QoQ

- By excluding 2Q one-off(BSB's Real Estate PF int. income collection) , Group NIM -7 bps, BSB -8 bps

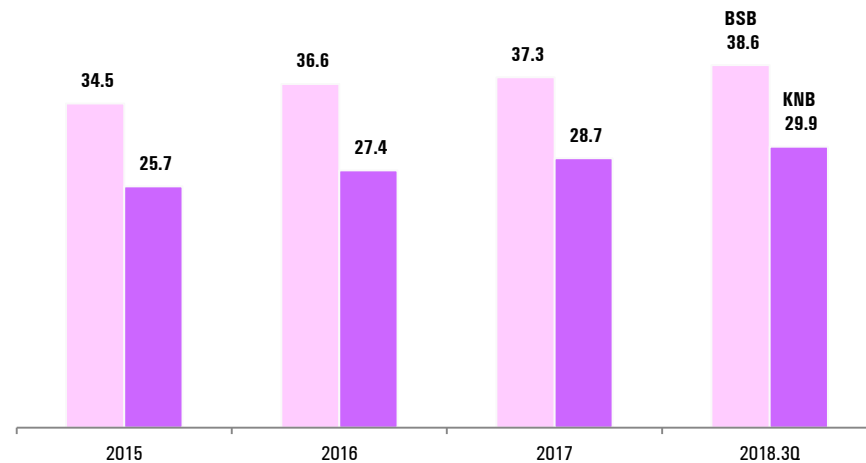
- Continued stable growth shown for each bank's Core Corps., leading the higher credit quality loan growth trend

- BSB : KRW loan growth YTD +3.4%  
(Core Corps. +YTD 8.4%)

- KNB : KRW loan growth YTD +4.2%  
(Core Corps. +YTD 9.6%)

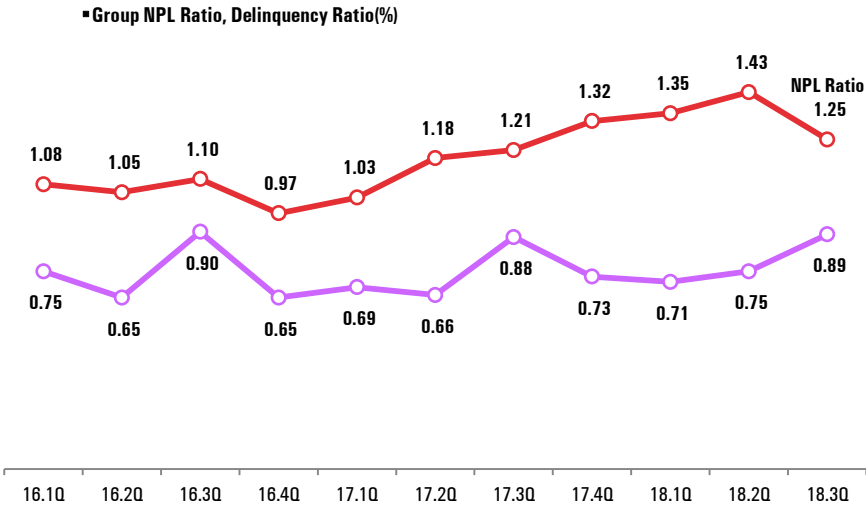


### Banks KRW Loans (KRW tn)

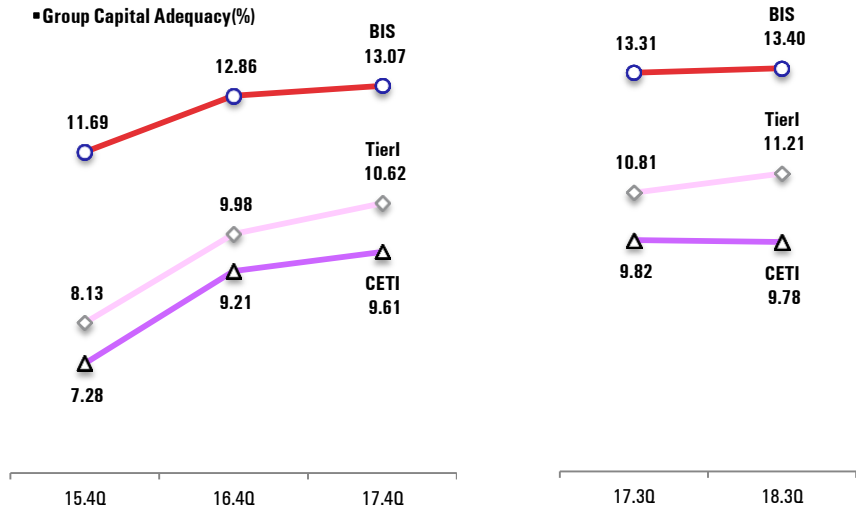
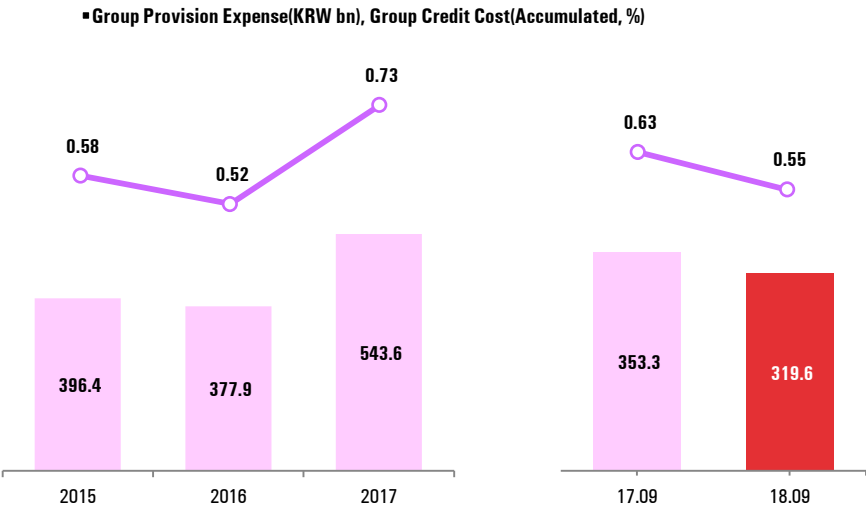


### 3. Highlights – Asset Quality, Capital Adequacy

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



- **Group NPL Ratio decreased drastically by 18bps due to continuing NPL sales & write-offs etc.**
  - BSB -14bps, KNB -36bps
- **Group Delinquency Ratio has increased by 14bps QoQ; however, without the impact from 2Q insolvent loans reclassification(to delinquent in 3Q), the ratio has only gone up by 5bps**
  - 3Q Reclassification to delinquent loans impact(69.1 KRW bn, +9bps)
- **Group Provision Expense went down by 33.7 KRW bn YoY, due to reductions in large provisions, provision writeback after NPL sales etc.**
  - Group Credit Cost maintained flat at 55bps
- **Better earnings & RWA management has led gradual increase in Group CETI**

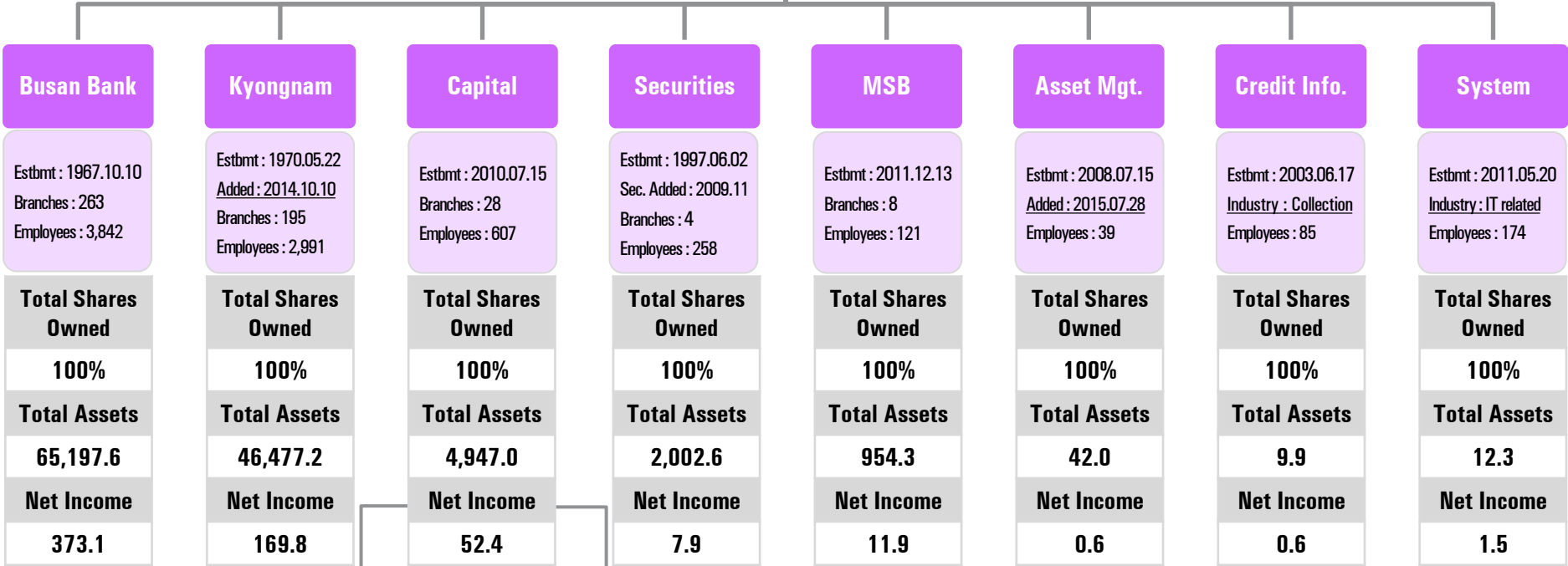


# 4. Group Structure

(%, KRW bn, Accumulated)

## BNK Financial Group

Establishment : 2011.03.15  
 Total Assets : 119,517.1  
 Net Income : 539.3  
 Employees : 8,293



### Cambodia

Establishment : 2014.03.07  
 Employees : 164  
 Total Share's Owned : 100%  
 Total Assets : 15.6 KRW bn  
 2015.06 Start Operations

### Myanmar

Establishment : 2014.03.21  
 Employees : 406  
 Total Share's Owned : 99.9%  
 Total Assets : 23.0 KRW bn  
 2014.12 Start Operations

### Laos PDR

Establishment : 2015.04.24  
 Employees : 25  
 Total Share's Owned : 95%(BSB 5%)  
 Total Assets : 22.0 KRW bn  
 2015.07 Start Operations

# II . Profitability

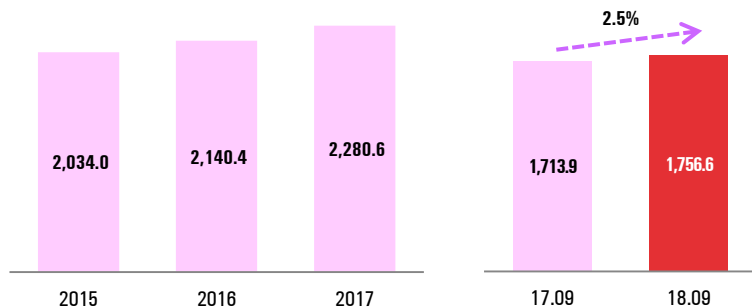
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<b>1. Group Earning Results</b>	<b>8</b>
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<b>3. Banks Earning Results</b>	<b>10</b>
<b>4. Banks NIM</b>	<b>12</b>
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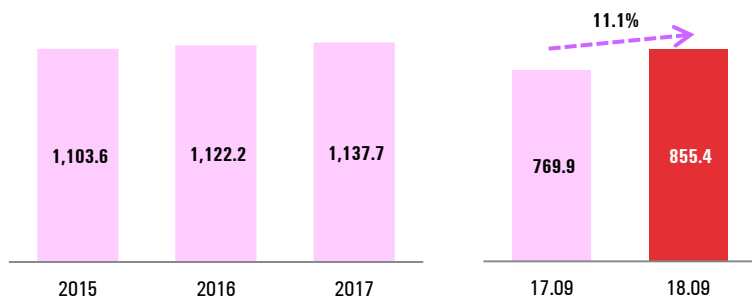


# 1. Group Earning Results

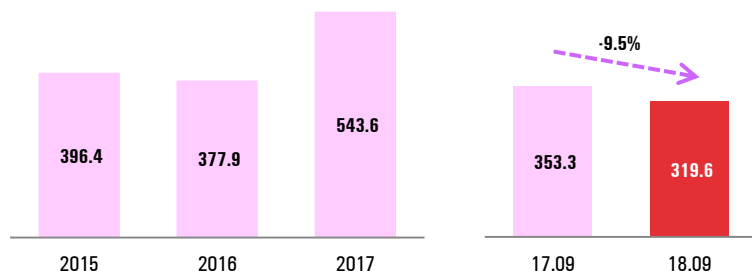
## Interest Income(% , KRW bn)



## SG&A(% , KRW bn)



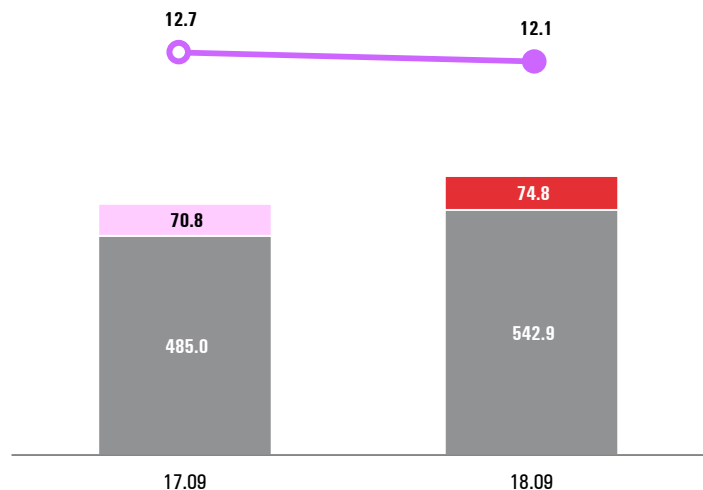
## Provisioning(% , KRW bn)



(KRW bn, %)	18.09	17.09	YoY	18.3Q	18.2Q	QoQ
Net Interest Income	1,756.6	1,713.9	2.5	587.7	586.9	0.1
Net Fee Income	167.8	130.2	28.9	57.5	54.5	5.5
Others	24.7	-50.1	Net Gain	10.1	-16.3	Net Gain
SG&A(-)	855.4	769.9	11.1	281.3	293.7	-4.2
Provision Expense(-)	319.6	353.3	-9.5	105.4	109.9	-4.1
Non-Operating Income	-8.2	-12.0	-	-0.4	-5.2	-
Earnings Before Income Tax	765.9	658.8	16.3	268.2	216.3	24.0
Income Tax Expense(-)	200.7	158.3	26.8	76.6	57.6	33.0
Net Income(A)	565.2	500.5	12.9	191.6	158.7	20.7
Net Income in Non-Controlling Interest(B)	25.9	14.2	82.4	9.9	8.4	17.9
Net Income in Controlling Interest(C) (C) = (A) - (B)	539.3	486.3	10.9	181.7	150.3	20.9

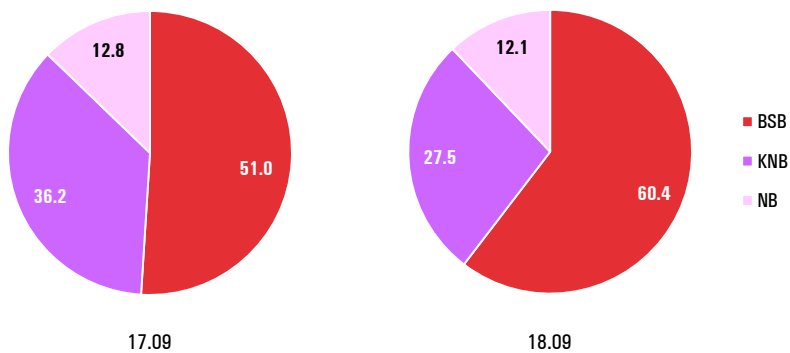
## 2. Subsidiaries Earning Results

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



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

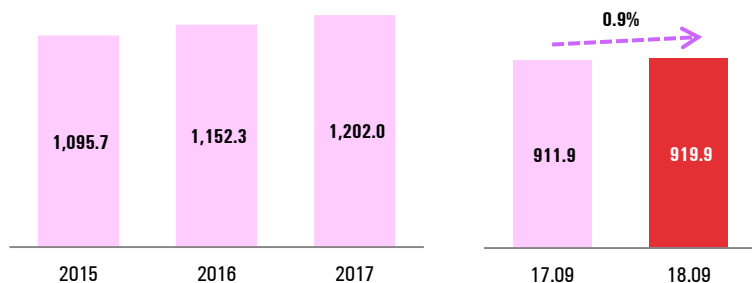
### Banks & Non-Bank Net Income Portion(%)



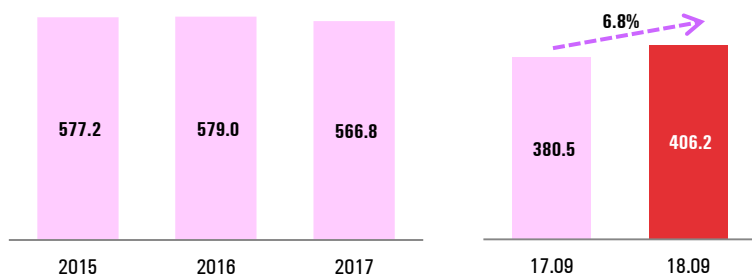
(KRW bn, %)	18.09	17.09	YoY	18.3Q	18.2Q	QoQ
<b>Bank(A)</b>	<b>542.9</b>	485.0	11.9	186.0	155.1	19.9
Busan	<b>373.1</b>	283.7	31.5	124.9	112.9	10.6
Kyongnam	<b>169.8</b>	201.3	-15.6	61.1	42.2	44.8
<b>Non-Bank(B)</b>	<b>74.9</b>	70.8	5.8	24.3	20.9	16.3
Capital	<b>52.4</b>	55.6	-5.8	14.2	19.9	-28.6
Securities	<b>7.9</b>	3.1	154.8	5.5	-3.8	Net Gain
MSB	<b>11.9</b>	10.2	16.7	3.3	4.0	-17.5
Asset Management	<b>0.6</b>	0.7	-14.3	0.4	0.2	-
Credit Info	<b>0.6</b>	0.6	0.0	0.3	0.1	200.0
System	<b>1.5</b>	0.6	150.0	0.6	0.5	20.0
<b>Financial Group &amp; Unconsolidated Portion(C)</b>	<b>-52.6</b>	-55.3	-	-18.7	-17.3	-
<b>Net Income in Non-Controlling Interest(D)</b>	<b>25.9</b>	14.2	82.4	9.9	8.4	17.9
<b>Net Income in Controlling Interest(E) (E=A+B+C-D)</b>	<b>539.3</b>	486.3	10.9	181.7	150.3	20.9

### 3. Banks Earning Results - Busan

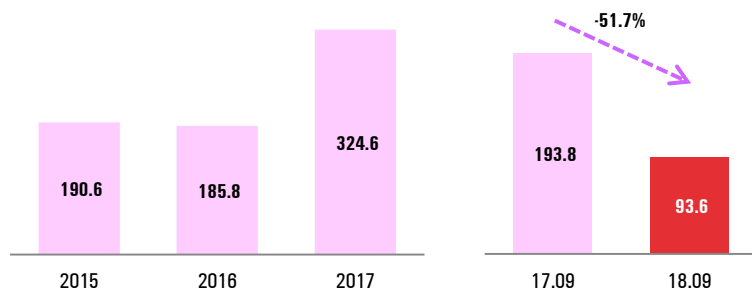
#### Interest Income(% , KRW bn)



#### SG&A(% , KRW bn)



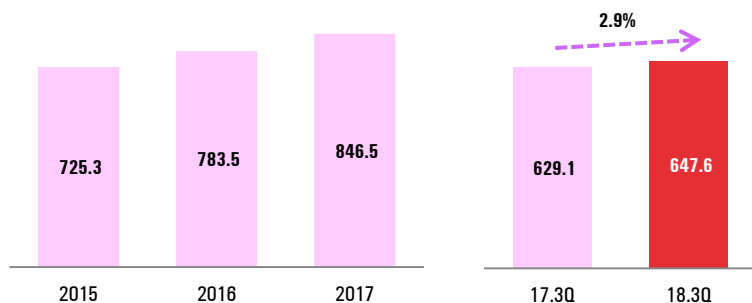
#### Provision Expense(% , KRW bn)



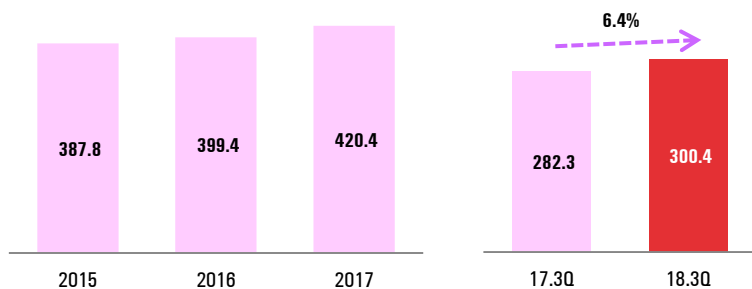
(KRW bn, %)	18.09	17.09	YoY	18.3Q	18.2Q	QoQ
Net Interest Income	919.9	911.9	0.9	306.8	309.5	-0.9
Net Fee Income	61.0	61.2	-0.3	20.9	18.6	12.4
Fees from Trust Account	18.6	16.5	12.7	6.2	6.1	1.6
Others	6.3	-40.5	Net Gain	-7.7	-5.9	-
SG&A(-)	406.2	380.5	6.8	130.5	140.1	-6.9
Provision Expense(-)	93.6	193.8	-51.7	21.7	32.6	-33.4
Net Operating Income	506.0	374.8	35.0	174.0	155.6	11.8
Non-Operating Income	-5.5	-8.1	-	2.2	-4.5	Net Gain
Earnings Before Income Taxes	500.5	366.7	36.5	176.2	151.1	16.6
Income Tax Expenses(-)	127.4	83.0	53.5	51.3	38.2	34.3
Net Income	373.1	283.7	31.5	124.9	112.9	10.6

### 3. Banks Earning Results - Kyongnam

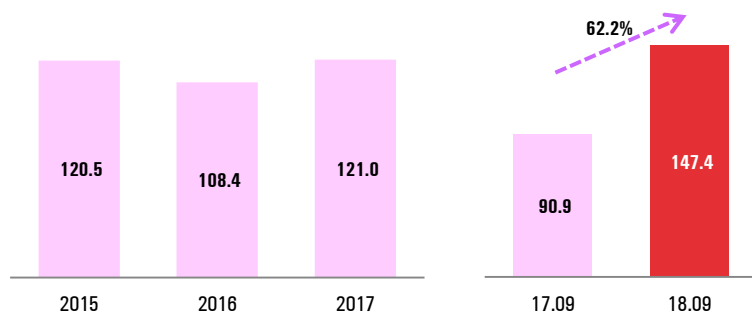
#### Interest Income(% , KRW bn)



#### SG&A(% , KRW bn)



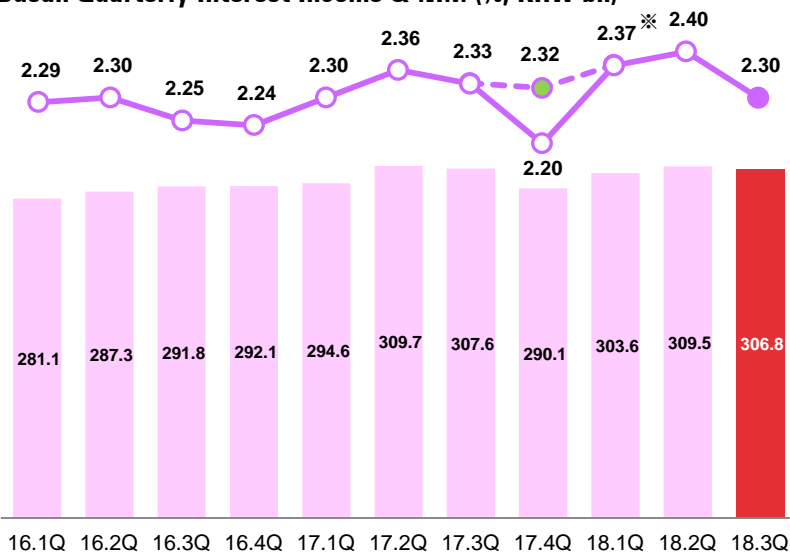
#### Provision Expense(% , KRW bn)



(KRW bn, %)	18.09	17.09	YoY	18.3Q	18.2Q	QoQ
Net Interest Income	647.6	629.1	2.9	216.7	214.1	1.2
Net Fee Income	36.5	28.7	27.2	12.9	10.5	22.9
Fees from Trust Account	6.6	5.3	24.5	2.0	2.5	-20.0
Others	-17.2	-28.6	-	0.2	-12.3	Net Gain
SG&A(-)	300.4	282.3	6.4	99.4	102.5	-3.0
Provision Expense(-)	147.4	90.9	62.2	48.9	57.4	-14.8
Net Operating Income	225.7	261.3	-13.6	83.5	54.9	52.1
Non-Operating Income	-2.5	-2.3	-	-3.0	-0.5	-
Earnings Before Income Taxes	223.2	259.0	-13.8	80.5	54.4	48.0
Income Tax Expenses(-)	53.4	57.7	-7.5	19.4	12.2	59.0
Net Income	169.8	201.3	-15.6	61.1	42.2	44.8

## 4. Banks NIM

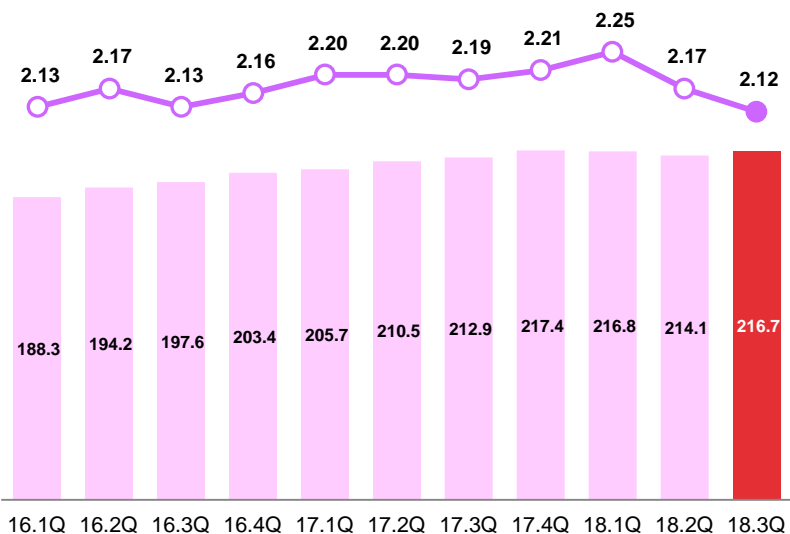
### Busan Quarterly Interest Income & NIM (% , KRW bn)



16.1Q 16.2Q 16.3Q 16.4Q 17.1Q 17.2Q 17.3Q 17.4Q 18.1Q 18.2Q 18.3Q

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

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



16.1Q 16.2Q 16.3Q 16.4Q 17.1Q 17.2Q 17.3Q 17.4Q 18.1Q 18.2Q 18.3Q

### Busan

(%, KRW tn)	18.3Q	18.2Q	18.1Q	17.4Q	17.3Q
Quarterly NIM	2.30	2.40	2.37	2.20	2.33
Quarterly NIS	2.61	2.72	2.70	2.46	2.63
Interest Rate on KRW Loans	4.00	4.06	3.99	3.66 <sup>1)</sup>	3.78
Interest Rate paid on KRW Deposits	1.39	1.34	1.29	1.20	1.15
Average Interest Earning Assets	47.3	46.6	46.5	47.0	47.0
Accumulated NIM	2.35	2.38	2.37	2.30	2.33

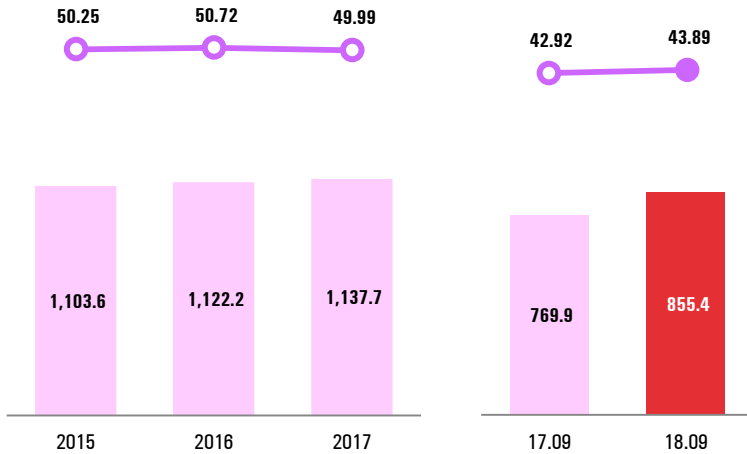
1) Excluding one-off PF impact → 3.80%

### Kyongnam

(%, KRW tn)	18.3Q	18.2Q	18.1Q	17.4Q	17.3Q
Quarterly NIM	2.12	2.17	2.25	2.21	2.19
Quarterly NIS	2.34	2.42	2.50	2.44	2.45
Interest Rate on KRW Loans	3.94	3.96	3.93	3.78	3.74
Interest Rate paid on KRW Deposits	1.60	1.54	1.43	1.34	1.29
Average Interest Earning Assets	35.7	34.9	34.6	34.6	34.2
Accumulated NIM	2.18	2.21	2.25	2.20	2.20

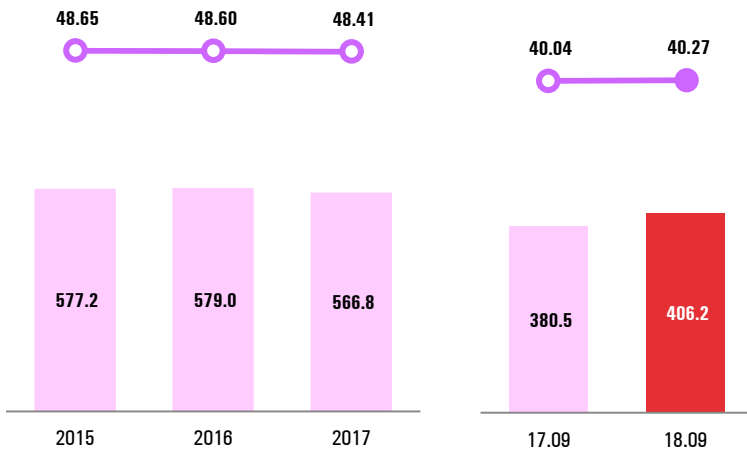
# 5. SG&A

□ Group SG&A & CIR (% , KRW bn)

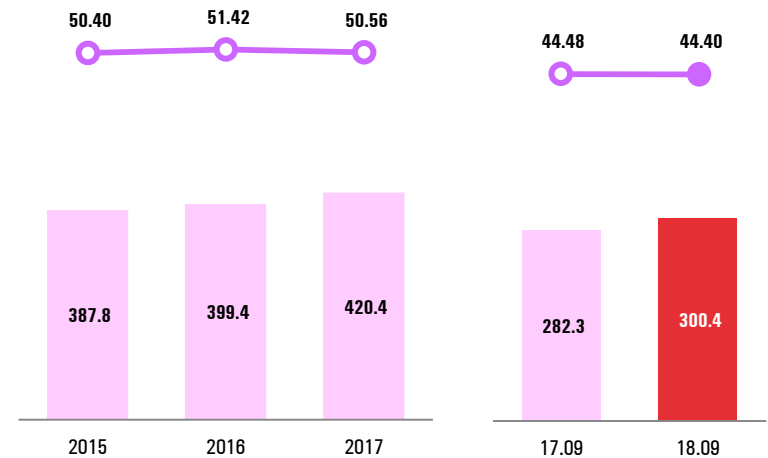


(KRW bn, %)	18.09	17.09	YoY	18.3Q	18.2Q	QoQ
SG&A	855.4	769.9	11.1	281.3	293.7	-4.2
CIR	43.89	42.92	0.97			

□ Busan SG&A & CIR (% , KRW bn)



□ Kyongnam SG&A & CIR (% , KRW bn)



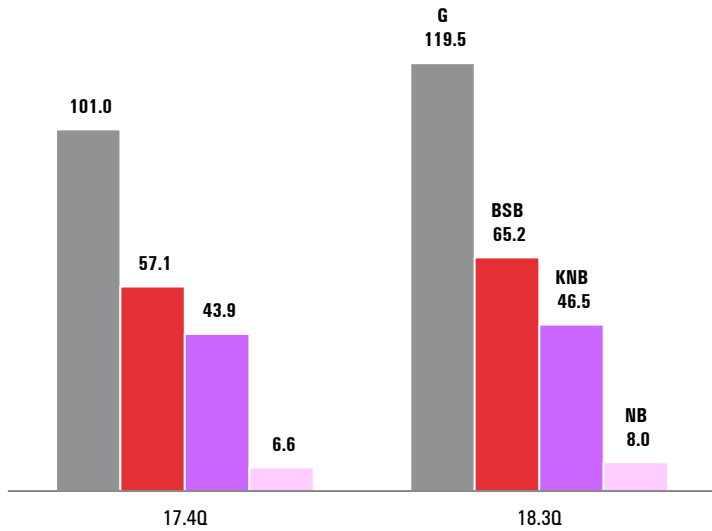
# III. Growth

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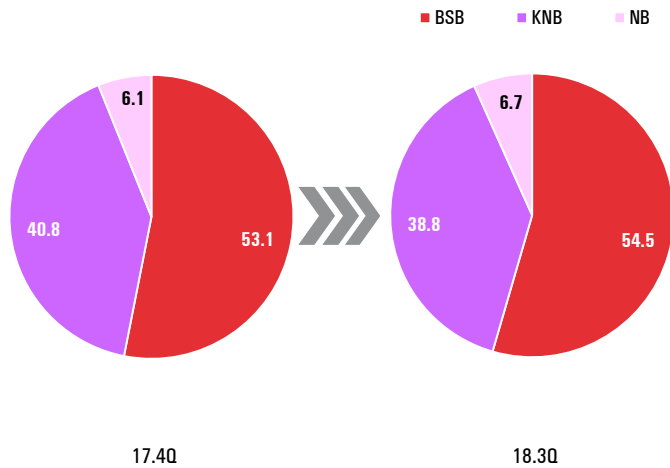
<b>1. Group Assets</b>	<b>15</b>
<b>2. Banks Loans / Deposits</b>	<b>16</b>

# 1. Group Assets

## ☐ Total Assets(KRW tn)



## ☐ Banks & Non-Banks Portion(%)



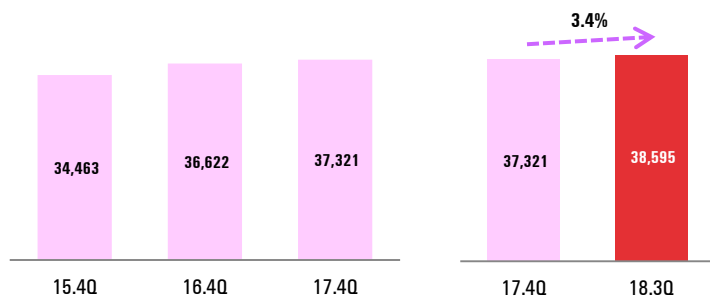
## ☐ Group Total Assets

(KRW bn, %)	18.3Q	17.4Q	YTD	18.2Q	QoQ
<b>Bank</b>	<b>111,674.8</b>	100,982.9	10.6	105,684.2	5.7
Busan	<b>65,197.6</b>	57,069.3	14.2	60,771.9	7.3
Kyongnam	<b>46,477.2</b>	43,913.6	5.8	44,912.3	3.5
<b>Non-Bank</b>	<b>7,968.1</b>	6,608.9	20.6	7,868.8	1.3
Capital	<b>4,947.0</b>	4,812.0	2.8	4,903.1	0.9
Securities	<b>2,002.6</b>	886.1	126.0	2,012.5	-0.5
MSB	<b>954.3</b>	849.8	12.3	889.2	7.3
Asset Mgt.	<b>42.0</b>	41.8	0.5	41.7	0.7
Credit Info	<b>9.9</b>	9.4	5.3	9.8	1.0
System	<b>12.3</b>	9.8	25.5	12.5	-1.6
<b>Financial Group &amp; Unconsolidated Portion</b>	<b>-125.8</b>	-174.6	-	-238.4	-
<b>Group Total Assets</b>	<b>119,517.1</b>	107,417.2	11.3	113,314.6	5.5

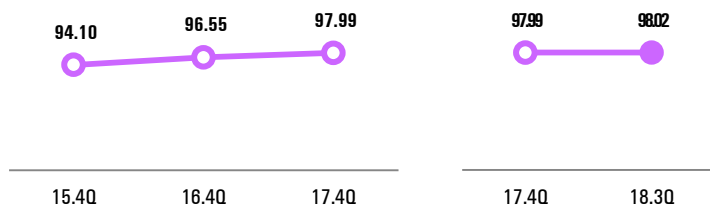


## 2. Banks Loans / Deposits - Busan

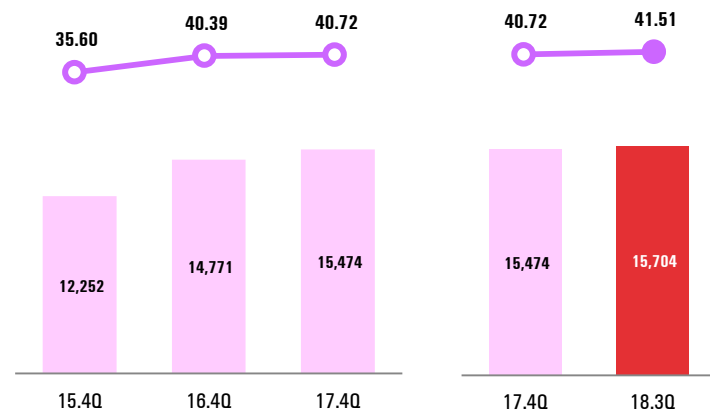
### □ KRW Loans(% , KRW bn)



### □ LDR(%)



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



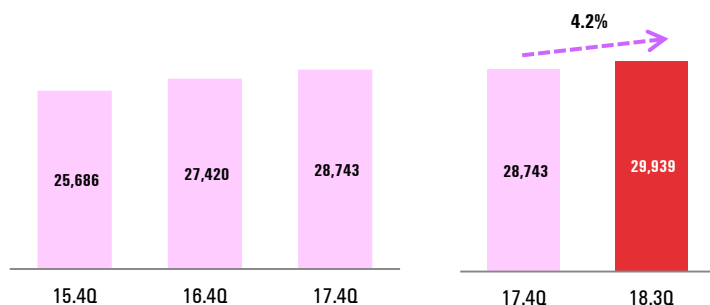
(KRW bn, %, Balance)	18.3Q	17.4Q	YTD	18.2Q	QoQ
<b>KRW Loans<sup>1)</sup></b>	<b>38,594.5</b>	37,321.0	3.4	37,694.3	2.4
Corporate	26,003.9	25,161.6	3.3	25,468.7	2.1
SME	23,730.4	22,995.7	3.2	23,292.7	1.9
(Core Corps.) <sup>2)</sup>	11,582.7	10,683.2	8.4	11,290.5	2.6
Large Corps.	2,273.5	2,165.9	5.0	2,176.0	4.5
Household	11,183.3	10,840.0	3.2	10,939.0	2.2
Mortgage	7,605.9	7,404.0	2.7	7,382.4	3.0
Public	1,407.3	1,319.4	6.7	1,286.6	9.4
<b>Foreign Currency Loans<sup>1)</sup></b>	<b>563.2</b>	554.8	1.5	584.8	-3.7
<b>KRW Deposits<sup>1)</sup></b>	<b>38,341.5</b>	37,798.6	1.4	37,881.2	1.2
Low Cost Deposits	15,285.4	15,573.9	-1.9	16,418.4	-6.9
Core Deposits	12,180.6	12,399.4	-1.8	12,755.6	-4.5
MMDA	3,104.8	3,174.5	-2.2	3,662.8	-15.2

(KRW bn, %, %p, Average Balance)	18.3Q	17.4Q	YTD	18.2Q	QoQ
<b>Low-Cost Deposits(A)</b>	<b>15,704.1</b>	15,474.2	1.5	15,767.7	-0.4
Core Deposits <sup>2)</sup>	12,292.4	12,466.0	-1.4	12,305.2	-0.1
MMDA	3,411.7	3,008.2	13.4	3,462.5	-1.5
<b>KRW Deposits(B)</b>	<b>37,832.7</b>	38,000.2	-0.4	37,754.0	0.2
<b>A / B</b>	<b>41.51</b>	40.72	0.79	41.76	-0.25

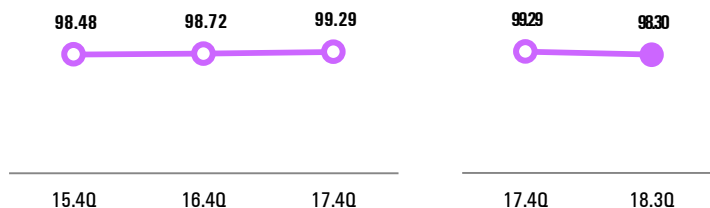
1) Unconsolidated FS, 2) Core Corps : SME or SOHO(≤3 KRW bn), 3) Core Deposits : Demand + Savings(Ex. MMDA)

## 2. Banks Loans / Deposits - Kyongnam

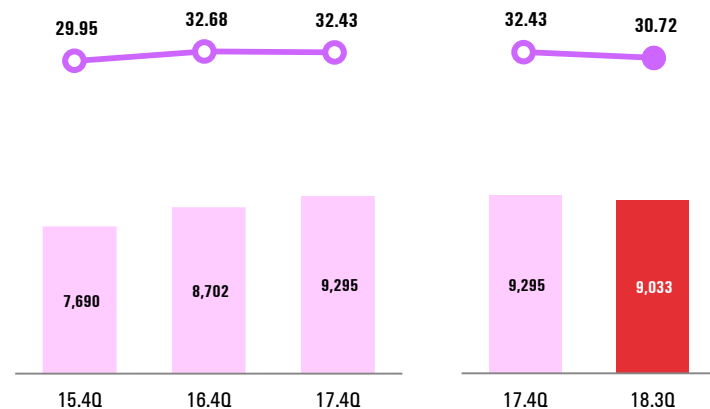
### □ KRW Loans(% , KRW bn)



### □ LDR(%)



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



(KRW bn, %, Balance)	18.3Q	17.4Q	YTD	18.2Q	QoQ
<b>KRW Loans<sup>1)</sup></b>	<b>29,938.8</b>	28,742.6	4.2	29,272.9	2.3
Corporate	18,869.6	18,311.3	3.0	18,378.0	2.7
SME	17,463.8	16,888.7	3.4	17,004.9	2.7
(Core Corps.) <sup>2)</sup>	5,363.6	4,894.3	9.6	5,220.7	2.7
Large Corps.	1,405.8	1,422.6	-1.2	1,373.1	2.4
Household	10,718.1	10,102.2	6.1	10,575.8	1.3
Mortgage	9,015.0	8,458.7	6.6	8,887.7	1.4
Public	351.1	329.1	6.7	319.1	10.0
<b>Foreign Currency Loans<sup>1)</sup></b>	<b>102.4</b>	107.3	-4.6	107.1	-4.4
<b>KRW Deposits<sup>1)</sup></b>	<b>29,786.7</b>	28,744.6	3.6	29,450.1	1.1
Low Cost Deposits	8,941.6	8,484.3	5.4	9,060.2	-1.3
Core Deposits	7,182.9	7,122.5	0.8	7,370.2	-2.5
MMDA	1,758.7	1,361.8	29.1	1,690.0	4.1

(KRW bn, %, %p, Average Balance)	18.3Q	17.4Q	YTD	18.2Q	QoQ
<b>Low-Cost Deposits(A)</b>	<b>9,032.5</b>	9,295.0	-2.8	8,949.0	0.9
Core Deposits <sup>2)</sup>	7,421.4	7,545.3	-1.6	7,378.7	0.6
MMDA	1,611.1	1,749.7	-7.9	1,570.3	2.6
<b>KRW Deposits(B)</b>	<b>29,398.0</b>	28,661.4	2.6	29,168.9	0.8
<b>A / B</b>	<b>30.72</b>	32.43	-1.71	30.68	0.04

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

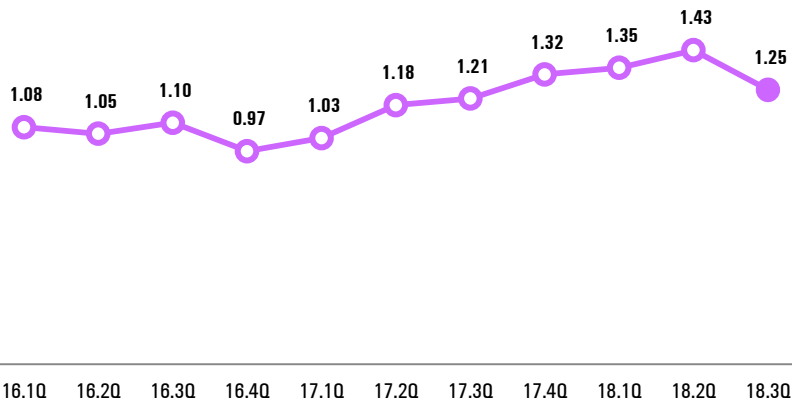
# IV. Asset Quality

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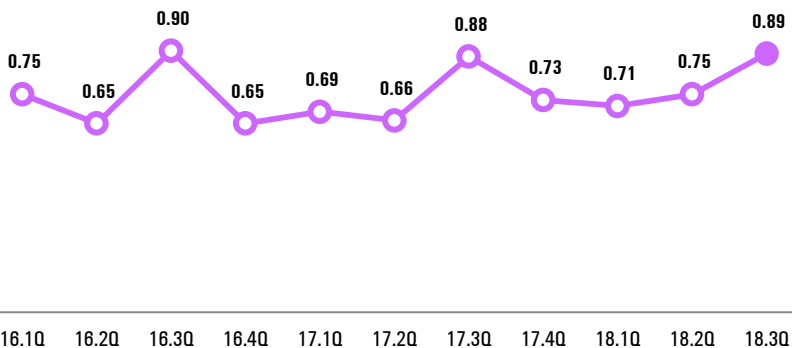
<b>1. Group Asset Quality</b>	<b>19</b>
<b>2. Banks Asset Quality</b>	<b>20</b>
<b>3. Group Provisioning</b>	<b>22</b>
<b>4. Banks Provisioning / Write-offs &amp; NPL Sales</b>	<b>23</b>

# 1. Group Asset Quality

## □ SBL(NPL) Ratio(%)



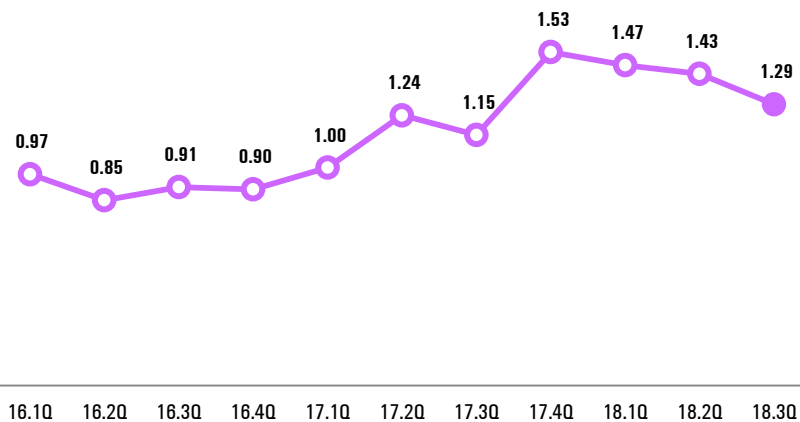
## □ Delinquency Ratio(%)



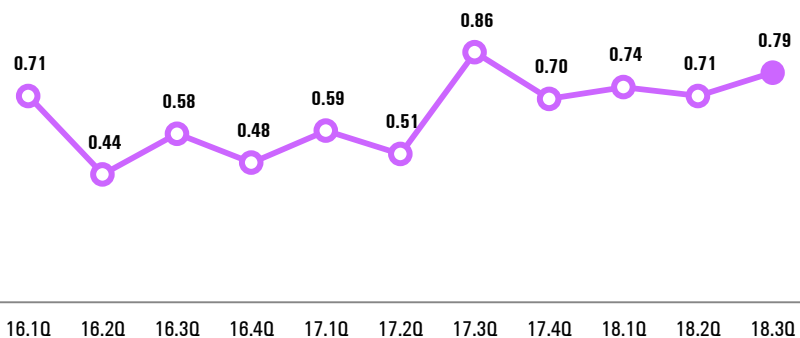
(KRW bn, %, %p)	18.3Q	17.4Q	YTD	18.2Q	QoQ
<b>Total Credits</b>	<b>77,962.0</b>	74,678.1	4.4	76,491.5	1.9
Normal	<b>75,588.6</b>	72,386.3	4.4	74,125.2	2.0
Precautionary	<b>1,401.8</b>	1,302.6	7.6	1,271.2	10.3
Substandard	<b>531.2</b>	596.4	-10.9	663.3	-19.9
Doubtful	<b>170.0</b>	217.1	-21.7	145.2	17.1
Expected Loss	<b>270.4</b>	175.7	53.9	286.6	-5.7
<b>SBL(Substandard &amp; Below Loans)</b>	<b>971.6</b>	989.2	-1.8	1,095.1	-11.3
<b>SBL Ratio</b>	<b>1.25</b>	1.32	-0.07	1.43	-0.18
SBL Coverage Ratio (Ratio before Reserve deduction)	<b>92.73</b> <b>(150.73)</b>	84.61 (140.02)	8.12 (10.71)	85.80 (131.89)	6.93 (18.84)
<b>Delinquency Ratio</b>	<b>0.89</b>	0.73	0.16	0.75	0.14
Loan Amount	<b>77,021.8</b>	73,726.6	4.5	75,542.4	2.0
Delinquent Amount	<b>683.1</b>	534.9	27.7	563.5	21.2

## 2. Banks Asset Quality - Busan

### □ SBL(NPL) Ratio(%)



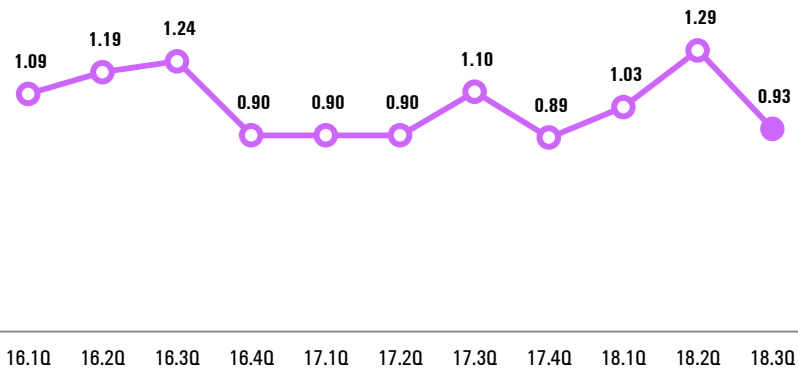
### □ Delinquency Ratio(%)



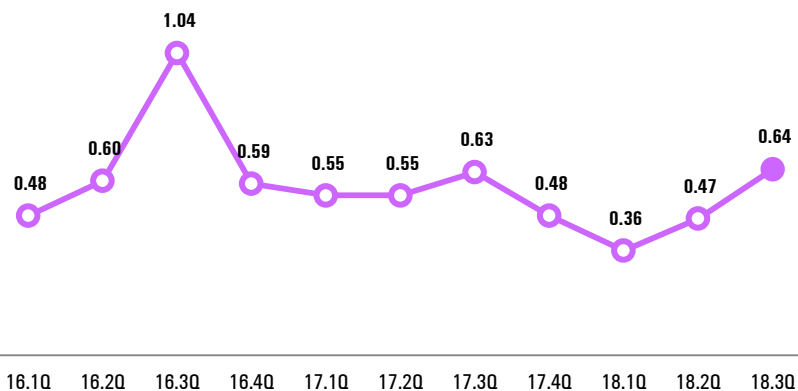
(KRW bn, %, %p)	18.3Q	17.4Q	YTD	18.2Q	QoQ
<b>Total Credits</b>	<b>408,895</b>	39,560.9	3.4	40,077.4	2.0
Normal	<b>396,960</b>	38,337.7	3.5	38,862.6	2.1
Precautionary	<b>6,653</b>	619.7	7.4	642.7	3.5
Substandard	<b>3,165</b>	374.0	-15.4	313.4	1.0
Doubtful	<b>265</b>	98.7	-73.2	50.2	-47.2
Expected Loss	<b>1,852</b>	130.8	41.6	208.5	-11.2
<b>SBL(Substandard &amp; Below Loans)</b>	<b>5,282</b>	603.5	-12.5	572.1	-7.7
<b>SBL Ratio</b>	<b>1.29</b>	1.53	-0.24	1.43	-0.14
SBL Coverage Ratio (Ratio before Reserve deduction)	<b>88.87</b> <b>(139.82)</b>	86.82 (126.15)	2.05 (13.67)	90.73 (124.77)	-1.86 (15.05)
<b>Delinquency Ratio</b>	<b>0.79</b>	0.70	0.09	0.71	0.08
Loan Amount	<b>40,157.7</b>	38,814.9	3.5	39,328.5	2.1
Delinquent Amount	<b>317.4</b>	272.2	16.6	278.7	13.9

## 2. Banks Asset Quality - Kyongnam

### □ SBL(NPL) Ratio(%)



### □ Delinquency Ratio(%)



(KRW bn, %, %p)	18.2Q	17.4Q	YTD	18.2Q	QoQ
<b>Total Credits</b>	<b>30,868.5</b>	29,663.3	4.1	30,241.9	2.1
Normal	<b>30,273.4</b>	29,164.0	3.8	29,671.2	2.0
Precautionary	<b>306.8</b>	234.2	31.0	180.5	70.0
Substandard	<b>152.3</b>	171.0	-10.9	293.1	-48.0
Doubtful	<b>64.7</b>	63.0	2.7	35.0	84.9
Expected Loss	<b>71.3</b>	31.1	129.3	62.1	14.8
<b>SBL(Substandard &amp; Below Loans)</b>	<b>288.3</b>	265.1	8.8	390.2	-26.1
<b>SBL Ratio</b>	<b>0.93</b>	0.89	0.04	1.29	-0.36
SBL Coverage Ratio (Ratio before Reserve deduction)	<b>88.06</b> <b>(168.70)</b>	77.68 (177.75)	10.38 (-9.05)	65.91 (129.25)	22.15 (39.45)
<b>Delinquency Ratio</b>	<b>0.64</b>	0.48	0.16	0.47	0.17
Loan Amount	<b>30,660.1</b>	29,457.9	4.1	30,041.7	2.1
Delinquent Amount	<b>195.3</b>	141.0	38.5	140.5	39.0

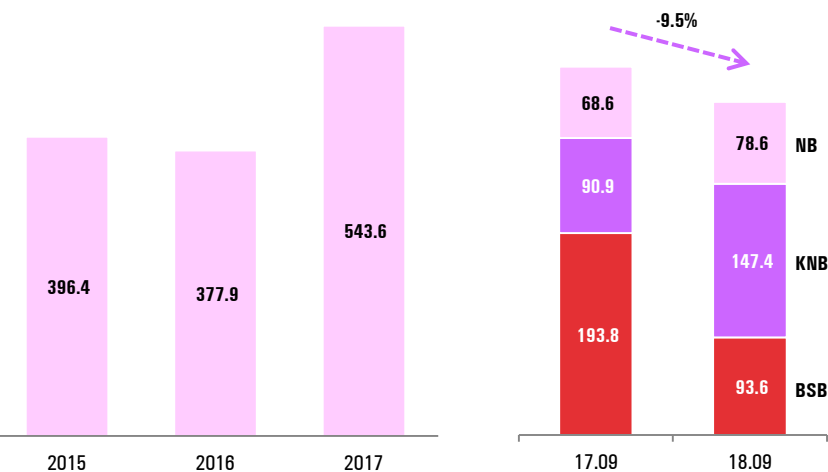
### 3. Group Provisioning

#### □ Provision Expense

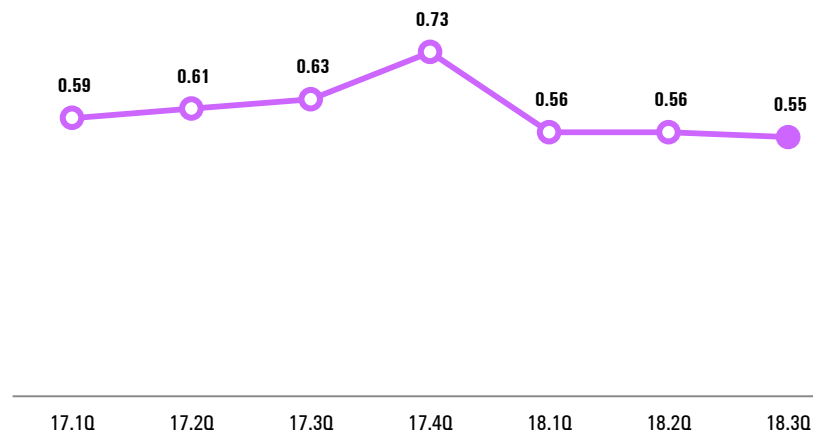
(KRW bn, %)	2018				2017					
	2018.09	3Q	2Q	1Q	4Q	2017.09	3Q	2Q	1Q	
Total Provisions(A)	319.6	105.4	109.9	104.3	543.6	190.3	353.3	126.3	118.9	108.1
Total Credits(B)	77,962.0	77,962.0	76,491.5	75,289.5	74,678.1	74,678.1	74,918.2	74,918.2	74,930.9	74,584.8
<sup>1)</sup> Credit Cost(A/B)	0.55	0.54	0.58	0.56	0.73	1.01	0.63	0.67	0.64	0.59

1) Accumulated

#### □ Banks & Non-Bank Provision Breakdown(KRW bn)

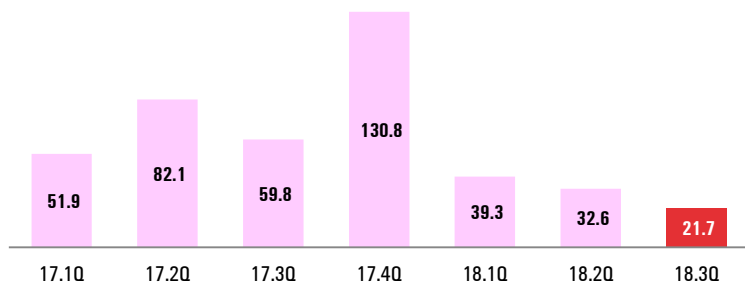


#### □ Credit Cost(% , Accumulated)

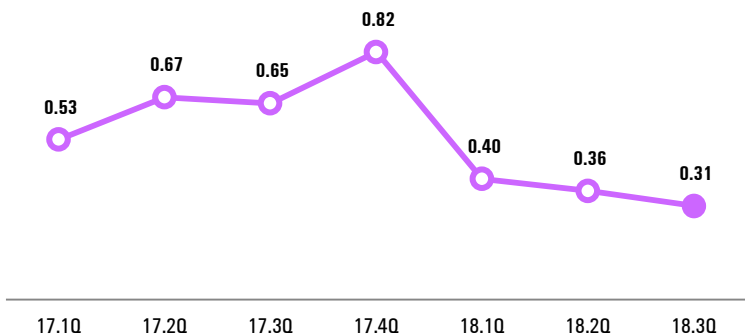


## 4. Provisioning / Write-offs & NPL Sales - Busan

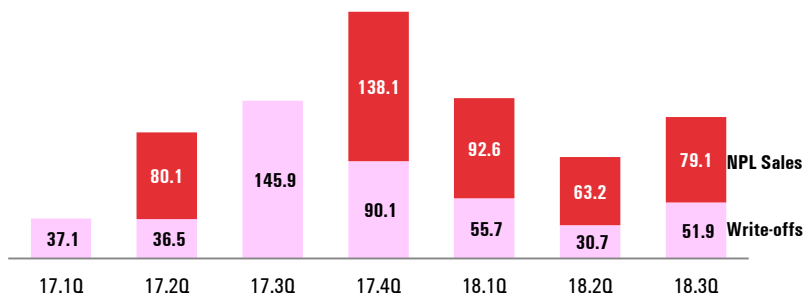
### Provision Expense(KRW bn)



### Credit Cost(%)



### Write-offs & NPL Sales(KRW bn)



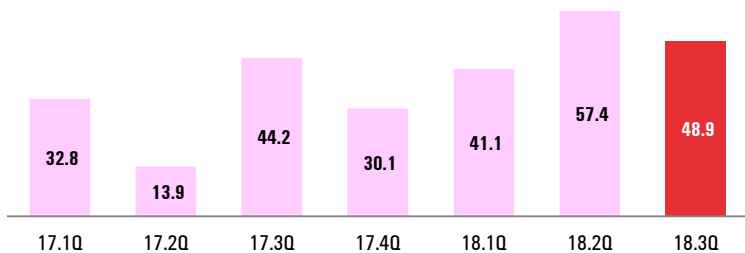
### Provision Expense / Write-offs & NPL Sales

(KRW bn, %)	18.3Q	18.2Q	18.1Q	17.4Q	17.3Q	17.2Q	17.1Q
Corporate	10.8	25.9	30.5	125.7	51.9	75.0	44.4
Household	4.7	2.9	3.4	4.0	3.1	3.2	2.3
Credit Card	6.3	5.3	5.6	6.6	4.1	5.3	4.9
Others	-0.1	-1.5	-0.2	-5.5	0.7	-1.4	0.3
<b>Total(A)</b>	<b>21.7</b>	<b>32.6</b>	<b>39.3</b>	<b>130.8</b>	<b>59.8</b>	<b>82.1</b>	<b>51.9</b>
Total Credits(B)	40,889.5	40,077.4	39,691.4	39,560.9	40,003.5	40,362.8	40,073.1
Credit Cost(A/B)	0.21	0.33	0.40	1.31	0.59	0.82	0.53
<b>Total Write-Offs</b>	<b>51.9</b>	<b>30.7</b>	<b>55.7</b>	<b>90.1</b>	<b>145.9</b>	<b>36.5</b>	<b>37.1</b>
Corporate	42.5	20.7	46.6	78.7	137.1	25.6	28.5
Household	3.1	4.1	3.1	5.9	3.6	3.0	3.4
Credit Card	6.3	5.9	6.0	5.5	5.2	7.9	5.2
<b>Total NPL Sales</b>	<b>79.1</b>	<b>63.2</b>	<b>92.6</b>	<b>138.1</b>	<b>0.0</b>	<b>80.1</b>	<b>0.0</b>
<b>(NPL Sales for SBL Loans)</b>	<b>77.7</b>	<b>56.6</b>	<b>87.0</b>	<b>132.8</b>	<b>0.0</b>	<b>78.1</b>	<b>0.0</b>
Corporate	78.4	59.0	91.2	135.6	0.0	79.5	0.0
Household	0.0	3.4	0.5	1.9	0.0	0.2	0.0
Credit Card	0.7	0.8	0.9	0.6	0.0	0.4	0.0

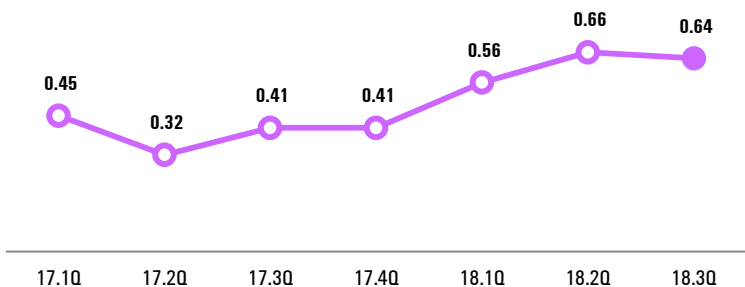


## 4. Provisioning / Write-offs & NPL Sales - Kyongnam

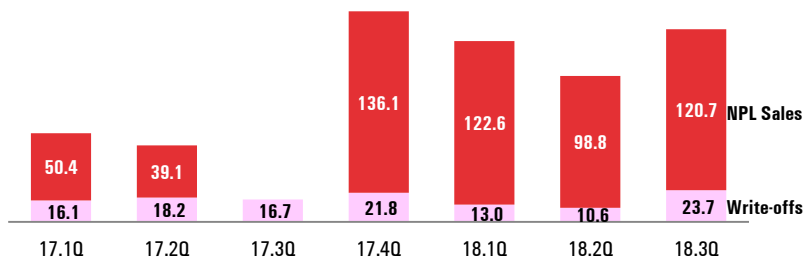
□ Provision Expense(KRW bn)



□ Credit Cost(%)



□ Write-offs & NPL Sales(KRW bn)



□ Provision Expense / Write-offs & NPL Sales

(KRW bn, %)	18.3Q	18.2Q	18.1Q	17.4Q	17.3Q	17.2Q	17.1Q
Corporate	39.6	47.0	45.1	2.5	35.8	7.7	28.7
Household	5.3	3.6	1.5	-1.5	2.2	2.3	0.9
Credit Card	4.2	4.4	-8.1	1.3	4.8	4.0	4.0
Others	-0.2	2.4	2.6	27.8	1.4	-0.1	-0.8
<b>Total(A)</b>	<b>48.9</b>	57.4	41.1	30.1	44.2	13.9	32.8
Total Credits(B)	30,868.5	30,241.9	29,739.8	29,663.3	29,636.4	29,317.1	29,315.5
<b>Credit Cost(A/B)</b>	<b>0.63</b>	0.76	0.56	0.40	0.59	0.19	0.45
<b>Total Write-Offs</b>	<b>23.7</b>	10.6	13.0	21.8	16.7	18.2	16.1
Corporate	17.1	3.8	5.8	13.9	9.1	13.5	12.0
Household	2.2	3.1	3.3	3.8	3.2	1.5	1.1
Credit Card	4.4	3.7	3.9	4.1	4.4	3.2	3.0
<b>Total NPL Sales</b>	<b>120.7</b>	98.8	122.6	136.1	0.0	39.1	50.4
<b>(NPL Sales for SBL Loans)</b>	<b>118.6</b>	94.3	115.7	132.6	0.0	34.6	48.8
Corporate	118.9	98.6	122.5	135.7	0.0	39.0	48.7
Household	1.6	0.0	0.0	0.2	0.0	0.1	1.6
Credit Card	0.2	0.2	0.1	0.2	0.0	0.0	0.1

# V . Capital Adequacy

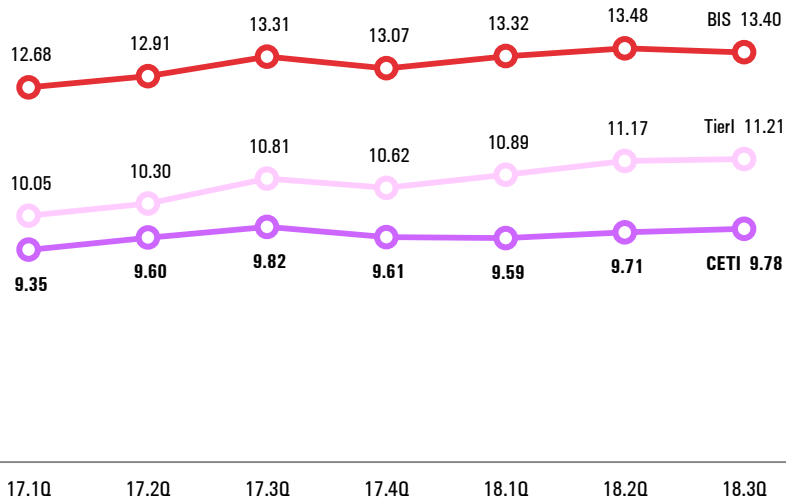
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## 1. Capital Adequacy

26

# 1. Capital Adequacy

## Group Capital Adequacy(%)



## Group

(KRW bn, %, %p, Basel III Standard)	18.3Q	17.4Q	YTD	QoQ
Tot. Risk Adjusted Capital	9,443.0	8,722.8	8.3	1.5
Tier I	7,900.6	7,082.9	11.5	2.5
CETI	6,890.6	6,408.9	7.5	2.9
Tot. R.W.A.	70,463.2	66,723.9	5.6	2.1
BIS Capital Ratio	13.40	13.07	0.33	-0.08
Tier I	11.21	10.62	0.59	0.04
CETI	9.78	9.61	0.17	0.07

## Busan

(KRW bn, %, %p, Basel III I.R.B.)	18.3Q	17.4Q	YTD	QoQ
Tot. Risk Adjusted Capital	5,465.3	5,173.4	5.6	1.0
Tier I	4,655.1	4,253.5	9.4	2.1
CETI	4,306.2	4,004.2	7.5	2.3
Tot. R.W.A.	33,345.2	32,260.1	3.4	1.3
BIS Capital Ratio	16.39	16.04	0.35	-0.06
Tier I	13.96	13.19	0.77	0.11
CETI	12.91	12.41	0.50	0.12

## Kyongnam

(KRW bn, %, %p, Basel III I.R.B.)	18.3Q	17.4Q	YTD	QoQ
Tot. Risk Adjusted Capital	3,704.0	3,539.3	4.7	1.3
Tier I	3,022.8	2,807.7	7.7	2.0
CETI	2,647.4	2,500.4	5.9	2.3
Tot. R.W.A.	22,337.1	21,439.8	4.2	2.0
BIS Capital Ratio	16.58	16.51	0.07	-0.12
Tier I	13.53	13.10	0.43	0.01
CETI	11.85	11.66	0.19	0.04

# VI. Appendix

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<b>1. Banks KRW Loan Portfolio</b>	<b>28</b>
<b>2. Cyclical Sector</b>	<b>29</b>
<b>3. BNK Capital</b>	<b>30</b>
<b>4. Group Networks &amp; Major Industries</b>	<b>32</b>

# 1. Banks KRW Loan Portfolio

## Busan Bank

(KRW bn, %, Balance)	2018 3Q			
	Amount	Ratio	YTD	QoQ
<b>Manufacturing</b>	<b>9,197.6</b>	23.8	0.9	1.6
Steel Metal Products	2,780.4	7.2	4.9	2.3
Automobile Parts	1,943.5	5.0	-5.6	-0.8
Machinery	1,229.1	3.2	-1.2	0.0
Petroleum, Rubber, etc.	986.0	2.6	-2.4	0.1
Fabric	266.0	0.7	28.3	13.0
Garment & Shoes	312.2	0.8	10.3	11.1
Kitchen Units	318.6	0.8	11.4	6.1
Electronics	490.9	1.3	-5.8	2.5
Paper, Paper Mills	118.5	0.3	3.5	-0.8
Others	752.4	1.9	1.2	0.7
<b>Non-Manufacturing</b>	<b>18,213.6</b>	47.2	4.9	2.9
Wholesale & Retail	3,124.7	8.1	9.6	5.3
Public	106.0	0.3	-57.9	-13.5
Construction & Engineering	1,226.5	3.2	-7.2	1.1
Real Estate	7,336.3	19.0	6.6	2.1
Insurance & Financing	463.8	1.2	0.3	8.0
Transportation	1,263.4	3.3	-0.4	1.5
Hotel & Food	1,130.0	2.9	5.7	-1.1
Others	3,562.9	9.2	9.3	4.8
<b>Households</b>	<b>11,183.3</b>	29.0	3.2	2.2
<b>KRW Loans</b>	<b>38,594.5</b>	100.0	3.4	2.4

## Kyongnam Bank

\*Sectors are based on FSS Business Report

(KRW bn, %, Balance)	2018 3Q			
	Amount	Ratio	YTD	QoQ
<b>Manufacturing</b>	<b>9,103.5</b>	30.4	-4.2	0.7
Steel Metal Products	2,215.6	7.4	-3.6	1.0
Automobile Parts	2,633.4	8.8	-0.1	2.5
Machinery	2,233.6	7.5	-11.2	-2.8
Petroleum, Rubber, etc.	287.0	1.0	9.3	4.3
Fabric	67.4	0.2	2.7	5.3
Garment & Shoes	10.4	0.0	-8.8	4.0
Kitchen Units	201.8	0.7	0.3	2.4
Electronics	615.9	2.1	-7.1	1.2
Paper, Paper Mills	79.9	0.3	-4.5	-1.2
Others	758.5	2.5	-0.9	1.7
<b>Non-Manufacturing</b>	<b>10,117.2</b>	33.8	10.7	4.8
Wholesale & Retail	1,825.9	6.1	5.0	2.0
Public	4.0	0.0	900.0	263.6
Construction & Engineering	682.4	2.3	30.9	5.1
Real Estate	3,907.2	13.1	15.2	7.3
Insurance & Financing	146.4	0.5	-32.7	-13.1
Transportation	349.0	1.2	6.4	5.7
Hotel & Food	689.2	2.3	8.0	2.9
Others	2,513.1	8.4	9.2	4.5
<b>Households</b>	<b>10,718.1</b>	35.8	6.1	1.3
<b>KRW Loans</b>	<b>29,938.8</b>	100.0	4.2	2.3

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

## 2. Cyclical Sector

	2018.3Q					
	Steel	Auto	Construction	Shipbuilding	Shipping	Chemical
(KRW bn, %)						
<b>Exposure</b>	<b>3,697.8</b>	<b>2,973.8</b>	<b>1,989.4</b>	<b>1,454.6</b>	<b>611.2</b>	<b>672.2</b>
<b>(% of Total Credits)</b>	<b>5.2</b>	<b>4.2</b>	<b>2.8</b>	<b>2.1</b>	<b>0.9</b>	<b>1.0</b>
<b>Collateral &amp; Provision</b>	<b>2,328.0</b>	<b>1,796.6</b>	<b>984.9</b>	<b>962.6</b>	<b>353.0</b>	<b>402.8</b>
<b>Collateral &amp; Provision Coverage</b>	<b>63.0</b>	<b>60.4</b>	<b>49.5</b>	<b>66.2</b>	<b>57.8</b>	<b>59.9</b>
<b>No# of Creditors</b>	<b>2,393</b>	<b>1,911</b>	<b>3,965</b>	<b>1,135</b>	<b>211</b>	<b>639</b>

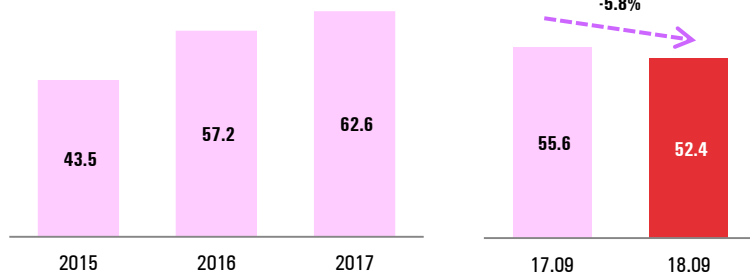
Note 1) Exposure & Total Credits are the sum of Busan & Kyongnam Bank

Note 2) Sectors are based on FSS Business Report

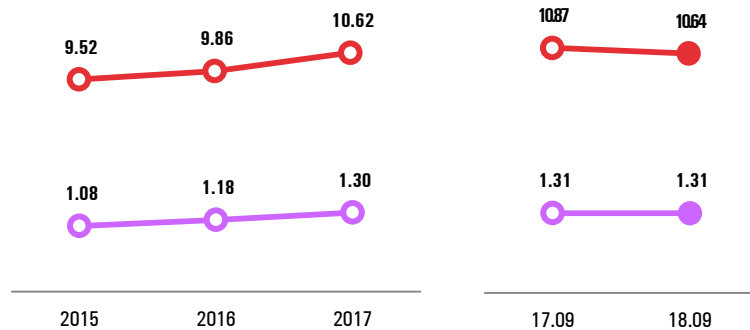
Note 3) Construction includes Real Estate PF(Ref. Collateral for Real Estate PFs are evaluated based on future cash flow that does not include land, buildings under construction etc. hence the overall low construction coverage)

### 3. BNK Capital - 1

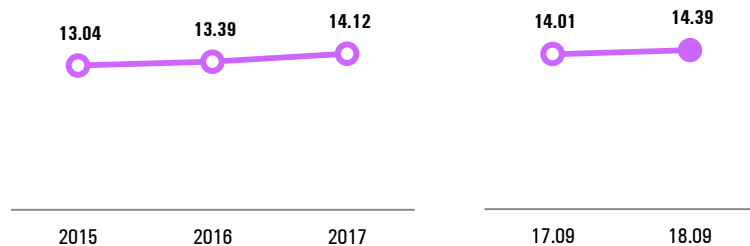
#### Net Income(% , KRW bn)



#### ROA, ROE(%)



#### Adjusted Capital Ratio(%)



(KRW bn, %, Balance)	18.09	17.09	YoY	18.3Q	18.2Q	QoQ
Net Interest Income	174.0	166.0	4.8	58.6	57.6	1.7
Fee Income	16.5	9.8	68.4	6.8	5.3	28.3
Others	8.0	3.8	110.5	4.1	1.9	115.8
SG&A(-)	52.2	45.0	16.0	18.0	17.3	4.0
Provision Expense(-)	75.5	60.2	25.4	33.6	19.3	74.1
Non-Operating Income	0.0	-1.6	-	0.3	0.0	-
<b>Earnings Before Income Tax</b>	<b>70.8</b>	72.8	-2.7	18.2	28.2	-35.5
Income Tax Expenses(-)	18.4	17.2	7.0	4.0	8.3	-51.8
<b>Net Income</b>	<b>52.4</b>	55.6	-5.8	14.2	19.9	-28.6

(KRW bn, %, Balance)	18.3Q	17.4Q	YTD	18.2Q	QoQ
<b>Assets</b>	<b>4,947.0</b>	4,812.0	2.8	4,903.1	0.9
Cash and Dues	53.0	249.2	-78.7	38.9	36.2
Securities	0.0	0.0	-	0.0	-
Loans	3,058.0	2,857.3	7.0	3,806.8	-0.9
Venture Capital Business	2.7	2.6	3.8	2.7	0.0
Durables Installment Financing Assets	555.5	733.7	-24.3	615.4	-9.7
Leased Assets	1,189.2	892.4	33.3	1,072.1	10.9
Fixed Assets	6.8	6.0	13.3	6.7	1.5
Other Assets	81.8	70.8	15.5	80.5	1.6
<b>Liability &amp; Shareholder's Equity</b>	<b>4,947.0</b>	4,812.0	2.8	4,903.1	0.9
Borrowings	4,028.5	3,943.2	2.2	4,008.1	0.5
Other Liabilities	292.7	258.5	13.2	280.7	4.3
Shareholder's Equity	625.8	610.3	2.5	614.3	1.9

## 3. BNK Capital - 2

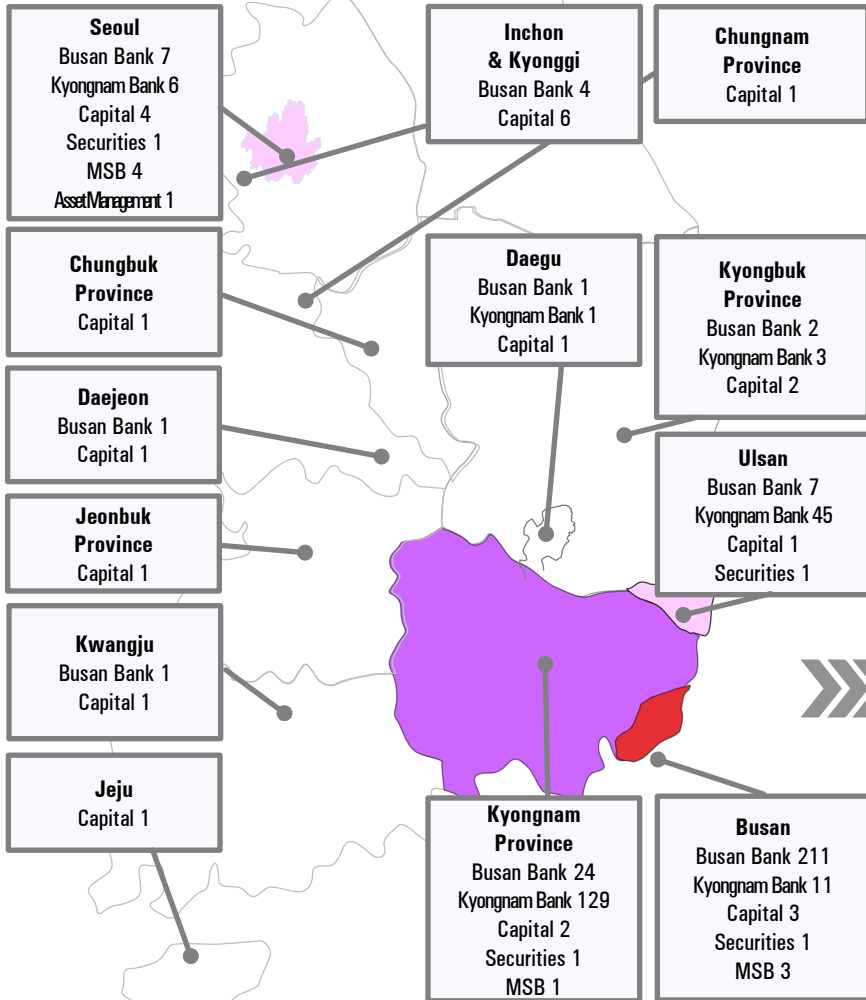
### Loan Portfolio

(KRW bn, %, Balance)	18.3Q	Portion	18.2Q	QoQ	18.1Q	17.4Q	17.3Q	17.2Q	17.1Q	16.4Q	16.3Q	16.2Q	16.1Q
<b>Total</b>	<b>5,039.2</b>	100.0	4,986.0	1.1	4,783.5	4,640.4	4,599.7	4,501.4	4,466.1	4,450.6	4,403.6	4,283.5	4,137.2
<b>Loans</b>	<b>1,837.3</b>	36.5	1,813.9	1.3	1,636.7	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	927.2	18.4	905.1	2.4	874.0	840.2	836.3	825.4	807.3	790.3	795.4	764.1	733.7
Corporate	910.1	18.1	908.8	0.1	762.7	663.6	622.2	543.9	580.7	591.0	587.2	501.1	464.5
<b>Auto Financing</b>	<b>2,588.8</b>	51.4	2,565.7	0.9	2,561.2	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	616.6	12.2	674.4	-8.6	712.0	739.6	747.8	741.0	700.8	681.8	680.5	681.5	684.9
Passenger Vehicle	1,972.2	39.1	1,891.3	4.3	1,849.2	1,827.4	1,805.0	1,796.8	1,781.7	1,783.3	1,708.1	1,661.0	1,559.4
<b>Lease/Installments</b>	<b>610.6</b>	12.1	603.9	1.1	583.1	567.1	586.4	592.3	592.5	602.9	631.0	674.3	692.7
Machine Tools	135.1	2.7	132.0	2.3	124.4	124.7	135.2	140.2	141.4	147.9	157.8	174.8	190.8
Medical Instruments	198.7	3.9	191.8	3.6	174.9	169.4	167.1	165.1	162.7	161.3	160.7	161.9	156.8
Others	276.8	5.5	280.1	-1.2	283.8	273.0	284.1	287.0	288.4	293.7	312.5	337.6	345.1
<b>Venture Capital Business</b>	<b>2.5</b>	0.0	2.5	0.0	2.5	2.5	2.0	2.0	3.1	1.3	1.4	1.5	2.0



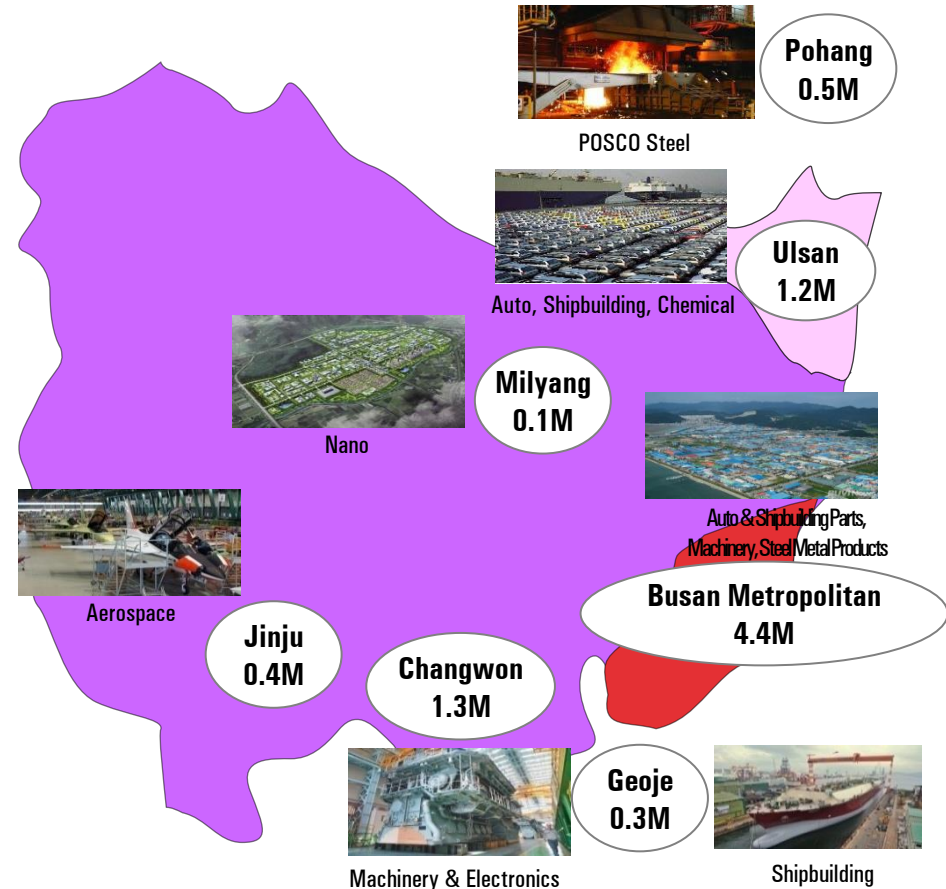
**❑ Networks across Korea(as of Sept. 2018) : 499 Locations**

- Busan Bank 263(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