

# 2017 Financial Results

2018.02.08

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 . 2017 Group Highlights

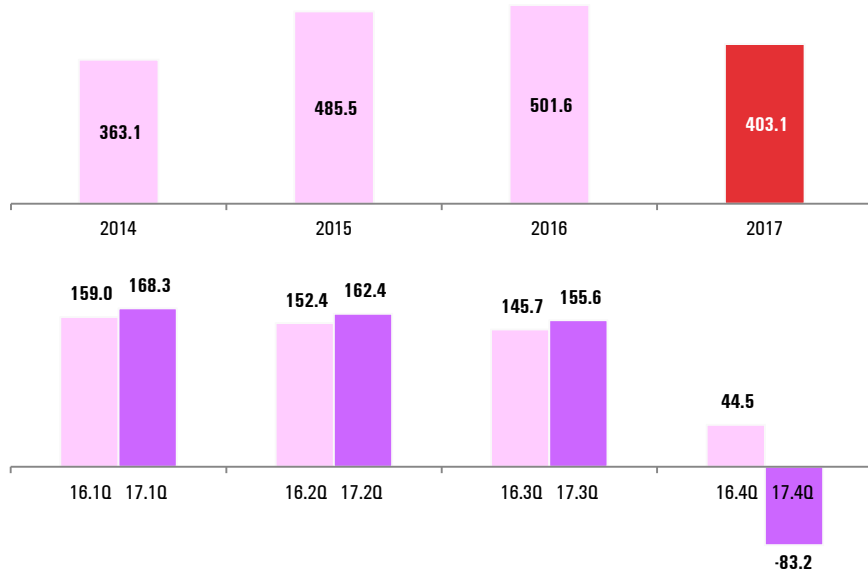
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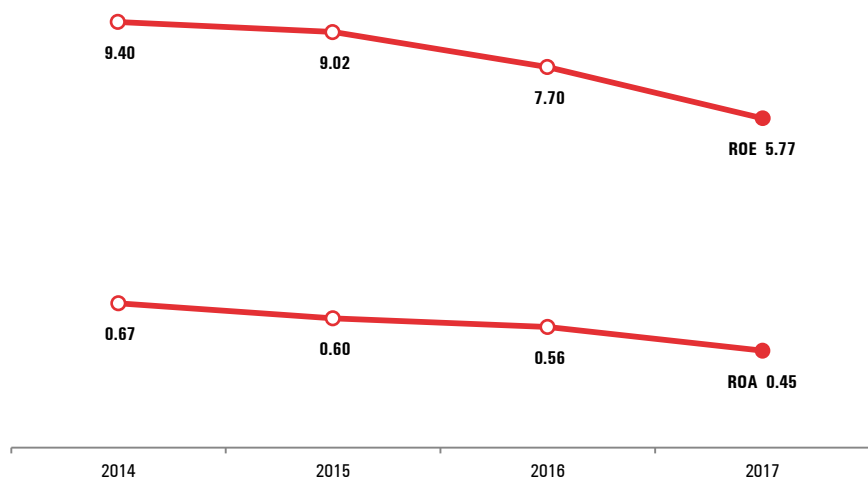
# 1. Highlights – Profitability

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

Group Net Income(KRW bn)

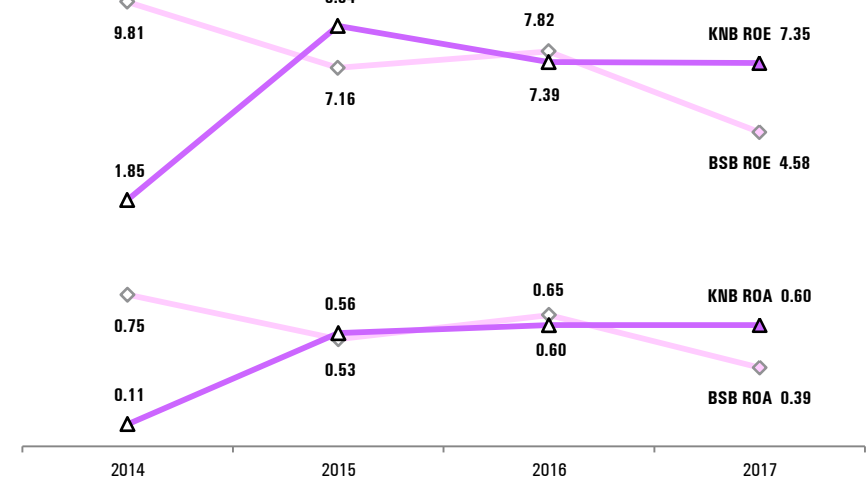


Group ROE, ROA(%)



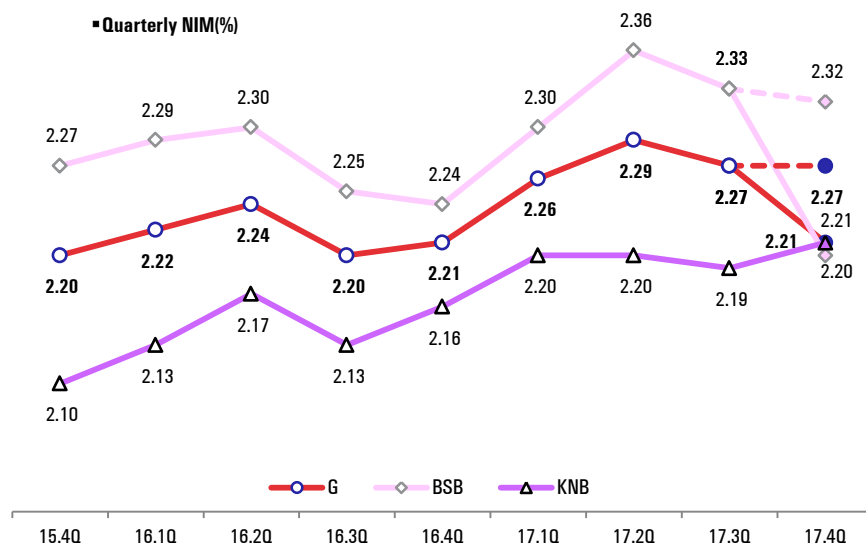
- 2017 Net Income recorded 403.1 KRW bn, drastically lower than the previous year due to preemptive provisioning regardless of interest income growth and tight SG&A control.
- 4Q17 Net Income recorded 83.2 KRW bn net loss, due to seasonal ERP etc. & Busan's large provision expenses.
- Group & Busan's Profitability Indicators have shown YoY decrease based on the bank's weaker earnings, while Kyongnam has maintained steady levels.

Banks ROE, ROA(%)



## 2. Highlights – Profitability, Growth

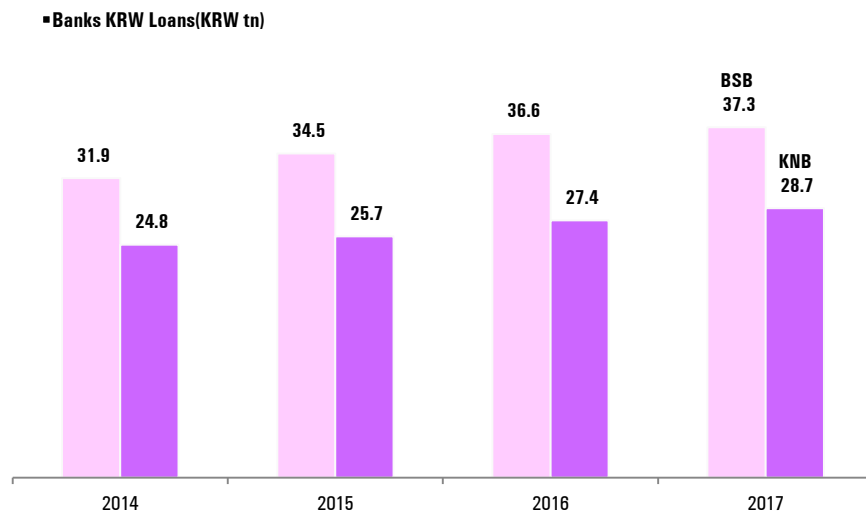
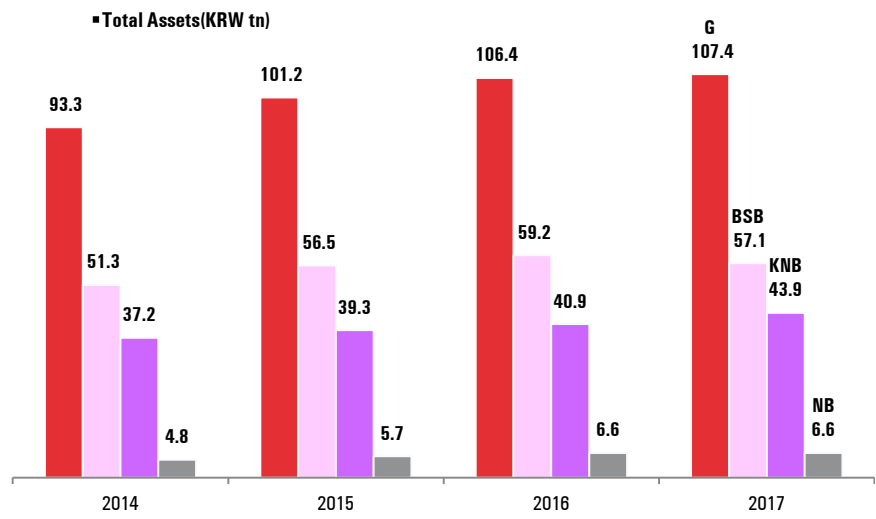
### Profitability, Growth – Quarterly NIM, Total Assets, Banks KRW Loans



- **Regardless of the upward trends of market interest rates, a 4Q interest profit reversal for a NPL lead to a flat 4Q17 Group NIM. (Excluding Busan’s one-off\* impact)**

※ Busan’s One-off for NIM contraction  
 Due to a PF cancellation that led to interest profit reversal(-12bps)  
 (Write-back of existing provisions offset the above reversal, i.e. no impact on Net Income)

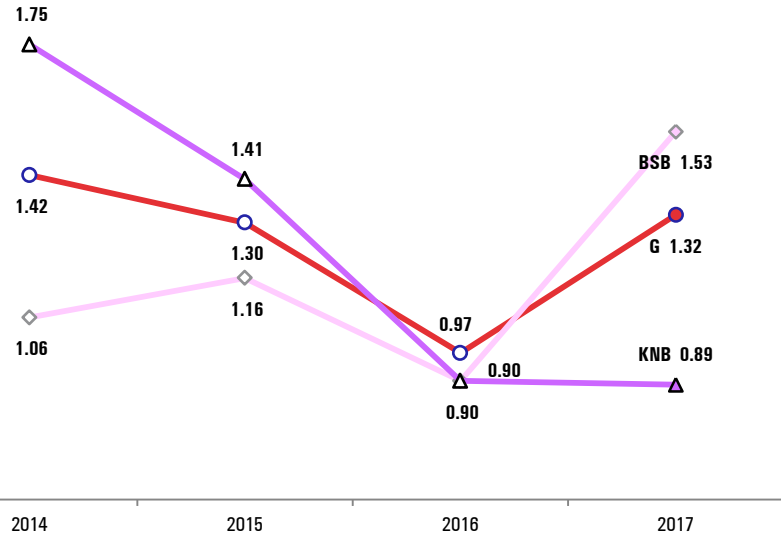
- **Busan’s public loan repayment & NPL sales etc. led to YoY 1.9% KRW loan growth, while Kyongnam showed YoY 4.8% KRW loan growth mainly from SOHOs.**



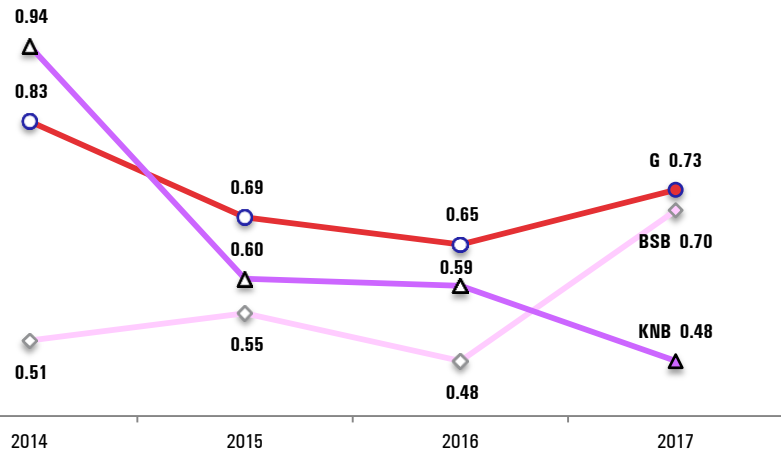
### 3. Highlights – Asset Quality, Capital Adequacy

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

▪ NPL Ratio(%)

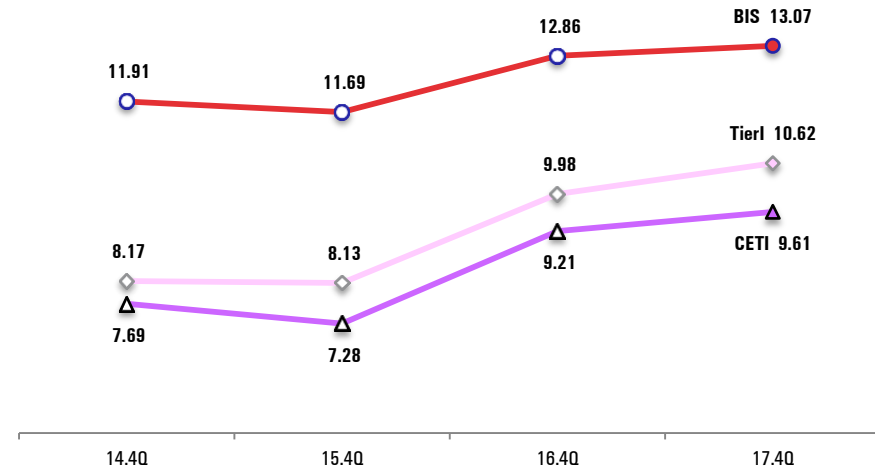


▪ Delinquency Ratio(%)



- 2017 Group & Busan’s Asset Quality deteriorated severely due to preemptive re-classification for potential NPLs.
- Kyongnam’s NPL & Delinquency Ratio improved YoY, while maintaining stable ratios after 2014.
- RWA & earnings management improved CETI by 40bps YoY, while continuously showing capital adequacy improvement.

▪ Group Capital Adequacy(%)



## 4. Group Structure

(%, KRW bn, Accumulated)

### BNK Financial Group

Establishment : 2011.03.15  
 Total Assets : 107,417.2  
 Net Income : 403.1  
 Employees : 8,164

#### Busan Bank

Estbmt : 1967.10.10  
 Branches : 267  
 Employees : 3,823

#### Total Shares Owned

100%

#### Total Assets

57,069.3

#### Net Income

203.2

#### Kyongnam

Estbmt : 1970.05.22  
Added : 2014.10.10  
 Branches : 193  
 Employees : 2,991

#### Total Shares Owned

100%

#### Total Assets

43,913.6

#### Net Income

221.5

#### Capital

Estbmt : 2010.07.15  
 Branches : 27  
 Employees : 587

#### Total Shares Owned

100%

#### Total Assets

4,812.0

#### Net Income

62.6

#### Securities

Estbmt : 1997.06.02  
 Sec. Added : 2009.11  
 Branches : 4  
 Employees : 225

#### Total Shares Owned

100%

#### Total Assets

886.1

#### Net Income

1.9

#### MSB

Estbmt : 2011.12.13  
 Branches : 7  
 Employees : 124

#### Total Shares Owned

100%

#### Total Assets

849.8

#### Net Income

11.6

#### Asset Mgt.

Estbmt : 2008.07.15  
Added : 2015.07.28  
 Employees : 36

#### Total Shares Owned

100%

#### Total Assets

41.8

#### Net Income

0.7

#### Credit Info.

Estbmt : 2003.06.17  
Industry : Collection  
 Employees : 85

#### Total Shares Owned

100%

#### Total Assets

9.4

#### Net Income

0.9

#### System

Estbmt : 2011.05.20  
Industry : IT related  
 Employees : 173

#### Total Shares Owned

100%

#### Total Assets

9.8

#### Net Income

0.8

#### Cambodia

Establishment : 2014.03.07  
 Employees : 112  
 Total Share's Owned : 100%  
 Total Assets : 9.5 KRW bn  
 2015.06 Start Operations

#### Myanmar

Establishment : 2014.03.21  
 Employees : 244  
 Total Share's Owned : 99.9%  
 Total Assets : 17.7 KRW bn  
 2014.12 Start Operations

#### Laos PDR

Establishment : 2015.04.24  
 Employees : 27  
 Total Share's Owned : 95%(BSB 5%)  
 Total Assets : 10.7 KRW bn  
 2015.07 Start Operations

# II . Profitability

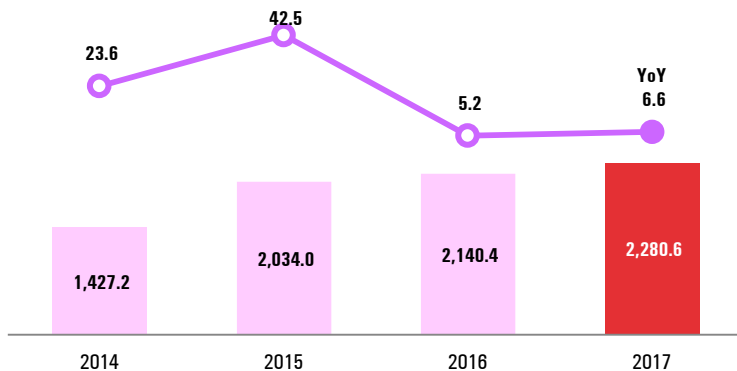
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<b>1. Group Earning Results</b>	<b>8</b>
<b>2. Subsidiaries Earning Results</b>	<b>9</b>
<b>3. Banks Earning Results</b>	<b>10</b>
<b>4. Banks NIM</b>	<b>12</b>
<b>5. SG&amp;A</b>	<b>13</b>

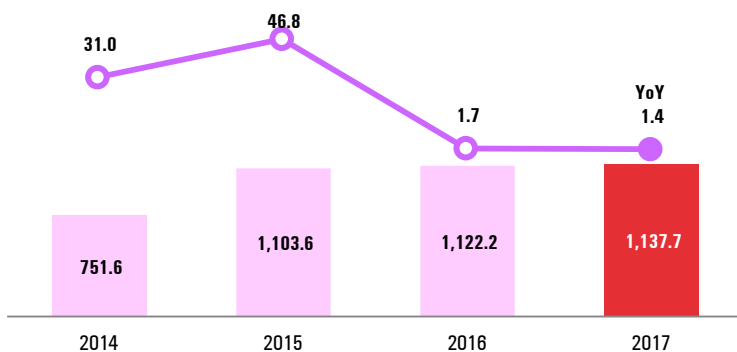


# 1. Group Earning Results

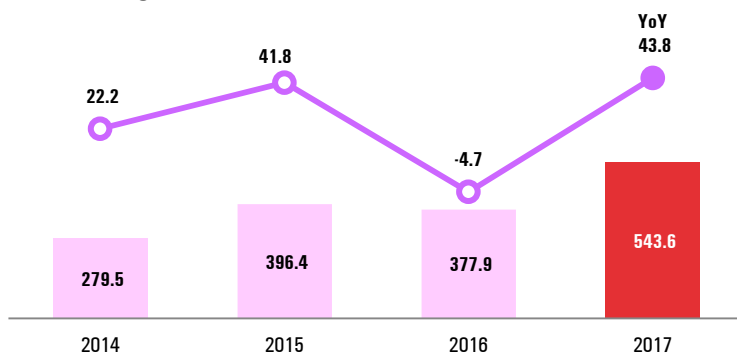
Interest Income(% , KRW bn)



SG&A(% , KRW bn)



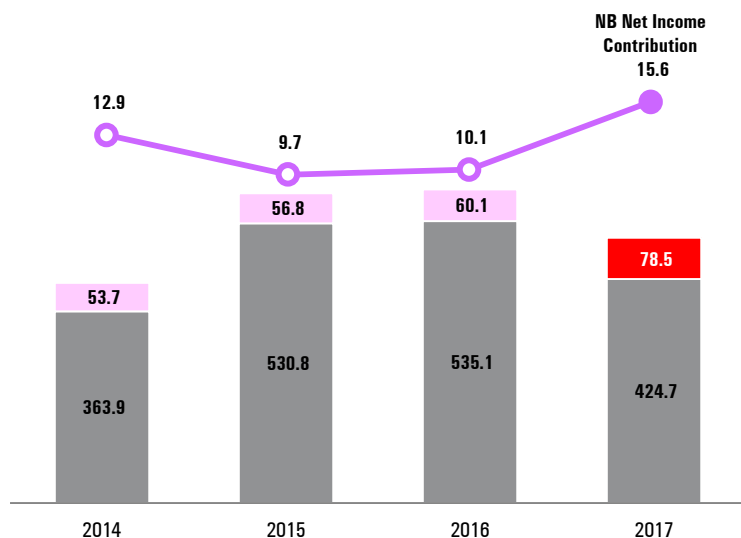
Provisioning(% , KRW bn)



(KRW bn, %)	2017	2016	YoY	17.4Q	17.3Q	QoQ
Net Interest Income	2,280.6	2,140.4	6.6	566.7	580.0	-2.3
Net Fee Income	159.7	168.1	-5.0	29.5	42.8	-31.1
Others	-164.7	-96.1	-	-114.6	-22.9	-
SG&A(-)	1,137.7	1,122.2	1.4	367.8	254.5	44.5
Provision Expense(-)	543.6	377.9	43.8	190.3	126.3	50.7
Non-Operating Income	-36.6	-23.9	-	-24.6	-5.0	-
Earnings Before Income Tax	557.7	688.4	-19.0	-101.1	214.1	Net Loss
Income Tax Expense(-)	132.7	170.3	-22.1	-25.6	52.8	-
Net Income(A)	425.0	518.1	-18.0	-75.5	161.3	Net Loss
Net Income in Non-Controlling Interest(B)	21.9	16.5	32.7	7.7	5.7	35.1
Net Income in Controlling Interest(C) (C) = (A) - (B)	403.1	501.6	-19.6	-83.2	155.6	Net Loss

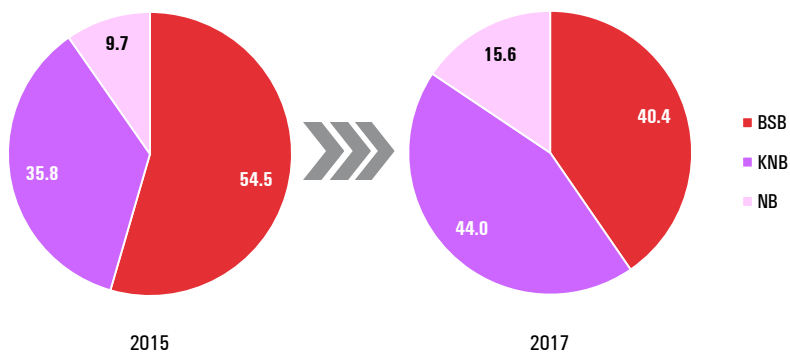
## 2. Subsidiaries Earning Results

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



- 1) Exclude Financial Group & Unconsolidated Portion  
2) Include Non-Controlling Interest

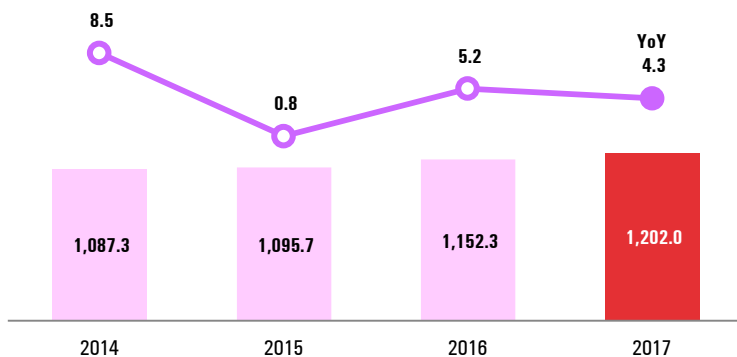
### Banks & Non-Bank Net Income Portion(%)



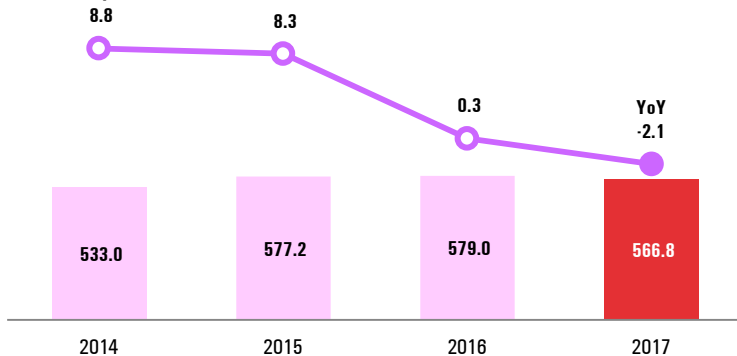
(KRW bn, %)	2017	2016	YoY	17.4Q	17.3Q	QoQ
<b>Bank(A)</b>	<b>424.7</b>	535.1	-20.6	-60.3	149.8	Net Loss
Busan	<b>203.2</b>	326.9	-37.8	-80.5	94.7	Net Loss
Kyongnam	<b>221.5</b>	208.2	6.4	20.2	55.1	-63.3
<b>Non-Bank(B)</b>	<b>78.5</b>	60.1	30.6	7.7	25.8	-70.2
Capital	<b>62.6</b>	57.2	9.4	7.0	20.1	-65.2
Securities	<b>1.9</b>	9.4	-79.8	-1.2	0.9	Net Loss
MSB	<b>11.6</b>	-8.1	Net Gain	1.4	4.2	-66.7
Asset Management	<b>0.7</b>	0.1	600.0	0.0	0.2	-100.0
Credit Info	<b>0.9</b>	0.7	28.6	0.3	0.1	200.0
System	<b>0.8</b>	0.8	0.0	0.2	0.3	-33.3
<b>Financial Group &amp; Unconsolidated Portion(C)</b>	<b>-78.2</b>	-77.1	-	-22.9	-14.3	-
<b>Net Income in Non-Controlling Interest(D)</b>	<b>21.9</b>	16.5	32.7	7.7	5.7	35.1
<b>Net Income in Controlling Interest(E) (E=A+B+C-D)</b>	<b>403.1</b>	501.6	-19.6	-83.2	155.6	Net Loss

### 3. Banks Earning Results - Busan

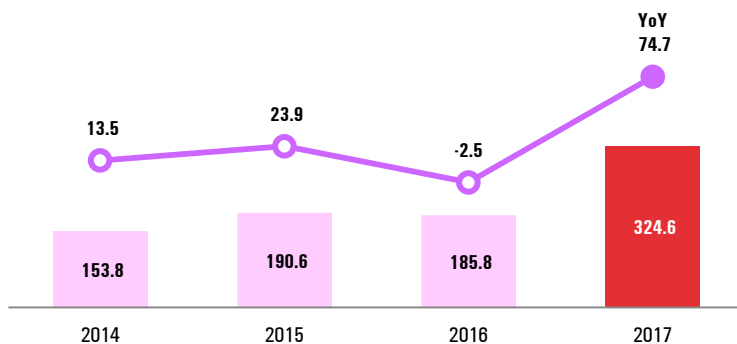
#### Interest Income(% , KRW bn)



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



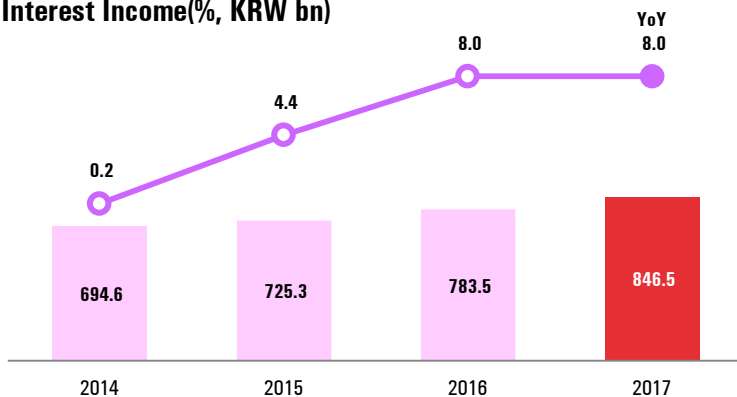
#### Provision Expense(% , KRW bn)



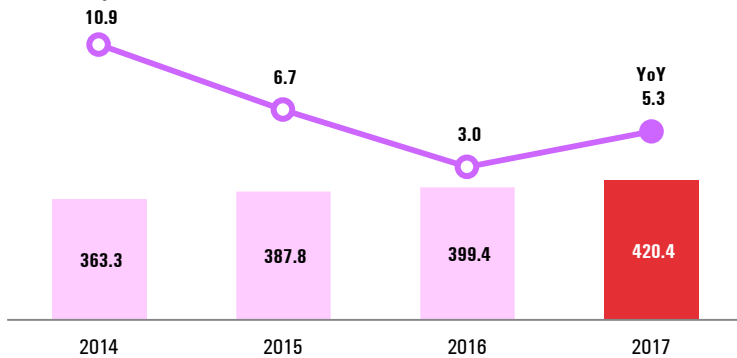
(KRW bn, %)	2017	2016	YoY	17.4Q	17.3Q	QoQ
Net Interest Income	1,202.0	1,152.3	4.3	290.1	307.6	-5.7
Net Fee Income	70.9	75.3	-5.8	9.7	18.7	-48.1
Fees from Trust Account	21.8	21.2	2.8	5.3	5.6	-5.4
Others	-125.3	-57.4	-	-84.8	-19.1	-
SG&A(-)	566.8	579.0	-2.1	186.3	125.2	48.8
Provision Expense(-)	324.6	185.8	74.7	130.8	59.8	118.7
Net Operating Income	278.0	426.6	-34.8	-96.8	127.8	Net Loss
Non-Operating Income	-16.7	-5.7	-	-8.6	-4.9	-
Earnings Before Income Taxes	261.3	420.9	-37.9	-105.4	122.9	Net Loss
Income Tax Expenses(-)	58.1	94.0	-38.2	-24.9	28.2	-
Net Income	203.2	326.9	-37.8	-80.5	94.7	Net Loss

### 3. Banks Earning Results - Kyongnam

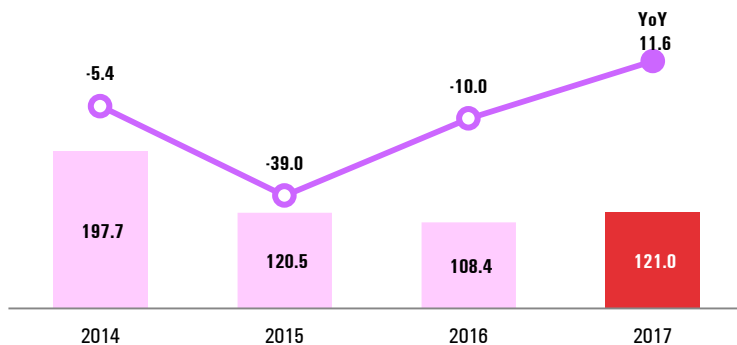
Interest Income(% , KRW bn)



SG&A(% , KRW bn)



Provision Expense(% , KRW bn)

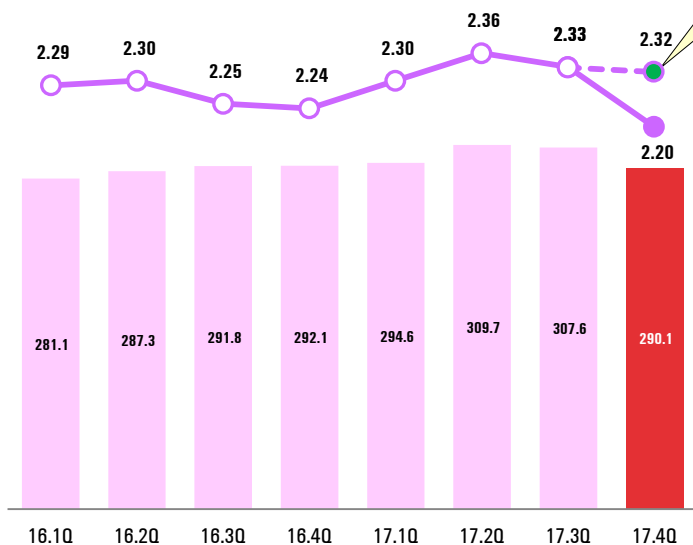


(KRW bn, %)	2017	2016	YoY	17.4Q	17.3Q	QoQ
Net Interest Income	846.5	783.5	8.0	217.4	212.9	2.1
Net Fee Income	35.6	40.7	-12.5	6.9	9.2	-25.0
Fees from Trust Account	7.1	6.0	18.3	1.8	1.8	0.0
Others	-57.7	-53.4	-	-29.1	-13.4	-
SG&A(-)	420.4	399.4	5.3	138.1	93.7	47.4
Provision Expense(-)	121.0	108.4	11.6	30.1	44.2	-31.9
Net Operating Income	290.1	269.0	7.8	28.8	72.6	-60.3
Non-Operating Income	-14.2	-0.6	-	-11.9	-0.8	-
Earnings Before Income Taxes	275.9	268.4	2.8	16.9	71.8	-76.5
Income Tax Expenses(-)	54.4	60.2	-9.6	-3.3	16.7	-
Net Income	221.5	208.2	6.4	20.2	55.1	-63.3

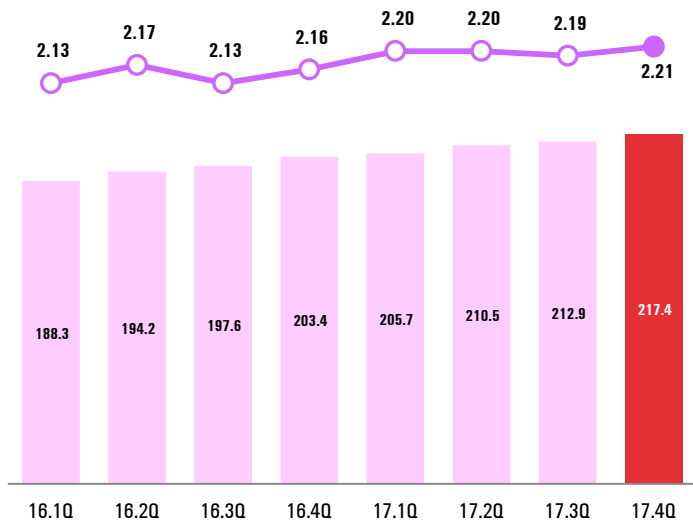
## 4. Banks NIM

Without one-off PF  
(Quarterly Impact -12bps)

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



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



### Busan

(%, KRW tn)	17.4Q	17.3Q	17.2Q	17.1Q	16.4Q	16.3Q	16.2Q	16.1Q
Quarterly NIM	2.20	2.33	2.36	2.30	2.24	2.25	2.30	2.29
Quarterly NIS	2.46	2.63	2.67	2.67	2.59	2.60	2.63	2.62
Interest Rate on KRW Loans	3.66 <sup>1)</sup>	3.78	3.81	3.82	3.74	3.80	3.90	3.96
Interest Rate paid on KRW Deposits	1.20	1.15	1.14	1.15	1.15	1.20	1.27	1.34
Average Interest Earning Assets	47.0	47.0	46.9	46.1	46.2	46.0	45.2	43.9
Accumulated NIM	2.30	2.33	2.33	2.30	2.27	2.28	2.29	2.29

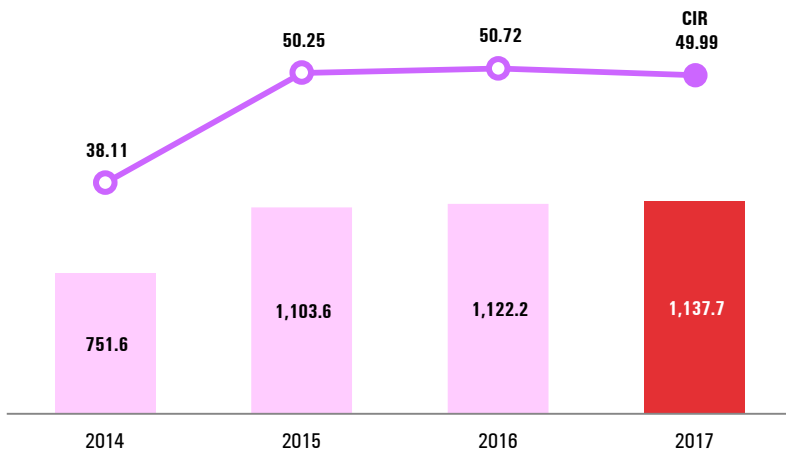
1) Without one-off PF impact → 3.80%

### Kyongnam

(%, KRW tn)	17.4Q	17.3Q	17.2Q	17.1Q	16.4Q	16.3Q	16.2Q	16.1Q
Quarterly NIM	2.21	2.19	2.20	2.20	2.16	2.13	2.17	2.13
Quarterly NIS	2.44	2.45	2.47	2.48	2.45	2.42	2.43	2.36
Interest Rate on KRW Loans	3.78	3.74	3.74	3.74	3.72	3.73	3.82	3.81
Interest Rate paid on KRW Deposits	1.34	1.29	1.27	1.26	1.27	1.31	1.39	1.45
Average Interest Earning Assets	34.6	34.2	34.0	33.6	33.2	32.5	31.8	31.3
Accumulated NIM	2.20	2.20	2.20	2.20	2.15	2.14	2.15	2.13

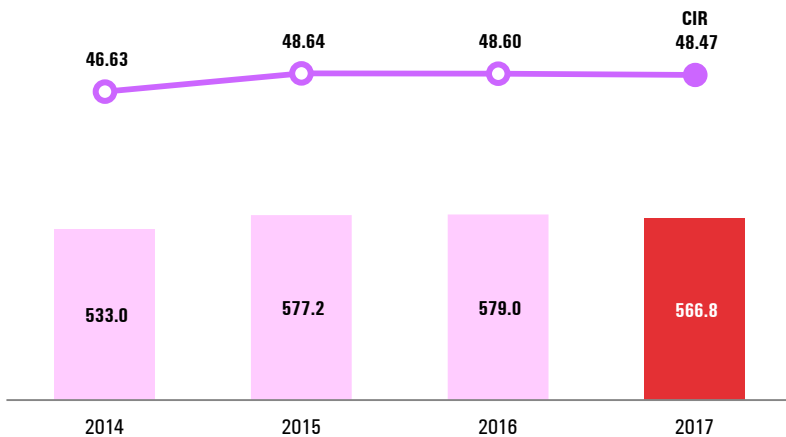
# 5. SG&A

Group SG&A & CIR (% , KRW bn)

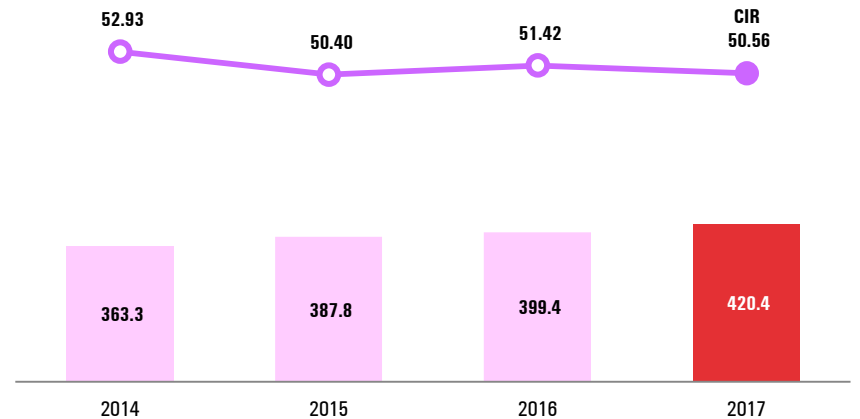


(KRW bn,%)	2017	2016	YoY	17.4Q	17.3Q	QoQ
SG&A	1,137.7	1,122.2	1.4	367.8	254.5	44.5
CIR	49.99	50.72	-0.73			

Busan SG&A & CIR (% , KRW bn)



Kyongnam SG&A & CIR (% , KRW bn)



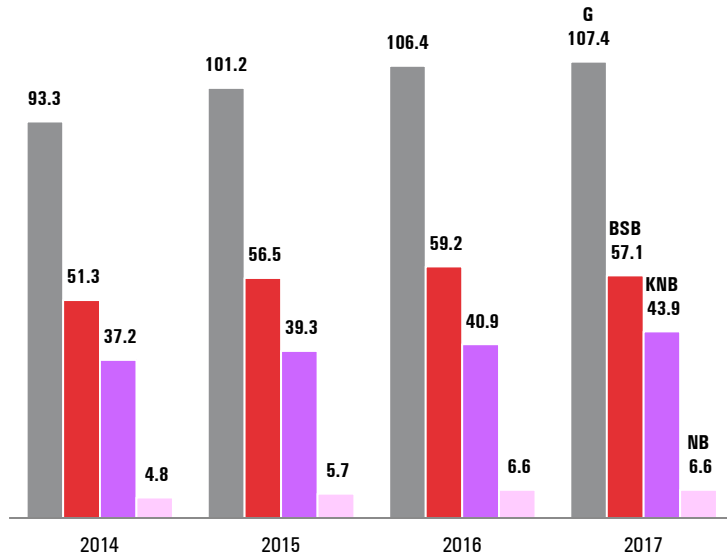
# III. Growth

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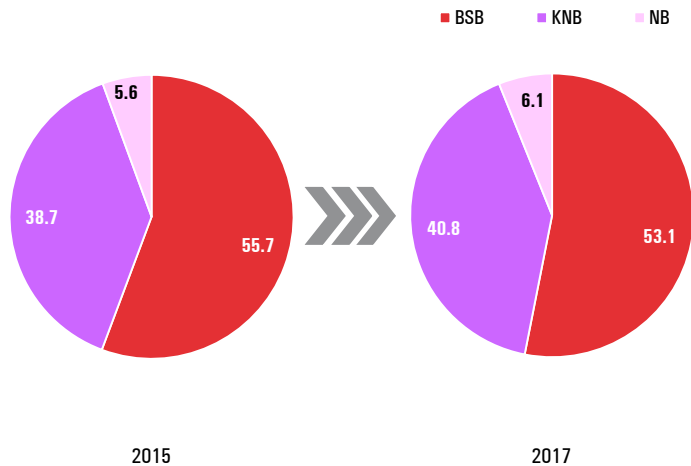
<b>1. Group Assets</b>	<b>15</b>
<b>2. Banks Loans / Deposits</b>	<b>16</b>

# 1. Group Assets

## ☐ Total Assets(KRW tn)



## ☐ Banks & Non-Banks Portion(%)



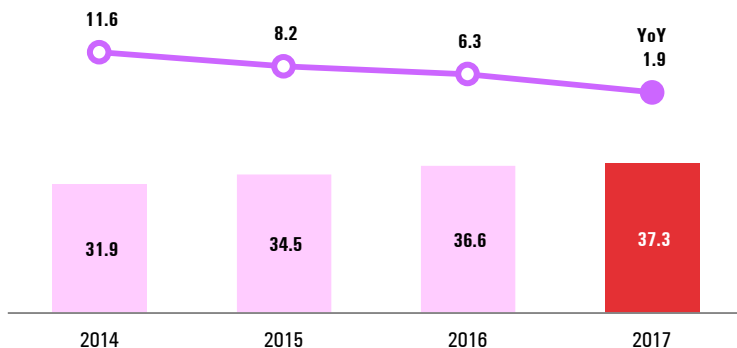
## ☐ Group Total Assets

(KRW bn, %)	2017	2016	YTD	17.3Q	QoQ
<b>Bank</b>	<b>100,982.9</b>	100,084.7	0.9	104,937.3	-3.8
Busan	<b>57,069.3</b>	59,230.0	-3.6	59,482.0	-4.1
Kyongnam	<b>43,913.6</b>	40,854.7	7.5	45,455.3	-3.4
<b>Non-Bank</b>	<b>6,608.9</b>	6,553.7	0.8	6,589.6	0.3
Capital	<b>4,812.0</b>	4,692.6	2.5	4,781.6	0.6
Securities	<b>886.1</b>	1,064.1	-16.7	938.4	-5.6
MSB	<b>849.8</b>	769.1	10.5	840.0	1.2
Asset Mgt.	<b>41.8</b>	10.6	294.3	11.3	269.9
Credit Info	<b>9.4</b>	8.6	9.3	9.3	1.1
System	<b>9.8</b>	8.7	12.6	9.0	8.9
<b>Financial Group &amp; Unconsolidated Portion</b>	<b>-174.6</b>	-280.5	-	-231.8	-
<b>Group Total Assets</b>	<b>107,417.2</b>	106,357.9	1.0	111,295.1	-3.5

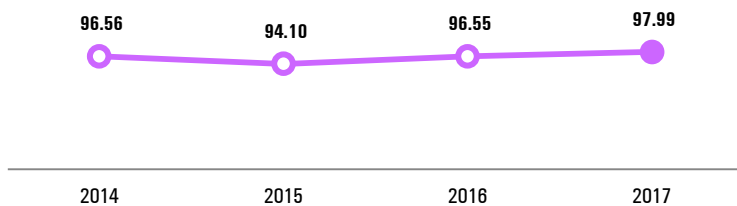


## 2. Banks Loans / Deposits - Busan

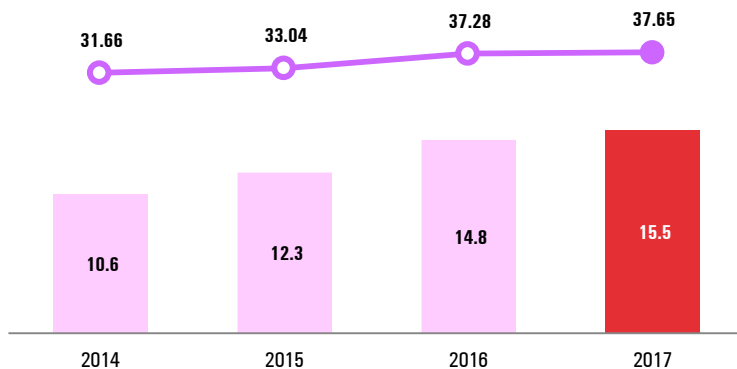
### □ KRW Loans(% , KRW bn)



### □ LDR(%)



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



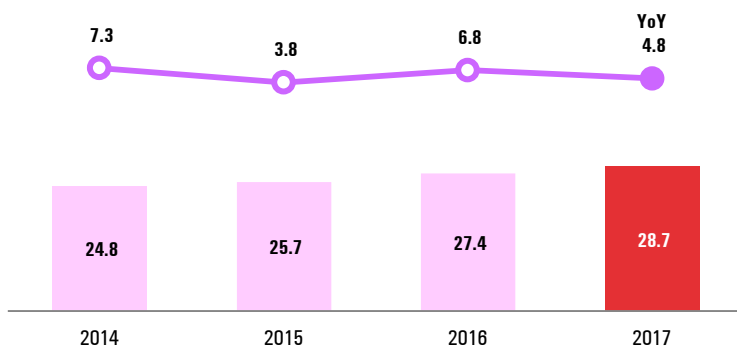
(KRW bn, %, Balance)	17.4Q	16.4Q	YTD	17.3Q	QoQ
<b>KRW Loans<sup>1)</sup></b>	<b>37,321.0</b>	36,622.3	1.9	37,605.2	-0.8
Corporate	25,161.6	24,969.7	0.8	25,493.7	-1.3
SME	22,995.7	22,659.6	1.5	23,157.8	-0.7
(SOHO)	6,241.4	5,582.9	11.8	6,126.6	1.9
Large Corps.	2,165.9	2,310.1	-6.2	2,335.9	-7.3
Household	10,840.0	10,205.1	6.2	10,641.7	1.9
Mortgage	7,404.0	7,348.8	0.8	7,347.7	0.8
Public	1,319.4	1,447.5	-8.8	1,469.8	-10.2
<b>Foreign Currency Loans<sup>1)</sup></b>	<b>554.8</b>	598.7	-7.3	648.1	-14.4
<b>KRW Deposits<sup>1)</sup></b>	<b>37,798.6</b>	37,378.0	1.1	38,361.1	-1.5
Core Deposits	12,399.4	13,130.3	-5.6	12,887.2	-3.8
MMDA	3,174.5	2,943.6	7.8	2,641.7	20.2

(KRW bn, %, %p, Average Balance)	17.4Q	16.4Q	YTD	17.3Q	QoQ
<b>Low-Cost Deposits(A)</b>	<b>15,474.2</b>	14,771.2	4.8	15,553.3	-0.5
Core Deposits <sup>2)</sup>	12,466.0	12,152.6	2.6	12,522.8	-0.5
MMDA	3,008.2	2,618.6	14.9	3,030.5	-0.7
<b>KRW Deposits(B)</b>	<b>38,000.2</b>	36,573.8	3.9	37,999.3	0.0
<b>Tot. Deposits(Bank)(C)</b>	<b>41,105.1</b>	39,617.7	3.8	41,082.6	0.1
<b>Tot. Deposits(Bank+Trust)(D)</b>	<b>45,827.7</b>	44,014.9	4.1	45,849.7	0.0
A / B	40.72	40.39	0.33	40.93	-0.21
A / C	37.65	37.28	0.37	37.86	-0.21
A / D	33.77	33.56	0.21	33.92	-0.15

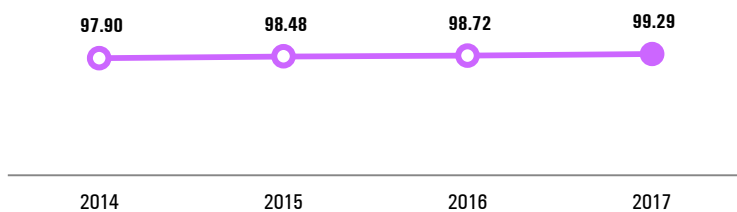
1) Based on Unconsolidated Financial Statements, 2) Core Deposits : Demand + Savings(Ex. MMDA)

## 2. Banks Loans / Deposits - Kyongnam

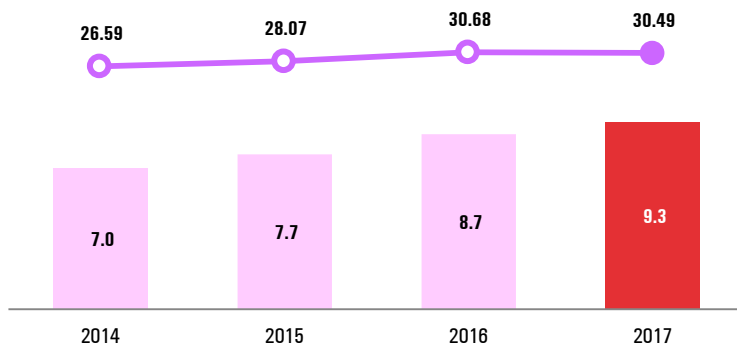
### □ KRW Loans(% , KRW bn)



### □ LDR(%)



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



(KRW bn, %, Balance)	17.4Q	16.4Q	YTD	17.3Q	QoQ
<b>KRW Loans<sup>1)</sup></b>	<b>28,742.6</b>	27,420.1	4.8	28,651.8	0.3
Corporate	18,311.3	18,129.2	1.0	18,479.3	-0.9
SME	16,888.7	16,416.2	2.9	16,891.9	0.0
(SOHO)	4,775.0	4,208.2	13.5	4,615.7	3.5
Large Corps.	1,422.6	1,713.0	-17.0	1,587.4	-10.4
Household	10,102.2	8,925.3	13.2	9,843.4	2.6
Mortgage	8,458.7	7,427.8	13.9	8,265.4	2.3
Public	329.1	365.6	-10.0	329.1	0.0
<b>Foreign Currency Loans<sup>1)</sup></b>	<b>107.3</b>	110.8	-3.2	112.2	-4.4
<b>KRW Deposits<sup>1)</sup></b>	<b>28,744.6</b>	27,486.9	4.6	28,926.5	-0.6
Core Deposits	7,122.5	7,257.2	-1.9	7,708.3	-7.6
MMDA	1,361.8	1,878.0	-27.5	1,593.9	-14.6

(KRW bn, %, %p, Average Balance)	17.4Q	16.4Q	YTD	17.3Q	QoQ
<b>Low-Cost Deposits(A)</b>	<b>9,295.0</b>	8,701.7	6.8	9,352.1	-0.6
Core Deposits <sup>2)</sup>	7,545.3	6,906.5	9.2	7,544.2	0.0
MMDA	1,749.7	1,795.2	-2.5	1,807.9	-3.2
<b>KRW Deposits(B)</b>	<b>28,661.4</b>	26,627.4	7.6	28,565.1	0.3
<b>Tot. Deposits(Bank)(C)</b>	<b>30,480.5</b>	28,365.1	7.5	30,389.5	0.3
<b>Tot. Deposits(Bank+Trust)(D)</b>	<b>32,755.0</b>	30,484.5	7.4	32,643.5	0.3
A / B	32.43	32.68	-0.25	32.73	-0.30
A / C	30.49	30.68	-0.19	30.77	-0.28
A / D	28.38	28.54	-0.16	28.65	-0.27

1) Based on Unconsolidated Financial Statements, 2) Core Deposits : Demand + Savings(Ex. MMDA)

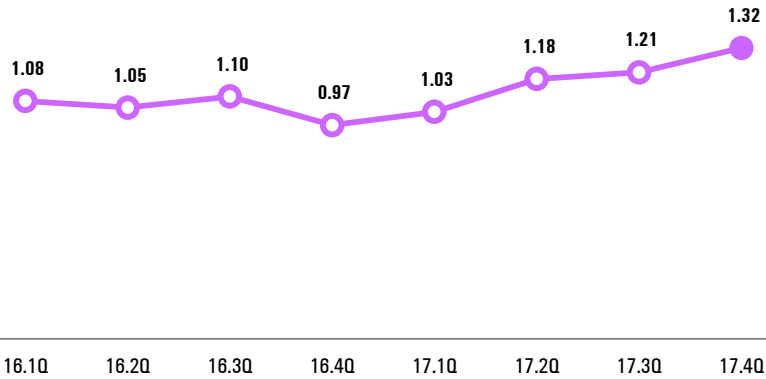
# IV. Asset Quality

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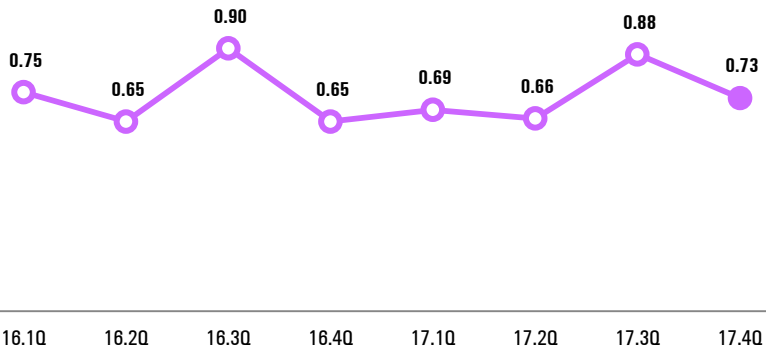
<b>1. Group Asset Quality</b>	<b>19</b>
<b>2. Banks Asset Quality</b>	<b>20</b>
<b>3. Group Provisioning</b>	<b>22</b>
<b>4. Banks Provisioning / Write-offs &amp; NPL Sales</b>	<b>23</b>

# 1. Group Asset Quality

## □ SBL(NPL) Ratio(%)



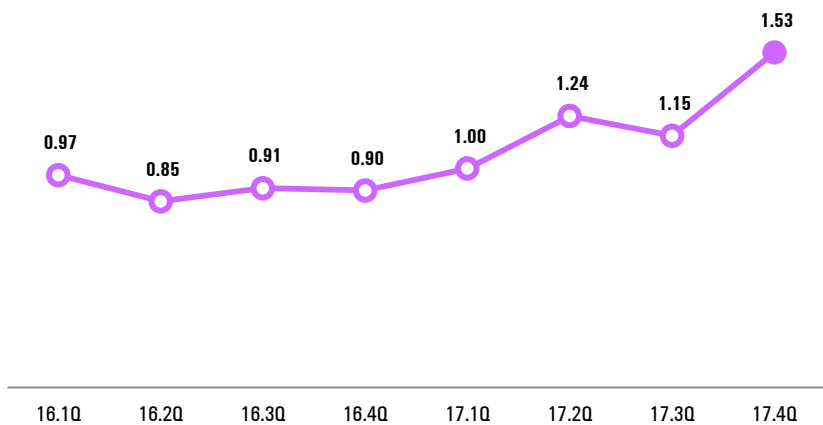
## □ Delinquency Ratio(%)



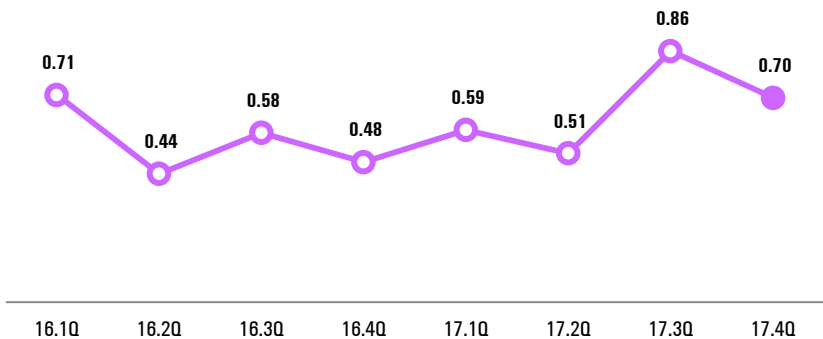
(KRW bn, %, %p)	17.4Q	16.4Q	YTD	17.3Q	QoQ
<b>Total Credits</b>	<b>74,678.1</b>	72,623.0	2.8	74,918.2	-0.3
Normal	72,386.3	70,795.1	2.2	72,763.6	-0.5
Precautionary	1,302.6	1,127.1	15.6	1,248.4	4.3
Substandard	596.4	370.0	61.2	586.0	1.8
Doubtful	217.1	138.1	57.2	166.9	30.1
Expected Loss	175.7	192.7	-8.8	153.3	14.6
<b>SBL(Substandard &amp; Below Loans)</b>	<b>989.2</b>	700.8	41.2	906.2	9.2
<b>SBL Ratio</b>	<b>1.32</b>	0.97	0.35	1.21	0.11
SBL Coverage Ratio (Ratio before Reserve deduction)	84.61 (140.02)	97.54 (161.53)	-12.93 (-21.51)	79.40 (145.80)	5.21 (-5.78)
<b>Delinquency Ratio</b>	<b>0.73</b>	0.65	0.08	0.88	-0.15
Loan Amount	73,726.6	71,610.0	3.0	73,905.6	-0.2
Delinquent Amount	534.9	467.4	14.4	648.2	-17.5

## 2. Banks Asset Quality - Busan

### □ SBL(NPL) Ratio(%)



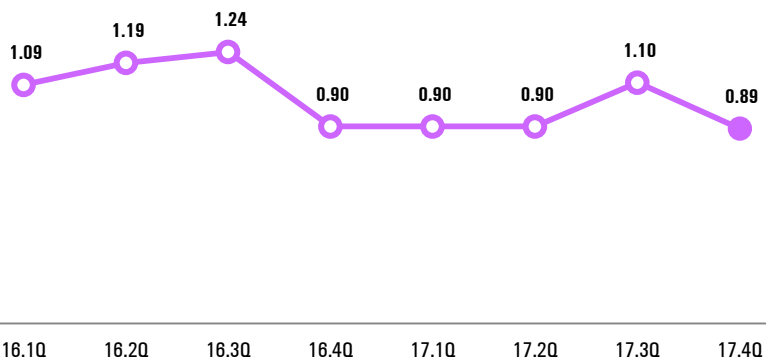
### □ Delinquency Ratio(%)



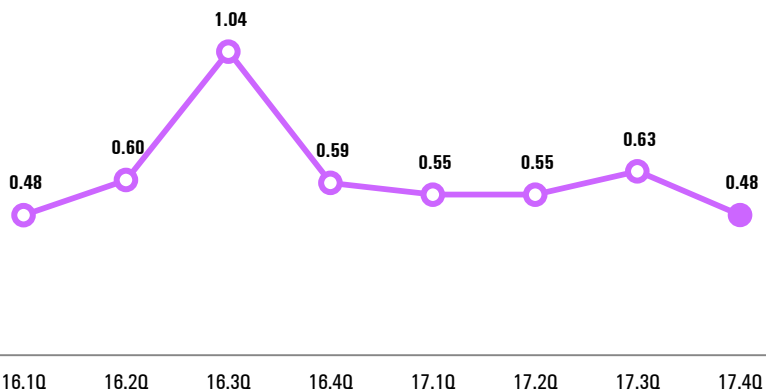
(KRW bn, %, %p)	17.4Q	16.4Q	YTD	17.3Q	QoQ
<b>Total Credits</b>	<b>39,560.9</b>	38,984.4	1.5	40,003.5	-1.1
Normal	<b>38,337.7</b>	38,120.5	0.6	38,983.8	-1.7
Precautionary	<b>619.7</b>	513.3	20.7	557.7	11.1
Substandard	<b>374.0</b>	164.6	127.2	324.4	15.3
Doubtful	<b>98.7</b>	38.3	157.7	52.0	89.8
Expected Loss	<b>130.8</b>	147.7	-11.4	85.6	52.8
<b>SBL(Substandard &amp; Below Loans)</b>	<b>603.5</b>	350.6	72.1	462.0	30.6
<b>SBL Ratio</b>	<b>1.53</b>	0.90	0.63	1.15	0.38
SBL Coverage Ratio (Ratio before Reserve deduction)	<b>86.82</b> <b>(126.15)</b>	116.74 (170.48)	-30.08 (-44.50)	88.07 (144.66)	-1.25 (-18.51)
<b>Delinquency Ratio</b>	<b>0.70</b>	0.48	0.22	0.86	-0.16
Loan Amount	<b>38,814.9</b>	38,249.7	1.5	39,221.1	-1.0
Delinquent Amount	<b>272.2</b>	181.7	49.8	338.4	-19.6

## 2. Banks Asset Quality - Kyongnam

### □ SBL(NPL) Ratio(%)



### □ Delinquency Ratio(%)



(KRW bn, %, %p)	17.4Q	16.4Q	YTD	17.3Q	QoQ
<b>Total Credits</b>	<b>29,663.3</b>	28,544.3	3.9	29,636.4	0.1
Normal	29,164.0	28,082.7	3.9	29,046.1	0.4
Precautionary	234.2	203.7	15.0	265.0	-11.6
Substandard	171.0	174.6	-2.1	216.3	-20.9
Doubtful	63.0	44.5	41.6	55.2	14.1
Expected Loss	31.1	38.8	-19.8	53.8	-42.2
<b>SBL(Substandard &amp; Below Loans)</b>	<b>265.1</b>	257.9	2.8	325.3	-18.5
<b>SBL Ratio</b>	<b>0.89</b>	0.90	-0.01	1.10	-0.21
SBL Coverage Ratio (Ratio before Reserve deduction)	77.68 (177.75)	70.82 (169.46)	6.86 (8.29)	63.12 (153.23)	14.56 (24.52)
<b>Delinquency Ratio</b>	<b>0.48</b>	0.59	-0.11	0.63	-0.15
Loan Amount	29,457.9	28,265.9	4.2	29,406.2	0.2
Delinquent Amount	141.0	167.2	-15.7	184.8	-23.7

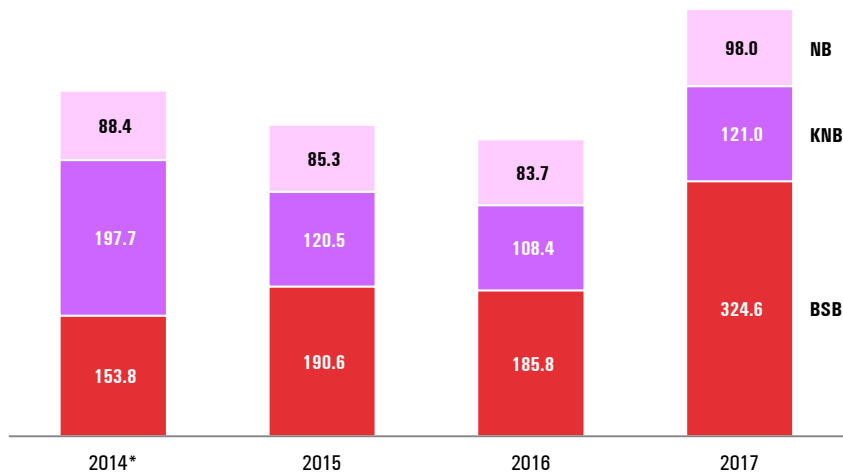
### 3. Group Provisioning

#### □ Provision Expense

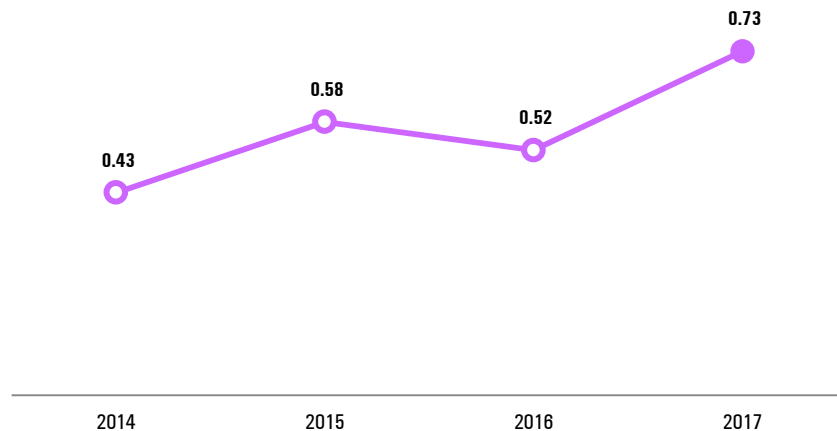
(KRW bn, %)	2017					2016				
	2017FY	17.4Q	17.3Q	17.2Q	17.1Q	2016FY	16.4Q	16.3Q	16.2Q	16.1Q
Total Provisions(A)	543.6	190.3	126.3	1,18.9	108.1	377.9	86.6	114.8	82.9	93.6
Total Credits(B)	74,678.1	74,678.1	74,918.2	74,930.9	74,584.8	72,623.0	72,623.0	72,012.9	71,291.3	69,686.4
<sup>1)</sup> Credit Cost(A/B)	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(%)

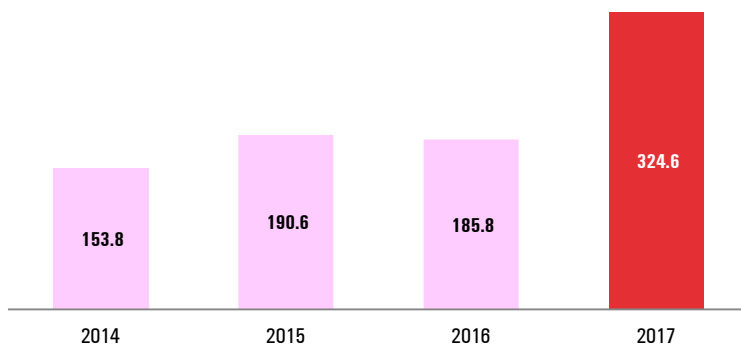


\* 2014 Group Provisions (279.5 KRW bn) only included 4Q Provision Expense(37.3 KRW bn) for Kyongnam, due to the 4Q Inclusion of Kyongnam Bank

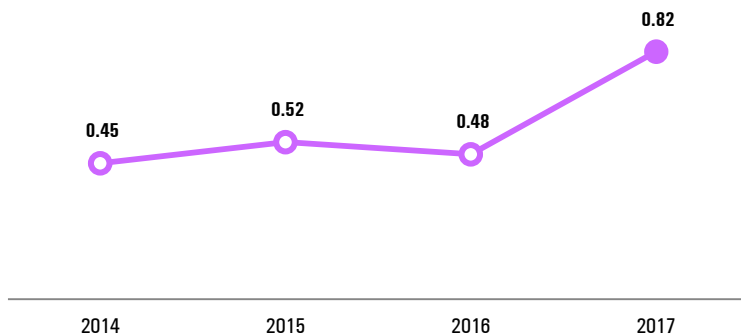
\* The Kyongnam Provision Expense(197.7KRW bn) is the full year amount

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

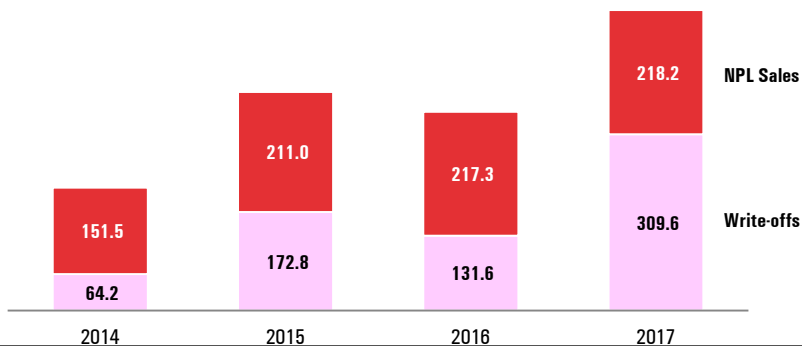
### Provision Expense(KRW bn)



### Credit Cost(%)



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



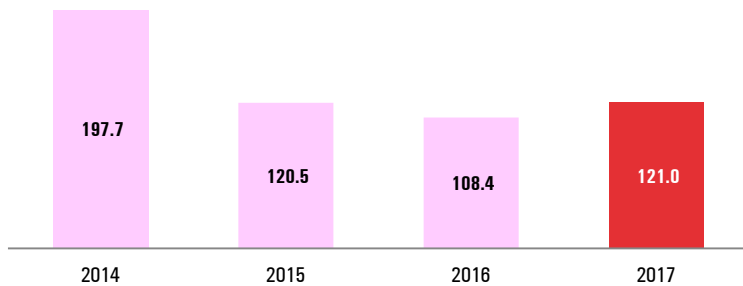
### Provision Expense / Write-offs & NPL Sales( 2016 numbers included in the bracket)

(KRW bn, %)	2017	17.4Q	17.3Q	17.2Q	17.1Q
Corporate	297.0 (158.7)	125.7 (18.5)	51.9 (50.2)	75.0 (35.7)	44.4 (54.3)
Household	12.6 (10.6)	4.0 (3.8)	3.1 (2.1)	3.2 (3.0)	2.3 (1.7)
Credit Card	20.9 (15.1)	6.6 (0.7)	4.1 (7.5)	5.3 (4.0)	4.9 (2.9)
Others	-5.9 (1.4)	-5.5 (3.4)	0.7 (-2.7)	-1.4 (0.3)	0.3 (0.4)
<b>Total(A)</b>	<b>324.6</b> (185.8)	130.8 (26.4)	59.8 (57.1)	82.1 (43.0)	51.9 (59.3)
Total Credits(B)	39,560.9 (38,984.4)	39,560.9 (38,984.4)	40,003.5 (38,934.1)	40,362.8 (38,610.7)	40,073.1 (37,781.1)
Credit Cost(A/B)	0.82 (0.48)	1.31 (0.27)	0.59 (0.58)	0.82 (0.45)	0.53 (0.63)
<b>Total Write-Offs</b>	<b>309.6</b> (217.3)	90.1 (40.8)	145.9 (68.5)	36.5 (51.2)	37.1 (56.8)
Corporate	269.9 (190.6)	78.7 (33.2)	137.1 (61.3)	25.6 (45.3)	28.5 (50.8)
Household	15.9 (10.5)	5.9 (2.7)	3.6 (2.7)	3.0 (2.5)	3.4 (2.6)
Credit Card	23.8 (16.2)	5.5 (4.9)	5.2 (4.5)	7.9 (3.4)	5.2 (3.4)
<b>Total NPL Sales</b>	<b>218.2</b> (129.8)	138.1 (63.2)	0.0 (0.0)	80.1 (66.6)	0.0 (0.0)
<b>(NPL Sales for SBL Loans)</b>	<b>210.9</b> (128.8)	132.8 (63.0)	0.0 (0.0)	78.1 (65.8)	0.0 (0.0)
Corporate	215.1 (127.3)	135.6 (61.9)	0.0 (0.0)	79.5 (65.4)	0.0 (0.0)
Household	2.1 (2.2)	1.9 (1.1)	0.0 (0.0)	0.2 (1.1)	0.0 (0.0)
Credit Card	1.0 (0.3)	0.6 (0.2)	0.0 (0.0)	0.4 (0.1)	0.0 (0.0)

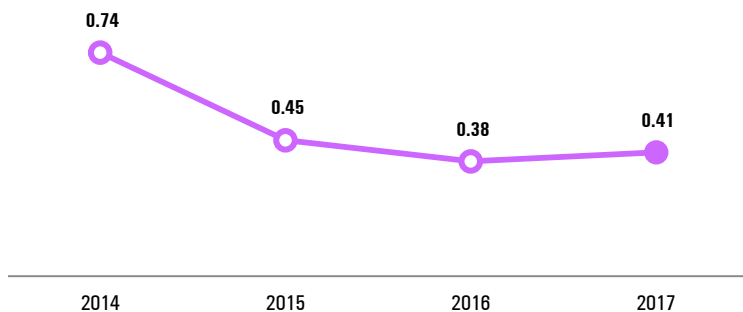


## 4. Provisioning / Write-offs & NPL Sales - Kyongnam

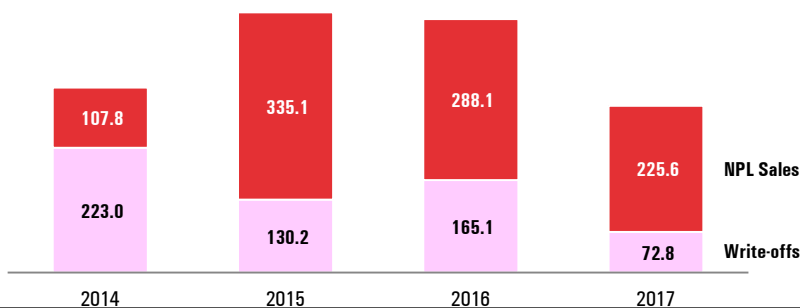
### Provision Expense(KRW bn)



### Credit Cost(%)



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



### Provision Expense / Write-offs & NPL Sales( 2016 numbers included in the bracket)

(KRW bn, %)	2017	17.4Q	17.3Q	17.2Q	17.1Q
<b>Corporate</b>	<b>74.7</b> (111.9)	2.5 (30.2)	35.8 (29.9)	7.7 (42.7)	28.7 (9.1)
<b>Household</b>	<b>3.9</b> (10.0)	-1.5 (2.5)	2.2 (2.0)	2.3 (3.2)	0.9 (2.3)
<b>Credit Card</b>	<b>14.1</b> (13.5)	1.3 (4.7)	4.8 (3.3)	4.0 (2.8)	4.0 (2.7)
<b>Others</b>	<b>28.3</b> (-27.0)	27.8 (1.0)	1.4 (1.9)	-1.4 (-29.5)	-0.8 (-0.4)
<b>Total(A)</b>	<b>1,21.0</b> (108.4)	30.1 (38.4)	44.2 (37.1)	13.9 (19.2)	32.8 (13.7)
<b>Total Credits(B)</b>	<b>29,663.3</b> (28,544.3)	29,663.3 (28,544.3)	29,636.4 (28,040.9)	29,317.1 (27,712.6)	29,315.5 (27,119.0)
<b>Credit Cost(A/B)</b>	<b>0.41</b> (0.38)	0.40 (0.54)	0.59 (0.53)	0.19 (0.28)	0.45 (0.20)
<b>Total Write-Offs</b>	<b>72.8</b> (165.1)	21.8 (72.9)	16.7 (39.8)	18.2 (20.2)	16.1 (32.2)
<b>Corporate</b>	<b>48.5</b> (142.8)	13.9 (66.0)	9.1 (32.2)	13.5 (16.0)	12.0 (28.6)
<b>Household</b>	<b>9.6</b> (11.3)	3.8 (4.5)	3.2 (4.3)	1.5 (0.8)	1.1 (1.7)
<b>Credit Card</b>	<b>14.7</b> (11.0)	4.1 (2.4)	4.4 (3.3)	3.2 (3.4)	3.0 (1.9)
<b>Total NPL Sales</b>	<b>225.6</b> (288.1)	136.1 (77.5)	0.0 (41.0)	39.1 (69.0)	50.4 (100.6)
<b>(NPL Sales for SBL Loans)</b>	<b>216.0</b> (265.3)	132.6 (73.1)	0.0 (39.1)	34.6 (58.3)	48.8 (94.8)
<b>Corporate</b>	<b>223.4</b> (282.7)	135.7 (75.6)	0.0 (39.0)	39.0 (68.9)	48.7 (99.2)
<b>Household</b>	<b>1.9</b> (5.2)	0.2 (1.9)	0.0 (1.9)	0.1 (0.0)	1.6 (1.4)
<b>Credit Card</b>	<b>0.3</b> (0.2)	0.2 (0.0)	0.0 (0.1)	0.0 (0.1)	0.1 (0.0)

# V . Capital Adequacy

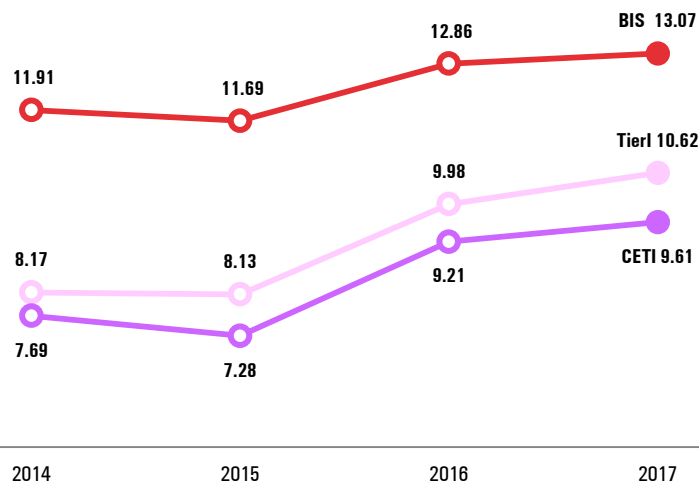
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## 1. Capital Adequacy

26

# 1. Capital Adequacy

## Group Capital Adequacy(%)



## Busan

(KRW bn, %, %p, Basel III I.R.B.)	17.4Q	16.4Q	YTD	17.3Q	QoQ
Tot. Risk Adjusted Capital	5,173.4	5,458.7	-5.2	5,317.3	-2.7
Tier I	4,253.5	4,168.7	2.0	4,377.1	-2.8
(CETI)	4,004.2	4,068.8	-1.6	4,127.8	-3.0
Tot. R.W.A.	32,260.1	35,803.2	-9.9	32,700.7	-1.3
BIS Capital Ratio	16.04	15.25	0.79	16.26	-0.22
Tier I	13.19	11.64	1.55	13.39	-0.20
(CETI)	12.41	11.36	1.05	12.62	-0.21

## Group

(KRW bn, %, %p, Basel III Standard)	17.4Q	16.4Q	YTD	17.3Q	QoQ
Tot. Risk Adjusted Capital	8,722.8	8,546.3	2.1	8,945.3	-2.5
Tier I	7,082.9	6,633.0	6.8	7,264.5	-2.5
(CETI)	6,408.9	6,122.0	4.7	6,600.2	-2.9
Tot. R.W.A.	66,723.9	66,478.8	0.4	67,187.5	-0.7
BIS Capital Ratio	13.07	12.86	0.21	13.31	-0.24
Tier I	10.62	9.98	0.64	10.81	-0.19
(CETI)	9.61	9.21	0.40	9.82	-0.21

## Kyongnam

(KRW bn, %, %p, Basel III I.R.B.)	17.4Q	16.4Q	YTD	17.3Q	QoQ
Tot. Risk Adjusted Capital	3,539.3	3,326.6	6.4	3,634.9	-2.6
Tier I	2,807.7	2,546.3	10.3	2,860.0	-1.8
(CETI)	2,500.4	2,356.9	6.1	2,552.7	-2.0
Tot. R.W.A.	21,439.8	21,657.1	-1.0	21,429.7	0.0
BIS Capital Ratio	16.51	15.36	1.15	16.96	-0.45
Tier I	13.10	11.76	1.34	13.35	-0.25
(CETI)	11.66	10.88	0.78	11.91	-0.25

# VI. Appendix

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# 1. Banks KRW Loan Portfolio

## Busan Bank

(KRW bn, %, Balance)	2017 4Q			
	Amount	Ratio	YTD	QoQ
<b>Manufacturing</b>	<b>9,117.7</b>	24.4	-6.1	-4.6
Steel Metal Products	2,649.4	7.1	-6.4	-5.4
Automobile Parts	2,058.1	5.5	-9.8	-5.0
Machinery	1,244.5	3.3	-8.0	-5.0
Petroleum, Rubber, etc.	1,010.5	2.7	-2.8	-1.8
Fabric	207.3	0.6	-1.5	-2.8
Garment & Shoes	283.0	0.8	-16.6	-5.4
Kitchen Units	286.1	0.8	-0.2	-1.5
Electronics	521.1	1.4	-14.2	-10.3
Paper, Paper Mills	114.5	0.3	11.2	4.7
Others	743.2	2.0	12.2	-1.7
<b>Non-Manufacturing</b>	<b>17,363.3</b>	46.5	3.9	-0.3
Wholesale & Retail	2,850.0	7.6	1.9	-0.3
Public	251.9	0.7	-49.9	-41.2
Construction & Engineering	1,321.6	3.5	-11.6	-1.6
Real Estate	6,880.5	18.4	16.7	3.0
Insurance & Financing	462.4	1.2	1.0	-9.9
Transportation	1,268.4	3.4	-3.6	-4.0
Hotel & Food	1,068.6	2.9	-2.3	-0.8
Others	3,259.9	8.7	3.6	2.4
<b>Households</b>	<b>10,840.0</b>	29.1	6.2	1.9
<b>KRW Loans</b>	<b>37,321.0</b>	100.0	1.9	-0.8

## Kyongnam Bank

\*Sectors are based on FSS Business Report

(KRW bn, %, Balance)	2017 4Q			
	Amount	Ratio	YTD	QoQ
<b>Manufacturing</b>	<b>9,503.1</b>	33.1	-3.0	-2.3
Steel Metal Products	2,298.1	8.0	-4.6	-2.5
Automobile Parts	2,636.6	9.2	-2.1	-3.8
Machinery	2,515.5	8.8	-4.0	-1.0
Petroleum, Rubber, etc.	262.5	0.9	-15.5	-13.4
Fabric	65.6	0.2	-9.0	-5.6
Garment & Shoes	11.4	0.0	-12.3	-7.3
Kitchen Units	201.2	0.7	16.7	9.1
Electronics	663.2	2.3	0.9	-1.6
Paper, Paper Mills	83.7	0.3	-11.6	1.5
Others	765.3	2.7	2.4	0.6
<b>Non-Manufacturing</b>	<b>9,137.3</b>	31.8	5.0	0.6
Wholesale & Retail	1,738.4	6.0	11.7	-0.3
Public	0.4	0.0	-	0.0
Construction & Engineering	521.5	1.8	9.4	-8.8
Real Estate	3,391.2	11.8	10.9	5.0
Insurance & Financing	217.4	0.8	-8.9	11.4
Transportation	328.0	1.1	-2.1	-13.0
Hotel & Food	638.2	2.2	15.7	2.5
Others	2,301.7	8.0	-6.0	-1.6
<b>Households</b>	<b>10,102.2</b>	35.1	13.2	2.6
<b>KRW Loans</b>	<b>28,742.6</b>	100.0	4.8	0.3

## 2. Cyclical Sector

	2017.4Q					
	Steel	Auto	Construction	Shipbuilding	Shipping	Chemical
(KRW bn, %)						
<b>Exposure</b>	<b>3,639.1</b>	<b>3,018.1</b>	<b>1,945.3</b>	<b>1,502.5</b>	<b>610.2</b>	<b>678.3</b>
<b>(% of Total Credits)</b>	<b>5.3</b>	<b>4.4</b>	<b>2.9</b>	<b>2.2</b>	<b>0.9</b>	<b>1.0</b>
<b>Collateral &amp; Provision</b>	<b>2,384.2</b>	<b>1,909.2</b>	<b>830.8</b>	<b>1,008.3</b>	<b>305.0</b>	<b>423.9</b>
<b>Collateral &amp; Provision Coverage</b>	<b>65.5</b>	<b>63.3</b>	<b>42.7</b>	<b>67.1</b>	<b>50.0</b>	<b>62.5</b>
<b>No# of Creditors</b>	<b>2,470</b>	<b>1,949</b>	<b>3,683</b>	<b>1,180</b>	<b>205</b>	<b>651</b>

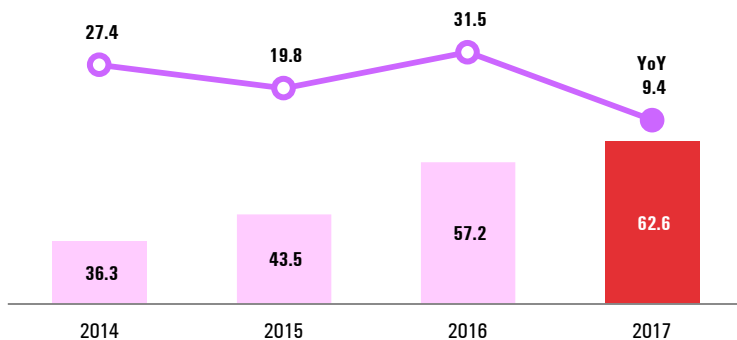
Note 1) Exposure & Total Credits are the sum of Busan & Kyongnam Bank

Note 2) Sectors are based on FSS Business Report

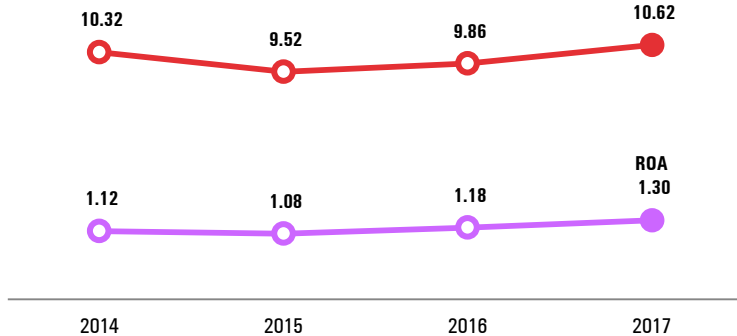
Note 3) Construction includes Real Estate PF(Ref. Collateral for Real Estate PFs are evaluated based on future cash flow that does not include land, buildings under construction etc. hence the overall low construction coverage)

### 3. BNK Capital - 1

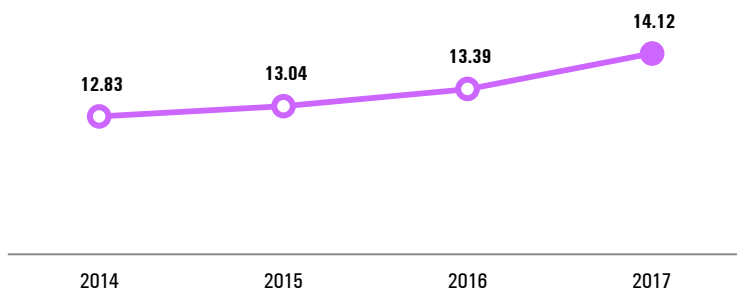
#### Net Income(% , KRW bn)



#### ROA, ROE(%)



#### Adjusted Capital Ratio(%)



(KRW bn, %, Balance)	2017	2016	YoY	17.4Q	17.3Q	QoQ
Net Interest Income	222.8	211.8	5.2	56.8	56.1	1.2
Fee Income	12.7	14.7	-13.6	2.9	4.1	-29.3
Others	-0.5	-13.4	-	-4.3	1.9	Net Loss
SG&A(-)	63.5	60.0	5.8	18.5	15.5	19.4
Provision Expense(-)	87.0	78.8	10.4	26.8	19.4	38.1
Non-Operating Income	-1.8	0.2	Net Loss	-0.2	-0.6	-
<b>Earnings Before Income Tax</b>	<b>82.7</b>	74.5	11.0	9.9	26.8	-63.1
Income Tax Expenses(-)	20.1	17.3	16.2	2.9	6.7	-56.7
<b>Net Income</b>	<b>62.6</b>	57.2	9.4	7.0	20.1	-65.2

(KRW bn, %, Balance)	17.4Q	16.4Q	YTD	17.3Q	QoQ
<b>Assets</b>	<b>4,812.0</b>	4,692.6	2.5	4,781.6	0.6
Cash and Dues	249.2	291.5	-14.5	248.9	0.1
Securities	0.0	0.0	-	0.0	-
Loans	2,857.3	2,631.4	8.6	2,789.4	2.4
Venture Capital Business	2.6	1.3	100.0	2.1	23.8
Durables Installment Financing Assets	733.7	892.3	-17.8	789.8	-7.1
Leased Assets	892.4	799.1	11.7	873.9	2.1
Fixed Assets	6.0	6.1	-1.6	5.7	5.3
Other Assets	70.8	70.9	-0.1	71.8	-1.4
<b>Liability &amp; Shareholder's Equity</b>	<b>4,812.0</b>	4,692.6	2.5	4,781.6	0.6
Borrowings	3,943.2	3,868.1	1.9	3,919.4	0.6
Other Liabilities	258.5	262.1	-1.4	256.6	0.7
Shareholder's Equity	610.3	562.4	8.5	605.6	0.8

## 3. BNK Capital - 2

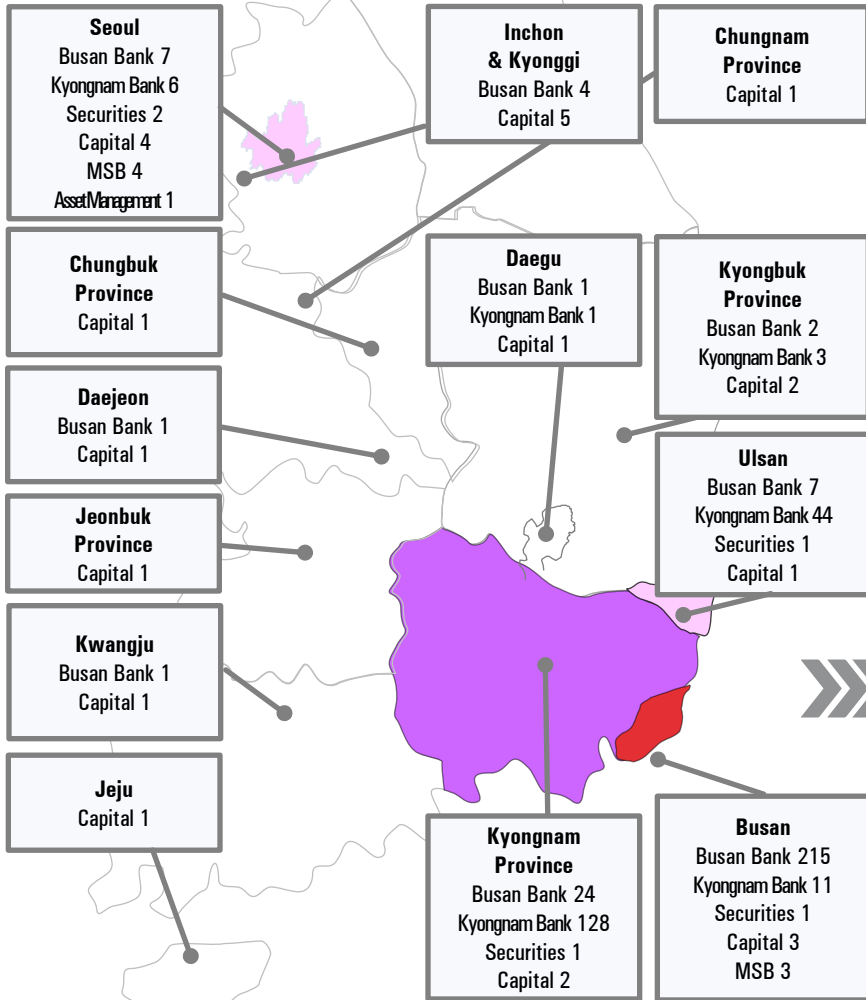
### Loan Portfolio

(KRW bn, %, Balance)	17.4Q	Portion	QoQ	17.3Q	17.2Q	17.1Q	16.4Q	16.3Q	16.2Q	16.1Q	15.4Q	15.3Q	15.2Q	15.1Q
<b>Total</b>	<b>4,640.4</b>	100.0	0.9	4,599.7	4,501.4	4,466.1	4,450.6	4,403.6	4,283.5	4,137.2	4,119.8	4,057.4	4,045.9	3,824.0
<b>Loans</b>	<b>1,503.8</b>	32.4	3.1	1,458.5	1,369.3	1,388.0	1,381.3	1,382.6	1,265.2	1,198.2	1,170.1	1,180.8	1,162.8	1,097.7
Household	<b>840.2</b>	18.1	0.5	836.3	825.4	807.3	790.3	795.4	764.1	733.7	716.6	700.9	695.6	594.0
Corporate	<b>663.6</b>	14.3	6.7	622.2	543.9	580.7	591.0	587.2	501.1	464.5	453.5	479.9	467.2	503.7
<b>Auto Financing</b>	<b>2,567.0</b>	55.3	0.6	2,552.8	2,537.8	2,482.5	2,465.1	2,388.6	2,342.5	2,244.3	2,217.8	2,137.0	2,070.8	1,920.9
Commercial Vehicle	<b>739.6</b>	15.9	-1.1	747.8	741.0	700.8	681.8	680.5	681.5	684.9	673.7	655.0	661.9	612.6
Passenger Vehicle	<b>1,827.4</b>	39.4	1.2	1,805.0	1,796.8	1,781.7	1,783.3	1,708.1	1,661.0	1,559.4	1,544.1	1,482.0	1,408.9	1,308.3
<b>Lease/Installments</b>	<b>567.1</b>	12.2	-3.3	586.4	592.3	592.5	602.9	631.0	674.3	692.7	729.9	737.6	810.3	803.4
Machine Tools	<b>124.7</b>	2.7	-7.8	135.2	140.2	141.4	147.9	157.8	174.8	190.8	207.4	223.4	233.6	248.6
Medical Instruments	<b>169.4</b>	3.7	1.4	167.1	165.1	162.7	161.3	160.7	161.9	156.8	161.4	166.5	167.4	162.2
Others	<b>273.0</b>	5.9	-3.9	284.1	287.0	288.4	293.7	312.5	337.6	345.1	361.1	347.7	409.3	392.6
<b>Venture Capital Business</b>	<b>2.5</b>	0.1	25.0	2.0	2.0	3.1	1.3	1.4	1.5	2.0	2.0	2.0	2.0	2.0



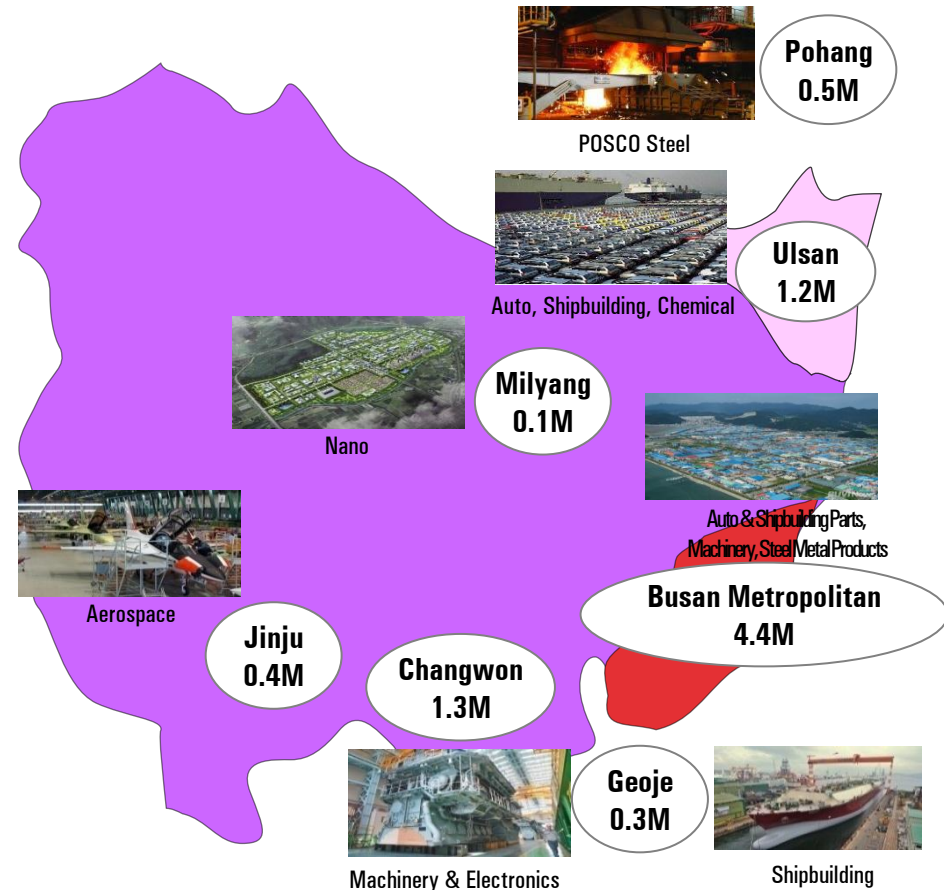
**❑ Networks across Korea(as of Dec. 2017) : 499 Locations**

- Busan Bank 267(Qingdao & Vietnam Branch, Yangon, Mumbai Office included), Kyongnam Bank 193, Capital 27 (Myanmar, Cambodia, Laos included), Securities 4, MSB 7, Asset Management 1



**❑ Population & Major Industries**

- Southeastern Conurbation (8.1 Mn, 15.6% of Total Population), making up 16.1% of GRDP(2015)
- Exports : 124.5 USD bn(2016)
- Imports : 58.4 USD bn(2016)



\* Southeastern region includes Busan, Ulsan, and Kyongnam